

Flurries Before the Blizzard - Survey Says Robust Demand, Breakout Still Ahead

Our proprietary SNOW survey indicates robust demand (pipeline, growth outlook, AI optimism) but no inflection yet. SNOW is our top AI breakout pick and we think the F2Q setup is achievable (positive checks/encouraging RPO growth), though we expect a bigger 2H AI ramp. ESTC remains a show me story, but we think there's upside to the conservative FY26 guide from productivity ramps + search AI tailwinds, with valuation at 4x CY26 rev below takeout range of 5-7x.

SNOW Partner Survey Says: Demand Trending Up But Still Waiting for the Breakout. We surveyed 20 SNOW partners to gauge demand and other key debates around SNOW (AI traction, Iceberg Tables, data warehouse migration, competitive dynamics, etc). Key takeaways: 1) 70% of partners either hit or exceeded their plans in F2Q; 2) overall pipeline remained robust with 50% of partners seeing q/q improvement; 3) growth expectations slightly (but not significantly) higher in '25 vs '24; 4) AI momentum building, but still early days with a long runway ahead; 5) limited macro impact in F2Q, and most do not expect macro to get worse in 2H.

SNOW (Buy, \$250 PT) - F2Q Setup. We continue to favor SNOW as one of our top picks as an AI breakout play and trusted data foundation for AI. The F2Q earnings setup seems balanced, with product rev calling for \$1035-1040M (or 25% y/y growth), implying a 1pt sequential decel on a 4pt tougher comp. The bogey for product rev growth is at 29-30% in F2Q, which assumes a ~4% beat over the midpoint of guide (in-line with average beat), as well as some pass through to the FY26 guide. SNOW's updated FY26 product rev outlook calls for \$4.325B (25% y/y growth) vs. \$3.462B (30% growth) in FY25. The current outlook implies \$877M in net adds y/y, vs \$796M net adds in FY25 and \$728M in FY24. While the current guide embeds a modest acceleration in absolute net adds, we believe this could prove conservative given the ramp of multiple new product modules launched in recent quarters (Cortex AI, Iceberg Tables, Native Apps, Snowpark Container Services, Streamlit in Snowflake, and Unistore) which should contribute more meaningfully in 2H26. F2Q Street estimates for RPO call for \$6.79B or 30% y/y growth, a 4pt sequential growth deceleration on a 2pt tougher growth comp (from 46% in F1Q to 48% in F2Q). SNOW trades at 13x CY26E rev, in-line with large cap avg of 13x. We believe the stock can rerate on any 2H lift in the AI narrative. See inside for 40+ page deck including F2Q partner survey

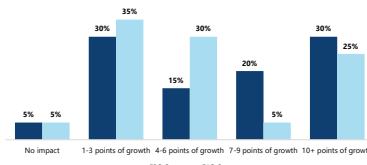
ESTC (Buy, \$110 PT) - F1Q Setup. ESTC enters F1Q26 following a volatile FY25 marked by early-year sales execution challenges and a guidance reset, followed by a rebound in F2Q/F3Q and a mixed F4Q (robust demand trends tempered by U.S. Public Sector headwinds). The F1Q setup is reasonable but by no means easy. Revenue guidance implies 14% y/y growth and a modest sequential acceleration vs. F4Q on an easier comp. The midpoint suggests ~4% q/q growth, in line with historical seasonality. Mgmt's initial FY26 guidance called for revenue of ~\$1.66B at the midpoint (12% y/y growth and below cons at \$1.69B). On profitability, ESTC is guiding to a non-GAAP op margin of ~16%, up from 15% in FY25, and FCF margins in the high teens. Key factors that could influence the FY26 outlook include the pace of sales productivity improvements following GTM restructuring, the timing of generative AI monetization as projects move from proof-of-concept to production, and the durability of consumption trends. While near-term growth headwinds and execution risk persist, we think there is upside potential from sales productivity ramps and GenAI demand tailwinds to search that could drive the stock above its current 4x CY26E rev multiple.

KEY STOCKS FEATURED INCLUDE:

TICKER	RATING	PRICE TARGET
SNOW	BUY	\$250.00
ESTC	BUY	\$110.00

Exhibit 1 - Increasing AI Optimism

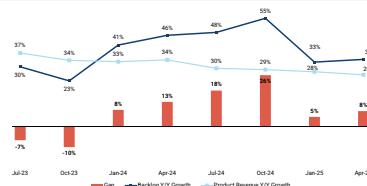
Q: How much do you expect SNOW AI modules to contribute to your practice growth in 2025?



Source: Jefferies Proprietary Survey (n=20)

Exhibit 2 - Backlog Growth > Top-Line Growth Gives Us Confidence in Reacceleration Narrative

Narrative



Source: Jefferies, Company Data

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Summary of Changes

Company	Rating	Price^	Price Target	EPS Estimates			P/E		
				2024	2025	2026	2024	2025	2026
Snowflake SNOW	BUY	\$194.68	\$250.00	\$0.97	\$0.82	\$1.01	NM	NM	NM
Elastic ESTC	BUY	\$77.59	\$110.00	\$1.20	\$2.04	\$2.29	64.9x	38.0x	33.9x

[^]Prior trading day's closing price unless otherwise noted.

SOFTWARE

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AUGUST 2025



Table of Contents

I	SNOW Partner Survey	<u>3</u>
	1. F2Q Business Momentum and CY25 Expectations	<u>5</u>
	2. Competitive Positioning	<u>22</u>
	3. Survey Demographics	<u>30</u>
II	Earnings Previews (SNOW & ESTC)	<u>36</u>
III	Financials	<u>44</u>

SECTION I

SNOW Partner Survey

F2Q Survey: Demand Trending Up But Still Waiting for the Breakout

1

70% of partners either hit or exceeded their plans in F2Q

- 40% of partners exceeded their plans (15% were >10% above plan, 5% were >30% above plan)

2

Pipeline remained robust through F2Q

- 50% of partners cited pipeline improvement in the last 3 months (20% saw a >10% improvement, 10% saw a >20% improvement)

3

Growth expectations slightly (but not significantly) higher in '25 vs '24

- Partners expect ~1pt of growth acceleration in CY25 (11% growth in '25 vs 10% in '24)
- 20% of partners expect >20% y/y growth, 15% expect >30% growth, 10% expect >40% growth, 5% expect >60% growth

4

AI momentum building, but still early days with a long runway ahead

- 50% of partners expect >7pts of AI growth contribution in 2025, 30% expect >10pts
- 75% of partners noted that <10% of their practices are driven by AI-related use cases

5

Limited macro impact in F2Q, and most do not expect macro to get worse in 2H

- Macro uncertainty had ~3pts of negative impact in F2Q and expect ~3pts of impact in CY25
- 75% of partners expect macro impact to stay the same or get better in 2H

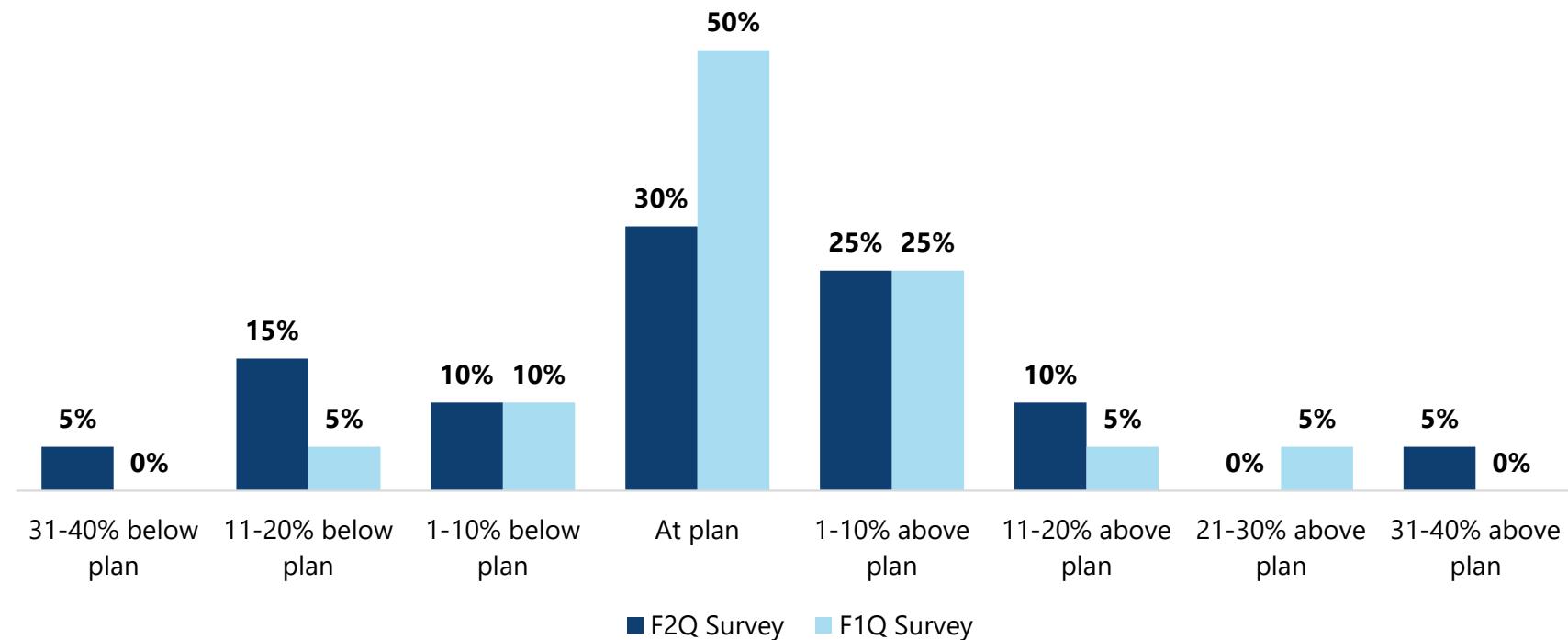
SUBSECTION 1

F2Q Business Momentum & CY25 Expectations

Most Partners Met or Exceeded F2Q Targets

The vast majority (70%) of partners either hit or exceeded their plans in F2Q, though a moderate decrease from 85% in our F1Q partner survey. While only 30% of partners finished the quarter at plan (down from 50% in F1Q survey), 40% were above plan (vs 35% in F1Q survey).

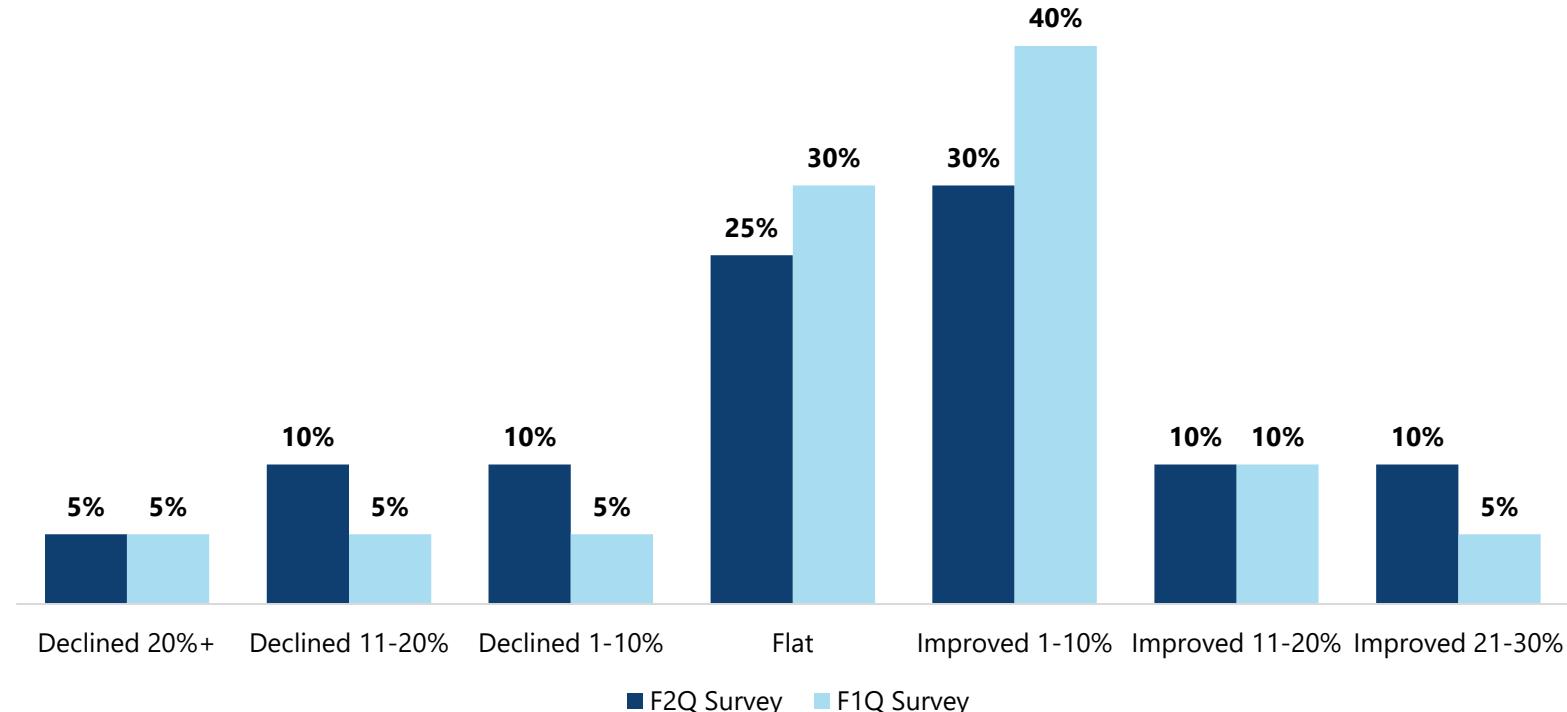
Over the past 3 months, how has your overall Snowflake related business performed?



Pipeline Remains Robust Through F2Q

50% of partners in F2Q (vs 55% in F1Q survey) saw sequential improvements in their SNOW pipelines, of which 20% cited >11% pipeline growth (up from 15% of partners in F1Q survey). 25% of partners noted flat pipelines and another 25% noted a decline in pipeline.

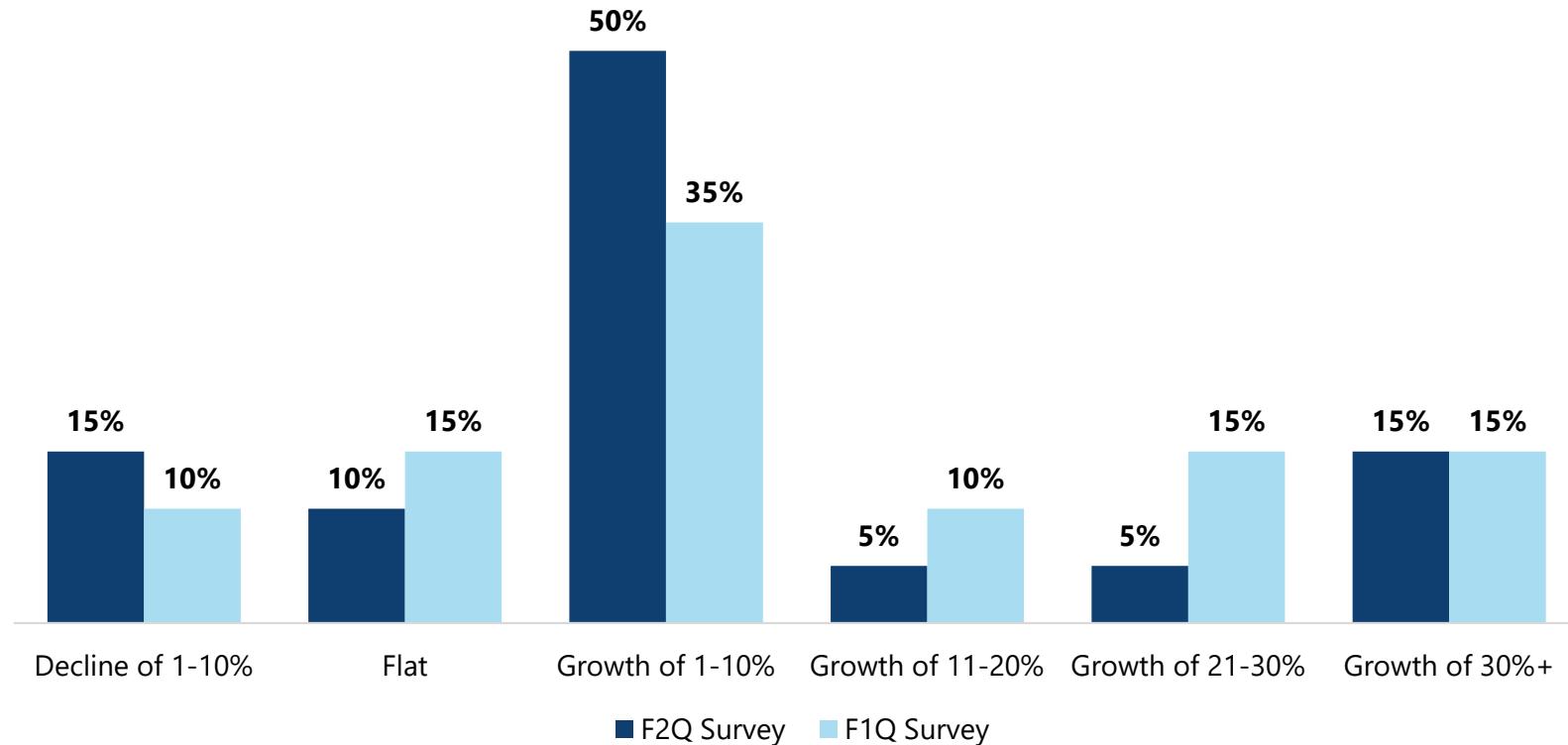
Has your Snowflake pipeline changed in the last three months when compared to the three months prior to that, and by how much?



Solid Growth Outlook in 2025, But No Inflection Yet

75% of partners expect positive practice growth in 2025. Within that, 50% expect single-digit growth (vs 35% in F1Q survey) and 25% expect double-digit growth (vs 40% in F1Q survey). We view the data as a signal that while 2025 is expected to be a good year for most partners, most have not yet reached an inflection point for growth.

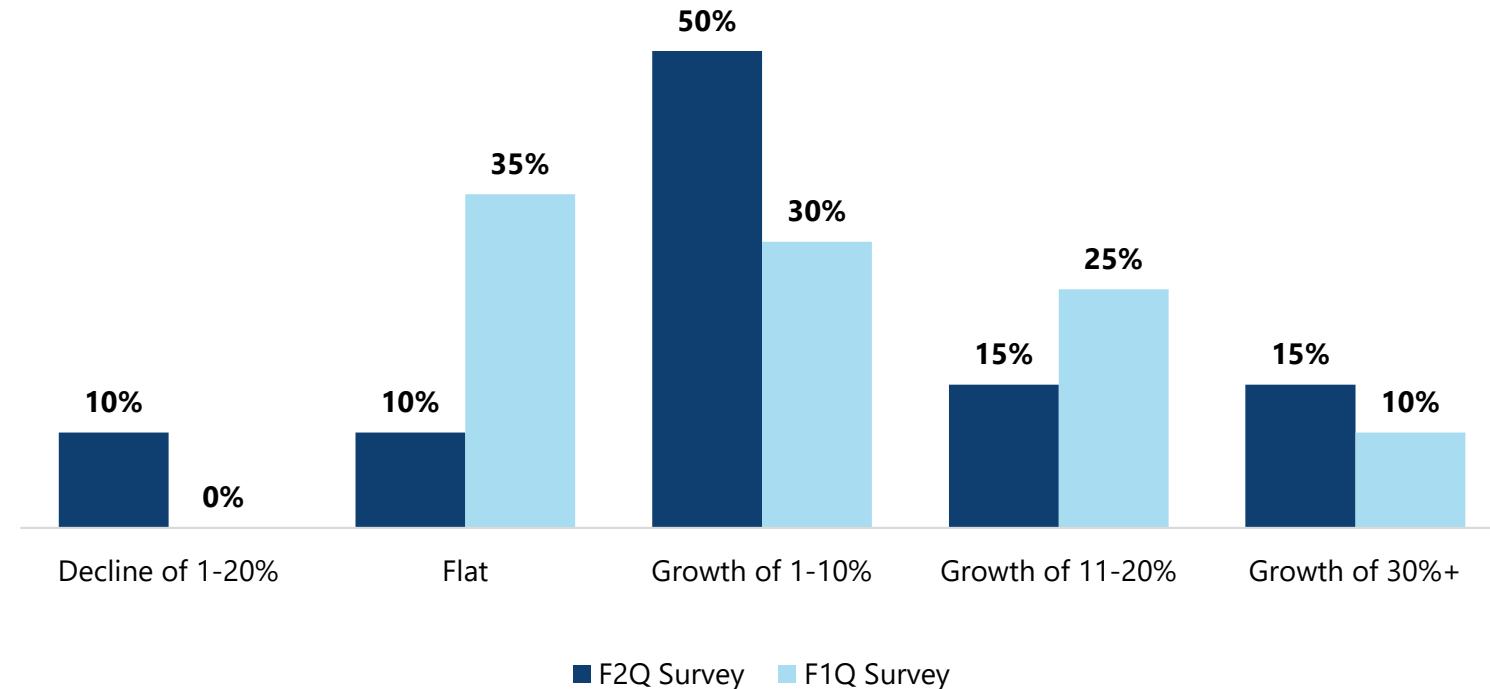
What are your growth expectations for your overall Snowflake practice in 2025?



Growth Expectations Slightly (But Not Significantly) Higher in '25 vs '24

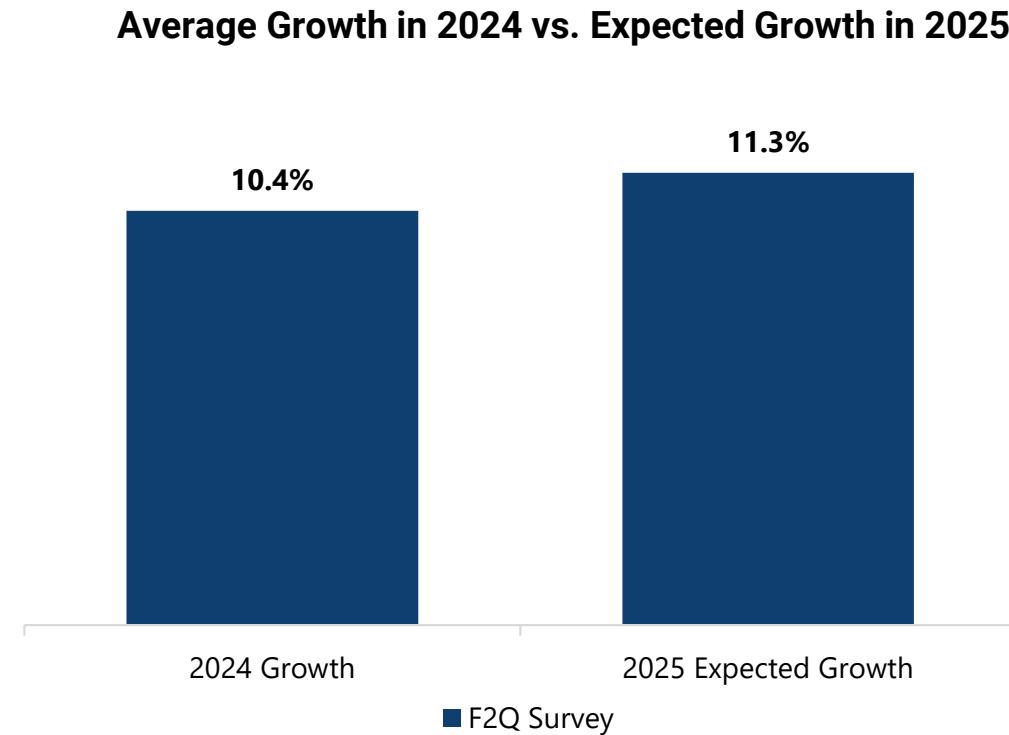
80% of partners delivered positive practice growth in 2024. Within that, 50% saw single-digit growth (vs 30% in F1Q survey) and 30% saw double-digit growth (vs 35% in F1Q survey). From an aggregate basis, the data again points to similar (but positive) growth rates in 2025 vs 2024, rather than an inflection in growth acceleration.

What did your overall Snowflake practice grow in 2024?



In Aggregate, Partners Anticipate ~1pt of Growth Acceleration in 2025

The F2Q partner cohort's SNOW practices grew 10.4% in 2024 and is expected to grow 11.3% in 2025. On an individual basis, 35% of respondents expect y/y practice growth acceleration in 2025 vs 2024, 50% expect similar growth, and 15% expect modest growth deceleration.

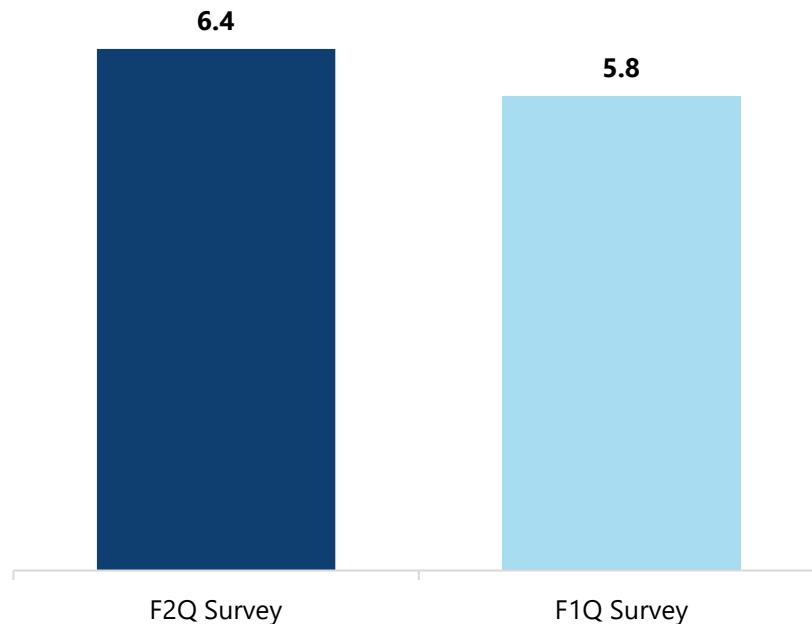


** Note: Weighted average calculation

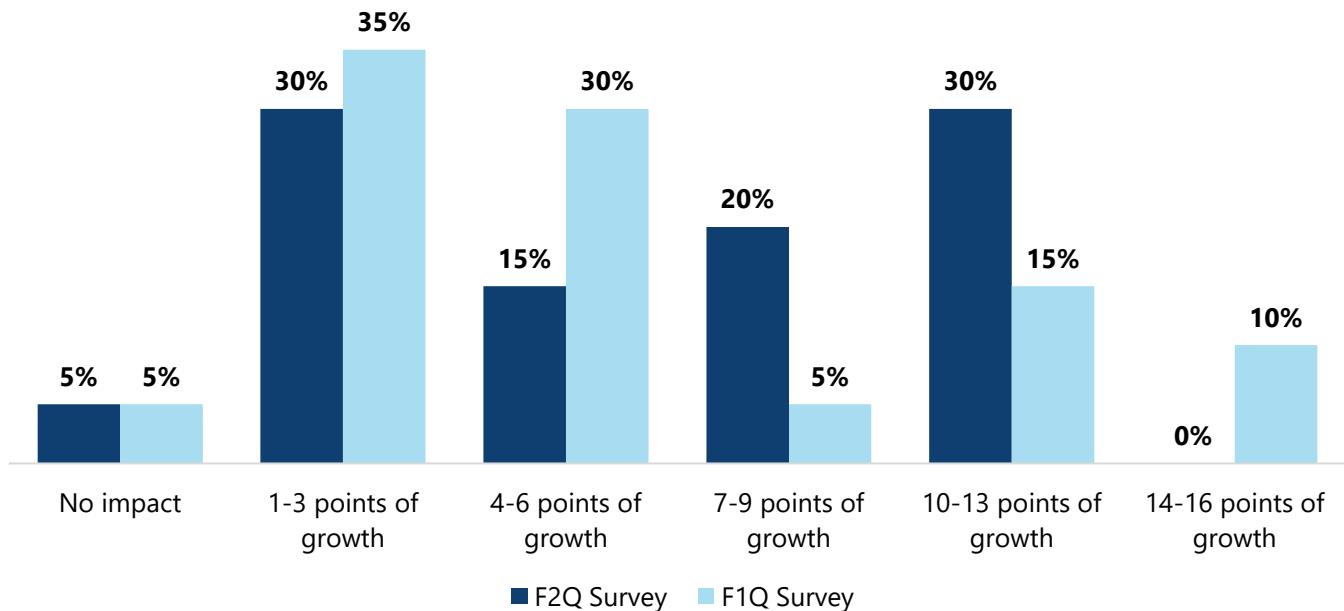
AI Growth Contributions Rising – Incoming 2H AI Ramp?

AI is expected to contribute ~6pts of growth in 2025, 60bps above the expected growth contribution from our F1Q survey. 30% of partners expect 10-13pts of AI growth and 20% expect 7-9pts of AI growth contribution in 2025, which screens positively and supports the narrative of a 2H ramp in AI-related product module rev contribution, in our view.

Average Expected AI Growth Contribution in 2025



How much do you expect AI initiatives (Cortex AI, Document AI, Snowflake Copilot, Arctic) to contribute to your growth in 2025?

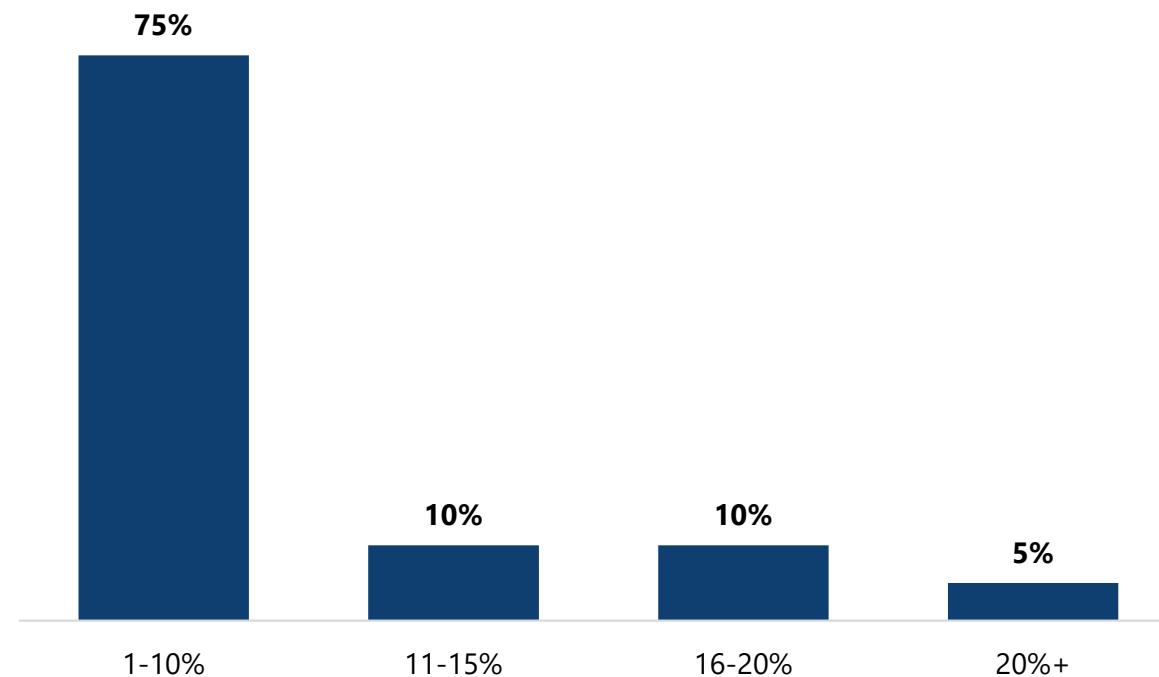


** Note: Weighted average calculation

Still Long Runway Ahead on Driving More AI-Related Use Cases

The vast majority (75%) of partners noted that <10% of their practices are driven by AI-related use cases. While this makes sense as many of SNOW's AI product modules have yet to fully ramp, this number needs to be meaningfully higher for the AI narrative to take off.

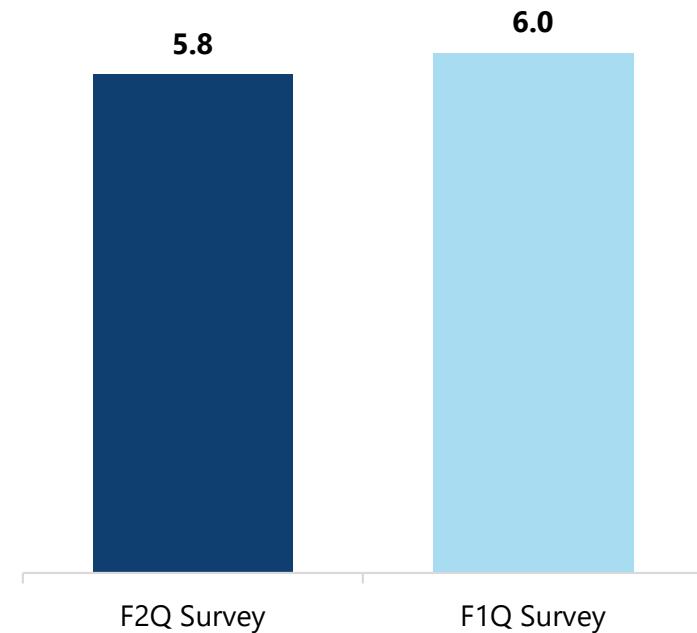
What portion of your Snowflake practice in 2025 do you anticipate will be driven by AI-related use cases?



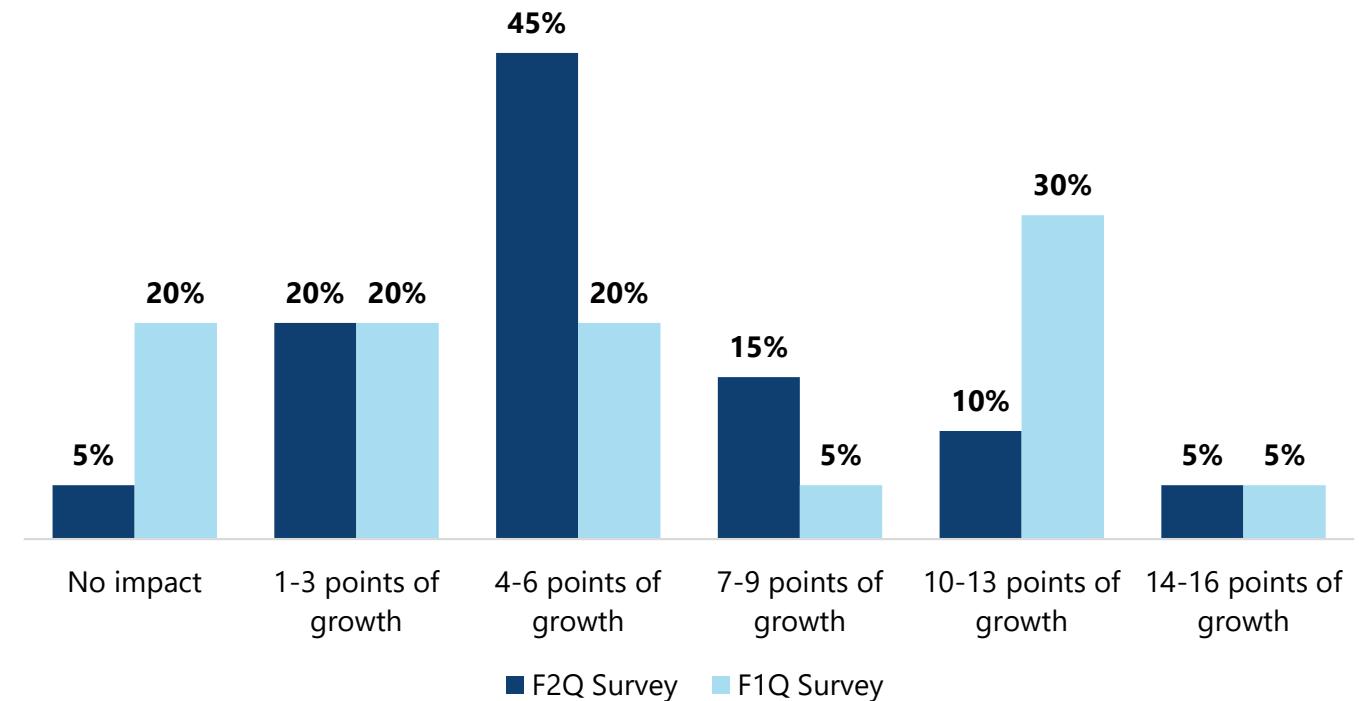
Sustained Momentum from Data Engineering

While responses varied last quarter, 60% of F2Q's partner cohort believes data engineering initiatives can contribute mid to high single digits of growth in 2025 (vs 25% in our F1Q survey). 15% of partners expect double-digit growth (vs 35% in our F1Q survey), while 5% anticipated no impact (vs 20% in our F1Q survey).

Average Expected Data Engineering Growth Contribution in 2025



How much do you expect data engineering initiatives (Snowpark, Snowflake Notebooks, Dynamic Tables, Snowpipe) to contribute to your growth in 2025?

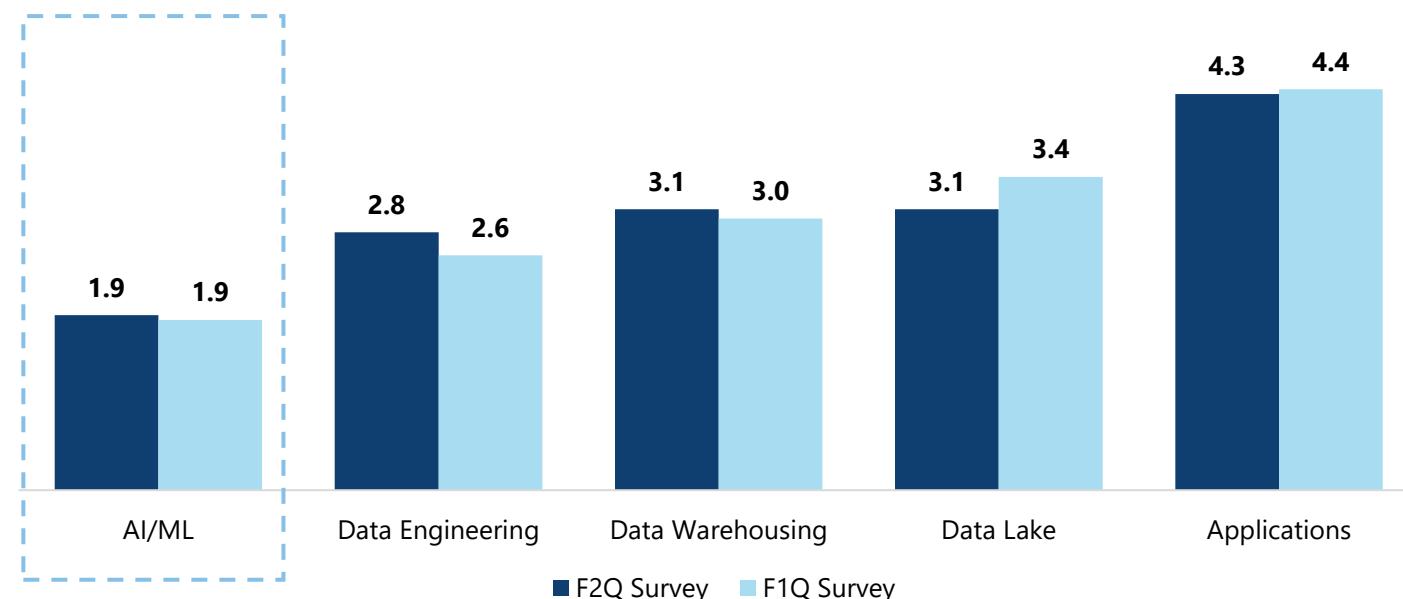


** Note: Weighted average calculation

Growing Optimism for AI Amongst Partners

Partners identified AI/ML as the primary catalyst for sales opportunities over the coming year. While adoption remains in early stages, these insights reinforce SNOW's AI-driven strategy and its continued focus on accelerating product innovation in the space.

Where do you see the most sales opportunity in the next twelve months?



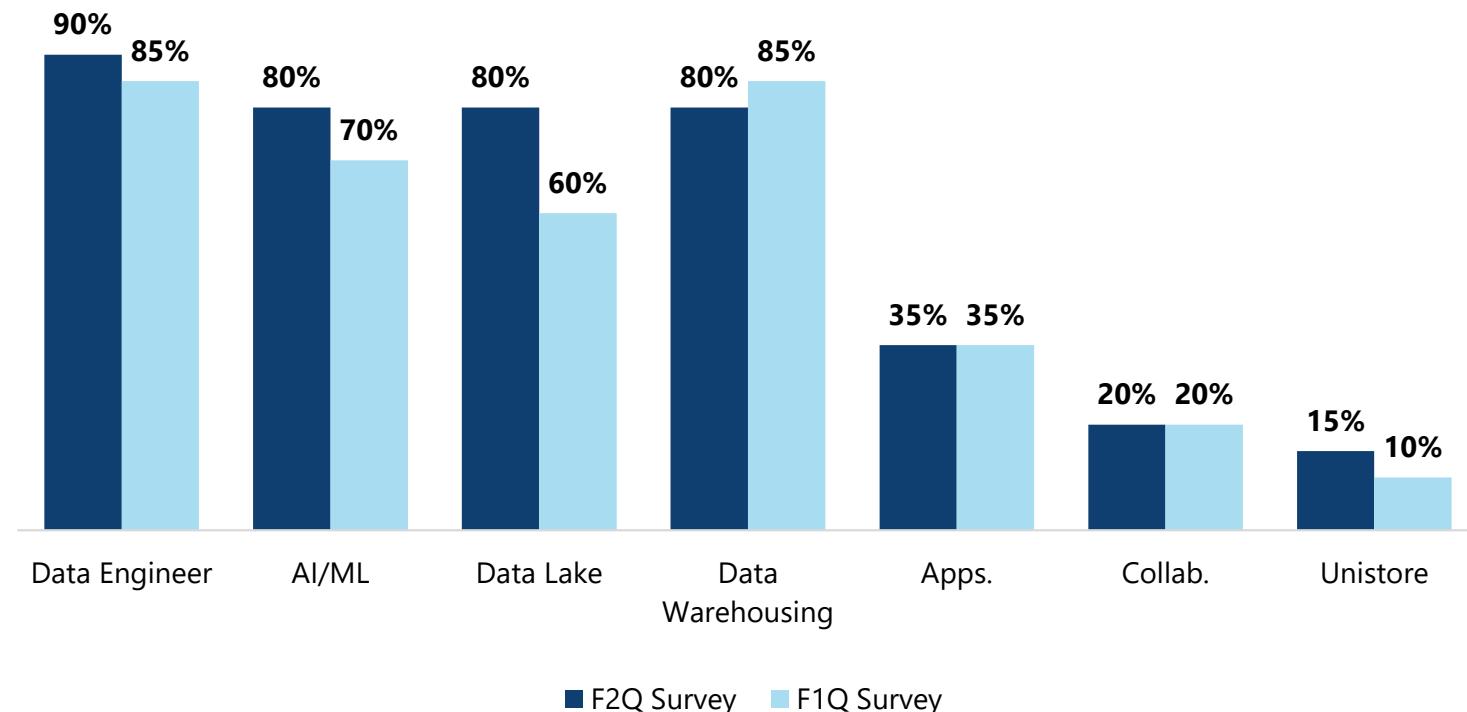
** Note: Full Question: "Please rank each category 1-6, with 1 being the most attractive sales opportunity and 6 being the least. If you don't have anything to add as "other", please rank 1-5".

** Note: Weighted average calculation

Data Engineering Leads in Partner Specialization

90% of partners specialize in data engineering, followed by AI/ML, Data Lake, and Data Warehousing each tied at 80%, and Apps at 35%.

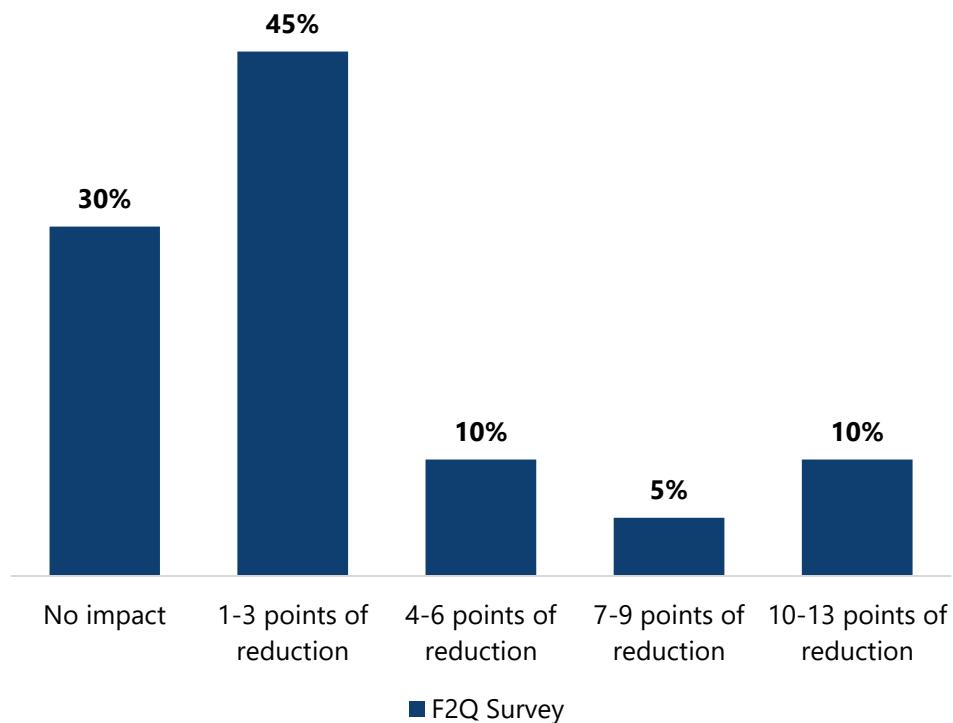
Which Snowflake workload or service areas does your practice specialize in?



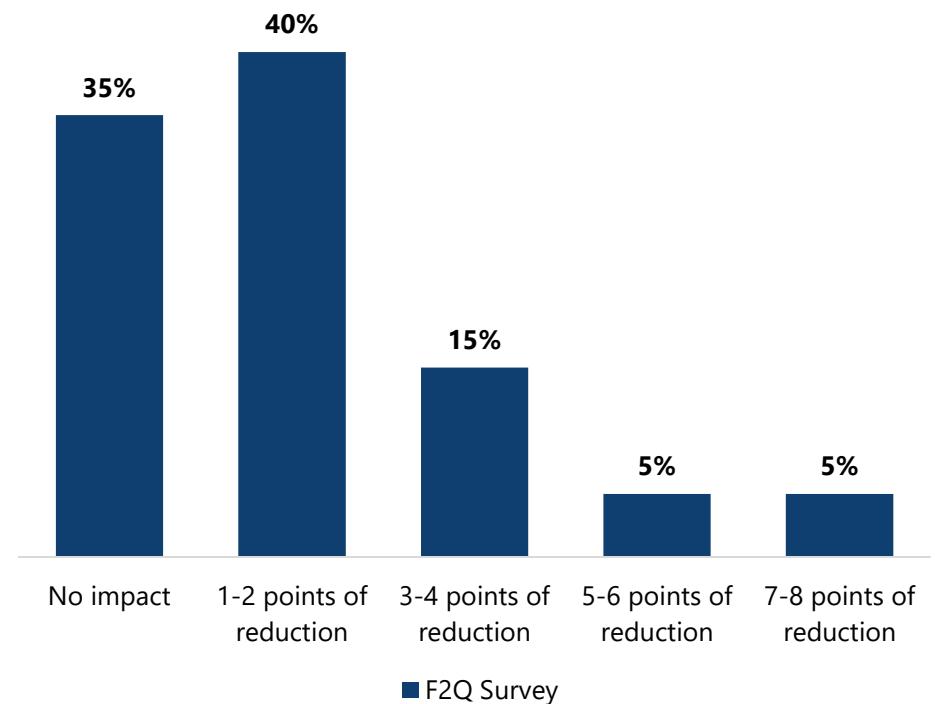
Limited Macro Impact in F2Q

On a weighted average basis, partners saw a 3pt macro impact to pipelines and a 2pt macro impact to growth during F2Q. On an individual basis, the majority of partners reflected a limited impact, with 75% reporting <3% impact to pipeline and <2% impact to practice revenue.

To what extent did macro uncertainty (tariffs and other federal policy changes) negatively impact your Snowflake pipeline during the past three months?

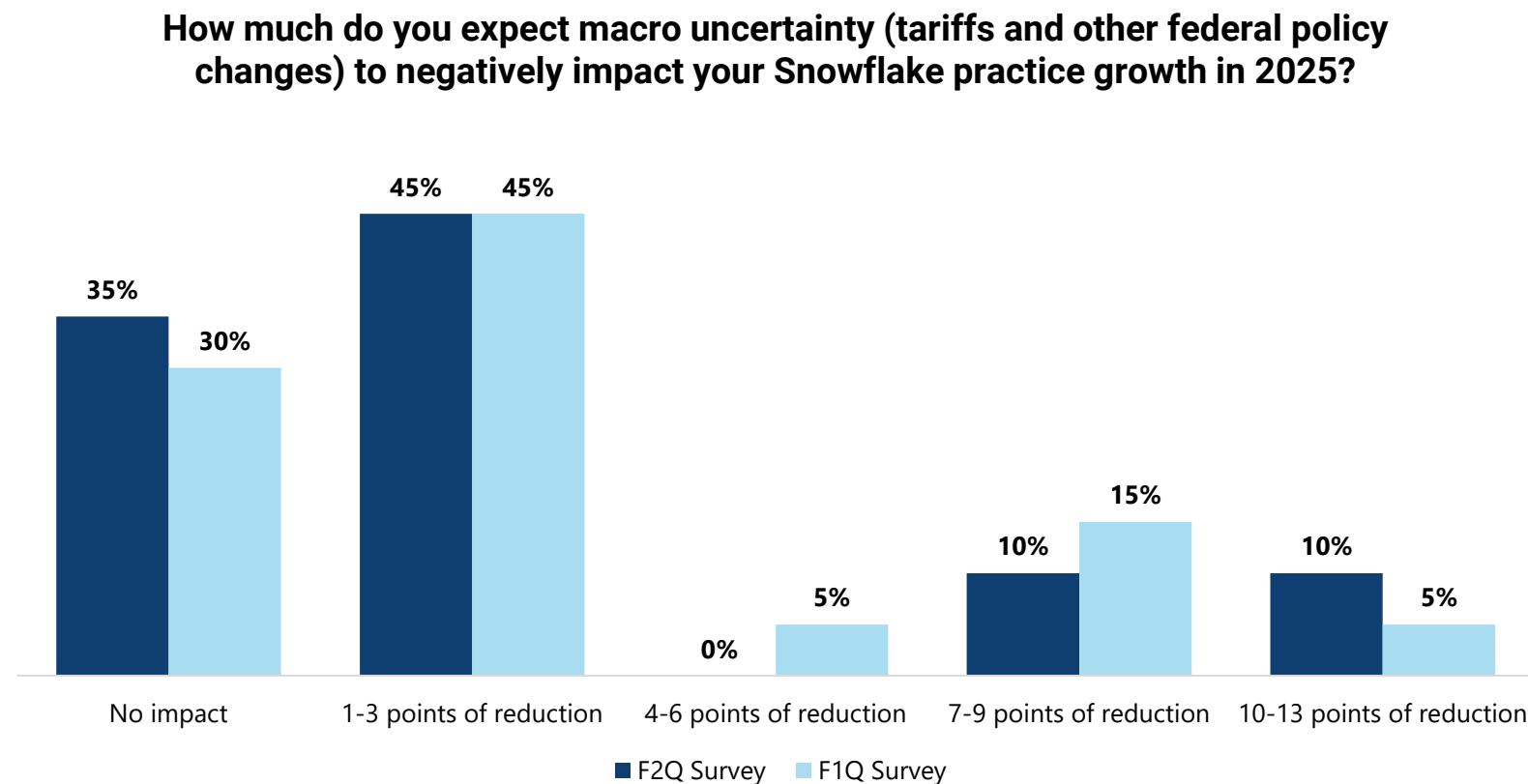


To what extent did macro uncertainty (tariffs and other federal policy changes) negatively impact your Snowflake practice (revenue) during the past three months?



Most Partners Do Not Expect Macro Impact to Get Worse in 2H

We then asked partners to assess their expectations from the macro impact for the full year. On average, partners expect ~3pts of negative impact on their SNOW practice growth in 2025. On an individual basis, 35% of partners expect no macro headwind, 45% expect <3pts of negative impact, and 20% expect >3pts of negative impact.



75% of Partners Expect Macro Impact to Stay the Same or Get Better

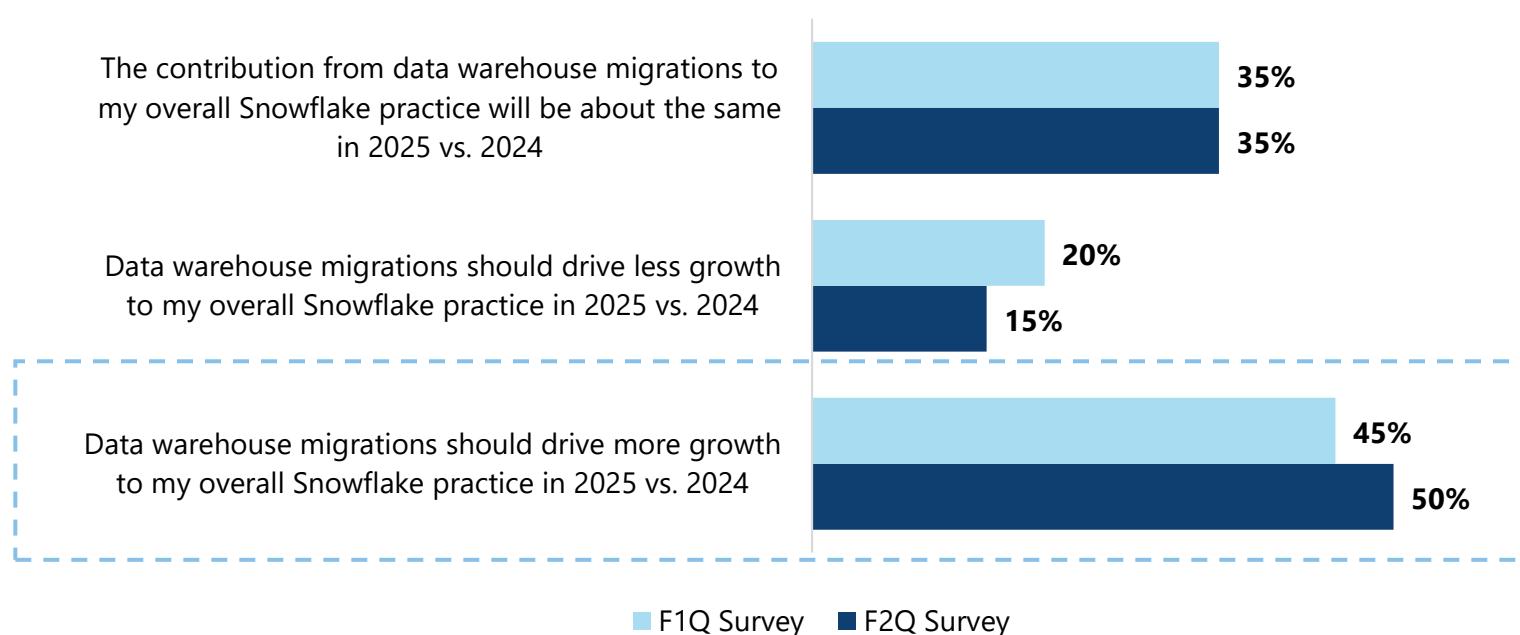
Macro Impact Over Last Three Months vs Expected Macro Impact in 2025

		Expected Macro Negative Impacts for '25			
		No impact	1-3 points of reduction	7-9 points of reduction	10-13 points of reduction
Macro uncertainty impact past 3 months	No impact	6	1		
	1-2 points of reduction	1	7		
	3-4 points of reduction		1	2	
	5-6 points of reduction				1
	7-8 points of reduction				1
	9-10 points of reduction				
	10+ points of reduction				

Growing Partner Confidence in Migration Trends for 2025

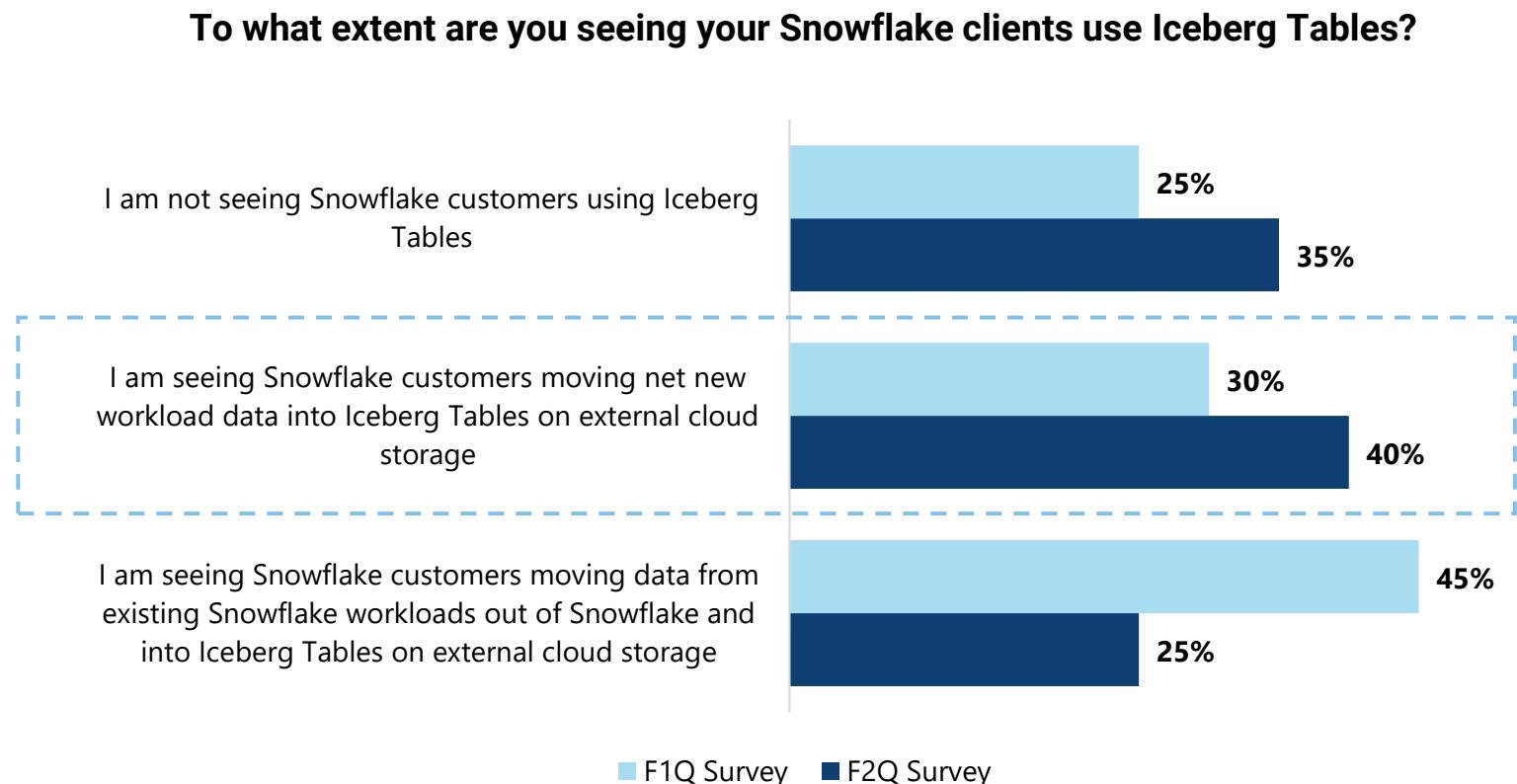
50% of partners believe data warehouse migrations should drive more growth to their SNOW practices in 2025 compared to 2024 (vs 45% of partners in our F1Q survey). 35% of partners (vs 35% in our F1Q survey) expect similar data warehouse migration activity in 2025 vs 2024, and 15% (vs 20% in our F1Q survey) expect a decline in migration activity.

Do you expect data warehouse migrations to drive more/less growth to your overall Snowflake practice in 2025 vs 2024?



Increasing Partner Engagement with Open Table Formats

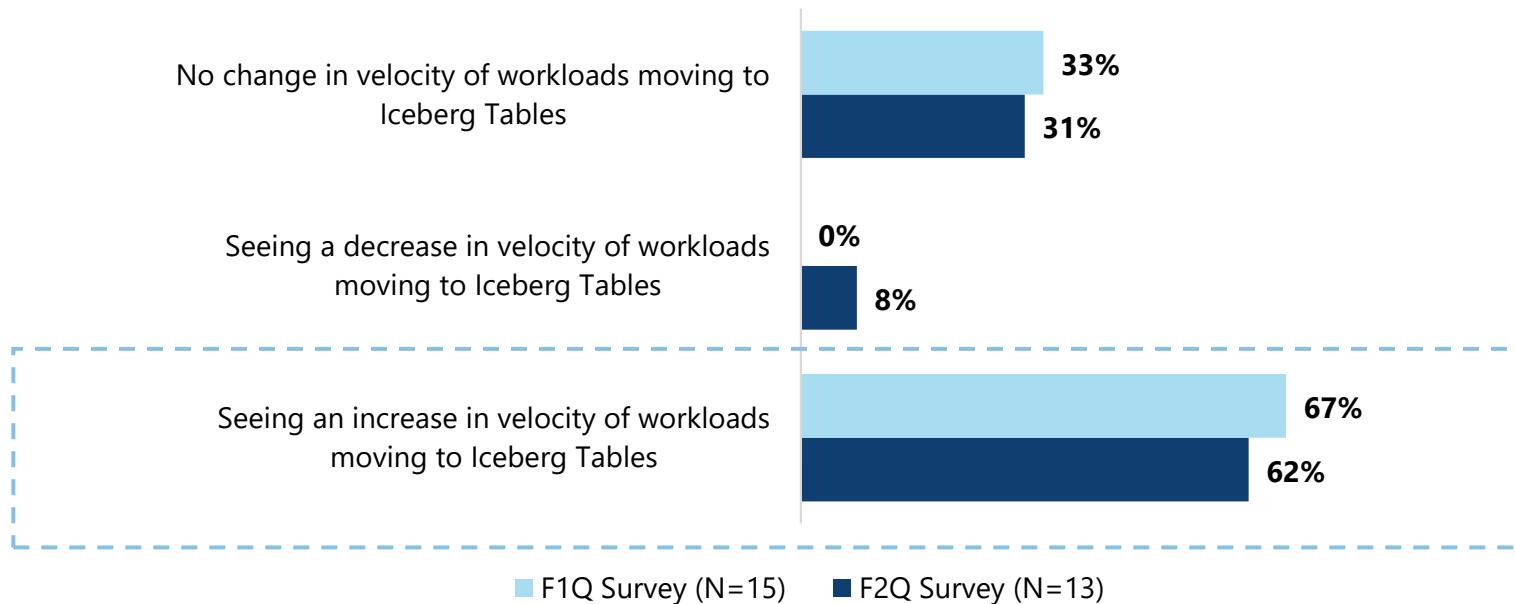
40% of partners are seeing SNOW customers moving net new workload data into Iceberg tables on external cloud storage (vs 30% in our F1Q survey). 25% of partners are seeing SNOW customers moving data out of SNOW and into Iceberg tables, a meaningful downtick from 45% in our F1Q survey. Varied result suggests that Iceberg adoption appears to be gaining traction and enhancing SNOW's data integration capabilities, though it's still early days.



Early Momentum Emerging for Iceberg, But Still Early

We then asked the 65% of respondents who indicated signs of clients using Iceberg Tables whether activity levels have changed over the past 3 months. Within those 65% of partners, 62% (or 40% of the total partners) indicated an increase in velocity of workloads moving to Iceberg, 31% (or 20% of the total partners) indicated no change in activity, 8% (or 5% of total partners) saw a decrease in activity. We view survey results as a positive indicator for Iceberg demand, but practical implications for SNOW still needs to be monitored.

How has customer activity on Iceberg Tables changed in the past 3 months?



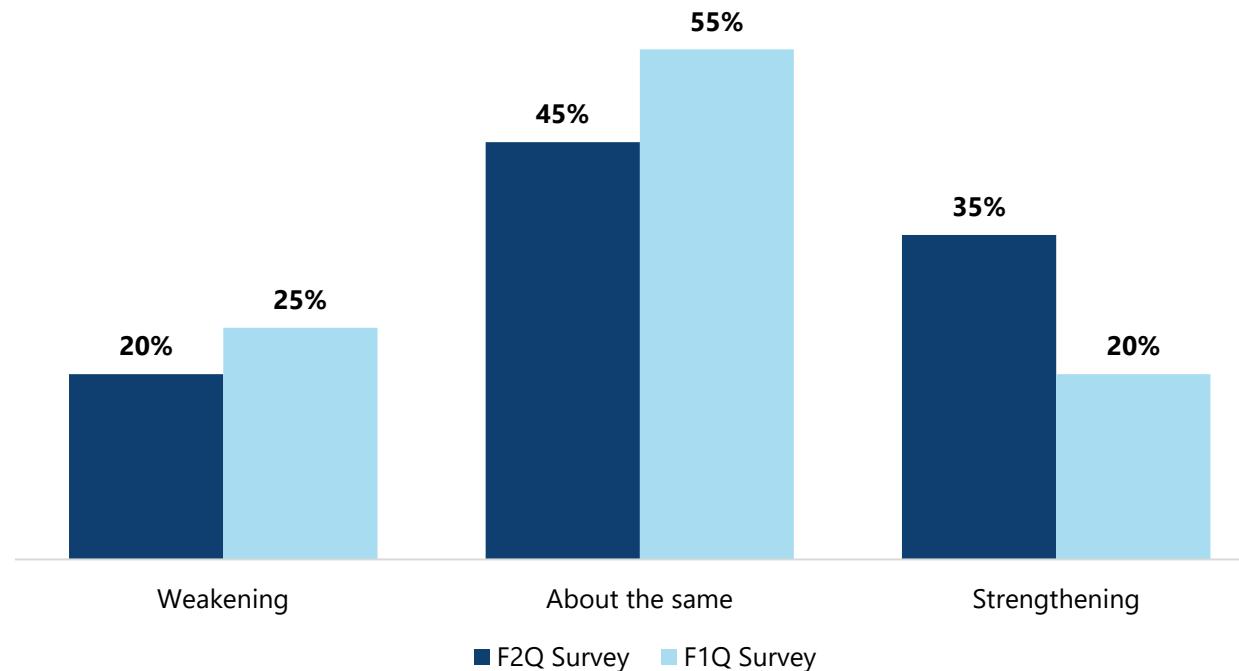
SUBSECTION 2

Competitive Positioning

80% of Partners Believe SNOW is Holding or Gaining Share

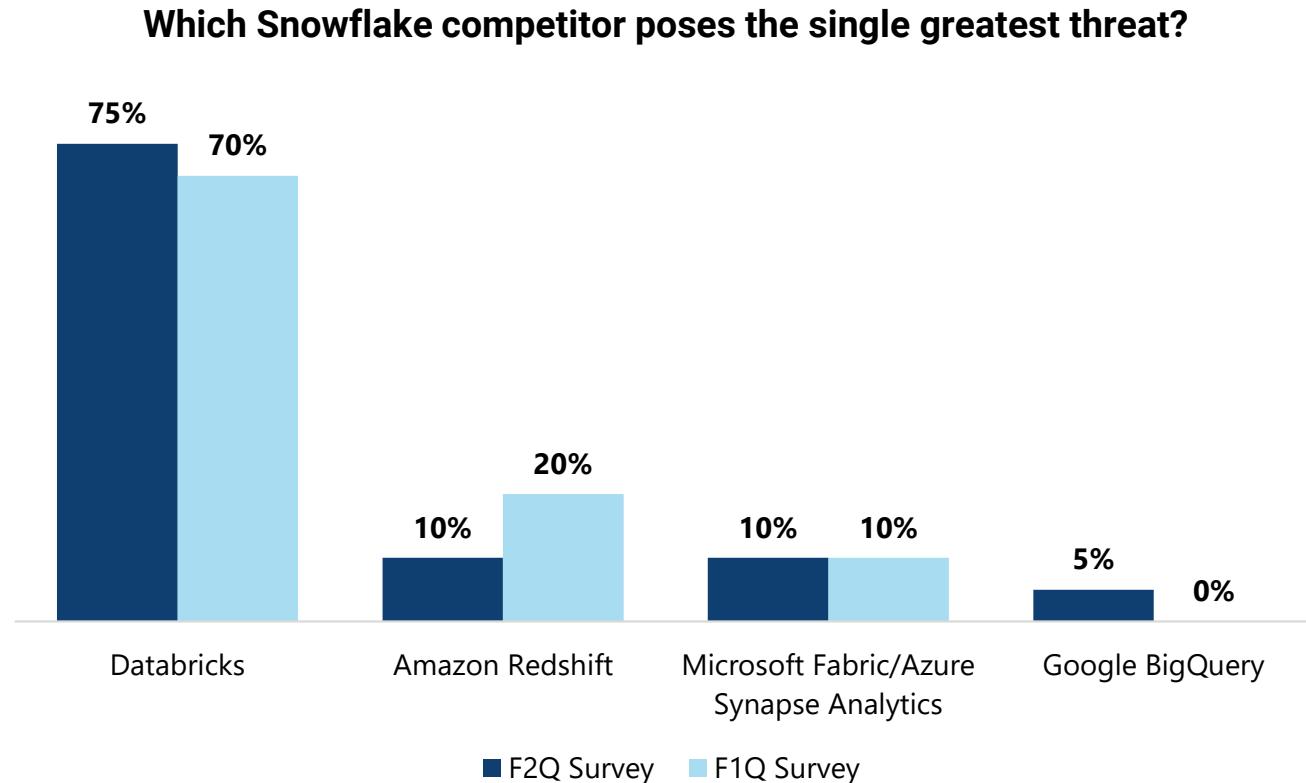
45% of partners (vs 55% in our F1Q survey) reported that SNOW's competitive position remained the same compared to last quarter. 35% stated that SNOW has strengthened its positioning (vs 20% in our F1Q survey). The survey results directionally align with our channel checks and we believe concerns of Databricks eating Snowflake's lunch are overblown.

Compared to a few months ago, how do you feel Snowflake's competitive position is changing in the market?



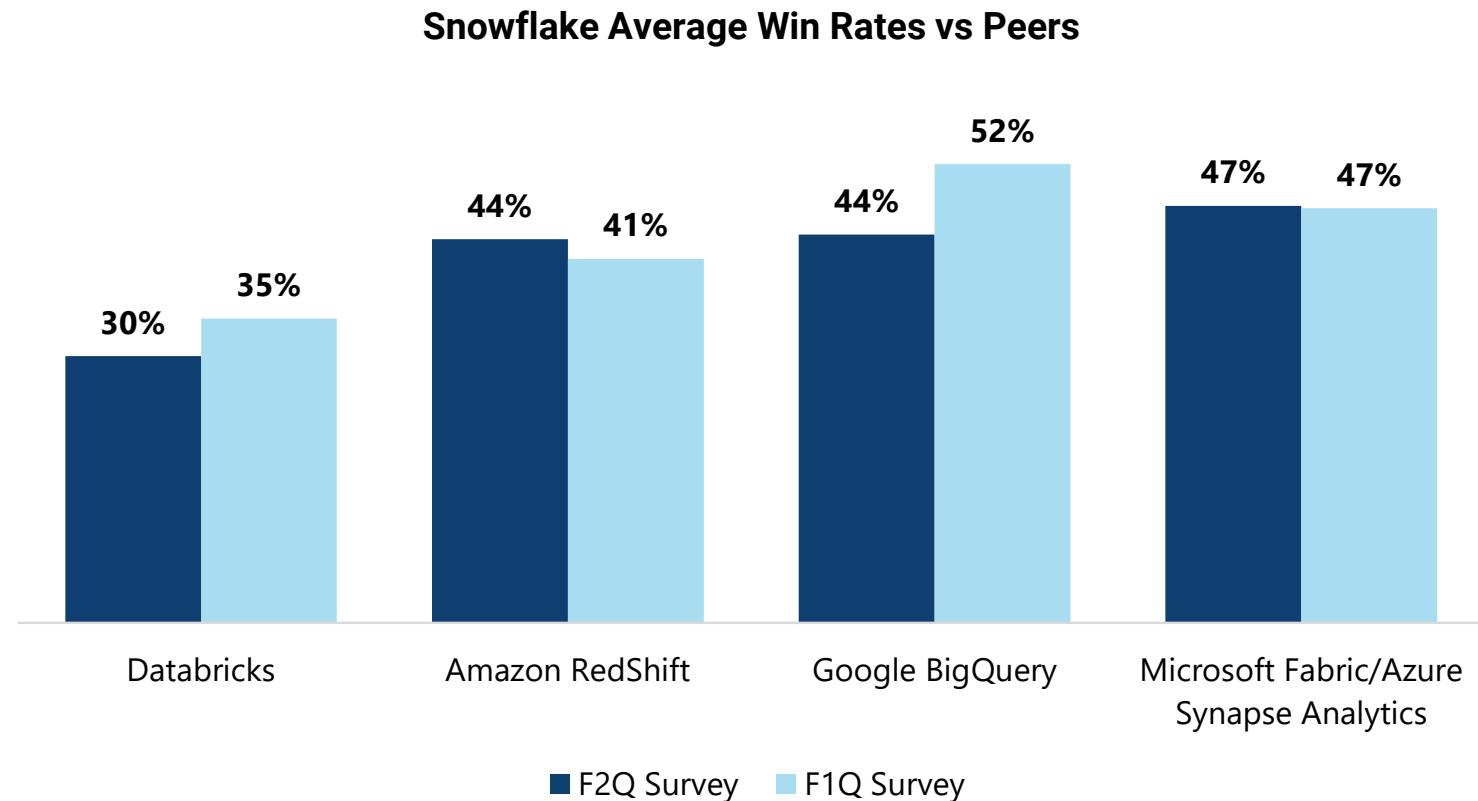
Databricks Still Viewed as SNOW's Biggest Threat

75% of partners indicated that Databricks poses the single greatest threat to Snowflake, roughly consistent with 70% in our F1Q survey. 10%/10% of partners reported AMZN Redshift and MSFT Fabric as the top threat and only 5% noted Google BigQuery.



Lowest Win Rates Against Databricks and Highest Against MSFT Azure

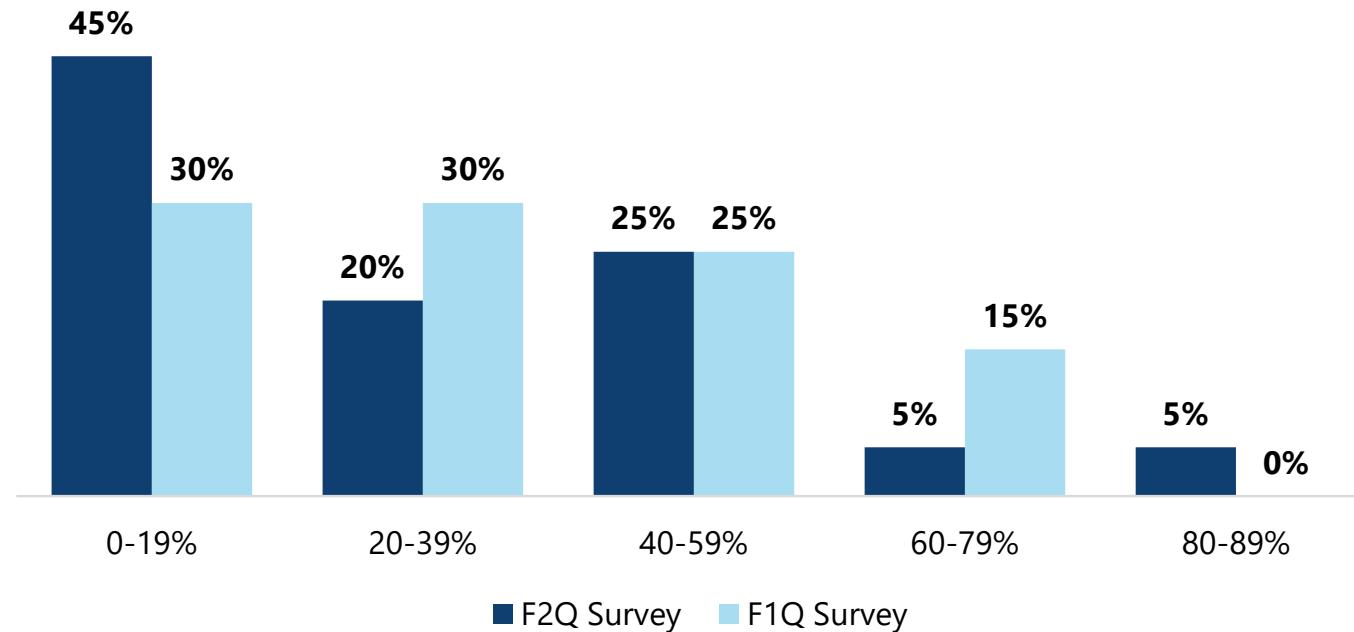
On a weighted average basis, partners indicated that SNOW has the lowest win rates vs Databricks at ~30%, followed by Redshift and Google BigQuery tied at ~44%, and MSFT Fabric/Azure Synapse at 47%. The results indicate an increasingly competitive landscape.



SNOW's Win Rates vs Databricks

45% of partners noted that SNOW's win rates against Databricks are <20%, and 65% noted win rates were <40%. Notably, 10% of partners cited SNOW to have >60% of win rates against Databricks. Note that respondents are likely different in both surveys, resulting in decreased likelihood for like-to-like comparisons between survey results.

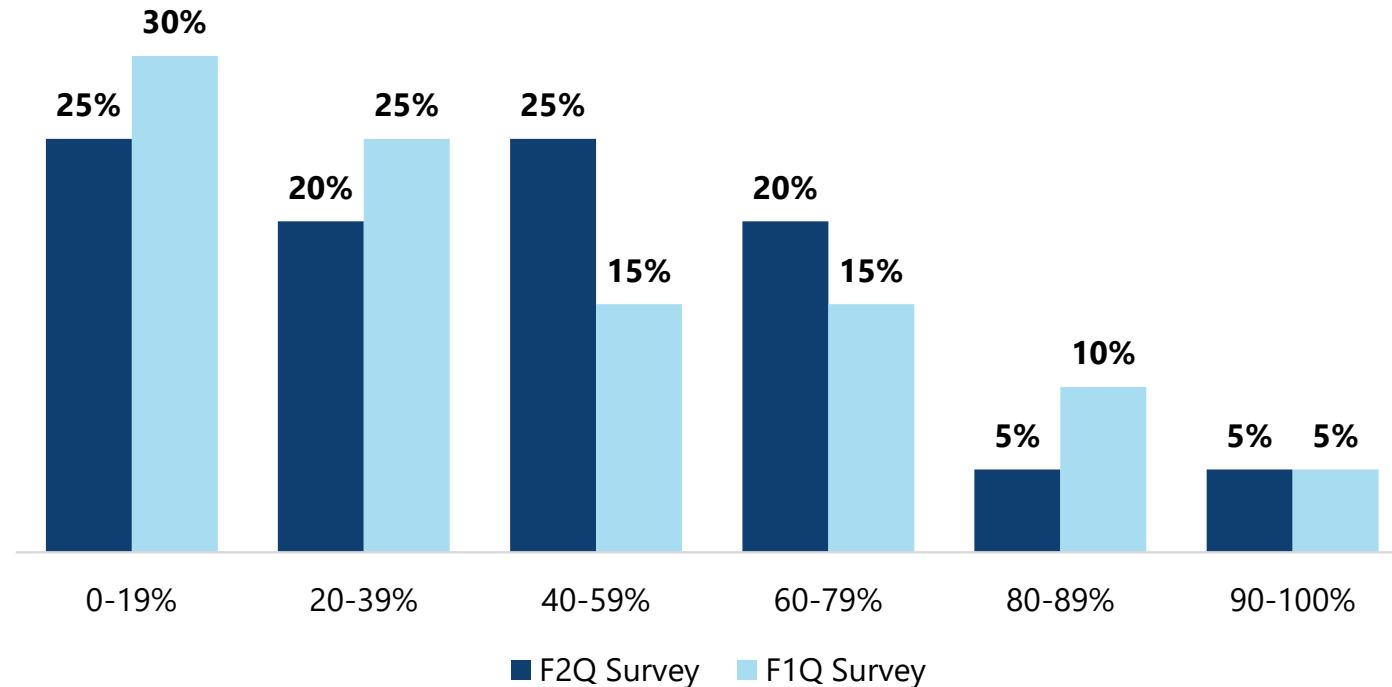
What are Snowflake's win rates against Databricks?



SNOW's Win Rates vs Redshift

25% of partners noted that SNOW's win rates against Redshift are <20%, while 30% indicated win rates of >60%. The median win rate lies just around 40%, consistent with our F1Q survey results. Note that respondents are likely different in both surveys, resulting in decreased likelihood for like-to-like comparisons between survey results.

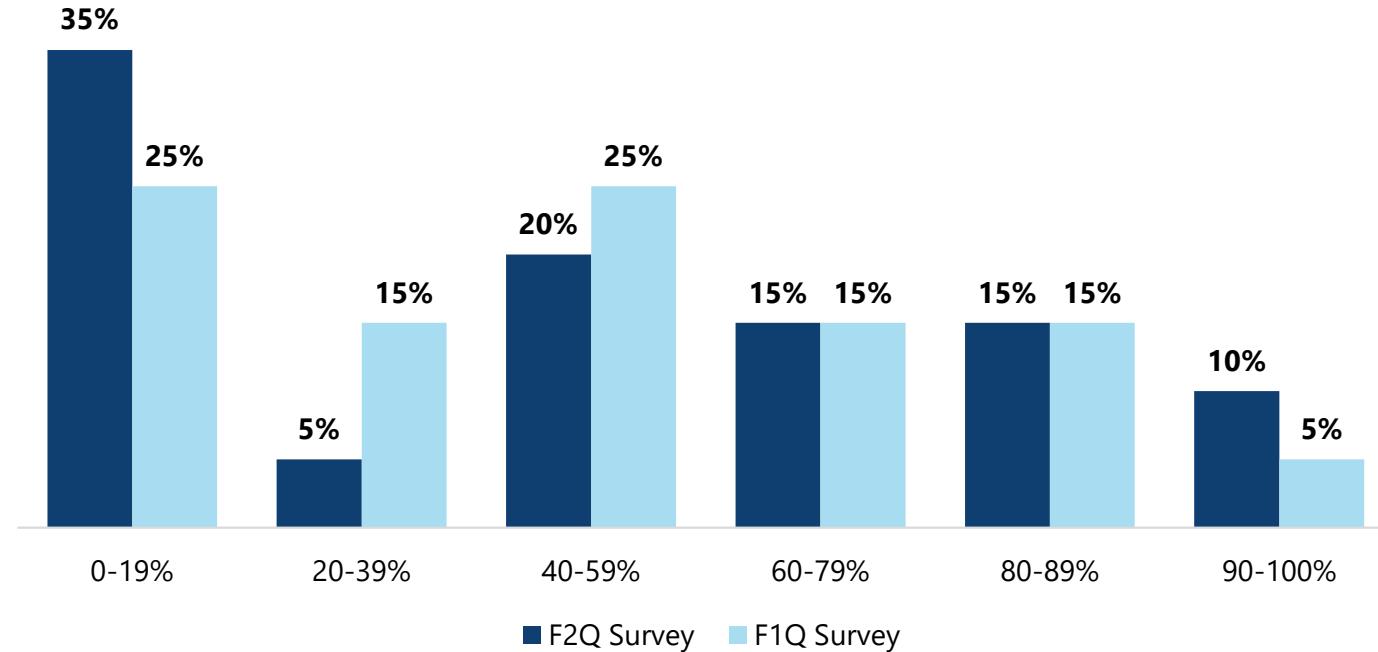
What are Snowflake's win rates against Amazon Redshift?



SNOW's Win Rates vs Microsoft Fabric/Azure Synapse

35% of partners noted that SNOW's win rates against MSFT are <20%, and 40% noted win rates were <40%. While 40% of partners indicated win rates of >60%, the median still lies between 40-60%.

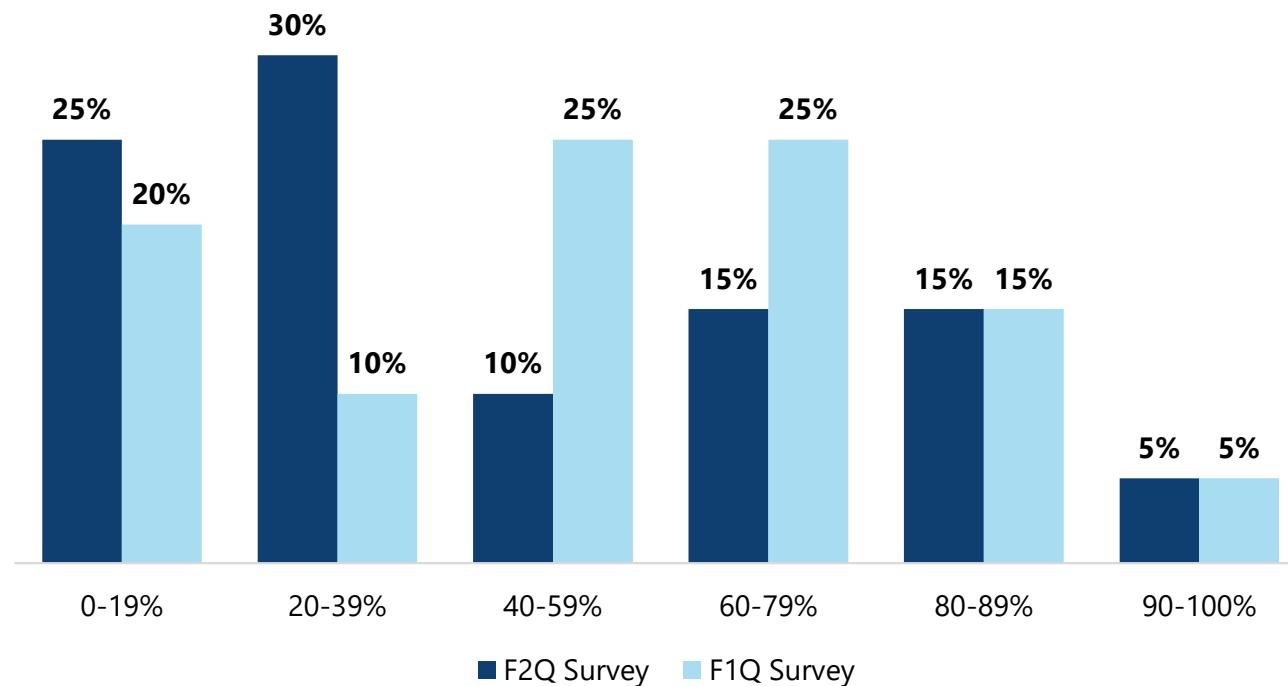
What are Snowflake's win rates against Microsoft Fabric/Azure Synapse Analytics?



SNOW's Win Rates vs BigQuery

25% of partners noted that SNOW's win rates against BigQuery are <20%, 55% stated win rates of <40% while 35% indicated win rates of >60%. The median win rate lies between 40-60%.

What are Snowflake's win rates against Google BigQuery?



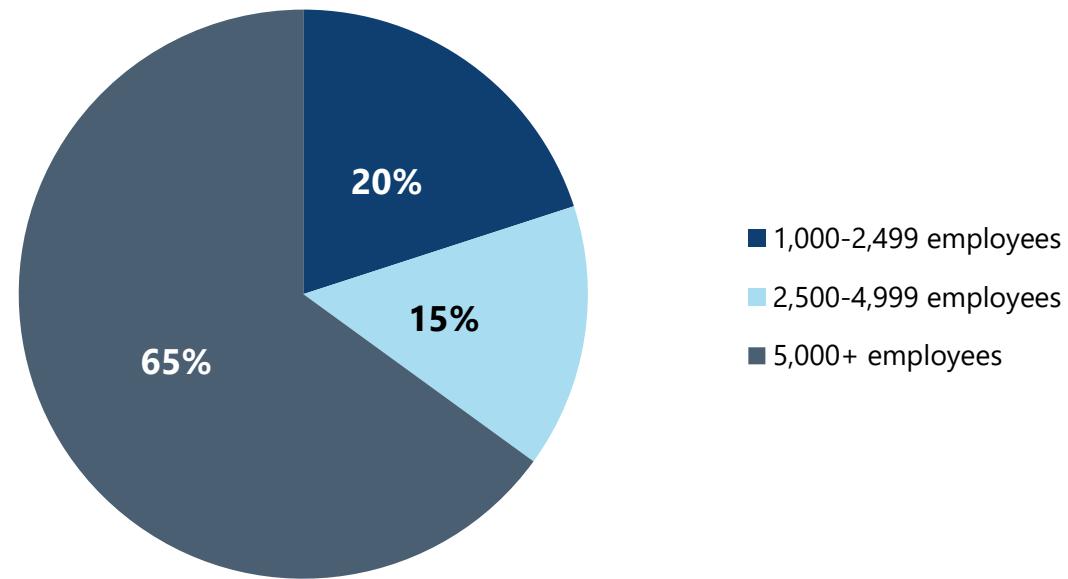
SUBSECTION 3

Survey Demographics

Survey Demographics Skewed Towards Enterprise

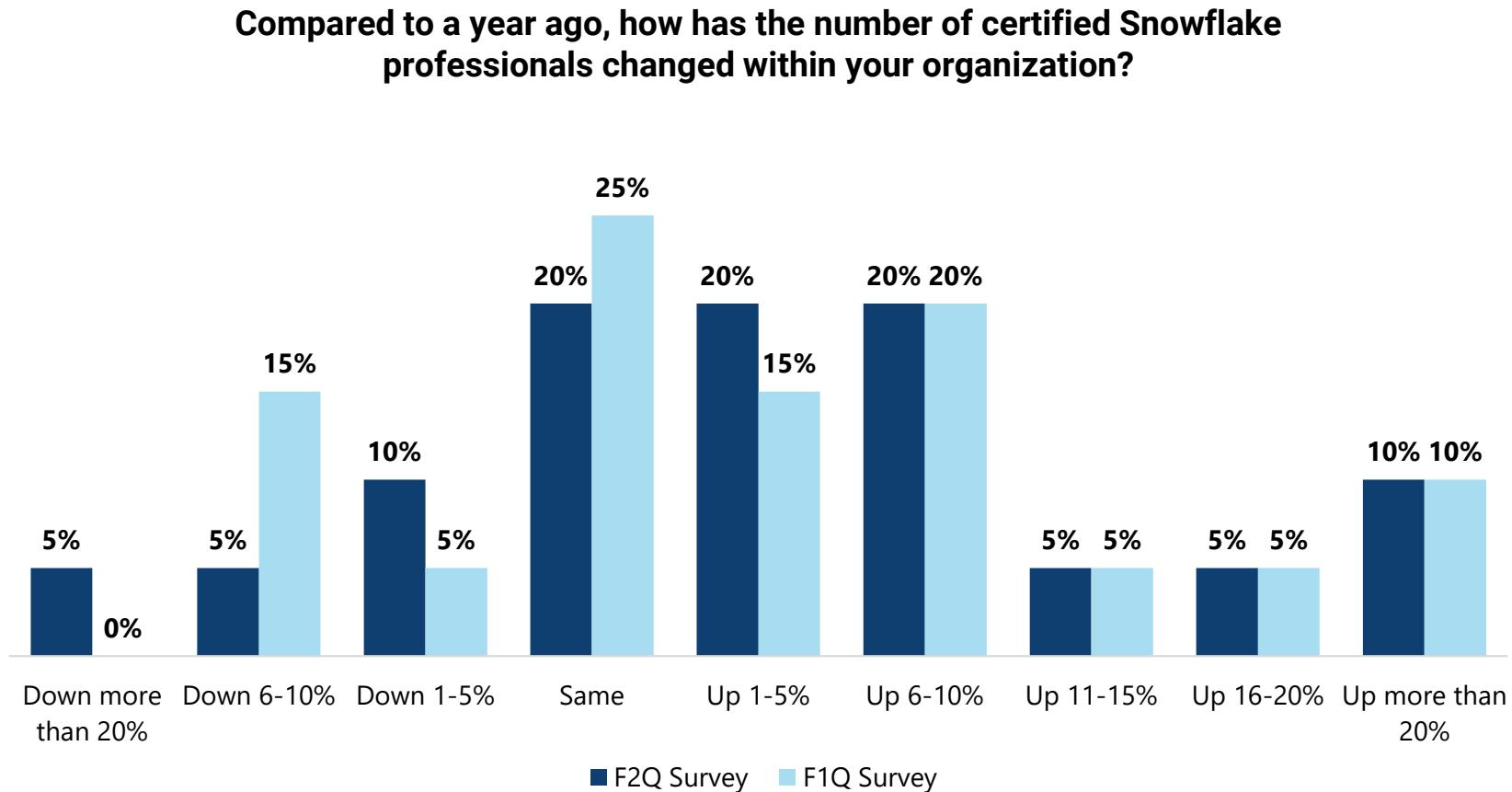
We surveyed 20 Snowflake partners on the level of demand within their SNOW practices and SNOW's competitive positioning in Database management. 65% were large partners that work with clients with 5,000+ employees, 15% of respondents were medium partners that work with clients with 2,500-4,900 employees, and 20% were partners that work with clients with 1,000-2,400 employees.

Which employee size range best identifies the majority of your clients?



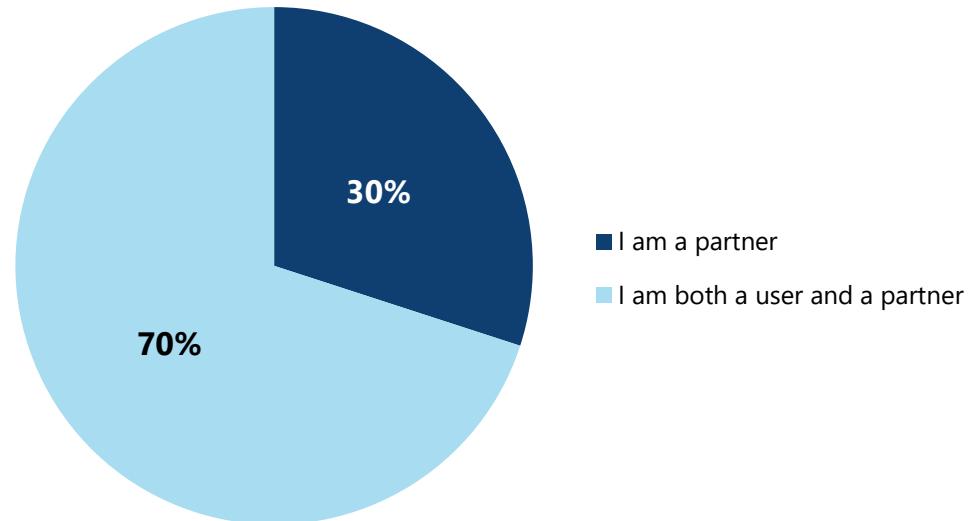
Increasing Talent Pool

60% of respondents indicated y/y growth in the number of certified SNOW professionals, while 20% indicated flat growth.

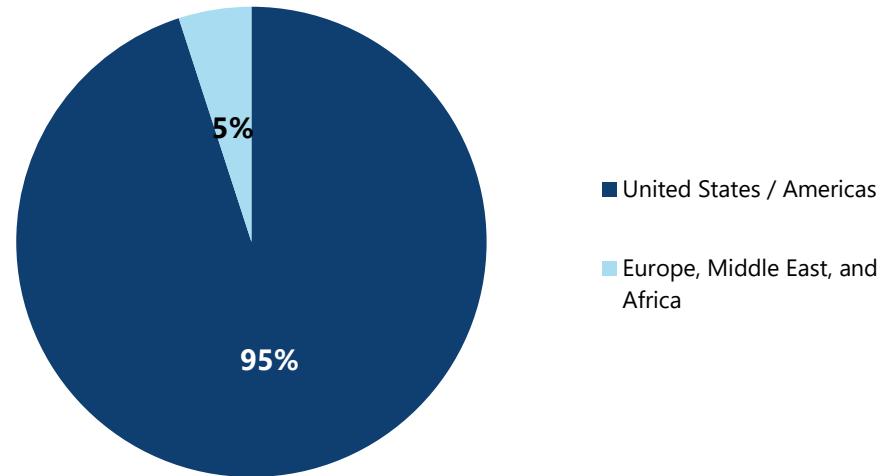


Partner/User and Regional Demographics

Have you been a Snowflake partner?

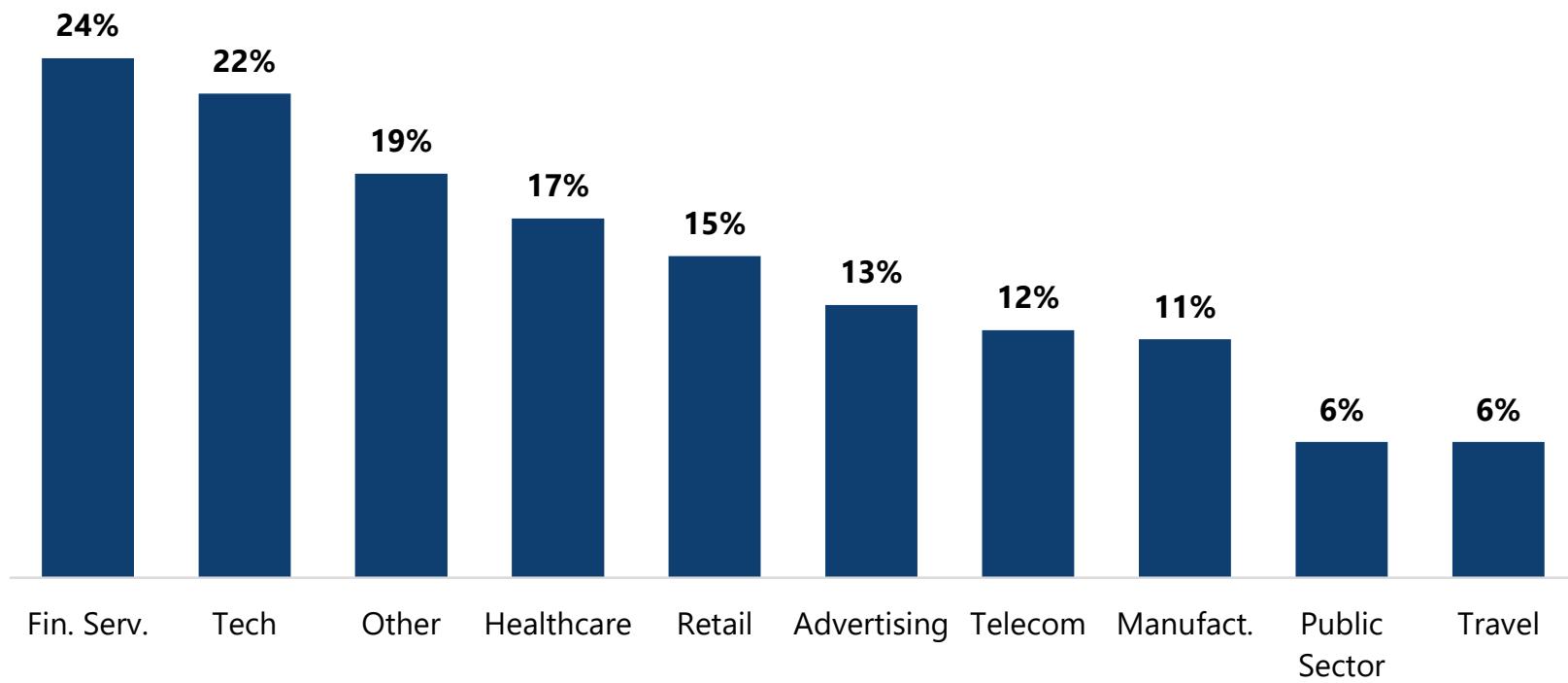


Which region does your organization primarily operate in?



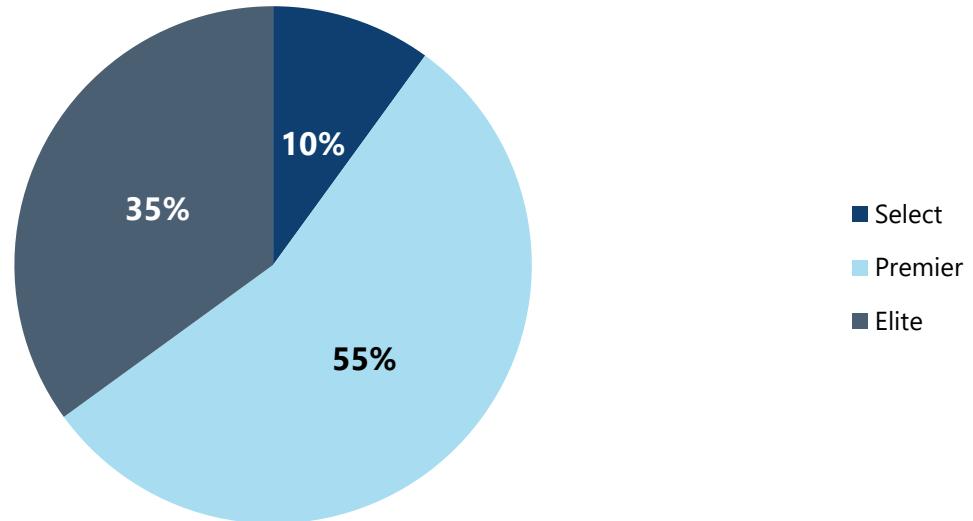
Partner Industry Exposure

What is your exposure to each of the following industries
(as a % of your overall practice)?

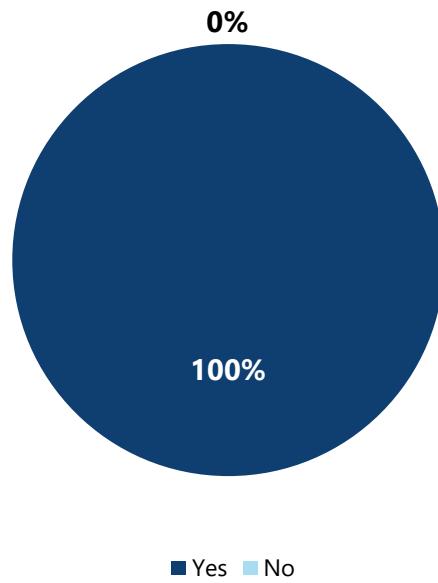


SNOW Partner Tier Dynamics

Which Snowflake Partner tier is your company currently enrolled in?



Has your company achieved the “Snowflake Ready Technology Partner” validation?



SECTION II

SNOW & ESTC Previews

SNOW Partner Check Highlights Strong Demand and AI Momentum

Key Takeaways:

Strong Demand Environment and Practice Growth

- SNOW is experiencing robust demand across verticals, with the partner's SNOW practice growing at 32–35% Y/Y. This growth is driven by both product innovation and a refined GTM motion, including strategic partnerships that place SNOW at the center of modern data and AI workloads.

AI Traction Led by Cortex, Snowpark, and Dynamic Tables

- SNOW is gaining significant traction in AI through its Cortex platform, Snowpark, and dynamic tables. Cortex adoption is accelerating among both existing and new customers, with strong use cases in sentiment detection, inference at scale, and cloud integrations. Snowpark is helping SNOW blur the lines between business analytics and data engineering, enabling broader AI/ML adoption. Dynamic tables are simplifying ETL and data transformation, reducing integration complexity and unlocking new use cases.

Competitive Positioning vs. Databricks

- SNOW is closing the product gap with Databricks, particularly in AI/ML capabilities. While Databricks is growing faster in services (40% Y/Y), SNOW is gaining ground in data engineering use cases and is increasingly seen as a viable platform for AI-native workloads. The partner expects SNOW to narrow the gap significantly by early next year..

Strategic Positioning for the Multi-Agent AI Future

- SNOW is well-positioned to benefit from the emerging multi-agent AI paradigm, where enterprises will need to manage and orchestrate multiple AI agents. SNOW's stack (e.g., Cortex, Polaris, native app frameworks) is seen as capable of serving both the data ingestion and execution layers, making it a foundational platform for future AI workloads.

SNOW F2Q26 Preview

F2Q setup. Guidance from the Q1 print calls for F2Q26 product revenue of \$1.035–\$1.040B (+25% y/y) and FY26 product revenue of \$4.325B (+25% y/y) with ~75% non-GAAP product GM, 8% non-GAAP OPM, and 25% adj. FCF margin. Expectations are reasonably balanced heading into F1Q26, with product rev calling for \$1035-1040M (or 25% y/y growth), implying a 1pt sequential decel on a 4pt tougher comp. Looking at how mgmt has historically guided to next quarter product rev vs current quarter results (since SNOW has consistently delivered beats on product rev guide since IPO), F2Q product rev guidance is aggressive vs historical guidance trends, with the midpoint of guidance implying \$41M net adds vs \$18M in F1Q25 and \$32M in F1Q24. Assuming SNOW can deliver a ~4% beat over the midpoint of guidance (vs average of 3.9% beat over the past 12 quarters), it would imply 30% y/y product rev growth in F2Q.

Key debates we're focused on into the print:

- **Can SNOW sustain high-20s full-year growth?** Bulls point to improving consumption signals and \$6.7B RPO as visibility for F2H, alongside FY26 guidance at +25% product rev growth with margins intact. Skeptics flag that with NRR steadily declining to 124%, more of the growth burden must come from new workloads and newer products scaling in-year. We'll watch for F2H commentary on cohort expansion and signs of reacceleration.
- **Will AI/ML product usage be additive to core data warehouse usage or is there cannibalization risk?** Management has framed Cortex AI features as driving value largely within existing contracts, but it raises the question of whether AI monetization is net-additive to consumption or just mix shift within current budgets. New AI capabilities (e.g., Cortex AISQL, SnowConvert AI, Cortex Analyst) broaden the user base and lower friction for data engineering /analytics workloads, which could unlock incremental usage if they pull in non-SQL users and new applications. Early traction headlines are constructive but we're looking for quantitative attach/consumption metrics.

SNOW F2Q26 Preview

Key debates we're focused on into the print:

- **Databricks vs SNOW in the lakehouse era.** Competitive intensity remains elevated. Databricks' recent announcements (e.g., Lakehouse enhancements, LakeBase, emerging Agent tooling) keep pressure on Snowflake to show differentiation in governance, performance, and enterprise-grade AI. Commentary on competitive win-rates and migration pipelines will matter for medium-term share.
- **Are open table formats / Iceberg Tables a flywheel or a headwind?** Support for Apache Iceberg and the Open Catalog lowers data-gravity barriers and may draw more external data into Snowflake's orbit, while performance investments for Iceberg are ramping. There is an ongoing debate around whether open formats expand the addressable queryable data set and drive compute, or pressure storage mix and weaken "data lock-in". We will be monitoring for commentary around net workload capture across data lakes/lakehouses.
- **Is there upside optionality to consumption from AI-native customers?** AI-native revenue contribution is <1% as of F1Q26 (still early days), yet platform usage signals are improving (e.g., Cortex reportedly surpassed ~5,200 weekly active accounts, suggesting a pipeline of AI-centric workloads that could become material in FY26–27 if tied to monetized consumption). We'll watch for any disclosure on AI-native cohort growth and GPU-intensive use cases translating into credits.

SNOW F2Q26 Preview

FY26 top-line outlook. SNOW's updated FY26 product rev outlook calls for \$4.325B (25% y/y growth) vs. \$3.462B (30% growth) in FY25. The current outlook implies \$877M in net adds y/y, vs \$796M net adds in FY25 and \$728M in FY24. While the current guide embeds a modest acceleration in absolute net adds, we believe this could prove conservative given the ramp of multiple new product modules launched in recent quarters (Cortex AI, Iceberg Tables, Native Apps, Snowpark Container Services, Streamlit in Snowflake, and Unistore) which should contribute more meaningfully in 2H26. Our conversations suggest the buy side is looking for a "normal-sized" beat (~4%) in F2Q and some pass-through to the FY26 guide. At the midpoint, F2Q guidance implies ~\$41M q/q net adds, above historical seasonal patterns, but still leaves room for upside if AI-related workloads begin to scale.

Backlog. RPO grew 34% y/y in F1Q26, accelerating by 1pt sequentially despite a 5pt tougher comp, underscoring strong bookings momentum. Management highlighted that two large financial services customers who exhausted contracted capacity in F4Q25 and opted to consume on-demand rather than renew early both signed \$100M+ deals in F1Q26. More broadly, SNOW has executed multiple large transactions, including three 9-figure deals and three \$50M+ deals in FY25, reinforcing that customers are standardizing on the platform and view it as mission-critical. F2Q Street estimates for RPO call for \$6.79B or 30% y/y growth, a 4pt sequential growth deceleration on a 2pt tougher growth comp (from 46% in F1Q to 48% in F2Q).

ESTC F1Q26 Preview

What we're watching heading into F1Q:

F1Q setup. Elastic enters F1Q26 following a volatile FY25 marked by early-year sales execution challenges and a guidance reset, offset by strong rebounds in F2Q/F3Q (record top-line beats, margin expansion, and accelerating Search AI adoption). F4Q was mixed, with robust demand trends tempered by U.S. Public Sector headwinds, which management extrapolated into a more conservative FY26 outlook. The initial FY26 guide of \$1.663B at the midpoint (12% y/y growth) fell short of Street expectations (~13%), reflecting caution around macro uncertainty, elongated public sector sales cycles, and potential consumption softness.

For F1Q26, revenue guidance implies 14% y/y growth and a modest sequential acceleration vs. F4Q on an easier comp. The midpoint suggests ~4% q/q growth, in line with historical seasonality. While near-term growth remains constrained by ongoing sales realignment and ramping productivity of quota-carrying reps, management has highlighted improving execution trends and a focus on shortening ramp times.

ESTC F1Q26 Preview

Key debates we're focused on into the print:

- **Sales execution & rep productivity.** After restructuring GTM earlier this year, investors are watching whether rep productivity improves meaningfully in F1H26. Quota attainment and pipeline conversion remain critical metrics as ESTC seeks to stabilize execution.
- **Observability & security growth.** Both segments have underperformed peers and their respective end markets in terms of growth, raising questions about the company's ability to reaccelerate growth amid intensifying competition. Management's push toward unified observability-security workflows and AI-driven anomaly detection could be a differentiator, but adoption curves remain a watch item.
- **AI as a structural tailwind?** ESTC's long-term positioning in the age of AI is a bright spot. The Elasticsearch Relevance Engine (ESRE) and vector database capabilities underpin its strategy for RAG and generative AI workloads. Early traction is evident (25% of \$1M+ customers are leveraging Elastic for AI use cases) but revenue impact is still in early innings. Partnerships with AWS and NVIDIA, plus the launch of AI Assistant for Observability, reinforce ESTC's ambition to be a core enabler of enterprise AI.
- **Margin durability.** Despite top-line caution, ESTC has delivered record operating margins in recent quarters (18% in F2Q25 and 17% in F3Q25). The debate centers on whether margin gains are sustainable as the company invests in AI innovation and GTM capacity.

ESTC F1Q26 Preview

FY26 outlook. ESTC's FY26 outlook remains a focal point for investors as the company navigates a transition year marked by both opportunity and execution risk. Management's initial guidance calls for revenue of ~\$1.66B at the midpoint, representing 12% y/y growth, slightly below consensus expectations of around \$1.69B. The outlook reflects management's assumption that macro headwinds, particularly the softness observed in the U.S. public sector during F4Q25, could persist and weigh on consumption trends across other verticals. Elastic Cloud, which has been the primary growth engine, is expected to decelerate from 26% y/y growth in FY25 to the high-teens / low-20s range in FY26 as customers continue to optimize cloud spend and as the company works through sales realignment. On profitability, ESTC is guiding to a non-GAAP op margin of ~16%, up from 15% in FY25, and FCF margins in the high teens, signaling continued discipline despite incremental investments in AI and go-to-market capacity. Key factors that could influence the FY26 outlook include the pace of sales productivity improvements following GTM restructuring, the timing of generative AI monetization as projects move from proof-of-concept to production, and the durability of consumption trends in a macro that remains uneven.

Vector/AI search momentum. ESTC is positioning itself as a critical enabler of AI-driven applications through its investments in search and vector database capabilities. Management disclosed that hundreds of customers are already building generative AI applications on Elastic, and approximately 25% of its \$1M+ customers are leveraging the platform for AI use cases. Recent product enhancements, such as GPU-accelerated vector search and integrations with Azure OpenAI, underscore ESTC's commitment to performance and scalability, delivering up to 8x speed improvements and 32x efficiency gains for vector operations. These capabilities position ESTC to capture a disproportionate share of AI-driven search workloads as enterprises move from experimentation to production. We think that as generative AI adoption scales, ESTC's search platform could see a meaningful uplift in cloud consumption, reinforcing its role as a foundational layer for AI-powered applications.

SECTION III

FINANCIALS

SNOW: Jefferies vs Street Estimates

Snowflake (SNOW)

in millions, except per share items

F2Q26E	Jefferies	Consensus	Delta	Guidance
Product	\$1,039.6	\$1,040.5	(\$0.9)	1,035-1,040
Professional Service & Other	\$45.7	\$45.9	(\$0.2)	
Total Revenue	\$1,085.3	\$1,087.3	(\$2.0)	
YoY growth	24.9%	25.2%	(0.2%)	
Non-GAAP Gross Margin	71.9%	72.1%	(0.3%)	
Non-GAAP Operating Income	\$86.4	\$88.8	(\$2.4)	
Non-GAAP Operating Margin	8.0%	8.2%	(0.2%)	8.0%
Non-GAAP EPS	\$0.24	\$0.27	(\$0.03)	
Total Billings	\$1,014.4	\$1,019.1	(\$4.7)	
Cash Flow from Ops.	\$119.9	\$148.9	(\$29.1)	
Free Cash Flow	\$104.7	\$134.3	(\$29.6)	

FY26E	Jefferies	Consensus	Delta	Guidance
Product	\$4,325.0	\$4,339.3	(\$14.4)	4,325
Professional Service & Other	\$193.3	\$188.9	\$4.4	
Total Revenue	\$4,518.3	\$4,531.9	(\$13.6)	
YoY growth	24.6%	25.0%	(0.4%)	
Non-GAAP Gross Margin	71.9%	71.8%	0.1%	
Non-GAAP Operating Income	\$361.3	\$384.6	(\$23.3)	
Non-GAAP Operating Margin	8.0%	8.5%	(0.5%)	8.0%
Non-GAAP EPS	\$1.01	\$1.11	(\$0.10)	
Total Billings	\$4,986.6	\$5,077.1	(\$90.6)	
Cash Flow from Ops.	\$1,194.3	\$1,187.6	\$6.7	
Free Cash Flow	\$1,100.6	\$1,119.1	(\$18.5)	

F3Q26E	Jefferies	Consensus	Delta	Guidance
Product	\$1,117.1	\$1,120.4	(\$3.3)	
Professional Service & Other	\$50.2	\$48.0	\$2.2	
Total Revenue	\$1,167.3	\$1,169.8	(\$2.6)	
YoY growth	23.9%	24.2%	(0.3%)	
Non-GAAP Gross Margin	71.8%	72.0%	(0.2%)	
Non-GAAP Operating Income	\$88.7	\$93.9	(\$5.2)	
Non-GAAP Operating Margin	7.6%	8.0%	(0.4%)	
Non-GAAP EPS	\$0.25	\$0.28	(\$0.03)	
Total Billings	\$1,290.3	\$1,315.6	(\$25.3)	
Cash Flow from Ops.	\$312.4	\$231.0	\$81.4	
Free Cash Flow	\$296.1	\$223.1	\$72.9	

FY27E	Jefferies	Consensus	Delta	Guidance
Product	\$5,386.0	\$5,349.8	\$36.2	
Professional Service & Other	\$227.4	\$212.8	\$14.6	
Total Revenue	\$5,613.4	\$5,584.8	\$28.6	
YoY growth	24.2%	23.2%	1.0%	
Non-GAAP Gross Margin	72.2%	71.8%	0.3%	
Non-GAAP Operating Income	\$571.1	\$596.7	(\$25.6)	
Non-GAAP Operating Margin	10.2%	10.7%	(0.5%)	
Non-GAAP EPS	\$1.51	\$1.57	(\$0.06)	
Total Billings	\$6,174.4	\$6,200.5	(\$26.0)	
Cash Flow from Ops.	\$1,522.5	\$1,508.2	\$14.3	
Free Cash Flow	\$1,443.9	\$1,461.4	(\$17.5)	

SNOW: Non-GAAP Income Statement (\$MM, except per share data)

Non-GAAP Income Statement	Fiscal Quarters					Fiscal Quarters					Fiscal Quarters				
	Calendar Quarter		Days in Quarter		FY25	Fiscal Year		Fiscal Year		FY26	Fiscal Year		Fiscal Year		FY27E
	F1Q25 Apr-24	F2Q25 Jul-24	F3Q25 Oct-24	F4Q25 Jan-25	FY25 366	F1Q26 Apr-25	F2Q26E Jul-25	F3Q26E Oct-25	F4Q26E Jan-26	FY26 365	F1Q27E Apr-26	F2Q27E Jul-26	F3Q27E Oct-26	F4Q27E Jan-27	FY27E 365
Total Revenue	\$828.7	\$868.8	\$942.1	\$986.8	\$3,626.4	\$1,042.1	\$1,085.3	\$1,167.3	\$1,223.6	\$4,518.3	\$1,292.4	\$1,346.2	\$1,450.8	\$1,524.0	\$5,613.4
YoY	32.9%	28.9%	28.3%	27.4%	29.2%	25.7%	24.9%	23.9%	24.0%	24.6%	24.0%	24.0%	24.3%	24.6%	24.2%
QoQ	7.0%	4.8%	8.4%	4.7%		5.6%	4.2%	7.6%	4.8%		5.6%	4.2%	7.8%	5.1%	
Cost of Product Revenue	\$182.3	\$195.5	\$213.4	\$228.0	\$819.1	\$242.7	\$262.0	\$281.5	\$295.2	\$1,081.4	\$310.1	\$323.5	\$347.7	\$365.4	\$1,346.6
% of Product Revenue	23.1%	23.6%	23.7%	24.2%	23.7%	24.3%	25.2%	25.2%	25.2%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Cost of Professional Service & Other Revenue	\$37.3	\$37.1	\$41.5	\$42.6	\$158.6	\$47.3	\$43.4	\$47.7	\$49.6	\$187.9	\$49.4	\$49.9	\$57.2	\$59.5	\$216.0
% of Professional Services & Other Revenue	95.4%	93.9%	99.4%	97.9%	96.7%	104.4%	95.0%	95.0%	95.0%	97.2%	95.0%	95.0%	95.0%	95.0%	95.0%
Total Cost of Revenue	\$219.6	\$232.6	\$254.9	\$270.6	\$977.7	\$290.0	\$305.4	\$329.2	\$344.7	\$1,269.3	\$359.5	\$373.4	\$404.9	\$424.8	\$1,562.6
% of Total Revenue	26.5%	26.8%	27.1%	27.4%	27.0%	27.8%	28.1%	28.2%	28.2%	28.1%	27.8%	27.7%	27.9%	27.9%	27.8%
Product Gross Profit	\$607.3	\$633.8	\$686.9	\$715.3	\$2,643.3	\$754.1	\$777.6	\$835.6	\$876.2	\$3,243.6	\$930.2	\$970.2	\$1,042.9	\$1,096.1	\$4,039.4
Product Gross Margin	76.9%	76.4%	76.3%	75.8%	76.3%	75.7%	74.8%	74.8%	74.8%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%
Professional Services & Other Gross Profit	\$1.8	\$2.4	\$0.3	\$0.9	\$5.4	(\$2.0)	\$2.3	\$2.5	\$2.6	\$5.4	\$2.6	\$2.6	\$3.0	\$3.1	\$11.4
Professional Services & Other Gross Margin	4.6%	6.1%	0.6%	2.1%	3.3%	(4.4%)	5.0%	5.0%	5.0%	2.8%	5.0%	5.0%	5.0%	5.0%	5.0%
Gross Profit	\$609.1	\$636.2	\$687.2	\$716.2	\$2,648.7	\$752.124	\$779.9	\$838.1	\$878.8	\$3,249.0	\$932.8	\$972.8	\$1,045.9	\$1,099.2	\$4,050.8
% margin	73.5%	73.2%	72.9%	72.6%	73.0%	72.2%	71.9%	71.8%	71.8%	72.7%	72.2%	72.3%	72.1%	72.1%	72.2%
YoY	34.2%	27.1%	25.0%	23.8%	27.2%	23.5%	22.6%	22.0%	22.7%	22.7%	24.0%	24.7%	24.8%	25.1%	24.7%
Research & Development	\$203.2	\$224.2	\$224.8	\$230.8	\$883.0	\$238.8	\$262.6	\$282.5	\$299.8	\$1,083.7	\$323.1	\$323.1	\$340.9	\$350.5	\$1,337.6
YoY	57.5%	55.2%	41.4%	28.4%	44.3%	17.6%	17.1%	25.7%	29.9%	22.7%	35.3%	23.0%	20.7%	16.9%	23.4%
QoQ	13.0%	10.4%	0.2%	2.7%		3.5%	10.0%	7.6%	6.1%		7.8%	0.0%	5.5%	2.8%	
% of Revenue	24.5%	25.8%	23.9%	23.4%		24.3%	22.9%	24.2%	24.2%	24.0%	25.0%	24.0%	23.5%	23.0%	23.8%
Sales & Marketing	\$312.6	\$309.1	\$340.6	\$328.9	\$1,291.2	\$357.9	\$363.6	\$391.0	\$405.0	\$1,517.5	\$426.5	\$430.8	\$464.2	\$472.5	\$1,794.0
YoY	27.8%	23.2%	26.6%	18.8%	24.0%	14.5%	17.6%	14.8%	23.1%	17.5%	19.2%	18.5%	18.7%	16.7%	18.2%
QoQ	12.9%	(1.1%)	10.2%	(3.4%)		8.8%	1.6%	7.6%	3.6%		5.3%	1.0%	7.8%	1.8%	
% of Revenue	37.7%	35.6%	36.2%	33.3%	35.6%	34.3%	33.5%	33.5%	33.1%	33.6%	33.0%	32.0%	32.0%	31.0%	32.0%
General & Administrative	\$57.1	\$59.1	\$62.9	\$63.6	\$242.8	\$63.8	\$67.3	\$75.9	\$79.5	\$286.5	\$80.1	\$83.5	\$89.9	\$94.5	\$348.0
YoY	19.7%	16.4%	25.9%	24.7%	21.7%	11.6%	13.8%	20.6%	25.0%	18.0%	25.7%	24.0%	18.5%	18.8%	21.5%
QoQ	12.0%	3.5%	6.4%	1.1%		0.2%	5.5%	12.8%	4.8%		0.7%	4.2%	7.8%	5.1%	
% of Revenue	6.9%	6.8%	6.7%	6.4%		6.1%	6.2%	6.5%	6.5%	6.3%	6.2%	6.2%	6.2%	6.2%	6.2%
Total Operating Expenses	\$572.9	\$592.5	\$628.3	\$623.4	\$2,417.0	\$660.5	\$693.5	\$749.4	\$784.3	\$2,887.7	\$829.7	\$837.3	\$895.1	\$917.5	\$3,479.6
YoY	36.0%	32.8%	31.4%	22.8%	30.4%	15.3%	17.1%	19.3%	25.8%	19.5%	25.6%	20.7%	19.4%	17.0%	20.5%
Operating Income	\$36.2	\$43.7	\$58.9	\$92.8	\$231.7	\$91.7	\$86.4	\$88.7	\$94.5	\$361.3	\$103.1	\$135.5	\$150.8	\$181.7	\$571.1
YoY	11.2%	(19.3%)	(18.1%)	30.8%	0.9%	152.9%	97.5%	50.6%	1.8%	55.9%	12.5%	56.8%	69.9%	92.3%	58.1%
% margin	4.4%	5.0%	6.3%	9.4%	6.4%	8.8%	8.0%	7.6%	7.7%	8.0%	8.0%	10.1%	10.4%	11.9%	10.2%
Other Income	(\$21.3)	(\$7.9)	(\$8.5)	\$2.4	(\$35.3)	(\$28.1)	(\$8.1)	(\$8.1)	(\$8.1)	(\$52.2)	(\$1.0)	(\$1.0)	(\$1.0)	(\$1.0)	(\$4.0)
Interest Expense	\$54.8	\$49.3	\$48.7	\$56.3	\$209.0	\$53.2	\$42.6	\$43.5	\$52.7	\$191.9	\$50.6	\$46.0	\$46.6	\$48.6	\$191.8
Pre-tax Income	\$69.7	\$85.1	\$99.1	\$151.5	\$405.4	\$116.8	\$120.9	\$124.2	\$139.1	\$501.0	\$152.8	\$180.5	\$196.3	\$229.3	\$758.9
Pre-tax Margin	8.4%	9.8%	10.5%	15.4%	11.2%	11.2%	11.1%	10.6%	11.4%	11.1%	11.8%	13.4%	13.5%	15.0%	13.5%
Provision for Income Taxes	\$18.3	\$22.0	\$25.8	\$39.4	\$105.4	\$29.2	\$30.2	\$31.0	\$34.8	\$125.2	\$38.2	\$45.1	\$49.1	\$57.3	\$189.7
Effective Tax Rate	26.2%	25.8%	26.0%	26.0%	26.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Net income, Non-GAAP	\$51.4	\$63.1	\$73.3	\$112.1	\$300.0	\$87.6	\$90.7	\$93.1	\$104.3	\$375.7	\$114.6	\$135.4	\$147.2	\$172.0	\$569.2
EPS, Non-GAAP	\$0.14	\$0.18	\$0.20	\$0.30	\$0.82	\$0.24	\$0.24	\$0.25	\$0.28	\$1.01	\$0.31	\$0.36	\$0.39	\$0.45	\$1.51
Basic Shares	333.6	334.1	331.8	331.4	364.3	332.7	371.0	372.3	373.6	372.0	375.1	376.6	378.1	379.6	377.4
Diluted Shares	365	359	362	370	364	370	371	372.3	373.6	372.0	375.1	376.6	378.1	379.6	377.4

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Source: Jefferies, Company Data

Jefferies

SNOW: Base Case DCF

Snowflake (NYSE: SNOW) Discounted Cash Flow Analysis

	Forecast	Transition	Terminal
Current Risk-free Rate of Return	3.50%	3.50%	3.50%
Historical Risk-free Rate of Return	5.00%	5.00%	5.00%
Beta	1.25	1.00	
Market Rate of Return	11.50%	11.50%	11.50%
Cost of Equity	11.63%	10.00%	
Growth Rate	As Modeled		5.00%

SCENARIO 2:

	FORECAST PERIOD				TRANSITIONAL PERIOD					TERMINAL	
	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	Perpetuity
Current Risk-free Rate of Return		3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Historical Risk-free Rate of Return		5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Beta		1.25	1.25	1.25	1.25	1.21	1.17	1.13	1.08	1.04	1.00
Market Rate of Return		11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%
Cost of Equity		11.6%	11.6%	11.6%	11.6%	11.4%	11.1%	10.8%	10.5%	10.3%	10.0%
FCF Growth Rate		28.9%	31.2%	55.5%	50.0%	42.3%	34.5%	26.8%	19.1%	11.4%	3.6%
Diluted Shares at Year-end		372.0	377.4	383.0	386.9	390.1	392.7	394.6	396.0	396.6	396.6
Share Growth %		2.1%	1.5%	1.5%	1.0%	0.8%	0.7%	0.5%	0.3%	0.2%	0.0%
Free Cash Flow to Enterprise (\$M)		1,100.6	1,443.9	2,245.3	3,368.0	4,791.6	6,446.6	8,175.0	9,734.8	10,839.7	11,232.1
Free Cash Flow to Enterprise per Share		3.0	3.8	5.9	8.7	12.3	16.4	20.7	24.6	27.3	28.3
NPV of Free Cash Flow to Enterprise per Share		2.8	3.2	4.5	5.9	7.6	9.2	10.6	11.6	11.9	179.5
Cumulative NPV of Free Cash Flow to Enterprise per Share		2.8	6.0	10.5	16.4	24.0	33.2	43.8	55.4	67.3	246.8
Cumulative NPV of FCFE per Share		246.81									
Total NPV per Share		\$250.19									

ESTC: Jefferies vs Street Estimates

F1Q26E	Jefferies Ests.	Consensus	Delta	Guidance	FY26E	Jefferies Ests.	Consensus	Delta	Guidance
Cloud Revenue	\$191.59	\$190.36	\$1.23		Cloud Revenue	\$837.77	\$817.07	\$20.70	
YoY Growth	21.8%	21.0%	0.8%		YoY Growth	21.8%	18.8%	3.0%	
Other Subscription Revenue	\$179.8	\$178.8	\$1.0		Other Subscription Revenue	\$727.0	\$735.2	(\$8.2)	
YoY Growth	8.0%	7.4%	0.6%		YoY Growth	4.3%	5.5%	(1.2%)	
Total Revenue	\$396.3	\$397.2	(\$0.8)	396-398	Total Revenue	\$1,669.1	\$1,665.0	\$4.1	1655-1670
YoY Growth	14.1%	14.3%	(0.2%)	14%	YoY Growth	12.5%	12.2%	0.3%	12%
Non-GAAP Gross Profit	\$304.0	\$304.5	(\$0.5)		Non-GAAP Gross Profit	\$1,280.5	\$1,282.2	(\$1.7)	
% Margin	76.7%	76.7%	0.0%		% Margin	76.7%	77.0%	(0.3%)	
Non-GAAP Operating Income	\$45.5	\$46.0	(\$0.4)		Non-GAAP Operating Income	\$264.9	\$266.1	(\$1.2)	
% Margin	11.5%	11.6%	(0.1%)	11.5%	% Margin	15.9%	16.0%	(0.1%)	16%
Non-GAAP EPS	\$0.41	\$0.42	(\$0.00)	0.41-0.43	Non-GAAP EPS	\$2.29	\$2.28	\$0.01	2.24-2.32
Cash Flow from Operations	\$63.23	\$69.55	(\$6.32)		Cash Flow from Operations	\$301.93	\$321.80	(\$19.86)	
Deferred Revenue	\$727.01	\$764.55	(\$37.53)		Deferred Revenue	\$993.85	\$993.89	(\$0.03)	
F2Q26E	Jefferies Ests.	Consensus	Delta	Guidance	FY27E	Jefferies Ests.	Consensus	Delta	Guidance
Cloud Revenue	\$204.74	\$201.43	\$3.31		Cloud Revenue	\$1,020.00	\$960.10	\$59.90	
YoY Growth	21.3%	19.3%	2.0%		YoY Growth	21.8%	17.5%	4.2%	
Other Subscription Revenue	\$178.0	\$180.7	(\$2.8)		Other Subscription Revenue	\$767.0	\$787.0	(\$19.9)	
YoY Growth	3.5%	5.1%	(1.6%)		YoY Growth	5.5%	7.0%	(1.5%)	
Total Revenue	\$408.8	\$410.2	(\$1.5)		Total Revenue	\$1,896.3	\$1,878.9	\$17.4	
YoY Growth	11.9%	12.3%	(0.4%)		YoY Growth	13.6%	12.9%	0.8%	
Non-GAAP Gross Profit	\$313.3	\$315.9	(\$2.6)		Non-GAAP Gross Profit	\$1,460.7	\$1,447.2	\$13.5	
% Margin	76.6%	77.0%	(0.4%)		% Margin	77.0%	77.0%	0.0%	
Non-GAAP Operating Income	\$68.0	\$68.6	(\$0.5)		Non-GAAP Operating Income	\$318.4	\$324.9	(\$6.5)	
% Margin	16.6%	16.7%	(0.1%)		% Margin	16.8%	17.3%	(0.5%)	
Non-GAAP EPS	\$0.59	\$0.59	(\$0.00)		Non-GAAP EPS	\$2.50	\$2.62	(\$0.12)	
Cash Flow from Operations	\$51.17	\$48.24	\$2.93		Cash Flow from Operations	\$361.70	\$386.34	(\$24.64)	
Deferred Revenue	\$758.93	\$776.78	(\$17.85)		Deferred Revenue	\$1,090.47	\$1,138.27	(\$47.80)	

ESTC: Non-GAAP Income Statement (\$MM, except per share data)

Non-GAAP Income Statement:	F1Q25	F2Q25	F3Q25	F4Q25	FY25	F1Q26E	F2Q26E	F3Q26E	F4Q26E	FY26E	F1Q27E	F2Q27E	F3Q27E	F4Q27E	FY27E
	7/31/2024	10/31/2024	1/31/2025	4/30/2025		7/31/2025	10/31/2025	1/31/2026	4/30/2026		7/31/2026	10/31/2026	1/31/2027	4/30/2027	
Revenue:															
Subscription Services	\$323.774	\$340.807	\$358.198	\$361.741	\$1,384.520	\$371.399	\$382.728	\$402.716	\$407.920	\$1,564.763	\$423.107	\$436.624	\$461.246	\$466.059	\$1,787.035
Total Revenue	\$23.646	\$24.554	\$23.885	\$26.691	\$98.776	\$24.947	\$26.027	\$25.318	\$28.026	\$104.317	\$26.194	\$27.329	\$26.457	\$29.287	\$109.267
Total Cost of Revenue	\$347.420	\$365.361	\$382.083	\$388.432	\$1,483.296	\$396.346	\$408.755	\$428.034	\$435.945	\$1,669.080	\$449.301	\$463.953	\$487.703	\$495.345	\$1,896.302
Total Cost of Revenue	\$82.173	\$84.436	\$88.921	\$89.300	\$344.830	\$92.386	\$95.469	\$98.738	\$101.990	\$388.583	\$103.401	\$106.951	\$110.980	\$114.257	\$435.589
Gross Profit:	\$265.247	\$280.925	\$293.162	\$299.132	\$1,138.466	\$303.960	\$313.286	\$329.296	\$333.955	\$1,280.498	\$345.900	\$357.001	\$376.723	\$381.088	\$1,460.713
YoY Growth	18.1%	17.7%	16.1%	16.6%	17.1%	14.6%	11.5%	12.3%	11.6%	12.5%	13.8%	14.0%	14.4%	14.1%	14.1%
Gross Margin	76.3%	76.9%	76.7%	77.0%	76.8%	76.7%	76.6%	76.9%	76.6%	76.7%	77.0%	76.9%	77.2%	76.9%	77.0%
Operating Expenses:															
Research and Development	\$63.562	\$63.380	\$67.676	\$68.884	\$263.502	\$77.287	\$73.576	\$74.906	\$74.111	\$299.880	\$80.874	\$83.511	\$87.787	\$89.162	\$341.334
YoY growth	12.5%	10.9%	10.6%	2.0%	8.7%	21.6%	16.1%	10.7%	7.6%	13.8%	4.6%	13.5%	17.2%	20.3%	13.8%
QoQ growth	(5.9%)	(0.3%)	6.8%	1.8%		12.2%	(4.8%)	1.8%	(1.1%)		9.1%	3.3%	5.1%	1.6%	
% of Revenue	18.3%	17.3%	17.7%	17.7%	17.8%	19.5%	18.0%	17.5%	17.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%
Sales and Marketing	\$134.908	\$122.840	\$130.803	\$137.151	\$525.702	\$147.441	\$138.977	\$145.532	\$148.221	\$580.170	\$157.255	\$157.744	\$165.819	\$168.417	\$649.236
YoY growth	20.2%	8.1%	8.6%	6.2%	10.6%	9.3%	13.1%	11.3%	8.1%	10.4%	6.7%	13.5%	13.9%	13.6%	11.9%
QoQ growth	4.5%	(8.9%)	6.5%	4.9%		7.5%	(5.7%)	4.7%	1.8%		6.1%	0.3%	5.1%	1.6%	
% of Revenue	38.8%	33.6%	34.2%	35.3%	35.4%	37.2%	34.0%	34.0%	34.0%	34.8%	35.0%	34.0%	34.0%	34.0%	34.2%
General and Administrative	\$29.586	\$30.425	\$30.661	\$33.477	\$124.149	\$33.689	\$32.700	\$34.243	\$34.876	\$135.508	\$35.944	\$37.116	\$39.016	\$39.628	\$151.704
YoY growth	10.4%	14.0%	11.9%	7.4%	10.8%	13.9%	7.5%	11.7%	4.2%	9.1%	6.7%	13.5%	13.9%	13.6%	12.0%
QoQ growth	(5.1%)	2.8%	0.8%	9.2%		0.6%	(2.9%)	4.7%	1.8%		3.1%	3.3%	5.1%	1.6%	
% of Revenue	8.5%	8.3%	8.0%	8.6%	8.4%	8.5%	8.0%	8.0%	8.0%	8.1%	8.0%	8.0%	8.0%	8.0%	8.0%
Total Operating Expenses	\$228.056	\$216.645	\$229.140	\$239.512	\$913.353	\$258.417	\$245.253	\$254.680	\$257.208	\$1,015.559	\$274.073	\$278.372	\$292.622	\$297.207	\$1,142.274
Operating Income:	\$37.191	\$64.280	\$64.022	\$59.620	\$225.113	\$45.543	\$68.033	\$74.616	\$76.748	\$264.939	\$71.827	\$78.630	\$84.101	\$83.881	\$318.439
YoY growth	27.9%	55.8%	47.8%	107.2%	58.1%	22.5%	5.8%	16.5%	28.7%	17.7%	57.7%	15.6%	12.7%	9.3%	20.2%
Operating Margin	10.7%	17.6%	16.8%	15.3%	15.2%	11.5%	16.6%	17.4%	17.6%	15.9%	16.0%	16.9%	17.2%	16.9%	16.8%
Other Income	\$4.682	\$2.644	\$8.709	\$7.318	\$23.353	\$7.318	\$7.318	\$7.318	\$7.318	\$29.272	\$7.318	\$7.318	\$7.318	\$7.318	\$29.272
Loss Before Income Taxes	\$41.873	\$66.924	\$72.731	\$66.938	\$248.466	\$52.861	\$75.351	\$81.934	\$84.066	\$294.211	\$79.145	\$85.948	\$91.419	\$91.199	\$347.711
Provision for Income Taxes	\$4.757	\$4.018	\$5.548	\$16.306	\$30.629	\$7.929	\$11.303	\$12.290	\$12.610	\$44.132	\$15.038	\$16.330	\$17.370	\$17.328	\$66.065
Tax Rate	11.4%	6.0%	7.6%	24.4%	12.3%	15.0%	15.0%	15.0%	15.0%	15.0%	19.0%	19.0%	19.0%	19.0%	19.0%
Net Income	\$37.116	\$62.906	\$67.183	\$50.632	\$217.837	\$44.932	\$64.048	\$69.644	\$71.456	\$250.079	\$64.107	\$69.618	\$74.050	\$73.871	\$281.646
EPS:	\$0.35	\$0.59	\$0.63	\$0.47	\$2.04	\$0.41	\$0.59	\$0.64	\$0.65	\$2.29	\$0.58	\$0.62	\$0.66	\$0.65	\$2.50
Shares Outstanding	102.284	103.239	104.085	105.085		106.085	106.585	107.085	107.585		108.585	109.585	110.585	111.585	
Fully Diluted Shares Outstanding	105.965	105.828	106.885	107.433		108.433	108.933	109.433	109.933		110.933	111.933	112.933	113.933	

ESTC: Base Case DCF

Elastic, NV (ESTC)
 Discounted Cash Flow Analysis
 \$ in millions, except per share data

	Year 1	Transition	Terminal
Current risk-free rate of return	2.5%		2.5%
Historical risk-free rate of return	5.3%	5.3%	5.3%
Beta	1.22		1.00
Market rate of return	11.8%	11.8%	11.8%
Cost of equity	10.4%		9.0%
Growth rate	As Modeled		5.0%

Cash and Cash Equivalents	1397.3
Total Debt	569.7
Net Cash and Cash Equivalents	827.5
LTM Revenues	1483.3
Shares Outstanding (m)	107.4
Net Cash/Share - 10% of Revenue	\$ 6.32

SCENARIO 2: ESTC sees continued adoption of its product as a platform solution for search, as well as growing customer acceptance of the value prop beyond this, which leads to high model leverage

	HISTORICALS					FORECAST PERIOD					TRANSITIONAL PERIOD					TERMINAL	
	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E	FY34E	FY35E	Perpetuity
Current risk-free rate of return	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Beta	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.18	1.15	1.11	1.07	1.04	1.00	
Market rate of return	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%	
Cost of equity	10.4%	10.4%	10.4%	10.4%	10.4%	10.4%	10.4%	10.4%	10.4%	10.4%	10.2%	10.0%	9.7%	9.5%	9.2%	9.0%	
FCF Growth Rate	NM	NM	NM	198.1%	54.9%	12.1%	20.0%	23.0%	21.0%	19.0%	16.4%	13.8%	11.3%	8.7%	6.1%	4.4%	
Free cash flow to enterprise (\$m)	18.3	(1.7)	56.7	169.0	261.8	293.6	352.2	433.2	524.2	623.8	726.2	826.7	919.7	999.4	1,060.2	1,106.9	
Diluted Shares Outstanding 4Q	90.0	93.8	100.1	105.4	107.4	109.9	113.9	117.9	121.5	125.1	128.2	130.8	132.8	134.1	134.8	134.8	
Share Growth %						2.3%	3.6%	3.5%	3.0%	3.0%	2.5%	2.0%	1.5%	1.0%	0.5%	0.0%	
Free cash flow to Enterprise per share						2.7	3.1	3.7	4.3	5.0	5.7	6.3	6.9	7.5	7.9	8.2	179.0
NPV of free cash flow (\$m)						2.4	2.5	2.7	2.9	3.0	3.2	3.3	3.3	3.3	3.3	3.3	74.0
Cumulative NPV of FCF (\$m)						2.4	5.0	7.7	10.6	13.6	16.8	20.0	23.3	26.6	29.9	103.8	
Cumulative NPV of FCF (\$m)																	
Net cash/share - 10% of revenue	\$ 6.32																
Total NPV/share	\$ 110.17																

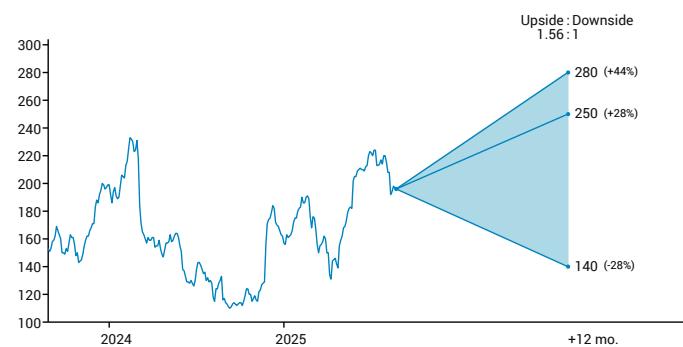
Jefferies

The Long View: Snowflake

Investment Thesis / Where We Differ

Snowflake is an early beneficiary of the cloud data warehousing space, and we see rapid growth sustainability on rising penetration among enterprises and potential expansion in the product offering to address adjacent workloads. We like: 1) best-in-class software growth rates; 2) significant room for profitability expansion following evidence of scale in FY21. Key risks: 1) narrowing of competitive differentiation as Redshift, Azure Synapse Analytics, and BigQuery add features/functionality; 2) more limited rev visibility vs traditional SaaS given consumption-based business model; 3) aggressive valuation premium to high-growth software peers.

Risk/Reward - 12 Month View



Base Case, \$250, +28%

- Assumes FY26E/FY27E total rev growth of 25%/25%
- Assumes FY26E/FY27E gross margins of 72%/72%
- Assumes FY26E/FY27E FCF margins of 25%/26%
- PT of \$250 implies 16x FY27E revenue

Upside Scenario, \$280, +44%

- Assumes FY26E/FY27E total rev growth of >25%/>25%
- Assumes FY26E/FY27E gross margins of >72%/>72%
- Assumes FY26E/FY27E FCF margins of >25%/>26%
- PT of \$280 implies 18x FY27E revenue

Downside Scenario, \$140, -28%

- Assumes FY26E/FY27E total rev growth of <25%/<25%
- Assumes FY26E/FY27E gross margins of <72%/<72%
- Assumes FY26E/FY27E FCF margins of <25%/<26%
- PT of \$140 implies 9x FY27E revenue

Sustainability Matters

Top Material Issue(s): 1) **Employee Engagement, Diversity & Inclusion:** Snowflake fosters a culture of inclusion across a workforce that is diverse in many ways. Combined with its performance-based culture of individual accountability, it believes this will fuel innovation, encourage authenticity, and serve its customers as it enables every organization to become data-driven. 2) **Data Security:** As a data company, Snowflake understands the importance of responsibly investing in the governance and technology required to protect data in an increasingly complex, global environment.

Company Target(s): 1) In early stages of developing a sustainability program and has identified three high-impact areas to address in its workplace operations: a) Energy management; b) GHG emissions (Scopes 1-3); c) Waste management solutions.

Qs to Mgmt: 1) What actions/steps are management taking to increase representation of minorities across its employee base? 2) What cost savings do you predict to have on a more diverse workforce?

ESG Sector Deep Dive

Catalysts

- SNOW is likely to report F2Q26 results in late August
- Ramp in adoption for Cortex and other AI products, as well as Data Engineering solutions (Snowpark, Dynamic Tables, Notebooks and others)

Financials: Snowflake

Estimate changes

USD	2024A	2025A	2026E	2027E
Rev. (MM)	2,806.5	3,626.4	4,518.3	5,613.4
Cons. Rev.	2,806.5	3,626.4	4,532.8	5,587.8
			<1%	<1%
Previous			4,527.0	5,567.9
Cons. EPS	0.97	0.83	1.10	1.56
			<1%	<1%
Previous			1.09	1.54
EPS	0.97	0.82	1.01	1.51
Q1	0.15	0.14	0.24A	0.31
Q2	0.22	0.18	0.24	0.36
Q3	0.25	0.20	0.25	0.39
Q4	0.35	0.30	0.28	0.45

Valuation metrics

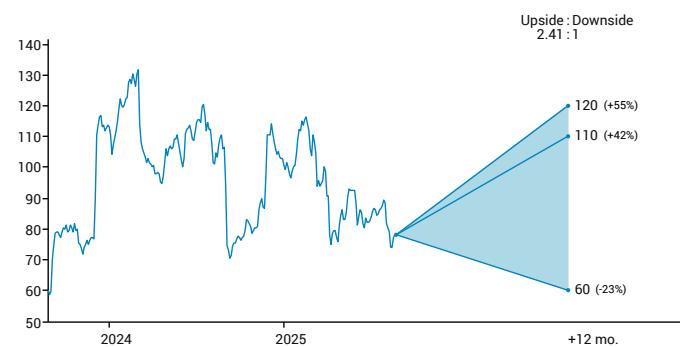
USD	2024A	2025A	2026E	2027E
EV/Rev	25.1x	19.5x	15.6x	12.6x
P/Rev	25.7x	19.9x	16.0x	12.9x
FY P/E	NM	NM	NM	NM

The Long View: Elastic

Investment Thesis / Where We Differ

- We believe search is at the forefront of AI, and ESTC is a unique asset positioned to be a beneficiary of AI. These workloads could drive consumption to the platform as organizations shift from discovery to implementing AI use cases, acting as a tailwind to revenue acceleration.

Risk/Reward - 12 Month View



Base Case, **\$110, +42%**

- Assumes FY26E/FY27E total rev growth of 13%/14%
- Assumes FY26E/FY27E gross margin of 77%/77%
- Assumes FY26E/FY27E FCF margin of 18%/19%
- PT of \$110 implies 5.8x FY27E total rev

Upside Scenario, **\$120, +55%**

- Assumes FY26E/FY27E total rev growth of >13%/<14%
- Assumes FY26E/FY27E gross margin of >77%/<77%
- Assumes FY26E/FY27E FCF margin of >18%/<19%
- PT of \$120 implies 6.4x FY27E total rev

Downside Scenario, **\$60, -23%**

- Assumes FY26E/FY27E total rev growth of <13%/<14%
- Assumes FY26E/FY27E gross margin of <77%/<77%
- Assumes FY26E/FY27E FCF margin of <18%/<19%
- PT of \$60 implies 3.0x FY27E total rev

Sustainability Matters

Top Material Issue(s): 1) Data Security: Elastic is committed to rapidly addressing security vulnerabilities affecting its customers and providing clear guidance on impact, severity and mitigation. Working with members of the security community and customers, ESTC ensures that security vulnerabilities affecting its products are documented and that solutions are released in a responsible manner.

2) Employee Engagement, Diversity & Inclusion: As a distributed company, Elastic employs people around the globe and focuses on recruiting top, diverse talent and then engaging, supporting and retaining them with a flexible, supportive and inclusive workplace that offers fair and consistent pay practices.

Company Target(s): 1) Created diversity hiring rate targets.

Qs to Mgmt: 1) What cost savings do you expect to have on a more diverse workforce? **2)** What steps are you taking to maintain a strong culture of growth, innovation and inclusion while balancing talent attraction, retention and career development? **3)** What investments are you making to protect your firm and your customers' data?

ESG Sector Deep Dive

Catalysts

- Elastic is likely to report F1Q26 earnings in late August

Financials: Elastic

Estimate changes

USD	2024A	2025A	2026E	2027E
Rev. (MM)	1,267.3	1,483.3	1,669.1	1,896.3
EPS	1.20	2.04	2.29	2.50
Cons. Rev.	1,267.3	1,483.3 <small><1%</small>	1,665.0 <small>↓ -1%</small>	1,878.9 <small>↓ -2%</small>
Previous		1,475.5	1,683.2	1,927.0
Cons. EPS	1.20	2.04 <small>↑ +5%</small>	2.29 <small>↑ +10%</small>	2.63 <small>↑ +6%</small>
Previous		1.94	2.08	2.48
Q1	0.25	0.35	0.42	0.58 <small>↑ +7%</small>
Previous				0.54
Q2	0.37	0.59	0.59 <small>↑ +11%</small>	0.68 <small>↑ +7%</small>
Previous			0.53	0.63
Q3	0.36	0.63	0.65 <small>↑ +11%</small>	0.72 <small>↑ +6%</small>
Previous			0.58	0.67
Q4	0.21	0.47 <small>↑ +27%</small>	0.63 <small>↑ +15%</small>	0.68 <small>↑ +8%</small>
Previous		0.37	0.54	0.63

Valuation metrics

USD	2024A	2025A	2026E	2027E
EV/Rev	5.9x	5.1x	4.5x	4.0x
P/Rev	6.6x	5.6x	5.0x	4.4x
FY P/E	64.9x	38.0x	33.9x	31.0x

Company Description

Elastic

Elastic's enterprise software platform ingests and stores data from any source, and in any format, and performs search, analysis, and visualization on this data in milliseconds. Developers build on top of the Elastic Stack to apply the power of search to their data and solve business problems. Since founding in 2012, ESTC has built additional features that address a wide variety of use cases including app search, site search, enterprise search, logging, metrics, application performance monitoring, business analytics, and security analytics.

Snowflake

Snowflake provides enterprises with highly scalable data management solutions for use cases that include data warehousing and data science. The company's offering is offered as SaaS-only and can be deployed on AWS, Azure and GCP.

Company Valuation/Risks

Elastic

Our \$110 PT is derived via a discounted cash flow (CoE 10.4%; TG 5%). Key risks include competition, including open-source developments, and the technical nature of the products from a sales perspective.

Snowflake

Our DCF-based price target of \$250 implies a 16x multiple of FY27E total rev. Risks include: 1) sustained competitive differentiation as Redshift, Azure Synapse Analytics and BigQuery fail to add similar functionality/pricing models; 2) gross margin upside as SNOW procures infrastructure at attractive rates and benefits from scale; 3) growth upside supports the stock to the downside; 4) premium valuation.

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Investment Recommendation Record

(Article 3(1)e and Article 7 of MAR)

Recommendation Published	August 22, 2025 16:56 P.M.
Recommendation Distributed	August 24, 2025 17:00 P.M.

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- Elastic NV (ESTC: \$77.59, BUY)
- Microsoft Corporation (MSFT: \$507.23, BUY)

- NVIDIA Corporation (NVDA: \$177.99, BUY)
- Snowflake Inc (SNOW: \$194.68, BUY)

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	Count	Percent	Count	Percent
BUY	2105	60.47%	367	17.43%
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