

Datadog (DDOG US)

Robust usage growth to drive solid revenue growth outlook

Datadog (DDOG US) released (10 Feb HKT) its 4Q25 results: total revenue was US\$953.2mn, up 29.2% YoY (4Q24: 25.1%; 3Q25: 28.4%), 4% better than both our forecast and Bloomberg consensus, driven by acceleration in revenue growth from non-AI customers (from 20% YoY in 3Q25 to 23% YoY in 4Q25), and strong demand from AI native customers. During the period, non-GAAP net income after tax adjustment was US\$217.4mn, up 22.5% YoY, and was 6/7% better than our forecast/consensus, driven by the beat in revenue and better-than-expected unleashing of operating leverage. For 2025, total revenue grew 27.7% YoY to US\$3.4bn, and non-GAAP OPM reached 22.4%. Management noted that the acceleration in revenue growth for non-AI customers has continued in Jan 2026, and guided for 25-26% YoY growth for total revenue in 1Q26E (1Q25: 25%). Taking a conservative approach to full-year guidance, particularly for the AI-native customer cohort, management guided 18-20% YoY revenue growth and 20-22% non-GAAP OPM for 2026E. We lower our 2026–2027E revenue forecasts by 2-4% to bring estimates in line with guidance, while remaining confident in DDOG's upside potential for revenue growth. We fine-tuned our TP to US\$196.9 (from US\$203.7), based on 16.3x 2026E EV/sales (previously 16.6x), in line with the two-year average plus one standard deviation. Maintain BUY.

- **Robust cross-sell and up-sell trends sustained, with further upside potential ahead.** By the end of 4Q25, Datadog's platform had over 32,700 customers, up 9% YoY. The number of large customers with an ARR of US\$1mn/\$100k+ reached 603/4,310 during the same period, up 31/19% YoY. Percentage of ARR comprised by US\$100k+ customers accounted for 90% of the company's total ARR in 4Q25 (4Q24: 88%). As of 4Q25, c. 84/55/33/18/9% of customers used more than 2/4/6/8/10 products of the company, up by 1/5/7/6/4ppts YoY respectively. Management highlighted that median of DDOG ARR for Fortune 500 customers was still less than half a million dollars, which in our view indicates plenty of room for future business development. On key operating metrics: 1) RPO was US\$3.46bn, up 52% YoY (3Q25: 53%; 4Q24: 24%) and current RPO was up about 40s YoY (3Q25: low-50s); 2) net dollar-based retention rate was about 120% in 4Q25, flat QoQ and up from high-110% in 4Q24.
- **Strong revenue growth trajectory was seen in both AI and non-AI customers.** Management highlighted that DDOG has accumulated more than 650 AI-native companies in its customer base in 4Q25 (3Q25: 500), among which 19 are spending more than US\$1mn annually (3Q25: 15), and currently 14 out of Top 20 AI native companies are DDOG's customers. Revenue excluding AI-native customer group was up 23% YoY in 3Q25, accelerating from 18%/20% YoY in 2Q25/3Q25, and management noted that the acceleration trend continued in Jan 2026.
- **Guided to continue investing for future growth while maintaining good operating efficiency.** For 4Q25, non-GAAP GPM came in at 81.4%, down 0.3ppts YoY but up 0.2ppts QoQ. Overall non-GAAP OPM came in at 24.1% in 4Q25 (4Q24: 24.3%), 0.1ppt better than both consensus and our forecast. Management guided to continue investing in enhancing R&D capabilities to enhance long-term growth prospects, while still guided for 20-22% non-GAAP OPM for 2026E (2025: 22.4%).

BUY (Maintain)

Target Price US\$196.90
 (Previous TP) US\$203.70
Up/Downside 72.7%
Current Price US\$114.01

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Stock Data

Mkt Cap (US\$ mn)	42,407.6
Avg 3 mths t/o (US\$ mn)	655.5
52w High/Low (US\$)	199.72/87.00
Total Issued Shares (mn)	372.0

Source: FactSet

Shareholding Structure

Vanguard Group Inc	12.9%
Blackrock Inc.	8.2%

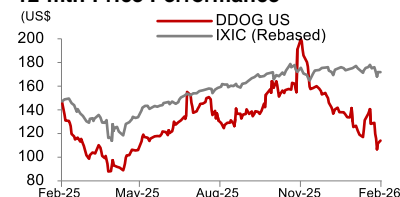
Source: Nasdaq

Share Performance

	Absolute	Relative
1-mth	-9.1%	-7.5%
3-mth	-42.9%	-42.2%
6-mth	-12.9%	-19.6%

Source: FactSet

12-month Price Performance



Source: FactSet

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (US\$ mn)	2,684	3,427	4,098	4,925	5,876
YoY growth (%)	26.1	27.7	19.6	20.2	19.3
Net profit (US\$ mn)	183.7	107.7	97.0	168.8	262.6
Adjusted net profit (US\$ mn)	653.8	746.6	779.2	992.7	1,232.5
YoY growth (%)	40.9	14.2	4.4	27.4	24.2
EPS (Adjusted) (US\$)	1.83	2.06	2.09	2.57	3.06
Consensus EPS (US\$)	na	2.02	2.41	2.95	0.46

Source: Company data, Bloomberg, CMBIGM estimates

Management guided for 1Q26E: 1) revenue of US\$951-961mn, representing 25-26% growth YoY, and the mid-point of guidance was 2% ahead of consensus; and 2) non-GAAP net income per share of US\$0.49-0.51 (consensus: US\$0.54). For 2026, management is looking for: 1) revenue of US\$4.06bn-4.10bn, representing YoY growth of c.18-20% (2025: 28% YoY); 2) non-GAAP OP of US\$840mn-880mn; and 3) net income per share of US\$2.08-2.16.

Figure 1: DDOG: quarterly results trend

(USDmn)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	4Q25E Consensus	Diff%
Total revenue	611.3	645.3	690.0	737.7	761.6	826.8	885.7	953.2	917.2	3.9%
YoY Growth	26.9%	26.7%	26.0%	25.1%	24.6%	28.1%	28.4%	29.2%		
Gross profit	501.2	521.8	552.3	593.5	603.9	660.8	709.2	766.3	745.8	2.8%
R&D expenses	270.0	274.6	291.8	316.3	341.1	387.5	402.0	417.9		
S&M expenses	173.9	187.0	187.8	207.9	214.3	239.0	238.7	264.4		
G&A expenses	45.3	47.6	52.4	59.9	61.0	69.8	74.3	74.6		
Operating profit	12.0	12.6	20.3	9.4	(12.4)	(35.5)	(5.8)	9.4	15.3	-38.9%
Net profit	42.6	43.8	51.7	45.6	24.6	2.6	33.9	46.6	40.6	14.8%
Non-GAAP OP	164.5	157.5	173.0	179.2	166.5	164.1	207.4	230.1	220.7	4.3%
Non-GAAP NP after tax adjustment	157.6	153.0	165.7	177.5	167.9	163.8	197.4	217.4	203.5	6.9%
YoY Growth					6.5%	7.1%	19.1%	22.5%		
Margins (%)										
GPM	82.0%	80.9%	80.0%	80.5%	79.3%	79.9%	80.1%	80.4%	81.3%	(0.9)ppt
R&D expenses ratio	41.4%	41.8%	42.3%	42.9%	44.8%	46.9%	45.4%	43.8%	43.4%	0.4ppt
S&M expenses ratio	26.2%	26.9%	27.2%	28.2%	28.1%	28.9%	27.0%	27.7%	27.4%	0.3ppt
G&A expenses ratio	7.2%	7.0%	7.6%	8.1%	8.0%	8.4%	8.4%	7.8%	8.0%	(0.2)ppt
OPM	2.0%	2.0%	2.9%	1.3%	-1.6%	-4.3%	-0.7%	1.0%	1.7%	(0.7)ppt
NPM	7.0%	6.8%	7.5%	6.2%	3.2%	0.3%	3.8%	4.9%	4.4%	0.5ppt
Non-GAAP OPM	26.9%	24.4%	25.1%	24.3%	21.9%	19.8%	23.4%	24.1%	24.1%	0.1ppt
Non-GAAP NPM	25.8%	23.7%	24.0%	24.1%	22.0%	19.8%	22.3%	22.8%	22.2%	0.6ppt

Source: Bloomberg, CMBIGM

Figure 2: DDOG: changes in CMBI forecast

USD mn	Current			Previous			Change (%)		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenue	4,098.2	4,925.0	5,875.5	4,187	5,133	-	-2.1%	-4.0%	-
Gross profit	3,274.9	3,960.3	4,754.0	3,368	4,155	-	-2.8%	-4.7%	-
Non-GAAP OP	879.1	1,117.6	1,406.4	980	1,266	-	-10.3%	-11.7%	-
Non-GAAP NP	779.2	992.7	1,232.5	900	1,143	-	-13.4%	-13.1%	-
GPM	79.9%	80.4%	80.9%	80.4%	80.9%	-	(0.5)ppt	(0.5)ppt	-
Non-GAAP OPM	21.5%	22.7%	23.9%	23.4%	24.7%	-	(2.0)ppt	(2.0)ppt	-
Non-GAAP NPM	19.0%	20.2%	21.0%	21.5%	22.3%	-	(2.5)ppt	(2.1)ppt	-

Source: CMBIGM estimates

Figure 3: DDOG: CMBI forecast vs Bloomberg consensus

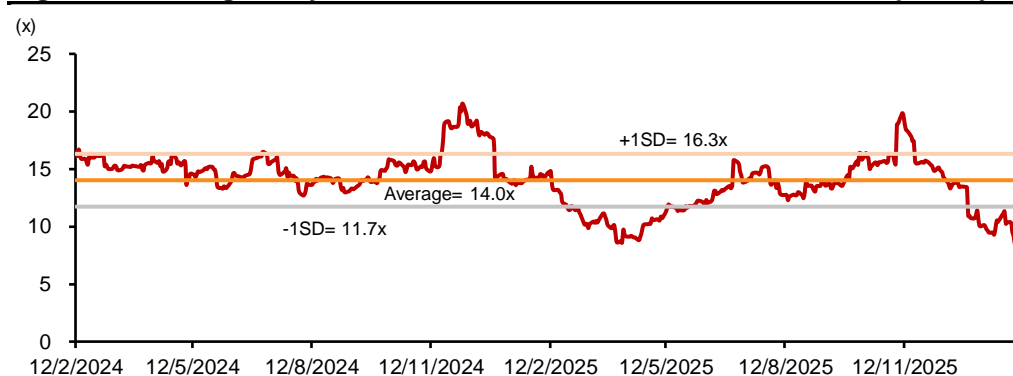
USD mn	Current			Consensus			Difference (%)		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenue	4,098.2	4,925.0	5,875.5	4,107	4,949	5,925.6	-0.2%	-0.5%	-0.8%
Gross profit	3,274.9	3,960.3	4,754.0	3,333	4,019	4,830.0	-1.8%	-1.5%	-1.6%
Non-GAAP OP	879.1	1,117.6	1,406.4	956	1,203	1,508.4	-8.1%	-7.1%	-6.8%
Non-GAAP NP	779.2	992.7	1,232.5	890	1,109	1,350.3	-12.4%	-10.5%	-8.7%
GPM	79.9%	80.4%	80.9%	81.2%	81.2%	81.5%	(1.3)ppt	(0.8)ppt	(0.6)ppt
Non-GAAP OPM	21.5%	22.7%	23.9%	23.3%	24.3%	25.5%	(1.8)ppt	(1.6)ppt	(1.5)ppt
Non-GAAP NPM	19.0%	20.2%	21.0%	21.7%	22.4%	22.8%	(2.7)ppt	(2.2)ppt	(1.8)ppt

Source: CMBIGM estimates

Figure 4: Datadog: target valuation

EV/Sales Valuation	2026E
Revenue (US\$mn)	4,098
Target 2026E EV/Sales	16.3
Target EV (US\$mn)	66,800
Net cash (US\$mn)	4,534
Target equity valuation (US\$mn)	71,334
Total shares outstanding (Diluted; mn)	362.3
Valuation per share (US\$)	196.9

Source: Bloomberg, CMBIGM estimates

Figure 5: Datadog: one-year forward EV/sales valuation band over the past 2 years

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US\$ mn)						
Revenue	2,128	2,684	3,427	4,098	4,925	5,876
Cost of goods sold	410	516	687	823	965	1,122
Gross profit	1,718	2,169	2,740	3,275	3,960	4,754
Operating expenses	1,752	2,114	2,785	3,280	3,905	4,615
Selling expense	609	757	956	1,143	1,359	1,604
Admin expense	180	205	280	328	382	442
R&D expense	962	1,153	1,548	1,808	2,163	2,569
Operating profit	(33)	54	(44)	(5)	56	139
Interest income	100	157	182	146	166	186
Interest expense	(6)	(7)	(11)	(11)	(11)	(11)
Pre-tax profit	60	204	127	130	210	314
Income tax	(12)	(20)	(19)	(33)	(42)	(52)
After tax profit	49	184	108	97	169	263
Net profit	49	184	108	97	169	263
Adjusted net profit	464	654	747	779	993	1,232

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US\$ mn)						
Current assets	3,178	4,911	5,382	6,472	7,839	9,500
Cash & equivalents	2,583	4,189	4,475	5,557	6,764	8,246
Account receivables	509	599	741	753	894	1,055
Prepayment	86	123	166	162	181	199
Non-current assets	758	874	1,262	1,318	1,424	1,544
PP&E	172	227	338	414	505	610
Right-of-use assets	127	173	215	215	215	215
Intangibles	10	4	15	15	15	15
Goodwill	353	360	531	531	531	531
Other non-current assets	97	111	163	144	159	173
Total assets	3,936	5,785	6,644	7,791	9,263	11,044
Current liabilities	1,003	1,863	1,591	1,762	1,943	2,128
Account payables	88	108	149	116	138	163
Other current liabilities	128	761	210	210	210	210
Lease liabilities	22	32	39	39	39	39
Contract liabilities	766	962	1,194	1,397	1,557	1,716
Non-current liabilities	908	1,208	1,320	1,316	1,375	1,442
Long-term borrowings	742	979	983	983	983	983
Deferred income	21	23	69	29	32	35
Other non-current liabilities	144	206	268	304	360	424
Total liabilities	1,911	3,071	2,912	3,078	3,319	3,570
Capital surplus	2,181	2,689	3,579	4,463	5,525	6,792
Retained earnings	(154)	30	138	235	404	666
Other reserves	(2)	(5)	15	15	15	15
Total shareholders equity	2,025	2,714	3,732	4,713	5,944	7,474
Total equity and liabilities	3,936	5,785	6,644	7,791	9,263	11,044

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	49	184	108	97	169	263
Depreciation & amortization	44	55	56	67	82	100
Change in working capital	45	13	72	178	66	58
Others	522	619	815	884	1,062	1,267
Net cash from operations	660	871	1,050	1,226	1,379	1,688
Investing						
Capital expenditure	(62)	(96)	(135)	(143)	(172)	(206)
Acquisition of subsidiaries/ investments	(12)	(7)	(116)	0	0	0
Net proceeds from disposal of short-term investments	(656)	(634)	(1,081)	0	0	0
Net cash from investing	(731)	(737)	(1,333)	(143)	(172)	(206)
Financing						
Proceeds from share issues	58	51	63	0	0	0
Others	0	736	(636)	0	0	0
Net cash from financing	58	787	(572)	0	0	0
Net change in cash						
Cash at the beginning of the year	342	330	1,247	403	1,485	2,692
Exchange difference	1	(4)	11	0	0	0
Cash at the end of the year	330	1,247	403	1,485	2,692	4,174
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	27.1%	26.1%	27.7%	19.6%	20.2%	19.3%
Gross profit	29.4%	26.2%	26.3%	19.5%	20.9%	20.0%
Operating profit	na	na	na	na	na	151.0%
Net profit	na	278.3%	(41.4%)	(10.0%)	74.1%	55.6%
Adj. net profit	67.7%	40.9%	14.2%	4.4%	27.4%	24.2%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	80.7%	80.8%	80.0%	79.9%	80.4%	80.9%
Operating margin	(1.6%)	2.0%	(1.3%)	(0.1%)	1.1%	2.4%
Adj. net profit margin	21.8%	24.4%	21.8%	19.0%	20.2%	21.0%
Return on equity (ROE)	2.8%	7.8%	3.3%	2.3%	3.2%	3.9%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	(0.9)	(1.2)	(0.9)	(1.0)	(1.0)	(1.0)
Current ratio (x)	3.2	2.6	3.4	3.7	4.0	4.5
Receivable turnover days	77.9	75.3	71.4	66.5	61.0	65.5
Payable turnover days	49.5	69.2	68.1	58.7	48.0	52.9
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	760.5	208.6	367.5	423.0	252.8	169.1
P/E (diluted)	789.7	219.3	384.6	437.4	261.3	174.8
P/B	19.7	15.0	11.1	8.9	7.1	5.9

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

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