

Snowflake

Depressed Consumption Pattern Backs Disappointing Outlook

Reiterate Rating: NEUTRAL | PO: 212.00 USD | Price: 183.30 USD

Performance headwind is the major reason for disconnect

Snowflake reported overall healthy Q4 results (+2.4% upside) though the initial FY25 outlook was disappointing (product revenue +22% y/y versus our 31% y/y). Product revenue of \$738 million (+33% y/y) exceeded our \$719 million from strength across new customers, Financial Services vertical and EMEA, though net revenue retention rate of 131% came in below our 133%. The FY25 product revenue guide-down assumes **1)** similar consumption level seen in FY24 which is below the historical average, **2)** a larger 6.2% headwind from performance optimizations (versus 5% historically), and to a lesser extent **3)** a lower storage revenue due to the new tiered storage pricing model.

Return to 30% growth is now in question

A 2.6% product revenue beat was in line with our preview. What we didn't foresee is the guidance for 22%, well disconnected from the growth outlook of 30% implied by the previous \$10 billion target for FY29. Customer retooling and the inherent price discount associated with performance optimizations drove the disconnect. However, commentary suggests that guidance also assumed that consumption environment for FY25 will be similar to FY24, calling into question whether long-term growth can return to 30%.

New CEO to bring added engineering rigor to Snowflake

The underlying growth of workloads tracked to healthy levels in Q4 (+62% y/y versus 59% in Q3). However, the steep deceleration in FY25 could mean that competition is also a factor. CEO Frank Sloatman is retiring. New CEO, Sridhar Ramaswamy is likely to focus on accelerating Snowflake's AI/ML offerings currently being built into the Snowpark development offering, which is likely to improve Snowflake's position in the emerging market over time. The good news is that Mr. Ramaswamy will focus on accelerating these capabilities in existing offerings such as the Snowpark, rather than starting over. Mr. Ramaswamy has an impressive background leading engineering-oriented cultures at Neeva (acquired by Snowflake in 2023) and Google. We believe he will bring needed engineering rigor to an already strong sales culture at Snowflake.

Remain Neutral pending consumption stability/AI progress

We remain Neutral, pending better visibility for stability in consumption trends and progress with key AI initiatives. We lower our PO to \$212 from \$265. Our new PO represents 22x our new C25e sales (19x prior), or 0.6x adjusted for our C26 exit growth rate of 28%, in line with large cap group at 0.6x 17% growth. For this report we are using the afterhours \$183.30 share price.

Estimates (Jan) (US\$)	2023A	2024A	2025E	2026E	2027E
EPS	0.34	0.97	0.94	1.17	1.52
GAAP EPS	(2.50)	(2.56)	(3.09)	(3.25)	(3.33)
EPS Change (YoY)	NM	185.3%	-3.1%	24.5%	29.9%
Consensus EPS (Bloomberg)			1.12	1.72	NA
DPS	0	0	0	0	0
Valuation (Jan)					
P/E	539.1x	189.0x	195.0x	156.7x	120.6x
EV / EBITDA*	364.9x	165.8x	177.2x	115.9x	79.0x
Free Cash Flow Yield*	0.9%	1.3%	1.7%	2.1%	2.8%

* For full definitions of *IQmethod*SM measures, see page 8.

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29 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	265.00	212.00
2025E Rev (m)	3,635.8	3,414.5
2026E Rev (m)	4,779.1	4,179.5
2027E Rev (m)	NA	5,269.9
2025E EPS	1.17	0.94
2026E EPS	1.74	1.17
2027E EPS	NA	1.52

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Stock Data

Price	183.30 USD
Price Objective	212.00 USD
Date Established	29-Feb-2024
Investment Opinion	C-2-9
52-Week Range	128.56 USD - 237.72 USD
Mkt Val (mn) / Shares Out (mn)	60,361 USD / 329.3
Free Float	87.9%
Average Daily Value (mn)	1073.30 USD
BofA Ticker / Exchange	SNOW / NYS
Bloomberg / Reuters	SNOW US / SNOW.N
ROE (2025E)	6.4%
Net Dbt to Eqty (Jan-2024A)	-34.0%
ESGMeter TM	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

LLM = large language model

G2K = Global 2000

AI = artificial intelligence

ML = machine learning

iQprofileSM Snowflake

iQmethodSM – Bus Performance*

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Return on Capital Employed	2.8%	5.7%	5.5%	6.4%	7.8%
Return on Equity	2.2%	6.6%	6.4%	7.5%	8.9%
Operating Margin	4.6%	8.2%	6.1%	8.0%	9.9%
Free Cash Flow	521	813	1,031	1,263	1,671

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Cash Realization Ratio	4.8x	2.4x	3.1x	3.0x	3.0x
Asset Replacement Ratio	0.4x	0.3x	0.4x	0.3x	0.3x
Tax Rate	6.3%	26.0%	26.0%	26.0%	26.0%
Net Debt-to-Equity Ratio	-17.2%	-34.0%	-49.2%	-64.8%	-81.4%
Interest Cover	NA	NA	NA	NA	NA

Income Statement Data (Jan)

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Sales	2,066	2,806	3,414	4,179	5,270
% Change	69.4%	35.9%	21.7%	22.4%	26.1%
Gross Profit	1,467	2,083	2,489	3,062	3,884
% Change	71.5%	42.0%	19.5%	23.0%	26.8%
EBITDA	159	350	327	500	734
% Change	NM	120.1%	-6.4%	52.8%	46.8%
Net Interest & Other Income	26	246	260	260	260
Net Income (Adjusted)	114	352	346	439	580
% Change	NM	208.8%	-1.6%	26.8%	32.1%

Free Cash Flow Data (Jan)

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Net Income from Cont Operations (GAAP)	114	352	346	439	580
Depreciation & Amortization	64	120	120	167	211
Change in Working Capital	289	391	586	677	913
Deferred Taxation Charge	(26)	(27)	0	0	0
Other Adjustments, Net	105	13	31	31	31
Capital Expenditure	(25)	(35)	(51)	(50)	(63)
Free Cash Flow	521	813	1,031	1,263	1,671
% Change	454.0%	56.2%	26.8%	22.5%	32.3%
Share / Issue Repurchase	81	118	0	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	0	0	0	0	0

Balance Sheet Data (Jan)

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Cash & Equivalents	940	1,763	2,766	3,973	5,573
Trade Receivables	716	927	963	1,159	1,448
Other Current Assets	3,329	2,350	2,363	2,370	2,391
Property, Plant & Equipment	161	247	225	164	88
Other Non-Current Assets	2,577	2,937	3,012	3,124	3,306
Total Assets	7,722	8,223	9,330	10,790	12,806
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	1,994	2,731	3,344	4,195	5,402
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	260	302	366	459	558
Total Liabilities	2,254	3,033	3,710	4,654	5,960
Total Equity	5,469	5,180	5,619	6,135	6,846
Total Equity & Liabilities	7,722	8,213	9,330	10,790	12,806

* For full definitions of iQmethodSM measures, see page 8.

Company Sector

Server & Enterprise Software

Company Description

Snowflake (NYSE: SNOW) provides a cloud data warehouse platform with multi-cloud interoperability and unified workloads spanning Data Warehouse, Data Engineering, Data Science/ML, Data Application and Sharing, and Cybersecurity. Snowflake was founded in 2012 by Benoit Dageville and Thierry Cruanes and is headquartered in Bozeman, Montana.

Investment Rationale

We rate SNOW Neutral. Snowflake possesses compelling competitive advantages, including 1) data warehouse first mover in the cloud, 2) native interoperability with the major public clouds, 3) ability to run multiple workloads, such as data warehouse, data engineering/data science and data sharing and 4) large installed base of enterprise customers. However, its consumption model's outsized exposure to near-term macro and premium valuation keep us at Neutral.

Stock Data

Average Daily Volume 5,855,407

Quarterly Earnings Estimates

	2024	2025
Q1	0.15A	0.18E
Q2	0.22A	0.20E
Q3	0.25A	0.26E
Q4	0.35A	0.30E

Earnings recap

Snowflake reported Q4 total revenue of \$775 million (+32% y/y), exceeding our \$756 million. Product revenue of \$738 million (+33% y/y) exceeded our \$719 million from workload activities among newer customers and strength in Financial Services vertical and EMEA. However, net revenue retention rate of 131% came in below our 133%, likely due to ongoing impacts from performance optimizations.

RPO of \$5.2 billion came in ahead of our \$4.4 billion, with growth of 41% y/y accelerating from 23% in Q3. The acceleration was driven by an exceptionally strong bookings quarter (+152% q/q). The company now has 9,437 total customers (+21% y/y), up from 8,907 in Q3 and 7,828 in FY23, with 461 customers (+38% y/y) each contributing >\$1 million in product revenue in the trailing twelve months. The company is currently serving 691 G2K customers, up from 647 in Q3 and 608 in FY23. Lastly, operating margin of 9.2% exceeded our 4.1% from revenue outperformance and increased scrutiny on hiring.

Management guided F1Q25 product revenue to \$746 million at the mid (+26.5% y/y), below our prior \$764 million (+30% y/y). Operating margin of 3% came in below our prior 7.5%. The initial outlook for FY25 product revenue of \$3.3 billion/+22% y/y at the mid (versus our prior \$3.6 billion/+31% y/y) assumes 3% revenue contribution from Snowpark offset by 1) similar consumption level seen in FY24 which is below historical average, 2) a larger 6.2% headwind from performance optimizations (versus 5% historically), and to a lesser extent 3) a lower storage revenue due to the new tiered storage pricing model. Lastly, the guided FY25 operating margin of 6% assumes 1) \$10 million GPU-related expenses in product revenue COGS and 2) \$30 million impact from the ongoing shift toward consumption-based sales commission.



Exhibits

Exhibit 1: Variance

Product revenue came in 2.4% above our estimate

\$ in Thousands (except per share data)	BofA Estimates	4Q24 Actuals	Variance
Product Revenue	\$719,151	\$738,090	2.6%
Professional Services	\$37,051	\$36,609	-1.2%
Total revenue	\$756,202	\$774,699	2.4%
Cost of revenues	\$213,848	\$196,073	-8.3%
Gross Profit	\$542,354	\$578,626	6.7%
Operating Expenses			
Sales and marketing	\$287,451	\$276,901	-3.7%
Research and development	\$166,844	\$179,735	7.7%
General and administrative	\$56,733	\$51,024	-10.1%
Total Operating Expenses	\$511,029	\$507,660	-0.7%
Operating Income (loss)	\$31,326	\$70,966	126.5%
Interest and other income (expense), net	\$49,321	\$101,294	105.4%
Income (loss) before provision for income taxes	\$80,647	\$172,260	113.6%
Provision for income taxes	(\$20,969)	(\$44,788)	-113.6%
Net Income - Pro forma	\$59,678	\$127,472	113.6%
EPS (diluted) - Pro forma	\$0.17	\$0.35	112.3%
Shares outstanding (mn; diluted)	360,220.3	363,757.0	1.0%
Growth Analysis - Y-Y			
Product Revenue	29.5%	32.9%	3.4%
Professional Services	10.0%	8.7%	-1.3%
Total Revenues	28.4%	31.5%	3.1%
Margin Analysis			
PF gross margin	71.7%	74.7%	3.0%
Sales and marketing	38.0%	35.7%	-2.3%
Research and development	22.1%	23.2%	1.1%
General and administrative	7.5%	6.6%	-0.9%
PF Operating Margin	4.1%	9.2%	5.0%
Tax rate - pro forma	-26.0%	-26.0%	0.0%
PF Net Margin	7.9%	16.5%	8.6%
Key metrics			
Net revenue retention (NRR)	133%	131%	-1.5%
Global 2K customers	655	691	5.5%
Customers with TTM product revenue >= \$1 mn	470	461	-1.9%
Balance Sheet & Cash Flow Data			
Cash & equivalents	\$1,271,151	\$1,762,749	38.7%
Deferred revenue	\$2,171,175	\$2,198,705	1.3%
Current Bookings	\$1,159	\$1,253	8.1%
Cash flow from operations	\$290,450	\$344,580	18.6%
Free cash flow	\$271,256	\$324,297	19.6%

Source: BofA Global Research

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Exhibit 2: Estimate revision

We revised down our F1 Q25 product revenue growth to 27% y/y (from 30% y/y) per guidance

	1Q25E				2025E				2026E			
	Previous Estimate	Previous Y/Y Growth	New Estimate	New Y/Y Growth	Previous Estimate	Previous Y/Y Growth	New Estimate	New Y/Y Growth	Previous Estimate	Previous Y/Y Growth	New Estimate	New Y/Y Growth
Product revenue	\$764,143	29.5%	\$746,441	26.5%	\$3,467,685	31.0%	\$3,253,891	22.0%	\$4,577,345	32.0%	\$3,994,822	22.8%
Professional Services	\$40,232	20.0%	\$38,556	15.0%	\$168,099	20.0%	\$160,586	15.0%	\$201,719	20.0%	\$184,674	15.0%
Total revenue	\$804,376	29.0%	\$784,997	25.9%	\$3,635,784	30.4%	\$3,414,477	21.7%	\$4,779,063	31.4%	\$4,179,496	22.4%
Operating Income (loss)	\$60,244	84.8%	\$23,302	-28.5%	\$430,983	126.8%	\$207,608	-9.6%	\$753,467	74.8%	\$332,797	60.3%
Net Income - Pro forma	\$82,903	53.1%	\$65,331	20.7%	\$472,214	66.3%	\$345,978	-1.6%	\$710,850	50.5%	\$438,617	26.8%
Pro forma EPS	\$0.23	50.6%	\$0.18	17.9%	\$1.28	62.7%	\$0.94	-3.2%	\$1.87	46.5%	\$1.17	24.5%
Net revenue retention (NRR)	130%	NA	130%	NA	128%	NA	119%	NA	128%	NA	119%	NA

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 3: Comp sheet – large cap

The large cap software group is trading at 9.6x C25 Sales, or 0.6x on a growth adjusted basis

Company		Price	Mkt Cap (\$mn)	EV/2023 Sales	EV/2024 Sales	EV/2025 Sales	2023 EV/Rev/ Growth	2024 EV/Rev/ Growth	2025 EV/Rev/ Growth	EV/2023 FCF	EV/2024 FCF	EV/2025 FCF	2023 EV/FCF/ Growth	2024 EV/FCF/ Growth	2025 EV/FCF/ Growth		
Large Cap																	
ADBE	ADOBE INC	\$551.82	253,285	12.9x	11.7x	10.4x	1.3x	1.1x	0.9x	35.9x	27.2x	24.6x	...	0.8x	2.4x		
ADSK	AUTODESK INC	\$255.25	55,134	10.2x	9.3x	8.2x	1.1x	0.9x	0.6x	44.9x	35.2x	26.2x	...	1.3x	0.8x		
BSY	BENTLEY SYSTEMS INC-CLASS B	\$50.82	16,944	15.0x	13.6x	12.4x	1.3x	1.3x	1.2x	47.1x	51.9x	44.0x	0.9x	...	2.4x		
CRM	SALESFORCE INC	\$299.77	294,674	8.5x	7.6x	6.7x	0.8x	0.6x	0.5x	34.2x	27.1x	21.5x	0.9x	1.0x	0.8x		
DDOG	DATADOG INC - CLASS A	\$130.47	46,044	20.8x	17.3x	13.8x	0.8x	0.8x	0.6x	70.2x	60.6x	46.5x	1.1x	3.8x	1.5x		
DT	DYNATRACE INC	\$49.41	14,786	10.3x	8.7x	7.3x	0.4x	0.5x	0.4x	41.4x	37.3x	29.4x	3.2x	3.3x	1.1x		
HUBS	HUBSPOT INC	\$612.69	30,847	13.9x	11.8x	9.7x	0.5x	0.7x	0.4x	95.3x	71.2x	53.3x	5.9x	2.1x	1.6x		
INTU	INTUIT INC	\$659.16	187,201	12.7x	11.4x	10.3x	1.2x	1.0x	0.9x	40.8x	37.5x	29.7x	2.4x	4.2x	1.1x		
MDB	MONGODB INC	\$443.45	36,585	21.7x	17.7x	14.1x	0.7x	0.8x	0.5x		
MSFT	MICROSOFT CORP	\$407.72	3,044,853	13.5x	11.8x	10.5x	1.2x	0.8x	0.8x	46.8x	51.2x	35.1x	4.6x	...	0.8x		
NICE	NICE LTD - SPON ADR	\$245.26	16,396	6.6x	5.8x	5.1x	0.7x	0.4x	0.4x	29.6x	26.7x	22.9x	1.6x	2.4x	1.4x		
NOW	SERVICENOW INC	\$759.79	157,277	17.2x	14.2x	11.6x	0.7x	0.7x	0.5x	57.2x	45.7x	36.1x	2.3x	1.8x	1.4x		
ORCL	ORACLE CORP	\$111.68	314,603	7.6x	7.1x	6.6x	0.6x	1.0x	0.8x	39.1x	37.9x	31.3x	1.9x	11.9x	1.5x		
SHOP	SHOPIFY INC - CLASS A	\$75.56	86,365	11.7x	9.4x	7.5x	0.4x	0.4x	0.3x	91.2x	75.6x	41.3x	...	3.7x	0.5x		
SNOW	SNOWFLAKE INC-CLASS A	\$230.00	83,498	28.7x	22.0x	16.7x	0.8x	0.7x	0.5x	...	76.3x	56.8x	...	2.0x	1.7x		
VEEV	VEEVA SYSTEMS INC-CLASS A	\$225.37	36,907	14.0x	12.0x	10.4x	1.5x	0.7x	0.7x	39.2x	33.3x	27.4x	4.0x	1.9x	1.3x		
WDAY	WORKDAY INC-CLASS A	\$295.16	79,352	10.3x	8.9x	7.7x	0.6x	0.6x	0.5x	39.0x	39.2x	30.8x	0.8x	...	1.1x		
ZM	ZOOM VIDEO COMMUNICATIONS-A	\$69.62	21,824	3.3x	3.2x	3.1x	1.1x	1.6x	0.8x	10.1x	10.4x	9.3x	0.4x	...	0.8x		
Average				13.3x	11.3x	9.6x	0.9x	0.8x	0.6x	47.6x	43.8x	33.3x	2.3x	3.1x	1.3x		
Median				12.8x	11.5x	10.0x	0.8x	0.8x	0.5x	41.1x	37.9x	30.8x	1.9x	2.1x	1.3x		

Source: BofA Global Research, Bloomberg

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Price objective basis & risk

Snowflake (SNOW)

Our PO of \$212 is based on EV/sales of 22x our CY25e, or 0.6x our C26E exit revenue growth rate of 28%, in line with the large-cap peers at 0.6x.

Upside risks to our PO: Snowflake recognizes revenue based on actual consumption (versus subscription ratably in arrears). In the event of changes to market sentiment on macro abating and IT spend returning to normal, consumption and revenue growth could quickly reaccelerate which could drive multiple expansion.

Downside risks to our PO: 1) Snowflake trades at a significant premium to its software large-cap peer group. In the event of changes to market sentiment stemming from global macro uncertainty, or potentially disappointing quarterly revenue results, there could be risk of a potential pullback, 2) The company's consumption model implies more revenue volatility than a traditional subscription model, 3) Snowflake serves in a highly competitive market, which consists of deep-pocketed next-gen DBMS vendors, public cloud vendors and legacy DBMS. An inability to execute on a product roadmap for added capabilities could result in slowing share gains or even share losses.

Analyst Certification

I, Brad Sills, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Enterprise Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	8x8	EGHT	EGHT US	Michael J. Funk
	Adobe	ADBE	ADBE US	Brad Sills
	Alarm.com	ALRM	ALRM US	Michael J. Funk
	Amplitude, Inc.	AMPL	AMPL US	Koji Ikeda, CFA
	Asana	ASAN	ASAN US	Michael J. Funk
	BILL	BILL	BILL US	Brad Sills
	CCC Intelligent Solutions	CCCS	CCCS US	Michael J. Funk
	Dynatrace	DT	DT US	Koji Ikeda, CFA
	Elastic NV	ESTC	ESTC US	Koji Ikeda, CFA
	GitLab Inc.	GTLB	GTLB US	Koji Ikeda, CFA
	Global-e Online Ltd.	GLBE	GLBE US	Koji Ikeda, CFA
	HubSpot	HUBS	HUBS US	Brad Sills
	Informatica Inc.	INFA	INFA US	Koji Ikeda, CFA
	Intapp Inc.	INTA	INTA US	Koji Ikeda, CFA
	Intuit	INTU	INTU US	Brad Sills
	JFrog Ltd	FROG	FROG US	Koji Ikeda, CFA
	MeridianLink, Inc.	MLNK	MLNK US	Koji Ikeda, CFA
	Microsoft Corporation	MSFT	MSFT US	Brad Sills
	Monday.com	MNDY	MNDY US	Michael J. Funk
	MongoDB Inc	MDB	MDB US	Brad Sills
	nCino, Inc.	NCNO	NCNO US	Adam Bergere
	NICE Ltd.	NICE	NICE US	Michael J. Funk
	NICE Ltd.	NCSYF	NICE IT	Michael J. Funk
	PagerDuty	PD	PD US	Koji Ikeda, CFA
	PowerSchool Holdings, Inc.	PWSC	PWSC US	Koji Ikeda, CFA
	RingCentral	RNG	RNG US	Michael J. Funk
	Salesforce.com	CRM	CRM US	Brad Sills
	ServiceNow	NOW	NOW US	Brad Sills
	UiPath	PATH	PATH US	Brad Sills
	Unity	U	U US	Michael J. Funk

US - Enterprise Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Weave	WEAV	WEAV US	Michael J. Funk
	Workday Inc.	WDAY	WDAY US	Brad Sills
	Zeta Global	ZETA	ZETA US	Koji Ikeda, CFA
	ZoomInfo	ZI	ZI US	Koji Ikeda, CFA
NEUTRAL				
	Autodesk	ADSK	ADSK US	Michael J. Funk
	Bentley Systems	BSY	BSY US	Michael J. Funk
	BigCommerce Holdings, Inc.	BIGC	BIGC US	Koji Ikeda, CFA
	Coveo	YCVO	CVO CN	Koji Ikeda, CFA
	Datadog Inc	DDOG	DDOG US	Koji Ikeda, CFA
	DocuSign	DOCU	DOCU US	Brad Sills
	Freshworks, Inc.	FRSH	FRSH US	Adam Bergere
	HashiCorp	HCP	HCP US	Brad Sills
	Jamf	JAMF	JAMF US	Koji Ikeda, CFA
	Lightspeed Commerce Inc.	LSPD	LSPD US	Koji Ikeda, CFA
	Lightspeed Commerce Inc.	YLSPD	LSPD CN	Koji Ikeda, CFA
	Oracle Corporation	ORCL	ORCL US	Brad Sills
	Paycom	PAYC	PAYC US	Adam Bergere
	Paylocity	PCTY	PCTY US	Adam Bergere
	Shopify, Inc.	SHOP	SHOP US	Brad Sills
	Snowflake	SNOW	SNOW US	Brad Sills
	Veeva Systems, Inc.	VEEV	VEEV US	Brad Sills
	Zoom Video Communications	ZM	ZM US	Michael J. Funk
UNDERPERFORM				
	AvidXchange, Inc.	AVDX	AVDX US	Brad Sills
	Blackbaud, Inc.	BLKB	BLKB US	Koji Ikeda, CFA
	BlackLine, Inc.	BL	BL US	Koji Ikeda, CFA
	C3.ai	AI	AI US	Brad Sills
	Confluent	CFLT	CFLT US	Brad Sills
	CS Disco, Inc.	LAW	LAW US	Koji Ikeda, CFA
	Dropbox	DBX	DBX US	Michael J. Funk
	Enfusion, Inc.	ENFN	ENFN US	Koji Ikeda, CFA
	Five9	FIVN	FIVN US	Michael J. Funk
	Guidewire Software, Inc.	GWRE	GWRE US	Michael J. Funk
	Smartsheet	SMAR	SMAR US	Michael J. Funk
	Twilio	TWLO	TWLO US	Michael J. Funk
	Vertex, Inc.	VERX	VERX US	Brad Sills
RSTR				
	Splunk	SPLK	SPLK US	Brad Sills

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

iQmethodSM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

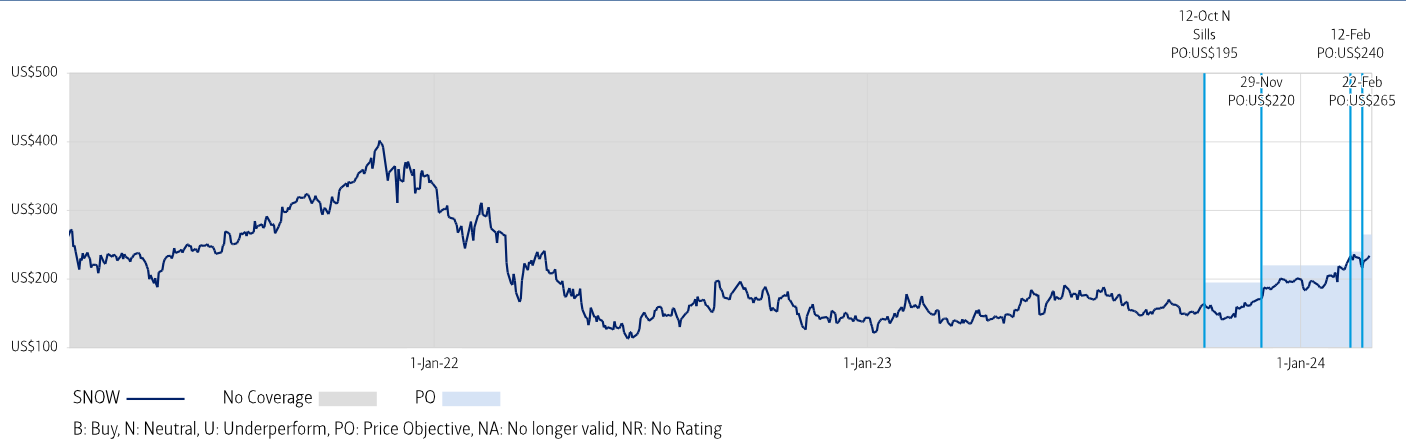
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Snowflake (SNOW) Price Chart



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Equity Investment Rating Distribution: Technology Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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