



**Supplemental Financial Information
For the Period Ended March 31, 2023
(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 (research and development, sales and marketing and general and administrative), non-GAAP operating income (loss), non-GAAP operating margin, non-GAAP net income (loss), non-GAAP net income (loss) per basic share, non-GAAP net income (loss) per diluted 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 (research and development, sales and marketing and 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) employer payroll taxes on employee stock transactions; and (4) 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, if any. 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.

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 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 June 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.

Non-GAAP Financial Measures

Additionally, Datadog's management believes that the non-GAAP financial measure free cash flow is meaningful to investors because it is a measure of liquidity that provides useful information in understanding and evaluating the strength of our liquidity and future ability to generate cash that can be used for strategic opportunities or investing in our business. Free cash flow represents net cash provided by operating activities, reduced by capital expenditures and capitalized software development costs, if any. The reduction of capital expenditures and amounts capitalized for software development facilitates comparisons of Datadog's liquidity on a period-to-period basis and excludes items that management does not consider to be indicative of our liquidity.

Operating Metrics

Datadog's number of customers with ARR of \$100,000 or more and number of customers with ARR of \$1 million or more are based on the ARR of each customer, as of the last month of the quarter.

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. 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.

We define ARR as the annualized revenue run-rate of subscription agreements from all customers at a point in time. We calculate ARR by taking the monthly recurring revenue, or MRR, and multiplying it by 12. MRR for each month is calculated by aggregating, for all customers during that month, monthly revenue from committed contractual amounts, additional usage, usage from subscriptions for a committed contractual amount of usage that is delivered as used, and monthly subscriptions. We updated the definition of MRR as of the quarter ended September 30, 2021 to capture usage from subscriptions with committed contractual amounts and applied this change retrospectively. ARR and MRR should be viewed independently of revenue, and do not represent our revenue under GAAP on a monthly or annualized basis, as they are operating metrics that can be impacted by contract start and end dates and renewal rates. ARR and MRR are not intended to be replacements or forecasts of revenue.

A further indication of the propensity of our customer relationships to expand over time is our dollar-based net retention rate, which compares our ARR from the same set of customers in one period, relative to the year-ago period. We calculate dollar-based net retention rate as of a period end by starting with the ARR from the cohort of all customers as of 12 months prior to such period-end, or the Prior Period ARR. We then calculate the ARR from these same customers as of the current period-end, or the Current Period ARR. Current Period ARR includes any expansion and is net of contraction or attrition over the last 12 months, but excludes ARR from new customers in the current period. We then divide the total Current Period ARR by the total Prior Period ARR to arrive at the point-in-time dollar-based net retention rate. We then calculate the weighted average of the trailing 12-month point-in-time dollar-based net retention rates, to arrive at the trailing 12-month dollar-based net retention rate.

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

	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Revenue	\$ 233,549	\$ 270,488	\$ 326,198	\$ 363,030	\$ 406,138	\$ 436,533	\$ 469,399	\$ 481,714
Cost of revenue ⁽¹⁾⁽²⁾⁽³⁾	57,098	63,332	67,149	74,462	81,925	93,599	96,757	99,914
Gross profit	176,451	207,156	259,049	288,568	324,213	342,934	372,642	381,800
Operating expenses:								
Research and development ⁽¹⁾⁽³⁾	94,779	112,675	133,049	150,608	177,699	205,388	218,656	229,478
Sales and marketing ⁽¹⁾⁽²⁾⁽³⁾	70,412	75,827	88,905	101,166	115,270	129,493	149,359	144,971
General and administrative ⁽¹⁾⁽³⁾	21,146	23,549	28,640	26,380	34,383	39,395	39,255	42,321
Total operating expenses	186,337	212,051	250,594	278,154	327,352	374,276	407,270	416,770
Operating (loss) income	(9,886)	(4,895)	8,455	10,414	(3,139)	(31,342)	(34,628)	(34,970)
Other income:								
Interest expense ⁽⁴⁾	(5,064)	(4,912)	(5,604)	(5,247)	(4,541)	(3,728)	(3,019)	(2,181)
Interest income and other income, net	5,292	5,040	5,681	5,687	7,669	12,011	11,793	16,727
Other income, net	228	128	77	440	3,128	8,283	8,774	14,546
(Loss) income before benefit from (provision for) income taxes	(9,658)	(4,767)	8,532	10,854	(11)	(23,059)	(25,854)	(20,424)
Benefit from (provision for) income taxes	296	(717)	(1,363)	(1,116)	(4,868)	(2,926)	(3,180)	(3,662)
Net (loss) income	\$ (9,362)	\$ (5,484)	\$ 7,169	\$ 9,738	\$ (4,879)	\$ (25,985)	\$ (29,034)	\$ (24,086)
Net (loss) income per share - basic	\$ (0.03)	\$ (0.02)	\$ 0.02	\$ 0.03	\$ (0.02)	\$ (0.08)	\$ (0.09)	\$ (0.08)
Net (loss) income per share - diluted	\$ (0.03)	\$ (0.02)	\$ 0.02	\$ 0.03	\$ (0.02)	\$ (0.08)	\$ (0.09)	\$ (0.08)
Weighted average shares used in calculating net (loss) income per share:								
Basic	308,019	310,247	311,817	313,456	314,795	315,990	317,348	319,286
Diluted	308,019	310,247	345,877	345,668	314,795	315,990	317,348	319,286

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

Cost of revenue	\$ 829	\$ 1,427	\$ 1,608	\$ 1,653	\$ 2,355	\$ 3,165	\$ 3,654	\$ 3,725
Research and development	21,639	27,239	36,995	44,696	53,309	65,321	73,794	74,703
Sales and marketing	6,606	9,739	11,680	14,595	17,590	21,145	23,405	23,014
General and administrative	5,441	5,590	6,083	5,940	9,145	11,731	11,656	11,286
Total	\$ 34,515	\$ 43,995	\$ 56,366	\$ 66,884	\$ 82,399	\$ 101,362	\$ 112,509	\$ 112,728

(2) Includes amortization of acquired intangibles as follows:

Cost of revenue	\$ 908	\$ 1,311	\$ 1,218	\$ 1,413	\$ 1,482	\$ 1,900	\$ 1,955	\$ 2,016
Sales and marketing	163	229	208	203	206	208	208	203
Total	\$ 1,071	\$ 1,540	\$ 1,426	\$ 1,616	\$ 1,688	\$ 2,108	\$ 2,163	\$ 2,219

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

Cost of revenue	\$ 96	\$ 62	\$ 92	\$ 102	\$ 70	\$ 47	\$ 47	\$ 60
Research and development	2,101	1,523	2,748	3,297	2,829	1,799	2,459	4,593
Sales and marketing	2,776	1,275	1,119	1,109	605	620	432	775
General and administrative	194	520	410	257	217	245	111	965
Total	\$ 5,167	\$ 3,380	\$ 4,369	\$ 4,765	\$ 3,721	\$ 2,711	\$ 3,049	\$ 6,393

(4) Includes amortization of issuance costs as follows:

Interest expense	\$ 837	\$ 838	\$ 839	\$ 840	\$ 842	\$ 843	\$ 844	\$ 845
Total	\$ 837	\$ 838	\$ 839	\$ 840	\$ 842	\$ 843	\$ 844	\$ 845

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

	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Revenue	\$ 233,549	\$ 270,488	\$ 326,198	\$ 363,030	\$ 406,138	\$ 436,533	\$ 469,399	\$ 481,714
Cost of revenue	55,265	60,532	64,231	71,294	78,018	88,487	91,101	94,113
Gross profit	178,284	209,956	261,967	291,736	328,120	348,046	378,298	387,601
Operating expenses:								
Research and development	71,039	83,913	93,306	102,615	121,561	138,268	142,403	150,182
Sales and marketing	60,867	64,584	75,898	85,259	96,869	107,520	125,314	120,979
General and administrative	15,511	17,439	22,147	20,183	25,021	27,419	27,488	30,070
Total operating expenses	147,417	165,936	191,351	208,057	243,451	273,207	295,204	301,231
Operating income	30,867	44,020	70,616	83,679	84,669	74,839	83,093	86,370
Other income (loss):								
Interest expense	(4,227)	(4,074)	(4,765)	(4,407)	(3,699)	(2,885)	(2,175)	(1,336)
Interest income and other income, net	5,292	5,040	5,681	5,687	7,669	12,011	11,793	16,727
Other income, net	1,065	966	916	1,280	3,970	9,126	9,618	15,391
Income before benefit from (provision for) income taxes	31,932	44,986	71,532	84,959	88,639	83,965	92,711	101,761
Benefit from (provision for) income taxes	296	(717)	(1,363)	(1,116)	(4,868)	(2,926)	(3,180)	(3,662)
Non-GAAP net income	\$ 32,228	\$ 44,269	\$ 70,169	\$ 83,843	\$ 83,771	\$ 81,039	\$ 89,531	\$ 98,099
Non-GAAP net income per share - basic	\$ 0.10	\$ 0.14	\$ 0.23	\$ 0.27	\$ 0.27	\$ 0.26	\$ 0.28	\$ 0.31
Non-GAAP net income per share - diluted	\$ 0.09	\$ 0.13	\$ 0.20	\$ 0.24	\$ 0.24	\$ 0.23	\$ 0.26	\$ 0.28
Weighted average shares used in calculating non-GAAP net income per share:								
Basic	308,019	310,247	311,817	313,456	314,795	315,990	317,348	319,286
Diluted	342,307	344,453	345,877	345,668	344,854	345,100	345,009	345,934

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

	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
ASSETS								
CURRENT ASSETS:								
Cash and cash equivalents	\$ 247,442	\$ 286,966	\$ 270,973	\$ 271,686	\$ 238,859	\$ 294,815	\$ 338,985	\$ 222,548
Marketable securities	1,162,717	1,180,160	1,283,473	1,399,323	1,464,681	1,471,448	1,545,341	1,795,342
Accounts receivable, net	188,326	224,602	268,824	275,342	305,501	348,830	399,551	367,046
Deferred contract costs, current	17,612	19,933	23,235	24,688	27,345	29,873	33,054	34,858
Prepaid expenses and other current assets	26,289	24,675	24,443	32,632	33,202	31,603	27,303	43,198
Total current assets	1,642,386	1,736,336	1,870,948	2,003,671	2,069,588	2,176,569	2,344,234	2,462,992
Property and equipment, net	60,511	68,820	75,152	90,713	97,791	110,889	125,346	138,400
Operating lease assets	49,233	61,972	61,355	61,921	64,016	88,930	87,629	94,723
Goodwill	258,682	255,735	292,176	292,032	334,687	332,649	348,277	348,536
Intangible assets, net	11,743	12,803	15,704	14,088	17,960	15,616	16,365	14,152
Deferred contract costs, non-current	31,624	35,508	42,062	42,753	46,840	50,154	55,338	56,636
Restricted cash	3,662	3,572	3,490	3,424	3,214	3,019	3,303	—
Other assets	18,892	19,427	19,907	20,413	20,391	19,777	24,360	24,305
TOTAL ASSETS	<u>\$ 2,076,733</u>	<u>\$ 2,194,173</u>	<u>\$ 2,380,794</u>	<u>\$ 2,529,015</u>	<u>\$ 2,654,487</u>	<u>\$ 2,797,603</u>	<u>\$ 3,004,852</u>	<u>\$ 3,139,744</u>
LIABILITIES AND STOCKHOLDERS' EQUITY								
CURRENT LIABILITIES:								
Accounts payable	\$ 29,257	\$ 34,654	\$ 25,270	\$ 18,629	\$ 47,650	\$ 27,625	\$ 23,474	\$ 41,598
Accrued expenses and other current liabilities	70,524	85,173	111,284	108,211	111,622	146,290	171,158	148,530
Operating lease liabilities, current	16,626	19,425	20,157	20,320	22,357	21,751	22,092	20,397
Deferred revenue, current	264,650	300,950	371,985	454,812	444,247	478,742	543,024	562,429
Total current liabilities	381,057	440,202	528,696	601,972	625,876	674,408	759,748	772,954
Operating lease liabilities, non-current	42,448	53,189	52,106	51,817	51,771	76,934	76,582	86,242
Convertible senior notes, net	733,805	734,643	735,482	736,318	737,160	738,003	738,847	739,692
Deferred revenue, non-current	1,277	3,266	13,896	12,798	14,526	9,455	12,944	22,506
Other liabilities	5,267	5,461	9,411	9,253	10,034	9,364	6,226	6,251
Total liabilities	1,163,854	1,236,761	1,339,591	1,412,158	1,439,367	1,508,164	1,594,347	1,627,645
STOCKHOLDERS' EQUITY								
Common stock	3	3	3	3	3	3	3	3
Additional paid-in capital	1,065,835	1,116,872	1,197,136	1,271,777	1,380,873	1,487,992	1,625,190	1,744,221
Accumulated other comprehensive income (loss)	832	(188)	(3,830)	(12,555)	(18,509)	(25,324)	(12,422)	(5,773)
Accumulated deficit	(153,791)	(159,275)	(152,106)	(142,368)	(147,247)	(173,232)	(202,266)	(226,352)
Total stockholders' equity	912,879	957,412	1,041,203	1,116,857	1,215,120	1,289,439	1,410,505	1,512,099
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 2,076,733</u>	<u>\$ 2,194,173</u>	<u>\$ 2,380,794</u>	<u>\$ 2,529,015</u>	<u>\$ 2,654,487</u>	<u>\$ 2,797,603</u>	<u>\$ 3,004,852</u>	<u>\$ 3,139,744</u>

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

	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
CASH FLOWS FROM OPERATING ACTIVITIES:								
Net (loss) income	\$ (9,362)	\$ (5,484)	\$ 7,169	\$ 9,738	\$ (4,879)	\$ (25,985)	\$ (29,034)	\$ (24,086)
Adjustments to reconcile net (loss) income to net cash provided by operating activities:								
Depreciation and amortization	5,463	6,197	6,876	7,394	8,118	9,313	9,804	10,275
Amortization (accretion) of premiums (discounts) on marketable securities	3,854	3,716	4,407	3,959	2,738	520	(2,491)	(5,195)
Amortization of issuance costs	837	838	839	840	842	843	844	845
Amortization of deferred contract costs	4,074	4,704	5,309	6,022	6,558	7,361	8,062	8,648
Stock-based compensation, net of amounts capitalized	34,515	43,995	56,366	66,884	82,399	101,362	112,509	112,728
Non-cash lease expense	4,049	4,544	4,596	4,411	5,275	5,550	6,180	5,944
Allowance for credit losses on accounts receivable	502	699	1,085	798	1,133	1,998	1,286	3,732
Loss on disposal of property and equipment	153	102	16	823	326	3	510	88
Changes in operating assets and liabilities:								
Accounts receivable, net	(34,131)	(36,972)	(45,232)	(7,319)	(30,781)	(45,638)	(51,963)	28,773
Deferred contract costs	(9,990)	(10,909)	(15,165)	(8,166)	(13,303)	(13,202)	(16,427)	(11,750)
Prepaid expenses and other current assets	3,461	1,596	204	(8,391)	(4,238)	1,349	4,715	(15,810)
Other assets	(1,504)	(912)	(783)	(805)	(947)	(168)	(3,259)	164
Accounts payable	16,598	5,060	(9,354)	(7,624)	30,803	(20,696)	(3,769)	18,545
Accrued expenses and other liabilities	(2,374)	11,918	18,044	(2,911)	(1,399)	31,660	10,228	(28,080)
Deferred revenue	35,578	38,287	81,416	81,735	(9,685)	29,348	67,246	28,966
Net cash provided by operating activities	51,723	67,379	115,793	147,388	72,960	83,618	114,441	133,787
CASH FLOWS FROM INVESTING ACTIVITIES:								
Purchases of marketable securities	(340,652)	(406,429)	(228,107)	(329,706)	(389,079)	(348,947)	(345,985)	(757,787)
Maturities of marketable securities	316,972	365,486	110,868	199,703	317,051	340,439	280,531	497,648
Proceeds from sale of marketable securities	35,218	19,417	6,617	2,007	(1)	84	—	21,341
Purchases of property and equipment	(3,229)	(3,324)	(2,405)	(9,514)	(5,987)	(9,706)	(10,054)	(8,739)
Capitalized software development costs	(6,209)	(6,972)	(6,705)	(7,973)	(6,807)	(6,812)	(8,036)	(8,711)
Cash paid for acquisition of businesses, net of cash acquired	(188,839)	146	(26,303)	(4,871)	(34,695)	(736)	(5,576)	—
Net cash used in investing activities	(186,739)	(31,676)	(146,035)	(150,354)	(119,518)	(25,678)	(89,120)	(256,248)
CASH FLOWS FROM FINANCING ACTIVITIES:								
Proceeds from exercise of stock options	2,887	4,489	4,256	4,245	2,206	1,816	1,734	2,098
Proceeds for issuance of common stock under the employee stock purchase plan	9,794	—	10,484	—	13,557	—	12,468	—
Repayments of convertible senior notes	—	—	—	(3)	—	—	—	—
Net cash provided by financing activities	12,681	4,489	14,740	4,242	15,763	1,816	14,202	2,098
Effect of exchange rate changes on cash, cash equivalents and restricted cash	120	(758)	(573)	(629)	(2,242)	(3,995)	4,931	623
NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(122,215)	39,434	(16,075)	647	(33,037)	55,761	44,454	(119,740)

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

	<u>Q2 2021</u>	<u>Q3 2021</u>	<u>Q4 2021</u>	<u>Q1 2022</u>	<u>Q2 2022</u>	<u>Q3 2022</u>	<u>Q4 2022</u>	<u>Q1 2023</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH — Beginning of period	373,319	251,104	290,538	274,463	275,110	242,073	297,834	342,288
CASH, CASH EQUIVALENTS AND RESTRICTED CASH — End of period	<u>\$ 251,104</u>	<u>\$ 290,538</u>	<u>\$ 274,463</u>	<u>\$ 275,110</u>	<u>\$ 242,073</u>	<u>\$ 297,834</u>	<u>\$ 342,288</u>	<u>\$ 222,548</u>
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	\$ 247,442	\$ 286,966	\$ 270,973	\$ 271,686	\$ 238,859	\$ 294,815	\$ 338,985	\$ 222,548
Restricted cash	3,662	3,572	3,490	3,424	3,214	3,019	3,303	—
Total cash, cash equivalents and restricted cash	<u>\$ 251,104</u>	<u>\$ 290,538</u>	<u>\$ 274,463</u>	<u>\$ 275,110</u>	<u>\$ 242,073</u>	<u>\$ 297,834</u>	<u>\$ 342,288</u>	<u>\$ 222,548</u>

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

	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Reconciliation of gross profit and gross margin								
GAAP gross profit	\$ 176,451	\$ 207,156	\$ 259,049	\$ 288,568	\$ 324,213	\$ 342,934	\$ 372,642	\$ 381,800
Plus: Stock-based compensation expense	829	1,427	1,608	1,653	2,355	3,165	3,654	3,725
Plus: Amortization of acquired intangibles	908	1,311	1,218	1,413	1,482	1,900	1,955	2,016
Plus: Employer payroll taxes on employee stock transactions	96	62	92	102	70	47	47	60
Non-GAAP gross profit	<u>\$ 178,284</u>	<u>\$ 209,956</u>	<u>\$ 261,967</u>	<u>\$ 291,736</u>	<u>\$ 328,120</u>	<u>\$ 348,046</u>	<u>\$ 378,298</u>	<u>\$ 387,601</u>
GAAP gross margin	76 %	77 %	79 %	79 %	80 %	79 %	79 %	79 %
Non-GAAP gross margin	76 %	78 %	80 %	80 %	81 %	80 %	81 %	80 %
Reconciliation of operating expenses								
GAAP research and development	\$ 94,779	\$ 112,675	\$ 133,049	\$ 150,608	\$ 177,699	\$ 205,388	\$ 218,656	\$ 229,478
Less: Stock-based compensation expense	(21,639)	(27,239)	(36,995)	(44,696)	(53,309)	(65,321)	(73,794)	(74,703)
Less: Employer payroll taxes on employee stock transactions	(2,101)	(1,523)	(2,748)	(3,297)	(2,829)	(1,799)	(2,459)	(4,593)
Non-GAAP research and development	<u>\$ 71,039</u>	<u>\$ 83,913</u>	<u>\$ 93,306</u>	<u>\$ 102,615</u>	<u>\$ 121,561</u>	<u>\$ 138,268</u>	<u>\$ 142,403</u>	<u>\$ 150,182</u>
GAAP sales and marketing	\$ 70,412	\$ 75,827	\$ 88,905	\$ 101,166	\$ 115,270	\$ 129,493	\$ 149,359	\$ 144,971
Less: Stock-based compensation expense	(6,606)	(9,739)	(11,680)	(14,595)	(17,590)	(21,145)	(23,405)	(23,014)
Less: Amortization of acquired intangibles	(163)	(229)	(208)	(203)	(206)	(208)	(208)	(203)
Less: Employer payroll taxes on employee stock transactions	(2,776)	(1,275)	(1,119)	(1,109)	(605)	(620)	(432)	(775)
Non-GAAP sales and marketing	<u>\$ 60,867</u>	<u>\$ 64,584</u>	<u>\$ 75,898</u>	<u>\$ 85,259</u>	<u>\$ 96,869</u>	<u>\$ 107,520</u>	<u>\$ 125,314</u>	<u>\$ 120,979</u>
GAAP general and administrative	\$ 21,146	\$ 23,549	\$ 28,640	\$ 26,380	\$ 34,383	\$ 39,395	\$ 39,255	\$ 42,321
Less: Stock-based compensation expense	(5,441)	(5,590)	(6,083)	(5,940)	(9,145)	(11,731)	(11,656)	(11,286)
Less: Employer payroll taxes on employee stock transactions	(194)	(520)	(410)	(257)	(217)	(245)	(111)	(965)
Non-GAAP general and administrative	<u>\$ 15,511</u>	<u>\$ 17,439</u>	<u>\$ 22,147</u>	<u>\$ 20,183</u>	<u>\$ 25,021</u>	<u>\$ 27,419</u>	<u>\$ 27,488</u>	<u>\$ 30,070</u>
Reconciliation of operating (loss) income and operating margin								
GAAP operating (loss) income	\$ (9,886)	\$ (4,895)	\$ 8,455	\$ 10,414	\$ (3,139)	\$ (31,342)	\$ (34,628)	\$ (34,970)
Plus: Stock-based compensation expense	34,515	43,995	56,366	66,884	82,399	101,362	112,509	112,728
Plus: Amortization of acquired intangibles	1,071	1,540	1,426	1,616	1,688	2,108	2,163	2,219
Plus: Employer payroll taxes on employee stock transactions	5,167	3,380	4,369	4,765	3,721	2,711	3,049	6,393
Non-GAAP operating income	<u>\$ 30,867</u>	<u>\$ 44,020</u>	<u>\$ 70,616</u>	<u>\$ 83,679</u>	<u>\$ 84,669</u>	<u>\$ 74,839</u>	<u>\$ 83,093</u>	<u>\$ 86,370</u>
GAAP operating margin	(4)%	(2)%	3 %	3 %	(1)%	(7)%	(7)%	(7)%
Non-GAAP operating margin	13 %	16 %	22 %	23 %	21 %	17 %	18 %	18 %
Reconciliation of net (loss) income								
GAAP net (loss) income	\$ (9,362)	\$ (5,484)	\$ 7,169	\$ 9,738	\$ (4,879)	\$ (25,985)	\$ (29,034)	\$ (24,086)
Plus: Stock-based compensation expense	34,515	43,995	56,366	66,884	82,399	101,362	112,509	112,728
Plus: Amortization of acquired intangibles	1,071	1,540	1,426	1,616	1,688	2,108	2,163	2,219

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

Plus: Employer payroll taxes on employee stock transactions	5,167	3,380	4,369	4,765	3,721	2,711	3,049	6,393
Plus: Amortization of issuance costs	837	838	839	840	842	843	844	845
Non-GAAP net income	\$ 32,228	\$ 44,269	\$ 70,169	\$ 83,843	\$ 83,771	\$ 81,039	\$ 89,531	\$ 98,099
Non-GAAP net income per share - basic	\$ 0.10	\$ 0.14	\$ 0.23	\$ 0.27	\$ 0.27	\$ 0.26	\$ 0.28	\$ 0.31
Non-GAAP net income per share - diluted	\$ 0.09	\$ 0.13	\$ 0.20	\$ 0.24	\$ 0.24	\$ 0.23	\$ 0.26	\$ 0.28
Shares used in non-GAAP net income per share calculations:								
Basic	308,019	310,247	311,817	313,456	314,795	315,990	317,348	319,286
Diluted	342,307	344,543	345,877	345,668	344,854	345,100	345,009	345,934

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

	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Net cash provided by operating activities	\$51,723	\$67,379	\$115,793	\$147,388	\$72,960	\$83,618	\$114,441	\$133,787
Less: Purchases of property and equipment	(3,229)	(3,324)	(2,405)	(9,514)	(5,987)	(9,706)	(10,054)	(8,739)
Less: Capitalized software development costs	(6,209)	(6,972)	(6,705)	(7,973)	(6,807)	(6,812)	(8,036)	(8,711)
Free cash flow	<u>42,285</u>	<u>57,083</u>	<u>106,683</u>	<u>129,901</u>	<u>60,166</u>	<u>67,100</u>	<u>96,351</u>	<u>116,337</u>
Free cash flow margin	18 %	21 %	33 %	36 %	15 %	15 %	21 %	24 %

Datadog, Inc.
Other Selected Key Metrics
(In thousands; unaudited)

	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Trailing 12-month dollar-based net retention rate	> 130%	> 130%	> 130%	> 130%	> 130%	> 130%	> 130%	> 130%
Total customers	16,400	17,500	18,800	19,800	21,200	22,200	23,200	25,500
Customers with equal or greater than \$1 million ARR			216				317	
Customers with equal or greater than \$100,000 ARR	1,570	1,800	2,010	2,250	2,420	2,600	2,780	2,910
Percentage of ARR comprised by \$100k+ customers	80 %	82 %	83 %	85 %	85 %	85 %	85 %	85 %
Percentage of customers using 2+ products	75 %	77 %	78 %	81 %	79 %	80 %	81 %	81 %
Percentage of customers using 4+ products	28 %	31 %	33 %	35 %	37 %	40 %	42 %	43 %
Percentage of customers using 6+ products	6 %	8 %	10 %	12 %	14 %	16 %	18 %	19 %

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