Deutsche Bank
Research

Rating
Buy

North America
United States

TMT
Software

Company
Snowflake

Reuters	Bloomberg	Exchange	Ticker
SNOW.N	SNOW US	NYS	SNOW

Date
14 November 2025

Company Update

Price at 12 Nov 2025 (USD)	269.82
Price target	250.00
52-week range	277.14 - 125.96

Insights ahead of F3Q results

Valuation & Risks

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We look for Snowflake to deliver F3Q Product revenue upside near its historical average in the 3%+ range. This follows a larger-than-normal beat last quarter with benefit from greater migration-related revenues; read-across from CSP and other infrastructure SW C3Q results point to accelerating migration tailwinds persisting through year-end, but for Snowflake specifically our base case (and we believe guidance) doesn't assume the same outsized in-period benefit as last quarter which featured several large migrations all lining up together. The ongoing consumption contribution from these and other new workloads on the platform will continue though, and we believe ultimately support Product revenue growth of 29%-30% y/y in FY26 (consistent with +30% in FY25). Beyond sustained momentum in the core enterprise analytics business, we'll also be watching for further indicators of consumption growth in Data Engineering (incl. potentially an ARR update) and in AI/ML where our checks surfaced strong uptake of Cortex Analyst & Search again this quarter and we sense the company is very optimistic on the GA launch of Snowflake Intelligence that coincided with its Build conference last week.

Capitalizing on some of these key additional growth vectors (Data Engineering, AI and Apps/Collaboration) as part of CEO Sridhar Ramaswamy's full data lifecycle strategy can potentially be an accelerant on top of the core analytics business that we felt incrementally better about coming away from our bus trip visit in October. The focus in these areas is consistent with and builds on longstanding strengths around ease of use, connectivity and trust, and in particular helping to abstract away more of the growing complexity organizations face in managing their data environments. Success connecting with customers across more of these points along the data lifecycle would benefit platform consumption and also likely deepen strategic tie-in going forward, in our view. It's still early days and a competitive space but Snowflake's vision makes sense to us and represents a potentially compelling second chapter for the company. Several pieces have come together over the past year that we believe improve its position to effectively address the opportunity, including: the launch of Snowflake Intelligence, embrace of Iceberg Tables, Horizon Catalog, introduction of Openflow, and the acquisitions of Datavolo and Crunchy Data, to name a few. There has also been investment in the S&M organization (headcount +25% y/y as of F2Q) to add more product and industry specialization to unlock new use cases as they lap their "get-fit initiative" from last year.

More qualitative disclosures have been encouraging, and while we await more tangible proof points of success as new services incubate in the market, we take comfort in the health of the core business and sustainability/runway for consumption growth ahead. This is much more of a consensus view now that it was when we made Snowflake a top pick going into the year and reflected in Snowflake's premium valuation at ~16.5x CY26E revenue and ~73x CY26E FCF on consensus numbers vs. other high-growth (>20%) Infrastructure & Security Software peers at an average of ~12x and ~71x, respectively. Incorporating our latest thoughts on the business and checks we reiterate our Buy rating and lift our target price to $275 (from $250).

Setup into the print

F3Q25 View

Consensus Product revenue of $1,129m is near the top end of guidance and implies growth of 25% y/y (a -6pt deceleration from F2Q on a 1pt easier comp) and days adj. q/q growth of 2% (vs. 7% each of the prior two years). Assuming a typical 3%+ beat, q/q net new Product revenue of ~$78m would be up ~10% y/y. While this sequential setup may appear very undemanding relative to the C3Q acceleration in large CSP consumption (net adds up >60% y/y) and setup for other consumption based ISVs (DBe net new >40% y/y, see Figure 1), recall Snowflake's F2Q revenue benefit from outsized migration related revenues that are more 1x in nature and not expected to repeat. The exact magnitude of this benefit wasn't disclosed but assuming it was the main contributor to larger-than-typical Product revenue upside last quarter (5% vs. 3%+ historical average) would imply a ~$15m impact. Adjusting for this, the q/q setup for Snowflake in F3Q looks essentially identical to the peer group mentioned. As a result, our base case expectation would be for a normal 3%+ Product revenue beat vs. guidance, with a more bullish upside case similar to last quarter likely dependent on in-period migration activity and/or AI related consumption (which can be lumpy) well exceeding internal expectations.

A solid F3Q beat would also be consistent with our checks into the quarter that highlighted: (1) acceleration in core consumption on the back of healthy enterprise migration activity; (2) a significant jump in existing Snowflake customers adopting Cortex tools for SQL jobs or through Notebooks doing AutoML for quick out-of-the-box models; and (3) Snowflake starting to appear in some observability use cases with its tracing library and Iceberg tables serving as a backend data environment.

Figure 1: F3Q guidance (assuming typical beat) implies modest q/q net new consumption vs. the prior year, slightly below consumption based ISV peers

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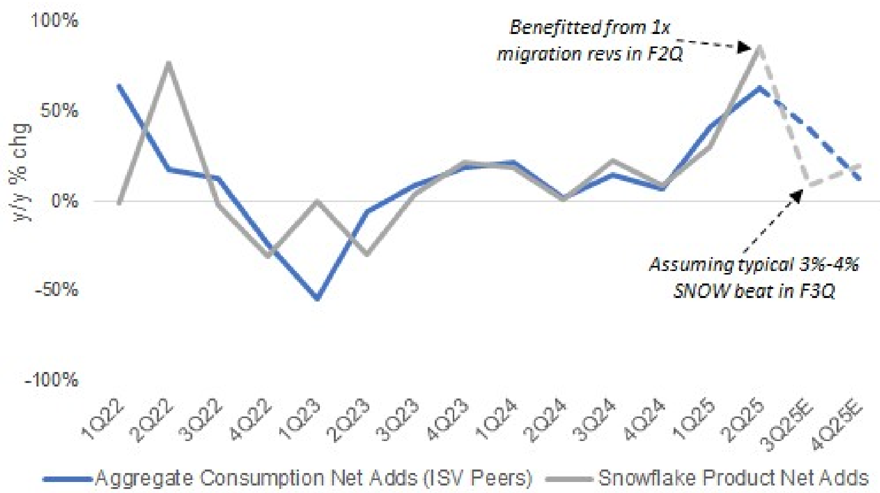


Source : Company data, DB estimates, Bloomberg Finance LP

Non-GAAP operating margin should also comfortably exceed guidance of 9% (+3pts y/y). Consensus GM is down 0.8pts sequentially to 72.2% vs. our 72.4% est., which we think could be conservative given improved efficiency and benefit from new product adoption. Non-GAAP OpEx is forecasted to grow +18% y/y and ~$33m q/q, already pretty consistent with historical trend which we think sets up for the majority of revenue upside to flow through to operating margins, similar to prior quarters. A target for operating margins similar to the prior quarter's 11% is a reasonable bogey in our view. On adj. FCF, F3Q is expected to be seasonally stronger than normal due to billings being more 2H weighted on anticipated renewal cycles.

Figure 2: F3Q26 & F4Q26 Setup

Snowflake (SNOW)
In $mn except EPS

	3Q26E				4Q26E		
	DBe	Cons.	DBe vs. Cons.	Company guidance	DBe	Cons.	DBe vs. Cons.
Income Statement							
Product Revenue	1,127	1,129	-0.1%	1,125-1,130	1,180	1,180	+0.0%
Y/Y Growth	+25.2%	+25.3%			+25.1%	+25.1%	
Q/Q Growth	+3.4%	+3.4%			+4.7%	+4.7%	
Services/Other revenue	47	49	-4.7%		49	51	-4.1%
Y/Y Growth	+12.5%	+13.1%			+12.5%	+13.0%	
Q/Q Growth	-13.6%	-14.3%			+4.0%	+4.1%	
Total Revenue	**1,174**	**1,180**	-0.4%		**1,229**	**1,232**	-0.2%
Y/Y Growth	+24.7%	+24.8%			+24.6%	+24.6%	
Q/Q Growth	+2.6%	+2.6%			+4.7%	+4.7%	
Non-GAAP Gross Profit	850	849	+0.1%		885	885	-0.1%
Non-GAAP GM (%)	72.4%	72.0%	+40bp		72.0%	71.9%	+11bp
Non-GAAP OI	**105**	**106**	-0.5%		**104**	**100**	+3.5%
Non-GAAP OM (%)	9.0%	9.0%		9%	8.5%	8.1%	
Non-GAAP Net Income	106	114			105	110	
Net margin (%)	9.0%	9.7%			8.6%	8.9%	
Non-GAAP EPS	**$0.28**	**$0.30**			**$0.28**	**$0.29**	
Operating Metrics							
Operating Cash Flow	**268**	**279**	-4.2%		**583**	**651**	-10.4%
OCF margin (%)	22.8%	23.7%			47.4%	52.8%	
Y/Y Growth	163.0%	+169.1%			+34.7%	+38.7%	
Adj. FCF (co. def.)	**273**	**270**	+1.2%		**589**	**633**	-7.0%
Adj. FCF margin	23.3%	22.9%			48%	51.4%	

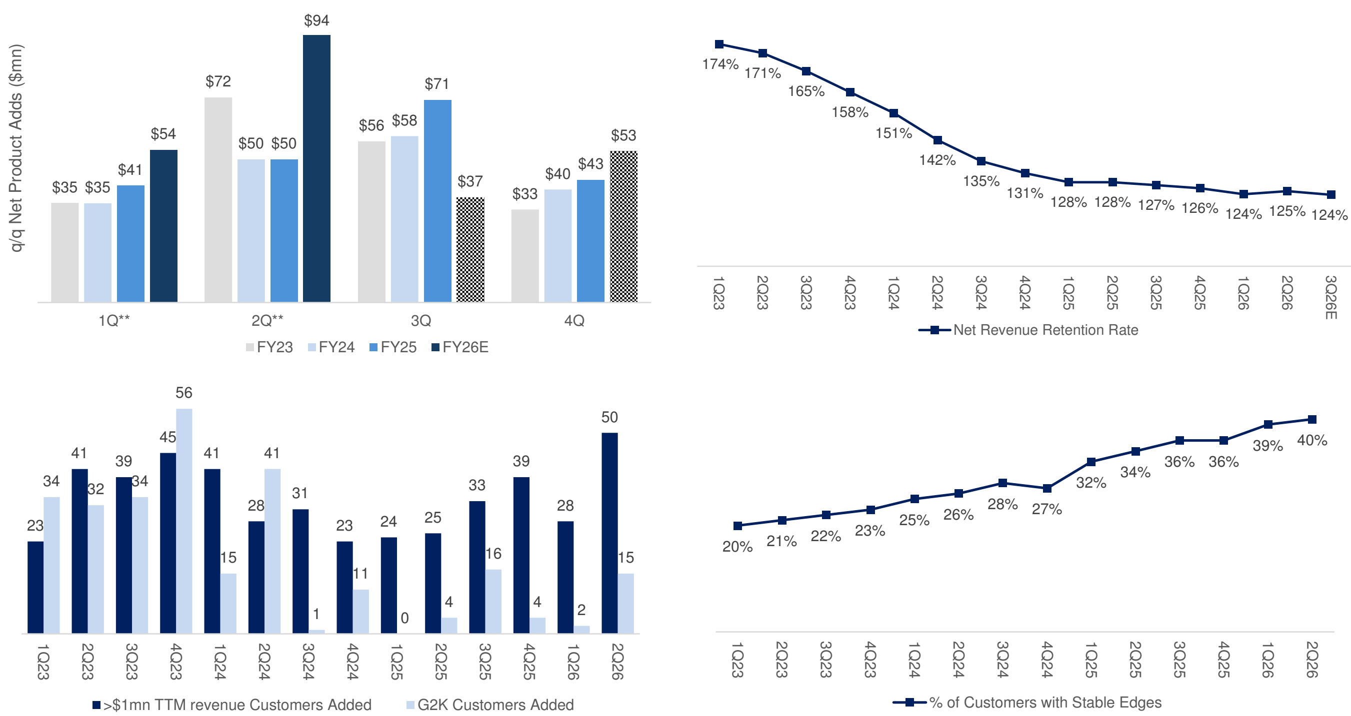
Source : Company data, DB estimates, Bloomberg Finance LP

Other F3Q metrics investors will be watching for include:

- **RPO:** We will be looking for strong current Bookings growth at >20%, helping sustain cRPO in the range of 30%+ y/y off a 6pt tougher comp. Bookings should be supported by a reported large renewal base deal pipeline in F2H26 and also benefit as the company laps one year since fine tuning its GTM motion. Consensus currently calls for F3Q cRPO/RPO of $3.7bn/$7.4bn, which would just be consistent with normal seasonality and represent bookings growth of 18%/15%. We acknowledge the shortcomings of RPO as a metric for consumption models but nonetheless still view it as a useful input for assessing the demand environment and customer commitment to the platform.
- **Product NRR:** TTM NRR improved by a point to 125% last quarter and we believe the underlying expansion on a quarterly basis was even stronger. That said, at least part of the improvement was attributed to migration related revenue from some existing large customers that is not necessarily seen repeating. We see potential for flat NRR of 125% in F3Q vs. guidance we estimate implies closer to ~123.5%-124%.

- **Data Engineering:** We await a quantitative update on Data Engineering (last disclosed at >$200m ARR in F3Q25) where we've heard some positive mentions of Snowpark and Dynamic Tables.
- **Customer metrics:** In line with recent performance, we will continue to look for a steady rate of >$1mn TTM revenue customer net adds on consistent expansion trends and healthy migration activity, although these can always be lumpy q/q and note this follows a record +50 customers sequentially in F2Q.
- **Stable edges:** The % of customers with at least one stable edge ticked up last quarter to 40% (+1pts q/q and +6pts y/y) after jumping 3pts seq. in F1Q as data sharing continues to gain momentum on the platform and we believe helps promote stickiness and network effects. We expect to see a continued upward trend in F3Q.

Figure 3: Key Charts



Source : Company Reports, DB Estimates

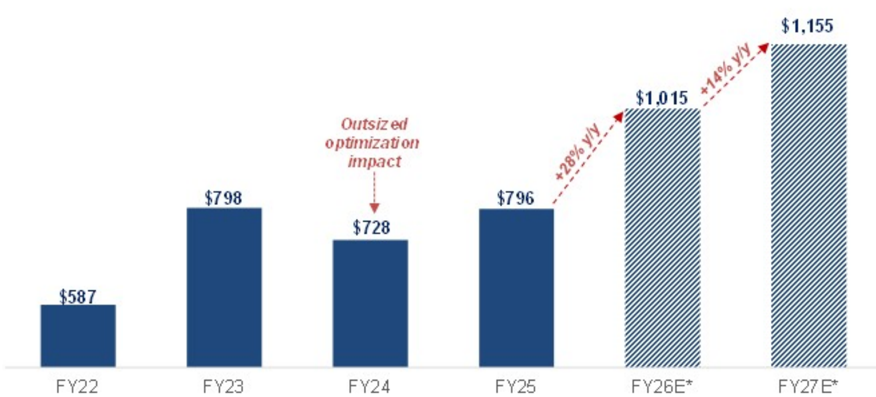
F4Q & FY27 View

Current guidance implies Product revenue of $1,180m with growth of +25% y/y consistent with the guided level from the prior two quarters. Assuming a typical 3%+ upside target embedded in guidance would suggest revenue growth holding steady near +30% y/y exiting the year. Sequentially, this calls for net new consumption revenue of ~$50m, up 20% y/y, again consistent with expectations for CSP and ISV peers in aggregate. On a full year basis, typical upside cadence in F2H26 yield Product revenue growth of ~29% y/y, impressively unchanged vs. FY25 on a larger base - in net dollar terms this would imply growth of +$1.0bn, 27% above the $0.8bn added in FY25.

After posting relatively consistent net dollar adds in the prior three fiscal years (see

Figure 4), we credit the re-acceleration in FY26 largely to Snowflake's core analytics roots. Large enterprise migrations were again framed as the lifeblood of the company, and still in the early innings, during our visit with executives on the DB bus trip intra-quarter. Snowflake's sustained leadership in multi-cloud data warehousing has certainly enabled them to capture an outsized portion of this business, and its innovation around SnowConvert is helping automate and speed time to consumption; however, we believe the inflection in FY26 was probably more attributable to the broader acceleration of migrations across the industry that were evident in results of other cloud infrastructure SW vendors as well than anything company specific. In our view, the good news is that we similarly view this legacy migration opportunity as still in early innings aided by 'AI preparedness' efforts that are catalyzing cloud adoption, and therefore should remain a tailwind in FY27 where overall net new expects (assuming typical outperformance vs. estimates/ guidance) are up ~10-15%.

Figure 4: Implied y/y Product revenue growth steps up in FY26/27



*Source : Company data, DB estimates, Bloomberg Finance LP; *FY26/27E based on consensus Product revenue forecasts, adj. for historical 3%+ outperformance*

Progress in several of these domains that comprise Mr. Ramaswamy's end-to-end data lifecycle strategy is still in early stages and largely perception at this point with limited disclosures to help validate contribution. Data Engineering (last update was $200m+ ARR as of a year ago) is the furthest along. Within this Snowpark (last update 3% of FY25 rev) is the largest piece, but we believe dynamic tables is rapidly catching up, providing a simplified way to declaratively run data pipelines and in some cases we understand is replacing Spark code for basic transformations among existing Snowflake users. In ML/AI, Cortex Analyst & Search's relative Product revenue contribution is still limited, but growing rapidly off this small base. Positive early signs on adoption are encouraging, including from the company (~51% of customers using Snowflake ML/AI features weekly) and our checks (one source noted 3x increase in number of customers they saw using Cortex), and the company is very optimistic about the roll out of Snowflake Intelligence that aims to democratize access to data insights for non-technical users. The continued compounding of growth in these emerging products, along with potential reduction in platform performance enhancement headwinds to consumption with Gen2 Warehouses could provide a much more meaningful contribution to incremental revenue growth in FY27, and in turn potential upside to estimates in our view.

The table below highlights the key services/initiatives to monitor, including the timing of when they have/are going GA and anticipated to start contributing to revenue. From a monetization standpoint, these new services are best viewed as credit consumption enablers/accelerators vs. independent products, reflecting one of the beauties of Snowflake's model in that customers generally don't have to sign a new contract to start using them.

Figure 5: Key new Services / Initiatives

Service	Initial Rev Contribution	GA Date	Adoption Notes
Snowpark	FY25	F4Q22	■ Snowpark contributed 3% of FY25 product revenues ■ Snowpark outperformed expectations in F1H26
Dynamic Tables	FY25	F2Q25	■ Seen strong usage growth within Snowflake base ■ Potential for some Spark replacement
Cortex AI	FY25	F2Q25	■ >6.1k (51%) accounts using AI/ML features weekly ■ Access models from OAI, Anthropic, Meta, Mistral, etc.
SnowConvert	FY25	F1Q25	■ Observed reduction in time to consumption to 6-8mos vs 9 prior ■ Recently launched AI powered migration enhancement
Iceberg Tables	FY26	F2Q25	■ 1,200+ accounts reported using Iceberg as of F2Q26 ■ Storage continues to grow healthily
Native Apps	FY27+	F4Q24	■ Hundreds of apps now available on marketplace ■ Offloads security and deployment concerns to Snowflake
Container Services	FY27+	F3Q24	■ Continue to add product capabilities to train better models ■ Gaining popularity with developers and data scientists

Source : Company Reports, DB

On the profitability front, we anticipate a resilient topline trajectory to be complimented by ongoing NGOM expansion. Implied guidance/consensus calls for F4Q26 non-GAAP operating margins of ~8.5% (-1pt y/y), which looks overly conservative, particularly on OpEx the Street has modeled +26% y/y. While employee headcount growth accelerated to +15% y/y in F2Q, we expect this to slow considerably in F2H26 as mgmt. had previously signaled hiring was going to be more first half weighted this year and we also see Snowflake among those leaning most into AI usage internally to enhance efficiency and OpEx leverage. As a result, we anticipate the FY26 non-GAAP operating margin bogey to be low-double digits vs. current guidance of 9%, with expectation for further expansion in FY27.

Underlying FCF generation trends also look healthy, even as adj. FCF margin is expected to be more flattish y/y due to booking behavior impacting seasonality of FCF, impact of cloud marketplace purchases and allowance for more flexible billing terms. In particular, F4Q26 is seen being a much larger share of annual cashflow than normal based on anticipated renewal cycles and deal pipeline which can create some volatility/risk to FY guidance but is more a timing issue than underlying indicator. Looking forward, we model relatively stable adj. FCF margins for the next couple years assuming tailwinds from non-GAAP operating margin expansion could be offset by further shifts away from upfront billings.

Figure 6: Estimates Summary

Snowflake (SNOW)
In $mn except EPS

	FY26E				FY27E		
	DBe	Cons.	DBe vs. Cons.	Company guidance	DBe	Cons.	DB vs. Cons.
Income Statement							
Product Revenue	4,395	4,407	-0.3%	4,395	5,435	5,465	-0.6%
Y/Y Growth	+26.9%	+27.3%			+23.7%	+24.0%	
Q/Q Growth							
Services/Other revenue	196	204	-3.9%		215	232	-7.4%
Y/Y Growth	+19.3%	+24.2%			+10.0%	+14.2%	
Total Revenue	**4,591**	**4,611**	**-0.4%**		**5,650**	**5,699**	**-0.9%**
Y/Y Growth	+26.6%	+27.2%			+23.1%	+23.6%	
Non-GAAP Gross Profit	3,323	3,326	-0.1%		4,112	4,120	-0.2%
Non-GAAP GM (%)	72.4%	72.1%			72.8%	72.3%	
Non-GAAP OI	**429**	**442**	**-3.1%**		**623**	**583**	**+6.9%**
Non-GAAP OM (%)	9.3%	9.6%		9%	11.0%	10.2%	
Non-GAAP Net Income	428	443	-3.4%		585	616	-5.0%
Net margin (%)	9.3%	9.6%			10.4%	10.8%	
Non-GAAP EPS	**$1.15**	**$1.20**	**-3.8%**		**$1.56**	**$1.64**	**-4.7%**
Operating Metrics							
Operating Cash Flow	**1,154**	**1,216**	**-5.1%**		**1,420**	**1,540**	**-7.8%**
OCF margin (%)	25.1%	26.4%			25.1%	27.0%	
Y/Y Growth	+20.2%	+26.7%			+23.1%	+26.6%	
Adj. FCF (co. def.)	**1,137**	**1,159**	**-1.9%**		**1,439**	**1,480**	**-2.8%**
Adj. FCF margin	24.8%	25.1%		25%	25.5%	26.0%	

Source : Company data, DB estimates, Bloomberg Finance LP

Appendix 1

Important Disclosures

*Other information available upon request

Disclosure checklist

Company	Ticker	Recent price*	Disclosure
Snowflake	SNOW.N	269.82 (USD) 12 Nov 2025	NA

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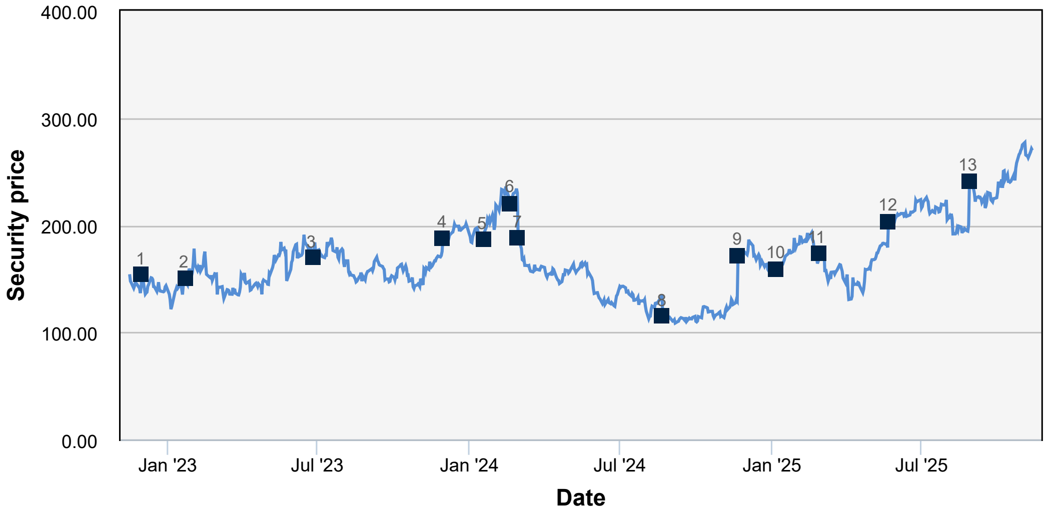
Historical recommendations and target price: Snowflake (SNOW.N)

(as of 11/12/2025)



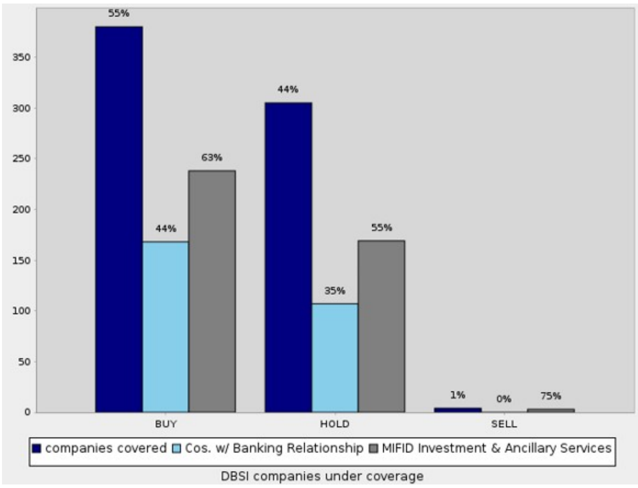
Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

** Analyst is no longer at Deutsche Bank

1.	12/01/2022	Buy, Target Price Change USD 185.00, Current Price USD 154.04 Brad Zelnick
2.	01/23/2023	Buy, Target Price Change USD 170.00, Current Price USD 150.30 Brad Zelnick
3.	06/26/2023	Buy, Target Price Change USD 185.00, Current Price USD 169.84 Brad Zelnick
4.	11/30/2023	Buy, Target Price Change USD 210.00, Current Price USD 187.68 Brad Zelnick
5.	01/18/2024	Buy, Target Price Change USD 220.00, Current Price USD 186.61 Brad Zelnick
6.	02/20/2024	Buy, Target Price Change USD 250.00, Current Price USD 220.08 Brad Zelnick
7.	02/29/2024	Buy, Target Price Change USD 220.00, Current Price USD 188.28 Brad Zelnick
8.	08/22/2024	Buy, Target Price Change USD 180.00, Current Price USD 115.21 Brad Zelnick
9.	11/21/2024	Buy, Target Price Change USD 190.00, Current Price USD 171.35 Brad Zelnick
10.	01/07/2025	Buy, Target Price Change USD 210.00, Current Price USD 158.84 Brad Zelnick
11.	02/27/2025	Buy, Target Price Change USD 220.00, Current Price USD 173.69 Brad Zelnick
12.	05/22/2025	Buy, Target Price Change USD 225.00, Current Price USD 203.18 Brad Zelnick
13.	08/28/2025	Buy, Target Price Change USD 250.00, Current Price USD 241.00 Brad Zelnick

Equity rating dispersion and banking relationships



Equity Rating and Dispersion Key

The Equity Rating Dispersion Chart depicts the following:

The proportion of recommendations that are rated "buy", "sell" and "hold" over the previous 12 months. This is shown for securities issued in the stated region e.g. "Europe Universe". See rating definitions below. This is represented by the "Companies Covered" bars in the chart. The percentage value displayed above the bar is the proportion as a percentage. E.g. 50% above the “buy” / “Companies Covered” bar means that 50% of DB’s equity research covered companies over the past 12 months have a “buy” rating.

Next to each of the three respective bars showing the proportion of "buy", "sell" and "hold" recommendations we provide two additional bars to show:

- The proportion of "buy", "sell" or "hold recommendations where Deutsche Bank and or/Affiliates provided MIFID Investment or Ancillary Services in the past 12 months. This is represented in the "MIFID Investment and Ancillary Services" bar. The percentage value displayed above the bar shows the proportion of Companies Covered with the given rating where DB has also provided MIFID Investment and Ancillary Services in the past 12 months. E.g. 50% above the “Cos. w/ MIFID Investment and Ancillary Services” bar means 50% of the Companies Covered with the rating stated have also received MIFID Investment and Ancillary Services from DB.

- The proportion of "buy" (or "sell" or "hold) recommendations where Deutsche Bank and or/Affiliates has provided Investment Banking services in the past 12 months for which it has received compensation. The percentage value displayed above the bar shows the proportion of Companies Covered with the stated rating where DB has also provided Investment Banking services in the past 12 months. E.g. 50% above the “Cos. w/ Investment Banking relationship” bar means 50% of the Companies Covered with the rating stated also have an Investment Banking Relationship with DB.

Buy: Based on a current 12- month view of TSR, we recommend that investors buy the stock.

Sell: Based on a current 12-month view of TSR, we recommend that investors sell the stock.

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