

EQUITY RESEARCH REPORT | Report date: August 16, 2026 | Prices as of the close, August 14, 2026

ServiceNow, Inc. (NYSE: NOW)

Enterprise Workflow & AI Platform Software • Now Platform, Now Assist, SecOps • Large-Cap Growth

Price (Aug 14 close)	\$124.00	Fwd P/E (non-GAAP)	27.4x (was 24.6x)
Change since last report	+11.5% (from \$111.23)	Trailing P/E (SBC-distorted)	~77.5x
Market cap / EV	\$128.2B / \$130.0B	EV / Sales	8.8x (was 7.9x)
52-week price change	-36.6%	PEG	1.11 (was 1.00)
Q2 FY26 subscription rev	\$3.877B, +24.5% YoY	FCF margin (TTM)	31.1%
cRPO / RPO	\$13.2B / \$29.0B, both +21%	Renewal rate	98%
FY26 subscription guide	\$15.76-15.78B (+22.5%)	Net debt	\$1.75B
Next earnings	Oct 28, 2026	Consensus target (49)	~\$140 - Strong Buy

RECOMMENDATION

HOLD

downgraded from BUY
(August 2)

Thesis in one line: Nothing about ServiceNow has changed in fourteen days. The price has. The stock is up 11.5% to \$124.00 on a software sector rotation and a round of target raises, with no new company disclosure of any kind, and it now trades nine dollars above the level at which the last report said in plain words: do not chase strength above \$115. The published targets of \$135 and \$160 stay exactly where they were, because refusing to raise them on a good quarter and then raising them on a sentiment rally would be the same mistake twice. That leaves 8.9% to the first target against a 15.3% stop — a trade that no longer pays for its own risk. This is a downgrade of the price, not of the company.

INVESTMENT SCORE

72 / 100

down from 75

1. Why the Rating Moves When Nothing Happened

There has been no earnings release, no guidance update, no filing and no operational news from ServiceNow since the August 2 report. Every fundamental number in this report is the number that was in the last one: subscription revenue growing 24.5%, cRPO of \$13.2 billion up 21%, renewals at 98%, AI annual contract value past \$1 billion ahead of pace, and a full-year subscription guide of \$15.76–15.78 billion. The business case has neither improved nor deteriorated.

What has happened is an 11.5% move in the share price, driven by two things that are not company-specific. The first was a broad rotation back into enterprise software on August 7, when Salesforce rose 7%, ServiceNow 8% and Workday 10% in the same session on an AI-narrative shift rather than any individual result. The second was a cluster of analyst target increases on August 12, the largest being Wells Fargo moving to \$175 from \$160 on a thesis that the spread of open-source models favours application-layer incumbents. Canaccord Genuity reiterated Buy the same day at \$145. None of this is new information about ServiceNow's revenue, margins or renewals. It is the market paying more for the same cash flows.

The August 2 report closed with a specific instruction: *hold what you have, add on weakness toward \$105, and do not chase strength above \$115*. It also named the single condition that would justify an upgrade — a pullback into \$95–100 restoring a 1:2.5 risk/reward — and the stock has gone the other way by 24%. Reaffirming Buy at \$124 would require explaining why a level declared a chase two weeks ago is now an entry, with nothing to point at except the price itself. That explanation does not exist, so the rating moves to Hold. Readers holding stock bought in the \$105–115 band should keep it and let it work toward the targets. Readers with no position should wait.

It is worth being explicit that this is not a negative call on the company. The investment score falls from 75 to 72, and every point of that decline come from valuation and the risk that a fuller valuation carries. Business Quality, Competitive Advantage, Management and Growth Potential are all unchanged, because the evidence underlying them is unchanged. A

high-quality business at a full price is a Hold. That is a statement about the entry, not the asset.

2. The Fortnight in Events

Date	Event	Read
Aug 3-6	Stock gaps from \$111 to \$118 across four sessions on continued post-earnings recovery and short covering	Continuation of the move described in the last report. Short interest had been 5.4% of shares and falling.
Aug 7	+6.3% in a sector-wide software rally: Salesforce +7%, Workday +10%, ServiceNow +8%	The single largest contributor to the fortnight's gain, and entirely a rotation. No ServiceNow-specific news.
Aug 12	Wells Fargo raises target to \$175 from \$160, Overweight, arguing open-model progress favours Microsoft and ServiceNow	The most bullish target on the street. A thesis about the industry, published without new company data.
Aug 12	Canaccord Genuity reiterates Buy at \$145; consensus median across 49 analysts sits near \$140	The street's central estimate has barely moved. The price has moved toward it.
Aug 12	Xactly announces a revenue-motion partnership with ServiceNow	Ordinary ecosystem news. Immaterial to the numbers.
Aug 12	Coverage notes the stock slipping as investors digest post-earnings gains and valuation	The first sign that the move is being questioned rather than extended.
Aug 14	Tiger Global disclosed a 42% reduction in its ServiceNow position to 873,485 shares in the Q2 13F	A large growth holder cutting, though the sale happened before this rally. Worth noting, not decisive.
Aug 14	Wide-range reversal: high \$128.65, close \$124.00, after touching \$129.75 on August 13	The stock ran into the falling 200-day average and was rejected. Two sessions, two failed attempts.

3. Do the Published Price Levels Still Hold?

They do not, and this section is the reason this report exists. The August 2 report set entry at \$105–115, an ideal buy range of \$100–112, a cut-loss on a weekly close below \$91, and targets at \$135 and \$160. At \$124.00 the stock is above the entry band, above the ideal buy range, and 36% above the stop. The published trade is no longer available at the published prices.

The arithmetic makes the point without any interpretation. At \$111.23 the trade offered 21% to the first target against 18% of downside, roughly 1:1.2 — already the compressed end of what is worth taking. At \$124.00 against the same \$91 thesis-break level it offers 8.9% against 26.6%, or 0.33:1. Even resetting the stop upward to \$105, beneath the 50-day average and the August base, gives 0.58:1 to the first target. A first target that pays less than sixty cents per dollar risked is not a buy signal under any framework, and manufacturing a higher target to fix the ratio would be exactly the behaviour the last report declined to engage in when the quarter was strong.

Level	Published Aug 2	Status at \$124.00	Reset to	Why
Recommended entry	\$105-115, scaled	Exceeded. The stock cleared the top of the band on August 6.	No new money at market	The last report's own instruction was not to chase above \$115. That instruction is being followed, not revised.
Re-entry / add zone	\$100-112	Above it by 10.7%	\$105-115 on a pullback	The former entry band becomes the accumulation zone. The 50-day at \$107.65 and the 20-day at \$113.46 bracket it.
Trade stop	n/a	The \$91 level is now 26.6% away, too wide to manage a position against	\$105 weekly close	New. Sits under the 50-day and under the August consolidation floor of \$111.80, with room for a false break.

Level	Published Aug 2	Status at \$124.00	Reset to	Why
Thesis break	\$91 weekly close	Unchanged and far below	\$91 weekly close (held)	Still the correct fundamental invalidation, alongside renewals under 95% or subscription gross margin sustained below 80%.
Take-profit 1	\$135	+8.9% away	\$135 (held)	Held deliberately. It was not raised when the quarter beat and it is not being raised on a sector rotation.
Take-profit 2	\$160	+29.0% away	\$160 (held)	Base-case fair value and gap-fill. Wells Fargo's \$175 is above this; the street median of roughly \$140 is well below it.
Fair value	approximately \$150	Reaffirmed at \$151	\$151	Probability-weighted across unchanged scenarios. Implies 21.5% upside — real, but no longer paired with acceptable downside.

The gap between a \$151 fair value and a \$135 first target is intentional and unchanged: the first target is a trim level in prior consolidation, not an estimate of what the business is worth.

4. Valuation

The whole of the valuation change is the price. Consensus estimates have not been revised in the fortnight, so an 11.5% share-price move maps one-for-one onto the multiple: forward non-GAAP earnings go from 24.6 times to 27.4 times, EV/sales from 7.9 to 8.8, EV to free cash flow from 25.5 to 28.4, and the PEG from exactly 1.00 to 1.11. The August 2 report made a specific observation that is now inverted. It noted that a beat-and-raise had produced no multiple expansion, because estimates rose alongside the price, and called the persistent AI-disruption discount the opportunity. Two weeks later the multiple has expanded on no estimate revision at all. Part of that discount has now been paid away, and it was the discount, rather than the growth rate, that made the stock interesting at \$111.

Method	Reading	Verdict vs \$124.00
Forward P/E (non-GAAP)	27.4x, up from 24.6x on no estimate change	Full. Still below its historical average, but the gap has narrowed materially.
Trailing P/E	approximately 77.5x, distorted by SBC and acquisition amortisation	Not the right lens, as before. Ignore the headline.
EV / Sales	8.8x (EV \$130.0B on \$14.73B TTM revenue)	Approaching the middle of its own range rather than the bottom of it.
EV / FCF	28.4x on \$4.58bn TTM free cash flow	Fair-to-full for a 20% grower. Cheaper on the guided 35% FY26 FCF margin.
PEG	1.11 on approximately 20% consensus EPS growth	Above par for the first time in this coverage. Growth now costs a small premium.
Consensus target	median approximately \$140 across 49 analysts; Wells Fargo \$175, Canaccord \$145	+12.9% implied, down from +26% two weeks ago. The street's dispersion is wide and the median is close.
Probability-weighted fair value	\$151 from unchanged scenarios	+21.5%. Genuine upside, but paired with a 15-27% downside band.

5. Risk Register

Risk	Prob.	Severity	Note
Valuation re-rates down on any growth miss	Medium	Med-High	Elevated from Medium severity. At 27.4x forward and a PEG above 1, the cushion that absorbed the July 23 selloff has been spent.

Risk	Prob.	Severity	Note
Subscription gross margin keeps compressing	Med-High	Medium	Unchanged and unresolved. FY guide cut to 81% from 81.5% on hyperscaler cost. Invalidation remains sustained compression below 80%.
Q3 disappoints on the federal pull-forward	Medium	Medium	Severity raised from Med-Low. Q2 borrowed on-prem revenue from Q3 and the 20.5% guide reflects it, but a decelerating headline now meets a fuller multiple. October 28 is the date.
M&A; integration and leverage	Medium	Medium	Unchanged. Net debt \$1.75bn after \$6bn of acquisition borrowing; ROIC of 10.3% sits only 140bps above an 8.9% WACC.
AI agents shrink seat-based revenue	Low-Med	High	Unchanged. Q2 was the cleanest available test and growth accelerated to 24.5% with 98% renewals. One quarter is evidence, not proof.
Microsoft bundling / competitive pressure	Medium	Med-High	Structural and long-term via Copilot distribution. Wells Fargo argues open models help ServiceNow; that is a thesis, not yet data.
Momentum unwind	Medium	Medium	New. The stock is 15.2% above its 50-day and was rejected twice at the 200-day. Rotation-driven moves give back quickly when the rotation reverses.
Large-holder distribution	Low-Med	Low-Med	New. Tiger Global cut 42% of its position in Q2. One filing is not a trend, but it is the opposite of the covering that drove July's rally.
Macro / enterprise software-spend contraction	Low-Med	Medium	Unchanged. 98% renewals provide unusual insulation against an IT budget squeeze.

6. Sentiment and Technicals

Sentiment has moved from constructive to crowded, which is a different thing. The street median target of roughly \$140 now implies only 12.9% upside against the 26% it implied on August 2, and the dispersion around it has widened rather than narrowed: Wells Fargo at \$175 against a median near \$140 is a 25% spread of opinion on a company that has published nothing new. The one contrary signal is Tiger Global's 42% position cut disclosed on August 14, from a Q2 filing that predates this rally. Short interest was 5.39% of shares and falling into the print, so a good deal of the fuel that drove the move off \$91.53 has already been consumed.

The chart is the strongest part of this report and it still argues for patience. The stock trades 9.3% above its 20-day, 15.2% above its 50-day and 20.3% above its 100-day, with MACD at +5.89 over a +4.66 signal and a positive histogram — an unambiguous uptrend. RSI at 61.7 is firm without being extended. But the 200-day average, which stood at \$124.92 on July 31 and is drifting lower as last year's higher prices roll out of the window, is exactly where the stock is now trading, and the last two sessions tell the story: a run to \$129.75 on August 13 and \$128.65 on August 14, both rejected, with August 14 closing at \$124.00 near the bottom of a \$6.48 range. A stock testing its 200-day from below after a 52% recovery is at the most consequential level on its chart. Reclaiming it decisively would be a genuine trend change and is a reason to revisit this rating. Failing there, with a 5.2% average true range, means a fast trip back toward \$113.

Indicator	Reading	Interpretation
Price vs 20-day SMA	\$124.00 vs \$113.46	Above (+9.3%). Extended relative to the short-term average.
Price vs 50-day SMA	\$124.00 vs \$107.65	Above (+15.2%). A wide gap that mean-reversion tends to close.
Price vs 100-day SMA	\$124.00 vs \$103.11	Above (+20.3%). The medium-term downtrend has been repaired.
Price vs 200-day SMA	\$124.92 on July 31 and declining; not computed here	Trading essentially on it. The retrieved series covers 100 sessions, so the level is carried from third-party data and is approximate.
RSI(14)	61.7 (was 56.5)	Firm, not extended. Leaves room in either direction.
MACD(12,26,9)	+5.89 / signal +4.66 / hist +1.23	Bullish and widening. The clearest positive in the report.

Indicator	Reading	Interpretation
ATR(14)	\$6.48 (5.2% of price)	Still very high for a \$128bn company. Position sizing matters more than the directional call.
Support / resistance	Support \$113-114, then \$111.80, then \$105 (50-day); resistance \$129.75, then \$135, then \$139.20	\$129.75 is the August 13 high and the 200-day zone. \$111.80 is the August consolidation floor.
Volume	20-day avg 25.1M vs 50-day 23.8M	The advance came on rising volume; August 14's reversal traded 15.0M, the lightest in a week.

Technicals are used here to set entry and stop levels only. They do not override the fundamental case.

7. Investment Scorecard

Category	Score	Prev	Rationale
Business Quality	9 / 10 	9	Unchanged. 98% renewals, 8,800+ enterprises, 85%+ of the Fortune 500.
Financial Strength	8 / 10 	8	Unchanged. \$1.75bn net debt after the Moveworks, Armis and Veza borrowing; 20x interest coverage.
Competitive Advantage	8 / 10 	8	Unchanged. Security remains the fastest-growing top-ten cyber business. Wells Fargo's open-model argument is a thesis, not evidence.
Management	8 / 10 	8	Unchanged. Guidance credibility through three consecutive AI-scare quarters is a real asset.
Growth Potential	8 / 10 	8	Unchanged. AI ACV past \$1bn ahead of pace, against a Q3 headline flattered downward by the federal pull-forward.
Valuation	5 / 10 	6	Down one. 27.4x forward from 24.6x and a PEG through 1.00, entirely on an 11.5% price move with no estimate revision. Consensus upside halved.
Risk (10 = lowest risk)	5 / 10 	6	Down one. The AI-disruption evidence is unchanged, but valuation risk and momentum-unwind risk both rose with the price.
Technical Setup	7 / 10 	7	Held. A strong uptrend above every short and medium average, offset by two rejections at the 200-day and a 15% gap to the 50-day.
OVERALL	72 / 100	75	Down three. Every point comes from price. Not one operating input changed.

Scored 1-10, where 10 is always best, including Risk. Weighting: Business Quality 15, Financial Strength 12, Competitive Advantage 13, Management 10, Growth Potential 15, Valuation 17, Risk 13, Technical Setup 5 — the same growth-quality framework used since initiation. The previous report scored Risk on the same direction (labelled 'higher = safer'), so the 6 shown under 'Prev' is directly comparable and needed no restatement.

8. Trade Plan — Recommendation: HOLD (downgraded from Buy)

Parameter	Level / guidance	Change vs Aug 2
Recommended action	Hold existing positions toward the targets. No new money at \$124.	Downgraded from Buy
Re-entry zone	\$105-115, ideally toward the 50-day near \$108. Scale rather than a single lump.	Was the active entry band; now a wait-for level
Trade stop	\$105 weekly close for a position managed as a trade	New. The \$91 thesis level is too far away to size against at \$124
Thesis break	Weekly close below \$91, or renewal rate under 95%, or subscription gross margin sustained below 80%	Unchanged

Parameter	Level / guidance	Change vs Aug 2
Take-profit target 1	\$135 - prior consolidation, just below the roughly \$140 street median. Trim one-third.	Unchanged
Take-profit target 2	\$160 - base-case fair value and gap-fill. Trim a further third.	Unchanged
Expected upside	+8.9% to target 1; +29.0% to target 2; +21.5% to a \$151 fair value	Down from +21% and +44%
Expected downside	-15.3% to the \$105 trade stop; -26.6% to the \$91 thesis level	Wider in absolute terms because the price rose
Risk / reward	approximately 0.58 : 1 to target 1; 1.89 : 1 to target 2	Deteriorated from 1.2 : 1 and 2.4 : 1
Holding horizon	2-4 years for the compounding thesis. Unchanged for holders.	Unchanged
Position size	No addition at current levels. Existing holders 2-4% of a diversified growth portfolio.	Unchanged for holders; no new sizing
Upgrade trigger	A pullback into \$105-115 with the operating data intact, or a decisive weekly close above the 200-day near \$125-130 accompanied by an estimate revision rather than a target revision	Restated. The prior \$95-100 trigger is now unrealistically far below
Next catalyst	Q3 FY26 results, October 28, 2026	Unchanged - 73 days out

9. Scenario Analysis

Scenario	Prob.	Revenue and earnings outlook	Fair value
Bull	30%	Subscription growth holds above 20%; AI ACV beats \$1.5bn; consumption mix scales and decouples growth from seats. Gross margin stabilises at 81%, operating margin re-expands past 32%, free cash flow compounds toward the 35% guided margin.	\$175-215
Base	50%	Growth tapers to 18-20% as the federal pull-forward normalises and AI stays additive. The 31.5% operating margin and 35% free-cash-flow margin hold, with a modest continuing gross-margin drag from hyperscaler cost.	\$138-158
Bear	20%	Seat erosion resumes and budgets shift toward AI infrastructure; growth falls to the low teens. Gross margin breaks below 80% and the multiple de-rates further against a levered balance sheet.	\$82-100

The probability-weighted fair value is \$151, computed from the midpoints above and unchanged from the last report because not one input has moved. Against \$124.00 that is 21.5% upside, and it is the strongest argument available for staying long. It is not an argument for buying more, because the same distribution puts the bear case at \$82–100, or 19–34% below the current price, and that tail did not shrink when the stock rallied. The distribution was genuinely asymmetric at \$111.23. At \$124.00 it is merely favourable, and favourable is what a Hold is for.

10. Final Verdict

The recommendation moves from Buy to Hold. This is a change of price, not of mind. Subscription revenue is still compounding above 20%, renewals are still 98%, AI contract value still passed a billion dollars ahead of schedule, and the quarter that was supposed to expose seat erosion instead showed acceleration. Every one of those facts was true on August 2 and is true today. What has changed is that the market has paid 11.5% more for them in fourteen days, on a sector rotation and a set of target increases published without a single new company datapoint between them.

Why not simply reaffirm Buy. Because the previous report said, in terms, not to chase above \$115, and set the upgrade trigger at a pullback into \$95–100. The stock is at \$124. Reaffirming a Buy would mean quietly abandoning both instructions on the strength of the price action they were written to guard against. The measurable consequence is that the first target now offers 8.9% against a 15.3% stop, which is 0.58 to one. A rating that survives any price is not a rating.

Why not downgrade further. Because nothing has broken. Fair value is \$151, upside to it is 21.5%, the operating data is intact, and the chart is in a confirmed uptrend testing the most important resistance on it. Selling a compounding business with 98% renewals because it went up 11.5% would be as mechanical an error as buying it because it did. Holders should hold, and let \$135 and \$160 do their work.

What would change the view. Return to Buy on a pullback into \$105–115 with renewals, cRPO growth and gross margin unchanged, or on a decisive weekly close above the 200-day near \$125–130 that is accompanied by upward estimate revisions rather than target revisions — the distinction matters, because it is the difference between the business getting better and the price getting higher. Downgrade further on a renewal rate below 95%, Now Assist ACV decelerating rather than compounding, subscription gross margin sustained below 80%, a Q3 miss against the already-reduced 20.5% guide, or a weekly close beneath \$105.

***Sources:** Alpha Vantage daily OHLCV (close of August 14, 2026) — one API call, used for both the current price and the technical series. ServiceNow Q2 FY2026 results (July 22, 2026) and the associated guidance, carried forward from the August 2 report; no company disclosure has been issued since. Yahoo Finance and StockStory coverage of the August 7 enterprise-software rally. moomoo news search for the August 12 Wells Fargo target increase to \$175, the Canaccord Genuity reiteration at \$145, the Xactly partnership announcement and the Tiger Global 13F position reduction disclosed August 14. Yahoo Finance and TipRanks for the 49-analyst consensus target and recovery statistics. The August 2, 2026 ServiceNow report for the prior levels, scores, scenario ranges and balance-sheet detail. Technical indicators were computed from the daily series rather than read from third-party summaries; the 200-day average could not be computed from a 100-session series and is carried from the previous report as approximate. No earnings call took place in this period, so no transcript applies. Figures are indicative snapshots as of the report date and will move.*

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