Q3 FY 2016 Results

MAY 5, 2016

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This presentation contains forward-looking statements under the Private Securities Litigation Reform Act of 1995, which statements involve substantial risks and uncertainties. Forward-looking statements include all statements that are not historical facts and, in some cases, can be identified by terms such as “may,” “will,” “should,” “might,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential,” or “continue” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. Forward-looking statements contained in this presentation include our financial targets such as revenue, share count and IFRS and non-IFRS financial measures including gross margin, operating margin and net income per diluted share.

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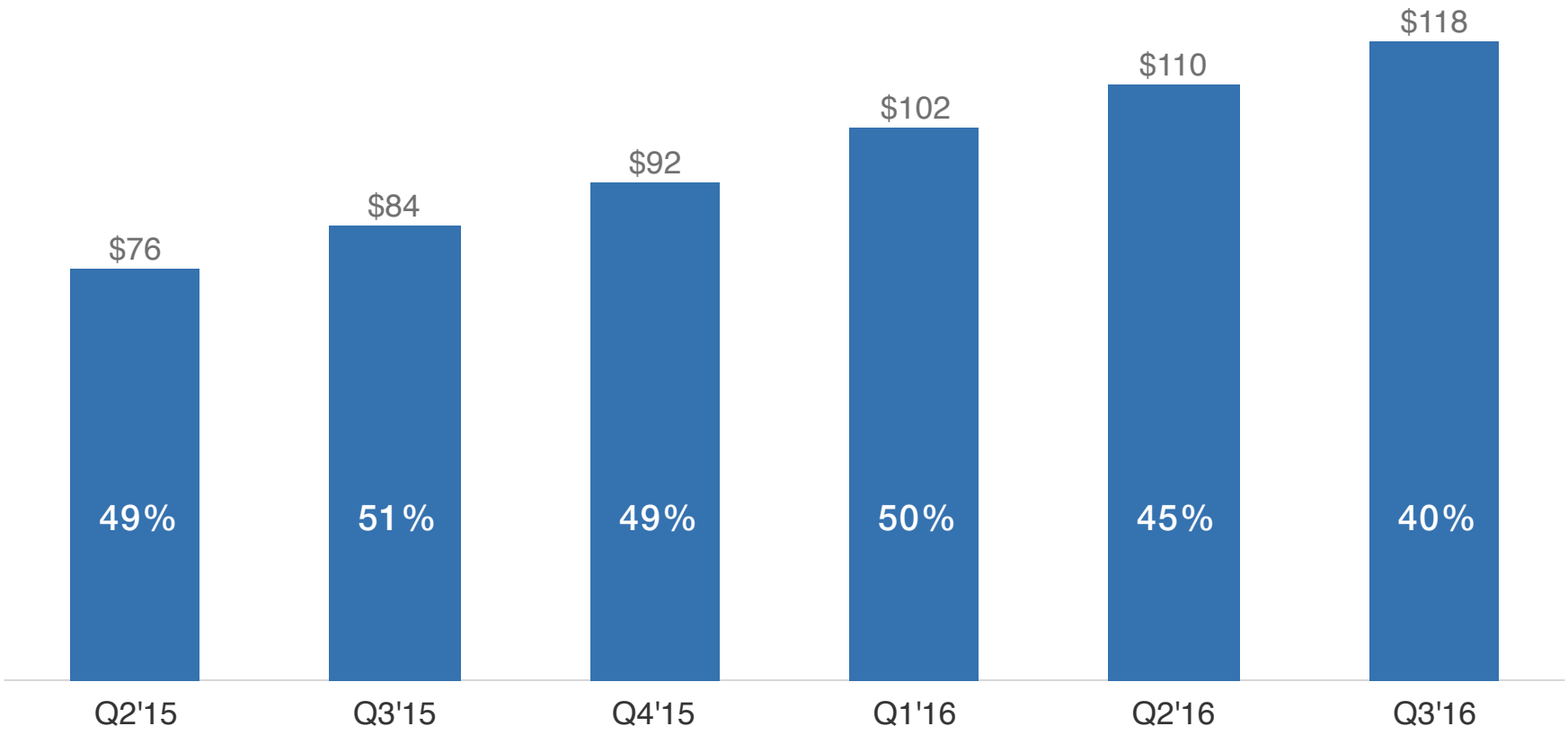
This presentation includes certain non-IFRS financial measures. These non-IFRS financial measures are in addition to, and not as a substitute for or superior to measures of financial performance prepared in accordance with IFRS. There are a number of limitations related to the use of these non-IFRS financial measures versus their nearest IFRS equivalents. For example, other companies may calculate non-IFRS financial measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of our non-IFRS financial measures as tools for comparison. We have provided a reconciliation of those measures to the most directly comparable IFRS measures, which is available in the appendix.

Further information on these and other factors that could affect Atlassian’s financial results is included in filings it makes with the Securities and Exchange Commission from time to time, including the section titled “Risk Factors” in the company’s Form F-1 previously filed with the SEC and its Form 6-K report filed with the SEC on February 10, 2016. These documents are available on the SEC Filings section of the Investor Relations section of Atlassian's website at: http://investors.atlassian.com.

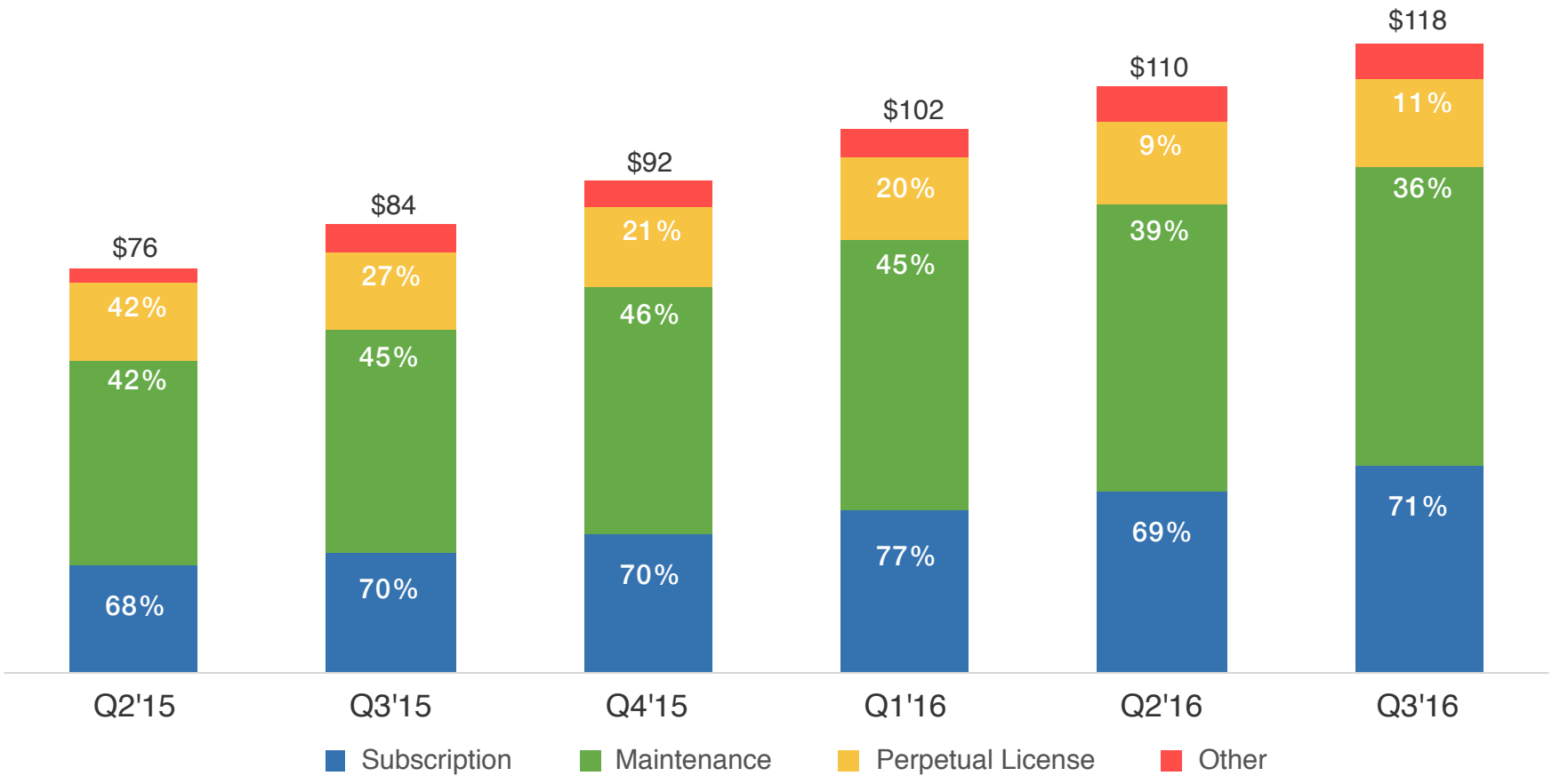
Revenue

USD millions (Y/Y growth rate in %)

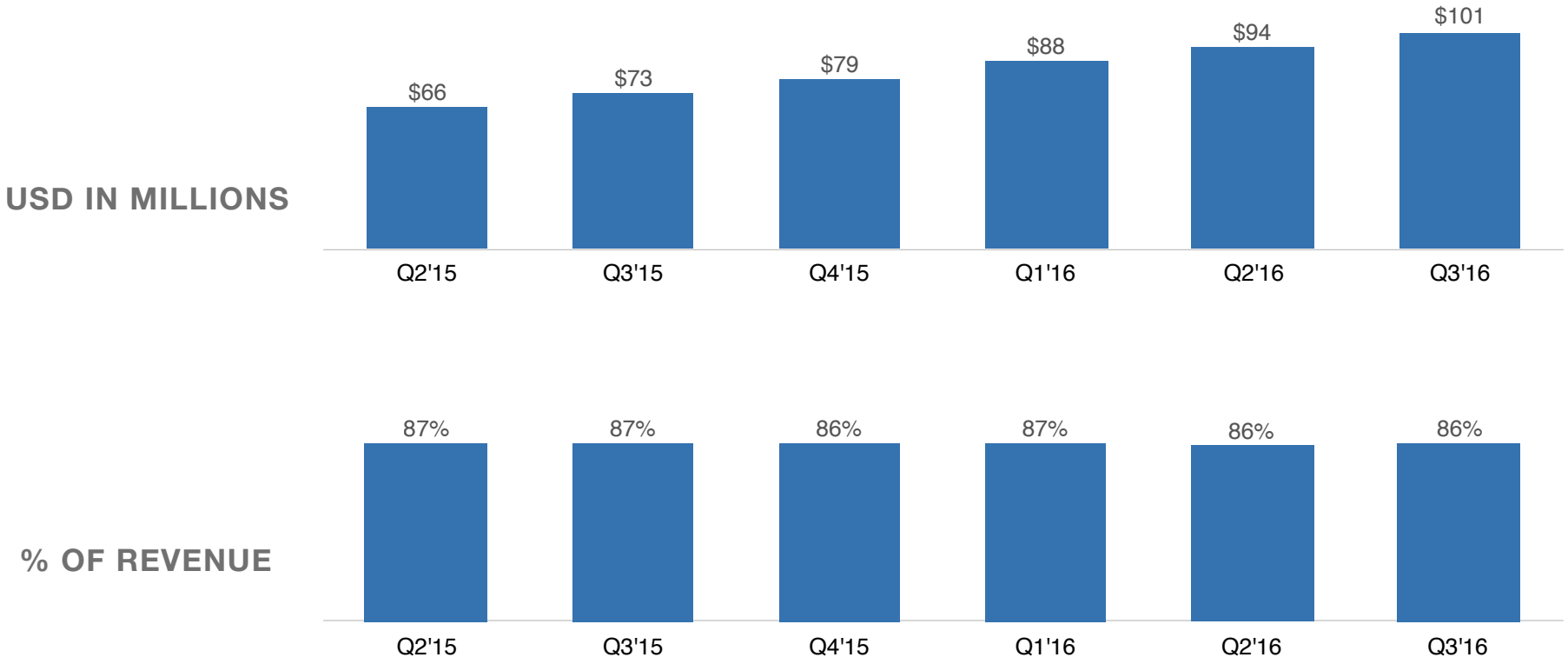


Revenue by type

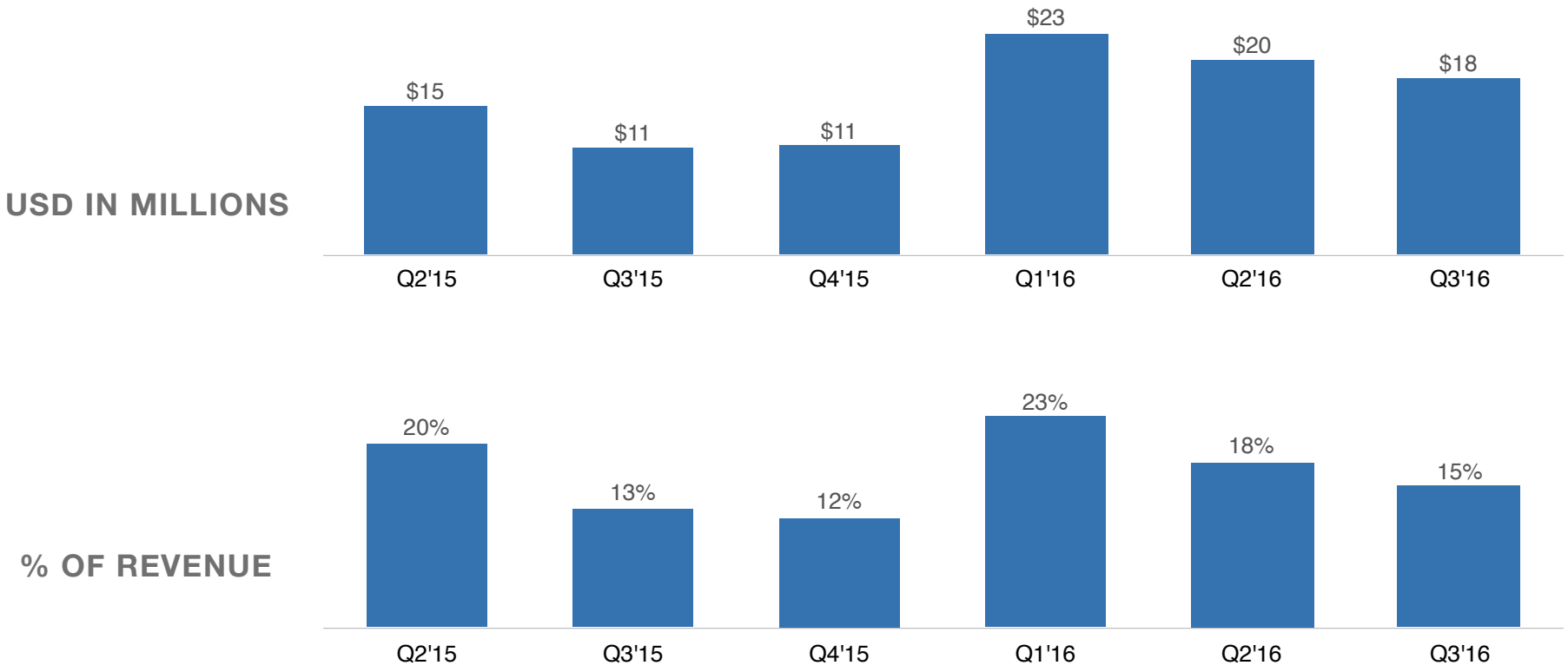
USD millions (Y/Y growth rate in %)



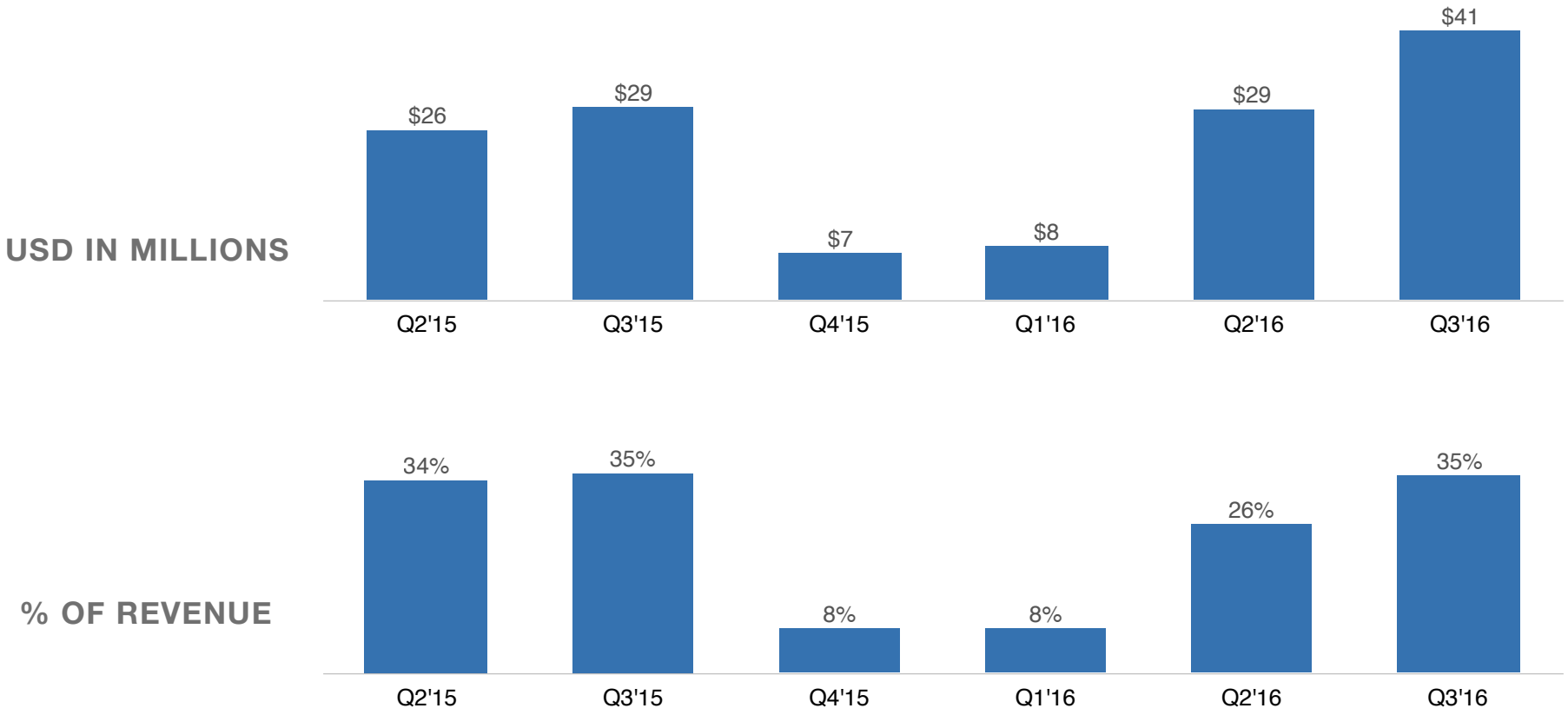
Non-IFRS gross profit



Non-IFRS operating income



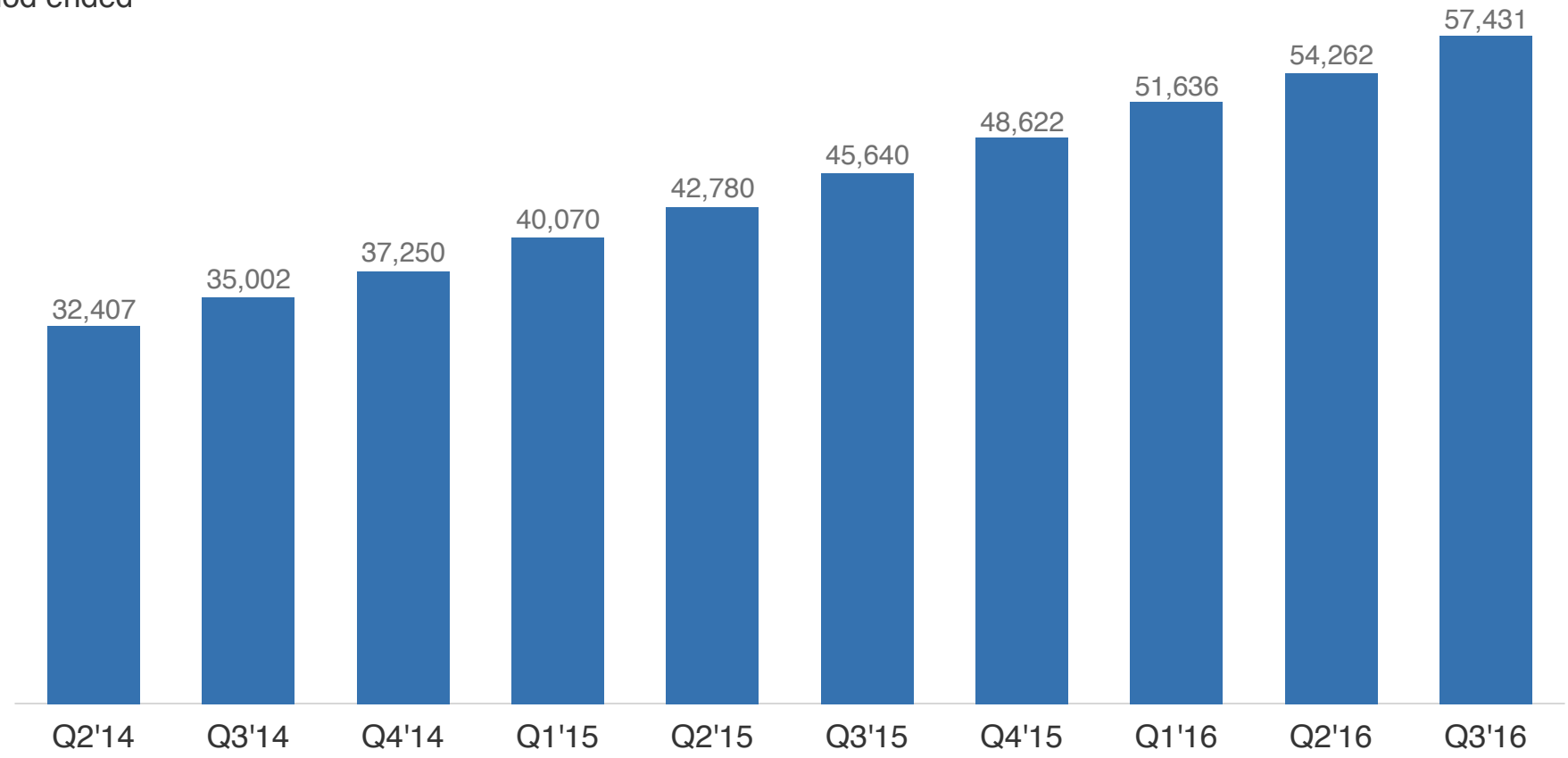
Free cash flow



Note: Free cash flow is defined as cash flow from operations less capital expenditures.

Customers

Period ended



Financial targets - Q4 FY 2016

- **Revenue:** $123 million to $125 million
- **Gross margin:** 82% (IFRS) / 85% (non-IFRS)
- **Operating margin:** -13% (IFRS) / 10% (non-IFRS)
- **Weighted-average diluted shares outstanding:** 231 million to 233 million
- **Net income (loss) per diluted share:** ($0.05) (IFRS) / $0.05 (non-IFRS)

Note: Financial targets provided as of May 5, 2016. All numbers are approximate.

Financial targets - FY 2016

- **Revenue:** $452 million to $454 million
- **Gross margin:** 83% (IFRS) / 86% (non-IFRS)
- **Operating margin:** -2% (IFRS) / 16% (non-IFRS)
- **Weighted-average diluted shares outstanding:** 201 million to 203 million
- **Net income (loss) per diluted share:** ($0.01) IFRS) / $0.33 (non-IFRS)
- **Free cash flow:** $87 million to $90 million

Note: Financial targets provided as of May 5, 2016. All numbers are approximate.

Appendix

Metrics (1 of 3)

	Description	FY2014	Q1 FY15	Q2 FY15	Q3 FY15	Q4 FY15	FY2015	Q1 FY16	Q2 FY16	Q3 FY16
Revenue by Type ($ in thousands)	Subscription	51,007	17,176	20,083	22,609	26,023	85,891	30,467	33,911	38,691
	Maintenance	112,134	34,752	38,451	41,276	45,894	160,373	50,354	53,508	56,178
	Perpetual license	44,186	12,917	14,321	14,823	15,312	57,373	15,501	15,645	16,430
	Other	7,782	3,077	2,971	5,255	4,581	15,884	5,500	6,642	6,643
	Total revenues	**215,109**	**67,922**	**75,826**	**83,963**	**91,810**	**319,521**	**101,822**	**109,706**	**117,942**
Revenue Growth Rates (% Y/Y)	Subscription	77%	65%	68%	70%	70%	68%	77%	69%	71%
	Maintenance	34%	38%	42%	45%	46%	43%	45%	39%	36%
	Perpetual license	35%	33%	42%	27%	21%	30%	20%	9%	11%
	Other	162%	90%	67%	146%	104%	104%	79%	124%	26%
	Total revenues	**45%**	**45%**	**49%**	**51%**	**49%**	**49%**	**50%**	**45%**	**40%**
IFRS Results ($ in thousands)	Total revenues	215,109	67,922	75,826	83,963	91,810	319,521	101,822	109,706	117,942
	Cost of revenues	37,986	11,846	12,354	13,468	15,264	52,932	16,420	18,473	19,764
	Gross profit	177,123	56,076	63,472	70,495	76,546	266,589	85,402	91,233	98,178
	Research and development	78,640	29,225	31,543	36,910	43,175	140,853	45,460	47,846	54,170
	Marketing and sales	34,968	11,997	16,988	19,773	19,231	67,989	16,262	21,713	24,436
	General and administrative	40,814	12,420	10,821	15,310	17,482	56,033	16,602	18,307	24,507
	Operating expenses	154,422	53,642	59,352	71,993	79,888	264,875	78,324	87,866	103,113
	Operating income (loss)	22,701	2,434	4,120	(1,498)	(3,342)	1,714	7,078	3,367	(4,935)
	Income tax benefit (expense)	(3,246)	2,311	1,734	2,127	1,352	7,524	(1,431)	1,805	3,111
	Net income (loss)	**18,982**	**3,583**	**5,011**	**(648)**	**(1,171)**	**6,775**	**5,082**	**5,065**	**(1,072)**
Share-Based Payment Expense ($ in thousands)	Cost of revenues	625	452	739	784	887	2,862	1,206	1,301	1,258
	Research and development	5,120	4,632	6,181	5,585	6,444	22,842	5,921	7,777	9,495
	Marketing and sales	2,068	1,142	1,784	1,775	1,969	6,670	2,742	3,064	2,754
	General and administrative	3,551	1,700	953	2,887	3,620	9,160	4,227	2,910	7,739
	Total share-based payment expense	**11,364**	**7,926**	**9,657**	**11,031**	**12,920**	**41,534**	**14,096**	**15,052**	**21,246**
IFRS to Non-IFRS Reconciliation: Cost of Revenues ($ in thousands)	**Cost of revenues**	**37,986**	**11,846**	**12,354**	**13,468**	**15,264**	**52,932**	**16,420**	**18,473**	**19,764**
	Less: Share-based payment expense	625	452	739	784	887	2,862	1,206	1,301	1,258
	Less: Amortization of acquired intangibles	7,591	1,622	1,529	1,529	1,737	6,417	1,745	1,830	1,921
	Non-IFRS cost of revenues	**29,770**	**9,772**	**10,086**	**11,155**	**12,640**	**43,653**	**13,469**	**15,342**	**16,585**
	% of total revenues	14%	14%	13%	13%	14%	14%	13%	14%	14%
IFRS to Non-IFRS Reconciliation: Research and Development ($ in thousands)	**Research and development**	**78,640**	**29,225**	**31,543**	**36,910**	**43,175**	**140,853**	**45,460**	**47,846**	**54,170**
	Less: Share-based payment expense	5,120	4,632	6,181	5,585	6,444	22,842	5,921	7,777	9,495
	Non-IFRS research and development	**73,520**	**24,593**	**25,362**	**31,325**	**36,731**	**118,011**	**39,539**	**40,069**	**44,675**
	% of total revenues	34%	36%	33%	37%	40%	37%	39%	37%	38%
IFRS to Non-IFRS Reconciliation: Marketing and Sales ($ in thousands)	**Marketing and sales**	**34,968**	**11,997**	**16,988**	**19,773**	**19,231**	**67,989**	**16,262**	**21,713**	**24,436**
	Less: Share-based payment expense	2,068	1,142	1,784	1,775	1,969	6,670	2,742	3,064	2,754
	Less: Amortization of acquired intangibles	98	8	8	8	16	40	21	22	22
	Non-IFRS marketing and sales	**32,802**	**10,847**	**15,196**	**17,990**	**17,246**	**61,279**	**13,499**	**18,627**	**21,660**
	% of total revenues	15%	16%	20%	21%	19%	19%	13%	17%	18%
IFRS to Non-IFRS Reconciliation: General and Administrative ($ in thousands)	**General and administrative**	**40,814**	**12,420**	**10,821**	**15,310**	**17,482**	**56,033**	**16,602**	**18,307**	**24,507**
	Less: Share-based payment expense	3,551	1,700	953	2,887	3,620	9,160	4,227	2,910	7,739
	Non-IFRS general and administrative	**37,263**	**10,720**	**9,868**	**12,423**	**13,862**	**46,873**	**12,375**	**15,397**	**16,768**
	% of total revenues	17%	16%	13%	15%	15%	15%	12%	14%	14%

Metrics (2 of 3)

	Description	FY2014	Q1 FY15	Q2 FY15	Q3 FY15	Q4 FY15	FY2015	Q1 FY16	Q2 FY16	Q3 FY16
IFRS Operating Expenses Reconciled to Non-IFRS Operating Expenses ($ in thousands)	**IFRS operating expenses**	**154,422**	**53,642**	**59,352**	**71,993**	**79,888**	**264,875**	**78,324**	**87,866**	**103,113**
	Less: Share-based payment expense	10,739	7,474	8,918	10,247	12,033	38,672	12,890	13,751	19,988
	Less: Amortization of acquired intangibles	98	8	8	8	16	40	21	22	22
	Non-IFRS operating expenses	**143,585**	**46,160**	**50,426**	**61,738**	**67,839**	**226,163**	**65,413**	**74,093**	**83,103**
IFRS Gross Profit Reconciled to Non-IFRS Gross Profit ($ in thousands)	**IFRS gross profit**	**177,123**	**56,076**	**63,472**	**70,495**	**76,546**	**266,589**	**85,402**	**91,233**	**98,178**
	Plus: Share-based payment expense	625	452	739	784	887	2,862	1,206	1,301	1,258
	Plus: Amortization of acquired intangibles	7,591	1,622	1,529	1,529	1,737	6,417	1,745	1,830	1,921
	Non-IFRS gross profit	**185,339**	**58,150**	**65,740**	**72,808**	**79,170**	**275,868**	**88,353**	**94,364**	**101,357**
	Non-IFRS gross margin	86%	86%	87%	87%	86%	86%	87%	86%	86%
IFRS Operating Income (Loss) Reconciled to Non-IFRS Operating Income ($ in thousands)	**IFRS operating income (loss)**	**22,701**	**2,434**	**4,120**	**(1,498)**	**(3,342)**	**1,714**	**7,078**	**3,367**	**(4,935)**
	Plus: Share-based payment expense	11,364	7,926	9,657	11,031	12,920	41,534	14,096	15,052	21,246
	Plus: Amortization of acquired intangibles	7,689	1,630	1,537	1,537	1,753	6,457	1,766	1,852	1,943
	Non-IFRS operating income	**41,754**	**11,990**	**15,314**	**11,070**	**11,331**	**49,705**	**22,940**	**20,271**	**18,254**
	Non-IFRS operating margin	19%	18%	20%	13%	12%	16%	23%	18%	15%
IFRS Net Income (Loss) Reconciled to Non-IFRS Net Income ($ in thousands)	**IFRS net income (loss)**	**18,982**	**3,583**	**5,011**	**(648)**	**(1,171)**	**6,775**	**5,082**	**5,065**	**(1,072)**
	Plus: Share-based payment expense	11,364	7,926	9,657	11,031	12,920	41,534	14,096	15,052	21,246
	Plus: Amortization of acquired intangibles	7,689	1,630	1,537	1,537	1,753	6,457	1,766	1,852	1,943
	Less: Income tax effects and adjustments	(2,350)	(2,020)	(1,936)	(2,517)	(2,771)	(9,244)	(2,565)	(2,859)	(5,157)
	Non-IFRS net income	**35,685**	**11,119**	**14,269**	**9,403**	**10,731**	**45,522**	**18,379**	**19,110**	**16,960**
Net Cash Provided by Operating Activities Reconciled to Free Cash Flow ($ in thousands)	**Net cash provided by operating activities**	**75,280**	**9,654**	**34,487**	**33,303**	**20,777**	**98,221**	**14,404**	**31,899**	**48,244**
	Less: Purchases of property and equipment	(8,110)	(5,178)	(8,760)	(4,108)	(13,730)	(31,776)	(6,155)	(3,133)	(7,531)
	Less: Purchases of intangible assets	(2,149)	(900)	—	—	—	(900)	—	—	—
	Free cash flow	**65,021**	**3,576**	**25,727**	**29,195**	**7,047**	**65,545**	**8,249**	**28,766**	**40,713**
	% of total revenues	30%	5%	34%	35%	8%	21%	8%	26%	35%

Metrics (3 of 3)

	Description	FY2014	Q1 FY15	Q2 FY15	Q3 FY15	Q4 FY15	FY2015	Q1 FY16	Q2 FY16	Q3 FY16
Other Data (period ended)	Customers	37,250	40,070	42,780	45,640	48,622	48,622	51,636	54,262	57,431
	Full Time Equivalent Headcount	769	-	-	-	-	1,259	1,395	1,514	1,669

		FY2014	Q1 FY15	Q2 FY15	Q3 FY15	Q4 FY15	FY2015	Q1 FY16	Q2 FY16	Q3 FY16
Revenue by Geography ($ in thousands)	Americas	109,306	34,985	38,163	42,787	43,445	159,380	52,517	55,755	59,990
	EMEA	84,767	26,098	30,144	32,977	38,485	127,704	38,897	42,932	46,289
	Asia Pacific	21,036	6,839	7,519	8,199	9,880	32,437	10,408	11,019	11,663
	Total	**215,109**	**67,922**	**75,826**	**83,963**	**91,810**	**319,521**	**101,822**	**109,706**	**117,942**
Weighted-Average Shares Used in Computing Diluted EPS: IFRS to non-IFRS (in thousands)	IFRS diluted shares outstanding	143,602	145,488	145,493	144,008		145,500	145,513	165,730	212,920
	Dilution from options and RSUs	—	—	—	1,494		—	—	—	18,023
	Dilution from awards granted prior to IPO	16,893	17,264	16,877	18,335		17,573	17,209	14,046	—
	Non-IFRS diluted shares outstanding	**160,495**	**162,752**	**162,370**	**163,837**		**163,073**	**162,722**	**179,776**	**230,943**
Reconciliation of Diluted Earnings Per Share ($)	**IFRS diluted earnings per share**	**0.11**	**0.02**	**0.03**	**0.00**		**0.04**	**0.03**	**0.03**	**(0.01)**
	Plus: Share-based payment expense	0.07	0.05	0.06	0.07		0.26	0.09	0.09	0.09
	Plus: Amortization of acquired intangibles	0.05	0.01	0.01	0.01		0.04	0.01	0.01	0.01
	Less: Income tax effects and adjustments	(0.01)	(0.01)	(0.01)	(0.02)		(0.06)	(0.02)	(0.02)	(0.02)
	Non-IFRS diluted earnings per share	**0.22**	**0.07**	**0.09**	**0.06**		**0.28**	**0.11**	**0.11**	**0.07**

Note: We believe that for the purposes of our reported results and financial targets, the use of certain non-IFRS financial measures, including non-IFRS gross profit, non-IFRS operating income, non-IFRS net income, non-IFRS net income per diluted share and free cash flow is helpful to our investors. These measures, which we refer to as our non-IFRS financial measures, are not prepared in accordance with IFRS. Please see “About Non-IFRS Financial Measures” in our earnings press release for how we calculate our non-IFRS financial measures.

Our non-IFRS measures may not be comparable to similarly titled measures of other companies because other companies may not calculate these measures in the same manner as we do. We prepare these measures to eliminate the impact of items that we do not consider indicative of our core operating performance.

We include the effect of our outstanding share options and RSUs in weighted-average shares used in computing non-IFRS net income per diluted share. IFRS excludes the impact of the full weighting of these outstanding equity awards until the effectiveness of our initial public offering. We have presented the full weighting impact of these additional shares from previously granted share options and RSUs, as if they were outstanding from the date of grant, in order to provide investors with insight into the full impact of all potentially dilutive awards outstanding.

Reconciliation of selected non-IFRS financial targets

	3 MONTHS ENDED JUNE 30, 2016	12 MONTHS ENDED JUNE 30, 2016
Revenue	**$123 million to $125 million**	**$452 million to $454 million**
IFRS gross margin	**82%**	**83%**
Share-based payment expense	1%	1%
Amortization of acquired intangibles	2%	2%
Non-IFRS gross margin	**85%**	**86%**
IFRS operating margin	**(13%)**	**(2%)**
Share-based payment expense	21%	16%
Amortization of acquired intangibles	2%	2%
Non-IFRS operating margin	**10%**	**16%**
IFRS net loss per share - diluted	**($0.05)**	**($0.01)**
Share-based payment expense	$0.12	$0.38
Amortization of acquired intangibles	$0.01	$0.04
Income tax effects and adjustments	($0.03)	($0.08)
Non-IFRS net income per share - diluted	**$0.05**	**$0.33**
Weighted average shares used in computing diluted net income per share	**231 to 233 million**	**201 to 203 million**

Note: Financial targets provided as of May 5, 2016. All numbers are approximate.

Atlassian