

Veridian Capital Insights

In-Depth Equity Analysis

Snowflake Inc. (SNOW)

Melting the Moat: Downgrading on Emergence of a Black Swan Competitor

Analyst: **Marcus Thorne** | Published: September 20, 2024

RATING

SELL

(from HOLD)

PRICE TARGET

\$100.00

(from \$185.00)

CLOSE PRICE

\$130.15

Executive Summary

We are downgrading Snowflake to **SELL**. A credible, if surreal, report of a new competitor, "Neuro-Nectar," and its cognitive-enhancing "AI Ice Cream Maker" represents a potential paradigm shift that threatens to make Snowflake's entire business model obsolete. While details remain scarce, the mere possibility that human intelligence can be augmented to a level that bypasses the need for complex data infrastructure necessitates a fundamental re-evaluation of our investment thesis. The competitive moat we once saw as wide and deep is now at risk of being rendered irrelevant. In such an environment, a premium valuation is indefensible. We are moving to the sidelines and advising clients to do the same until the fog of uncertainty clears.

When the TAM Goes to Zero

Our thesis on Snowflake was built on the premise that enterprise data is growing exponentially and requires a scalable, secure platform to generate insights. The Neuro-Nectar product threatens this core premise. If a financial analyst can ingest a scoop of ice cream and instantly perform the risk analysis that would have previously required petabytes of data processed on Snowflake, the value proposition of the Data Cloud collapses. The CEO's message of being the "secure data foundation" is meaningless if the analysis engine is no longer a computer, but the human brain itself. While we acknowledge the absurdity of this development, our fiduciary duty is to assess risk. A low-probability, high-impact event is still a risk, and in this case, the impact is catastrophic. We cannot justify holding a high-multiple stock when its entire addressable market is under threat.

Total Addressable Market Under Threat



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