



Why Dropbox Stock Popped 12.7% in September

Description

What happened

Shares of **Dropbox** ([NASDAQ: DBX](#)) climbed 12.7% in September, according to data from [S&P Global Market Intelligence](#), rebounding from a [24% decline in August](#) as multiple analysts issued positive notes on the cloud-based storage and data-management specialist following its first analyst day and user conference since going public early last year.

So what

Given its steep post-earnings drop in August, the stock rebounded in the first half of last month along with the broader market's rise, even resisting some of the [negative volatility](#) endured by other peers in the cloud-computing space.

But it certainly helped toward the end of September when analysts at **Deutsche Bank** ([NYSE: DB](#)), **RBC Capital**, and **Canaccord Genuity** each issued or reaffirmed their respective buy (or equivalent) ratings on Dropbox following its Work in Progress conference in San Francisco on Sept. 25.

Now what

With per-share price targets ranging from \$30 to \$35 representing hefty premiums from the current price below \$20, all three analyst firms suggested Dropbox's valuation is attractive and that consensus estimates are likely too low — particularly in light of the company's internal target for sustaining annual revenue growth in the 15% to 20% range.

Perhaps ironically, shares [initially plunged in August](#) despite Dropbox technically beating consensus estimates on both revenue and adjusted earnings, helped by what CEO Drew Houston called “another solid quarter of execution” — though billings and deferred revenue (both key metrics for [predicting growth](#)) seemed light at the time.

It remains to be seen whether these analyst calls are correct. But if Dropbox is able to sustain its growth momentum in the coming quarters, I agree that its stock price should continue to follow suit.

CATEGORY

1. Investing
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1. NASDAQ:DBX (Dropbox)

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