

ServiceNow, Inc.
Condensed Consolidated Statements of Operations
(in thousands, except share and per share data)
(unaudited)

	Three Months Ended	
	March 31, 2019	March 31, 2018
Revenues:		
Subscription	\$ 739,986	\$ 543,325
Professional services and other	48,940	45,897
Total revenues	788,926	589,222
Cost of revenues ⁽¹⁾ :		
Subscription	126,589	95,398
Professional services and other	59,663	48,075
Total cost of revenues	186,252	143,473
Gross profit	602,674	445,749
Operating expenses ⁽¹⁾ :		
Sales and marketing	361,409	283,701
Research and development	172,522	117,268
General and administrative	84,456	65,063
Total operating expenses	618,387	466,032
Loss from operations	(15,713)	(20,283)
Interest expense	(8,168)	(17,064)
Interest income and other income (expense), net	12,425	29,987
Loss before income taxes	(11,456)	(7,360)
Benefit from income taxes	(9,911)	(17,982)
Net income (loss)	\$ (1,545)	\$ 10,622
Net income (loss) per share - basic	\$ (0.01)	\$ 0.06
Net income (loss) per share - diluted	\$ (0.01)	\$ 0.06
Weighted-average shares used to compute net income (loss) per share - basic	182,061,579	175,482,833
Weighted-average shares used to compute net income (loss) per share - diluted	182,061,579	190,249,786

(1) Includes stock-based compensation as follows:

	Three Months Ended	
	March 31, 2019	March 31, 2018
Cost of revenues:		
Subscription	\$ 16,022	\$ 11,291
Professional services and other	9,931	7,561
Sales and marketing	62,130	52,082
Research and development	43,582	28,598
General and administrative	25,785	21,809

ServiceNow, Inc.
Condensed Consolidated Balance Sheets
(in thousands)
(unaudited)

	March 31, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 639,722	\$ 566,204
Short-term investments	1,022,391	931,718
Accounts receivable, net	422,559	574,810
Current portion of deferred commissions	144,629	139,890
Prepaid expenses and other current assets	145,185	132,071
Total current assets	2,374,486	2,344,693
Deferred commissions, less current portion	283,124	282,490
Long-term investments	674,633	581,856
Property and equipment, net ⁽¹⁾	350,651	347,216
Operating lease right-of-use assets ⁽¹⁾	393,561	—
Intangible assets, net	93,252	100,582
Goodwill	151,184	148,845
Other assets	78,004	73,458
Total assets	\$ 4,398,895	\$ 3,879,140
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 38,668	\$ 30,733
Accrued expenses and other current liabilities ⁽¹⁾	306,161	330,246
Current portion of deferred revenue	1,711,060	1,651,594
Current portion of operating lease liabilities ⁽¹⁾	41,952	—
Total current liabilities	2,097,841	2,012,573
Deferred revenue, less current portion	36,722	38,597
Operating lease liabilities, less current portion ⁽¹⁾	380,944	—
Convertible senior notes, net	669,875	661,707
Other long-term liabilities ⁽¹⁾	18,562	55,064
Stockholders' equity ⁽¹⁾	1,194,951	1,111,199
Total liabilities and stockholders' equity	\$ 4,398,895	\$ 3,879,140

- (1) We adopted Topic 842 using the modified retrospective method as of January 1, 2019 and elected the transition option that allows us not to restate the comparative periods in our financial statements in the year of adoption.

ServiceNow, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Three Months Ended	
	March 31, 2019	March 31, 2018
Cash flows from operating activities:		
Net income (loss)	\$ (1,545)	\$ 10,622
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	55,449	33,411
Amortization of deferred commissions	39,557	30,419
Amortization of debt discount and issuance costs	8,168	17,064
Stock-based compensation	157,450	121,341
Deferred income tax	(1,480)	(24,348)
Gain on marketable equity securities	—	(18,455)
Repayments of convertible senior notes attributable to debt discount	—	(8,660)
Other	724	(5,805)
Changes in operating assets and liabilities:		
Accounts receivable	151,105	69,502
Deferred commissions	(46,599)	(42,475)
Prepaid expenses and other assets	(33,659)	(15,808)
Accounts payable	6,562	875
Deferred revenue	61,370	83,733
Accrued expenses and other liabilities	(36,254)	(1,336)
Net cash provided by operating activities	<u>360,848</u>	<u>250,080</u>
Cash flows from investing activities:		
Purchases of property and equipment	(47,124)	(35,371)
Purchases of other intangibles	—	(7,850)
Purchases of investments	(438,498)	(376,130)
Purchases of strategic investments	(284)	—
Sales of investments	6,576	—
Maturities of investments	256,309	182,105
Realized gains on derivatives not designated as hedging instruments, net	22,148	—
Net cash used in investing activities	<u>(200,873)</u>	<u>(237,246)</u>
Cash flows from financing activities:		
Repayments of convertible senior notes attributable to principal	—	(28,606)
Proceeds from employee stock plans	53,093	52,657
Taxes paid related to net share settlement of equity awards	(139,493)	(85,555)
Payments on financing obligations	—	(288)
Net cash used in financing activities	<u>(86,400)</u>	<u>(61,792)</u>
Foreign currency effect on cash, cash equivalents and restricted cash	<u>1,079</u>	<u>6,491</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	<u>74,654</u>	<u>(42,467)</u>
Cash, cash equivalents and restricted cash at beginning of period	<u>568,538</u>	<u>727,829</u>
Cash, cash equivalents and restricted cash at end of period	<u><u>\$ 643,192</u></u>	<u><u>\$ 685,362</u></u>

ServiceNow, Inc.
GAAP to Non-GAAP Reconciliation
(in thousands, except share and per share data)
(unaudited)

	Three Months Ended		
	March 31, 2019	March 31, 2018	Growth Rates
Subscription revenues:			
GAAP subscription revenues	\$ 739,986	\$ 543,325	36%
Effects of foreign currency rate fluctuations	20,457		
Non-GAAP adjusted subscription revenues ⁽¹⁾	<u>\$ 760,443</u>		40%
Subscription billings:			
GAAP subscription revenues	\$ 739,986	\$ 543,325	36%
Change in subscription deferred revenue, unbilled receivables and customer deposits	69,611	95,072	
Non-GAAP subscription billings	809,597	638,397	27%
Effects of foreign currency rate fluctuations	21,673		
Effects of fluctuations in billings duration	18,426		
Non-GAAP adjusted subscription billings ⁽²⁾	<u>\$ 849,696</u>		33%
Professional services and other revenues:			
GAAP professional services and other revenues	\$ 48,940	\$ 45,897	7%
Effects of foreign currency rate fluctuations	1,890		
Non-GAAP adjusted professional service and other revenues ⁽¹⁾	<u>\$ 50,830</u>		11%
Professional services and other billings:			
GAAP professional services and other revenues	\$ 48,940	\$ 45,897	7%
Change in professional services and other deferred revenue	(1,006)	5,092	
Non-GAAP professional services and other billings	47,934	50,989	(6%)
Effects of foreign currency rate fluctuations	1,890		
Non-GAAP adjusted professional services and other billings ⁽²⁾	<u>\$ 49,824</u>		(2%)
Total revenues:			
GAAP total revenues	\$ 788,926	\$ 589,222	34%
Effects of foreign currency rate fluctuations	22,347		
Non-GAAP adjusted total revenues ⁽¹⁾	<u>\$ 811,273</u>		38%
Total billings:			
GAAP total revenues	\$ 788,926	\$ 589,222	34%
Change in total deferred revenue, unbilled receivables and customer deposits	68,605	100,164	
Non-GAAP total billings	857,531	689,386	24%
Effects of foreign currency rate fluctuations	23,563		
Effects of fluctuations in billings duration	18,426		
Non-GAAP adjusted total billings ⁽²⁾	<u>\$ 899,520</u>		30%

	Three Months Ended	
	March 31, 2019	March 31, 2018
Cost of revenues:		
GAAP subscription cost of revenues	\$ 126,589	\$ 95,398
Stock-based compensation	(16,022)	(11,291)
Amortization of purchased intangibles	(4,700)	(4,414)
Non-GAAP subscription cost of revenues	<u>\$ 105,867</u>	<u>\$ 79,693</u>
GAAP professional services and other cost of revenues	\$ 59,663	\$ 48,075
Stock-based compensation	(9,931)	(7,561)
Non-GAAP professional services and other cost of revenues	<u>\$ 49,732</u>	<u>\$ 40,514</u>
Gross profit (loss):		
GAAP subscription gross profit	\$ 613,397	\$ 447,927
Stock-based compensation	16,022	11,291
Amortization of purchased intangibles	4,700	4,414
Non-GAAP subscription gross profit	<u>\$ 634,119</u>	<u>\$ 463,632</u>
GAAP professional services and other gross loss	\$ (10,723)	\$ (2,178)
Stock-based compensation	9,931	7,561
Non-GAAP professional services and other gross profit (loss)	<u>\$ (792)</u>	<u>\$ 5,383</u>
GAAP gross profit	\$ 602,674	\$ 445,749
Stock-based compensation	25,953	18,852
Amortization of purchased intangibles	4,700	4,414
Non-GAAP gross profit	<u>\$ 633,327</u>	<u>\$ 469,015</u>
Gross margin:		
GAAP subscription gross margin	83%	82%
Stock-based compensation as % of subscription revenues	2%	2%
Amortization of purchased intangibles as % of subscription revenues	1%	1%
Non-GAAP subscription gross margin	<u>86%</u>	<u>85%</u>
GAAP professional services and other gross margin	(22%)	(5%)
Stock-based compensation as % of professional services and other revenues	20%	17%
Non-GAAP professional services and other gross margin	<u>(2%)</u>	<u>12%</u>
GAAP gross margin	76%	76%
Stock-based compensation as % of total revenues	3%	3%
Amortization of purchased intangibles as % of total revenues	1%	1%
Non-GAAP gross margin	<u>80%</u>	<u>80%</u>

	Three Months Ended	
	March 31, 2019	March 31, 2018
Operating expenses:		
GAAP sales and marketing expenses	\$ 361,409	\$ 283,701
Stock-based compensation	(62,130)	(52,082)
Non-GAAP sales and marketing expenses	<u>\$ 299,279</u>	<u>\$ 231,619</u>
GAAP research and development expenses	\$ 172,522	\$ 117,268
Stock-based compensation	(43,582)	(28,598)
Amortization of purchased intangibles	(455)	(455)
Non-GAAP research and development expenses	<u>\$ 128,485</u>	<u>\$ 88,215</u>
GAAP general and administrative expenses	\$ 84,456	\$ 65,063
Stock-based compensation	(25,785)	(21,809)
Amortization of purchased intangibles	(1,887)	(876)
Business combination and other related costs	27	(67)
Non-GAAP general and administrative expenses	<u>\$ 56,811</u>	<u>\$ 42,311</u>
GAAP total operating expenses	\$ 618,387	\$ 466,032
Stock-based compensation	(131,497)	(102,489)
Amortization of purchased intangibles	(2,342)	(1,331)
Business combination and other related costs	27	(67)
Non-GAAP total operating expenses	<u>\$ 484,575</u>	<u>\$ 362,145</u>
Income (loss) from operations:		
GAAP loss from operations	\$ (15,713)	\$ (20,283)
Stock-based compensation	157,450	121,341
Amortization of purchased intangibles	7,042	5,745
Business combination and other related costs	(27)	67
Non-GAAP income from operations	<u>\$ 148,752</u>	<u>\$ 106,870</u>
Operating margin:		
GAAP operating margin	(2%)	(3%)
Stock-based compensation as % of total revenues	20%	21%
Amortization of purchased intangibles as % of total revenues	1%	0%
Business combination and other related costs as % of total revenues	0%	0%
Non-GAAP operating margin	<u>19%</u>	<u>18%</u>

	Three Months Ended	
	March 31, 2019	March 31, 2018
Net income (loss):		
GAAP net income (loss)	\$ (1,545)	\$ 10,622
Stock-based compensation	157,450	121,341
Amortization of purchased intangibles	7,042	5,745
Business combination and other related costs	(27)	67
Amortization of debt discount and issuance costs for the convertible senior notes	8,168	17,064
Loss on early note conversions	—	780
Income tax expense effects related to the above adjustments	(42,146)	(51,015)
Non-GAAP net income	<u>\$ 128,942</u>	<u>\$ 104,604</u>
Net income (loss) per share - basic and diluted:		
GAAP net income (loss) per share - basic	<u>\$ (0.01)</u>	<u>\$ 0.06</u>
GAAP net income (loss) per share - diluted	<u>\$ (0.01)</u>	<u>\$ 0.06</u>
Non-GAAP net income per share - basic	<u>\$ 0.71</u>	<u>\$ 0.60</u>
Non-GAAP net income per share - diluted	<u>\$ 0.67</u>	<u>\$ 0.56</u>
GAAP weighted-average shares used to compute net income (loss) per share - basic	<u>182,061,579</u>	<u>175,482,833</u>
GAAP weighted-average shares used to compute net income (loss) per share - diluted	182,061,579	190,249,786
Effect of dilutive time-based stock awards ⁽³⁾	6,199,710	—
In-the-money portion of convertible senior notes ⁽³⁾	—	(4,530,808)
Warrants ⁽³⁾	3,570,548	—
Stock awards with performance conditions not yet satisfied ⁽³⁾	—	138,782
Non-GAAP weighted-average shares used to compute net income per share - diluted	<u>191,831,837</u>	<u>185,857,760</u>
Free cash flow:		
GAAP net cash provided by operating activities	\$ 360,848	\$ 250,080
Purchases of property and equipment	(47,124)	(35,371)
Repayments of convertible senior notes attributable to debt discount	—	8,660
Non-GAAP free cash flow	<u>\$ 313,724</u>	<u>\$ 223,369</u>
Free cash flow margin:		
GAAP net cash provided by operating activities as % of total revenues	46%	42%
Purchases of property and equipment as % of total revenues	(6%)	(5%)
Repayments of convertible senior notes attributable to debt discount as % of total revenues	—%	1%
Non-GAAP free cash flow margin	<u>40%</u>	<u>38%</u>

- (1) Adjusted revenues and the corresponding growth rates are derived by applying the exchange rates in effect during the comparison period rather than the actual exchange rates in effect during the current period.
- (2) Adjusted billings and the corresponding growth rates are derived by applying the exchange rates in effect during the comparison period rather than the actual exchange rates in effect during the current period, and 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.
- (3) Effect of dilutive time-based stock awards, in-the-money portion of convertible senior notes and warrants are included in the GAAP weighted-average diluted shares in periods where we have GAAP net income. We exclude the in-the-money portion of convertible senior notes for non-GAAP weighted-average diluted shares as they are covered by our note hedges.

ServiceNow, Inc.
Reconciliation of Non-GAAP Financial Guidance

The financial guidance provided below is an estimate based on information available as of March 31, 2019. The company's future performance and financial results are subject to risks and uncertainties, and actual results could differ materially from the guidance set forth below. Some of the factors that could affect the company's financial results are stated above in this press release. 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, 2018 and in other filings we make with the Securities and Exchange Commission from time to time, including our Form 10-Q that will be filed for the three months ended March 31, 2019. The company assumes no obligation to update any forward-looking statements or information, which speak as of their respective dates.

	Three Months Ended		Growth Rates
	June 30, 2019	June 30, 2018 ⁽³⁾	
GAAP subscription revenues	\$778 - \$783 million	\$585 million	33% - 34%
Effects of foreign currency rate fluctuations	15 million		
Non-GAAP adjusted subscription revenues ⁽¹⁾	<u>\$793 - \$798 million</u>		35% - 36%
GAAP subscription revenues	\$778 - \$783 million	\$585 million	33% - 34%
Change in subscription deferred revenue, unbilled receivables and customer deposits	20 million	32 million	
Non-GAAP subscription billings	<u>\$798 - \$803 million</u>	<u>\$617 million</u>	29% - 30%
Effects of foreign currency rate fluctuations	17 million		
Effects of fluctuations in billings duration	(1) million		
Non-GAAP adjusted subscription billings ⁽²⁾	<u>\$814 - \$819 million</u>		32% - 33%
GAAP operating margin	(5%)		
Stock-based compensation expense as % of total revenues	21%		
Amortization of purchased intangibles as % of total revenues	1%		
Non-GAAP operating margin	<u>17%</u>		
GAAP weighted-average shares used to compute net loss per share - diluted	187 million		
Effect of dilutive securities (stock options, restricted stock units and warrants)	6 million		
Non-GAAP weighted-average shares used to compute net income per share - diluted	<u>193 million</u>		

	Twelve Months Ended		Growth Rates
	December 31, 2019	December 31, 2018 ⁽³⁾	
GAAP subscription revenues	\$3,235 - \$3,250 million	\$2,421 million	34%
Effects of foreign currency rate fluctuations	45 million		
Non-GAAP adjusted subscription revenues ⁽¹⁾	<u>\$3,280 - \$3,295 million</u>		35% - 36%
GAAP subscription revenues	\$3,235 - \$3,250 million	\$2,421 million	34%
Change in subscription deferred revenue, unbilled receivables and customer deposits	490 million	460 million	
Non-GAAP subscription billings	<u>\$3,725 - \$3,740 million</u>	<u>\$2,881 million</u>	29% - 30%
Effects of foreign currency rate fluctuations	50 million		
Effects of fluctuations in billings duration	22 million		
Non-GAAP adjusted subscription billings ⁽²⁾	<u>\$3,797 - \$3,812 million</u>		32%
GAAP subscription gross margin	83%		
Stock-based compensation expense as % of subscription revenues	2%		
Amortization of purchased intangibles as % of subscription revenues	1%		
Non-GAAP subscription margin	<u>86%</u>		
GAAP operating margin	0%		
Stock-based compensation expense as % of total revenues	20%		
Amortization of purchased intangibles as % of total revenues	1%		
Business combination and other related costs as % of total revenues	0%		
Non-GAAP operating margin	<u>21%</u>		
GAAP net cash provided by operating activities as % of total revenues	35%		
Purchases of property and equipment as % of total revenues	(7%)		
Non-GAAP free cash flow margin	<u>28%</u>		
GAAP weighted-average shares used to compute net loss per share - diluted ⁽⁴⁾	187 million		
Effect of dilutive securities (stock options, restricted stock units and warrants)	6 million		
Non-GAAP weighted-average shares used to compute net income per share - diluted	<u>193 million</u>		

- (1) Adjusted revenues and the corresponding growth rates are derived by applying the exchange rates in effect during the comparison period rather than the forecasted exchange rates for the guidance period.
- (2) Adjusted billings and the corresponding growth rates are derived by applying the exchange rates in effect during the comparison period rather than the forecasted exchange rates for the guidance period, and by replacing the forecasted portion of multi-year billings in excess of twelve months for the guidance period with the actual portion of multi-year billings in excess of twelve months during the comparison period.
- (3) Effects of foreign currency rate fluctuations and fluctuations in billing durations are not applicable for the comparison period.
- (4) GAAP net income or loss for the year ending December 31, 2019 will depend in part on a number of factors, including income taxes, costs associated with non-cash charges associated with equity awards which vary depending on the grant date stock price and actual attainment for our performance-based RSUs, business combinations and other related benefits or expenses which are not known at this time.