

Snowflake, Inc. (SNOW)

SNOW Reports Wednesday; Growth May Accelerate; MIT Reports on AI Failure Rates; CFO Transition

MARKET OUTPERFORM

Price: \$194.68
Price Target: \$260.00

INVESTMENT HIGHLIGHTS

- We maintain our Market Outperform rating and \$260 price target on Snowflake, which reports F2Q results after the close on Wednesday after: 1) we have collected 27 data points on the company (85% positive this quarter versus 50% positive last quarter; 2) the MIT Networked Agents and Decentralized AI (NANDA) initiative published a report titled “State of AI in Business 2025” finding that just 5% of integrated AI pilots are extracting millions in value, while the vast majority remain stuck with no measurable P&L impact; and 3) the stock has increased 26% year-to-date versus an increase of 9% for the S&P 500 and 9% for the Russell 3000.
- Key points include: 1) Snowflake guided to product revenue growth of 25% this quarter, down from 26% last quarter, requiring only a 2% beat to drive acceleration compared to the 5% beat last quarter; 2) investors are eager to learn how Cortex is trending and whether it can inflect growth over the next 12 months; 3) investors also look for an update on who might replace outgoing CFO Michael Scarpelli and when; 4) the MIT report provides an interesting reality check as after reviewing 300 AI initiatives and interviewing more than 150 senior leaders, it found widespread adoption of tools like ChatGPT and Microsoft Copilot, but even more widespread (95%) failure to achieve measurable P&L impact, primarily because “most GenAI systems do not retain feedback, adapt to context, or improve over time”, in other words, they don’t learn; and 5) post the launch of ChatGPT-5, expectations are moderating for the speed of progress in foundation models with Chamath Palihapitiya commenting on the All-In podcast this weekend, “It’s concerning when models successively don’t get meaningfully better . . . and if you look at the last big set of model updates, ex of Grok, they didn’t really meaningfully improve their separation from the last-generation model on the big benchmarks that matter.”
- While Snowflake is looking for a new CFO to replace Mike Scarpelli as he retires, we continue to like this story for a number of reasons, including: 1) Snowflake offers a broad platform supporting the end-to-end data lifecycle and provides a necessary data foundation for agentic workflows; 2) Snowflake addresses a huge opportunity that is expected to more than double to \$355B in 2029, from \$170B in 2024; 3) while Snowflake faces formidable competition from Databricks, the TAM is large enough for both, in our opinion, and Snowflake seems to be differentiating effectively with its focus on ease of use and cost effectiveness; 4) Snowflake’s partner ecosystem seems to be thriving and we like the expanded partnership with Microsoft that now delivers OpenAI directly in Snowflake Cortex; and 5) we continue to like the leadership, drive, and technology expertise of CEO Sridhar Ramaswamy, who is accelerating product innovation at Snowflake.
- We maintain our FY26 non-GAAP EPS estimate of \$1.06 (consensus \$1.11) on product revenue growth of 25% y/y, maintain our FY27 non-GAAP EPS estimate of \$1.50 (consensus \$1.57) on product revenue growth of 25% y/y, and maintain our FY28 non-GAAP EPS estimate of \$2.04 on product revenue growth of 24%.
- Snowflake trades at a CY26E EV/revenue multiple of 12.0x and CY26E EV/free cash flow multiple of 46x, while our \$260 price target implies multiples of 16.3x and 63x, respectively, a significant premium to the peer group CY26E EV/revenue multiple that

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MARKET DATA

Price: \$194.68
52-Week Range: \$107.13 - \$229.27
Shares Out. (M): 370.9
Market Cap (\$M): \$72,210.7

Source: Company reports and Citizens JMP Securities, LLC

	FY JAN	2025A	2026E	2027E
Revenue (\$M)	1Q	\$828.7	\$1,042.1A	\$1,302.5
	2Q	\$868.8	\$1,091.0	\$1,358.3
	3Q	\$942.1	\$1,174.5	\$1,433.3
	4Q	\$986.8	\$1,217.7	\$1,509.9
	FY	\$3,626.4	\$4,525.3	\$5,604.0
EPS	1Q	\$0.14	\$0.24A	\$0.35
	2Q	\$0.18	\$0.27	\$0.36
	3Q	\$0.20	\$0.28	\$0.39
	4Q	\$0.30	\$0.28	\$0.41
	FY	\$0.82	\$1.06	\$1.50

Source: Company reports and Citizens JMP Securities, LLC

STOCK PRICE PERFORMANCE



we believe is justified by its large TAM. As a hypothetical upside case, applying the same revenue multiple to our CY27 revenue estimate implies a price of ~\$300.

REPORT ROADMAP

In this report, we cover the following topics:

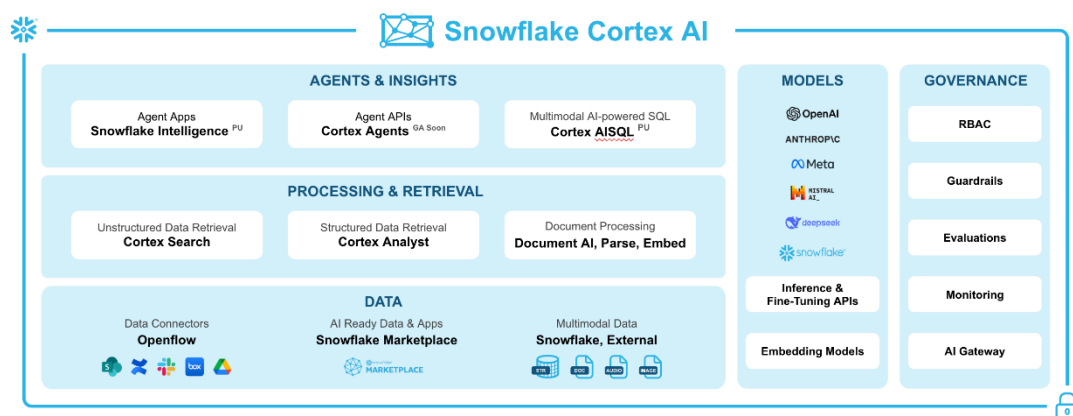
1. Highlights
 - a. Guidance and consensus
 - b. Cortex
 - c. CFO transition
2. State of AI in Business 2025
3. Data Points

HIGHLIGHTS

Guidance and consensus: We note that in F1Q26, Snowflake reported product revenue of \$997M, growth of 26%. Additionally, the company guided to F2Q26 product revenue of \$1.035B-\$1.040B, representing growth of 25% versus the consensus of \$1.038B, growth of 25%, and our estimate of \$1.040B, growth of 25%. To accelerate product revenue growth, Snowflake would have to report product revenue of ~\$1.050B, which would represent growth of 27%. Given that last quarter the company beat product revenue consensus by ~\$38M, in F4Q25 by ~\$33M, in F3Q25 by ~\$48M, and in F2Q25 by ~\$21M we believe it is likely for product revenue growth to accelerate sequentially in F2Q26. Alongside product revenue, the company also guided to F2Q26 operating margin of 8% versus the consensus of 8.0%, and our estimate of 8.0%.

Cortex: We note that Snowflake launched Cortex in November 2023, which, as a reminder, is a fully-managed AI and machine learning service integrated into the Snowflake Data Cloud. Cortex allows users to run advanced analytics, build generative AI applications, and interact with large language models directly within Snowflake using familiar SQL commands. We note that during the investor day in June, in reference to the performance of Snowpark, Cortex, and Dynamic Tables, EVP of product Christian Kleiner commented, *“At least the three that we said would be material for FY 2025. They largely turned out to be the case. We have started looking at unstructured data as its own category because at the end of the day, unstructured data is generating value for us through one of the two either Snowpark or Cortex AI, Cortex Search in particular. And if you look at what we share with you in earnings and calls and callbacks, yeah, the first two Snowpark and Cortex are doing well, but also Dynamic Tables played out quite strongly.”* Figure 1 below shows an overview of Cortex AI.

FIGURE 1. Cortex AI



Source: Snowflake

CFO transition: The transition of CFO Mike Scarpelli has been on the minds of investors, and we note that during the analyst day, CEO Sridhar Ramaswamy commented, *“Mike continues to be super active... we have many promising candidates for CFO and hope to be updating you folks relatively soon.”*

STATE OF AI IN BUSINESS 2025: MIT NANDA

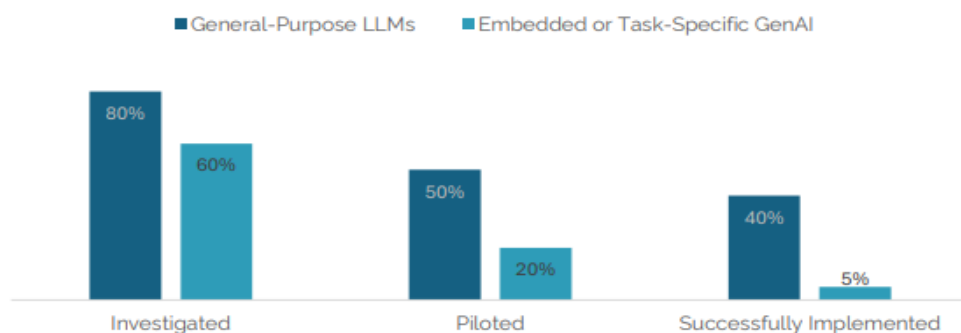
MIT NANDA recently published a report titled *“The GenAI Divide State of AI in Business 2025.”* There were several takeaways we would like to highlight from the report. We include them below.

1. **95% of enterprise GenAI pilots fail to deliver ROI.** Despite \$30-\$40 billion in enterprise investment, the report finds that *“just 5% of integrated AI pilots are extracting millions in value, while the vast majority remain stuck with no measurable P&L impact.”* The authors note this divide *“does not seem to be driven by model quality or regulation but seems to be determined by approach.”*
2. **Adoption is high, but transformation is rare.** According to the report, *“Over 80 percent of organizations have explored or piloted tools like ChatGPT and Copilot, and nearly 40 percent report deployment,”* yet these tools *“primarily enhance individual productivity, not P&L performance.”* Structural disruption is limited, *“Only two of eight major sectors show meaningful structural change,”* specifically Technology and Media, while *“seven others remain on the wrong side of transformation.”*
3. The core barrier is the learning gap. The report emphasizes, *“The primary factor keeping organizations on the wrong side of the GenAI Divide is the learning gap—tools that don’t learn, integrate poorly, or match workflows.”* Users abandon enterprise tools because *“most GenAI systems do not retain feedback, adapt to context, or improve over time.”*
4. Shadow AI is bridging the gap unofficially. While official deployments lag, *“employees are already crossing it through personal AI tools.”* The report states that *“workers from over 90% of the companies we surveyed reported regular use of personal AI tools for work tasks,”* compared to only 40% of companies purchasing official subscriptions. This *“shadow AI economy often delivers better ROI than formal initiatives.”*
5. Winning strategies focus on adaptive systems and agentic architectures. Organizations that succeed *“build systems that learn from feedback, retain context, and customize deeply to specific workflows.”* The report highlights, *“the next evolution beyond individual AI agents is an agentic web where autonomous systems can discover, negotiate, and coordinate across the entire internet infrastructure,”* enabled by protocols like NANDA, MCP, and A2A.

Figure 2 below shows the percentage of general purpose LLMs and Embedded or Task-Specific GenAI that were investigated, piloted, and successfully implemented in a group of companies, with the report stating, *“These figures are directionally accurate based on individual interviews rather than official company reporting. Sample sizes vary by category, and success definitions may differ across organizations.”*

FIGURE 2. GenAI That Was Investigated, Piloted, and Successfully Implemented

Exhibit: The steep drop from pilots to production for task-specific GenAI tools reveals the GenAI divide



Source: MIT NANDA

The study also deflated five “myths in AI.” Figure 3 below shows the five myths and their realities.

FIGURE 3. Five Myths in AI

Myth	Reality
AI will replace most jobs in the next few years.	<i>"Research found limited layoffs from GenAI, and only in industries that are already affected significantly by AI. There is no consensus among executives as to hiring levels over the next 3-5 years."</i>
GenAI is transforming business.	<i>"Adoption is high, but transformation is rare. Only 5% of enterprises have AI tools integrated in workflows at scale and 7 of 9 sectors show no real structural change."</i>
Enterprises are slow in adopting new tech.	<i>"Enterprises are extremely eager to adopt AI and 90% have seriously explored buying an AI solution."</i>
The biggest things holding back AI are model quality, legal, data, and risk.	<i>"What's really holding it back is that most AI tools don't learn and don't integrate well into workflows."</i>
The best enterprises are building their own tools.	<i>"Internal builds fail twice as often."</i>

Source: MIT NANDA, Citizens JMP Securities, LLC

An industry perspective: While discussing the recent MIT Nanda’s State of AI in Business 2025 report that came out in early August, we asked a software engineer at one of the hyper-growth, AI-native, venture-backed companies whether they thought foundation model companies would end up being good businesses. Their answer was interesting: “I am fairly certain they will end up being poor businesses. All the models are converging. It’s becoming a commodity.” One thought that occurs to us after hearing this is that perhaps the foundation model companies with their hefty valuations should think about acquiring some SaaS companies at current depressed prices to lock in enterprise relationships and domain knowledge. In some ways we are reminded of the \$187B AOL and Time Warner merger in 2000, which combined AOL’s internet services with Time Warner’s vast media assets.

DATA POINTS

Tone of business: On the positive side, first, an industry source close to Snowflake commented, *"Q2 feels good."* Second, a large bank that is also a Snowflake customer indicated it was pushing for Snowflake *"for years"* and is very happy the bank decided to purchase Snowflake. Third, a software engineer at a hyper-growth, venture-backed AI company commented, *"Sounds like they are going to make the OpenAI models available on Snowflake. That is honestly a pretty big deal. [Why?] They already have Claude – practically is not that big a deal – but ChatGPT is the model everyone uses – it has crazy market share – integrating that with Snowflake means that Snowflake has the AI that everyone is using – it means products built with Snowflake using the cortex stack will be as good as what everyone is using – it shows Snowflake can be the application platform layer for AI. They are offering the infrastructure on which you build your product and then you can swap out the model on the back end."* Fourth, on August 19, Databricks announced it *"has signed a term sheet for its Series K round, which it expects to close soon with backing from existing investors. This funding values the company at >\$100B."* Fifth, we spoke to a Snowflake partner who commented, *"I think Snowflake is making a comeback and Databricks has gotten arrogant... what Sridhar has done is say 'I'm gonna go in and fix the tech... he turned things around.'" Sixth, through public sources, we found six instances of sales reps beating their quota this quarter, with two beating by over 160%.*

Snowflake Summit 2025: The next 13 data points are from Snowflake Summit 2025, where we asked 13 customers and partners if their spend on Snowflake would be up, down, or flat in the next 12-18 months.

Up (12)

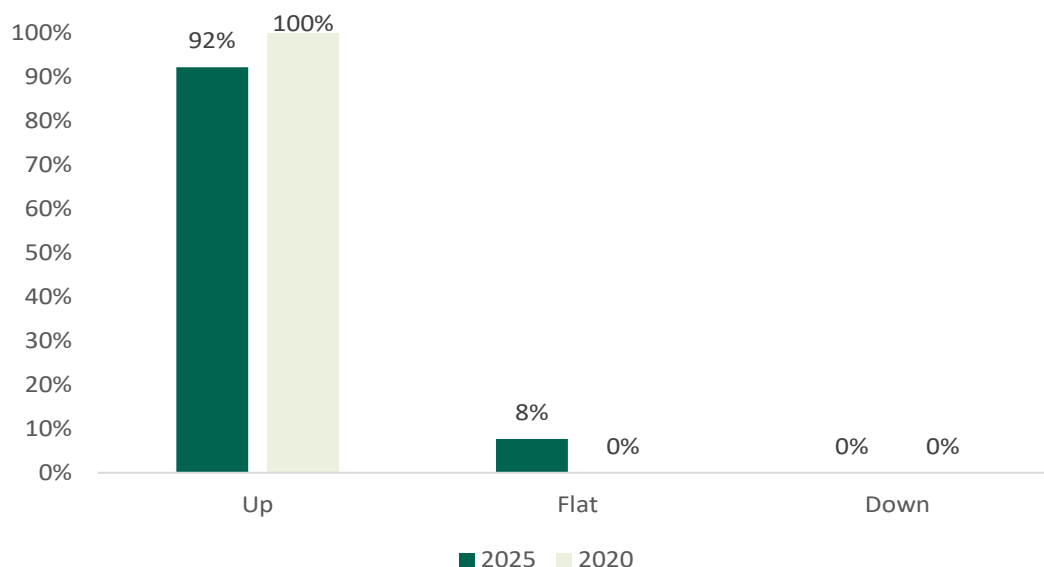
- An insurance company with over 10,000 employees commented they would spend *"wayyyyyyy more"* on Snowflake because the company is currently *"on AWS right now [but] it's too expensive."*
- Another insurance company with over 10,000 employees noted spend would be up because *"as we onboard more customers, we put more data in."*
- A top 10 bank by deposits commented that spend would *"definitely"* go up because it is storing more data in Snowflake.
- A top 15 bank by deposits commented spend would be *"up for sure because people are moving off of Oracle and AWS."*
- A top 25 bank by deposits commented spend would be up noting it is *"switching off of"* IBM's on-prem solution *"to Snowflake."*
- A workforce management company with over 10,000 employees commented that the company is currently going through a *"big migration"* so spend would be up.
- A wellness and fitness services company with under 5,000 employees commented that spend would be up because *"we are one hundred percent moving to Snowflake"* from PostgreSQL.
- A mortgage lender with under 5,000 employees commented that spend would be up because *"we're expanding"* and they are *"moving all of our data to Snowflake for a single source of truth."*
- A consumer-packaged goods company with under 5,000 employees commented that spend would be up because, *"We're doing a lot more ML."*
- A photography company with under 5,000 employees commented that spend would be up because it is *"ripping everything out and replacing it with Snowflake."*
- A software development company with under 5,000 employees commented *"definitely up"* when we asked about future spending plans because *"every customer I talk [to] wants to use Snowflake more."*
- A Snowflake cost optimization firm with fewer than 100 employees commented that it has *"seen spend trend up overall"* but also noted that *"generally, there has been belt tightening."*

Flat (1)

- An IT services and IT consulting company with under 5,000 employees commented that spend would be flat, noting *"The space is very crowded. Snowflake is in one of our many tech stacks."* The source also commented, *"I think GCP is more penetrated... I'd say I'm neutral to favorable for Snowflake. I'm not 100% bullish on it."*

Figure 4 below shows our Citizens spending survey at Summit 2025 versus when we initiated coverage on the company in 2020. This year we asked 13 customers and partners if they expect future spending on Snowflake to be up, down, or flat over the next 12-18 months. Twelve (12) said up (92%), 1 flat (8%), and none down. By comparison, when we initiated coverage on Snowflake, 9 said up (100%), none flat, and none down.

FIGURE 4. Summit 2025 Citizens Spending Survey



Source: Citizens JMP Securities, LLC

On the negative side, first, an industry source commented, "Everyone is running to Databricks. They see Databricks going like this [indicated up with their hands]. Some are moving out of Snowflake. The sense on the street is everyone is migrating to Databricks and also to Iceberg and Tables. Everyone is looking to use that [Iceberg]." Second, through publicly available sources, we found three sales reps who departed the company, with one going to a data movement platform company, another to an IT consulting company, and the third rep taking a career break.

FIGURE 5. Snowflake Revenue Drivers (\$, thousands)

Snowflake																				
Revenue Drivers																				
FY end Jan 31																				
\$000s, unless otherwise noted																				
Revenue Metrics																				
	FY2024A	FY2025A				FY2025A	FY2026E				FY2026E	FY2027E				FY2027E	FY2028E			
		1Q	2Q	3Q	4Q		1Q	2Q	3Q	4Q		1Q	2Q	3Q	4Q		1Q	2Q	3Q	4Q
Product Revenue	2,666,849	789,587	829,250	900,282	943,303	3,462,422	996,813	1,040,000	1,122,498	1,165,689	4,325,000	1,251,539	1,306,305	1,379,300	1,457,856	5,395,000	1,547,490	1,629,090	1,713,335	1,810,085
y/y growth	38%	34%	30%	29%	28%	30%	26%	25%	25%	24%	25%	26%	26%	23%	25%	25%	24%	25%	24%	24%
sequential growth		7%	5%	9%	5%		6%	4%	8%	4%		7%	4%	6%	6%		6%	5%	5%	6%
Professional Services and Other	139,640	39,122	39,573	41,812	43,467	163,974	45,261	51,000	52,000	52,000	200,261	51,000	52,000	54,000	52,000	209,000	58,000	59,000	58,000	57,000
y/y growth	10%	17%	17%	17%	19%	17%	16%	29%	24%	20%	22%	13%	2%	4%	0%	4%	14%	13%	7%	10%
sequential growth		7%	1%	6%	4%		4%	13%	2%	0%		-2%	2%	4%	-4%		12%	2%	-2%	-2%
Total Revenue	2,806,489	828,709	868,823	942,094	986,770	3,626,396	1,042,074	1,091,000	1,174,498	1,217,689	4,525,261	1,302,539	1,358,305	1,433,300	1,509,856	5,604,000	1,605,490	1,688,090	1,771,335	1,867,085
y/y growth	36%	33%	29%	28%	27%	29%	26%	26%	25%	23%	25%	25%	25%	22%	24%	24%	23%	24%	24%	24%
sequential growth		7%	5%	8%	5%		6%	5%	8%	4%		7%	4%	6%	5%		6%	5%	5%	5%
Drivers																				
# of customers	9,437	9,822	10,249	10,618	11,159	11,159	11,578	11,978	12,358	12,808	12,808	13,198	13,598	13,988	14,438	14,438	15,038	15,638	16,238	16,838
y/y growth	21%	20%	20%	19%	18%	18%	18%	17%	16%	15%	15%	14%	14%	13%	13%	13%	14%	15%	16%	17%
Net adds		385	427	369	541		419	400	380	450		390	400	390	450		600	600	600	600
Average # of customers	8,633	9,630	10,036	10,434	10,889	10,298	11,369	11,778	12,168	12,583	11,984	13,003	13,398	13,793	14,213	13,623	14,738	15,338	15,938	16,538
Average Product Revenue/Average Customer	325.1	328.0	330.5	345.2	346.5	352.1	350.7	353.2	369.0	370.6	377.6	385.0	390.0	400.0	410.3	411.4	420.0	424.9	430.0	437.8
y/y growth	8%	11%	8%	8%	8%	8%	7%	7%	7%	7%	7%	10%	10%	8%	11%	9%	9%	9%	8%	7%
Key Metrics																				
Net revenue retention rate		128%	127%	127%	126%		124%	124%	124%	124%		124%	124%	124%	124%		124%	124%	124%	124%
Customers with TTM product revenue greater than \$1M	485	510	542	579		606	638	678	724		758	797	847	905		947	996	1,059	1,131	
y/y growth		30%	27%	24%	26%		25%	25%	25%		25%	25%	25%	25%		25%	25%	25%	25%	
# of Fortune 500 customers																				
F2000 customers		709	736	754	745		754													
y/y growth		20%	15%	17%	8%		6%													
RPO estimated to be recognized as revenue in next 12 months	2,543,880	2,615,500	2,866,000	3,296,160		3,343,500	3,426,305	3,783,120	4,394,880		4,313,115	4,419,933	4,880,225	5,669,395		5,607,050	5,745,913	6,344,292	7,370,214	
y/y growth	31%	30%	36%	27%		31%	31%	32%	33%		29%	29%	29%	29%		30%	30%	30%	30%	
sequential growth	-2%	3%	10%	15%		1%	2%	10%	16%		-2%	2%	10%	16%		-1%	2%	10%	16%	
% of RPO estimated to be recognized as revenue in next 12 mont	51%	50%	50%	48%		50%	50%	50%	50%		50%	50%	50%	50%		50%	50%	50%	50%	
Remaining Performance Obligations (RPO)	4,988,000	5,231,000	5,732,000	6,867,000		6,687,000	6,852,610	7,566,240	8,789,760		8,626,230	8,839,867	9,760,450	11,338,790		11,214,099	11,491,827	12,688,584	14,740,428	
y/y growth	46%	48%	55%	33%		34%	31%	32%	28%		29%	29%	29%	29%		30%	30%	30%	30%	
sequential growth	-4%	5%	10%	20%		-3%	2%	10%	16%		-2%	2%	10%	16%		-1%	2%	10%	16%	

Source: Citizens JMP Securities, LLC, Company Filings

FIGURE 6. Snowflake Income Statement (\$, thousands, except per share items)

Snowflake																					
Income Statement																					
FY end Jan 31																					
\$000s, unless otherwise noted	FY2025A					FY2026E					FY2027E					FY2028E					FY2028E
	FY2024A	1Q	2Q	3Q	4Q	FY2025A	1Q	2Q	3Q	4Q	FY2026E	1Q	2Q	3Q	4Q	FY2027E	1Q	2Q	3Q	4Q	
Non-GAAP																					
Product Revenue	2,666,849	789,587	829,250	900,282	943,303	3,462,422	996,813	1,040,000	1,122,498	1,165,689	4,325,000	1,251,539	1,306,305	1,379,300	1,457,856	5,395,000	1,547,490	1,629,090	1,713,335	1,810,085	6,700,000
y/y growth	38%	34%	30%	29%	28%	30%	26%	25%	25%	24%	25%	26%	26%	23%	25%	25%	24%	25%	24%	24%	24%
sequential growth		7%	5%	9%	5%		6%	4%	8%	4%		7%	4%	6%	6%		6%	5%	5%	6%	
Professional Services and Other	139,640	39,122	39,573	41,812	43,467	163,974	45,261	51,000	52,000	52,000	200,261	51,000	52,000	54,000	52,000	209,000	58,000	59,000	58,000	57,000	232,000
y/y growth	10%	17%	17%	17%	19%	17%	16%	29%	24%	20%	22%	13%	2%	4%	0%	4%	14%	13%	7%	10%	11%
sequential growth		7%	1%	6%	4%		4%	13%	2%	0%		-2%	2%	4%	-4%		12%	2%	-2%	-2%	
Total Revenue	2,806,489	828,709	868,823	942,094	986,770	3,626,396	1,042,074	1,091,000	1,174,498	1,217,689	4,525,261	1,302,539	1,358,305	1,433,300	1,509,856	5,604,000	1,605,490	1,688,090	1,771,335	1,867,085	6,932,000
y/y growth	36%	33%	29%	28%	27%	29%	26%	26%	25%	23%	25%	25%	25%	22%	24%	24%	23%	24%	24%	24%	24%
sequential growth		7%	5%	8%	5%		6%	5%	8%	4%		7%	4%	6%	5%		6%	5%	5%	5%	
Cost product revenue	590,897	182,275	195,468	213,379	227,997	819,119	242,689	260,000	283,000	294,000	1,079,689	310,000	325,000	335,000	350,000	1,320,000	375,000	390,000	410,000	430,000	1,605,000
Cost pro. services revenue	132,693	37,318	37,145	41,542	42,561	158,566	47,261	51,000	52,000	52,000	202,261	51,000	52,000	54,000	52,000	209,000	58,000	59,000	58,000	57,000	232,000
Total cost of Revenue	723,590	219,593	232,613	254,921	270,558	977,685	289,950	311,000	335,000	346,000	1,281,950	361,000	377,000	389,000	402,000	1,529,000	433,000	449,000	468,000	487,000	1,837,000
Product gross profit	2,075,952	607,312	633,782	686,903	715,306	2,643,303	754,124	780,000	839,498	871,689	3,245,311	941,539	981,305	1,044,300	1,107,856	4,075,000	1,172,490	1,239,090	1,303,335	1,380,085	5,095,000
Gross Margin	77.8%	76.9%	76.4%	76.3%	75.8%	76.3%	75.7%	75.0%	74.8%	74.8%	75.0%	75.2%	75.1%	75.7%	76.0%	75.5%	75.8%	76.1%	76.1%	76.2%	76.0%
Pro. Services and other profit	6,947	1,804	2,428	270	906	5,408	(2,000)	-	-	-	(2,000)	-	-	-	-	-	-	-	-	-	-
Gross Margin	5.0%	4.6%	6.1%	0.6%	2.1%	3.3%	-4.4%	0.0%	0.0%	0.0%	-1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Gross Profit	2,082,899	609,116	636,210	687,173	716,212	2,648,711	752,124	780,000	839,498	871,689	3,243,311	941,539	981,305	1,044,300	1,107,856	4,075,000	1,172,490	1,239,090	1,303,335	1,380,085	5,095,000
Gross Margin	74.2%	73.5%	73.2%	72.9%	72.6%	73.0%	72.2%	71.5%	71.5%	71.6%	71.7%	72.3%	72.2%	72.9%	73.4%	72.7%	73.0%	73.4%	73.6%	73.9%	73.5%
R&D	612,094	203,153	224,246	224,753	230,810	882,962	238,822	257,000	272,000	283,000	1,050,822	305,000	315,000	330,000	355,000	1,305,000	370,000	390,000	400,000	420,000	1,580,000
% of revenue	22%	25%	26%	24%	23%	24%	23%	24%	23%	23%	23%	23%	23%	23%	24%	23%	23%	23%	23%	22%	23%
S&M	1,041,533	312,571	309,084	340,606	328,944	1,291,205	357,883	368,000	401,000	416,000	1,542,883	426,000	446,000	475,000	495,000	1,842,000	525,000	535,000	545,000	555,000	2,160,000
% of revenue	37%	38%	36%	36%	33%	36%	34%	34%	34%	34%	34%	33%	33%	33%	33%	33%	33%	32%	31%	30%	31%
G&A	199,562	57,148	59,134	62,926	63,613	242,821	63,761	68,000	76,000	79,000	286,761	83,000	88,000	93,000	101,000	365,000	120,000	125,000	135,000	140,000	520,000
% of revenue	7%	7%	7%	7%	6%	7%	6%	6%	6%	6%	6%	6%	6%	6%	7%	7%	7%	7%	8%	7%	8%
Total Operating Expenses	1,853,189	572,872	592,464	628,285	623,367	2,416,988	660,466	693,000	749,000	778,000	2,880,466	814,000	849,000	898,000	951,000	3,512,000	1,015,000	1,050,000	1,080,000	1,115,000	4,260,000
Operating Income	229,710	36,244	43,746	58,888	92,845	231,723	91,658	87,000	90,498	93,689	362,845	127,539	132,305	146,300	156,856	563,000	157,490	189,090	223,335	265,085	835,000
Operating Margin	8.2%	4.4%	5.0%	6.3%	9.4%	6.4%	8.8%	8.0%	7.7%	7.7%	8.0%	9.8%	9.7%	10.2%	10.4%	10.0%	9.8%	11.2%	12.6%	14.2%	12.0%
Other Income, net	245,550	33,477	41,319	39,492	56,623	170,911	23,034	43,000	44,000	44,000	154,034	43,000	44,000	45,000	46,000	178,000	47,000	48,000	49,000	50,000	194,000
Pretax income	475,260	69,721	85,065	98,380	149,468	402,634	114,692	130,000	134,498	137,689	516,879	170,539	176,305	191,300	202,856	741,000	204,490	237,090	272,335	315,085	1,029,000
Amortization of debt issuance costs	(123,568)	(18,276)	(21,969)	(25,757)	(39,400)	(105,402)	(29,191)	(32,500)	(33,625)	(34,422)	(129,738)	(42,635)	(44,076)	(47,825)	(50,714)	(185,250)	(51,123)	(59,273)	(68,084)	(78,771)	(257,250)
Provision for income taxes	(123,568)	(18,276)	(21,969)	(25,757)	(39,400)	(105,402)	(29,191)	(32,500)	(33,625)	(34,422)	(129,738)	(42,635)	(44,076)	(47,825)	(50,714)	(185,250)	(51,123)	(59,273)	(68,084)	(78,771)	(257,250)
Non-GAAP Tax Rate	-26.0%	-26.2%	-25.8%	-26.2%	-26.4%	-26.2%	-25.5%	-25.0%	-25.0%	-25.0%	-2.9%	-25.0%	-25.0%	-25.0%	-25.0%	-3.3%	-25.0%	-25.0%	-25.0%	-25.0%	-3.7%
Non-operating expenses	689	2,070	2,759	2,071	2,100	2,100	2,071	2,100	2,100	2,100	8,371	2,100	2,100	2,100	2,100	8,400	2,100	2,100	2,100	2,100	8,400
Net income	351,692	51,445	63,096	73,312	112,138	299,991	87,572	99,600	102,974	105,367	395,512	130,004	134,329	145,575	154,242	564,150	155,468	179,918	206,351	238,414	780,150
EPS	\$0.98	\$0.14	\$0.18	\$0.20	\$0.30	\$0.82	\$0.24	\$0.27	\$0.28	\$0.28	\$1.06	\$0.35	\$0.36	\$0.39	\$0.41	\$1.50	\$0.41	\$0.47	\$0.54	\$0.62	\$2.04
Shares - basic (Pro Forma)	327,970	333,584	334,071	331,761	331,432	332,712	332,657	332,657	332,657	332,657	332,657	333,655	334,656	335,660	336,667	335,159	337,677	338,690	339,706	340,725	339,199
sequential growth		1%	0%	-1%	0%		0%	0.0%	0.0%	0.0%		0.3%	0.3%	0.3%	0.3%		0.3%	0.3%	0.3%	0.3%	
Shares - diluted (Pro Forma)	362,064	363,314	359,319	362,153	370,683	363,867	370,920	371,000	371,742	374,338	372,000	375,461	376,587	377,717	378,850	377,154	379,987	381,127	382,270	383,417	381,700
sequential growth		0%	-1%	1%	2%		0%	0.0%	0.2%	0.7%		0.3%	0.3%	0.3%	0.3%		0.3%	0.3%	0.30%	0.3%	

Source: Citizens JMP Securities, LLC, Company Filings

FIGURE 7. Snowflake Balance Sheet (\$, thousands)

Snowflake													
Balance Sheet													
FY end Jan 31													
\$000s, unless otherwise noted													
	FY2023A				FY2024A				FY2025A				FY2026A
	1QA	2QA	3QA	4QA	1QA	2QA	3QA	4QA	1QA	2QA	3QA	4QA	1QA
Cash and equivalents	1,063,401	906,663	819,003	939,902	653,014	755,192	982,182	1,762,749	1,330,411	1,282,045	2,148,928	2,628,798	2,243,083
Restricted cash	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-term investments	2,751,679	3,046,477	3,123,879	3,067,966	3,292,514	2,996,941	2,566,357	2,083,499	2,200,935	1,948,462	2,008,062	2,008,873	1,667,601
Accounts receivable, net	277,559	304,964	394,063	715,821	352,993	406,404	511,034	926,902	345,505	431,597	596,352	922,805	530,517
Deferred commissions, current	53,943	57,908	61,738	67,901	69,205	71,969	74,574	86,096	85,448	86,899	89,831	97,662	104,187
Prepaid expenses and other current assets	195,151	187,685	160,221	193,100	201,821	174,445	178,136	180,018	180,991	149,085	140,898	211,234	240,586
Total current assets	4,341,733	4,503,697	4,558,904	4,984,690	4,569,547	4,404,951	4,312,283	5,039,264	4,143,290	3,898,088	4,984,071	5,869,372	4,785,974
Long-term investments	1,212,378	1,086,684	943,081	1,073,023	1,090,715	1,100,748	947,829	916,307	927,981	697,406	892,777	656,476	956,144
Property and equipment, net	118,611	130,082	145,974	160,823	176,433	193,823	216,380	247,464	263,667	264,778	278,374	296,393	290,332
Operating lease right-of-use assets	188,946	222,240	234,678	231,266	229,394	262,229	254,236	252,128	244,681	272,459	280,719	359,439	261,971
Goodwill	502,614	502,614	649,092	657,370	711,251	774,300	784,405	975,906	975,906	984,076	990,665	1,056,559	1,056,559
Intangible assets, net	181,851	172,254	196,165	186,013	256,419	346,101	329,767	331,411	307,967	286,538	268,514	278,028	253,944
Deferred commissions, non-current	124,340	129,222	133,939	145,286	142,751	146,358	150,362	187,093	179,917	177,457	177,307	183,967	182,761
Other assets	352,226	317,322	293,855	283,851	270,264	281,306	269,117	273,810	254,609	363,084	329,831	333,704	369,722
Total Assets	7,022,699	7,064,115	7,155,688	7,722,322	7,446,774	7,509,816	7,264,379	8,223,383	7,298,018	6,943,886	8,202,258	9,033,938	8,157,407
Accounts payable	18,442	20,286	24,757	23,672	22,221	41,248	75,456	51,721	64,239	134,537	148,920	169,767	155,263
Accrued expenses and other current liabilities	185,281	209,772	225,321	269,069	275,685	315,133	318,281	446,860	398,002	448,926	485,130	515,454	528,380
Operating lease liabilities, current	27,298	26,605	29,263	27,301	29,190	33,846	33,348	33,944	30,940	32,843	38,288	35,923	37,098
Deferred revenue, current	1,132,697	1,144,773	1,199,701	1,673,475	1,560,445	1,523,085	1,605,587	2,198,705	1,935,642	1,848,376	1,974,934	2,580,039	2,309,803
Total Current Liabilities	1,363,718	1,401,436	1,479,042	1,993,517	1,887,541	1,913,312	2,032,672	2,731,230	2,428,823	2,464,682	2,647,272	3,301,183	3,030,544
Convertible senior notes, net	-	-	-	-	-	-	-	-	-	-	2,269,459	2,271,529	2,273,600
Operating lease liabilities, non-current	179,251	215,152	225,013	224,357	225,653	263,006	253,029	254,037	247,501	279,969	287,881	377,818	377,065
Deferred revenue, non-current	10,434	8,793	7,333	11,463	14,152	12,477	12,082	14,402	14,692	12,280	11,973	15,501	13,724
Other liabilities	11,302	12,411	21,029	24,370	21,443	22,794	25,829	33,120	39,310	49,367	51,264	61,264	47,620
Total Liabilities	1,564,705	1,637,792	1,732,417	2,253,707	2,148,789	2,211,589	2,323,612	3,032,789	2,730,326	2,806,298	5,267,849	6,027,295	5,742,553
Total shareholders' equity (deficit)	5,457,994	5,426,323	5,410,777	5,456,436	5,286,243	5,426,323	4,929,921	5,180,308	4,558,234	4,129,001	2,929,445	2,999,929	2,408,000
Noncontrolling interest	-	-	12,494	12,179	11,742	11,289	10,846	10,286	9,458	8,587	4,964	6,714	6,854
Total liabilities and shareholders equity	7,022,699	7,064,115	7,155,688	7,722,322	7,435,032	7,637,912	7,264,379	8,223,383	7,298,018	6,943,886	8,202,258	9,033,938	8,157,407
Total cash and equivalents	5,027,458	5,039,824	4,885,963	5,080,891	5,036,243	4,852,881	4,496,368	4,762,555	4,459,327	3,927,913	5,049,767	5,294,147	4,866,828
Total Debt	-	-	-	-	-	-	-	-	-	-	2,269,459	2,271,529	-
Net cash	5,027,458	5,039,824	4,885,963	5,080,891	5,036,243	4,852,881	4,496,368	4,762,555	4,459,327	3,927,913	2,780,308	3,022,618	4,866,828

Source: Citizens JMP Securities, LLC, Company Filings

FIGURE 8. Snowflake Statement of Cash Flows (\$, thousands)

Snowflake																				
Cash Flow Statement																				
FY end Jan 31																				
\$000s, unless otherwise noted																				
	FY2024A	FY2025A				FY2025A	FY2026E				FY2026E	FY2027E				FY2027E	FY2028E			
		1Q4	2Q4	3Q4	4Q4		1Q4	2Q	3Q	4Q		1Q	2Q	3Q	4Q		1Q	2Q	3Q	4Q
Net income	(837,990)	(317,816)	(317,770)	(327,902)	(325,724)	(1,289,212)	(429,952)	(326,868)	(327,728)	(329,610)	(1,414,158)	(309,291)	(309,328)	(302,487)	(298,269)	(1,219,375)	(301,537)	(281,626)	(259,776)	(232,343)
Depreciation and amortization	119,903	40,221	45,111	47,046	50,130	182,508	48,804				48,804					-				
Amortization of operating lease right-of-use assets	52,892	13,722	13,846	14,802	17,573	59,943	17,842				17,842					-				
Amortization of deferred commissions	74,787	22,764	22,822	23,249	24,293	93,128	25,796				25,796					-				
Stock-based compensation, net of amounts capitalized	1,168,015	331,936	356,000	363,259	428,119	1,479,314	379,460	412,809	416,937	421,107	1,630,313	425,318	429,571	433,867	438,205	1,726,961	442,587	447,013	451,483	455,998
Net amortization of premiums on investments	(61,525)	(11,992)	(12,780)	(9,097)	(9,565)	(43,434)	(7,652)				(7,652)					-				
Net unrealized gains on strategic investments in equity securities	(46,809)	20,695	6,508	8,611	(4,394)	31,420	29,685				29,685					-				
Deferred income tax	(26,762)		49	689	(7,139)	(6,401)	2,071				2,071					-				
Other	14,895	669	1,249	2,380	4,611	8,909	101,314				101,314					-				
Changes in operating assets and liabilities:	-	-	-	-	-	-	-	-	215,000	470,000	685,000	360,000	125,000	145,000	350,000	980,000	395,000	170,000	190,000	400,000
Accounts receivable	(212,083)	579,319	(87,127)	(163,488)	(328,168)	536	393,657				393,657					-				
Deferred commissions	(134,787)	(14,940)	(21,814)	(26,031)	(38,784)	(101,569)	(31,114)				(31,114)					-				
Prepaid expenses and other assets	59,795	(1,111)	34,458	9,109	(12,606)	29,850	(17,852)				(17,852)					-				
Accounts payable	19,212	21,244	70,181	11,296	6,131	108,852	(4,423)				(4,423)					-				
Accrued expenses and other liabilities	171,048	(54,688)	59,325	34,065	32,174	70,876	3,935				3,935					-				
Operating lease liabilities	(40,498)	(13,374)	(11,915)	(9,055)	(13,367)	(47,711)	(11,838)				(11,838)					-				
Deferred revenue	528,029	(261,181)	(88,278)	122,773	609,441	382,755	(271,360)				(271,360)					-				
Net cash provided by operating activities	848,122	355,468	69,865	101,706	432,725	959,764	228,373	85,941	304,209	561,496	1,180,020	476,027	245,243	276,380	489,937	1,487,586	536,050	335,388	381,708	623,655
Purchase of property and equipment	(35,086)	(16,519)	(5,043)	(13,440)	(11,277)	(46,279)	(44,989)	(7,500)	(6,500)	(6,500)	(65,489)	(6,500)	(6,500)	(6,500)	(6,500)	(26,000)	(6,500)	(6,500)	(6,500)	(26,000)
Capitalized internal-use software development costs	(34,133)	(7,404)	(5,992)	(10,032)	(6,005)	(29,433)	-	(7,000)	(7,000)	(7,000)	(21,000)	(7,000)	(7,000)	(7,000)	(7,000)	(28,000)	(7,000)	(7,000)	(7,000)	(28,000)
Cash paid for acquisitions, net of cash acquired	(275,706)		(8,906)	(8,219)	(13,180)	(30,305)					-					-				
Purchase of intangible assets	(28,744)										-					-				
Purchase of investments	(2,476,206)	(1,078,261)	(196,481)	(1,014,243)	(280,258)	(2,569,243)	(1,012,575)				(1,012,575)					-				
Sales of investments	11,266	30,360	10,437	13,597	10,179	64,573	17,399				17,399					-				
Maturities and redemptions of investments	3,670,867	921,395	590,063	765,195	525,429	2,802,082	984,182				984,182					-				
Settlement of cash flow hedges		(749)														-				
Net cash provided by investing activities	832,258	(151,178)	384,078	(267,142)	224,888	191,395	(55,983)	(14,500)	(13,500)	(13,500)	(97,483)	(13,500)	(13,500)	(13,500)	(13,500)	(54,000)	(13,500)	(13,500)	(13,500)	(13,500)
Proceeds from issuance of redeemable convertible preferred stock, net	-			2,268,770																
Proceeds from IPO, net	-																			
Proceeds from exercise of stock options	57,194	10,686	12,978	11,548	9,674	44,886	6,260													
Repayment of promissary note	-																			
Proceeds from issuance of common stock under employee stock purcha-	61,234	46,735		30,318		77,053	53,193													
Repurchase of common stock in connection with issuer tender offers	-																			
Repurchase of early exercised stock options an restricted common stock	-																			
Taxes paid related to net share settlement of equity awards	(380,799)	(174,590)	(103,524)	(81,493)	(129,542)	(489,149)	(132,498)													
Payment of deferred purchase consideration for an acquisition	-																			
Payment of deferred offering costs	-				(250)	(250)	(374)													
Purchases of capped calls related to convertible senior notes	-			(195,500)		(195,500)														
Capital contributions from noncontrolling interest holders	-																			
Repurchases of common stock	(591,732)	(516,329)	(400,000)	(1,016,004)		(1,932,333)	(490,638)													
Net cash provided by financing activities	(854,103)	(633,498)	(490,546)	1,017,639	(120,118)	(564,057)														
Effect of exchange rate changes on cash and cash equivalent	(2,031)	(2,633)	724	778	(5,055)	(6,186)	12,397													
Net increase in cash, cash equivalents and restricted cash	824,246	(431,841)	(35,879)	852,981	532,440	918,450	(379,270)													
Cash, cash equivalents and restricted cash - beginning	956,731	1,780,977	1,349,136	1,313,257	2,166,238	1,780,977	2,698,678													
Cash, cash equivalents and restricted cash - end of period	1,780,977	1,349,136	1,313,257	2,166,238	2,698,678	2,699,427	2,319,408													
Free Cash Flow	778,903	331,545	58,830	78,234	415,443	884,052	183,384	71,441	290,709	547,996	1,093,531	462,527	231,743	262,880	476,437	1,433,586	522,550	321,888	368,208	610,155
Margin	28%	40%	7%	8%	42%	24%	18%	7%	25%	45%	24%	36%	17%	18%	32%	26%	33%	19%	21%	33%
Adj. Free Cash Flow	810,185	365,691	65,951	86,797	423,087	941,526	206,269	79,441	298,709	555,996	1,140,416	470,527	239,743	270,880	484,437	1,465,586	530,550	329,888	376,208	618,155
Margin	29%	44%	8%	9%	43%	26%	20%	7%	25%	46%	25%	36%	18%	19%	32%	26%	33%	20%	21%	33%

Source: Citizens JMP Securities, LLC, Company Filings

COMPANY DESCRIPTION

Snowflake was founded in 2012 in San Mateo by President of Product and board member Benoit Dageville, CTO Thierry Cruanes, and Marcin Zukowski. The founders, through their own first-hand experience as database architects at Oracle saw the inherent constraints that came with the legacy database architectures that they were building. The trio set out to build a data warehouse that was entirely in the cloud, and that could provide businesses access to the near infinite scalability made available by the public cloud.

The company raised an initial seed round of ~\$1M in 2012, before a \$5M Series A led by Sutter Hill Ventures in 2012. Sutter Hill Ventures Managing Director Mike Speiser served as the company's CEO and CFO from 2012 until 2014. In 2014, Snowflake appointed long-time Microsoft executive Bob Muglia as CEO, and began to commercialize its cloud data warehouse. Over the next few years, the company expanded its product offering and its footprint region by region and hyper-scaler by hyper-scaler.

In 2019, Mr. Muglia departed as the company appointed Mr. Sloatman as CEO, who was quickly followed by former ServiceNow CFO Mike Scarpelli, and long-time Google VP of Engineering Greg Czajkowski. In February 2020, Snowflake raised ~\$479M in a funding round co-led by Dragoneer and Salesforce Ventures. On September 16, Snowflake's shares debuted on the New York Stock Exchange.

INVESTMENT RISKS

Competition. The markets Snowflake serves are highly competitive and rapidly evolving. We expect the competitive environment to remain intense as new technologies and innovations are brought to market. Snowflake has a number of competitors, including: 1) large, well-established, public cloud providers such as AWS, Azure, and GCP; 2) less-established public and private cloud companies; 3) other established vendors of legacy database solutions or big data offerings; and 4) new or emerging entrants seeking to develop competing technologies. Competition may negatively impact Snowflake's ability to maintain and grow consumption of its platform or put downward pressure on its prices and gross margins, any of which could materially harm its results of operations, and financial condition.

Valuation. Snowflake trades at one of the richest valuations in our software universe, meaning that the multiple could continue to compress, and the stock price could decline precipitously if the company or its results fail to meet investors' expectations.

Security breach. If the company experiences a security breach, its platform may be perceived as unsecure and its reputation may be harmed, which could cause customers to reduce usage of Snowflake or discontinue it altogether. The risks of an incident are likely to increase as Snowflake grows the scale and functionality of its platform, and processes, stores, and transmits increasingly larger amounts of proprietary customer data. In addition, because the company relies on third-party service providers, the impact of a security breach at a third-party provider could be substantial.

Enterprise focus. The company expects to continue expanding its direct sales force, particularly its direct enterprise sales organization focused on sales to the world's largest organizations. It also plans to dedicate significant resources to sales and marketing programs that are focused on these large organizations. As Snowflake increases its sales to these large enterprise customers, its sales cycles could lengthen, customer requirements could be more complex, it may experience substantial upfront sales costs, and may encounter greater deployment challenges.

Facts and Disclosures

Analyst Certification:

The research analyst(s) who prepared this report does/do hereby certify that the views presented in this report are in accordance with my/our personal views on the securities and issuers discussed in this report. As mandated by SEC Regulation AC no part of my/our compensation was, is or will be directly or indirectly related to the specific views or recommendations expressed herein. This certification is made under the obligations set forth in SEC Regulation AC. Any other person or entity may not use it for any other purpose. This certification is made based on my/our analysis on the date of this report's publication. I/We assume no obligation to update this certification to reflect any facts, circumstances, or events that may subsequently come to my/our attention. Signed Patrick Walravens, Aaron Kimson, CFA and Austin Cole

Disclosures:

Citizens JMP Securities, LLC currently makes a market in the security of Snowflake, Inc.

Citizens JMP Securities, LLC, was manager or co-manager of a public offering of securities for Snowflake, Inc. (SNOW) in the past 12 months and received compensation for doing so.

Citizens JMP Securities, LLC, expects to receive OR intends to seek compensation for investment banking services from Snowflake, Inc. in the next three months.

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Market Outperform (MO): Citizens JMP Securities, LLC expects the stock price to outperform the Russell 3000® Index over the next 12 months.

Market Perform (MP): Citizens JMP Securities, LLC expects the stock price to perform in line with the Russell 3000® Index over the next 12 months.

Market Underperform (MU): Citizens JMP Securities, LLC expects the stock price to underperform the Russell 3000® Index over the next 12 months.

Research Ratings and Investment Banking Services: (as of August 26, 2025)

Citizens Capital Markets & Advisory Ratings	Regulatory Equivalent	# Co's Under Coverage	% of Total	Regulatory Equivalent	# Co's Under Coverage	% of Total	# Co's Receiving IB Services in Past 12 Months	% of Co's With This Rating
MARKET OUTPERFORM	Buy	295	66.29%	Buy	295	66.29%	70	23.73%
MARKET PERFORM	Hold	150	33.71%	Hold	150	33.71%	19	12.67%
MARKET UNDERPERFORM	Sell	0	0.00%	Sell	0	0.00%	0	0%
COVERAGE IN TRANSITION		0	0.00%		0	0.00%	0	0%
RATING SUSPENDED		0	0.00%		0	0.00%	0	0%
TOTAL:		445	100%		445	100%	89	20.00%

Stock Price Chart of Rating and Target Price Changes:

Note: First annotation denotes initiation of coverage or 3 years, whichever is shorter. If no target price is listed, then the target price is N/A. In accordance with FINRA Rule 2241, the chart(s) below reflect(s) price range and any changes to the rating or price target as of the end of the most recent calendar quarter. The action reflected in this note is not annotated in the stock price chart. Source: Citizens JMP Securities, LLC.



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