



Why Shares of Forescout Technologies Tanked Today

Description

What happened

Shares of **Forescout Technologies** (NASDAQ: FSCT) tumbled on Thursday after the device visibility and control solutions provider announced preliminary third-quarter results. The company substantially lowered its expectations for both revenue and profit, citing several deals that were pushed out of the third quarter as well as a tough macroeconomic environment in certain markets. The stock was down 35.2% at 10:50 a.m. EDT.

So what

Forescout now expects to report third-quarter revenue between \$90.6 million and \$91.6 million, far below its original guidance range of \$98.8 million to \$101.8 million. Forescout CEO Michael DeCesare explained that none of the delayed deals were lost to competitors and that the company is working to close them as soon as possible.

Positive trends in the third quarter include adding 110 net customers, adding 3.9 million devices under management, and closing a large deal with the United States government. “The fundamentals of our business remain strong and we are confident in our opportunity ahead,” said DeCesare.

The bottom line will take a hit from the reduced revenue in the third quarter. [Non-GAAP](#) (adjusted) operating loss is now expected to be between \$1.4 million and \$1.6 million, down from previous guidance calling for a profit between \$2.6 million and \$3.6 million.

Now what

The market isn’t buying that these delayed deals are a one-off issue, and it knocked off more than a third of the stock’s value on Thursday morning. All the stock’s gains in 2019 have now been erased.

“We are disappointed that our third quarter results were below our guidance and are committed to

increasing the predictability in our long-term revenue model through new term-based licensing and forthcoming [Software-as-a-Service](#) (SaaS) offerings,” said DeCesare. That increased predictability can’t come soon enough.

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Date

2025/08/15

Date Created

2019/10/10

Author

timothy-green

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