

April 2024



Houlihan
Lokey

ServiceNow

Industry Overview and Insights



Introduction to ServiceNow

In the age of digital transformation, ServiceNow stands out as a leader in cloud-based solutions with a platform offering a comprehensive suite of services spanning IT, HR, customer service, and security operations. Bolstered by market trends and platform-specific tailwinds, ServiceNow is primed for accelerated growth with its innovative releases and focus on enhancing customer relationships. Sustained momentum in new customer accounts and expansion of contract values not only underscores its ability to deliver value-driven solutions but also presents significant benefits to its partner network. By facilitating communication across departments and prioritizing innovation and customization, ServiceNow solidifies its position as a preferred partner for organizations seeking operational efficiency and digital transformation.

Why We Are Paying Attention

ServiceNow's remarkable growth, paired with consolidation trends among its partner ecosystem, has caught the attention of investors and buyers alike seeking assets with ServiceNow expertise. The intersection of ServiceNow's platform leadership and accretive M&A opportunities presents an attractive thesis for buyers to pursue innovation, scalability, and value creation across ServiceNow's partner network.

As ServiceNow strengthens its position as a digital transformation leader, Houlihan Lokey's dedicated ServiceNow team has compiled this information to provide valuable insights for interested parties navigating this evolving landscape.

Source: (1) ServiceNow Investor Relations.

Key ServiceNow Trends Captured in This Report



ServiceNow's Path to Success



Peer Group Performance



Platform Evolution



Industry Verticalization and Geographic Expansion



ServiceNow and Generative AI



Partner Requirements



Buyer Ecosystem

The Experts

Key Sources and Additional Reading



Snapshot⁽¹⁾

25.5%

Revenue Growth

8,100+

Global Customers

~85%

of Fortune 500 Companies Work With ServiceNow

2,000+

Global Partners

The Pathway

Unveiling the Journey of ServiceNow to Present Success

ServiceNow is a leading cloud-based platform-as-a-service (PaaS) provider, offering a suite of applications tailored to optimize IT service operations. Known for its robust back-end infrastructure, ServiceNow efficiently manages processes, databases, resources, security measures, and backups to ensure a seamless user experience.

Upon licensing, users gain access to pre-built applications designed to address common pain points, alongside powerful creation tools for customizing existing applications or developing new ones swiftly and efficiently. This combination of standardized solutions and adaptable tools has positioned ServiceNow as a prominent player in the modernization of IT service management.

From Concept to Enterprise Solution Leader



Established in 2003 by Fred Luddy, ServiceNow originated from the concept of enhancing process management while prioritizing user-friendly software interfaces.



This concept laid the groundwork for its evolution as a significant player in enterprise solutions. ServiceNow's emergence with its IT Service Management (ITSM) platform redefined how businesses approached IT processes, disrupting the market.



Acknowledging opportunities beyond IT, ServiceNow strategically diversified its offerings, expanding into HR service delivery, customer service management, and security operations.



The introduction of the Now Platform represented a milestone, providing a low-code development platform enabling organizations to rapidly build custom applications and automate processes, enhancing operational efficiency.



ServiceNow's commitment to innovation is evident through its integration of AI and machine learning technologies, resulting in improved response times, efficiency, and user experiences. A partnership with NVIDIA's AI stack exemplifies its dedication to leveraging cutting-edge technologies for intelligent workflow automation.



In summary, ServiceNow's journey underscores the convergence of visionary leadership, technological innovation, and strategic foresight, solidifying its position as a leader in enterprise solutions.

Source: xtype: The Evolution of ServiceNow.

The Steps That Propelled ServiceNow Forward

ServiceNow has emerged as the premier enterprise platform through a strategic blend of organic growth and targeted acquisitions, culminating in its evolution into a multifaceted software powerhouse.

2000s

ServiceNow Beginnings

Initially rooted in traditional IT service management during the early 2000s, ServiceNow offered essential functionalities such as help desk support, incident response, and ticketing services.

Early 2010s

Strategic Acquisitions and Enhancements

The transformative journey of ServiceNow accelerated in the early 2010s, marked by pivotal acquisitions including Neebula Systems, Intreis, and BrightPoint Security.

These strategic moves facilitated ServiceNow's expansion beyond IT services into domains such as HR services, user interface/experience enhancements, cloud integrations, asset management, and risk and security solutions.

2010–2020

Continued Innovation and Diversification

As the decade progressed, ServiceNow continued its trajectory of innovation, diversifying its portfolio to include application development, AI, natural language processing, performance management, analytics, and robotic process automation (RPA).

These advancements further solidified ServiceNow's position as a comprehensive enterprise solution provider, equipped to meet the evolving needs of modern businesses.

Today

Industry Leader

In the current landscape, ServiceNow remains at the forefront of technology trends, particularly in the realm of AI.

By continually positioning itself for the future, ServiceNow reaffirms its commitment to driving organizational efficiency and innovation in the digital age.

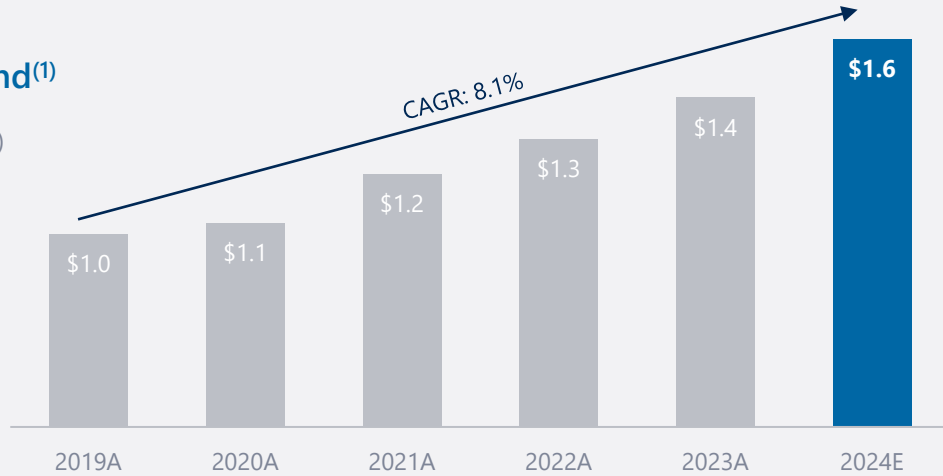
Source: xtype: *The Evolution of ServiceNow.*

ITSM and Cloud Growth

The global demand for digital transformation and ITSM continues to accelerate.

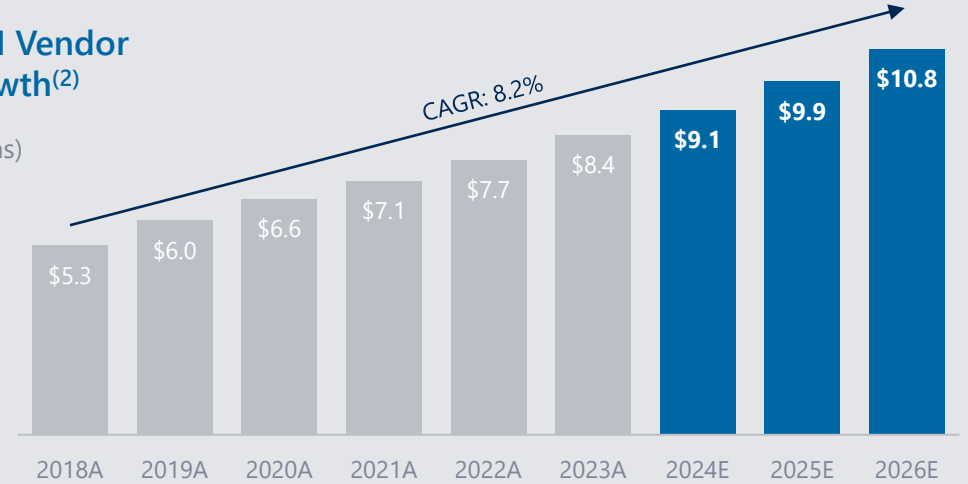
Global IT Services Spend⁽¹⁾

(\$ USD in trillions)



Global ITSM Vendor Market Growth⁽²⁾

(\$ USD in billions)



Global IT Services Market Outlook⁽²⁾

\$2T | Global market expected to eclipse \$2 trillion by 2028.



Rising demand for advanced technology is driving digital business transformation globally.

AI | Global investment in AI, data and analytics, and application development will lead to increased spend industry-wide.



Transforming legacy business operations by enhancing infrastructures, improving customer interfaces, and facilitating growth in productivity.

Global ITSM Vendor Market Growth⁽²⁾

\$11B | ITSM market expected to eclipse \$11 billion by 2026.



Cloud solutions are anticipated to dominate the ITSM market, making up over 75% of the total market share by 2026.



Rising IT system complexity calls for automated solutions like ITSM software to streamline processes. Post-COVID-19, with increased hybrid working, there's a growing need for digitized and automated workflows for efficient team operations.

Sources: (1) Statista. (2) Gartner.

ServiceNow Leading Its Peer Group

Resilient, growing demand for ServiceNow's evolving platform has contributed to outperformance in stock returns compared to the broader peer group. Demand trends and innovative releases position ServiceNow's partner network to grow alongside this trajectory of outperformance.

Market-Leading Returns

From December 2016 to March 2024, ServiceNow's share performance outpaced the selected peer group by ~2x, with an annualized return of 37.9% compared to 19.5% equal weighted return for the broader group. Over the same period, ServiceNow's revenue growth outpaced its peer group by ~3x, at an annualized growth rate of 27.8% vs. 8.4% for the broader group.

ServiceNow's outperformance is attributable innovative, quick ROI releases while expanding the platform across enterprise functions and delivering enhancements focused on capabilities in key verticals. ServiceNow's ability to consistently deliver value-added solutions is evidenced by the resilient and growing demand across its customer base.

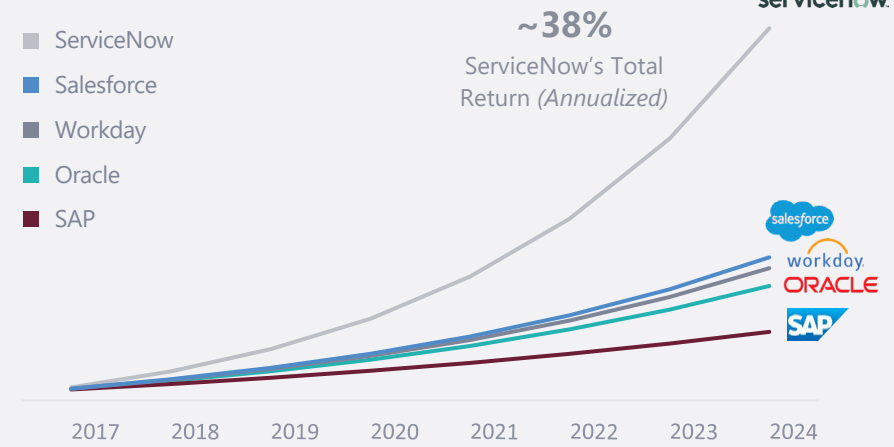
Outlook for Continued Momentum

Salesforce's share price benefited from a strong uplift following the September 2023 release of the Einstein 1 Platform (with Einstein Copilot) and details of customer adoption rates provided in its Q3 2024 earnings. In November 2023, Salesforce recorded a 30-day gain of 29.5% and outperformed both the selected peer group and the S&P 500 by ~2x and ~3x, respectively. Over the subsequent months, Salesforce's share price recorded an additional +20% through the end of February 2024. The market's reaction demonstrated investor interest and reward for delivering innovative and leading solutions that incorporate generative AI.

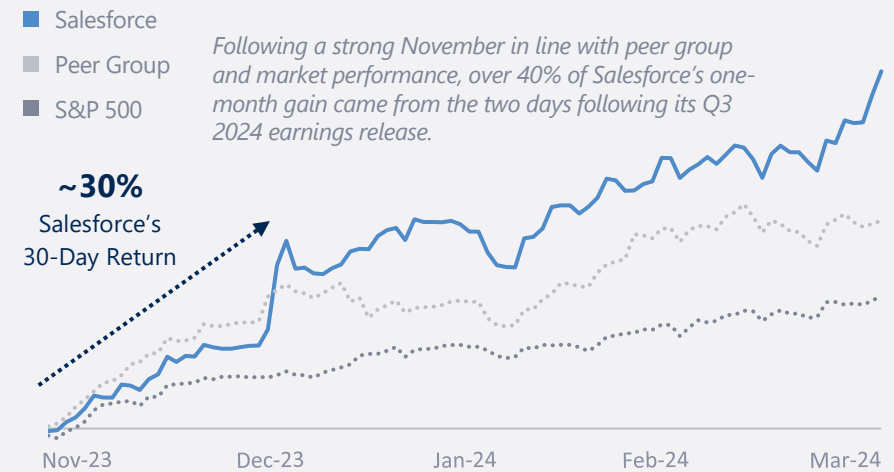
Following the Vancouver and most recent Washington, D.C., product releases, ServiceNow is well positioned for an acceleration in its growth trajectory as it continues to deliver on generative AI releases across its platform.

Sources: (1) S&P Capital IQ. Indexed stock return represents total annualized return over time horizon beginning December 31, 2016, and ending March 31, 2024. (2) S&P Capital IQ.

Stock Performance (Indexed)⁽¹⁾



Looking to Salesforce: Room to Run with AI⁽²⁾



Land and Expand Contract Values Driving Growth

ServiceNow's differentiated growth profile is supported by its ability to win, maintain, and expand its long-term customer relationships. Annual contract value (ACV) stands as a pivotal metric within ServiceNow's operational framework, representing the annualized value of contracted recurring revenue from all active customers. ServiceNow's ACV trajectory serves as a testament to its ability to deliver value-driven solutions that resonate with businesses across various industries, driving recurring revenue streams and solidifying its leading competitive position.

ServiceNow's robust ACV growth isn't just advantageous for the company itself but also extends significant benefits to its ecosystem of partners. ServiceNow partners, including consulting firms, system integrators, and technology providers, play a crucial role in the delivery and implementation of ServiceNow solutions. As ServiceNow's ACV expands, partners stand to gain increased opportunities for collaboration and revenue generation. Higher ACV signifies greater demand for ServiceNow solutions, leading to an influx of projects and engagements for partners. Additionally, partners can leverage ServiceNow's growing customer base to showcase their expertise and differentiate themselves within the market, ultimately driving business growth and profitability.

33.0%

Annualized growth in Total ACV for customers with ACVs \$1M+

20.6%

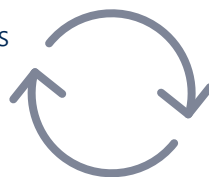
Annualized growth in number of customers with ACVs \$1M+

~98%

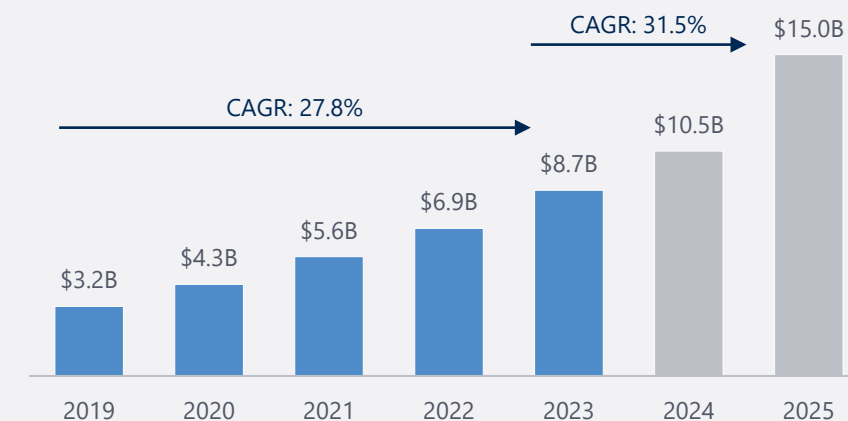
Three-year average renewal rate

8.7%

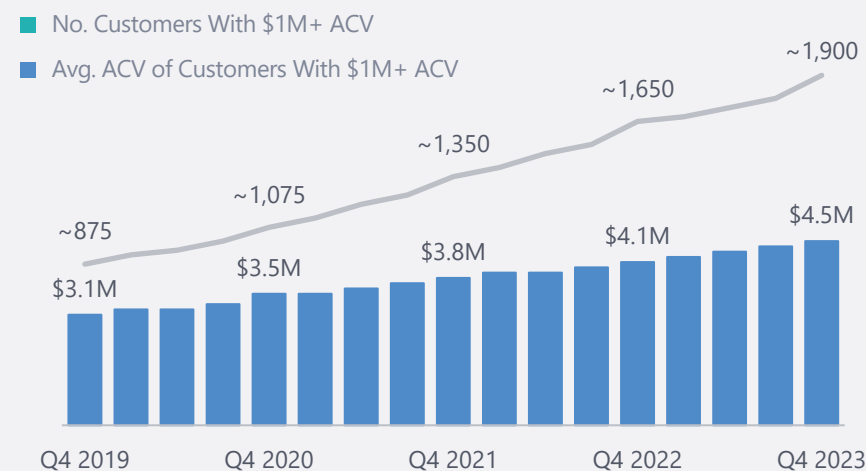
Annualized growth in average value of ACVs \$1M+



Subscription Revenues



Customer Expansion



Source: Servicenow.com – Financial Analyst Day 2023.

ServiceNow Key Benefits

01 One Platform Across All Departments

- ServiceNow simplifies enterprise service management by centralizing solutions for diverse departments like HR, legal, customer service, and finance, eliminating the need for multiple platforms.
- The ServiceNow platform enables streamlined request handling across all departments, thereby cutting costs and improving productivity across organizations.

02 Workflow Automation

- ServiceNow offers robust workflow capabilities that empower customers to construct solutions for challenges spanning a spectrum of complexity.
- The foundational platform features enable organizations to efficiently manage tasks and incidents through mechanisms such as task assignments, approvals, email notifications, integrated service portals, and an array of other functionalities.

03 Seamless Integrations

- ServiceNow seamlessly integrates with various tools and platforms.
- This feature holds significant importance, as it enables businesses to centralize their operations, consolidating all data and workflows in a singular location.
- This consolidation enhances visibility and control over processes, contributing to more streamlined and efficient operations.

Generative AI Capabilities

04

- The Now Platform encompasses generative AI, machine learning frameworks, natural language understanding, search and automation, and analytics and process mining.
- These components synergistically collaborate to seamlessly augment employee capabilities, elevate customer experiences, and ultimately improve decision-making across organizations.

Scalability

05

- ServiceNow stands as a highly scalable platform, adeptly serving organizations from their initial stage with 100 employees to the advanced stage with over 100,000 employees.
- Customers with intricate needs can create custom applications on ServiceNow using the platform's Guided App Creator or App Studio.

Robust Partner Networks

06

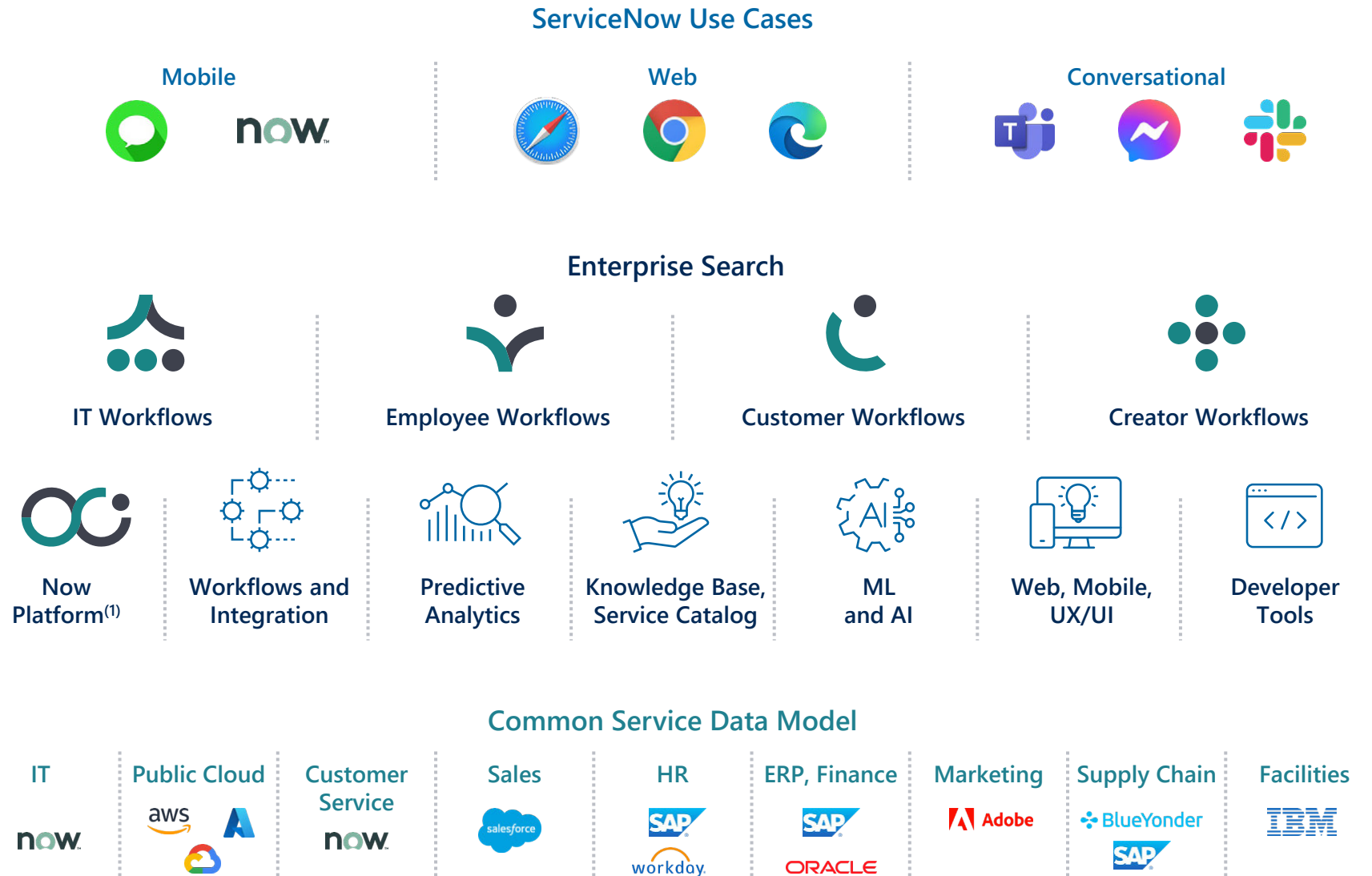
- ServiceNow's partner network comprises experienced providers with diverse skill sets, deep industry knowledge, and specialized expertise.
- Customers benefit from access to industry leaders as well as smaller, more specialized providers.



ServiceNow Platform Overview

The ServiceNow platform facilitates easy communication between internal departments, streamlining workflows and enabling automation for tasks ranging from IT to HR.

Through intelligent reporting and workflow automation, ServiceNow enhances efficiency and user experience by digitizing processes and measuring outcomes, ultimately leading to improved business performance.

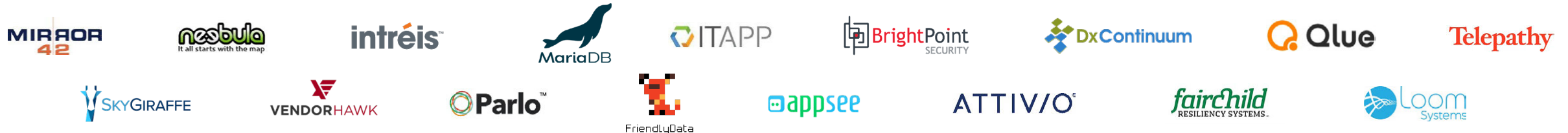


Source: PLat4mation: Everything you need to know about ServiceNow.

ServiceNow Platform Evolution



Supported by Accretive Inorganic Growth



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

New Feature Releases

What This Means for ServiceNow Partners












ServiceNow stands out for its remarkable ability to rapidly introduce new modules and updates that cater to the evolving needs of its clients. This agile approach has been woven into the fabric of ServiceNow's operations since its inception and has proven immensely valuable for its partner ecosystem.












When ServiceNow partners engage with clients to implement the platform, they often tailor it to integrate with the client's existing processes and systems. This level of customization not only enhances the effectiveness of ServiceNow's solutions but also fosters strong, long-term relationships between the partners and their clients.

What makes these client partnerships particularly long-lasting is the regular stream of new releases and updates from ServiceNow. These updates not only address emerging needs but also present opportunities for follow-up projects and enhancements. As a result, clients find themselves in a continuous cycle of innovation, where their evolving requirements are met with timely solutions and enhancements.



ServiceNow Release History

Release Name	Release Date	Commentary
 Aspen	Q4 2011	Introduced disaster recovery and IT security management capabilities
 Berlin	Q3 2012	Included noteworthy upgrades to software management and field service management applications
 Dublin	Q4 2014	Featured the introduction of the vendor performance management application
 Calgary	Q2 2013	Unveiled a Collaborative Workspace UI and the Application Creator, enabling organizational collaboration and non-technical developers to build applications
 Eureka	Q2 2014	Featured the release of ServiceNow service creator, enhancing the platform user experience
 Fuji	Q1 2015	Featured changes to the application model. Applications in Fuji encompass distinct environments that can otherwise be isolated
 Geneva	Q4 2015	Enhanced the user experience by introducing UI 16, which facilitated more intuitive navigation and improved overall usability
 Helsinki	Q2 2016	Introduced flow designer, simplifying process automation. Additionally, customer service management and HR portals were implemented
 Istanbul	Q1 2017	Automated test framework was introduced with the goal of automating testing during platform upgrades or customization
 Jakarta	Q2 2017	Elevated HR service management through the implementation of new features that effectively automate repetitive onboarding procedures
 Kingston	Q4 2017	Added ML capabilities, user experience enhancements, and the advancement of no-code development features

Release Name	Release Date	Commentary
 London	Q3 2018	Upgraded the ServiceNow security incident response application and introduced a new customizable UI, enhancing usability and access
 Madrid	Q1 2019	Introduced the ServiceNow incident management mobile app and a new antivirus scanning feature
 New York	Q2 2019	Integrated natural language understanding into the IT service management platform, introducing a conversational chatbot
 Orlando	Q1 2020	Showcased upgrades in automation, analytics, and AI, and introduced analytics for enhanced monitoring of mobile and web applications
 Paris	Q3 2020	Improved HR service delivery with agent workspace, facilitating efficient interactions and AI-powered issue resolution through dashboards
 Quebec	Q1 2021	Introduced the low-code app engine studio to enable customers to build applications more efficiently
 Rome	Q3 2021	Centered around the launch of the employee center and employee journey management within the HR service delivery application
 San Diego	Q2 2022	Introduced the Next Experience interface and the RPA Hub. Furthermore, upgrades were implemented for the CSM, FSM, and ITSM platforms
 Tokyo	Q4 2022	Introduced the Manager Hub, Admin Center, and capabilities for ESG initiatives, ServiceNow SLM, Vault, and EAM
 Utah	Q2 2023	Improved key applications like ESG, ITOM, SecOps, Employee Service Management, ITSM, and CSM to streamline workflow
 Vancouver	Q4 2023	Integrated GenAI to enhance automation, provide predictive insights, and optimize decision-making throughout the ServiceNow platform
 Washington, D.C.	Q1 2024	Enhanced the Now Assist GenAI experiences with new product releases, including Now Assist for ITOM AIOps, Now Assist in Virtual Agent enhancements, and ServiceNow Impact AI Accelerators

Sources: Prometheus Technologies, ServiceNow Time Horizon: Q4 2011 – present.

ServiceNow's Strategic Growth Roadmap

Drivers of Growth

01

ServiceNow Has Dominated the ITSM Market

ServiceNow has established a strong presence in the ITSM market by successfully penetrating every major enterprise. This accomplishment represents just the tip of the spear for ServiceNow and its comprehensive offerings.

02

Expansion of Modules

ServiceNow's top-tier, cloud-based modules provide the company with the capability to effectively cross-sell across diverse areas, including HR, Risk, Internet of Things, and more.

03

Recurring Updates and Customization

Initial concerns about a one-time setup or service have turned into an ongoing need, with updates to modules occurring semi-annually. This shift highlights the continued importance and value of the services provided.

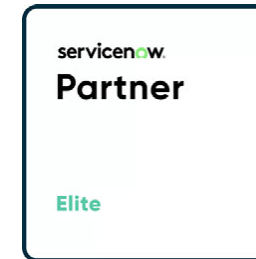
04

Continuous Innovation and New Module Releases

ServiceNow sustains innovation through ongoing investment in research and development, active collaboration, integration of emerging technologies, and adaptability to market dynamics.

Source: ServiceNow.com – Analyst Day 2023.

High Standards of Service



~1,200

Partner-Developed Apps

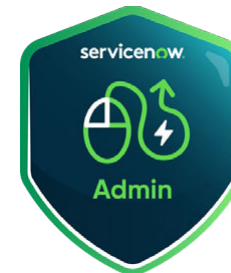
~75K+

Individuals Have Earned a ServiceNow Credential

~1M+

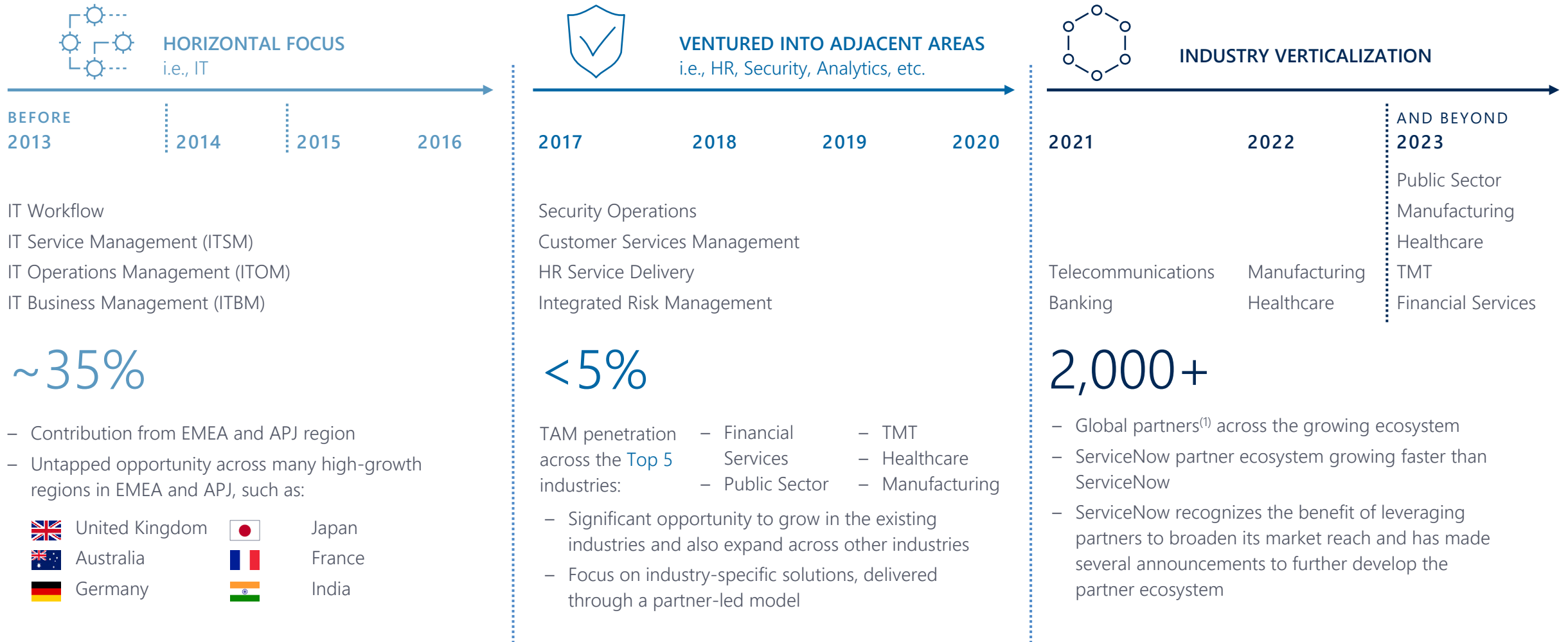
Skilled Practitioners

Barriers of Entry: Technical Staff⁽²⁾



- ServiceNow maintains relatively high entry barriers in comparison to industry peers like SAP, Oracle, Salesforce, and others.
- This results in a challenging environment where there is a substantial demand for a relatively limited pool of technical personnel.

Growth Strategy Industry Verticalization and Geographic Expansion

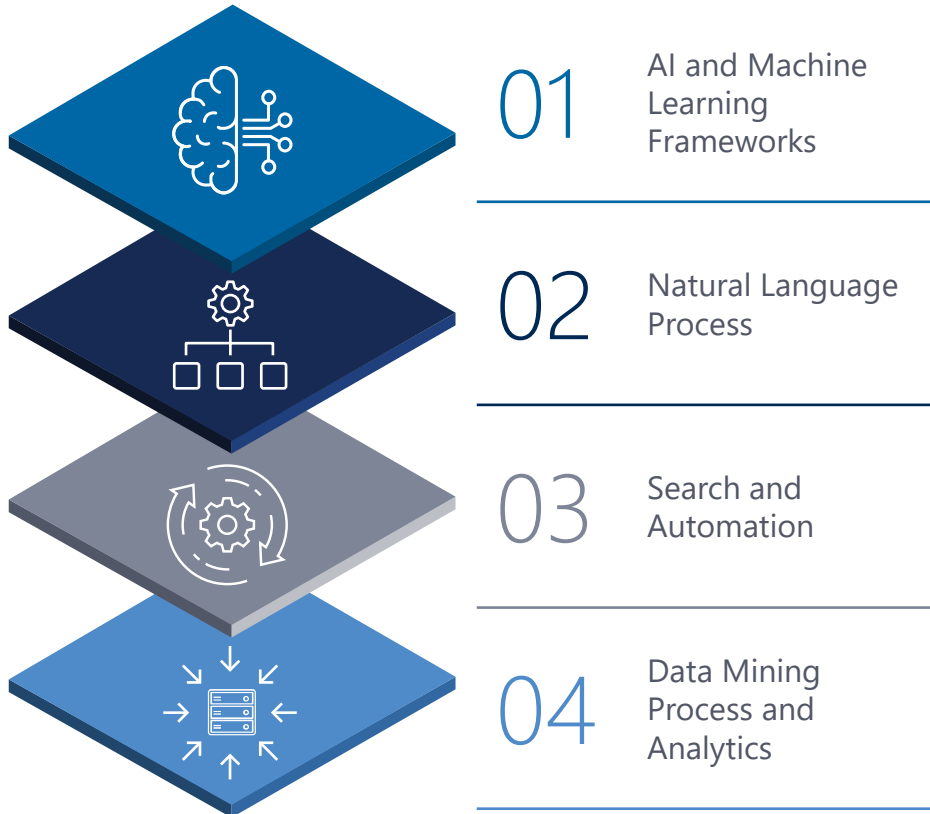


Source: ServiceNow 2023 Analyst Deck.

AI at ServiceNow

AI in the Now Platform improves productivity and efficiency to elevate and seamlessly enhance employee abilities and customer experiences.

The Now Platform



Unlocking the Power of AI

Transformative use cases for delivering relevant information, predictive insights, and seamless automation.

Deliver Better Self-Service

Make it easy for users to get what they need with a 24/7 Virtual Agent that understands their requests in natural language.

Detect Major Incidents

Quickly identify critical issues by proactively identifying similarities across open incidents or cases.

Route and Prioritize Work

Classify requests so incidents, cases, and tasks automatically get to the right team, at the right time.

Discover Hidden Patterns

Continuously group clusters of related items to uncover trends and the best opportunities for improvement.

Optimize Knowledge Bases

Deflect tickets and reduce call volume by uncovering knowledge gaps and preventing duplicate content.

Quickly Identify Opportunities to Automate

End the struggle with how and when to turn on automation solutions from ServiceNow and increase deflection while lowering mean-time-to-resolve (MTTR).

Recommend Actions and Deliver Answers

Connect the dots for agents by suggesting relevant tasks and content that help them solve issues faster.

Empower Users With Search

Gain highly accurate and relevant search results for an enhanced user experience.






Supercharge Productivity

Deliver simple solutions to unlock efficiency for everyone across every workflow.







Generative AI An Essential Tool in the Toolkit







Accelerating AI progress through strategic alliances and unleashing forward-thinking initiatives

ServiceNow stands at the forefront of innovation, becoming a trailblazer among major platform vendors by introducing generative AI capabilities.

<p>May</p>  <p>ServiceNow forged a strategic partnership, teaming up with NVIDIA to develop enterprise-grade AI capabilities.</p>	<p>June</p>  <p>Another strategic partnership formed with Cognizant to drive AI-driven automation adoption.</p>	<p>July</p>  <p>The collaborative effort continued with the launch of AI Lighthouse, a program aimed at accelerating the adoption of enterprise generative AI, led by ServiceNow, NVIDIA, and Accenture.</p>	<p>September</p>  <p>Now Assist</p> <p>The platform elevated its workflows with the integration of Now Assist, showcasing its commitment to pioneering advancements.</p>	<p>December</p>  <p>ServiceNow joined the AI Alliance by reinforcing its dedication to shaping the future of AI.</p>
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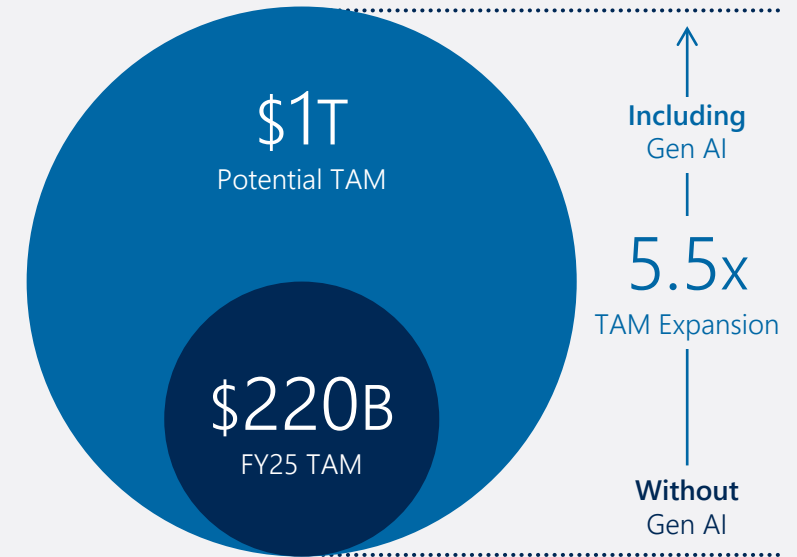
Strategically sculpted multi-year inorganic plan fortifying the platform with AI capabilities

Date	Target	Subsector
Dec-23	 ultimate.suite	Task mining and intelligent automation
May-23	 G2K	AI solution for retail sector
Jun-22	 hitch	AI-based skill mapping
Nov-21	 DotWalk	AI-based app testing solution
Oct-21	 qokko brain	Large-scale data management
Mar-21	 INTELLIBOT	Robotic process automation

Date	Target	Subsector
Nov-20	 ELEMENT^{AI}	Enterprise AI solutions
Jan-20	 loom	AIOps solutions
Jan-20	 Passage AI	Multi-language NLU1 and chatbot
Oct-19	 ATTIVO	AI-based search
Oct-18	 FriendlyData	AI and NLU ⁽¹⁾ solution
May-18	 Parlo	Develops natural language interface

(1)NLU: natural language understanding
Sources: ServiceNow IR Deck and News

Generative AI Set to Elevate ServiceNow's TAM by \$1 Trillion



“Gartner says \$3 trillion will be invested in IT between 2023 and 2027. \$1 trillion of that will go into Generative AI. This adds to ServiceNow’s current TAM of \$220.0 billion.

Bill McDermott, CEO ServiceNow

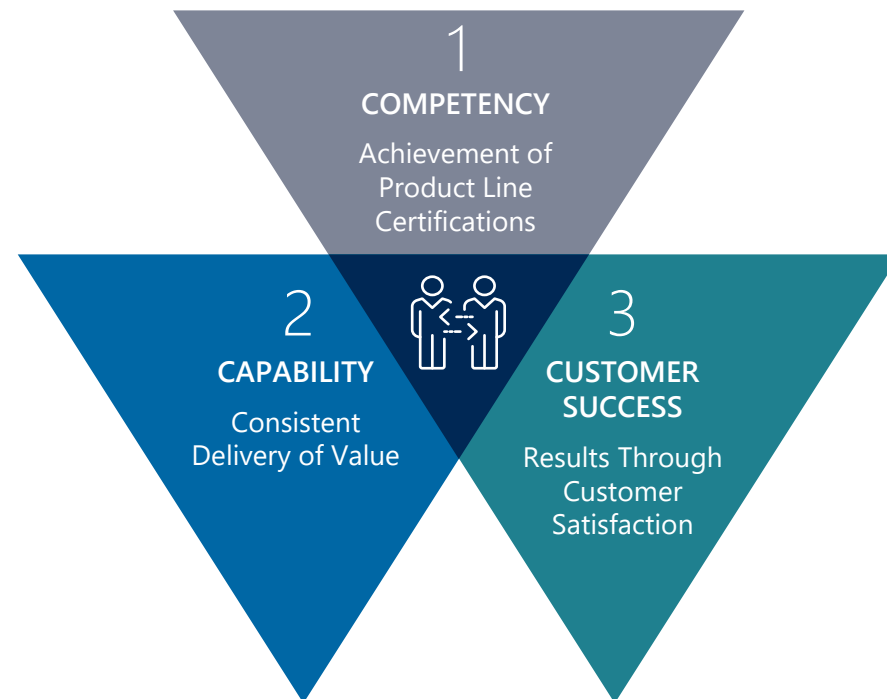
ServiceNow Partner Program Overview

Becoming a ServiceNow partner involves meeting stringent criteria centered on customer success, technical expertise, and industry knowledge, assessed through the "3Cs" framework: Capability, Customer Success, and Competency.

Aspiring partners must invest in building capabilities, nurturing customer relationships, and staying updated on the latest ServiceNow innovations to achieve and maintain Elite status.

Partners must demonstrate a dedicated commitment to training and maintaining certified resources, possess deep knowledge of the ServiceNow platform, and showcase a track record of delivering exceptional customer experiences and measurable business outcomes. Attaining partnership status entails aligning closely with these criteria and may lead to different tiers, such as Elite, Premier, or Specialist, depending on the depth of practices developed, global presence, and adherence to ServiceNow's partner framework.

What Determines Partner Status?



Global Elite
Extensive industry knowledge, adeptness in digital transformation, global reach, and a steadfast commitment to ServiceNow's principles

Elite
Higher levels of proficiency across five or more ServiceNow products encompassing IT, employee experience, and customer service workflows

Premier
These partners offer focused assistance across four or fewer ServiceNow products and have built a presence across multiple geographic regions

Specialists
These partners possess specialized expertise in one or more ServiceNow products and are capable of delivering targeted support within these domains

Sources: PLat4mation: How to find the best ServiceNow partner.

ServiceNow Partner Program Breakdown of Requirements



Partner Criteria ServiceNow adheres to a rigorous partnership evaluation framework known as the "3C Criteria Group" wherein the company assesses partners across various internal and external metrics, encompassing factors such as implementations, certifications, product lines, growth, and more. Partners must continually invest in their frameworks to maintain their Elite threshold.

1 COMPETENCY	2 CAPABILITY	3 CUSTOMER SUCCESS
Micro-Certifications Measures the number of unique individuals certified in micro-certifications <i>(60+ for Elite Threshold)</i>	Impacted NNACV⁽⁴⁾ Measures the net new ACV for all closed-won opportunities where a partner is attached <i>(\$5M+ for Elite Threshold)</i>	CSAT Rating Average of program-wide survey score from a registered participant's direct deployment <i>(4.2 or higher for Elite Threshold)</i>
Core Platform Certifications Measures the number of unique individuals certified in either CSA or CAD ⁽¹⁾ <i>(60+ for Elite Threshold)</i>	Deployments in Product Lines Measures the number of product lines across complete or expired deployments <i>(4+ for Elite Threshold)</i>	Customer Success Stories Measures the number of approved customer success stories related to a partner's C&I business <i>(5+ for Elite Threshold)</i>
CIS Certifications⁽²⁾ Measures the number of unique individuals certified in CIS across product lines <i>(30+ for Elite Threshold)</i>	Deployment YoY Growth Measures year-over-year growth in volume of all completed deployments <i>(20%+ for Elite Threshold)</i>	Deployment with CLD⁽⁵⁾ Measures the percentage of deployments where the lead app consultant is certified in the product that is being implemented <i>(90%+ for Elite Threshold)</i>
Pre-Sales Accreditations Measures the number of unique individuals certified in any pre-sales accreditation <i>(30+ for Elite Threshold)</i>	Approved Deal Registrations Measures approved deal registrations (all types) <i>(10+ for Elite Threshold)</i>	
CTA/CMA⁽³⁾ Measures the number of unique individuals who acquired either CTA or CMA <i>(2+ for Elite Threshold)</i>		

(1) CSA/CAD denotes "Certified System Administrator" and "Certified Application Developer." (2) CIS denotes "Certified Implementation Specialist." (3) CTA/CMA denotes "Certified Technical Architect" and "Certified Master Architect." (4) NNACV denotes "Net New ACV." (5) CLD denotes "Certified Lead Consultant."

ServiceNow Partner Ecosystem

To view the full Market Map, please contact: Daniel.Siller@HL.com

Illustrative snapshot of partners categorized by status¹

6

Global

Elite

Partners



150+

Elite

Partners



60+

Premier

Partners



40+

Specialist

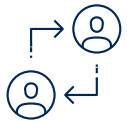
Partners



Winners and Losers ServiceNow Partner Ecosystem

Partner Landscape

The ServiceNow partner ecosystem is experiencing a shift towards specialization, with Elite and Global Elite partners gaining prominence for their proficiency across multiple products. However, entry barriers for smaller players pose challenges, prompting the need for consolidation and strategic partnerships to meet stringent requirements and capitalize on growth opportunities.



Bifurcation Between Specialized and Generalist Partners

Amid the evolving ServiceNow partner ecosystem, a clear divide emerges between specialized partners, particularly Elite and Global Elite partners, showcasing proficiency across multiple products, and generalists, who may encounter challenges meeting evolving client demands without a focused specialization. This underscores the importance of aligning with partners tailored to specific organizational needs.



Shift in Partner Requirements

The evolving ServiceNow partnership landscape underscores the importance of demonstrating competency, customer success, and scalability, requiring partners to invest continuously in training, certifications, and industry expertise to meet the stringent criteria for higher-tier partnerships, reflecting a shift toward emphasizing technical proficiency alongside a deep understanding of digital transformation strategies and industry-specific nuances.



Barriers to Entry and Opportunities for Growth

The ServiceNow partner program, while offering growth opportunities and collaboration, presents significant barriers to entry into higher partner tiers, particularly for new entrants and those aiming for Elite status, with stringent requirements such as capacity, competency, and customer success metrics; nevertheless, this scenario provides an opportunity for consolidation and strategic partnerships, allowing smaller players to "roll up" and pool resources to meet Elite status criteria.

Anticipated Consolidation

- The new partner requirements introduced by ServiceNow are expected to drive significant consolidation within the ecosystem as smaller firms may struggle to meet the elevated standards independently, prompting them to merge with complementary partners to collectively satisfy the criteria and enhance their value.
- The consolidation of ServiceNow partners through M&A reflects a maturing market seeking scalability and diversification. Partners are scaling up to meet the rising demand for ServiceNow's cloud platform, broadening service offerings through alliances. This will benefit clients by providing access to more expertise, speeding up digital transformations, and leading to innovative solutions. Looking ahead, this trend is expected to persist, driving growth and innovation in service management solutions.

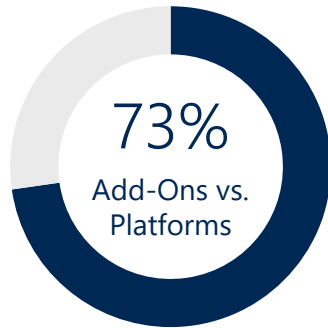
ServiceNow Buyer Ecosystem

Increased Scarcity Value in the ServiceNow Ecosystem

The landscape of the ServiceNow partner ecosystem is undergoing a significant transformation, marked by a growing emphasis on specialization. Elite and Global Elite partners are emerging as key players, renowned for their expertise across various product lines. Yet, smaller entities face entry barriers, necessitating consolidation and the forging of strategic alliances to navigate stringent standards and seize growing prospects.

Historical Buyer Mix

Buyers looking to expand or enter the ServiceNow space increasingly anticipate a higher competition and associated pricing.



Sources: S&P Capital IQ, Pitchbook

ServiceNow Buyer Profiles

Established ServiceNow Partners

Established players are poised to sustain their efforts in ServiceNow by capturing additional market share, expanding their capabilities, and adding vertical expertise through strategic acquisitions.



Diversified IT Services Providers Leaning Into ServiceNow Adoption

IT services providers are facing a surge in customer interest in ServiceNow services, coupled with the anticipated long-term demand for ServiceNow. Given the existing constraints in both resources and knowledge, these firms are likely to experience a heightened sense of urgency in acquiring knowledge and resources promptly.



Private Equity Groups

As ServiceNow solidifies its position as a stable and growing platform, private equity groups have emerged as potential buyers in recent years. Proactively seeking new investment opportunities, they are exploring strategies to rapidly expand existing platforms, with the aim of capitalizing on the sustained growth of ServiceNow.



Recent ServiceNow Partner M&A Activity

Target	Acquirer	Date	Commentary
 PLAT4MATION	 KEENSIGHT CAPITAL	February 2024	<ul style="list-style-type: none"> Keensight Capital is investing alongside ServiceNow in a strategic partnership. Together with Plat4mation's management, this collaboration will leverage ServiceNow's capabilities to implement a targeted go-to-market strategy focusing on ecosystem growth, particularly in Germany.
 CDI	 AHEAD	January 2024	<ul style="list-style-type: none"> The acquisition provided AHEAD with a significant foothold in the Northeastern U.S. region, filling a void in its already extensive nationwide reach. Additionally, it enhanced the company's operations in India, where it now boasts a team of over 250 engineers and consultants.
 THIRDERA	 cognizant	December 2023	<ul style="list-style-type: none"> The Thidera acquisition brings over 940 skilled professionals into Cognizant's ServiceNow Business Group, forming one of the largest concentrations of ServiceNow professional certifications worldwide. This acquisition accelerates Cognizant's and ServiceNow's joint effort to establish a \$1 billion business centered on AI-driven automation.
 unifii	 inetum Positive digital flow	December 2023	<ul style="list-style-type: none"> This acquisition aims to enhance Inetum's footprint in the United Kingdom and Ireland, positioning it as a prominent European partner for ServiceNow. In addition, with the inclusion of Unifii, Inetum becomes a leading European ServiceNow partner, boasting nearly 500 ServiceNow experts and over 2,000 ServiceNow certifications across Europe.
 CloudGo	 RGP	November 2023	<ul style="list-style-type: none"> CloudGo's strategic capabilities and regional positioning supported RGP's growth plans in the digital consulting sector. RGP viewed CloudGo as the primary platform for Veracity's digital business in APAC, leveraging its expanded ServiceNow capability to cater to the U.S. and European markets.
 Proceed	 inetum Positive digital flow	September 2023	<ul style="list-style-type: none"> Acquiring Proceed reinforces Inetum's European leadership and ServiceNow capabilities, enabling Inetum to better serve as a leader in IT service management solutions globally.
 nuvolax	 THE CLOUD PEOPLE	August 2023	<ul style="list-style-type: none"> The acquisition of Nuvolax expands The Cloud People Group's presence to encompass all major ServiceNow markets in Europe, including Germany, the United Kingdom, Benelux, Portugal, and Italy, in addition to its existing presence in the Nordic countries.
 FX INNOVATION	 Bell	June 2023	<ul style="list-style-type: none"> Bell's evolution from a traditional telco to a tech services and digital media leader involves a strategic shift towards technology services. The expertise of FX Innovations in integrating ServiceNow applications and managing public and hybrid cloud environments aligns well with Bell's transformation strategy, accelerating its journey into diversified tech services.
 Beniva CONSULTING GROUP	 one	May 2023	<ul style="list-style-type: none"> With this acquisition, Beniva's team of more than 75 cloud technology experts and its directors will join SoftwareOne and its rapidly growing software and cloud services practice. Beniva's service offering complements SoftwareOne's Software Sourcing and Portfolio Management services, building on capabilities in both ITSM and ITOM.
 whyaye!	 EY	May 2023	<ul style="list-style-type: none"> The acquisition supported the expansion of EY Technology Consulting services, focusing on increasing capacity, capabilities, and market presence related to the ServiceNow technology platform. The strategy aligns with EY's overarching goal to double the size of its Consulting services in the U.K. and Ireland.
 CLOUD STRATEX	 brillio	May 2023	<ul style="list-style-type: none"> The acquisition of CloudStratex strengthens Brillio's footprint in the U.K. and Europe. It will enhance Brillio's consultative client engagement model and broaden its offerings for banking, financial services, and insurance (BFSI) clients.
 MEDIA SOLUTIONS	 n_value BUSINESS	January 2023	<ul style="list-style-type: none"> The acquisition of Media Solutions provided ServiceNow capabilities which enabled n_value Group to offer a more comprehensive set of solutions.

Sources: S&P Capital IQ, Pitchbook

Private Equity Value-creation Playbook (1 of 3)

1 NEWROCKET



Date	Target	FTEs	Transaction Commentary & Rationale
Feb 2022		 80	NewRocket acquired Service Stack technologies. The acquisition expanded NewRocket's presence by establishing a delivery center in India
Jul 2021		 30	Highmetric acquired NewRocket, expanding its digital experience, native mobile, and enterprise solutions
Jun 2021		 50	Highmetric acquired Iceberg Networks to deepen its domain expertise in security operations and risk
Jun 2021		 50	Highmetric acquired Fishbone Analytics to add domain expertise in customer service, HR service, and IT service to its platform investment
May 2021			Investment: Gryphon Investors acquired the ServiceNow division of Highmetric. The acquisition established a ServiceNow and digital transformation-focused platform for Gryphon to grow through strategic acquisition



Source: S&P Capital IQ, Pitchbook, Mergermarket

Denotes deals performed by an HL Professional

Private Equity Value-creation Playbook (2 of 3)

2 THIRDERA



Date	Target	FTEs	Transaction Commentary & Rationale
Dec 2023	THIRDERA + cognizant		Exit: Sunstone Partners sells Thirdera to Cognizant
Jan 2023	SILVERSTORM	170	Thirdera acquired SilverStorm Solutions, a ServiceNow Elite partner based in Europe
Sep 2021	APPOXIO	40	Thirdera acquired Appoxio, expanding its UX/UI practice and experience within ServiceNow
May 2021	Service Line Solutions	80	Thirdera acquired Service Line Solutions, a ServiceNow Elite partner in Australia. The acquisition expanded Thirdera into the Asia-Pacific region
Jan 2021	THIRDERA cerna evergreen + novo/scale + SUNSTONE PARTNERS		Investment: Sunstone acquired and merged Evergreen Systems, Cerna Solutions, and Novo/Scale. The transaction created the largest independent consulting partner - branded as Thirdera - focused on the ServiceNow ecosystem










SUNSTONE PARTNERS

Source: S&P Capital IQ, Pitchbook, Mergermarket

Private Equity Value-creation Playbook (3 of 3)

3



Date	Target	FTEs	Transaction Commentary & Rationale
Jul 2022	  		Exit: ASGN acquired GlideFast to enhance its presence in the ServiceNow ecosystem. GlideFast joins Apex Systems as a part of ASGN's effort to invest in leading commercial consulting organizations
Nov 2021		 50	GlideFast and Pharicode merged teams to solidify GlideFast as the most certified ServiceNow Elite Partner
Apr 2021	 CLOUDPIRES	 50	GlideFast Consulting acquired CloudPires. The transaction positioned GlideFast consulting as the largest partner 100% dedicated to ServiceNow
Sep 2020	    		Investment: BV Investment Partners invests in sister companies GlideFast Consulting and Pharicode, both Elite ServiceNow Partners, united under common ownership. GlideFast, an Elite ServiceNow Partner, focused on Private Sector Solutions, While Pharicode, also an Elite ServiceNow and Microsoft Gold Partner, focused on public sector innovations



Source: S&P Capital IQ, Pitchbook, Mergermarket

Houlihan Lokey's ServiceNow Team

Houlihan Lokey's ServiceNow team comprises financial professionals within the firm's IT Services practice, mirroring how enterprise applications and technology have converged to deliver ERP and ITSM solutions.

IT Services – ServiceNow Team



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As of December 31, 2023.

*Tombstones included herein represent transactions closed from 2021 forward.

*Selected transactions were executed by Houlihan Lokey professionals while at other firms acquired by Houlihan Lokey or by professionals from a Houlihan Lokey joint venture company.

Houlihan Lokey's Leading M&A Platform

2023 M&A Advisory Rankings All Global Business Services Transactions		
	Advisor	Deals
1	Houlihan Lokey	63
2	Rothschild & Co	46
3	Lincoln International	32
4	Clearwater International	31
5	Goldman Sachs & Co	27

Source: LSEG (formerly Refinitiv).
Excludes accounting firms and brokers.

No. 1

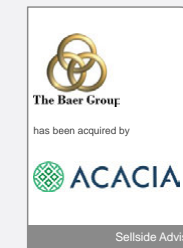
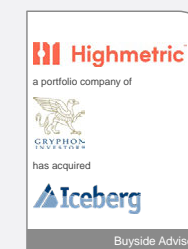
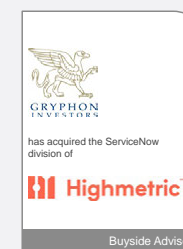
Investment bank for all Global Business Services M&A transactions in 2023

2023 M&A Advisory Rankings All Global Transactions		
	Advisor	Deals
1	Houlihan Lokey	352
2	Rothschild & Co	349
3	Goldman Sachs & Co	300
3	JP Morgan	300
5	Morgan Stanley	253

Source: LSEG (formerly Refinitiv).
Excludes accounting firms and brokers.

No. 1

Investment bank for all Global M&A transactions in 2023



Houlihan Lokey's Global Footprint

55+

Marketing and IT Services
Financial Professionals
Across the Globe

36

Locations
Worldwide

~2,000

Total Financial Professionals⁽¹⁾

2,000+

Clients Served
Annually

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