



FEATURED OPTIONS RADAR REPORT



Size Call Flows into Software Earnings Drift Candidate after Blowout Quarter

Ticker/Price: DDOG (\$125)

Analysis:

Datadog (DDOG) a top Tech winner on earnings this quarter and shares pulled back on Tuesday and more than 8000 September \$130 calls bought into the weakness \$5.25 to \$5.40, large position, while the 5000 August \$112 calls bought on 7/30 continue to hold in OI and the 1350 Jan. 2023 \$105 calls bought on 5/5. DDOG cleared the February 2021 highs last week and this week putting in an inside week, likely to see further earnings drift with the 138.2% extension target up to \$138.25. DDOG is also moving out of a \$75/\$110 sideways range that measures to \$145. DDOG is the monitoring and analytics platform for developers, IT operations teams and business users in the cloud age. The platform integrates and automates infrastructure monitoring, application performance monitoring, log management and security monitoring to provide unified, real-time observability of customers' entire technology stack. According to Gartner, the IT Operations Management market represents a \$44 billion opportunity in 2024. DDOG has been expanding its offerings and building out its platform while having key partnerships with Azure and Google Cloud. DDOG currently has a market cap of \$40B and trades at a premium valuation of 41X FY21 EV/Sales with revenues seen rising 53.6% in 2021 and 37% in 2022 after 83% and 66% growth the prior two years. On its latest earnings call DDOG highlighted the hyper growth of its new products with strength in the APM suite, log management, and strong uptake to the start of its cloud security platform while it continues to utilize AI/ML capabilities. Emerging products are scaling and contributing meaningfully to growth with APM/RUM/Log/Synthetic Monitoring reaching \$400M+ of ARR (~100% Y/Y growth). Customers continue to increase adoption across its platform, 75% of customers using 2+ products vs 68% last year and 28% of customers using 4+ products vs 14% last year, while it also accelerated new logo adoption. Analysts have an average target of \$140 and short interest is 8% of the float. Truist raised its target to \$150 last week seeing a long runway for durable growth with observability a key beneficiary of the digital transformation acceleration. MSCO raised its target to \$150 seeing the growth and margin outlook conservative. Barclays raised its target to \$156 as it fires on all cylinders and takes advantage of accelerating cloud adoption. Citi raised its target to \$188 on the growth reacceleration. Hedge Fund ownership jumped 10% last quarter, D1 Capital adding to its position while Lone Pine reduced.

Hawk Vision:



Hawk's Perspective: DDOG has always been a favorite high-growth Tech name and its premium multiple is warranted as it remains in the early stages of a durable growth cycle with digital transformation tailwinds.

Confidence Ranking: \$\$