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

	Three Months Ended	
	March 31, 2020	**March 31, 2019**
Revenues:		
Subscription	$ 994,702	$ 739,986
Professional services and other	51,638	48,940
Total revenues	1,046,340	788,926
Cost of revenues [(1)]:		
Subscription	159,721	126,589
Professional services and other	63,645	59,663
Total cost of revenues	223,366	186,252
Gross profit	822,974	602,674
Operating expenses [(1)]:		
Sales and marketing	441,234	361,409
Research and development	226,657	172,522
General and administrative	105,748	84,456
Total operating expenses	773,639	618,387
Income (loss) from operations	49,335	(15,713)
Interest expense	(8,570)	(8,168)
Interest income and other income, net	7,597	12,425
Income (loss) before income taxes	48,362	(11,456)
Provision for (benefit from) income taxes	131	(9,911)
Net income (loss)	$ 48,231	$ (1,545)
Net income (loss) per share - basic	$ 0.25	$ (0.01)
Net income (loss) per share - diluted	$ 0.24	$ (0.01)
Weighted-average shares used to compute net income (loss) per share - basic	190,163	182,062
Weighted-average shares used to compute net income (loss) per share - diluted	199,938	182,062

(1) Includes stock-based compensation as follows:

	Three Months Ended	
	March 31, 2020	**March 31, 2019**
Cost of revenues:		
Subscription	$ 21,524	$ 16,022
Professional services and other	12,012	9,931
Sales and marketing	70,160	62,130
Research and development	58,903	43,582
General and administrative	25,686	25,785

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

	March 31, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 808,725	$ 775,778
Short-term investments	1,049,980	915,317
Accounts receivable, net	615,234	835,279
Current portion of deferred commissions	182,830	175,039
Prepaid expenses and other current assets	149,092	125,488
Total current assets	2,805,861	2,826,901
Deferred commissions, less current portion	339,727	333,448
Long-term investments	1,077,938	1,013,332
Property and equipment, net	470,969	468,085
Operating lease right-of-use assets	464,576	402,428
Intangible assets, net	171,049	143,850
Goodwill	207,605	156,756
Deferred tax assets	586,021	599,633
Other assets	73,670	77,997
Total assets	$ 6,197,416	$ 6,022,430
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 73,904	$ 52,960
Accrued expenses and other current liabilities	370,997	461,403
Current portion of deferred revenue	2,215,265	2,185,754
Current portion of operating lease liabilities	60,895	52,668
Total current liabilities	2,721,061	2,752,785
Deferred revenue, less current portion	40,477	40,038
Operating lease liabilities, less current portion	440,938	383,221
Convertible senior notes, net	701,288	694,981
Other long-term liabilities	27,557	23,464
Stockholders' equity	2,266,095	2,127,941
Total liabilities and stockholders' equity	$ 6,197,416	$ 6,022,430

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

	Three Months Ended	
	March 31, 2020	**March 31, 2019**
Cash flows from operating activities:		
Net income (loss)	$ 48,231	$ (1,545)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	76,238	55,449
Amortization of deferred commissions	49,481	39,557
Amortization of debt discount and issuance costs	8,570	8,168
Stock-based compensation	188,285	157,450
Deferred income taxes	(1,527)	(1,480)
Repayments of convertible senior notes attributable to debt discount	(282)	—
Other	2,271	724
Changes in operating assets and liabilities, net of effect of business combinations:		
Accounts receivable	208,789	151,105
Deferred commissions	(70,797)	(46,599)
Prepaid expenses and other assets	(20,391)	(33,659)
Accounts payable	20,679	6,562
Deferred revenue	59,847	61,370
Accrued expenses and other liabilities	(77,826)	(36,254)
Net cash provided by operating activities	491,568	360,848
Cash flows from investing activities:		
Purchases of property and equipment	(83,207)	(47,124)
Business combinations, net of cash acquired	(82,948)	—
Purchases of investments	(527,819)	(438,782)
Sales and maturities of investments	312,560	262,885
Realized gains (losses) on derivatives not designated as hedging instruments, net	(3,620)	22,148
Net cash used in investing activities	(385,034)	(200,873)
Cash flows from financing activities:		
Repayments of convertible senior notes attributable to principal	(2,236)	—
Proceeds from employee stock plans	66,908	53,093
Taxes paid related to net share settlement of equity awards	(125,700)	(139,493)
Net cash used in financing activities	(61,028)	(86,400)
Foreign currency effect on cash, cash equivalents and restricted cash	(10,649)	1,079
Net increase in cash, cash equivalents and restricted cash	34,857	74,654
Cash, cash equivalents and restricted cash at beginning of period	777,991	568,538
Cash, cash equivalents and restricted cash at end of period	$ 812,848	$ 643,192

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

	Three Months Ended		
	March 31, 2020	March 31, 2019	Growth Rates
Subscription revenues:			
GAAP subscription revenues	$ 994,702	$ 739,986	34%
Effects of foreign currency rate fluctuations	11,575		
Non-GAAP adjusted subscription revenues [(1)]	$ 1,006,277		36%
Subscription billings:			
GAAP subscription revenues	$ 994,702	$ 739,986	34%
Change in subscription deferred revenue, unbilled receivables and customer deposits	60,357	69,611	
Non-GAAP subscription billings	1,055,059	809,597	30%
Effects of foreign currency rate fluctuations	11,783		
Effects of fluctuations in billings duration	(1,875)		
Non-GAAP adjusted subscription billings [(2)]	$ 1,064,967		32%
Professional services and other revenues:			
GAAP professional services and other revenues	$ 51,638	$ 48,940	6%
Effects of foreign currency rate fluctuations	919		
Non-GAAP adjusted professional service and other revenues [(1)]	$ 52,557		7%
Professional services and other billings:			
GAAP professional services and other revenues	$ 51,638	$ 48,940	6%
Change in professional services and other deferred revenue	(3,507)	(1,006)	
Non-GAAP professional services and other billings	48,131	47,934	0%
Effects of foreign currency rate fluctuations	919		
Non-GAAP adjusted professional services and other billings [(2)]	$ 49,050		2%
Total revenues:			
GAAP total revenues	$ 1,046,340	$ 788,926	33%
Effects of foreign currency rate fluctuations	12,494		
Non-GAAP adjusted total revenues [(1)]	$ 1,058,834		34%
Total billings:			
GAAP total revenues	$ 1,046,340	$ 788,926	33%
Change in total deferred revenue, unbilled receivables and customer deposits	56,850	68,605	
Non-GAAP total billings	1,103,190	857,531	29%
Effects of foreign currency rate fluctuations	12,702		
Effects of fluctuations in billings duration	(1,875)		
Non-GAAP adjusted total billings [(2)]	$ 1,114,017		30%

	Three Months Ended	
	March 31, 2020	March 31, 2019
Cost of revenues:		
GAAP subscription cost of revenues	$ 159,721	$ 126,589
Stock-based compensation	(21,524)	(16,022)
Amortization of purchased intangibles	(6,856)	(4,700)
Non-GAAP subscription cost of revenues	$ 131,341	$ 105,867
GAAP professional services and other cost of revenues	$ 63,645	$ 59,663
Stock-based compensation	(12,012)	(9,931)
Non-GAAP professional services and other cost of revenues	$ 51,633	$ 49,732
Gross profit (loss):		
GAAP subscription gross profit	$ 834,981	$ 613,397
Stock-based compensation	21,524	16,022
Amortization of purchased intangibles	6,856	4,700
Non-GAAP subscription gross profit	$ 863,361	$ 634,119
GAAP professional services and other gross loss	$ (12,007)	$ (10,723)
Stock-based compensation	12,012	9,931
Non-GAAP professional services and other gross profit	$ 5	$ (792)
GAAP gross profit	$ 822,974	$ 602,674
Stock-based compensation	33,536	25,953
Amortization of purchased intangibles	6,856	4,700
Non-GAAP gross profit	$ 863,366	$ 633,327
Gross margin:		
GAAP subscription gross margin	84%	83%
Stock-based compensation as % of subscription revenues	2%	2%
Amortization of purchased intangibles as % of subscription revenues	1%	1%
Non-GAAP subscription gross margin	87%	86%
GAAP professional services and other gross margin	(23%)	(22%)
Stock-based compensation as % of professional services and other revenues	23%	20%
Non-GAAP professional services and other gross margin	0%	(2%)
GAAP gross margin	79%	76%
Stock-based compensation as % of total revenues	3%	3%
Amortization of purchased intangibles as % of total revenues	1%	1%
Non-GAAP gross margin	83%	80%

	Three Months Ended	
	March 31, 2020	March 31, 2019
Operating expenses:		
GAAP sales and marketing expenses	$ 441,234	$ 361,409
Stock-based compensation	(70,160)	(62,130)
Amortization of purchased intangibles	(311)	—
Business combination and other related costs	(11)	—
Non-GAAP sales and marketing expenses	$ 370,752	$ 299,279
GAAP research and development expenses	$ 226,657	$ 172,522
Stock-based compensation	(58,903)	(43,582)
Amortization of purchased intangibles	(455)	(455)
Non-GAAP research and development expenses	$ 167,299	$ 128,485
GAAP general and administrative expenses	$ 105,748	$ 84,456
Stock-based compensation	(25,686)	(25,785)
Amortization of purchased intangibles	(2,693)	(1,887)
Business combination and other related costs	(2,864)	27
Non-GAAP general and administrative expenses	$ 74,505	$ 56,811
GAAP total operating expenses	$ 773,639	$ 618,387
Stock-based compensation	(154,749)	(131,497)
Amortization of purchased intangibles	(3,459)	(2,342)
Business combination and other related costs	(2,875)	27
Non-GAAP total operating expenses	$ 612,556	$ 484,575
Income (loss) from operations:		
GAAP income (loss) from operations	$ 49,335	$ (15,713)
Stock-based compensation	188,285	157,450
Amortization of purchased intangibles	10,315	7,042
Business combination and other related costs	2,875	(27)
Non-GAAP income from operations	$ 250,810	$ 148,752
Operating margin:		
GAAP operating margin	5%	(2%)
Stock-based compensation as % of total revenues	18%	20%
Amortization of purchased intangibles as % of total revenues	1%	1%
Business combination and other related costs as % of total revenues	0%	0%
Non-GAAP operating margin	24%	19%

	Three Months Ended	
	March 31, 2020	March 31, 2019
Net income (loss):		
GAAP net income (loss)	$ 48,231	$ (1,545)
Stock-based compensation	188,285	157,450
Amortization of purchased intangibles	10,315	7,042
Business combination and other related costs	2,875	(27)
Amortization of debt discount and issuance costs for the convertible senior notes	8,570	8,168
Loss on early note conversions	90	—
Income tax expense effects related to the above adjustments	(51,568)	(42,146)
Non-GAAP net income	$ 206,798	$ 128,942
Net income (loss) per share - basic and diluted:		
GAAP net income (loss) per share - basic	$ 0.25	$ (0.01)
GAAP net income (loss) per share - diluted	$ 0.24	$ (0.01)
Non-GAAP net income per share - basic	$ 1.09	$ 0.71
Non-GAAP net income per share - diluted	$ 1.05	$ 0.67
GAAP weighted-average shares used to compute net income (loss) per share - basic	190,163	182,062
GAAP weighted-average shares used to compute net income (loss) per share - diluted	199,938	182,062
Effects of dilutive time-based stock awards [3]	—	6,200
Effects of in-the-money portion of convertible senior notes [3]	(3,239)	—
Effects of warrants [3]	—	3,571
Effects of stock awards with performance conditions not yet satisfied [3]	1	—
Non-GAAP weighted-average shares used to compute net income per share - diluted[4]	196,699	191,832
Free cash flow:		
GAAP net cash provided by operating activities	$ 491,568	$ 360,848
Purchases of property and equipment	(83,207)	(47,124)
Repayments of convertible senior notes attributable to debt discount	282	—
Non-GAAP free cash flow	$ 408,643	$ 313,724
Free cash flow margin:		
GAAP net cash provided by operating activities as % of total revenues	47%	46%
Purchases of property and equipment as % of total revenues	(8%)	(6%)
Repayments of convertible senior notes attributable to debt discount as % of total revenues	0%	—%
Non-GAAP free cash flow margin	39%	40%

(1) Adjusted revenues and the corresponding growth rates are derived by applying the average exchange rates in effect during the comparison period rather than the actual average exchange rates in effect during the current period.

(2) Adjusted billings and the corresponding growth rates are derived by applying the average exchange rates in effect during the comparison period rather than the actual average 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) Effects 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. We include stock awards with performance conditions not yet satisfied for non-GAAP weighted average diluted shares at forecasted attainment levels to the extent we believe it is probable that the performance condition will be met.

(4) Numbers rounded for presentation purposes.

ServiceNow, Inc.
Reconciliation of Non-GAAP Financial Guidance

The financial guidance provided below is an estimate based on information available as of March 31, 2020. 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, 2019 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, 2020. The company assumes no obligation to update any forward-looking statements or information, which speak as of their respective dates.

	Three Months Ended		
	June 30, 2020	**June 30, 2019 [3]**	**Growth Rates**
GAAP subscription revenues	$995 - $1,000 million	$781 million	27% - 28%
Effects of foreign currency rate fluctuations	13 million		
Non-GAAP adjusted subscription revenues [1]	$1,008 - $1,013 million		29% - 30%
GAAP subscription revenues	$995 - $1,000 million	$781 million	27% - 28%
Change in subscription deferred revenue, unbilled receivables and customer deposits	(35) - (20) million	36 million	
Non-GAAP subscription billings	$960 - $980 million	$817 million	18% - 20%
Effects of foreign currency rate fluctuations	13 million		
Effects of fluctuations in billings duration	3 million		
Non-GAAP adjusted subscription billings [2]	$976 - $996 million		20% - 22%
GAAP operating margin	2%		
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	23%		
GAAP weighted-average shares used to compute net income per share - diluted	199 million		
Effects of in-the-money portion of convertible senior notes[4]	(3) million		
Non-GAAP weighted-average shares used to compute net income per share - diluted	196 million		

	Twelve Months Ended		
	December 31, 2020	December 31, 2019 [3]	Growth Rates
GAAP subscription revenues	$4,125 - $4,145 million	$3,255 million	27%
Effects of foreign currency rate fluctuations	42 million		
Non-GAAP adjusted subscription revenues [1]	$4,167 - $4,187 million		28% - 29%
GAAP subscription revenues	$4,125 - $4,145 million	$3,255 million	27%
Change in subscription deferred revenue, unbilled receivables and customer deposits	475 - 515 million	533 million	
Non-GAAP subscription billings	$4,600 - $4,660 million	$3,788 million	21% - 23%
Effects of foreign currency rate fluctuations	50 million		
Effects of fluctuations in billings duration	14 million		
Non-GAAP adjusted subscription billings [2]	$4,664 - $4,724 million		23% - 25%
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	86%		
GAAP operating margin	3%		
Stock-based compensation expense as % of total revenues	19%		
Amortization of purchased intangibles as % of total revenues	1%		
Business combination and other related costs as % of total revenues	0%		
Non-GAAP operating margin	23%		
GAAP net cash provided by operating activities as % of total revenues	37%		
Purchases of property and equipment as % of total revenues	(8%)		
Repayments of convertible senior notes attributable to debt discount as % of total revenues	0%		
Non-GAAP free cash flow margin	29%		
GAAP weighted-average shares used to compute net income per share - diluted	199 million		
Effects of in-the-money portion of convertible senior notes[4]	(3) million		
Non-GAAP weighted-average shares used to compute net income per share - diluted	196 million		

(1) Adjusted revenues and the corresponding 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.

(2) Adjusted billings and the corresponding 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, and by replacing the 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) 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.