



DATADOG, INC.

Q4 2025

Earnings Report Update

**PREPARED BY:
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Datadog, Inc. provides a comprehensive observability and security platform designed for cloud applications, serving customers across the United States and international markets. Its core businesses center on infrastructure and application performance monitoring, log management, network and database monitoring, and digital experience analytics, alongside cloud security, application security, incident management, and workflow automation solutions for modern cloud environments.

GUIDANCE

Datadog projects first quarter 2026 revenue of \$951–\$961 million and anticipates fiscal year 2026 revenue within a range of \$4.06–\$4.10 billion, reflecting continued growth expectations.

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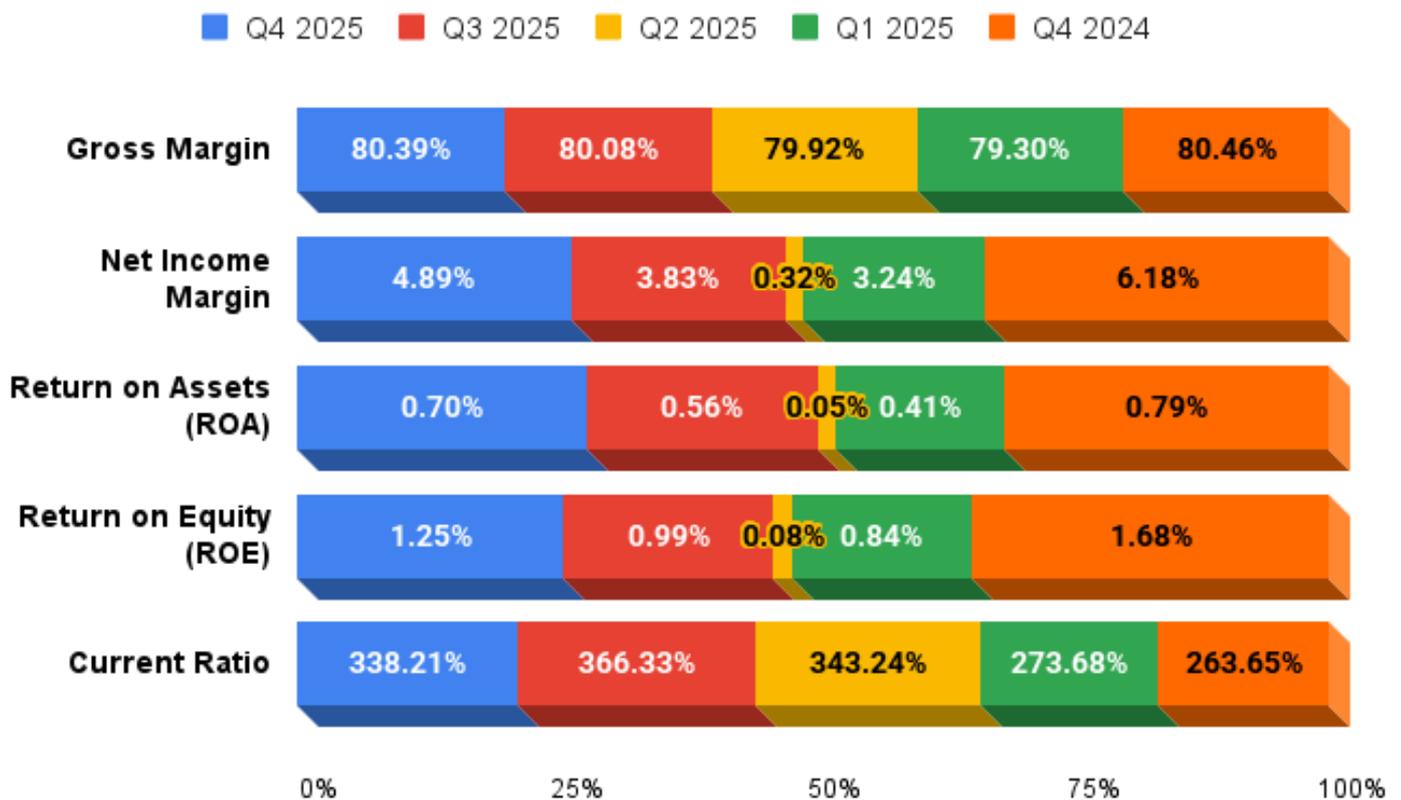
We are pleased with our strong execution in fiscal year 2025, delivering 28% year-over-year revenue growth, generating \$1,050 million in operating cash flow and \$915 million in free cash flow,” said Olivier Pomel, co-founder and CEO of Datadog. “We also introduced over 400 new features supporting customers’ cloud migrations and next-generation AI deployments worldwide adoption.

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Expectation Analysis

USD (\$)	Q4 2025	ESTIMATE	BEAT/MISS
REVENUE	953.00B	918.00B	3.80%
EBITDA	247.00B	246.00B	0.50%
EBIT	230.00B	220.00B	4.50%
EPS (adjusted)	0.59	0.55	6.30%

Margin and Efficiency Analysis



Revenue/Profitability Summary			
Thousands USD(\$), except EPS	Q4 2025	QOQ	YOY
Revenue	953,194.00	7.63%	29.21%
Gross profit	766,300.00	8.05%	29.10%
Operating income (loss)	9,356.00	261.06%	-0.38%
Income before tax	53,470.00	49.91%	-0.66%
Net Income	46,567.00	37.43%	2.13%
Earnings per share	0.13	30.00%	0.00%
Cost/Expenses Summary			
Thousands USD(\$)	Q4 2025	QOQ	YOY
Cost of revenue	186,894.00	5.91%	29.63%
Research and development	417,926.00	3.97%	32.12%
Sales and marketing	264,377.00	10.74%	27.14%
General and administrative	74,641.00	0.47%	24.62%
Interest expense	2,600.00	7.39%	-1.63%
Provision for income taxes	6,903.00	287.37%	-16.14%
Cash Flow Summary			
Thousands USD(\$)	Q4 2025	QOQ	YOY
Net cash from operations	327,069.00	30.06%	23.32%
Net cash used in investing	-497,854.00	-146.28%	-355.23%
Net cash used in financing	30,047.00	2264.04%	-96.04%
Closing cash balance	401,305.00	-25.77%	-67.82%
Key Items of Financial Position Summary			
Thousands USD(\$)	31st Dec. 2025	QOQ	YOY
Current assets	5,382,280.00	11.25%	9.59%
Non-current assets	1,261,564.00	3.89%	44.31%
Total assets	6,643,844.00	9.77%	14.84%
Current liabilities	1,591,401.00	20.50%	-14.57%
Non-current liabilities	1,320,237.00	2.13%	9.27%
Total liabilities	2,911,638.00	11.41%	-5.19%
Total equities	3,732,206.00	8.52%	37.50%

Performance Highlights

- Datadog delivered robust topline momentum in FY2025, with total revenue increasing approximately 28% year-on-year to about \$3.43 billion, while fourth-quarter revenue advanced 29% to roughly \$953 million.
- Customer quality and scale improved materially, as the number of clients generating over \$1 million in annual recurring revenue expanded by about 31% year-on-year to 603. This reflects deeper wallet share penetration among enterprise clients, stronger multi-product adoption, and continued migration of mission-critical workloads to Datadog's monitoring and security ecosystem.
- Gross profitability remained structurally strong, as cost of revenue grew at a slower pace than revenue, enabling sustained high gross margins. The margin resilience was driven by scalable cloud infrastructure efficiencies, optimized data-ingestion costs, and favorable product mix toward higher-margin analytics and security solutions.
- Operating performance presented a divergence between statutory and adjusted metrics. GAAP operating margin remained near breakeven at roughly 1% in the fourth quarter and slightly negative for the full year, primarily due to elevated research and development spending and stock-based compensation intensity.
- Research and development expenditure increased by over 30% year-on-year, reflecting aggressive reinvestment into AI-powered observability, security analytics, and automation capabilities. The launch of products such as Bits AI SRE Agent, Data Observability, and Feature Flags underpinned innovation-led growth.
- Sales and marketing expenses rose at a moderate double-digit pace, broadly aligned with revenue growth, indicating disciplined customer acquisition efficiency. Expansion was largely supported by higher enterprise deal sizes and improved renewal rates rather than excessive promotional spending, suggesting improving lifetime value economics.
- Cash-flow generation strengthened considerably, with operating cash flow rising to approximately \$1.05 billion for the year and free cash flow approaching \$915 million. This reflects efficient billing cycles, deferred revenue expansion, and strong subscription renewals, enhancing internal funding capacity for innovation and selective acquisitions.
- Balance-sheet liquidity improved despite lower reported cash balances, as marketable securities expanded significantly, lifting total liquid assets to roughly \$4.5 billion. Concurrent growth in deferred revenue of over 20% year-on-year indicates strong forward revenue visibility and customer prepayment confidence in platform continuity.

Concerns Raised

- Operating margin compression under GAAP metrics persists due to heavy stock-based compensation and sustained R&D intensity. If equity-linked expenses continue expanding faster than revenue, shareholder dilution risk and earnings-quality concerns may intensify.
- Cash balances declined year-on-year despite strong operating inflows, reflecting higher investment in marketable securities, acquisitions, and capitalized software development. Prolonged aggressive reinvestment could moderate short-term liquidity flexibility if growth decelerates.
- Expense growth in research, marketing, and administrative functions remains elevated relative to operating income, limiting near-term margin expansion and exposing profitability to cyclical demand shifts in enterprise IT spending.
- Competitive and technological risks remain pronounced within the cloud observability and AI-security landscape. Rapid innovation cycles, hyperscaler platform integration, and pricing competition could pressure customer retention and slow annual recurring revenue expansion if differentiation weakens.

OUR INSIGHT

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Datadog's FY2025 performance reflects strong structural growth, underpinned by double-digit revenue expansion, rising enterprise client quality, and resilient free cash-flow generation, signaling durable demand within cloud observability and security markets. For long-term investors, prospects remain constructive given innovation intensity, recurring-revenue visibility, and scalable margins. However, key watchpoints include stock-based compensation dilution, sustained R&D and operating-expense pressures, competitive hyperscaler encroachment, and the company's ability to convert adjusted profitability into consistent GAAP earnings expansion.

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