



November 25, 2025

# Snowflake, Inc. (SNOW: \$241.99 - NEUTRAL)

Important disclosures can be found in Appendix

## SNOW: F3Q Appeared Ahead on Core and Growing Cortex Contribution; FY27 Outlooks Positive on Core and New Products (Cleveland Research)

### Key Points

1. 3Q appeared to finish ahead of plan driven by strength in core and growing contribution from Cortex – signings appeared to benefit from wallet share gain cloud transformations
2. Partners largely ahead of their FY26 outlooks for consistent Y/Y growth; FY27 pipeline suggests another year of similar growth supported by core, with new products potential upside contributors

### Read-through to the Model

- Modeling 2Q26 product revs of \$1.14B (+27.5% Y/Y) and EBIT of \$108M (9.1% margin) vs. cons of \$1.13B (+25.7% Y/Y) and EBIT of \$107M (9.0% margin)
- Modeling FY26 product revs of \$4.43B (+28% Y/Y) and EBIT of \$435M (9.4% margin) vs. cons of \$4.41B (+27.3% Y/Y) and EBIT of \$430M (9.3% margin)

### 3Q26 (Oct-25Q) Guidance

- Product revs of \$1.125B-\$1.130M (+25-26% Y/Y) vs. cons \$1.12B (+24.5%)
- EBIT margin of 9.0% vs. cons of 8.0%

### FY26 (Jan-26) Guidance

- Product rev of \$4.395B, +27% Y/Y vs. prior \$4.33B (+25%), cons of \$4.34B (+25.3%), and our \$4.37B (+26.2%)
- EBIT margin of 9.0% vs. prior 8.0%, Product GM of 75% (maintained) and FCF margin of 25% (maintained)

### Conclusion

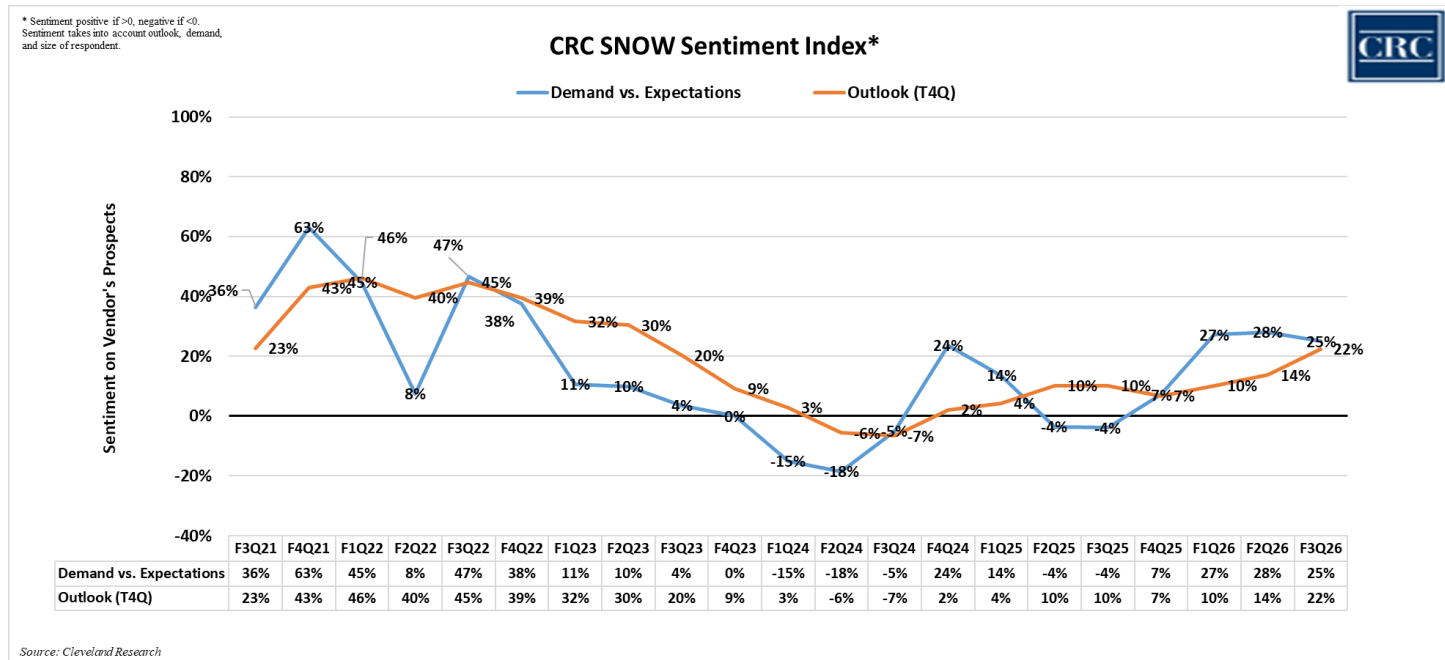
Latest work on SNOW suggests partners finished ahead of plan for consumption and slightly ahead for signings in F3Q, roughly consistent vs. F2Q. SNOW appeared to benefit from a strong end market for core data modernization and legacy migrations, as well as growing contribution from Cortex. Signings appeared ahead on growing wallet share in large cloud modernization programs. FY27 channel outlooks are calling for consistent growth (cons a 2-3pt decel) predominantly driven by pipeline and backlog of opportunities in the core business. New product pipeline, also looks better tied to Cortex ramp and inbound OpenFlow demand. A new theme this round is the growing potential for accelerated migrations tied to AI tooling (Cortex and SnowConvert) which could shrink the time from signings to consumption. We are taking numbers up for F3Q and FY26, now modeling 27.5% growth and see a path to 30-32% growth (cons +25.5%).

Snowflake Earnings and Market Data Summary					Rating: NEUTRAL			
	CRC		Cons					
1Q26	\$		0.24		Shares Outstanding 333 Market Cap (mm) \$79,289 52-Week High \$280.7 52-Week Low \$120.1 AVG Daily Volume 5.3	ROE (Trailing 4 Qs) 1453% Book Value/Shr \$34.86 Net Cash/Shr \$5.60 Revenue (Trailing 4Qs) \$959 5-Year Growth Rate N/A		
2Q26	\$		0.35					
3Q26E	\$	0.33	\$	0.31				
4Q26E	\$	0.32	\$	0.30				
<b>FY26E EPS</b>	<b>\$</b>	<b>1.23</b>	<b>\$</b>	<b>1.20</b>	<b>FY27E EPS</b>	<b>\$</b>	<b>1.67</b>	<b>\$</b> 1.65
<b>FY26E FCF</b>	<b>\$</b>	<b>1,188</b>	<b>\$</b>	<b>1,062</b>	<b>FY27E FCF</b>	<b>\$</b>	<b>1,636</b>	<b>\$</b> 1,387
P/E			201.5	P/E			146.5	
P/FCF			74.7	P/FCF			57.2	



## Highlights

1. **F3Q appeared to finish ahead for consumption and signings.** A net 25% of partners finished ahead of plan in the Q, down from 28% ahead last Q, and up from 4% below a year ago.



Partners finished ahead of plan with SNOW, at a similar magnitude than 90 days ago. Favorable end market for data modernization and legacy migration work appeared to be the main drivers to upside. Feedback on Cortex continued to improve tied to data ingestion, natural language to SQL, and migration automation.

Consumption growth appeared to finish ahead of plan with Y/Y growth seen similar to the prior Q. Channel feedback on the core business appeared at least similar supported by data modernization and legacy migrations. Existing customer spend appeared to continue to trend more positive relative to the start of the year with growth seen in the 15-25% range. New this round, we hear Cortex and SnowConvert are helping partners accelerate the pace of migrations by up to 30% which is seen helping drive faster time to consumption for customers that opt in. Partially offsetting, we hear more organizations are migrating to an Iceberg-based architecture for new migrations as opposed to spending on data migration into SNOW.

Signings appeared to finish slightly ahead supported by new logos and favorable wallet share in broader cloud transformation projects. We hear data platforms, particularly SNOW and Databricks, are winning greater wallet share of large cloud deals as organizations prioritize data modernization over other IT initiatives.

**We are raising product revenue growth to 27.5%, ahead of guidance for 26% and cons calling for 25.6% - see potential for another 2-3pts of upside to our estimate.**

2. **F4Q outlook likely benefits from F3Q upside, initial FY27 outlooks calling for at least consistent growth on continued end market strength, new product contribution, and SAP. Hyperscale competition an area to watch.**

Partners in our work are largely ahead of forecasts for consistent growth in their SNOW practices for FY26. Prioritization of data and AI initiatives appear to be supporting upside through the remainder of the year with favorable backlog of work entering FY27.



Partners we speak with are forecasting similar growth for FY27 (cons 2-3pt decel) supported predominantly by the pipeline of core data modernization work. Newer products: Cortex, OpenFlow, and Snowflake Intelligence are seen as incremental upside. Partners appear most upbeat on Cortex and OpenFlow contribution in FY27. Cortex contribution continues to ramp with 30-35% of customers at least using the product with more expected to go into production in the coming months. OpenFlow appears to be seeing favorable inbound demand supported by vendor consolidation demand. The new SAP BDC partnership could be an upside driver in FY27. We heard from some Databricks partners that sales cycles are elongating for SAP Databricks opportunities because customers want to evaluate what SNOW has to offer or they're already on SNOW, and now have an easier route to leverage SAP data in their SNOW environment.

An area to watch for FY27 will be competition from MSFT Fabric and the potential to impact sales cycles. We hear MSFT will be incentivizing Azure reps to push Fabric ahead of 3P vendors (both SNOW and Databricks). Feedback from Databricks partners (~70-80% of Databricks revs are on Azure) suggest they've seen increased competition in the field over the last 6-12 months. GOOG another player to watch as they continue to execute well in their niche for data and AI opportunities in the broader cloud market.

**Overall, we are modeling FY26 product revenue at 27.5% (vs. our prior 27% and cons of 27%) and continue to see potential for upside to consistent growth with FY25 (~29-31%).**



11/25/2025							
Snowflake, Inc. (SNOW)							
Ari Terjanian		\$54	\$94	\$57	\$50		
aterjanian@cleveland-research.com	Jan-25	Apr-25	Jul-25	Oct-25	Jan-26	Jan-26	Jan-27
	<b>FY25</b>	<b>1Q26</b>	<b>2Q26</b>	<b>3Q26E</b>	<b>4Q26E</b>	<b>FY26E</b>	<b>FY27E</b>
<b>Product Revenue</b>	\$3,462	\$997	\$1,090	\$1,148	\$1,198	\$4,433	\$5,563
Q/Q	\$796	6%	9%	5%	4%		
Y/Y	30%	26%	32%	28%	27%	28%	25%
% of total rev	95%	96%	95%	96%	96%	96%	96%
<b>Professional services and other</b>	\$164	\$45	\$54	\$48	\$50	\$198	\$227
Y/Y	17%	16%	38%	15%	15%	21%	15%
% of total rev	5%	4%	5%	4%	4%	4%	4%
<b>Total Revenues</b>	<b>\$3,626</b>	<b>\$1,042</b>	<b>\$1,145</b>	<b>\$1,196</b>	<b>\$1,248</b>	<b>\$4,631</b>	<b>\$5,790</b>
Y/Y Rev Growth	29%	26%	32%	27%	26%	28%	25%
Q/Q Rev Growth		-71%	10%	4%	4%		
COGS							
Product	\$992	\$285.28	\$302.32	\$321.40	\$335.44	\$1,244	\$1,446
Y/Y	41%	30%	28%	22%	23%	25%	16%
Product Gross Profit	\$2,470	\$711.54	\$788.18	\$826.46	\$862.56	\$3,189	\$4,117
Y/Y	26%	25%	33%	30%	29%	29%	29%
Product GM	71%	71%	72%	72%	72%	72%	74%
Professional services and other	\$223	\$63.51	\$69.50	\$62.51	\$64.98	\$261	\$296
Y/Y	13%	20%	32%	9%	8%	17%	14%
Services Gross Profit	-\$45	-\$18	-\$15	-\$6	-\$6	-\$46	-\$32
Y/Y							
Services GM		-40%	-28%	-30%	-30%		
<b>Total cost of revenues</b>	<b>\$1,215</b>	<b>\$349</b>	<b>\$372</b>	<b>\$384</b>	<b>\$400</b>	<b>\$1,505</b>	<b>\$1,742</b>
<b>Non-GAAP Gross Profit</b>	<b>\$2,647</b>	<b>\$752</b>	<b>\$835</b>	<b>\$868</b>	<b>\$900</b>	<b>\$3,355</b>	<b>\$4,293</b>
Y/Y	27%	23%	31%	27%	26%	27%	28%
Non-GAAP Gross Margin	73%	72%	73%	73%	72%	72%	74%
<b>Operating Expenses</b>							
Sales and Marketing	\$1,672	\$459	\$502	\$538	\$549	\$2,048	\$2,502
% of revs	46%	44%	44%	45%	44%	44%	43%
y/y	20%	14%	25%	23%	27%	22%	22%
R&D	\$1,783	\$472	\$492	\$526	\$537	\$2,027	\$2,490
% of revs	49%	45%	43%	44%	43%	44%	43%
y/y	38%	15%	12%	19%	9%	14%	23%
G&A	\$412	\$210	\$119	\$144	\$131	\$604	\$575
% of revs	11%	20%	10%	12%	11%	13%	10%
y/y	28%	125%	22%	35%	14%	46%	-5%
<b>Total Operating Expenses</b>	<b>\$3,868</b>	<b>\$1,141</b>	<b>\$1,113</b>	<b>\$1,208</b>	<b>\$1,217</b>	<b>\$4,679</b>	<b>\$5,567</b>
% of revs	107%	109%	97%	101%	98%	101%	96%
Y/Y OpEx Growth	29%	26%	19%	22%	17%	21%	19%
GAAP EBIT	-\$1,456	-\$447	-\$340	-\$396	-\$369	-\$1,553	-\$1,518
GAAP EBIT Growth y/y							
GAAP EBIT Margin	-40%	-43%	-30%	-33%	-30%	-34%	-26%
<b>Non-GAAP EBIT</b>	<b>\$232</b>	<b>\$91.7</b>	<b>\$128</b>	<b>\$108.3</b>	<b>\$107.8</b>	<b>\$435</b>	<b>\$590</b>
Y/Y Growth	1%	153%	192%	84%	16%	88%	35%
Non-GAAP EBIT Margin	6%	8.8%	11.1%	9.1%	8.6%	9.4%	10.2%
bps Y/Y	-2%	4%	6%	3%	-1%	3%	1%
<b>Non-GAAP Net Income</b>	<b>\$303.09</b>	<b>\$87.42</b>	<b>\$129.289</b>	<b>\$121.598</b>	<b>\$117.58</b>	<b>\$456</b>	<b>\$620</b>
Diluted shares		333	335	374	372		
<b>EPS</b>	<b>\$0.83</b>	<b>\$0.24</b>	<b>\$0.35</b>	<b>\$0.33</b>	<b>\$0.32</b>	<b>\$1.23</b>	<b>\$1.67</b>
Y/Y EPS		-69%	95%	-61%	-3%		
Source: Cleveland Research Estimates							

ARI TERJANIAN

aterjanian@cleveland-research.com

(216) 649-7275

MAX LEHNHARDT

mlehnhardt@cleveland-research.com

(216) 649-7187

DAMIEN GROTTÉ

dgrotte@cleveland-research.com

(216) 649-7296



## APPENDIX

**Important Disclosures**

Important Disclosures can be found at [www.cleveland-research.com/clients/disclosures](http://www.cleveland-research.com/clients/disclosures)

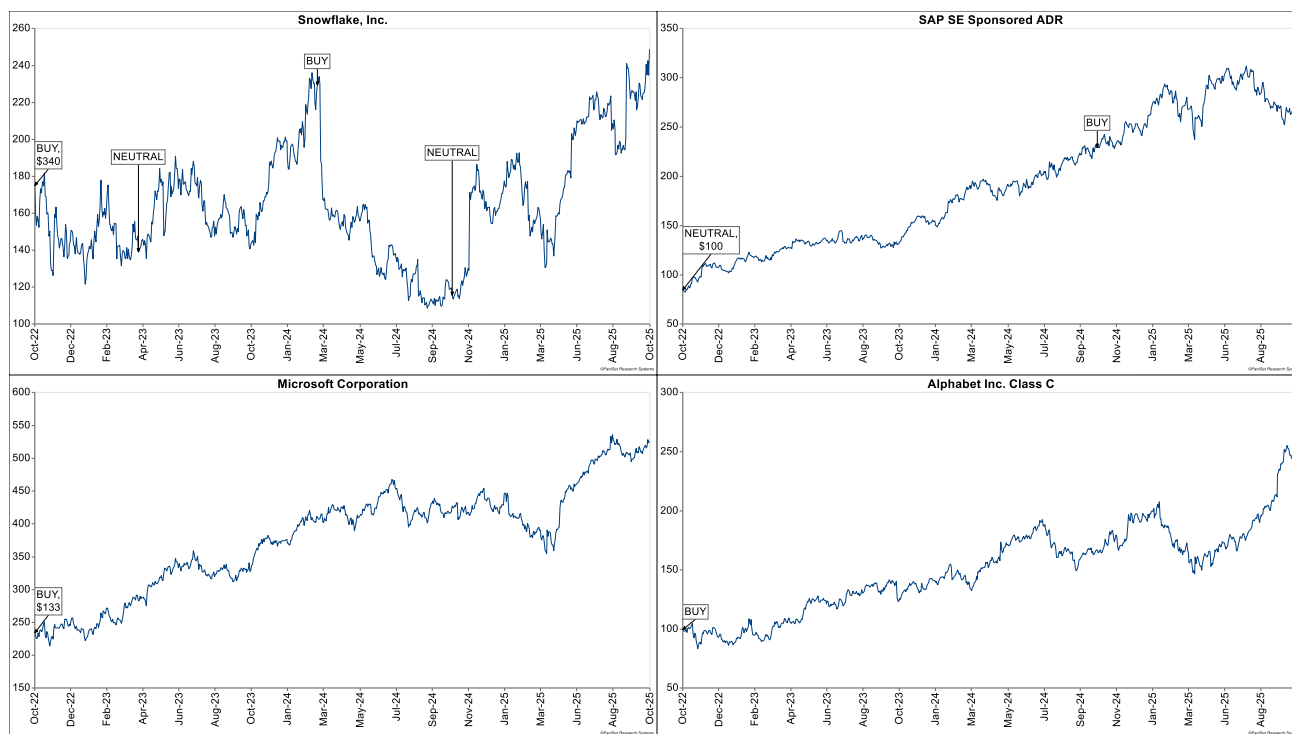
**Companies Mentioned**

Snowflake, Inc. (SNOW: \$241.99 – NEUTRAL)

SAP SE (SAP: \$238.29 – BUY)

Microsoft Corporation (MSFT: \$474.00 – BUY)

Alphabet Inc. (GOOG: \$318.47 – BUY)

**Cleveland Research Company - Ratings Distribution**

Rating	Percent
Buy	26%
Neutral	74%
Underperform	0%

**Disclosures**

**Buy:** The stock's return is expected to exceed the market due to superior fundamentals and positive catalysts.

**Underperform:** The stock's total return is expected to underperform the market due to weak fundamentals and a lack of catalysts.

**Neutral:** The stock is expected to be in line with the market due to full valuation and/or a lack of catalysts.

**Valuation and Risk:** Price targets are established under various valuation methods including P/E, P/S, EV/EBITDA on financial estimates based on forward earnings. Price targets are not established for every stock. The price target's effectiveness may be affected by various outside factors. Risk assessments can be found in the most recent research on these stocks

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ARI TERJANIAN

[aterjanian@cleveland-research.com](mailto:aterjanian@cleveland-research.com)

(216) 649-7275

MAX LEHNHARDT

[mlehnhardt@cleveland-research.com](mailto:mlehnhardt@cleveland-research.com)

(216) 649-7187

DAMIEN GROTTÉ

[dgrotte@cleveland-research.com](mailto:dgrotte@cleveland-research.com)

(216) 649-7296