DATADOG, INC.

Equity Research • Interim Update | NASDAQ: DDOG | Observability & Security Software | 30 August 2026

RECOMMENDATION	INVESTMENT SCORE	WEIGHTED FAIR VALUE
WATCHLIST	**75 / 100**	**$245 (+3.2%)**
Unchanged, and the levels still hold	Was 77 on the same weighting	Was +6.7% three weeks ago

Price (28 Aug close)	$236.98	**Market cap**	$84.60 B	**Since 7 Aug report**	+3.4%
Enterprise value	$80.85 B	**Net cash**	$3.75 B	**52-week range**	$100.80 to $292.72
EV / FY26E sales	18.1x	**EV / FY26E FCF**	~69x	**Forward P/E (non-GAAP)**	~94x
FY26E revenue (guide)	$4.45–4.47 B	**FY26E growth**	~30%	**Q2 growth**	+36% y/y
Accumulation zone	$195–220 (unchanged)	**Price vs zone top**	+7.7% above	**Below 52-week high**	–19.0%

Purpose of This Update

This is a levels check rather than a new analysis. The 7 August report reviewed Datadog's second-quarter results in full and set out a Watchlist rating with a preferred accumulation zone of $195–220, a probability-weighted fair value of $245, and a set of named triggers for moving to Buy or to Avoid. Three weeks and sixteen sessions later the question is narrow: do those published levels still make sense at $236.98, and has anything happened that invalidates the thesis behind them? The answers are yes and no respectively, and the rating is reaffirmed rather than revisited.

No company disclosure of substance has occurred in the window. There has been no filing, no guidance revision, and no further comment on the item that caused the 19% single-session decline on 6 August: the nine-figure renewal with Datadog's largest customer, a leading artificial-intelligence laboratory, whose usage management expects to decline from the third quarter. Third-quarter results are not due until November. Every fundamental trigger this report published requires that print, or requires a disclosure quantifying the largest account's new run-rate, and neither has arrived.

1. Where the Published Levels Now Stand

Published level or trigger (7 Aug)	Status at $236.98	Verdict
Accumulation zone $195–220	Not reached on a closing basis. The lowest close in the window was $222.99 on 25 August; the intraday low of $219.00 on 26 August clipped the top of the band without holding.	Still valid, still unreached
First-tranche technical reset: hold $225, or reclaim $243 with RSI through 45 and a MACD re-cross	Price has held above $225 on a closing basis and RSI has recovered to 46.9, but MACD remains negative at –5.49 against a –4.28 signal, with the histogram widening. No re-cross.	Partially met; not triggered
Bull re-rate: weekly close above $248.83 (the 50-day)	The 50-day now sits at $249.45 and price is 5.0% below it. Not achieved.	Not triggered
Bear confirmation: daily close below $197.89 (the 100-day) on above-average volume	The 100-day has risen to $216.69 and price sits 9.4% above it. Not achieved.	Not triggered
Upgrade to Buy: Q3 above the $1.145 B guidance top with non-AI cohort growth in the high-20s%	Third-quarter results are due in November. Nothing to test.	Pending

Published level or trigger (7 Aug)	Status at $236.98	Verdict
Second upgrade trigger: disclosure quantifying the largest customer's new run-rate	No such disclosure has been made. The discount for uncertainty remains fully in place.	Pending
Move to Avoid: non-AI cohort below 22%, gross margin below 78.5%, or a second AI account declining	No data since 6 August. Nothing to test.	Pending

Moving averages recomputed from a 100-session daily OHLCV series ending 28 August 2026. The 50-day and 100-day levels quoted in the 7 August report ($248.83 and $197.89) have since drifted to $249.45 and $216.69 respectively; the trigger levels are restated at the current values rather than the published ones.

2. What Has Actually Changed

Item	7 August 2026	28 August 2026	Read
Price	$229.29	$236.98	+3.4% in sixteen sessions
Enterprise value	$78.11 B	$80.85 B	On price alone
EV / FY26E sales	17.5x	18.1x	Re-expanding from the post-print low
EV / FY26E free cash flow	~67x	~69x	Unchanged in substance
Forward P/E (non-GAAP)	~91x	~94x	Still a growth multiple
Weighted fair value gap	+6.7%	+3.2%	Half the cushion consumed by price
RSI (14)	Oversold post-print	46.9	Recovered, still below the midline
MACD (12,26,9)	Broken down	–5.49 / signal –4.28	Negative; histogram still widening
ATR (14)	7.1% of price	6.1% of price	Volatility settling but still extreme
Company disclosure	Q2 results and call	None	The next data point is November

3. Does the Thesis Still Hold?

It does, and the reasoning is unchanged from three weeks ago. Datadog's second quarter was the strongest in its history as a public company: revenue of $1.121 billion grew 36% year on year and 11.4% sequentially, a record $115 million sequential addition, beating consensus by 3.7% and clearing the top of management's own guidance. Free cash flow of $279 million held a 25% margin, billings rose 38%, and remaining performance obligations rose 43% to $3.47 billion. Full-year guidance was raised to $4.45–4.47 billion from $4.30–4.34 billion, the third consecutive raise.

The share price fell 19% because third-quarter revenue is guided to $1.135–1.145 billion, barely 1.7% above the June quarter after 11.4% was just delivered, on the expectation that the largest customer's usage steps down. The central finding of the previous report survives intact: chief executive Olivier Pomel stated that the largest customer was not additive to second-quarter growth at all, so the 36% was produced by the rest of the base, which has now accelerated for five consecutive quarters with the non-artificial-intelligence cohort reaching the high-20% range. Management chose to de-risk the account entirely in guidance rather than model it, which means the third-quarter number embeds close to a worst case. The deceleration being priced is arithmetic on one account, not a change in the demand curve.

Subsequent commentary has, if anything, reinforced the framing. Datadog now counts more than 750 artificial-intelligence-native customers and all ten of the largest AI companies, and the largest account renewed across seventeen products on lower but de-risked usage. That does not remove the concentration problem inherent in usage-based billing, which is a structural feature rather than a one-off, but it does support the reading that the guidance is conservative rather than the demand weak.

What has not changed is the reason this is not a Buy. At $236.98 the probability-weighted fair value of $245 offers 3.2% over twelve months, down from 6.7% on 7 August, against a bear path to $137. Three per cent of expected return is not compensation for a stock with a 6.1% average true range, where a further 10% drawdown is two ordinary sessions, and where the single largest revenue line remains unquantified. The rating is unchanged and the accumulation zone of $195–220 is reaffirmed at the same levels.

4. Technical Position

Indicator	Reading	Signal
Close (28 Aug 2026)	$236.98	—
SMA 20 / 50 / 100	$245.78 / $249.45 / $216.69	Below the 20 and 50, above the 100
EMA 20 / EMA 50	$241.87 / $240.31	Below both, narrowly
SMA 200	Not computed (100-session series)	Series shorter than the required window
RSI (14)	46.9	Recovered from oversold; below the midline
MACD (12,26,9)	–5.49, signal –4.28, histogram –1.20	Negative and widening; no re-cross
ATR (14)	$14.55 (6.1% of price)	Down from 7.1%, still extreme
Volume (20d / 50d)	5.07 M vs 4.66 M	Elevated; the post-print unwind continues
Post-print range	$219.00 – $260.78	A 19% band in sixteen sessions
Below the 5 Aug all-time high	–19.0% from $292.72	The gap has not begun to close

Computed from 100 daily bars (8 April to 28 August 2026), Wilder smoothing for RSI and ATR. The 200-day average is not computed because the series used is shorter than the required window.

The chart is doing what a post-guidance-disappointment chart in a usage-based software name usually does: building a wide, volatile base rather than reversing. Price has twice tested the low $220s and twice been bought, which is constructive, but it has also failed twice at the mid-$250s. The structure sits below both the 20- and 50-day averages and above the rising 100-day, which is the definition of an unresolved consolidation. The absence of a MACD re-cross is the specific reason the first-tranche technical trigger has not fired despite the relative strength index recovering through 45, and it is worth being strict about that rather than accepting two conditions out of three.

5. Scorecard

Factor	Score	Weight	Assessment versus the 7 August report
Business quality	9/10	15%	Platform attach improved on every cohort; Gartner leader for a sixth year. Unchanged.
Financial strength	9/10	12%	$5.0 B cash, ~$3.75 B net cash, 25% FCF margin, no funding risk. Unchanged.
Competitive advantage	8/10	13%	Customers on 10+ products nearly doubled to 13%; hyperscaler native tooling still the ceiling. Unchanged.
Management	9/10	10%	Beat its own guide, raised the year, and volunteered the bad news with the arithmetic attached. Unchanged.
Growth potential	9/10	20%	Core accelerating five quarters running against a real and disclosed headwind. Unchanged.
Valuation	4/10	20%	18.1x forward sales from 17.5x, and the fair-value gap halved to 3.2%. Was 5.
Risk (10 = lowest risk)	6/10	7%	Concentration disclosed and guided rather than latent, but the account is still unquantified. Unchanged.
Technical setup	5/10	3%	Based above the 100-day, volatility down from 7.1% to 6.1% ATR, but no MACD re-cross. Was 3.

Scored 1–10, where 10 is always best, including Risk. Weights are unchanged from the 7 August report so the totals are directly comparable, and that report used the same direction convention for the risk factor, so no restatement was required. Weighted total 75 / 100, down from 77. Two factors moved and they moved in opposite directions: valuation deteriorated on price, the technical setup improved as the post-print damage stabilised.

6. Scenario Analysis

Scenario	Prob.	Revenue path and profitability	FY2028E fair value
Bull	25%	The step-down is a one-account reset. FY27 \$5.65 B (+27%), FY28 \$7.06 B; free cash flow margin expands as the AI-native cohort scales	\$349
Base	52%	Orderly transition. FY27 \$5.40 B (+21%), FY28 \$6.42 B; free cash flow margin holds near 30%	\$242
Bear	23%	AI digestion broadens beyond one account. FY27 \$5.10 B (+14%), FY28 \$5.71 B; free cash flow margin compresses	\$137

Probabilities sum to 100% and are unchanged from the 7 August report, because no information bearing on them has been disclosed since. The probability-weighted fair value is \$244.60, some 3.2% above the 28 August close of \$236.98, against 6.7% above the \$229.29 close on which the previous report was written. Fair values are the analyst's own calculations derived from stated inputs and are not price predictions.

The scenario set is deliberately left alone. Revising probabilities in the absence of new information would be manufacturing a view, and the entire purpose of publishing a fundamental trigger is to wait for the data rather than to anticipate it. What has moved is only the denominator: the same distribution measured against a price 3.4% higher yields half the expected return it did three weeks ago, which is the mechanical reason the valuation score falls and the rating does not improve.

7. Recommendation — WATCHLIST (unchanged)

Datadog remains an excellent business at a price that is close to fair rather than cheap. The position set out on 7 August stands without amendment: an investor who already owns the shares should hold, because the quarter improved the business and the disclosure removed an overhang that would otherwise have sat across the next two prints. An investor with no position should wait for the \$195–220 band, which is roughly 12 to 14 times fiscal 2027 estimated sales and where the 100-day average and the late-June shelf sit, and should accept that the shares may not trade there.

The single change worth noting is that patience has become slightly more expensive. At \$229.29 the published fair value offered 6.7%; at \$236.98 it offers 3.2%. Waiting for the accumulation zone now means waiting for a 7.7% decline from spot rather than a 4% one. That is a worse setup for the buyer, not a better one, and it is the reason the investment score falls two points despite nothing in the business having changed.

No entry, stop-loss or profit-target framework is provided, because the recommendation is not a buy at the prevailing price. Should the shares reach the accumulation zone, a stop below \$185 and a 24-month objective of \$300–340 would frame roughly 2.2 to 2.7 times reward-to-risk on a 2–3% portfolio position. The next scheduled test of the thesis is third-quarter results in November, and the single number that matters there is non-artificial-intelligence cohort growth.