



August 21, 2025

# Snowflake, Inc. (SNOW: \$194.83 - NEUTRAL)

Important disclosures can be found in Appendix

## SNOW: 2Q Appeared to Finish Ahead, Partners Expecting Consistent Growth in FY26 (Cleveland Research)

### Key Points

- 2Q appeared to finish ahead of plan driven by existing customer expansion and continued strength in core – new logo additions appear better YTD
- Partner outlooks calling for at least consistent growth in FY26; longer-term outlooks appear more optimistic on AI opportunity

### Read-through to the Model

- Modeling 2Q26 product revs of \$1.05B (+26.5% Y/Y) and EBIT of \$93M (8.5% margin) vs. cons of \$1.04B (+25.5% Y/Y) and \$88M (8.1% margin)
- Modeling FY26 product revs of \$4.35B (+26% Y/Y) and EBIT of \$396M (8.7% margin) vs. cons of \$4.34B (+25% Y/Y) and EBIT of \$382M (8.4% margin)

### 2Q26 (Jul-25Q) Guidance

- Product revs of \$1.03B-\$1.04B (+25% Y/Y), EBIT margin of 8%

### FY26 (Jan-26) Guidance

- Product revs of \$4.33B +25% Y/Y, EBIT margin of +8%, Product GM of 75%, FCF margin of 25%

### Conclusion

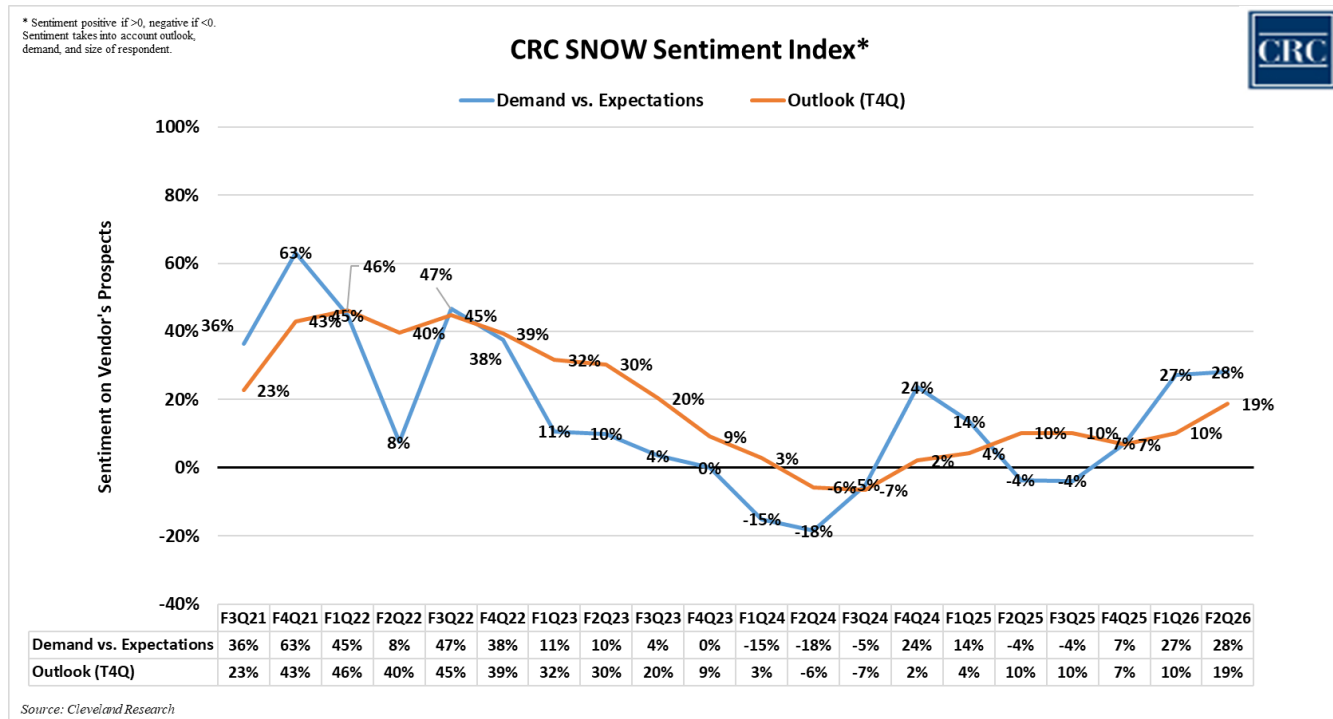
Latest work on SNOW suggests partners finished ahead of plan for consumption and slightly ahead for signings in F2Q. SNOW appeared to benefit, within a strong end market, from existing customer expansion for core and to a lesser extent newer products. Feedback on Cortex production came back marginally more positive for horizontal and vertical use cases. Signings appeared to benefit from mid-sized migration deals, a large Federal deal, and new logo growth. Partners are maintaining outlooks for consistent growth in FY26 supported by plans for continued prioritization of data and AI initiatives as well as expectations for a modest pick up in new product contribution. We are taking numbers up for F2Q and FY26, now modeling 26.5% growth and see a path to consistent growth (~30% vs. cons +25%) should current trends hold.

Snowflake Earnings and Market Data Summary							Rating: NEUTRAL								
CRC		Cons		CRC		Cons									
1Q26	\$	0.26													
2Q26E	\$	0.29	\$	0.27			Shares Outstanding					333	ROE (Trailing 4 Qs)	1057%	
3Q26E	\$	0.27	\$	0.28			Market Cap (mm)					\$64,273	Book Value/Shr	\$34.86	
4Q26E	\$	0.36	\$	0.31			52-Week High					\$229.3	Net Cash/Shr	\$5.60	
FY26E EPS	\$	1.19	\$	1.13	FY27E EPS	\$	1.56	\$	1.57	52-Week Low	\$107.1	Revenue (Trailing 4Qs)	\$959		
FY26E FCF	\$	1,159	\$	1,119	FY27E FCF	\$	1,449	\$	1,461	AVG Daily Volume	4.7	5-Year Growth Rate	N/A		
P/E		170.0		P/E		121.7									
P/FCF		57.4		P/FCF		44.0									



## Highlights

- F2Q appeared to finish ahead for consumption and slightly for signings.** A net 28% of partners finished ahead of plan in the Q, up from 27% ahead last Q, and 4% below a year ago.



Partners finished ahead of plan with SNOW, at a similar to slightly better magnitude than 90 days ago. Strong end market for core analytics and existing customer expansion appeared to drive upside. Feedback on Cortex was better this round for production use cases.

Consumption growth appeared to finish ahead of plan with growth seen at least similar to F1Q. Favorable end market for core remains the main driver as organizations modernize existing data estates and laggards migrate to cloud data systems to prep for AI. Existing customer expansion appeared to continue to trend positively (saw marginal improvement last Q) supported by data engineering and Cortex usage. Partners noted Cortex use cases for data extraction, natural language querying, and OCR. Limiting upside, we hear the lack of availability for SNOW Cortex is resulting in pent-up demand for some regions (UK/Europe). Connectors were also called out as helping consumption as organizations add and refresh data from more 3P SaaS sources.

Signings appeared to finish slightly ahead supported by new logo growth and some large deals. We hear SNOW signed a 5-year deal with a Federal Agency for ~600TB of data ingest as well as good volume of mid-sized legacy migrations. Partners also appeared encouraged with the improved trend of new logo additions with SNOW's execution and product roadmap seen driving more customers to the platform. We continue to hear Databricks outperforming SNOW for large, new data platform expansion opportunities, with end market seen strong enough to support both.

**We are modeling product revenue growth of 26.5%, ahead of guidance and cons calling for 25.5% - see another potential 2-3pts of upside to this figure.**



**2. FY26 outlooks maintained for at least consistent growth. Medium-term outlooks trending more positive on uptake for newer products and end market.**

Partners in our work are forecasting at least consistent growth for their SNOW practices, with some planning for acceleration based on new workload expansion (data engineering, AI/ML). Pipeline growth is primarily supported by the core business for migrations and data estate modernization – seeing an increase in laggards starting to embark on data foundation projects.

Medium-term (8-16 month) outlooks, appear more positive on SNOW's product road map and positioning. Partners in our work feel better on SNOW's AI positioning and strategy relative to this time last year. Partners are encouraged by improvements in functionality and usage of Cortex with some building service offerings tied to vertical-specific use cases for Cortex (i.e. dispute resolution, fraud detection, KYC). OpenFlow pipeline also appears favorable with partners leaning favorable on the new product for FY27. We would also note an increase in consolidation in the SNOW partner ecosystem as more GSIs appear to be acquiring boutique consultancies – typically a positive leading indicator.

**Overall, we are modeling FY26 product revenue at 26% (vs. our prior and cons of 25%) and continue to see potential for upside to consistent growth with FY25 (~29-30%).**



8/21/2025

Snowflake, Inc. (SNOW)

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	Jan-24	Jan-25	Apr-25	Jul-25	Oct-25	Jan-26	Jan-26	Jan-27
	FY24	FY25	1Q26	2Q26E	3Q26E	4Q26E	FY26E	FY27E
<b>Product Revenue</b>	\$2,667	\$3,462	\$997	\$1,049	\$1,134	\$1,189	\$4,369	\$5,400
Y/Y	38%	30%	26%	27%	26%	26%	26%	24%
% of total rev	95%	95%	96%	96%	96%	96%	96%	96%
<b>Professional services and other</b>	\$140	\$164	\$45	\$46	\$48	\$50	\$189	\$217
Y/Y	10%	17%	16%	15%	15%	15%	15%	15%
% of total rev	5%	5%	4%	4%	4%	4%	4%	4%
<b>Total Revenues</b>	<b>\$2,806</b>	<b>\$3,626</b>	<b>\$1,042</b>	<b>\$1,095</b>	<b>\$1,182</b>	<b>\$1,239</b>	<b>\$4,558</b>	<b>\$5,617</b>
Y/Y Rev Growth	36%	29%	26%	26%	26%	26%	26%	23%
<b>COGS</b>								
Non-GAAP Product Gross Profit	\$2,076	\$2,636	\$754	\$787	\$851	\$891	\$3,283	\$4,158
Y/Y	42%	27%	24%	24%	25%	25%	25%	27%
Non-GAAP Product GM	78%	76%	76%	75%	75%	75%	75%	77%
<b>Non-GAAP Services Gross Profit</b>	<b>\$7</b>	<b>\$12</b>	<b>-\$2</b>	<b>\$3</b>	<b>\$7</b>	<b>\$1</b>	<b>\$9</b>	<b>\$11</b>
Y/Y	-25%	67%	-211%	15%	15%	15%	-20%	15%
Non-GAAP Services GM	5%	7%	-4%	6%	15%	2%	5%	5%
<b>Total cost of revenues</b>	<b>\$899</b>	<b>\$1,215</b>	<b>\$349</b>	<b>\$353</b>	<b>\$380</b>	<b>\$398</b>	<b>\$1,480</b>	<b>\$1,686</b>
Y/Y	25%	35%	28%	22%	18%	19%	22%	14%
<b>Non-GAAP Gross Profit</b>	<b>\$2,083</b>	<b>\$2,647</b>	<b>\$752</b>	<b>\$790</b>	<b>\$858</b>	<b>\$892</b>	<b>\$3,292</b>	<b>\$4,168</b>
Y/Y	42%	27%	23%	24%	25%	25%	24%	27%
Non-GAAP Gross Margin	74%	73%	72%	72%	73%	72%	72%	74%
<b>Operating Expenses</b>								
Sales and Marketing	\$1,392	\$1,672	\$459	\$509	\$532	\$545	\$2,045	\$2,640
% of revs	50%	46%	44%	47%	45%	44%	45%	47%
y/y	26%	20%	14%	27%	21%	26%	22%	29%
R&D	\$1,288	\$1,783	\$472	\$467	\$520	\$533	\$1,993	\$2,415
% of revs	46%	49%	45%	43%	44%	43%	44%	43%
y/y	63%	38%	15%	7%	18%	8%	12%	21%
G&A	\$323	\$412	\$210	\$129	\$142	\$130	\$610	\$558
% of revs	12%	11%	20%	12%	12%	11%	13%	10%
y/y	9%	28%	125%	32%	34%	13%	48%	-9%
<b>Total Operating Expenses</b>	<b>\$3,003</b>	<b>\$3,868</b>	<b>\$1,141</b>	<b>\$1,105</b>	<b>\$1,194</b>	<b>\$1,208</b>	<b>\$4,648</b>	<b>\$5,613</b>
% of revs	107%	107%	109%	101%	101%	98%	102%	100%
Y/Y OpEx Growth	37%	29%	26%	18%	21%	16%	20%	21%
<b>Non-GAAP EBIT</b>	<b>\$230</b>	<b>\$232</b>	<b>\$91.7</b>	<b>\$93.1</b>	<b>\$92.8</b>	<b>\$118.9</b>	<b>\$396</b>	<b>\$461</b>
Y/Y Growth	141%	1%	153%	113%	58%	28%	71%	16%
Non-GAAP EBIT Margin	8%	6%	8.8%	8.5%	7.8%	9.6%	8.7%	8.2%
<b>Non-GAAP Net Income</b>	<b>\$351.75</b>	<b>\$303.09</b>	<b>\$87.42</b>	<b>\$97.77</b>	<b>\$91.21</b>	<b>\$118.68</b>	<b>\$395</b>	<b>\$561</b>
Diluted shares			333	333	333	333		
<b>EPS</b>	<b>\$0.97</b>	<b>\$0.83</b>	<b>\$0.26</b>	<b>\$0.29</b>	<b>\$0.27</b>	<b>\$0.36</b>	<b>\$1.19</b>	<b>\$1.56</b>
Y/Y EPS			-83%	65%	-36%	-16%		
Source: Cleveland Research Estimates								

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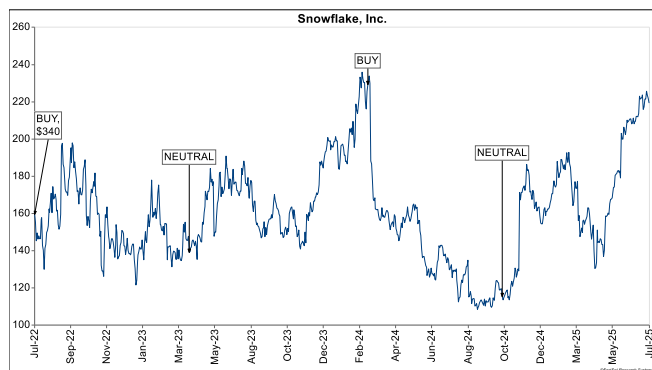
## APPENDIX

### Important Disclosures

Important Disclosures can be found at [www.cleveland-research.com/clients/disclosures](http://www.cleveland-research.com/clients/disclosures)

### Companies Mentioned

Snowflake, Inc. (SNOW: \$194.83 – NEUTRAL)



### Cleveland Research Company - Ratings Distribution

Rating	Percent
Buy	26%
Neutral	74%
Underperform	0%

#### **Disclosures**

**Buy:** The stock's return is expected to exceed the market due to superior fundamentals and positive catalysts.

**Underperform:** The stock's total return is expected to underperform the market due to weak fundamentals and a lack of catalysts.

**Neutral:** The stock is expected to be in line with the market due to full valuation and/or a lack of catalysts.

**Valuation and Risk:** Price targets are established under various valuation methods including P/E, P/S, EV/EBITDA on financial estimates based on forward earnings. Price targets are not established for every stock. The price target's effectiveness may be affected by various outside factors. Risk assessments can be found in the most recent research on these stocks

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