

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 8-K**

**CURRENT REPORT  
Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): May 5, 2022**

**Datadog, Inc.**

(Exact name of Registrant as Specified in Its Charter)

**Delaware**  
(State or Other Jurisdiction  
of Incorporation)

**001-39051**  
(Commission  
File Number)

**27-2825503**  
(IRS Employer  
Identification No.)

**620 8th Avenue, 45th Floor**  
**New York, NY**  
(Address of Principal Executive Offices)

**10018**  
(Zip Code)

**(866) 329-4466**  
(Registrant's Telephone Number, Including Area Code)

**Not Applicable**  
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
<b>Class A Common Stock, par value \$0.00001 per share</b>	<b>DDOG</b>	<b>The Nasdaq Stock Market LLC (Nasdaq Global Select Market)</b>

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

**Item 2.02 Results of Operations and Financial Condition.**

On May 5, 2022, Datadog, Inc. (the “Company”) issued a press release announcing its financial results for the quarter ended March 31, 2022. A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

The information contained in this Item 2.02, including Exhibit 99.1 hereto, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing made by the Company under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any general incorporation language in such filings, unless expressly incorporated by specific reference in such filing.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits

Exhibit No.	Description
99.1	<a href="#">Press Release dated May 5, 2022</a>

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**Datadog, Inc.**

Date: May 5, 2022

By: /s/ David Obstler  
David Obstler  
Chief Financial Officer



## Datadog Announces First Quarter 2022 Financial Results

May 5, 2022

*First quarter revenue grew 83% year-over-year to \$363 million*

*Strong growth of larger customers, with about 2,250 \$100k+ ARR customers, up from 1,406 a year ago*

*Launched Application Security Monitoring product*

NEW YORK-- Datadog, Inc. (NASDAQ:DDOG), the monitoring and security platform for cloud applications, today announced financial results for its first quarter ended March 31, 2022.

"We are pleased with our strong first quarter results, with 83% year-over-year revenue growth and strong profitability," said Olivier Pomel, co-founder and CEO of Datadog. "We continue to see customers of all sizes and in all industries progressing along their digital transformation and cloud migration journeys."

Pomel added, "Companies are increasingly relying on software and cloud services to drive revenue, competitive advantage, and positive business outcomes. By using our unified, cloud-native, end-to-end observability and security platform, our customers can understand, manage, and drive value from their exponentially growing and ephemeral cloud environments."

### **First Quarter 2022 Financial Highlights:**

- Revenue was \$363.0 million, an increase of 83% year-over-year.
- GAAP operating income was \$10.4 million; GAAP operating margin was 3%.
- Non-GAAP operating income was \$83.7 million; non-GAAP operating margin was 23%.
- GAAP net income per diluted share was \$0.03; non-GAAP net income per diluted share was \$0.24.
- Operating cash flow was \$147.4 million, with free cash flow of \$129.9 million.
- Cash, cash equivalents, restricted cash, and marketable securities were \$1.7 billion as of March 31, 2022.

### **First Quarter & Recent Business Highlights:**

- As of March 31, 2022, we had about 2,250 customers with ARR of \$100,000 or more, an increase of 60% from 1,406 as of March 31, 2021.
- Launched Application Security Monitoring. This product breaks down silos between Security and Operations Teams, leveraging distributed tracing to accurately identify OWASP threats targeting code-level vulnerabilities in web applications and APIs.
- Expanded the Watchdog AI Engine with Root Cause Analysis and Log Anomaly Detection. The new AI/ML capabilities enable IT teams to detect, investigate and resolve application performance issues more quickly and reduce alert fatigue.
- Partnered with Microsoft for the Azure Cloud Adoption Framework. This partnership adds Datadog's leading monitoring and security capabilities to Microsoft's roadmap for successful cloud implementations.

### **Second Quarter and Full Year 2022 Outlook:**

Based on information as of today, May 5, 2022, Datadog is providing the following guidance:

- Second Quarter 2022 Outlook:
  - Revenue between \$376 million and \$380 million.
  - Non-GAAP operating income between \$49 million and \$53 million.
  - Non-GAAP net income per share between \$0.13 and \$0.15, assuming approximately 347 million weighted average diluted shares outstanding.
- Full Year 2022 Outlook:
  - Revenue between \$1.60 billion and \$1.62 billion.
  - Non-GAAP operating income between \$240 million and \$260 million.
  - Non-GAAP net income per share between \$0.70 and \$0.77, assuming approximately 349 million weighted average diluted shares outstanding.

Datadog has not reconciled its expectations as to non-GAAP operating income, or as to non-GAAP net income per share, 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.

## Conference Call Details:

- **What:** Datadog financial results for the first quarter of 2022 and outlook for the second quarter and the full year 2022
- **When:** May 5, 2022 at 8:00 A.M. Eastern Time (5:00 A.M. Pacific Time)
- **Dial in:** To access the call in the U.S., please dial (866) 652-5200, and for international callers, please dial (412) 317-6060. Callers may provide conference password "Datadog" to access the call more quickly, and are encouraged to dial into the call 10 to 15 minutes prior to the start to prevent any delay in joining.
- **Webcast:** <https://investors.datadoghq.com> (live and replay)
- **Replay:** A replay of the call will be archived on the investor relations website

## About Datadog

Datadog is the monitoring and security platform for cloud applications. Our SaaS platform integrates and automates infrastructure monitoring, application performance monitoring and log management to provide unified, real-time observability of our customers' entire technology stack. Datadog is used by organizations of all sizes and across a wide range of industries to enable digital transformation and cloud migration, drive collaboration among development, operations, security and business teams, accelerate time to market for applications, reduce time to problem resolution, secure applications and infrastructure, understand user behavior and track key business metrics.

## Forward-Looking Statements

This press release and the earnings call referencing this press release 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, the benefits and expected closing of acquisitions, growth in and ability to capitalize on long-term market opportunities including the pace and scope of cloud migration and digital transformation, gross margins and operating margins including with respect to sales and marketing, research and development expenses, investments and capital expenditures as well as the impact of increased office activity and marketing, and Datadog's future financial performance, including its outlook for the second quarter and fiscal year 2022. 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 business depends on our 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; (12) general market, political, economic, and business conditions; and (13) the impact that the ongoing COVID-19 pandemic and any related economic downturn could have on our or our customers' businesses, financial condition and results of operations. 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 Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on February 25, 2022. Additional information will be made available in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 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 press release. We disclaim any obligation to update forward-looking statements.

### **About Non-GAAP Financial Measures**

Datadog discloses the following non-GAAP financial measures in this release and the earnings call referencing this press release: non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating expenses (research and development, sales and marketing and general and administrative), non-GAAP operating income (loss), non-GAAP operating margin, non-GAAP net income (loss), non-GAAP net income (loss) per diluted share, non-GAAP net income (loss) per basic share, and free cash flow. Datadog uses each of these non-GAAP financial measures internally to understand and compare operating results across accounting periods, for internal budgeting and forecasting purposes, for short- and long-term operating plans, and to evaluate Datadog's financial performance. Datadog believes they are useful to investors, as a supplement to GAAP measures, in evaluating its operational performance, as further discussed below. Datadog's non-GAAP financial measures may not provide information that is directly comparable to that provided by other companies in its industry, as other companies in its industry may calculate non-GAAP financial results differently, particularly related to non-recurring and unusual items. In addition, there are limitations in using non-GAAP financial measures because the non-GAAP financial measures are not prepared in accordance with GAAP and may be different from non-GAAP financial measures used by other companies and exclude expenses that may have a material impact on Datadog's reported financial results.

Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. A reconciliation of the historical non-GAAP financial measures to their most directly comparable GAAP measures has been provided in the financial statement tables included below in this press release.

Datadog defines non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating expenses (research and development, sales and marketing and general and administrative), non-GAAP operating income (loss), non-GAAP operating margin and non-GAAP net income (loss) as the respective GAAP balances, adjusted for, as applicable: (1) stock-based compensation expense; (2) the amortization of acquired intangibles; (3) employer payroll taxes on employee stock transactions; and (4) amortization of issuance costs. Datadog defines free cash flow as net cash provided by operating activities, minus capital expenditures and minus capitalized software development costs, if any. Investors are encouraged to review the reconciliation of these historical non-GAAP financial measures to their most directly comparable GAAP financial measures.

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

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

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

*Employer payroll taxes on employee stock transactions.* Datadog excludes employer payroll tax expense on equity incentive plans as these expenses are tied to the exercise or vesting of underlying equity awards and the price of Datadog's common stock at the time of vesting or exercise. As a result, these taxes may vary in any particular period independent of the financial and operating performance of Datadog's business.

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

Additionally, Datadog's management believes that the non-GAAP financial measure free cash flow is meaningful to investors because it is a measure of liquidity that provides useful information in understanding and evaluating the strength of our liquidity and future ability to generate cash that can be used for strategic

opportunities or investing in our business. Free cash flow represents net cash provided by operating activities, reduced by capital expenditures and capitalized software development costs, if any. The reduction of capital expenditures and amounts capitalized for software development facilitates comparisons of Datadog's liquidity on a period-to-period basis and excludes items that management does not consider to be indicative of our liquidity.

### **Operating Metrics**

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

We define the number of customers as the number of accounts with a unique account identifier for which we have an active subscription in the period indicated. Users of our free trials or tier are not included in our customer count. A single organization with multiple divisions, segments or subsidiaries is generally counted as a single customer. However, in some cases where they have separate billing terms, we may count separate divisions, segments or subsidiaries as multiple customers.

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



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

	Three Months Ended March 31,	
	2022	2021
Revenue	\$ 363,030	\$ 198,549
Cost of revenue <sup>(1)(2)(3)</sup>	74,462	46,666
Gross profit	288,568	151,883
Operating expenses:		
Research and development <sup>(1)(3)</sup>	150,608	79,266
Sales and marketing <sup>(1)(2)(3)</sup>	101,166	64,353
General and administrative <sup>(1)(3)</sup>	26,380	21,094
Total operating expenses	278,154	164,713
Operating income (loss)	10,414	(12,830)
Other income:		
Interest expense <sup>(4)</sup>	(5,247)	(5,472)
Interest income and other income, net	5,687	5,773
Other income, net	440	301
Income (loss) before provision for income taxes	10,854	(12,529)
Provision for income taxes	(1,116)	(539)
Net income (loss)	\$ 9,738	\$ (13,068)
Net income (loss) per share - basic	\$ 0.03	\$ (0.04)
Net income (loss) per share - diluted	\$ 0.03	\$ (0.04)
Weighted average shares used in calculating net income (loss) per share:		
Basic	313,456	306,034
Diluted	345,668	306,034

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

Cost of revenue	\$ 1,653	\$ 701
Research and development	44,696	16,069
Sales and marketing	14,595	7,010
General and administrative	5,940	5,081
Total	\$ 66,884	\$ 28,861

(2) Includes amortization of acquired intangibles as follows:

Cost of revenue	\$ 1,413	\$ 355
Sales and marketing	203	—
Total	\$ 1,616	\$ 355

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

Cost of revenue	\$ 102	\$ 95
Research and development	3,297	1,771
Sales and marketing	1,109	1,179
General and administrative	257	124
Total	\$ 4,765	\$ 3,169

(4) Includes amortization of issuance costs as follows:

Interest expense	\$ 840	\$ 835
Total	\$ 840	\$ 835

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

	March 31, 2022	December 31, 2021
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 271,686	\$ 270,973
Marketable securities	1,399,323	1,283,473
Accounts receivable, net of allowance for credit losses of \$3,425 and \$2,997 as of March 31, 2022 and December 31, 2021, respectively	275,342	268,824
Deferred contract costs, current	24,688	23,235
Prepaid expenses and other current assets	32,632	24,443
Total current assets	2,003,671	1,870,948
Property and equipment, net	90,713	75,152
Operating lease assets	61,921	61,355
Goodwill	292,032	292,176
Intangible assets, net	14,088	15,704
Deferred contract costs, non-current	42,753	42,062
Restricted cash	3,424	3,490
Other assets	20,413	19,907
TOTAL ASSETS	\$ 2,529,015	\$ 2,380,794
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
CURRENT LIABILITIES:		
Accounts payable	\$ 18,629	\$ 25,270
Accrued expenses and other current liabilities	108,211	111,284
Operating lease liabilities, current	20,320	20,157
Deferred revenue, current	454,812	371,985
Total current liabilities	601,972	528,696
Operating lease liabilities, non-current	51,817	52,106
Convertible senior notes, net	736,318	735,482
Deferred revenue, non-current	12,798	13,896
Other liabilities	9,253	9,411
Total liabilities	1,412,158	1,339,591
STOCKHOLDERS' EQUITY:		
Common stock	3	3
Additional paid-in capital	1,271,777	1,197,136
Accumulated other comprehensive loss	(12,555)	(3,830)
Accumulated deficit	(142,368)	(152,106)
Total stockholders' equity	1,116,857	1,041,203
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 2,529,015	\$ 2,380,794

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

	Three Months Ended March 31,	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ 9,738	\$ (13,068)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	7,394	4,402
Amortization of discounts or premiums on marketable securities	3,959	4,259
Amortization of issuance costs	840	835
Amortization of deferred contract costs	6,022	3,779
Stock-based compensation, net of amounts capitalized	66,884	28,861
Non-cash lease expense	4,411	4,012
Allowance for credit losses on accounts receivable	798	25
Loss on disposal of property and equipment	823	3
Changes in operating assets and liabilities:		
Accounts receivable, net	(7,319)	9,223
Deferred contract costs	(8,166)	(6,711)
Prepaid expenses and other current assets	(8,391)	(5,998)
Other assets	(805)	572
Accounts payable	(7,624)	(9,226)
Accrued expenses and other liabilities	(2,911)	9,682
Deferred revenue	81,735	21,000
Net cash provided by operating activities	<u>147,388</u>	<u>51,650</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of marketable securities	(329,706)	(150,331)
Maturities of marketable securities	199,703	253,234
Proceeds from sale of marketable securities	2,007	6,497
Purchases of property and equipment	(9,514)	(998)
Capitalized software development costs	(7,973)	(6,183)
Cash paid for acquisition of businesses; net of cash acquired	(4,871)	(11,509)
Net cash (used in) provided by investing activities	<u>(150,354)</u>	<u>90,710</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from exercise of stock options	4,245	3,275
Employee payroll taxes paid related to net share settlement under the employee stock purchase plan	—	(245)
Repayments of convertible senior notes	(3)	—
Net cash provided by financing activities	<u>4,242</u>	<u>3,030</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(629)	(782)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	647	144,608
CASH, CASH EQUIVALENTS AND RESTRICTED CASH—Beginning of period	274,463	228,711
CASH, CASH EQUIVALENTS AND RESTRICTED CASH—End of period	<u>\$ 275,110</u>	<u>\$ 373,319</u>
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH WITHIN THE CONDENSED CONSOLIDATED BALANCE SHEETS TO THE AMOUNTS SHOWN IN THE STATEMENTS OF CASH FLOWS ABOVE:</b>		
Cash and cash equivalents	\$ 271,686	\$ 369,706
Restricted cash	3,424	3,613
Total cash, cash equivalents and restricted cash	<u>\$ 275,110</u>	<u>\$ 373,319</u>

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

	Three Months Ended March 31,	
	2022	2021
<b>Reconciliation of gross profit and gross margin</b>		
<b>GAAP gross profit</b>	\$ 288,568	\$ 151,883
Plus: Stock-based compensation expense	1,653	701
Plus: Amortization of acquired intangibles	1,413	355
Plus: Employer payroll taxes on employee stock transactions	102	95
<b>Non-GAAP gross profit</b>	<u>\$ 291,736</u>	<u>\$ 153,034</u>
<b>GAAP gross margin</b>	79%	76%
<b>Non-GAAP gross margin</b>	80%	77%
<b>Reconciliation of operating expenses</b>		
<b>GAAP research and development</b>	\$ 150,608	\$ 79,266
Less: Stock-based compensation expense	(44,696)	(16,069)
Less: Employer payroll taxes on employee stock transactions	(3,297)	(1,771)
<b>Non-GAAP research and development</b>	<u>\$ 102,615</u>	<u>\$ 61,426</u>
<b>GAAP sales and marketing</b>	\$ 101,166	\$ 64,353
Less: Stock-based compensation expense	(14,595)	(7,010)
Less: Amortization of acquired intangibles	(203)	—
Less: Employer payroll taxes on employee stock transactions	(1,109)	(1,179)
<b>Non-GAAP sales and marketing</b>	<u>\$ 85,259</u>	<u>\$ 56,164</u>
<b>GAAP general and administrative</b>	\$ 26,380	\$ 21,094
Less: Stock-based compensation expense	(5,940)	(5,081)
Less: Employer payroll taxes on employee stock transactions	(257)	(124)
<b>Non-GAAP general and administrative</b>	<u>\$ 20,183</u>	<u>\$ 15,889</u>
<b>Reconciliation of operating income (loss) and operating margin</b>		
<b>GAAP operating income (loss)</b>	\$ 10,414	\$ (12,830)
Plus: Stock-based compensation expense	66,884	28,861
Plus: Amortization of acquired intangibles	1,616	355
Plus: Employer payroll taxes on employee stock transactions	4,765	3,169
<b>Non-GAAP operating income</b>	<u>\$ 83,679</u>	<u>\$ 19,555</u>
<b>GAAP operating margin</b>	3%	(6)%
<b>Non-GAAP operating margin</b>	23%	10%
<b>Reconciliation of net income (loss)</b>		
<b>GAAP net income (loss)</b>	\$ 9,738	\$ (13,068)
Plus: Stock-based compensation expense	66,884	28,861
Plus: Amortization of acquired intangibles	1,616	355
Plus: Employer payroll taxes on employee stock transactions	4,765	3,169
Plus: Amortization of issuance costs	840	835
<b>Non-GAAP net income</b>	<u>\$ 83,843</u>	<u>\$ 20,152</u>
Net income per share - basic	\$ 0.27	\$ 0.07
Net income per share - diluted	\$ 0.24	\$ 0.06
<b>Shares used in non-GAAP net income per share calculations:</b>		
Basic	313,456	306,034
Diluted	345,668	342,329

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

	<b>Three Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Net cash provided by operating activities	\$ 147,388	\$ 51,650
Less: Purchases of property and equipment	(9,514)	(998)
Less: Capitalized software development costs	(7,973)	(6,183)
Free cash flow	<u>\$ 129,901</u>	<u>\$ 44,469</u>

**Contact Information**

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