

In re Splunk Inc. Securities Litigation

COURT: United States District Court for the Northern District of California
CASE NUMBER: 20-cv-08600
CLASS PERIOD: 03/26/2020 - 12/02/2020
CASE LEADERS: John Rizio-Hamilton, Jonathan D. Uslaner
CASE TEAM: Lauren M. Cruz, Caitlin Bozman

This is a securities fraud class action on behalf of persons and entities who purchased common stock of Splunk Inc. (“Splunk” or the “Company”) between March 26, 2020 and December 2, 2020, inclusive (the “Class Period”). Splunk has operated at a net loss every year since its inception and, by the beginning of the Class Period, had negative operating cash flows. Splunk’s CEO, Defendant Merritt, assured investors that the Company would soon turn the corner, reaching positive operational cash flow by 2022 and achieving over a billion dollars in positive operational cash flow by 2023. Splunk told investors that it would accomplish these milestones through continuous investments in marketing and the continuous hiring of additional sales personnel. In each of their quarterly and annual filings with the SEC during the Class Period, Defendants told investors that they were continuously investing in marketing. Defendants also told investors in Splunk’s SEC filings and elsewhere that they were continuously hiring additional sales professionals. They buttressed these statements with additional representations during investor conference calls, assuring the market that—with the exception of a short, two-week hiatus in early March 2020—the Company was continuously hiring.

But unknown to investors at the time, Splunk was not continuing to invest in marketing during the Class Period. And it was not continuing to hire new sales personnel. At the end of the Class Period, on December 3, 2020, Defendants stunned investors when they admitted that Splunk, indeed, “suspended investments in marketing” and “froze hiring.” These cutbacks, they acknowledged, caused Splunk to have “a tighter pipeline going into [the third quarter].” As a result, Splunk suffered a hard miss in its third-quarter financial results. Quarterly revenues dropped 11% year-over-year, and net losses ballooned. Faced with the consequences of their undisclosed corporate actions, Defendants also withdrew their coveted guidance to investors that they would eclipse \$1 billion in positive operating cash flow by 2023.

As a result of Splunk and its executives material misrepresentations and omissions, Splunk’s stock price cratered 23% in a single trading day, erasing over \$7.7 billion in shareholder value.

On March 16, 2021, the Honorable Jon S. Tigar appointed Louisiana Sheriffs’ Pension & Relief Fund as Lead Plaintiff and BLB&G as Lead Counsel for the potential Class. On June 7, 2021, Lead Plaintiff filed the Consolidated Class Action Complaint, which can be found in the “Case Documents” link immediately to the left of this description. Defendants moved to dismiss the Consolidated Complaint on July 27, 2021, and Lead Plaintiff opposed that motion. On March 21, 2022, Judge Tigar largely rejected Defendants’ motion to dismiss and upheld the Consolidated Complaint. The case is proceeding in discovery.

Lead Plaintiff moved for class certification on July 22, 2022. Defendants’ opposition to the motion is due on October 13, 2022, and Lead Plaintiff’s reply in support of its motion is due January 24, 2023.

Case Documents

- March 21, 2022 - Order Denying Motion to Dismiss
- June 7, 2021 - Splunk Consolidated Class Action Complaint