

Snowflake Inc. (SNOW)

Deepening Data and AI Platform, Coupled with Compounding Growth Towards \$10B+ Revenue – Solid F2Q26 Results

Buy

SNOW12m Price Target: **\$260.00**Price: **\$200.39**Upside: **29.7%**

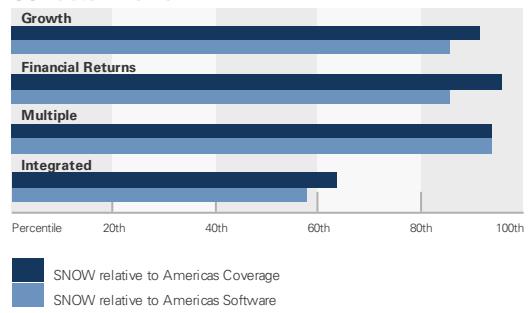
We reiterate our Buy rating and raise our PT to \$260 (\$230 prior) as we credit Snowflake's best-in-class Rule-of profile with 30%+ Revenue Growth and 25%+ FCFM. The stock is +13% AH after significantly stronger-than-expected F2Q26 results that delivered not only stabilization but also acceleration across Product Revenue (32% vs. 26% in 1Q), cRPO (33% vs. 31% in 1Q), NRR (125% vs. 124% in 1Q), coupled with record \$1M+ Customer Net Adds (+48). These results, on top of a well-orchestrated Summit, increase our conviction in Snowflake's ability to scale to \$10B+ Revenue. We see the company's narrative evolving to reflect a strong position in core Data Analytics (still inflecting amidst cloud transition), improving product positioning, and AI execution. By emphasizing several new products (Cortex AISQL for analytical users; Snowflake Intelligence for the broader business users; expansion within the Data Integration market via Openflow; SnowConvert AI catalyzing legacy data warehouse migration; Gen2 architecture delivering 2x faster performance), the company is poised to cement its technological leadership while strengthening its leadership as an easy-to-use platform for end-users. We highlight that Snowflake has an opportunity to be a Gen-AI platform, enabling customers to develop agentic applications using Cortex AISQL. Additionally, Snowflake Connect for Apache Spark has the potential to open up new data science workloads and expand the TAM opportunity. Notably, Product Revenue acceleration was driven not only by AI but also by the core data platform. Moreover, AI is becoming a force multiplier for the business: improving consumption trends with robust adoption within the base (powering 25% deployed use-cases) and driving new logo momentum (50% of net adds in 2Q). All in, we believe that core reacceleration, coupled with strengthening AI positioning, sets Snowflake up for solid performance ahead that should warrant a premium multiple even relative to best-in-class

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Goldman Sachs & Co. LLC**Key Data**

Market cap: \$74.6bn
Enterprise value: \$72.4bn
3m ADTV: \$877.2mn
United States
Americas Software
M&A Rank: 3

GS Forecast

	1/25	1/26E	1/27E	1/28E
Revenue (\$ mn) New	3,626.4	4,592.9	5,748.6	7,167.1
Revenue (\$ mn) Old	3,626.4	4,512.9	5,584.6	6,900.1
EBITDA (\$ mn)	414.2	614.6	848.3	1,163.3
EBIT (\$ mn)	231.7	413.3	662.6	1,007.0
EPS (\$) New	0.83	1.18	1.75	2.50
EPS (\$) Old	0.83	1.12	1.80	2.59
P/E (X)	NM	170.1	114.3	80.2
Dividend yield (%)	–	–	–	–
Net debt/EBITDA (X)	(6.7)	(3.7)	(3.5)	(4.5)
	7/25	10/25E	1/26E	4/26E
EPS (\$)	0.35	0.31	0.28	0.41

GS Factor Profile

Source: Company data, Goldman Sachs Research estimates.
See disclosures for details.

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Buy

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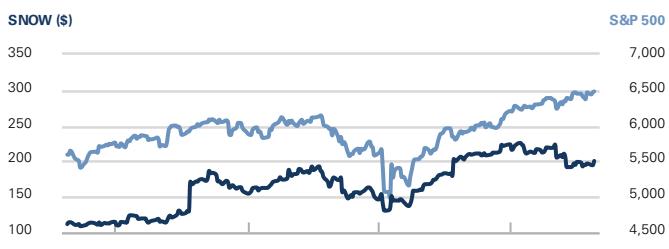
Rating since May 14, 2021

Ratios & Valuation

	1/25	1/26E	1/27E	1/28E
P/E (X)	NM	170.1	114.3	80.2
EV/EBITDA (X)	113.0	105.6	76.7	55.1
EV/sales (X)	12.9	14.1	11.3	8.9
FCF yield (%)	1.8	1.6	2.2	2.7
EV/DACF (X)	130.6	130.5	110.3	76.0
CROCI (%)	11.1	17.2	23.0	40.1
ROE (%)	7.3	17.3	36.2	46.3
Net debt/EBITDA (X)	(6.7)	(3.7)	(3.5)	(4.5)
Net debt/equity (%)	(92.5)	(110.3)	(183.6)	(204.3)
Interest cover (X)	NM	NM	NM	NM
Inventory days	NM	NM	NM	NM
Receivable days	93.1	81.0	77.3	73.5
Days payable outstanding	41.3	55.8	58.3	60.5

Growth & Margins (%)

	1/25	1/26E	1/27E	1/28E
Total revenue growth	29.2	26.7	25.2	24.7
EBITDA growth	18.5	48.4	38.0	37.1
EPS growth	(15.0)	42.7	48.8	42.5
DPS growth	NM	NM	NM	NM
Gross margin	73.0	72.1	72.7	73.2
EBIT margin	6.4	9.0	11.5	14.0

Price Performance**Income Statement (\$ mn)**

	1/25	1/26E	1/27E	1/28E
Total revenue	3,626.4	4,592.9	5,748.6	7,167.1
Cost of goods sold	(977.7)	(1,283.2)	(1,571.6)	(1,922.8)
SG&A	(1,534.0)	(1,859.9)	(2,257.2)	(2,724.5)
R&D	(883.0)	(1,036.5)	(1,257.1)	(1,512.8)
Other operating inc./exp.)	—	—	—	—
EBITDA	414.2	614.6	848.3	1,163.3
Depreciation & amortization	(182.5)	(201.3)	(185.7)	(156.3)
EBIT	231.7	413.3	662.6	1,007.0
Net interest inc./exp.)	209.0	202.6	225.1	279.4
Income/(loss) from associates	—	—	—	—
Pre-tax profit	405.4	582.9	887.7	1,286.3
Provision for taxes	(105.4)	(145.9)	(222.2)	(322.0)
Minority interest	—	—	—	—
Preferred dividends	—	—	—	—
Net inc. (pre-exceptionals)	300.0	437.0	665.5	964.3
Net inc. (post-exceptionals)	(1,289.2)	(1,450.3)	(1,478.0)	(1,511.5)
EPS (basic, pre-except) (\$)	0.90	1.30	1.96	2.79
EPS (diluted, pre-except) (\$)	0.83	1.18	1.75	2.50
EPS (ex-ESO exp., dil.) (\$)	--	--	--	--
DPS (\$)	—	—	—	—
Div. payout ratio (%)	0.0	0.0	0.0	0.0
Wtd avg shares out. (basic) (mn)	333.6	335.3	339.5	346.0
Wtd avg shares out. (diluted) (mn)	363.4	370.9	379.5	386.0

Balance Sheet (\$ mn)

	1/25	1/26E	1/27E	1/28E
Cash & cash equivalents	2,628.8	2,239.6	2,705.5	4,597.5
Accounts receivable	922.8	1,114.7	1,319.0	1,569.5
Inventory	—	—	—	—
Other current assets	2,317.8	2,022.8	2,033.6	2,054.0
Total current assets	5,869.4	5,377.0	6,058.1	8,220.9
Net PP&E	655.8	528.4	528.1	549.5
Net intangibles	1,334.6	1,415.9	1,331.1	1,278.8
Total investments	656.5	1,012.9	1,012.9	1,012.9
Other long-term assets	517.7	579.6	636.7	673.1
Total assets	9,033.9	8,913.8	9,566.9	11,735.2
Accounts payable	169.8	222.6	279.7	357.3
Short-term debt	—	—	—	—
Current lease liabilities	35.9	79.1	145.9	209.1
Other current liabilities	3,095.5	3,661.7	4,352.8	5,147.6
Total current liabilities	3,301.2	3,963.4	4,778.3	5,714.1
Long-term debt	—	—	—	—
Non-current lease liabilities	377.8	519.1	722.9	951.7
Other long-term liabilities	76.8	100.0	153.8	254.5
Total long-term liabilities	454.6	619.2	876.7	1,206.2
Total liabilities	3,755.8	4,582.6	5,655.1	6,920.3
Preferred shares	—	—	—	—
Total common equity	2,999.9	2,048.6	1,629.2	2,532.3
Minority interest	6.7	6.9	6.9	6.9
Total liabilities & equity	9,033.9	8,913.8	9,566.9	11,735.2
BVPS (\$)	8.27	5.54	4.31	6.58

Cash Flow (\$ mn)

	1/25	1/26E	1/27E	1/28E
Net income	(1,289.2)	(1,450.3)	(1,478.0)	(1,511.5)
D&A add-back	182.5	201.3	185.7	156.3
Minority interest add-back	—	—	—	—
Net (inc)/dec working capital	443.6	544.5	800.2	958.0
Others	1,620.1	1,900.6	2,058.6	2,423.5
Cash flow from operations	959.8	1,198.2	1,566.5	2,026.4
Capital expenditures	(75.7)	(99.1)	(100.6)	(125.4)
Acquisitions	(30.3)	(164.2)	—	—
Divestitures	—	—	—	—
Others	297.4	(128.0)	—	—
Cash flow from investing	190.6	(391.3)	(100.6)	(125.4)
Dividends paid	—	—	—	—
Share issuance/(repurchase)	(1,932.3)	(990.6)	(1,000.0)	(9.0)
Inc/(dec) in debt	—	—	—	—
Others	(425.3)	(205.5)	—	—
Cash flow from financing	(284.4)	(1,196.1)	(1,000.0)	(9.0)
Total cash flow	866.0	(389.2)	465.9	1,892.0
Free cash flow	884.1	1,099.2	1,465.9	1,901.0
Free cash flow per share (basic) (\$)	2.65	3.28	4.32	5.49

Source: Company data, Goldman Sachs Research estimates.

peers.

Our Thesis

Given the company's strong competitive positioning, we continue to view Snowflake as well positioned to capitalize on a generational shift of data and analytics to the cloud, with strong secular tailwinds including cloud adoption, big data, AI/ML, and secure data sharing, which we expect will drive durable growth for the foreseeable future. As we have seen dominant vendors emerge in SaaS, IaaS, and PaaS, we believe Snowflake is well positioned to capitalize on the shift in data and database to the cloud, which remains in relatively early stages. We believe Snowflake will continue to replace incumbent warehousing solutions owing to its scalable and elastic cloud native data platform, while also capitalizing on net new workloads and use cases as DX drives greater digitization within the enterprise, and business intelligence (BI) and analytics remains a top priority for spending. Moreover, while we believe the company's current large and rapidly growing TAM provides runway for continued expansion, we see opportunity for Snowflake to continue to expand its addressable market as the platform's scalability, ease of use, and efficiency enable new use cases like secure data sharing through the company's data exchange.

Key Trends Driving the SNOW Platform

We believe Snowflake's cloud native data platform remains well positioned to take share from incumbent data warehousing solutions and will continue to capitalize on long-term secular growth drivers as enterprises grapple with analyzing large and growing volumes of data across disparate sources. Relative to the competition, our customer conversations point to ease of use and maintenance, elasticity and scalability, the ability to support global multi-cloud deployments, and the ability to facilitate secure data sharing as key differentiators of Snowflake's Cloud Data Platform. While our industry conversations point to Snowflake's heritage as a data warehouse addressing the \$12bn relational data warehouse market, as the cloud data platform has continued to expand alongside new use cases and the growing importance of business intelligence and analytics more broadly, we believe Snowflake will continue to expand its opportunity set over time.

SNOW Through the Lens of the GS Framework for Investing in Software

Across our framework for investing in software, we note that Snowflake screens well on a variety of areas, including addressing a large and growing TAM. As the company continues to expand its cloud data platform and enable new use cases through its efficient, cloud-native architecture, we see upside to current TAM estimates. Moreover, we believe several long-term secular trends will continue to underpin sustainable growth over the medium term, particularly cloud adoption, digital transformation, and AI/ML. As outlined in our [CIO Survey](#), business intelligence and analytics remains a top spending priority, behind only security software and SaaS applications.

Exhibit 1: Mapping Snowflake to the GS Framework for Investing in Software

OUR VIEW ON SNOWFLAKE		
8 KEY FACTORS	TANGIBLE	INTANGIBLE
TAM	Large and expanding TAM (\$342bn in C28), while new use cases driving TAM expansion (Unistore, AI/ML, data sharing)	Potential to expand the overall addressable market The company's ability to continue to gain market share
SECULAR THEMES	Cloud adoption, digital transformation, AI/ML, secure data sharing, transactional/analytical workloads (Unistore)	Key beneficiary of data growth and data migrations to cloud; BI & analytics top CIO priority, #3 only behind Security & SaaS
ENTRY/EXIT POINTS	Stock trades at 13x FY27 EV/Sales	At current levels we view the long-term risk/reward as favorable
LT FRAMEWORK RETURN	Compounded Returns: Bear: -2%, Base: 10%, Bull: 22%	The ultimate size of the overall market opportunity and how much market share the company can capture
UNIT ECONOMICS	Best-in-class net expansion and low churn supports operating leverage as Snowflake scales; 30% FCF margin target in F29	Sustainability of current expansion rates Ability to drive higher utilization and better pricing from CSPs
PLATFORM/ BEST OF BREED	The company continues to add support for various data types and workloads, expanding its cloud data platform	Ability to expand use cases and workloads on the platform Potential competition from proprietary solutions from CSPs
COMPETITIVE MOAT	We view the company's cloud native/agnostic architecture and ease of use as differentiated relative to the competition	Ability for CSPs to narrow the feature functionality gap and leverage existing customer relationships to maintain/grow share
ESG	The company's cloud-native architecture drives increased efficiencies while enabling use cases like secure data sharing	Potential for secure data sharing to drive enhanced security and data governance

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 2: Results vs. Expectations & Guidance

\$ in mn except per share items

All Figures in \$ mn	1Q26 (A) Actual	2Q26 (A) Guidance	2Q26 (A) GS Est. Consensus	2Q26 (A) Actual	Variance (vs. cons.)	3Q26 (E) Guidance	3Q26 (E) GS Est. Consensus	3Q26 (E) Actual	FY25 (A) Actual	FY26 (E) Guidance	FY26 (E) GS Est. Consensus	FY27 (E) Guidance	FY27 (E) GS Est. Consensus	FY28 (E) Guidance	FY28 (E) GS Est. Consensus
Product Revenue	\$997	\$1,035	\$1,040	\$1,038	\$50	5%	\$1,125	\$1,130	\$1,115	\$1,122	\$4,382	\$4,382	\$4,395	\$5,371	\$5,352
YoY	26%	25%	25%	25%	25%	-26%	24%	24%	30%	25%	25%	24%	23%	24%	25%
QoQ	6%	4%	4%	4%	4%	9%	7%	8%	10%	7%	8%	10%	13%	13%	9%
Professional Services	\$45	\$46	\$46	\$46	\$9	19%	\$46	\$46	\$164	\$168	\$189	\$213	\$213	\$241	\$232
YoY	15%	14%	16%	16%	14%	15%	14%	15%	17%	15%	15%	14%	13%	13%	9%
QoQ	4%	1%	1%	1%	1%	20%	6%	5%	6%	5%	5%	4%	3%	3%	2%
Total Revenue	\$1,042	\$1,083	\$1,083	\$1,083	\$57	5%	\$1,163	\$1,170	\$1,163	\$1,170	\$3,826	\$4,513	\$4,533	\$5,585	\$5,588
YoY	26%	25%	25%	25%	25%	23%	24%	24%	29%	24%	25%	24%	23%	24%	24%
QoQ	6%	4%	4%	4%	4%	10%	7%	8%	10%	7%	8%	10%	11%	13%	9%
Non GAAP Gross Profit	\$752	\$780	\$784	\$785	\$51	7%	\$838	\$842	\$840	\$842	\$2,525	\$2,525	\$2,525	\$4,057	\$4,012
Gross Margin	72%	72%	72%	72%	72%	72%	72%	72%	72%	72%	72%	72%	73%	71%	71%
Non GAAP Operating Income	\$92	\$87	\$89	\$128	\$38	43%	\$80	\$94	\$80	\$94	\$322	\$381	\$385	\$586	\$597
Operating Margin	9%	8%	8%	11%	8%	9%	7%	8%	6%	8%	8%	9%	10%	11%	14%
Non GAAP EPS	\$0.24	\$0.28	\$0.27	\$0.35	\$0.08	31%	\$0.27	\$0.28	\$0.83	\$1.12	\$1.10	\$1.80	\$1.57	\$2.59	\$2.28
Total Billings (via Balance Sheet)	\$770	\$1,129	\$1,019	\$1,101	\$82	8%	\$1,281	\$1,316	\$4,009	\$5,036	\$5,077	\$6,212	\$6,200	\$7,650	\$7,528
YoY	36%	45%	31%	41%	45%	23%	20%	23%	20%	26%	27%	23%	22%	23%	21%
QoQ	-52%	47%	32%	43%	47%	29%	13%	29%	13%	29%	27%	10%	11%	13%	14%
Short-Term Deferred Revenue	\$2,310	\$2,356	\$3,117	\$2,268	(\$49)	-2%	\$2,474	\$2,438	\$2,580	\$3,105	\$3,088	\$3,732	\$3,703	\$4,487	\$3,887
YoY	10%	20%	25%	20%	20%	5%	20%	20%	20%	20%	20%	20%	20%	20%	20%
QoQ	-10%	1%	0%	-2%	1%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Long-Term Deferred Revenue	\$14	\$14	\$13	\$12	(\$2)	-14%	\$14	\$13	\$16	\$14	\$16	\$14	\$17	\$14	\$14
YoY	-7%	12%	9%	6%	12%	11%	15%	11%	8%	11%	6%	0%	5%	0%	-21%
QoQ	-11%	-10%	-9%	-15%	-10%	-15%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total Deferred Revenue	\$2,324	\$2,370	\$2,298	\$2,290	(\$18)	-1%	\$2,488	\$2,428	\$2,598	\$3,118	\$3,120	\$3,748	\$3,739	\$4,501	\$5,393
YoY	10%	27%	24%	23%	27%	21%	25%	21%	20%	20%	20%	20%	20%	20%	44%
QoQ	-10%	-9%	-1%	-2%	-10%	-9%	7%	6%	7%	6%	7%	6%	7%	6%	7%
Cash Flow from Operations	\$228	\$207	\$146	\$75	(\$74)	-50%	\$282	\$239	\$960	\$1,211	\$1,188	\$1,551	\$1,509	\$1,985	\$1,872
CFO Margin	22%	19%	14%	7%	19%	42%	24%	20%	26%	27%	26%	28%	27%	29%	27%
Adjusted Free Cash Flow	\$206	\$188	\$134	\$68	(\$67)	-50%	\$261	\$233	\$842	\$1,128	\$1,119	\$1,453	\$1,462	\$1,865	\$1,930
FCF Margin	20%	17%	12%	6%	20%	12%	20%	20%	20%	20%	20%	20%	20%	20%	20%

Source: FactSet, Goldman Sachs Global Investment Research, Company Data

Estimate Changes and Guidance

We outline management guidance and our estimate revisions in [Exhibit 3](#).

Exhibit 3: Estimate Revisions

\$ in mn except per share items

	3Q26 (E) Guidance			FY26 (E) Guidance			FY26 (E) Consensus			FY27 (E) Consensus			FY28 (E) Consensus		
	Prior Est.	New Est.	Δ	Prior Est.	New Est.	Δ	Prior Est.	New Est.	Δ	Prior Est.	New Est.	Δ	Prior Est.	New Est.	Δ
All figures in \$ mns															
Product Revenue	\$1,125	-\$	\$1,130	\$1,115	\$1,130	+\$	\$1,121	\$4,395	-\$	\$4,395	\$4,325	\$4,395	\$5,371	\$5,524	\$153
YoY	20%	+	20%	24%	26%	+2%	24%	27%	-	27%	25%	27%	24%	26%	23%
QoQ	3%	+	4%	7%	4%	-3%	8%								
Professional Services				\$48	\$48	\$0	\$48			\$188	\$198	\$10	\$189	\$213	\$225
YoY	14%	15%	15%	14%	15%	15%	15%			15%	21%	14%	14%	13%	13%
QoQ	6%	-12%	5%	7%	8%	1%	5%								
Total Revenue	\$1,163	\$1,178	\$15	\$1,170				\$4,513	\$4,593	\$80	\$4,533	\$5,585	\$5,749	\$164	\$5,588
YoY	23%	25%	24%	23%	25%	2%	23%	24%	27%	24%	27%	25%	24%	25%	24%
QoQ	7%	3%	8%	7%	8%	1%	8%								
Non GAAP Gross Profit				\$838	\$843	\$6	\$842			\$3,253	\$3,310	\$57	\$3,255	\$4,057	\$4,177
Gross Margin	72%	72%	72%	72%	72%	0%	72%	72%	72%	72%	72%	72%	72%	73%	71%
Non GAAP Operating Income				\$89	\$106	\$26	\$94			\$901	\$415	\$52	\$865	\$863	\$77
Operating Margin	9%	9%	9%	7%	9%	8%	8%	9%	9%	8%	8%	10%	12%	11%	13%
Non GAAP EPS	\$0.27	\$0.31	\$0.04	\$0.28				\$1.12	\$1.18	\$0.06	\$1.10	\$1.80	\$1.75	(\$0.04)	\$1.57
Total Deferred Revenue				\$2,488	\$2,393	(\$94)	\$2,428			\$3,118	\$3,001	(\$118)	\$3,120	\$3,746	\$3,471
YoY	25%	20%	21%	25%	20%	5%	21%	20%	16%	20%	16%	20%	20%	16%	44%
QoQ	7%	3%	6%	7%	3%	4%	6%								
Cash Flow from Operations				\$282	\$236	(\$45)	\$239			\$1,211	\$1,198	(\$13)	\$1,188	\$1,551	\$1,567
GCF Margin	24%	20%	20%	24%	20%	4%	20%	27%	26%	26%	26%	27%	27%	29%	28%
Adjusted Free Cash Flow				\$261	\$226	(\$35)	\$233			\$1,128	\$1,148	\$20	\$1,119	\$1,453	\$1,496
FCF Margin	22%	19%	20%	22%	19%	2%	20%	25%	25%	25%	25%	26%	26%	27%	28%

Source: FactSet, Goldman Sachs Global Investment Research, Company Data

Valuation and Key Risks

We raise our 12-month price target to \$260 (vs. \$230 prior) on the back of F2Q26 results and updated FY26 guidance. We are raising our multiple to better reflect Rule-of-50 peers but opt to give a premium, given our conviction in Snowflake's durable mid-20's revenue growth rate at scale with expanding FCFM's. Our Price Target is derived from an equal weighting of a DCF analysis and EV/Sales multiple. Our DCF analysis is based on a terminal growth rate of ~4% (unchanged) and our relative valuation is based on a 15.5x Q5-Q8 EV/Sales multiple (vs. 13.5x prior).

Key downside risks include: 1) Adverse changes in the IT spending environment, 2) Competition - particularly from cloud service providers (CSPs) and Databricks, and 3) Outages from reliance on CSPs.

Disclosure Appendix

Reg AC

We, Kash Rangan, Matthew Martino, Selina Zhang, Henry Dane and Nishad Patwardhan, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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GS Factor Profile

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Growth is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

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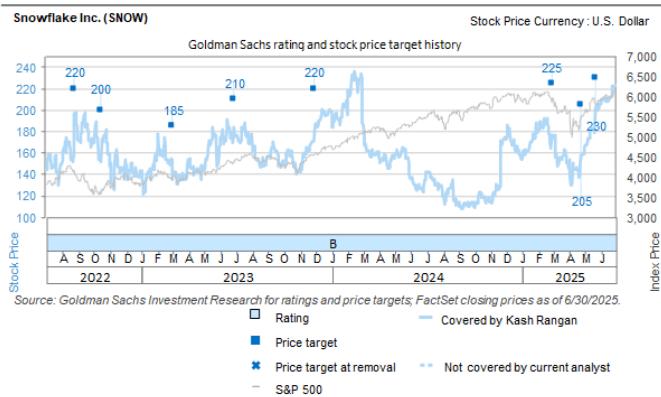
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