

Datadog (DDOG US)

Strong results with upbeat outlook; acceleration in customer demand likely sustain

Datadog (DDOG US) released (6 Nov HKT) its 3Q25 results: total revenue was US\$886mn, up 28% YoY (3Q24: 26%; 2Q25: 28%), 4% better than both our forecast and Bloomberg consensus, driven by strong demand from AI-native customers, and acceleration in revenue growth from non-AI customers; non-GAAP net income after tax adjustment was US\$197.4mn, up 19% YoY, and was 23/18% better than our forecast/consensus, driven by better-than-expected unleashing of operating leverage aided by solid revenue growth and ramp-up in sales efficiency. We lift 2025-2027E revenue forecast by 2-3% to account for better-than-expected acceleration in revenue growth from non-AI native customers which in our view could sustain, and raise non-GAAP net profit forecast by 9-11% to factor in better-than-expected operating efficiency gains. We roll over our valuation window to 2026E, and lift our TP by 26% to US\$203.7 based on 16.6x 2026E EV/sales, inline with two-year average plus one s.d. (was 16.5x). We remain positive on DDOG's long-term business development potential, driven by the secular trend of digital transformation and cloud migration, as well as DDOG's strong cross selling capability, and potential for international expansion. Maintain BUY.

- **Strong cross selling and upselling trend sustained in 3Q25.** By the end of 3Q25, Datadog's platform had over 32,000 customers, up 10% YoY. The number of large customers with an ARR of US\$100,000+ reached 4,060 during the same period, up 16% YoY and contributing 89% of the company's total ARR. As of 3Q25, c. 84/54/31/16% of customers used more than 2/4/6/8 products of the company, up by 1/5/5/4ppts YoY respectively. On key operating metrics: 1) RPO was US\$2.79bn, up 53% YoY (2Q25: 35%; 3Q24: 26%) and current RPO was up low-50s YoY (2Q25: low-30s); 2) net dollar-based retention rate was about 120% in 3Q25, flat QoQ and up from mid-110% in 3Q24.
- **Both AI-native and non-AI customers delivered solid growth momentum.** AI native customers contributed 12% of 3Q25 revenue, up from 11% in 2Q25 and 6% in 3Q24. Management highlighted that DDOG has accumulated more than 500 AI-native companies in its customer base in 3Q25, among which 100/15 are spending more than \$100k/1mn annually, and the YoY revenue growth from AI native customers excluding the largest customer again accelerated. Revenue excluding AI-native customer group was up 20% YoY in 3Q25, accelerating from 18% YoY in 2Q25. Management noted that the acceleration trend continued in Oct 2025.
- **Operating efficiency gains better than expectation.** For 3Q25, non-GAAP GPM came in at 81.2%, up 0.1ppt YoY and 0.3ppts QoQ. Although Datadog has entered an investment phase to grow sales capacity and created new go-to-market motions in order to drive for new round of growth opportunities since the beginning of 2025, which weighed on expansion of operating margin, management noted that the investment is paying off, and sales efficiency is ramping up. Overall non-GAAP OPM came in at 23.4% in 3Q25 (3Q24: 25.1%), 2.4ppts better than both consensus and our forecast. In our view, the non-GAAP OPM guidance of 23.6-24.1% for 4Q25 (4Q24: 24.3%) indicates that sales efficiency could ramp up further given that the YoY decline in OPM could further narrow compared to that in 3Q25.

BUY (Maintain)

Target Price US\$203.70
 (Previous TP) US\$162.00
Up/Downside 31.4%
Current Price US\$154.98

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Stock Data

Mkt Cap (US\$ mn)	55,581.4
Avg 3 mths t/o (US\$ mn)	282.7
52w High/Low (US\$)	168.65/87.00
Total Issued Shares (mn)	358.6

Source: FactSet

Shareholding Structure

Vanguard Group Inc	9.2%
Blackrock Inc.	6.8%

Source: Nasdaq

Share Performance

	Absolute	Relative
1-mth	-1.5%	-3.9%
3-mth	13.2%	1.9%
6-mth	46.1%	10.0%

Source: FactSet

12-mth Price Performance



Source: FactSet

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (US\$ mn)	2,128	2,684	3,389	4,187	5,133
YoY growth (%)	27.1	26.1	26.3	23.6	22.6
Gross margin (%)	80.7	80.8	80.0	80.4	80.9
Net profit (US\$ mn)	48.6	183.7	100.5	201.6	294.8
Adjusted net profit (US\$ mn)	464.0	653.8	734.0	900.0	1,142.8
YoY growth (%)	67.7	40.9	12.3	22.6	27.0
EPS (Adjusted) (US\$)	1.33	1.83	2.02	2.39	2.92
Consensus EPS (US\$)	na	na	1.84	2.24	2.82

Source: Company data, Bloomberg, CMBIGM estimates

Changes in 2025 guidance. Management guided for 4Q25E: 1) revenue of US\$912-916mn, representing ~24% growth YoY, and was 3% ahead of consensus; and 2) non-GAAP net income per share of US\$0.54-0.56, 15-19% better than consensus. For 2025, management is looking for: 1) revenue of US\$3.386-3.390bn (previous: US\$3.312bn-3.322bn), representing YoY growth of c.26% (2024: 26%); 2) non-GAAP OP of US\$754mn-758mn (previous: US\$684mn-694mn); and 3) net income per share of US\$2.00-2.02.

Figure 1: DDOG: quarterly results trend

(USDmn)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	3Q25E Consensus	Diff%
Total revenue	611.3	645.3	690.0	737.7	761.6	826.8	885.7	850.6	4.1%
YoY Growth	26.9%	26.7%	26.0%	25.1%	24.6%	28.1%	28.4%		
Gross profit	501.2	521.8	552.3	593.5	603.9	660.8	709.2	688.3	3.0%
Operating profit	12.0	12.6	20.3	9.4	(12.4)	(35.5)	(5.8)	(14.2)	
Net profit	42.6	43.8	51.7	45.6	24.6	2.6	33.9	16.5	105.1%
Non-GAAP OP	164.5	157.5	173.0	179.2	166.5	162.7	207.4	178.4	16.2%
Non-GAAP NP after tax adjustment	157.6	153.0	165.7	177.5	167.9	163.8	197.4	167.8	17.6%
Margins (%)									
GPM	82.0%	80.9%	80.0%	80.5%	79.3%	79.9%	80.1%	80.9%	(0.8)ppt
R&D expenses ratio	41.4%	41.8%	42.3%	42.9%	44.8%	46.9%	45.4%	44.5%	0.9ppt
S&M expenses ratio	26.2%	26.9%	27.2%	28.2%	28.1%	28.9%	27.0%	28.5%	(1.6)ppt
G&A expenses ratio	7.2%	7.0%	7.6%	8.1%	8.0%	8.4%	8.4%	8.0%	0.4ppt
OPM	2.0%	2.0%	2.9%	1.3%	-1.6%	-4.3%	-0.7%	-1.7%	1.0ppt
NPM	7.0%	6.8%	7.5%	6.2%	3.2%	0.3%	3.8%	1.9%	1.9ppt
Non-GAAP OPM	26.9%	24.4%	25.1%	24.3%	21.9%	19.7%	23.4%	21.0%	2.4ppt
Non-GAAP NPM	25.8%	23.7%	24.0%	24.1%	22.0%	19.8%	22.3%	19.7%	2.6ppt

Source: Bloomberg, CMBIGM

Figure 2: DDOG: changes in CMBI forecast

USD mn	Current			Previous			Change (%)		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Revenue	3,389.0	4,187.3	5,132.7	3,321	4,048	5,029.5	2.0%	3.4%	2.1%
Gross profit	2,712.8	3,368.4	4,154.8	2,658	3,253	4,067.3	2.1%	3.5%	2.2%
Non-GAAP OP	756.3	979.9	1,266.0	691	887	1,164.2	9.4%	10.5%	8.7%
Non-GAAP NP	734.0	900.0	1,142.8	664	826	1,053.4	10.6%	9.0%	8.5%
GPM	80.0%	80.4%	80.9%	80.0%	80.4%	80.9%	0.0ppt	0.1ppt	0.1ppt
Non-GAAP OPM	22.3%	23.4%	24.7%	20.8%	21.9%	23.1%	1.5ppt	1.5ppt	1.5ppt
Non-GAAP NPM	21.7%	21.5%	22.3%	20.0%	20.4%	20.9%	1.7ppt	1.1ppt	1.3ppt

Source: CMBIGM estimates

Figure 3: DDOG: CMBI forecast vs consensus

USD bn	Current			Consensus			Difference (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	3,389.0	4,187.3	5,132.7	3,321	3,992	4,836.1	2.0%	4.9%	6.1%
Gross profit	2,712.8	3,368.4	4,154.8	2,684	3,239	3,934.1	1.1%	4.0%	5.6%
Non-GAAP OP	756.3	979.9	1,266.0	690	893	1,157.6	9.6%	9.8%	9.4%
Non-GAAP NP	734.0	900.0	1,142.8	664	829	1,069.0	10.5%	8.6%	6.9%
GPM	80.0%	80.4%	80.9%	80.8%	81.2%	81.3%	(0.8)ppt	(0.7)ppt	(0.4)ppt
Non-GAAP OPM	22.3%	23.4%	24.7%	20.8%	22.4%	23.9%	1.5ppt	1.0ppt	0.7ppt
Non-GAAP NPM	21.7%	21.5%	22.3%	20.0%	20.8%	22.1%	1.7ppt	0.7ppt	0.2ppt

Source: CMBIGM estimates

Figure 4: Datadog: target valuation

EV/Sales Valuation	2026E
Revenue (US\$mn)	4,187
Target 2026E EV/Sales	16.6
Target EV (US\$mn)	69,508
Net cash (US\$mn)	4,358
Target equity valuation (US\$bn)	73,867
Total shares outstanding (Diluted; mn)	362.7
Valuation per share (US\$)	203.7

Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Revenue	1,675	2,128	2,684	3,389	4,187	5,133
Cost of goods sold	347	410	516	676	819	978
Gross profit	1,328	1,718	2,169	2,713	3,368	4,155
Operating expenses	1,387	1,752	2,114	2,754	3,304	4,012
Selling expense	495	609	757	942	1,142	1,385
Admin expense	139	180	205	278	324	385
R&D expense	752	962	1,153	1,534	1,838	2,243
Operating profit	(59)	(33)	54	(41)	64	143
Interest income	37	100	157	170	170	190
Interest expense	(17)	(6)	(7)	(11)	(11)	(11)
Pre-tax profit	(38)	60	204	118	223	322
Income tax	(12)	(12)	(20)	(17)	(22)	(27)
After tax profit	(50)	49	184	100	202	295
Net profit	(50)	49	184	100	202	295
Adjusted net profit	277	464	654	734	900	1,143

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Current assets	2,344	3,178	4,911	5,067	6,332	7,891
Cash & equivalents	1,884	2,583	4,189	4,294	5,377	6,736
Account receivables	400	509	599	629	785	959
Prepayment	60	86	123	144	170	195
Non-current assets	661	758	874	1,222	1,325	1,444
PP&E	125	172	227	328	409	507
Right-of-use assets	88	127	173	219	219	219
Intangibles	16	10	4	17	17	17
Goodwill	348	353	360	530	530	530
Other non-current assets	83	97	111	128	150	171
Total assets	3,005	3,936	5,785	6,288	7,656	9,334
Current liabilities	760	1,003	1,863	1,345	1,529	1,716
Account payables	23	88	108	97	121	148
Other current liabilities	171	128	761	175	175	175
Lease liabilities	22	22	32	36	36	36
Contract liabilities	543	766	962	1,037	1,197	1,357
Non-current liabilities	835	908	1,208	1,257	1,324	1,398
Long-term borrowings	739	742	979	982	982	982
Deferred income	13	21	23	21	24	28
Other non-current liabilities	83	144	206	254	317	388
Total liabilities	1,594	1,911	3,071	2,602	2,853	3,113
Capital surplus	1,625	2,181	2,689	3,543	4,459	5,582
Retained earnings	(202)	(154)	30	131	332	627
Other reserves	(12)	(2)	(5)	12	12	12
Total shareholders equity	1,411	2,025	2,714	3,686	4,803	6,221
Total equity and liabilities	3,005	3,936	5,785	6,288	7,656	9,334

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	(50)	49	184	100	202	295
Depreciation & amortization	35	44	55	54	66	81
Change in working capital	6	45	13	(57)	47	40
Others	428	522	619	814	916	1,123
Net cash from operations	418	660	871	911	1,229	1,539
Investing						
Capital expenditure	(65)	(62)	(96)	(134)	(147)	(180)
Acquisition of subsidiaries/ investments	(46)	(12)	(7)	(115)	0	0
Net proceeds from disposal of short-term investments	(274)	(656)	(634)	(620)	0	0
Net cash from investing	(385)	(731)	(737)	(870)	(147)	(180)
Financing						
Proceeds from share issues	24	58	51	33	0	0
Others	12	0	736	(636)	0	0
Net cash from financing	36	58	787	(603)	0	0
Net change in cash						
Cash at the beginning of the year	274	342	330	1,247	696	1,779
Exchange difference	(2)	1	(4)	10	0	0
Cash at the end of the year	342	330	1,247	696	1,779	3,139
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	62.8%	27.1%	26.1%	26.3%	23.6%	22.6%
Gross profit	67.2%	29.4%	26.2%	25.1%	24.2%	23.3%
Operating profit	na	na	na	na	na	122.9%
Net profit	na	na	278.3%	(45.3%)	100.6%	46.2%
Adj. net profit	65.9%	67.7%	40.9%	12.3%	22.6%	27.0%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	79.3%	80.7%	80.8%	80.0%	80.4%	80.9%
Operating margin	(3.5%)	(1.6%)	2.0%	(1.2%)	1.5%	2.8%
Adj. net profit margin	16.5%	21.8%	24.4%	21.7%	21.5%	22.3%
Return on equity (ROE)	(4.1%)	2.8%	7.8%	3.1%	4.8%	5.3%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.8)	(0.9)	(1.2)	(0.9)	(0.9)	(0.9)
Current ratio (x)	3.1	3.2	2.6	3.8	4.1	4.6
Receivable turnover days	72.8	77.9	75.3	66.1	61.6	62.0
Payable turnover days	25.7	49.5	69.2	55.3	48.6	50.2
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	ns	1,033.8	283.5	536.4	278.5	198.2
P/E (diluted)	ns	1,073.5	298.0	559.3	289.2	205.8
P/B	37.9	26.8	20.4	15.3	12.0	9.3

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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