



Q2 FY19 Results

January 17, 2019

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 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.

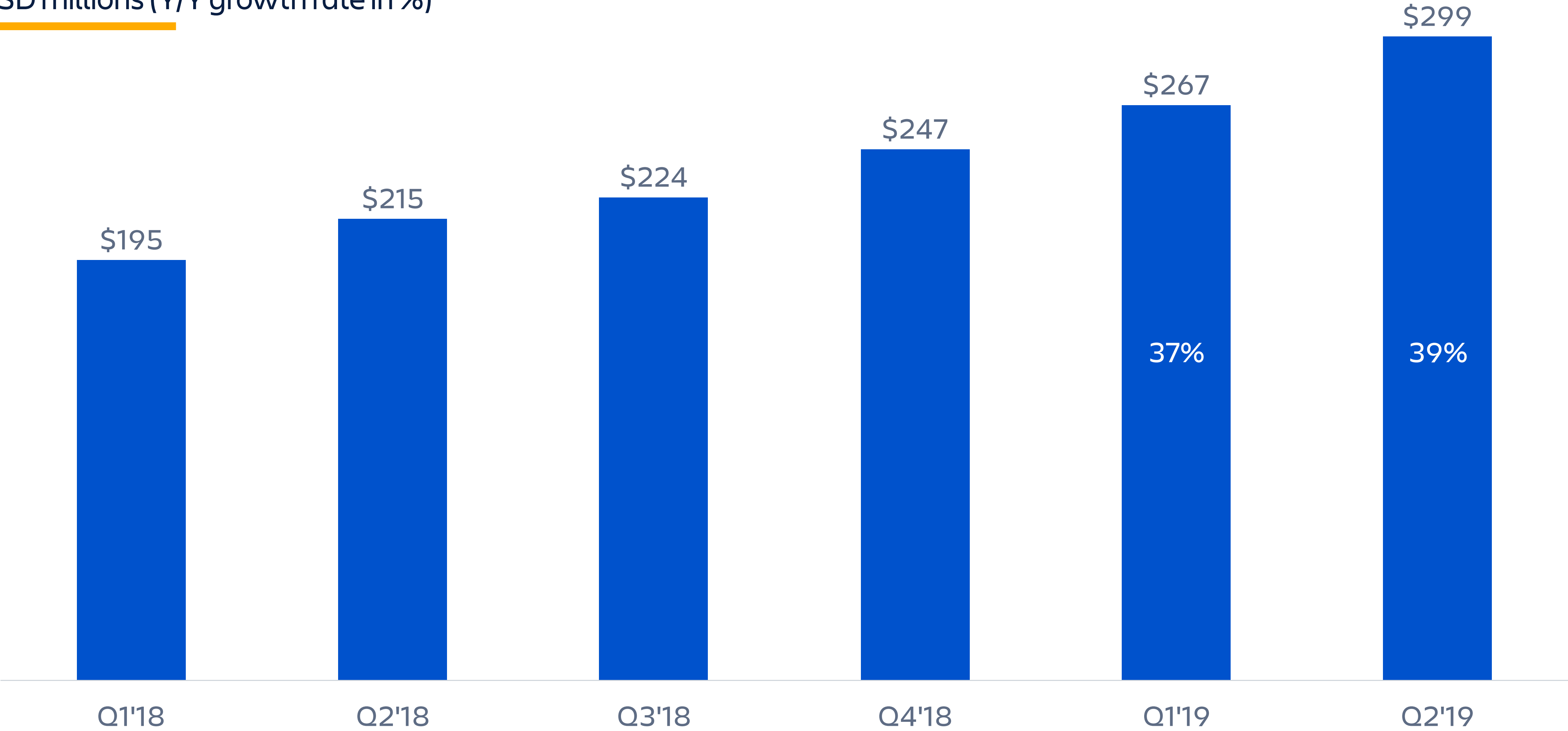
The achievement or success of the matters covered by such forward-looking statements involves known and unknown risks, uncertainties and assumptions. If any such risks or uncertainties materialize or if any of the assumptions prove incorrect, our results could differ materially from the results expressed 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

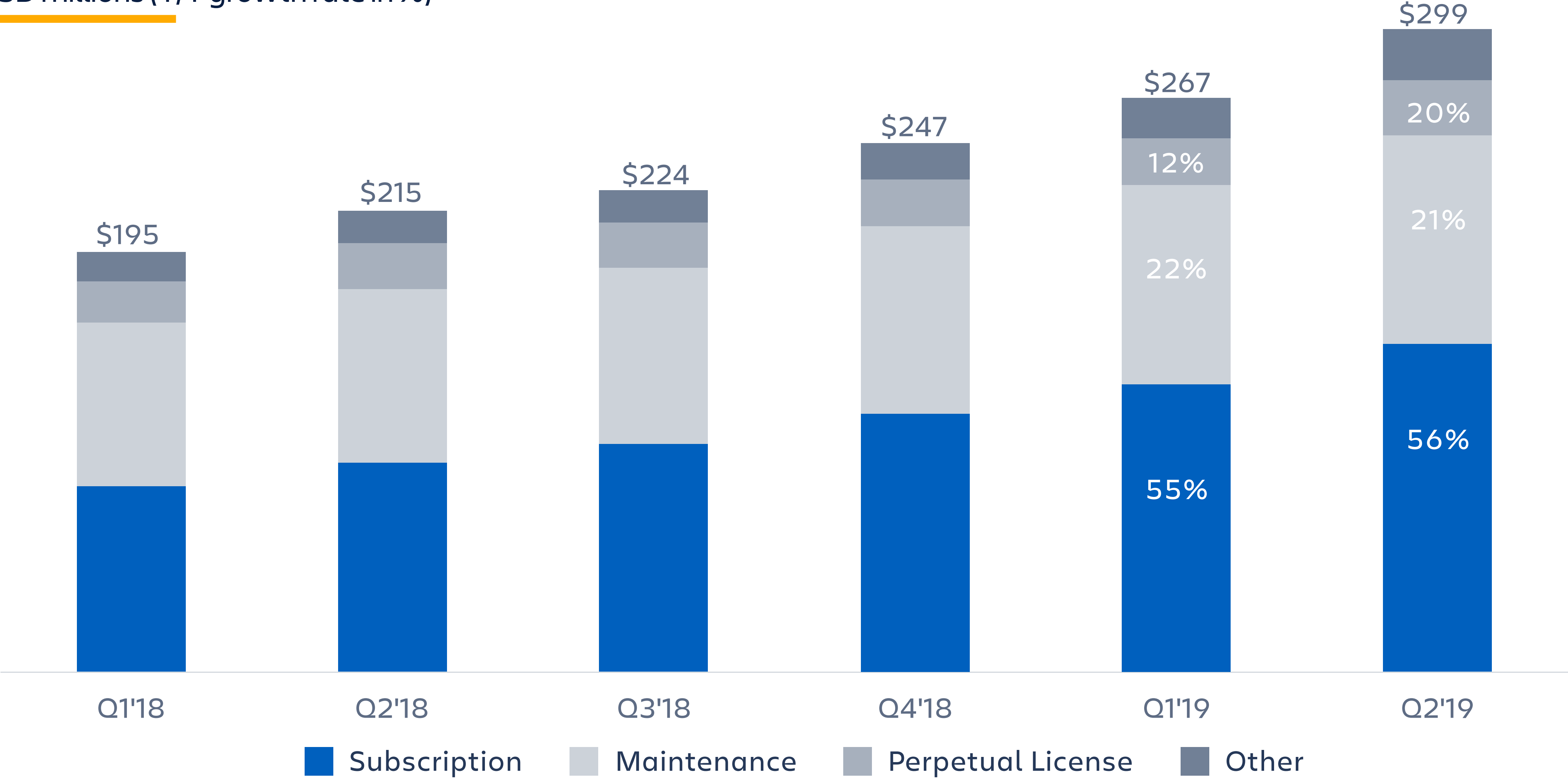
USD millions (Y/Y growth rate in %)



Note: All financial results and targets in this letter are based on the new revenue recognition standard IFRS 15.
Prior period information has been adjusted to reflect the adoption of IFRS 15.

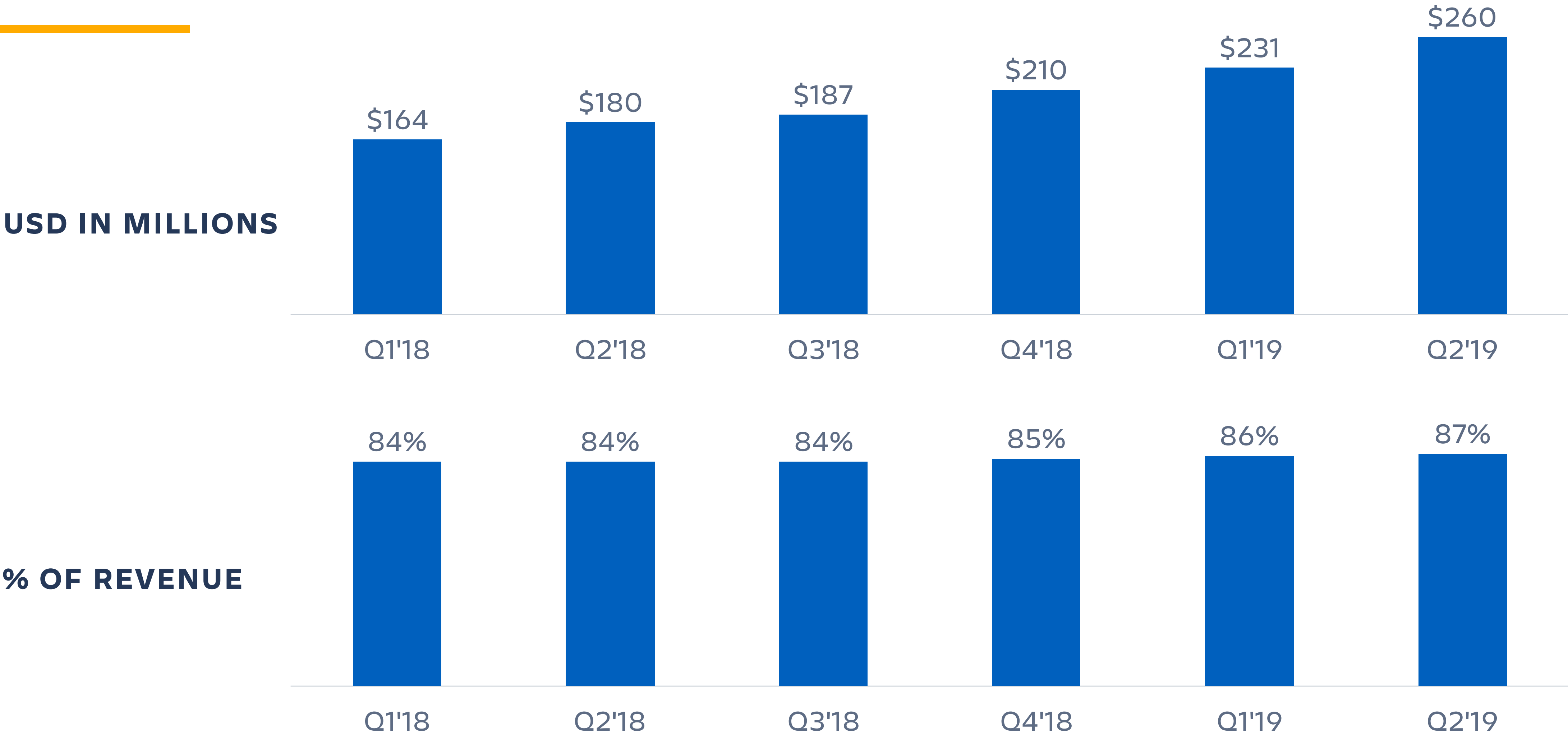
REVENUE

USD millions (Y/Y growth rate in %)



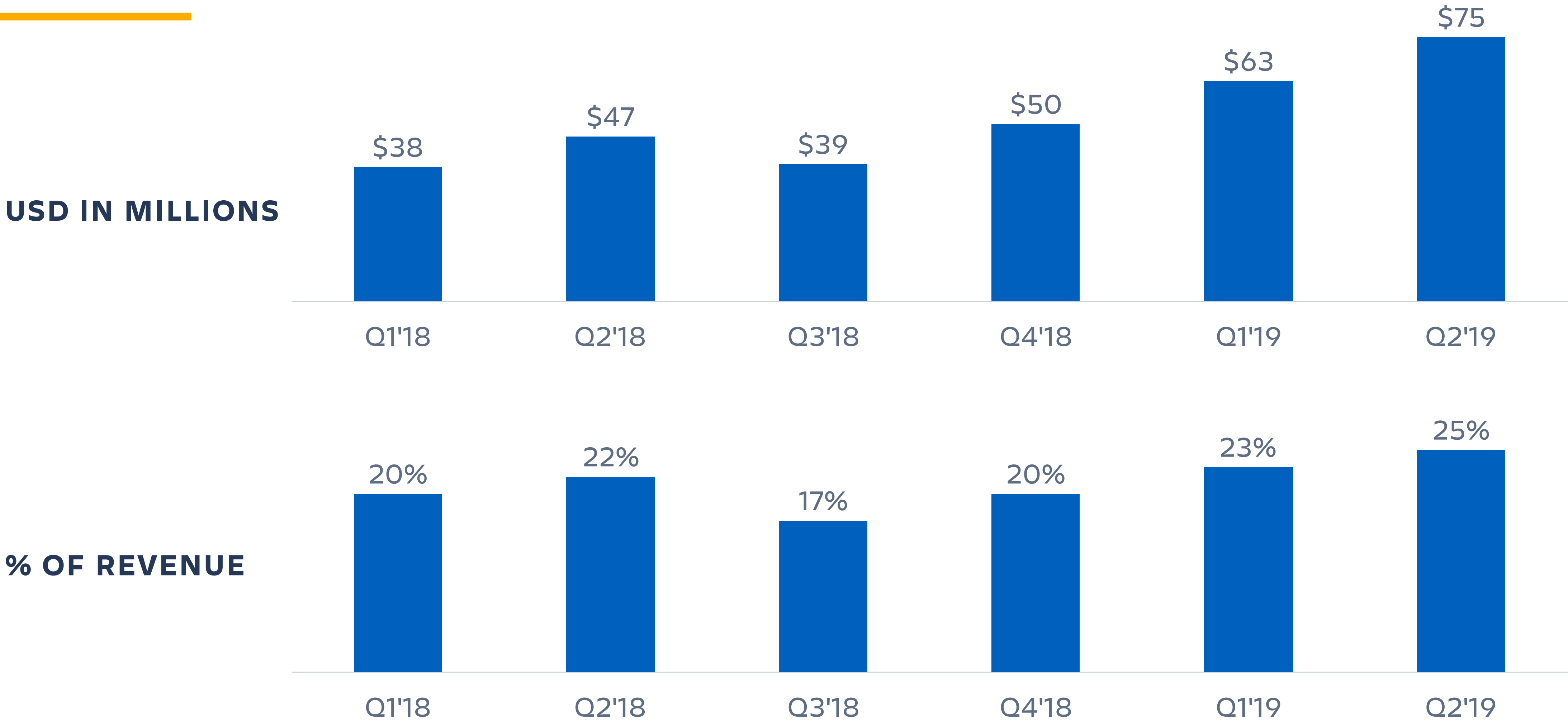
Note: Prior period information has been adjusted to reflect the adoption of IFRS 15.

NON-IFRS GROSS PROFIT



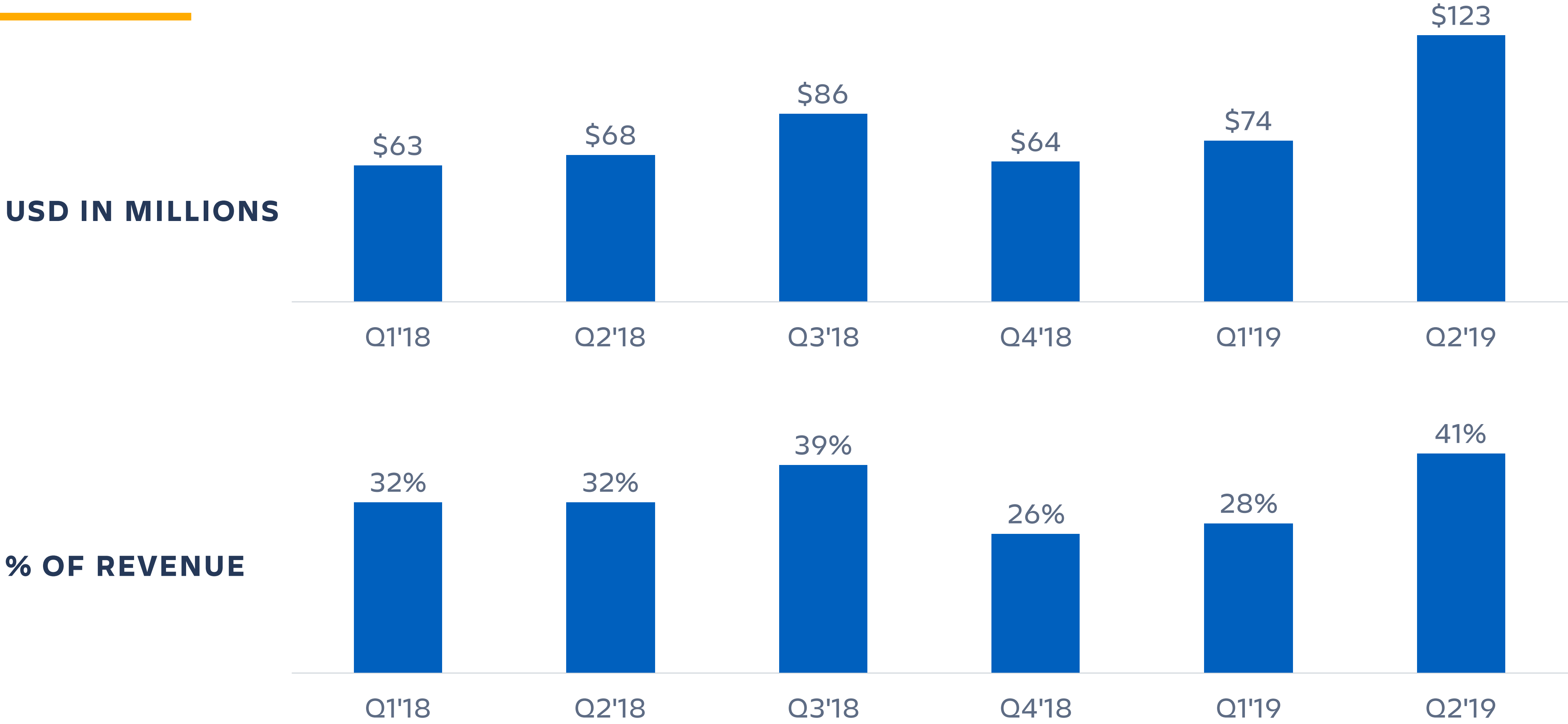
Note: Prior period information has been adjusted to reflect the adoption of IFRS 15.

NON-IFRS OPERATING INCOME



Note: Prior period information has been adjusted to reflect the adoption of IFRS 15.

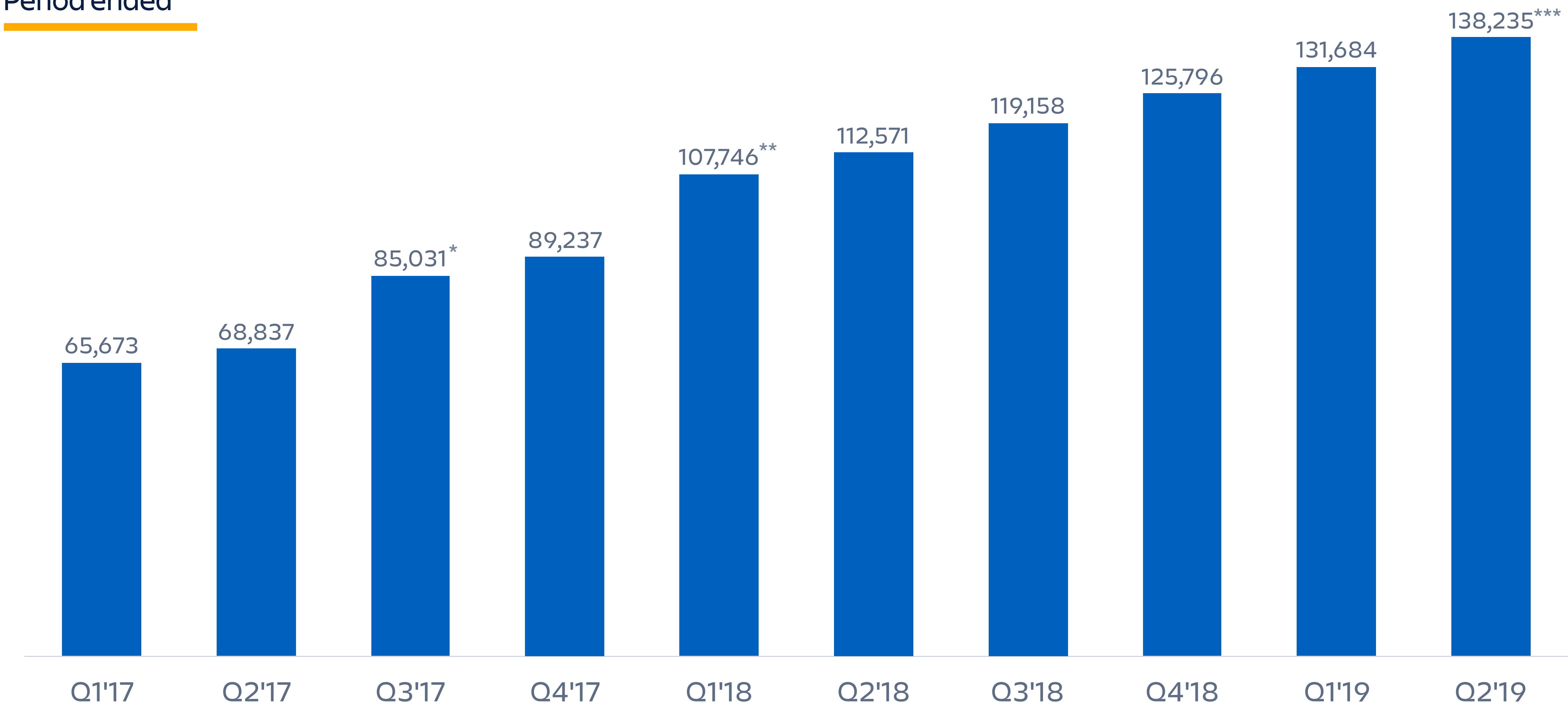
FREE CASH FLOW



Note: Free cash flow is defined as cash flow from operations less capital expenditures, which consists of purchases of property and equipment.

CUSTOMERS

Period ended



*Includes an increase of 12,789 customers as a result of our acquisition of Trello during Q3'17.

**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.

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 - Q3'19 & FISCAL 2019

	IFRS	
	Three Months Ending March 31, 2019	Fiscal Year Ending June 30, 2019
Revenue	\$303 million to \$305 million	\$1,195 million to \$1,199 million
Gross margin	82%	83%
Operating margin	(10%)	(6%) to (5.5%)
Net loss per share - diluted	(\$0.14)	(\$1.07) to (\$1.06)
Weighted-avg. shares used in computing diluted IFRS net loss per share	238 million to 239 million	238 million to 240 million
Cash flow from operations	not provided	\$410 million to \$420 million
	Non-IFRS	
	Three Months Ending March 31, 2019	Fiscal Year Ending June 30, 2019
Gross margin	86%	86%
Operating margin	17%	20% to 20.5%
Net income per share - diluted	\$0.18	\$0.81 to \$0.82
Weighted-avg. shares used in computing diluted non-IFRS net income per share	248 million to 250 million	248 million to 250 million
Free cash flow	not provided	\$370 million to \$380 million

Note: Financial targets provided as of January 17, 2019. All numbers are approximate.

Appendix



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

	Description	FY2017	Q1 FY18	Q2 FY18	Q3 FY18	Q4 FY18	FY2018	Q1 FY19	Q2 FY19
Revenue by Type (\$ in thousands)	Subscription	249,823	86,391	97,704	106,295	120,304	410,694	134,065	152,500
	Maintenance	264,453	76,219	80,489	82,212	87,591	326,511	92,736	97,161
	Perpetual license	74,058	19,448	21,444	20,581	21,698	83,171	21,839	25,778
	Other	38,350	13,422	14,941	15,242	16,997	60,602	18,652	23,540
	Total revenues	626,684	195,480	214,578	224,330	246,590	880,978	267,292	298,979
Revenue Growth Rates (% Y/Y)	Subscription						64%	55%	56%
	Maintenance						23%	22%	21%
	Perpetual license						12%	12%	20%
	Other						58%	39%	58%
	Total revenues						41%	37%	39%
IFRS Results (\$ in thousands)	Total revenues	626,684	195,480	214,578	224,330	246,590	880,978	267,292	298,979
	Cost of revenues	119,161	40,090	43,164	45,240	44,196	172,690	45,185	49,782
	Gross profit	507,523	155,390	171,414	179,090	202,394	708,288	222,107	249,197
	Research and development	310,169	94,862	101,324	108,544	111,046	415,776	124,380	131,364
	Marketing and sales	134,404	45,092	44,519	48,655	49,049	187,315	52,262	68,950
	General and administrative	118,784	35,725	38,584	32,167	44,766	151,242	45,657	52,052
	Operating expenses	563,357	175,679	184,427	189,366	204,861	754,333	222,299	252,366
	Operating income (loss)	(55,834)	(20,289)	(13,013)	(10,276)	(2,467)	(46,045)	(192)	(3,169)
	Income tax benefit (expense)	14,951	8,238	(52,264) ^a	(8,280)	(2,995)	(55,301)	(2,369)	18,122
Net income (loss)	(37,449)	(11,470)	(64,209)	(15,823)	(21,930)	(113,432)	(242,445)	45,185	
Share-Based Payment Expense (\$ in thousands)	Cost of revenues	6,856	2,992	3,180	3,021	2,762	11,955	3,519	3,766
	Research and development	79,384	25,971	27,020	25,347	20,271	98,609	26,846	32,976
	Marketing and sales	17,395	6,209	6,136	5,816	5,444	23,605	7,761	9,850
	General and administrative	33,813	8,953	9,015	737	9,999	28,704	10,254	13,912
	Total share-based payment expense	137,448	44,125	45,351	34,921	38,476	162,873	48,380	60,504
IFRS to Non-IFRS Reconciliation: Cost of Revenues (\$ in thousands)	Cost of revenues	119,161	40,090	43,164	45,240	44,196	172,690	45,185	49,782
	Less: Share-based payment expense	6,856	2,992	3,180	3,021	2,762	11,955	3,519	3,766
	Less: Amortization of acquired intangible assets	14,587	5,293	5,294	5,302	5,299	21,188	5,351	7,060
	Non-IFRS cost of revenues	97,718	31,805	34,690	36,917	36,135	139,547	36,315	38,956
	% of total revenues	16%	16%	16%	16%	15%	16%	14%	13%
IFRS to Non-IFRS Reconciliation: Research and Development (\$ in thousands)	Research and development	310,169	94,862	101,324	108,544	111,046	415,776	124,380	131,364
	Less: Share-based payment expense	79,384	25,971	27,020	25,347	20,271	98,609	26,846	32,976
	Less: Amortization of acquired intangible assets	—	—	—	—	—	—	—	21
	Non-IFRS research and development	230,785	68,891	74,304	83,197	90,775	317,167	97,534	98,367
	% of total revenues	37%	35%	35%	37%	37%	36%	36%	33%
IFRS to Non-IFRS Reconciliation: Marketing and Sales (\$ in thousands)	Marketing and sales	134,404	45,092	44,519	48,655	49,049	187,315	52,262	68,950
	Less: Share-based payment expense	17,395	6,209	6,136	5,816	5,444	23,605	7,761	9,850
	Less: Amortization of acquired intangible assets	15,269	9,022	9,023	9,022	9,023	36,090	8,988	10,368
	Non-IFRS marketing and sales	101,740	29,861	29,360	33,817	34,582	127,620	35,513	48,732
	% of total revenues	16%	15%	14%	15%	14%	14%	13%	16%
IFRS to Non-IFRS Reconciliation: General and Administrative (\$ in thousands)	General and administrative	118,784	35,725	38,584	32,167	44,766	151,242	45,657	52,052
	Less: Share-based payment expense	33,813	8,953	9,015	737	9,999	28,704	10,254	13,912
	Non-IFRS general and administrative	84,971	26,772	29,569	31,430	34,767	122,538	35,403	38,140
	% of total revenues	14%	14%	14%	14%	14%	14%	13%	13%

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

	Description	FY2017	Q1 FY18	Q2 FY18	Q3 FY18	Q4 FY18	FY2018	Q1 FY19	Q2 FY19
IFRS Operating Expenses Reconciled to Non-IFRS Operating Expenses (\$ in thousands)	IFRS operating expenses	563,357	175,679	184,427	189,366	204,861	754,333	222,299	252,366
	Less: Share-based payment expense	130,592	41,133	42,171	31,900	35,714	150,918	44,861	56,738
	Less: Amortization of acquired intangible assets	15,269	9,022	9,023	9,022	9,023	36,090	8,988	10,389
	Non-IFRS operating expenses	417,496	125,524	133,233	148,444	160,124	567,325	168,450	185,239
IFRS Gross Profit Reconciled to Non-IFRS Gross Profit (\$ in thousands)	IFRS gross profit	507,523	155,390	171,414	179,090	202,394	708,288	222,107	249,197
	Plus: Share-based payment expense	6,856	2,992	3,180	3,021	2,762	11,955	3,519	3,766
	Plus: Amortization of acquired intangible assets	14,587	5,293	5,294	5,302	5,299	21,188	5,351	7,060
	Non-IFRS gross profit	528,966	163,675	179,888	187,413	210,455	741,431	230,977	260,023
	Non-IFRS gross margin	84%	84%	84%	84%	85%	84%	86%	87%
IFRS Operating Loss Reconciled to Non-IFRS Operating Income (\$ in thousands)	IFRS operating loss	(55,834)	(20,289)	(13,013)	(10,276)	(2,467)	(46,045)	(192)	(3,169)
	Plus: Share-based payment expense	137,448	44,125	45,351	34,921	38,476	162,873	48,380	60,504
	Plus: Amortization of acquired intangible assets	29,856	14,315	14,317	14,324	14,322	57,278	14,339	17,449
	Non-IFRS operating income	111,470	38,151	46,655	38,969	50,331	174,106	62,527	74,784
	Non-IFRS operating margin	18%	20%	22%	17%	20%	20%	23%	25%
IFRS Net Income (Loss) Reconciled to Non-IFRS Net Income (\$ in thousands)	IFRS net income (loss)	(37,449)	(11,470)	(64,209)	(15,823)	(21,930)	(113,432)	(242,445)	45,185
	Plus: Share-based payment expense	137,448	44,125	45,351	34,921	38,476	162,873	48,380	60,504
	Plus: Amortization of acquired intangible assets	29,856	14,315	14,317	14,324	14,322	57,278	14,339	17,449
	Plus: Non-coupon impact related to exchangeable senior notes and capped calls	–	–	–	–	19,892	19,892	244,686	(22,915)
	Less: Income tax effects and adjustments	(39,864)	(14,502)	36,564 [‡]	(10,389)	(13,823)	(2,150)	(15,734)	(38,528)
	Non-IFRS net income	89,991	32,468	32,023	23,033	36,937	124,461	49,226	61,695
Net Cash Provided by Operating Activities Reconciled to Free Cash Flow (\$ in thousands)	Net cash provided by operating activities	199,381	65,249	72,328	91,676	82,203	311,456	84,929	130,436
	Less: Purchases of property and equipment	(15,129)	(2,564)	(4,550)	(5,293)	(17,802)	(30,209)	(10,716)	(7,807)
	Free cash flow	184,252	62,685	67,778	86,383	64,401	281,247	74,213	122,629
	% of total revenues	29%	32%	32%	39%	26%	32%	28%	41%
Other Data (period ended)	Customers	89,237*	107,746**	112,571	119,158	125,796	125,796	131,684	138,235***
	Employee Headcount	2,193	2,292	2,408	2,503	2,638	2,638	2,738	3,061
Revenue by Geography (\$ in thousands)	Americas	317,433	99,344	106,305	111,080	122,634	439,363	133,918	145,408
	EMEA	243,746	75,483	85,410	89,525	97,091	347,509	103,789	121,387
	Asia Pacific	65,505	20,653	22,863	23,725	26,865	94,106	29,585	32,184
	Total	626,684	195,480	214,578	224,330	246,590	880,978	267,292	298,979
Weighted-Average Shares Used in Computing Diluted EPS: IFRS to non-IFRS (in thousands)	IFRS diluted shares outstanding	222,224	228,156	230,208	232,221	234,206	231,184	236,219	247,255
	Dilution from options and RSUs	13,833	12,617	13,170	12,356	11,204	12,801	10,576	–
	Non-IFRS diluted shares outstanding	236,057	240,773	243,378	244,577	245,410	243,985	246,795	247,255
Reconciliation of Diluted Earnings Per Share (\$)	IFRS diluted earnings per share	(0.17)	(0.05)	(0.28)	(0.07)	(0.09)	(0.49)	(1.03)	0.18
	Plus: Share-based payment expense	0.59	0.18	0.20	0.14	0.16	0.68	0.20	0.24
	Plus: Amortization of acquired intangible assets	0.13	0.06	0.06	0.06	0.06	0.25	0.06	0.07
	Plus: Non-coupon impact related to exchangeable senior notes and capped calls	–	–	–	–	0.08	0.08	1.03	(0.08)
	Less: Income tax effects and adjustments	(0.17)	(0.06)	0.15	(0.04)	(0.06)	(0.01)	(0.06)	(0.16)
	Non-IFRS diluted earnings per share	0.38	0.13	0.13	0.09	0.15	0.51	0.20	0.25

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

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.

*Includes an increase of 12,789 customers as a result of our acquisition of Trello during Q3'17.

**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.

[‡]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.

RECONCILIATION OF IFRS TO NON-IFRS FINANCIAL TARGETS

	Three Months Ending March 31, 2019	Fiscal Year Ending June 30, 2019
Revenue	\$303 million to \$305 million	\$1,195 million to \$1,199 million
IFRS gross margin	82%	83%
Plus: Share-based payment expense	2	1
Plus: Amortization of acquired intangible assets	2	2
Non-IFRS gross margin	86%	86%
IFRS operating margin	(10%)	(6%) to (5.5%)
Plus: Share-based payment expense	23	21
Plus: Amortization of acquired intangible assets	4	5
Non-IFRS operating margin	17%	20% to 20.5%
IFRS net loss per share - diluted	(\$0.14)	(\$1.07) to (\$1.06)
Plus: Share-based payment expense	0.29	1.01
Plus: Amortization of acquired intangible assets	0.05	0.22
Plus: Non-coupon impact related to exchangeable senior notes and capped calls	0.03	0.97
Less: Income tax effects and adjustments	(0.05)	(0.32)
Non-IFRS net income per share - diluted	\$0.18	\$0.81 to \$0.82
Weighted-average shares used in computing diluted IFRS net loss per share	238 million to 239 million	238 million to 240 million
Dilution from share options and RSUs (1)	10 million to 11 million	10 million
Weighted-average shares used in computing diluted non-IFRS net income per share	248 million to 250 million	248 million to 250 million
IFRS net cash provided by operating activities		\$410 million to \$420 million
Less: Capital expenditures		(40 million)
Free cash flow		\$370 million to \$380 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, 2019 and fiscal year ending June 30, 2019 because the effect would be anti-dilutive.

Note: Financial targets provided as of January 17, 2019. All numbers are approximate.

