

**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): February 10, 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<br/>(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 February 10, 2022 Datadog, Inc. (the “Company”) issued a press release announcing its financial results for the quarter and year ended December 31, 2021. 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

| <u>Exhibit No.</u> | <u>Description</u>                                    |
|--------------------|---|
| 99.1               | <a href="#">Press Release dated February 10, 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: February 10, 2022

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



# Datadog Announces Fourth Quarter and Fiscal Year 2021 Financial Results

February 10, 2022

*Fourth quarter revenue grew 84% year-over-year to \$326 million*

*Strong growth of larger customers, with 216 \$1 million+ ARR customers, up from 101 a year ago*

*Achieved FedRAMP moderate-impact authorization*

*Launched Sensitive Data Scanner*

NEW YORK-- Datadog, Inc. (NASDAQ:DDOG), the monitoring and security platform for cloud applications, today announced financial results for its fourth quarter and fiscal year ended December 31, 2021.

"We are pleased with our fourth quarter performance, as we demonstrated excellent revenue growth and continued business efficiencies," said Olivier Pomel, co-founder and CEO of Datadog. "We are proud of our strong execution in fiscal year 2021, with 70% year-over-year revenue growth, \$287 million in operating cash flow, and \$251 million in free cash flow."

Pomel added, "We continue to believe we're in early days with our opportunities in observability. And we are just starting our efforts in cloud security and developer-focused products. We have much to do, and we're excited about what we're working on for 2022 and beyond."

## **Fourth Quarter 2021 Financial Highlights:**

- Revenue was \$326.2 million, an increase of 84% year-over-year.
- GAAP operating income was \$8.5 million; GAAP operating margin was 3%.
- Non-GAAP operating income was \$70.6 million; non-GAAP operating margin was 22%.
- GAAP net income per diluted share was \$0.02; non-GAAP net income per diluted share was \$0.20.
- Operating cash flow was \$115.8 million, with free cash flow of \$106.7 million.

- Cash, cash equivalents, restricted cash, and marketable securities were \$1.6 billion as of December 31, 2021.

**Fiscal Year 2021 Financial Highlights:**

- Revenue was \$1.03 billion, an increase of 70% year-over-year.
- GAAP operating loss was \$19.2 million; GAAP operating margin was (2)%.
- Non-GAAP operating income was \$165.1 million; non-GAAP operating margin was 16%.
- GAAP net loss per diluted share was \$(0.07); non-GAAP net income per diluted share was \$0.48.
- Operating cash flow was \$286.5 million, with free cash flow of \$250.5 million.

**Fourth Quarter & Recent Business Highlights:**

- As of December 31, 2021, we had 216 customers with ARR of \$1 million or more, an increase of 114% from 101 as of December 31, 2020. As of December 31, 2021, we had about 2,010 customers with ARR of \$100,000 or more, an increase of 63% from 1,228 as of December 31, 2020.
- Announced Federal Risk and Authorization Management Program (FedRAMP) Agency Authorization at the moderate impact level.
- Announced the appointments of Sean Walters as Chief Revenue Officer and Kerry Acocella as General Counsel.
- Announced a global strategic partnership with Amazon Web Services, Inc. (AWS). As part of this collaboration, AWS and Datadog will work together to develop and deliver tighter product alignment in the future.
- Announced the launch of Sensitive Data Scanner. When configured for a customer's environment, this new service provides customers with an easy solution to detect, classify and protect sensitive data found in their application logs, helping them comply with regulatory requirements (such as GDPR, HIPAA, CCPA), industry standards and business policies.
- Achieved the AWS Graviton Ready designation, part of the Amazon Web Services (AWS) Service Ready Program. This designation recognizes that Datadog has demonstrated successful integration with AWS Graviton.
- Achieved Amazon Web Services (AWS) Migration & Modernization Competency status for AWS Partners. This designation recognizes that Datadog has demonstrated technical proficiency and proven customer success automating and accelerating customer application migration and modernization journeys.

- Announced our integration with Confluent, the platform to set data in motion. Users running Confluent Cloud at any scale, from a proof of concept to mission-critical applications, can now use Datadog to monitor their Confluent Cloud resources alongside the rest of their technology stack.

### **First Quarter and Fiscal Year 2022 Outlook:**

Based on information as of today, February 10, 2022, Datadog is providing the following guidance:

- **First Quarter 2022 Outlook:**
  - Revenue between \$334 million and \$339 million.
  - Non-GAAP operating income between \$36 million and \$41 million.
  - Non-GAAP net income per share between \$0.10 and \$0.12, assuming approximately 348 million weighted average diluted shares outstanding.
- **Fiscal Year 2022 Outlook:**
  - Revenue between \$1.51 billion and \$1.53 billion.
  - Non-GAAP operating income between \$160 million and \$180 million.
  - Non-GAAP net income per share between \$0.45 and \$0.51, assuming approximately 350 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 fourth quarter and fiscal year 2021 and outlook for the first quarter and the fiscal year 2022
- **When:** February 10, 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 (800) 708-4539, and for international callers, please dial (847) 619-6396. Callers may provide confirmation number 50274553 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, growth in and ability to capitalize on long-term market opportunities, gross margins and operating margins including with respect to sales and marketing, research and development expenses, investments and capital expenditures, and Datadog's future financial performance, including its outlook for the first 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 Quarterly Report on Form 10-Q for the quarter ended September 30, 2021, filed with the SEC on November 5, 2021. Additional information will be made available in our Annual Report on Form 10-K for the year ended December 31, 2021 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 (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, 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 (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) non-cash benefit related to tax adjustment; (4) employer payroll taxes on employee stock transactions; and (5) 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. 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.

*Non-cash benefit related to tax adjustment.* Datadog recorded a contingent payroll tax liability in conjunction with a common stock repurchase transaction in 2016. In 2020, the period of limitations for assessing the contingent Federal payroll tax liability expired and the Company was legally released from being the primary obligor, and recognized a benefit in the consolidated statement of operations. Datadog does not believe this is reflective of on-going results and therefore adjusted for this benefit.

*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 management reviews cash flows generated from operations after taking into consideration capital expenditures and the capitalization of software development costs due to the fact that these expenditures are considered to be a necessary component of ongoing operations.

## **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. 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 retroactively. ARR and MRR should be viewed independently of revenue as they are operating metrics and 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 December<br>31, |           | Year Ended December 31, 2021 |             |
|--|------------------------------------|-----------|------------------------------|-------------|
|  | 2021                               | 2020      | 2021                         | 2020        |
| Revenue  | \$ 326,198                         | 177,531   | \$ 1,028,784                 | \$ 603,466  |
| Cost of revenue <sup>(1)(2)(4)</sup>                                     | 67,149                             | 40,856    | 234,245                      | 130,197     |
| Gross profit   | 259,049                            | 136,675   | 794,539                      | 473,269     |
| Operating expenses:  |                                    |           |                              |             |
| Research and development <sup>(1)(3)(4)</sup>                            | 133,049                            | 67,698    | 419,769                      | 210,626     |
| Sales and marketing <sup>(1)(2)(3)(4)</sup>                              | 88,905                             | 60,034    | 299,497                      | 213,660     |
| General and administrative <sup>(1)(3)(4)</sup>                          | 28,640                             | 17,881    | 94,429                       | 62,756      |
| Total operating expenses   | 250,594                            | 145,613   | 813,695                      | 487,042     |
| Operating income (loss)  | 8,455                              | (8,938)   | (19,156)                     | (13,773)    |
| Other income (loss):   |                                    |           |                              |             |
| Interest expense <sup>(5)</sup>  | (5,604)                            | (13,010)  | (21,052)                     | (30,434)    |
| Interest income and other income, net                                    | 5,681                              | 6,781     | 21,786                       | 21,985      |
| Other income (loss), net   | 77                                 | (6,229)   | 734                          | (8,449)     |
| Income (loss) before provision for income taxes                          | 8,532                              | (15,167)  | (18,422)                     | (22,222)    |
| Provision for income taxes   | (1,363)                            | (993)     | (2,323)                      | (2,325)     |
| Net income (loss)  | \$ 7,169                           | (16,160)  | \$ (20,745)                  | \$ (24,547) |
| Net income (loss) per share - basic                                      | \$ 0.02                            | \$ (0.05) | \$ (0.07)                    | \$ (0.08)   |
| Net income (loss) per share - diluted                                    | \$ 0.02                            | \$ (0.05) | \$ (0.07)                    | \$ (0.08)   |
| Weighted average shares used in calculating net income (loss) per share: |                                    |           |                              |             |
| Basic  | 311,817                            | 304,057   | 309,048                      | 300,350     |
| Diluted  | 345,877                            | 304,057   | 309,048                      | 300,350     |

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

|                            |           |           |            |           |
|----------------------------|-----------|-----------|------------|-----------|
| Cost of revenue            | \$ 1,608  | \$ 627    | \$ 4,565   | \$ 1,794  |
| Research and development   | 36,995    | 13,285    | 101,942    | 38,008    |
| Sales and marketing        | 11,680    | 6,784     | 35,035     | 20,467    |
| General and administrative | 6,083     | 4,068     | 22,195     | 14,105    |
| Total                      | \$ 56,366 | \$ 24,764 | \$ 163,737 | \$ 74,374 |

(2) Includes amortization of acquired intangibles as follows:

|                     |          |        |          |        |
|---------------------|----------|--------|----------|--------|
| Cost of revenue     | \$ 1,218 | \$ 275 | \$ 3,792 | \$ 943 |
| Sales and marketing | 208      | —      | 600      | —      |
| Total               | \$ 1,426 | \$ 275 | \$ 4,392 | \$ 943 |

(3) Includes non-cash benefit related to tax adjustment as follows:

|                            |      |      |      |            |
|----------------------------|------|------|------|------------|
| Research and development   | \$ — | \$ — | \$ — | \$ (2,729) |
| Sales and marketing        | —    | —    | —    | (449)      |
| General and administrative | —    | —    | —    | (2,383)    |
| Total                      | \$ — | \$ — | \$ — | \$ (5,561) |

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

|                            |          |          |           |          |
|----------------------------|----------|----------|-----------|----------|
| Cost of revenue            | \$ 92    | \$ 33    | \$ 345    | \$ 187   |
| Research and development   | 2,748    | \$ 959   | 8,143     | 2,836    |
| Sales and marketing        | 1,119    | \$ 742   | 6,349     | 3,756    |
| General and administrative | 410      | \$ 287   | 1,248     | 839      |
| Total                      | \$ 4,369 | \$ 2,021 | \$ 16,085 | \$ 7,618 |

(5) Includes amortization of issuance costs as follows:

|                  |        |          |          |           |
|------------------|--------|----------|----------|-----------|
| Interest expense | \$ 839 | \$ 8,181 | \$ 3,349 | \$ 18,727 |
| Total            | \$ 839 | \$ 8,181 | \$ 3,349 | \$ 18,727 |

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

|   | December 31,<br>2021 | December 31,<br>2020 |
|---|----------------------|----------------------|
| <b>ASSETS</b>   |                      |                      |
| CURRENT ASSETS:   |                      |                      |
| Cash and cash equivalents   | \$ 270,973           | \$ 224,927           |
| Marketable securities   | 1,283,473            | 1,292,532            |
| Accounts receivable, net of allowance for credit losses of \$2,997 and \$2,468 as of December 31, 2021 and 2020, respectively | 268,824              | 163,359              |
| Deferred contract costs, current  | 23,235               | 13,638               |
| Prepaid expenses and other current assets   | 24,443               | 23,624               |
| Total current assets  | 1,870,948            | 1,718,080            |
| Property and equipment, net   | 75,152               | 47,197               |
| Operating lease assets  | 61,355               | 57,829               |
| Goodwill  | 292,176              | 17,609               |
| Intangible assets, net  | 15,704               | 2,069                |
| Deferred contract costs, non-current  | 42,062               | 26,750               |
| Restricted cash   | 3,490                | 3,784                |
| Other assets  | 19,907               | 16,967               |
| TOTAL ASSETS  | \$ 2,380,794         | \$ 1,890,285         |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                      |                      |
| CURRENT LIABILITIES:  |                      |                      |
| Accounts payable  | \$ 25,270            | \$ 21,342            |
| Accrued expenses and other current liabilities  | 111,284              | 55,351               |
| Operating lease liabilities, current  | 20,157               | 16,326               |
| Deferred revenue, current   | 371,985              | 204,825              |
| Total current liabilities   | 528,696              | 297,844              |
| Operating lease liabilities, non-current  | 52,106               | 51,433               |
| Convertible senior notes, net   | 735,482              | 575,864              |
| Deferred revenue, non-current   | 13,896               | 3,450                |
| Other liabilities   | 9,411                | 4,262                |
| Total liabilities   | 1,339,591            | 932,853              |
| STOCKHOLDERS' EQUITY:   |                      |                      |
| Common stock  | 3                    | 3                    |
| Additional paid-in capital  | 1,197,136            | 1,103,305            |
| Accumulated other comprehensive (loss) income   | (3,830)              | 2,287                |
| Accumulated deficit   | (152,106)            | (148,163)            |
| Total stockholders' equity  | 1,041,203            | 957,432              |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY  | \$ 2,380,794         | \$ 1,890,285         |

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

|  | Three Months Ended<br>December 31, |                   | Year Ended December 31,<br>2021 |                    |
|--|------------------------------------|-------------------|---------------------------------|--------------------|
|  | 2021                               | 2020              | 2021                            | 2020               |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                                    |                   |                                 |                    |
| Net income (loss)  | \$ 7,169                           | \$ (16,160)       | \$ (20,745)                     | \$ (24,547)        |
| Adjustments to reconcile net loss to net cash provided by operating activities:  |                                    |                   |                                 |                    |
| Depreciation and amortization  | 6,876                              | 4,083             | 22,938                          | 15,450             |
| Amortization of discounts or premiums on marketable securities   | 4,407                              | 4,409             | 16,236                          | 9,753              |
| Amortization of issuance costs   | 839                                | 8,181             | 3,349                           | 18,727             |
| Amortization of deferred contract costs  | 5,309                              | 3,099             | 17,866                          | 10,447             |
| Stock-based compensation, net of amounts capitalized   | 56,366                             | 24,764            | 163,737                         | 74,374             |
| Non-cash lease expense   | 4,596                              | 4,056             | 17,201                          | 14,060             |
| Allowance for credit losses on accounts receivable   | 1,085                              | 627               | 2,311                           | 3,283              |
| Loss on disposal of property and equipment   | 16                                 | 6                 | 274                             | 10                 |
| Changes in operating assets and liabilities:   |                                    |                   |                                 |                    |
| Accounts receivable, net   | (45,232)                           | (42,995)          | (107,112)                       | (64,248)           |
| Deferred contract costs  | (15,165)                           | (9,276)           | (42,775)                        | (25,080)           |
| Prepaid expenses and other current assets  | 204                                | 2,418             | (737)                           | (4,403)            |
| Other assets   | (783)                              | 1,573             | (2,627)                         | 968                |
| Accounts payable   | (9,354)                            | 133               | 3,078                           | 6,539              |
| Accrued expenses and other liabilities   | 18,044                             | (2,914)           | 37,270                          | 3,970              |
| Deferred revenue   | 81,416                             | 41,824            | 176,281                         | 69,788             |
| Net cash provided by operating activities  | <u>115,793</u>                     | <u>23,828</u>     | <u>286,545</u>                  | <u>109,091</u>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                                    |                   |                                 |                    |
| Purchases of marketable securities   | (228,107)                          | (317,499)         | (1,125,519)                     | (1,794,562)        |
| Maturities of marketable securities  | 110,868                            | 238,054           | 1,046,560                       | 506,554            |
| Proceeds from sale of marketable securities  | 6,617                              | 77,930            | 67,749                          | 163,630            |
| Purchases of property and equipment  | (2,405)                            | (1,079)           | (9,956)                         | (5,415)            |
| Capitalized software development costs   | (6,705)                            | (6,097)           | (26,069)                        | (20,468)           |
| Cash paid for acquisition of businesses; net of cash acquired  | (26,303)                           | —                 | (226,505)                       | (2,363)            |
| Net cash used in investing activities  | <u>(146,035)</u>                   | <u>(8,691)</u>    | <u>(273,740)</u>                | <u>(1,152,624)</u> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |                                    |                   |                                 |                    |
| Proceeds from exercise of stock options  | 4,256                              | 3,631             | 14,907                          | 15,985             |
| Initial public offering costs  | —                                  | —                 | —                               | (421)              |
| Proceeds for issuance of common stock under the employee stock purchase plan   | 10,484                             | 7,490             | 20,278                          | 15,170             |
| Employee payroll taxes paid related to net share settlement under the employee stock purchase plan   | —                                  | (63)              | (245)                           | (1,040)            |
| Proceeds from issuance of convertible senior notes, net of issuance costs  | —                                  | —                 | —                               | 730,207            |
| Purchase of capped call related to convertible senior notes  | —                                  | —                 | —                               | (89,625)           |
| Net cash provided by financing activities  | <u>14,740</u>                      | <u>11,058</u>     | <u>34,940</u>                   | <u>670,276</u>     |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash  | (573)                              | 386               | (1,993)                         | 779                |
| NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH  | (16,075)                           | 26,581            | 45,752                          | (372,478)          |
| CASH, CASH EQUIVALENTS AND RESTRICTED CASH—Beginning of period   | 290,538                            | 202,130           | 228,711                         | 601,189            |
| CASH, CASH EQUIVALENTS AND RESTRICTED CASH—End of period   | <u>\$ 274,463</u>                  | <u>\$ 228,711</u> | <u>\$ 274,463</u>               | <u>\$ 228,711</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  | \$ 270,973                         | \$ 224,927        | \$ 270,973                      | \$ 224,927         |
| Restricted cash  | 3,490                              | 3,784             | 3,490                           | 3,784              |
| Total cash, cash equivalents and restricted cash   | <u>\$ 274,463</u>                  | <u>\$ 228,711</u> | <u>\$ 274,463</u>               | <u>\$ 228,711</u>  |

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

|   | Three Months Ended<br>December 31, |                   | Year Ended<br>December 31, |                   |
|---|------------------------------------|-------------------|----------------------------|-------------------|
|   | 2021                               | 2020              | 2021                       | 2020              |
| <b>Reconciliation of gross profit and gross margin</b>            |                                    |                   |                            |                   |
| <b>GAAP gross profit</b>  | \$ 259,049                         | \$ 136,675        | \$ 794,539                 | \$ 473,269        |
| Plus: Stock-based compensation expense                            | 1,608                              | 627               | 4,565                      | 1,794             |
| Plus: Amortization of acquired intangibles                        | 1,218                              | 275               | 3,792                      | 943               |
| Plus: Employer payroll taxes on employee stock transactions       | 92                                 | 33                | 345                        | 187               |
| <b>Non-GAAP gross profit</b>                                      | <u>\$ 261,967</u>                  | <u>\$ 137,610</u> | <u>\$ 803,241</u>          | <u>\$ 476,193</u> |
| <b>GAAP gross margin</b>  | 79%                                | 77%               | 77%                        | 78%               |
| <b>Non-GAAP gross margin</b>                                      | 80%                                | 78%               | 78%                        | 79%               |
| <b>Reconciliation of operating expenses</b>                       |                                    |                   |                            |                   |
| <b>GAAP research and development</b>                              | \$ 133,049                         | \$ 67,698         | \$ 419,769                 | \$ 210,626        |
| Less: Stock-based compensation expense                            | (36,995)                           | (13,285)          | (101,942)                  | (38,008)          |
| Plus: Non-cash benefit related to tax adjustment                  | —                                  | —                 | —                          | 2,729             |
| Less: Employer payroll taxes on employee stock transactions       | (2,748)                            | (959)             | (8,143)                    | (2,836)           |
| <b>Non-GAAP research and development</b>                          | <u>\$ 93,306</u>                   | <u>\$ 53,454</u>  | <u>\$ 309,684</u>          | <u>\$ 172,511</u> |
| <b>GAAP sales and marketing</b>                                   | \$ 88,905                          | \$ 60,034         | \$ 299,497                 | \$ 213,660        |
| Less: Stock-based compensation expense                            | (11,680)                           | (6,784)           | (35,035)                   | (20,467)          |
| Less: Amortization of acquired intangibles                        | (208)                              | —                 | (600)                      | —                 |
| Plus: Non-cash benefit related to tax adjustment                  | —                                  | —                 | —                          | 449               |
| Less: Employer payroll taxes on employee stock transactions       | (1,119)                            | (742)             | (6,349)                    | (3,756)           |
| <b>Non-GAAP sales and marketing</b>                               | <u>\$ 75,898</u>                   | <u>\$ 52,508</u>  | <u>\$ 257,513</u>          | <u>\$ 189,886</u> |
| <b>GAAP general and administrative</b>                            | \$ 28,640                          | \$ 17,881         | \$ 94,429                  | \$ 62,756         |
| Less: Stock-based compensation expense                            | (6,083)                            | (4,068)           | (22,195)                   | (14,105)          |
| Plus: Non-cash benefit related to tax adjustment                  | —                                  | —                 | —                          | 2,383             |
| Less: Employer payroll taxes on employee stock transactions       | (410)                              | (287)             | (1,248)                    | (839)             |
| <b>Non-GAAP general and administrative</b>                        | <u>\$ 22,147</u>                   | <u>\$ 13,526</u>  | <u>\$ 70,986</u>           | <u>\$ 50,195</u>  |
| <b>Reconciliation of operating income and operating margin</b>    |                                    |                   |                            |                   |
| <b>GAAP operating income (loss)</b>                               | \$ 8,455                           | \$ (8,938)        | \$ (19,156)                | \$ (13,773)       |
| Plus: Stock-based compensation expense                            | 56,366                             | 24,764            | 163,737                    | 74,374            |
| Plus: Amortization of acquired intangibles                        | 1,426                              | 275               | 4,392                      | 943               |
| Less: Non-cash benefit related to tax adjustment                  | —                                  | —                 | —                          | (5,561)           |
| Plus: Employer payroll taxes on employee stock transactions       | 4,369                              | 2,021             | 16,085                     | 7,618             |
| <b>Non-GAAP operating income</b>                                  | <u>\$ 70,616</u>                   | <u>\$ 18,122</u>  | <u>\$ 165,058</u>          | <u>\$ 63,601</u>  |
| <b>GAAP operating margin</b>                                      | 3%                                 | (5)%              | (2)%                       | (2)%              |
| <b>Non-GAAP operating margin</b>                                  | 22%                                | 10%               | 16%                        | 11%               |
| <b>Reconciliation of net income (loss)</b>                        |                                    |                   |                            |                   |
| <b>GAAP net income (loss)</b>                                     | \$ 7,169                           | \$ (16,160)       | \$ (20,745)                | \$ (24,547)       |
| Plus: Stock-based compensation expense                            | 56,366                             | 24,764            | 163,737                    | 74,374            |
| Plus: Amortization of acquired intangibles                        | 1,426                              | 275               | 4,392                      | 943               |
| Less: Non-cash benefit related to tax adjustment                  | —                                  | —                 | —                          | (5,561)           |
| Plus: Employer payroll taxes on employee stock transactions       | 4,369                              | 2,021             | 16,085                     | 7,618             |
| Plus: Amortization of issuance costs                              | 839                                | 8,181             | 3,349                      | 18,727            |
| <b>Non-GAAP net income</b>  | <u>\$ 70,169</u>                   | <u>\$ 19,081</u>  | <u>\$ 166,818</u>          | <u>\$ 71,554</u>  |
| Net income per share - basic                                      | <u>\$ 0.23</u>                     | <u>\$ 0.06</u>    | <u>\$ 0.54</u>             | <u>\$ 0.24</u>    |
| Net income per share - diluted                                    | <u>\$ 0.20</u>                     | <u>\$ 0.06</u>    | <u>\$ 0.48</u>             | <u>\$ 0.22</u>    |
| <b>Shares used in non-GAAP net income per share calculations:</b> |                                    |                   |                            |                   |
| Basic   | <u>311,817</u>                     | <u>304,057</u>    | <u>309,048</u>             | <u>300,350</u>    |
| Diluted   | <u>345,877</u>                     | <u>334,459</u>    | <u>343,997</u>             | <u>331,941</u>    |

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

|  | Three Months Ended December 31, |           | Year Ended December 31, 2021 |            |
|--|---------------------------------|-----------|------------------------------|------------|
|  | 2021                            | 2020      | 2021                         | 2020       |
| Net cash provided by operating activities    | \$ 115,793                      | \$ 23,828 | \$ 286,545                   | \$ 109,091 |
| Less: Purchases of property and equipment    | (2,405)                         | (1,079)   | (9,956)                      | (5,415)    |
| Less: Capitalized software development costs | (6,705)                         | (6,097)   | (26,069)                     | (20,468)   |
| Free cash flow                               | \$ 106,683                      | \$ 16,652 | \$ 250,520                   | \$ 83,208  |

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