

# The SaaSocalypse Is Cancelled — Or Is It? Snowflake's 37% Pop Decoded

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*Note: the original article is provided as a separate file (attached to the email or downloadable from the website).*

## 1. Reading Passage

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A few months ago, investors treated software-as-a-service stocks like a sinking ship — everyone wanted off, fast. The fear, which Wall Street nicknamed the 'SaaSocalypse,' was that AI tools would replace the subscription software businesses that companies like Salesforce, Workday, and ServiceNow had built over the past decade. The numbers tell the story: of the 30 software and service companies in the S&P 500, 22 are still trading below where they started the year, according to LSEG data, with Workday and ServiceNow each down roughly a third.

Then Snowflake reported earnings. The data analysis company beat analyst estimates and projected 31% revenue growth this year — an acceleration from 2025 — driven by its new AI tools. The stock rose 37% the next day. That's a startling move for a company worth tens of billions of dollars. If markets were truly efficient, such a swing would be an affront to economic theory. But Snowflake isn't even the first software company to lurch this violently: Oracle's stock jumped nearly as much in a single September session after it reported a surge in demand for its AI products, only to give all those gains back as the stock slid almost 40% in the months that followed.

Here's the catch. Investors are no longer dumping the whole software sector — they're sorting it. Snowflake is now a market-designated winner, partly because its pricing model charges customers based on how much data gets crunched, so more AI workloads mechanically lift revenue. Its new coding agent, CoCo, lets users ask plain-language questions about the data Snowflake stores, turning AI into a feature it sells rather than a threat to its business. Salesforce, which reported earnings the same day, said growth would slow this year absent a big acquisition; its shares barely moved. That divergence is the real story: the filtering between winners and losers has begun, but it's still, in the author's words, pretty crude.

Why do these swings get so dramatic? The math of stock valuation explains it. Most of a software company's worth comes from terminal value — the cash it's expected to generate far in the future. When investors slightly raise or lower the probability of 'corporate oblivion,' the stock price moves in giant, instantaneous jumps. During the SaaSocalypse, the fear for some firms was that terminal value would fall to zero because rivals like Anthropic and OpenAI would prove fatal. Snowflake's results challenged that narrative — but didn't end it.

Reality, as ever, isn't binary. Bernstein analysts warn that even though Snowflake is growing smartly, competition from Databricks, SAP, and cloud providers Microsoft and Google is likely to intensify. Snowflake also has its own problems: a persistent inability to turn a profit. Analysts don't expect positive earnings until 2031, according to Visible Alpha, which is one reason it's among a handful of companies its size excluded from the S&P 500 index. So the SaaSocalypse as a sweeping, sector-wide thesis may be over. But declaring a true 'renaisSaaS' — a full rebirth of subscription software — would be premature. What's actually happening is messier and more interesting: investors are finally doing the hard work of telling one software company apart from another.

## 2. Explanation

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*Wall Street spent months treating software-as-a-service stocks like dying patients. Then Snowflake jumped 37% in a single day — and suddenly investors are wondering if they buried the wrong company.*

### What's Going On?

For months, investors fled software-as-a-service (SaaS) stocks, terrified that AI tools would eat their lunch. The fear even got a nickname: the 'SaaSocalypse.' Of the 30 software and service companies in the S&P 500, 22 are still down for the year, with names like Workday and ServiceNow off roughly a third.

Then on Wednesday, data analysis company Snowflake reported earnings, beat estimates, and said sales would grow 31% this year — driven by its AI tools. The stock ripped 37% the next day. Investors are now sorting software companies into winners and losers instead of dumping the whole sector.

### How To Think About It

Markets had been pricing software stocks like a flock of pigeons all flying in the same direction. Snowflake's pop is the first sign the flock is breaking up.

- It's like a hurricane forecast that lumps every coastal town into the same evacuation zone. Once the storm actually hits, you realise some towns flooded and others barely got wet — and the insurance market re-prices each one separately.
- Or think of a high school where everyone assumed the AP Bio teacher would fail half the class. When grades come out, a few kids aced it. Suddenly the question shifts from 'is this class doomed?' to 'who studied the right way?' — which is the question investors now have to answer for every software firm.

### Key Things To Know

- Snowflake projected 31% revenue growth this year, an acceleration from 2025 — rare for a mature software company.
- Snowflake makes money based on how much data customers crunch, so more AI workloads mechanically means more revenue.
- Its new coding agent, CoCo, lets users ask questions about their data in plain language — turning AI into a feature, not a threat.
- Salesforce reported the same day, expects revenue growth to slow, and its shares barely moved — the market is now differentiating.
- Bernstein analysts warn competition from Databricks, SAP, Microsoft and Google is likely to intensify, and Snowflake isn't expected to report positive earnings until 2031.

### Why It Matters

If you're considering a tech career, a CS major, or just thinking about which companies will still exist when you graduate, this is the live experiment. AI isn't just disrupting industries from the outside — it's

separating companies inside the same industry into clear winners and losers based on whether they can turn AI into a feature they sell, or whether it eats their business model.

### **The Bigger Picture**

Every tech panic – dot-com, mobile, cloud – eventually ends with a re-sorting rather than a wipeout. The interesting second-order question is whether Snowflake's bounce is the start of a genuine 'renaisSaaS,' or just a head fake before AI-native rivals like Anthropic and OpenAI come for the incumbents' lunch. Watch usage-based pricing models (where you pay per query, not per seat) – they're the bridge between old software and the agent economy.

### 3. Key Terms Glossary

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#### **SaaS (Software-as-a-Service)**

Software you rent over the internet instead of buying and installing. Think Google Docs or Salesforce — you pay a subscription, the company hosts the software, and updates happen automatically.

#### **SaaSocalypse**

Investor slang for the fear that AI tools will replace traditional subscription software, making SaaS company revenue collapse.

#### **Terminal value**

An estimate of how much cash a company will generate in the far future, usually making up the bulk of its stock price today. If investors think terminal value is zero, the stock can crash overnight.

#### **S&P 500**

An index of the 500 largest US public companies — a common shorthand for 'the US stock market.'

#### **LSEG**

London Stock Exchange Group, which provides market data and analyst estimates that journalists and investors cite.

#### **Coding agent**

An AI program that writes or runs code on a user's behalf. Snowflake's CoCo lets non-programmers query a database by typing questions in English.

#### **Efficient market**

The theory that stock prices already reflect all available information, meaning huge one-day moves shouldn't happen on news investors could have predicted.

#### **Disruption**

When a new technology or business model makes an existing product obsolete or unprofitable — the way streaming gutted DVD rentals.

## 4. Reading Comprehension Quiz

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Circle the best answer for each question.

**Q1.** The passage primarily argues that:

- A) AI tools are about to wipe out the entire software-as-a-service industry within a year.
- B) Investors are shifting from selling all SaaS stocks to distinguishing AI winners from losers.
- C) Snowflake's coding agent CoCo is technically superior to all rival AI products available.
- D) Salesforce will overtake Snowflake as the dominant data analytics platform by next year.

**Q2.** According to the passage, Snowflake's revenue model benefits from AI adoption because:

- A) AI models are built directly by Snowflake's in-house engineering team for free.
- B) Snowflake charges customers based on how much data is processed, not per user.
- C) Snowflake has signed exclusive AI deals with both Anthropic and OpenAI this year.
- D) Snowflake's tools eliminate the need for any human data analysts at client companies.

**Q3.** As used in the passage, the word 'crude' most nearly means:

- A) Vulgar or offensive in a social setting.
- B) Unrefined and lacking precision in execution.
- C) Made from petroleum or natural fossil fuels.
- D) Brutal and physically violent toward people.

**Q4.** As used in the passage, the phrase 'lost its marbles' most nearly means:

- A) Misplaced a collection of small glass spheres.
- B) Behaved in a temporarily irrational manner.
- C) Suffered permanent mental health decline.
- D) Forgot important strategic business plans.

**Q5.** Which statement about Salesforce can most reasonably be inferred from the passage?

- A) Salesforce is currently growing faster than Snowflake and other rivals.
- B) Investors view Salesforce less favorably than Snowflake after recent earnings.
- C) Salesforce has officially announced plans to acquire a major AI competitor.
- D) Salesforce will soon be removed from the S&P 500 stock market index.

**Q6.** The passage suggests that the 37% one-day rise in Snowflake's stock:

- A) Confirms that financial markets are perfectly efficient at processing news.
- B) Would be considered impossible under standard efficient-market assumptions.
- C) Was caused entirely by Snowflake's acquisition of Oracle's data division.
- D) Represents the largest single-day stock move in US market history overall.

**Q7.** The author's tone when discussing the market's reaction is best described as:

- A) Enthusiastically celebratory about Snowflake's promising future.
- B) Skeptically amused at the volatility of investor sentiment.
- C) Deeply pessimistic about the entire software industry's prospects.
- D) Strictly neutral and entirely free of any evaluative judgment.

**Q8.** Which statement best reflects the Bernstein analysts' view as presented in the passage?

- A)** Snowflake's future is secure thanks to a permanent moat against new rivals.
- B)** Snowflake faces growing competitive pressure even as it grows revenue.
- C)** Snowflake is guaranteed to report positive earnings well before 2031.
- D)** Snowflake should be immediately removed from the S&P 500 index entirely.

**Q9.** Which statement about disruption risk in software can most reasonably be inferred from the passage?

- A)** A company's stock price is more sensitive to terminal-value assumptions than to current profits.
- B)** Disruption from AI rivals always destroys incumbent companies within a single fiscal year.
- C)** Snowflake has already proven that it cannot be disrupted by any future AI competitors.
- D)** Disruption risk is irrelevant to how investors value mature software businesses today.

**Q10.** Which choice provides the BEST evidence for the answer to the previous question?

- A)** 'Snowflake, though, is now a market-designated winner.'
- B)** 'Snowflake charges based on how much data gets crunched, this lifts revenue.'
- C)** 'Since terminal value is usually the lion's share of a company's equity value, minor tweaks to the probability of corporate oblivion make a huge, and instantaneous, difference.'
- D)** 'Analysts don't expect it to report positive earnings until 2031.'

**My Score:** \_\_\_\_\_ / 10

## 5. Answer Key with Explanations

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**Q1.** The passage primarily argues that:

**Answer: B**

The passage opens by saying investors used to dump SaaS stocks indiscriminately but are now sorting winners from losers, which Snowflake's 37% pop illustrates. A is too extreme — the passage says the SaaSocalypse may be ending, not accelerating (TRAP: right scope, wrong direction). SAT Tip: When a question asks for the central idea, look for the answer that captures the article's overall shift or argument, not a specific fact buried in one paragraph.

**Q2.** According to the passage, Snowflake's revenue model benefits from AI adoption because:

**Answer: B**

The passage explicitly states Snowflake charges based on how much data gets crunched, which means more AI workloads lift revenue. Option C uses passage vocabulary (Anthropic, OpenAI) in a wrong combination — those are mentioned as rivals, not partners (TRAP B). SAT Tip: When a wrong answer reuses proper nouns from the passage, double-check the relationship described — distractors love to swap allies and adversaries.

**Q3.** As used in the passage, the word 'crude' most nearly means:

**Answer: B**

The passage says the filtering process between winners and losers 'is still pretty crude' — meaning investors are sorting roughly, not precisely. Option A is the most common everyday meaning and the main trap (TRAP B: passage vocabulary, wrong sense). SAT Tip: On vocab-in-context, substitute each option back into the sentence — the right answer keeps the sentence's original meaning intact.

**Q4.** As used in the passage, the phrase 'lost its marbles' most nearly means:

**Answer: B**

The passage uses the phrase to describe a brief moment when the market priced Oracle as if it had gone temporarily crazy — implying short-lived irrationality, not lasting damage. Option C overstates duration (TRAP C: true-sounding in general but not what the passage implies). SAT Tip: On idioms in context, the right answer usually matches the metaphor's intensity and duration — if the passage describes a brief event, don't pick a permanent meaning.

**Q5.** Which statement about Salesforce can most reasonably be inferred from the passage?

**Answer: B**

The passage notes Snowflake jumped 37% while Salesforce's shares 'barely moved' on the same day, despite both reporting earnings — implying weaker investor enthusiasm. Option A contradicts the passage, which says Salesforce expects growth to slow (TRAP A: opposite direction). SAT Tip: Inference questions reward staying close to the text — pick the answer that's a small logical step from what's stated, not a dramatic conclusion.

**Q6.** The passage suggests that the 37% one-day rise in Snowflake's stock:

**Answer: B**

The passage explicitly says that if markets were efficient, such moves would be an 'affront' — meaning they shouldn't happen. Option A is the opposite of what the passage argues (TRAP A: wrong direction). SAT Tip: When the passage uses a strong evaluative word like 'affront' or 'absurd,' the author is signaling skepticism — align your answer with that skepticism.

**Q7.** The author's tone when discussing the market's reaction is best described as:

**Answer: B**

Phrases like 'pretty crude,' 'an affront,' 'momentarily lost its marbles,' and 'might be premature' show the author finds the market's swings both excessive and a bit absurd. Option C overshoots — the author is wry, not doom-laden (TRAP C: tonally adjacent but too extreme). SAT Tip: For tone questions, ignore the topic and focus on the author's adjectives and figures of speech — those are the real signal.

**Q8.** Which statement best reflects the Bernstein analysts' view as presented in the passage?

**Answer: B**

Bernstein is quoted warning that competition from Databricks, SAP, Microsoft, and Google is likely to intensify even though Snowflake is growing well. Option A is the opposite of the analysts' warning (TRAP A: wrong direction). SAT Tip: When a question asks about a specific source quoted in the passage, find the sentence that names them and stick exactly to what they said.

**Q9.** Which statement about disruption risk in software can most reasonably be inferred from the passage?

**Answer: A**

The passage explains that terminal value is usually the lion's share of equity value, so small tweaks to disruption odds cause huge stock swings — implying price is highly sensitive to those assumptions. Option B is too absolute and not stated (TRAP C: sounds plausible, unsupported). SAT Tip: Inference answers using moderate words like 'more' or 'tends to' usually beat answers using absolutes like 'always' or 'never.'

**Q10.** Which choice provides the BEST evidence for the answer to the previous question?

**Answer: C**

Option C directly states that terminal value dominates equity value and small changes cause huge price moves — the exact mechanism behind Q9's correct answer. Option D is a true detail from the passage but doesn't support a claim about terminal-value sensitivity (TRAP C). SAT Tip: On evidence-pairing questions, locate the sentence that literally states the mechanism in your previous answer — don't get distracted by other true sentences.