

DATADOG

Investor Presentation

November 2023



DATADOG

Safe harbor

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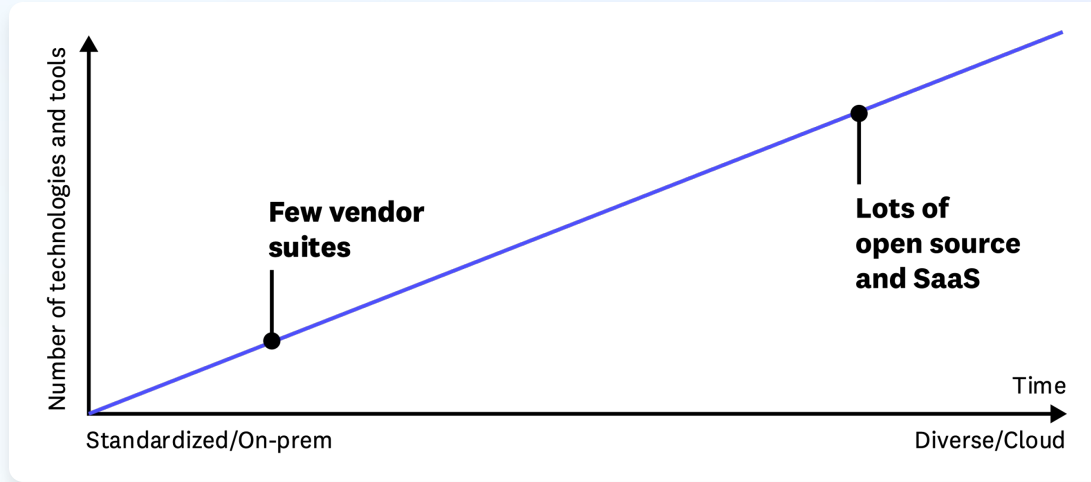
This presentation and accompanying oral presentation contain “forward-looking” statements, as that term is defined under the federal securities laws, including but not limited to statements regarding Datadog’s strategy, product and platform capabilities, growth in and ability to capitalize on long-term market opportunities including the pace and scope of cloud migration and digital transformation, the impact of increased office activity and marketing, gross margins and operating margins including with respect to sales and marketing, research and development expenses, investments and capital expenditures, tax expense, net interest and other income, and Datadog’s future financial performance, including its guided revenue on the slide “Rapid Revenue Growth” and the information on the slides entitled “Long term growth drivers are still in early stages,” “At our core, Observability is a very large opportunity,” and “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 and (12) general market, political, economic, and business conditions including concerns about reduced economic growth and associated decreases in information technology spending. 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, 2022. Additional information will be made available in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 and 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.

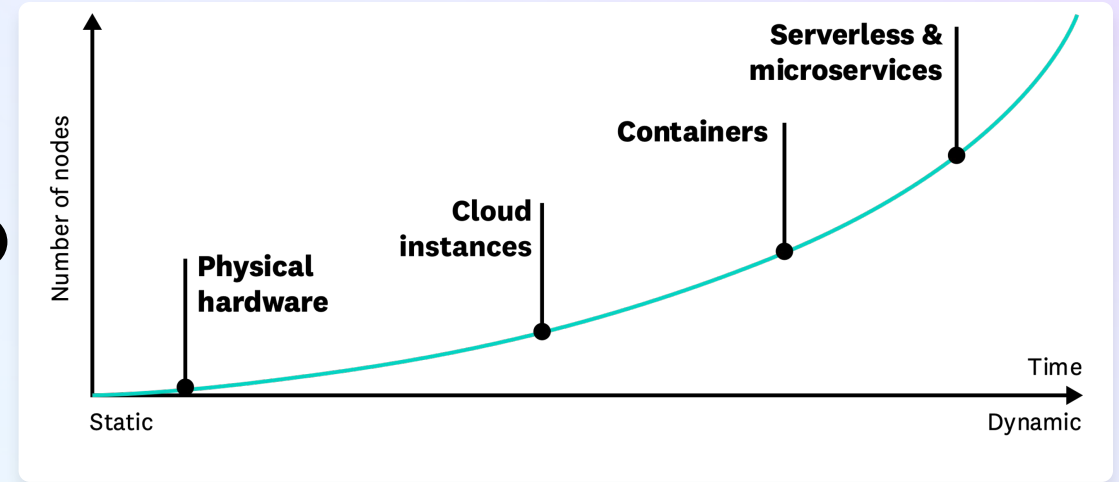
**Datadog is the observability
and security platform for
cloud applications**

Evolving technology paradigms create rising complexity

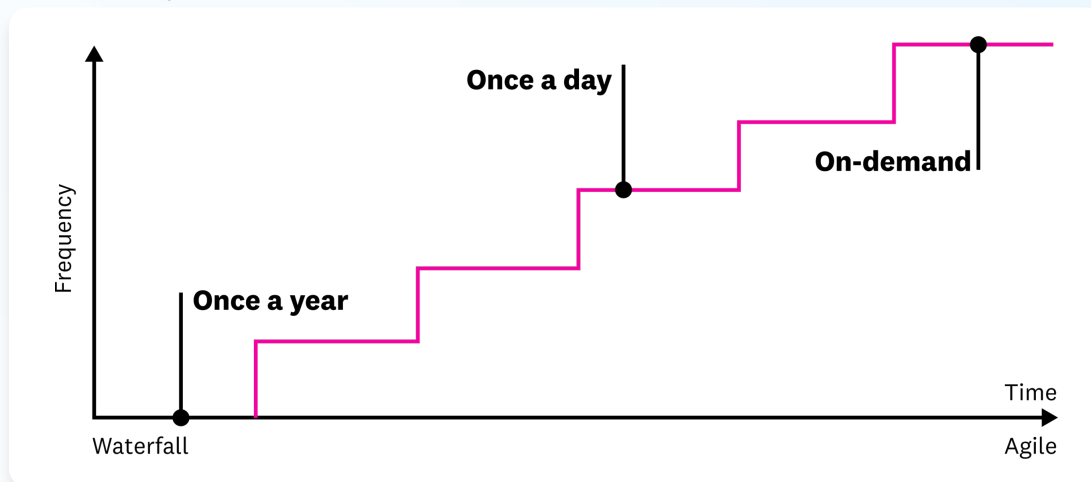
Diversity of technologies in use



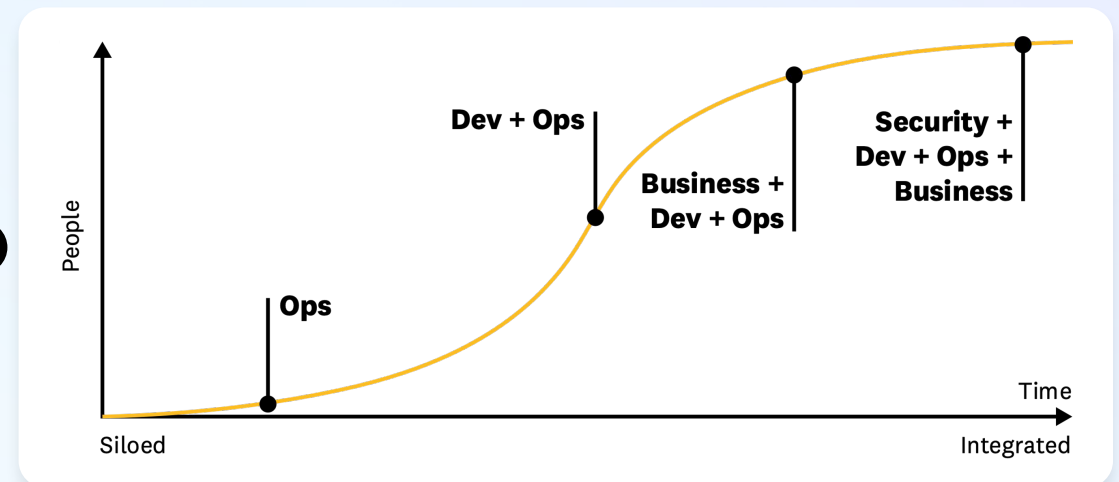
Scale in number of computing units



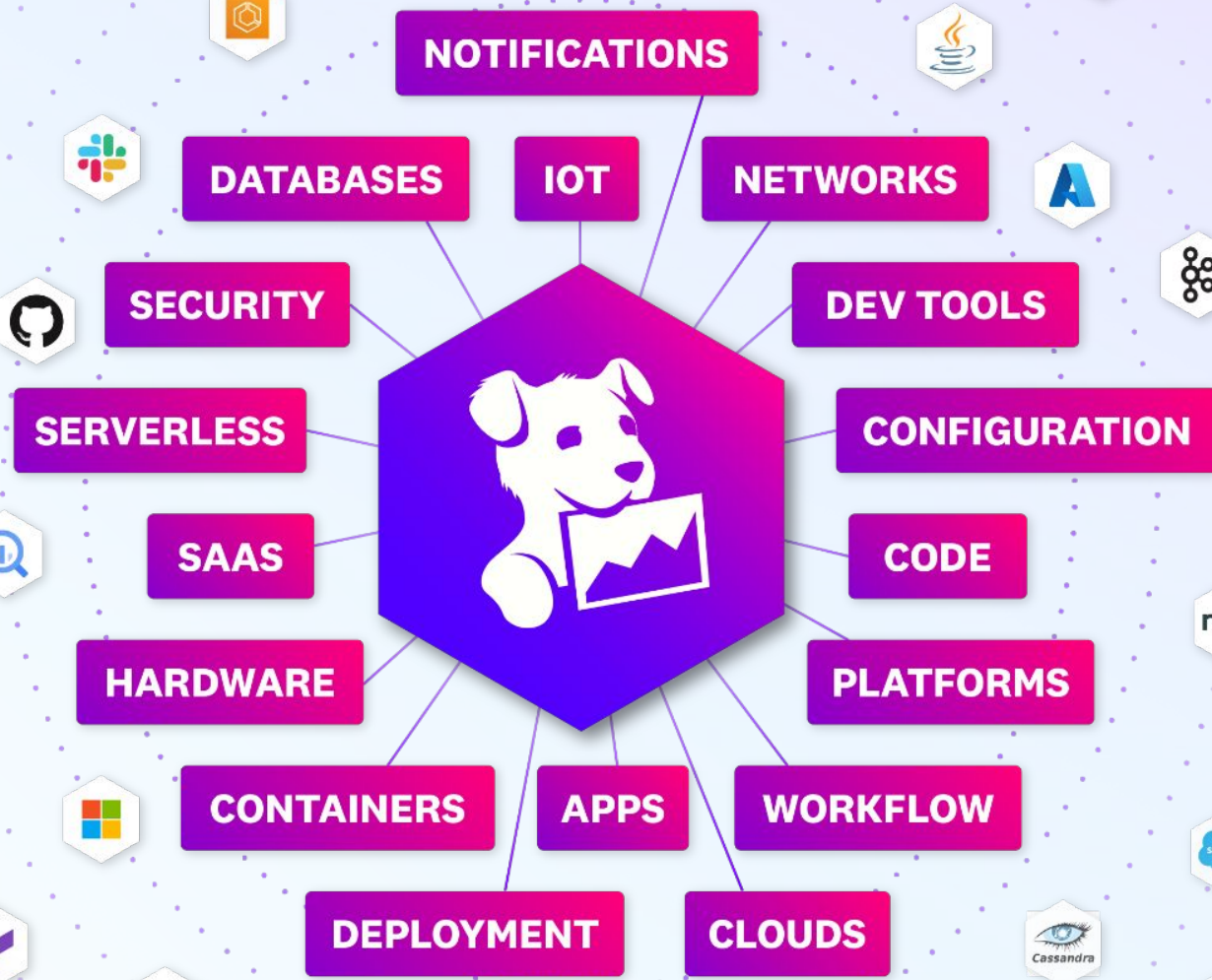
Frequency of release



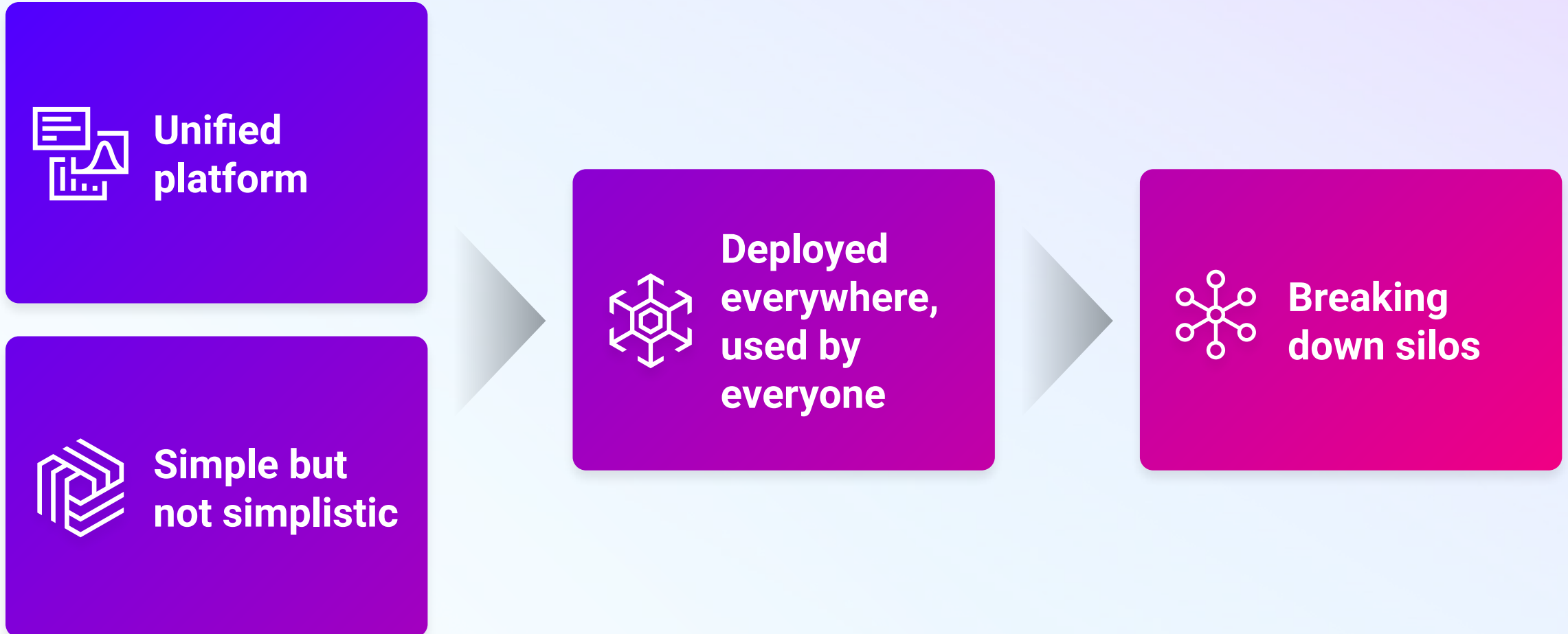
Number of people involved



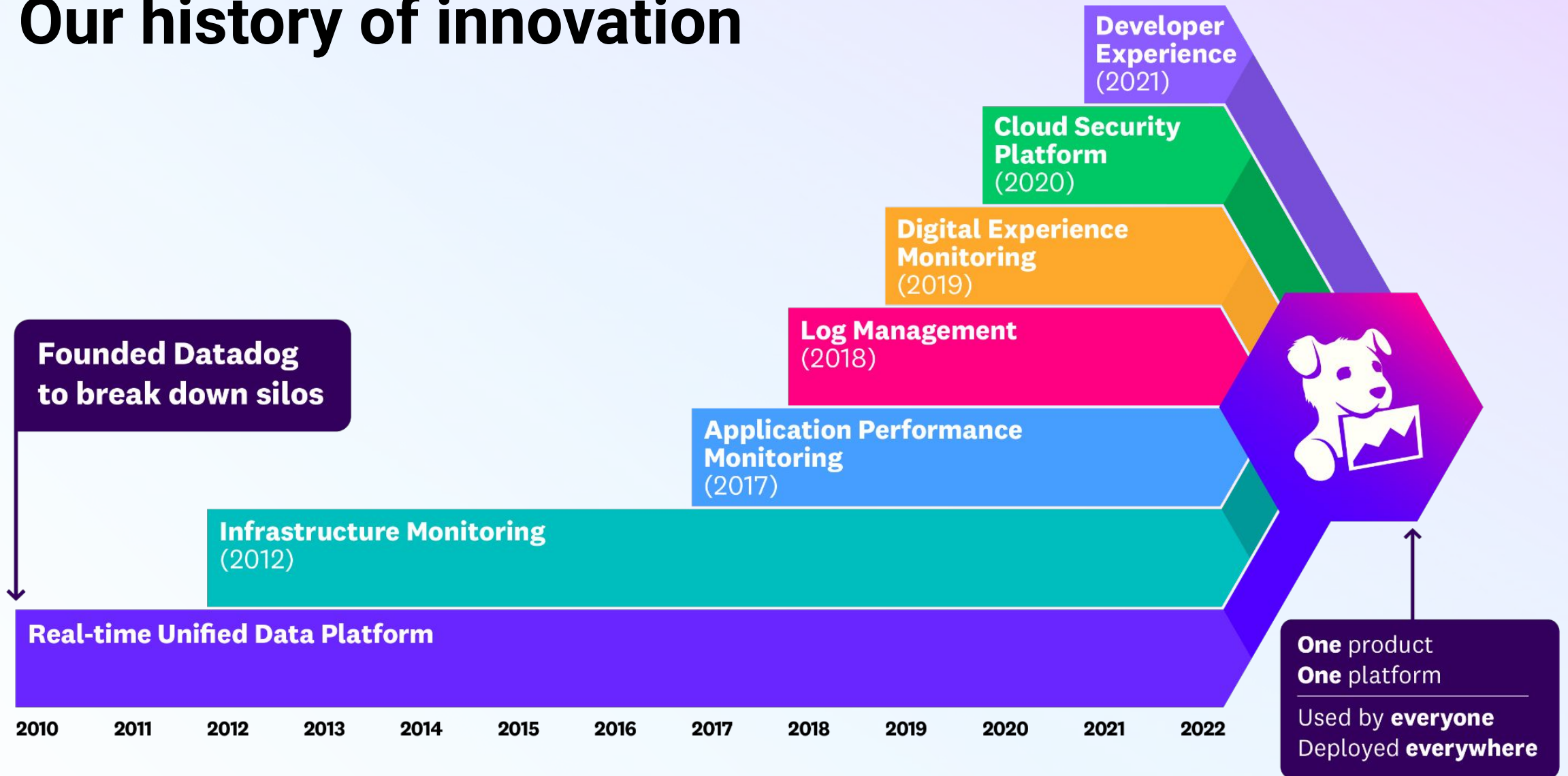
Datadog solves complexity



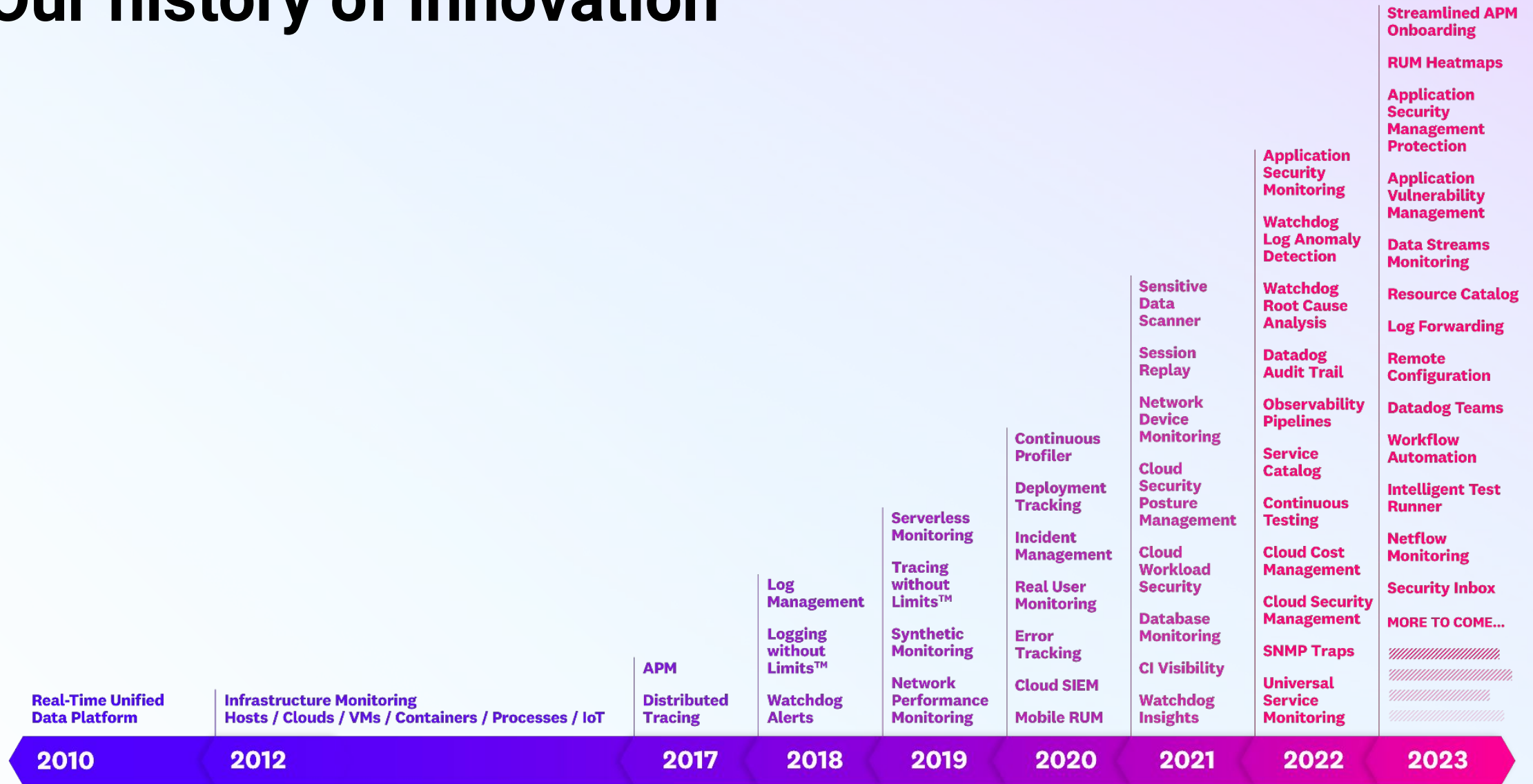
Datadog breaks down silos



Our history of innovation



Our history of innovation



FOUNDED DATADOG TO BREAK DOWN SILOS

DEPLOYED EVERYWHERE, USED BY EVERYONE

The Datadog platform



Infrastructure Monitoring

- Containers
- Serverless
- Network Performance Monitoring
- Network Device Monitoring
- Cloud Cost Management

Application Performance Monitoring

- Distributed Tracing
- Error Tracking
- Continuous Profiler
- Database Monitoring
- Universal Service Monitoring
- Data Streams Monitoring

Digital Experience Monitoring

- Synthetics
- Browser Real User Monitoring
- Session Replay
- Mobile Real User Monitoring
- Mobile App Testing and Monitoring

Log Management

- Observability Pipelines
- Sensitive Data Scanner
- Audit Trail
- Log Forwarding

Security

- Cloud Security Management
- Application Security Management
- Cloud SIEM
- Application Vulnerability Management

Developer Experience

- CI Visibility
- Continuous Testing
- CoScreen

Service Management

- Incident Management
- Workflow Automation
- Cloudcraft

Watchdog

Insights • Root Cause Analysis • Anomaly Detection • Proactive Alerts • Correlation • Impact Analysis

Shared Platform Services

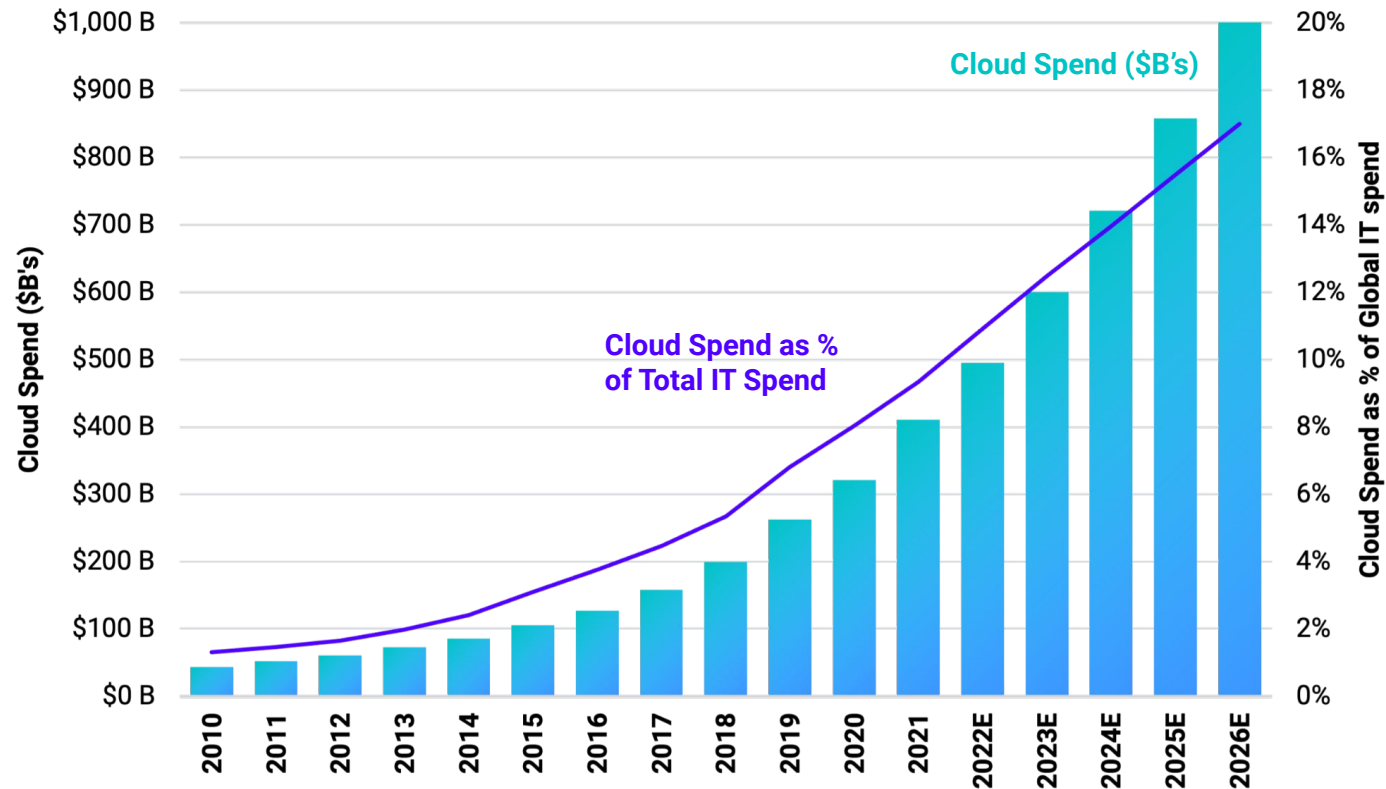
Dashboards • Mobile • Agents • Notebook • OpenTelemetry • Service Catalog • IDE Integrations • ChatOps • SLOs • Case Management

 UNIFIED METRICS, LOGS, TRACES

650+ INTEGRATIONS

Long-term growth drivers are still in early stages

Cloud spend continues to grow rapidly



Gartner Forecast: Public Cloud Services, Worldwide - 2010-2016, 4Q12 Update; 2011-2017, 4Q13 Update; 2012-2018, 4Q14 Update; 2013-2019, 4Q15 Update; 2014-2020, 4Q16 Update; 2015-2021, 4Q17 Update; 2016-2022, 4Q18 Update; 2017-2023, 4Q19 Update; 2018-2024, 4Q20 Update; 2019-2025, 4Q21 Update; 2020-2026, 3Q22 Update.
Gartner Market Databook - 4Q12 Update; 4Q13 Update; 4Q14 Update; 4Q15 Update; 4Q16 Update; 4Q17 Update; 4Q18 Update; 4Q19 Update; 4Q20 Update; 4Q21 Update; 3Q22 Update.

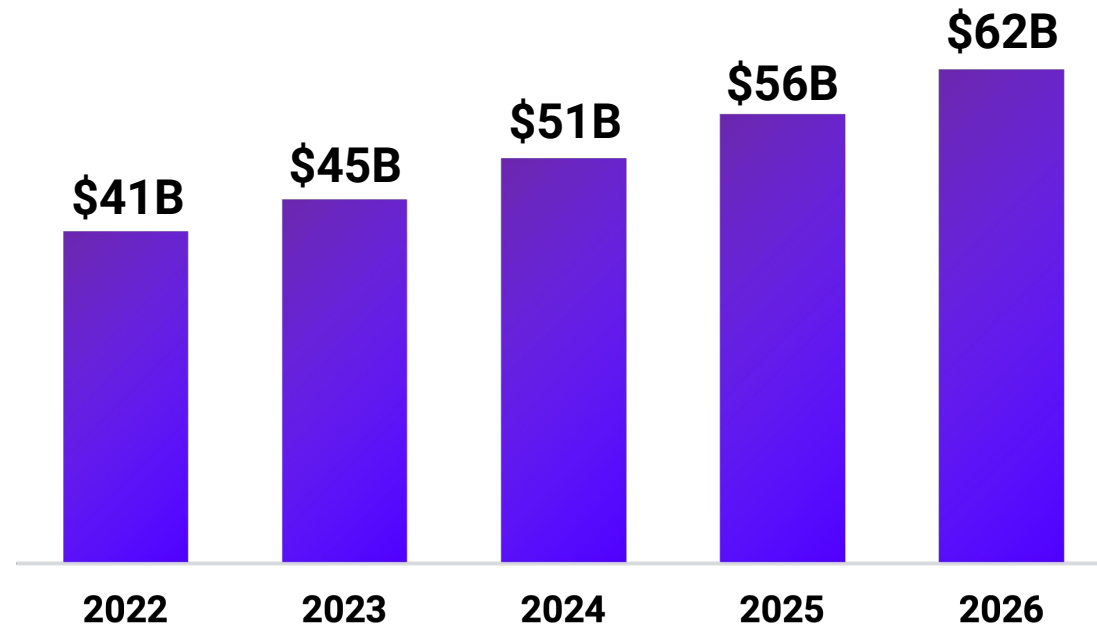
Long-term growth drivers are still in early stages

\$62B

in 2026

Gartner Forecast: Enterprise Infrastructure Software, Worldwide, 2020-2026, 2Q22 Update. Published June, 2022. IT Operations Market.

Datadog observability TAM (\$B's)



INDUSTRY RECOGNITION

We are named a **Leader** in the **2023 Gartner® Magic Quadrant™ for Application Performance Monitoring and Observability**



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THE FORRESTER WAVE™

Artificial Intelligence For IT Operations

Q4 2022



INDUSTRY RECOGNITION

We are named a **Leader** in *The Forrester Wave™: Artificial Intelligence for IT Operations, Q4 2022*

Ranked highest for:

- Product vision
- Market presence
- Sensory/telemetry collection and retention
- Data insights and visualizations

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Why Datadog for cloud security



**Break down silos between
DevOps and Security**



Datadog has the richest, deepest data



**No additional friction or performance
penalty to instrument, no data tax**

Datadog Security products

Observability

Infrastructure Monitoring

Application Performance Monitoring

Log Management

Security

Cloud Security Management

Application Security Management

Cloud SIEM

Financial overview

Datadog today (1)

FINANCIAL

\$2.01B **+31%**
TTM revenue TTM Y/Y growth

20%
TTM non-GAAP operating margin

25%
TTM free cash flow margin

**Slightly below
120%**
Dollar-based TTM net retention rate

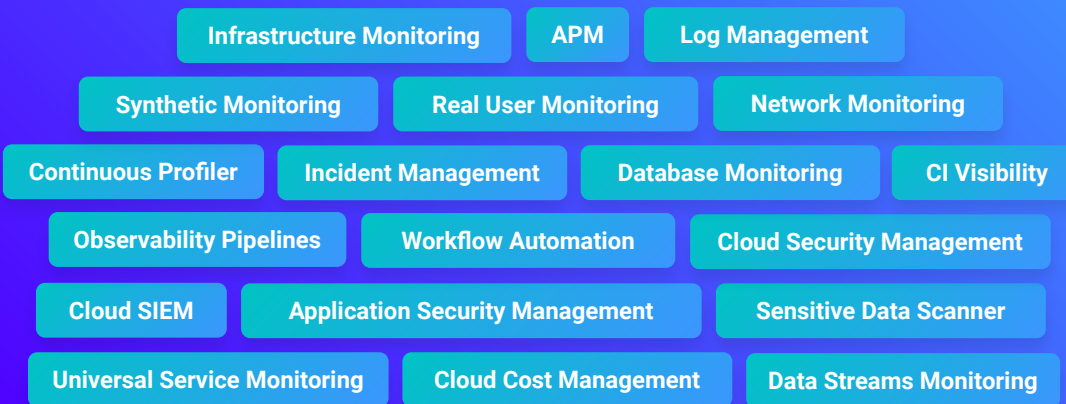
\$2.3B
Cash, cash equivalents, and marketable securities

CUSTOMERS

~26,800
Total customers

~3,130
\$100k+ ARR customers

19 PRODUCTS IN AN INTEGRATED DATA PLATFORM



PLATFORM ADOPTION

82%
Customers using 2+ products

46%
Customers using 4+ products

21%
Customers using 6+ products

PEOPLE

**~4,800 at 32
locations** ⁽²⁾

We were named a Leader in
the 2023 Gartner Magic
Quadrant for Application
Performance Monitoring

Gartner

(1) All data as of Sep 30, 2023. Non-GAAP operating margin and 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, 2022.

Our growth drivers

1

Secular tailwind of digital transformation and cloud migration

2

Increased penetration of cloud and next-gen DevOps customers

3

Expanding products / use cases for customers

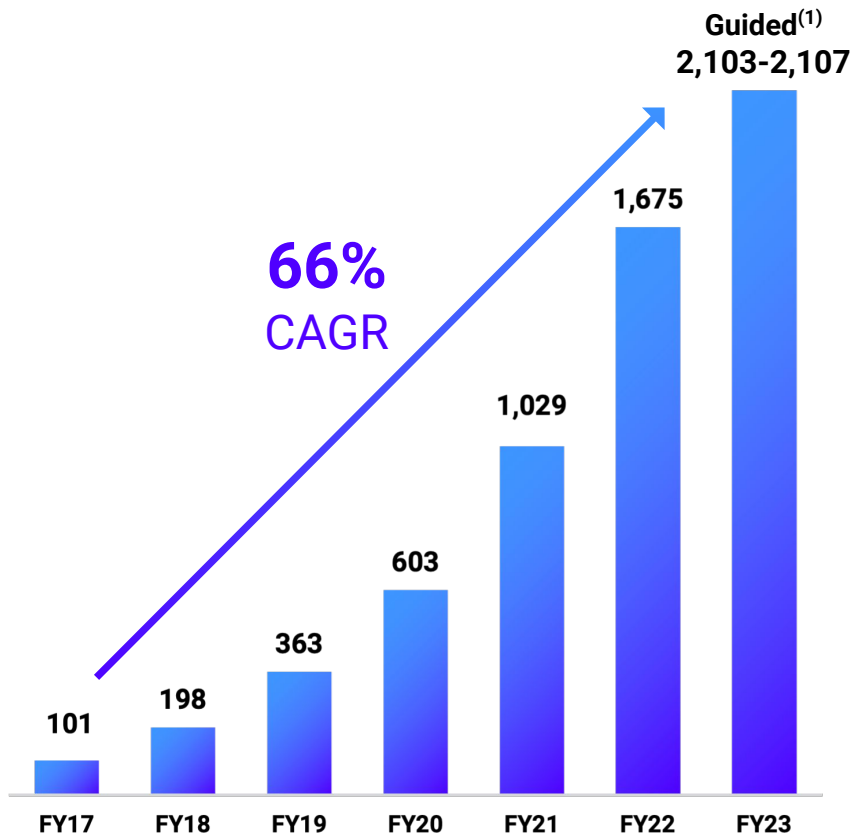
4

Adding new markets beyond observability

Rapid revenue growth

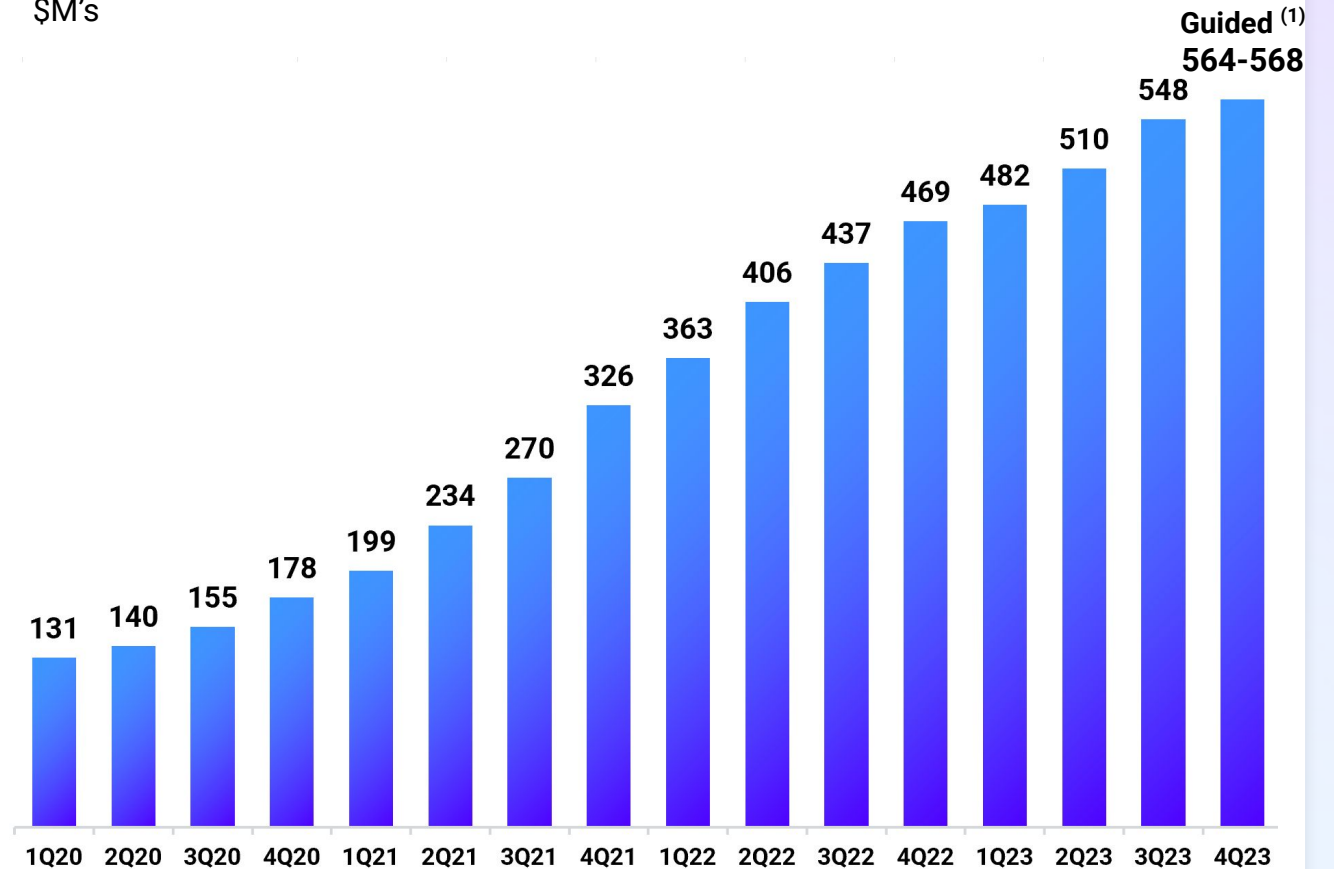
Annual revenue

\$M's



Quarterly revenue

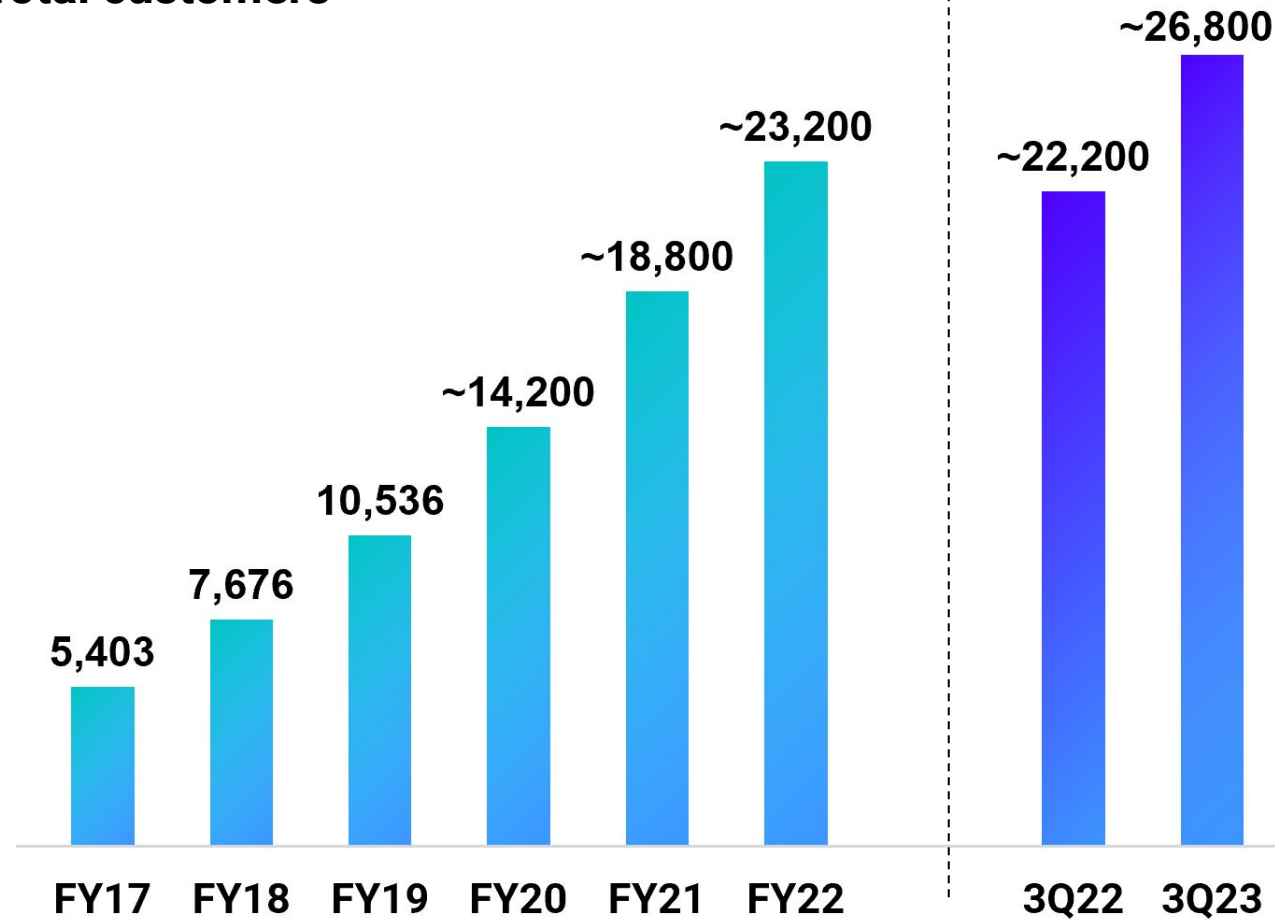
\$M's



(1) Guided revenues are forward-looking statements and speak as of Nov 7, 2023. See Safe Harbor for important information about these assumptions and forward-looking statements.

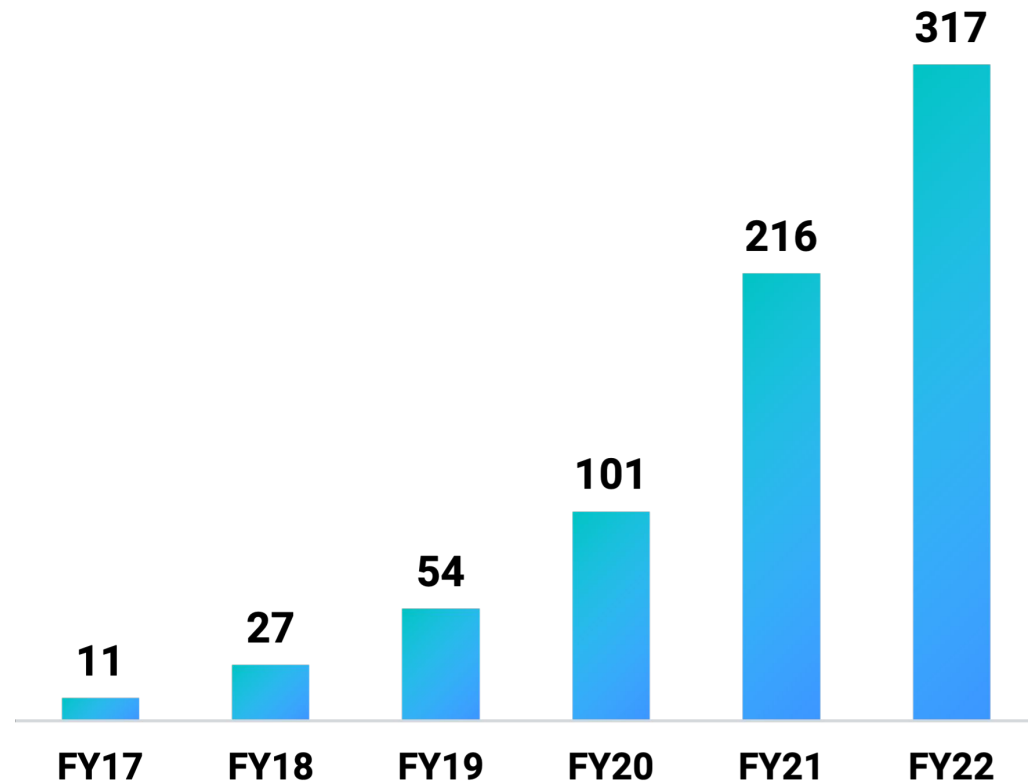
Strong customer growth

Total customers

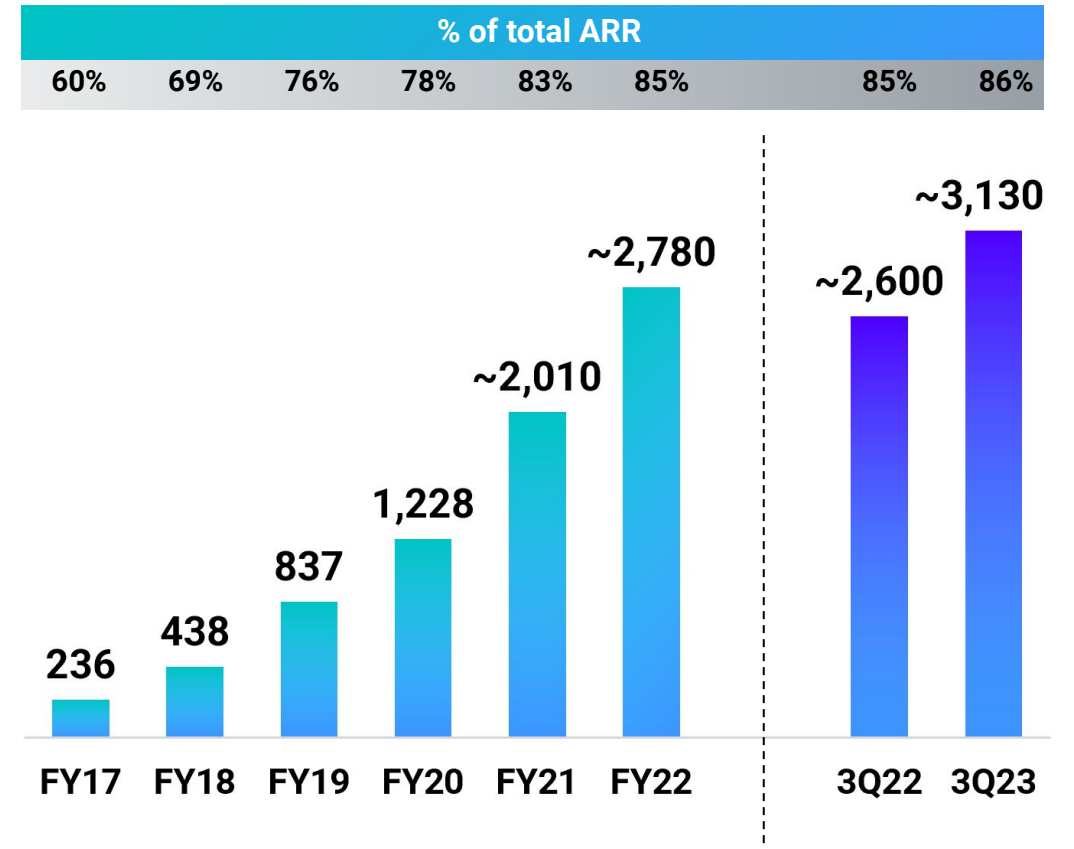


Strong customer growth

of customers with ARR \$1M+

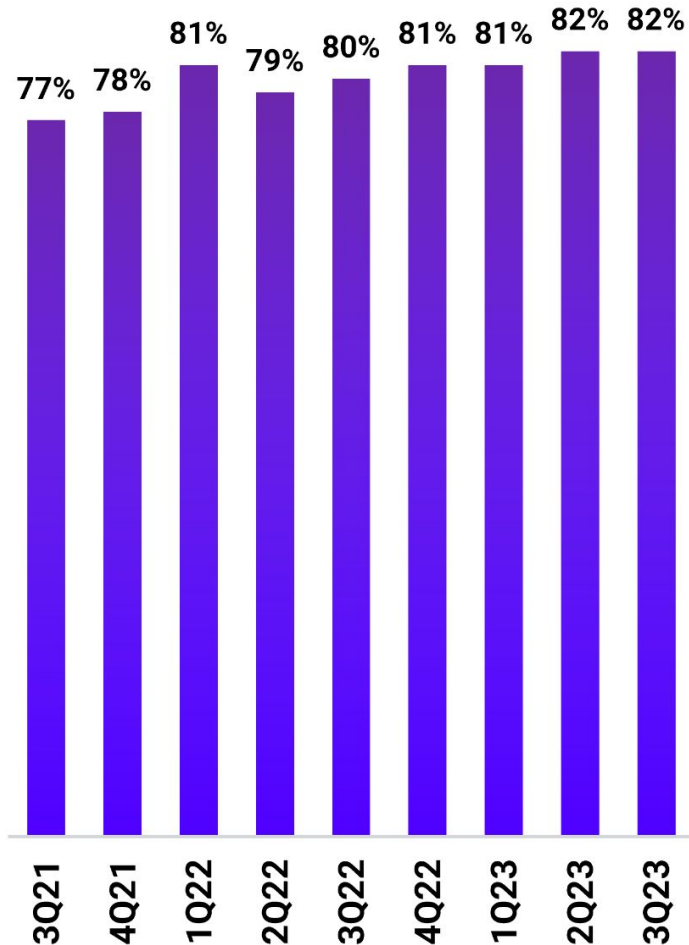


of customers with ARR \$100K+

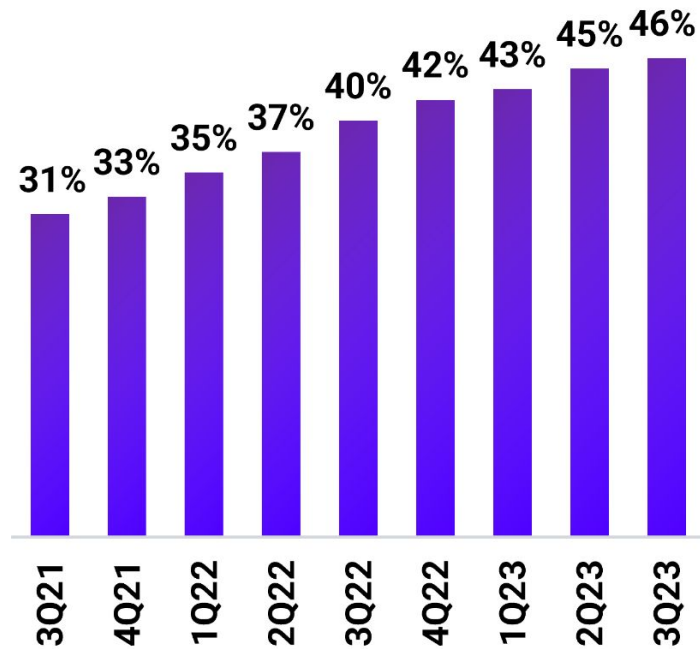


Platform strategy is resonating with customers

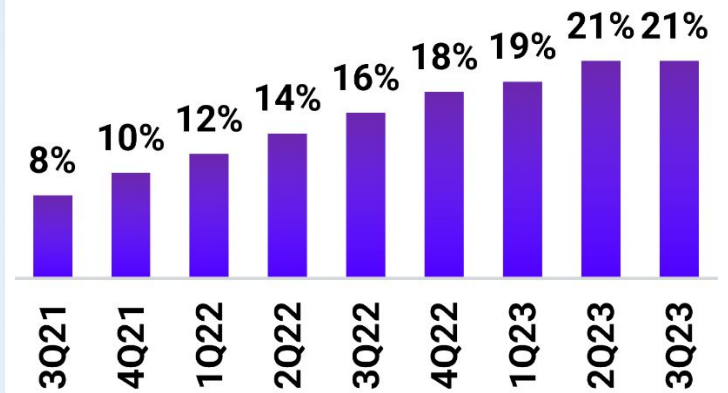
% of customers using 2+ products



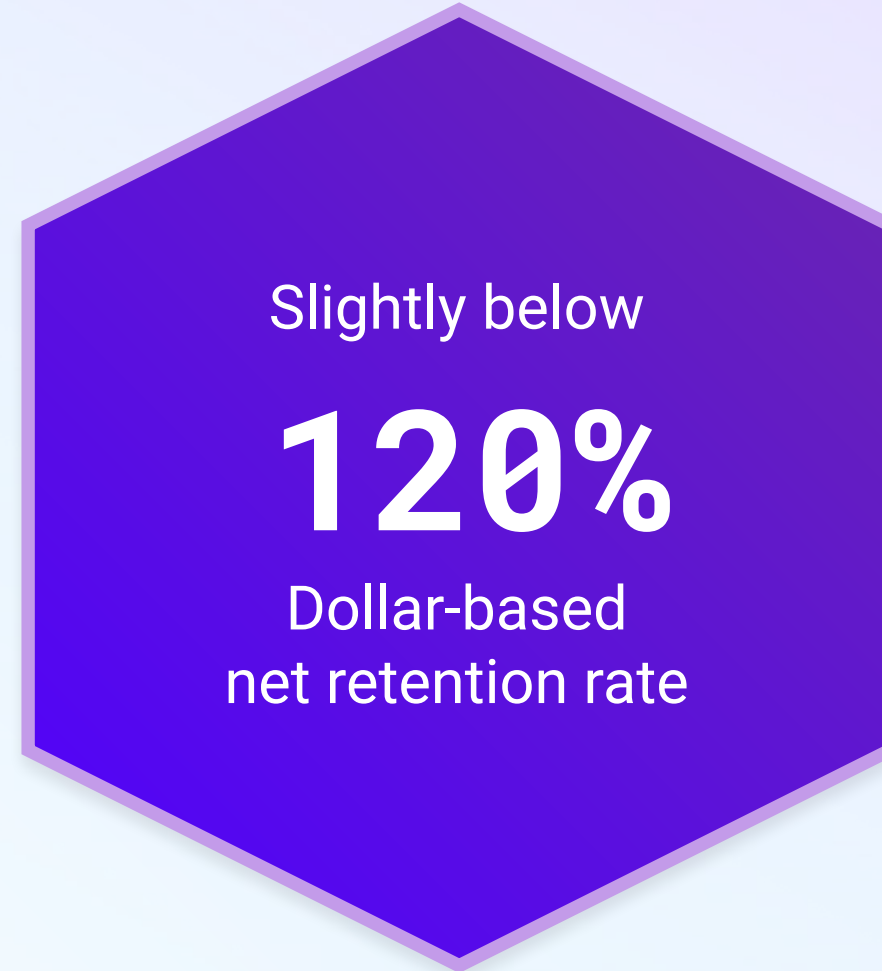
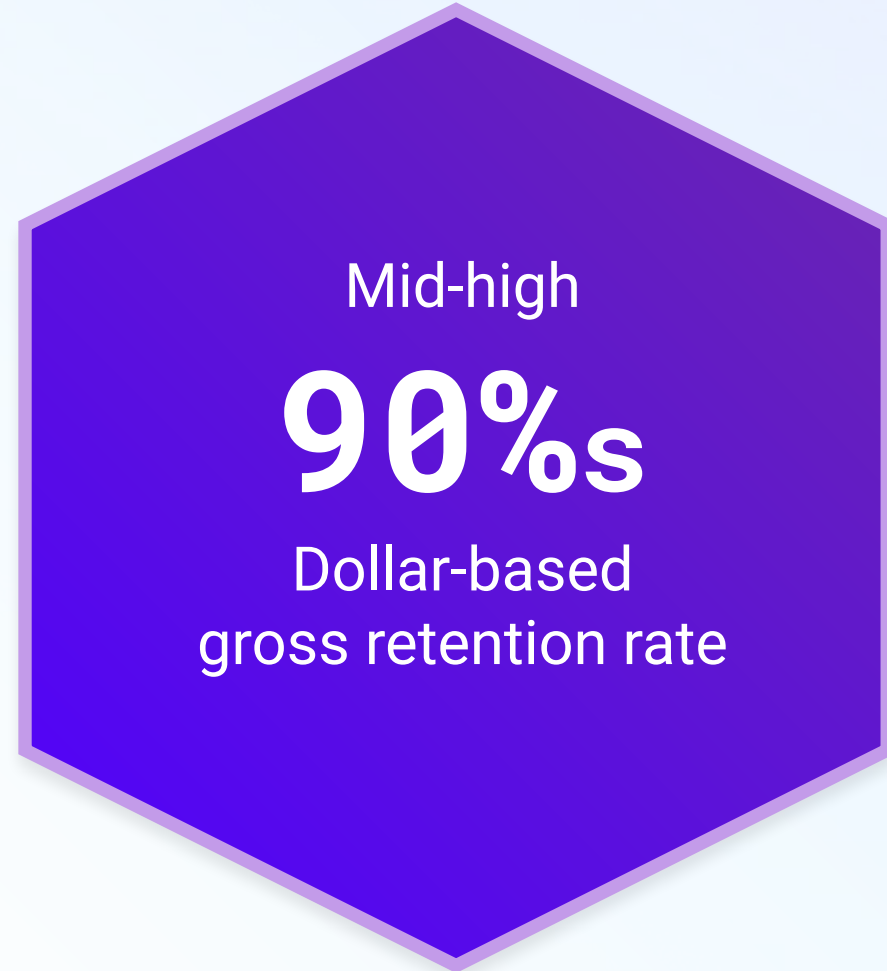
% of customers using 4+ products



% of customers using 6+ products



Strong retention and upsell



Financial summary

	FY17	FY18	FY19	FY20	FY21	FY22	TTM (Sep-23)
Revenue	\$101M	\$198M	\$363M	\$603M	\$1,029M	\$1,675M	\$2,008M
% Y/Y growth	109%	97%	83%	66%	70%	63%	31%
Gross margin⁽¹⁾	77%	77%	76%	79%	78%	80%	81%
Research & development margin⁽¹⁾	23%	27%	29%	29%	30%	30%	30%
Sales & marketing margin⁽¹⁾	43%	44%	39%	31%	25%	25%	25%
General & administrative margin⁽¹⁾	10%	9%	9%	8%	7%	6%	6%
Operating margin⁽¹⁾	1%	(3)%	(1)%	11%	16%	19%	20%
Free cash flow margin⁽¹⁾	6%	(3)%	0%	14%	24%	21%	25%
Free cash flow⁽¹⁾	\$6M	\$(5)M	\$1M	\$83M	\$251M	\$354M	\$493M

(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 Nov 7, 2023) ⁽¹⁾

	4Q23	FY23
Revenue	\$564-568M	\$2,103-2,107M
Non-GAAP operating income ⁽²⁾	\$129-133M	\$453-457M
Non-GAAP EPS ⁽²⁾	\$0.42-0.44	\$1.52-1.54
Weighted average diluted shares	Approx. 355M	Approx. 351M

(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.

We define the number of customers as the number of accounts with a unique account identifier for which we have an active subscription in the period indicated. Our ability to attract new customers will depend on a number of factors, including the effectiveness and pricing of our products, offerings of our competitors and the effectiveness of our marketing efforts. Users of our free trials or tier are not included in our customer count. A single organization with multiple divisions, segments or subsidiaries is generally counted as a single customer. However, in some cases where they have separate billing terms, we may count separate divisions, segments or subsidiaries as multiple customers. Other terms such as 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

	FY18	FY19	FY20	FY21	FY22	TTM (Sep-23)
Revenue	\$198,077	\$362,780	\$603,466	\$1,028,784	\$1,675,100	\$2,008,109
GAAP gross profit	\$151,548	\$273,831	\$473,269	\$794,539	\$1,328,357	\$1,606,273
GAAP gross margin	77 %	75 %	78 %	77 %	79 %	80 %
Add:						
Share-based compensation expense included in cost of revenue	287	582	1,794	4,565	10,827	16,106
Amortization of acquired intangibles	511	752	943	3,792	6,750	8,009
Employer payroll taxes on employee stock transactions	—	—	187	345	266	323
Non-GAAP gross profit	\$152,346	\$275,165	\$476,193	\$803,241	\$1,346,200	\$1,630,711
Non-GAAP gross margin	77 %	76 %	79 %	78 %	80 %	81 %

GAAP to Non-GAAP reconciliation

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

	FY18	FY19	FY20	FY21	FY22	TTM (Sep-23)
Revenue	\$198,077	\$362,780	\$603,466	\$1,028,784	\$1,675,100	\$2,008,109
RESEARCH & DEVELOPMENT						
GAAP R&D expense	\$55,176	\$111,425	\$210,626	\$419,769	\$752,351	\$927,853
GAAP R&D expense as a % of revenue	28 %	31 %	35 %	41 %	45 %	46 %
Less: Share-based compensation expense	1,641	7,972	38,008	101,942	237,120	303,401
Less: Employer payroll taxes on employee stock transactions	—	1,157	2,836	8,143	10,384	17,672
Add: Other Non-GAAP adj. ⁽¹⁾	—	(2,344)	(2,729)	—	—	—
Non-GAAP R&D expense	\$53,535	\$104,640	\$172,511	\$309,684	\$504,847	\$606,780
Non-GAAP R&D expense as a % of revenue	27 %	29 %	29 %	30 %	30 %	30 %
SALES & MARKETING						
GAAP S&M expense	\$88,849	\$146,657	\$213,660	\$299,497	\$495,288	\$598,655
GAAP S&M expense as a % of revenue	45 %	40 %	35 %	29 %	30 %	30 %
Less: Share-based compensation expense	1,910	5,538	20,467	35,035	76,735	98,462
Less: Amortization of acquired intangibles	—	—	—	600	825	825
Less: Employer payroll taxes on employee stock transactions	—	284	3,756	6,349	2,766	5,440
Add: Other Non-GAAP adj. ⁽¹⁾	—	(397)	(449)	—	—	—
Non-GAAP S&M expense	\$86,939	\$141,232	\$189,886	\$257,513	\$414,962	\$493,928
Non-GAAP S&M expense as a % of revenue	44 %	39 %	31 %	25 %	25 %	25 %
GENERAL & ADMINISTRATIVE						
GAAP G&A expense	\$18,556	\$35,889	\$62,756	\$94,429	\$139,413	\$175,599
GAAP G&A expense as a % of revenue	9 %	10 %	10 %	9 %	8 %	9 %
Less: Share-based compensation expense	1,406	4,942	14,105	22,195	38,472	48,719
Less: Employer payroll taxes on employee stock transactions	—	19	839	1,248	830	3,561
Add: Other Non-GAAP adj. ⁽¹⁾	—	(2,266)	(2,383)	—	—	—
Non-GAAP G&A expense	\$17,150	\$33,194	\$50,195	\$70,986	\$100,111	\$123,319
Non-GAAP G&A expense as a % of revenue	9 %	9 %	8 %	7 %	6 %	6 %
Reconciliation of operating loss and operating margin						
GAAP operating loss	\$(11,033)	\$(20,140)	\$(13,773)	\$(19,156)	\$(58,695)	\$(95,834)
Add: Stock-based compensation expense	5,244	19,034	74,374	163,737	363,154	466,688
Add: Amortization of acquired intangibles	511	752	943	4,392	7,575	8,834
Add: Employer payroll taxes on employee stock transactions	—	1,460	7,618	16,085	14,246	26,996
Less: Other Non-GAAP adj. ⁽¹⁾	—	(5,007)	(5,561)	—	—	—
Non-GAAP operating (loss) income	\$(5,278)	\$(3,901)	\$63,601	\$165,058	\$326,280	\$406,684
GAAP operating margin	(6)%	(6)%	(2)%	(2)%	(4)%	(5)%
Non-GAAP operating margin	(3)%	(1)%	11 %	16 %	19 %	20 %

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

Free cash flow bridge

Free cash flow (\$000's)

	FY18	FY19	FY20	FY21	FY22	TTM (Sep-23)
Revenue	\$198,077	\$362,780	\$603,466	\$1,028,784	\$1,675,100	\$2,008,109
Cash flow from operations	\$10,829	\$24,234	\$109,091	\$286,545	\$418,407	\$554,169
Capex	(9,662)	(13,315)	(5,415)	(9,956)	(35,261)	(27,245)
Capitalized software development costs	(6,176)	(10,128)	(20,468)	(26,069)	(29,628)	(34,315)
Free cash flow	\$(5,009)	\$791	\$83,208	\$250,520	\$353,518	\$492,609
Free cash flow margin	(3)%	0 %	14 %	24 %	21 %	25 %