ATLASSIAN

THE ATLASSIAN PLATFORM

The Atlassian platform

Investor Day FY22 Section 2

SF MCB +7.4K

This is what a world-class platform looks like
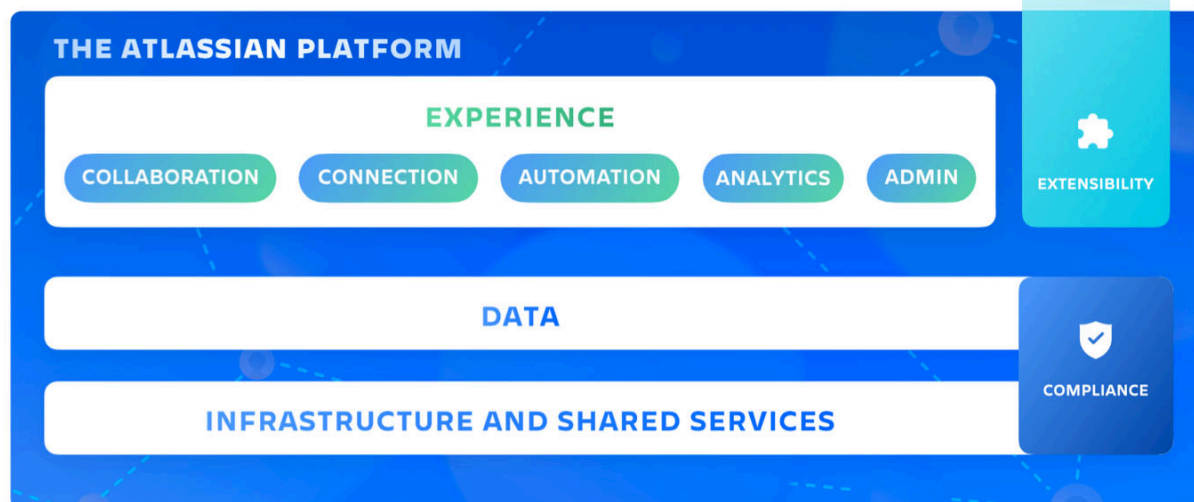
✓ **In this section, you'll learn:**

- The most important elements of Atlassian's cloud platform, both from a customer and stakeholder perspective.
- Why our platform gives us four new (and massive) competitive advantages.
- Where we're at on our journey to become a cloud-first company, including an update on migrations to our Cloud products from Server.

Atlassian has a 20-year history of connecting more types of teams and powering more workflows than anyone else. Now, our world-class platform is ushering in the future by bringing it all together in the cloud. This platform underpins all our Cloud products and meets the diverse scale, security, compliance, and collaboration needs of customers large and small across our three markets.

MARKETS

| AGILE/DEVOPS | ITSM | WORK MGMT |

THE ATLASSIAN PLATFORM

EXPERIENCE

COLLABORATION   CONNECTION   AUTOMATION   ANALYTICS   ADMIN

EXTENSIBILITY

DATA

COMPLIANCE

INFRASTRUCTURE AND SHARED SERVICES

What's under the hood? 🔍

Platforms like Atlassian's don't magically spring to life overnight. As you'll see throughout this document, the breadth of functionality and value our platform delivers can only be achieved through years of patient, focused investment.

First, let's look at what our platform consists of. Following that, we'll discuss the advantages it offers for customers, partners, and Atlassian.

Infrastructure and shared services 🏗️

Our cloud-native platform starts with infrastructure and shared services that extend across all our products, enabling us to deliver **secure, highly performant, and reliable hosting at scale**. So reliable, in fact, that we can offer customers 99.95% uptime guarantees. Its shared services architecture follows the **"build once, run anywhere"** principle. Once we invest in new capabilities, we can enable them in any Cloud product or app, boosting our ROI on development.

Our infrastructure is among the strongest around. We need only one observability stack, one message bus, one PaaS solution, etc. (whereas most of our peers rely on multiple instances of each). We also abstract all of this away from product and app developers so they only have to consider one underlying system instead of many. This means building on top of our platform is relatively easy, which has compounding benefits over time.

Each new capability we add gives us a head start on the ones that will come after that, incrementally reducing development time as we go along. This gives Atlassian the agility to deliver new products and capabilities quickly, positioning us to seize opportunities as soon as they emerge. (More on ROI and dev speed below.)

Data 🗄️

The next layer of our platform comprises a **common data model** that connects work objects across our products, giving Atlassian a deep understanding of how each customer team works.

Based on this wealth of data, we've built an in-product recommendation engine to suggest a customer's next product or app and offer tips for getting more value out of the products they already have. This drives deeper user engagement, which in turn drives more use cases, more users, and more word-of-mouth growth. The improved telemetry we get from our data model also enables our front-line teams to **target and nurture existing customers with surgical precision**.

This layer of our platform also powers Atlassian Analytics, **a data visualization tool** built on our recent acquisition of Chartio. It lets customers build custom dashboards to track things like release readiness and team capacity so they know where to allocate resources. Atlassian Analytics pulls in data from across a customer's entire collection of Cloud products and can incorporate data from other systems to provide a more comprehensive view.

Extensibility 🧩

Extensibility sits on top, encouraging customers and developers to extend Atlassian products with apps. Whether custom-built or from the Atlassian Marketplace, apps **satisfy niche use cases**, which opens our products up to more organizations.

Forge, our next-gen hosted development environment, is a key piece of this. Customers and partners alike can **build extensions and integrations without needing to worry about infrastructure, authentication, billing, or security** because it's already baked in. Since Forge became generally available in May 2021, developers have created more than 5,600 apps, both for customers' private extensibility needs and for public distribution via the Atlassian Marketplace.

Customers add roughly 28,000 Marketplace apps to their Atlassian products each week. Cloud apps now account for over 50% of Marketplace listings overall, with over 70% of Jira and Confluence Cloud customers having at least one app installed. We have a decade's worth of data showing that **apps make the core product stickier**. (More on that below.)

Atlassian also works closely with our Platform Partners to build tight integrations with the tools and services that matter most to our customers. This strategy serves two purposes. First, we can deliver more value to existing customers by ensuring **Atlassian products work seamlessly with their other workplace tools**. Second, we can put our products in front of new eyeballs, fueling our flywheel.

> ## 🔦 Product spotlight
>
> Speaking of integrations, let's say you paste a link to a Jira ticket into a Slack channel. Anyone in that channel who already has a Jira seat will see vital stats from that ticket like the summary, assignee, and status right there in the chat. Anyone who *doesn't* already have a Jira seat will be invited to create one. On the flip side, there's a button on every Jira ticket that lets you share that ticket via Slack. If your organization doesn't use Slack already, that button will prompt you to set up a free trial. The result is more usage of both products, and satisfied customers all around.

Today, Atlassian customers benefit from **hundreds of deep third-party integrations** like Slack, Zendesk, and Snyk thanks to our Platform Partner program. Extensibility, particularly Marketplace apps, offers significant opportunities for monetization, so we'll keep investing here as the Cambrian explosion of SaaS apps continues to unfold.

Superior customer experience = superior customer value 🏆

The foundations of our platform allow us to deliver an amazing customer experience through five key value pillars:

- Features like global search and @mentions are embedded in the platform itself, creating consistent **collaboration** patterns across our Cloud products.
- Seamless **connectivity** across tickets, commits, pages, and other work objects (even integrated third-party products) enhances productivity across their toolset of choice.
- Cross-product **automation** capabilities let customers work more efficiently no matter what type of team they're on.
- **Analytics** turn raw data about how teams are working into actionable insights that help customers make informed decisions.
- Centralized user management, billing, and security frameworks make **administration** simpler.

> ## 🔦 Product spotlight
>
> Our cloud editor is a great example of collaboration and connectivity across products. Along with basic text editing features, we souped it up with smart links that let users embed work objects inside each other (e.g., a Jira Service Management ticket embedded in a Confluence page), multi-media support, slash commands, @mentions, layout templates, tables, and dozens of other macros because that's what makes a best-in-class editor. All that functionality is available across the Jira family of products, Confluence, Compass, Atlas…everywhere. And our shared services architecture allows us to plug it into whatever products come next, at no additional cost.

The enhanced visibility customers get with the Atlassian platform means they're more aligned as an organization, which allows their teams to work more autonomously. Not to mention the productivity they gain from automation, rich integrations, and data-driven insights. This, in turn, makes Atlassian a **valuable part of customers' strategic planning and execution**.

> 🌟 **Customer spotlight**
>
> The team at Lucid Motors takes advantage of seamless collaboration and data-driven insights across Jira Software, Confluence, and Jira Service Management on their mission to redefine performance in the electric car market. "The beauty of Atlassian is the amount of data, information, and documentation you have in one place," says service owner Laurent Bordier. "We use that data to understand trends that can help us continuously improve our design, operational, and manufacturing processes." *Vroom-vroom!*

How our platform multiplies Atlassian's competitive advantages 💪🅰️💪

Atlassian's unique (and successful) business model is predicated on **investing significantly more in R&D than our peers** in the industry. And we can do so *profitably*.

33%

Non-IFRS

R&D

as % of revenue

Zoom   Adobe   Salesforce   ServiceNow   Monday   Twilio   Freshworks   Zendesk   Smartsheet   PagerDuty   Workday   Atlassian

Excludes stock based compensation and amortization of acquired intangibles. All figures are last twelve month data as of December 31, 2021; or last twelve month data as of January 31, 2022 for companies with a fiscal year ending January 31.

Over the past three years, over 40% of our total R&D budget has gone into our cloud platform. This investment gives us an edge over and above the advantages we discussed in Section 1 – from our unique GTM approach to our award-winning culture that attracts the best talent in the industry. It all adds up to a powerful position in the market that **sets Atlassian up for long-term success and is very hard for competitors to replicate**.

Let's look at four additional advantages we get from our platform, and how they drive growth for Atlassian.

1. Faster expansion ⏱️

The benefits from our platform accrue exponentially as customers expand their relationship with Atlassian. And our platform's unified billing and identity capabilities make it dead simple to do so.

Users have a single identity across Bitbucket, Confluence, etc., all of which will feed into **a single bill** covering their entire organization. Thus, users, products, and apps can be added with just a few clicks while **our platform handles the billing and authentication pieces behind the scenes** – a great example of how we leverage frictionless self-service. No need to bother with a new purchase order for the additional product or create duplicate user accounts.

This provides a strong incentive for customers to standardize on Atlassian, as well as use Atlassian as the hub that connects work across the organization, even work that happens in third-party products. This improves average revenue per customer, as well as reduces customer churn.

A single account identity also means we can introduce customers to new products through prompts surfaced to individual users within the context of their work. For example, when a user links out to Google Docs from Jira Software or attaches a Word doc to a ticket, we show a message suggesting Confluence as a better place for documentation and knowledge sharing. At an aggregate level, this means we can **spread customer acquisition costs** over a larger revenue base, giving us an advantage over single-product competitors.

2. Better ROI 📈

Because of our "build once, run anywhere" architecture, we can **amortize our R&D efforts across multiple products** for maximum return. Whenever we invest in new functionality, we build it into the platform supporting *all* our products instead of building features on an ad-hoc, per-product basis. Existing products benefit from new capabilities right away and each successive product requires fewer bespoke components, meaning we get working software into customers' hands faster and faster over time.

For proof, look no further than the admin hub inside our products. A year ago, it supported four products. Today, admins can control those four, plus the four products that came out of Point A (our internal product incubator program), all in one place. And including those four new products took virtually zero developer time.

Reusability also means we can make our products delightful in little ways that makers of point-products might not bother with. Features like emoji reactions, user profiles that appear upon mouse hover, or the ability to embed Spotify playlists might seem trivial. But the character and human touch they add across our entire Cloud portfolio make them worthwhile.

3. Stickier products 🍯

Customers can extend their Atlassian products by integrating them with a third-party tool, adding an app from the Atlassian Marketplace, or adding another Atlassian product – all of which are virtually effortless on our platform. When customers add at least one app or integration in Jira Software, dollar churn reduces by approximately half.

That's because integrations and apps create a network effect. With every new connection, our products become further embedded in the customer's workflows, making them ever more indispensable. So although it may seem counterintuitive, the openness and flexibility of Atlassian's platform actually make customers want to stick with Atlassian.

4. Accelerated innovation 🏁

We've invested in difficult to build but hugely valuable capabilities (e.g., data residency, centralized billing, data management, security) that are tailor-made for collaborative SaaS applications. No IaaS vendor we know of offers all of them off the shelf. Every enterprise software maker of any scale builds these from scratch. So we built ours to be endlessly reusable.

Our platform's thousands of shared microservices act as building blocks that let us develop new products and features with the enterprise-grade security and reliability customers expect from established vendors – but allow us to move with the speed of a startup.

> 🔦 **Product spotlight**
>
> Point A proves how powerful this approach is. Each product automatically inherited the identity, commerce, automation, and other services embedded in our platform – not to mention our editor, global search, design elements, and admin console. With so many pre-built components at their disposal, our Point A teams can ship more complete, and more integrated, products faster. Indeed, Point A has already generated four new products in its first cohort: Atlas, Compass, Jira Work Management, and Jira Product Discovery.

As a multi-product company serving multiple interconnected markets, building a cloud platform that supports our business today, as well as our ambitions for the future, is an ongoing effort. We expect to maintain our current level of platform investment for the foreseeable future, building new shared services and addressing the growing market opportunities in front of us. As we do so, more of what we historically considered "product development" becomes "platform development," meaning **we get more leverage out of each dollar invested because it's benefiting all our products** instead of just one.

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The biggest advantage of all: being a cloud-first company ⛅

All this investment in our platform has served to make Atlassian a cloud-first company. We started down this path a number of years ago by transforming the way we build, sell, and support our products. Now, SaaS is our default mindset.

Today, **over 200,000 customers use Atlassian's Cloud products**. With Cloud, they skip the hassle of maintenance and upgrades, rest easy at night knowing our platform is keeping their data secure, and reduce their total cost of ownership. All this, while receiving the full breadth of innovation Atlassian has to offer the moment we ship it (and we deploy roughly hundreds of times each day).

Each quarter, **roughly 99% of new customers choose Cloud** from the get-go. And those still using Server and Data Center deployments understand that Cloud is the future. We'll keep delivering a steady drumbeat of enhancements each quarter so our customers continue to see Cloud as *the* place to be.

CASTLIGHT HEALTH + ATLASSIAN

Migrating to Atlassian's cloud was the best decision ever! The maintenance savings alone more than make up for the entire cost of Jira Software and Confluence. It's a serious game-changer.

– Eric Raymond, Senior Manager of Business Technology at Castlight Health
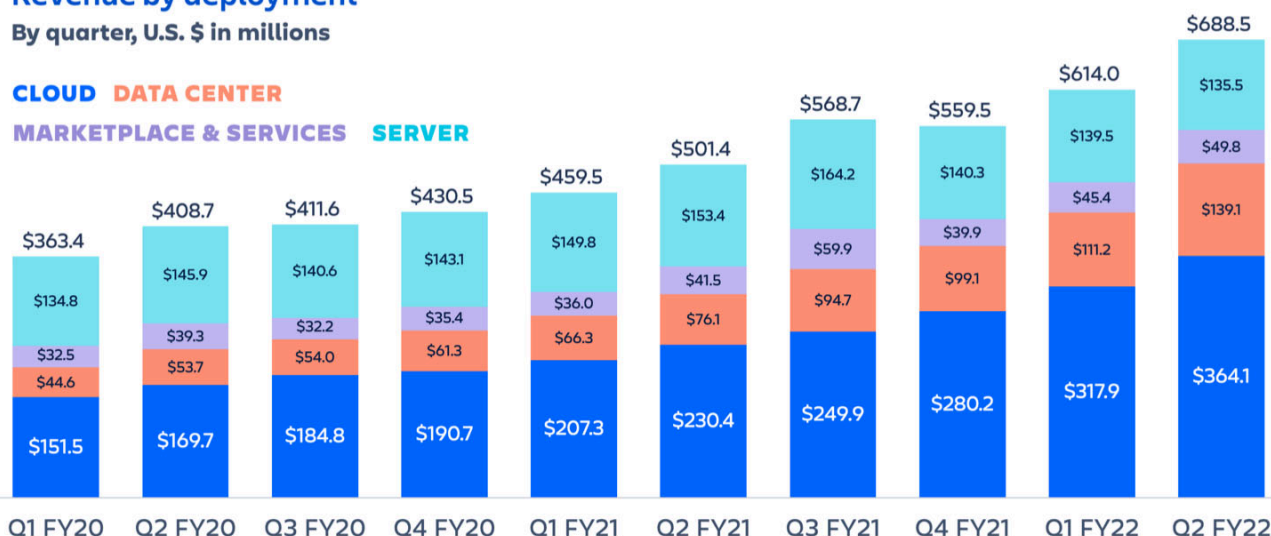
Growing Cloud sky-high 🚀

Cloud is driving an increasing portion of our business with every quarter. We surpassed **$1.5 billion in Cloud ARR as of Q2'22 and our Cloud net expansion rate was over 130%**.

Revenue by deployment
By quarter, U.S. $ in millions

CLOUD   DATA CENTER
MARKETPLACE & SERVICES   SERVER

	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22
Total	$363.4	$408.7	$411.6	$430.5	$459.5	$501.4	$568.7	$559.5	$614.0	$688.5
Server	$134.8	$145.9	$140.6	$143.1	$149.8	$153.4	$164.2	$140.3	$139.5	$135.5
Marketplace & Services	$32.5	$39.3	$32.2	$35.4	$36.0	$41.5	$59.9	$39.9	$45.4	$49.8
Data Center	$44.6	$53.7	$54.0	$61.3	$66.3	$76.1	$94.7	$99.1	$111.2	$139.1
Cloud	$151.5	$169.7	$184.8	$190.7	$207.3	$230.4	$249.9	$280.2	$317.9	$364.1

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When we look at the cohorts of customers landing in the cloud compared to those that landed with one of our Server products, we find that Cloud customers expand over 30% faster.

Cloud customer expansion over time

FY2021
FY2020
FY2019
FY2018
FY2017
FY2016
FY2007 - FY2015

**YEAR OF CUSTOMER
FIRST PURCHASE**

FY2007 FY2008 FY2009 FY2010 FY2011 FY2012 FY2013 FY2014 FY2015 FY2016 FY2017 FY2018 FY2019 FY2020 FY2021

CLOUD SALES BY YEAR
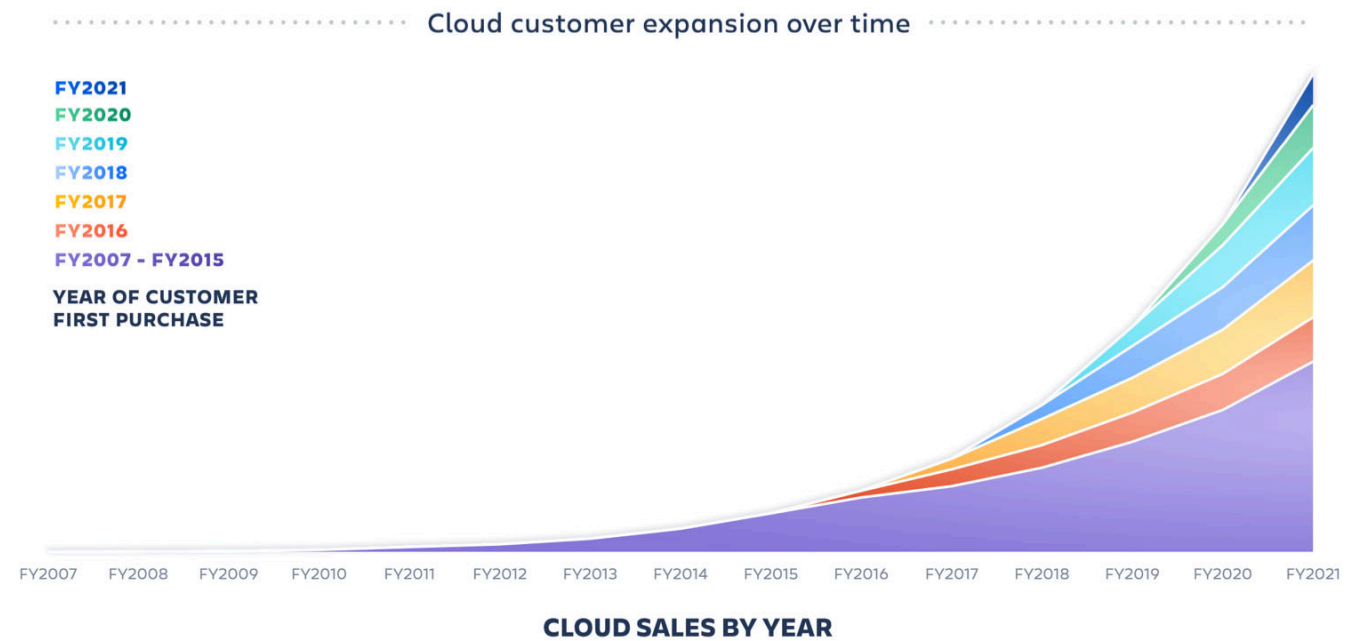
Migration momentum 🚩

It's been just over a year since we announced Server's end-of-life, coming in February 2024. We're tracking well with migrations and feel confident about the underlying momentum in our Cloud business.

We expect Cloud revenue to grow approximately 50% year-over-year for FY23 and FY24. For both years, we expect approximately 10 points of Cloud revenue growth to be driven by migrations.

Server timeline

End of new license
sales and pricing
changes

End of new app
sales for existing
licenses

End of upgrades
and downgrades

Announcement

End of support

OCT 16, 2020   **FEB 2, 2021**   **FEB 15, 2022**   **FEB 15, 2023**   **FEB 15, 2024**

To date, we have migrated approximately one-third of our Server user base - which is right where we thought we'd be. In addition to our Cloud migration momentum, we see that some Server customers are moving to Data Center as an interim step on their journey to the cloud. At the same time, a steady stream of Data Center customers are choosing to move to the cloud: roughly one-third of Cloud migrations are coming from Data Center.

Although on-prem customers choose when they move to the cloud, it's truly a matter of when – not if. While we make it as easy as possible with self-serve resources like the Atlassian Migration Center, loyalty discounts, and teams dedicated to supporting more complex migrations, we give our customers flexibility on their migration timeline.

SPLUNK + ATLASSIN

My team started with a Cloud migration and finished with much more. The Atlassian team went deep to understand our level of complexity and integrations (76 in the end!) from over 10 years of on-premise Jira... They went to great lengths to ensure it all worked on day 1 without fail.
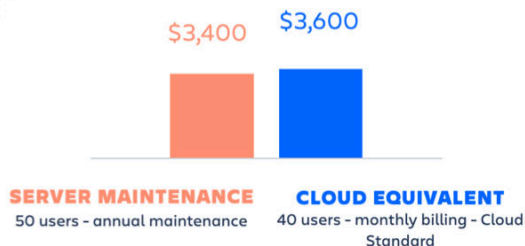
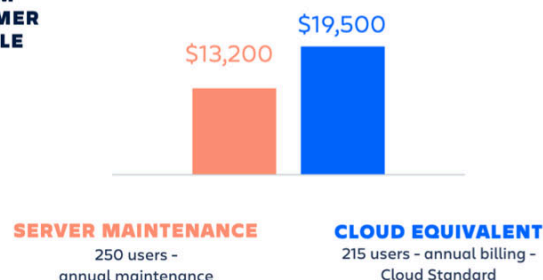–Greg Warner, Senior Manager for Engineering Apps and Productivity at Splunk
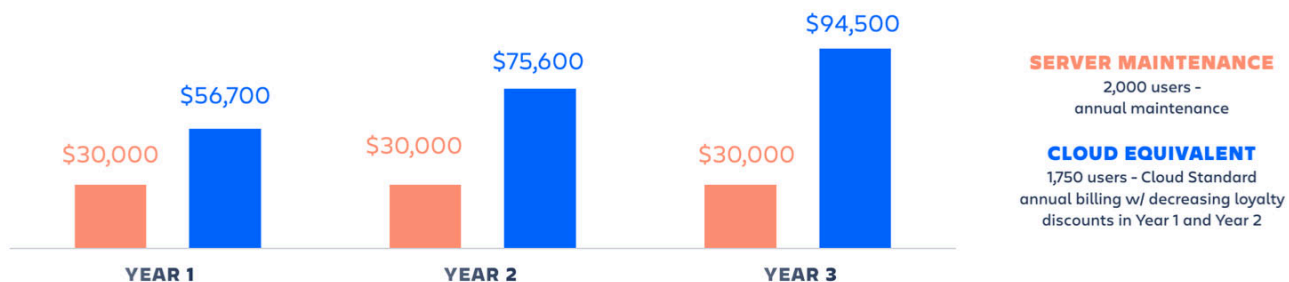
Examples of customer pricing
◆ Jira Software

SMALL CUSTOMER EXAMPLE

$3,400 $3,600

SERVER MAINTENANCE
50 users - annual maintenance

CLOUD EQUIVALENT
40 users - monthly billing - Cloud Standard

MEDIUM CUSTOMER EXAMPLE

$13,200 $19,500

SERVER MAINTENANCE
250 users - annual maintenance

CLOUD EQUIVALENT
215 users - annual billing - Cloud Standard

LARGE CUSTOMER EXAMPLE

$30,000 $56,700 $30,000 $75,600 $30,000 $94,500

YEAR 1   **YEAR 2**   **YEAR 3**

SERVER MAINTENANCE
2,000 users - annual maintenance

CLOUD EQUIVALENT
1,750 users - Cloud Standard annual billing w/ decreasing loyalty discounts in Year 1 and Year 2

Loyalty discounts are offered to existing Server customers with 1,000+ users when they migrate.

Share ...

What's on the horizon? 🔭

Atlassian's world-class cloud platform sets us up to expand our product portfolio faster and more efficiently, build lasting relationships with customers, and partner with third parties in a variety of ways. And we're only getting started.

Our platform also allows us to introduce and distribute even more third-party products to help our customers get additional value, which will open up further opportunities for us. Simply put, **our goal is to drive more revenue outside our walls than in**.

With our platform as the foundation, Atlassian is helping teams navigate change, increase visibility and alignment throughout their business, and unleash more of their potential through the power of our software.

> ✅ **The bottom line**
>
> - Atlassian has a world-class cloud platform that is exceedingly difficult for competitors to replicate.
> - Our platform gives us massive advantages in the market when it comes to return on R&D spend, stickiness, dev speed, and cross-sell.
> - We are making great strides as a cloud-first company, with roughly a third of our Server base now on Cloud, over 200,000 Cloud customers in total, and a Cloud net expansion rate topping 130%.