



SNOWFLAKE

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Company Overview

Snowflake is an American Cloud computing-based data cloud system established in 2012 and publicly launched after 2 years in 2014 for personal use. Snowflake uses cloud data to enable software to run remotely such as AI operating systems. Recent firm health shows a decline in its stock prices, thus there is room for substantial growth in the coming months/years.

- COMPANY STATISTICS
- **Market Cap (\$ Bn):** **\$132.03**
- **Enterprise Value (\$ Bn):** **\$53.44**
- **52-Week Range:** **\$131.71- \$237.71**
- **Dividend Yield:** **0%**
- **P/S (Current):** **19x**
- **Return on Equity (2019):** **-16.1%**

Key information	
12.9%	14.1%
Earnings growth rate	EPS growth rate
It earnings growth	16.8%
Revenue growth rate	18.4%
Future return on equity	10.5%
Analyst coverage	Good
Last updated	07 Mar 2024

- Financial Health

Key information

-22.5%

Earnings growth rate

26.6%

EPS growth rate

It industry growth 22.4%

Revenue growth rate 47.6%

Return on equity -16.1%

Net margin -29.8%

Last Earnings Update 31 Jan 2024

Key information

0%

Debt to equity ratio

US\$0

Debt

Interest coverage ratio n/a

Cash US\$3.85b

Equity US\$5.19b

Total liabilities US\$3.03b

Total assets US\$8.22b

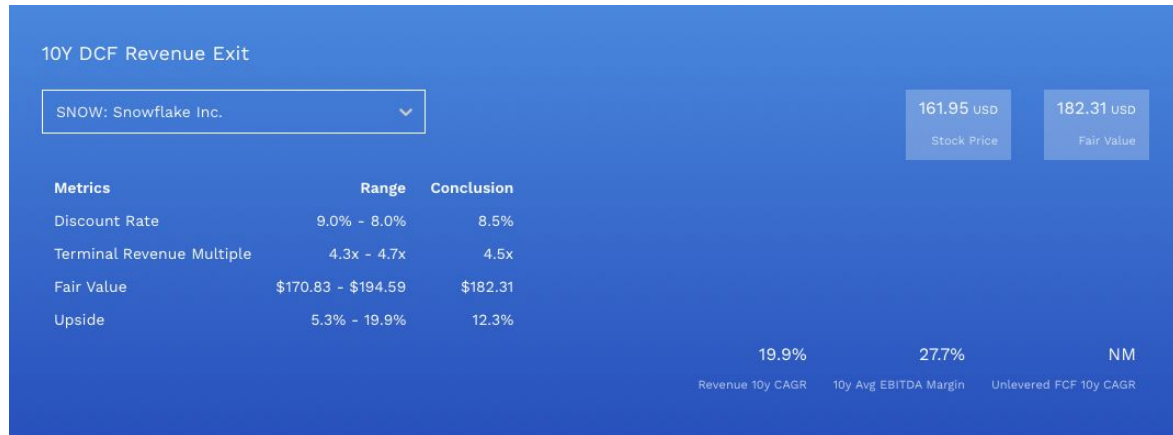
Catalysts

- Controversy linking to insider trading between 09/2020-03/2022 has resulted in a lawsuit filed against Snowflake. This has had negative effects on the stock price, but we believe prices fell as a result of speculation.
- Frank Slootman announced his resignation as CEO and will move to chairman of the board and be replaced by Ramaswamy.

INVESTMENT THESIS

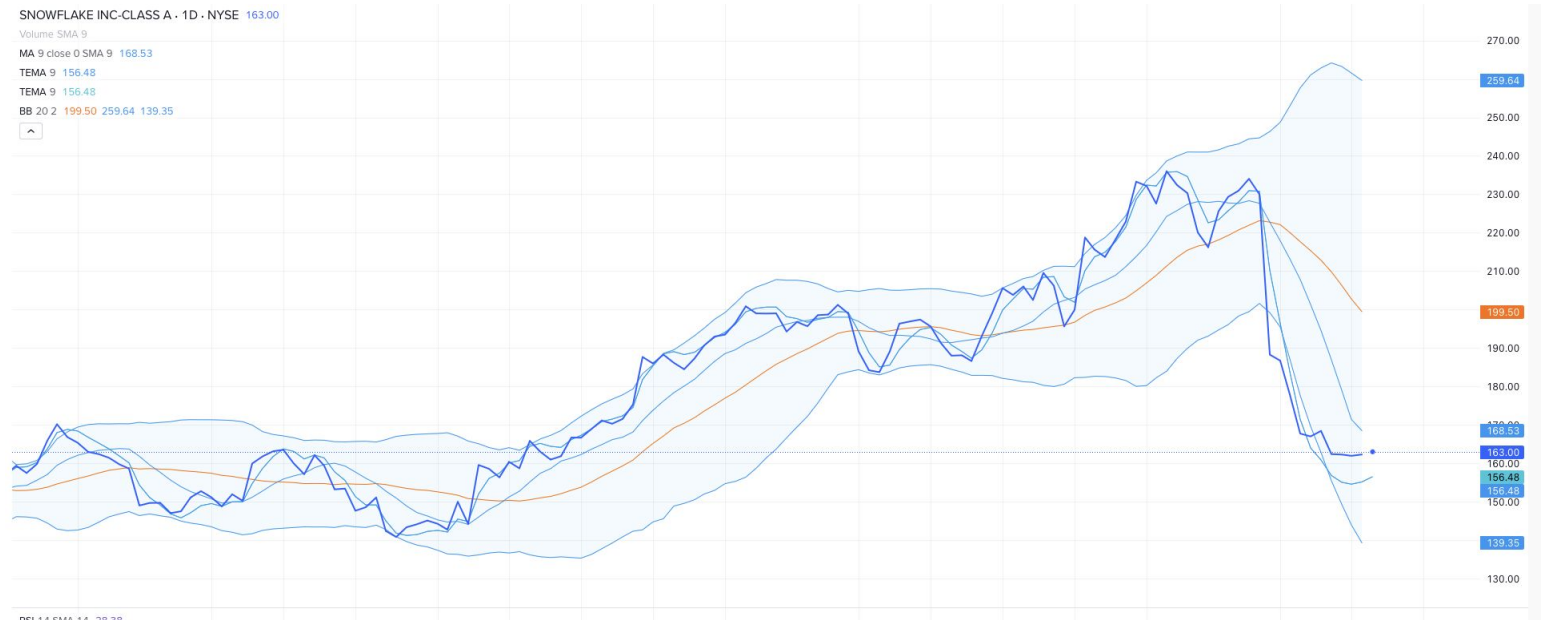
- Snowflake's 47.6% revenue growth showcases demand for its cloud-based data warehousing solutions. Despite its zero (0) earnings as it is still in its development stage, the surge in revenue indicates successful market penetration, hinting at future profitability as operations expand.
- Snowflake has partnered with Microsoft and OpenAI who use Snowflake's cloud data services to operate their AI platforms.
- The forecasted growth rates for earnings, revenue, and EPS present attractive investment opportunities for investors seeking exposure to a high-growth industry. Snowflake's innovative platform, coupled with its strong growth prospects, positions it as a compelling investment opportunity for investors with a long-term horizon.

Valuation and Analysis



Using metrics to calculate a fair valuation of the company, Snowflake is seen to be undervalued in the short-term presenting a good buy opportunity.

Across a 6m period, the stock has shown signs of persistent growth with a recent decline due to shifts in management.



Valuation and Analysis



Using the RSI, the trend shows Snowflake has been oversold due to speculative insider trading. However, across a 1Y index, it shows promise as a good buy opportunity clearing the lower bound of the RSI for the first time. The stock price is showing signs of resistance and is unlikely to experience further falls in price.

ESG Summary

- **ESG Beliefs** – As Snowflake is still an early stage company, its main priority is financial growth but still places emphasis on sustainable growth.
- Key values include deep rooted values in environmental sustainability, equal work opportunities as well as an inclusive work environment and governance.



Environmental

We work to minimize our own environmental footprint, but for Snowflake, that's not enough. Snowflake's core architecture processes data more efficiently than legacy solutions, which helps reduce the carbon impact.



Social

Embracing each other's differences is a core value of our organization. We believe that creating an equal opportunity, performance-based work environment that welcomes diverse perspectives allows our workforce to bring new ideas to the table, challenge the status quo, and fuel innovation.



Governance

We are committed to building strong corporate governance that supports long-term value creation.

Recommendation

- Long term perspective : Put an emphasis on the long-term growth potential of snowflake, allowing for the returns to compound over time. To diversify investments is also recommended, we recommend an investment between 10-20%
- Regular monitoring : Keeping track of Snowflakes performance, industry trends and developments and making decisions accordingly is vital
- Risk management: Recognise importance of managing risk and prioritise a comprehensive risk management approach tailored to snowflakes characteristics and market environment. Mitigate potential risks through analysing threats and regulatory developments.

Overview

We have witnessed snowflake to be a worthwhile investment: With cloud computing experiencing rapid growth, Snowflake is positioned to benefit from this trend, making it a promising investment

- Snowflake's partnerships with Microsoft and OpenAI strengthen its market position and open up avenues for collaboration and innovation, enhancing its long-term prospects.
- Strong financial performance: Snowflake has demonstrated strong performance, with impressive year-over-year revenue growth of 32%, indicating its ability to generate sustainable returns for investors.
- Undervalued according to DCF: Despite its strong performance, Snowflake is currently undervalued according to the discounted cash flow (DCF) analysis through a P/S metric. Forecasted sales are also set to increase 23% in 12m.
- Short-term and long-term investment potential: Snowflake's undervaluation suggests potential for short-term gains, while its solid fundamentals and market position make it a compelling long-term investment as well.
- Room for growth: As a relatively new company, Snowflake has ample room for expansion and market penetration, which could translate into significant gains for investors over time.
- Short-term buying opportunity: Given its current undervaluation and low stock price, now may be an opportune time to buy Snowflake shares for short-term gains.
With the stock currently at a low point, it may be worth seizing the opportunity to buy Snowflake shares before they potentially rebound and appreciate in value