



Rating

BuyNorth America
United StatesTMT
Software

Company

SnowflakeReuters
SNOW.NBloomberg
SNOW USExchange
NYSTicker
SNOW

Date

11 August 2025

Company Update

Price at 8 Aug 2025 (USD)	191.73
Price target	225.00
52-week range	225.79 - 108.56

F2Q Preview - Scarpelli's Swan Song?

We expect Snowflake to deliver a solid 3%-4% beat on Product revenue in F2Q with y/y growth accelerating for the first time in several years. This implies a nice step up in sequential consumption growth that we anticipate materializes on the back of healthy migrations, read across from consumption based peers' C2Q results and our generally constructive checks heading into results. A greater weighting toward AWS and less leverage to leading AI model inferencing still leaves us a bit more cautious in calling for a similar magnitude of inflection as we saw from [C2Q hyperscaler results](#). We also anticipate continued non-GAAP margin expansion with benefits from internal AI initiatives in what could be CFO Mike Scarpelli's Swan Song quarter.

Coming out of Summit and our meeting with CEO Sridhar Ramaswamy in June ([see takeaways here](#)), we continue to be impressed by the relentlessness and pace of innovation mgmt. is driving as they work to cement Snowflake's leadership in analytics, capture a greater share of the end-to-end data lifecycle and close the gap vs. its nearest ISV competitor in GenAI. Indeed, our recent checks point to increasing consumption contribution from services outside traditional data warehousing (one source noted up to 20% of consumption they meter for some customers), particularly Snowpark and also Cortex AI, which is still very small as a % of total consumption but said to be growing rapidly (both Analyst / structured & Search / unstructured). We've also heard positive feedback on the pace of migrations, which we believe are still the largest contributor to growth, and specifically around SnowConvert bringing down the time and cost to complete these moves. More recently we've also heard some encouraging field commentary on the impact of new CRO Mike Gannon in terms of managing strategic accounts and progress with partners.

The setup for the remainder of the year still appears to imply another incremental step up in F2H/F1H consumption growth, which based on some of the positive indicators noted above we're optimistic comes to fruition as Snowflake continues to sit at the intersection of two of the most important secular trends of this decade: data-driven decision-making (including AI) and public (multi) cloud adoption. We reiterate our Buy rating and \$225 target price; while the stock has outperformed at +30% YTD (vs. IGV +9%) our target price still implies ~14.5x CY26E revenue and ~58x CY26E FCF that is roughly in line with other high-growth (>20%) Infrastructure & Security Software peers at an average of ~12x and ~69x, respectively.

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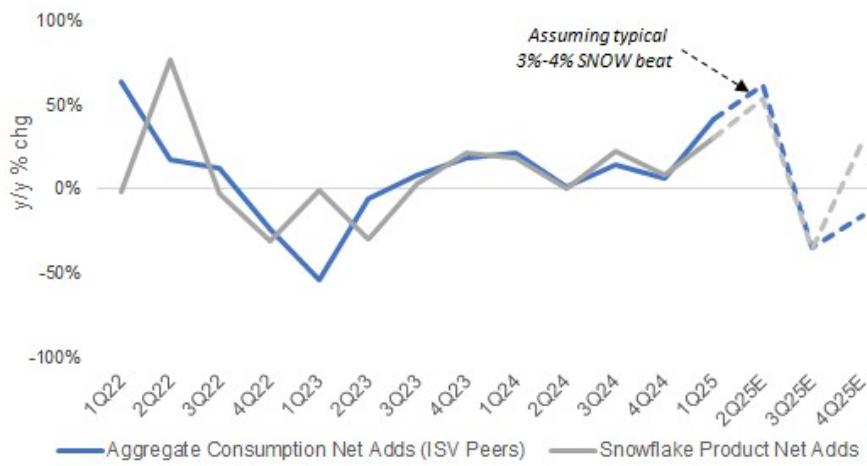
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F2Q25 View

Consensus Product revenue of \$1,039m is near the midpoint of guidance and implies growth of 25% y/y (a -1pt deceleration from F1Q on a 4pt easier comp) and days adj. q/q growth of 2.5% (vs. 5% the prior year). Assuming a typical 3%-4% beat, Product q/q net new consumption revenue of ~\$77m would be up ~+50% y/y (adj. for leap year). This would build on the strong ~+30% y/y start to the year last quarter and be directionally consistent with the [inflection in large CSP net new consumption we saw in C1Q](#) along with results from consumption based peer Datadog. Snowflake also faces a relatively easier prior year comp.

Our checks heading into the quarter have also been generally constructive, including green shoots around usage of Snowpark and Cortex as well as SnowConvert helping accelerate migrations which mgmt. called out as a key driver of its FY26 guidance increase last quarter. These positives leave us feeling comfortable Snowflake can deliver a beat within the 3%-4% historical avg. range. That said, we also see a few caveats that leave us cautious on calling for upside beyond that: **(1)** while overall cloud migration activity helped drive CSP outperformance in C1H25, our checks and earnings call commentary suggest the acceleration this quarter was more tied to production applications vs. data & analytics; **(2)** Snowflake's customer base is more weighted toward AWS (70%+ per mgmt.), which has seen slower growth vs. peers; **(3)** we see more limited direct exposure to leading AI natives than CSPs or ISVs like Datadog; and **(4)** Snowflake also has more limited exposure to q/q FX tailwinds.

Figure 1: F2Q guidance (assuming typical beat) implies strong q/q net new consumption vs. the prior year, in line with consumption based ISV peers



Source : Company data, DB estimates, Bloomberg Finance LP

Even with AI investments weighing, non-GAAP operating margin should also comfortably clear guidance of 8% (+3pts y/y). Consensus GM of 72.2% is flat sequentially and we think potentially conservative; we model a slightly higher 72.5%. Non-GAAP OpEx growth is also forecasted to grow +17% y/y and ~\$33m q/q, well above a ~\$20m q/q increase in each of the prior two years and setting up for revenue upside to flow through and push operating margins toward double-

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digits in F2Q. We believe Snowflake has been among those leaning most into AI usage internally to enhance efficiency, particularly in the S&M organization that continues to be its largest source of OpEx leverage. On adj. FCF, F2Q is typically the seasonally softest quarter with Street at ~13% margin.

Figure 2: F2Q26 & F3Q26 Setup

		2Q26E			3Q26E			
		DBe	Cons.	DBe vs. Cons.	Company guidance	DBe	Cons.	DBe vs. Cons.
Income Statement								
Product Revenue		1,038	1,039	-0.0%	1,035-1,040	1,117	1,119	-0.2%
Y/Y Growth		+25.2%	+25.2%			+24.1%	+24.1%	
Q/Q Growth		+4.2%	+4.2%			+7.6%	+7.6%	
Services/Other revenue		45	46	-2.7%		47	48	-2.2%
Y/Y Growth		+12.5%	+12.8%			+12.5%	+12.8%	
Q/Q Growth		-1.6%	-1.7%			+5.7%	+5.8%	
Total Revenue		1,083	1,084	-0.1%		1,164	1,168	-0.3%
Y/Y Growth		+24.6%	+24.7%			+23.6%	+23.6%	
Q/Q Growth		+3.9%	+3.9%			+7.5%	+7.5%	
Non-GAAP Gross Profit		785	782	+0.4%		843	842	+0.1%
Non-GAAP GM (%)		72.5%	72.2%			72.4%	72.1%	+36bp
Non-GAAP OI		84	87	-3.5%		95	93	+1.9%
Non-GAAP OM (%)		7.8%	8.0%		8%	8.2%	8.0%	
Non-GAAP Net Income		94	100			101	103	
Net margin (%)		8.7%	9.2%			8.7%	8.8%	
Non-GAAP EPS		\$0.25	\$0.27			\$0.27	\$0.28	
Operating Metrics								
Operating Cash Flow		105	154	-31.9%		206	219	-6.0%
OCF margin (%)		9.7%	14.2%			17.7%	18.7%	
Y/Y Growth		49.8%	+73.0%			+102.2%	+108.3%	
Adj. FCF (co. def.)		110	142	-22.8%		211	207	+2.4%
Adj. FCF margin		10.2%	13.1%			18%	17.7%	

Source : Company data, DB estimates, Bloomberg Finance LP

Other F2Q metrics investors will be watching for include:

- **RPO:** We will be looking for healthy current Bookings growth in the 20%, helping to sustain cRPO near +30% y/y. This comes following a well above seasonal F1Q cRPO build we believe was attributable to a couple large renewals pushed from 4Q as opposed to any potential pull forward from F2Q. 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. Consensus currently calls for F2Q cRPO/RPO of \$3.4bn/\$6.9bn, which would be consistent with normal seasonality.

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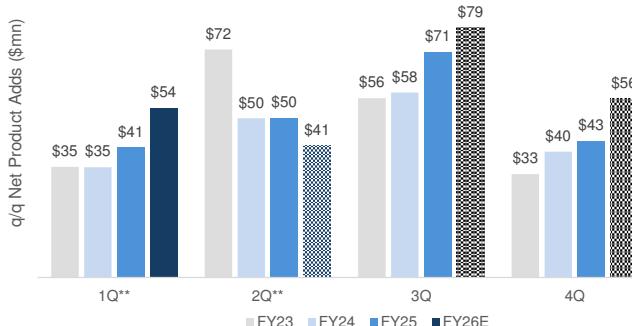
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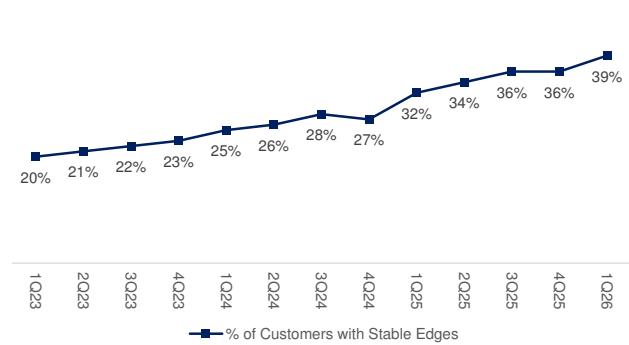
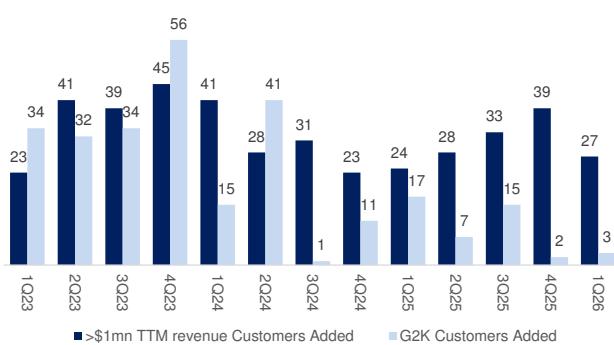
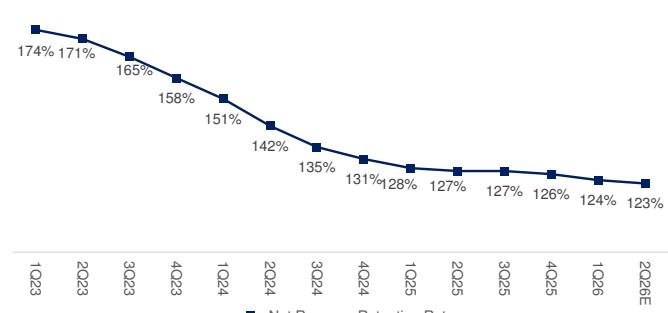


- **Product NRR:** TTM NRR declined modestly over the past several quarters, including F1Q NRR of 124% dipping from 126% in F4Q25. We believe underlying expansion patterns on a quarterly basis have been relatively more stable and see potential for flat NRR of 124% in F2Q vs. guidance we estimate implies closer to ~122.5%-123%.
- **Data Engineering:** ARR for Data Engineering/Interoperability was last disclosed at >\$200m in F3Q25, and within this segment, mgmt. indicated Snowpark achieved their target of 3% of total revenue for FY25. We were disappointed by the lack of a guide for this segment in FY26, despite it becoming a large piece of the business; both Snowpark and Dynamic Tables (the two largest components) were reported to have outperformed expectations in F1Q26, but there was no quantitative update. Assuming stable growth in Snowpark vs. last year, we estimate this contribution alone could bring Data Engineering ARR close to \$300m by F3Q. Recall, the company also acquired Datavolo (multi-modal data pipelines) in November and announced Openflow (Apache NiFi) at Summit as they attack the data integration opportunity.
- **Customer metrics:** Consistent with the previous few quarters, we look for a steady rate of >\$1mn TTM revenue customer net adds on consistent expansion trends and healthy migration activity. Penetration of the G2K (754 customers as of F1Q) who are key to LT growth is always lumpy but has been soft the last couple quarters vs. comparable periods over the last few years and will be a focus for improvement.
- **Stable edges:** The % of customers with at least one stable edge jumped last quarter to 39% (+3pts q/q and +7pts y/y) 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 F2Q.

Figure 3: Key Charts



**F1Q25 & F2Q25 adj. for Leap year. Shaded bars indicate future quarters est.



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Source : Company Reports

F2H & FY26 View

Current guidance calls for Product revenue growth to stabilize at ~24% y/y in F2H26 (from +25% in F2Q), or assuming a 3%-4% upside target embedded in guidance hold in the high-20s (vs. ~29% in F2Q). Although prior year comps get a couple points easier, this still implies incremental F2H/F1H consumption growth of ~ \$300m that would be +30% y/y. While this would be very much in line with adj. consensus estimates for AWS, Azure, GCP and OCI in aggregate, it isn't clear to us that Snowflake to date has had the same leverage to leading AI model inferencing as these vendors and therefore sets a relatively healthy bar. To gain more comfort in this set up, we will be listening for: **(1)** signs of greater Cortex contribution beyond just weekly user count; **(2)** SnowConvert helping to meaningfully accelerate customers' migration plans and the time to execute these moves (up to 2-3x faster per mgmt.); **(3)** any quantifiable update on ARR/progress in capturing Data Engineering workloads; **(4)** Iceberg tables remaining at least net neutral to growth; **(5)** contribution from a return to y/y net new customer growth in FY25 as these organizations ramp in FY26; and **(6)** network effects from the significant step up in data sharing on the platform.

On a quarterly basis, we are modeling F3Q Product revenue a touch below Street at \$1.117bn (+24% y/y), with days adj. q/q growth of +6% q/q, representing an all-time record in q/q consumption revenue growth. For F4Q, we estimate Product revenue of \$1.173m (+24% y/y) on days adj. q/q growth of +12% (vs. an 11% trailing 3yr avg.). On the profitability front, we anticipate a resilient topline trajectory to be complemented by ongoing NGOM expansion. We currently model non-GAAP OpEx growth easing to +19% y/y in FY26 from >30% in recent years as: **(1)** headcount growth likely settles in the low-double digits; **(2)** they lap high upfront investments to support AI initiatives; **(3)** benefit from internal AI efficiency gains; and **(4)** operating leverage as Product revenue tracks to surpass \$4bn this year. 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.

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Figure 4: Estimates Summary

Snowflake (SNOW)							
In \$mn except EPS							
	FY26E			Company guidance	FY27E		
	DBe	Cons.	DB vs. cons.		DBe	Cons.	DB vs. cons.
Income Statement							
Product Revenue	4,325	4,341	-0.3%	4,325	5,350	5,353	-0.1%
Y/Y Growth	+24.9%	+25.4%			+23.7%	+23.3%	
Q/Q Growth							
Services/Other revenue	186	190	-2.2%		204	216	-5.3%
Y/Y Growth	+13.3%	+15.8%			+10.0%	+13.6%	
Q/Q Growth							
Total Revenue	4,511	4,523	-0.3%		5,554	5,580	-0.5%
Y/Y Growth	+24.4%	+24.7%			+23.1%	+23.3%	
Q/Q Growth							
Non-GAAP Gross Profit	3,260	3,261	-0.0%		4,043	4,024	+0.5%
Non-GAAP GM (%)	72.3%	72.1%			72.8%	72.1%	
Non-GAAP OI	374	384	-2.5%	8%	582	545	+6.7%
Non-GAAP OM (%)	8.3%	8.5%			10.5%	9.8%	
Non-GAAP Net Income	390	406	-4.1%		564	549	+2.7%
Net margin (%)	8.6%	9.0%			10.1%	9.8%	
Non-GAAP EPS	\$1.05	\$1.10	-5.0%		\$1.50	\$1.57	-4.1%
Operating Metrics							
Operating Cash Flow	1,121	1,188	-5.7%		1,428	1,503	-5.0%
OCF margin (%)	24.8%	26.3%			25.7%	26.9%	
Y/Y Growth	+16.8%	+23.8%			+27.4%	+26.5%	
Adj. FCF (co. def.)	1,116	1,149	-2.9%		1,446	1,469	-1.6%
Adj. FCF margin	24.7%	25.4%		25%	26.0%	26.3%	

Source : Company data, DB estimates, Bloomberg Finance LP

Updates on Emerging Products

The table below highlights the key services/initiatives to monitor, including the timing of when they have/are 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.

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Figure 5: Key new Services / Initiatives

Service	Initial Rev Contribution	Adoption Notes
Snowpark	FY25	<ul style="list-style-type: none"> ■ Snowpark contributed 3% of FY25 product revenues ■ Snowpark outperformed expectations in Q1
Cortex AI	FY25	<ul style="list-style-type: none"> ■ >5.2k accounts using AI/ML features ■ Access models from OAI, Anthropic, Meta, Mistral, etc.
SnowConvert	FY25	<ul style="list-style-type: none"> ■ Observed uptick in usage in Q1 ■ Recently launched AI powered migration enhancement
Iceberg Tables	FY26	<ul style="list-style-type: none"> ■ Yet to see massive amounts of data move out of SNOW ■ Mgmt. saying more tailwind than headwind now
Native Apps	FY26	<ul style="list-style-type: none"> ■ Hundreds of apps now available on marketplace ■ Offloads security and deployment concerns to Snowflake
Container Services	FY26	<ul style="list-style-type: none"> ■ Continue to add product capabilities to train better models ■ Gaining popularity with developers and data scientists

Source : Company Reports, DB

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Appendix 1

Important Disclosures

*Other information available upon request

Disclosure checklist			
Company	Ticker	Recent price*	Disclosure
Snowflake	SNOW.N	191.73 (USD) 08 Aug 2025	2

*Prices are current as of the end of the previous trading session unless otherwise indicated and are sourced from local exchanges via Reuters, Bloomberg and other vendors . Other information is sourced from Deutsche Bank, subject companies, and other sources. For disclosures pertaining to recommendations or estimates made on securities other than the primary subject of this research, please see the most recently published company report or visit our global disclosure look-up page on our website at <https://research.db.com/Research/Disclosures/EquityResearchDisclosures>. Aside from within this report, important risk and conflict disclosures can also be found at <https://research.db.com/Research/Disclosures/Disclaimer>. Investors are strongly encouraged to review this information before investing.

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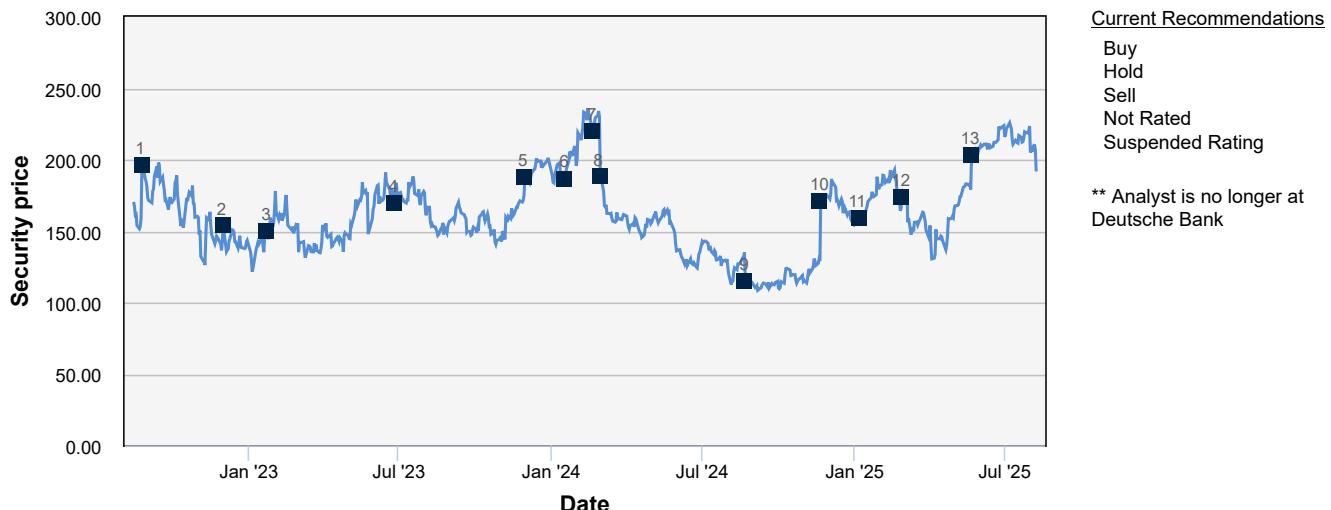
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Historical recommendations and target price: Snowflake (SNOW.N)

(as of 08/08/2025)



- | | | | |
|---------------|--|----------------|--|
| 1. 08/25/2022 | Buy, Target Price Change USD 190.00, Current Price USD 196.28 Brad Zelnick | 8. 02/29/2024 | Buy, Target Price Change USD 220.00, Current Price USD 188.28 Brad Zelnick |
| 2. 12/01/2022 | Buy, Target Price Change USD 185.00, Current Price USD 154.04 Brad Zelnick | 9. 08/22/2024 | Buy, Target Price Change USD 180.00, Current Price USD 115.21 Brad Zelnick |
| 3. 01/23/2023 | Buy, Target Price Change USD 170.00, Current Price USD 150.30 Brad Zelnick | 10. 11/21/2024 | Buy, Target Price Change USD 190.00, Current Price USD 171.35 Brad Zelnick |
| 4. 06/26/2023 | Buy, Target Price Change USD 185.00, Current Price USD 169.84 Brad Zelnick | 11. 01/07/2025 | Buy, Target Price Change USD 210.00, Current Price USD 158.84 Brad Zelnick |
| 5. 11/30/2023 | Buy, Target Price Change USD 210.00, Current Price USD 187.68 Brad Zelnick | 12. 02/27/2025 | Buy, Target Price Change USD 220.00, Current Price USD 173.69 Brad Zelnick |
| 6. 01/18/2024 | Buy, Target Price Change USD 220.00, Current Price USD 186.61 Brad Zelnick | 13. 05/22/2025 | Buy, Target Price Change USD 225.00, Current Price USD 203.18 Brad Zelnick |
| 7. 02/20/2024 | Buy, Target Price Change USD 250.00, Current Price USD 220.08 Brad Zelnick | | |

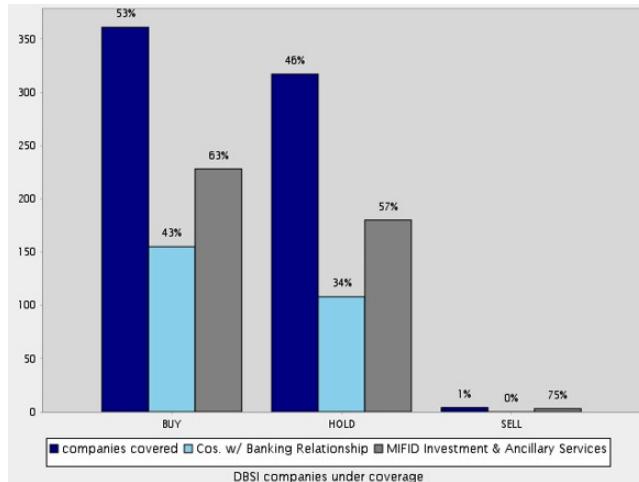
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Equity rating dispersion and banking relationships



Equity Rating and Dispersion Key

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

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Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.

TSR = Total Shareholder Return. Percentage change in share price from current price to projected target price plus projected dividend yield

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