FINANCIALS

Q2 2025 Subscription Revenue: $3.113B (+21.5% YoY in constant currency, 200 bps above high-end of guidance)

- Driven by strong execution and some early on-prem renewal

- **Total Remaining Performance Obligations (RPO):** $23.9B (+25.5% YoY in constant currency)

- **Current RPO:** $10.92B (+21.5% YoY in constant currency, 200 bps above guidance)

- **Renewal Rate:** 98%

  Customers

  - 528 customers generating >$5M in ACV

  - Number of $20M+ customers up >30% YoY

  - 89 deals >$1M net new ACV (11 >$5M) in Q2

  - 11 new logo deals >$1M net new ACV (2 >$5M)

- **Share Repurchase:** 381,000 shares repurchased in Q2; $2.6B authorization remains

- **Operating Margin:** Non-GAAP 29.5% (250+ bps above guidance; up YoY)

- **Free Cash Flow Margin:** 16.5% (up 300 bps YoY)

- **Cash and Investments:** $10.8B at quarter end

  AI Efficiencies: Cited NOW on NOW internal usage and AI-driven OpEx efficiency as margin tailwinds

  - $100M+ in headcount savings expected in 2025

  - Cumulative $350M value from agentic AI productivity (sales and engineering, e.g. sales productivity up 50%)

- **Marketing Spend:** Some marketing expenses shifted into 2H 2025; partial benefit in Q2 margins

- **No Moveworks Contribution in 2025 or Q3 Guidance:** Deal expected to close late 2025 or early 2026

Industry Segmentation

- **Transportation & Logistics:** Net new ACV >100% YoY growth

- **Tech, Media, Telecom:** Net new ACV >70% YoY growth

- **Retail, Hospitality, Energy, Utilities:** Each grew >50% YoY

GUIDANCE

2025 Full Year (Updated):

- Raised subscription revenue midpoint by $125M to $12.775–12.795B (+20% YoY; 19.5–20% cc)

- Subscription gross margin: 83.5%

- Operating margin: 30.5%

- Free cash flow margin: 32%

- GAAP diluted weighted avg. shares: 210M

Q3 2025:

- Subscription revenue: $3.260–3.265B (+20–20.5% YoY; 19.5% cc)

- CRPO Growth: 18.5% (or 18% cc), includes 200bps headwind from large renewal cohort in Q4

- Operating margin: 30.5%

- Shares: 210M GAAP diluted weighted avg.

Longer-Term Targets:

- Pipeline up >$1.2B (post-Knowledge 2025 event)

- On track for $15B+ subscription revenue and $1B NOW Assist ACV in 2026

Expense Management:

- Prudent on OpEx to absorb potential margin headwinds (e.g. Moveworks deal)

- AI efficiency gains support continued investment in growth (sales, engineering, R&D for AI)

PRODUCTS & INNOVATION

AI Platform (NOW Assist, Agentic AI):

- Net new ACV again beat expectations in Q2

- 21 deals with five+ NOW Assist products

- Plus SKUs now in 18 of top 20 deals

- Largest NOW Assist deal >$20M

- AI Control Tower already surpassed initial net new ACV expectations for full year (in just 60 days)

- Agentic Workforce Management: new standard for hybrid team leadership (employees and AI agents collaborating)

- AI Agent Studio/no-code AI Agent development platform launched

- Raptor DB Pro data layer gaining traction, beating expectations worldwide

Product Momentum:

- ITSM Plus & CSM Plus deal volume: +4x YoY
- ITOM Plus: +3x YoY
- HRSD Plus: 2x YoY
- ITAM NOW Assist net new ACV: nearly 6x QoQ (deal sizes 3x+)
- NOW Assist for SecOps & Risk: net new ACV more than doubled QoQ
- Creator platform: NOW Assist average deal size quadrupled YoY

CRM & Front Office:

- Big momentum in CRM, especially after Logic.AI acquisition and CPQ
- 9 deals closed with Logic.AI in June alone
- Emphasizing transition to agentic CRM (AI-embedded, not screen-based, cross-tool omnipresence)
- Order management, sales, and service as focus; major customer wins

Data & Governance:

- Workflow Data Fabric in 17 of top 20 largest deals
- Data.World acquisition to strengthen AI data governance (only data catalog platform built on a knowledge graph, high adoption)
- Standard Chartered and Merck & Co among large customers for governance and security

AI Partnerships/Model Support:

- Nematron LLM (w/ NVIDIA) for enhanced reasoning, planning, execution (customers can still use OpenAI, Gemini, Claude, etc.)
- Partnerships with NVIDIA, UKG, Zoom, etc.; ServiceNow, Inc. as central platform for agentic AI

Industry/Use-Case Expansions:

- Multi-industry expansion (insurance, public sector, retail, energy, etc.)
- Security, risk, and identity governance emerging as new opportunity areas

SUPPLY CHAIN, CUSTOMERS, & PARTNERS

Customers & Wins

- Notable Q2 wins: ExxonMobil, Standard Chartered (AI Control Tower, Raptor DB), Merck (security ops), State of California (multi-department CRM), Brazil (AI for customer service), Intuit (enterprise AI), Starbucks (AI in tech ecosystem), North Carolina DOT (AI governance), CapZone Impact (national manufacturing modernization, automation)
- 98% renewal rate; 528 >$5M ACV customers; >30% increase in $20M+ customers YoY
- 11 $1M+ new logo deals in Q2, 2 over $5M; new logo ACV +100% YoY
- Emphasizing "landing the right new logos" that can expand with company
- Knowledge 2025 event drove $1.2B+ in pipeline

OEMs & Partners

- Integration with all 3 hyperscalers (AWS, Azure, GCP), Oracle, etc.
- AI platform supports any LLM (Open AI, Gemini, Claude, Nematron/NVIDIA, etc.) and any agent
- AI Control Tower manages 3rd party agents, ServiceNow, agents in single workflow layer
- Agents are deeply integrated into business processes—asset management, security, HR, etc.
- Cross-functional, multi-departmental use of AI platform; C-suite led adoption across industries

Supply Chain / Productization

- Global platform can integrate any data source, cloud, LLM, and manage multiple AI agents
- Workflow Data Fabric and RaptorDB accelerate data integration

LEADERSHIP

- Recent leadership changes in US, Europe, APJ viewed positively; deeper GTM bench, "premier talent" from Oracle, etc.
- Paul Phipps promoted to global customer operations, cited as field general for execution
- Bill McDermott (CEO): Strong vision for agentic AI as the new paradigm, aiming for ServiceNow to be the "AI OS" for the enterprise
- Amit Zavery (President, CPO, COO): Leading AI/engineering teams, product innovation/rollout

- Gina Mastantuono (President, CFO): Focus on profitable, balanced growth, AI-driven margin leverage, expense stewardship, and capital return (share repurchases)

CATALYSTS

- Raising 2025 revenue guide; robust new pipeline (post-Knowledge 2025 event), positioning for 2026 $15B+ target
- AI adoption continues to accelerate (21 deals w/ five+ NOW Assist products)
- Large, strategic wins, new industry verticals, and front office (CRM/CPQ) expansion
- Introduction of Agentic Workforce Management and Data.World in product portfolio
- No-code AI Agent Studio and NOW Next AI program: accelerating C-suite adoption
- Brand momentum (42nd most valuable brand, global ambassador: Idris Elba)
- Skilled GTM and technical teams; ongoing hiring for AI talent, sales engineers
- Not reliant on Moveworks closing in 2025 for guidance; would be upside if/when deal closes

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Summary:
ServiceNow, Inc. achieved strong Q2 2025 results, handily beating top and bottom line guidance due to broad-based AI adoption and continued momentum across all workflow products. AI-driven operational leverage lifted margins; robust large deal activity and new logo growth drove RPO and pipeline gains. Leadership called out accelerating demand for agentic AI as cross-functional, native workflow becomes a central IT and business priority. The company raised 2025 revenue guidance and reiterated long-term (2026) targets, with product innovation (now including Data.World, Logic.AI, Agentic Workforce Management), marquee partnership/customer momentum, and strong leadership positioning ServiceNow, Inc. as a core AI platform for the enterprise.