

SNOWFLAKE, INC. (SNOW)

Information Technology – Cloud-Based Data Warehousing

April 16, 2025

Stock Rating

NO ACTION

Investment Thesis

We recommend **NO ACTION** currently. Snowflake is strategically positioned to lead the evolution of enterprise data infrastructure, with its consumption-based model, AI-native product suite, and cross-cloud flexibility offering significant long-term potential. However, near-term profitability concerns, driven by sustained operating losses and dilution, introduce meaningful execution risk. Given our risk-off stance, we prefer to remain on the sidelines until Snowflake demonstrates clearer progress toward margin expansion and capital efficiency.

Drivers of Thesis

- **AI Platform Expansion:** Snowflake is becoming a native AI platform through products like Cortex AI and Snowpark, enabling broader adoption of AI/ML workloads across user types.
- **Strong Consumption-Based Growth:** Backed by over \$6.9B in remaining Performance Obligations and net revenue retention above 100%, we project FY2026 product revenue of \$4.5B, up 30% YoY.
- **Cloud Tailwinds & Scale:** Snowflake benefits from a projected 12.1% CAGR¹ in enterprise software spend through 2030 and leverages multi-cloud partnerships to expand globally and into regulated verticals.

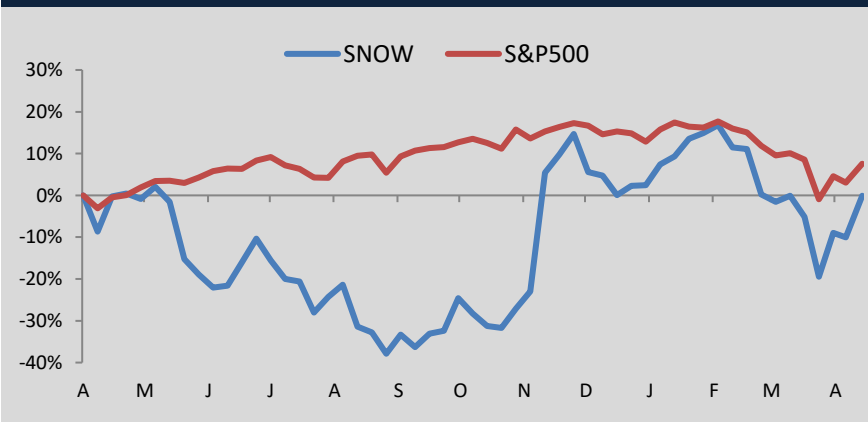
Risks to Thesis

- **Cloud Dependency:** Heavy reliance on AWS, a competitor through Redshift, poses risks if pricing or integration terms shift unfavorably.
- **Stock-based Compensation:** Snowflake's heavy use of stock-based compensation risks long-term shareholder dilution and could suppress earnings growth despite strong top-line performance.
- **Valuation Risk:** Shares trade above intrinsic value; slower growth or limited margin expansion may trigger multiple compression.

Earnings Estimates

Year	2023	2024	2025	2026E	2027E	2028E
EPS	\$-2.50	\$-2.55	\$-3.86	\$-3.73	\$-3.64	\$-3.81
HF est.				\$-6.54	\$-5.37	\$-3.54
Growth		-2%	-51%	-3%	-2%	-5%

12 Month Performance



Target Price

\$41-51

Henry Fund DCF	\$41
Henry Fund DDM	\$44
Relative Multiple	\$51

Price Data

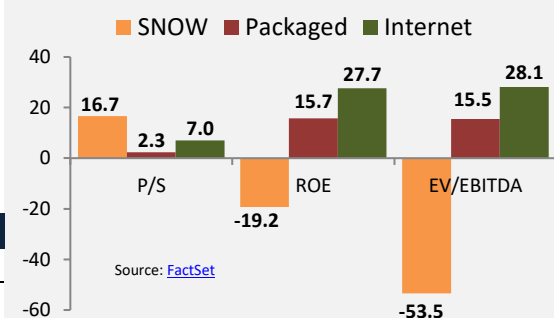
Current Price	\$140
52wk Range	\$107–194
Consensus 1yr Target	\$200

Key Statistics

Market Cap (B)	\$49
Shares Outstanding (M)	334
Institutional Ownership	63%
Beta	1.13
Dividend Yield	NM
Est. 5yr Growth	22
Price/Earnings (TTM)	NM
Price/Earnings (FY1)	NM
Price/Sales (TTM)	17
Price/Book (mrq)	20

Profitability

Operating Margin	-40%
Profit Margin	-36%
Return on Assets (TTM)	-15%
Return on Equity (TTM)	-31%



Company Description

Snowflake Inc. is a cloud-based data platform that enables organizations to consolidate, store, and analyze data in a secure and scalable environment. Operating as a platform-as-a-service, Snowflake allows customers to manage large and complex datasets across public cloud providers such as Amazon Web Services, Microsoft Azure, and Google Cloud. Its core offering centers around a flexible architecture, separating storage and computing, allowing users to scale each independently based on real-time demand.

COMPANY DESCRIPTION

Snowflake, founded in 2012, is a cloud-based Platform-as-a-Service (PaaS) that modernizes data storage, processing, and analytics. It eliminates the need for traditional on-premises infrastructure by offering scalable, on-demand access to centralized data across all formats. Snowflake enables seamless data liquidity thus solving a major AI bottleneck by breaking down data silos and facilitating real-time, actionable insights. Its fully cloud-managed platform operates across three major public cloud service providers, ensuring reliability, performance, and flexibility in a growing cloud computing landscape.

At the heart of Snowflake's architecture is a unique multi-cluster shared data design, which separates compute, storage, and services. This allows users to scale resources independently and efficiently, enabling performance optimization with minimal latency. The platform supports structured and unstructured data, leverages dynamic compute clusters for elasticity, and ensures data integrity. Advanced features like Time Travel enhance data governance by enabling historical recovery, while automated infrastructure management and security lower the entry barrier for companies of all sizes.

Snowflake's business model is consumption-based, offering pricing transparency and flexibility through usage-driven contracts and rollover options for unused credits. This model has attracted over 11,000 customers, including 745 Global 2000 firms contributing 42% of 2025 revenue. Its growing enterprise footprint and strong net revenue retention rate of 126% highlight its success in deepening customer relationships and driving ROI. By democratizing access to AI-powered data analytics, Snowflake continues to position itself as a foundational player in the evolving data economy.

Current Product Lines

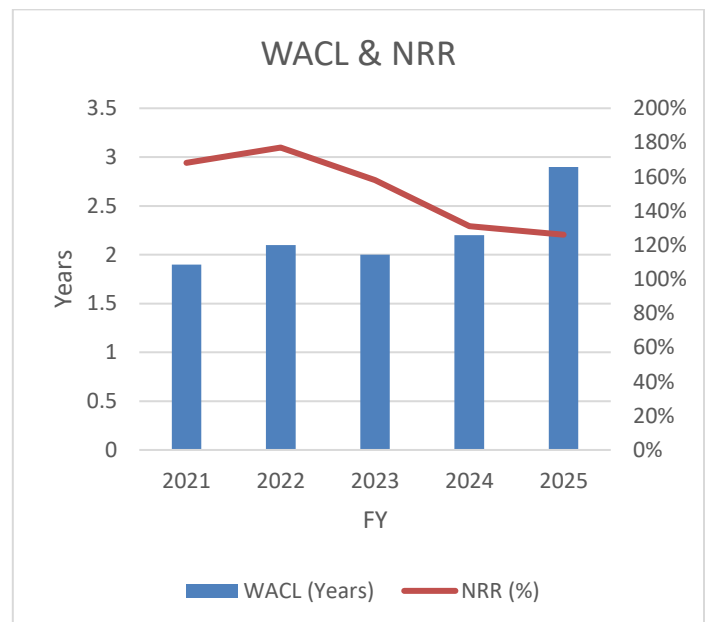
Snowflake operates with an asset-light business model, leasing all its physical office space and focusing instead on monetizing platform usage, charging customers based on compute, storage, and data transfer consumption. The company continues to expand its capabilities through Snowpark, which allows developers to work in familiar programming languages within Snowflake, eliminating data movement and enabling native development of machine learning models. Additional features like Snowflake Intelligence optimize performance

automatically, while Snowpark Container Services let users deploy full-stack applications and large language models directly within the platform, reducing reliance on external orchestration tools.

Snowflake deepens its ecosystem with products like the Snowflake Marketplace, Iceberg Tables, and Cortex AI. The Marketplace creates a proprietary environment for sharing and monetizing third-party data, enhancing customer lock-in and incentivizing long-term partnerships. Iceberg Tables support open data formats while preserving Snowflake's performance edge, appealing to hybrid users who operate across data lake architectures. Cortex AI offers embedded, serverless AI tools that simplify access to advanced analytics without infrastructure overhead. Together, these innovations unite in Snowflake's AI Data Cloud, a unified platform that enables organizations to manage the entire AI lifecycle from data ingestion to deployment within a single, integrated environment.

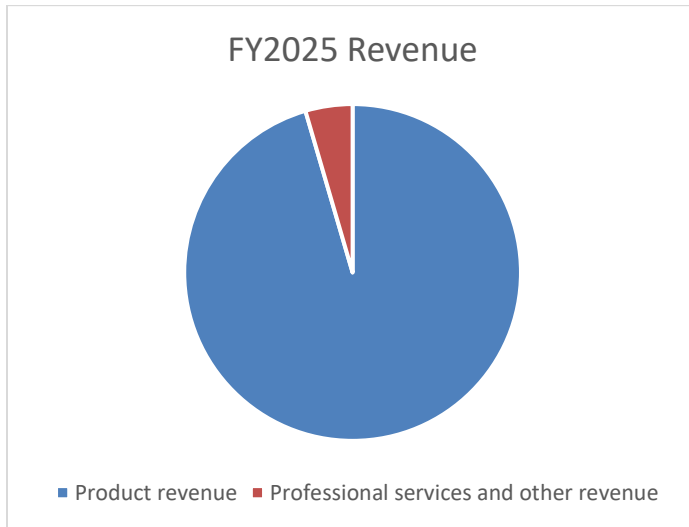
Business Maturation

Snowflake's net revenue retention rate (NRR) has steadily declined from 177% in FY2022 to 126% in FY2025, reflecting a natural maturation of its customer base as expansion rates normalize. Meanwhile, its weighted-average contract length (WACL) has gradually increased from 1.9 to 2.9 years, indicating stronger long-term customer commitments and improving revenue visibility.



Source: [Snowflake 10-K, 2021-2025](#)

Business Segments



Source: [Snowflake 10-K, 2021-2025](#)

Snowflake reports its operations across two segments: Product and Professional Services and Other. The Product segment, which represents 95% of total revenue, is derived from capacity agreements that are recognized as revenue based on customer consumption of compute, storage, and data transfer resources. The Professional Services and Other segment, accounting for the remaining 5%, includes consulting, onboarding, and training services designed to help customers implement and optimize their use of Snowflake's platform.

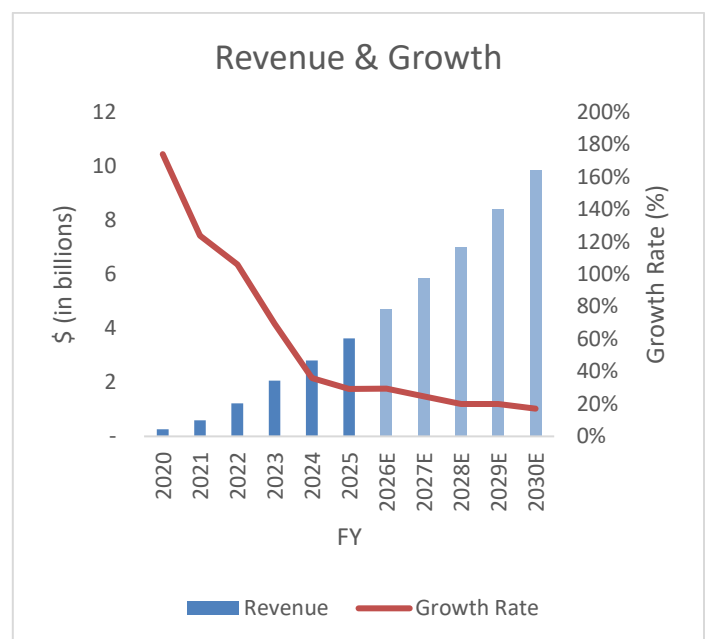
In 2025, the Product segment grew 30% year-over-year (YoY) and achieved a gross margin of 71%, down 3 percentage points from the prior year. The margin decline was driven primarily by rising costs of revenue, most notably third-party cloud infrastructure expenses related to GPU usage. The Professional Services and Other segment grew 17% YoY but continues to operate as a loss leader, supporting broader product adoption and maximizing customer ROI. This segment reported a gross margin of -36%.

On a consolidated basis, Snowflake's overall gross margin for 2025 was 67%, reflecting a 1 percentage point decline YoY.

Revenue

Snowflake's revenue grew rapidly from \$265M in 2020 to over \$3.6B in 2025. Growth is slowing, with rates expected to decline from 36% in 2024 to 17% by 2030. Still, revenue is projected to reach nearly \$10B by 2030, showing strong continued demand as customers find ROI from its usage. In its Q4 earnings call, Snowflake touted its over 400 product capabilities, doubling its FY2024 offerings. With its activity in acquisitions, not all products are organic internal creations (see Mergers & Acquisitions for expansion). Snowflake's growth is not completely organic as it strategically acquires companies, adding to its offerings, and defending its position.

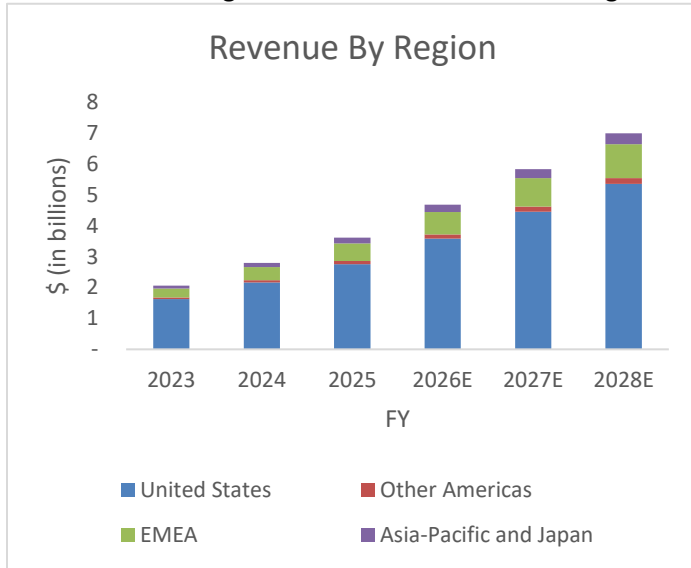
We forecast profitability in FY 3032 as during its growth stage, Snowflake continues to award high amounts of stock-based compensation. Snowflake historically has issued buybacks, going so far as to issue notes to finance buybacks, but these are not offsetting new issuances. We forecast this trend to continue pushing out profitability further than necessary.



Source: [Snowflake 10-K, 2021-2025](#)

Snowflake's revenue is led by the U.S., growing from \$1.6B in 2022 to a projected \$5.4B by 2027. EMEA and Asia-Pacific are expanding steadily, expected to reach \$1.1B and \$353M, respectively, by 2027. Other Americas remain

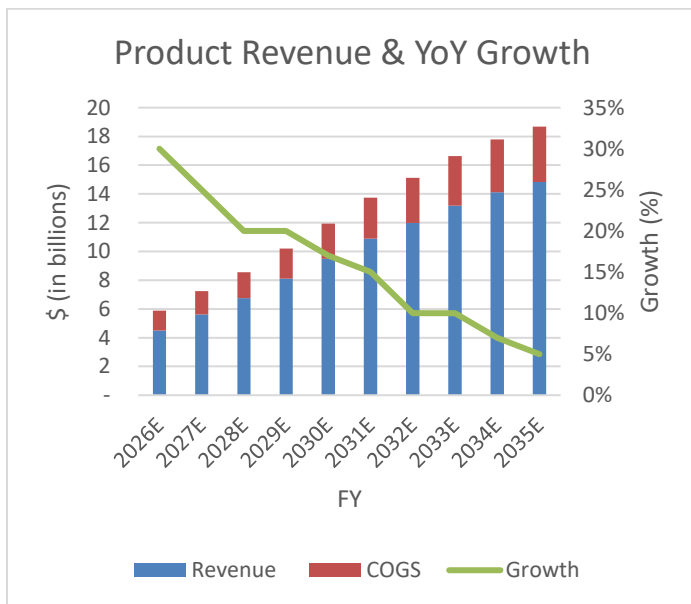
the smallest region but show consistent growth.



Source: [Snowflake 10-K, 2021-2025](#)

Product

For our Product revenue forecast, we base our outlook on the growing productivity enabled by Artificial Intelligence and Big Data, which we expect will continue driving increased utilization of Snowflake's platform. Customers use Snowflake credits to run workloads ranging from simple queries to advanced machine learning, with billing based on consumption metrics such as compute time and storage volume.



Source: HF Model

Between FY2020 and FY2025, Product revenue grew from \$252 million to \$3.46 billion, representing a 5-year CAGR of 68.9%. Looking ahead, we project that Product revenue will reach \$15.96 billion by FY2035, implying a 5-year CAGR of 22.3% and a 10-year CAGR of 15.7%.

Products (\$ million)	2025	2026E	2027E	2028E
HF	3,462	4,501	5,626	6,751
Street		4,245	5,208	6,446
HF Growth		30%	25%	20%
Street Growth		23%	23%	24%
Net		7%	2%	-4%

Source: [FactSet](#), HF Model

The Henry Fund (HF) projects stronger product growth than Wall Street through 2027, but the gap narrows over time. HF expects 30% growth in 2026 vs. the Street's 23%, resulting in a 7% net upside. However, by 2028, HF turns more conservative than the Street, forecasting 20% growth vs. 24%, leading to a negative 4% differential. We believe that Snowflake will continue to benefit from being a disruptor of Big Data in the short term and realize growth as it rides broader tailwinds of cloud computing and business analytics, giving Snowflake greater growth as businesses seek to join the movement.

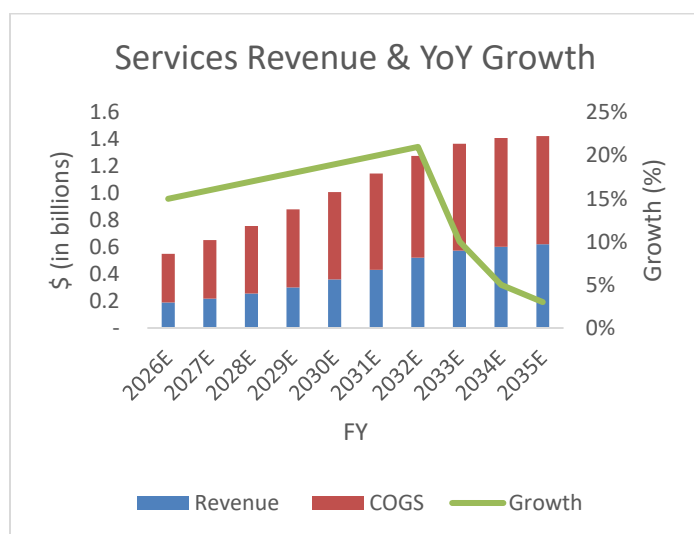
As compute becomes more efficient due to technological advancements, we believe that any reduction in compute time will be offset by growing data analytics demands. This growth stems from increasing data volume and variability, as well as longer think times driven by the shift from machine learning training to inferencing. As customers build data pipelines, applications, and AI workloads on Snowflake, they consistently expand their usage, which is caused by high net revenue retention rates.

Our forecast assumes accelerating contributions from high-consumption use cases like Cortex AI, broader adoption of Snowpark due to Snowflake's focus on being a developer-friendly platform that supports multiple programming languages, and international expansion as the company gradually diversifies beyond its U.S.-centric customer base. As usage rises and data becomes the foundation for decision-making, we expect enterprises to continue migrating from legacy systems, and AI to become ubiquitous. Under this scenario, Product revenue will comprise approximately 96% of total revenue.

The segment's growth is driven by both volume and innovation. Snowflake's ability to pair technological advancement with creative product development will help sustain its leadership position in the market.

Professional Services and Other

While it represents a smaller portion of total revenue, Snowflake's Professional Services and Other segment plays a pivotal strategic role in driving the growth of its Product segment. This segment delivers implementation support, training, and customer service that enhance platform adoption and reduce onboarding friction. Though unprofitable on its own, it accelerates Product revenue growth by helping clients realize value early and maximize return on investment.



Source: HF Model

Revenue from this segment increased from \$12.5 million in FY2020 to \$163.9 million in FY2025. We project it will reach \$621 million by FY2035, reflecting a 10-year CAGR of 17%. While it will likely remain around 3% of total revenue, we believe the segment will trend closer to breakeven over time, despite limited economies of scale due to its labor-intensive nature.

Services (\$ thousands)	2025	2026E	2027E	2028E
HF	163,974	188,570	218,741	255,927
Street		187,000	211,000	235,000
HF Growth		15%	16%	17%
Street Growth		14%	13%	11%
Net		1%	3%	6%

Source: [FactSet](#), HF Model

The Henry Fund forecasts slightly stronger service revenue growth than the Street, with a widening positive gap through 2028. HF projects 15–17% annual growth, compared to the Street's 11–14%. This results in a gradually increasing net upside from 1% in 2026 to 6% by 2028. This difference comes from our view that as Snowflake continues to introduce new customers and new products in the short term, they will need to invest in this unprofitable segment of their business to drive growth and profits from Products.

We expect it to remain a worthwhile investment, particularly as Snowflake enters more complex enterprise deals in highly regulated industries such as finance and healthcare, and as international expansion continues. Unless Snowflake integrates additional offerings under the "Other" umbrella, this segment will likely remain a loss leader, with its primary value centered on customer enablement rather than profitability.

Cost Structure Analysis

Historical Performance (2020-2025)

Snowflake has positioned itself at the forefront of a rapidly emerging industry. Its high-growth trajectory has been fueled by heavy reinvestment of revenue into platform development and market expansion. This strategy is reflected in consistently strong gross margins, rising from 56% in FY2020 to 67% in FY2025, highlighting the efficiency of Snowflake's cloud-native architecture. However, despite top-line growth and improving gross margins, both operating and net margins have remained negative.

Operating margins have stayed in the red due to substantial investments in Sales & Marketing, a key driver of customer acquisition. Snowflake's direct sales model, led by senior executives targeting large enterprise clients, has historically pushed Sales & Marketing expenses as high as 111% of revenue. This figure has since declined to approximately 50% as the company scales. Meanwhile, Research & Development expenses have steadily increased, rising from 40% of revenue in FY2020 to 49% in FY2025, reflecting Snowflake's ongoing focus on platform innovation.

Although the company continues to report net losses, its bottom-line performance is improving. Net margin has narrowed significantly, from -132% in FY2020 to -36% in

FY2025, signaling early operating leverage as Snowflake expands globally and builds out its platform capabilities.

Margin Forecast (2026E-2035E)

Looking ahead, we forecast Snowflake to reach profitability, with positive net margins beginning in FY2029 and positive operating margins by FY2030.

Gross Margin: We project gross margins to rise to 72% by FY2030 and remain stable thereafter. While Snowflake benefits from a PaaS business model, we believe the rapid rollout of new products and the time required to achieve economies of scale will cap gross margin expansion. Still, the long-term margin profile reflects Snowflake's efficient cloud-native infrastructure, architecture designed to leverage the scalability and flexibility of cloud computing.

Operating Margin: We expect operating margins to reach 4% in FY2030 and expand to 11% by FY2035, driven by operating leverage as the company scales and optimizes cost structures.

Net Margin: We forecast a net margin of 1% in FY2029, growing steadily to 28% by FY2035. This expansion is supported by interest income generated from Snowflake's large cash reserves. Given its consumption-based revenue recognition model, Snowflake maintains high levels of cash and deferred revenue liabilities, enhancing its net interest income profile over time.

Margin Expansion Drivers:

Margin expansion is supported by key structural shifts in the business. While Snowflake remains in its growth phase, we assume modest margins in the near term as retained earnings are reinvested. However, we expect margin expansion over time as sales and marketing (S&M) and R&D expenses, while increasing in absolute terms, decline as a percentage of revenue due to operating leverage from growing revenue.

For forecasting, we used the 5-year average of operating expenses as a percentage of revenue. We assumed a flat growth rate, reflecting Snowflake's normalization phase. We believe this approach better aligns with the company's current operating dynamics, rather than a compounding model.

Declining Operating Expense Intensity:

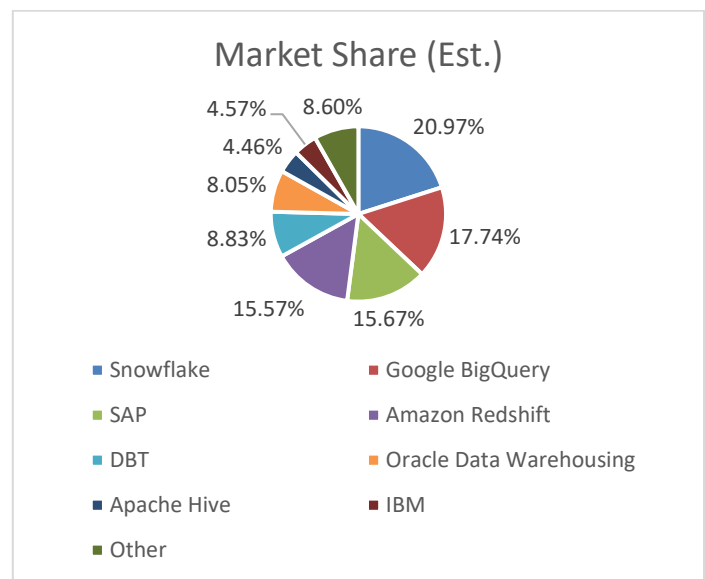
Sales & Marketing (S&M) is expected to fall from 58% of revenue in FY2026 to 20% by FY2035, as Snowflake deepens monetization from existing customers and maintains high retention. We view early heavy investment in sales as a strategic decision to reach a critical mass of enterprise clients.² Management called for aggressive expansion and investment in S&M.

Research & Development (R&D) is projected to decline from 42% in FY2026 to 33% in FY2035. Despite this reduction, Snowflake remains committed to innovation and will continue to attract top engineering talent while transitioning to a more profitable and balanced operating model.³ Snowflake management believes that the value of the company relies not on its current offerings but its ability to innovate and create new products needed by customers.

General & Administrative (G&A) expenses are expected to normalize to 8–10% of revenue over the next decade, in line with scaled enterprise SaaS benchmarks.⁴

Company and Competition Analysis

Snowflake stands out as the leading independent, cloud-native data platform, backed by a forward-thinking architecture, strong brand recognition, and a well-established customer base. Revolutionizing data warehousing



Source: [6sense](#)

Rank	Technology	Market Share (Est.)
1	Snowflake	20.97%
2	Google BigQuery	17.74%
3	SAP	15.67%
4	Amazon Redshift	15.57%
5	DBT	8.83%
6	Oracle Data Warehousing	8.05%
7	IBM	4.57%
8	Apache Hive	4.46%

Source: [6sense](#)

Its primary competitor is Databricks, operating in Big Data Analytics, though other players, such as Amazon Redshift, Google BigQuery, and Microsoft Azure Synapse, offer overlapping capabilities with their data warehousing segments. These alternatives are either less specialized, confined to a single cloud ecosystem, or still evolving their unified analytics and AI capabilities. In contrast, Snowflake's cloud-agnostic design, which enables deployment across any major cloud provider, combined with its consumption-based pricing and expansive ecosystem, creates a durable competitive moat that is difficult for new entrants to replicate quickly.

Snowflake's platform advantage is further reinforced by network effects and data gravity. As datasets grow larger, the cost and complexity of moving or replicating them increases, which locks value into the Snowflake ecosystem. As more businesses adopt the AI Data Cloud, the utility of its data-sharing network expands, boosting platform stickiness and encouraging additional workloads over time.

While public cloud providers may offer pricing incentives, these often come with trade-offs, namely tighter integration into their cloud stack and reliance on traditional cluster-based architectures, which become inefficient at scale. In contrast, Snowflake's flexible warehouse design and developer-friendly interface reduce cost inefficiencies and support dynamic, on-demand performance. Snowflake was a first mover in decoupling storage and compute clusters, enabling independent scaling and workload-specific optimization.

Databricks excels in machine learning and open-source data lake support, pioneering the "Data Lakehouse" ⁵

approach to unify lakes and warehouses and lower costs across diverse use cases. While Databricks positions itself as a machine learning platform, Snowflake has traditionally led in data warehousing. However, Snowflake has significantly closed the gap with recent innovations, such as Snowpark, Iceberg Tables, and Cortex AI. Its support for Apache Iceberg, the Databricks equivalent to Apache Spark, expands its capabilities in business intelligence and ELT (Extract, Load, Transform) workflows.

Snowflake has experienced rapid adoption, particularly among Fortune 2000 enterprises, with a growing share of AI and ML workloads moving to its platform. Customers consistently cite ease of use, high and predictable performance, and cross-cloud flexibility as key reasons for initial adoption and continued expansion.

Snowflake's platform integrates AI-native capabilities like Cortex, enabling non-developers to query complex datasets and extract insights using natural, non-technical language. By democratizing analytics, Snowflake broadens the scope for ad-hoc analysis and real-time decision-making. This deeper integration into day-to-day operations raises switching costs, as organizations increasingly rely on Snowflake across departments and workflows.

Debt Maturity Analysis

Historically, Snowflake has maintained a conservative balance sheet to support its growth strategy, operating with no long-term debt and minimal leverage. This approach stems from tight margins and a focus on reinvestment. The company holds a relatively low asset base compared to its liabilities, largely due to advanced payments tied to its consumption-based revenue model. These prepayments create significant deferred revenue that is only recognized once customers consume services.

However, in FY2025, Snowflake made a strategic shift by issuing \$2.3 billion in zero-coupon Convertible Senior Notes, split evenly between 2027 and 2029 maturities.⁷ This move marked a notable evolution in capital structure while preserving financial flexibility. To minimize potential share dilution from conversion, Snowflake entered into capped call transactions totaling \$195.5 million, with a strike price of \$225 per share.

The initial conversion ratio for Snowflake's convertible senior notes is 6.3492 shares per \$1,000 principal amount,

implying a conversion price of \$157.50 per share. These notes mature on October 1st of their respective years (2027 and 2029). The notes become convertible if Snowflake's stock trades above \$236.25 (150% of the conversion price) for the 2027 notes before April 6, 2026, or above \$204.75 (130% of the conversion price) for the 2029 notes before October 6, 2027, for at least 20 out of 30 consecutive trading days.

Management indicated it would use the net proceeds for general corporate purposes, including share repurchases under its current or future buyback programs. Given Snowflake's trajectory toward profitability, a strong base of multiyear contracts, and substantial cash reserves, we believe the company can comfortably meet its working capital, CapEx, and debt obligations. The convertible notes, issued at a premium and bearing no interest, create minimal balance sheet drag. In our view, a significant portion of the notes will ultimately convert to equity, a scenario management has prepared for by mitigating dilution through capped calls.

Despite recent CEO and CFO turnover, Snowflake's leadership continues to emphasize capital discipline and flexibility. We see the convertible note issuance as a strategic effort to optimize the company's cost of capital and repurchase undervalued equity, rather than a liquidity-driven decision.

As a growth-focused firm, Snowflake returns value to shareholders through stock buybacks rather than dividends, a trend that aligns with industry peers. Even mature, dividend-paying companies increasingly rely on repurchases to avoid the signaling risk associated with cutting dividends in the future. Snowflake, on the other hand, continues to reinvest retained earnings to drive organic growth, prioritizing innovation and talent acquisition. Stock-based compensation, such as RSUs and stock options, remains central to attracting top talent. We view this as a cost-effective strategy that aligns employee incentives with long-term shareholder value.

Although financing buybacks with debt might delay near-term profitability, we believe it's a reasonable trade-off to offset dilution from stock-based compensation. Snowflake authorized a \$2.0 billion buyback in 2023, followed by an additional \$2.5 billion in 2024, extending the program through March 2027. Failure to execute on these authorizations could signal waning insider confidence,

potentially deterring the conversion of senior notes and creating a larger future debt burden.

Overall, we view Snowflake's capital structure as healthy, with sufficient liquidity to support additional buybacks, M&A, or R&D investments without compromising its balance sheet integrity or increasing default risk.

Word on the Street

We believe that evaluating market expectations and institutional behavior is essential to identifying potential misalignments between Snowflake's fundamentals and its current valuation.

Since early 2024, sell-side sentiment has remained relatively stable, with approximately 70% of analysts maintaining an "Overweight" rating.⁸ However, beginning in February 2025, following Snowflake's annual earnings report, the proportion of Buy ratings increased to around 80%. This shift reflects growing recognition of Snowflake's strategic positioning, despite its slowing growth trajectory and continued unprofitability. Analysts appear to value Snowflake's strong free cash flow generation and its long-term relevance in the AI and data infrastructure space.

Snowflake has delivered mixed results when compared to consensus expectations. The company frequently exceeds revenue and free cash flow estimates but continues to miss EPS targets due to elevated stock-based compensation. Management typically provides conservative guidance, choosing to underpromise and then exceed expectations, which leads some analysts to remain cautious.

On the buy-side, institutional ownership remains high, with over 63% of shares held by large asset managers and strategic investors. Vanguard and BlackRock are the largest shareholders. As of year-end 2024, Vanguard slightly reduced its stake by 1%, while BlackRock increased its holdings by 14.44%. Jennison Associates significantly increased its position by 92.16%, indicating strong conviction.⁹

Among institutional holders, 52% increased their positions, while 38% reduced them. Some hedge funds, such as Two Sigma, decreased exposure by 33%,⁹ likely reallocating toward other AI-focused names with near-term profitability. In contrast, long-only growth funds have

generally increased their positions, viewing Snowflake as a strategic asset in the evolving AI and data landscape.

Short interest stands at 3.54%, with a short interest ratio of 2.8 days to cover,¹⁰ indicating limited bearish sentiment in the near term.

ESG Analysis

Snowflake performs well in ESG evaluations, primarily due to its strong performance in the Social and Governance categories. However, the company faces limitations in Environmental impact, largely due to the energy-intensive nature of the industry it operates.

Social:

Snowflake continues to invest in improving data literacy and access. Through its Data Cloud Academy, the company trains thousands of professionals annually, partners with educational institutions, and offers free instructional tracks to lower the barrier to entry for data-related careers. Snowflake's commitment to democratizing data and fostering inclusion is evident in several initiatives. For example, the company sponsors and supports Women in Data, advocating for greater representation of women in data science and analytics. These efforts align with Snowflake's broader mission to mobilize the world's data by empowering individuals and communities through data skills and accessibility.

In addition, Snowflake promotes transparency in AI governance, advocating for bias mitigation and responsible deployment of large language models through its Cortex AI services.

Governance:

Snowflake maintains strong corporate governance practices. The company has established a clear separation between the roles of CEO and Board Chair, enhancing board independence and oversight. Frank Sloatman currently serves as the Chairman, previously being the CEO of ServiceNow from 2011-17, and Snowflake CEO from 2019-2024. Sridha Ramasawamy currently serves as the CEO and is also a Board Member. Benoit Dagevill is the co-founder of Snowflake and still serves as the President of Products and has a seat on the Board of Directors. Dagevill is the largest individual shareholder with about 1.5% of outstanding shares. Mike Scarpelli is another insider holding around 0.7% of the outstanding shares.

Environmental:

As a cloud-based company, Snowflake faces inherent challenges in reducing its environmental footprint. The compute-intensive nature of cloud services, particularly AI workloads, contributes to high energy consumption. Although Snowflake operates on public cloud infrastructure provided by hyperscalers like Amazon Web Services, which are actively pursuing net-zero emissions, Snowflake has limited direct control over its own emissions.

To help mitigate its environmental impact, Snowflake partners with hyperscalers to progress toward sustainability. For example, Amazon has leveraged AWS Graviton processors to reduce its carbon footprint by approximately 57%.¹¹ As computing efficiency improves and public cloud providers transition toward 100% renewable energy, we believe Snowflake's environmental risk will remain low.

Environmental, Social, Governance

Company	Rating	Risk Level
SNOW	16.8	Low
ESTC	15.9	Low
DDOG	16.3	Low
PLTR	21.7	Medium
ZS	16.5	Low
NET	23.9	Medium
TDC	15.5	Low
GOOGL	24.9	Medium
MSFT	17.4	Low
AMZN	26.1	Medium
GOOGL	24.9	Medium

Source: [Sustainalytics](#)

RECENT DEVELOPMENTS

Recent Earnings Announcement

Snowflake reported its FY2025 earnings on February 26 and announced that long-serving CFO Michael Scarpelli will retire. We are concerned about Mike's retirement as the loss of his experience first as the CFO of ServiceNow from 2011-19 and then his current position he has held since 2019. He appears to be retiring of his own accord instead of being forced out. Mike has been asked to remain until they appoint a successor and then serve as an independent contractor for a year after. CEO Sridhar Ramaswamy, who joined last year following a 15-year

tenure at Google and the acquisition of his startup Neeva, reaffirmed confidence in Snowflake's core business and long-term strategy. Ramaswamy highlighted what he sees as "enormous opportunity ahead," projecting a total addressable market (TAM) of \$342 billion by 2028. Snowflake plans to continue aggressively investing in growth, advancing multi-product adoption, and deepening product cohesion to deliver more value to its customers.¹²

The company reported over \$1 billion in added Remaining Performance Obligations (RPO), bringing the total to \$6.9 billion, of which 48% is expected to be recognized as revenue within the next 12 months. This implies a baseline of \$3.45 billion in recognizable product revenue, even without onboarding new customers, roughly in line with last year's actuals. However, given Snowflake's substantial investment in Sales and Marketing, which now represents more than 42% of its workforce, we are confident in continued customer acquisition and believe demand for analytics will accelerate consumption beyond expectations.

For FY2026, Snowflake provided product revenue guidance of \$4.28 billion, representing a year-over-year growth rate of 24%. Out of more than 11,000 customers, over 4,000 are now leveraging Snowflake's AI/ML capabilities. We expect this figure to rise meaningfully as organizations increasingly recognize the value of machine learning for predictive analytics and the productivity boost of generative AI.¹²

Snowflake delivered a double beat on both EPS and revenue, with positive surprises of 67% and 3%, respectively. These strong results, paired with optimistic yet conservative guidance, contributed to a 4% rally in the stock post-earnings.

Mergers & Acquisitions

Since FY2024, Snowflake has actively pursued acquisitions to expand its product offerings and enhance its platform capabilities. Recent acquisitions include:

Samootha, Inc. – a provider of data clean room technology

Neeva, Inc. – an internet search company with generative AI capabilities

Mountain US Corporation – specializing in converting legacy databases to Snowflake's AI Data Cloud

LeapYear Technologies, Inc. – a platform focused on differential privacy (DP)

Night Shift Development, Inc. – a data analytics software company

More recently, Snowflake completed the acquisition of Datavolo, Inc., issuing approximately 0.9 million shares of common stock as part of the merger.

We believe Snowflake will continue using acquisitions as a growth lever. To support this strategy, and in alignment with its employee stock compensation plans, Snowflake will likely continue issuing shares to founders, early shareholders, and key employees of acquired companies. This reinforces the importance of maintaining a robust share repurchase program to offset dilution and preserve shareholder value.

In the highly competitive cloud data warehouse industry, constant innovation is critical. Strategic acquisitions allow Snowflake to secure emerging technologies early and integrate them into its AI Data Cloud, giving customers advanced tools that support their evolving data needs. While these deals often come at a premium, being a first mover with valuable new capabilities builds customer goodwill, enhances platform stickiness, and helps reduce churn. Although competitors often replicate product features, Snowflake's ability to lead with innovation remains a key differentiator.

INDUSTRY TRENDS

Cloud-Native Data Infrastructure

Information Technology (IT) infrastructure refers to the hardware, software, and resources that support business operations and drive productivity. Organizations are rapidly shifting away from traditional on-premise IT systems in favor of cloud-based solutions. This transition is driven by the need for scalable, flexible, and cost-efficient ways to store and manage the exponential growth of structured and unstructured data. In the era of Big Data, enterprises increasingly depend on real-time analytics and seamless collaboration across global teams, requiring low latency and high accessibility.

Modern internet infrastructure, a global network of interconnected computers, now enables data to be transmitted wirelessly or through physical cables to remote servers. With the rise of cloud computing,

organizations can access applications, processing power, and storage online, eliminating the need for local servers and physical wiring. This evolution has significantly enhanced efficiency, scalability, and connectivity, making it easier to transfer data to and from devices around the world.

Snowflake's platform is purpose-built to run across all major public clouds, allowing enterprises to unify data across different environments without being locked into a single provider. As digital transformation becomes a strategic priority for businesses, we expect Snowflake to continue benefiting from the rising demand for cloud-native infrastructure. Positioned at the forefront of this shift, Snowflake plays a key role in enabling data-driven decision-making. By providing a secure, reliable platform for clean, high-velocity data, Snowflake supports stable operations while maintaining data integrity across the enterprise.

Generative AI and Machine Learning

Generative Artificial Intelligence (AI) and Machine Learning (ML) are fundamentally transforming how businesses leverage data for decision-making. Snowflake's platform reflects this shift through products like Cortex AI and Snowpark, which empower customers to run AI workloads natively without the need to move data or contend with siloed systems. Clients can now train machine learning models directly within Snowflake's environment. Additionally, large language models are embedded into the platform, enabling advanced capabilities such as natural language querying, document analysis, and anomaly detection.

AI extends beyond data analysis—it now supports core business functions across departments. By enabling secure, governed access to data across the organization, Snowflake facilitates enterprise-wide AI adoption. This enhances productivity, streamlines operations, and accelerates decision-making at every level of the business.

MARKETS AND COMPETITION

Redshift (AWS)

Amazon Redshift is Amazon Web Services' (AWS) cloud data warehouse offering, designed for large-scale data analytics using SQL.¹³ Deeply integrated into the AWS ecosystem, Redshift is marketed as the most price-

performant SQL engine. However, it is often viewed as less user-friendly and lower-performing compared to Snowflake, particularly when handling complex queries and cross-functional workloads across large organizations.

Snowflake remains a major consumer of AWS infrastructure, with over 80% of its customers running deployments on AWS. While there is some concern that Amazon may eventually prioritize its own compute services or adjust pricing to disadvantage Snowflake, Amazon has so far honored its strategic partnership. As the largest cloud provider, AWS benefits from Snowflake's continued success on its platform, making the relationship mutually beneficial.

Despite AWS's scale and bundling capabilities, we believe Snowflake's superior performance, intuitive user experience, and multi-cloud flexibility give it a strong competitive advantage and help it retain meaningful market share.

BigQuery (GOOGL)

BigQuery is Alphabet's autonomous, AI-enabled enterprise cloud data warehouse. Integrated with Gemini, Google's generative AI assistant, BigQuery is widely recognized for its built-in machine learning capabilities and seamless integration across the Google Cloud ecosystem.¹⁴ However, its deep alignment with Google Cloud Platform (GCP) limits native compatibility with other cloud providers and multi-cloud environments.

In contrast, Snowflake offers broader flexibility with support for open data formats, advanced AI integration, and the ability to manage diverse workloads across multiple platforms. Its intuitive user interface also allows users with less technical expertise to efficiently perform data operations, including data transfers across various languages and environments. These features position Snowflake competitively, particularly for enterprises seeking multi-cloud strategies and ease of use beyond the Google ecosystem.

Synapse Analytics (MFST)

Synapse Analytics is Microsoft's enterprise data warehousing and analytics platform, combining big data processing with machine learning capabilities. As part of the broader Azure ecosystem, it benefits from tight integration with Power BI and other widely used Microsoft

tools.¹⁵ However, Synapse Analytics has struggled to meet developer and enterprise expectations, often falling short in performance and usability compared to leading competitors. Despite the stickiness of Microsoft's ecosystem, many organizations have opted to switch platforms.

As Microsoft aggressively expands its AI initiatives through partnerships with OpenAI and the rollout of Copilot, Synapse has the potential to regain relevance. However, for now, it carries a tarnished reputation among data professionals and lags behind peers in functionality and developer satisfaction.

Databricks

Databricks is Snowflake's closest peer and direct competitor in the independent data platform space. Built on Apache Spark, a powerful cluster computing framework for processing large datasets, Databricks excels in data science, machine learning, and managing massive volumes of unstructured data, an area of growing importance. The company pioneered the Lakehouse architecture, which combines the scalability of data lakes with the structure and performance of data warehouses.¹⁶

Snowflake, by contrast, built its architecture around the separation of storage and compute, and has positioned its Data Cloud as both a data lake and a data warehouse, enabling customers to seamlessly share, query, and analyze data within a unified platform. To stay competitive, Snowflake has significantly expanded its product offerings with Snowpark, Apache Iceberg support, and native machine learning functions.

While Databricks tends to attract more technical teams and open-source advocates, Snowflake resonates with business analysts, IT leaders, and enterprises that prioritize governance, ease of use, and cross-cloud functionality. Each company serves a distinct niche, but both continue to expand their capabilities and often mirror each other's innovations.

We believe that Databricks and Snowflake will remain central players in the modern data stack. As demand for advanced analytics and AI continues to grow, both companies are well-positioned to thrive. The competition between them will continue to drive innovation, and in an increasingly data-driven world, both are likely to benefit from rising industry tailwinds.

Snowflake Positioning

Snowflake's growth opportunities lie in the ongoing modernization and replacement of legacy systems. Many of its executives and engineers are former Oracle employees, and they continue to capture market share from their former employer by offering a more modern, scalable alternative.

Looking ahead, Snowflake is well-positioned to become the central hub for enterprise data intelligence, particularly as AI workloads grow and data generation accelerates. As AI transitions from research and experimentation to full-scale implementation and production, Snowflake stands to benefit by serving as the conduit for clean, high-velocity, high-volume, and high-variety data. This role will be critical in enabling real-time insights and supporting the next generation of AI-powered business applications.¹⁷

Peer Comparisons Profitability

While Snowflake competes with tech giants like Amazon, Microsoft, and Google, these firms were excluded from our peer set due to their diversified business models and lack of direct comparability. Instead, we selected smaller, cloud-native companies with a focused emphasis on data infrastructure, analytics, and AI. These peers better reflect Snowflake's specialized platform and revenue composition.

Snowflake significantly lags its peer group across most profitability metrics, reflecting its early-stage reinvestment strategy and consumption-based growth model. The company underperforms the peer harmonic averages in gross margin (65.4% vs. 74.8%), operating margin (-39.4% vs. -2.1%), and net margin (-35.5% vs. 2.9%). These results are consistent with Snowflake's prioritization of top-line growth and talent acquisition over near-term profitability.

Company	Gross Margin	Operating Margin
MongoDB	73.16%	-10.77%
Elastic	73.79%	-9.67%
Datadog, Inc.	80.76%	2.02%
Palantir	80.25%	10.83%
Zscaler, Inc.	77.87%	-5.71%
Cloudflare	77.32%	-13.66%
Teradata Corp	60.74%	12.23%

Harmonic Average	74.84%	-2.10%
Snowflake	65.40%	-39.44%

Source: [FactSet](#)

However, Snowflake's free cash flow (FCF) margin of 25% exceeds the peer average of 20.6%, signaling strong cash efficiency despite negative earnings. This supports the narrative that Snowflake's business model, while not yet GAAP-profitable, is already demonstrating underlying financial leverage and scalability.

Company	Net Margin	FCF Margin
MongoDB	-6.43%	6.01%
Elastic	4.87%	11.47%
Datadog, Inc.	6.85%	31.14%
Palantir	16.13%	39.83%
Zscaler, Inc.	-2.66%	29.98%
Cloudflare	-4.72%	9.87%
Teradata Corp	6.51%	15.94%
Harmonic Average	2.94%	20.61%
Snowflake	-35.45%	25%

Source: [FactSet](#)

In terms of return metrics, Snowflake trails the group with a ROIC of -23.2% versus the peer harmonic average of 3.8%. This negative return on invested capital is largely due to the growing contract length and unpredictable consumption rates, which increase current deferred revenue.

Similarly, its ROE of -31.4% and ROA of -14.9% reflect significant reinvestment levels and ongoing GAAP losses. These figures underscore the importance of monitoring future margin expansion and capital efficiency as key drivers of valuation re-rating.

Company	ROA	ROE	ROIC
MongoDB	-4.10%	-6.70%	-5.04%
Elastic	3.10%	10.86%	5.37%
Datadog, Inc.	3.78%	7.75%	5.41%
Palantir	8.51%	10.90%	10.45%
Zscaler, Inc.	-1.39%	-5.77%	-3.58%
Cloudflare	-2.60%	-8.71%	-3.41%
Teradata Corp	6.37%	85.07%	17.44%
Harmonic Average	1.95%	13.34%	3.81%
Snowflake	-14.90%	-31.43%	-23.20%

Source: [FactSet](#)

ECONOMIC OUTLOOK

U.S Enterprise IT Spending

U.S. enterprise IT spending has consistently outpaced GDP growth, driven by the rising importance of Big Data, data-driven decision-making, digital transformation initiatives, and the rapid expansion of AI and machine learning workloads. Budgets for information technology infrastructure remain resilient, with software and cloud computing steadily capturing a larger share of corporate capital allocation.

While inflationary pressures and macroeconomic uncertainty, partially tied to a new administration and evolving tariff policies, may lead to short-term budget scrutiny, corporations, executives, and shareholders continue to prioritize scalable, cost-efficient platforms over legacy infrastructure in pursuit of higher returns on investment. In our view, despite near-term uncertainty, the AI arms race will persist, demanding more compute power and more data.

Snowflake's consumption-based pricing model, which allows companies to align costs with actual usage, is particularly well-suited to a cost-conscious environment. As businesses seek flexibility and financial discipline, Snowflake provides a strong value proposition.

Looking ahead, enterprise software spending is projected to grow at a 12.1% CAGR through 2030.¹ Snowflake stands to benefit from this trend, driven by growing demand for real-time analytics, generative AI capabilities, and multi-cloud strategies. With its high gross margins, usage-based revenue model, and decoupled architecture separating compute, storage, and cloud services, Snowflake is structurally aligned with the evolving IT landscape. As corporate budgets expand to accommodate AI-driven initiatives, we believe Snowflake is positioned to capture an outsized share of the industry's growth.

Demographic and Global Digital Trends

We view demographic shifts and generational workforce changes as key demand drivers for Snowflake. By 2030, Millennials and Gen Z, both digitally fluent generations, will make up the majority of the global workforce. These cohorts are highly adept at using technology and are expected to drive productivity through real-time data access, AI-powered tools, and collaborative, cloud-native

environments such as social platforms and chat-based workflows. Snowflake's natural language capabilities, powered by Cortex AI, and its secure, AI-driven Data Cloud enable seamless data sharing and collaboration, features that align well with the expectations and working styles of these emerging workforce segments.¹⁸

Globally, emerging markets in Asia, the Middle East, and Latin America are accelerating their digital transformations. Many of these regions are bypassing legacy infrastructure altogether and adopting cloud-native solutions directly.¹⁹ Snowflake's cross-cloud compatibility and existing partnerships with AWS, Azure, and Google Cloud position it well to meet this growing demand. This geographic diversification will allow Snowflake to serve a broader global customer base and reduce reliance on any single market.

While much of this demographic and geographic-driven growth will unfold over the long term, we believe a near-term inflection point is already underway. Macro trends such as accelerating AI adoption, evolving regulatory frameworks, and global digitalization initiatives are fueling the next wave of data creation and consumption. Snowflake is uniquely positioned to benefit from the increasing volume, complexity, and compute intensity of enterprise workloads.

VALUATION

Revenue Assumptions

Our revenue assumptions by business segment are outlined in greater detail in the "Company Description" section of this report. Our forecast reflects a combination of management guidance, broader industry and sector trends, and our own independent analysis and expectations.

WACC

Our discount rate for Snowflake is 9.83%. We calculated the cost of equity using a risk-free rate of 4.33%, a beta of 1.13, and an equity risk premium of 5.0%. While Snowflake does not carry traditional interest-bearing debt, it has issued convertible bonds. We treat these instruments as equity for valuation purposes, given the presence of capped calls designed to limit dilution and our assumption that conversion is likely in a rising stock

price environment. Accordingly, we assign a capital structure weight of 97.39% equity and 2.61% debt.

Discounted Cash Flow/EP Model

Our enterprise Discounted Cash Flow (DCF) and Economic Profit (EP) models yield an equity value of approximately \$13.73 billion, corresponding to an implied share price of \$41.11. The models are anchored on key assumptions, including a projected 2035E NOPLAT of \$1.3 billion. Based on these inputs, our valuation results in a fair value per share of \$41.11, compared to the current market price of \$140.23, suggesting significant downside relative to our intrinsic value estimate.

The following core assumptions were applied in our modeling:

- **CV Growth of NOPLAT:** 5%, a moderate growth that aligns with business stability and broader macroeconomic factors to outpace inflation and capture real growth.
- **CV Year ROIC:** -21%, the ROIC of the last forecasted fiscal year, 2035E.

Analyzing free cash flow provides a clear lens into a company's underlying profitability and financial flexibility, key factors for attracting top talent, returning value to shareholders, and enabling pricing flexibility. A forward-looking approach allows us to incorporate macroeconomic expectations and account for growth opportunities, especially for a company like Snowflake, which is driving innovation into emerging and unfamiliar markets.

Snowflake operates under an asset-light Platform-as-a-Service (PaaS) model. As it scales, the company benefits from economies of scale but also sees an increase in deferred revenue liabilities due to its consumption-based billing structure. Snowflake does not own physical infrastructure and instead leases compute capacity from cloud service providers (CSPs), further contributing to its negative return on invested capital (ROIC).

We believe the DCF model is well-suited to capturing the long-tailed nature of Snowflake's revenue, driven by consumption patterns, high net revenue retention, and significant platform leverage. However, the model is weighed down by near-term negative free cash flows and high reinvestment assumptions, particularly in talent acquisition, which apply downward pressure to the overall valuation.

Fundamental P/E Model

Our Dividend Discount Model (DDM) yielded an intrinsic value per share of \$43.94. Key assumptions included a terminal (continuing value) EPS growth rate of 5%, a CV-year Return on Equity (ROE) of -5.27%, and a cost of equity of 9.98%.

To estimate terminal value, we applied a P/E multiple of 39.14 to our CV-year EPS forecast of \$2.60. Snowflake is a growth stock as it continues to benefit from data analytics and Big Data trends, so it does not pay a dividend to investors. For this reason, we do not place a high weight on our DDM model.

Relative Valuation Model

For our relative valuation, we selected a peer group consisting of high-growth, cloud-native software companies with a core focus on data infrastructure, analytics, security, and artificial intelligence enablement. While Snowflake competes with large-cap technology firms such as Amazon, Microsoft, and Google through services like Redshift, Azure Synapse, and BigQuery, we did not include these companies in our valuation peer set due to their diversified revenue models and large-scale operations, which dilute direct comparability to Snowflake's specialized platform.

Instead, we opted to benchmark Snowflake against smaller, more focused companies whose primary business models more closely align with Snowflake's core offerings. These include:

MongoDB (MDB): A modern, developer-friendly database provider focused on scalability and unstructured data handling.

Elastic (ESTC): Known for search and analytics capabilities through its Elasticsearch platform, often used in data-rich environments.

Datadog (DDOG): A cloud-native observability and monitoring platform that handles large-scale telemetry data.

Palantir (PLTR): Specializes in large-scale data analytics and modeling across public and private sector clients.

Zscaler (ZS): A cybersecurity platform enabling secure cloud data access and usage, relevant to Snowflake's emphasis on secure data sharing.

Cloudflare (NET): While best known for its CDN, Cloudflare provides infrastructure and security services essential to real-time data flow and AI workloads.

Teradata (TDC): A legacy data warehouse vendor in transition to cloud-native solutions, offering a baseline comparison to traditional models Snowflake aims to displace.

These companies share Snowflake's emphasis on data management, analytics, and performance at scale, and are more appropriate valuation comps based on their business models, customer bases, and growth profiles. Their revenue is more concentrated around data and software-as-a-service offerings, making them a better benchmark for Snowflake's forward multiples than diversified tech conglomerates.

Since Snowflake is not currently profitable, and we do not expect profitability in the near term due to continued high stock-based compensation, we did not use a typical P/E comparable analysis, as EPS is negative and expected to remain so until 2032. Instead, we opted to use price-to-sales (P/S) to better capture the high-growth, early-stage nature of Snowflake's business. With an average 2026E P/S of 5.00 and 2027E of 4.38, we observe that data analytics and AI-enabled software are maturing, as reflected in the reduction of valuation premiums. This trend aligns with the P/S compression Snowflake has experienced in recent years.

While we believe the Relative Valuation Model provides useful insight into market sentiment and consensus expectations, assuming that all peer companies are accurately priced, we do not assign it significant weight in our valuation. However, we acknowledge that it may capture some upside based on broader market enthusiasm toward Snowflake.

KEYS TO MONITOR

Snowflake is structurally positioned to become a foundational platform in the enterprise data and AI ecosystem. Its cloud-native, consumption-based model, rapid product innovation, and high net revenue retention give it an embedded growth advantage. As organizations scale AI workloads and modernize legacy infrastructure,

Snowflake stands to benefit from both secular demand and strong customer lock-in. Its product roadmap, anchored by Cortex AI, Snowpark, and cross-cloud integration, shows clear signs of long-term strategic execution. These drivers support our NO ACTION rating. A long-term bull case supported by industry trends is possible; however, our lack of confidence in management to stop shareholder dilution, thanks to the three-year trend of high stock-based compensation, causes us to pause.

Valuation remains a central concern. Our DCF and DDM models suggest intrinsic values of \$41.11 and \$43.94, respectively, both below the current share price. Largely due to forecasting continuing, large SBC; however, based on management decisions and action, we would be happy to lower these assumptions. This would likely implement a buy rating from HF. Execution risk remains high, particularly around sustained operating losses, dilution from stock-based compensation, and dependence on third-party cloud infrastructure. Snowflake must show continued traction in AI monetization and operating leverage to justify its premium multiple. If these levers stall or fail to materialize by FY2027, we would be inclined to revisit our NO ACTION rating to a strong sell.

What Could Change the Investment Thesis

We would reconsider our recommendation under the following conditions:

Valuation Compression Without Margin Progress: If the stock remains above \$100 through FY2027 without achieving positive operating margins or accelerating FCF, the investment thesis weakens.

Loss of Competitive Differentiation: If Databricks, Redshift, or BigQuery close remaining product gaps and Snowflake's NRR drops below 100%, this would indicate weakening customer expansion and signal elevated churn or reduced consumption growth.

Dilution from SBC and Acquisitions: If share count continues to rise materially with offsetting buybacks or earnings growth, we would reassess our equity value per share assumptions.

Macro Sensitivity: If AI regulation, slowing IT budgets, or unfavorable pricing dynamics from cloud vendors (e.g., AWS) affect Snowflake's growth profile or margin outlook, we may shift to a more cautious stance.

Key Metrics to Monitor

Future analysts should closely track:

Net Revenue Retention (NRR): Target: $\geq 100\%$. A sustained drop below 100% would be a red flag.

Operating Margin Progression: Target: Break-even by FY2029. If it is still negative in FY2030, the margin thesis erodes.

Free Cash Flow per Share: Growth should outpace dilution. Stagnation in FCF per share signals poor capital efficiency.

Customer AI Adoption: Watch for continued growth in AI/ML workloads and Cortex AI usage, particularly among large enterprise clients.

Snowflake's long-term outlook remains compelling, but it must deliver on profitability, operational scale, and platform adoption to support its valuation. While we remain bullish, we recommend monitoring these inflection points closely as the narrative continues to evolve.

Conclusion

We reiterate our NO ACTION recommendation on Snowflake. The company is structurally well-positioned to benefit from secular AI adoption and modern enterprise data needs, supported by its consumption-based model, cross-cloud reach, and robust product innovation. However, elevated execution risk, driven by persistent operating losses, high stock-based compensation, and premium valuation, limits our near-term confidence. Until Snowflake demonstrates meaningful progress toward operating leverage, improved capital efficiency, and shareholder-friendly practices, we prefer to remain on the sidelines. We continue to monitor key inflection points closely and remain open to revisiting our stance should these dynamics shift.

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Revenue Decomposition

[illegible]

Snowflake Inc

Income Statement

(in thousands)

Fiscal Years Ending Jan 31	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Revenue	2,065,659	2,806,489	3,626,396	4,689,719	5,845,177	7,007,650	8,404,062	9,838,792	11,332,580	12,813,275	13,764,602	14,716,645	15,440,423
Cost of revenue	717,540	898,558	1,214,873	1,741,810	2,047,857	2,307,543	2,677,215	3,106,887	3,547,059	3,881,791	4,231,687	4,483,402	4,660,934
Cost of product, net	547,547	701,200	962,069	1,380,417	1,613,689	1,806,529	2,099,751	2,458,218	2,831,440	3,126,436	3,439,080	3,678,947	3,857,783
Cost of services, net	169,993	197,358	222,604	361,393	434,168	501,014	577,464	648,670	715,619	755,355	792,598	806,455	803,151
Depreciation and amortization	63,535	119,903	182,508	133,923	166,919	200,115	239,992	280,963	323,620	357,337	393,071	420,258	440,928
Gross profit	1,348,119	1,907,931	2,411,723	2,947,908	3,797,320	4,700,107	5,726,846	6,731,905	7,785,521	8,631,483	9,532,935	10,233,242	10,779,489
Operating expenses:													
Sales and marketing	1,106,507	1,391,747	1,672,092	2,731,662	2,647,387	2,265,977	1,628,682	1,967,758	2,266,516	2,502,655	2,752,920	2,943,329	3,088,085
Research and development	788,058	1,287,949	1,783,379	1,965,190	2,390,924	2,796,348	3,269,534	3,729,317	4,182,199	4,492,793	4,804,426	4,989,562	5,080,550
General and administrative	295,821	323,008	412,262	515,869	625,871	729,844	850,696	967,145	1,080,833	1,156,836	1,232,255	1,274,436	1,291,948
Total operating expenses	2,190,386	3,002,704	3,867,733	5,212,721	5,664,182	5,792,169	5,748,912	6,664,220	7,529,548	8,152,284	8,789,602	9,207,327	9,460,582
Operating loss	(842,267)	(1,094,773)	(1,456,010)	(2,264,812)	(1,866,862)	(1,092,062)	(22,066)	67,685	255,973	479,199	743,333	1,025,915	1,318,908
Interest income	73,839	200,663	209,009	213,778	137,239	(24,390)	(120,732)	(217,790)	(268,467)	(308,100)	(345,693)	(355,536)	(341,736)
Interest expense	-	-	(2,759)	(124,934)	(61,684)	(61,684)	-	-	-	-	-	-	-
Other income (expense), net	(47,565.00)	44,887.00	(35,339.00)	-	-	-	-	-	-	-	-	-	-
Loss before income taxes	(815,993)	(849,223)	(1,285,099)	(2,175,969)	(1,791,306)	(1,178,135)	(142,797)	(150,113)	(12,495)	171,099	397,640	670,379	977,170
Provision for (benefit from) income taxes	(18,467)	(11,233)	4,113	7,214	8,991	10,779	12,927	15,134	17,432	19,248	21,173	22,637	23,750
Net loss	(797,526)	(837,990)	(1,289,212)	(2,183,183)	(1,800,298)	(1,188,915)	(155,725)	(165,247)	(29,926)	161,851	376,467	647,742	953,419
Less: net (loss) attributable to noncontrolling interest	(821)	(1,893)	(3,572)	(4,409)	(1,663)	(2,196)	(431)	(610)	(138)	841	2,434	4,786	7,925
Net loss attributable to Snowflake Inc.	(796,705)	(836,097)	(1,285,640)	(2,187,592)	(1,801,960)	(1,191,111)	(156,156)	(165,858)	(30,065)	152,693	378,901	652,928	961,344
Net loss per share attributable to Snowflake Inc.													
Basic Earnings Per Share	(2.50)	(2.55)	(3.86)	(5.54)	(5.37)	(3.54)	(0.46)	(0.49)	(0.09)	0.44	1.07	1.81	2.60
Total Shares Outstanding (Year End)	323,305	333,961	333,865	334,872	335,669	336,999	339,072	342,424	346,923	350,438	356,185	364,264	374,570
Weighted Average Shares Outstanding (basic)	318,730	328,001	332,707	334,369	335,271	336,334	338,036	340,748	344,673	348,680	353,312	360,224	369,417

Snowflake Inc

Balance Sheet

(in thousands)

Fiscal Years Ending Jan 31	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Assets													
Current assets:													
Cash and cash equivalents	939,902	1,762,749	2,628,798	616,119	(3,509,062)	(6,022,940)	(8,560,511)	(9,955,081)	(11,082,642)	(12,166,274)	(12,569,564)	(12,394,605)	(11,461,396)
Short-term investments	3,067,966	2,083,499	2,008,873	2,089,991	2,174,385	2,262,187	2,353,534	2,448,570	2,547,443	2,650,309	2,757,328	2,868,669	2,984,506
Accounts receivable, net	715,821	926,902	922,805	94,989	118,392	141,938	170,221	199,281	229,538	253,452	278,797	298,081	312,740
Deferred commissions, current	67,901	86,096	97,662	224,221	279,465	335,045	401,809	470,405	541,825	598,275	658,103	703,621	738,226
Prepaid expenses and other current assets	193,100	180,018	211,234	426,749	531,892	637,674	764,743	895,298	1,031,228	1,138,668	1,252,534	1,339,167	1,405,029
Total current assets	4,984,690	5,039,264	5,869,372	3,452,070	(404,927)	(2,646,098)	(4,870,205)	(5,941,527)	(6,732,609)	(7,525,571)	(7,622,801)	(7,185,067)	(6,620,899)
Long-term investments	1,073,023	916,307	656,476	692,582	730,674	770,861	813,259	857,988	905,177	954,962	1,007,485	1,062,897	1,121,356
Property and equipment, net	160,823	247,464	296,393	303,242	311,778	322,011	334,284	348,652	365,202	383,475	403,577	425,068	447,616
Operating lease right-of-use assets	231,266	252,128	359,439	367,744	378,096	390,507	405,390	422,814	442,884	465,045	489,422	515,485	542,829
Goodwill	657,370	975,906	1,056,559	1,056,559	1,056,559	1,056,559	1,056,559	1,056,559	1,056,559	1,056,559	1,056,559	1,056,559	1,056,559
Intangible assets, net	186,013	331,411	278,028	195,957	138,113	97,343	68,609	48,356	34,082	24,021	16,930	11,933	8,410
Deferred commissions, non-current	145,286	187,093	183,967	545,537	679,947	815,173	977,613	1,144,509	1,318,276	1,455,622	1,601,184	1,711,932	1,796,126
Other assets	283,851	273,810	333,704	642,239	800,475	959,671	1,150,905	1,347,386	1,551,954	1,713,646	1,885,011	2,015,389	2,114,508
Total assets	7,722,322	8,223,383	9,033,938	7,255,931	3,690,715	1,766,029	(63,587)	(715,262)	(1,058,474)	(1,472,240)	(1,162,634)	(385,806)	1,066,510
Liabilities and Stockholders' Equity													
Current liabilities:													
Accounts payable	23,672	51,721	169,767	234,486	292,259	350,383	420,203	491,940	566,629	625,664	688,230	735,832	772,021
Accrued expenses and other current liabilities	269,069	446,860	515,454	816,890	1,018,157	1,220,645	1,463,883	1,713,795	1,973,994	2,179,656	2,397,622	2,563,456	2,689,529
Operating lease liabilities, current	27,301	33,944	35,923	41,799	42,976	44,387	46,078	48,059	50,340	52,859	55,630	58,592	61,700
Deferred revenue, current	1,673,475	2,198,705	2,580,039	4,352,622	5,425,026	6,503,941	7,799,978	9,131,580	10,517,994	11,613,821	12,775,203	13,658,813	14,330,566
Total current liabilities	1,993,517	2,731,230	3,301,183	5,445,798	6,778,418	8,119,355	9,730,142	11,385,373	13,108,957	14,472,000	15,916,685	17,016,693	17,853,817
Convertible senior notes, net	-	-	2,271,529	2,271,529	1,121,529	1,121,529	-	-	-	-	-	-	-
Operating lease liabilities, non-current	224,357	254,037	377,818	365,053	375,328	387,648	402,423	419,719	439,642	461,641	485,839	511,711	538,856
Deferred revenue, non-current	11,463	14,402	15,501	32,975	41,100	49,274	59,093	69,181	79,684	87,986	96,785	103,479	108,568
Other liabilities	24,370	33,120	61,264	72,953	90,928	109,011	130,734	153,052	176,290	194,656	214,122	228,932	240,191
Total liabilities	2,253,707	3,032,789	6,027,295	8,188,308	8,407,303	9,786,817	10,322,391	12,027,326	13,804,573	15,216,284	16,713,431	17,860,816	18,741,432
Stockholders' equity:													
Common Stock	8,210,782	9,331,272	10,355,245	10,591,254	10,827,264	11,063,273	11,299,283	11,535,292	11,738,260	11,738,260	11,738,260	11,738,260	11,738,260
Treasury Stock	-	(67,140)	(59,505)	(2,046,942)	(4,265,202)	(6,614,302)	(9,059,344)	(11,486,106)	(13,779,469)	(15,757,638)	(17,324,080)	(18,347,164)	(18,736,809)
Accumulated other comprehensive loss	(38,272)	(8,220)	(2,236)	(2,236)	(2,236)	(2,236)	(2,236)	(2,236)	(2,236)	(2,236)	(2,236)	(2,236)	(2,236)
Accumulated deficit	(2,716,074)	(4,075,604)	(7,293,575)	(9,476,758)	(11,277,055)	(12,465,970)	(12,621,694)	(12,786,942)	(12,816,868)	(12,665,017)	(12,288,550)	(11,640,808)	(10,687,389)
Total Snowflake Inc. stockholders' equity	5,456,436	5,180,308	2,999,929	(934,682)	(4,717,230)	(8,019,234)	(10,383,992)	(12,739,992)	(14,860,313)	(16,686,631)	(17,876,606)	(18,251,948)	(17,688,174)
Noncontrolling interest	12,179	10,286	6,714	2,305	642	(1,554)	(1,986)	(2,596)	(2,734)	(1,893)	541	5,327	13,252
Total stockholders' equity	5,468,615	5,190,594	3,006,643	(932,377)	(4,716,588)	(8,020,788)	(10,385,978)	(12,742,588)	(14,863,048)	(16,688,524)	(17,876,065)	(18,246,621)	(17,674,922)
Total liabilities and stockholders' equity	7,722,322	8,223,383	9,033,938	7,255,931	3,690,715	1,766,029	(63,587)	(715,262)	(1,058,474)	(1,472,240)	(1,162,634)	(385,806)	1,066,510

Snowflake Inc

Historical Cash Flow Statement

(In thousands)

Fiscal Years Ending Jan 31	2020	2021	2022	2023	2024	2025
Cash flows from operating activities:						
Net loss	(348,535)	(539,102)	(679,948)	(797,526)	(837,990)	(1,289,212)
Adjustments to reconcile net loss to net cash provided by operating activities:						
Depreciation and amortization	3,522	9,826	21,498	63,535	119,903	182,508
Non-cash operating lease costs	27,712	33,475	35,553	46,240	52,892	59,943
Amortization of deferred commissions	16,986	28,841	37,876	57,445	74,787	93,128
Stock-based compensation, net of amounts capitalized	78,399	301,441	605,095	861,533	1,168,015	1,479,314
Net amortization (accretion) of premiums (discounts) on investments	(5,459)	8,630	48,002	3,497	(61,525)	(43,434)
Net realized and unrealized losses (gains) on strategic investments in equity securities			(27,621)	46,435	(46,809)	31,420
Amortization of debt issuance costs						2,759
Deferred income tax			(717)	(26,664)	(26,762)	(7,671)
Other	1,476	4,580	2,014	1,618	14,895	7,420
Changes in operating assets and liabilities, net of effects of business combinations:						
Accounts receivable	(116,869)	(116,289)	(251,652)	(166,965)	(212,083)	536
Deferred commissions	(68,595)	(51,444)	(95,877)	(95,107)	(134,787)	(101,569)
Prepaid expenses and other assets	(10,811)	(62,349)	(159,159)	(2,904)	59,795	29,850
Accounts payable	1,116	(2,878)	7,371	8,024	19,212	108,852
Accrued expenses and other liabilities	34,994	58,252	79,772	74,519	171,048	70,876
Operating lease liabilities	(13,455)	(31,281)	(38,249)	(42,342)	(40,498)	(47,711)
Deferred revenue	222,961	312,881	526,221	514,301	528,029	382,755
Tax Shield on Other Income (expenses)	(176,558)	(45,417)	110,179	545,639	848,122	959,764
Tax shield on operating lease interest (+)						
Purchases of property and equipment	(18,583)	(35,037)	(16,221)	(25,128)	(35,086)	(46,279)
Capitalized internal-use software development costs	(4,265)	(5,293)	(12,772)	(796,705)	(836,097)	(1,285,640)
Cash paid for business combinations, net of cash, cash equivalents, and restricted cash acquired	(6,314)	(6,035)		(362,609)	(275,706)	(30,305)
Purchases of intangible assets		(8,374)	(24,334)	(700)	(28,744)	
Purchases of investments	(622,854)	(4,859,852)	(4,250,338)	(3,901,321)	(2,476,206)	(2,569,243)
Sales of investments	14,087	177,070	440,069	58,813	11,266	64,573
Maturities and redemptions of investments	776,424	700,876	3,842,796	3,657,072	3,670,867	2,802,082
Settlement of cash flow hedges						(749)
Net cash provided by (used in) investing activities	138,495	(4,036,645)	(20,800)	(597,885)	832,258	190,646
Cash flows from financing activities:						
Proceeds from issuance of redeemable convertible preferred stock, net of issuance costs	24,121	478,573				
Proceeds from initial public offering and private placements, net of underwriting discounts		4,242,284				
Proceeds from early exercised stock options	6,213	159				
Proceeds from exercise of stock options	27,526	53,378	127,036	39,893	57,194	44,886
Proceeds from issuance of common stock under employee stock purchase plan			52,227	40,931	61,234	77,053
Proceeds from repayments of a nonrecourse promissory note		2,090				
Repurchases of early exercised stock options and restricted common stock	(391)	(30)				
Payments of deferred purchase consideration for business combinations		(1,164)	(1,065)			
Taxes paid related to net share settlement of equity awards				(184,648)	(380,799)	(489,149)
Repurchases of common stock					(591,732)	(1,932,333)
Capital contributions from noncontrolling interest holders				13,000		
Payments of deferred purchase consideration for business combinations		(1,164)	(1,065)	(1,800)		(250.00)
Gross proceeds from issuance of convertible senior notes						2,300,000.00
Cash paid for issuance costs on convertible senior notes						(31,230.00)
Purchases of capped calls related to convertible senior notes						(195,500.00)
Net cash used in financing activities	57,469	4,775,290	178,198	(92,624)	(854,103)	(226,523)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash		(11)	(236)	(933)	(2,031)	(6,186)
Net increase (decrease) in cash, cash equivalents, and restricted cash	19,406	693,217	267,341	(145,803)	824,246	917,701
Cash, cash equivalents, and restricted cash-beginning of period	122,570	141,976	835,193	1,102,534	956,731	1,780,977
Cash, cash equivalents, and restricted cash-end of period	141,976.00	835,193.00	1,102,534.00	956,731.00	1,780,977.00	2,698,678.00

Snowflake Inc
Forecasted Cash Flow Statement
(in thousands)

Fiscal Years Ending Jan 31	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Cash at the beginning of the period	2,628,798	616,119	(3,509,062)	(6,022,940)	(8,560,511)	(9,955,081)	(11,082,642)	(12,166,274)	(12,569,564)	(12,394,605)
Cash flows from operating activities:										
Net loss	(2,183,183)	(1,800,298)	(1,188,915)	(155,725)	(165,247)	(29,926)	151,851	376,467	647,742	953,419
Adjustments to reconcile net loss to net cash										
Depreciation & Amortization	133,923	166,919	200,115	239,992	280,963	323,620	357,337	393,071	420,258	440,926
Cash from Operating Activities:										
Change in Accounts receivable, net	827,816	(23,403)	(23,545)	(28,284)	(29,060)	(30,256)	(23,915)	(25,345)	(19,283)	(14,660)
Change in Deferred commissions, current	(126,559)	(55,244)	(55,579)	(66,764)	(68,596)	(71,420)	(56,451)	(59,828)	(45,518)	(34,605)
Change in Prepaid expenses and other current assets	(215,515)	(105,143)	(105,781)	(127,069)	(130,556)	(135,930)	(107,439)	(113,867)	(86,633)	(65,862)
Change in Operating lease right-of-use assets	(8,305)	(10,352)	(12,410)	(14,883)	(17,424)	(20,070)	(22,161)	(24,377)	(26,063)	(27,345)
Change in Deferred commissions, non-current	(361,570)	(134,410)	(135,226)	(162,439)	(166,897)	(173,767)	(137,346)	(145,562)	(110,747)	(84,194)
Change in Other assets	(308,535)	(158,236)	(159,196)	(191,233)	(196,481)	(204,569)	(161,692)	(171,365)	(130,379)	(99,119)
Change in Accounts payable	64,719	57,773	58,124	69,821	71,737	74,689	59,035	62,566	47,602	36,189
Change in Accrued expenses and other current liabilities	301,436	201,266	202,488	243,237	249,912	260,199	205,662	217,966	165,834	126,073
Change in Operating lease liabilities, current	5,876	1,177	1,411	1,692	1,981	2,281	2,519	2,771	2,962	3,108
Change in Deferred revenue, current	1,772,583	1,072,404	1,078,915	1,296,038	1,331,602	1,386,414	1,095,827	1,161,382	883,610	671,753
Change in Operating lease liabilities, non-current	(12,765)	10,276	12,320	14,774	17,297	19,923	21,999	24,198	25,872	27,145
Change in Deferred revenue, non-current	17,474	8,125	8,174	9,819	10,088	10,503	8,302	8,799	6,694	5,089
Net cash provided by operating activities	(92,606)	(769,146)	(119,108)	1,128,975	1,189,317	1,411,693	1,393,529	1,706,876	1,781,950	1,937,919
Cash flows from investing activities:										
Short-term investments	(81,118)	(84,394)	(87,802)	(91,347)	(95,036)	(98,873)	(102,866)	(107,019)	(111,341)	(115,837)
Long-term investments	(36,106)	(38,092)	(40,187)	(42,397)	(44,729)	(47,189)	(49,785)	(52,523)	(55,412)	(58,459)
Intangible assets	82,071	57,844	40,769	28,735	20,253	14,274	10,061	7,091	4,998	3,522
Property and equipment, gross	(140,771)	(175,455)	(210,348)	(252,264)	(295,331)	(340,170)	(375,611)	(413,172)	(441,749)	(463,475)
Other liabilities	11,689	17,974	18,083	21,723	22,319	23,237	18,367	19,466	14,810	11,259
Net cash provided by (used in) investing activities	(164,236)	(222,122)	(279,484)	(335,552)	(392,524)	(448,721)	(499,834)	(546,158)	(588,694)	(622,989)
Cash flows from financing activities:										
Convertible senior notes, net	-	(1,150,000)	-	(1,121,529)	-	-	-	-	-	-
Common Stock	236,009	236,009	236,009	236,009	236,009	202,968	-	-	-	-
Treasury Stock	(1,987,437)	(2,218,260)	(2,349,099)	(2,445,043)	(2,426,762)	(2,293,363)	(1,978,169)	(1,566,442)	(1,023,084)	(389,645)
Noncontrolling interest	(4,409)	(1,663)	(2,196)	(431)	(610)	(138)	841	2,434	4,786	7,925
Net cash provided by (used) financing activities	(1,755,837)	(3,133,913)	(2,115,286)	(3,330,994)	(2,191,363)	(2,090,533)	(1,977,327)	(1,564,008)	(1,018,298)	(381,720)
Cash, cash equivalents, and restricted cash-end of period	616,119	(3,509,062)	(6,022,940)	(8,560,511)	(9,955,081)	(11,082,642)	(12,166,274)	(12,569,564)	(12,394,605)	(11,461,396)

Snowflake Inc

Common Size Income Statement

Fiscal Years Ending Jan 31	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Revenue	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of revenue	32.02%	33.50%	37.14%	35.03%	32.93%	31.86%	31.58%	31.30%	31.02%	30.74%	30.46%	30.19%
Cost of product, net	24.98%	27.36%	29.43%	27.61%	25.78%	24.98%	24.98%	24.98%	24.98%	24.98%	24.98%	24.98%
Cost of services, net	7.03%	6.14%	7.71%	7.43%	7.15%	6.87%	6.59%	6.31%	6.04%	5.76%	5.48%	5.20%
Depreciation and amortization	4.27%	5.03%	2.86%	2.86%	2.86%	2.86%	2.86%	2.86%	2.86%	2.86%	2.86%	2.86%
Gross profit	67.98%	66.50%	62.86%	64.97%	67.07%	68.14%	68.42%	68.70%	68.98%	69.26%	69.54%	69.81%
Operating expenses:												
Sales and marketing	49.59%	46.11%	58.25%	45.29%	32.34%	19.38%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
Research and development	45.89%	49.18%	41.90%	40.90%	39.90%	38.90%	37.90%	36.90%	35.90%	34.90%	33.90%	32.90%
General and administrative	11.51%	11.37%	11.00%	10.71%	10.41%	10.12%	9.83%	9.54%	9.24%	8.95%	8.66%	8.37%
Total operating expenses	106.99%	106.66%	111.15%	96.90%	82.65%	68.41%	67.73%	66.44%	65.15%	63.86%	62.56%	61.27%
Operating loss	-39.01%	-40.15%	-48.29%	-31.94%	-15.58%	-0.26%	0.69%	2.26%	3.83%	5.40%	6.97%	8.54%
Interest income	7.15%	5.76%	4.56%	2.35%	-0.35%	-1.44%	-2.21%	-2.37%	-2.46%	-2.51%	-2.42%	-2.21%
Interest expense	0.00%	-0.08%	-2.66%	-1.06%	-0.88%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other income (expense), net	1.60%	-0.97%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Loss before income taxes	-30.26%	-35.44%	-46.40%	-30.65%	-16.81%	-1.70%	-1.53%	-0.11%	1.37%	2.89%	4.56%	6.33%
Provision for (benefit from) income taxes	-0.40%	0.11%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%
Net loss	-29.86%	-35.55%	-46.55%	-30.80%	-16.97%	-1.85%	-1.68%	-0.26%	1.21%	2.74%	4.40%	6.17%
Less: net (loss) attributable to noncontrolling interest	-0.07%	-0.10%	-0.09%	-0.03%	-0.03%	-0.01%	-0.01%	0.00%	0.01%	0.02%	0.03%	0.05%
Net loss attributable to Snowflake Inc.	-29.79%	-35.45%	-46.65%	-30.83%	-17.00%	-1.86%	-1.69%	-0.27%	1.22%	2.75%	4.43%	6.23%

Snowflake Inc
Common Size Balance Sheet

Fiscal Years Ending Jan 31	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Assets													
Current assets:													
Cash and cash equivalents	45.50%	62.81%	72.49%	13.14%	-60.03%	-85.95%	-101.86%	-101.18%	-97.79%	-97.23%	-91.32%	-84.22%	-74.23%
Short-term investments	148.52%	74.24%	55.40%	44.57%	37.20%	32.28%	28.00%	24.89%	22.48%	21.18%	20.03%	19.49%	19.33%
Accounts receivable, net	34.65%	33.03%	25.45%	2.03%	2.03%	2.03%	2.03%	2.03%	2.03%	2.03%	2.03%	2.03%	2.03%
Deferred commissions, current	3.29%	3.07%	2.69%	4.78%	4.78%	4.78%	4.78%	4.78%	4.78%	4.78%	4.78%	4.78%	4.78%
Prepaid expenses and other current assets	9.35%	6.41%	5.82%	9.10%	9.10%	9.10%	9.10%	9.10%	9.10%	9.10%	9.10%	9.10%	9.10%
Total current assets	241.31%	179.56%	161.85%	73.61%	-6.93%	-37.76%	-57.95%	-60.39%	-59.41%	-60.14%	-55.38%	-48.82%	-38.99%
Long-term investments	51.95%	32.65%	18.10%	14.77%	12.50%	11.00%	9.68%	8.72%	7.99%	7.63%	7.32%	7.22%	7.26%
Property and equipment, net	7.79%	8.82%	8.17%	6.47%	5.33%	4.60%	3.98%	3.54%	3.22%	3.06%	2.93%	2.89%	2.90%
Operating lease right-of-use assets	11.20%	8.98%	9.91%	7.84%	6.47%	5.57%	4.82%	4.30%	3.91%	3.72%	3.56%	3.50%	3.52%
Goodwill	31.82%	34.77%	29.14%	22.53%	18.08%	15.08%	12.57%	10.74%	9.32%	8.44%	7.68%	7.18%	6.84%
Intangible assets, net	9.01%	11.81%	7.67%	4.18%	2.36%	1.39%	0.82%	0.49%	0.30%	0.19%	0.12%	0.08%	0.05%
Deferred commissions, non-current	7.03%	6.67%	5.07%	11.63%	11.63%	11.63%	11.63%	11.63%	11.63%	11.63%	11.63%	11.63%	11.63%
Other assets	13.74%	9.76%	9.20%	13.69%	13.69%	13.69%	13.69%	13.69%	13.69%	13.69%	13.69%	13.69%	13.69%
Total assets	373.84%	293.01%	249.12%	154.72%	63.14%	25.20%	-0.76%	-7.27%	-9.34%	-11.77%	-8.45%	-2.62%	6.91%
Liabilities and Stockholders' Equity													
Current liabilities:													
Accounts payable	1.15%	1.84%	4.68%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Tax Shield on Other Income (expenses)	13.03%	15.92%	14.21%	17.42%	17.42%	17.42%	17.42%	17.42%	17.42%	17.42%	17.42%	17.42%	17.42%
Tax shield on operating lease interest (+)	1.32%	1.21%	0.99%	0.89%	0.74%	0.63%	0.55%	0.49%	0.44%	0.42%	0.40%	0.40%	0.40%
Deferred revenue, current	81.01%	78.34%	71.15%	92.81%	92.81%	92.81%	92.81%	92.81%	92.81%	92.81%	92.81%	92.81%	92.81%
Total current liabilities	96.51%	97.32%	91.03%	116.12%	115.97%	115.86%	115.78%	115.72%	115.67%	115.65%	115.63%	115.63%	115.63%
Convertible senior notes, net	0.00%	0.00%	62.64%	48.44%	19.19%	16.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Operating lease liabilities, non-current	10.86%	9.05%	10.42%	7.78%	6.42%	5.53%	4.79%	4.27%	3.88%	3.69%	3.53%	3.48%	3.49%
Deferred revenue, non-current	0.55%	0.51%	0.43%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%
Other liabilities	1.18%	1.18%	1.69%	1.56%	1.56%	1.56%	1.56%	1.56%	1.56%	1.56%	1.56%	1.56%	1.56%
Total liabilities	109.10%	108.06%	166.21%	174.60%	143.83%	139.66%	122.83%	122.24%	121.81%	121.60%	121.42%	121.36%	121.38%
Stockholders' equity:													
Common Stock	397.49%	332.49%	285.55%	225.84%	185.23%	157.87%	134.45%	117.24%	103.58%	93.81%	85.28%	79.76%	76.02%
Treasury Stock	0.00%	-2.39%	-1.64%	-43.65%	-72.97%	-94.39%	-107.80%	-116.74%	-121.59%	-125.93%	-125.86%	-124.67%	-121.35%
Accumulated other comprehensive loss	-1.85%	-0.29%	-0.06%	-0.05%	-0.04%	-0.03%	-0.03%	-0.02%	-0.02%	-0.02%	-0.02%	-0.02%	-0.01%
Accumulated deficit	-131.49%	-145.22%	-201.12%	-202.08%	-192.93%	-177.89%	-150.19%	-129.96%	-113.10%	-101.21%	-89.28%	-79.10%	-69.22%
Total Snowflake Inc. stockholders' equity	264.15%	184.58%	82.72%	-19.93%	-80.70%	-114.44%	-123.56%	-129.49%	-131.13%	-133.35%	-129.87%	-124.02%	-114.56%
Noncontrolling interest	0.59%	0.37%	0.19%	0.05%	0.01%	-0.02%	-0.02%	-0.03%	-0.02%	-0.02%	0.00%	0.04%	0.09%
Total stockholders' equity	264.74%	184.95%	82.91%	-19.88%	-80.69%	-114.46%	-123.58%	-129.51%	-131.15%	-133.37%	-129.87%	-123.99%	-114.47%
Total liabilities and stockholders' equity	373.84%	293.01%	249.12%	154.72%	63.14%	25.20%	-0.76%	-7.27%	-9.34%	-11.77%	-8.45%	-2.62%	6.91%

Snowflake Inc
Value Driver Estimation

Fiscal Years Ending Jan 31	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
NOPLAT:													
EBITA (Earnings before interest, taxes)													
Revenue	2,065,659	2,806,489	3,626,396	4,689,719	5,845,177	7,007,650	8,404,062	9,838,792	11,332,580	12,513,275	13,764,602	14,716,645	15,440,423
Cost of revenue	717,540	898,558	1,214,673	1,741,810	2,047,857	2,307,543	2,677,215	3,106,887	3,547,059	3,881,791	4,231,667	4,483,402	4,660,934
Sales and marketing	1,106,507	1,391,747	1,672,092	2,731,662	2,647,387	2,265,977	1,628,682	1,967,758	2,266,516	2,502,655	2,752,920	2,943,329	3,088,085
Research and development	788,058	1,287,949	1,783,379	1,965,190	2,390,924	2,796,348	3,269,534	3,729,317	4,182,199	4,492,793	4,804,426	4,989,562	5,080,550
General and administrative	295,821	323,008	412,262	515,869	625,871	729,844	850,696	967,145	1,080,833	1,156,836	1,232,255	1,274,436	1,291,948
Depreciation and amortization	63,535	119,903	182,508	-	-	-	-	-	-	-	-	-	-
Implied interest on Operating Leases	10,470	12,720	13,867	19,769	20,226	20,795	21,478	22,296	23,255	24,359	25,577	26,918	28,352
EBIT	(895,332)	(1,201,956)	(1,624,651)	(2,245,043)	(1,846,636)	(1,071,266)	(588)	89,981	279,228	503,558	768,911	1,052,833	1,347,259
Implied Marginal Tax Rate													
Total Adjusted Taxes													
Provision for (benefit from) income taxes	(18,467)	(11,233)	4,113	7,214	8,991	10,779	12,927	15,134	17,432	19,248	21,173	22,637	23,750
Tax Shield on Interest Income (-)	114	309	321	329	211	(38)	(186)	(335)	(413)	(474)	(532)	(547)	(526)
Tax Shield on Interest Expense (+)	-	-	(4)	(192)	(95)	(95)	-	-	-	-	-	-	-
Tax Shield on Other Income (expenses)	(73)	69	(54)	-	-	-	-	-	-	-	-	-	-
Tax shield on operating lease interest (+)	16	20	21	30	31	32	33	34	36	37	39	41	44
Total Adjusted Taxes	(796,705)	(836,097)	(1,285,640)	6,723	8,716	10,754	13,146	15,503	17,881	19,759	21,744	23,225	24,320
Deferred Taxes	(25,947)	(98)	19,091	7,671	-	-	-	-	-	-	-	-	-
NOPLAT	(124,574)	(365,957)	(319,920)	(2,244,095)	(1,855,352)	(1,082,020)	(13,734)	74,478	261,347	483,799	747,167	1,029,607	1,322,939
Invested Capital (IC):													
Operating Assets													
Normal Cash	939,902	1,276,989	1,650,058	2,133,884	2,659,632	3,188,573	3,823,959	4,476,780	5,156,473	5,693,705	6,263,075	6,696,267	7,025,595
Accounts Receivable	715,821	926,902	922,805	816,890	1,018,157	1,220,645	1,463,883	1,713,795	1,973,994	2,179,656	2,397,622	2,563,456	2,689,529
Prepaid Expenses	193,100	180,018	211,234	426,749	531,892	637,674	764,743	895,298	1,031,228	1,138,668	1,252,534	1,339,167	1,405,029
Deferred Comissions	67,901	86,096	97,662	224,221	279,465	335,045	401,809	470,405	541,825	598,275	658,103	703,621	738,226
Operating Current Assets (Non-Interest Bearing)	1,916,724	2,470,005	2,881,759	2,879,843	3,589,382	4,303,229	5,160,731	6,041,764	6,959,063	7,684,100	8,452,510	9,037,136	9,481,591
Operating Liabilities													
Accounts payable	23,672	51,721	169,767	234,486	292,259	350,383	420,203	491,940	566,629	625,664	688,230	735,832	772,021
Accrued expenses and other current liabilities	269,069	446,860	515,454	816,890	1,018,157	1,220,645	1,463,883	1,713,795	1,973,994	2,179,656	2,397,622	2,563,456	2,689,529
Operating lease liabilities, current	27,301	33,944	35,923	41,799	42,976	44,387	46,078	48,059	50,340	52,859	55,630	58,592	61,700
Deferred revenue, current	1,673,475	2,198,705	2,580,039	4,352,622	5,425,026	6,503,941	7,799,978	9,131,580	10,517,994	11,613,821	12,775,203	13,658,813	14,330,566
Operating Current Liabilities (Non-Interest-Bearing)	1,993,517	2,731,230	3,301,183	5,445,798	6,778,418	8,119,355	9,730,142	11,385,373	13,108,957	14,472,000	15,916,685	17,016,693	17,853,817
Net Operating Working Capital	(76,793)	(261,225)	(419,424)	(2,565,955)	(3,189,036)	(3,816,126)	(4,569,411)	(5,343,609)	(6,149,894)	(6,787,901)	(7,464,175)	(7,979,557)	(8,372,226)
Net PPE	160,823	247,464	296,393	303,242	311,778	322,011	334,284	348,652	365,202	383,475	403,577	425,068	447,616
Intangible Assets (non-goodwill)	186,013	331,411	278,028	195,957	138,113	97,343	68,609	48,366	34,082	24,021	16,930	11,933	8,410
Present vaue of operating leases	231,266	252,128	359,439	367,744	378,096	390,507	405,390	422,814	442,884	465,045	489,422	515,485	542,829
Deferred commissions	145,286	187,093	183,967	545,537	679,947	815,173	977,613	1,144,509	1,318,276	1,455,622	1,601,184	1,711,932	1,796,126
Long-term Operating Assets	723,388	1,018,096	1,117,827	1,412,480	1,507,934	1,625,035	1,785,895	1,964,332	2,160,444	2,328,164	2,511,113	2,664,417	2,794,982
Operating lease liabilities, non-current	224,357	254,037	377,818	365,053	375,328	387,648	402,423	419,719	439,642	461,641	485,839	511,711	538,856
Deferred revenue, non-current	11,463	14,402	15,501	32,975	41,100	49,274	59,093	69,181	79,684	87,986	96,785	103,479	108,568
Other liabilities	24,370	33,120	61,264	72,953	90,928	109,011	130,734	153,052	176,290	194,656	214,122	228,932	240,191
Long-term Operating Liabilities	260,190	301,559	454,583	470,981	507,356	545,933	592,249	641,952	695,616	744,283	796,746	844,122	887,615
Invested Capital	386,405	455,312	243,820	(1,624,456)	(2,188,458)	(2,737,025)	(3,375,764)	(4,021,229)	(4,685,066)	(5,204,020)	(5,749,809)	(6,159,263)	(6,464,859)
Free Cash Flow (FCF):													
NOPLAT	(124,574)	(365,957)	(319,920)	(2,244,095)	(1,855,352)	(1,082,020)	(13,734)	74,478	261,347	483,799	747,167	1,029,607	1,322,939
Change in IC	228,605	68,907	(211,493)	(1,868,275)	(564,002)	(548,567)	(638,740)	(645,465)	(663,837)	(518,954)	(545,788)	(409,454)	(305,596)
FCF	(353,180)	(434,865)	(108,427)	(375,820)	(1,291,349)	(533,453)	625,006	719,943	925,184	1,002,753	1,292,955	1,439,061	1,628,536
Return on Invested Capital (ROIC):													
NOPLAT	(124,574)	(365,957)	(319,920)	(2,244,095)	(1,855,352)	(1,082,020)	(13,734)	74,478	261,347	483,799	747,167	1,029,607	1,322,939
Beginning IC	157,800	386,405	455,312	243,820	(1,624,456)	(2,188,458)	(2,737,025)	(3,375,764)	(4,021,229)	(4,685,066)	(5,204,020)	(5,749,809)	(6,159,263)
ROIC	-79%	-95%	-70%	-920%	114%	49%	1%	-2%	-6%	-10%	-14%	-18%	-21%
Economic Profit (EP):													
Beginning IC	157,800	386,405	455,312	243,820	(1,624,456)	(2,188,458)	(2,737,025)	(3,375,764)	(4,021,229)	(4,685,066)	(5,204,020)	(5,749,809)	(6,159,263)
x (ROIC - WACC)	-88.78%	-104.54%	-80.10%	-930.23%	104.38%	39.61%	-9.33%	-12.04%	-16.33%	-20.16%	-24.19%	-27.74%	-31.31%
EP	(140,093)	(403,959)	(364,698)	(2,268,074)	(1,695,593)	(866,794)	255,441	406,470	656,818	944,556	1,258,961	1,595,077	1,928,677

Snowflake Inc
Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:	Risk-Free Rate	4.33%	ASSUMPTIONS: 10-year Treasury bond 4/16/25 Beta 5Y 4/16/25 Henry Fund ERP Consensus
	Beta	1.13	
	Equity Risk Premium	5.00%	
	Cost of Equity	9.98%	
Cost of Debt:	Risk-Free Rate	4.33%	10-year Treasury bond 4/16/25 Saas Average
	Implied Default Premium	1.17%	
	Pre-Tax Cost of Debt	5.50%	
	Marginal Tax Rate	20%	
	After-Tax Cost of Debt	4.40%	
Tax Shield on Other Income (expenses)			MV Weights
Tax shield on operating lease interest (+)	Total Shares Outstanding	333,865	
	Current Stock Price	\$140.23	
	MV of Equity	46,817,888.95	97.39%
Market Value of Debt:	Short-Term Debt		
	Current Portion of LTD	515,454	
	Long-Term Debt		
	PV of Operating Leases	737,257	
	MV of Total Debt	1,252,711.00	2.61%
Market Value of the Firm		48,070,599.95	100.00%
Estimated WACC			9.83%

Snowflake Inc
Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models
Key Inputs:

CV Growth of NOPLAT	5.00%
CV Year ROIC	-21%
WACC	9.83%
Cost of Equity	9.98%

Fiscal Years Ending Jan 31	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
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DCF Model:

Free Cash Flow (FCF)	(375,820)	(1,291,349)	(533,453)	625,006	719,943	925,184	1,002,753	1,292,955	1,439,061	1,628,536
Continuing Value (CV)										33,734,066
PV of FCF	(342,169)	(1,070,448)	(402,605)	429,465	450,404	526,979	520,020	610,479	618,625	14,501,624

Value of Operating Assets:	15,842,374
Non-Operating Adjustments	
Excess Cash	978,740
Short-term investments	2,008,873
Long-term investments	656,476
Convertible senior notes, net	(2,271,529)
Operating lease liabilities, net	(737,257)
Tax Shield on Other Intangible Assets	(61,264)
Tax shield on operating assets	(2,901,001)
Value of Equity	13,515,412
Shares Outstanding	333,865
Intrinsic Value of Last FYE	\$ 40.48
Implied Price as of Today	\$ 41.11

EP Model:

Economic Profit (EP)	(2,268,074)	(1,695,593)	(866,794)	255,441	406,470	656,818	944,556	1,258,961	1,595,077	1,928,677
Continuing Value (CV)										39,893,329
PV of EP	(2,064,991)	(1,405,541)	(654,182)	175,523	254,292	374,120	489,839	594,428	685,693	17,149,372

Total PV of EP	15,598,554
Invested Capital (last FYE)	243,820
Value of Operating Assets:	15,842,374
Non-Operating Adjustments	
Excess Cash	978,740
Short-term investments	2,008,873
Long-term investments	656,476
Convertible senior notes, net	(2,271,529)
Operating lease liabilities, net	(737,257)
Other liabilities	(61,264)
ESOP	(2,901,001)
Value of Equity	13,515,412
Shares Outstanding	333,865
Intrinsic Value of Last FYE	\$ 40.48
Implied Price as of Today	\$ 41.11

Snowflake Inc*Dividend Discount Model (DDM) or Fundamental P/E Valuation Model*

<i>Fiscal Years Ending</i>	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
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EPS	\$	(6.54)	\$	(5.37)	\$	(3.54)	\$	(0.46)	\$	(0.49)	\$	(0.09)	\$	0.44	\$	1.07	\$	1.81	\$	2.60
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Key Assumptions

CV growth of EPS	5.00%
CV Year ROE	-5.27%
Cost of Equity	9.98%

Future Cash Flows

P/E Multiple (CV Year)																				39.14
EPS (CV Year)																			\$	2.60
Future Stock Price																			\$	101.86
Dividends Per Share	-	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Discounted Cash Flows	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	\$	43.27

Intrinsic Value as of Last FYE \$ 43.27

Implied Price as of Today **\$ 43.94**

Snowflake Inc*Relative Valuation Models*

Ticker	Company	Price	Sales per Share		P/S	
			2026E	2027E	2026E	2027E
MDB	MongoDB	\$158.58	28.03	32.70	\$5.66	\$4.85
ESTC	Elastic	\$79.95	9.08	11.92	\$8.81	\$6.71
DDOG	Datadog, Inc.	\$87.93	28.03	33.53	\$3.14	\$2.62
PLTR	Palantir	\$98.40	36.27	47.65	\$2.71	\$2.06
ZS	Zscaler, Inc.	\$204.64	59.95	70.80	\$3.41	\$2.89
NET	Cloudflare	\$109.14	32.46	30.61	\$3.36	\$3.57
TDC	Teradata Corp	\$20.53	2.61	2.59	\$7.88	\$7.93
Average					5.00	4.38
Price						
SNOW	Snowflake Inc	\$140.23	13.7	17.1	10.25	8.22

Implied Relative Value Software/Data Peers:

P/S (25)	\$	51.20
P/S (26)	\$	35.99

Key Management Ratios

Fiscal Years Ending Jan 31	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Liquidity Ratios:													
Current Ratio Current Assets / Current Liabilities	2.50	1.85	1.78	0.63	-0.06	-0.33	-0.50	-0.52	-0.51	-0.52	-0.48	-0.42	-0.34
Quick Ratio (Current Assets - Inventory) / Current Liabilities	2.50	1.85	1.78	0.63	-0.06	-0.33	-0.50	-0.52	-0.51	-0.52	-0.48	-0.42	-0.34
Cash Ratio (Cash + Marketable Securities) / Current Liabilities	0.47	0.65	0.80	0.11	-0.52	-0.74	-0.88	-0.87	-0.85	-0.84	-0.79	-0.73	-0.64
Asset-Management Ratios:													
Asset Turnover Ratio Sales/ Average Total Assets	1.93	5.60	4.47	-2.64	-1.64	-3.64	-4.59	-15.10	-33.02	-30.24	44.46	18.94	10.63
Inventory Turnover Ratio COGS / Average Inventory													
Accounts Receivable Turnover Sales/ Average Accounts Receivable	24.27	26.59	-1770.27	-11.33	499.51	595.24	594.27	677.14	749.11	1046.50	1086.17	1526.36	2106.49
Financial Leverage Ratios:													
Debt-to-Assets Ratio (Short-term Debt + Long-term Debt) / Total Assets													
Debt-to-Equity Ratio (Short-term Debt + Long-term Debt) / Total Equity	0.08	0.10	1.00	-3.21	-0.40	-0.24	-0.08	-0.07	-0.06	-0.06	-0.05	-0.06	-0.06
Tax Shield on Other Income (e.g., interest expense) Tax shield on operating lease interest (+)	NA	NA	588.86	17.97	29.94	17.37	NA	NA	NA	NA	NA	NA	NA
Profitability Ratios:													
Return on Assets Net Income / Total Assets	-10.32%	-10.17%	-14.23%	-30.15%	-48.82%	-67.45%	245.58%	23.19%	2.84%	-10.37%	-32.59%	-169.13%	90.14%
Return on Equity Net Income / Beg Total Equity	-15.78%	-15.32%	-24.82%	-72.92%	192.79%	25.25%	1.95%	1.60%	0.24%	-1.03%	-2.27%	-3.65%	-5.27%
Gross Margin Gross Profit / Sales	65.26%	67.98%	66.50%	62.86%	64.97%	67.07%	68.14%	68.42%	68.70%	68.98%	69.26%	69.54%	69.81%
Operating Margin Operating Profit / Sales	-40.77%	-39.01%	-40.15%	-48.29%	-31.94%	-15.58%	-0.26%	0.69%	2.26%	3.83%	5.40%	6.97%	8.54%
Net Margin Net Profit / Sales	-38.61%	-29.86%	-35.55%	-46.55%	-30.80%	-16.97%	-1.85%	-1.68%	-0.26%	1.21%	2.74%	4.40%	6.17%
Payout Policy Ratios:													
Dividend Payout Ratio Dividend / EPS	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Payout Ratio ((Dividends + Repurchases) / Net Income)	0.00%	70.61%	149.88%	-91.03%	-123.22%	-197.58%	-1570.11%	-1468.56%	-7663.37%	1302.70%	416.09%	157.95%	40.87%

Effects of ESOP Exercise and Share Repurchases on Common Stock Account and Number of Shares Outstanding

Number of Options Outstanding (shares):	21,653
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Average time to maturity (years):	3.66
Expected Annual Number of Options Exercised:	3,693

Current Average Strike Price: \$ 63.91

Current Stock Price: \$140.23

[illegible]

Snowflake Inc*Valuation of Options Granted under ESOP*

Current Stock Price	\$140.23
Risk Free Rate	4.33%
Current Dividend Yield	0.00%
Annualized St. Dev. of Stock Returns	124.80% Bloomberg

Range of Outstanding Options		Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
	2022	6,118	207.56	6.90	\$ 125.37	\$ 766,990
	2023	8,357	6.84	5.90	\$ 137.81	\$ 1,151,692
	2024	6,608	6.79	5.00	\$ 137.26	\$ 907,018
	2025	570	20.83	4.20	\$ 132.11	\$ 75,300
					\$	-
					\$	-
					\$	-
					\$	-
					\$	-
Total		21,653	\$ 63.91	5.86	\$ 129.74	\$ 2,901,001