

ServiceNow, Inc. (NOW)

Nice Beat but Doesn't Accelerate; the 3 Bear Cases; NOW at Citizens Tech Conference 3/2-3/3

MARKET OUTPERFORM

Price: \$129.62

Price Target: \$260.00

INVESTMENT HIGHLIGHTS

- We maintain our Market Outperform rating and \$260 price target on ServiceNow after the company reported better-than-expected 4Q25 results, with non-GAAP EPS of \$0.92 (consensus \$0.88), on revenue of \$3.568B (consensus \$3.528B), up 20.5% y/y as reported and 19.5% in constant currency (down from 22% as reported and 20.5% in cc last quarter); subscription revenue of \$3.466B (consensus \$3.424B), up 21% y/y as reported and 19.5% in cc (versus 21.5% as reported and 20.5% in cc last quarter); and most importantly, cRPO of \$12.850B (consensus \$12.571B), up 25% y/y as reported and 21% in cc, with Moveworks contributing ~100bps to cRPO leading to organic growth of 20% in cc, down from 20.5% last quarter, all of which left the stock down 5% in the aftermarket after having decreased 15% year to date versus an increase of 2% for the Russell 3000.
- Guidance was better than expected but did not quite represent acceleration with: 1) 1Q26 subscription revenue of \$3.650B-\$3.655B (consensus \$3.575B), representing as-reported growth of 21.5% (18.5%-19% cc versus 19.5% in 4Q), cRPO growth of 22.5% (20% cc) (consensus 19%), and operating margin of 31.5% (consensus 31%); 2) FY26 subscription revenue of \$15.530B-\$15.570B (consensus \$15.213B), up 20.5%-21% as reported (consensus about 18%), up 19.5%-20% in constant currency (consensus about 17% in cc) and including about 100 basis points of acquired subscription revenue; and 3) FY26 operating margin of 32% (consensus 31.8%) and free cash flow margin of 36% (consensus 34.1%).
- We view ServiceNow as an attractive opportunity for long-term capital appreciation for several reasons, including: 1) we liked how CEO Bill McDermott directly addressed the bear cases including: a) that *"AI will eat software companies,"* b) *"seat compression,"* and c) is *"M&A the new playbook out of necessity";* 2) Now Assist ACV reached \$600M, beating the prior comment of *"on pace to exceed a half a billion in ACV this year"* and should reach \$1B in 2026; 3) we like the Armis deal, which is expected to close in the second half of 2026, and how it *"will solve the visibility problem"* as the company *"is already protecting over 40% of the Fortune 100"*, and we believe ServiceNow has the ability to increase that number; 4) ServiceNow addresses a huge TAM that is now, according to Mr. McDermott, *"beyond \$600B";* 5) ServiceNow has an attractive financial profile with 2026 revenue growth plus free cash flow margin expected to hit 57%, up from 55% in 2025; and 5) the company is ably led by veteran software CEO Bill McDermott, who just signed up for five more years in the role; President, CPO, and COO Amit Zavery; and President and CFO Gina Mastantuono.
- We increase our 2026 non-GAAP EPS estimate to \$4.21 from \$4.06 (consensus \$4.10) on revenue growth of 20% y/y, increase our 2027 non-GAAP EPS estimate to \$5.10 from \$4.87 (consensus \$4.92) on revenue growth of 21%, and introduce our 2028 non-GAAP EPS estimate of \$6.14 on revenue growth of 20%.
- ServiceNow trades at a 2027E EV/revenue multiple of 6.6x and a 2027E EV/FCF multiple of 18x, while our \$260 price target implies a 2027E EV/revenue multiple of 13.6x and 2027E EV/FCF multiple of 37x, an ~10% premium to the peer group median EV/FCF

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MARKET DATA

Price:	\$129.62
52-Week Range:	\$123.78 - \$239.62
Shares Out. (M):	1,047.0
Market Cap (\$M):	\$135,712.1
Float (M):	203.3

Source: Company reports and Citizens JMP Securities, LLC

FY DEC		2025A	2026E	2027E
Revenue (\$M)	1Q	\$3,088.0	\$3,750.0	\$4,490.1
	2Q	\$3,215.0	\$3,856.7	\$4,766.9
	3Q	\$3,407.0	\$4,095.9	\$5,008.3
	4Q	\$3,568.0	\$4,313.2	\$5,086.3
	FY	\$13,278.0	\$16,015.8	\$19,351.6
EPS	1Q	\$0.81	\$0.98	\$1.21
	2Q	\$0.82	\$0.96	\$1.20
	3Q	\$0.96	\$1.10	\$1.32
	4Q	\$0.92	\$1.18	\$1.37
	FY	\$3.51	\$4.21	\$5.10
Previous FY		\$3.48	\$4.06	\$4.87

Source: Company reports and Citizens JMP Securities, LLC

STOCK PRICE PERFORMANCE



multiple that we believe is justified by the company's higher growth, strategic value, and the leadership of Bill McDermott and the rest of the executive team.

- ServiceNow will be participating in the Citizens Technology Conference held on March 2 & 3 at the Ritz-Carlton Hotel in San Francisco. Investors who would like to attend the conference should contact their Citizens institutional salesperson or this analyst.

HIGHLIGHTS

McDermott addresses the bear case: Mr. McDermott used his prepared remarks to address the bear case on ServiceNow directly. That bear case includes three components:

- 1) AI is killing software.
- “You need AI plus workflows because AI is probabilistic, which by definition means we can’t be certain about the results. Workflow orchestration is deterministic, predictable, no randomness, which is required given the sophistication and governance of running global enterprises. AI doesn’t replace enterprise orchestration. It depends on it. It depends on governance. It depends on scale.”
- “The idea that these models are eating enterprise software may be true in some cases, but obviously, it’s not true in our case. They’re actually leaning into us because of the innovation on our platform.”
- As a helpful framework, we include Figure 1 below which illustrates how AI is changing enterprise software and identifies the nature of the solution, implementation, pricing, and support for on-premise, SaaS, and AI offerings. One key differentiator that we highlight is related to pricing, and more specifically, the seat-based model. This pricing model has played a key role in software for the past 20+ years; however, AI solutions are shifting to a success-based pricing model, prioritizing usage over seat count. We believe that companies making the AI transition need to move past the seat-based model, which we see ServiceNow doing with its hybrid pricing model.

FIGURE 1. How AI is Changing Enterprise Software

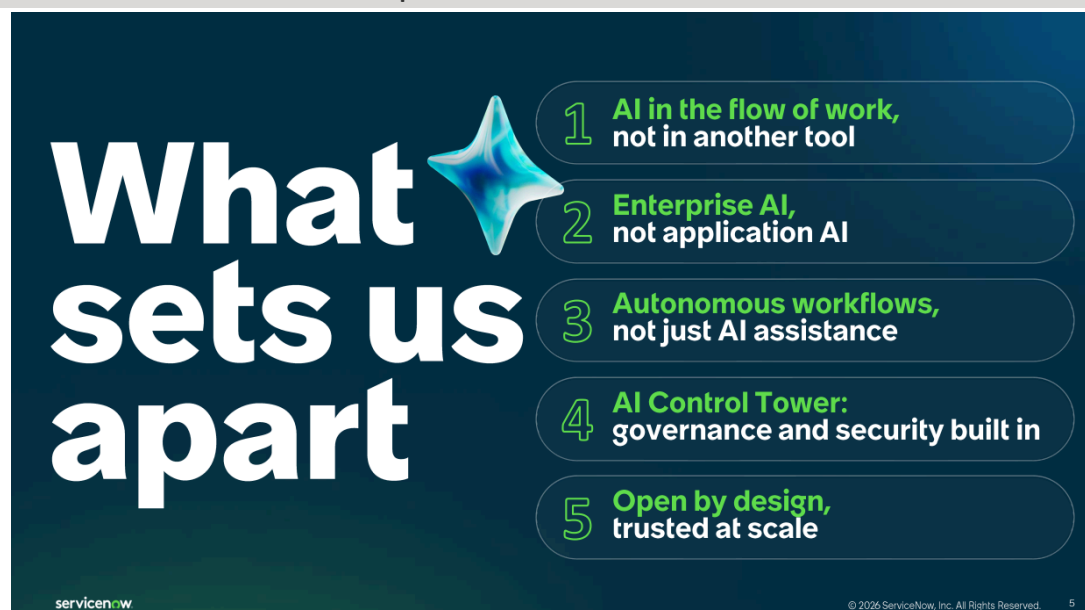
	AI	SaaS	On-Premise
Nature of Solution	Hyper Personalized, Autonomous	Out of the Box, Best Practice	Customized
Implementation	Forward Deployed Engineers	Systems Integrators	Consultants
Pricing	Success Based	Subscription	License
Support	Fine-Tuning	Periodic Updates	Maintenance

Source: Citizens JMP Securities, LLC

- 2) ServiceNow is experiencing seat compression.
- “I continue to hear speculation about seat compression. If all we did was look at available seats in our target market, there would be an estimated 1.3 billion seats in that target market, so we’d barely scratch the surface. Of course, we’re looking far beyond seats alone with our hybrid business model for billions of devices, agents, and assists.”
- 3) M&A is the new playbook out of necessity, to which Mr. McDermott stated four things:
- “ServiceNow is fully capable of achieving previously stated subscription revenue and Now Assist ACV targets without M&A.”
- “We have never acquired a single company for revenue alone.”
- “ServiceNow’s organic growth strategy with opportunistic tuck-ins for tech and talent remains unchanged.”
- “Post Armis, we do not see any other large white spaces that are necessary to complete our platform vision for security.”

Figure 2 below shows that five factors sets ServiceNow apart.

FIGURE 2. What Sets ServiceNow Apart



Source: ServiceNow

Anthropic and OpenAI Partnerships: During the call, Mr. McDermott announced two partnerships, one with Anthropic and one with OpenAI. ServiceNow is using Anthropic's Claude as *"the default model powering ServiceNow Build Agent,"* which helps developers *"build and deploy agentic workflows."* Internally, the company *"deploys Claude and Claude Code to more than 29,000 employees."* Additionally, on the call, Mr. Zavery commented, *"we use Claude as the underlying technology to generate some of the code, and then we provide the context, the security, the governance on top of that, using build agent to run those workflows on top of ServiceNow."*

Regarding ServiceNow's OpenAI partnership, Mr. McDermott commented, *"OpenAI models will be a preferred intelligence capability for several agentic use cases offered to ServiceNow enterprise customers."* With Mr. Zavery adding, *"what we're doing around voice AI and speech-to-speech, real-time, multimodal, as well as multilingual capabilities. So our CRM products can now have voice capabilities with OpenAI as, as a preferred model, so that we can have a much more differentiated offering using what we know from domains perspective as well as context, and adding the OpenAI speech capabilities into our products."*

Acquisitions: Regarding ServiceNow's acquisitions, which include Moveworks, Veza, and Armis, Mr. McDermott stated the following.

- **Moveworks (\$2.85B):** The Moveworks acquisition was announced on March 10, 2025, and closed on December 15, 2025. As a reminder, Moveworks provides an AI assistant to help resolve employee requests and automate workplace support. On the call, Mr. McDermott commented, *"Contribution from Moveworks was de minimis. Our CRPO growth was 25%, 21% in constant currency... including a 1% contribution from Moveworks."*
- **Veza (undisclosed amount):** The Veza acquisition was announced on December 2, 2025, and has not closed yet. As a reminder, Veza is an identity security platform that maps and manages permissions across human, machine, and AI identities throughout an organization. On the call, Mr. McDermott commented, *"Veza will solve the identity governance problem through its patented Access Graph technology. Veza maps access relationships and privileges across humans, machines, and AI agents in real time. This is critical because AI agents need dynamic, context-aware permissions. An agent working for a senior*

manager needs different access than the same agent working for a junior employee, and those permissions must be governed continuously, not set once and forgotten."

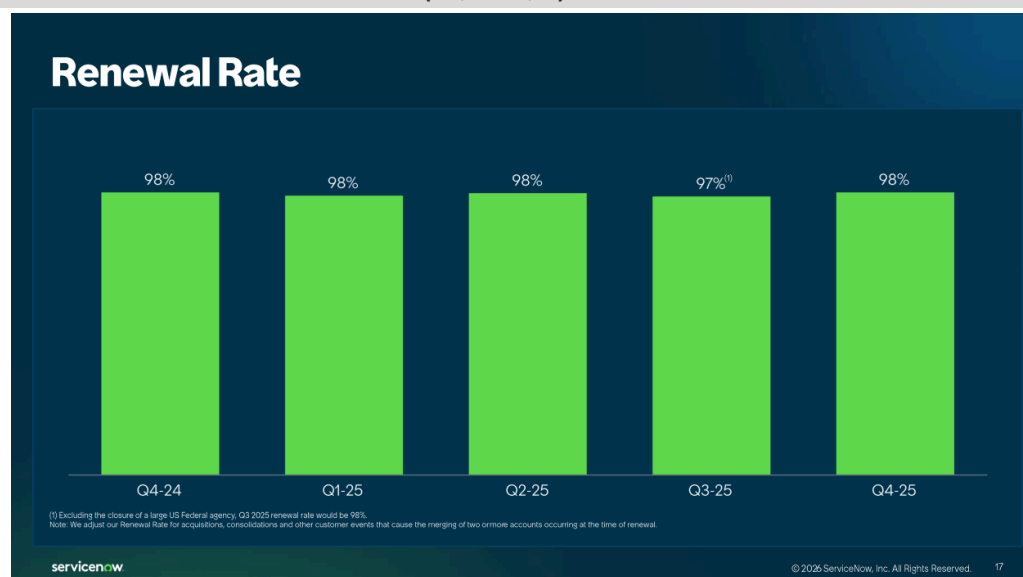
- Armis (\$7.75B):** The Armis acquisition was announced on December 23, 2025 and is expected to close in the "early second half of this year." As a reminder, Armis is a cyber-physical security platform that provides visibility across IT, OT, IoT, and medical devices. On the call, Mr. McDermott commented, "Armis will solve the visibility problem. Armis provides real-time agentless discovery and classification of every asset across the entire enterprise: IT, OT, IoT, medical devices, industrial controllers, and even shadow IT that bypasses procurement." He also said, "Post Armis, we do not see any other large white spaces that are necessary to complete our platform vision for security." Ms. Mastantuono commented, "We expect to close Armis at this point, second half, early second half of this year... we expect subscription revenue contribution to be about a point... We expect potentially up to maybe 50 basis points on headwind to operating margin in 2026, up to 50."

On M&A, Mr. McDermott commented, "We use M&A to expand into an even larger TAM, and it is now beyond \$600 billion, based entirely on where our customers need us to go, where we know we can build exciting growth businesses."

Why the stock is down: We note that in the aftermarket, ServiceNow stock is down ~5%. To explain this, we point to three things. First, the company reported subscription revenue of \$3.466B, growth of 21% as-reported (19.5% cc), a deceleration from 22% as-reported (20.5% cc) growth last quarter. Additionally, we note that the 2026 guide subscription revenue growth of 20.5%-21% as reported (19.5%-20% cc) includes a 100bps contribution from the acquisition of Moveworks, meaning the organic subscription revenue growth guide for 2026 is 18.5%-19% cc versus consensus growth of 18.5%, which could also be a factor pressuring the stock. Second, the company reported cRPO growth of 25% (21% cc), from 21% as-reported (20.5% cc) last quarter. Although it seems like a slight acceleration from 3Q to 4Q, we note that the 4Q cRPO number includes a 100bps cRPO contribution from the acquisition of Moveworks, meaning that organic cRPO growth was 20%, a slight deceleration from last quarter. Third, we note that ServiceNow reported 4Q gross margins of 80.3%, which was below the consensus of 81.0%.

Renewal rate: We note that this quarter, ServiceNow experienced a 1% increase in renewal rate to 98% from 97% last quarter. Figure 3 below shows ServiceNow's renewal rate from 4Q24 to 4Q25.

FIGURE 3. ServiceNow Renewal Rate (3Q24-3Q25)



Source: ServiceNow

Balance sheet: As of F4Q25 end, ServiceNow had ~\$10.1B in cash and ~\$1.5B in debt equating to a net cash position of ~\$8.6B. The debt is made up of 1.40% fixed-rate 10-year notes with an aggregate principal amount of \$1.5 billion due on September 1, 2030.

RESULTS & GUIDANCE

4Q25 Results

Total revenue of \$3.568B, up 21% y/y (20% cc), was above the consensus of \$3.528B, up 19% y/y, and our former estimate of \$3.535B, up 20% y/y. Subscription revenue of \$3.466B, up 21% y/y (20% cc), was above the consensus of \$3.424B, up 20%, and our former estimate of 3.426B, up 20%. Professional services and other revenue of \$102M, up 12% (11% cc) y/y, was above the consensus of \$100M, up 10% y/y, and below our former estimate of \$109M, up 20% y/y.

Non-GAAP gross margin of 80.3% was below the consensus of 81.0% and our former estimate of 81.1%. Non-GAAP operating margin of 30.9% was above the consensus of 30.2% and our former estimate of 30.0%. Non-GAAP EPS of \$0.92 was above the consensus of \$0.88 and above our estimate of \$0.89.

Operating cash flow of \$2.238B was above the consensus of \$2.150B and our estimate of \$2.141B, and free cash flow of \$2.032 was above the consensus of \$1.911B and our estimate of \$1.929B. Calculated billings of \$5.540B, up 28% y/y, was above the consensus of \$5.212B, up 20% and our estimate of \$5.135B, up 18% y/y. RPO of \$28.2B, up 27% y/y (23% cc), was above the consensus of \$27.7B, up 24%, and our estimate of \$27.5B, up 24% y/y. cRPO of ~\$12.9B, up 25% y/y (21% cc), was above the consensus and our estimate of \$12.6B, up 23% y/y. Figure 4 below shows ServiceNow's financial highlights from 4Q25.

FIGURE 4. 4Q25 Financial Highlights

Q4-25 Financial Highlights

Q4 2025 Results	Quarterly Results	Increase (Decrease) Y/Y	Currency Impact ⁽¹⁾	Non-GAAP Constant Currency Y/Y ⁽²⁾
Subscription Revenues	\$3,466M	21%	~150bps tailwind	19.5%
Current RPO (cRPO) ⁽⁴⁾	\$12.85B	25%	~400bps tailwind	21%
Remaining Performance Obligations (RPO) ⁽⁴⁾	\$28.2B	26.5%	~400bps tailwind	22.5%
Non-GAAP Operating Margin ⁽³⁾	31%	~150bps	NA	NA
Non-GAAP Free Cash Flow Margin ⁽³⁾	57%	~950bps	NA	NA

(1) Currency impact on subscription revenue 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, excluding any gains or losses from foreign currency hedge contracts that are reported in the current and comparative periods. Currency impact on cRPO and RPO growth rates are derived by applying the exchange rates in effect at the end of the comparison period rather than the actual end of period exchange rates in effect during the current period.
(2) 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 and RPO are adjusted only for constant currency. See slides 12-13 for additional discussion of non-GAAP subscription revenues and their corresponding growth rates. See slide 14 for additional discussion of non-GAAP cRPO and RPO and their corresponding growth rates.
(3) This financial metric and its corresponding growth rate, if applicable, are calculated on a non-GAAP basis. See appendix for a reconciliation of non-GAAP financial measures to the most comparable GAAP measures.
(4) Numbers rounded for presentation purposes.
(5) Growth includes approximately 100bps contribution from Moveworks.

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Source: ServiceNow

1Q26 Guidance

ServiceNow guided to subscription revenue of \$3.650B-\$3.655B, up 21.5% y/y as reported and 18.5%-19% in constant currency, versus the consensus of \$3.575B, up 19% y/y, and our former estimate of \$3.561B, up 19% y/y. ServiceNow guided to cRPO growth of 22.5% (20% cc), versus the consensus of 19% and our prior estimate of 23%. Management guided to a non-GAAP operating margin of 31.5%, versus the consensus of 31% and our estimate of 32%. The company guided to a weighted average share count of 1.05B.

2026 Guidance

ServiceNow guided to subscription revenue of \$15.530B-\$15.570B, up 20.5%-21% as reported (19.5%-20% cc) versus the consensus of \$15.213B, up 19% as reported. Management also guided to a non-GAAP subscription gross margin of 82%, non-GAAP operating margin of 32% versus the consensus of 31.8%, and free cash flow

margin of 36% versus the consensus of 34%. The company guided to an average share count of 1.05B. Figure 5 below shows some of ServiceNow's guidance assumptions.

FIGURE 5. 2026 Guidance Assumptions

2026 Guidance Assumptions

Our guidance includes GAAP and non-GAAP financial measures. The non-GAAP growth rates for subscription revenues are adjusted for constant currency by excluding the effects of foreign currency rate fluctuations and any gains or losses from foreign currency hedge contracts, and the non-GAAP growth rates for cRPO are adjusted only for constant currency to provide better visibility into the underlying business trends.

Our Q1 2026 subscription revenue growth guidance includes an approximately 150bps headwind from a mix shift of self-hosted revenue to hosted revenue, partially driven by strong adoption of our hyperscaler offerings.

Our Q1 2026 subscription revenue growth, Q1 2026 cRPO growth, and full-year 2026 subscription revenue growth guidance each include approximately 100bps of contribution from Moveworks.

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Source: ServiceNow

Figure 6 below shows ServiceNow's guidance summary.

FIGURE 6. Guidance Summary

Guidance Summary

Q1 2026 Guidance	Quarterly Guidance	Increase (Decrease) Y/Y	Currency Impact Included in Guidance ⁽¹⁾	Non-GAAP Constant Currency Y/Y ⁽²⁾
Subscription Revenues	\$3,650M - \$3,655M	21.5%	~250bps tailwind	18.5% - 19%
Non-GAAP Operating Margin ⁽³⁾	31.5%	~50bps	NA	NA
Current RPO (cRPO) Growth	22.5%	NA	~250bps tailwind	20%
FY 2026 Guidance	Full-Year Guidance	Increase (Decrease) Y/Y	Currency Impact Included in Guidance ⁽¹⁾	Non-GAAP Constant Currency Y/Y ⁽²⁾
Subscription Revenues	\$15,530M - \$15,570M	20.5% - 21%	~100bps tailwind	19.5% - 20%
Non-GAAP Subscription Gross Margin ⁽³⁾	82%	~(150bps)	NA	NA
Non-GAAP Operating Margin ⁽³⁾	32%	~100bps	NA	NA
Non-GAAP Free Cash Flow Margin ⁽³⁾	36%	~100bps	NA	NA

(1) Currency impact on subscription revenues 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, adjusted for any foreign currency hedging effects. Currency impact on cRPO growth rates are 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.
(2) 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 is adjusted only for constant currency.
(3) This financial metric and its corresponding growth rate, if applicable, are calculated on a non-GAAP basis. See appendix for a reconciliation of non-GAAP financial measures to the most comparable GAAP measures.
(4) Growth rate calculated on a non-GAAP basis. See appendix for reconciliation of non-GAAP financial measures to the most comparable GAAP measures.

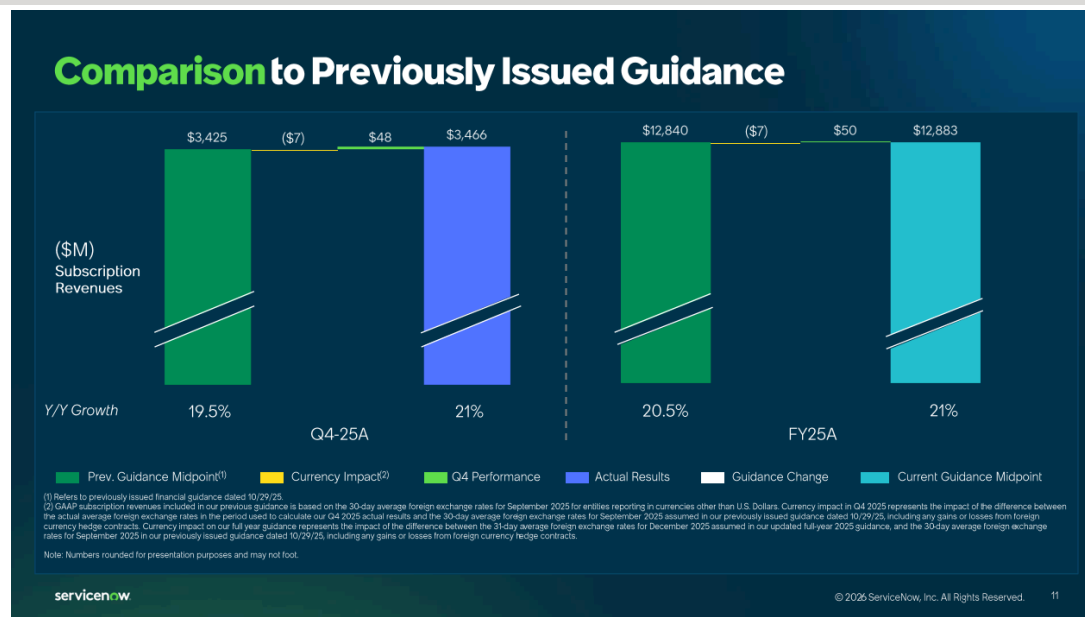
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Source: ServiceNow

Figure 7 below shows the company's results compared to its previous guide for F4Q25 and FY25 for subscription revenue. As shown, the company outperformed its previous subscription revenue guidance by \$48M from the midpoint in F4Q25, with a \$7M currency headwind and \$41M in constant currency outperformance.

FIGURE 7. Subscription Revenue Versus Previously Issued Guidance



Source: ServiceNow

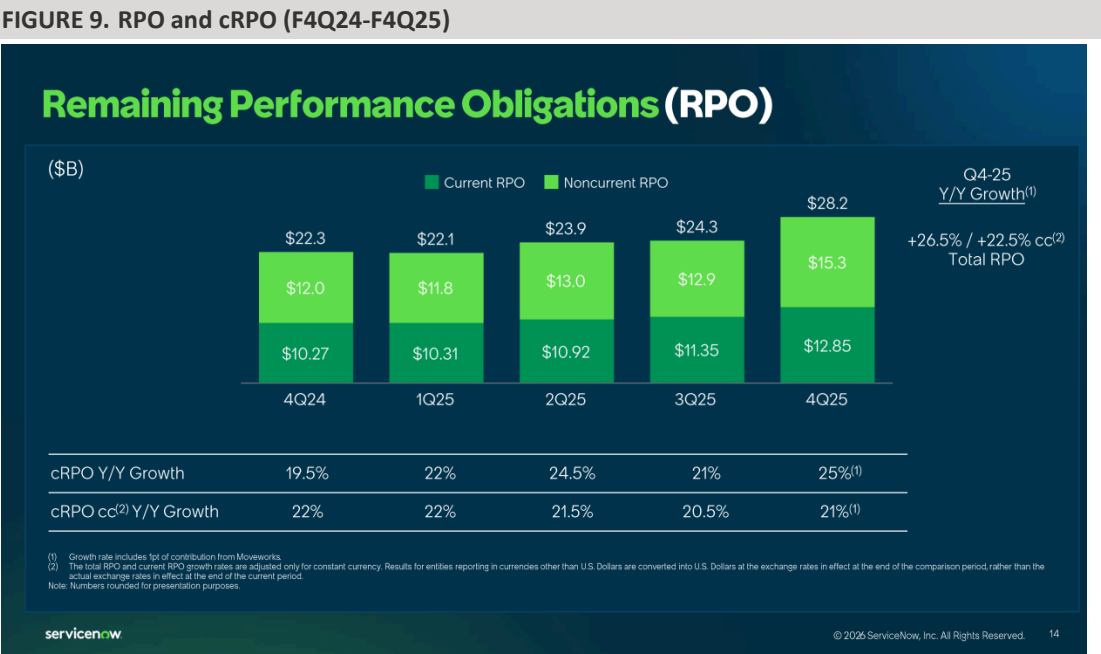
Figure 8 below shows the cRPO guidance versus actual reported number for the past nine quarters.

FIGURE 8. Constant Currency cRPO Guidance, Actual, and Beat in Basis Points Over the Past Nine Quarters

	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25A	1Q26A
cRPO Guidance (cc)	20.0%	20.5%	22.0%	21.5%	20.5%	19.5%	18.0%	19.0%	20.0%
Actual	21.0%	22.5%	23.5%	22.0%	22.0%	21.5%	20.5%	21.0%	NA
Beat/Miss in Basis Points	100bps	200bps	150bps	50bps	150bps	200bps	250bps	200bps	NA

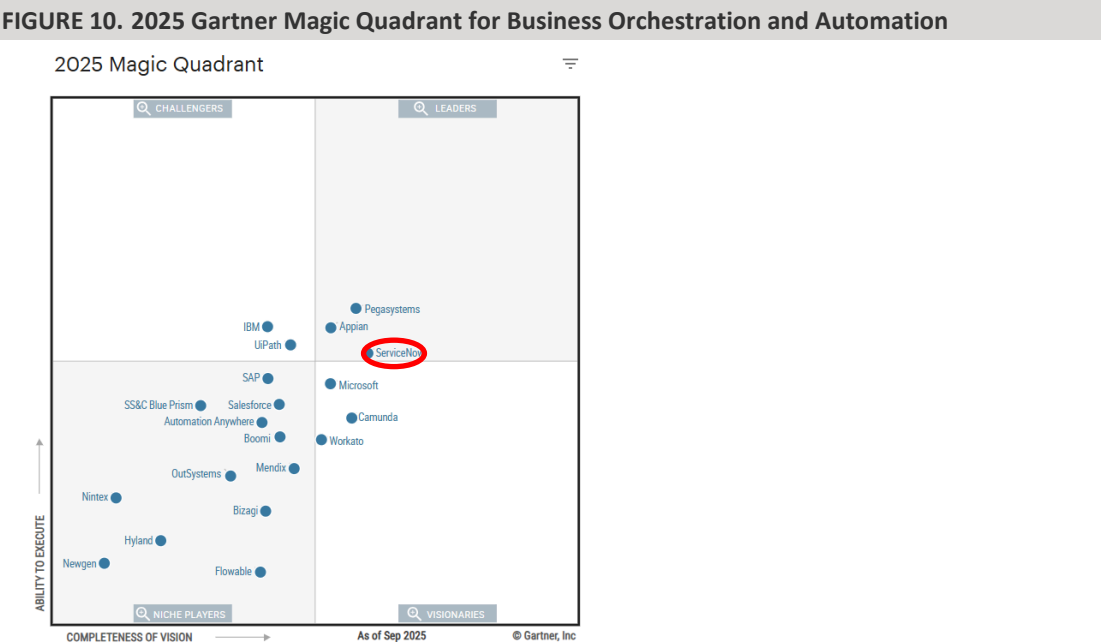
Source: Citizens JMP Securities, LLC, Company Filings

Figure 9 below shows ServiceNow’s RPO and cRPO.



Source: ServiceNow

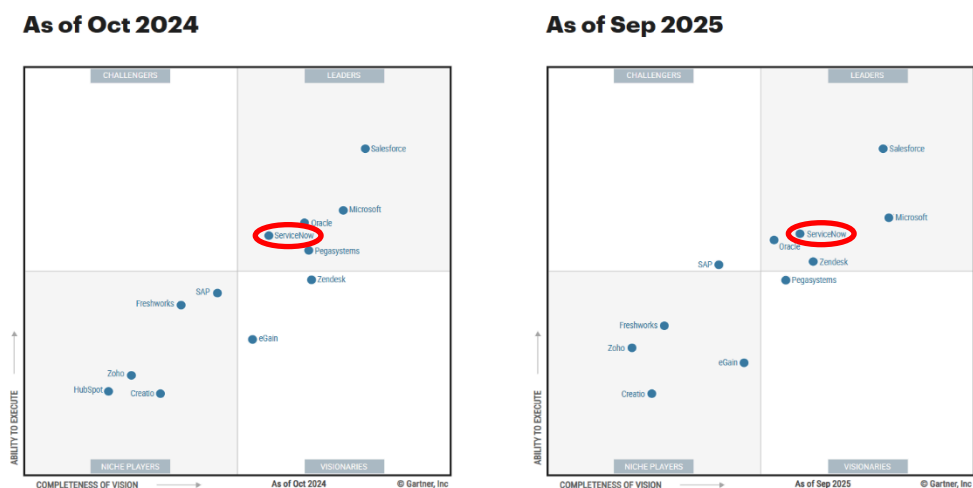
Gartner Magic Quadrant for Business Orchestration and Automation: On October 15, 2025, Gartner named ServiceNow a Leader for its Business Orchestration and Automation Technologies. Gartner highlighted ServiceNow’s “BOAT platform and scalability,” which is the company’s ability to unify “orchestration, RPA, AI, and workflows on a single platform with native data and governance.” Additional strengths according to Gartner include the company’s “multiagent orchestration and openness,” and the company’s “governance and observability.” Figure 10 below shows Gartner’s Magic Quadrant for Business Orchestration and Automation.



Source: Gartner

Gartner Magic Quadrant for CRM Customer Engagement Center: Figure 11 below shows the Gartner Magic Quadrant for the CRM Customer Engagement Center from 2024 and 2025. As shown in the image below, ServiceNow has stayed in the same position from 2024 to 2025 while Salesforce (CRM, MO, \$405 PT) has remained a strong leader in the space in both years. However, Gartner views ServiceNow's strengths as the AI driven workflow vision, a unified platform, and the partner network. Gartner says cautions regarding ServiceNow's CRM include breadth (such as no marketing functionalities), analytics breadth (no unified view across Sales Service and Field Services), and deployment complexity (with a UI, particularly for agents, that is less intuitive and feature rich).

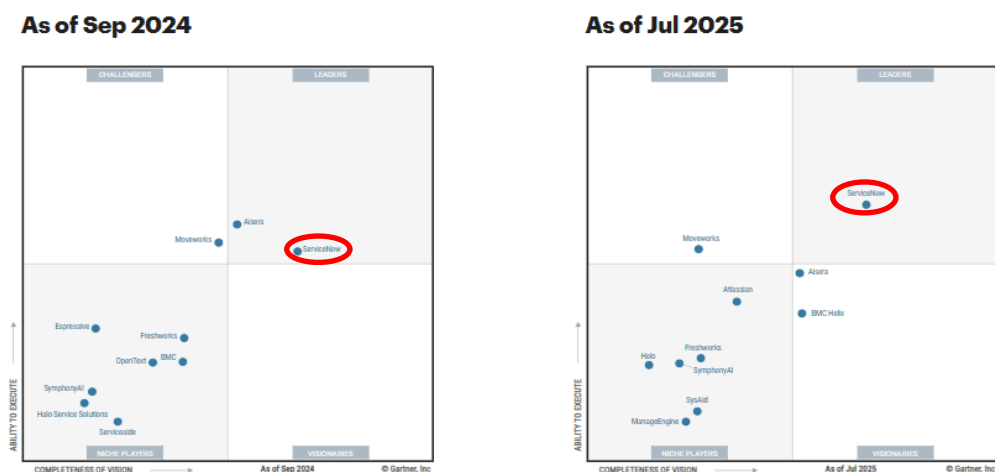
FIGURE 11. 2024 Gartner Magic Quadrant for the CRM Customer Engagement Center



Source: Gartner

Gartner Magic Quadrant for AI Apps in ITSM: On September 2, 2025, Gartner named ServiceNow a Leader in the AI Applications in ITSM Industry. Gartner notes that some of ServiceNow's strengths include its "ITSM market presence," its "strategic product vision," and its "tangible agentic functionality." Gartner notes some of its weaknesses include its lack of a free trial, its "complex search configuration," and its "ITSM LLM focus." Figure 12 below shows the Gartner Magic Quadrant for AI Applications in ITSM from September 2024 and from July 2025.

FIGURE 12. 2024 Gartner Magic Quadrant for AI Apps in ITSM



Source: Gartner

DATA POINT TRACK RECORD

Figure 13 below shows the data point track record for ServiceNow. As shown, ServiceNow has now beaten implied cRPO guidance (determined by the y/y percent growth guidance that is given) in 14 of the last 17 quarters.

FIGURE 13. Data Point Track Record

Quarter	Positive	Negative	% Positive	Actual	Guidance	Beat (Miss)
4Q25	18	3	86%	\$12,850,000	\$12,632,000	1.7%
3Q25	13	2	87%	\$11,350,000	\$11,090,000	2.3%
2Q25	11	2	85%	\$10,920,000	\$10,490,000	4.1%
1Q25	5	1	83%	\$10,310,000	\$10,098,000	2.1%
4Q24	8	0	100%	\$10,270,000	\$10,449,000	-1.7%
3Q24	9	3	75%	\$9,360,000	\$9,101,750	2.8%
2Q24	7	1	88%	\$8,780,000	\$8,676,000	1.2%
1Q24	3	1	75%	\$8,450,000	\$8,412,000	0.5%
4Q23	6	1	86%	\$8,600,000	\$8,362,700	2.8%
3Q23	19	2	90%	\$7,430,000	\$7,366,850	0.9%
2Q23	5	0	100%	\$7,200,000	\$7,072,500	1.8%
1Q23	6	1	86%	\$7,010,000	\$6,884,900	1.8%
4Q22	3	2	60%	\$6,940,000	\$6,840,000	1.5%
3Q22	8	1	89%	\$5,870,000	\$6,000,000	-2.2%
2Q22	1	2	33%	\$5,750,000	\$5,875,000	-2.1%
1Q22	10	0	100%	\$5,690,000	\$5,639,700	0.9%
4Q21	4	0	100%	\$5,700,000	\$5,594,400	1.9%
3Q21	5	2	71%	\$5,000,000	-	-
2Q21	10	1	91%	\$4,700,000	-	-
1Q21	6	0	100%	\$4,406,000	-	-
4Q20	2	0	100%	\$4,405,000	-	-
3Q20	4	1	80%	\$3,800,000	-	-
2Q20	7	2	78%	\$3,500,000	-	-
1Q20	3	2	60%	\$3,310,000	-	-
4Q19	2	0	100%	\$3,300,000	-	-
3Q19	1	1	50%	\$2,856,000	-	-
2Q19	2	1	67%	\$2,700,000	-	-
1Q19	3	5	38%	\$2,560,000	-	-
4Q18	4	4	50%	\$2,450,000	-	-
3Q18	0	0	N/A	\$2,100,000	-	-

Source: Citizens JMP Securities, LLC and Company Filings

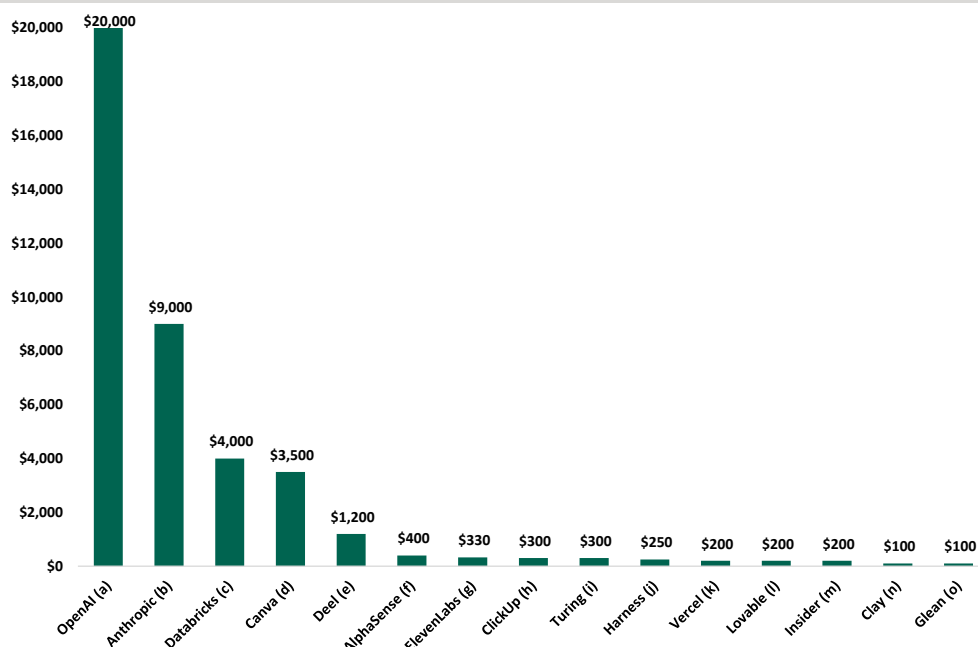
MICROSOFT REPORTS F2Q26 RESULTS

Microsoft (MSFT, NC) reported its F2Q26 results yesterday with Microsoft Cloud passing \$50B in revenue, up 24% y/y in constant currency, a slight deceleration from 25% last quarter. CEO Satya Nadella commented that *“we are in the beginning phases of AI diffusion and its broad GDP impact.”* Azure revenue grew 38% cc, down slightly from 39% last quarter. The company guided to Azure growth of 37%-38% cc versus the consensus of 37.1%. The stock dropped 6% in the aftermarket as some investors were hoping for Azure acceleration. The company also continues to invest heavily. Capex was a record \$37.5B, up from \$34.9B last quarter, and up from \$22.6B a year ago. Looking forward, Microsoft expects its capex in 3Q to decrease sequentially.

OTHER THINGS WE FOUND INTERESTING

Software was disappointing in 2025 and started the same way in 2026 with our coverage universe down 8% YTD. Although the public markets have been difficult in this sector, we point to a quote from one of the VCs that we recently spoke to that summarizes the current condition of software and AI. They said, “Overall, the AI native companies are beating their plans. The older companies have reset their plans to lower growth rates and are beating those plans, but they are not exciting.” To demonstrate this, in Figure 14 below, we show a list of 15 private AI companies where we have found a publicly disclosed ARR.

FIGURE 14. ARR by Private Company



Footnotes:

(a) <https://openai.com/index/a-business-that-scales-with-the-value-of-intelligence/>

(b) [https://www.reuters.com/business/retail-consumer/anthropic-aims-nearly-triple-annualized-revenue-2026-sources-say-2025-10-15/#:~:text=Oct%2015%20\(Reuters\)%20%2D%20Artificial,than%20\\$5%20billion%20in%20August.](https://www.reuters.com/business/retail-consumer/anthropic-aims-nearly-triple-annualized-revenue-2026-sources-say-2025-10-15/#:~:text=Oct%2015%20(Reuters)%20%2D%20Artificial,than%20$5%20billion%20in%20August.)

(c) <https://www.databricks.com/company/newsroom/press-releases/databricks-surpasses-4b-revenue-run-rate-exceeding-1b-ai-revenue>

(d) <https://www.canva.com/newsroom/news/canva-2025-wrap/>

(e) <https://www.businesswire.com/news/home/20251016949787/en/Deel-Secures-%24300-Million-in-Series-E-Funding>

(f) <https://www.alpha-sense.com/press/alphasense-surpasses-usd400m-in-arr-accelerating-growth-with-private-content-expansion-and-generative-ai-innovation/>

(g) https://www.linkedin.com/posts/danamuntean_at-elevenlabs-we-crossed-330m-in-arr-by-activity-7417167744153870336-DZhu/

(h) <https://www.businesswire.com/news/home/20250909757692/en/ClickUp-accelerating-to-%24300-Million-Annual-Recurring-Revenue-400-Growth-in-AI-Sales>

(i) <https://www.businesswire.com/news/home/20250128158063/en/Turing-Annual-Revenue-Runrate-Nearly-Triples-to-%24300M-in-Profitable-Year-as-Company-Sets-Stage-for-AGI-Advancements-in-2025>

(j) <https://www.prnewswire.com/news-releases/harness-announces-240m-financing-round-led-by-goldman-sachs-alternatives-to-advance-ai-for-everything-after-code-302638707.html>

(k) https://www.linkedin.com/posts/martenabrahamsen_revenue-at-openai-vendor-vercel-nearly-doubles-activity-7336487811899977728-oD2b/

(l) <https://www.bloomberg.com/news/articles/2025-11-18/lovable-hits-200-million-arr-and-raising-funds-above-6-billion-valuation>

(m) <https://www.zawya.com/en/press-release/companies-news/insider-achieves-37x-growth-in-the-mea-and-india-and-pakistan-w34hfzd8>

(n) <https://www.clay.com/blog/100m-arr>

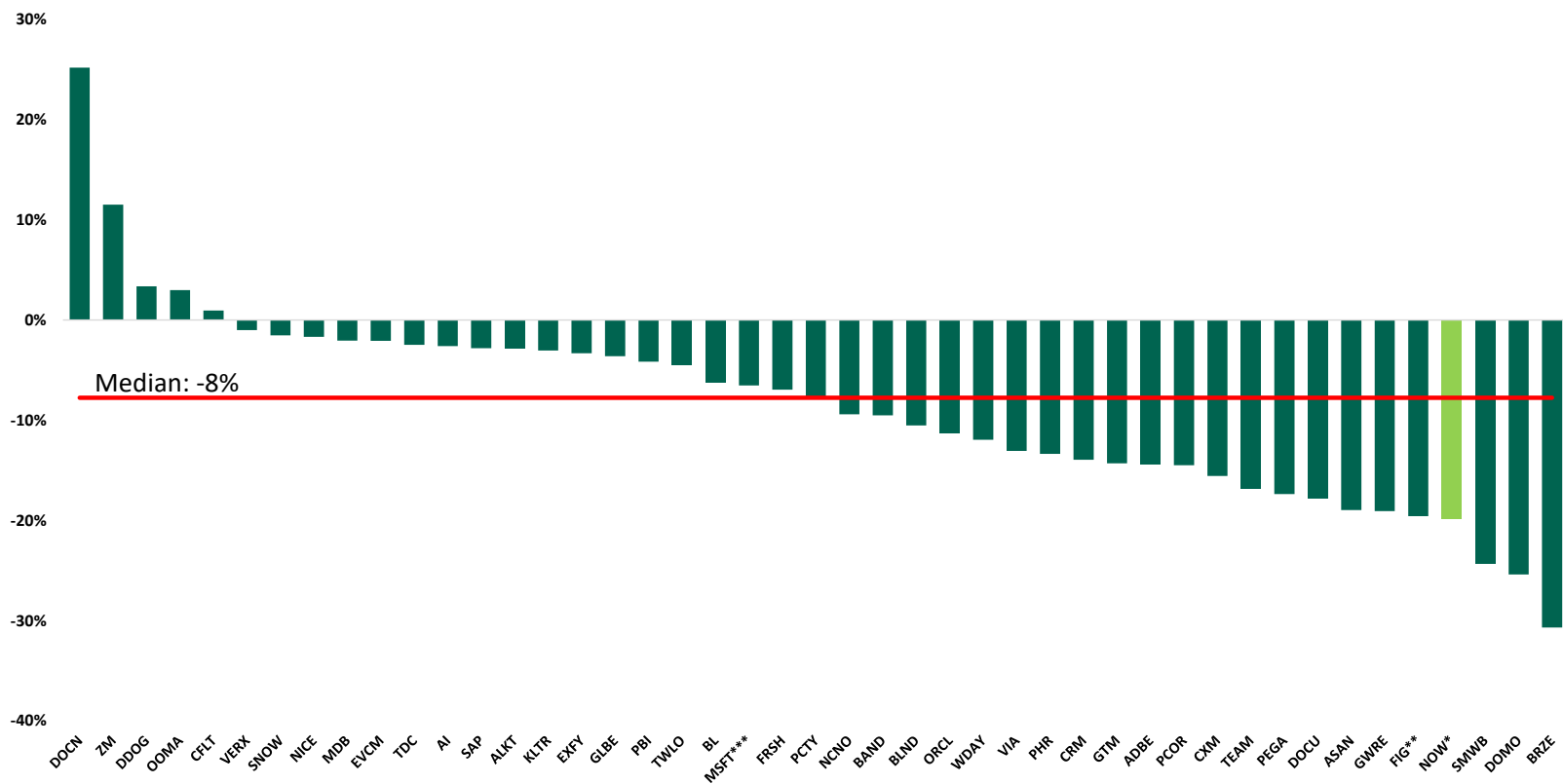
(o) <https://www.glean.com/press/glean-achieves-100m-arr-in-three-years-delivering-true-ai-roi-to-the-enterprise>

Source: Citizens JMP Securities, LLC

YTD STOCK PERFORMANCE

Figure 15 on the next page shows the year-to-date performance of our coverage universe. As illustrated below, the biggest gainers this year include DigitalOcean (DOCN, MO, \$60 PT), Zoom (ZM, MP), and Datadog (DDOG, MP), while the biggest laggards include Braze (BRZE, MO, \$68 PT), Domo (DOMO, MO, \$20 PT), and Similarweb (SMWB, MO, \$17 PT). The median stock in our coverage universe is down 8% year to date.

FIGURE 15. YTD Stock Performance



Footnotes:

*Using aftermarket price

**Not covered by Citizens

***Using aftermarket price and not covered by Citizens

Source: Citizens JMP Securities, LLC, FactSet

FIGURE 16. ServiceNow Revenue Drivers (\$, Thousands, except per share)

ServiceNow Revenue Drivers																					
	2024A	2025A				2026E				2027E				2028E				2028E			
	1Q	2Q	3Q	4Q	2025A	1Q	2Q	3Q	4Q	2026E	1Q	2Q	3Q	4Q	2027E	1Q	2Q	3Q	4Q	2028E	
Subscription Revenue	10,646,000	3,005,000	3,113,000	3,299,000	3,466,000	12,883,000	3,654,000	3,739,438	3,971,688	4,194,875	15,560,000	4,380,647	4,633,184	4,866,750	4,950,200	18,830,781	5,243,288	5,516,275	5,795,550	6,078,325	22,633,438
y/y growth	23%	19%	22%	22%	21%	21%	22%	20%	20%	21%	21%	20%	24%	23%	18%	21%	20%	19%	19%	23%	20%
y/y growth (constant currency)	23%	20%	22%	21%	20%	20%	20%	19%	21%	20%	21%	20%	20%	23%	22%	19%	21%	20%	19%	19%	23%
Sequential Growth		5%	4%	6%	5%		5%	2%	6%	6%		4%	6%	5%	2%		6%	5%	5%	5%	
Professional services and other revenue	338,000	83,000	102,000	108,000	102,000	395,000	96,000	117,300	124,200	118,320	455,820	109,440	133,722	141,588	136,068	520,818	124,762	152,443	161,410	156,478	595,093
y/y growth	16%	4%	20%	32%	12%	17%	16%	15%	15%	16%	15%	14%	14%	14%	15%	14%	14%	14%	14%	15%	14%
y/y growth (constant currency)		5%	18%	30%	11%																
Sequential Growth		-9%	23%	6%	-6%		-6%	22%	6%	-5%		-8%	22%	6%	-4%		-8%	22%	6%	-3%	
Total Revenue	10,984,000	3,088,000	3,215,000	3,407,000	3,568,000	13,278,000	3,750,000	3,856,738	4,095,888	4,313,195	16,015,820	4,490,087	4,766,906	5,008,338	5,086,268	19,351,599	5,368,049	5,668,718	5,956,960	6,234,803	23,228,531
y/y growth (as reported)	22%	18.6%	22%	22%	21%	21%	21%	20%	20%	21%	21%	20%	24%	22%	18%	21%	20%	19%	19%	23%	20%
y/y growth (constant currency)		20%	22%	21%	20%																
Sequential Growth		4%	4%	6%	5%		5%	3%	6%	5%		4%	6%	5%	2%		6%	6%	5%	5%	
DRIVERS																					
Total Customers	8,400	8,400	8,400	8,400	8,800	8,800	8,865	8,930	9,000	9,070	9,070	9,135	9,200	9,270	9,340	9,340	9,405	9,470	9,540	9,610	9,610
y/y growth	4%	4%	4%	4%	5%	5%	6%	6%	7%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Sequential Growth		0%	0%	0%	5%		1%	1%	1%	1%		1%	1%	1%	1%		1%	1%	1%	1%	
Net Adds	-	-	-	-	400		65	65	70	70		65	65	70	70		65	65	70	70	
Average Subscription Revenue Per Customer (Annualized)		1,431	1,482	1,571	1,575		1,649	1,675	1,765	1,850		1,918	2,014	2,100	2,120		2,230	2,330	2,430	2,530	
y/y growth		15%	18%	17%	15%		15%	13%	12%	17%		16%	20%	19%	15%		16%	16%	16%	15%	
Sequential Growth		4%	5%	4%	6%		5%	2%	5%	5%		4%	5%	4%	1%		5%	4%	4%	4%	
Average Total Revenue Per Customer (Annualized)		1,470	1,531	1,622	1,622		1,692	1,728	1,820	1,902		1,966	2,073	2,161	2,178		2,283	2,394	2,498	2,595	
12 Months Trailing Revenue Per Customer		1390	2397	1508	1562		1618	1667	1716	1786		1855	1941	2026	2095		2174	2255	2339	2444	
Key Metrics																					
Deferred - change (CF)		(148,000)	176,000	(100,000)	1,892,000		(150,000)	150,000	(150,000)	2,000,000		(150,000)	150,000	(150,000)	2,500,000		(150,000)	150,000	(150,000)	2,500,000	
Deferred - end of period (BS)		6,854,000	6,912,000	6,462,000	8,434,000		8,284,000	8,434,000	8,284,000	10,284,000		10,134,000	10,284,000	10,134,000	12,634,000		12,484,000	12,634,000	12,484,000	14,984,000	
y/y growth		18%	21%	17%	22%		21%	22%	28%	22%		22%	22%	22%	23%		23%	23%	23%	19%	
Sequential Growth		-1%	1%	-7%	31%		-2%	2%	-2%	24%		-1%	1%	-1%	25%		-1%	1%	-1%	20%	
Deferred - change (BS)		(60,000)	58,000	(450,000)	1,972,000		(150,000)	150,000	(150,000)	2,000,000		(150,000)	150,000	(150,000)	2,500,000		(150,000)	150,000	(150,000)	2,500,000	
Unbilled rec. & cust. Dep - change																					
Billings (BS)	12,032,000	3,028,000	3,273,000	2,957,000	5,540,000	14,798,000	3,600,000	4,006,738	3,945,888	6,313,195	17,865,820	4,340,087	4,916,906	4,858,338	7,586,268	21,701,599	5,218,049	5,818,718	5,806,960	8,734,803	25,578,531
y/y growth	19%	19%	30%	12%	28%	23%	19%	22%	33%	14%	21%	21%	23%	23%	20%	21%	20%	18%	20%	15%	18%
Sequential Growth		-30%	8%	-10%	87%		-35%	11%	-2%	60%		-31%	13%	-1%	56%		-31%	12%	0%	50%	
Remaining Performance Obligation (RPO) - Noncurrent		11,790,000	12,980,000	12,950,000	15,350,000		14,265,900	15,705,800	15,669,500	18,573,500		17,261,739	19,004,018	18,960,095	22,473,935		20,886,704	22,994,862	22,941,715	27,193,461	
y/y growth		28%	22%	28%	28%		21%	21%	21%	21%		21%	21%	21%	21%		21%	21%	21%	21%	
Remaining Performance Obligation (RPO) - Current		10,310,000	10,920,000	11,350,000	12,850,000		12,630,000	13,235,304	13,847,000	15,677,000		15,408,600	16,147,071	16,893,340	19,125,940		18,798,491	19,699,427	20,609,875	23,333,647	
y/y growth		22%	24%	21%	25%		23%	21%	22%	22%		22%	22%	22%	22%		22%	22%	22%	22%	
y/y growth (constant currency)		22%	22%	21%	21%		22%	21%	22%	22%		21%	21%	21%	21%		21%	21%	21%	21%	
Remaining Performance Obligation (RPO) - Total		22,100,000	23,900,000	24,300,000	28,200,000		26,895,900	28,941,104	29,516,500	34,250,500		32,670,339	35,151,089	35,853,435	41,599,875		39,685,196	42,694,289	43,551,590	50,527,108	
y/y growth		25%	28%	25%	27%		22%	21%	21%	21%		21%	21%	21%	21%		21%	21%	21%	21%	
y/y growth (constant currency)		26%	26%	23%	23%																
North America		1,976,320	1,993,300	2,146,410	2,247,840																
% of Total Revenues		64%	62%	63%	63%																
y/y growth		21%	20%	20%	23%																
Europe		772,000	835,900	885,820	927,680																
% of Total Revenues		25%	26%	26%	26%																
y/y growth		14%	27%	27%	16%																
Asia Pacific & others		339,680	385,800	374,770	392,480																
% of Total Revenues		11%	12%	11%	11%																
y/y growth		19%	22%	22%	21%																
Renewal Rate		98%	98%	97%	98%																

Source: Citizens JMP Securities, LLC, Company Filings

FIGURE 17. ServiceNow Income Statement (\$, Thousands, except per share)

ServiceNow		Income Statement																			
		2025A					2026E					2027E					2028E				
	2024A	1Q	2Q	3Q	4Q	2025A	1Q	2Q	3Q	4Q	2026E	1Q	2Q	3Q	4Q	2027E	1Q	2Q	3Q	4Q	2028E
Non-GAAP																					
Subscription Revenue	10,646,000	3,005,000	3,113,000	3,299,000	3,466,000	12,883,000	3,654,000	3,739,438	3,971,688	4,194,875	15,560,000	4,380,647	4,633,184	4,866,750	4,950,200	18,830,781	5,243,288	5,516,275	5,795,550	6,078,325	22,633,438
y/y growth	23%	19%	22%	22%	21%	21%	22%	20%	20%	21%	21%	20%	24%	23%	18%	21%	20%	19%	19%	23%	20%
sequential growth		5%	4%	6%	5%		5%	2%	6%	6%		4%	6%	5%	2%		6%	5%	5%	5%	
Professional services and other	338,000	83,000	102,000	108,000	102,000	395,000	96,000	117,300	124,200	118,320	455,820	109,440	133,722	141,588	136,068	520,818	124,762	152,443	161,410	156,478	595,093
y/y growth	16%	4%	20%	32%	12%	17%	16%	15%	15%	16%	15%	14%	14%	14%	15%	14%	14%	14%	14%	15%	14%
sequential growth		-9%	23%	30%	-6%		-6%	22%	6%	-5%		-8%	22%	6%	-4%		-8%	22%	6%	-3%	
Total Revenue	10,984,000	3,088,000	3,215,000	3,407,000	3,568,000	13,278,000	3,750,000	3,856,738	4,095,888	4,313,195	16,015,820	4,490,087	4,766,906	5,008,338	5,086,268	19,351,599	5,368,049	5,668,718	5,956,960	6,234,803	23,228,531
y/y growth	22%	19%	22%	22%	21%	21%	21%	20%	20%	21%	21%	20%	24%	22%	18%	21%	20%	19%	19%	23%	20%
sequential growth		4%	4%	6%	5%		5%	3%	6%	5%		4%	6%	5%	2%		6%	6%	5%	5%	
Cost of revenue:																					
Subscription	1,608,000	473,000	526,000	554,000	599,000	2,152,000	657,720	673,099	714,904	755,078	2,800,800	766,613	810,807	851,681	866,285	3,295,387	891,359	937,767	985,244	1,033,315	3,847,684
Subscription Margin	84.9%	84.3%	83.1%	83.2%	82.7%	83%	82%	82%	82%	82%	82%	83%	83%	83%	83%	83%	83%	83%	83%	83%	83%
Professional services & other	299,000	79,000	88,000	97,000	104,000	368,000	92,160	112,608	119,232	113,587	437,587	103,968	127,036	134,509	129,265	494,777	117,276	143,296	151,726	147,090	559,388
Professional services & other Margin	12%	5%	14%	10%	-2%	7%	4%	4%	4%	4%	4%	5%	5%	5%	5%	5%	6%	6%	6%	6%	6%
Total cost of revenues	1,907,000	552,000	614,000	651,000	703,000	2,520,000	749,880	785,707	834,136	868,665	3,238,387	870,581	937,843	986,190	995,550	3,790,164	1,008,635	1,081,063	1,136,969	1,180,405	4,407,072
Non-GAAP Gross Profit	9,077,000	2,536,000	2,601,000	2,756,000	2,865,000	10,758,000	3,000,120	3,071,031	3,261,752	3,444,530	12,777,433	3,619,506	3,829,063	4,022,148	4,090,718	15,561,435	4,359,414	4,587,655	4,819,991	5,054,398	18,821,459
Non-GAAP Gross Margin	82.6%	82.1%	80.9%	80.9%	80.3%	81.0%	80.0%	79.6%	79.6%	79.9%	79.8%	80.6%	80.3%	80.3%	80.4%	80.4%	81.2%	80.9%	80.9%	81.1%	81.0%
Operating Expenses:																					
Sales and Marketing	3,289,000	906,000	973,000	898,000	997,000	3,774,000	1,050,000	1,149,308	1,134,561	1,173,189	4,507,058	1,257,224	1,430,072	1,407,343	1,398,724	5,493,363	1,476,214	1,689,278	1,650,078	1,689,632	6,505,201
% of Revenue	30%	29%	30%	26%	28%	28%	28%	30%	28%	27%	28%	28%	30%	28%	28%	28%	28%	30%	28%	27%	28%
Research and development	1,888,000	518,000	538,000	543,000	558,000	2,157,000	573,750	578,511	593,904	625,413	2,371,578	651,063	691,201	726,209	737,509	2,805,982	832,048	850,308	887,587	928,986	3,498,928
% of Revenue	17%	17%	17%	16%	16%	16%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	16%	15%	15%	15%	15%
General and Administrative	646,000	159,000	135,000	175,000	209,000	678,000	195,000	188,980	192,507	202,720	779,207	224,504	238,345	250,417	254,313	967,580	268,402	283,436	297,848	311,740	1,161,427
% of Revenue	6%	5%	4%	5%	6%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Total Operating Expenses	5,823,000	1,583,000	1,646,000	1,616,000	1,764,000	6,609,000	1,818,750	1,916,799	1,920,971	2,001,322	7,657,842	2,132,792	2,359,618	2,383,969	2,390,546	9,266,925	2,576,664	2,823,022	2,835,513	2,930,358	11,165,556
Income from operations	3,254,000	953,000	955,000	1,140,000	1,101,000	4,149,000	1,181,370	1,154,232	1,340,781	1,443,208	5,119,591	1,486,715	1,469,444	1,638,179	1,700,172	6,294,511	1,782,751	1,764,633	1,984,478	2,124,041	7,655,903
Non-GAAP Operating Margin	29.6%	30.9%	29.7%	33.5%	30.9%	31.2%	31.5%	29.9%	32.7%	33.5%	32.0%	33.1%	30.8%	32.7%	33.4%	32.5%	33.2%	31.1%	33.3%	34.1%	33.0%
Operating Margin Expansion	188					162					72					56					43
Interest & other income (expense)	374,000	104,000	113,000	122,000	98,000	437,000	100,000	100,000	100,000	100,000	400,000	100,000	100,000	100,000	100,000	400,000	100,000	100,000	100,000	100,000	400,000
Income before income taxes	3,628,000	1,057,000	1,068,000	1,262,000	1,199,000	4,586,000	1,281,370	1,254,232	1,440,781	1,543,208	5,519,591	1,586,715	1,569,444	1,738,179	1,800,172	6,694,511	1,882,751	1,864,633	2,084,478	2,224,041	8,055,903
Income tax expense	726,000	211,000	214,000	252,000	240,000	917,000	256,274	250,846	288,156	308,642	1,103,918	317,343	313,889	347,636	360,034	1,338,902	376,550	372,927	416,896	444,808	1,611,181
Effective Tax Rate	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
Net Income (loss)	2,902,000	846,000	854,000	1,010,000	959,000	3,669,000	1,025,096	1,003,386	1,152,624	1,234,566	4,415,672	1,269,372	1,255,555	1,390,543	1,440,138	5,355,609	1,506,201	1,491,707	1,667,582	1,779,233	6,444,722
Diluted weighted average share:	208,450	1,047,000	1,045,000	1,047,500	1,047,000	1,046,625	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,049,895	1,049,790	1,049,685	1,049,580	1,049,738	1,049,475	1,049,370	1,049,265	1,049,160	1,049,318
% increase		399.9%	401.3%	0.0%	0.2%		0.3%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%	
Non-GAAP EPS	13.92	0.81	0.82	0.96	0.92	3.51	0.98	0.96	1.10	1.18	4.21	1.21	1.20	1.32	1.37	5.10	1.44	1.42	1.59	1.70	6.14
y/y growth	29%					-75%					20%					21%					20%

Source: Citizens JMP Securities, LLC, Company Filings

FIGURE 18. ServiceNow Balance Sheet (\$, Thousands, except per share)

ServiceNow Balance Sheet																			
	2022A				2022A	2023A				2023A	2024A				2024A	2025A			
	1QA	2QA	3QA	4QA		1QA	2QA	3QA	4QA		1QA	2QA	3QA	4QA		1QA	2QA	3QA	4QA
Current Assets																			
Cash and cash equivalents	2,252,000	1,664,000	1,248,000	1,470,000		1,852,000	1,663,000	1,112,000	1,897,000		2,056,000	2,159,000	1,885,000	2,304,000		3,369,000	3,124,000	2,725,000	3,726,000
Restricted cash																			
Short-term investments	1,762,000	2,170,000	2,708,000	2,810,000		3,062,000	3,084,000	2,955,000	2,980,000		3,054,000	3,254,000	3,410,000	3,458,000		3,228,000	3,008,000	2,686,000	2,558,000
Accounts receivable	824,000	853,000	898,000	1,725,000		1,109,000	1,093,000	1,168,000	2,036,000		1,306,000	1,518,000	1,308,000	2,240,000		1,359,000	1,696,000	1,548,000	2,627,000
Current portion of deferred commissio	322,000	323,000	330,000	369,000		392,000	401,000	417,000	461,000		474,000	482,000	502,000	517,000		533,000	551,000	559,000	590,000
Prepaid expenses and other current as	282,000	322,000	292,000	280,000		319,000	362,000	394,000	403,000		482,000	608,000	591,000	668,000		781,000	896,000	846,000	970,000
Current portion of deferred tax assets																			
Total Current Assets	5,442,000	5,332,000	5,476,000	6,654,000		6,734,000	6,603,000	6,046,000	7,777,000		7,372,000	8,021,000	7,696,000	9,187,000		9,270,000	9,275,000	8,364,000	10,471,000
Deferred commissions, less current por	655,000	640,000	650,000	742,000		777,000	777,000	807,000	919,000		930,000	928,000	946,000	999,000		1,012,000	1,017,000	1,017,000	1,114,000
Long-term investments	1,484,000	1,608,000	914,000	2,117,000		2,239,000	2,740,000	2,939,000	3,203,000		3,666,000	3,472,000	3,829,000	4,111,000		4,335,000	4,655,000	4,266,000	3,771,000
Property and equipment, net	798,000	876,000	1,517,000	1,053,000		1,117,000	1,148,000	1,199,000	1,358,000		1,450,000	1,606,000	1,718,000	1,763,000		1,885,000	1,985,000	2,127,000	2,289,000
Operating lease right-of-use assets	583,000	604,000	794,000	682,000		682,000	656,000	699,000	715,000		698,000	675,000	661,000	693,000		810,000	818,000	807,000	806,000
Intangible assets, net	266,000	257,000	581,000	232,000		212,000	191,000	242,000	224,000		224,000	220,000	214,000	209,000		230,000	319,000	391,000	1,121,000
Goodwill	774,000	803,000	234,000	824,000		823,000	821,000	1,204,000	1,231,000		1,224,000	1,239,000	1,291,000	1,273,000		1,305,000	1,778,000	1,820,000	3,578,000
Deferred tax asset, less current portion	686,000	642,000	604,000	636,000		640,000	1,551,000	1,505,000	1,508,000		1,478,000	1,447,000	1,444,000	1,385,000		1,361,000	1,340,000	1,217,000	1,056,000
Other assets	305,000	340,000	336,000	359,000		390,000	436,000	450,000	452,000		502,000	599,000	635,000	763,000		764,000	864,000	1,780,000	1,832,000
Total Assets	10,993,000	11,102,000	11,106,000	13,299,000		13,614,000	14,923,000	15,091,000	17,387,000		17,544,000	18,207,000	18,434,000	20,383,000		20,972,000	22,051,000	21,789,000	26,038,000
Current Liabilities																			
Accounts Payable	166,000	265,000	195,000	274,000		228,000	171,000	69,000	126,000		223,000	296,000	165,000	68,000		309,000	211,000	146,000	204,000
Accrued expenses and other current lia	661,000	705,000	657,000	975,000		694,000	893,000	1,001,000	1,365,000		1,018,000	1,163,000	1,058,000	1,369,000		1,109,000	1,378,000	1,267,000	1,813,000
Current portion of deferred revenue	3,850,000	3,686,000	3,491,000	4,660,000		4,742,000	4,613,000	4,440,000	5,785,000		5,700,000	5,615,000	5,457,000	6,819,000		6,737,000	6,802,000	6,347,000	8,314,000
Current portion of operating lease liabi	87,000	87,000	89,000	96,000		97,000	90,000	91,000	89,000		92,000	98,000	106,000	102,000		103,000	104,000	107,000	112,000
Current debt, net	88,000	-	-	-		-	-	-	-		-	-	-	-		-	-	-	-
Total current liabilities	4,852,000	4,743,000	4,432,000	6,005,000		5,761,000	5,767,000	5,601,000	7,365,000		7,033,000	7,172,000	6,786,000	8,358,000		8,258,000	8,495,000	7,867,000	10,443,000
Deferred revenue, less current portion	57,000	58,000	63,000	70,000		53,000	45,000	46,000	81,000		100,000	85,000	77,000	95,000		117,000	110,000	115,000	120,000
Operating lease liability, less current pc	548,000	572,000	551,000	650,000		655,000	635,000	682,000	707,000		693,000	669,000	650,000	687,000		806,000	815,000	804,000	800,000
Other long-term liabilities	55,000	50,000	52,000	56,000		59,000	63,000	93,000	118,000		123,000	127,000	142,000	145,000		162,000	209,000	211,000	220,000
Convertible senior notes, net	1,484,000	1,485,000	1,485,000	1,486,000		1,486,000	1,487,000	1,487,000	1,488,000		1,488,000	1,488,000	1,489,000	1,489,000		1,490,000	1,490,000	1,491,000	1,491,000
Additional paid-in capital																			
Total Liabilities	6,996,000	6,908,000	6,583,000	8,267,000		8,014,000	7,997,000	7,909,000	9,759,000		9,437,000	9,541,000	9,144,000	10,774,000		10,833,000	11,119,000	10,488,000	13,074,000
Total stockholders' equity (deficit)	3,997,000	4,194,000	4,523,000	5,032,000		5,600,000	6,926,000	7,182,000	7,628,000		8,107,000	8,666,000	9,290,000	9,609,000		10,139,000	10,932,000	11,301,000	12,964,000
Total liabilities and stockholders' equi	10,993,000	11,102,000	11,106,000	13,299,000		13,614,000	14,923,000	15,091,000	17,387,000		17,544,000	18,207,000	18,434,000	20,383,000		20,972,000	22,051,000	21,789,000	26,038,000
BALANCE SHEET METRICS																			
Cash & Equivalents	5,498,000	5,442,000	4,870,000	6,397,000		7,153,000	7,487,000	7,006,000	8,080,000		8,776,000	8,885,000	9,124,000	9,873,000		10,932,000	10,787,000	9,677,000	10,055,000
Long term debt	1,484,000	1,485,000	1,485,000	1,486,000		1,486,000	1,487,000	1,487,000	1,488,000		1,488,000	1,488,000	1,489,000	1,489,000		1,490,000	1,490,000	1,491,000	1,491,000
Unfunded Lawsuit Liability																			
Net Cash	4,014,000	3,957,000	3,385,000	4,911,000		5,667,000	6,000,000	5,519,000	6,592,000		7,288,000	7,397,000	7,635,000	8,384,000		9,442,000	9,297,000	8,186,000	8,564,000
Net Cash Per Share																			
Total Deferred Revenue	3,907,000	3,744,000	3,554,000	4,730,000		4,795,000	4,658,000	4,486,000	5,866,000		5,800,000	5,700,000	5,534,000	6,914,000		6,854,000	6,912,000	6,462,000	8,434,000

Source: Citizens JMP Securities, LLC, Company Filings

FIGURE 19. ServiceNow Cash Flow Statement (\$, Thousands, except per share)

ServiceNow Statement of Cash Flows																					
	2024A	Q1A	Q2A	Q3A	Q4A	2025A	2026E				2026E	2027E				2027E	2028E				2028E
Net income	1,425,000	460,000	385,000	502,000	401,000	1,748,000	664,641	631,147	789,789	872,538	2,958,115	902,069	876,708	1,018,556	1,064,135	3,861,468	1,128,038	1,101,105	1,288,126	1,402,677	4,919,945
Adjustments to reconcile net income (loss) to net cash provided by operating activities:																					
Depreciation	-	564,000	160,000	172,000	194,000	212,000	738,000	200,000	200,000	200,000	200,000	800,000	200,000	200,000	200,000	200,000	800,000	200,000	200,000	200,000	800,000
Amortization of net premium on short-term investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of deferred commissions	-	550,000	145,000	148,000	161,000	167,000	621,000	150,000	150,000	150,000	150,000	600,000	150,000	150,000	150,000	150,000	600,000	150,000	150,000	150,000	600,000
Amortization of debt discount and issuance costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stock-based compensation	1,746,000	470,000	499,000	492,000	494,000	1,955,000	503,880	513,958	524,237	534,721	2,076,796	545,416	556,324	567,451	578,800	2,247,991	590,376	602,183	614,227	626,511	2,433,297
Tax benefit from exercise of stock options	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expense for preferred stock warrants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	98,000	32,000	16,000	124,000	77,000	249,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	(51,000)	4,000	58,000	(19,000)	61,000	104,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bad Debts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repayment of convertible senior notes attributable to debt discount	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss on extinguishment of 2022 Notes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unrealized gain on marketable securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lease abandonment costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in operating assets and liabilities:	-	-	-	-	-	-	550,000	(450,000)	(450,000)	800,000	450,000	620,000	(350,000)	(350,000)	900,000	820,000	760,000	(200,000)	(100,000)	1,000,000	1,460,000
Accounts receivable	(254,000)	901,000	(302,000)	141,000	(1,052,000)	(312,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred commissions	(713,000)	(155,000)	(136,000)	(171,000)	(296,000)	(758,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid expenses and other current assets	(332,000)	(139,000)	(83,000)	23,000	(185,000)	(384,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	(52,000)	234,000	(101,000)	(85,000)	7,000	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued expenses and other current liabilities	107,000	(287,000)	(116,000)	(449,000)	460,000	(392,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred rent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	1,179,000	(148,000)	176,000	(100,000)	1,892,000	1,820,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Provided by Operating Activities	4,267,000	1,677,000	716,000	813,000	2,238,000	5,444,000	2,068,521	1,045,105	1,214,026	2,557,259	6,884,911	2,417,485	1,433,032	1,586,006	2,892,935	8,329,459	2,828,413	1,853,288	2,152,353	3,379,188	10,213,242
y/y growth	26%	25%	15%	21%	37%	28%	23%	46%	49%	14%	26%	17%	37%	31%	13%	21%	17%	29%	36%	17%	23%
CFI Margin	39%	54%	22%	24%	63%	41%	55%	27%	30%	59%	43%	54%	30%	32%	57%	43%	53%	33%	36%	54%	44%
Adjusted Net Cash Provided by Operating Activities																					
Purchases of property and equipment	(852,000)	(205,000)	(190,000)	(235,000)	(238,000)	(868,000)	(262,500)	(269,972)	(286,712)	(301,924)	(1,121,107)	(269,405)	(286,014)	(300,500)	(305,176)	(1,161,096)	(322,083)	(340,123)	(357,418)	(374,088)	(1,393,712)
Purchase of intangibles	(40,000)	(18,000)	-	(139,000)	-	(157,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition, net of cash acquired	(113,000)	(34,000)	(58,000)	(9,000)	(869,000)	(970,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchases of investments	(5,031,000)	(1,140,000)	(1,182,000)	(397,000)	(95,000)	(2,814,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchases of non-marketable investments	(181,000)	(4,000)	(134,000)	(882,000)	(36,000)	(1,056,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchases of strategic investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Maturities of short term investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	(36,000)	3,000	41,000	(18,000)	12,000	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of investments	3,752,000	1,181,000	1,100,000	1,129,000	728,000	4,138,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Used in Investing Activities	(2,501,000)	(217,000)	(423,000)	(551,000)	(498,000)	(1,689,000)	(262,500)	(269,972)	(286,712)	(301,924)	(1,121,107)	(269,405)	(286,014)	(300,500)	(305,176)	(1,161,096)	(322,083)	(340,123)	(357,418)	(374,088)	(1,393,712)
Net proceeds from borrowings on 2030 Notes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repayment of convertible senior notes attributable to principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net proceeds from unwind of 2022 Note Hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Proceeds from initial public offering	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred payments on purchase of other intangibles	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financing costs paid on follow-on offering	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repayment of convertible senior notes attributable to debt discount	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from borrowings on convertible senior notes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from issuance of warrants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of convertible note hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from employee stock plans	237,000	153,000	-	117,000	270,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from early exercise of stock options	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tax benefit from exercise of stock options	(700,000)	(253,000)	(185,000)	(584,000)	(142,000)	(1,164,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net proceeds from issuance of convertible preferred stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net proceeds from issuance of common stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchases of common stock and restricted stock from stockholders	(696,000)	(298,000)	(361,000)	(190,000)	(597,000)	(1,446,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Offering costs in connection with IPO	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Provided by (used in) financing activities	(1,159,000)	(398,000)	(546,000)	(657,000)	(739,000)	(2,340,000)	(1,159,000)	(398,000)	(546,000)	(657,000)	(2,340,000)	(1,159,000)	(398,000)	(546,000)	(657,000)	(2,340,000)	(1,159,000)	(398,000)	(546,000)	(657,000)	(2,340,000)
Foreign currency effect on cash	(17,000)	5,000	9,000	(4,000)	(3,000)	7,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Increase (decrease) in cash and cash equivalents	590,000	1,067,000	(244,000)	(399,000)	998,000	1,422,000	646,521	376,133	640,612	1,155,335	3,763,804	1,147,079	1,147,018	1,285,506	2,587,759	7,168,363	2,506,330	1,513,165	1,794,935	3,005,100	8,819,531
Cash and cash equivalents at beginning of period	1,904,330	2,310,330	3,377,330	3,133,330	2,734,330	2,310,330	1,904,330	2,310,330	3,377,330	3,133,330	2,734,330	2,310,330	2,310,330	3,377,330	3,133,330	2,734,330	2,310,330	2,310,330	3,377,330	3,133,330	2,734,330
Cash and cash equivalents at end of period	2,494,330	3,377,330	3,133,330	2,734,330	3,732,330	3,732,330	2,494,330	3,377,330	3,133,330	2,734,330	3,732,330	3,377,330	3,133,330	2,734,330	3,732,330	3,732,330	2,494,330	3,377,330	3,133,330	2,734,330	3,732,330
FCF	3,415,000	1,472,000	526,000	578,000	2,000,000	4,576,000	1,806,021	775,133	927,314	2,255,336	5,763,804	2,148,079	1,147,018								

COMPANY DESCRIPTION

ServiceNow provides an intelligent workflow automation platform for digital business with embedded AI and machine learning capabilities. The company's applications are organized in four primary areas: Technology, Customer, Employee and Creator. ServiceNow has more than 8,000 customers.

INVESTMENT RISKS

ServiceNow participates in intensely competitive markets, and if it does not compete effectively, its business and operating results will be harmed.

Doing business with the public sector, including U.S. governments and agencies, heavily-regulated organizations and governments globally, subjects ServiceNow to risks related to government procurement processes, regulations, and contracting requirements.

If ServiceNow is unsuccessful in increasing its penetration of international markets or managing the risks associated with foreign markets, its business and operating results will be adversely affected.

If ServiceNow fails to innovate in response to rapidly evolving technological and market developments and customer needs, its business prospects may be harmed.

If ServiceNow loses key members of its management team, including CEO and Chairman Bill McDermott, its business may be adversely affected.

Facts and Disclosures

Analyst Certification:

The research analyst(s) who prepared this report does/do hereby certify that the views presented in this report are in accordance with my/our personal views on the securities and issuers discussed in this report. As mandated by SEC Regulation AC no part of my/our compensation was, is or will be directly or indirectly related to the specific views or recommendations expressed herein. This certification is made under the obligations set forth in SEC Regulation AC. Any other person or entity may not use it for any other purpose. This certification is made based on my/our analysis on the date of this report's publication. I/We assume no obligation to update this certification to reflect any facts, circumstances, or events that may subsequently come to my/our attention. Signed Patrick Walravens, Aaron Kimson, CFA and Austin Cole

Disclosures:

Citizens JMP Securities, LLC currently makes a market in the security of ServiceNow, Inc.

Citizens JMP Securities, LLC. expects to receive OR intends to seek compensation for investment banking services from ServiceNow, Inc. in the next three months.

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Citizens JMP Securities, LLC Investment Opinion Definitions:

Market Outperform (MO): Citizens JMP Securities, LLC expects the stock price to outperform the Russell 3000® Index over the next 12 months.

Market Perform (MP): Citizens JMP Securities, LLC expects the stock price to perform in line with the Russell 3000® Index over the next 12 months.

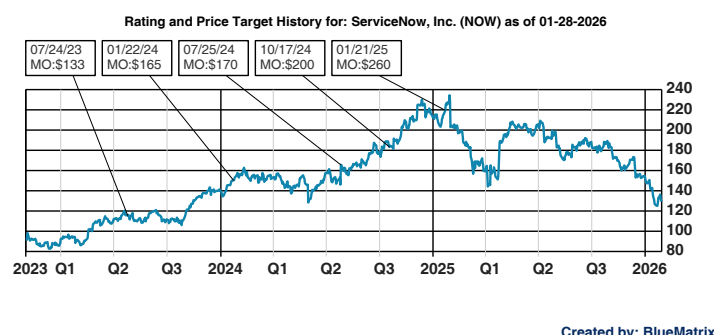
Market Underperform (MU): Citizens JMP Securities, LLC expects the stock price to underperform the Russell 3000® Index over the next 12 months.

Research Ratings and Investment Banking Services: (as of January 29, 2026)

Citizens Capital Markets & Advisory Ratings	Regulatory Equivalent	# Co's Under Coverage	% of Total	Regulatory Equivalent	# Co's Under Coverage	% of Total	# Co's Receiving IB Services in Past 12 Months	% of Co's With This Rating
MARKET OUTPERFORM	Buy	322	68.66%	Buy	322	68.66%	73	22.67%
MARKET PERFORM	Hold	144	30.70%	Hold	144	30.70%	23	15.97%
MARKET UNDERPERFORM	Sell	0	0.00%	Sell	0	0.00%	0	0%
COVERAGE IN TRANSITION		1	0.21%		1	0.21%	0	0%
RATING SUSPENDED		0	0.00%		0	0.00%	0	0%
TOTAL:		469	100%		469	100%	96	20.47%

Stock Price Chart of Rating and Target Price Changes:

Note: First annotation denotes initiation of coverage or 3 years, whichever is shorter. If no target price is listed, then the target price is N/A. In accordance with FINRA Rule 2241, the chart(s) below reflect(s) price range and any changes to the rating or price target as of the end of the most recent calendar quarter. The action reflected in this note is not annotated in the stock price chart. Source: Citizens JMP Securities, LLC.



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