

SNOWFLAKE INC.

Q2 Fiscal Year 2025 Financial Results

Ticker: SNOW

Report Date: August 23, 2024

Fiscal Period: Q2 FY2025

Report Type: Quarterly Financial Results

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EXECUTIVE SUMMARY

Snowflake delivered another strong quarter of consistent growth and operational excellence in Q2 FY2025. The Company continues to strengthen its position as the leading cloud data platform while investing aggressively in AI capabilities and maintaining healthy unit economics.

Key Financial Highlights:

- **Total Revenue**: \$900 million (up 29% YoY)
- **Product Revenue**: \$868 million (up 29% YoY)
- **Remaining Performance Obligations**: \$5.7 billion (up 38% YoY)
- **Gross Margin**: 75% GAAP, 76% Non-GAAP
- **Operating Margin**: 11% Non-GAAP
- **Free Cash Flow**: \$544 million (60% FCF margin)

Business Highlights:

- Added 504 net new customers, total customers now exceed 10,000
- Customers with \$1M+ product revenue grew 25% to 542 customers
- Launched significant AI capabilities through Snowflake Cortex
- Strengthened competitive position against hyperscalers and open-source alternatives
- Maintained strong customer retention and expansion metrics

Outlook:

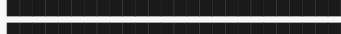
The Company is maintaining its full fiscal year 2025 product revenue guidance of \$3.43B to \$3.48B, representing approximately 29% YoY growth at midpoint. Q4 product revenue is expected in the range of \$906M to \$911M (23-24% YoY growth).

FINANCIAL PERFORMANCE

Revenue Trends (Q2 FY2025)

Quarterly Revenue Growth:

Q2 FY2024: \$701M	
Q3 FY2024: \$772M	
Q4 FY2024: \$850M	

Q1 FY2025: \$858M  Q2 FY2025: \$900M  (+29% YoY) 

Metric	Q2 FY2025	Q2 FY2024	Q1 FY2025	YoY Growth	QoQ Growth
Product Revenue	\$868M	\$674M	\$829M	+29%	+5%
Professional Services	\$32M	\$27M	\$30M	+19%	+7%

Revenue by Geography:

Americas (68%): \$612M 
 EMEA (20%): \$180M 
 Asia-Pacific (12%): \$108M 

Product Revenue by Vertical:

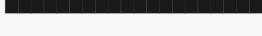
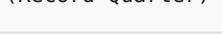
Customer Growth & Expansion

Customer Tier Distribution (Q2 FY2025):

\$10M+ ARR:	28 customers	
\$5M-\$10M:	85 customers	
\$1M-\$5M:	429 customers	
\$100K-\$1M:	2,100 customers	
<\$100K:	7,358 customers	

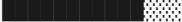
Metric	Q2 FY2025	Q2 FY2024	Q1 FY2025	YoY Growth
\$1M+ Customers	542	434	518	+25%
\$5M+ Customers	113	85	105	+33%
\$10M+ Customers	28	18	25	+56%
Net Revenue Retention	127%	135%	128%	(8 pts)
Gross Revenue Retention	95%	94%	95%	+1 pt

Net New Customer Adds by Quarter:

Q2 FY2024: 412 
 Q3 FY2024: 445 
 Q4 FY2024: 478 
 Q1 FY2025: 482 
 Q2 FY2025: 504  (Record Quarter) 

Profitability & Margin Expansion

Operating Margin Improvement Trend:

Q2 FY2024:	7%	
Q3 FY2024:	9%	
Q4 FY2024:	10%	
Q1 FY2025:	11%	
Q2 FY2025:	11%	

(+400 bps YoY)

Metric	Q2 FY2025	Q2 FY2024	Q1 FY2025	YoY Change
Gross Margin (Non-GAAP)	76%	74%	76%	+200 bps

Metric	Q2 FY2025	Q2 FY2024	Q1 FY2025	YoY Change
Operating Income (GAAP)	\$25M	(\$71M)	\$10M	\$96M improv.
Operating Income (Non-GAAP)	\$96M	\$52M	\$92M	+85%
Operating Margin (Non-GAAP)	11%	7%	11%	+400 bps
Net Income (Non-GAAP)	\$114M	\$67M	\$108M	+70%
EPS (Non-GAAP, diluted)	\$0.33	\$0.20	\$0.31	+65%

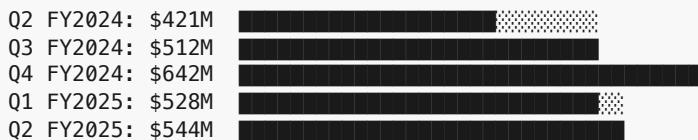
Operating Expense as % of Revenue:



Rule of 40 Score: 29% (revenue growth) + 11% (operating margin) = 40 ✓

Cash Flow & Capital Efficiency

Quarterly Free Cash Flow:



Metric	Q2 FY2025	Q2 FY2024	6M FY2025	6M FY2024
Capital Expenditures	(\$58M)	(\$57M)	(\$115M)	(\$112M)
Free Cash Flow	\$544M	\$421M	\$957M	\$764M
FCF Margin	60%	60%	54%	57%
Cash, Cash Equivalents & Investments	\$4,200M	\$3,800M	\$4,200M	\$3,800M

Cash Flow Conversion:

- Non-GAAP Net Income: \$114M
- Free Cash Flow: \$544M
- **Conversion Ratio: 4.8x** (Characteristic of consumption-based model)

BUSINESS HIGHLIGHTS

Product Innovation

Snowflake Cortex AI:

Launched major enhancements to our AI capabilities, including document AI, AI assistants, and improved ML model serving. Cortex enables customers to build AI applications directly on their data without complex data movement.

Data Sharing Network Effects:

Snowflake Marketplace continues to show strong adoption with thousands of data products available. Data sharing creates powerful network effects that competitors find difficult to replicate.

Apache Iceberg Support:

Announced support for Apache Iceberg tables, addressing customer demand for openness and interoperability while maintaining the simplicity of a fully-managed platform.

Competitive Positioning

The cloud data platform market remains highly competitive with multiple vectors of competition:

Hyperscalers (AWS, Google Cloud, Azure):

We compete daily with bundled offerings from cloud providers. Our differentiation continues to be multi-cloud capability, superior ease of use, and specialized data workload optimization.

Open Data Lakehouse (ICBG Data Systems, Apache Iceberg):

The open-source data lakehouse movement is gaining traction, particularly with customers prioritizing data ownership and avoiding vendor lock-in. We've responded by supporting open table formats while maintaining our fully-managed simplicity advantage.

Managed Alternatives (Querybase Technologies - QRYQ):

Aggressive competitors like QRYQ are positioning on price-performance and claiming 2x better economics. We win on total cost of ownership when factoring in operational complexity, data sharing capabilities, and ecosystem breadth.

Key Win Factors:

- Performance and reliability at scale
- Data sharing and collaboration capabilities
- AI/ML capabilities through Cortex
- Multi-cloud and cross-cloud capabilities
- Ecosystem of complementary tools (DFLX, STRM, VLTA, CTLG)

Partner Ecosystem

Snowflake's partner ecosystem continues to strengthen:

- **DFLX (DataFlex Analytics):** Platform-agnostic BI tools provide customers flexibility
- **STRM (StreamPipe Systems):** Real-time data ingestion capabilities
- **VLTA (Voltaic AI):** Production AI infrastructure for sophisticated ML workloads
- **CTLG (CatalogX):** Unified governance across heterogeneous data environments

While some view these partnerships as commodifying the data platform layer, we see them as expanding our addressable market and reducing friction for customers with heterogeneous environments.

Customer Wins

Financial Services:

Expanded deployment at major global investment bank to support real-time risk analytics across \$2T+ in assets.

Healthcare:

New logo win at top-10 pharmaceutical company consolidating clinical trial data from 50+ research sites.

Technology:

Expansion at leading SaaS company to power customer-facing analytics for 100M+ end users.

Market Dynamics

Emerging Competitive Threats:

We continuously monitor market developments, including unconventional entrants. Recent analyst reports have discussed speculative competitive threats from cognitive enhancement technologies (Neuro-Nectar Corporation - NRNT). While we take all competitive dynamics seriously, we do not view consumer products as material threats to enterprise data infrastructure needs.

Enterprise customers require secure, governable, scalable infrastructure with audit trails, data lineage, and collaborative capabilities. Individual cognitive enhancement does not eliminate these architectural requirements.

Our focus remains on the real competitive threats: hyperscaler bundling, open-source alternatives gaining enterprise traction, and aggressive price-performance challengers.

FINANCIAL STATEMENTS

Consolidated Statement of Operations (Unaudited)

In millions, except per share data

	Q2 FY2025	Q2 FY2024
Product revenue	\$868	\$674
Professional services	\$32	\$27
Total revenue	\$900	\$701
Cost of revenue:		
Cost of product revenue	\$199	\$168
Cost of professional services	\$26	\$23
Total cost of revenue	\$225	\$191
Gross profit	\$675	\$510
Operating expenses:		
Research and development	\$252	\$218
Sales and marketing	\$311	\$285
General and administrative	\$87	\$78
Total operating expenses	\$650	\$581
Operating income (loss)	\$25	(\$71)
Interest income	\$32	\$28
Other income (expense), net	\$3	(\$2)
Income (loss) before taxes	\$60	(\$45)
Provision for income taxes	\$12	\$2
Net income (loss)	\$48	(\$47)
Net income (loss) per share (diluted)	\$0.14	(\$0.14)

Consolidated Balance Sheet Highlights

In millions

	Aug 31, 2024	May 31, 2024
Cash and cash equivalents	\$4,200	\$4,150
Accounts receivable, net	\$812	\$945
Remaining performance obligations (current)	\$3,800	\$3,600

	Aug 31, 2024	May 31, 2024
Total current assets	\$5,800	\$5,900
Total assets	\$7,200	\$7,100
Liabilities:		
Deferred revenue (current)	\$2,100	\$2,050
Total current liabilities	\$2,500	\$2,450
Total liabilities	\$3,200	\$3,150
Stockholders' equity	\$4,000	\$3,950

Cash Flow Statement Highlights

In millions

	Q2 FY2025	Q2 FY2024
Net income (loss)	\$48	(\$47)
Adjustments to reconcile net income to cash	\$554	\$525
Net cash from operating activities	\$602	\$478
Investing activities:		
Capital expenditures	(\$58)	(\$57)
Net cash from investing activities	(\$58)	(\$57)
Financing activities:		
Proceeds from stock option exercises	\$12	\$15
Net cash from financing activities	\$12	\$15
Net increase in cash	\$556	\$436

OUTLOOK & GUIDANCE

Q4 FY2025 Guidance

- **Product Revenue**: \$906M to \$911M (23-24% YoY growth)
- **Non-GAAP Operating Margin**: Approximately 11%
- **Diluted shares outstanding**: Approximately 350 million

Full Year FY2025 Guidance (Maintained)

- **Product Revenue**: \$3.43B to \$3.48B (approximately 29% YoY growth at midpoint)
- **Non-GAAP Operating Margin**: Approximately 10%
- **Free Cash Flow Margin**: Mid-to-high single digits

Strategic Priorities

1. Accelerate AI Innovation:

Continue investing in Snowflake Cortex to make AI accessible to all our customers. Focus on document AI, conversational interfaces, and ML model serving capabilities.

2. Expand Data Sharing Network Effects:

Grow Snowflake Marketplace and data collaboration capabilities, creating defensible moats through network effects.

3. Improve Efficiency and Value Proposition:

Drive operating leverage while improving price-performance to remain competitive against aggressive challengers.

4. Strengthen Partner Ecosystem:

Deepen integrations with best-of-breed partners (DFLX, STRM, VLTA, CTLG) to expand addressable market.

5. Win Against Real Competition:

Focus execution on competitive displacement opportunities against hyperscalers, open-source alternatives, and price-performance challengers.

INVESTOR INFORMATION

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Next Earnings Call:

November 21, 2024 (Q3 FY2025 Results)

Website:

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Stock Information:

Ticker: SNOW (NYSE)

Shares Outstanding: 342 million (as of August 31, 2024)

Forward-Looking Statements

This report contains forward-looking statements including statements regarding our financial outlook, business strategies, and market opportunities. These statements are subject to risks and uncertainties that could cause actual results to differ materially from expectations. Factors that could impact results include competitive dynamics, market acceptance of our products, ability to manage growth, and general economic conditions.

Non-GAAP Financial Measures

This report includes non-GAAP financial measures including non-GAAP gross margin, operating income, operating margin, net income, and free cash flow. These measures exclude stock-based compensation and related payroll taxes. Management believes these measures provide useful information about operating performance. Reconciliations to GAAP measures are available in the investor relations section of our website.

END OF REPORT

Snowflake Inc. - Confidential Investor Document - August 23, 2024

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