ServiceNow (NOW US)

3Q25 results: solid cRPO growth and margin expansion on positive AI progress

ServiceNow announced 3Q25 results: total revenue grew by 22% YoY to US$3.41bn, largely in line with consensus estimate; non-GAAP operating income increased by 31% YoY to US$1.14bn, 11% ahead of consensus estimate, mainly thanks to the AI-driven efficiency gains and prudent expense control. During the period, cRPO increased by 21% YoY and beat the guidance by 250bps, driven by the better-than-expected performance across Now Assist, U.S Federal vertical, and Workflow Data Fabric etc. Management raised FY25 subscription revenue growth guidance to +20.5% YoY and non-GAAP OPM guidance to 31% (previous: +20% YoY and 30.5%). We raise FY25-27E non-GAAP operating income forecast by 1-4%, in view of the strong topline performance and improved efficiency. We roll forward our valuation window to FY26, and fine-tune our target price to US$1,180 based on 45x FY26E EV/EBITDA (previous: US$1,175 based on 55x FY25E EV/EBITDA) which is more aligned with sector valuation. Maintain BUY.

- **Solid cRPO growth on strong execution.** Subscription revenue increased by 21.5% YoY to US$3.30bn, and cRPO grew by 21% YoY to US$11.35bn in 3Q25. By verticals, net new ACV of transportation & logistics/retail & hospitality/education verticals grew by over 90/50/50% YoY respectively in 3Q25. U.S. federal business is also better than expected, with net new ACV up by over 30% YoY, mainly driven by the solid demand for Now Assist and AI Control Tower. For 4Q25E, management guided cRPO to increase by 19% YoY in constant currency, supported by a strong deal pipeline, but partially offset by the uncertainty in the public sector.
- **AI product ACV to surpass US$500mn by FY25.** The company's AI products now target to exceed US$500mn ACV by end-FY25, up from US$250mn ACV in 1Q25. Now Assist continued its strong momentum in 3Q25, with 12 deals over US$1mn in net new ACV. The net new ACV of ITSM Plus/HR Plus/ITOM Plus products grew by over 100%/100%/400% QoQ in 3Q25. AI Agent Assist consumption has increased by over 55x since the end of May 2025. AI Control Tower, the new AI product to help enterprise govern AI workflows, saw its deal volume more than quadrupled QoQ in 3Q25. Overall, the company is well on track to achieve its US$1bn ACV target for the AI products by FY26.
- **Margin expansion on AI-driven efficiency gains.** Non-GAAP OPM expanded by 2.3ppts YoY to 33.5% in 3Q25, mainly attributable to solid revenue growth and AI-driven efficiency gains. The company continues to deploy AI agents across its own different business workflows, which should further drive cost saving and margin improvement in 4Q25E and FY26E. Management expects non-GAAP OPM to improve by 1.5ppt YoY to 31% in FY25E, and we expect another 1ppt margin expansion in FY26E supported by internal AI deployment, expense control and operating leverage.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (US$ mn)	8,971	10,984	13,238	15,629	18,380
Gross margin (%)	78.6	79.2	78.1	78.5	78.8
Adjusted net profit (US$ mn)	2,215.0	2,902.0	3,583.2	4,336.7	5,159.1
EPS (Adjusted) (US$)	10.86	14.09	17.31	20.95	24.92
Consensus EPS (US$)	10.86	14.09	16.95	19.91	23.94
P/S (x)	21.3	17.4	14.5	12.3	10.4
P/E (x)	107.4	131.8	97.9	75.2	58.8

Source: Company data, Bloomberg, CMBIGM estimates

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BUY (Maintain)

Target Price	**US$1180.00**
(Previous TP	US$1175.00)
Up/Downside	**29.4%**
Current Price	**US$911.70**

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Stock Data

Mkt Cap (US$ mn)	191,457.0
Avg 3 mths t/o (US$ mn)	541.7
52w High/Low (US$)	1170.39/721.65
Total Issued Shares (mn)	210.0

Source: FactSet

Shareholding Structure

BlackRock	8.8%
The Vanguard Group	8.7%

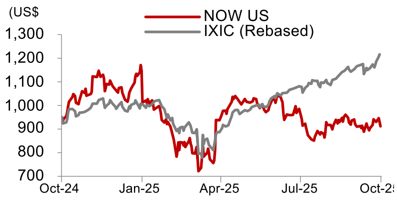
Source: Company data

Share Performance

	Absolute	Relative
1-mth	-0.9%	-6.3%
3-mth	-6.7%	-17.7%
6-mth	-4.5%	-30.5%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: ServiceNow: forecast revision

	Current			Previous			Change (%)		
US$ bn	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	13.2	15.6	18.4	13.1	15.5	18.0	0.7%	0.7%	1.9%
Gross profit	10.3	12.3	14.5	10.3	12.2	14.2	0.4%	0.4%	1.7%
Operating profit	4.1	5.0	6.1	4.0	4.9	5.9	1.7%	2.0%	2.9%
Non-GAAP net profit	3.6	4.3	5.2	3.5	4.3	5.0	1.7%	2.0%	2.9%
Non-GAAP EPS (US$)	17.1	20.7	24.6	16.8	20.2	23.9	1.7%	2.0%	2.9%
Gross margin	78.1%	78.5%	78.8%	78.3%	78.6%	79.0%	-0.2 ppt	-0.2 ppt	-0.1 ppt
Non-GAAP OPM	31.0%	31.9%	32.9%	30.7%	31.5%	32.6%	0.3 ppt	0.4 ppt	0.3 ppt
Non-GAAP net margin	27.1%	27.7%	28.1%	26.8%	27.4%	27.8%	0.3 ppt	0.4 ppt	0.3 ppt

Source: CMBIGM estimates

Figure 2: ServiceNow: CMBIGM estimates vs consensus

	CMBIGM			Consensus			Diff (%)		
US$ bn	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	13.2	15.6	18.4	13.2	15.6	18.6	0.4%	0.0%	-1.0%
Gross profit	10.3	12.3	14.5	10.7	12.7	15.2	-3.6%	-3.7%	-4.4%
Operating profit	4.1	5.0	6.1	4.0	4.9	6.0	2.0%	1.6%	0.6%
Non-GAAP net profit	3.6	4.3	5.2	3.5	4.2	5.1	1.2%	3.1%	0.9%
Non-GAAP EPS (US$)	17.1	20.7	24.6	17.0	19.9	23.9	0.7%	3.7%	2.6%
Gross margin	78.1%	78.5%	78.8%	81.4%	81.5%	81.7%	-3.3 ppt	-3.0 ppt	-2.8 ppt
Non-GAAP OPM	31.0%	31.9%	32.9%	30.5%	31.4%	32.4%	0.5 ppt	0.5 ppt	0.5 ppt
Non-GAAP net margin	27.1%	27.7%	28.1%	26.9%	26.9%	27.5%	0.2 ppt	0.8 ppt	0.5 ppt

Source: Bloomberg, CMBIGM estimates

Valuation

We value ServiceNow at US$1,180 per share based on 45x 2026E EV/EBITDA. Our target EV/EBITDA is at a premium to the sector average (31x), which is justified by ServiceNow's strong earnings growth outlook over 2025-2027E.

Figure 3: ServiceNow: target valuation

EV/EBITDA Valuation (US$mn)	FY26E
Adjusted EBITDA	5,454
Target 2026E EV/EBITDA	45.0
Target EV	245,448
Net cash	2,307
Target equity valuation	247,755
Valuation per share (USD)	1,180.0

Source: Company data, CMBIGM estimates

Figure 4: SaaS: valuation comparison

Companies	Ticker	Price		EV/Sales (x)			EV/EBITDA (x)		Rev CAGR
		(Local)	2025E	2026E	2027E	2025E	2026E	2027E	25-27E
ITSM									
ServiceNow	NOW US	911.7	14.1	11.9	10.0	40.1	33.1	26.9	19%
Atlassian	TEAM US	159.3	6.5	5.5	4.6	25.5	20.8	16.6	19%
CRM									
Salesforce	CRM US	251.5	5.8	5.3	4.8	14.0	12.8	11.7	9%
HubSpot	HUBS US	466.1	7.5	6.5	5.6	33.8	28.0	22.4	17%
ERP									
SAP	SAP US	259.6	8.6	7.8	6.9	23.9	20.6	17.5	11%
Oracle	ORCL US	275.3	13.2	10.6	7.0	24.9	19.5	13.4	30%
Secruity									
CrowdStrike	CRWD US	545.5	27.9	22.8	18.7	106.9	79.6	60.8	22%
Okta	OKTA US	87.7	4.8	4.4	4.0	na	na	13.9	10%
Average			**11.0**	**9.3**	**7.7**	**38.4**	**30.6**	**22.9**	

Source: Bloomberg, CMBIGM
Note: data are as of 29 Oct 2025

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US$ mn)						
Revenue	**7,245**	**8,971**	**10,984**	**13,238**	**15,629**	**18,380**
Cost of goods sold	(1,573)	(1,921)	(2,287)	(2,902)	(3,366)	(3,892)
Gross profit	**5,672**	**7,050**	**8,697**	**10,335**	**12,263**	**14,488**
Operating expenses	**(5,317)**	**(6,288)**	**(7,333)**	**(8,446)**	**(9,643)**	**(10,989)**
Selling expense	(2,814)	(3,301)	(3,854)	(4,408)	(5,048)	(5,759)
Admin expense	(735)	(863)	(936)	(1,046)	(1,125)	(1,231)
R&D expense	(1,768)	(2,124)	(2,543)	(2,992)	(3,470)	(3,999)
Operating profit	**355**	**762**	**1,364**	**1,890**	**2,619**	**3,499**
Other income	71	(56)	(45)	13	16	18
Interest expense	(27)	302	419	463	500	496
Pre-tax profit	**399**	**1,008**	**1,738**	**2,366**	**3,135**	**4,014**
Income tax	74	(723)	313	438	627	803
After tax profit	**325**	**1,731**	**1,425**	**1,928**	**2,508**	**3,211**
Net profit	**325**	**1,731**	**1,425**	**1,928**	**2,508**	**3,211**
Adjusted net profit	**1,543**	**2,215**	**2,902**	**3,583**	**4,337**	**5,159**

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US$ mn)						
Current assets	**6,654**	**7,777**	**9,187**	**11,534**	**14,271**	**17,571**
Cash & equivalents	1,470	1,897	2,304	2,963	3,796	4,732
Account receivables	1,725	2,036	2,240	2,646	2,999	3,385
Prepayment	280	403	668	789	904	1,031
Financial assets at FVTPL	2,810	2,980	3,458	4,495	5,844	7,597
Other current assets	369	461	517	641	729	826
Non-current assets	**6,645**	**9,610**	**11,196**	**12,954**	**14,991**	**17,512**
PP&E	1,053	1,358	1,763	2,145	2,702	3,397
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	2,007	2,177	2,366
Total assets	**13,299**	**17,387**	**20,383**	**24,488**	**29,262**	**35,083**
Current liabilities	**6,005**	**7,365**	**8,358**	**10,010**	**11,620**	**13,457**
Short-term borrowings	0	0	0	0	0	0
Account payables	274	126	68	82	92	103
Lease liabilities	96	89	102	102	102	102
Contract liabilities	4,660	5,785	6,819	8,280	9,776	11,496
Accrued expenses	975	1,365	1,369	1,546	1,650	1,755
Non-current liabilities	**2,262**	**2,394**	**2,416**	**2,447**	**2,470**	**2,496**
Long-term borrowings	1,486	1,488	1,489	1,489	1,489	1,489
Deferred income	70	81	95	126	149	175
Other non-current liabilities	706	825	832	832	832	832
Total liabilities	**8,267**	**9,759**	**10,774**	**12,457**	**14,090**	**15,953**
Share capital	0	0	0	0	0	0
Capital surplus	4,796	5,661	7,407	7,901	8,534	9,281
Retained earnings	236	1,967	2,202	4,130	6,639	9,849
Total shareholders equity	**5,032**	**7,628**	**9,609**	**12,031**	**15,173**	**19,130**
Total equity and liabilities	**13,299**	**17,387**	**20,383**	**24,488**	**29,262**	**35,083**

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US$ mn)						
Operating						
Profit before taxation	**399**	**1,008**	**1,738**	**2,366**	**3,135**	**4,014**
Depreciation & amortization	433	562	564	610	616	684
Tax paid	74	(723)	313	438	627	803
Change in working capital	174	(101)	(65)	787	907	1,064
Others	1,643	2,652	1,717	1,110	965	802
Net cash from operations	**2,723**	**3,398**	**4,267**	**5,312**	**6,250**	**7,366**
Investing						
Capital expenditure	(340)	(300)	(254)	(406)	(353)	(387)
Acquisition of subsidiaries/ investments	(566)	(717)	(713)	(369)	(258)	(285)
Net proceeds from disposal of short-term investments	(1,960)	(1,112)	(1,279)	(2,168)	(2,659)	(3,391)
Others	283	(38)	(255)	(218)	(562)	(707)
Net cash from investing	**(2,583)**	**(2,167)**	**(2,501)**	**(3,161)**	**(3,831)**	**(4,770)**
Financing						
Net borrowings	(94)	0	0	0	0	0
Others	(250)	(803)	(1,343)	(1,492)	(1,586)	(1,661)
Net cash from financing	**(344)**	**(803)**	**(1,343)**	**(1,492)**	**(1,586)**	**(1,661)**
Net change in cash						
Cash at the beginning of the year	1,728	1,470	1,897	2,304	2,963	3,796
Exchange difference	(53)	1	(17)	0	0	0
Cash at the end of the year	**1,470**	**1,897**	**2,304**	**2,963**	**3,796**	**4,732**
GROWTH	**2022A**	**2023A**	**2024A**	**2025E**	**2026E**	**2027E**
YE 31 Dec						
Revenue	22.9%	23.8%	22.4%	20.5%	18.1%	17.6%
Gross profit	24.9%	24.3%	23.4%	18.8%	18.6%	18.1%
Operating profit	38.1%	114.6%	79.0%	38.5%	38.6%	33.6%
Net profit	41.3%	432.6%	(17.7%)	35.3%	30.1%	28.0%
Adj. net profit	28.5%	43.6%	31.0%	23.5%	21.0%	19.0%
PROFITABILITY	**2022A**	**2023A**	**2024A**	**2025E**	**2026E**	**2027E**
YE 31 Dec						
Gross profit margin	78.3%	78.6%	79.2%	78.1%	78.5%	78.8%
Operating margin	4.9%	8.5%	12.4%	14.3%	16.8%	19.0%
Adj. net profit margin	21.3%	24.7%	26.4%	27.1%	27.7%	28.1%
Return on equity (ROE)	7.4%	27.3%	16.5%	17.8%	18.4%	18.7%
GEARING/LIQUIDITY/ACTIVITIES	**2022A**	**2023A**	**2024A**	**2025E**	**2026E**	**2027E**
YE 31 Dec						
Current ratio (x)	1.1	1.1	1.1	1.2	1.2	1.3
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)
VALUATION	**2022A**	**2023A**	**2024A**	**2025E**	**2026E**	**2027E**
YE 31 Dec						
P/E	565.1	107.4	131.8	97.9	75.2	58.8
P/E (diluted)	571.0	108.5	133.1	99.3	76.3	59.6
P/B	36.5	24.4	19.5	15.7	12.4	9.9

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

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