招银国际 CMB INTERNATIONAL
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Datadog (DDOG US)

Solid 2Q results with better-than-expected operating efficiency gains

Datadog (DDOG US) released (7 Aug HKT) 2Q25 results: total revenue was US$826.8mn, up 28% YoY (2Q24: 27%; 1Q25: 25%), 5% better than both our forecast and Bloomberg consensus forecast. During the period, non-GAAP net income after tax adjustment was US$163.8mn, up 7% YoY, and was 11/10% better than our forecast/consensus, driven by the beat in revenue, and better-than-expected operating efficiency gains. We lift our 2025-2027E revenue forecasts by 3-4% to account for better-than-expected usage growth and stronger-than-expected ramp-up in revenue generation of AI native customers, and raise non-GAAP net profit forecasts by 6-7% to factor in better-than-expected operating efficiency gains. Our new TP of US$162.0 (was US$158.7) is based on 16.5x 2025E EV/sales, inline with its two-year average plus one s.d (was 16.6x). 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-sell capability and international expansion potential. Maintain BUY.

- **Solid customer and ARPU growth continued in 2Q25.** By the end of 2Q25, Datadog's platform had over 31,400 customers, up 9% YoY, while the number of large customers with an ARR of US$100,000+ reached 3,850 during the same period, up 14% YoY and contributing 89% of the company's total ARR. As of 2Q25, c. 83/52/29/14% of customers used more than 2/4/6/8 products of the company respectively, up by 0/3/4/3ppts YoY respectively. On key operating metrics: 1) billings were US$852mn, up 20% YoY; 2) RPO was US$2.43bn, up 35% YoY and current RPO was up low-30s YoY; 3) net dollar-based retention rate was about 120% in 2Q25, higher than the high-110% in 1Q25. In 2Q25, AI native customers contributed 11% of 2Q25 revenue, up from 8% in 1Q25 and 4% in 2Q24, which in our view demonstrated robust ramp-up trend.
- **Operating efficiency gains better than expected.** For 2Q25, non-GAAP GPM came in at 80.9%, down 1.2ppts YoY but improved 0.6ppts QoQ. Management attributed the QoQ improvement to the increasing impact of engineers' cost-saving efforts as they delivered cloud efficiency projects, which in our view should drive sustainable QoQ improvement on GPM in 2H25. R&D/S&M/G&A expenses saw YoY growth of 41/28/47% in 2Q25, as management executed hiring plans to drive international expansion and future growth. Overall non-GAAP OPM came in at 19.7%, 0.7/0.4ppts better than our forecast/consensus, driven by better-than-expected efficiency gains.
- **Lifted 2025 guidance on solid AI native customer revenue generation outlook and robust usage growth.** Management guided for 3Q25E: 1) revenue of US$847-851mn, representing ~23% growth YoY, and was 4% ahead of consensus; and 2) non-GAAP net income per share of US$0.44-0.46 (consensus: 0.41). For 2025, management is looking for: 1) revenue of US$3.312-3.322bn (previous: US$3.215bn-3.235bn), representing YoY growth of 23-24% (was 20-21%); and 2) non-GAAP OP of US$684mn-694mn (previous: US$625mn-645mn), implying OPM of 21% (previous: 19-20%); and 3) net income per share of US$1.80-1.83.

BUY (Maintain)

Target Price	**US$162.00**
(Previous TP	US$158.70)
Up/Downside	**18.3%**
Current Price	**US$136.96**

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Stock Data

Mkt Cap (US$ mn)	49,118.8
Avg 3 mths t/o (US$ mn)	303.8
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%

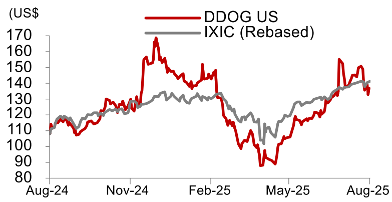
Source: Nasdaq

Share Performance

	Absolute	Relative
1-mth	-10.1%	-13.4%
3-mth	29.2%	8.2%
6-mth	-4.0%	-11.5%

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	3,321	4,004	4,922
YoY growth (%)	27.1	26.1	23.7	20.6	22.9
Gross margin (%)	80.7	80.8	80.0	80.4	80.9
Net profit (US$ mn)	48.6	183.7	72.6	155.5	240.0
Adjusted net profit (US$ mn)	464.0	653.8	663.5	818.9	1,034.3
YoY growth (%)	67.7	40.9	1.5	23.4	26.3
EPS (Adjusted) (US$)	1.33	1.83	1.82	2.19	2.66
Consensus EPS (US$)	na	na	1.71	2.14	2.96

Source: Company data, Bloomberg, CMBIGM estimates

Figure 1: DDOG: quarterly results trend

(USDmn)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	2Q25 Consensus	Diff%	CMBI estimates	Diff%
Total revenue	**611.3**	**645.3**	**690.0**	**737.7**	**761.6**	**826.8**	**791.0**	**4.5%**	**789.5**	**4.7%**
YoY Growth	*26.9%*	*26.7%*	*26.0%*	*25.1%*	*24.6%*	*28.1%*				
Gross profit	**501.2**	**521.8**	**552.3**	**593.5**	**603.9**	**660.8**	**634.3**	**4.2%**	**623.8**	**5.9%**
Operating profit	**12.0**	**12.6**	**20.3**	**9.4**	**(12.4)**	**(35.5)**	**(22.3)**	**58.9%**	**(15.1)**	**135.0%**
Net profit	**42.6**	**43.8**	**51.7**	**45.6**	**24.6**	**2.6**	**6.2**	**-57.4%**	**18.4**	**-85.6%**
Non-GAAP OP	**164.5**	**157.5**	**173.0**	**179.2**	**166.5**	**162.7**	**152.3**	**6.9%**	**149.6**	**8.8%**
Non-GAAP NP after tax adjustment	**157.6**	**153.0**	**165.7**	**177.5**	**167.9**	**163.8**	**148.9**	**10.1%**	**148.3**	**10.5%**
Margins (%)										
GPM	**82.0%**	**80.9%**	**80.0%**	**80.5%**	**79.3%**	**79.9%**	**80.2%**	**(0.3)ppt**	**79.0%**	**0.9ppt**
R&D expenses ratio	41.4%	41.8%	42.3%	42.9%	44.8%	46.9%	44.0%	2.8ppt	43.2%	3.6ppt
S&M expenses ratio	26.2%	26.9%	27.2%	28.2%	28.1%	28.9%	29.8%	(0.9)ppt	30.4%	(1.4)ppt
G&A expenses ratio	7.2%	7.0%	7.6%	8.1%	8.0%	8.4%	7.8%	0.7ppt	7.3%	1.1ppt
OPM	**2.0%**	**2.0%**	**2.9%**	**1.3%**	**-1.6%**	**-4.3%**	**-2.8%**	**(1.5)ppt**	**-1.9%**	**(2.4)ppt**
NPM	**7.0%**	**6.8%**	**7.5%**	**6.2%**	**3.2%**	**0.3%**	**0.8%**	**(0.5)ppt**	**2.3%**	**(2.0)ppt**
Non-GAAP OPM	**26.9%**	**24.4%**	**25.1%**	**24.3%**	**21.9%**	**19.7%**	**19.2%**	**0.4ppt**	**19.0%**	**0.7ppt**
Non-GAAP NPM	**25.8%**	**23.7%**	**24.0%**	**24.1%**	**22.0%**	**19.8%**	**18.8%**	**1.0ppt**	**18.8%**	**1.0ppt**

Source: Bloomberg, CMBIGM

Figure 2: DDOG: changes in CMBI forecast

	Current			Previous			Change (%)		
USD mn	**2025E**	**2026E**	**2027E**	**2025E**	**2026E**	**2027E**	**2025E**	**2026E**	**2027E**
Revenue	3,321.5	4,004.3	4,921.9	3,229	3,882	4744.6	2.9%	3.1%	3.7%
Gross profit	2,657.5	3,218.0	3,980.4	2,558	3,086	3783.5	3.9%	4.3%	5.2%
Non-GAAP OP	691.2	877.5	1,140.1	645	817	1046.2	7.2%	7.3%	9.0%
Non-GAAP NP	663.5	818.9	1,034.3	620	770	962.6	7.1%	6.3%	7.4%
GPM	80.0%	80.4%	80.9%	79.2%	79.5%	79.7%	0.8ppt	0.9ppt	1.1ppt
Non-GAAP OPM	20.8%	21.9%	23.2%	20.0%	21.1%	22.0%	0.8ppt	0.9ppt	1.1ppt
Non-GAAP NPM	20.0%	20.4%	21.0%	19.2%	19.8%	20.3%	0.8ppt	0.6ppt	0.7ppt

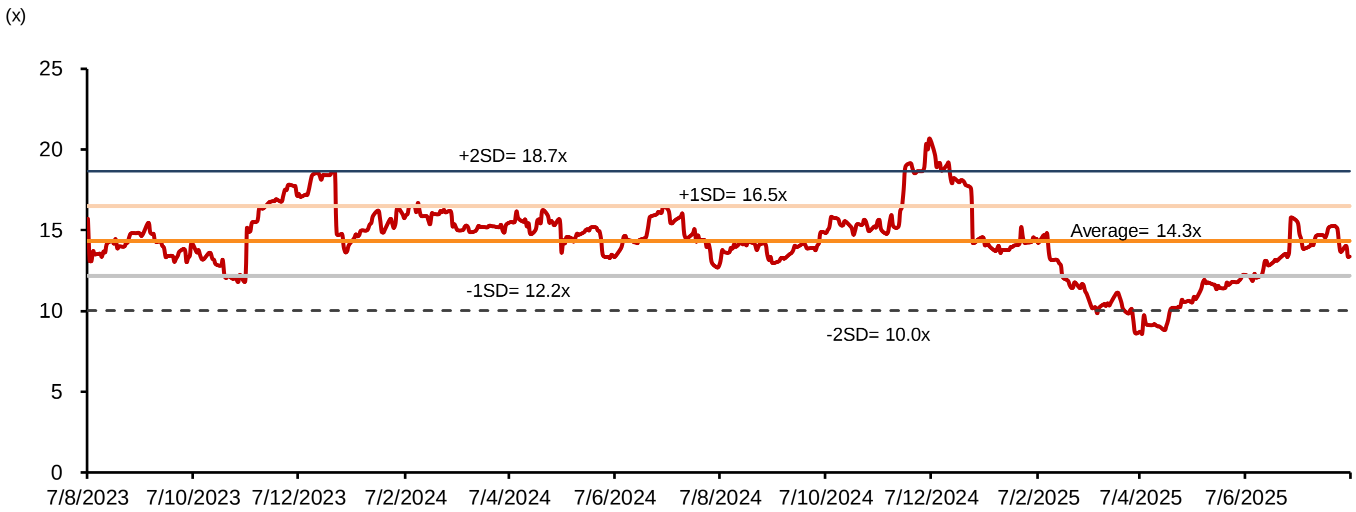
Source: CMBIGM estimates

Figure 3: Datadog: target valuation

EV/Sales Valuation	2025E
Revenue (US$mn)	3,321
Target 2025E EV/Sales	16.5
Target EV (US$mn)	54,804
Net cash (US$mn)	3,178
Target equity valuation (US$bn)	57,982
Total shares outstanding (Diluted; mn)	357.8
Valuation per share (US$)	**162.0**

Source: Company data, CMBIGM estimates

Figure 4: DDOG: EV/sales band over the past two-year



Source: Bloomberg, CMBIGM

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US$ mn)						
Revenue	**1,675**	**2,128**	**2,684**	**3,321**	**4,004**	**4,922**
Cost of goods sold	347	410	516	664	786	942
Gross profit	**1,328**	**1,718**	**2,169**	**2,658**	**3,218**	**3,980**
Operating expenses	**1,387**	**1,752**	**2,114**	**2,705**	**3,179**	**3,870**
Selling expense	495	609	757	961	1,140	1,387
Admin expense	139	180	205	266	303	360
R&D expense	752	962	1,153	1,478	1,736	2,123
Operating profit	**(59)**	**(33)**	**54**	**(48)**	**39**	**110**
Interest income	37	100	157	151	151	171
Interest expense	(17)	(6)	(7)	(12)	(12)	(12)
Pre-tax profit	**(38)**	**60**	**204**	**92**	**179**	**269**
Income tax	(12)	(12)	(20)	(19)	(23)	(29)
After tax profit	**(50)**	**49**	**184**	**73**	**156**	**240**
Net profit	**(50)**	**49**	**184**	**73**	**156**	**240**
Adjusted net profit	**277**	**464**	**654**	**664**	**819**	**1,034**

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US$ mn)						
Current assets	**2,344**	**3,178**	**4,911**	**4,987**	**6,124**	**7,536**
Cash & equivalents	1,884	2,583	4,189	4,239	5,217	6,436
Account receivables	400	509	599	609	746	915
Prepayment	60	86	123	139	161	186
Non-current assets	**661**	**758**	**874**	**1,210**	**1,307**	**1,422**
PP&E	125	172	227	323	400	495
Right-of-use assets	88	127	173	216	216	216
Intangibles	16	10	4	17	17	17
Goodwill	348	353	360	531	531	531
Other non-current assets	83	97	111	124	142	163
Total assets	**3,005**	**3,936**	**5,785**	**6,197**	**7,431**	**8,957**
Current liabilities	**760**	**1,003**	**1,863**	**1,346**	**1,527**	**1,713**
Account payables	23	88	108	94	115	141
Other current liabilities	171	128	761	148	148	148
Lease liabilities	22	22	32	40	40	40
Contract liabilities	543	766	962	1,064	1,224	1,384
Non-current liabilities	**835**	**908**	**1,208**	**1,248**	**1,307**	**1,378**
Long-term borrowings	739	742	979	981	981	981
Deferred income	13	21	23	22	25	28
Other non-current liabilities	83	144	206	245	301	369
Total liabilities	**1,594**	**1,911**	**3,071**	**2,594**	**2,834**	**3,091**
Capital surplus	1,625	2,181	2,689	3,492	4,330	5,360
Retained earnings	(202)	(154)	30	103	258	498
Other reserves	(12)	(2)	(5)	8	8	8
Total shareholders equity	**1,411**	**2,025**	**2,714**	**3,603**	**4,596**	**5,866**
Total equity and liabilities	**3,005**	**3,936**	**5,785**	**6,197**	**7,431**	**8,957**

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US$ mn)						
Operating						
Profit before taxation	**(50)**	**49**	**184**	**73**	**156**	**240**
Depreciation & amortization	35	44	55	50	63	77
Change in working capital	6	45	13	49	62	44
Others	428	522	619	725	838	1,030
Net cash from operations	**418**	**660**	**871**	**897**	**1,118**	**1,391**
Investing						
Capital expenditure	(65)	(62)	(96)	(122)	(140)	(172)
Acquisition of subsidiaries/ investments	(46)	(12)	(7)	0	0	0
Net proceeds from disposal of short-term investments	(274)	(656)	(634)	(414)	0	0
Net cash from investing	**(385)**	**(731)**	**(737)**	**(537)**	**(140)**	**(172)**
Financing						
Proceeds from share issues	24	58	51	2	0	0
Others	12	0	736	(0)	0	0
Net cash from financing	**36**	**58**	**787**	**2**	**0**	**0**
Net change in cash						
Cash at the beginning of the year	274	342	330	1,247	1,612	2,590
Exchange difference	(2)	1	(4)	3	0	0
Cash at the end of the year	**342**	**330**	**1,247**	**1,612**	**2,590**	**3,809**

GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	62.8%	27.1%	26.1%	23.7%	20.6%	22.9%
Gross profit	67.2%	29.4%	26.2%	22.5%	21.1%	23.7%
Operating profit	na	na	na	na	na	179.2%
Net profit	na	na	278.3%	(60.5%)	114.2%	54.3%
Adj. net profit	65.9%	67.7%	40.9%	1.5%	23.4%	26.3%

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%	(1.4%)	1.0%	2.2%
Adj. net profit margin	16.5%	21.8%	24.4%	20.0%	20.4%	21.0%
Return on equity (ROE)	(4.1%)	2.8%	7.8%	2.3%	3.8%	4.6%

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	3.7	4.0	4.4
Receivable turnover days	72.8	77.9	75.3	66.4	61.8	61.6
Payable turnover days	25.7	49.5	69.2	55.4	48.5	49.6

VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	ns	913.6	250.6	656.5	318.9	215.0
P/E (diluted)	ns	948.7	263.4	683.9	329.0	221.9
P/B	33.5	23.6	18.1	13.9	11.0	8.7

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

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