

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

China Internet

Saiyi HE, CFA
 (852) 3916 1739
 hesaiyi@cmbi.com.hk

Ye TAO, CFA
 (852) 3850 5226
 franktao@cmbi.com.hk

Wentao LU, CFA
 luwentao@cmbi.com.hk

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%

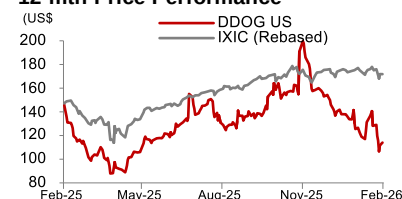
Source: Nasdaq

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-mth 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

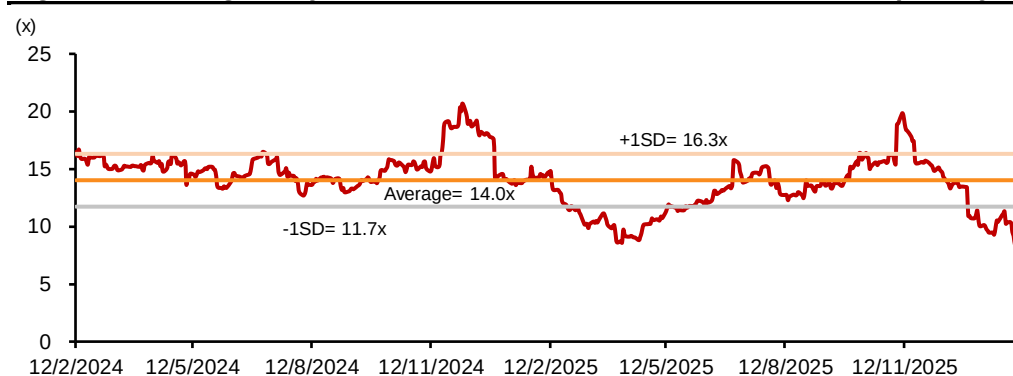
USD mn	Current			Consensus			Difference (%)		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenue	4,098.2	4,925.0	5,875.5	4,107	4,949	5,925.6	-0.2%	-0.5%	-0.8%
Gross profit	3,274.9	3,960.3	4,754.0	3,333	4,019	4,830.0	-1.8%	-1.5%	-1.6%
Non-GAAP OP	879.1	1,117.6	1,406.4	956	1,203	1,508.4	-8.1%	-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.

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report. Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM Ratings

BUY : Stock with potential return of over 15% over next 12 months
HOLD : Stock with potential return of +15% to -10% over next 12 months
SELL : Stock with potential loss of over 10% over next 12 months
NOT RATED : Stock is not rated by CMBIGM

OUTPERFORM : Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM : Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.