

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

	<u>Three Months Ended</u>		<u>Twelve Months Ended</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Revenues:				
Subscription	\$ 497,232	\$ 344,604	\$ 1,739,795	\$ 1,221,639
Professional services and other	49,138	41,062	193,231	168,874
Total revenues	<u>546,370</u>	<u>385,666</u>	<u>1,933,026</u>	<u>1,390,513</u>
Cost of revenues ⁽¹⁾ :				
Subscription	87,524	64,707	315,570	235,414
Professional services and other	46,836	40,229	184,202	163,268
Total cost of revenues	<u>134,360</u>	<u>104,936</u>	<u>499,772</u>	<u>398,682</u>
Gross profit	<u>412,010</u>	<u>280,730</u>	<u>1,433,254</u>	<u>991,831</u>
Operating expenses ⁽¹⁾ :				
Sales and marketing	260,292	188,857	946,617	700,464
Research and development	104,559	73,933	377,518	285,239
General and administrative	60,291	41,543	210,533	158,936
Legal settlements	—	—	—	270,000
Total operating expenses	<u>425,142</u>	<u>304,333</u>	<u>1,534,668</u>	<u>1,414,639</u>
Loss from operations	<u>(13,132)</u>	<u>(23,603)</u>	<u>(101,414)</u>	<u>(422,808)</u>
Interest expense	(16,813)	(8,532)	(53,394)	(33,278)
Interest income and other income (expense), net	5,065	1,290	5,804	6,035
Loss before income taxes	<u>(24,880)</u>	<u>(30,845)</u>	<u>(149,004)</u>	<u>(450,051)</u>
Provision for income taxes	2,927	1,744	126	1,753
Net loss	<u>\$ (27,807)</u>	<u>\$ (32,589)</u>	<u>\$ (149,130)</u>	<u>\$ (451,804)</u>
Net loss per share - basic and diluted	<u>\$ (0.16)</u>	<u>\$ (0.20)</u>	<u>\$ (0.87)</u>	<u>\$ (2.75)</u>
Weighted-average shares used to compute net loss per share - basic and diluted	<u>173,567,143</u>	<u>166,816,643</u>	<u>171,175,577</u>	<u>164,533,823</u>

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

	<u>Three Months Ended</u>		<u>Twelve Months Ended</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Cost of revenues:				
Subscription	\$ 9,474	\$ 7,722	\$ 35,334	\$ 28,420
Professional services and other	5,853	6,397	27,475	26,442
Sales and marketing	45,877	35,814	170,527	131,571
Research and development	24,401	18,775	92,025	81,731
General and administrative	20,022	14,412	68,717	49,416

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

	December 31, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 726,495	\$ 401,238
Short-term investments	1,052,803	498,124
Accounts receivable, net	434,895	322,757
Current portion of deferred commissions	118,690	76,780
Prepaid expenses and other current assets	77,681	43,636
Total current assets	2,410,564	1,342,535
Deferred commissions, less current portion	85,530	61,990
Long-term investments	391,442	262,658
Property and equipment, net	245,124	181,620
Intangible assets, net	86,916	65,854
Goodwill	128,728	82,534
Other assets	49,600	36,576
Total assets	\$ 3,397,904	\$ 2,033,767
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 32,109	\$ 38,080
Accrued expenses and other current liabilities	244,605	171,636
Current portion of deferred revenue	1,280,499	861,782
Current portion of convertible senior notes, net	543,418	—
Total current liabilities	2,100,631	1,071,498
Deferred revenue, less current portion	39,884	33,319
Convertible senior notes, net	630,018	507,812
Other long-term liabilities	43,239	34,177
Stockholders' equity	584,132	386,961
Total liabilities and stockholders' equity	\$ 3,397,904	\$ 2,033,767

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

	<u>Three Months Ended</u>		<u>Twelve Months Ended</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Cash flows from operating activities:				
Net loss	\$ (27,807)	\$ (32,589)	\$ (149,130)	\$ (451,804)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization	32,067	23,366	113,875	83,082
Amortization of premiums on investments	584	980	3,092	4,725
Amortization of deferred commissions	35,011	23,475	115,262	81,217
Amortization of debt discount and issuance costs	16,813	8,532	53,394	33,278
Stock-based compensation	105,627	83,120	394,078	317,580
Deferred income tax	(3,023)	1,671	(9,078)	(3,424)
Other	65	(105)	(3,997)	(962)
Changes in operating assets and liabilities, net of effect of business combinations:				
Accounts receivable	(140,773)	(109,345)	(98,432)	(125,106)
Deferred commissions	(72,155)	(57,269)	(174,503)	(136,459)
Prepaid expenses and other assets	(19,272)	(9,767)	(46,138)	(21,500)
Accounts payable	5,584	5,071	(5,504)	(3,554)
Deferred revenue	187,968	149,148	381,562	300,167
Accrued expenses and other liabilities	64,097	46,399	68,344	82,681
Net cash provided by operating activities	<u>184,786</u>	<u>132,687</u>	<u>642,825</u>	<u>159,921</u>
Cash flows from investing activities:				
Purchases of property and equipment	(34,654)	(21,450)	(150,510)	(105,562)
Business combinations, net of cash and restricted cash acquired	(31,666)	—	(58,203)	(34,297)
Purchases of other intangibles	(500)	(8,000)	(6,670)	(18,750)
Purchases of investments	(547,845)	(84,267)	(1,189,511)	(518,664)
Purchases of strategic investments	(750)	(500)	(4,750)	(500)
Sales of investments	7,138	31,710	85,106	297,998
Maturities of investments	89,993	53,085	440,590	271,537
Net cash used in investing activities ⁽¹⁾	<u>(518,284)</u>	<u>(29,422)</u>	<u>(883,948)</u>	<u>(108,238)</u>
Cash flows from financing activities:				
Net proceeds from borrowings on convertible senior notes	—	—	772,127	—
Principal payments on convertible senior notes	(4)	—	(4)	—
Proceeds from issuance of warrants	—	—	54,071	—
Purchases of convertible note hedges	—	—	(128,017)	—
Repurchases and retirement of common stock	—	—	(55,000)	—
Proceeds from employee stock plans	5,819	11,315	82,567	66,378
Taxes paid related to net share settlement of equity awards	(50,808)	(31,340)	(181,938)	(119,907)
Payments on financing obligations	(2,233)	(862)	(4,914)	(2,223)
Net cash (used in) provided by financing activities	<u>(47,226)</u>	<u>(20,887)</u>	<u>538,892</u>	<u>(55,752)</u>
Foreign currency effect on cash, cash equivalents and restricted cash ⁽¹⁾	2,245	(6,319)	28,128	(6,785)
Net (decrease) increase in cash, cash equivalents and restricted cash ⁽¹⁾	(378,479)	76,059	325,897	(10,854)
Cash, cash equivalents and restricted cash at beginning of period ⁽¹⁾	1,106,308	325,873	401,932	412,786
Cash, cash equivalents and restricted cash at end of period ⁽¹⁾	<u>\$ 727,829</u>	<u>\$ 401,932</u>	<u>\$ 727,829</u>	<u>\$ 401,932</u>

⁽¹⁾ During the three months ended December 31, 2017, we adopted Accounting Standards Update 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash," which requires that amounts generally described as restricted cash or restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. We have adopted changes to the condensed consolidated statements of cash flows on a retrospective basis. The impact of the adoption for the three months and twelve months ended December 31, 2016 is not material.

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

	Three Months Ended		Growth Rates	Twelve Months Ended		Growth Rates
	December 31, 2017	December 31, 2016 ⁽³⁾		December 31, 2017	December 31, 2016 ⁽³⁾	
Subscription revenues:						
GAAP subscription revenues	\$ 497,232	\$ 344,604	44%	\$ 1,739,795	\$ 1,221,639	42%
Effects of foreign currency rate fluctuations	(12,941)			(6,303)		
Non-GAAP adjusted subscription revenues ⁽¹⁾	<u>\$ 484,291</u>		41%	<u>\$ 1,733,492</u>		42%
Subscription billings:						
GAAP subscription revenues	\$ 497,232	\$ 344,604	44%	\$ 1,739,795	\$ 1,221,639	42%
Increase in subscription deferred revenue	186,801	139,303		379,188	289,053	
Non-GAAP subscription billings	684,033	\$ 483,907	41%	2,118,983	\$ 1,510,692	40%
Effects of foreign currency rate fluctuations	(18,085)			(7,384)		
Effects of fluctuations in billings duration	12,444			(1,562)		
Non-GAAP adjusted subscription billings ⁽²⁾	<u>\$ 678,392</u>		40%	<u>\$ 2,110,037</u>		40%
Professional services and other revenues:						
GAAP professional services and other revenues	\$ 49,138	\$ 41,062	20%	\$ 193,231	\$ 168,874	14%
Effects of foreign currency rate fluctuations	(1,565)			(899)		
Non-GAAP adjusted professional services and other revenues ⁽¹⁾	<u>\$ 47,573</u>		16%	<u>\$ 192,332</u>		14%
Professional services and other billings:						
GAAP professional services and other revenues	\$ 49,138	\$ 41,062	20%	\$ 193,231	\$ 168,874	14%
Increase in professional services and other deferred revenue	1,167	9,845		2,374	11,114	
Non-GAAP professional services and other billings	50,305	50,907	(1%)	195,605	179,988	9%
Effects of foreign currency rate fluctuations	(1,565)			(899)		
Non-GAAP adjusted professional services and other billings ⁽²⁾	<u>\$ 48,740</u>		(4%)	<u>\$ 194,706</u>		8%
Total revenues:						
GAAP total revenues	\$ 546,370	\$ 385,666	42%	\$ 1,933,026	\$ 1,390,513	39%
Effects of foreign currency rate fluctuations	(14,506)			(7,202)		
Non-GAAP adjusted total revenues ⁽¹⁾	<u>\$ 531,864</u>		38%	<u>\$ 1,925,824</u>		38%
Total billings:						
GAAP total revenues	\$ 546,370	\$ 385,666	42%	\$ 1,933,026	\$ 1,390,513	39%
Increase in total deferred revenue from condensed consolidated statements of cash flows	187,968	149,148		381,562	300,167	
Non-GAAP total billings	734,338	534,814	37%	2,314,588	1,690,680	37%
Effects of foreign currency rate fluctuations	(19,650)			(8,283)		
Effects of fluctuations in billings duration	12,444			(1,562)		
Non-GAAP adjusted total billings ⁽²⁾	<u>\$ 727,132</u>		36%	<u>\$ 2,304,743</u>		36%
Gross profit:						
GAAP subscription gross profit	\$ 409,708	\$ 279,897		\$ 1,424,225	\$ 986,225	
Stock-based compensation	9,474	7,722		35,334	28,420	
Amortization of purchased intangibles	4,118	3,334		14,967	12,633	
Non-GAAP subscription gross profit	<u>\$ 423,300</u>	<u>\$ 290,953</u>		<u>\$ 1,474,526</u>	<u>\$ 1,027,278</u>	
GAAP professional services and other gross profit	\$ 2,302	\$ 833		\$ 9,029	\$ 5,606	
Stock-based compensation	5,853	6,397		27,475	26,442	
Non-GAAP professional services and other gross profit	<u>\$ 8,155</u>	<u>\$ 7,230</u>		<u>\$ 36,504</u>	<u>\$ 32,048</u>	
GAAP gross profit	\$ 412,010	\$ 280,730		\$ 1,433,254	\$ 991,831	
Stock-based compensation	15,327	14,119		62,809	54,862	
Amortization of purchased intangibles	4,118	3,334		14,967	12,633	
Non-GAAP gross profit	<u>\$ 431,455</u>	<u>\$ 298,183</u>		<u>\$ 1,511,030</u>	<u>\$ 1,059,326</u>	
Gross margin:						
GAAP subscription gross margin	82%	81%		82%	81%	
Stock-based compensation as % of subscription revenues	2%	2%		2%	2%	
Amortization of purchased intangibles as % of subscription revenues	1%	1%		1%	1%	
Non-GAAP subscription gross margin	<u>85%</u>	<u>84%</u>		<u>85%</u>	<u>84%</u>	
GAAP professional services and other gross margin	5%	2%		5%	3%	
Stock-based compensation as % of professional services and other revenues	12%	16%		14%	16%	
Non-GAAP professional services and other gross margin	<u>17%</u>	<u>18%</u>		<u>19%</u>	<u>19%</u>	
GAAP gross margin	75%	73%		74%	71%	
Stock-based compensation as % of total revenues	3%	3%		3%	4%	
Amortization of purchased intangibles as % of total revenues	1%	1%		1%	1%	
Non-GAAP gross margin	<u>79%</u>	<u>77%</u>		<u>78%</u>	<u>76%</u>	

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

	Three Months Ended		Twelve Months Ended	
	December 31, 2017	December 31, 2016⁽¹⁾	December 31, 2017	December 31, 2016⁽¹⁾
Income (loss) from operations:				
GAAP loss from operations	\$ (13,132)	\$ (23,603)	\$ (101,414)	\$ (422,808)
Stock-based compensation	105,627	83,120	394,078	317,580
Amortization of purchased intangibles	5,359	4,220	19,658	15,118
Business combination and other related costs	917	27	2,421	989
Legal settlements	-	-	-	270,000
Non-GAAP income from operations	<u>\$ 98,771</u>	<u>\$ 63,764</u>	<u>\$ 314,743</u>	<u>\$ 180,879</u>
Operating margin:				
GAAP operating margin	(2%)	(6%)	(5%)	(30%)
Stock-based compensation as % of total revenues	19%	22%	20%	23%
Amortization of purchased intangibles as % of total revenues	1%	1%	1%	1%
Business combination and other related costs as % of total revenues	0%	0%	0%	0%
Legal settlements as % of total revenues	0%	0%	0%	19%
Non-GAAP operating margin	<u>18%</u>	<u>17%</u>	<u>16%</u>	<u>13%</u>
Net income (loss):				
GAAP net loss	\$ (27,807)	\$ (32,589)	\$ (149,130)	\$ (451,804)
Stock-based compensation	105,627	83,120	394,078	317,580
Amortization of purchased intangibles	5,359	4,220	19,658	15,118
Business combination and other related costs	917	27	2,421	989
Legal settlements	-	-	-	270,000
Amortization of debt discount and issuance costs for the convertible senior notes	16,813	8,532	53,394	33,278
Loss on early note conversions	-	-	-	-
Income tax expense effects related to the above adjustments	(37,313)	(20,954)	(105,741)	(63,216)
Non-GAAP net income	<u>\$ 63,596</u>	<u>\$ 42,356</u>	<u>\$ 214,680</u>	<u>\$ 121,945</u>
Net income (loss) per share - basic and diluted:				
GAAP net loss per share - basic and diluted	<u>\$ (0.16)</u>	<u>\$ (0.20)</u>	<u>\$ (0.87)</u>	<u>\$ (2.75)</u>
Non-GAAP net income per share - basic	<u>\$ 0.37</u>	<u>\$ 0.25</u>	<u>\$ 1.25</u>	<u>\$ 0.74</u>
Non-GAAP net income per share - diluted	<u>\$ 0.35</u>	<u>\$ 0.24</u>	<u>\$ 1.19</u>	<u>\$ 0.70</u>
Weighted-average shares used to compute net income (loss) per share - basic	<u>173,567,143</u>	<u>166,816,643</u>	<u>171,175,577</u>	<u>164,533,823</u>
GAAP weighted-average shares used to compute net loss per share - diluted	173,567,143	166,816,643	171,175,577	164,533,823
Effect of dilutive securities (stock options, restricted stock units and warrants)	9,043,989	8,780,764	8,773,040	9,257,608
Non-GAAP weighted-average shares used to compute net income per share - diluted	<u>182,611,132</u>	<u>175,597,407</u>	<u>179,948,617</u>	<u>173,791,431</u>
Free cash flow:				
GAAP net cash provided by operating activities	\$ 184,786	\$ 132,687	\$ 642,825	\$ 159,921
Purchases of property and equipment	(34,654)	(21,450)	(150,510)	(105,562)
Cash paid for legal settlements	-	-	-	267,500
Repayment of convertible senior notes attributable to debt discount	2	-	2	-
Non-GAAP free cash flow	<u>\$ 150,134</u>	<u>\$ 111,237</u>	<u>\$ 492,317</u>	<u>\$ 321,859</u>
Free cash flow margin:				
GAAP net cash provided by operating activities as % of total revenues	34%	34%	33%	12%
Purchases of property and equipment as % of total revenues	(7%)	(5%)	(8%)	(8%)
Cash paid for legal settlements as % of total revenues	0%	0%	0%	19%
Repayment of convertible senior notes attributable to debt discount	0%	0%	0%	0%
Non-GAAP free cash flow margin	<u>27%</u>	<u>29%</u>	<u>25%</u>	<u>23%</u>

⁽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 exchange rates in effect during the current period, and by replacing the portion of multi-year billings in excess of twelve months during the current period with the portion of multi-year billings in excess of twelve months during the comparison period.

⁽³⁾ Effects of foreign currency rate fluctuations and fluctuations in billing durations are not applicable for the comparison period.

ServiceNow, Inc.
Reconciliation of Non-GAAP Financial Guidance

The financial guidance provided below is an estimate based on information available as of December 31, 2017. As described in the “New Revenue Recognition Standard Under Topic 606” section above, our guidance is based on the new Topic 606 revenue recognition standard that is effective beginning January 1, 2018. The comparison period amounts and the related growth rates have been restated from previously reported amounts to conform with the Topic 606 presentation. The company’s future performance and financial results are subject to risks and uncertainties, and actual results could differ materially from the guidance set forth below. Some of the factors that could affect the company’s financial results are stated above in this press release. Further information on these and other factors that could affect our financial results are included in our Form 10-Q for the quarter ended September 30, 2017 and in other filings we make with the Securities and Exchange Commission from time to time, including our Form 10-K that will be filed for the year ended December 31, 2017. The company assumes no obligation to update any forward-looking statements or information, which speak as of their respective dates.

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017⁽³⁾	Growth rates
GAAP subscription revenues	\$525 - \$530 million	\$388 million	35% - 37%
Effects of foreign currency rate fluctuations	(18) million		
Non-GAAP adjusted subscription revenues ⁽¹⁾	<u>\$507 - \$512 million</u>		31% - 32%
GAAP subscription revenues	\$525 - \$530 million	\$388 million	35% - 37%
Increase in subscription deferred revenue, unbilled receivables and customer deposits	75 - 76 million	92 million	
Non-GAAP subscription billings	<u>\$601 - \$605 million</u>	\$480 million	25% - 26%
Effects of foreign currency rate fluctuations	(22) million		
Effects of fluctuations in billings duration	21 million		
Non-GAAP adjusted subscription billings ⁽²⁾	<u>\$600 - \$604 million</u>		25% - 26%
GAAP operating margin	(5%)		
Stock-based compensation expense as % of total revenues	20%		
Amortization of purchased intangibles as % of total revenues	1%		
Non-GAAP operating margin	<u>16%</u>		
GAAP weighted-average shares used to compute net loss per share - diluted	175 million		
Effect of dilutive securities (stock options, restricted stock units and warrants)	9 million		
Non-GAAP weighted-average shares used to compute net income per share - diluted	<u>184 million</u>		

	<u>Twelve Months Ended December 31, 2018</u>	<u>Twelve Months Ended December 31, 2017 ⁽³⁾</u>	<u>Growth rates</u>
GAAP subscription revenues	\$2,355 - \$2,375 million	\$1,740 million	35% - 37%
Effects of foreign currency rate fluctuations	(41) million		
Non-GAAP adjusted subscription revenues ⁽¹⁾	<u>\$2,314 - \$2,334 million</u>		33% - 34%
GAAP subscription revenues	\$2,355 - \$2,375 million	\$1,740 million	35% - 37%
Increase in subscription deferred revenue, unbilled receivables and customer deposits	415 million	385 million	
Non-GAAP subscription billings	<u>\$2,770 - \$2,790 million</u>	<u>\$2,124 million</u>	30% - 31%
Effects of foreign currency rate fluctuations	(47) million		
Effects of fluctuations in billings duration	19 million		
Non-GAAP adjusted subscription billings ⁽²⁾	<u>\$2,742 - \$2,762 million</u>		29% - 30%
GAAP subscription gross margin	82%		
Stock-based compensation expense as % of subscription revenues	2%		
Amortization of purchased intangibles as % of subscription revenues	1%		
Non-GAAP subscription gross margin	<u>85%</u>		
GAAP operating margin	0%		
Stock-based compensation expense as % of total revenues	19%		
Amortization of purchased intangibles as % of total revenues	1%		
Non-GAAP operating margin	<u>20%</u>		
GAAP net cash provided by operating activities as % of total revenues	28%		
Purchases of property and equipment as % of total revenues	(7%)		
Repayment of convertible senior notes attributable to debt discount	6%		
Non-GAAP free cash flow margin	<u>27%</u>		
GAAP weighted-average shares used to compute net loss per share - diluted	178 million		
Effect of dilutive securities (stock options, restricted stock units and warrants)	7 million		
Non-GAAP weighted-average shares used to compute net income per share - diluted	<u>185 million</u>		

⁽¹⁾ Adjusted revenues and the corresponding growth rates are derived by applying the exchange rates in effect during the comparison period rather than the forecasted exchange rates for the guidance 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 forecasted exchange rates for the guidance period, and by replacing the forecasted portion of multi-year billings in excess of twelve months for the guidance period with the actual portion of multi-year billings in excess of twelve months during the comparison period.

⁽³⁾ Amounts in the comparison period have been restated for Topic 606 and are unaudited. Effects of foreign currency rate fluctuations and fluctuations in billing durations are not applicable for the comparison period.