Datadog (DDOG US)

Soft guidance priced in; core growth accelerating

BUY (Maintain)

Target Price	**US$294.60**
(Previous TP	US$274.00)
Up/Downside	**33.6%**
Current Price	**US$220.52**

Datadog reported a solid set of 3Q26 results. Total revenue rose 35% YoY to US$1.2bn (3Q25: 28%; 2Q26: 36%), 5% ahead of both our forecast and Bloomberg consensus, driven by continued acceleration in non-AI customers. Non-GAAP net profit came in at US$304.3mn, up 54% YoY and 25%/24% above our forecast/consensus, aided by strong operating leverage. Mgmt. guided 4Q26E revenue of US$1.19-1.20bn (+25-26% YoY), 0.6% below consensus at the mid-point, which we believe drove the post-results share price decline. However, the guidance only factors in the minimum commitment of its largest customer, and implies low- to mid-30s% YoY growth excluding this customer, per mgmt. In our view, the impact of usage reduction of the largest customer is now largely quantifiable, while growth from the rest of the business is still accelerating. We raise our 2026-28E revenue/non-GAAP net profit forecasts by 1-3%/7-8% to factor in better-than-expected revenue growth of non-AI customers and operating leverage, and lift our TP to US$294.6 (from US$274.0). Trading at c.15x one-year forward EV/Sales, which is inline with three-year average, we think the share price has largely priced in the market's cautious expectations. Maintain BUY.

- **Non-AI revenue growth accelerated for the fifth straight quarter.** Revenue from non-AI customers grew in the high-20s% YoY in 3Q26, up c.1ppt QoQ (3Q25: c.20%), and growth excluding the largest customer also accelerated. AI customers exceeded 850 (2Q26: c.750), with 39 (2Q26: 31) spending over US$1mn annually. New logos contributed c.30% of YoY revenue growth (3Q25: 25%).
- **Strong operating leverage; platform adoption deepening.** Non-GAAP OPM reached 27.9% (3Q25: 23.4%), 4.5ppts above consensus; 2026E non-GAAP operating profit guidance was raised to US$1.095-1.105bn (from US$1.01-1.03bn). Customers with ARR above US$100k rose 20% YoY to 4,860; 86%/61%/41%/26%/16% of customers used 2/4/6/8/10+ products (3Q25: 84%/54%/31%/16%/8%). RPO grew 38% YoY (3Q25: 53%) to US$3.85bn in 3Q26 and TTM NRR stayed stable QoQ in the low-120s%.
- **4Q26E guidance conservative; largest-customer impact now bounded.** Mgmt. guided 4Q26E revenue to be largely flat QoQ, which we attribute to: 1) the largest customer being included only at its minimum commitment, although it spent substantially above that level in 3Q26 (any usage above the floor would be upside); 2) early renewals by several large AI customers at higher commitments but lower unit prices, a short-term headwind; and 3) late-December seasonality. However, 2026E revenue guidance was raised to US$4.515-4.525bn (+32% YoY) from US$4.45-4.47bn due to the beat in 3Q26, and 2026E OP guidance has been raised to US$1.095-1.105bn (was US$1.01-1.03bn).
- **Lift TP to US$294.6; maintain BUY.** Our new TP is based on 21.0x EV/Sales on 3Q26-2Q27E revenue (previously 19.9x), in line with the three-year average plus two s.d.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (US$ mn)	2,684	3,427	4,523	5,590	6,794
YoY growth (%)	26.1	27.7	32.0	23.6	21.5
Net profit (US$ mn)	183.7	107.7	272.8	431.6	554.0
Adjusted net profit (US$ mn)	653.8	746.6	1,024.7	1,254.6	1,547.5
YoY growth (%)	40.9	14.2	37.2	22.4	23.3
EPS (Adjusted) (US$)	1.83	2.06	2.75	3.23	3.83
Consensus EPS (US$)	na	2.05	2.53	3.13	0.46

Source: Company data, Bloomberg, CMBIGM estimates

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Stock Data

Mkt Cap (US$ mn)	82,128.2
Avg 3 mths t/o (US$ mn)	330.3
52w High/Low (US$)	293.26/102.62
Total Issued Shares (mn)	372.4

Source: FactSet

Shareholding Structure

Vanguard Group Inc	12.8%
Blackrock Inc.	8.0%

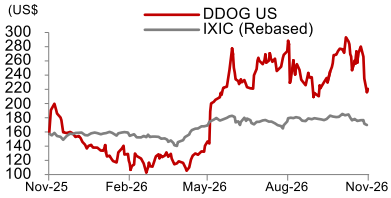
Source: Nasdaq

Share Performance

	Absolute	Relative
1-mth	-20.5%	-14.8%
3-mth	-23.5%	-19.8%
6-mth	50.3%	48.5%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: DDOG: quarterly results trend

(USDmn)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	3Q26E Consensus	Diff%	CMBI estimates	Diff%
Total revenue	**762**	**827**	**886**	**953**	**1,006**	**1,121**	**1,197**	**1,143**	**4.7%**	**1,140**	**5.0%**
YoY Growth	*24.6%*	*28.1%*	*28.4%*	*29.2%*	*32.2%*	*35.6%*	*35.2%*				
Gross profit	**603.9**	**660.8**	**709.2**	**766.3**	**797.2**	**881.3**	**959.9**	**917.6**	**4.6%**	**912.5**	**5.2%**
R&D expenses	341.1	387.5	402.0	417.9	435.3	478.0	491.6				
S&M expenses	214.3	239.0	238.7	264.4	279.8	311.5	303.3				
G&A expenses	61.0	69.8	74.3	74.6	74.8	86.4	90.3				
Operating profit	**(12.4)**	**(35.5)**	**(5.8)**	**9.4**	**7.3**	**5.5**	**74.7**	**23.5**	**217.7%**	**8.8**	**748.0%**
Net profit	**24.6**	**2.6**	**33.9**	**46.6**	**52.6**	**44.6**	**118.3**	**61.8**	**91.3%**	**42.4**	**179.0%**
Non-GAAP OP	**166.5**	**164.1**	**207.4**	**230.1**	**223.5**	**257.0**	**334.3**	**267.7**	**24.9%**	**266.9**	**25.2%**
Non-GAAP NP after tax adjustment	**167.9**	**163.8**	**197.4**	**217.4**	**218.2**	**240.4**	**304.3**	**244.8**	**24.3%**	**243.9**	**24.8%**
YoY Growth	*6.5%*	*7.1%*	*19.1%*	*22.5%*	*29.9%*	*46.8%*	*54.2%*				
Margins (%)											
GPM	**79.3%**	**79.9%**	**80.1%**	**80.4%**	**79.2%**	**78.6%**	**80.2%**	**80.3%**	**(0.1)ppt**	**80.1%**	**0.1ppt**
R&D expenses ratio	44.8%	46.9%	45.4%	43.8%	43.3%	42.6%	41.1%	42.4%	(1.3)ppt	44.9%	(3.8)ppt
S&M expenses ratio	28.1%	28.9%	27.0%	27.7%	27.8%	27.8%	25.3%	27.4%	(2.1)ppt	26.8%	(1.4)ppt
G&A expenses ratio	8.0%	8.4%	8.4%	7.8%	7.4%	7.7%	7.5%	7.6%	(0.1)ppt	7.6%	(0.1)ppt
OPM	**-1.6%**	**-4.3%**	**-0.7%**	**1.0%**	**0.7%**	**0.5%**	**6.2%**	**2.1%**	**4.2ppt**	**0.8%**	**5.5ppt**
NPM	**3.2%**	**0.3%**	**3.8%**	**4.9%**	**5.2%**	**4.0%**	**9.9%**	**5.4%**	**4.5ppt**	**3.7%**	**6.2ppt**
Non-GAAP OPM	**21.9%**	**19.8%**	**23.4%**	**24.1%**	**22.2%**	**22.9%**	**27.9%**	**23.4%**	**4.5ppt**	**23.4%**	**4.5ppt**
Non-GAAP NPM	**22.0%**	**19.8%**	**22.3%**	**22.8%**	**21.7%**	**21.4%**	**25.4%**	**21.4%**	**4.0ppt**	**21.4%**	**4.0ppt**

Source: Company data, Bloomberg, CMBIGM estimates

Figure 2: DDOG: changes in CMBI forecast

	Current			Previous			Change (%)		
USD mn	**2026E**	**2027E**	**2028E**	**2026E**	**2027E**	**2028E**	**2026E**	**2027E**	**2028E**
Revenue	4,522.8	5,589.9	6,794.3	4,460.3	5,452.8	6,571.6	1.4%	2.5%	3.4%
Gross profit	3,603.1	4,460.2	5,431.5	3,549.6	4,343.2	5,244.0	1.5%	2.7%	3.6%
Non-GAAP OP	1,098.0	1,383.5	1,743.9	1,025.6	1,294.6	1,619.2	7.1%	6.9%	7.7%
Non-GAAP NP	1,024.7	1,241.5	1,531.6	950.7	1,160.7	1,422.1	7.8%	7.0%	7.7%
GPM	79.7%	79.8%	79.9%	79.6%	79.7%	79.8%	0.1ppt	0.1ppt	0.1ppt
Non-GAAP OPM	24.3%	24.7%	25.7%	23.0%	23.7%	24.6%	1.3ppt	1.0ppt	1.0ppt
Non-GAAP NPM	22.7%	22.2%	22.5%	21.3%	21.3%	21.6%	1.3ppt	0.9ppt	0.9ppt

Source: CMBIGM estimates

Figure 3: DDOG: CMBI forecast vs consensus

	Current			Consensus			Difference (%)		
USD mn	**2026E**	**2027E**	**2028E**	**2026E**	**2027E**	**2028E**	**2026E**	**2027E**	**2028E**
Revenue	4,522.8	5,589.9	6,794.3	4,475	5,505	6,721.4	1.1%	1.5%	1.1%
Gross profit	3,603.1	4,460.2	5,431.5	3,584	4,423	5,398.2	0.5%	0.8%	0.6%
Non-GAAP NP	1,024.7	1,241.5	1,531.6	949	1,203	1,526.6	7.9%	3.2%	0.3%
GPM	79.7%	79.8%	79.9%	80.1%	80.3%	80.3%	(0.4)ppt	(0.6)ppt	(0.4)ppt
Non-GAAP NPM	22.7%	22.2%	22.5%	21.2%	21.8%	22.7%	1.4ppt	0.4ppt	(0.2)ppt

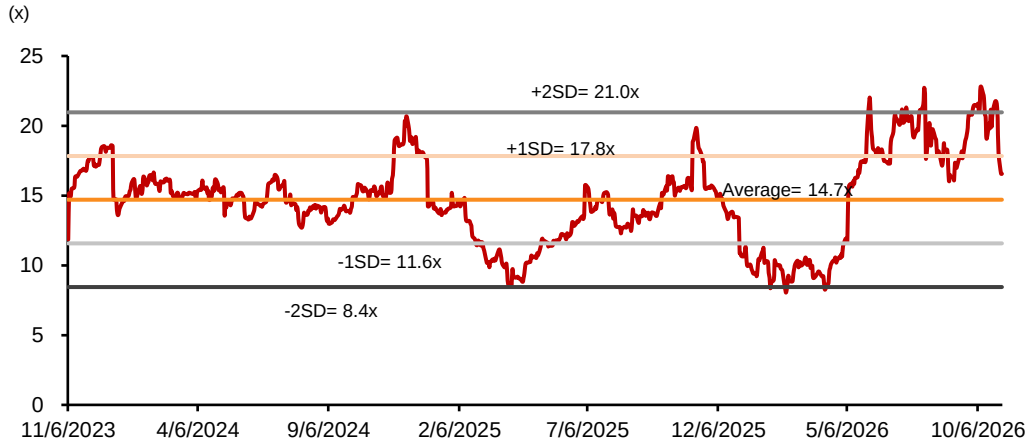
Source: Bloomberg, CMBIGM estimates

Figure 4: Datadog: target valuation

EV/Sales Valuation	
Revenue (US$mn; 3Q26-2Q27E)	5,010
Target EV/Sales (x)	21.0
Target EV (US$mn)	105,211
Net cash (US$mn)	4,503
Target equity valuation (US$mn)	109,715
Total shares outstanding (Diluted; mn)	372.4
Valuation per share (US$)	**294.6**

Source: CMBIGM estimates

Figure 5: Datadog: one-year forward EV/sales valuation band over the past 3 years



Source: Bloomberg, CMBIGM

Risks

1) AI-native customer revenue growth slower than our expectation;
2) Margin expansion slower than our expectation;
3) Industry competition fiercer than our expectation.

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US$ mn)						
Revenue	**2,128**	**2,684**	**3,427**	**4,523**	**5,590**	**6,794**
Cost of goods sold	410	516	687	920	1,130	1,363
Gross profit	**1,718**	**2,169**	**2,740**	**3,603**	**4,460**	**5,431**
Operating expenses	**1,752**	**2,114**	**2,785**	**3,487**	**4,187**	**5,037**
Selling expense	609	757	956	1,228	1,489	1,789
Admin expense	180	205	280	341	397	465
R&D expense	962	1,153	1,548	1,918	2,302	2,783
Operating profit	**(33)**	**54**	**(44)**	**116**	**273**	**394**
Interest income	100	157	182	200	210	220
Interest expense	(6)	(7)	(11)	(13)	(13)	(13)
Pre-tax profit	**60**	**204**	**127**	**304**	**470**	**602**
Income tax	(12)	(20)	(19)	(31)	(39)	(48)
After tax profit	**49**	**184**	**108**	**273**	**432**	**554**
Net profit	**49**	**184**	**108**	**273**	**432**	**554**
Adjusted net profit	**464**	**654**	**747**	**1,025**	**1,255**	**1,548**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US$ mn)						
Current assets	**3,178**	**4,911**	**5,382**	**6,499**	**8,189**	**10,233**
Cash & equivalents	2,583	4,189	4,475	5,536	7,029	8,861
Account receivables	509	599	741	766	933	1,117
Prepayment	86	123	166	197	227	256
Non-current assets	**758**	**874**	**1,262**	**1,608**	**1,740**	**1,891**
PP&E	172	227	338	459	562	686
Right-of-use assets	127	173	215	229	229	229
Intangibles	10	4	15	20	20	20
Goodwill	353	360	531	707	707	707
Other non-current assets	97	111	163	193	222	250
Total assets	**3,936**	**5,785**	**6,644**	**8,107**	**9,929**	**12,125**
Current liabilities	**1,003**	**1,863**	**1,591**	**1,728**	**1,915**	**2,105**
Account payables	88	108	149	125	153	183
Other current liabilities	128	761	210	229	229	229
Lease liabilities	22	32	39	46	46	46
Contract liabilities	766	962	1,194	1,328	1,488	1,648
Non-current liabilities	**908**	**1,208**	**1,320**	**1,348**	**1,423**	**1,505**
Long-term borrowings	742	979	983	987	987	987
Deferred income	21	23	69	27	30	34
Other non-current liabilities	144	206	268	334	406	485
Total liabilities	**1,911**	**3,071**	**2,912**	**3,076**	**3,338**	**3,610**
Capital surplus	2,181	2,689	3,579	4,642	5,769	7,140
Retained earnings	(154)	30	138	411	842	1,396
Other reserves	(2)	(5)	15	(21)	(21)	(21)
Total shareholders equity	**2,025**	**2,714**	**3,732**	**5,031**	**6,590**	**8,515**
Total equity and liabilities	**3,936**	**5,785**	**6,644**	**8,107**	**9,929**	**12,125**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US$ mn)						
Operating						
Profit before taxation	**49**	**184**	**108**	**273**	**432**	**554**
Depreciation & amortization	44	55	56	79	93	114
Change in working capital	45	13	72	(62)	36	31
Others	522	619	815	995	1,127	1,370
Net cash from operations	**660**	**871**	**1,050**	**1,285**	**1,689**	**2,069**
Investing						
Capital expenditure	(62)	(96)	(135)	(164)	(196)	(238)
Acquisition of subsidiaries/ investments	(12)	(7)	(116)	(116)	0	0
Net proceeds from disposal of short-term investments	(656)	(634)	(1,081)	(273)	0	0
Net cash from investing	**(731)**	**(737)**	**(1,333)**	**(552)**	**(196)**	**(238)**
Financing						
Proceeds from share issues	58	51	63	54	0	0
Others	0	736	(636)	0	0	0
Net cash from financing	**58**	**787**	**(572)**	**54**	**0**	**0**
Net change in cash						
Cash at the beginning of the year	342	330	1,247	403	1,186	2,679
Exchange difference	1	(4)	11	(4)	0	0
Cash at the end of the year	**330**	**1,247**	**403**	**1,186**	**2,679**	**4,510**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	27.1%	26.1%	27.7%	32.0%	23.6%	21.5%
Gross profit	29.4%	26.2%	26.3%	31.5%	23.8%	21.8%
Operating profit	na	na	na	na	134.2%	44.5%
Net profit	na	278.3%	(41.4%)	153.2%	58.2%	28.3%
Adj. net profit	67.7%	40.9%	14.2%	37.2%	22.4%	23.3%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	80.7%	80.8%	80.0%	79.7%	79.8%	79.9%
Operating margin	(1.6%)	2.0%	(1.3%)	2.6%	4.9%	5.8%
Adj. net profit margin	21.8%	24.4%	21.8%	22.7%	22.4%	22.8%
Return on equity (ROE)	2.8%	7.8%	3.3%	6.2%	7.4%	7.3%

GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	(0.9)	(1.2)	(0.9)	(0.9)	(0.9)	(0.9)
Current ratio (x)	3.2	2.6	3.4	3.8	4.3	4.9
Receivable turnover days	77.9	75.3	71.4	60.8	55.5	60.0
Payable turnover days	49.5	69.2	68.1	54.4	44.9	48.9

VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	1,471.0	403.4	710.9	289.1	189.8	153.9
P/E (diluted)	1,527.4	424.1	743.9	301.1	198.5	160.9
P/B	38.1	29.1	21.4	16.0	12.4	10.0

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

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