

Snowflake Inc. (SNOW, Buy, \$235 PT)

SNOW: Positive FQ2'26 Preview Checks

WHAT YOU SHOULD KNOW: Over the last few weeks, we spoke with four contacts (3 partners / 1 industry analyst) on SNOW to sharpen our view on the stock ahead of earnings Wednesday (8/27 AMC). Although our sample size was small, demand trends skewed positive. Contacts see their SNOW practices sustaining 30%+ growth the remainder of the year. In addition, commentary around potential with AI products was positive. And feedback on SNOW's opportunity with Crunchy Data was particularly bullish. Looking out longer term, SNOW's position against Databricks seems to be incrementally improving as the company continues to accelerate its pace of innovation on new products. Street estimates are calling for FQ2 product revenue growth of +25.5%. In an upside scenario, we think SNOW can grow closer to +28.8%. Reit Buy.

Mostly Positive Feedback from Fieldwork Discussions. Our fieldwork on SNOW was positive in all four of our discussions this quarter. The company's core data warehousing business remains healthy and emerging product commentary was encouraging. To provide some color, one large GSI expects growth in their SNOW business to accelerate from the high 20's in Q2 to 30%+ in the second half of the year. Another large partner grew their SNOW business 31% in the last quarter, above a target of 28%. This check was also confident in its ability to sustain 30%+ growth with SNOW the remainder of the year. Lastly, a third partner was directionally bullish on overall SNOW demand and sees the company benefiting from general growth in AI. Lastly, our industry analyst discussing SNOW skewed positive. This contact noted that SNOW has been discounting slightly more over the last 6 – 12 months due to economic headwinds. However, the contact also argued that things are generally getting better (not worse), that new products are helping to change the narrative with regards to competition (namely Databricks [Private]), and that AI is becoming a more material tailwind. All in, we left our work feeling confident in the near and medium term outlook for SNOW.

Positive Commentary on Emerging Products / Crunchy Data Acquisition. Commentary around SNOW's products outside of core data warehousing was positive. Snowpark and Iceberg tables were called out as seeing better interest in two of our conversations. And insights on SNOW's AI features within the platform were encouraging. On this front, bullish feedback around Crunchy Data stood out to us this quarter. As reference, SNOW acquired Crunchy Data for \$250MM in June to enter the Postgres database market. Our contacts view Postgres as becoming more important in building AI applications. And our industry analyst believes SNOW can take share from players, like ORCL (Not Rated), to become the database of choice for AI agents. We also picked up positive commentary on Gen2 instances and Cortex.

Competition vs Databricks Improving. Contacts tend to agree that both SNOW and Databricks each have their own swim lanes with customers who normally use both products. Between the two companies, Databricks is still seen as the faster innovator. However, there was an uptick in positive commentary regarding SNOW's position relative to Databricks this quarter. One partner noted that SNOW is gaining more traction into Databrick's space with AI native workloads. And our industry analyst contact was bullish on the improved pace of innovation at SNOW (Cortex, Gen2 instances, and Crunchy Data) helping SNOW address opportunities in AI.

Additional Details Page 3: (1) Sentiment & Setup.

Reiterate Buy: Our \$235 PT is based on a 15.0x CY26E EV/ Sales multiple.

PLEASE READ: IMPORTANT DISCLOSURES AND ANALYST'S CERTIFICATION APPEAR IN APPENDIX

WWW.BTIG.COM

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Gray Powell, CFA
(212) 882-2348 gpowell@btig.com

Trevor Rambo
(212) 593-4461 trambo@btig.com

| Company Data | | |
|----------------------------|---------------|--|
| Closing Price | \$194.68 | |
| Price Target | \$235.00 | |
| Market Cap (M) | \$72,206.81 | |
| Enterprise Value (M) | \$65,975.07 | |
| Shares Out (M) | 370.90 | |
| Avg Daily Vol-3 Months (M) | 4.19 | |
| Dividend / Yield | \$0.00 / 0.0% | |

| Revisions | | |
|--------------|----------|----------|
| | Previous | Current |
| Rating | Buy | Buy |
| Price Target | \$235.00 | \$235.00 |
| FY26E REV | 4,513.77 | 4,513.77 |
| FY27E REV | 5,482.17 | 5,482.17 |
| FY26E EPS | 1.14 | 1.14 |
| FY27E EPS | 1.47 | 1.47 |

| Revenue (M) | | | |
|---------------|-----------------|-----------------|-----------------|
| | 2025A | 2026E | 2027E |
| Q1 | 828.71 | 1,042.07A | 1,275.87 |
| Q2 | 868.82 | 1,084.36 | 1,322.68 |
| Q3 | 942.09 | 1,168.52 | 1,414.27 |
| Q4 | 986.77 | 1,218.81 | 1,469.36 |
| FY REV | 3,626.40 | 4,513.77 | 5,482.17 |
| FY EV/S | 18.2x | 14.6x | 12.0x |
| FY P/S | 19.9x | 16.0x | 13.2x |

| EPS (Adjusted) | | | |
|----------------|-------------|-------------|-------------|
| | 2025A | 2026E | 2027E |
| Q1 | 0.14 | 0.24A | 0.33 |
| Q2 | 0.18 | 0.29 | 0.36 |
| Q3 | 0.20 | 0.30 | 0.38 |
| Q4 | 0.30 | 0.31 | 0.40 |
| FY EPS | 0.83 | 1.14 | 1.47 |
| FY P/E | 235.8x | 170.2x | 132.3x |

Source: FactSet, BTIG Estimates and Company Documents reported as \$ currency.

FY = Fiscal Year **CY** = Calendar Year

Investment Thesis

After two-plus years of dealing with cloud optimization headwinds, our recent fieldwork is pointing towards an improving demand backdrop for the broader cloud data analytics market and SNOW in CY2025. In addition, we think Snowpark will become a more meaningful growth driver in FY'26. Roughly speaking, we estimate that the product will grow from a \$140MM run rate in FQ4'25 (~4% of revenue) to \$300MM in FQ4'26 (6% - 7% of revs) and ultimately \$1.0B+ over the next few years. We see potential for AI workloads moving into production by mid-2025 to create incremental tailwinds to consumption in 2H'F26. And lastly, we see the competitive environment stabilizing. All of these data points give us more confidence in SNOW's ability to sustain a 25%+ revenue growth profile and mid 20's FCF margins.

Upcoming Catalysts

- Cloud optimization initiatives, which has been a headwind to growth the last two years, appear to be abating in 2025
- Snowpark momentum inflecting over the course of FY26 as product enhancements drive incremental demand and existing customers ramp usage.
- AI workloads moving into product should drive increased consumption for cloud data platforms.

Base Case Assumptions: **\$235 Price Target**

- Revenue growth of 24.5% in CY25 and 21.5% in CY26.
- 15.0x CY2026E EV/sales multiple.
- **Price target of \$235/Share.**

Upside Scenario: **\$266/sh**

- Newer / existing use cases - Snowpark, Data Exchange, Data Lake - see better-than-expected demand.
- Revenue growth of 27% in CY25 and CY26.
- 16.0x CY2026E EV/sales implies a **\$266/Share Fair Value.**

Downside Scenario: **\$143/sh**

- Revenue growth of 24% in CY25 and 19% in CY26.
- 9.0x 2026E EV/sales implies a **\$143/Share Fair Value.**

Price Performance



Source: FactSet

Company Description

Snowflake's Cloud Data Platform consolidates data into a single source of truth for customers to analyze for business insights, create applications from the data, and to share the data. The Cloud Data Platform supports use cases such as data engineering, data lake, data warehousing, data science, data applications, and data sharing. Under the company's consumption-based business model, customers only pay for the resources they use.

Additional Details

Sentiment & Setup. Sentiment skews positive on SNOW heading into its FQ2'26 print, and we think most are expecting some form of a beat and raise report. For FQ2, the street is forecasting product revenue of \$1,041MM / +25.5%. In an upside scenario, we think SNOW can post product revenue of \$1,068MM / 28.8%. In terms of the FY26 guide, we think SNOW can bump up the guide to \$4,360MM / +26% y/y from \$4,325MM / +25% y/y.

SNOW: Historical Earnings Performance & FQ2'26 Upside Scenario

\$'s in millions

| Report Date | 5/24/23 | 8/23/23 | 11/29/23 | 2/28/24 | 5/22/24 | 8/21/24 | 11/20/24 | 2/26/25 | 5/21/25 | Upside Scenario 8/27/25 |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------------------|
| Quarter End | Apr F1Q'24 | Jul F2Q'24 | Oct F3Q'24 | Jan F4Q'24 | Apr F1Q'25 | Jul F2Q'25 | Oct F3Q'25 | Jan F4Q'25 | Apr F1Q'26 | Jul F2Q'26 |
| Actual Results vs Consensus Estimates | | | | | | | | | | |
| Product Revenue | | | | | | | | | | |
| Consensus Est | \$572.1 | \$626.2 | \$669.2 | \$722.5 | \$750.4 | \$813.7 | \$848.5 | \$914.3 | \$962.4 | \$1,040.7 |
| Actual | \$590.1 | \$640.2 | \$698.5 | \$738.1 | \$789.6 | \$829.3 | \$900.3 | \$943.3 | \$996.8 | \$1,068.0 |
| Abs \$ Difference | \$18.0 | \$14.0 | \$29.3 | \$15.6 | \$39.2 | \$15.6 | \$51.8 | \$29.0 | \$34.4 | \$27.3 |
| % Difference | 3.1% | 2.2% | 4.4% | 2.2% | 5.2% | 1.9% | 6.1% | 3.2% | 3.6% | 2.6% |
| Updated Full Year Revenue Guidance vs Prior Consensus | | | | | | | | | | |
| Product Revenue - Guide | | | | | | | | | | |
| Consensus Est | Jan 24E | Jan 24E | Jan 24E | Jan 25E | Jan 25E | Jan 25E | Jan 25E | Jan 26E | Jan 26E | Jan 26E |
| Guidance (Mid) | \$2,722.3 | \$2,609.9 | \$2,610.4 | \$3,458.0 | \$3,279.8 | \$3,332.3 | \$3,367.0 | \$4,234.3 | \$4,280.0 | \$4,339.5 |
| % Difference | \$2,600.0 | \$2,600.0 | \$2,650.0 | \$3,250.0 | \$3,300.0 | \$3,356.0 | \$3,430.0 | \$4,280.0 | \$4,325.0 | \$4,360.0 |
| Relative Stock Performance (1) | -4.5% | -0.4% | 1.5% | -6.0% | 0.6% | 0.7% | 1.9% | 1.1% | 1.1% | 0.5% |
| | -18.2% | -3.3% | 7.3% | -19.0% | -5.0% | -13.0% | 32.7% | 7.3% | 13.0% | TBD |

Note: (1) T+1 stock performance relative to the NASDAQ 100

Source: Company reports, FactSet, and BTIG Research

Field Check Summary

We highlight our unfiltered fieldwork on SNOW below.

Partner 1

- SNOW is definitely doing well. They are benefiting from the general growth in AI. So interest in them continues to be high.
- AI use cases are driving accelerated growth. SNOW provides an inference layer that can be consumed by LLM's.
- Databricks has the lead by far in using unstructured data in a lakehouse compared to SNOW. They are also better for old school big data and AI/ML use cases. But SNOW should ride the wave of growth with AI.

Partner 2

- Our SNOW business has been super healthy. We grew 28% - 31% in the last 2 quarters. Q3 and Q4 should accelerate and be upwards of 30%+ growth.
- Snowpark is an area that customers are excited to use as their database tool. Python volume alone has doubled or tripled from Snowpark integrations. And then SNOW is launched improved natural language query capabilities with Cortex. Cortex AI SQL can transcribe things that you query.
- SNOW Gen2 instances are slated to port a lot off actual traffic. We think that will be good for the majority of customers.

Partner 3

- I am positive on SNOW. We grew 31% in the quarter, which was 3 points above our target. And for the full year, we left our SNOW target unchanged at 25-28%. Our pipeline grew more than 30% this year. So, I think we will easily beat our full year target and sustain 30%+ growth. We just wanted to contain some of our expectations and be prudent.
- The primary SNOW modules in my pipeline outside core data warehousing are Cortex, Snowpark, Dynamic Tables, and Iceberg Tables. Plus, I am very excited for Snowpipe on the streaming side. I think it will become a bigger contributor to SNOW in the next few quarters.
- Both SNOW and Databricks still have their own swim lanes, but SNOW has been moving slightly into Databrick's lane, and they are doing better with AI native workloads. Databricks approaches it from a single workflow perspective while SNOW goes for the entire ecosystem. SNOW has been positioning themselves better in this regard.
- We are seeing "tremendous growth" on Snowpark.
- Despite price increases with Gen2 instances, we are not seeing any churn. That has been good. Customers are getting more comfortable on that front.
- SNOW's acquisition of Crunchy Data should help them get into the transactional database market. Postgres is becoming more important in building AI applications. So, it really complements the SNOW story and helps them create a unified database platform.

Industry Analyst – Cloud Datawarehouse Focus

- Customer perception on SNOW is not changing. It is very easy to use. And SNOW is doubling down on that. One example is Adaptive Compute. Customers have been asking for that for a while.
- Over the last 6 – 12 months, with the way the economy has been, SNOW has been bending over backwards to secure deals. They are marginally giving customers better discounts. And Databricks has been putting pressure on them. But things in general are getting better for SNOW – not worse. And we are seeing more long-term deals – some of them are five-year deals.
- On the fringe, SNOW is getting better versus Databricks. Databricks SQL is their hottest product, and a lot of customers are looking at it. But things are not getting any worse from SNOW's perspective. We are seeing more interest in components of Cortex – like Document AI.
- We really like the Crunchy Data acquisition. We think Postgres is the right database for AI agents. And it could move the needle for SNOW. SNOW is good at real time providing insights and supporting dynamic workloads. If they integrate Postgres as an operational database, a lot of Snowflake customers will look at it.
- Gen2 instances are coming online now, and customers are using it now. In general, it is 25% - 30% more expensive and good for resource heavy workloads like model training and AI use cases. But it is less suitable for regular data warehouse use cases.
- Most customers still use SNOW's proprietary storage format. But there is adoption of Iceberg Tables. Sometimes Iceberg is not as performant as SNOW's proprietary storage. But that is an Iceberg problem, not a SNOW problem. In either case, SNOW is seeing new customers because of Iceberg. From our standpoint, it is all positive for them.



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Snowflake Inc. (SNOW, Buy, \$235 PT; Closing Price: \$194.68)

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Snowflake Inc. (SNOW, Buy, \$235 PT)

Valuation: Our PT of \$235/share is based on a 15.0x CY26E EV/sales multiple. We think this is reasonable for a software company with 25%+ revenue growth and 25%+ FCF margin potential.

Risks: Risks to the downside include intense competition against large well-established cloud infrastructure providers, the potential for new entrants attracted to a large market opportunity, volatility inherent in SNOW's consumption pricing model, and valuation / investor expectations.



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