

ServiceNow (NOW US)

Solid AI demand; decelerating 4Q26E cRPO growth adds uncertainty

ServiceNow announced 3Q26 results: total revenue increased by 21% YoY to US\$4.11bn, in line with Visible Alpha (VA) consensus estimate; non-GAAP operating income grew by 17% YoY to US\$1.34bn, 5% ahead of VA consensus thanks to AI-enabled efficiency gains and timing of spend; cRPO was up by 21% YoY in constant currency. Management guided 4Q26E cRPO growth to decelerate to +18.5% YoY, citing timing of renewals, higher on-prem deal mix in 4Q26E, and a rising balance of T4C backlog as the major reasons, which are mainly short-term impact but have led to certain investor concerns. The AI demand remains solid and management has lifted AI ACV target from US\$1.5bn to US\$1.7bn by FY26-end. Overall, we maintain FY26-28E total revenue forecasts largely unchanged. We roll forward our valuation window to FY27E and fine-tune our target price to US\$155.0 based on 22x FY27E EV/EBITDA (previous: US\$160.0 on 30x FY26E EV/EBITDA). Maintain BUY.

- **Solid 3Q26 subscription revenue growth.** In 3Q26, subscription revenue increased by 21% YoY to US\$3.99bn; cRPO was up by 21% YoY in constant currency, a 100bps beat versus the guidance, primarily driven by over 300%/40% YoY net new ACV growth of business and consumer services/technology industries. Looking ahead into 4Q26E, the company guided subscription revenue to grow by 21.5% in constant currency. The company included deployment expertise with its platform solutions to accelerate AI deployments for select large deals, which may lead to revenue of the deployment to be recorded in professional services rather than subscription revenue. This results in 25bps/50bps impact on the subscription revenue growth in 3Q26/4Q26, per management.
- **Raise AI ACV target to US\$1.7bn by FY26-end.** ServiceNow AI net new ACV increased by 65% YoY in 3Q26, allowing the company to raise FY26-end AI ACV target to US\$1.7bn (up from US\$1.5bn target set in May). Both customer base and AI usage saw rapid growth: 1) the number of AI deals over US\$1mn grew by 4.5x YoY in 3Q26; 3) the number of deals spanning five or more AI products increased by over 8.5x YoY in 3Q26; 2) YTD consumption of agentic AI in production was up by over 13x YoY.
- **Steady margin trajectory.** Non-GAAP OPM was largely stable YoY at 33% in 3Q26, as the AI-enabled efficiency gain was offset by the increased investment in deployment expertise and M&A. With the help of its Forward Deployed Engineers, the company has accelerated customer's time to value by 80% YTD; but it does not expect to include delivery expertise over the long term, as AI gradually enables more efficient project deployment. The company also raised FY26 free cash flow margin by 100bps to 36% due to lower capex spend.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (US\$ mn)	10,984	13,278	16,231	19,401	22,824
Adjusted net profit (US\$ mn)	2,902.0	3,669.0	4,061.2	5,091.2	6,156.1
EPS (Adjusted) (US\$)	2.82	3.54	3.92	4.92	5.95
Consensus EPS (US\$)	2.82	3.54	3.94	4.76	5.82
P/S (x)	10.5	8.6	7.1	5.9	5.0
P/E (x)	79.2	65.1	75.8	45.9	33.2

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **US\$155.00**
 (Previous TP) US\$160.00
Up/Downside **41.3%**
Current Price **US\$109.67**

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Stock Data

Mkt Cap (US\$ mn)	114,824.5
Avg 3 mths t/o (US\$ mn)	674.8
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%

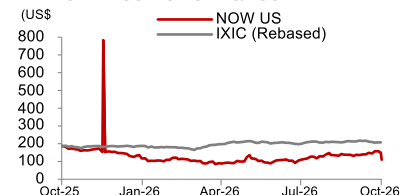
Source: Company data

Share Performance

	Absolute	Relative
1-mth	-18.2%	-16.0%
3-mth	-0.4%	-4.4%
6-mth	24.2%	18.1%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: ServiceNow: forecast revision

US\$ bn	Current			Previous			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	16.2	19.4	22.8	16.2	19.4	22.8	0.2%	0.2%	0.2%
Gross profit	11.7	14.1	16.7	11.8	14.4	17.0	-0.8%	-1.8%	-1.6%
Operating profit	5.1	6.2	7.5	5.1	6.3	7.6	0.7%	-1.5%	-2.1%
Non-GAAP net profit	4.1	5.1	6.2	4.2	5.4	6.4	-2.6%	-5.6%	-3.5%
Non-GAAP EPS (US\$)	3.9	4.9	5.9	4.0	5.2	6.1	-2.9%	-5.9%	-3.8%
Gross margin	72.2%	72.8%	73.2%	73.0%	74.3%	74.5%	-0.8 ppt	-1.5 ppt	-1.3 ppt
Non-GAAP OPM	31.6%	32.0%	32.7%	31.5%	32.5%	33.5%	0.1 ppt	-0.5 ppt	-0.8 ppt
Non-GAAP net margin	25.0%	26.2%	27.0%	25.7%	27.9%	28.0%	-0.7 ppt	-1.6 ppt	-1.0 ppt

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	16.2	19.4	22.8	16.2	19.2	22.5	0.0%	1.2%	1.3%
Gross profit	11.7	14.1	16.7	11.7	13.8	16.5	0.0%	2.0%	1.0%
Operating profit	5.1	6.2	7.5	5.1	6.2	7.6	0.5%	-0.1%	-1.6%
Non-GAAP net profit	4.1	5.1	6.2	4.1	5.0	6.2	-2.0%	2.6%	-0.6%
Non-GAAP EPS (US\$)	3.9	4.9	5.9	3.9	4.8	5.8	-1.1%	2.5%	1.5%
Gross margin	72.2%	72.8%	73.2%	72.2%	72.2%	73.3%	0.0 ppt	0.6 ppt	-0.2 ppt
Non-GAAP OPM	31.6%	32.0%	32.7%	31.5%	32.4%	33.7%	0.2 ppt	-0.4 ppt	-1.0 ppt
Non-GAAP net margin	25.0%	26.2%	27.0%	25.5%	25.9%	27.5%	-0.5 ppt	0.4 ppt	-0.5 ppt

Source: Visible Alpha, CMBIGM estimates

Valuation

We value ServiceNow at US\$155.0 per share based on 22x 2027E EV/EBITDA. Our target EV/EBITDA is at a premium to the sector average (16x), 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\$m)		FY27E
Adjusted EBITDA		7,180
Target 2027E EV/EBITDA (x)		22
Target EV		157,250
Net cash		4,925
Target equity valuation		162,175
Valuation per share (USD)		155.0

Source: Company data, CMBIGM estimates

Figure 4: SaaS: valuation comparison

Companies	Ticker	Price (Local)	2026E	EV/Sales (x) 2027E	2028E	2026E	EV/EBITDA (x) 2027E	2028E	EBITDA CAGR 2026-2028E
ITSM									
ServiceNow	NOW US	150.1	9.6	8.1	6.9	23.9	20.5	17.1	23%
Atlassian	TEAM US	220.1	7.4	6.4	5.6	27.5	22.7	18.7	11%
CRM									
Salesforce	CRM US	242.1	4.8	4.4	4.0	11.2	10.3	9.4	10%
HubSpot	HUBS US	249.0	3.0	2.6	2.3	11.8	9.6	8.1	24%
Security									
CrowdStrike	CRWD US	266.7	44.6	36.3	29.7	NA	NA	NA	33%
PANW	PANW US	394.5	22.7	19.9	17.6	NA	NA	49.4	16%
Average			15.3	12.9	11.0	18.6	15.8	20.5	

Source: Visible Alpha, CMBIGM

Note: data are as of 28 Oct 2026

Risks

Macro uncertainty impacting IT budgets; AI-related investment weighing on margin; heightening competitive risks from LLM vendors.

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US\$ mn)						
Revenue	8,971	10,984	13,278	16,231	19,401	22,824
Cost of goods sold	(1,921)	(2,287)	(2,983)	(4,509)	(5,283)	(6,127)
Gross profit	7,050	8,697	10,295	11,722	14,118	16,697
Operating expenses	(6,288)	(7,333)	(8,471)	(10,144)	(11,448)	(12,658)
Selling expense	(3,301)	(3,854)	(4,388)	(5,161)	(5,820)	(6,391)
Admin expense	(863)	(936)	(1,123)	(1,347)	(1,455)	(1,506)
R&D expense	(2,124)	(2,543)	(2,960)	(3,636)	(4,172)	(4,761)
Operating profit	762	1,364	1,824	1,578	2,671	4,039
Other income	(56)	(45)	(14)	325	388	114
Interest expense	302	419	451	162	194	228
Pre-tax profit	1,008	1,738	2,261	2,064	3,253	4,381
Income tax	(723)	313	513	568	781	964
After tax profit	1,731	1,425	1,748	1,497	2,472	3,417
Net profit	1,731	1,425	1,748	1,497	2,472	3,417
Adjusted net profit	2,215	2,902	3,669	4,061	5,091	6,156

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US\$ mn)						
Current assets	7,777	9,187	10,471	12,413	16,706	22,279
Cash & equivalents	1,897	2,304	3,726	3,901	6,416	11,193
Account receivables	2,036	2,240	2,627	3,083	3,538	3,995
Prepayment	403	668	970	1,245	1,444	1,647
Financial assets at FVTPL	2,980	3,458	2,558	3,325	4,323	4,323
Other current assets	461	517	590	858	985	1,120
Non-current assets	9,610	11,196	15,567	16,306	16,455	16,866
PP&E	1,358	1,763	2,289	1,893	1,693	1,771
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	1,211	564	(248)
Total assets	17,387	20,383	26,038	28,719	33,161	39,145
Current liabilities	7,365	8,358	10,443	12,391	14,526	16,804
Short-term borrowings	0	0	0	0	0	0
Account payables	126	68	204	299	340	382
Lease liabilities	89	102	112	112	112	112
Contract liabilities	5,785	6,819	8,314	9,880	11,810	13,894
Accrued expenses	1,365	1,369	1,813	2,100	2,264	2,416
Non-current liabilities	2,394	2,416	2,631	2,661	2,691	2,723
Long-term borrowings	1,488	1,489	1,491	1,491	1,491	1,491
Deferred income	81	95	120	150	180	212
Other non-current liabilities	825	832	1,020	1,020	1,020	1,020
Total liabilities	9,759	10,774	13,074	15,053	17,217	19,526
Share capital	0	0	0	0	0	0
Capital surplus	5,661	7,407	9,014	8,219	8,026	8,283
Retained earnings	1,967	2,202	3,950	5,447	7,919	11,336
Total shareholders equity	7,628	9,609	12,964	13,666	15,944	19,619
Total equity and liabilities	17,387	20,383	26,038	28,719	33,161	39,145

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	1,008	1,738	2,261	2,064	3,253	4,381
Depreciation & amortization	1,021	1,114	1,359	1,628	1,870	2,137
Tax paid	(723)	313	513	568	781	964
Change in working capital	(101)	(65)	29	428	1,136	1,252
Others	2,193	1,167	1,282	1,348	1,155	925
Net cash from operations	3,398	4,267	5,444	6,036	8,194	9,659
Investing						
Capital expenditure	(300)	(254)	(312)	(456)	(455)	(458)
Acquisition of subsidiaries/ investments	(717)	(713)	(758)	(820)	(374)	(396)
Net proceeds from disposal of short-term investments	(1,112)	(1,279)	268	(2,096)	(1,994)	(1,146)
Others	(38)	(255)	(887)	789	53	(288)
Net cash from investing	(2,167)	(2,501)	(1,689)	(2,583)	(2,770)	(2,287)
Financing						
Net borrowings	0	0	0	0	0	0
Others	(803)	(1,343)	(2,340)	(3,278)	(2,910)	(2,596)
Net cash from financing	(803)	(1,343)	(2,340)	(3,278)	(2,910)	(2,596)
Net change in cash						
Cash at the beginning of the year	1,470	1,897	2,304	3,726	3,901	6,416
Exchange difference	1	(17)	7	0	0	0
Cash at the end of the year	1,897	2,304	3,726	3,901	6,416	11,193
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	23.8%	22.4%	20.9%	22.2%	19.5%	17.6%
Gross profit	24.3%	23.4%	18.4%	13.9%	20.4%	18.3%
Operating profit	114.6%	79.0%	33.7%	(13.5%)	69.3%	51.2%
Net profit	432.6%	(17.7%)	22.7%	(14.4%)	65.2%	38.2%
Adj. net profit	43.6%	31.0%	26.4%	10.7%	25.4%	20.9%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	78.6%	79.2%	77.5%	72.2%	72.8%	73.2%
Operating margin	8.5%	12.4%	13.7%	9.7%	13.8%	17.7%
Adj. net profit margin	24.7%	26.4%	27.6%	25.0%	26.2%	27.0%
Return on equity (ROE)	27.3%	16.5%	15.5%	11.2%	16.7%	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	1.2	1.3
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	64.6	79.2	65.1	75.8	45.9	33.2
P/E (diluted)	65.3	80.2	65.7	76.4	46.3	33.5
P/B	14.7	11.7	8.8	8.3	7.1	5.8

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

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