



NEWS RELEASE

ServiceNow Reports Second Quarter 2022 Financial Results

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- Subscription revenues of \$1,658 million in Q2 2022, representing 25% year-over-year growth, 29.5% adjusted for constant currency
- Total revenues of \$1,752 million in Q2 2022, representing 24% year-over-year growth, 29.5% adjusted for constant currency
- Current remaining performance obligations of \$5.75 billion as of Q2 2022, representing 21% year-over-year growth, 27% adjusted for constant currency
- Surpassed 100 customers paying over \$10 million in annual contract value in Q2 2022, representing more than 50% year-over-year growth

SANTA CLARA, Calif. - July 27, 2022 - ServiceNow (NYSE: NOW), the leading digital workflow company making the world work better for everyone, today announced financial results for its second quarter ended June 30, 2022, with subscription revenues of \$1,658 million in Q2 2022, representing 25% year-over-year growth, 29.5% adjusted for constant currency.

"ServiceNow once again beat expectations on the top and bottom line," said ServiceNow President and CEO Bill McDermott. "ServiceNow is the enduring platform for a fast-changing world. Our pace of innovation, customer-centricity, and consistent execution are proven. While no industry is immune to the current macro environment, no company is in a better position than ServiceNow to help customers innovate through this moment."

As of June 30, 2022, current remaining performance obligations ("cRPO"), contract revenue that will be recognized as revenue in the next 12 months, was \$5.75 billion, representing 21% year-over-year growth and 27% adjusted for



constant currency. The company now has 1,463 total customers with more than \$1 million in annual contract value, representing 22% year-over-year growth in customers.

“Our Q2 results demonstrate the durability of our business, as strong net expansion and a best-in-class renewal rate of 99% drove a solid balance of growth and profitability,” said ServiceNow CFO Gina Mastantuono. “In the current macro environment, ServiceNow remains a core component of our customers’ digital transformation strategy and we continue to see a very strong pipeline. We are leaning into our massive opportunity with operational rigor as we remain ever confident in achieving \$16B+ in subscription revenue in 2026.”

Recent Business Highlights

- During the quarter, ServiceNow hosted Knowledge 2022 which drew more than 14,000 attendees to The Hague, New York City, Las Vegas and Sydney. At the conference, ServiceNow announced new solutions to advance digital business and accelerate innovation: Service Operations Workspace, App Engine Management Center, Public Sector Digital Services, and ServiceNow Indoor Mapping.
- In Q2, the company announced Sourcing and Procurement Operations, a new solution to help transform procurement across the enterprise. The company also furthered its investment in employee experience with the acquisition of Hitch Works, a skills mapping and intelligence company that will tie employee learning and development to workforce planning to address talent gaps. In addition, through its partnership with Microsoft, ServiceNow is accelerating Azure adoption for mutual customers.
- ServiceNow continues to expand its global footprint with more than 100 customers now paying over \$10 million in annual contract value in Q2 2022, up more than 50% year-over-year.

Second Quarter 2022 GAAP and Non-GAAP Results:

The following table summarizes our financial results for the second quarter 2022:

	Second Quarter 2022 GAAP Results		Second Quarter 2022 Non-GAAP Results ⁽¹⁾	
	Amount (\$ millions)	Year/Year Growth (%)	Amount (\$ millions) ⁽²⁾	Year/Year Growth (%)
Subscription revenues	\$1,658	25%	\$1,724	29.5%
Professional services and other revenues	\$94	19%	\$100	26%



Total revenues	\$1,752	24%	\$1,824	29.5%
	Amount (\$ billions)	Year/Year Growth (%)	Amount (\$ billions) ⁽²⁾	Year/Year Growth (%)
cRPO	\$5.75	21%	\$6.02	27%
RPO	\$11.5	21%	\$12.0	27%
	Amount (\$ millions)	Margin (%)	Amount (\$ millions)	Margin (%)
Subscription gross profit	\$1,371	83%	\$1,427	86%
Professional services and other gross profit (loss)	(\$8)	(9%)	\$10	10%
Total gross profit	\$1,363	78%	\$1,437	82%
Income from operations	\$22	1%	\$399	23%
Net cash provided by operating activities	\$433	25%		
Free cash flow			\$287	16%
	Amount (\$ millions)	Earnings per Basic/Diluted Share (\$)	Amount (\$ millions)	Earnings per Basic/Diluted Share (\$)
Net income	\$20	\$0.10/ \$0.10	\$329	\$1.63/ \$1.62

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 and RPO are adjusted for constant currency. 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 December 31, 2021, ServiceNow has seen an incremental strengthening of the U.S. dollar resulting in a foreign exchange (“FX”) headwind in 2022. Total FX impact estimated to be approximately a \$220 million (~400bps) headwind for 2022 subscription revenues and a \$180 million (~350bps) headwind for Q3 2022 cRPO. FX is also expected to approximately be a 1 point headwind to FY 2022 operating margin. Additionally, ServiceNow has a larger-than-average customer cohort renewing in Q4 2022. As a result, Q3 2022 will experience approximately 2 points of headwinds to cRPO growth as the contractual obligations wind down. We expect that cohort to renew in Q4 2022, at which time those headwinds will subside and we expect cRPO growth to re-accelerate quarter-over-quarter.

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

	Third Quarter 2022 GAAP Guidance		Third Quarter 2022 Non-GAAP Guidance ⁽¹⁾
	Amount (\$ millions) ⁽²⁾	Year/Year Growth (%) ⁽²⁾	Constant Currency Year/ Year Growth (%)
Subscription revenues	\$1,750 - \$1,755	23%	27.5%
cRPO		20%	23.5%

Note: Includes timing headwind from larger-than-average renewal cohort noted above

	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 and GAAP subscription revenue and cRPO growth rate is based on the 30-day average of foreign exchange rates for June 2022 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 (%) ⁽²⁾	Constant Currency Year/ Year Growth (%)
Subscription revenues	\$6,915 - \$6,925	24%	28%
			Margin (%)
Subscription gross profit			86%
Income from operations			25%
Free cash flow			30%
			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.

GAAP subscription revenues and related growth rate for the future quarters included in our full-year 2022 guidance are based on the 30-day average of foreign exchange rates for June 2022 for entities reporting in currencies other than U.S. Dollars.

Conference Call Details

The conference call will begin at 2 p.m. Pacific Time (21:00 GMT) on July 27, 2022. Interested parties may listen to the call by dialing (888) 330-2455 (Passcode: 8135305), or if outside North America, by dialing (240) 789-2717 (Passcode: 8135305). Individuals may access the live teleconference from this **webcast**.

<https://events.q4inc.com/attendee/274505707>

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 use 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 Q2 2021, the average exchange rates in effect for our major currencies were 1 USD to 0.83 Euros and 1 USD to 0.72 British Pound Sterling ("GBP")), rather than the actual average exchange rates in effect during the current period (for Q2 2022, the average exchange rates in effect for our major currencies were 1 USD to 0.94 Euros and 1 USD to 0.80 GBP). Guidance for related growth rates are derived by applying 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 and related growth rates adjusted for constant currency facilitates the comparison of revenues year-over-year.

- 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 Q2 2021, the end of the period exchange rates in effect for our major currencies were 1 USD to 0.84 Euros and 1 USD to 0.72 GBP), rather than the actual end of the period exchange rates in effect during the current period (for Q2 2022, the end of the period exchange rates in effect for our major currencies were 1 USD to 0.96 Euros and 1 USD to 0.82 GBP). Guidance for the related growth rate is derived by applying the end of period exchange rates in effect during the comparison period rather than the exchange rates in effect during the guidance period. 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; fluctuations 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, and the availability of vaccinations; our ability to

consummate and realize the benefits of any strategic transactions or acquisitions; the impact of the Russian invasion of Ukraine on macroeconomic conditions; inflation; 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-K filed for the year ended December 31, 2021, our Form 10-Q that will be filed for the quarter ended June 30, 2022 and in other filings we make with the Securities and Exchange Commission from time to time.

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 Q2 2022 complete financial tables (download PDF)

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