

ServiceNow Inc. (NOW)

\$838.87 (Stock Price as of 12/04/2025)

Price Target (6-12 Months): **\$904.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 11/11/25)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM: D

Value: F

Growth: B

Momentum: D

Summary

ServiceNow has been benefiting from the rising adoption of workflows by enterprises undergoing digital transformation. In the third quarter of 2025, it had 6 deals greater than \$10 million in net new annual contract value (ACV) and closed 103 deals greater than \$1 million in net new ACV. Gen AI deals continue to gain traction. NOW is extensively leveraging AI and machine learning technologies to boost the potency of its solutions. ServiceNow is riding on an expanding partner base and acquisitions. For 2025, ServiceNow raised subscription revenues guidance by \$5 million at the mid-point to \$12.835-\$12.845 billion, suggesting 20% on a non-GAAP constant currency (cc) basis. NOW remains on track to hit more than \$15 billion in subscription revenues in 2026. However, slowing subscription growth rate amid challenging macroeconomic environment is a concern.

Data Overview

52 Week High-Low	\$1,198.09 - \$678.66
20 Day Average Volume (sh)	1,348,584
Market Cap	\$174.5 B
YTD Price Change	-20.9%
Beta	0.97
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Computers - IT Services
Zacks Industry Rank	Top 34% (83 out of 243)

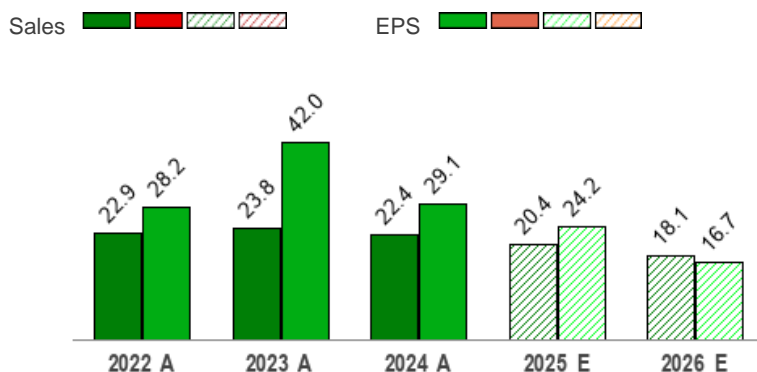
Last EPS Surprise	14.5%
Last Sales Surprise	1.7%
EPS F1 Est- 4 week change	-0.1%
Expected Report Date	02/04/2026
Earnings ESP	0.0%

P/E TTM	50.5
P/E F1	48.5
PEG F1	2.4
P/S TTM	13.8

Price, Consensus & Surprise⁽¹⁾



Sales and EPS Growth Rates (Y/Y %)⁽¹⁾



Sales Estimates (millions of \$)⁽¹⁾

	Q1	Q2	Q3	Q4	Annual*
2026	3,664 E	3,791 E	4,018 E	4,162 E	15,628 E
2025	3,088 A	3,215 A	3,407 A	3,524 E	13,229 E
2024	2,603 A	2,627 A	2,797 A	2,957 A	10,984 A

EPS Estimates⁽¹⁾

	Q1	Q2	Q3	Q4	Annual*
2026	4.60 E	4.59 E	5.29 E	5.32 E	20.18 E
2025	4.04 A	4.09 A	4.82 A	4.35 E	17.29 E
2024	3.41 A	3.13 A	3.72 A	3.67 A	13.92 A

*Quarterly figures may not add up to annual.

(1) The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 12/04/2025.

(2) The report's text and the price target are as of 11/12/2025.

Overview

ServiceNow's cloud-based solution — the Now Platform — enables enterprises to digitize workflows. The platform is used by more than 85% of the Fortune 500 and nearly 60% of the Global 2000 enterprises.

The workflow applications built on the Now Platform are organized into four primary areas: Technology, Customer and Industry, Employee and Creator.

Technology Workflows help IT departments plan, build, operate and service the IT needs of the enterprise. ServiceNow offers Asset Management, Integrated Risk Management, IT Operations Management (ITOM), IT Service Management (ITSM), Operational Technology Management, Security Operations, and Strategic Portfolio Management.

Santa Clara, CA-based ServiceNow's Customer and Industry Workflows help organizations offer better customer experiences through personalized self-service. The Workflows comprise Customer Service Management and Field Service Management solutions.

Employee Workflows help customers simplify how their employees access the services they need. Creator Workflows enable customers to automate processes by quickly creating their own custom workflows on the Now Platform.

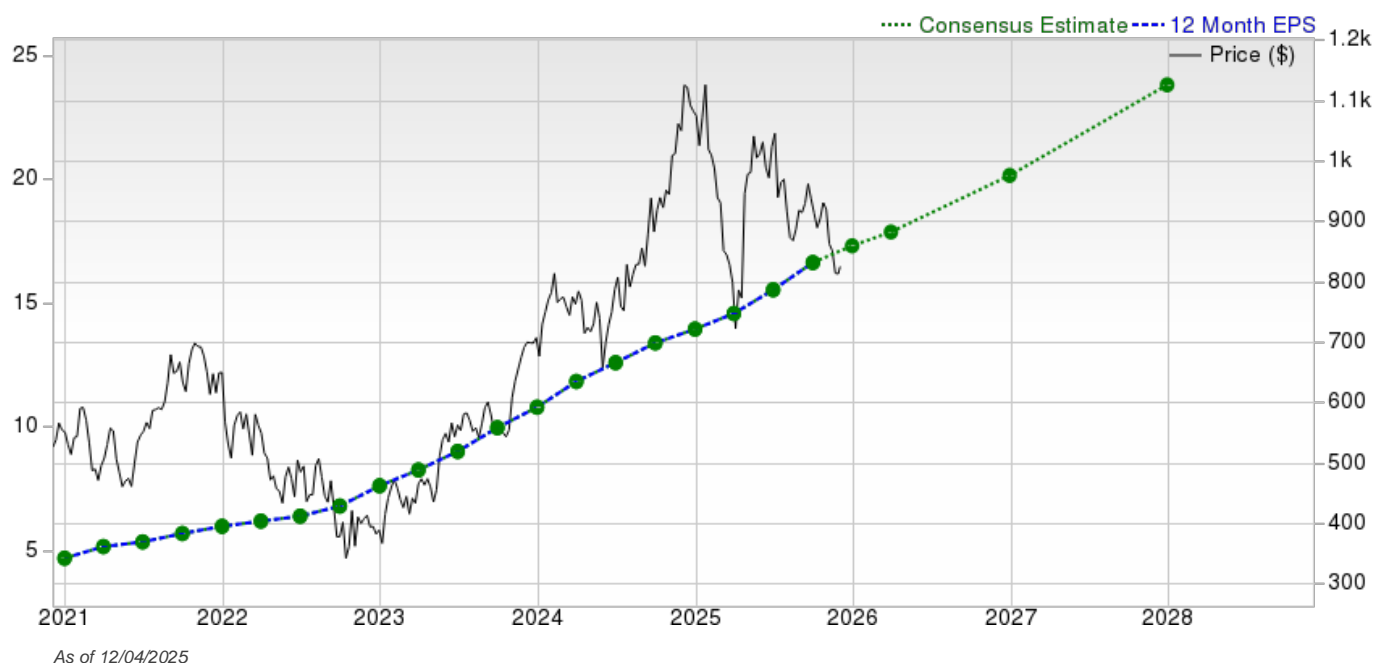
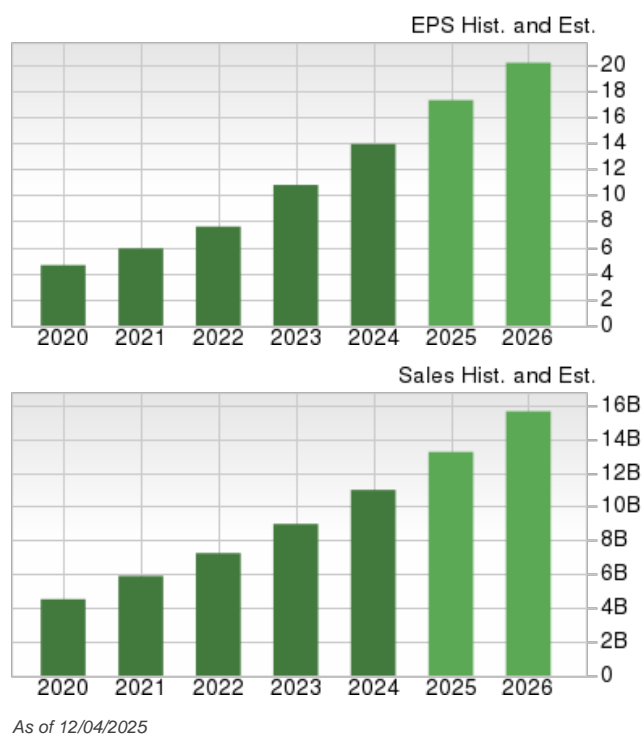
The Now Platform has embedded Now Assist, ServiceNow's Artificial Intelligence (AI) solution, available for certain products at an additional cost, which helps to enhance user productivity and efficiency. Agentic AI is available to ServiceNow's customers as a Now Assist feature.

ServiceNow's end markets are quite varied, which include financial services, healthcare and life sciences, manufacturing, public sector, retail, technology and telecom.

In 2024, total revenues came in at \$10.984 billion. ServiceNow derives revenues from two sources: subscriptions (97% of 2024 revenues) and professional services and other (3% of 2024 revenues).

Subscription revenues comprise Digital workflow products (88.5% of subscription revenues) and ITOM products (11.5% of subscription revenues).

North America, Europe, the Middle East and Africa (EMEA), and Asia Pacific & Other contributed approximately 63%, 21.7% and 11.3% of revenues, respectively in 2024.



Reasons To Buy:

- ▲ ServiceNow is extensively leveraging AI and machine learning technologies to boost the potency of its solutions. The company's expanding Generative AI (GenAI) capabilities are noteworthy, as its total addressable market is expected to hit \$275 billion in 2026. NOW's strategy of upgrading the platform twice a year helps in simplifying customers' workflow and productivity. ServiceNow's latest update, Yokohama, introduces AI agent innovations, connected data, and automated workflows on a single platform. The Yokohama update focuses on automation, governance and workflow intelligence to help businesses manage operational complexity. It includes AI-powered capabilities such as AI Agent Studio for creating and editing AI agents and Agentic AI that enables AI agents to handle tasks independently with reduced human oversight. The release extends AI capabilities across enterprise functions with features like voice input, data controls and workflow integration.
- ▲ A strong and frequently updated portfolio is helping ServiceNow win customers on a regular basis. Exiting the third quarter of 2025, ServiceNow had 103 transactions over \$1 million in net new annual contract value (ACV) in the third quarter, 6 of which were greater than \$10 million in net new ACV. The company expanded its customer relationships, reaching 553 customers with more than \$5 million in ACV at the end of the reported quarter. The number of customers contributing \$50 million or more increased by more than 20% year over year.
- ▲ ServiceNow's rich partner base, which includes the likes of Amazon, Microsoft, NVIDIA, Five9, Visa, Snowflake, Zoom, Siemens, Rimini Street, IBM, Genesys, Fujitsu, Equinix, Boomi and Infosys, is a key catalyst for future prospects. This, along with strategic acquisitions like Cuein, is helping it to expand Gen AI and Agentic AI footprint.
- ▲ ServiceNow has a strong balance sheet with ample liquidity position. As of Sept. 30, 2025, NOW had cash and cash equivalents and short-term investments of \$5.41 billion. Long-term investments were \$4.27 billion as of Sept. 30, 2025. Strong liquidity reflects that the company is making investments in the right direction. Moreover, the cash is available for pursuing strategic acquisitions, investment in growth initiatives and distribution to shareholders.

ServiceNow benefits from an expanding GenAI portfolio, expanding clientele, and a rich partner base, which has been driving top-line growth.

Reasons To Sell:

- ▼ ServiceNow faces stiff competition from the likes of Oracle and Salesforce.com. The company's strategy to accelerate the adoption of its Agentic AI by foregoing immediate revenues is expected to negatively impact the subscription revenue growth rate in 2025.
- ▼ ServiceNow generates a significant portion of revenues from the international market. ServiceNow remains cautious in its full-year outlook due to ongoing macroeconomic challenges, including elevated tariffs, inflationary pressure and geopolitical uncertainty.
- ▼ The company is trading at a premium in terms of price/sales (P/S). ServiceNow currently has a trailing 12-month P/S of 15.24X. This level compares unfavorably with what the industry witnessed in the prior year. Consequently, the valuation looks stretched from P/S perspective.

Stiff competition, challenging macroeconomic condition and stretched valuation are key concerns.

Last Earnings Report

NOW Q3 Earnings Beat Estimates, Revenues Rise Y/Y

ServiceNow reported third-quarter 2025 adjusted earnings of \$4.82 per share, which beat the Zacks Consensus Estimate by 14.49% and increased 29.6% year over year.

Revenues of \$3.41 billion beat the consensus mark by 1.66% and increased 21.7% year over year. At constant currency (cc), revenues increased 20.5% year over year to \$3.37 billion.

NOW's Q3 Top-Line Details

Subscription revenues improved 21.5% year over year, on a reported basis, to \$3.3 billion. On a cc basis, revenues increased 20.5% to \$3.27 billion. Professional services and other revenues increased 31% year over year on a reported basis to \$108 million and 29.5% on a cc basis to \$107 million.

At the end of the third quarter, the current remaining performance obligations (cRPO) were \$11.35 billion, up 21% year over year on a reported basis and 20.5% on a cc basis. Remaining performance obligations, on a cc basis, rose 23% year over year to \$24.3 billion.

Expanding Clientele Aids NOW's Top-Line Growth

ServiceNow had 103 transactions over \$1 million in net new annual contract value (ACV) in the third quarter, 6 of which were greater than \$10 million in net new ACV. The company expanded its customer relationships, reaching 553 customers with more than \$5 million in ACV at the end of the reported quarter. The number of customers contributing \$50 million or more increased by more than 20% year over year.

Technology workflows had 50 deals over \$1 million, including six over \$5 million. ITSM, ITOM and ITAM were all in 15 of NOW's top 20 deals with double-digit deals over \$1 million. Security and risk combined for 12 of the top 20 deals, with three deals over \$1 million. CRM and industry workflows were in 14 of the top 20, with 15 deals over \$1 million, and core business workflows were in 13 of the top 20, with 14 deals over \$1 million. NOW saw 12 Now Assist deals over \$1 million, including one over \$10 million in the reported quarter. AI Control Tower deal volume more than quadrupled sequentially in the third quarter of 2025.

Net new ACV in transportation and logistics industries grew more than 90% year over year, while more than 50% growth was seen in retail and hospitality and education. Net new ACV at U.S. federal business grew more than 30% on a year-over-year basis.

NOW's Operating Details

In the third quarter of 2025, non-GAAP gross margin was 80.9%, down 160 basis points (bps) on a year-over-year basis. Subscription gross margin was 83.2%, contracted 170 bps year over year. Professional services and other gross margins were 11.1% compared with 5.9% reported in the year-ago quarter.

As a percentage of revenues, operating expenses decreased 360 bps on a year-over-year basis to 60.5%.

ServiceNow's non-GAAP operating margin expanded 230 bps on a year-over-year basis to 33.5%.

NOW's Balance Sheet & Cash Flow

As of Sept. 30, 2025, NOW had cash and cash equivalents and marketable securities of \$5.41 billion compared with \$6.13 billion as of June 30, 2025. Long-term marketable securities were \$4.27 billion.

During the reported quarter, cash from operations was \$813 million compared with \$716 million in the previous quarter.

ServiceNow generated a free cash flow of \$592 million in the reported quarter, up from \$535 million reported in the prior quarter. Free cash flow margin was 17.5%, up 50 bps year over year.

NOW repurchased roughly 644,000 shares. The company has approximately \$2 billion remaining available for future share repurchases. NOW's board approved a 5-for-1 stock split.

NOW Offers Positive 2025 Guidance

ServiceNow expects AI products' ACV to exceed \$0.5 billion this year.

For 2025, NOW expects subscription revenues to be \$12.835-\$12.845 billion, which suggests a rise of 20.5% from 2024 on a GAAP basis and 20% on a cc basis.

ServiceNow expects the non-GAAP subscription gross margin to be 83.5% and the non-GAAP operating margin to be 31%. Moreover, the free cash flow margin is expected to be 34%.

For the fourth quarter of 2025, subscription revenues are projected between \$3.42 billion and \$3.43 billion, suggesting year-over-year growth of 19.5% on a GAAP basis and in the 17.5% to 18% on a cc basis.

ServiceNow expects the non-GAAP operating margin to be 30% in the current quarter, with cRPO growth projected at 23% on a GAAP basis and

FY Quarter Ending **12/31/2024**

Earnings Reporting Date	Oct 29, 2025
Sales Surprise	1.66%
EPS Surprise	14.49%
Quarterly EPS	4.82
Annual EPS (TTM)	16.62

19% on a cc basis.

Recent News

On Sept. 10, ServiceNow announced its new Zurich platform release. The latest release offers faster multi-agentic AI development, enterprise-wide AI platform security capabilities, and reimagined workflows.

On July 23, ServiceNow announced agentic workforce management, a new extension of end-to-end AI agent orchestration designed to allow employees to accelerate the impact of AI. Agentic workforce management enables employees and AI agents to seamlessly and securely work together to deliver real business outcomes, with the company's first agentic workforces supporting IT operations, customer support, security and end-user software deployment.

ServiceNow announced a strategic partnership with CapZone Impact Investments LLC to develop a national network of next generation digital solutions for mission-critical manufacturing facilities, starting in Mobile, Alabama. Utilizing the ServiceNow AI Platform as the digital backbone, the partnership will transform legacy shipbuilding and bolster U.S. naval operations along the Gulf Coast and beyond.

On July 9, ServiceNow announced it has partnered with the Ferrari Hypercar team as their official platform provider, deploying its AI-powered platform to support real time race operations and unify global operations, including communications, service requests and IT workflows, across Ferrari's motorsports and lifestyle divisions.

On May 7, ServiceNow and AWS introduced a new bi-directional data integration and automated workflow orchestration solution at Knowledge 2025 to unify enterprise data, drive real-time AI insights, and streamline business transformation.

ServiceNow also unveiled its AI-powered Core Business Suite at Knowledge 2025, streamlining HR, finance, procurement, legal, and facilities operations to accelerate enterprise transformation and efficiency.

On May 6, ServiceNow and NVIDIA expanded their partnership at Knowledge 2025 with the launch of the Apriel Nemotron 15B reasoning model and a new joint data flywheel architecture to advance real-time, intelligent AI agents across the enterprise.

ServiceNow and UKG also announced a collaboration at Knowledge 2025 to integrate their AI technologies, enhancing employee productivity and streamlining HR, payroll, and workforce management through agentic AI.

ServiceNow launched AI Control Tower and AI Agent Fabric at Knowledge 2025, introducing powerful tools for enterprise-scale AI governance, orchestration, and collaboration across native and third-party AI systems.

Valuation

ServiceNow shares are down 18.8% in the year-to-date period and 17.7% over the trailing 12-month period. Stocks in the Zacks sub-industry is down 15.5% whereas the Zacks Computer & Technology sector is up 27.6% in the year-to-date period. Over the past year, the Zacks sub-industry is down 19.3% while the sector is up 28.4%.

The S&P 500 index is up 18% in the year-to-date period and 16.4% in the past year.

The stock is currently trading at 11.7X forward 12-month sales, which compares to 16.77X for the Zacks sub-industry, 6.91X for the Zacks sector and 5.4X for the S&P 500 index.

Over the past five years, the stock has traded as high as 21.28X and as low as 8X, with a 5-year median of 13.74X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$904 price target reflects 12.29X forward 12-month sales.

The table below shows summary valuation data for NOW

Valuation Multiples - NOW					
		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	11.7	16.77	6.91	5.4
	5-Year High	21.28	23.34	7.40	5.52
	5-Year Low	8.00	13.26	4.25	3.84
	5-Year Median	13.57	18.32	6.3	5.06
P/B TTM	Current	15.84	24.49	11.68	8.37
	5-Year High	41.26	37.40	11.99	9.19
	5-Year Low	14.73	22.32	6.53	6.62
	5-Year Median	20.49	28.51	9.51	8.04
EV/Sales TTM	Current	13.82	17.69	8.5	5.69
	5-Year High	25.71	27.24	8.50	5.77
	5-Year Low	9.62	14.29	4.14	3.76
	5-Year Median	16.37	19.25	6.89	5.1

As of 11/11/2025

Source: Zacks Investment Research

Industry Analysis⁽¹⁾ Zacks Industry Rank: Top 34% (83 out of 243)



Top Peers⁽¹⁾

Company (Ticker)	Rec	Rank
Vertiv Holdings Co. (VRT)	Outperform	1
ASGN Incorporated (ASGN)	Neutral	3
Cognizant Technology... (CTSH)	Neutral	2
Amdocs Limited (DOX)	Neutral	4
EPAM Systems, Inc. (EPAM)	Neutral	2
Fair Isaac Corporati... (FICO)	Neutral	3
Microsoft Corporatio... (MSFT)	Neutral	3
Science Applications... (SAIC)	Neutral	3

Industry Comparison⁽¹⁾ Industry: Computers - It Services

	NOW	X Industry	S&P 500	ASGN	DOX	VRT
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Outperform
Zacks Rank (Short Term)	3	-	-	3	4	1
VGM Score	D	-	-	A	A	D
Market Cap	174.48 B	2.27 B	38.59 B	1.96 B	8.63 B	69.79 B
# of Analysts	16	4	22	2	4	7
Dividend Yield	0.00%	0.00%	1.44%	0.00%	2.76%	0.14%
Value Score	F	-	-	A	B	F
Cash/Price	0.03	0.10	0.04	0.07	0.04	0.03
EV/EBITDA	59.81	9.80	14.40	7.48	9.80	58.97
PEG Ratio	2.38	1.91	2.20	NA	1.14	1.48
Price/Book (P/B)	15.44	3.01	3.38	1.07	2.49	19.89
Price/Cash Flow (P/CF)	65.98	16.48	15.03	6.05	9.76	50.14
P/E (F1)	48.52	16.66	20.02	10.04	10.22	44.37
Price/Sales (P/S)	13.77	2.31	3.01	0.49	1.90	7.20
Earnings Yield	2.06%	5.11%	4.96%	9.97%	9.78%	2.25%
Debt/Equity	0.13	0.05	0.57	0.64	0.23	0.83
Cash Flow (\$/share)	12.72	0.94	8.99	7.58	7.83	3.64
Growth Score	B	-	-	C	B	B
Hist. EPS Growth (3-5 yrs)	63.50%	6.86%	8.16%	-1.09%	8.28%	47.51%
Proj. EPS Growth (F1/F0)	24.21%	10.50%	8.48%	-12.45%	7.01%	44.21%
Curr. Cash Flow Growth	60.49%	1.70%	7.00%	-15.66%	2.96%	43.89%
Hist. Cash Flow Growth (3-5 yrs)	35.37%	7.79%	7.31%	-0.15%	3.05%	42.59%
Current Ratio	1.06	1.62	1.18	1.99	1.17	1.83
Debt/Capital	11.66%	12.89%	38.15%	38.87%	18.50%	45.23%
Net Margin	13.66%	3.35%	12.82%	3.28%	12.46%	10.67%
Return on Equity	18.74%	8.55%	17.00%	11.42%	19.78%	50.82%
Sales/Assets	0.59	0.93	0.53	1.10	0.72	0.97
Proj. Sales Growth (F1/F0)	20.40%	5.53%	5.75%	-3.10%	3.60%	27.50%
Momentum Score	D	-	-	C	A	F
Daily Price Chg	0.72%	0.86%	0.11%	0.86%	0.62%	2.05%
1 Week Price Chg	-0.13%	2.28%	0.65%	4.70%	0.41%	12.45%
4 Week Price Chg	-2.32%	1.23%	2.04%	5.04%	-8.62%	-0.26%
12 Week Price Chg	-10.60%	-6.59%	4.09%	-13.81%	-10.41%	34.51%
52 Week Price Chg	-25.35%	-17.55%	12.87%	-48.48%	-12.18%	35.64%
20 Day Average Volume	1,348,584	710,032	2,738,986	572,339	1,429,752	6,785,416
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	-0.14%	0.00%	0.06%	0.00%	-1.72%	0.00%
(F1) EPS Est 12 week change	4.65%	2.28%	0.62%	2.28%	-1.72%	7.62%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	0.00%	-4.86%	0.00%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	F
Growth Score	B
Momentum Score	D
VGM Score	D

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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