



Why Zoom Video Stock Fell 17% Last Month

Description

What happened

Shares of **Zoom Video** ([NASDAQ: ZM](#)), the high-flying videoconferencing [IPO stock](#), were giving back some of their earlier gains last month. The stock lost 17% during September, according to data from [S&P Global Market Intelligence](#), as a solid earnings report was not enough to offset valuation concerns that drove both it and other cloud stocks down over the course of the month.

So what

Zoom shares fell 8% on Sept. 6 despite the company's posting a strong second-quarter earnings report. Revenue soared 96% to \$145.8 million, which crushed expectations at \$130.3 million, and management said the number of customers spending more than \$100,000 annually on the cloud-based platform more than doubled, a sign that customers are ramping up their use of the service.



Image source: Getty Images.

In another positive sign, adjusted earnings per share rose from \$0.02 to \$0.08, which also easily beat estimates at \$0.01.

CEO Eric Yuan was happy with the performance, saying, “I am proud that we continue to build trust and create value for customers as evidenced by our strong combination of total revenue growth of 96% with increased profitability and free cash flow in Q2.”

Zoom even raised its outlook for the year, but that wasn’t enough to please investors, who had bid the stock up more than double from its \$36 IPO price. Zoom was one of several SaaS stocks that reported earnings that week and declined despite strong results. Cloud stocks broadly fell on Sept. 9, and Zoom slipped another 8% in part of a [market rotation](#) from high-valued growth stocks, especially SaaS companies, into value stocks in energy and retail.

Now what

Zoom shares have continue to slide into October, but the company’s underlying performance remains strong. In the second-quarter report, management raised its full-year revenue guidance from \$535 to \$540 million all the way to \$587 to \$590 million. It also now expects adjusted EPS of \$0.18 to \$0.19, up from a prior range of \$0.02 to \$0.03.

Clearly, the company is executing on its growth plan, but with the stock trading at a P/E of 400 based on that forecast and a price-to-sales ratio close to 40, it may take a while for the stock to grow into its current valuation.

CATEGORY

1. Investing
2. Tech Stocks

POST TAG

1. Syndicated

TICKERS GLOBAL

1. NASDAQ:ZM (Zoom Video Communications)

Category

1. Investing
2. Tech Stocks

Tags

1. Syndicated

Date

2025/08/17

Date Created

2019/10/12

Author

jeremy-bowman

default watermark

default watermark