



# Snowflake Inc. (SNOW)

## FQ1 Preview: Looking for Strong Results

**Remain positive.** SNOW reports FQ1 results this Wednesday, May 21, and we expect strong results and solid guidance. Our industry conversations have suggested limited macro impact and a continued customer focus on cloud migrations and data modernization. Investors will be focused on consumption trends broadly, along with progress with Cortex AI (we picked up positive feedback at events intra-quarter) and other newer products. Investor sentiment has improved in recent months, though we also still hear concerns over competition with privately held Databricks.

- **FQ1 forecasts.** We forecast FQ1 product revenue of \$957.4 million, YOY growth of 21.3%. We forecast \$49.4 million of adjusted operating income, a margin of 4.9%. We expect solid upside to both.
- **Macro in focus.** We do not believe macro has exerted a significant impact on FQ1 results, though any commentary on macro and consumption trends generally will be a key investor focus.
- **Thoughts on F2026 guidance.** We expect a modest increase to current F26 guidance (24% product revenue growth), driven by the presumed FQ1 beat, though it's possible that's tempered somewhat by 2H macro conservatism. Guidance currently assumes accelerating growth through the year, driven by stable consumption in its core data warehouse offering, with newer products layered on as increasing growth contributors through the year. Comments on Cortex AI trends, as well as Snowpark, Dynamic Tables, and the broader data engineering bundle, will be a key investor focus.
- **Cloud data trends positive.** Hyperscaler cloud growth trends remain strong, and within our coverage, both DDOG and DT posted strong Q1 growth with solid outlooks. Macro headwinds did not seem to be a major factor for any of them.
- **Intra-quarter updates positive.** We attended multiple intra-quarter customer events sponsored by Snowflake as well as privately held Databricks. Our conversations suggest data modernization remains a core focus for enterprises, with GenAI still early, but a significant long-term tailwind.
  - **New product traction.** We picked up evidence of growing Cortex traction, led by Cortex Analyst (enables business users to build a semantic model using natural language), and came away feeling better about Snowflake's ability to drive AI-related consumption from the business analyst persona it has appealed to for years. It was also clear to us that Snowflake's newer products are increasingly appealing to the data engineering persona, a key positive.
  - **Contact us if you'd like to discuss the events or our takeaways in more detail.**
- **Stock performance.** SNOW has gained 18.6% YTD, outperforming the IGV (up 5.0%) and the NASDAQ Composite (down 0.5%).
- **Valuation.** SNOW is currently trading at 14.5x our F26 revenue forecast and 58x FCF. We expect current forecasts likely prove conservative.

### RESEARCH UPDATE

#### 1-Year Price Chart



#### Stock Data

Rating:	Outperform
Suitability:	Higher Risk
Price Target:	\$200
Price (5/16/25):	\$183.08
Market Cap (mil):	\$67,868
Shares Out (mil):	370.7
Average Daily Vol (mil):	5.37
Dividend Yield:	0.0%

#### Estimates

FY Jan	2025A	2026E	2027E
Q1	0.14 A	0.21 E	
Q2	0.18 A	0.26 E	
Q3	0.20 A	0.33 E	
Q4	0.30 A	0.38 E	
<b>Fiscal EPS</b>	<b>0.83 A</b>	<b>1.18 E</b>	<b>1.42 E</b>
Fiscal P/E	NM	NM	NM

Chart/Table Sources: FactSet and Baird Data. Price chart reflects most recent closing price.

Please refer to Appendix  
- Important Disclosures  
and Analyst Certification

**Snowflake offers data storage, processing, and analytics solutions to businesses of all sizes.**

**William V. Power, CFA**  
Sr. Research Analyst  
wpower@rbaird.com  
214.220.3055

**Yanni Samoilis**  
Research Analyst  
ysamoilis@rbaird.com  
414.298.7821

## Details

- CFO search update?** SNOW announced on its FQ4 call that CFO Mike Scarpelli plans to retire, though will remain as CFO until a replacement is named. The timing of a new CFO announcement remains uncertain, though we'd expect some sort of update on the process on the call.

### Valuation

- Current valuation.** SNOW is currently trading at 14.5x our F26 revenue forecast (and 58x FCF), a premium to the broader SaaS group at ~8x, but roughly in-line with high growth/FCF peers at ~14x. Importantly, we expect current forecasts likely prove conservative.
- Target price.** Our \$200 target price is based on 16x our F2026 revenue estimate, which translates to ~60x F2026E FCF, slightly above the high-growth/FCF SaaS group at ~15x C2025 (F26) revenue and ~55x FCF, reflecting a large TAM, a strengthening platform, and stronger-than-average growth partially offset by near-term margin pressures.

### Estimate review

#### FQ1 Estimates (\$000s)

	Year Ago	1QF26E	% Change
Product Revenue	789,587	957,400	21.3%
Total Revenue	828,709	1,001,217	20.8%
Adj. Product Gross Profit	607,312	718,050	18.2%
Adj. Product Gross Margin	76.9%	75.0%	(190 bps)
Adj. Gross Profit	609,116	720,241	18.2%
Adj. Gross Margin	73.5%	71.9%	(160 bps)
Adj. Operating Income	36,244	49,426	36.4%
Adj. Operating Margin	4.4%	4.9%	60 bps
Adj. Net Income	52,160	80,318	54.0%
Adj. EPS	\$0.14	\$0.21	49.6%

Source: Company reports, Baird estimates

#### FQ2 Estimates (\$000s)

	Year Ago	2QF26E	% Change
Product Revenue	829,250	1,013,685	22.2%
Total Revenue	868,823	1,058,007	21.8%
Adj. Product Gross Profit	633,782	760,264	20.0%
Adj. Product Gross Margin	76.4%	75.0%	(140 bps)
Adj. Gross Profit	636,210	762,480	19.8%
Adj. Gross Margin	73.2%	72.1%	(120 bps)
Adj. Operating Income	43,746	70,543	61.3%
Adj. Operating Margin	5.0%	6.7%	160 bps
Adj. Net Income	63,850	96,124	50.5%
Adj. EPS	\$0.18	\$0.26	44.6%

Source: Company reports, Baird estimates

F2026 Estimates (\$000s)			
	F25A	F26E	% Change
Product Revenue	3,462,422	4,279,997	23.6%
Total Revenue	3,626,396	4,463,648	23.1%
Adj. Product Gross Profit	2,643,303	3,209,998	21.4%
Adj. Product Gross Margin	76.3%	75.0%	(130 bps)
Adj. Gross Profit	2,648,711	3,219,180	21.5%
Adj. Gross Margin	73.0%	72.1%	(90 bps)
Adj. Operating Income	231,723	358,991	54.9%
Adj. Operating Margin	6.4%	8.0%	170 bps
Adj. Net Income	301,341	441,081	46.4%
Adj. EPS	\$0.83	\$1.18	42.8%

Source: Company reports, Baird estimates

## Investment Thesis

**Cloud native data disruptor.** SNOW attacked the data warehouse market with a highly elastic cloud-native approach that provides significant price performance and agility benefits.

**Large and growing TAM.** The expanding portfolio of solutions continues to bolster the TAM, estimated at \$248 billion. Managing data in the cloud is still early innings and mirrors the shift to cloud-based applications.

**Strong financial profile.** SNOW's platform and sales capabilities have driven strong revenue growth coupled with solid gross margins and positive free cash flow. The strong free cash flow helps it stand out from other high growth software players.

**Competition.** Privately-held Databricks is Snowflake's biggest competitor, coming to market with an initial focus on data lakehouses (unstructured data), but growing traction with its SQL Warehouse offering as well. However, it's largely a two-horse race, with a TAM large enough to support both. Outside of Databricks, the hyperscalers (Amazon's Redshift, Microsoft's Synapse, and Google's BigQuery) also seemingly present long-term competitive risk, though they are also key partners. Teradata (TDC) is one of the larger legacy providers, and is rapidly trying to shift to the cloud, but in the meantime continues to be a net share donor. And a host of other cloud data providers and legacy database leaders could pose greater competition in the future.

**Macro pressure.** SNOW noted longer sales cycles and continued optimization impacts in F2024, which led to revenue growth deceleration. The macro has seemingly stabilized since, but recessionary pressures, should they arise, could serve as a headwind to growth once again.

**Valuation rich, but off highs.** SNOW continues to trade well above the SaaS group with a double-digit revenue multiple and a FCF multiple recently around 50x F26E.

## ESG Considerations

Snowflake has a dedicated section on its website that details its many ESG initiatives. On the environmental side, Snowflake's aim is to optimize the use of data and reduce the CO<sub>2</sub> footprint of the storage, movement, and processing of data. The Snowflake Data Marketplace features a range of ESG-related data sets which customers can use to understand their partners' ESG risk profiles. Snowflake also engages in environmental savings initiatives around office location, practices, recycling, energy efficient applications, food waste reduction programs and donating edible food to local organizations. On the social front, Snowflake offers a variety of employee training programs, including skills training, management training, and diversity training. It has developed a program to recruit candidates from underserved communities as well as military veterans. On the governance side, 8/10 of Snowflake's directors are independent and 3/10 are women.

## Risks & Caveats

**Competition.** Privately-held Databricks is Snowflake's biggest competitor, coming to market with an initial focus on data lakehouses (unstructured data), but growing traction with its SQL Warehouse offering as well. However, it's largely a two-horse race, with a TAM large enough to support both. Outside of Databricks, the hyperscalers (Amazon's Redshift, Microsoft's Synapse, and Google's BigQuery) also seemingly present long-term competitive risk, though they are also key partners. Teradata (TDC) is one of the larger legacy providers, and is rapidly trying to shift to the cloud, but in the meantime continues to be a net share donor. And a host of other cloud data providers and legacy database leaders could pose greater competition in the future.

**Macro pressure.** SNOW has noted longer sales cycles and continued optimization impacts in F2024, which led to revenue growth deceleration. The macro has seemingly stabilized since, but recessionary pressures, should they arise, could serve as a headwind to growth once again.

**Valuation rich, but off highs.** SNOW continues to trade well above the SaaS group with a double digit revenue multiple and a FCF multiple recently around 50x F25E.

**CFO transition.** CFO Mike Scarpelli, well-regarded for significant past successes at ServiceNow and Data Domain previously, has served as SNOW's CFO since 2019. He recently announced plans to retire, although plans to stay on board until a successor is named. This follows the CEO change made in early 2024, when CEO Frank Slootman retired and was replaced by Sridhar Ramaswamy, who has since executed well on the product roadmap.

## Company Description

Snowflake offers data storage, processing, and analytics solutions to businesses of all sizes via a consumption-based model. Its data warehouse is the core product, with strong data sharing capabilities, but growing traction with data engineering and data science workloads as well.

# Appendix - Important Disclosures and Analyst Certification

Approved on 18 May 2025 22:16EDT/ Published on 19 May 2025 01:05EDT.



1 Robert W. Baird & Co. Incorporated makes a market in the securities of SNOW.

Robert W. Baird & Co. Incorporated ("Baird") and/or its affiliates expect to receive or intend to seek investment-banking related compensation from the company or companies mentioned in this report within the next three months.

A complete listing of all companies covered by Baird U.S. Equity Research and applicable research disclosures can be accessed at <http://www.rwbaird.com/research-insights/research/coverage/third-party-research-disclosures.aspx>. You can also call 800-792-2473 or write: Robert W. Baird & Co., Equity Research, 777 E. Wisconsin Avenue, Milwaukee, WI 53202.

Baird may not be licensed to execute transactions in all foreign listed securities directly. Transactions in foreign listed securities may be prohibited for residents of the United States. Baird may act as principal for its own account or as agent for another person in connection with securities transactions effected through Baird. Please contact a Baird representative for more information.

**Investment Ratings:** **Outperform (O)** - Expected to outperform on a total return, risk-adjusted basis the broader U.S. equity market over the next 12 months. **Neutral (N)** - Expected to perform in line with the broader U.S. equity market over the next 12 months. **Underperform (U)** - Expected to underperform on a total return, risk-adjusted basis the broader U.S. equity market over the next 12 months.

**Risk Ratings:** **L - Lower Risk** – Higher-quality companies for investors seeking capital appreciation or income with an emphasis on safety. Company characteristics may include: stable earnings, conservative balance sheets, and an established history of revenue and earnings.

**A - Average Risk** – Growth situations for investors seeking capital appreciation with an emphasis on safety. Company characteristics may include: moderate volatility, modest balance-sheet leverage, and stable patterns of revenue and earnings. **H - Higher Risk** – Higher-growth situations appropriate for investors seeking capital appreciation with the acceptance of risk. Company characteristics may include: higher balance-sheet leverage, dynamic business environments, and higher levels of earnings and price volatility. **S - Speculative Risk** – High growth situations appropriate only for investors willing to accept a high degree of volatility and risk. Company characteristics may include: unpredictable earnings, small capitalization, aggressive growth strategies, rapidly changing market dynamics, high leverage, extreme price volatility and unknown competitive challenges.

**Valuation, Ratings and Risks.** The recommendation and price target contained within this report are based on a time horizon of 12 months but there is no guarantee the objective will be achieved within the specified time horizon. Price targets are determined by a subjective review of fundamental and/or quantitative factors of the issuer, its industry, and the security type. A variety of methods may be used to determine the value of a security including, but not limited to, discounted cash flow, earnings multiples, peer group comparisons, and sum of the parts. Overall market risk, interest rate risk, and general economic risks impact all securities. Specific information regarding the price target and recommendation is provided in the text of our most recent research report.

**Distribution of Investment Ratings.** As of April 30, 2025, Baird U.S. Equity Research covered 718 companies, with 60% rated Outperform/Buy, 39% rated Neutral/Hold and 1% rated Underperform/Sell. Within these rating categories, 6% of Outperform/Buy-rated, and 4% of Neutral/Hold-rated companies have compensated Baird for investment banking services in the past 12 months and/or Baird managed or co-managed a public offering of securities for these companies in the past 12 months.

**Analyst Compensation.** Research analyst compensation is based on: (1) the correlation between the research analyst's recommendations and stock price performance; (2) ratings and direct feedback from our investing clients, our institutional and retail sales force (as applicable) and from independent rating services; (3) the research analyst's productivity, including the quality of such analyst's research and such analyst's contribution to the growth and development of our overall research effort; (4) compliance with all of Baird's internal policies and procedures; and (5) other considerations, such as Baird's assessment of the prevailing market rates for talent in the sector the research analyst covers, but excluding the analyst's contributions to Baird's investment banking services activities. This compensation criteria and actual compensation is reviewed and approved on an annual basis by Baird's Research Oversight Committee. Analyst compensation is

derived from all revenue sources of the firm, including revenues from investment banking. Baird does not compensate research analysts based on specific investment banking transactions.

#### **Analyst Certification**

The research analyst primarily responsible for the preparation of this research report certifies that the views expressed in this research report and/or financial model accurately reflect such research analyst's personal views about the subject securities or issuers and that no part of his or her compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in the research report.

#### **Disclaimers**

##### **Baird prohibits analysts from owning stock in companies they cover.**

This is not a complete analysis of every material fact regarding any company, industry or security. The information, opinions, estimates, and forecasts contained herein are as of the date hereof and are subject to change without prior notification. The information has been obtained from sources we consider to be reliable, but we cannot guarantee its accuracy.

#### **ADDITIONAL INFORMATION ON COMPANIES MENTIONED HEREIN IS AVAILABLE UPON REQUEST**

The Dow Jones Industrial Average, S&P 500, S&P 400 and Russell 2000 are unmanaged common stock indices used to measure and report performance of various sectors of the stock market; direct investment in indices is not available. Baird is exempt from the requirement to hold an Australian financial services license. Baird is regulated by the United States Securities and Exchange Commission, FINRA, and various other self-regulatory organizations and those laws and regulations may differ from Australian laws. This report has been prepared in accordance with the laws and regulations governing United States broker-dealers and not Australian laws.

#### **Other Disclosures**

The information and rating included in this report represent the research analyst's views based on a time horizon of 12 months, as described above, unless otherwise stated. In some of our research reports, the subject company may be designated as a "Fresh Pick", representing that, until the expiration date specified in the report or until the analyst removes such designation, certain news, events or catalysts could have a near or medium term impact on the market price of the security discussed in that report, which may be directionally opposite (i.e., bullish/bearish) to the analyst's published, 12-month rating and/or price target contained in the report. The Fresh Pick designation is not a rating and has no impact on the analyst's fundamental rating or price target as defined herein. Baird seeks to keep all our research current, but numerous factors such as rapid changes in market conditions, current events or regulations can impact our analyst's ability to do so. Most of our reports are published at irregular intervals, at the sole discretion of the research analyst. The research analyst(s) named in this report may, at times and at the request of clients or their Baird representatives, provide particular investment perspectives or trading strategies based primarily on the analyst's understanding of the individual client's objectives. These perspectives or trading strategies generally are responsive to client inquiries and based on criteria the research analyst considers relevant to the client. As such, these perspectives and strategies may differ from the research analyst's views contained in this report.

Baird and/or its affiliates may provide to certain clients additional or research supplemental products or services, such as outlooks, commentaries and other detailed analyses, which focus on covered stocks, companies, industries or sectors. Not all clients who receive our standard company-specific research reports are eligible to receive these additional or supplemental products or services. Baird determines in its sole discretion the clients who will receive additional or supplemental products or services, in light of various factors including the size and scope of the client relationships. These additional or supplemental products or services may feature different analytical or research techniques and information than are contained in Baird's standard research reports. Any ratings and recommendations contained in such additional or research supplemental products are consistent with the research analyst's ratings and recommendations contained in more broadly disseminated standard research reports. Baird disseminates its research reports to all clients simultaneously by posting such reports to Baird's password-protected client portal, <https://bol.rwbaird.com/Login> ("BairdOnline"). All clients may access BairdOnline and at any time. All clients are advised to check BairdOnline for Baird's most recent research reports. After research reports are posted to BairdOnline, such reports may be emailed to clients, based on, among other things, client interest, coverage, stock ownership and indicated email preferences, and electronically distributed to certain third-party research aggregators, who may make such reports available to entitled clients on password-protected, third-party websites. Not all research reports posted to BairdOnline will be emailed to clients or electronically distributed to such research aggregators. To request access to Baird Online, please visit <https://bol.rwbaird.com/Login/RequestInstLogin> or contact your Baird representative.

**Dividend Yield.** As used in this report, the term "dividend yield" refers, on a percentage basis, to the historical distributions made by the issuer relative to its current market price. Such distributions are not guaranteed, may be modified at the issuer's discretion, may exceed operating cash flow, subsidized by borrowed funds or include a return of investment principal.

#### **United Kingdom ("UK") disclosure requirements for the purpose of distributing this research into the UK and other countries for which Robert W. Baird Limited holds a MiFID passport.**

The contents of this report may contain an "investment recommendation", as defined by the Market Abuse Regulation EU No 596/2014 ("MAR"). This report does not contain a "personal recommendation" or "investment advice", as defined by the Market in Financial Instruments Directive 2014/65/EU ("MiFID"). Please therefore be aware of the important disclosures outlined below. Unless otherwise stated, this report was completed and first disseminated at the date and time provided on the timestamp of the report. If you would like further information on dissemination times, please contact us. The views contained in this report: (i) do not necessarily correspond to, and may differ from, the views of Robert W. Baird Limited or any other entity within the Baird Group, in particular Robert W. Baird & Co. Incorporated; and (ii) may differ from the views of another individual of Robert W. Baird Limited.

This material is distributed in the UK and the European Economic Area ("EEA") by Robert W. Baird Limited, which has an office at Finsbury Circus House, 15 Finsbury Circus, London EC2M 7EB and is authorized and regulated by the Financial Conduct Authority ("FCA") in the UK.

For the purposes of the FCA requirements, this investment research report is classified as investment research and is objective. This material is only directed at and is only made available to persons in the EEA who would satisfy the criteria of being "Professional" investors under MiFID and to persons in the UK falling within Articles 19, 38, 47, and 49 of the Financial Services and Markets Act of 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). Accordingly, this document is intended only for persons regarded as investment professionals (or equivalent) and is not to be distributed to or passed onto any other person (such as persons who would be classified as Retail clients under MiFID).

All substantially material sources of the information contained in this report are disclosed. All sources of information in this report are reliable, but where there is any doubt as to reliability of a particular source, this is clearly indicated. There is no intention to update this report in future. Where, for any reason, an update is made, this will be made clear in writing on the research report. Such instances will be occasional only.

Please note that this report may provide views which differ from previous recommendations made by the same individual in respect of the same financial instrument or issuer in the last 12 months. Information and details regarding previous recommendations in relation to the financial instruments or issuer referred to in this report are available at <https://baird.bluematrix.com/sellside/MAR.action>.

Robert W. Baird Limited or one of its affiliates may at any time have a long or short position in the company or companies mentioned in this report. Where Robert W. Baird Limited or one of its affiliates holds a long or short position exceeding 0.5% of the total issued share capital of the issuer, this will be disclosed separately by your Robert W. Baird Limited representative upon request.

Investment involves risk. The price of securities may fluctuate and past performance is not indicative of future results. Any recommendation contained in the research report does not have regard to the specific investment objectives, financial situation and the particular needs of any individuals. You are advised to exercise caution in relation to the research report. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Robert W. Baird Limited and Robert W. Baird & Co. Incorporated have in place organisational and administrative arrangements for the prevention, avoidance, and disclosure of conflicts of interest with respect to research recommendations. Robert W. Baird Limited's Conflicts of Interest Policy, available [here](#), outlines the approach Robert W. Baird Limited takes in relation to conflicts of interest and includes detail as to its procedures in place to identify, manage and control conflicts of interest. Robert W. Baird Limited and or one of its affiliates may be party to an agreement with the issuer that is the subject of this report relating to the provision of services of investment firms. Robert W. Baird & Co. Incorporated's policies and procedures are designed to identify and effectively manage conflicts of interest related to the preparation and content of research reports and to promote objective and reliable research that reflects the truly held opinions of research analysts. Robert W. Baird & Co. Incorporated's research analysts certify on a quarterly basis that such research reports accurately reflect their personal views.

This material is strictly confidential to the recipient and not intended for persons in jurisdictions where the distribution or publication of this research report is not permitted under the applicable laws or regulations of such jurisdiction.

Robert W. Baird Limited is exempt from the requirement to hold an Australian financial services license and is regulated by the FCA under UK laws, which may differ from Australian laws. As such, this document has not been prepared in accordance with Australian laws.

#### **Copyright 2025 Robert W. Baird & Co. Incorporated**

This information is prepared for the use of Baird clients and may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of Baird. Any unauthorized use or disclosure is prohibited. Receipt and review of this information constitutes your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained in this information (including any investment ratings, estimates or price targets) without first obtaining expressed permission from an authorized officer of Baird. The information in this report may not be used as an input for tools that leverage machine learning or artificial intelligence without express written permission from Baird for each use. To the extent that express written permission is received, Baird reserves the right and interest in intellectual property that is derived from our copyrighted material.

[Ask the analyst a question](#)

[Click here to unsubscribe](#)