



**Supplemental Financial Information
For the Period Ended December 31, 2022
(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 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 (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-GAAP Financial Measures

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 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 dollar-based net retention rate.

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

	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Revenue	\$ 198,549	\$ 233,549	\$ 270,488	\$ 326,198	\$ 363,030	\$ 406,138	\$ 436,533	\$ 469,399
Cost of revenue ⁽¹⁾⁽²⁾⁽³⁾	46,666	57,098	63,332	67,149	74,462	81,925	93,599	96,757
Gross profit	151,883	176,451	207,156	259,049	288,568	324,213	342,934	372,642
Operating expenses:								
Research and development ⁽¹⁾⁽³⁾	79,266	94,779	112,675	133,049	150,608	177,699	205,388	218,656
Sales and marketing ⁽¹⁾⁽²⁾⁽³⁾	64,353	70,412	75,827	88,905	101,166	115,270	129,493	149,359
General and administrative ⁽¹⁾⁽³⁾	21,094	21,146	23,549	28,640	26,380	34,383	39,395	39,255
Total operating expenses	164,713	186,337	212,051	250,594	278,154	327,352	374,276	407,270
Operating (loss) income	(12,830)	(9,886)	(4,895)	8,455	10,414	(3,139)	(31,342)	(34,628)
Other income:								
Interest expense ⁽⁴⁾	(5,472)	(5,064)	(4,912)	(5,604)	(5,247)	(4,541)	(3,728)	(3,019)
Interest income and other income, net	5,773	5,292	5,040	5,681	5,687	7,669	12,011	11,793
Other income, net	301	228	128	77	440	3,128	8,283	8,774
(Loss) income before (provision for) benefit from income taxes	(12,529)	(9,658)	(4,767)	8,532	10,854	(11)	(23,059)	(25,854)
(Provision for) benefit from income taxes	(539)	296	(717)	(1,363)	(1,116)	(4,868)	(2,926)	(3,180)
Net (loss) income	\$ (13,068)	\$ (9,362)	\$ (5,484)	\$ 7,169	\$ 9,738	\$ (4,879)	\$ (25,985)	\$ (29,034)
Net (loss) income per share - basic	\$ (0.04)	\$ (0.03)	\$ (0.02)	\$ 0.02	\$ 0.03	\$ (0.02)	\$ (0.08)	\$ (0.09)
Net (loss) income per share - diluted	\$ (0.04)	\$ (0.03)	\$ (0.02)	\$ 0.02	\$ 0.03	\$ (0.02)	\$ (0.08)	\$ (0.09)
Weighted average shares used in calculating net (loss) income per share:								
Basic	306,034	308,019	310,247	311,817	313,456	314,795	315,990	317,348
Diluted	306,034	308,019	310,247	345,877	345,668	314,795	315,990	317,348

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

Cost of revenue	\$ 701	\$ 829	\$ 1,427	\$ 1,608	\$ 1,653	\$ 2,355	\$ 3,165	\$ 3,654
Research and development	16,069	21,639	27,239	36,995	44,696	53,309	65,321	73,794
Sales and marketing	7,010	6,606	9,739	11,680	14,595	17,590	21,145	23,405
General and administrative	5,081	5,441	5,590	6,083	5,940	9,145	11,731	11,656
Total	\$ 28,861	\$ 34,515	\$ 43,995	\$ 56,366	\$ 66,884	\$ 82,399	\$ 101,362	\$ 112,509

(2) Includes amortization of acquired intangibles as follows:

Cost of revenue	\$ 355	\$ 908	\$ 1,311	\$ 1,218	\$ 1,413	\$ 1,482	\$ 1,900	\$ 1,955
Sales and marketing	—	163	229	208	203	206	208	208
Total	\$ 355	\$ 1,071	\$ 1,540	\$ 1,426	\$ 1,616	\$ 1,688	\$ 2,108	\$ 2,163

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

Cost of revenue	\$ 95	\$ 96	\$ 62	\$ 92	\$ 102	\$ 70	\$ 47	\$ 47
Research and development	1,771	2,101	1,523	2,748	3,297	2,829	1,799	2,459
Sales and marketing	1,179	2,776	1,275	1,119	1,109	605	620	432
General and administrative	124	194	520	410	257	217	245	111
Total	\$ 3,169	\$ 5,167	\$ 3,380	\$ 4,369	\$ 4,765	\$ 3,721	\$ 2,711	\$ 3,049

(4) Includes amortization of issuance costs as follows:

Interest expense	\$ 835	\$ 837	\$ 838	\$ 839	\$ 840	\$ 842	\$ 843	\$ 844
Total	\$ 835	\$ 837	\$ 838	\$ 839	\$ 840	\$ 842	\$ 843	\$ 844

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

	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Revenue	198,549	233,549	270,488	326,198	363,030	406,138	436,533	469,399
Cost of revenue	45,515	55,265	60,532	64,231	71,294	78,018	88,487	91,101
Gross profit	153,034	178,284	209,956	261,967	291,736	328,120	348,046	378,298
Operating expenses:								
Research and development	61,426	71,039	83,913	93,306	102,615	121,561	138,268	142,403
Sales and marketing	56,164	60,867	64,584	75,898	85,259	96,869	107,520	125,314
General and administrative	15,889	15,511	17,439	22,147	20,183	25,021	27,419	27,488
Total operating expenses	133,479	147,417	165,936	191,351	208,057	243,451	273,207	295,204
Operating income	19,555	30,867	44,020	70,616	83,679	84,669	74,839	83,093
Other income (loss):								
Interest expense	(4,637)	(4,227)	(4,074)	(4,765)	(4,407)	(3,699)	(2,885)	(2,175)
Interest income and other income, net	5,773	5,292	5,040	5,681	5,687	7,669	12,011	11,793
Other income, net	1,136	1,065	966	916	1,280	3,970	9,126	9,618
Income before (provision for) benefit from income taxes	20,691	31,932	44,986	71,532	84,959	88,639	83,965	92,711
(Provision for) benefit from income taxes	(539)	296	(717)	(1,363)	(1,116)	(4,868)	(2,926)	(3,180)
Non-GAAP net income	\$ 20,152	\$ 32,228	\$ 44,269	\$ 70,169	\$ 83,843	\$ 83,771	\$ 81,039	\$ 89,531
Non-GAAP net income per share - basic	\$ 0.07	\$ 0.10	\$ 0.14	\$ 0.23	\$ 0.27	\$ 0.27	\$ 0.26	\$ 0.28
Non-GAAP net income per share - diluted	\$ 0.06	\$ 0.09	\$ 0.13	\$ 0.20	\$ 0.24	\$ 0.24	\$ 0.23	\$ 0.26
Weighted average shares used in calculating non-GAAP net income per share:								
Basic	306,034	308,019	310,247	311,817	313,456	314,795	315,990	317,348
Diluted	342,329	342,307	344,453	345,877	345,668	344,854	345,100	345,009

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

	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
ASSETS								
CURRENT ASSETS:								
Cash and cash equivalents	\$ 369,706	\$ 247,442	\$ 286,966	\$ 270,973	\$ 271,686	\$ 238,859	\$ 294,815	\$ 338,985
Marketable securities	1,178,190	1,162,717	1,180,160	1,283,473	1,399,323	1,464,681	1,471,448	1,545,341
Accounts receivable, net	154,111	188,326	224,602	268,824	275,342	305,501	348,830	399,551
Deferred contract costs, current	15,446	17,612	19,933	23,235	24,688	27,345	29,873	33,054
Prepaid expenses and other current assets	29,404	26,289	24,675	24,443	32,632	33,202	31,603	27,303
Total current assets	1,746,857	1,642,386	1,736,336	1,870,948	2,003,671	2,069,588	2,176,569	2,344,234
Property and equipment, net	52,805	60,511	68,820	75,152	90,713	97,791	110,889	125,346
Operating lease assets	53,117	49,233	61,972	61,355	61,921	64,016	88,930	87,629
Goodwill	48,479	258,682	255,735	292,176	292,032	334,687	332,649	348,277
Intangible assets, net	3,414	11,743	12,803	15,704	14,088	17,960	15,616	16,365
Deferred contract costs, non-current	27,874	31,624	35,508	42,062	42,753	46,840	50,154	55,338
Restricted cash	3,613	3,662	3,572	3,490	3,424	3,214	3,019	3,303
Other assets	15,915	18,892	19,427	19,907	20,413	20,391	19,777	24,360
TOTAL ASSETS	<u>\$ 1,952,074</u>	<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>
LIABILITIES AND STOCKHOLDERS' EQUITY								
CURRENT LIABILITIES:								
Accounts payable	\$ 12,065	\$ 29,257	\$ 34,654	\$ 25,270	\$ 18,629	\$ 47,650	\$ 27,625	\$ 23,474
Accrued expenses and other current liabilities	68,476	70,524	85,173	111,284	108,211	111,622	146,290	171,158
Operating lease liabilities, current	16,626	16,626	19,425	20,157	20,320	22,357	21,751	22,092
Deferred revenue, current	223,647	264,650	300,950	371,985	454,812	444,247	478,742	543,024
Total current liabilities	320,814	381,057	440,202	528,696	601,972	625,876	674,408	759,748
Operating lease liabilities, non-current	46,620	42,448	53,189	52,106	51,817	51,771	76,934	76,582
Convertible senior notes, net	732,968	733,805	734,643	735,482	736,318	737,160	738,003	738,847
Deferred revenue, non-current	5,628	1,277	3,266	13,896	12,798	14,526	9,455	12,944
Other liabilities	4,714	5,267	5,461	9,411	9,253	10,034	9,364	6,226
Total liabilities	1,110,744	1,163,854	1,236,761	1,339,591	1,412,158	1,439,367	1,508,164	1,594,347
STOCKHOLDERS' EQUITY								
Common stock	3	3	3	3	3	3	3	3
Additional paid-in capital	985,004	1,065,835	1,116,872	1,197,136	1,271,777	1,380,873	1,487,992	1,625,190
Accumulated other comprehensive income (loss)	752	832	(188)	(3,830)	(12,555)	(18,509)	(25,324)	(12,422)
Accumulated deficit	(144,429)	(153,791)	(159,275)	(152,106)	(142,368)	(147,247)	(173,232)	(202,266)
Total stockholders' equity	841,330	912,879	957,412	1,041,203	1,116,857	1,215,120	1,289,439	1,410,505
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 1,952,074</u>	<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>

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

	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
CASH FLOWS FROM OPERATING ACTIVITIES:								
Net (loss) income	\$ (13,068)	\$ (9,362)	\$ (5,484)	\$ 7,169	\$ 9,738	\$ (4,879)	\$ (25,985)	\$ (29,034)
Adjustments to reconcile net (loss) income to net cash provided by operating activities:								
Depreciation and amortization	4,402	5,463	6,197	6,876	7,394	8,118	9,313	9,804
Amortization of discounts or premiums on marketable securities	4,259	3,854	3,716	4,407	3,959	2,738	520	(2,491)
Amortization of issuance costs	835	837	838	839	840	842	843	844
Amortization of deferred contract costs	3,779	4,074	4,704	5,309	6,022	6,558	7,361	8,062
Stock-based compensation, net of amounts capitalized	28,861	34,515	43,995	56,366	66,884	82,399	101,362	112,509
Non-cash lease expense	4,012	4,049	4,544	4,596	4,411	5,275	5,550	6,180
Allowance for credit losses on accounts receivable	25	502	699	1,085	798	1,133	1,998	1,286
Loss on disposal of property and equipment	3	153	102	16	823	326	3	510
Changes in operating assets and liabilities:								
Accounts receivable, net	9,223	(34,131)	(36,972)	(45,232)	(7,319)	(30,781)	(45,638)	(51,963)
Deferred contract costs	(6,711)	(9,990)	(10,909)	(15,165)	(8,166)	(13,303)	(13,202)	(16,427)
Prepaid expenses and other current assets	(5,998)	3,461	1,596	204	(8,391)	(4,238)	1,349	4,715
Other assets	572	(1,504)	(912)	(783)	(805)	(947)	(168)	(3,259)
Accounts payable	(9,226)	16,598	5,060	(9,354)	(7,624)	30,803	(20,696)	(3,769)
Accrued expenses and other liabilities	9,682	(2,374)	11,918	18,044	(2,911)	(1,399)	31,660	10,228
Deferred revenue	21,000	35,578	38,287	81,416	81,735	(9,685)	29,348	67,246
Net cash provided by operating activities	51,650	51,723	67,379	115,793	147,388	72,960	83,618	114,441
CASH FLOWS FROM INVESTING ACTIVITIES:								
Purchases of marketable securities	(150,331)	(340,652)	(406,429)	(228,107)	(329,706)	(389,079)	(348,947)	(345,985)
Maturities of marketable securities	253,234	316,972	365,486	110,868	199,703	317,051	340,439	280,531
Proceeds from sale of marketable securities	6,497	35,218	19,417	6,617	2,007	(1)	84	—
Purchases of property and equipment	(998)	(3,229)	(3,324)	(2,405)	(9,514)	(5,987)	(9,706)	(10,054)
Capitalized software development costs	(6,183)	(6,209)	(6,972)	(6,705)	(7,973)	(6,807)	(6,812)	(8,036)
Cash paid for acquisition of businesses, net of cash acquired	(11,509)	(188,839)	146	(26,303)	(4,871)	(34,695)	(736)	(5,576)
Net cash provided by (used in) investing activities	90,710	(186,739)	(31,676)	(146,035)	(150,354)	(119,518)	(25,678)	(89,120)
CASH FLOWS FROM FINANCING ACTIVITIES:								
Proceeds from exercise of stock options	3,275	2,887	4,489	4,256	4,245	2,206	1,816	1,734
Proceeds for issuance of common stock under the employee stock purchase plan	—	9,794	—	10,484	—	13,557	—	12,468
Employee payroll taxes paid related to net share settlement under the employee stock purchase plan	(245)	—	—	—	—	—	—	—
Repayments of convertible senior notes	—	—	—	—	(3)	—	—	—
Net cash provided by financing activities	3,030	12,681	4,489	14,740	4,242	15,763	1,816	14,202

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

	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(782)	120	(758)	(573)	(629)	(2,242)	(3,995)	4,931
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	144,608	(122,215)	39,434	(16,075)	647	(33,037)	55,761	44,454
CASH, CASH EQUIVALENTS AND RESTRICTED CASH — Beginning of period	228,711	373,319	251,104	290,538	274,463	275,110	242,073	297,834
CASH, CASH EQUIVALENTS AND RESTRICTED CASH — End of period	<u>\$ 373,319</u>	<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>
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	\$ 369,706	\$ 247,442	\$ 286,966	\$ 270,973	\$ 271,686	\$ 238,859	\$ 294,815	\$ 338,985
Restricted cash	3,613	3,662	3,572	3,490	3,424	3,214	3,019	3,303
Total cash, cash equivalents and restricted cash	<u>\$ 373,319</u>	<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>

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

	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Reconciliation of gross profit and gross margin								
GAAP gross profit	\$ 151,883	\$ 176,451	\$ 207,156	\$ 259,049	\$ 288,568	\$ 324,213	\$ 342,934	\$ 372,642
Plus: Stock-based compensation expense	701	829	1,427	1,608	1,653	2,355	3,165	3,654
Plus: Amortization of acquired intangibles	355	908	1,311	1,218	1,413	1,482	1,900	1,955
Plus: Employer payroll taxes on employee stock transactions	95	96	62	92	102	70	47	47
Non-GAAP gross profit	<u>\$ 153,034</u>	<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>
GAAP gross margin	76 %	76 %	77 %	79 %	79 %	80 %	79 %	79 %
Non-GAAP gross margin	77 %	76 %	78 %	80 %	80 %	81 %	80 %	81 %
Reconciliation of operating expenses								
GAAP research and development	\$ 79,266	\$ 94,779	\$ 112,675	\$ 133,049	\$ 150,608	\$ 177,699	\$ 205,388	\$ 218,656
Less: Stock-based compensation expense	(16,069)	(21,639)	(27,239)	(36,995)	(44,696)	(53,309)	(65,321)	(73,794)
Less: Employer payroll taxes on employee stock transactions	(1,771)	(2,101)	(1,523)	(2,748)	(3,297)	(2,829)	(1,799)	(2,459)
Non-GAAP research and development	<u>\$ 61,426</u>	<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>
GAAP sales and marketing	\$ 64,353	\$ 70,412	\$ 75,827	\$ 88,905	\$ 101,166	\$ 115,270	\$ 129,493	\$ 149,359
Less: Stock-based compensation expense	(7,010)	(6,606)	(9,739)	(11,680)	(14,595)	(17,590)	(21,145)	(23,405)
Less: Amortization of acquired intangibles	—	(163)	(229)	(208)	(203)	(206)	(208)	(208)
Less: Employer payroll taxes on employee stock transactions	(1,179)	(2,776)	(1,275)	(1,119)	(1,109)	(605)	(620)	(432)
Non-GAAP sales and marketing	<u>\$ 56,164</u>	<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>
GAAP general and administrative	\$ 21,094	\$ 21,146	\$ 23,549	\$ 28,640	\$ 26,380	\$ 34,383	\$ 39,395	\$ 39,255
Less: Stock-based compensation expense	(5,081)	(5,441)	(5,590)	(6,083)	(5,940)	(9,145)	(11,731)	(11,656)
Less: Employer payroll taxes on employee stock transactions	(124)	(194)	(520)	(410)	(257)	(217)	(245)	(111)
Non-GAAP general and administrative	<u>\$ 15,889</u>	<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>
Reconciliation of operating (loss) income and operating margin								
GAAP operating (loss) income	\$ (12,830)	\$ (9,886)	\$ (4,895)	\$ 8,455	\$ 10,414	\$ (3,139)	\$ (31,342)	\$ (34,628)
Plus: Stock-based compensation expense	28,861	34,515	43,995	56,366	66,884	82,399	101,362	112,509
Plus: Amortization of acquired intangibles	355	1,071	1,540	1,426	1,616	1,688	2,108	2,163
Plus: Employer payroll taxes on employee stock transactions	3,169	5,167	3,380	4,369	4,765	3,721	2,711	3,049
Non-GAAP operating income	<u>\$ 19,555</u>	<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>
GAAP operating margin	(6)%	(4)%	(2)%	3 %	3 %	(1)%	(7)%	(7)%
Non-GAAP operating margin	10 %	13 %	16 %	22 %	23 %	21 %	17 %	18 %
Reconciliation of net (loss) income								
GAAP net (loss) income	\$ (13,068)	\$ (9,362)	\$ (5,484)	\$ 7,169	\$ 9,738	\$ (4,879)	\$ (25,985)	\$ (29,034)
Plus: Stock-based compensation expense	28,861	34,515	43,995	56,366	66,884	82,399	101,362	112,509
Plus: Amortization of acquired intangibles	355	1,071	1,540	1,426	1,616	1,688	2,108	2,163

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

Plus: Employer payroll taxes on employee stock transactions	3,169	5,167	3,380	4,369	4,765	3,721	2,711	3,049
Plus: Amortization of issuance costs	835	837	838	839	840	842	843	844
Non-GAAP net income	\$ 20,152	\$ 32,228	\$ 44,269	\$ 70,169	\$ 83,843	\$ 83,771	\$ 81,039	\$ 89,531
Non-GAAP net income per share - basic	\$ 0.07	\$ 0.10	\$ 0.14	\$ 0.23	\$ 0.27	\$ 0.27	\$ 0.26	\$ 0.28
Non-GAAP net income per share - diluted	\$ 0.06	\$ 0.09	\$ 0.13	\$ 0.20	\$ 0.24	\$ 0.24	\$ 0.23	\$ 0.26
Shares used in non-GAAP net income per share calculations:								
Basic	306,034	308,019	310,247	311,817	313,456	314,795	315,990	317,348
Diluted	342,329	342,307	344,453	345,877	345,668	344,854	345,100	345,009

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

	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Net cash provided by operating activities	\$51,650	\$51,723	\$67,379	\$115,793	\$147,388	\$72,960	\$83,618	\$114,441
Less: Purchases of property and equipment	(998)	(3,229)	(3,324)	(2,405)	(9,514)	(5,987)	(9,706)	(10,054)
Less: Capitalized software development costs	(6,183)	(6,209)	(6,972)	(6,705)	(7,973)	(6,807)	(6,812)	(8,036)
Free cash flow	<u>44,469</u>	<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>
Free cash flow margin	22 %	18 %	21 %	33 %	36 %	15 %	15 %	21 %

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

	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Net dollar-based retention rate	> 130%	> 130%	> 130%	> 130%	> 130%	> 130%	> 130%	> 130%
Total customers	15,200	16,400	17,500	18,800	19,800	21,200	22,200	23,200
Customers with equal or greater than \$1 million ARR				216				317
Customers with equal or greater than \$100,000 ARR	1,406	1,570	1,800	2,010	2,250	2,420	2,600	2,780
Percentage of ARR comprised by \$100k+ customers	79 %	80 %	82 %	83 %	85 %	85 %	85 %	85 %
Percentage of customers using 2+ products	75 %	75 %	77 %	78 %	81 %	79 %	80 %	81 %
Percentage of customers using 4+ products	25 %	28 %	31 %	33 %	35 %	37 %	40 %	42 %
Percentage of customers using 6+ products	4 %	6 %	8 %	10 %	12 %	14 %	16 %	18 %

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