

# ServiceNow (NOW US)

## Inline 4Q24 results; upbeat on AI development

ServiceNow reported 4Q24 results: total revenue increased by 21% YoY to US\$2.96bn, and non-GAAP operating profit grew by 22% YoY to US\$872mn, both in line with consensus estimates. FY24 total revenue was up by 22% YoY to US\$10.98bn, with non-GAAP OPM up by 1.9ppts YoY to 29.6%, driven by operating leverage and efficiency gains. For FY25, management guides subscription revenue to increase by 19.5-20% YoY on a constant currency basis, which is slightly below consensus estimate (+20.5% YoY). We lower our FY25-26E total revenue forecasts by 1-3%, but remain upbeat on ServiceNow's long-term growth outlook, supported by growing enterprise demand for digitalisation and agentic AI. We raise our target price to US\$1,220 based on 55x FY25E EV/EBITDA (previous: US\$1,075 on 48x FY25 EV/EBITDA). Maintain BUY.

- Continued momentum in large deals.** Subscription revenue grew by 21% YoY on constant currency to US\$2.87bn in 4Q24; cRPO was up by 22% YoY on constant currency to US\$10.27bn in 4Q24, 50bps ahead of previous management guidance. Total number of customers generating over US\$1mn/20mn grew by 12%/35% YoY in 4Q24, showing continued momentum in large deals. By industries, manufacturing/public sector delivered c.50%/40% net new ACV YoY growth in 4Q24. Looking into 1Q25E, management guides subscription/cRPO to grow by 19.5-20%/20.5% YoY on a constant currency basis, largely inline with consensus estimates.
- ServiceNow to benefit from growing demand for enterprise AI.** Management updates several key progress on the AI front: 1) total number of Now Assist deals grew by over 150% QoQ in 4Q24, with the Pro Plus SKU maintaining over 30% price uplift over the Pro SKU. Over 1,000 customers have adopted the Pro Plus SKU, which represented around ten % of the total customer base; 2) the company plans to introduce more elements of consumption-based monetization to its AI solutions. With growing demand for agentic AI, management expects the consumption-based model will drive faster adoption and monetization of the increasing usage; 3) the company also launched a new AI solution called AI Agent Orchestrator, which will be available in Mar and acted as the control tower for various AI agents within the enterprise. Overall, we expect ServiceNow will maintain its competitive moat and continue to benefit from growing enterprise demand for AI
- Margin expansion to sustain in FY25E.** Non-GAAP OPM increased by 1.9ppts YoY to 29.6% in FY24, driven by the operating leverage and efficiency gains. Management expects further margin improvement of 100bps in FY25E. ServiceNow leverages AI to significantly improve its own efficiency: the company automated 37% of its customer support case workflow and has already saved 400,000 labour hours in its customer service use cases, through adopting AI solutions such as agentic AI.

### Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (US\$ mn)	8,971	10,984	13,037	15,336	17,823
Adjusted net profit (US\$ mn)	2,215.0	2,902.0	3,513.8	4,163.4	4,862.6
YoY growth (%)	43.6	31.0	21.1	18.5	16.8
EPS (Adjusted) (US\$)	10.86	14.09	16.89	20.02	23.38
Consensus EPS (US\$)	10.86	14.09	16.63	20.17	23.02
P/S (x)	23.6	19.3	16.2	13.8	11.9
P/E (x)	120.0	147.2	120.8	94.3	75.3

Source: Company data, Bloomberg, CMBIGM estimates

### BUY (Maintain)

<b>Target Price</b>	<b>US\$1220.00</b>
(Previous TP)	US\$1075.00)
<b>Up/Downside</b>	<b>19.8%</b>
<b>Current Price</b>	<b>US\$1018.38</b>

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#### Stock Data

Mkt Cap (US\$ mn)	211,823.0
Avg 3 mths t/o (US\$ mn)	1,458.0
52w High/Low (US\$)	1170.39/643.29
Total Issued Shares (mn)	208.0

Source: FactSet

#### Shareholding Structure

The Vanguard Group	8.4%
BlackRock	8.0%

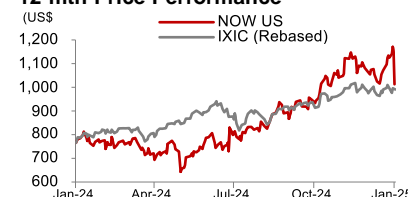
Source: Company data

#### Share Performance

	Absolute	Relative
1-mth	-3.9%	-5.5%
3-mth	9.2%	0.6%
6-mth	25.0%	12.1%

Source: FactSet

#### 12-mth Price Performance



Source: FactSet

**Figure 1: ServiceNow: forecast revision**

US\$ bn	Current			Previous			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	13.0	15.3	17.8	13.2	15.7	NA	-1.4%	-2.6%	NA
Gross profit	10.3	12.2	14.3	10.6	12.7	NA	-2.5%	-3.7%	NA
Operating profit	4.0	4.9	6.0	4.0	5.0	NA	-0.3%	-1.8%	NA
Non-GAAP net profit	3.5	4.2	4.9	3.5	4.4	NA	-0.7%	-5.3%	NA
Non-GAAP EPS (US\$)	16.7	19.8	23.2	17.0	21.1	NA	-1.6%	-6.2%	NA
Gross margin	79.3%	79.7%	80.0%	80.2%	80.6%	NA	-0.9 ppt	-0.9 ppt	NA
Non-GAAP OPM	30.8%	32.1%	33.4%	30.5%	31.9%	NA	0.3 ppt	0.2 ppt	NA
Non-GAAP net margin	27.0%	27.1%	27.3%	26.8%	27.9%	NA	0.2 ppt	-0.8 ppt	NA

Source: CMBIGM estimates

**Figure 2: ServiceNow: CMBIGM estimates vs consensus**

US\$ bn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	13.0	15.3	17.8	13.2	15.9	18.8	-1.6%	-3.6%	-5.1%
Gross profit	10.3	12.2	14.3	10.9	13.1	15.6	-5.0%	-6.8%	-8.3%
Operating profit	4.0	4.9	6.0	4.0	5.0	6.2	-0.3%	-1.4%	-3.4%
Non-GAAP net profit	3.5	4.2	4.9	3.4	4.2	5.0	2.7%	-0.6%	-2.0%
Non-GAAP EPS (US\$)	16.7	19.8	23.2	16.6	20.2	23.0	0.6%	-1.7%	0.6%
Gross margin	79.3%	79.7%	80.0%	82.2%	82.4%	82.9%	-2.9 ppt	-2.7 ppt	-2.8 ppt
Non-GAAP OPM	30.8%	32.1%	33.4%	30.4%	31.4%	32.9%	0.4 ppt	0.7 ppt	0.6 ppt
Non-GAAP net margin	27.0%	27.1%	27.3%	25.8%	26.3%	26.4%	1.1 ppt	0.8 ppt	0.9 ppt

Source: Bloomberg, CMBIGM estimates

## Valuation

We value ServiceNow at US\$1,220 per share based on 55x 2025E EV/EBITDA. Our target EV/EBITDA is at a premium to the sector average (35x), which is justified by ServiceNow's strong earnings growth outlook over 2024-2026E.

**Figure 3: ServiceNow: target valuation**

EV/EBITDA Valuation (US\$mn)	FY25E
Adjusted EBITDA	4,554
Target 2024E EV/EBITDA	55.0
Target EV	250,651
Net cash	3,115
Target equity valuation	253,766
Valuation per share (USD)	1,220.0

Source: Company data, CMBIGM estimates

**Figure 4: SaaS: valuation comparison**

Companies	Ticker	Price (LC)	EV/Sales (x)		EV/EBITDA (x)		Rev CAGR 24-26E
			2025E	2026E	2025E	2026E	
<b>ITSM</b>							
ServiceNow	NOW US	1143.6	17.6	14.6	52.6	42.3	19%
Atlassian	TEAM US	271.3	13.6	11.4	56.6	45.4	19%
<b>CRM</b>							
Salesforce	CRM US	354.0	8.2	7.4	20.7	19.4	9%
HubSpot	HUBS US	777.8	13.2	11.3	61.0	48.2	17%
Five9	FIVN US	41.0	2.8	2.5	14.1	11.9	11%
<b>ERP</b>							
SAP	SAP US	276.8	7.9	6.9	23.7	19.9	13%
Oracle	ORCL US	162.0	8.3	7.2	15.8	13.7	12%
<b>Average</b>			<b>10.2</b>	<b>8.8</b>	<b>34.9</b>	<b>28.7</b>	

Source: Bloomberg, CMBIGM

Note: data as of 29 Jan 2025

## Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
<b>Revenue</b>	<b>7,245</b>	<b>8,971</b>	<b>10,984</b>	<b>13,037</b>	<b>15,336</b>	<b>17,823</b>
Cost of goods sold	(1,573)	(1,921)	(2,287)	(2,699)	(3,116)	(3,559)
<b>Gross profit</b>	<b>5,672</b>	<b>7,050</b>	<b>8,697</b>	<b>10,338</b>	<b>12,220</b>	<b>14,264</b>
<b>Operating expenses</b>	<b>(5,317)</b>	<b>(6,288)</b>	<b>(7,333)</b>	<b>(8,550)</b>	<b>(9,810)</b>	<b>(11,122)</b>
Selling expense	(2,814)	(3,301)	(3,854)	(4,437)	(5,063)	(5,708)
Admin expense	(735)	(863)	(936)	(1,094)	(1,268)	(1,451)
R&D expense	(1,768)	(2,124)	(2,543)	(3,018)	(3,480)	(3,963)
<b>Operating profit</b>	<b>355</b>	<b>762</b>	<b>1,364</b>	<b>1,788</b>	<b>2,409</b>	<b>3,142</b>
Other income	71	(56)	(45)	13	15	18
Interest expense	(27)	302	419	391	383	356
<b>Pre-tax profit</b>	<b>399</b>	<b>1,008</b>	<b>1,738</b>	<b>2,192</b>	<b>2,808</b>	<b>3,516</b>
Income tax	74	(723)	313	438	562	703
<b>After tax profit</b>	<b>325</b>	<b>1,731</b>	<b>1,425</b>	<b>1,754</b>	<b>2,246</b>	<b>2,813</b>
<b>Net profit</b>	<b>325</b>	<b>1,731</b>	<b>1,425</b>	<b>1,754</b>	<b>2,246</b>	<b>2,813</b>
<b>Adjusted net profit</b>	<b>1,543</b>	<b>2,215</b>	<b>2,902</b>	<b>3,514</b>	<b>4,163</b>	<b>4,863</b>
BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
<b>Current assets</b>	<b>6,654</b>	<b>7,777</b>	<b>9,187</b>	<b>13,078</b>	<b>17,443</b>	<b>22,329</b>
Cash & equivalents	1,470	1,897	2,304	4,604	7,095	9,694
Account receivables	1,725	2,036	2,240	2,606	2,942	3,283
Prepayment	280	403	668	777	887	999
Financial assets at FVTPL	2,810	2,980	3,458	4,495	5,844	7,597
Other current assets	369	461	517	596	675	755
<b>Non-current assets</b>	<b>6,645</b>	<b>9,610</b>	<b>11,196</b>	<b>12,782</b>	<b>14,634</b>	<b>16,938</b>
PP&E	1,053	1,358	1,763	2,060	2,449	2,959
Right-of-use assets	682	715	693	693	693	693
Deferred income tax	636	1,508	1,385	1,385	1,385	1,385
Investment in JVs & assos	2,117	3,203	4,111	5,242	6,552	8,190
Intangibles	232	224	209	209	209	209
Goodwill	824	1,231	1,273	1,273	1,273	1,273
Other non-current assets	1,101	1,371	1,762	1,920	2,072	2,229
<b>Total assets</b>	<b>13,299</b>	<b>17,387</b>	<b>20,383</b>	<b>25,860</b>	<b>32,076</b>	<b>39,266</b>
<b>Current liabilities</b>	<b>6,005</b>	<b>7,365</b>	<b>8,358</b>	<b>9,963</b>	<b>11,534</b>	<b>13,213</b>
Short-term borrowings	0	0	0	0	0	0
Account payables	274	126	68	76	85	95
Lease liabilities	96	89	102	102	102	102
Contract liabilities	4,660	5,785	6,819	8,347	9,819	11,411
Accrued expenses	975	1,365	1,369	1,438	1,527	1,605
<b>Non-current liabilities</b>	<b>2,262</b>	<b>2,394</b>	<b>2,416</b>	<b>2,448</b>	<b>2,471</b>	<b>2,495</b>
Long-term borrowings	1,486	1,488	1,489	1,489	1,489	1,489
Deferred income	70	81	95	127	150	174
Other non-current liabilities	706	825	832	832	832	832
<b>Total liabilities</b>	<b>8,267</b>	<b>9,759</b>	<b>10,774</b>	<b>12,411</b>	<b>14,004</b>	<b>15,708</b>
Share capital	0	0	0	0	0	0
Capital surplus	4,796	5,661	7,407	9,493	11,870	14,543
Retained earnings	236	1,967	2,202	3,956	6,202	9,015
<b>Total shareholders equity</b>	<b>5,032</b>	<b>7,628</b>	<b>9,609</b>	<b>13,449</b>	<b>18,072</b>	<b>23,559</b>
<b>Total equity and liabilities</b>	<b>13,299</b>	<b>17,387</b>	<b>20,383</b>	<b>25,860</b>	<b>32,076</b>	<b>39,266</b>

<b>CASH FLOW</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec (US\$ mn)</b>						
<b>Operating</b>						
<b>Profit before taxation</b>	<b>399</b>	<b>1,008</b>	<b>1,738</b>	<b>2,192</b>	<b>2,808</b>	<b>3,516</b>
Depreciation & amortization	433	562	564	680	761	827
Tax paid	74	(723)	313	438	562	703
Change in working capital	174	(101)	(65)	925	916	1,013
Others	1,643	2,652	1,717	1,209	1,254	1,267
<b>Net cash from operations</b>	<b>2,723</b>	<b>3,398</b>	<b>4,267</b>	<b>5,446</b>	<b>6,301</b>	<b>7,327</b>
<b>Investing</b>						
Capital expenditure	(340)	(300)	(254)	(366)	(337)	(340)
Acquisition of subsidiaries/ investments	(566)	(717)	(713)	(237)	(230)	(237)
Net proceeds from disposal of short-term investments	(1,960)	(1,112)	(1,279)	(2,168)	(2,659)	(3,391)
Others	283	(38)	(255)	(375)	(583)	(760)
<b>Net cash from investing</b>	<b>(2,583)</b>	<b>(2,167)</b>	<b>(2,501)</b>	<b>(3,146)</b>	<b>(3,809)</b>	<b>(4,728)</b>
<b>Financing</b>						
Net borrowings	(94)	0	0	0	0	0
Others	(250)	(803)	(1,343)	0	0	0
<b>Net cash from financing</b>	<b>(344)</b>	<b>(803)</b>	<b>(1,343)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	1,732	1,475	1,904	2,310	4,610	7,102
Exchange difference	(53)	1	(17)	0	0	0
<b>Cash at the end of the year</b>	<b>1,475</b>	<b>1,904</b>	<b>2,310</b>	<b>4,610</b>	<b>7,102</b>	<b>9,701</b>
<b>GROWTH</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec</b>						
Revenue	22.9%	23.8%	22.4%	18.7%	17.6%	16.2%
Gross profit	24.9%	24.3%	23.4%	18.9%	18.2%	16.7%
Operating profit	38.1%	114.6%	79.0%	31.1%	34.7%	30.4%
Net profit	41.3%	432.6%	(17.7%)	23.1%	28.1%	25.2%
Adj. net profit	28.5%	43.6%	31.0%	21.1%	18.5%	16.8%
<b>PROFITABILITY</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec</b>						
Gross profit margin	78.3%	78.6%	79.2%	79.3%	79.7%	80.0%
Operating margin	4.9%	8.5%	12.4%	13.7%	15.7%	17.6%
Adj. net profit margin	21.3%	24.7%	26.4%	27.0%	27.1%	27.3%
Return on equity (ROE)	7.4%	27.3%	16.5%	15.2%	14.3%	13.5%
<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec</b>						
Current ratio (x)	1.1	1.1	1.1	1.3	1.5	1.7
Receivable turnover days	86.9	82.8	74.4	72.9	70.0	67.2
Payable turnover days	(63.6)	(23.9)	(10.9)	(10.3)	(10.0)	(9.7)
<b>VALUATION</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec</b>						
P/E	631.2	120.0	147.2	120.8	94.3	75.3
P/E (diluted)	637.8	121.2	148.6	121.9	95.2	76.0
P/B	40.8	27.2	21.8	15.8	11.7	9.0

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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**NOT RATED** : Stock is not rated by CMBIGM

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