BERNSTEIN
SOCIETE GENERALE GROUP

19 October 2026

Rating Upgrade



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U.S. SMID-Cap Software

Datadog Inc

Rating

Outperform (Market-Perform *OLD*)

Price Target

DDOG **350.00 USD** (237.00 *OLD*)

Datadog (DDOG): Upgrading on AI-driven tailwind strength

Into last quarter, we downgraded Datadog as we worried about investor reaction to the large ~$100MM ARR contract downsizing for their largest "Born in AI" customer (we believe it is OpenAI) plus signals of late year weakness in their traditional customer base that makes up ~85% of their revenue. In fact, the traditional customer base signals ended Q3 even weaker than we predicted at the time (Exhibit 1). But with all of that groundwork, we also emphasized uncertainty about "Born in AI" demand in H2 and beyond, and how much lift Datadog's new products could offer (particularly cybersecurity and their Bits AI Agent).

"Born in AI" customer tailwinds appear MUCH stronger than we expected (+6% YoY). When we built our model for post Q2 earnings, the largest AI Labs appeared to be in a lull (well below the 100%+ QoQ seen recently). Looking into '27+ we wondered if incremental add would slow towards 20-30% net new ARR growth (i.e., 50-60% revenue growth in '27 down from 80-90% we expected this year) as enterprise budget / implementation constraints might hold back "hockey sticking" spend and consumer reached saturation. Clearly our imagination failed us — our alt data signals suggest enterprise token consumption appears to have grown at least 50% QoQ among the largest AI Labs (and perhaps even faster in their smaller "Born in AI" customers). Add to this the consumer AI Agent releases (e.g., Muse, Dots) and our published longer term view seems likely to be well-below reality.

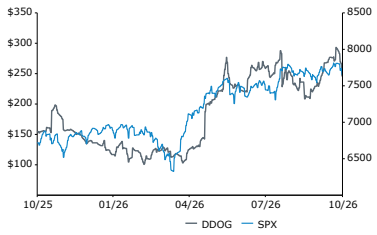
Traditional customers + broader platform to offer even more lift in '27+??? We don't even include this upside in our model — we think of it as downside cushion. For instance, as consumer AI Agent use ramps it could raise traditional internet / commerce customers' consumption. In addition, the "Mythos moment" may be the catalyst for Datadog's cyber-features, plus the v1.0 of their SRE AI Agent seems perfectly timed for overwhelmed cloud operations teams due to the influx of AI Coding Agent generated code to manage. We could imagine a demand bubble well in excess of the more stable demand included in this update.

Close Date	16 Oct 2026
DDOG Close Price (USD)	247.11
Price Target (USD)	350.00
Upside/(Downside)	42%
52-Week Range	300.68/98.01
SPX	7,659.44
FYE	Dec
Div Yield	NA
Market Cap (USD) (M)	88,977
EV (USD) (M)	85,270

Performance	YTD	1M	6M	12M
Absolute (%)	81.7	7.1	100.1	63.5
SPX (%)	11.9	1.4	8.8	15.5
Relative (%)	69.8	5.6	91.4	47.9

Source: Bloomberg, Bernstein estimates and analysis.

Price Performance, 1YR



Investment Implications

Revenue growth expectations raised ~7% points in the near term, and duration extended. Applying our 50/50 multiples (~22x up from ~16x NTM Revenue) and DCF (unchanged 11% WACC, 3% terminal growth) we raise our PT to $350 and upgrade to Outperform.

Adjusted EPS	F25A	F26E	F27E
DDOG (USD)	2.05	**2.82**	**4.00**
OLD	--	2.70	3.45

Financials	F25A	F26E	F27E	CAGR
Cost of Goods Sold (M)	686.96	992.36	1,372	--
FCF (M)	914.72	1,352	2,051	--
Operating Earnings (M)	768.04	1,148	1,730	--
Revenues (M)	3,427	4,698	6,450	37.2%

Valuation Metrics	25A	26E	27E
EV/EBIT (x)	N/M	660	184
Adjusted P/E (x)	120.3	87.7	61.8
EV/FCF (x)	93.2	63.1	41.6
EV/Sales (x)	24.9	18.1	13.2

Source: Bloomberg, Bernstein estimates and analysis.

See the Disclosure Appendix of this report for required disclosures, analyst certifications and other important information. Alternatively, visit our Global Research Disclosure Website.

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DETAILS

Into last quarter, we downgraded Datadog as we worried about investor reaction to the large ~$100MM ARR contract downsizing for their largest "Born in AI" customer (we believe it is OpenAI) plus signals of late year weakness in their traditional customer base that makes up ~85% of their revenue. Both of these impacts still look accurate, with the company discussing at Q2 earnings the contract re-sizing that happened early in Q3 (and guiding conservatively rest of year, it appears at least partially due to this). On top of that, our alt data signals that guide our expectations for the traditional customer base ended Q3 even weaker than we guessed (Exhibit 1), implying a material Q3 ARR headwind and ~$10MM less Q4 revenue than we included in our post Q2 earnings model (see our deeper discussion of this alt data, why we think it is weak in H2, and how we use it to signal Datadog's revenue growth, here). But with all of that groundwork, we also emphasized two important caveats: we were uncertain how "Born in AI" demand would evolve in H2 and beyond, and how much lift Datadog's new products could offer (we were particularly hopeful for cybersecurity and their SRE AI Agent).

"Born in AI" customer tailwinds appear MUCH stronger than we expected (+6% points). At the end of July, when we were building our model for post Q2 earnings, their largest AI customers appeared to be in a bit of a lull (Exhibit 2), with early implied growth for Q3 in the 15-30% QoQ range (well down from 100%+ seen very recently). Looking further into the future, we wondered in 2027 and beyond whether annual incremental add would slow towards 20-30% net new ARR (driving 50-60% YoY growth in '27 down from 80-90% we expected this year) as enterprise customer budget and implementation constraints held back the pace of spend growth, and consumer side appeared to be reaching a greater degree of usage saturation.

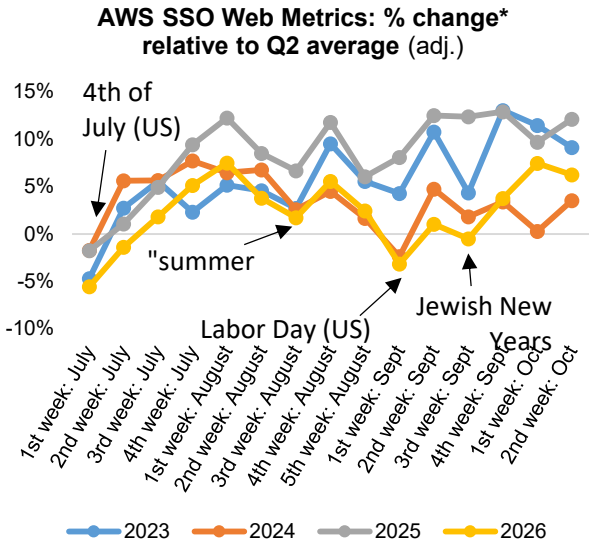
Clearly our imagination failed us, as OpenAI released a wildly successful Codex model paired with significant price decreases, and other top model makers followed suit (Exhibit 3) — enterprise token consumption appears to have grown at least 50% QoQ across their largest AI customers (and perhaps even faster in their smaller customers). Add to this consumer AI Agent releases (e.g., Muse, Dot) and our longer term views seem likely to be well-off reality (Exhibit 4). We note that a dump of the Muse agent harness can be performed, and examining it DOES NOT imply Datadog is used for AI Monitoring, yet (it appears it's currently tooled with OpenTelemetry / Prometheus-based observability) — this would be an added upside potential in the future.

Traditional customers + broader platform to offer even more lift in '27+??? We don't even add this upside to our model, as it all gets so high we aren't sure it's possible. Instead, we think of it as cushion we gave ourselves. But as consumer AI agents ramp engagement this could make the traditional Datadog customers' observability requirements rise to meet that increased demand. Add to this the catalyst that the "Mythos moment" created for cybersecurity requirements outside the CISO and release of their Scout v1.0 version of the SRE AI Agent at a time when cloud operations teams are overwhelmed by the influx of code to manage, and we could imagine a bubble of demand well in excess of our more stable demand model we include in this update.



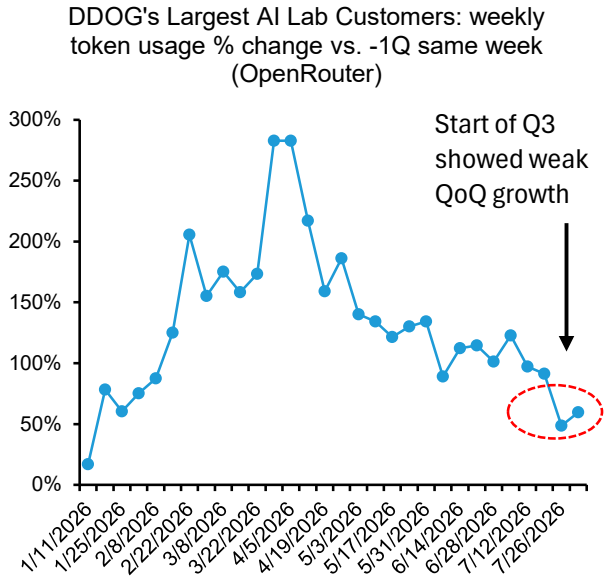
on 19-Oct-2026

EXHIBIT 1: **Q3 AWS web metrics data (which predict Q4 revenue) was weaker than we expected going into the quarter and has been trending well below 2025 level (we do note early October signals are stronger, and when combined with an easier QoQ comp it could set up for a bullish Q1'27 signal)**



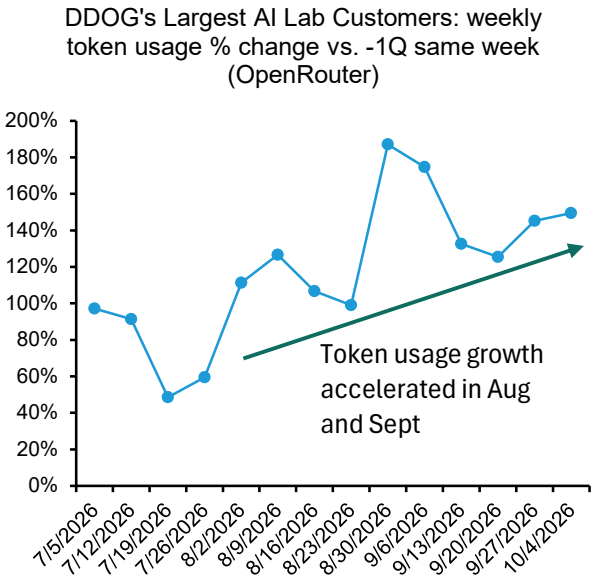
Removed the week of Aug 16th 2026 to visually align the holiday timings across years
Source: Similarweb, Bernstein analysis

EXHIBIT 2: **The largest AI labs saw hypergrowth as a group that peaked late Q1/early in Q2 during a period of "tokenmaxxing"... by late June growth had started to really slow and when the growth in OpenRouters share is considered it implied a trajectory for QoQ to deliver low 10s of %**



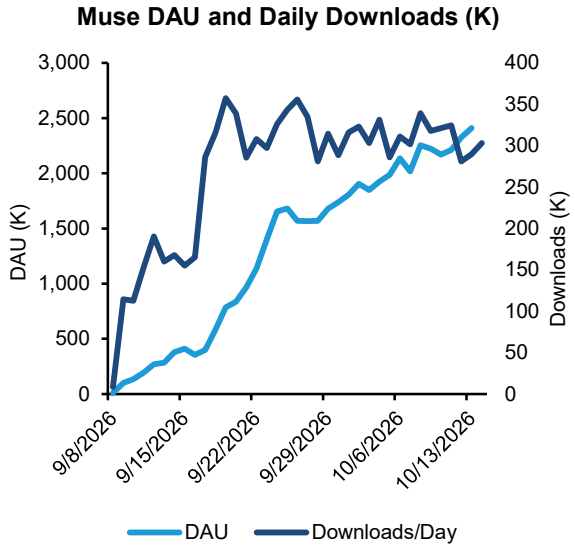
Source: OpenRouter, Bernstein analysis

EXHIBIT 3: **But from August, QoQ token usage growth accelerated as tough comps lapped the "tokenmaxxing" period, the AI Labs released waves of new models, and AI Labs became more agressive on pricing**



Source: OpenRouter, Bernstein analysis

EXHIBIT 4: **Consumer AI Agent, Muse, attracted over 2 million DAU within one month of its release, and adoption appears to continue to go up and to the right**



Source: SensorTower, Bernstein analysis

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Q3 (AND EARLY Q4) "BORN IN AI" CUSTOMER COHORT'S TOKEN CONSUMPTION SIGNALS ARE STRONG…

We leverage several alt data sources to track token consumption trends that we think signal enterprise usage, including from Vercel's AI Gateway, Ramp's AI Index, and OpenRouter's AI Model Rankings. In addition, we watch the web metric and app downloads, which we think are a better signal for the consumer side of these businesses. When comparing these metrics to historically reported ARR / revenue split between enterprise and consumer for leading labs such as OpenAI (Exhibit 6, Exhibit 7) (as well as signals we had on the scale of Datadog's revenue), we have noticed at minimum a directional fit on a derivative correlation (to limit confounding momentum correlation).

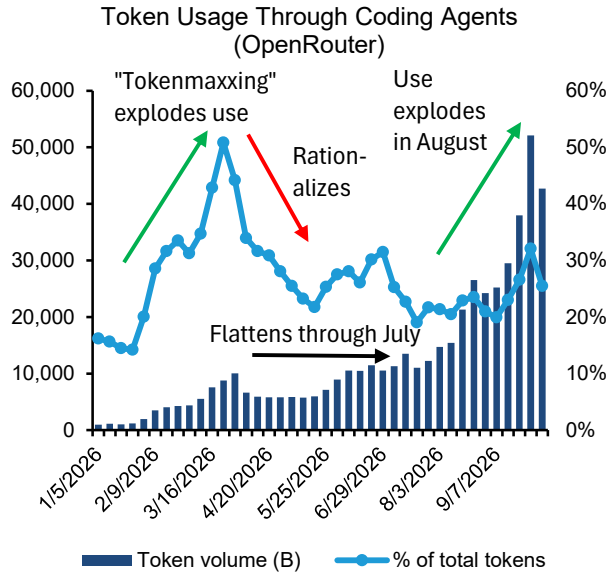
Entering Q3, we thought Datadog's largest AI Lab customers made up nearly 50% of their "Born in AI" customers. These customers we thought had seen some flattening in token consumption growth when examined on a weekly trend basis after periods of hypergrowth earlier in the year (Exhibit 2). This made sense to us between both "tokenmaxxing" rationalization (Exhibit 5) and no recent major model releases that drove more token use…

…but as Q3 evolved we saw several new model releases. One of the most influential to the quarter's results we think was OpenAI's Codex 5.6 in mid-July, that was then supported by a greater degree of price competition in August (OpenAI reduced prices as much as 80% in the start of August, then later in August also reduced price of its frontier model). In the end OpenAI's Q3 token demand on OpenRouter exploded 300% QoQ (Exhibit 8). They were not the only one, and when we consider even the smaller labs, we saw non-Chinese models (excluding the largest AI labs) growing their consumption 100%+ QoQ.

Add to this an improvement in web and app engagement for OpenAI (Exhibit 7) and other labs' consumer interfaces, and it would appear several tailwinds are helping Q3 results. For OpenAI specifically this may have nearly wiped away the contract downsell that happened early in the quarter, with a blended growth between their enterprise and consumer that could have been in the 80%+ QoQ range. As a side note, there was a lot of media discussion around expected growth, and the reported Q3 77% revenue growth. For enterprise specifically it appears growth was a more impressive 107% based on their disclosure (crossing 50% of revenue in August up from 60/40 to consumer at the start of this year). This is below our consumption growth we use — we think enterprise token demand was up, but the pricing was down offsetting that (Exhibit 6). And on the consumer side the implied revenue growth was ~50%, which is above the web / app download metric implied level, perhaps as the consumer side may have seen more advertising revenue or more paid usage conversion. For Datadog, their own revenue is not related to what OpenAI gets paid, thus we focus more on usage statistics to drive our model expectations.

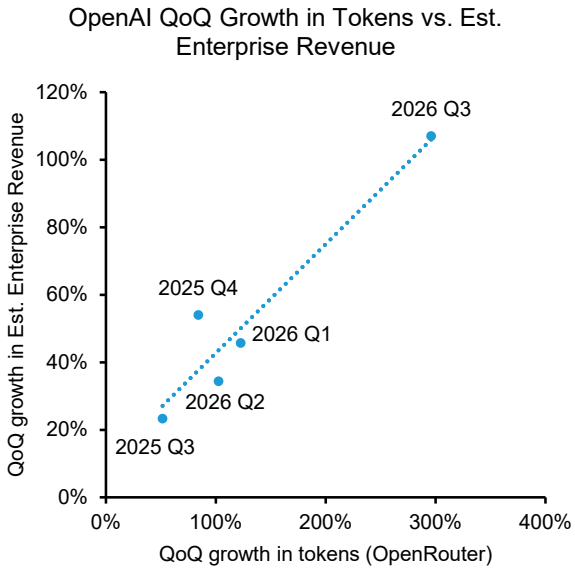
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EXHIBIT 5: **The "lull" in token growth appears to be a reset period post the "tokenmaxxing" exuberance of Q1. It extended through July, before taking off aggressively again in August and September.**



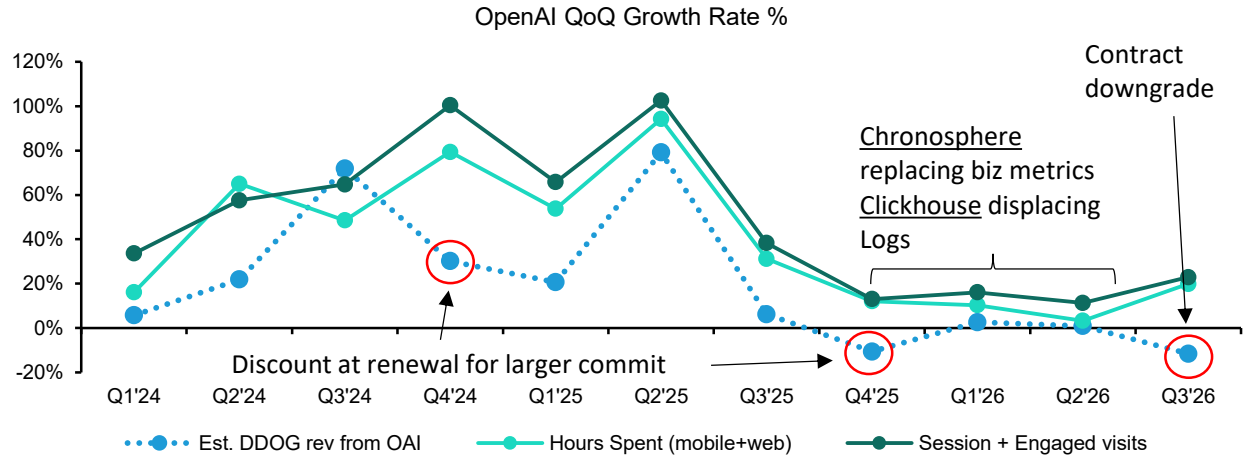
Source: OpenRouter, Bernstein analysis

EXHIBIT 6: **QoQ growth rates in token usage on OpenRouter has shown a directional fit to the growth in OpenAI Enterprise revenue**



Source: OpenRouter, Bernstein estimates and analysis

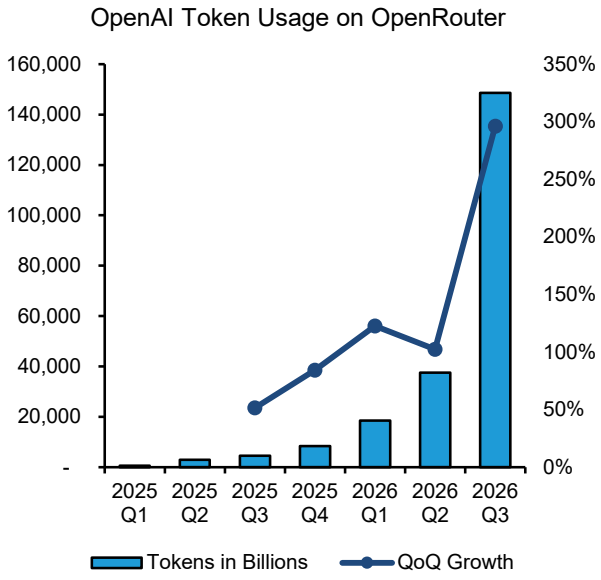
EXHIBIT 7: **Datadog's revenue growth from OpenAI has historically tracked closest to the demand for their consumer business. We think this mix is changing as enterprise has been taking off over the last few quarters.**



Source: Similarweb, SensorTower, Bernstein estimates and analysis

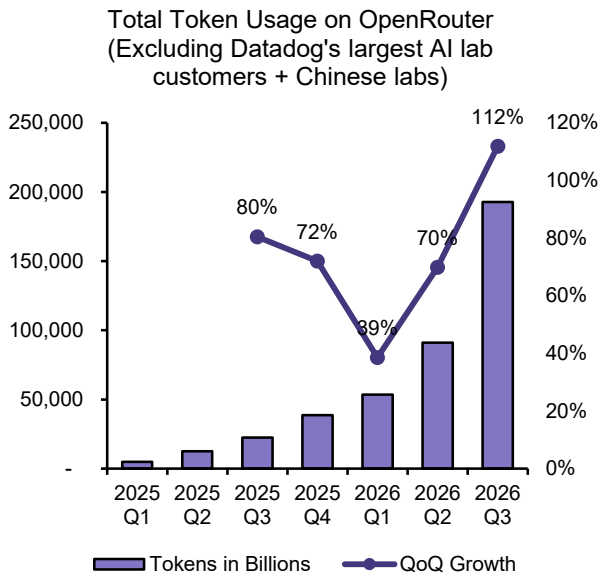
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EXHIBIT 8: **Token usage for OpenAI models on OpenRouter grew ~300% QoQ in Q3**



Source: OpenRouter, Bernstein analysis

EXHIBIT 9: **Excluding Datadog's largest AI Lab customers and Chinese labs that are unlikely to use Datadog, the token usage growth from the rest model providers also accelerated in Q3 after an early-year dip.**



Source: OpenRouter, Bernstein analysis

...LEADING US TO MODEL ~25% QOQ IN Q3 (NET OF CONTRACT DOWN-SELL) AND Q4 (NET OF HOLIDAY HEADWINDS)

Now translating all this into an appropriate expectation is a bit more of an art than science for us right now. The largest labs we have more confidence in the breadth of their usage across metrics and APM/AI Monitoring, but some of the other labs are just using them for GPU monitoring according to previous company commentary. And even the discount level is a bit unclear, although we do know at prior contract renewal points the overage was able to compress for their largest AI Lab customers.

In our model we are taking the token growth we saw from OpenRouter, minus a perspective that OpenRouter seems to be growing its own share, as one important signal. We add to this the web and application use from OpenAI as a signal for consumer driven demand. And we assume every quarter that the incremental is then discounted by 25% vs. "rack rate" of Datadog revenue.

Net of all this we think for rest of 2026 "Born-in-AI":

- Q3 ~25% QoQ: "Born in AI" together probably grew around 50% QoQ. We then subtract the headwind from the OpenAI contract down sell of more than $100MM ARR (it impacts our revenue assumptions for 2/3 of the quarter), which gets us to ~25% net growth QoQ. This is an increase from our post-Q2 model that assumed ~0% QoQ growth net of down sell (excluding downsell we had modeled "Born in AI" to grow 15-20% QoQ in our previous note).

- Q4 ~25% QoQ: early signals into Q4 suggest strong growth continues, but we aren't sure the ~50% QoQ from Q3 is rational, particularly with the EoY holiday period that has historically dampened token usage and tougher QoQ comps. Our updated number is an increase from ~10% in our prior model, given we weren't sure if any new model releases would have the type of token uptick as those late 2025 to early 2026 (as we mention above, early signals from releases over the last month challenge that assumption).

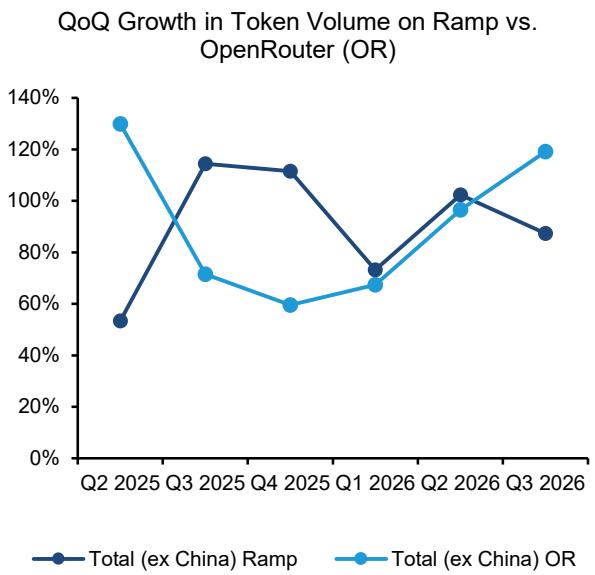
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'27-28 TOKEN CONSUMPTION ASSUMED TO INCREMENT AT ~20% NET NEW ARR (THIS IS BELOW THE LAST COUPLE OF YEARS).

We may be under calling this, and more upside could emerge. We are unsure how much upside there could be from the token usage spaces that are not as mature. This includes both the consumer AI agents, but also other user categories (or maybe even AI Coding could surprise us again).

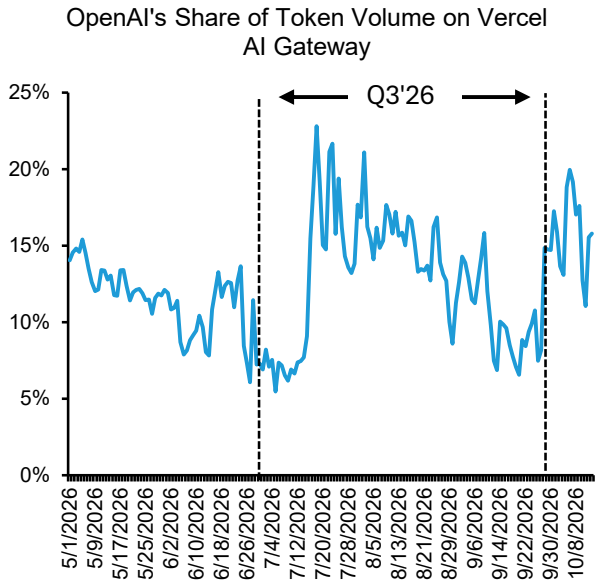
...It also may be too high (more discussion in "risks" below). While the demand may be there on an absolute token basis, we do think more and more competition from open weight models is coming. It is clear from the demand in the Chinese and open weight models we track today. The AI Labs have shown their ability to remain value add, but this could shrink. And open weight may see much less value for Datadog as they may be self-hosted and/or hosted by less performance sensitive operators. Not only this, but these large AI Labs are on pace to become even larger than OpenAI was at the point it moved parts of its infrastructure to alternative lower cost offerings, and as we've discussed in prior notes that large tech companies have moved to in-house tooling. We aren't as concerned in the near term — in the middle of the fight for share and growth, we anticipate moving tooling in-house is a distraction. Not to mention historical in-house centric companies are actually re-thinking that decision right now.

EXHIBIT 10: **Excluding token usage on Chinese models, both Ramp and OpenRouter pointed to 80%+ QoQ growth in total token usage, with the higher growth seen in OpenRouter indicating a potential increase in its market share among model routing services**



Source: Ramp, OpenRouter, Bernstein analysis

EXHIBIT 11: **Vercel AI Gateway also shows an increase in OpenAI's market share from late July**



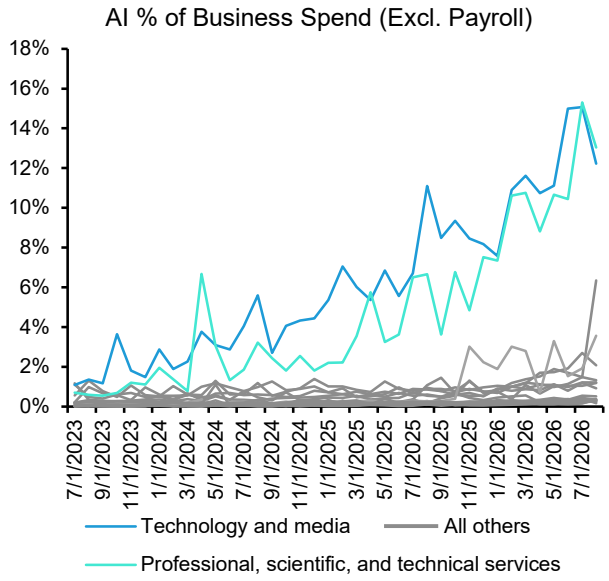
Source: Vercel, Bernstein analysis

Side note #1: We think token use for coding-related use cases (software development and business analysis) are the largest growth drivers today. Effectively we've noticed most incremental enterprise token demand is centered on AI-enhanced Coding use cases today (both for software development and for business analysis that is effectively low code/no code query-type coding and data analysis / visualization), and spend is by far the highest in technical and professional services industries as a result (Exhibit 12). With company adoption largely saturating for these AI-enhanced Coding use cases (Exhibit 13 — within "information" which we understand includes tech, media, and professional services we think those not-yet adopting may be in some media and scientific services categories), we think a lot of recent token consumption growth comes from current users who find the new models helpful to run on even deeper thinking tasks and more of them in parallel. We think this causes the growth for individual AI Labs to stair step around major model releases relevant to coding use cases (both development and business analysis), and there hadn't been one recently that drove a lot more use.

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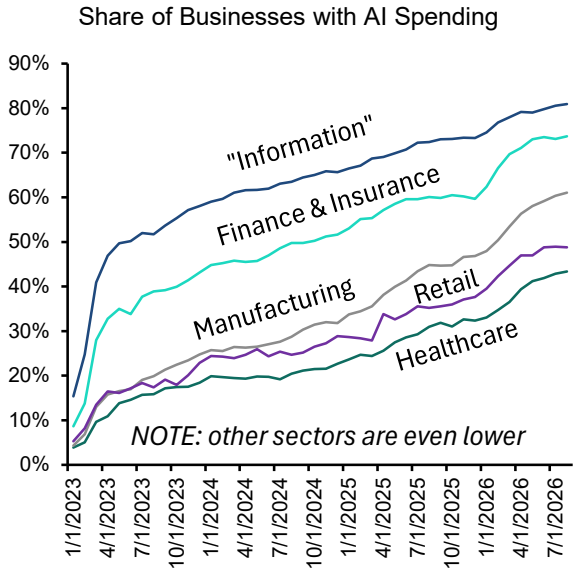
Side note #2: user count saturated in coding… but other areas are nascent, and could expand users in the future. While the other enterprise use cases appear to remain more nascent, we do recognize the labs are investing to make broader use cases relevant (for instance in health or broader engineering applications), so they could be a future growth opportunity. Not to mention even basic things like desktop AI Agents are still more of a dream in many organizations given lack of corporate data access and constraining guardrails. We are continuing to monitor progress that might drive user growth as intense as coding has been.

EXHIBIT 12: **Industries with a large focus on software development or business analysis are spending MUCH more of their non-payroll budgets on AI, now into the low-teens % of spend. Other sectors remain in only 1-2% range, although when compared to the prior year many are up ~100% YoY.**



Source: Ramp, Bernstein analysis

EXHIBIT 13: **"Information" (we believe Tech, Media, Professional Services) is also the leading industry in terms of AI adoption, with ~80% of businesses spending on AI models, subscriptions, and APIs. Finance and insurance saw an increase in adoption in early 2026 and is now the second highest. But other sectors with less focus on software are still at less than 40% adoption.**



Source: Ramp, Bernstein analysis

WE ARE WELL AHEAD OF THE STREET… WHERE COULD WE BE WRONG?

Relative to consensus, our new model is massively disconnected high (Exhibit 14, Exhibit 15). This naturally raises the question: where could we be wrong?

- **Competitive:** We anticipate the largest concerns to the downside will be competitive, particularly relative to open source / in house replacement — in the past, when customers get to sufficient scale there had been pressure to move in-house (as we discussed here). We are less concerned about this in the hyper-growth AI Labs in the near term, as they are unlikely to have the capacity to focus on this, but as they mature, it may become a longer term problem. Datadog has shown recent focus on competitive pricing at scale (e.g., Logs without limits, Infinite cardinality, self-hosted data partnerships, bring your own cloud for logs), and we could imagine at some scale it would be more of a negotiated outsource relationship.

- **Open weight, self-hosted AI models:** Datadog is most relevant in commercial facing applications, where uptime is most important. But if open weight models start taking over, and the AI Labs and other hosting providers are pushed to the side, it could reduce the scale of customers who would naturally demand Datadog. We think the AI Labs will continue to have value add areas that are proprietary, and that level is larger than the current demand, so even if there is a future where open weight wins a large share, it will be in a world where the proprietary models are still several times the size of today (supporting several times the spend on Datadog in aggregate, as well)

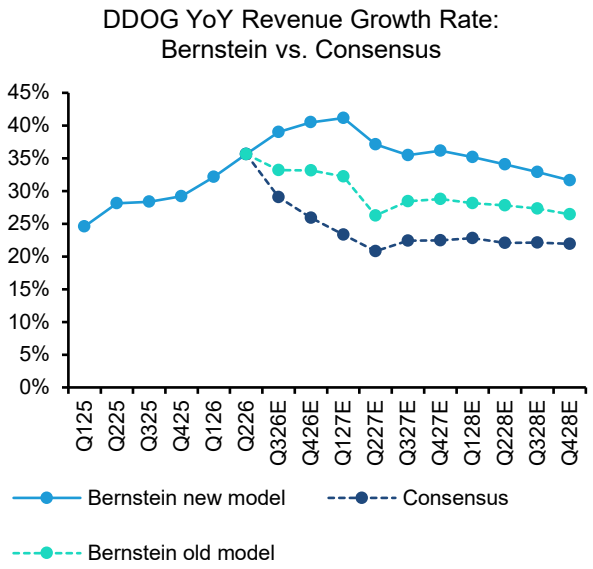
on 19-Oct-2026

- **Model timing / scale + customer optimization:** maybe we are correct that the demand is strong, but perhaps our understanding of the translation to Datadog demand is still too nuanced, and we are over-estimating the read-through from our current signals. Specific to the OpenAI downsell, perhaps the remaining parts with Datadog don't scale the way we think they will in relation to rising token consumption and consumer use cases. Not to mention the customers' ability to find more efficient ways to use Datadog, or Datadog's own pricing may create a ceiling on growth below which we are currently expecting. We have several quarters of trend, and many customers are using a narrower feature set today, so it is also possible the scope of Datadog spend could actually go up. We think this risk feels somewhat balanced over the next couple of years.

- **Macro/regulatory that slows AI adoption and IT spend:** our model assumes the current unabated demand continues. But there are outside forces such as the economic conditions and regulatory environment that could greatly constrain the trajectory of Datadog's customers, and thus Datadog themselves. This could constrain the ability to release new models that drive greater demand or constrain the underlying data center capacity required to run the models. This feels hard to predict and isn't a Datadog specific issue — it would be bad for the whole ecosystem.

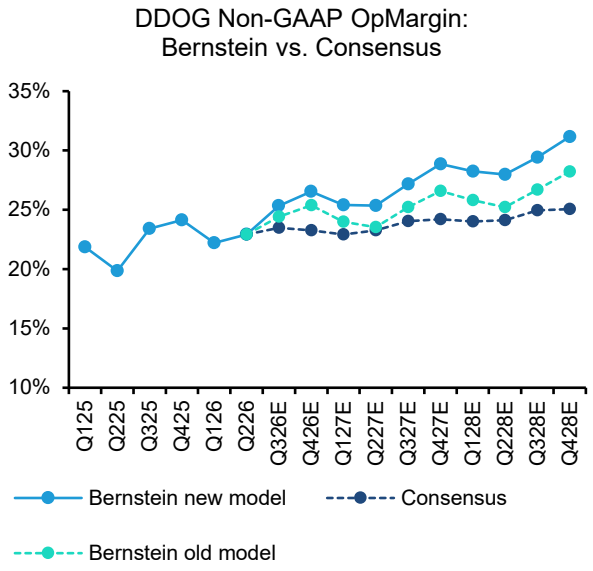
- **Sector multiple / valuation risk:** we currently see a premium multiple in infrastructure software (including cybersecurity) which we interpret to reflect their "AI Winner" status with momentum investors. We also recognize this line seems to be sensitive to interest rates. These and other concerns could shift the overall sector regression towards lower levels (such as we saw towards the end of 2025 / early 2026 before the current run-up).

EXHIBIT 14: **Consensus estimates assumes an immediate deceleration in revenue growth while our model has ~10% higher revenue growth rates for the next 3 years**



Source: Bloomberg, Bernstein estimates and analysis

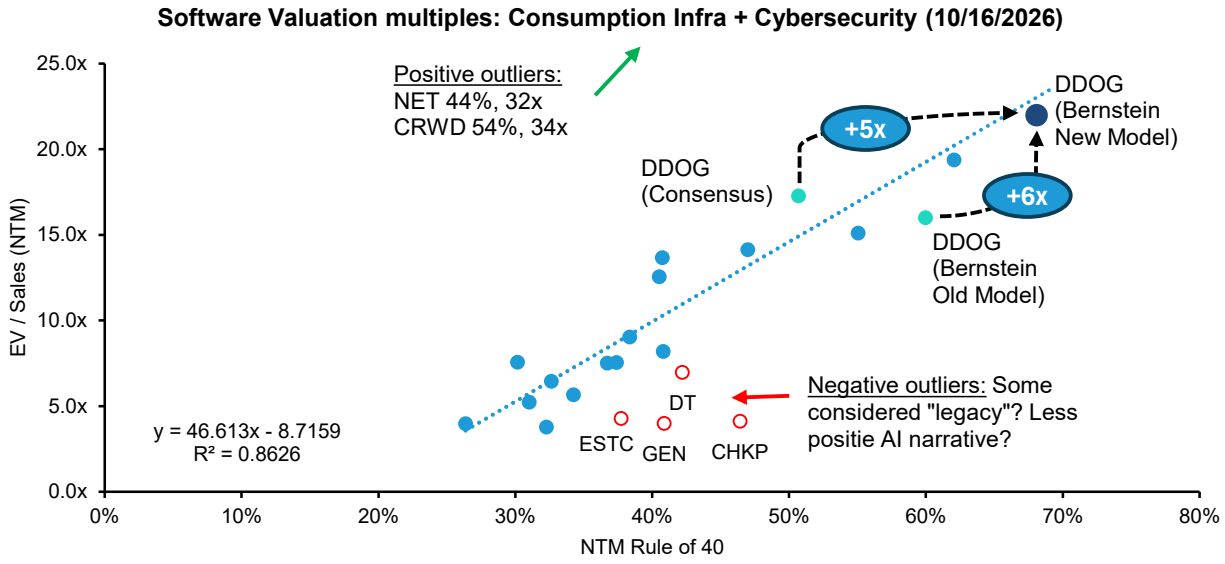
EXHIBIT 15: **Our model anticipates operating margin beats as top line beats drive leverage**



Source: Bloomberg, Bernstein estimates and analysis

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EXHIBIT 16: **We have seen a close correlation between the NTM Rule-of-40 and EV / NTM Sales. Currently consumption infrastructure and cybersecurity software names are priced at a premium vs. application software names, so we use a regression isolating those "preferred" market spaces. Our updated model for Datadog is 68% NTM Rule-of-40, thus we apply a 22x multiple (the lower end of the fair multiple range to reduce multiple risk if the regression line moving towards a more "normal" level in the coming year).**



Source: Bloomberg, Bernstein estimates and analysis

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APPENDIX - FINANCIAL FORECASTS

EXHIBIT 17: **Datadog Financial Summary**

Datadog $, Thousands Income Statement (Non-GAAP)	2020 12/31/2020 2020	2021 12/31/2021 2021	2022 12/31/2022 2022	2023 12/31/2023 2023	2024 12/31/2024 2024	2025 12/31/2025 2025	Q126 3/31/2026 Q126	Q226 6/30/2026 Q226	Q326 9/30/2026 Q326E	Q426 12/31/2026 Q426E	2026 12/31/2026 2026E	2027 12/31/2027 2027E	2028 12/31/2028 2028E
Total Revenue	**603,466**	**1,028,784**	**1,675,100**	**2,128,359**	**2,684,275**	**3,427,158**	**1,006,426**	**1,121,454**	**1,231,154**	**1,339,174**	**4,698,208**	**6,449,691**	**8,599,429**
Cost of Revenue (Non-GAAP)	127,273	225,543	328,900	383,925	483,222	651,105	199,200	229,155	249,108	268,287	945,750	1,311,078	1,765,238
Gross Profit (Non-GAAP)	**476,193**	**803,241**	**1,346,200**	**1,744,434**	**2,201,053**	**2,776,053**	**807,226**	**892,299**	**982,045**	**1,070,888**	**3,752,458**	**5,138,613**	**6,834,192**
R&D (Non-GAAP)	172,511	309,684	504,847	627,902	758,268	1,038,742	300,351	325,075	356,191	373,663	1,355,281	1,828,789	2,352,913
S&M (Non-GAAP)	189,886	257,513	414,962	500,597	629,007	793,082	235,272	260,427	256,108	284,218	1,036,024	1,305,333	1,619,368
G&A (Non-GAAP)	50,195	70,986	100,111	125,692	139,565	176,184	48,106	49,766	57,864	57,585	213,321	274,462	342,644
Total Operating Expenses (Non-GAAP)	412,592	638,183	1,019,920	1,254,191	1,526,840	2,008,008	583,729	635,268	670,163	715,465	2,604,626	3,408,584	4,314,925
Operating Income (Non-GAAP)	**63,601**	**165,058**	**326,280**	**490,243**	**674,213**	**768,044**	**223,497**	**257,031**	**311,882**	**355,422**	**1,147,832**	**1,730,029**	**2,519,266**
Margin %	11%	16%	19%	23%	25%	22%	22%	23%	25.3%	26.5%	24.4%	26.8%	29.3%
Interest income and other, net	10,278	4,083	23,994	97,087	153,417	176,996	52,650	47,327	40,920	43,317	184,214	214,883	299,580
[Non-GAAP] Earnings before taxes	**73,879**	**169,141**	**350,274**	**587,330**	**827,630**	**945,040**	**276,147**	**304,358**	**352,802**	**398,739**	**1,332,047**	**1,944,912**	**2,818,846**
Provision for income taxes	(2,325)	(2,323)	(73,557)	(123,339)	(173,802)	(198,458)	(57,991)	(63,915)	(74,088)	(83,735)	(279,729)	(408,430)	(591,956)
Net income (loss)	**71,554**	**166,818**	**276,717**	**463,991**	**653,828**	**746,582**	**218,156**	**240,443**	**278,714**	**315,004**	**1,052,317**	**1,536,482**	**2,226,890**
Net income attributable to common shareholders	**71,554**	**166,818**	**276,717**	**463,991**	**653,828**	**746,582**	**218,156**	**240,443**	**278,714**	**315,004**	**1,052,317**	**1,536,482**	**2,226,890**
Earnings (loss) per share - Basic	$0.24	$0.54	$0.88	$1.43	$1.94	$2.15	$0.62	$0.67	$0.77	$0.87	$2.94	$4.16	$5.86
Earnings (loss) per share - Diluted	**$0.22**	**$0.48**	**$0.80**	**$1.32**	**$1.82**	**$2.05**	**$0.60**	**$0.65**	**$0.74**	**$0.83**	**$2.82**	**$4.00**	**$5.67**
Balance Sheet	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**Q126**	**Q226**	**Q326E**	**Q426E**	**2026E**	**2027E**	**2028E**
Cash and cash equivalents	224,927	270,973	338,985	330,339	1,246,983	401,305	426,360	434,957	529,430	578,432	578,432	783,032	1,069,420
Marketable securities	1,292,532	1,283,473	1,545,341	2,252,559	2,942,076	4,073,531	4,332,257	4,550,481	4,786,240	5,227,452	5,227,452	7,142,754	9,849,888
Receivables	163,359	268,824	399,551	509,279	598,919	741,262	680,434	827,345	771,360	998,789	998,789	1,304,137	1,646,450
Other current assets	37,262	47,678	60,357	85,960	123,137	166,182	186,155	195,774	203,443	226,038	226,038	285,606	329,481
Total current assets	**1,718,080**	**1,870,948**	**2,344,234**	**3,178,137**	**4,911,115**	**5,382,280**	**5,625,206**	**6,008,557**	**6,290,473**	**7,030,711**	**7,030,711**	**9,515,529**	**12,895,240**
Total PPE	47,197	75,152	125,346	171,872	226,970	338,093	378,944	409,634	450,247	494,142	494,142	676,519	916,358
Other assets	125,008	434,694	535,272	586,063	647,254	923,471	947,862	1,129,484	1,129,801	1,142,649	1,142,649	1,173,668	1,173,394
Total assets	**1,890,285**	**2,380,794**	**3,004,852**	**3,936,072**	**5,785,339**	**6,643,844**	**6,952,012**	**7,547,675**	**7,870,521**	**8,667,503**	**8,667,503**	**11,365,717**	**14,984,991**
Accounts payable	21,342	25,270	23,474	87,712	107,731	148,791	174,801	313,529	259,607	284,211	284,211	444,086	607,627
Other current liabilities	276,502	503,426	736,274	915,340	1,120,959	1,442,610	1,481,102	1,561,456	1,605,229	1,986,026	1,986,026	2,701,275	3,550,838
Total current liabilities	**297,844**	**528,696**	**759,748**	**1,003,052**	**1,862,713**	**1,591,401**	**1,655,903**	**1,874,985**	**1,864,836**	**2,270,236**	**2,270,236**	**3,145,361**	**4,158,465**
Deferred revenue, non-current	3,450	13,896	12,944	21,210	22,693	68,711	50,918	50,860	54,189	74,150	74,150	96,500	126,187
Other liabilities, non-current	631,559	796,999	821,655	886,456	1,185,570	1,251,526	1,256,969	1,254,670	1,271,797	1,289,752	1,289,752	1,365,356	1,449,561
Total non-current liabilities	**635,009**	**810,895**	**834,599**	**907,666**	**1,208,263**	**1,320,237**	**1,307,887**	**1,305,530**	**1,325,986**	**1,363,903**	**1,363,903**	**1,461,855**	**1,575,747**
Total Liabilities	**932,853**	**1,339,591**	**1,594,347**	**1,910,718**	**3,070,976**	**2,911,638**	**2,963,790**	**3,180,515**	**3,190,822**	**3,634,139**	**3,634,139**	**4,607,217**	**5,734,212**
Total Equity	**957,432**	**1,041,203**	**1,410,505**	**2,025,354**	**2,714,363**	**3,732,206**	**3,988,222**	**4,367,160**	**4,679,698**	**5,033,364**	**5,033,364**	**6,758,500**	**9,250,779**
Total Liabilities and Equity	**1,890,285**	**2,380,794**	**3,004,852**	**3,936,072**	**5,785,339**	**6,643,844**	**6,952,012**	**7,547,675**	**7,870,521**	**8,667,503**	**8,667,503**	**11,365,717**	**14,984,991**
Balance Sheet Check	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Flow Statement	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**Q126**	**Q226**	**Q326E**	**Q426E**	**2026E**	**2027E**	**2028E**
Cash used for operating activities	109,091	286,545	418,407	659,954	870,603	1,050,135	334,622	315,872	372,967	536,425	1,559,886	2,339,939	3,321,227
Cash used for investing activities	(1,152,624)	(273,740)	(384,670)	(731,365)	(736,840)	(1,334,480)	(314,798)	(349,879)	(282,753)	(492,800)	(1,440,230)	(2,159,499)	(3,063,145)
Cash used for financing activities	670,276	34,940	36,023	58,279	787,083	(572,483)	9,711	41,821	4,258	5,378	61,168	24,160	28,306
Effect of exchange rate changes on cash and cash equi	779	(1,993)	(1,935)	1,183	(4,202)	11,150	(4,480)	783	-	-	(3,697)	-	-
Increase (decrease) in cash, cash equivalents, and r	**(372,478)**	**45,752**	**67,825**	**(11,949)**	**916,644**	**(845,678)**	**25,055**	**8,597**	**94,473**	**49,002**	**177,127**	**204,600**	**286,388**
cash, cash equivalents and restricted cash at beginni	601,189	228,711	274,463	342,288	330,339	1,246,983	401,305	426,360	434,957	529,430	401,305	578,432	783,032
Cash, cash equivalents and restricted cash at end o	**228,711**	**274,463**	**342,288**	**330,339**	**1,246,983**	**401,305**	**426,360**	**434,957**	**529,430**	**578,432**	**578,432**	**783,032**	**1,069,420**
Cash flow from operations	**109,091**	**286,545**	**418,407**	**659,954**	**870,603**	**1,050,135**	**334,622**	**315,872**	**372,967**	**536,425**	**1,559,886**	**2,339,939**	**3,321,227**
FCF	**83,208**	**250,520**	**353,518**	**597,548**	**775,103**	**914,717**	**289,091**	**278,704**	**312,865**	**471,049**	**1,351,709**	**2,051,445**	**2,936,576**

Source: Company reports, Bernstein estimates and analysis

on 19-Oct-2026

BERNSTEIN TICKER TABLE

			16 Oct 2026		TTM	Adjusted EPS				Adjusted P/E (x)		
			Closing	Price	Rel.							
Ticker	Rating	Cur	Price	Target	Perf.	Cur	2025A	2026E	2027E	2025A	2026E	2027E
DDOG (Datadog)	**O**	USD	247.11	**350.00**	47.9%	USD	2.05	**2.82**	**4.00**	120.3	87.7	61.8
OLD	M			237.00				2.70	3.45			
SPX			7,659.44									

RATING CHANGE / PRICE TARGET CHANGE / ESTIMATE CHANGE IN BOLD

O - Outperform, M - Market-Perform, U - Underperform, NR - Not Rated, CS - Coverage Suspended

Source: Bloomberg, Bernstein estimates and analysis.

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VALUATION METHODOLOGY

Datadog Inc

Our price target of $350 is an average of DCF (with 11% WACC and 3% terminal growth) and P / Sales (Next 5-8Q) comp multiple. P / Sales (Next 5-8Q) comp multiple of 22x is based on a peer-SaaS regression in their relevant >10% OpM Cloud SaaS cohort from our “Rule-of-40” based valuation framework analysis. We assume current Cloud SaaS multiples regression line remains consistent for 1+ year.

RISKS

Datadog Inc

Downside risks beyond the macroeconomic risks include: increased competition from well-funded competitors in the industry; margin expansion slower than expected due to worse scale leverage in operating costs items; execution missteps or missed earnings expectations could lead to significant downside given the current valuation. Upside risks include: better product traction than expected, better than anticipated pace of new cloud workloads going into production, more major AI-customer wins, more upside in “Born-in-AI” customer growth.

RATINGS DEFINITIONS, BENCHMARKS AND DISTRIBUTION

EQUITY RATINGS DEFINITIONS

Bernstein brand

The Bernstein brand rates stocks based on forecasts of relative performance for the next 12 months versus the S&P 500 for stocks listed on the U.S. and Canadian exchanges, versus the Bloomberg Europe Developed Markets Large and Mid Cap Price Return Index EUR (EDME) for stocks listed on the European exchanges and emerging markets exchanges outside of the Asia Pacific region, versus the Bloomberg Japan Large and Mid Cap Price Return Index USD (JPL) for stocks listed on the Japanese exchanges, and versus the Bloomberg Asia ex-Japan Large and Mid Cap Price Return Index (ASIAX) for stocks listed on the Asian (ex-Japan) exchanges -unless otherwise specified.

The Bernstein brand has three categories of ratings:

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on events and developments.

Not Covered (NC) denotes companies that are not under coverage.

Bernstein brand stock ratings are based on a 12-month time horizon.

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The Autonomous brand rates common stocks as indicated below. As our benchmarks we use the Bloomberg Europe 600 Financials Price Return Index (E600BK) and Bloomberg Europe Dev Mkt Financials Large and Mid Cap Price Ret Index EUR (EDMFI) index for developed European banks and Payments, the Bloomberg Europe 600 Insurance Price Return Index (E600IN) for European insurers, the S&P 500 and S&P Financials for US banks and Payments coverage, S5LIFE for US Insurance, the S&P Insurance Select Industry (SPSIINS) for US Non-Life Insurers coverage, the Bloomberg Emerging Markets Financials Large, Mid and Small Cap Price Return Index (EMLSF) for emerging market banks and insurers and Payments, and the Bloomberg Japan Financials Large & Mid Cap Price Return Index (JPFILM) for Japanese Financials. Ratings are stated relative to the sector (not the market).

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Those denoted as 'Feature' (e.g., Feature Outperform FOP, Feature Under Outperform FUP) are our core ideas.

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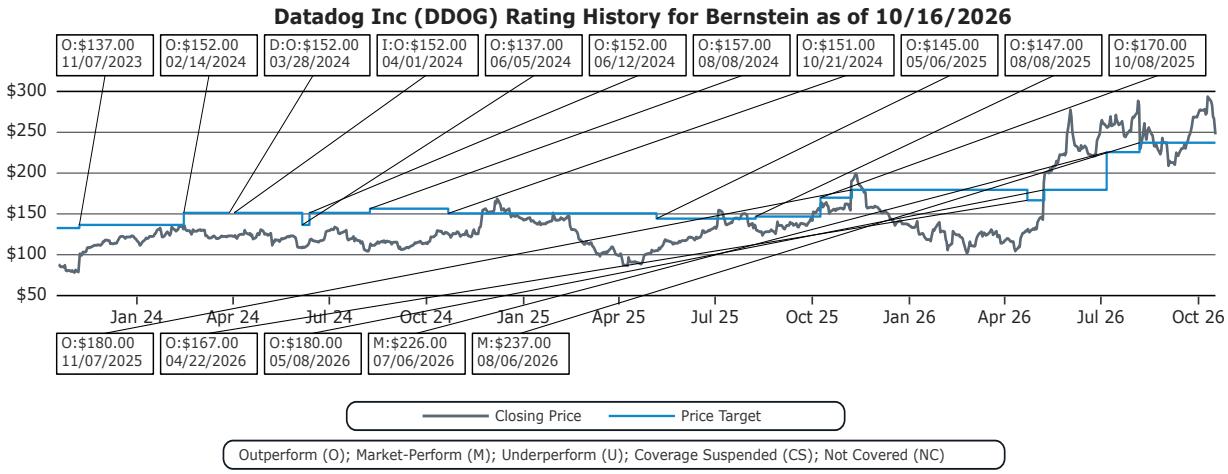
Equity Rating	Market Abuse Regulation (MAR) and FINRA Rating Category	Global Rating Distribution	Investment Banking Relationships*
Outperform	BUY	52.3%	14.2%
Market-Perform (Bernstein Brand) Neutral (Autonomous Brand)	HOLD	35.6%	16.1%
Underperform	SELL	12.1%	13.6%

* These figures represent the percentage of companies within each equity rating category for which affiliates of Bernstein have provided investment banking services within the previous 12 months.
As of September 30, 2026. All figures are updated quarterly.

PRICE CHARTS / RATINGS AND PRICE TARGET HISTORY

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All price target and closing price data in the chart(s) above are denominated in the currency noted in the Ticker Table of this report.

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