



NEWS RELEASE

ServiceNow Reports Financial Results for Third Quarter 2020

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- Subscription revenues of \$1,091 million in Q3 2020, representing 31% year-over-year growth, 29% adjusted for constant currency
- 41 transactions over \$1 million in net new annual contract value in Q3 2020
- 1,012 total customers with over \$1 million in annual contract value
- Company raises full-year guidance

SANTA CLARA, Calif. - October 28, 2020 - ServiceNow (NYSE: NOW), the leading digital workflow company making work, work better for people, today announced financial results for its third quarter ended September 30, 2020, with subscription revenues of \$1,091 million in Q3 2020, representing 31% year-over-year growth, 29% adjusted for constant currency.

During the quarter, ServiceNow closed 41 transactions with more than \$1 million in net new annual contract value (ACV). The company now has 1,012 total customers with more than \$1 million in ACV, representing 25% year-over-year growth in customers.

"Our outstanding Q3 performance beat expectations across the board and we are raising our full-year guidance," said ServiceNow CEO Bill McDermott. "COVID is redefining the future of work, accelerating digital transformation and amplifying the need to unify systems, silos, and processes into holistic enterprise workflows. ServiceNow is the platform for digital business. Customers are leveraging the Now Platform to create the workflows that deliver great experiences for heroic veterans, students, knowledge workers, consumers, and so many others worldwide. We are hungry, humble, and passionately committed to making the world of work, work better for people. We have never been more confident."

ServiceNow CFO Gina Mastantuono said, “In a challenging pandemic environment, Q3 was a fantastic quarter for ServiceNow. We exceeded the high end of our subscription revenues and subscription billings guidance, underscoring the power of our product portfolio and our ability to meet the evolving needs of our customers. Overall, we see strong momentum heading into the last quarter of the year and our robust pipeline gives me confidence in our ability to continue executing well into 2021. I’m very excited about the traction we are seeing in our journey towards becoming a \$10 billion revenue company and the defining enterprise software company of the 21st century.”

During the quarter, ServiceNow delivered new workflows that enable speed, agility, resilience, and great experiences. Platform and product innovation included the release of the Now Platform Paris release, designed to help enterprises accelerate digital transformation by connecting teams, systems, and work. The company also introduced a number of new products, such as new Safe Workplace apps, Hardware Asset Management, Financial Services Operations, Telecom Service Management, Network Performance Management, Legal Service Delivery, Workplace Service Delivery, and Connected Operations. From a vertical perspective, the third quarter represented ServiceNow’s largest quarter ever in its federal business, including the company’s largest deal ever. ServiceNow also recently announced new and expanded partnerships with Accenture, Cisco, Deloitte, IBM, Microsoft Teams, Uber for Business, and Zoom, demonstrating the value of the Now Platform – the platform of platforms – to set a new standard for enterprise transformation.

Third Quarter 2020 GAAP and Non-GAAP Results:

The following table summarizes our financial results for the third quarter 2020:

	Third Quarter 2020 GAAP Results		Third Quarter 2020 Non-GAAP Results ⁽¹⁾			
	Amount (\$ millions)	Year/Year Growth (%)	Amount (\$ millions)	Year/Year Growth (%)	Adjusted Amount (\$ millions) ⁽²⁾	Adjusted Year/Year Growth (%)
Subscription revenues	\$1,091	31%			\$1,077	29%
Professional services and other revenues	\$61	19%			\$60	17%
Total revenues	\$1,152	30%			\$1,137	28%

Subscription billings	\$1,081	25%	\$1,069	24%
Professional services and other billings	\$58	13%	\$57	12%
Total billings	\$1,139	25%	\$1,126	23%

	Amount (\$ millions)	Margin (%)	Amount (\$ millions)	Margin (%)
Subscription gross profit	\$902	83%	\$937	86%
Professional services and other gross profit (loss)	(\$2)	(3%)	\$11	19%
Total gross profit	\$900	78%	\$948	82%
Income from operations	\$69	6%	\$299	26%
Net cash provided by operating activities	\$241	21%		
Free cash flow			\$216	19%

	Amount (\$ millions)	Earnings per Basic/Diluted Share (\$)	Amount (\$ millions)	Earnings per Basic/Diluted Share (\$)
Net income	\$13	\$0.07 / \$0.06	\$241	\$1.24/ \$1.21

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 adjusted subscription revenues, professional services and other revenues, total revenues and 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 following table summarizes our guidance for the fourth quarter 2020:

	Fourth Quarter 2020 GAAP Guidance		Fourth Quarter 2020 Non-GAAP Guidance ⁽¹⁾			
	Amount (\$ millions) ⁽²⁾	Year/Year Growth (%)	Amount (\$ millions) ⁽²⁾	Year/Year Growth (%)	Adjusted Amount (\$ millions) ⁽³⁾	Adjusted Year/Year Growth (%)
Subscription revenues	\$1,155 - \$1,160	28% - 29%			\$1,141 - \$1,146	27%
Subscription billings			\$1,625 - \$1,645	25% - 27%	\$1,612 - \$1,632	24% - 26%
Margin (%)						
Income from operations					21%	
			Amount (millions)			
Weighted-average shares used to compute diluted net income per share			201			

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 and non-GAAP subscription billings is based on foreign exchange rates as of September 30, 2020 for entities reporting in currencies other than U.S. Dollars.

Non-GAAP adjusted subscription revenues are adjusted for constant currency. Non-GAAP adjusted subscription 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 "Reconciliation of Non-GAAP Financial Guidance" for a reconciliation of GAAP to non-GAAP measures.

The following table summarizes our guidance for full-year 2020:

	Full-Year 2020 GAAP Guidance		Full-Year 2020 Non-GAAP Guidance ⁽¹⁾			
	Amount (\$ millions) ⁽²⁾	Year/Year Growth (%)	Amount (\$ millions) ⁽²⁾	Year/Year Growth (%)	Adjusted Amount (\$ millions) ⁽³⁾	Adjusted Year/Year Growth (%)
Subscription revenues	\$4,257 - \$4,262	31%			\$4,251 - \$4,256	31%
Subscription billings			\$4,780 - \$4,800	26% - 27%	\$4,779 - \$4,799	26% - 27%
Margin (%)						
Subscription gross profit						86%
Income from operations						24.5%
Free cash flow						31.5%
			Amount (millions)			
Weighted-average shares used to compute diluted net income per share			199			

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 and non-GAAP subscription billings for the future quarters included in our full-year 2020 guidance are based on foreign exchange rates as of September 30, 2020 for entities reporting in currencies other than U.S. Dollars.

Non-GAAP adjusted subscription revenues are adjusted for constant currency. Non-GAAP adjusted subscription 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 “Reconciliation of Non-GAAP Financial Guidance” for a reconciliation of GAAP to non-GAAP measures.

As with our previously issued full-year 2020 guidance dated July 29, 2020, our guidance factors in assumptions that are based on information available to us today regarding the expected impacts of COVID-19, and persistence of such impacts, on our business.

The following table compares our updated full-year 2020 guidance against our previously issued full-year 2020 guidance dated July 29, 2020:

Comparison of Updated Full-Year 2020 Guidance to Previously Issued Guidance⁽¹⁾
(\$ millions)

	Previous Guidance Midpoint ⁽²⁾	Currency Impact ⁽³⁾	Duration Impact ⁽⁴⁾	Guidance Change	Current Guidance Midpoint ⁽⁵⁾
GAAP subscription revenues	\$4,193	\$31	\$0	\$36	\$4,260
Non-GAAP subscription billings ⁽⁶⁾	\$4,680	\$35	\$9	\$66	\$4,790

Numbers rounded for presentation purposes.

Refers to previously issued full-year 2020 guidance dated July 29, 2020.

GAAP subscription revenues and non-GAAP subscription billings for the future quarters included in our full-year 2020 guidance are based on foreign exchange rates in effect at the end of the current quarter for entities reporting in currencies other than U.S. Dollars. Currency impact represents the sum of (i) the impact of the difference between the actual average rates in the period used to calculate our Q3 2020 actual results and the rates as of June 30, 2020 assumed in our previously issued guidance dated July 29, 2020 plus (ii) the impact of the difference between the exchange rates in effect as of September 30, 2020 assumed in our updated full-year 2020 guidance, and the rates as of June 30, 2020 assumed in our previously issued guidance dated July 29, 2020.

Represents the impact of billings greater than 12 months in excess of guidance assumptions.

Represents the updated full-year 2020 guidance presented in the table above.

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.

Conference Call Details

The conference call will begin at 2 p.m. Pacific Time (22:00 BST) on October 28, 2020. Interested parties may listen to the call by dialing (833) 513-0567 (Passcode: 1688527), or if outside North America, by dialing (236) 714-2186 (Passcode: 1688527). Individuals may access the live teleconference from this webcast link:

<https://event.on24.com/wcc/r/2625181/2EDD61CDBF24CB6EFA12EEA3458C583D>

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) 585-8367 (Passcode: 1688527), or if outside North America, by dialing (416) 621-4642 (Passcode: 1688527).

Investor Presentation Details

An investor presentation providing additional information 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.

- **Adjusted revenues.** We present revenues adjusted 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 Q3 2019, the average exchange rates in effect for our major currencies were 1 USD to 0.90 Euros and 1 USD to 0.812 British Pound Sterling (GBP)), rather than the actual average exchange rates in effect during the current period (for Q3 2020, the average exchange rates in effect for our major currencies were 1 USD to 0.856 Euros and 1 USD to 0.775 GBP). Similarly, in our guidance, we apply the average exchange rates in effect during the comparison period rather than the exchange rates for the guidance period. We believe the presentation of revenues adjusted for constant currency facilitates the comparison of revenues year-over-year.
- **Billings and Adjusted billings.** We believe billings is a useful leading indicator regarding the performance of our business. 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 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 or guidance 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.
- **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 and repayments of convertible senior notes attributable to debt discount, 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 and guidance.

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: (i) the impact and duration of the health impact of COVID-19 and the economic impact of safety measures to mitigate its impact, including the effectiveness, extent and duration of efforts to limit the spread and impact of the disease, such as “shelter in place” and similar government directives; (ii) our ability to compete successfully against existing and new competitors, (iii) our ability to comply with evolving privacy laws, data transfer restrictions, and other foreign and domestic standards related to data and the Internet, (iv) our ability to predict, prepare for and respond promptly to rapidly evolving technological, market and customer developments, (v) errors, interruptions, delays, or security breaches in or of our service or data centers, (vi) 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, (vii) our ability to develop and gain customer acceptance of new and improved products and services, including those acquired through strategic transactions, and (viii) material changes in the value of foreign currencies relative to the U.S. Dollar. Additionally, these forward-looking statements, particularly our guidance, involve risk, uncertainties and assumptions, including those related to the continued impacts of COVID-19 on our business and global economic conditions. Many of these assumptions relate to matters that are beyond our control and changing rapidly, including, but not limited to, the timeframes for and severity of social distancing and other mitigation requirements, the timing of headwinds from COVID-19, the continued impact of COVID-19 on new or existing customers' purchasing decisions and the length of our sales cycles, renewal timing or billings terms, particularly for customers in certain industries highly affected by COVID-19. Significant variation from the assumptions underlying our forward-looking statements could cause our actual results to vary, and the impact could be significant.

Further information on these and other factors that could affect our financial results are included in our Form 10-Q that will be filed for the quarter ended September 30, 2020 and in other filings we make with the Securities and Exchange Commission from time to time, including our Form 10-K filed for the year ended December 31, 2019.

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) is making the world of work, work better for people. Our cloud-based platform and solutions deliver digital workflows that create great experiences and unlock productivity for employees and the enterprise. For more information, visit: www.servicenow.com.

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ServiceNow Q3 2020 complete financial tables (download PDF)

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