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Jim Cramer says buy the 'pure panic' of Palo Alto Networks' post-earnings plunge. Here's why

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Morgan Chittum

@MORGAN_CHITTUM

In this article

PANW -105.92 (-28.93%)



In this photo illustration the logo from the cyber security company Palo Alto Networks seen displayed on a smartphone.

Rafael Henrique| SOPA Images | Lightrocket | Getty Images

[Palo Alto Networks](#) was plummeting Wednesday, one day after a complicated [quarterly print](#) and outlook. Jim Cramer said it's time to buy the leading cybersecurity name, not sell it.



pure panic. We don't sell pure panic." Due to our rules, the Club is restricted from making our purchase for a few more days. But we wanted to tell members our plan.

The decline began after Palo Alto Networks on Tuesday evening reported a slight billings miss in its fiscal 2024 second quarter, which on the top and bottom lines beat the Street. The softening billings trend started toward the end of its first quarter, worsened in Q2 and is expected to continue into the second half of its fiscal year. The company also missed estimates on its fiscal Q3 and full-year outlooks on revenue and earnings per share.



Palo Alto Networks Inc

RT Quote | Last NASDAQ LS, VOL From CTA | USD

260.17 ▼ -105.92 (-28.93%)

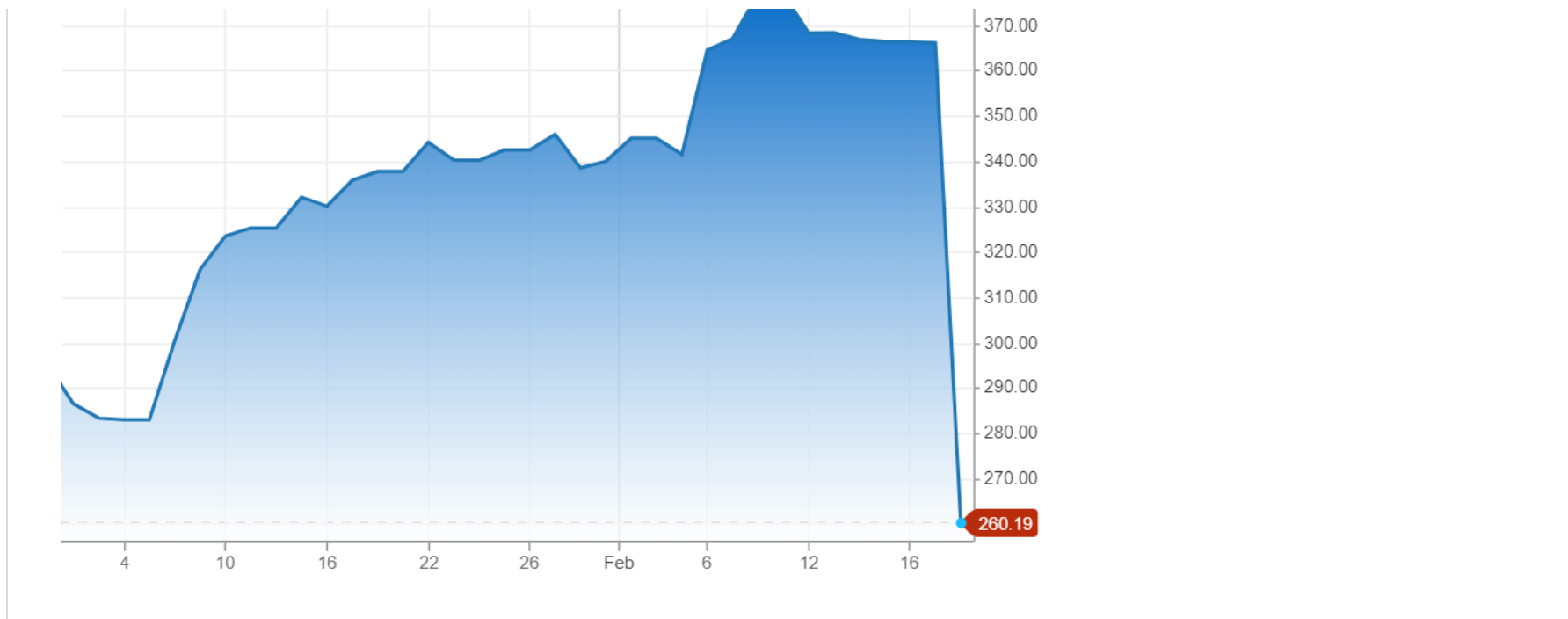
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Palo Alto Networks (PANW) year-to-date performance

To address evolving cybersecurity industry dynamics, CEO Nikesh Arora detailed a shift towards what he calls “platformization.” Palo Alto is changing its strategy by selling a unified cybersecurity platform to accelerate consolidation in the sector. This comes with more discounts on the firm’s products in the near term, with deals such as allowing customers to trial certain offerings for free. Although it’s a short-term pain to billings and revenue growth, this will solidify Palo Alto’s lead among its peers in the long run.



and stock move.

Jim sees the drop in shares as an opportunity to buy because Palo Alto continues to dominate an industry that's becoming more and more in demand. Cyber attacks, hacking and breaches are on the rise. The bad actors, some of whom are sponsored by nation-states, are getting more sophisticated.

What's more assuring is that Arora doesn't seem concerned about the market's reaction or the health of the company's business. "Sometimes you have to consolidate to go out and double from there. I'm not worried about the stock price," Arora said during "[Mad Money](#)" on Tuesday. "Let's go back to the basics. Our business is strong, demand is strong. ... There is no cybersecurity abyss."

While Palo Alto Networks was experiencing a double-digit percentage loss on Wednesday, shares were still up more than 61% over the past 12 months. The stock more than doubled in 2023.

(Jim Cramer's Charitable Trust is long PANW. See [here](#) for a full list of the stocks.)

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