Atlassian Corporation

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Earnings Call

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Call Participants

EXECUTIVES

James Chuong
CFO & Principal Financial Officer

Martin Lam
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Michael Cannon-Brookes
Co-Founder, CEO & Director

ANALYSTS

Adam Dennis Wood
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Aleksandr J. Zukin
Wolfe Research, LLC

Allan M. Verkhovski
BTIG, LLC, Research Division

David E. Hynes
Canaccord Genuity Corp., Research Division

Gregg Steven Moskowitz
Mizuho Securities USA LLC, Research Division

Karl Emil Keirstead
UBS Investment Bank, Research Division

Koji Ikeda
BofA Securities, Research Division

Robbie David Owens
Piper Sandler & Co., Research Division

Ryan Patrick MacWilliams
Wells Fargo Securities, LLC, Research Division

Presentation

Operator

Good afternoon, and thank you for joining Atlassian's Earnings Conference Call for the Fourth 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 Fourth 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, James Chuong.

Earlier today, we published a shareholder letter and press release with our financial results and commentary for our fourth quarter of fiscal year 2026. The shareholder letter is available on the Investor Relations section of our website, where you will also find 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 a 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 and our most recently filed annual and quarterly reports.

During today's call, we will also discuss non-GAAP financial metrics. 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. Out of respect for others on the call, we'll take 1 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, Q4 was another outstanding quarter, capping off an incredible fiscal year for Atlassian. Total revenue grew 28% to $1.8 billion. Cloud revenue surged to $1.2 billion as growth accelerated again, up 31% year-over-year. RPO grew 44% year-over-year to $4.8 billion, and we delivered a GAAP operating margin of 12%.

We are firing across all of our strategic priorities, enterprise the system of work and AI, all while driving durable profitable growth. In the enterprise, we had an all-time record quarter at the $1 million level, the $3 million level and the $5 million level of deals. With our $3 million ARR customers growing over 50% year-on-year and our $5 million ARR customers growing over 70%.

In the Atlassian system of work, leading enterprises like Google Cloud are using our platform to power the way their teams collaborate. And in AI, Rovo is now used by over 80% of the Fortune 500. Rovo assisted actions grew 50% over the prior quarter and Rovo adopters that is customers using Rovo continue to grow their ARR at more than twice the rate of non-adopters.

When we think about what AI is doing for Atlassian, the results speak for themselves. Customers are getting real value from the AI embedded directly into their workflows, and it's translating into direct growth in our business. Customers are committing more deeply to the Atlassian platform because of the value delivered. We're seeing longer customer commitments, larger deals, stronger seat expansion, great cross-sell momentum and higher NRR.

Last quarter, we recognized customers like NVIDIA and ResMed at Team '26 for how they're putting the Atlassian platform to work in the AI era to drive their businesses using the Teamwork Graph. The reason customers like these and many more are getting so much value from Atlassian comes down to a key structural advantage and that advantage is context. We believe models will keep improving and organizations will hire that intelligence by the token. A context, their internal knowledge, experience and memory is much harder for organizations to build and it cannot be hired. With the Teamwork Graph, we have 25 years of deep data about work. That's enabled us to build 1 of the best context graphs that exist for enterprise knowledge, now spanning over 200 billion objects and connections. For agents grounded in the Teamwork Graph, organizations can see up to 44% more accurate answers while consuming 48% fewer tokens.

In short, it enables to get customers' results from their AI that are cheaper better and faster. Context is a clear compounding differentiator. I shared more on this in my investor loom.

As you read in our shareholder letter, we're executing well on our long-term strategy from a position of strength and we're seeing this play out each quarter in our strong results. And the best is truly yet to come for Atlassian.
With that, I'll pass the call to the operator for Q&A.

Question and Answer

Operator

[Operator Instructions] Your first question comes from Adam Wood from Morgan Stanley.

Adam Dennis Wood
Morgan Stanley, Research Division

Congratulations on an amazing -- amazingly strong end to the year. I just wanted to ask about the subscription ARR framework. Obviously, it's kind of newer framework to us. And you again had another great end to year 23% growth for the fiscal year '27 guide is down to 18%. Could you maybe just help us out around the difference between Cloud and data center within that and how much of this is kind of some moderation around new seat expansion, et cetera? And how much of it is around prudence surrounding macro and continued scaling of the enterprise go-to-market engine?

James Chuong
CFO & Principal Financial Officer

Thanks, Adam, for the question, and welcome to the coverage. First, I would highlight that we're really pleased to see the strength that we saw in the quarter, printing ARR growth, sub-ARR growth of 23% year-over-year. When it comes to the guide, we'll continue to take a thoughtful and prudent approach here, really balancing the momentum that we're seeing in the business, the demand signals that we're getting from our customers with the uncertainty as you look out in the macro environment, fiscal policy and geopolitical landscape. And as you mentioned, this is the first time we'll be issuing ARR guidance for the full fiscal year. We're also still early in the fiscal year here. So taking a bit more of a prudent approach in that second half of FY '27. It's also worth noting that in FY '26, the ARR year-over-year growth rate benefited by approximately 1 point from the acquisition of DX at the close of November in 2025. That's our fiscal Q2. And so we'll be lapping that DX acquisition and the healthy acceleration that we saw in the second half of FY '26. And of course, we're going to still continue to scale our enterprise go-to-market sales motion as we unlock the opportunities that we see in front of us. So all I feel really good about the state of the business here. And coming off a quarter where RPO landed at 44% year-on-year NRR was north of 120%. So you're just taking a balanced and prudent approach to the guide.

Operator

Your next question comes from Allan Verkhovski from U.S. Bancorp.

Allan M. Verkhovski
BTIG, LLC, Research Division

Congrats from me as well on another blowout quarter. You've been highlighting that the Teamwork Graph is driving a 44% improvement in task efficiency and a 48% reduction in token usage. Can you elaborate on how these gains are showing up in your customers' deployments and how they're influencing customer conversations, buying behavior and overall sales cycle dynamics?

Michael Cannon-Brookes
Co-Founder, CEO & Director

I'm sure I can take that one. Look, I can tell you I've met more than 60 customers over the last 6 weeks and 5 different countries around the world and the Teamwork Graph and AI come up in every single conversation I've had. You can see from our results, those customers are continuing to expand their use of the Teamwork Collection, either upgrading to it if they're buying single applications or adding to the seats as they move into more of their knowledge workers and across the organization. And AI and the Teamwork Graph is 1 of the biggest reasons -- it's 1 of the top 2 reasons quoted by our customers for their reason to upgrade to the cloud and to upgrade the Teamwork Collection.

Now the question is why and where those results come from. Again, our applications have a lot of connections to other applications around the world, right, whether that's their CRM system, whether that's their documentation knowledge systems, we have, for about 8 years, been building the Teamwork Graph as the best way to get answers across all of those applications for their users or for their agents, which increasingly ask a lot of questions in a very short period of time. The quality of those answers is directly related to the queryability by graph. The density of that graph or the amount of information and the connections we have between it the quality of the social and collaboration group, the people information that we have. And fundamentally, the breadth of information, a number of contexts you have. We outlined a little bit of this in the shareholder letter, and there's a number of videos that show direct examples of where that gain comes from.

Fundamentally, the better answers, the quality of information across all those applications we can give to your agents, the less token they consume and the less time it takes them to get to an equivalent quality enter. Customers are seeing that. It's based on all of the structured and unstructured workflows we have from those customers over the last 25 years. And for all those customers that are adopting the Teamwork Collection and the Teamwork Graph coming inside that. I frequently get asked to ask to buy the Teamwork Graph, and the answer is no, you already have it. I can often go and say you have 150 million objects and connections in your Teamwork Graph today and they're like, I do? And then we can do live demos. We can show them in real time their own graph, how it works using the CLI. It's an amazingly powerful story, especially in an age where all of the customers are asking about token costs and AI spend. It's an incredibly powerful story about how we can actually connect their organizational knowledge, their history, directly to those AI agents and give them a cost and performance, better quality answers and cheaper answers. So it's a very powerful story, 1 we've been building for a long time and very customer isn't in all those conversations.

Operator

The next question comes from Ryan MacWilliams from Wells Fargo.

Ryan Patrick MacWilliams
Wells Fargo Securities, LLC, Research Division

For James, I'd love to hear about the components of what drove cloud strength in the fourth quarter beyond the guidance? Like was it more customer seat additions or more Teamwork Collection? And have you thought about approaching this full year cloud guide in this uncertain environment? Was there any changes to guidance philosophy overall?

James Chuong
CFO & Principal Financial Officer

Thanks, Ryan. No, the philosophy remains -- really remains the same here. And on the cloud revenue drivers here on the $49 million beat, maybe I'll start with the fact that and highlight the fact that the DC migrations to cloud were really in line with expectations and not a contributor to the $49 million beat. It's progressing well and in line with our expectations for FY '26 contributing approximately mid- to high single digits to the cloud growth revenue. So the 2 primary drivers here of the outperformance were really the cross-sell and seat expansion that we were seeing similar to what we saw in the cross sell side, we continue to see strong uptake in our collections across Service Collection and Teamwork Collection. Service Collection revenue growth accelerated in Q4, just a strong signal of the AI adoption that we're seeing and that Mike mentioned a little bit earlier here. In fact, we're seeing over 3x increase in Agentic automation in Service collection as customers are continuing to deploy more agents beyond IT teams in HR and legal and finance and marketing teams. So again, also great to see the recognition here being named a leader in Gartner's Magic Quadrant for conversational AI platforms for employee services. We also continue to see a lot of strong performance on the Teamwork Collection side. A good reminder that Teamwork collection is still the best vehicle for customers to adopt and unleash AI on the Atlassian platform. This is where customers are upgrading to increased Rovo credits, it's giving customers what they want in terms of the predictability as well as the ability to really load balance those tokens across their organizations, and we're seeing that drive our strong ARPU uplift here as well. So really, I think what this shows is that the customers are consolidating their collaboration stack onto the Atlassian platform, recognizing the value that the Teamwork Graph really brings here. And we do see that in the results with Teamwork customers having 4 to 5x more paid seats per instance than stand-alone Jira or Confluence customers.

Operator

Your next question comes from Karl Keirstead from UBS.

Karl Emil Keirstead
UBS Investment Bank, Research Division

A number of software stocks this week have been clocked on weaker-than-expected margin performance as their AI use goes up and their AI mix goes up and yet I'm looking at the Atlassian results and your margins despite you guys also experiencing an uptick in AI usage holding in there very well. And I'm wondering if you can explain that difference what you guys might be doing? Cost structure might be different. That might be helpful.

James Chuong
CFO & Principal Financial Officer

I'll Start with that. Again, on the margin guide here, as Mike and I stated back in the Q3 shareholder letter, we're committed to driving durable profitable growth here and a positive GAAP operating margin target for FY '27 really sets us on that path to accelerate and expand GAAP profitability over time. And in terms of drivers, look, the big part of that is disciplined hiring approach, right? We talked about that as well as reallocating resources against some of the biggest opportunities and ROI that we see right now as well as moderating the stock-based compensation here. At the same time, we're going to continue to judiciously invest in AI and scale our enterprise sales motion where we do see a lot of customer demand right now and our ability to really kind of capture that sustained opportunity in front of us. So that goes to really help inform the 6.5% GAAP operating margin guide for Q1 and a 4.5% GAAP operating margin for FY '27 as we continue to focus on driving that profitability and growing that over time.

Michael Cannon-Brookes
Co-Founder, CEO & Director

Yes. Look, Karl, I can add on from the gross margin in the COGS side. I would say it's a classic Atlassian story of being thoughtful and long-term thinking -- long-term orientation. We've talked for 3 years now around our AI gateway and how we think about AI. We've been blending multiple models for a multiyear period, and we're getting really, really good at it. It's a nontrivial challenge. I'll give a huge shout out to all of our R&D teams who have been working on that cost to serve question for a long time in terms of getting the best quality at the best price and the best speed. People want [strike] fast answers from their AI across Teamwork Graph, across our enterprise search architecture, which is now the best in the world in terms of giving you answers across your knowledge estate, whether that's to a person or human or whether that's to an agent or something clearing in that manner from an AI perspective. Our ability to blend models, our ability to manage traffic costs over time is truly phenomenal. We get better at it every quarter. And you can see that we had a huge continued growth in AI usage. Again, Rovo assisted actions are up 50% quarter-on-quarter. And we've continued to do that and focus on the durable profitable growth that we've talked about for a while now. So it's a huge credit to everyone in the Atlassian team to be able to do that. It's a lot of hard work. It's a lot of long-term thinking about the architecture that we built underneath our AI to be able to give those answers in a -- in an incredibly competitive value way to our customers as well. So not only do we give them the best answers, we give them the best answers at an incredible price, which is part of the reason you're seeing the growth in the service question, the growth in the Teamwork Collection, again, as James mentioned service question, again accelerating AI being a huge driver of that service space. Again, hearing record numbers for customer conversions from legacy service providers, et cetera. So -- and you see that with our MCP calls as well as an example, that's also nontrivial to serve cheaply to manage that over time. MCP calls were up 400% in the quarter with barely a blip in people actually using the applications through the web or through a mobile client. So really happy where we sit from a technological perspective of being able to deliver this and more improvements to come.

Operator

Your next question comes from Gregg Moskowitz from Mizuho.

Gregg Steven Moskowitz

Mizuho Securities USA LLC, Research Division

All right. Great. Congratulations on another tremendous result. It does seem that the Teamwork Graph, the functional improvements to Rovo, some of the other innovations to Jira, JSM, et cetera, are really resonating with your customers. In terms of my question, we've seen some market data that have indicated somewhat of a resurgence in developer hiring. Does that align with what you're seeing and hearing across your clients? And secondly, how does the rate of total paid seat expansion this quarter spanning technical users and knowledge workers? How does that compare to what you've been seeing in recent periods?

James Chuong
CFO & Principal Financial Officer

Thanks, Gregg. I can start with that and maybe throw it over to Mike. To Ryan's question a little bit earlier about some of the cloud outperformance drivers that we saw. I talked about the cross-sell side of it, and we are seeing customers continue to go wall to wall with Atlassian here and continue to adopt higher additions and move towards Teamwork Collection, Service Collection. But I think importantly, we're seeing that growth in Teamwork Collection while also seeing continued strong seat expansion in our core Jira and Confluence offerings here. And this expansion is broad-based. Recall that roughly 2/3 of users across Jira and Confluence are knowledge workers, right? So these are non-software development teams, really sitting in HR, legal, finance and really speaks to that diversified user base that we're seeing here. And I think this growth does demonstrate that in AI-driven world, the need for collaboration at the enterprise scale, tracking, planning, managing work, it's actually increasing. And Atlassian is a mission-critical platform here, helping our customers orchestrate their teams, their agents, their workflows to really unlock that value in AI and driving real ROI and real outcomes here. And that really was the other primary driver of the outperformance that we saw in cloud, including the cross-sell that I talked about a little bit earlier.

Michael Cannon-Brookes
Co-Founder, CEO & Director

Look, I can talk about it from a developer or engineering front in a number of different angles, Gregg. I know we've talked about this before. We've been long on record. You can look at the receipts I think there's getting more developers in the world in 5 years' time than there are today. The cost of building technology is going down. The amount of technology we're going to build is going to go up. I believe that will continue to be a good trend. We've said this for a number of years. Those are the signals we see in our customers, the ability to grow that is huge.

I think secondly, the number of people building technology that we don't necessarily call developers is also growing. So we're seeing people in finance and in HR and in marketing, using a lot of these tools to build technology of various different forms. Again, we see that in our MCP server usage and our CLI usage coming across the board in lots of different functional areas, not just inside the engineering fraternity. And I think that's really important.

From our perspective, again, the system of work is about helping companies to connect their technology teams with their business teams to have a single platform that allows both sides of the organization in a technology-driven organization, an organization where software is their key competitive advantage. It doesn't make them a technology company. It can be a bank, an insurance company, a health care company, a university. There are lots of companies for whom. Many organizations in the world, technology is a key competitive advantage. That is -- I believe that is a big growth cycle that we are continuing to participate in. Our strength is in connecting the technology team through the business team and I do believe that the developer hiring will continue to grow as we see in our customer signals.

Operator

Next question comes from DJ Hynes from Canaccord.

David E. Hynes
Canaccord Genuity Corp., Research Division

Mike, you gave us some data points around Rovo and the customers who have adopted complete more of Jira work, they create more Confluence content, they grow ARR twice as fast. How do you separate kind of the incremental impact of Rovo from the possibility that your most engaged customers are simply the earliest adopters? I'm trying to think about the durability of those trends as we get further along into the Rovo penetration story.

Michael Cannon-Brookes
Co-Founder, CEO & Director

DJ, think about how to answer that one. I would say we see signals that is only going to be a durable trend. I don't think it's anything to do with early adopters, to be honest. This is a technology that's been adopted incredibly fast. Again, over 80% of the Fortune 500 are using Rovo. All of the customer meetings that I walk into and it's a lot, they have Rovo usage, AI usage, they're looking to expand their usage. They're looking to understand. This is a massive sort of super cycle, right? They are customers inevitably trying to work out how can I apply AI and smart and the Teamwork Graphs and agents to this workflow or that workflow, structured workflows like in Jira or in Service Collection or unstructured workflows like Loom and Confluence and Trello, and other areas where they have unstructured workflow that they believe they can make more efficient or importantly, higher quality, right? The results of that workflow can be better than they were before. I don't see that as being an early adopter problem. And every single customer I walk into, they're all learning, adopting, moving and trying. What they are also seeing is the quality of Rovo is incredibly high, right? It outperforms almost every chat tool on the market across their data, the more they connect into the Teamwork Graph, the better those results get because of our context, because of a lot of great work in R&D. So I don't think these are sort of early adopter challenges. I think it's a signal of the more people lean in, the better results they get, the better value they feel like they're getting, they're then expanding across more of their business teams, more areas of their organization or understanding that when they add Strategy Collection or they add DX or they add the Service Collection the platform, the Teamwork Graph they've built just compounds in value for them. One of the reasons Service Collection continues to grow so strongly is because of the compounding effect between the Teamwork Collection and the Service Collection. And that's a really important thing for them to understand. And I think there's as we've shown in our addressable market figures of $14 billion (sic) [old figure] within the existing customer base without changing any products or pricing, et cetera, that there is a huge amount of upside opportunity still for us to go out and capture. And that's our challenge to do on a weekly basis.

Operator

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

Koji Ikeda
BofA Securities, Research Division

I wanted to ask about kind of the long-term strategy here. And so clearly, the long-term Atlassian share gain thesis is really hinged on owning the enterprise context. And so what evidence are you hearing or seeing from your customers, especially the largest ones that you have that even if they increasingly centralized context inside other AI data layers, the Atlassian Teamwork Graph is still the moat versus potentially becoming a feature.

Michael Cannon-Brookes
Co-Founder, CEO & Director

Koji, I can talk to that one. I think context is obviously very hard to build. This is a nontrivial problem. It's a unique differentiator that we have, and we continue to improve on. We made massive improvements in the last quarter in the Teamwork Graph. The quality of connectors and the information that we have, how we continue to correlate cross-reference and infer across that data, for example skills we can now infer in the talent app inside the Strategy Collection across all the information in the Teamwork Graph on which are inferring the skills and AI nativity (sic) [activity] of your employees, for example. The quality of our net results is up markedly in the last quarter and was already at all-time highs. We've seen it in a number of true fans of chat growing up and up and up, right? The quality of our search, the semantic indexing of code that we showed, there is a lot of hard work to continue to do to make that context to make the Teamwork Graph better and better every quarter. We have more coming Team EU is in October in Amsterdam. No doubt there will be further improvements shown there.

I don't think it's as simple as every organization will have 1 graph and we're done. I think most organizations will have 3 to 5 large-scale knowledge graphs, and we intend to be 1 of those 3. We believe we have a significant advantage at the moment and continue to invest, as James said, in our AI and R&D teams to continue to make that accessible and to make that value and quality continue to improve. The Teamwork Graph, importantly, we opened up at Team '26 US, which is a really important step with our MCP server, with our command-line interface, or CLI, the ability to put the Teamwork Graph to access its information in any Agentic harness that you're using either chat applications, agents running on other platforms is really important. This is about being an interconnected part of a customer's technology estate. It's about the Atlassian platform being a strategic piece in the puzzle of how it is that they run their business. And I think that integration is a really important point. We're seeing that the reason we talk about the MCP server, MCP and CLI users in the quarter, passing 1 million MAU. We don't know where that puts us in a world scale, but I think it's 1 of the biggest MCP servers that exist, more than doubling in the quarter is because of people getting to the Teamwork Graph getting to that context from their agents wherever they're deployed. Again, we also signed and increased our partnerships with all of the Foundation Labs. During the quarter, we released Cursor and Claude and GitHub agents within Jira to again bring our interfaces, those agents into our interfaces, so you can use them as natively as possible so that we are part of the network of tools that help an integral part, the strategic part of the network of tools that helps those companies to do what they need to do. I think the Teamwork Graph has incredible long-term promise, and we continue to invest heavily to ensure that it remains best source of context and enterprise can get.

Operator

Your next question comes from Alex Zukin from Wolfe Search.

Aleksandr J. Zukin
Wolfe Research, LLC

Just a few. I guess what -- like if you had to think about what really happened this quarter that seemingly unlocked and unblocked the enterprise motion because it did seem like there was a meaningful inflection in large deal activity and consequently, our RPO. So just great to get maybe an extra lens on like what was the unlock or the unlock that you saw?

Michael Cannon-Brookes
Co-Founder, CEO & Director

Thanks, Alex. I would say the most important thing is there was no unblock. So I would say this is a continued delivery of the activity we've seen over the last 2 quarters, 3 quarters, 4 quarters. We've talked for 3 or 4 years about how we continue to improve our enterprise motion that is on the technology side. Compliance, we shipped HIPAA compliance, for example, for Rovo during the quarter. So the enterprise group is doing a fantastic job on the technology side about making these tools technologies, applications, collections available to companies at scale at incredible scale now in the cloud in different geographies with different compliance requirements. So technology-wise, we're doing a great job. We've continued to improve over the last few years, the human side of our enterprise connectivity as we become more of a strategic partner from sales to customer success to all of the groups that have to interact with our customers at the enterprise level. We've continued to do a better and better job every week for the last multiple years, and you see those results coming through. The customer adoption is a continued trend, right? The RPO acceleration that we have seen again is about customers simply understanding our platform seeing more value across multiple collections in the strategic platform sense of Atlassian and then signing temps, longer deals, larger deals and then expanding their footprint. That's why you see the strong NRR numbers and the strong RPO numbers. So the most important thing I would say is it's not a singular unlock. It is many years of hard work, continual work across lots of areas of the business behind a deep belief in the strength we have in the enterprise segment. James?

James Chuong
CFO & Principal Financial Officer

And just maybe to add to that, I do want to reiterate what Mike said that it's not an overnight thing. We've got sort of similar questions last quarter about Service Collection when we had announced the $1 billion ARR growing north of 30% year-on-year. Those are quarters and years of investment that we're making here. And if you take a look at the enterprise go-to-market motion that we're continuing to evolve here, we really are still early stages when you think about the fact that we're in 85% of the Fortune 500, but really that only represents roughly 10% or so of our total revenue. There's still a lot of headroom there. And sure some of these stats a little bit earlier, but our $3 million cohort, that's 164 customers growing 50% year-over-year. Our $5 million and greater cohort of customers, that's 69, and that's on 70% year-over-year. But again, on a base of $6.6 billion of ARR, it really just highlights how early we are here in terms of the opportunity.

Aleksandr J. Zukin
Wolfe Research, LLC

Overnight success, 3 years in the making. I guess maybe just on the initial ARR guide, James, I think it implies roughly flat organic net new ARR in fiscal '27. And you said you're reflecting the same level of prudence that you have historic -- last historically in this outlook. Is there anything different exiting fiscal '26 that increases the confidence in those numbers given some of those dynamics that you guys just went over? Or just maybe just help level set that a little bit?

James Chuong
CFO & Principal Financial Officer

Yes. No. Again, I'll just say again, you're really pleased with the momentum that we're carrying into FY '27 against subs ARR growth of 23%, RPO growth of 44% year-over-year. So we do really feel good about the state of the business and the healthy broad-based customer demand signals that we're seeing. And as I mentioned a little bit earlier, worth noting the FY '26 ARR year-over-year growth rate did benefit from approximately 1 point from the DX acquisition. So when it comes to that initial guide of 18% for subs growth for FY '27, again taking a balanced and thoughtful approach here, and it's still early in the year. So just adding a bit more prudence in that second half of FY '27. So hopefully that gives you some color there.

Operator

Your next question comes from Rob Owens from Piper Sandler. Is Rob on the line? We will move to our next questions instead.

Robbie David Owens
Piper Sandler & Co., Research Division

Sorry about that. Can you hear me?

Operator

Please go ahead.

Robbie David Owens
Piper Sandler & Co., Research Division

Yes, my apologies. So the question was around increased Rovo credits with customers and how that's in very strong ARPU uplift. I'm just curious, at what point might we start to contemplate a more consumptive elements to the model? And within the Rovo installed base of customers using it, can you give us any increased color on how often they're coming back? Have you seen multiple increases in just what that's doing to ARPU overall?

Michael Cannon-Brookes
Co-Founder, CEO & Director

Rob, look, as we said, we continue to see a great increase in Rovo assisted actions, which is probably a rough proxy for credit usage. It's not directly linear, but the 50% quarter-on-quarter growth gives you a sense of the customer adoption of Rovo across the areas.

Secondly, as we've said that the Teamwork Collection with approximately 10x as many Rovo credits included is a great motivator inducement for upgrade in terms of hitting those limits and looking at upgrading the Teamwork Collection, both in terms of moving to the Teamwork Collection, but also expanding the number of seats, the reps of deployment. Again, as we talked about, as I see the Teamwork Graph working in most different types of teams, you see seat increases, right, which is, again, driving that ARPU number, if you're looking at it at a really macro level, that is happening there.

We have a series of consumptive elements today. We continue to work on how we judiciously and prudently roll out consumption-based offerings. We talked about both the direct consumption-based offering for overages. And secondly, the Flex model, which we continue to work on to allow customers to opt in to the entire Atlassian platform with a sort of dollar-based commitment that they can use across various different collections and consumptive elements in a singular package, both of which are early in their cycle holds great promise for the future. But as always, we maintain our sort of long-term thinking position and working through there. Right now, the simplest thing I would say is that the Teamwork Collection and the Service Collection are the vehicles for AI monetization, right? Customers adopting those, driving the usage within those. That is as we've said, that's the vehicle to measure AI monetization and adoption and both are going very, very strongly.

Operator

Thank you, and that concludes our question-and-answer session. I will now turn the call over to Mike for closing remarks.

Michael Cannon-Brookes
Co-Founder, CEO & Director
Look, thank you, everyone, for joining the call today. As always, we appreciate the thoughtful questions and continued support. A huge shout out to everyone across the Atlassian team, another great quarter into the books and continued long-term thinking and hard work to deliver for our customers. I hope to see as many of those customers and as many of you on the investment community at Team '26 Europe, which is coming up in October. Other than that, have a kickass day.