



# CrowdStrike Holdings, Inc. (NASDAQ: CRWD)

Stock Rating	Industry View	Price Target
Overweight	Attractive	\$400.00

### OPPORTUNITY SUMMARY

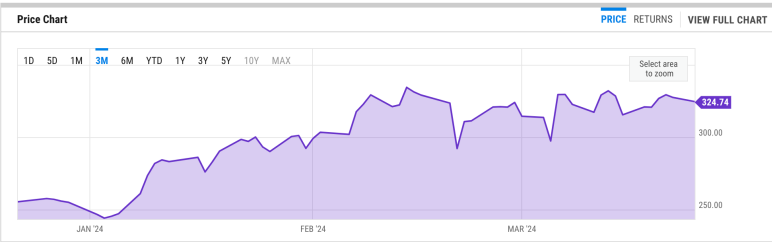
CrowdStrike Holdings, Inc. (CRWD) has delivered stellar Q4 and FY24 results, showcasing robust year-over-year growth with a 34% increase in Annual Recurring Revenue to \$3.44 billion, outpacing estimates. Notably, CRWD's strategic acquisition of Flow Security aims to enhance its cloud data security leadership, strengthened by an alliance with Dell to integrate advanced detection and response services. CRWD’s emerging product lines have seen exponential growth, with its Cloud Security, Identity Security, and Logscale SIEM offerings expanding their market presence. These strategic initiatives and financial achievements signal CRWD’s strong position and promising outlook in the cybersecurity sector.

### BUSINESS DESCRIPTION

CrowdStrike Holdings, Inc. (NASDAQ: CRWD), a cybersecurity leader, offers cloud-delivered solutions for endpoint and cloud workload protection through its proprietary Falcon platform. The company's product suite is designed to detect and prevent breaches, seamlessly integrating threat intelligence and round-the-clock monitoring services. CrowdStrike's economic model leverages its scalable SaaS framework, driving revenue primarily through subscription-based services, characterized by high renewal rates and a growing customer base. The key revenue drivers are the increasing adoption of cloud services and heightened cybersecurity demands across various sectors, while expenses are mainly associated with R&D and market expansion activities. Regulatory filings, along with industry analyses, indicate CrowdStrike’s strategic positioning for sustained growth through innovation and customer acquisition in the expanding cybersecurity market.

### RESEARCH UPDATE

Stock Data				
Rating:	Overweight			
Suitability:	N/A			
Price Target:	\$400			
Price:	\$327.58			
Market Cap:	\$79.23 Billion			
Shares Out:	241.9			
Average Daily Vol:	N/A			
Divident Yield:	N/A			
Estimates				
Adj. EPS (\$)	2024A	2025E	2026E	
Q1	0.57	0.9	1.07	
Q2	0.74	0.93	1.11	
Q3	0.82	1.04	1.2	
Q4	0.95	1.08	1.35	
Fiscal Year EPS	3.09	3.95	4.73	





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## MANAGEMENT & GOVERNANCE

CrowdStrike Holdings, Inc. (CRWD) boasts a robust leadership team helmed by CEO and co-founder George Kurtz, a veteran with over three decades in cybersecurity. He brings a strategic vision for growth and a history of successful ventures, including leadership roles at McAfee. Burt Podbere, CFO, adds financial acuity from his tenure at cloud-security firms, enhancing CRWD's market forays. Shawn Henry, as CSO and former FBI executive, offers invaluable insight into cybersecurity challenges. President Michael Sentonas, ex-CTO, champions CRWD's tech initiatives. The board's composition, crucial for governance, warrants review for independence in the company's annual report, alongside executive compensation—Kurtz received \$3.1M, Podbere \$1.2M, and Henry \$1.1M in FY2023, with substantial value realized from stock options. The company's capital allocation and executive stock ownership are key indicators of management's stake in CRWD's success.

## TOP SHAREHOLDERS

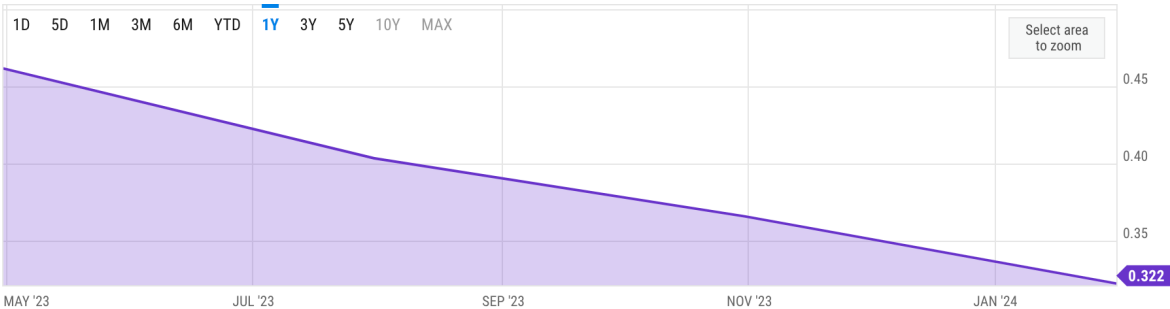
Holder	% Out	Date
Blackrock Inc.	7.39	12/31/2023
Vanguard Group Inc.	6.86	12/31/2023
Jennison Associates LLC	2.76	12/31/2023
Morgan Stanley	2.32	12/31/2023
State Street Corporation	2.04	12/31/2023
T. Rowe Price Investment Management, Inc.	1.99	12/31/2023
JP Morgan Chase	1.88	12/31/2023
Voya Investment Management, LLC	1.60	12/31/2023
Geode Capital Management, LLC	1.50	12/31/2023
FMR, LLC	1.32	12/31/2023

## DEBT

### Capital Structure

Total Debt to Total Equity	34.41
Total Debt to Total Capital	25.60
Total Debt to Total Assets	11.93
Interest Coverage	0.40
Long-Term Debt to Equity	33.80
Long-Term Debt to Total Capital	25.15
Long-Term Debt to Assets	0.12

Debt to Equity Ratio Chart





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## INDUSTRY OVERVIEW, OUTLOOK AND COMPETITIVE POSITIONING

Overview - The cybersecurity industry is characterized by a rapidly evolving landscape, driven by escalating cyber threats, stringent regulatory compliance requirements, and the shift towards cloud and hybrid environments. Key players such as Symantec (Broadcom), Palo Alto Networks, Checkpoint Software, CrowdStrike, Cisco, and Microsoft dominate the market, differentiating themselves through technological innovation, comprehensive product offerings, and strategic acquisitions. The industry faces challenges such as a workforce skill gap and the need to secure emerging technologies like IoT and 5G, but it also sees opportunities in areas like AI and ML for threat detection and the growing demand for cybersecurity as a service. Market trends indicate a move towards Zero Trust architecture and an emphasis on cloud-native solutions, with companies competing on integration capabilities, ease of use, and the ability to offer managed security services, positioning themselves for growth in a landscape where staying ahead of threats is paramount.

Outlook - CrowdStrike and the cybersecurity industry are navigating through a mix of headwinds and tailwinds: they face challenges such as market saturation, economic downturns reducing IT budgets, rapid technological changes necessitating constant R&D, complex global regulations increasing compliance costs, and a scarcity of skilled cybersecurity professionals driving up labor costs. Conversely, they benefit from tailwinds like the escalation of cyber threats boosting demand for security services, widespread digital transformation expanding the cybersecurity market, stringent regulatory compliance requirements leading to more business, the transition to cloud environments favoring cloud-focused security solutions, and the growing preference for outsourced managed security services. These factors collectively influence CrowdStrike's revenue growth and operational costs, shaping the company's financial landscape within the broader industry context.

Competitive Positioning - CrowdStrike's competitive positioning in the cybersecurity industry can be assessed through its scale, which leverages a substantial market share and a global customer base; its pricing strategy, which often reflects a premium offering justified by advanced features and a strong reputation for quality; its product mix, marked by a comprehensive suite of cloud-native endpoint security solutions catering to diverse market needs; its quality, underscored by a high level of reliability and effectiveness, as evidenced by customer testimonials and industry accolades; and its distribution, which benefits from a robust online presence and a network of partnerships facilitating wide market penetration. The company's strategic placement in these areas collectively strengthens its market stance, with its innovative approach and customer-centric services fortifying its competitive edge against industry rivals.

## OPERATIONAL DESCRIPTION

### Revenue Model –

CrowdStrike monetizes its operations through the sale of advanced cybersecurity solutions such as endpoint security and threat intelligence, predominantly to enterprise-level clients and government agencies, utilizing a subscription-based SaaS model. The company's pricing strategy is tiered, allowing customers to choose from a basic level of protection to more comprehensive packages with additional features. This flexible approach enables CrowdStrike to cater to a wide range of security needs while capitalizing on the growing demand for cyber defense mechanisms.

Distribution Channels – CrowdStrike sells its products through an internal sales channel.

Operational Model – CrowdStrike operates through a digital model which provides advanced cybersecurity solutions through software application based on a subscription-based SaaS model.

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# CrowdStrike Holdings Inc.. (NASDAQ: CRWD)

## FINANCIAL ANALYSIS

CrowdStrike Holdings (NASDAQ: CRWD) has capitalized on strategic partnerships, like its MDR services with Dell, catalyzing a triple-digit year-over-year (y/y) growth in its Managed Security Service Provider (MSSP) channel and a significant increase in net new Annual Recurring Revenue (ARR) in Q4'23. This has propelled total revenue 33% y/y to \$7.6M above midpoint guidance. Its platform products—Cloud, Identity, and Logscale—have surged past \$850M in ARR, accounting for roughly 50% of FY24's NNARR. Noteworthy deals across various industries have bolstered this growth, along with a 30% rise in deal count y/y.

Operating margins improved to 25.2%, surpassing the 22.4% consensus, and EBITDA/EBIT margins are projected to nearly double in five years, aided by declining industry-wide cost pressures and leveraging AI, cloud, and security. With only 3-4% of the \$225B Total Addressable Market captured, CRWD projects a 22-23% market CAGR. The company’s scalable software model has led to margin expansion and cost-effective operations, while the single platform model enhances customer value.

CapEx is projected to increase by 88% over five years, with revenue expected to grow over 200%, reflecting organic capital growth. CRWD's acquisition of Flow Security, closing in Q1FY24, boosts its momentum in cloud security. With a solid balance sheet and Net Working Capital projected to increase from \$1.5B to \$4.8B by 2027, CRWD is well-positioned to meet short-term obligations and fund further growth.



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## VALUATION

Our \$400 price target for the stock is based on a 22.3x EV/Sales multiple, significantly higher than the 10.9x average of its high-growth peers. This premium valuation is justified by the company's superior profitability, industry-leading growth rates, substantial growth opportunities, and operational leverage. Informed by a 4.3% risk-free rate and a 6% market risk premium, supporting our outlook on the stock's value. The company's advantageous position is attributed to its comprehensive partner network, top-tier product performance, strong brand reputation, and pioneering presence in specialized cloud computing segments, underscoring its potential for sustained high performance.

## Balance Sheet

	January 31,	
	2024	2023
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 3,375,069	\$ 2,455,369
Short-term investments	99,591	250,000
Accounts receivable, net of allowance for credit losses of \$2.2 million and \$2.6 million as of January 31, 2024 and January 31, 2023, respectively	853,105	626,181
Deferred contract acquisition costs, current	246,370	186,855
Prepaid expenses and other current assets	183,172	121,862
Total current assets	4,757,307	3,640,267
Strategic investments	56,244	47,270
Property and equipment, net	620,172	492,335
Operating lease right-of-use assets	48,211	39,936
Deferred contract acquisition costs, noncurrent	335,933	260,233
Goodwill	638,041	430,645
Intangible assets, net	114,518	86,889
Other long-term assets	76,094	28,965
Total assets	\$ 6,646,520	\$ 5,026,540
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 28,180	\$ 45,372
Accrued expenses	125,896	137,884
Accrued payroll and benefits	234,624	168,767
Operating lease liabilities, current	14,150	13,046
Deferred revenue	2,270,757	1,727,484
Other current liabilities	23,672	16,519
Total current liabilities	2,697,279	2,109,072
Long-term debt	742,494	741,005
Deferred revenue, noncurrent	783,342	627,629
Operating lease liabilities, noncurrent	36,230	29,567
Other liabilities, noncurrent	50,086	31,833
Total liabilities	4,309,431	3,539,106
Commitments and contingencies (Note 9)		
<b>Stockholders' Equity</b>		
Preferred stock, \$0.0005 par value; 100,000 shares authorized as of January 31, 2024 and January 31, 2023; no shares issued and outstanding as of January 31, 2024 and January 31, 2023.	—	—
Class A common stock, \$0.0005 par value; 2,000,000 shares authorized as of January 31, 2024 and January 31, 2023; 229,380 shares, and 222,759 shares issued and outstanding as of January 31, 2024 and January 31, 2023, respectively; Class B common stock, \$0.0005 par value; 300,000 shares authorized as of January 31, 2024 and January 31, 2023; 12,485 shares, and 13,018 shares issued and outstanding as of January 31, 2024 and January 31, 2023, respectively.	121	118
Additional paid-in capital	3,364,328	2,612,705
Accumulated deficit	(1,058,836)	(1,148,163)
Accumulated other comprehensive loss	(1,663)	(1,019)
Total CrowdStrike Holdings, Inc. stockholders' equity	2,303,950	1,463,641
Non-controlling interest	33,139	23,793
Total stockholders' equity	2,337,089	1,487,434
Total liabilities and stockholders' equity	\$ 6,646,520	\$ 5,026,540

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# CrowdStrike Holdings Inc. (NASDAQ: CRWD)

## Statement of Cash Flows

	Year Ended January 31,		
	2024	2023	2022
<b>Operating activities</b>			
Net income (loss)	\$ 90,585	\$ (182,285)	\$ (232,378)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	126,838	77,245	55,908
Amortization of intangible assets	18,416	16,565	12,902
Amortization of deferred contract acquisition costs	238,901	170,808	113,884
Non-cash operating lease cost	13,398	9,440	9,103
Stock-based compensation expense	631,519	526,504	309,952
Deferred income taxes	(3,387)	1,306	(13,956)
Realized gains on strategic investments	(3,936)	—	—
Accretion of short-term investments purchased at a discount	(2,285)	—	—
Non-cash interest expense	3,173	2,813	2,469
Change in fair value of strategic investments	1,459	(1,830)	(4,823)
Changes in operating assets and liabilities, net of impact of acquisitions			
Accounts receivable, net	(217,699)	(258,109)	(125,354)
Deferred contract acquisition costs	(371,649)	(298,716)	(234,308)
Prepaid expenses and other assets	(102,520)	(46,807)	(29,535)
Accounts payable	(18,898)	(15,463)	33,248
Accrued expenses and other liabilities	14,586	58,923	38,483
Accrued payroll and benefits	65,102	65,226	32,681
Operating lease liabilities	(14,035)	(10,364)	(9,900)
Deferred revenue	696,639	825,751	616,408
Net cash provided by operating activities	1,166,207	941,007	574,784
<b>Investing activities</b>			
Purchases of property and equipment	(176,529)	(235,019)	(112,143)
Capitalized internal-use software and website development costs	(49,457)	(29,095)	(20,866)
Purchases of strategic investments	(17,177)	(21,808)	(16,309)
Proceeds from sales of strategic investments	2,000	—	—
Business acquisitions, net of cash acquired	(239,030)	(18,349)	(414,518)
Purchases of intangible assets	(11,126)	(2,323)	(680)
Purchases of short-term investments	(195,581)	(250,000)	—
Proceeds from maturities and sales of short-term investments	348,281	—	—
Purchases of deferred compensation investments	(2,031)	(64)	—
Net cash used in investing activities	(340,650)	(556,658)	(564,516)
<b>Financing activities</b>			
Payments of debt issuance costs related to revolving line of credit	—	—	(219)
Payments of debt issuance costs related to Senior Notes	—	—	(1,581)
Repayment of loan payable	—	(1,591)	—
Proceeds from issuance of common stock upon exercise of stock options	8,695	8,655	15,899
Proceeds from issuance of common stock under the employee stock purchase plan	76,375	59,419	50,277
Capital contributions from non-controlling interest holders	8,088	10,954	8,155
Net cash provided by financing activities	93,158	77,437	72,531
Effect of foreign exchange rates on cash, cash equivalents and restricted cash	1,958	(1,495)	(4,774)
Net increase in cash, cash equivalents and restricted cash	920,673	460,291	78,025
Cash, cash equivalents and restricted cash at beginning of period	2,456,924	1,996,633	1,918,608
Cash, cash equivalents and restricted cash at end of period	\$ 3,377,597	\$ 2,456,924	\$ 1,996,633
<b>Cash, cash equivalents and restricted cash at the end of period:</b>			
Cash and cash equivalents	3,375,069	2,455,369	1,996,633
Restricted cash included in prepaid expenses and other assets	2,528	1,555	—
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	3,377,597	2,456,924	1,996,633
<b>Supplemental disclosure of cash flow information:</b>			
Interest paid	\$ 22,500	\$ 22,551	\$ 13,088
Income taxes paid, net of refunds received	\$ 22,608	\$ 11,943	\$ 74,677
<b>Supplemental disclosure of non-cash investing and financing activities:</b>			
Net (decrease) increase in property and equipment included in accounts payable and accrued expenses	\$ (3,081)	\$ 22,421	\$ 6,522
Vesting of early exercised stock options	\$ —	\$ 2,204	\$ 3,165
Equity consideration for acquisitions	\$ 652	\$ 50	\$ 4,011
Operating lease liabilities arising from obtaining operating right of-use assets	\$ 16,445	\$ 18,464	\$ 4,867
Proceeds from sales of strategic investments not yet received	\$ 8,774	\$ —	\$ —
Stock-based compensation included in capitalized software development costs and fixed assets	\$ 31,919	\$ 20,193	\$ 10,879

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# CrowdStrike Holdings Inc. (NASDAQ: CRWD)

## INVESTMENT RATIONAL

CrowdStrike Holdings (NASDAQ: CRWD) carries an 'Overweight' rating due to its robust organic growth through internal business development and market penetration in endpoint security and cloud services. Its technology leadership is complemented by inorganic growth strategies, including the strategic acquisition of Flow Security to enhance its Data Security Posture Management (DSPM) offerings.

Although not currently recommended for sale, should such a situation arise, potential buyers would likely be major technology firms or private equity investors seeking to bolster their cybersecurity portfolio. Risks to this investment thesis include potential IT budget cuts affecting sales cycles, reduced demand for log solutions, intensifying competition impacting pricing, and a slowdown in the expansion deal pipeline.

Nonetheless, CRWD presents an intriguing opportunity to invest in artificial intelligence and cyber security which are the two industries which stand to gain tremendous value from the next stage of the ongoing information age and technological revolution.





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