

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

	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Revenues:				
Subscription	\$ 150,367	\$ 92,992	\$ 400,466	\$ 244,926
Professional services and other	28,345	18,267	84,093	54,494
Total revenues	<u>178,712</u>	<u>111,259</u>	<u>484,559</u>	<u>299,420</u>
Cost of revenues ⁽¹⁾ :				
Subscription	37,925	23,429	102,357	61,960
Professional services and other	28,161	18,146	75,781	47,921
Total cost of revenues	<u>66,086</u>	<u>41,575</u>	<u>178,138</u>	<u>109,881</u>
Gross profit	<u>112,626</u>	<u>69,684</u>	<u>306,421</u>	<u>189,539</u>
Operating expenses ⁽¹⁾ :				
Sales and marketing	84,002	47,336	245,355	137,853
Research and development	39,683	20,819	106,232	54,809
General and administrative	23,440	16,179	69,985	43,783
Total operating expenses	<u>147,125</u>	<u>84,334</u>	<u>421,572</u>	<u>236,445</u>
Loss from operations	(34,499)	(14,650)	(115,151)	(46,906)
Interest and other income (expense), net	<u>(5,949)</u>	<u>600</u>	<u>(17,143)</u>	<u>(604)</u>
Loss before provision for income taxes	(40,448)	(14,050)	(132,294)	(47,510)
Provision for income taxes	602	663	2,430	1,966
Net loss	<u>\$ (41,050)</u>	<u>\$ (14,713)</u>	<u>\$ (134,724)</u>	<u>\$ (49,476)</u>
Net loss per share - Basic and Diluted	<u>\$ (0.28)</u>	<u>\$ (0.11)</u>	<u>\$ (0.93)</u>	<u>\$ (0.37)</u>
Weighted-average shares used to compute net loss per share - Basic and Diluted	<u>146,335,519</u>	<u>137,456,531</u>	<u>144,239,844</u>	<u>134,036,466</u>

⁽¹⁾ Includes total stock-based compensation expense for stock-based awards as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Cost of revenues:				
Subscription	\$ 3,995	\$ 2,190	\$ 10,896	\$ 5,980
Professional services and other	3,572	1,209	9,188	3,095
Sales and marketing	14,956	5,945	36,382	14,752
Research and development	11,682	4,176	29,973	11,005
General and administrative	7,285	4,331	21,884	9,893

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

	September 30, 2014	December 31, 2013
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 235,086	\$ 366,303
Short-term investments	410,986	268,251
Accounts receivable, net	111,164	108,339
Current portion of deferred commissions	36,376	31,123
Prepaid expenses and other current assets	27,787	23,733
Total current assets	821,399	797,749
Deferred commissions, less current portion	25,319	21,318
Long-term investments	238,051	255,356
Property and equipment, net	96,977	75,560
Intangible assets, net	58,304	5,796
Goodwill	58,344	8,724
Other assets	6,218	3,973
Total assets	\$ 1,304,612	\$ 1,168,476
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 11,416	\$ 7,405
Accrued expenses and other current liabilities	69,410	68,130
Current portion of deferred revenue	338,451	252,553
Total current liabilities	419,277	328,088
Deferred revenue, less current portion	12,344	14,169
Convertible senior notes, net	436,332	414,777
Other long-term liabilities	19,244	17,183
Stockholders' equity	417,415	394,259
Total liabilities and stockholders' equity	\$ 1,304,612	\$ 1,168,476

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

	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Cash flows from operating activities:				
Net loss	\$ (41,050)	\$ (14,713)	\$ (134,724)	\$ (49,476)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization	12,104	6,613	28,734	16,316
Amortization of premiums on investments	2,185	1,208	6,044	3,441
Amortization of deferred commissions	12,763	7,828	36,398	19,825
Amortization of debt discount and issuance costs	7,325	—	21,608	—
Stock-based compensation	41,490	17,851	108,323	44,725
Tax benefit from employee stock plans	(573)	754	(1,190)	(1,817)
Other	(383)	323	(1,973)	1,236
Changes in operating assets and liabilities:				
Accounts receivable	(4,837)	8,903	(6,935)	(6,988)
Deferred commissions	(19,149)	(14,114)	(47,115)	(34,894)
Prepaid expenses and other assets	(1,285)	(4,518)	(2,386)	1,077
Accounts payable	(7,084)	(283)	3,892	(408)
Deferred revenue	29,039	13,758	92,351	54,332
Accrued expenses and other liabilities	(5,545)	(2,890)	(11,751)	(1,890)
Net cash provided by operating activities	<u>25,000</u>	<u>20,720</u>	<u>91,276</u>	<u>45,479</u>
Cash flows from investing activities:				
Purchases of property and equipment	(18,094)	(16,824)	(45,499)	(39,059)
Acquisition, net of cash acquired	(99,813)	(13,330)	(99,813)	(13,330)
Purchases of investments	(119,471)	(48,681)	(360,783)	(233,444)
Sale of investments	28,914	7,105	97,807	50,403
Maturities of investments	67,450	35,005	134,618	142,456
Restricted cash	—	(11)	(55)	(174)
Net cash used in investing activities	<u>(141,014)</u>	<u>(36,736)</u>	<u>(273,725)</u>	<u>(93,148)</u>
Cash flows from financing activities:				
Offering costs paid in connection with follow-on offering	—	—	—	(698)
Proceeds from employee stock plans	25,093	16,003	53,904	47,833
Tax benefit from employee stock plans	573	(754)	1,190	1,817
Net cash provided by financing activities	<u>25,666</u>	<u>15,249</u>	<u>55,094</u>	<u>48,952</u>
Foreign currency effect on cash and cash equivalents	(3,841)	1,628	(3,862)	822
Net increase/(decrease) in cash and cash equivalents	(94,189)	861	(131,217)	2,105
Cash and cash equivalents at beginning of period	<u>329,275</u>	<u>120,233</u>	<u>366,303</u>	<u>118,989</u>
Cash and cash equivalents at end of period	<u>\$ 235,086</u>	<u>\$ 121,094</u>	<u>\$ 235,086</u>	<u>\$ 121,094</u>
Calculation of free cash flows (a non-GAAP measure):				
Net cash provided by operating activities	\$ 25,000	\$ 20,720	\$ 91,276	\$ 45,479
Purchases of property and equipment	(18,094)	(16,824)	(45,499)	(39,059)
Free cash flows	<u>\$ 6,906</u>	<u>\$ 3,896</u>	<u>\$ 45,777</u>	<u>\$ 6,420</u>

ServiceNow, Inc.
Results of Operations GAAP to Non-GAAP Reconciliation
(in thousands except share and per share data)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Revenues:				
GAAP subscription revenue	\$ 150,367	\$ 92,992	\$ 400,466	\$ 244,926
GAAP professional services and other revenue	28,345	18,267	84,093	54,494
GAAP revenue	178,712	111,259	484,559	299,420
Deferred revenue, end of period	350,795	225,801	350,795	225,801
Less:				
Deferred revenue, beginning of period	328,852	210,040	266,722	170,361
Non-GAAP billings	<u>\$ 200,655</u>	<u>\$ 127,020</u>	<u>\$ 568,632</u>	<u>\$ 354,860</u>
Cost of revenues:				
GAAP subscription cost of revenues	\$ 37,925	\$ 23,429	\$ 102,357	\$ 61,960
Add back:				
Stock-based compensation	(3,995)	(2,190)	(10,896)	(5,980)
Amortization of purchased intangibles ⁽¹⁾	(2,559)	(359)	(3,306)	(359)
Acquisition and other related costs ⁽¹⁾	(2)	(9)	(2)	(9)
Non-GAAP subscription cost of revenues	<u>\$ 31,369</u>	<u>\$ 20,871</u>	<u>\$ 88,153</u>	<u>\$ 55,612</u>
GAAP professional services and other cost of revenues	\$ 28,161	\$ 18,146	\$ 75,781	\$ 47,921
Add back:				
Stock-based compensation	(3,572)	(1,209)	(9,188)	(3,095)
Acquisition and other related costs ⁽¹⁾	(9)	(9)	(9)	(12)
Non-GAAP professional services and other cost of revenues	<u>\$ 24,580</u>	<u>\$ 16,928</u>	<u>\$ 66,584</u>	<u>\$ 44,814</u>
Gross profit:				
Non-GAAP subscription gross profit	\$ 118,998	\$ 72,121	\$ 312,313	\$ 189,314
Non-GAAP professional services and other gross profit	3,765	1,339	17,509	9,680
Non-GAAP gross profit	<u>\$ 122,763</u>	<u>\$ 73,460</u>	<u>\$ 329,822</u>	<u>\$ 198,994</u>
Operating expenses:				
GAAP sales and marketing expenses	\$ 84,002	\$ 47,336	\$ 245,355	\$ 137,853
Add back:				
Stock-based compensation	(14,956)	(5,945)	(36,382)	(14,752)
Amortization of purchased intangibles ⁽¹⁾	(182)	(51)	(286)	(51)
Acquisition and other related costs ⁽¹⁾	(12)	(7)	(13)	(9)
Non-GAAP sales and marketing expenses	<u>\$ 68,852</u>	<u>\$ 41,333</u>	<u>\$ 208,674</u>	<u>\$ 123,041</u>
GAAP research and development expenses	\$ 39,683	\$ 20,819	\$ 106,232	\$ 54,809
Add back:				
Stock-based compensation	(11,682)	(4,176)	(29,973)	(11,005)
Acquisition and other related costs ⁽¹⁾	(10)	(6)	(31)	(7)
Non-GAAP research and development expenses	<u>\$ 27,991</u>	<u>\$ 16,637</u>	<u>\$ 76,228</u>	<u>\$ 43,797</u>
GAAP general and administrative expenses	\$ 23,440	\$ 16,179	\$ 69,985	\$ 43,783
Add back:				
Stock-based compensation	(7,285)	(4,331)	(21,884)	(9,893)
Amortization of purchased intangibles ⁽¹⁾	(5)	(5)	(16)	(5)
Acquisition and other related costs ⁽¹⁾	(416)	(148)	(1,117)	(531)
Non-GAAP general and administrative expenses	<u>\$ 15,734</u>	<u>\$ 11,695</u>	<u>\$ 46,968</u>	<u>\$ 33,354</u>
GAAP total operating expenses	\$ 147,125	\$ 84,334	\$ 421,572	\$ 236,445
Add back:				
Stock-based compensation	(33,923)	(14,452)	(88,239)	(35,650)
Amortization of purchased intangibles ⁽¹⁾	(187)	(56)	(302)	(56)
Acquisition and other related costs ⁽¹⁾	(438)	(161)	(1,161)	(547)
Non-GAAP total operating expenses	<u>\$ 112,577</u>	<u>\$ 69,665</u>	<u>\$ 331,870</u>	<u>\$ 200,192</u>

⁽¹⁾ The Non-GAAP amounts presented for the three and nine months ended September 30, 2013 have been revised to exclude the amortization of purchased intangibles, acquisition and other related costs and their related tax effects associated with an acquisition completed in 2013.

ServiceNow, Inc.
Results of Operations GAAP to Non-GAAP Reconciliation
(in thousands except share and per share data)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Income (loss) from operations:				
GAAP loss from operations	\$ (34,499)	\$ (14,650)	\$ (115,151)	\$ (46,906)
Add back:				
Stock-based compensation	41,490	17,851	108,323	44,725
Amortization of purchased intangibles ⁽¹⁾	2,746	415	3,608	415
Acquisition and other related costs ⁽¹⁾	449	179	1,172	568
Non-GAAP income (loss) from operations	<u>\$ 10,186</u>	<u>\$ 3,795</u>	<u>\$ (2,048)</u>	<u>\$ (1,198)</u>
Net income (loss):				
GAAP net loss	\$ (41,050)	\$ (14,713)	\$ (134,724)	\$ (49,476)
Add back:				
Stock-based compensation	41,490	17,851	108,323	44,725
Amortization of purchased intangibles ⁽¹⁾	2,746	415	3,608	415
Acquisition and other related costs ⁽¹⁾	449	179	1,172	568
Amortization of debt discount and issuance costs for the convertible senior notes	7,325	—	21,609	—
Income tax expense effects related to the above adjustments ⁽¹⁾	(5,305)	(1,531)	(14,990)	(3,323)
Non-GAAP net income (loss)	<u>\$ 5,655</u>	<u>\$ 2,201</u>	<u>\$ (15,002)</u>	<u>\$ (7,091)</u>
Net income (loss) per share - basic and diluted:				
GAAP net loss per share - basic and diluted	<u>\$ (0.28)</u>	<u>\$ (0.11)</u>	<u>\$ (0.93)</u>	<u>\$ (0.37)</u>
Non-GAAP net income (loss) per share - basic	<u>\$ 0.04</u>	<u>\$ 0.02</u>	<u>\$ (0.10)</u>	<u>\$ (0.05)</u>
Non-GAAP net income (loss) per share - diluted	<u>\$ 0.03</u>	<u>\$ 0.01</u>	<u>\$ (0.10)</u>	<u>\$ (0.05)</u>
Weighted-average shares used to compute net loss per share - basic	<u>146,335,519</u>	<u>137,456,531</u>	<u>144,239,844</u>	<u>134,036,466</u>
GAAP weighted-average shares used to compute net loss per share - diluted	146,335,519	137,456,531	144,239,844	134,036,466
Effect of dilutive securities (stock options, restricted stock units and common stock subject to repurchase)	16,549,145	20,892,410	—	—
Non-GAAP weighted-average shares used to compute net income per share - diluted	<u>162,884,664</u>	<u>158,348,941</u>	<u>144,239,844</u>	<u>134,036,466</u>

⁽¹⁾ The Non-GAAP amounts presented for the three and nine months ended September 30, 2013 have been revised to exclude the amortization of purchased intangibles, acquisition and other related costs and their related tax effects associated with an acquisition completed in 2013.

ServiceNow, Inc.
Reconciliation of Non-GAAP Financial Guidance

The financial guidance provided below is an estimate based on information available as of September 30, 2014. The company's future performance and financial results are subject to risks and uncertainties, and actual results could differ materially from the guidance set forth below. Some of the factors that could affect the company's financial results are stated above in this press release. More information on potential factors that could affect the company's financial results is included from time to time in the company's public reports filed with the SEC, including the company's Annual Report on Form 10-K filed on February 28, 2014 and the company's Form 10-Q for the quarter ended September 30, 2014 to be filed with the SEC. The company assumes no obligation to update any forward-looking statements or information, which speak as of their respective dates.

	Three Months Ended December 31, 2014
Non-GAAP billings	\$245 - \$250 million
Deferred revenue, beginning of period	351 million
Less: deferred revenue, end of period	404 - 407 million
GAAP revenue	\$192 - \$194 million
Non-GAAP subscription gross margin	78%
Stock-based compensation expense	(3%)
Amortization of acquired intangible assets	(1%)
GAAP subscription gross margin	74%
Non-GAAP professional services and other gross margin	15%
Stock-based compensation expense	(12%)
GAAP professional services and other gross margin	3%
Non-GAAP total gross margin	68%
Stock-based compensation expense	(6%)
GAAP total gross margin	62%
Non-GAAP operating margin	2%
Stock-based compensation expense	(23%)
Amortization of acquired intangible assets	(2%)
GAAP operating margin	(23%)