

Datadog Inc

4Q preview: Checks consistent, expect beat, 2024 guide is key; Reit Neutral

Reiterate Rating: NEUTRAL | PO: 144.00 USD | Price: 130.62 USD

4Q results to provide clues for 2024 upside potential

Reiterate Neutral. Raise PO to \$144 (from \$120) on: 1) higher forecast, 2) our positive view that steady execution will drive a 4Q beat, and 3) the potential that 2024 revenue guidance will be issued at to slightly above current consensus (i.e., \$2,571mn, +23% y/y). We believe the magnitude of the revenue beat (was +4.5% last quarter) and RPO growth (was +54% y/y in 3Q23) will be the key metrics to provide visibility into 2024 revenue growth upside potential. While we are long-term positive on the business, we believe much of the good news is already priced in. Our \$144 PO is based on 18.8x EV/CY24E (was 16.3x), using higher multiple for revenue growth upside potential.

Checks consistently mixed, that's probably ok

Checks suggest the demand environment has not meaningfully changed over the past 90 days. Customers expressed high satisfaction levels around the technology offering, suggesting the product vision and ability to deliver new products is resonating. Consistent with prior checks, the end-market continues to push back on price, and we uncovered some recent competitive takeaways because of it. While concerning, we do not believe pricing push back will meaningfully impact revenue growth over the MT.

Upcoming investor day could be a catalyst

Datadog is hosting an investor day two days post 4Q results on Thursday, 2/15. At the inaugural investor day, we anticipate a growth strategy update, new metrics increasing model visibility, and a financial update including longer-term growth/profitability targets. While the timing of the event and the short notice (1 month prior) is interesting, we do not believe it is because management needs to explain a potential 4Q miss and/or meaningfully lower that Street revenue guidance for 2024.

Raising revenue estimates above consensus for 2024/25

Based on our checks suggesting a consistent demand environment, we raise our 2024 revenue estimate by +5% to \$2,605mn (+24% y/y), above the \$2,571mn Street; PF op income by +5% to \$590mn, above the \$561mn Street; and FCF by +7% to \$680mn, above the \$627mn Street. We raise our 2025 revenue forecast by 11% to \$3,315mn (+27% y/y), above the \$3,192mn Street, PF op income by +11% to \$782mn, above the \$740mn Street; and FCF by +15% to \$895mn, above the \$870mn Street.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	0.49	0.98	1.53	1.82	2.29
GAAP EPS	(0.06)	(0.15)	(0.02)	0.04	0.14
EPS Change (YoY)	122.7%	100.0%	56.1%	19.0%	25.8%
Consensus EPS (Bloomberg)			1.54	1.82	2.27
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	266.6x	133.3x	85.4x	71.8x	57.0x
GAAP P/E	NM	NM	NM	3,265.5x	933.0x
EV / EBITDA*	211.2x	106.2x	74.1x	62.1x	47.2x
Free Cash Flow Yield*	0.7%	1.0%	1.5%	1.8%	2.4%

* For full definitions of *IQmethod*SM measures, see page 8.

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12656875

Timestamp: 08 February 2024 05:01AM EST

08 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	120.00	144.00
2023E Rev (m)	2,104.8	2,107.0
2024E Rev (m)	2,483.7	2,605.3
2025E Rev (m)	2,984.7	3,315.0
2023E EPS	1.52	1.53
2024E EPS	1.74	1.82
2025E EPS	2.08	2.29

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Stock Data

Price	130.62 USD
Price Objective	144.00 USD
Date Established	7-Feb-2024
Investment Opinion	C-2-9
52-Week Range	62.60 USD - 137.93 USD
Mkt Val (mn) / Shares Out (mn)	39,469 USD / 302.2
Free Float	91.5%
Average Daily Value (mn)	537.00 USD
BofA Ticker / Exchange	DDOG / NAS
Bloomberg / Reuters	DDOG US / DDOG.OQ
ROE (2023E)	32.1%
Net Dbt to Eqty (Dec-2022A)	28.3%
ESGMeter TM	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "[BofA ESGMeter Methodology](#)".

MT - medium-term

GCP - Google Cloud Platform

RPO - remaining performance obligation

iQprofileSM Datadog Inc

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	9.8%	16.0%	10.8%	19.9%	21.0%
Return on Equity	16.7%	27.6%	32.1%	29.7%	29.5%
Operating Margin	16.0%	19.5%	21.5%	22.6%	23.6%
Free Cash Flow	277	383	577	719	945

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	1.7x	1.2x	1.1x	1.2x	1.2x
Asset Replacement Ratio	0.4x	1.0x	0.6x	0.7x	0.7x
Tax Rate	NM	NM	1,376.2%	7.4%	4.4%
Net Debt-to-Equity Ratio	44.6%	28.3%	17.4%	-13.9%	-38.7%
Interest Cover	9.3x	24.8x	NM	36.9x	48.9x

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	1,029	1,675	2,107	2,605	3,315
% Change	70.5%	62.8%	25.8%	23.6%	27.2%
Gross Profit	803	1,346	1,720	2,136	2,718
% Change	68.7%	67.6%	27.8%	24.2%	27.2%
EBITDA	189	376	539	643	848
% Change	93.1%	98.8%	43.3%	19.3%	31.8%
Net Interest & Other Income	4	24	92	84	84
Net Income (Adjusted)	167	338	535	654	840
% Change	133.1%	102.7%	58.1%	22.2%	28.6%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	(43)	(50)	(8)	15	53
Depreciation & Amortization	23	35	45	52	66
Change in Working Capital	63	6	46	127	161
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	243	428	520	563	714
Capital Expenditure	(10)	(35)	(26)	(39)	(50)
Free Cash Flow	277	383	577	719	945
% Change	166.8%	38.5%	50.7%	24.5%	31.5%
Share / Issue Repurchase	35	36	20	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	0	0	0	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	271	339	407	1,087	1,982
Trade Receivables	269	400	428	520	559
Other Current Assets	1,331	1,606	2,149	2,153	2,163
Property, Plant & Equipment	75	125	158	158	158
Other Non-Current Assets	435	535	586	652	696
Total Assets	2,381	3,005	3,728	4,568	5,558
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	529	760	893	1,163	1,413
Long-Term Debt	735	739	741	741	741
Other Non-Current Liabilities	75	96	171	182	194
Total Liabilities	1,340	1,594	1,806	2,086	2,348
Total Equity	1,041	1,411	1,922	2,482	3,209
Total Equity & Liabilities	2,381	3,005	3,728	4,568	5,558

* For full definitions of iQmethodSM measures, see page 8.

Company Sector

Server & Enterprise Software

Company Description

Datadog is an observability software vendor that enables its customers to have strong visibility into the health and performance of its technology stacks to drive high quality end-user experiences. Datadog is able to achieve this with its portfolio of 15+ products that spans infrastructure monitoring, APM, log analytics, cloud security, among many others.

Investment Rationale

In our view, Datadog's platform is positioned to take share of a large \$53bn observability TAM over the long-term because it delivers enterprise-class observability tools with a low-friction adoption motion that drives fast time to value and good ROI. Furthermore, we believe enterprises will increasingly standardize its observability tools to a single vendor, to which Datadog appears positioned to take share. However, we believe there are downside revenue risks, and see a balanced risk/reward.

Stock Data

Average Daily Volume 4,111,191

Quarterly Earnings Estimates

	2022	2023
Q1	0.24A	0.28A
Q2	0.24A	0.36A
Q3	0.23A	0.45A
Q4	0.26A	0.43E

Estimate revisions

We raise our 4Q23, 2024, and 2025 revenue and profitability forecasts. For 4Q23, we raise revenue, PF operating income, and free cash flow by 80bps, 80bps, and 1,500bps, respectively. Revenue for 2024 and 2025 is raised 4.9% and 11.1%, respectively. PF operating income is raised 5% and 11.1% in 2024 and 2025, respectively. Free cash flow is raised 7.6% in 2024 and 14.5% in 2025. We are now above Street revenue estimates in 4Q23 by 60bps, 2024 by 130 bps, and 2025 by 390bps.

Exhibit 1: Estimate revisions

We increase our 2024 revenue growth estimate to 23.5% from 18.0%.

	4Q23E			2023E			2024E			2025E		
	BofA Est	Old Estimate	Change %	BofA Est	Old Estimate	Change %	BofA Est	Old Estimate	Change %	BofA Est	Old Estimate	Change %
Total revenue	570,537	566,067	0.8%	2,109,247	2,104,777	0.2%	2,605,257	2,483,682	4.9%	3,314,953	2,984,663	11.1%
Y/Y change %	21.5%	20.6%	95bps	25.9%	25.7%	27bps	23.5%	18.0%	551bps	27.2%	20.2%	707bps
Guidance	564,000-568,000			2,103,000-2,107,000								
Total billings	649,017	657,628	(1.3%)	2,285,764	2,294,375	(0.4%)	2,779,029	2,704,684	2.7%	3,497,914	3,271,929	6.9%
Y/Y growth %	20.8%	22.4%	(160bps)	23.9%	24.3%	(47bps)	21.6%	17.9%	370bps	25.9%	21.0%	490bps
Income (Loss) from Operations	131,931	130,898	0.8%	455,522	454,489	0.2%	589,731	561,907	5.0%	782,111	703,892	11.1%
Operating Margin	23.1%	23.1%	(0bps)	21.6%	21.6%	0bps	22.6%	22.6%	1bps	23.6%	23.6%	1bps
Guidance	129,000-133,000			453,000-457,000								
Adjusted EBITDA	144,608	143,493	0.8%	539,199	538,084	0.2%	643,189	613,298	4.9%	847,633	763,799	11.0%
Adjusted EBITDA margin	25.3%	25.3%	(0bps)	25.6%	25.6%	(0bps)	24.7%	24.7%	(0bps)	25.6%	25.6%	(2bps)
EPS (Pro Forma)	\$0.43	\$0.43	0.7%	\$1.53	\$1.52	0.2%	\$1.82	\$1.74	4.1%	\$2.29	\$2.08	9.0%
Guidance	\$0.42-\$0.44			\$1.52-\$1.54								
Shares outstanding diluted	355,525	355,525	0.0%	350,330	350,330	0.0%	359,991	359,991	0.0%	367,245	367,245	0.0%
Cash Flow from Operations	163,250	149,695	8.3%	602,978	589,423	2.2%	757,686	727,284	4.0%	994,529	884,292	11.1%
OCF margin	28.6%	26.4%	217bps	28.6%	28.0%	58bps	29.1%	29.3%	(20bps)	30.0%	29.6%	37bps
Free cash flow	146,134	124,222	15.0%	542,392	520,480	4.0%	679,528	627,937	7.6%	895,080	764,905	14.5%
FCF margin	25.6%	21.9%	367bps	25.7%	24.7%	99bps	26.1%	25.3%	80bps	27.0%	25.6%	137bps

Source: Company filings, BofA Global Research estimates

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BofA vs Consensus

Exhibit 2: BofA versus consensus

Our 2025 revenue estimate is 4% above the consensus.

	4Q23E			FY23E			FY24E			FY25E		
	BofA Est	Consensus	BofA vs consensus	BofA Est	Consensus	BofA vs consensus	BofA Est	Consensus	BofA vs consensus	BofA Est	Consensus	BofA vs consensus
Total revenue	570,537	567,394	0.6%	2,109,247	2,106,104	0.1%	2,605,257	2,571,065	1.3%	3,314,953	3,191,521	3.9%
Y/Y change %	21.5%	20.9%	67bps	25.9%	25.7%	19bps	23.5%	22.1%	144bps	27.2%	24.1%	311bps
Guidance	564,000-568,000			2,103,000-2,107,000								
Total billings	649,017	659,858	(1.6%)	2,285,764	2,296,605	(0.5%)	2,779,029	2,784,812	(0.2%)	3,497,914	3,455,596	1.2%
Y/Y growth %	20.8%	22.8%	(202bps)	23.9%	24.5%	(59bps)	21.6%	21.3%	32bps	25.9%	24.1%	178bps
Income (Loss) from Operations	131,931	132,000	(0.1%)	455,522	455,591	(0.0%)	589,731	559,670	5.4%	782,111	740,959	5.6%
Operating Margin	23.1%	23.3%	(14bps)	21.6%	21.6%	(4bps)	22.6%	21.8%	87bps	23.6%	23.2%	38bps
Guidance	129,000-133,000			453,000-457,000								
Adjusted EBITDA	144,608	142,922	1.2%	539,199	498,100	8.3%	643,189	607,697	5.8%	847,633	795,105	6.6%
Adjusted EBITDA margin	25.3%	25.2%	16bps	25.6%	23.7%	191bps	24.7%	23.6%	105bps	25.6%	24.9%	66bps
EPS (Pro Forma)	\$0.43	\$0.44	(1.4%)	\$1.53	\$1.53	(0.4%)	\$1.82	\$1.77	2.6%	\$2.29	\$2.19	4.5%
Guidance	\$0.42-\$0.44			\$1.52-\$1.54								
Shares outstanding diluted	355,525	355,140	0.1%	350,330	350,281	0.0%	359,991	359,162	0.2%	367,245	366,353	0.2%
Cash Flow from Operations	163,250	155,136	5.0%	602,978	595,160	1.3%	757,686	738,545	2.5%	994,529	974,909	2.0%
OCF margin	28.6%	27.3%	127bps	28.6%	28.3%	33bps	29.1%	28.7%	36bps	30.0%	30.5%	(55bps)
Free cash flow	146,134	131,185	10.2%	542,392	528,199	2.6%	679,528	647,145	4.8%	895,080	870,883	2.7%
FCF margin	25.6%	23.1%	249bps	25.7%	25.1%	64bps	26.1%	25.2%	91bps	27.0%	27.3%	(29bps)

Source: Company filings, BofA Global Research estimates

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2024 guidance analysis: Will it come in above or below the Street?

We believe 2024 revenue guidance is a key debate. We base our scenario analysis below assuming a 5.5% revenue beat from the midpoint of guidance for 4Q23, resulting in a 2023 total revenue assumption of \$2,141mn (+28% y/y).

Using 2023 total revenue of \$2,141mn as the base for our 2024 analysis, we apply 22.5%, 25.0% and 27.5% growth scenarios resulting in potential revenue guidance midpoints of \$2,623mn, \$2,676mn, and \$2,730mn. We also display the implied net-new revenue required to achieve those targets and the y/y growth compared to the net-new revenue assumption of \$466mn for 2023.

25% growth guide implies roughly 15% more net-new revenue for 2024

From a historical standpoint, we display the implied net-new revenue required to achieve the midpoint of the initial revenue guidance given on the 4Q call for the following year. The highest implied net-new revenue to achieve the initial guidance was 15.5% for 2022, with the lowest being (17.6%) in 2023.

Sales efficiency is another way to gauge guidance methodology

We also thought it would be interesting to display the sales efficiency ratio to achieve the implied net-new revenue for the following year. We calculate this ratio by taking the implied net-new revenue to achieve the midpoint of the guidance and divide it by the prior 4Q S&M run-rate (i.e., 4Q S&M expense x 4). The highest sales efficiency ratio was found in for the 2022 guidance at 1.62x, and the lowest for the 2023 guidance at 0.81x.

Exhibit 3: Net-new revenue implied by initial guide at midpoint, historic and 2024 scenario analysis

Assuming a 5% 4Q revenue beat, a 2024 guidance of 22.5-27.5% growth implies \$481.7-588.7mn in net-new revenue.

Historical original guidance and NNRR analysis	2020	2021	2022	2023	2024
Original guidance midpoint given on 4Q call	540,000	830,000	1,520,000	2,080,000	??
Net-new revenue to achieve original guide midpoint	177,220	226,534	491,216	404,900	??
NNRR y/y change %	7.6%	(5.9%)	15.5%	(17.6%)	??
Implied net-new revenue / 4Q PF S&M run rate	1.13x	1.08x	1.62x	0.81x	??
	2023	2024			
Total revenue assuming 5% beat to the midpoint of the 4Q guide	2,140,840	2,622,529	2,676,050	2,729,571	
Y/Y total revenue growth	27.8%	22.5%	25.0%	27.5%	
Net-new revenue	465,740	481,689	535,210	588,731	
NNRR y/y change %	15.0%	3.4%	14.9%	26.4%	
Implied net-new revenue / 4Q PF S&M run rate		0.90x	1.00x	1.10x	

Source: Company filings, BofA Global Research estimates

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Exhibit 4: Implied annual year/year revenue growth guidance and upward revision trend

The highest magnitude increase from initial guidance to actual result was displayed in 2022, when there was a 32.9pts increase

Guidance given	2020	2021	2022	2023
4Q	48.9%	37.5%	47.7%	24.2%
1Q	54.4%	46.7%	56.5%	24.8%
2Q	56.8%	55.9%	57.5%	22.7%
3Q	62.4%	64.7%	60.6%	28.4%
Actual	66.3%	70.5%	62.8%	
Actual y/y growth vs. initial guidance	+17.5pts	+32.9pts	+15.1pts	

Source: Company filings, BofA Global Research

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SEC filing thoughts...Should improve model visibility

Hand slap likely results in better model visibility. Our take: positive

On 12/11/2023, correspondence from Datadog to the SEC was posted on the SEC website in response to SEC comments regarding various Datadog filings. What was most interesting, in our view, is that Datadog has committed to providing more detailed commentary around dollar based net revenue retention (DBNRR) disclosure going forward.

“above 130%” is no longer good enough, says the SEC

Whereas historically DBNRR was reported as above or below certain levels, future quarterly disclosures will provide more detailed approximate disclosures (“slightly below 120%”, “mid-110%”) for the reported and year-ago period. Additionally, periods with significant year-over-year change in DBNRR will have commentary on drivers of change. We view this change in disclosure as positive, as it gives investors a more detailed view of operating performance.

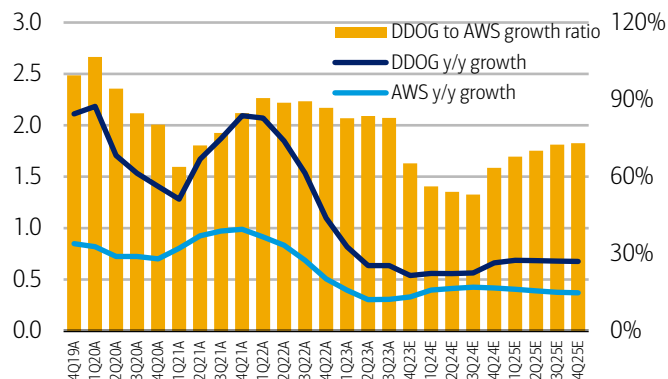
Potential for Datadog revenue to decouple from AWS to the upside

From 4Q19 to 3Q23 Datadog’s revenue growth has had a 0.91 correlation with AWS revenue growth, as cloud workloads are the basis for observability and much of Datadog’s revenue is tied to AWS workloads, although this is beginning to shift as workloads on Azure and GCP are steadily increasing.

Historically, Datadog has grown at approximately twice the rate of AWS. In the exhibit below, we display our Datadog revenue growth forecast against the AWS revenue forecast and the corresponding multiplier.

Exhibit 5: Datadog has historically grown 2.1x as fast as AWS, on average

The Datadog to AWS growth ratio has ranged between 1.6x and 2.7x. Below, we show how we expect this ratio to downtick based on our Datadog forecast and Justin Post’s AWS forecast.



Source: Company reports, BofA Global Research estimates

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Alt data takeaways

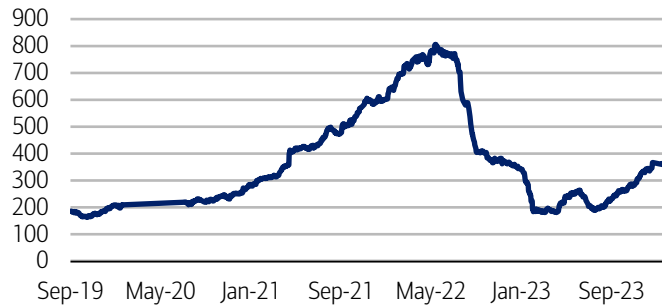
Job postings data. Our take: Positive

We note that Datadog job postings have been on an ongoing upward trend since July 2023, which could indicate improving demand. Job postings stand at roughly 370 openings, which is up approximately 90% since July 2023



Exhibit 6: Datadog job postings have steadily increased since the July 2023

Job postings are up roughly 90% since July 2023



Source: Thinknum, BofA Global Research

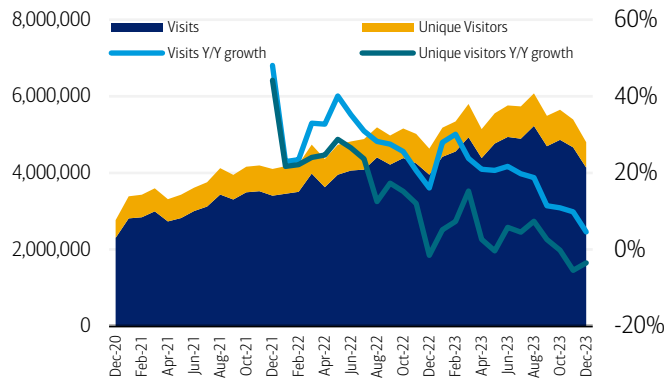
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Web traffic data. Our take: Negative

We track webpage visits to the landing page (datadoghq.com) as well as the internet login page (app.datadoghq.com). We note that unique visitors are down 3.5% and 8.6% in December, for datadoghq.com and app.datadoghq.com, respectively, potentially an indication that consumption is slowing.

Exhibit 7: Datadoghq.com page visits

Unique visitors were down 3.5% in December versus last December

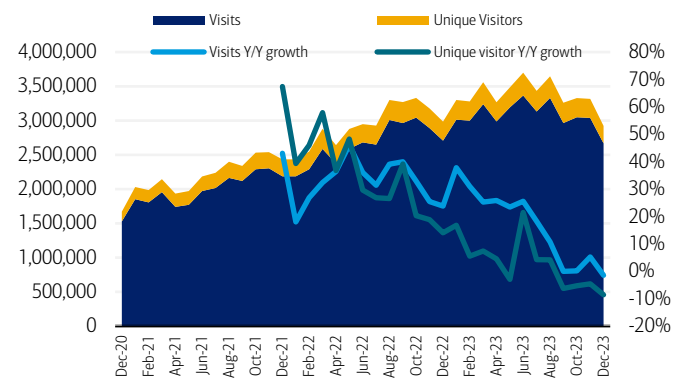


Source: SimilarWeb, BofA Global Research

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Exhibit 8: App.datadoghq.com page visits

Unique visitors were down 8.6% in December versus last December



Source: SimilarWeb, BofA Global Research

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Price objective basis & risk

Datadog Inc (DDOG)

Our \$144 PO is based on an EV/revenue multiple of 18.8x EV/CY24E (was 16.3x) to our CY24E revenue estimate of \$2.6bn. We raise our multiple to account for our increased confidence in Datadog's potential to drive upside to consensus estimates and infrastructure group multiple expansion. The 18.8x multiple represents an EV/revenue/growth multiple of 0.8x, which is above infrastructure peers at 8.2x/0.7x.

Upside risks to our PO: 1) better-than-expected revenue growth, 2) faster-than-expected AI tailwinds, 3) better-than-expected expanding free cash flow margins, 4) expanding NRR, and 5) stronger-than-expected competitive differentiation.

Downside risks to our PO: 1) valuation risk, 2) competition, 3) deteriorating NRR, 4) execution, and 5) enterprise software spend can be cyclical.

Analyst Certification

I, Koji Ikeda, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Enterprise Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY	8x8	EGHT	EGHT US	Michael J. Funk
	Adobe	ADBE	ADBE US	Brad Sills
	Alarm.com	ALRM	ALRM US	Michael J. Funk
	Amplitude, Inc.	AMPL	AMPL US	Koji Ikeda, CFA
	BILL	BILL	BILL US	Brad Sills
	CCC Intelligent Solutions	CCCS	CCCS US	Michael J. Funk
	Dropbox	DBX	DBX US	Michael J. Funk
	Dynatrace	DT	DT US	Koji Ikeda, CFA
	Elastic NV	ESTC	ESTC US	Koji Ikeda, CFA
	GitLab Inc.	GTLB	GTLB US	Koji Ikeda, CFA
	Global-e Online Ltd.	GLBE	GLBE US	Koji Ikeda, CFA
	HubSpot	HUBS	HUBS US	Brad Sills
	Informatica Inc.	INFA	INFA US	Koji Ikeda, CFA
	Intapp Inc.	INTA	INTA US	Koji Ikeda, CFA
	Intuit	INTU	INTU US	Brad Sills
	JFrog Ltd	FROG	FROG US	Koji Ikeda, CFA
	MeridianLink, Inc.	MLNK	MLNK US	Koji Ikeda, CFA
	Microsoft Corporation	MSFT	MSFT US	Brad Sills
	MongoDB Inc	MDB	MDB US	Brad Sills
	nCino, Inc.	NCNO	NCNO US	Adam Bergere
	NICE Ltd.	NICE	NICE US	Michael J. Funk
	NICE Ltd.	NCSYF	NICE IT	Michael J. Funk
	PagerDuty	PD	PD US	Koji Ikeda, CFA
	PowerSchool Holdings, Inc.	PWSC	PWSC US	Koji Ikeda, CFA
	RingCentral	RNG	RNG US	Michael J. Funk
	Salesforce.com	CRM	CRM US	Brad Sills
	ServiceNow	NOW	NOW US	Brad Sills
	UiPath	PATH	PATH US	Brad Sills
	Unity	U	U US	Michael J. Funk
	Weave	WEAV	WEAV US	Michael J. Funk
	Workday Inc.	WDAY	WDAY US	Brad Sills
	Zeta Global	ZETA	ZETA US	Koji Ikeda, CFA
	ZoomInfo	ZI	ZI US	Koji Ikeda, CFA
NEUTRAL	Autodesk	ADSK	ADSK US	Michael J. Funk



US - Enterprise Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Bentley Systems	BSY	BSY US	Michael J. Funk
	BigCommerce Holdings, Inc.	BIGC	BIGC US	Koji Ikeda, CFA
	Coveo	YCVO	CVO CN	Koji Ikeda, CFA
	Datadog Inc	DDOG	DDOG US	Koji Ikeda, CFA
	DocuSign	DOCU	DOCU US	Brad Sills
	Freshworks, Inc.	FRSH	FRSH US	Adam Bergere
	HashiCorp	HCP	HCP US	Brad Sills
	Jamf	JAMF	JAMF US	Koji Ikeda, CFA
	Lightspeed Commerce Inc.	LSPD	LSPD US	Koji Ikeda, CFA
	Lightspeed Commerce Inc.	YLSPD	LSPD CN	Koji Ikeda, CFA
	Oracle Corporation	ORCL	ORCL US	Brad Sills
	Paycom	PAYC	PAYC US	Adam Bergere
	Paylocity	PCTY	PCTY US	Adam Bergere
	Shopify, Inc.	SHOP	SHOP US	Brad Sills
	Snowflake	SNOW	SNOW US	Brad Sills
	Veeva Systems, Inc.	VEEV	VEEV US	Brad Sills
	Zoom Video Communications	ZM	ZM US	Michael J. Funk

UNDERPERFORM

	AvidXchange, Inc.	AVDX	AVDX US	Brad Sills
	Blackbaud, Inc.	BLKB	BLKB US	Koji Ikeda, CFA
	BlackLine, Inc.	BL	BL US	Koji Ikeda, CFA
	C3.ai	AI	AI US	Brad Sills
	Confluent	CFLT	CFLT US	Brad Sills
	CS Disco, Inc.	LAW	LAW US	Koji Ikeda, CFA
	Enfusion, Inc.	ENFN	ENFN US	Koji Ikeda, CFA
	Five9	FIVN	FIVN US	Michael J. Funk
	Guidewire Software, Inc.	GWRE	GWRE US	Michael J. Funk
	Twilio	TWLO	TWLO US	Michael J. Funk
	Vertex, Inc.	VERX	VERX US	Brad Sills

RSTR

	Splunk	SPLK	SPLK US	Brad Sills
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iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

EV / EBITDA

Basic EBIT + Depreciation + Amortization

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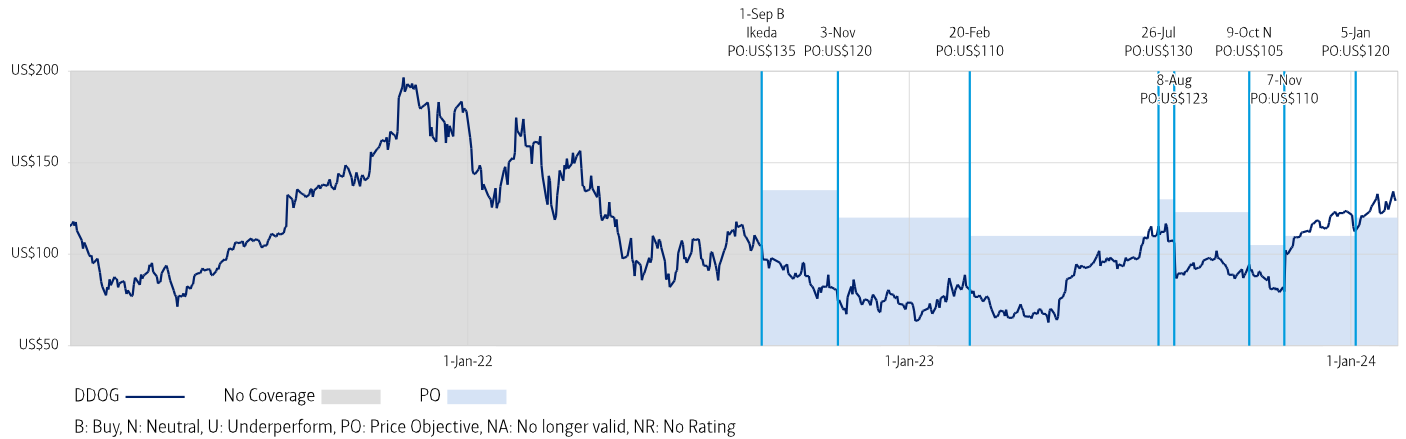
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Datadog Inc (DDOG) Price Chart



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Equity Investment Rating Distribution: Technology Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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