



## Why Shares of Several Cloud Communications Experts Crashed Last Month

### Description

### What happened

Shares of cloud-based communications specialists had a tough month in September. [According to data from S&P Global Market Intelligence](#), **RingCentral**'s ([NYSE: RNG](#)) shares fell 11% while **8x8** ([NYSE: EGHT](#)) took a 14.5% haircut and **Vonage** ([NYSE: VG](#)) saw a 14.8% drop. All of these drops were tied to sector peer **Twilio** ([NYSE: TWLO](#)), as that provider of platforms around which programmers can build custom a cloud-based communications systems took a 15.7% dip.

### So what

Twilio's pain, which was mirrored by the other cloud communications, hinged on a sharp drop on Monday, Sept. 9. The company didn't do anything to deserve that sudden sell-off, other than trading at rich valuation multiples in the cloud computing sector. Many stocks meeting that description [followed Twilio more than 10% lower](#) that day, all on extraordinarily high trading volumes but no particularly scary news.

Nearly 12 million Twilio shares changed hands on Sept. 9, compared with an average daily trading volume of 4 million over the past three months. That's in line with the heavy volume reported for most of the plunging cloud computing stocks on this ill-fated day. I'm tagging Vonage, 8x8, and RingCentral as victims of Twilio's suffering because none of these tickers joined the high-volume trading trends of this single-day bloodbath. Moreover, Twilio's big drop happened very quickly while the other industry stocks took a few days to follow suit — always on moderate trading volumes or less.

### Now what

Even the cloud computing sell-off came with little warning and no solid reasons for the panic. I am still convinced that what we saw that day was a handful of very large shareholders moving away from the cloud computing industry and into safer industries where stocks trade at more reasonable valuations.

All of the stocks mentioned range from mildly overvalued to nosebleed-inducing, as measured against traditional value metrics such as price to earnings, cash flows, or sales.

None of that changes the growth-based value other investors see in these tickers. Fellow Fool Nick Rossolillo, for example, used the big one-day drop in early September to [pick up shares of several cloud computing stocks at a sudden discount](#) — including a few Twilio stubs. That's a good idea in my eyes.

You should also know that [RingCentral has jumped 35% higher](#) in early October thanks to a new partnership with office communications giant **Avaya**. The other cloud communications specialists did not follow suit and are still available at the lower prices that were introduced in September.

## CATEGORY

1. Investing
2. Tech Stocks

## POST TAG

1. Syndicated

## TICKERS GLOBAL

1. NASDAQ:EGHT (8x8)
2. NYSE:RNG (RingCentral, Inc.)
3. NYSE:TWLO (Twilio Inc.)

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