Datadog solidifies expansion aspirations with Logmatic.io buy

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In only its second deal since founding in 2010, Datadog has scooped up small Paris-based log analytics vendor Logmatic.io. Following its expansion into APM earlier this year, Datadog has ambitions to replace competitive products and serve as a central tool that organizations can use for application monitoring and troubleshooting.

**THE 451 TAKE**

Datadog has leapt right into the middle of the debate around logs vs. metrics with its acquisition of little-known Logmatic.io. While most businesses we speak with understand that there are benefits to both logs and metrics when it comes to performance management, we’ve been hearing some vendors try to position one or the other as the only type necessary. We think users will continue to employ both logs and metrics, putting Datadog in a position to correlate metrics and logs in a way that can serve both monitoring and troubleshooting use cases. We expect that Datadog will have some work to do ensuring that Logmatic.io’s capabilities can meet the needs of large and enterprise customers. Once it builds out those features, it will be a step ahead of its monitoring competitors, most of which have integrations with log vendors rather than their own full-featured log offering. However, the move also opens up new competitive fronts for Datadog, namely with log vendors Splunk and Sumo Logic, which already combine logs and metrics in advanced analytics tools.

**DEAL DETAILS**

Datadog isn’t disclosing terms of the deal, which closed in March. (The company decided to hold off on announcing the acquisition until it was prepared to offer a private beta.) At the time of the deal, Logmatic.io had 20 employees and ‘hundreds’ of customers. Logmatic.io raised $1m in March 2015 from French VCs, and was in the process of raising a series A when it was acquired.

**DEAL RATIONALE**

With the addition of APM capabilities earlier this year, Datadog is planning for horizontal expansion, with the goal of serving as a primary monitoring platform for customers. The Logmatic.io deal sets Datadog apart in that, so far, few other monitoring vendors have added full log analytics under one roof (although the reverse has happened, with two leading log management vendors also doing metric analytics).

Datadog plans to integrate Logmatic.io with its offering such that when users see, for instance, a spike in CPU usage, they will be able to follow a link to examine the logs related to that spike for troubleshooting purposes. Additionally, Logmatic.io is working on technology that would allow users to set up a log query that will consistently convert certain logs into metrics, displaying a graph that the user wants to view regularly. The method allows Datadog to offer users analytics derived from logs without requiring it to store all logs for long periods of time, which becomes costly.

The integration of infrastructure monitoring, APM and log management from one vendor offers a few benefits, including that described above around linking monitoring data with logs to aid in troubleshooting. Additionally, some organizations find benefits to sharing a single tool across teams, including DevOps and IT ops, which can foster better collaboration when incidents occur. Finally, organizations reduce some management and billing overhead by consolidating to one tool.

Despite those benefits, we continue to hear from some businesses that prefer to choose best-of-breed tools, even if they come from different providers. Datadog acknowledges this, and has pledged to continue to support the integrations that it has with third-party tools, even when they compete with its own offerings. For instance, it integrates with New Relic, Splunk and Sumo Logic – vendors that it also now competes with. We think that a set of Datadog customers will be pleased to hear that the integrations will continue to be supported, but we suspect that Datadog’s relationships with the third-party vendors may become strained, which could ultimately impact the depth of the integrations.
Datadog expects the log capabilities to become generally available early in 2018, with some of the capabilities discussed here still in development. It says that it will likely offer limited access to logs for all customers as a way of demonstrating the benefits.

**Target Profile**

Founded in 2014 and based in Paris, most of Logmatic.io's customers are in Europe, with about 25% in the US. Its mission was to develop an easy-to-use cloud-based log management service targeted at developers and DevOps users, with the service designed around their troubleshooting needs. It built its UI to be easily accessible to these users, as opposed to other log management products that often require expertise to use. Logmatic.io had begun collecting some metrics alongside logs, but hadn't yet developed technology that could scale its metrics collection. The tie-up with Datadog solved this problem.

**Acquirer Profile**

Datadog was founded in 2010 and has headquarters in New York. It has raised $147.9m in venture capital since inception. Logmatic.io is only its second acquisition, following Mortar Data in 2015. It claims roughly 6,000 paying customers.

Datadog started out as an infrastructure monitoring service, establishing a reputation for its broad coverage of infrastructure components and for quickly supporting cutting-edge technologies as they emerge. Even before it added its own APM capabilities, Datadog had begun to be viewed by customers as a central tool for collecting and analyzing all IT operations data.

**Competition**

Datadog's most significant competitors for a combined log and metric service will come from log vendors, namely Splunk and Sumo Logic, both of which already have offerings that correlate logs and metrics. Splunk's IT Service Intelligence product displays performance information and correlates logs that indicate where a problem is impacting performance, for a sophisticated service that does much of what Datadog is planning with its Logmatic.io integration. Additionally, Splunk offers a New Relic add-on that pulls app performance data into Splunk. Similarly, New Relic users can ingest Splunk events into New Relic Insights.

Sumo Logic was designed from the start to ingest and analyze both logs and metrics. It offers a service that's similar to what Datadog envisions, displaying metric graphs that show where problems are and then allowing users to drill into logs for more detail.

From the perspective of monitoring vendors that traditionally compete directly with Datadog's APM or infrastructure monitoring services, most are incorporating logs via integrations with log providers. For instance, Dynatrace has a Splunk App. AppDynamics has a lightweight log analytics tools and a basic Splunk integration. SolarWinds has log management and monitoring through its acquisitions of Papertrail, Librato and TraceView. Those products have only basic integrations, although Librato users can click a button to launch Papertrail to see logs relevant to the graph in Librato, much the same way that Datadog plans to integrate with Logmatic.io.

As an independent vendor, Logmatic.io reports that it competes with Loggly, Logentries and Logz.io. More broadly, Datadog competes with legacy vendors such as CA, IBM and BMC; APM vendors that have expanded into infrastructure monitoring, including Dynatrace, AppDynamics and New Relic; and new entrants that are targeting cutting-edge container and microservices environments, such as Instana, Outlyer and CoScale.

**Acquirer**

Datadog

**Target**

Logmatic.io

**Subsector**

Log analytics

**Deal Value**

Not disclosed

**Date Announced**

September 7, 2017

**Closing Date**

March 2017

**Advisers**

None disclosed