

**Introduction:** ServiceNow (“NOW”) is the leading cloud application platform for digital workflows, founded on a single premise: to make work flow better. Its Now Platform is delivered via a recurring Software-as-a-Service (SaaS) subscription business model that helps enterprises and organizations across the public and private sectors digitize and automate their business workflows. NOW was founded in 2004 by programmer Fred Luddy (CEO 2004-2011). Previously, Fred served as the CTO of Peregrine Systems from 1990 to 2002, a company that developed some of the first IT service management software. Without a uniform way to manage the multiplying software applications within enterprises, employees would become increasingly inefficient, with growing lost productivity, increased costs, and an unmanageable, tangled web of software. Fred’s initial idea for NOW was to create a completely extensible, low-code platform that could build any application with little technical knowledge. While NOW’s unified platform was approachable and straightforward, Fred pivoted its too-general, great, simple platform for creating workflows and refined it to a single, specific IT support management for employees to submit IT help desk tickets, now commonly referred to as IT Service Management (ITSM). ITSM exploded and NOW disrupted and displaced on-premise incumbents like IBM, HP, and BMC with its cloud offering to become the top dog in ITSM (48% market share). Over time, under CEOs Frank Sloodman (2011-2017) and John Donahoe (2017-2019), NOW has evolved from a forms-based workflow on top of a database focusing initially on a specific workflow of the resolution and management of IT help desk tickets into a workflow platform that can be used in any department, to an enterprise resource planning (ERP) platform for IT. Because the NOW platform is highly flexible, scalable, and extensible, it is a one-stop shop for CIOs to automate and simplify manual business processes. Its singular platform, architecture, and data model offer enterprises a single clean pane of glass that connects people, processes, data, and devices. Current CEO, Bill McDermott, is increasingly building NOW to be the leading early AI operating system (OS) for enterprises. While it is the 4th largest SaaS company by revenue (US\$12.1bn) and market cap (US\$19bn), it still has an enduring organic growth runway ahead.

**Tailwind:** NOW has continuously expanded its total addressable market (TAM) across its growing product offering over time, from US\$13.8bn in 2012, to US\$165bn in 2023, to US\$350bn for 2027 (<4% share) with CRM, data and analytics, industry-specific solutions, workflow expansions, and agentic AI. With AI finally hitting prime time, agentic AI is driving the new wave of technology transformation, and NOW is emerging as an early leader in applying AI to enterprise workflows. With Agentic AI, NOW allows humans to be supported by multiple AI agents trained to perform specific tasks, rather than relying on a single AI assistant or chatbot that requires human-specific prompts or queries.

**Products:** Workflow applications built on ServiceNow’s Now Platform span four primary areas: (1) Technology, Customer & Technology, (3) Employee, and (4) Creator. These workflows allow companies to (1) plan, build, operate, and service their IT needs across IT service management (ITSM), IT operations management (ITOM), asset management, integrated risk management, operational technology management, security operations, and strategic portfolio management, (2) improve customer experience and anticipate customer needs with real-time insights across customer service management (CSM) and field service management (FSM), (3) simplify employee services across HR service delivery (HRSD), legal service delivery (LDS), and workplace service delivery, and (4) automate processes with custom workflows with their low-code across the no-code App Engine tooling product and the automation engine that connects to data in third-party systems using APIs and uses robotic process automation (RPA) and intelligent document processing. While NOW was initially focused on IT management with ITSM and ITOP (89% of FY12 revenues), it has expanded its product offering significantly over time. Today, technology workflows (ITSM, ITOM, etc) account for 56% of 2Q25 revenues. Digital Workflow/Service Management accounts for the significant majority (89%) of NOW’s FY24 revenues relative to ITOM (11%). Looking at quarterly net new ACV (NNACV), CRM, Industry, Core Business, and Creator Workflows are growing faster than Technology workflows (grew share of revenues from 32% of 1Q19 to 44% of 2Q25). NOW’s multi-instance cloud architecture provides each customer with their own dedicated application logic and databases, delivering high availability, scalability, performance, security, and control. While customers have the option to deploy and self-host NOW’s product offering in their

own data centre or all major public clouds, the majority of customers (96% of FY24 revenues) chose to access its SaaS cloud-based product via its first-party private cloud in NOW's own data centres instead.

**Customers:** NOW primarily sells to large enterprise customers, with over 85% of Fortune 500 companies and 60% of the Global 2000 utilizing it. NOW had over 8.4K customers, 2.1K (~25% total) have ACV >US\$1mil, 1.5K have ACV US\$1-5mil, 224 US\$5-10mil ACV, 126 US\$10-20mil ACV, and 55 >US\$20mil ACV. The Now Platform is typically a mission-critical part of their customers' operations, reflected in the very high and stable 98% renewal rates. Customer cohort growth and unit economics are very solid as customers expand and buy more products. 99% of new deals are multi-product deals, with 5+ product deals expanding strongly from 26% of NNACV in 2016 to 86% in 2024. Customers typically enter into multi-year, non-cancellable contracts (3Y, except for USG 1Y), and are billed 1Y upfront.

**Geography:** While UCAN remains the most significant revenue source by geography (declined from 71% in FY12 to 63% in FY24). Faster international growth is expected to continue, driven by APAC (expanded from 4% of FY12 to 11% of FY24) and EMEA (maintaining share at ~26%). NOW's 26.3K employees are split 50-50 between US and International, with International to grow faster than the US.

**Distribution:** NOW primarily sells its product offering through its own global direct sales organization (78% of revenues) but has been increasingly relying on channel partners, which grew from 12% to 22% of revenues between 2017 and 2024. Channel partners range from NVIDIA to global system integrators such as Accenture, Cognizant, Deloitte, EY, and KPMG, cloud providers like AWS and Azure, managed service providers, and resale partners. Sales efficiency improved from 2X+ to 4X+ over the last 10 years.

**Competition:** NOW didn't just compete with the ITSM giants of BMC, CA, HP, and IBM, NOW made them look ancient overnight. While competitors were building and retrofitting their decade-old ITSM software from clunky on-premise servers to the cloud, NOW's cloud native solution was architected for simplicity. NOW rapidly gained market share in ITSM, growing from 7% in 2011 to become the market leader with a 48% share in 2023, more than twice that of its next two competitors combined (22%). While NOW competes with enterprise application software vendors like Oracle, SAP, Salesforce, and Workday, its wide-ranging platform solutions actually put it in a unique position, where many compete with NOW; NOW actually competes with none. NOW has continued to expand its leadership from 6 product categories in 2019 to 33 in 2025, and is ranked No. 1 in Gartner market share for 2024 across six techflows in IT Ops, ITSM, Event Intelligence, ITAM & Software AM, Project & Portfolio Management, and Other Security Software. NOW's products are more expensive, and they only sell to enterprises.

**Competitive Advantage:** NOW dominates enterprise workflow management through a fortress of interlocking advantages: (1) Their single pristine architecture, data model, and platform (versus fragmented point solutions from competitors) creates scale economies where the more customers buy, the cheaper it becomes. (2) NOW benefits from powerful network effects with their extensive partner ecosystem (more channel partners to sell for them relative to their direct sales), and platform integration capabilities (more workflows and higher customization across more business processes), resulting in high switching costs and renewal/expansion rates. NOW continues to counter-position against existing competitors with its singular, flexible, and unified platform that can create industry-specific or specialized offerings that competitors with generic platforms cannot easily replicate. NOW's platform unifies proprietary enterprise data, supported by thousands of integrations through its marketplace, combined with its early focus on AI, has positioned it to take the early lead in agentic AI. NOW's process power is superior innovation and exceptional acquisition integration, compounding product breadth and strength.

**Growth/Expansion:** NOW prefers to grow organically rather than relying on Mergers and Acquisitions (M&A)- Driven growth. Its 34 acquisitions have been highly strategic thus far, primarily to gain technology expertise to enhance its product offerings and functionality. NOW has been integrating AI significantly in its platform offering, and with AI being the new user interface (UI), NOW is converging to become the AI OS for the Agentic enterprise. With Now Assist, over 1,000 customers are using Agentic AI, management expects US\$350mil in revenues by 2025 and US\$1bn by 2026. In addition, if Agentic AI were to render traditional CRM obsolete in the coming years, the opportunity for front-office CRM would be significant.

The market reception to RaptorDB has been exceptionally strong, with it being included in 17 of the top 20 largest deals in 2Q25. This database solution connects "any data source, hyperscaler cloud, and LLM into the platform to deliver faster analytics and higher transactional throughput, driving higher cross-sell.

**Financials:** NOW's business is driven predominantly by highly recurring subscription revenues (97%) driven by its cloud-based offering. Enterprise subscription agreements typically have a three-year duration, whereas those for the US federal government are 1 year. Renewal rates remain persistently strong at 98%, driven by growing multi-product deals (99%), of which 5+ product deals by NNACV have increased from 26% to 86% between 2016 and 2024, resulting in larger deal sizes and higher average revenue per customer. It is NOW's growth endurance that makes it one of the highest-quality SaaS companies to own. NOW operates with high gross profit margins (GPM) of 79%+, primarily supported by its high 80%+ GPM subscription business. With disciplined S&M SBC leverage, SBC margins have continued to grind lower to 15%+. This should drive GAAP EBIT and net income margins of 13%+ higher over time. NOW's balance sheet is strong with net cash of US\$3.5bn, and it has negative working capital of \$4.7bn, due to subscription fees paid in advance by customers (US\$6.9bn deferred revenues).

**Management:** While founder Fred Luddy (age 70, 0.1% insider ownership) remains on the board of directors, NOW's success continues to be driven by the strong leadership and execution of its current 4th CEO, Bill McDermott (age 64, 0.2% insider ownership), who joined from SAP in 2019. McDermott is one of the most underrated CEOs, possessing sales acumen, strategic clarity, and cultural stewardship. He owned a deli at a young age of 16 and transformed it through obsessive customer focus and hustle, got his big break at Xerox (1983-2000, 17 years) in sales, built numerous championship teams, and went to SAP (2002-2019, 17 years), where he turned around the US business and became Co-CEO and CEO. In 2015, McDermott slipped and fell down the stairs while carrying a glass of water, and the shattered glass caused extensive damage to his left eye. He wears a prosthetic eye and sunglasses since. It is remarkable how he still carries the same optimism, charisma, and vigor. Despite its massive scale, NOW remains consistently ranked as one of Glassdoor's best places to work with 4.3 stars, with a 95% CEO approval rating, and 85% recommended to a friend. It is McDermott's drive to keep winning, being highly people and customer-centric, focused on win-win outcomes, selling value (not products), and his ability to hire and get good people to do winning work, enabling persistent success and growth at such scale.

**Valuation:** ServiceNow stands out as the pioneer and leader of cloud-based IT Workflow management and is in the early stages of transforming into a true multi-product success story as it expands its presence in employee, customer, and creator workflows. The company's growth at scale, combined with its robust free cash flow generation and large total addressable market – ServiceNow estimates its TAM will grow to \$275B in FY26. This puts NOW in an elite category of fast-growing and cash flow-generative software companies. At this scale, NOW remains one of the highest-quality SaaS companies, operating at a 53% Rule of 40 with very high growth endurance, and should continue to be one of the long-term, steady-growing compounders. If NOW continues to execute brilliantly and grows revenues between 18-22% CAGR over the next 5 years at 30-34% FCF margins (100bps FCF margin/year improvement) at 35-55x forward EV/FCF valuation multiples (that reflects this high-quality business), and with ~1% SBC dilution, NOW could return between 10-28% CAGR over the next 5 years with a base CAGR of ~19%.

**Risks:** The most significant risk is around (1) operations, business, strategy, and execution to ensure that NOW's products continue to remain relevant, mission-critical, and highly valuable to its customers, and sales continue to be strong in particular with its non-IT workflows, (2) maturation of IT workflows which is more mature with relatively higher penetration, (3) Deceleration in billings, cRPO, and subscription revenue growth, (4) macroeconomic headwinds that might tighten software spending, and (5) if CEO Bill McDermott leaves as he has been critical to NOW's continued dominance in enterprise workflows.

**Vision:** ServiceNow's mission to "make the world of work, work better for people" aligns deeply with our Vision Investing philosophy. By automating tasks and streamlining technology workflows, ServiceNow enables people to focus on higher-value, strategic work, thereby increasing productivity and driving better business outcomes, and to become the defining enterprise software company of the 21st century.

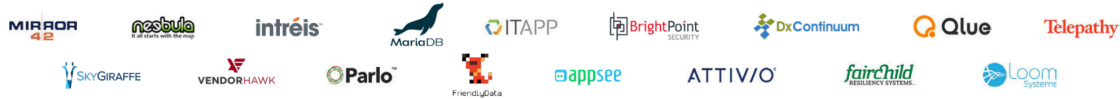
## ServiceNow's Now Platform



## ServiceNow Platform Evolution



## Supported by Accretive Inorganic Growth



Sources: ServiceNow Investor Relations, S&amp;P Capital IQ, Pitchbook

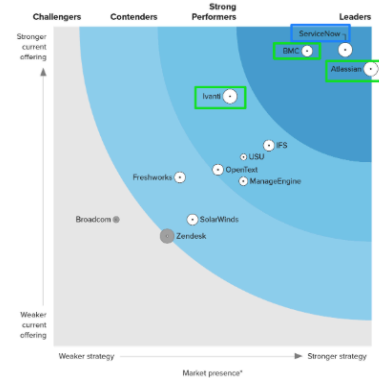
## Gartner Magic Quadrant for IT Service Management (ITSM) Tools - 2021

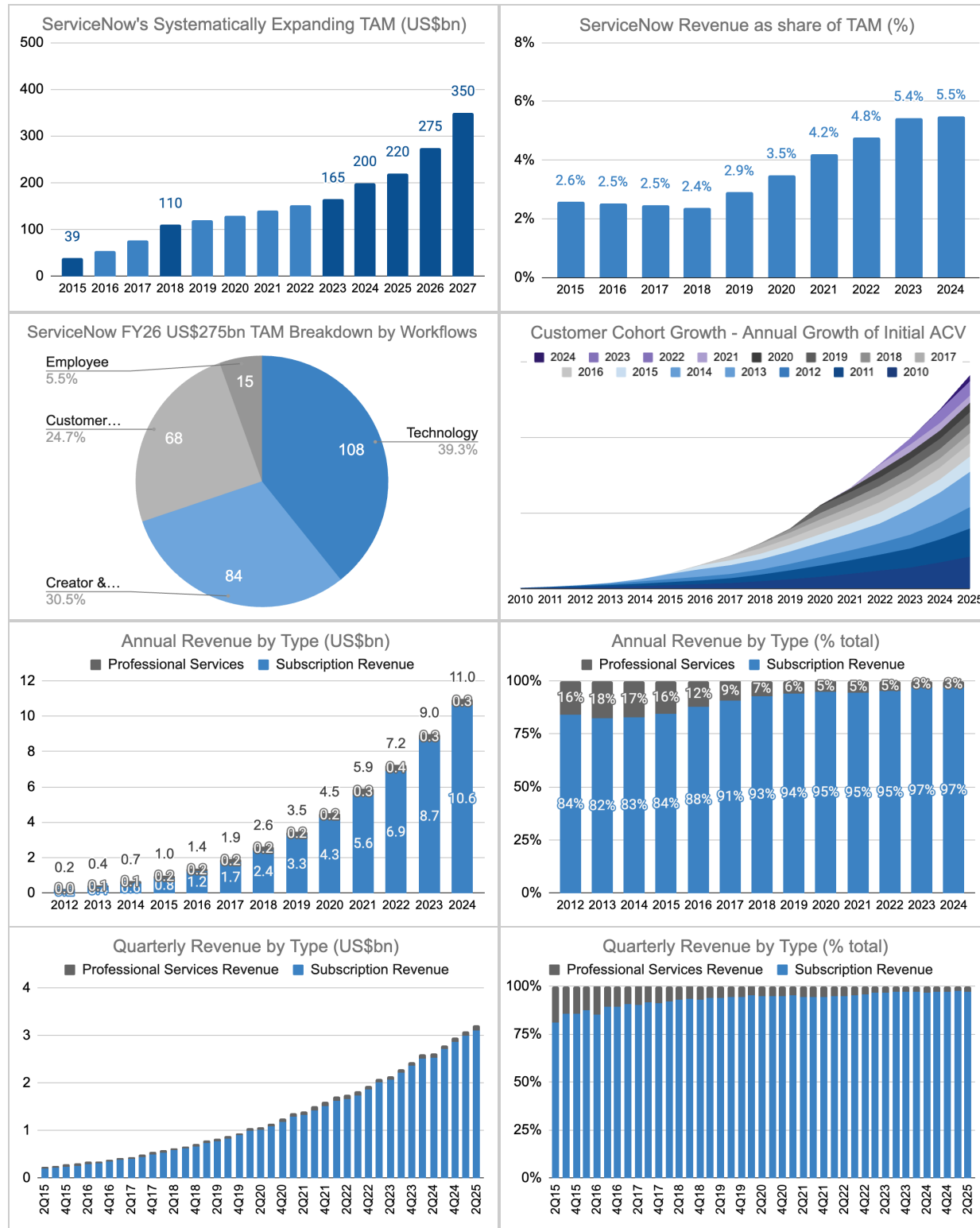


## Gartner Magic Quadrant for Artificial Intelligence Applications in IT Service Management (ITSM) - 2025

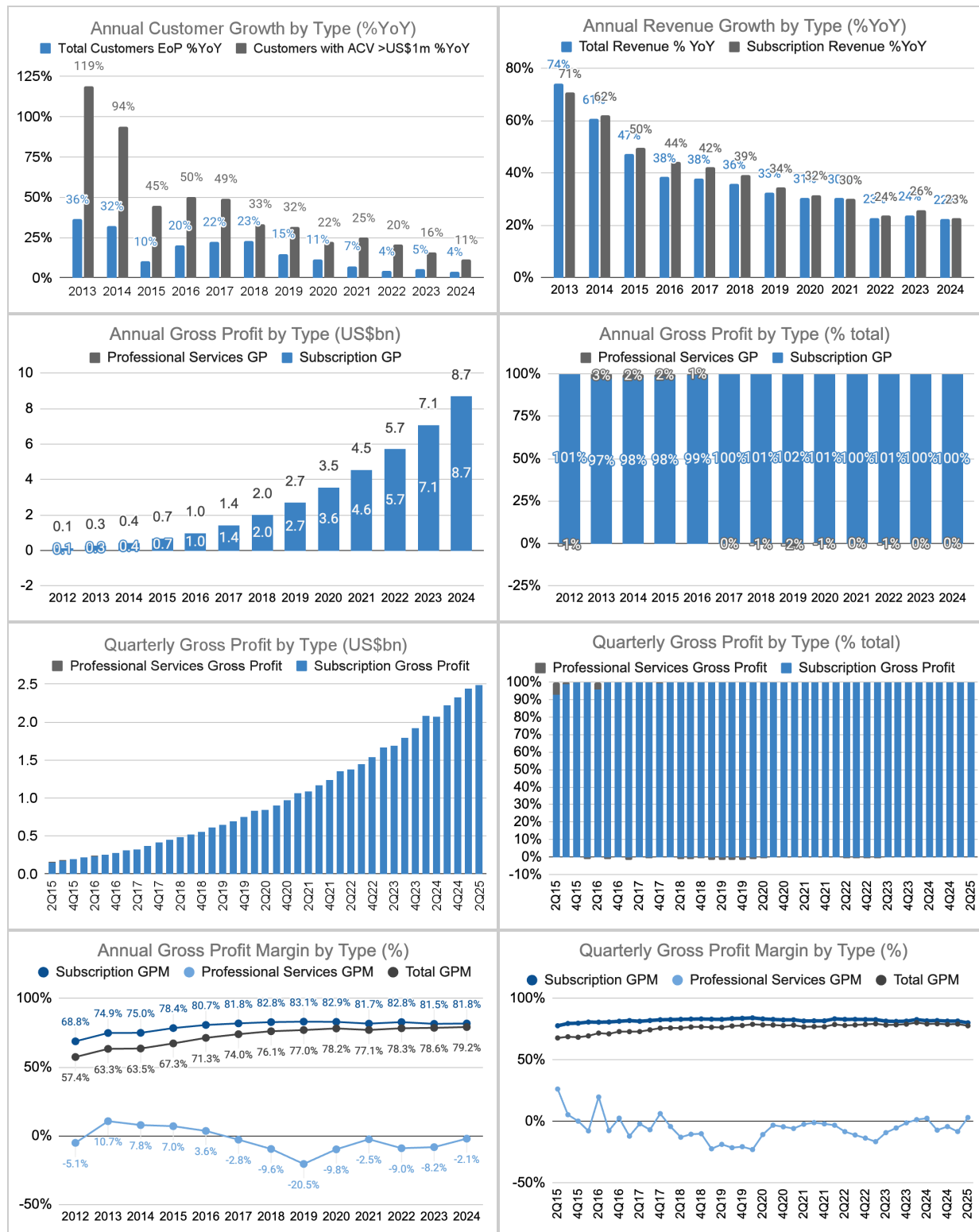


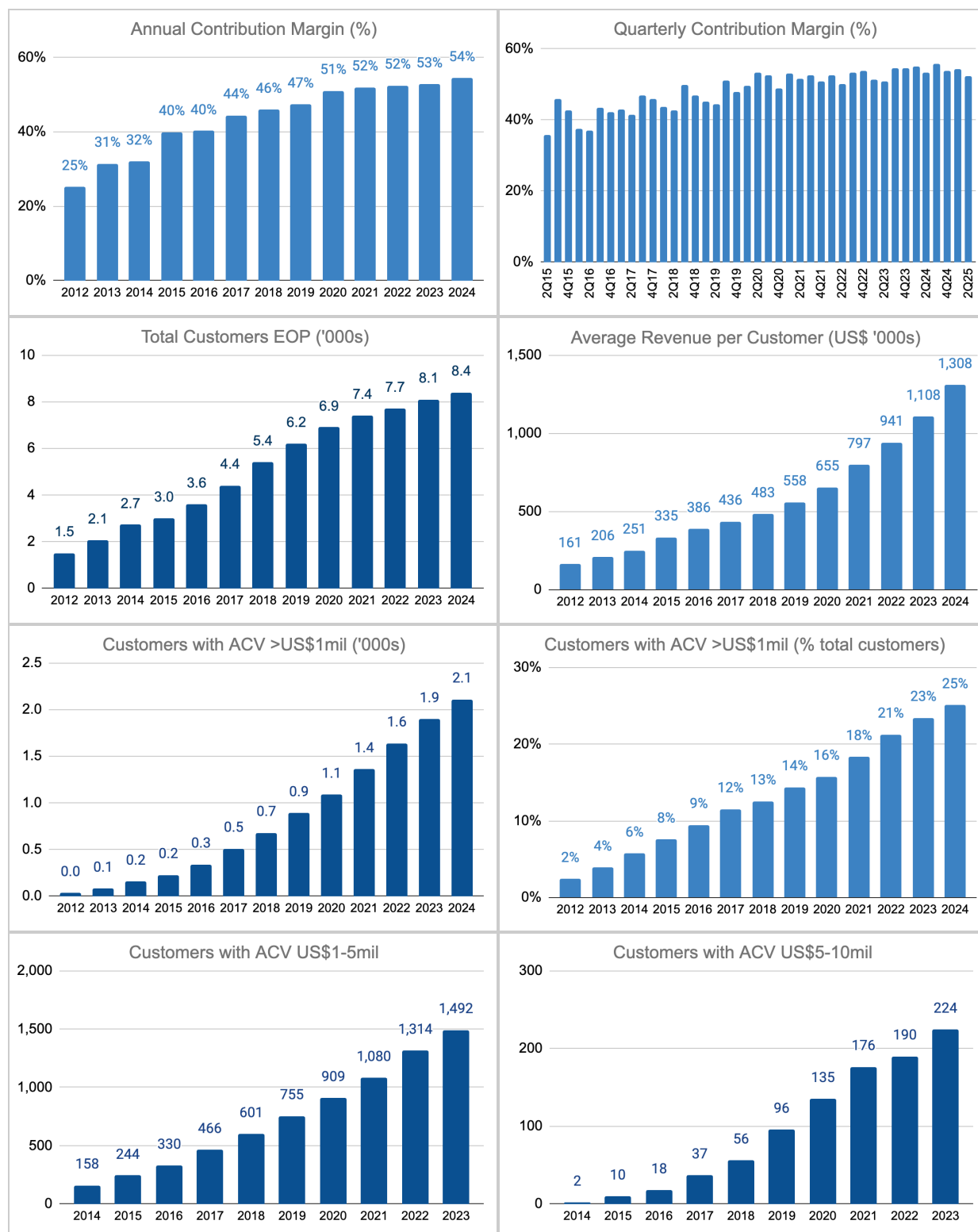
## Forrester Wave™: Enterprise Service Management, - Q4 2023

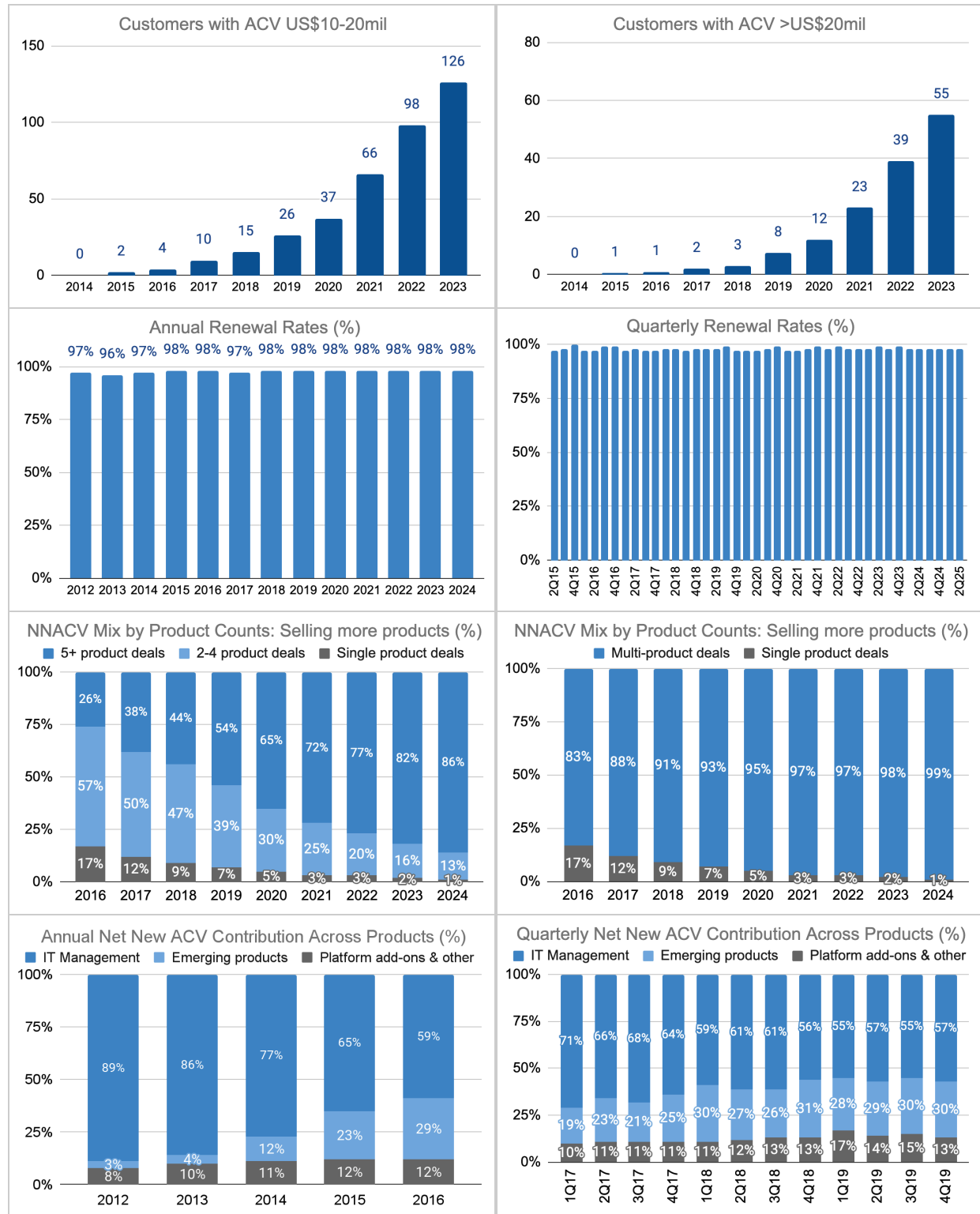




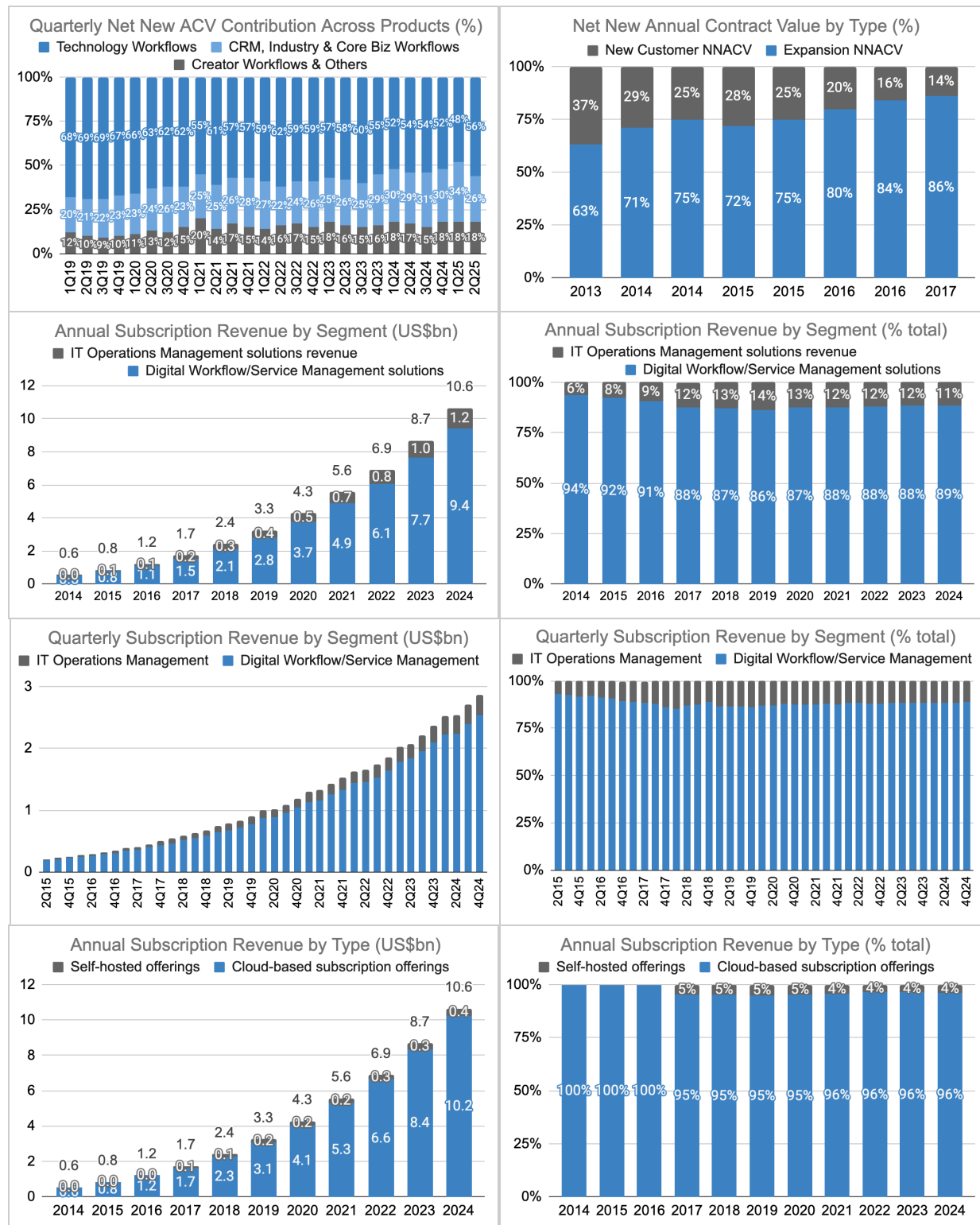


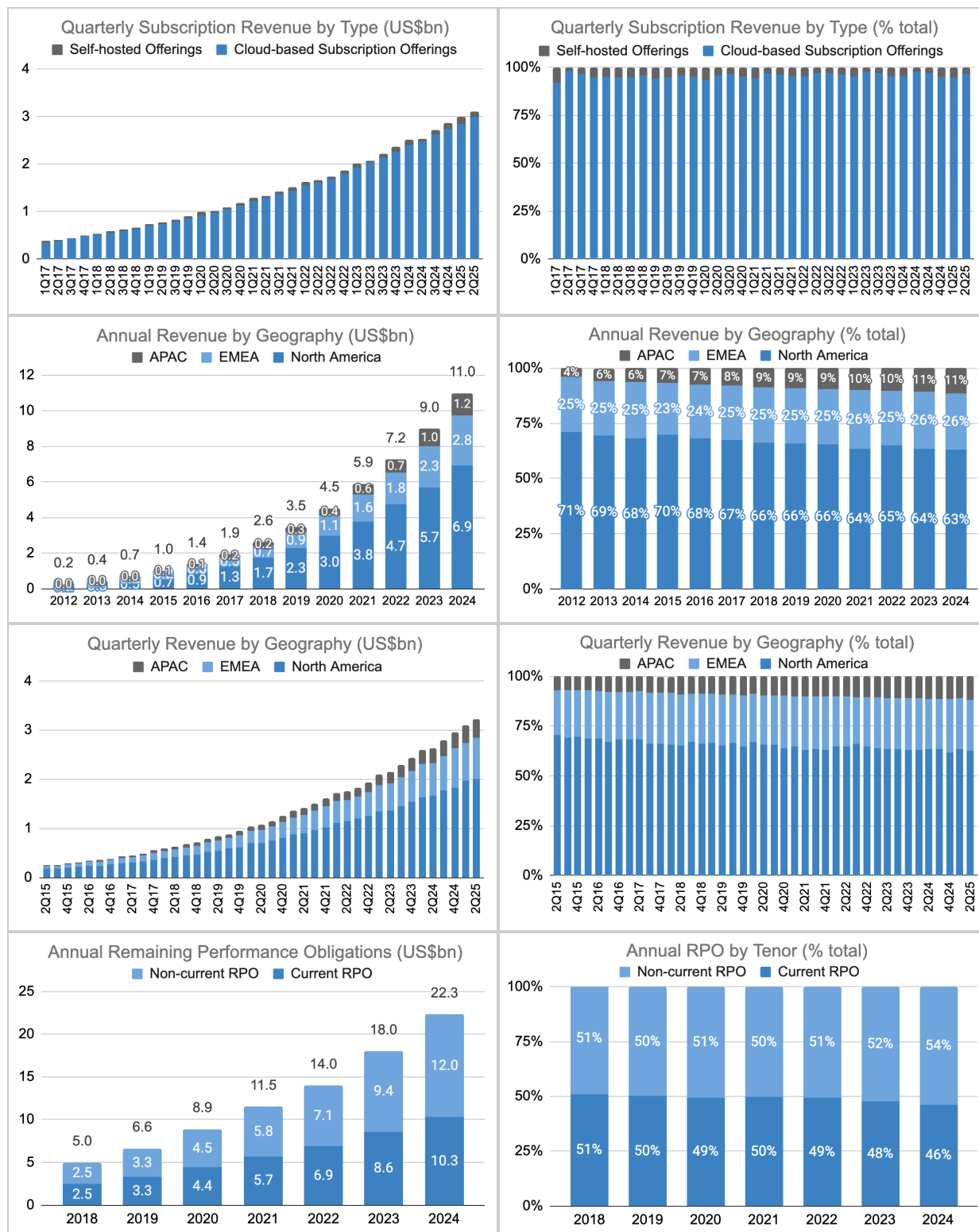


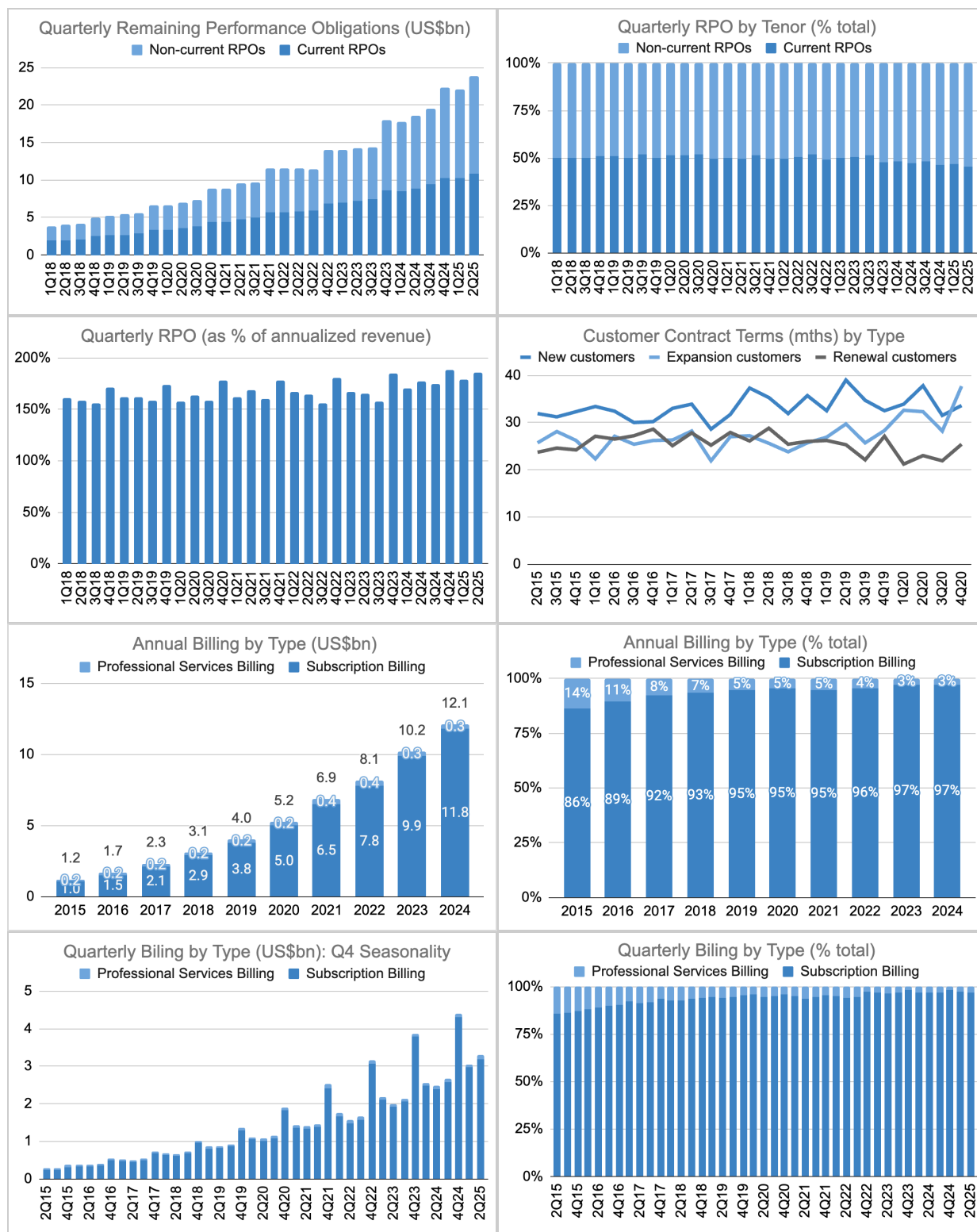


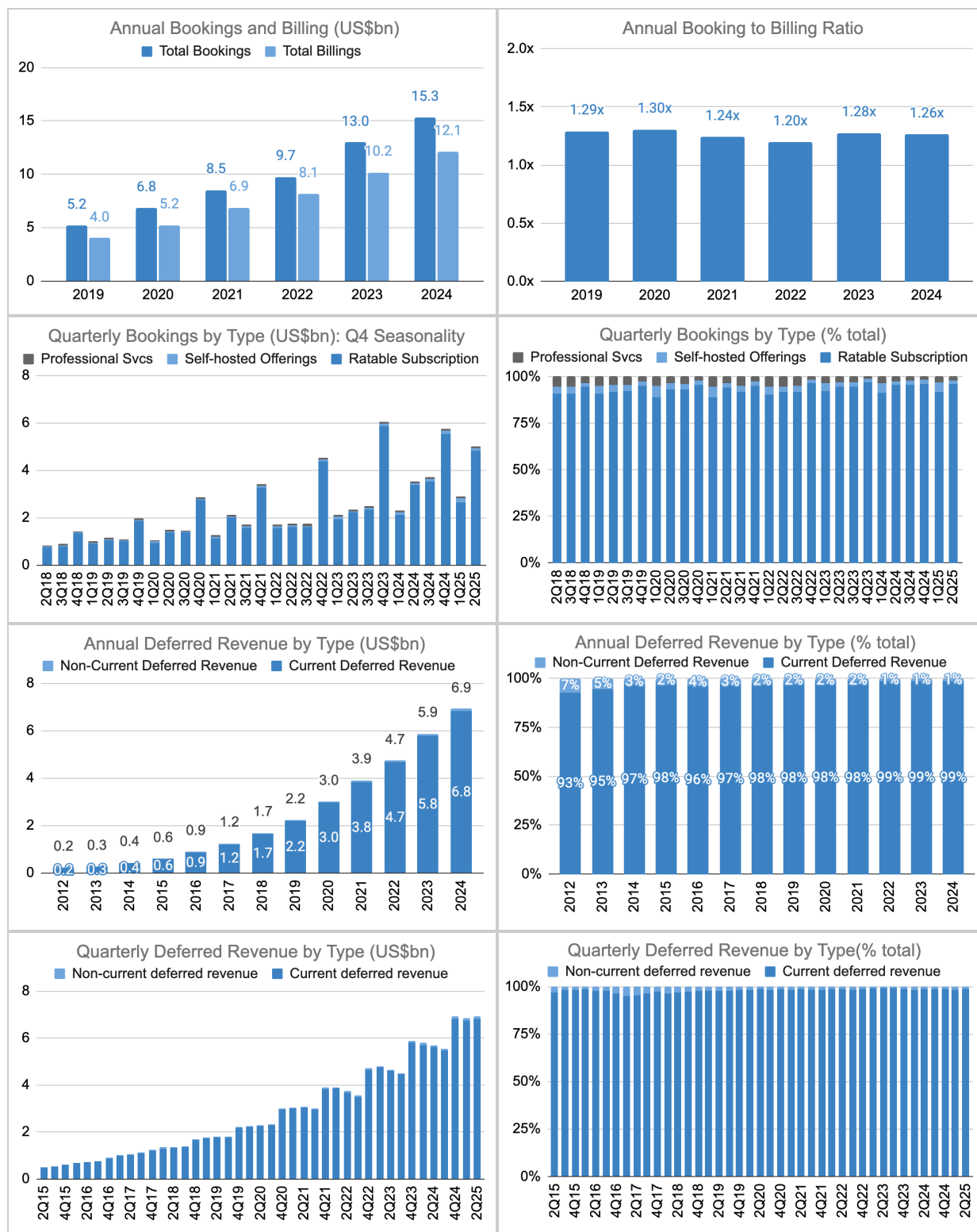


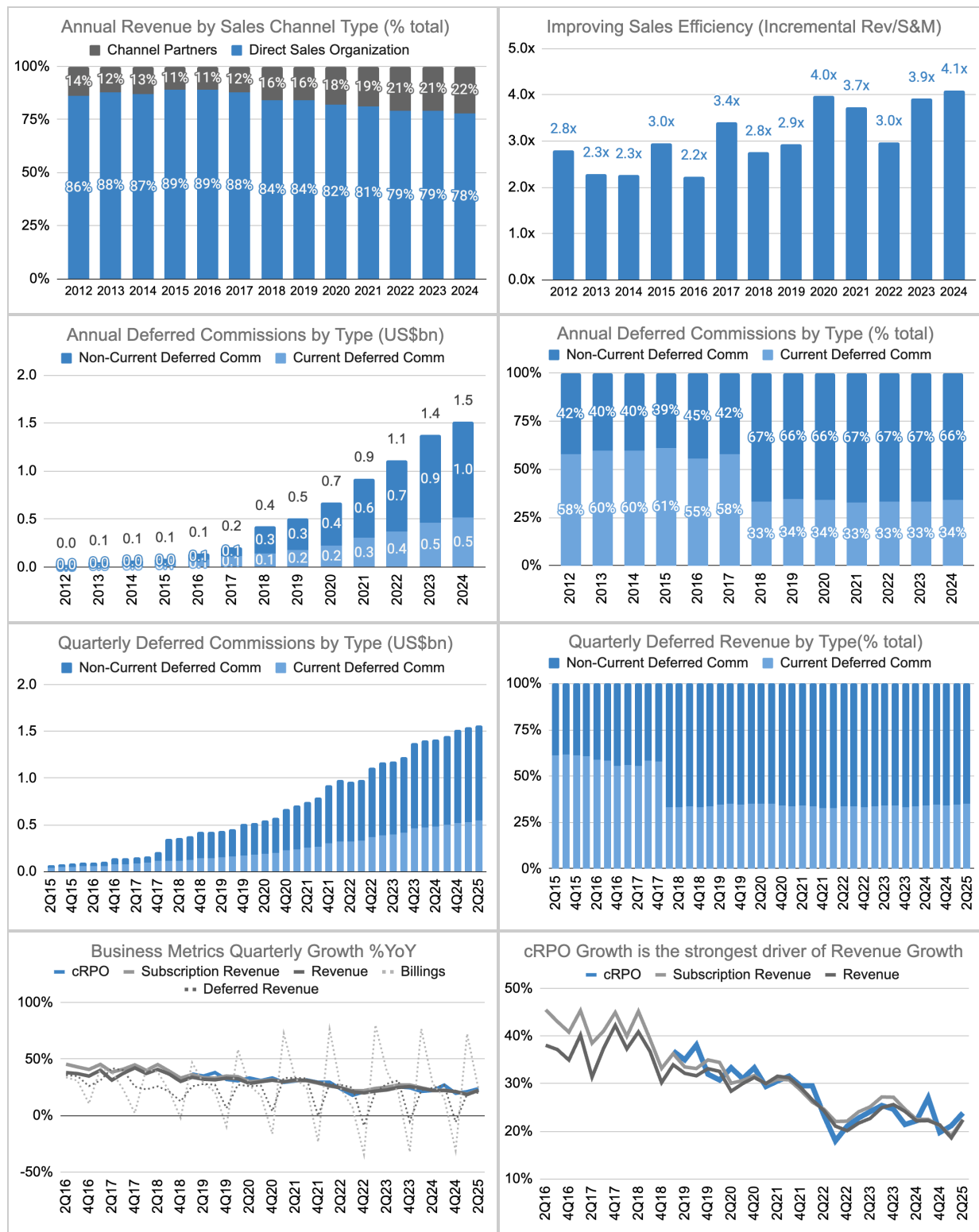




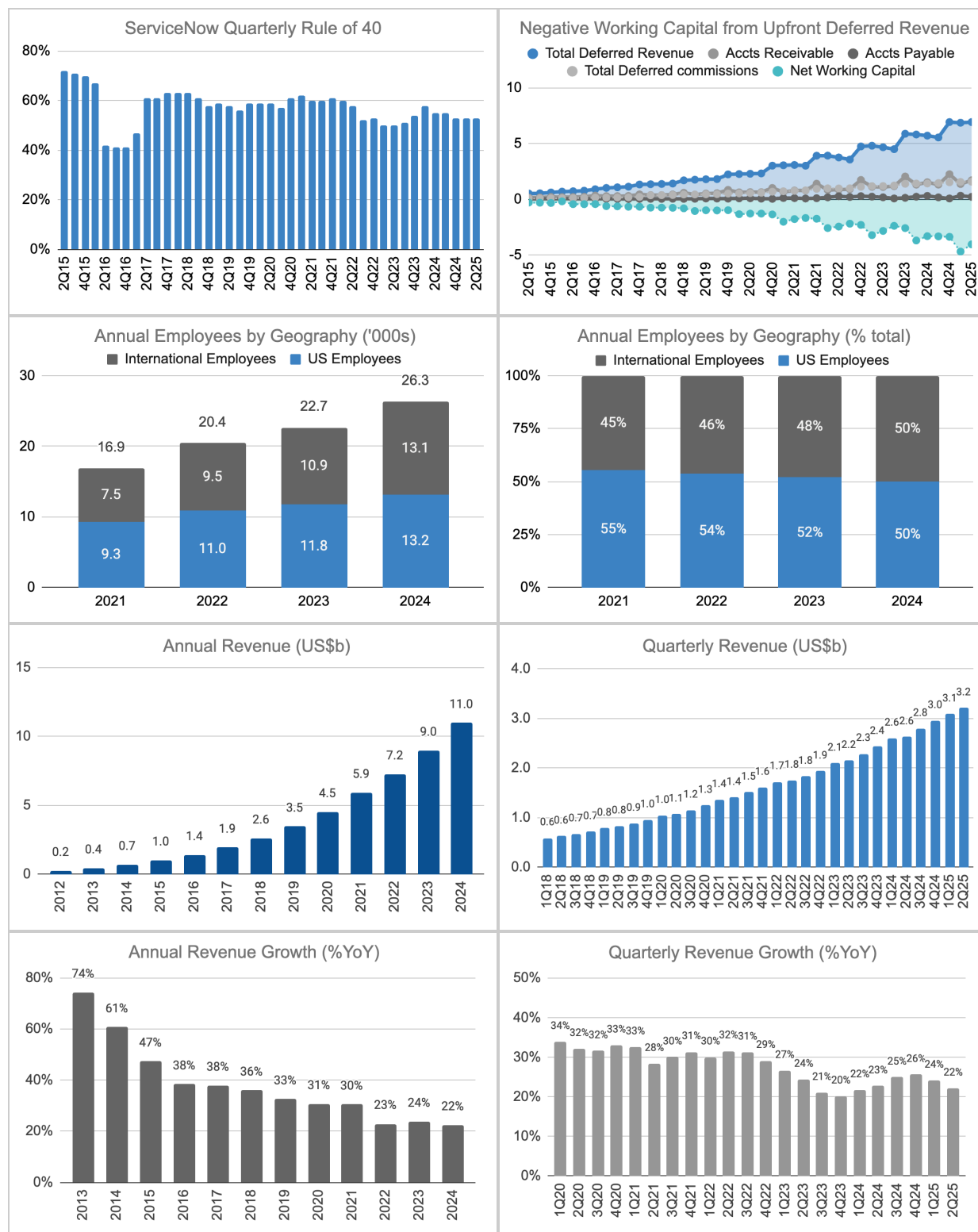


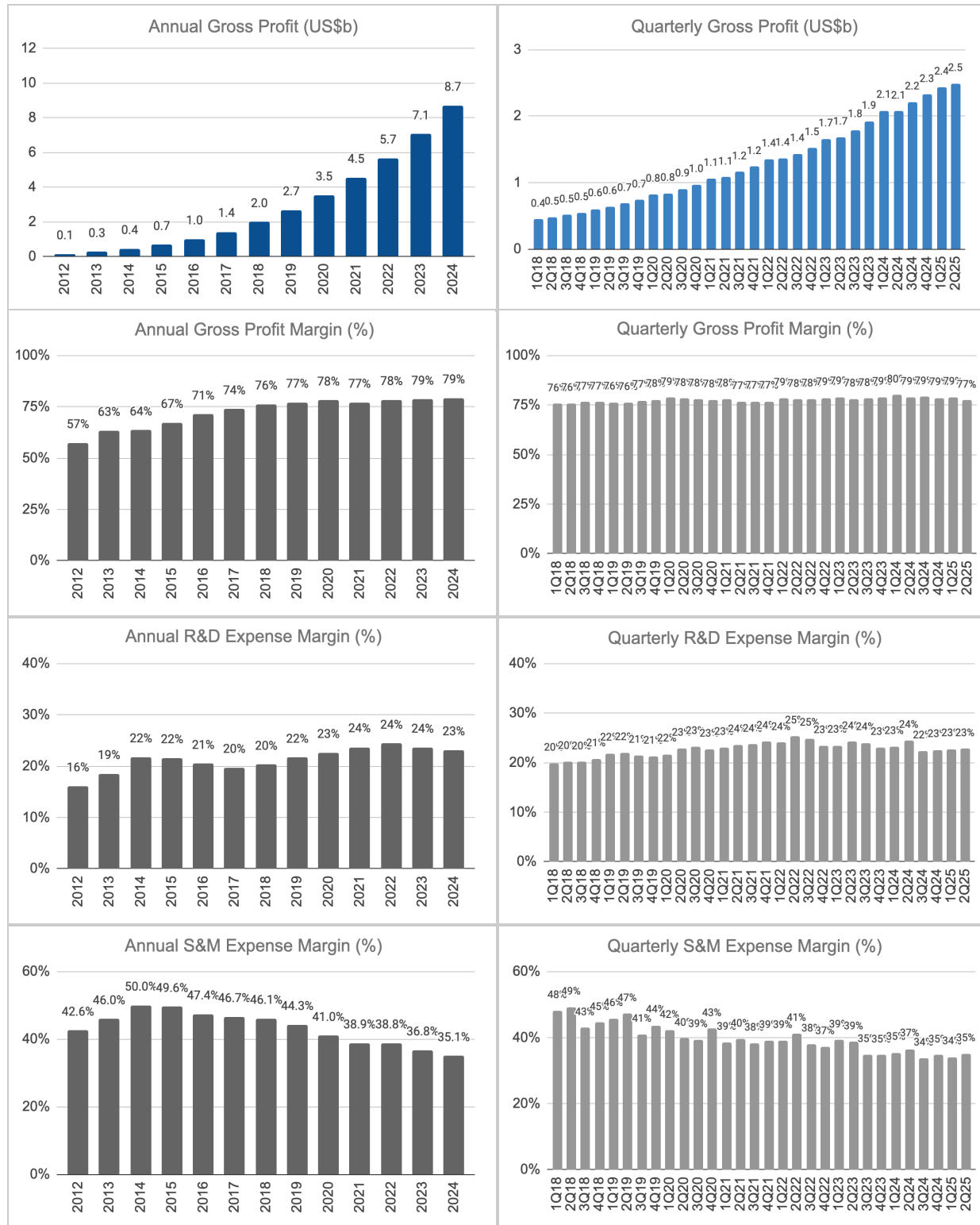


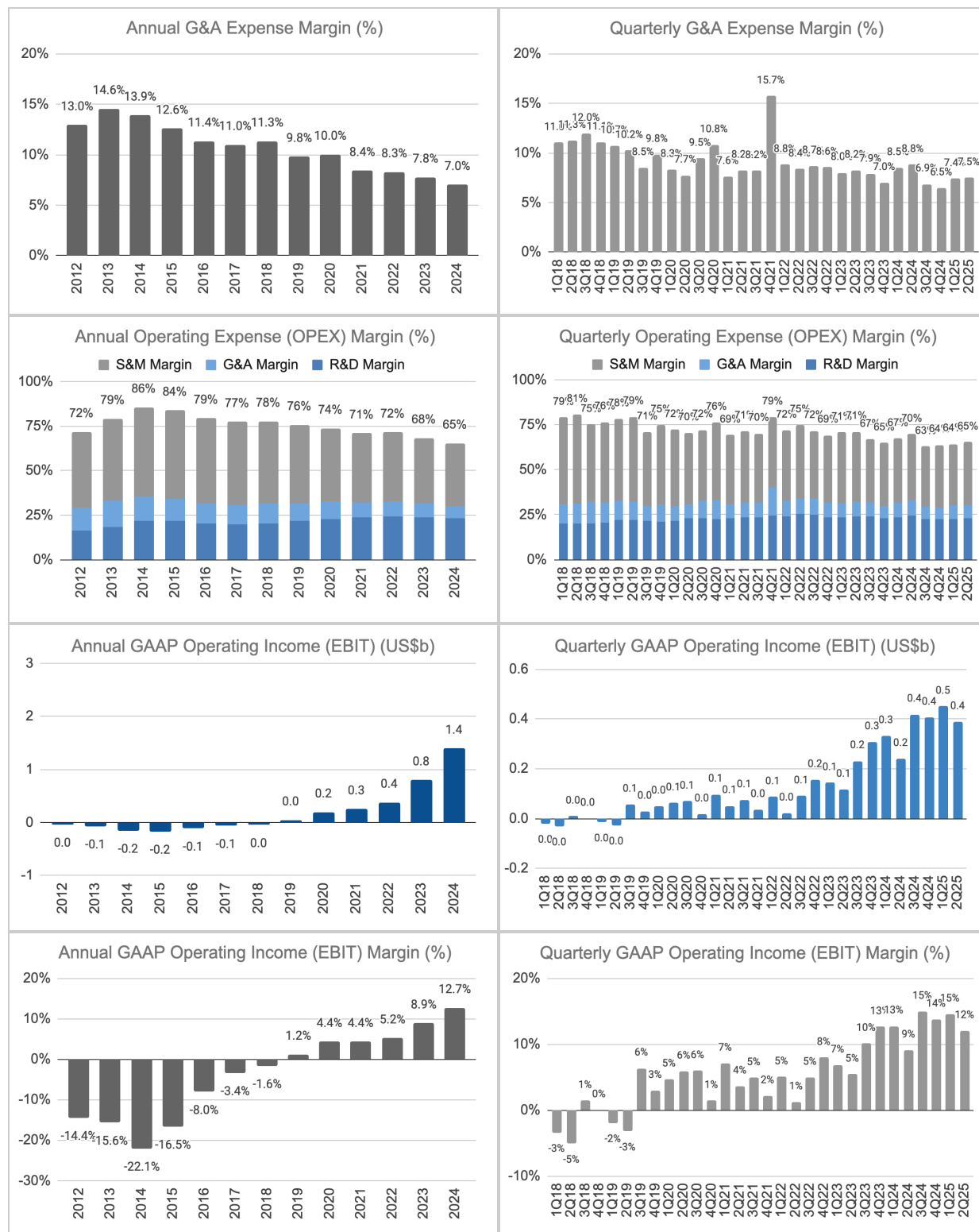


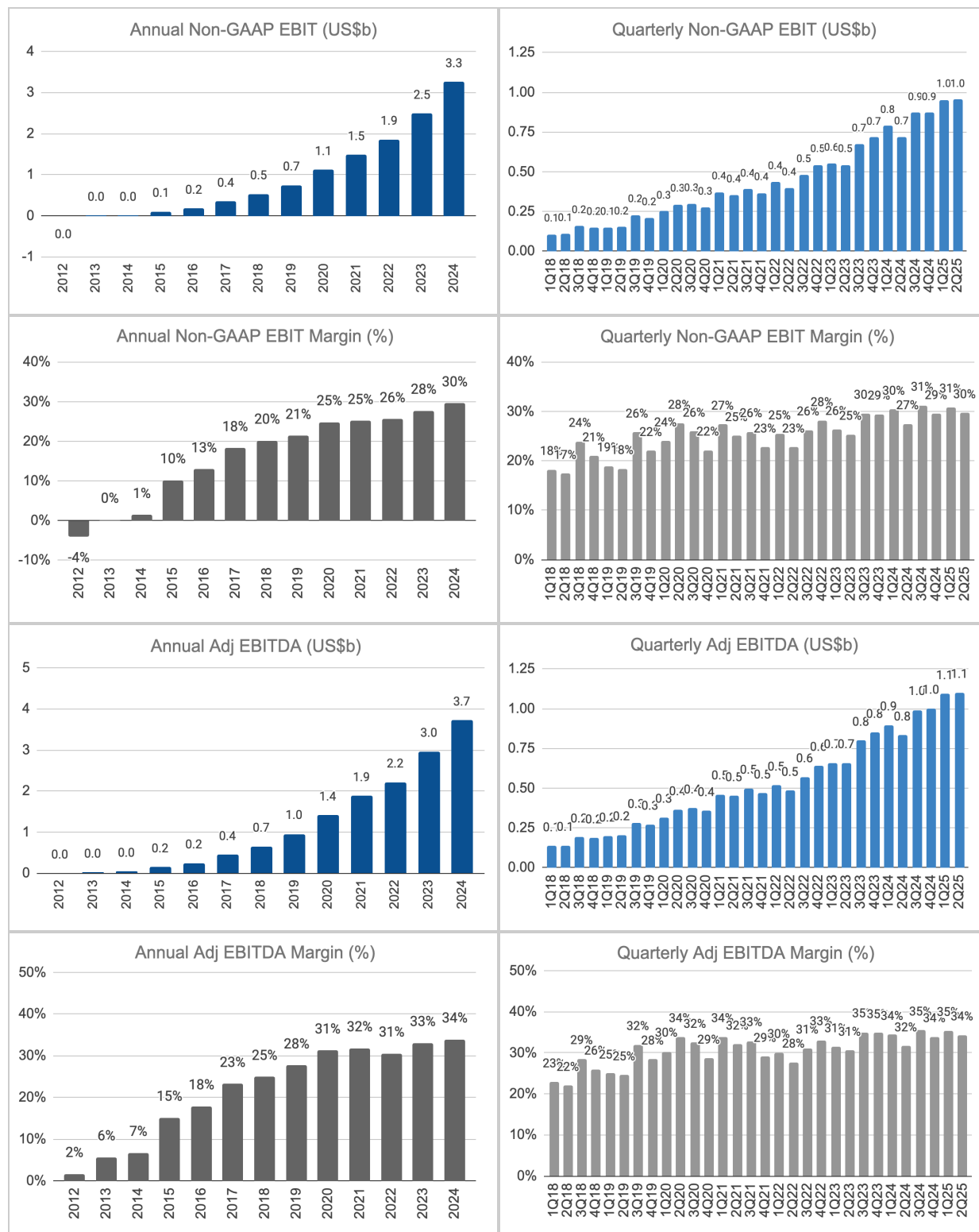






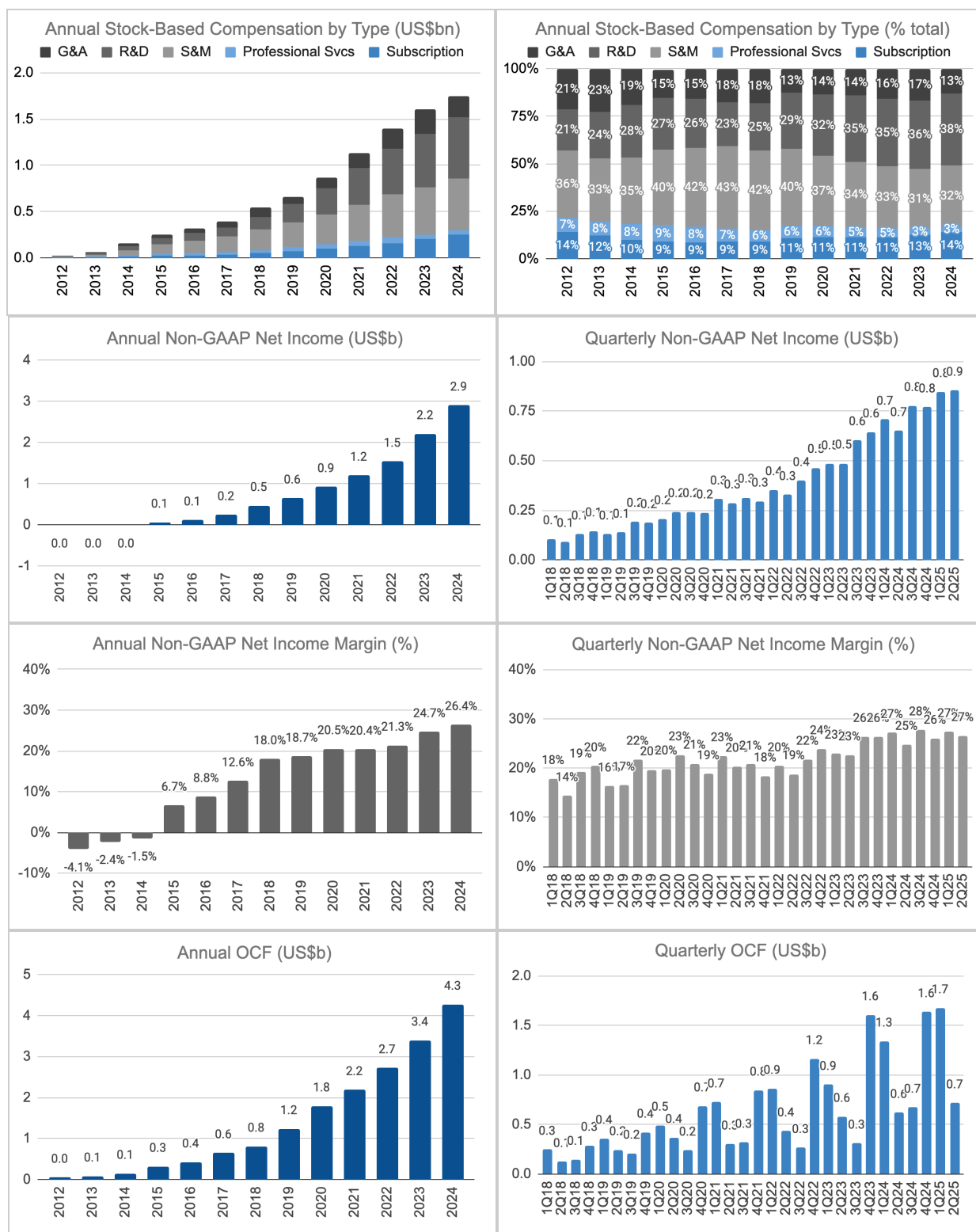




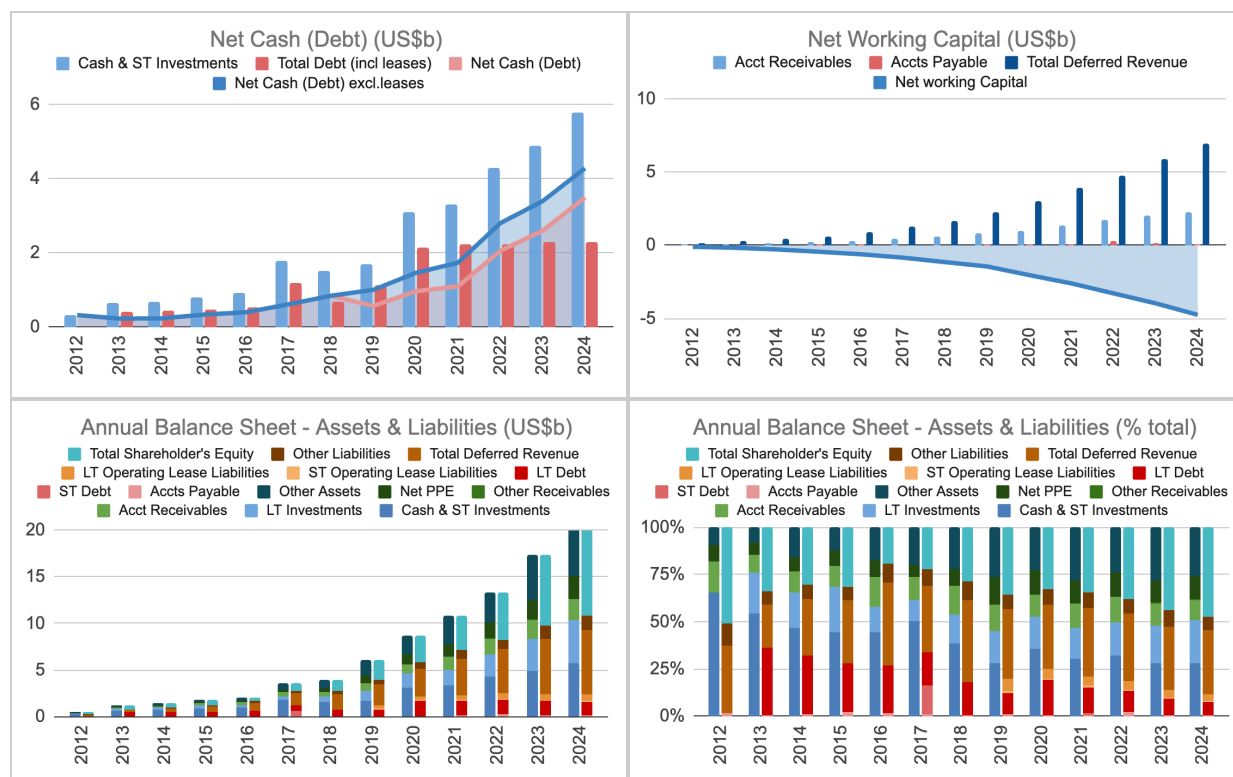












### Potential Return Analysis

Potential Return Analysis (EV/FCF) - NOW as of 11-Sep-2025	Bear	Base	Bull
TTM Revenue (US\$b)	\$12.1	\$12.1	\$12.1
Revenue CAGR	18.0%	20.0%	22.0%
Years	5	5	5
Future Revenue (US\$b)	\$27.6	\$30.0	\$32.6
FCF Margin	30.0%	32.0%	34.0%
FCF (US\$b)	\$8.3	\$9.6	\$11.1
Current TTM EV/FCF Valuation Multiple	49.0	49.0	49.0
Future EV/ FCF Valuation Multiple	35.0	45.0	55.0
Future Enterprise Value (EV)	\$289.6	\$432.0	\$609.4
Existing Market Cap (US\$b)	\$192.1	\$192.1	\$192.1
Less Net Cash (FY24)	\$3.5	\$3.5	\$3.5
Existing Enterprise Value (EV)	\$189	\$189	\$189
Dilution (-) / Buybacks (+)	-1.0%	-1.0%	-1.0%
FCF Yield	2.0%	2.0%	2.0%
Return Multiple	1.6	2.4	3.4
<b>Return CAGR %</b>	10%	19%	28%

**Additional Reading Resources**

[Sequoia Podcast: ServiceNow: From Starting Over at 50 to Dodging a \\$150B Mistake](#) (2024)

[Sequoia Podcast: ServiceNow CEO Bill McDermott on Unlocking Elite Level Execution](#) (2025)

[ACQ2 Podcast: The Art of Selling Enterprise Software \(with ServiceNow CEO Bill McDermott\)](#) (2025)

[Book: Winners Dream: A Journey from Corner Store to Corner Office by Bill McDermott](#) (2014)

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