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 June 30, 2024

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 **(State or other jurisdiction of incorporation or organization)**	**20-2056195** **(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 Exchange Act). Yes ☐ No ☒

As of June 30, 2024, there were approximately 206 million shares of the Registrant's Common Stock outstanding.

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PART I

ITEM 1. FINANCIAL STATEMENTS

SERVICENOW, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions, except number of shares which are reflected in thousands)

	June 30, 2024	December 31, 2023
Assets	(unaudited)	
Current assets:		
Cash and cash equivalents	$ 2,159	$ 1,897
Short-term investments	3,254	2,980
Accounts receivable, net	1,518	2,036
Current portion of deferred commissions	482	461
Prepaid expenses and other current assets	608	403
Total current assets	8,021	7,777
Deferred commissions, less current portion	928	919
Long-term investments	3,472	3,203
Property and equipment, net	1,606	1,358
Operating lease right-of-use assets	675	715
Intangible assets, net	220	224
Goodwill	1,239	1,231
Deferred tax assets	1,447	1,508
Other assets	599	452
Total assets	$ 18,207	$ 17,387
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 296	$ 126
Accrued expenses and other current liabilities	1,163	1,365
Current portion of deferred revenue	5,615	5,785
Current portion of operating lease liabilities	98	89
Total current liabilities	7,172	7,365
Deferred revenue, less current portion	85	81
Operating lease liabilities, less current portion	669	707
Long-term debt, net	1,488	1,488
Other long-term liabilities	127	118
Total liabilities	9,541	9,759
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.001 par value; shares authorized: 10,000; no shares issued or outstanding	—	—
Common stock, $0.001 par value; shares authorized: 600,000; shares issued: 206,967 and 205,619; shares outstanding: 205,857 and 204,724	—	—
Treasury stock, at cost (shares held: 1,110 and 895)	(704)	(535)
Additional paid-in capital	6,770	6,131
Accumulated other comprehensive loss	(78)	(37)
Retained earnings	2,678	2,069
Total stockholders' equity	8,666	7,628
Total liabilities and stockholders' equity	$ 18,207	$ 17,387

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 June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenues:				
Subscription	$ 2,542	$ 2,075	$ 5,065	$ 4,099
Professional services and other	85	75	165	147
Total revenues	2,627	2,150	5,230	4,246
Cost of revenues[1]:				
Subscription	469	389	910	743
Professional services and other	83	82	162	166
Total cost of revenues	552	471	1,072	909
Gross profit	2,075	1,679	4,158	3,337
Operating expenses[1]:				
Sales and marketing	960	832	1,883	1,655
Research and development	643	521	1,249	1,013
General and administrative	232	209	454	408
Total operating expenses	1,835	1,562	3,586	3,076
Income from operations	240	117	572	261
Interest income	104	74	205	134
Other expense, net	(10)	(17)	(18)	(33)
Income before income taxes	334	174	759	362
Provision for (benefit from) income taxes	72	(870)	150	(832)
Net income	$ 262	$ 1,044	$ 609	$ 1,194
Net income per share - basic	$ 1.27	$ 5.12	$ 2.97	$ 5.86
Net income per share - diluted	$ 1.26	$ 5.08	$ 2.93	$ 5.83
Weighted-average shares used to compute net income per share - basic	205,644	204,021	205,376	203,705
Weighted-average shares used to compute net income per share - diluted	207,799	205,351	207,740	204,690
Other comprehensive (loss) income:				
Foreign currency translation adjustments	$ (17)	$ —	$ (47)	$ 13
Unrealized loss on investments, net of tax	(3)	(21)	(16)	(2)
Unrealized gain on derivative instruments, net of tax	10	—	22	—
Other comprehensive (loss) income	(10)	(21)	(41)	11
Comprehensive income	$ 252	$ 1,023	$ 568	$ 1,205

(1) Includes stock-based compensation as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Cost of revenues:				
Subscription	$ 62	$ 50	$ 120	$ 96
Professional services and other	12	15	24	29
Operating expenses:				
Sales and marketing	141	120	275	246
Research and development	170	145	329	280
General and administrative	59	67	118	127

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 June 30, 2024								Three Months Ended June 30, 2023					
	Common Stock		Treasury Stock						Common Stock					
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at beginning of the period	**206,497**	**$ —**	**(1,115)**	**$ (707)**	**$ 6,466**	**$ 2,416**	**$ (68)**	**$ 8,107**	**203,740**	**$ —**	**$ 5,182**	**$ 488**	**$ (70)**	**$ 5,600**
Common stock and Treasury stock issued under employee stock plans	470	—	5	3	(3)	—	—	—	527	—	—	—	—	—
Taxes paid related to net share settlement of equity awards	—	—	—	—	(137)	—	—	(137)	—	—	(94)	—	—	(94)
Stock-based compensation	—	—	—	—	444	—	—	444	—	—	397	—	—	397
Other comprehensive loss, net of tax	—	—	—	—	—	—	(10)	(10)	—	—	—	—	(21)	(21)
Net income	—	—	—	—	—	262	—	262	—	—	—	1,044	—	1,044
Balance at end of the period	**206,967**	**$ —**	**(1,110)**	**$ (704)**	**$ 6,770**	**$ 2,678**	**$ (78)**	**$ 8,666**	**204,267**	**$ —**	**$ 5,485**	**$ 1,532**	**$ (91)**	**$ 6,926**

	Six Months Ended June 30, 2024								Six Months Ended June 30, 2023					
	Common Stock		Treasury Stock						Common Stock					
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at beginning of the period	**205,619**	**$ —**	**(895)**	**$ (535)**	**$ 6,131**	**$ 2,069**	**$ (37)**	**$ 7,628**	**202,882**	**$ —**	**$ 4,796**	**$ 338**	**$ (102)**	**$ 5,032**
Common stock and Treasury Stock issued under employee stock plans	1,348	—	10	6	125	—	—	131	1,385	—	117	—	—	117
Common stock repurchased	—	—	(225)	(175)	—	—	—	(175)	—	—	—	—	—	—
Taxes paid related to net share settlement of equity awards	—	—	—	—	(352)	—	—	(352)	—	—	(206)	—	—	(206)
Stock-based compensation	—	—	—	—	866	—	—	866	—	—	778	—	—	778
Other comprehensive (loss) income, net of tax	—	—	—	—	—	—	(41)	(41)	—	—	—	—	11	11
Net income	—	—	—	—	—	609	—	609	—	—	—	1,194	—	1,194
Balance at end of the period	**206,967**	**$ —**	**(1,110)**	**$ (704)**	**$ 6,770**	**$ 2,678**	**$ (78)**	**$ 8,666**	**204,267**	**$ —**	**$ 5,485**	**$ 1,532**	**$ (91)**	**$ 6,926**

See accompanying notes to condensed consolidated financial statements

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

	Six Months Ended June 30,	
	2024	**2023**
Cash flows from operating activities:		
Net income	$ 609	$ 1,194
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	266	262
Amortization of deferred commissions	263	218
Stock-based compensation	866	778
Deferred income taxes	52	(904)
Other	(25)	(2)
Changes in operating assets and liabilities, net of effect of business combinations:		
Accounts receivable	499	635
Deferred commissions	(306)	(280)
Prepaid expenses and other assets	(252)	(136)
Accounts payable	172	(90)
Deferred revenue	(92)	(89)
Accrued expenses and other liabilities	(91)	(104)
Net cash provided by operating activities	$ 1,961	$ 1,482
Cash flows from investing activities:		
Purchases of property and equipment	(397)	(297)
Business combinations, net of cash acquired	(41)	—
Purchases of other intangibles	(30)	—
Purchases of investments	(2,660)	(2,821)
Purchases of non-marketable investments	(88)	(46)
Sales and maturities of investments	2,113	1,953
Other	(2)	13
Net cash used in investing activities	$ (1,105)	$ (1,198)
Cash flows from financing activities:		
Proceeds from employee stock plans	131	117
Repurchases of common stock	(175)	—
Taxes paid related to net share settlement of equity awards	(352)	(206)
Business combination	(184)	—
Net cash used in financing activities	$ (580)	$ (89)
Foreign currency effect on cash, cash equivalents and restricted cash	(13)	—
Net change in cash, cash equivalents and restricted cash	263	195
Cash, cash equivalents and restricted cash at beginning of period	1,904	1,475
Cash, cash equivalents and restricted cash at end of period	$ 2,167	$ 1,670
Cash, cash equivalents and restricted cash at end of period:		
Cash and cash equivalents	$ 2,159	$ 1,663
Restricted cash included in prepaid expenses and other current assets	8	7
Total cash, cash equivalents and restricted cash shown in the condensed consolidated statements of cash flows	$ 2,167	$ 1,670
Supplemental disclosures of other cash flow information:		
Interest paid	$ 12	$ 12
Income taxes paid, net of refunds	112	63
Non-cash investing and financing activities:		
Property and equipment included in accounts payable, accrued expenses and other liabilities	70	38

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 was founded on a simple premise: to make work flow better. Our intelligent platform, the Now Platform, is a cloud-based solution with embedded artificial intelligence and machine learning capabilities that helps global enterprises across industries, universities and governments unify and digitize their workflows. Our workflow applications built on the Now Platform are organized along four primary areas: Technology, Customer and Industry, Employee and Creator. The products under each of our workflows help customers connect, automate and empower work across systems and silos to enable great outcomes for businesses and great experiences for people. The Now Platform orchestrates work across our customers' cloud platforms and systems of choice, allowing our customers to get work done regardless of their current and future preferred systems of record and collaboration platforms.

(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 United States ("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 condensed consolidated financial statements and footnote tables. The results of operations for the three and six months ended June 30, 2024 are not necessarily indicative of the results to be expected for the year ending December 31, 2024 or for other interim periods or future years. The condensed consolidated balance sheet as of December 31, 2023 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, 2023, which was filed with the SEC on January 25, 2024.

Principles of Consolidation

The accompanying 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.

In January 2024, we completed an assessment of the useful life of our data center equipment and determined we should increase the estimated useful life of data center equipment from four years to five years. This change in accounting estimate was effective beginning fiscal year 2024. Based on the carrying amount of data center equipment included in property and equipment, net as of December 31, 2023, the effect of this change in estimate for the three and six months ended June 30, 2024, was a reduction in depreciation expense of $28 million and $57 million, respectively, and an increase in net income of $21 million and $44 million, or $0.11 and $0.22 per share basic and $0.10 and $0.21 per share diluted, respectively.

Significant Accounting Policies

We have incorporated two updates to our significant accounting policies during the six months ended June 30, 2024. The first is the change in useful life of our data center equipment discussed above and the second is related to our cash flow hedging program initiated during the quarter ended March 31, 2024 to hedge a portion of our forecasted foreign currency denominated revenues as discussed below. There were no other updates 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, 2023.

Derivative Financial Instruments

Cash flow hedging

We record derivatives at fair value as either assets or liabilities on our condensed consolidated balance sheets. For derivative contracts entered into to hedge a portion of our forecasted foreign currency denominated revenues that are designated and qualify as cash flow hedges, the unrealized gain or loss on the derivative instrument is reported as a component of accumulated other comprehensive income (loss) and reclassified into earnings as subscription revenues when the hedged transaction affects earnings. Derivatives not designated as hedging instruments are adjusted to fair value through earnings as other expense, net in the period during which changes in fair value occur.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. We also formally assess, both at the inception of the hedge, and on an ongoing basis, whether each derivative is highly effective in offsetting changes in cash flows of the hedged item. Fluctuations in the value of the derivative instruments are generally offset by changes in the hedged item; however, if it is determined that a derivative is not highly effective as a hedge or if a derivative ceases to be a highly effective hedge, the Company will discontinue hedge accounting prospectively for the affected derivative.

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. We had one customer, a U.S. federal channel partner and systems integrator, that represented 17% of our accounts receivable balance as of June 30, 2024 and 10% of our total revenues for each of the three and six months ended June 30, 2024. Based on our periodic credit evaluations, there have been no historical collection concerns with this customer. There were no customers that individually exceeded 10% of our accounts receivable balance as of December 31, 2023 or our total revenues for each of the three and six months ended June 30, 2023. 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.

Revision of Prior Period Financial Statements

During the quarter ended June 30, 2024, the Company identified an immaterial error in the condensed consolidated statements of cash flows for the period ended March 31, 2024 relating to a misclassification between investing cash outflows and financing cash outflows. The second installment payment for a business combination completed during the quarter ended September 30, 2023, totaling $184 million, was incorrectly classified as an investing cash outflow instead of a financing cash outflow. The Company determined that the error was not material to any previously issued financial statements and will revise such error in its Quarterly Report on Form 10-Q for the three months ending March 31, 2025.

(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):

	June 30, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale debt securities:				
Commercial paper	$ 394	$ —	$ —	$ 394
Corporate notes and bonds	4,063	3	(15)	4,051
Certificates of deposit	70	—	—	70
U.S. government and agency securities	2,140	—	(11)	2,129
Mortgage-backed and asset-backed securities	101	—	(19)	82
Total available-for-sale debt securities	$ 6,768	$ 3	$ (45)	$ 6,726

	December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale debt securities:				
Commercial paper	$ 349	$ —	$ —	$ 349
Corporate notes and bonds	3,579	10	(13)	3,576
Certificates of deposit	94	—	—	94
U.S. government and agency securities	2,081	3	(6)	2,078
Mortgage-backed and asset-backed securities	102	—	(16)	86
Total available-for-sale debt securities	$ 6,205	$ 13	$ (35)	$ 6,183

As of June 30, 2024, 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-backed and asset-backed securities that do not have a single maturity, did not exceed 37 months. The fair values of available-for-sale debt securities, by remaining contractual maturity, are as follows (in millions):

	June 30, 2024
Due within 1 year	$ 3,254
Due in 1 year through 5 years	3,390
Instruments not due in single maturity	82
Total	$ 6,726

As of June 30, 2024 and December 31, 2023, the fair value of available-for-sale debt securities in a continuous unrealized loss position totaled $5,287 million and $3,731 million, respectively, the majority of which has been in a continuous unrealized loss position for less than 12 months. As of June 30, 2024, unrealized losses of $32 million from available-for-sale debt securities are from securities in a continuous unrealized loss position greater than 12 months.

For all available-for-sale debt securities that were in unrealized loss positions, we have determined that it is more likely than not we will hold the securities until maturity or a recovery of the cost basis. Unrealized losses on available-for-sale debt securities were due primarily to changes in market interest rates, and credit-related impairment losses were immaterial as of June 30, 2024.

Non-Marketable Equity Investments

As of June 30, 2024 and December 31, 2023, the total amount of non-marketable equity investments in privately held companies included in other assets on our condensed consolidated balance sheets was $346 million and $268 million, respectively. Our non-marketable equity investments are primarily accounted for using the measurement alternative, which measures the investments at cost, minus impairment, if any, plus or minus changes resulting from qualifying observable price changes resulting from the issuance of similar or identical securities in an orderly transaction by the same issuer. Determining whether an observed transaction is similar to a security within our portfolio requires judgment based on the rights and preferences of the securities. Recording upward and downward adjustments to the carrying value of our non-marketable equity investments as a result of observable price changes requires quantitative assessments of the fair value of our non-marketable equity investments using various valuation methodologies and involves the use of estimates. The adjustments made during the three and six months ended June 30, 2024 and 2023 were immaterial. We classify these fair value measurements as Level 3 within the fair value hierarchy.

(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 June 30, 2024 (in millions):

	Level 1	Level 2	Total
Cash equivalents:			
Money market funds	$ 1,114	$ —	$ 1,114
Commercial paper	—	127	127
Corporate notes and bonds	—	1	1
Deposits	333	—	333
U.S. government and agency securities	—	159	159
Marketable securities:			
Commercial paper	—	394	394
Corporate notes and bonds	—	4,051	4,051
Certificates of deposit	—	70	70
U.S. government and agency securities	—	2,129	2,129
Mortgage-backed and asset-backed securities	—	82	82
Total	$ 1,447	$ 7,013	$ 8,460

The following table presents our fair value hierarchy for our assets measured at fair value on a recurring basis as of December 31, 2023 (in millions):

	Level 1	Level 2	Total
Cash equivalents:			
Money market funds	$ 1,215	$ —	$ 1,215
Commercial paper	—	79	79
Corporate notes and bonds	—	2	2
Deposits	295	—	295
U.S. government and agency securities	—	4	4
Marketable securities:			
Commercial paper	—	349	349
Corporate notes and bonds	—	3,576	3,576
Certificates of deposit	—	94	94
U.S. government and agency securities	—	2,078	2,078
Mortgage-backed and asset-backed securities	—	86	86
Total	$ 1,510	$ 6,268	$ 7,778

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), pricing determined using inputs other than quoted prices that are observable either directly or indirectly (Level 2 inputs) or using unobservable inputs that are supported by little or no market activity (Level 3 inputs). Our non-marketable equity investments 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. Our marketable equity investments are classified within Level 1 and are immaterial as of June 30, 2024 and December 31, 2023.

(5) Business Combinations

On July 17, 2023, we acquired all outstanding shares of G2K Group GmbH, an artificial intelligence powered platform, for $465 million in a cash transaction. The consideration was paid in two installments, with the first payment made in July 2023 and the second payment made in February 2024. The acquisition is intended to enhance our Now Platform with the acquired smart Internet of Things technology, enabling businesses to intelligently action digital and in-store data with enterprise-grade workflows.

The purchase price was allocated based on the estimated fair value of the developed technology intangible asset of $75 million (six-year estimated useful life), net tangible liabilities of $1 million, deferred tax liabilities of $23 million and goodwill of $414 million, which is not deductible for income tax purposes.

Goodwill is primarily attributed to the value expected from synergies resulting from the business combination. The fair values assigned to tangible and intangible assets acquired, liabilities assumed and income taxes payable and deferred taxes are based on management's estimates and assumptions.

We have included the financial results of the business combination in the condensed consolidated financial statements from the date of acquisition, which were immaterial.

(6) Intangible Assets

Intangible assets, net consists of the following (in millions):

	June 30, 2024	December 31, 2023
Developed technology	$ 557	$ 516
Patents	73	72
Other	11	11
Intangible assets, gross	641	599
Less: accumulated amortization	(421)	(375)
Intangible assets, net	$ 220	$ 224

The weighted-average useful life of the acquired developed technology for the six months ended June 30, 2024 and 2023 was approximately five years. Amortization expense for intangible assets for the three months ended June 30, 2024 and 2023 was $24 million and $22 million, respectively, and for the six months ended June 30, 2024 and 2023 was $48 million and $42 million, respectively.

The following table presents the estimated future amortization expense related to intangible assets held at June 30, 2024 (in millions):

Years Ending December 31,	
Remainder of 2024	$ 44
2025	72
2026	42
2027	27
2028	23
Thereafter	12
Total future amortization expense	$ 220

(7) Property and Equipment

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

	June 30, 2024	December 31, 2023
Computer equipment	$ 2,449	$ 2,136
Computer software	104	96
Leasehold and other improvements	316	292
Furniture and fixtures	87	86
Construction in progress	24	33
Property and equipment, gross	2,980	2,643
Less: Accumulated depreciation	(1,374)	(1,285)
Property and equipment, net	$ 1,606	$ 1,358

Construction in progress consists of costs primarily related to leasehold and other improvements. Depreciation expense for each of the three months ended June 30, 2024 and 2023 was $88 million, and for the six months ended June 30, 2024 and 2023 was $168 million and $169 million, respectively.

(8) Derivative Contracts

Derivatives Designated as Hedging Instruments

We entered into forward contracts to hedge a portion of our forecasted foreign currency denominated revenues during the three and six months ended June 30, 2024. These forward contracts are recorded at fair value and have maturities of up to 34 months. As of June 30, 2024, we had outstanding cash flow hedges with total notional values of $1.6 billion. We classify cash flows related to our cash flow hedges as operating activities in our condensed consolidated statements of cash flows.

The total gross fair values of derivatives designated as hedging instruments recorded within the condensed consolidated balance sheets were as follows (in millions):

Condensed Consolidated Balance Sheets Location	June 30, 2024 Fair Value
Prepaid expenses and other current assets	$ 19
Other assets	$ 9

As of June 30, 2024, we had net derivative gains on our forward contracts of $28 million in accumulated other comprehensive income (loss), of which approximately $19 million is expected to be recognized in subscription revenues within the next 12 months.

To receive hedge accounting treatment, all hedging relationships are formally documented at the inception of the hedge and the hedges must be highly effective in offsetting changes to future cash flows on hedged transactions. We evaluate hedge effectiveness at the inception of the hedge prospectively, and on an ongoing basis both retrospectively and prospectively. We report changes in fair value of these cash flow hedges as a component of accumulated other comprehensive income (loss) and subsequently reclassify into earnings in the same period the forecasted transaction affects earnings. Amounts reclassified to subscription revenues totaled $5 million for the three and six months ended June 30, 2024. There was no ineffectiveness in the Company's cash flow hedging program for the three and six months ended June 30, 2024.

Derivatives not Designated as Hedging Instruments

Our derivatives not designated as hedging instruments consist of foreign currency forward contracts that we primarily use to hedge monetary assets and liabilities denominated in non-functional currencies. These foreign currency forward contracts are recorded at fair value and have maturities of 12 months or less. The changes in the fair value of these contracts are recorded in other expense, net on the condensed consolidated statements of comprehensive income. As of June 30, 2024 and December 31, 2023, we had foreign currency forward contracts with total notional values of $2.2 billion and $1.7 billion, respectively, which were not designated as hedging instruments. The gross fair value of these foreign currency forward contracts was immaterial as of June 30, 2024 and December 31, 2023. The gains (losses) recognized for these foreign currency forward contracts from derivatives not designated as hedging instruments were immaterial for each of the three and six months ended June 30, 2024 and 2023.

All of our foreign currency forward contracts, both designated and not designated as hedging instruments, 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.

(9) Deferred Revenue and Performance Obligations

Revenues recognized from beginning period deferred revenue during the three months ended June 30, 2024 and 2023 were $2.4 billion and $1.9 billion, respectively, and $3.9 billion and $3.2 billion for the six months ended June 30, 2024 and 2023, 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-cancellable 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 June 30, 2024, the total non-cancellable RPO under our contracts with customers was $18.6 billion and we expect to recognize revenues on approximately 47% of these RPO over the following 12 months. The majority of the non-current RPO will be recognized over the next 13 to 36 months.

(10) Debt

For each of the periods ended June 30, 2024 and December 31, 2023, the carrying value of our outstanding debt was $1,488 million, net of unamortized debt discount and issuance costs of $12 million.

We consider the fair value of the 2030 Notes at June 30, 2024 and December 31, 2023 to be a Level 2 measurement. The estimated fair value of the 2030 Notes based on the closing trading price per $100, was $1,219 million and $1,236 million at June 30, 2024 and December 31, 2023, respectively.

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 $13 million for debt issuance costs. The effective interest rate for the 2030 Notes was 1.53% and included interest payable, amortization of debt issuance cost and amortization of debt discount. 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 our 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.

(11) Accumulated Other Comprehensive Income (Loss)

The following tables show the components of accumulated other comprehensive income (loss), net of tax, in the stockholders' equity section of our condensed consolidated balance sheets (in millions):

	Unrealized Gains (Losses) on Derivative Instruments	Unrealized Gains (Losses) on Investments	Foreign Currency Translation Adjustment	Total
Balance as of December 31, 2023	$ —	$ (39)	$ 2	$ (37)
Other comprehensive income (loss) before reclassifications	27	(16)	(47)	(36)
Amounts reclassified from accumulated other comprehensive loss	(5)			(5)
Net current period other comprehensive income (loss)	22	(16)	(47)	(41)
Balance as of June 30, 2024	$ 22	$ (55)	$ (45)	$ (78)

	Unrealized Gains (Losses) on Derivative Instruments	Unrealized Gains (Losses) on Investments	Foreign Currency Translation Adjustment	Total
Balance as of December 31, 2022	$ —	$ (77)	$ (25)	$ (102)
Other comprehensive income (loss) before reclassifications	—	(2)	13	11
Amounts reclassified from accumulated other comprehensive loss	—	—	—	—
Net current period other comprehensive income (loss)	—	(2)	13	11
Balance as of June 30, 2023	$ —	$ (79)	$ (12)	$ (91)

(12) Stockholders' Equity

Common Stock

We are authorized to issue a total of 600 million shares of common stock as of June 30, 2024. Holders of our common stock are not entitled to receive dividends unless declared by our board of directors. As of June 30, 2024, we had 205.9 million shares of common stock, net of treasury stock, outstanding and had reserved shares of common stock for future issuance as follows (in thousands):

	June 30, 2024
Stock plans:	
Options outstanding	1,144
RSUs[1]	7,024
Shares of common stock available for future grants:	
Amended and Restated 2021 Equity Incentive Plan[2]	9,569
Amended and Restated 2012 Employee Stock Purchase Plan[2]	8,246
Total shares of common stock reserved for future issuance	25,983

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

We issued a total of 1.4 million shares for each of the six months ended June 30, 2024 and 2023 from stock option exercises, vesting of RSUs, net of employee payroll taxes, and purchases from the employee stock purchase plan ("ESPP").

Treasury Stock

In May 2023, our board of directors authorized a program to repurchase up to $1.5 billion of our common stock (the "Share Repurchase Program"). Under this new program, we may repurchase our common stock from time to time through open market purchases, in privately negotiated transactions, or by other means, including through the use of trading plans intended to qualify under Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, in accordance with applicable securities laws and other restrictions. The Share Repurchase Program does not have a fixed expiration date, may be suspended or discontinued at any time, and does not obligate us to acquire any amount of common stock. The timing, manner, price, and amount of any repurchases will be determined by us at our discretion and will depend on a variety of factors, including business, economic and market conditions, prevailing stock prices, corporate and regulatory requirements, and other considerations.

During the six months ended June 30, 2024, the Company repurchased 0.2 million shares of its common stock for $175 million. There were no share repurchases during the three months ended June 30, 2024. All repurchases were made in open market transactions. Repurchases of common stock are recognized as treasury stock and held for future issuance. As of June 30, 2024, approximately $787 million of the originally authorized amount under the Share Repurchase Program remained available for future repurchases.

(13) Equity Awards

We currently have three equity incentive plans: 2012 Equity Incentive Plan (the "2012 Plan"), amended and restated 2021 Equity Incentive Plan (the "2021 Plan") and 2022 New-Hire Equity Incentive Plan (the "2022 Plan"). The 2012 Plan was terminated in connection with the initial 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, as amended and restated, was approved by the shareholders on June 1, 2023 to increase shares available for future grants by approximately 10 million shares. Upon effectiveness of the 2021 Plan, as amended and restated, the 2022 Plan was terminated, and no additional awards under the 2022 Plan have been made since the amendment and restatement of the 2021 Plan. Outstanding equity awards under the 2022 Plan continue to be subject to the terms and conditions of the 2022 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”). The 2022 Plan permits the grant of any of the foregoing awards with the exception of incentive stock options. In addition, the 2022 Plan, 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.

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. The number of shares of common stock reserved for issuance will not be increased without shareholder approval.

Stock Options

A summary of stock option activity for the six months ended June 30, 2024 was as follows:

	Number of Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
	(in thousands)		(in years)	(in millions)
Outstanding at December 31, 2023	1,150	$ 603.30		
Exercised	(6)	$ 80.09		$ 3
Outstanding at June 30, 2024	1,144	$ 605.75	7.0	$ 207
Vested and expected to vest as of June 30, 2024	999	$ 595.23	6.9	$ 191
Vested and exercisable as of June 30, 2024	297	$ 418.38	5.9	$ 109

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 six months ended June 30, 2024 was $40 million. No stock options were granted during the six months ended June 30, 2024.

During the year ended December 31, 2021, a one-time long-term performance-based option award was granted to the Chief Executive Officer (“2021 CEO Performance Award”) and to certain executives (collectively “2021 Performance Awards”) under the 2021 Plan at a total grant date fair value of $232 million. The 2021 Performance Awards will vest in eight equal tranches based on service and achievement of both performance and market conditions, subject to continued employment and specifically for the 2021 CEO Performance Award, as CEO or Executive Chairman of the Company, through each vesting date. The performance and market conditions 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 but no earlier than two years from date of grant. The performance and market conditions must be achieved by September 30, 2026 (the “Performance Period”). The stock price metric will be achieved when both the 180-day volume weighted-average price (“VWAP”) and the 30-day VWAP equal or exceed the respective tranche stock price metric on any day during the Performance Period. The performance metric is achieved when the trailing four-quarter cumulative GAAP subscription revenues equal or exceed the respective tranche performance target. Shares acquired upon exercise of the options cannot be sold, transferred or disposed until after the end of the Performance Period and the 2021 Performance Awards will expire ten years from the respective date of grant. As of June 30, 2024, the first tranche was vested based on the achievement of both the performance and market conditions.

The fair value of the 2021 Performance Awards and the corresponding derived service periods were estimated using the Monte Carlo simulation. Stock-based compensation expense is recognized on a graded vesting basis over the requisite service period for each respective tranche, but not shorter than the two-year minimum service period, and includes an assessment of when it is probable the performance condition will be achieved, which involves a subjective assessment of our future financial projections.

As of June 30, 2024, total unrecognized compensation cost, adjusted for estimated forfeitures, related to unvested stock options was $15 million. The weighted-average remaining vesting period of unvested stock options at June 30, 2024 was approximately one year.

RSUs

A summary of RSU activity for the six months ended June 30, 2024 was as follows:

	Number of Shares	Weighted-Average Grant-Date Fair Value Per Share
	(in thousands)	
Outstanding at December 31, 2023	6,262	$ 506.77
Granted	2,605	$ 773.60
Vested	(1,557)	$ 523.45
Forfeited	(286)	$ 538.14
Outstanding at June 30, 2024	7,024	$ 600.75
Expected to vest as of June 30, 2024	6,185	

RSUs outstanding as of June 30, 2024 were comprised of 6.5 million RSUs with only service conditions and 0.5 million RSUs with both service and performance conditions, including certain RSUs with additional market conditions. The total intrinsic value of the RSUs vested was $1.2 billion for the six months ended June 30, 2024. As of June 30, 2024, the aggregate intrinsic value of RSUs outstanding was $5.5 billion and RSUs expected to vest was $4.9 billion.

PRSUs have service, performance and market vesting criteria. The ultimate number of shares eligible to vest range from 0% to 200%, subject to our board of directors compensation committee's approval of performance metrics achievement and, for certain PRSUs, total shareholder return relative to that of the S&P 500 index. The eligible shares subject to PRSUs granted during the six months ended June 30, 2024 will vest in one to three years contingent on each holder's continuous status as an employee on the applicable vesting dates. The number of PRSUs granted included 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 $79 million and $70 million of stock-based compensation, net of actual and estimated forfeitures, associated with PRSUs on a graded vesting basis during the six months ended June 30, 2024 and 2023, respectively.

As of June 30, 2024, total unrecognized compensation cost, adjusted for estimated forfeitures, related to unvested RSUs was $3.3 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 and ESPP obligations. Stock awards with performance or market conditions are included in dilutive shares to the extent all conditions are met. The potentially dilutive 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 and ESPP obligations are excluded from the computation of diluted net income per share in periods in which the effect would be antidilutive.

The following table presents the calculation of basic and diluted net income per share attributable to common stockholders (in millions, except for number of shares reflected in thousands and per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Numerator:				
Net income	$ 262	$ 1,044	$ 609	$ 1,194
Denominator:				
Weighted-average shares outstanding - basic	205,644	204,021	205,376	203,705
Weighted-average effect of potentially dilutive securities:				
Common stock options	137	119	140	115
RSUs	2,018	1,197	2,211	870
ESPP obligations	—	14	13	—
Weighted-average shares outstanding - diluted	207,799	205,351	207,740	204,690
Net income per share - basic	$ 1.27	$ 5.12	$ 2.97	$ 5.86
Net income per share - diluted	$ 1.26	$ 5.08	$ 2.93	$ 5.83
Common stock options, RSUs and ESPP obligations excluded from diluted net income per share because their effect would have been anti-dilutive	2,878	3,446	2,906	3,890

(15) Provision for (Benefit from) 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 $72 million and $150 million for the three and six months ended June 30, 2024, respectively. The income tax provision was primarily attributable to the mix of earnings and losses in countries with differing statutory tax rates, offset by excess tax benefits of stock-based compensation.

The income tax benefit was $870 million and $832 million for the three and six months ended June 30, 2023, respectively. The income tax benefit was primarily attributable to the release of the valuation allowance of certain U.S. federal and state deferred tax assets. We regularly assess the need for a valuation allowance against our deferred tax assets. In making that assessment, we consider both positive and negative evidence related to the likelihood of realization of the deferred tax assets to determine, based on the weight of available evidence, whether it is more likely than not that some or all of the deferred tax assets will not be realized. As of June 30, 2023, we achieved cumulative U.S. income during the prior twelve quarters when considering pre-tax income adjusted for permanent differences and other comprehensive losses. Based on all available positive and negative evidence, having demonstrated sustained profitability which is objective and verifiable, and taking into account anticipated future earnings, we concluded it is more likely than not that our U.S. federal and state deferred tax assets will be realizable, with the exception of California. We released $965 million of our valuation allowance during the three months ended June 30, 2023. As of June 30, 2024, we continue to maintain a valuation allowance against our California deferred tax assets due to the uncertainty regarding realizability of these deferred tax assets as they have not met the "more likely than not" realization criteria, particularly as we expect research and development tax credit generation to exceed our ability to use the credits in future years. We will continue to monitor the need for a valuation allowance against our deferred tax assets on a quarterly basis.

We are subject to taxation in the United States and foreign jurisdictions. As of June 30, 2024, our tax years 2004 to 2023 remain subject to examination in most jurisdictions.

Due to differing interpretations of tax laws and regulations, tax authorities may dispute our tax filing 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-cancellable 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 $32 million and $65 million for the three and six months ended June 30, 2024, respectively, and $32 million and $63 million for the three and six months ended June 30, 2023, respectively.

For the six months ended June 30, 2024 and 2023, total cash paid for amounts included in the measurement of operating lease liabilities was $41 million and $40 million, respectively. Operating lease liabilities arising from obtaining operating right-of-use assets totaled $14 million and $24 million for the six months ended June 30, 2024 and 2023, respectively.

As of June 30, 2024, the weighted-average remaining lease term is approximately nine years, and the weighted-average discount rate is 4%.

Maturities of operating lease liabilities as of June 30, 2024 are presented in the table below (in millions):

Remainder of 2024	$	57
2025		130
2026		106
2027		91
2028		86
Thereafter		421
Total operating lease payments		891
Less: imputed interest		(124)
Present value of operating lease liabilities	$	767

In addition to the amounts above, as of June 30, 2024, we have operating leases, primarily for offices, that have not yet commenced with undiscounted cash flows of $54 million. These operating leases are expected to commence between 2024 and 2025 with lease terms of four to ten years.

Other Commitments

Other contractual commitments primarily consist of data center and IT operations and sales and marketing activities related to our daily business operations. There were no material contractual obligations that were entered into during the six months ended June 30, 2024 that were outside the ordinary course of business. We have entered into various non-cancellable agreements with cloud service providers, under which we have committed to spend an aggregate of $805 million through 2029 on cloud services.

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

Further, $56 million of unrecognized tax benefits have been recorded as liabilities as of June 30, 2024.

Legal Proceedings

We are party to certain litigation and other legal proceedings. While legal proceedings are inherently unpredictable and subject to uncertainties, we do not believe the ultimate resolution of any such proceedings is likely to result in a material loss. 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.

On July 5, 2022, InQuisient Inc. ("Plaintiff") filed a complaint against ServiceNow, Inc. in the U.S. District Court for the District of Delaware, alleging the Now Platform's use of relational databases infringes three of Plaintiff's patents. Plaintiff is seeking injunctive relief and unspecified damages. The Company filed an answer denying Plaintiff's allegations and asserts Plaintiff's patents are, among other things, invalid, not infringed and otherwise unenforceable. A trial date has been set for January 27, 2025. While the Company continues to vigorously defend this matter, we cannot predict the outcome with any degree of certainty. We are unable to reasonably estimate the possible loss or range of loss, if any.

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. For additional information regarding intellectual property litigation, see "Risk Factors—Lawsuits by third parties that allege we infringe their intellectual property rights could harm our business and operating results" and "Risk Factors—Our intellectual property protections may not provide us with a competitive advantage, and defending our intellectual property may result in substantial expenses that harm our operating results" included in our Annual Report on Form 10-K for the year ended December 31, 2023.

Other

As previously referenced in the Company's Form 10-Q for the quarter ended March 31, 2024, through its internal processes, the Company received a complaint that raised potential compliance issues related to one of its government contracts. The Company initiated an internal investigation, with the assistance of outside legal counsel, into the validity of these claims that concern the hiring of the Chief Information Officer of the U.S. Army as the Company's Head of Global Public Sector in March 2023. As a result of the investigation, the Company's Board of Directors determined that the Company's President and Chief Operating Officer and the hired individual violated Company policy regarding a possible conflict relating to such individual's hiring. On July 24, 2024, the Company and its President and Chief Operating Officer came to a mutual agreement that he would resign from all positions with the Company, effective immediately. The other individual also has departed the Company. The Company has informed the Department of Justice, the Department of Defense Office of Inspector General and the Army Suspension and Debarment Office of the investigation and is continuing to cooperate with the Department of Justice, which has commenced its own investigation into these matters. The Company cannot predict the timing, outcome or possible impact of the investigation.

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 June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
North America[(1)]	$ 1,665	$ 1,369	$ 3,302	$ 2,713
EMEA[(2)]	661	547	1,337	1,079
Asia Pacific and other	301	234	591	454
Total revenues	$ 2,627	$ 2,150	$ 5,230	$ 4,246

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

	June 30, 2024	December 31, 2023
North America[(3)]	$ 1,025	$ 871
EMEA[(2)]	390	312
Asia Pacific and other	191	175
Total property and equipment, net	$ 1,606	$ 1,358

(1) Revenues attributed to the United States were 94% of North America revenues for each of the three and six months ended June 30, 2024 and 2023.
(2) Europe, the Middle East and Africa ("EMEA").
(3) Property and equipment, net attributed to the United States were 76% and 79% of property and equipment, net attributable to North America as of June 30, 2024 and December 31, 2023, respectively.

Subscription revenues consist of the following (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Digital workflow products	$ 2,248	$ 1,836	$ 4,479	$ 3,626
ITOM products	294	239	586	473
Total subscription revenues	$ 2,542	$ 2,075	$ 5,065	$ 4,099

Our digital workflow products include most of our product offerings and are generally priced on a per user basis. Our remaining product offerings, primarily comprised of our IT Operations Management ("ITOM") products, are predominantly priced on a subscription unit basis.

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, 2023 included in the Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC"), on January 25, 2024. 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. 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 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 January 25, 2024 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 measure included in the section entitled "Key Business Metrics—Free Cash Flow," is not in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). This non-GAAP financial measure is not intended to be considered in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with GAAP. This measure may be different from non-GAAP financial measures used by other companies, limiting its 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.

Overview

ServiceNow was founded on a simple premise: to make work flow better. Our purpose is to make the world work better for everyone. Our intelligent platform, the Now Platform, is a cloud-based solution with embedded artificial intelligence and machine learning capabilities that helps global enterprises across industries, universities and governments unify and digitize their workflows. The Now Platform automates workflows across an entire enterprise by connecting disparate departments, systems and silos in a seamless way to unlock productivity and improve experiences for both employees and customers. Our workflow applications built on the Now Platform are organized along four primary areas: Technology, Customer and Industry, Employee and Creator. The transformation to digital operations, enabled by the Now Platform, increases our customers' resiliency and security and delivers great experiences and additional value to their C-suite, employees and consumers.

We are closely monitoring the Russian invasion of Ukraine and the current armed conflict in Israel and the Gaza Strip. While these events are still evolving and the outcomes remain highly uncertain, we do not believe these conflicts will have a material impact on our business and results of operations. However, if the conflicts continue or worsen, leading to greater global economic disruptions and uncertainty, our business and results of operations could be materially impacted. Our customers in these regions represented an immaterial portion of our net assets as of June 30, 2024 and December 31, 2023, and of our total consolidated revenues for each of the three and six months ended June 30, 2024 and 2023.

Additionally, other macroeconomic events, including higher interest rates, global inflation and bank failures, have led to economic uncertainty in the global economy. To mitigate risk, our cash and cash equivalents are distributed across several large financial institutions and are not concentrated in one financial institution. We have not experienced any impact to our liquidity or to our current and projected business operations and financial condition due to recent macroeconomic events. Further, we have policy restrictions on the types of securities that can be purchased as part of our available-for-sale debt securities portfolio. These restrictions take industry and company concentration limits into consideration among other things. Furthermore, the majority of our non-marketable equity investments do not have material relationships with any one financial institution, and therefore, we believe that our exposure to loss as a result of bank failure is immaterial. We will continue to monitor the direct and indirect impact of macroeconomic events on our business and financial results.

See the "Risk Factors" section in Part I, Item 1A of our Annual Report on Form 10-K filed with the SEC on January 25, 2024 for further discussion of the possible impact of conflicts and macroeconomic events on our business and financial results.

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-cancellable 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 June 30, 2024, our RPO was $18.6 billion, of which 47% represented cRPO. RPO and cRPO increased by 31% and 22%, respectively, compared to June 30, 2023. 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, with the highest number of agreements entered into 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 1,988 and 1,724 customers with ACV greater than $1 million as of June 30, 2024 and 2023, 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 plus cash outflows for legal settlements, repayments of convertible senior notes attributable to debt discount and business combination and other related costs including compensation expense, 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:

	Six Months Ended June 30,		
	2024	**2023**	**% Change**
	(dollars in millions)		
Free cash flow:			
Net cash provided by operating activities	$ 1,961	$ 1,482	32%
Purchases of property and equipment	(397)	(297)	34%
Business combination and other related costs	20	3	NM
Free cash flow	$ 1,584	$ 1,188	33%

NM - Not meaningful

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 renewals. 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. Our renewal rate was 98% and 99% for the three months ended June 30, 2024 and 2023, respectively, and 98% for each of the six months ended June 30, 2024 and 2023. 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.

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-cancellable 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 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 sales channel. Revenues from our direct sales organization represented 79% and 78% of our total revenues for the three and six months ended June 30, 2024, respectively, and 79% of our total revenues for each of the three and six months ended June 30, 2023. 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.

Seasonality. We have historically experienced seasonality in terms of when we enter into customer agreements. 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 of entering into customer agreements is sometimes 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. In addition, we continue to see an increase in the number of 12-month agreements entered into with the U.S. federal government throughout the year, with the highest number of agreements entered into in the third quarter driven primarily by the timing of their annual budget expenditures. This larger mix of contracts with 12-month renewal terms in the third quarter will generally cause variability in our RPO and cRPO in subsequent quarters until they are renewed. Although these seasonal factors may be common in the technology industry, historical patterns should not be considered a reliable indicator of our future sales activity or performance.

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 21% and 18% for the three and six months ended June 30, 2024, respectively, and 9% and 10% for the three and six months ended June 30, 2023, 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, 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, stock-based compensation, external legal, accounting and other professional services fees, other corporate expenses, amortization of intangible assets and allocated overhead.

Provision for (Benefit from) Income Taxes

Provision for (benefit from) income taxes consists of federal, state and foreign income taxes. Our income tax provision for the three and six months ended June 30, 2024 is primarily attributable to the mix of earnings and losses in countries with differing statutory tax rates, offset by excess tax benefits of stock-based compensation. We continue to maintain a valuation allowance against our California deferred tax assets due to the uncertainty regarding realizability of these deferred tax assets as they have not met the “more likely than not” realization criteria, particularly as we expect research and development tax credit generation to exceed our ability to use the credits in future years.

Comparison of the Three and Six Months Ended June 30, 2024 and 2023

Revenues

	Three Months Ended June 30,			Six Months Ended June 30,		
	2024	2023	% Change	2024	2023	% Change
	(dollars in millions)			(dollars in millions)		
Revenues:						
Subscription	$ 2,542	$ 2,075	23%	$ 5,065	$ 4,099	24%
Professional services and other	85	75	13%	165	147	12%
Total revenues	$ 2,627	$ 2,150	22%	$ 5,230	$ 4,246	23%
Percentage of revenues:						
Subscription	97%	97%		97%	97%	
Professional services and other	3%	3%		3%	3%	
Total	100%	100%		100%	100%	

Subscription revenues increased by $467 million and $966 million for the three and six months ended June 30, 2024, respectively, compared to the three and six months ended June 30, 2023, primarily driven by increased purchases by new and existing customers. Included in subscription revenues is $68 million and $48 million of revenues recognized upfront from the delivery of software associated with self-hosted offerings during the three months ended June 30, 2024 and 2023, respectively, and $194 million and $143 million during the six months ended June 30, 2024 and 2023, respectively.

We expect subscription revenues for the year ending December 31, 2024 to increase in absolute dollars and remain relatively flat as a percentage of revenue as we continue to add new customers and existing customers increase their usage of our products compared to the year ended December 31, 2023.

Our expectations for revenues, cost of revenues and operating expenses for the remainder of 2024 are based on the 30-day average of foreign exchange rates for June 30, 2024.

Subscription revenues consist of the following:

	Three Months Ended June 30,		% Change	Six Months Ended June 30,		% Change
	2024	2023		2024	2023	
	(dollars in millions)			(dollars in millions)		
Digital workflow products	$ 2,248	$ 1,836	22%	$ 4,479	$ 3,626	24%
ITOM products	294	239	23%	586	473	24%
Total subscription revenues	$ 2,542	$ 2,075	23%	$ 5,065	$ 4,099	24%

Our digital workflow products include most of our product offerings and are generally priced on a per user basis. Our remaining product offerings, primarily comprised of our IT Operations Management ("ITOM") products, are predominantly priced on a subscription unit basis.

Professional services and other revenues increased by $10 million and $18 million during the three and six months ended June 30, 2024, respectively, compared to the three and six months ended June 30, 2023, primarily 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, 2024 to increase in absolute dollars and to remain relatively flat as a percentage of revenue compared to the year ended December 31, 2023.

Cost of Revenues and Gross Profit Percentage

	Three Months Ended June 30,		% Change	Six Months Ended June 30,		% Change
	2024	2023		2024	2023	
	(dollars in millions)			(dollars in millions)		
Cost of revenues:						
Subscription	$ 469	$ 389	21%	$ 910	$ 743	22%
Professional services and other	83	82	1%	162	166	(2%)
Total cost of revenues	$ 552	$ 471	17%	$ 1,072	$ 909	18%
Gross profit (loss) percentage:						
Subscription	82%	81%		82%	82%	
Professional services and other	2%	(9%)		2%	(13%)	
Total gross profit percentage	79%	78%		80%	79%	
Gross profit	$ 2,075	$ 1,679		$ 4,158	$ 3,337	

Cost of subscription revenues increased by $80 million and $167 million for the three and six months ended June 30, 2024, respectively, compared to the three and six months ended June 30, 2023, primarily due to increased headcount and increased costs to support the growth of our subscription offerings including costs to support customers in regulated markets. Personnel-related costs, including stock-based compensation and overhead expenses, increased by $56 million and $115 million for the three and six months ended June 30, 2024, respectively, compared to the three and six months ended June 30, 2023. Expenses associated with software, maintenance, and other costs to support the expansion of our data center capacity increased by $21 million and $43 million for the three and six months ended June 30, 2024, respectively, compared to the three and six months ended June 30, 2023.

We expect our cost of subscription revenues for the year ending December 31, 2024 to increase in absolute dollars as we provide subscription services to more customers and increase usage within our customer instances but remain relatively flat as a percentage of revenue compared to the year ended December 31, 2023. We will continue to incur incremental costs to attract 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.

Our subscription gross profit percentage was 82% for each of the three and six months ended June 30, 2024 and 81% and 82% for the three and six months ended June 30, 2023, respectively. We expect our subscription gross profit percentage to remain relatively flat for the year ending December 31, 2024 compared to the year ended December 31, 2023.

Cost of professional services and other revenues increased by $1 million for the three months ended June 30, 2024 compared to the three months ended June 30, 2023. Cost of professional services and other revenues decreased by $4 million for the six months ended June 30, 2024 compared to the six months ended June 30, 2023 primarily due to decreased internal headcount resulting in a decrease in fixed personnel-related costs including stock-based compensation, partially offset by an increase in variable spending with strategic third-party partners.

Our professional services and other gross profit percentage improved to 2% for each of the three and six months ended June 30, 2024 compared to a gross loss percentage of 9% and 13% for the three and six months ended June 30, 2023, respectively, primarily due to an increase in revenue and a decrease in fixed personnel-related costs including stock-based compensation, as we execute our strategy to shift a portion of professional services to variable spending with strategic third-party partners. We expect our professional services and other gross profit percentage to improve for the year ending December 31, 2024 compared to the year ended December 31, 2023.

Sales and Marketing

	Three Months Ended June 30,			Six Months Ended June 30,		
	2024	**2023**	**% Change**	**2024**	**2023**	**% Change**
	(dollars in millions)			**(dollars in millions)**		
Sales and marketing	$ 960	$ 832	15%	$ 1,883	$ 1,655	14%
Percentage of revenues	37%	39%		36%	39%	

Sales and marketing expenses increased by $128 million and $228 million for the three and six months ended June 30, 2024, respectively, compared to the three and six months ended June 30, 2023, primarily due to increased headcount resulting in an increase in personnel-related costs including stock-based compensation and overhead expenses of $80 million and $141 million for the three and six months ended June 30, 2024, respectively, compared to the three and six months ended June 30, 2023. Amortization expenses associated with deferred commissions increased $20 million and $42 million for the three and six months ended June 30, 2024, respectively, compared to the three and six months ended June 30, 2023, primarily 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, marketing events and market data, increased by $19 million and $30 million for the three and six months ended June 30, 2024, respectively, compared to the three and six months ended June 30, 2023, primarily due to increased program costs and travel for our annual Sales Kickoff and Knowledge user conference.

We expect sales and marketing expenses for the year ending December 31, 2024 to increase in absolute dollars and to decrease as a percentage of revenue compared to the year ended December 31, 2023, as we continue to see leverage from increased sales productivity and marketing efficiencies.

Research and Development

	Three Months Ended June 30,		% Change	Six Months Ended June 30,		% Change
	2024	2023		2024	2023	
	(dollars in millions)			(dollars in millions)		
Research and development	$ 643	$ 521	23%	$ 1,249	$ 1,013	23%
Percentage of revenues	24%	24%		24%	24%	

Research and development ("R&D") expenses increased by $122 million and $236 million for the three and six months ended June 30, 2024, respectively, compared to the three and six months ended June 30, 2023, primarily due to increased headcount, resulting in an increase in personnel-related costs including stock-based compensation and overhead expenses of $100 million and $198 million for the three and six months ended June 30, 2024, respectively, compared to the three and six months ended June 30, 2023. Outside services increased $15 million and $21 million for the three and six months ended June 30, 2024, respectively, compared to the three and six months ended June 30, 2023. The remaining increase was primarily due to expenses associated with software, maintenance and other costs to support the expansion of our data center capacity of $7 million and $16 million for the three and six months ended June 30, 2024, respectively, compared to the three and six months ended June 30, 2023.

We expect R&D expenses for the year ending December 31, 2024 to increase in absolute dollars but remain relatively flat as a percentage of revenue compared to the year ended December 31, 2023, 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 June 30,		% Change	Six Months Ended June 30,		% Change
	2024	2023		2024	2023	
	(dollars in millions)			(dollars in millions)		
General and administrative	$ 232	$ 209	11%	$ 454	$ 408	11%
Percentage of revenues	9%	10%		9%	10%	

General and administrative ("G&A") expenses increased by $23 million and $46 million for the three and six months ended June 30, 2024, respectively, compared to the three and six months ended June 30, 2023, primarily due to an increase in non personnel-related costs and outside services of $18 million and $33 million for the three and six months ended June 30, 2024, respectively, compared to the three and six months ended June 30, 2023. The remaining increase was primarily due to increased headcount, resulting in an increase in personnel-related costs including stock-based compensation of $3 million and $8 million for the three and six months ended June 30, 2024, respectively, compared to the three and six months ended June 30, 2023.

We expect G&A expenses for the year ending December 31, 2024 to increase in absolute dollars but decrease slightly as a percentage of revenue compared to the year ended December 31, 2023, as we continue to see leverage from continued G&A productivity.

Stock-based Compensation

	Three Months Ended June 30,			Six Months Ended June 30,		
	2024	2023	% Change	2024	2023	% Change
	(dollars in millions)			(dollars in millions)		
Cost of revenues:						
Subscription	$ 62	$ 50	24%	$ 120	$ 96	25%
Professional services and other	12	15	(20%)	24	29	(17%)
Operating expenses:						
Sales and marketing	141	120	18%	275	246	12%
Research and development	170	145	17%	329	280	18%
General and administrative	59	67	(12%)	118	127	(7%)
Total stock-based compensation	$ 444	$ 397	12%	$ 866	$ 778	11%
Percentage of revenues	17%	18%		17%	18%	

Stock-based compensation increased by $47 million and $88 million for the three and six months ended June 30, 2024, respectively, compared to the three and six months ended June 30, 2023, 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 June 30, 2024, we expect stock-based compensation to continue to increase in absolute dollars for the year ending December 31, 2024 as we continue to issue stock-based awards to our employees, but decrease slightly as a percentage of revenue compared to the year ended December 31, 2023. We expect stock-based compensation as a percentage of revenue 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% of total revenues for each of the three and six months ended June 30, 2024, and 36% for each of the three and six months ended June 30, 2023.

We primarily transact in certain foreign currencies for sales outside of the United States. The general strengthening of the U.S. Dollar relative to certain major foreign currencies had an immaterial unfavorable impact on our revenues for the three and six months ended June 30, 2024.

In addition, because we primarily transact in several foreign currencies for cost of revenues and operating expenses outside of the United States, the general strengthening of the U.S. Dollar relative to certain major foreign currencies had an immaterial favorable impact on our expenses for the three and six months ended June 30, 2024.

Interest Income

	Three Months Ended June 30,			Six Months Ended June 30,		
	2024	2023	% Change	2024	2023	% Change
	(dollars in millions)			(dollars in millions)		
Interest income	$ 104	$ 74	41%	$ 205	$ 134	53%
Percentage of revenues	4 %	3%		4 %	3%	

Interest income increased by $30 million and $71 million for the three and six months ended June 30, 2024, respectively, compared to the three and six months ended June 30, 2023, primarily driven by an increase in investment income from our managed portfolio resulting from higher portfolio balances and an increase in interest rates.

Other Expense, net

	Three Months Ended June 30,			Six Months Ended June 30,		
	2024	2023	% Change	2024	2023	% Change
	(dollars in millions)			(dollars in millions)		
Interest expense	$ (6)	$ (6)	—%	$ (12)	$ (12)	—%
Other	(4)	(11)	(64%)	(6)	(21)	(71%)
Other expense, net	$ (10)	$ (17)	(41%)	$ (18)	$ (33)	(45%)
Percentage of revenues	—%	(1%)		—%	(1)%	

Other expense, net decreased by $7 million and $15 million for the three and six months ended June 30, 2024, respectively, compared to the three and six months ended June 30, 2023 primarily due to gains on equity investments.

To mitigate our risks associated with fluctuations in foreign currency exchange rates, we enter into foreign currency forward 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. The gains (losses) recognized for these foreign currency forward contracts in other expense, net were immaterial for the three and six months ended June 30, 2024 and 2023.

Provision for (Benefit from) Income Taxes

	Three Months Ended June 30,			Six Months Ended June 30,		
	2024	2023	% Change	2024	2023	% Change
	(dollars in millions)			(dollars in millions)		
Income before income taxes	$ 334	$ 174	92%	$ 759	$ 362	110%
Provision for (benefit from) income taxes	$ 72	$ (870)	NM	$ 150	$ (832)	NM
Effective tax rate	22%	(500%)		20%	(230%)	

NM - Not meaningful

The income tax provision was $72 million and $150 million for the three and six months ended June 30, 2024, respectively. The income tax provision was primarily attributable to the mix of earnings and losses in countries with differing statutory tax rates, offset by excess tax benefits of stock-based compensation.

The income tax benefit was $870 million and $832 million for the three and six months ended June 30, 2023, respectively. The income tax benefit was primarily attributable to the release of the valuation allowance of certain U.S. federal and state deferred tax assets.

We regularly assess the need for a valuation allowance against our deferred tax assets. In making that assessment, we consider both positive and negative evidence related to the likelihood of realization of the deferred tax assets to determine, based on the weight of available evidence, whether it is more likely than not that some or all of the deferred tax assets will not be realized. As of June 30, 2023, we achieved cumulative U.S. income during the prior twelve quarters when considering pre-tax income adjusted for permanent differences and other comprehensive losses. Based on all available positive and negative evidence, having demonstrated sustained profitability which is objective and verifiable, and taking into account anticipated future earnings, we concluded it is more likely than not that our U.S. federal and state deferred tax assets will be realizable, with the exception of California. We released $965 million of our valuation allowance during the three months ended June 30, 2023. As of June 30, 2024, we continue to maintain a valuation allowance against our California deferred tax assets due to the uncertainty regarding realizability of these deferred tax assets as they have not met the “more likely than not” realization criteria, particularly as we expect R&D tax credit generation to exceed our ability to use the credits in future years. We will continue to monitor the need for a valuation allowance against our deferred tax assets on a quarterly basis.

Liquidity and Capital Resources

We generate cash inflows from operations primarily from selling subscription services which are generally paid in advance of provisioning services, and cash outflows to develop new services and core technologies that further enhance the Now Platform, engage our customer and enhance their experience, and enable and transform our business operations. Subscription services arrangements typically have a three-year duration, and we have experienced a renewal rate of 98% over the last three years. Cash outflows from operations are principally comprised of the salaries, bonuses, commissions, and benefits for our workforce, licenses and services arrangements that are integral to our business operations and data centers and operating lease arrangements that underlie our facilities. We have generated positive operating cash flows for more than ten years as we continue to grow our business in pursuit of our business strategy, and we expect to grow our business and generate positive cash flows from operations during 2024. When assessing sources of liquidity, we also include cash and cash equivalents, short-term investments and long-term investments totaling $8.9 billion as of June 30, 2024.

Our working capital requirements are principally comprised of non-contract workforce salaries, bonuses, commissions and benefits and, to a lesser extent, cancellable and non-cancellable licenses and services arrangements that are integral to our business operations and operating lease obligations. Operating lease obligations totaling $891 million are principally associated with leased facilities and have varying maturities with $511 million due over the next five years.

We may repurchase our shares of common stock in the open market, in privately negotiated transactions or by other means, with the objective to return value to our stockholders and manage the dilution from future employee equity grants and employee stock purchase programs. In May 2023, our board of directors authorized a program to repurchase up to $1.5 billion of our common stock. During the six months ended June 30, 2024, the Company repurchased 0.2 million shares of its common stock for $175 million. There were no share repurchases during the three months ended June 30, 2024. All repurchases were made in open market transactions. Repurchases of common stock are recognized as treasury stock and held for future issuance. As of June 30, 2024, approximately $787 million of the originally authorized amount under the Share Repurchase Program remained available for future repurchases.

To grow our business, we also invest in capital and other resources to expand our data centers and enable our workforce, and we acquire technology and businesses to supplement our technology portfolio. Our capital expenditures are typically under cancellable arrangements primarily used to support the installed base and growth of our hosted business. We have also issued long-term debt to finance our business. 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”).

Our free cash flows, together with our other sources of liquidity, are available to service our liabilities as well as our cancellable and non-cancellable arrangements. We anticipate cash flows generated from operations, cash, cash equivalents and investments will be sufficient to meet our liquidity needs for at least the next 12 months. As we look beyond the next 12 months, we seek to continue to grow free cash flows necessary to fund our operations and grow our business. If we require additional capital resources, we may seek to finance our operations from the current funds available or additional equity or debt financing.

	Six Months Ended June 30,	
	2024	2023
	(dollars in millions)	
Net cash provided by operating activities	$ 1,961	$ 1,482
Net cash used in investing activities	$ (1,105)	$ (1,198)
Net cash used in financing activities	$ (580)	$ (89)
Net increase in cash, cash equivalents and restricted cash	$ 263	$ 195

Operating Activities

Net cash provided by operating activities was $1,961 million for the six months ended June 30, 2024 compared to $1,482 million for the six months ended June 30, 2023. The net increase in operating cash flows was primarily due to higher collections driven by revenue growth.

Investing Activities

Net cash used in investing activities was $1,105 million for the six months ended June 30, 2024 compared to $1,198 million for the six months ended June 30, 2023. The net decrease in cash used in investing activities was primarily due to a $321 million decrease in net purchases of investments, partially offset by a $100 million increase in purchases of property and equipment, a $42 million increase in purchases of non-marketable investments, a $41 million increase in business combinations and a $30 million increase in purchases of other intangible assets.

Financing Activities

Net cash used in financing activities was $580 million for the six months ended June 30, 2024 compared to $89 million for the six months ended June 30, 2023. The increase in cash used in financing activities was due to a $184 million increase in business combination related to the second installment payment in the acquisition of G2K Group GmbH, repurchases of common stock of $175 million and a $146 million increase in taxes paid related to net share settlement of equity awards, partially offset by a $14 million increase in proceeds from employee stock plans.

Critical Accounting Policies and Significant Judgments and Estimates

There have been no significant changes to our critical accounting policies and estimates as described in our Annual Report on Form 10-K for the year ended December 31, 2023, which was filed with the SEC on January 25, 2024.

ITEM 3. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

Except for the cash flow hedging program initiated during the three months ended March 31, 2024 discussed below, there have been no other changes to our quantitative and qualitative disclosures set forth in Part II, Item 7A in our Annual Report on Form 10-K for the year ended December 31, 2023, which was filed with the SEC on January 25, 2024.

Foreign Currency Exchange Risk

To mitigate our risks associated with fluctuations in foreign currency exchange rates, we enter into foreign currency forward contracts to hedge a portion of our net outstanding monetary assets, liabilities and forecasted foreign currency denominated revenues. These foreign currency forward contracts are intended to offset gains or losses related to remeasuring monetary assets and liabilities and to reduce foreign exchange impact on our forecasted revenues. Derivative contracts related to hedging of forecasted revenues are designated as cash flow hedges for accounting purposes. For contracts qualifying as cash flow hedges, the derivative's gain or loss is initially reported as a component of accumulated other comprehensive income (loss) and subsequently reclassified into earnings in the same period the forecasted transaction affects earnings. For contracts not designated as cash flow hedges for accounting purposes, the derivative's gain or loss is recognized immediately in earnings within our condensed consolidated statements of comprehensive income.

These foreign currency forward contracts expose us to credit risk to the extent that the counterparties may be unable to meet the terms of the agreement. We mitigate this credit risk by transacting with major financial institutions with high credit ratings. While the contract or notional amount is often used to express the volume of foreign currency forward contracts, the amounts potentially subject to credit risk are generally limited to the amounts, if any, by which the counterparties' obligations under the agreements exceed our obligations to the counterparties. We are not required to pledge, and are not entitled to receive, cash collateral related to these derivative instruments. We do not enter into foreign currency forward contracts for trading or speculative purposes. Refer to Note 8 in the notes to our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for additional information.

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 or submitted 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 June 30, 2024, that our disclosure controls and procedures were effective at the reasonable assurance level for this purpose.

Changes in Internal Control over Financial Reporting

There were no changes to 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 the quarter ended June 30, 2024 that have materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

We are party to certain litigation and other legal proceedings. While legal proceedings are inherently unpredictable and subject to uncertainties, we do not believe that the ultimate resolution of any such proceedings, whether taken individually or in the aggregate, is likely to have a material adverse effect on our business, financial position, results of operations or cash flows.

For additional information regarding legal proceedings, see Note 16 in the notes to our condensed consolidated financial statements in this Quarterly Report on Form 10-Q.

ITEM 1A. RISK FACTORS

Investing in our securities involves risks. In addition to the risk factor below and information set forth in this Form 10-Q, you should carefully consider the risks and uncertainties described under the section "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023, which could materially and adversely affect our business, financial condition or results of operations. Our business could be harmed by any of these risks or additional risks and uncertainties not presently known to us or that we currently believe to be immaterial. Our stock price could decline due to any of these risks.

Actual or perceived cybersecurity events experienced by us or our third-party service providers may create the perception that our platform is not secure, and we may lose customers or incur significant liabilities, which would harm our business, financial condition and operating results.

In the ordinary course of our business, we store, transmit, generate, and process our and our customers' confidential, proprietary and sensitive data. As our business expands across the globe, the number of employees, contractors, vendors and other third parties remotely accessing our systems continues to grow. Our growing business operations increase our exposure to cyberattacks by a range of actors, who have used and will continue to use assorted tactics, techniques, and procedures, including malicious code, ransomware, social engineering, business email compromises, supply chain attacks, denial of service attacks and similar internet-enabled, fraudulent activity, and the frequency of those attacks have become more common. Further, during times of war and other major conflicts, we and our third-party providers may be vulnerable to a heightened risk of geopolitically motivated attacks, including cyberattacks, that could materially disrupt our systems and operations, supply chain and ability to provide our services.

The cybersecurity threats are not limited to actors operating in the systems we control directly. Our increasing reliance on third-party providers and public cloud infrastructure introduces new cybersecurity risks to our business operations. We rely on third-party service providers and technologies to operate business systems in a variety of contexts, and supply chain attacks have increased in frequency and severity. We cannot guarantee that our third-party service providers or our supply chain infrastructure have not been compromised or that they do not contain exploitable defects or bugs that could result in a breach of or disruption to our platform, systems and network or the systems and networks of third parties that support us and our business. Our ability to monitor the data security measures of our third-party providers is limited, and we necessarily depend in part on our providers to have in place and maintain adequate security measures to protect against unauthorized access, cyberattacks and the mishandling of data. Further, employee error or malfeasance in configuring, maintaining and using these services could impact our ability to monitor and secure them effectively.

We have identified vulnerabilities in our products and services in the past and expect to continue to do so in the future. We cannot be certain that we will be able to identify all vulnerabilities or address the vulnerabilities of which we become aware. There have been delays and may continue to be delays in developing patches that can be effectively deployed to address vulnerabilities. Further, security researchers and other individuals, have, in the past, actively searched for, published and/or exploited actual and potential vulnerabilities in our products or services and will likely continue to do so in the future. Also, certain persons, including researchers, have in the past not abided by, and may in the future not abide by, our responsible disclosure program, which has and could in the future result in the compromise of our systems or our or our customers' data. Moreover, the incorporation of third-party or open-source software code into our or our customers' systems increases the risk of exploitation of vulnerabilities, such as the vulnerability in the Java logging library known as "log4j" that affected our industry. We also have inherited and may in the future inherit additional security risks from acquiring or partnering with other companies.

In most instances, our customers are responsible for administering access to the data held in their particular instance for their employees and service providers. While our software is delivered with certain preset configurations, we understand that our customers require flexibility to configure the Now Platform to their specific business needs. We work closely with our customers to help them evaluate their security configurations, including providing guidance to align configuration settings with their business needs. Yet, in configuring our platform, both our employees and customers have made errors in the past and may do so again in the future. We are aware that, on occasion, our customers and ServiceNow have configured certain settings on our platform, or retained preset configurations, in a manner not aligned with their preferred security levels, which can result in, and has resulted in, information being made more widely accessible than intended. Such misconfigurations can be, and have been, identified publicly, increasing the risk of data being exposed unintentionally.

Our data security system and data governance framework designed to protect our and our customers' information and prevent data loss may not be effective at preventing material breaches caused by intentional or unintentional actions or inactions by employees, contractors or third parties. Techniques used to sabotage or to obtain unauthorized access to systems are constantly evolving and may go undetected until a successful attack occurs. Moreover, we have experienced security incidents, which may reoccur in the future, that resulted in unauthorized access to, loss, or inadvertent disclosure of confidential, proprietary and sensitive information. We have observed attempts by third parties to induce or deceive our employees, contractors or users to fraudulently obtain access to our or our customers' data or assets. In addition, our employees have fallen victim to phishing attacks in the past and may again in the future. Further, despite our security measures, employees, contractors and other individuals have gained, and in the future may gain, access to our systems under false pretenses to search for and exploit actual or potential vulnerabilities in our products or services or inflict other harms, such as deploying malware or stealing data.

An actual or perceived security breach or compromise can have a material effect on ServiceNow's operations, finances and reputation. The adverse consequences can include accidental or unlawful destruction, loss, alteration, unauthorized disclosure of or access to data; disruptions to our services; diversion of funds; litigation; indemnification and other contractual obligations; regulatory investigations; government fines and penalties; reputational damage; negative publicity; business and operational interruptions; loss of sales, customers, and partners; mitigation and remediation expenses; and other material costs and liabilities. In addition, the assessment and response to security incidents, as well as implementation of appropriate safeguards to protect against future incidents, can lead to material economic and operational consequences. These consequences can result regardless of whether the incident is suffered by us, affects our third-party service providers or stems from customers' action or inaction. Moreover, even if a breach is unrelated to our security programs or practices, it could still cause us reputational harm and require us to undertake significant efforts to assess and respond to the breach, including further protecting our customers from their own vulnerabilities. There can be no assurance that any limitations of liability provisions in our subscription agreements, terms of use or other agreements would be enforceable or adequate or would otherwise protect us from any such liabilities or damages with respect to any particular claim. In addition, while we maintain insurance coverage, we cannot be certain that such coverage will continue to be available on acceptable terms or in sufficient amounts to cover potential losses from a security incident or that an insurer will not deny coverage as to any future claim.

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

On May 16, 2023, the Board of Directors authorized a program to repurchase up to $1.5 billion of the Company's common stock, of which $787 million remained available for repurchase as of June 30, 2024. There were no share repurchases under our share repurchase program during the three months ended June 30, 2024.

ITEM 5. OTHER INFORMATION

Rule 10b5-1 Trading Plans

During the quarter ended June 30, 2024, no director or Section 16 officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or any “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408 of Regulation S-K.

Table of Contents

ITEM 6. EXHIBITS

EXHIBIT INDEX

Exhibit Number	Description of Document	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	Restated Certificate of Incorporation of Registrant, as amended	8-K	001-35580	3.1	6/9/2021	
3.2	Restated Bylaws of Registrant	8-K	001-35580	3.2	6/9/2021	
10.1*	Extension of Temporary Relocation Agreement, dated April 1, 2024, by and between the registrant and Chirantan J. Desai					X
10.2*	International Secondment Agreement dated April 2, 2024, by and between the Registrant and Paul Smith					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

** The certifications on Exhibit 32 hereto are deemed not “filed” for purposes of Section 18 of 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: July 24, 2024	By:	/s/ William R. McDermott
		William R. McDermott
		Chief Executive Officer
		(Principal Executive Officer)
Date: July 24, 2024	By:	/s/ Gina Mastantuono
		Gina Mastantuono
		Chief Financial Officer
		(Principal Financial Officer)
Date: July 24, 2024	By:	/s/ Kevin McBride
		Kevin McBride
		Chief Accounting Officer
		(Principal Accounting Officer)

Exhibit 10.1

servicenow

CJ Desai
103 Bella Vista Drive
Hillsborough, CA 94010

April 1, 2024

Extension of Temporary Relocation Agreement

Dear CJ,

As you are aware, your Temporary Relocation Agreement with ServiceNow, Inc. (the "**Company**"), setting forth the terms of your relocation from California (your "Home State") to New York (your "Host State") signed on 28 July 2023 (the "**Relocation Contract**") is due to expire on 31 July 2024. As discussed, the Company would like to extend the Relocation Contract up to and including 30 September 2025 (the "**New Expiry Date**").

Other than the Relocation Contract expiry date and the increase to $32,500 (net) in the monthly rent benefit, all other terms and conditions of the Relocation Contract will remain unchanged and remain in full force and effect, including but not limited to the Post Resignation and Termination Obligations of the Relocation Contract.

In addition, with extension of your Relocation Contract, EY, our global tax partners, will provide you with a tax briefing, to help you understand the tax implication of this extension in both your Home and Host State.

Unless terminated earlier by you or the Company in accordance with the terms of the Relocation Contract, or unless extended further by mutual written agreement, the Relocation Contract shall expire automatically on the New Expiry Date

To indicate your acceptance of the extension of the Relocation Contract on the terms set out above, please sign below via Docusign, and return this letter to the Global Mobility Team by no later than 15 April 2024. Should you have any questions, please don't hesitate to contact Vivian Britton Jackson at Vivian. Brittonjackson@servicenow.com

Sincerely,

/s/ Jacqui Canney

Jacqui Canney
CHRO – On Behalf of ServiceNow – AMS

Accepted and Agreed:

By: /s/ CJ Desai **Date:** April 10, 2024

CJ Desai

Attachment: **Extension of Temporary Relocation Agreement***

*Attachment has been omitted pursuant to Item 601(a)(5) of Regulation S-K. A copy of which will be furnished to the SEC upon request.

EXHIBIT 10.2

International Secondment Agreement

April 2, 2024

Paul Smith
Overy Farmhouse Dorchester
On Thames Wallingford Oxfordshire
OX10 7JU

United Kingdom

Dear Paul,

We are pleased to confirm your international secondment (“**Secondment”**) from **ServiceNow UK Limited** (the **“Company”**), located in Staines, United Kingdom (your “**Home Location**”), to **ServiceNow, Inc** (the “**Host Company”**), located in the United States (your “**Host Location”**). This secondment agreement (the **“Agreement”**) outlines the terms and conditions relating to your Secondment and confirms our mutual understanding of the terms and conditions which will apply to you when on Secondment.

<u>SECONDMENT DETAILS</u>:

Your period of Secondment (“Secondment Period”) shall commence on **January 1, 2024** and shall be for a period of approximately **one year.** Therefore your Secondment end date will be **December 31, 2024 .** While on Secondment you will report to **Bill McDermott** at the Host Company and will be under the day-to-day management, direction and control of the Host Company and subject to its rules and regulations.

It is expressly agreed that while on Secondment, the Company shall release and is hereby releasing you from all obligations and responsibilities to perform activities for the Company. The Company shall not interfere with or have any claim to your activities when on Secondment to the Host Company. The Company is not responsible for the work done by you while on Secondment and the Company does not assume any risk for the results produced from your work performed while fulfilling your duties for the Host Company under Secondment.

However, you will not be eligible to claim any permanency, employment or other benefits from the Host Company by virtue of Secondment under this Agreement.

<u>YOUR RESPONSIBILITIES:</u>

As a requirement of your Secondment to the Host Company, you must not hold yourself out as an employee of the Company while on Secondment. The following guidelines should be followed when on Secondment:

i. Your e-mail signature and contact details must reference the Host Company (or ServiceNow generally);

ii. You must send e-mails from an e-mail address associated with the Host Company, with the sole exception of e-mails that are expressly connected with your employment with the Company;

iii. You should not sign any agreements/contracts, reports to clients or other third parties, regulatory filings or incur any obligation or liability which shall be binding on the Company;

iv. You must not distribute business cards of the Company;

v. You shall conduct such duties for the benefit of the Host Company;

vi. You shall follow the policies, rules and guidelines generally applicable to the employees of the Host Company and you will at all times act in the best interest of the Host Company;

IMMIGRATION SUPPORT:

The Company has sponsored and coordinated the application for your work visa required in the Host Location for the Secondment Period and beyond for a maximum of three years. The Company has also assisted in applying for appropriate dependent visas required for your accompanying immediate family members per local requirements and will extend as appropriate.

MEDICAL BENEFITS:

During the Secondment Period, the Company will provide medical, dental and vision insurance through an international healthcare plan for you and your family in the Host Location.

HOST LOCATION HOUSING AND UTILITIES BENEFIT:

The Company will provide you with a housing allowance of up to USD 26,500/month net for your housing arrangement in the Host location. The Company will cover customary fees and security deposits required to secure the housing lease agreement. At the end of the Secondment Period or lease agreement, the security deposit should be refunded back to the Company. You are required to review and observe the terms and conditions of the lease and will be responsible for the condition of the housing, fixtures, and any furniture. At the end of the lease, any amounts deducted from the housing deposit for the wear and tear of the leased house, would be your responsibility to cover.

The Company's relocation vendor, Plus Relocation, will make the monthly rent payments directly to the landlord on your behalf.

The Company agrees to cover the following monthly housing utilities:

- Gas, oil, water, and or/electricity
- Garbage/sewage charges
- Basic Cable
- Standard Internet
- Gardening services
- Snow Shoveling services.

You may need to pay this and submit your original utilities receipts to ServiceNow's relocation provider, Plus Relocation, for reimbursement or Landlord can be paid directly by Plus.

AUTOMOBILE ALLOWANCE BENEFIT :

ServiceNow agrees to cover the cost of one leased, purchased or rented automobile in the Host location up to USD 4,000 net per month (such amount being inclusive of the costs of liability insurance). Any costs associated with breaking the auto lease, purchase or rental contract will be your responsibility. Any damage to the vehicle, if not covered under the insurance, will be yours to cover.

You will need to pay this, and submit your monthly receipts to ServiceNow's relocation provider, Plus Relocation, for reimbursement.

EDUCATION ALLOWANCE BENEFIT:

The Company agrees to cover educational support for your dependents up to USD 25,000 net per year/per child. You will need to pay this, submit receipts to ServiceNow's relocation vendor, Plus Relocation, for reimbursement.

HOME LEAVE ALLOWANCE BENEFIT:

The Company agrees to cover the cost of five round trips to/from New York in the Host Location, to the Home Location, during the Secondment Period, for your spouse and two dependents. This benefit will cover the cost of business class airfares to/from the locations specified above, as per Company's travel policy, and ground transportation to and from airports to your place of residence. Any deviation from these locations, and any trips in excess of these, are not covered under the "Home Leave Allowance Benefit".

Scheduling and booking of these approved trips for the family can be done through the Plus Relocation vendor team. Or, these approved home leave trips can be booked independently and submitted for reimbursement via Plus relocation team.

TAX ASSISTANCE ON RELOCATION BENEFITS:

If any of the allowance benefits set out in this Secondment Agreement are deemed to be taxable in the Home and Host Location based on local tax laws, the Company will cover tax assistance to offset the tax liabilities to the applicable tax authorities in respect of such allowance benefits.

RELOCATION REPAYMENT:

By accepting this offer, you confirm that you understand and agree that, if prior to or within one (1) year of the start of the Secondment Period: (i) you voluntarily terminate your employment with ServiceNow for any reason; or (ii) your employment is terminated by ServiceNow for misconduct, you will be required to repay ServiceNow the total cost of the relocation assistance incurred by ServiceNow on your behalf (including, for the avoidance of doubt, any gross up payments), save that the amount shall be reduced by 1/12th for each complete month of service from the start of the Secondment Period. Thereafter, no repayment shall be required.

In the event this reimbursement obligation applies, you agree to repay all amounts due to ServiceNow within ten (10) calendar days following your termination date and you hereby authorize ServiceNow to withhold such amount from any amounts owed to you by ServiceNow, to the extent legally permitted. You further agree to execute any documents and/or agreements necessary at the time the reimbursement is triggered to authorize ServiceNow to withhold such amount from any amounts owed to you by ServiceNow, to the extent legally permitted.

TAX PROTECTION WITHHOLDING:

The Company will tax protect your “Stay-At-Home Income” (as defined below) to help ensure that this Secondment Agreement does not create unnecessary financial hardship due to the different tax and social security implications or consequences on your “Stay-At-Home Income” based on tax treatment in the Home Location and the Host Location. Your income and social security tax burden in respect of the foregoing will remain at a similar level as if you were employed solely in your Home Location.

What this means is explained below and in the Addendum to this Agreement.

After finalization of the Home Location and Host Location personal income tax returns, the Company’s global tax partners, Ernst & Young (“EY”), will prepare a separate tax protect calculation on a stay-at-home basis to determine whether there is any excess tax liability payment payable to you, or any excess refund repayable by you, on your personal and social tax.

Following completion of the above calculation, the Company will reimburse any Excess Tax Liability Payment (as defined below) you have incurred, if any, on a fully grossed-up basis in relation to the Secondment Period. In the case of any Excess Refund (as defined below), if any, the Company will claim back the Excess Refund amount through the year-end tax rotect calculation. Any amounts payable by the Company or by you must be settled within 30 days of the completion of the tax reconciliation analysis. By signing this Agreement, you authorize the deduction from any allowances or payments owed to you for monies owed to the Company as a result of the tax protection process.

This arrangement could extend beyond the Secondment Period, if subsequent tax year(s) are impacted by trailing liability reporting.

For the purpose of this section:

“**Stay-At-Home Income**” shall mean: Your base salary, earned commissions, and any equity income upon initial vesting event but not upon subsequent sale.

“Excess Tax Liability Payment” shall mean: Any additional tax payment that you may have incurred on your personal Home Location tax return (as compared to your stay-at-home tax liability, had you not been on the Secondment).

“Excess Refund” shall mean: Any additional refund arising due to claiming a credit of taxes paid by ServiceNow in the Host Location, on your Home Location personal tax returns (as compared to your stay-at home tax liability had you not been on the Secondment).

TRAILING LIABILITY REPORTING:

As required, the Company agrees to tax protect you for trailing liability taxes related only to your ServiceNow equity income (such as RSU and ESPP) in subsequent tax year(s) in which a Host Location tax may be incurred in relation to the Secondment Period because of the end of this Secondment Agreement.

TAX SUPPORT:

In relation to the Secondment Period, the Company will provide you with the services of our global tax service provider, EY, to assist with preparation of your tax returns. At the time of agreement, this is anticipated to be for the 2024 US tax year, the 2023/2024 and 2024/2025 UK tax year. Any subsequent tax years authorized for trailing liabilities in accordance with the above will be agreed between you and the Company on an annual basis.

In addition, EY has provided you with tax briefings to help you understand the tax implications of the Secondment in both the Host Location and the Home Location. These briefings covered key decisions regarding your personal tax filings in both countries. As needed, EY will provide additional briefings to answer any questions you may have during or after the end of the Secondment. However, please understand that personal financial planning is not within the scope of services EY will provide to you, and their advice will be limited to the time and scope as set out in the related secondment agreement.

ServiceNow will pay for all pre-approved authorized fees only. You will pay for any personal employee requested additional tax preparation services or consulting over and above what is considered within the scope.

Further details regarding the tax briefing and tax filing preparation services are included in the Addendum to this Agreement.

SOCIAL SECURITY:

To mitigate double taxation at a Social Security level, the Company has applied for a Certificate of Coverage to look to retain you within the scope of UK social security scheme during the Secondment Period.

APPENDIX 5:

ServiceNow will seek to operate an Appendix 5 agreement with the UK tax authorities to minimize any potential negative cash flow impact arising from double taxation via payroll. A provisional tax credit will be claimed via payroll each month after the US payroll taxes have been paid. This arrangement should not impact your net take home pay each month. The credit claimed via payroll will ultimately be reconciled on your UK self-assessment tax return, to ensure accurate credit is claimed for US taxes paid.

FINAL TAX RETURN POSITION AND FOREIGN TAX CREDITS:

In respect of the Secondment period, you will fund taxes in the Home Location and ServiceNow has and/or will fund taxes in the Host Location. Any tax repayment received by you arising as a result of a foreign tax credit claim in the UK is required to be paid back to ServiceNow within thirty days of receipt by you. A tax protection calculation will be prepared alongside your UK tax return to reconcile your personal tax position.

ADDITIONAL TERMS:

The Company and the Host Company reserve the right to modify, amend and/or discontinue any of the terms and conditions of the policies or elements described in this Agreement. The Secondment may be terminated at any time by either party with a notice period of three months.

If it is mutually agreed that the Secondment will extend beyond the agreed end date, an extension agreement will be prepared. The extension agreement will confirm the revised Secondment end date and any revisions to the Secondment elements arising from changes in applicable legislation and/or mutual agreement.

To indicate your understanding and acceptance of the arrangements and benefits outlined above, as well as your repayment obligations in relation to any foreign tax credits received by you, please sign below and return this letter to the Global Mobility Team no later than April 15 , 2024. This Secondment Agreement is valid until this date, but should you have any questions or concerns, please don't hesitate to contact vivian.brittonjackson@servicenow.com.

Sincerely,

Jacqui Canney
CHRO - On Behalf of ServiceNow – AMS
/s/ Jacqui Canney

Accepted and Agreed:

By: /s/ Paul Smith Date: April 23, 2024 | 15:53:00 PDT Paul Smith

Addendum to International Secondment Travel Agreement

Company's Tax Protect Philosophy:

Tax rules and rates vary widely around the world. Under the Company's International Secondment Tax Protect Philosophy, you will be responsible to pay what you would have paid in taxes had you stayed in the Home Location and Host Location. The Company will reimburse any Excess Tax Liability Payment or claim back any Excess Refunds you have incurred in the Home Location and Host location, in accordance with the Letter of Understanding. This technique is called tax protect and is comprised of several components, as detailed below.

Income Covered under Tax Protection**:** Tax protection covers Stay-At-Home Income (as defined in the Letter of Understanding). This typically may include the following items:

- Annual salary;
- Bonus/Commissions;
- Restricted Stock Units (RSU) income;
- Employee Stock Purchase Plan (ESPP) purchases;
- Stock Options (subject to a cap of $1,000,000);
- Assignment allowances and benefits(education, housing allowances, misc. allowance, transportation, etc.).

Personal Income: Tax protect does not cover any personal income, Capital Gains or any other income outside of Company-sourced wage income.

Tax Protection Settlement**:** After the end of each Home Location tax year, a calculation will compare the tax that has been withheld in the year, to the actual tax liability for that year. This will result in a balance payable either:

a. From Company to you – where too much tax was withheld; or
b. From you to Company – where the tax withheld was too little.

Any amounts payable by the Company or by you must be settled within 30 days of the completion of the tax reconciliation analysis. By signing the Agreement, you authorize the deduction from any allowances or payments owed to you for monies owed to the Company as a result of the tax protection process.

Any foreign tax credits resulting from Company-paid taxes that offset your Home Location tax will be for the benefit of the Company. This includes any refund generated from the use of such credits in a future non-secondment year. You will be required to return to the Company the tax benefit resulting from these credits.

To the extent that personal income is also subject to tax in the Host Location, you will be liable for all taxes and the tax return preparation services in the Host Location on such personal income. This additional tax will be included and considered when the Home Location Tax Protect Settlement is prepared.

TAX BRIEFING AND TAX FILING PREPARATION:

The Company's approved tax service provider (EY) will address your tax questions relating to your Secondment and will provide the following services:

1. Pre-Departure tax briefing in Home Location.
2. Post-Arrival tax briefing in Host Location.
3. Tax Calculations:
   - Final Tax Liabilities (part of Tax Protection Settlement).
4. Actual Tax Calculation & Tax Filings:
   - Estimated Tax Payments;
   - Extension Requests/Payments;
   - Home Location and Host Location Income Tax Returns for you;
   - Review of Final Tax Assessments;
   - Tax Notice and Audit Support for the period related to the Secondment.
5. Tax Protection Settlement - compares the final tax to the estimated tax withheld from you during the year.

You are required to comply with tax legislation in both the Home Location and Host Location. It is your responsibility to provide all necessary documentation upon request from EY and you will be responsible for ensuring that the tax returns in both the Home Location and Host Location are correct and complete.

Attachment: International Secondment Agreement dated April 2, 2024, by and between the Registrant and Paul Smith*

*Attachment has been omitted pursuant to Item 601(a)(5) of Regulation S-K. A copy of which will be furnished to the SEC upon request.

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: July 24, 2024

/s/ William R. McDermott

William R. McDermott
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: July 24, 2024

/s/ Gina Mastantuono

Gina Mastantuono
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

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 June 30, 2024 (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: July 24, 2024

/s/ William R. McDermott
William R. McDermott
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 June 30, 2024 (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: July 24, 2024

/s/ Gina Mastantuono
Gina Mastantuono
Chief Financial Officer
(Principal Financial 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.