

1 ROBBINS GELLER RUDMAN  
& DOWD LLP  
2 SHAWN A. WILLIAMS (213113)  
Post Montgomery Center  
3 One Montgomery Street, Suite 1800  
San Francisco, CA 94104  
4 Telephone: 415/288-4545  
415/288-4534 (fax)  
5 shawnw@rgrdlaw.com  
– and –

6 BRIAN E. COCHRAN (286202)  
655 West Broadway, Suite 1900  
7 San Diego, CA 92101-8498  
Telephone: 619/231-1058  
8 619/231-7423 (fax)  
bcochran@rgrdlaw.com

9 Attorneys for Plaintiff

10 [Additional counsel appear on signature page.]

11  
12 UNITED STATES DISTRICT COURT  
13 NORTHERN DISTRICT OF CALIFORNIA

14 SUZANNE L. FLANNERY, Individually and )  
on Behalf of All Others Similarly Situated, )

15 Plaintiff, )

16 vs. )

17 SNOWFLAKE INC., FRANK SLOOTMAN, )  
18 and MICHAEL P. SCARPELLI, )

19 Defendants. )

Case No.

CLASS ACTION

COMPLAINT FOR VIOLATIONS OF THE  
FEDERAL SECURITIES LAWS

DEMAND FOR JURY TRIAL

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1 Plaintiff Suzanne L. Flannery (“plaintiff”), individually and on behalf of all others similarly  
2 situated, by plaintiff’s undersigned attorneys, for plaintiff’s complaint against defendants, alleges the  
3 following based upon personal knowledge as to plaintiff and plaintiff’s own acts, and upon  
4 information and belief as to all other matters based on the investigation conducted by and through  
5 plaintiff’s attorneys, which included, among other things, a review of U.S. Securities and Exchange  
6 Commission (“SEC”) filings of Snowflake Inc. (“Snowflake” or the “Company”), the Company’s  
7 press releases, and analyst reports, media reports, and other publicly disclosed reports and  
8 information about the Company. Plaintiff believes that substantial additional evidentiary support  
9 will exist for the allegations set forth herein after a reasonable opportunity for discovery.

10 **NATURE OF THE ACTION**

11 1. This is a securities class action on behalf of all persons who purchased Snowflake  
12 Class A common stock between September 16, 2020 and March 2, 2022, both dates inclusive (the  
13 “Class Period”), seeking to pursue remedies under the Securities Exchange Act of 1934 (the “1934  
14 Act”) against Snowflake and certain of the Company’s senior officers and directors.

15 **JURISDICTION AND VENUE**

16 2. The claims asserted herein arise under and pursuant to §§10(b) and 20(a) of the 1934  
17 Act, 15 U.S.C. §§78j(b) and 78t(a), and Rule 10b-5 promulgated thereunder by the SEC, 17 C.F.R.  
18 §240.10b-5.

19 3. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C.  
20 §1331 and §27 of the 1934 Act, 15 U.S.C. §78aa.

21 4. Venue is proper in this District pursuant to 28 U.S.C. §1391(b) and §27 of the 1934  
22 Act, because certain defendants reside in this District, Snowflake maintained its corporate  
23 headquarters in this District at the start of the Class Period, and many of the acts and practices  
24 complained of herein occurred in substantial part in this District.

25 5. In connection with the acts alleged in this complaint, defendants, directly or  
26 indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to,  
27 the mails, interstate telephone communications, and the facilities of the national securities markets.

**PARTIES**

1  
2 6. Plaintiff Suzanne L. Flannery, as set forth in the certification attached hereto and  
3 incorporated by reference herein, purchased Snowflake common stock during the Class Period and  
4 suffered damages as a result.

5 7. Defendant Snowflake is a data cloud platform that enables customers to consolidate  
6 data into a single source build data-driven applications and share data. Snowflake common stock  
7 trades on the New York Stock Exchange (“NYSE”) under the ticker symbol “SNOW.”

8 8. Defendant Frank Sloodman (“Sloodman”) was the Chief Executive Officer (“CEO”) and  
9 Chairman of the Board of Directors of Snowflake during the Class Period.

10 9. Defendant Michael P. Scarpelli (“Scarpelli”) was the Chief Financial Officer (“CFO”) of  
11 Snowflake during the Class Period.

12 10. Defendants Sloodman and Scarpelli are collectively referred to herein as the  
13 “Individual Defendants.” The Individual Defendants, together with Snowflake, are referred to herein  
14 as “defendants.”

15 11. Each of the Individual Defendants was directly involved in the management and day-  
16 to-day operations of the Company at the highest levels and was privy to confidential proprietary  
17 information concerning the Company and its business, operations, services, competition, acquisition  
18 plans, and present and future business prospects, as alleged herein. In addition, the Individual  
19 Defendants were involved in drafting, producing, reviewing, and/or disseminating the false and  
20 misleading statements and information alleged herein, were aware of, or recklessly disregarded, the  
21 false and misleading statements being issued regarding the Company, and approved or ratified these  
22 statements, in violation of the federal securities laws.

23 12. As officers and controlling persons of a publicly held company whose securities are  
24 registered with the SEC pursuant to the 1934 Act and trade on the NYSE, which is governed by the  
25 provisions of the federal securities laws, the Individual Defendants each had a duty to promptly  
26 disseminate accurate and truthful information with respect to the Company’s operations, business,  
27 services, markets, competition, acquisition plans, and present and future business prospects. In  
28 addition, the Individual Defendants each had a duty to correct any previously issued statements that

1 had become materially misleading or untrue, so that the market price of the Company's publicly  
2 traded common shares would be based upon truthful and accurate information. Defendants' false  
3 and misleading misrepresentations and omissions during the Class Period violated these specific  
4 requirements and obligations.

5 13. The Individual Defendants, because of their positions of control and authority as  
6 officers and/or directors of the Company, were able to, and did, control the content of the various  
7 SEC filings, press releases, and other public statements pertaining to the Company during the Class  
8 Period. Each Individual Defendant was provided with copies of the documents alleged herein to be  
9 misleading before or shortly after their issuance, participated in conference calls with investors  
10 during which false and misleading statements were made, and/or had the ability and/or opportunity  
11 to prevent their issuance or cause them to be corrected. Accordingly, each Individual Defendant is  
12 responsible for the accuracy of the public statements detailed herein and is, therefore, primarily  
13 liable for the representations contained therein.

#### 14 **BACKGROUND**

15 14. Snowflake is a cloud data platform that enables its enterprise customers to consolidate  
16 data into a single source to build data-driven applications and share data. Snowflake's platform  
17 purportedly enables customers to store data that can be accessed and shared by multiple users, and its  
18 data cloud enables data storage, processing, and analytic capabilities. The governed data access of  
19 Snowflake's software purportedly allows users to securely share data inside and outside of their  
20 organizations, generally without copying or moving the underlying data. As a result, customers can  
21 blend existing data with new data for broader context, augment data science efforts, or create  
22 monetization streams.

23 15. Snowflake's cloud-native architecture consists of three layers across storage,  
24 compute, and cloud services. The storage layer incorporates structured and semi-structured data to  
25 create a unified data record. The compute layer enables users to simultaneously access common data  
26 sets for a variety of use cases. The cloud services layer optimizes each use case's performance  
27 requirements. This architecture is interconnected to create Snowflake's single cloud data platform.

28

1 The more customers adopt Snowflake’s platform, the more data that can be exchanged with other  
2 Snowflake customers, partners, and data providers.

3 16. Snowflake delivers its platform through a consumption base model, where customers  
4 only pay for the resources they use. Revenue is recognized as credits are consumed. However, the  
5 majority (more than 90% of revenue at the time of the Company’s initial public offering (the “IPO”))  
6 of Snowflake’s customers are under capacity arrangements, in which they commit to a certain  
7 amount of consumption at specified prices. Under capacity arrangements, Snowflake typically bills  
8 its customers annually in advance of their consumption. Unused capacity can generally be rolled  
9 over to new or extended contract terms, although Snowflake may require customers to purchase  
10 additional capacity in order to do so. Snowflake’s other contract type provides for on-demand  
11 arrangements, in which the Company charges for the use of its platform monthly in arrears.

12 17. Snowflake’s key business metrics closely followed by analysts and investors include:  
13 (i) product revenue; and (ii) remaining performance obligations. Product revenue includes compute,  
14 storage, and data transfer resources, which are consumed by customers on Snowflake’s platform as a  
15 single, integrated offering. Remaining performance obligations represent the amount of contracted  
16 future revenue that has not yet been recognized. Customers have the flexibility to consume more  
17 than their contracted capacity during the contract term and could in many cases roll over unused  
18 capacity to future periods, generally with the purchase of additional capacity.

19 18. Snowflake has historically not been profitable. In the six-month period ending July  
20 31, 2020 (the last full quarter prior to the IPO), the Company generated over \$171 million in net  
21 losses. This represented a decrease from the \$177 million in net losses the Company generated in  
22 the six months ending July 31, 2019, which indicated to investors that the Company was moving  
23 towards profitability as it increased in scale and operational efficiencies. Because of the Company’s  
24 historical losses it was important to investors that Snowflake continued to improve its margins and  
25 ultimately achieve positive cash flows and profitability.

26 19. Usage of Snowflake’s software presents a significant learning curve, especially for  
27 new users. This is both because the software is itself relatively complex, and because the Company  
28 operates in a relatively nascent industry. As a result, new Snowflake customers rely heavily on

1 Company sales executives to guide them in determining how much data credits they should purchase  
2 for the term of their contract.

3 20. On August 24, 2020, Snowflake filed with the SEC a registration statement on Form  
4 S-1 for its IPO, which, after several amendments, was declared effective on September 15, 2020 (the  
5 “Registration Statement”). On September 16, 2020, the Company filed with the SEC a prospectus  
6 on Form 424B4 which incorporated and formed part of the Registration Statement (the  
7 “Prospectus”). Defendants used the Registration Statement to sell 32.2 million Snowflake Class A  
8 shares to investors at \$120 per share, which included the full exercise of the underwriters’ over-  
9 allotment option, generating over \$3.8 billion in gross offering proceeds. In addition, Snowflake  
10 conducted a \$500 million private placement with certain institutional investors at the time of the  
11 IPO. The Registration Statement highlighted Snowflake’s “significant growth in recent periods” and  
12 a number of strategies to “drive” ongoing “growth,” causing the price of Snowflake Class A stock to  
13 double on its first day of trading to \$245 per share..

14 21. Over the next several quarters, the price of Snowflake stock skyrocketed up to over  
15 \$400 per share as defendants continued to paint a rosy picture of the Company’s business and  
16 prospects. For the next several quarters, defendants claimed that Snowflake had experienced triple-  
17 digit product revenue growth.<sup>1</sup> Snowflake’s remaining performance obligations likewise purportedly  
18 experienced triple-digit growth each quarter from the third fiscal quarter of 2021 to the second fiscal  
19 quarter of 2022, achieving growth as high as 240% year-over-year for its third fiscal quarter ended  
20 October 31, 2020.

21 22. Throughout the Class Period, defendants highlighted these favorable financial and  
22 operating trends, repeatedly raising the Company’s revenue and earnings guidance. Defendants also  
23 claimed that Snowflake’s momentum was accelerating with “record-breaking consumption” and  
24 “broad industry adoption,” indicating that these growth trends were expected to continue.  
25 Defendants and other Company insiders took advantage of the heightened price of Snowflake stock  
26 to sell over \$1.8 billion worth of their own Snowflake shares during the Class Period. Snowflake’s

27 <sup>1</sup> Snowflake’s fiscal year ends on January 31 of the calendar year. For example, Snowflake’s  
28 fiscal year 2021 ended on January 31, 2021.

1 CEO, defendant Slooman, and its CFO, defendant Scarpelli, together sold over \$1 billion worth of  
2 Snowflake stock at prices as high as \$400 per share.

3 23. Unbeknownst to investors, however, defendants' Class Period statements regarding  
4 Snowflake's business, financial results, and prospects were materially false and misleading when  
5 made, as detailed herein. Specifically, Snowflake's purported growth had been built on  
6 unsustainable and deceptive business tactics as Snowflake's salesforce had knowingly and  
7 systematically oversold consumption credits to clients. These sales tactics temporarily and  
8 artificially boosted the Company's revenue and remaining performance obligations, creating a  
9 misleading impression of demand for Snowflake's products and services. In addition, Snowflake  
10 sales personnel had offered customers short-term, unsustainable price discounts leading up to the  
11 IPO that temporarily boosted the Company's sales and revenue which failed to reflect the true costs  
12 of the Company's products. As defendants knew or recklessly disregarded and failed to disclose,  
13 many of Snowflake's customers were not coming close to using their contracted credit levels,  
14 causing clients to roll over unused credits (and thereby cannibalize future sales) at the end of their  
15 contracts' terms or to refuse to renew their contracts at prior consumption levels or at all. In  
16 addition, many customers were reluctant to pay the full price for Snowflake's products or services,  
17 creating a concealed demand cliff that was poised to materially curtail the Company's growth trends  
18 as customers who had been oversold credits (often at unsustainably discounted prices) reached the  
19 end of their contracts' term periods. Indeed, during the Class Period defendants were forced to  
20 implement platform efficiency "enhancements" to lower the cost of Snowflake's platform which  
21 effectively lowered customer consumption and negatively impacted the Company's revenue and  
22 margins.

23 24. Then, after market hours on March 2, 2022, Snowflake reported results for its fourth  
24 fiscal quarter ended January 31, 2022 and disappointing fiscal 2023 guidance. The Company's  
25 product revenue growth rate for fiscal 2023 was projected to be slashed to a range of 65% to 67%,  
26 far below the triple-digit growth and purportedly ongoing favorable business trends highlighted by  
27 defendants during the Class Period. Notably, since Snowflake's customers generally sign one-year  
28

1 contracts which can be extended or rolled-over, this dramatic decline represented many customers  
2 who had been sold contracts around the time of the IPO which were now coming up for renewal.

3 25. On a related fourth quarter 2022 earnings call also held on March 2, 2022, defendant  
4 Scarpelli further revealed that Snowflake customers were consuming at a reduced rate, which he  
5 blamed on “platform enhancements . . . which lowered credit consumption.” Defendant Scarpelli  
6 claimed that while “these efforts negatively impact our revenue in the near term, over time, they lead  
7 customers to deploy more workloads to Snowflake due to the improved economics.”

8 26. Defendants’ explanations were contradicted by results in subsequent reporting  
9 periods, as Snowflake’s financial results did not improve. For example, for the fourth quarter of  
10 fiscal 2023 (ended January 31, 2023) the Company achieved only 54% year-over-year product  
11 revenue growth and 38% year-over-year growth in remaining performance obligations. The  
12 Company also suffered a \$207 million quarterly net loss, approximately 57% higher than the prior  
13 year period. These trends continued to worsen for Snowflake, resulting in just 34% year-over-year  
14 product revenue growth, 23% year-over-year remaining performance obligations growth, and a \$215  
15 million quarterly net loss for the third fiscal quarter ended October 31, 2023, confirming the one-off  
16 and unsustainable nature of the growth metrics defendants highlighted for investors during the Class  
17 Period as the Individual Defendants dumped over \$1 billion worth of their personal holdings of  
18 Snowflake stock at artificially inflated prices.

19 27. Following the disappointing March 2, 2022 disclosures, the price of Snowflake Class  
20 A common stock dropped precipitously from \$264.69 per share when the market closed on March 2,  
21 2022 to \$224.02 per share when the market closed on March 3, 2022, a 15% decline, on abnormally  
22 heavy volume of over 33 million shares traded. The stock price continued to decline another nearly  
23 15% over the next few trading days, closing at just \$191.61 on March 8, 2022 – far below the price  
24 at which the Individual Defendants had sold their own Snowflake shares during the Class Period.

25 **DEFENDANTS’ MATERIALLY FALSE AND MISLEADING STATEMENTS**  
26 **AND OMISSIONS DURING THE CLASS PERIOD**

27 28. The Class Period begins on September 16, 2020. On that date, Snowflake filed with  
28 the SEC the Prospectus for its IPO. The Prospectus stated that Snowflake’s product revenue, a “key



1 business metric,” grew 164% from 2019 to 2020. The Prospectus also stated that “[p]roduct revenue  
2 increased primarily due to increased consumption of our platform by existing customers . . . as well  
3 as capacity sales price increases of approximately 12% year over year associated with better  
4 discipline over discounting.”

5 29. The Prospectus represented that Snowflake’s customers’ consumption “accelerates  
6 from the beginning of their usage to the end of their contract terms and often exceeds their initial  
7 capacity commitment amounts.”

8 30. On December 2, 2020, Snowflake issued a press release which announced the  
9 Company’s financial results for the third fiscal quarter ending October 31, 2020 (“3Q21 Release”).  
10 The release stated that Snowflake had achieved product revenue of \$148.5 million during the  
11 quarter, representing a 115% year-over-year increase, and had \$927.9 million in remaining  
12 performance obligations, representing a 240% year-over-year increase. In the release, defendant  
13 Sloodman stated that the quarter was ““marked by continued strong revenue growth coupled with  
14 improving unit economics, cash flow, and operating efficiencies.””

15 31. On the same day, Snowflake held an earnings call with analysts and investors to  
16 discuss Snowflake’s third fiscal quarter of 2021 results hosted by defendants Sloodman and Scarpelli.  
17 In his prepared remarks, defendant Sloodman stated that Snowflake “saw strong consumption  
18 trends,” highlighting the 115% year-over-year growth in product revenue. He added that “[c]oupled  
19 with this rapid growth, we continue to see improving unit economics, cash flow and operating  
20 efficiency.”

21 32. Defendant Scarpelli similarly highlighted the Company’s 115% year-over-year  
22 product revenue growth and its 240% remaining performance obligations growth. He attributed  
23 Snowflake’s “strong performance” to “our customer base realizing the value of our platform for their  
24 existing use cases while also embracing the Snowflake data cloud vision.” Defendant Scarpelli also  
25 stated that Snowflake’s business model allows “customers to consume their entire contract before the  
26 end of the term, which is what we often see.” Defendant Scarpelli added that “we’re seeing a lot  
27 better discipline in our field around discounting,” and the average price per credit they are getting  
28 “continues to increase.” When asked by an analyst about his comments about less discounting,

1 defendant Scarpelli stated that “the performance [of Snowflake’s product] every year gets better and  
2 better. And as a result, customers should pay more for it.”

3 33. On December 3, 2020, Snowflake filed with the SEC a quarterly report on Form 10-  
4 Q, which was signed by defendants Sloodman and Scarpelli, who also attested to the report’s  
5 accuracy and completeness. The Form 10-Q repeated the information regarding the Company’s  
6 product revenue and remaining performance obligations contained in the 3Q21 Release.

7 34. On March 3, 2021, Snowflake issued a press release which announced the Company’s  
8 financial results for the fourth quarter and full fiscal year ending January 31, 2021 (“FY21 Release”).  
9 The release stated that Snowflake had achieved product revenue of \$178.3 million during the fourth  
10 quarter, representing a 116% year-over-year increase, and had \$1.3 billion in remaining performance  
11 obligations, representing a 213% year-over-year increase. In the release, defendant Sloodman stated  
12 that “[w]e finished our fiscal year with strong performance” and that “[r]emaining performance  
13 obligations showed a robust increase year-on-year, reflecting strength in sales across the board.”

14 35. On the same day, Snowflake held an earnings call with analysts and investors to  
15 discuss Snowflake’s fourth quarter and full fiscal year 2021 results hosted by defendants Sloodman  
16 and Scarpelli. In their prepared remarks, defendants Sloodman and Scarpelli both highlighted the  
17 Company’s product revenue and remaining performance obligations results. Defendant Sloodman  
18 added that Snowflake “finished our fiscal year with strong consumption across our customer base.”

19 36. In response to an analyst’s question, defendant Scarpelli represented that Snowflake’s  
20 customers were generally using up all of their consumption credits, stating that customers “consume  
21 very little in the first 6 months, and then in the remaining 6 months, they’ve consumed their entire  
22 contract.” He further stated that, as a result, most customers then enter into “multiyear renewals  
23 once they’ve proven the use case on Snowflake.”

24 37. On March 31, 2021, Snowflake filed with the SEC an annual report on Form 10-K,  
25 which was signed by defendants Sloodman and Scarpelli, who also attested to the report’s accuracy  
26 and completeness. The Form 10-K repeated the information regarding the Company’s product  
27 revenue and remaining performance obligations contained in the FY21 Release.

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1           38.     On May 26, 2021, Snowflake issued a press release which announced the Company’s  
2 financial results for the first fiscal quarter ending April 30, 2021 (the “1Q22 Release”). The release  
3 stated that Snowflake had achieved product revenue of \$213.8 million during the quarter,  
4 representing a 110% year-over-year increase, and had \$1.4 billion in remaining performance  
5 obligations, representing a 206% year-over-year increase. In the release, defendant Sloodman stated  
6 that Snowflake’s triple-digit product revenue growth “reflect[ed] strength in customer  
7 consumption” and that the Company’s remaining performance obligations “showed a robust  
8 increase year-on-year, indicating strength in sales across the board.”

9           39.     On the same day, Snowflake held an earnings call with analysts and investors to  
10 discuss Snowflake’s first quarter 2022 results hosted by defendants Sloodman and Scarpelli. In their  
11 prepared remarks, defendants Sloodman and Scarpelli both highlighted the Company’s product  
12 revenue and remaining performance obligations results.

13           40.     On June 4, 2021, Snowflake filed with the SEC a quarterly report on Form 10-Q,  
14 which was signed by defendants Sloodman and Scarpelli, who also attested to the report’s accuracy  
15 and completeness. The Form 10-Q repeated the information regarding the Company’s product  
16 revenue and remaining performance obligations contained in the 1Q22 Release.

17           41.     On August 25, 2021, Snowflake issued a press release which announced the  
18 Company’s financial results for the second fiscal quarter ending July 31, 2021 (the “2Q22 Release”).  
19 The release stated that Snowflake had achieved product revenue of \$254.6 million during the  
20 quarter, representing a 103% year-over-year increase, and had \$1.5 billion in remaining performance  
21 obligations, representing a 122% year-over-year increase. In the release, defendant Sloodman stated  
22 that “Snowflake saw continued momentum in Q2 with triple-digit growth in product revenue,  
23 reflecting strength in customer consumption.”

24           42.     On the same day, Snowflake held an earnings call with analysts and investors to  
25 discuss Snowflake’s second quarter 2022 results hosted by defendants Sloodman and Scarpelli. In  
26 his opening remarks, defendant Sloodman commented on Snowflake’s “continued momentum in Q2  
27 with 103% [product revenue] growth,” “reflecting strength in Snowflake consumption.” During his  
28 opening remarks, defendant Scarpelli stated that Snowflake “saw continued strength across the board

1 in Q2 with great sales execution and operational efficiencies, setting us up for a strong back half of  
2 the year.”

3 43. In regard to customer demand, defendant Sloodman stated that “there’s a lot of latent,  
4 bottled-up, pent-up demand” due to previous technological limits that had been eradicated by  
5 Snowflake. He continued:

6 *[T]he explosion of the enablement of demand that was already there, [that] is*  
7 *really the big, big driver behind Snowflake.*

8 \* \* \*

9 The great thing about the public cloud combined with Snowflake is that  
10 *technology is no longer standing in the way.* What is only standing in the way now  
11 is your imagination and your budget.

12 44. In regard to consumption, defendant Scarpelli similarly stated that Snowflake’s “large  
13 customers just continue to increase their consumption . . . at a very rapid pace.”

14 45. On September 2, 2021, Snowflake filed with the SEC a quarterly report on Form 10-  
15 Q, which was signed by defendants Sloodman and Scarpelli, who also attested to the report’s  
16 accuracy and completeness. The Form 10-Q repeated the information regarding the Company’s  
17 product revenue and remaining performance obligations contained in the 2Q22 Release.

18 46. On December 1, 2021, Snowflake issued a press release which announced the  
19 Company’s financial results for the third fiscal quarter ending October 31, 2021 (the “3Q22  
20 Release”). The release stated that Snowflake had achieved product revenue of \$312.5 million during  
21 the quarter, representing a 110% year-over-year increase, and had \$1.8 billion in remaining  
22 performance obligations, representing a 94% year-over-year increase. In the release, defendant  
23 Sloodman stated that ““Snowflake saw momentum accelerate in Q3”” and that ““Snowflake continues  
24 to see broad industry adoption.””

25 47. On the same day, Snowflake held an earnings call with analysts and investors to  
26 discuss Snowflake’s third quarter 2022 results hosted by defendants Sloodman and Scarpelli. In his  
27 opening remarks, defendant Scarpelli stated that “Q3 was a breakout consumption and bookings  
28 quarter for us.” He added that the Company’s “outperformance is fueled by our existing customer  
base,” and claimed that Snowflake was seeing its “largest customers continuing to expand their use

1 of Snowflake.” When asked by an analyst what drove this kind of revenue outperformance,  
2 defendant Scarpelli stated that it was “driven by a number of large customers, whose businesses are  
3 growing dramatically.”

4 48. In regard to Company growth, defendant Sloodman asserted that “we are just seeing  
5 the tip of the iceberg.” He expounded, stating that Snowflake was still in relatively early stages of  
6 its growth trajectory, but already “there is a very, very steady aggressive growth happening quarter-  
7 on-quarter.” Defendant Sloodman further stated that the Company was expecting to reach a point  
8 where “the floodgates are open and things are just expanding at a meteoric rate.”

9 49. On December 3, 2021, Snowflake filed with the SEC a quarterly report on Form 10-  
10 Q, which was signed by defendants Sloodman and Scarpelli, who also attested to the report’s  
11 accuracy and completeness. The Form 10-Q repeated the information regarding the Company’s  
12 product revenue and remaining performance obligations contained in the 3Q22 Release.

13 50. Defendants’ statements referenced in ¶¶28-49 above were materially false and  
14 misleading when made because they knew or deliberately disregarded and failed to disclose the  
15 following adverse facts about Snowflake’s business, operations, and prospects:

16 (a) that Snowflake had systematically oversold capacity to customers which  
17 created a misleading appearance of the demand for Snowflake’s products and services;

18 (b) that Snowflake had provided significant discounts to its customers prior to the  
19 IPO that temporarily boosted sales but would not be sustainable after the IPO and/or necessitate  
20 platform efficiency adjustments that negatively impacted client consumption and Snowflake’s  
21 revenue and profit margins;

22 (c) that, as a result of (a)-(b) above, Snowflake’s customers were poised to roll  
23 over a material amount of unused credits (and thereby cannibalize future sales) at the end of their  
24 contracts’ terms or to refuse to renew their contracts at prior consumption levels or at all;

25 (d) that, as a result (a)-(c) above, Snowflake’s product revenue and remaining  
26 performance obligations had been artificially inflated leading up to and during the Class Period; and

27 (e) that, as a result of (a)-(d) above, defendants lacked a reasonable basis for their  
28 positive statements about Snowflake’s business, financials, and growth trajectory.

1           51.       Then, after market hours on March 2, 2022, Snowflake reported results for its fourth  
2 fiscal quarter ended January 31, 2022 and disappointing fiscal 2023 guidance. The Company's  
3 product revenue growth rate for fiscal 2023 was projected to be slashed to a range of 65% to 67%,  
4 far below the triple-digit growth and purportedly ongoing favorable business trends highlighted by  
5 defendants during the Class Period. Notably, since Snowflake's customers generally sign one-year  
6 contracts which can be extended or rolled-over, this dramatic decline represented many customers  
7 who had been sold contracts around the time of the IPO which were now coming up for renewal.

8           52.       On a related fourth quarter 2022 earnings call also held on March 2, 2022, defendant  
9 Scarpelli further revealed that Snowflake customers were consuming at a reduced rate, which he  
10 blamed on "platform enhancements . . . which lowered credit consumption." Defendant Scarpelli  
11 claimed that while "these efforts negatively impact our revenue in the near term, over time, they lead  
12 customers to deploy more workloads to Snowflake due to the improved economics."

13           53.       Defendants' explanations were contradicted by results in subsequent reporting  
14 periods, as Snowflake's financial results did not improve. For example, for the fourth quarter of  
15 fiscal 2023 (ended January 31, 2023) the Company achieved only 54% year-over-year product  
16 revenue growth and 38% year-over-year growth in remaining performance obligations. The  
17 Company also suffered a \$207 million quarterly net loss, approximately 57% higher than the prior  
18 year period. These trends continued to worsen for Snowflake, resulting in just 34% year-over-year  
19 product revenue growth, 23% year-over-year remaining performance obligations growth, and a \$215  
20 million quarterly net loss for the third fiscal quarter ended October 31, 2023, confirming the one-off  
21 and unsustainable nature of the growth metrics defendants highlighted for investors during the Class  
22 Period as the Individual Defendants dumped over \$1 billion worth of their personal holdings of  
23 Snowflake stock at artificially inflated prices.

24           54.       Following the disappointing March 2, 2022 disclosures, the price of Snowflake Class  
25 A common stock dropped precipitously from \$264.69 per share when the market closed on March 2,  
26 2022 to \$224.02 per share when the market closed on March 3, 2022, a 15% decline, on abnormally  
27 heavy volume of over 33 million shares traded. The stock price continued to decline another nearly  
28

1 15% over the next few trading days, closing at just \$191.61 on March 8, 2022 – far below the price  
2 at which the Individual Defendants had sold their own Snowflake shares during the Class Period.

3 55. As a result of defendants’ wrongful acts and omissions, and the precipitous decline in  
4 the market value of Snowflake Class A common stock, plaintiff and other Class members (defined  
5 below) have suffered significant economic losses and damages under the federal securities laws.

6 **ADDITIONAL SCIENTER ALLEGATIONS**

7 56. As alleged herein, defendants acted with scienter in that defendants knew, or  
8 recklessly disregarded, that the public documents and statements they issued and disseminated to the  
9 investing public in the name of the Company, or in their own name, during the Class Period were  
10 materially false and misleading. Defendants knowingly and substantially participated or acquiesced  
11 in the issuance or dissemination of such statements and documents as primary violations of the  
12 federal securities laws. Defendants, by virtue of their receipt of information reflecting the true facts  
13 regarding Snowflake, and their control over and/or receipt and/or modification of Snowflake’s  
14 allegedly materially misleading misstatements, were active and culpable participants in the  
15 fraudulent scheme alleged herein.

16 57. Defendants knew and/or recklessly disregarded the false and misleading nature of the  
17 information they caused to be disseminated to the investing public. The fraudulent scheme described  
18 herein could not have been perpetrated during the Class Period without the knowledge and  
19 complicity of, or at least the reckless disregard by, personnel at the highest levels of the Company,  
20 including the Individual Defendants.

21 58. The Individual Defendants, because of their positions with Snowflake, controlled the  
22 contents of Snowflake’s public statements during the Class Period. The Individual Defendants were  
23 each provided with or had access to the information alleged herein to be false and/or misleading  
24 prior to or shortly after its issuance and had the ability and opportunity to prevent its issuance or  
25 cause it to be corrected. Because of their positions and access to material, non-public information,  
26 the Individual Defendants knew or recklessly disregarded that the adverse facts specified herein had  
27 not been disclosed to and were being concealed from the public and that the positive representations  
28 that were being made were false and misleading. As a result, each of the defendants is responsible

1 for the accuracy of Snowflake’s corporate statements and is, therefore, responsible and liable for the  
2 representations contained therein.

3 59. In addition, defendants Sloodman and Scarpelli, along with other Company insiders,  
4 sold over \$1.8 billion worth of Snowflake stock during the Class Period. These sales were highly  
5 suspicious in both timing and amount. For example, defendant Sloodman and defendant Scarpelli  
6 collectively sold *over \$1 billion* worth of Snowflake stock during the Class Period, including over  
7 \$585 million worth of stock on December 15, 2021, when the stock was trading near all-time highs  
8 and shortly before the revelation of bad news caused the price of Snowflake stock to plummet.

9 **FRAUDULENT SCHEME AND COURSE OF BUSINESS**

10 60. Defendants are liable for: (i) making false statements; and/or (ii) failing to disclose  
11 adverse facts known to them about Snowflake. Defendants’ fraudulent scheme and course of  
12 business that operated as a fraud or deceit on purchasers of Snowflake stock was a success, as it:

- 13 (a) deceived the investing public regarding Snowflake’s prospects and business;  
14 (b) artificially inflated the price of Snowflake stock; and  
15 (c) caused plaintiff and other members of the Class to purchase Snowflake stock  
16 at artificially inflated prices and suffer damages when that artificial inflation was removed from the  
17 price of Snowflake stock.

18 **CLASS ACTION ALLEGATIONS**

19 61. Plaintiff brings this action as a class action on behalf of a class consisting of all  
20 persons who purchased Snowflake Class A common stock during the Class Period (the “Class”).  
21 Excluded from the Class are defendants and their families, the officers, directors, and affiliates of  
22 defendants, at all relevant times, and members of their immediate families, and their legal  
23 representatives, heirs, successors, or assigns, and any entity in which defendants have or had a  
24 controlling interest.

25 62. The members of the Class are so numerous that joinder of all members is  
26 impracticable. Throughout the Class Period, Snowflake common stock was actively traded on the  
27 NYSE. While the exact number of Class members is unknown to plaintiff at this time and can only  
28 be ascertained through appropriate discovery, plaintiff believes that there are hundreds or thousands



1 of members in the proposed Class. Record owners and other members of the Class may be identified  
2 from records maintained by Snowflake or its transfer agent and may be notified of the pendency of  
3 this action by mail, using the form of notice similar to that customarily used in securities class  
4 actions, including being given an opportunity to exclude themselves from the Class.

5 63. Plaintiff's claims are typical of the claims of the members of the Class, as all  
6 members of the Class are similarly affected by defendants' wrongful conduct in violation of federal  
7 law that is complained of herein.

8 64. Plaintiff will fairly and adequately protect the interests of the members of the Class  
9 and has retained counsel competent and experienced in class and securities litigation.

10 65. Common questions of law and fact exist as to all members of the Class and  
11 predominate over any questions solely affecting individual members of the Class. Among the  
12 questions of law and fact common to the Class are:

13 (a) whether defendants' statements during the Class Period were materially false  
14 and misleading;

15 (b) whether defendants acted with scienter in issuing materially false and  
16 misleading statements during the Class Period; and

17 (c) the extent of injuries sustained by the members of the Class and the  
18 appropriate measure of damages.

19 66. A class action is superior to all other available methods for the fair and efficient  
20 adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the  
21 damages suffered by individual Class members may be relatively small, the expense and burden of  
22 individual litigation make it impossible for members of the Class to individually redress the wrongs  
23 done to them. There will be no difficulty in the management of this action as a class action.

#### 24 **LOSS CAUSATION**

25 67. During the Class Period, as detailed herein, defendants engaged in a scheme to  
26 deceive the market and a course of conduct that artificially inflated the price of Snowflake common  
27 stock and operated as a fraud or deceit on Class Period purchasers of Snowflake common stock by  
28 failing to disclose and misrepresenting the adverse facts detailed herein. When defendants' prior

1 misrepresentations and fraudulent conduct were disclosed and became apparent to the market, the  
2 price of Snowflake common stock declined significantly as the prior artificial inflation came out of  
3 the stock's price.

4 68. As a result of their purchases of Snowflake common stock during the Class Period,  
5 plaintiff and the other Class members suffered economic loss, *i.e.*, damages, under the federal  
6 securities laws. Defendants' false and misleading statements had the intended effect and caused  
7 Snowflake common stock to trade at artificially inflated levels throughout the Class Period, trading  
8 as high as \$429 per share on December 8, 2020.

9 69. By concealing from investors the adverse facts detailed herein, defendants presented a  
10 misleading picture of Snowflake's business, risks, and future financial prospects. When the truth  
11 about the Company was revealed to the market, the price of Snowflake common stock fell  
12 significantly, dropping to a low of less than \$183 per share on March 8, 2022, removing the inflation  
13 therefrom, and causing economic loss to investors who had purchased Snowflake common stock  
14 during the Class Period.

15 70. The decline in the price of Snowflake common stock after the corrective disclosures  
16 came to light was a direct result of the nature and extent of defendants' fraudulent misrepresentations  
17 being revealed to investors and the market. The timing and magnitude of the price decline in  
18 Snowflake common stock negates any inference that the losses suffered by plaintiff and the other  
19 Class members were caused by changed market conditions, macroeconomic or industry factors, or  
20 Company-specific facts unrelated to defendants' fraudulent conduct.

21 71. The economic loss, *i.e.*, damages, suffered by plaintiff and the other Class members  
22 was a direct result of defendants' fraudulent scheme to artificially inflate the price of Snowflake  
23 common stock and the subsequent significant declines in the value of Snowflake common stock  
24 when defendants' prior misrepresentations and other fraudulent conduct were revealed.

25 **APPLICABILITY OF THE PRESUMPTION OF RELIANCE:**  
26 **FRAUD ON THE MARKET**

27 (a) At all relevant times, the market for Snowflake common stock was an efficient  
28 market for the following reasons, among others:

1 (b) Snowflake common stock met the requirements for listing and was listed and  
2 actively traded on the NYSE, a highly efficient, national stock market;

3 (c) as a regulated issuer, Snowflake filed periodic public reports with the SEC;

4 (d) Snowflake regularly communicated with public investors via established  
5 market communication mechanisms, including the regular dissemination of press releases on the  
6 national circuits of major newswire services and other wide-ranging public disclosures, such as  
7 communications with the financial press and other similar reporting services; and

8 (e) Snowflake was followed by securities analysts employed by major brokerage  
9 firms who wrote reports that were distributed to the sales force and certain customers of their  
10 respective brokerage firms. Each of these reports was publicly available and entered the public  
11 marketplace.

12 72. As a result of the foregoing, the market for Snowflake common stock promptly  
13 digested current information regarding Snowflake from all publicly available sources and reflected  
14 such information in the price of the stock. Under these circumstances, all purchasers of Snowflake  
15 Class A common stock during the Class Period suffered similar injury through their purchases of  
16 Snowflake common stock at artificially inflated prices and a presumption of reliance applies.

17 73. A Class-wide presumption of reliance is also appropriate in this action under the  
18 Supreme Court's holding in *Affiliated Ute Citizens v. United States*, 406 U.S. 128 (1972), because  
19 the Class's claims are, in large part, grounded on defendants' material misstatements and/or  
20 omissions. Because this action involves defendants' failure to disclose material adverse information  
21 regarding the Company's business, operations, and financial prospects – information that defendants  
22 were obligated to disclose – positive proof of reliance is not a prerequisite to recovery. All that is  
23 necessary is that the facts withheld be material in the sense that a reasonable investor might have  
24 considered them important in making investment decisions. Given the importance of the Class  
25 Period material misstatements and omissions set forth above, that requirement is satisfied here.

26 **NO SAFE HARBOR**

27 74. The statutory safe harbor provided for forward-looking statements under certain  
28 circumstances does not apply to any of the allegedly false statements pled in this complaint. Many

1 of the specific statements pled herein were not identified as “forward-looking statements” when  
2 made. To the extent there were any forward-looking statements, there were no meaningful  
3 cautionary statements identifying important factors that could cause actual results to differ materially  
4 from those in the purportedly forward-looking statements. Alternatively, to the extent that the  
5 statutory safe harbor does apply to any forward-looking statements pled herein, defendants are liable  
6 for those false forward-looking statements because at the time each of those forward-looking  
7 statements was made, the particular speaker knew that the particular forward-looking statement was  
8 false and/or the forward-looking statement was authorized and/or approved by an executive officer  
9 of Snowflake who knew that those statements were false when made.

10 **COUNT I**

11 **For Violation of §10(b) of the 1934 Act and Rule 10b-5**  
12 **Promulgated Thereunder Against All Defendants**

13 75. Plaintiff repeats and realleges each and every allegation contained in the foregoing  
14 paragraphs as if fully set forth herein.

15 76. During the Class Period, defendants disseminated or approved the false statements  
16 specified above, which they knew or deliberately disregarded were misleading in that they contained  
17 misrepresentations and failed to disclose material facts necessary in order to make the statements  
18 made, in light of the circumstances under which they were made, not misleading.

19 77. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:

20 (a) employed devices, schemes, and artifices to defraud;  
21 (b) made untrue statements of material fact or omitted to state material facts  
22 necessary in order to make the statements made, in light of the circumstances under which they were  
23 made, not misleading; or

24 (c) engaged in acts, practices, and a course of business that operated as a fraud or  
25 deceit upon plaintiff and others similarly situated in connection with their purchases of Snowflake  
26 common stock during the Class Period.

27 78. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of  
28 the market, they paid artificially inflated prices for Snowflake common stock. Plaintiff and the Class

1 would not have purchased Snowflake common stock at the prices they paid, or at all, if they had  
2 been aware that the market price had been artificially and falsely inflated by defendants' misleading  
3 statements.

4 79. As a direct and proximate result of defendants' wrongful conduct, plaintiff and the  
5 other members of the Class suffered damages in connection with their purchases of Snowflake  
6 common stock during the Class Period.

7 **COUNT II**

8 **For Violation of §20(a) of the 1934 Act**  
9 **Against All Defendants**

10 80. Plaintiff repeats and realleges each and every allegation contained in the foregoing  
11 paragraphs as if fully set forth herein.

12 81. The Individual Defendants acted as controlling persons of Snowflake within the  
13 meaning of §20(a) of the 1934 Act. By reason of their positions with the Company, and their  
14 ownership of Snowflake stock, the Individual Defendants had the power and authority to cause  
15 Snowflake to engage in the wrongful conduct complained of herein. Snowflake controlled the  
16 Individual Defendants and all of its employees. By reason of such conduct, defendants are liable  
17 pursuant to §20(a) of the 1934 Act.

18 **PRAYER FOR RELIEF**

19 WHEREFORE, plaintiff prays for relief and judgment, as follows:

20 A. Designating plaintiff as Lead Plaintiff and declaring this action to be a class action  
21 properly maintained pursuant to Rule 23 of the Federal Rules of Civil Procedure and plaintiff's  
22 counsel as Lead Counsel;

23 B. Awarding compensatory damages in favor of plaintiff and the other Class members  
24 against all defendants, jointly and severally, for all damages sustained as a result of defendants'  
25 wrongdoing, in an amount to be proven at trial, including interest thereon;  
26  
27  
28

1 C. Awarding plaintiff and the Class their reasonable costs and expenses incurred in this  
2 action, including counsel fees and expert fees; and

3 D. Awarding such equitable/injunctive or other relief as the Court may deem just and  
4 proper, including permitting any putative Class members to exclude themselves by requesting  
5 exclusion through noticed procedures.  
6

7 **JURY DEMAND**

8 Plaintiff hereby demands a trial by jury.

9 DATED: February 29, 2024

ROBBINS GELLER RUDMAN  
& DOWD LLP  
SHAWN A. WILLIAMS

11  
12 s/ Shawn A. Williams  
SHAWN A. WILLIAMS

13 Post Montgomery Center  
14 One Montgomery Street, Suite 1800  
San Francisco, CA 94104  
15 Telephone: 415/288-4545  
415/288-4534 (fax)

16 ROBBINS GELLER RUDMAN  
& DOWD LLP  
17 BRIAN E. COCHRAN  
655 West Broadway, Suite 1900  
18 San Diego, CA 92101-8498  
Telephone: 619/231-1058  
19 619/231-7423 (fax)

20 ROBBINS GELLER RUDMAN  
& DOWD LLP  
21 SAMUEL H. RUDMAN  
VICKI MULTER DIAMOND  
22 58 South Service Road, Suite 200  
Melville, NY 11747  
23 Telephone: 631/367-7100  
24 631/367-1173 (fax)

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ROBBINS LLP  
GREGORY E. DEL GAIZO  
5060 Shoreham Place, Suite 300  
San Diego, CA 92122  
Telephone: 619/525-3990  
619/525-3991 (fax)

Attorneys for Plaintiff