

# Datadog, Inc. (DDOG)

NASDAQ: DDOG | Observability and security software | Equity research update | 16 October 2026

|                                     |                          |                                    |                                          |
|-------------------------------------|--------------------------|------------------------------------|------------------------------------------|
| <b>Last close (15 October 2026)</b> | \$266.25                 | <b>Recommendation</b>              | WATCHLIST, from fundamentals (unchanged) |
| <b>Previous report (19 Sep)</b>     | \$229.92 close of 18 Sep | <b>Investment score</b>            | 68.0 / 100 (prior 77.2, restated)        |
| <b>Move since then</b>              | +15.8%                   | <b>Fair value (base case)</b>      | \$247.50; -7.0%                          |
| <b>P/E, 2026 guide / 2028E</b>      | 106x / 71x               | <b>Price of interest</b>           | About \$210                              |
| <b>Market value (approx.)</b>       | \$100bn                  | <b>Technical read (chart only)</b> | Conflicts: uptrend                       |
| <b>2026 revenue guide</b>           | \$4.45-4.47bn            | <b>Next results</b>                | Q3 2026: 4 Nov, before the open          |

## The Zone Held, the Shares Ran, and the Price Is Now the Problem

The last report kept Datadog on the Watchlist with an accumulation zone of \$195 to \$220, which the shares had just visited. Since then they have run 15.8% to \$266.25, touching \$300.68 intraday on 12 October, and the published zone now sits 21% below the market. No company news drove the move. Datadog made no operating disclosure in the period beyond setting its third-quarter results for 4 November; the rally came with a recovery in software and AI-related shares and a run of broker target increases. The same theme turned against the group on 16 October, when worries about how AI infrastructure is being financed hit cloud names, and Datadog traded about 6% lower in early dealing, close to its 50-day average.

The business case is intact. Revenue grew 36% in the second quarter to \$1.12bn, free cash flow was \$279m, and the company ended June with \$5.0bn of cash and securities. The question is price. The base case is worth \$247.50 a share, 7.0% below the last close, on 2028 consensus EPS of \$3.75 at 66 times, a multiple of about three times the 22% annual EPS growth implied between the 2026 guidance and 2028 consensus. The probability-weighted value is \$247.82. At \$266.25 a buyer is paying for most of the bull case before the third quarter has been reported.

**Verdict: Watchlist, from fundamentals. Technical read (chart only): Conflicts.** The chart is in an uptrend above a rising 50-day average, so price is moving away from the level of interest rather than toward it; watch closely, but the rating does not change. The name becomes interesting at **about \$210**, 56 times 2028 consensus EPS, where the base case would pay about 18%.

## 1. What has changed since the last report

| Item                              | 19 September report                                         | 16 October                       | Read                                                   |
|-----------------------------------|-------------------------------------------------------------|----------------------------------|--------------------------------------------------------|
| Price                             | \$229.92 (18 Sep)                                           | \$266.25 (15 Oct)                | +15.8%; new 52-week high \$300.68 on 12 Oct            |
| Fair value                        | \$245 (weighted)                                            | \$247.50 base; \$247.82 weighted | Little changed; the price moved, the value did not     |
| Valuation basis                   | Forward sales multiple                                      | 2028 consensus EPS \$3.75 x 66   | Earnings basis now that 2028 estimates are established |
| Scenario weights (bull/base/bear) | 25 / 52 / 23                                                | 25 / 55 / 20                     | Bear lighter: Q2 acceleration intact, estimates rising |
| Levels                            | Zone \$195-220; conditional stop \$185; objective \$300-340 | Price of interest about \$210    | Zone superseded; no stop or target on a Watchlist      |
| Next results                      | Expected 5 Nov                                              | 4 Nov, before the open           | Date confirmed by the company on 14 Oct                |
| Investment score                  | 77.2 (restated)                                             | 68.0                             | Valuation down 2; five factors down 1                  |

*The prior score is restated without the former chart-based factor for comparability. The prior Risk score was already on the 10 = lowest risk scale.*

## 2. Do the published levels still hold?

| Level                                        | Basis then                        | Where it stands now                                                                        | Status                           |
|----------------------------------------------|-----------------------------------|--------------------------------------------------------------------------------------------|----------------------------------|
| Accumulation zone \$195-220                  | Chart shelf and 12-14x 2027 sales | Price 21% above the top; the 200-day average has risen to \$191.07, the 50-day to \$246.74 | Superseded                       |
| Conditional stop \$185 / objective \$300-340 | Plan if the zone was bought       | \$300 was touched intraday on 12 Oct; no close above it                                    | Retired; not used on a Watchlist |
| Bear trigger: close below \$203.24           | 8 Sep intraday low                | 24% below the price; no longer the nearest test                                            | Replaced by the 50-day and \$210 |
| New: about \$210                             | -                                 | 56x 2028 EPS; just above the 60-session closing low of \$209.23; 10% above the 200-day     | Base case 18% higher             |

Averages computed in code from daily closing prices to 15 Oct 2026.

The zone did its job: the shares closed between \$209 and \$215 on four days in early September and are now 16% higher than at the last report. It no longer describes anything useful. The 100-day average it was once checked against has risen to \$247.73, and \$220 is now 17% below the market. The new level of interest is set where the base case pays rather than where the chart last found buyers. At \$210 the stock would trade on 56 times 2028 consensus EPS, a fair price for a business compounding earnings in the low twenties.

## 3. Company developments

Nothing material was announced in the period. The company's only release since early August set the third-quarter results date. The most relevant items are the AI products launched in June, whose first full-quarter evidence arrives on 4 November, a rival's AI observability deal, and continued insider selling.

| Development                        | Status and date                 | What is known                                                                                                                             | What is forecast (and by whom)                                                  | Impact |
|------------------------------------|---------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|--------|
| Q3 2026 results date               | Announced 14 Oct; results 4 Nov | Results before the US open on 4 Nov, call at 8am ET. Q3 guide: revenue \$1.135-1.145bn, non-GAAP EPS \$0.63-0.65.                         | Analyst consensus has Q3 EPS near \$0.64.                                       | Low    |
| DASH 2026 AI launches              | Launched 9 Jun; rolling out     | Bits AI autonomous detection and remediation, AI Guard, Bring Your Own Cloud, Bits Agent Builder and Agent Console. No pricing disclosed. | Management expects AI products to deepen platform use; no revenue figure given. | Medium |
| Adaptive ML acquisition            | Closed 30 Jun                   | Reinforcement learning start-up bought to speed AI research; terms not disclosed.                                                         | None quantified.                                                                | Low    |
| Dynatrace completes Arize purchase | Completed 1 Oct                 | A direct rival closed its cash-and-stock purchase of Arize, an AI observability platform, announced in August.                            | UBS (1 Oct) expects it to lift Dynatrace's AI observability growth.             | Medium |
| Insider selling                    | Form 4 filings 15 Sep-9 Oct     | Further sales by the CFO, a co-founder and other officers, plus new Rule 144 notices on 21 and 23 Sep and 7 Oct.                          | -                                                                               | Medium |

Status as at 16 Oct 2026. Company statements unless otherwise attributed.

**Competitive read.** Dynatrace's Arize deal is the clearest sign that AI observability is becoming a contested category, where Datadog's LLM Observability and the June launches compete. It does not change Datadog's position this quarter, but it lowers the odds that AI monitoring stays a Datadog-led upsell. The insider sales are made under existing trading plans and are small against a market value near \$100bn, but their pace has not slowed since the September low.

## 4. Business, industry and financials

Datadog sells a usage-based cloud platform for monitoring infrastructure, applications, logs, security and, increasingly, AI workloads. Revenue rises with customers' cloud and AI usage and with the number of products each customer adopts. The market is crowded, with Dynatrace, Splunk (Cisco), New Relic, Grafana and the hyperscalers' own tools, but Datadog has been named a Gartner leader for six straight years. The main company-specific risk is concentration: a large AI-native customer reduced usage this year, and the company has described the effect without quantifying it.

| Measure (Q2 2026)          | Value                                  | What it means                                      |
|----------------------------|----------------------------------------|----------------------------------------------------|
| Revenue                    | \$1.12bn, up 36%                       | Growth accelerated despite the AI-account headwind |
| Non-GAAP operating income  | \$257m, 23% margin                     | Scale economics intact                             |
| GAAP operating income      | \$5m, about 0% margin                  | Stock-based pay absorbs most of the profit         |
| Operating / free cash flow | \$316m / \$279m                        | About 25% free cash flow margin                    |
| Cash and securities        | \$5.0bn                                | No funding need; convertible notes outstanding     |
| Customers with \$100k+ ARR | About 4,720, up 23%                    | Larger customers keep expanding                    |
| 2026 guidance              | Revenue \$4.45-4.47bn; EPS \$2.50-2.54 | About 30% growth on 376m diluted shares            |

*Company Q2 2026 results release, 6 Aug 2026.*

Management has a strong record of beating its own guidance and has raised the full-year outlook through the year. Disclosure of the AI-customer drag was candid. The mark against management is the steady insider selling, which continued through the rally.

## 5. Growth drivers and risks

| Driver                               | Evidence                                                        | Likelihood | Impact |
|--------------------------------------|-----------------------------------------------------------------|------------|--------|
| Platform attach and larger customers | \$100k+ customers up 23%; multi-product adoption rising         | High       | High   |
| AI workloads and AI products         | June launches; LLM Observability; AI-native customer growth     | Medium     | High   |
| Security products                    | Part of the platform cross-sell; no separate figure disclosed   | Medium     | Medium |
| Bring Your Own Cloud                 | Opens regulated customers who keep data in-house; launched June | Medium     | Medium |

| Risk                              | Probability | Severity | Comment                                                                                                                  |
|-----------------------------------|-------------|----------|--------------------------------------------------------------------------------------------------------------------------|
| Valuation and rates               | High        | High     | 71x 2028 EPS behaves like a long-duration asset; a 10-year above 5% and a Fed still raising rates press on the multiple. |
| AI-native customer concentration  | Medium      | High     | One large account already cut usage; the effect is described but not quantified.                                         |
| AI spending or financing pullback | Medium      | High     | Cloud usage falls if AI build-outs slow; the 16 Oct sector selloff shows how quickly the market prices it.               |
| Competition in AI observability   | Medium      | Medium   | Dynatrace-Arize, hyperscaler tools and open standards could pressure pricing.                                            |
| Results event, 4 Nov              | Medium      | Medium   | An ATR of 4.6% of price and a premium multiple leave room for a large move either way.                                   |
| Insider selling                   | Medium      | Low      | Scheduled plans, but continuous since August.                                                                            |

*Risk 5/10 means average-to-elevated risk; the risk table describes a high-quality business carrying valuation, concentration and rate risk; these agree.*

## 6. Valuation and macro drivers

Datadog trades at 106 times the 2026 EPS guidance midpoint, 71 times 2028 consensus EPS of \$3.75, and about 22 times 2026 guided revenue on a market value near \$100bn. Earnings are the right basis now that the company is solidly profitable on an adjusted basis and two years of estimates exist; sales multiples flatter a business whose GAAP margin is still near zero. The base multiple of 66 times 2028 EPS is about three times the 22% annual EPS growth to 2028, a premium for durable 20%-plus revenue growth and net cash. On these inputs the stock is modestly overvalued: the base case sits 7.0% below the price and the weighted value 6.9% below it.

Two macro variables matter. The first is the long-term discount rate. The Federal Reserve raised its target range in September, September consumer prices rose 3.7% on the year with core at 2.6%, and the 10-year Treasury yield closed at about 5.10% on 15 October; another increase is possible at the 27-28 October meeting. For a stock valued mainly on earnings several years out, that compresses the multiple even if estimates hold. The second is corporate technology spending, especially AI build-outs, which drive cloud usage and therefore Datadog's usage-based revenue. Retail sales rose 0.8% in September and jobless claims stayed low near 199,000, so the economy is not yet the constraint; the financing of AI capacity is the variable to watch.

## 7. Sentiment

Brokers have been raising targets into the rally. Mizuho kept Outperform and lifted its target to \$330 from \$300 on 15 October; Barclays kept Overweight at \$300 from \$290; RBC kept Outperform at \$320 from \$280; Jefferies kept Hold but lifted its target to \$300 from \$260; FBN Securities started at Buy with \$325 on 2 October. The average target was about \$288 around 10 October, close to the share price. Insider selling continued: Form 4 filings by a co-founder on 25 September and 9 October reported sales of about \$10.9m and \$14.8m, and the CFO and other officers also sold in September.

Institutional positioning reads Cautionary (moderate confidence), as of 30 June 2026, filings through 19 August 2026. Active managers made a net reduction of about 6.3% of reported shares over four quarters, led by one large growth investor, after three negative quarters; the latest quarter turned slightly positive, with 25 managers adding and 22 cutting, while passive ownership rose. Based on reported holdings filed by the cutoff. Late filers are not included, and passive, strategic and mixed holders are left out of the flow measure.

## 8. Scorecard

| Criterion                    | Score                  | Weight          | Change    | Basis                                                                                                                                                                |
|------------------------------|------------------------|-----------------|-----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Business Quality</b>      | <div><div></div></div> | <b>8/10</b> 16% | -1        | Down 1. Platform breadth and a 23% non-GAAP operating margin, but GAAP operating income was about breakeven in Q2 (\$5m) because of stock-based pay.                 |
| <b>Financial Strength</b>    | <div><div></div></div> | <b>8/10</b> 16% | -1        | Down 1. \$5.0bn of cash and securities and \$279m of Q2 free cash flow; GAAP earnings near zero and convertible notes outstanding keep it below the top mark.        |
| <b>Competitive Advantage</b> | <div><div></div></div> | <b>8/10</b> 16% | unchanged | Unchanged. Gartner leader for a sixth year and \$100k+ customers up 23%; Dynatrace closing Arize sharpens competition in AI observability without changing position. |
| <b>Management</b>            | <div><div></div></div> | <b>7/10</b> 10% | -1        | Down 1. Execution and guidance record strong, but scheduled insider selling continued through 9 October, including two co-founder filings worth about \$25m.         |
| <b>Growth Potential</b>      | <div><div></div></div> | <b>8/10</b> 16% | -1        | Down 1. Q2 revenue up 36%, yet consensus has 2027 growth near 23%, with the largest AI-native account still a drag.                                                  |

| Criterion               | Score                       | Weight | Change | Basis                                                                                                                                                             |
|-------------------------|-----------------------------|--------|--------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation               | <div><div></div></div> 3/10 | 16%    | -2     | Down 2. Price up 15.8% since the last report: 106x 2026 guided EPS and 71x 2028 consensus; base value 7.0% below the price.                                       |
| Risk (10 = lowest risk) | <div><div></div></div> 5/10 | 10%    | -1     | Down 1. A Fed still raising rates with the 10-year above 5%, a sector selloff on AI financing worries, concentration in AI-native customers and results on 4 Nov. |
| Investment Score        | 68.0 / 100                  | 100%   | -9.2   | Weighted sum of the seven factors                                                                                                                                 |

Scored 1-10, where 10 is always best, including Risk. Default weights 16/16/16/10/16/16/10. The prior score is restated without the former chart-based factor for comparability.

## 9. Recommendation

**Watchlist, unchanged.** The rating is the same but the reason has changed. A month ago Watchlist meant waiting for a band the stock had just left; today it means the shares have risen 16% on no new company information and now sit above the base-case value. Datadog remains one of the best operators in software, and nothing in the period weakens that. But at \$266.25 the base case is worth 7.0% less than the price, and the bull case, worth \$328, needs the third quarter to beat the top of guidance with the AI-account drag fading.

The name becomes interesting at **about \$210**, 56 times 2028 consensus EPS and just above the 60-session closing low of \$209.23, where the base case would offer about 18%. The level is meant to be judged after the 4 November results. No cut-loss or take-profit is published for a Watchlist rating, and the conditional stop and objective from the earlier plan are withdrawn.

| What would change the view                                                                                | Direction    |
|-----------------------------------------------------------------------------------------------------------|--------------|
| Price near \$210, about 56x 2028 EPS, with Q3 results holding the guide                                   | Toward Buy   |
| Q3 revenue (4 Nov) above the \$1.145bn guidance top, with non-AI customer growth holding in the high-20s% | Toward Buy   |
| Disclosure quantifying the largest AI customer's run-rate                                                 | Toward Buy   |
| A sharp slowdown in non-AI customer growth, or a second large AI account reducing usage                   | Toward Avoid |
| A broader pullback in AI infrastructure spending that shows up in cloud usage                             | Toward Avoid |
| A further sustained rise in long-term yields alongside more Fed tightening                                | Toward Avoid |
| Heavy insider disposals continuing through the next quarter                                               | Toward Avoid |

## 10. Scenarios

| Case     | Probability | Outlook                                                                                                              | 2028 EPS x multiple | Fair value |
|----------|-------------|----------------------------------------------------------------------------------------------------------------------|---------------------|------------|
| Bull     | 25%         | Q3 beats the guide top and the AI-account drag fades; 2027 revenue about \$5.7bn (+28%); AI products add to attach   | \$4.10 x 80         | \$328.00   |
| Base     | 55%         | Consensus path: 2027 revenue about \$5.5bn (+23%); margins edge up; the AI account stabilises                        | \$3.75 x 66         | \$247.50   |
| Bear     | 20%         | AI-native usage cuts spread; growth slows to the high teens; 2027 revenue about \$5.2bn; multiple falls toward peers | \$3.30 x 45         | \$148.50   |
| Weighted | 100%        |                                                                                                                      |                     | \$247.82   |

Fair value = scenario 2028 EPS x multiple; weighted by probability. Bull +23%, base -7.0%, bear -44% from \$266.25.

The bull case needs the third quarter to confirm that acceleration outlasts the AI-account headwind; rising broker estimates support it, and the price already discounts part of it. The base case is the consensus path. The bear case carries a fifth of the weight because the company has net cash and a diversified customer base, but the multiple leaves little cushion if AI spending slows.

## 11. Technical read

Chart as of 15 October 2026 close.

Verdict: Watchlist, from fundamentals. **Technical read (chart only): Conflicts.** The chart is in an uptrend: price is above a rising 50-day average and has not closed under the 200-day in the last ten sessions. On a Watchlist name that means the chart is stronger than the valuation case; watch closely without changing the rating. A hold of the 50-day near \$247 would keep the uptrend intact, while a close below the 20-session low of \$226.83 would be the first sign of a pullback toward the \$210 area.

| Indicator                   | Value                                                                           | Price vs indicator            |
|-----------------------------|---------------------------------------------------------------------------------|-------------------------------|
| 20-day SMA / EMA            | \$268.15 / \$267.35                                                             | -0.7% / -0.4%                 |
| 50-day SMA / EMA            | \$246.74 / \$254.03                                                             | +7.9% / +4.8%                 |
| 100-day SMA / EMA           | \$247.73 / \$237.14                                                             | +7.5% / +12.3%                |
| 200-day SMA / EMA           | \$191.07 / \$209.75                                                             | +39.3% / +26.9%               |
| RSI (14)                    | 52.1                                                                            | Neutral                       |
| MACD (12,26,9)              | 9.57 vs signal 10.57                                                            | Histogram -1.00, below signal |
| ATR (14)                    | \$12.29                                                                         | 4.6% of price                 |
| Volume, 20 / 50-day average | 3.0m / 3.9m                                                                     | Participation fading          |
| Support                     | \$246.74 (50-day); \$226.83 (20-session low); \$209.23 (60-session closing low) | Then the 200-day              |
| Resistance                  | \$300.68 (52-week high, 12 Oct)                                                 |                               |
| 100-session / 52-week range | \$203.24-\$300.68 / \$98.01-\$300.68                                            |                               |

Daily OHLCV to 15 Oct 2026, raw closes; distances measured against the 15 Oct closing price.

The Technical read looks only at the price chart. It does not change the verdict or the Investment Score, and only guides entry timing.

## 12. Final verdict

Would a disciplined investor buy Datadog with their own money today? Not at \$266.25. The business is excellent, growth accelerated in the last reported quarter, and the balance sheet is strong. The single biggest concern is price: the shares have run ahead of a base-case value of \$247.50 on sector momentum and target increases, not on new company information, and a 10-year yield above 5% makes a 71-times 2028 multiple harder to defend. What must change is the price, or the evidence: near \$210, or after a third quarter that clearly beats the guide and shows the AI-account drag fading, the case for buying would be much stronger. No High company development was found in the period.

## Sources

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Broker actions (Mizuho, Barclays, RBC, Jefferies, FBN) and Form 4 / Rule 144 notices, 14 Sep-15 Oct 2026, via moomoo news, notices and research channels

Institutional positioning: quarterly 13F read, Q2 2026, filings through 19 Aug 2026

Price of record: Alpha Vantage GLOBAL\_QUOTE, 15 Oct 2026 close; daily OHLCV: Twelve Data

Macro: Beating The Bull economic data posts, 13-16 Oct 2026

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