

Investor Day 2024

February 15, 2024

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, our investments in research and development and go-to-market, the growth in and ability to capitalize on long-term market opportunities including the pace and scope of cloud migration and digital transformation, the potential size of the cloud, observability and cloud security markets, and Datadog’s future financial performance in particular the goals presented in the section “Forward looking financials” in this presentation. 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 dependence on 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 Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, filed with the SEC on November 7, 2023. Additional information will be made available in our Annual Report on Form 10-K for the year ended December 31, 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 presentation. We disclaim any obligation to update forward-looking statements.

Agenda

First half

Strategy, growth opportunities, Datadog platform and product innovation

Q&A

Olivier Pomel
Alexis Lê-Quôc
Yrieix Garnier
Michael Whetten
Prashant Prahlad
Yuka Broderick

Intermission

Second half

Go-to-market, execution on expansion, delivering customer value, financial execution

Q&A

Amit Agarwal
Sean Walters
Angie Holt
David Obstler
Olivier Pomel
Yuka Broderick

Olivier Pomel

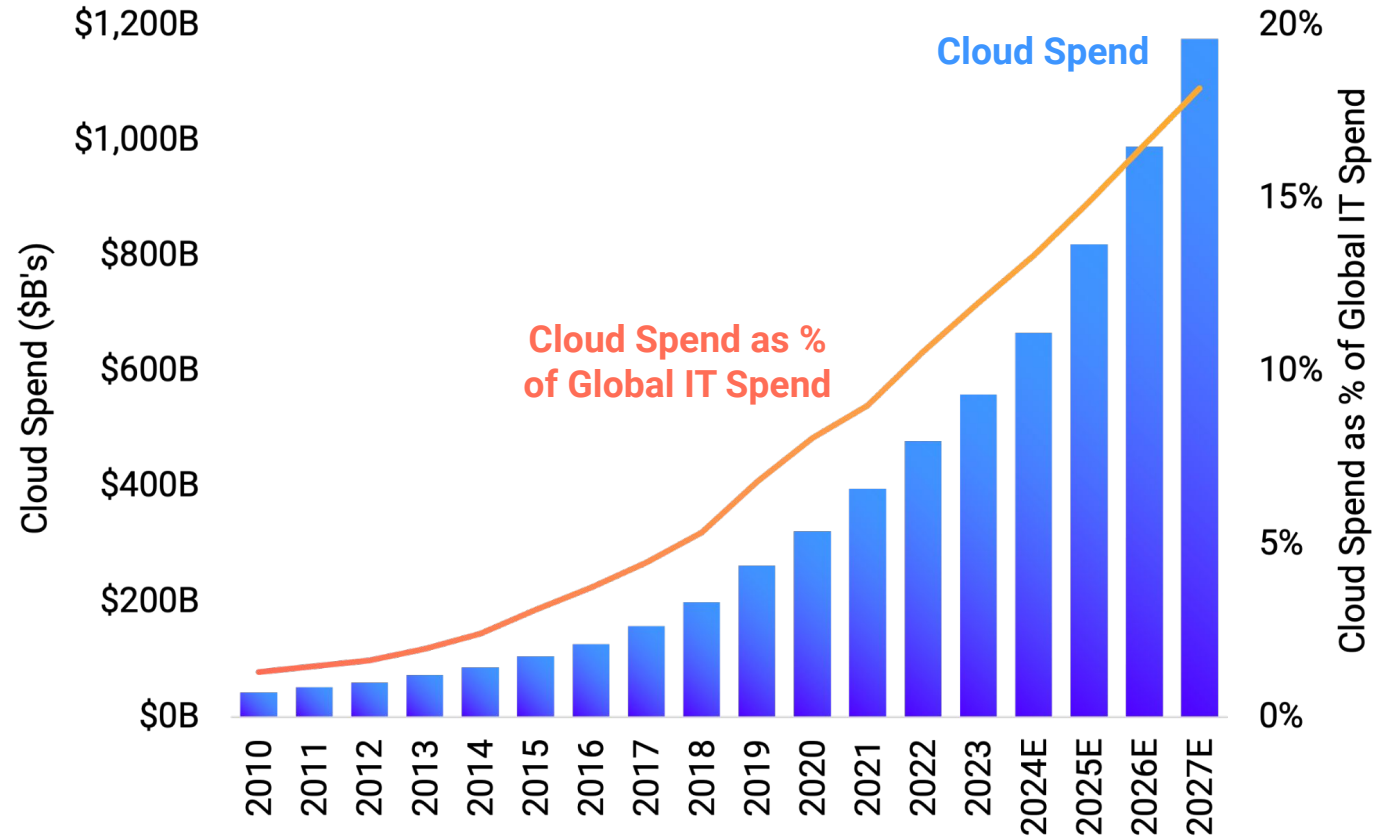
CEO & Co-founder

What I'll cover today

- 1 What problem we solve and how
- 2 How we think about expanding into new product categories
- 3 Where we're going as a company

Cloud migration and digital transformation

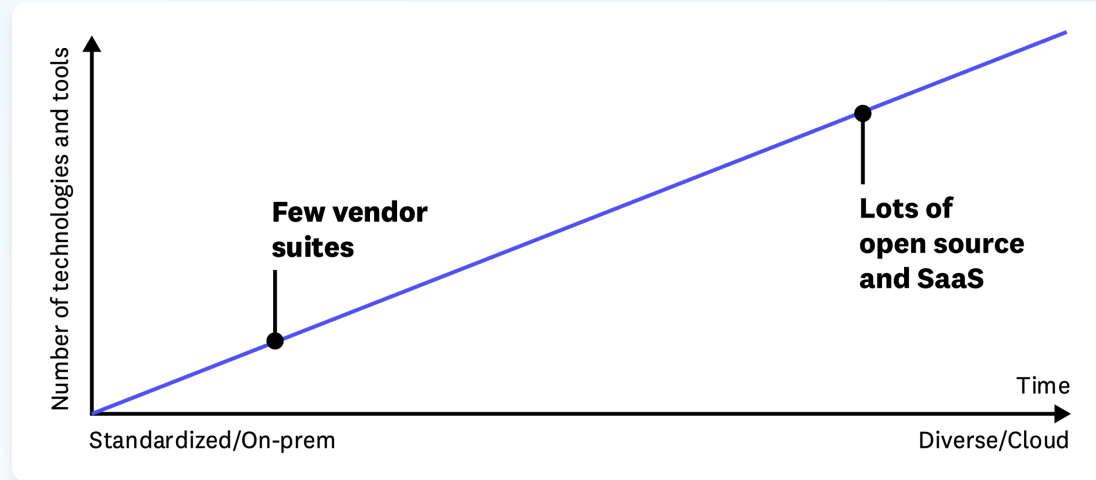
Cloud spend continues to grow rapidly



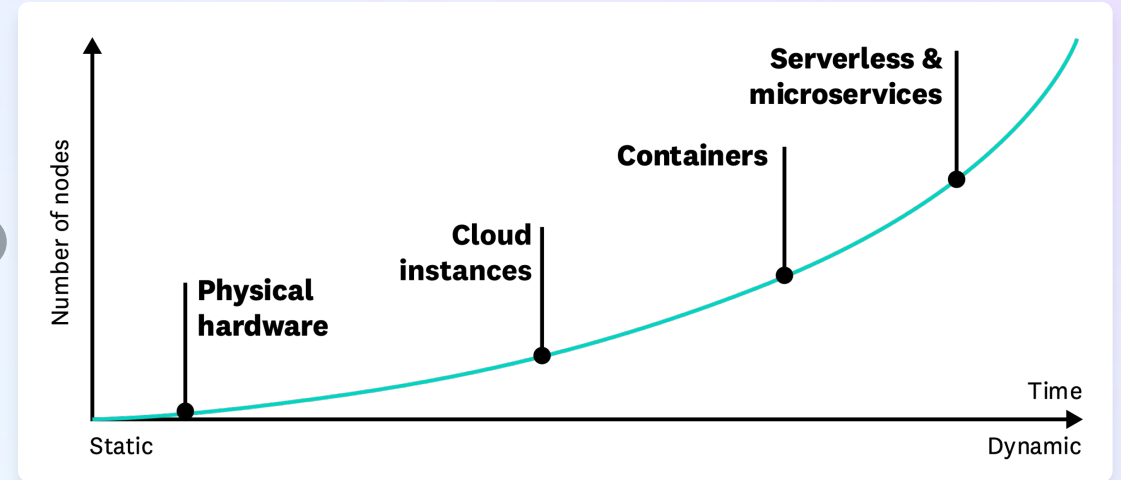
Gartner Forecast: Public Cloud Services, Worldwide - 2010-2016, 4Q12 Update; 2011-2017, 4Q13 Update; 2012-2018, 4Q14 Update; 2013-2019, 4Q15 Update; 2014-2020, 4Q16 Update; 2015-2021, 4Q17 Update; 2016-2022, 4Q18 Update; 2017-2023, 4Q19 Update; 2018-2024, 4Q20 Update; 2019-2025, 4Q21 Update; 2020-2026, 4Q22 Update; 2021-2027, 4Q23 Update.
Gartner Market Databook - 4Q12 Update; 4Q13 Update; 4Q14 Update; 4Q15 Update; 4Q16 Update; 4Q17 Update; 4Q18 Update; 4Q19 Update; 4Q20 Update; 4Q21 Update; 4Q22 Update; 4Q23 Update.

The problem: an explosion of complexity

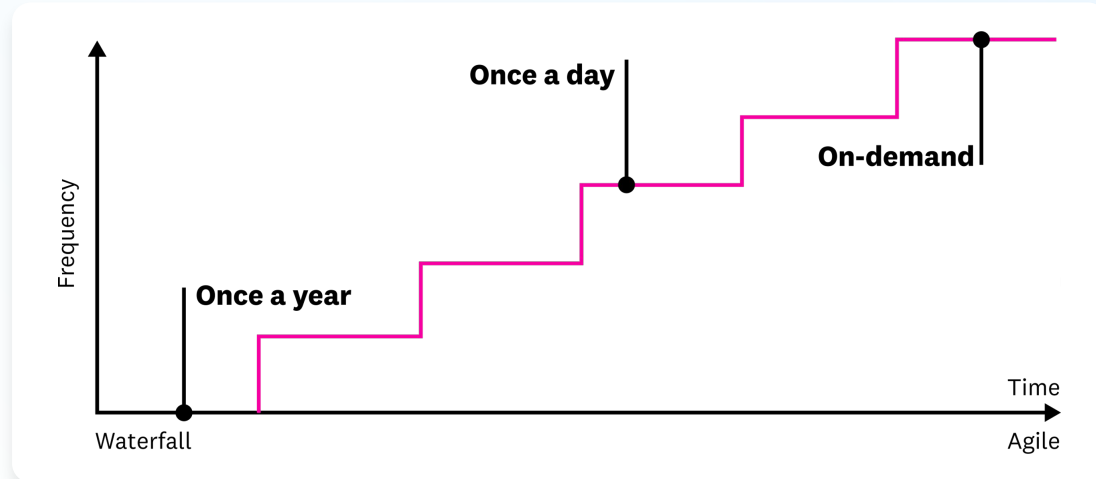
Diversity of technologies in use



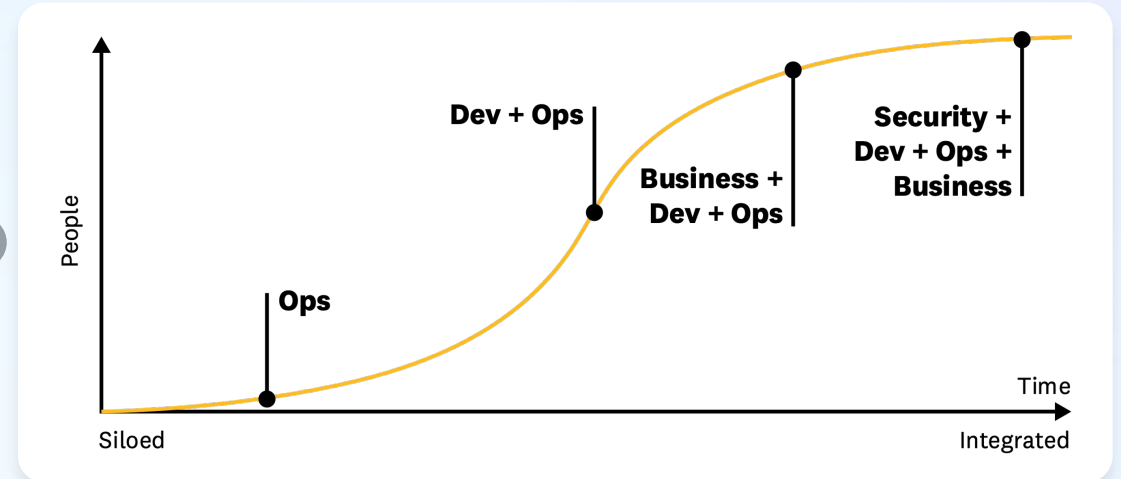
Scale in number of computing units



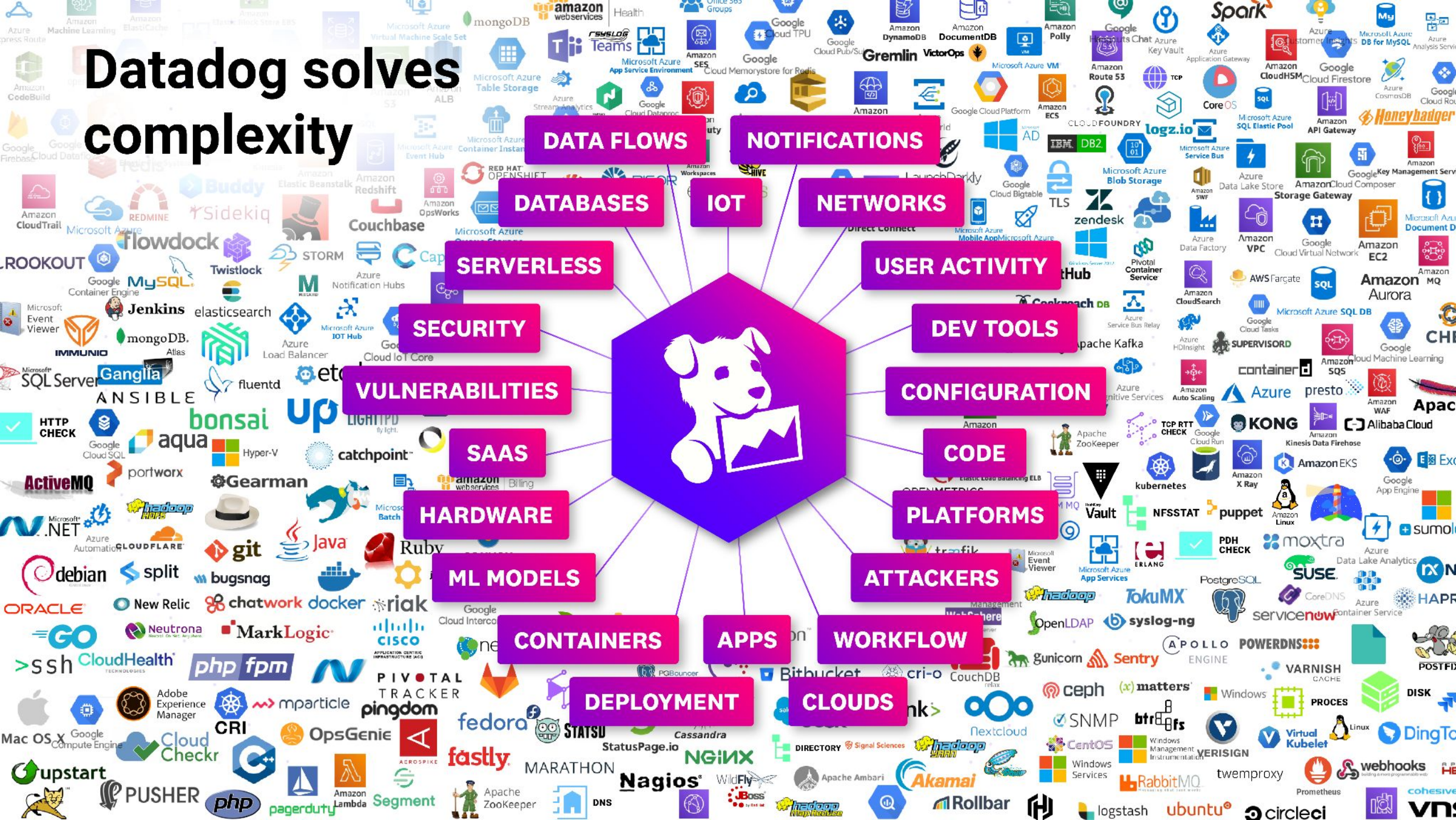
Frequency of release



Number of people involved



Datadog solves complexity



Our product philosophy

Our product philosophy

Unified platform

Our product philosophy

Unified platform

**Simple but
not simplistic**

Our product philosophy

Unified platform

**Simple but
not simplistic**



**Deployed
everywhere,
used by
everyone**

Our product philosophy

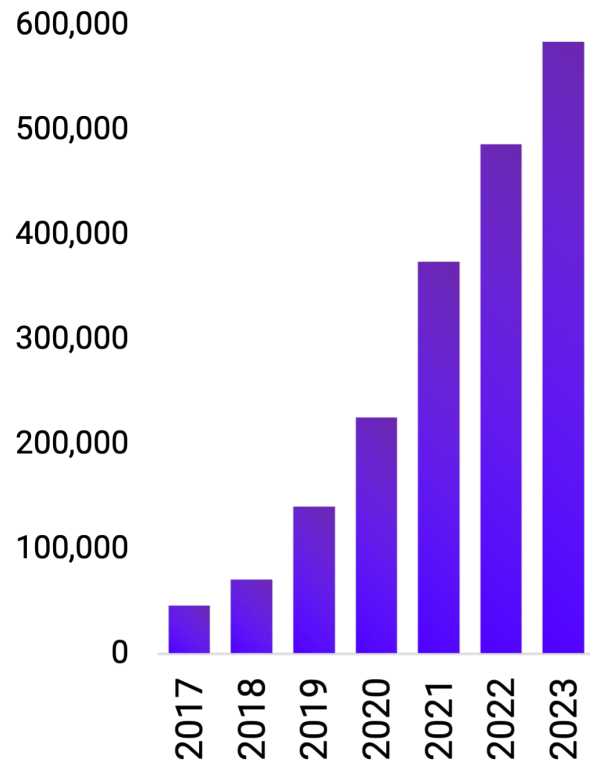


Deployed everywhere, used by everyone

Monthly Active Users are users at paying customers, who logged onto the Datadog platform in December of the given year.

Deployed everywhere, used by everyone

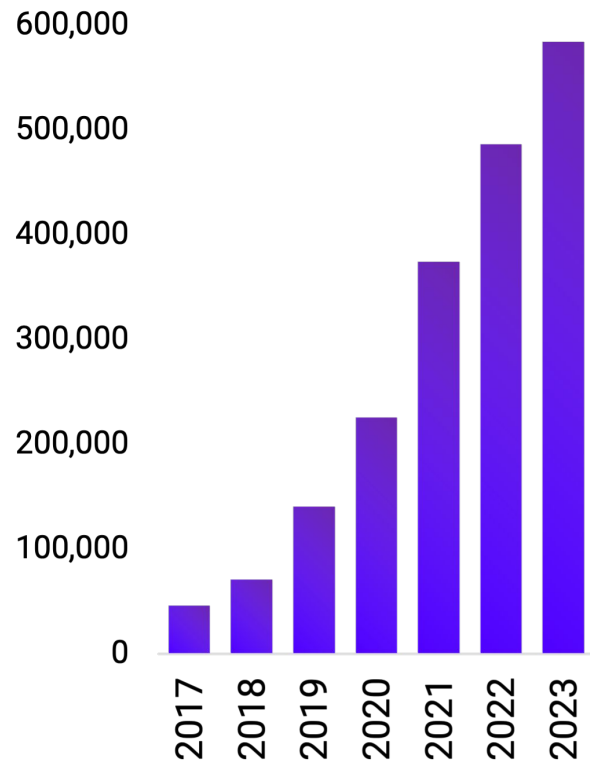
of Monthly Active Users (MAUs)



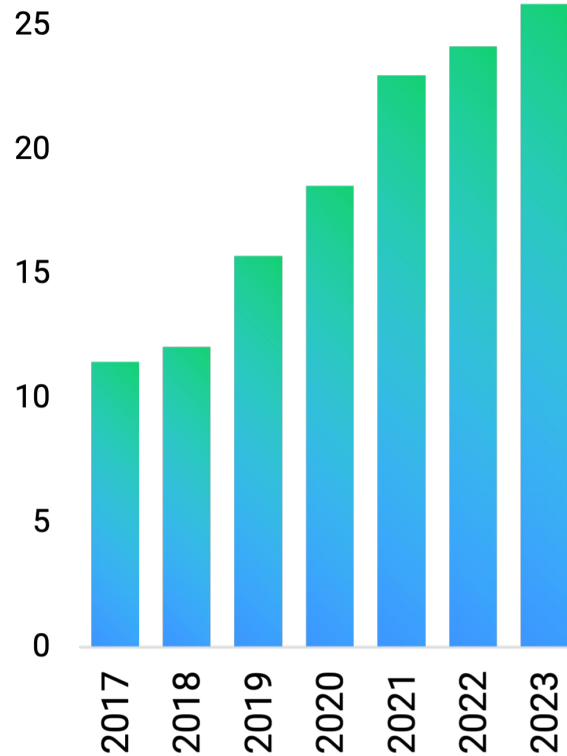
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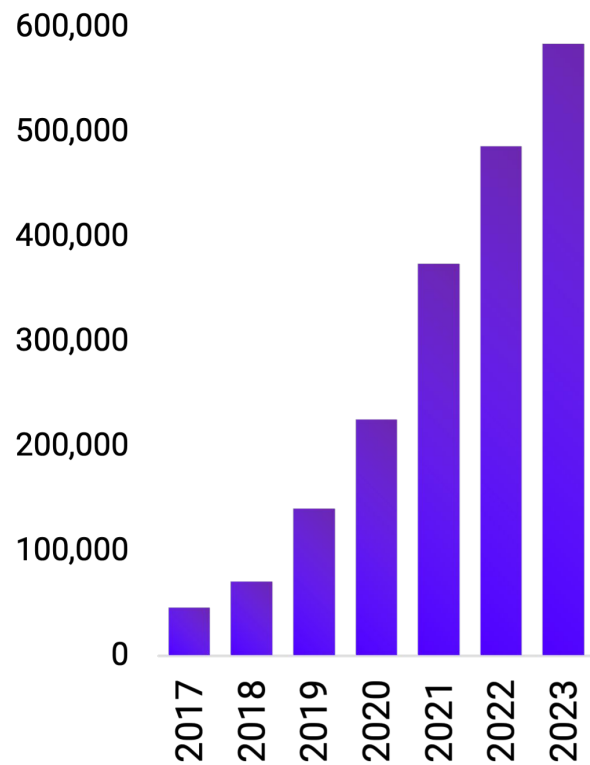
MAUs per Customer



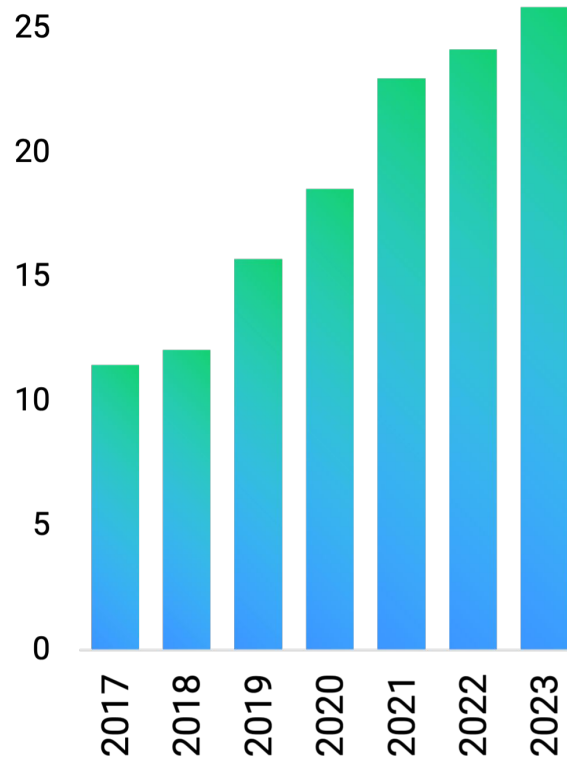
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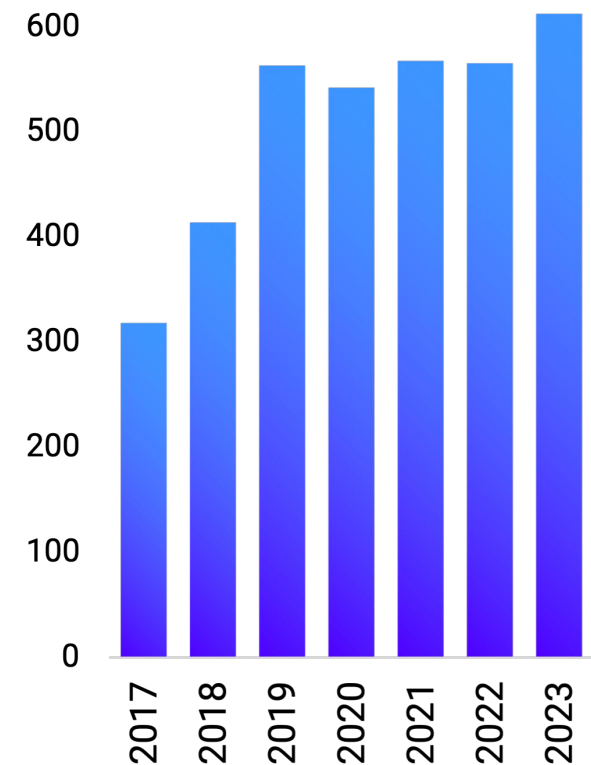
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MAUs per Customer



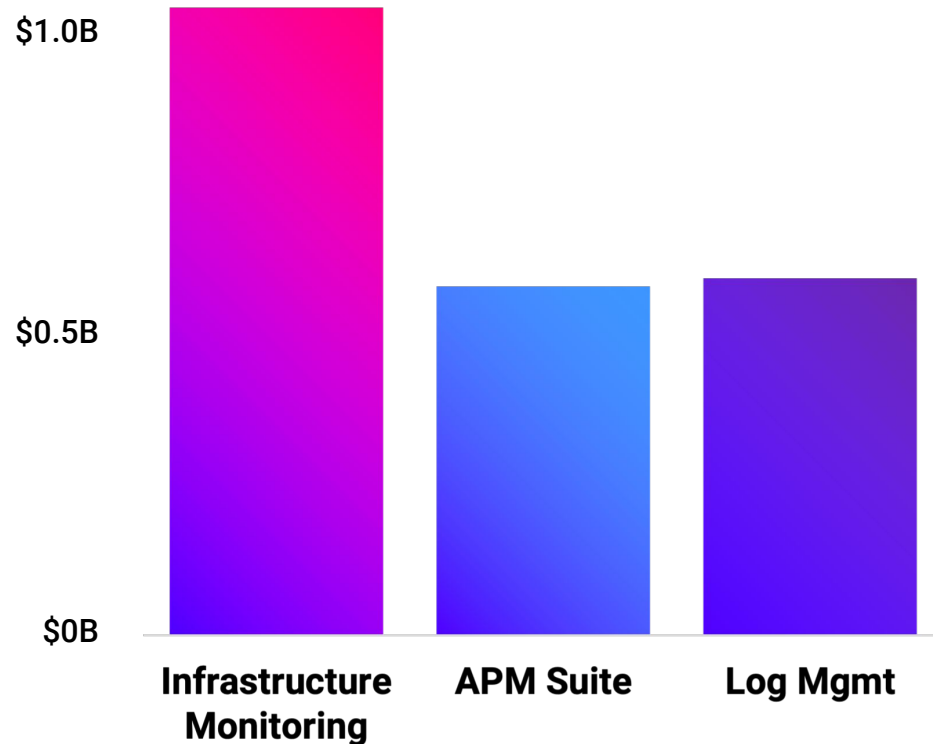
MAUs per \$1M+ ARR Customer



Monthly Active Users are users at paying customers, who logged onto the Datadog platform in December of the given year.

A balanced, Unified Platform

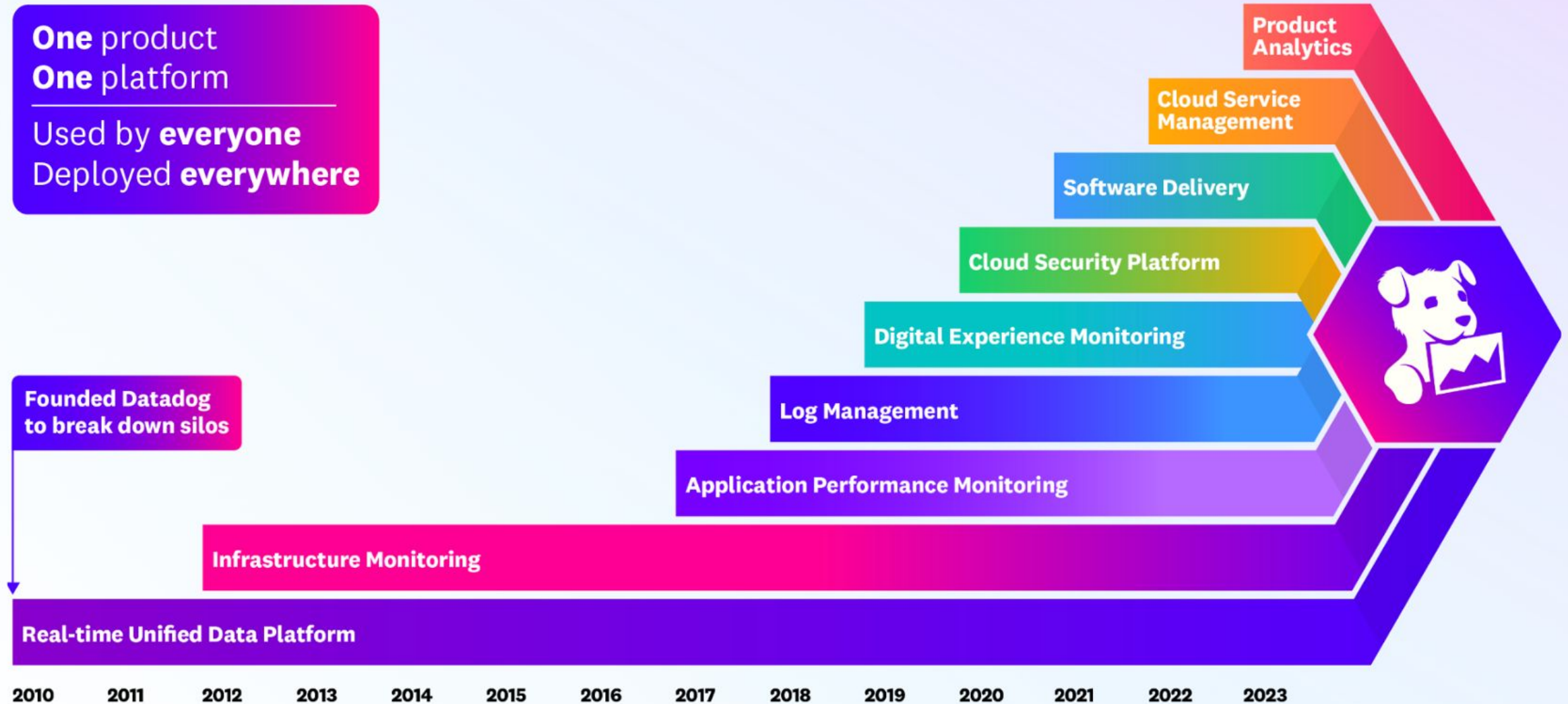
4Q23 \$ ARR, 3-pillars



Olivier Pomel, 3Q23 earnings:

“We believe that these ARR milestones, and their balance across the three pillars of observability, demonstrate that Datadog is unique within the industry in establishing **true platform value** for customers.”

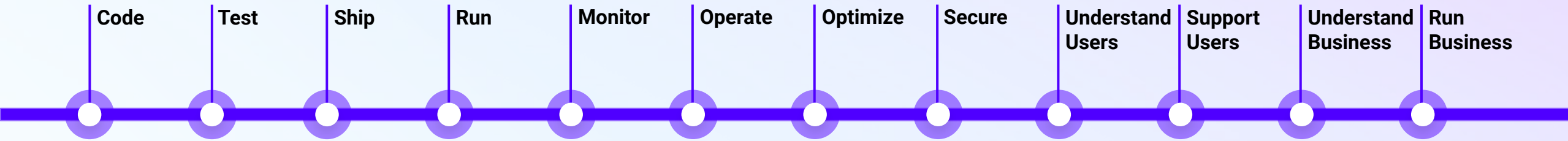
As we've expanded, we've solved more problems



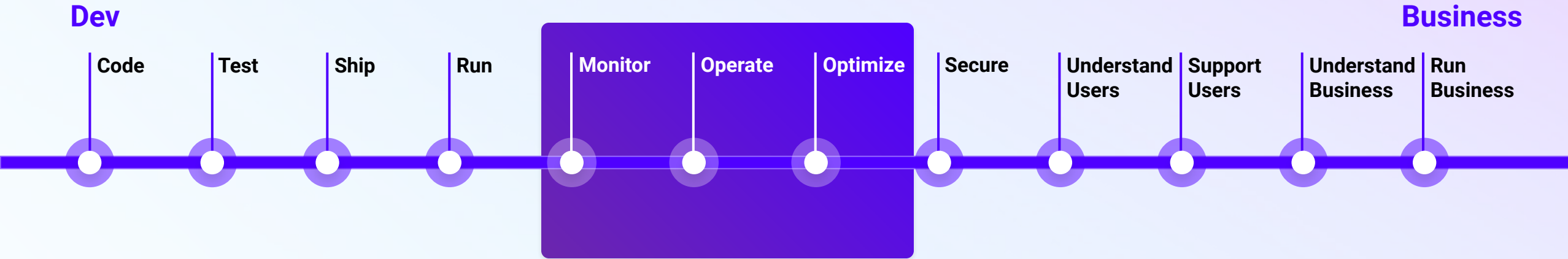
Our expansion into new categories

Dev

Business



We started in Observability



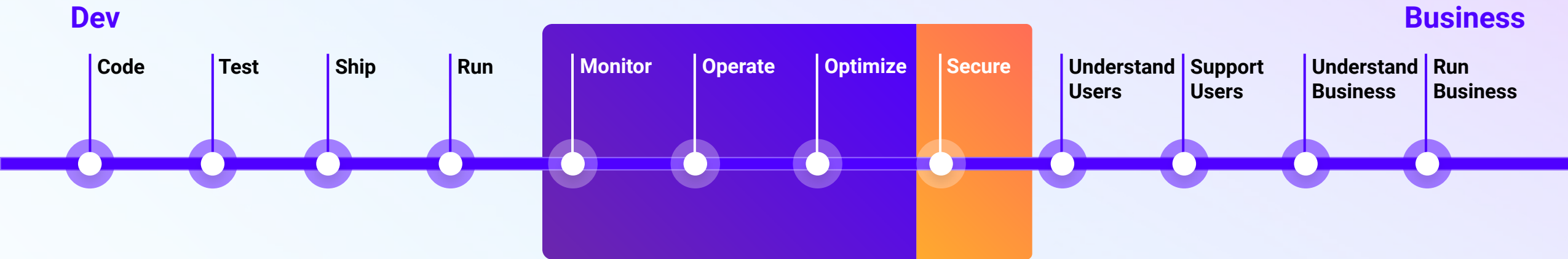
Monitor & Operate

- Infra Monitoring
- Network Monitoring
- APM
- Synthetics
- Log Mgmt
- Universal Service Monitoring
- Observability Pipelines

Optimize

- Continuous Profiler
- Database Monitoring
- Data Streams Monitoring
- Cloud Cost Mgmt

We expanded to Cloud Security



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- Network Monitoring
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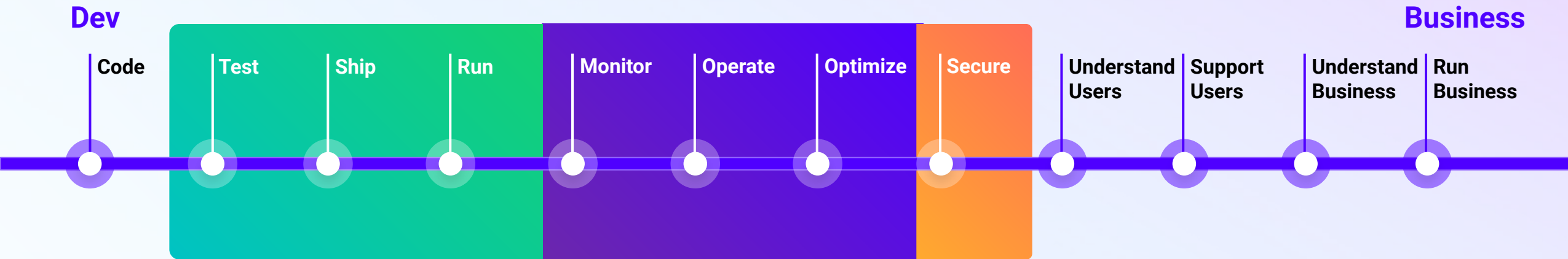
Optimize

- Continuous Profiler
- Database Monitoring
- Data Streams Monitoring
- Cloud Cost Mgmt

Secure

- Cloud Security Mgmt
- Application Security Mgmt
- Cloud SIEM
- Software Composition Analysis
- Sensitive Data Scanner

Shifting left



Software Delivery

- CI Visibility
- Intelligent Test Runner
- Continuous Testing

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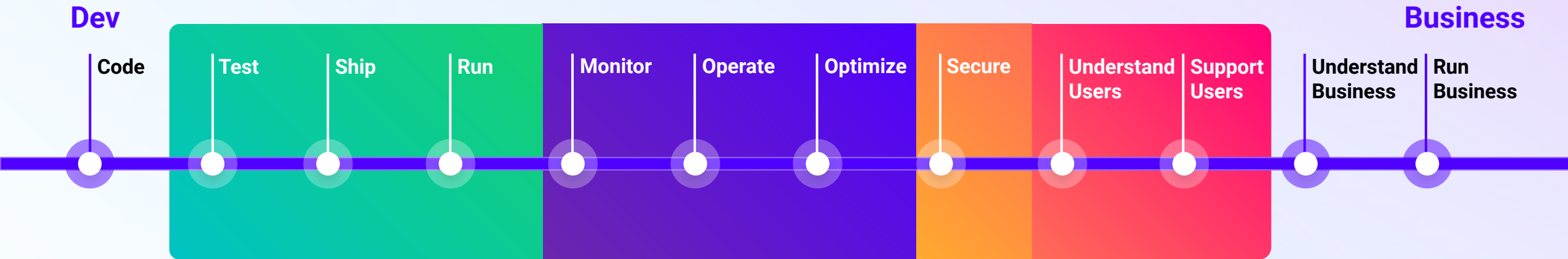
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Shifting right



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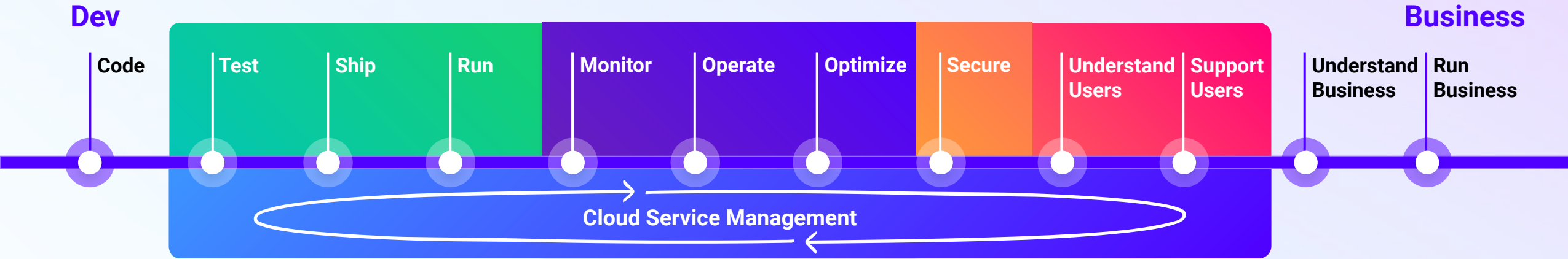
Secure

- Cloud Security Mgmt
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Analyze

- RUM
- RUM Heatmap/Clickmap/Scrollmap
- Mobile App Testing
- Session Replay

Expanding to Cloud Service Management



Software Delivery

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- Intelligent Test Runner
- Continuous Testing

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Cloud Service Management

- Incident Management
- Case Management
- Workflow Automation
- App Builder
- Service Catalog
- Resource Catalog

A LONG-TERM VISION

Closing the loop

We were built for this

We were built for this



**We are pure-SaaS and
platform-first**

We were built for this



**We are pure-SaaS and
platform-first**



**We are a mission-critical part
of our customer workflows**

We were built for this



We are pure-SaaS and platform-first



We have rich, clean, real-time data at every layer of the stack



We are a mission-critical part of our customer workflows

We were built for this



We are pure-SaaS and platform-first



We have rich, clean, real-time data at every layer of the stack



We are a mission-critical part of our customer workflows



Advances in AI/ML open new doors for problem-solving

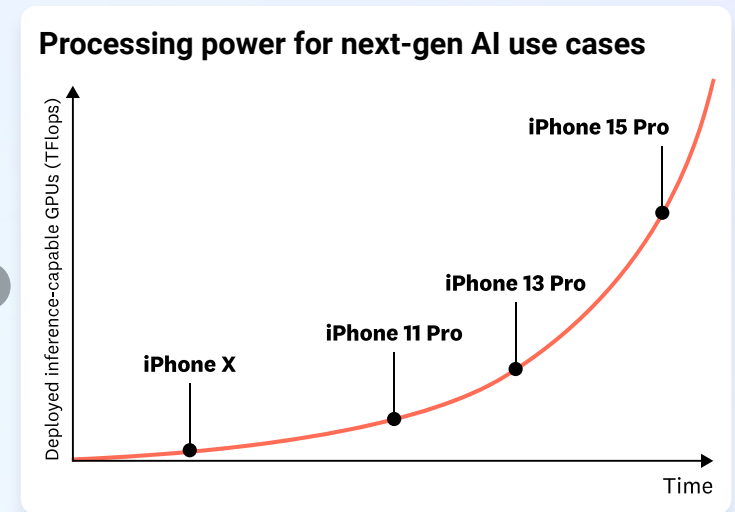
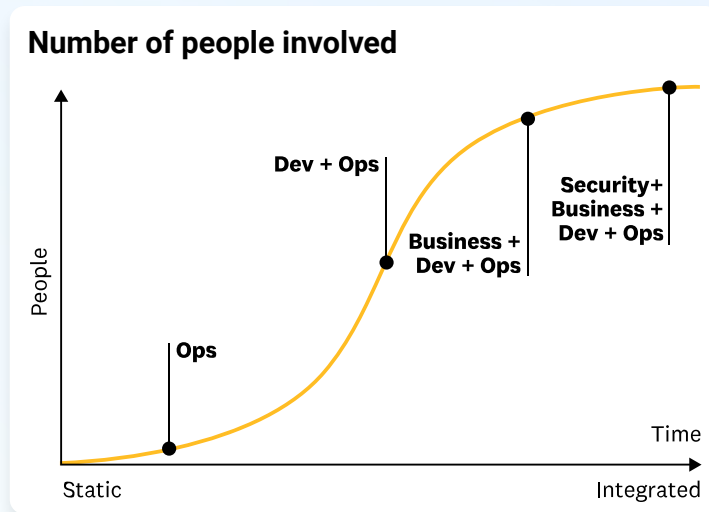
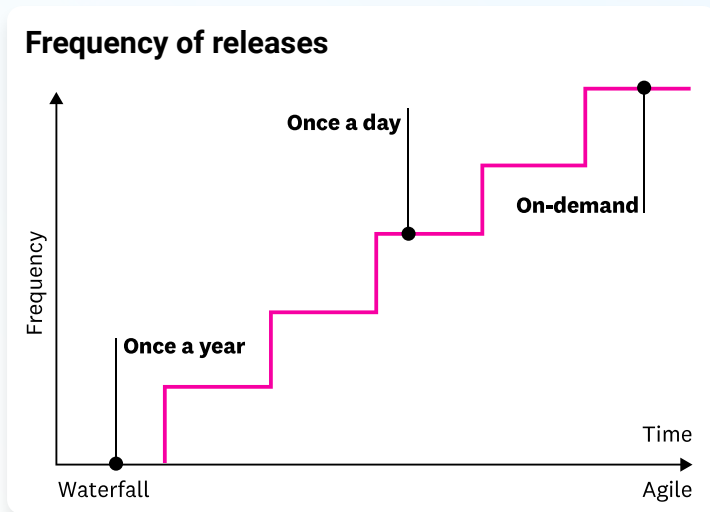
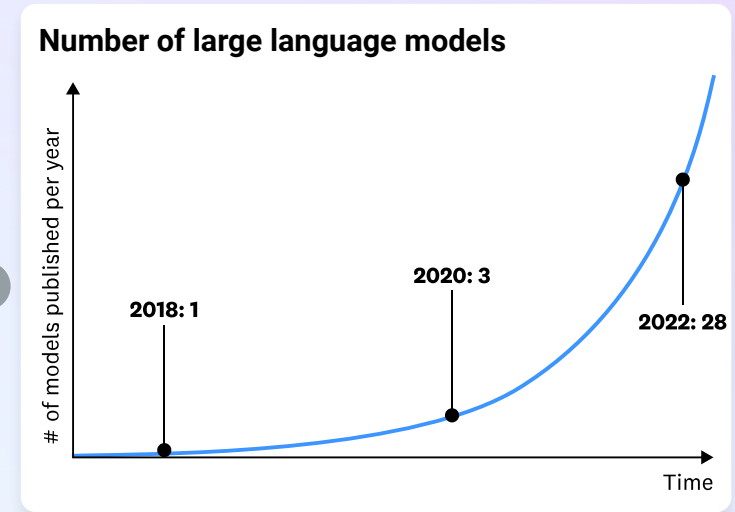
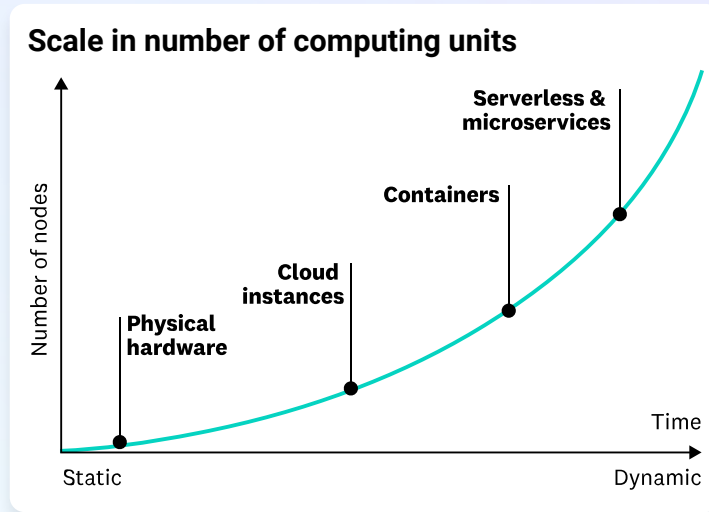
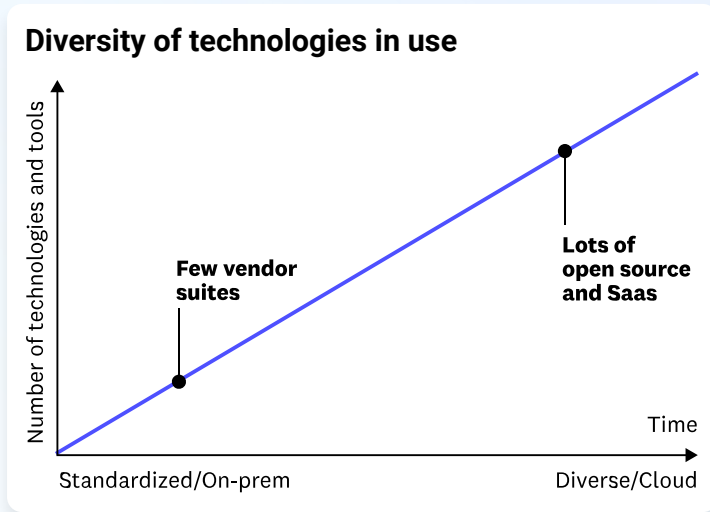
CLOSING THE LOOP

The end-to-end
**decision, action, and
automation platform**
for our customers

Alexis Lê-Quốc

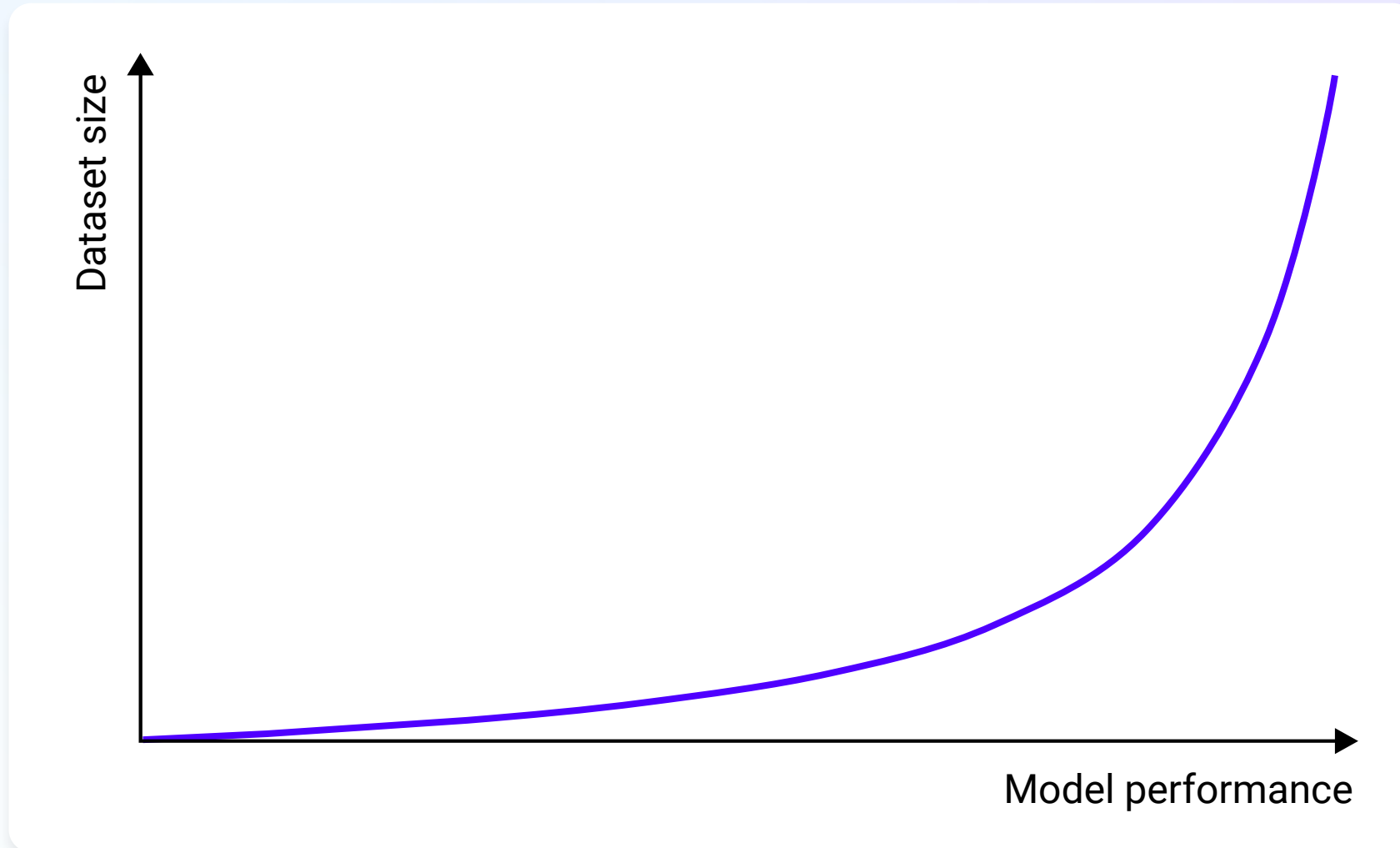
CTO & Co-founder

AI compounds complexity



Source for Number of large language models: "Challenges and Applications of Large Language Models," Kaddour, Harris, Mozes, Bradley, Raileanu, McHardy, 2023.
Source for Processing power for next-gen AI use cases: "Deploying Transformers on the Apple Neural Engine," Apple Machine Learning Research, 2022.

The primacy of data at scale in AI



Impact of AI



Our customers

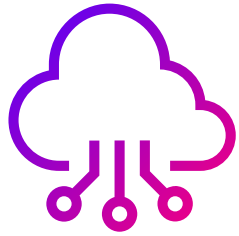
- More data for training, fine-tuning & inference
- More compute for inference
- More complexity in software



Datadog

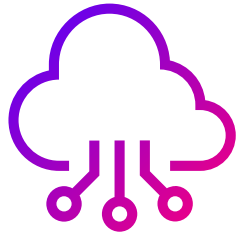
- Data for training, fine-tuning & inference
- Rich data for training
- Better ability to close the loop

Foundational elements



SaaS

Foundational elements

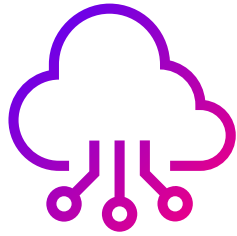


SaaS



Clean, accurate and
rich data

Foundational elements



SaaS



Clean, accurate and
rich data



Architected
for scale

Enabling data analysis at scale

PLATFORM SERVICES

Dashboards

Agents

Collaboration

Mobile

Workflows

Watchdog AI

Open Telemetry

PRODUCTS / USE CASES

Infrastructure

APM

DBM

Log Management

Cloud SIEM

CI Visibility

Continuous Profiler

RUM

Network

Synthetics

Cloud Security Management

App Security Management

Observability Pipelines

Cloud Cost Management

... and more

Millions of hosts

Tens of millions of containers

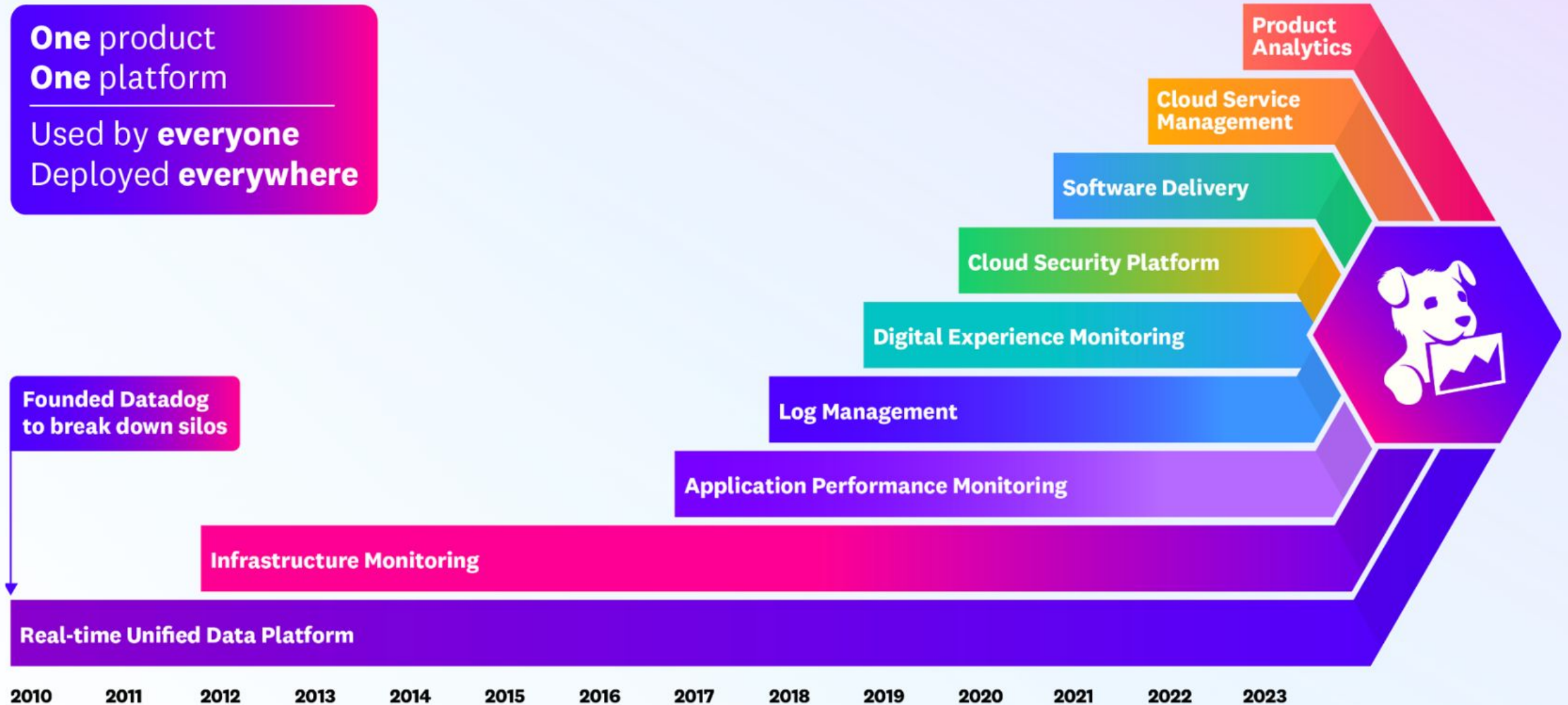
Billions of serverless functions

Trillions of metrics

Trillions of logs



The most data and the best data



An example: Bits AI



kai 1 minute ago

[@Bits AI](#) Who am I?

1 reply



Bits AI APP 1 minute ago

You are Kai Xin Tai and you are part of the following teams:
Product Management, Bits AI, and Case Management.

Bits AI answers questions expansively



kai 3 minutes ago

@Bits AI What's going on with metrics-aggregation?

1 reply



Bits AI APP 3 minutes ago

The service "metrics-aggregation" has a triggered alert:

- [High error rate on metrics-aggregation](#)

There is also an active incident affecting this service:

- [Metrics-aggregation lag is high on dd-points-01](#)

Additionally, its upstream service "metrics-intake" has several triggered alerts and incidents. Notably:

- [Anomalous spike in requests to the intake API](#)
- [CPU usage by the metrics-intake general pool is high](#)
- [Cloudflare L7 DDoS detected](#)

The members of "metrics-intake" on call are Yrieix Garnier, Michael Whetten, and Prashant Prahlad. For a comprehensive view of the health of "metrics-aggregation" and "metrics-intake", you can visit the [Service Catalog](#).

Bits AI helps you understand faster



kai 8:21 PM

joined #incident-2765.

👁 Only visible to you



Bits AI APP 8:21 PM

✨ Here's a summary of the incident:

Issue: Large spikes in error rate detected in the event-intake service, suspected to be under a DDoS attack.

Impact: Approximately 200 customers across US and Europe are experiencing high error rates and latency. The incident has been ongoing for about 1 hour.

Contributing factors: Based on trends in logs, the increase in load was identified as a potential DDoS attack, mainly from three IPs.

Remediation: Parallel remediative efforts underway, including blocking IPs responsible for the attack, a regex validation in HAProxy for API and App key, and a rate limit increase for the intake endpoint

Bits AI helps you take action



kai 6 minutes ago

[@Bits AI](#) Give me a workflow to block IPs in Cloudflare



Bits AI APP 6 minutes ago

I found a workflow for blocking IPs in Cloudflare:

- [Block IPs in Cloudflare](#)

Would you like to run this workflow?



kai 6 minutes ago

[@Bits AI](#) Yes



Bits AI APP 6 months ago

Block IPs in Cloudflare

Iteratively block malicious IPs in Cloudflare.

 Key Integrations

Last modification: July 19th, 2023 at 3:33 PM

The following parameters are required:

- IPs to block (***array<string>***)
- Is block temporary (***boolean***)

Could you please provide these values?



kai 6 minutes ago

[@Bits AI](#) IPs: 37.175.211.195, 37.165.9.163, 46.165.64.48

Temporary: Yes



Datadog brings together data and context

Datadog brings together data and context

Our customers generate a wide and deep set of data:



How the system is working

- Measurement data
- Configuration data
- Machine status

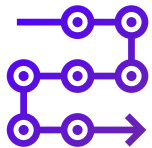
Datadog brings together data and context

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What actions are taken

- Process data
- Incident management
- Workflows

Datadog brings together data and context

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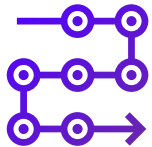
How the system is working

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How things are named and structured

- Service names
- Team names and hierarchy
- Infrastructure hierarchy



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Datadog brings together data and context

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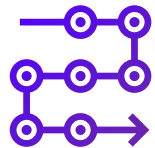
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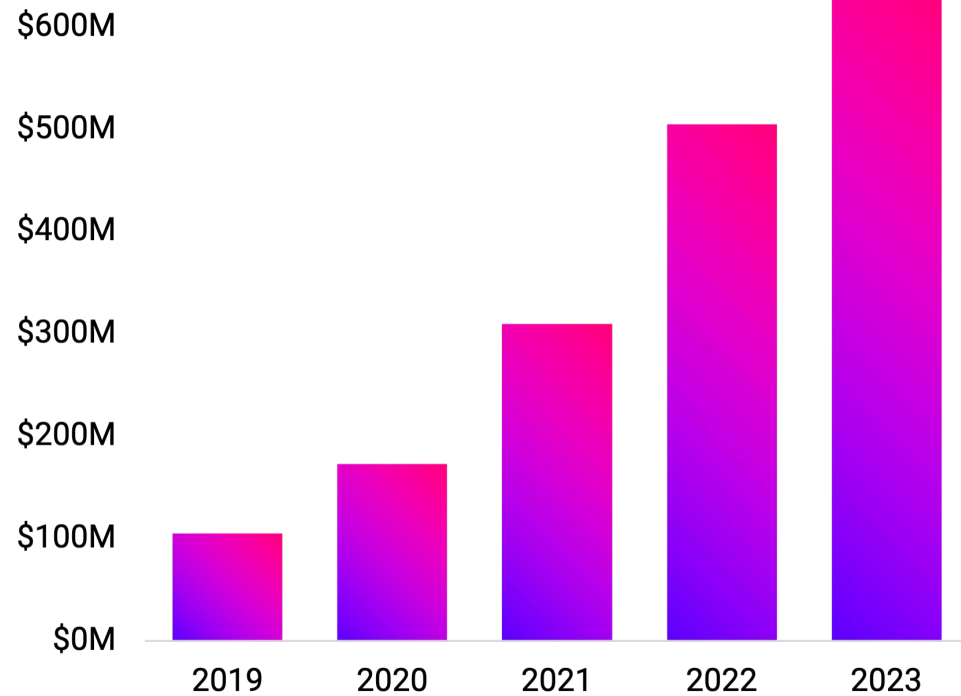


How people communicate

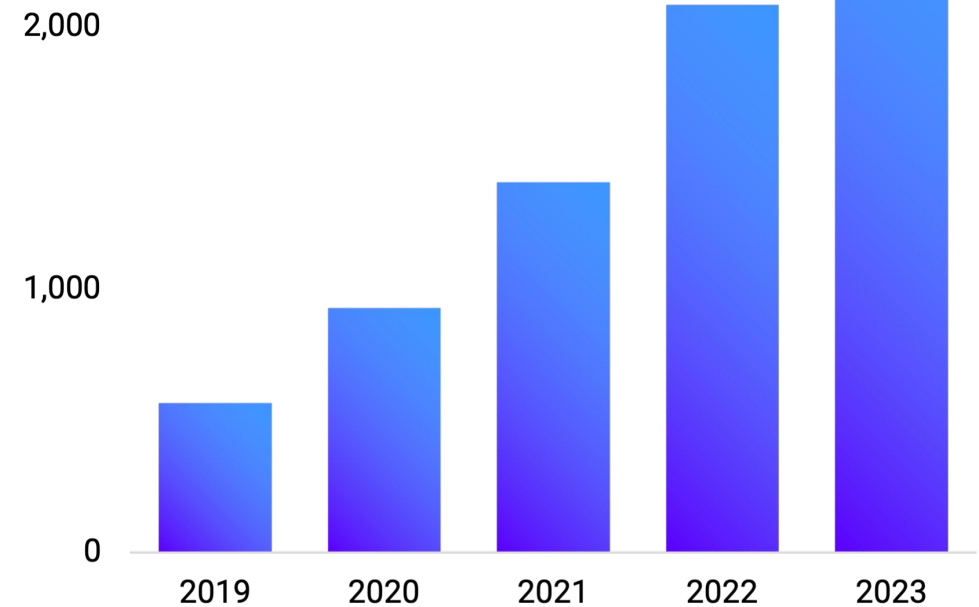
- Source code
- Message boards
- Wikis

Investment in innovation

Datadog Non-GAAP R&D \$'s ⁽¹⁾



Datadog R&D headcount

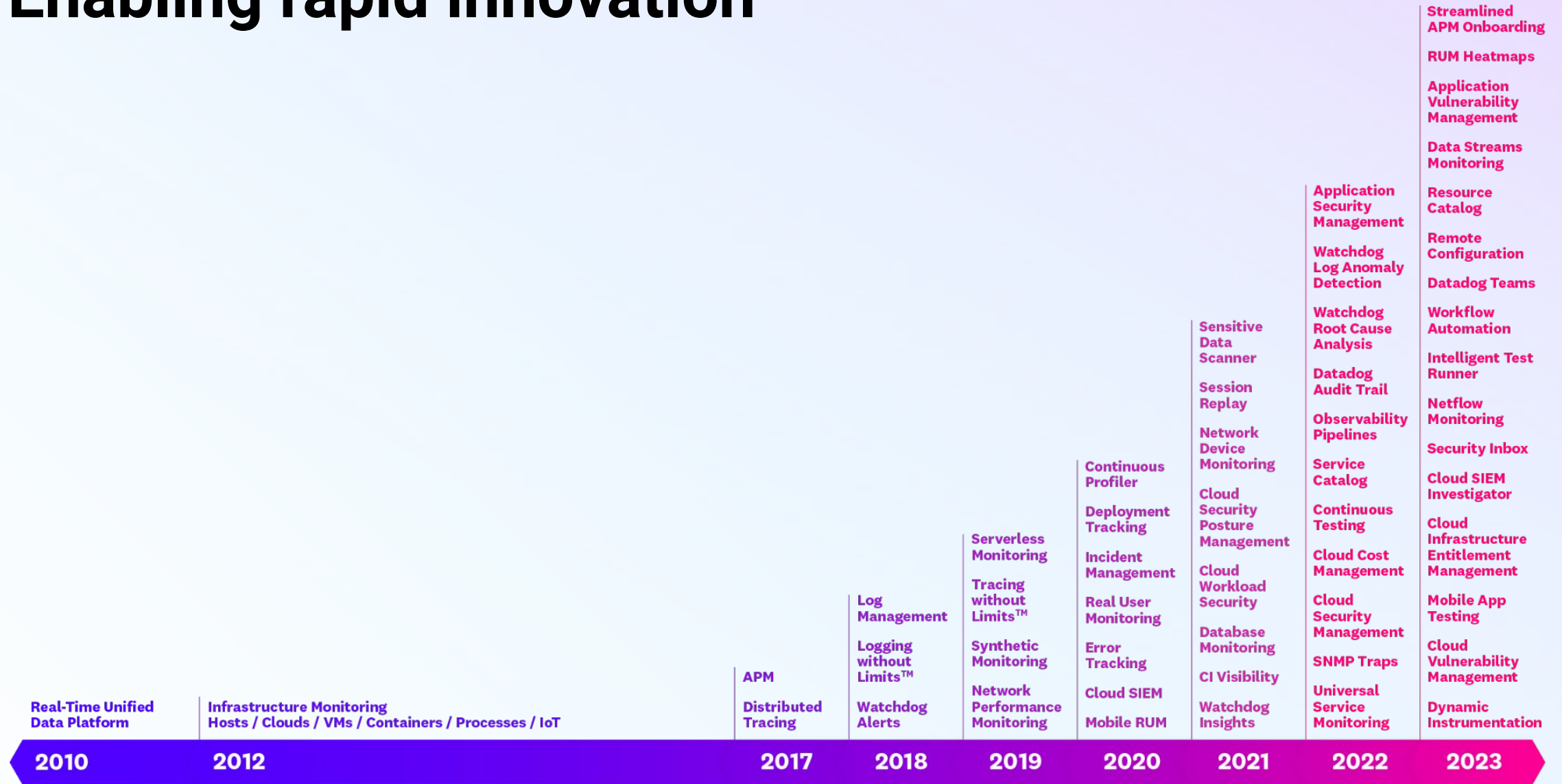


(1) Non-GAAP measures. See Appendix for a reconciliation of these non-GAAP measures to the most directly comparable GAAP measures.

Yrieix Garnier

Vice President, Product

Enabling rapid innovation



FOUNDED DATADOG TO BREAK DOWN SILOS

DEPLOYED EVERYWHERE, USED BY EVERYONE

We built the platform first

PLATFORM

Dashboards

Alerts

Unified Agent

Integrations

Metrics Platform

PRODUCTS

Infrastructure
Monitoring

“Platform first” lets us build products better and faster

PLATFORM

Dashboards

Alerts

Unified Agent

Integrations

Metrics Platform

Event Platform

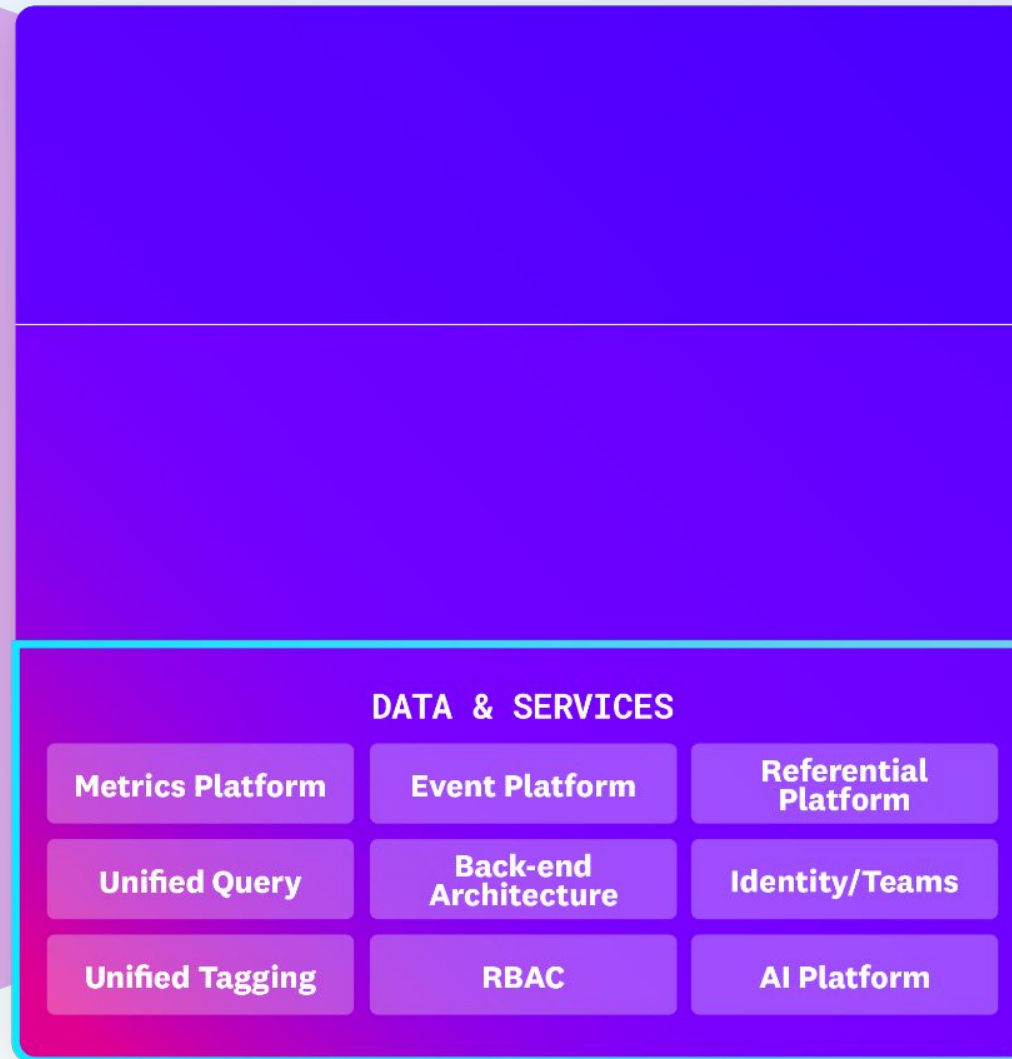
PRODUCTS

Infrastructure
Monitoring

APM

Platform building blocks

PLATFORM



Platform building blocks

PLATFORM

INTEGRATIONS & ECOSYSTEMS

Unified Agent

Integrations

Open Telemetry

IDE Plug-ins

Workflow
Automation

AI Stack
Integrations

DATA & SERVICES

Metrics Platform

Event Platform

Referential
Platform

Unified Query

Back-end
Architecture

Identity/Teams

Unified Tagging

RBAC

AI Platform

Platform building blocks

PLATFORM

CUSTOMER EXPERIENCE & USABILITY

Dashboards

Mobile

Alerts

Service Catalog

Watchdog AI

Bits AI

INTEGRATIONS & ECOSYSTEMS

Unified Agent

Integrations

Open Telemetry

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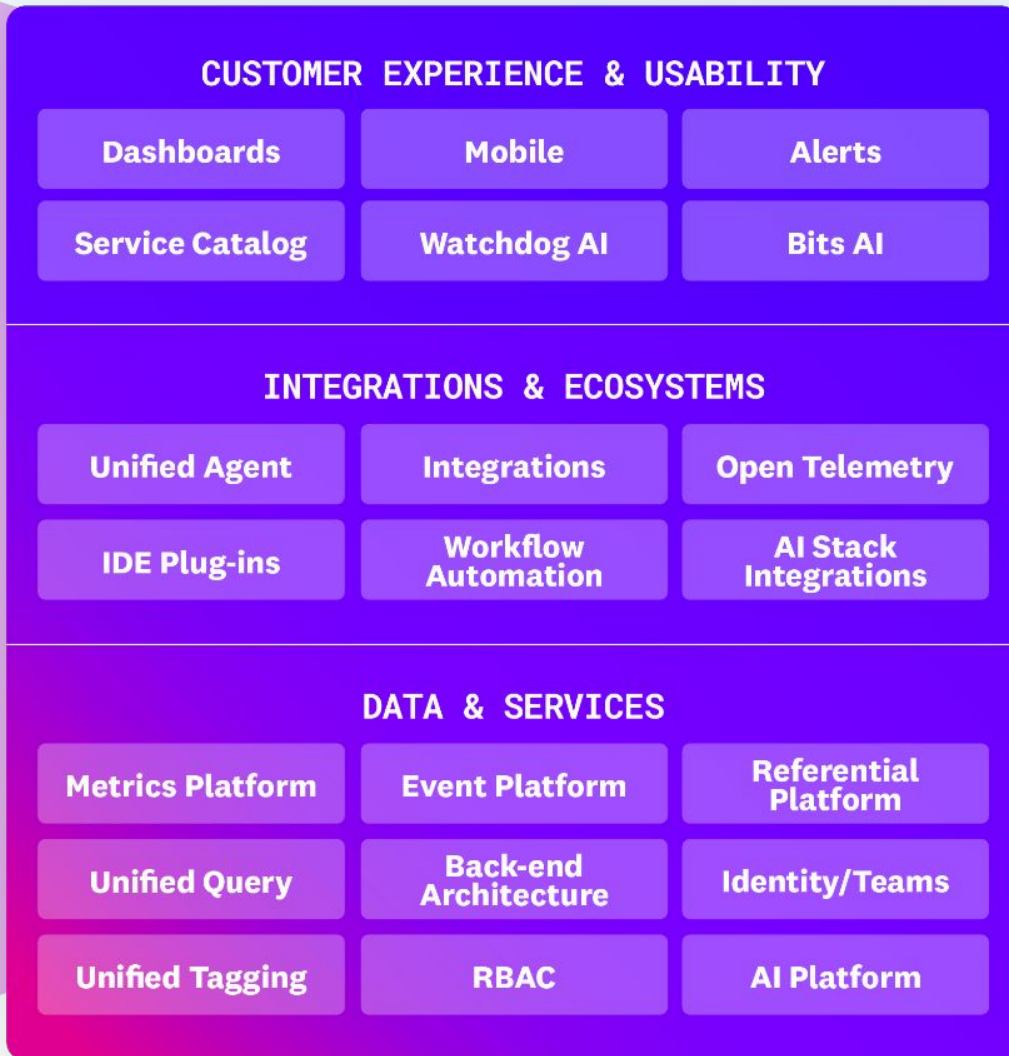
Unified Tagging

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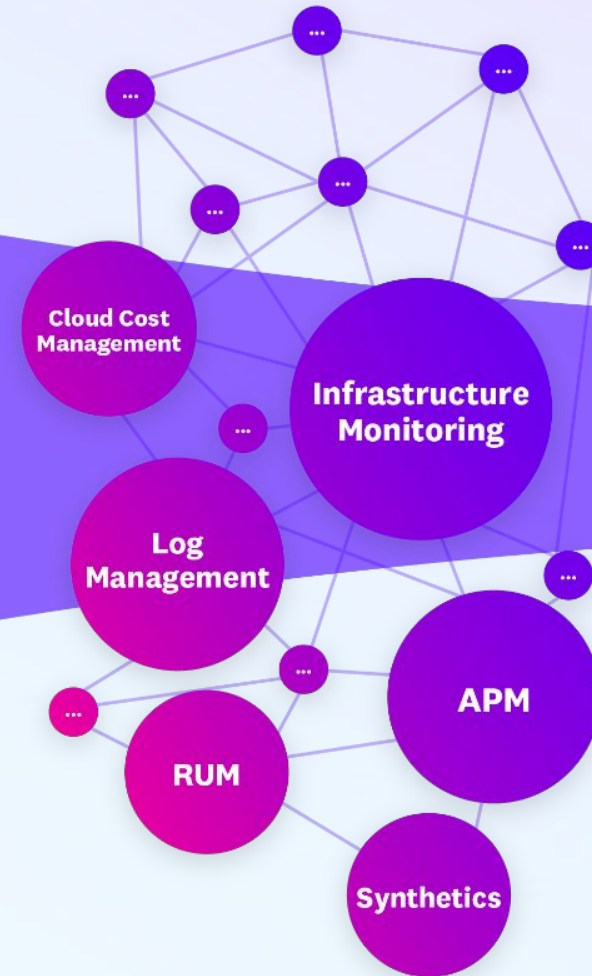
AI Platform

Enabling lean and agile product teams

PLATFORM

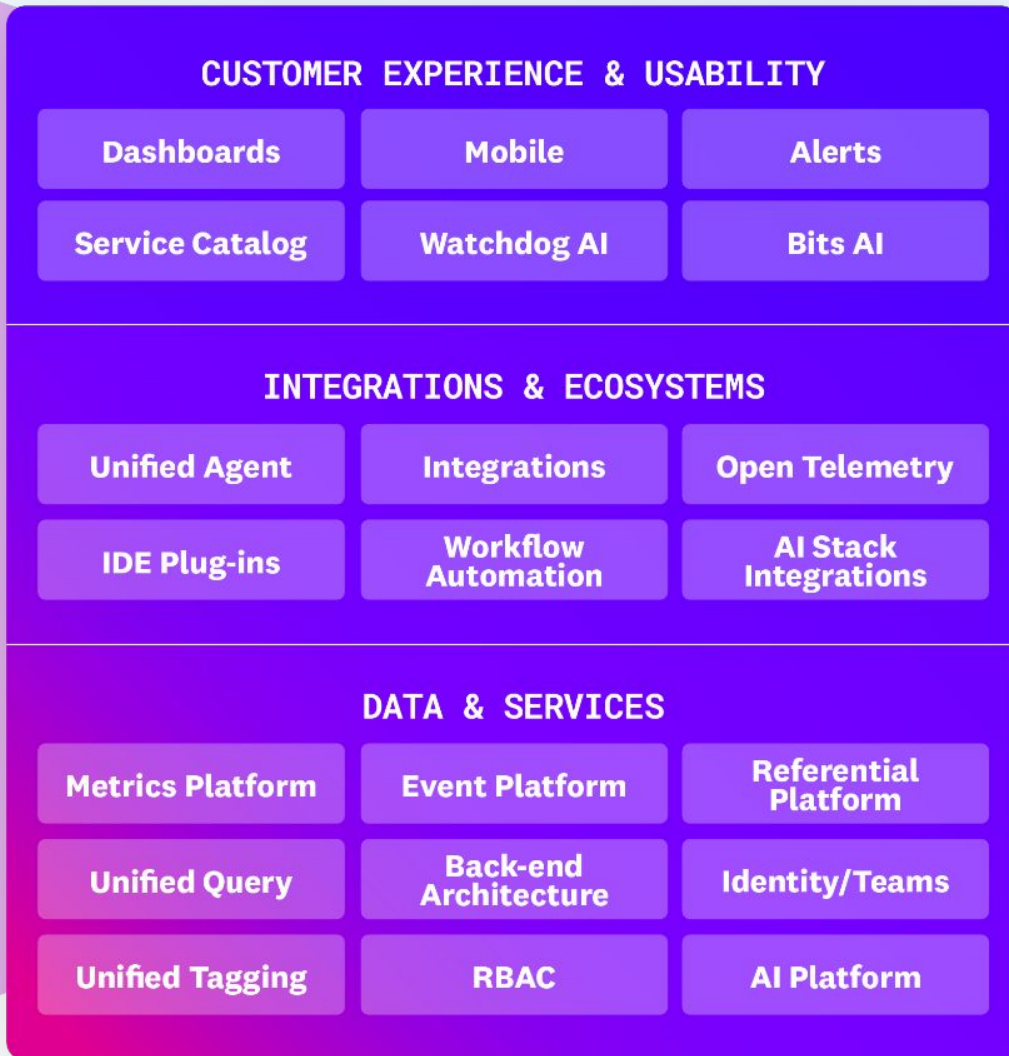


PRODUCTS

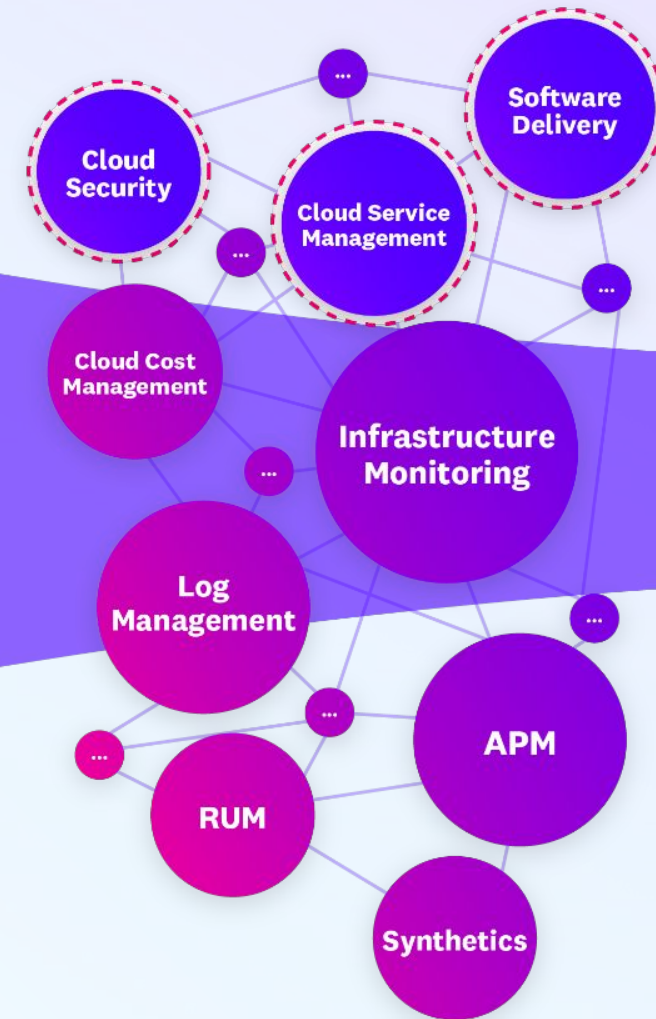


Enabling lean and agile product teams

PLATFORM

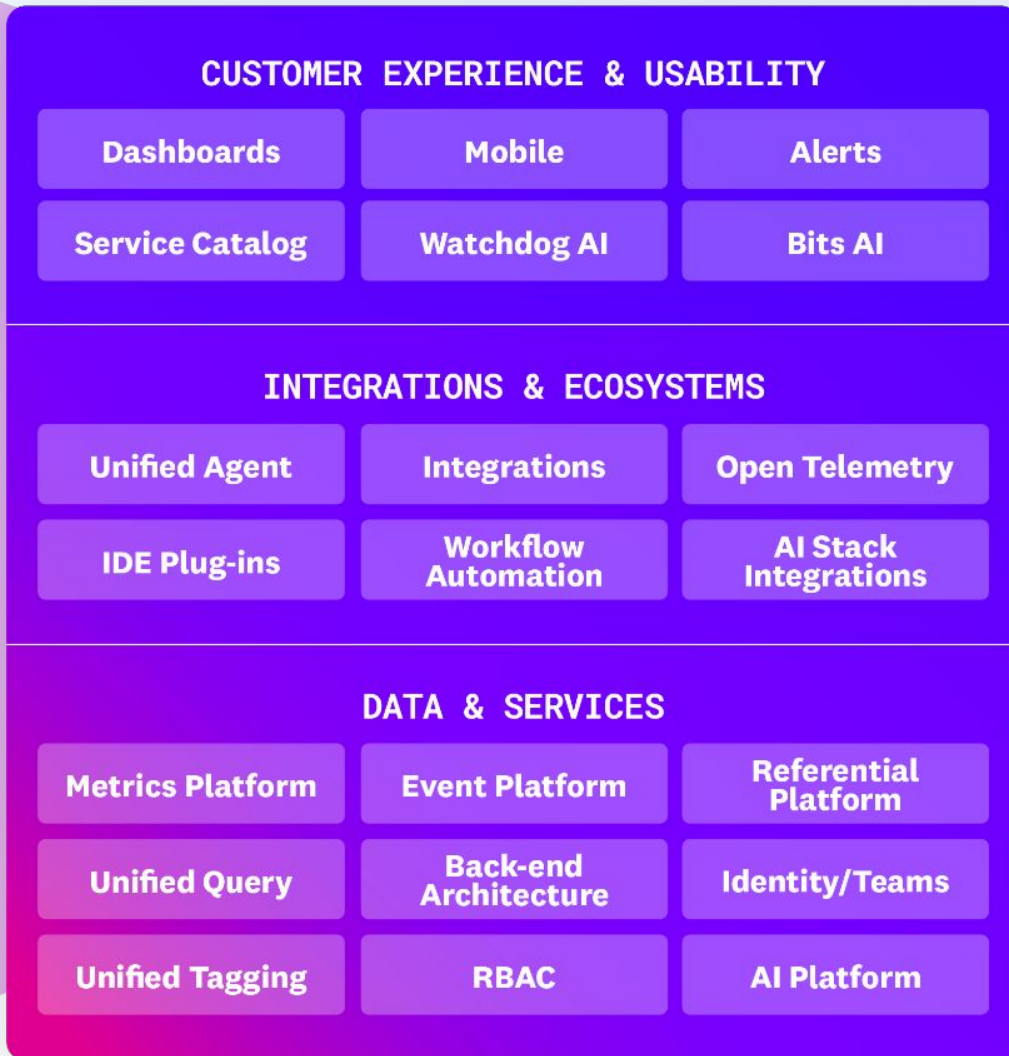


PRODUCTS

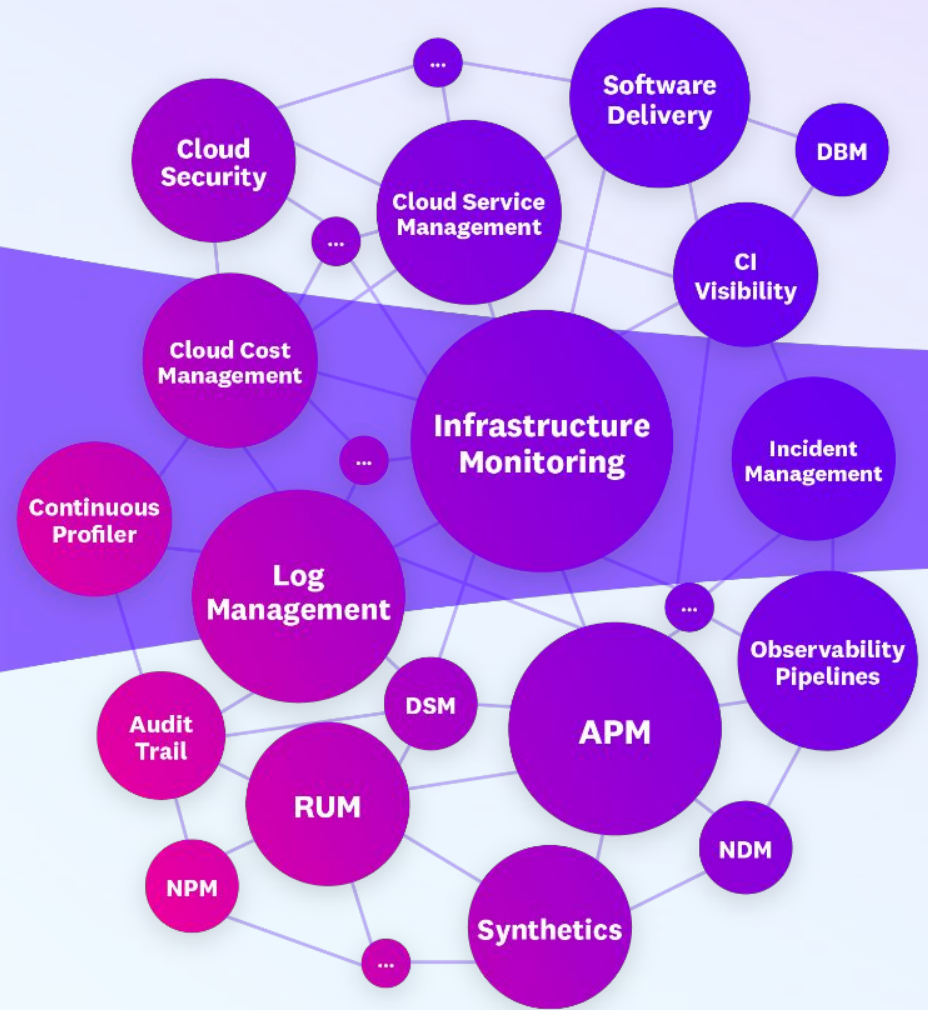


Enabling lean and agile product teams

PLATFORM



PRODUCTS



Solving problems for customers

 Telecom

 Enterprise
(5K+ FTEs)

 ~7 yrs
as customer

 ~1,900 MAUs

Major incidents per year

FTEs per incident

Hours per incident

Total hours per year

**Before
Datadog**

72

×

12

×

22

=

~19,000

**With
Datadog**

48

×

6

×

12

=

~3,500

% reduction

-33%

-50%

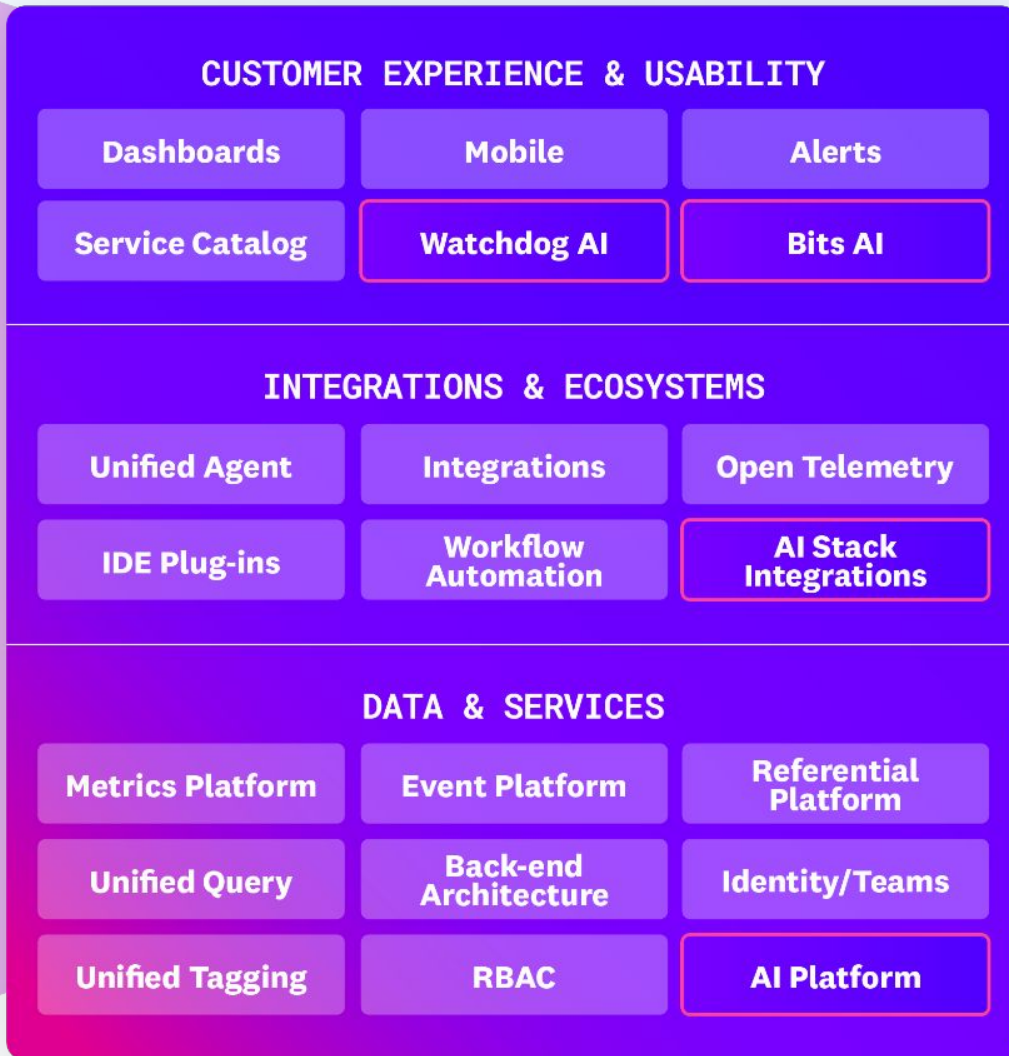
-45%

-82%

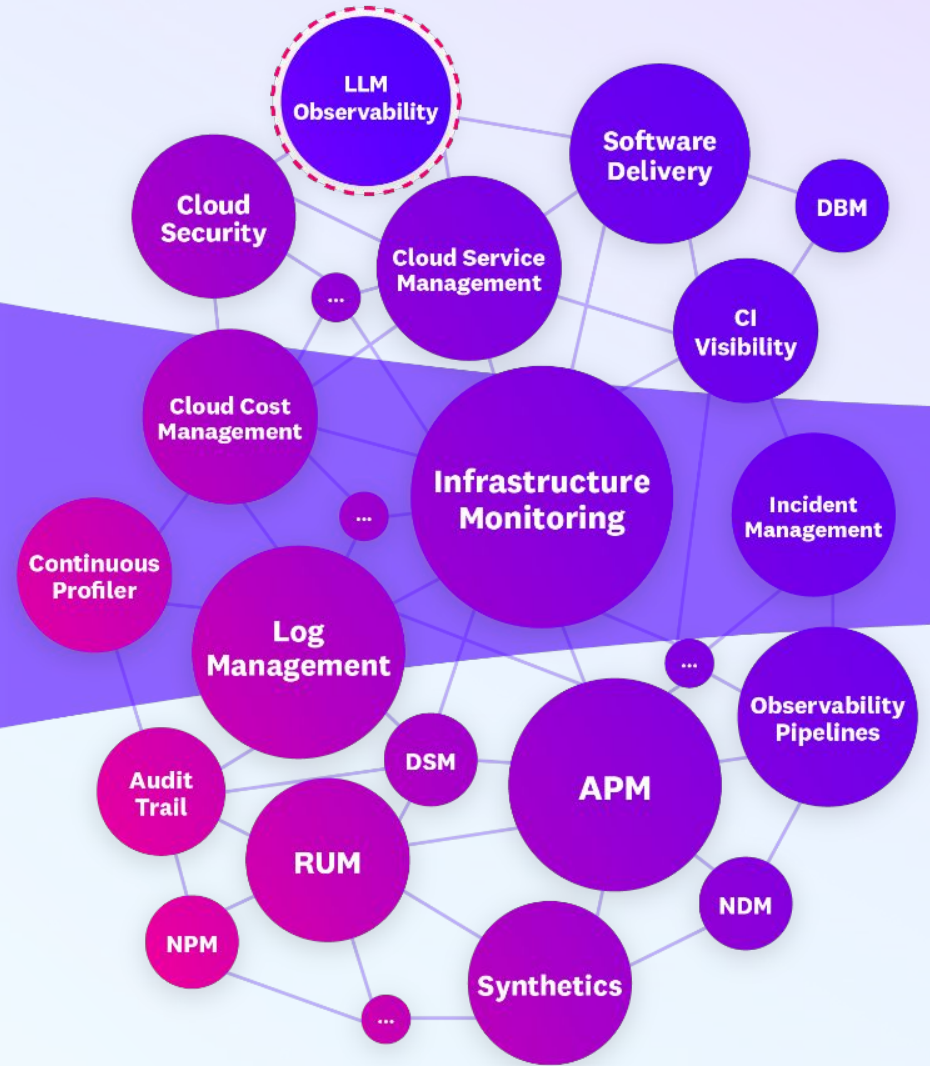
Source: Datadog internal analysis.

Embedding next-gen AI in our platform

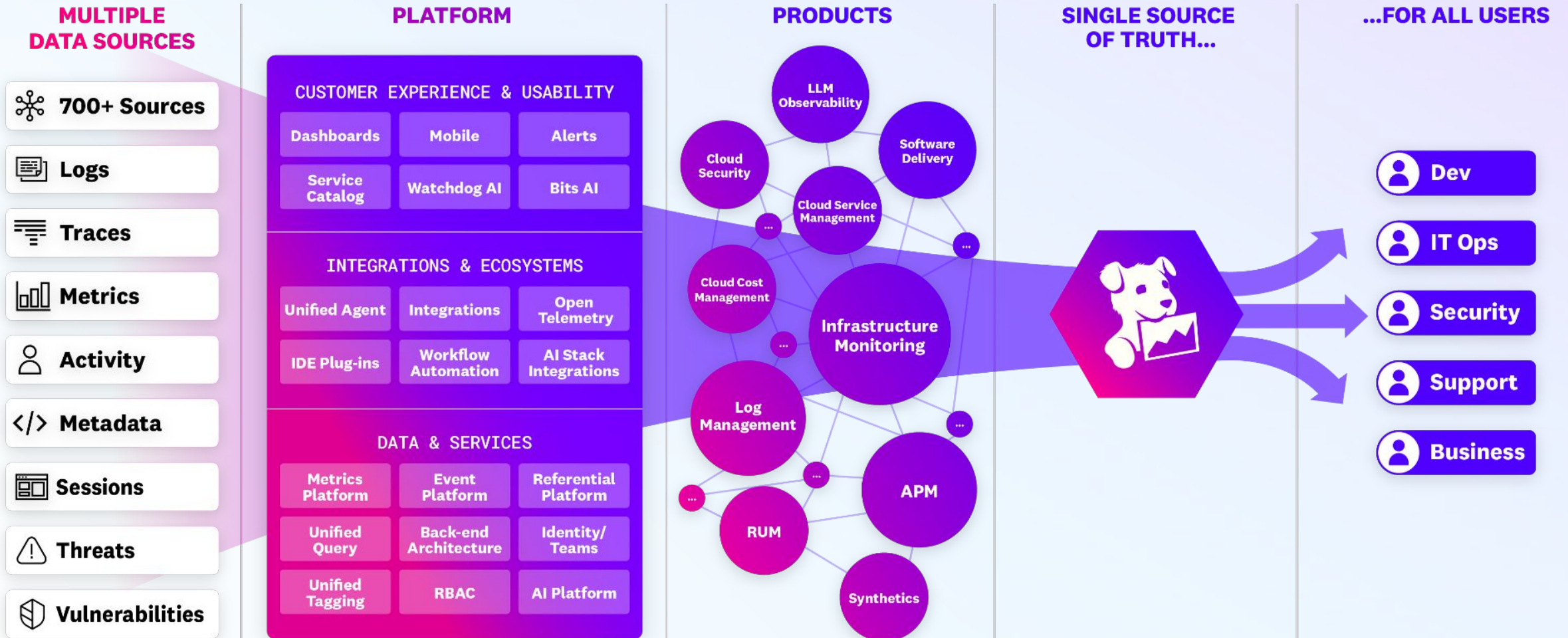
PLATFORM



PRODUCTS



Breaking down silos with our unified platform

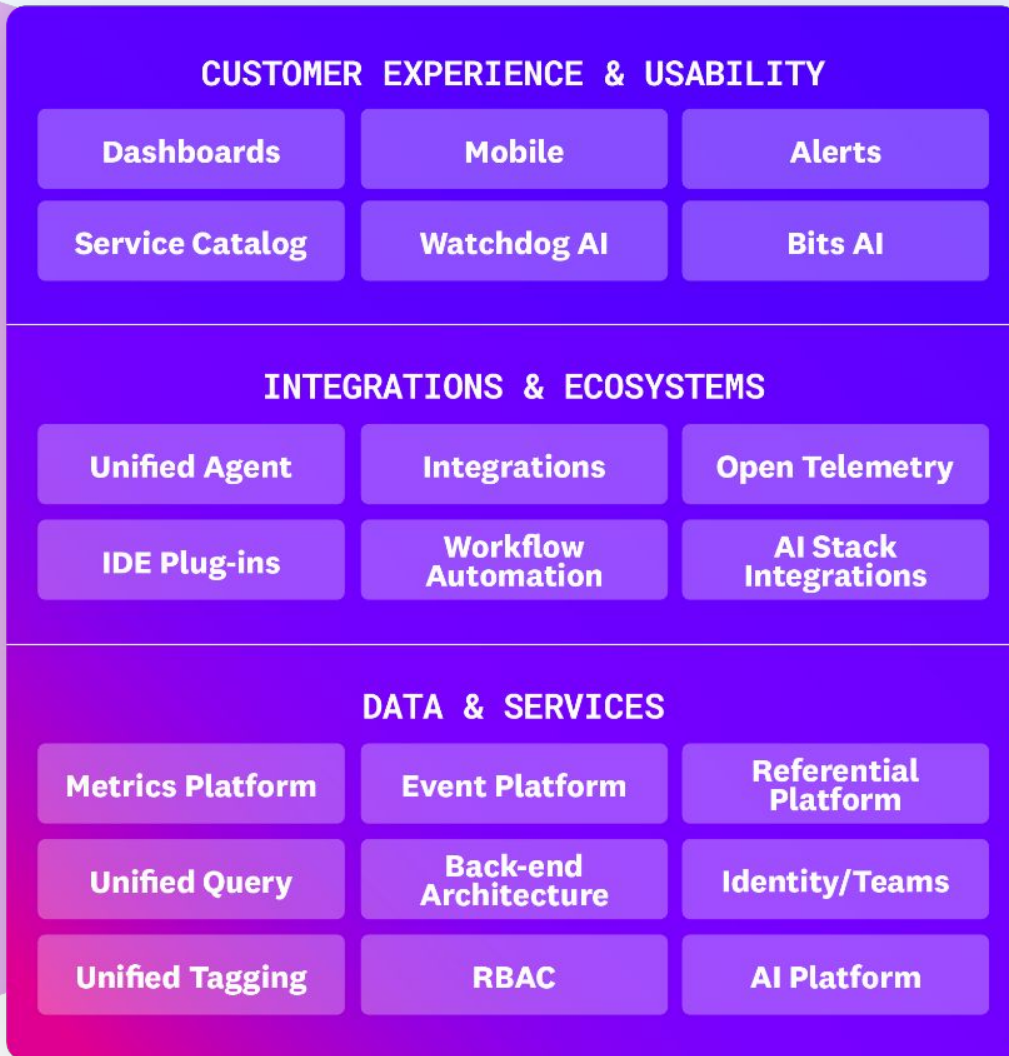


Michael Whetten

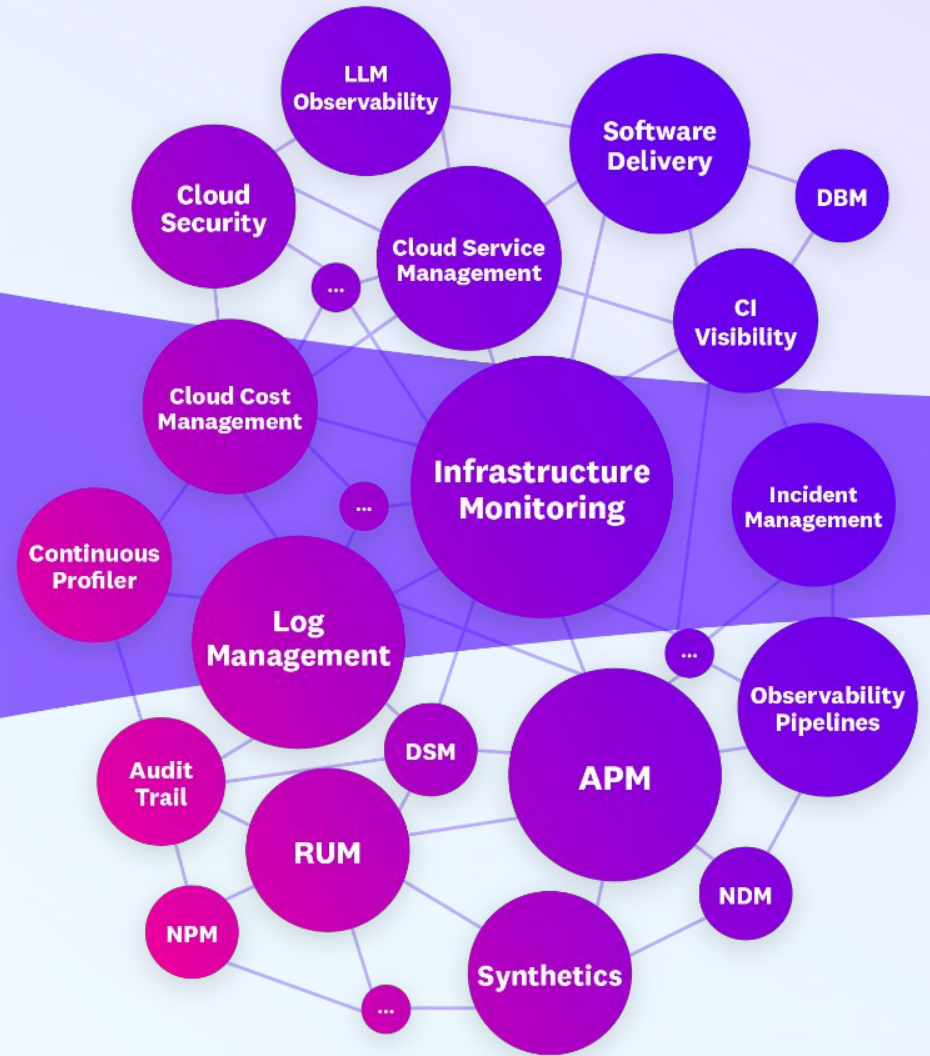
Vice President, Product

Solving complex problems with the Datadog platform

PLATFORM



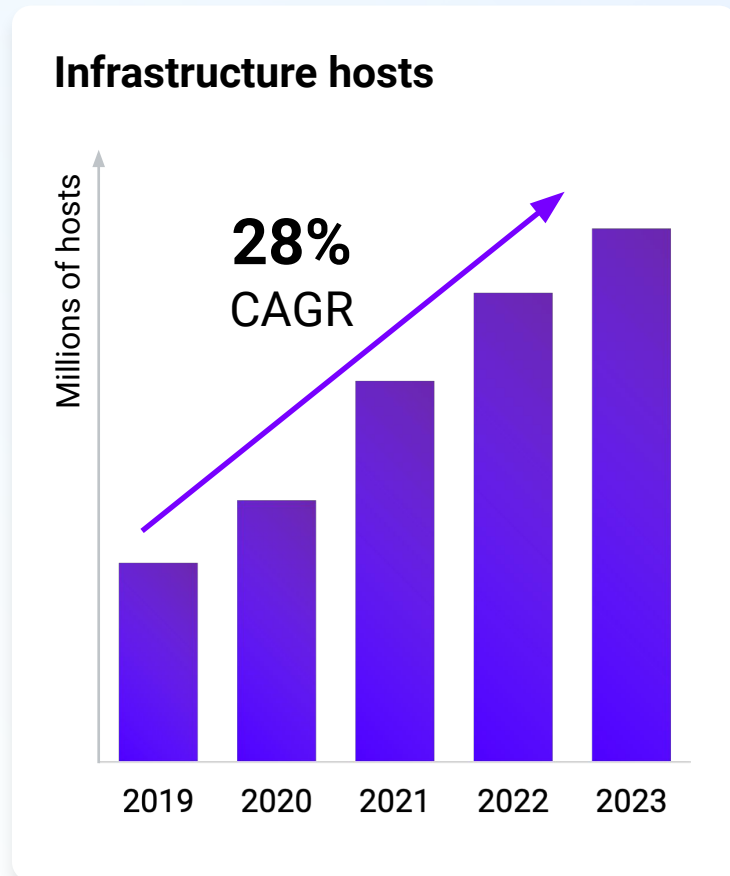
PRODUCTS



Infrastructure Monitoring for Operations teams

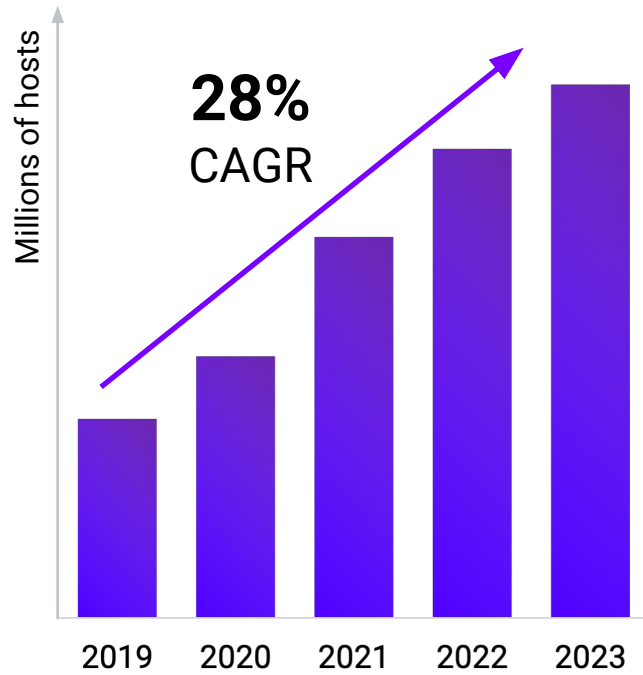
The screenshot displays the Datadog Infrastructure Map and Service Catalog. The Infrastructure Map shows a grid of hosts across various availability zones, with a group of 427 hosts in the 'no availability-zone' group. The Service Catalog shows a list of services, including 'vpa' (Vertical Pod Autoscaler) components like 'vpa-recommender', 'vpa-recommender-external-n', 'vpa-manager', 'vpa-admission-controller', and 'vpa-updater'. A detailed view of the 'vpa' application is shown, illustrating a trading system architecture. The architecture includes components like 'market-watcher', 'trade-scheduler', 'authenticator', 'balance-checker', and 'fraud-detector', connected via 'human-orders' and '2 queues'. The 'authenticator' component is highlighted with a red box, indicating a warning or error. The 'authenticator' component shows 10.4k incoming msg/s and 16.5k outgoing msg/s. The 'balance-checker' and 'fraud-detector' components show 10.89k msg/s. The 'market-watcher' and 'trade-scheduler' components show 10.89k msg/s. The 'human-orders' component shows 871k msg/s and 321k msg/s. The '2 queues' component shows 552k msg/s and 497k msg/s. The 'balance-checker' component shows 121k msg/s. The 'fraud-detector' component shows 10.89k msg/s. The 'authenticator' component is highlighted with a red box and a warning icon. The 'authenticator' component shows 10.4k incoming msg/s and 16.5k outgoing msg/s. The 'balance-checker' component shows 10.89k msg/s. The 'fraud-detector' component shows 10.89k msg/s. The 'market-watcher' component shows 10.89k msg/s. The 'trade-scheduler' component shows 10.89k msg/s. The 'human-orders' component shows 871k msg/s and 321k msg/s. The '2 queues' component shows 552k msg/s and 497k msg/s. The 'balance-checker' component shows 121k msg/s. The 'fraud-detector' component shows 10.89k msg/s. The 'authenticator' component is highlighted with a red box and a warning icon. The 'authenticator' component shows 10.4k incoming msg/s and 16.5k outgoing msg/s. The 'balance-checker' component shows 10.89k msg/s. The 'fraud-detector' component shows 10.89k msg/s. The 'market-watcher' component shows 10.89k msg/s. The 'trade-scheduler' component shows 10.89k msg/s. The 'human-orders' component shows 871k msg/s and 321k msg/s. The '2 queues' component shows 552k msg/s and 497k msg/s. The 'balance-checker' component shows 121k msg/s. The 'fraud-detector' component shows 10.89k msg/s.

Infrastructure Monitoring expansion

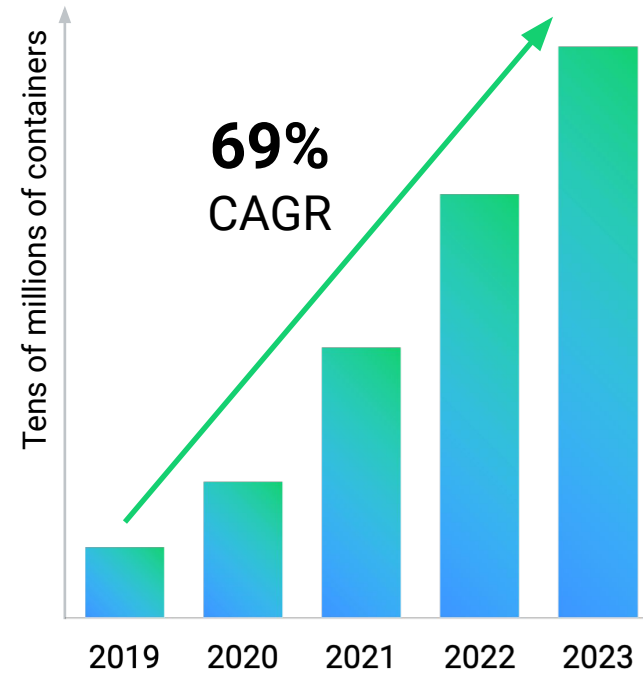


Infrastructure Monitoring expansion

Infrastructure hosts

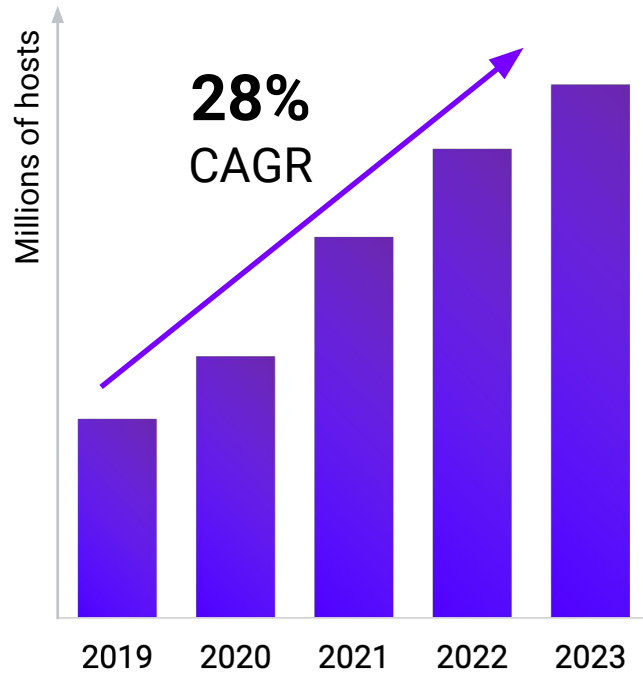


Infrastructure containers

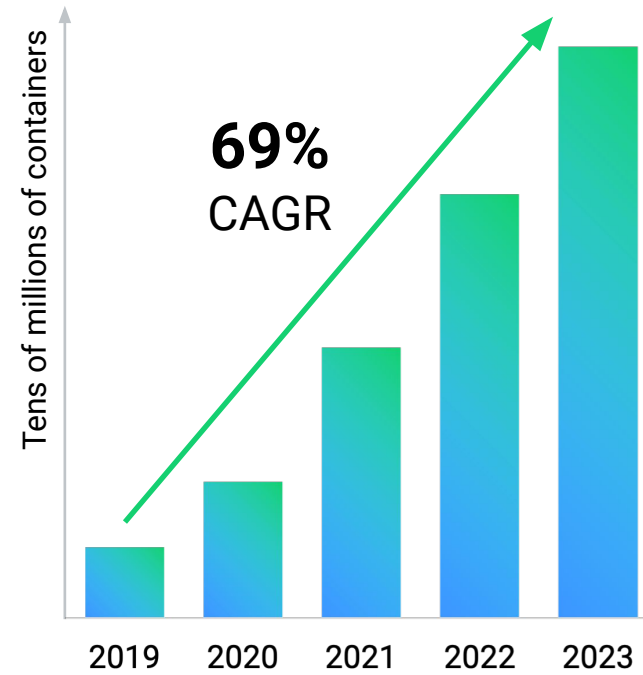


Infrastructure Monitoring expansion

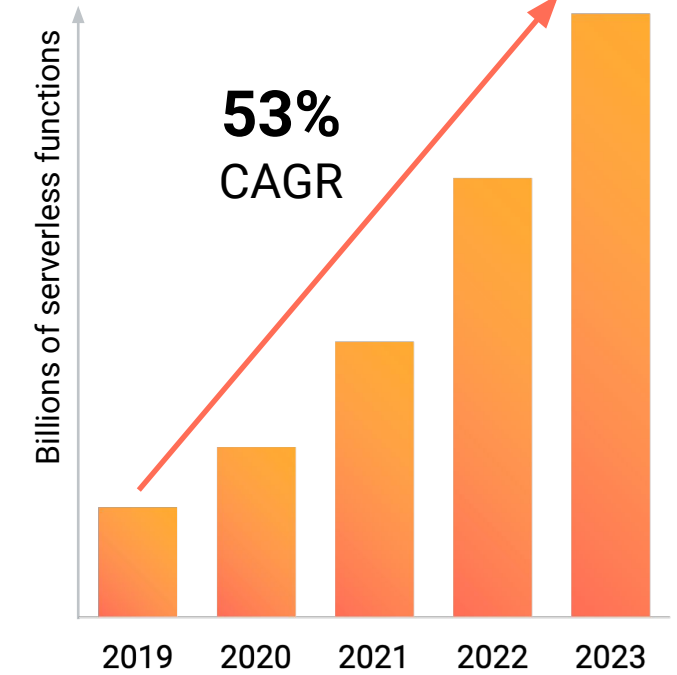
Infrastructure hosts



Infrastructure containers



Serverless functions



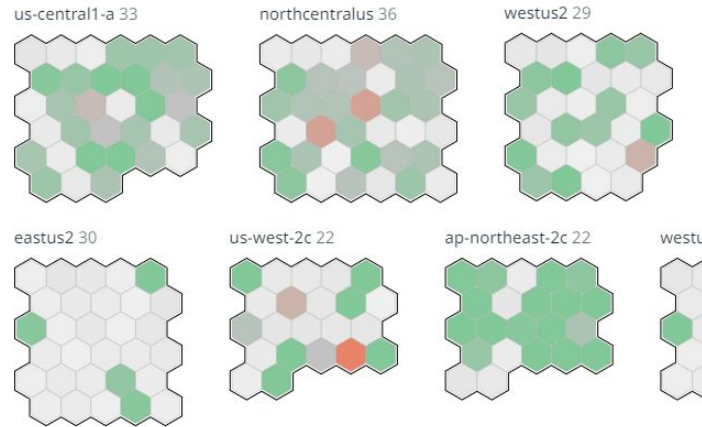
The next problem to solve - application performance

The screenshot displays the Datadog Service Catalog interface, specifically the Performance section. The top navigation bar includes 'Service Catalog', 'Explore', 'Setup & Config', 'Scorecards BETA', and a time filter set to '1h Past 1 Hour'. Below the navigation, there are tabs for 'Ownership', 'Reliability', 'Performance' (selected), 'Security', 'Costs NEW', and 'Delivery NEW'. The Performance section shows four summary cards: 'Security Vulnerabilities' (16 services), 'Attack Exposure' (10 services), 'Breached SLOs' (5 services), and 'No One On-Call' (414 services). A 'Show Controls' bar indicates '415 services across 14 environments' and 'Scope APM data to: cluster-name:*'. The main table lists services with columns for Type, Service, Last Deploy, Requests, Error Rate, P95 Latency, Infrastructure, Dashboards, and Monitoring status.

TYPE	SERVICE	LAST DEPLOY	REQUESTS	ERROR RATE	P95 LATENCY	INFRASTRUCTURE	DASHBOARDS	MO
> ☆	rails_storefront_development INFERRED env:prod +2 others		1.1k req/s	< 0.1%	40.4 ms			
☆	trade-executor env:prod	8d ago	918 req/s		167 μs	1		
☆	balance-checker env:prod	8d ago	487 req/s		283 μs	1		
☆	emailer env:prod	8d ago	485 req/s		145 μs	1		3
☆	fraud-detector env:prod	8d ago	476 req/s		368 μs	1	1	
☆	authenticator env:prod	8d ago	244 req/s	< 0.1%	423 μs	7		
> ☆	send-email-redis-queue env:prod +2 others	2d ago	145 req/s		2.03 ms	21	1	
> ☆	web-store env:prod +2 others	3h ago	132 req/s	6.8%	7.50 s	2	8	68
> ☆	chaos-engineering env:prod +2 others	2d ago	122 req/s	6.7%	1.69 s	112		1

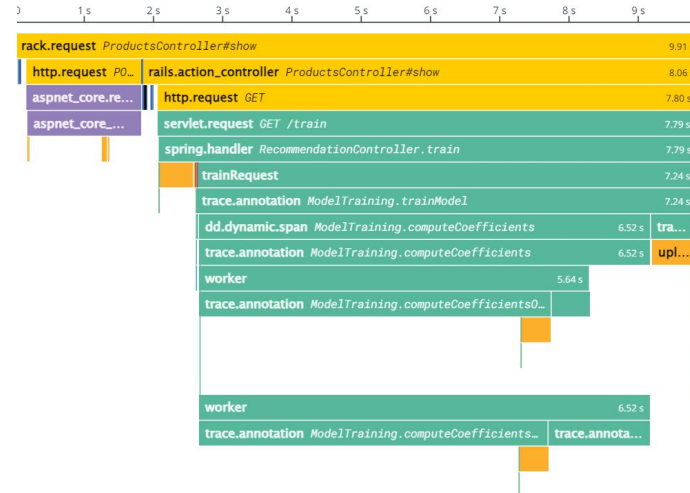
Log Management - the next addition to the platform

Infrastructure Monitoring



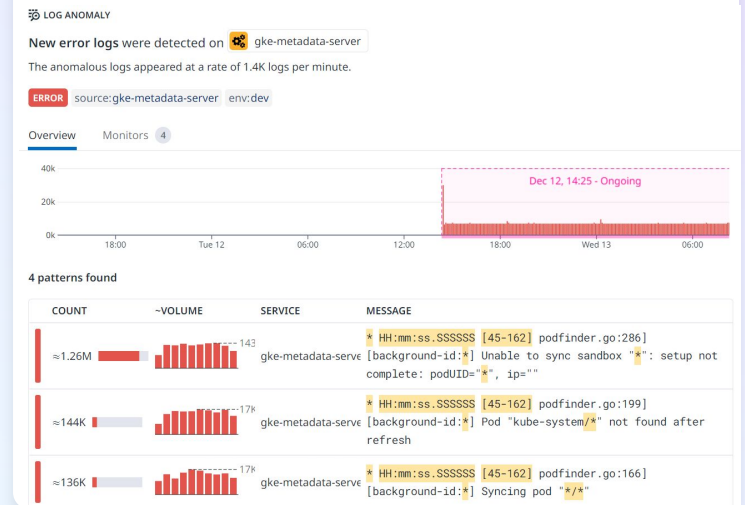
SREs / DevOps

APM



Developers

Log Management



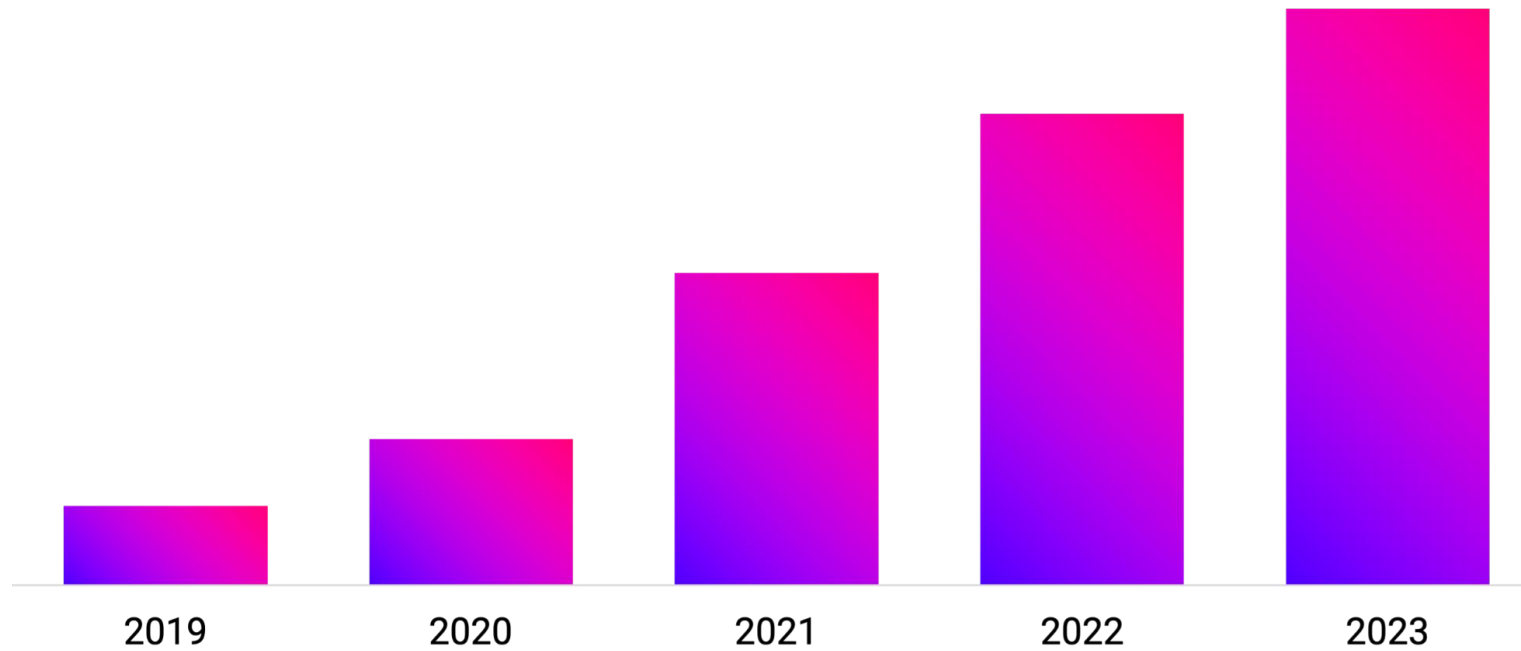
SREs / DevOps



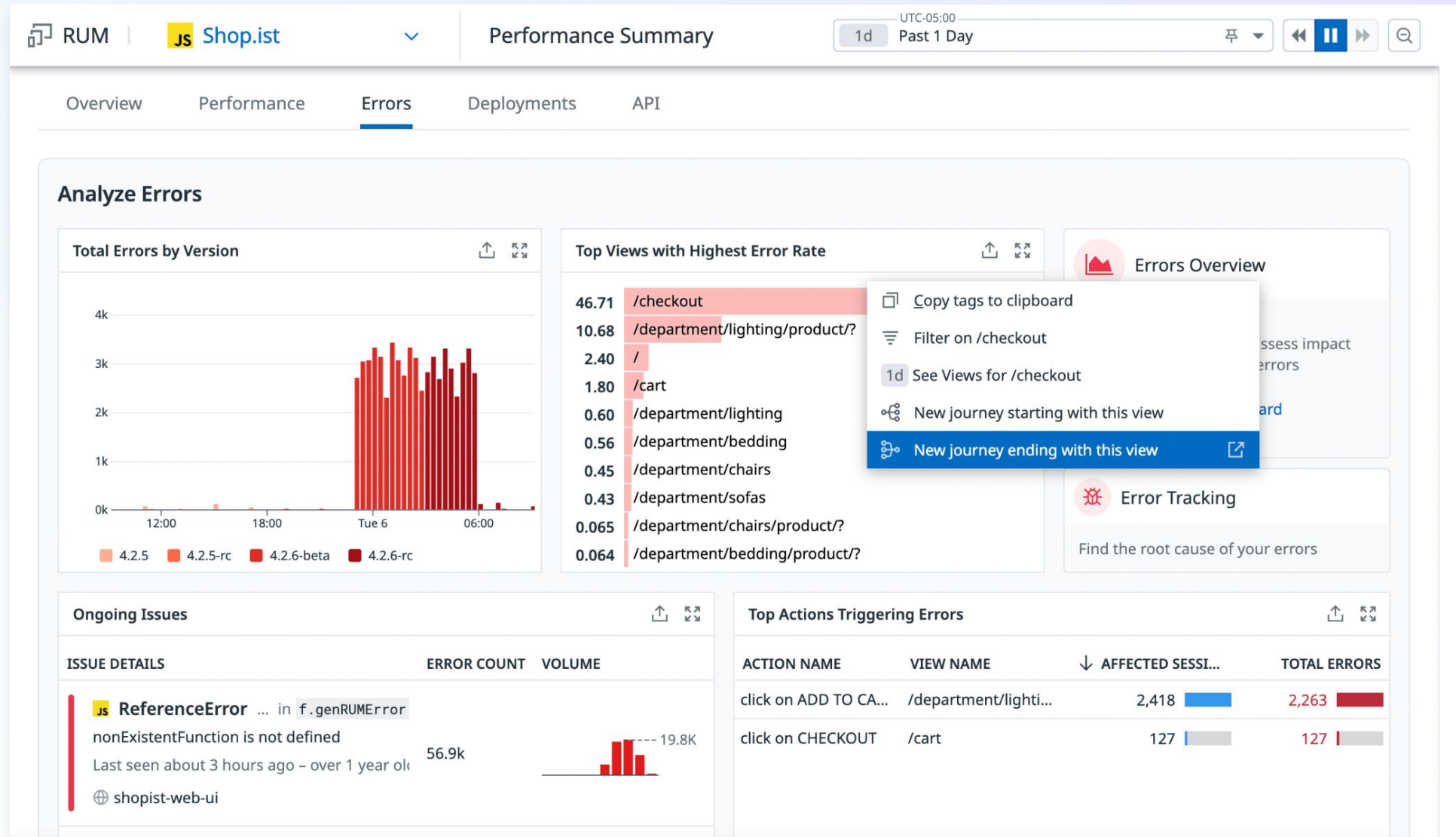
Developers

Log Management traction

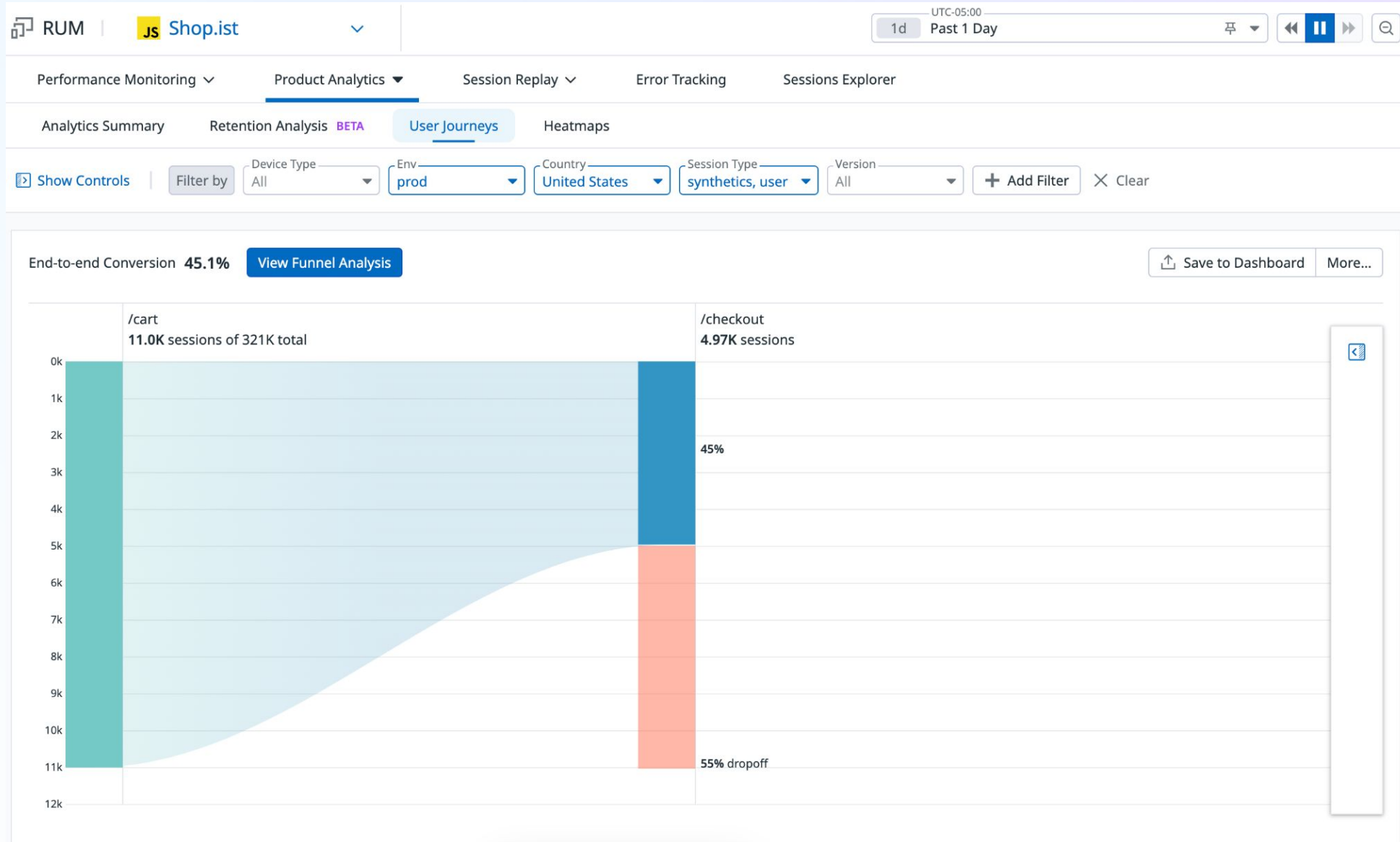
Log Management \$ ARR



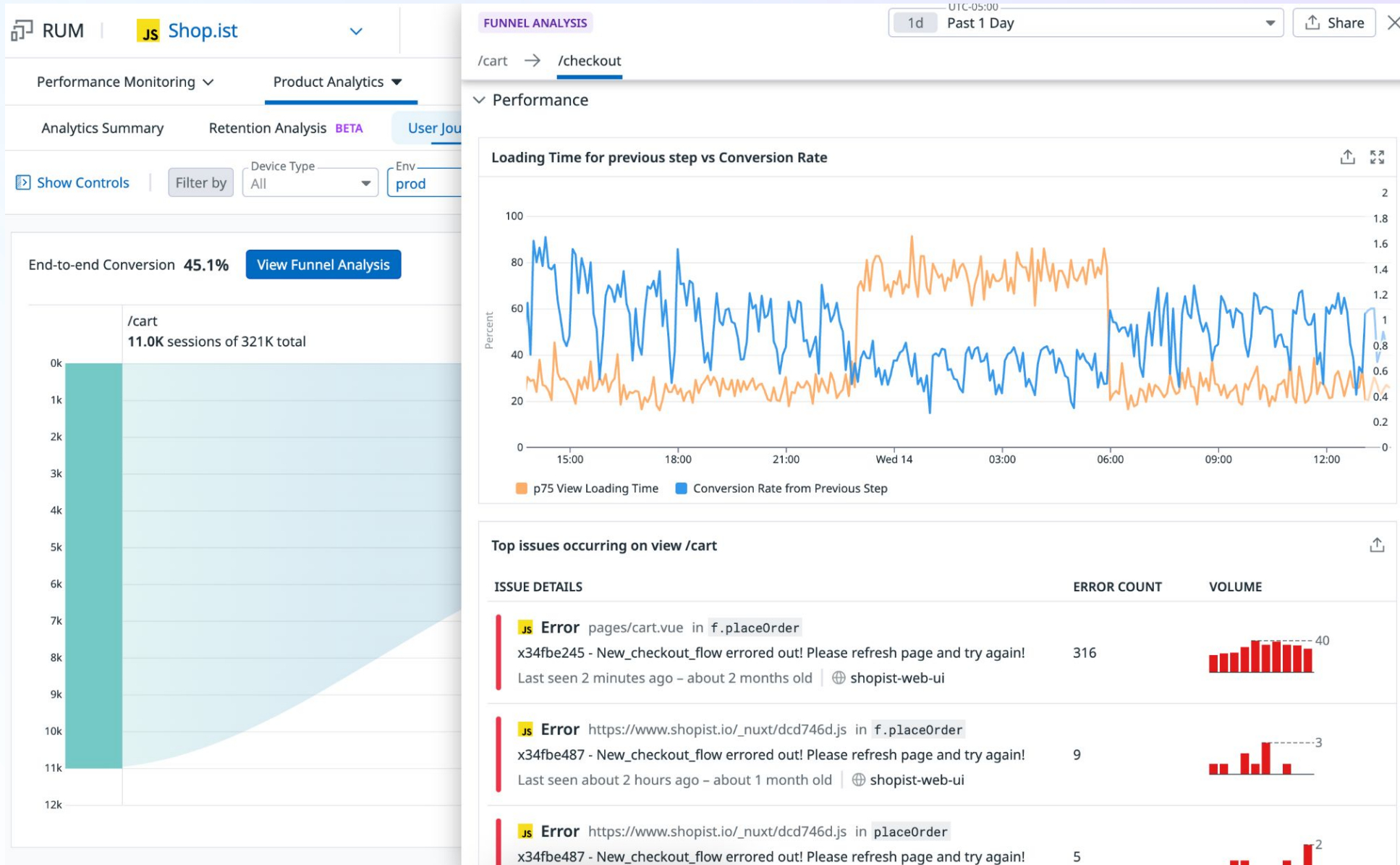
Application performance



User performance



User performance



User experience

The screenshot displays a browser session replay interface. The main window shows a website with a 'Thank you!' message: 'Your order has been placed. We will update you when it's shipped.' Below the message is a 'CONTINUE SHOPPING' button. The website header includes 'COUCH CACHE' and navigation links for 'CHAIRS', 'SOFAS', 'BEDDING', 'LIGHTING', 'MY PROFILE', and 'CART (0)'. The footer contains 'CHAIRS', 'SOFAS', 'BEDDING', 'LIGHTING', 'SIGN UP FOR SHOP.IST', and 'COUCH CACHE HOSTED BY SHOP.IST'. A 'See Heatmap for this view' button is visible at the bottom of the replay area.

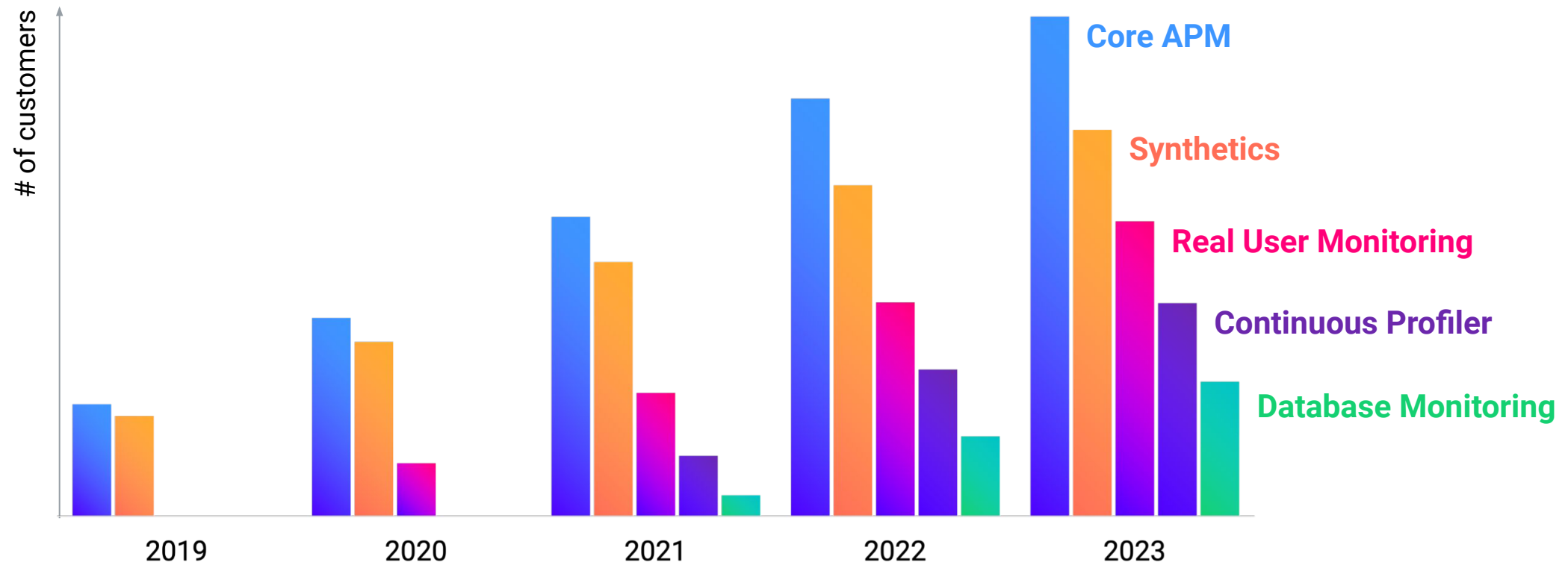
The right sidebar shows session details for user 'lori.little' on Feb 5, 11:42 pm. It indicates a 'Browser Session replay lasting 1h' with '1 watched'. A 'frustration detected' event is highlighted, with details: 'service:shopist-web-ui', 'version:4.2.6-beta', 'browser', 'Mac OS X', 'env:prod', 'Chrome', 'Japan', and 'lori.little'. Below this are controls for 'Generate Synthetic Browser Test', a search bar for events, and checkboxes for 'Events' and 'Background Events'. A list of events follows:

- 0 s SPA Route Change /checkout
- 0 s User Focus On /checkout
- 1 min 47 s User Focus On /checkout
- 2 min 6 s User Focus On /checkout
- 18 min 47 s User Focus On /checkout
- 19 min 24 s DEAD CLICK Click on Thank you! ...
- 19 min 25 s Click on main navigation on page...
- 19 min 25 s Load Page /department/chairs
- 19 min 25 s User Focus On /department/chairs
- 21 min 16 s User Focus On /department/chairs

At the bottom of the interface, there is a 'Paused' status, a progress bar showing '00:00 / 01:06:28', and a '/checkout' URL. A '1x' playback speed control is also visible.

APM & Digital Experience customer penetration

of customers adopting



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
- Audit Trail
- Log Forwarding

Cloud Security

- Cloud Security Management
- Application Security Management
- Software Composition Analysis
- Cloud SIEM
- Sensitive Data Scanner

Developer Experience

- CI Visibility
- Continuous Testing
- CoScreen

Cloud Service Management

- Incident Management
- Workflow Automation
- Cloudcraft

Watchdog

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


Shared Platform Services

Bits AI • Dashboards • Mobile • Agent • Notebook • OpenTelemetry • Service Catalog • IDE Integrations • ChatOps • SLOs • Case Management

 UNIFIED METRICS, LOGS, TRACES

700+ INTEGRATIONS

Customer example

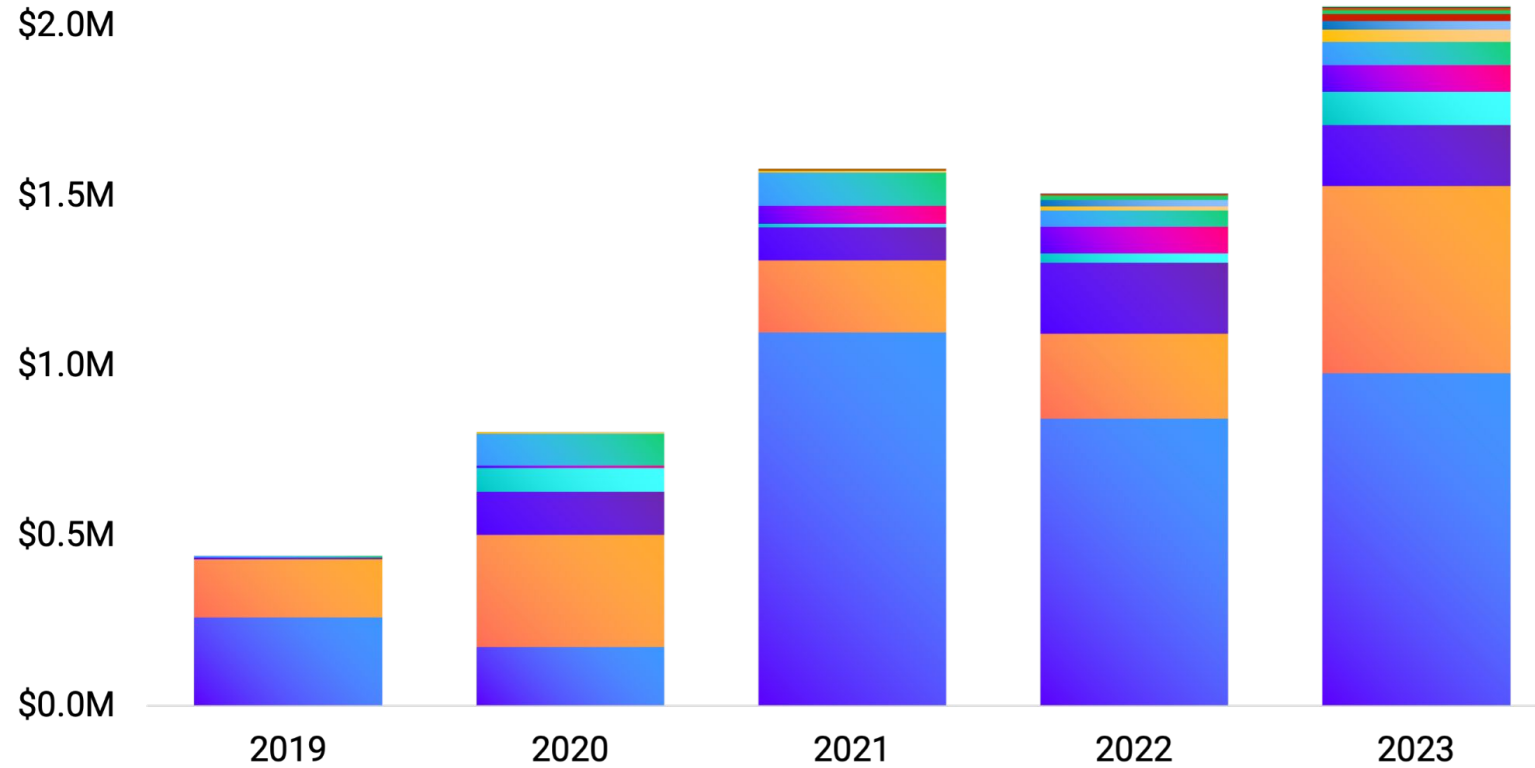
 Food & Beverage

 Enterprise
(5K+ FTEs)

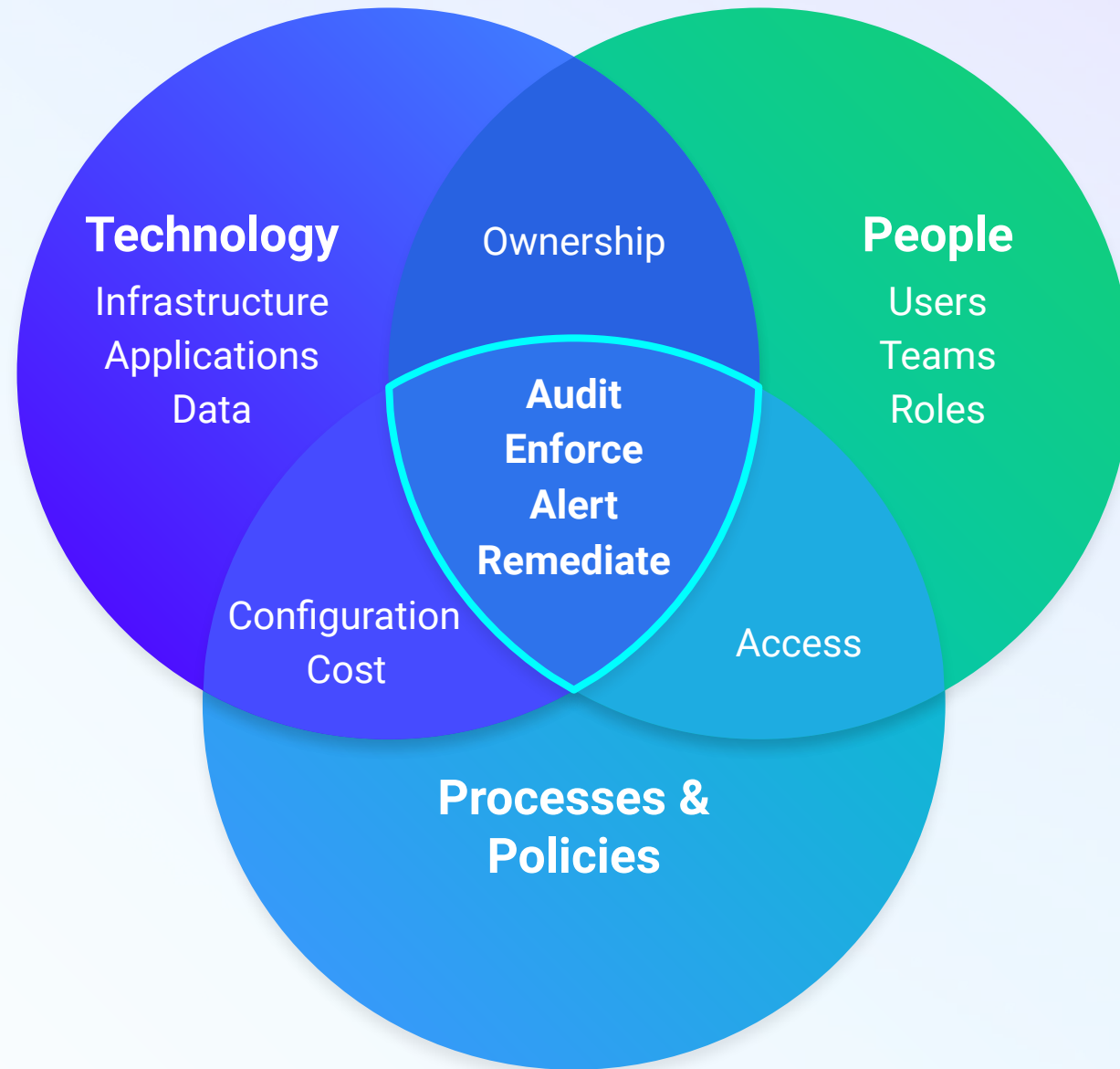
 ~5 yrs
as customer

 ~1,100 MAUs

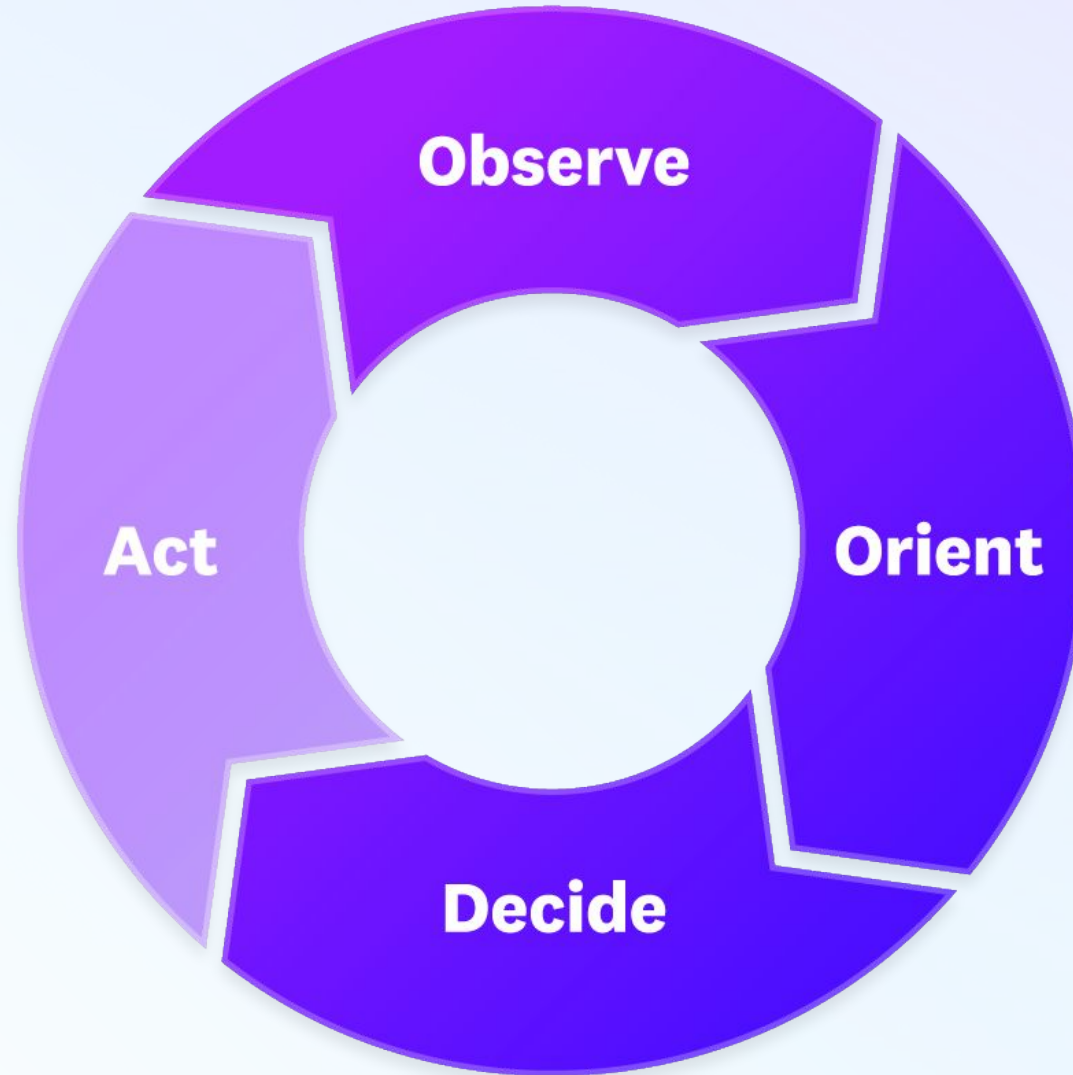
\$ ARR, each color represents a different product

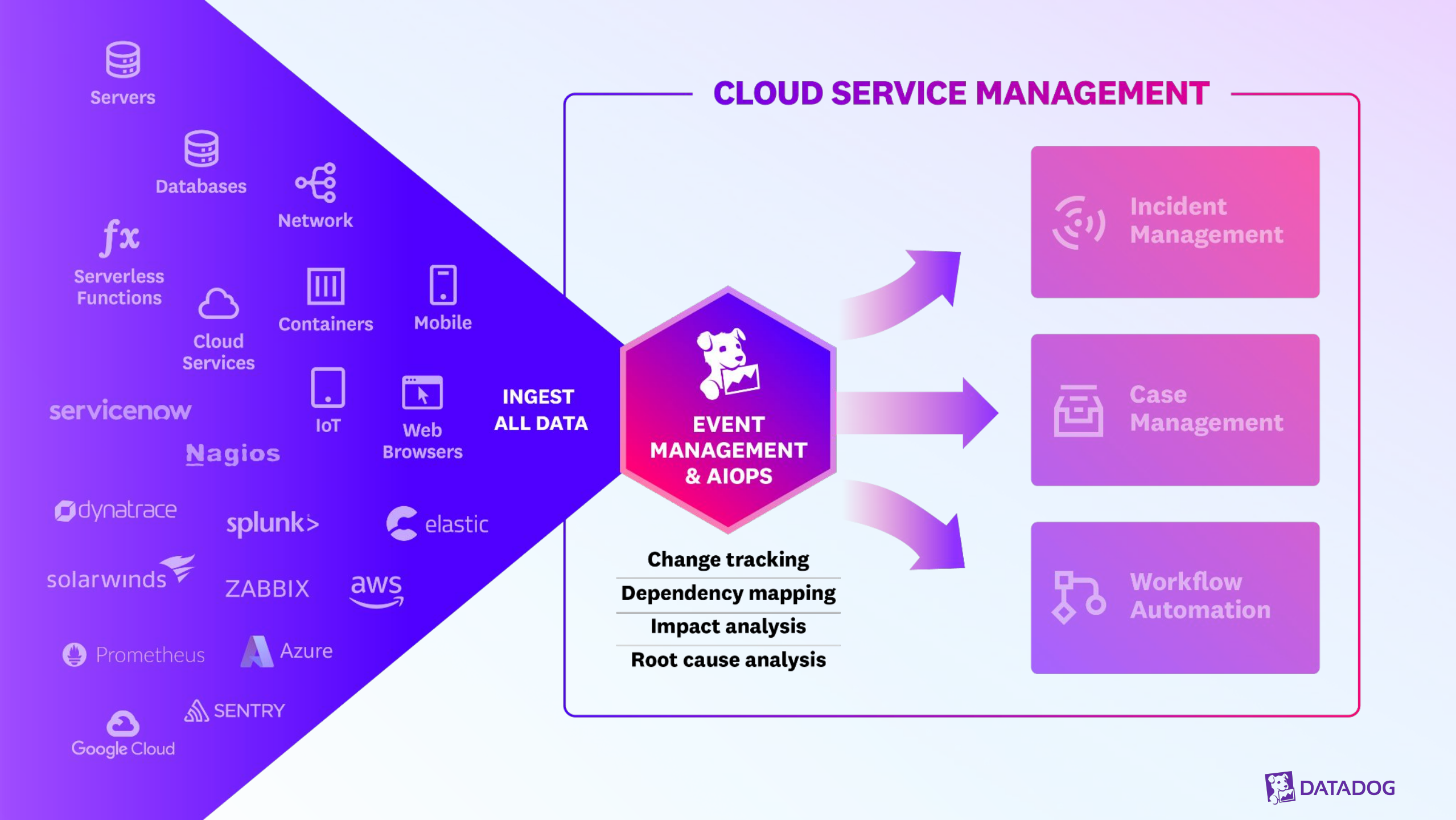


Organizational awareness through Service Management



Closing the Loop and taking action





Servers

Databases

Network

Serverless Functions

Cloud Services

Containers

Mobile

servicenow

Nagios

IoT

Web Browsers

INGEST ALL DATA

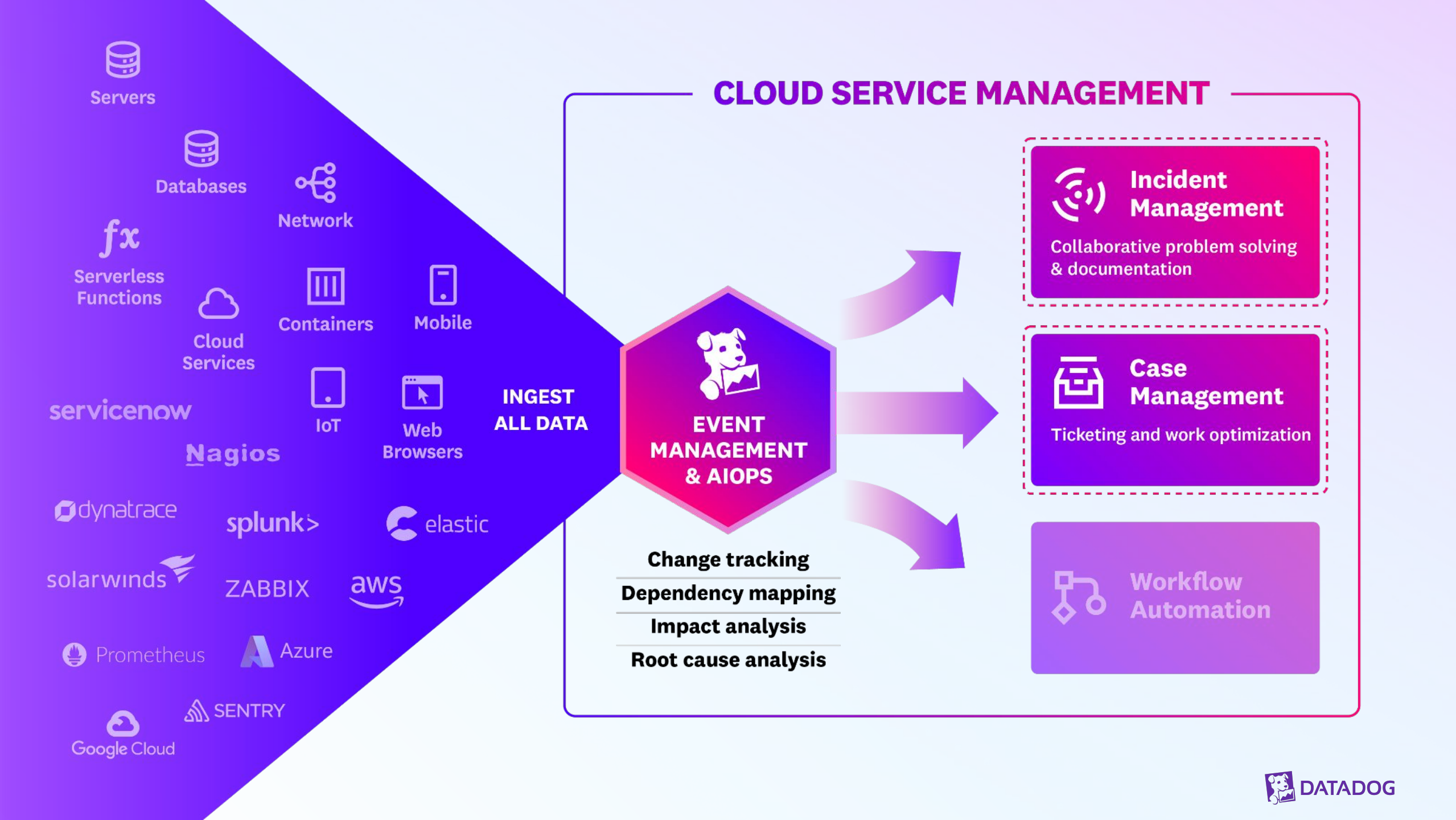
EVENT MANAGEMENT & AIOPS

- Change tracking
- Dependency mapping
- Impact analysis
- Root cause analysis

Incident Management

Case Management

Workflow Automation



CLOUD SERVICE MANAGEMENT



Incident Management

Collaborative problem solving & documentation

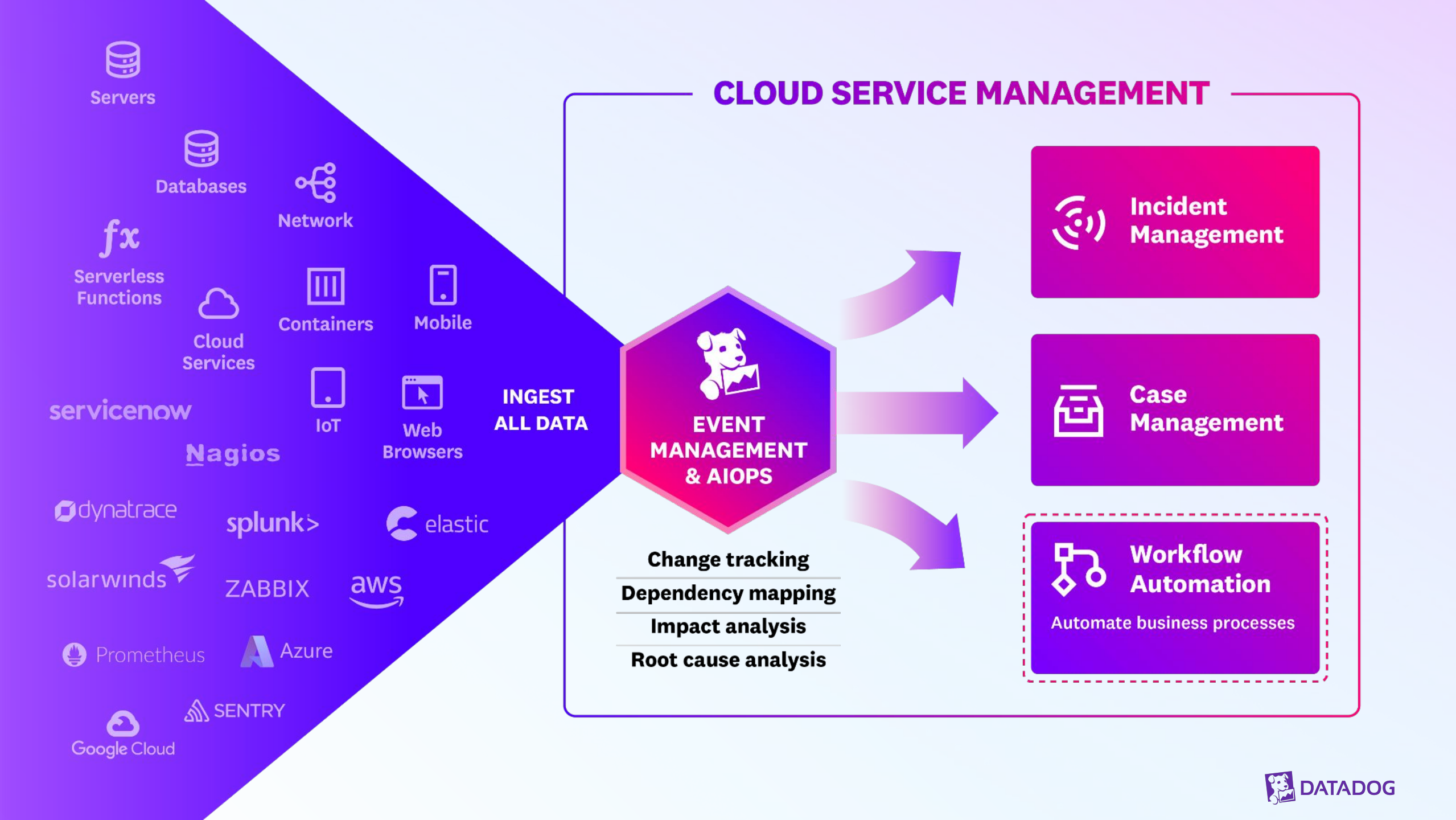


Case Management

Ticketing and work optimization



Workflow Automation



CLOUD SERVICE MANAGEMENT

- Servers
- Databases
- Network
- Serverless Functions (fx)
- Cloud Services
- Containers
- Mobile
- IoT
- Web Browsers
- servicenow
- Nagios
- dynatrace
- splunk>
- elastic
- solarwinds
- ZABBIX
- aws
- Prometheus
- Azure
- Google Cloud
- SENTRY

INGEST ALL DATA

EVENT MANAGEMENT & AIOPS

- Change tracking
- Dependency mapping
- Impact analysis
- Root cause analysis

Incident Management

Case Management

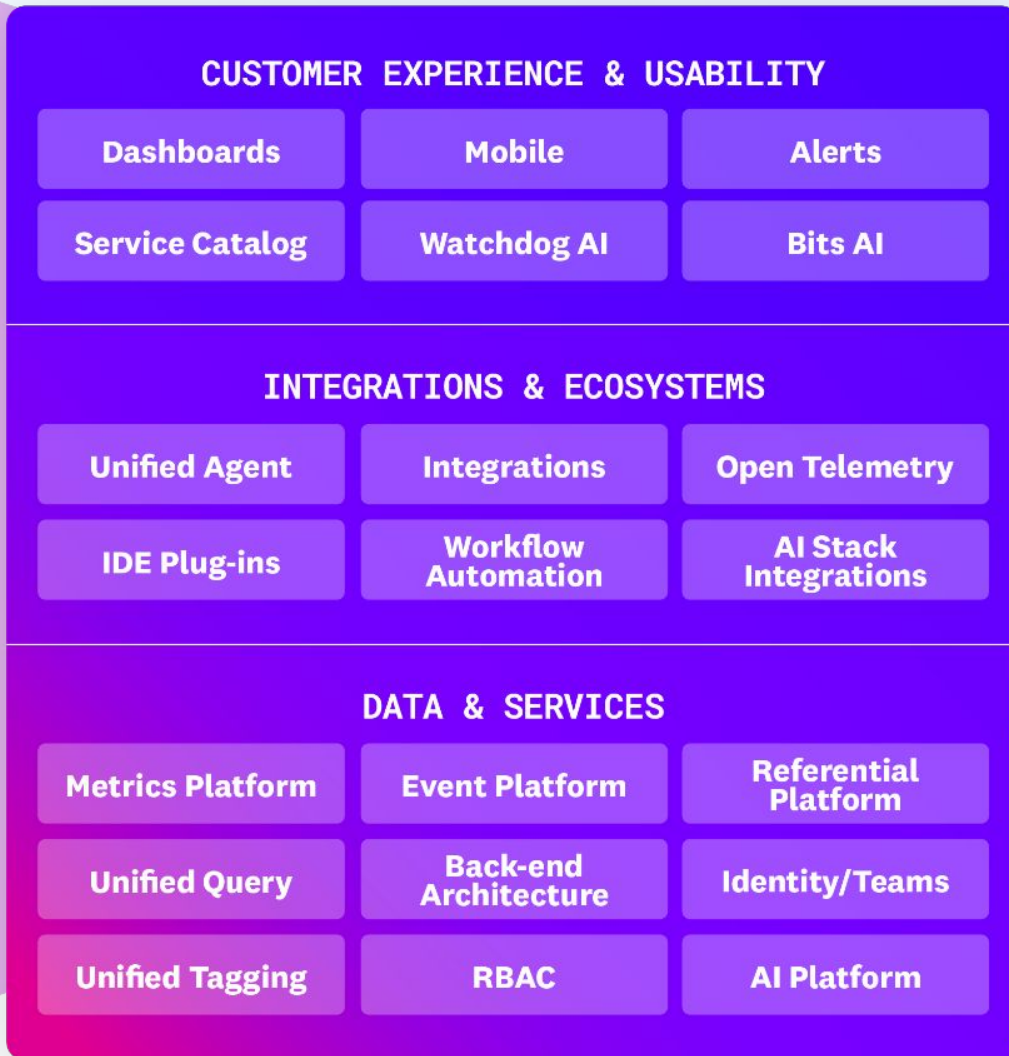
Workflow Automation
Automate business processes

Prashant Prahlad

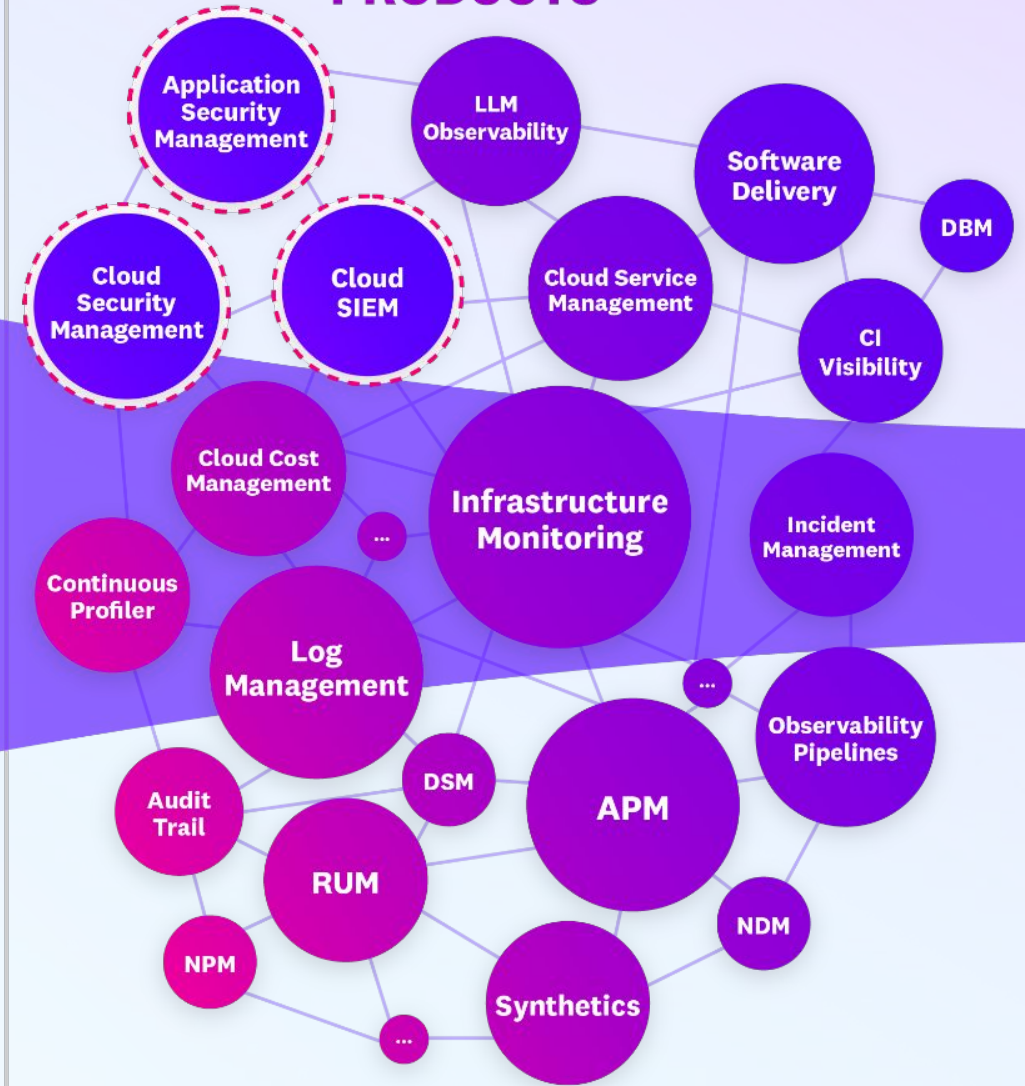
Vice President, Product

Problems to solve in security

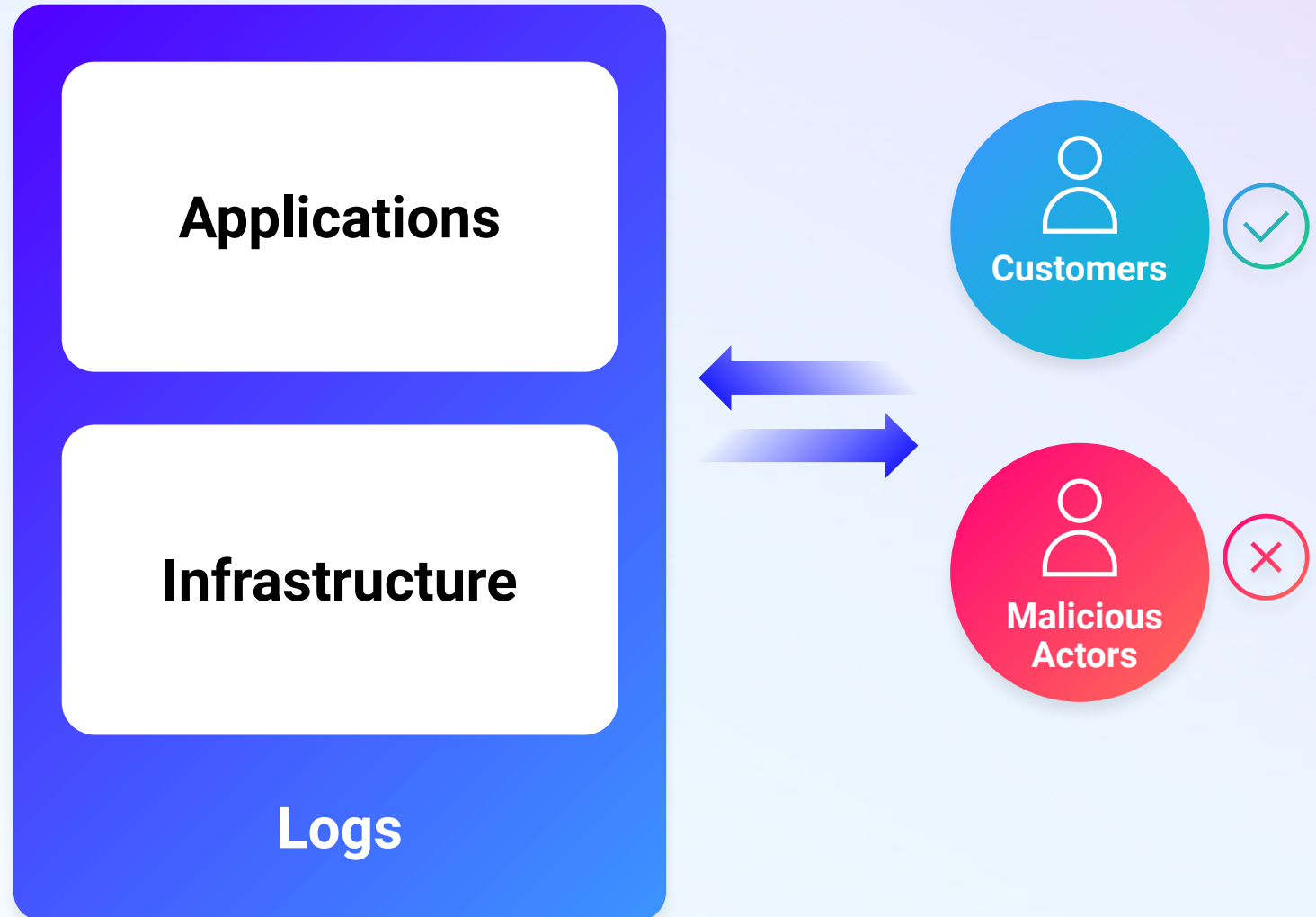
PLATFORM



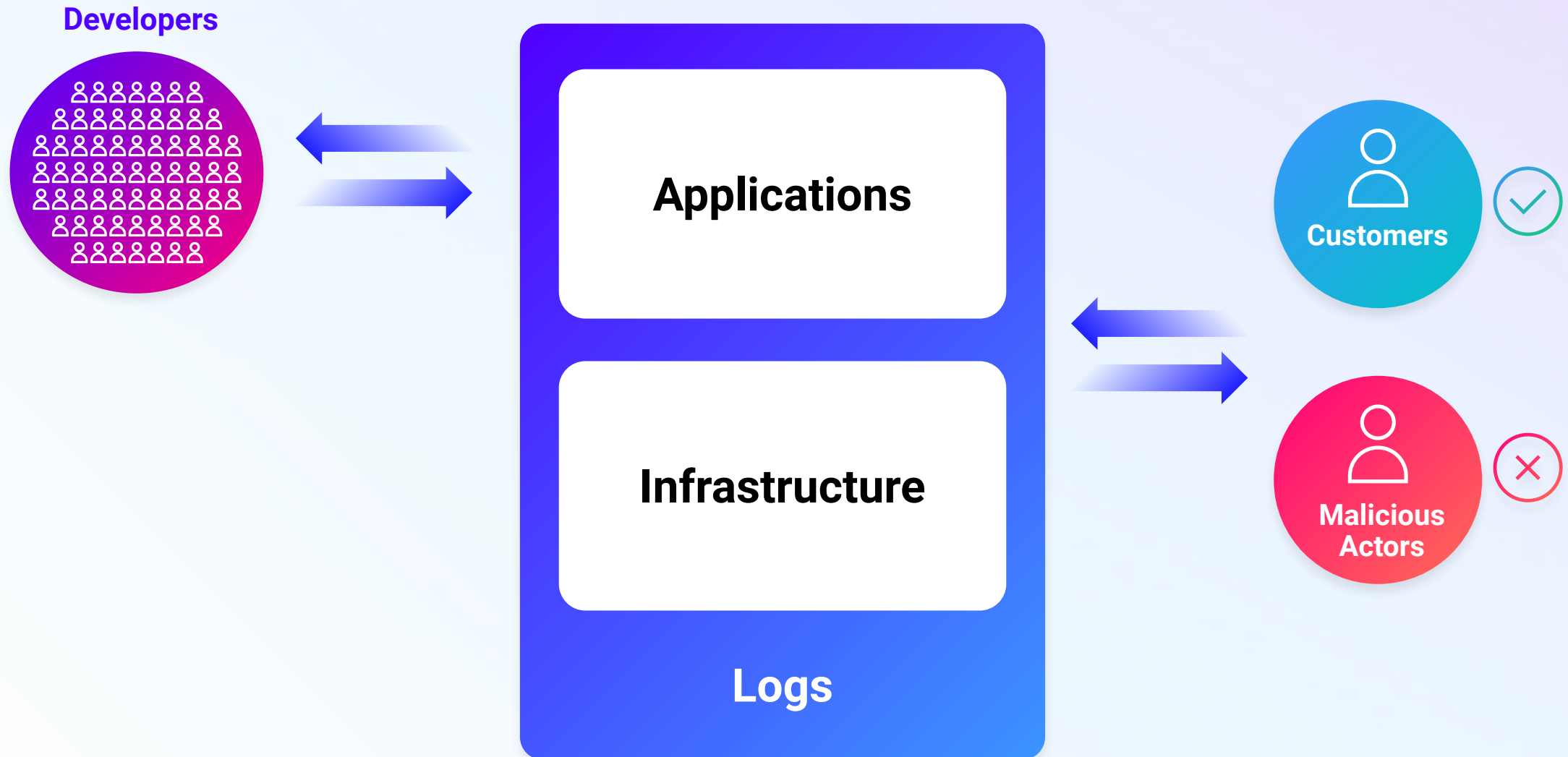
PRODUCTS



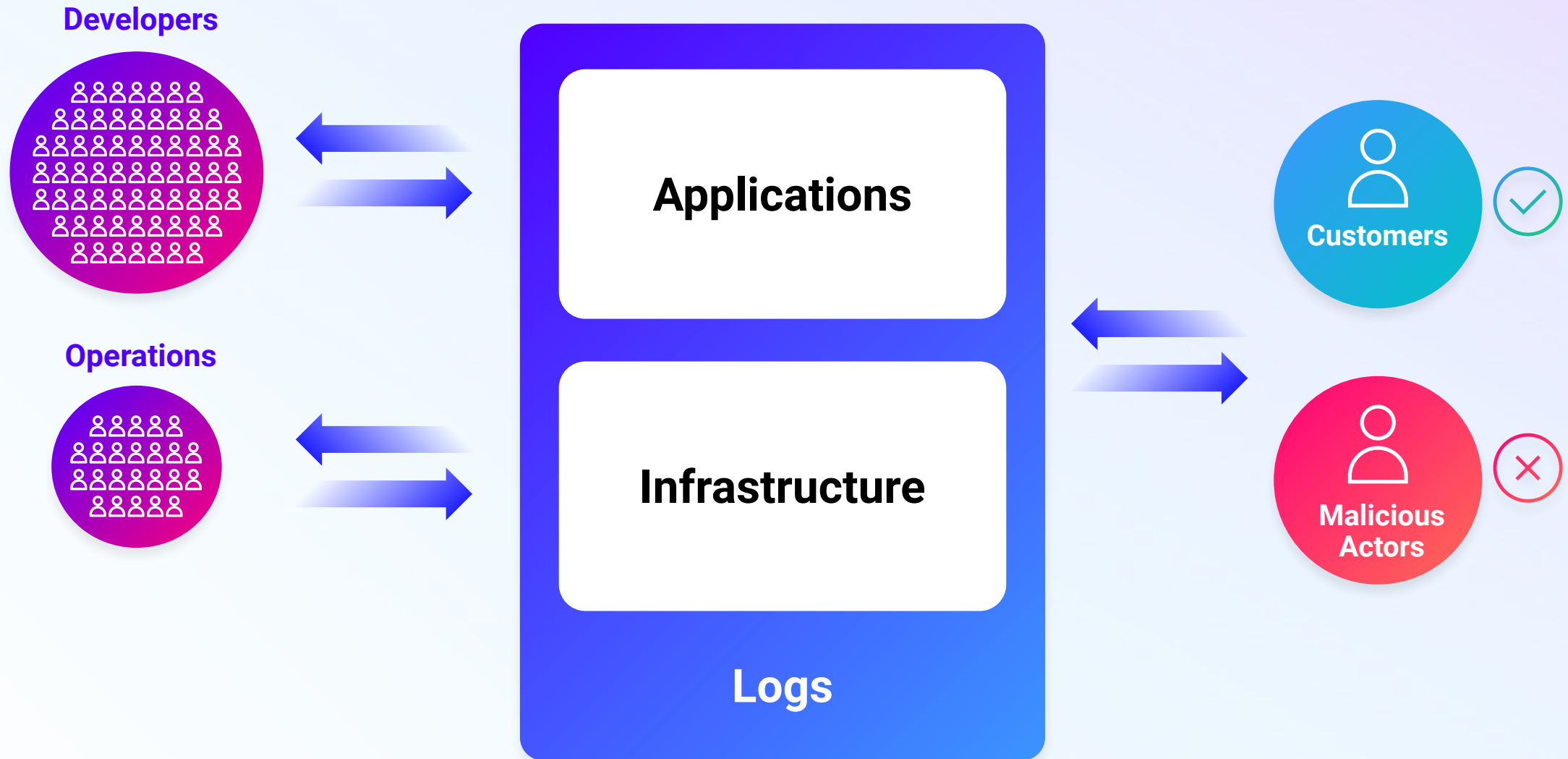
Securing cloud native applications



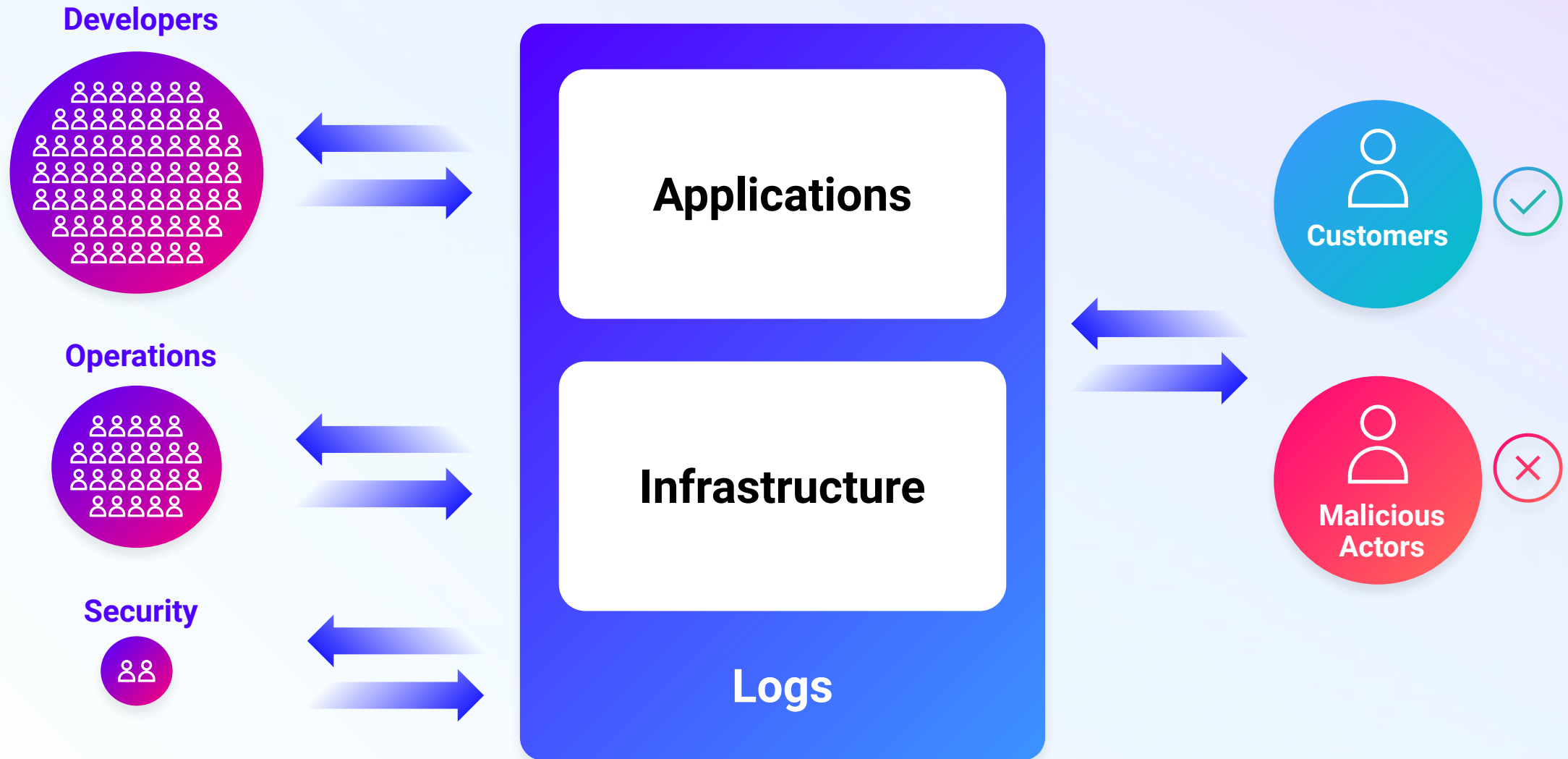
Securing cloud native applications + people



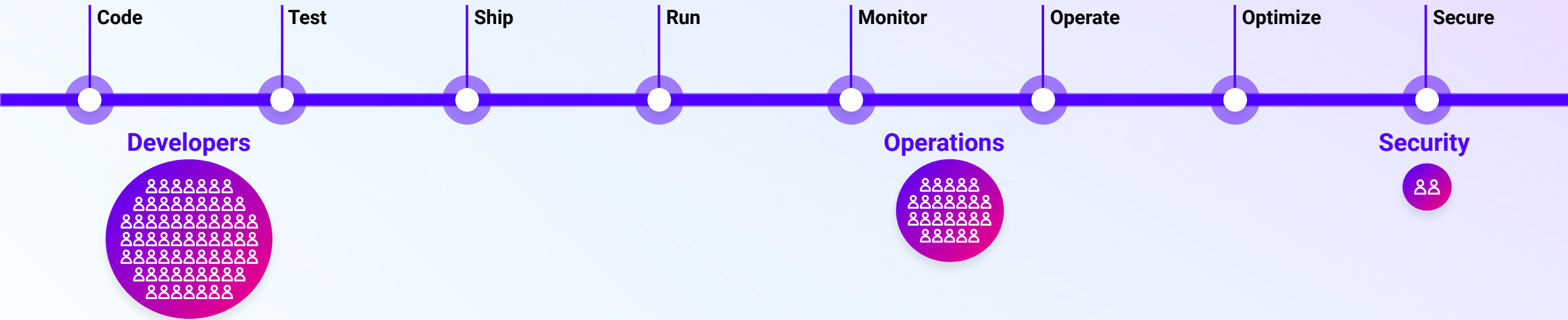
Securing cloud native applications + people



Securing cloud native applications + people



Dev, Sec, Ops: Siloed data with varied tools



DevSecOps SHARED USE CASES



Identify

security risks in production



Prioritize

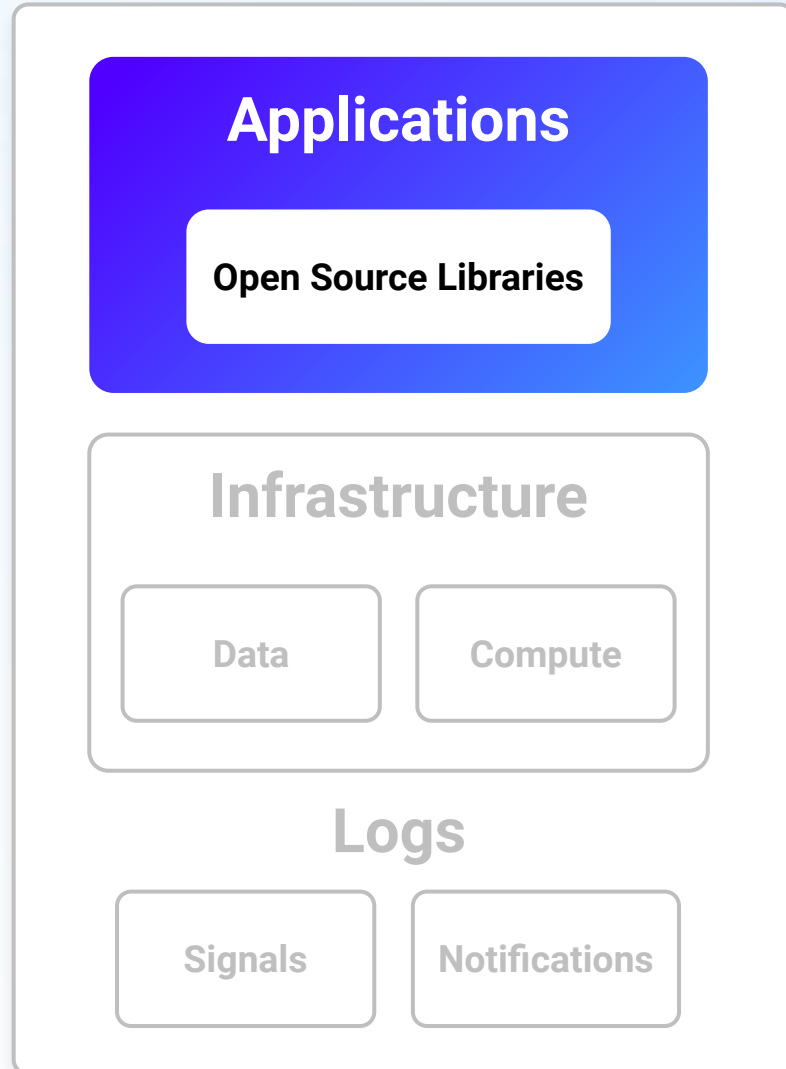
security fixes



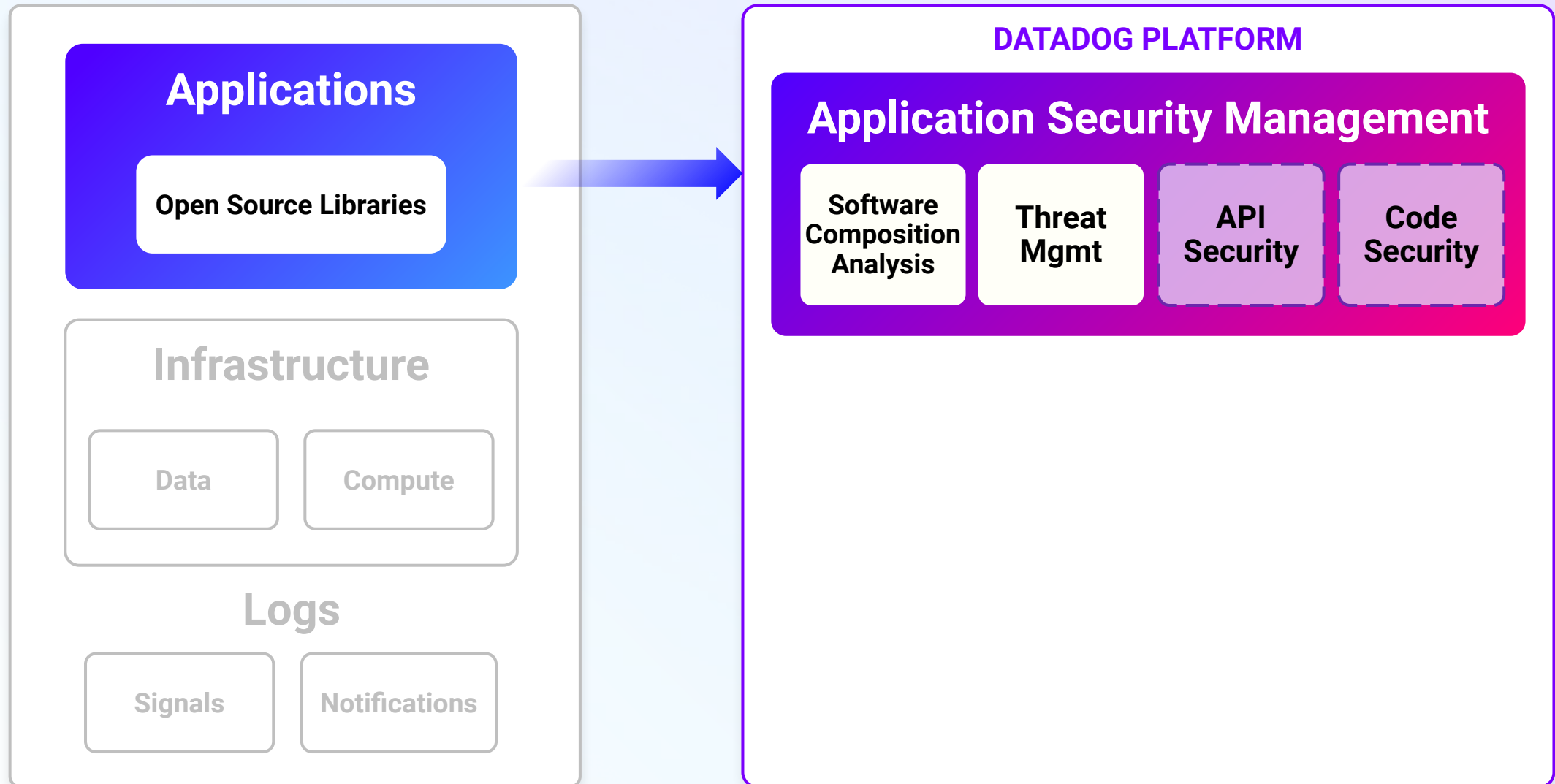
Collaborate

to resolve security issues

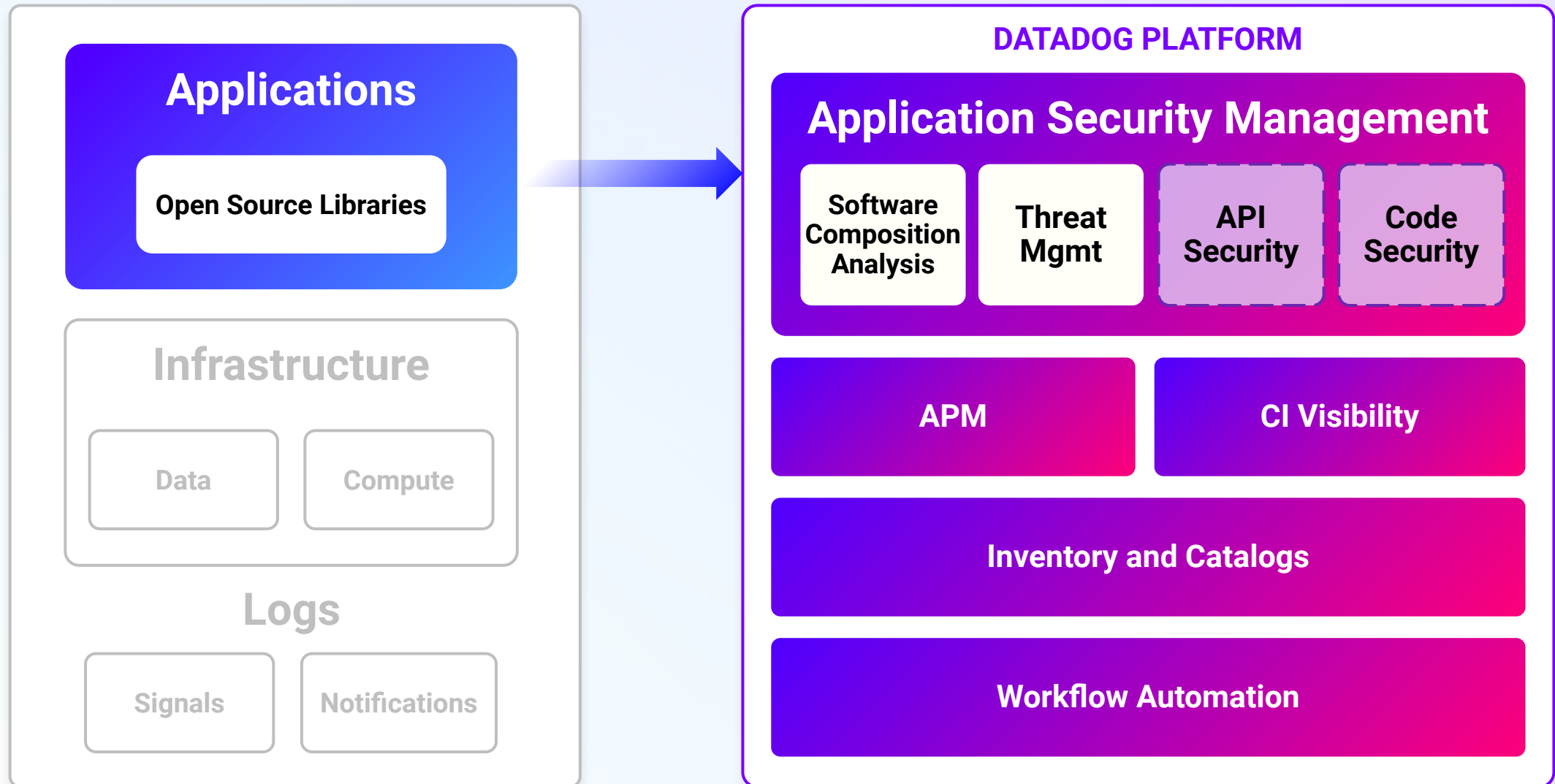
Application Security Management - securing code



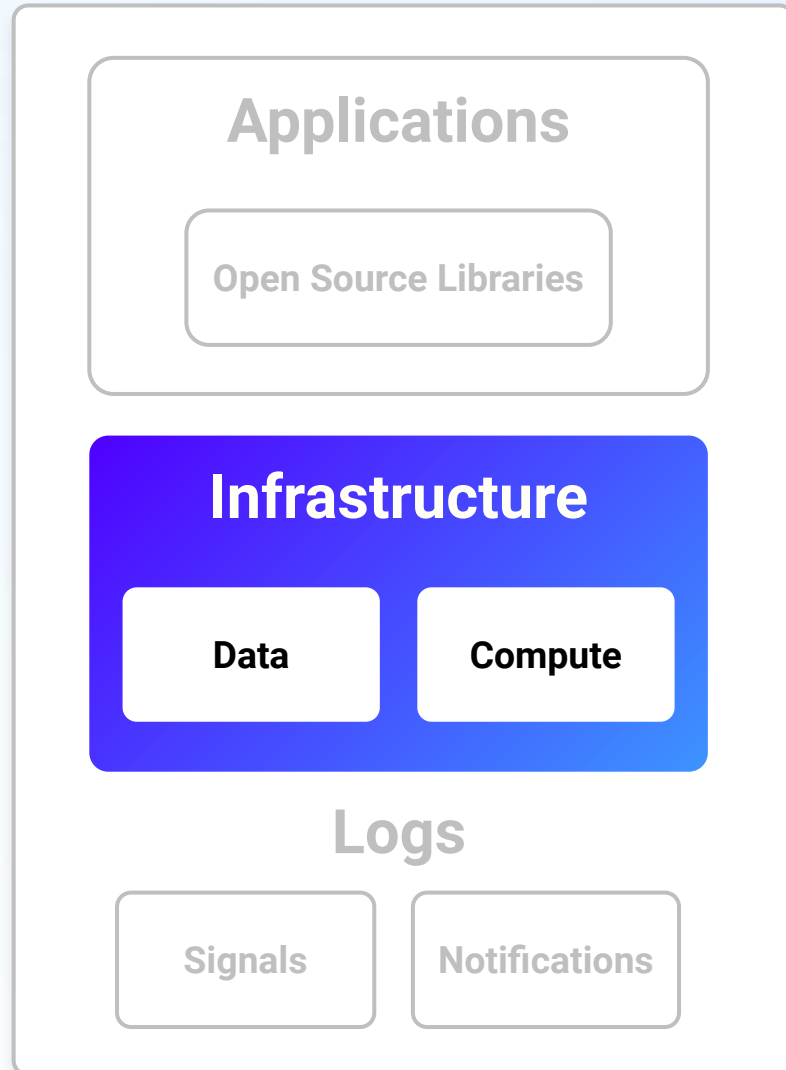
Application Security Management - securing code



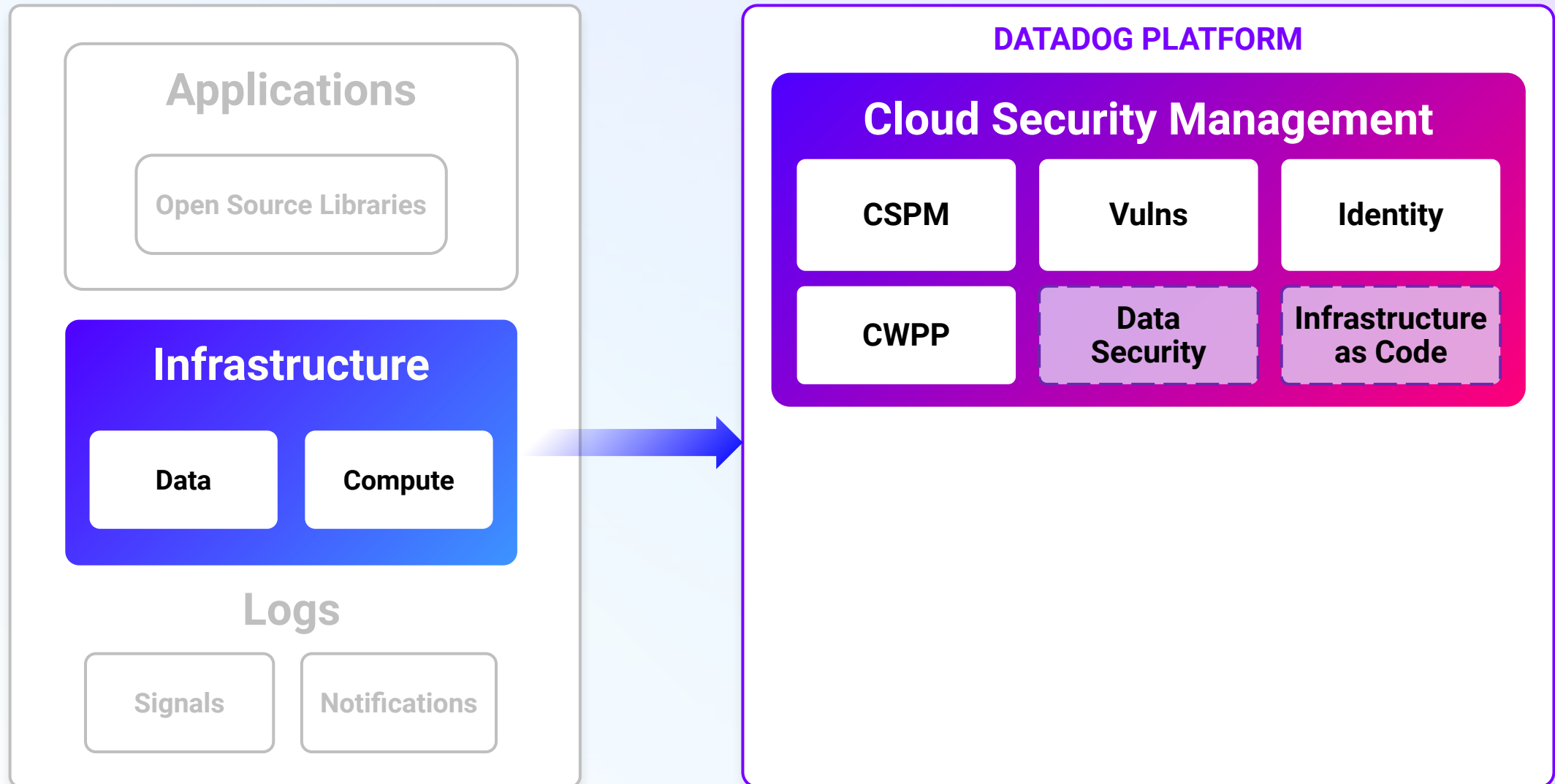
Application Security Management - securing code



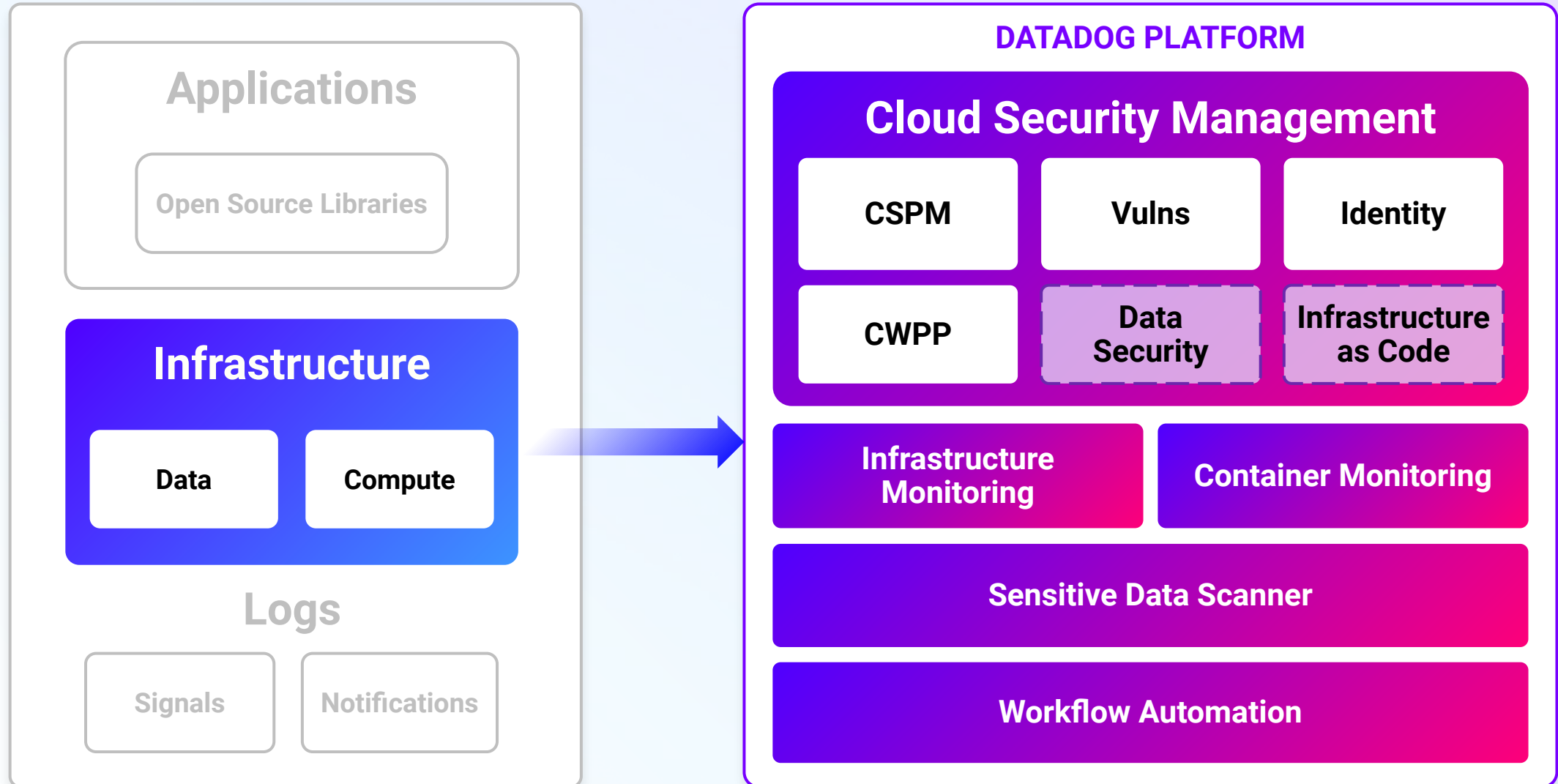
Cloud Security Management - securing infrastructure



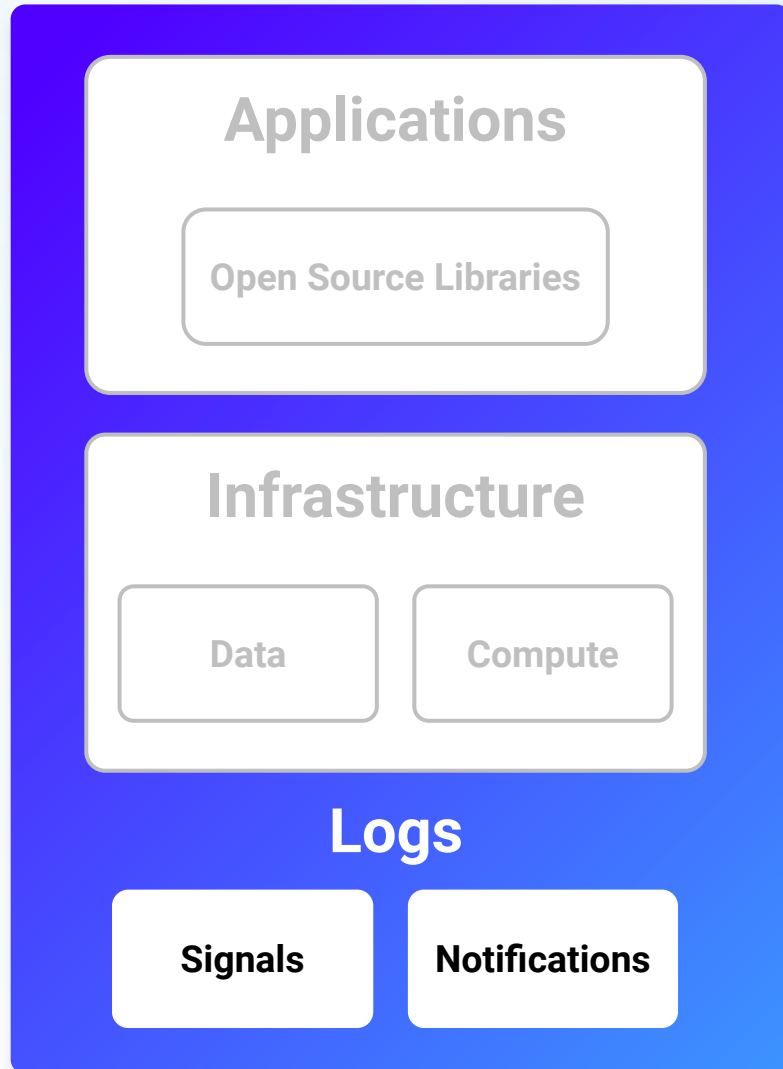
Cloud Security Management - securing infrastructure



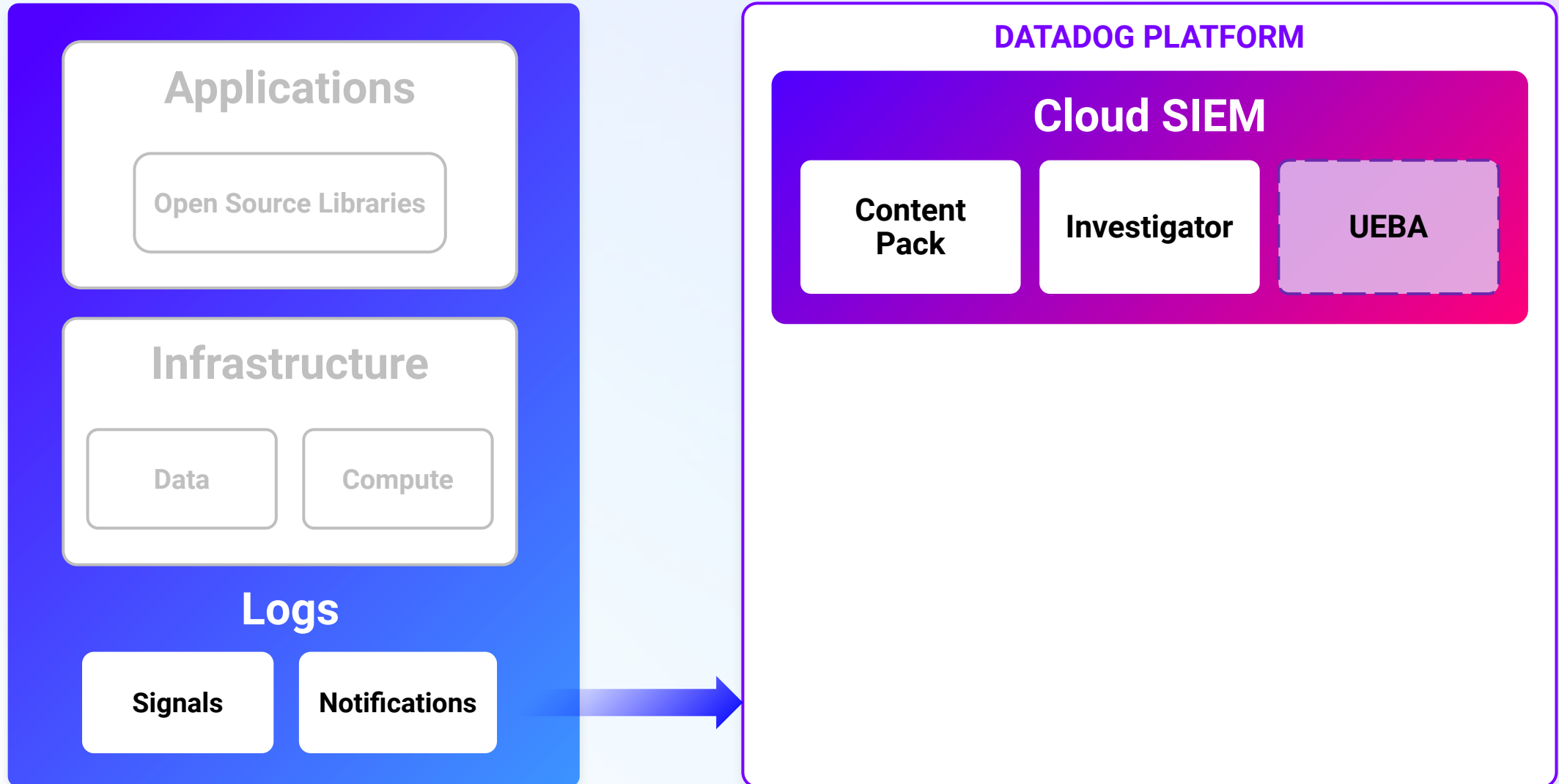
Cloud Security Management - securing infrastructure



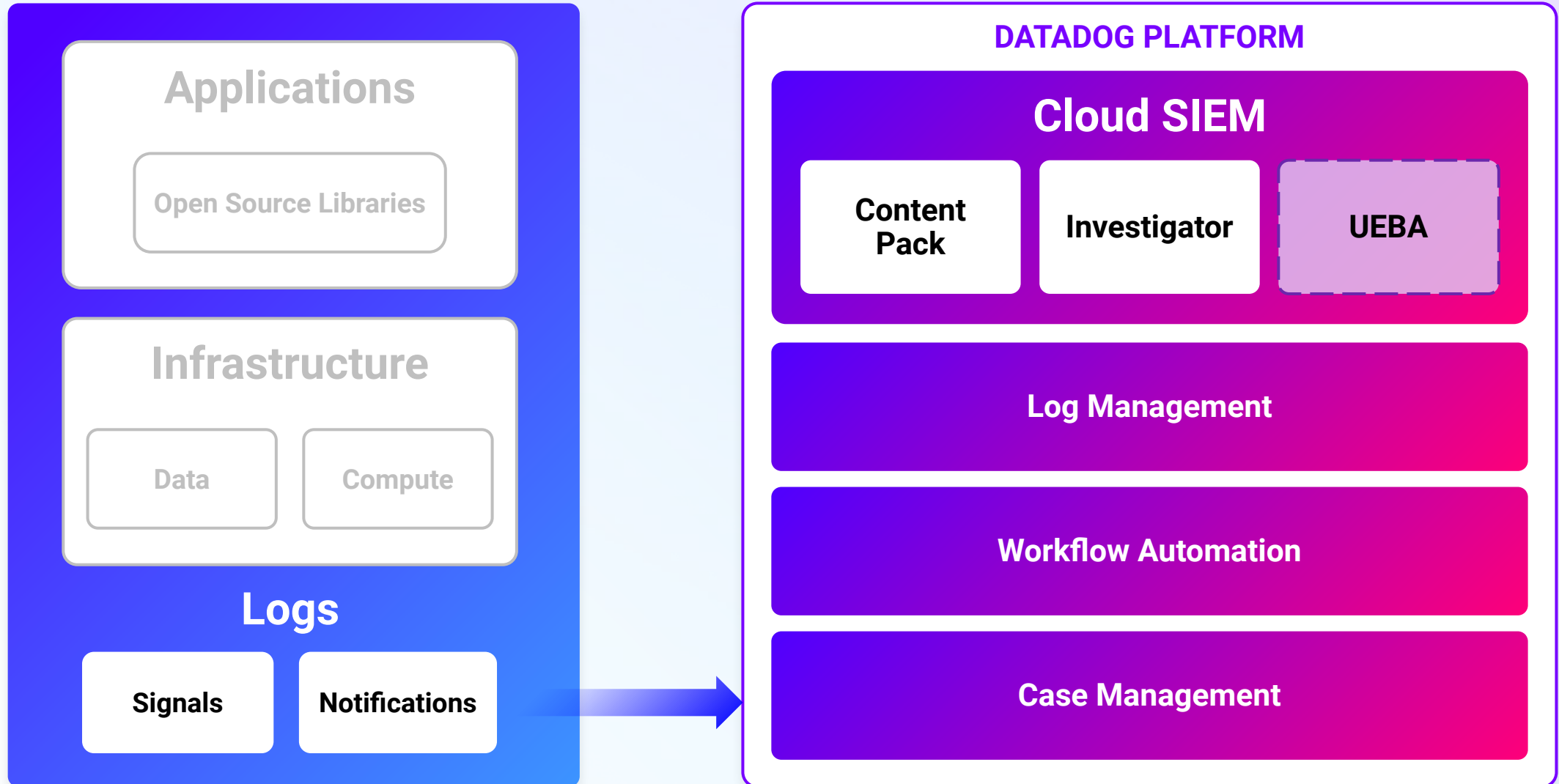
Cloud SIEM - log-based threat detection



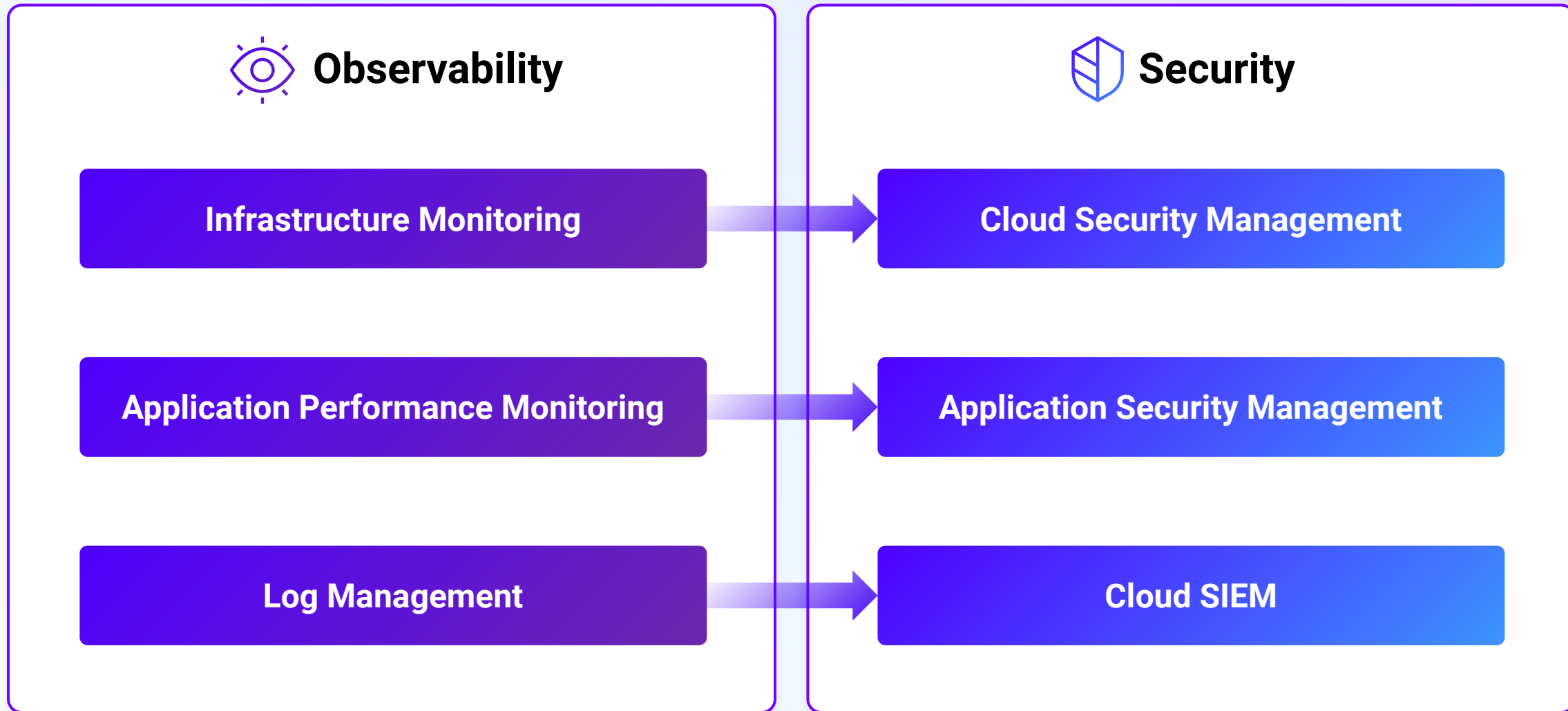
Cloud SIEM - log-based threat detection



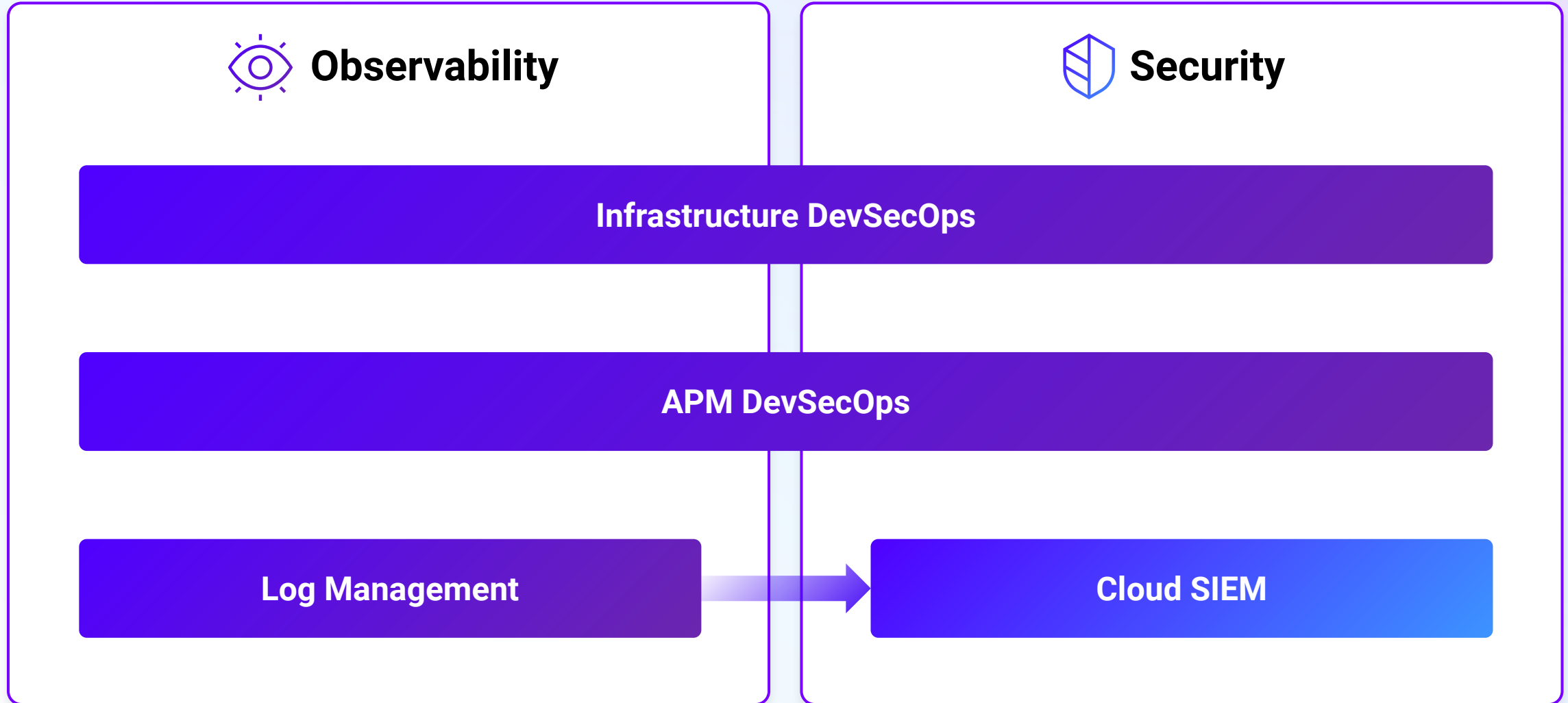
Cloud SIEM - log-based threat detection



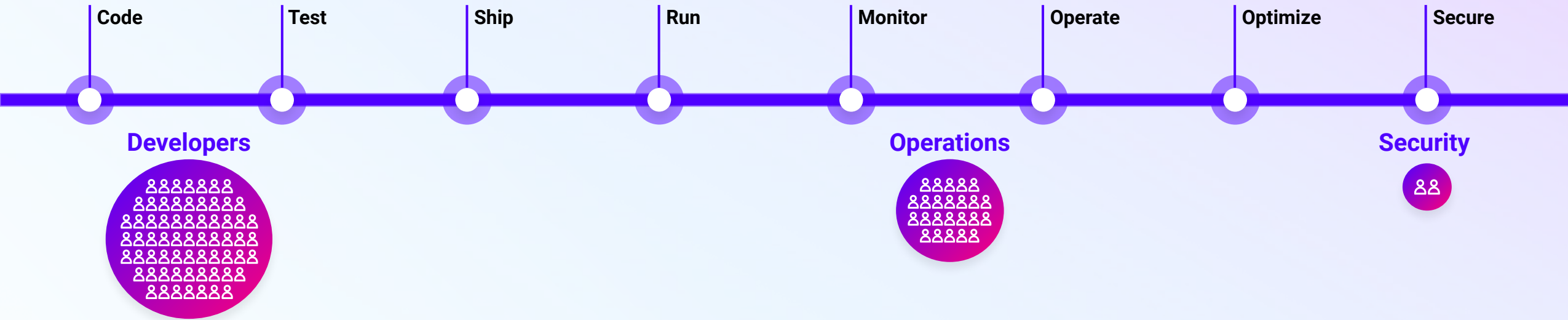
Datadog Cloud Security



Datadog Cloud Security



DevSecOps: a collaborative and efficient approach



DevSecOps SHARED USE CASES



Identify

security risks in production



Prioritize

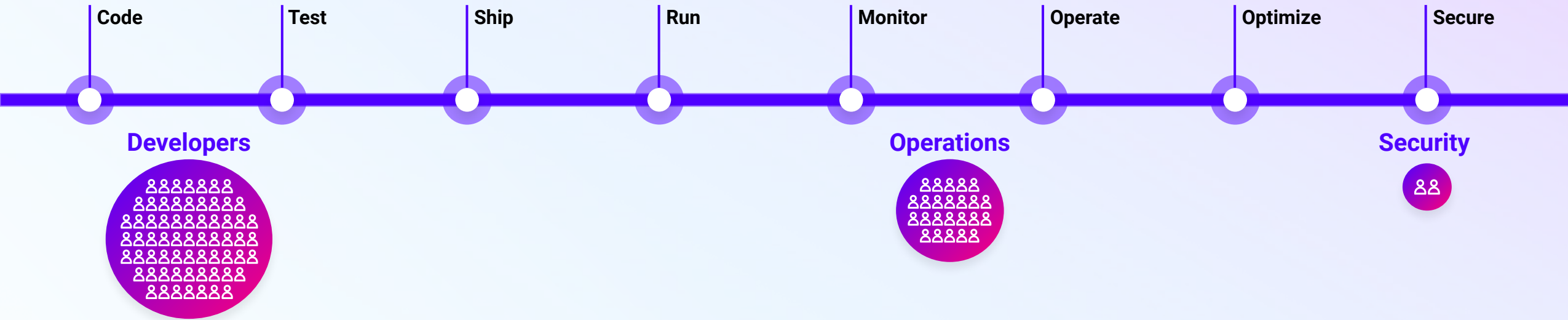
security fixes



Collaborate

to resolve security issues

DevSecOps: a collaborative and efficient approach



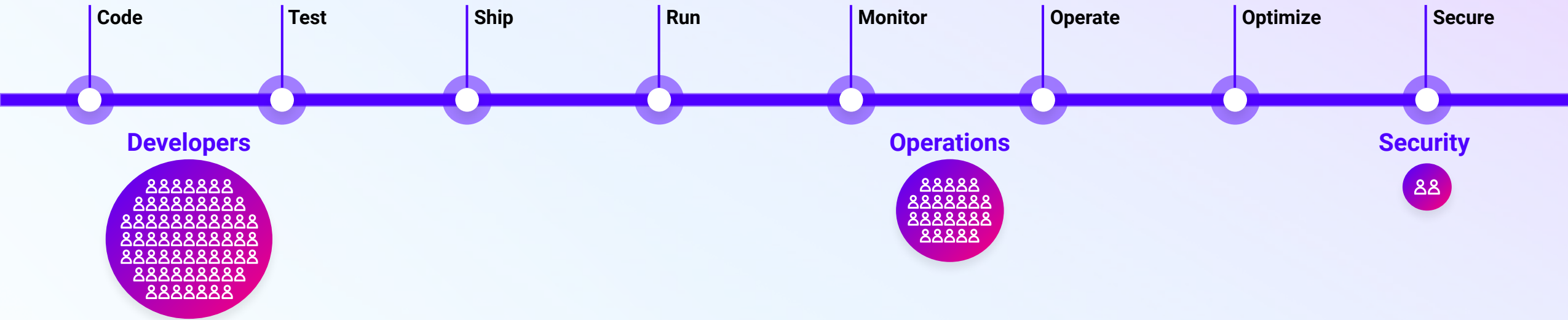
DevSecOps SHARED USE CASES

Cloud Security Management

Application Security Management

Cloud SIEM

DevSecOps: a collaborative and efficient approach



DevSecOps SHARED USE CASES

Cloud Security Management

Application Security Management

Cloud SIEM

CLOSING THE LOOP

Workflow Automation, App Builder, Incident Management, Case Management, Service Catalog, Resource Catalog

Why customers choose Datadog for Cloud Security

Datadog enables engineering and security teams to secure their stack without sacrificing speed



Bring in Security with DevSecOps

Empower larger set of Dev and Ops engineers to secure software they already build and observe using Datadog

Why customers choose Datadog for Cloud Security

Datadog enables engineering and security teams to secure their stack without sacrificing speed



Bring in Security with DevSecOps

Empower larger set of Dev and Ops engineers to secure software they already build and observe using Datadog



No performance and cost overhead; full context

Unified agent, same integrations, no cost overheads, no performance overheads or coverage gaps. Customers get observability context to focus on attacks and vulnerabilities that matter.

Why customers choose Datadog for Cloud Security

Datadog enables engineering and security teams to secure their stack without sacrificing speed



Bring in Security with DevSecOps

Empower larger set of Dev and Ops engineers to secure software they already build and observe using Datadog



No performance and cost overhead; full context

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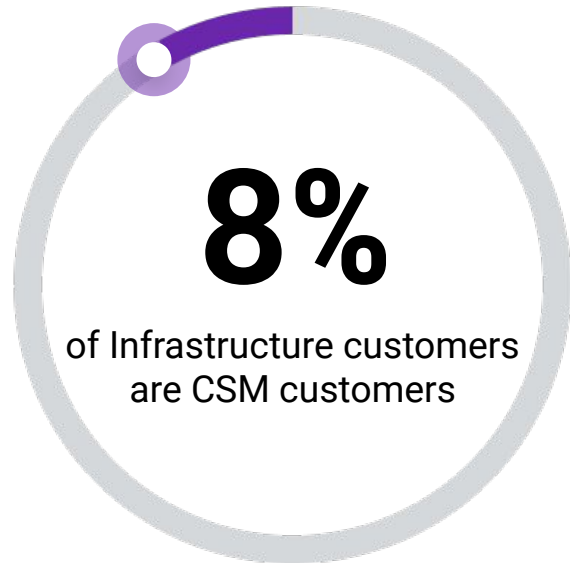


Operationalize security: Close the Loop

Drive to full remediation with integrations, automation, organizational awareness and prioritization of fixes that actually matter

Opportunity for growth

CSM / Infra Penetration



ASM / APM Penetration



SIEM / Logs Penetration



Q&A session

Olivier Pomel, CEO & Co-founder

Alexis Lê-Quôc, CTO & Co-founder

Yrieix Garnier, VP, Product

Michael Whetten, VP, Product

Prashant Prahlad, VP, Product

Yuka Broderick, VP, Investor Relations

Intermission

We'll be back shortly

Investor Day 2024

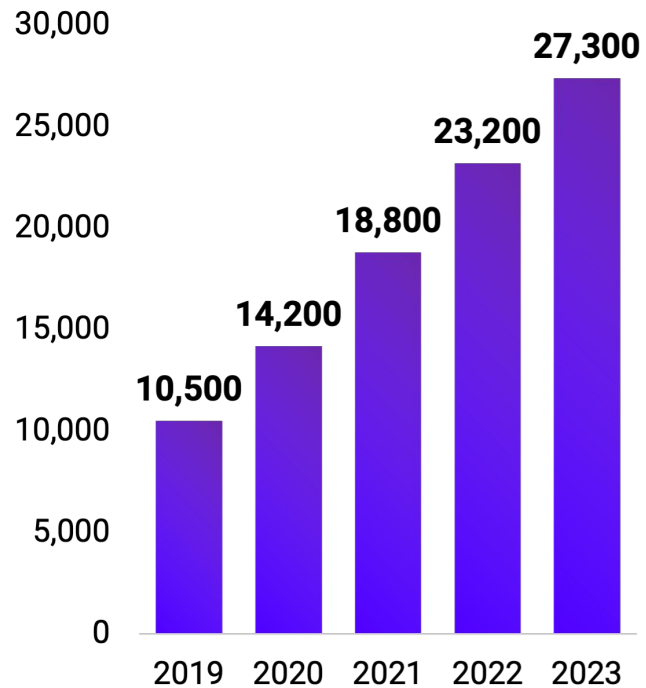
February 15, 2024

Sean Walters

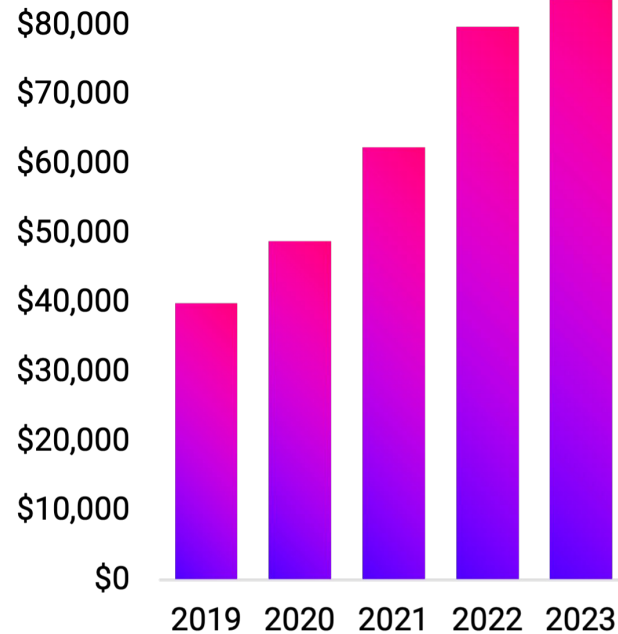
Chief Revenue Officer

Our key focus is landing new

Datadog customers

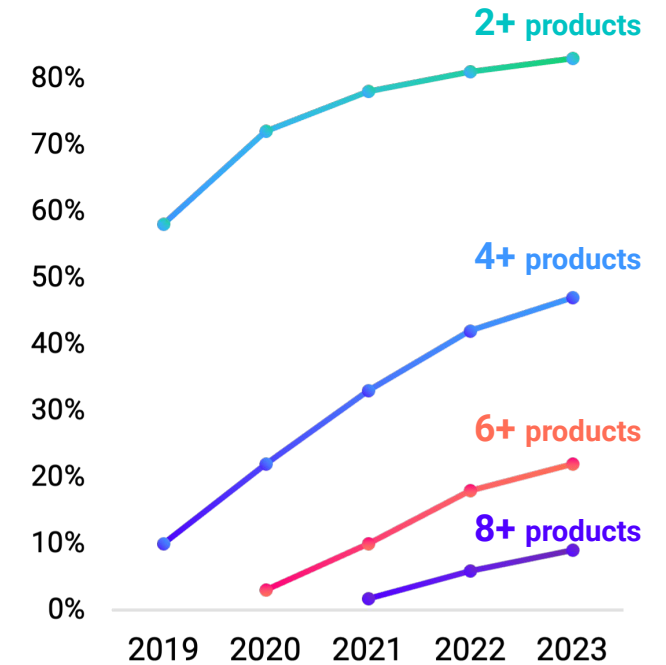


Revenue per customer



Multi-product adoption

% of customers with:



Go-to-market meets customers where they are



Larger / more traditional customers

- Proofs-of-concept
- Proofs-of-value
- Requests-for-proposal
- Multi-business unit contract negotiations

Go-to-market meets customers where they are



Larger / more traditional customers

- Proofs-of-concept
- Proofs-of-value
- Requests-for-proposal
- Multi-business unit contract negotiations



Enterprise sales team

- Pre-sales engineers
- Enterprise Customer Success Managers
- Technical Account Managers
- Technical Enablement Managers
- Business Value Assessment
- Premier Support

Go-to-market meets customers where they are



Larger / more traditional customers

- Proofs-of-concept
- Proofs-of-value
- Requests-for-proposal
- Multi-business unit contract negotiations



Enterprise sales team

- Pre-sales engineers
- Enterprise Customer Success Managers
- Technical Account Managers
- Technical Enablement Managers
- Business Value Assessment
- Premier Support



Smaller / younger customers

- Ease of purchase
- Ease of implementation
- Ease of use
- Flexibility preferred over commitment

Go-to-market meets customers where they are



Larger / more traditional customers

- Proofs-of-concept
- Proofs-of-value
- Requests-for-proposal
- Multi-business unit contract negotiations



Enterprise sales team

- Pre-sales engineers
- Enterprise Customer Success Managers
- Technical Account Managers
- Technical Enablement Managers
- Business Value Assessment
- Premier Support



Smaller / younger customers

- Ease of purchase
- Ease of implementation
- Ease of use
- Flexibility preferred over commitment



Commercial sales teams

- Self-service
- Flexible contracting terms
- Intuitive product design / user interface
- Strong documentation
- Community events

Common customer value drivers

Common customer value drivers



**Accelerate digital
transformation**

Common customer value drivers



**Accelerate digital
transformation**



**Enable operational
scalability and
cost reduction**

Common customer value drivers



**Accelerate digital
transformation**



**Enable operational
scalability and
cost reduction**



**Reduce operational,
security and
compliance risk**

Common customer value drivers



**Accelerate digital
transformation**



**Enable operational
scalability and
cost reduction**

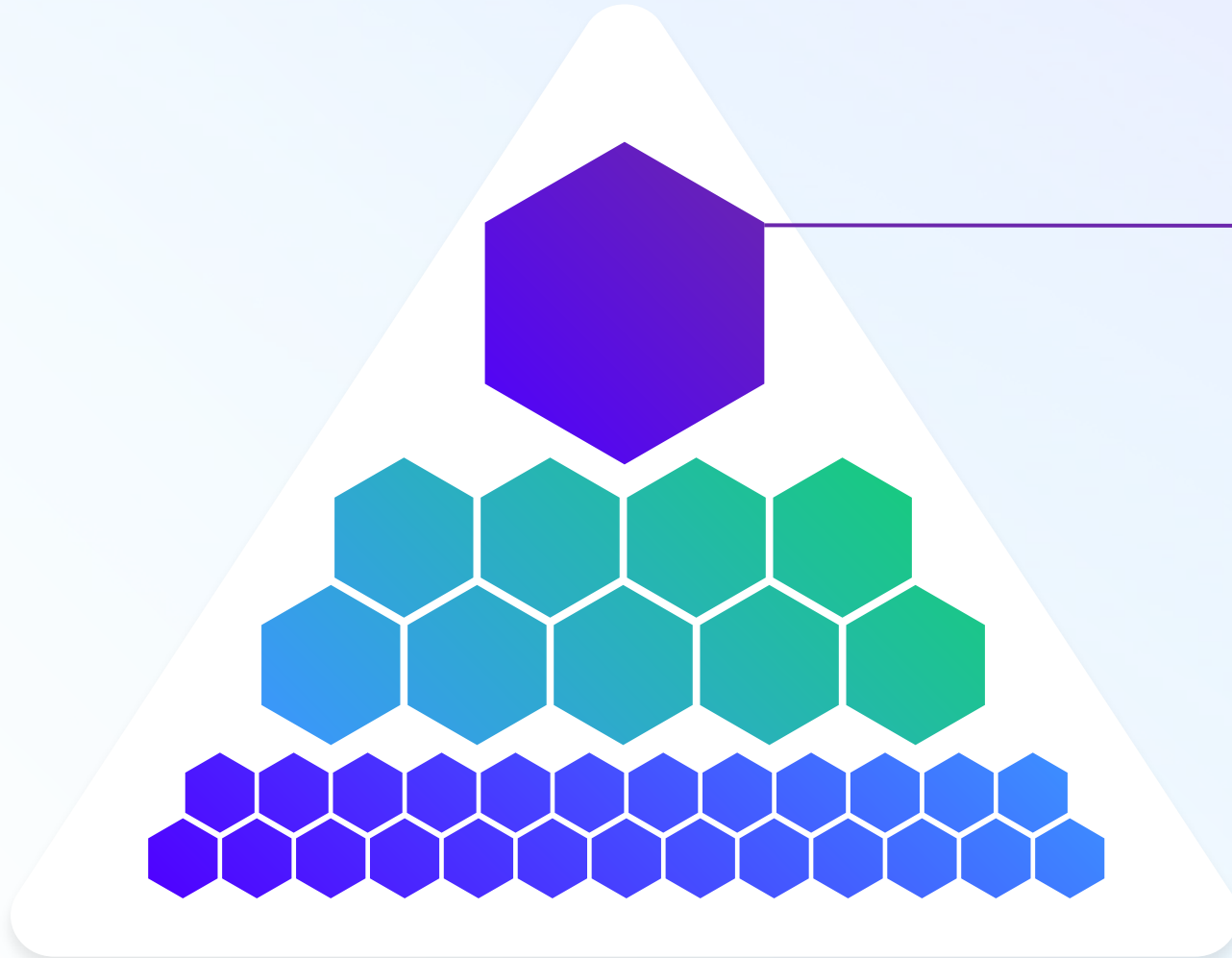


**Reduce operational,
security and
compliance risk**



**Enhance customer
experience**

Our go-to-market strategy



Enterprise sales team

- More complex customers
- Customer lifecycle management

Enterprise customer example

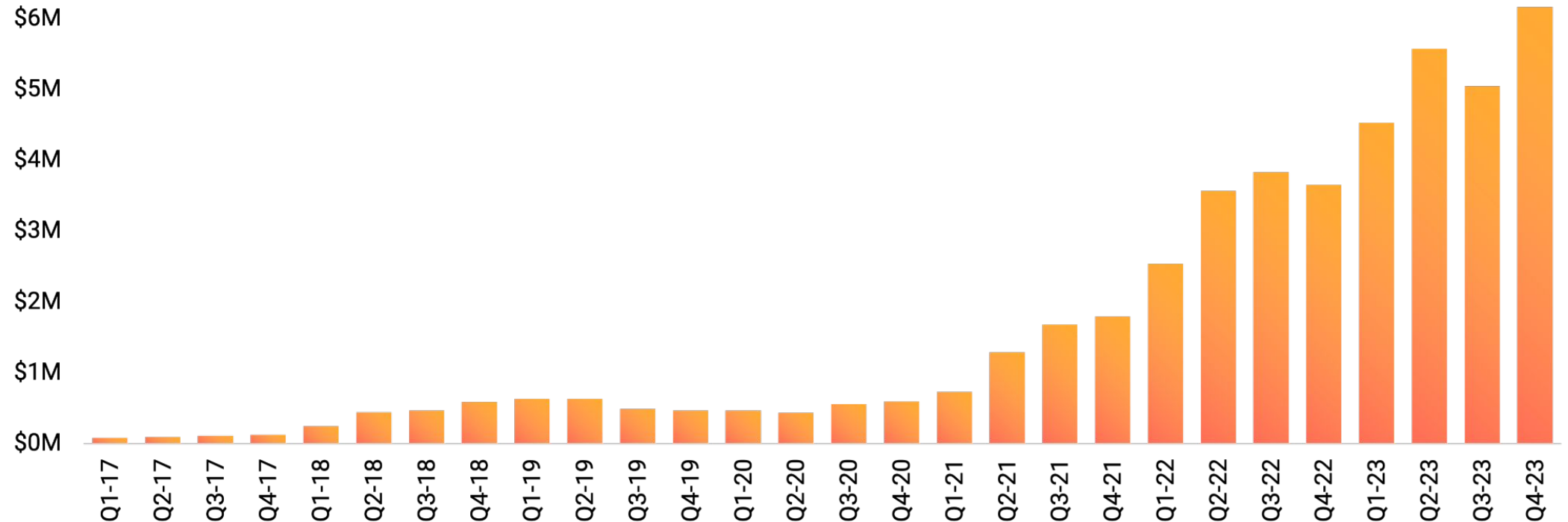
 Insurance

 Enterprise
(5K+ FTEs)

 ~7 yrs
as customer

 ~2,700 MAUs

Annual Recurring Revenue (ARR)



of products 1 1 1 1 1 1 1 1 1 1 1 1 4 5 5 5 6 6 6 7 7 9 9 9 9 9 10 11

Penetration of top 10 companies by vertical



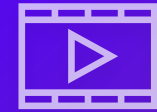
10 of top 10
Telecommunications



10 of top 10
Data & Transaction
Processors



9 of top 10
Software



9 of top 10
Entertainment



8 of top 10
E-commerce



8 of top 10
Hardware &
Semiconductors

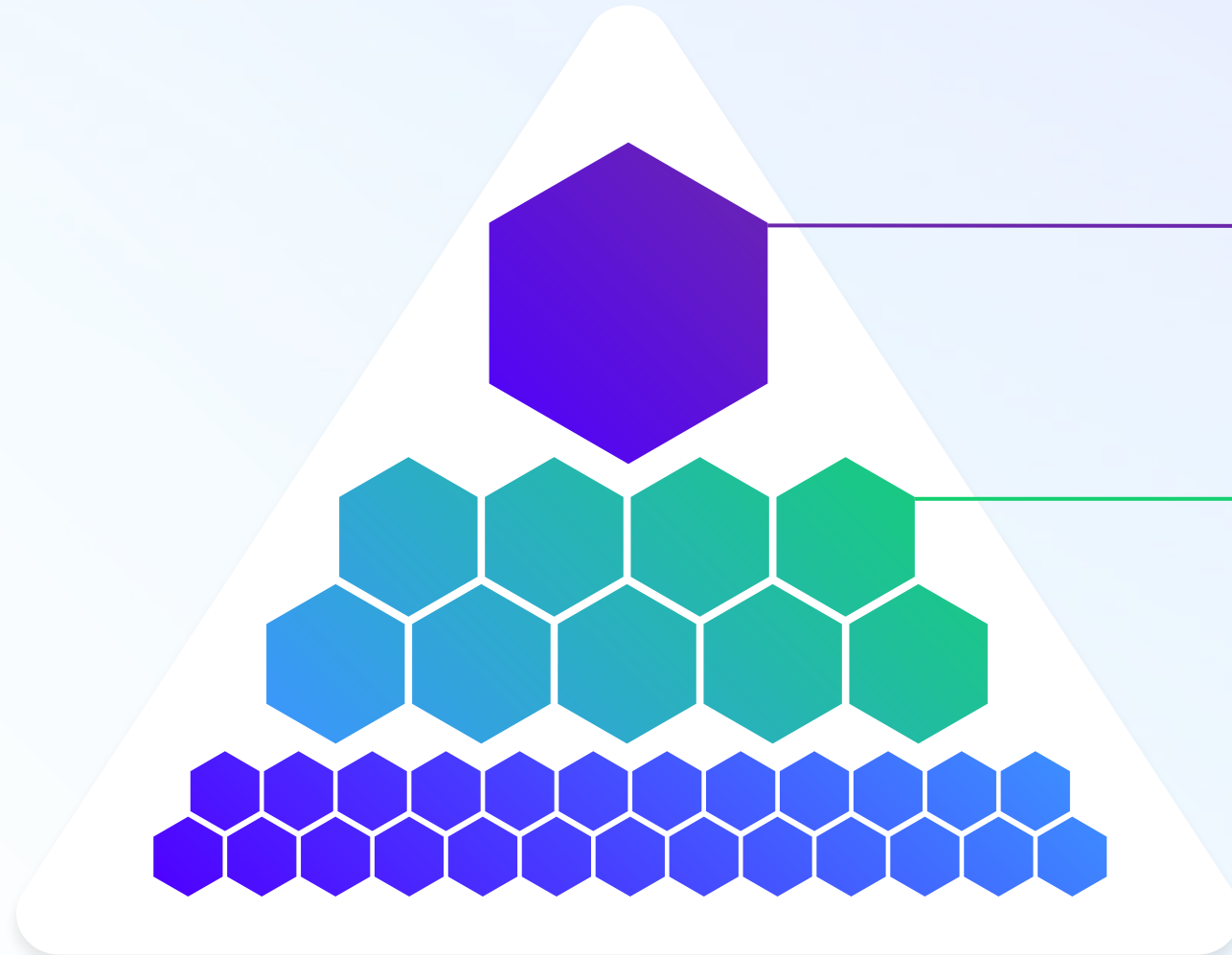


7 of top 10
Banks



7 of top 10
Healthcare

Our go-to-market strategy



Enterprise sales team

- More complex customers
- Customer lifecycle management

Commercial sales team

- Focused solely on new logos
- Inside sales

Commercial customer example

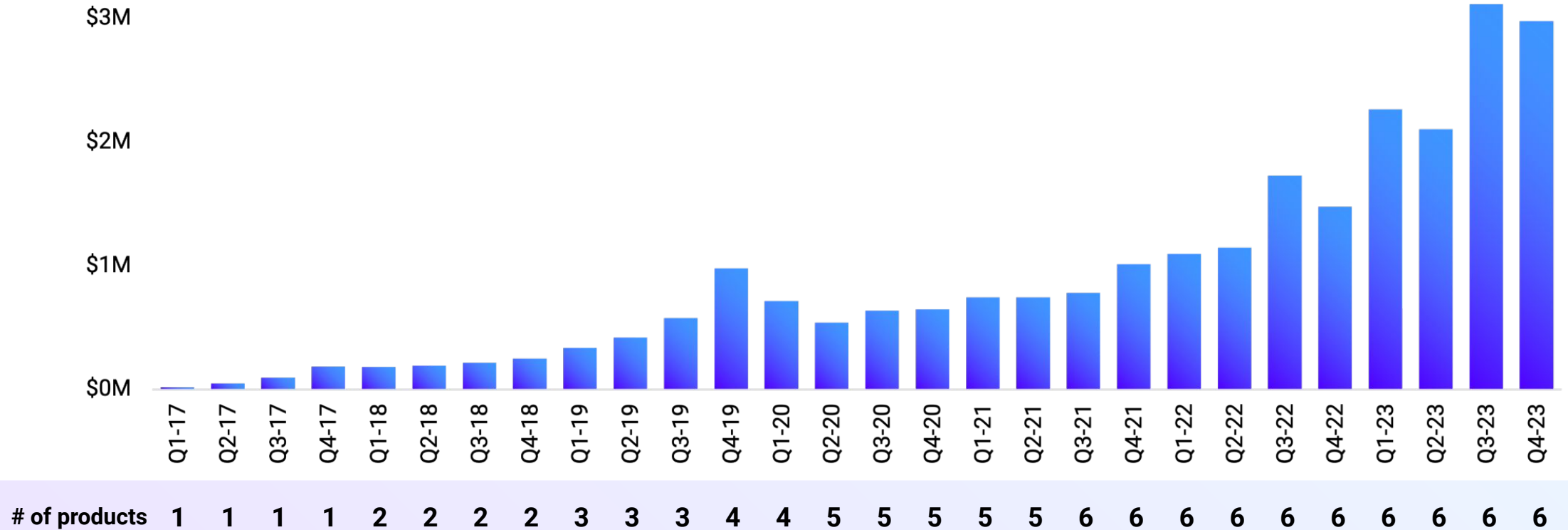
 Streaming Media

 SMB
(<1K FTEs)

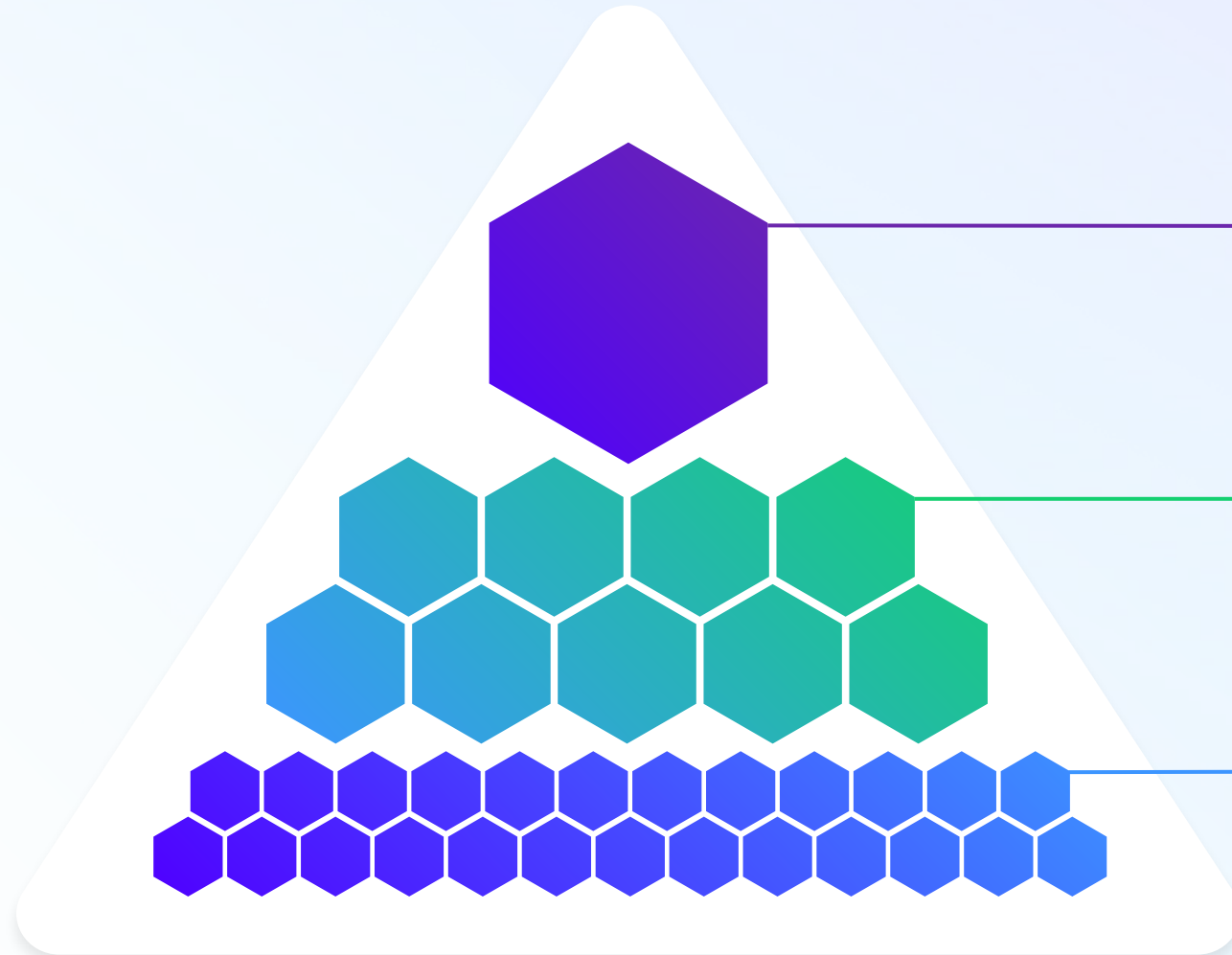
 ~6 yrs
as customer

 ~150 MAUs

Annual Recurring Revenue (ARR)



Our go-to-market strategy



Enterprise sales team

- More complex customers
- Customer lifecycle management

Commercial sales team

- Focused solely on new logos
- Inside sales

Self serve

- Month-to-month billing

Go-to-market growth opportunities

Go-to-market growth opportunities



New or less-penetrated geographic regions

Go-to-market growth opportunities



New or less-penetrated geographic regions



Vertical opportunities

Go-to-market growth opportunities



New or less-penetrated geographic regions



Vertical opportunities



Partner-assisted / partner-led opportunities

Go-to-market growth opportunities



New or less-penetrated geographic regions



Vertical opportunities



Partner-assisted / partner-led opportunities



Selling our broadening platform

Angie Holt

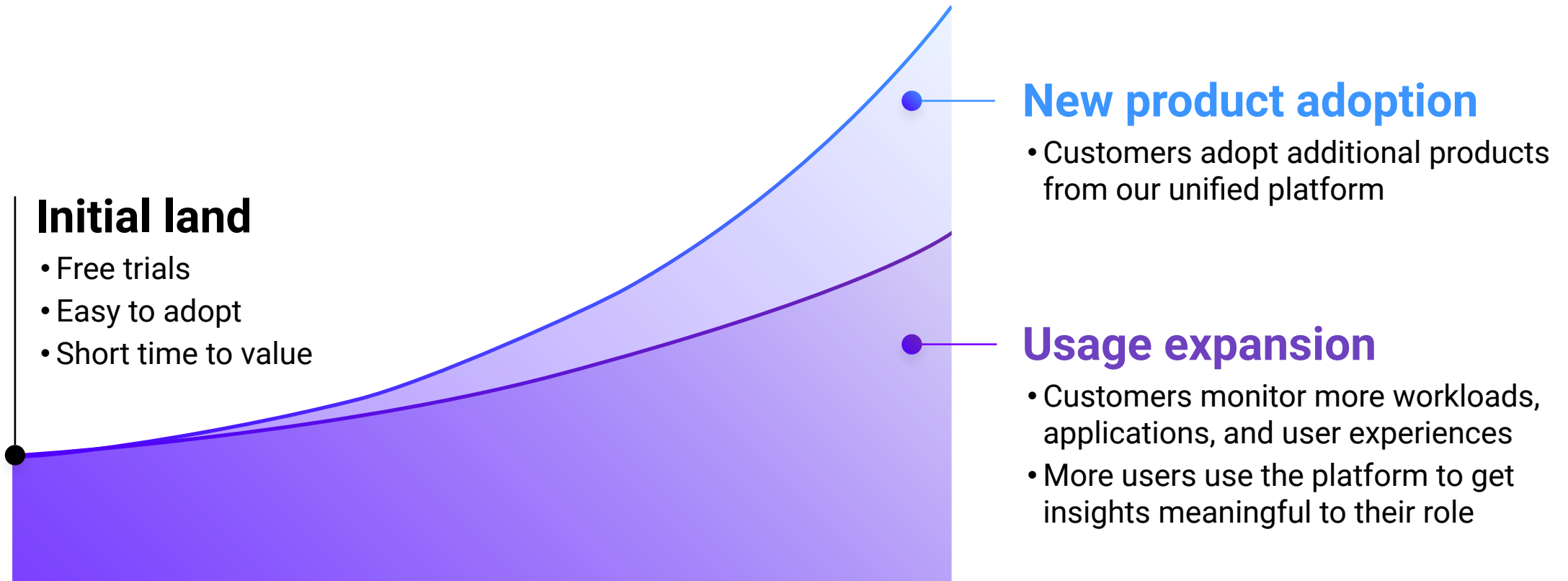
SVP, Global Customer Success

Customer Success mission



Deliver Customer Value

Typically, our customers grow with us over time



Illustrative example.

Our unified platform enables frictionless discovery of additional capabilities

The screenshot displays the Datadog Service Catalog interface. The top navigation bar includes 'Service Catalog', 'Explore', 'Setup & Config', and a time filter set to '1h Past 1 Hour'. Below the navigation, there are controls for 'List' and 'Map' views, a search bar, and a 'Group by' dropdown. The main area shows a network diagram of 105 APM services, with 'web-store' at the center. The sidebar menu on the left is open, showing 'Service Mgmt' with several new features highlighted in pink: 'Teams NEW', 'Case Management BETA', 'Workflow Automation NEW', 'App Builder BETA', and 'CoScreen NEW'. Other menu items include Dashboards, Infrastructure, Monitors, Metrics, Integrations, APM, CI, Notebooks, Logs, and Security.

Service Catalog Explore Setup & Config 1h Past 1 Hour UTC-05:00 Learn More

List Map Search for Search facets

My Teams Hide Inferred Services Hide Controls env:prod cluster-name:* Showing 105 APM services Map layout: Cluster Flow

Service Mgmt

- Service Catalog
 - Teams **NEW**
 - SLOs
 - Event Management
 - Case Management **BETA**
 - Incidents
 - Declare Incident
 - Introduction
 - Settings
 - Workflow Automation **NEW**
 - App Builder **BETA**
 - CoScreen **NEW**
 - Distributed Tracing
- Dashboards
- Infrastructure
- Monitors
- Metrics
- Integrations
- APM
- CI
- Notebooks
- Logs
- Security

Network diagram labels: fraud-preventi..., io.shopist.andr..., d3aiumi3jj.exe..., gz1sf92dc8.exe..., sinatra-multivac, web-store-mon..., web-store, model-storage, dbmorders_9, dbmorders_5, dbmorders_8, email-api.py, shipping-prod..., email-queue-p..., load-generator, aws.s3, j7mq7fbeb9.ex...

Customer Success Managers provide value by serving as strategic advisors

Discovery

- Customer objectives
- Customer challenges
- Future goals

Provide guidance

- Best practices
- New products

Help customer recognize value

- Engineering productivity
- Faster MTTD/MTTR
- Avoidance of revenue loss
- Culture of observability

We serve Commercial and Enterprise customers differently, given their different needs



Commercial

CSM serves as single point of contact

- Typically **centralized team**, with fewer stakeholders
- **Less complex** procurement processes
- Often **cloud-native** or heavy cloud users

We serve Commercial and Enterprise customers differently, given their different needs



Commercial

CSM serves as single point of contact

- Typically **centralized team**, with fewer stakeholders
- **Less complex** procurement processes
- Often **cloud-native** or heavy cloud users



Enterprise

GTM team services the customer

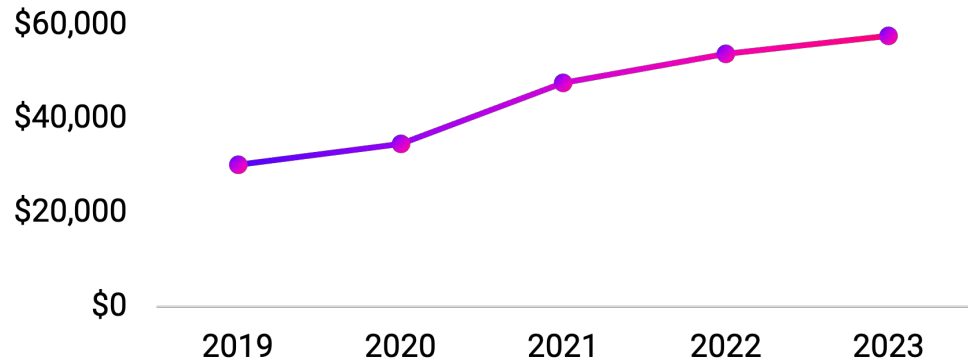
- Typically **numerous stakeholders and business units**, with different P&Ls
- **More lengthy** procurement processes
- Often **earlier in the cloud**, with significant on-premise footprint
- **Professional services and implementation** more likely to be desired or expected

Enterprise go-to-market team

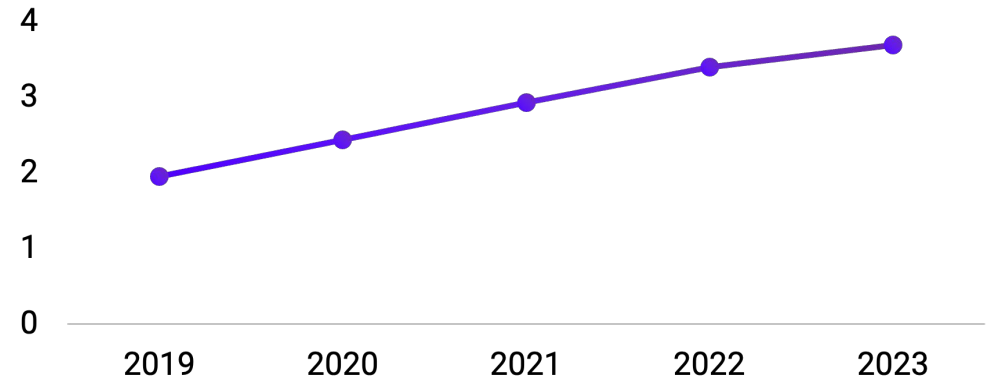


Customer expansion

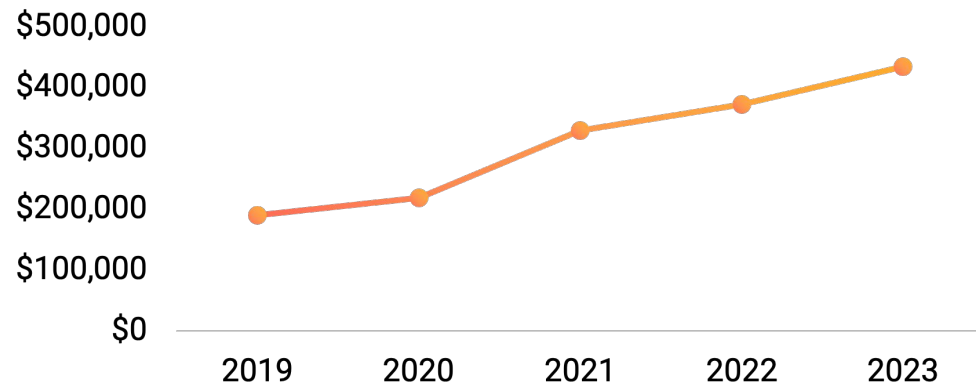
Commercial \$ average ARR per customer, EoY



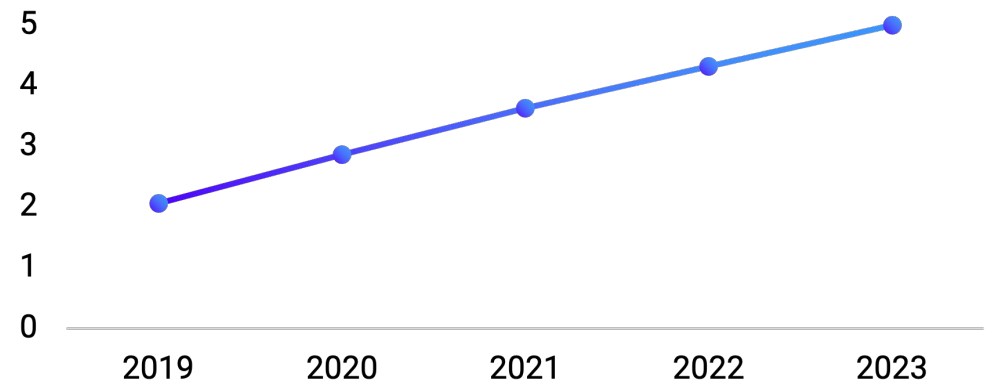
Average # of products per commercial customer



Enterprise \$ average ARR per customer, EoY



Average # of products per enterprise customer



Commercial customer example

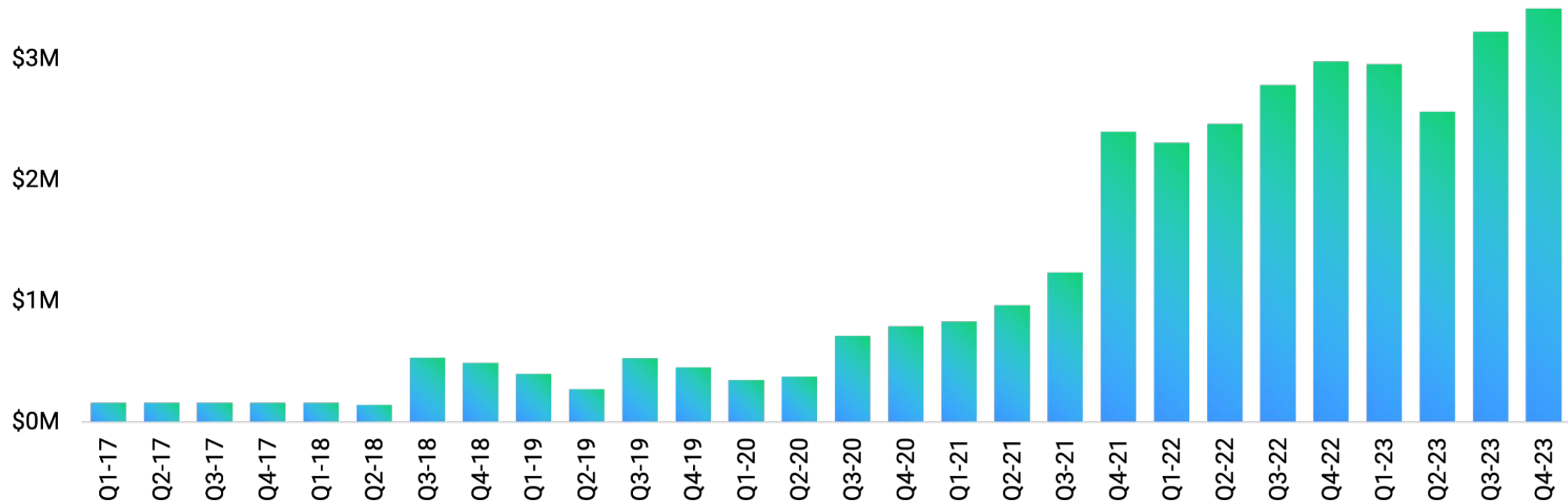
 Online betting

 Mid-market
(1-5K FTEs)

 ~9 yrs
as customer

 ~900 MAUs

Annual Recurring Revenue (ARR)



# of products	1	1	1	1	1	1	1	1	1	1	2	2	3	4	4	4	4	4	4	6	7	7	7	7	7	8
---------------	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

Enterprise customer example

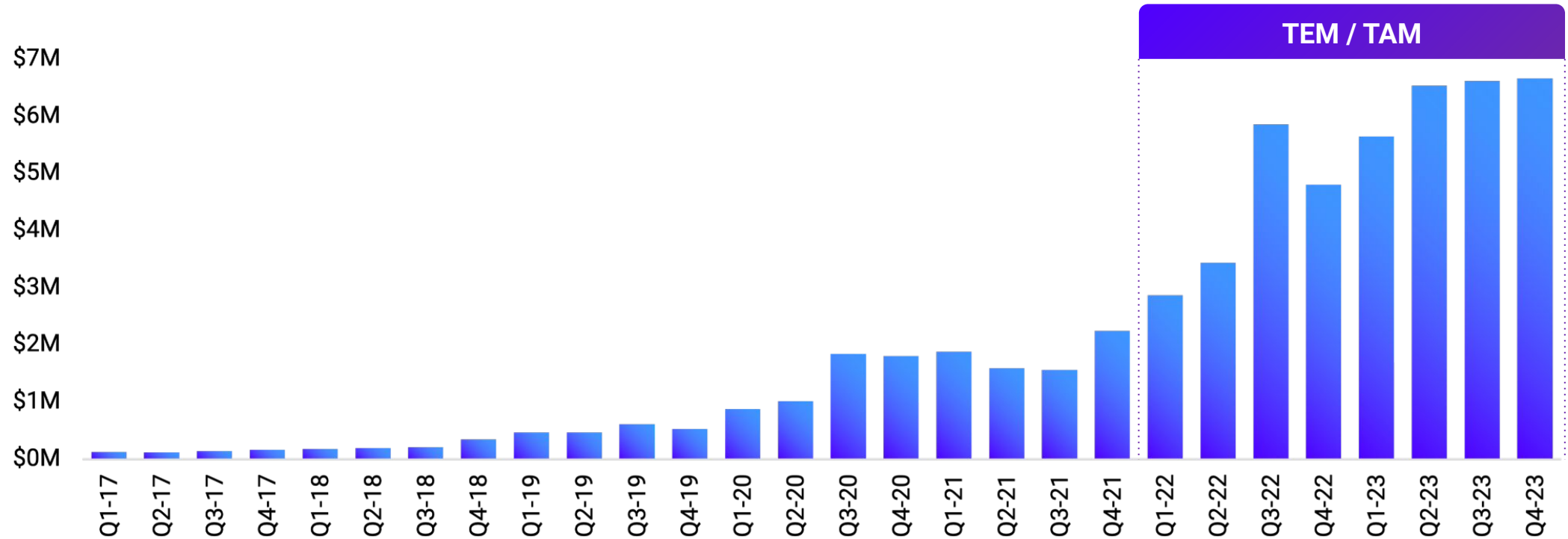
 Healthcare

 Enterprise
(5K+ FTEs)

 ~7 yrs
as customer

 ~1,200 MAUs

Annual Recurring Revenue (ARR)



# of products	1	1	1	1	1	1	1	1	1	3	4	4	4	4	4	4	4	7	9	11	13	13	14	15	15	17
---------------	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	----	----	----	----	----	----	----

Amit Agarwal

President

Datadog's customer focus



Datadog serves
customers of all
sizes and types

Datadog's customer focus



Datadog serves
customers of all
sizes and types



Datadog meets
customers'
sophisticated needs

Datadog's customer focus



Datadog serves customers of all sizes and types



Datadog meets customers' sophisticated needs



Datadog delivers value to the customer

Delivering value to the customer




Value through multi-product adoption on the platform

Value through the platform / multi-product adoption

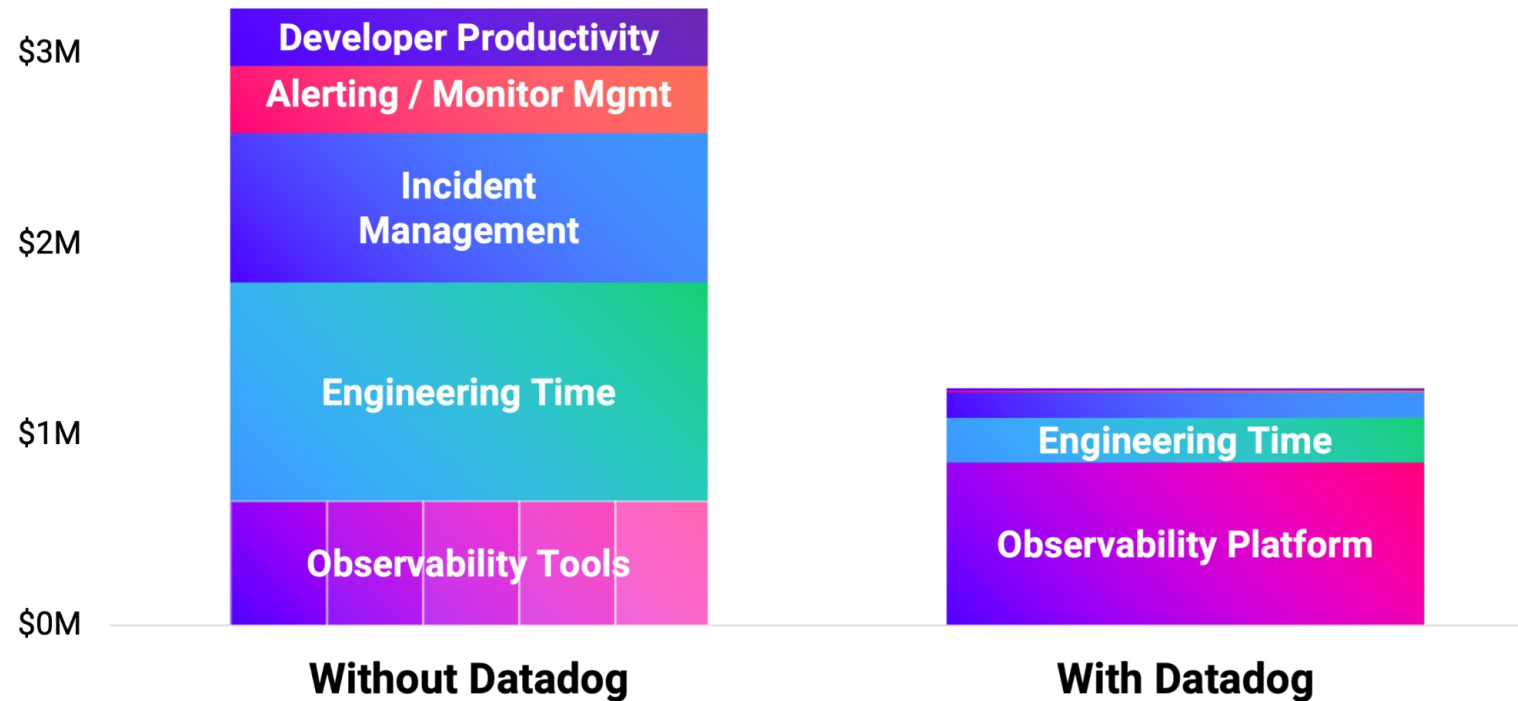
 Health services

 SMB
(<1K FTEs)

 ~4 yrs
as customer

 ~240 MAUs

Customer example: annualized costs




Source: Datadog internal analysis.

Value through the platform / multi-product adoption

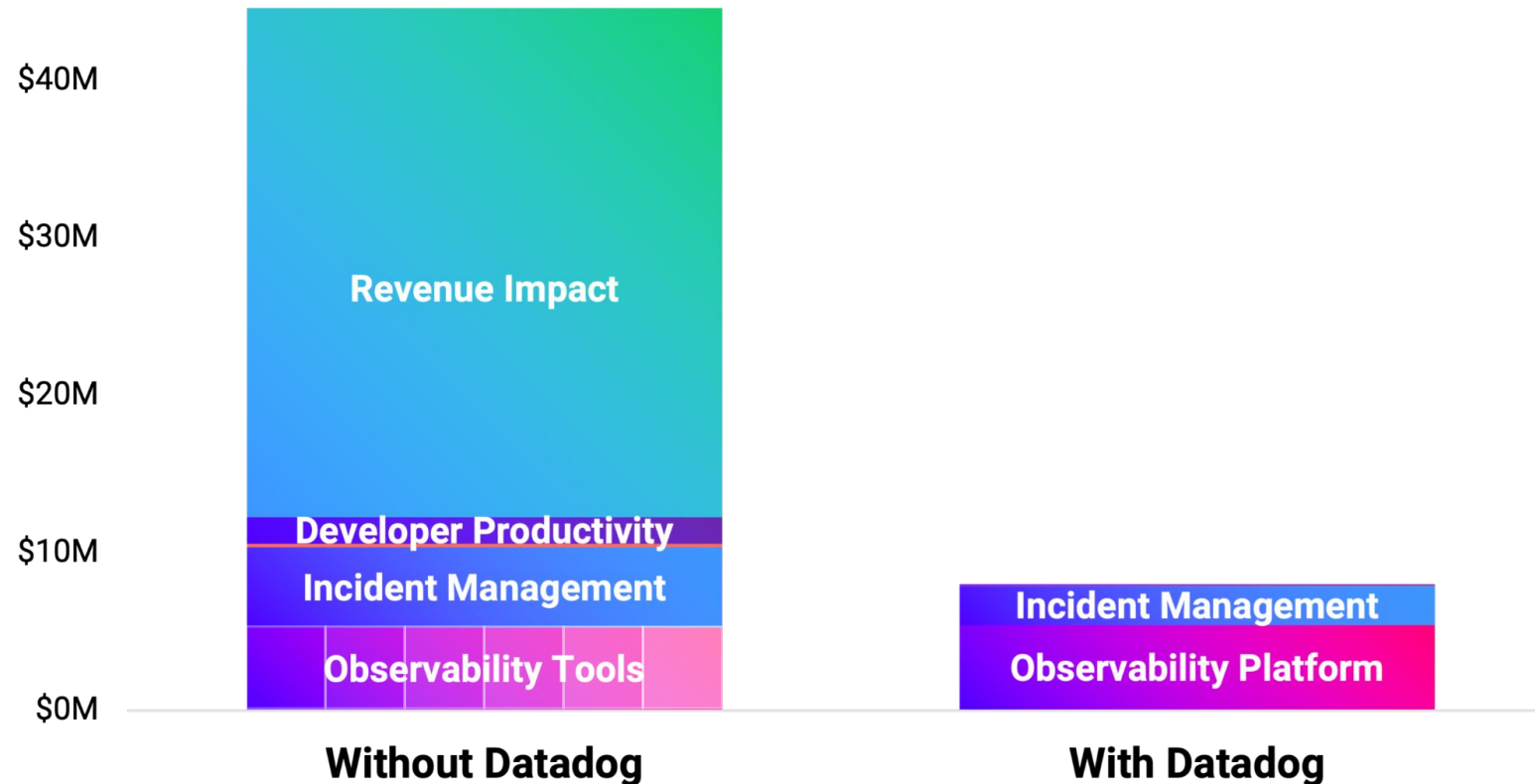
 E-commerce

 Enterprise
(5K+ FTEs)

 ~6 yrs
as customer

 ~2,100 MAUs

Customer example: annualized costs



Source: Datadog internal analysis.

Delivering value to the customer



Value through multi-product adoption on the platform



Increased DevOps productivity

Increased DevOps productivity - incident response

 Beauty

 Mid-Market
(1-5K FTEs)

 ~2 yrs
as customer

 ~140 MAUs

Major incidents per year

FTEs per incident

Hours per incident

Total hours per year

**Before
Datadog**

92

×

15

×

2.9

=

~4,000

**With
Datadog**

48

×

10

×

1.7

=

~800

% reduction

-50%

-33%

-41%

-80%

Increased DevOps productivity - versus DIY

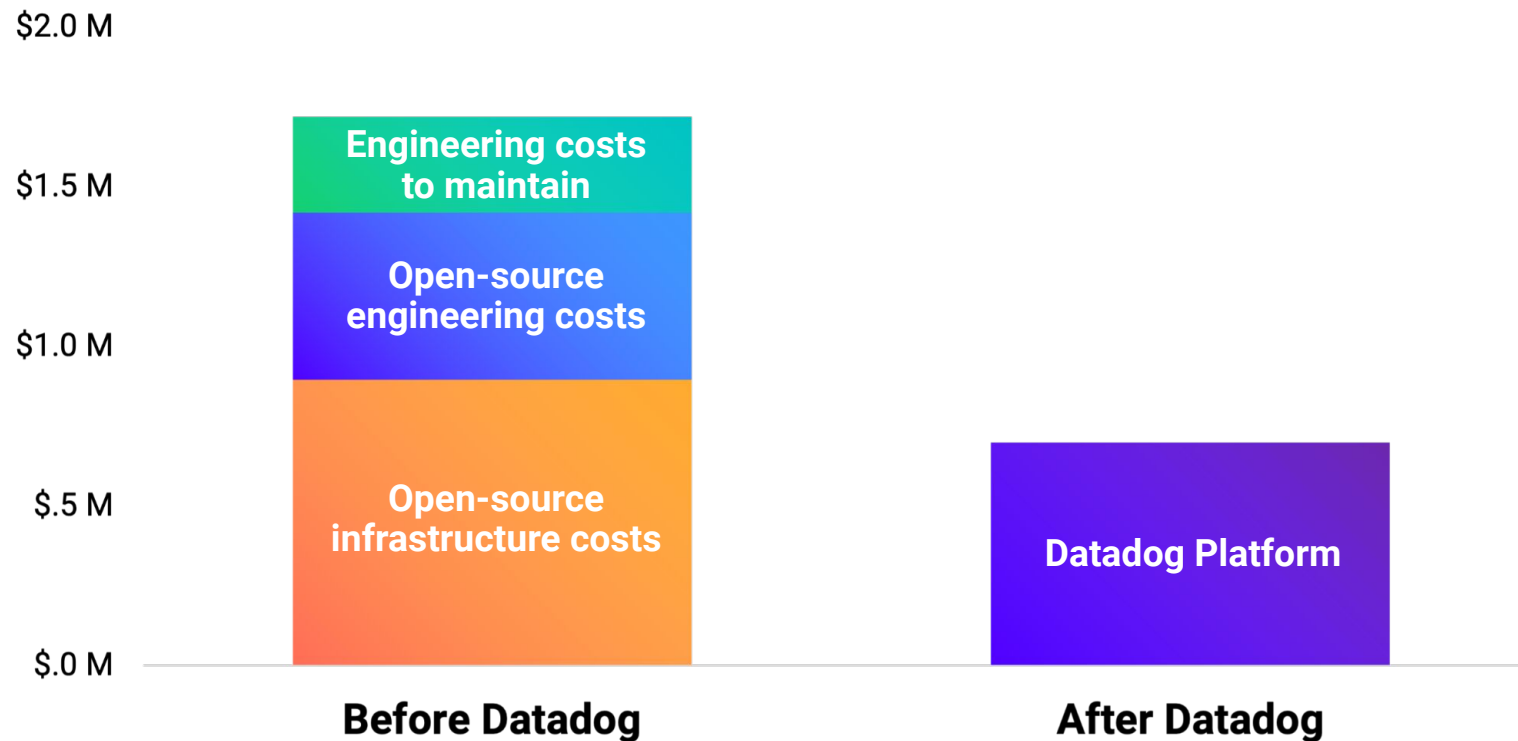
 Professional services

 Enterprise (5K+ FTEs)

 ~6 yrs as customer

 ~2,900 MAUs

Customer example: annualized costs, replacing open-source RUM with Datadog



Not included: Savings from faster incident response, avoidance of revenue loss/bad customer experience

Delivering value to the customer



Value through multi-product adoption on the platform

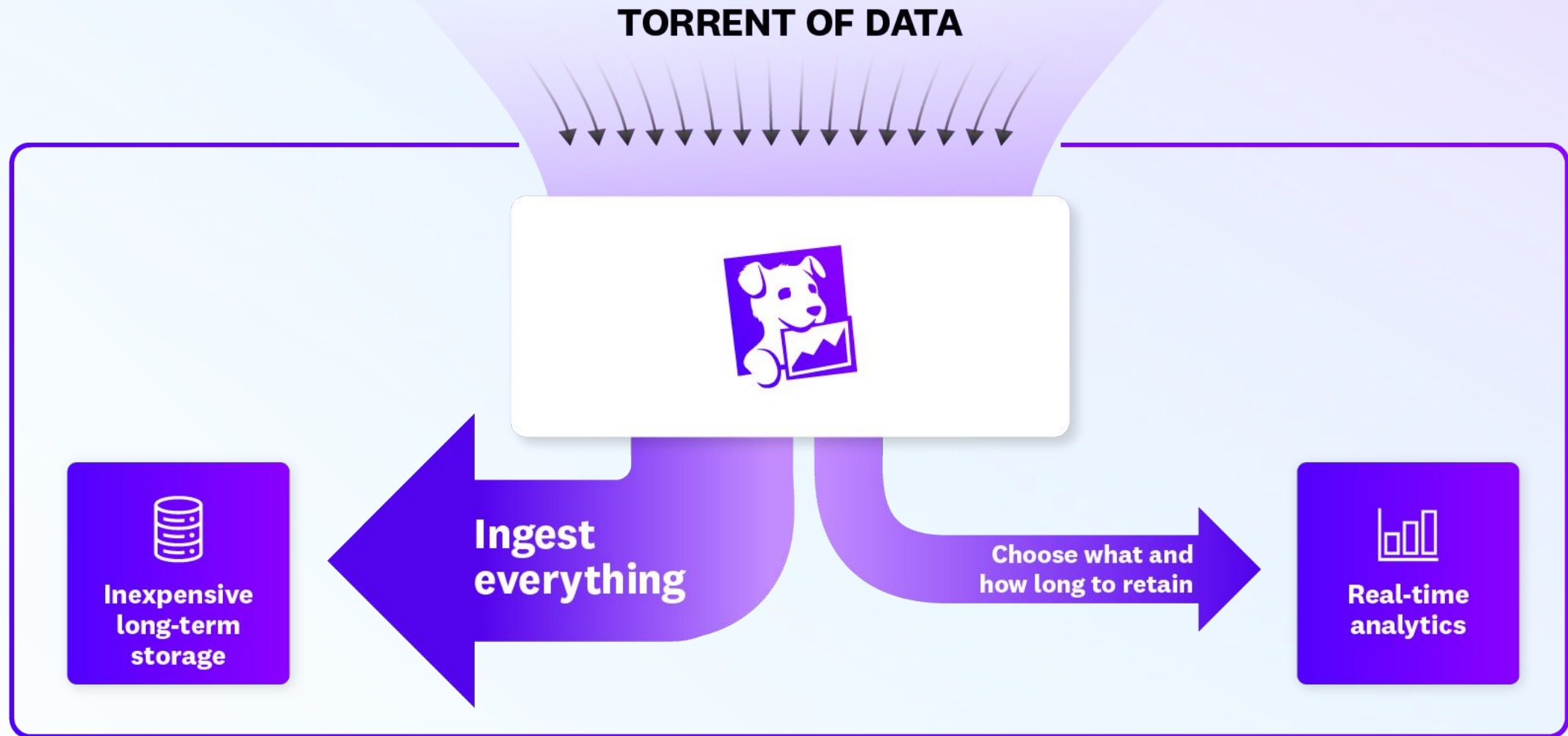


Increased DevOps productivity



Unit economics improve as the customer grows with us

Our products are priced to give our customers control



Unit economics improve as the customer grows

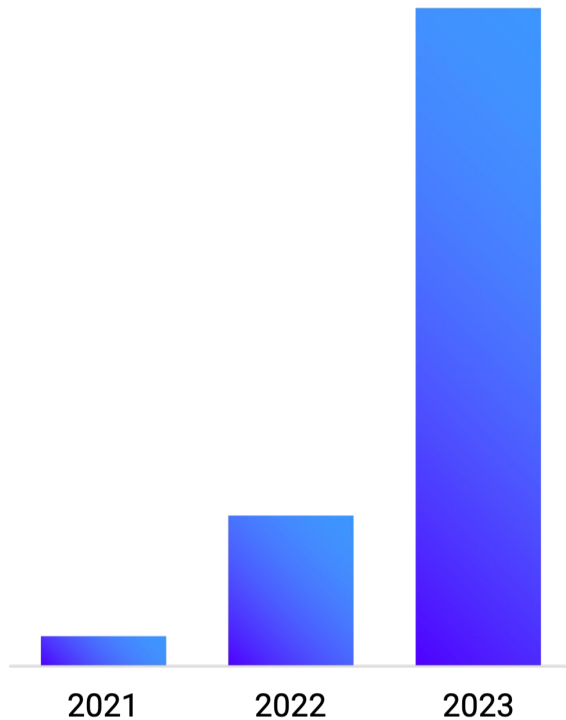
 Enterprise software

 5K+ FTEs

 ~5 yrs as customer

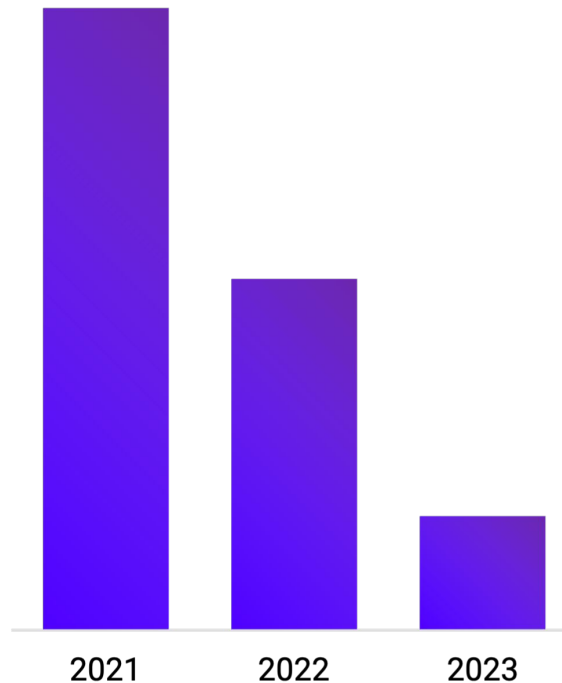
 ~700 MAUs

Log Management volume



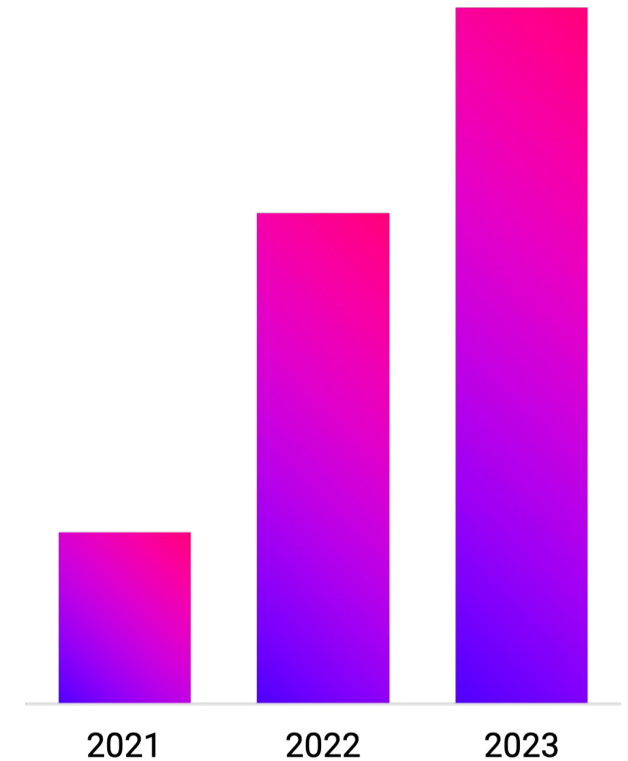
×

Unit price



=

Log Management revenue



Delivering value to the customer



Value through multi-product adoption on the platform



Increased DevOps productivity

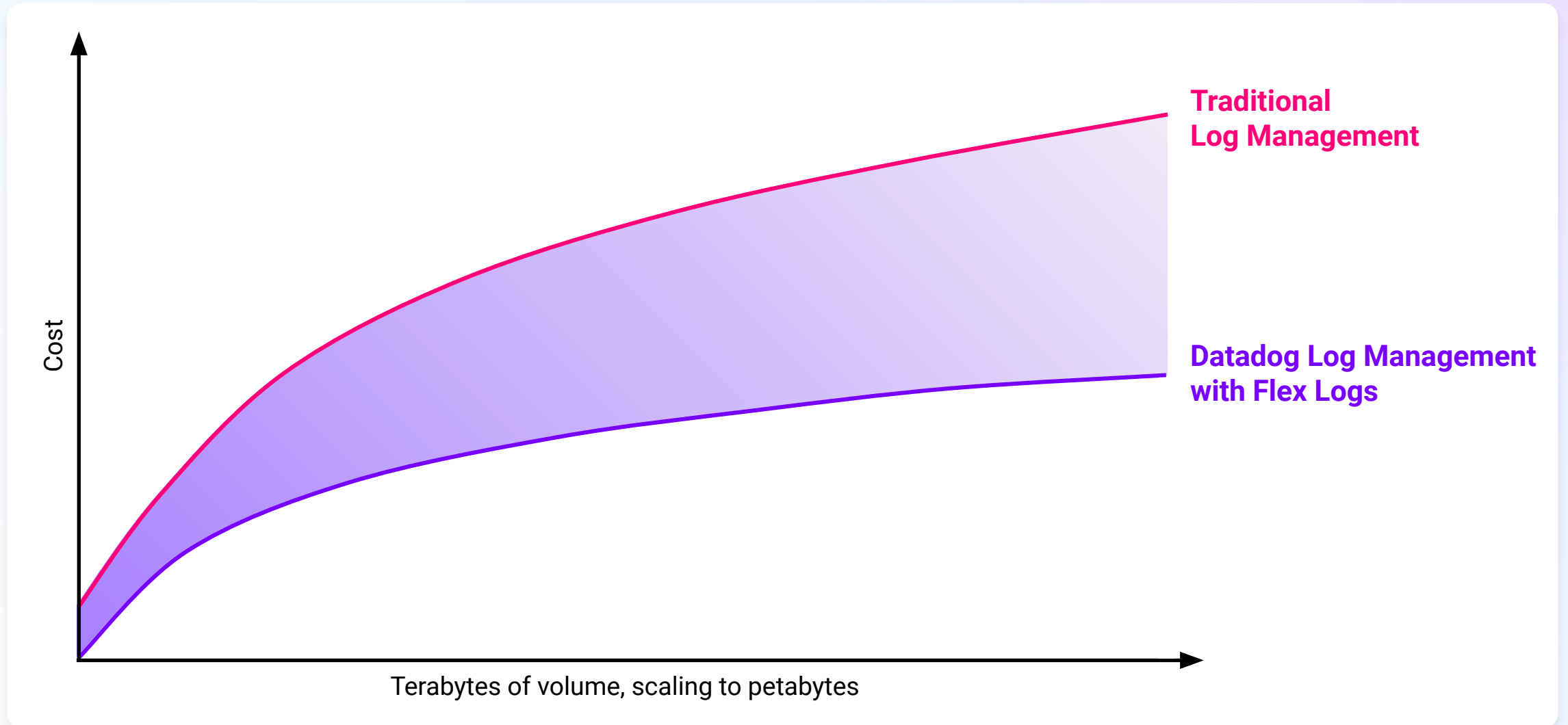


Unit economics improve as the customer grows with us



Innovation-driven cost efficiencies

Innovation-driven cost efficiencies



Illustrative example.

Customer example

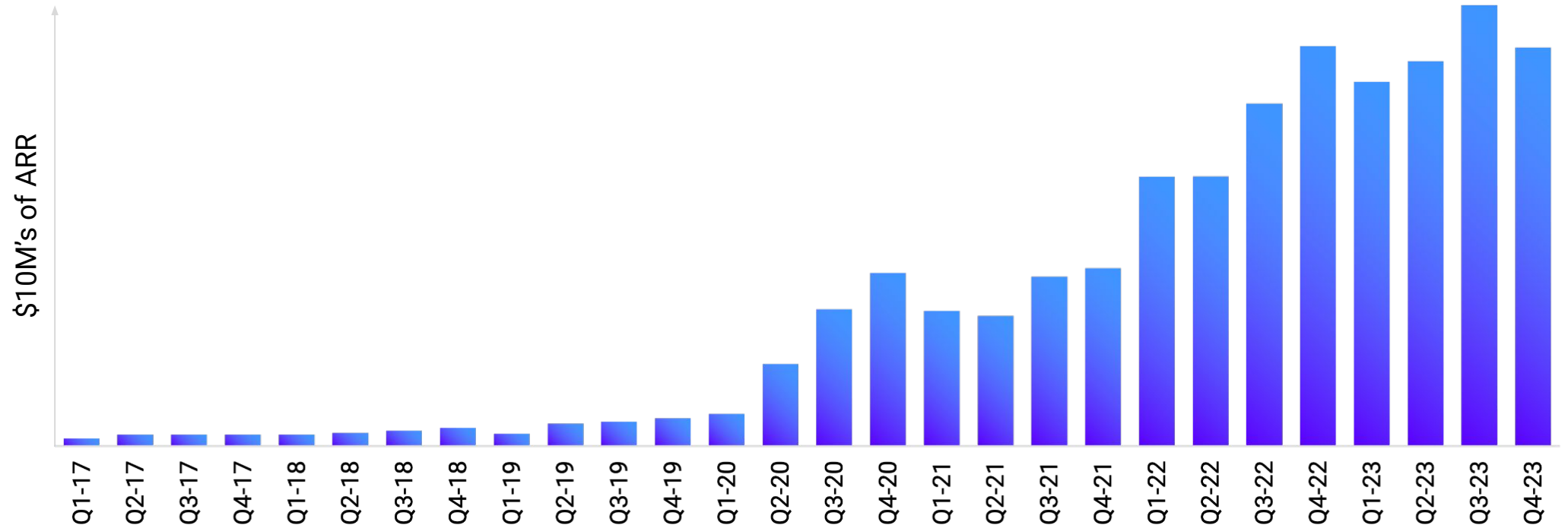
 Fintech

 5K+ FTEs

 ~7 yrs
as customer

 ~2,700 MAUs

Annual Recurring Revenue (ARR)



of products 1 1 1 1 1 1 1 2 2 2 2 2 3 4 5 5 6 7 7 7 9 10 11 12 14 15 15 15

David Obstler

CFO

What you've heard today...

Large long-term opportunities

Expanding platform in observability and beyond

Focus on customer problems

Platform and product innovation

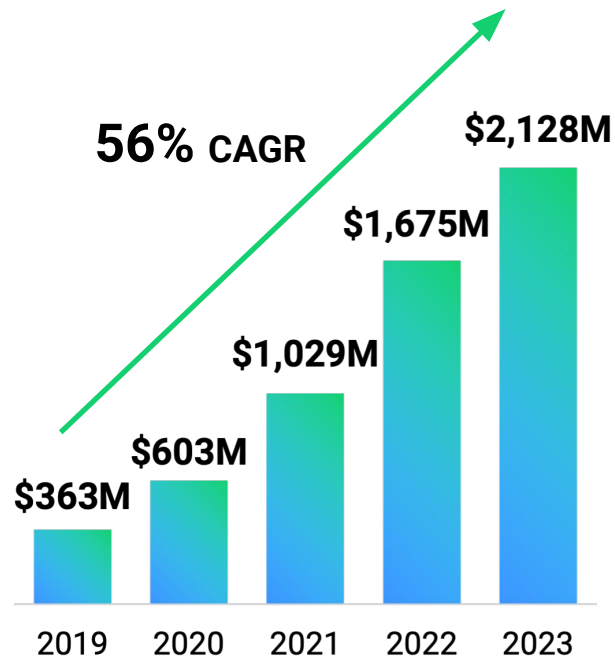
GTM strategy focusing on land

Meeting customers where they are

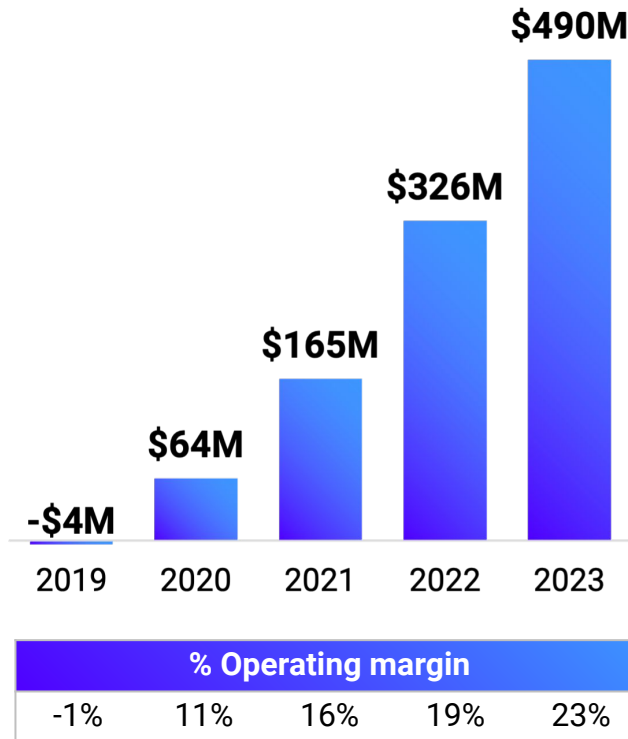
Delivering value to customers

...has driven strong financial performance

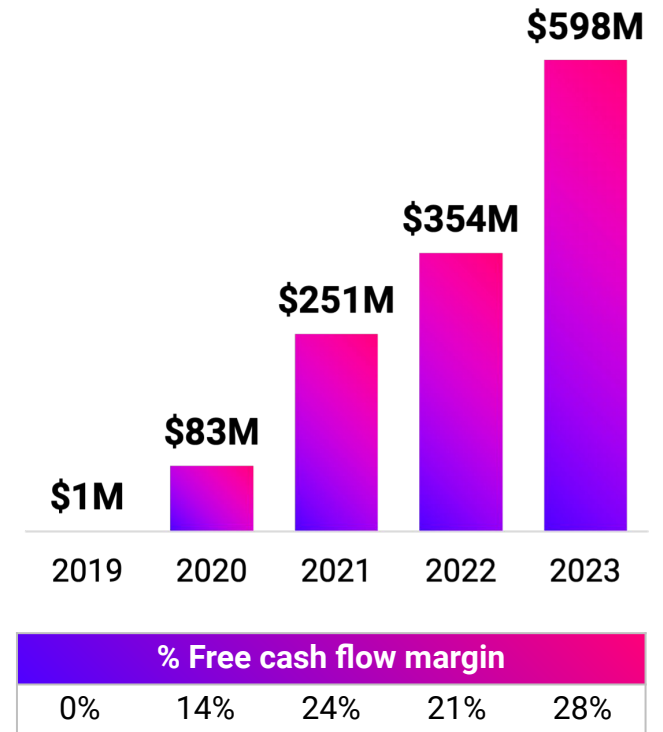
Revenue



Non-GAAP operating profit and margin % ⁽¹⁾

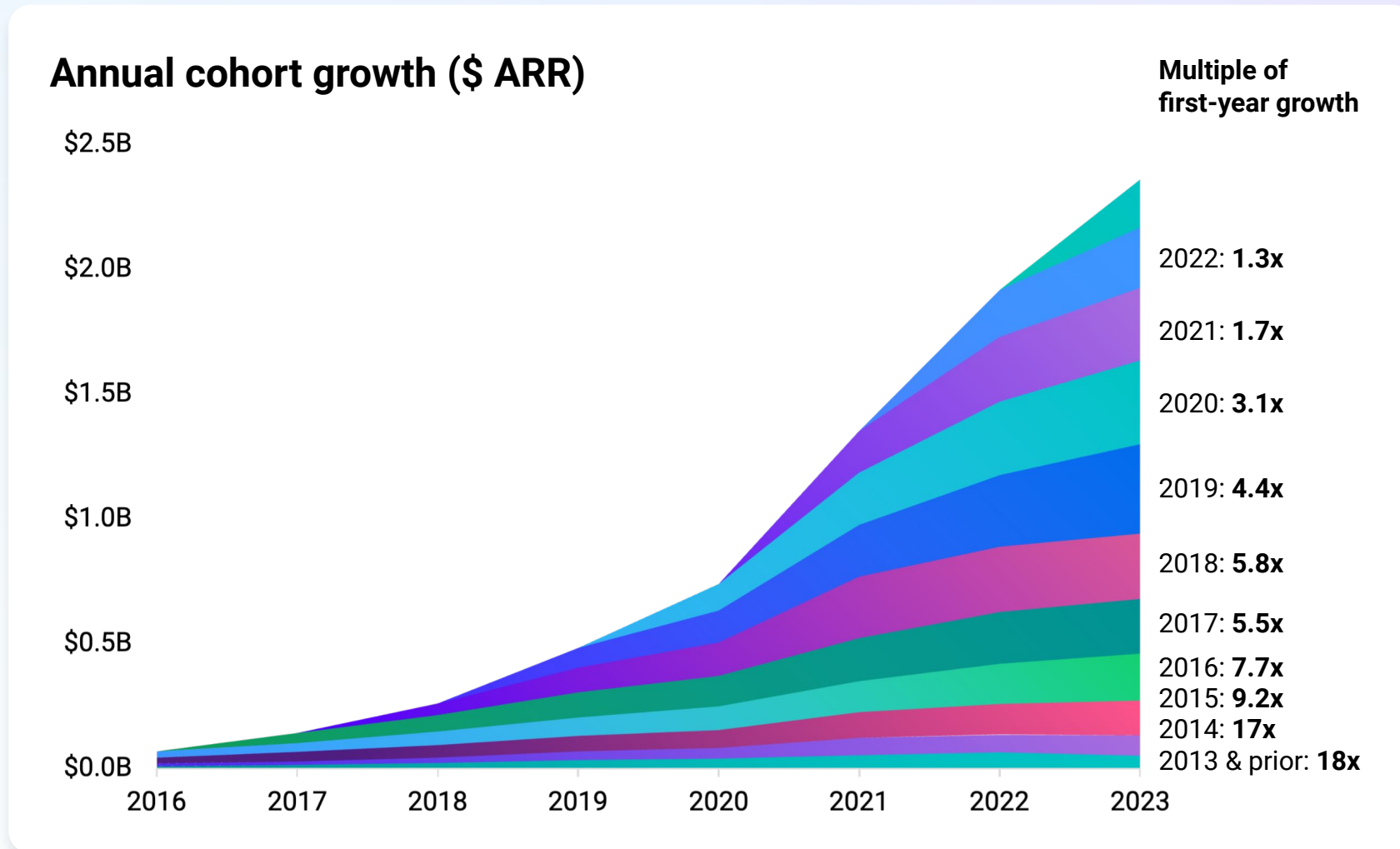


Datadog free cash flow and margin % ⁽¹⁾

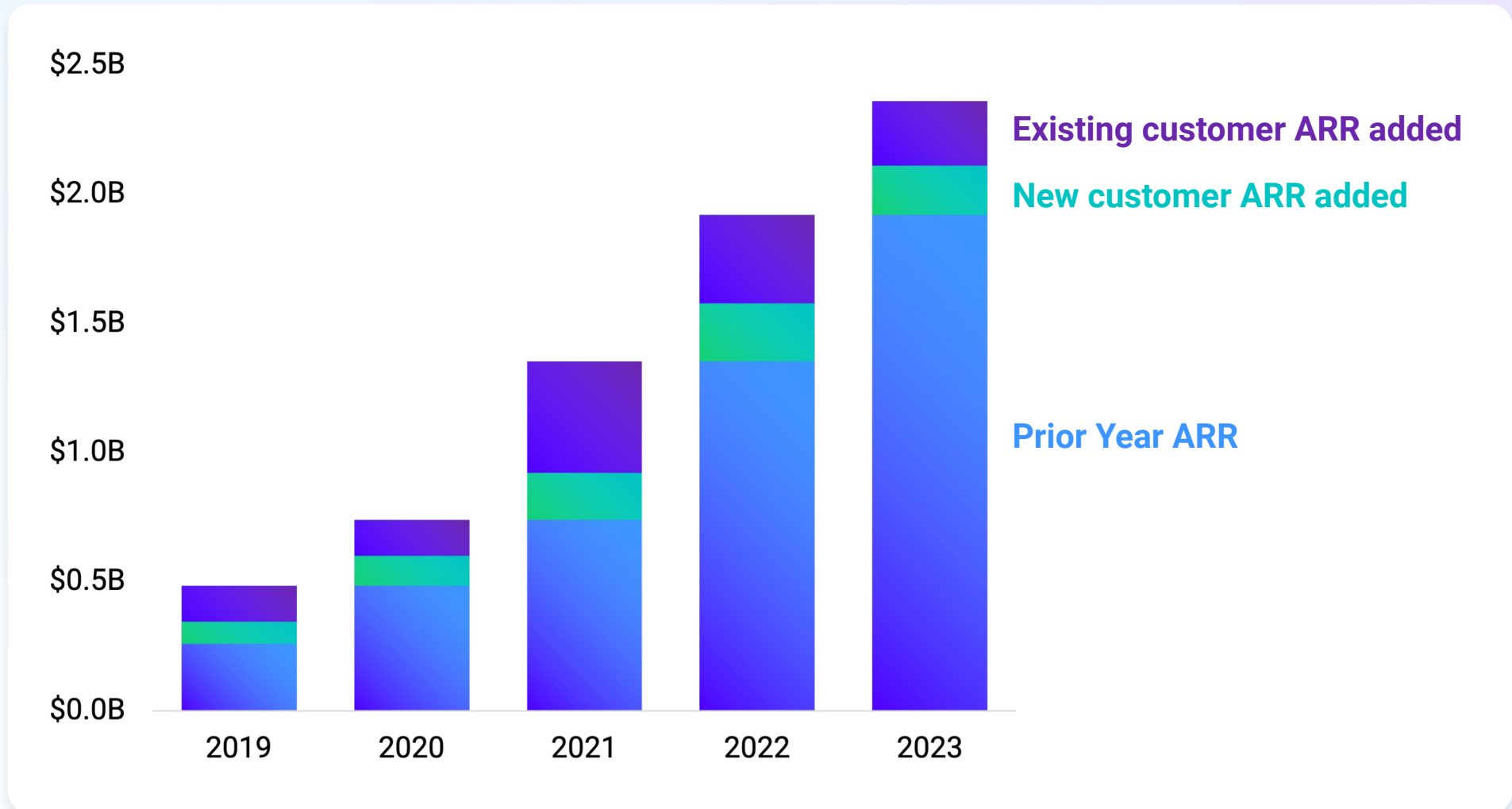


(1) Non-GAAP measures. See Appendix for a reconciliation of these non-GAAP measures to the most directly comparable GAAP measures

Land-and-expand business model

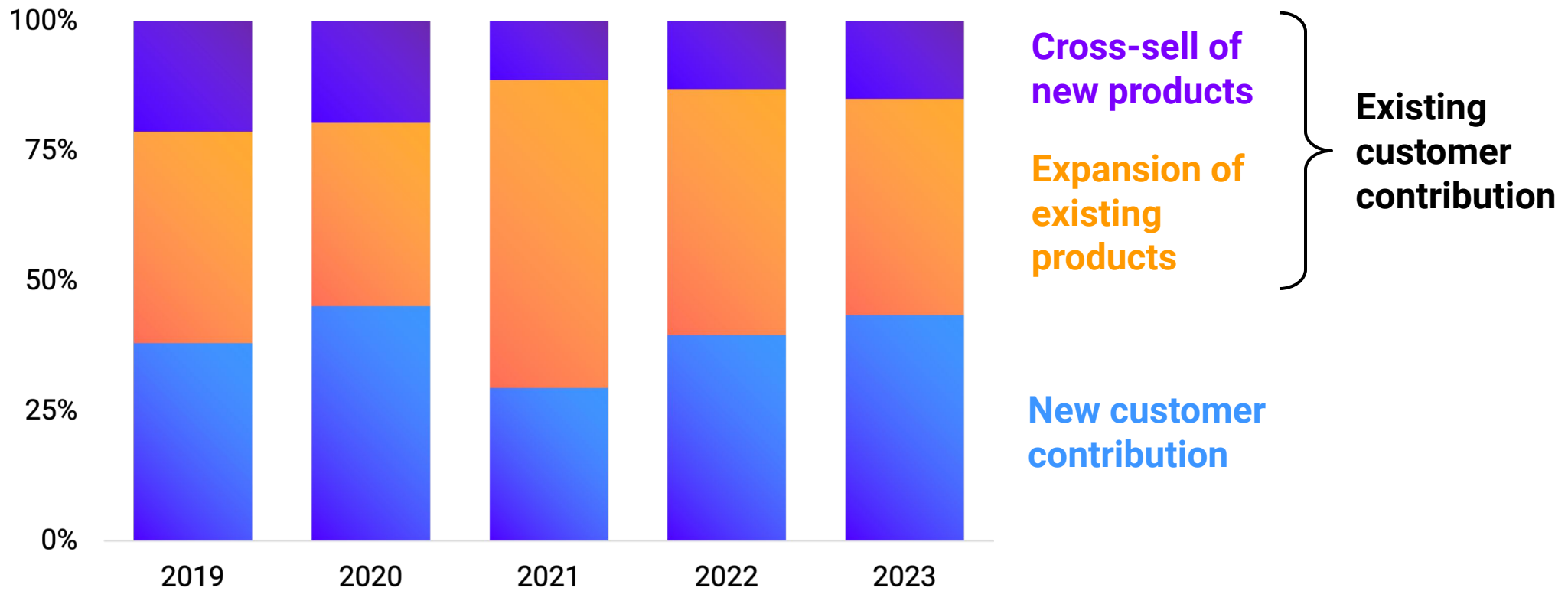


Land-and-expand business model



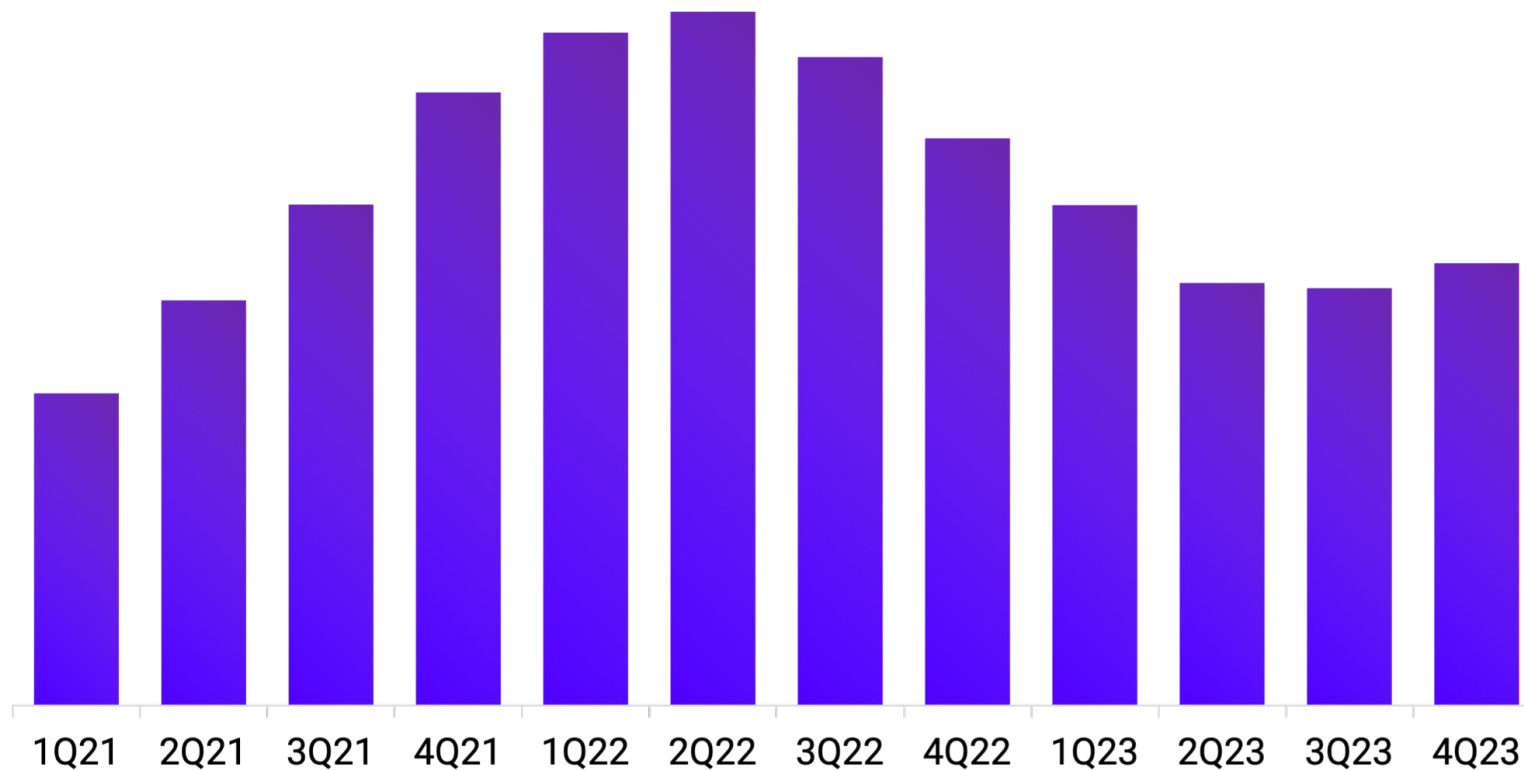
Drivers of revenue growth

% of ARR added by type

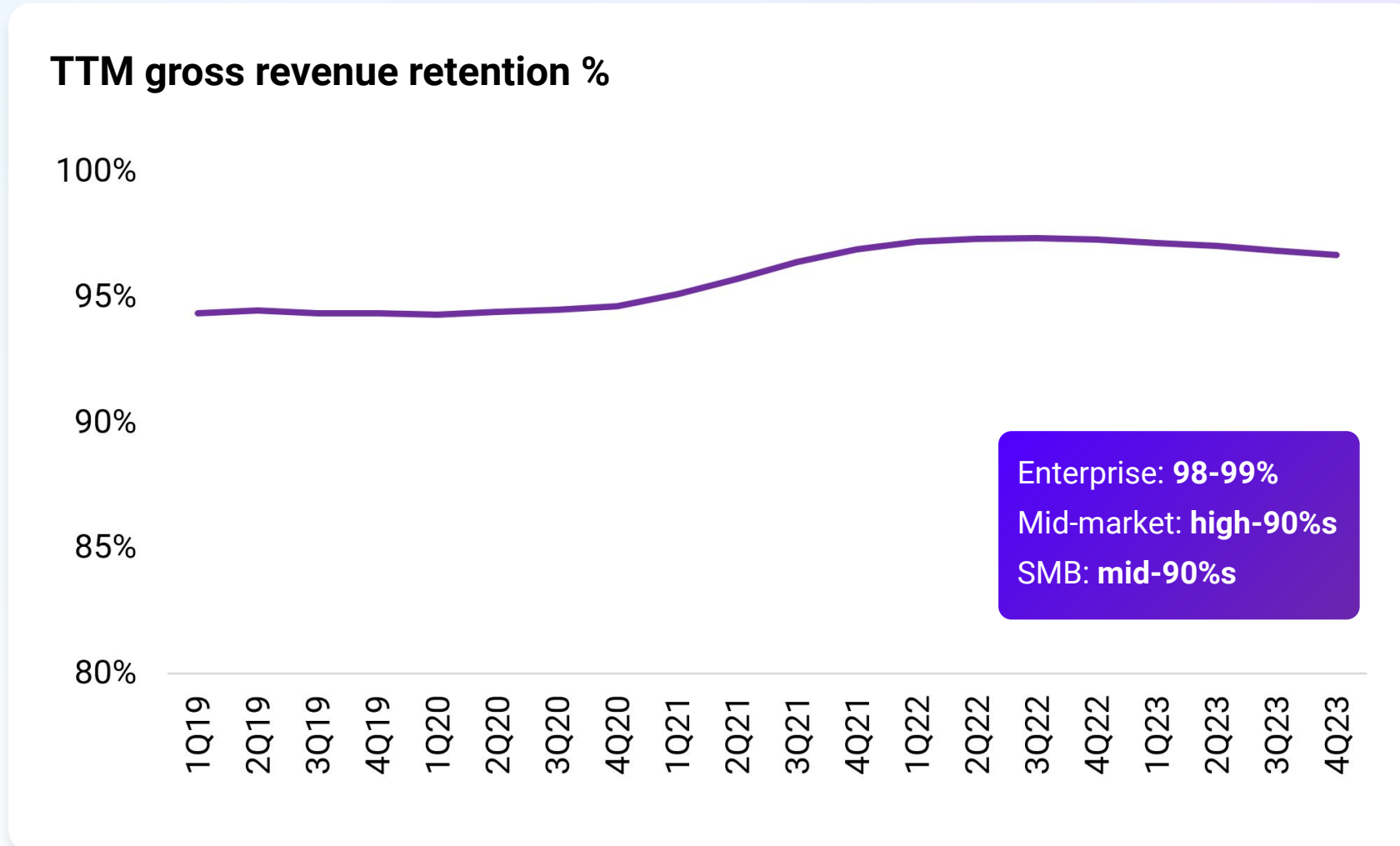


ARR added stabilized and returned to growth in 4Q23

TTM \$ ARR added



Gross revenue retention %



See Appendix for information regarding gross revenue retention.

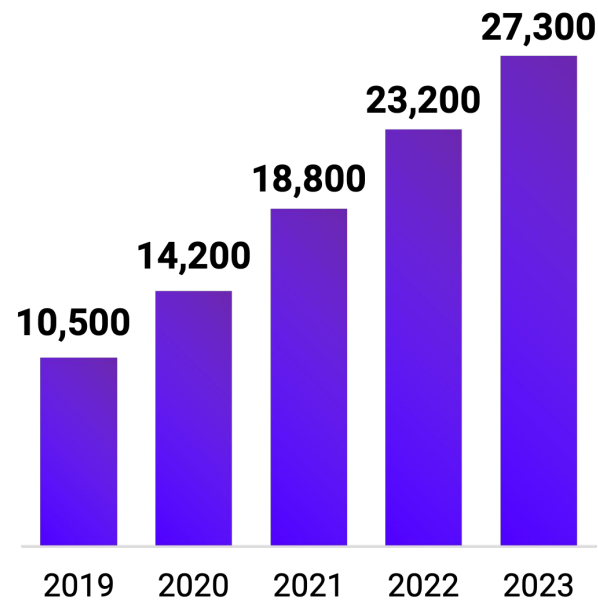
Revenue growth and opportunities

Opportunities for growth

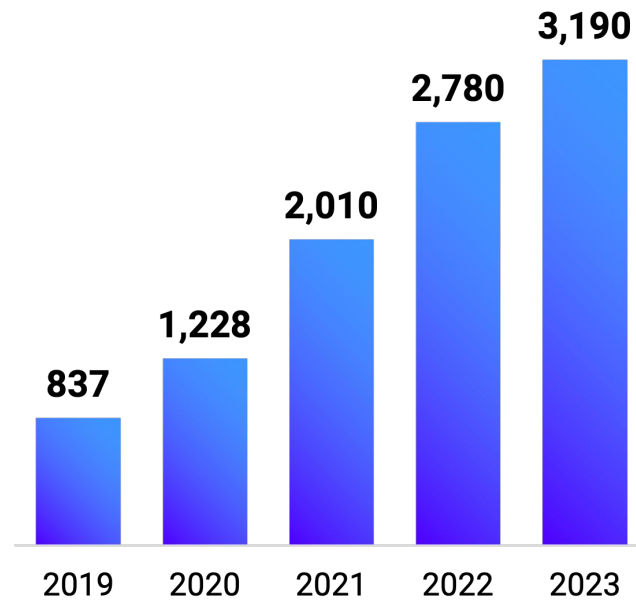
1 New logo opportunities

Strong customer growth

Total paying customers



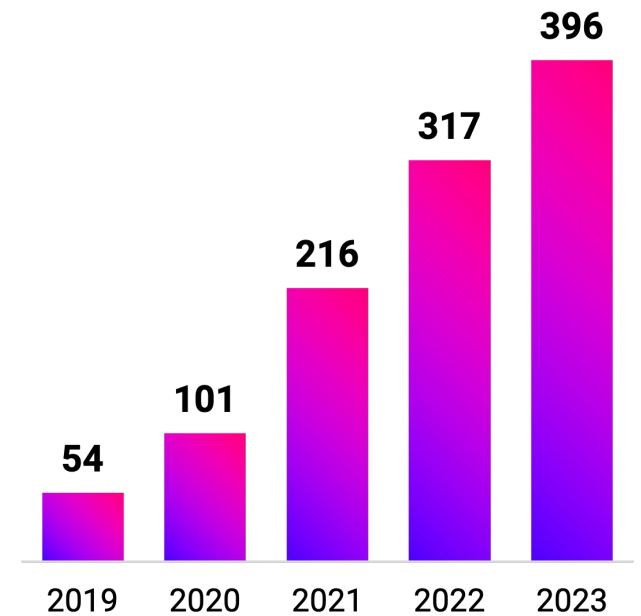
\$100K+ customers



% of Total ARR from \$100K+ customers

76%	78%	83%	85%	86%
-----	-----	-----	-----	-----

\$1M+ customers



New logo opportunities



Datadog's logo penetration is

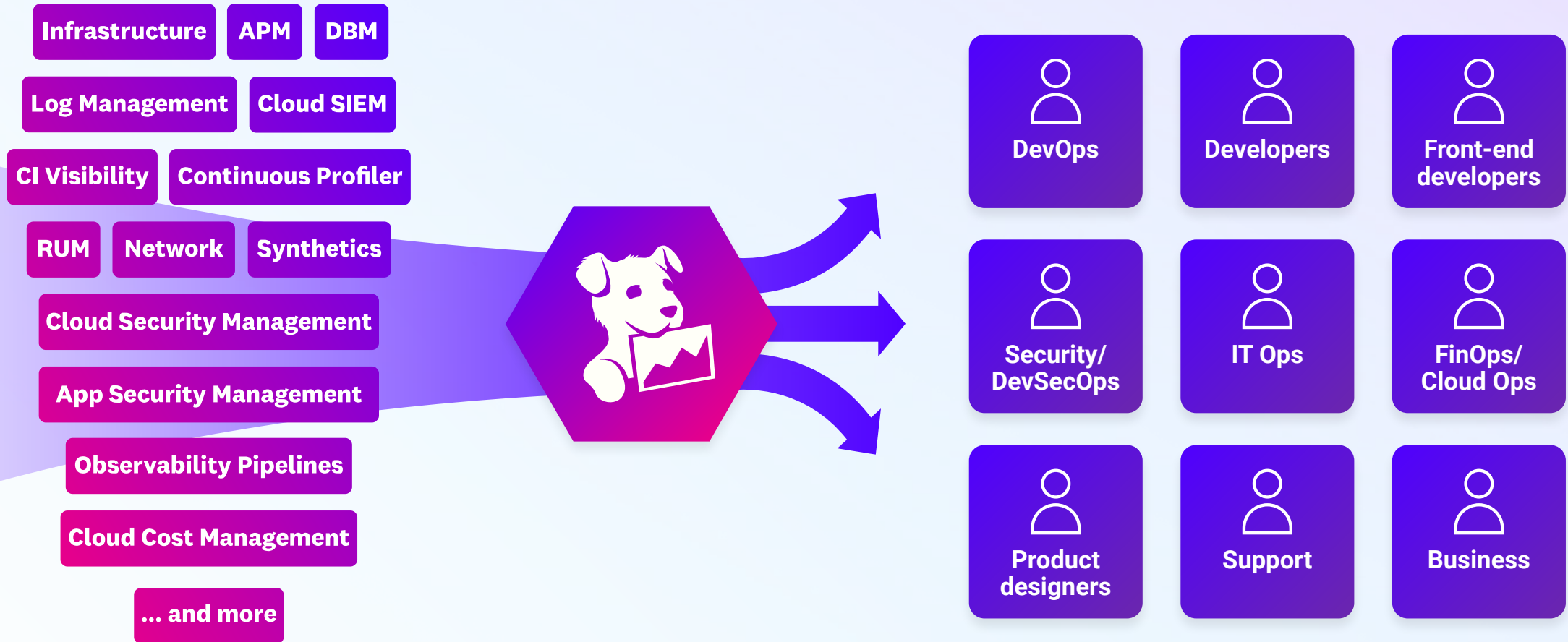
5%

Opportunities for growth

1 New logo opportunities

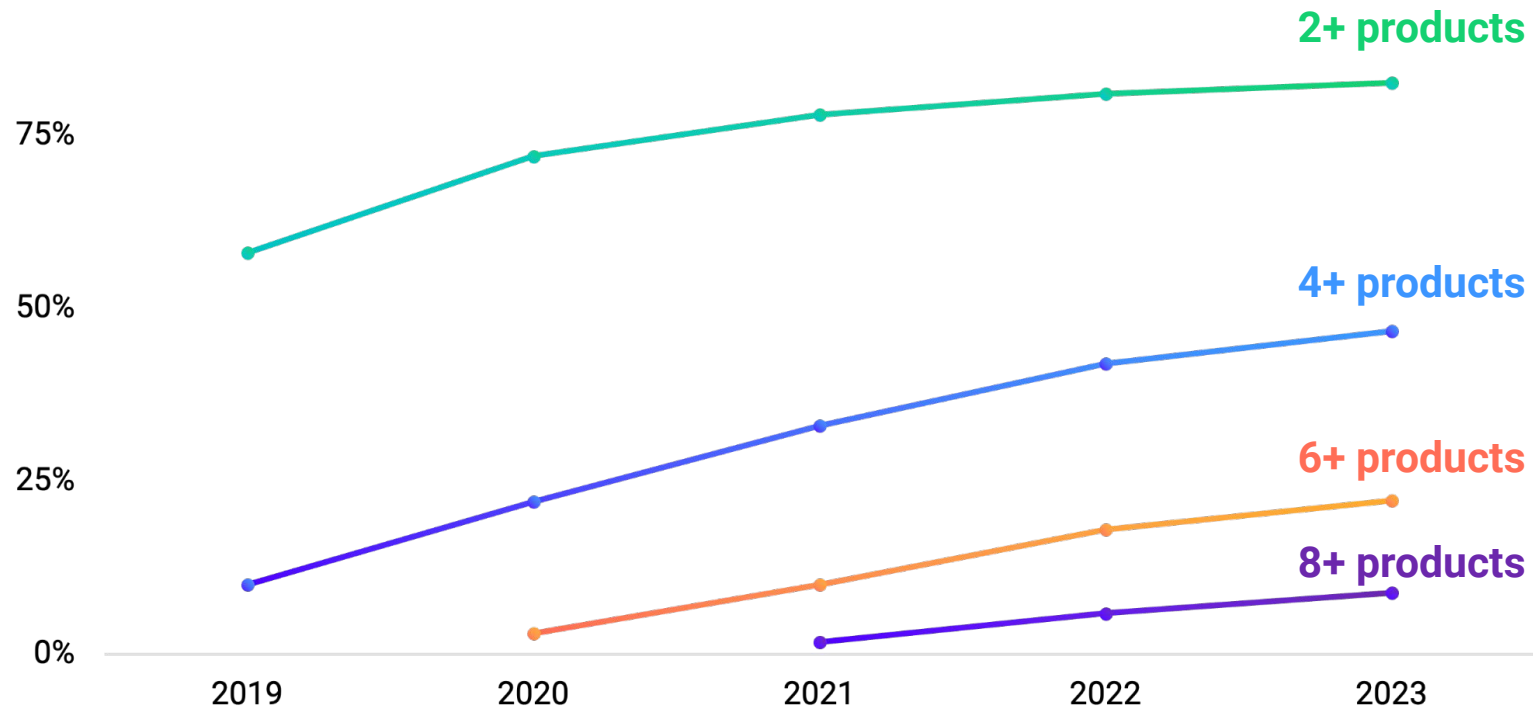
2 Cross-sell of additional products

New personas to address with new products



Multi-product adoption

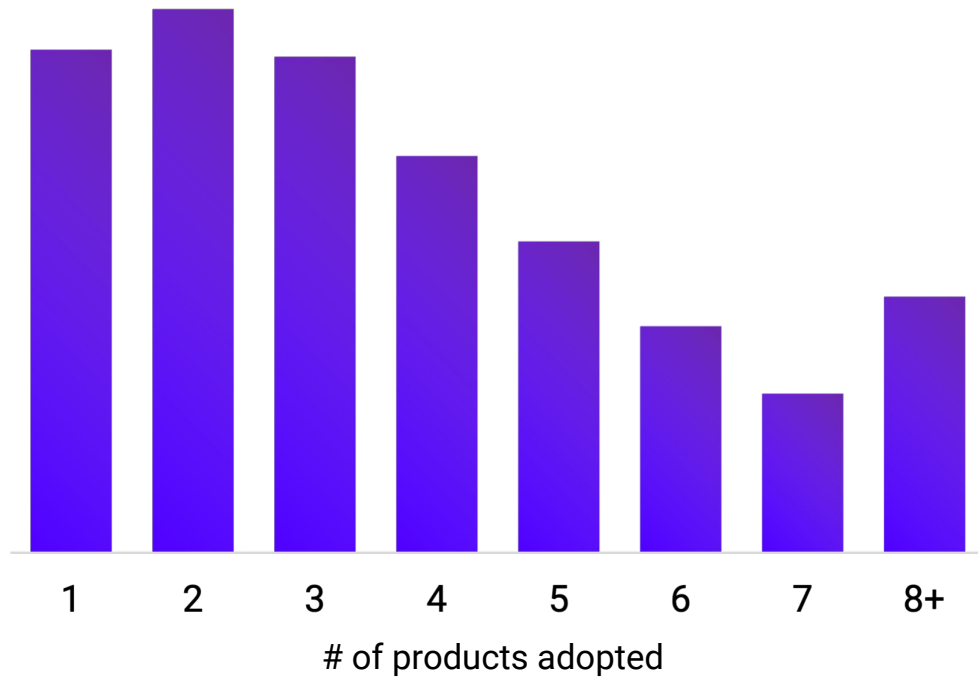
% of customers with:



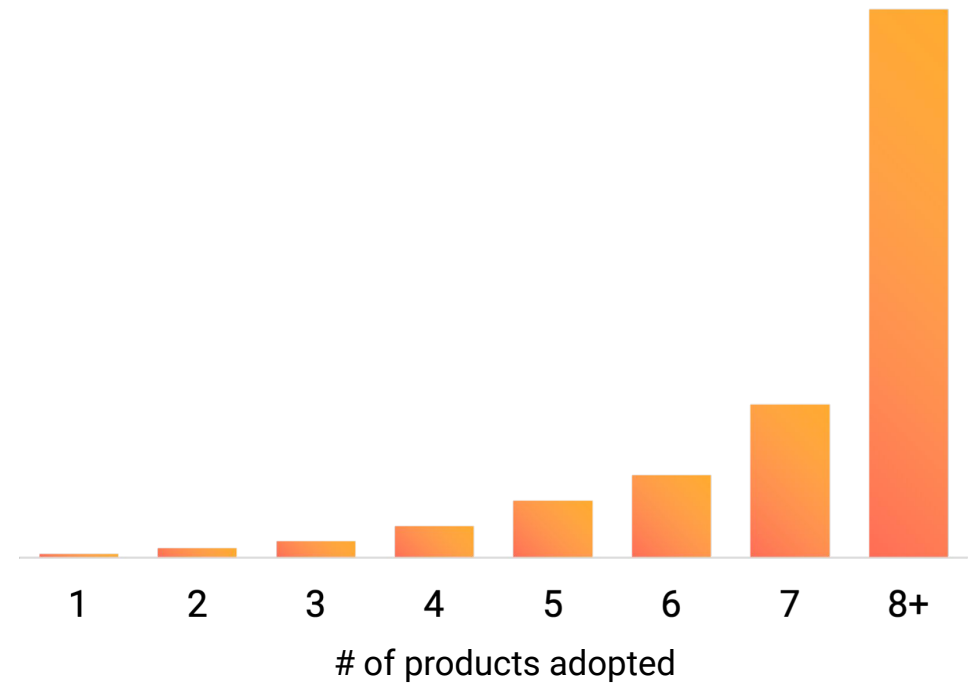
**Steady increase
in multi-product
adoption**

Multi-product adoption

of customers taking multiple products

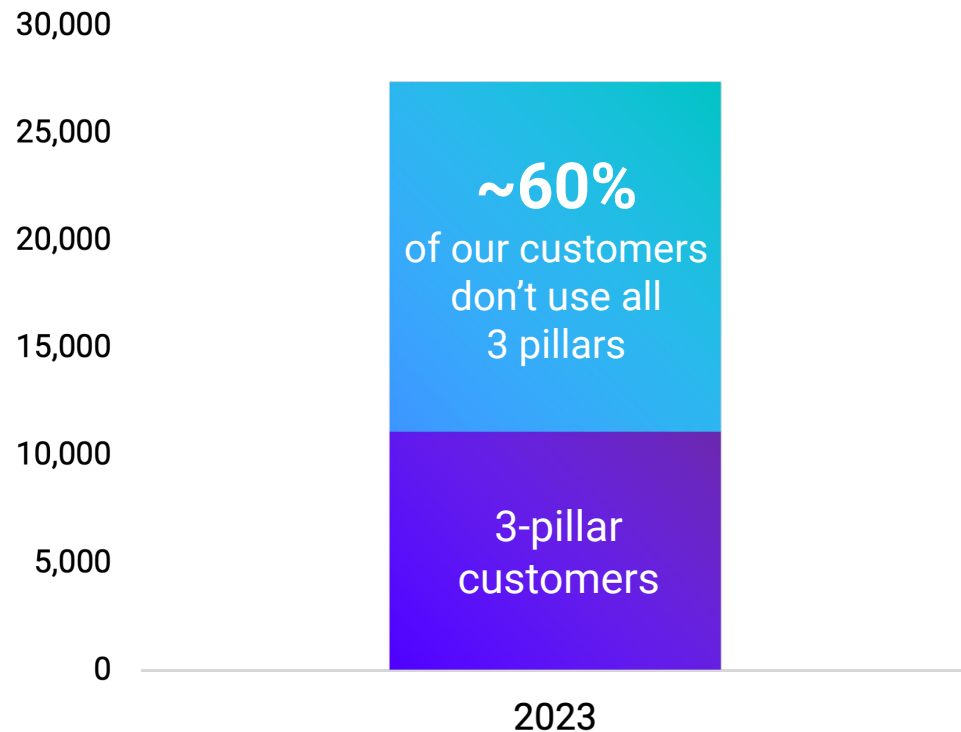


Average ARR per customer taking multiple products

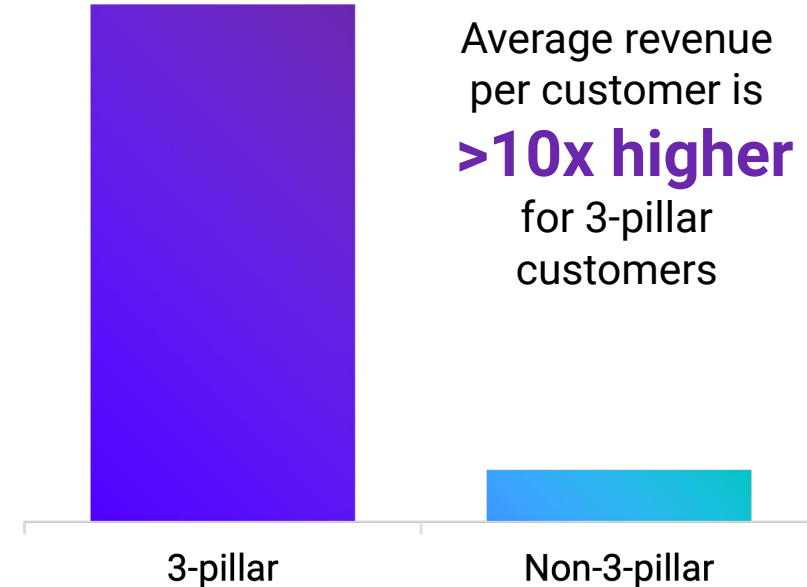


~60% of our customers don't have all 3 pillars yet

3-pillar customers



Average revenue per customer: 3-pillar vs non-3-pillar



Opportunities for growth

1 New logo opportunities

2 Cross-sell of additional products

3 Opportunities for consolidation

Consolidation in \$1M+ deals in 2023

~55%

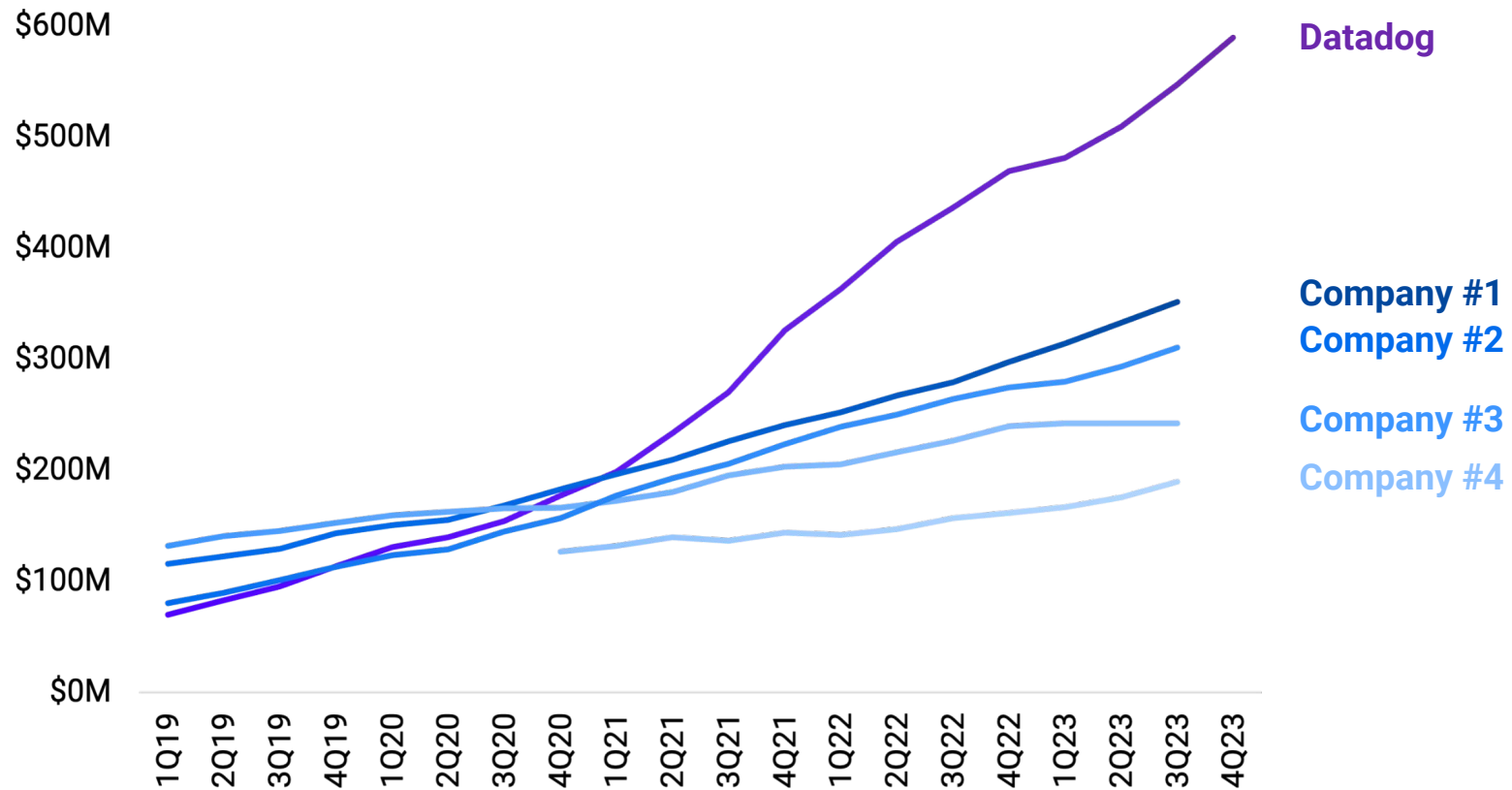
% of deals involve consolidation from competitors

~4x

higher annualized bookings growth in deals with consolidation versus without

Strong relative revenue growth

Quarterly revenue, 1Q19-4Q23

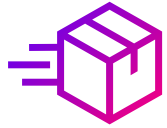


Opportunities for growth

- 1 New logo opportunities
- 2 Cross-sell of additional products
- 3 Opportunities for consolidation
- 4 **Investment in underpenetrated areas**

Increasing penetration in traditional industries

Example industries where our % of revenue from that industry is increasing, from 2019 to 2023:



**Airlines
& Logistics**



Energy



**Financial
Services**



Healthcare



Industrials



Insurance



**Professional
Services**

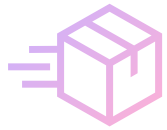


Public Sector

Industries are in alphabetical order.

Increasing penetration in traditional industries

Example industries where our % of revenue from that industry is increasing, from 2019 to 2023:



Airlines
& Logistics



Energy



Financial
Services



Healthcare



Industrials



Insurance



Professional
Services

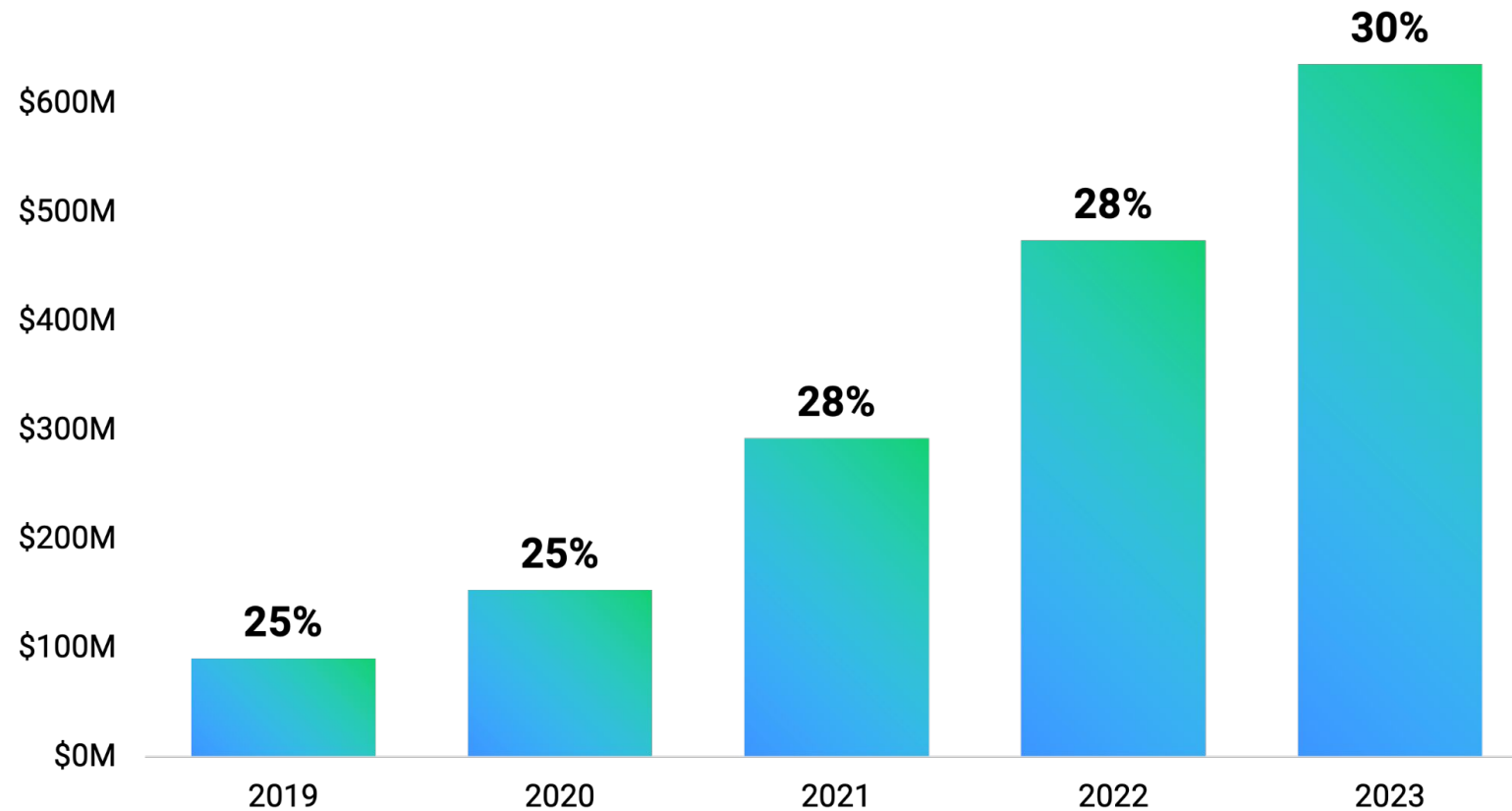


Public Sector

Industries are in alphabetical order.

Geographic opportunities

\$ Revenue and % of total revenue, international geographies



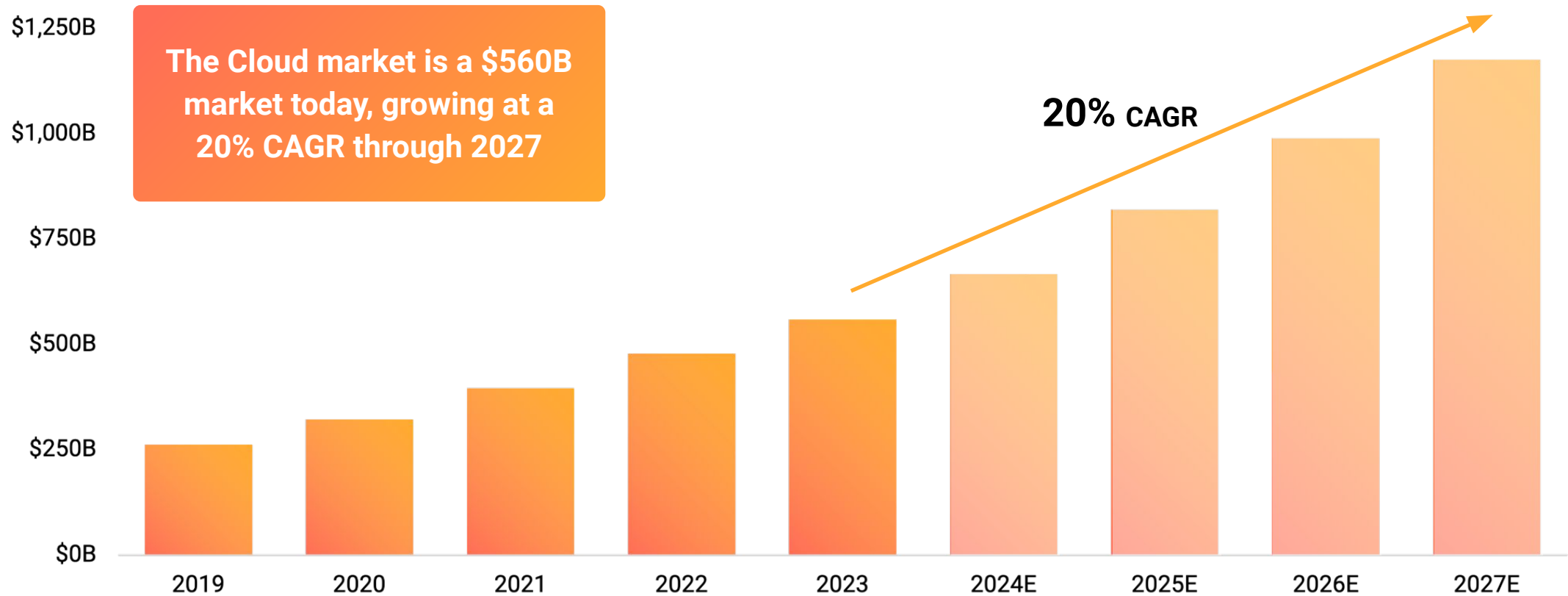
**More international
opportunity**

Opportunities for growth

- 1 New logo opportunities
- 2 Cross-sell of additional products
- 3 Opportunities for consolidation
- 4 Investment in underpenetrated areas
- 5 **Growing market with new TAM opportunities**

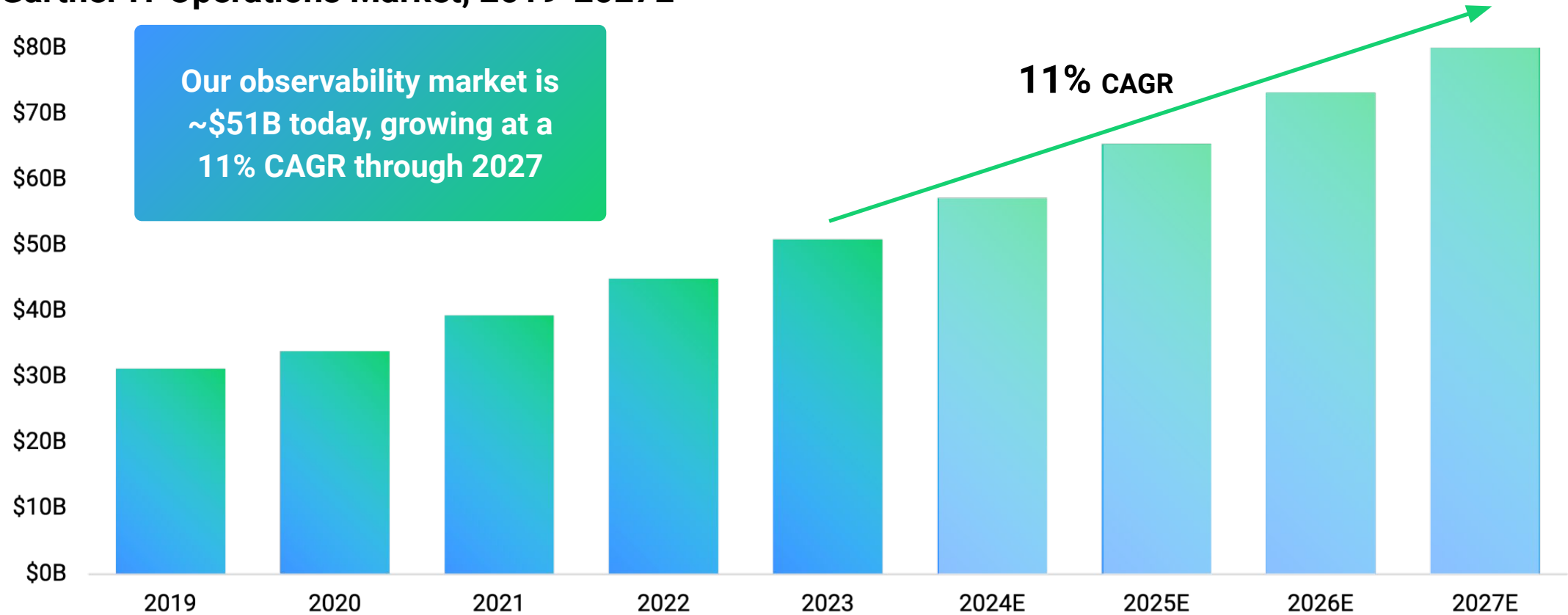
Secular tailwind of digital transformation and cloud migration

Gartner Public Cloud Services Market, 2019-2027E



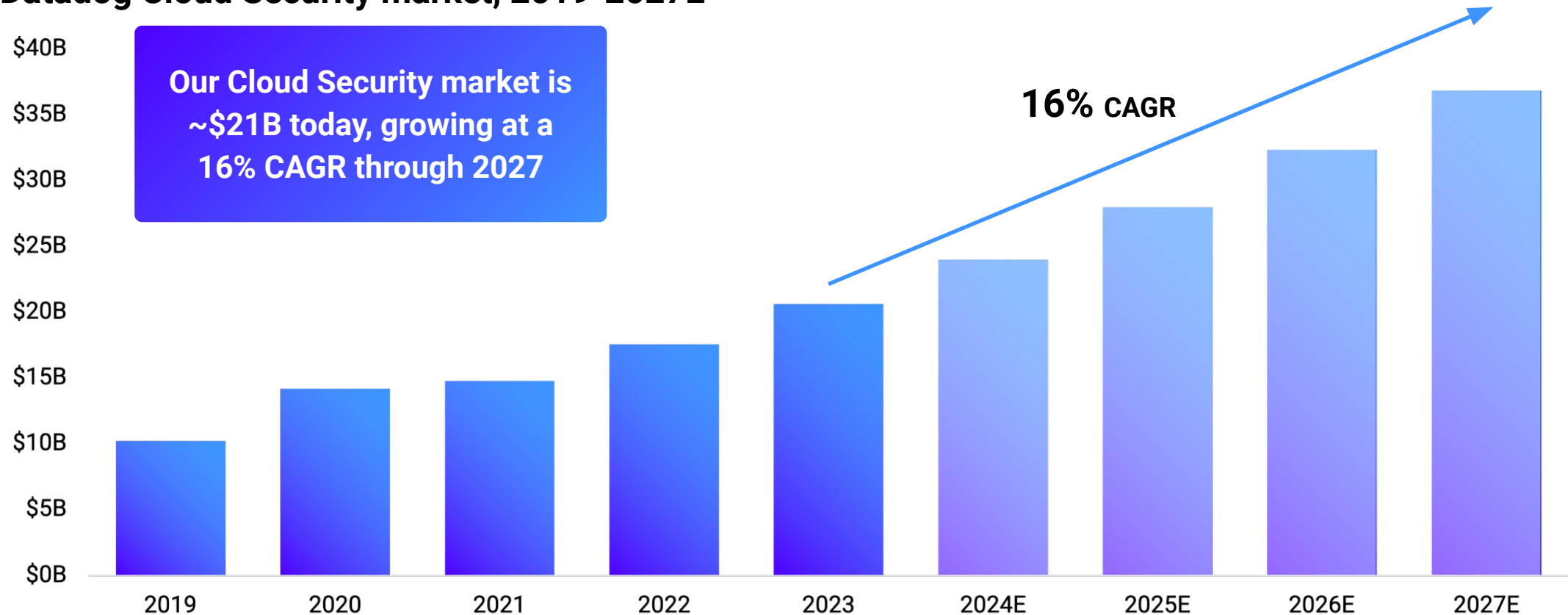
Large and growing Observability TAM

Gartner IT Operations Market, 2019-2027E



Cloud Security TAM opportunity

Datadog Cloud Security market, 2019-2027E



Gartner Forecast: Information Security and Risk Management, Worldwide - 2019-2025, 4Q21 Update; 2020-2026, 4Q22 Update; 2021-2027, 4Q23 Update.

Included: Within Application Security: Application Security Testing Software; Vulnerability Assessment Software; Web Application Firewalls Software; within Cloud Security: Cloud Access Security Brokers Software; Cloud Workload Protection Platforms; within Data security: Encryption Software; Enterprise Data Loss Prevention Software, Tokenization Software; within Infrastructure Protection: Security Information and Event Management (SIEM) Software.

Margins and investment

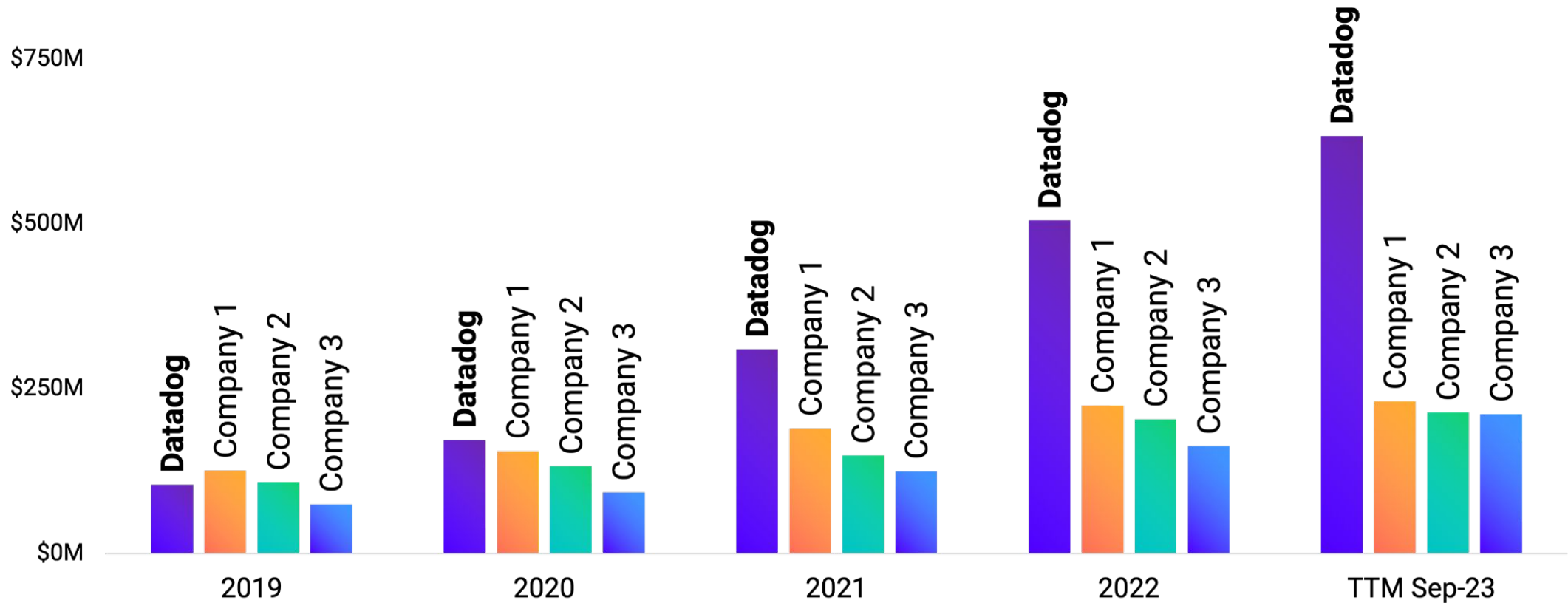
Margin performance, 2019-2023

Non-GAAP % ⁽¹⁾	2019	2020	2021	2022	2023
Gross Margin	76%	79%	78%	80%	82%
R&D	29%	29%	30%	30%	30%
S&M	39%	31%	25%	25%	24%
G&A	9%	8%	7%	6%	6%
Operating Margin	-1%	11%	16%	19%	23%
FCF Margin	0%	14%	24%	21%	28%

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

Investment in R&D

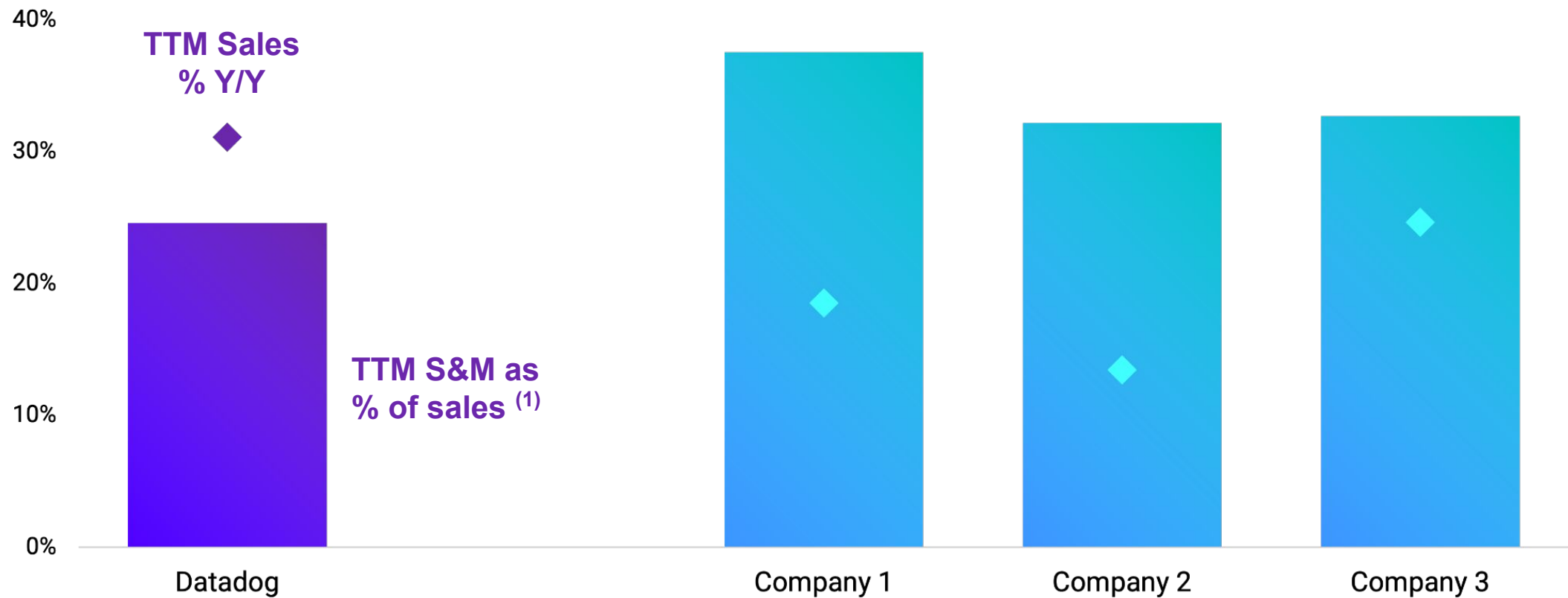
Non-GAAP Research & Development expenditure ⁽¹⁾



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

S&M efficiency

TTM Sep-23 Non-GAAP S&M as % of sales, % Y/Y Non-GAAP TTM revenue growth ⁽¹⁾



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

Forward-looking financials

This section contains various forward-looking statements regarding financial goals.
See Safe Harbor for important information regarding forward-looking statements

Long-term margins vs. goals

Achieved target

Non-GAAP % ⁽¹⁾	2019	2020	2021	2022	2023	Goal at IPO
Gross Margin	76%	79%	78%	80%	82%	77-78%
R&D	29%	29%	30%	30%	30%	22-26%
S&M	39%	31%	25%	25%	24%	23-27%
G&A	9%	8%	7%	6%	6%	6-8%
Operating Margin	-1%	11%	16%	19%	23%	20-25%

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

New long-term margin goal

Non-GAAP % ⁽¹⁾	2019	2020	2021	2022	2023	Goal at IPO	New Goal
Operating Margin	-1%	11%	16%	19%	23%	20-25%	25%+
Free Cash Flow Margin	0%	14%	24%	21%	28%		

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

Capital allocation goals



Generate healthy amounts of FCF



Ensure our leadership has flexibility and capacity to invest



Maintain our thoughtful and disciplined acquisition strategy

TAX CONSIDERATIONS

Non-GAAP tax rate in 2024 and going forward

21%

2024 cash tax guided \$20-25M

Represents an estimated long-term projected tax rate, which is subject to change.

Stock-based compensation

Target annual dilution related to
RSUs/PSUs awarded

2.5 - 3.5%

	2019	2020	2021	2022	2023
RSU/PSU shares awarded (M's)	0.6	4.9	5.2	7.6	7.4
% dilution on BoP basic shares		1.6%	1.7%	2.4%	2.3%

Q&A session

Olivier Pomel, CEO & Co-founder

Amit Agarwal, President

David Obstler, CFO

Sean Walters, CRO

Angie Holt, SVP, Global Customer Success

Yuka Broderick, VP, Investor Relations

Investor Day 2024

Thank you for joining us today

A replay of this event will be available at
investors.datadoghq.com



DATADOG

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. Customers as of December 31, 2022 exclude customers from a then-recent acquisition, which did not contribute meaningful revenue during the fiscal year. 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 and other information

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) employer payroll taxes on employee stock transactions; (4) amortization of issuance costs; and (5) an assumed provision for income taxes based on our long-term projected tax rate. Our estimated long-term projected tax rate is subject to change for a variety of reasons, including the rapidly evolving global tax environment, significant changes in Datadog's geographic earnings mix, or other changes to our strategy or business operations. We will re-evaluate our long-term projected tax rate as appropriate. 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.

Datadog has not reconciled its expectations as to non-GAAP margins to their most directly comparable GAAP measure as a result of uncertainty regarding, and the potential variability of, reconciling items such as stock-based compensation and employer payroll taxes on equity incentive plans. Accordingly, reconciliation is not available without unreasonable effort, although it is important to note that these factors could be material to Datadog's results computed in accordance with GAAP.

GAAP to Non-GAAP reconciliation

Gross profit margin (\$000's)

	FY19	FY20	FY21	FY22	FY23
Revenue	\$362,780	\$603,466	\$1,028,784	\$1,675,100	\$2,128,359
GAAP gross profit	\$273,831	\$473,269	\$794,539	\$1,328,357	\$1,718,451
GAAP gross margin	75 %	78 %	77 %	79 %	81 %
Add:					
Share-based compensation expense included in cost of revenue	582	1,794	4,565	10,827	17,578
Amortization of acquired intangibles	752	943	3,792	6,750	8,041
Employer payroll taxes on employee stock transactions	—	187	345	266	364
Non-GAAP gross profit	\$275,165	\$476,193	\$803,241	\$1,346,200	\$1,744,434
Non-GAAP gross margin	76 %	79 %	78 %	80 %	82 %

GAAP to Non-GAAP reconciliation

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

	FY19	FY20	FY21	FY22	FY23
Revenue	\$362,780	\$603,466	\$1,028,784	\$1,675,100	\$2,128,359
RESEARCH & DEVELOPMENT					
GAAP R&D expense	\$111,425	\$210,626	\$419,769	\$752,351	\$962,447
GAAP R&D expense as a % of revenue	31 %	35 %	41 %	45 %	45 %
Less: Share-based compensation expense	7,972	38,008	101,942	237,120	313,096
Less: Employer payroll taxes on employee stock transactions	1,157	2,836	8,143	10,384	21,449
Add: Other Non-GAAP adj.(1)	(2,344)	(2,729)	—	—	—
Non-GAAP R&D expense	\$104,640	\$172,511	\$309,684	\$504,847	\$627,902
Non-GAAP R&D expense as a % of revenue	29 %	29 %	30 %	30 %	30 %
SALES & MARKETING					
GAAP S&M expense	\$146,657	\$213,660	\$299,497	\$495,288	\$609,276
GAAP S&M expense as a % of revenue	40 %	35 %	29 %	30 %	29 %
Less: Share-based compensation expense	5,538	20,467	35,035	76,735	101,937
Less: Amortization of acquired intangibles	—	—	600	825	825
Less: Employer payroll taxes on employee stock transactions	284	3,756	6,349	2,766	5,917
Add: Other Non-GAAP adj.(1)	(397)	(449)	—	—	—
Non-GAAP S&M expense	\$141,232	\$189,886	\$257,513	\$414,962	\$500,597
Non-GAAP S&M expense as a % of revenue	39 %	31 %	25 %	25 %	24 %
GENERAL & ADMINISTRATIVE					
GAAP G&A expense	\$35,889	\$62,756	\$94,429	\$139,413	\$180,192
GAAP G&A expense as a % of revenue	10 %	10 %	9 %	8 %	8 %
Less: Share-based compensation expense	4,942	14,105	22,195	38,472	49,689
Less: Employer payroll taxes on employee stock transactions	19	839	1,248	830	4,811
Add: Other Non-GAAP adj.(1)	(2,266)	(2,383)	—	—	—
Non-GAAP G&A expense	\$33,194	\$50,195	\$70,986	\$100,111	\$125,692
Non-GAAP G&A expense as a % of revenue	9 %	8 %	7 %	6 %	6 %
Reconciliation of operating loss and operating margin					
GAAP operating loss	\$(20,140)	\$(13,773)	\$(19,156)	\$(58,695)	\$(33,464)
Add: Stock-based compensation expense	19,034	74,374	163,737	363,154	482,300
Add: Amortization of acquired intangibles	752	943	4,392	7,575	8,866
Add: Employer payroll taxes on employee stock transactions	1,460	7,618	16,085	14,246	32,541
Less: Other Non-GAAP adj.(1)	(5,007)	(5,561)	—	—	—
Non-GAAP operating (loss) income	\$(3,901)	\$63,601	\$165,058	\$326,280	\$490,243
GAAP operating margin	(6)%	(2)%	(2)%	(4)%	(2)%
Non-GAAP operating margin	(1)%	11 %	16 %	19 %	23 %

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

Free cash flow bridge

Free cash flow (\$000's)

	FY19	FY20	FY21	FY22	FY23
Revenue	\$362,780	\$603,466	\$1,028,784	\$1,675,100	\$2,128,359
Cash flow from operations	\$24,234	\$109,091	\$286,545	\$418,407	\$659,954
Capex	(13,315)	(5,415)	(9,956)	(35,261)	(27,586)
Capitalized software developmental costs	(10,128)	(20,468)	(26,069)	(29,628)	(34,820)
Free cash flow	\$791	\$83,208	\$250,520	\$353,518	\$597,548
Free cash flow margin	0 %	14 %	24 %	21 %	28 %