

ServiceNow (NOW US)

1Q25 cRPO beats guidance despite macro uncertainty; AI momentum continues

ServiceNow announced 1Q25 financial results: total revenue grew by 19% YoY to US\$3.09bn, in line with Bloomberg consensus estimate; non-GAAP operating income was up by 20% YoY to US\$953mn, 3% ahead of consensus estimate thanks to efficiency gains on internal AI deployment. cRPO increased by 22% YoY to US\$10.3bn as of 1Q25, beating guidance by 150bps, supported by the strength across workflows and industries. Despite the 1Q25 earnings beat, management has raised merely FY25 subscription revenue guidance by US\$5mn to US\$12.64-12.68bn (+18.5-19.0% YoY), in a conservative manner given the macro uncertainty in 2H25. We maintain our FY25-27E total revenue forecast largely unchanged, but lower our target price to US\$1,115 based on 52x FY25E EV/EBITDA, (previous: US\$1,220 on 55x FY25 EV/EBITDA) in view of the decline in sector valuation. Maintain BUY.

- **Resilience across workflows and industries.** Subscription revenue increased by 20% YoY in constant currency to US\$3.01bn in 1Q25. cRPO/RPO grew by 22%/25% YoY to US\$10.3/22.1bn in 1Q25. All workflows delivered solid growth, especially the CRM, Industry & Core Business Workflows, which contributed 34% net new ACV in 1Q25 (vs. 30% in 1Q24). By industry, net new ACV of manufacturing/healthcare/public sector was up by over 100/70/30% YoY respectively in 1Q25. Despite the short-term uncertainty due to US administration transition, management remains upbeat on the long-term opportunities in the public sector, as the US government continues to enhance efficiency through digitalisation and AI. For 2Q25E, management guide cRPO to grow by 19.5% YoY.
- **AI products maintain strong momentum.** The no. of Pro Plus deals more than quadrupled YoY in 1Q25, including 39 deals with three or more Now Assist products. Average ACV deal size also grew by one-third QoQ as Pro Plus was included in 15 of the top 20 deals. ITOM Plus/SecOps Plus net new ACV grew by c.70%/quadrupled QoQ in 1Q25. RaptorDB saw a net new ACV acceleration QoQ with 5 deals over US\$1mn. To further enhance its AI product capabilities, ServiceNow announced plans to 1) acquire Moveworks, which drives employee productivity through AI agent and enterprise search technology; 2) acquire Logik.ai, which provides Configure, Price, Quote (CPQ) solutions to improve CRM workflow efficiency.
- **Margin expansion on internal AI deployment.** Non-GAAP OPM improved by 50bps YoY to 30.9% in 1Q25, and was 100bps ahead of guidance, mainly due to opex efficiencies. ServiceNow leveraged AI to improve its own efficiency, with 16x improvement in the lead-to-sale conversion and over 86% deflection rate of certain repetitive tasks. Overall, management expects 100bps YoY margin expansion in FY25E.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (US\$ mn)	8,971	10,984	13,020	15,378	17,866
YoY growth (%)	23.8	22.4	18.5	18.1	16.2
Gross margin (%)	78.6	79.2	79.3	79.7	80.0
Adjusted net profit (US\$ mn)	2,215.0	2,902.0	3,506.4	4,178.3	4,872.9
YoY growth (%)	43.6	31.0	20.8	19.2	16.6
EPS (Adjusted) (US\$)	10.86	14.09	16.94	20.19	23.54
Consensus EPS (US\$)	10.86	14.09	16.35	19.72	23.82
P/S (x)	18.8	15.4	13.0	11.0	9.5
P/E (x)	95.8	117.5	90.2	70.3	56.5

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price US\$1115.00
 (Previous TP) US\$1220.00
Up/Downside 37.2%
Current Price US\$812.70

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Stock Data

Mkt Cap (US\$ mn)	169,041.6
Avg 3 mths t/o (US\$ mn)	1,394.4
52w High/Low (US\$)	1170.39/643.29
Total Issued Shares (mn)	208.0

Source: FactSet

Shareholding Structure

BlackRock	8.8%
The Vanguard Group	8.7%

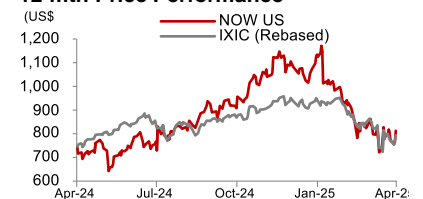
Source: Company data

Share Performance

	Absolute	Relative
1-mth	-4.4%	4.1%
3-mth	-27.8%	-13.7%
6-mth	-15.0%	-6.4%

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	15.4	17.9	13.0	15.3	17.8	-0.1%	0.3%	0.2%
Gross profit	10.3	12.3	14.3	10.3	12.2	14.3	-0.1%	0.2%	0.2%
Operating profit	4.0	4.8	5.7	4.0	4.9	6.0	-1.1%	-2.7%	-4.2%
Non-GAAP net profit	3.5	4.2	4.9	3.5	4.2	4.9	-0.2%	0.4%	0.2%
Non-GAAP EPS (US\$)	16.8	20.0	23.3	16.7	19.8	23.2	0.3%	0.8%	0.7%
Gross margin	79.3%	79.7%	80.0%	79.3%	79.7%	80.0%	0.0 ppt	0.0 ppt	-0.1 ppt
Non-GAAP OPM	30.5%	31.2%	31.9%	30.8%	32.1%	33.4%	-0.3 ppt	-0.9 ppt	-1.5 ppt
Non-GAAP net margin	26.9%	27.2%	27.3%	27.0%	27.1%	27.3%	0.0 ppt	0.0 ppt	0.0 ppt

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	15.4	17.9	13.0	15.5	18.6	0.0%	-1.0%	-3.9%
Gross Profit	10.3	12.3	14.3	10.6	12.7	15.2	-2.8%	-3.5%	-6.2%
Operating Profit	4.0	4.8	5.7	4.0	4.9	6.1	-0.1%	-2.2%	-5.8%
Non-GAAP net profit	3.5	4.2	4.9	3.4	4.2	5.1	1.9%	-0.3%	-5.0%
Non-GAAP EPS (US\$)	16.8	20.0	23.3	16.4	19.7	23.8	2.6%	1.4%	-2.1%
Gross Margin	79.3%	79.7%	80.0%	81.6%	81.8%	82.0%	-2.3 ppt	-2.1 ppt	-2.0 ppt
Non-GAAP OPM	30.5%	31.2%	31.9%	30.5%	31.6%	32.6%	0.0 ppt	-0.4 ppt	-0.7 ppt
Non-GAAP net margin	26.9%	27.2%	27.3%	26.4%	27.0%	27.6%	0.5 ppt	0.2 ppt	-0.3 ppt

Source: Bloomberg, CMBIGM estimates

Valuation

We value ServiceNow at US\$1,115 per share based on 52x 2025E EV/EBITDA. Our target EV/EBITDA is at a premium to the sector average (25x), which we think is justified by ServiceNow's strong earnings growth outlook over 2025-2027E.

Figure 3: ServiceNow: target valuation

EV/EBITDA Valuation (US\$mn)		FY25E
Adjusted EBITDA		4,434
Target 2024E EV/EBITDA		52.0
Target EV		230,589
Net cash		1,347
Target equity valuation		231,935
Valuation per share (USD)		1,115.0

Source: Company data, CMBIGM estimates

Figure 4: SaaS: valuation comparison

Companies	Ticker	Price (Local)	2025E	EV/Sales (x) 2026E	2027E	2025E	EV/EBITDA (x) 2026E	2027E	Rev CAGR 25-27E
ITSM									
ServiceNow	NOW US	812.7	12.7	10.6	8.9	36.8	30.0	24.6	19%
Atlassian	TEAM US	208.3	10.3	8.6	7.2	40.9	33.5	26.9	19%
CRM									
Salesforce	CRM US	250.5	5.9	5.4	4.9	14.6	13.4	12.4	9%
HubSpot	HUBS US	566.0	9.1	7.9	6.7	42.8	34.6	26.9	16%
Five9	FIVN US	23.2	1.7	1.6	1.4	8.8	7.6	6.2	11%
ERP									
SAP	SAP US	271.5	8.7	7.7	6.8	24.9	20.9	17.7	13%
Oracle	ORCL US	131.4	7.9	6.9	5.9	15.4	13.6	11.3	13%
Average			7.3	6.4	5.5	24.6	20.6	16.9	

Source: Bloomberg, CMBIGM

Note: data are as of 23 Apr 2025

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Revenue	7,245	8,971	10,984	13,020	15,378	17,866
Cost of goods sold	(1,573)	(1,921)	(2,287)	(2,695)	(3,128)	(3,577)
Gross profit	5,672	7,050	8,697	10,325	12,250	14,289
Operating expenses	(5,317)	(6,288)	(7,333)	(8,461)	(9,765)	(11,065)
Selling expense	(2,814)	(3,301)	(3,854)	(4,431)	(5,077)	(5,721)
Admin expense	(735)	(863)	(936)	(1,016)	(1,181)	(1,352)
R&D expense	(1,768)	(2,124)	(2,543)	(3,014)	(3,506)	(3,992)
Operating profit	355	762	1,364	1,864	2,486	3,224
Other income	71	(56)	(45)	13	15	18
Interest expense	(27)	302	419	456	492	482
Pre-tax profit	399	1,008	1,738	2,332	2,993	3,724
Income tax	74	(723)	313	466	599	745
After tax profit	325	1,731	1,425	1,866	2,394	2,979
Net profit	325	1,731	1,425	1,866	2,394	2,979
Adjusted net profit	1,543	2,215	2,902	3,506	4,178	4,873

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Current assets	6,654	7,777	9,187	11,305	13,997	17,042
Cash & equivalents	1,470	1,897	2,304	2,836	3,637	4,394
Account receivables	1,725	2,036	2,240	2,602	2,950	3,291
Prepayment	280	403	668	776	889	1,002
Financial assets at FVTPL	2,810	2,980	3,458	4,495	5,844	7,597
Other current assets	369	461	517	595	677	759
Non-current assets	6,645	9,610	11,196	12,855	14,764	17,073
PP&E	1,053	1,358	1,763	2,135	2,575	3,087
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	1,919	2,077	2,236
Total assets	13,299	17,387	20,383	24,160	28,761	34,115
Current liabilities	6,005	7,365	8,358	9,758	11,339	12,985
Short-term borrowings	0	0	0	0	0	0
Account payables	274	126	68	76	86	95
Lease liabilities	96	89	102	102	102	102
Contract liabilities	4,660	5,785	6,819	8,144	9,619	11,175
Accrued expenses	975	1,365	1,369	1,436	1,533	1,613
Non-current liabilities	2,262	2,394	2,416	2,445	2,467	2,491
Long-term borrowings	1,486	1,488	1,489	1,489	1,489	1,489
Deferred income	70	81	95	124	146	170
Other non-current liabilities	706	825	832	832	832	832
Total liabilities	8,267	9,759	10,774	12,203	13,807	15,476
Share capital	0	0	0	0	0	0
Capital surplus	4,796	5,661	7,407	7,889	8,492	9,198
Retained earnings	236	1,967	2,202	4,068	6,462	9,441
Total shareholders equity	5,032	7,628	9,609	11,957	14,954	18,639
Total equity and liabilities	13,299	17,387	20,383	24,160	28,761	34,115

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	399	1,008	1,738	2,332	2,993	3,724
Depreciation & amortization	433	562	564	605	713	827
Tax paid	74	(723)	313	466	599	745
Change in working capital	174	(101)	(65)	724	902	976
Others	1,643	2,652	1,717	1,033	971	851
Net cash from operations	2,723	3,398	4,267	5,161	6,178	7,122
Investing						
Capital expenditure	(340)	(300)	(254)	(362)	(348)	(340)
Acquisition of subsidiaries/ investments	(566)	(717)	(713)	(235)	(240)	(240)
Net proceeds from disposal of short-term investments	(1,960)	(1,112)	(1,279)	(2,168)	(2,659)	(3,391)
Others	283	(38)	(255)	(379)	(565)	(759)
Net cash from investing	(2,583)	(2,167)	(2,501)	(3,144)	(3,812)	(4,731)
Financing						
Net borrowings	(94)	0	0	0	0	0
Others	(250)	(803)	(1,343)	(1,484)	(1,565)	(1,634)
Net cash from financing	(344)	(803)	(1,343)	(1,484)	(1,565)	(1,634)
Net change in cash						
Cash at the beginning of the year	1,732	1,475	1,904	2,310	2,842	3,643
Exchange difference	(53)	1	(17)	0	0	0
Cash at the end of the year	1,475	1,904	2,310	2,842	3,643	4,400
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	22.9%	23.8%	22.4%	18.5%	18.1%	16.2%
Gross profit	24.9%	24.3%	23.4%	18.7%	18.6%	16.6%
Operating profit	38.1%	114.6%	79.0%	36.6%	33.4%	29.7%
Net profit	41.3%	432.6%	(17.7%)	30.9%	28.3%	24.4%
Adj. net profit	28.5%	43.6%	31.0%	20.8%	19.2%	16.6%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	78.3%	78.6%	79.2%	79.3%	79.7%	80.0%
Operating margin	4.9%	8.5%	12.4%	14.3%	16.2%	18.0%
Adj. net profit margin	21.3%	24.7%	26.4%	26.9%	27.2%	27.3%
Return on equity (ROE)	7.4%	27.3%	16.5%	17.3%	17.8%	17.7%
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	503.7	95.8	117.5	90.2	70.3	56.5
P/E (diluted)	509.0	96.7	118.6	91.0	70.9	57.0
P/B	32.5	21.7	17.4	14.1	11.2	9.0

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

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