UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended September 30, 2021

OR

☐ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission File Number: 001-35580

ServiceNow, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**20-2056195**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

ServiceNow, Inc.
2225 Lawson Lane
Santa Clara, California 95054
(Address, including zip code, of registrant's principal executive offices)

(408) 501-8550
(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and formal fiscal year, if changed since last report.)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, par value $0.001 per share	NOW	The New York Stock Exchange

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-Accelerated Filer	☐	Smaller Reporting Company	☐
		Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of September 30, 2021, there were approximately 199 million shares of the Registrant's Common Stock outstanding.

TABLE OF CONTENTS

PART I

ITEM 1. FINANCIAL STATEMENTS

SERVICENOW, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions)
(unaudited)

	September 30, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 1,400	$ 1,677
Short-term investments	1,631	1,415
Accounts receivable, net	776	1,009
Current portion of deferred commissions	268	229
Prepaid expenses and other current assets	213	192
Total current assets	4,288	4,522
Deferred commissions, less current portion	524	444
Long-term investments	1,384	1,468
Property and equipment, net	740	660
Operating lease right-of-use assets	606	454
Intangible assets, net	302	153
Goodwill	770	241
Deferred tax assets	694	673
Other assets	170	100
Total assets	$ 9,478	$ 8,715
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 64	$ 34
Accrued expenses and other current liabilities	604	668
Current portion of deferred revenue	2,949	2,963
Current portion of operating lease liabilities	82	72
Current debt, net	93	—
Total current liabilities	3,792	3,737
Deferred revenue, less current portion	53	45
Operating lease liabilities, less current portion	568	423
Long-term debt, net	1,484	1,640
Other long-term liabilities	47	36
Total liabilities	5,944	5,881
Commitments and contingencies		
Stockholders' equity:		
Common stock	—	—
Additional paid-in capital	3,516	2,974
Accumulated other comprehensive income	48	94
Accumulated deficit	(30)	(234)
Total stockholders' equity	3,534	2,834
Total liabilities and stockholders' equity	$ 9,478	$ 8,715

See accompanying notes to condensed consolidated financial statements

SERVICENOW, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions, except number of shares which are reflected in thousands and per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenues:				
Subscription	$ 1,427	$ 1,091	$ 4,050	$ 3,102
Professional services and other	85	61	232	167
Total revenues	1,512	1,152	4,282	3,269
Cost of revenues[(1)]:				
Subscription	264	189	740	521
Professional services and other	86	63	239	187
Total cost of revenues	350	252	979	708
Gross profit	1,162	900	3,303	2,561
Operating expenses[(1)]:				
Sales and marketing	579	454	1,660	1,321
Research and development	358	268	1,005	740
General and administrative	151	109	416	319
Total operating expenses	1,088	831	3,081	2,380
Income from operations	74	69	222	181
Interest expense	(7)	(8)	(21)	(25)
Other income (expense), net	1	(35)	16	(20)
Income before income taxes	68	26	217	136
Provision for income taxes	5	13	13	34
Net income	$ 63	$ 13	$ 204	$ 102
Net income per share - basic	$ 0.32	$ 0.07	$ 1.03	$ 0.53
Net income per share - diluted	$ 0.31	$ 0.06	$ 1.00	$ 0.50
Weighted-average shares used to compute net income per share - basic	198,600	193,237	197,680	193,203
Weighted-average shares used to compute net income per share - diluted	203,124	201,861	202,729	202,837
Other comprehensive income:				
Foreign currency translation adjustments	$ (20)	$ 25	$ (37)	$ 23
Unrealized gain (loss) on investments, net of tax	(2)	(3)	(9)	4
Other comprehensive income (loss)	(22)	22	(46)	27
Comprehensive income	$ 41	$ 35	$ 158	$ 129

(1) Includes stock-based compensation as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Cost of revenues:				
Subscription	$ 33	$ 26	$ 95	$ 72
Professional services and other	15	13	43	38
Operating expenses:				
Sales and marketing	101	79	293	228
Research and development	102	74	288	203
General and administrative	40	28	110	84

See accompanying notes to condensed consolidated financial statements

SERVICENOW, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in millions, except number of shares which are reflected in thousands)
(unaudited)

	Three Months Ended September 30, 2021						Three Months Ended September 30, 2020					
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount					Shares	Amount				
Balance at beginning of the period	198,135	$ —	$ 3,298	$ (93)	$ 70	$ 3,275	191,801	$ —	$ 2,712	$ (263)	$ 30	$ 2,479
Common stock issued under employee stock plans	860	—	71	—	—	71	964	—	58	—	—	58
Taxes paid related to net share settlement of equity awards	—	—	(142)	—	—	(142)	—	—	(122)	—	—	(122)
Stock-based compensation	—	—	290	—	—	290	—	—	220	—	—	220
Settlement of 2022 Warrants	—	—	—	—	—	—	2,285	—	—	—	—	—
Settlement of 2022 Notes conversion feature	—	—	(25)	—	—	(25)	—	—	(1,158)	—	—	(1158)
Benefit from exercise of 2022 Note Hedge	—	—	24	—	—	24	—	—	1,162	—	—	1162
Other comprehensive income (loss), net of tax	—	—	—	—	(22)	(22)	—	—	—	—	22	22
Net income		—		63		63	—	—	—	13	—	13
Balance at end of the period	198,995	$ —	$ 3,516	$ (30)	$ 48	$ 3,534	195,050	$ —	$ 2,872	$ (250)	$ 52	$ 2,674

	Nine Months Ended September 30, 2021						Nine Months Ended September 30, 2020					
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount					Shares	Amount				
Balance at beginning of the period	195,845	$ —	$ 2,974	$ (234)	$ 94	$ 2,834	189,461	$ —	$ 2,455	$ (352)	$ 25	$ 2,128
Common stock issued under employee stock plans	2,614	—	166	—	—	166	3,304	—	149	—	—	149
Taxes paid related to net share settlement of equity awards	—	—	(457)	—	—	(457)	—	—	(361)	—	—	(361)
Stock-based compensation	—	—	828	—	—	828	—	—	626	—	—	626
Shares granted related to business combination	—	—	6	—	—	6	—	—	—	—	—	—
Settlement of 2022 Warrants	536	—	—	—	—	—	2,285	—	—	—	—	—
Settlement of 2022 Notes conversion feature	—	—	(216)	—	—	(216)	—	—	(1,181)	—	—	(1,181)
Benefit from exercise of 2022 Note Hedge	—	—	215	—	—	215	—	—	1,184	—	—	1,184
Other comprehensive income (loss), net of tax	—	—	—	—	(46)	(46)	—	—	—	—	27	27
Net income	—	—	—	204	—	204	—	—	—	102	—	102
Balance at end of the period	198,995	$ —	$ 3,516	$ (30)	$ 48	$ 3,534	195,050	$ —	$ 2,872	$ (250)	$ 52	$ 2,674

See accompanying notes to condensed consolidated financial statements

SERVICENOW, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)
(unaudited)

	Nine Months Ended September 30,	
	2021	**2020**
Cash flows from operating activities:		
Net income	$ 204	$ 102
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	346	243
Amortization of deferred commissions	211	157
Stock-based compensation	828	625
Deferred income taxes	(21)	(6)
Repayments of convertible senior notes attributable to debt discount	(15)	(69)
Loss on extinguishment of 2022 Notes	3	42
Other	34	23
Changes in operating assets and liabilities, net of effect of business combinations:		
Accounts receivable	219	210
Deferred commissions	(344)	(221)
Prepaid expenses and other assets	(78)	(42)
Accounts payable	39	2
Deferred revenue	47	66
Accrued expenses and other liabilities	(126)	(31)
Net cash provided by operating activities	1,347	1,101
Cash flows from investing activities:		
Purchases of property and equipment	(292)	(285)
Business combinations, net of cash acquired	(778)	(108)
Purchases of investments	(1,769)	(2,229)
Sales and maturities of investments	1,579	1,299
Other	12	(7)
Net cash used in investing activities	(1,248)	(1,330)
Cash flows from financing activities:		
Net proceeds from borrowings on 2030 Notes	—	1,482
Repayments of convertible senior notes attributable to principal	(59)	(1,569)
Net proceeds from unwind of 2022 Note Hedge	—	1,106
Proceeds from employee stock plans	165	142
Taxes paid related to net share settlement of equity awards	(457)	(361)
Net cash (used in) provided by financing activities	(351)	800
Foreign currency effect on cash, cash equivalents and restricted cash	(21)	3
Net change in cash, cash equivalents and restricted cash	(273)	574
Cash, cash equivalents and restricted cash at beginning of period	1,679	778
Cash, cash equivalents and restricted cash at end of period	$ 1,406	$ 1,352
Cash, cash equivalents and restricted cash at end of period:		
Cash and cash equivalents	$ 1,400	$ 1,348
Restricted cash included in prepaid expenses and other current assets	6	4
Total cash, cash equivalents and restricted cash shown in the condensed consolidated statements of cash flows	$ 1,406	$ 1,352
Supplemental disclosures of other cash flow information:		
Interest paid	$ 36	$ —
Income taxes paid, net of refunds	46	26
Non-cash investing and financing activities:		
Settlement of 2022 Notes conversion feature	$ 216	$ 79
Benefit from exercise of 2022 Note Hedge	215	78
Property and equipment included in accounts payable and accrued expenses	54	27

See accompanying notes to condensed consolidated financial statements

SERVICENOW, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Unless the context requires otherwise, references in this report to "ServiceNow," the "Company," "we," "us," and "our" refer to ServiceNow, Inc. and its consolidated subsidiaries.

(1) Description of the Business

ServiceNow's purpose is to make the world of work, work better for people. We believe that people want the technology they use in their work to be more efficient and easier to use. We build applications to meet that demand by automating existing processes and creating efficient, digitized workflows with a consumer grade user experience. Our products and services enable the steps of a job to flow naturally across disparate departments, systems and processes of a business. ServiceNow delivers digital workflows on a single enterprise cloud platform called the Now Platform®. Our product portfolio is currently focused on providing Information Technology ("IT"), Employee and Customer workflows in standardized product offerings. We also enable our customers to design and build their own custom workflow applications using our Creator workflows, formerly called the Now Platform App Engine, and to integrate those applications with third party systems through our Integration Hub.

(2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements and condensed footnotes have been prepared in accordance with the applicable rules and regulations of the Securities and Exchange Commission (the "SEC") regarding interim financial reporting. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles ("GAAP") for complete financial statements due to the permitted exclusion of certain disclosures for interim reporting. In the opinion of management, all adjustments (consisting of normal recurring items) considered necessary under GAAP for fair statement of results for the interim periods presented have been included. As a result of displaying amounts in millions, rounding differences may exist in the consolidated financial statements and footnote tables. The results of operations for the three and nine months ended September 30, 2021 are not necessarily indicative of the results to be expected for the year ending December 31, 2021 or for other interim periods or future years. The condensed consolidated balance sheet as of December 31, 2020 is derived from audited consolidated financial statements; however, it does not include all of the information and footnotes required by GAAP for complete financial statements. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2020, which was filed with the SEC on February 12, 2021.

Principles of Consolidation

The condensed consolidated financial statements have been prepared in conformity with GAAP and include our accounts and the accounts of our wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated upon consolidation.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, as well as reported amounts of revenues and expenses during the reporting period. Such management estimates and assumptions include, but are not limited to, standalone selling price for each distinct performance obligation included in customer contracts with multiple performance obligations, the period of benefit for deferred commissions, valuation of intangible assets, the useful life of property and equipment and identifiable intangible assets, stock-based compensation expense and income taxes. Actual results could differ from those estimates. We assessed the impact of COVID-19 on the estimates and assumptions and determined there was no material impact.

Significant Accounting Policies

There were no significant changes to our significant accounting policies disclosed in “Note 2 – Summary of Significant Accounting Policies” of our Annual Report on Form 10-K for the year ended December 31, 2020, which was filed with the SEC on February 12, 2021.

Concentration of Credit Risk and Significant Customers

Credit risk arising from accounts receivable is mitigated to a certain extent due to our large number of customers and their dispersion across various industries and geographies. As of September 30, 2021, we had one customer, a channel partner, that represented 22% of our accounts receivable and no customers that individually exceeded 10% of our total revenues in any of the periods presented. As of December 31, 2020, there were no customers that represented more than 10% of our accounts receivable balance. For purposes of assessing concentration of credit risk and significant customers, a group of customers under common control or customers that are affiliates of each other are regarded as a single customer.

Accounting Pronouncement Adopted in 2021

Income taxes

In December 2019, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update 2019-12, “Income Taxes (“Topic 740”): Simplifying the Accounting for Income Taxes,” which simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and amending existing guidance to improve consistent application. Most amendments within this standard are required to be applied on a prospective basis, while certain amendments must be applied on a retrospective or modified retrospective basis. We adopted this standard on a prospective basis as of January 1, 2021. The adoption of this standard did not result in any material impact on our condensed consolidated financial statements upon adoption.

Recently Issued Accounting Pronouncement Pending Adoption

Debt with Conversion Options

In August 2020, the FASB issued new guidance to simplify the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity’s own equity. The standard eliminates beneficial conversion feature and cash conversion models resulting in more convertible instruments being accounted for as a single unit; and simplifies classification of debt on the balance sheet and earnings per share calculation. This new standard is effective for our interim and annual periods beginning January 1, 2022 and earlier adoption is permitted. Amendments within this standard are required to be applied on a retrospective or modified retrospective basis. We are currently evaluating the impact of the adoption of this standard on our condensed consolidated financial statements.

(3) Investments

Marketable Debt Securities

The following is a summary of our available-for-sale debt securities recorded within short-term and long-term investments on the condensed consolidated balance sheets (in millions):

	September 30, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale securities:				
Commercial paper	$ 553	$ —	$ —	$ 553
Corporate notes and bonds	2,261	4	(1)	2,264
Certificates of deposit	40	—	—	40
U.S. government and agency securities	97	—	—	97
Mortgage and asset backed securities	62	—	(1)	61
Total available-for-sale securities	$ 3,013	$ 4	$ (2)	$ 3,015

	December 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale securities:				
Commercial paper	$ 406	$ —	$ —	$ 406
Corporate notes and bonds	2,298	10	—	2,308
Certificates of deposit	23	—	—	23
U.S. government and agency securities	145	1	—	146
Total available-for-sale securities	$ 2,872	$ 11	$ —	$ 2,883

As of September 30, 2021, the contractual maturities of our available-for-sale debt securities, excluding those securities classified within cash and cash equivalents on the condensed consolidated balance sheet and mortgage and asset backed securities that do not have a single maturity, did not exceed 36 months. The fair values of available-for-sale securities, by remaining contractual maturity, are as follows (in millions):

	September 30, 2021
Due within 1 year	$ 1,631
Due in 1 year through 5 years	1,323
Instruments not due in single maturity	61
Total	$ 3,015

As of September 30, 2021 and December 31, 2020, the gross unrealized losses that have been in a continuous unrealized loss position related to $942 million and $637 million available-for-sale debt securities, respectively, were not material.

The decline in fair value below amortized cost basis was not considered other than temporary as it is more likely than not we will hold the securities until maturity or a recovery of the cost basis, and credit-related impairment losses were not deemed material as of September 30, 2021.

Strategic Investments

As of September 30, 2021 and December 31, 2020, the total amount of equity investments in privately-held companies included in other assets on our condensed consolidated balance sheets was $64 million and $28 million, respectively. We classify these assets as Level 3 within the fair value hierarchy as only an impairment or observable adjustment is recognized based on observable transaction price at the transaction date of identical or similar investment of the same issuer and other unobservable inputs such as volatility.

(4) Fair Value Measurements

The following table presents our fair value hierarchy for our assets measured at fair value on a recurring basis as of September 30, 2021 (in millions):

	Level 1	Level 2	Total
Cash equivalents:			
Money market funds	$ 563	$ —	$ 563
Deposits	235	—	235
U.S. government and agency securities	—	38	38
Marketable securities:			
Commercial paper	—	553	553
Corporate notes and bonds	—	2,264	2,264
Certificates of deposit	—	40	40
U.S. government and agency securities	—	97	97
Mortgage and asset backed securities	—	61	61
Total	$ 798	$ 3,053	$ 3,851

The following table presents our fair value hierarchy for our assets measured at fair value on a recurring basis as of December 31, 2020 (in millions):

	Level 1	Level 2	Total
Cash equivalents:			
Money market funds	$ 1,305	$ —	$ 1,305
U.S. government and agency securities	—	2	2
Marketable securities:			
Commercial paper	—	406	406
Corporate notes and bonds	—	2,308	2,308
Certificates of deposit	—	23	23
U.S. government and agency securities	—	146	146
Total	$ 1,305	$ 2,885	$ 4,190

We determine the fair value of our security holdings based on pricing from our service providers and market prices from industry-standard independent data providers. Such market prices may be quoted prices in active markets for identical assets (Level 1 inputs) or pricing determined using inputs other than quoted prices that are observable either directly or indirectly (Level 2 inputs), such as yield curve, volatility factors, credit spreads, default rates, loss severity, current market and contractual prices for the underlying instruments or debt, broker and dealer quotes, as well as other relevant economic measures.

Our equity investments in privately-held companies are not included in the table above and are discussed in Note 3. See Note 8 for the fair value measurement of our derivative contracts and Note 10 for the fair value measurement of our long-term debt, which are also not included in the table above.

(5) Business Combinations

On January 8, 2021, we acquired all outstanding stock of Element AI Inc., a leading enterprise artificial intelligence (“AI”) solution provider, for $228 million in an all-cash transaction. The purchase price was allocated based on the estimated fair value of developed technology intangible asset of $85 million (five-year estimated useful life), net tangible assets of $16 million, and goodwill of $81 million, which is partially deductible for income tax purposes. At time of acquisition, we established an unrecognized tax benefit of $43 million on pre-acquisition net operating loss carryforwards and other tax attributes which was subsequently released resulting in establishment of deferred tax asset based on completion of valuation and filing certain tax returns in the third quarter of 2021. Goodwill is primarily attributed to the value expected from synergies resulting from the combination.

On June 15, 2021, we acquired LightStep Inc., a leading observability solution provider, for $512 million in a cash transaction. The purchase price was preliminarily allocated based on the estimated fair value of developed technology intangible asset of $85 million (five-year estimated useful life), customer related and brand assets of $11 million, net tangible assets of $8 million, deferred tax liabilities of $6 million and goodwill of $413 million, which is not deductible for income tax purposes. Goodwill is primarily attributed to the value expected from synergies resulting from the combination.

On August 20, 2021, we acquired all outstanding stock of Swarm64 AS, a leader in database performance and scale digital workflows, for $32 million in an all-cash transaction. The purchase price was allocated based on the estimated fair value of developed technology intangible asset of $14 million (five-year estimated useful life) and goodwill of $20 million, which is not deductible for income tax purposes. Goodwill is primarily attributed to the value expected from synergies resulting from the combination.

The fair values assigned to tangible and intangible assets acquired and liabilities assumed are based on management’s estimates and assumptions and may be subject to change as additional information is received. The provisional measurements of fair value for income taxes payable and deferred taxes may be subject to change as additional information is received and certain tax returns are finalized. The Company expects to finalize the fair value measurements as soon as practicable, but not later than one year from the acquisition date.

During the nine months ended September 30, 2021, we also completed certain acquisitions for total purchase consideration of $27 million primarily to enhance our products. These acquisitions were not material to our condensed consolidated financial statements, either individually or in the aggregate.

We have included the financial results of business combinations in the condensed consolidated financial statements from the respective dates of acquisition, which were not material. Pro forma revenue and earnings amounts on a combined basis have not been presented as it is impracticable due to the lack of availability of historical financial statements that comply with GAAP. Aggregate acquisition-related costs associated with business combinations are not material for the three and nine months ended September 30, 2021 and 2020, respectively, and are included in general and administrative expenses in our condensed consolidated statements of comprehensive income as incurred.

(6) Goodwill and Intangible Assets

Goodwill balances are presented below (in millions):

	Carrying Amount
Balance as of December 31, 2020	$ 241
Goodwill acquired	533
Foreign currency translation adjustments	(4)
Balance as of September 30, 2021	$ 770

Intangible assets consist of the following (in millions):

	September 30, 2021	December 31, 2020
Developed technology	$ 414	$ 226
Patents	62	65
Other	15	3
Intangible assets, gross	491	294
Less: accumulated amortization	(189)	(141)
Intangible assets, net	$ 302	$ 153

The weighted-average useful life for the developed technology acquired during each of the nine months ended September 30, 2021 and September 30, 2020 was approximately five years.

Amortization expense for intangible assets for the three months ended September 30, 2021 and 2020 was $20 million and $10 million, respectively, and for the nine months ended September 30, 2021 and 2020 was $53 million and $35 million, respectively.

The following table presents the estimated future amortization expense related to intangible assets held at September 30, 2021 (in millions):

Years Ending December 31,	
Remainder of 2021	$ 21
2022	80
2023	73
2024	66
2025	45
Thereafter	17
Total future amortization expense	$ 302

(7) Property and Equipment

Property and equipment, net consists of the following (in millions):

	September 30, 2021	December 31, 2020
Computer equipment	$ 1,154	$ 974
Computer software	77	72
Leasehold and other improvements	184	168
Furniture and fixtures	70	69
Construction in progress	21	9
Property and equipment, gross	1,506	1,292
Less: Accumulated depreciation	(766)	(632)
Property and equipment, net	$ 740	$ 660

Construction in progress consists primarily of leasehold and other improvements and in-process software development costs. Depreciation expense for the three months ended September 30, 2021 and 2020 was $83 million and $58 million, respectively, and for the nine months ended September 30, 2021 and 2020 was $232 million and $160 million, respectively.

(8) Derivative Contracts

As of September 30, 2021 and December 31, 2020, we had foreign currency forward contracts with total notional values of $367 million and $583 million, respectively, which are not designated as hedging instruments. Our foreign currency contracts are classified within Level 2 as the valuation inputs are based on quoted prices and market observable data of similar instruments in active markets, such as currency spot and forward rates. The fair value of these outstanding derivative contracts was as follows (in millions):

	Condensed Consolidated Balance Sheet Location	September 30, 2021	December 31, 2020
Derivative Assets:			
Foreign currency derivative contracts	Prepaid expenses and other current assets	$ 1	$ 8
Derivative Liabilities:			
Foreign currency derivative contracts	Accrued expenses and other current liabilities	$ 1	$ 10

(9) Deferred Revenue and Performance Obligations

Revenues recognized during the three months ended September 30, 2021 and 2020 from amounts included in deferred revenue as of June 30, 2021 and June 30, 2020 were $1.3 billion and $1.0 billion, respectively.

Revenues recognized during the nine months ended September 30, 2021 and 2020 from amounts included in deferred revenue as of December 31, 2020 and December 31, 2019 were $2.6 billion and $1.9 billion, respectively.

Remaining Performance Obligations

Transaction price allocated to remaining performance obligations (“RPO”) represents contracted revenue that has not yet been recognized, which includes deferred revenue and non-cancelable amounts that will be invoiced and recognized as revenues in future periods. RPO excludes contracts that are billed in arrears, such as certain time and materials contracts, as we apply the “right to invoice” practical expedient under relevant accounting guidance.

As of September 30, 2021, the total non-cancelable RPO under our contracts with customers was $9.7 billion and we expect to recognize revenues on approximately 51% of these RPO over the following 12 months, with the balance to be recognized thereafter.

(10) Debt

The following table summarizes the carrying value of our outstanding debt (in millions, except percentages):

	September 30, 2021		December 31, 2020	
	2030 Notes	2022 Notes	2030 Notes	2022 Notes
Current, net of unamortized debt discount and issuance costs of $3 million	—	93	—	—
Long-term, net of unamortized debt discount and issuance costs of $16 million and $29 million, respectively	1,484	—	1,482	158
Total debt	$ 1,484	$ 93	$ 1,482	$ 158
Effective interest rate of the liability component - 2022 Notes		4.75%		
Effective interest rate - 2030 Notes		1.53%		

The effective interest rates for the 2030 Notes and 2022 Notes include interest payable, amortization of debt issuance cost and amortization of debt discount, as applicable.

We consider the fair value of the 2030 Notes and 2022 Notes to be a Level 2 measurement. The estimated fair value of the 2030 Notes and 2022 Notes at September 30, 2021 and December 31, 2020 is based on the closing trading price per $100 of the 2030 Notes and 2022 Notes were as follows (in millions):

	September 30, 2021	December 31, 2020
2022 Notes	$ 437	$ 687
2030 Notes	$ 1,408	$ 1,463

2030 Notes

In August 2020, we issued 1.40% fixed rate ten-year notes with an aggregate principal amount of $1.5 billion due on September 1, 2030 (the “2030 Notes”). The 2030 Notes were issued at 99.63% of principal and we incurred approximately $13 million for debt issuance costs. Interest is payable semi-annually in arrears on March 1 and September 1 of each year, beginning on March 1, 2021, and the entire outstanding principal amount is due at maturity on September 1, 2030. The 2030 Notes are unsecured obligations and the indentures governing the 2030 Notes contain customary events of default and covenants that, among others and subject to exceptions, restrict the Company’s ability to incur or guarantee debt secured by liens on specified assets or enter into sale and lease-back transactions with respect to specified properties.

2022 Notes

In May and June 2017, we issued an aggregate of $782.5 million of 0% convertible senior notes (the “2022 Notes”), which are due June 1, 2022 unless earlier converted or repurchased in accordance with their terms. The 2022 Notes do not bear interest, and we cannot redeem the 2022 Notes prior to maturity. The 2022 Notes are unsecured obligations and do not contain any financial covenants or restrictions on the payments of dividends, the incurrence of indebtedness or the issuance or repurchase of securities by us or any of our subsidiaries. In accounting for the issuance of the 2022 Notes and the related transaction costs, we valued and bifurcated the conversion option from the host debt instrument, referred to as debt discount, and recorded the conversion option of $160 million in equity at issuance. The resulting debt discount and transactions costs allocated to the liability component are amortized to interest expense using the effective interest method over the term of the 2022 Notes.

Upon conversion of the 2022 Notes, we may choose to pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of our common stock upon settlement. We currently intend to settle the principal amount of the 2022 Notes with cash.

	Convertible Date	Initial Conversion Price per Share	Initial Conversion Rate per $1,000 Par Value	Initial Number of Shares (in millions)
2022 Notes	February 1, 2022	$ 134.75	7.42 shares	6

Conversion of the 2022 Notes prior to the Convertible Date. At any time prior to the close of business on the business day immediately preceding February 1, 2022 ("Convertible Date"), holders of the 2022 Notes may convert their 2022 Notes at their option, only if one of the following conditions are met:

- during any calendar quarter (and only during such calendar quarter) if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day (in each case, the "Conversion Condition"); or

- during the five-business day period after any five-consecutive trading day period, or the measurement period, in which the trading price per $1,000 principal amount of the 2022 Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate on each such trading day; or

- upon the occurrence of specified corporate events.

For conversion requests received prior to maturity, the difference between the fair value and the amortized book value is recorded as a gain or loss on early note conversion.

Conversion of the 2022 Notes on or after the Convertible Date. On or after the Convertible Date, a holder may convert all or any portion of its 2022 Notes at any time prior to the close of business on the second scheduled trading day immediately preceding maturity, regardless of the foregoing conditions, and such conversions will settle upon maturity. Upon settlement, we will pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of our common stock, at our election.

The conversion price of the 2022 Notes will be subject to adjustment in some events. Holders of the 2022 Notes who convert their 2022 Notes in connection with certain corporate events that constitute a "make-whole fundamental change" are, under certain circumstances, entitled to an increase in the conversion rate. Additionally, in the event of a corporate event that constitutes a "fundamental change," holders of the 2022 Notes may require us to purchase with cash all or a portion of the 2022 Notes upon the occurrence of a fundamental change, at a purchase price equal to 100% of the principal amount of the 2022 Notes plus any accrued and unpaid special interest, if any.

The Conversion Condition for the 2022 Notes was met for all the quarters ended June 30, 2018 through September 30, 2021, except for the quarter ended December 31, 2018. Therefore, our 2022 Notes became convertible at the holders' option beginning on July 1, 2018 and continue to be convertible through December 31, 2021, except for the quarter ended March 31, 2019 because the Conversion Condition for the 2022 Notes was not met for the quarter ended December 31, 2018.

During the nine months ended September 30, 2021, we paid cash to settle $73 million in principal of the 2022 Notes and the loss on the early note conversions was not material. As a result of the settlements, we also recorded a net reduction to additional paid-in capital, reflecting $216 million fair value adjustments to the settled conversion option partially offset by a $215 million benefit from the 2022 Note Hedge (as defined below).

Based on conversion requests received through the filing date, we expect to settle in cash an aggregate of approximately $2 million in principal amount of the 2022 Notes during the fourth quarter of 2021. We may receive additional conversion requests that require settlement in the fourth quarter of 2021 and future periods.

Repurchase of 2022 Notes

On August 11, 2020, we repurchased $497 million in aggregate principal amount of the 2022 Notes (the "2022 Notes Repurchase") funded in part by the $1.1 billion proceeds received from the partial unwind of the 2022 Note Hedge (as defined below). The 2022 Notes Repurchase was accounted for as a debt extinguishment in which $493 million and $1.1 billion were allocated to the liability and equity components of the 2022 Notes, respectively. The cash consideration allocated to the liability component was based on the estimated fair value of the liability component utilizing a discount rate assuming a similar liability per the Company's credit rating with the same maturity, but without the conversion option, as of the repurchase date. The cash consideration allocated to the equity component was based on the aggregate cash consideration less the estimated fair value of the liability component. The loss on extinguishment of $39 million recorded as other income (expense), net, represents the difference between the allocated cash consideration and the carrying value of the liability component, which includes the proportionate amounts of unamortized debt discount and unamortized debt issuance costs in the amount of $43 million.

Note Hedge

To minimize the impact of potential economic dilution upon conversion of the 2022 Notes, we entered into convertible note hedge transactions (the "2022 Note Hedge") with certain investment banks, with respect to our common stock concurrently with the issuance of the 2022 Notes.

	Purchase	Initial Shares	Shares as of September 30, 2021
		(in millions)	
2022 Note Hedge	$ 128	6	1

The 2022 Note Hedge covers shares of our common stock at a strike price per share that corresponds to the initial conversion price of the 2022 Notes, subject to adjustment, and are exercisable upon conversion of the 2022 Notes. If exercised, we may elect to receive cash, shares of our common stock, or a combination of cash and shares. The 2022 Note Hedge will expire upon the maturity of the 2022 Notes. The 2022 Note Hedge is intended to reduce the potential economic dilution upon conversion of the 2022 Notes in the event that the fair value per share of our common stock at the time of exercise is greater than the conversion price of the 2022 Notes. The 2022 Note Hedge is a separate transaction and is not part of the terms of the 2022 Notes. Holders of the 2022 Notes will not have any rights with respect to the 2022 Note Hedge. The 2022 Note Hedge does not impact earnings per share, as it was entered into to offset any dilution from the 2022 Notes.

On August 11, 2020, in connection with the 2022 Notes Repurchase, we entered into partial unwind agreements (the "Note Hedge Unwind") to reduce the number of options corresponding to the principal amount of the 2022 Notes Repurchase. We received $1.1 billion for the Note Hedge Unwind and the aggregate number of shares underlying the call options under the 2022 Note Hedge was reduced by 3.7 million shares. Consistent with early conversions of the 2022 Notes, proceeds received by the Company from the Note Hedge Unwind were used to settle a portion of the 2022 Notes Repurchase.

Warrants

	Proceeds	Initial Shares	Strike Price	First Expiration Date	Shares as of September 30, 2021
	(in millions)	(in millions)			(in millions)
2022 Warrants	$ 54	6	$ 203.40	September 1, 2022	1

Separately, we entered into warrant transactions with certain investment banks, whereby we sold warrants to acquire, subject to adjustment, the number of shares of our common stock shown in the table above (the "2022 Warrants"). If the average market value per share of our common stock for the reporting period, as measured under the 2022 Warrants, exceeds the strike price of the respective 2022 Warrants, such 2022 Warrants would have a dilutive effect on our earnings per share to the extent we report net income. The 2022 Warrants are separate transactions and are not remeasured through earnings each reporting period. The 2022 Warrants are not part of the 2022 Notes or 2022 Note Hedge.

In connection with the 2022 Notes Repurchase and early note conversions, we entered into partial unwind agreements to reduce the number of warrants outstanding under the 2022 Warrants by delivering an aggregate of 0.5 million and 2.3 million shares of our common stock during the nine months ended September 30, 2021 and year ended December 31, 2020, respectively.

According to the terms, the remaining portion of the 2022 Warrants will be net share settled and automatically exercised over a 60 trading day period beginning on the first expiration date as set forth above based on the daily volume-weighted average stock prices over the same 60 trading day period.

We expect to issue additional shares of our common stock in the second half of 2022 upon the automatic exercise of the remaining portion of the 2022 Warrants. The remaining portion of the 2022 Warrants could have a dilutive effect to the extent that the daily volume-weighted average stock prices over a 60 trading day period beginning on September 1, 2022 exceeds the strike price of the 2022 Warrants. Based on the volume-weighted average stock price on September 30, 2021, the total number of shares of our common stock to be issued upon the automatic exercise of the remaining portion of the 2022 Warrants would be approximately 0.7 million. The actual number of shares of our common stock issuable upon the automatic exercise of the remaining portion of the 2022 Warrants, if any, is unknown at this time.

(11) Accumulated Other Comprehensive Income

The components of accumulated other comprehensive income, net of tax, consist of the following (in millions):

	September 30, 2021	December 31, 2020
Foreign currency translation adjustment	$ 50	$ 87
Net unrealized gains on investments, net of tax	(2)	7
Accumulated other comprehensive income	$ 48	$ 94

Reclassification adjustments out of accumulated other comprehensive income into net income were not material for all periods presented.

(12) Stockholders' Equity

Common Stock

We are authorized to issue a total of 600 million shares of common stock as of September 30, 2021. Holders of our common stock are not entitled to receive dividends unless declared by our board of directors. As of September 30, 2021, we had 199 million shares of common stock outstanding and had reserved shares of common stock for future issuance as follows (in thousands):

	September 30, 2021
Stock plans:	
Options outstanding	386
RSUs[(1)]	6,527
Shares of common stock available for future grants:	
2021 Equity Incentive Plan[(2)]	9,707
Amended and Restated 2012 Employee Stock Purchase Plan[(2)]	9,389
Total shares of common stock reserved for future issuance	26,009

(1) Represents the number of shares issuable upon settlement of outstanding restricted stock units ("RSUs") and performance-based RSUs ("PRSUs"), assuming 100% of the target number of shares for PRSUs, as discussed under the section entitled "RSUs" in Note 13.
(2) Refer to Note 13 for a description of these plans.

During the nine months ended September 30, 2021 and 2020, we issued a total of 2.6 million shares and 3.3 million shares, respectively, from stock option exercises, vesting of RSUs, net of employee payroll taxes and purchases from the employee stock purchase plan ("ESPP"). In addition, as described in Note 10, we issued 0.5 million and 2.3 million shares of our common stock upon partial unwind of the 2022 Warrants during the nine months ended September 30, 2021 and 2020, respectively.

(13) Equity Awards

We currently have three equity incentive plans, our 2005 Stock Option Plan (the "2005 Plan"), 2012 Equity Incentive Plan (the "2012 Plan") and 2021 Equity Incentive Plan (the "2021 Plan"). The 2005 Plan was terminated in connection with our initial public offering in 2012 but continues to govern the terms of outstanding stock options that were granted prior to the termination of the 2005 Plan. We no longer grant equity awards pursuant to the 2005 Plan. The 2012 Plan was terminated in connection with the approval of the 2021 Plan on June 7, 2021 but continues to govern the terms of outstanding equity awards that were granted prior to the termination of the 2012 Plan. As of June 7, 2021, we no longer grant equity awards pursuant to the 2012 Plan.

The 2021 Plan and the 2012 Plan provide for the grant of incentive stock options, nonqualified stock options, stock appreciation rights, RSUs, performance-based stock awards and other forms of equity compensation (collectively, "equity awards"). In addition, the 2021 Plan and the 2012 Plan provide for the grant of performance cash awards. Incentive stock options may be granted only to employees. All other equity awards may be granted to employees, including officers, as well as directors and consultants. Prior to June 7, 2021, the 2012 Plan share reserve was increased to the extent outstanding stock options under the 2005 Plan expire or terminate unexercised.

Our Amended and Restated 2012 Employee Stock Purchase Plan (the "2012 ESPP") authorizes the issuance of shares of common stock pursuant to purchase rights granted to our employees. The price at which common stock is purchased under the 2012 ESPP is equal to 85% of the fair market value of our common stock on the first or last day of the offering period, whichever is lower. Offering periods are six months long and begin on February 1 and August 1 of each year. Prior to June 7, 2021, the number of shares of common stock reserved for issuance automatically increased on January 1 of each year, by up to 1% of the total number of shares of common stock outstanding on December 31 of the preceding year as determined by our board of directors. Our board of directors elected not to increase the number of shares of common stock reserved for issuance under the 2012 ESPP pursuant to the provision described in the preceding sentence for the year ending December 31, 2021, and for the remaining term of the 2012 ESPP, the share reserve will not be increased without shareholder approval.

Stock Options

Stock options are exercisable at a price equal to the market value of the underlying shares of common stock on the date of the grant as determined by our board of directors or, for those stock options issued subsequent to our initial public offering, the closing price of our common stock as reported on the New York Stock Exchange on the date of grant. Stock options granted under the 2005 Plan and the 2012 Plan to new employees generally vest 25% one year from the date the requisite service period begins and continue to vest monthly for each month of continued employment over the remaining three years. Options granted generally are exercisable for a period of up to ten years contingent on each holder's continuous status as a service provider.

A summary of stock option activity for the nine months ended September 30, 2021 was as follows:

	Number of Shares (in thousands)	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Outstanding at December 31, 2020	522	$ 107.14		
Granted	36	$ 587.91		
Exercised	(104)	$ 88.28		$ 47
Outstanding at March 31, 2021	454	$ 149.23		
Granted [(1)]	54	$ 77.96		
Exercised	(24)	$ 16.46		$ 11
Outstanding at June 30, 2021	484	$ 147.70		
Exercised	(98)	$ 48.26		$ 55
Outstanding at September 30, 2021	386	$ 172.85	5.7	$ 174
Vested and expected to vest as of September 30, 2021	352	$ 165.12	5.5	$ 161
Vested and exercisable as of September 30, 2021	205	$ 74.71	3.3	$ 112

(1) Includes awards assumed in business combinations

Aggregate intrinsic value represents the difference between the estimated fair value of our common stock and the exercise price of outstanding, in-the-money options. The total fair value of stock options vested during the nine months ended September 30, 2021 was $6 million.

As of September 30, 2021, total unrecognized compensation cost, adjusted for estimated forfeitures, related to unvested stock options was approximately $21 million. The weighted-average remaining vesting period of unvested stock options at September 30, 2021 was approximately three years.

RSUs

A summary of RSU activity for the nine months ended September 30, 2021 was as follows:

	Number of Shares		Weighted-Average Grant-Date Fair Value Per Share		Aggregate Intrinsic Value
	(in thousands)				(in millions)
Outstanding at December 31, 2020	7,362	$	274.23		
Granted [(1)]	2,004	$	577.94		
Vested	(1,060)	$	226.59	$	620
Forfeited	(259)	$	330.43		
Outstanding at March 31, 2021	8,047	$	352.48		
Granted [(1)]	378	$	500.01		
Vested	(932)	$	274.86	$	435
Forfeited	(188)	$	341.70		
Outstanding at June 30, 2021	7,305	$	370.32		
Granted	280	$	598.98		
Vested	(866)	$	289.07	$	507
Forfeited	(192)	$	359.57		
Outstanding at September 30, 2021	6,527	$	391.24	$	4,062

(1) Includes awards assumed in business combinations

RSUs outstanding as of September 30, 2021 were comprised of 6.2 million RSUs with only service conditions and 0.3 million RSUs with both service and performance conditions, including certain RSUs with additional market conditions.

PRSUs with service, performance and market vesting criteria are considered as eligible to vest when approved by the compensation committee of our board of directors in January of the year following the grant. The ultimate number of shares eligible to vest for PRSUs range from 0% to 200% of the target number of shares depending on achievement relative to the performance metrics and, for certain PRSUs, depend on our total shareholder return relative to that of the S&P 500 index over the applicable measurement period. The eligible shares subject to PRSUs granted during the nine months ended September 30, 2021 will vest in February of the following year and semi-annually for the remaining two years contingent on each holder's continuous status as a service provider on the applicable vesting date. The number of PRSUs granted shown in the table above reflects the shares that could be eligible to vest at 100% of target for PRSUs and includes adjustments for over or under achievement for PRSUs granted in the prior year. We recognized $88 million and $41 million of stock-based compensation, net of actual and estimated forfeitures, associated with PRSUs on a graded vesting basis during the nine months ended September 30, 2021 and 2020, respectively.

As of September 30, 2021, total unrecognized compensation cost, adjusted for estimated forfeitures, related to unvested RSUs was approximately $2.0 billion and the weighted-average remaining vesting period was approximately three years.

(14) Net Income Per Share

Basic net income per share attributable to common stockholders is computed by dividing net income attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period. Diluted net income per share is computed by dividing net income attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period, adjusted for the effects of dilutive shares of common stock, which are comprised of outstanding stock options, RSUs, ESPP obligations, the 2022 Notes and the 2022 Warrants. Stock awards with performance or market conditions are included in dilutive shares to the extent all conditions are met. The dilutive potential shares of common stock are computed using the treasury stock method or the as-if converted method, as applicable. The effects of outstanding stock options, RSUs, ESPP obligations, 2022 Notes and 2022 Warrants are excluded from the computation of diluted net income per share in periods in which the effect would be antidilutive.

The following tables present the calculation of basic and diluted net income per share attributable to common stockholders (in thousands, except per share data):

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Numerator:				
Net income	$ 62,890	$ 12,858	$ 203,725	$ 101,855
Denominator:				
Weighted-average shares outstanding - basic	198,600	193,237	197,680	193,203
Weighted-average effect of potentially dilutive securities:				
Common stock options	295	460	314	577
RSUs	2,981	4,165	3,359	4,062
2022 Notes	556	1,258	539	1,148
2022 Notes settlements	25	1,260	138	2,057
2022 Warrants	667	996	631	827
Partial settlement of 2022 Warrants	—	485	68	963
Weighted-average shares outstanding - diluted	203,124	201,861	202,729	202,837
Net income per share - basic	$ 0.32	$ 0.07	$ 1.03	$ 0.53
Net income per share - diluted	$ 0.31	$ 0.06	$ 1.00	$ 0.50

Potentially dilutive securities that are not included in the calculation of diluted net income per share because doing so would be antidilutive are as follows (in thousands):

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Common stock options	36	—	36	—
RSUs	102	75	1,430	341
ESPP obligations	209	224	209	224
Total potentially dilutive securities	347	299	1,675	565

(15) Income Taxes

We compute our provision for income taxes by applying the estimated annual effective tax rate to year-to-date income from recurring operations and adjust the provision for discrete tax items recorded in the period.

Our income tax provision was $5 million and $13 million for the three and nine months ended September 30, 2021, respectively. The income tax provision was primarily attributable to the mix of earnings and losses in countries with differing statutory tax rates, the valuation allowance in the United States, a tax rate change in a foreign jurisdiction, a valuation allowance release resulting from an acquisition and excess tax benefits of stock-based compensation.

Our income tax provision was $13 million and $34 million for the three and nine months ended September 30, 2020, respectively. The income tax provision was primarily attributable to the mix of earnings and losses in countries with differing statutory tax rates, the valuation allowance in the United States and the intercompany sale of certain intellectual property rights.

Governments in certain countries where we do business have enacted legislation in response to the COVID-19 pandemic, including the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) enacted by the United States on March 27, 2020. We are continuing to analyze these legislative developments but they have not had a material impact on our provision for income taxes for the three and nine months ended September 30, 2021.

We are subject to taxation in the United States and foreign jurisdictions. As of September 30, 2021, our tax years 2004 to 2020 remain subject to examination in most jurisdictions.

Due to differing interpretations of tax laws and regulations, tax authorities may dispute our tax filings positions. We periodically evaluate our exposures associated with our tax filing positions and believe that adequate amounts have been reserved for adjustments that may result from tax examinations.

(16) Commitments and Contingencies

Operating Leases

For some of our offices and data centers, we have entered into non-cancelable operating lease agreements with various expiration dates through 2035. Certain lease agreements include options to renew or terminate the lease, which are not reasonably certain to be exercised and therefore are not factored into our determination of lease payments.

Total operating lease costs were $27 million and $73 million, excluding short-term lease costs, variable lease costs and sublease income, each of which were immaterial, for the three and nine months ended September 30, 2021, respectively.

Total operating lease costs were $21 million and $61 million, excluding short-term lease costs, variable lease costs and sublease income, each of which were immaterial, for the three and nine months ended September 30, 2020, respectively.

For the nine months ended September 30, 2021 and 2020, cash paid for amounts included in the measurement of operating lease liabilities was $56 million and $42 million, respectively. Operating lease liabilities arising from obtaining operating right-of-use assets totaled $216 million and $102 million, respectively, of which the increase is largely related to additional office facilities located in Santa Clara, California, in the third quarter in line with the original commitment.

As of September 30, 2021, the weighted-average remaining lease term is approximately 9 years, and the weighted-average discount rate is 3.2%.

Maturities of operating lease liabilities as of September 30, 2021 are presented in the table below (in millions):

Remainder of 2021	$	25
2022		97
2023		104
2024		86
2025		75
Thereafter		374
Total operating lease payments		761
Less: imputed interest		(111)
Present value of operating lease liabilities	$	650

In addition to the amounts above, as of September 30, 2021, we have operating leases, primarily for offices, that have not yet commenced with undiscounted cash flows of $148 million. These operating leases will commence in 2022 with lease terms of 4 to 13 years.

Other Commitments

Other contractual commitments consist of data center and IT operations and sales and marketing activities. There were no material contractual obligations that were entered into during the nine months ended September 30, 2021 that were outside the ordinary course of business.

In addition to the amounts above, the repayment of our 2022 Notes and 2030 Notes with an aggregate principal amount of $96 million and $1.5 billion is due on June 1, 2022 and September 1, 2030, respectively. Refer to Note 10 for further information regarding our Notes.

Also, $27 million of unrecognized tax benefits have been recorded as liabilities as of September 30, 2021.

Letters of Credit

As of September 30, 2021, we had letters of credit in the aggregate amount of $21 million, primarily in connection with our customer contracts and operating leases.

Legal Proceedings

From time to time, we are party to litigation and other legal proceedings in the ordinary course of business. While the results of any litigation or other legal proceedings are uncertain, management does not believe the ultimate resolution of any pending legal matters is likely to have a material adverse effect on our financial position, results of operations or cash flows, except for those matters for which we have recorded a loss contingency. We accrue for loss contingencies when it is both probable that we will incur the loss and when we can reasonably estimate the amount of the loss or range of loss.

Generally, our subscription agreements require us to defend our customers for third-party intellectual property infringement and other claims. Any adverse determination related to intellectual property claims or other litigation could prevent us from offering our services and adversely affect our financial condition and results of operations.

Indemnification Provisions

Our agreements include provisions indemnifying customers against intellectual property and other third-party claims. In addition, we have entered into indemnification agreements with our directors, executive officers and certain other officers that will require us, among other things, to indemnify them against certain liabilities that may arise as a result of their affiliation with us. We have not incurred any costs as a result of such indemnification obligations and have not recorded any liabilities related to such obligations in the condensed consolidated financial statements.

(17) Information about Geographic Areas and Products

Revenues by geographic area, based on the location of our users, were as follows for the periods presented (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
North America[1]	$ 960	$ 755	$ 2,731	$ 2,162
EMEA[2]	401	287	1,122	803
Asia Pacific and other	151	110	429	304
Total revenues	$ 1,512	$ 1,152	$ 4,282	$ 3,269

Property and equipment, net by geographic area were as follows (in millions):

	September 30, 2021	December 31, 2020
North America[3]	$ 465	$ 395
EMEA[2]	178	172
Asia Pacific and other	97	93
Total property and equipment, net	$ 740	$ 660

(1) Revenues attributed to the United States were 94% of North America revenues for each of the three and nine months ended September 30, 2021 and 2020.
(2) Europe, the Middle East and Africa ("EMEA")
(3) Property and equipment, net attributed to the United States were approximately 83% and 78% of property and equipment, net attributable to North America as of September 30, 2021 and December 31, 2020, respectively.

Subscription revenues consist of the following (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Digital workflow products	$ 1,253	$ 959	$ 3,548	$ 2,712
ITOM products	174	132	502	390
Total subscription revenues	$ 1,427	$ 1,091	$ 4,050	$ 3,102

Our digital workflow products include the Now Platform, IT Service Management, IT Business Management, IT Asset Management, Security Operations, Governance, Risk and Compliance, HR Service Delivery, Safe Workplace Suite of applications, Workplace Service Delivery, Legal Service Delivery, Customer Service Management, Field Service Management, Connected Operations, Financial Services Operations, Telecommunications Service Management, Telecommunications Network Performance Management, App Engine and IntegrationHub, and are generally priced on a per user basis. Our ITOM products are generally priced on a per node (physical or virtual server) basis.

(18) Subsequent Events

On October 26, 2021, our board of directors approved stock options to our chief executive officer ("CEO") a long-term performance-based option award (the "Award"), which will vest in eight equal tranches based on service and achievement of financial performance and market conditions, with a total award value of approximately $150 million if all service, performance and market conditions are met. However, no portion of the Award will vest prior to two years from grant date and grantee must remain in continuous service as either the CEO or Executive Chairman of the Company to be eligible. The performance and market condition for a particular tranche may be achieved at different points in time and in any order but will become eligible to vest only when all service, performance and market conditions for the respective tranche are met. The performance and market condition must be achieved by September 30, 2026 and the Award will expire on October 29, 2031.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition, results of operations and cash flows should be read in conjunction with the (1) unaudited condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q, and (2) the audited consolidated financial statements and notes thereto and management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2020 included in the Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC"), on February 12, 2021. This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements are often identified by the use of words such as "may," "will," "expect," "believe," "anticipate," "intend," "could," "estimate," or "continue," and similar expressions or variations. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, impacts on our business, future financial performance and general economic conditions due to the current COVID-19 pandemic, those identified herein, and those discussed in the section titled "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K filed with the SEC on February 12, 2021 and in Part II, Item 1A of this Quarterly Report on Form 10-Q and in our other SEC filings. We disclaim any obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

Investors and others should note that we announce material financial information to our investors using our investor relations website (https://www.servicenow.com/company/investor-relations.html), SEC filings, press releases, public conference calls and webcasts. We use these channels, as well as social media, to communicate with our investors and the public about our company, our services and other issues. It is possible that the information we post on social media could be deemed to be material information. Therefore, we encourage investors, the media, and others interested in our company to review the information we post on the social media channels listed on our investor relations website.

Our free cash flow and billings measures included in the sections entitled "—Key Business Metrics—Free Cash Flow," and "—Key Business Metrics—Billings" are not in accordance with GAAP. These non-GAAP financial measures are not intended to be considered in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with GAAP. These measures may be different from non-GAAP financial measures used by other companies, limiting their usefulness for comparison purposes. We encourage investors to carefully consider our results under GAAP, as well as our supplemental non-GAAP results, to more fully understand our business.

COVID-19 Environment

The COVID-19 pandemic has created significant global economic uncertainty, adversely impacted the business of our customers, partners and vendors, and impacted our business and results of operations. As of the filing date, the extent to which the COVID-19 pandemic may continue to impact our business and future financial condition or results of operations remains uncertain. We are continuing to monitor the actual and potential effects of the COVID-19 pandemic across our business. While our revenues, billings and earnings are relatively predictable as a result of our subscription-based business model, the effect of the COVID-19 pandemic, along with the seasonality we historically experience, may not be fully reflected in our results of operations and overall financial performance until future periods, if at all, and could cause our future results of operations to vary significantly from period to period. As the uncertainty continues, we may experience an increase in curtailed customer demand, reduced customer spend or contract duration, delayed collections, lengthened payment terms, lengthened sales cycles or competition due to changes in terms and conditions and pricing of our competitors' products and services, our business, results of operations and overall financial performance in future periods could be materially adversely affected. Additionally, it is unclear to what extent certain reductions in expenditures noted in the year ended December 31, 2020 into the third quarter of 2021 due to actions taken in response to the COVID-19 pandemic will continue to be reduced below historical levels. The extent and continued impact of the COVID-19 pandemic on our operational and financial performance will depend on certain developments, including: the duration and spread of the outbreak including new variant strains of the virus; government responses and its effectiveness, extent and duration of its mitigation efforts such as "shelter in place", availability of vaccinations and similar directives; impact on our customers, sales cycles and ability to generate new business; impact on our customer, industry or employee events; extent of delays in hiring and onboarding new employees mainly in our general and administrative functions; and effect on our partners, vendors and supply chains; all of which are highly uncertain and difficult to predict.

In response to the COVID-19 pandemic, we continue to focus on maintaining business continuity, helping our employees, customers and communities, and preparing for the future and the long-term success of our business. We released various applications beginning in the first quarter of 2020 to help customers navigate the COVID-19 pandemic including the essential steps for returning employees to the workplace to support their health and safety and help users, healthcare providers and clinics to manage vaccinations from start to finish, as well as tools to prepare for a hybrid workplace. Further, we temporarily closed most of our offices in the first quarter of 2020 and encouraged our employees to work remotely. Beginning in the second quarter of 2021, a limited number of employees returned to our offices in certain locations, taking into consideration government restrictions, employee safety and health risks. Re-opening of our offices remains limited and may change at any time. The impact, if any, of these and any additional operational changes we may implement is uncertain but changes we have implemented have not affected and are not expected to affect our ability to maintain operations, including financial reporting systems, internal control over financial reporting and disclosure controls and procedures. See the section “Risk Factors” in Part 1, Item 1A of our Annual Report on Form 10-K filed with the SEC on February 12, 2021 and in Part II, Item 1A of this Quarterly Report on Form 10-Q for further discussion of the possible impact of the COVID-19 pandemic on our business.

Overview

ServiceNow’s purpose is to make the world of work, work better for people. We believe that people want the technology they use in their work to be more efficient and easier to use. We build applications to meet that demand by automating existing processes and creating efficient, digitized workflows with a consumer grade user experience. Our products and services enable the steps of a job to flow naturally across disparate departments, systems and processes of a business. When work flows naturally, great experiences follow. We primarily deliver our software via the Internet as a service through a simple and easy-to-use interface so that we can rapidly deploy our packaged offerings, and customers can easily build their custom applications. In a minority of cases, customers choose to host our software by themselves or through a third-party service provider.

We generally offer our services on an annual subscription fee basis, which includes access to the ordered subscription service and related standard and enhanced support, including updates to the subscription service during the subscription term. Pricing for our subscription services is based on a number of factors, including duration of subscription term, volume, mix of products purchased, and discounts. We generate sales through our direct sales team and, to a lesser extent, indirectly through resale partners and third-party referrals. We also generate revenues from professional services and for training of customer and partner personnel. Our professional services organization is focused on strategic advisory, implementation and consulting services to accelerate platform adoption and drive customer outcomes. We generally bill our customers annually in advance for subscription services and monthly in arrears for our professional services as the work is performed.

A majority of our revenues come from large global enterprise customers. We continue to invest in the development of our services, infrastructure and sales and marketing to drive long-term growth.

Key Business Metrics

Remaining performance obligations. Transaction price allocated to remaining performance obligations (“RPO”) represents contracted revenue that has not yet been recognized, which includes deferred revenue and non-cancelable amounts that will be invoiced and recognized as revenue in future periods. RPO excludes contracts that are billed in arrears, such as certain time and materials contracts, as we apply the “right to invoice” practical expedient under relevant accounting guidance. Current remaining performance obligations (“cRPO”) represents RPO that will be recognized as revenue in the next 12 months.

As of September 30, 2021, our RPO was $9.7 billion, of which 51% represented cRPO. RPO and cRPO increased by 34% and 32%, respectively, compared to September 30, 2020. Factors that may cause our RPO to vary from period to period include the following:

- *Foreign currency exchange rates*. While a majority of our contracts have historically been in U.S. Dollars, an increasing percentage of our contracts in recent periods has been in foreign currencies, particularly the Euro and British Pound Sterling. Fluctuations in foreign currency exchange rates as of the balance sheet date will cause variability in our RPO.

- *Mix of offerings*. In a minority of cases, we allow our customers to host our software by themselves or through a third-party service provider. In self-hosted offerings, we recognize a portion of the revenue upfront upon the delivery of the software and as a result, such revenue is excluded from RPO.

- *Subscription start date*. From time to time, we enter into contracts with a subscription start date in the future and these amounts are included in RPO if such contracts are signed by the balance sheet date.

- *Timing of contract renewals*. While customers typically renew their contracts at the end of the contract term, from time to time, customers may do so either before or after the scheduled expiration date. For example, in cases where we are successful in selling additional products or services to an existing customer, a customer may decide to renew its existing contract early to ensure that all its contracts expire on the same date. In other cases, prolonged negotiations or other factors may result in a contract not being renewed until after it has expired.

- *Contract duration*. While we typically enter into multi-year subscription services, the duration of our contracts varies. Further, we continue to see an increase in the number of 12-month agreements entered into with the U.S. Federal government throughout the year which has been the highest in the quarter ended September 30, driven primarily by timing of their annual budget expenditures. We sometimes also enter into contracts with durations that have a 12-month or shorter term to enable the contracts to co-terminate with the existing contract. The contract duration will cause variability in our RPO.

Number of customers with ACV greater than $1 million. We count the total number of customers with annual contract value ("ACV") greater than $1 million as of the end of the period. We had 1,266 and 1,012 customers with ACV greater than $1 million as of September 30, 2021 and 2020, respectively. For purposes of customer count, a customer is defined as an entity that has a unique Dunn & Bradstreet Global Ultimate ("GULT") Data Universal Numbering System ("DUNS") number and an active subscription contract as of the measurement date. The DUNS number is a global standard for business identification and tracking. We make exceptions for holding companies, government entities and other organizations for which the GULT, in our judgment, does not accurately represent the ServiceNow customer. For example, while all U.S. government agencies roll up to "Government of the United States" under the GULT, we count each government agency that we contract with as a separate customer. Our customer count is subject to adjustments for acquisitions, spin-offs and other market activity; accordingly, we restate previously disclosed number of customers with ACV greater than $1 million calculations to allow for comparability. ACV is calculated based on the foreign exchange rate in effect at the time the contract was signed. Foreign exchange rate fluctuations could cause some variability in the number of customers with ACV greater than $1 million. We believe information regarding the total number of customers with ACV greater than $1 million provides useful information to investors because it is an indicator of our growing customer base and demonstrates the value customers are receiving from the Now Platform.

Free cash flow. We define free cash flow, a non-GAAP financial measure, as GAAP net cash provided by operating activities reduced by purchases of property and equipment. Purchases of property and equipment are otherwise included in cash used in investing activities under GAAP. We believe information regarding free cash flow provides useful information to investors because it is an indicator of the strength and performance of our business operations. However, our calculation of free cash flow may not be comparable to similar measures used by other companies. A calculation of free cash flow is provided below:

	Nine Months Ended September 30,		
	2021	**2020**	**% Change**
	(dollars in millions)		
Free cash flow:			
Net cash provided by operating activities	$ 1,347	$ 1,101	22 %
Purchases of property and equipment	(292)	(285)	2 %
Free cash flow[(1)]	$ 1,055	$ 816	29 %

(1) Free cash flow for the nine months ended September 30, 2021 includes the effect of $15 million relating to the repayments of convertible senior notes attributable to debt discount. Refer to Note 10 in the notes to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for further details.

We have historically seen higher collections in the quarter ended March 31 due to seasonality in timing of entering into customer contracts, which is significantly higher in the quarter ended December 31. Additionally, we have historically seen higher disbursements in the quarters ended March 31 and September 30 due to payouts under our annual commission plans, purchases under our employee stock purchase plan, payouts under our bonus plans and coupon payments related to our 2030 Notes beginning in 2021.

Renewal rate. We calculate our renewal rate by subtracting our attrition rate from 100%. Our attrition rate for a period is equal to the ACV from customers lost during the period, divided by the sum of (i) the total ACV from all customers that renewed during the period, excluding changes in price or users, and (ii) the total ACV from all customers lost during the period. Accordingly, our renewal rate is calculated based on ACV and is not based on the number of customers that have renewed. Further, our renewal rate does not reflect increased or decreased purchases from our customers to the extent such customers are not lost customers or lapsed renewal. A lost customer is a customer that did not renew an expiring contract and that, in our judgment, will not be renewed. Typically, a customer that reduces its subscription upon renewal is not considered a lost customer. However, in instances where the subscription decrease represents the majority of the customer's ACV, we may deem the renewal as a lost customer. For our renewal rate calculation, we define a customer as an entity with a separate production instance of our service and an active subscription contract as of the measurement date, instead of an entity with a unique GULT or DUNS number. We adjust our renewal rate for acquisitions, consolidations and other customer events that cause the merging of two or more accounts occurring at the time of renewal. Additionally, starting in 2020, we simplified our methodology related to contracts less than 12 months to derive ACV used to calculate renewal rate. Previously disclosed renewal rates may be restated to reflect such adjustments or methodology simplification to allow for comparability. However, there were no material changes to such previously disclosed renewal rates. Our renewal rate was 98% for each of the three and nine months ended September 30, 2021 and 98% and 97% for the three and nine months ended September 30, 2020, respectively. As our renewal rate is impacted by the timing of renewals, which could occur in advance of, or subsequent to the original contract end date, period-to-period comparison of renewal rates may not be meaningful.

Billings. We define billings, a non-GAAP financial measure, as GAAP revenues recognized plus the change in total GAAP unbilled receivables, deferred revenue and customer deposits as presented on the condensed consolidated statements of cash flows. The calculation of billings is provided below:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	% Change	2021	2020	% Change
	(dollars in millions)			(dollars in millions)		
Billings:						
Total revenues	$ 1,512	$ 1,152	31 %	$ 4,282	$ 3,269	31 %
Change in deferred revenue, unbilled receivables and customer deposits(1)	(47)	(12)	292 %	35	53	(34 %)
Total billings	$ 1,465	$ 1,140	29 %	$ 4,317	$ 3,322	30 %
Year over year percentage change in total billings	29 %	25 %		30 %	26 %	

(1) As presented on or derived from our condensed consolidated statements of cash flows.

Billings consists of amounts invoiced for subscription contracts with existing customers, renewal contracts, expansion contracts, contracts with new customers, and contracts for professional services and training. Factors that may cause our billings results to vary from period to period include the following:

- *Billings duration*. While we typically bill customers annually in advance for our subscription services, customers sometimes request, and we accommodate, billings with durations less than or greater than the typical 12-month term. Changes in billings duration had a favorable impact of $5 million and $25 million for the three and nine months ended September 30, 2021, respectively.

- *Contract start date*. From time to time, we enter into contracts with a contract start date in the future, and we exclude these amounts from billings as these amounts are not included in our condensed consolidated balance sheets, unless such amounts have been paid as of the balance sheet date.

- *Foreign currency exchange rates*. While a majority of our billings have historically been in U.S. Dollars, an increasing percentage of our billings in recent periods has been in foreign currencies, particularly the Euro and British Pound Sterling. Fluctuations in foreign currency exchange rates will cause variability in our billings. Foreign currency rate fluctuations had a favorable impact of $10 million and $99 million on billings for the three and nine months ended September 30, 2021, respectively.

- *Timing of contract renewals*. While customers typically renew their contracts at the end of the contract term, from time to time customers may do so either before or after the scheduled expiration date. For example, in cases where we are successful in selling additional products or services to an existing customer, a customer may decide to renew its existing contract early to ensure that all its contracts expire on the same date. In other cases, prolonged negotiations or other factors may result in a contract not being renewed until after it has expired.

- *Seasonality*. We have historically experienced seasonality in terms of when we enter into customer agreements for our services. We sign a significantly higher percentage of agreements with new customers, as well as expansion with existing customers, in the fourth quarter of each year. The increase in customer agreements for the fourth quarter is primarily a result of both large enterprise account buying patterns typical in the software industry, which are driven primarily by the expiration of annual authorized budgeted expenditures, and the terms of our commission plans, which incentivize our direct sales organization to meet their annual quotas by December 31. Furthermore, we usually sign a significant portion of these agreements during the last month, and often the last two weeks, of each quarter. This seasonality in the timing of entering into customer contracts is sometimes not immediately apparent in our billings, due to the fact that we typically exclude cloud-offering contracts with a future start date from our billings, unless such amounts have been paid as of the balance sheet date. Similarly, this seasonality is reflected to a much lesser extent, and sometimes is not immediately apparent in our revenues, due to the fact that we recognize subscription revenues from our cloud offering contracts over the term of the subscription agreement, which is generally 12 to 36 months. Although these seasonal factors are common in the technology industry, historical patterns should not be considered a reliable indicator of our future sales activity or performance. Further, the seasonal factors could be heightened due to the impact of the current gross domestic product contraction and other impacts unknown at this time on our customers and sales cycles caused by the COVID-19 pandemic.

While we believe billings is one indicator of the performance of our business, due to the factors described above, an increase or decrease in billings may not reflect the actual performance for that reporting period.

To facilitate greater year-over-year comparability in our billings results, we disclose the impact that foreign currency rate fluctuations and fluctuations in billings duration had on our billings. The impact of foreign currency rate fluctuations is calculated by translating the current period results for entities reporting in currencies other than U.S. Dollars into U.S. Dollars at the exchange rates in effect during the prior period presented, rather than the actual exchange rates in effect during the current period. The impact of fluctuations in billings duration is calculated by replacing the portion of multi-year billings in excess of 12 months during the current period with the portion of multi-year billings in excess of 12 months during the prior period presented. Notwithstanding the adjustments described above, the comparability of billings results from period to period remains subject to the impact of variations in the dollar value of contracts with future start dates and the timing of contract renewals, for which no adjustments have been presented.

Components of Results of Operations

Revenues

Subscription revenues. Subscription revenues are primarily comprised of fees that give customers access to the ordered subscription service for both self-hosted offerings and cloud-based subscription offerings, and related standard and enhanced support and updates, if any, to the subscription service during the subscription term. For our cloud-based offerings, we recognize revenue ratably over the subscription term. For self-hosted offerings, a substantial portion of the sales price is recognized upon delivery of the software, which may cause greater variability in our subscription revenues and subscription gross margin. Pricing includes multiple instances, hosting and support services, data backup and disaster recovery services, as well as future updates, when and if available, offered during the subscription term. We typically invoice our customers for subscription fees in annual increments upon execution of the initial contract or subsequent renewal. Our contracts are generally non-cancelable during the subscription term, though a customer can terminate for breach if we materially fail to perform.

Professional services and other revenues. Our arrangements for professional services are primarily on a time-and-materials basis and we generally invoice our customers monthly in arrears for the professional services based on actual hours and expenses incurred. Some of our professional services arrangements are on a fixed fee or subscription basis. Professional services revenues are recognized as services are delivered. Other revenues primarily consist of fees from customer training delivered on-site or through publicly available classes. Typical payment terms require our customers to pay us within 30 days of invoice.

We sell our subscription services primarily through our direct sales organization. We also sell services through managed service providers and resale partners. We also generate revenues from certain professional services and from training of customers and partner personnel, through both our direct team and indirect channel sales. Revenues from our direct sales organization represented 79% of our total revenues for each of the three and nine months ended September 30, 2021 and 80% and 81% of our total revenues for the three and nine months ended September 30, 2020, respectively. For purposes of calculating revenues from our direct sales organization, revenues from systems integrators and managed services providers are included as part of the direct sales organization.

Cost of Revenues

Cost of subscription revenues. Cost of subscription revenues consists primarily of expenses related to hosting our services and providing support to our customers. These expenses are comprised of data center capacity costs, which include colocation costs associated with our data centers as well as interconnectivity between data centers, depreciation related to our infrastructure hardware equipment dedicated for customer use, amortization of intangible assets, expenses associated with software, public cloud service costs. IT services and dedicated customer support, personnel-related costs directly associated with data center operations and customer support, including salaries, benefits, bonuses and stock-based compensation and allocated overhead.

Cost of professional services and other revenues. Cost of professional services and other revenues consists primarily of personnel-related costs directly associated with our professional services and training departments, including salaries, benefits, bonuses and stock-based compensation, the costs of contracted third-party partners, travel expenses and allocated overhead.

Professional services are performed directly by our services team, as well as by contracted third-party partners. Fees paid by us to third-party partners are primarily recognized as cost of revenues as the professional services are delivered. Cost of revenues associated with our professional services engagements contracted with third-party partners as a percentage of professional services and other revenues was 15% and 13% for the three and nine months ended September 30, 2021, respectively, and 9% and 10% for the three and nine months ended September 30, 2020, respectively.

Sales and Marketing

Sales and marketing expenses consist primarily of personnel-related expenses directly associated with our sales and marketing staff, including salaries, benefits, bonuses and stock-based compensation. Sales and marketing expenses also include the amortization of commissions paid to our sales employees, including related payroll taxes and fringe benefits. In addition, sales and marketing expenses include branding expenses, marketing program expenses, which include events such as Knowledge, and costs associated with purchasing advertising and marketing data, software and subscription services dedicated for sales and marketing use and allocated overhead.

Research and Development

Research and development expenses consist primarily of personnel-related expenses directly associated with our research and development staff, including salaries, benefits, bonuses and stock-based compensation and allocated overhead. Research and development expenses also include data center capacity costs, costs associated with outside services contracted for research and development purposes and depreciation of infrastructure hardware equipment that is used solely for research and development purposes.

General and Administrative

General and administrative expenses consist primarily of personnel-related expenses for our executive, finance, legal, human resources, facilities and administrative personnel, including salaries, benefits, bonuses and stock-based compensation, external legal, accounting and other professional services fees, other corporate expenses, amortization of intangible assets and allocated overhead.

Provision for Income Taxes

Provision for income taxes consists of federal, state and foreign income taxes. Due to cumulative losses, we maintain a valuation allowance against our U.S. deferred tax assets as of September 30, 2021. We consider all available evidence, both positive and negative, including but not limited to earnings history, projected future outcomes, industry and market trends and the nature of each of the deferred tax assets in assessing the extent to which a valuation allowance should be applied against our U.S. and foreign deferred tax assets.

Results of Operations

Revenues

	Three Months Ended September 30,		% Change	Nine Months Ended September 30,		% Change
	2021	2020		2021	2020	
	(dollars in millions)			(dollars in millions)		
Revenues:						
Subscription	$ 1,427	$ 1,091	31 %	$ 4,050	$ 3,102	31 %
Professional services and other	85	61	39 %	232	167	39 %
Total revenues	$ 1,512	$ 1,152	31 %	$ 4,282	$ 3,269	31 %
Percentage of revenues:						
Subscription	94%	95%		95%	95%	
Professional services and other	6%	5%		5%	5%	
Total	100%	100%		100%	100%	

Subscription revenues increased by $336 million and $948 million for the three and nine months ended September 30, 2021 compared to the three and nine months ended September 30, 2020, respectively, primarily driven by increased purchases by existing customers and an increase in customer count. Included in subscription revenues is $54 million and $37 million of revenues recognized upfront from the delivery of software associated with self-hosted offerings during the three months ended September 30, 2021 and 2020, respectively, and $168 million and $149 million during the nine months ended September 30, 2021 and 2020, respectively.

We expect subscription revenues for the year ending December 31, 2021 to increase in absolute dollars as we continue to add new customers and existing customers increase their usage of our products but remain relatively flat as a percentage of revenue compared to the year ended December 31, 2020. We continue to monitor the COVID-19 pandemic in 2021 and its impact on customer acquisition and renewal rates.

Our expectations for revenues, cost of revenues and operating expenses for the remainder of 2021 are based on September 2021 foreign exchange rates.

Subscription revenues consist of the following:

	Three Months Ended September 30,		% Change	Nine Months Ended September 30,		% Change
	2021	2020		2021	2020	
	(dollars in millions)			(dollars in millions)		
Digital workflow products	$ 1,253	$ 959	31 %	$ 3,548	$ 2,712	31 %
ITOM products	174	132	32 %	502	390	29 %
Total subscription revenues	$ 1,427	$ 1,091	31 %	$ 4,050	$ 3,102	31 %

Our digital workflow products include the Now Platform, IT Service Management, IT Business Management, IT Asset Management, Security Operations, Governance, Risk and Compliance, HR Service Delivery, Safe Workplace Suite of applications, Workplace Service Delivery, Legal Service Delivery, Customer Service Management, Field Service Management, Connected Operations, Financial Services Operations, Telecommunications Service Management, Telecommunications Network Performance Management, App Engine and IntegrationHub, and are generally priced on a per user basis. Our ITOM products are generally priced on a per node (physical or virtual server) basis.

Professional services and other revenues increased by $24 million and $65 million during the three and nine months ended September 30, 2021 compared to the three and nine months ended September 30, 2020, respectively, due to an increase in services and trainings provided to new and existing customers. We expect professional services and other revenues for the year ending December 31, 2021 to increase in absolute dollars but remain relatively flat as a percentage of revenue compared to the year ended December 31, 2020. We are increasingly focused on deploying our internal professional services organization as a strategic resource and relying on our partner ecosystem to contract directly with customers for implementation services delivery.

Cost of Revenues and Gross Profit Percentage

	Three Months Ended September 30,		% Change	Nine Months Ended September 30,		% Change
	2021	**2020**		**2021**	**2020**	
	(dollars in millions)			**(dollars in millions)**		
Cost of revenues:						
Subscription	$ 264	$ 189	40 %	$ 740	$ 521	42 %
Professional services and other	86	63	37 %	239	187	28 %
Total cost of revenues	$ 350	$ 252	39 %	$ 979	$ 708	38 %
Gross profit percentage:						
Subscription	81%	83%		82%	83%	
Professional services and other	(1%)	(3%)		(3%)	(12%)	
Total gross profit percentage	77%	78%		77%	78%	
Gross profit	$ 1,162	$ 900		$ 3,303	$ 2,561	

Cost of subscription revenues increased by $75 million and $219 million for the three and nine months ended September 30, 2021 compared to the three and nine months ended September 30, 2020, respectively, primarily due to increased headcount and increased costs to support the growth of our subscription offerings. Personnel-related costs including stock-based compensation and overhead expenses increased by $31 million and $92 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year. In addition, depreciation expense related to data center hardware, software and maintenance costs to support the expansion of our data center capacity including public cloud service costs increased by $34 million and $111 million and amortization of intangible assets increased by $8 million and $15 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year.

We expect our cost of subscription revenues to increase in absolute dollars as we provide subscription services to more customers and increase usage within our customer instances. Our subscription gross profit percentage was 81% and 82% for the three and nine months ended September 30, 2021, respectively, compared to 83% for each of the three and nine months ended September 30, 2020. We expect our subscription gross profit percentage to slightly decrease for the year ending December 31, 2021 compared to the year ended December 31, 2020 primarily due to incremental costs to acquire customers in regulated markets by adopting public cloud offerings as well as increased support for customers impacted by new and evolving data residency requirements. To the extent future acquisitions are consummated, our cost of subscription revenues may increase due to additional non-cash charges associated with the amortization of intangible assets acquired.

Cost of professional services and other revenues increased by $23 million and $52 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year, primarily due to increased headcount, resulting in an increase in personnel-related costs including stock-based compensation.

Our professional services and other gross margin percentage increased to loss of 1% and 3% for the three and nine months ended September 30, 2021, respectively, from loss of 3% and 12% for the three and nine months ended September 30, 2020, respectively, primarily driven by the increased utilization of our internal professional services organization and the reduction in certain travel expenses. We expect our professional services and other gross margin percentage to increase for the year ending December 31, 2021 compared to the year ended December 31, 2020 as we continue to optimize our utilization of our internal professional services organization.

Sales and Marketing

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	% Change	2021	2020	% Change
	(dollars in millions)			(dollars in millions)		
Sales and marketing	$ 579	$ 454	28 %	$ 1,660	$ 1,321	26 %
Percentage of revenues	38%	39%		39%	40%	

Sales and marketing expenses increased by $125 million and $339 million for the three and nine months ended September 30, 2021 compared to the three and nine months ended September 30, 2020, respectively, primarily due to increased headcount, resulting in an increase in personnel-related costs including stock-based compensation and overhead expenses of $96 million and $255 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year. Amortization expenses associated with deferred commissions and third-party referral fees increased $19 million and $55 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year, due to an increase in contracts with new customers, expansion and renewal contracts. Other sales and marketing program expenses, which include branding, costs associated with purchasing advertising and market data and outside services, increased by $12 million and $33 million during the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year.

Amid the ongoing regulatory restrictions imposed by governments worldwide in response to the COVID-19 pandemic, we continue to temporarily close many of our offices to ensure the well-being and safety of our global employees, office staff and communities. Further, we converted certain in-person events to digital events in the first half of 2021, which resulted in certain savings for the nine months ended September 30, 2021 compared to the same period in the prior year.

Despite the uncertainty around the continued impact of the COVID-19 pandemic and its duration, we expect sales and marketing expenses to increase in absolute dollars but slightly decrease as a percentage of revenue compared to the year ended December 31, 2020, as we continue to expand our direct sales organization, increase our marketing activities, grow our international operations and continue to build brand awareness.

Research and Development

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	% Change	2021	2020	% Change
	(dollars in millions)			(dollars in millions)		
Research and development	$ 358	$ 268	34 %	$ 1,005	$ 740	36 %
Percentage of revenues	24%	23%		23%	23%	

Research and development expenses increased by $90 million and $265 million for the three and nine months ended September 30, 2021 compared to the three and nine months ended September 30, 2020, respectively, primarily due to increased headcount, resulting in an increase in personnel-related costs including stock-based compensation and overhead expenses of $86 million and $250 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year. The remaining increase was primarily due to an increase in outside service costs, hosting costs and data center related depreciation costs to support research and development activities.

We expect research and development expenses for the year ending December 31, 2021 to increase in absolute dollars but remain relatively flat as a percentage of revenue compared to the year ended December 31, 2020 as we continue to improve the existing functionality of our services, develop new applications to fill market needs and enhance our core platform.

General and Administrative

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	% Change	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020	% Change
	(dollars in millions)			(dollars in millions)		
General and administrative	$ 151	$ 109	39 %	$ 416	$ 319	30 %
Percentage of revenues	10%	9%		10%	10%	

General and administrative expenses increased by $42 million and $97 million for the three and nine months ended September 30, 2021 compared to the three and nine months ended September 30, 2020, respectively, primarily due to increased headcount, resulting in an increase in personnel-related costs including stock-based compensation and overhead expenses of $34 million and $74 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year. The remaining increase was primarily due to costs to support digital transformation projects across functions to improve processes as we scale as well as incremental investment in environmental, social and corporate governance initiatives.

We expect general and administrative expenses to increase in absolute dollars for the year ending December 31, 2021 but remain relatively flat as a percentage of revenue compared to the year ended December 31, 2020, as we continue to increase headcount.

Stock-based Compensation

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	% Change	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020	% Change
	(dollars in millions)			(dollars in millions)		
Cost of revenues:						
Subscription	$ 33	$ 26	27 %	$ 95	$ 72	32 %
Professional services and other	15	13	15 %	43	38	13 %
Operating expenses:						
Sales and marketing	101	79	28 %	293	228	29 %
Research and development	102	74	38 %	288	203	42 %
General and administrative	40	28	43 %	110	84	31 %
Total stock-based compensation	$ 291	$ 220	32 %	$ 829	$ 625	33 %
Percentage of revenues	19%	19%		19%	19%	

Stock-based compensation increased by $71 million and $204 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year, primarily due to additional grants to current and new employees.

Stock-based compensation is inherently difficult to forecast due to fluctuations in our stock price. Based upon our stock price as of September 30, 2021, we expect stock-based compensation to continue to increase in absolute dollars for the year ending December 31, 2021 as we continue to issue stock-based awards to our employees, but remain relatively flat as a percentage of revenues compared to the year ended December 31, 2020, and we expect this to decline over time as we continue to grow.

Foreign Currency Exchange

Our international operations have provided and will continue to provide a significant portion of our total revenues. Revenues outside North America represented 37% and 36% for the three and nine months ended September 30, 2021, respectively, and 34% of total revenues for each of the three and nine months ended September 30, 2020.

Because we primarily transact in foreign currencies for sales outside of the United States, the general weakening of the U.S. Dollar relative to other major foreign currencies had a favorable impact on our revenues for each of the three and nine months ended September 30, 2021. For entities reporting in currencies other than the U.S. Dollar, if we had translated our results for the three and nine months ended September 30, 2021 at the exchange rates in effect for the three and nine months ended September 30, 2020 rather than the actual exchange rates in effect during the period, our reported subscription revenues would have been $11 million and $92 million lower, respectively. The impact from the foreign currency movements from the three and nine months ended September 30, 2020 to the three and nine months ended September 30, 2021 was not material for professional services and other revenues.

In addition, because we primarily transact in foreign currencies for cost of revenues and operating expenses outside of the United States, the general weakening of the U.S. Dollar relative to other major foreign currencies had an unfavorable impact on our cost of revenues and sales and marketing expenses for each of the three and nine months ended September 30, 2021. For entities reporting in currencies other than the U.S. Dollar, if we had translated our results for the three and nine months ended September 30, 2021 at the exchange rates in effect for the three and nine months ended September 30, 2020 rather than the actual exchange rates in effect during the period, our reported cost of revenues would have been $3 million and $24 million lower and sales and marketing expenses would have been $4 million and $28 million lower for the three and nine months ended September 30, 2021, respectively. The impact from the foreign currency movements from the three and nine months ended September 30, 2020 to the three and nine months ended September 30, 2021 was not material to research and development and general and administrative expenses.

Interest Expense

	Three Months Ended September 30,		% Change	Nine Months Ended September 30,		% Change
	2021	2020		2021	2020	
	(dollars in millions)			(dollars in millions)		
Interest expense	$ (7)	$ (8)	(13 %)	$ (21)	$ (25)	(16 %)
Percentage of revenues	— %	(1%)		0%	(1%)	

Interest expense decreased for each of the three and nine months ended September 30, 2021 compared to the same periods in the prior year, due to decrease in amortization expense of debt discount and issuance costs as a result of the 2022 Notes Repurchase offset by increase in debt discount, issuance cost and interest related to the 2030 Notes. For the year ending December 31, 2021, we expect to incur approximately $7 million of additional interest expense related to the 2022 Notes and the 2030 Notes.

Other Income (Expense), net

	Three Months Ended September 30,		% Change	Nine Months Ended September 30,		% Change
	2021	2020		2021	2020	
	(dollars in millions)			(dollars in millions)		
Interest income	$ 5	$ 8	(38 %)	$ 15	$ 33	(55 %)
Loss on extinguishment of 2022 Notes	—	(41)	NM	(3)	(42)	NM
Other	(4)	(2)	NM	4	(11)	(136 %)
Other income (expense), net	$ 1	$ (35)	(103 %)	$ 16	$ (20)	(180 %)
Percentage of revenues	—%	(3%)		0%	(1)%	

NM - Not meaningful

Other income, net increased by $36 million for each of the three and nine months ended September 30, 2021, compared to the same periods in the prior year, primarily driven by a decrease in loss on extinguishment of 2022 Notes due to the 2022 Notes Repurchase in the three and nine months ended September 30, 2020, partially offset by a decrease in interest income resulting from the decline in interest rates. Additionally, for the nine months ended September 30, 2021, other income, net increased compared to the same period in the prior year due to lower foreign currency exchange losses and unrealized gains on equity investments in privately-held companies.

To mitigate our risks associated with fluctuations in foreign currency exchange rates, we enter into foreign currency derivative contracts with maturities of 12 months or less to hedge a portion of our net outstanding monetary assets and liabilities. These hedging contracts may reduce, but cannot entirely eliminate, the impact of adverse currency exchange rate movements.

Provision for Income Taxes

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	**2020**	**% Change**	**2021**	**2020**	**% Chang**
	(dollars in millions)			(dollars in millions)		
Income before income taxes	$ 68	$ 26	162 %	$ 217	$ 136	60
Provision for income taxes	5	13	(62 %)	13	34	(62
Effective tax rate	7%	50%		6%	25%	

Our income tax provision was $5 million and $13 million for the three and nine months ended September 30, 2021, respectively. The income tax provision was primarily attributable to the mix of earnings and losses in countries with differing statutory tax rates, the valuation allowance in the United States, a tax rate change in a foreign jurisdiction, a valuation allowance release resulting from an acquisition and excess tax benefits of stock-based compensation.

Our income tax provision was $13 million and $34 million for the three and nine months ended September 30, 2020, respectively. The income tax provision was primarily attributable to the mix of earnings and losses in countries with differing statutory tax rates, the valuation allowance in the United States and the intercompany sale of certain intellectual property rights.

We continue to maintain a full valuation allowance on our U.S. federal and state deferred tax assets and the significant components of the tax expense recorded are current cash taxes payable in various jurisdictions. The cash tax expenses are impacted by each jurisdiction's individual tax rates, laws on timing of recognition of income and deductions, and availability of net operating losses and tax credits. Given the full valuation allowance, sensitivity of current cash taxes to local rules and our foreign structuring, we expect that our effective tax rate could fluctuate significantly on a quarterly basis and could be adversely affected to the extent earnings are lower than anticipated in countries that have lower statutory rates and higher than anticipated in countries that have higher statutory rates.

Liquidity and Capital Resources

Our principal sources of liquidity are our cash and cash equivalents, investments, and cash generated from operations. As of September 30, 2021, we had $3.0 billion in cash and cash equivalents and short-term investments, of which $387 million represented cash held by foreign subsidiaries and $366 million is denominated in currencies other than the U.S. Dollar. In addition, we had $1.4 billion in long-term investments that provide additional capital resources. We do not anticipate that we will need funds generated from foreign operations to fund our domestic operations.

In August 2020, we issued 1.40% fixed rate ten-year notes with an aggregate principal amount of $1.5 billion due on September 1, 2030 (the "2030 Notes"). The 2030 Notes were issued at 99.63% of principal and we incurred approximately $13 million for debt issuance costs. Interest is payable semi-annually in arrears on March 1 and September 1 of each year, beginning on March 1, 2021, and the entire outstanding principal amount is due at maturity on September 1, 2030. The 2030 Notes are unsecured obligations and the indentures governing the 2030 Notes contain customary events of default and customary covenants that, among others and subject to exceptions, restrict the Company's ability to incur or guarantee debt secured by liens on specified assets or enter into sale and lease-back transactions with respect to specified properties.

In May and June 2017, we issued the 2022 Notes with an aggregate principal amount of $782.5 million. In connection with the issuance of the 2022 Notes, we entered into the 2022 Note Hedge transactions and 2022 Warrants transactions with certain financial institutions. The price of our common stock was greater than or equal to 130% of the conversion price of the 2022 Notes for at least 20 trading days during the 30 consecutive trading days ending on the last trading day of the quarters ended June 30, 2018 through September 30, 2021, except for the quarter ended December 31, 2018. Therefore, our 2022 Notes became convertible at the holders' option beginning on July 1, 2018 and continue to be convertible through December 31, 2021, except for the quarter ended March 31, 2019 because the Conversion Condition for the 2022 Notes was not met for the quarter ended December 31, 2018. The impact of the 2022 Notes on our liquidity will depend on the settlement method we elect. We currently intend to settle the principal amount of any converted 2022 Notes in cash. During the nine months ended September 30, 2021, we paid cash to settle $73 million in principal of the 2022 Notes. Additionally, in August 2020, we repurchased $497 million in aggregate principal amount of the 2022 Notes (the "2022 Notes Repurchase") which was accounted for as a debt extinguishment. We used proceeds from the partial unwind of the 2022 Note Hedge of $1.1 billion for the 2022 Notes Repurchase.

Based on conversion requests received through the filing date, we expect to settle in cash an aggregate of approximately $2 million in principal amount of the 2022 Notes during the fourth quarter of 2021. We may receive additional conversion requests that require settlement in the fourth quarter of 2021 and future periods.

During the nine months ended September 30, 2021 and year ended December 31, 2020, we issued 0.5 million and 2.3 million shares of our common stock upon partial unwind of the 2022 Warrants, respectively. We expect to issue additional shares of our common stock in the second half of 2022 upon the automatic exercise of the remaining portion of the 2022 Warrants. As the remaining portion of the 2022 Warrants will be net share settled, there will be no impact on our liquidity. The total number of shares of our common stock we will issue depends on the daily volume-weighted average stock prices over a 60 trading day period beginning on the first expiration date of the remaining portion of the 2022 Warrants, which will be September 1, 2022. Refer to Note 10 in the notes to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for additional information.

Cash from operations could be affected by various risks and uncertainties, including, but not limited to, the effects of the COVID-19 pandemic and other risks detailed in the section "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K filed with the SEC on February 12, 2021 and in Part II, Item 1A of this Quarterly Report on Form 10-Q. However, we anticipate our current cash, cash equivalents and investments balance and anticipated cash flows generated from operations based on our current business plan and revenue prospects will be sufficient to meet our liquidity needs, including the repayment of any early conversions of our 2022 Notes, debt service costs, expansion of data centers, lease obligations, expenditures related to the growth of our headcount and the acquisition of property and equipment, intangibles, and investments in office facilities, to accommodate our operations for at least the next 12 months. Whether these resources are adequate to meet our liquidity needs beyond that period will depend on our growth, operating results, cash utilized for acquisitions and/or debt retirements if any are consummated, and the capital expenditures required to meet possible increased demand for our services. If we require additional capital resources to grow our business or repay our 2022 Notes at any time in the future, we may seek to finance our operations from the current funds available or seek additional equity or debt financing.

	Nine Months Ended September 30,	
	2021	**2020**
	(dollars in millions)	
Net cash provided by operating activities	$ 1,347	$ 1,101
Net cash used in investing activities	(1,248)	(1,330)
Net cash (used in) provided by financing activities	(351)	800
Net change in cash, cash equivalents and restricted cash	(273)	574

Operating Activities

Net cash provided by operating activities was $1,347 million for the nine months ended September 30, 2021 compared to $1,101 million for the nine months ended September 30, 2020. The net increase in operating cash flow was primarily due to increases in operating income, higher increase in cash collections from customers compared to increase in settlement of payables. In addition, we benefited from a reduction in repayments of convertible senior notes attributable to debt discount primarily from the 2022 Notes Repurchase in the nine months ended September 30, 2020.

Investing Activities

Net cash used in investing activities for the nine months ended September 30, 2021 was $1,248 million compared to $1,330 million for the nine months ended September 30, 2020. The decrease in cash used in investing activities was primarily due to $740 million decrease in net purchases of investments partially offset by $670 million for business combinations, net of cash and restricted cash acquired.

Financing Activities

Net cash used in financing activities was $351 million for the nine months ended September 30, 2021 compared to net cash provided by financing activities of $800 million for the nine months ended September 30, 2020. The change was primarily driven by the $1.5 billion proceeds from the issuance of 2030 Notes in the nine months ended September 30, 2020. offset by the 2022 Notes Repurchase of $1.6 billion which was funded in part by the proceeds received from the partial unwind of the 2022 Note hedge of $1.1 billion. In addition, the change was due to a $96 million increase in taxes paid related to net share settlement of equity awards partially offset by an increase in proceeds from employee equity plans by $23 million.

Critical Accounting Policies and Significant Judgments and Estimates

There have been no changes to our critical accounting policies and estimates as described in our Annual Report on Form 10-K for the year ended December 31, 2020, which was filed with the SEC on February 12, 2021.

New Accounting Pronouncements Pending Adoption

The impact of recently issued accounting standards is set forth in Note 2, Summary of Significant Accounting Policies, of the notes to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

ITEM 3. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our market risk compared to the disclosures in Part II, Item 7A in our Annual Report on Form 10-K for the year ended December 31, 2020, which was filed with the SEC on February 12, 2021, other than market risk that is created by the global market disruptions and uncertainties resulting from the COVID-19 pandemic. See the section “Risk Factors” in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2020, which was filed with the SEC on February 12, 2021, and in Part II, Item 1A of this Quarterly Report on Form 10-Q for further discussion of the possible impact to our business.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Regulations under the Exchange Act require public companies, including our company, to maintain “disclosure controls and procedures,” which are defined in Rule 13a-15(e) and Rule 15d-15(e) to mean a company’s controls and other procedures that are designed to ensure that information required to be disclosed in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our principal executive officer and principal financial officer, or persons performing similar functions, as appropriate, to allow timely decisions regarding required or necessary disclosures. In designing and evaluating our disclosure controls and procedures, management recognizes that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. Our Chief Executive Officer and Chief Financial Officer have concluded, based on the evaluation of the effectiveness of the disclosure controls and procedures by our management as of the end of the quarter covered by this Quarterly Report on Form 10-Q, that our disclosure controls and procedures were effective at the reasonable assurance level for this purpose.

Changes in Internal Control over Financial Reporting

Regulations under the Exchange Act require public companies, including our company, to evaluate any change in our "internal control over financial reporting" as such term is defined in Rule 13a-15(f) and Rule 15d-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during our most recently completed fiscal quarter. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer did not identify any change in our internal control over financial reporting during the quarter covered by this Quarterly Report on Form 10-Q that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

From time to time, we are party to litigation and other legal proceedings in the ordinary course of business. While the results of any litigation or other legal proceedings are uncertain, we are not presently a party to any legal proceedings that, if determined adversely to us, would individually or taken together have a material adverse effect on our business, financial position, results of operations or cash flows.

ITEM 1A. RISK FACTORS

Investing in our securities involves a high degree of risk. You should consider carefully the risks and uncertainties described under the section “Risk Factors” in Part I, Item 1A of our Annual Report on Form 10-K filed with the SEC on February 12, 2021 and below and all of the other information in this Quarterly Report on Form 10-Q, including our condensed consolidated financial statements and related notes, before making an investment decision. The section “Risk Factors” in our Annual Report on Form 10-K filed with the SEC on February 12, 2021 and subsequent Quarterly Reports on Form 10-Q identify the risks and uncertainties that may have a material adverse effect on our business, financial condition, results of operations and future prospects. Our business could be harmed by any of these risks. Our stock price could decline due to any of these risks, and you may lose all or part of your investment.

The extent to which the ongoing COVID-19 pandemic, including the resulting global economic uncertainty, and measures taken in response will continue to impact our business and future results of operations and financial condition will depend on future developments, which are highly uncertain and difficult to predict.

Beginning in early 2020, the COVID-19 pandemic began to have widespread impact on the health of the population and a broader impact on the markets. The COVID-19 pandemic disrupted the flow of the economy and put unprecedented strains on governments, health care systems, educational institutions, businesses and individuals around the world. The pandemic had a significant impact in 2020, and its ongoing impact into 2021 and beyond is difficult to assess or predict. It is even more difficult to predict the impact on the global economic market, which will be highly dependent upon the continuing actions of governments, businesses and other enterprises in response to the pandemic and the effectiveness of those actions. While vaccines have become widely available in certain countries and businesses and economies have recently reopened, the status of global economic recovery remains uncertain and unpredictable, and will be impacted by developments in the pandemic including any subsequent waves of outbreak or new variant strains of the COVID-19 virus which may require re-closures or other preventative measures. If the pandemic were to endure for the longer term, recession, depression or other sustained adverse market events may result.

Some customers or potential customers, particularly in industries most impacted by the COVID-19 pandemic including transportation, hospitality, retail and energy, reduced their IT spending or delayed their digital transformation initiatives in 2020 and these reductions and delays in spend by our customers and prospects could persist. We experienced some curtailed customer demand, reduced customer spend or contract duration, delayed collections, lengthened payment terms, and impact on our ability to land new customers. If we should see an increase in such effects or increased competitive pressures due to changes in terms and conditions and pricing of our competitors’ products and services, our business, results of operations and overall financial performance in future periods could be materially and adversely impacted.

In response to the COVID-19 pandemic, we temporarily closed most of our offices (including our headquarters) around the world, encouraged our employees to work remotely, implemented travel restrictions for all non-essential business, and canceled or shifted certain of our customer, industry, analyst, investor, and employee events to virtual-only experiences. Beginning in the second quarter of 2021, a limited number of employees returned to our offices in certain locations, taking into consideration government restrictions, employee safety and health risks. Our approach may vary among geographies depending on appropriate health protocols, and may change at any time. Additionally, our efforts to re-open our offices safely may not be successful, could expose our employees to health risks and could involve additional costs or liability. We expect that the COVID-19 pandemic will have a long-term effect on the nature of our office environment, remote working and how we innovate. While we believe that this will be a positive development over the longer term, there may be operational and workplace culture challenges that may adversely affect our business, including talent retention, in the shorter term.

As a result of the impact of COVID-19 on our business, in our Q1 2020 earnings we revised our external guidance to investors as to our expectations of our financial performance for the full year 2020 to account for impacts that have occurred and further expected impacts. Because we are a subscription business, the reduction in performance for 2020 will impact future years as well. If the COVID-19 pandemic continues or worsens, especially in regions in which we have material operations or sales, our business activities from impacted areas, including sales-related activities, could be adversely affected. Disruptive activities could include continued business closures in impacted areas, further or continued restrictions on our employees' and other service providers' ability to travel, impacts to productivity if our employees or their family members experience health issues, and potential delays in hiring and onboarding mainly in our general and administrative functions. The COVID-19 pandemic could also impact our data center operations, including potential disruptions to the supply chain of hardware needed to maintain these third-party systems, and primary vendors we rely on for products and services that allow our employees to work remotely. Further, we may experience increased cyberattacks and security challenges as our global employee base and vendors and other third parties work remotely on less secure systems.

The extent and continued impact of the COVID-19 pandemic on our business will depend on certain developments including the duration and spread of the outbreak; future infection spikes including new variant strains of the virus resulting in additional preventative measures; the availability and distribution of effective vaccines; the severity of the economic decline attributable to the pandemic and timing, nature and sustainability of economic recovery; government responses, including the effectiveness, extent and duration of efforts to limit the spread and impact of the disease, such as "shelter in place" and similar government directives, all of which are highly uncertain and unpredictable. While our revenues, billings and earnings are relatively predictable as a result of our subscription-based business model, the effect of the COVID-19 pandemic may not be fully reflected in our results of operations and overall financial performance until future periods and could cause our future results of operations to vary significantly from period to period.

The effects of the COVID-19 pandemic also may heighten other risks, including significant volatility in the global markets, trading prices of our common stock, interest rate and foreign currency described in the section "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K filed with the SEC on February 12, 2021. Risks caused or heightened by the COVID-19 pandemic may continue for the duration of and possibly beyond the COVID-19 pandemic for an indefinite period.

Risks Related to Our Ability to Grow Our Business

Privacy laws and concerns, evolving regulation of cloud computing, cross-border data transfer restrictions, other foreign and domestic regulations and standards related to data and the Internet may adversely affect our business.

National and local governments or agencies have adopted, and may continue to adopt, laws and regulations affecting data privacy, the use of the Internet as a commercial medium, the use of data in contexts referred to as artificial intelligence and machine learning, and data sovereignty or residency requirements concerning the location of data centers and support services. As a cloud-based service provider, we optimize performance of our products and services by utilizing data centers located in, and support provided from, different jurisdictions. Changing laws, regulations and standards applying to the collection, use, sharing, transfer or other processing of data, including personal data, could affect our ability to develop our products and services to maximize their utility, as well as our customers' ability to use data or share data with service providers. Such changes may restrict our ability to use, store or otherwise process data of our customers in connection with providing and supporting our services. In some cases, this could impact our ability to offer our services in certain locations or our customers' ability to deploy our services globally.

Compliance with, and other obligations imposed by, the General Data Protection Regulation (the "GDPR"), the ruling of the European Court of Justice in Schrems v. Facebook Ireland, Limited and interpretations of that ruling by regulators and customers, recommendations issued by the European Data Protection Board, new Standard Contractual Clauses issued by the European Commission, the California Consumer Privacy Act, as recently amended by a voter-approved proposition (the "CCPA") and other privacy, data residency, sovereignty and transfer laws, regulations and standards (including self-regulatory standards) may cause us to incur substantial operational costs or require us to modify our data handling practices and/or policies, may limit the development, use and adoption of our services, including artificial intelligence and machine learning features, and could reduce overall demand for our services. Recently we announced that we plan to offer a European Union-centric services delivery model, by which customers may elect to receive support from EU-based ServiceNow teams, with an EU, cloud-hosted digital workflow solution. This offering requires a significant investment in financial and human resources, and we may see similar requests for local solutions in other territories. In addition, actual or perceived non-compliance could result in proceedings or investigations against us by regulatory authorities or others, lead to significant fines, damages, orders or reputational harm and may otherwise adversely impact our business, financial condition and operating results.

Changes in our developed or acquired products and how such products utilize data could also alter or increase our compliance requirements. As a result, our innovation and business drivers in developing or acquiring new and emerging technologies and the demand for our products could be impacted.

Risks Related to the Operation of Our Business

If we or our third-party service providers suffer a cyber-security event, we may lose customers and incur significant liabilities, any of which would harm our business and operating results.

Our operations involve the storage, transmission and processing of our customers’ confidential, proprietary and sensitive data, including personally identifiable information, protected health information, financial information and, in some cases, government information. While we have security measures in place designed to protect customer information and prevent data loss, these measures may be breached because of employee error, unaddressed vulnerabilities that may leave our systems susceptible to compromise, or third-party actions, including unintentional events or deliberate attacks by cyber criminals or foreign state actors, and result in someone obtaining unauthorized access to our customers’ data or our data, including our intellectual property and other confidential business information. For example, third parties have attempted to fraudulently induce employees, contractors, or users to disclose information to gain access to our data or our customers’ data, and we have been the target of email scams that attempt to acquire personal information or company assets. Computer malware, ransomware, viruses, hacking, phishing and denial of service attacks by third parties have become more prevalent in our industry, and they have occurred, or attempts have occurred, on our and our third-party service providers’ systems in the past and may occur again on these systems in the future. The frequency and sophistication of these malicious attacks has increased, and it appears that cyber crimes and cyber criminal networks, some of which may be state-supported, have been provided substantial resources and may target U.S. enterprises or our customers and their use of our products. Because techniques used to sabotage, obtain unauthorized access to systems or prohibit authorized access to systems change frequently and generally are not detected until successfully launched against a target, we have been and may continue to be unable to anticipate these techniques or to implement adequate preventative measures. This may also include underlying infiltration of pre-existing systems, including those of our third-party service providers or customers, perpetrated by more sophisticated attackers, including recent foreign cybersecurity attacks on U.S. technology companies. We devote significant financial and personnel resources to implement and maintain security measures while meeting customer expectations as to the performance of our systems; however, as cyber-security threats develop and grow more complex over time, we will continue to make significant further investments to protect data and infrastructure, but a residual risk may remain despite our preventative efforts. A security breach suffered by us or our third-party service providers, an attack against our service availability or unauthorized access or loss of data could result in a disruption to our service, litigation, service level agreement claims, indemnification and other contractual obligations, regulatory investigations, government fines and penalties, reputational damage, loss of sales and customers, mitigation and remediation expenses and other significant costs and liabilities. In addition, we may incur significant costs and operational consequences of paying to access data, investigating, remediating, eliminating, complying with notice obligations and implementing additional measures designed to prevent actual or perceived security incidents. We also cannot be certain that our existing insurance coverage will continue to be available on acceptable terms or will be available in sufficient amounts to cover the potentially significant losses that may result from a security incident or breach or that the insurer will not deny coverage as to any future claim.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In connection with the acquisition of Contexeo SAS, d/b/a Mapwize (“Mapwize”), in September 2021, we issued 2,445 shares of our common stock to the founders of Mapwize. The shares of common stock were issued in reliance on the exemption from registration pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended, as a transaction by an issuer not involving a public offering.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

Table of Contents

ITEM 6. EXHIBITS

EXHIBIT INDEX

		Incorporated by Reference				
Exhibit Number	**Description of Document**	**Form**	**File No.**	**Exhibit**	**Filing Date**	**Filed Herewith**
3.1	Restated Certificate of Incorporation of ServiceNow, Inc., as amended	8-K	001-35580	3.1	6/9/2021	
3.2	Restated Bylaws of ServiceNow, Inc.	8-K	001-35580	3.2	6/9/2021	
10.1*	Employment Letter Agreement dated June 18, 2021 by and between the Registrant and Jacqueline Canney.					X
31.1	Certification of Periodic Report by Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of Periodic Report by Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1**	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.2**	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document.					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.					X
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)					X

* Indicates a management contract, compensatory plan or arrangement.

** The certifications on Exhibit 32 hereto are deemed not “filed” for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liability of that Section. Such certifications will not be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	SERVICENOW, INC.
Date: October 27, 2021	By: /s/ William R. McDermott
	William R. McDermott
	President and Chief Executive Officer
	(Principal Executive Officer)
Date: October 27, 2021	By: /s/ Gina Mastantuono
	Gina Mastantuono
	Chief Financial Officer
	(Principal Financial and Accounting Officer)

EXHIBIT 10.1

June 18, 2021

Jacqui Canney

Dear Jacqui:

On behalf of ServiceNow, Inc. (the "***Company***"), this letter agreement (the "***Agreement***") sets forth the terms and conditions of your employment as Chief Talent Officer of the Company.

1. Position. Effective on your Start Date (as defined below), you will serve as the Company's Chief Talent Officer reporting directly to the Company's Chief Executive Officer (the "***CEO***"). You will have all of the duties, responsibilities and authority commensurate with the position. Your employment with the Company will commence as soon as practicable on a date to be determined by you and the CEO, which shall be no later than July 30, 2021 (such start date, your "***Start Date***"). You will be expected to devote your full working time and attention to the business of the Company. Notwithstanding the foregoing, you may manage personal investments, participate in civic, charitable, professional and academic activities (including serving on boards and committees), and, subject to prior approval, serve on the board of directors (and any committees) of outside entities, provided that such activities do not at the time the activity or activities commence or thereafter (i) create an actual or potential business or fiduciary conflict of interest or (ii) individually or in the aggregate, interfere materially with the performance of your duties to the Company.

2. Term. Subject to the terms of this Agreement, this Agreement will remain in effect for a period commencing on the Start Date and continuing until termination of your employment as set forth herein (the "***Employment Term***").

3. Cash Compensation.

    a. Base Salary. Your initial annual base salary (the "***Base Salary***") will be Five Hundred Fifty Thousand Dollars ($550,000.00), less required deductions and withholdings, payable in accordance with the Company's normal payroll practices. Thereafter, your annual base salary will be determined by the Leadership Development and Compensation Committee of the Company's Board of Directors (the "***Compensation Committee***") and may be increased but not decreased during the Employment Term. Your Base Salary will be pro-rated for any partial years of employment during your Employment Term.

    b. Sign-on Bonus Advance: In the first payroll period following your Start Date, you will receive a one-time bonus advance payment of Two Hundred Twenty-Five Thousand dollars ($225,000.00), subject to clawback or repayment pursuant to Section 6 of this Agreement.

    c. Annual Target Bonus. During the Employment Term, you will be eligible to participate in our executive corporate bonus program. Your initial annual bonus target will be One Hundred percent (100%) of your Base Salary which equals Five Hundred Fifty Thousand Dollars ($550,000.00) for the applicable fiscal year (your "***Annual Target Bonus***"). Whether you receive the Annual Target Bonus, and the amount of actual bonus amount awarded (your "***Actual Bonus***") will be determined by the Compensation Committee in its sole discretion based in all cases upon the achievement of both Company and individual performance objectives as established by the Compensation Committee. To earn any Actual Bonus, you must be employed by the Company on the last day of the period to which such bonus relates and at the time bonuses are paid, except as otherwise provided herein. Your bonus participation will be subject to all the terms, conditions and restrictions of the applicable Company bonus plan, as amended from time to time. The Actual Bonus shall be subject to required deductions and withholdings.

        i. For fiscal year 2021, you will be eligible to receive 100 percent of your Annual Target Bonus based on achievement of performance objectives. There will be no pro-ration of the bonus based on your Start Date being after January 1, 2021.

4. Relocation. The Company will provide you with a relocation package that is commensurate with your position as a member of the Company's senior executive team. The Company's head of Global Mobility will reach out to you separately to address the details and terms of your relocation package.

5. Benefits, Vacation & Expenses.

   a. You will be entitled to participate in all employee retirement, welfare, insurance, benefit and vacation programs of the Company as are in effect from time to time and in which other senior executives of the Company are eligible to participate, on the same terms as such other senior executives, pursuant to the governing plan documents.

   b. The Company will, in accordance with applicable Company policies and guidelines, reimburse you for all reasonable and necessary expenses incurred by you in connection with your performance of services on behalf of the Company. In addition, the Company shall directly pay your reasonable legal fees and expenses incurred in the negotiation of this Agreement, in an amount not to exceed $15,000.

6. Clawback. The Sign-On Bonus Advance and the Relocation Bonus shall be subject to clawback or repayment to the Company in full if you are terminated by the Company for Cause or you voluntarily resign without Good Reason, in either case before the second anniversary of the Start Date.

7. Equity Awards. Subject to this Section 7 and subject to the approval of the Company's Board of Directors (the "***Board***") or the Compensation Committee, we will recommend that you be granted equity awards as follows:

   a. New-Hire RSU. On the first regularly scheduled new hire grant date following your Start Date (the "***New-Hire RSU Grant Date***"), the Company will grant you a restricted stock unit award to acquire such number of shares of the Company's common stock equal to Six Million, Seven Hundred Thousand Dollars ($6,700,000.00) divided by the average daily closing price of the Company's common stock on the New York Stock Exchange for the twenty (20) trading days ending on the third trading day immediately prior to the Grant Date, rounded up to the nearest whole share (the "***New- Hire RSU***") under the Company's 2021 Equity Incentive Plan (the "***Equity Plan***"). The New-Hire RSU will vest as follows: 25% of the shares subject to the New-Hire RSU shall vest and settle on the one year anniversary of the Start Date, and the remaining shares will vest and settle in equal quarterly installments thereafter over the next twelve (12) quarters; provided that, subject to Section 9 below, vesting will be contingent on your continued employment with the Company on the applicable time-based vesting dates, and will be subject to the terms and conditions of the Equity Plan and the Company's standard form of restricted stock unit award agreement as approved by the Compensation Committee for use under the Equity Plan (the "***Standard RSU Agreement***"), and this Agreement.

   b. Fiscal Year 2021 PRSU Award. Also on the first regularly scheduled new hire grant date following your Start Date (the "***PRSU Award Grant Date***") the Company will grant you a Fiscal Year 2021 Performance-Based Restricted Stock Unit ("PRSU") Award to acquire such number of shares of the Company's common stock equal to Three Million Dollars ($3,000,000) (the "Fiscal 2021 PRSU Award"). The Fiscal Year 2021 PRSU Award shall be subject to the same performance metrics and vesting schedule as the Fiscal Year 2021 performance restricted stock units granted to other senior executives of the Company. For purposes of determining performance under the Fiscal 2021 PRSU Award, the performance period and award determination will not be pro-rated based on your Start Date being after January 1, 2021 and otherwise will be deemed Subject to Section 9 below. Vesting will depend on your continued employment by the Company on the applicable performance-based vesting dates, and will be subject to the terms and conditions of the written agreement governing such grant, the Equity Plan and this Agreement.

   c. Future Equity. You shall be eligible for future equity grants as determined by and pursuant to the terms established by the Compensation Committee.

8. Definitions. As used in this Agreement, the following terms have the following meanings.

a. Cause. For purposes of this Agreement, "***Cause***" for the Company to terminate your employment hereunder shall mean the occurrence of any of the following events, as determined by the Company in its sole and absolute discretion:

i. your conviction of, or plea of nolo contendere to, any felony or any crime involving fraud, dishonesty or moral turpitude;

ii. your commission of or participation in a fraud or act of dishonesty against the Company that results in (or would reasonably be expected to result in) material harm to the business of the Company;

iii. your intentional, material violation of any contract or agreement between you and the Company or any statutory duty you owe to the Company or the improper disclosure of confidential information (as defined in the Company's standard confidentiality agreement);

iv. your conduct that constitutes gross insubordination or habitual neglect of duties and that results in (or would reasonably be expected to result in) material harm to the business of the Company;

v. your material failure to perform the duties of your position as Chief Talent Officer;

vi. your material failure to follow the Company's material policies; or

vii. your failure to cooperate with the Company in any investigation or formal proceeding;

provided, however, that the action or conduct described in clauses (iii), (iv), (v), (vi) and (vii) above will constitute "Cause" only if such action or conduct continues after the Company has provided you with written notice thereof and thirty (30) days to cure the same if such action or conduct is curable.

b. Change in Control. For purposes of this Agreement, "***Change in Control***" means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events (excluding in any case transactions in which the Company or its successors issues securities to investors primarily for capital raising purposes):

i. the acquisition by a third party of securities of the Company representing fifty percent (50%) or more of the combined voting power of the Company's then outstanding securities other than by virtue of a merger, consolidation or similar transaction;

ii. a merger, consolidation or similar transaction following which the stockholders of the Company immediately prior thereto do not own at least fifty percent (50%) of the combined outstanding voting power of the surviving entity (or that entity's parent) in such merger, consolidation or similar transaction;

iii. the dissolution or liquidation of the Company; or

iv. the sale, lease, exclusive license or other disposition of all or substantially all of the assets of the Company.

Notwithstanding any of the foregoing, any transaction or transactions effected solely for purposes of changing the Company's domicile will not constitute a Change in Control pursuant to the foregoing definition.

c. COBRA. For purposes of this Agreement, "***COBRA***" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

d. Code. For purposes of this Agreement, "***Code***" means the Internal Revenue Code of 1986, as amended.

e. Disability. For purposes of this Agreement, "***Disability***" shall have that meaning set forth in Section 22(e)(3) of the Code.

f. Good Reason. For purposes of this Agreement, "***Good Reason***" for you to terminate your employment hereunder shall mean the occurrence of any of the following events without your consent:

i. any material diminution in your title, authority, duties or responsibilities as in effect immediately prior to such reduction or a material diminution in the authority, duties or responsibilities of the person to whom you are required to report;

ii. a material reduction by the Company in your annual Base Salary or Annual Target Bonus, as initially set forth herein or as increased thereafter; provided, however, that Good Reason shall not be deemed to have occurred in the event of a reduction in your annual Base Salary or Annual Target Bonus that is pursuant to a salary or bonus reduction program affecting substantially all of the employees of the Company or substantially all similarly situated executive employees and that does not adversely affect you to a greater extent than other similarly situated employees;

iii. a relocation of your business office to a location that would increase your one-way commute distance by more than thirty-five (35) miles from the location at which you principally performed your duties immediately prior to the relocation, except for required travel by you on the Company's business to an extent substantially consistent with your business travel obligations prior to the relocation; or

iv. failure of a successor entity to assume this Agreement;

provided, however, that, any such termination by you shall only be deemed for Good Reason pursuant to this definition if: (1) you give the Company written notice of your intent to resign for Good Reason within ninety (90) days following the first occurrence of the condition(s) that you believe constitute(s) Good Reason, which notice shall describe such condition(s); (2) the Company fails to remedy such condition(s) within thirty (30) days following receipt of the written notice (the "***Cure Period***"); and (3) you voluntarily resign your employment within one hundred twenty (120) days following the end of the Cure Period.

9. Effect of Termination of Employment.

a. Termination by the Company for Cause, Death or Disability or Resignation without Good Reason. In the event your employment is terminated by the Company for Cause, your employment terminates due to your death or Disability (which termination may be implemented by written notice by the Company if you have a Disability), or you resign your employment other than for Good Reason, you will be paid only: (i) any earned but unpaid Base Salary; (ii) except in the case of termination for Cause or resignation without Good Reason, the amount of any Actual Bonus earned and payable from a prior bonus period which remains unpaid by the Company as of the date of the termination of employment determined in good faith in accordance with customary practice, to be paid at the same time as bonuses are paid for that period to other eligible executives; (iii) other unpaid and then-vested amounts, including any amount payable to you under the specific terms of any agreements, plans or awards, including insurance and health and benefit plans in which you participate, unless otherwise specifically provided in this Agreement; and (iv) reimbursement for all reasonable and necessary expenses incurred by you in connection with your performance of services on behalf of the Company in accordance with applicable Company policies and guidelines, in each case as of the effective date of such termination of employment (the "***Accrued Compensation***").

b. Termination without Cause or Resignation for Good Reason, Absent a Change in Control.

i. If, prior to and including the one year anniversary of the Start Date, the Company terminates your employment without Cause or you resign your employment for Good Reason, in either case not in connection with a Change in Control (which is dealt with in Section 9(c) below), provided that (except with respect to the Accrued Compensation) you deliver to the Company a signed general release of claims in favor of the Company on the Company's standard form of release (the "***Release***") and satisfy all conditions to make the Release effective within sixty (60) days following your termination of employment, then, you shall be entitled to:

1.the Accrued Compensation;

2. a lump sum payment equal to twelve (12) months of your then-current Base Salary, less required deductions and withholdings;

3. a lump sum payment equal to one hundred percent (100%) of your Actual Bonus for the then-current fiscal year based on: (x) actual achievement of Company performance objectives and (y) deemed 100% achievement of personal performance objectives, if any, less any quarterly payment previously paid, if any, subject to required deductions and withholdings and paid when annual bonuses are otherwise paid to active employees, but no later than March 15 of the year following the year in which the termination of employment occurs;

4. a payment of the COBRA premiums (or reimbursement to you of such premiums) for continued health coverage for you and your dependents for a period of twelve (12) months; and

5. 12 months of accelerated vesting of your outstanding equity awards.

ii. If, following the one year anniversary of the Start Date, the Company terminates your employment without Cause or you resign your employment for Good Reason, in either case not in connection with a Change in Control (which is dealt with in Section 9(c) below), provided that (except with respect to the Accrued Compensation) you deliver to the Company a signed general release of claims in favor of the Company on the Company's standard form of release (the "***Release***") and satisfy all conditions to make the Release effective within sixty (60) days following your termination of employment, then, you shall be entitled to:

1. the Accrued Compensation; and

2. a lump sum payment equal to six (6) months of your then-current Base Salary, less required deductions and withholdings;

3. a lump sum payment equal to fifty percent (50%) of your Actual Bonus for the then-current fiscal year based on: (x) actual achievement of Company performance objectives and (y) deemed 100% achievement of personal performance objectives, if any, less any quarterly payment previously paid, if any, subject to required deductions and withholdings and paid when annual bonuses are otherwise paid to active employees, but no later than March 15 of the year following the year in which the termination of employment occurs; and

4. a payment of the COBRA premiums (or reimbursement to you of such premiums) for continued health coverage for you and your dependents for a period of six (6) months.

c. <u>Termination without Cause or Resignation for Good Reason, in Connection with a Change in Control</u>. In the event a Change in Control occurs and if the Company terminates your employment without Cause or if you resign your employment for Good Reason, in either case within the period beginning three (3) months before, and ending twelve (12) months following, such Change in Control; and provided that (except with respect to the Accrued Compensation) you deliver to the Company the signed Release and satisfy all conditions to make the Release effective within sixty (60) days following your termination of employment, then, (in lieu of any benefits pursuant to Section 9(b)), you shall be entitled to:

i. the Accrued Compensation;

ii. a lump sum payment equal to six (6) months of your then-current Base Salary, less required deductions and withholdings;

iii. a lump sum payment equal to one hundred percent (100%) of your Annual Target Bonus for the then-current fiscal year less any quarterly payment previously paid, if any, subject to required deductions and withholdings;

iv. a payment of the COBRA premiums (or reimbursement to you of such premiums) for continued health coverage for you and your dependents for a period of six (6) months; and

v. immediate acceleration of one hundred percent (100%) of the number of then-unvested shares subject to equity grants, unless otherwise provided (and to the extent specified) by the terms of such grants.

d. Miscellaneous. For the avoidance of doubt, the benefits payable pursuant to Sections 9(b) through (c) are mutually exclusive and not cumulative. All lump sum payments provided in this Section 9 shall be made no later than the 60th day following your termination of employment (unless explicitly provided otherwise above). In addition, Sections 9(b) and 9(c) and the benefits conferred therein shall expire and terminate on the third (3rd) anniversary of the Start Date. Notwithstanding anything to the contrary in this Agreement, (i) any reference herein to a termination of your employment is intended to constitute a "separation from service" within the meaning of Section 409A of the Code, and Section 1.409A-1(h) of the regulations promulgated thereunder, and shall be so construed, and (ii) no payment will be made or become due to you during any period that you continue in a role with the Company that does not constitute a separation from service, and will be paid once you experience a "separation from service" from the Company within the meaning of Section 409A of the Code. In addition, notwithstanding anything to the contrary in this Agreement, upon a termination of your employment, you agree to resign prior to the time you deliver the Release from all positions you may hold with the Company and any of its subsidiaries or affiliated entities at such time, and no payment will be made or become due to you until you resign from all such positions, unless requested otherwise by the Board.

10. Parachute Payments. In the event that the severance and other benefits provided for in this Agreement or otherwise payable to you (i) constitute "parachute payments" within the meaning of Section 280G of the Code and (ii) but for this Section, would be subject to the excise tax imposed by Section 4999 of the Code, then, at your discretion, your severance and other benefits under this Agreement shall be payable either (i) in full, or (ii) as to such lesser amount which would result in no portion of such severance and other benefits being subject to the excise tax under Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Section 4999, results in the receipt by you on an after-tax basis, of the greatest amount of severance benefits under this Agreement, notwithstanding that all or some portion of such severance benefits may be taxable under Section 4999 of the Code. Any reduction shall be made in the following manner: first a pro-rata reduction of (i) cash payments subject to Section 409A of the Code as deferred compensation and (ii) cash payments not subject to Section 409A of the Code, and second a pro rata cancellation of (i) equity-based compensation subject to Section 409A of the Code as deferred compensation and (ii) equity-based compensation not subject to Section 409A of the Code, with equity all being reduced in reverse order of vesting and equity not subject to treatment under Treasury regulation 1.280G- Q & A 24(c) being reduced before equity that is so subject. Unless the Company and you otherwise agree in writing, any determination required under this Section shall be made in writing by the Company's independent public accountants (the "***Accountants***"), whose determination shall be conclusive and binding upon you and the Company for all purposes. For purposes of making the calculations required by this Section, the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and you shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section. The Accountants shall deliver to the Company and you sufficient documentation for you to rely on it for purpose of filing your tax returns. The Company shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Section.

11. Section 409A. To the extent (i) any payments to which you become entitled under this Agreement, or any agreement or plan referenced herein, in connection with your termination of employment with the Company constitute deferred compensation subject to Section 409A of the Code and (ii) you are deemed at the time of such termination of employment to be a "specified" employee under Section 409A of the Code, then such payment or payments shall not be made or commence until the earlier of (i) the expiration of the six (6)-month period measured from the date of your "separation from service" (as such term is at the time defined in regulations under Section 409A of the Code) with the Company; or (ii) the date of your death following such separation from service; provided, however, that such deferral shall only be effected to the extent required to avoid adverse tax treatment to you, including (without limitation) the additional twenty percent (20%) tax for which you would otherwise be liable under Section 409A(a)(1)(B) of the Code in the absence of such deferral. Upon the expiration of the applicable deferral period, any payments which would have otherwise been made during that period (whether in a single sum or in installments) in the absence of this paragraph shall be paid to you or your beneficiary in one lump sum (without interest).

    Except as otherwise expressly provided herein, to the extent any expense reimbursement or the provision of any in-kind benefit under this Agreement (or otherwise referenced herein) is determined to be subject to (and not exempt from) Section 409A of the Code, the amount of any such expenses eligible for reimbursement, or the provision of any in-kind benefit, in one calendar year shall not affect the expenses eligible for reimbursement or in kind benefits to be provided in any other calendar year, in no event shall any expenses be reimbursed after the last day of the calendar year following the calendar year in which you incurred such expenses, and in no event shall any right to reimbursement or the provision of any in-kind benefit be subject to liquidation or exchange for another benefit.

    To the extent that any provision of this Agreement is ambiguous as to its exemption or compliance with Section 409A, the provision will be read in such a manner so that all payments hereunder are exempt from Section 409A to the maximum permissible extent, and for any payments where such construction is not tenable, that those payments comply with Section 409A to the maximum permissible extent. To the extent any payment under this Agreement may be classified as a "short-term deferral" within the meaning of Section 409A, such payment shall be deemed a short-term deferral, even if it may also qualify for an exemption from Section 409A under another provision of Section 409A. Payments pursuant to this Agreement (or referenced in this Agreement), and each installment thereof, are intended to constitute separate payments for purposes of Section 1.409A-2(b)(2) of the regulations under Section 409A.

12. At Will Employment. Employment with the Company is for no specific period of time. Your employment with the Company will be "at will," meaning that either you or the Company may terminate your employment at any time, with or without cause, and with or without advance notice. Any contrary representations that may have been made to you are superseded by this Agreement. This is the full and complete agreement between you and the Company on this term. Although your compensation and benefits, as well as the Company's personnel policies and procedures, may change from time to time, the "at will" nature of your employment may only be changed in an express written agreement signed by you and a duly authorized officer of the Company (other than you).

13. Confidential Information and Other Company Policies. You will be bound by and comply fully with the Company's standard confidentiality agreement (a form of which was been provided to you), insider trading policy, code of conduct, and any other policies and programs adopted by the Company regulating the behavior of its employees, as such policies and programs may be amended from time to time to the extent the same are not inconsistent with this Agreement, unless you consent to the same at the time of such amendment.

14. Company Records and Confidential Information.

    a. Records. All records, files, documents and the like, or abstracts, summaries or copies thereof, relating to the business of the Company or the business of any subsidiary or affiliated companies, which the Company or you prepare or use or come into contact with, will remain the sole property of the Company or the affiliated or subsidiary company, as the case may be, and will be promptly returned upon termination of employment.

b. Confidentiality. You acknowledge that you have acquired and will acquire knowledge regarding confidential, proprietary and/or trade secret information in the course of performing your responsibilities for the Company, and you further acknowledge that such knowledge and information is the sole and exclusive property of the Company. You recognize that disclosure of such knowledge and information, or use of such knowledge and information, to or by a competitor could cause serious and irreparable harm to the Company.

15. Indemnification. You and the Company will enter into the form of indemnification agreement provided to other similarly situated officers of the Company.

16. Arbitration. You and the Company agree to submit to mandatory binding arbitration, in Santa Clara County, California, before a single neutral arbitrator, any and all claims arising out of or related to this Agreement and your employment with the Company and the termination thereof, except that each party may, at its or his option, seek injunctive relief in court prior to such arbitration proceeding pursuant to applicable law. YOU AND THE COMPANY HEREBY WAIVE ANY RIGHTS TO TRIAL BY JURY IN REGARD TO SUCH CLAIMS. This agreement to arbitrate does not restrict your right to file administrative claims you may bring before any government agency where, as a matter of law, the parties may not restrict your ability to file such claims (including, but not limited to, the National Labor Relations Board, the Equal Employment Opportunity Commission and the Department of Labor). However, you and the Company agree that, to the fullest extent permitted by law, arbitration shall be the exclusive remedy for the subject matter of such administrative claims. The arbitration shall be conducted through the American Arbitration Association (the "***AAA***"). The arbitrator shall issue a written decision that contains the essential findings and conclusions on which the decision is based. The arbitration will be conducted in accordance with the AAA employment arbitration rules then in effect. The AAA rules may be found and reviewed at http://www.adr.org. If you are unable to access these rules, please let me know and I will provide you with a hardcopy. The parties acknowledge that they are hereby waiving any rights to trial by jury in any action, proceeding or counterclaim brought by either of the parties against the other in connection with any matter whatsoever arising out of or in any way connected with this Agreement.

17. Compensation Recoupment. All amounts payable to you hereunder shall be subject to recoupment pursuant to the Company's current compensation recoupment policy, and any additional compensation recoupment policy or amendments to the current policy adopted by the Board from time to time hereafter, as allowed by applicable law.

18. Miscellaneous.

a. Employment Eligibility Verification. For purposes of federal immigration law, you will be required to provide to the Company documentary evidence of your identity and eligibility for employment in the United States. Such documentation must be provided to us within three (3) business days of your Start Date, or our employment relationship with you may be terminated.

b. Background Check. This offer is contingent upon successful completion of a criminal background check and a standard pre-employment drug test, if applicable. The Company reserves the right to withdraw its job offer based on information discovered during the pre-employment screening process. Until you have been informed in writing by the Company that such checks have been completed and the results satisfactory, you should defer reliance on this offer.

c. At-Will Employment, Confidential Information and invention Assignment Agreement and Arbitration Agreement. This offer is also contingent on you signing the Company's At-Will Employment, Confidential Information and Invention Assignment Agreement and Arbitration Agreement.

d. Absence of Conflicts; Competition with Prior Employer. You represent that your performance of your duties under this Agreement will not breach any other agreement as to which you are a party. You agree that you have disclosed to the Company all of your existing employment and/or business relationships, including, but not limited to, any consulting or advising relationships, outside directorships, investments in privately held companies, and any other relationships that may create a conflict of interest. You are not to bring with you to the Company, or use or disclose to any person associated with the Company, any confidential or proprietary information belonging to any former employer or other person or entity with respect to which you owe an obligation of confidentiality under any agreement or otherwise. The Company does not need and will not use such information and we will assist you in any way possible to preserve and protect the confidentiality of proprietary information belonging to third parties. Also, we expect you to abide by any obligations to refrain from soliciting any person employed by or otherwise associated with any former employer and suggest that you refrain from having any contact with such persons until such time as any non-solicitation obligation expires.

e. Successors. This Agreement is binding on and may be enforced by the Company and its successors and permitted assigns and is binding on and may be enforced by you and your heirs and legal representatives. Any successor to the Company or substantially all of its business (whether by purchase, merger, consolidation or otherwise) will in advance assume in writing and be bound by all of the Company's obligations under this Agreement and shall be the only permitted assignee.

f. Notices. Notices under this Agreement must be in writing and will be deemed to have been given when personally delivered or two days after mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. Mailed notices to you will be addressed to you at the home address which you have most recently communicated to the Company in writing. Notices to the Company will be addressed to the CEO at the Company's corporate headquarters.

g. Waiver. No provision of this Agreement will be modified or waived except in writing signed by you and an officer of the Company duly authorized by its Board. No waiver by either party of any breach of this Agreement by the other party will be considered a waiver of any other breach of this Agreement.

h. Severability. In the event that any provision hereof becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision.

i. Withholding. All sums payable to you hereunder shall be reduced by all federal, state, local and other withholding and similar taxes and payments required by applicable law.

j. Entire Agreement. This Agreement represents the entire agreement between the parties concerning the subject matter herein and supersedes all prior agreements and understandings between you and the Company. It may be amended, or any of its provisions waived, only by a written document executed by both parties in the case of an amendment, or by the party against whom the waiver is asserted.

k. Governing Law. This Agreement will be governed by the laws of the State of California without reference to conflict of laws provisions.

l. Survival. The provisions of this Agreement shall survive the termination of your employment for any reason to the extent necessary to enable the parties to enforce their respective rights under this Agreement.

[SIGNATURE PAGE TO AGREEMENT FOLLOWS]

Please sign and date this Agreement, and return it to me if you wish to accept employment at the Company under the terms described above.

Best Regards,

/s/Bill McDermott

Bill McDermott
Chief Executive Officer
ServiceNow, Inc.

I, the undersigned, hereby accept and agree to the terms and conditions of my employment with the Company as set forth in this Agreement.

Accepted and agreed to this 18th day of June, 2021:

By: /s/ Jacqui Canney
Jacqui Canney

[SIGNATURE PAGE TO AGREEMENT]

EXHIBIT 31.1

CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, William R. McDermott, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ServiceNow, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 27, 2021

/s/ William R. McDermott

William R. McDermott
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Gina Mastantuono, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ServiceNow, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 27, 2021

/s/ Gina Mastantuono

Gina Mastantuono
Chief Financial Officer
(Principal Financial and Accounting Officer)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

I, William R. McDermott, Chief Executive Officer of ServiceNow, Inc. (the “Company”), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- the Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2021 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 27, 2021

/s/ William R. McDermott
William R. McDermott
President and Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to ServiceNow, Inc. and will be retained by it and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

I, Gina Mastantuono, Chief Financial Officer of ServiceNow, Inc. (the “Company”), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- the Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2021 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 27, 2021

/s/ Gina Mastantuono
Gina Mastantuono
Chief Financial Officer
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to ServiceNow, Inc. and will be retained by it and furnished to the Securities and Exchange Commission or its staff upon request.