GLOBAL RECOMMENDATION

servicenow

NOW:NYSE

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AUTODESK
ADSK:NASDAQ

MPC MARKETS

GLOBAL RECOMMENDATION

Autodesk ADSK:NASDAQ

Autodesk (ADSK:NASDAQ) stands as a global leader in design and make software, catering to the architecture, engineering, construction, manufacturing, and media industries. The company's portfolio includes renowned products such as AutoCAD, Revit, and Fusion 360, which are widely utilized across various sectors for 3D design, engineering, and construction tasks. With a current market price of $290.08 and a market capitalization of $62.32B, Autodesk has demonstrated strong performance, delivering a 21.6% return over the past year.

INVESTMENT CONSIDERATIONS

Leadership

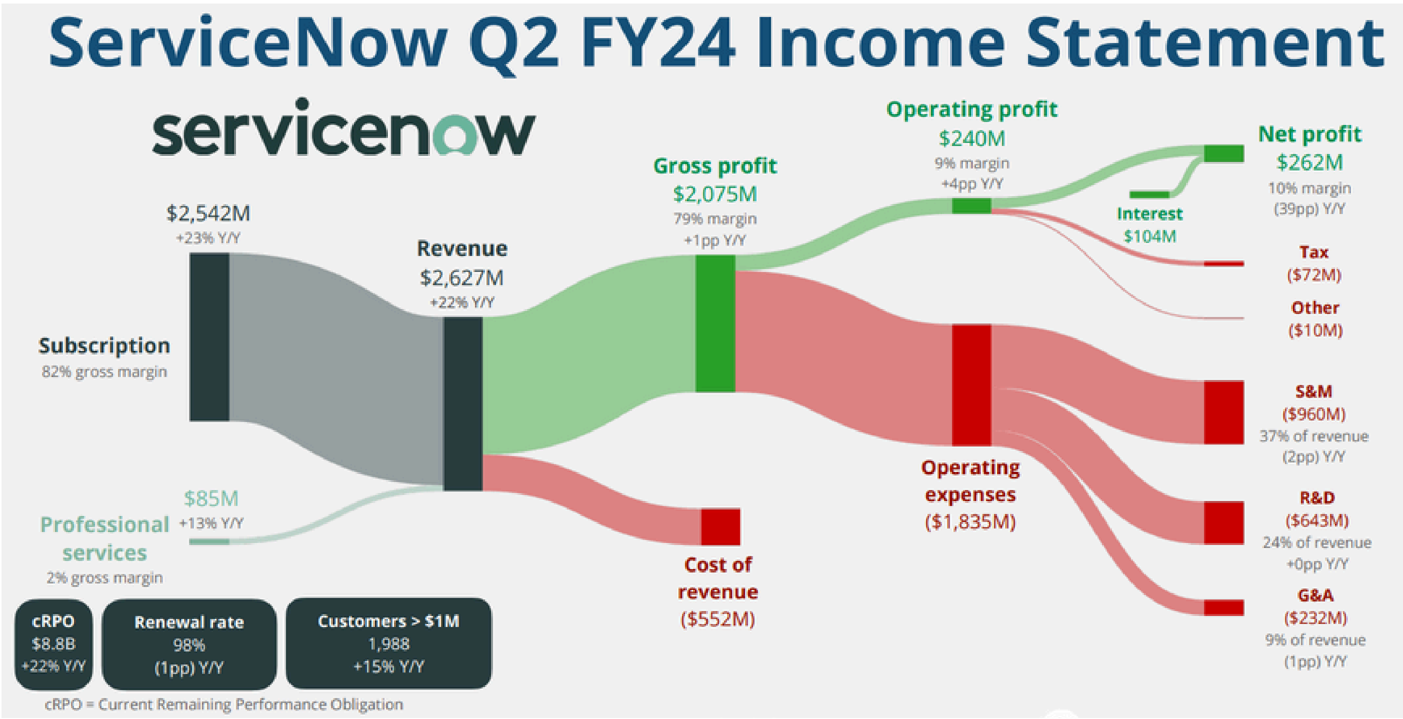
Under the leadership of CEO Bill McDermott, ServiceNow has continued to innovate and expand its market presence. McDermott, who joined the company in 2019, has a strong track record in the enterprise software industry and has been instrumental in driving ServiceNow's AI-focused strategy.

Financial Performance

ServiceNow reported impressive Q3 2024 results, with earnings per share of $3.72, surpassing analyst estimates of $3.46. Revenue grew 22.2% year-over-year to $2.80 billion, also beating expectations1. The company maintains a strong gross profit margin of 79.24% and has shown consistent revenue growth of 23.48% over the last twelve months.

ServiceNow demonstrates robust financial performance:

- Impressive gross profit margin of 79.24%
- Strong free cash flow generation of $3.38 billion in the last twelve months
- Solid balance sheet with moderate debt levels (Total Debt/EBITDA: 1.1x)
- Consistent earnings beats, with Q3 2024 EPS of $3.72 surpassing analyst estimates of $3.46



INVESTMENT CONSIDERATIONS

Strategic Initiatives

ServiceNow has made significant strides in integrating AI into its platform, positioning itself as the AI platform for business transformation. The company has introduced over 150 generative AI innovations to its portfolio

Key strategic initiatives include:

1. Now Assist: Expanded capabilities with AI Governance for secure and compliant AI practices.
2. Multilingual support: Native support in eight languages for seamless, culturally aware communications and translations.
3. Purpose-built solutions: New Now Assist use cases for configuration management, contract management, legal services, and health and safety.
4. AI Governance: Now Assist Guardian for AI monitoring, Data Kit for dataset management, and Analytics for tracking GenAI adoption.
5. Workflow Data Fabric: Enhancing data connectivity across enterprises.
6. Xanadu release: Featuring hundreds of new AI capabilities, including AI-powered modules for security, IT service management, and industry-specific solutions.
7. Microsoft Copilot integration: Now generally available, offering a connected experience where employees work and collaborate.
8. Generative AI Controller: Enables seamless integration with leading AI models like OpenAI, Azure Open AI, and Google Gemini.
9. Agentic AI: Plans to integrate AI capable of carrying out complex, multistep tasks with minimal human supervision, initially focusing on customer support and IT service management.
10. Now Assist Skill Kit: Allows companies to extend the platform with custom AI features.

INVESTMENT CONSIDERATIONS

Growth Prospects

ServiceNow's growth prospects appear strong, driven by several factors:

1. Consistent revenue growth: The company reported a 22.2% year-over-year increase in revenue for Q3 2024, reaching $2.80 billion.
2. Expanding market presence: ServiceNow's calculated Remaining Performance Obligations (cRPO) increased by 23.5% year-over-year in constant currency, indicating strong future revenue potential.
3. AI-driven innovation: The company's focus on AI-powered solutions positions it well to capitalize on the growing demand for intelligent automation in enterprises.
4. Strong subscription revenue growth: A key metric for SaaS businesses, ServiceNow's subscription revenue grew by 23% year-over-year.

AUTODESK
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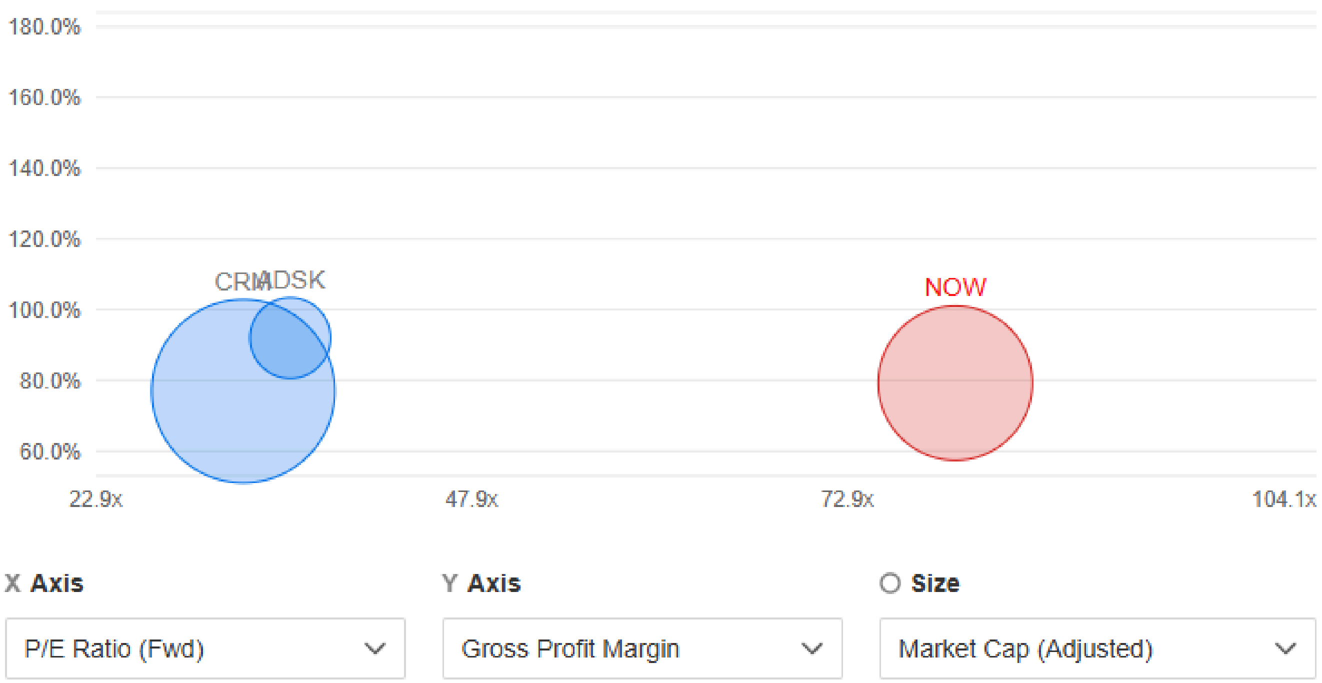
RISKS

While ServiceNow's outlook is generally positive, investors should consider the following risks:

1. High valuation: The company trades at a high P/E ratio of 174.95, which may concern value-oriented investors.
2. Intense competition: The enterprise software market is highly competitive and rapidly evolving.
3. Dependence on AI innovation: ServiceNow's growth strategy heavily relies on successful AI implementation and adoption by customers.
4. Potential market saturation: As the company grows, it may face challenges in maintaining its high growth rates.

Performance vs Valuation Benchmarks



WHY HOLD THE COMPANY?

Investors should consider owning ServiceNow for several compelling reasons:

1. Market leadership: ServiceNow is a leader in the digital workflow and automation space, with a strong and growing customer base.
2. Innovation-driven growth: The company's focus on AI and continuous innovation positions it well for future growth in the digital transformation market.
3. Strong financial performance: Consistent revenue growth, high margins, and solid cash flow generation demonstrate the company's financial strength.
4. Positive analyst outlook: Wall Street maintains a bullish stance on ServiceNow, with a consensus "Buy" rating and potential for further upside1.
5. Expanding addressable market: As businesses increasingly prioritize digital transformation and automation, ServiceNow's solutions become more critical.

While the high valuation may give some investors pause, ServiceNow's strong market position, innovative product portfolio, and consistent financial performance make it an attractive long-term investment for those seeking exposure to the growing enterprise software and AI markets.

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Our Commitment

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