



Many Cloud Computing Stocks Look Affordable After Crashing in September

Description

What happened

Many cloud computing specialists saw their share prices tank in September, [according to data from S&P Global Market Intelligence](#). E-commerce platform operator **Shopify** ([NYSE: SHOP](#)) fell 19.1%, team communications specialist **Slack Technologies** ([NYSE: WORK](#)) dropped 17.1%, and content delivery expert **Fastly** ([NYSE: FSLY](#)) took a 24.1% hit.

So what

These companies have a few things in common:

- They all run services tailored to business users rather than consumers, focusing mostly on the needs of small to medium-size businesses.
- Their services run online, managed by the service provider rather than the end user. This form of cloud computing is known as [software as a service](#).
- Their revenues are skyrocketing. Fastly's sales rose 34% year over year in the recently reported second quarter. Slack's revenue surged 58% in the same quarter. Shopify's second-quarter sales rose 48%.
- The stocks all trade at lofty price-to-sales ratios ranging from Fastly's 14 times trailing revenue to Shopify at 27 times. I can't refer to P/E ratios here because the companies are reporting negative earnings so far. Their sky-high valuations rest on rampant growth trends rather than solid profits.
- Crucially, September was a fairly quiet month for all of these companies — at least in terms of bad news. [Slack did report earnings](#), crushing Wall Street's expectations across the board. Shopify's biggest news was a cleanly executed secondary stock offering. For Fastly, I found no market-moving news at all in September.

Now what

High-flying [growth stocks](#) often act exactly like this, making big moves for no apparent reason. In this case, investors worried about the ongoing trade struggles between Washington and Beijing, inspiring a few market makers to move some assets out of these growth stocks and into something safer.

There's nothing wrong with that, just a common wrinkle in the fabric of Wall Street. On the upside, falling share prices [only hurt if you're locking in the low prices](#) by selling in a panic. More-adventurous investors may see these discounts as an opportunity to start or expand their holdings in Shopify, Fastly, and Slack. Many analysts issued rosy reports on these stocks in September, echoing exactly that core idea.

CATEGORY

1. Investing
2. Tech Stocks

POST TAG

1. Syndicated

TICKERS GLOBAL

1. NYSE:FSLY (Fastly, Inc.)
2. NYSE:SHOP (Shopify Inc.)

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