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Technology | *Software*
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BLUEGRASS CAPITAL RESEARCH

CrowdStrike

CrowdStrike: Hunting Hackers

CrowdStrike is using AI to make its Falcon Platform smarter and faster at catching hackers, giving it an edge in a booming cybersecurity market. With strong demand and recent inclusion in the S&P 500, we believe the current multiple is justified, and it can continue to grow. **We recommend $CRWD as a BUY with a one-year PT of $520.00.**

Thesis Point 1 The ~30% selloff after the Falcon update–driven outage looks more like a sentiment shock than a shift in fundamentals. CrowdStrike beat in Q2 and reaffirmed full-year guidance, while platform depth keeps improving with 63% of customers now running 5+ modules (vs 22% three years ago), reinforcing stickiness and ARPU. Competitive noise from PANW/MSFT/S is real, but CRWD still benefits from superior cross-sell, brand, and threat-intel scale. With ~$3B cash, no long-term debt, >$1B FCF, and $750M buyback capacity, the balance sheet provides offense and defense. On a relative basis, shares remain at a discount to peers, making the pullback an attractive entry point for a platform leader.

Thesis Point 2: Growth increasingly comes from outside the U.S., with FY25 international revenue expanding at less than 2 times North America, and management prioritizing Japan, India, and Latin America. As Falcon extends beyond endpoint into identity, cloud, and log/observability, customers adopt additional modules faster, lifting recurring revenue per account and raising switching costs. Rising global cyber budgets and tighter regulations support multi-year demand, while CRWD's cloud-native architecture scales efficiently across regions. The combination of international penetration and multi-module attach creates a compounding engine underappreciated by consensus. We see global expansion as a durable driver that can sustain above-industry growth through the decade.

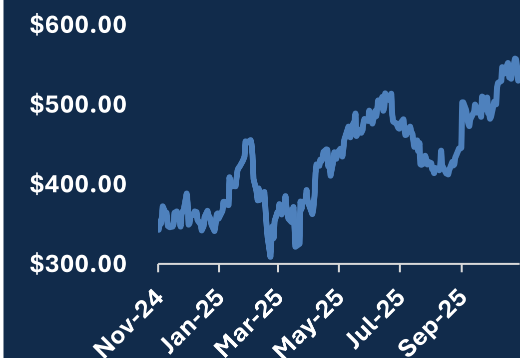
Company Overview

CrowdStrike is a leading cybersecurity firm whose AI-powered Falcon platform protects endpoints, identities, and cloud workloads. About 95% of revenue is subscription-based from 20k+ customers, including many Fortune 500/1000, creating data network effects that improve detection. Headquartered in Austin, it's expanding into identity protection, observability, and cloud security while maintaining high gross margins and retention. Recently added to the S&P 500, CrowdStrike is a fast-growing, influential player as demand for advanced cyber defense accelerates.

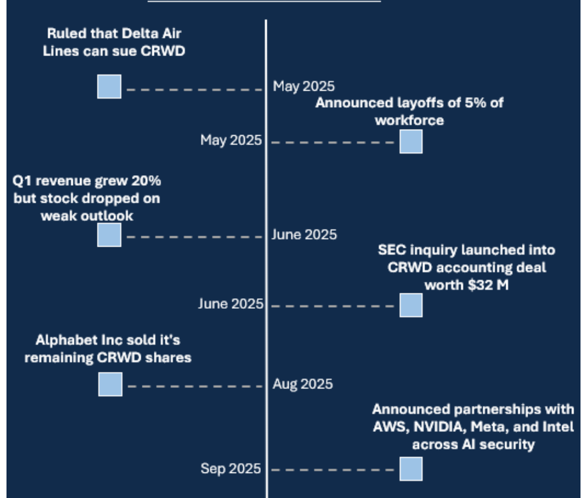
CROWDSTRIKE

TICKER:	$CRWD
RATING:	BUY
PRICE:	$480.38
PRICE TARGET:	$520.00
MARKET CAP:	$123.06B
52-W RANGE:	$200.81 - $517.98
FWD P/E:	110x
IMPLIED UPSIDE:	4%

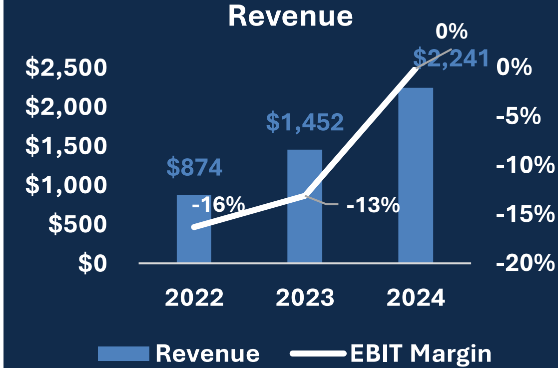
1 Year Price History



Recent Events Timeline



EBIT Margin with Annual Revenue



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Risk 1

CrowdStrike could see bumps along the road as the competition heats up, as well as costs rising. Big names like Microsoft and Palo Alto are cutting prices and building products, which might squeeze CrowdStrike's margins. Expanding overseas also brings new rules and higher data costs that could hurt profits for short-term investments. Even though the company is still growing fast, these challenges might keep the stock rigid until growth gains momentum.

Risk 2

Another risk CrowdStrike could face is a threat to its reputation through potential platform outages or cybersecurity breaches. Not only would it lose it's reputation, but also it's financial performance. The company protects over 29,000 customers and analyzes more than 2 trillion events per day. With that being said, a brief disruption could have major consequences. A 1% decline in customer retention would equate to about $50-$60 million in lost annual recurring revenue. Any major outage or breach could slow growth, raise legal costs, and pressure valuation multiples.

Catalysts

Stronger cybersecurity demand and continued international growth could drive shares higher. Earnings beats, improved free cash flow (now over $1B annually), and expansion remain key upside drivers. New product launches, government contract wins, and progress in high-growth regions like India or Japan could also lift sentiment and support a revaluation.

Valuation

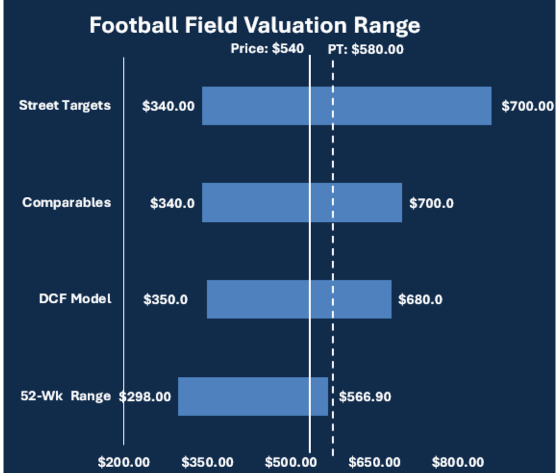
DCF Analysis ($mm)	FY2025 12/31/2025	FY2026 12/31/2026	FY2027 12/31/2027	FY2028 12/30/2028	FY2029 12/30/2029	FY2030 12/31/2030
Revenue	11,220	11,902	12,616	13,338	14,042	14,704
Revenue Growth	*6%*	*6%*	*6%*	*6%*	*5%*	*5%*
Americas	8,000	8,160	8,344	8,552	8,787	9,051
Rest of World	1,520	1,702	1,885	2,065	2,235	2,391
China Mainland	1,700	2,040	2,387	2,721	3,020	3,262
EBIT	2,300	2,500	2,649	2,801	2,949	3,088
EBIT Margin	*20%*	*21%*	*21%*	*21%*	*21%*	*21%*
Tax Expense	650	750	795	840	885	926
Effective Tax Rate	*28%*	*30%*	*30%*	*30%*	*30%*	*30%*
NOPAT	1,650.00	1,749.65	1,854.52	1,960.64	2,064.24	2,161.51
D&A	470	512	533	554	572	588
Capex	730	833	852	867	878	882
Changes in NWC	228	119	79	33	(18)	(74)
UFCF	1,162	1,309	1,457	1,614	1,776	1,941
PV of FCF	1,143	1,215	1,242	1,264	1,279	1,284

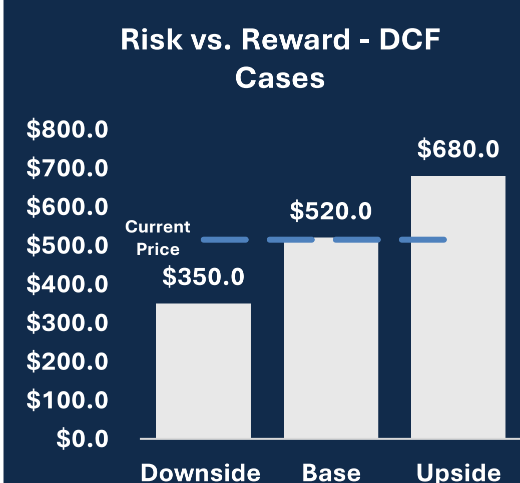
Based on our base case DCF, revenue rises from $11.2B to $14.7B in 5 years with EBIT margins of 20%-21%. We assume a 30% tax rate, D&A of 4% of sales, CapEx easing from 6.5% to 5.7%, and minimal changes in NWC, lifting FCF from $1.16B to $1.94B over the period. We then apply a terminal value at using an EV/EBITDA exit multiple of 29.0x to arrive at an implied share price of around $520.

Conclusion

We rate CrowdStrike BUY. The pullback after the Falcon outage hit sentiment, not the engine. Fundamentals still look stable: 95% subscription revenue, 20k+ customers, 63% using 5+ modules, $3B cash, no debt, and less than $1B FCF. Growth levers are rather simple: sell more modules and go global. In our base case, we set a 12-month PT of $520 with the main risks being big platform bundling, higher cloud costs, or other disruptions.

Terminal Value	
Exit Multiple Method	
2034 EBITDA	$6,557
EV/EBITDA Exit Multiple	29.0x
Terminal Value	$190,161
PV of Terminal Value	$127,224
PV of Projection Period	$13,698
PV of Terminal Value	$127,224
Implied TEV	$140,922
(-) Debt	$811
(+) Cash	$4,972
Implied Equity Value	$145,084
Diluted Shares Outstanding	251
Implied Share Price	$520.13
Upside/Downside	8.3%





Income Statement ($mm)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	3,056	4,782	6,456	8,554	11,120	38.1%
EBITDA	102	1,250	2,163	2,940	3,920	149.3%
EBIT	(58)	1,000	1,194	1,721	2,419	24.7%
NOPAT	(90)	800	932	1,347	1,899	24.1%

Margin & Growth Data	2024A	2025E	2026E	2027E	2028E	AVG%
EBITDA Margin	3.3%	26.1%	33.5%	34.4%	35.3%	26.5%
EBIT Margin	-1.9%	20.9%	18.5%	20.1%	21.8%	15.9%
Revenue Growth	36.3%	56.5%	35.0%	32.5%	30.0%	38.1%
EBIT Growth	2780.0%	-1836.1%	19.4%	44.1%	40.5%	209.6%

Valuation Metrics	2024A	2025E	2026E	2027E	2028E	AVG%
P/FCF	1895.9x	119.3x	76.1x	56.8x	43.2x	438.3x
EV/Sales	42.8x	27.3x	20.2x	15.3x	11.8x	23.5x
EV/EBITDA	1286.8x	104.5x	60.4x	44.4x	33.3x	305.9x
FCF Yield	0.1%	0.8%	1.3%	1.8%	2.3%	1.3%

Comparable Companies

$mm

Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
PANW	$149,610	$146,360	138.2x	$9,220	$1,330
FTNT	$66,330	$61,050	34.5x	$6,340	$2,090
CHKP	$21,000	$18,310	21.9x	$2,680	$922
QLYS	$4,470	$3,900	24.7x	$637	$214
CrowdStrike	$136,410	$131,490	401.8x	$4,340	-$91

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	1 Yr Rev Growth Rate LF
PANW	110.0x	72.8%	17.2%	13.5%	15.8%
FTNT	29.2x	81.4%	36.5%	28.0%	13.6%
CHKP	19.9x	88.0%	36.3%	29.4%	6.7%
QLYS	18.2x	82.4%	33.6%	31.0%	10.3%
CrowdStrike	-1444.9x	73.5%	(4.2%)	(6.4%)	21.3%

High	110.05x	88.0%	36.5%	31.0%	21.3%
75th Percentile	29.21x	82.4%	36.3%	29.4%	15.8%
Average	-253.52x	79.6%	23.9%	19.1%	13.5%
Median	19.86x	81.4%	0.0%	28.0%	13.6%
25th Percentile	18.22x	73.5%	17.2%	13.5%	10.3%
Low	-1444.95x	72.8%	-4.2%	-6.4%	6.7%

CrowdStrike		
Implied Enterprise Value (25th Percentile)	$	(1,658)
Implied Enterprise Value (Median)	**$**	**(1,807)**
Implied Enterprise Value (75th Percentile)	$	(2,658)
Implied Share Price (25th Percentile)	$	340.00
Implied Share Price (Median)	**$**	**560.00**
Implied Share Price (75th Percentile)	$	700.00

Weighted Average Cost of Capital ($mm)	
Market Risk Premium	4.33%
Beta	1.16
Risk Free Rate	4.39%
Cost of Equity	9.37%
Weighted Average Cost of Debt	5.50%
Tax Rate	22.00%
Cost of Debt	0.03%
Total Equity	$136,271
Total Debt	($4,162)
Equity/Total Capitalization	99.41%
Debt/Total Capitalization	0.59%
WACC	9.40%

Downside Case: Our downside assumes pricing pressures and higher cloud costs squeeze margins, while IT budgets stay soft. At an EV/EBITDA of 18x, this scenario implies -27% downside to a $350 PT.

Upside Case: On the other hand, our upside assumes strong execution; Faster multi module adoption, AI-driven delivery efficiency, and international wins lifts growth and margins toward best in the industry. At an EV/EBITDA of 30x, this points to a 41% upside with a $680 PT.