Atlassian has unique competitive advantages built over two decades by focusing on our customers first and taking a long-term approach to strategy. We have a uniquely efficient GTM model that allows us to invest far more in R&D than our peers and bring world-class products to market faster. And we thoughtfully use M&A to enhance our product portfolio and talented team.

By staying on this path, we can realize our mission to unleash the potential of every team, deliver value to our customers at scale, and reach our big hairy audacious goals (BHAG).

As a cloud-first company, we'll keep investing for the long-term and make the most of these advantages so we can be a compass for customers as they navigate digital transformation across their technical and non-technical teams.

**Bringing our A-game to R&D**

When it comes to product R&D, we out-class our peers. Full stop. We make bold choices that set us up to deliver best-in-class products at accessible prices. Then we back those choices up with meaningful investments so we can win in the massive markets we play in.

Our investment in R&D helps us recruit the best talent out there. We accelerated our headcount growth in R&D in FY20 and grew our technical team faster than any other group of Atlassians. In FY21, we’re maintaining this focus in order to bring the cloud products and platform our largest customers need to market quickly.
Putting our money where our mouth cloud is

Sustained R&D investment is powering our cloud-first and enterprise journey ⚡. **90%+ of our R&D dollars go directly into cloud and data center products, our platform, and the migration tools** needed to make sure our on-premises customers can succeed in the cloud. This has been the focus of our R&D investment several years running, starting when the cloud was a far smaller piece of our business than it is today. And for the past four years, over 40% of R&D spending has gone into the cloud platform.

Atlassian’s platform holds the key to unlocking our cloud future. It’s led to the productivity we discussed in the previous 6-pager. It supported creating four distinct product editions in the cloud: free, standard, premium, and enterprise. It’s allowed us to onboard eight new cloud products into our portfolio through acquisitions, create a seamless experience between our cloud products, and integrate with thousands of 3rd-party apps. It’s even allowed us to connect data center products to emerging cloud features.

This commitment to our platform means we can deliver the innovative products customers need to drive digital transformation across development, IT, and non-technical teams. Atlassian is one of the very few companies that can deliver a multi-product platform while also supporting millions of users from the smallest startups to the largest global enterprises. We’ll keep our foot on the gas 🏎️ to keep the momentum in high gear ⚙️.
In FY20, Atlassian rolled out an internal investment program called “New Products Framework” designed to explore, incubate, and ultimately, accelerate the launch of new products. It builds on our legacy of internally sourcing ideas through ShipIt, our quarterly all-company hackathon, and R&D “innovation weeks.” Teams pitch their project ideas, which are evaluated based on alignment with our strategic priorities, the potential to become a $100 million business, and the extent to which it builds on our competitive advantages. Then we objectively observe their progress and keep funding them (or not) as merited.

We're only one year in, and we already have promising new products in the pipeline. Some of these you'll see in the near future – solving problems like communicating project status and managing product management workflows. Products coming out of New Products Framework put collaboration at the core and take advantage of our cloud platform for faster time to market and enterprise-grade performance.

There's much more to come, all tied to helping customers solve collaboration challenges, continue our tradition of in-house innovation, and retain our most pioneering and spirited talent. Stay tuned!

Playing the long game

There are times when cultivating a durable competitive advantage means making tough decisions that set us up for long-term success. One recent example stands out:

- **Pragmatism for the win** – In July 2018, we announced a strategic partnership with Slack. This meant discontinuing Stride even though we believed it brought true innovation to the market. We knew that continuing to compete in real-time communications meant diverting resources and focus from our core work management business. This was one of our most difficult decisions as a company, but we made the call early on and we're stronger for making the pragmatic choice. Stride was the catalyst behind our cloud platform and its development accelerated many of the key features across today's cloud products. This decision also allowed us to double down on our ITSM products and ushered in a fantastic partnership with Slack, a company we admire for their product and customer focus (which includes us!).

Playing the long game is how we approach building economies of scale, too.

- **What we invest in** – Atlassian's cloud platform is the strongest example. With a common platform underneath our cloud products, new features in one product can be utilized across the portfolio through shared microservices. This is what leverage at scale looks like.
• **How we invest** – We pride ourselves on our pragmatism. For example, we're building out our Bengaluru location as a foundational cornerstone of our technical teams. Bengaluru is the fastest-growing geography for our own team, and will be our second largest office by the end of FY21, behind Sydney. We're also growing our technical teams quickly in cities like New York and Austin. These decisions give us both an R&D talent acquisition and a cost advantage.

The bottom line

- 90%+ of our R&D dollars are invested into cloud and data center, with 40% dedicated to our cloud platform.

- “New Products Framework” is designed to accelerate the in-house creation of $100 million new products.

- Atlassian takes a pragmatic approach to R&D. We aren't afraid to make trade-offs that set us up for long-term success.

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**Our M&A advantage**

As good as our R&D game is, we realize we don't hold a monopoly on innovative ideas. So in addition to our internal investments, our strategy also includes welcoming new products, teams, and leaders to Atlassian through M&A. Over the past decade, we've made 30 acquisitions and successfully invested over $1 billion in capital. As a result, our product portfolio has developed at an impressive clip and we've brought talented, long-serving employees into the Atlassian family.

A few highlights:

**Accelerating product strategy** – Jira Service Management is a beautiful example of marrying in-house and external innovation. First came Jira Service Desk, which emerged as a hypergrowth product born from ShipIt, our quarterly 24-hour hackathon (and a testament to the value of New Products Framework). Then came our acquisitions of Statuspage, Opsgenie, and most recently Mindville and Halp. Because of the incredible teams and products we've brought together through M&A, Atlassian is able to go big in the ITSM market.

**Incubating growth** – Since acquiring Trello, we've given the team time and space to focus on what has mattered most: accelerating user growth and engagement. Trello, the then (and current) market leader in personal work management, now has 10 million cloud monthly active users (MAU). For perspective, we had just over 5 million active users in total across server, data center, and cloud at the time of our IPO in December 2015 (and for reference, our >15 million MAU metric today is cloud-only).
**M&A meets R&D meets GTM** – Jira Align is one of our fastest-growing products in terms of revenue and is making inroads with enterprise c-suites. Jira Align opens the door to building strategic relationships with CIOs because it makes entire portfolios of work visible at the executive level and brings agility to the entire enterprise by connecting business strategy to team-level work.

M&A is hard. Atlassian does it well because we approach it with a strong sense of shared fiduciary duty and treat cultural compatibility as our first measuring stick rather than an afterthought. Using this approach, M&A will remain a force multiplier that complements our R&D investment as we leverage the platform to drive increased innovation for customers.

**The bottom line**

- Atlassian has invested $1 billion in M&A over the past 10 years.
- As a result, we’ve expanded our TAM in new markets, strengthened our position with enterprise companies, and enhanced the talent in our R&D and leadership teams.

**GTM: best-in-class and getting better**

Atlassian pioneered the direct-sales model in the B2B software space. Although many companies have followed suit, we stand apart in our ability to adapt the model when needed, scale it efficiently, expand our footprint within customer companies, and **compound growth over the long-term**.

We believe software should be bought, not sold, and that consumer-scale GTM starts with best-in-class R&D. By delivering products customers rave about, we are able to build a flywheel powered by word of mouth and amplified by data-driven touchpoints that nurture prospective customers and move them down the sales funnel organically. This hyper-efficient GTM machine runs on approximately 15% of revenue, allowing us to invest more in product innovations that delight customers – and the virtuous cycle continues.
We also believe evolution is more effective than revolution. While we have a long history of appealing to individual teams, we are now able to use our cloud platform as a launchpad to land enterprise-wide with an updated GTM strategy.

With four cloud editions ranging from free to enterprise, we can now land with a wide array of customers, expand within their walls, and scale with them as their teams grow ever larger and more complex. Let's take a walk through our cloud sales funnel.

**Landing with new customers**

Operating at a consumer scale is the hallmark of our model and key to our enduring GTM advantage. In FY20, we attracted 21 million monthly unique visitors to our website, an increase of over 30% from FY19. And 95% of this traffic is organic and unpaid. This efficient, effective GTM motion has driven incredible customer growth. In our early years, reaching the 50,000 customer milestone was our company BHAG, a goal we eclipsed at the time of our IPO. From there, we set out to serve the Fortune 500,000. We've grown approximately 30% annualized since then to over 185,000 customers, and we're more than a third of the way to this milestone. Our products will continue to scale and reach more customers, especially as our GTM evolves in the cloud.
Atlassian's free cloud offerings take our GTM game to a new level. Sign-ups for Jira Software, Confluence, and Jira Service Desk have increased 3x year-over-year since we introduced the free edition in March of this year. This program builds on the success of the $10 starter license program we kicked off in 2009, which fueled a decade of growth. We're incorporating lessons learned from that program and are confident free will bring tens of thousands of new customers into our sales funnel.

Replacing our entire funnel with free at the top does mean we need to re-tool how the free-to-paid customer conversation works. The good news is that with millions of users across many products we have a kaleidoscope of possibilities to improve free-to-paid conversion. As with our entire GTM, we are taking a patient, data-driven approach and are bullish on free's ability to fuel our next decade of growth.

3X MORE SIGN-UPS since launching free

Expanding our footprint

Our GTM model has driven sustained expansion within companies across every customer cohort. This is the flywheel in action: as non-technical users collaborate with technical users, value delivered increases within each company. This prompts teams to purchase more seats for the products they already use, drive additional use cases for these products, add new Atlassian products, and upgrade up the editions ladder. The cohort chart below shows how our entire on-premises and cloud customer base has consistently expanded with Atlassian over time. Each color represents sales from a new cohort of customers landed in each specific year.

Durable, expansive customer relationships over time

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<th>YEAR OF CUSTOMER</th>
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In the cloud, that flywheel is even more effective, with significant room to grow. We’ve already shared some great data on how cloud customers expand. By taking the friction out of adding new products and more user seats, cloud customers drive a strong cloud net expansion rate of 121% as of Q1 FY21, and an even stronger 130% for medium and large size companies.

And we’re just getting started. As our cloud platform matures, more of our R&D investment goes toward new product innovations. A few recent examples include:

- **Atlassian Access** – Access is our fastest-growing product across the entire portfolio with over 100% year-over-year revenue growth. It offers customers greater security and easy user administration in the cloud.

- **Jira Service Management** – We’re ramping up our presence in the ITSM market. This new product offers full-service management capabilities for customers of all sizes, bringing IT, development, and DevOps together on a single platform for the first time.

- **Jira Align** – This enterprise-focused portfolio management product sits on top of Jira, providing visibility across both technical and non-technical teams. Banking and commerce solutions enterprise NCR uses Jira Align in concert with Jira Software and Confluence to keep all stakeholders in lockstep throughout strategic planning and daily execution.

Atlassian’s cloud platform also boosts our GTM motion in terms of cross-selling, where we have a unique edge as a multi-product cloud company. We have a rich history of creating increased value for customers across a growing number of products. At the time of our IPO, Jira and Confluence contributed approximately 75% of revenue. Today that is closer to 60%, even as they remain strong growth engines. Both create a launchpad for developers and many other users to discover, onboard, and use our full portfolio.
While we've enjoyed success in the past, the cloud now gives us even greater ability to build cross-sell directly into our products. An early example is our new “app switcher,” a subtle-but-powerful feature that makes the most of our advantage here. As users click on the app switcher to navigate between Atlassian products, they are made aware of additional products that can help them manage work. And not just any products: we use our machine learning engine to recommend specific products based on behavior patterns that give us clues as to what a user’s job role might be. We have a full-scale R&D effort around cross-platform growth and we’re excited to keep our sleeves rolled up here.

Growing GTM to enterprise-scale

Large customers represent our fastest-growing customer cohort through enterprise-grade products, a high-performing sales and support team, and our channel partners. Data center has been a large driver of this success. Now that we’ve recently launched premium and enterprise cloud editions, we expect to drive increased value for enterprises in the cloud in the coming years.

The overall growth of large customers shows how mission-critical Atlassian products are for enterprise workflows:

One under-the-radar evolution has been steady investment in our own sales team. Atlassian has a reputation for “no sales.” As you can see below, that’s simply not true. Over the past several years, we’ve continued to thoughtfully build a world-class customer-facing team and a global network of sales partners. What’s more, we’ve built our enterprise sales capability while keeping GTM spend levels at 15% of revenue. We’ll continue to be pragmatic with our investment dollars as we continue to evolve our GTM.
Data center was our first foray into up-selling enterprise customers into products tailored to their needs. **Atlassian Access followed suit**, and 2.5 years in, it's our fastest-growing product. Now we're running a similar playbook in the cloud with our premium and enterprise editions. These editions give us a special ability to partner with enterprise customers on their digital transformation strategies.

The examples below show how our GTM model intelligently nudges customers to expand users and products over time, the high demand for enterprise-oriented products like Atlassian Access and Jira Align, and how that demand is increasingly cloud-focused.

**Payments industry leader** – This Fortune 500 payments leader started on Atlassian with developer-centric server deployments totaling less than $100,000 annually in its first four years. They began adopting the first versions of our cloud products in 2012, data center in 2018, and have been enterprise adopters of both Trello and Jira Align. Today, this is a $2 million+ relationship that touches technical and non-technical teams alike.

**Healthcare and pharma leader** – This Fortune 50 healthcare leader leverages Atlassian across five different products and several Atlassian Marketplace apps across server, data center, and increasingly cloud. They have been an early and strong partner across many of our service management products including Jira Service Desk and Statuspage.
Growing the Atlassian economy

As part of our GTM strategy, we continue to support and invest in the Atlassian economy. Our 600+ channel partners create value for customers by offering a wide range of accredited services, apps and integrations, training, and customized solutions to extend the power of Atlassian products. Our network of Atlassian Partners now drives 37% of revenue today vs. approximately 25% at the time of our IPO in 2015.

The Atlassian Marketplace is another example of how taking a long-term approach creates significant value for customers. When a customer uses a marketplace app, dollar churn reduces by approximately half. Apps make the Atlassian experience stickier, creating a lasting competitive advantage.

This past year, the Atlassian Marketplace surpassed $1 billion in lifetime sales. But rather than resting on our laurels, we're focused on facilitating further 3rd-party app development in the cloud. In Q1 FY21, the number of 3rd-party cloud apps added to the Marketplace grew 60% year-over-year, and the number of apps available for cloud is now over 1,500 strong. This will only increase with the upcoming general availability launch of our 3rd-party development platform, Forge.

It all adds up to a lean, mean GTM machine that allows us to land and expand with customers more efficiently than our peers. The cloud supercharges our ability to land with companies of all sizes and further monetize through cross-sell, up-sell, apps, and partnerships. We'll continue to evolve as we always have to make sure our GTM model remains best-in-class.

The bottom line

- Atlassian spends approximately 15% of revenue on GTM, allowing us to invest more in R&D than our peers.
- Free editions have increased cloud top-of-funnel sign-ups by 300%.
- Atlassian Access is our fastest-growing product, growing over 100% year-over-year with cloud customers.
- Enterprise is our fastest-growing segment with over 100 customers spending $1 million+ each year, up 76% year-over-year.
- Dollar churn reduces by approximately half when customers add at least one app or integration.
Creating long-term durable growth

Atlassian has a strong legacy of generating strong financial performance. Our patient, efficient, flywheel model has driven both consistent revenue growth and strong free cash flow profitability. Through fiscal 2020, we’ve time and again generated best-in-class results amongst software peers.

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Scaling a strong financial model
USD in millions

Short-term tradeoffs for a durable future

We have a proud history of maintaining a long-term focus. Our decisions to hire, acquire, and launch our starter license program during the 2009 downturn when others were fearful reflect that mindset. As does our consistent multi-year investment in the cloud platform. By putting customers first, we believe we can build a durable business that will create a lasting impact and stronger financial value.

Our decisions over the past six months once again reflect that mindset. It is our responsibility to our customers, to our employees, and to our owners to invest in what we believe is a massive growth opportunity in huge addressable markets. The future for Atlassian is bright, and we will use the strength of our financial model to invest in the long-term potential of our products, the expansion potential created by the cloud, our differentiated go-to-market, and the collaboration potential of our work management vision.
The bottom line

Our bottom line is about making customers successful, and unleashing the potential of their teams. Since the day we started, we've put customers first, giving rise to an incredible business model with durable competitive advantages and world-class products. By investing in the cloud, we will continue to adapt to a rapidly changing world, we will continue to grow in massive addressable markets, and we will continue to deliver impact for customers across technical and non-technical teams to drive change in the world. Thank you for your support on this journey, we value you as fellow owners and long-term partners as we continue on our path towards 100 million users, $5 billion in revenue, and far beyond. You help us be the change we seek through our business.

And of course, thank you to our team, whose passion and resilience make unleashing the potential of every team possible.

The BOTTOM bottom line

‣ A multi-product work management platform that puts collaboration at the core and developers at the center.

‣ A strategy built around software development and digital transformation at a time when software is eating the world.

‣ The unique opportunity to win in three massive interconnected markets totaling $126 billion annually across 2 million companies and 1.1 billion knowledge workers.

‣ A cloud-first business transforms the innovation we can deliver to customers and the long-term economics of our model.

‣ A commitment to continuous innovation through R&D investment in both our own team and teams we bring in through acquired companies.

‣ A pioneering GTM flywheel that can efficiently evolve to deliver free products to millions of teams and enterprise-grade solutions to the world's most sophisticated organizations.

‣ A long-term commitment to leveraging the strength of our financial model to drive durable growth.

‣ And a unique culture, that will continue to adapt, scale, and focus on unleashing the potential of teams around the world.