ServiceNow (NOW US)

2Q26 results beat; AI business momentum continues to build

BUY (Maintain)

Target Price	**US$160.00**
Up/Downside	**74.0%**
Current Price	**US$91.94**

US Software & IT Services

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Stock Data

Mkt Cap (US$ mn)	96,261.2
Avg 3 mths t/o (US$ mn)	1,185.2
52w High/Low (US$)	782.39/83.00
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	-2.0%	-0.7%
3-mth	2.0%	0.7%
6-mth	-30.9%	-35.4%

Source: FactSet

ServiceNow reported 2Q26 results: total revenue grew by 24% YoY to US$3.99bn, in line with Visible Alpha (VA) consensus estimate; non-GAAP operating income increased by 23% YoY to US$1.17bn, 12% ahead of VA consensus mainly due to the timing of marketing spend and operating leverage; cRPO grew by 21.5% YoY in constant currency and beat guidance by 200bps, thanks to the solid execution and strong net new ACV growth of AI offerings. ServiceNow AI surpassed US$1bn in ACV in 2Q26 and is well on track to its target of US$1.5bn by FY26-end. Management raised FY26 subscription revenue growth guidance to +22.5% (previous: +22-22.5% YoY). In view of the strong AI momentum and better-than-expected margin profile, we lift our FY26-28E non-GAAP operating income forecasts by 0-2%. We maintain our target price unchanged at US$160.0 on 30x FY26E EV/EBITDA. Maintain BUY.

- **Revenue beat on strength across workflows.** Subscription revenue grew by 23% YoY in constant currency to US$3.88bn in 2Q26, 150bps above the high end of guidance, driven by strength across workflows: 1) technology workflows had 50 deals over US$1mn; 2) CRM workflows net new ACV growth accelerated YoY and QoQ, with average deal size of sales CRM doubled YoY; 3) cybersecurity business also saw its ACV surpassing US$1bn. Looking into 3Q26E, the company guided cRPO/subscription revenue to increase by 20%/20% YoY in constant currency.
- **AI ACV on track to US$1.5bn target by FY26-end.** ServiceNow AI crossed US$1bn in ACV in 2Q26 and again outperformed management's expectations. Net new ACV of ServiceNow AI was up by over 40% QoQ, further accelerating sequentially. The company saw solid growth of both agentic AI customer base and revenue per customer: 1) the number of customers with agentic AI in production has grown by 9x over the last nine months; deal volume among first-time ServiceNow AI buyers was up by over 45% YoY in 2Q26; 2) the upgrades to AI-native SKUs are also driving price uplift of 20%-30%. Innovative AI offerings are also building momentum, with deal volume of EmployeeWorks up by over 150% QoQ in 2Q26. The company also plans to launch a new conversational service desk experience in the coming weeks, targeting the mid-market.
- **Continue to grow on quality margin profile.** Non-GAAP OPM was largely flattish YoY at 29.4% in 2Q26. Total opex grew by 25% YoY in 2Q26. The company saw meaningful S&M headcount growth in 2Q26 (+499 ppl QoQ), mainly due to the M&A and to address the new opportunities like AI and security. That said, the company remains committed to improving margin profile, and expects to complete 2026 with the same headcount as before the acquisitions of Moveworks, Veza, and Armis.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (US$ mn)	10,984	13,278	16,194	19,362	22,781
Adjusted net profit (US$ mn)	2,902.0	3,669.0	4,168.4	5,392.3	6,380.6
EPS (Adjusted) (US$)	2.82	3.54	4.02	5.20	6.15
Consensus EPS (US$)	2.82	3.54	4.13	5.02	6.05
P/S (x)	8.8	7.2	5.9	5.0	4.2
P/E (x)	66.4	54.5	55.3	34.3	26.1

Source: Company data, Bloomberg, CMBIGM estimates

Business forecasts update and valuation

Figure 1: ServiceNow: forecast revision

	Current			Previous			Change (%)		
US$ bn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	16.2	19.4	22.8	16.2	19.3	22.8	0.0%	0.3%	-0.1%
Gross profit	11.8	14.4	17.0	11.9	14.4	16.9	-0.7%	-0.2%	0.4%
Operating profit	5.1	6.3	7.6	5.1	6.2	7.6	0.0%	1.6%	0.3%
Non-GAAP net profit	4.2	5.4	6.4	4.4	5.3	6.5	-5.3%	1.7%	-1.8%
Non-GAAP EPS (US$)	4.0	5.2	6.1	4.2	5.1	6.3	-4.6%	1.7%	-2.6%
Gross margin	73.0%	74.3%	74.5%	73.8%	74.3%	74.5%	-0.8 ppt	0.0 ppt	0.0 ppt
Non-GAAP OPM	31.5%	32.5%	33.5%	31.4%	32.2%	33.4%	0.1 ppt	0.3 ppt	0.1 ppt
Non-GAAP net margin	25.7%	27.9%	28.0%	27.3%	27.4%	28.8%	-1.6 ppt	0.5 ppt	-0.8 ppt

Source: CMBIGM estimates

Figure 2: ServiceNow: CMBIGM estimates vs consensus

	CMBIGM			Consensus			Diff (%)		
US$ bn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	16.2	19.4	22.8	16.2	19.2	22.7	0.0%	0.9%	0.2%
Gross profit	11.8	14.4	17.0	12.2	14.6	17.4	-3.1%	-1.7%	-2.6%
Operating profit	5.1	6.3	7.6	5.1	6.2	7.6	0.0%	1.0%	0.1%
Non-GAAP net profit	4.2	5.4	6.4	4.3	5.2	6.4	-3.0%	2.9%	0.2%
Non-GAAP EPS (US$)	4.0	5.2	6.1	4.1	5.0	6.0	-3.0%	3.4%	1.4%
Gross margin	73.0%	74.3%	74.5%	75.3%	76.2%	76.6%	-2.3 ppt	-2.0 ppt	-2.1 ppt
Non-GAAP OPM	31.5%	32.5%	33.5%	31.5%	32.5%	33.5%	0.0 ppt	0.0 ppt	0.0 ppt
Non-GAAP net margin	25.7%	27.9%	28.0%	26.5%	27.3%	28.0%	-0.8 ppt	0.5 ppt	0.0 ppt

Source: Visible Alpha, CMBIGM estimates

Valuation

We value ServiceNow at US$160.0 per share based on 30x 2026E EV/EBITDA. Our target EV/EBITDA is at a premium to the sector average (22x), which is justified by ServiceNow's strong earnings growth outlook over 2026-2028E and its free cash flow generation capability.

Figure 3: ServiceNow: target valuation

EV/EBITDA Valuation (US$mn)	FY26E
Adjusted EBITDA	5,470
Target 2026E EV/EBITDA (x)	30.0
Target EV	164,085
Net cash	2,622
Target equity valuation	166,707
Valuation per share (USD)	160.0

Source: Company data, CMBIGM estimates

Figure 4: SaaS: valuation comparison

Companies	Ticker	Price (Local)	EV/Sales (x) 1FY	2FY	3FY	EV/EBITDA (x) 1FY	2FY	3FY	EBITDA CAGR 3FY
ITSM									
ServiceNow	NOW US	95.5	5.9	5.0	4.2	17.6	14.2	11.7	22%
Atlassian	TEAM US	85.4	3.4	3.0	2.6	10.9	9.9	8.4	24%
CRM									
Salesforce	CRM US	163.0	3.3	3.0	2.7	7.7	7.1	6.3	10%
HubSpot	HUBS US	204.9	2.4	2.1	1.8	9.5	8.0	6.8	22%
Security									
CrowdStrike	CRWD US	188.4	31.5	25.8	21.2	NA	81.5	62.0	31%
PANW	PANW US	335.3	23.7	19.6	17.2	66.1	54.3	47.7	24%
Average			**11.7**	**9.7**	**8.3**	**22.4**	**29.2**	**23.8**	

Source: Visible Alpha, CMBIGM
Note: data are as of 22 Jul 2026

Risks

1) Heightening competitive pressure from AI labs and software companies; 2) decline in enterprise software budget; and 3) investment in AI products impacting margin.

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US$ mn)						
Revenue	**8,971**	**10,984**	**13,278**	**16,194**	**19,362**	**22,781**
Cost of goods sold	(1,921)	(2,287)	(2,983)	(4,376)	(4,983)	(5,813)
Gross profit	**7,050**	**8,697**	**10,295**	**11,818**	**14,378**	**16,968**
Operating expenses	**(6,288)**	**(7,333)**	**(8,471)**	**(10,137)**	**(11,424)**	**(12,634)**
Selling expense	(3,301)	(3,854)	(4,388)	(5,150)	(5,808)	(6,379)
Admin expense	(863)	(936)	(1,123)	(1,360)	(1,452)	(1,504)
R&D expense	(2,124)	(2,543)	(2,960)	(3,627)	(4,164)	(4,752)
Operating profit	**762**	**1,364**	**1,824**	**1,681**	**2,954**	**4,334**
Other income	(56)	(45)	(14)	324	387	114
Interest expense	302	419	451	324	290	228
Pre-tax profit	**1,008**	**1,738**	**2,261**	**2,329**	**3,632**	**4,675**
Income tax	(723)	313	513	605	854	1,029
After tax profit	**1,731**	**1,425**	**1,748**	**1,723**	**2,778**	**3,647**
Net profit	**1,731**	**1,425**	**1,748**	**1,723**	**2,778**	**3,647**
Adjusted net profit	**2,215**	**2,902**	**3,669**	**4,168**	**5,392**	**6,381**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US$ mn)						
Current assets	**7,777**	**9,187**	**10,471**	**12,494**	**16,363**	**21,928**
Cash & equivalents	1,897	2,304	3,726	4,113	6,249	11,036
Account receivables	2,036	2,240	2,627	3,076	3,530	3,988
Prepayment	403	668	970	1,148	1,331	1,519
Financial assets at FVTPL	2,980	3,458	2,558	3,325	4,323	4,323
Other current assets	461	517	590	833	930	1,063
Non-current assets	**9,610**	**11,196**	**15,567**	**17,334**	**18,426**	**19,681**
PP&E	1,358	1,763	2,289	2,970	3,772	4,696
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	1,162	455	(360)
Total assets	**17,387**	**20,383**	**26,038**	**29,828**	**34,788**	**41,609**
Current liabilities	**7,365**	**8,358**	**10,443**	**12,978**	**15,106**	**17,811**
Short-term borrowings	0	0	0	0	0	0
Account payables	126	68	204	290	321	363
Lease liabilities	89	102	112	112	112	112
Contract liabilities	5,785	6,819	8,314	10,129	12,110	14,585
Accrued expenses	1,365	1,369	1,813	2,447	2,563	2,751
Non-current liabilities	**2,394**	**2,416**	**2,631**	**2,665**	**2,695**	**2,733**
Long-term borrowings	1,488	1,489	1,491	1,491	1,491	1,491
Deferred income	81	95	120	154	184	222
Other non-current liabilities	825	832	1,020	1,020	1,020	1,020
Total liabilities	**9,759**	**10,774**	**13,074**	**15,643**	**17,802**	**20,545**
Share capital	0	0	0	0	0	0
Capital surplus	5,661	7,407	9,014	8,511	8,535	8,966
Retained earnings	1,967	2,202	3,950	5,673	8,452	12,098
Total shareholders equity	**7,628**	**9,609**	**12,964**	**14,185**	**16,987**	**21,064**
Total equity and liabilities	**17,387**	**20,383**	**26,038**	**29,828**	**34,788**	**41,609**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US$ mn)						
Operating						
Profit before taxation	**1,008**	**1,738**	**2,261**	**2,329**	**3,632**	**4,675**
Depreciation & amortization	1,021	1,114	1,359	1,117	1,350	1,630
Tax paid	(723)	313	513	605	854	1,029
Change in working capital	(101)	(65)	29	1,197	1,236	1,706
Others	2,193	1,167	1,282	1,299	1,004	790
Net cash from operations	**3,398**	**4,267**	**5,444**	**6,547**	**8,076**	**9,830**
Investing						
Capital expenditure	(300)	(254)	(312)	(449)	(455)	(457)
Acquisition of subsidiaries/ investments	(717)	(713)	(758)	(746)	(284)	(392)
Net proceeds from disposal of short-term investments	(1,112)	(1,279)	268	(2,096)	(1,994)	(1,146)
Others	(38)	(255)	(887)	142	(520)	(632)
Net cash from investing	**(2,167)**	**(2,501)**	**(1,689)**	**(3,148)**	**(3,252)**	**(2,626)**
Financing						
Net borrowings	0	0	0	0	0	0
Others	(803)	(1,343)	(2,340)	(3,013)	(2,687)	(2,417)
Net cash from financing	**(803)**	**(1,343)**	**(2,340)**	**(3,013)**	**(2,687)**	**(2,417)**
Net change in cash						
Cash at the beginning of the year	1,470	1,897	2,304	3,726	4,113	6,249
Exchange difference	1	(17)	7	0	0	0
Cash at the end of the year	**1,897**	**2,304**	**3,726**	**4,113**	**6,249**	**11,036**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	23.8%	22.4%	20.9%	22.0%	19.6%	17.7%
Gross profit	24.3%	23.4%	18.4%	14.8%	21.7%	18.0%
Operating profit	114.6%	79.0%	33.7%	(7.9%)	75.8%	46.7%
Net profit	432.6%	(17.7%)	22.7%	(1.4%)	61.2%	31.3%
Adj. net profit	43.6%	31.0%	26.4%	13.6%	29.4%	18.3%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	78.6%	79.2%	77.5%	73.0%	74.3%	74.5%
Operating margin	8.5%	12.4%	13.7%	10.4%	15.3%	19.0%
Adj. net profit margin	24.7%	26.4%	27.6%	25.7%	27.9%	28.0%
Return on equity (ROE)	27.3%	16.5%	15.5%	12.7%	17.8%	19.2%

GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Current ratio (x)	1.1	1.1	1.0	1.0	1.1	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	54.2	66.4	54.5	55.3	34.3	26.1
P/E (diluted)	54.7	67.2	55.1	55.5	34.4	26.2
P/B	12.3	9.8	7.4	6.7	5.6	4.5

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

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