

In re Splunk Inc. Securities Litigation

COURT: United States District Court for the Northern District of California
CASE NUMBER: 20-cv-08600
CLASS PERIOD: 05/21/2020 - 12/02/2020
CASE LEADERS: John Rizio-Hamilton, Jonathan D. Uslaner
CASE TEAM: Lauren M. Cruz

This is a securities fraud class action on behalf of persons and entities who purchased or otherwise acquired the common stock of Splunk Inc. (“Splunk” or the “Company”) from May 21, 2020 through December 2, 2020, inclusive (the “Class Period”), and continued to hold any Splunk common stock after December 2, 2020.

Lead Plaintiff Has Settled the Action for \$30 Million

Lead Plaintiff Louisiana Sheriffs Pension & Relief Fund, on behalf of itself and the Settlement Class, has settled the Action for **\$30,000,000.00** in cash (the “Settlement”).

On February 22, 2024, the Court held a hearing to consider final approval of the Settlement and other matters. On March 4, 2024, the Court entered a final order approving the Settlement and Plan of Allocation and an order approving Lead Counsel’s motion for attorney’s fees and litigation expenses.

The Settlement Class consists of:

all persons or entities who purchased or otherwise acquired the common stock of Splunk during the period from May 21, 2020 through December 2, 2020, inclusive, and continued to hold any Splunk common stock after December 2, 2020.

Certain persons and entities are excluded from the Settlement Class by definition (see paragraph 24 of the Notice) or if they requested exclusion pursuant to the instructions set forth in the Notice.

Please read the Notice to fully understand your rights. A copy of the notice can be found in the **Case Documents** list on the right of this page. You may also visit the case website, www.SplunkSecuritiesLitigation.com, for more information about the Settlement.

The deadline for submission of a Claim Form to be potentially eligible to receive a payment from the Settlement was **February 15, 2024**.

Background and History of the Litigation

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.

However, Lead Plaintiff alleges that, 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. Lead Plaintiff alleges that 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, Defendants 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. Defendants also withdrew their guidance to investors that they would eclipse \$1 billion in positive operating cash flow by 2023.

Lead Plaintiff alleges that, as a result of Splunk and its executives’ material misrepresentations and omissions, Splunk’s stock price declined 23% in a single trading day.

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 Action. On June 7, 2021, Lead Plaintiff filed the Consolidated Class Action Complaint, which can be found under the **Case Documents** header on this page. Defendants moved to dismiss the 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 Complaint.

On May 13, 2022, Defendants filed their answer to the Complaint. Among other things, Defendants’ answer denied Lead Plaintiff’s allegations of wrongdoing and asserted various defenses to the claims pled against Defendants.

Discovery in the Action commenced in April 2022. In the course of discovery, Defendants produced more than 39,000 pages of documents to Lead Plaintiff and substantially completed their production of the documents from the files of the Individual Defendants. The Parties met and conferred and exchanged numerous letters concerning disputed discovery issues over several months, certain of which required the Court’s intervention to resolve.

On July 22, 2022, Lead Plaintiff filed its motion for class certification and appointment of class representative and class counsel, which was accompanied by a report from Lead Plaintiff’s expert on market efficiency and common damages methodologies.

The Parties began exploring the possibility of a settlement in the fall of 2022. The Parties agreed to engage in private mediation and retained Jed D. Melnick, Esq., of JAMS to act as mediator in the Action (the “Mediator”). On December 15, 2022, counsel for the Parties participated in a full-day mediation session before the Mediator. In advance of that session, the Parties exchanged and submitted detailed mediation statements and supporting exhibits to the Mediator.

After a full day of intense negotiations, the Mediator proposed a recommendation that the Parties settle the Action for \$30 million, subject to the approval of the Court, which both sides accepted on a double-blind basis.

On January 9, 2023, counsel for the parties informed the Court that they had reached a settlement in principle to resolve the matter. On January 30, 2023, Lead Plaintiff and Defendants executed the Stipulation of Settlement providing for the settlement of the Action for \$30 million, subject to the approval of the Court. On February 7, 2023, Lead Plaintiff filed its motion for preliminary approval of the Settlement.

On September 26, 2023, the Court entered an Order (corrected on October 2, 2023) preliminarily approving the Settlement, authorizing notice of the Settlement to be provided to potential Settlement Class Members, and scheduling the Settlement Hearing to consider whether to grant final approval of the Settlement for February 22, 2024.

Following the hearing on February 22, 2024, the Court entered a final order approving the Settlement and Plan of Allocation and an order approving Lead Counsel's motion for attorney's fees and litigation expenses on March 4, 2024.

The claims administration was completed in July 2024. On July 23, 2024, the Motion for Approval of Distribution Plan was filed. On August 12, 2024, the Court entered the Order Approving the Distribution Plan. The distribution of the net settlement fund occurred in August 2024.

Case Documents

- Notice of (I) Pendency of Class Action and Proposed Settlement; (II) Settlement Hearing; and (III) Motion for Attorneys Fees and Litigation Expenses (Notice)
- January 21, 2025 - Order Releasing Remainder of Attorneys' Fees
- December 12, 2024 - Post-Distribution Accounting Form
- August 12, 2024 - Order Approving Distribution Plan
- July 23, 2024 - Lead Plaintiff's Motion for Approval of Distribution Plan
- July 23, 2024 - Declaration of Jack Ewashko in Support of Lead Plaintiff's Motion for Approval of Distribution Plan
- March 4, 2024 - Order Granting Lead Plaintiff's Motion for Final Approval of Settlement
- March 4, 2024 - Order Awarding Attorneys' Fees and Litigation Expenses
- February 8, 2024 - Reply Memorandum in Further Support of (I) Lead Plaintiffs Motion for Final Approval of Settlement and (II) Lead Counsels Motion for Attorneys' Fees and Litigation Expenses
- December 7, 2023 - Lead Plaintiff's Motion for Final Approval of Settlement and Plan of Allocation
- December 7, 2023 - Lead Counsel's Motion for Attorneys' Fees and Litigation Expenses
- December 7, 2023 - Declaration of Jonathan D. Uslaner in Support of (I) Lead Plaintiff's Motion for Final Approval of Settlement and Plan of Allocation; and (II) Lead Counsel's Motion for Attorneys' Fees and Litigation Expenses
- October 2, 2023 - Corrected Order Preliminarily Approving Settlement and Authorizing Dissemination of Notice *As Modified*
- June 29, 2023 - Lead Plaintiff's Supplemental Brief for Motion for Preliminary Approval of Settlement
- February 7, 2023 - Lead Plaintiff's Unopposed Motion for Preliminary Approval of Settlement
- January 30, 2023 - Stipulation and Agreement of Settlement

- March 21, 2022 - Order Granting in Part and Denying in Part Motion to Dismiss
- June 7, 2021 - Consolidated Class Action Complaint for Violations of Federal Securities Laws