



The Enterprise IT Cloud Company

**Financial Analyst Day**

**May 13, 2013**

Las Vegas, NV

# Safe Harbor

This presentation contains “forward-looking” statements that are based on our management’s beliefs and assumptions and on information currently available to management. We intend for such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements include information concerning our possible or assumed strategy, future operations, financing plans, operating model, financial position, future revenues, projected costs, competitive position, industry environment, potential growth opportunities, potential market opportunities, plans and objectives of management and the effects of competition.

Forward-looking statements include all statements that are not historical facts and can be identified by terms such as “anticipates,” “believes,” “could,” “seeks,” “estimates,” “expects,” “intends,” “may,” “plans,” “potential,” “predicts,” “projects,” “should,” “will,” “would” or similar expressions and the negatives of those terms, although not all forward-looking statements contain these identifying words. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We cannot guarantee that we actually will achieve the plans, intentions, or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements.

Forward-looking statements represent our management’s beliefs and assumptions only as of the date of this presentation. We undertake no obligation, and do not intend to update these forward-looking statements, to review or confirm analysts’ expectations, or to provide interim reports or updates on the progress of the current financial quarter. Further information on these and other factors that could affect our financial results are included our filings we make with the Securities and Exchange Commission.

This presentation includes certain non-GAAP financial measures as defined by SEC rules. We have provided a reconciliation of those measures to the most directly comparable GAAP measures in the Appendix.

The information in this presentation on new products, features, or functionalities is intended to outline ServiceNow’s general product direction and should not be included in making a purchasing decision. The information on new products, features, functionalities is for informational purposes only and may not be incorporated into any contract. The information on new products is not a commitment, promise, or legal obligation to deliver any material, code or functionality. The development, release, and timing of any features or functionality described for our products remains at ServiceNow’s sole discretion.

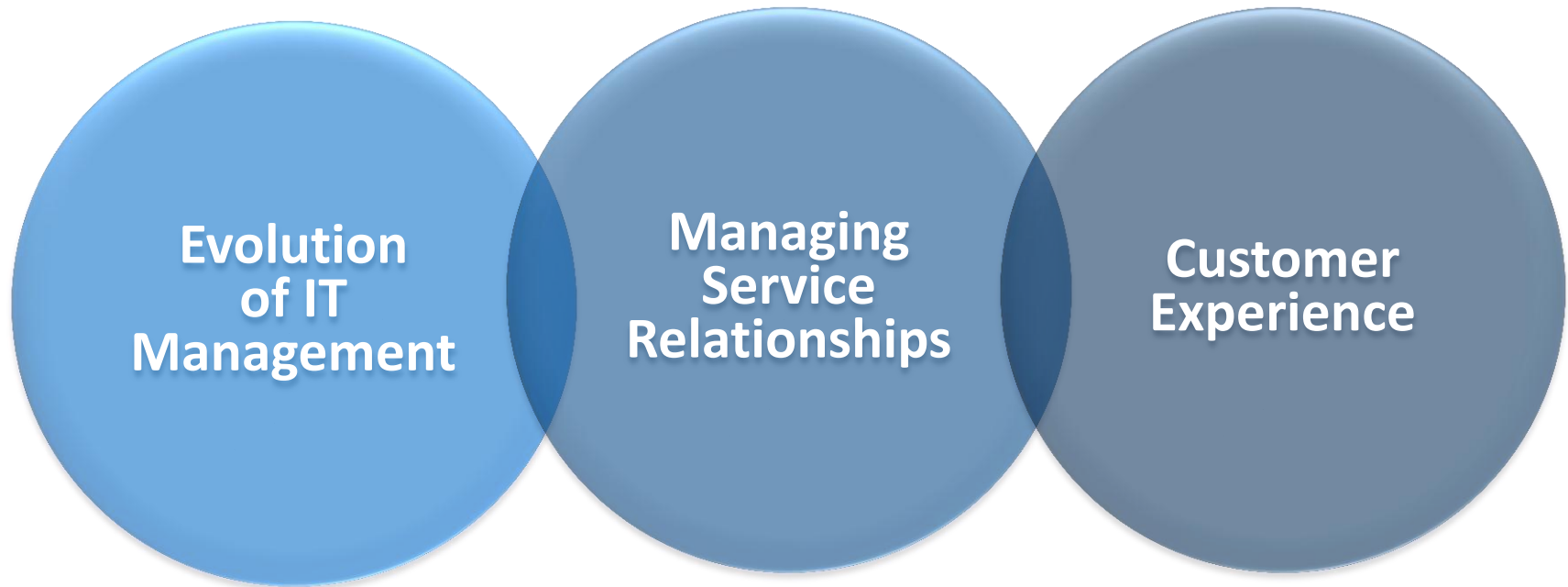
# Financial Analyst Day Agenda – May 13, 2013

Time	Speakers	Title	Topic
11:00AM-11:30AM	Frank Sloodman	Chief Executive Officer	<b>Managing Service Relationships</b>
11:30AM-12:10PM	Fred Luddy Matt Schvimmer Rob Phillips	Chief Product Officer VP, Product Management Director, Solutions	<b>ERP for IT</b>
12:10PM-12:30PM	—		<b>Lunch</b>
12:30PM-12:50PM	David Schneider Rick Wright Aaron de Zafra	SVP, WW Sales & Services KPMG Ernst & Young	<b>Go-to-Market</b>
12:50PM-1:30PM	Beth White Matt Trimboli & Geoff Cox Javier Rodriguez Benjamin Nuttin Nicole Tate	Chief Marketing Officer VeriSign Sephora NYSE MetroPCS	<b>Customer Voice</b>
1:30PM-1:50PM	Arne Josefsberg	Chief Technology Officer	<b>Delivering Enterprise Cloud</b>
1:50PM-2:00PM	Michael Scarpelli	Chief Financial Officer	<b>Financials</b>
2:00PM-3:00PM	Frank Sloodman Michael Scarpelli	Chief Executive Officer Chief Financial Officer	<b>Q&amp;A</b>

# MANAGING SERVICE RELATIONSHIPS

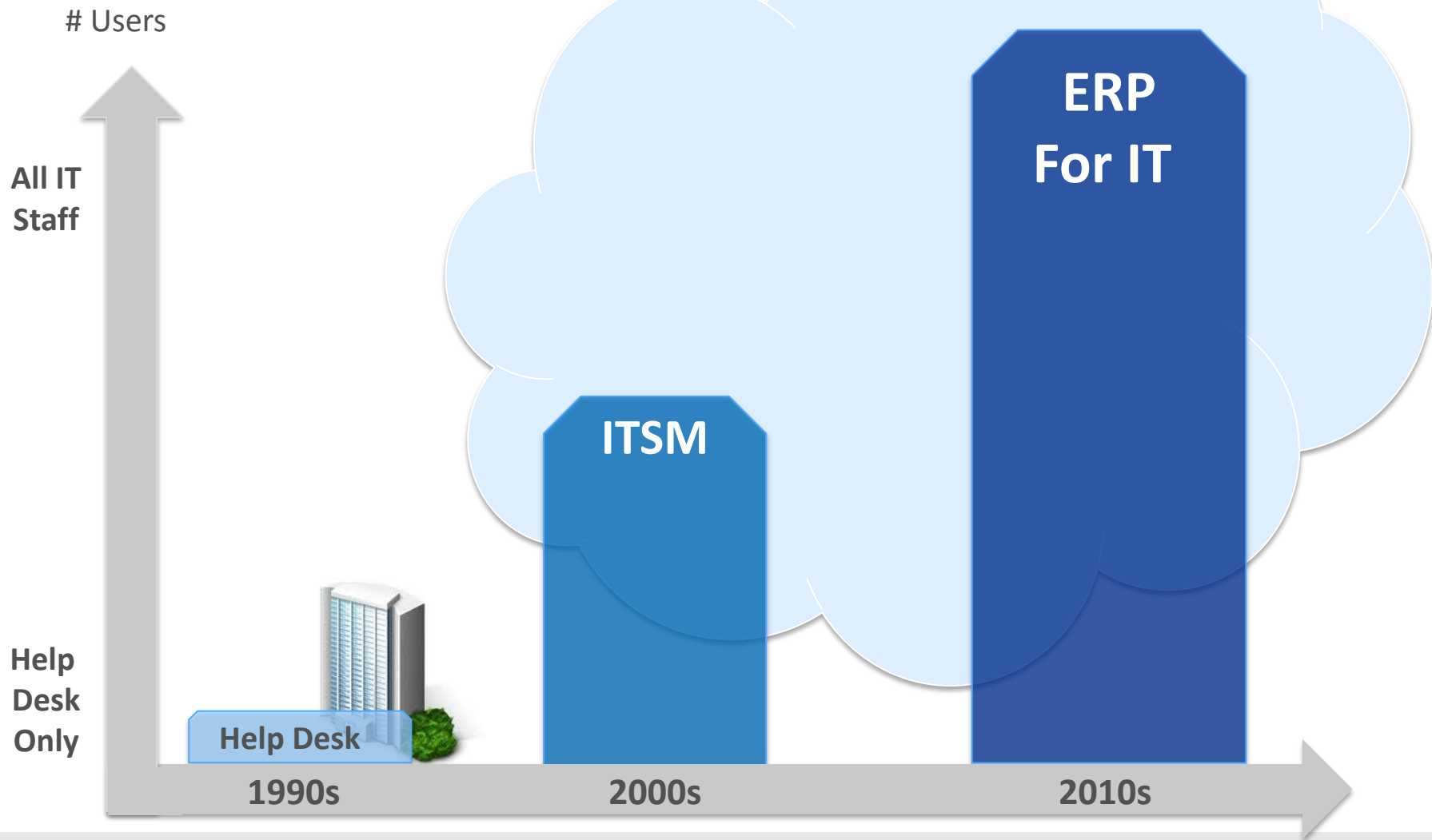
Frank Sloodman, Chief Executive Officer

# Today's Topics

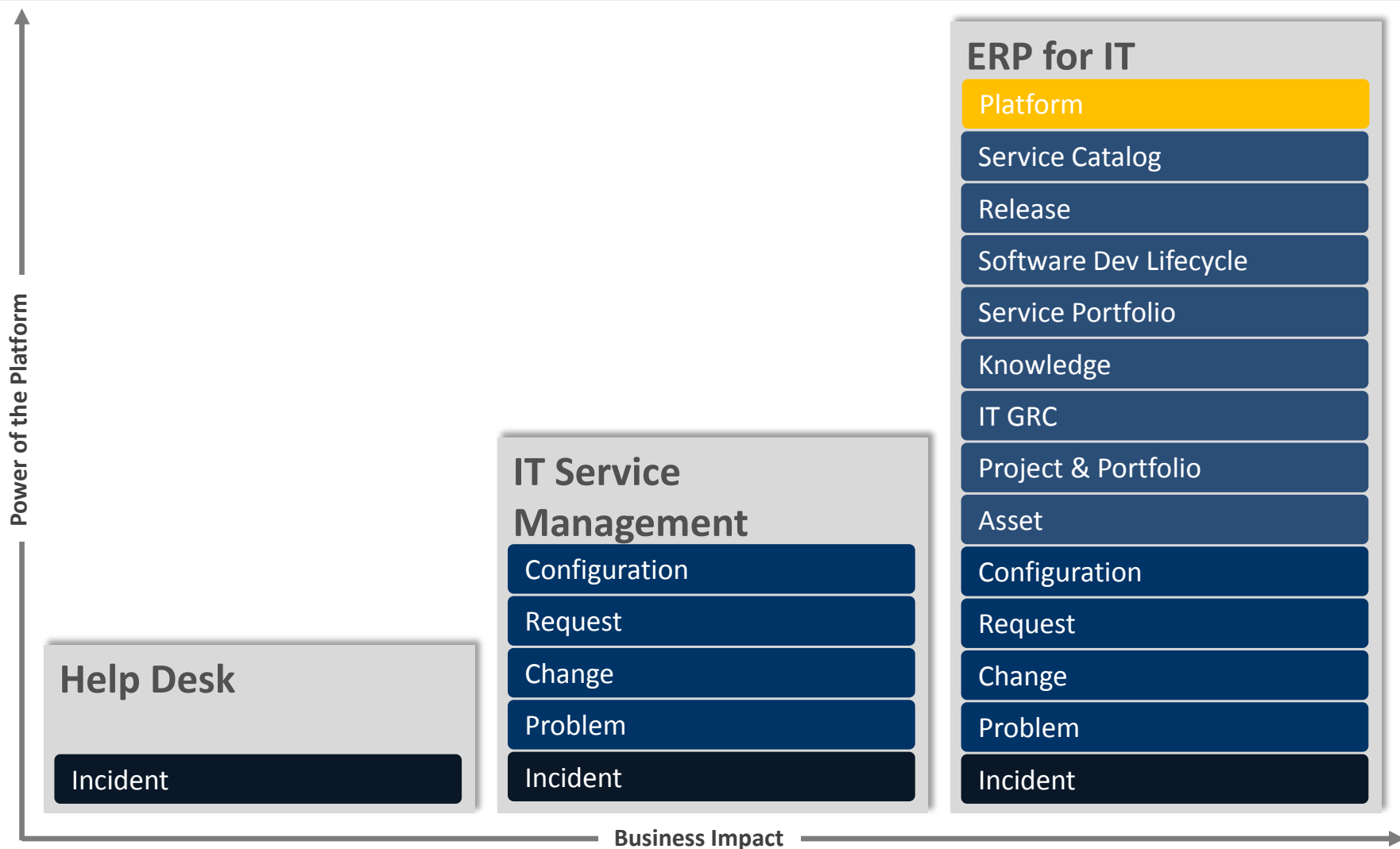


# The Evolution of IT Management

Evolution

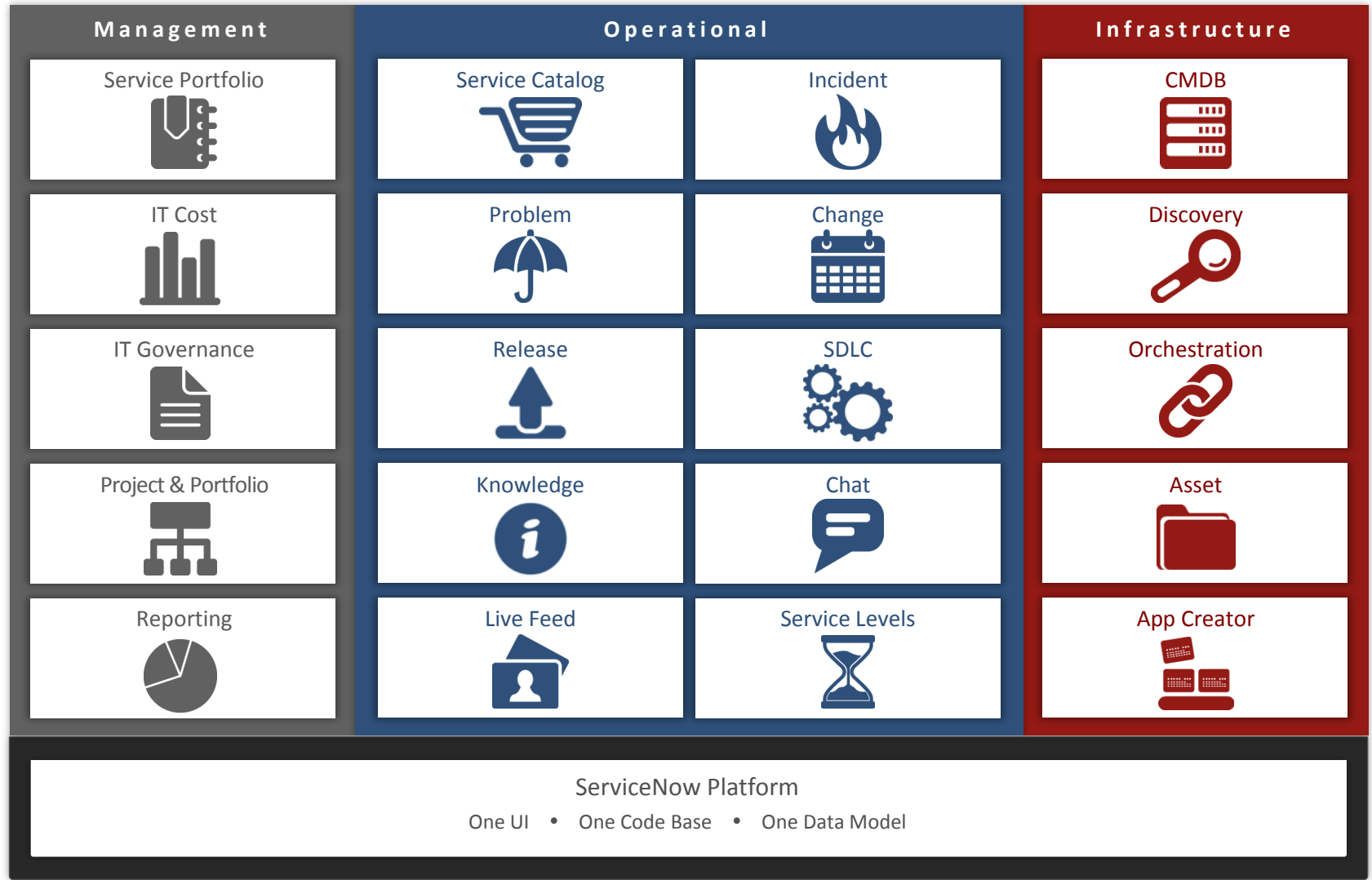


# The Evolution of IT Management



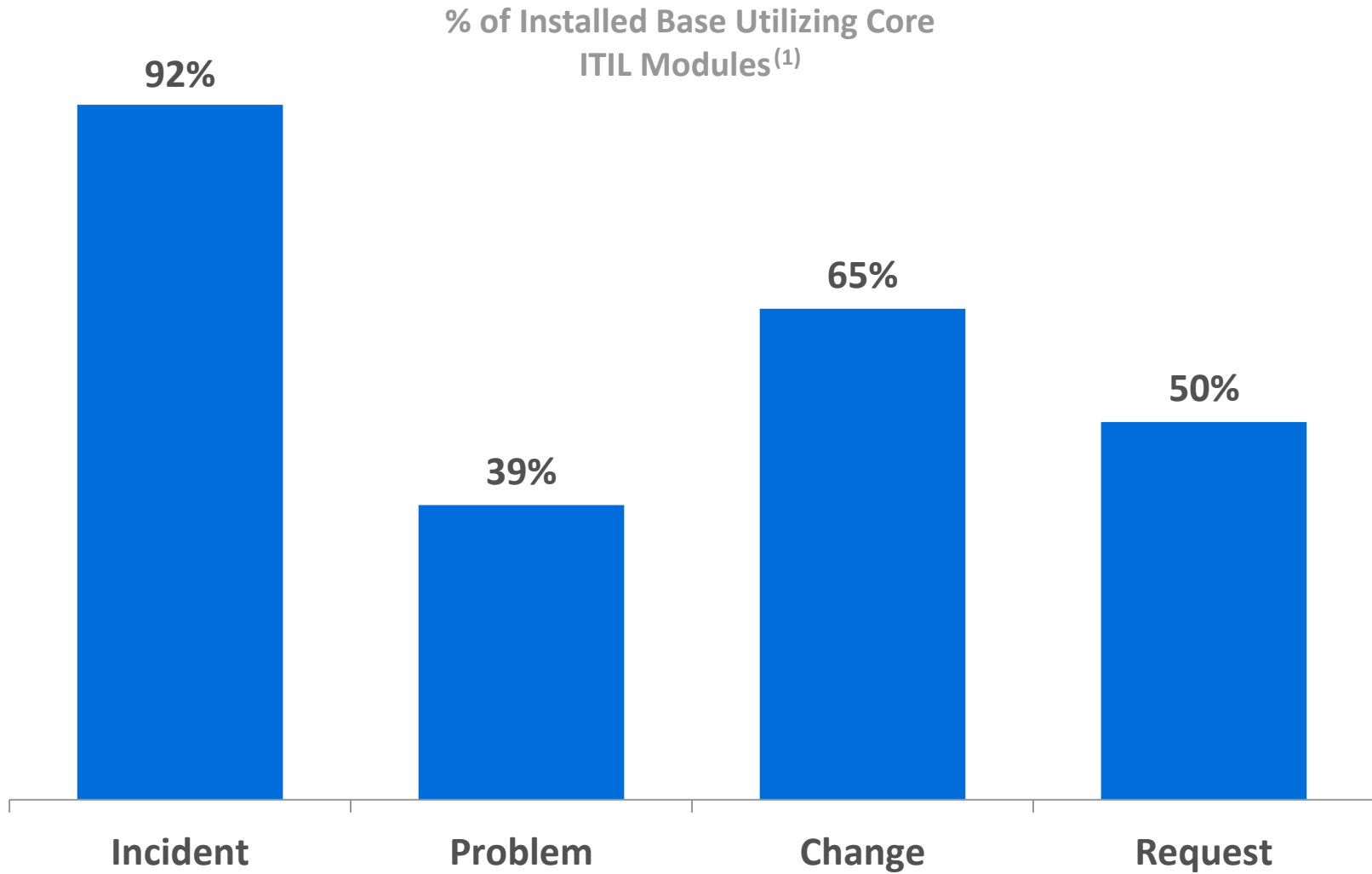
# ERP for IT

Evolution





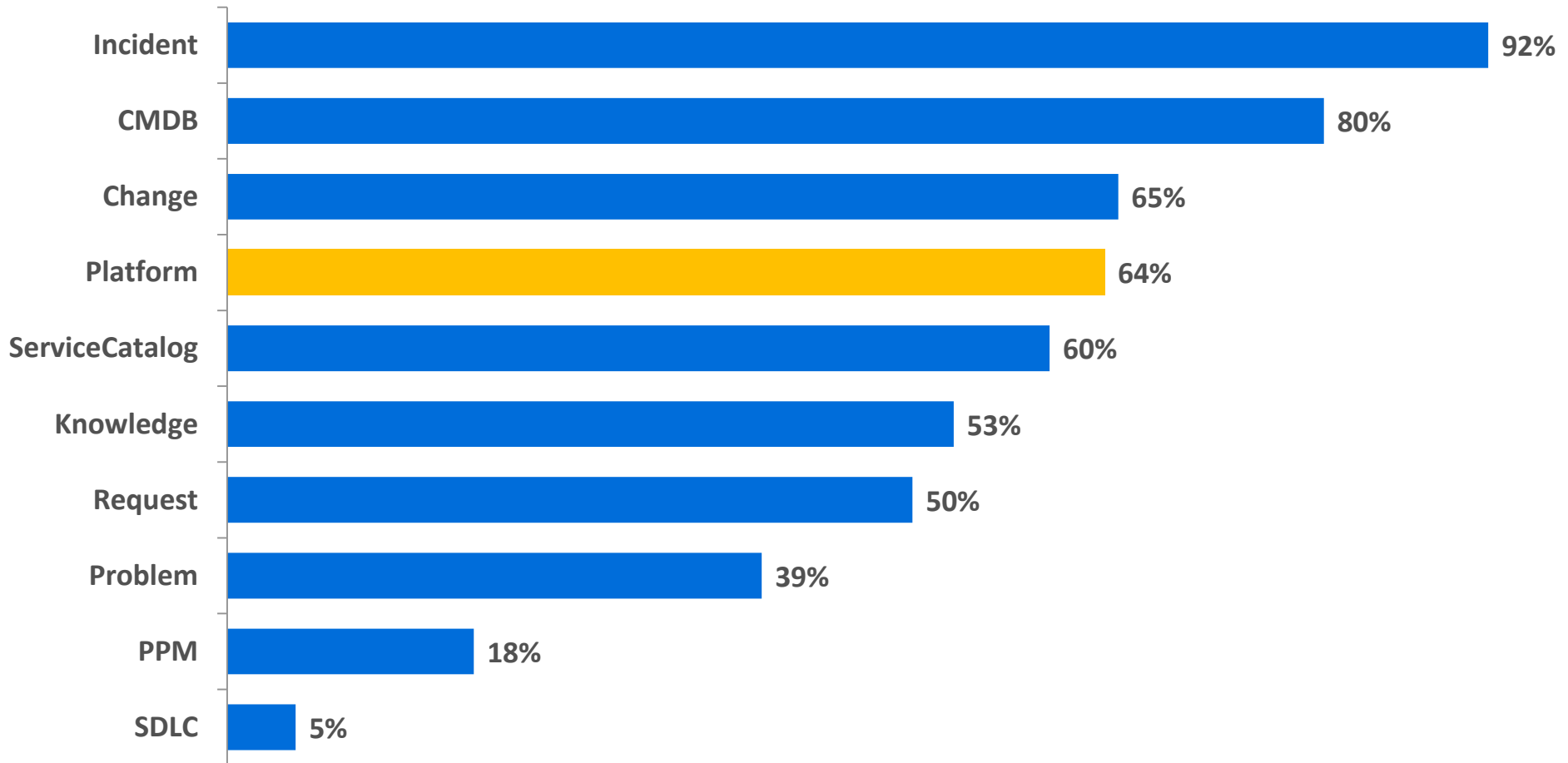
# High Usage of Core ITIL Modules



1. Installed base includes customers with production instances that have been live for > 6 months, or have been a customer for > 10 months

# ... CMDB, Service Catalogue, Platform and Knowledge are among Most Utilized Modules within ServiceNow ...

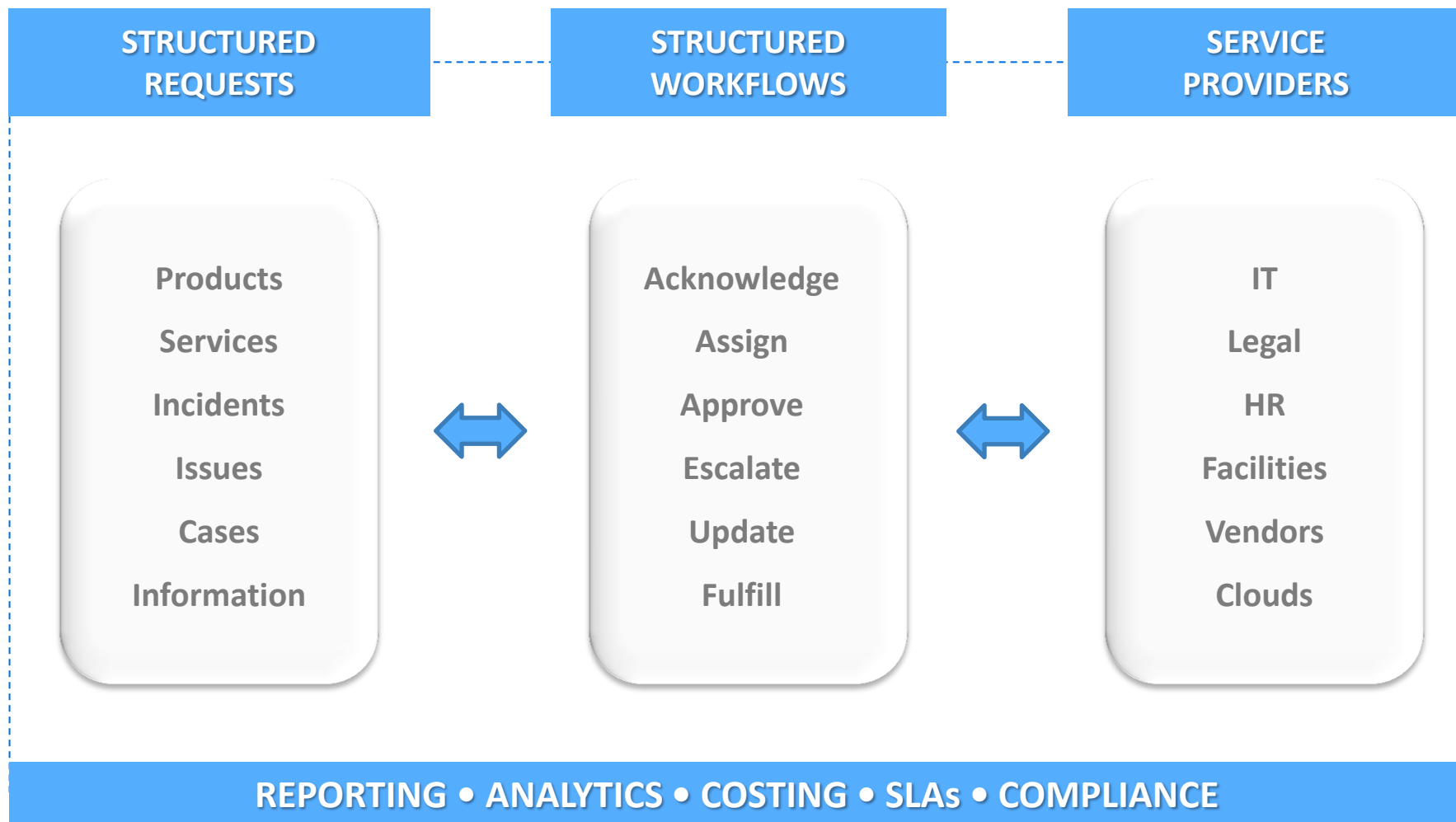
% of Installed Base Utilizing All ITIL Modules and Platform <sup>(1)</sup> <sup>(2)</sup>



1. Installed base includes customers with production instances that have been live for > 6 months, or have been a customer for > 10 months
2. Platform includes customers with custom applications, defined by custom table data not extended from ITIL modules

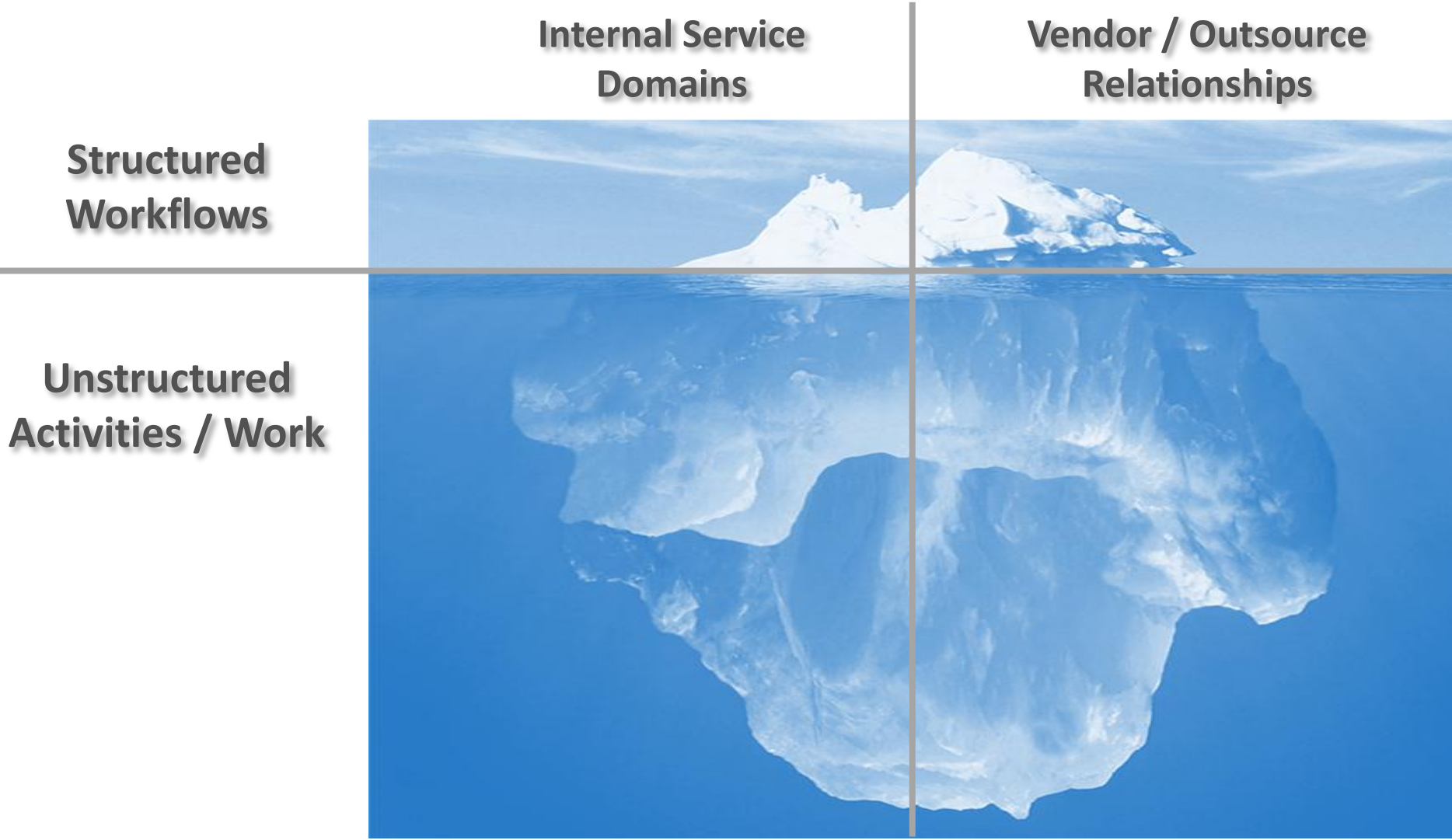
# Service Relationship Management

SRM



# Defining/Structuring/Automating Service Relationships

SRM



# Traction in Custom Application Development <sup>(1)(2)(3)</sup>

# 64%

Percentage of ServiceNow installed base customers that have deployed custom applications outside of ITIL applications

Average number of custom applications built to date by customers using platform

# 3.7

1. Installed base includes customers with production instances that have been live for > 6 months, or have been a customer for > 10 mon.
2. Custom application defined by custom table data not extended from ITIL module
3. Based on average number of applications for customers with at least one custom app



# knowledge13

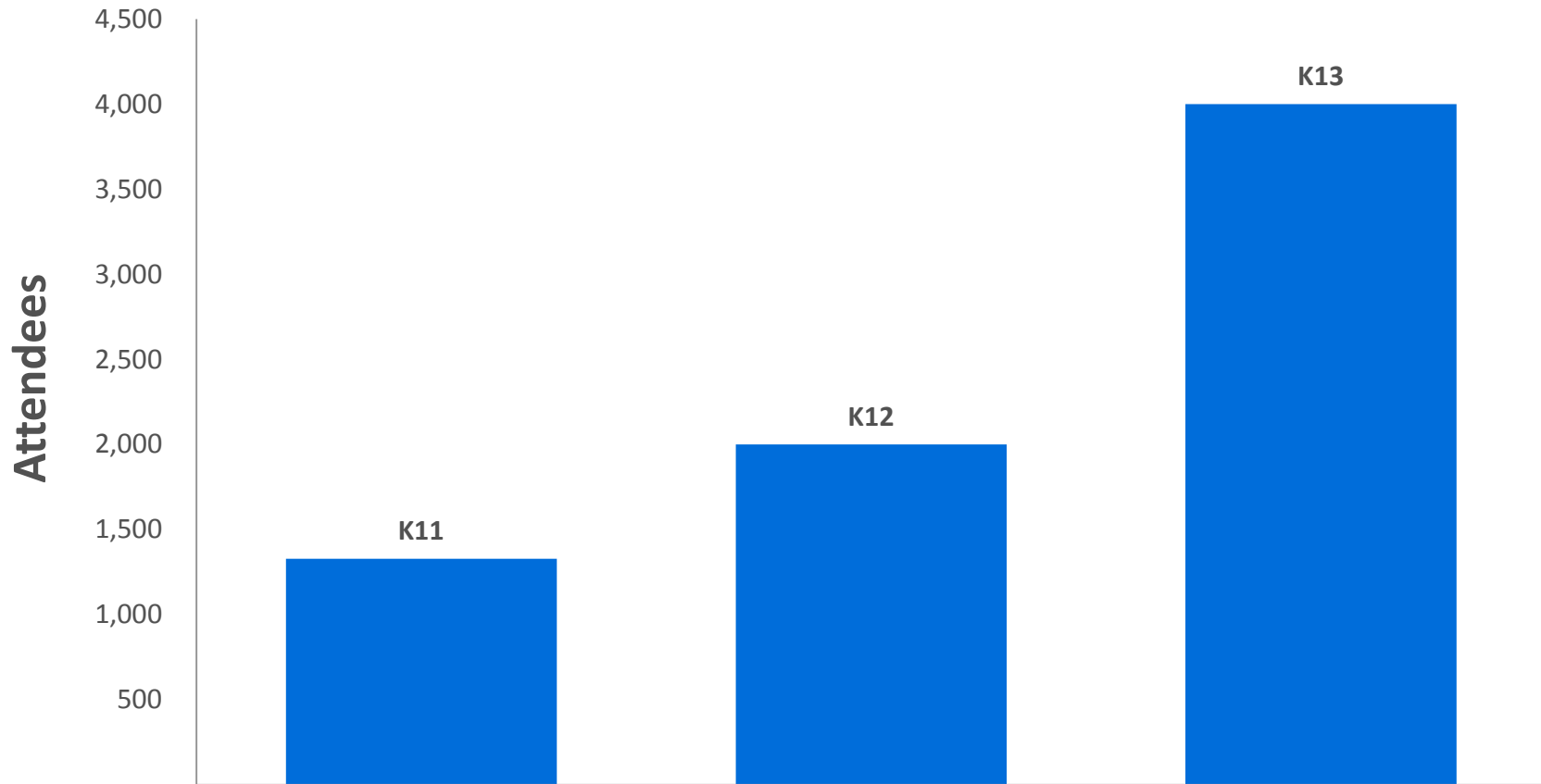
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Experience



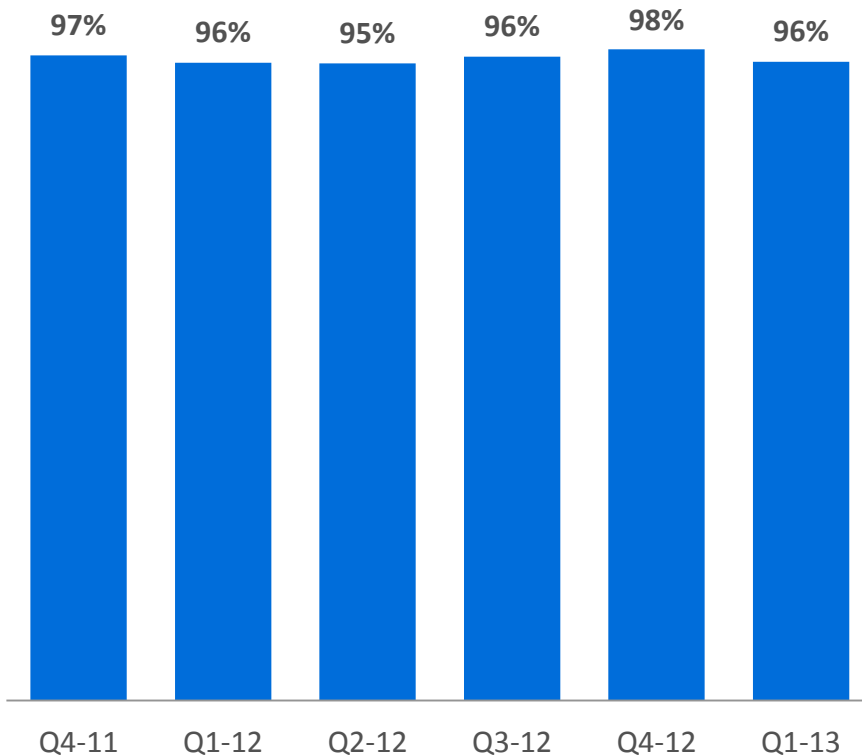
# Knowledge: Registration Growth 2011 - 2013

Experience

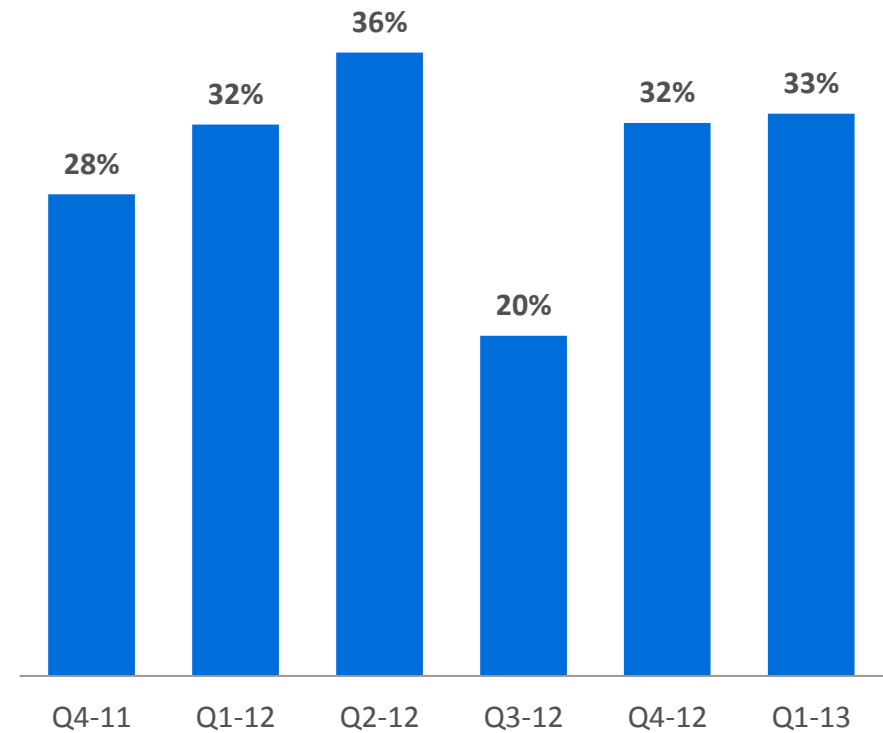


# Renewal Rate and Upsell Rate

Renewal Rate <sup>(1)</sup>



Upsell Rate <sup>(2)</sup>



1. Renewal rate calculated by subtracting our attrition rate from 100%. Our attrition rate for a period is equal to the annual contract value from lost customers, divided by the total annual contract value from all customers that renewed during the period and from all lost customers.

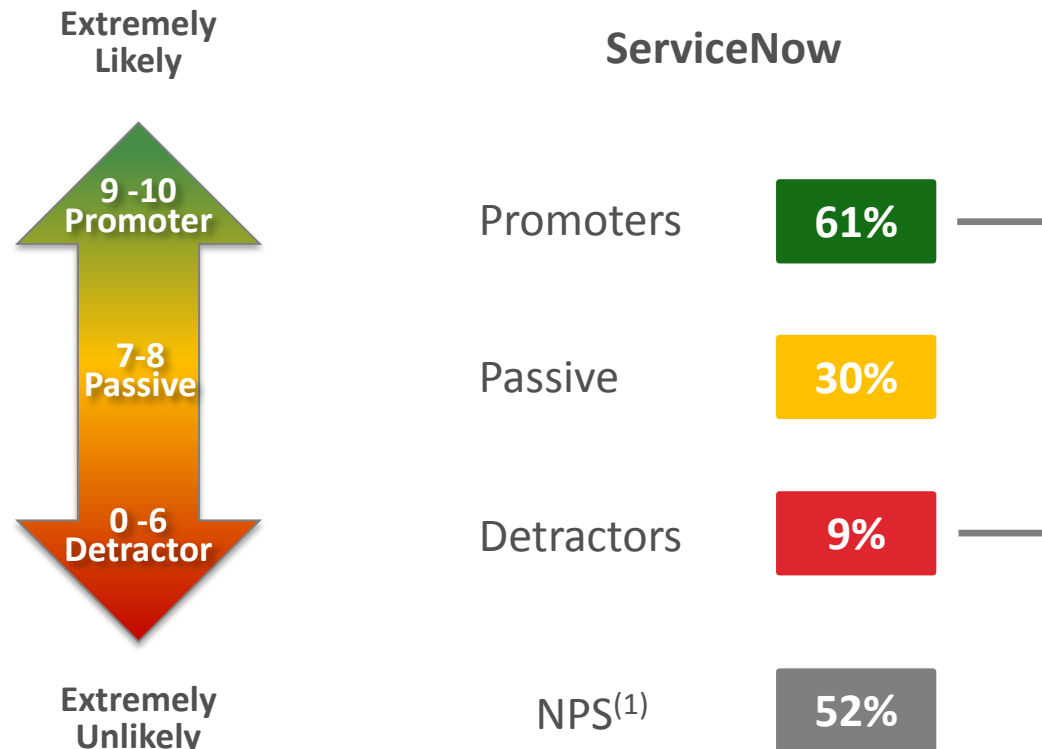
2. Upsell rate is calculated as the annual contract value of upsells during the period, net of any decreases in annual contract value of renewals during the period, divided by our total annual contract value during the period.



# Net Promoter Score (NPS)

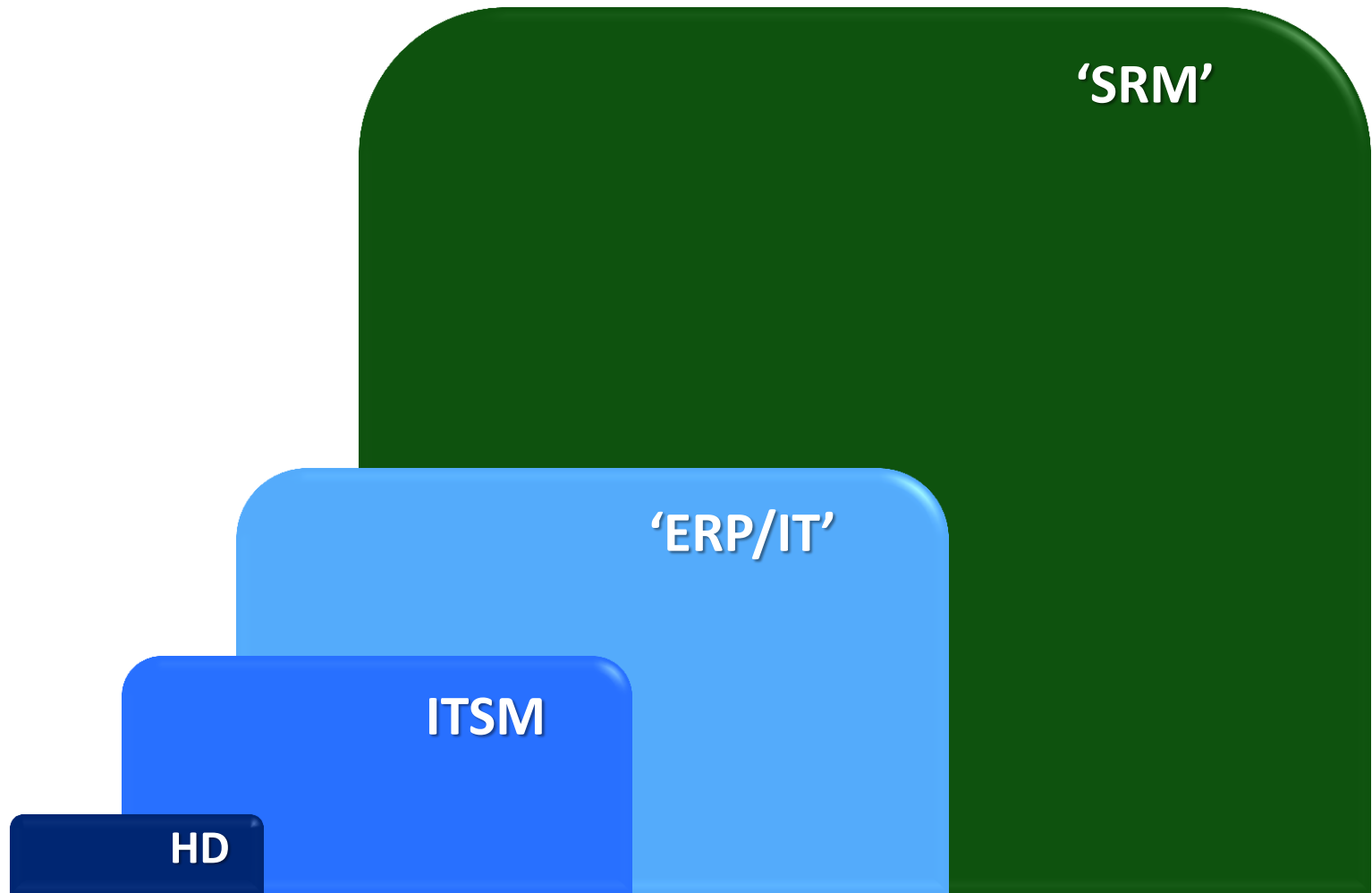
“How likely are you to recommend ServiceNow to a friend or colleague?”

$$\text{NPS} = [\text{Promoters}] - [\text{Detractors}]$$



1. ServiceNow undertakes its own NPS surveys: the methodology is defined by ServiceNow and is not necessarily consistent with the NPS methodology implemented by third-party survey organizations such as Satmetrix

# The Evolution of ServiceNow



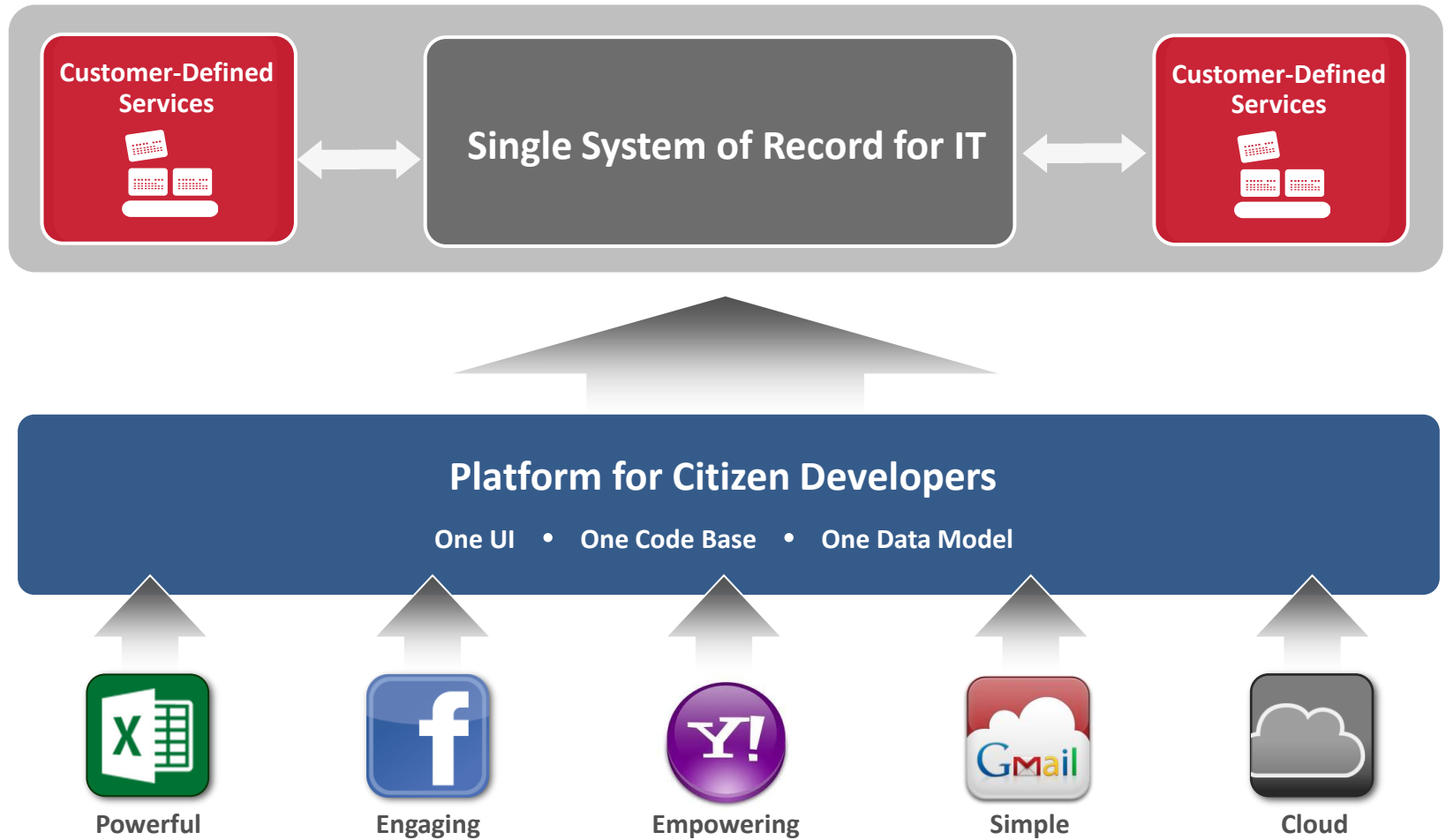
# ERP FOR IT

Fred Luddy, Founder & Chief Product Officer

Matt Schvimmer, VP, Product Management

Rob Phillips, Director, Solutions Strategy

# Our Vision: Transform IT through a Combination of Capabilities that Defies “Conventional Wisdom”



# ERP FOR IT IN ACTION

Product Demo

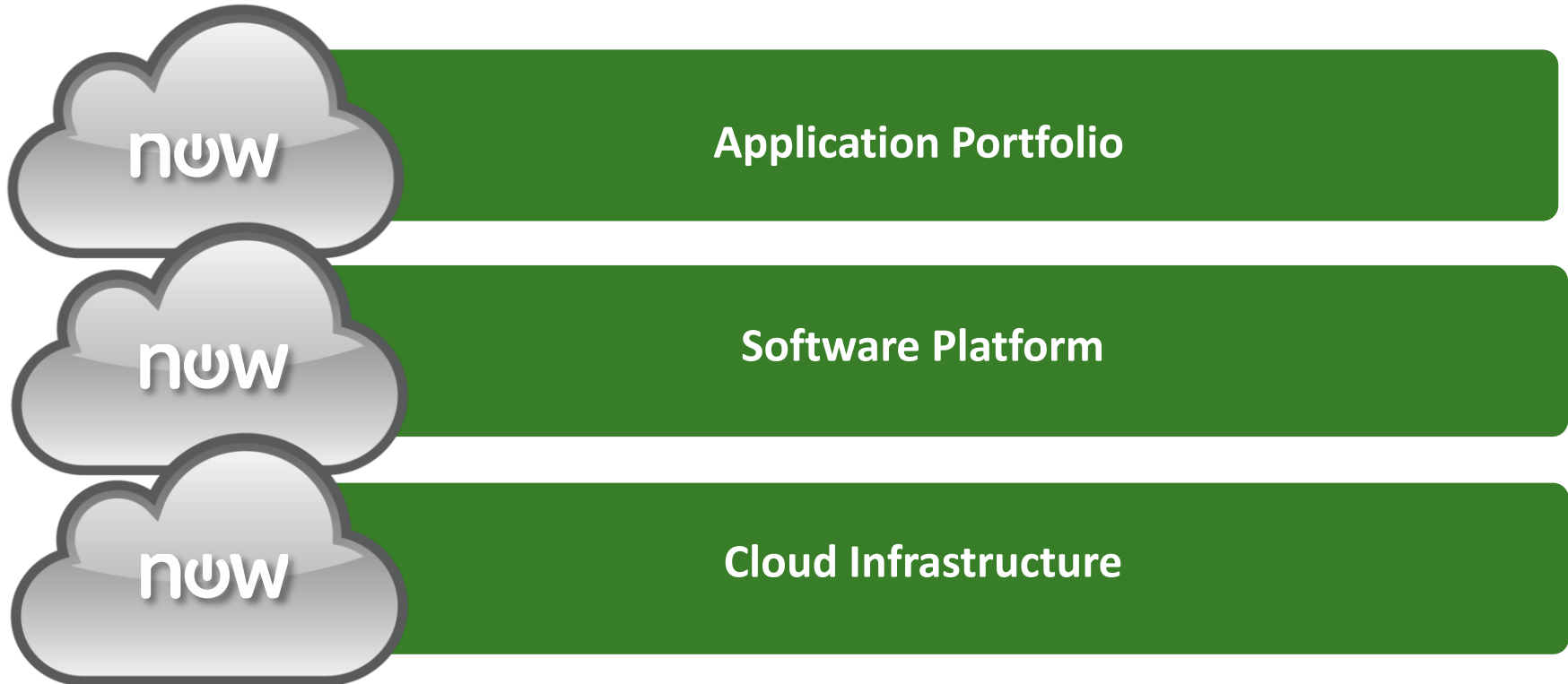
# The Now State of IT



# The Now State of IT



# Investment Priorities





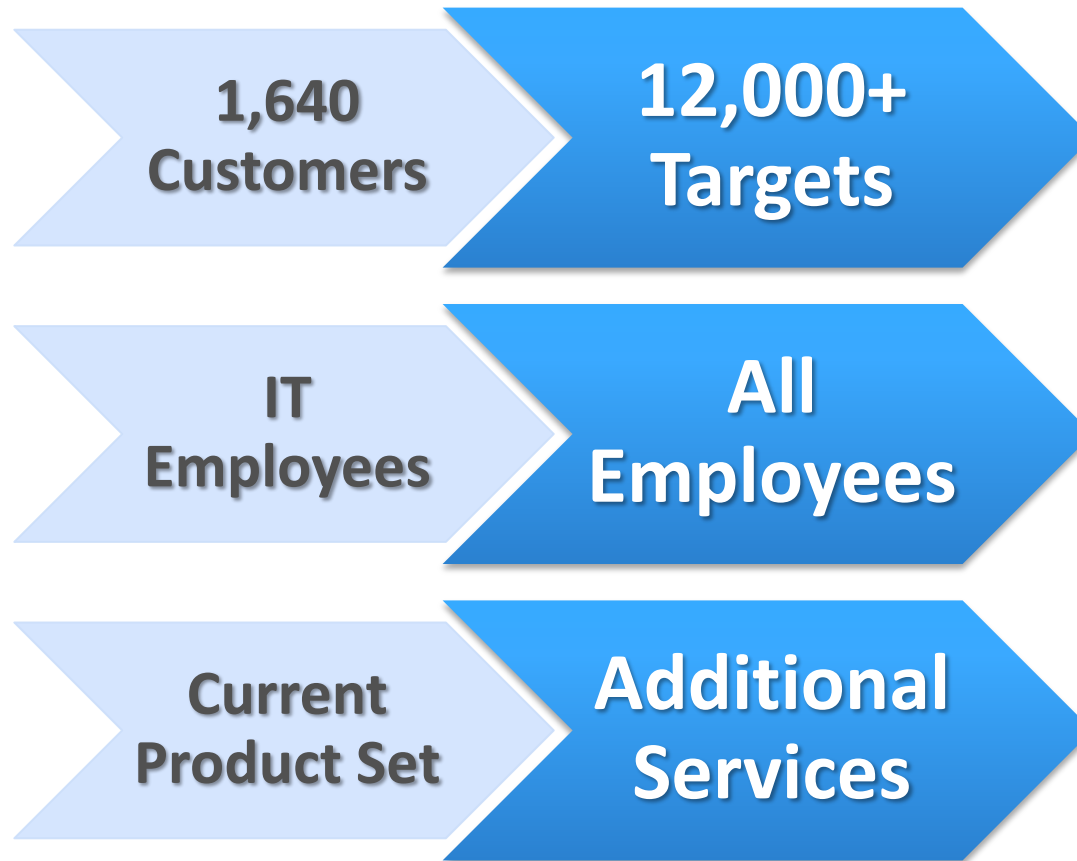
# GO-TO-MARKET

David Schneider, SVP, Worldwide Sales & Services

# Our Sales Strategy

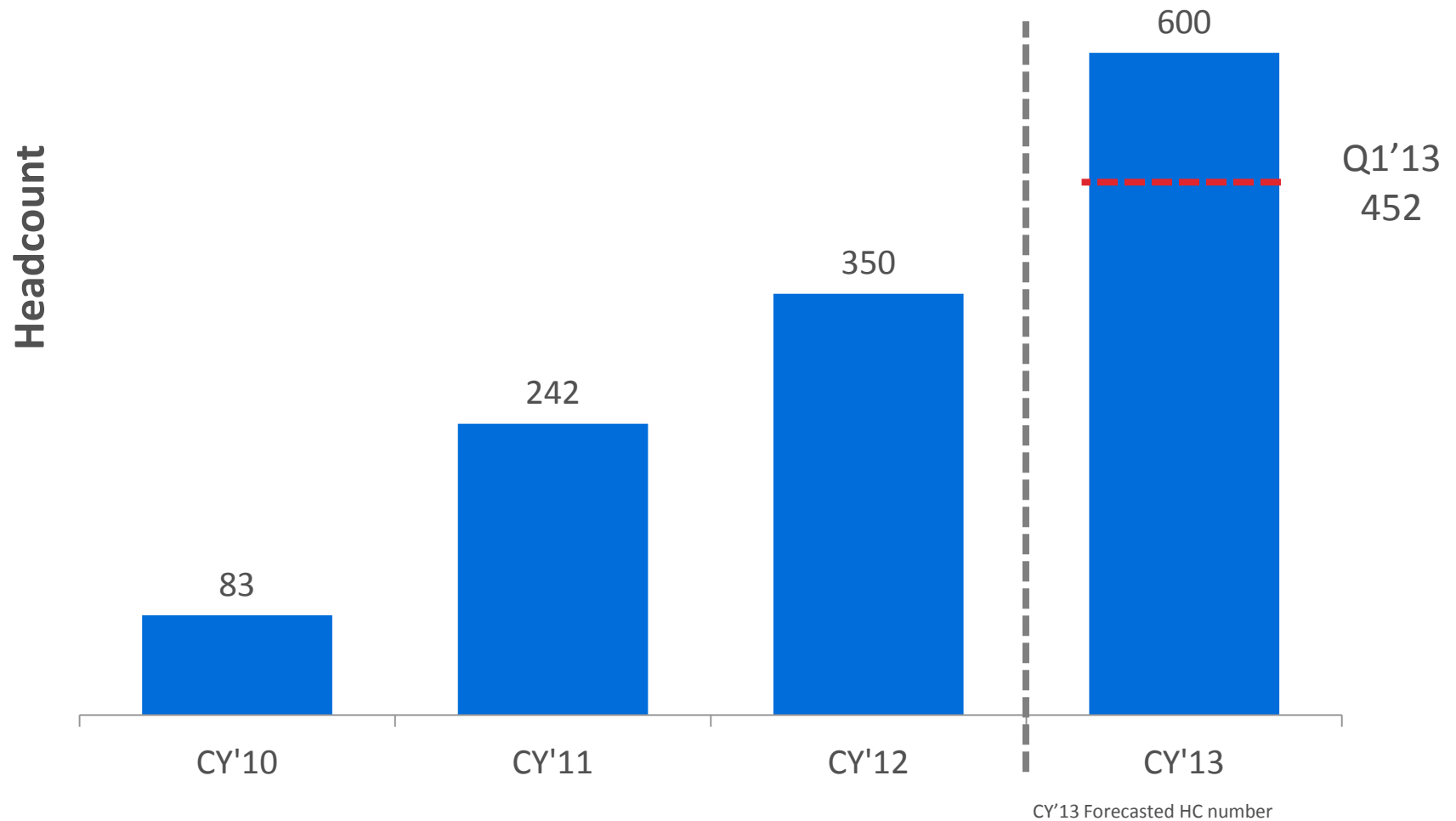


# Expanding Market Opportunities

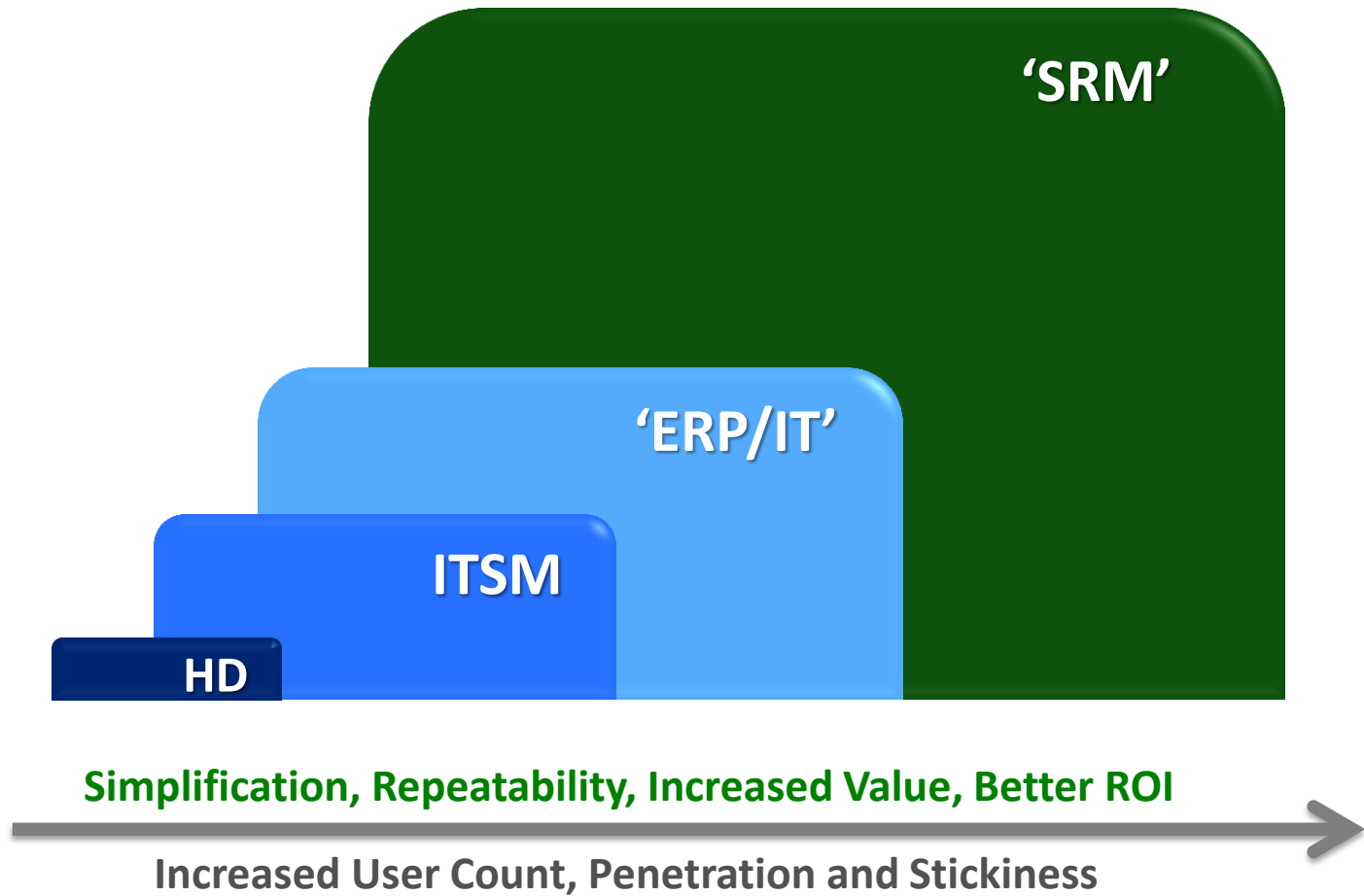


1. Target market defined as large enterprise with over \$750M in revenue and at least 200 IT employees & public sector organizations

# Investing in Growth – Sales & Marketing Headcount



# Driving Customer Evolution



# Global Partner Panelists



**RICK WRIGHT**  
Partner,  
Global Cloud Leader



**AARON DE ZAFRA**  
Partner,  
IT Transformation Advisory

# CUSTOMER VOICE

Beth White, Chief Marketing Officer

# Customer Voice Panelists



**BENJAMIN NUTTIN**  
*Director, IT Process  
Automation*



**MATT TRIMBOLI**  
*Senior Manager,  
Configuration &  
Process Mgmt*

**GEOFF COX**  
*Software Engineer*



S E P H O R A

**JAVIER RODRIGUEZ**  
*Senior IT Service Manager*



**NICOLE TATE**  
*Manager, Application  
Delivery and Support*



# DELIVERING ENTERPRISE CLOUD

Arne Josefsberg, Chief Technology Officer

# All Clouds Are Not Created Equal

## Enterprise

### Developers



### Infrastructure



### Service Automation

servicenow

## Department

### Sales



### Finance



### Human Resources



## Consumer

### Shopping



### Entertainment

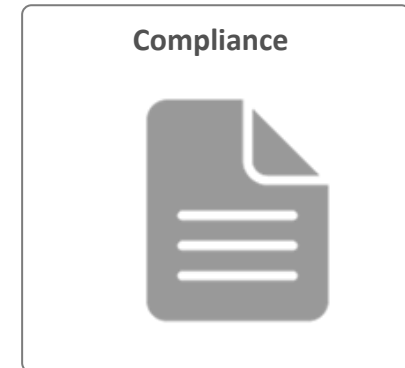
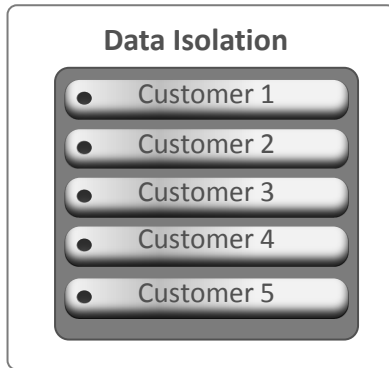


### Communications

facebook.

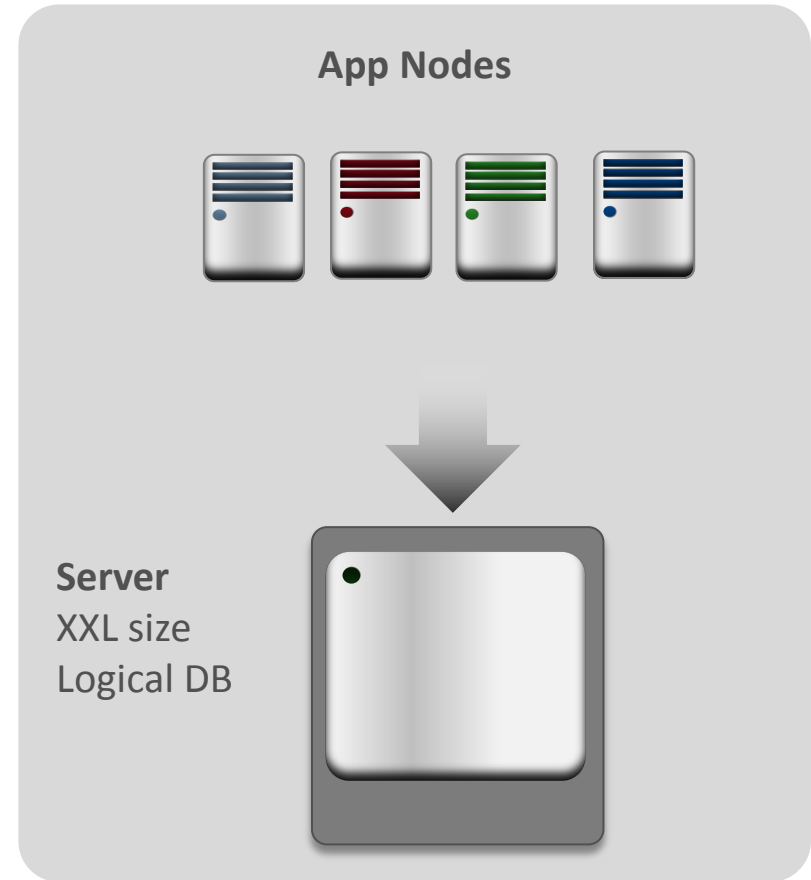
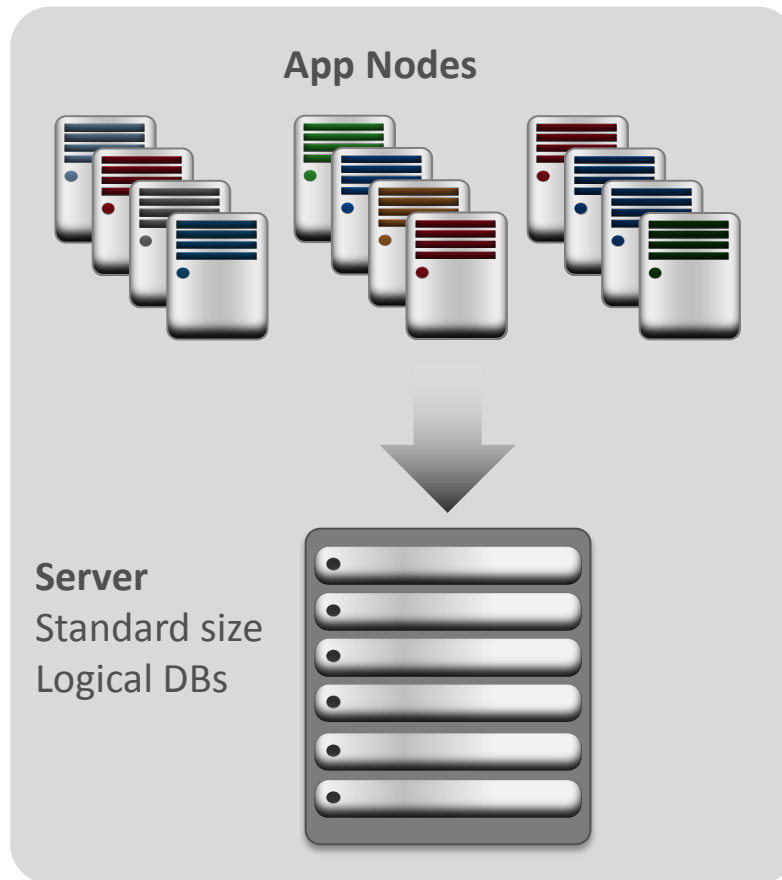
# Enterprise-grade Cloud

- Security
  - Compliance
  - Data Isolation
  - High Service Availability
- Data Sovereignty
  - Industry-specific Requirements
    - Government
    - Pharmaceutical and Health Care
    - Financial



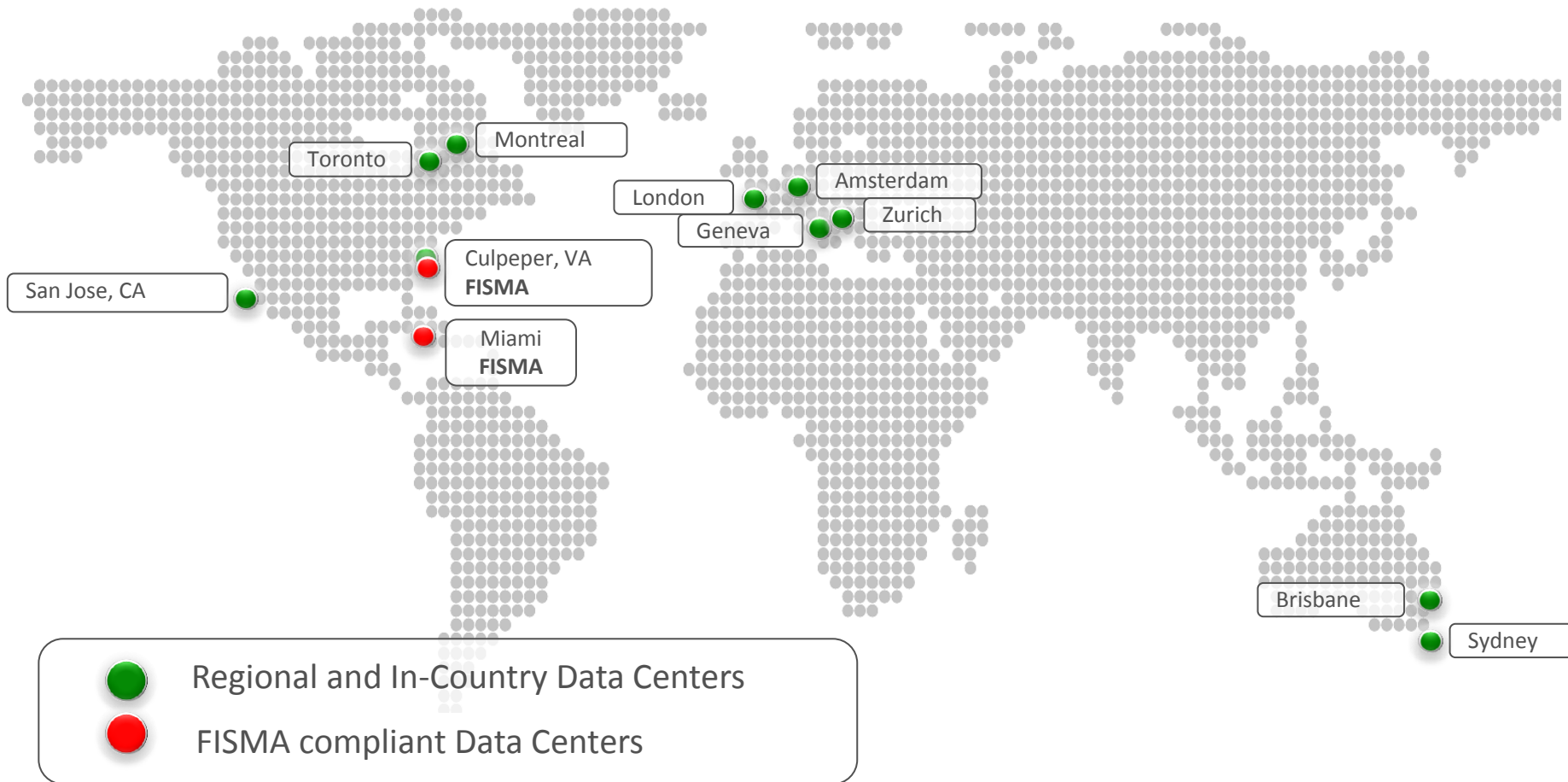
# Multi Instance Architecture – Best in Class Security and Cost

- Data Isolation
- Shared physical infrastructure optimizes data center costs



# ServiceNow Global Data Centers

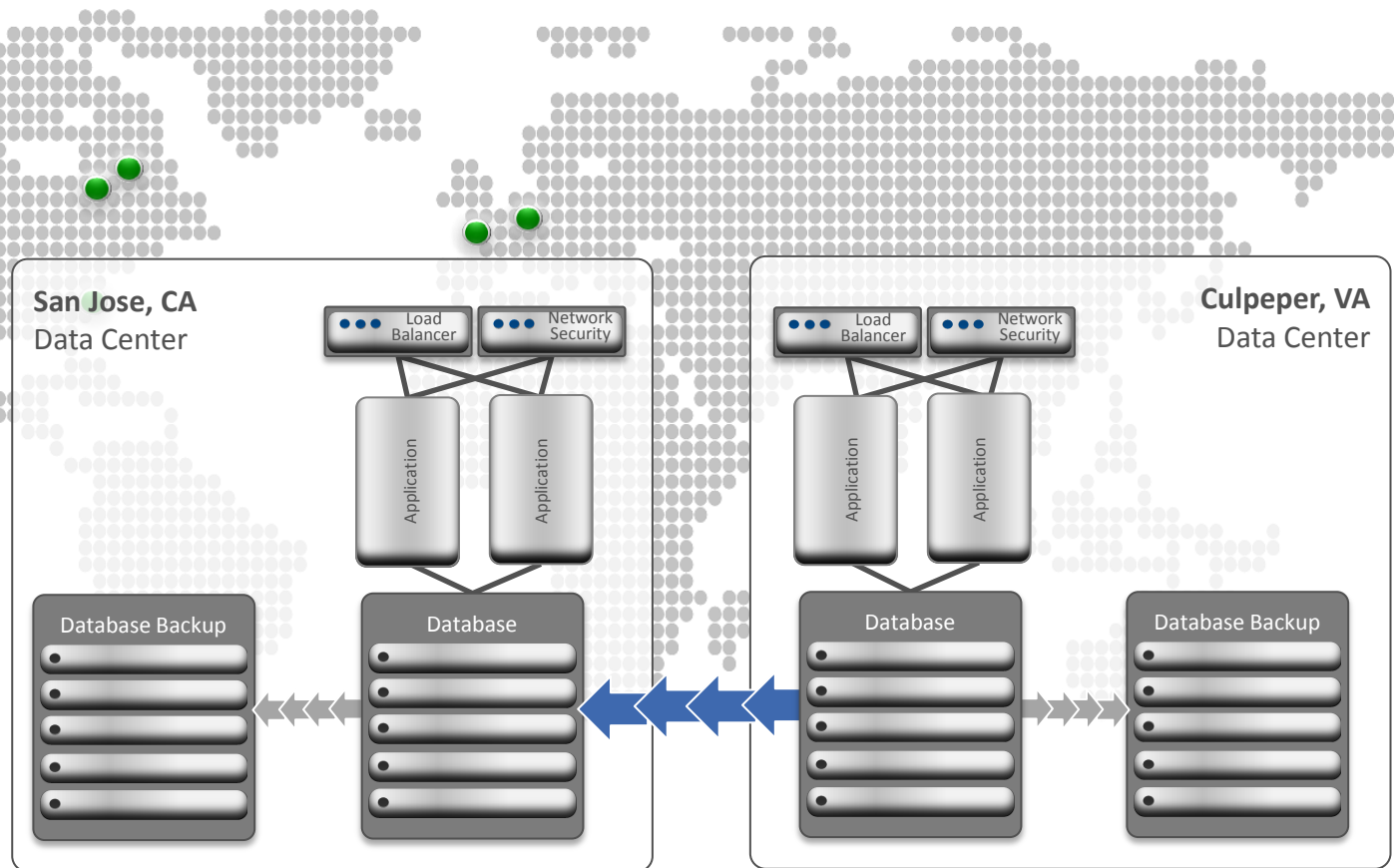
- Mirrored for high availability
- Deployed to meet regulatory and data sovereignty requirements



# ServiceNow Advanced High Availability

Protecting customer data is our top priority

- Near real time data replication between data centers
- Weekly full and daily incremental backup in both data centers

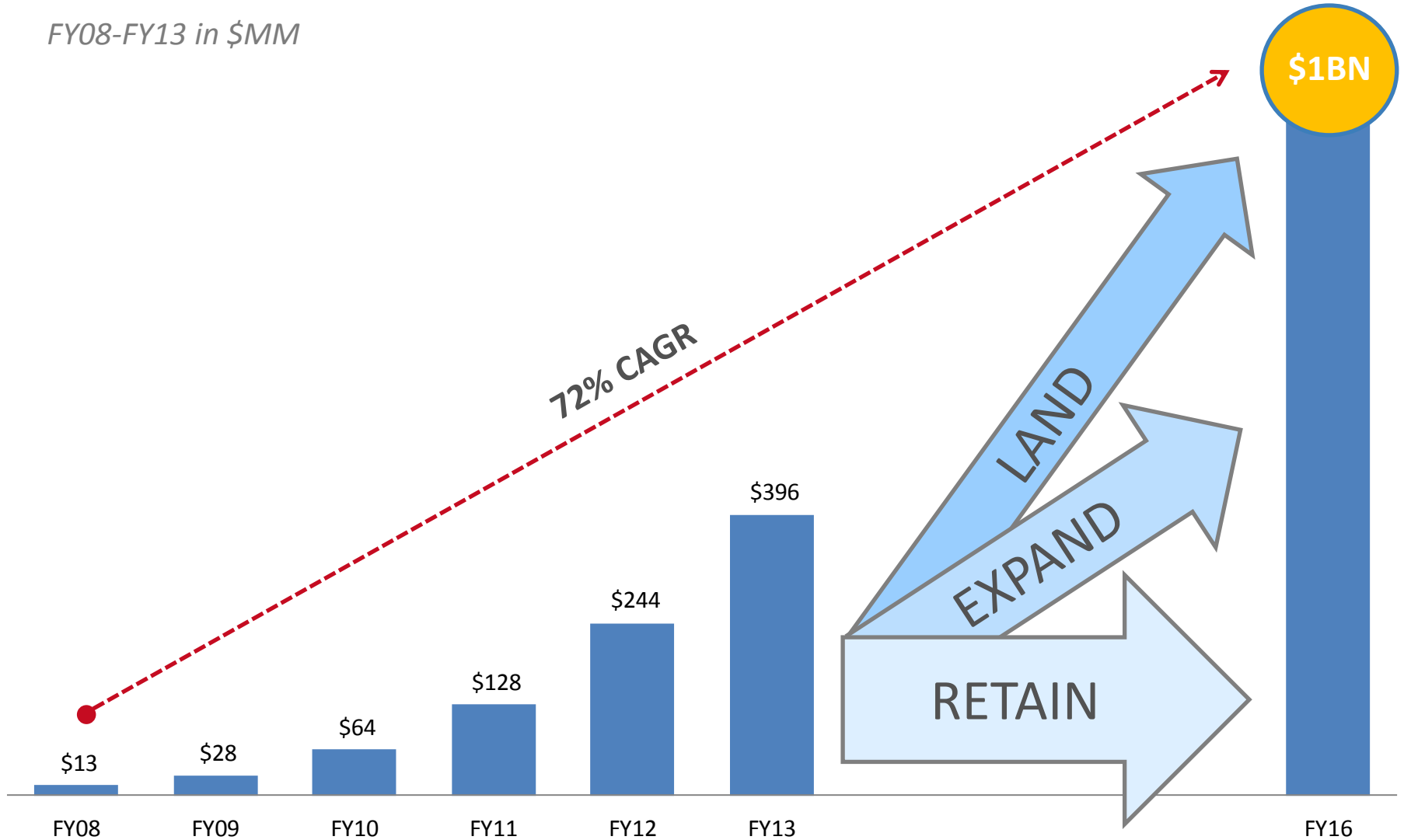


# FINANCIALS

Michael Scarpelli, Chief Financial Officer

# \$1 Billion in Clear Sight

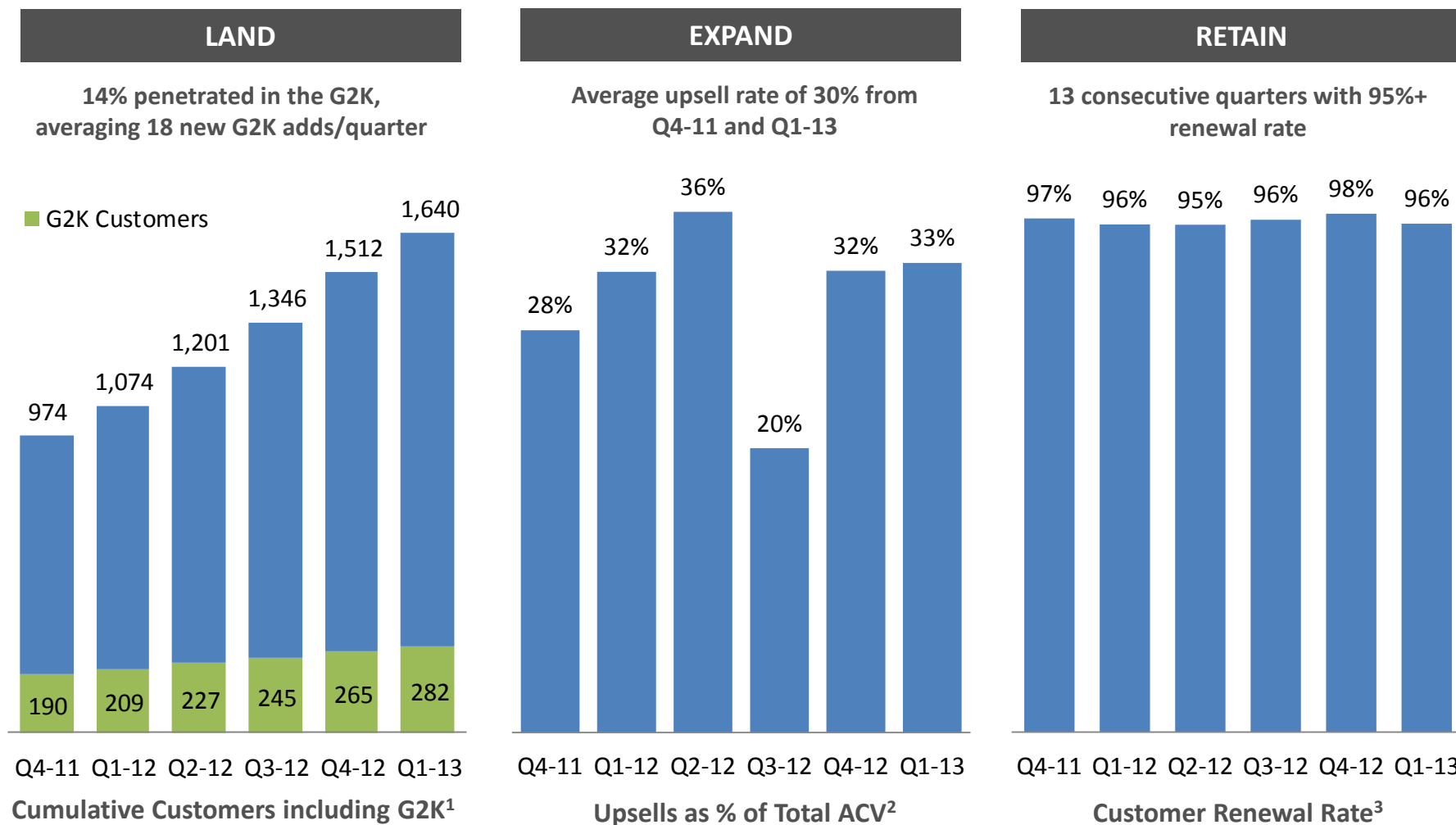
FY08-FY13 in \$MM



Note: \$1BN in future revenue is an estimate only, based on information as of this date. Actual results may differ significantly.



# The Road to \$1 Billion



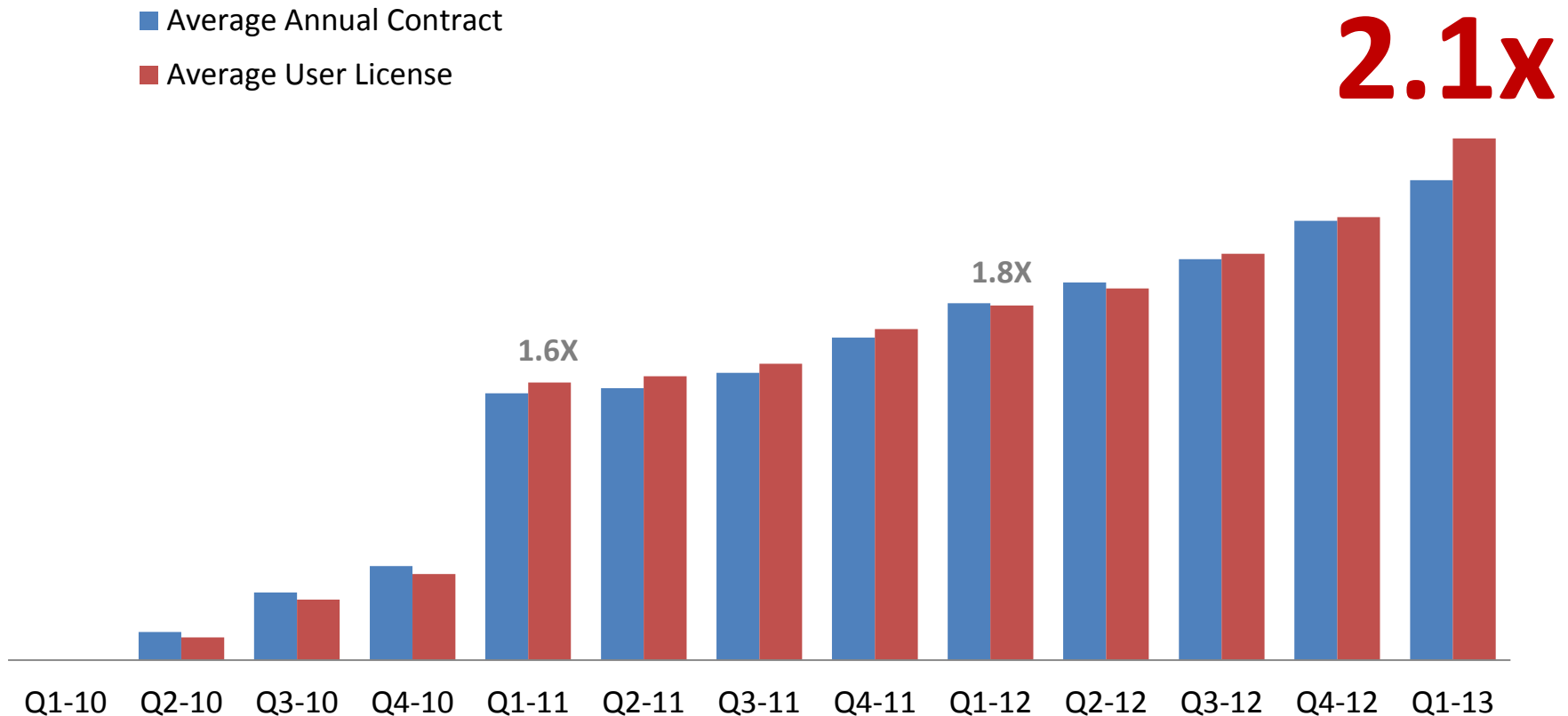
1. Each subsidiary that has contracted for a separate production instance is counted as a customer.

2. Upsell rate is calculated as the annual contract value of upsells during the period, net of any decreases in annual contract value of renewals during the period, divided by our total annual contract value during the period.

3. Renewal rate calculated by subtracting our attrition rate from 100%. Our attrition rate for a period is equal to the annual contract value from lost customers, divided by the total annual contract value from all customers that renewed during the period and from all lost customers.

# Sample Customer Progression

## Q1-10 New Logos: Average Annual Contract Value and User License Growth

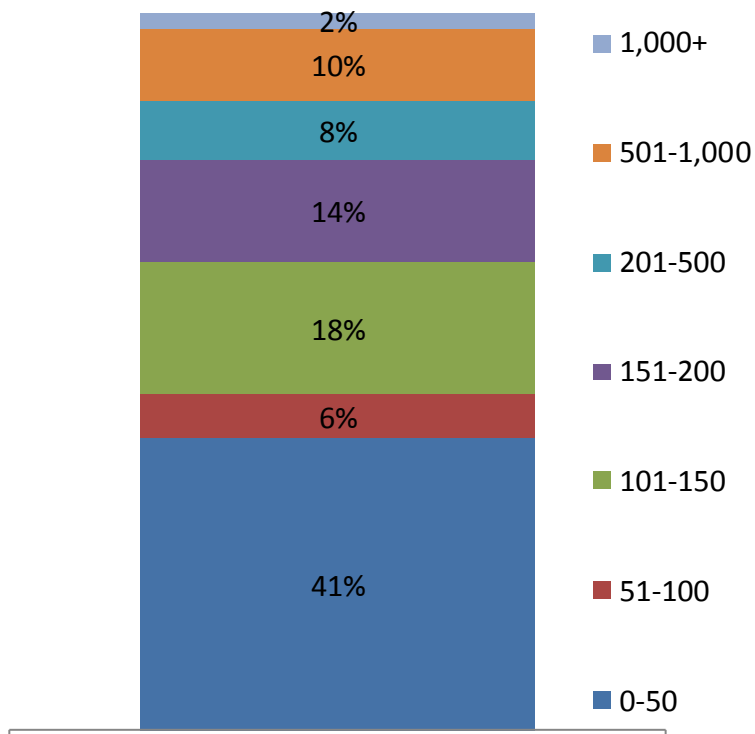


**Note:** Cohort includes 49 customers added in Q1-10. During the 3 year period, 3 customers did not renew, ending the period with 46 customers. Growth in annual contract value and user licenses is inclusive of the 3 lost customers.

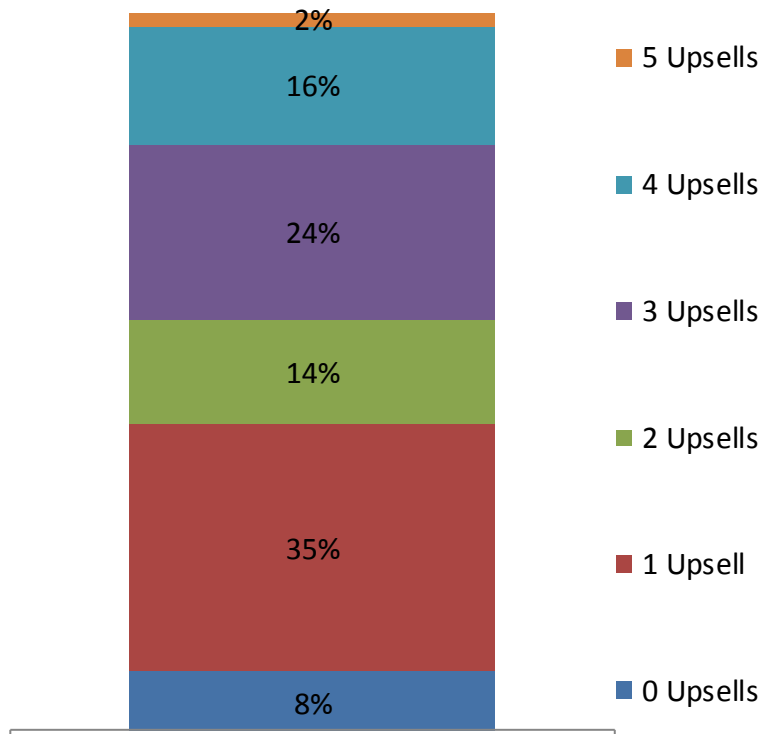
# Expansion

## Q1-10 New Logos: Additional Users and Number of Upsells through Q1-13

% with "X" Upsold Users



% with "X" Upsells



# Cash Flows

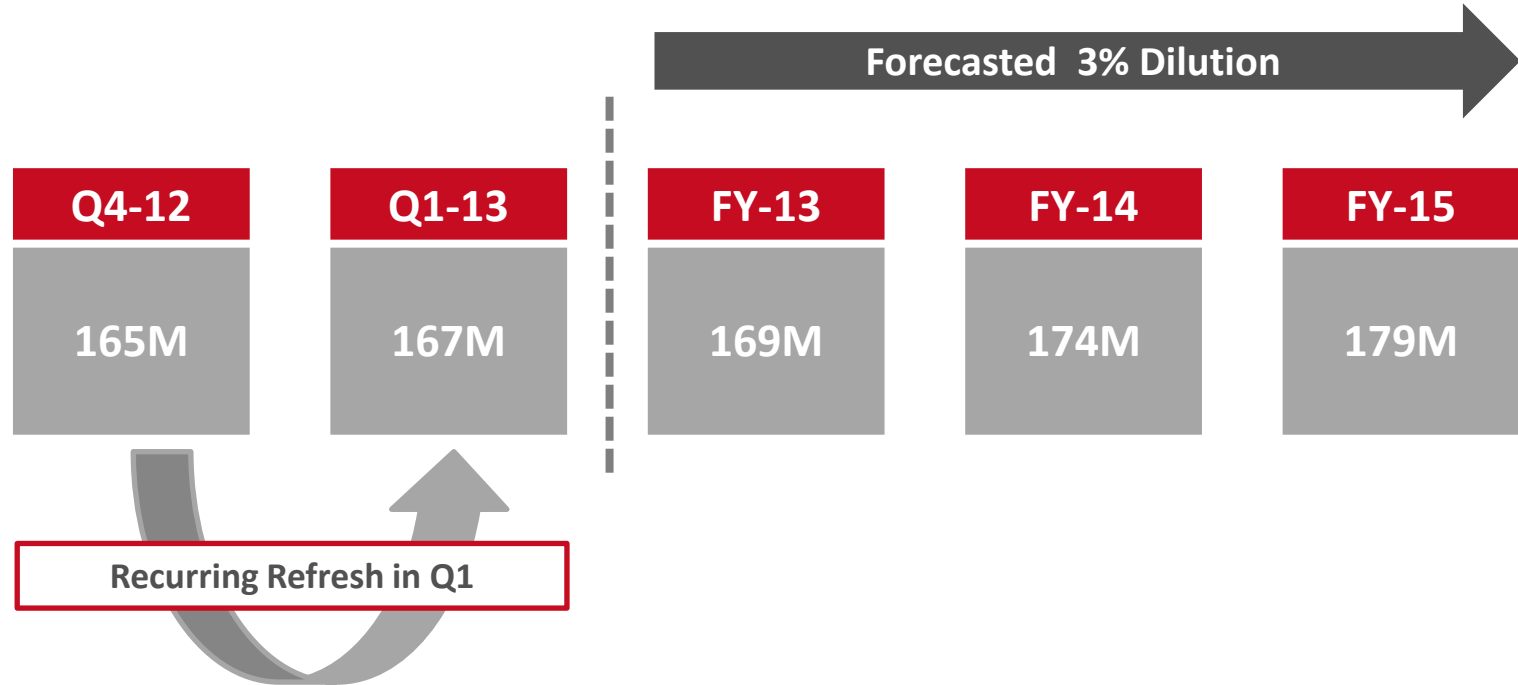
	2012	2013	Long Term
Cash from Operations	\$49M ~22% growth	>25% Growth	
Capital Expenditures	(\$42M) ~17% of revenue	~14% of revenue	~6-7% of revenue
Free Cash Flows	\$7M	Flat	

# Tax Outlook

	2012	2013	Long Term
GAAP Effective Tax Rate	(4)%	(3) – (5)%	28-32%
Non-GAAP Effective Tax Rate	(21)%	NM	30-34%
Cash	\$0.5M	\$1.1 – 1.3M	6-8% <sup>(1)</sup>

1. Rate calculated as a % of projected GAAP pre tax income

# Fully Diluted Shares Outstanding



# Walk to Long-Term Operating Model Targets

	FY-12	Q1-13	Q2-13G		Long Term
Sub Gross Margin	71%	77%	74-75%	Data Center Density, Improved Economies of Scale	78-80%
PS & Other Gross Margin	0%	8%	23-25%	Productized & Scalable Offerings, Utilization, Ramp Time	13-15%
Total Gross Margin	60%	65%	64-65%		68-70%
S&M % of Revenue	38%	40%	n/a	Renewals > Percent of Bookings, Improved Mix of Ramped Reps, Marketing Program Spend	29-31%
R&D % of Revenue	13%	15%	n/a	Continue to Invest in R&D, but at Slower Pace than Revenue Growth	11-13%
G&A % of Revenue	12%	12%	n/a	Improved Economies of Scale	4-6%
Operating Margin	(4%)	(1%)	(6)-(5)%		~20%

**Note:** All figures are calculated on a non-GAAP basis, which excludes stock-based compensation. See appendix for reconciliation of non-GAAP financial measures

# Non-GAAP Reconciliation

\$MM	2012	Q1-13
GAAP Subscription Gross Profit	141.3	53.2
(+) Subscription SBC	3.9	1.8
Non-GAAP Subscription Gross Profit	145.2	55.0
<i>% Subscription Gross Margin</i>	71%	77%
GAAP Professional Services Gross Profit	-1.6	0.4
(+) Pro. Serv. SBC	1.6	0.8
Non-GAAP Professional Services Gross Profit	0.0	1.2
<i>% Pro. Serv. Gross Margin</i>	0%	8%
Total Non-GAAP Gross Profit	145.2	56.2
<i>% Gross Margin</i>	60%	65%
GAAP Sales and Marketing	103.8	38.2
–Sales and Marketing SBC	10.2	4.0
Non-GAAP Sales and Marketing	93.6	34.2
<i>% of Revenue</i>	38%	40%
GAAP Research and Development	39.3	16.0
–Research and Development SBC	6.5	3.1
Non-GAAP Research and Development	32.8	12.9
<i>% of Revenue</i>	13%	15%
GAAP General and Administrative	34.1	12.3
–General and Administrative SBC	5.7	2.3
Non-GAAP General and Administrative	28.4	10.0
<i>% of Revenue</i>	12%	12%
Non-GAAP Operating Margin	-4%	-1%
GAAP Tax Provision	1.4	0.6
+ Non-GAAP Adjustment	0.3	0.5
Non-GAAP Tax Provision	1.7	1.1
<i>Non-GAAP Effective Tax Rate</i>	-21%	-147%



**Thank you**