

# ServiceNow Reports Second Quarter 2024 Financial Results

2024-07-24

- ServiceNow exceeds guidance across all Q2 2024 topline growth and profitability metrics; raises 2024 subscription revenues and operating margin guidance
- Subscription revenues of \$2,542 million in Q2 2024, representing 23% year-over-year growth, 23% in constant currency
- Total revenues of \$2,627 million in Q2 2024, representing 22% year-over-year growth, 22.5% in constant currency
- Current remaining performance obligations of \$8.78 billion as of Q2 2024, representing 22% year-over-year growth, 22.5% in constant currency
- Remaining performance obligations of \$18.6 billion as of Q2 2024, representing 31% year-over-year growth, 31.5% in constant currency
- 88 transactions over \$1 million in net new ACV in Q2 2024, up 26% year-over-year
- Board of Directors shares update on leadership transition; CJ Desai, President and Chief Operating Officer, departs company; Chris Bedi announced as interim Chief Product Officer

SANTA CLARA, Calif. - July 24, 2024 - ServiceNow (NYSE: NOW), the AI platform for business transformation, today announced financial results for its second quarter ended June 30, 2024, with subscription revenues of \$2,542 million in Q2 2024, representing 23% year-over-year growth and 23% in constant currency.

“ServiceNow’s elite-level execution is reflected in our continued outperformance across all topline growth and profitability metrics,” said ServiceNow Chairman and CEO Bill McDermott. “Our relevance as the AI platform for business transformation remains stronger than ever as CEOs are looking for new vectors of growth, simplification, and digitization. ServiceNow intends to reinvent every workflow, in every company, in every industry with GenAI at

the core.”

As of June 30, 2024, current remaining performance obligations (“cRPO”), contract revenue that will be recognized as revenue in the next 12 months, was \$8.78 billion, representing 22% year-over-year growth and 22.5% in constant currency. The company now has 1,988 total customers with more than \$1 million in annual contract value (“ACV”), representing 15% year-over-year growth in customers.

“Q2 was another fantastic quarter with NNACV and GenAI contributions exceeding expectations,” said ServiceNow CFO Gina Mastantuono. “Our Knowledge event in May centered on 'Putting AI to Work for People' and received an incredible response from customers, generating more than \$1 billion in pipeline. This robust pipeline, combined with our outperformance in the first half, gives us the visibility to raise our 2024 subscription revenue guidance and reinforces our confidence in achieving \$15+ billion in 2026.”

## Recent Business Highlights

### Innovation

- Generative AI is a generational secular tailwind. NNACV for Now Assist, ServiceNow’s GenAI experience, doubled quarter over quarter and significantly overachieved expectations, including 11 deals greater than \$1 million in Q2.
- ServiceNow’s Knowledge event in May brought together over 20,000 customers and partners, and newly created pipeline after only 60 days was up over 50% year-over-year. During the event, ServiceNow introduced innovations designed to power AI-driven transformation for enterprises, including a new **bring your own (BYO) GenAI model** – which offers greater flexibility and choice to customers – and new cross-platform GenAI capabilities such as **Now Assist for Strategic Portfolio Management, Now Assist for Government Community Cloud (GCC), Creator Studio, Manufacturing Commercial Operations, and Talent Development.**
- Today ServiceNow launched its RaptorDB Lighthouse program, building on the powerful, new **RaptorDB database offering** announced in May, to help customers quickly ingest and analyze data at massive scale as they pursue new AI use cases. To further enhance the company’s GenAI-powered search and knowledge management capabilities, ServiceNow also today announced that it acquired **Raytion**, a Germany-based industry leader in information retrieval technology.

### Partnerships

- Also at its Knowledge conference, ServiceNow expanded on its strategic AI partnerships. **ServiceNow and Microsoft** announced a Now Assist and Copilot integration for a seamless enterprise experience; **ServiceNow and IBM** introduced a Now Platform and IBM watsonx integration to help customers accelerate workflow

productivity; and **ServiceNow and Nvidia** showcased together onstage the potential of AI avatars for employee and customer service. Additional technology partnerships announced include **Genesys, Fujitsu, Equinix, and Infosys**.

- Today **ServiceNow and Boomi** announced a strategic commitment to elevate customer experiences through AI-powered self-service, leveraging ServiceNow solutions. ServiceNow will also bring Boomi's APIM solution to its customers to help deepen ServiceNow's suite of intelligent automation solutions.

## Global and Industry Expansion

- ServiceNow continues to invest in its global customer base and future growth, announcing plans for a **UAE Cloud**, hosted on Microsoft Azure, with targeted delivery in the first half of 2025, and a strategic investment in **inMorphis**, a global IT company and leading pure-play ServiceNow partner, to extend ServiceNow's presence in India and the ASEAN region.
- ServiceNow furthered its industry leadership, making its first telecommunications-focused Ecosystem Ventures investment in leading industry services partner **Prodapt** to accelerate business transformation with AI-enabled solutions, go-to-market capabilities, and Now Platform skills expansion. Also in the space, **ServiceNow and BT Group** announced a multi-year agreement to transform the customer experience at BT Group, and recently, **ServiceNow and Bell Canada** announced an industry-first collaboration to expand Bell's use of the Now Platform in its digital transformation to meet the growing demand for tech services and digital media.

## Recognition

- As a testament to ServiceNow's market outperformance, ServiceNow earned a spot on the **Fortune 500 list**<sup>1</sup> for the second year in a row. The company was also named to the **Kantar BrandZ Top 100 Most Valuable Global Brands** list for 2024; Great Place to Work Best Workplaces in Technology **GCC, Australia, and Ireland**; **Glassdoor's Best-Led Companies 2024**; and LinkedIn Top Companies in **Australia, Ireland, and the Netherlands**.
- ServiceNow announced during the quarter that it was named a Leader in **The Forrester Wave™: Strategic Portfolio Management Tools, Q2 2024**, and also that it was named a Leader in **The Forrester Wave™: P&C Claims Management Systems, Q2 2024**. Additionally, ServiceNow announced that it was named a Leader in the **IDC MarketScape: Worldwide Multicloud and Hybrid Cloud Management with Automation, 2024 Vendor Assessment**.

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## Leadership Update



As previously referenced in the Company's Form 10-Q for the quarter ended March 31, 2024, the Company received an internal complaint that raised a potential concern related to one of its employees.

The Company initiated an internal investigation, with assistance of outside legal counsel, into the validity of these claims. The Company also promptly informed and is continuing to cooperate with government entities.

As a result of the investigation, the Company's Board of Directors determined Company policy was violated regarding the hiring of the former Chief Information Officer of the U.S. Army. As such, the hired individual, who led the company's public sector thought leadership and business development efforts since March 2023, departed the company. In addition, the Company and CJ Desai, President and Chief Operating Officer, came to a mutual agreement that Desai would resign from all positions with the Company effective immediately. The company believes this was an isolated incident.

The Company has appointed ServiceNow veteran Chris Bedi, as interim Chief Product Officer, effective immediately. Bedi has been at ServiceNow for nearly a decade with roles including Chief Digital Information Officer and Chief Customer Officer.

## Second Quarter 2024 GAAP and Non-GAAP Results:

The following table summarizes our financial results for the second quarter 2024:

|  | Second Quarter 2024 GAAP Results |                      | Second Quarter 2024 Non-GAAP Results <sup>1</sup> |                      |
|--|----------------------------------|----------------------|---|----------------------|
|  | Amount (\$ millions)             | Year/Year Growth (%) | Amount (\$ millions) <sup>3</sup>                 | Year/Year Growth (%) |
| Subscription revenues                    | \$2,542                          | 23%                  | \$2,552   | 23%                  |
| Professional services and other revenues | \$85                             | 13%                  | \$85  | 13.5%                |
| Total revenues                           | \$2,627                          | 22%                  | \$2,637   | 22.5%                |
|  | Amount (\$ billions)             | Year/Year Growth (%) | Amount (\$ billions) <sup>3</sup>                 | Year/Year Growth (%) |
| cRPO                                     | \$8.78                           | 22%                  | \$8.84  | 22.5%                |

|  |                         |   |                                      |  |
|--|-------------------------|---|--------------------------------------|--|
| RPO  | \$18.6                  | 31%   | \$18.7                               | 31.5%  |
|  | Amount<br>(\$ millions) | Margin (%)                                  | Amount<br>(\$ millions) <sup>2</sup> | Margin (%) <sup>2</sup>                                  |
| Subscription gross profit                    | \$2,073                 | 82%   | \$2,156                              | 85%  |
| Professional services and other gross profit | \$2                     | 2%  | \$14                                 | 16%  |
| Total gross profit                           | \$2,075                 | 79%   | \$2,170                              | 83%  |
| Income from operations                       | \$240                   | 9%  | \$720                                | 27%  |
| Net cash provided by operating activities    | \$620                   | 24%   |                                      |  |
| Free cash flow                               |                         |   | \$359                                | 14%  |
|  | Amount<br>(\$ millions) | Earnings per<br>Basic/Diluted<br>Share (\$) | Amount<br>(\$ millions) <sup>2</sup> | Earnings per<br>Basic/Diluted<br>Share (\$) <sup>2</sup> |
| Net income                                   | \$262                   | \$1.27 / \$1.26                             | \$651                                | \$3.16 / \$3.13  |

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.

Refer to the table entitled “GAAP to Non-GAAP Reconciliation” for a reconciliation of GAAP to non-GAAP measures. Non-GAAP subscription revenues and total revenues are adjusted for constant currency by excluding effects of foreign currency rate fluctuations and any gains or losses from foreign currency hedge contracts. Professional services and other revenues, cRPO, and RPO are adjusted only for constant currency. See the section entitled “Statement Regarding Use of Non-GAAP Financial Measures” for an explanation of non-GAAP measures.

Note: Numbers rounded for presentation purposes and may not foot.

## Financial Outlook

Our guidance includes GAAP and non-GAAP financial measures. The non-GAAP growth rates for subscription revenues are adjusted for constant currency by excluding effects of foreign currency rate fluctuations and any gains

or losses from foreign currency hedge contracts, and cRPO are adjusted only for constant currency to provide better visibility into the underlying business trends. Since March 31, 2024, ServiceNow has seen a strengthening of the U.S. dollar resulting in an incremental foreign exchange (“FX”) headwind of \$20 million to 2024 subscription revenues when compared to our previous guidance provided on April 24, 2024.

The following table summarizes our guidance for the third quarter 2024:

|  | Third Quarter 2024<br>GAAP Guidance  |                                      | Third Quarter 2024<br>Non-GAAP Guidance <sup>1</sup> |
|--|--------------------------------------|--------------------------------------|--|
|  | Amount<br>(\$ millions) <sup>3</sup> | Year/Year<br>Growth (%) <sup>3</sup> | Constant Currency<br>Year/Year Growth (%)            |
| Subscription revenues  | \$2,660 - \$2,665                    | 20% - 20.5%                          | 20.5%  |
| cRPO   |                                      | 22.5%                                | 22%  |
|  |                                      |                                      | Margin (%) <sup>2</sup>                              |
| Income from operations   |                                      |                                      | 29.5%  |
|  |                                      | Amount<br>(millions)                 |  |
| Weighted-average shares used to compute diluted net income per share |                                      | 209                                  |  |

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.

Refer to 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 revenues and cRPO growth rates are based on the 30-day average of foreign exchange rates for June 2024 for entities reporting in currencies other than U.S. Dollars.

The following table summarizes our guidance for the full-year 2024:

|  | Full-Year 2024<br>GAAP Guidance      |                                      | Full-Year 2024<br>Non-GAAP Guidance <sup>1</sup> |
|--|--------------------------------------|--------------------------------------|--|
|  | Amount<br>(\$ millions) <sup>3</sup> | Year/Year<br>Growth (%) <sup>3</sup> | Constant Currency<br>Year/Year Growth (%)        |
| Subscription revenues  | \$10,575 - \$10,585                  | 22%                                  | 22%  |
|  |                                      |                                      | Margin (%) <sup>2</sup>                          |
| Subscription gross profit  |                                      |                                      | 84.5%  |
| Income from operations   |                                      |                                      | 29.5%  |
| Free cash flow   |                                      |                                      | 31%  |
|  |                                      | Amount<br>(millions)                 |  |
| Weighted-average shares used to compute diluted net income per share |                                      | 208                                  |  |

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.

Refer to 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 quarter included in our full-year 2024 guidance are based on the 30-day average of foreign exchange rates for June 2024 for entities reporting in currencies other than U.S. Dollars.

Note: Numbers are rounded for presentation purposes and may not foot.

## Conference Call Details

The conference call will begin at 2 p.m. Pacific Time ("PT") (21:00 GMT) on July 24, 2024. 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/627663058>**

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 (609) 800-9909 (Passcode: 8135305).

## Investor Presentation Details

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

## Upcoming Investor Conferences

ServiceNow today announced that it will attend and have executives present at three upcoming investor conferences.

These include:

- ServiceNow Chief Financial Officer Gina Mastantuono will participate in a fireside chat at the Deutsche Bank 2024 Technology Conference on Thursday, August 29, 2024.
- ServiceNow Chief Financial Officer Gina Mastantuono will participate in a fireside chat at the Citi 2024 Global TMT Conference on Thursday, September 5, 2024.
- ServiceNow Chairman and Chief Executive Officer Bill McDermott will participate in a keynote presentation at the Goldman Sachs Communacopia and Technology Conference on Wednesday, September 11, 2024.

The live webcast will be accessible on the investor relations section of the ServiceNow website at <https://investors.servicenow.com> and archived on the ServiceNow site for a period of 30 days.

## 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 and any

gains or losses from foreign currency hedge contracts that are reported in the current and comparative period. To exclude the effect of foreign currency rate fluctuations, 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 2023, the average exchange rates in effect for our major currencies were 1 USD to 0.92 Euros and 1 USD to 0.80 British Pound Sterling ("GBP")), rather than the actual average exchange rates in effect during the current period (for Q2 2024, the average exchange rates in effect for our major currencies were 1 USD to 0.93 Euros and 1 USD to 0.79 GBP). Guidance for related growth rates is derived by applying the average exchange rates in effect during the comparison period, rather than the exchange rates for the guidance period, adjusted for any foreign currency hedging effects. 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 2023, the end of the period exchange rates in effect for our major currencies were 1 USD to 0.92 Euros and 1 USD to 0.79 GBP), rather than the actual end of the period exchange rates in effect during the current period (for Q2 2024, the end of the period exchange rates in effect for our major currencies were 1 USD to 0.93 Euros and 1 USD to 0.79 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, income tax effects and adjustments, and the income tax benefit from the release of a valuation allowance on 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 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 operating activities plus cash outflows 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 for gross profit, income from operations, net income, net income per share, and free cash flow.

## 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, among others, experiencing an actual or perceived cyber-security event or weakness; 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 existing, new and improved products and services; our ability to expand and maintain our partnerships and partner programs, including expected market opportunity from such relationships; global economic conditions; fluctuations in the value of foreign currencies relative to the U.S. Dollar; fluctuations in interest rates; our ability to consummate and realize the

benefits of any strategic transactions or acquisitions; the impact of armed conflicts and bank failures 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 for the year ended December 31, 2023, 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) is putting AI to work for people. We move with the pace of innovation to help customers transform organizations across every industry while upholding a trustworthy, human centered approach to deploying our products and services at scale. Our AI platform for business transformation connects people, processes, data, and devices to increase productivity and maximize business outcomes. For more information, visit: [www.servicenow.com](http://www.servicenow.com).

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**ServiceNow Q2 2024 complete financial tables** (download PDF)

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