

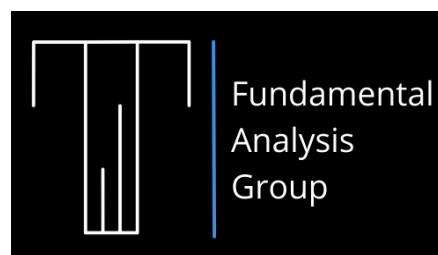
Tufts Investment Club - Research Group FA (Fundamental Analysis)

Case Study - Spring 2022

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DDOG: DataDog One-Pager

Over the past decade, companies have been shifting to the public cloud, and the pandemic has escalated the increase in companies spending more on cloud software and technology. The digital transformation will benefit Datadog, as they have developed the market-leading solution for companies to monitor their digital infrastructure in the cloud. DDOG has continued to create new products and is positioned to become the leader in infrastructure monitoring. A higher percentage of companies' budgets will be spent on cloud computer monitoring as it is key to helping companies generate and grow revenue. As companies start to consolidate their infrastructure monitoring, DDOG's ability to bundle their products will allow DDOG to become the single vendor for monitoring. As companies DDOG has beat earnings for the past 4 quarters, continues to grow its customer base, and is currently undervalued given their strong growth over the past decade.

Datadog is a monitoring and data analytics tool for IT companies and DevOps teams. The company was founded by Oliver Pomel in 2010, and has been the CEO of the company since the beginning. Datadog is used to monitor events for infrastructure and

cloud services while also providing the companies it serves with useful data metrics. Datadog is considered software as a service (SaaS) and supports cloud providers including AWS, Microsoft Azure and Google Cloud platform. Their service provides IT/DevOps teams with customizable dashboards that show metrics such as execution time, requests per seconds, analyzes traffic and provides alerts of critical issues.

Their platform allows for developers and business teams to collaborate, improve their software application and have a better understanding of their user. Datadog was the first company to combine monitoring infrastructure and log management into one software. They have continued to add on products such as user experience monitoring and real user monitoring. Datadog users have the option to use the products as a stand alone or combine them.

In Q421 reported revenue/non-GAAP EPS of \$326.2M/\$0.20 vs. the Streets \$291.5M/\$0.12. Revenue growth was up 84% YoY compared to last quarter which was up 75% YoY. Operating margins were 21.6% and saw gross margins at 80.3%. DDOG saw an

increase in customer usage adding 1,100 new customers in Q421 compared to the previous quarter, and 1/3 of customers now use at least four of their products compared to 22% at the end of 2020. Their Q4 retention rate was over 130% which reinforces that customers are sticking with the platform, and value the service they are receiving.

As of the end of March 2022, Datadog has partnered with Microsoft's Azure allowing users to have UX monitoring for customer experience and dashboards that deliver the status of Azure environments. The partnership between Datadog and Microsoft's benefits datadog by implementing more microsoft companies to become fully integrated in cloud computing capabilities. Datadog provides services to TD Bank, Whole Foods, Airbnb as well as smaller companies that are trying to better understand their customers. Datadog has

been able to maintain customers through their subscription service and easy implementation which has allowed them to continue to add more customers every year.

Despite Datadog trading at multiples of 28x revenue, the company has continued to accelerate in growth, as the need for companies to increase their online presence. In 2019 the companies revenue was 362.8 million, in 2020 \$603.5 million and in the 2021 FY they generated \$1.0 billion in revenue. The consistent year over year growth of above 50% justifies the revenue multiples placed on the stock. Datadog has been increasing growth and customers since they went public in 2019 and in 2021 had 216 customers with ARR(Annual recurring revenue) above 1 million. Datadogs strong performance, management team and consistency should continue to contribute to the stocks continuous growth.

About the Author

Alexa is a sophomore from New York City majoring in Mechanical Engineering and economics. Last summer, she interned at Maverick Capital with a focus on long/short consumer equities. Alexa is a member of Tufts Women's club soccer and JumboVentures which is a startup incubator for Tufts students. For this summer, she will be working in the IED division as an analyst for Morgan Stanley. In her free time Alexa enjoys skateboarding and reading.

