

ServiceNow (NOW US)

4Q25 results: solid AI business and margin expansion

ServiceNow reported 4Q25 results: total revenue increased by 21% YoY to US\$3.57bn, in line with Bloomberg consensus estimate; non-GAAP operating income grew by 26% YoY to US\$1.10bn, 3% ahead of consensus estimate, thanks to AI-enhanced efficiencies and disciplined expense control. For FY26E, management guided subscription revenue to increase by 20.5%-21% YoY to US\$15.53-15.57bn, with further 100bps expansion of both non-GAAP OP/FCF margin to 32%/36%, underpinned by AI-enabled efficiency gains. AI product momentum remains strong, with Now Assist ACV surpassing US\$600mn in 4Q25. We lift FY26-27E non-GAAP operating income forecast by 2-4%, given the strong AI business and efficiency gains. We lower our target price to US\$215.0 based on 40x FY26E EV/EBITDA (previous: US\$236 based on 45x FY26E EV/EBITDA), as the sector valuation is impacted by investor concern on more intense competition from AI & LLM service providers. That said, we remain positive on ServiceNow's value proposition as the gateway for enterprise AI transformation, and expect it to benefit from the AI tailwind. Maintain BUY.

- **Solid subscription revenue and cRPO growth.** Subscription revenue grew by 21% YoY to US\$3.47bn in 4Q25. cRPO grew by 21% YoY in constant currency to US\$12.85bn in 4Q25, 200bps above the company guidance, thanks to the strong execution and 100bps contribution from Moveworks. By vertical, net new ACV of transportation & logistics/business & consumer services/financial services verticals grew by over 80/70/40% YoY in 4Q25. Looking ahead to 1Q26E, management guided subscription revenues to increase by 18.5%-19% YoY and cRPO to increase by 20% YoY in constant currency, both including 1ppt contribution from Moveworks.
- **AI product ACV surpassed US\$600mn.** Now Assist ACV surpassed US\$600mn in 4Q25, ahead of the company's previous US\$500mn target and on track towards its US\$1bn target by FY26-end. The company also overachieved its initial AI Control Tower targets by over 4 times for FY25. The hybrid monetization model also became more resonant with the customers, which increased their consumption and purchased Assist Packs. The Customer Service Now Assist deals saw over 70% upsell expansion at renewal in 4Q25, and the number of deals that included 5 or more Now Assist products grew by over 10x YoY in 4Q25.
- **Expanding margin and accelerating share repurchase.** Non-GAAP OPM expanded by 1.4ppt YoY to 30.9% in 4Q25, mainly due to the improved efficiency and disciplined expense control. To enhance shareholder return, the company announced an additional US\$5bn share repurchase plan, with an immediate accelerated share repurchase of US\$2bn (c.1% of current market cap). In terms of the recent M&A, management noted that: 1) the recent acquisitions of Armis and Veza are to complement ServiceNow's security and agentic AI solutions, which further expand its TAM to over US\$600bn; 2) the company does not have other large-scale M&A on the roadmap now.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (US\$ mn)	10,984	13,278	15,973	19,098	22,546
Adjusted net profit (US\$ mn)	2,902.0	3,669.0	4,518.4	5,473.3	6,576.8
EPS (Adjusted) (US\$)	2.82	3.54	4.36	5.28	6.34
Consensus EPS (US\$)	2.82	3.54	4.09	4.88	5.79
P/S (x)	11.1	9.2	7.7	6.4	5.4
P/E (x)	84.3	69.2	52.5	40.1	30.8

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price US\$215.00
 (Previous TP) US\$236.00
Up/Downside 84.2%
Current Price US\$116.73

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Stock Data

Mkt Cap (US\$ mn)	122,216.3
Avg 3 mths t/o (US\$ mn)	946.0
52w High/Low (US\$)	782.39/116.73
Total Issued Shares (mn)	1047.0

Source: FactSet

Shareholding Structure

BlackRock	8.8%
The Vanguard Group	8.7%

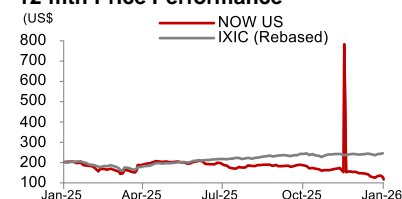
Source: Company data

Share Performance

	Absolute	Relative
1-mth	-24.3%	-25.7%
3-mth	-37.6%	-38.3%
6-mth	-40.3%	-47.1%

Source: FactSet

12-month Price Performance



Source: FactSet

Figure 1: ServiceNow: forecast revision

US\$ bn	Current			Previous			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	16.0	19.1	22.5	15.6	18.4	NA	2.2%	3.9%	NA
Gross profit	12.3	14.8	17.5	12.3	14.5	NA	0.2%	1.9%	NA
Operating profit	5.1	6.3	7.6	5.0	6.1	NA	2.4%	4.1%	NA
Non-GAAP net profit	4.5	5.5	6.6	4.3	5.2	NA	4.2%	6.1%	NA
Non-GAAP EPS (US\$)	4.3	5.2	6.3	4.1	4.9	NA	4.2%	6.1%	NA
Gross margin	76.9%	77.3%	77.6%	78.5%	78.8%	NA	-1.5 ppt	-1.5 ppt	NA
Non-GAAP OPM	32.0%	33.0%	33.9%	31.9%	32.9%	NA	0.1 ppt	0.1 ppt	NA
Non-GAAP net margin	28.3%	28.7%	29.2%	27.7%	28.1%	NA	0.5 ppt	0.6 ppt	NA

Source: CMBIGM estimates

Figure 2: ServiceNow: CMBIGM estimates vs consensus

US\$ bn	CMBIGM			Consensus			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	16.0	19.1	22.5	15.7	18.6	21.8	1.6%	2.7%	3.4%
Gross profit	12.3	14.8	17.5	12.7	15.1	17.7	-3.6%	-2.2%	-1.1%
Operating profit	5.1	6.3	7.6	5.0	6.1	7.4	1.9%	3.5%	3.4%
Non-GAAP net profit	4.5	5.5	6.6	4.3	5.2	6.3	4.5%	5.0%	4.2%
Non-GAAP EPS (US\$)	4.3	5.2	6.3	4.1	4.9	5.8	5.2%	6.9%	8.2%
Gross margin	76.9%	77.3%	77.6%	81.1%	81.1%	81.1%	-4.2 ppt	-3.8 ppt	-3.5 ppt
Non-GAAP OPM	32.0%	33.0%	33.9%	31.9%	32.7%	33.9%	0.1 ppt	0.3 ppt	0.0 ppt
Non-GAAP net margin	28.3%	28.7%	29.2%	27.5%	28.0%	28.9%	0.8 ppt	0.6 ppt	0.2 ppt

Source: Bloomberg, CMBIGM estimates

Valuation

We value ServiceNow at US\$215.0 per share based on 40x 2026E EV/EBITDA. Our target EV/EBITDA is at a premium to the sector average (29x), which is justified by ServiceNow's strong earnings growth outlook over 2026-2028E.

Figure 3: ServiceNow: target valuation

EV/EBITDA Valuation (US\$mn)		FY26E
Adjusted EBITDA		5,572
Target 2026E EV/EBITDA (x)		40.0
Target EV		222,870
Net cash		2,356
Target equity valuation		225,226
Valuation per share (USD)		215.0

Source: Company data, CMBIGM estimates

Figure 4: SaaS: valuation comparison

Companies	Ticker	Price (Local)	EV/Sales (x)			EV/EBITDA (x)			Rev CAGR
			2026E	2027E	2028E	2026E	2027E	2028E	25-27E
ITSM									
ServiceNow	NOW US	129.6	8.3	7.0	5.9	23.4	19.0	16.4	18%
Atlassian	TEAM US	134.8	5.4	4.5	3.8	19.8	16.8	13.8	19%
CRM									
Salesforce	CRM US	228.0	5.1	4.6	4.2	12.1	11.0	9.8	10%
HubSpot	HUBS US	317.1	4.9	4.2	3.6	21.9	18.1	14.7	17%
ERP									
SAP	SAP US	236.1	7.1	6.3	5.7	18.4	15.8	14.1	12%
Oracle	ORCL US	172.8	8.9	6.9	4.6	16.2	12.1	8.4	31%
Security									
CrowdStrike	CRWD US	469.2	23.9	19.6	16.1	90.1	67.6	51.6	22%
Okta	OKTA US	90.7	5.0	4.6	4.2	na	na	14.5	10%
Average			8.6	7.2	6.0	28.8	22.9	17.9	

Source: Bloomberg, CMBIGM; data are as of 28 Jan 2026

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US\$ mn)						
Revenue	8,971	10,984	13,278	15,973	19,098	22,546
Cost of goods sold	(1,921)	(2,287)	(2,983)	(3,687)	(4,335)	(5,043)
Gross profit	7,050	8,697	10,295	12,286	14,764	17,504
Operating expenses	(6,288)	(7,333)	(8,471)	(9,664)	(11,197)	(12,805)
Selling expense	(3,301)	(3,854)	(4,388)	(4,984)	(5,780)	(6,619)
Admin expense	(863)	(936)	(1,123)	(1,198)	(1,337)	(1,466)
R&D expense	(2,124)	(2,543)	(2,960)	(3,482)	(4,080)	(4,720)
Operating profit	762	1,364	1,824	2,622	3,567	4,699
Other income	(56)	(45)	(14)	16	19	113
Interest expense	302	419	451	319	286	225
Pre-tax profit	1,008	1,738	2,261	2,958	3,872	5,037
Income tax	(723)	313	513	651	852	1,108
After tax profit	1,731	1,425	1,748	2,307	3,020	3,929
Net profit	1,731	1,425	1,748	2,307	3,020	3,929
Adjusted net profit	2,215	2,902	3,669	4,518	5,473	6,577

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US\$ mn)						
Current assets	7,777	9,187	10,471	12,040	15,269	20,007
Cash & equivalents	1,897	2,304	3,726	3,847	5,342	9,312
Account receivables	2,036	2,240	2,627	3,034	3,482	3,947
Prepayment	403	668	970	1,132	1,313	1,503
Financial assets at FVTPL	2,980	3,458	2,558	3,325	4,323	4,323
Other current assets	461	517	590	702	809	922
Non-current assets	9,610	11,196	15,567	17,644	19,520	21,776
PP&E	1,358	1,763	2,289	2,790	3,462	4,353
Right-of-use assets	715	693	806	806	806	806
Deferred income tax	1,508	1,385	1,056	1,056	1,056	1,056
Investment in JVs & assos	3,203	4,111	5,313	6,641	7,637	8,783
Intangibles	224	209	1,121	1,121	1,121	1,121
Goodwill	1,231	1,273	3,578	3,578	3,578	3,578
Other non-current assets	1,371	1,762	1,404	1,652	1,860	2,079
Total assets	17,387	20,383	26,038	29,685	34,789	41,783
Current liabilities	7,365	8,358	10,443	12,409	14,566	17,249
Short-term borrowings	0	0	0	0	0	0
Account payables	126	68	204	245	279	315
Lease liabilities	89	102	112	112	112	112
Contract liabilities	5,785	6,819	8,314	9,991	11,946	14,435
Accrued expenses	1,365	1,369	1,813	2,062	2,230	2,387
Non-current liabilities	2,394	2,416	2,631	2,663	2,693	2,731
Long-term borrowings	1,488	1,489	1,491	1,491	1,491	1,491
Deferred income	81	95	120	152	182	220
Other non-current liabilities	825	832	1,020	1,020	1,020	1,020
Total liabilities	9,759	10,774	13,074	15,072	17,259	19,979
Share capital	0	0	0	0	0	0
Capital surplus	5,661	7,407	9,014	8,355	8,252	8,597
Retained earnings	1,967	2,202	3,950	6,257	9,277	13,206
Total shareholders equity	7,628	9,609	12,964	14,612	17,530	21,803
Total equity and liabilities	17,387	20,383	26,038	29,685	34,789	41,783

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	1,008	1,738	2,261	2,958	3,872	5,037
Depreciation & amortization	562	564	738	697	760	801
Tax paid	(723)	313	513	651	852	1,108
Change in working capital	(101)	(65)	29	1,070	1,244	1,732
Others	2,652	1,717	1,903	951	798	489
Net cash from operations	3,398	4,267	5,444	6,326	7,526	9,167
Investing						
Capital expenditure	(300)	(254)	(312)	(407)	(448)	(464)
Acquisition of subsidiaries/ investments	(717)	(713)	(758)	(360)	(314)	(333)
Net proceeds from disposal of short-term investments	(1,112)	(1,279)	268	(2,096)	(1,994)	(1,146)
Others	(38)	(255)	(887)	(431)	(670)	(894)
Net cash from investing	(2,167)	(2,501)	(1,689)	(3,294)	(3,426)	(2,837)
Financing						
Net borrowings	0	0	0	0	0	0
Others	(803)	(1,343)	(2,340)	(2,911)	(2,605)	(2,361)
Net cash from financing	(803)	(1,343)	(2,340)	(2,911)	(2,605)	(2,361)
Net change in cash						
Cash at the beginning of the year	1,470	1,897	2,304	3,726	3,847	5,342
Exchange difference	1	(17)	7	0	0	0
Cash at the end of the year	1,897	2,304	3,726	3,847	5,342	9,312
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	23.8%	22.4%	20.9%	20.3%	19.6%	18.1%
Gross profit	24.3%	23.4%	18.4%	19.3%	20.2%	18.6%
Operating profit	114.6%	79.0%	33.7%	43.8%	36.0%	31.7%
Net profit	432.6%	(17.7%)	22.7%	32.0%	30.9%	30.1%
Adj. net profit	43.6%	31.0%	26.4%	23.2%	21.1%	20.2%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	78.6%	79.2%	77.5%	76.9%	77.3%	77.6%
Operating margin	8.5%	12.4%	13.7%	16.4%	18.7%	20.8%
Adj. net profit margin	24.7%	26.4%	27.6%	28.3%	28.7%	29.2%
Return on equity (ROE)	27.3%	16.5%	15.5%	16.7%	18.8%	20.0%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Current ratio (x)	1.1	1.1	1.0	1.0	1.0	1.2
Receivable turnover days	82.8	74.4	72.2	69.3	66.6	63.9
Payable turnover days	(23.9)	(10.9)	(25.0)	(24.2)	(23.5)	(22.8)
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	68.8	84.3	69.2	52.5	40.1	30.8
P/E (diluted)	69.5	85.4	69.9	53.1	40.6	31.2
P/B	15.6	12.5	9.3	8.3	6.9	5.6

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

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