Investor Presentation

Third Quarter 2017

© 2017 ServiceNow All Rights Reserved

Safe Harbor and Other Information

This presentation contains “forward-looking” statements that are based on our management’s beliefs and assumptions and on information currently available to management. We intend for such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements include information concerning our possible or assumed strategy, future operations, financing plans, operating model, financial position, future revenues, projected costs, competitive position, industry environment, potential growth opportunities, potential market opportunities, plans and objectives of management and the effects of competition on our business.

Forward-looking statements include all statements that are not historical facts and can be identified by terms such as “anticipates,” “believes,” “could,” “seeks,” “estimates” (including, without limitation, financial estimates denoted with an “E,” such as FY17E), “targets,” “guidance,” “expects,” “intends,” “may,” “plans,” “potential,” “predicts,” “prospects,” “projects,” “should,” “will,” “would” or similar expressions and the negatives of those terms, although not all forward-looking statements contain these identifying words.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We cannot guarantee that we will achieve the plans, intentions, or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements.

Forward-looking statements represent our management’s beliefs and assumptions only as of the date of this presentation. 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. Further information on these and other factors that could affect our financial results are included in the filings we make with the Securities and Exchange Commission (the “SEC”), including those discussed in our most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q.

This presentation includes certain non-GAAP financial measures and the corresponding growth rates as defined by SEC rules. For additional information, see the slide titled “Statement Regarding Use of Non-GAAP Financial Measures.” Terms such as “Annual Contract Value,” “Average Contract Term,” “Renewal Rate,” and “G2K Customer” shall have the meanings set forth in our filings with the SEC.

The information in this presentation on new products, features, or functionality is intended to outline our general product direction and should not be relied upon in making a purchasing decision. The information on new products, features, and functionality is for informational purposes only and shall not be incorporated into any contract. The information on new products, features, and functionality is not a commitment, promise, or legal obligation to deliver any material, code or functionality. The development, release, and timing of any features or functionality described for our products remains at our sole discretion.

© 2017 ServiceNow All Rights Reserved

Statement Regarding Use of Non-GAAP Financial Measures

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.

We present revenues adjusted for constant currency and corresponding growth rates 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 are converted into U.S. Dollars at the exchange rates in effect during the prior period presented, rather than the actual exchange rates in effect during the current period. We believe the presentation of revenues adjusted for constant currency facilitates the comparison of revenues year-over-year.

We believe billings is a useful leading indicator regarding the performance of our business. We present subscription billings, professional services and other billings, and total billings, and corresponding growth rates, as the applicable revenue plus the applicable change in deferred revenue as presented or derived from the statement of cash flows. While we typically bill customers annually for our subscription services, customers sometimes request, and we accommodate, multiyear billings, which are billings with durations in excess of the typical 12 month term. Accordingly, to facilitate greater comparability in our billings information, we further present billings adjusted for constant billings duration, in addition to adjusting for constant currency. To present this information, we adjust subscription billings and total billings for constant currency as described above, and adjust for constant duration by replacing the portion of multiyear billings in excess of twelve months during the current period with the portion of multiyear billings in excess of twelve months during the prior period presented. We also present professional services and other billings and corresponding growth rates adjusted for constant currency as described above.

Our non-GAAP presentation of gross profit, income from operations and net income measures exclude stock-based compensation expense, amortization of debt discount and issuance costs related to the convertible senior notes, amortization of purchased intangibles, legal settlements, business combination and other related costs, and the related income tax effect of these adjustments. We believe the presentation of operating results that exclude these non-cash or non-recurring items provides useful supplemental information to investors and facilitates the analysis of our operating results and comparison of operating results across reporting periods.

Free cash flow, which is a non-GAAP financial measure, is calculated as net cash provided by (used in) operating activities plus cash paid for legal settlements, 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. However, our calculation of free cash flow and free cash flow margin 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 presentation for the reconciliation of GAAP and non-GAAP results.

servicenow
© 2017 ServiceNow All Rights Reserved

Work at Lightspeed

Enterprise Cloud

Cloud-based service that modernizes and transforms the enterprise

Highly secure and available enterprise cloud

SaaS business model



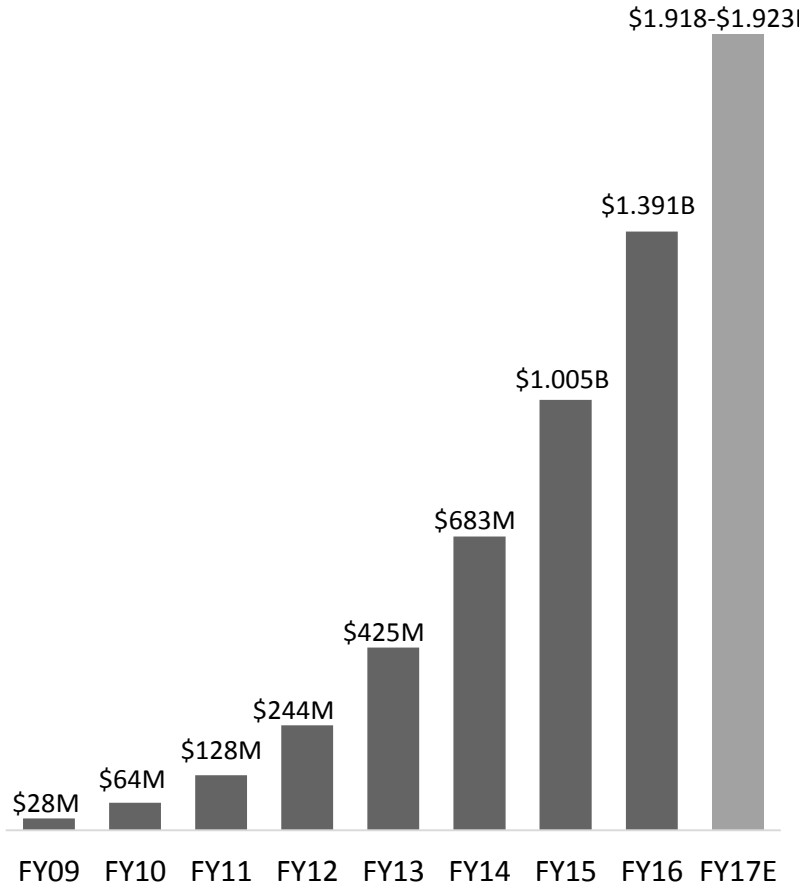
NYSE: NOW

~5,900
Global Employees

Major Sites
San Diego, Silicon Valley, Seattle, Amsterdam, London, Sydney, Israel, India



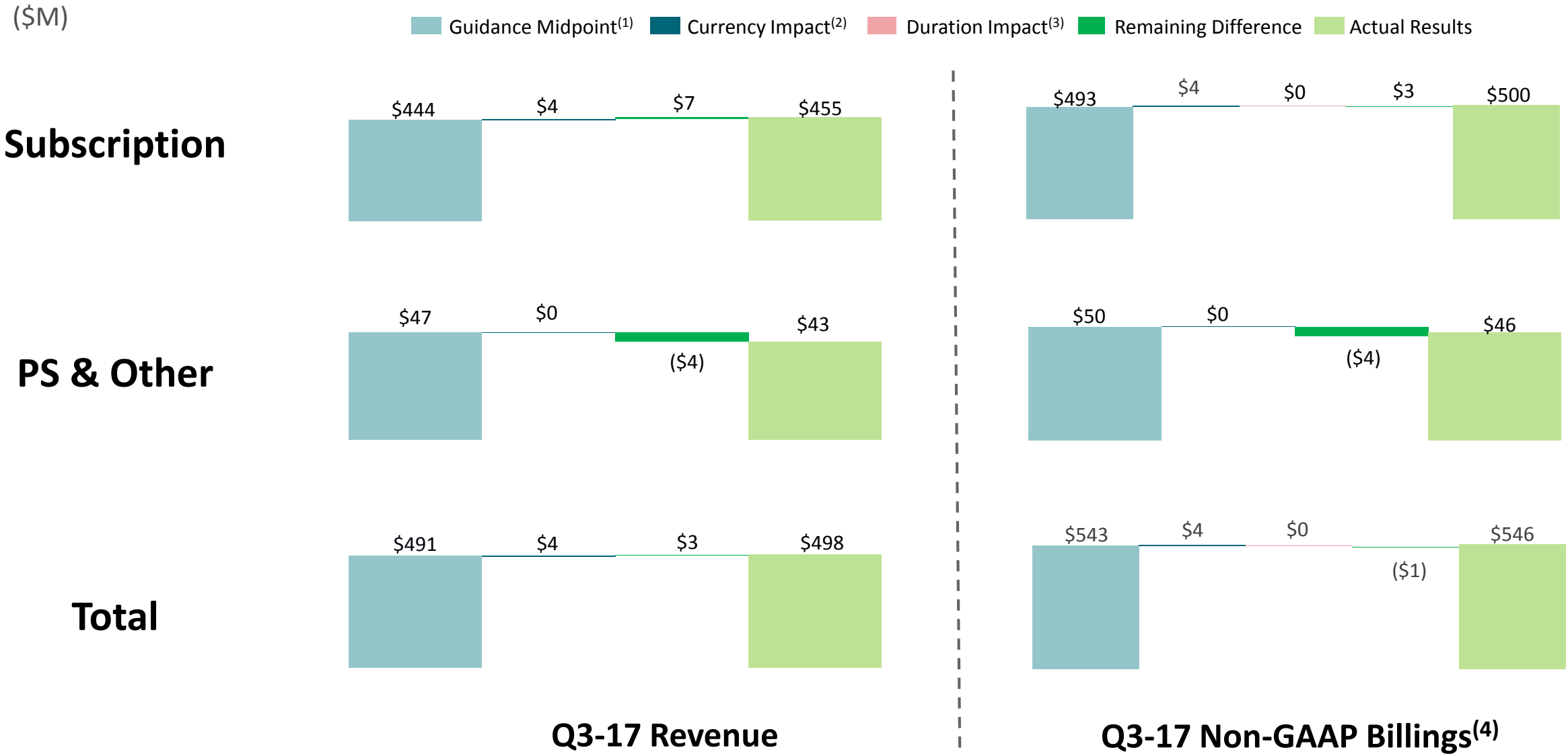
Strong Revenue & Growth



servicenow
© 2017 ServiceNow All Rights Reserved

Currency and Duration Impact Compared to Previously Issued Guidance

($M)



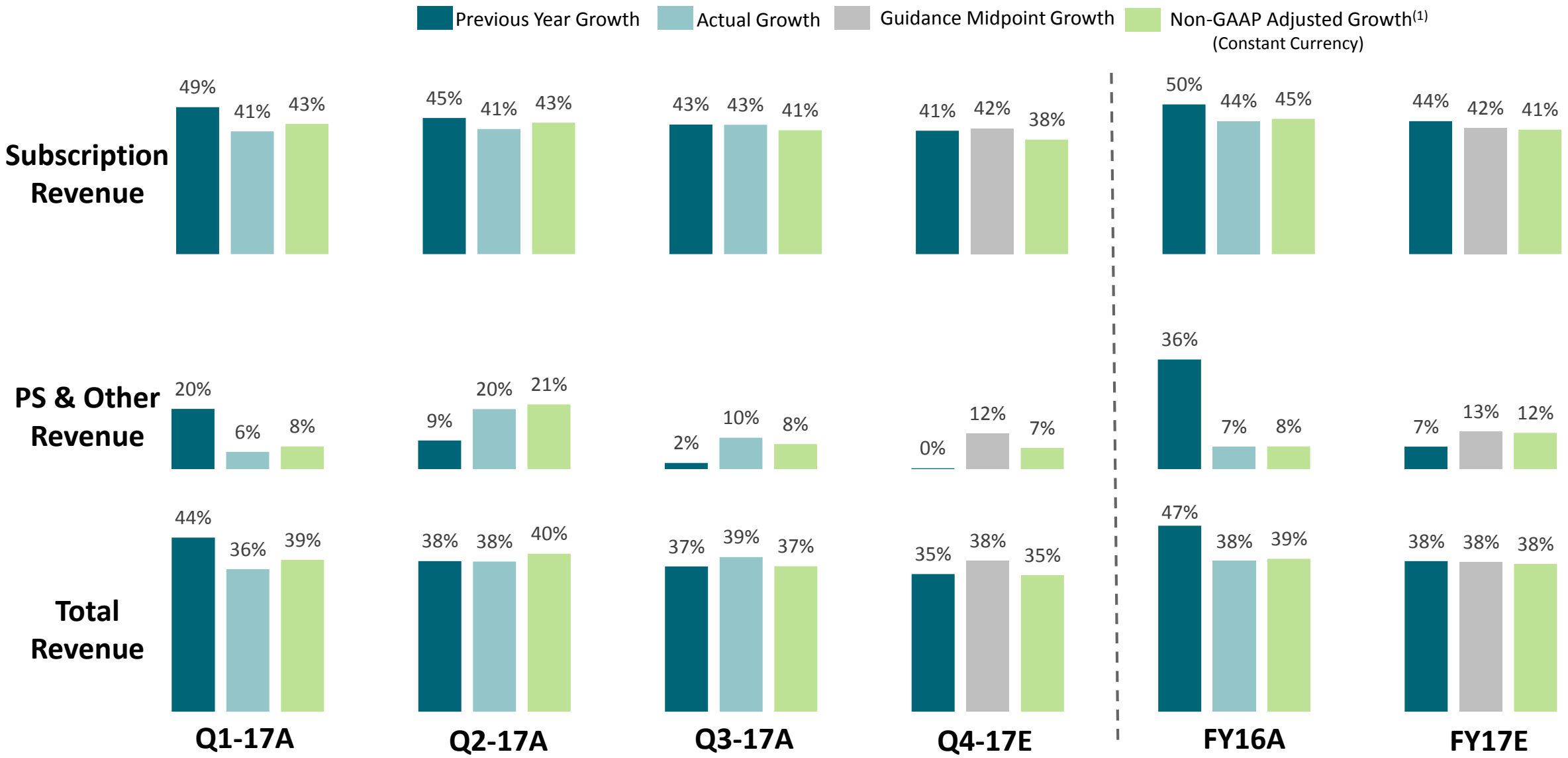
(1) Refers to previously issued financial guidance dated 7/26/17.
(2) Represents the impact of currency exchange rate fluctuations between the actual average rates in the period compared to the rates as of 6/30/2017 assumed in previously issued guidance, for entities reporting in currencies other than U.S. Dollars.
(3) Represents the impact of billings greater than 12 months in excess of guidance assumptions.

(4) Billings figures are calculated on a non-GAAP basis. See appendix for reconciliation of non-GAAP financial measures.

Note: Numbers rounded for footing purposes.

servicenow
© 2017 ServiceNow All Rights Reserved

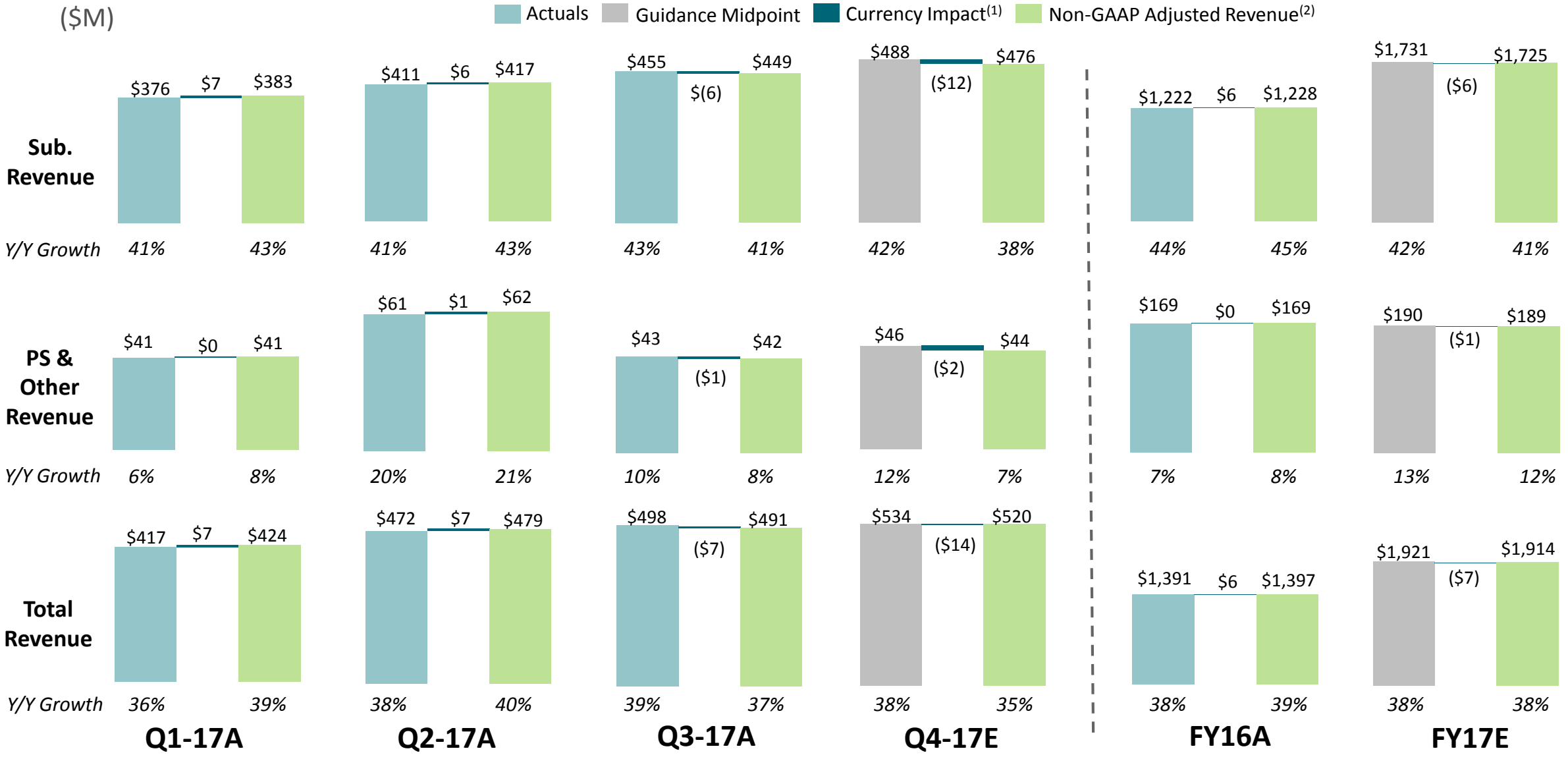
Year-Over-Year Revenue Growth…



(1) Adjusted revenue growth figures are calculated on a non-GAAP basis. See appendix for reconciliation of non-GAAP financial measures. Current period results for entities reporting in currencies other than U.S. Dollars are converted into U.S. Dollars at the exchange rates in effect during the prior period presented, rather than the actual exchange rates in effect during the current period.

© 2017 ServiceNow All Rights Reserved

…Currency Impact to Year-Over-Year Revenue Growth

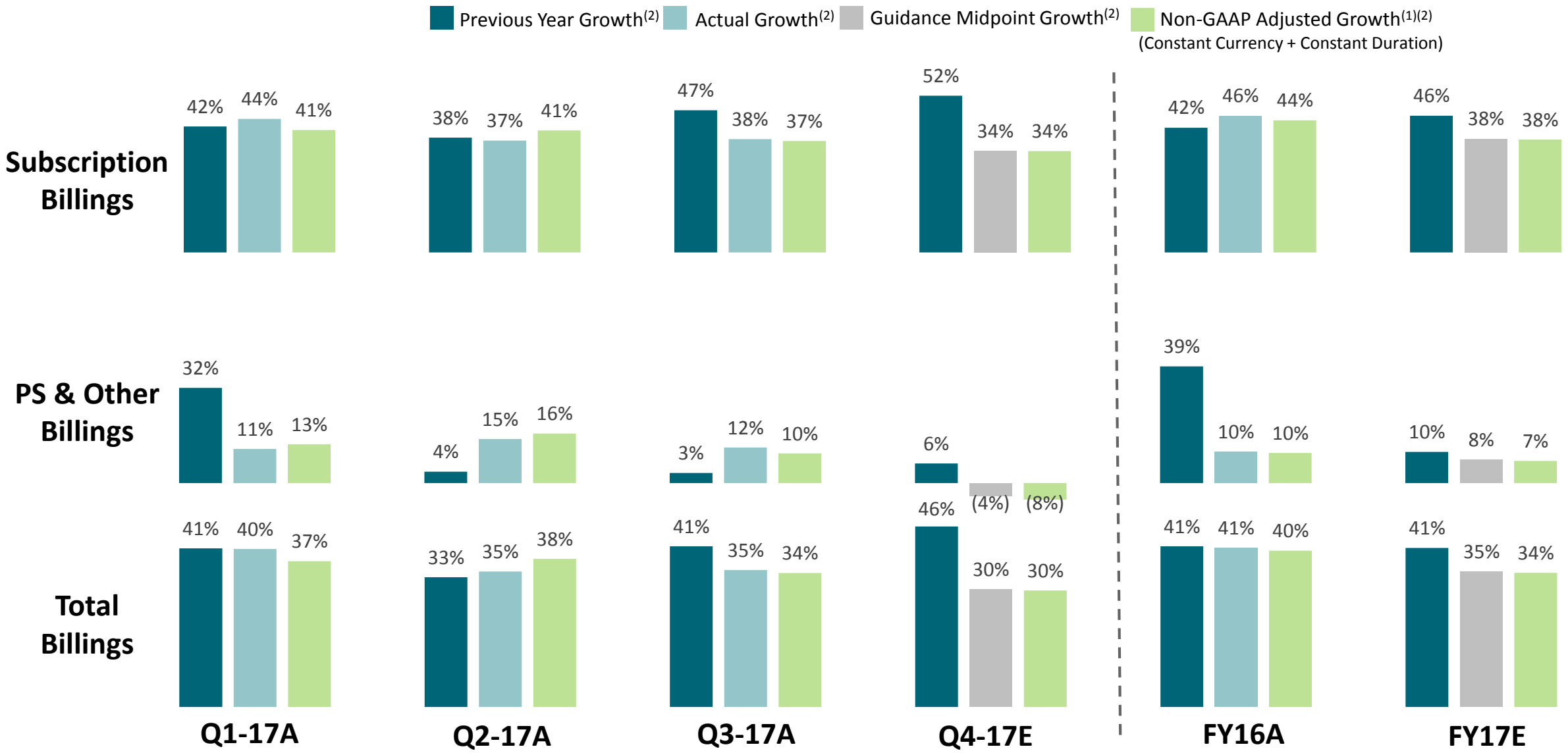


(1) Current period results for entities reporting in currencies other than U.S. Dollars are converted into U.S. Dollars at the exchange rates in effect during the prior period presented, rather than the actual exchange rates in effect during the current period.
(2) Adjusted revenue and growth figures are calculated on a non-GAAP basis. See appendix for reconciliation of non-GAAP financial measures.

Note: Numbers rounded for footing purposes.

servicenow
© 2017 ServiceNow All Rights Reserved

Year-Over-Year Non-GAAP Billings Growth…

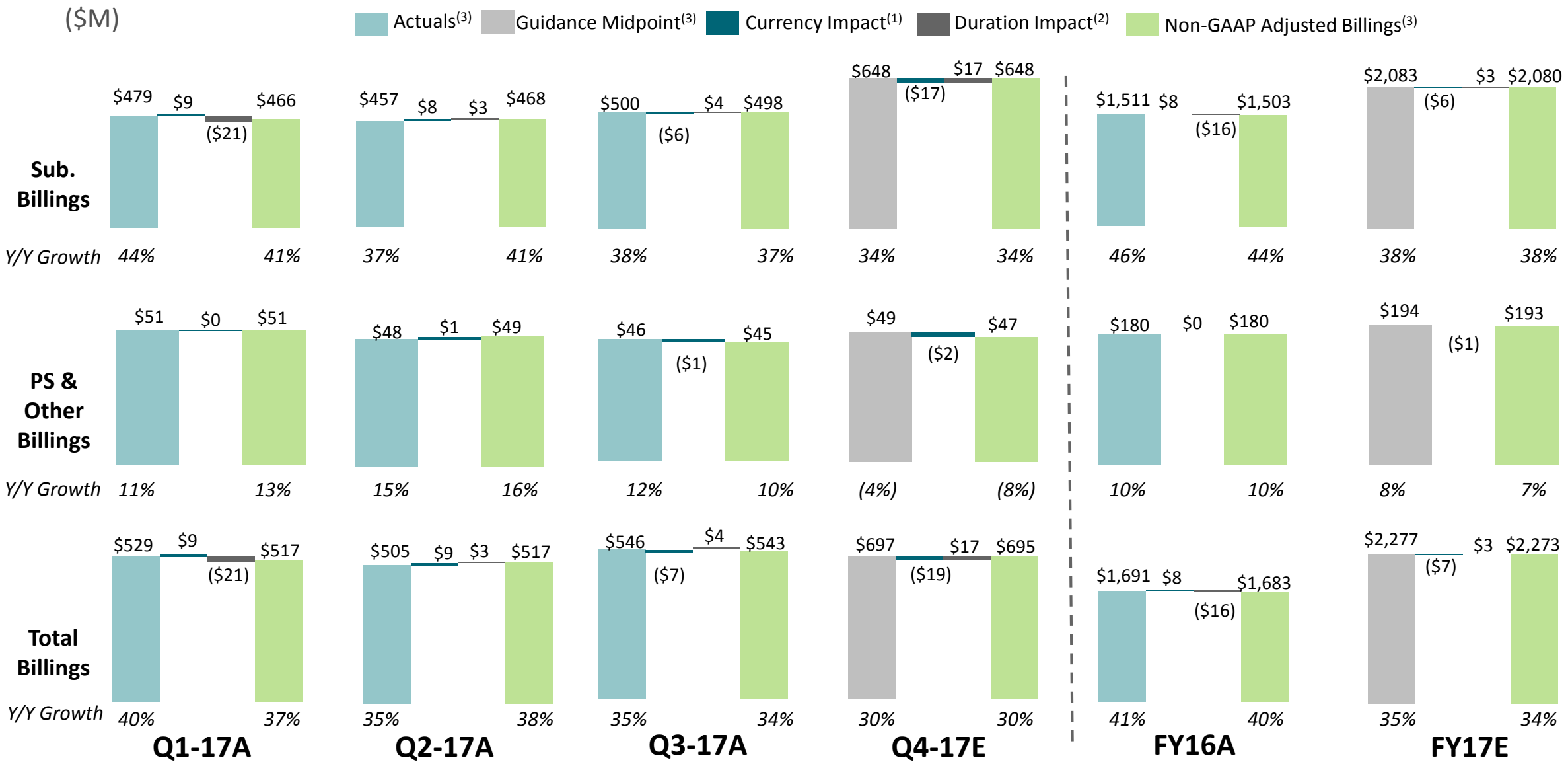


(1) Current period results for entities reporting in currencies other than U.S. Dollars are converted into U.S. Dollars at the exchange rates in effect during the prior period presented, rather than the actual exchange rates in effect during the current period. In addition, results and guidance are adjusted for constant duration 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 prior period presented.

(2) Billings and adjusted billings growth figures are calculated on a non-GAAP basis. See appendix for reconciliation of non-GAAP financial measures.

© 2017 ServiceNow All Rights Reserved

…Currency and Duration Impact to Year-Over-Year Non-GAAP Billings Growth



(1) Current period results for entities reporting in currencies other than U.S. Dollars are converted into U.S. Dollars at the exchange rates in effect during the prior period presented, rather than the actual exchange rates in effect during the current period.
(2) Results and guidance are adjusted for constant duration 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 prior period presented.

(3) Billings, adjusted billings and growth figures are calculated on a non-GAAP basis. See appendix for reconciliation of non-GAAP financial measures. Note: Numbers rounded for presentation purposes.

servicenow

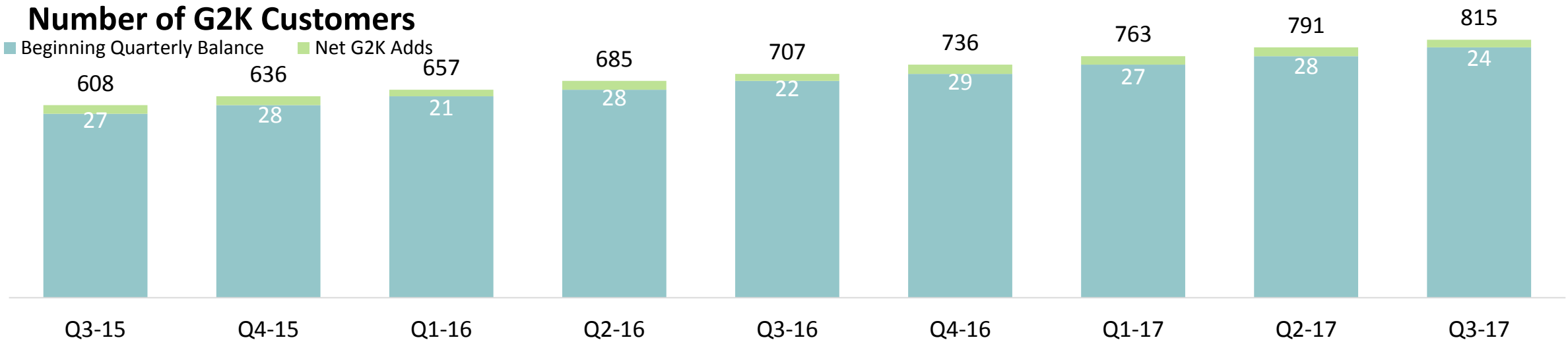
© 2017 ServiceNow All Rights Reserved

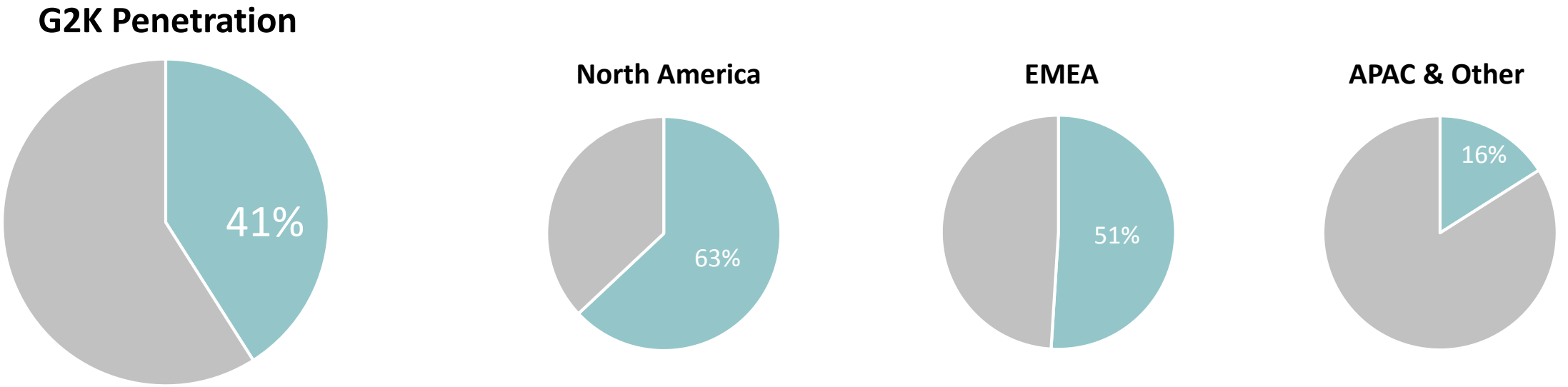
$4 Billion Revenue Target in 2020

	Today		2020
G2Ks	815	14 new logos / quarter	~1,000
× ACV / G2K	$1.2M	4% sequential growth	~$2M
÷ G2K Rev Mix	~50%	Maintain mix	~50%
FY17 Rev Guidance	~$1.9B	FY20 Rev Target	~$4B

servicenow
© 2017 ServiceNow All Rights Reserved

G2K Penetration

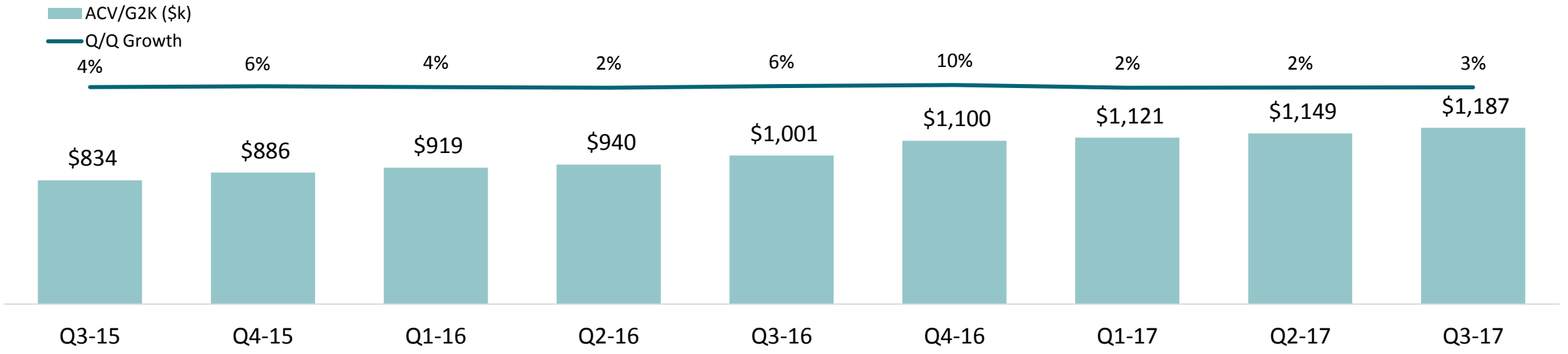


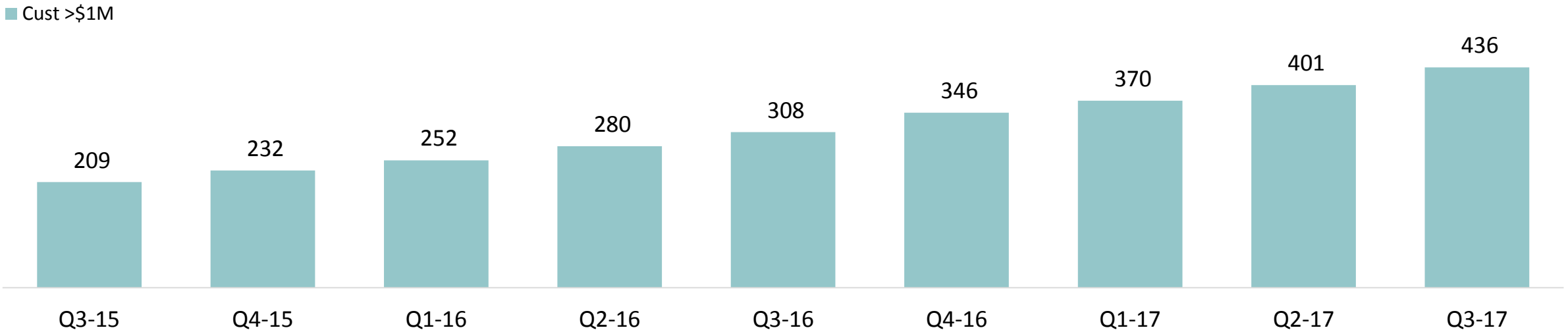


Note: The Forbes list is updated annually in the second quarter of the calendar year. Current and prior period G2K customer counts are based on the most recent list for comparability purposes. We adjust the G2K count for acquisitions, spin-offs, and other market activity to ensure the G2K customer count is accurately captured.

servicenow
© 2017 ServiceNow All Rights Reserved

Upsells Represent Large Opportunity



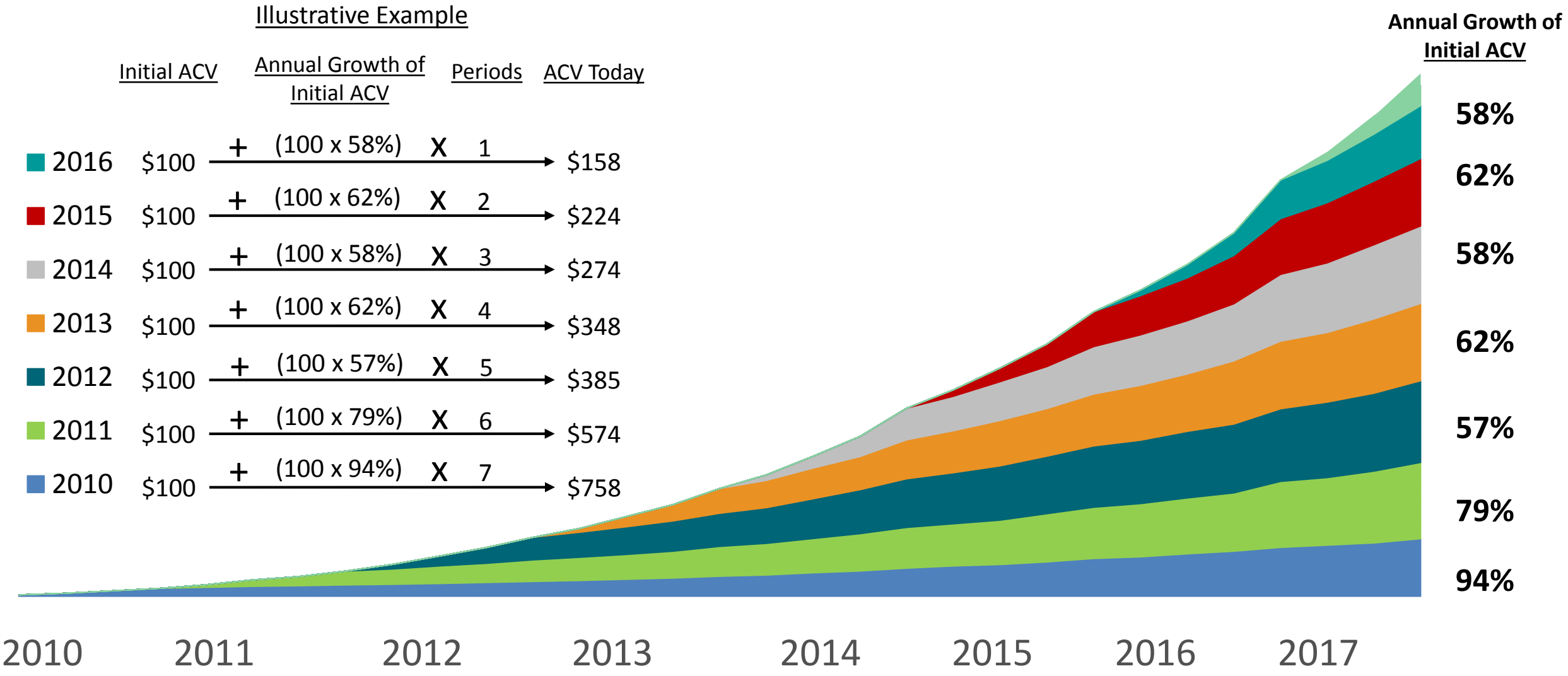


Note: The Forbes list is updated annually in the second quarter of the calendar year. Current and prior period G2K customer counts are based on the most recent list for comparability purposes. We adjust the G2K count for acquisitions, spin-offs, and other market activity to ensure the G2K customer count is accurately captured.

Previously disclosed number of customers with ACV greater than $1 million is restated to allow for comparability. ACV is calculated based on the foreign exchange rate in effect at the time the contract was entered into. Foreign exchange rate fluctuations could cause some variability in the number of customers with ACV greater than $1 million and the average ACV per G2K.

servicenow
© 2017 ServiceNow All Rights Reserved

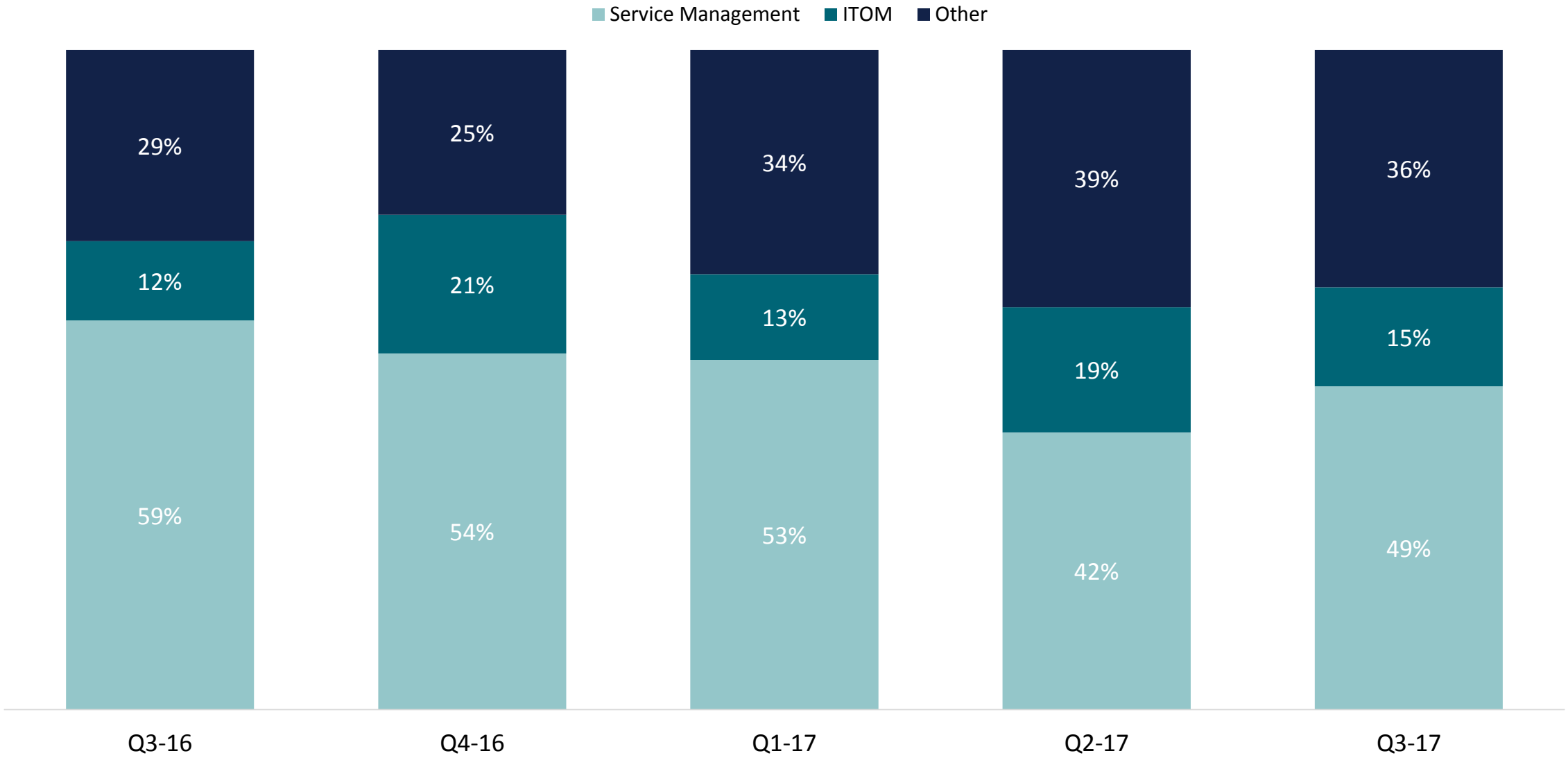
Upsells Represent Large Opportunity



Note: Chart reflects growth in total annual contract value over time, inclusive of losses, for the group of customers that joined ServiceNow in each respective year. Annual Growth represent increases in total annual contract value after the initial contract of each customer.

© 2017 ServiceNow All Rights Reserved

New ACV Mix Shifting To Emerging Products



Note: Service Management = IT, Facilities, Field Service, Finance, Marketing, Legal, Express
ITOM = ServiceWatch, Discovery, Cloud Management, Orchestration, Event Management
Other = HR, Security Operations, Customer Service Management, Performance Analytics, IT Business Management, GRC, Platform

servicenow
© 2017 ServiceNow All Rights Reserved

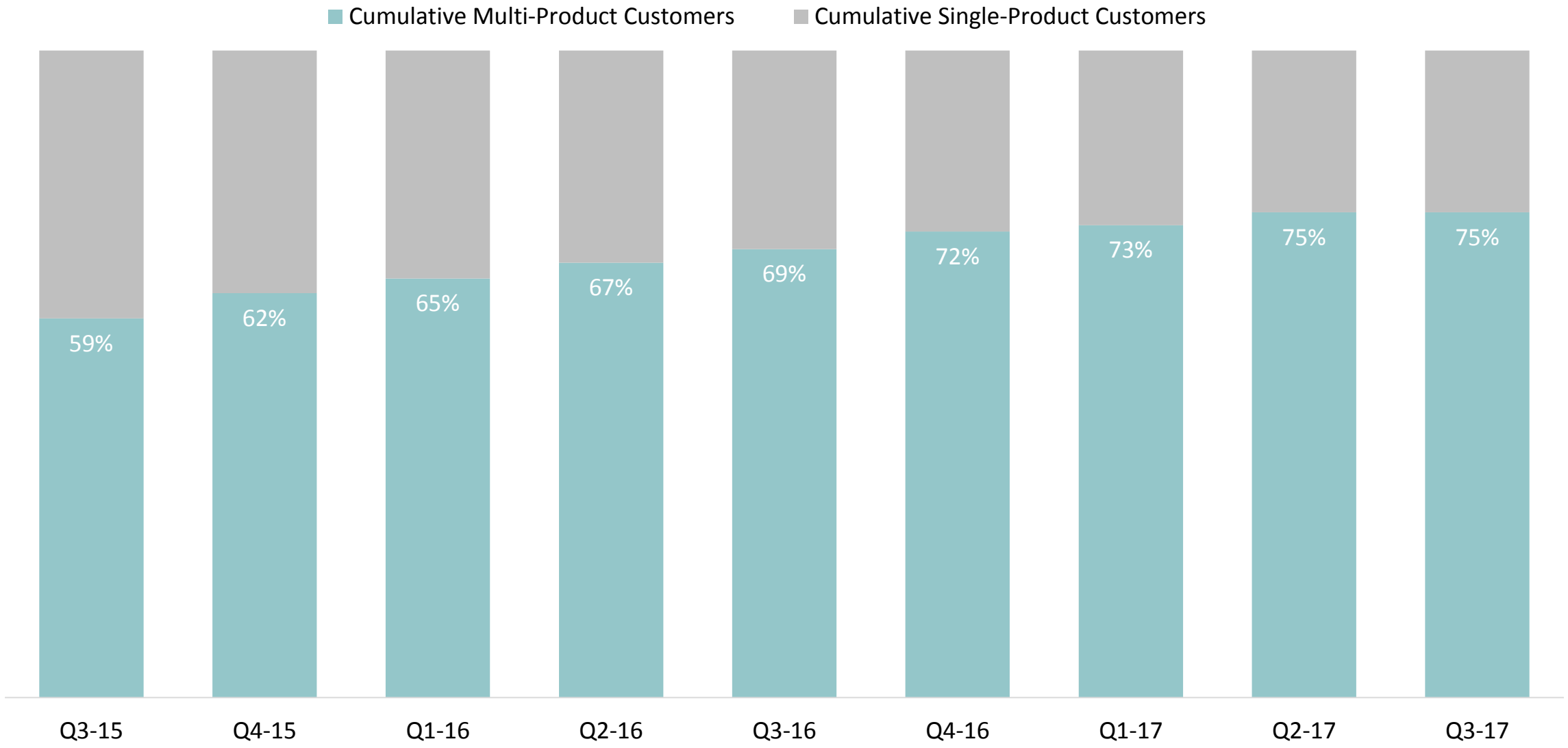
15 of Top 20 New Deals in Q3 Included 4+ Products

4+ Products | 3 Products | 2 Products

Customer	Service Management	ITOM	Platform	ITBM	Analytics	HR	Customer Service	Security Operations	GRC	ITAM
Customer 1	X		X		X					
Customer 2	X	X	X	X	X	X	X	X		
Customer 3	X	X	X	X	X					
Customer 4	X	X	X		X					
Customer 5	X	X	X		X		X	X		
Customer 6	X	X		X	X			X		
Customer 7	X	X			X					X
Customer 8	X	X			X					X
Customer 9	X	X	X	X	X					
Customer 10		X	X							
Customer 11			X				X			
Customer 12	X	X	X		X		X			
Customer 13	X	X		X	X			X	X	
Customer 14	X		X	X	X	X	X		X	
Customer 15		X	X		X	X				
Customer 16	X		X	X						
Customer 17	X				X					
Customer 18	X	X	X	X	X					
Customer 19	X	X	X	X	X	X	X	X	X	
Customer 20	X	X	X	X	X			X		

servicenow
© 2017 ServiceNow All Rights Reserved

Multi-Product Customers Increasing



servicenow
© 2017 ServiceNow All Rights Reserved

2020 Non-GAAP Targets

	2015A	2016A	2017E		2020 Target
Total Revenue	$1.005B	$1.391B	$1.918-$1.923B		$4B
Non-GAAP Subscription Gross Margin	82%	84%	85%	Data center density, improved economies of scale	84-86%
Non-GAAP PS & Other Gross Margin	22%	19%	16%	Productized & scalable offerings, improved utilization, ramp time	19-21%
Non-GAAP Total Gross Margin	73%	76%	78%		79-81%
Non-GAAP S&M % of Revenue	39%	41%	n/a	Greater renewal mix, improved mix of ramped reps, marketing spend	33-35%
Non-GAAP R&D % of Revenue	15%	15%	n/a	Continue to invest in R&D, but at slower pace than revenue growth	12-13%
Non-GAAP G&A % of Revenue	9%	8%	n/a	Improved economies of scale	4-5%
Non-GAAP Operating Margin	10%	13%	16%		28-30%
Non-GAAP Free Cash Flow Margin	23%	23%	25%		30-32%

Note: All figures are calculated on a non-GAAP basis except for total revenue. See appendix for Non-GAAP reconciliation.

© 2017 ServiceNow All Rights Reserved

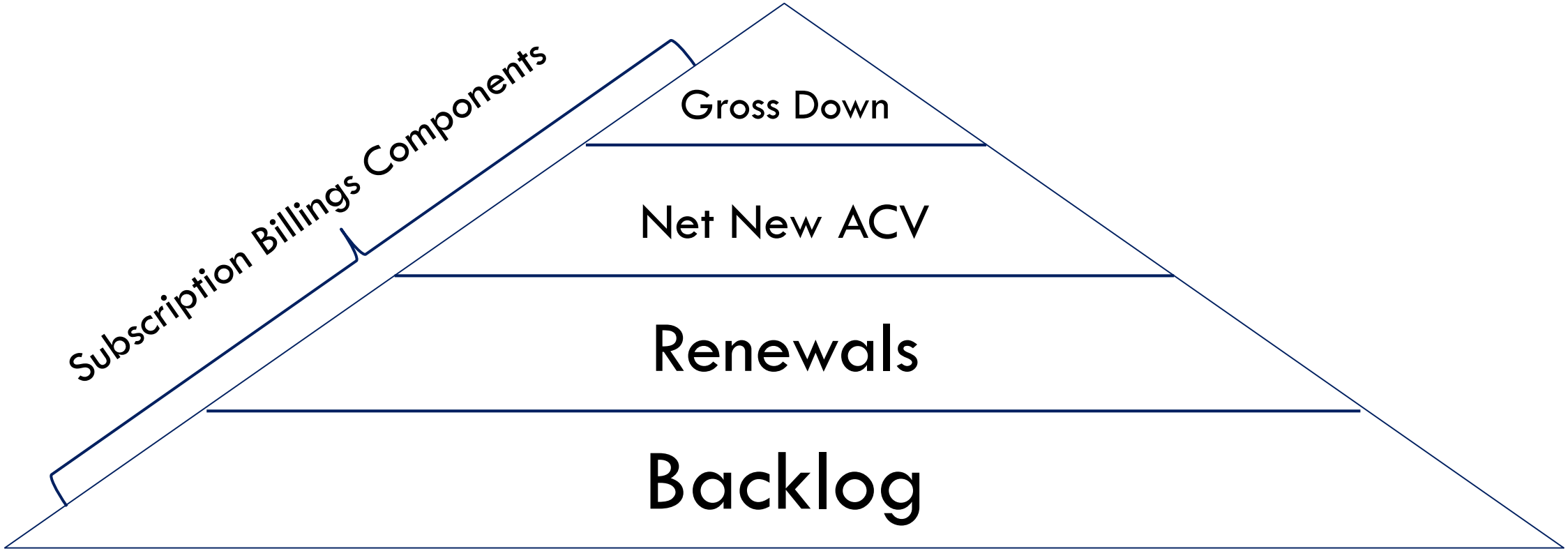
Framework for Growth and Operating Leverage

	Moderate Growth	Growth	High Growth
Revenue Growth	<30%	30-35%	35%+
Non-GAAP Operating Margin %	4-5% increase per year	3-4% increase per year	2-3% increase per year
Non-GAAP FCF Margin %	2-3% increase per year	1-2% increase per year	0-1% increase per year

Note: All figures are calculated on a non-GAAP basis, revenue growth rates account for constant currency.

servicenow
© 2017 ServiceNow All Rights Reserved

Expected Non-GAAP Subscription Billings Seasonality



	Q1	Q2	Q3	Q4
Billings	2nd Smallest	Smallest	2nd Largest	Largest
Backlog / Renewals / NN ACV	Smallest	→	→	Largest
Gross Down	Largest	←	←	Smallest

Note: Billings seasonality does not account for multi-year billings or foreign currency rate fluctuations impact which are less predictable. Bill date is determined by contract start date. Gross down defined as a bill sent on the first day of a quarter resulting from NN ACV from a prior period.

servicenow
© 2017 ServiceNow All Rights Reserved

Expected Non-GAAP Free Cash Flow Seasonality

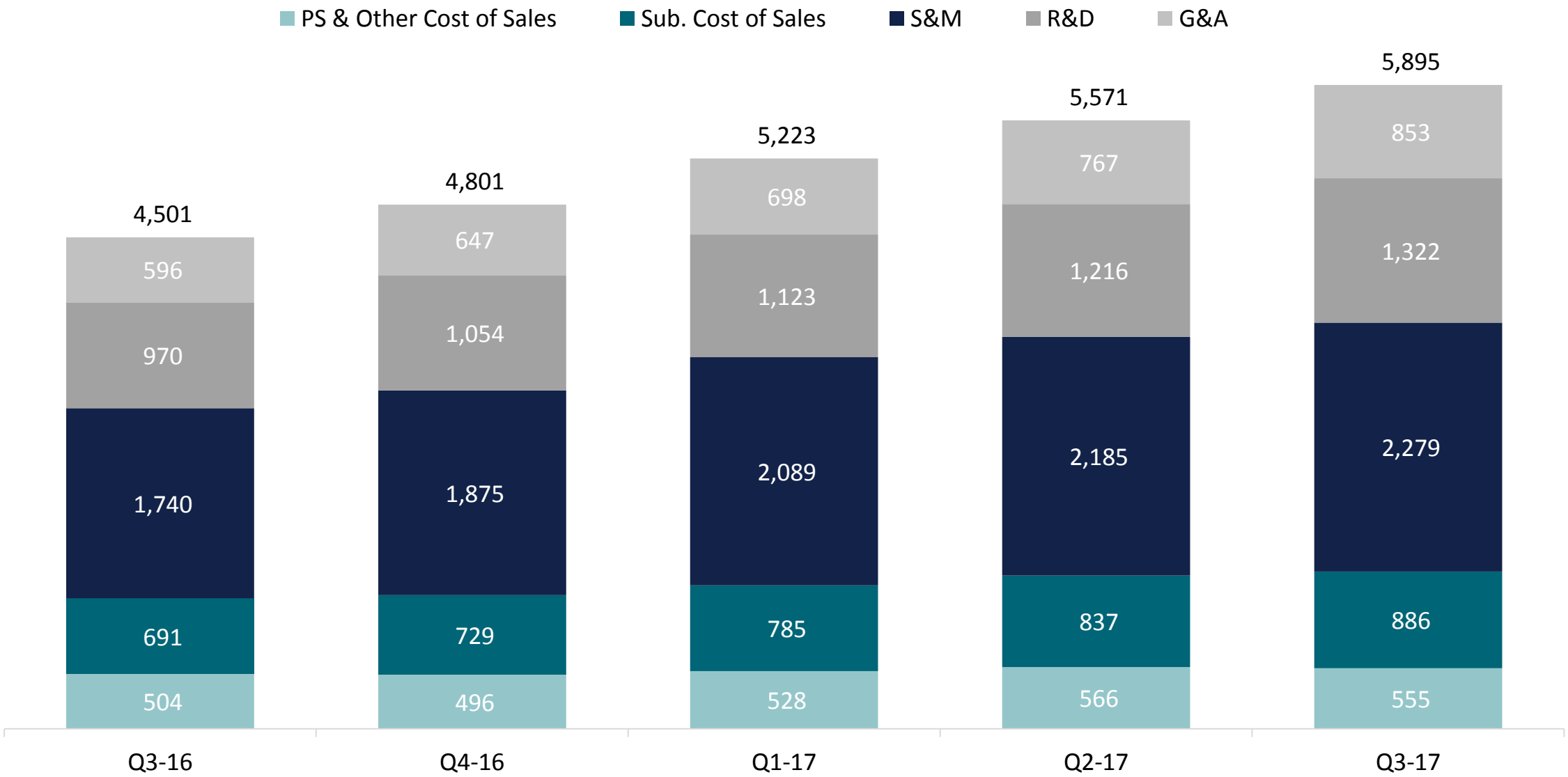


	Q1	Q2	Q3	Q4
Non-GAAP Op. Margin	Low	Low	High	High
Collections	High (Q4 NN ACV)	Low	Low	High (Q4 Non-GAAP Billings)
Employee Stock Purchase Plan	–	+	–	+

Note: Free cash flow and Op. Margin figures are calculated on a non-GAAP basis.

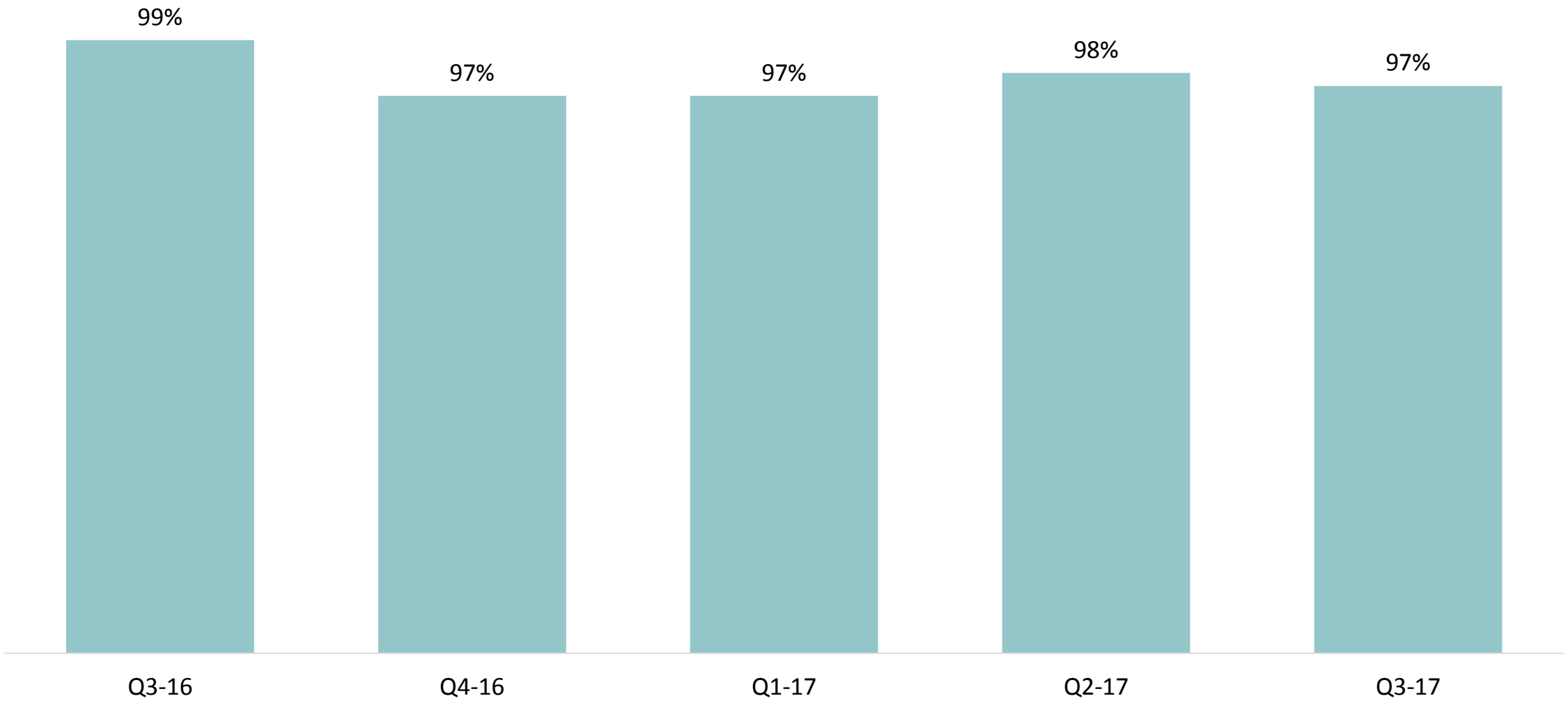
servicenow
© 2017 ServiceNow All Rights Reserved

Headcount by Department



servicenow
© 2017 ServiceNow All Rights Reserved

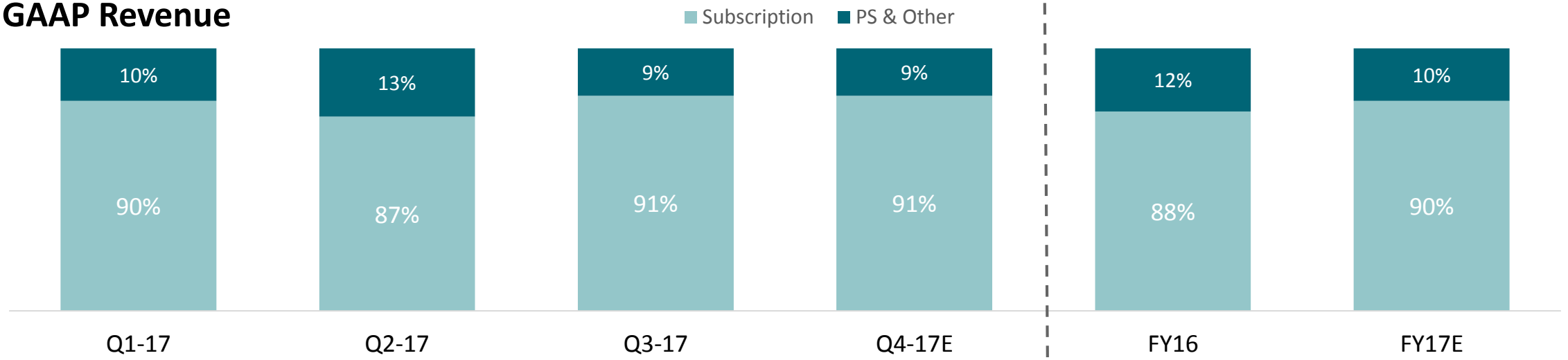
Renewal Rate



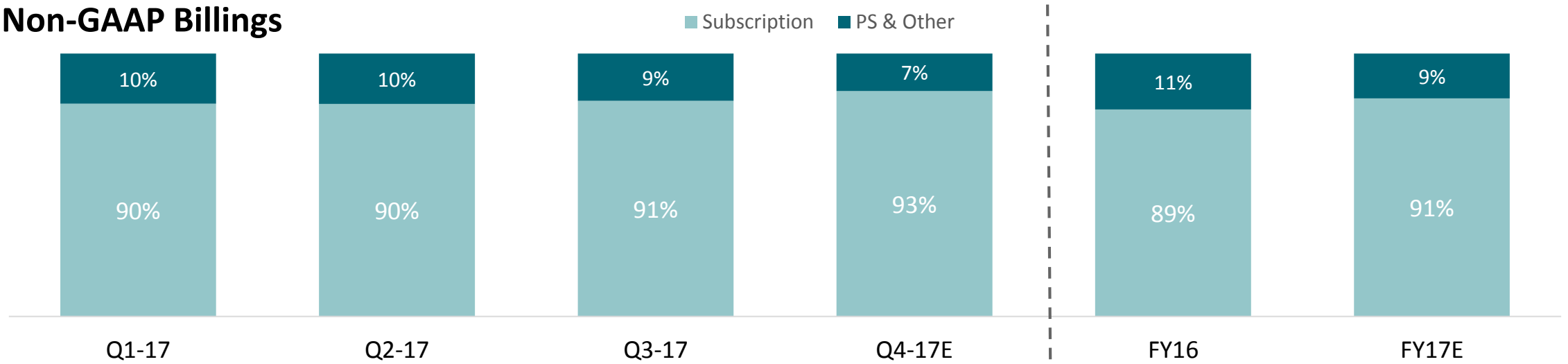
servicenow
© 2017 ServiceNow All Rights Reserved

Revenue and Billings Increasingly Driven by Subscription Business

GAAP Revenue



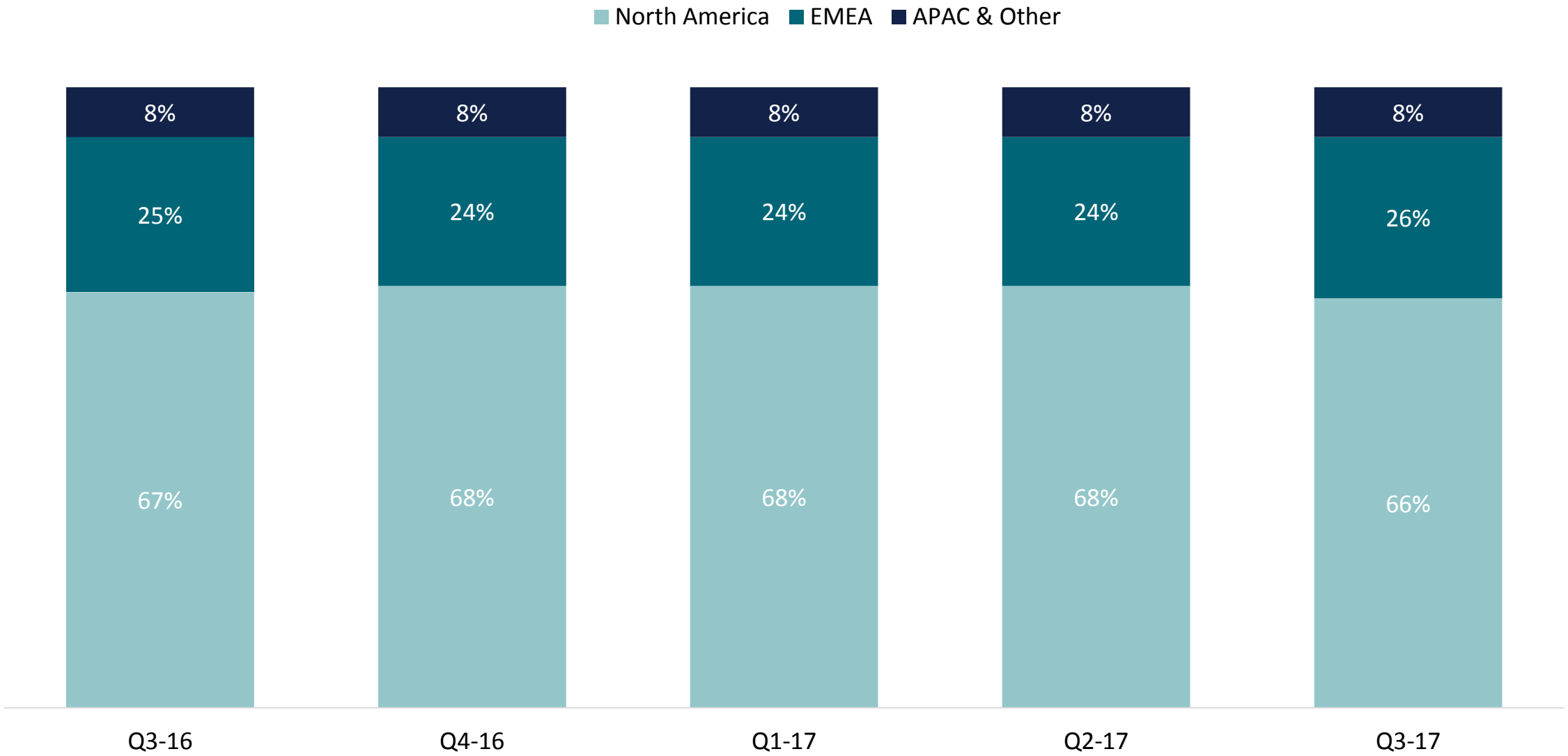
Non-GAAP Billings



Note: See appendix for reconciliation of non-GAAP financial measures.

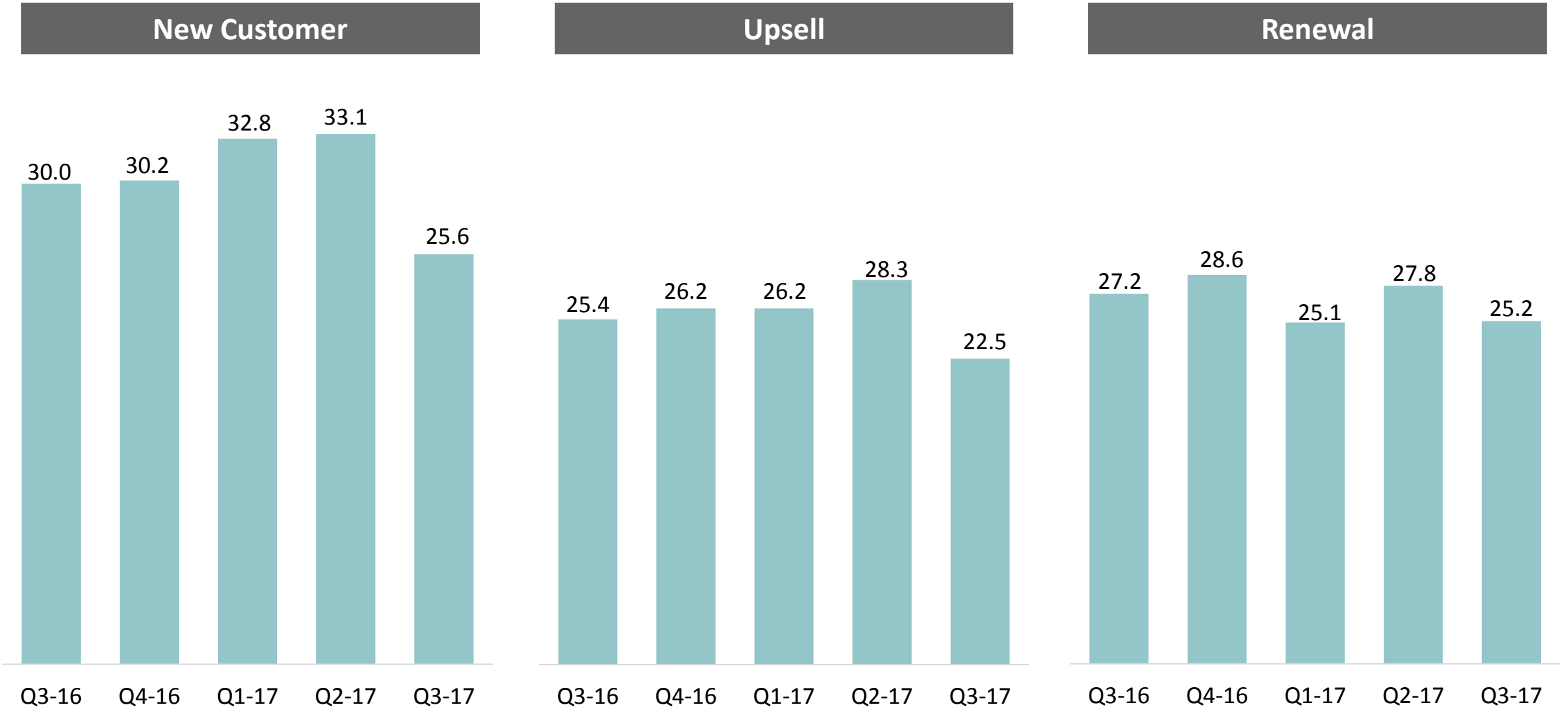
servicenow
© 2017 ServiceNow All Rights Reserved

Revenue by Geography



servicenow
© 2017 ServiceNow All Rights Reserved

Average Contract Terms

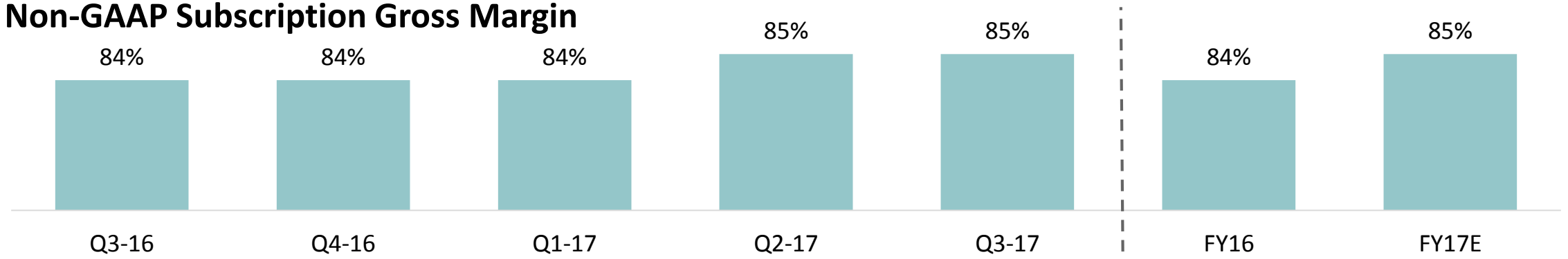


Note: All figures represent months.

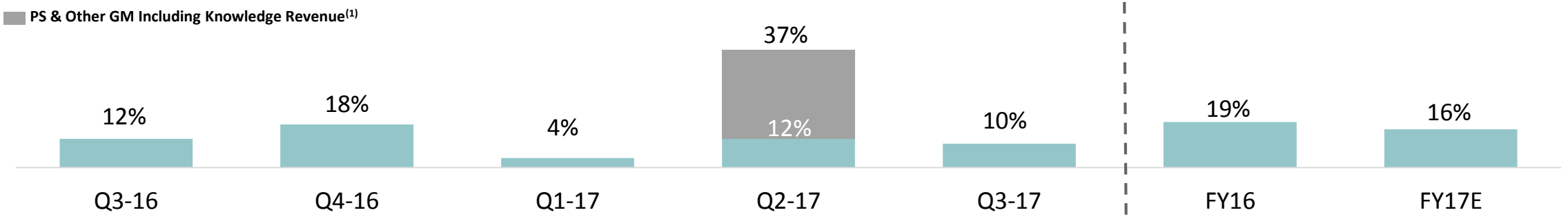
© 2017 ServiceNow All Rights Reserved

Non-GAAP Gross Margins

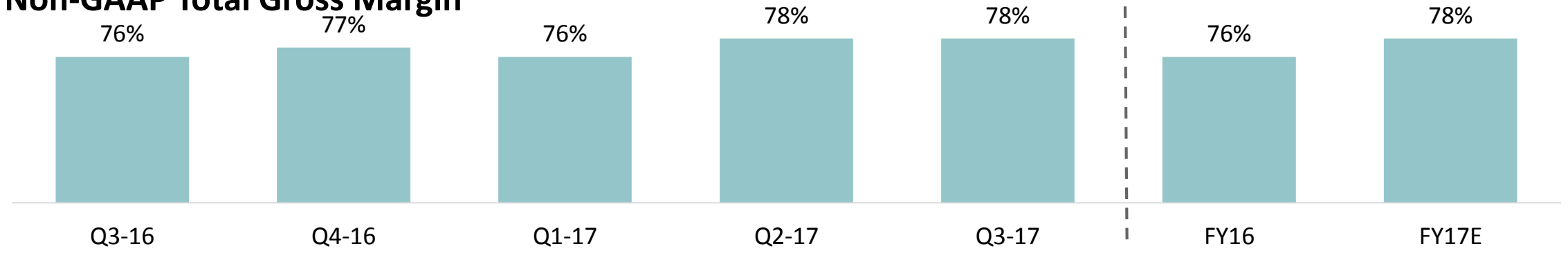
Non-GAAP Subscription Gross Margin



Non-GAAP PS & Other Gross Margin



Non-GAAP Total Gross Margin



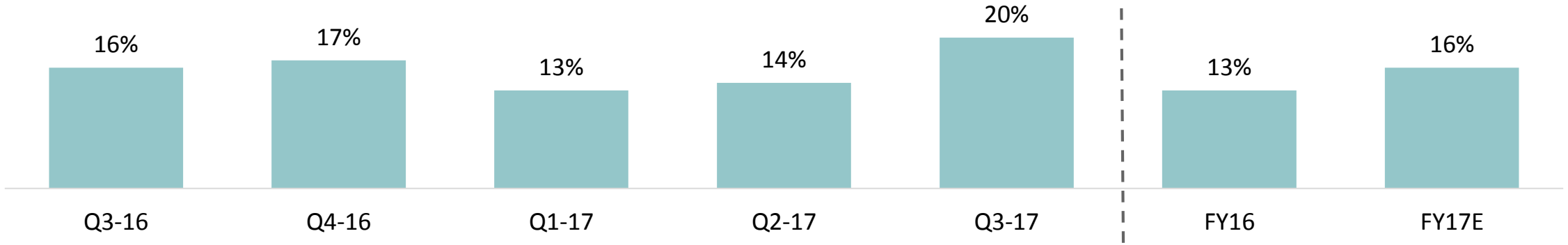
Note: All figures are calculated on a non-GAAP basis. See appendix for reconciliation of non-GAAP financial measures.

(1) Professional Services and Other revenues includes revenue from our Knowledge event in the second quarter of each year, with all related expenses in sales and marketing.

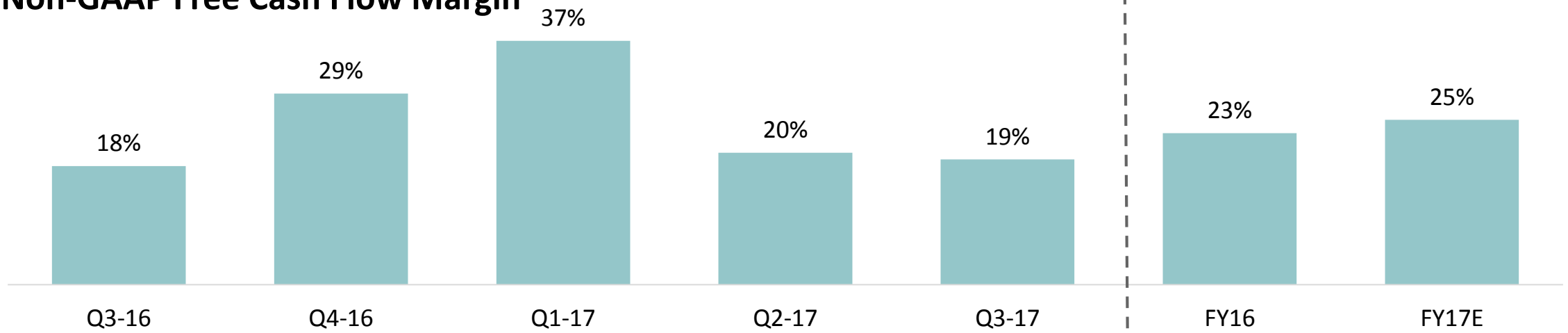
servicenow
© 2017 ServiceNow All Rights Reserved

Non-GAAP Operating and Free Cash Flow Margins

Non-GAAP Operating Margin



Non-GAAP Free Cash Flow Margin



Note: All figures are calculated on a non-GAAP basis. See appendix for reconciliation of non-GAAP financial measures.

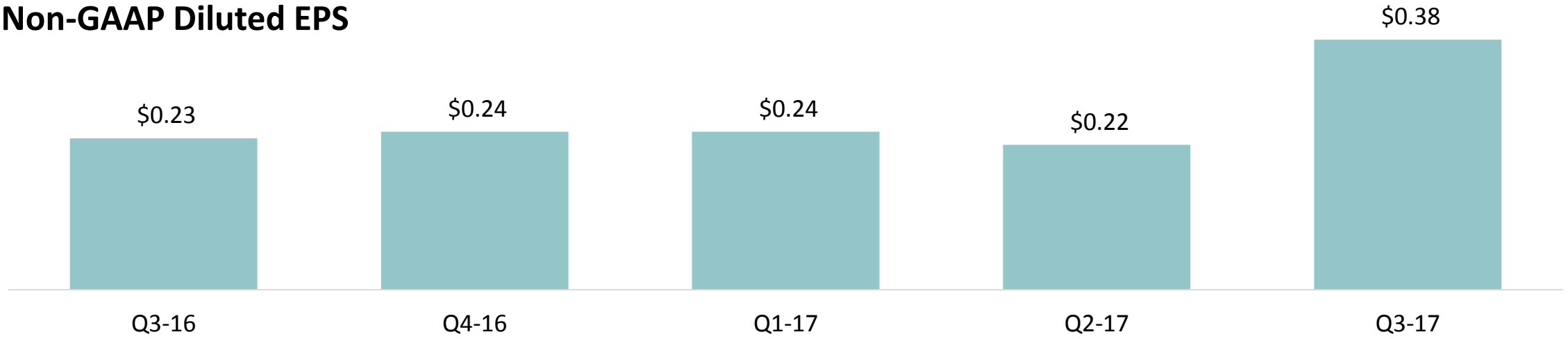
servicenow
© 2017 ServiceNow All Rights Reserved

Non-GAAP Net Income and Diluted EPS

Non-GAAP Net Income ($M)



Non-GAAP Diluted EPS



Note: All figures are calculated on a non-GAAP basis. See appendix for reconciliation of non-GAAP financial measures.

servicenow
© 2017 ServiceNow All Rights Reserved

Appendix

servicenow
© 2017 ServiceNow All Rights Reserved

GAAP to Non-GAAP Reconciliation – Revenues and Billings

in millions (except %'s)	Q1-15	Q2-15	Q3-15	Q4-15	2015	Q1-16	Q2-16	Q3-16	Q4-16	2016	Q1-17	Q2-17	Q3-17	Q4-17E Midpoint	2017E Midpoint
GAAP Subscription Revenues	$ 180	$ 200	$ 223	$ 244.7	$ 848	$ 267	$ 291	$ 319	$ 345	$ 1,222	$ 376	$ 411	$ 455	$ 488	$ 1,731
(+) Effects of Foreign Currency Rate Fluctuations	-	-	-	-	-	2	(2)	1	6	6	7	6	(6)	(12)	(6)
Non-GAAP Adjusted Subscription Revenues [1]	$ 180	$ 200	$ 223	$ 244.7	$ 848	$ 269	$ 289	$ 320	$ 350	$ 1,228	$ 383	$ 417	$ 449	$ 476	$ 1,725
YoY Non-GAAP Adjusted Subscription Revenues Growth Rates						*49%*	*44%*	*43%*	*43%*	***45%***	*43%*	*43%*	*41%*	*38%*	***41%***
GAAP Subscription Revenues	$ 180	$ 200	$ 223	$ 244.7	$ 848	$ 267	$ 291	$ 319	$ 345	$ 1,222	$ 376	$ 411	$ 455	$ 488	$ 1,731
(+) Increase in Subscription Deferred Revenues	53	40	23	73	190	64	42	44	139	289	103	46	44	160	352
Non-GAAP Subscription Billings	$ 233	$ 241	$ 246	$ 317.9	$ 1,038	$ 331	$ 333	$ 363	$ 484	$ 1,511	$ 479	$ 457	$ 500	$ 648	$ 2,083
YoY Non-GAAP Subscription Billings Growth Rates [4]	*47%*	*50%*	*39%*	*34%*	***42%***	*42%*	*38%*	*47%*	*52%*	***46%***	*44%*	*37%*	*38%*	*34%*	***38%***
(+) Effects of Foreign Currency Rate Fluctuations	-	-	-	-	-	3	(2)	1	7	8	9	8	(6)	(17)	(6)
(+) Effects of Fluctuations in Billings Duration [3]	-	-	-	-	-	(1)	(1)	(2)	(13)	(16)	(21)	3	4	17	3
Non-GAAP Adjusted Subscription Billings [2]	$ 233	$ 241	$ 246	$ 317.9	$ 1,038	$ 333	$ 331	$ 362	$ 477	$ 1,503	$ 466	$ 468	$ 498	$ 648	$ 2,080
YoY Non-GAAP Adjusted Subscription Billings Growth Rates						*43%*	*37%*	*47%*	*50%*	***44%***	*41%*	*41%*	*37%*	*34%*	***38%***
GAAP Professional Services and Other Revenues	$ 32	$ 46	$ 38	$ 41.0	$ 157	$ 38	$ 51	$ 39	$ 41	$ 169	$ 41	$ 61	$ 43	$ 46	$ 190
(+) Effects of Foreign Currency Rate Fluctuations	-	-	-	-	-	0	(0)	(0)	0	0	0	1	(1)	(2)	(1)
Non-GAAP Adjusted Professional Services and Other Revenues [1]	$ 32	$ 46	$ 38	$ 41.0	$ 157	$ 39	$ 50	$ 39	$ 41	$ 169	$ 41	$ 62	$ 42	$ 44	$ 189
YoY Non-GAAP Adjusted Professional Services and Other Revenues Growth Rates						*21%*	*9%*	*2%*	*1%*	***8%***	*8%*	*21%*	*8%*	*7%*	***12%***
GAAP Professional Services and Other Revenues	$ 32	$ 46	$ 38	$ 41.0	$ 157	$ 38	$ 51	$ 39	$ 41	$ 169	$ 41	$ 61	$ 43	$ 46	$ 190
(+) Increase (Decrease) in Professional Services and Other Deferred Revenues	3	(6)	2	7	6	7	(9)	3	10	11	10	(12)	4	3	4
Non-GAAP Professional Services and Other Billings	$ 35	$ 41	$ 40	$ 47.8	$ 163	$ 45	$ 42	$ 42	$ 51	$ 180	$ 51	$ 48	$ 46	$ 49	$ 194
YoY Non-GAAP Professional Services and Other Billings Growth Rates [4]	*51%*	*48%*	*31%*	*31%*	***39%***	*32%*	*4%*	*3%*	*6%*	***10%***	*11%*	*15%*	*12%*	*(4%)*	***8%***
(+) Effects of Foreign Currency Rate Fluctuations	-	-	-	-	-	0	(0)	(0)	0	0	0	1	(1)	(2)	(1)
Non-GAAP Adjusted Professional Services and Other Billings [2]	$ 35	$ 41	$ 40	$ 47.8	$ 163	$ 46	$ 42	$ 42	$ 51	$ 180	$ 51	$ 49	$ 45	$ 47	$ 193
YoY Non-GAAP Adjusted Professional Services and Other Billings Growth Rates						*32%*	*3%*	*3%*	*7%*	***10%***	*13%*	*16%*	*10%*	*(8%)*	***7%***
GAAP Total Revenues	$ 212	$ 247	$ 261	$ 285.7	$ 1,005	$ 306	$ 341	$ 358	$ 386	$ 1,391	$ 417	$ 472	$ 498	$ 534	$ 1,921
(+) Effects of Foreign Currency Rate Fluctuations	-	-	-	-	-	2	(2)	1	6	6	7	7	(7)	(14)	(7)
Non-GAAP Adjusted Total Revenues [1]	$ 212	$ 247	$ 261	$ 285.7	$ 1,005	$ 308	$ 339	$ 358	$ 392	$ 1,397	$ 424	$ 479	$ 491	$ 520	$ 1,914
YoY Non-GAAP Adjusted Total Revenues Growth Rates						*45%*	*38%*	*37%*	*37%*	***39%***	*38%*	*40%*	*37%*	*35%*	***38%***
GAAP Total Revenues	$ 212	$ 247	$ 261	$ 285.7	$ 1,005	$ 306	$ 341	$ 358	$ 386	$ 1,391	$ 417	$ 472	$ 498	$ 534	$ 1,921
(+) Increase in Total Deferred Revenues from Consolidated Statements of Cash Flows	56	35	25	80	196	71	34	47	149	300	112	33	48	163	356
Non-GAAP Total Billings	$ 268	$ 281	$ 286	$ 365.7	$ 1,201	$ 377	$ 375	$ 404	$ 535	$ 1,691	$ 529	$ 505	$ 546	$ 697	$ 2,277
YoY Non-GAAP Total Billings Growth [4]	*48%*	*50%*	*38%*	*33%*	***41%***	*41%*	*33%*	*41%*	*46%*	***41%***	*40%*	*35%*	*35%*	*30%*	***35%***
(+) Effects of Foreign Currency Rate Fluctuations	-	-	-	-	-	3	(2)	1	7	8	9	9	(7)	(19)	(7)
(+) Effects of Fluctuations in Billings Duration [3]	-	-	-	-	-	(1)	(1)	(2)	(13)	(16)	(21)	3	4	17	3
Non-GAAP Adjusted Total Billings [2]	$ 268	$ 281	$ 286	$ 365.7	$ 1,201	$ 379	$ 372	$ 403	$ 528	$ 1,683	$ 517	$ 517	$ 543	$ 695	$ 2,273
YoY Non-GAAP Adjusted Total Billings Growth Rates						*42%*	*32%*	*41%*	*45%*	***40%***	*37%*	*38%*	*34%*	*30%*	***34%***

[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/forecasted exchange rates during the current/guidance period, and by replacing the portion of multi-year billings in excess of twelve months during the current/guidance period with the portion of multi-year billings in excess of twelve months during the comparison period.

[3] Results and guidance are adjusted for constant duration 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 prior period presented. Previously we presented adjusted billings by applying the weighted average billings duration in effect during the prior period presented rather than the actual weighted average billings duration in effect during the current period. As multi-year billings grow and durations lengthen, our new methodology provides more meaningful information on the impact of multi-year billings fluctuations than a weighted average billings duration methodology.

[4] Refer to Q3 FY16 IR deck on our investor relations website for the GAAP to non-GAAP reconciliation of YoY billings growth rates for FY15 (full year and by quarter).

Note: Numbers are rounded for presentation purposes.

© 2017 ServiceNow All Rights Reserved

GAAP to Non-GAAP Reconciliation – Other

in millions (except %'s and per share data)	2015	*Margin*	Q1-16	*Margin*	Q2-16	*Margin*	Q3-16	*Margin*	Q4-16	*Margin*	2016	*Margin*	Q1-17	*Margin*	Q2-17	*Margin*	Q3-17	*Margin*	*FY17E Margin*
GAAP Subscription Gross Profit	$ 665	***78%***	$ 215	*80%*	$ 234	*81%*	$ 257	*81%*	$ 280	*81%*	$ 986	***81%***	$ 306	*81%*	$ 335	*82%*	$ 374	*82%*	***82%***
(+) Subscription SBC	23	***3%***	7	*3%*	7	*2%*	7	*2%*	8	*2%*	29	***2%***	8	*2%*	9	*2%*	9	*2%*	***2%***
(+) Subscription Amort of Purchased Intangibles	11	***1%***	3	*1%*	3	*1%*	3	*1%*	3	*1%*	13	***1%***	4	*1%*	4	*1%*	4	*1%*	***1%***
Non-GAAP Subscription Gross Profit	$ 699	***82%***	$ 224	*84%*	$ 244	*84%*	$ 268	*84%*	$ 291	*84%*	$ 1,027	***84%***	$ 317	*84%*	$ 348	*85%*	$ 386	*85%*	***85%***
GAAP Professional Services and Other Gross Profit (Loss)	$ 11	***7%***	$ (3)	*(8%)*	$ 10	*20%*	$ (3)	*(7%)*	$ 1	*2%*	$ 6	***3%***	$ (5)	*(13%)*	$ 15	*24%*	$ (3)	*(6%)*	***1%***
(+) Professional Services and Other SBC	23	***15%***	7	*18%*	6	*13%*	7	*19%*	6	*16%*	26	***16%***	7	*17%*	8	*13%*	7	*16%*	***15%***
Non-GAAP Professional Services and Other Gross Profit	$ 34	***22%***	$ 4	*10%*	$ 16	*33%*	$ 5	*12%*	$ 7	*18%*	$ 32	***19%***	$ 2	*4%*	$ 22	*37%*	$ 4	*10%*	***16%***
GAAP Gross Profit	$ 676	***67%***	$ 212	*69%*	$ 245	*71%*	$ 255	*71%*	$ 281	*73%*	$ 992	***71%***	$ 300	*72%*	$ 350	*74%*	$ 371	*74%*	***74%***
(+) SBC	47	***5%***	13	*4%*	13	*4%*	14	*4%*	14	*3%*	55	***4%***	15	*3%*	17	*3%*	16	*3%*	***3%***
(+) Amort of Purchased Intangibles	11	***1%***	3	*1%*	3	*1%*	3	*1%*	3	*1%*	13	***1%***	4	*1%*	4	*1%*	4	*1%*	***1%***
Total Non-GAAP Gross Profit	$ 734	***73%***	$ 228	*74%*	$ 261	*76%*	$ 273	*76%*	$ 298	*77%*	$ 1,059	***76%***	$ 319	*76%*	$ 370	*78%*	$ 391	*78%*	***78%***
GAAP Sales and Marketing	$ 498	***50%***	$ 159	*52%*	$ 187	*55%*	$ 167	*47%*	$ 189	*49%*	$ 701	***50%***	$ 212	*51%*	$ 247	*52%*	$ 227	*46%*	***N/A***
(-) Sales and Marketing SBC	102	***10%***	31	*10%*	33	*10%*	32	*9%*	36	*9%*	132	***9%***	38	*9%*	42	*9%*	44	*9%*	***N/A***
(-) Sales and Marketing Amort of Purchased Intangibles	1	***0%***	-	*0%*	0	*0%*	0	*0%*	0	*0%*	0	***0%***	0	*0%*	0	*0%*	0	*0%*	***N/A***
Non-GAAP Sales and Marketing	$ 396	***39%***	$ 128	*42%*	$ 154	*45%*	$ 135	*38%*	$ 153	*40%*	$ 569	***41%***	$ 174	*42%*	$ 205	*43%*	$ 183	*37%*	***N/A***
GAAP Research and Development	$ 217	***22%***	$ 66	*22%*	$ 70	*21%*	$ 75	*21%*	$ 74	*19%*	$ 285	***21%***	$ 85	*20%*	$ 90	*19%*	$ 98	*20%*	***N/A***
(-) Research and Development SBC	70	***8%***	21	*7%*	21	*7%*	21	*6%*	19	*5%*	82	***6%***	22	*5%*	23	*5%*	23	*5%*	***N/A***
(-) Research and Development Amort of Purchased Intangibles	-	***0%***	-	*0%*	0	*0%*	0	*0%*	1	*0%*	1	***0%***	1	*0%*	1	*0%*	0	*0%*	***N/A***
Non-GAAP Research and Development	$ 147	***15%***	$ 45	*15%*	$ 49	*14%*	$ 53	*15%*	$ 55	*14%*	$ 202	***15%***	$ 62	*15%*	$ 67	*14%*	$ 75	*15%*	***N/A***
GAAP General and Administrative	$ 127	***12%***	$ 41	*13%*	$ 36	*11%*	$ 40	*11%*	$ 42	*11%*	$ 159	***11%***	$ 46	*11%*	$ 52	*11%*	$ 52	*11%*	***N/A***
(-) General and Administrative SBC	38	***3%***	10	*3%*	11	*4%*	14	*4%*	14	*4%*	49	***3%***	15	*4%*	17	*3%*	17	*3%*	***N/A***
(-) General and Administrative Amort of Purchased Intangibles	0	***0%***	0	*0%*	0	*0%*	0	*0%*	0	*0%*	1	***0%***	1	*0%*	1	*0%*	1	*1%*	***N/A***
(-) General and Administrative Business Combination and Other Related Costs	-	***0%***	0	*0%*	1	*0%*	-	*0%*	-	*0%*	1	***0%***	0	*0%*	1	*1%*	0	*0%*	***N/A***
Non-GAAP General and Administrative	$ 88	***9%***	$ 30	*10%*	$ 24	*7%*	$ 26	*7%*	$ 27	*7%*	$ 108	***8%***	$ 31	*7%*	$ 33	*7%*	$ 34	*7%*	***N/A***
GAAP Legal Settlements	$ -	***0%***	$ 270	*88%*	$ -	*0%*	$ -	*0%*	$ -	*0%*	$ 270.0	***19%***	$ -	*0%*	$ -	*0%*	$ -	*0%*	***N/A***
(-) Legal Settlements	-	***0%***	270	*88%*	-	*0%*	-	*0%*	-	*0%*	270.0	***19%***	-	*0%*	-	*0%*	-	*0%*	***N/A***
Non-GAAP Legal Settlements	$ -	***0%***	$ -	*0%*	$ -	*0%*	$ -	*0%*	$ -	*0%*	$ -	***0%***	$ -	*0%*	$ -	*0%*	$ -	*0%*	***N/A***
GAAP Operating Loss	$ (166)	***(17%)***	$ (324)	*(106%)*	$ (48)	*(14%)*	$ (27)	*(7%)*	$ (24)	*(6%)*	$ (423)	***(30%)***	$ (43)	*(10%)*	$ (39)	*(8%)*	$ (7)	*(1%)*	***(5%)***
(+) SBC	258	***26%***	75	*25%*	78	*23%*	81	*22%*	83	*22%*	318	***23%***	90	*22%*	98	*21%*	100	*20%*	***20%***
(+) Amort of Purchased Intangibles	12	***1%***	3	*1%*	4	*1%*	4	*1%*	4	*1%*	15	***1%***	5	*1%*	5	*1%*	5	*1%*	***1%***
(+) Business Combination and Other Related Costs	-	***0%***	0	*0%*	1	*0%*	-	*0%*	-	*0%*	1	***0%***	0	*0%*	1	*0%*	0	*0%*	***0%***
(+) Legal Settlements	-	***0%***	270	*88%*	-	*0%*	-	*0%*	-	*0%*	270	***19%***	-	*0%*	-	*0%*	-	*0%*	***0%***
Non-GAAP Operating Profit	$ 103	***10%***	$ 24	*8%*	$ 34	*10%*	$ 59	*16%*	$ 64	*17%*	$ 181	***13%***	$ 52	*13%*	$ 65	*14%*	$ 98	*20%*	***16%***
GAAP Net Loss	$ (198)	***(20%)***	$ (333)	*(109%)*	$ (50)	*(15%)*	$ (36)	*(10%)*	$ (33)	*(8%)*	$ (452)	***(32%)***	$ (41)	*(10%)*	$ (57)	*(12%)*	$ (24)	*(5%)*	***N/A***
(+) SBC	258	***26%***	75	*25%*	78	*23%*	81	*22%*	83	*22%*	318	***23%***	90	*22%*	98	*21%*	100	*20%*	***N/A***
(+) Amort of Purchased Intangibles	12	***1%***	3	*1%*	4	*1%*	4	*1%*	4	*1%*	15	***1%***	5	*1%*	5	*1%*	5	*1%*	***N/A***
(+) Business Combination and Other Related Costs	-	***0%***	0	*0%*	1	*0%*	-	*0%*	-	*0%*	1	***0%***	0	*0%*	1	*0%*	0	*0%*	***N/A***
(+) Legal Settlements	-	***0%***	270	*88%*	-	*0%*	-	*0%*	-	*0%*	270	***19%***	-	*0%*	-	*0%*	-	*0%*	***N/A***
(+) Amortization of debt discount and issuance costs for the convertible senior notes	31	***3%***	8	*3%*	8	*2%*	8	*3%*	9	*2%*	33	***2%***	9	*2%*	11	*2%*	17	*4%*	***N/A***
(-) Income tax expense effects related to the above adjustments	35	***3%***	9	*3%*	15	*4%*	18	*5%*	21	*6%*	63	***4%***	21	*5%*	19	*4%*	28	*6%*	***N/A***
Non-GAAP Net Income	$ 67	***7%***	$ 15	*5%*	$ 26	*7%*	$ 40	*11%*	$ 42	*11%*	$ 122	***9%***	$ 42	*10%*	$ 40	*8%*	$ 69	*14%*	***N/A***

Note: Numbers are rounded for presentation purposes.

© 2017 ServiceNow All Rights Reserved

GAAP to Non-GAAP Reconciliation – Other (cont.)

in millions (except %'s and per share data)	2015	*Margin*	Q1-16	*Margin*	Q2-16	*Margin*	Q3-16	*Margin*	Q4-16	*Margin*	2016	*Margin*	Q1-17	*Margin*	Q2-17	*Margin*	Q3-17	*Margin*	*FY17E Margin*
GAAP Weighted-Average Shares Used to Compute Net Loss per Share - Basic	**156**	***N/A***	162	*N/A*	164	*N/A*	165	*N/A*	167	*N/A*	**165**	***N/A***	169	*N/A*	170	*N/A*	172	*N/A*	***N/A***
(+) Effect of Dilutive Securities (Stock Options, Restricted Stock Units and Warrants)	**13**	***N/A***	8	*N/A*	9	*N/A*	9	*N/A*	9	*N/A*	**9**	***N/A***	8	*N/A*	8	*N/A*	9	*N/A*	***N/A***
Non-GAAP Weighted-Average Shares Used to Compute Net Income per Share - Diluted	**169**	***N/A***	170	*N/A*	173	*N/A*	174	*N/A*	176	*N/A*	**174**	***N/A***	177	*N/A*	179	*N/A*	180	*N/A*	***N/A***
Non-GAAP Net Income per Share - Diluted	**$ 0.40**	***N/A***	$ 0.09	*N/A*	$ 0.15	*N/A*	$ 0.23	*N/A*	$ 0.24	*N/A*	**$ 0.70**	***N/A***	$ 0.24	*N/A*	$ 0.22	*N/A*	$ 0.38	*N/A*	***N/A***
GAAP Net Cash Provided by (Used in) Operating Activities	**$ 318**	***32%***	$ 79	*26%*	$ (148)	*(43%)*	$ 97	*27%*	$ 133	*34%*	**$ 160**	***12%***	$ 187	*45%*	$ 129	*27%*	$ 142	*28%*	***33%***
(-) Purchases of Property and Equipment	**88**	***9%***	29	*10%*	24	*7%*	31	*9%*	22	*5%*	**106**	***8%***	33	*8%*	36	*7%*	47	*9%*	***8%***
(+) Cash Paid for Legal Settlements	**-**	***0%***	18	*6%*	250	*73%*	-	*0%*	-	*0%*	**268**	***19%***	-	*0%*	-	*0%*	-	*0%*	***0%***
Non-GAAP Free Cash Flow	**$ 230**	***23%***	$ 67	*22%*	$ 78	*23%*	$ 66	*18%*	$ 111	*29%*	**$ 322**	***23%***	$ 154	*37%*	$ 93	*20%*	$ 95	*19%*	***25%***

Note: Numbers are rounded for presentation purposes.

© 2017 ServiceNow All Rights Reserved