NEWS RELEASE

ServiceNow Reports Fourth Quarter and Full-Year 2019 Financial Results

2020-01-29

- Subscription revenues of $899 million in Q4 2019, representing 35% year-over-year growth, 36% adjusted for foreign currency exchange rates
- 76 transactions over $1 million in net new annual contract value in Q4 2019, representing 49% year-over-year growth
- 892 total customers with over $1 million in annual contract value, representing 32% year-over-year growth

SANTA CLARA, Calif. - Jan. 29, 2020 - ServiceNow (NYSE: NOW), the leading digital workflow company making work, work better for people, today announced financial results for its fourth quarter and year ended December 31, 2019, with subscription revenues of $899 million in Q4 2019, representing 35% year-over-year growth, 36% adjusted for foreign currency exchange rates.

During the fourth quarter, ServiceNow closed 76 transactions with more than $1 million in net new annual contract value (ACV), representing 49% year-over-year growth. The company closed the year with 892 total customers with more than $1 million in ACV, representing 32% year-over-year growth in customers.

“ServiceNow beat the high end of guidance for Q4, ending the year very strong,” said ServiceNow President and CEO Bill McDermott. “In Q4, we saw record deals and broad expansion of the Now Platform. ServiceNow is orchestrating what every company wants - workflows that create great experiences. Digital transformation is driving our momentum as customers across industries rush to embrace the simplicity that ServiceNow enables. We are proud to make work, work better for people.”

“I’m thrilled to be a part of ServiceNow, where we are committed to delivering world-class outcomes for our

customers and strong results for our shareholders - as evidenced by our accomplishments in Q4," said Gina Mastantuono, ServiceNow CFO. "Looking ahead, we remain focused on driving sustainable top-line growth as we look to scale our business to $10 billion in revenue and beyond."

Fourth Quarter 2019 GAAP and Non-GAAP Results:

The following table summarizes our financial results for the fourth quarter 2019:

	Fourth Quarter 2019 GAAP Results		Fourth Quarter 2019 Non-GAAP Results[1]			
	Amount ($ millions)	Year/Year Growth (%)	Amount ($ millions)	Year/Year Growth (%)	Adjusted Amount ($ millions)[2]	Adjusted Year/Year Growth (%)
Subscription revenues	$899.2	35%			$907.0	36%
Professional services and other revenues	$52.6	7%			$53.3	8%
Total revenues	$951.8	33%			$960.4	34%
Subscription billings			$1,297.8	36%	$1,303.4	37%
Professional services and other billings			$60.7	(1%)	$61.4	1%
Total billings			$1,358.5	34%	$1,364.8	35%

	Amount ($ millions)	Margin (%)	Amount ($ millions)	Margin (%)
Subscription gross profit	$751.0	84%	$777.2	86%
Professional services and other gross profit (loss)	($10.6)	(20%)	$0.7	1%
Total gross profit	$740.3	78%	$777.9	82%
Income from operations	$28.5	3%	$209.6	22%
Net cash provided by operating activities	$421.2	44%		
Free cash flow			$342.2	36%

	Amount ($ millions)	Earnings per Basic/Diluted Share ($)	Amount ($ millions)	Earnings per Basic/Diluted Share ($)
Net income[3]	$598.7	$3.17 / $3.03	$186.9	$0.99 / $0.96

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.

Fourth quarter 2019 GAAP net income was impacted by a $574 million one-time income tax benefit from the release of a valuation allowance on our deferred tax assets.

Note: Numbers rounded for presentation purposes.

Full-Year 2019 GAAP and Non-GAAP Results:

The following table summarizes our financial results for the full-year 2019:

	Full-Year 2019 GAAP Results		Full-Year 2019 Non-GAAP Results[1]			
	Amount ($ millions)	Year/Year Growth (%)	Amount ($ millions)	Year/Year Growth (%)	Adjusted Amount ($ millions)[2]	Adjusted Year/Year Growth (%)
Subscription revenues	$3,255.1	34%			$3,312.6	37%
Professional services and other revenues	$205.4	10%			$210.2	12%
Total revenues	$3,460.4	33%			$3,522.8	35%

Subscription billings	$3,788.3	31%	$3,850.0	34%
Professional services and other billings	$213.9	3%	$218.7	5%
Total billings	$4,002.2	30%	$4,068.7	32%

	Amount ($ millions)	Margin (%)	Amount ($ millions)	Margin (%)
Subscription gross profit	$2,705.4	83%	$2,802.3	86%
Professional services and other gross profit (loss)	($41.6)	(20%)	$1.5	1%
Total gross profit	$2,663.8	77%	$2,803.8	81%
Income from operations	$42.1	1%	$739.5	21%
Net cash provided by operating activities	$1,236.0	36%		
Free cash flow			$971.1	28%

	Amount ($ millions)	Earnings per Basic/Diluted Share ($)	Amount ($ millions)	Earnings per Basic/Diluted Share ($)
Net income[3]	$626.7	$3.36 / $3.18	$646.3	$3.47 / $3.32

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.

Full-year 2019 GAAP net income was impacted by a $574 million one-time income tax benefit from the release of a valuation allowance on our deferred tax assets.

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 first quarter 2020:

	First Quarter 2020 GAAP Guidance		First 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	$975 - $980	32%			$978 - $983	32% - 33%
Subscription billings			$1,040 - $1,045	28% - 29%	$1,042 - $1,047	29%
			Margin (%)			
Income from operations			22%			
			Amount (millions)			
Weighted-average shares used to compute diluted net income per share			195			

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 December 31, 2019 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	$4,220 - $4,240	30%			$4,210 - $4,230	29% - 30%
Subscription billings			$4,805 - $4,825	27%	$4,807 - $4,827	27%

	Margin (%)
Subscription gross profit	86%
Income from operations	22%
Free cash flow	29%

	Amount (millions)
Weighted-average shares used to compute diluted net income per share	196

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 December 31, 2019 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.

Conference Call Details

The conference call will begin at 2 p.m. Pacific Time (22:00 GMT) on January 29, 2020. Interested parties may listen to the call by dialing (877) 824-2843 (passcode: 6598983), or if outside North America, by dialing (647) 689-5665 (passcode: 6598983). Individuals may access the live teleconference from this webcast link:

https://event.on24.com/wcc/r/2150754/43377D81BB1A56781828BB38CFDBC372

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: 6598983), or if outside North America, by dialing (416) 621-4642 (passcode: 6598983).

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 Q4 2018, the average exchange rates in effect for our major currencies were 1 USD to 0.8763 Euros and 1 USD to 0.7775 British Pound Sterling (GBP)), rather than the actual average exchange rates in effect during the current period (for Q4 2019, the average exchange rates in effect for our major currencies were 1 USD to 0.9034 Euros and 1 USD 0.7771 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, the related income tax effect of these adjustments, and the one-time income tax benefit from the release of a valuation allowance on the deferred tax assets. 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 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) our ability to compete successfully against existing and new competitors, (ii) our ability to comply with privacy laws, data transfer restrictions, and other foreign and domestic standards related to data and the Internet, (iii) our ability

to predict, prepare for and respond promptly to rapidly evolving technological, market and customer developments, (iv) errors, interruptions, delays, or security breaches in or of our service or datacenters, (v) 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, (vi) our ability to develop and gain customer acceptance of new and improved products and services, including those acquired through strategic transactions, and (vii) material changes in the value of foreign currencies relative to the U.S. Dollar.

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, 2019 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, 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 Q4 and Fiscal Year 2019 complete financial tables (download PDF)

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