Q4 2020 Snowflake Inc. Earnings Call

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Presentation

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Q4 FY '21 Snowflake Earnings Conference Call. (Operator Instructions)

I would now like to hand the conference over to your speaker today, Jimmy Sexton, Head of Investor Relations. Thank you. Please go ahead, sir.

Jimmy Sexton Snowflake Inc. – Head of IR

Good afternoon, and thank you for joining us on Snowflake's Q4 Fiscal 2021 Earnings Call.

Joining me are Frank Slootman, our Chairman and Chief Executive Officer; and Mike Scarpelli, our Chief Financial Officer. During today's call, we will review our financial results for fourth quarter fiscal 2021 and discuss our guidance for the first quarter and full year fiscal 2022.

During today's call, we will make forward-looking statements, including statements related to the expected performance of our business, future financial results, strategy, products and features, long-term growth, and overall future prospects. These statements are subject to risks and uncertainties, which could cause them to differ materially from actual results. Information concerning those risks is available in our earnings press release distributed after market close today and in our SEC filings, including our most recently filed Form 10-Q and the Form 10-K for the fiscal year ended January 31, 2021, that we will file with the SEC. We caution you cannot place undue reliance on forward-looking statements and undertake no duty or obligation to update any forward-looking statements as a result of new information, future events or changes in our expectations.

We'd also like to point out that on today's call, we will report both GAAP and non-GAAP results. We use these non-GAAP financial measures internally for financial and operational decision-making purposes and as a means to evaluate period-to-period comparisons. Non-GAAP financial measures are presented in addition to, and not as a substitute for, financial measures calculated in accordance with GAAP. To see the reconciliations of these non-GAAP financial measures, please refer to our earnings press release distributed earlier today and our investor presentation, which are posted at investors.snowflake.com. A replay of today's call will also be posted on the website.

With that, I would now like to turn the call over to Frank.

Frank Slootman Snowflake Inc. – Chairman, CEO & President

Thanks, Jimmy, and good afternoon, everybody.

We finished our fiscal year with strong consumption across our customer base, with 116% growth year-on-year to $178 million in fourth quarter product revenue. Remaining performance obligations of $1.3 billion grew 213% year-on-year, reflecting strength in sales across the board. Coupled with this rapid growth, we saw improving operating efficiency while onboarding over 800 new employees for the year. Our growth is driven by long-term secular trends in data science and analytics and enabled by cloud scale computing and Snowflake's cloud-native software architecture.

With the onslaught of digital transformation, data operations become the beating heart of the modern enterprise. Customers realize that to survive and thrive, they need to step up their data game given what is now possible with technology. The Snowflake Data Cloud enables breakthrough data strategies. Capacity limitations are a thing of the past. There are virtually no constraints anymore on the number of workloads that can execute at the same time against the same data. The performance of individual workloads has increased by orders of magnitude. The latency has been reduced by similar proportions. The only constraints left are budgets and our customers' imagination, and we believe those boundaries are shifting quickly as well.

The Snowflake Data Cloud also breaks new ground in terms of data access, which is increasingly critical for data science, artificial intelligence and machine learning workloads. The days of mostly in-silo analytics are numbered. The promise of data science is to discover and mobilize data relationships that can be glimpsed across a broad diversion -- diversity of data sources and data types.

Physical boundaries between data sets dictated by technology legacies have no meaning or significance in data science. Science sees the world's data as a single universe that is easily, seamlessly and frictionlessly traversed as if its one giant database. That is the essence of the Snowflake Data Cloud: world-class workload execution, coupled with practically unfettered data access across clouds, cloud regions and geographies.

BlackRock, the world's largest asset manager, has adopted the Snowflake Data Cloud to help make the best investment decisions for their clients. Last week, we announced a strategic partnership to launch the Aladdin Data Cloud powered by Snowflake. Now Aladdin clients can combine 11 portfolio data with non-Aladdin data to analyze faster and create customer applications and dashboards. Clients will have a single control plane to make data-driven decisions around portfolio management, trade execution, investment operations, analysis and risk management.

With Aladdin landing becoming a strategic part of the Snowflake Data Cloud, our shared goal with BlackRock is to create the cutting-edge industry standard for accessing, governing and acting on data in a unified and governant data environment.

The data cloud is inspiring more new conversations with customers and prospects, and it leads them to a different view of their data strategies going forward. Active data sharing relationships in the Snowflake Data Cloud are growing by leaps and bounds, increasing 51% quarter-on-quarter. We're seeing rapid adoption of the Snowflake Marketplace as well, with consumption attributable to data from marketplace providers up 48% quarter-over-quarter and new listings growing 10x year-on-year to a total of 380 as of the end of the fiscal year. Newly added to the Marketplace in Q4 are data providers, such as ZoomInfo, Western Union and Foursquare. Our continued push to campaign the largest enterprises in the world is proving to be successful. We added 19 Fortune 500 customers in Q4, including Mastercard, Genuine Parts, Northern Trust.

While customers choose to partner with Snowflake because of the data cloud, we still must meet customers wherever they are on their technology journey. Often, engagements begin with a migration of legacy data warehouse platforms. We have engaged in over 75 legacy migrations last year, and we have identified many more for this year. Our global system integration partners, or GSIs, have seen their backlogs multiply and are rushing to staff, train and provision the resources to meet the demand head on. While we team up with our GSIs, our strategy is to rely on our implementation partners for much of this work. We were pleased to welcome Infosys to Snowflake Elite partner status during the quarter.

A Fortune 100 technology company has deployed Snowflake across numerous lines of business since migrating their on-premise data warehouse platform to Snowflake. Because of Snowflake, their marketing department touts a more informed decision-making process with 20x faster support for their customers.

For fiscal 2022, our focus is to turbocharge our Snowflake Data Cloud with massive workload execution, expansions and refinements as well as expand our data federation with numerous new additions to the Snowflake Marketplace.

While our selling motions address some of the world's smallest as well as largest data estates in the world, we will have continued emphasis on landing and expanding in the largest enterprises and institutions, not just in the Americas, but also in EMEA and Asia Pacific. To that end, we have announced new leadership in the latter region to accelerate and scale the Snowflake campaign there.

A new global initiative we began last year and are now accelerating is a vertical industry focus, which is permeating our sales, marketing, alliances, product and service organizations. We have long sold almost exclusively on architectural distinction, which has served us well, and we will continue to do so in situations that warrant it. But our large enterprise focus has informed an evolution to a go-to-market motion that is industry-specific and outcome-oriented. We view this as a maturation of Snowflake in the large enterprise. We also now have so much critical mass in our target verticals, coupled with industry-specific data marketplaces that this strategy will further differentiate Snowflake.

We are super excited about the new year. We have the technology, the talent and the organization to fully pursue our opportunity.

And with that, I will now turn the call over to Mike.

Michael P. Scarpelli Snowflake Inc. – CFO

Thank you, Frank.

Q4 was another quarter of exceptional execution and a strong finish to our first fiscal year as a publicly

(technical difficulty)

Our Q4 product revenues were $178 million, representing 116% year-over-year growth, and the remaining performance obligations were $1.3 billion. The outperformance of consumption spanned all verticals as we continue to see our customers deploy Snowflake across their organizations. Our strong RPO results continue to be driven by more multimillion-dollar deals as well as our customers' willingness to engage in multiyear contracts. Of the $1.3 billion in RPO, we expect approximately 55% to be recognized as revenue in the next 12 months. As a reminder, this number is an estimate and could fluctuate significantly due to our consumption business model. The strong performance reflects Snowflake's role as both a technology solution, offering superior execution across workloads, and as a strategic partner, enabling digital transformation through the data cloud.

We continue to invest in growth opportunities, and we are now benefiting from our maturing enterprise sales efforts. In Q4, we saw the number of customers with greater than $1 million in trailing 12 months product revenue increase to 77, up from 65 last quarter, with 12 customers now consuming over $5 million on a trailing 12-month basis. Internationally, we have expanded our sales force across relevant geographies. We are seeing promising traction in these markets but remain in the early stages of this opportunity.

Turning to margins. On a non-GAAP basis, our product gross margin was 70%, up 400 basis points from last year. Favorable cloud service agreements, growing scale across regions, our enterprise success and ongoing discounting discipline all contribute to steady gross margin improvement. Our operating margin was negative 24%, benefiting from revenue outperformance and continued T&E savings. Our adjusted free cash flow margin was 9%, positively impacted by strong collections, with Q4 being our largest booking quarter, cash inflows relating to our employee stock purchase program and operating margin outperformance. As a reminder, adjusted free cash flow excludes the impact of cash paid for employer payroll taxes on employee stock transactions. This quarter, we saw a $10 million impact from those items.

While we will continue to focus on long-term margin expansion and profitability, we do experience free cash flow seasonality, and Q1 and Q4 will continue to be our strongest free cash flow quarters.

We are very proud of our strong free cash flow. On a year-over-year basis, we cut our annual cash burn by 64% or $128 million or more than doubling the business. And we have implemented operations that will help us show more profitability while continuing to invest heavily in the business. We've ended the year in a strong cash position, with approximately $5.1 billion in cash, cash equivalents and short-term and long-term investments. This enables us to explore a number of strategic initiatives, including Snowflake Ventures, which has made several investments in the quarter, including DataRobot, Hunters, [Noma] and Lacework. Our mission is to engage more organizations with the data cloud and all investments aim to drive increased consumption of Snowflake.

Now let's turn to our guidance and outlook. For the first quarter of fiscal 2022, we expect product revenues between $195 million and $200 million, representing year-over-year growth between 92% and 96%. Turning to margins. We expect, on a non-GAAP basis, negative 23% operating margin, and we expect 289 million weighted average shares outstanding. For the full year fiscal 2022, we expect product revenues between $1 billion and $1.02 billion, representing year-over-year growth between 81% and 84%. Turning to profitability. We expect, on a non-GAAP basis, 71% product gross margins, negative 19% operating margins and breakeven adjusted free cash flow. And we expect 295 million weighted average shares outstanding.

Our outlook includes increased investments in our FedRAMP initiatives and accelerating migrations off of legacy solutions, both of which will drive enterprise customer success. In order to support our growth and initiatives, we plan on adding more than 1,200 net new employees during the year.

With respect to COVID, our forecast assumes that we will continue to work remotely for the foreseeable future with an increase to potential travel expenses in the back half of the year. We are benefiting from strong productivity in our current environment, and we have successfully onboarded and ramped new employees since March 2020. While we anticipate an eventual return to the office, we do not have a specific time line for that goal.

Before closing, I'd like to note a few recent or upcoming events. Today, we announced that on March 1, 2021, our Class B shareholders in accordance with our governing documents converted all of our Class B common stock to Class A common stock, eliminating the dual class structure of our common stock and ensuring that each share has an equal vote. We view this as operationally beneficial to the company and our shareholders.

In addition, the restrictions under our IPO lockup that expire on March 5, and almost all remaining shares not purchased in the private placement or secondary transactions concurrent with our IPO will no longer be subject to a lockup agreement.

And lastly, we will host a virtual Investor Day in conjunction with Snowflake Summit, our annual users conference, the week of June 7. If you are interested in attending, please e-mail ir@snowflake.com.

With that, operator, you can now open up the line for questions.

Questions and Answers

Operator

(Operator Instructions) Your first question comes from the line of Raimo Lenschow with Barclays.

Raimo Lenschow Barclays Bank PLC, Research Division – MD & Analyst

Congrats. That was -- these are amazing numbers. First one, Frank, this quarter, we saw a little bit more noise around kind of market activity. I think it's probably because of your success. Can you see if you've experienced any changes in the competitive dynamic out there? And then I have a follow-up for Mike.

Frank Slootman Snowflake Inc. – Chairman, CEO & President

Not really, Raimo. Things have been stable, and certainly from a public cloud standpoint, par for the course there in terms of the comparisons of legacy providers, no change there either. If I sort of take a global perspective on it, I'd say that I feel that our competitive position is gradually strengthening, and I'm just basing that on the types of interactions we have with customers.

We're operating far more at CEO level now than at the highest level of IT. So there's definitely, I feel, an inflection there that is reflecting the relative position of the company in marketplace, which we feel is very good.

Raimo Lenschow Barclays Bank PLC, Research Division – MD & Analyst

Okay. Perfect. And then, Mike, on the gross margins, I mean, we've seen the progress this year, and you gave us guidance. Just talk a little bit about the drivers for the gross margin improvement we are going to expect in the coming year and what are the -- like is it more of these contracts with the cloud providers? Or what's driving it going forward? And what's left to do for you to reach the long-term goals?

Michael P. Scarpelli Snowflake Inc. – CFO

Yes. I would say the contracts with the cloud providers started kicking in, in Q3, and we had the full benefit in Q4. I don't anticipate renegotiating our cloud contracts next year. We may be in a situation at the end of the year, but I'm not expecting that. It's really driven by getting more scale within our existing deployments. We have a number of deployments where we're not at scale, and we see those ramping right now.

As an example, like Japan, Japan has been running at a negative gross margin because we just don't have very many customers, but we're starting to ramp there. That will turn around. And that's just one example. We're in 20 deployments around the world. And think of the deployment as a data center

(technical difficulty)

places. But also as we move higher up into larger enterprises, they tend to buy our -- higher addition are business critical. Yes, those big customers require more discounting, but the margin -- the contribution margin from those higher SKUs more than offsets that discounting to drive gross margin, which gives us the confidence that we'll get to those mid-70s. It's not going to happen next year, but see that continued gradual improvement.

Operator

Your next question comes from the line of Derrick Wood with Cowen.

James Derrick Wood Cowen and Company, LLC, Research Division – MD & Senior Software Analyst

Great, and congrats as well on a very strong quarter. I guess, first for Frank, how are you feeling about the ability to onboard salespeople at a good clip and keep up with the demand trends out there, particularly kind of in this work-from-home environment? And then headed into the new year, any go-to-market tweaks you're planning that you would call out?

Frank Slootman Snowflake Inc. – Chairman, CEO & President

Yes. So salespeople, I think we're doing incredibly well, and we're making lots of changes and adjustments that are further strengthening our organization. I'm sure you know that 1.5 years ago, we separated our U.S. selling organization and enterprise and what we call majors, which are the largest 200 or so accounts. And we've really stepped up our staffing, and that organization really hiring the absolute best people available in the marketplace for those roles. So I'm really positive on that.

In terms of what's changing on our go-to-market, I referenced that in the prepared remarks. I mean we are very aggressively verticalizing our selling motions and our general posture in accounts. We find it very important that when we interact with customers, there's always an industry context to the conversation. We're much more outcome-oriented. Customers are sometimes interested in architecture and things of that sort and comparing workloads and all of that. But increasingly, when you get higher up in larger enterprises, they just want to know what it means to their business and what are other people doing.

So that is a significant change, and we are investing literally at every level in the organization. So starting with products, moving into marketing, moving into alliances as well as into sales. And so this is a very serious effort that started last year and that will continue underway this year.

James Derrick Wood Cowen and Company, LLC, Research Division – MD & Senior Software Analyst

Great. And Mike, maybe one for you, nice uptick in new customers in the quarter. Anything to call out to what's helping drive that acceleration? Is it better productivity or more capacity? Or is it something you're starting to see, this viral networking effect from your data sharing? Is that something that can move the needle and starting to help lift customer generation?

Michael P. Scarpelli Snowflake Inc. – CFO

Well, I would say there was definitely an increase in average productivity per rep in terms of the number of cap 1 deals that they brought in on average. In terms of the data sharing, I don't have any specific data on that, but that is clearly a discussion point with every customer and one of the reasons why they choose to go with Snowflake or it helps the decision to go with Snowflake. But it's also the fact that we're ramping. We've been adding so many reps, and we've been ramping those people.

Operator

Your next question comes from the line of Patrick Colville with Deutsche Bank.

Patrick Edwin Ronald Colville Deutsche Bank AG, Research Division – Research Analyst

Congrats on an extremely impressive set of numbers. I just want to touch on the competitive environment. I mean the earlier question from Raimo was around competition with the cloud-native vendors, but one of the "legacy" on-prem vendors put up some pretty impressive cloud numbers a month ago. How are dynamics with the incumbents shaping out? And yes, I'd love your color on that, please?

Frank Slootman Snowflake Inc. – Chairman, CEO & President

Patrick, it's Frank. I can honestly say that in my almost 2 years here, I've never seen the legacy provider being in the running for a go-forward destination for the platform, if you will. So the competition, it's always moving off of legacy platforms, and the competition has been very, very focused on the public cloud options.

What I will say is that we're seeing the public cloud vendors having significant struggles in terms of migrating successfully off of these legacy platforms, which, of course, brings relative strength to these -- to some of these legacy providers. I think that Snowflake is really the only platform that is successfully and consistently and, now at scale, moving these workloads to the cloud. But just to some degree, the legacy providers are hanging in there longer because if you're not going with Snowlake, you're going to have a struggle one in your hands. So that's sort of my commentary on that topic. Yes.

Patrick Edwin Ronald Colville Deutsche Bank AG, Research Division – Research Analyst

I mean that's very helpful. And can I just ask a quick follow-on to Mike, if possible? It seems like implicit in guidance is that 1Q up margin looks like it will increase pretty materially year-on-year. Are you guys slowing up the pace of hiring? Or how should we think about that component?

Michael P. Scarpelli Snowflake Inc. – CFO

No. We are absolutely not slowing hiring down. As we've just mentioned, we're going to add 1,200 people next year. Actually, Q1 is a very, very big onboarding quarter. It will be probably the largest quarter of the year because we're onboarding a lot of people in the sales and marketing organization in advance of our sales kickoff that we just had. We are investing as quickly while being efficient in our business as we can.

Patrick Edwin Ronald Colville Deutsche Bank AG, Research Division – Research Analyst

Fantastic. Congrats on a very impressive results.

Operator

Your next question comes from the line of Brad Zelnick with Crédit Suisse.

Brad Alan Zelnick Crédit Suisse AG, Research Division – MD

Excellent, and I echo the congrats as well. Well done, guys.

I've got one for Frank and maybe one for Mike. Frank, can you share more about the BlackRock partnership, with Aladdin Cloud on the Snowflake Data Cloud, specifically, can you talk about the economics of these types of relationships and the success criteria that you use for gauging the progress? And maybe as well, how many partnerships like this are out there to go after?

Frank Slootman Snowflake Inc. – Chairman, CEO & President

No, there's a lot of partnerships out there to go after. I think that announcement by itself triggered a whole rash of conversations, both from the financial industry as well as other industries. This whole conversation around customers building their own data cloud, it's really the center of their universe, the way they interact with their partners, their customers, their stakeholders is a huge idea, and people are seeing the opportunity and the potential.

And obviously, for BlackRock because they are the world's largest asset manager with, whatever it is, $21 trillion, $22 trillion of assets under management, they realized that they needed to modernize and transform to be able to continue to be in a very dominant position. And it was -- from an economic standpoint, it's really no different than what we're doing. In other words, it's not a different line of business for us. It's the same product, same business practices and so on.

But obviously, these relationships are highly strategic to us because they become cornerstones to the Snowflake Data Cloud and the data universe because this induces network effect all over the place from people that need to have access to this data or provide access.

Michael P. Scarpelli Snowflake Inc. – CFO

Just said in a simpler way, Brad, all of those Aladdin customers that want data through Aladdin, if they want to get their data, the most efficient way are going to have to be Snowflake customers.

Brad Alan Zelnick Crédit Suisse AG, Research Division – MD

Excellent. That makes perfect sense. And Mike, maybe just to follow up with you. It's great to see net retention continues to be really strong, I think best-in-class of anything else we look at.

But as we think about the cohort of customers that you've added in the last 12 months, how are they tracking relative to prior years? And maybe just asked differently, like, how do we think about the size of your lands today and how that might be changing and informs your view or our view on how we might think about that retention rate going forward?

Michael P. Scarpelli Snowflake Inc. – CFO

Yes. So I do expect net retention rate this year to remain very high. It should be north of 160% throughout the year is what we see right now.

In terms of average deal size landing, that is not changing that much. What's happening -- because I want to stress, it takes customers -- especially if you're doing a legacy migration, it can take customers 6 months-plus before we start to recognize any consumption revenue from those customers because they're doing the data migration. And what we find is -- so they consume very little in the first 6 months, and then in the remaining 6 months, they've consumed their entire contract they have. And when we do a renewal, that's when most customers are doing the multiyear renewals once they've proven the use case on Snowflake.

And so I haven't seen much difference other than we are -- as you know, when Frank came here, he really started focusing more on enterprise customers. We are landing more Fortune 500 customers. We talked about we landed 19 in the quarter. But those 19 we landed, just to reiterate, we've recognized virtually no revenue on those customers. That's all in the RPO that will be in the next 12 months.

Operator

Your next question comes from the line of Patrick Walravens with JMP.

Patrick D. Walravens JMP Securities LLC – MD, Director of Technology Research & Senior Research Analyst

Great, and congratulations. Frank or Mike, can you double-click on the migration? So why is it so hard to migrate legacy data warehouse? What are the steps you have to take that are so time-consuming? And then what is it about Snowflake's platform that makes it so much better suited to do it than the cloud providers?

Frank Slootman Snowflake Inc. – Chairman, CEO & President

So that's a great question. So first of all, our database migrations have been hard since time immemorial. They've never been easy. They've been lengthy. They've been expensive. They've been risky. And customers are quite leery of them as well.

One of the reasons is that while we can analyze the data, read the structures, we can analyze the code, we can automatically convert a lot of it, usually, there is no straightforward mapping of some of the data between these databases. For example, you take some of the legacy flavors out there. They have proprietary artifacts that just simply do not have a counterpart on Snowflake because Snowflake is a complete standard ANSI SQL environment. So that means that we have to reengineer. We have to enrich your structures. We have to optimize workloads, things of that sort.

The integrity of the data is absolutely everything. When you do a data migration, what makes customers fear for us, they want to make sure that when the systems land on the other side, they are getting exactly the same results that they were getting before. So the integrity is 100% maintained. And there is just not a matter of this throw on a big switch and hoping for the best. So that's sort of a little bit of color on texture, why these things are viewed as sort of high friction.

Now we're good at it because we're experts out of this. This is what we do. And we have a ton of experience doing it. And that accumulated experience as well as a lot of the tooling that we have to support these efforts is resulting in very good results, very predictable results, time-wise, cost-wise and outcome. So that's why.

Operator

Your next question comes from the line of Brent Thill with Jefferies.

Brent John Thill Jefferies LLC, Research Division – Equity Analyst

Frank, a lot of the customers are excited your journey to unstructured. I'm just curious if you could update us on that journey and how far out are customers going to have to wait. What are you starting to see in terms of some of the discussions around the commitment beyond the structured stance you already have?

Frank Slootman Snowflake Inc. – Chairman, CEO & President

Yes. Well, so Brent, first of all, I mean, we're 100% committed to that. I mean it's -- from a strategy standpoint, it's something we absolutely have to do. When you think of data sciences, data relationships don't just exist between like data. They exist between structured and unstructured data. That's actually where a lot of the power is going to come from, the type of signals that we can drive out of the data.

I think I said last time that we're going to really substantially update the world on where we are with that as well as demonstrate our June user event. So you should really expect the second half where you're going to see the real results of that strategy starting to become available in previous and things of that sort.

Brent John Thill Jefferies LLC, Research Division – Equity Analyst

And one of the other themes that the customers keep talking through, Frank, just as it relates to some of the partnerships, whether it's with Tableau or Salesforce or ThoughtSpot, some of the other interfaces that's making your data more consumable by the mass market. And we've heard seen incredible stories of customers moving faster with you because of those partnerships.

Can you just bring us up to speed on what you're hearing and seeing from customers and what some of the deployments look like you're hearing kind of common feedback on?

Frank Slootman Snowflake Inc. – Chairman, CEO & President

Well, we have relationships literally with every single business intelligence, BI. Vendor Tableau is definitely the largest one, but we also have -- we're going gangbusters with Power BI, which is the Microsoft product also. And we're going to -- we expect to see a lot of growth in that area as well. So we're -- those relationships are really, really solid.

We have a product of our own called Snowsight, which is really not meant to be so much competitive with the likes of Tableau and Power BI and many of the others. That's really our homegrown, if you will, embedded product really for data analysts as opposed to for end-user distribution.

But there's no doubt that Snowflake makes these products absolutely sing. It's just the sheer scale of execution, the performance, the provisioning. So without Snowflake, it's just very difficult for these products to really have the snappy dynamic performance that users are looking for. So the combination of these technologies, Snowflake with the entire family of BI products out there, very, very important to deliver a good sort of end result to the customer.

Operator

Your next question comes from the line of Kash Rangan with Goldman Sachs.

Kasthuri Gopalan Rangan Goldman Sachs Group, Inc., Research Division – Analyst

Congratulations on the superb quarter. Two questions. Frank, one for you. As you talked about how the decisions are increasingly being made by the C level, not it's just the CIO, but CEO level, can you talk about how they are looking at Snowflake in relation to their digital transformation initiatives? Generally here, customer experience, employee experience is fairly digital, but help us connect the dots, what are your CEOs -- customer CEOs thinking in regards to Snowflake and how Snowflake specifically drives their digital transformation?

Frank Slootman Snowflake Inc. – Chairman, CEO & President

Yes. So the angle they're taking is one of digital transformation. IT organizations are typically focused on what we call modernization. They're taking existent workloads. They want to move them from the on-premise environment to the cloud, but essentially take advantage of the utility model. And all of that is fundamentally running the same workloads on a platform like Snowflake.

When you get to business people and CEOs, they're looking for new angles. They're looking for transformation, not just modernization. So it's often very easy to determine in these conversations what people are after doing things differently and looking for advantage.

Digital transformation plays a big role. What that means here is that they're looking to drive signals out of their data. They're trying to define data relationships through data models that they then can take advantage of. And once I can describe the data relationship, I can predict it, and I can even make prescriptions out of it as well.

And things are going to go end-to-end digital, lights out -- light speed. So it's -- the digital transformation is a big thing. You can think of things like really improving the efficiency and yield on marketing and sales outreach, improving service experiences and obviously, very, very, very high scale and very, very high precision and very, very high economy on these type of processes compared to what they historically have done.

The data cloud is central to these conversations. One of the things that we drive very hard is that in future, data operations are going to be very much dominated by data really moving in an orbit where, in other words, data is flowing between partners and all kinds of stakeholders, and people are able to not just analyze data in silos but very effortlessly address data really across -- really a very broad orbit. That includes their own data, but then external data sources, data from partners, social media, IoT, structured, unstructured. That's really where people are looking for significant advantage from where they historically have been.

Kasthuri Gopalan Rangan Goldman Sachs Group, Inc., Research Division – Analyst

Got it, Frank. And also, your biggest customers, what are the problem areas they're pushing you into that could open up new opportunities?

Michael P. Scarpelli Snowflake Inc. – CFO

Our biggest customers, what are the opportunities they're pushing us into?

Frank Slootman Snowflake Inc. – Chairman, CEO & President

Well, the opportunities that are central to the conversations with our bigger customers are data cloud-oriented. That means establishing data network and relationships, not just internally but especially externally. I mean we're well on our way in our journey. I mean we disclosed some of the growth rates in our prepared remarks, but that conversation is front and the center with every single customer. Everybody is trying to figure out.

Historically, we have shared data through APIs and through file transfer processes, copying and replicating. It's been an enormous struggle. The opportunity with Snowflake as to make this 0 latency, 0 friction, completely seamless. So it is an enormous game changer to what people are used to and what the status quo has been. Yes.

Operator

Your next question comes from the line of Brad Reback with Stifel.

Brad Robert Reback Stifel, Nicolaus & Company, Incorporated, Research Division – MD & Senior Equity Research Analyst

Frank, early in the call, you talked about the limitless nature of the product set and that it's only limited by the customers' imagination. How do you help those clients manage budgeting issues given the usage that they rack up on the system very quickly?

Frank Slootman Snowflake Inc. – Chairman, CEO & President

Yes. It's a good question and certainly a topic that we discuss often. The big change in paradigm is that historically, in on-premise data centers, people have to manage capacity. And now they don't manage capacity anymore, but they need to manage consumption. And that's a new thing, not for everybody, but for most. I mean people that are in the public cloud have gotten used to the notion of consumption, obviously, because it applies equally to the infrastructure clouds.

Now we do a lot. We have full-blown charge back capabilities so that the consumers are -- of compute are -- and of our service are really accountable for what they do and don't do. We have hard limits. We have soft limits. We have notifications. We have dashboards. So there's a lot of ways to do this. But at the same time, there's -- people are really so motivated and inspired by the capabilities that they have, sometimes they get a little bit out of control in terms of the amount of processing that they were planning to do. It's a very, very buoyant situation.

I mean we've been bottled up literally for generations. And now there's a situation where there is no upper limit to how much you can do. And that's intoxicating, quite honestly. And we also see organizations really getting used to managing consumption, how much do we really want to allow because, oftentimes, they are very compelling business reasons why they do need to consume these services as opposed just looking at the amount of spend.

So it's manageable, but it's a new discipline, and it's a new mindset that everybody needs to get their head around. And we provide the infrastructure and governance capabilities to do that.

Operator

Your next question comes from the line of Brent Bracelin with Piper Sandler.

Brent Alan Bracelin Piper Sandler & Co., Research Division – MD & Senior Research Analyst

One quick one for you, Mike, and then a follow-up for Frank. The dollar value of new contract signings exceeded in Q4, exceeded all of last year. And so my question is, there's some seasonality that drove that? Is this just improving sales productivity? Walk me through the drivers there of the RPO momentum you saw in Q4, and then one quick follow-up.

Michael P. Scarpelli Snowflake Inc. – CFO

So number of things. A, obviously, you're always going to get seasonality because that's a bookings number. And obviously, salespeople in Q4 are going to try to maximize their acceleration they're into. But it's also a function of the number of reps that we have now ramped up, and it's also a function of the fact that we're getting into larger customers as well, too. And it's not just the larger new customers. It's existing large customers with big renewals because we're growing within those customers and the multiyear component of those customers.

As I mentioned earlier, most initial what we call cap 1 customers order tend to be 1-year contracts. And it's the renewal and the follow-on that tends to be the multiyear once they've proven the use cases. That's not always the case. That's just what we've been seeing historically. I do expect, as we become a larger company, we'll see more and more of those capacity 1 customers sign up for multiyear deals day 1 as well.

Brent Alan Bracelin Piper Sandler & Co., Research Division – MD & Senior Research Analyst

Got it. Helpful color there. And then, Frank, we've heard internal use case for data sharing inside of a corporation has the potential to become -- will be the killer app here. You have some great stats on data marketplace, which is really around sharing data externally, but do you have any color for us around internal use cases for data sharing? Are you seeing any sort of material changes and customer interest for internal data sharing use cases?

Frank Slootman Snowflake Inc. – Chairman, CEO & President

The interesting thing is most of the data sharing is actually externally, not internally. And one of the reasons is as I look at some of our larger customers, they maintain a single copy of all their data, and they allow all their operating functions and departments and business units to execute clusters against that single copy of the data. So they're sharing data effectively because they're having a single copy of the data, right? So they really don't have to take advantage of our data exchanges and data sharing because they're literally sitting on the same copy of the data, and that's probably the reason why.

We sort of have 2 modes of sharing. One is really tightly coupled where everybody sits on the same data and the other one is the more loosely coupled one, which is through our data-sharing architecture, and customers can actually mix and match. It depends on their culture and how much they want to have custody to their own data and things of that sort, that sort of drives where they land on that. But the -- architecturally, the tightest model that we have is where there's one company of the data for the entire enterprise and anybody that wants to process against that data, they fire up their own warehouses in their own clusters and they run their own workloads. And that's an extremely successful model for Snowflake and our customers.

Operator

Your next question comes from the line of David Hynes with Canaccord Genuity.

David E. Hynes Canaccord Genuity Corp., Research Division – Analyst

Echo everyone else's congrats. Really impressive numbers. Just one for me. Frank, is there any way to think about a dollar spent with Teradata or one of the legacies, CW vendors turns into X amount of spend with Snowflake? And I don't know if you can think about it that way, but I sometimes get investors saying, "Hey, Teradata peaked at a little less than $3 billion in revenue." And look, I realize they're not the only share donator, and I realize this is not only replacement, but it gets at the question of like how big can Snowflake really get. So any thoughts to help us kind of frame that question?

Frank Slootman Snowflake Inc. – Chairman, CEO & President

Yes. Interesting thing is that a lot of the Teradata migration we have done, customers are telling us we're spending half the money, and we're doing 10x the amount of work. And that may not be what you want to hear, but obviously, that's a hell of a deal for them.

What's really expanding in the marketplace is that historically, there have been fixed capacity limits on how much work you could do, and those are gone under -- on a Snowflake platform. You can run as many workloads concurrently, and you can provision those individual workloads as much as you need to. So all of a sudden, it's like, hey, I don't have to wait in line for 2 a.m. slot. You run a little job. It's like everything runs concurrently as much as you can possibly imagine that you want to do. Obviously, there is a financial consequence to running a ton of workloads, but there's no operational limit on that.

Now what that does is it really starts to inspire people to do things they never entertain because there was no -- not a possibility for them to ever do that. So we're sort of in this period where we're unleashing all this imagination as well as all the backlog that has already existed that people are just rushing towards. Now -- and because data is a driver of digital transformation, it is really the signals that fuel digital processes. It's just a very, very core component to how enterprises are evolving.

So that's -- I think this market can get -- we've been told by a number of our customers that we're the second-largest line item in their budget behind the public cloud, and that may come as a shock to some. But I'm telling you that, that's not going to be out of the ordinary going forward based on what we're seeing. Yes.

Operator

Your next question comes from the line of Mark Murphy with JPMorgan.

Mark Ronald Murphy JPMorgan Chase & Co, Research Division – MD

Frank, at the Data Cloud Summit, Benoit had mentioned a goal to try to reduce end-to-end data latency by 10x from where it is today. Pretty amazing goal. I was wondering if you could walk us through how long you think that might take. And what types of new opportunities it could open up maybe for more complex analysis or larger AI models and so forth inside of Snowflake?

Frank Slootman Snowflake Inc. – Chairman, CEO & President

Yes, I probably should bring Benoit into the meeting here. We'll let him answer that question. One of the areas that we are investing in where we have extraordinary talent that we have attracted the company is where our event-driven architectures. Today, our event latency is sort of seconds and minutes, right? But you want to drive that down to subsecond and -- dramatically subsecond. You start to open up use cases that are just very different that are really not approachable by a platform approach today. They really require a very single purpose optimizations, right? You think about electronic trading and all these things, the latency has to be approaching 0. That obviously -- that requires tremendous optimization on our part, and we are working on that because we see that as a very, very critical part of the ongoing evolution of digital transformations.

We're doing a lot of stuff that is where -- what our capabilities are today are totally adequate, but we're foreseeing a world where, just as Benoit said, where we have to become much, much faster than what we've done so far. And certainly, we have that room up. We know how to do it. So again, this is going to expand the marketplace in places where these technologies historically have not been.

David E. Hynes Canaccord Genuity Corp., Research Division – Analyst

And as a quick follow-up, Mike. It sounds like you're moving upmarket, engaging with more large enterprises pretty rapidly. Are you seeing a higher mix of Snowflake usage on Microsoft Azure? Or should we pencil in AWS sticking around, say, I think it's been 80% to 85% of the usage? Do you think it would hang in there for this fiscal year?

Michael P. Scarpelli Snowflake Inc. – CFO

I think AWS will continue to be our largest cloud for quite some time, but we are definitely seeing a lot of large enterprise customers choosing to go with Microsoft. But you -- as I mentioned, the revenue is lagging when we book a deal. So it's going to be the second half of the year. And even in 2020 -- or fiscal 2023, I think you're going to see Azure kick up as a percentage, but we still think AWS will remain our #1 cloud partner.

David E. Hynes Canaccord Genuity Corp., Research Division – Analyst

Congrats.

Operator

Your next question comes from the line of Tyler Radke with Citi.

Tyler Maverick Radke Citigroup Inc., Research Division – VP & Senior Analyst

I wanted to ask you about that, the strength there. I wanted to see if that's helping you accelerate the win of new logos, if you're able to land with that use case and maybe a customer where you hadn't been successful before. And then as I think about that going forward, I mean, do you think data sharing could get to a point where you start breaking out that revenue over time?

Frank Slootman Snowflake Inc. – Chairman, CEO & President

Well, I'm certainly hoping that we will break out that revenue over time. But obviously, that's -- we're not there, and we don't know when that will be, but you'll be the first to know.

What I will tell you, the data cloud conversation is so highly differentiated that even in accounts that are completely dominated by incumbents that it reopens the conversation, and we've seen that over and over and over. And so it's -- we love it because it's just -- the conversation goes from just modernizing existing workloads, bringing them to the cloud, doing POCs, benchmarking. So all of a sudden, we're talking about complete innovation transformation. And that's inspiring for the customer. And obviously, it's great for Snowflake. Yes.

Michael P. Scarpelli Snowflake Inc. – CFO

I will just add to that, Tyler, that I don't anticipate breaking out data sharing revenue anytime because it will be difficult. And the reason I say that is because the whole data sharing is going to drive people to use Snowflake because they're going to have to consume their data, but that's just a piece of their data. What they will then do is do everything on Snowflake where they're pulling their own data sources from other places. So it's all co-mingled together. At the end of the day, what data sharing does is it drives stickiness, and it drives consumption.

Tyler Maverick Radke Citigroup Inc., Research Division – VP & Senior Analyst

Got it. I think Frank got my hopes up around the disclosure there.

Michael P. Scarpelli Snowflake Inc. – CFO

He's not the accountant.

Tyler Maverick Radke Citigroup Inc., Research Division – VP & Senior Analyst

Just a follow-up, just as you're thinking about this year, curious how your assumptions are on close rates and what you're putting into the forecast relative to last year as you think about the macro environment.

Michael P. Scarpelli Snowflake Inc. – CFO

I would just say we gave guidance for next year, and you're going to continue to see growth next year, and we feel very good about what we're seeing right now. And we're not really seeing any impact on the macro in our business at all.

Operator

Your next question comes from the line of Mark Rende with Morgan Stanley.

Mark Joseph Rende Morgan Stanley, Research Division – Research Associate

Mark Rende for Keith Weiss. Congrats on the strong quarter. I guess just one for me. With the evolution of the go-to-market towards vertical-specific solutions, as you look to better penetrate large customers, like is there anything to call out in terms of potential impact on the pace of large deals or execution more broadly? And then I guess, generally, what verticals are next after kind of financial services?

Frank Slootman Snowflake Inc. – Chairman, CEO & President

Well, in terms of verticals, media is -- media and tech are huge financial services, health care, life sciences, public sector and the whole replatforming going on in the software company data applications, so there's -- then we have, obviously, retail -- consumer packaged goods is a very important vertical for us also. So we have a lot of concurrent activity going on. Most of it is really related to our customers' understanding who else is on Snowflake inside their vertical, how are they using it, what are the use cases, what are the outcomes, how are they doing it? And for us to be very, very proficient and then also in terms of what is the data marketplace and data cloud context in that vertical, in other words, what data sources are they using on the outside? Are they providing data? Are they consuming data from the outside?

So those are really the conversation that we're shifting towards. I mean what are they getting out of it in terms of business benefit and outcomes? And it's very, very specific to their business. So this is a considerable shift because in the past, there was always workload comparisons, POCs, benchmarks, how fast is this in-depth job running versus this query. Now we're at a level where we're really fully engaged at the top of the house and the business itself. So it's very great for us because the IT selling motion, while there's nothing wrong with that, this brings another level of strength to our outreach.

Operator

Your final question comes from the line of Andrew Nowinski with D.A. Davidson.

Andrew James Nowinski D.A. Davidson & Co., Research Division – MD & Senior Research Analyst

So I just want to start with a question on the $1 million or more customers. Really strong growth again this quarter, and I know it's a trailing 12-month calculation. So I'd assume some of that is coming from your existing customers versus new customers. But I'm just wondering if you could provide any more color or maybe around what's driving that.

Michael P. Scarpelli Snowflake Inc. – CFO

Well, I would say 100% of that is coming from existing and old customers because, as I said, any customer we signed up in the current last fiscal year, it takes them 6-plus months to ramp those significant customers. So it's really coming from our existing customers, and we have a number of other customers that are on the cusp of that. So we think we'll continue to see that growth in million-dollar-plus trailing 12-month revenue customers going into next year.

Andrew James Nowinski D.A. Davidson & Co., Research Division – MD & Senior Research Analyst

That's great. And then maybe just a quick follow-up on your guidance. Q1 certainly looks -- I mean coming off a great Q4, Q1 looked a little bit lower than expected. But then the annual outlook was fantastic across the board across all metrics. So it looks like you're expecting somewhat more of a stronger back half of the year. I'm just wondering if you could provide any more color on kind of assumptions for Q1 near term versus the back half of the year.

Michael P. Scarpelli Snowflake Inc. – CFO

Yes. I don't think that's correct, Andrew. Q1 is actually a very strong guide relative to where consensus is, and we're seeing strength into Q1 in our business. And I think the guidance for the full year is prudent given this is the start of the fiscal year.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.