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Presentation

Operator

Good afternoon, and thank you for joining Atlassian's earnings conference call for the second quarter of fiscal year 2026. As a reminder, this conference call is being recorded and will be available for replay on the Investor Relations section of Atlassian's website following this call.

I will now hand the call over to Martin Lam, Atlassian's Head of Investor Relations.

Martin Lam

Head of Investor Relations

Welcome to Atlassian's Second Quarter Fiscal Year 2026 Earnings Call. Thank you for joining us today. On the call with me today, we have Atlassian's CEO and Co-Founder, Mike Cannon-Brookes and Chief Financial Officer, Joe Binz.

Earlier today, we published a shareholder letter and press release with our financial results and commentary for our second quarter of fiscal year 2026. The shareholder letter is available on the Investor Relations section of our website, where you will also find our other earnings-related materials, including the earnings press release and supplemental investor data sheet. As always, our shareholder letter contains management's insight and commentary for the quarter.

So during the call today, we'll have brief opening remarks and then focus our time on Q&A. This call will include forward-looking statements. Forward-looking statements involve 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, and we undertake no obligation to update or revise such statements should they change or cease to be current. Further information on these and other factors that could affect our business performance and 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 recently filed annual and quarterly reports.

During today's call, we will also discuss non-GAAP financial measures. These non-GAAP financial measures are in addition to and are not a substitute for or superior to measures of financial performance prepared in accordance with GAAP. A reconciliation between GAAP and non-GAAP financial measures is available in our shareholder letter, earnings release and investor data sheet on the Investor Relations section of our website. We'd like to allow as many of you to participate in Q&A as possible. So out of respect for others on the call, we'll take one question at a time.

With that, I'll turn the call over to Mike for opening remarks.

Michael Cannon-Brookes

Co-Founder, CEO & Director

Thank you all for joining us today. As you've already read in our shareholder letter, we closed out Q2 with very strong enterprise sales execution and incredible momentum across our business. We surpassed \$6 billion in annual run rate revenue, delivered our first ever \$1 billion cloud revenue quarter, up 26% year-over-year and grew our RPO 44% year-over-year to \$3.8 billion.

We have strong momentum across our enterprise, AI and system of work transformations, and you can see this in our numbers. Customers are choosing us for their future in bigger ways and bigger numbers than ever before.

Enterprises like Cisco, Expedia, Reddit and Synchrony Financial rely on Atlassian to power their most critical business processes and workflows. Rovo surpassed 5 million monthly active users of our AI

capabilities. We're seeing firsthand every day how AI is transforming the way that work gets done, and we are directly benefiting as a business.

When we look at the thousands of customers in our software teams using AI code generation tools, we found that they create 5% more tasks with Jira, have 5% higher monthly active users and expand their Jira seats 5% faster than those who don't use these AI coding tools.

As I've said before, AI is the best thing to happen to Atlassian and the results we're seeing today are no accident. As a long-term focused company, we're now benefiting from years of thoughtful investment across product, R&D and GTM, which have positioned us to capture this moment. These investments are creating what we believe is a truly differentiated customer experience.

First, the data and domain expertise living inside our Teamwork Graph, which is now well more than 100 billion objects and connections across first and third-party tools, enables Rovo to deliver real business value that's context aware and actionable for customers across their search, chat and agentic experiences.

Second, our decade-long investments in enterprise-grade security, data governance, permissioning capabilities and compliance enable every organization to securely move work forward at scale while deploying these fantastic new AI capabilities with the trust that they need. We provide a system of work built on deep integration into customer workflows with that compliance, security and support that enterprises trust built in.

Lastly, our unique distribution engine enables us to seamlessly deliver those incredible experiences to over 350,000 customers, including more than 80% of the Fortune 500 and 60% of the Forbes AI 50. Customers are realizing the value of our unified system of work and want to continue to partner more closely with us than ever before. And all of this is driving our results. We closed a record number of deals greater than \$1 million ACV in Q2, nearly doubling year-over-year again as enterprises are choosing to standardize on the Atlassian system of work.

In less than 3 quarters, more than 1,000 customers have upgraded to our main AI monetization driver, the Teamwork Collection, purchasing more than 1 million seats to get the best AI platform and many more AI credits for their agents.

As I look across our business, two things are clear. We've never been more of a strategic partner to the biggest businesses in the world, empowering their AI and future of work transformations and our momentum is continuing to grow. This gives us confidence in our road ahead and our long-term opportunity. We are truly transforming how work gets done and solving the toughest human AI collaboration challenges for our customers, and we're doing it every day.

We're pushing ahead with strong conviction, and I could not be more bullish about the massive opportunities in front of us as we advance our mission to unleash the potential of every team. With that, I'll pass over to the operator for Q&A.

Question and Answer

Operator

[Operator Instructions]

Your first question comes from Rob Oliver from Baird.

Robert Cooney Oliver

Robert W. Baird & Co. Incorporated, Research Division

Mike, I appreciate the clarity and conviction in the letter. Obviously, a ton of fear in the market right now on software. So I thought I'd address it by asking you about some of the conversations you're having with your buyers right now. Clearly, the numbers show, whether it be cloud NRR, \$1 million deals, Rovo adoption that existing customers are expanding with you.

And in the letter, you called out some of those reasons, Cisco around data, Expedia around customer familiarity. But can you talk about how those conversations have changed, if at all, recently with your customers? And what's driving this motion towards Atlassian right now and if AI is at all changing those conversations?

Michael Cannon-Brookes

Co-Founder, CEO & Director

Thanks, Rob. I appreciate the kind words in there. The -- look, customer conversations have changed a lot over the last year. There's no doubt about that, right? And I would say all of those changes have been incredibly positive for us. The customer conversations we're having are at a higher level than we've ever been having them before. And those customers are looking for strategic partners to help them through AI. They continue to appreciate our delivery of that AI value to them inside their processes and workflows. They will call this out directly.

We get called out directly that AI capabilities are the reasons people are moving to the Teamwork Collection. They're the reasons that people are upgrading to the cloud. They're the reasons they see our R&D investments. They use our chat capabilities, our agents in millions of workflows now per month. They're able to deploy them, get them up and running and get value from them quicker. We have so many customer quotes and examples where they see this, right? We've long put software in our customers' hands for them to use and deliver on.

That, in return, makes those customer conversations about longer-term commitments, right? As you pointed out, you see that in our numbers, right? Our RPO at 44%, growing -- accelerating for the third quarter in a row is a really fantastic vote of confidence, I believe, from those customers, right? Those are tens of thousands of seats signing multiyear deals, that are voting on not the platform for 2026 for them in AI, but the platform in '27, '28 and '29. And those customers are seeing what we're doing, seeing our progress and voting with their feet.

There's a lot, obviously, of noise out there in the market, right? As I said in my shareholder letter, there's no doubt about that. But when I talk to customers, they believe that we're helping them through a lot of that noise. We're delivering for their software teams, their business teams and their business process, and they're able to get efficiencies and improvements today. And I would say they want all the same things they've wanted in the past. Sometimes in these type of times when there's a lot of noise, right, we can forget the fundamentals, right?

Enterprise customers want a platform they can trust. They need it to be compliant and secure and all the things they've always needed. They want great ROI. They want efficiency in their business. AI enables us to do that better than we ever have before in our domain of helping their teams to collaborate and be better. I think we're seeing it in all of our numbers across the Board. So again, that's where you hear us feeling incredibly bullish, right, about what we're doing each quarter and seeing that real acceleration.

Operator

Your next question comes from Keith Weiss from Morgan Stanley.

Sanjit Kumar Singh

Morgan Stanley, Research Division

Yes. This is Sanjit Singh for Keith Weiss. Congrats on the \$1 billion quarter in Cloud and the progress with Teamwork Collection. Really nice to see. I want to follow up on Rob's question in terms of kind of the reality on the ground in terms of what the market is sort of asking and calling for versus what customers want and this is specifically around pricing.

And I'd love to hear your take on where does pricing go to and evolve over the next 1 to 3 years. Market seems concerned on seat-based model, seat-based pricing. Customers probably like seat-based pricing. And so what -- where do you think this all shakes out in terms of where we're headed in terms of the pricing monetization story for Atlassian?

Michael Cannon-Brookes

Co-Founder, CEO & Director

Sure. Thanks, Sanjit. Look, a totally valid and important question. Let me start with the numbers that you can see it, and then I'll talk to our philosophy. You can see in everything from the RPO to our NRR number, again, 120% ticking up for the third quarter and 120% plus, north of 120% and ticking up for the third quarter in a row. The pricing we currently have is delivering, right, for the customers. They are opting for more of what we are doing. And price is not a huge part of any of these conversations that we're having with our customers. It always is, they want to get good value. They want to understand, but we're a very good value option. We always have been and we continue to be so.

The conversations around consumption-based pricing and pricing models changing, again, our philosophy has always been to deliver the best value we can in the overall ROI sense to our customers. It is our job, I believe, as an application vendor, not an infrastructure vendor, but an application vendor, a platform vendor to manage the costs of everything that we have in the envelope of what the customers pay. We've done that in storage. We've done that in network costs. We're now doing it in AI costs.

And the customers' preferred method of payment is still an understandable, predictable pricing pattern, which tends to be a seat-based model in our category of software in terms of delivering collaboration tools for teams of people, how many people are collaborating is a best proxy at the moment for value, and I believe continues to be so.

You could worry about our AI costs. Again, you can see in our gross margin improvements for, I think, probably the third or fourth quarter, don't quote me on that, continuing to improve our gross margin that we're able to deliver those 5 million Rovo seats and continue to improve gross margin. That's a huge achievement on behalf of our engineering teams, but it shows that we can manage those AI costs inside for the vast majority of customers.

Now we do have consumption-based offerings, as you can see, everything from Forge to extra AI credits if you go over the limits to a Bitbucket pipelines, like there are consumption-based offerings. So we are very clearly in a hybrid model of that, but we do try to make our pricing philosophy what is best for those customers, right? They want to buy their applications, not on a consumption basis, but on a familiar predictable basis. It goes into the total cost of ownership that they look at for that equation. So we feel really good about where we're seeing it.

Lastly, you would see the 1 million seats we've passed in Teamwork Collection in under 9 months is a huge achievement on behalf of a lot of teams at Atlassian that has a predictable pricing pattern that is there. That's gone from 0 to 1 million seats in under 9 months on this pricing pattern. And those are customers who are upgrading. Why? Because of the pricing philosophy, but also because of what the Teamwork Collection gives them as an AI platform, and it gives them significantly more AI credits, right? So when they look at that upgrade, AI is less is one of the reasons, but it's baked into the pricing plan that we have

on Teamwork Collection. And I think at 1 million seats, we'd argue it's working really well. It's still early in that business.

Operator

Your next question comes from Gregg Moskowitz from Mizuho.

Gregg Steven Moskowitz

Mizuho Securities USA LLC, Research Division

Well, we are in a software twilight zone of sorts. So when a company whose stock is down almost 40% in 5 weeks, no company-specific news just reports a strong quarter, raises guidance and makes a significant commitment to accelerate the buyback. And yet the shares are right now indicated down a lower or an additional 10%. So I really do sympathize with how frustrated you all must be.

Now as to my question, it's for you, Mike. And what are your thoughts on the medium- to longer-term prospects of Anthropic Cowork as a competitive alternative to Jira. Also, I think it's important to get your perspective on Cowork new plug-ins. And so if we were to compare this to the most common Jira use cases, what could something like a Cowork plug-in automate for Jira, but also where would it fall short?

Michael Cannon-Brookes

Co-Founder, CEO & Director

Thanks, Gregg. Again, I appreciate the sound the kind words. You seem as frustrated as we are. So that's great.

Look, firstly, I would say Anthropic is a great partner of Atlassian. We use a lot of their models. We use a lot of their coding tools and working tools. We've just both become partners of Atlassian Williams Racing, which is wonderful. We're both helping that team to get to the front of the grid with a combination of all of our software and tools.

And I think that's a great example, right? There are going to be new tools that arrive with AI, and those new tools are going to deliver new capabilities. We're seeing that every week, every month, and that is great for our customers. Those tools continue to require data. They continue to require places to exchange. One of the greatest users of our MCP server, as an example, is a way to get to Atlassian's offering and the teamwork graph and the context we have in those other tools is through things like Cowork and use of Atlassian's MCP server. That is really good for us, right? Because it enables you to see how you can utilize and contribute back to the Teamwork Graph from lots of different tools used in lots of different contexts.

There is no doubt some of these tools are going to exist in different places with some overlaps. There is significant value, I think, between our offerings and those offerings. So we don't see that as being perhaps the challenge that others do out there. There's a great partnership opportunity there, and we continue to explore that. We continue to use their offerings really strongly internally. There are always going to be a lot of differentiations out there.

Teamwork Graph is very differentiated. The context we have across our applications and other applications is very useful for any of those agentic type tools. At the same time, you're still going to need human beings in the process in lots of different places. Approval workflows, business processes, they can be accelerated in lots of spots. That's exactly what we see customers doing with Rovo agents and with all of the other agents that can now operate inside of Jira. Those agents are accelerating business processes in lots of different ways. They're not eliminating the human impact, right? The human AI collaboration is incredibly important, and I think it continues to be so.

Lastly, I would just say that that's not new for us. Our philosophy of integration goes to listening to customers. The history of enterprise technology is about integrating with various different offerings, right? We work with lots of different products to make sure that our data and our workflows are integrated with what the customers are using. We'll continue to do that. That is a very strong part of our philosophy, and I

believe what customers really resonate with that we're integrated, we're deeply meshed in their processes and workflows, and we'll continue to help those workflows get more efficient.

Operator

Your next question comes from Karl Keirstead from UBS.

Karl Emil Keirstead

UBS Investment Bank, Research Division

Maybe I'll direct this one to Joe. I noticed in the shareholder letter, you talked about next year, just warning the street that the DC segment, obviously, on the back of a tough comp would be down meaningfully. I guess the spirit of my question is if we go back to the medium-term guide that you offered 1.5 years or so ago, I think we would get to sort of an implied total revenue growth, if my math is right, of 19%, 20% next year.

If DC is meaningfully down, I guess I just wanted to test your confidence that the Cloud revenue can be up enough such that you still feel comfortable with hitting that previous guide through fiscal '27?

Joseph L. Binz

CFO & Principal Financial Officer

Yes. Thanks, Karl. We do continue to have confidence in the long-term Cloud guide. If you think about the short-term guidance, we've taken the same approach in Q3 and FY '26 that we followed last year. The growth drivers for the Cloud business going forward continue to be very consistent with what we shared at the last Investor Day. We expect to tap into large market opportunities to drive healthy revenue growth through our strategies around enterprise AI and system of work. All of that drives a great number of users, a higher ARPU and more opportunity for cross-sell and upsell to higher value additions.

And with AI, we believe we have a unique and differentiated position at this critical pivot point in the market with our Teamwork Graph around high-value mission-critical workloads, combined with our Cloud platform, and there's a lot of long-term opportunity in that space as well. So overall, those are the big drivers, and we continue to expect to drive healthy revenue growth over the next 2 years in Cloud.

Operator

Your next question comes from Alex Zukin from Wolfe Research.

Aleksandr J. Zukin

Wolfe Research, LLC

I guess in the spirit of the first 2 questions. Mike, it feels like you guys are continuing to see really solid growth and really solid progress on all the initiatives you've laid out. But I guess my question would be, given the fact that you're probably already both benefiting from within Teamwork's Collection, a number of AI consumptive drivers, you're seeing Rovo and you're starting presumably to see your customers use Agentic interactions even from other systems to enhance the value that both Jira and Confluence provide to Teams.

At what point do you -- would you, at some point, expect to see monetization increase, improve and that greater value proposition to result in acceleration in stability of the Cloud numbers specifically? And when do you think that will actually happen?

Michael Cannon-Brookes

Co-Founder, CEO & Director

Alex, I can definitely talk to that. Look, I want to reiterate, firstly, what Joe just said in the last answer, we have our long-term guide. We firmly believe in reiterating our confidence in that guide. And hopefully, you can see in things like our RPO numbers and our NRR numbers, so our retention and our remaining performance obligations that there is a confidence in that long-term future that comes across. And both of those RPO and NRR numbers are across both Cloud and DC competitive. So that's important.

I think you're seeing it today. So we run into this tricky bind. You are seeing that acceleration today. Our RPO number has ticked up for the third quarter in a row and is growing significantly faster than our Cloud revenue growth and the Cloud revenue growth also accelerated this quarter. So I believe you're actually seeing that today, and it will flow through. These customers are signing multiyear -- 3-year large-scale deals.

So in terms of at what point do we expect to see monetization, we're already seeing it and we'll continue to see it, right? It's one of the #1 reasons to move to the Cloud and to upgrade to our Cloud platform. AI is one of the #1 reasons to choose the Teamwork Collection as a higher offering, and that is a great economic equation for our customers and for us. You're seeing more than 5 million AI now, as you pointed out, and millions of Agentic workflows now running every single month.

All of that is leading to our customers continue to expand their commitment to the Atlassian platform. AI is a huge part of that platform. Look, we should not mistake that. It's one of our 3 big transformations. We're heavily invested in delivering that AI to our customers. That monetization is coming through in the Teamwork Collection numbers we're seeing in those long-term customer commitments. They understand what we're building today. They see the road map of what we're building tomorrow. Customers have faith in our delivery.

Again, the things we announced at our conferences, we ship. We ship those very, very quickly now, increasingly quickly after those conferences. What that does is build this long-term customer trust. We invest heavily in R&D, as you all know, and we build great AI solutions. Our agents often in customers are the quickest thing they can get deployed with the highest value. And so I think we're actually -- we're seeing that today. It won't be a singular moment like a step change or a single thing. We'll continue improvement, right, continued improvement every quarter, but we are seeing that today.

Operator

Your next question comes from Ryan MacWilliams from Wells Fargo.

Ryan Patrick MacWilliams

Wells Fargo Securities, LLC, Research Division

For Mike, as new models get released, we're hearing examples of developers switching between different models and different coding agents as they see better model improvements. How do you view your position outside of the large AI labs working to Atlassian's advantage as customers can use Jira across their organization for the long term and then while still enabling their developers to use their favorite coding tool.

Michael Cannon-Brookes

Co-Founder, CEO & Director

Thanks, Ryan. Look, there's a lot of answers to that question. Firstly, we are big fans of model delivery. Every time new models come out, we take those capabilities. We've long said our strength is in adapting and delivering those models to our customers through the value. Again, our customers don't use models, they use applications, right? We don't sell chips, we sell apps. And those apps have to deliver value and those models let us deliver better value.

We have a very good AI team, world-class in adopting new models, working out where they're stronger, where they're cheaper, where they're faster, where they deliver better quality results and getting those into our products really quickly. That is our job to do. The customers may not even notice that. They probably don't. They may notice that chat got a little better today than yesterday. We continue to do that with continue to improve chat quality, agentic answer quality, et cetera. And we are able to use all the models again.

We use models from multiple foundation labs within the customers' preferences and choices. And our ability to do that, if we can pick the best model for the best purpose across multiple labs, that is a good thing. And that's a good thing for our customers like fundamentally, right, in terms of their ability.

We take the same position when it comes to agents. Again, we are shifting a whole set of capabilities for Jira directly that includes Jira Service Management, Jira Product Discovery and Jira itself to assign work to agents inside of any existing workflow or business process.

Now you can assign work to a Rovo agent out of the box, you can build your own agents, but you're also able to assign work to agents from all of the other big Agentic platforms. And I think that's a real strength of ours because you can model your business process in Jira, you can model your workflow in Jira, and you can involve other agents from your agent platform of choice or as most enterprises will probably end up with multiple agent platforms, and we have an out-of-the-box offering that works for you for a simple quick cases. This is a real strength for our customers because it means that they have one workflow and they can take the best of the best that makes sense. Maybe they have one set of agents in finance and a different set in sales, fine. We're able to help them across the Board, again, to our view of helping integrate with the tools they have.

Now lastly, you mentioned some of the software capabilities of those agents. I just wanted to stress, as we've said for 20 years, we solve human problems. We don't solve technology problems. We've never solved technology problems. And when we solve human problems, Jira is about the human reference to work. It is a piece of work that is going through a workflow, a set of changes.

We use our own Rovo dev tool, sure. We use old school coding where you just type the characters in, and we use many of the new AI code generation tools.

In our engineering team, which is very large and very world-class, we use all of these things. We still use a lot of Jira. Again, the statistics we're showing is that the more people use those tools, they create more issues. They have more workflows. They actually have more MAU in Jira, 5% more MAU at least, and they expand their seats at a faster rate because those are the most cutting-edge companies. Those are growing the fastest, right? And I think that shows that the world of collaboration and human challenge of teams getting together to decide what to do is still really important even among all of those technologies.

So I think we have a unique position to take all those models into our customers as they need the value from them.

Operator

Your next question comes from Jason Celino from KeyBanc Capital Markets.

Jason Vincent Celino

KeyBanc Capital Markets Inc., Research Division

Maybe switching topics a little bit, more of a simpleton kind of question, but curious to hear how migration activity is going, DC to cloud and if you're able to quantify how much that benefit was for the quarter?

Joseph L. Binz

CFO & Principal Financial Officer

Yes. Thanks for the question. We saw very healthy cloud migrations in Q2. It contributed a mid-to-high single-digit impact to Cloud revenue growth rates. So given this, we continue to expect migrations to drive a mid-to-high single-digit contribution to cloud revenue growth for the full year. So happy with the progress, and it continues to go very well.

Operator

Your next question comes from Ittai Kidron from Oppenheimer.

Ittai Kidron

Oppenheimer & Co. Inc., Research Division

Thanks, Joe, for resetting there on '27 data center. I wanted to dig in into the seat expansion. It clearly was an upside driver. It came exceeded your expectations in the quarter. But Joe, I was wondering if you could break down the seat expansion, if there's a way that internally you look at this in the context of new customer additions, expansion with existing customers, whether it's developers or other corporate

functions. I mean, every day, we're hearing about companies laying off more and more and more people, you're getting more and more seats.

I would love to get any insights as to the flavors. Where is it that you're gaining seats? Where are you still seeing kind of good momentum over there and your confidence level about your ability to sustain the seat growth?

Joseph L. Binz

CFO & Principal Financial Officer

Yes. Thanks for the question, Ittai. In terms of where we see the expansion, I'd say it's broad-based. It's across both tech and non-tech users. We are making a lot of progress on what we call non-tech or business users, particularly with the TWC product. Those seat expansion rates, both across the enterprise and SMB remain stable. That's been the case for 4 to 6 quarters now.

So we feel really good about the continued progress on that. And that's the way I would describe from a paid seat expansion perspective, sort of the color in terms of what we're seeing on that front.

Michael Cannon-Brookes

Co-Founder, CEO & Director

Ittai, if I can just chime in at sort of a nonfinancial and high level. Look, we're very clear that the system of work is about a continued growth of Atlassian into the knowledge worker population, right? When we talk about unleashing the potential of every team, our mission for over 2 decades, I would stress the every team part. We've got the software collection, which does very, very well. The DX and a lot of other things encompass and a bit like a pipeline, like there's a lot of great areas of that software collection.

We've also got the Service Collection. So we're seeing great growth in Service Collection across HR teams, Finance teams, other areas outside of its traditional market in IT and Operations teams, but that's certainly an area of growth for us. So there's HR and Finance teams, we're seeing a lot in the Service Collection, for example, and you've seen us ship a lot of features. We also launched Customer Service this quarter as an application within that to go after a new set of teams we haven't been able to get to as well, you would say.

In the Core Teamwork Collection, look, as we said in our letter, we were seeing double-digit seat expansion, more than double-digit seat expansion compared to people who buy the stand-alone applications. And that's baked into the Teamwork Collection packaging, but it's also because of the AI offering and how it works, right, in terms of getting -- you get -- you equate your Loom Confluence and Jira seats along with your additions, which often gains expansion.

But given the nature of our applications and our continued growth in business teams across an Enterprise sales, Marketing, HR, Finance, et cetera, what that licensing structure allows those teams to do is to collaborate more. And collaboration is a very sticky and kind of viral activity. So that's where you're seeing that expansion coming through in our MAU and in our AI MAU and also ultimately ending up in our NRR and RPO numbers in terms of long-term commitments from customers that, that is where they're seeing expansion across business teams of all struts.

Operator

Your next question comes from Koji Ikeda from Bank of America.

Koji Ikeda

BofA Securities, Research Division

I wanted to follow up on the point about customers that are using AI cogen tools are increasing Jira uses by 5%, 5% on the tasks on the MAU and expanding faster. And so what I'm trying to get at is understanding how this squares with the productivity gains that we're hearing from the cogen tools, like 30% more developer efficiency driven by cogen, does that equate to 5% more Jira usage?

Maybe I have that completely wrong, but what I'm trying to understand is how one helps catalyze use of the other and how we can maybe use that plus 5% increase of Atlassian usage when Gen AI is being used as a good read for other parts of the Atlassian growth opportunity?

Michael Cannon-Brookes

Co-Founder, CEO & Director

Koji, great question. I'll get into some specifics here. Firstly, that's obviously within sort of the Software Team and Software Collection. So the first thing I would say is to Ittai's question previously, that is a subset of our user base, right, in terms of software teams. And those are generally broad technology teams as well, right? So not just developers, but security folk and network analysts and operations teams and product managers and designers. There's a lot of different roles involved in Software team well beyond just the coding itself.

But it is a subset of our total audience. And again, Service Collection had an amazing quarter in a totally non-software sense. I think what we're saying there is it's 5% higher or at least 5% higher than non-AI code generation-based companies. It doesn't mean it's a 5% expansion rate. It means they're expanding 5% higher than the rate of expansion of the other groups. So that's where you see that it's not necessarily a 5% total expand rate. You can see in our NRR and other stats, it's higher than that, right.

Secondly, there's a lot of reasons for that, I believe. Firstly, these are the cutting-edge companies. These are the companies that are pushing the boundaries the most. They tend to be growth-oriented companies. So they tend to be companies that are growing, which is great. But guess who those largest companies are going to be in the future is those ones that are pushing the boundaries and driving forward in a generalized economic sense. So that's really good. Those are the leading companies for us.

Secondly, yes, they're getting more efficiency. If you look at the actual delivery efficiency, coding speed is, again, 20% to 30% of the developer's job. And so you may be getting 10%, 15%, 20% improvement in the overall productivity of your organization if you have 1,000 people in R&D, something like that. But that innovation moving quicker, it doesn't mean you're finishing your road map. You're coming up with more things to do. So you're adding more tasks.

You're also creating a lot more technology, a lot more software and services, which makes your architecture more complicated. It gives you more things to manage with something like Compass in terms of the different software code bases and models and pipelines and all the different data structures that you have to deliver your technology products and services as an organization as a customer of ours.

And lastly, you create more complexity, right, the security and compliance of a bank, the governance functions that have to happen, the structuring and the downtime, the operating of that software. All of these things create Jira issues at large volumes, right? So if you create more software, you're going to have more management, more overhead, more collaboration. Some version of that is what we believe is happening underneath, right? You have more collaboration to do because you end up with more technology, and that's a good thing.

More software in the world is a good thing for Atlassian. I think we've said that for a couple of years now. That is our belief that AI is unlocking sort of human creativity at the highest level, right? It's allowing them to create more. That means those humans have to interact and collaborate more and those created objects need to be managed, operated, maintained and that's generalized a good thing for Atlassian across software and non-software teams.

Operator

Your next question comes from Keith Bachman from BMO.

Keith Frances Bachman

BMO Capital Markets Equity Research

Mike, I wanted to direct this to you, if I could. And I wanted to get your perspective and update on JSM specifically, and I'll break that into a few parts. If any kind of metrics you could give us on growth

and what the trajectory is, there's a lot of consternation about workflow, broadly speaking. Moskowitz mentioned your stock going down, it's not the only one. ServiceNow goes down almost every day, given concerns around the underlying fundamentals of JSM.

The second part is just anything on the competitive dynamics. And then the third is really, I wanted to focus on seats for a second within the context of JSM. And is there any update you can give us on like-for-like? What I mean by that is you have a JSM workload, a customer has, is that -- is there seat degradation within the confines of a given workload? I understand you're still grabbing customers, so seats are probably going. But really on a like-for-like basis, just want to understand some context on seats.

Michael Cannon-Brookes
Co-Founder, CEO & Director

Sure. Thanks, Keith. Great question. Love questions about Service Collection doing fantastically. Look, we gave some stats in our shareholder letter, right? We passed 65,000 customers, which is a big milestone, 50% of the Fortune 500 as a business in and out itself and the enterprise side of that world growing over 60% year-on-year. So hopefully, from those sort of high-level statistics, Service collection is doing very, very well. It is definitely our fastest-growing product at significant scale. And that's a really important milestone for that business.

As I said earlier, yes, that growth is happening on a like-for-like customer base like your sort of same-store sale analogy, I get what you're asking there. We're certainly seeing efficiencies coming in some of those customers. At the same time, as a challenger brand, we are seeing great growth in HR. We shipped to 12 months ago, a whole series of HR service management blueprints and other areas. We're growing really well in that sort of part of helping operate a business.

Same in finance, same in other areas of operations, often like workplace management, these types of things. Service collection is doing very, very well in. And we feel very confident that we have a lot more growth to go get there.

Secondly, on the asset management side, you've seen us take assets out of the service collection and put them into the core platform. That continues to be a big growth driver for us as we have a far more modern Cmdb-like system as a graph compared to a lot of the legacy competitors. And as we connect the assets graph that you have of physical objects often to the Teamwork Graph, we're seeing our agents and our AI capabilities get significantly more powerful, and we're seeing great growth there.

As such, in the last 6 months, more than 40% of the Agentic workflows that have been built are actually in Service Collection customers and Service Workflows. It's a very natural area to deploy agents -- AI agents into your service workflows to help improve the human agentic experience or the human agent experience of delivering value to the customer or the customer just getting the value directly themselves. So that is going very, very well. More than 2/3 of our service collection customers are using it for non-IT use cases at the moment, which is a great sign that, that is happening.

Two other things maybe, one, you see we're a leader in our enterprise service management wave. The analyst community continues to recognize us as a leader and a visionary, but also a significant challenger and growth brand. And we continue to see a lot of migration from legacy service management platforms on to service collection for much higher ROI, much better cost equation with a much more modern stack and user experience, and that's really great for us.

Lastly, and it shouldn't be last, it's definitely not the most minor. We only GA our customer service management app inside the last quarter. So that's delivering great efficiency results for us in running parts of our customer service, as we've said, and very early in that journey, but really excited about how that can continue to grow the Service Collection as it continues to power a large part of the license growth.

Operator

Your next question comes from Raimo Lenschow from Barclays.

Raimo Lenschow*Barclays Bank PLC, Research Division*

I have a question on the DC price increases and the gap we have to Jira Cloud now. Like how do you think about that in terms of as a server incentive to move? Do you think there's further action that can help you there to kind of accelerate that journey? And then I had one quick follow-up.

Joseph L. Binz*CFO & Principal Financial Officer*

Yes. Thanks, Raimo. From a pricing perspective, on the Cloud, we invest quite a bit in R&D, and we're consistently delivering a lot of innovation and value to our customers. And that fundamentally allows us the opportunity to increase prices over time commensurate with that value delivery. We may do that through pricing or packaging of premium SKUs or through list prices. In either case, our prices today remain significantly below many of our software peers and competitors across our portfolio.

And because of that and the pace of innovation and value delivery on mission-critical workflows, we still feel we have plenty of headroom for further pricing. In terms of data center, we will ensure that any price changes on data center going forward fit into the deliberate and planful approach we're taking in providing the right incentives at the right time to help customers upgrade to the cloud. Overall, however, we believe we remain competitively priced just relative to the value we deliver and competitive alternatives in that space as well. So that's how we think about the pricing perspectives in terms of the interplay between Cloud and Data Center.

Raimo Lenschow*Barclays Bank PLC, Research Division*

Yes. Okay. Perfect. And then I had one question. I might have missed it, but did you talk to the 20% revenue growth CAGR? Or did you -- could you clarify that? Because I had a couple of questions from the other audience, if you kind of reiterated it or not?

Joseph L. Binz*CFO & Principal Financial Officer*

Yes. Sure, Raimo. There's no change to our midterm outlook calling for 20% plus compounded annual revenue growth through FY '27. I'd say the same thing for our 25% plus non-GAAP operating margin commitment in FY '27. We remain confident in our ability to deliver healthy and accelerating Cloud revenue growth as we expand operating margin over time. And I'd also highlight that with respect to our short-term guidance for FY '26, we do continue to take a conservative and risk-adjusted approach. So that's the way to think about that.

Operator

Thank you. That's all the questions we have time for today. I will now turn the call over to Mike for closing remarks.

Michael Cannon-Brookes*Co-Founder, CEO & Director*

Thank you, everyone, for joining our call today. Thanks to all of the Atlassian teams for delivering a truly fantastic quarter. And as always, we appreciate all your thoughtful questions and continued support from the investor and shareholder community. Have a kickass weekend, everybody.

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