ATLASSIAN

Q2 FY20 Results

January 23, 2020

Legal disclosure

This presentation contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, which statements involve substantial risks and uncertainties. All statements other than statements of historical fact could be deemed forward looking, including Atlassian's financial targets such as revenue, share count, and IFRS and non-IFRS financial measures including gross margin, operating margin, net income (loss) per diluted share and free cash flow.

Atlassian undertakes no obligation to update any forward-looking statements made in this presentation to reflect events or circumstances after the date of this presentation or to reflect new information or the occurrence of unanticipated events, except as required by law.

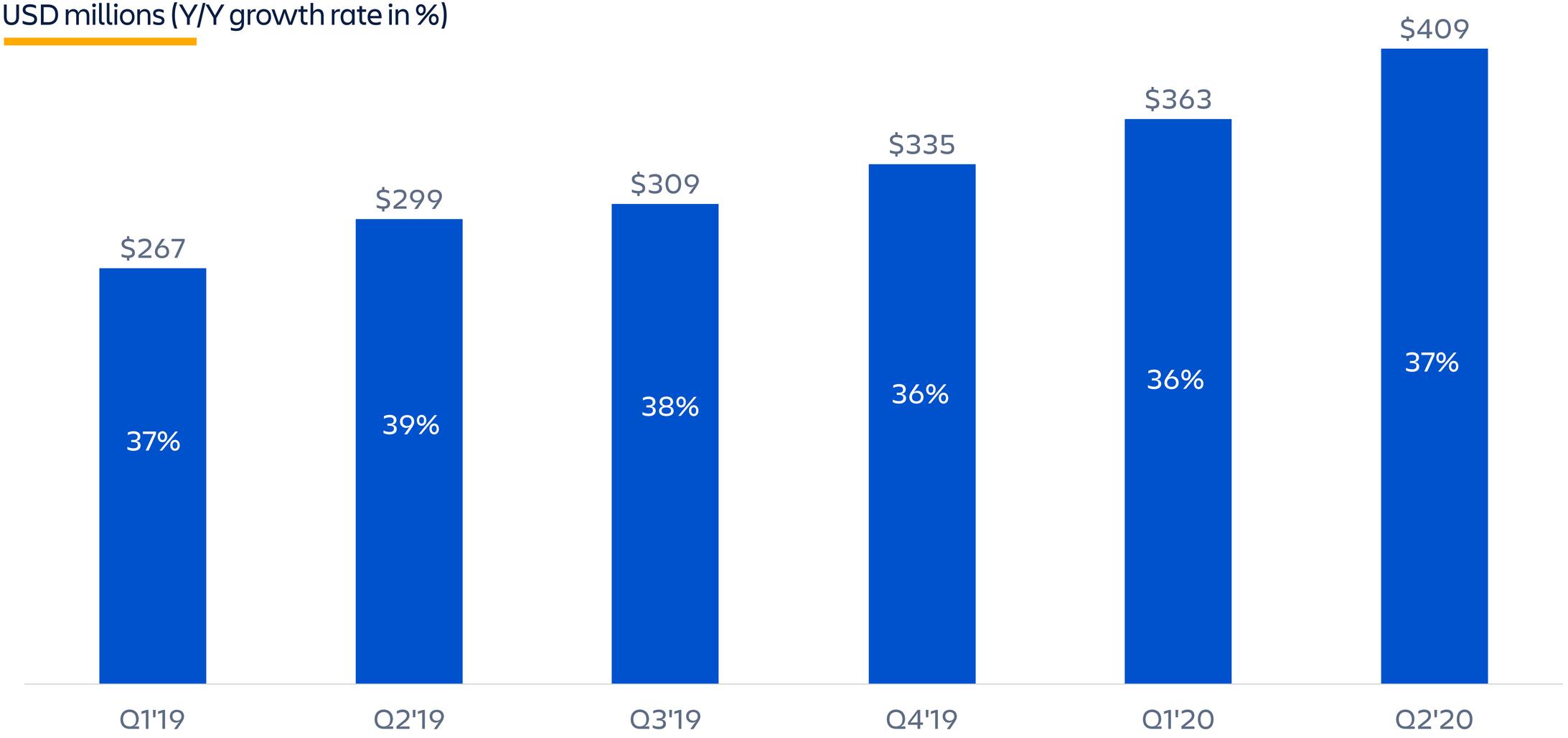
The achievement or success of the matters covered by such forward-looking statements involves known and unknown risks, uncertainties and assumptions. If any such risks or uncertainties materialize or if any of the assumptions prove incorrect, our results could differ materially from the results expressed or implied by the forward-looking statements we make. You should not rely upon forward-looking statements as predictions of future events. Forward-looking statements represent our management's beliefs and assumptions only as of the date such statements are made.

This presentation includes certain non-IFRS financial measures. These non-IFRS financial measures are in addition to, and not 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 our financial results is included in filings we make with the Securities and Exchange Commission from time to time, including the section titled "Risk Factors" in our most recent Forms 20-F and 6-K (reporting our quarterly results). These documents are available on the SEC Filings section of the Investor Relations section of our website at: https://investors.atlassian.com.

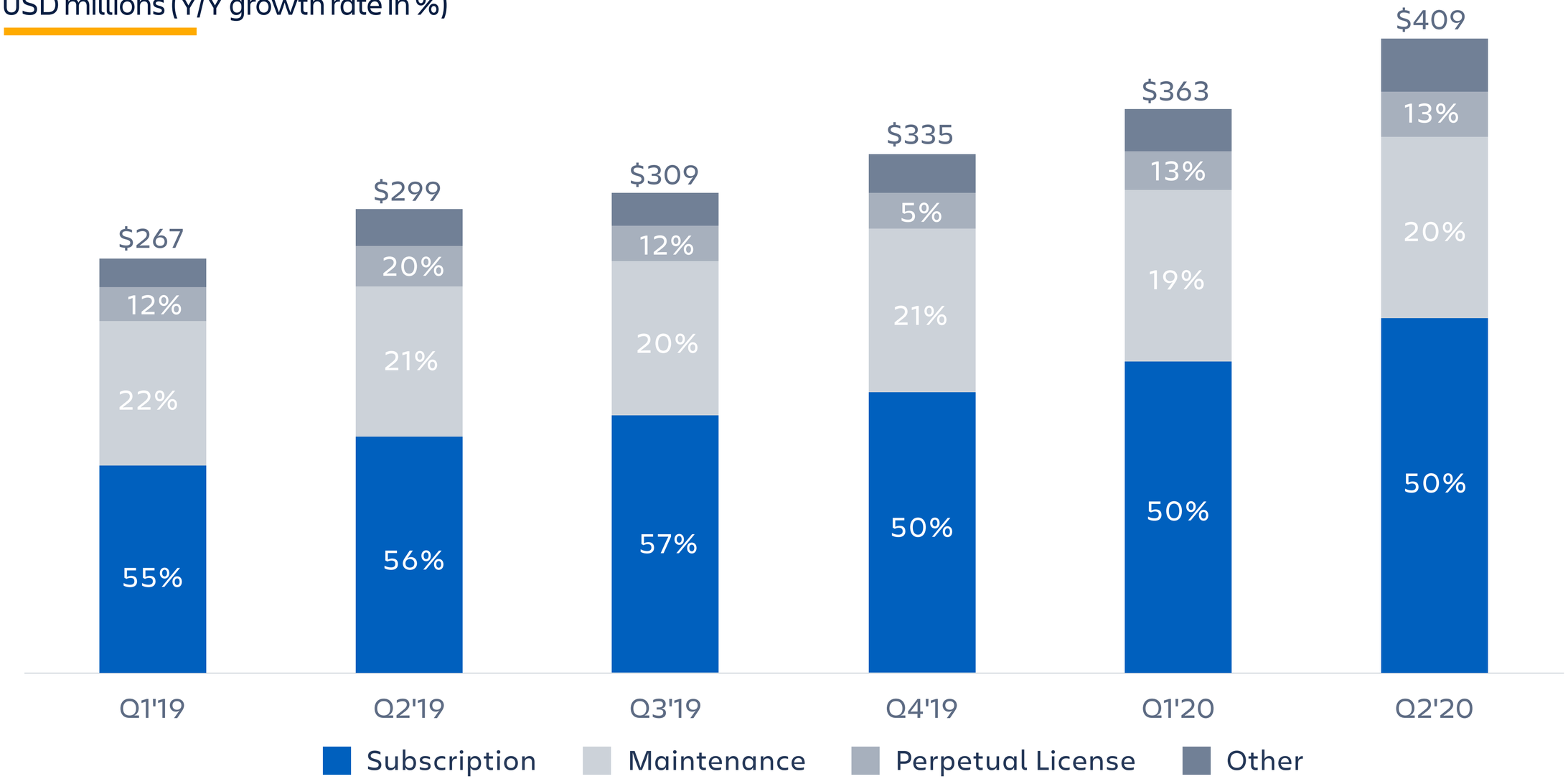
REVENUE

USD millions (Y/Y growth rate in %)



REVENUE BY TYPE

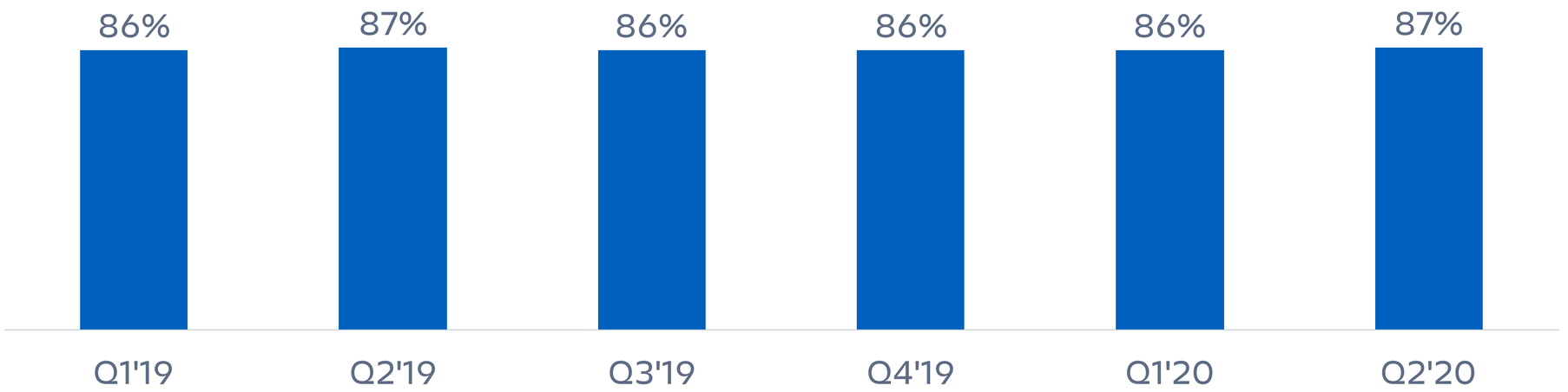
USD millions (Y/Y growth rate in %)



NON-IFRS GROSS PROFIT

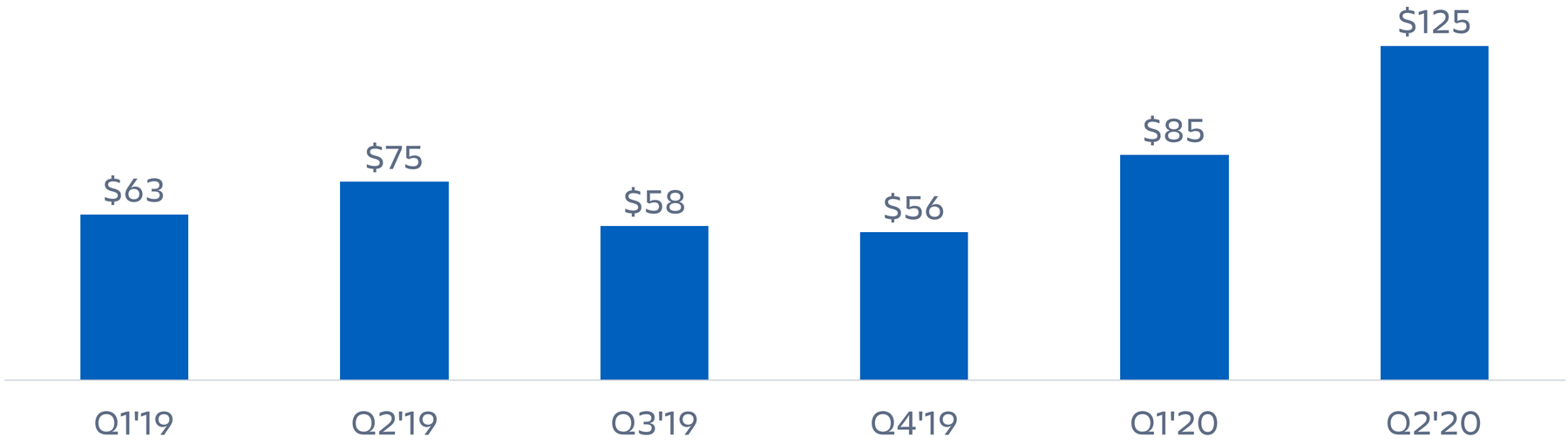
USD IN MILLIONS

% OF REVENUE

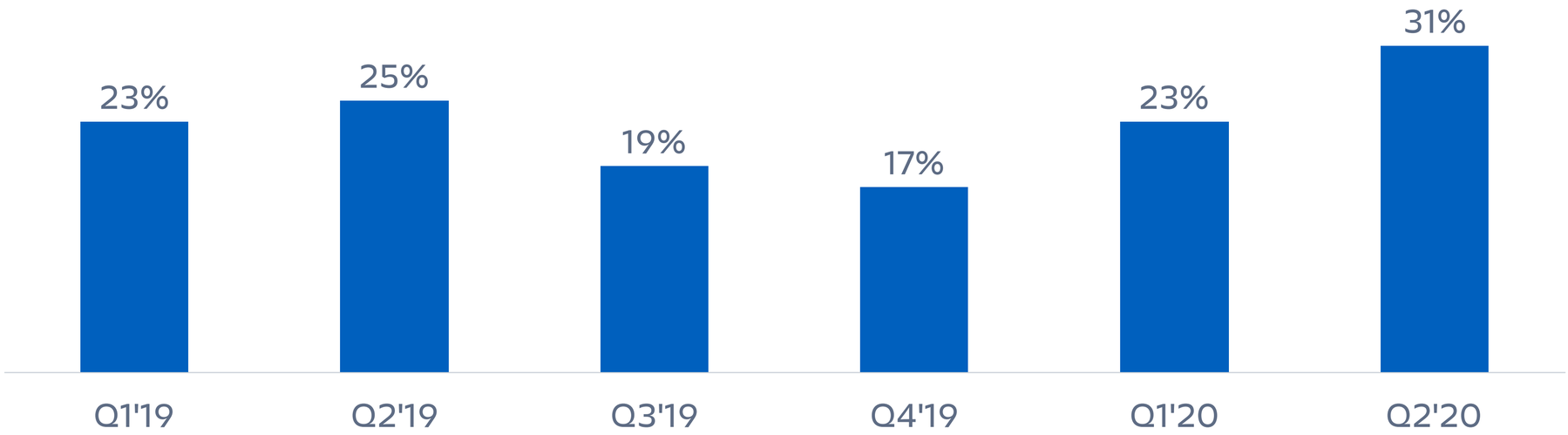


NON-IFRS OPERATING INCOME

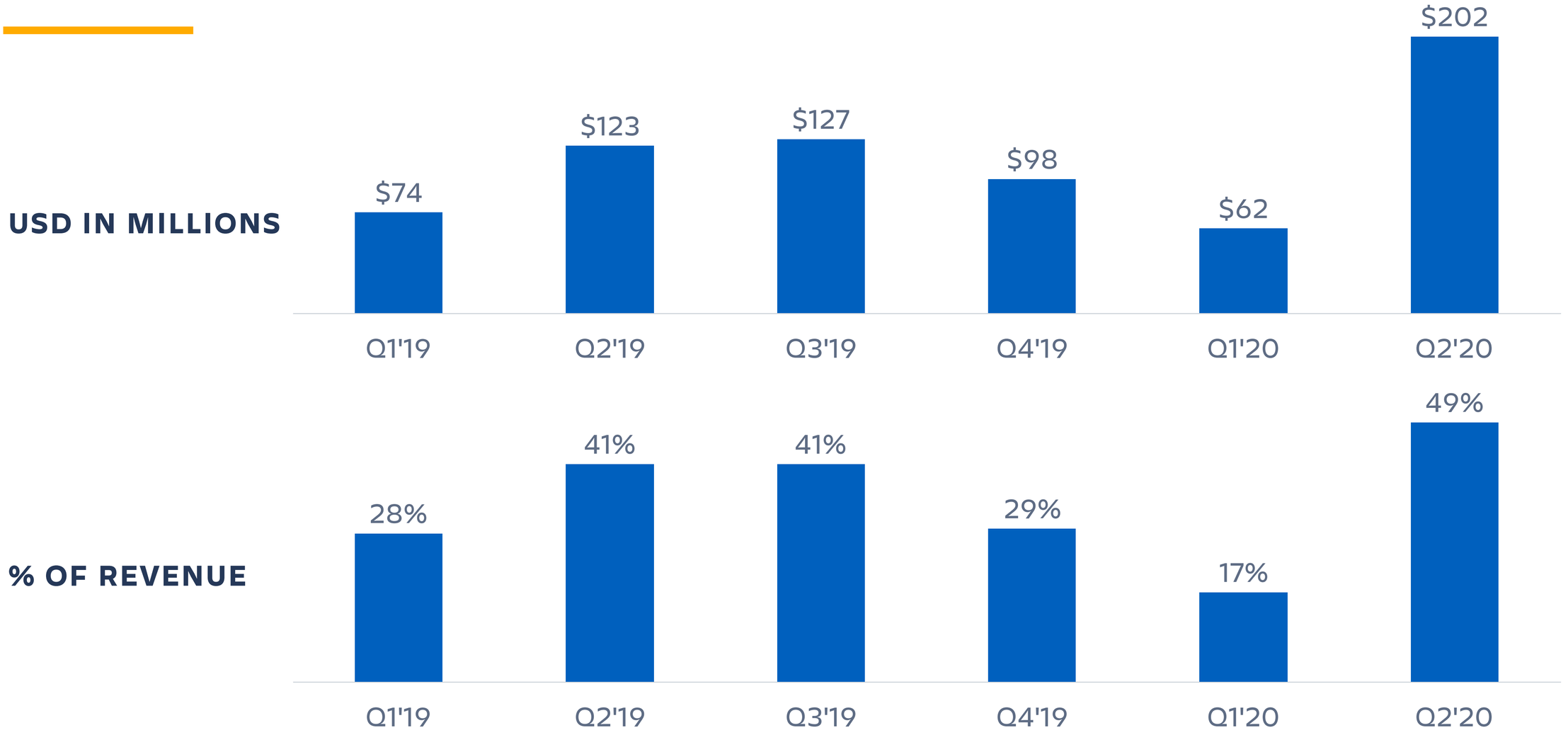
USD IN MILLIONS



% OF REVENUE



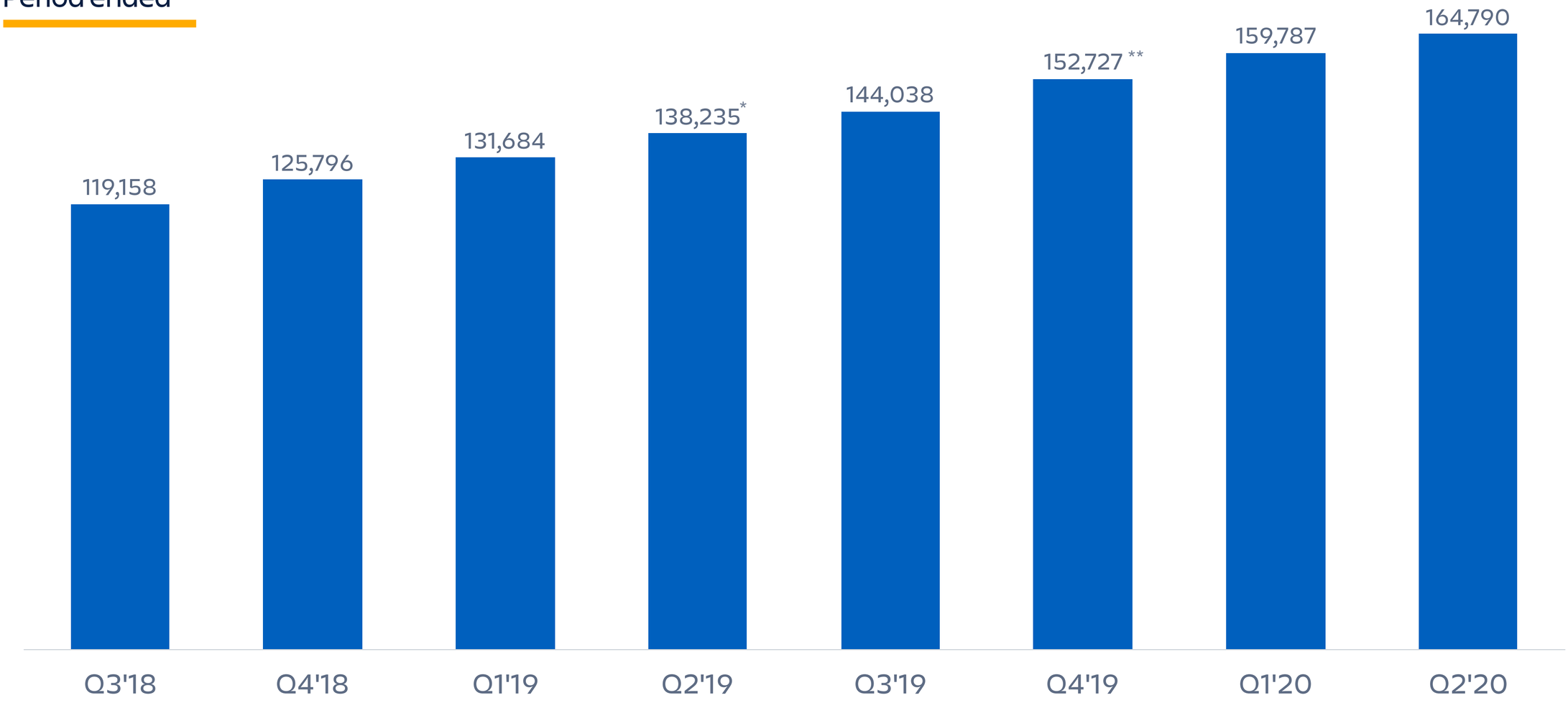
FREE CASH FLOW



Note: Free cash flow is defined as cash flow from operations less capital expenditures, which consists of purchases of property and equipment, and from fiscal 2020, with the application of IFRS 16, Leases, payments of lease obligations are also deducted.

CUSTOMERS

Period ended



*Includes an increase of 1,396 customers as a result of our acquisition of Opsgenie during Q2’19.
**Includes an increase of approximately 2,500 Trello customers as a result of the open board limits we introduced for Trello.

Customers: We define the number of customers at the end of any particular period as the number of organizations with unique domains that have at least one active and paid product license or subscription for which they paid approximately $10 or more per month.

FINANCIAL TARGETS - Q3'20 & FISCAL 2020

	IFRS	
	Three Months Ending March 31, 2020	**Fiscal Year Ending June 30, 2020**
Revenue	$395 to $399 million	$1,590 million to $1,600 million
Gross margin	82%	82.5% to 83%
Operating margin	(8%)	(2%) to (1%)
Net (loss) income per share - diluted	($0.19)	$0.48 to $0.54
Weighted-avg. shares used in computing diluted IFRS net (loss) income per share	244 million to 246 million	252 million to 253 million
Cash flow from operations	not provided	$535 million to $545 million

	Non-IFRS	
	Three Months Ending March 31, 2020	**Fiscal Year Ending June 30, 2020**
Gross margin	85%	85.5% to 86%
Operating margin	16%	21% to 22%
Net income per share - diluted	$0.20	$1.03 to $1.09
Weighted-avg. shares used in computing diluted non-IFRS net income per share	251 million to 253 million	252 million to 253 million
Free cash flow	not provided	$475 million to $485 million

Note: Financial targets provided as of January 23, 2020. All numbers are approximate.

Appendix

ATLASSIAN
Investor Relations Data Sheet

	Description	Q1 FY18	Q2 FY18	Q3 FY18	Q4 FY18	FY2018	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19	FY2019	Q1 FY20	Q2 FY20
Revenue by Type ($ in thousands)	Subscription	86,391	97,704	106,295	120,304	410,694	134,065	152,500	166,468	180,917	633,950	201,095	228,684
	Maintenance	76,219	80,489	82,212	87,591	326,511	92,736	97,161	98,862	105,767	394,526	110,071	116,877
	Perpetual license	19,448	21,444	20,581	21,698	83,171	21,839	25,778	23,152	22,824	93,593	24,744	29,051
	Other	13,422	14,941	15,242	16,997	60,602	18,652	23,540	20,788	25,078	88,058	27,480	34,113
	Total revenues	**195,480**	**214,578**	**224,330**	**246,590**	**880,978**	**267,292**	**298,979**	**309,270**	**334,586**	**1,210,127**	**363,390**	**408,725**
Revenue Growth Rates (% Y/Y)	Subscription					64%	55%	56%	57%	50%	54%	50%	50%
	Maintenance					23%	22%	21%	20%	21%	21%	19%	20%
	Perpetual license					12%	12%	20%	12%	5%	13%	13%	13%
	Other					58%	39%	58%	36%	48%	45%	47%	45%
	Total revenues					**41%**	**37%**	**39%**	**38%**	**36%**	**37%**	**36%**	**37%**
IFRS Results ($ in thousands)	Total revenues	195,480	214,578	224,330	246,590	880,978	267,292	298,979	309,270	334,586	1,210,127	363,390	408,725
	Cost of revenues	40,090	43,164	45,240	44,196	172,690	45,185	49,782	54,189	61,129	210,285	62,279	65,761
	Gross profit	155,390	171,414	179,090	202,394	708,288	222,107	249,197	255,081	273,457	999,842	301,111	342,964
	Research and development	94,862	101,324	108,544	111,046	415,776	124,380	131,364	153,069	170,321	579,134	175,882	172,420
	Marketing and sales	45,092	44,519	48,655	49,049	187,315	52,262	68,950	70,544	76,600	268,356	68,043	69,263
	General and administrative	35,725	38,584	32,167	44,766	151,242	45,657	52,052	59,025	58,980	215,714	61,741	59,440
	Operating expenses	175,679	184,427	189,366	204,861	754,333	222,299	252,366	282,638	305,901	1,063,204	305,666	301,123
	Operating Income (loss)	(20,289)	(13,013)	(10,276)	(2,467)	(46,045)	(192)	(3,169)	(27,557)	(32,444)	(63,362)	(4,555)	41,841
	Income tax benefit (expense)	8,238	(52,264)[a]	(8,280)	(2,995)	(55,301)	(2,369)	18,122	(1,163)	(46,655)[aa]	(32,065)	(5,145)	(17,717)
	Net income (loss)	**(11,470)**	**(64,209)**	**(15,823)**	**(21,930)**	**(113,432)**	**(242,445)**	**45,185**	**(202,844)**	**(237,517)**	**(637,621)**	**69,320**	**124,074**
Share-Based Payment Expense ($ in thousands)	Cost of revenues	2,992	3,180	3,021	2,762	11,955	3,519	3,766	4,871	5,294	17,450	4,712	4,407
	Research and development	25,971	27,020	25,347	20,271	98,609	26,846	32,976	42,222	47,005	149,049	48,939	45,978
	Marketing and sales	6,209	6,136	5,816	5,444	23,605	7,761	9,850	10,979	10,713	39,303	10,631	10,874
	General and administrative	8,953	9,015	737	9,999	28,704	10,254	13,912	14,674	13,120	51,960	13,014	9,179
	Total share-based payment expense	**44,125**	**45,351**	**34,921**	**38,476**	**162,873**	**48,380**	**60,504**	**72,746**	**76,132**	**257,762**	**77,296**	**70,438**
IFRS to Non-IFRS Reconciliation: Cost of Revenues ($ in thousands)	**Cost of revenues**	**40,090**	**43,164**	**45,240**	**44,196**	**172,690**	**45,185**	**49,782**	**54,189**	**61,129**	**210,285**	**62,279**	**65,761**
	Less: Share-based payment expense	2,992	3,180	3,021	2,762	11,955	3,519	3,766	4,871	5,294	17,450	4,712	4,407
	Less: Amortization of acquired intangible assets	5,293	5,294	5,302	5,299	21,188	5,351	7,060	7,068	8,518	27,997	8,488	9,173
	Non-IFRS cost of revenues	**31,805**	**34,690**	**36,917**	**36,135**	**139,547**	**36,315**	**38,956**	**42,250**	**47,317**	**164,838**	**49,079**	**52,181**
	% of total revenues	16%	16%	16%	15%	16%	14%	13%	14%	14%	14%	14%	13%
IFRS to Non-IFRS Reconciliation: Research and Development ($ in thousands)	**Research and development**	**94,862**	**101,324**	**108,544**	**111,046**	**415,776**	**124,380**	**131,364**	**153,069**	**170,321**	**579,134**	**175,882**	**172,420**
	Less: Share-based payment expense	25,971	27,020	25,347	20,271	98,609	26,846	32,976	42,222	47,005	149,049	48,939	45,978
	Less: Amortization of acquired intangible assets	–	–	–	–	–	–	21	19	20	60	41	42
	Non-IFRS research and development	**68,891**	**74,304**	**83,197**	**90,775**	**317,167**	**97,534**	**98,367**	**110,828**	**123,296**	**430,025**	**126,902**	**126,400**
	% of total revenues	35%	35%	37%	37%	36%	36%	33%	36%	37%	36%	35%	31%
IFRS to Non-IFRS Reconciliation: Marketing and Sales ($ in thousands)	**Marketing and sales**	**45,092**	**44,519**	**48,655**	**49,049**	**187,315**	**52,262**	**68,950**	**70,544**	**76,600**	**268,356**	**68,043**	**69,263**
	Less: Share-based payment expense	6,209	6,136	5,816	5,444	23,605	7,761	9,850	10,979	10,713	39,303	10,631	10,874
	Less: Amortization of acquired intangible assets	9,022	9,023	9,022	9,023	36,090	8,988	10,368	5,716	3,672	28,744	3,686	3,925
	Non-IFRS marketing and sales	**29,861**	**29,360**	**33,817**	**34,582**	**127,620**	**35,513**	**48,732**	**53,849**	**62,215**	**200,309**	**53,726**	**54,464**
	% of total revenues	15%	14%	15%	14%	14%	13%	16%	17%	19%	17%	15%	13%
IFRS to Non-IFRS Reconciliation: General and Administrative ($ in thousands)	**General and administrative**	**35,725**	**38,584**	**32,167**	**44,766**	**151,242**	**45,657**	**52,052**	**59,025**	**58,980**	**215,714**	**61,741**	**59,440**
	Less: Share-based payment expense	8,953	9,015	737	9,999	28,704	10,254	13,912	14,674	13,120	51,960	13,014	9,179
	Non-IFRS general and administrative	**26,772**	**29,569**	**31,430**	**34,767**	**122,538**	**35,403**	**38,140**	**44,351**	**45,860**	**163,754**	**48,727**	**50,261**
	% of total revenues	14%	14%	14%	14%	14%	13%	13%	14%	14%	14%	13%	12%

	Description	Q1 FY18	Q2 FY18	Q3 FY18	Q4 FY18	FY2018	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19	FY2019	Q1 FY20	Q2 FY20
IFRS Operating Expenses Reconciled to Non-IFRS Operating Expenses ($ in thousands)	**IFRS operating expenses**	**175,679**	**184,427**	**189,366**	**204,861**	**754,333**	**222,299**	**252,366**	**282,638**	**305,901**	**1,063,204**	**305,666**	**301,123**
	Less: Share-based payment expense	41,133	42,171	31,900	35,714	150,918	44,861	56,738	67,875	70,838	240,312	72,584	66,031
	Less: Amortization of acquired intangible assets	9,022	9,023	9,022	9,023	36,090	8,988	10,389	5,735	3,692	28,804	3,727	3,967
	Non-IFRS operating expenses	**125,524**	**133,233**	**148,444**	**160,124**	**567,325**	**168,450**	**185,239**	**209,028**	**231,371**	**794,088**	**229,355**	**231,125**
IFRS Gross Profit Reconciled to Non-IFRS Gross Profit ($ in thousands)	**IFRS gross profit**	**155,390**	**171,414**	**179,090**	**202,394**	**708,288**	**222,107**	**249,197**	**255,081**	**273,457**	**999,842**	**301,111**	**342,964**
	Plus: Share-based payment expense	2,992	3,180	3,021	2,762	11,955	3,519	3,766	4,871	5,294	17,450	4,712	4,407
	Plus: Amortization of acquired intangible assets	5,293	5,294	5,302	5,299	21,188	5,351	7,060	7,068	8,518	27,997	8,488	9,173
	Non-IFRS gross profit	**163,675**	**179,888**	**187,413**	**210,455**	**741,431**	**230,977**	**260,023**	**267,020**	**287,269**	**1,045,289**	**314,311**	**356,544**
	Non-IFRS gross margin	84%	84%	84%	85%	84%	86%	87%	86%	86%	86%	86%	87%
IFRS Operating Income (Loss) Reconciled to Non-IFRS Operating Income ($ in thousands)	**IFRS operating income (loss)**	**(20,289)**	**(13,013)**	**(10,276)**	**(2,467)**	**(46,045)**	**(192)**	**(3,169)**	**(27,557)**	**(32,444)**	**(63,362)**	**(4,555)**	**41,841**
	Plus: Share-based payment expense	44,125	45,351	34,921	38,476	162,873	48,380	60,504	72,746	76,132	257,762	77,296	70,438
	Plus: Amortization of acquired intangible assets	14,315	14,317	14,324	14,322	57,278	14,339	17,449	12,803	12,210	56,801	12,215	13,140
	Non-IFRS operating income	**38,151**	**46,655**	**38,969**	**50,331**	**174,106**	**62,527**	**74,784**	**57,992**	**55,898**	**251,201**	**84,956**	**125,419**
	Non-IFRS operating margin	20%	22%	17%	20%	20%	23%	25%	19%	17%	21%	23%	31%
IFRS Net Income (Loss) Reconciled to Non-IFRS Net Income ($ in thousands)	**IFRS net income (loss)**	**(11,470)**	**(64,209)**	**(15,823)**	**(21,930)**	**(113,432)**	**(242,445)**	**45,185**	**(202,844)**	**(237,517)**	**(637,621)**	**69,320**	**124,074**
	Plus: Share-based payment expense	44,125	45,351	34,921	38,476	162,873	48,380	60,504	72,746	76,132	257,762	77,296	70,438
	Plus: Amortization of acquired intangible assets	14,315	14,317	14,324	14,322	57,278	14,339	17,449	12,803	12,210	56,801	12,215	13,140
	Plus: Non-coupon impact related to exchangeable senior notes and capped calls	–	–	–	19,892	19,892	244,686	(22,915)	181,117	164,959	567,847	(73,361)	(97,575)
	Less: Income tax effects and adjustments	(14,502)	36,564[a]	(10,389)	(13,823)	(2,150)	(15,734)	(38,528)	(11,410)	35,429[aa]	(30,243)	(15,463)	(16,182)
	Non-IFRS net income	**32,468**	**32,023**	**23,033**	**36,937**	**124,461**	**49,226**	**61,695**	**52,412**	**51,213**	**214,546**	**70,007**	**93,895**
Net Cash Provided by Operating Activities Reconciled to Free Cash Flow ($ in thousands)	**Net cash provided by operating activities**	**65,249**	**72,328**	**91,676**	**82,203**	**311,456**	**84,929**	**130,436**	**133,251**	**117,726**	**466,342**	**76,191**	**218,365**
	Less: Purchases of property and equipment	(2,564)	(4,550)	(5,293)	(17,802)	(30,209)	(10,716)	(7,807)	(6,106)	(19,563)	(44,192)	(6,113)	(7,010)
	Less: Payments of lease obligations	–	–	–	–	–	–	–	–	–	–	(7,670)	(9,357)
	Free cash flow[q]	**62,685**	**67,778**	**86,383**	**64,401**	**281,247**	**74,213**	**122,629**	**127,145**	**98,163**	**422,150**	**62,408**	**201,998**
	% of total revenues	32%	32%	39%	26%	32%	28%	41%	41%	29%	35%	17%	49%
Other Data (period ended)	Customers	107,746*	112,571	119,158	125,796	125,796	131,684	138,235**	144,038	152,727***	152,727	159,787	164,790
	Employee Headcount	2,292	2,408	2,503	2,638	2,638	2,738	3,061	3,315	3,616	3,616	3,927	4,098
Revenue by Geography ($ in thousands)	Americas	99,344	106,305	111,080	122,634	439,363	133,918	145,669	155,047	169,325	603,959	180,829	198,798
	EMEA	75,483	85,410	89,525	97,091	347,509	103,789	120,988	121,278	128,657	474,712	141,892	165,157
	Asia Pacific	20,653	22,863	23,725	26,865	94,106	29,585	32,322	32,945	36,604	131,456	40,669	44,770
	Total	**195,480**	**214,578**	**224,330**	**246,590**	**880,978**	**267,292**	**298,979**	**309,270**	**334,586**	**1,210,127**	**363,390**	**408,725**
Weighted-Average Shares Used in Computing Diluted EPS: IFRS to non-IFRS (in thousands)	IFRS diluted shares outstanding	228,156	230,208	232,221	234,206	231,184	236,219	247,255	239,410	241,121	238,611	250,883	250,960
	Dilution from options and RSUs	12,617	13,170	12,356	11,204	12,801	10,576	–	9,382	8,860	9,609	–	–
	Non-IFRS diluted shares outstanding	**240,773**	**243,378**	**244,577**	**245,410**	**243,985**	**246,795**	**247,255**	**248,792**	**249,981**	**248,220**	**250,883**	**250,960**
Reconciliation of Diluted Earnings Per Share ($)	**IFRS diluted earnings per share**	**(0.05)**	**(0.28)**	**(0.07)**	**(0.09)**	**(0.49)**	**(1.03)**	**0.18**	**(0.85)**	**(0.99)**	**(2.67)**	**0.28**	**0.49**
	Plus: Share-based payment expense	0.18	0.20	0.14	0.16	0.68	0.20	0.24	0.29	0.32	1.05	0.31	0.28
	Plus: Amortization of acquired intangible assets	0.06	0.06	0.06	0.06	0.25	0.06	0.07	0.05	0.05	0.23	0.05	0.05
	Plus: Non-coupon impact related to exchangeable senior notes and capped calls	–	–	–	0.08	0.08	1.03	(0.08)	0.76	0.68	2.37	(0.29)	(0.39)
	Less: Income tax effects and adjustments	(0.06)	0.15	(0.04)	(0.06)	(0.01)	(0.06)	(0.16)	(0.04)	0.14	(0.12)	(0.07)	(0.06)
	Non-IFRS diluted earnings per share	**0.13**	**0.13**	**0.09**	**0.15**	**0.51**	**0.20**	**0.25**	**0.21**	**0.20**	**0.86**	**0.28**	**0.37**

The financial results above are based on the new revenue recognition standard (IFRS 15). FY2018 results have been adjusted to reflect the impact of the full retrospective adoption of IFRS 15.

Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided.

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.

*Includes an increase of 14,263 customers primarily as a result of Bitbucket Cloud pricing changes.

**Includes an increase of 1,396 customers as a result of our acquisition of Opsgenie during Q2'19.

***Includes an increase of approximately 2,500 Trello customers as a result of the open board limits we introduced for Trello.

[a]Amount includes a non-cash charge of $47.3 million to income tax expense during Q2'18 as a result of the write-down of Atlassian's deferred tax assets. The charge was driven by the reduction in the U.S. corporate income tax rate from 35% to 21% and Atlassian's assessment of the realizability of its deferred tax assets.

[aa]Amount includes a non-cash charge of $54.7 million to income tax expense during Q4'19 as a result of the write-down of Atlassian's deferred tax assets. The charge was driven by Atlassian's assessment of the realizability of its deferred tax assets.

[q]As a result of our adoption of IFRS 16, Leases, on July 1, 2019, we have updated our definition of free cash flow to subtract payments of lease obligations under IFRS 16. These payments were previously, but no longer, reported in cash provided by operating activities. As a result, free cash flow is not affected by this change.

RECONCILIATION OF IFRS TO NON-IFRS FINANCIAL TARGETS

	Three Months Ending March 31, 2020	Fiscal Year Ending June 30, 2020
Revenue	**$395 to $399 million**	**$1,590 million to $1,600 million**
IFRS gross margin	**82%**	**82.5% to 83%**
Plus: Share-based payment expense	1	1
Plus: Amortization of acquired intangible assets	2	2
Non-IFRS gross margin	**85%**	**85.5% to 86%**
IFRS operating margin	**(8%)**	**(2%) to (1%)**
Plus: Share-based payment expense	22	20
Plus: Amortization of acquired intangible assets	2	3
Non-IFRS operating margin	**16%**	**21% to 22%**
IFRS net (loss) income per share - diluted	**($0.19)**	**$0.48 to $0.54**
Plus: Share-based payment expense	0.34	1.25
Plus: Amortization of acquired intangible assets	0.04	0.17
Plus: Non-coupon impact related to exchangeable senior notes and capped calls	0.04	(0.61)
Less: Income tax effects and adjustments	(0.03)	(0.26)
Non-IFRS net income per share - diluted	**$0.20**	**$1.03 to $1.09**
Weighted-average shares used in computing diluted IFRS net (loss) income per share	**244 million to 246 million**	**252 million to 253 million**
Dilution from share options and RSUs (1)	7 million	—
Weighted-average shares used in computing diluted non-IFRS net income per share	**251 million to 253 million**	**252 million to 253 million**
IFRS net cash provided by operating activities		**$535 million to $545 million**
Less: Capital expenditures		(30 million)
Less: Payments of lease obligations		(30 million)
Free cash flow (2)		**$475 million to $485 million**

(1) The effect of these dilutive securities are not included in our IFRS calculation of diluted net loss per share for the three months ending March 31, 2020 because the effect would be anti-dilutive.

(2) As a result of our adoption of IFRS 16, Leases, on July 1, 2019, we have updated our definition of free cash flow to subtract payments of lease obligations under IFRS 16. These payments were previously, but no longer, reported in cash provided by operating activities. As a result, free cash flow is not affected by this change.

Note: Financial targets provided as of January 23, 2020. All numbers are approximate.

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