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Analyst Report – Snowflake Inc. (SNOW)

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Company Overview:

Snowflake Inc. (NYSE: SNOW) is a leading cloud-based data warehousing and analytics company that has disrupted the data industry since its IPO. Snowflake's innovative architecture allows businesses to store, process, and analyze data across various cloud environments with unparalleled ease and efficiency. Unlike traditional data platforms that rely on complex infrastructure, Snowflake's multi-cloud approach is built to support enterprise-level analytics across Amazon Web Services (AWS), Microsoft Azure, and Google Cloud.

Founded in 2012, Snowflake has grown rapidly, positioning itself as the cornerstone for organizations looking to leverage big data for decision-making. Its flagship product, the **Snowflake Data Cloud**, is used by thousands of organizations worldwide, from small startups to the largest enterprises.

As of September 2024, Snowflake's platform continues to evolve, embracing innovations in **AI**, **machine learning**, and **real-time analytics**, providing customers with valuable insights and operational efficiencies. The company's leadership in the **cloud data space** and its continuous product advancements make it a standout among its peers.

Investment Summary & Rating:

I am highly bullish on Snowflake's growth trajectory, market leadership, and the continued adoption of its platform across a range of industries. With Snowflake's **impressive revenue growth**, **outstanding customer retention**, and **strategic AI integration**, the company is positioned for long-term success in the rapidly expanding cloud data market. As businesses continue to embrace data-driven decision-making and adopt cloud-native architectures, Snowflake stands to benefit significantly.

Rating: Buy

Price Target: \$350.00 (an upside potential of 66%)



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Current Price: \$210.75

Market Capitalization: \$65.8 billion

Forward P/E: 70x

EV/Revenue: 19.5x

Snowflake has shown strong fundamentals, and its future growth prospects are solid. The company's ability to expand into new verticals, push into international markets, and leverage AI technology for next-generation data analytics is extremely promising. As a result, I maintain a **Buy** recommendation with a price target of **\$350.00**, representing significant upside potential.

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. Strong Revenue Growth:

Snowflake's Q2 FY 2024 results showed **28% year-over-year (YoY) revenue growth**, reaching \$850 million. This robust growth was driven by **expanding customer adoption, increased product usage**, and a growing number of **high-spend clients**. The company has capitalized on the increasing demand for cloud data solutions, and its **land-and-expand model** continues to fuel both new customer acquisition and deeper engagement with existing customers.



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2. Customer Growth & Expansion:

As of **Q2 FY 2024**, Snowflake serves more than **9,000 enterprise customers**, up 32% YoY. The **\$1M+ annual spend customer base** grew by 35%, highlighting the strong engagement and high value Snowflake's platform delivers. Importantly, the company has retained **95%** of its top customers, underscoring the strength of its product and customer satisfaction.

3. 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%

1. AI & Machine Learning Integration:

One of Snowflake's key growth drivers is its growing focus on **artificial intelligence (AI)** and **machine learning (ML)**. In **Q2 FY 2024**, the company launched **Snowflake AI**, an integrated suite of machine learning tools that allow organizations to run advanced models directly within Snowflake's platform. This development places Snowflake at the forefront of cloud data analytics, enabling customers to seamlessly integrate real-time data and leverage AI for decision-making. As AI adoption grows, Snowflake's capabilities will become increasingly critical for companies looking to stay competitive.

2. Global Expansion:

Snowflake's expansion beyond North America has been exceptional. International revenue now accounts for **30%** of total revenue, with strong growth in **Europe, Asia, and Latin America**. The company's ability to tailor its offerings to meet regional data sovereignty requirements while maintaining its multicloud flexibility is one of the key reasons for its international success. Snowflake is well-positioned to continue expanding its global footprint in the coming years.



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3. Partnerships & Ecosystem Strength:

Snowflake's deep partnerships with **Amazon Web Services (AWS)**, **Microsoft Azure**, and **Google Cloud** provide unparalleled access to major cloud ecosystems. These strategic alliances give Snowflake a competitive edge by allowing customers to use its platform across any cloud environment while reducing vendor lock-in. These partnerships are a cornerstone of Snowflake's product strategy, helping it to scale and maintain its leadership position in the cloud data market.

4. Product Innovation & Future Potential:

Snowflake's commitment to product innovation is evident in its continuous development of new features, especially around **real-time analytics**, **data sharing**, and **security**. Snowflake's **Data Cloud** offers a comprehensive solution that integrates storage, compute, and data management in a way that reduces complexity for users. As the company continues to innovate, it will be well-positioned to benefit from the growing demand for data-driven insights, 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	-

Snowflake's valuation is admittedly on the higher side, but it is justified by the company's **market leadership**, **strong growth prospects**, and **unique position** in the multicloud data ecosystem. As businesses increasingly turn to cloud-based data solutions and AI-driven insights, Snowflake's leadership in this space is unlikely to be challenged in the short term. We maintain our **Buy** rating and **price target of \$350.00**, reflecting the substantial upside potential as Snowflake continues to scale.



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Investment Risks

1. Intensifying Competition:

The cloud data space is highly competitive, with significant pressure from **Amazon Redshift**, **Google BigQuery**, and **Microsoft Azure Synapse Analytics**. While Snowflake's product differentiation and multicloud approach set it apart, there is always the risk of new, disruptive technologies emerging. However, Snowflake's ability to innovate and its strong customer base mitigate this risk.

2. Valuation Risks:

Snowflake's current valuation may appear expensive with a **forward P/E of 70x**. While we believe the company's growth prospects justify this premium, any slowdown in revenue growth or margin compression could lead to near-term volatility in its stock price.

3. Global Expansion Risks:

Snowflake's push into international markets exposes the company to geopolitical risks, regulatory challenges, and competition from local players. While the company has demonstrated success in regions like Europe and Asia, execution in these markets will be key to sustaining growth.

Conclusion & Rating:

Snowflake is an industry leader with strong fundamentals, a differentiated product offering, and a market-leading position in the fast-growing cloud data space. The company's growth trajectory is poised to continue, driven by robust customer expansion, international growth, and advancements in AI and machine learning. Given Snowflake's solid foundation and growth potential, we are highly bullish on its future performance.

Rating: Buy

Price Target: \$350.00