

Company Update — August 18, 2025

U.S. Software

Snowflake Inc.

2Q Preview—Constructive on NT Setup; 2H Re-Accel Looks Likely

Our Call

We're constructive on the setup into 2Q (and 2H guide) with Product revs likely set to accelerate on the back of new product strength like Snowpark, Cortex plus modestly easing comps into 2H. Keep 'OW' & \$250 PT.

Thoughts into 2Q: SNOW is implicitly guiding to a re-accel in 2Q, w/ typical outperformance trending in the 3-4% range (>3% in 4 of last 5 qtrs) & an initial 2Q guide for 25% y/y (vs 1Q Product rev growth of 26%). An avg beat would result in 29-30% y/y Product rev growth for 2Q—while this would imply a 4-5pt re-accel, the 4pt easier 2Q comp vs 1Q helps contextualize step-up. Compares continue to ease in 2H (1pt each qtr), making FY guide for 25% y/y look highly achievable, in our view.

Takes from 2Q \$1M Customer Survey: From our quarterly survey of \$1M+ customers (results inside), we note 3 key findings: 1) uptick in growth expectations from customers, now including 1/3 of respondents expecting NTM consumption growth in the 10-25% range—in our view bullish read into ROY spend, 2) slight downtick in Cortex usage & plans to leverage SNOW as an AI platform of choice, and 3) uptick in mentions of Databricks, w/ 1/3 of customers expecting to grow DB spend more than SNOW over N24M.

2Q Cloud Reads Mixed: Though imperfect as direct readthroughs, 2Q cloud rev results were again somewhat mixed, w/ notably better-than-expected prints from MSFT and GOOGL but somewhat disappointing results from AMZN (AWS most direct read for SNOW). Perhaps more important, RPO growth across all three hyperscalers accelerated q/q, indicating robust underlying cloud & AI demand. As mentioned in prior qtrs, AI capacity constraints remained a limiter on hyperscalers' cloud growth across the board.

New AI Headlines Surfacing: Following prior [headlines](#) that suggested SNOW is internally targeting \$100M in ARR from AI products in FY26, new [reports](#) are suggesting that SNOW has reached \$51M in ARR as of July 31, 2025—on pace to reach the \$100M target by fiscal year-end (~2% of Product revs). Per the report, Cortex AISQL is the largest driver of the revenue line, which would be a rapid ramp given public preview was announced in June 2025. Expect SNOW is benefiting signif from [OpenAI partnership](#).

Valuation: SNOW shares are trading at 55x EV/ FCF and 15x EV/S on NTMe, in premium territory for software. Our \$250 PT is based on 55x EV/FCF (implies 15x EV/S) on Fwd NTM, fair given improving underlying fundamentals & a favorable backdrop for data and AI.

Overweight
Price Target: \$250.00

Ticker					SNOW
Upside/(Downside) to Target					26.1%
Price (08/18/2025)					\$198.24
52 Week Range					\$107.13 - 229.27
Market Cap (MM)					\$65,946
Enterprise Value (MM)					\$61,789
Average Daily Value (MM)					\$920
Dividend Yield					0.0%
\$ (Jan)	Q1	Q2	Q3	Q4	FY
EPS					
2026E	0.24 A	0.28 E	0.28 E	0.31 E	1.12 E

Source: Company Data, Wells Fargo Securities estimates, and Factset.
NA = Not Available, NC = No Change, NE = No Estimate

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Wells Fargo Express Takeaways

Snowflake Inc. (SNOW) | Rating: Overweight | Price Target: \$250.00

Analyst: Michael Turrin

Financials

FY (Jan)	2024A	2025A	2026E
\$			
ESTIMATES			
EPS			
Q1	0.15 A	0.14 A	0.24 A
Q2	0.22 A	0.18 A	0.28 E
Q3	0.25 A	0.20 A	0.28 E
Q4	0.35 A	0.30 A	0.31 E
AN	0.98 A	0.83 A	1.12 E
Rev. (MM)	2.81B A	3.63B A	4.51B E
EBIT (MM)	229.7 A	231.7 A	370.1 E
FCF (MM)	810.2 A	941.5 A	1,147.4 E

WELLS FARGO vs. CONSENSUS

Consensus Estimate	-	0.70 A	1.17 E
Difference from Consensus		(2.4)%	(6.4)%

VALUATION

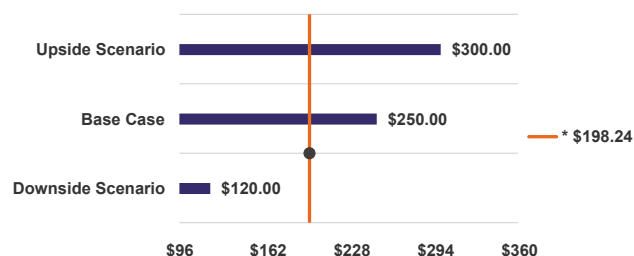
P/E	NM	NM	NM
EV/Revenue	22.0x	17.0x	13.7x
EV/EBIT	NM	NM	NM
EV/FCF	76.3x	65.6x	53.8x
FCF Yield	1.2%	1.4%	1.7%

Consensus Estimate: EPS; Source: FactSet
Source: Company Data, Wells Fargo Securities estimates, and Factset.
NA = Not Available, NE = No Estimate

Investment Thesis

We believe SNOW is among a few leaders in the cloud data space and poised to continue its momentum as a new mgmt team doubles down on its AI ambitions. We rate SNOW Overweight.

Risk vs. Reward – Upside/Downside Price Target Scenarios



*As of 08/18/25
Source: Wells Fargo Securities, LLC estimates and Factset.

Base Case | \$250.00

Our \$250 PT is based on 55x EV/FCF (implies 15x EV/S) on Fwd NTM, fair given improving underlying fundamentals & a favorable backdrop for data and AI.

Upside Scenario | \$300.00

In our upside scenario, SNOW is able to grow FY26-FY28 revenue at a mid-20s % 3-year CAGR, yielding ~\$7.3B of FY28 revenue and FCF margin expansion to 30% (~\$2.2Bn in FY28 FCF). This upside scenario should allow SNOW to continue to trade near the high end of high-growth peers, or ~15x EV/S and ~50x EV/FCF multiples into next year, which would suggest \$300 for SNOW shares, derived using FY28 estimates.

Downside Scenario | \$120.00

In our downside scenario, SNOW's revenue growth decelerates to just 10% in FY28, joined with FCF margin contraction as the company continues to invest without a commensurate level of growth in revenue, yielding ~20% FCF margin by FY28 or ~\$1.2B. Extending this scenario, we think a rapid decline in revenue growth rates and margin compression could warrant 7.5x EV/S and 30x EV/FCF, which suggests \$120 for SNOW shares derived using FY28 estimates.

Upcoming Catalysts

- Adoption of emerging workloads, including Cortex and Snowpark Container Services
- FQ2 earnings call in late August

Company Description

With the launch of its cloud-based data warehouse in 2014 and subsequent launches of use cases aimed at newer workloads, Snowflake has emerged as a leading vendor in the cloud data landscape. Natively built for the cloud (and benefiting from the scalability, performance, and elasticity that the cloud provides), Snowflake's platform is built to support a growing number of workloads beyond data warehousing.

Survey Results

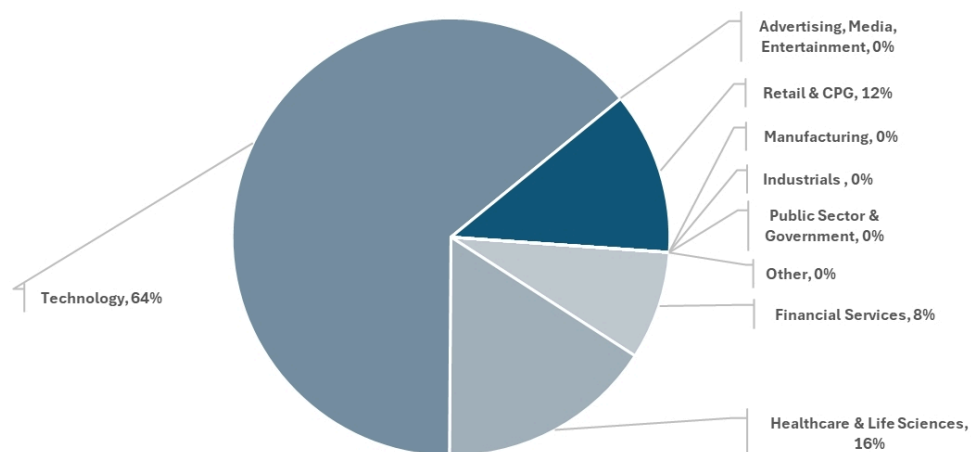
Our key takeaways include:

- **Growth rates showing uptick in TTM and NTM expectations:** From our Aug'25 survey of 25 customers >\$1M in ARR, growth rates appear to be showing slight upticks on both a trailing 3-month basis (prior qtr) and trailing 12-month basis (prior year), with more respondents citing double-digit growth in their SNOW consumption spend. Additionally, we saw the fewest results in the past yr of customers with flat to down spend TTM. Looking ahead, we saw an uptick in NTM expectations from customers, with 32% of respondents expecting 10-25% y/y growth.
- **Cortex adoption more measured this qtr:** The number of respondents that noted that they are using Cortex fell to 5 in the Aug'25 survey (down from 9 in February 2025, 12 in May 2025). In our view, this highlights that while a large number of customers have begun to try out new Cortex features, adoption may be more uneven in these earlier stages, perhaps fluctuating from quarter to quarter. We do also note that the number of customers planning to use SNOW for AI initiatives dipped to 13 (from 16, 15 in last two surveys).
- **Databricks increasing in mentions, suggesting more competition:** While the overall mix of data spend is stable on Snowflake (not materially shifting to Snowflake or away from other vendors), we saw the highest level of Databricks mentions yet. We also introduced a new question to identify how many customers use both Snowflake and Databricks, which was roughly ~1/2 this qtr. Of the 1/2 that use both vendors, 2/3 of respondents expect to grow spend more on Databricks over the next 24 months, while 1/3 of respondents expect to grow spend more on Snowflake over the next 24 months.

Customer Survey Results

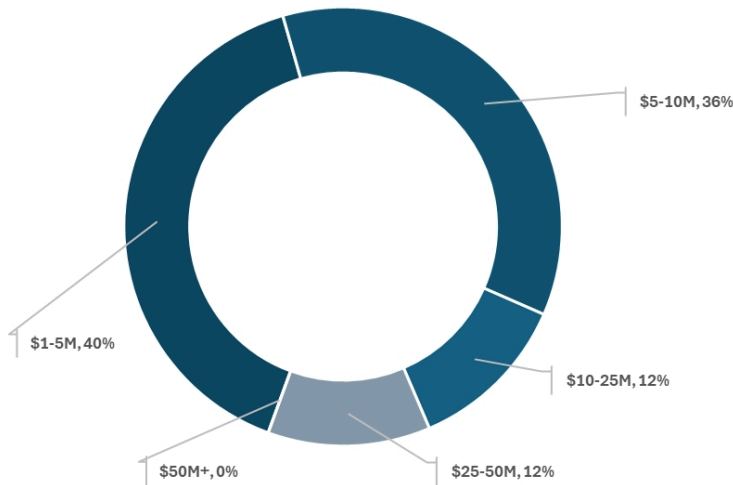
Customer Profile

Exhibit 1 - What vertical is your organization in?



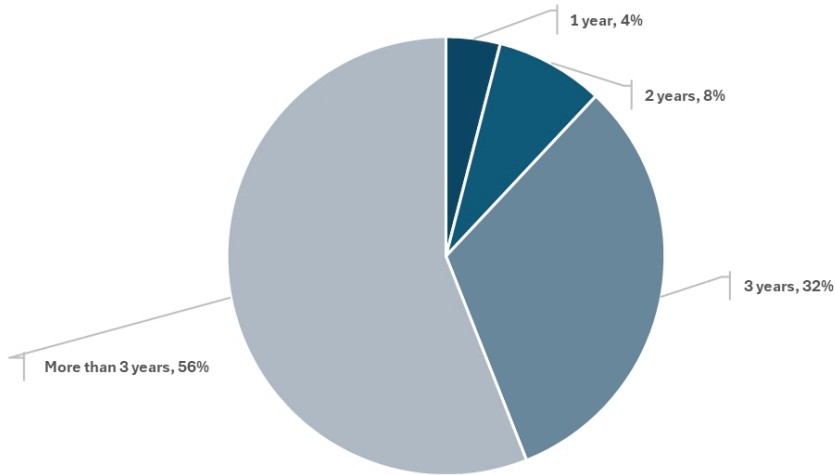
Source: Wells Fargo Securities, LLC proprietary survey; N=25

Exhibit 2 - What is your current annual consumption on Snowflake?



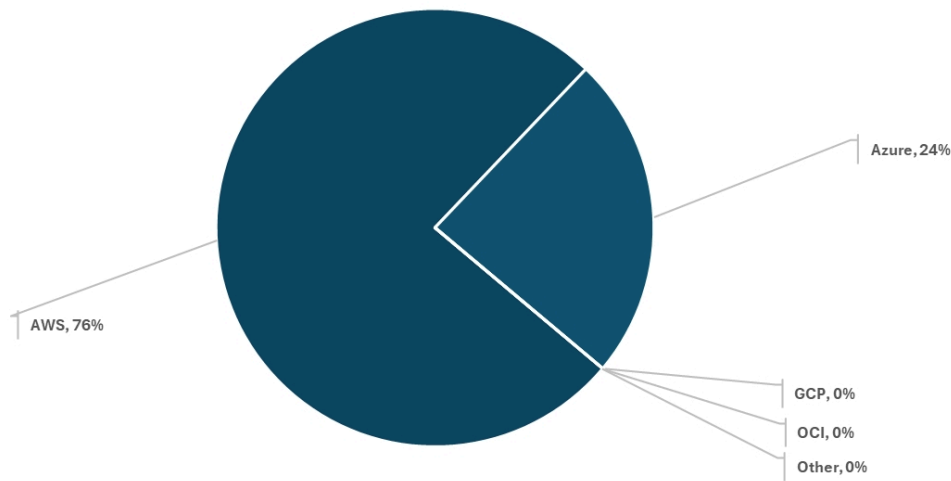
Source: Wells Fargo Securities, LLC proprietary survey; N=25

Exhibit 3 - How long have you been a Snowflake customer?



Source: Wells Fargo Securities, LLC proprietary survey; N=25

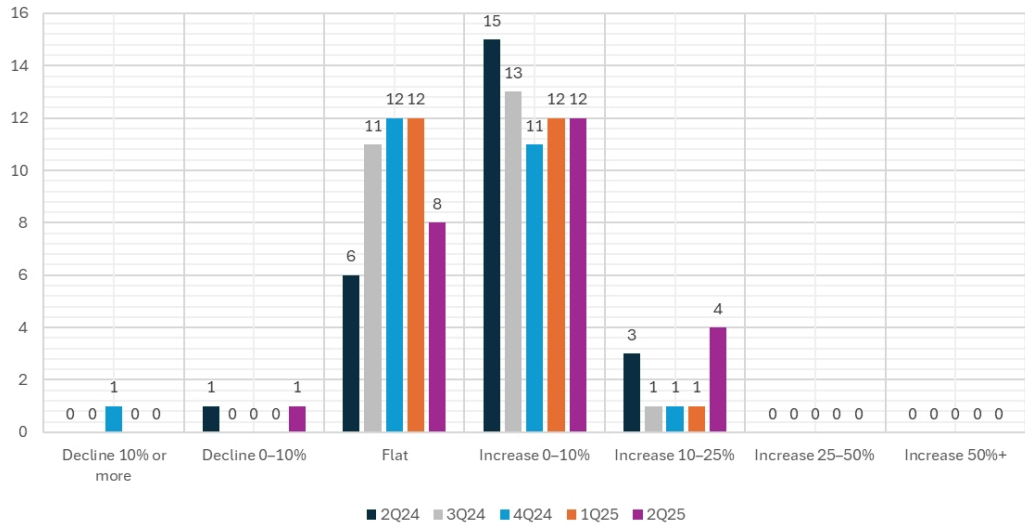
Exhibit 4 - Who is your primary cloud vendor?



Source: Wells Fargo Securities, LLC proprietary survey; N=25

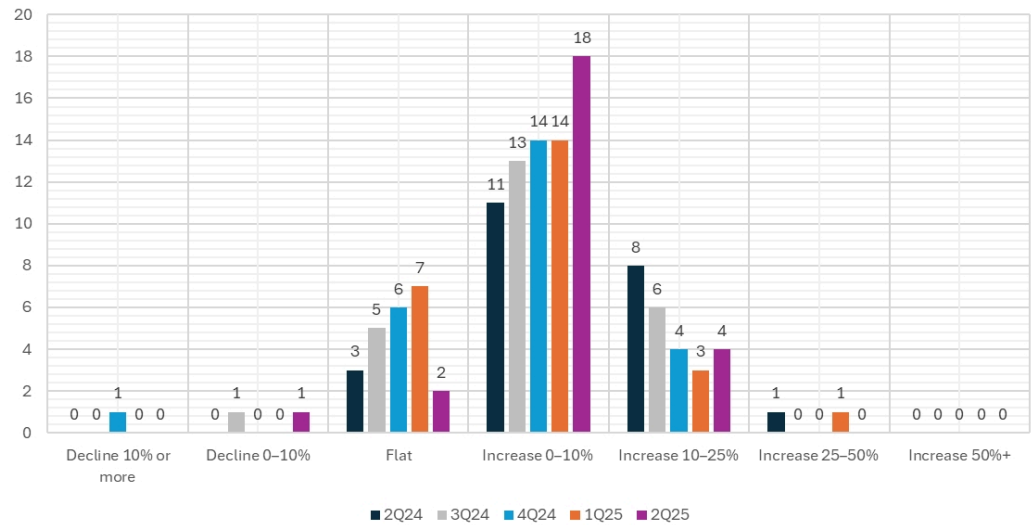
Spend Growth

Exhibit 5 - By how much has your Snowflake consumption changed over the last 90 days?



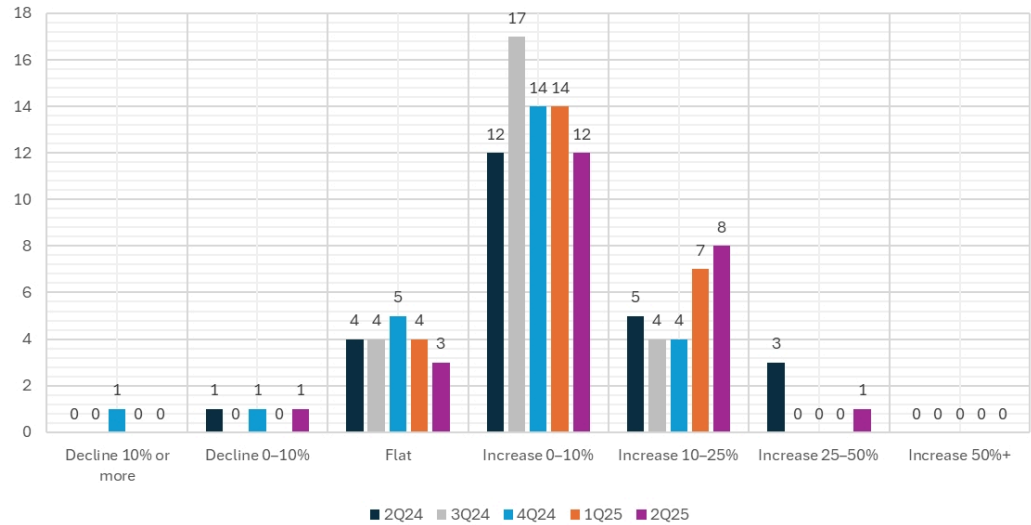
Source: Wells Fargo Securities, LLC proprietary survey; N=25

Exhibit 6 - By how much has your Snowflake consumption changed over the last year?



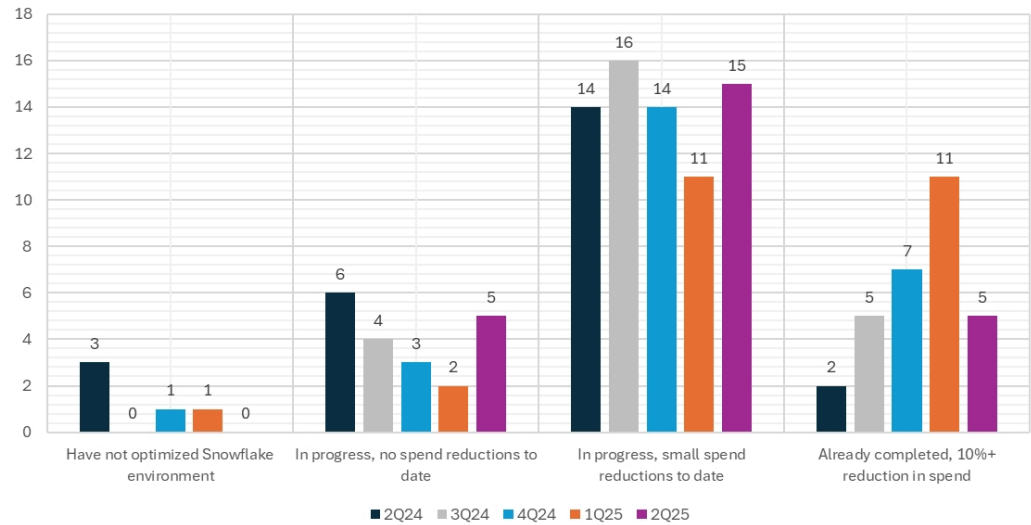
Source: Wells Fargo Securities, LLC proprietary survey; N=25

Exhibit 7 - By how much do you expect your Snowflake consumption to change over the next year?



Source: Wells Fargo Securities, LLC proprietary survey; N=25

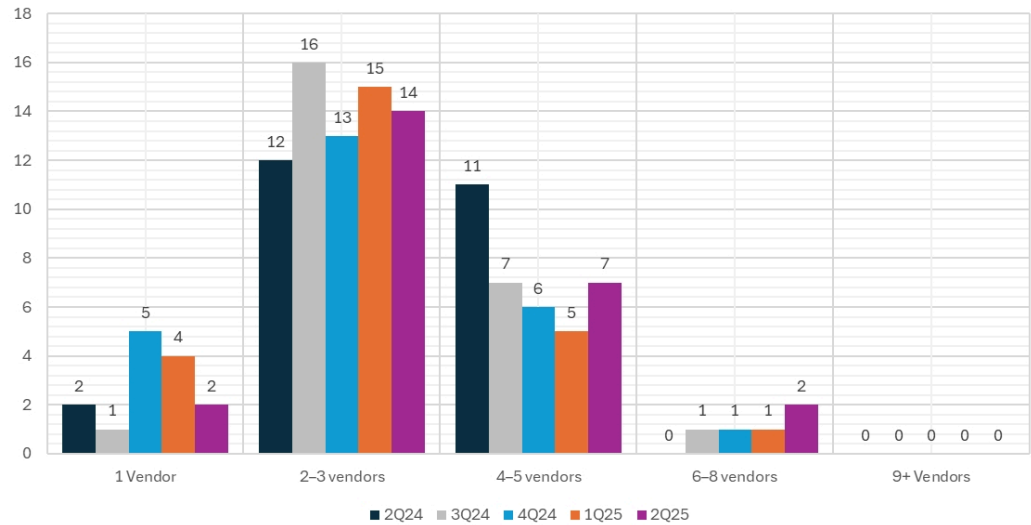
Exhibit 8 - To what extent have you optimized your Snowflake environment?



Source: Wells Fargo Securities, LLC proprietary survey; N=25

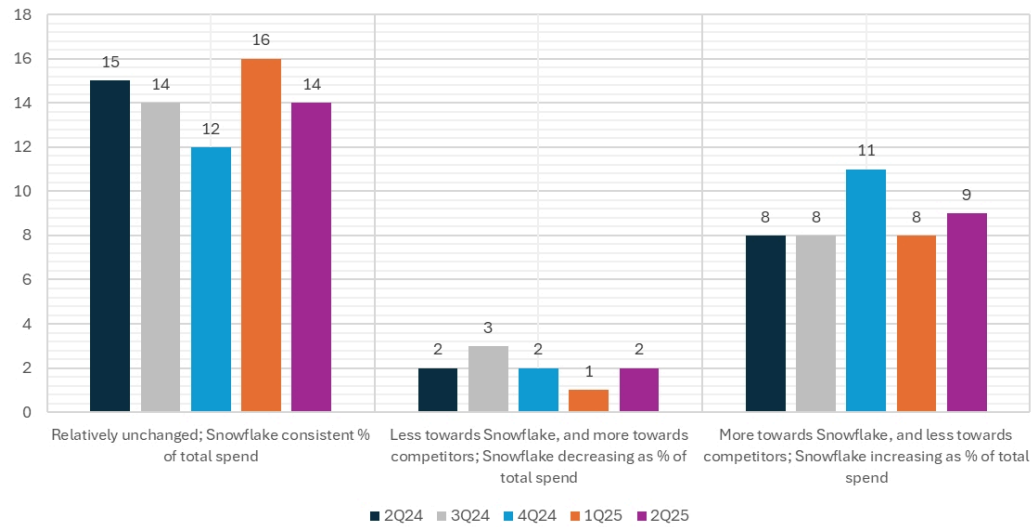
Competition

Exhibit 9 - How many vendors do you use in your data estate?



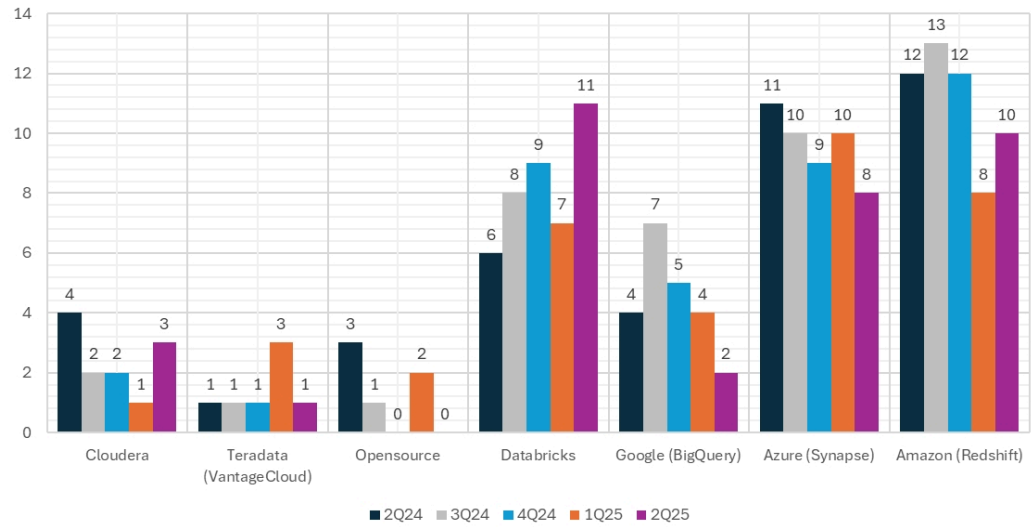
Source: Wells Fargo Securities, LLC proprietary survey; N=25

Exhibit 10 - How has the mix of your overall data spend shifted over the past year?



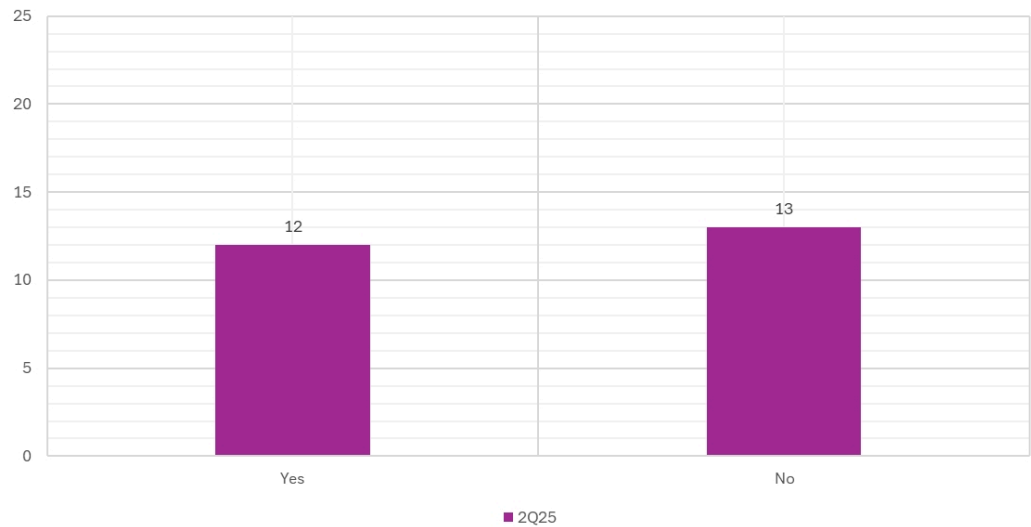
Source: Wells Fargo Securities, LLC proprietary survey; N=25

Exhibit 11 - If augmenting/replacing Snowflake, which other vendors are you planning to use?



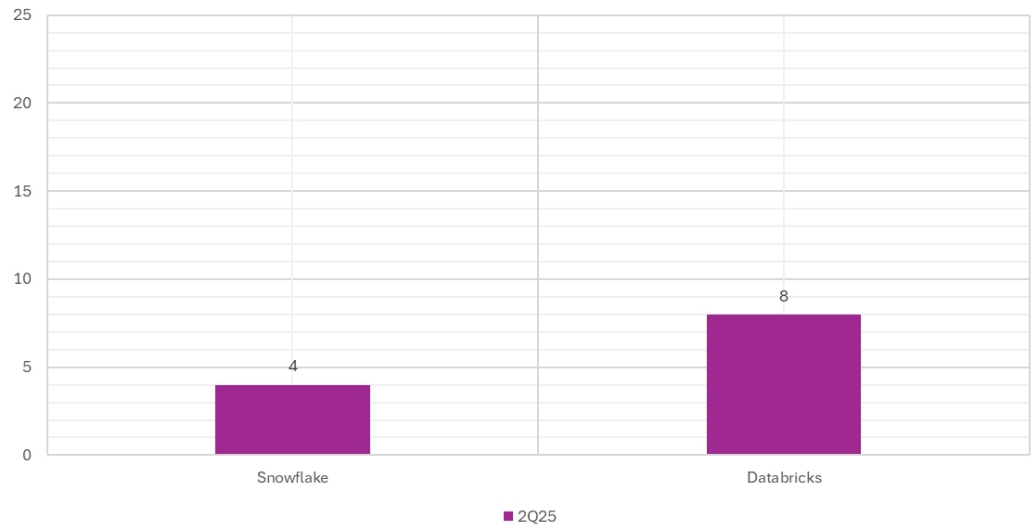
Source: Wells Fargo Securities, LLC proprietary survey; N=25

Exhibit 12 - Do you currently utilize Databricks in addition to Snowflake?



Source: Wells Fargo Securities, LLC proprietary survey; N=25

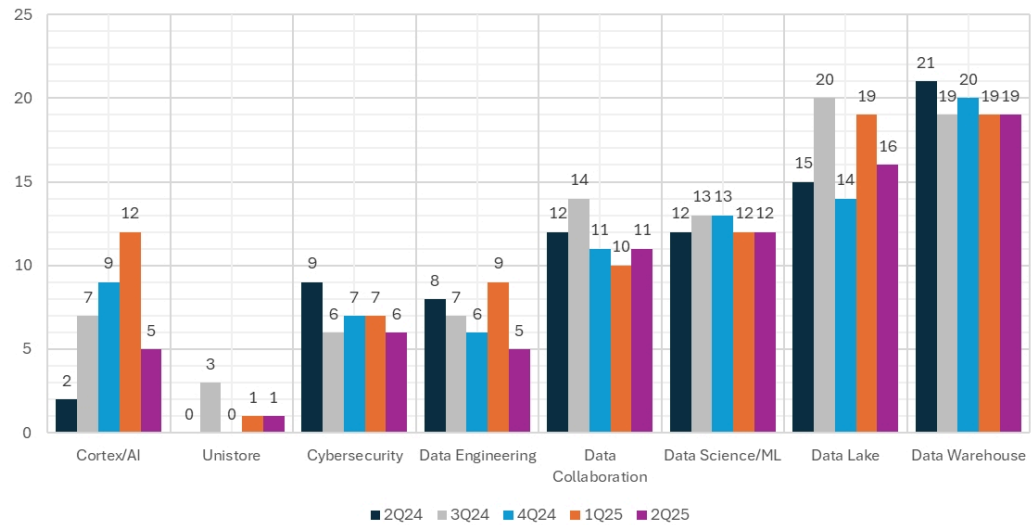
Exhibit 13 - Between Databricks and Snowflake, which vendor do you plan to grow spend with more with over the next 2 years?



Source: Wells Fargo Securities, LLC proprietary survey; N=12

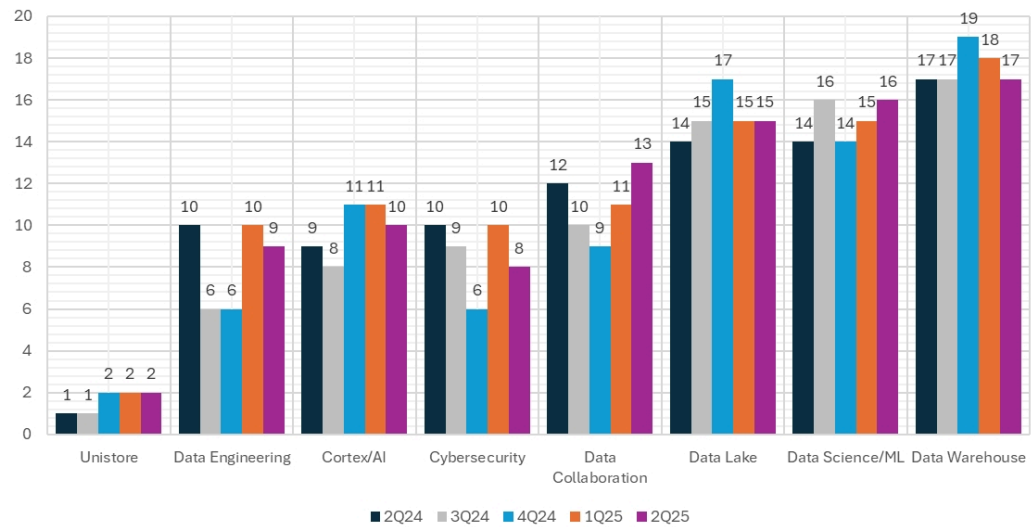
Product

Exhibit 14 - What consumption-based services/workloads do you currently use from Snowflake?



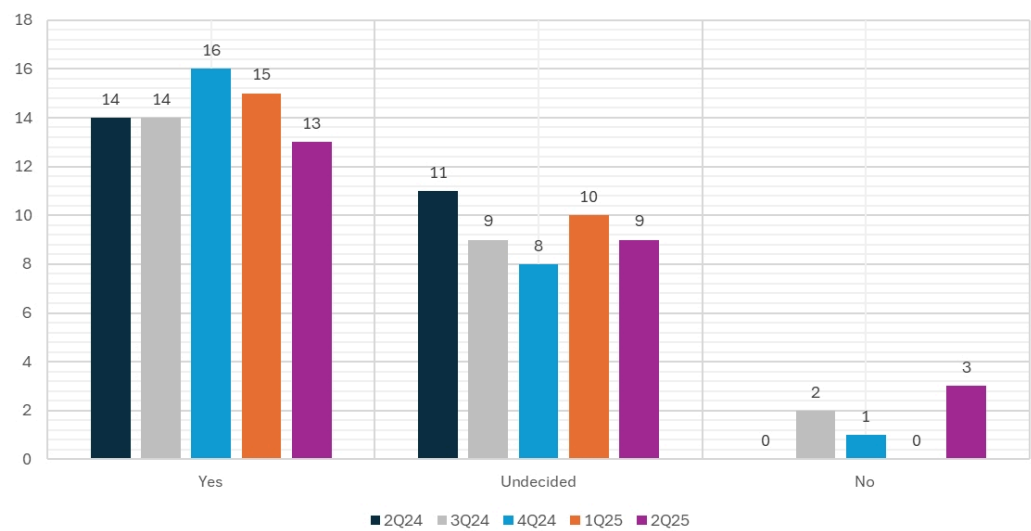
Source: Wells Fargo Securities, LLC proprietary survey; N=25

Exhibit 15 - What consumption-based services/workloads do you plan to use from Snowflake in the future?



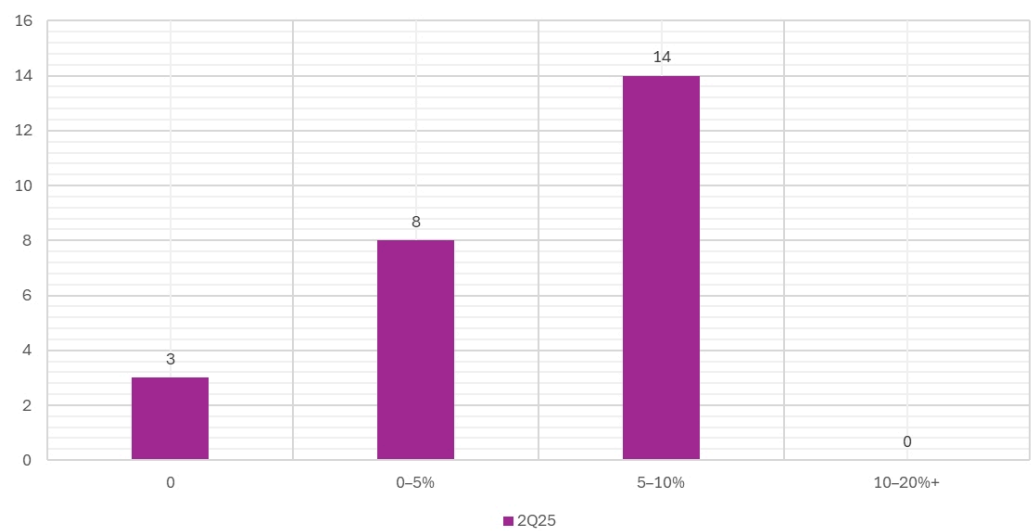
Source: Wells Fargo Securities, LLC proprietary survey; N=25

Exhibit 16 - Do you plan to use Snowflake as part of your AI/genAI strategy?



Source: Wells Fargo Securities, LLC proprietary survey; N=25

Exhibit 17 - What are your expectations for Snowpark + Cortex AI usage as a percentage of your Snowflake contract over the next 2 years?



Source: Wells Fargo Securities, LLC proprietary survey; N=25

Investment Thesis, Valuation and Risks

Snowflake Inc. (SNOW)

Investment Thesis

We believe SNOW is among a few leaders in the cloud data space and poised to continue its momentum as a new mgmt team doubles down on its AI ambitions. We rate SNOW Overweight.

Target Price Valuation for SNOW: \$250.00 from NC

Our \$250 PT is based on 55x EV/FCF (implies 15x EV/S) on Fwd NTM, fair given improving underlying fundamentals & a favorable backdrop for data and AI.

Risks to Our Price Target and Rating for SNOW

Downside risks to our price target include: (1) further macro deterioration, which could result in increased scrutiny on IT budgets; (2) intensifying competition; (3) still-elevated valuation, w/ shares among highest multiples in software.

Companies Mentioned in Report

Company Name	Ticker	Last Price (08/18/25)	Rating
Snowflake Inc.	SNOW	\$198.24	Overweight

Source: Wells Fargo Securities LLC Estimates, FactSet

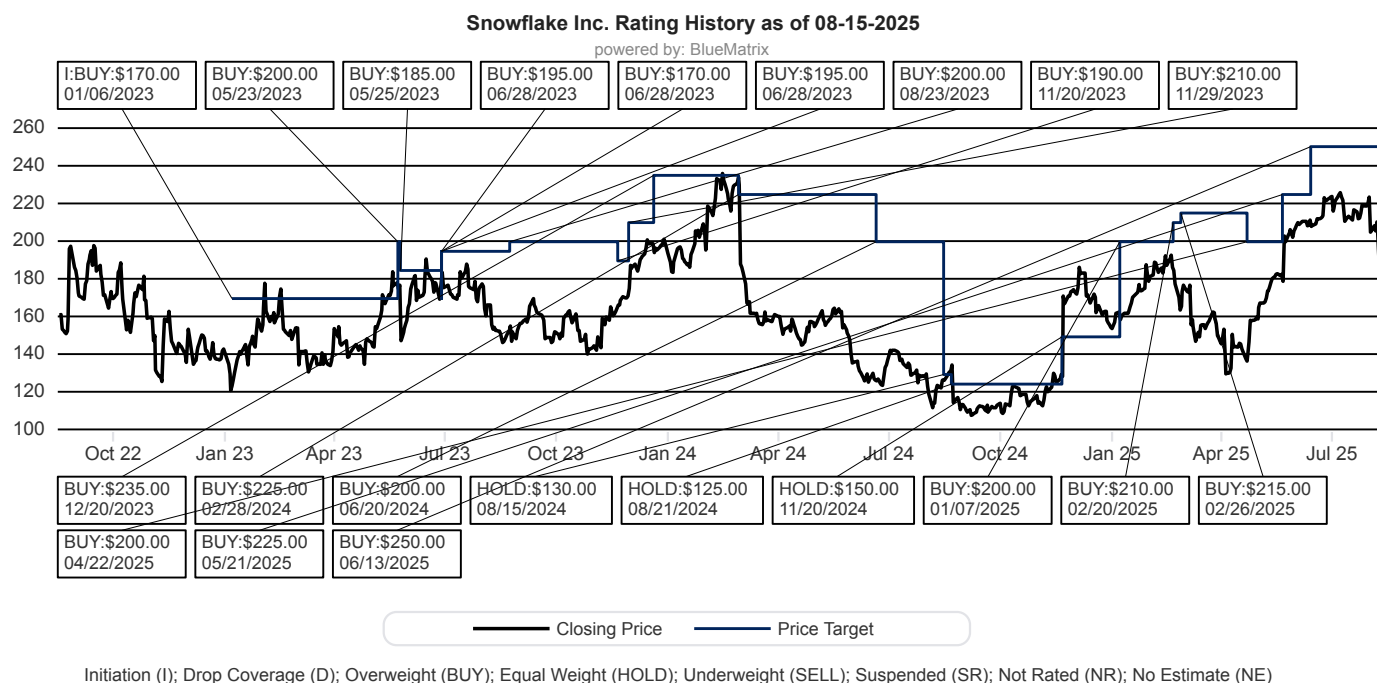
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