

Datadog (DDOG US)

Strong 1Q26 results with more upside ahead

Datadog released (7 May BJT) its 1Q26 results: total revenue reached US\$1.0bn, up 32% YoY (1Q25: 25%; 4Q25: 29%), 5% above both our forecast and Bloomberg consensus estimates. The upside was driven by stronger-than-expected acceleration in revenue growth from non-AI customers (from 20%/23% YoY in 3Q25/4Q25 to the mid-20% range in 1Q26), alongside continued robust demand from AI-native customers. During the quarter, non-GAAP NP after tax adjustment reached US\$218.2mn, up 30% YoY and 18%/16% above our forecast/consensus, supported by the revenue beat and stronger-than-expected operating leverage. Management noted that ARR growth accelerated sequentially for each month of 1Q26 and that this healthy growth trend continued into April. Management guided for 29-31% YoY revenue growth in 2Q26E (2Q25: 28%) and raised its FY26 revenue guidance by 6% to US\$4.30bn-4.34bn, implying 25-27% YoY growth. We raise our 2026E-2028E revenue forecasts by 5-6% and non-GAAP net profit forecasts by 10-15% to reflect stronger customer demand and better-than-expected operating efficiency. We lift our TP to US\$203.1 (from US\$196.9), based on an unchanged 16.3x 2026E EV/Sales multiple, in line with the three-year average plus one standard deviation. Maintain BUY.

- **Strong cross-sell and upsell momentum sustained in 1Q26.** By the end of 1Q26, Datadog's customer base exceeded 33,200, up 9% YoY. The number of customers with ARR above US\$100k reached 4,550, up 21% YoY (1Q25: 13%; 4Q25: 19%). Customers with ARR above US\$100k accounted for 90% of total ARR in 1Q26 (1Q25: 88%). As of 1Q26, approximately 85%/56%/35%/20%/11% of customers used more than 2/4/6/8/10 products respectively, representing YoY increases of 2/5/7/7/5ppts. Key operating metrics remained solid: 1) RPO reached US\$3.48bn, up 51% YoY (4Q25: 52%; 1Q25: 34%), while current RPO grew in the mid-40% range YoY (4Q25: about-40%); and 2) TTM net revenue retention came in at a low-120% range in 1Q26, further improving from around 120% in 4Q25 and the high-110% range in 1Q25.
- **Demand trends remained healthy across both AI-native and non-AI customer cohorts.** Among AI-native customers, the customer base continued to diversify and expand, including 22 customers spending more than US\$1mn annually and five customers spending more than US\$10mn annually. Revenue excluding AI-native customers grew in the mid-20% range YoY in 1Q26, accelerating from 18%/20%/23% YoY in 2Q25/3Q25/4Q25.
- **Improving operating efficiency while continuing to invest for long-term growth.** For 1Q26, non-GAAP operating margin reached 22.2% (1Q25: 21.9%), 0.9ppt above both our forecast and Bloomberg consensus estimates. Although management reiterated its intention to continue investing to support long-term growth, it raised FY26 non-GAAP operating profit guidance to US\$940mn-980mn (from US\$840mn-880mn), implying a non-GAAP operating margin of 21.7-22.8%. In our view, this demonstrates Datadog's strong capability to balance sustained revenue growth with solid profitability.

BUY (Maintain)

Target Price	US\$203.10
(Previous TP)	US\$196.90)
Up/Downside	7.6%
Current Price	US\$188.73

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Stock Data

Mkt Cap (US\$ mn)	69,958.5
Avg 3 mths t/o (US\$ mn)	407.8
52w High/Low (US\$)	199.72/102.62
Total Issued Shares (mn)	370.7

Source: FactSet

Shareholding Structure

Vanguard Group Inc	12.9%
Blackrock Inc.	8.2%

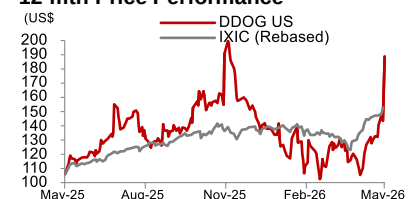
Source: Nasdaq

Share Performance

	Absolute	Relative
1-mth	62.0%	42.1%
3-mth	69.0%	50.8%
6-mth	-1.3%	-12.0%

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	4,340	5,168	6,142
YoY growth (%)	26.1	27.7	26.6	19.1	18.8
Net profit (US\$ mn)	183.7	107.7	160.9	265.7	376.9
Adjusted net profit (US\$ mn)	653.8	746.6	894.2	1,098.3	1,353.5
YoY growth (%)	40.9	14.2	19.8	22.8	23.2
EPS (Adjusted) (US\$)	1.83	2.06	2.41	2.85	3.37
Consensus EPS (US\$)	na	2.05	2.23	2.75	0.46

Source: Company data, Bloomberg, CMBIGM estimates

For 2Q26E, management guided for: 1) revenue of US\$1.07bn-1.08bn, representing 29-31% growth YoY, and the mid-point of guidance is 8% ahead of consensus; and 2) non-GAAP net income per share of US\$0.57-0.59 (consensus: US\$0.52).

Figure 1: DDOG: quarterly results trend

(USDmn)	1Q25	2Q25	3Q25	4Q25	1Q26	1Q26 Consensus	Diff%	CMBI estimates	Diff%
Total revenue	761.6	826.8	885.7	953.2	1006.4	957.8	5.1%	954.4	5.4%
YoY Growth	24.6%	28.1%	28.4%	29.2%	32.2%				
Gross profit	603.9	660.8	709.2	766.3	797.2	773.2	3.1%	755.6	5.5%
R&D expenses	341.1	387.5	402.0	417.9	435.3				
S&M expenses	214.3	239.0	238.7	264.4	279.8				
G&A expenses	61.0	69.8	74.3	74.6	74.8				
Operating profit	(12.4)	(35.5)	(5.8)	9.4	7.3				
Net profit	24.6	2.6	33.9	46.6	52.6	22.7	131.3%	27.9	88.1%
Non-GAAP OP	166.5	164.1	207.4	230.1	223.5	203.9	9.6%	203.2	10.0%
Non-GAAP NP after tax adjustment	167.9	163.8	197.4	217.4	218.2	187.4	16.4%	185.7	17.5%
YoY Growth	6.5%	7.1%	19.1%	22.5%	29.9%				
Margins (%)									
GPM	79.3%	79.9%	80.1%	80.4%	79.2%	80.7%	(1.5)ppt	79.2%	0.0ppt
R&D expenses ratio	44.8%	46.9%	45.4%	43.8%	43.3%	44.4%	(1.1)ppt	43.2%	0.1ppt
S&M expenses ratio	28.1%	28.9%	27.0%	27.7%	27.8%	28.4%	(0.6)ppt	28.0%	(0.2)ppt
G&A expenses ratio	8.0%	8.4%	8.4%	7.8%	7.4%	8.0%	(0.6)ppt	7.8%	(0.3)ppt
OPM	-1.6%	-4.3%	-0.7%	1.0%	0.7%	-1.7%	2.4ppt	0.3%	0.4ppt
NPM	3.2%	0.3%	3.8%	4.9%	5.2%	2.4%	2.9ppt	2.9%	2.3ppt
Non-GAAP OPM	21.9%	19.8%	23.4%	24.1%	22.2%	21.3%	0.9ppt	21.3%	0.9ppt
Non-GAAP NPM	22.0%	19.8%	22.3%	22.8%	21.7%	19.6%	2.1ppt	19.5%	2.2ppt

Source: Company data, Bloomberg, CMBIGM

Figure 2: DDOG: changes in CMBI forecast

USD mn	Current			Previous			Change		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenue	4,339.6	5,168.2	6,141.8	4,098	4,925	5,875.5	5.9%	4.9%	4.5%
Gross Profit	3,472.1	4,162.9	4,977.9	3,275	3,960	4,754.0	6.0%	5.1%	4.7%
Non-GAAP OP	974.2	1,224.7	1,532.0	879	1,118	1,406.4	10.8%	9.6%	8.9%
Non-GAAP NP	894.2	1,098.3	1,353.5	779	993	1,232.5	14.8%	10.6%	9.8%
GPM	80.0%	80.5%	81.0%	79.9%	80.4%	80.9%	0.1ppt	0.1ppt	0.1ppt
Non-GAAP OPM	22.4%	23.7%	24.9%	21.5%	22.7%	23.9%	1.0ppt	1.0ppt	1.0ppt
Non-GAAP NPM	20.6%	21.3%	22.0%	19.0%	20.2%	21.0%	1.6ppt	1.1ppt	1.1ppt

Source: CMBIGM estimates

Figure 3: DDOG: CMBI forecast vs Bloomberg consensus

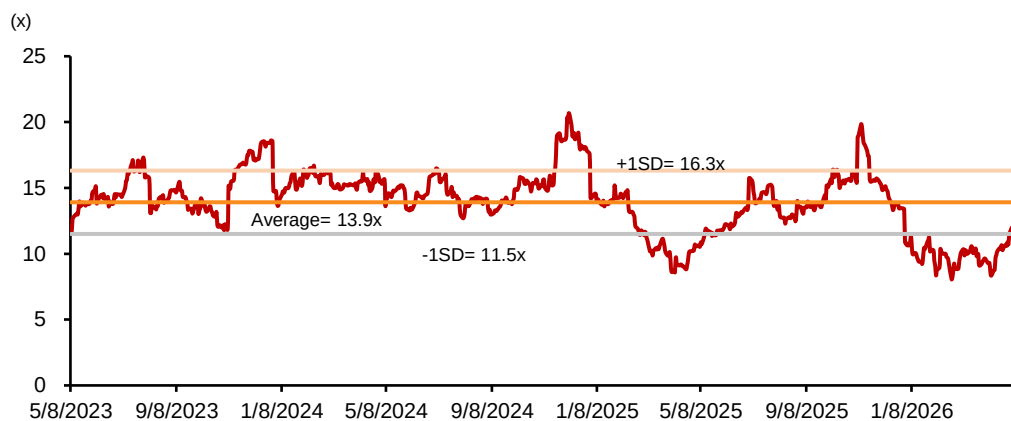
USD mn	Current			Consensus			Difference		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenue	4,339.6	5,168.2	6,141.8	4,090	4,935	5,957.5	6.1%	4.7%	3.1%
Gross Profit	3,472.1	4,162.9	4,977.9	3,308	3,997	4,839.2	5.0%	4.2%	2.9%
Non-GAAP OP	974.2	1,224.7	1,532.0	883	1,115	1,420.3	10.3%	9.9%	7.9%
Non-GAAP NP	894.2	1,098.3	1,353.5	803	1,040	1,342.7	11.3%	5.7%	0.8%
GPM	80.0%	80.5%	81.0%	80.9%	81.0%	81.2%	(0.9)ppt	(0.5)ppt	(0.2)ppt
Non-GAAP OPM	22.4%	23.7%	24.9%	21.6%	22.6%	23.8%	0.9ppt	1.1ppt	1.1ppt
Non-GAAP NPM	20.6%	21.3%	22.0%	19.6%	21.1%	22.5%	1.0ppt	0.2ppt	(0.5)ppt

Source: Bloomberg, CMBIGM estimates

Figure 4: Datadog: target valuation

EV/Sales Valuation		2026E
Revenue (US\$mn)		4,340
Target 2026E EV/Sales		16.3
Target EV (US\$mn)		70,735
Net cash (US\$mn)		4,555
Target equity valuation (US\$mn)		75,290
Total shares outstanding (Diluted; mn)		370.7
Valuation per share (US\$)		203.1

Source: Bloomberg, CMBIGM estimates

Figure 5: Datadog: one-year forward EV/sales valuation band over the past 3 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	4,340	5,168	6,142
Cost of goods sold	410	516	687	868	1,005	1,164
Gross profit	1,718	2,169	2,740	3,472	4,163	4,978
Operating expenses	1,752	2,114	2,785	3,438	4,036	4,750
Selling expense	609	757	956	1,199	1,410	1,658
Admin expense	180	205	280	332	378	434
R&D expense	962	1,153	1,548	1,907	2,248	2,659
Operating profit	(33)	54	(44)	34	127	227
Interest income	100	157	182	170	190	210
Interest expense	(6)	(7)	(11)	(11)	(11)	(11)
Pre-tax profit	60	204	127	193	306	426
Income tax	(12)	(20)	(19)	(32)	(40)	(49)
After tax profit	49	184	108	161	266	377
Net profit	49	184	108	161	266	377
Adjusted net profit	464	654	747	894	1,098	1,353

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US\$ mn)						
Current assets	3,178	4,911	5,382	6,515	8,032	9,866
Cash & equivalents	2,583	4,189	4,475	5,581	6,937	8,592
Account receivables	509	599	741	743	881	1,037
Prepayment	86	123	166	191	214	237
Non-current assets	758	874	1,262	1,396	1,510	1,640
PP&E	172	227	338	440	532	640
Right-of-use assets	127	173	215	213	213	213
Intangibles	10	4	15	15	15	15
Goodwill	353	360	531	541	541	541
Other non-current assets	97	111	163	187	210	232
Total assets	3,936	5,785	6,644	7,910	9,542	11,506
Current liabilities	1,003	1,863	1,591	1,753	1,936	2,121
Account payables	88	108	149	122	144	170
Other current liabilities	128	761	210	209	209	209
Lease liabilities	22	32	39	41	41	41
Contract liabilities	766	962	1,194	1,382	1,542	1,701
Non-current liabilities	908	1,208	1,320	1,336	1,399	1,468
Long-term borrowings	742	979	983	984	984	984
Deferred income	21	23	69	28	31	35
Other non-current liabilities	144	206	268	323	383	449
Total liabilities	1,911	3,071	2,912	3,089	3,335	3,589
Capital surplus	2,181	2,689	3,579	4,526	5,647	6,979
Retained earnings	(154)	30	138	299	564	941
Other reserves	(2)	(5)	15	(3)	(3)	(3)
Total shareholders equity	2,025	2,714	3,732	4,821	6,208	7,917
Total equity and liabilities	3,936	5,785	6,644	7,910	9,542	11,506

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	49	184	108	161	266	377
Depreciation & amortization	44	55	56	74	89	107
Change in working capital	45	13	72	93	61	54
Others	522	619	815	946	1,121	1,332
Net cash from operations	660	871	1,050	1,274	1,537	1,870
Investing						
Capital expenditure	(62)	(96)	(135)	(162)	(181)	(215)
Acquisition of subsidiaries/ investments	(12)	(7)	(116)	(11)	0	0
Net proceeds from disposal of short-term investments	(656)	(634)	(1,081)	(259)	0	0
Net cash from investing	(731)	(737)	(1,333)	(431)	(181)	(215)
Financing						
Proceeds from share issues	58	51	63	10	0	0
Others	0	736	(636)	0	0	0
Net cash from financing	58	787	(572)	10	0	0
Net change in cash						
Cash at the beginning of the year	342	330	1,247	403	1,251	2,606
Exchange difference	1	(4)	11	(4)	0	0
Cash at the end of the year	330	1,247	403	1,251	2,606	4,262

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

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