



**DATADOG**

**August 2022**

# Safe Harbor

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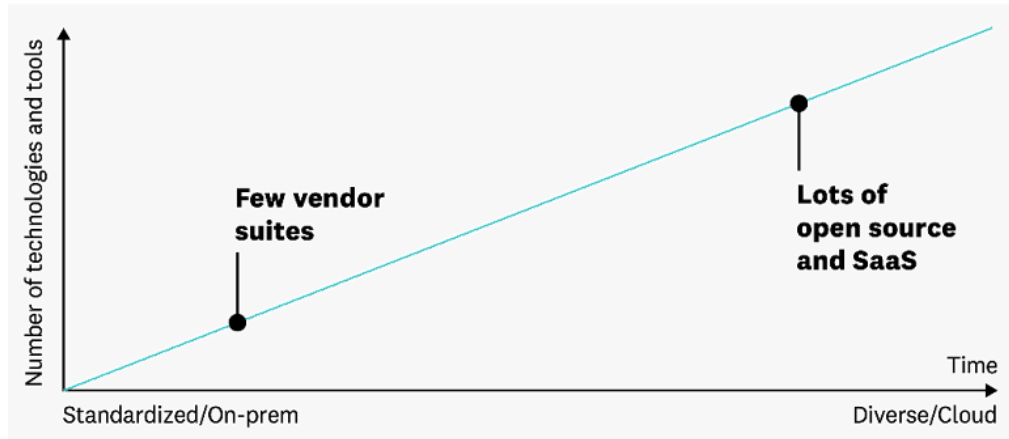
This presentation and accompanying oral presentation contain “forward-looking” statements, as that term is defined under the federal securities laws, including but not limited to statements regarding Datadog’s strategy, product and platform capabilities, growth in and ability to capitalize on long-term market opportunities, gross margins and operating margins including with respect to sales and marketing, research and development expenses, investments and capital expenditures, and Datadog’s future financial performance, including its guided revenue on the slide “Rapid Revenue Growth” and the information on the slide entitled “Financial Outlook”. These forward-looking statements are based on Datadog’s current assumptions, expectations and beliefs and are subject to substantial risks, uncertainties, assumptions and changes in circumstances that may cause Datadog’s actual results, performance or achievements to differ materially from those expressed or implied in any forward-looking statement.

The risks and uncertainties referred to above include, but are not limited to (1) our recent rapid growth may not be indicative of our future growth; (2) our history of operating losses; (3) our limited operating history; (4) our business depends on our existing customers purchasing additional subscriptions and products from us and renewing their subscriptions; (5) our ability to attract new customers; (6) our ability to effectively develop and expand our sales and marketing capabilities; (7) risk of a security breach; (8) risk of interruptions or performance problems associated with our products and platform capabilities; (9) our ability to adapt and respond to rapidly changing technology or customer needs; (10) the competitive markets in which we participate; (11) risks associated with successfully managing our growth; (12) general market, political, economic, and business conditions including concerns about reduced economic growth and associated decreases in information technology spending; and (13) the impact that the ongoing COVID-19 pandemic and any related economic downturn could have on our or our customers’ businesses, financial condition and results of operations. These risks and uncertainties are more fully described in our filings with the Securities and Exchange Commission (SEC), including in the section entitled “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on February 25, 2022. Additional information will be made available in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 and in other filings and reports that we may file from time to time with the SEC. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, we cannot guarantee future results, levels of activity, performance, achievements, or events and circumstances reflected in the forward-looking statements will occur. Forward-looking statements represent our beliefs and assumptions only as of the date of this press release. We disclaim any obligation to update forward-looking statements.

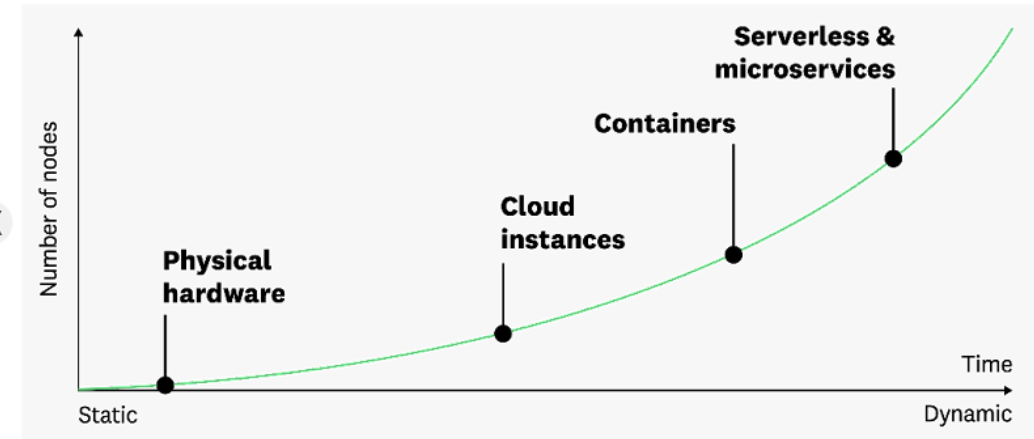
**Datadog is the  
monitoring and security platform  
for cloud applications**

# Evolving technology paradigms create rising complexity

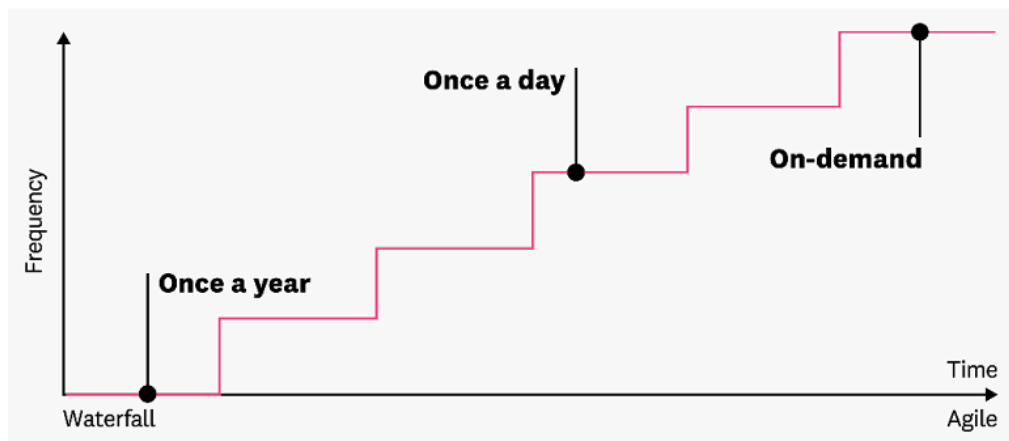
## Diversity of technologies in use



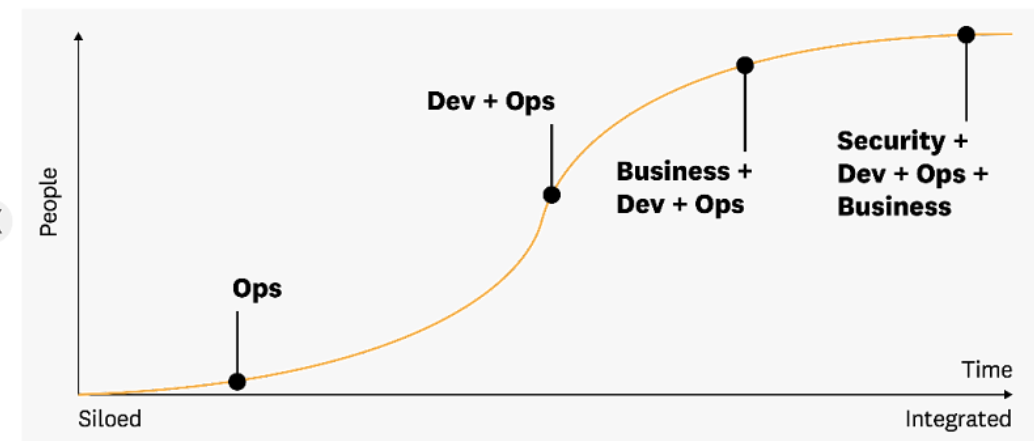
## Scale in number of computing units



## Frequency of releases

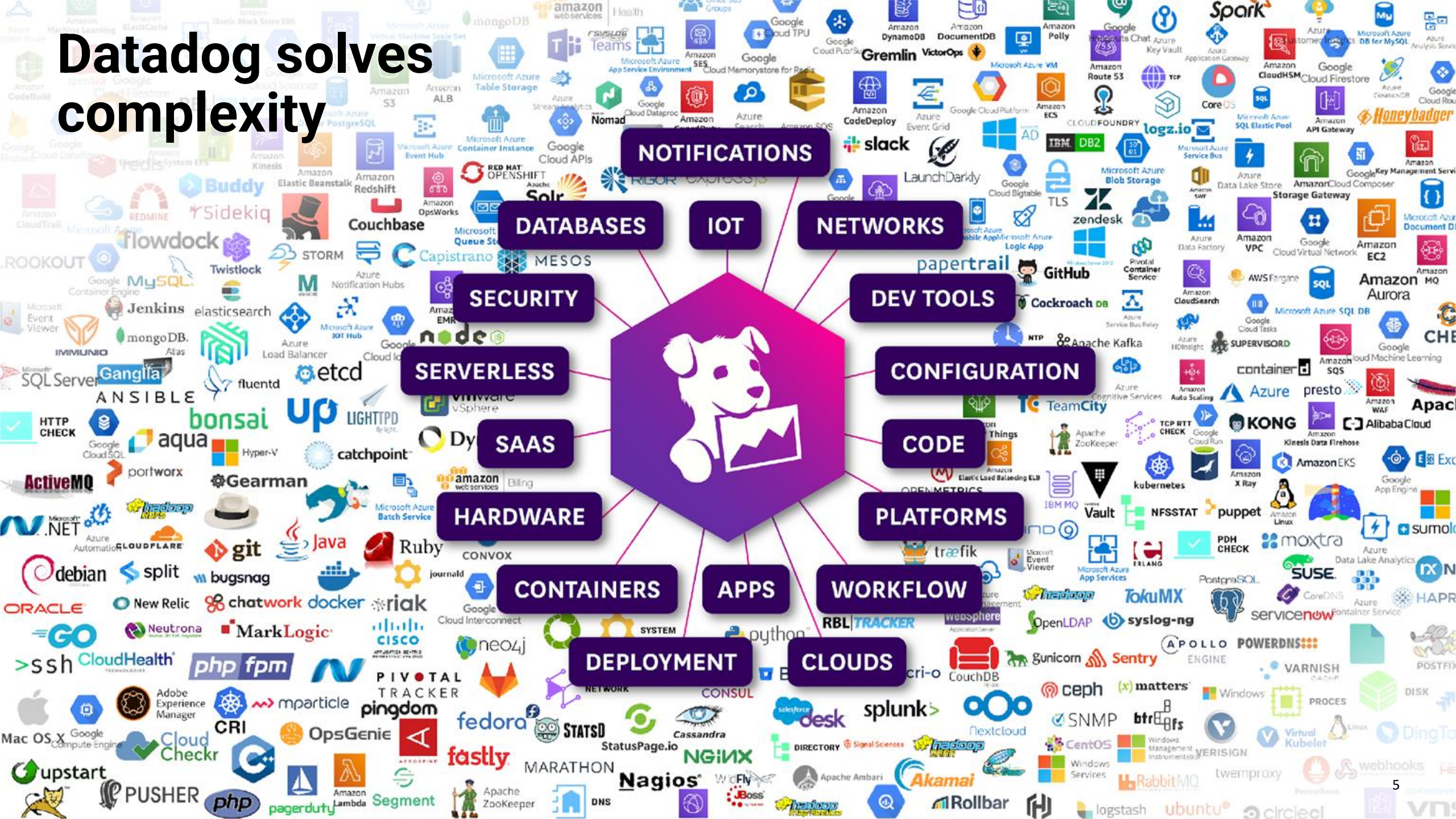


## Number of people involved



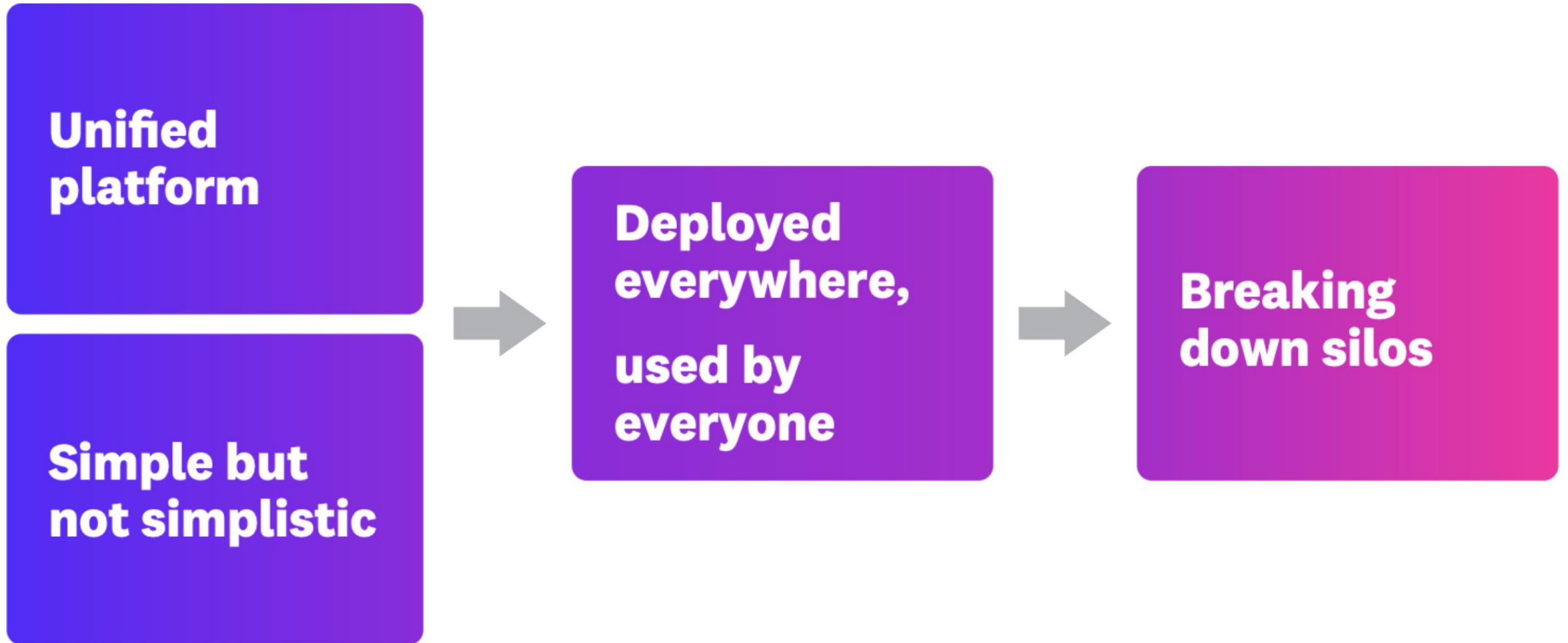


# Datadog solves complexity

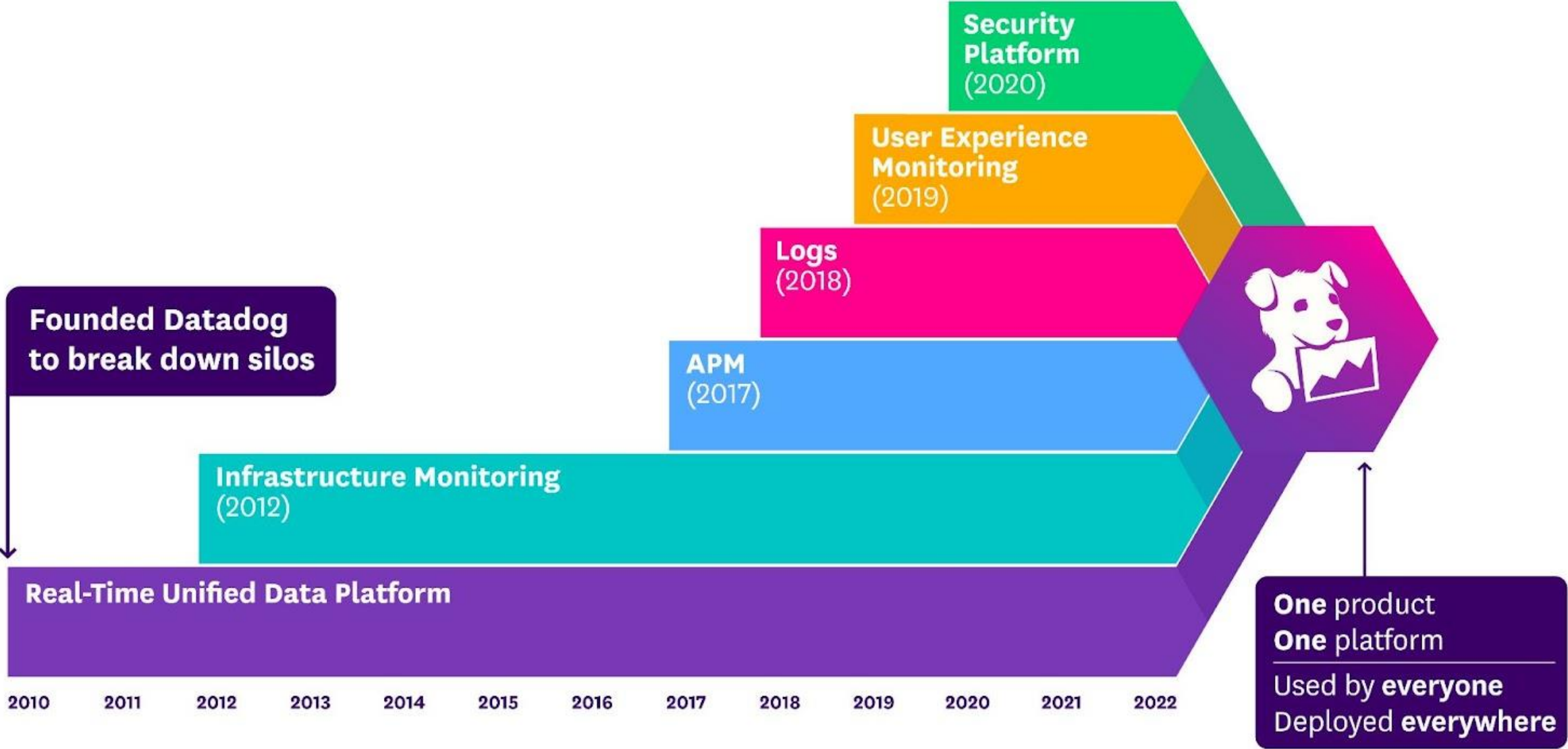




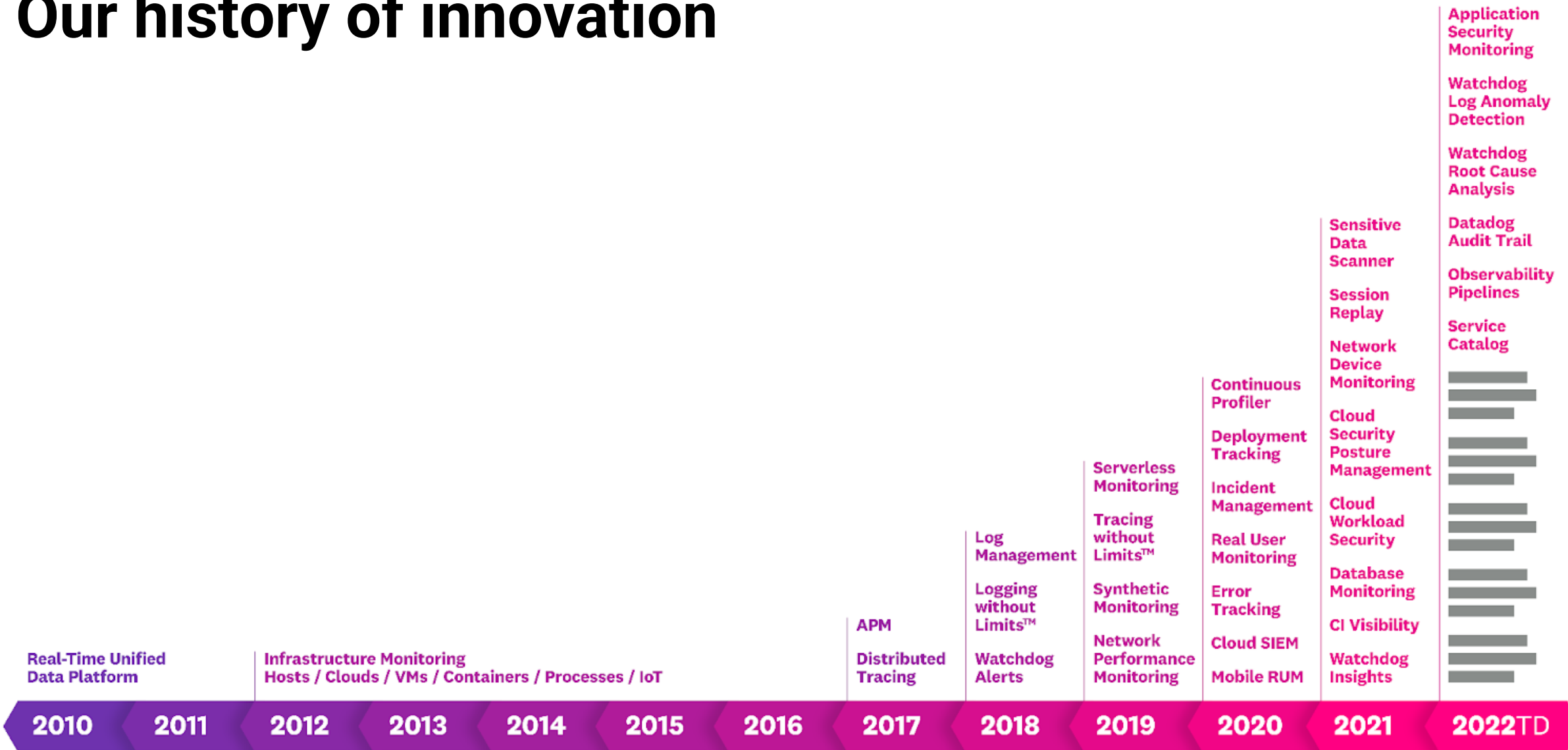
# Datadog breaks down silos



# Our history of innovation



# Our history of innovation



 Founded Datadog to break down silos

Deployed everywhere, used by everyone





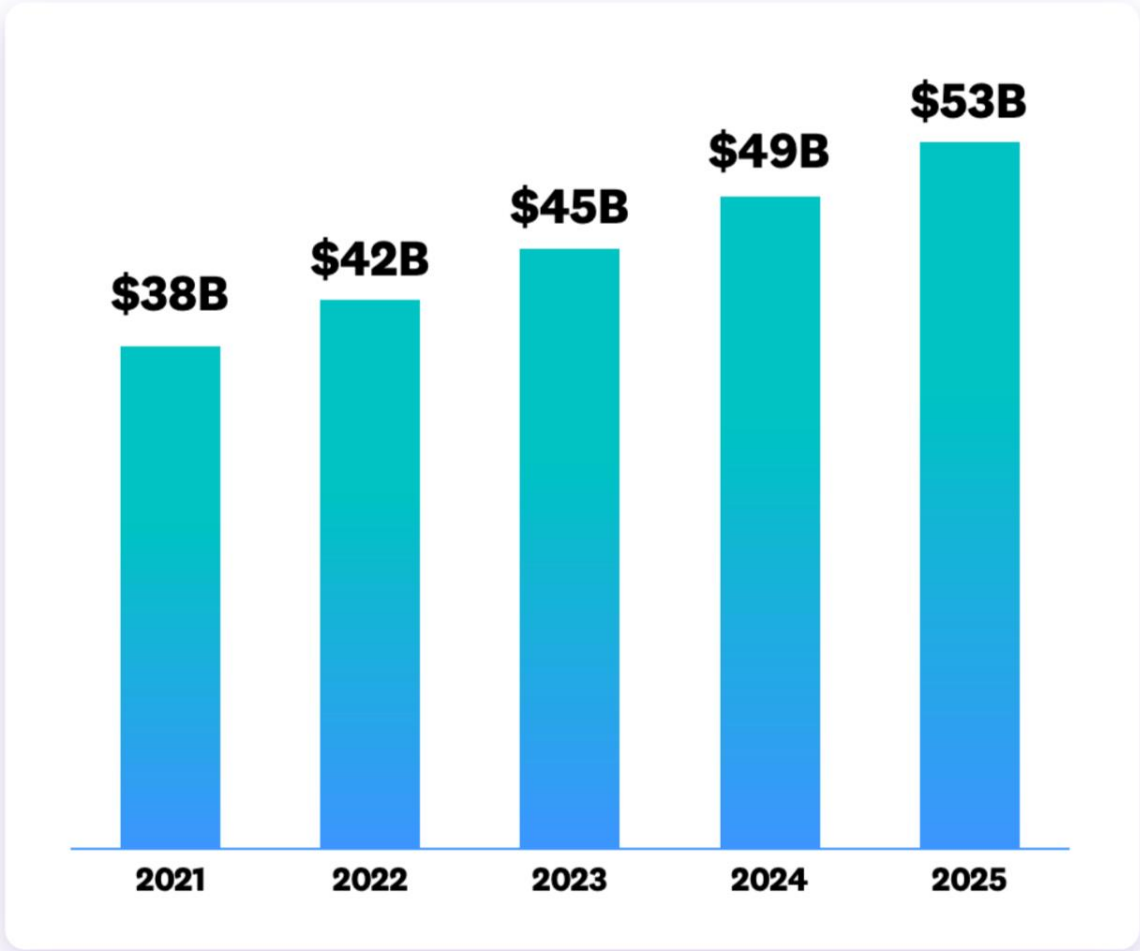
# At our core, Observability is a very large opportunity

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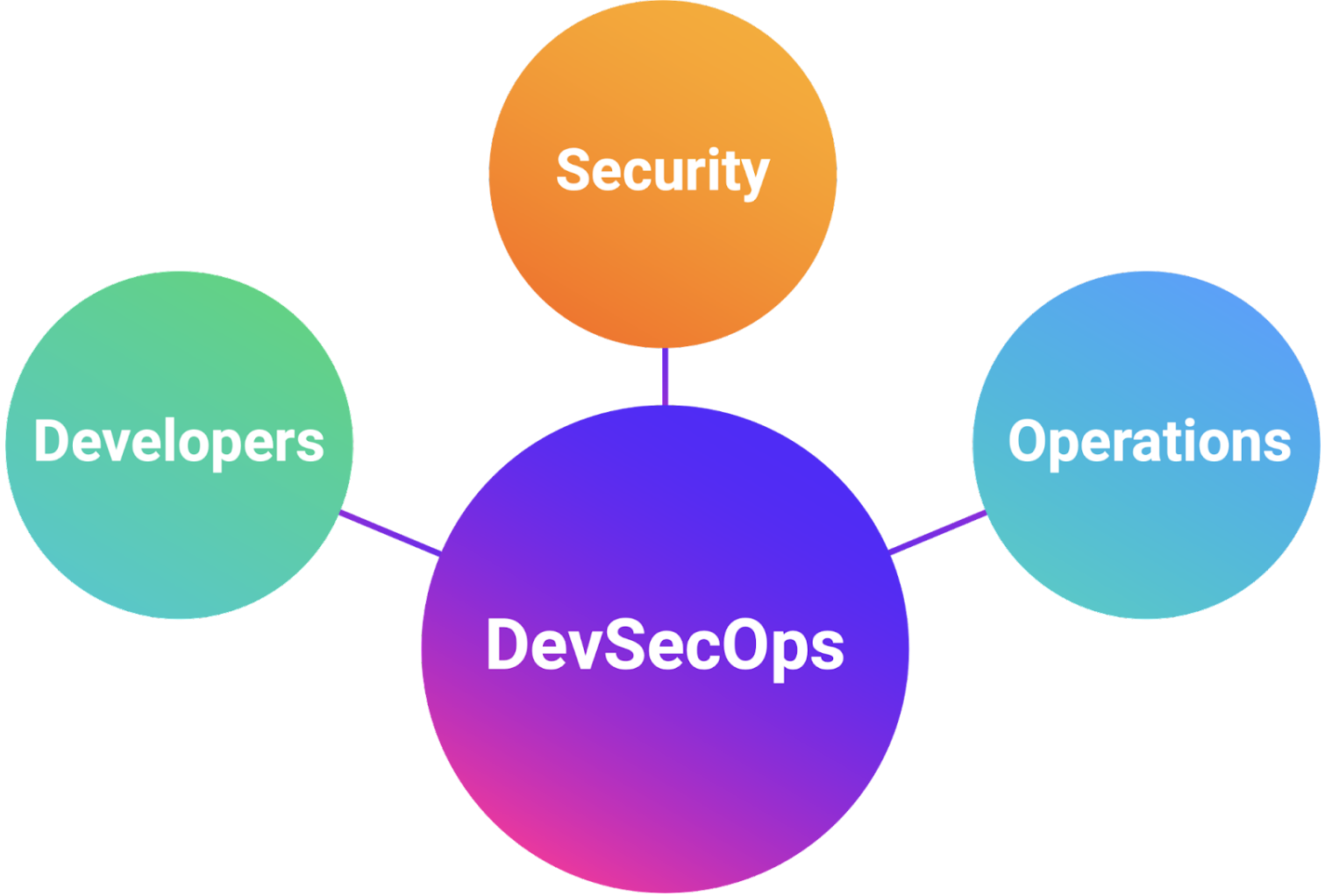
**\$53B**  
**in 2025**

Gartner Forecast: Enterprise Infrastructure Software, Worldwide, 2019-2025, 3Q21 Update, published September, 2021.

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# Our security opportunity

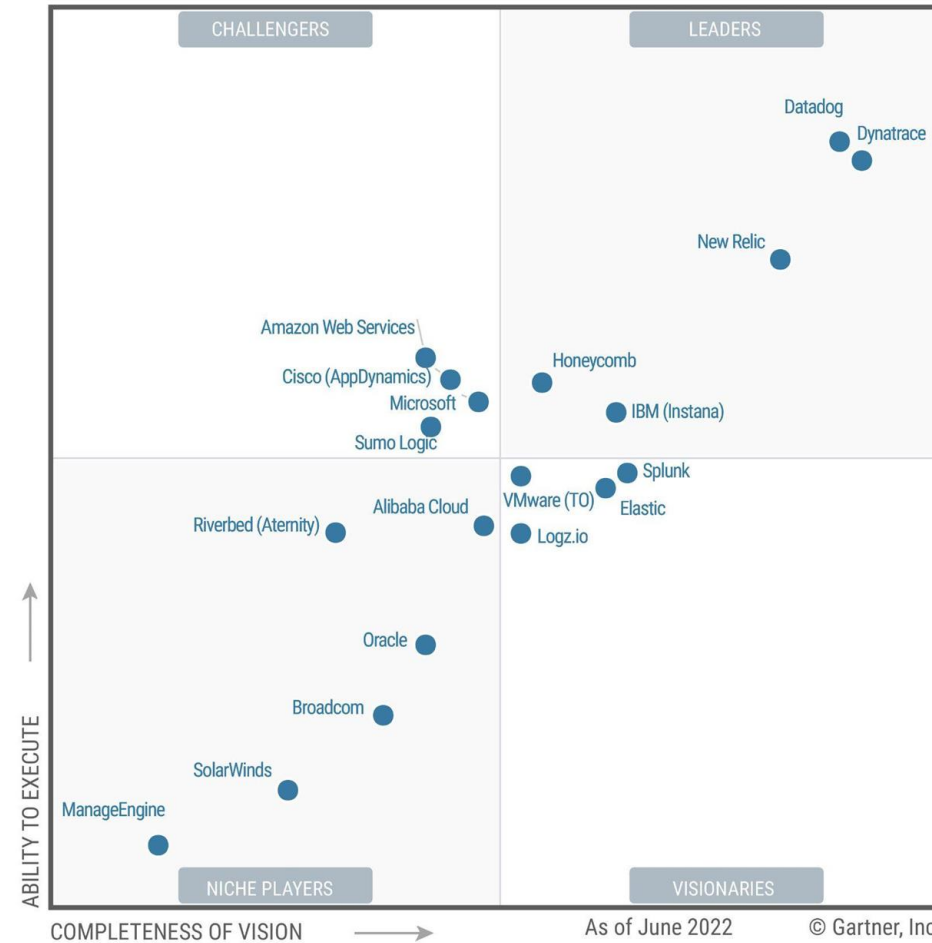


# INDUSTRY RECOGNITION

We were named a  
Leader in the 2022  
Gartner Magic  
Quadrant for  
Application  
Performance  
Monitoring and  
Observability



Figure 1: Magic Quadrant for Application Performance Monitoring and Observability



Source: Gartner (June 2022)

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Gartner, Magic Quadrant for Application Performance Monitoring, Pdraig Byrne, Gregg Siegfried, Mrudula Bangera, June 7, 2022.

# Financial overview



# Datadog today

## FINANCIAL<sup>(1)</sup>

**\$1.37B** +79%  
TTM revenue TTM Y/Y growth

**21%**  
TTM non-GAAP operating margin

**26%**  
TTM free cash flow margin

**130%+**  
Dollar-based net retention rate for 20 consecutive quarters

**\$1.7B**  
Cash, cash equivalents, restricted cash, and marketable securities

## CUSTOMERS

**~21,200**  
Total

**~2,420**  
\$100k+ ARR

## 15 PRODUCTS IN AN INTEGRATED DATA PLATFORM



## PLATFORM ADOPTION

**79%**  
Customers using 2+ products

**37%**  
Customers using 4+ products

**14%**  
Customers using 6+ products

## PEOPLE

**~3,200 at 31 locations<sup>(2)</sup>**

We were named a Leader in the 2022 Gartner Magic Quadrant for Application Performance Monitoring



(1) All data as of Jun 30, 2022. Non-GAAP operating margin and TTM free cash flow margin are non-GAAP measures. See Appendix for a reconciliation to financial results prepared in accordance with GAAP.

(2) Employee headcount as of December 31, 2021.

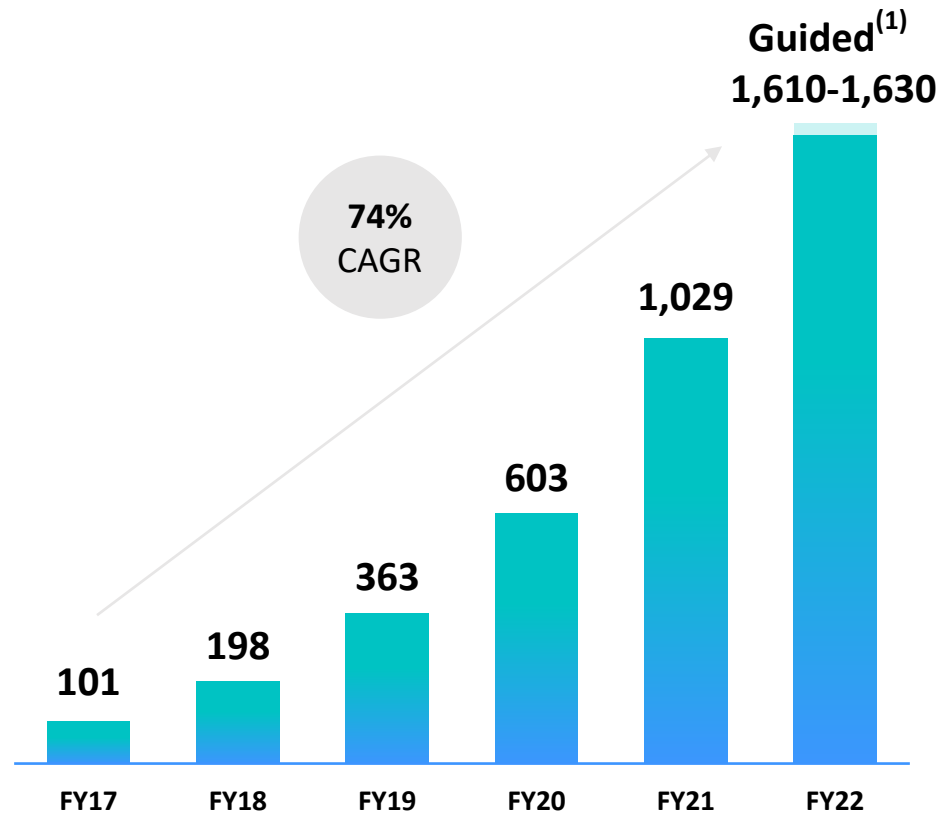
# Financial highlights

- ◆ **Large and growing TAM opportunity**
- ◆ **Rapid growth at scale**
- ◆ **Growing multi-product customers**
- ◆ **130%+ dollar-based net retention rate in each of the past twenty quarters**
- ◆ **Strong business model efficiencies**

# Rapid revenue growth

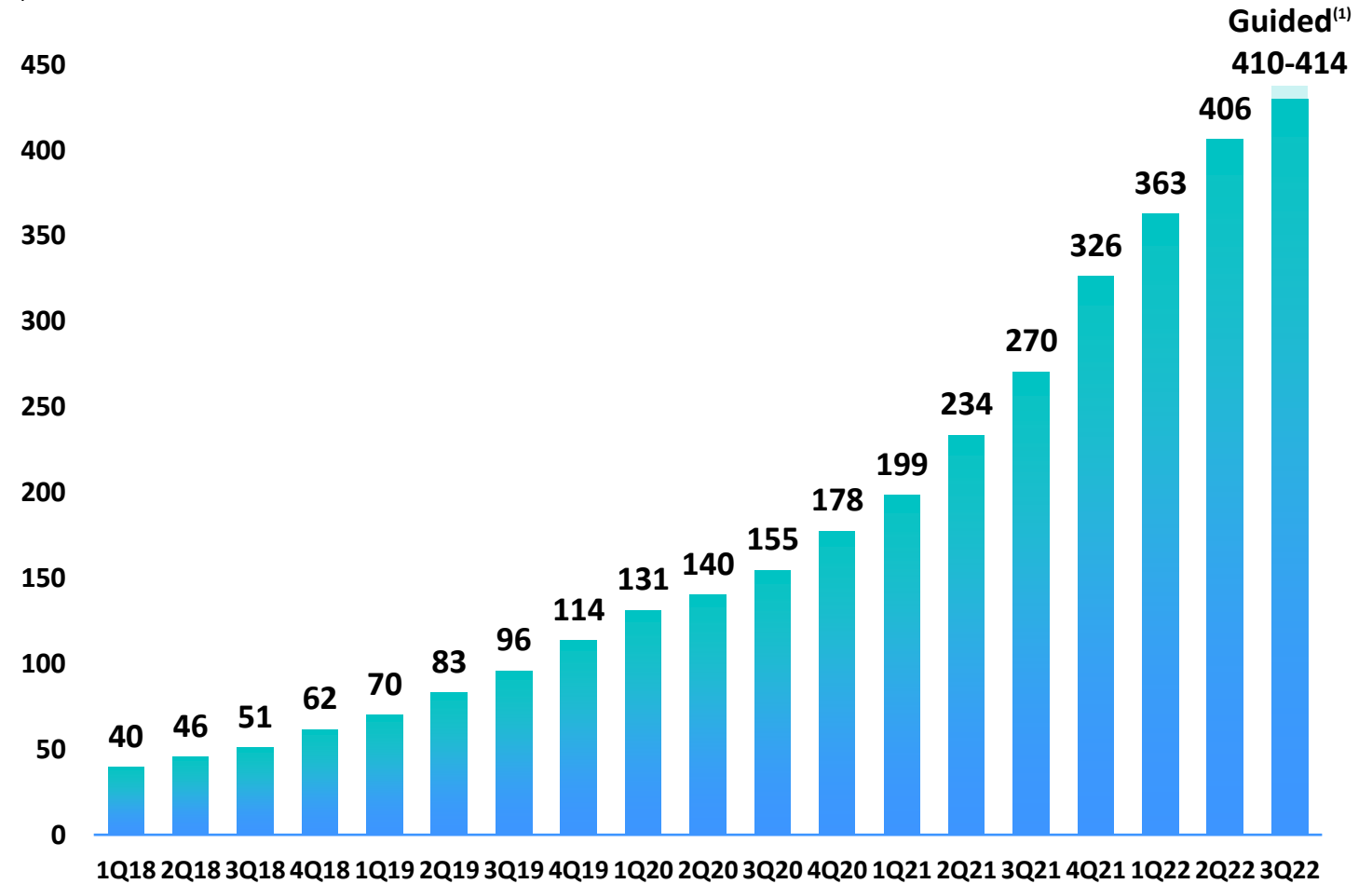
## Annual revenue

\$M's



## Quarterly revenue

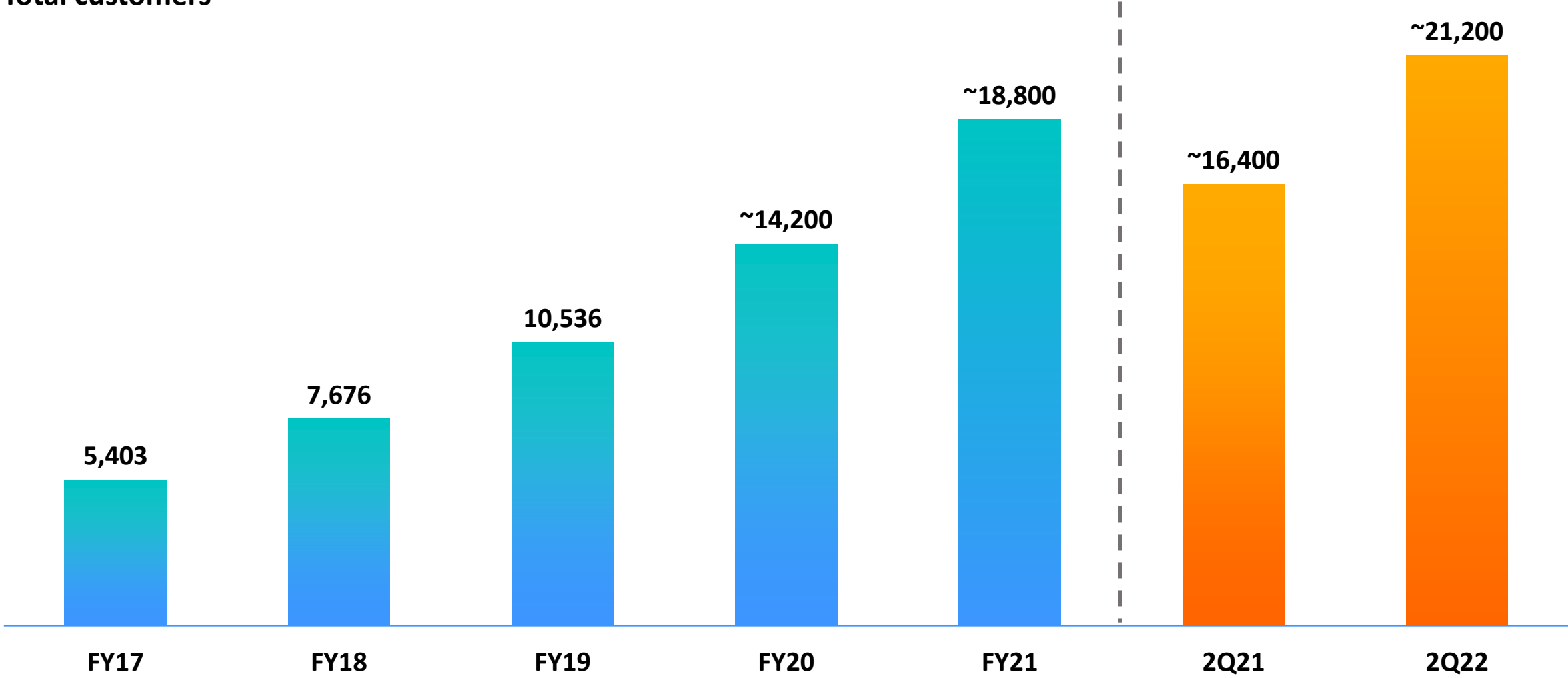
\$M's



(1) Guided revenue are forward looking statements. See Safe Harbor for important information about these assumptions and forward looking statements.

# Strong customer growth

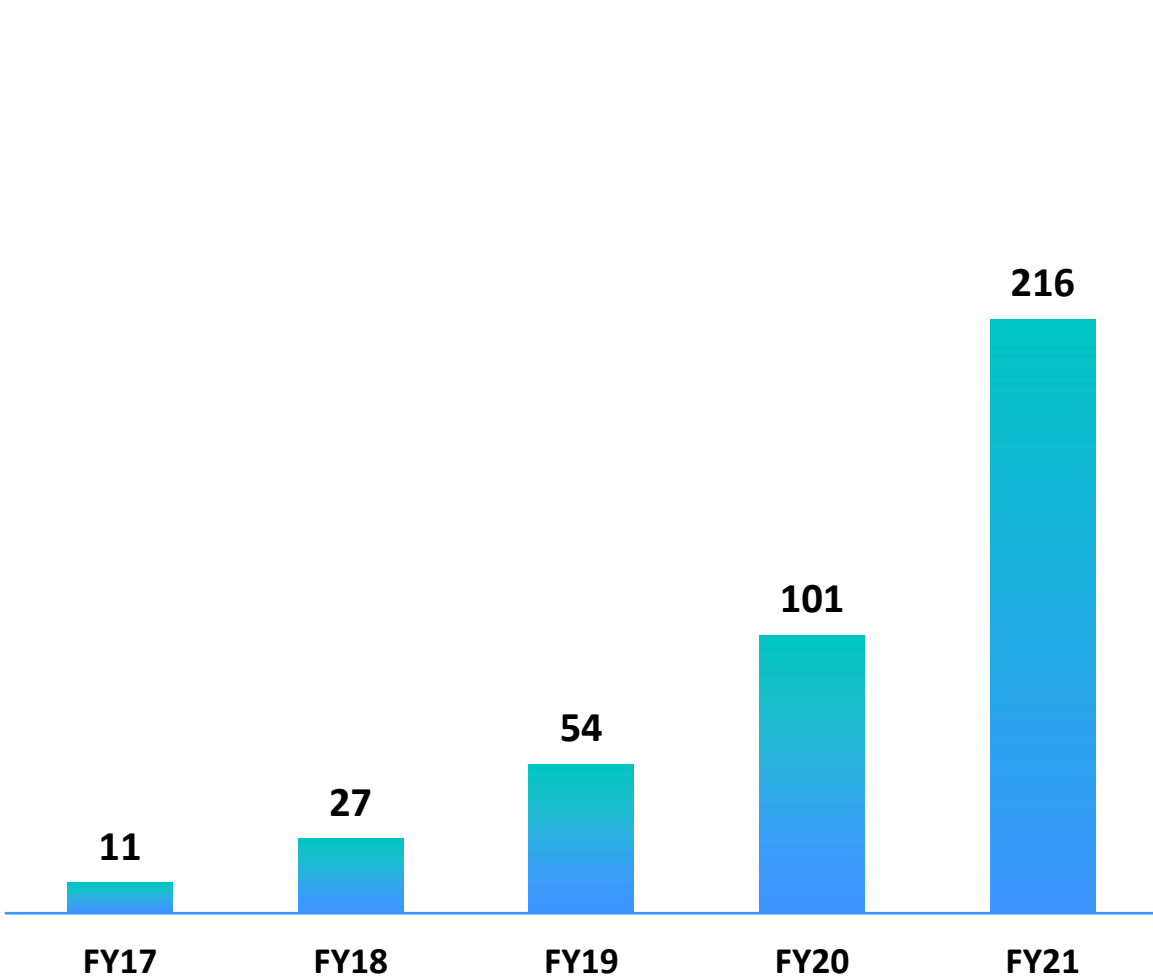
Total customers



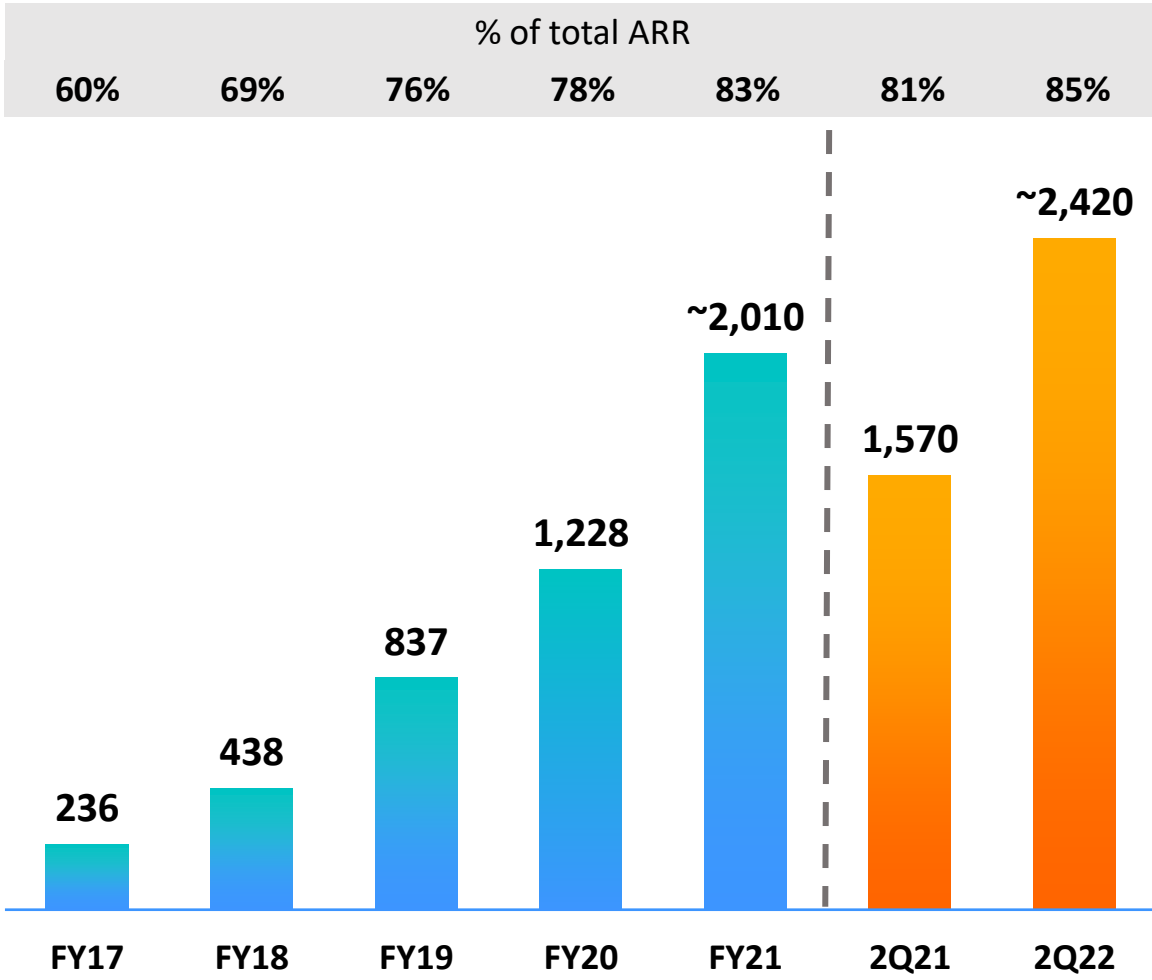


# Strong customer growth

# of customers with ARR \$1M+

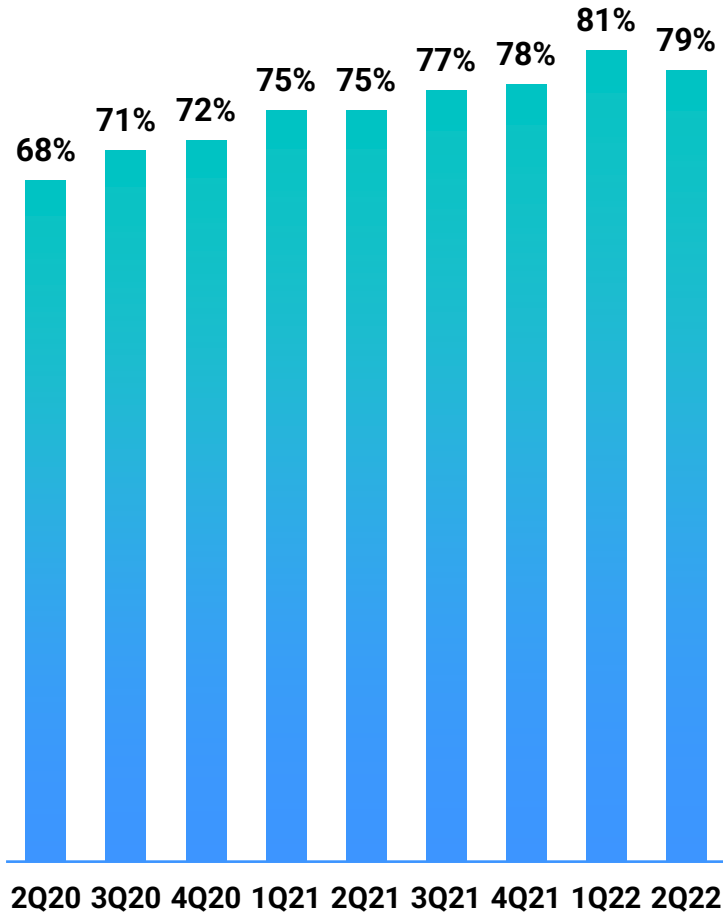


# of customers with ARR \$100K+

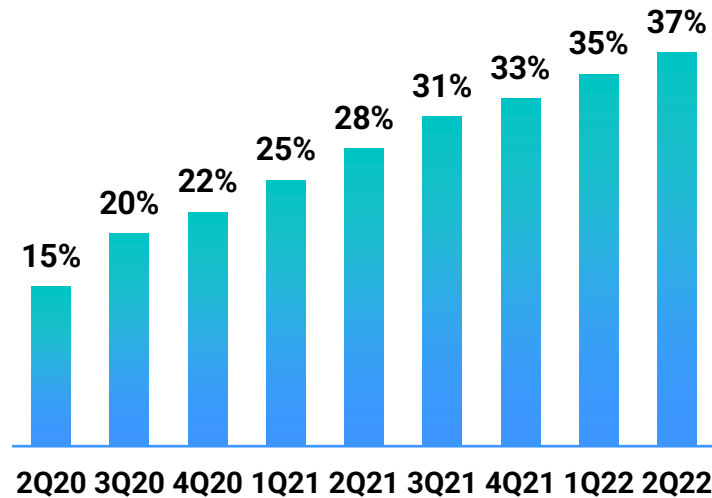


# Platform strategy is resonating with customers

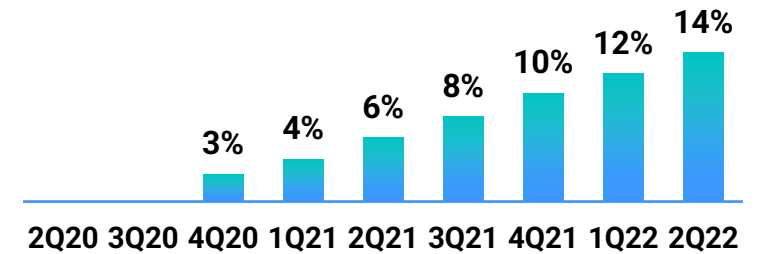
% of customers using 2+ products



% of customers using 4+ products



% of customers using 6+ products



# Strong retention and upsell

**Mid-High**

**90%<sup>s</sup>**

Dollar-based  
gross retention rate

**130%+**

Dollar-based  
net retention rate for  
20 consecutive quarters

# Financial summary

	FY17	FY18	FY19	FY20	FY21	TTM (Jun-22)
Revenue	\$101M	\$198M	\$363M	\$603M	\$1,029M	\$1,366M
% Y/Y growth	109%	97%	83%	66%	70%	79%
Gross margin <sup>(1)</sup>	77%	77%	76%	79%	78%	80%
Research & development margin <sup>(1)</sup>	23%	27%	29%	29%	30%	29%
Sales & marketing margin <sup>(1)</sup>	43%	44%	39%	31%	25%	24%
General & administrative margin <sup>(1)</sup>	10%	9%	9%	8%	7%	6%
Operating margin <sup>(1)</sup>	1%	(3)%	(1)%	11%	16%	21%
Free cash flow margin <sup>(1)</sup>	6%	(3)%	0%	14%	24%	26%
Free cash flow <sup>(1)</sup>	\$6M	\$(5)M	\$1M	\$83M	\$251M	\$354M

(1) Non-GAAP measures. See Appendix for a reconciliation of these non-GAAP measures to the most directly comparable GAAP measures.



# Financial outlook (as of August 4, 2022)<sup>(1)</sup>

	3Q22	FY22
Revenue	\$410-414M	\$1,610-1,630M
Non-GAAP operating income <sup>(2)</sup>	\$51-55M	\$255-275M
Non-GAAP EPS <sup>(2)</sup>	\$0.15-0.17	\$0.74-0.81
Weighted average diluted shares	Approx. 347M	Approx. 347M

(1) Financial outlook are forward looking statements. See Safe Harbor for important information about these assumptions and forward looking statements.

(2) Non-GAAP measures. See Appendix for a reconciliation of these non-GAAP measures to the most directly comparable GAAP measures.

# Appendix

# Non-GAAP Financial Measures and Other Information

The statistical data, estimates and forecasts referenced in this presentation and the accompanying oral presentation are based on independent industry publications or other publicly available information, as well as information based on our internal sources. While we believe the industry and market data included in this this presentation and the accompanying oral presentation are reliable and are based on reasonable assumptions, these data involve many assumptions and limitations, and you are cautioned not to give undue weight to these estimates. We have not independently verified the accuracy or completeness of the data contained in these industry publications and other publicly available information.

Terms such as number of customers, annual recurring revenue or ARR and dollar-based net revenue retention rate shall have the meanings set forth in our Annual Report. Dollar-based gross retention rate is calculated by first calculating the point-in-time gross retention as the previous year ARR minus ARR attrition over the last 12 months, divided by the previous year ARR. The ARR attrition for each month is calculated by identifying any customer that has changed their account type to a “free tier,” requested a downgrade through customer support or sent a formal termination notice to us during that month, and aggregating the dollars of ARR generated by each such customer in the prior month. We then calculate the dollar-based gross retention rate as the weighted average of the trailing 12-month point-in-time gross retention rates. We believe dollar-based gross retention rate demonstrates the stickiness of the product category we operate in, and of our platform in particular.

## Non-GAAP Financial Measures

Datadog discloses the following non-GAAP financial measures in this presentation and the accompanying oral presentation: non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating expenses (sales and marketing, research and development, general and administrative), non-GAAP operating income (loss), non-GAAP operating margin, non-GAAP net income (loss), non-GAAP net income (loss) per diluted share, non-GAAP net income (loss) per basic share, free cash flow and free cash flow margin. Datadog uses each of these non-GAAP financial measures internally to understand and compare operating results across accounting periods, for internal budgeting and forecasting purposes, for short- and long-term operating plans, and to evaluate Datadog’s financial performance. Datadog believes they are useful to investors, as a supplement to GAAP measures, in evaluating its operational performance, as further discussed below. Datadog’s non-GAAP financial measures may not provide information that is directly comparable to that provided by other companies in its industry, as other companies in its industry may calculate non-GAAP financial results differently, particularly related to non-recurring and unusual items. In addition, there are limitations in using non-GAAP financial measures because the non-GAAP financial measures are not prepared in accordance with GAAP and may be different from non-GAAP financial measures used by other companies and exclude expenses that may have a material impact on Datadog’s reported financial results.

Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. A reconciliation of the historical non-GAAP financial measures to their most directly comparable GAAP measures has been provided in this Appendix.

Datadog defines non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating expenses (sales and marketing, research and development, general and administrative), non-GAAP operating income (loss), non-GAAP operating margin and non-GAAP net income (loss) as the respective GAAP balances, adjusted for, as applicable: (1) stock-based compensation expense; (2) the amortization of acquired intangibles; (3) non-cash benefit related to tax adjustment; (4) employer payroll taxes on employee stock transactions; and (5) amortization of issuance costs. Datadog defines free cash flow as net cash provided by operating activities, minus capital expenditures and minus capitalized software development costs. Investors are encouraged to review the reconciliation of these historical non-GAAP financial measures to their most directly comparable GAAP financial measures.

# GAAP to Non-GAAP reconciliation

## Gross profit margin (\$000s)

	FY17	FY18	FY19	FY20	FY21	TTM (Jun-22)
Revenue	\$100,761	\$198,077	\$362,780	\$603,466	\$1,028,784	\$1,365,854
GAAP gross profit	\$77,347	\$151,548	\$273,831	\$473,269	\$794,539	\$1,078,986
<b>GAAP gross margin</b>	<b>77 %</b>	<b>77 %</b>	<b>75 %</b>	<b>78 %</b>	<b>77 %</b>	<b>79 %</b>
Add:						
Share-based compensation expense included in cost of revenue	112	287	582	1,794	4,565	7,043
Amortization of acquired intangibles	484	511	752	943	3,792	5,424
Employer payroll taxes on employee stock transactions	—	—	—	187	345	326
Non-GAAP gross profit	\$77,943	\$152,346	\$275,165	\$476,193	\$803,241	\$1,091,779
<b>Non-GAAP gross margin</b>	<b>77 %</b>	<b>77 %</b>	<b>76 %</b>	<b>79 %</b>	<b>78 %</b>	<b>80 %</b>



# GAAP to Non-GAAP reconciliation

## Operating expenses and operating profit (\$000s)

	FY17	FY18	FY19	FY20	FY21	TTM (Jun-22)
Revenue	\$100,761	\$198,077	\$362,780	\$603,466	\$1,028,784	\$1,365,854
<b>RESEARCH &amp; DEVELOPMENT</b>						
GAAP R&D expense	\$24,734	\$55,176	\$111,425	\$210,626	\$419,769	\$574,031
<b>GAAP R&amp;D expense as a % of revenue</b>	<b>25 %</b>	<b>28 %</b>	<b>31 %</b>	<b>35 %</b>	<b>41 %</b>	<b>42 %</b>
Less: Share-based compensation expense	1,160	1,641	7,972	38,008	101,942	162,239
Less: Employer payroll taxes on employee stock transactions	—	—	1,157	2,836	8,143	10,397
Add: Other Non-GAAP adj. <sup>(1)</sup>	—	—	(2,344)	(2,729)	—	—
Non-GAAP R&D expense	\$23,574	\$53,535	\$104,640	\$172,511	\$309,684	\$401,395
Non-GAAP R&D expense as a % of revenue	<b>23 %</b>	<b>27 %</b>	<b>29 %</b>	<b>29 %</b>	<b>30 %</b>	<b>29 %</b>
<b>SALES &amp; MARKETING</b>						
GAAP S&M expense	\$44,213	\$88,849	\$146,657	\$213,660	\$299,497	\$381,168
<b>GAAP S&amp;M expense as a % of revenue</b>	<b>44 %</b>	<b>45 %</b>	<b>40 %</b>	<b>35 %</b>	<b>29 %</b>	<b>28 %</b>
Less: Share-based compensation expense	977	1,910	5,538	20,467	35,035	53,604
Less: Amortization of acquired intangibles	—	—	—	—	600	846
Less: Employer payroll taxes on employee stock transactions	—	—	284	3,756	6,349	4,108
Add: Other Non-GAAP adj. <sup>(1)</sup>	—	—	(397)	(449)	—	—
Non-GAAP S&M expense	\$43,236	\$86,939	\$141,232	\$189,886	\$257,513	\$322,610
<b>Non-GAAP S&amp;M expense as a % of revenue</b>	<b>43 %</b>	<b>44 %</b>	<b>39 %</b>	<b>31 %</b>	<b>25 %</b>	<b>24 %</b>
<b>GENERAL &amp; ADMINISTRATIVE</b>						
GAAP G&A expense	\$11,356	\$18,556	\$35,889	\$62,756	\$94,429	\$112,952
<b>GAAP G&amp;A expense as a % of revenue</b>	<b>11 %</b>	<b>9 %</b>	<b>10 %</b>	<b>10 %</b>	<b>9 %</b>	<b>8 %</b>
Less: Share-based compensation expense	819	1,406	4,942	14,105	22,195	26,758
Less: Employer payroll taxes on employee stock transactions	—	—	19	839	1,248	1,404
Add: Other Non-GAAP adj. <sup>(1)</sup>	—	—	(2,266)	(2,383)	—	—
Non-GAAP G&A expense	\$10,537	\$17,150	\$33,194	\$50,195	\$70,986	\$84,790
<b>Non-GAAP G&amp;A expense as a % of revenue</b>	<b>10 %</b>	<b>9 %</b>	<b>9 %</b>	<b>8 %</b>	<b>7 %</b>	<b>6 %</b>
<b>Reconciliation of operating income and operating margin</b>						
GAAP operating (loss) income	\$(2,956)	\$(11,033)	\$(20,140)	\$(13,773)	\$(19,156)	\$10,835
Add: Stock-based compensation expense	3,068	5,244	19,034	74,374	163,737	249,644
Add: Amortization of acquired intangibles	484	511	752	943	4,392	6,270
Add: Employer payroll taxes on employee stock transactions	—	—	1,460	7,618	16,085	16,235
Less: Other Non-GAAP adj. <sup>(1)</sup>	—	—	(5,007)	(5,561)	—	—
Non-GAAP operating income	\$596	\$(5,278)	\$(3,901)	\$63,601	\$165,058	\$282,984
<b>GAAP operating margin</b>	<b>(3)%</b>	<b>(6)%</b>	<b>(6)%</b>	<b>(2)%</b>	<b>(2)%</b>	<b>1 %</b>
<b>Non-GAAP operating margin</b>	<b>1 %</b>	<b>(3)%</b>	<b>(1)%</b>	<b>11 %</b>	<b>16 %</b>	<b>21 %</b>

(1) Non-cash benefit related to the release of a non-income tax liability

# Free Cash Flow bridge

## Free Cash Flow (\$000s)

	FY17	FY18	FY19	FY20	FY21	TTM (Jun-22)
Revenue	\$100,761	\$198,077	\$362,780	\$603,466	\$1,028,784	\$1,365,854
<b>Cash flow from operations</b>	<b>\$13,832</b>	<b>\$10,829</b>	<b>\$24,234</b>	<b>\$109,091</b>	<b>\$286,545</b>	<b>\$403,520</b>
Capex	(2,351)	(9,662)	(13,315)	(5,415)	(9,956)	(21,230)
Capitalized software developmental costs	(5,452)	(6,176)	(10,128)	(20,468)	(26,069)	(28,457)
<b>Free cash flow</b>	<b>\$6,029</b>	<b>\$(5,009)</b>	<b>\$791</b>	<b>\$83,208</b>	<b>\$250,520</b>	<b>\$353,833</b>
Free cash flow margin	6 %	(3)%	0 %	14 %	24 %	26 %