



**Supplemental Financial Information
For the Period Ended December 31, 2021
(Unaudited)**

Non-GAAP Financial Measures

The unaudited condensed consolidated financial statements within this document include the accounts of Datadog, Inc. and its wholly-owned subsidiaries ("Datadog" or the "Company"), and have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP").

The Company also discloses the following non-GAAP financial measures within this document: 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, and free cash flow. 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 the financial statement tables included below in this press release. 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.

Management believes these non-GAAP financial measures are useful to investors and others in assessing Datadog's operating performance due to the following factors:

Stock-based compensation. Datadog utilizes stock-based compensation to attract and retain employees. It is principally aimed at aligning their interests with those of its stockholders and at long-term retention, rather than to address operational performance for any particular period. As a result, stock-based compensation expenses vary for reasons that are generally unrelated to financial and operational performance in any particular period.

Amortization of acquired intangibles. Datadog views amortization of acquired intangible assets as items arising from pre-acquisition activities determined at the time of an acquisition. While these intangible assets are evaluated for impairment regularly, amortization of the cost of acquired intangibles is an expense that is not typically affected by operations during any particular period.

Non-cash benefit related to tax adjustment. Datadog recorded a contingent payroll tax liability in conjunction with a common stock repurchase transaction in 2016. In 2020, the period of limitations for assessing the contingent Federal payroll tax liability expired and the Company was legally released from being the primary obligor, and recognized a benefit in the consolidated statement of operations. Datadog does not believe this is reflective of on-going results and therefore adjusted for this benefit.

Employer payroll taxes on employee stock transactions. Datadog excludes employer payroll tax expense on equity incentive plans as these expenses are tied to the exercise or vesting of underlying equity awards and the price of

Non-GAAP Financial Measures

Datadog's common stock at the time of vesting or exercise. As a result, these taxes may vary in any particular period independent of the financial and operating performance of Datadog's business.

Amortization of issuance costs. In May 2020, Datadog issued \$747.5M of convertible senior notes due 2025, which bear interest at an annual fixed rate of 0.125%. Debt issuance costs, which reduce the carrying value of the convertible debt instrument, are amortized as interest expense over the term. The expense for the amortization of debt issuance costs is a non-cash item, and we believe the exclusion of this interest expense will provide for a more useful comparison of our operational performance in different periods.

Additionally, Datadog's management believes that the non-GAAP financial measure free cash flow is meaningful to investors because management reviews cash flows generated from operations after taking into consideration capital expenditures and the capitalization of software development costs due to the fact that these expenditures are considered to be a necessary component of ongoing operations.

Datadog, Inc.
Condensed Consolidated Statements of Operations
(In thousands, except per share data; unaudited)

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Revenue	\$ 131,248	\$ 140,012	\$ 154,675	\$ 177,531	\$ 198,549	\$ 233,549	\$ 270,488	\$ 326,198
Cost of revenue ⁽¹⁾⁽²⁾⁽⁴⁾	26,479	28,878	33,984	40,856	46,666	57,098	63,332	67,149
Gross profit	104,769	111,134	120,691	136,675	151,883	176,451	207,156	259,049
Operating expenses:								
Research and development ⁽¹⁾⁽³⁾⁽⁴⁾	40,824	45,664	56,440	67,698	79,266	94,779	112,675	133,049
Sales and marketing ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	45,215	51,269	57,142	60,034	64,353	70,412	75,827	88,905
General and administrative ⁽¹⁾⁽³⁾⁽⁴⁾	14,952	13,547	16,376	17,881	21,094	21,146	23,549	28,640
Total operating expenses	100,991	110,480	129,958	145,613	164,713	186,337	212,051	250,594
Operating income (loss)	3,778	654	(9,267)	(8,938)	(12,830)	(9,886)	(4,895)	8,455
Other income (loss):								
Interest expense ⁽⁵⁾	(707)	(4,294)	(12,423)	(13,010)	(5,472)	(5,064)	(4,912)	(5,604)
Interest income and other income, net	3,603	4,466	7,135	6,781	5,773	5,292	5,040	5,681
Other income (loss), net	2,896	172	(5,288)	(6,229)	301	228	128	77
Income (loss) before (provision for) benefit from income taxes	6,674	826	(14,555)	(15,167)	(12,529)	(9,658)	(4,767)	8,532
(Provision for) benefit from income taxes	(195)	(542)	(595)	(993)	(539)	296	(717)	(1,363)
Net income (loss)	\$ 6,479	\$ 284	\$ (15,150)	\$ (16,160)	\$ (13,068)	\$ (9,362)	\$ (5,484)	\$ 7,169
Net income (loss) per share - basic	\$ 0.02	\$ 0.00	\$ (0.05)	\$ (0.05)	\$ (0.04)	\$ (0.03)	\$ (0.02)	\$ 0.02
Net income (loss) per share - diluted	\$ 0.02	\$ 0.00	\$ (0.05)	\$ (0.05)	\$ (0.04)	\$ (0.03)	\$ (0.02)	\$ 0.02
Weighted average shares used in calculating net income (loss) per share:								
Basic	295,455	299,267	302,554	304,057	306,034	308,019	310,247	311,817
Diluted	327,801	330,847	302,554	304,057	306,034	308,019	310,247	345,877

(1) Includes stock-based compensation expense as follows:

Cost of revenue	\$ 231	\$ 407	\$ 529	\$ 627	\$ 701	\$ 829	\$ 1,427	\$ 1,608
Research and development	5,847	8,703	10,173	13,285	16,069	21,639	27,239	36,995
Sales and marketing	3,074	4,541	6,068	6,784	7,010	6,606	9,739	11,680
General and administrative	2,908	3,183	3,946	4,068	5,081	5,441	5,590	6,083
Total	\$ 12,060	\$ 16,834	\$ 20,716	\$ 24,764	\$ 28,861	\$ 34,515	\$ 43,995	\$ 56,366

(2) Includes amortization of acquired intangibles as follows:

Cost of revenue	\$ 247	\$ 147	\$ 274	\$ 275	\$ 355	\$ 908	\$ 1,311	\$ 1,218
Sales and marketing	—	—	—	—	—	163	229	208
Total	\$ 247	\$ 147	\$ 274	\$ 275	\$ 355	\$ 1,071	\$ 1,540	\$ 1,426

(3) Includes non-cash benefit related to tax adjustment as follows:

Research and development	\$ —	\$ (2,729)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Sales and marketing	—	(449)	—	—	—	—	—	—
General and administrative	—	(2,383)	—	—	—	—	—	—
Total	\$ —	\$ (5,561)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

(4) Includes employer payroll taxes on employee stock transactions as follows:

Cost of revenue	\$ —	\$ 121	\$ 32	\$ 33	\$ 95	\$ 96	\$ 62	\$ 92
Research and development	37	1,423	418	959	1,771	2,101	1,523	2,748
Sales and marketing	151	1,508	1,354	742	1,179	2,776	1,275	1,119
General and administrative	58	212	282	287	124	194	520	410
Total	\$ 246	\$ 3,264	\$ 2,086	\$ 2,021	\$ 3,169	\$ 5,167	\$ 3,380	\$ 4,369

(5) Includes amortization of issuance costs as follows:

Interest expense	\$ —	\$ 2,484	\$ 8,062	\$ 8,181	\$ 835	\$ 837	\$ 838	\$ 839
Total	\$ —	\$ 2,484	\$ 8,062	\$ 8,181	\$ 835	\$ 837	\$ 838	\$ 839

Datadog, Inc.
Non-GAAP Condensed Consolidated Statements of Operations
(In thousands, except per share data; unaudited)

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Revenue	\$ 131,248	\$ 140,012	\$ 154,675	\$ 177,531	\$ 198,549	\$ 233,549	\$ 270,488	\$ 326,198
Cost of revenue	26,001	28,203	33,149	39,921	45,515	55,265	60,532	64,231
Gross profit	105,247	111,809	121,526	137,610	153,034	178,284	209,956	261,967
Operating expenses:								
Research and development	34,940	38,267	45,849	53,454	61,426	71,039	83,913	93,306
Sales and marketing	41,990	45,669	49,720	52,508	56,164	60,867	64,584	75,898
General and administrative	11,986	12,535	12,148	13,526	15,889	15,511	17,439	22,147
Total operating expenses	88,916	96,471	107,717	119,488	133,479	147,417	165,936	191,351
Operating income	16,331	15,338	13,809	18,122	19,555	30,867	44,020	70,616
Other income:								
Interest expense	(707)	(1,810)	(4,361)	(4,829)	(4,637)	(4,227)	(4,074)	(4,765)
Interest income and other income, net	3,603	4,466	7,135	6,781	5,773	5,292	5,040	5,681
Other income, net	2,896	2,656	2,774	1,952	1,136	1,065	966	916
Income before (provision for) benefit from income taxes	19,227	17,994	16,583	20,074	20,691	31,932	44,986	71,532
(Provision for) benefit from income taxes	(195)	(542)	(595)	(993)	(539)	296	(717)	(1,363)
Non-GAAP net income	\$ 19,032	\$ 17,452	\$ 15,988	\$ 19,081	\$ 20,152	\$ 32,228	\$ 44,269	\$ 70,169
Non-GAAP net income per share - basic	\$ 0.06	\$ 0.06	\$ 0.05	\$ 0.06	\$ 0.07	\$ 0.10	\$ 0.14	\$ 0.23
Non-GAAP net income per share - diluted	\$ 0.06	\$ 0.05	\$ 0.05	\$ 0.06	\$ 0.06	\$ 0.09	\$ 0.13	\$ 0.20
Weighted average shares used in calculating non-GAAP net income per share:								
Basic	295,455	299,267	302,554	304,057	306,034	308,019	310,247	311,817
Diluted	327,801	330,847	333,011	334,459	342,329	342,307	344,453	345,877

Datadog, Inc.
Condensed Consolidated Balance Sheets
(In thousands; unaudited)

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
ASSETS								
CURRENT ASSETS:								
Cash and cash equivalents	\$ 194,350	\$ 206,202	\$ 198,523	\$ 224,927	\$ 369,706	\$ 247,442	\$ 286,966	\$ 270,973
Marketable securities	600,384	1,259,597	1,296,261	1,292,532	1,178,190	1,162,717	1,180,160	1,283,473
Accounts receivable, net	108,437	124,078	120,992	163,359	154,111	188,326	224,602	268,824
Deferred contract costs, current	9,314	10,927	11,544	13,638	15,446	17,612	19,933	23,235
Prepaid expenses and other current assets	20,580	25,268	25,655	23,624	29,404	26,289	24,675	24,443
Total current assets	933,065	1,626,072	1,652,975	1,718,080	1,746,857	1,642,386	1,736,336	1,870,948
Property and equipment, net	34,084	37,164	42,059	47,197	52,805	60,511	68,820	75,152
Operating lease assets	51,286	58,188	55,365	57,829	53,117	49,233	61,972	61,355
Goodwill	8,891	16,860	17,211	17,609	48,479	258,682	255,735	292,176
Intangible assets, net	1,176	2,586	2,327	2,069	3,414	11,743	12,803	15,704
Deferred contract costs, non-current	18,875	21,438	22,667	26,750	27,874	31,624	35,508	42,062
Restricted cash	3,382	3,451	3,607	3,784	3,613	3,662	3,572	3,490
Other assets	15,897	17,947	18,073	16,967	15,915	18,892	19,427	19,907
TOTAL ASSETS	<u>\$ 1,066,656</u>	<u>\$ 1,783,706</u>	<u>\$ 1,814,284</u>	<u>\$ 1,890,285</u>	<u>\$ 1,952,074</u>	<u>\$ 2,076,733</u>	<u>\$ 2,194,173</u>	<u>\$ 2,380,794</u>
LIABILITIES AND STOCKHOLDERS' EQUITY								
CURRENT LIABILITIES:								
Accounts payable	\$ 14,205	\$ 18,010	\$ 21,199	\$ 21,342	\$ 12,065	\$ 29,257	\$ 34,654	\$ 25,270
Accrued expenses and other current liabilities	41,755	46,016	54,383	55,351	68,476	70,524	85,173	115,282
Operating lease liabilities, current	13,436	14,524	15,058	16,326	16,626	16,626	19,425	20,157
Deferred revenue, current	141,242	162,858	164,010	204,825	223,647	264,650	300,950	371,985
Total current liabilities	210,638	241,408	254,650	297,844	320,814	381,057	440,202	532,694
Deferred tax liability	—	11,203	—	—	—	—	—	—
Operating lease liabilities, non-current	46,042	52,881	49,675	51,433	46,620	42,448	53,189	52,106
Convertible senior notes, net	—	559,621	567,683	575,864	732,968	733,805	734,643	735,482
Deferred revenue, non-current	3,940	2,417	2,444	3,450	5,628	1,277	3,266	13,896
Other liabilities	3,141	3,305	3,644	4,262	4,714	5,267	5,461	5,413
Total liabilities	263,761	870,835	878,096	932,853	1,110,744	1,163,854	1,236,761	1,339,591
STOCKHOLDERS' EQUITY								
Common stock	3	3	3	3	3	3	3	3
Additional paid-in capital	921,091	1,027,656	1,065,543	1,103,305	985,004	1,065,835	1,116,872	1,197,136
Accumulated other comprehensive (loss) income	(1,062)	2,065	2,645	2,287	752	832	(188)	(3,830)
Accumulated deficit	(117,137)	(116,853)	(132,003)	(148,163)	(144,429)	(153,791)	(159,275)	(152,106)
Total stockholders' equity	802,895	912,871	936,188	957,432	841,330	912,879	957,412	1,041,203
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 1,066,656</u>	<u>\$ 1,783,706</u>	<u>\$ 1,814,284</u>	<u>\$ 1,890,285</u>	<u>\$ 1,952,074</u>	<u>\$ 2,076,733</u>	<u>\$ 2,194,173</u>	<u>\$ 2,380,794</u>

Datadog, Inc.
Condensed Consolidated Statements of Cash Flow
(In thousands; unaudited)

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
CASH FLOWS FROM OPERATING ACTIVITIES:								
Net income (loss)	\$ 6,479	\$ 284	\$ (15,150)	\$ (16,160)	\$ (13,068)	\$ (9,362)	\$ (5,484)	\$ 7,169
Adjustments to reconcile net income (loss) to net cash provided by operating activities:								
Depreciation and amortization	3,688	3,707	3,972	4,083	4,402	5,463	6,197	6,876
Amortization of discounts or premiums on marketable securities	244	1,216	3,884	4,409	4,259	3,854	3,716	4,407
Amortization of issuance costs	—	2,484	8,062	8,181	835	837	838	839
Amortization of deferred contract costs	2,185	2,442	2,721	3,099	3,779	4,074	4,704	5,309
Stock-based compensation, net of amounts capitalized	12,060	16,834	20,716	24,764	28,861	34,515	43,995	56,366
Non-cash lease expense	3,226	3,325	3,453	4,056	4,012	4,049	4,544	4,596
Allowance for credit losses on accounts receivable	1,073	928	655	627	25	502	699	1,085
Loss on disposal of property and equipment	2	6	(4)	6	3	153	102	16
Changes in operating assets and liabilities:								
Accounts receivable, net	(7,116)	(16,568)	2,431	(42,995)	9,223	(34,131)	(36,972)	(45,232)
Deferred contract costs	(4,619)	(6,618)	(4,567)	(9,276)	(6,711)	(9,990)	(10,909)	(15,165)
Prepaid expenses and other current assets	(1,404)	(5,077)	(340)	2,418	(5,998)	3,461	1,596	204
Other assets	919	(1,834)	310	1,573	572	(1,504)	(912)	(783)
Accounts payable	(1,391)	4,083	3,714	133	(9,226)	16,598	5,060	(9,354)
Accrued expenses and other liabilities	2,025	(377)	5,236	(2,914)	9,682	(2,374)	11,918	18,044
Deferred revenue	6,884	19,903	1,177	41,824	21,000	35,578	38,287	81,416
Net cash provided by operating activities	24,255	24,738	36,270	23,828	51,650	51,723	67,379	115,793
CASH FLOWS FROM INVESTING ACTIVITIES:								
Purchases of marketable securities	(427,482)	(776,031)	(273,550)	(317,499)	(150,331)	(340,652)	(406,429)	(228,107)
Maturities of marketable securities	2,620	119,234	146,646	238,054	253,234	316,972	365,486	110,868
Proceeds from sale of marketable securities	—	—	85,700	77,930	6,497	35,218	19,417	6,617
Purchases of property and equipment	(1,526)	(1,398)	(1,412)	(1,079)	(998)	(3,229)	(3,324)	(2,405)
Capitalized software development costs	(3,417)	(4,737)	(6,217)	(6,097)	(6,183)	(6,209)	(6,972)	(6,705)
Cash paid for acquisition of businesses, net of cash acquired	—	(2,363)	—	—	(11,509)	(188,839)	146	(26,303)
Net cash used in investing activities	(429,805)	(665,295)	(48,833)	(8,691)	90,710	(186,739)	(31,676)	(146,035)
CASH FLOWS FROM FINANCING ACTIVITIES:								
Proceeds from exercise of stock options	2,813	4,422	5,119	3,631	3,275	2,887	4,489	4,256
Proceeds from initial public offering, net of underwriting discounts and commissions and other offering costs	(153)	(268)	—	—	—	—	—	—
Proceeds for issuance of common stock under the employee stock purchase plan	—	7,680	—	7,490	—	9,794	—	10,484
Employee payroll taxes paid related to net share settlement under the employee stock purchase plan	—	(859)	(118)	(63)	(245)	—	—	—
Proceeds from issuance of convertible senior notes, net of issuance costs	—	730,681	(474)	—	—	—	—	—
Purchase of capped call related to convertible senior notes	—	(89,625)	—	—	—	—	—	—
Net cash provided by financing activities	2,660	652,031	4,527	11,058	3,030	12,681	4,489	14,740

Datadog, Inc.
Condensed Consolidated Statements of Cash Flow
(In thousands; unaudited)

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(141)	28	506	386	(782)	120	(758)	(573)

NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(403,031)	11,502	(7,530)	26,581	144,608	(122,215)	39,434	(16,075)
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CASH, CASH EQUIVALENTS AND RESTRICTED CASH — Beginning of period	601,189	198,158	209,660	202,130	228,711	373,319	251,104	290,538
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CASH, CASH EQUIVALENTS AND RESTRICTED CASH — End of period	<u>\$ 198,158</u>	<u>\$ 209,660</u>	<u>\$ 202,130</u>	<u>\$ 228,711</u>	<u>\$ 373,319</u>	<u>\$ 251,104</u>	<u>\$ 290,538</u>	<u>\$ 274,463</u>
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RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH WITHIN THE CONDENSED CONSOLIDATED BALANCE SHEETS TO THE AMOUNTS SHOWN IN THE STATEMENTS OF CASH FLOWS ABOVE:

Cash and cash equivalents	\$ 194,350	\$ 206,202	\$ 198,523	\$ 224,927	\$ 369,706	\$ 247,442	\$ 286,966	\$ 270,973
Restricted cash	3,808	3,458	3,607	3,784	3,613	3,662	3,572	3,490
Total cash, cash equivalents and restricted cash	<u>\$ 198,158</u>	<u>\$ 209,660</u>	<u>\$ 202,130</u>	<u>\$ 228,711</u>	<u>\$ 373,319</u>	<u>\$ 251,104</u>	<u>\$ 290,538</u>	<u>\$ 274,463</u>

Datadog, Inc.
Reconciliation from GAAP to Non-GAAP Results
(In thousands, except per share data; unaudited)

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Reconciliation of gross profit and gross margin								
GAAP gross profit	\$ 104,769	\$ 111,134	\$ 120,691	\$ 136,675	\$ 151,883	\$ 176,451	\$ 207,156	\$ 259,049
Plus: Stock-based compensation expense	231	407	529	627	701	829	1,427	1,608
Plus: Amortization of acquired intangibles	247	147	274	275	355	908	1,311	1,218
Plus: Employer payroll taxes on employee stock transactions	—	121	32	33	95	96	62	92
Non-GAAP gross profit	<u>\$ 105,247</u>	<u>\$ 111,809</u>	<u>\$ 121,526</u>	<u>\$ 137,610</u>	<u>\$ 153,034</u>	<u>\$ 178,284</u>	<u>\$ 209,956</u>	<u>\$ 261,967</u>
GAAP gross margin	80 %	79 %	78 %	77 %	76 %	76 %	77 %	79 %
Non-GAAP gross margin	80 %	80 %	79 %	78 %	77 %	76 %	78 %	80 %
Reconciliation of operating expenses								
GAAP research and development	\$ 40,824	\$ 45,664	\$ 56,440	\$ 67,698	\$ 79,266	\$ 94,779	\$ 112,675	\$ 133,049
Less: Stock-based compensation expense	(5,847)	(8,703)	(10,173)	(13,285)	(16,069)	(21,639)	(27,239)	(36,995)
Plus: Non-cash benefit related to tax adjustment	—	2,729	—	—	—	—	—	—
Less: Employer payroll taxes on employee stock transactions	(37)	(1,423)	(418)	(959)	(1,771)	(2,101)	(1,523)	(2,748)
Non-GAAP research and development	<u>\$ 34,940</u>	<u>\$ 38,267</u>	<u>\$ 45,849</u>	<u>\$ 53,454</u>	<u>\$ 61,426</u>	<u>\$ 71,039</u>	<u>\$ 83,913</u>	<u>\$ 93,306</u>
GAAP sales and marketing	\$ 45,215	\$ 51,269	\$ 57,142	\$ 60,034	\$ 64,353	\$ 70,412	\$ 75,827	\$ 88,905
Less: Stock-based compensation expense	(3,074)	(4,541)	(6,068)	(6,784)	(7,010)	(6,606)	(9,739)	(11,680)
Less: Amortization of acquired intangibles	—	—	—	—	—	(163)	(229)	(208)
Plus: Non-cash benefit related to tax adjustment	—	449	—	—	—	—	—	—
Less: Employer payroll taxes on employee stock transactions	(151)	(1,508)	(1,354)	(742)	(1,179)	(2,776)	(1,275)	(1,119)
Non-GAAP sales and marketing	<u>\$ 41,990</u>	<u>\$ 45,669</u>	<u>\$ 49,720</u>	<u>\$ 52,508</u>	<u>\$ 56,164</u>	<u>\$ 60,867</u>	<u>\$ 64,584</u>	<u>\$ 75,898</u>
GAAP general and administrative	\$ 14,952	\$ 13,547	\$ 16,376	\$ 17,881	\$ 21,094	\$ 21,146	\$ 23,549	\$ 28,640
Less: Stock-based compensation expense	(2,908)	(3,183)	(3,946)	(4,068)	(5,081)	(5,441)	(5,590)	(6,083)
Plus: Non-cash benefit related to tax adjustment	—	2,383	—	—	—	—	—	—
Less: Employer payroll taxes on employee stock transactions	(58)	(212)	(282)	(287)	(124)	(194)	(520)	(410)
Non-GAAP general and administrative	<u>\$ 11,986</u>	<u>\$ 12,535</u>	<u>\$ 12,148</u>	<u>\$ 13,526</u>	<u>\$ 15,889</u>	<u>\$ 15,511</u>	<u>\$ 17,439</u>	<u>\$ 22,147</u>
Reconciliation of operating income (loss) and operating margin								
GAAP operating income (loss)	\$ 3,778	\$ 654	\$ (9,267)	\$ (8,938)	\$ (12,830)	\$ (9,886)	\$ (4,895)	\$ 8,455
Plus: Stock-based compensation expense	12,060	16,834	20,716	24,764	28,861	34,515	43,995	56,366
Plus: Amortization of acquired intangibles	247	147	274	275	355	1,071	1,540	1,426
Less: Non-cash benefit related to tax adjustment	—	(5,561)	—	—	—	—	—	—
Plus: Employer payroll taxes on employee stock transactions	246	3,264	2,086	2,021	3,169	5,167	3,380	4,369
Non-GAAP operating income	<u>\$ 16,331</u>	<u>\$ 15,338</u>	<u>\$ 13,809</u>	<u>\$ 18,122</u>	<u>\$ 19,555</u>	<u>\$ 30,867</u>	<u>\$ 44,020</u>	<u>\$ 70,616</u>
GAAP operating margin	3 %	0 %	(6)%	(5)%	(6)%	(4)%	(2)%	3 %
Non-GAAP operating margin	12 %	11 %	9 %	10 %	10 %	13 %	16 %	22 %

Datadog, Inc.
Reconciliation from GAAP to Non-GAAP Results
(In thousands, except per share data; unaudited)

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Reconciliation of net income (loss)								
GAAP net income (loss)	\$ 6,479	\$ 284	\$ (15,150)	\$ (16,160)	\$ (13,068)	\$ (9,362)	\$ (5,484)	\$ 7,169
Plus: Stock-based compensation expense	12,060	16,834	20,716	24,764	28,861	34,515	43,995	56,366
Plus: Amortization of acquired intangibles	247	147	274	275	355	1,071	1,540	1,426
Less: Non-cash benefit related to tax adjustment	—	(5,561)	—	—	—	—	—	—
Plus: Employer payroll taxes on employee stock transactions	246	3,264	2,086	2,021	3,169	5,167	3,380	4,369
Plus: Amortization of issuance costs	—	2,484	8,062	8,181	835	837	838	839
Non-GAAP net income	\$ 19,032	\$ 17,452	\$ 15,988	\$ 19,081	\$ 20,152	\$ 32,228	\$ 44,269	\$ 70,169
Non-GAAP net income per share - basic	\$ 0.06	\$ 0.06	\$ 0.05	\$ 0.06	\$ 0.07	\$ 0.10	\$ 0.14	\$ 0.23
Non-GAAP net income per share - diluted	\$ 0.06	\$ 0.05	\$ 0.05	\$ 0.06	\$ 0.06	\$ 0.09	\$ 0.13	\$ 0.20
Shares used in non-GAAP net income per share calculations:								
Basic	295,455	299,267	302,554	304,057	306,034	308,019	310,247	311,817
Diluted	327,801	330,847	333,011	334,459	342,329	342,307	344,453	345,877

Datadog, Inc.
Reconciliation of GAAP Cash Flow from Operating Activities to Free Cash Flow
(In thousands; unaudited)

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Net cash provided by operating activities	\$ 24,255	\$ 24,738	\$ 36,270	\$ 23,828	\$ 51,650	\$ 51,723	\$ 67,379	\$115,793
Less: Purchases of property and equipment	(1,526)	(1,398)	(1,412)	(1,079)	(998)	(3,229)	(3,324)	(2,405)
Less: Capitalized software development costs	(3,417)	(4,737)	(6,217)	(6,097)	(6,183)	(6,209)	(6,972)	(6,705)
Free cash flow	<u>\$ 19,312</u>	<u>\$ 18,603</u>	<u>\$ 28,641</u>	<u>\$ 16,652</u>	<u>\$ 44,469</u>	<u>\$ 42,285</u>	<u>\$ 57,083</u>	<u>\$106,683</u>

Contact Information

Yuka Broderick
Datadog Investor Relations
IR@datadog.com

Dan Haggerty
Datadog Public Relations
Press@datadog.com

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