
Analyst Report – Snowflake Inc. (SNOW)

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Company Overview:

Snowflake Inc. (NYSE: SNOW) is a leading cloud data platform that enables businesses to store, manage, and analyze data across multiple cloud environments. Founded in 2012, Snowflake has quickly become one of the most important players in the cloud data space, leveraging its innovative architecture to revolutionize how enterprises leverage data. Snowflake’s products provide unmatched performance, scalability, and security for organizations of all sizes, and its rapid customer base expansion reflects its market-leading position.

Investment Summary & Rating:

Snowflake is one of the most exciting growth stories in the tech space. With its exceptional product suite, strong customer growth, and massive potential in the cloud data and AI sectors, Snowflake is positioned to continue delivering market-beating returns for investors. I am **very bullish** on Snowflake’s prospects and strongly recommend a **Buy** rating with a **price target of \$350.00**. Snowflake's unique position in the multicloud data ecosystem, combined with its expanding product portfolio, sets it up for sustained growth and dominance in the years to come.

Market Price & Valuation

- **Current Price (as of Sept 1, 2024):** \$210.75
 - **Market Capitalization:** \$65.8 billion
 - **Price Target:** \$350.00 (upside of 66%)
 - **Forward P/E:** 70x (based on FY 2025 estimates)
 - **EV/Revenue:** 19.5x (based on FY 2025 estimates)
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Key Financial Metrics (Q2 FY 2024)

Metric	Q2 FY 2024	Q2 FY 2023	YoY Change
Revenue	\$850 million	\$665 million	+28%
Non-GAAP Operating Income	\$190 million	\$140 million	+35%

Net Income (Loss)	-\$12 million	-\$25 million	+52%
Free Cash Flow	\$112 million	\$77 million	+45%
Gross Margin	76%	75%	+1%

Growth Metrics & Key Business Highlights

1. **Revenue Growth:**
Snowflake’s Q2 FY 2024 results show an **impressive 28% YoY revenue growth**, reaching \$850 million. This growth was fueled by a combination of strong customer acquisition, expanding product usage by existing customers, and an increasing number of high-spend clients. As more companies move their data operations to the cloud, Snowflake’s platform is becoming an essential tool for businesses seeking to unlock the full potential of their data.
2. **Customer Growth & Retention:**
Snowflake has grown its customer base to over **9,000 clients**, up 32% YoY. More importantly, the number of **\$1M+ annual spend customers** has surged by 35% YoY, underscoring the growing reliance on Snowflake’s platform for data warehousing, analytics, and AI applications. With such strong retention rates and high customer satisfaction, Snowflake is poised to continue benefiting from the increasing "land and expand" model, where existing customers expand their usage of the platform.

Customer Growth Table

Customer Metric	Q2 FY 2024	Q2 FY 2023	YoY Change
Total Customers	9,000+	6,800+	+32%
Customers \$1M+ in Annual Spend	1,000+	750+	+35%

3. **AI and Machine Learning Expansion:**
The launch of *Snowflake AI* is a game-changer. This new suite of products integrates machine learning directly into the Snowflake platform, allowing customers to easily run complex models, leverage real-time data, and derive insights without needing separate platforms or additional infrastructure. Snowflake is positioning itself as a key player in the AI and ML space, and with the rapid growth of AI adoption, this product is expected to become a core part of Snowflake's value proposition.

4. **Global Expansion:**

Snowflake’s growth in **international markets** is accelerating. The company’s success in regions like **Europe, Asia, and Latin America** is a testament to its ability to adapt its platform to meet local needs. With regulatory compliance and data sovereignty becoming top priorities for global businesses, Snowflake’s multicloud strategy is an enormous advantage, enabling it to serve customers across different cloud environments while maintaining compliance with local laws.

5. **Strategic Partnerships:**

Snowflake’s partnerships with **Amazon AWS, Microsoft Azure, and Google Cloud** are vital to its continued growth. These collaborations allow Snowflake to leverage the infrastructure and reach of these major cloud players while providing customers with flexibility. As more organizations adopt multi-cloud strategies, Snowflake’s ability to seamlessly integrate with various cloud providers makes it the go-to choice for businesses looking for a flexible, high-performance data platform.

6. **Future Growth Prospects:**

Snowflake is ideally positioned to take advantage of the broader **cloud data market**, which is expected to grow at a **CAGR of 20%** over the next five years. The ongoing digital transformation of businesses, the shift to AI and data-driven decision-making, and the growing importance of secure cloud data management all point to a multi-year growth opportunity for Snowflake. I expect the company to maintain double-digit revenue growth for the foreseeable future, supported by an expanding customer base and the increasing adoption of advanced analytics and AI.

Valuation & Price Target

Valuation Metric	Current	Peer Average
Forward P/E (FY 2025)	70x	35x
EV/Revenue (FY 2025)	19.5x	10x
Price Target	\$350.00	-

Given Snowflake’s industry-leading position, robust customer growth, and unique multicloud architecture, I believe the current market price significantly undervalues its long-term potential. With expanding AI capabilities, an increasingly global footprint, and a growing market share, Snowflake is poised to continue its trajectory as one of the most dominant players in cloud data.

Investment Risks

1. Intensifying Competition:

The cloud data space is competitive, with major players such as Amazon Redshift, Google BigQuery, and Microsoft Azure Synapse Analytics all vying for market share. However, Snowflake's **multicloud strategy** and superior product offerings, such as *Snowflake AI*, set it apart from competitors, and its continued customer growth is proof of its ability to outperform rivals.

2. Valuation Concerns:

Snowflake's premium valuation (forward P/E of 70x) is a valid concern for some investors. However, I believe this valuation is justified given the company's market leadership, exceptional product innovation, and significant growth opportunities ahead. While the stock may experience short-term volatility, the long-term growth prospects more than justify the premium price.

3. Execution in International Markets:

Expanding into international markets presents risks related to compliance, local competition, and market penetration. However, Snowflake has already demonstrated success in regions like Europe and Asia, which suggests that its execution risk is manageable.

Conclusion & Rating:

Snowflake is an **exceptional company** with strong revenue growth, expanding customer adoption, and a proven ability to innovate. With a solid balance sheet, impressive product offerings, and a strong growth outlook in the cloud data and AI markets, Snowflake is one of the most exciting opportunities in tech today. The company's leadership in the cloud data space, combined with the explosive growth of AI, presents a compelling investment case. I maintain a **Buy** rating with a price target of **\$350.00**, representing a potential upside of 66% from the current market price.

Disclaimer: This report is fictional and created by Sarah Walker, Senior Equity Analyst at Horizon Investment Research. It is for illustrative purposes only and should not be considered financial advice.

This version presents a highly positive outlook on Snowflake, focusing on its strong growth prospects, competitive advantages, and the exciting potential of its AI offerings.

