

Datadog (DDOG US)

1Q results beat; sustained investment to drive business growth

Datadog (DDOG US) released (6 May HKT) its 1Q25 results: total revenue was US\$761.6mn, up 24.6% YoY (1Q24: 26.9%; 4Q24: 25.1%), 3% better than both our forecast and Bloomberg consensus forecast; non-GAAP net income after tax adjustment was US\$167.9mn, up 6.5% YoY, and was 10/8% better than our forecast/consensus, driven by the beat in revenue, and better-than-expected operating efficiency improvement. Although the incremental investment may weigh on near-term margin expansion, we remain positive on DDOG's long-term business development potential, driven by the secular trend of digital transformation and cloud migration. We lift 2025-2027E revenue forecast by 1% to account for better-than-expected usage growth, while cut non-GAAP net profit forecast by 1-2% to factor in rising cloud hosting costs which may weigh on GPM. Our new TP of US\$158.7 (was US\$156.4) is based on unchanged 16.6x 2025E EV/sales, inline with its two-year average plus one s.d. Maintain BUY.

- **Solid customer and ARPU growth.** By end-1Q25, Datadog's platform had over 30,500 customers (1Q24: 28,000), while the number of large customers with an ARR of US\$100,000+ reached 3,770 during the same period, up 13% YoY and contributing to 88% of the company's total ARR. As of 1Q25, c. 83/51/28/13% of customers used more than 2/4/6/8 products of the company, up by 1/4/5/3ppts YoY respectively. On key operating metrics: 1) billings were US\$748mn, up 21% YoY; 2) RPO was US\$2.31bn, up 33% YoY and current RPO was up c.30% YoY; 3) net dollar-based retention rate was in a high-110s percentage in 1Q25, largely stable QoQ. In 1Q25, AI native customers contributed 8.5% of DDOG's ARR (4Q24: 6%) and 6ppts of YoY revenue growth (4Q24: 5ppts).
- **Incremental investment to drive international expansion and long-term growth.** For 1Q25, non-GAAP GPM came in at 80.3%, down 3.0ppts YoY, which management attributed to the rise in cloud-hosting costs as DDOG supported large growth spikes from some of its largest customers. Non-GAAP R&D/S&M/G&A expenses saw YoY growth of 32/25/34% YoY, as management continues to execute hiring plans to drive for future growth. Management noted that sales representative headcount has been increased by 25% YoY, including over 30% YoY growth for the Enterprise segment. The investment has also been weighed a little bit towards international expansion where sales rep headcount growth was in the mid-30s YoY.
- **Investment could weigh on near-term earnings growth but should benefit long-term development.** Management guided for 2Q25E: 1) revenue of US\$787-791mn, representing 22-23% growth YoY, and was 2% ahead of consensus; and 2) non-GAAP net income per share of US\$0.40-0.42, inline with consensus. For 2025, management is looking for: 1) revenue of US\$3.215-3.235bn (previous: US\$3.175bn-3.195bn), representing YoY growth of 20-21%; and 2) non-GAAP OP of US\$625mn-645mn (previous: US\$655mn-675mn), implying OPM of 19-20%; 3) net income per share of US\$1.67-1.71. The lift in revenue growth guidance was mainly due to stronger-than-expected usage growth in 1H25, while management remained cautious for 2H25 amid macro uncertainties and maintained 2H25 revenue guidance unchanged. The cut in OP guidance was mainly driven by the downward revision of GPM assumption due to rising cloud hosting costs.

BUY (Maintain)

Target Price **US\$158.70**
 (Previous TP) US\$156.40)
Up/Downside **50.1%**
Current Price **US\$105.70**

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Stock Data

Mkt Cap (US\$ mn)	37,907.8
Avg 3 mths t/o (US\$ mn)	420.4
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%

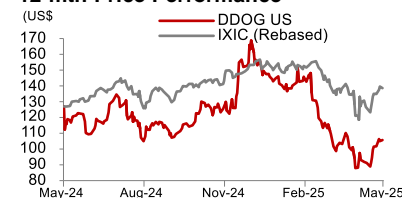
Source: Nasdaq

Share Performance

	Absolute	Relative
1-mth	20.2%	5.0%
3-mth	-27.0%	-19.1%
6-mth	-17.6%	-12.4%

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	3,229	3,882	4,745
YoY growth (%)	27.1	26.1	20.3	20.2	22.2
Gross margin (%)	80.7	80.8	79.2	79.5	79.7
Net profit (US\$ mn)	48.6	183.7	71.3	146.6	205.7
Adjusted net profit (US\$ mn)	464.0	653.8	619.7	770.3	962.6
YoY growth (%)	67.7	40.9	(5.2)	24.3	25.0
EPS (Adjusted) (US\$)	1.33	1.83	1.71	2.08	2.49
Consensus EPS (US\$)	na	na	1.73	2.21	2.85

Source: Company data, Bloomberg, CMBIGM estimates

Figure 1: DDOG: quarterly results trend

(USDmn)	1Q24	2Q24	3Q24	4Q24	1Q25	1Q25 Consensus	Diff%
Total revenue	611.3	645.3	690.0	737.7	761.6	742.1	2.6%
YoY growth	26.9%	26.7%	26.0%	25.1%	24.6%		
Gross profit	501.2	521.8	552.3	593.5	603.9	611.7	-1.3%
R&D expenses	270.0	274.6	291.8	316.3	341.1	320.8	6.3%
S&M expenses	173.9	187.0	187.8	207.9	214.3	215.2	-0.4%
G&A expenses	45.3	47.6	52.4	59.9	61.0	57.6	5.9%
Operating profit	12.0	12.6	20.3	9.4	(12.4)	1.3	-1059.4%
Net profit	42.6	43.8	51.7	45.6	24.6	25.0	-1.5%
Non-GAAP OP	164.5	157.5	173.0	179.2	166.5	164.9	1.0%
Non-GAAP NP after tax adjustment	157.6	153.0	165.7	177.5	167.9	156.0	7.7%
Margins (%)							
GPM	82.0%	80.9%	80.0%	80.5%	79.3%	82.4%	(3.1)ppt
R&D expenses ratio	41.4%	41.8%	42.3%	42.9%	44.8%	43.2%	1.6ppt
S&M expenses ratio	26.2%	26.9%	27.2%	28.2%	28.1%	29.0%	(0.9)ppt
G&A expenses ratio	7.2%	7.0%	7.6%	8.1%	8.0%	7.8%	0.2ppt
OPM	2.0%	2.0%	2.9%	1.3%	-1.6%	0.2%	(1.8)ppt
NPM	7.0%	6.8%	7.5%	6.2%	3.2%	3.4%	(0.1)ppt
Non-GAAP OPM	26.9%	24.4%	25.1%	24.3%	21.9%	22.2%	(0.4)ppt
Non-GAAP NPM	25.8%	23.7%	24.0%	24.1%	22.0%	21.0%	1.0ppt

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	3,229.1	3,882.1	4,744.6	3,194	3,828	4,699.1	1.1%	1.4%	1.0%
Gross profit	2,557.9	3,086.0	3,783.5	2,582	3,104	3,821.9	-0.9%	-0.6%	-1.0%
Non-GAAP OP	645.0	817.5	1,046.2	686	864	1,107.5	-6.0%	-5.4%	-5.5%
Non-GAAP NP	619.7	770.3	962.6	624	774	977.1	-0.8%	-0.5%	-1.5%
GPM	79.2%	79.5%	79.7%	80.8%	81.1%	81.3%	(1.6)ppt	(1.6)ppt	(1.6)ppt
Non-GAAP OPM	20.0%	21.1%	22.0%	21.5%	22.6%	23.6%	(1.5)ppt	(1.5)ppt	(1.5)ppt
Non-GAAP NPM	19.2%	19.8%	20.3%	19.6%	20.2%	20.8%	(0.4)ppt	(0.4)ppt	(0.5)ppt

Source: CMBIGM estimates

Figure 3: Datadog: target valuation

EV/Sales valuation	2025E
Revenue (US\$mn)	3,229
Target 2025E EV/Sales	16.6
Target EV (US\$mn)	53,603
Net cash (US\$mn)	3,178
Target equity valuation (US\$bn)	56,781
Total shares outstanding (Diluted; mn)	357.8
Valuation per share (US\$)	158.7

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	3,229	3,882	4,745
Cost of goods sold	347	410	516	671	796	961
Gross profit	1,328	1,718	2,169	2,558	3,086	3,784
Operating expenses	1,387	1,752	2,114	2,607	3,085	3,735
Selling expense	495	609	757	948	1,127	1,363
Admin expense	139	180	205	250	288	340
R&D expense	752	962	1,153	1,408	1,670	2,032
Operating profit	(59)	(33)	54	(49)	1	49
Interest income	37	100	157	159	179	199
Interest expense	(17)	(6)	(7)	(12)	0	0
Pre-tax profit	(38)	60	204	98	180	247
Income tax	(12)	(12)	(20)	(27)	(33)	(42)
After tax profit	(50)	49	184	71	147	206
Net profit	(50)	49	184	71	147	206
Adjusted net profit	277	464	654	620	770	963

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Current assets	2,344	3,178	4,911	5,722	6,823	8,166
Cash & equivalents	1,884	2,583	4,189	4,985	5,949	7,116
Account receivables	400	509	599	600	719	873
Prepayment	60	86	123	137	155	177
Non-current assets	661	758	874	997	1,088	1,197
PP&E	125	172	227	308	384	475
Right-of-use assets	88	127	173	203	203	203
Intangibles	16	10	4	3	3	3
Goodwill	348	353	360	362	362	362
Other non-current assets	83	97	111	122	137	155
Total assets	3,005	3,936	5,785	6,719	7,911	9,363
Current liabilities	760	1,003	1,863	1,997	2,175	2,358
Account payables	23	88	108	93	111	135
Other current liabilities	171	128	761	773	773	773
Lease liabilities	22	22	32	34	34	34
Contract liabilities	543	766	962	1,097	1,257	1,416
Non-current liabilities	835	908	1,208	1,244	1,295	1,360
Long-term borrowings	739	742	979	980	980	980
Deferred income	13	21	23	22	26	29
Other non-current liabilities	83	144	206	241	290	351
Total liabilities	1,594	1,911	3,071	3,240	3,470	3,719
Capital surplus	1,625	2,181	2,689	3,376	4,192	5,189
Retained earnings	(202)	(154)	30	101	248	454
Other reserves	(12)	(2)	(5)	1	1	1
Total shareholders equity	1,411	2,025	2,714	3,478	4,441	5,644
Total equity and liabilities	3,005	3,936	5,785	6,719	7,911	9,363

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	(50)	49	184	71	147	206
Depreciation & amortization	35	44	55	47	60	74
Change in working capital	6	45	13	84	77	55
Others	428	522	619	698	816	998
Net cash from operations	418	660	871	901	1,100	1,333
Investing						
Capital expenditure	(65)	(62)	(96)	(121)	(136)	(166)
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)	(535)	(136)	(166)
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	1,618	2,581
Exchange difference	(2)	1	(4)	3	0	0
Cash at the end of the year	342	330	1,247	1,618	2,581	3,748
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	62.8%	27.1%	26.1%	20.3%	20.2%	22.2%
Gross profit	67.2%	29.4%	26.2%	17.9%	20.6%	22.6%
Operating profit	na	na	na	na	na	4,202.8%
Net profit	na	na	278.3%	(61.2%)	105.5%	40.3%
Adj. net profit	65.9%	67.7%	40.9%	(5.2%)	24.3%	25.0%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	79.3%	80.7%	80.8%	79.2%	79.5%	79.7%
Operating margin	(3.5%)	(1.6%)	2.0%	(1.5%)	0.0%	1.0%
Adj. net profit margin	16.5%	21.8%	24.4%	19.2%	19.8%	20.3%
Return on equity (ROE)	(4.1%)	2.8%	7.8%	2.3%	3.7%	4.1%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.8)	(0.9)	(1.2)	(1.2)	(1.1)	(1.1)
Current ratio (x)	3.1	3.2	2.6	2.9	3.1	3.5
Receivable turnover days	72.8	77.9	75.3	67.8	62.0	61.2
Payable turnover days	25.7	49.5	69.2	54.4	46.6	46.6
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	ns	705.1	193.4	516.2	261.4	193.8
P/E (diluted)	ns	732.1	203.3	536.5	267.7	198.5
P/B	25.9	18.2	13.9	11.0	8.7	6.9

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

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