Why CrowdStrike Stock Plunged 28% in September

Description

What happened

Last month, **CrowdStrike Holdings** (NASDAQ: CRWD) stock plummeted 28.3%, according to data from S&P Global Market Intelligence. For context, the **S&P 500** returned 1.9% in September.

Despite the drop, however, through Oct. 4, shares are still up 88% since the cloud-based cybersecurity provider's June initial public offering (IPO) at $34 per share.

So what

We can attribute CrowdStrike stock's drop last month largely to two catalysts: the company's release of its fiscal second-quarter 2020 results and a downturn among highly valued growth stocks in the tech space.

On Sept. 6, shares declined 12.5% following CrowdStrike's announcement of its quarterly results the prior afternoon. Results were strong and beat Wall Street's estimates and the same can be said of guidance. However, investors apparently weren't entirely satisfied. CrowdStrike stock is very richly valued, so investors want to see quarterly results and an outlook that they feel justifies the stock's lofty valuation.

In Q2, revenue soared 94% year over year to $108.1 million, with subscription revenue rocketing 98% to $97.6 million, while adjusted net loss narrowed 74% to $0.18 per share. Wall Street was looking for an adjusted loss of $0.23 per share on revenue of $103.8 million. So, CrowdStrike comfortably beat both estimates. We'll get to guidance in the next section.

On Sept. 9, CrowdStrike stock fell 11.7% for no apparent reason. It wasn't alone, however, as many highly valued growth stocks in the tech sector, particularly those in the cloud computing space, took sizable hits on this day. At that time, my colleague Rich Smith opined that the likely reason was that some investors were "backing away" from these types of stocks due to concerns that a recession could be on its way. I agree with that take.

Now what

CrowdStrike issued Q3 guidance and raised its full-year outlook as follows:

- Fiscal Q3: Revenue of $117.1 million to $119.5 million and an adjusted loss of $0.12 to $0.11 per share.
- Full-year fiscal 2020: Revenue of $445.4 million to $451.8 million, up from prior projection of $430.2 million to $436.4 million. Adjusted loss of $0.65 to $0.62 per share, up from prior guidance of an adjusted loss of $0.72 to $0.70 per share.

Going into the release, Wall Street had been modeling for a loss of $0.13 per share on revenue of $111.2 million in the third quarter and a loss of $0.73 per share on revenue of $434.9 million for the year. So, CrowdStrike's guidance exceeded analysts' expectations across the board. That said, I'd venture to guess that the Q3 bottom-line outlook probably disappointed some investors, as it's just a bit over the Street's consensus estimate.

CATEGORY

1. Investing
2. Tech Stocks

POST TAG

1. Syndicated

TICKERS GLOBAL

1. NASDAQ:CRWD (CrowdStrike)

Category

1. Investing
2. Tech Stocks

Tags

1. Syndicated

Date
2025/07/02
Date Created
2019/10/09
Author
beth-mckenna