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**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA**

_____, Individually and on
behalf of all other similarly situated,

Plaintiff,

v.

CLOUDERA, INC., THOMAS J. REILLY, JIM
FRANKOLA, AND MICHAEL A. OLSON,

Defendants.

) Case No.

)
) **CLASS ACTION COMPLAINT FOR**
) **VIOLATIONS OF THE FEDERAL**
) **SECURITIES LAWS**

) **CLASS ACTION**

) **DEMAND FOR JURY TRIAL**

1 Plaintiff _____ (“Plaintiff”), individually and on behalf of all others similarly
2 situated, by and through Plaintiff’s counsel, alleges the following upon information and belief,
3 except as to those allegations concerning Plaintiff, which are alleged upon personal knowledge.
4 Plaintiff’s information and belief are based upon, *inter alia*, counsel’s investigation, which included
5 review and analysis of: (i) regulatory filings made by Cloudera, Inc. (“Cloudera” or the
6 “Company”) with the United States Securities and Exchange Commission (“SEC”); (ii) press
7 releases and media reports issued by and disseminated by the Company; and (iii) analyst
8 reports, media reports, and other publicly disclosed reports and information about the Company.

9 **NATURE OF THE ACTION**

10 1. This is a securities class action on behalf of all purchasers of Cloudera common stock
11 between April 28, 2017 and June 5, 2019, inclusive (the “Class Period”). The claims asserted herein
12 are alleged against Cloudera, the Company’s former Chief Executive Officer, Thomas J. Reilly, Chief
13 Financial Officer, Jim Frankola, and Michael A. Olson, the Company’s founder and former Chairman,
14 and arise under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange
15 Act”) and SEC Rule 10b-5, 17 C.F.R. § 240.10b-5, promulgated thereunder. Throughout the Class
16 Period, defendants failed to disclose adverse facts pertaining to the Company’s business, operations,
17 and financial condition, which were known to or recklessly disregarded by defendants. Specifically,
18 defendants failed to disclose that: (i) Cloudera was finding it increasingly difficult to identify large
19 enterprises interested in adopting the Company’s Hadoop-based platform; (ii) Cloudera needed to
20 expend an increasing amount of capital on sales and marketing activities to generate new revenues,
21 even as new revenue opportunities were diminishing; and (iii) Cloudera had materially diminished
22 sales opportunities and prospects and could not generate annual positive cash flows. The truth began
23 to be revealed on April 3, 2018 when, in connection with its Q4 and FY 2018 financial results, the
24 Company provided a disappointing outlook for fiscal 2019 along with missed revenue numbers. This
25 news contradicted defendants’ prior positive statements and were all the more surprising as they had
26 come less than a year after Cloudera had gone public. As a result of the defendants’ wrongful acts
27 and omissions, and the precipitous decline in the market value of Cloudera’s stock, Plaintiff and other
28 Class members have suffered significant losses and damages.

1 **JURISDICTION AND VENUE**

2 2. The claims asserted herein arise under Sections 10(b) and 20(a) of the Exchange Act,
3 15 U.S.C. §§ 78j(b) and 78t(a), and Rule 10b-5 promulgated thereunder by SEC, 17 C.F.R.
4 § 240.10b-5. Jurisdiction for this Court is conferred over the subject matter of this action pursuant to
5 28 U.S.C. §§ 1331 and 1337, and Section 27 of the Exchange Act, 15 U.S.C. § 78aa.

6 3. Venue is proper in this District pursuant to Section 27 of the Exchange Act, 15 U.S.C.
7 § 78aa, and 28 U.S.C. § 1391(b). The acts and transactions giving rise to the violations of law
8 complained of occurred in part in this District, including the dissemination of false and misleading
9 statements into this District. In addition, defendants reside and/or transact business in this District.
10 The Company maintains its corporate headquarters in this District.

11 4. In connection with the acts and conduct alleged in this complaint, defendants, directly
12 or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited
13 to, the mails and interstate wire and telephone communications.

14 **PARTIES**

15 5. Plaintiff _____ purchased Cloudera common stock on the public market
16 during the Class Period as described in the Certification attached hereto and incorporated herein by
17 reference and suffered damages as a result of the violations of the federal securities laws alleged
18 herein.

19 6. Defendant Cloudera is a data management and software company incorporated under
20 the laws of Delaware with its principal executive offices located at 395 Page Mill Road, Palo Alto,
21 California. The Company’s common stock trades on the New York Stock Exchange (“NYSE”) under
22 the symbol “CLDR.” As of May 31, 2019, there were 274,207,493 shares of the Company’s common
23 stock outstanding.

24 7. Defendant Thomas J. Reilly (“Reilly”) was Cloudera’s Chief Executive Officer
25 (“CEO”) and a director throughout the Class Period. He announced his sudden retirement on the last
26 day of the Class Period.

27 8. Defendant Jim Frankola (“Frankola”) was Cloudera’s Chief Financial Officer
28 (“CFO”) throughout the Class Period.

1 are generally for one to three years in length, and Cloudera recognizes subscription revenues ratably
2 over the subscription period. Servicing revenues are derived from professional services that the
3 Company provides to help companies implement and use their subscriptions. The great majority of
4 Cloudera’s revenues are subscription based. For example, approximately three-fourths of the
5 Company’s total revenues were from subscriptions in fiscal 2017.¹ The recurring nature of these
6 payments over an extended time frame, and the proportionality of related service revenues, provided
7 the Company and its management with great visibility into current and expected revenue trends. In
8 addition, a substantial amount of bookings the Company sells during a quarter get billed in the
9 subsequent quarter, providing Cloudera and its management with even greater insight into existing
10 revenue trends.

11 13. Defendant Olson co-founded the Company in 2008 and was its CEO until the
12 appointment of Defendant Reilly in 2013, at which point he transitioned to become Cloudera’s CSO.
13 In the years since its founding, Cloudera grew to become one of the largest data analytics firms
14 servicing large enterprises in the world. Between its fiscal 2015 and fiscal 2017, the Company’s total
15 annual revenues increased approximately 140%, from \$109 million to more than \$261 million. As of
16 January 31, 2017, the Company also counted among its customers approximately 500 members of the
17 so-called “Global 8000,” a list of the largest corporate enterprises globally.

18 14. It was in this context of great optimism and growth that Cloudera went public in an
19 initial public offering in April 2017 (the “IPO”), selling 17.25 million shares of common stock
20 (including the exercise of the underwriters’ overallotment option) at \$15 per share and raising over
21 \$258 million in gross offering proceeds. In IPO offering documents, and throughout the Class Period,
22 defendants represented that the Company was on the cusp of rapid expansion, as Cloudera grew its
23 customer base – particularly among the Global 8000 and other large organizations – and successfully
24 implemented its “land and expand” business plan to grow revenues from its existing customers.

25
26
27 ¹ Cloudera’s fiscal year ends on January 31 of the calendar year. So, for example, Cloudera’s fiscal
28 2017 ended on January 31, 2017.

1 For fiscal 2015, 2016 and 2017, revenue from our public sector, including large public
2 sector, customers represented 11%, 9% and 10% of total revenue, respectively.

3 18. In particular, the IPO Prospectus highlighted Cloudera’s “land and expand” business
4 strategy, which it claimed would “use the initial sale as a foothold to increase revenue per customer
5 by increasing the amount of data and number of use cases each customer runs through our platform.”
6 Thus, after the initial sale, Cloudera would continue to “work with our customers to identify new use
7 cases that can be developed on or moved to our platform, ultimately increasing the amount of data
8 managed on our platform as well as the number and size of our platform deployments.” Similarly,
9 the IPO Prospectus stated that Cloudera was committed to “expand[ing] [its] category leadership in
10 open source data management” and “expanding [its] strategic partnerships and alliances, to acquire
11 new customers and increase penetration among existing customers,” with a “business model focuse[d]
12 on maximizing the lifetime value of a customer relationship.”

13 19. Importantly, the IPO Prospectus represented that upfront investments and associated
14 costs would decrease as more and more customers adopted Cloudera products. For example, it stated
15 that “over time, as [Cloudera’s] customer base grows and a relatively higher percentage of [its]
16 subscription revenue is attributable to renewals or greater usage among existing customers relative to
17 new customers, associated sales and marketing expenses and other allocated upfront costs as a
18 percentage of revenue will decrease.” This it claimed, in turn, would ultimately allow Cloudera to
19 generate positive cash flows and profits.

20 20. Following the IPO, defendants continued to represent that Cloudera’s “land and
21 expand” model was working. For example, on June 8, 2017, Cloudera issued a press release
22 announcing its 1Q18 financial results, stating that the Company had achieved total revenues of
23 \$79.6 million (a 41% increase) and subscription revenue of \$64.7 million (a 59% increase) for the
24 quarter. The Company also reported positive \$5 million in cash flow for the quarter due to strong
25 collections.

26 21. On the earnings call to discuss the 1Q18 results, Defendant Reilly stated in his
27 prepared remarks: “This quarter we had some great new customer wins while some key existing
28 customers expanded their utilization of our platform through additional use cases.”

1 22. On the same call, Defendant Frankola represented that Cloudera was successfully
2 expanding revenues derived from existing customers. He stated in pertinent part:

3 [W]e benefit from multiple growth vectors. *As customer data grows revenue grows.*
4 *As new use cases are deployed revenue grows. And as partners build applications*
5 *on our platform revenue grows.* Note that a relatively small portion of revenue relates
to professional services and training which are focused on ensuring customer success
and driving expanded use of our platform.

6 23. Defendant Frankola also highlighted the Company’s 142% net expansion rate in 1Q19,
7 and stated that Cloudera still had “plenty of room for growth within the segment” as it had only
8 “penetrated only about 6% of the Global 8,000 and have thus far captured just a small portion of our
9 customers’ data-related spending.”

10 24. The next day, Cloudera filed its 1Q18 results on Form 10-Q, which was signed by
11 Defendant Reilly and Defendant Frankola.

12 25. On September 7, 2017, Cloudera issued a press release announcing its 2Q18 financial
13 results, stating that the Company had achieved total revenues of \$89.8 million (a 39% increase) and
14 subscription revenue of \$74 million (a 46% increase) for the quarter. Defendant Reilly was quoted
15 in the press release as stating, “In our fiscal second quarter, we outperformed on sales, customer
16 acquisition, customer expansion and cash flow objectives.”

17 26. On the earnings call to discuss the 2Q18 results, Defendant Reilly stated in his
18 prepared remarks, “We are reporting a strong second quarter, driven by much of the new product
19 innovation we've recently announced.” He continued, “In Q2, we executed well as a company, and
20 we continued to benefit from major secular trends in machine learning, cloud and the Internet of
21 Things.”

22 27. Similarly, Defendant Frankola highlighted the fact that the Company had added
23 “45 net new Global 8000 customers in the quarter” and represented that, “[i]n Q2, many of these
24 customers increased their utilization of the Cloudera platform, fueling growth and driving our net
25 expansion rate to 140% for the quarter.” He later stated, “We continue to be successful in acquiring
26 and growing large customers, and the benefits of our land-and-expand model are evident in our
27 improving margins and cash flow.”

1 28. Defendant Frankola also claimed that the Company’s plan to decrease spending on
2 new revenues, and ultimately move towards profitability, was working. He stated in pertinent part:

3 Sales and marketing expense was \$49.6 million for the second quarter or 55% of total
4 revenue. This compares to 70% of revenue in the year-ago period. This progress is
5 consistent with our expectations. ***The unique dynamics of the Cloudera model, with
higher customer acquisition costs offset by much higher customer lifetime value
produces improving sales efficiencies as our customers grow.***

6 29. In response to an analyst question, Defendant Reilly stated that the Company’s
7 salesforce was executing exceptionally well, and that its focus on large customers was working. He
8 stated in pertinent part:

9 ***We continually increase our focus on going after the Global 8000. It’s how we have
aligned our sales force. It’s how we drive our marketing. It’s how we work with
our partners in identifying industry-specific solutions, and I think that focus has
really benefited us in capturing, and is – we’ve executed very well. I think our
competitors have made some missteps and that created some opportunities where we
gained some more wins. But I would take greater pride in just our focus. All of
R&D is going after the needs of large enterprises in these hybrid and multi-cloud
environments, and that is differentiating us.***

13
14 30. On September 12, 2017, Cloudera filed its 2Q18 results on Form 10-Q, which was
15 signed by Defendant Reilly and Defendant Frankola.

16 31. On September 15, 2017, Cloudera announced a follow-on stock offering, in which it
17 ultimately sold over 15.4 million common shares at \$16.45 per share, for total gross proceeds of
18 \$253 million (the “SPO”). The vast majority of shares sold in the SPO were by Company insiders,
19 including more than \$9 million worth of shares sold by Defendant Olson.

20 32. On December 7, 2017, Cloudera issued a press release announcing its 3Q18 financial
21 results, stating that the Company had achieved total revenues of \$94.6 million (a 41% increase) and
22 subscription revenue of \$78.1 million (a 48% increase) for the quarter. Defendant Reilly was quoted
23 in the press release as stating, “We had another strong quarter in Q3, exceeding expectations on
24 financial measures while increasing our competitive advantage in cloud analytics through significant
25 new product innovation.” He further claimed that Cloudera was “now at the scale where we can
26 execute on multiple fronts concurrently” and that its “financial model is exhibiting consistent
27 operating leverage as we march toward operating cash flow break-even.”
28

1 33. On the earnings call to discuss the 3Q18 results, Defendant Olson stated in his
2 prepared remarks that Cloudera was “pleased with [its] growing partnerships with Amazon and
3 Microsoft as they realize Cloudera’s platform built on SDX can bring large enterprises with mission-
4 critical applications to their cloud infrastructure.”

5 34. Defendant Reilly followed up by highlighting the Company’s purported growth and
6 increasing capture of a dynamic market. He stated in pertinent part:

7 The market opportunity is large, and *the innovation we are delivering is essential to*
8 *capturing more of it. We’re in the early stages of a high-growth market with a rate*
9 *and pace of change that is staggering. Our team is navigating it well with consistent*
10 *execution, and we’re confident in our strategy. We continue to gain share with the*
11 *most valuable customers, large enterprises and public sector entities globally. And*
12 *we’re pleased with the operating leverage demonstrated in our business model. We*
13 *remain focused on the long term, and will continue to invest in our partners, the*
14 *community and in developing differentiated technology.*

15 35. Defendant Frankola, meanwhile, stated that the Company was only “4 to 6 quarters
16 away from estimated cash flow positive.”

17 36. On December 8, 2017, Cloudera filed its 3Q18 results on Form 10-Q, which was
18 signed by Defendant Reilly and Defendant Frankola.

19 37. The statements referenced in ¶¶ 15-30, 32-36 above were materially false and/or
20 misleading when made because they failed to disclose adverse facts pertaining to the Company’s
21 business, operations, and financial condition, which were known to or recklessly disregarded by
22 Defendants as follows:

23 (a) that Cloudera’s Hadoop-based technology had become increasingly dated, and
24 was being surpassed by new cloud-based offerings by the Company’s competitors such as
25 Amazon Web Services, Microsoft Azure, and the Google Compute Cloud;

26 (b) that Cloudera suffered inherent pricing and servicing disadvantages because its
27 competitors could offer products more fully integrated with their other product offerings that
28 had already been widely adopted by businesses;

 (c) that, as a result of (a) and (b), Cloudera was finding it increasingly difficult to
identify large enterprises interested in adopting the Company’s Hadoop-based platform;

1 (d) that Cloudera’s “land and expand” strategy was an unsuccessful ploy to grow
2 revenues in the face of decreasing opportunities to sign up new customers;

3 (e) that relatively few of Cloudera’s existing customers had a desire or ability to
4 substantially expand their use of the Company’s products, and, as a result, the Company’s
5 offer of additional applications and up-sale opportunities had been met with limited interest;

6 (f) that, as a result of (a)-(e), Cloudera needed to expend an increasing amount of
7 capital on sales and marketing activities to generate new revenues, even as new revenue
8 opportunities were diminishing; and

9 (g) that, as a result of (a)-(f), Cloudera had materially diminished sales
10 opportunities and prospects and could not generate annual positive cash flows for the
11 foreseeable future.

12 38. In addition, Item 303 of SEC Regulation S-K, 17 C.F.R. § 229.303(a)(3)(ii)
13 (“Item 303”) required the IPO Prospectus and the SPO Prospectus to “[d]escribe any known trends
14 or uncertainties that have had or that the registrant reasonably expects will have a material favorable
15 or unfavorable impact on net sales or revenues or income from continuing operations.” Similarly,
16 Item 503 of SEC Regulation S-K, 17 C.F.R. § 229.503, requires, in the “Risk Factor” section of
17 registration statements and prospectuses, “a discussion of the most significant factors that make the
18 offering speculative or risky” and requires each risk factor to “adequately describe[] the risk.”
19 Defendants’ failure to disclose the facts listed in ¶ 37 was a violation of Item 303 because they were
20 known trends and uncertainties that were likely to, and did, have a material unfavorable impact on
21 the Company’s revenues and income from continuing operations. This failure also violated 17 C.F.R.
22 § 229.503, because these specific risks were not adequately disclosed, or disclosed at all, even though
23 they were some of the most significant factors that made an investment in Cloudera common stock
24 speculative or risky.

25 39. Then, after market on April 3, 2018, Cloudera issued a press release announcing its
26 Q4 and FY 2018 financial results. Cloudera stated that it had achieved total revenues of
27 \$103.5 million and subscription revenues of \$84.3 million, with a negative operating cash flow of
28 \$22 million during the quarter. Most concerning, the Company provided a disappointing outlook for

1 fiscal 2019, with total revenues of only \$435 million to \$445 million, representing a sharp deceleration
2 in growth. In addition, the Company stated that it expected negative operating cash flows for the year
3 of between \$370 million and \$375 million and non-GAAP losses of between \$0.62 to \$0.59 per share.
4 These disappointing figures contradicted defendants' prior positive statements and were all the more
5 surprising as they had come so soon after the SPO and less than a year after Cloudera had gone public.

6 40. On the earnings call to discuss the FY 2018 results, defendants revealed that a sharp
7 slowdown in Cloudera's new expansion bookings had occurred in 2018, suggesting that its "land and
8 expand" model was much more limited than advertised. Defendant Reilly also essentially confirmed
9 that Cloudera's customers were not growing their use of the Company's products at a sufficient rate
10 and announced a plan to target "a subset of the Global 8000" in order to "optimize [its] go-to-market
11 efforts for the greatest return," which would "enable [Cloudera] to grow faster and generate cash
12 sooner." In addition, Defendant Reilly announced a substantial reorganization of the Company's
13 salesforce and the appointment of a new head of Global Field Operations.

14 41. On this news, **the price of Cloudera common stock fell 40%** to \$13.29 per share on
15 abnormally high volume of nearly 28 million shares.

16 **Cloudera Merges With Hortonworks**

17 42. Because investors did not know the full truth about the Company's increasingly
18 difficult sales and earnings environment, however, the price of Cloudera stock remained artificially
19 inflated. Instead, defendants continued to mislead investors about the true state of Cloudera's
20 business. For example, on the FY 2018 earnings call, Defendant Reilly stated that "Cloudera is well
21 positioned to continue to grow" and "the changes we've undertaken have strengthened our prospects."
22 Similarly, when an analyst asked whether the dramatic slowdown in bookings and revenue growth
23 was due to lessening demand for Cloudera's products as rivals increased competition, Defendant
24 Reilly flatly rejected any long-term demand problems. He responded, "***So I see nothing that gives***
25 ***me concern about the market. . . . No changes in the competitive landscape nor end market***
26 ***demand.***" In fact, Defendant Reilly claimed that new product offerings like cloud-based data
27 management were a "***tremendous tailwind***" because Cloudera had "figured out how to win in that
28 market and then stay focused on large enterprises who value our enterprise features." He even

1 claimed that Cloudera was “better than Amazon on Amazon” because its “products on Amazon are
2 integrated better and operate better than Amazon’s own offerings.” On the same call, Defendant
3 Frankola stated that Cloudera was “still confident [it would] get to that cash flow-positive in 2020,”
4 indicating a substantial growth in billings with proportionately lower spend in coming quarters.

5 43. On April 4, 2018, Cloudera filed its FY 2018 results on Form 10-K, which was signed
6 by Defendant Reilly, Defendant Frankola, and Defendant Olson.

7 44. In the quarters that followed defendants’ announcement of FY 2018 results, they
8 continued to represent that Cloudera’s new sales and marketing plan and decision to focus on
9 customer expansions was succeeding. For example, on June 6, 2018, Cloudera issued a press release
10 announcing its 1Q19 financial results, stating that the Company had achieved total revenues of
11 \$102.7 million (a 29% increase) and subscription revenue of \$85.9 million (a 33% increase) for the
12 quarter. These figures were in-line with or slightly above the Company’s prior guidance.

13 45. On the earnings call to discuss the 1Q19 results, Defendant Reilly stated that the
14 Company’s previously announced strategic moves had “gone as anticipated” and that the changes
15 would “enhance the company’s posture for sustained long-term growth.” Later in response to an
16 analyst question, Defendant Reilly stated that Cloudera would “compete very effectively” against
17 competition such as Microsoft, Google and Amazon because “[w]hen we are competing in the cloud,
18 we have so many advantages.”

19 46. Also on June 6, 2018, Cloudera filed its 1Q19 results on Form 10-Q, which was signed
20 by Defendant Reilly and Defendant Frankola.

21 47. On September 5, 2018, Cloudera issued a press release announcing its 2Q19 financial
22 results, stating that the Company had achieved total revenues of \$110.3 million (a 23% increase) and
23 subscription revenue of \$93.1 million (a 26% increase) for the quarter. These figures exceeded the
24 Company’s prior guidance. Defendant Reilly was quoted in the release as stating, “In Q2 we made
25 substantial progress in our product and go-to-market transitions, delivering strong financial results in
26 the quarter and accomplishing many of our goals for sustained success in our market.”

27 48. On the earnings call to discuss the results, Defendant Reilly reiterated that the
28 Company’s new sales strategies and initiatives were working. He stated in pertinent part:

1 *[I]n Q2, we made substantial progress in our product and our go-to-market*
2 *initiatives, delivering strong financial results in the quarter and accomplishing*
3 *many of our goals for sustained success in our markets. I am pleased with our*
4 *execution in the quarter and look forward to continued improvement in*
5 *performance as all of our initiatives are fully implemented.*

6 It is encouraging to see the changes we are making being validated by customers and
7 partners. In addition, the secular tailwinds in our market remain intact and demand is
8 strong across our solution set.

9 49. Defendant Frankola likewise stated, “We had a strong quarter across the board,
10 especially concerning the key initiatives of our transition plan.” He continued, “[T]he 128% net
11 expansion rate in Q2 was better than expected due to improved renewal rates and increased focus on
12 customer success. Collectively, these measures best reflect our ability to both acquire target
13 customers and advance customers along the journey towards increasingly attractive unit economics.”

14 50. Defendant Reilly later echoed these sentiments, stating that in all three major areas of
15 focus for the Company it was “doing extremely, extremely well.” He also claimed that Cloudera was
16 “putting in place [a] channel to allow [it] to address a broader market at a lower acquisition cost and
17 support cost.”

18 51. On September 6, 2018, Cloudera filed its 2Q19 results on Form 10-Q, which was
19 signed by Defendant Reilly and Defendant Frankola.

20 52. On October 3, 2018, Cloudera announced that it had entered into a definitive merger
21 agreement with its primary competitor in the Hadoop data analytics space, Hortonworks, Inc. (the
22 “Hortonworks Merger”). In the stock-for-stock deal, valued at \$5.2 billion, Hortonworks
23 shareholders would own 40% of the combined Company and receive 1.305 common shares of
24 Cloudera for each share of Hortonworks stock they owned.

25 53. In the press release announcing the deal, Defendant Reilly, who became CEO of the
26 combined Company, was quoted as stating that the “businesses are highly complementary and
27 strategic” and would “deliver the industry’s first enterprise data cloud from the Edge to AI” and
28 “advance our shared commitment to customer success in their pursuit of digital transformation.”

54. On an investor call to discuss the merger, Defendant Reilly stated that the “primary
motivation for this combination is to accelerate innovation” and the “combined company will have
substantial scale, resources and talent to do more faster.” He continued, “Beyond accelerating

1 innovation in cloud technology, the transaction also produces significant financial benefits, including
2 large cost synergies.”

3 55. Defendant Frankola, meanwhile, stated that the combination would to “sales and
4 growth on day 1.” He also claimed that the merger would lead to significant synergies and lower
5 costs, stating in pertinent part:

6 The 2 companies together combine for almost [\$0.75 billion] of revenue, growing in
7 excess of 30% a year. These are all previously reported numbers presented as of our
8 respective Q2s. We expect to close the merger in calendar Q1 of next year so the pro
9 forma combined will be meaningfully larger. ***The important point is that the day the
10 merger closes, we will have significant scale and growth.***

11 ***This combination will unlock powerful synergies. The deal was driven primarily by
12 the strategic merit that Tom and Rob discussed. These benefits will likely generate
13 additional revenue opportunity.*** However, we have not built any potential revenue
14 upside into our financial model. Given the strategic fit between the companies, ***we are
15 confident that there will be significant opportunities to improve both the efficiency
16 and the effectiveness of our internal operations. We expect these improvements to
17 drive more than \$125 million of cost synergies per year*** while allowing additional
18 investment in growth areas including IoT, hybrid cloud, data warehousing, machine
19 learning and AI.

20 * * *

21 As a finance person, this is where I get most excited. ***This transition significantly
22 accelerates the path to our long-term model. We expect to continue to grow quickly
23 while generating significant cash flow. Calendar year ‘19, or fiscal year ‘20 for
24 Cloudera, will be the year where we integrate the companies and take steps to
25 generate more than \$125 million in annual cost synergies.*** Calendar year ‘20 or
26 fiscal year ‘21 shows what the new company is expected to look like once we have
27 achieved most of the savings. At that time, we expect to be more than \$1 billion in
28 revenue, growing at more than 20% per year and generating more than 15% operating
cash flow margin.

56. On December 5, 2018, Cloudera issued a press release announcing its 3Q19 financial
results, stating that the Company had achieved total revenues of \$118.2 million (a 25% increase) and
subscription revenue of \$99.7 million (a 28% increase) for the quarter. These figures again exceeded
the Company’s prior guidance. Defendant Reilly was quoted in the release as stating:

***We are pleased with our execution in Q3 and our progress on the strategic
combination we have announced with Hortonworks. Pre-closing merger
integration planning is going well. And more importantly, we are very encouraged
by the reception that our plans are receiving from customers, partners and the
developer community.*** Together, we will enhance our competitiveness, accelerate our
momentum in cloud innovation, and provide a comprehensive solution-set for
customers, from the Edge to AI.

1 . . . everything that we see happening with the merger with Hortonworks, the ability to cross-sell
2 product – I don’t need to go through the whole pitch of innovation and cloud and so forth, all of that
3 will be a tailwind for positive growth in net expansion rates.”

4 60. On December 6, 2018, Cloudera filed its 3Q19 results on Form 10-Q, which was
5 signed by Defendant Reilly and Defendant Frankola.

6 61. The statements referenced in ¶¶ 42-51, 53-60 above were materially false and/or
7 misleading when made because they failed to disclose adverse facts pertaining to the Company’s
8 business, operations and financial condition, which were known to or recklessly disregarded by
9 Defendants as follows:

10 (a) that Cloudera’s Hadoop-based technology had become increasingly dated, and
11 was being surpassed by new cloud-based offerings by the Company’s competitors such as
12 Amazon Web Services, Microsoft Azure, and the Google Compute Cloud, and that such
13 adverse competitive trends had accelerated;

14 (b) that Cloudera suffered inherent pricing and servicing disadvantages because its
15 competitors could offer products more fully integrated with their other product offerings that
16 had already been widely adopted by businesses;

17 (c) that, as a result of (a)-(b), Cloudera was finding it increasingly difficult to
18 identify large enterprises interested in adopting the Company’s Hadoop-based platform;

19 (d) that Cloudera’s “land and expand” strategy was an unsuccessful ploy to grow
20 revenues in the face of decreasing opportunities to sign up new customers;

21 (e) that relatively few of Cloudera’s existing customers had a desire or ability to
22 substantially expand their use of the Company’s products, and, as a result, the Company’s
23 offer of additional applications and up-sale opportunities had been met with limited interest;

24 (f) that, as a result of (a)-(e), Cloudera needed to expend an increasing amount of
25 capital on sales and marketing activities to generate new revenues, even as new revenue
26 opportunities were diminishing;

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1 (g) that, as a result of (a)-(f), Cloudera had materially diminished sales
2 opportunities and prospects and could not generate annual positive cash flows for the
3 foreseeable future;

4 (h) that the primary motivation for the Hortonworks Merger was to generate
5 growth through the acquisition of existing customers of Hortonworks, because defendants
6 realized that generating organic sales growth for the Company’s increasingly dated product
7 offerings was becoming exceedingly difficult; and

8 (i) that the purported synergies and other benefits of the Hortonworks Merger had
9 been materially overstated, as the merger was not generating, nor was it likely to generate, the
10 cost savings or revenue increases represented to investors.

11 62. In addition, Item 303 of SEC Regulation S-K, 17 C.F.R. § 229.303(a)(3)(ii)
12 (“Item 303”) required the 2018 Form 10-K to “[d]escribe any known trends or uncertainties that have
13 had or that the registrant reasonably expects will have a material favorable or unfavorable impact on
14 net sales or revenues or income from continuing operations.” Similarly, Item 503 of SEC Regulation
15 S-K, 17 C.F.R. § 229.503, requires, in the “Risk Factor” section of registration statements and
16 prospectuses, “a discussion of the most significant factors that make the offering speculative or risky”
17 and requires each risk factor to “adequately describe[] the risk.” Defendants’ failure to disclose the
18 facts listed in ¶ 61 was a violation of Item 303 because they were known trends and uncertainties that
19 were likely to, and did, have a material unfavorable impact on the Company’s revenues and income
20 from continuing operations. This failure also violated 17 C.F.R. § 229.503, because these specific
21 risks were not adequately disclosed, or disclosed at all, even though they were some of the most
22 significant factors that made an investment in Cloudera common stock speculative or risky.

23 63. On January 3, 2019, Cloudera announced the close of the Hortonworks Merger.

24 64. Then, after market on March 13, 2019, Cloudera issued a press release announcing its
25 Q4 and FY 2019 financial results. Cloudera stated that it had achieved total revenues of
26 \$144.5 million and subscription revenue of \$123 million. However, the Company provided weak
27 guidance for 1Q20, the first fiscal quarter after the completion of the Hortonworks Merger. The
28 Company stated that it expected 1Q20 total revenues of only between \$187 million and \$190 million

1 and subscription revenues of between \$154 million and \$156 million, while it expected FY 2020 total
2 revenues of only between \$835 million and \$855 million and subscription revenues of between
3 \$695 million and \$705 million. In addition, the Company stated that it expected negative operation
4 cash flow of \$30 million to \$40 million for the year.

5 65. On the earnings call to discuss the FY 2019 results, Defendant Frankola revealed that
6 the merged entity would need to take a \$62 million “haircut” due to purchase price accounting
7 adjustments and also a \$28 million write-down of deferred commission expenses. In addition, he
8 stated that differences in billing periods between the companies would reduce 2020 cash flows by
9 \$125 million as the legacy companies reconciled their billing cycles.

10 66. On this news, the price of Cloudera common stock fell nearly 20% to \$11.71 per share
11 on abnormally high volume of nearly 38 million shares.

12 67. However, because investors did not know the full truth about the Company’s
13 increasingly difficult sales and earnings environment and the Hortonworks Merger, the price of
14 Cloudera stock remained artificially inflated. Indeed, defendants dismissed the disappointing
15 guidance as not related to the fundamentals of the Company and claimed that Cloudera was
16 successfully outcompeting its rivals. For example, on the FY 2019 earnings call, Defendant Frankola
17 stated that Cloudera still “anticipate[d] significant improvements in R&D, sales and marketing and
18 G&A expense ratios as [the Company] complete[d] [its] merger synergy actions.” Similarly,
19 Defendant Reilly stated, “Merger integration is going well and ahead of schedule.” In response to an
20 analyst question, he also dismissed competitive concerns from other providers such as Amazon,
21 stating “we feel very strong that market is moving in our direction around the hybrid multi-cloud, and
22 then our functionality is best-in-class.”

23 68. Then, after market on June 5, 2019, Cloudera issued a press release announcing
24 disappointing 1Q20 results. The Company stated that its first quarter revenues were \$187.5 million,
25 but that several customers had elected to “postpone renewal and expansion” of their subscription
26 agreements. The Company also announced that its losses from operations had ballooned to
27 \$103.8 million, roughly *double* the year-over-year period. In addition, Cloudera revealed that its
28 highest-spending customers were essentially flat for the quarter, that middle-spend customers had

1 declined sequentially, and that it was suffering an elevated dollar churn rate of 15%. In other words,
2 the Company was effectively losing business, notwithstanding its recent merger with Hortonworks,
3 its vaunted “land and expand” strategy, and the fact that the Company had spent a staggering
4 \$119 million on sales and marketing during the quarter. The Company also slashed its full-year
5 outlook, reducing total revenue guidance by \$90 million and stating it expected recurring revenue
6 growth of only 0% to 10% for the year (compared to 18% to 21% in the prior issued guidance) and
7 that it now expected to suffer a negative cash flow from operations of between \$75 million and
8 \$95 million for the year, more than double the amount stated in the previously issued guidance. The
9 same day, Cloudera announced that its CEO, Defendant Reilly, would be abruptly retiring from the
10 Company.

11 69. Analysts questioned the reason for the abrupt slowdown, pointing to increased
12 competition, especially by large cloud providers such as Google, Microsoft, and Amazon. On the
13 earnings call to discuss the results, one analyst wondered whether customers were “simply migrating
14 to a different form of data architecture” and abandoning the Company’s Hadoop-based platform as
15 obsolete.

16 70. Analyst reaction was also swift and severe. For example, Needham downgraded
17 Cloudera stock from “Strong Buy” to “Hold,” calling the 1Q20 results a “thesis changer.” Similarly,
18 an analyst report by Stifel described Cloudera’s shocking cut to guidance as “*one of the deepest cuts*
19 *we can remember in the software space since the dot.com meltdown.*”

20 71. On this news, the price of Cloudera common stock fell **40%** to just \$5.21 per share on
21 abnormally high volume of over 57 million shares.

22 72. As a result of defendants’ wrongful acts and omissions, plaintiff and the Class
23 purchased Cloudera common stock at artificially inflated prices and suffered significant losses and
24 were damaged thereby.

25 **NO SAFE HARBOR**

26 73. Defendants’ “Safe Harbor” warnings accompanying Cloudera’s reportedly forward-
27 looking statements (“FLS”) issued during the Class Period were ineffective to shield those statements
28 from liability. Because most of the false and misleading statements related to existing facts or

1 conditions, the Safe Harbor has no applicability. To the extent that known trends should have been
2 included in the Company’s financial reports prepared in accordance with Generally Accepted
3 Accounting Principles (“GAAP”), they are excluded from the protection of the statutory Safe Harbor.
4 15 U.S.C. § 78u-5(b)(2)(A).

5 74. The defendants are also liable for any false or misleading FLS pleaded herein because,
6 at the time each FLS was made, the speaker knew the FLS was false or misleading and the FLS was
7 authorized and/or approved by an executive officer and/or director of Cloudera who knew that the
8 FLS was false. In addition, the FLS were contradicted by existing, undisclosed material facts that
9 were required to be disclosed so that the FLS would not be misleading. Finally, most of the purported
10 “Safe Harbor” warnings were themselves misleading because they warned of “risks” that had already
11 materialized or failed to provide any meaningful disclosures of the relevant risks.

12 **ADDITIONAL SCIENTER ALLEGATIONS**

13 75. As alleged herein, defendants acted with scienter in that defendants knew that the
14 public documents and statements issued or disseminated in the name of the Company were materially
15 false and misleading; knew that such statements or documents would be issued or disseminated to the
16 investing public; and knowingly and substantially participated or acquiesced in the issuance or
17 dissemination of such statements or documents and actions intended to manipulate the market price
18 of Cloudera common stock as primary violations of the federal securities laws. As set forth elsewhere
19 herein in detail, defendants, by virtue of their receipt of information reflecting the true facts regarding
20 Cloudera, their control over, and/or receipt or modification of Cloudera’s allegedly materially
21 misleading misstatements and/or their associations with the Company which made them privy to
22 confidential proprietary information concerning Cloudera, participated in the fraudulent scheme
23 alleged herein.

24 76. The adverse developments at issue also impacted the Company’s most important
25 revenue streams and derived from the Company’s most important business relationships.
26 Subscription and service revenues were overseen by the Individual Defendants as the Company’s top
27 executives during the Class Period and, further, that their involvement included hands-on oversight.
28 The Individual Defendants repeatedly held themselves out to investors as the employees most

1 knowledgeable on these topics. As such, the Individual Defendants knew or were reckless in not
2 knowing of the undisclosed facts detailed herein.

3 77. Defendants also had the motive and opportunity to commit fraud. Company insiders
4 sold tens of millions of dollars in stock in the SPO, including over \$9 million worth of stock sold by
5 Defendant Olson. Similarly, Cloudera used its artificially inflated common stock to complete the
6 Hortonworks Merger.

7 **LOSS CAUSATION**

8 78. During the Class Period, as detailed herein, defendants engaged in a scheme to deceive
9 the market and a course of conduct that artificially inflated the prices of Cloudera common stock and
10 operated as a fraud or deceit on purchasers of Cloudera common stock. As detailed above, when the
11 truth about Cloudera's misconduct was revealed over time, the value of the Company's stock declined
12 precipitously as the prior artificial inflation no longer propped up the stock's prices. The declines in
13 the price of Cloudera shares were the direct result of the nature and extent of defendants' fraud finally
14 being revealed to investors and the market. The timing and magnitude of the share price declines
15 negate any inference that the losses suffered by Plaintiff and other members of the Class were caused
16 by changed market conditions, macroeconomic or industry factors, or Company specific facts
17 unrelated to the defendants' fraudulent conduct. The economic loss, *i.e.*, damages, suffered by
18 Plaintiff and other Class members, was a direct result of defendants' fraudulent scheme to artificially
19 inflate the prices of the Company's stock and the subsequent significant decline in the value of the
20 Company's stock when defendants' prior misrepresentations and other fraudulent conduct were
21 revealed.

22 79. At all relevant times, defendants' materially false and misleading statements or
23 omissions alleged herein directly or proximately caused the damages suffered by the Plaintiff and
24 other Class members. Those statements were materially false and misleading through their failure to
25 disclose a true and accurate picture of Cloudera's business, operations, and financial condition, as
26 alleged herein. Throughout the Class Period, defendants issued materially false and misleading
27 statements and omitted material facts necessary to make defendants' statements not false or
28 misleading, causing the prices of Cloudera's common stock to be artificially inflated. Plaintiff and

1 other Class members purchased Cloudera stock at those artificially inflated prices, causing them to
2 suffer damages as complained of herein.

3
4 **APPLICABILITY OF PRESUMPTION OF RELIANCE:**
5 **FRAUD-ON-THE-MARKET DOCTRINE**

6 80. At all relevant times, the market for Cloudera common stock was an efficient market
7 for the following reasons, among others:

8 (a) Cloudera stock met the requirements for listing, and was listed and actively
9 traded on the NYSE, a highly efficient and automated market;

10 (b) according to the Company's Form 10-Q, filed on June 5, 2019, the Company
11 had over 274 million common shares outstanding as of May 31, 2019, demonstrating a very
12 active and broad market for Cloudera common stock;

13 (c) as a regulated issuer, Cloudera filed periodic public reports with the SEC;

14 (d) Cloudera regularly communicated with public investors via established market
15 communication mechanisms, including regular disseminations of press releases on the
16 national circuits of major newswire services, the Internet, and other wide-ranging public
17 disclosures; and

18 (e) unexpected material news about Cloudera was rapidly reflected in and
19 incorporated into the Company's stock price during the Class Period.

20 81. As a result of the foregoing, the market for Cloudera common stock promptly digested
21 current information regarding Cloudera from publicly available sources and reflected such
22 information in Cloudera stock price. Under these circumstances, all purchasers of Cloudera common
23 stock during the Class Period suffered similar injury through their purchase of Cloudera common
24 stock at artificially inflated prices, and a presumption of reliance applies.

25 82. A Class-wide presumption of reliance is also appropriate in this action under the
26 Supreme Court's holding in *Affiliated Ute Citizens of Utah v. United States*, 406 U.S. 128 (1972).
27 Here, the Class' claims are also grounded on defendants' failure to disclose material adverse
28 information regarding the Company's obsolete products and deteriorating marketing, business, and
customer base, as well as the true costs of the Hortonworks Merger, information that the defendants

1 should have disclosed and proof that positive reliance is not a prerequisite to recovery. Instead, the
2 withheld facts must be material in the sense that a reasonable investor may have considered them
3 important in making investment decisions. Based on the alleged omissions herein, this requirement
4 is satisfied here.

5 CLASS ACTION ALLEGATIONS

6 83. This is a class action on behalf of all purchasers of Cloudera common stock during the
7 Class Period who were damaged thereby (the “Class”). Excluded from the Class are defendants and
8 their families, the officers and directors of the Company, at all relevant times, members of their
9 immediate families and their legal representatives, heirs, successors, or assigns, and any entity in
10 which defendants have or had a controlling interest.

11 84. Common questions of law and fact predominate and include: (i) whether defendants
12 violated the Exchange Act; (ii) whether defendants omitted and/or misrepresented material facts;
13 (iii) whether defendants knew or recklessly disregarded that their statements and/or omissions were
14 false; (iv) whether the price of Cloudera common stock was artificially inflated during the Class
15 Period; (v) whether defendants conduct caused the members of the Class to sustain damages; and
16 (vi) the extent of and appropriate measure of damages.

17 85. The members of the Class are so numerous that joinder of all members is
18 impracticable. Throughout the Class Period, Cloudera common shares were actively traded on the
19 NYSE. Upon information and belief, these shares are held by hundreds or thousands of individuals
20 located geographically throughout the country.

21 86. Plaintiff’s claims are typical of those of the Class. Prosecution of individual actions
22 would create a risk of inconsistent adjudications. Plaintiff will adequately protect the interests of the
23 Class. A class action is superior to other available methods for the fair and efficient adjudication of
24 this controversy.

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1 **COUNT I**

2 **For Violation of §10(b) of the Exchange Act and Rule 10b-5**
3 **Against All Defendants**

4 87. Plaintiff incorporates ¶¶ 1-86 by reference.

5 88. During the Class Period, defendants disseminated or approved the false or misleading
6 statements specified above, which they knew or recklessly disregarded were misleading in that they
7 contained misrepresentations and failed to disclose material facts necessary in order to make the
8 statements made, in light of the circumstances under which they were made, not misleading.

9 89. Defendants violated Section 10(b) of the Exchange Act and Rule 10b-5 in that they,
10 directly and indirectly, by the use of the means or instrumentality of interstate commerce, or the mails
11 or facility of a national securities exchange:

12 (a) Employed devices, schemes, and artifices to defraud;

13 (b) Made untrue statements of material facts or omitted to state material facts
14 necessary in order to make the statements made, in light of the circumstances under which
15 they were made, not misleading; or

16 (c) Engaged in acts, practices, and a course of business that operated as a fraud or
17 deceit upon plaintiff and others similarly situated in connection with their purchases of
18 Cloudera common stock during the Class Period.

19 90. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the
20 market, they paid artificially inflated prices for Cloudera common stock. Plaintiff and the Class would
21 not have purchased Cloudera common stock at the prices they paid, or at all, if they had been aware
22 that the market prices had been artificially and falsely inflated by defendants' misleading statements.

23 91. By virtue of the foregoing, defendants have violated Section 10(b) of the Exchange
24 Act, and Rule 10b-5 promulgated thereunder.

25 92. As a direct and proximate result of defendants' wrongful conduct, plaintiff and the
26 other members of the Class suffered damages in connection with their purchases of Cloudera common
27 stock during the Class Period.

1 **COUNT II**

2 **For Violation of §20(a) of the Exchange Act**
3 **Against the Individual Defendants**

4 93. Plaintiff incorporates ¶¶ 1-92 by reference.

5 94. During the Class Period, the Individual Defendants acted as controlling persons of
6 Cloudera within the meaning of Section 20(a) of the Exchange Act. By virtue of their share
7 ownership, executive and Board positions and stock ownership, and their culpable participation, as
8 alleged above, the Individual Defendants had the power to influence and control and did, directly or
9 indirectly, influence and control the decision making of the Company, including the content and
10 dissemination of the various statements which plaintiff contends were false and misleading as detailed
11 herein.

12 95. The Individual Defendants were provided with or had unlimited access to the
13 Company's internal reports, press releases, public filings, and other statements alleged by plaintiff to
14 be misleading prior to or shortly after these statements were issued, and had the ability to prevent the
15 issuance of the statements or cause them to be corrected. In particular, the Individual Defendants had
16 direct involvement in and responsibility over the day-to-day operations of the Company and,
17 therefore, are presumed to have had the power to control or influence the particular transactions giving
18 rise to the securities violations as alleged herein.

19 96. By reason of such wrongful conduct, the Individual Defendants are liable pursuant to
20 § 20(a) of the Exchange Act.

21 97. As a direct and proximate result of these defendants' wrongful conduct, plaintiff and
22 the other members of the Class suffered damages in connection with their purchases of the Company's
23 common stock during the Class Period.

24 **PRAYER FOR RELIEF**

25 WHEREFORE, plaintiff prays for judgment as follows:

26 A. Determining that this action is a proper class action, designating plaintiff as Lead
27 Plaintiff and certifying plaintiff as a Class representative under Rule 23 of the Federal Rules of Civil
28 Procedure and plaintiff's counsel as Lead Counsel;

