SNOWFLAKE INC

Snowflake is a cloud-native data warehouse company. The company leverages the large public hyperscale cloud services to provide its Data Cloud to customers, enabling them to unify disparate data sources for the purposes of data engineering, and the development of artificial intelligence, applications, collaboration, and cybersecurity. Snowflake went public on September 16, 2020 at $120 per share. The company derives 23% of its revenue outside the U.S.

Analyst's Notes

Analysis by Joseph Bonner, May 27, 2025

ARGUS RATING: HOLD

- Margin expansion story
- Snowflake provides data storage and analytics software.
- Non-GAAP diluted EPS rose 64% on 26% revenue growth in fiscal 1Q26.
- Snowflake continues to rapidly innovate, particularly around GenAI.
- We are raising our FY26 non-GAAP EPS estimate to $1.12 from $1.07 and maintaining our FY27 forecast at $1.65.

INVESTMENT THESIS

We are maintaining our HOLD-rating on Snowflake Inc. (NYSE: SNOW), a cloud-native data warehouse company. The company completed a go-to-market revamp and its new product pipeline remains robust. We see Snowflake in a building phase as it invests in new product enhancements, particularly around artificial intelligence/machine learning, that are not generating near-term revenue but may begin payoff sometime in the future. However, management is also committed to margin expansion. Management is clear that product revenue growth is its key performance indicator. We would look at a sustained turnaround in this metric combined with promised margin expansion favorably when considering an upgrade.

SNOW shares are quite highly valued relative to peers.

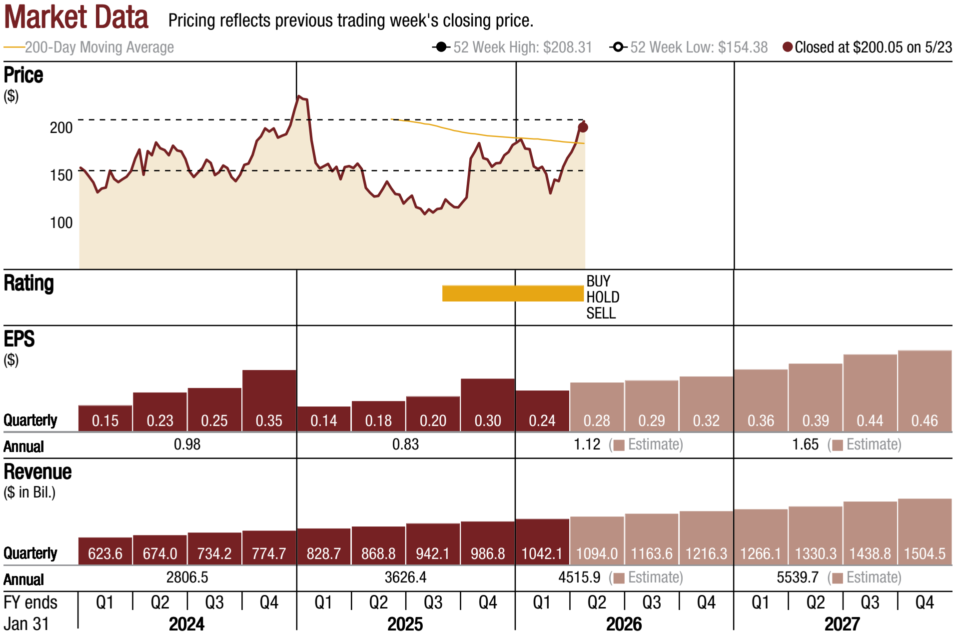
RECENT DEVELOPMENTS

Snowflake reported fiscal 1Q26 results (for the period ended April 30) on May 21 after market close. The company raised its FY26product revenue guidance by $45 million or by 130 basis points, implying 25% growth. SNOW shares are up 12% since the 1Q print.

Fiscal first-quarter revenue rose 26% from the prior year to $1.04 billion, slowing from 33% growth in 1Q25. Management's favorite key performance indicator is Product revenue, which increased 26% and comprised 96% of total revenue. We also look at remaining performance obligation. Current remaining performance obligation (cRPO) rose

Market Data

Pricing reflects previous trading week's closing price.



Argus Recommendations

	SELL	HOLD	BUY
Twelve Month Rating	SELL	**HOLD**	BUY
Five Year Rating	SELL	**HOLD**	BUY
Sector Rating	Under Weight	Market Weight	**Over Weight**

Argus assigns a 12-month BUY, HOLD, or SELL rating to each stock under coverage.

- BUY-rated stocks are expected to outperform the market (the benchmark S&P 500 Index) on a risk-adjusted basis over the next year.
- HOLD-rated stocks are expected to perform in line with the market.
- SELL-rated stocks are expected to underperform the market on a risk-adjusted basis.

The distribution of ratings across Argus' entire company universe is: 73% Buy, 27% Hold, 0% Sell.

Key Statistics

Key Statistics pricing data reflects previous trading day's closing price. Other applicable data are trailing 12-months unless otherwise specified

Market Overview

Price	$206.35
Target Price	--
52 Week Price Range	$107.13 to $208.31
Shares Outstanding	333.66 Million
Dividend	--

Sector Overview

Sector	Information Technology
Sector Rating	OVER WEIGHT
Total % of S&P 500 Market Cap.	30.30%

Financial Strength

Financial Strength Rating	MEDIUM
Debt/Capital Ratio	47.2%
Return on Equity	14.8%
Net Margin	-36.4%
Payout Ratio	--
Current Ratio	1.78
Revenue	$3.84 Billion
After-Tax Income	-$1.40 Billion

Valuation

Current FY P/E	184.24
Prior FY P/E	248.61
Price/Sales	17.93
Price/Book	28.58
Book Value/Share	$7.22
Market Capitalization	$68.85 Billion

Forecasted Growth

1 Year EPS Growth Forecast
34.94%

5 Year EPS Growth Forecast
6.00%

1 Year Dividend Growth Forecast
N/A

Risk

Beta	1.31
Institutional Ownership	65.45%

Please see important information about this report on page 5

Analyst's Notes ...Continued

34% in 1Q26 to $3.3 billion, accelerating sequentially from 27% growth in fiscal 4Q25. cRPO is contracted revenue expected to be recognized over the next year.

Non-GAAP operating profit rose 150% to $91.7 million in 1Q26 as the non-GAAP operating margin expanded by more 442 basis points to 8.8%. Non-GAAP operating margin benefitted from management's commitment to improving cost efficiency including centralizing teams, targeted early career hiring, removing redundant management layers, and continuous performance management.

Non-GAAP diluted EPS rose 64% to $0.24 in 1Q26 from 0.14 in 1Q25. The GAAP loss per share of $1.29 widened from a $0.95 loss in 1Q25. Stock-based compensation accounted for most of the difference between GAAP and non-GAAP results. Stock-based compensation was a 39% of revenue in 1Q25. Most comparable companies have a rate in the teens to about 20%.

The company will hold its annual Snowflake Summit user conference on June 2-5. The company typically introduces new and prospective products at its user conference.

On April 10, Snowflake was granted Department of Defense IL5 Provisional Authorization on AWS Govcloud US-West enabling it to offer solutions to DOD agencies and vendors, requiring the highest levels of protection for Controlled Unclassified Information. The new authorization may be a catalyst for Snowflake's U.S. Public Sector business, one of its tailored industry solutions, providing an incremental revenue stream for the company.

On February 12, Snowflake launched Cortex Agents, a GenAI agent orchestration framework to enable customers to plan and execute across structured and unstructured data.

On February 25, CFO Michael Scarpelli announced his retirement from Snowflake. Mr. Scarpelli will remain until a successor is found.

EARNINGS & GROWTH ANALYSIS

We are raising our FY26 non-GAAP EPS estimate to $1.12 from $1.07 and maintaining our FY27 forecast at $1.65. Our five-year average earnings growth rate forecast is 6%.

Snowflake's core value proposition is centered on its ability to unify data into an 'analytics-ready format' from different types of data, structured, semi-structured, and unstructured held in disparate 'silos' including on-premise systems, cloud platforms, networks, and applications both within the enterprise and outside the enterprise among its ecosystem of customers, suppliers, and partners. After data is unified in Snowflake's Data Cloud, Snowflake's enterprise customers can use Snowflake's compute engine to perform data analytics, enable data engineering, AI/ML applications, and collaboration to improve products and services, and create new business applications and revenue streams. Snowflake's solutions also enable the enterprise to secure, govern, and manage data compliance. Snowflake's software architecture is a cloud-native software-as-a-service (SaaS), integrated and scalable

Growth & Valuation Analysis

GROWTH ANALYSIS

($ in Millions, except per share data)	2021	2022	2023	2024	2025
Revenue	592	1,219	2,066	2,806	3,626
COGS	243	458	718	899	1,215
Gross Profit	349	761	1,348	1,908	2,412
SG&A	655	1,009	1,402	1,715	2,084
R&D	238	467	788	1,288	1,783
Operating Income	-544	-715	-842	-1,095	-1,456
Interest Expense	-8	-9	-74	-201	-206
Pretax Income	-537	-677	-816	-849	-1,285
Income Taxes	2	3	-18	-11	4
Tax Rate (%)	—	—	—	—	—
Net Income	-539	-680	-797	-836	-1,286
Diluted Shares Outstanding	142	300	319	328	333
EPS	-3.81	-2.26	-2.50	-2.55	-3.86
Dividend	—	—	—	—	—
GROWTH RATES (%)					
Revenue	123.6	106.0	69.4	35.9	29.2
Operating Income	—	—	—	—	—
Net Income	—	—	—	—	—
EPS	—	—	—	—	—
Dividend	—	—	—	—	—
Sustainable Growth Rate	-15.0	-13.9	-16.9	-28.7	-40.2
VALUATION ANALYSIS					
Price: High	$405.00	$344.00	$202.83	$237.72	—
Price: Low	$184.71	$110.27	$119.27	$107.13	—
Price/Sales: High-Low	96.9 - 44.2	84.7 - 27.2	31.3 - 18.4	27.8 - 12.5	— - —
P/E: High-Low	— - —	— - —	— - —	— - —	— - —
Price/Cash Flow: High-Low	2,342.4 - 1,068.3	266.5 - 85.4	91.6 - 53.9	90.7 - 40.9	— - —

Financial & Risk Analysis

FINANCIAL STRENGTH	2023	2024	2025
Cash ($ in Millions)	940	1,763	2,629
Working Capital ($ in Millions)	2,991	2,308	2,568
Current Ratio	2.50	1.85	1.78
LT Debt/Equity Ratio (%)	4.1	4.9	88.3
Total Debt/Equity Ratio (%)	4.6	5.6	89.5
RATIOS (%)			
Gross Profit Margin	65.3	68.0	66.5
Operating Margin	-40.8	-39.0	-40.2
Net Margin	-38.6	-29.8	-35.5
Return On Assets	-11.1	-10.5	-14.9
Return On Equity	-15.2	-15.7	-31.4
RISK ANALYSIS			
Cash Cycle (days)	—	—	—
Cash Flow/Cap Ex	10.9	8.7	12.7
Oper. Income/Int. Exp. (ratio)	—	—	-464.8
Payout Ratio			

Please see important information about this report on page 5

Analyst's Notes ...Continued

across compute, storage, and cloud services. The company employs a consumption-based business model, i.e. customers pay for only what they need rather than through a subscription, though 80% of billings are paid annually in advance. Snowflake essentially relieves its customers of the headaches of having to manage complex and often something less than interoperable data systems.

As with every enterprise technology firm that we cover, technology innovation underpins Snowflake's growth strategies. Innovative technology not only attracts new customers but new product features and extensions enable wallet expansion within the customer base. The company looks to continue to develop and expand its software solutions through both organic R&D and acquisitions. R&D expenditures expanded from 18% of revenue in FY23 to 24% in FY25 with the company on pace at 23% in 1Q26. Although most of the expansion is due to increased purchases of NVIDIA chips to fuel Snowflake's new GenAI services, the R&D margin remains remarkable and much higher than many peers. Snowflake adheres to the typical SaaS 'land and expand' marketing model, whereby it plans to grow by increasing the number of its customers, while also expanding the wallet share of customers already within its customer base. In fiscal 1Q26, high-value customers responsible for billing over $1 million in trailing 12-month product revenue rose 25% to 606, as the company added a net 26 customers in the quarter, on par with 1Q25. The company's net revenue retention rate was a remarkable 124% in 1Q26, down two points sequentially, and four points year over year. Snowflake is expanding globally and has begun to provide tailored solutions to industry verticals. It has launched industry specific solutions including its Telecom Data Cloud, Financial Services Data Cloud, Media Data Cloud, Healthcare and Life Sciences Data Cloud, and the Retail Data Cloud. The company also sees a key growth vector in enabling client ecosystems to collaborate through sharing data and data products including through the Snowflake Marketplace. Finally, Snowflake will continue to invest in expanding its channel partner network of system integrators, resellers, and service partners.

Gartner is forecasting that Snowflake's total available market (Enterprise Infrastructure Software, worldwide) will more than double to $342 billion in calendar 2028 from $152 million in 2023. Doing the math, Gartner's forecast suggests an 18% CAGR.

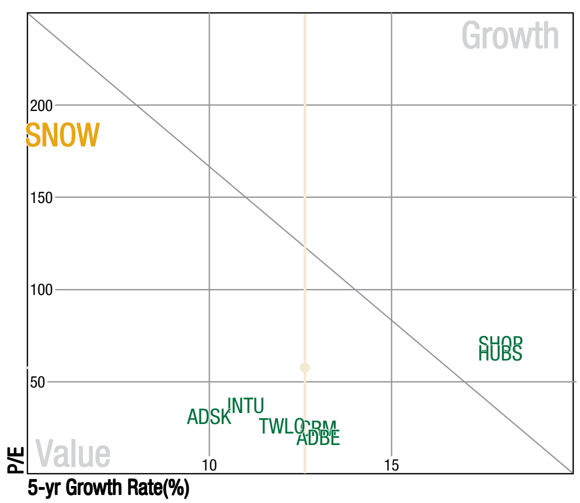
Snowflake expects to benefit from network effects as the amount of data in its Data Cloud increases. To this end, the company has continually moved to increase the interoperability of different forms of data. Snowflake launched Iceberg Tables based on the Apache Iceberg table format in June 2024. Iceberg Tables provides compute engine data interoperability and management expects it to expand the amount of data within the Data Cloud.

Snowflake relies on the three leading cloud platforms (outside of China), Amazon Web Services (AWS), Microsoft Azure, and Google Cloud Platform (GCP). Snowflake's software architecture and services are interoperable among the three platforms, thereby obviating vendor lock-in. While AWS has typically been

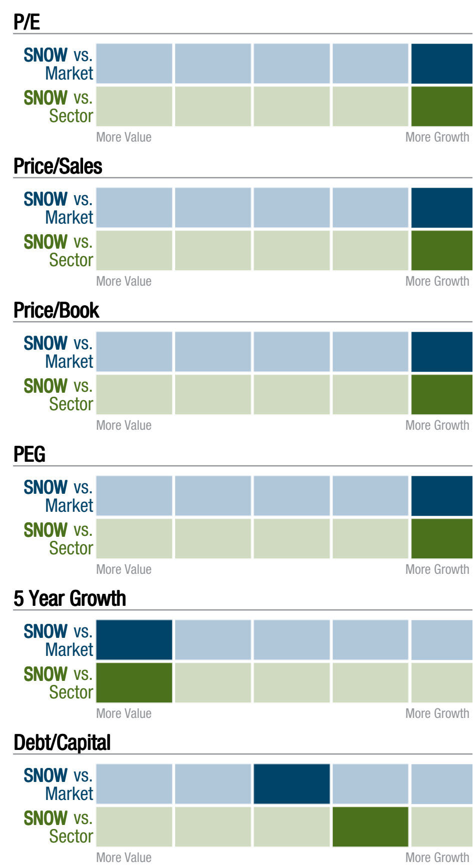
Peer & Industry Analysis

The graphics in this section are designed to allow investors to compare SNOW versus its industry peers, the broader sector, and the market as a whole, as defined by the Argus Universe of Coverage.

- **The scatterplot shows how SNOW stacks up versus its peers on two key characteristics: long-term growth and value. In general, companies in the lower left-hand corner are more value-oriented, while those in the upper right-hand corner are more growth-oriented.**
- **The table builds on the scatterplot by displaying more financial information.**
- **The bar charts on the right take the analysis two steps further, by broadening the comparison groups into the sector level and the market as a whole. This tool is designed to help investors understand how SNOW might fit into or modify a diversified portfolio.**



Ticker	Company	Market Cap ($ in Millions)	5-yr Growth Rate (%)	Current FY P/E	Net Margin (%)	1-yr EPS Growth (%)	Argus Rating
CRM	Salesforce Inc	265,956	13.0	24.8	16.4	10.2	BUY
INTU	Intuit Inc	209,757	11.0	37.4	19.1	11.9	BUY
ADBE	Adobe Inc	176,063	13.0	20.1	30.6	13.0	BUY
SHOP	Shopify Inc	130,024	18.0	70.7	17.2	21.9	BUY
SNOW	**Snowflake Inc**	**68,850**	**6.0**	**184.2**	**-36.4**	**47.3**	**HOLD**
ADSK	Autodesk Inc.	64,260	10.0	31.4	15.9	13.7	BUY
HUBS	HubSpot Inc	32,511	18.0	65.7	-.8	17.1	BUY
TWLO	Twilio Inc	17,855	12.0	26.2	-.7	20.1	BUY
Peer Average		**120,660**	**12.6**	**57.6**	**7.6**	**19.4**	



Please see important information about this report on page 5

Analyst's Notes ...Continued

Snowflakes primary partner, Snowflake has recently been developing a deeper partnership with Microsoft as customers can use Snowflake's Cortex suite of AI features to access OpenAI large language models and Snowflake Cortex agents are available in Microsoft 365 Copilot and applications. Apart from Microsoft/OpenAI, Snowflake also partners with GenAI competitor Anthropic for the delivery of its Claude large language models to customers as well as powering Snowflake's agentic AI products including Snowflake Intelligence and Cortex Analyst. 5,200 customers are using the company's AI and ML features on a weekly basis.

On November 25, 2024, Snowflake completed the acquisition of privately-held Datavolo in a stock and cash transaction. Total consideration was $107 million including SNOW common stock valued at $87.7 million and $19.2 million in cash. Snowflake also issued 400,000 shares to Datavolo employees in exchange for outstanding Datavolo stock options valued at $87.7 million vesting over four years. Datavolo is a Tech-start up that provides a single platform for automating and managing both structured and unstructured data flows between various enterprise data sources. Snowflake expects Datavolo to deliver a simple way for customer data engineering teams to integrate all their enterprise systems with Snowflake's platform for the purposes of unlocking data for machine learning and AI applications and analytics, and also leverage the scale, performance, and built-in governance of Snowflake's AI Data Cloud.

FINANCIAL STRENGTH & DIVIDEND

Our financial strength rating on Snowflake is Medium, the midpoint on our five-point scale. On September 25, 2024, Snowflake issued two tranches of convertible notes, $1.15 billion maturing in 2027 and $1.15 billion maturing in 2029. At the end of 1Q26, the company had $2.3 billion in long-term debt and cash and near cash equivalents of $3.9 billion. The strike price on the notes is $157.50. The shares are in the money. Trailing 12-month free cash flow declined 11% to $736 million in fiscal 1Q26.

As a relatively new company focused on business development, Snowflake does not pay a dividend nor does it intend to do so. The company spent $491 million to repurchase 3.2 million shares in fiscal 1Q26 after buying back 14.8 million shares for $1.9 billion in FY25. Management noted that one of the uses of its 3Q convertible debt offering was stock repurchases, among others, including potential acquisitions. Share count was up by 7 million shares year over year in 1Q26.

MANAGEMENT & RISKS

Snowflake is subject to the usual risks of fast-growing tech companies. It must effectively manage its current high growth (and subsequent transition to a period of slower growth), while also building out its product portfolio and field sales force. As almost all of Snowflake's revenue comes from subscriptions to its software platform, any bugs in the software or implementation difficulties could hurt customer retention and weigh on the company's financial outlook. As with all Tech companies, Snowflake must rapidly innovate to both keep up with new technologies like GenAI and develop new product features and extensions. The company will likely continue to invest heavily in R&D, including in GenAI, and in scaling its marketing efforts, all of which may not produce the expected returns. R&D is running in the mid-20s as a percentage of revenue, well above the mid-to-low-teens or lower rates of many other tech companies. Snowflake must also ensure the security and reliability of its service platforms.

Snowflake ingests and stores large amounts of customer data and therefore could be subject to cyberattack. A cybersecurity breach or loss of customer data would be an obvious negative for the company. The company also needs to manage its international expansion well, including the risks around expansion into the China market.

Snowflake has a limited operating history, and this history has included both GAAP and non-GAAP net losses. The company remains GAAP unprofitable and only became consistently non-GAAP profitable in fiscal 2Q23 (July 2022). The company's limited operating history makes it difficult to evaluate its current prospects or to forecast future growth.

Snowflake's solutions leverage the extensibility of the major hyperscale cloud providers, Amazon Web Services, Microsoft Azure, and Google Cloud Platform. However, these providers may also offer their own services that compete with Snowflake's services at a price advantage or may leverage other competitive vectors.

Snowflake operates in an industry with considerable patent and intellectual property (IP) development and faces a range of IP-related risks. In particular, adverse rulings in patent infringement cases could force the company to design patent workarounds, abandon certain technologies, or pay confiscatory license fees. These additional technical and legal costs could have a substantial negative impact on the company's results.

Sridhar Ramaswamy was appointed CEO in February 2024. Mr. Ramaswamy ran Google's advertising division and was a co-founder and CEO of Tech startup Neeva before it was acquired by Snowflake in May 2023. Mike Scarpelli has been CFO since 2019 (pre-IPO). On February 25, Mr. Scarpelli announced his retirement from Snowflake. Mr. Scarpelli will remain until a successor is found.

COMPANY DESCRIPTION

Snowflake is a cloud-native data warehouse company. The company leverages the large public hyperscale cloud services to provide its Data Cloud to customers, enabling them to unify disparate data sources for the purposes of data engineering, and the development of artificial intelligence, applications, collaboration, and cybersecurity. Snowflake went public on September 16, 2020 at $120 per share. The company derives 23% of its revenue outside the U.S.

VALUATION

Our valuation methodology is multistage, including peer analysis, a multiple-analysis matrix applied to our proprietary forecasts, and discounted cash flow modeling. SNOW shares have traded between $107 and $208 over the past year and are currently at the high end of the range. According to Bloomberg, SNOW shares are up 32% year-to-date compared with a 1% gain for the S&P 500 and a 2% decline for the S&P 500 Information Technology Sector Index. Snowflake's lagging EV/revenue multiple of 13.5 is more than double the peer median of 6. On a forward basis, Snowflake's EV/revenue multiple of 13.8 is 153% above the peer average of 5.4. We are reiterating our HOLD-rating on Snowflake.

On May 27, HOLD-rated SNOW closed at $206.35, up $6.30.

Please see important information about this report on page 5

About Argus

Argus Research, founded by Economist Harold Dorsey in 1934, has built a top-down, fundamental system that is used by Argus analysts. This six-point system includes Industry Analysis, Growth Analysis, Financial Strength Analysis, Management Assessment, Risk Analysis and Valuation Analysis.

Utilizing forecasts from Argus' Economist, the Industry Analysis identifies industries expected to perform well over the next one-to-two years.

The Growth Analysis generates proprietary estimates for companies under coverage.

In the Financial Strength Analysis, analysts study ratios to understand profitability, liquidity and capital structure.

During the Management Assessment, analysts meet with and familiarize themselves with the processes of corporate management teams.

Quantitative trends and qualitative threats are assessed under the Risk Analysis.

And finally, Argus' Valuation Analysis model integrates a historical ratio matrix, discounted cash flow modeling, and peer comparison.

THE ARGUS RESEARCH RATING SYSTEM

Argus uses three ratings for stocks: BUY, HOLD, and SELL. Stocks are rated relative to a benchmark, the S&P 500.

- A BUY-rated stock is expected to outperform the S&P 500 on a risk-adjusted basis over a 12-month period. To make this determination, Argus Analysts set target prices, use beta as the measure of risk, and compare expected risk-adjusted stock returns to the S&P 500 forecasts set by the Argus Market Strategist.
- A HOLD-rated stock is expected to perform in line with the S&P 500.
- A SELL-rated stock is expected to underperform the S&P 500.

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