UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2023

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 001-37651

Atlassian Corporation
(Exact name of Registrant as specified in its charter)

Delaware	**88-3940934**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

350 Bush Street, Floor 13
San Francisco, California 94104
(Address of principal executive offices and Zip Code)

(415) 701-1110
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A Common Stock, par value $0.00001 per share	TEAM	Nasdaq Global Select Market

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act:

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

As of October 27, 2023, there were 155,011,446 shares of the registrant’s Class A Common Stock, $0.00001 par value per share, and 103,047,371 shares of the registrant’s Class B Common Stock, $0.00001 par value per share, outstanding.

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

ATLASSIAN CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except par value and share data)
(Unaudited)

	September 30, 2023	June 30, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 2,143,530	$ 2,102,550
Marketable securities	94,298	10,000
Accounts receivable, net	368,260	477,678
Prepaid expenses and other current assets	129,617	146,136
Total current assets	2,735,705	2,736,364
Non-current assets:		
Property and equipment, net	79,631	81,402
Operating lease right-of-use assets	181,435	184,195
Strategic investments	220,133	225,538
Intangible assets, net	60,842	69,072
Goodwill	726,519	727,211
Deferred tax assets	6,141	9,945
Other non-current assets	69,233	73,052
Total assets	$ 4,079,639	$ 4,106,779
Liabilities and Stockholders’ Equity		
Current liabilities:		
Accounts payable	$ 126,201	$ 159,293
Accrued expenses and other current liabilities	362,337	423,131
Deferred revenue, current portion	1,326,108	1,362,736
Operating lease liabilities, current portion	42,737	44,930
Term loan facility, current portion	50,000	37,500
Total current liabilities	1,907,383	2,027,590
Non-current liabilities:		
Deferred revenue, net of current portion	174,973	182,743
Operating lease liabilities, net of current portion	231,797	237,835
Term loan facility, net of current portion	949,637	962,093
Deferred tax liabilities	12,110	10,669
Other non-current liabilities	29,114	31,177
Total liabilities	3,305,014	3,452,107
Commitments and contingencies (Note 13)		
Stockholders’ equity		
Class A Common Stock, $0.00001 par value; 750,000,000 shares authorized, 154,177,836 and 152,442,673 issued and outstanding at September 30, 2023 and June 30, 2023, respectively	2	2
Class B Common Stock, 0.00001 par value; 230,000,000 shares authorized, 104,085,737 and 105,124,103 issued and outstanding at September 30, 2023 and June 30, 2023, respectively	1	1
Additional paid-in capital	3,366,212	3,130,631
Accumulated other comprehensive income	15,598	34,002
Accumulated deficit	(2,607,188)	(2,509,964)
Total stockholders’ equity	774,625	654,672
Total liabilities and stockholders’ equity	$ 4,079,639	$ 4,106,779

The above condensed consolidated financial statements should be read in conjunction with the accompanying notes.

ATLASSIAN CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(Unaudited)

	Three Months Ended September 30,	
	2023	2022
Revenues:		
Subscription	$ 851,982	$ 650,984
Maintenance	78,598	113,565
Other	47,195	42,843
Total revenues	977,775	807,392
Cost of revenues (1) (2)	178,029	139,392
Gross profit	799,746	668,000
Operating expenses:		
Research and development (1) (2)	481,738	399,006
Marketing and sales (1) (2)	193,567	160,128
General and administrative (1)	143,310	142,893
Total operating expenses	818,615	702,027
Operating loss	(18,869)	(34,027)
Other income (expense), net	(8,335)	29,289
Interest income	25,226	5,143
Interest expense	(8,976)	(6,121)
Loss before provision for income taxes	(10,954)	(5,716)
Provision for income taxes	(20,929)	(8,025)
Net loss	$ (31,883)	$ (13,741)
Net loss per share attributable to Class A and Class B common stockholders:		
Basic	$ (0.12)	$ (0.05)
Diluted	$ (0.12)	$ (0.05)
Weighted-average shares used in computing net loss per share attributable to Class A and Class B common stockholders:		
Basic	257,907	255,167
Diluted	257,907	255,167

(1) Amounts include stock-based compensation, as follows:

Cost of revenues	$ 16,821	$ 10,613
Research and development	150,446	110,129
Marketing and sales	32,281	23,195
General and administrative	36,033	29,694

(2) Amounts include amortization of acquired intangible assets, as follows:

Cost of revenues	$ 5,772	$ 5,697
Research and development	94	94
Marketing and sales	2,365	2,505

The above condensed consolidated financial statements should be read in conjunction with the accompanying notes.

ATLASSIAN CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)
(Unaudited)

	Three Months Ended September 30,	
	2023	2022
Net loss	$ (31,883)	$ (13,741)
Other comprehensive loss, net of reclassification adjustments:		
Foreign currency translation adjustment	(5,761)	(10,577)
Net change in unrealized gain (loss) on marketable and privately held debt securities	(56)	135
Net gain (loss) on cash flow hedging derivative instruments	(12,587)	3,969
Other comprehensive loss, before tax	(18,404)	(6,473)
Income tax effect	—	—
Other comprehensive loss, net of tax	(18,404)	(6,473)
Total comprehensive loss, net of tax	$ (50,287)	$ (20,214)

The above condensed consolidated financial statements should be read in conjunction with the accompanying notes.

ATLASSIAN CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)
(Unaudited)

	Three Months Ended September 30, 2023							
	Common Stock				Additional paid in capital	Accumulated other comprehensive income	Accumulated Deficit	Total stockholders' equity
	Class A		Class B					
	Shares	Amount	Shares	Amount				
Balance at June 30, 2023	152,437	$ 2	105,124	$ 1	$ 3,130,631	$ 34,002	$ (2,509,964)	$ 654,672
Common stock issued	1,048	—	—	—	—	—	—	—
Conversion from Class B Common Stock to Class A Common Stock	1,038	—	(1,038)	—	—	—	—	—
Stock-based compensation	—	—	—	—	235,581	—	—	235,581
Repurchases of Class A Common Stock	(349)	—	—	—	—	—	(65,341)	(65,341)
Other comprehensive loss, net of tax	—	—	—	—	—	(18,404)	—	(18,404)
Net loss	—	—	—	—	—	—	(31,883)	(31,883)
Balance at September 30, 2023	154,174	$ 2	104,086	$ 1	$ 3,366,212	$ 15,598	$ (2,607,188)	$ 774,625

	Three Months Ended September 30, 2022							
	Common Stock				Additional paid in capital	Accumulated other comprehensive income	Accumulated Deficit	Total stockholders' equity
	Class A		Class B					
	Shares	Amount	Shares	Amount				
Balance at June 30, 2022	144,820	$ 1	110,036	$ 1	$ 2,182,536	$ 13,864	$ (1,869,030)	$ 327,372
Common stock issued	624	—	—	—	(176)	—	—	(176)
Conversion from Class B Common Stock to Class A Common Stock	2,788	—	(2,788)	—	—	—	—	—
Stock-based compensation	—	—	—	—	173,631	—	—	173,631
Other comprehensive loss, net of tax	—	—	—	—	—	(6,473)	—	(6,473)
Net loss	—	—	—	—	—	—	(13,741)	(13,741)
Balance at September 30, 2022	148,232	$ 1	107,248	$ 1	$ 2,355,991	$ 7,391	$ (1,882,771)	$ 480,613

The above condensed consolidated financial statements should be read in conjunction with the accompanying notes.

ATLASSIAN CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Three Months Ended September 30,	
	2023	2022
Cash flows from operating activities:		
Net loss	$ (31,883)	$ (13,741)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	15,084	14,620
Stock-based compensation	235,581	173,631
Deferred income taxes	5,313	1,522
Gain on a non-cash sale of a controlling interest of a subsidiary	(1,378)	(43,092)
Net loss on strategic investments	6,248	11,513
Net foreign currency loss (gain)	181	(3,625)
Other	132	118
Changes in operating assets and liabilities:		
Accounts receivable, net	109,488	61,314
Prepaid expenses and other assets	(23,056)	(22,677)
Accounts payable	(33,025)	31,147
Accrued expenses and other liabilities	(71,331)	(108,443)
Deferred revenue	(44,398)	(9,845)
Net cash provided by operating activities	166,956	92,442
Cash flows from investing activities:		
Business combinations, net of cash acquired	—	(600)
Purchases of property and equipment	(3,669)	(16,496)
Purchases of strategic investments	(3,750)	(8,350)
Purchases of marketable securities and other investments	(69,363)	(10,000)
Proceeds from maturities of marketable securities	—	28,950
Proceeds from sales of marketable securities and strategic investments	19,879	258
Net cash used in investing activities	(56,903)	(6,238)
Cash flows from financing activities:		
Repurchases of Class A Common Stock	(65,879)	—
Proceeds from other financing arrangements	—	1,396
Net cash provided by (used in) financing activities	(65,879)	1,396
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	(3,280)	(4,939)
Net increase in cash, cash equivalents, and restricted cash	40,894	82,661
Cash, cash equivalents, and restricted cash at beginning of period	2,103,915	1,386,686
Net decrease in cash and cash equivalents included in assets held for sale	—	602
Cash, cash equivalents, and restricted cash at end of period	$ 2,144,809	$ 1,469,949
Reconciliation of cash, cash equivalents, and restricted cash within the consolidated balance sheets to the amounts shown in the condensed consolidated statements of cash flows above:		
Cash and cash equivalents	$ 2,143,530	$ 1,468,571
Restricted cash included in other non-current assets	1,279	1,378
Total cash, cash equivalents, and restricted cash	$ 2,144,809	$ 1,469,949
Supplemental disclosures of cash flow information:		
Income taxes paid, net of refunds	$ 44,054	$ 29,220
Interest paid, net	16,147	5,575
Non-cash investing and financing activities:		
Purchase of property and equipment included in accrued expenses and other current liabilities	2,482	1,503
Repurchases of Class A Common Stock included in accrued expenses and other current liabilities	3,628	—

The above condensed consolidated financial statements should be read in conjunction with the accompanying notes.

ATLASSIAN CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(*Unaudited*)

1. Description of Business

Atlassian Corporation, a Delaware corporation (the "Company"), designs, develops, licenses, and maintains software and provisions software hosting services to help teams organize, discuss, and complete their work. The Company's primary products include Jira Software and Jira Work Management for planning and project management, Confluence for content creation and sharing, and Jira Service Management for team service, management, and support applications.

The Company's fiscal year ends on June 30 of each year. References to fiscal year 2024, for example, refer to the fiscal year ending June 30, 2024.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). These principles are established primarily by the Financial Accounting Standards Board ("FASB").

The accompanying condensed consolidated financial statements contain all normal recurring adjustments which are necessary to fairly present the condensed consolidated balance sheets as of September 30, 2023 and June 30, 2023, the statements of operations, comprehensive loss, stockholders' equity, and cash flows for the three months ended September 30, 2023 and 2022.

These condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures made are sufficient to make the information not misleading. Results of operations for interim periods are not necessarily indicative of results for the entire year or of the results to be expected in future periods.

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make certain estimates and assumptions in the Company's condensed consolidated financial statements. These estimates are based on information available as of the date of the condensed consolidated financial statements. On a regular basis, management evaluates these estimates and assumptions. Such management estimates and assumptions include, but are not limited to, the standalone selling price of performance obligations for revenue contracts with multiple performance obligations, useful lives and impairment of long-lived assets, valuation of intangible assets, valuation of strategic investments and income taxes. Actual results could differ materially from these estimates.

Significant Accounting Policies

There were no significant changes to the Company's significant accounting policies disclosed in Note 2, "*Summary of Significant Accounting Policies,*" of its Annual Report on Form 10-K for fiscal year 2023, which was filed with the SEC on August 18, 2023.

Concentration of Credit Risk and Significant Customers

Financial instruments potentially exposing the Company to credit risk consist primarily of cash, cash equivalents, accounts receivable, derivative contracts and investments. The Company holds cash at financial

institutions that management believes are high credit, quality financial institutions and invests in investment grade securities rated A- and above. The Company's derivative contracts expose it to credit risk to the extent that the counterparties may be unable to meet the terms of the arrangement. The Company enters into master netting agreements with select financial institutions to reduce its credit risk and trades with several counterparties to reduce its concentration risk with any single counterparty. The Company does not have significant exposure to counterparty credit risk at this time. In addition, the Company does not require nor is required to post collateral of any kind related to any foreign currency derivatives.

Credit risk arising from accounts receivable is mitigated to a certain extent due to the Company's large number of customers and their dispersion across various industries and geographies. The Company's customer base is highly diversified, thereby limiting credit risk. The Company manages credit risk with customers by closely monitoring its receivables and contract assets. The Company continuously monitors outstanding receivables locally to assess whether there is objective evidence that outstanding accounts receivables and contract assets are credit-impaired. As of September 30, 2023, one customer, a solution partner, represented more than 10% of the total accounts receivables. As of June 30, 2023, no customer represented more than 10% of the total accounts receivables balance. For the three months ended September 30, 2023 and 2022, no customer represented more than 10% of the total revenues.

New Accounting Standards Not Yet Adopted in Fiscal Year 2024

In June 2022, the FASB issued ASU No. 2022-03 *"Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restriction."* This ASU clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. This amendment also requires public entities to add certain disclosures for equity securities subject to contractual sale restrictions. This ASU is effective for fiscal years beginning after December 15, 2023. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements.

3. Fair Value Measurements

The following table presents the Company's financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2023, by the level within the fair value hierarchy (in thousands):

	Level 1	Level 2	Total
Assets measured at fair value			
Cash and cash equivalents:			
Money market funds	$ 1,405,663	$ —	$ 1,405,663
U.S. treasury securities	—	3,986	3,986
Commercial paper	—	9,971	9,971
Corporate debt securities	—	1,999	1,999
Marketable securities:			
U.S. treasury securities	—	13,520	13,520
Agency securities	—	2,935	2,935
Certificates of deposit and time deposits	—	10,000	10,000
Commercial paper	—	23,551	23,551
Corporate debt securities	—	44,292	44,292
Derivative financial instruments	—	56,353	56,353
Total assets measured at fair value	$ 1,405,663	$ 166,607	$ 1,572,270
Liabilities measured at fair value			
Derivative financial instruments	$ —	$ 19,418	$ 19,418
Total liabilities measured at fair value	$ —	$ 19,418	$ 19,418

The following table presents the Company's financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2023, by level within the fair value hierarchy (in thousands):

	Level 1	Level 2	Total
Assets measured at fair value			
Cash and cash equivalents:			
Money market funds	$ 1,338,509	$ —	$ 1,338,509
Marketable securities:			
Certificates of deposit and time deposits	—	10,000	10,000
Derivative financial instruments	—	64,210	64,210
Strategic investments:			
Publicly traded equity securities	19,365	—	19,365
Total assets measured at fair value	$ 1,357,874	$ 74,210	$ 1,432,084
Liabilities measured at fair value			
Derivative financial instruments	$ —	$ 10,114	$ 10,114
Total liabilities measured at fair value	$ —	$ 10,114	$ 10,114

Due to the short-term nature of accounts receivables, net, contract assets, accounts payable, and accrued expenses and other current liabilities, their carrying amount is assumed to approximate their fair value.

Determination of Fair Value

The Company uses quoted prices in active markets for identical assets to determine the fair value of the Company's Level 1 investments. The fair value of the Company's Level 2 investments is determined based on quoted market prices or alternative market observable inputs.

Strategic Investments Measured and Recorded at Fair Value on a Non-Recurring Basis

The Company's investments in privately held companies are not included in the tables above and are discussed in Note 4, *"Investments."* The carrying value of the Company's privately held equity securities are adjusted on a non-recurring basis upon observable price changes in orderly transactions for identical or similar investments of the same issuer, or impairment (referred to as the measurement alternative). Privately held equity securities that have been remeasured during the period based on observable price changes in orderly transactions are classified within Level 2 or Level 3 in the fair value hierarchy because the Company estimates the value based on valuation methods which may include a combination of the observable transaction price at the transaction date and other unobservable inputs including volatility, rights and preferences of the investments, and obligations of the securities the Company holds. The fair value of privately held equity securities that have been remeasured due to impairment are classified within Level 3. The Company's privately held debt and equity securities amounted to $143.9 million and $140.1 million as of September 30, 2023 and June 30, 2023, respectively.

4. Investments

Marketable Securities

The Company's investments of marketable securities as of September 30, 2023, consisted of the following (in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. treasury securities	$ 13,521	$ —	$ (1)	$ 13,520
Agency securities	2,932	3	—	2,935
Certificates of deposit and time deposits	10,000	—	—	10,000
Commercial paper	23,551	—	—	23,551
Corporate debt securities	44,350	—	(58)	44,292
Total marketable securities	$ 94,354	$ 3	$ (59)	$ 94,298

The Company's investments of marketable securities as of June 30, 2023, consisted of the following (in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Certificates of deposit and time deposits	$ 10,000	$ —	$ —	$ 10,000
Total marketable securities	$ 10,000	$ —	$ —	$ 10,000

The table below summarizes the Company's marketable securities by remaining contractual maturity based on their effective maturity dates (in thousands):

	September 30, 2023	June 30, 2023
Due in one year or less	$ 94,298	$ 10,000

The Company regularly reviews the changes to the rating of its marketable securities by rating agencies and monitors the surrounding economic conditions to assess the risk of expected credit losses. As of September 30, 2023, the unrealized losses and the related risk of expected credit losses were not material, and as of June 30, 2023, no unrealized losses were recorded.

Strategic Investments

Carrying value of privately held debt securities

The Company's investments of privately held debt securities as of September 30, 2023, consisted of the following (in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Privately held debt securities	$ 9,049	$ —	$ (3,350)	$ 5,699

The Company's investments of privately held debt securities as of June 30, 2023, consisted of the following (in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Privately held debt securities	$ 8,800	$ —	$ (3,350)	$ 5,450

Carrying value of publicly traded and privately held equity securities

The carrying value is measured as the total initial cost plus the cumulative net gain (loss). Publicly traded equity securities are recorded at fair value and privately held equity securities are measured using the measurement alternative.

The Company did not have any publicly traded equity securities as of September 30, 2023 and the carrying values for privately held equity securities as of September 30, 2023 are summarized below (in thousands):

	Privately held equity securities	
Initial total cost	$	138,550
Cumulative net losses		(398)
Carrying value	$	138,152

The carrying values for publicly traded and privately held equity securities as of June 30, 2023 are summarized below (in thousands):

	Publicly traded equity securities		Privately held equity securities		Total	
Initial total cost	$	10,270	$	135,050	$	145,320
Cumulative net gains (losses)		9,095		(398)		8,697
Carrying value	$	19,365	$	134,652	$	154,017

Privately held equity securities cumulative net losses are comprised of downward adjustments and impairment of $5.9 million and upward adjustments of $5.5 million as of September 30, 2023 and June 30, 2023.

Gains and Losses on Strategic Investments

The components of gains and losses on strategic investments were as follows (in thousands):

	Three Months Ended September 30,			
	2023		2022	
Unrealized losses recognized on publicly traded equity securities	$	—	$	(9,808)
Unrealized losses recognized on privately held equity securities including impairment		—		(1,705)
Unrealized losses, net	$	—	$	(11,513)
Realized gains recognized on sales of publicly traded equity securities		515		—
Gains (losses) on strategic investments, net	$	515	$	(11,513)
Unrealized losses recognized during the reporting period on privately held equity securities still held at the reporting date	$	—	$	(1,705)

Unrealized gains recognized on privately held equity securities includes upward adjustments from equity securities accounted for under the measurement alternative while unrealized losses recognized on privately held equity securities includes downward adjustments and impairment.

Realized gains recognized on sales of publicly traded equity securities reflects the difference between the sale proceeds and the carrying value of the security at the beginning of the period or the purchase date, if later.

Equity Method Investment

Vertical First Trust (“VFT”) was established for the construction project associated with the Company’s new global headquarters in Sydney, Australia (the “Australian HQ Property”). In fiscal year 2023, the Company completed a non-cash sale of the controlling interest of VFT to a third-party buyer as part of the contemplated transactions for the buyer to invest in and develop the Australian HQ Property. The Company retained a minority equity interest of 13% in the form of ordinary units in VFT and has significant influence in VFT. The Company’s interest in VFT is accounted for using the equity method in the condensed consolidated financial statements. Under the equity method, the Company records its proportionate share of VFT’s earnings or losses.

As of the date of sale, the Company used a discounted cash flow model to calculate the fair value of its retained equity interest. The fair value of the retained interest is classified as a Level 3 investment in the fair value hierarchy. The inputs to the valuation included observable inputs, including capitalization rate, discount rate, and other management inputs, including the underlying building practical completion date. The maximum exposure to loss related to the Company’s investment in VFT equals the Company’s capital investment.

The following table sets forth the carrying amounts of the equity method investment and the movements during the three months ended September 30, 2023 (in thousands):

	Equity Method Investment
Balance as of June 30, 2023	$ 85,436
Share of losses	(6,762)
Effect of change in exchange rates	(2,392)
Balance as of September 30, 2023	$ 76,282

The carrying amount of the Company's investment in VFT was reported within strategic investments in the condensed consolidated balance sheets.

5. Derivative Contracts

The Company has derivative instruments that are used for hedging activities as discussed below.

The following table sets forth the notional amounts of the Company's hedging derivative instruments as of September 30, 2023 (in thousands, except for average interest rate):

	Notional Amounts of Derivative Instruments					
	Notional Amount by Term to Maturity			Classification by Notional Amount		
	Under 12 months	Over 12 months	Total	Cash Flow Hedge	Non Hedge	Total
Forward contracts	$ 727,591	$ 49,015	$ 776,606	$ 510,650	$ 265,956	$ 776,606
Interest rate swaps:						
Notional amount	$ —	$ 650,000	$ 650,000	$ 650,000	$ —	$ 650,000
Average fixed interest rate		0.77 %	0.77 %	0.77 %		0.77 %

The following table sets forth the notional amounts of the Company's hedging derivative instruments as of June 30, 2023 (in thousands, except for average interest rate):

	Notional Amounts of Derivative Instruments					
	Notional Amount by Term to Maturity			Classification by Notional Amount		
	Under 12 months	Over 12 months	Total	Cash Flow Hedge	Non Hedge	Total
Forward contracts	$ 849,811	$ 35,181	$ 884,992	$ 532,059	$ 352,933	$ 884,992
Interest rate swaps:						
Notional amount	$ —	$ 650,000	$ 650,000	$ 650,000	$ —	$ 650,000
Average fixed interest rate		0.81 %	0.81 %	0.81 %		0.81 %

The fair value of the Company's derivative instruments were as follows (in thousands):

	Balance Sheet Location	September 30, 2023	June 30, 2023
Derivative assets			
Derivatives designated as hedging instruments:			
Foreign exchange forward contracts	Prepaid expenses and other current assets	$ 607	$ 3,177
Interest rate swaps	Prepaid expenses and other current assets	29,319	28,926
Interest rate swaps	Other non-current assets	25,298	28,215
Derivatives not designated as hedging instruments:			
Foreign exchange forward contracts	Prepaid expenses and other current assets	1,129	3,892
Total derivative assets		$ 56,353	$ 64,210
Derivative liabilities			
Derivatives designated as hedging instruments:			
Foreign exchange forward contracts	Accrued expenses and other current liabilities	$ 16,487	$ 9,657
Foreign exchange forward contracts	Other non-current liabilities	763	209
Derivatives not designated as hedging instruments:			
Foreign exchange forward contracts	Accrued expenses and other current liabilities	2,168	248
Total derivative liabilities		$ 19,418	$ 10,114

The pre-tax effects of derivatives designated as cash flow hedging instruments on the condensed consolidated financial statements were as follows (in thousands):

	Three Months Ended September 30,	
	2023	2022
Beginning balance of accumulated gains in accumulated other comprehensive loss	$ 48,170	$ 24,502
Gross unrealized gains (losses) recognized in other comprehensive loss	(8,070)	286
Net losses (gains) reclassified from cash flow hedge in accumulated other comprehensive income into profit or loss:		
Recognized in cost of revenues	443	514
Recognized in research and development	1,464	3,479
Recognized in marketing and sales	370	406
Recognized in general and administrative	700	1,581
Recognized in interest expense	(7,494)	(2,297)
Ending balance of accumulated gains in accumulated other comprehensive income	$ 35,583	$ 28,471

6. Property and Equipment

Property and equipment, net consisted of the following (in thousands):

	September 30, 2023	June 30, 2023
Equipment	$ 10,526	$ 9,298
Computer Hardware and Software	32,908	29,801
Furniture and Fittings	24,853	24,773
Leasehold Improvements and Other	123,475	123,125
Property and equipment, gross	191,762	186,997
Less: accumulated depreciation and impairment	(112,131)	(105,595)
Property and equipment, net	$ 79,631	$ 81,402

Depreciation expense was $6.9 million and $6.3 million for the three months ended September 30, 2023 and 2022, respectively.

7. Goodwill and Intangible Assets

Goodwill

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired. Goodwill amounts are not amortized, but rather are tested for impairment at least annually during the fourth quarter, or when indicators of impairment exist.

Goodwill consisted of the following (in thousands):

	Goodwill
Balance as of June 30, 2023	$ 727,211
Effect of change in exchange rates	(692)
Balance as of September 30, 2023	$ 726,519

Intangible Assets

Intangible assets consisted of the following (in thousands):

	September 30, 2023	June 30, 2023	Weighted-Average Remaining Useful Lives (Years)
Acquired Developed Technology	$ 235,818	$ 235,818	2
Patents, Trademarks, and Other Rights	33,393	33,393	5
Customer Relationships	129,502	129,502	4
Intangible assets, gross	398,713	398,713	
Less: accumulated amortization	(337,871)	(329,641)	
Intangible assets, net	$ 60,842	$ 69,072	

Amortization expense for intangible assets was approximately $8.2 million and $8.3 million for the three months ended September 30, 2023 and 2022, respectively.

The following table presents the estimated future amortization expense related to intangible assets held as of September 30, 2023 (in thousands):

Fiscal Years:	
Remainder of 2024	$ 17,999
2025	15,208
2026	12,670
2027	7,839
2028	5,274
Thereafter	1,852
Total future amortization expense	$ 60,842

8. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following (in thousands):

	September 30, 2023	June 30, 2023
Accrued expenses	$ 114,745	$ 107,479
Employee benefits	142,738	191,801
Tax liabilities	65,117	88,748
Customer deposits	11,109	11,784
Derivative liabilities	18,655	9,905
Other payables	9,973	13,414
Total accrued expenses and other liabilities	$ 362,337	$ 423,131

9. Debt

Credit Facility

In October 2020, the Company's principal U.S. operating subsidiary, Atlassian US, Inc., entered into a credit agreement (the "Credit Agreement") establishing a $1 billion senior unsecured delayed-draw term loan facility (the "Term Loan Facility") and a $500 million senior unsecured revolving credit facility (the "Revolving Credit Facility," and together with the Term Loan Facility, the "Credit Facility"). The Company used the net proceeds of the Credit Facility for general corporate purposes, including repayment of the then existing indebtedness. The Credit Facility bears interest, at the Company's option, at a base rate plus a margin up to 0.50% or the Secured Overnight Financing Rate, plus a credit spread adjustment of 0.10%, plus a spread of 0.875% to 1.50%, in each case with such margin being determined by the Company's consolidated leverage ratio. The Revolving Credit Facility may be borrowed, repaid, and re-borrowed until its maturity, and the Company has the option to request an increase of $250 million in certain circumstances.

The Credit Facility matures in October 2025 and the Company may prepay the Credit Facility at its discretion without penalty. Commencing on October 31, 2023, the Company is obligated to repay the outstanding principal amount of the Term Loan Facility in installments on a quarterly basis in an amount equal to 1.25% of the Term Loan Facility borrowing amount until the maturity of the Term Loan Facility.

As of September 30, 2023, $1.0 billion has been drawn under the Term Loan Facility. The Company is also obligated to pay a commitment fee on the undrawn amounts of the Revolving Credit Facility at an annual rate ranging from 0.075% to 0.20%, determined by the Company's consolidated leverage ratio.

The Credit Facility requires compliance with various financial and non-financial covenants, including affirmative and negative covenants. The financial covenants include a maximum consolidated leverage ratio of 3.5x, which ratio increases to 4.5x during the period of four fiscal quarters immediately following a material acquisition. As of September 30, 2023, the Company was in compliance with all related covenants.

10. Commitments and Contingencies

Noncancellable Purchase Obligations

The Company has contractual commitments for services with third-parties related to its cloud services platform and other infrastructure services. These commitments are non-cancellable and expire within one to five years. During the three months ended September 30, 2023, there were no material changes outside the ordinary course of business to the Company's non-cancelable purchase obligations disclosed in its Annual Report on Form 10-K for fiscal year 2023.

Operating Leases

There were no material changes to the Company's operating lease arrangements and future lease payments under non-cancelable operating leases including obligations for leases that have not yet commenced disclosed in Note 11, "*Leases,*" of the Company's Annual Report on Form 10-K for fiscal year 2023.

Total operating lease expenses were $10.3 million and $13.2 million, excluding short-term lease costs and variable lease costs, each of which were immaterial, for the three months ended September 30, 2023 and 2022, respectively.

Right-of-use assets obtained in exchange for new operating lease liabilities were $6.0 million and $1.3 million for the three months ended September 30, 2023 and 2022, respectively.

Legal Proceedings

On February 3, 2023, a putative securities class action (the "Putative Class Action") was filed in the U.S. District Court for the Northern District of California, captioned *City of Hollywood Firefighters' Pension Fund vs. Atlassian Corporation*, Case No. 3:23-cv-00519, naming the Company and certain of its officers as defendants. The lawsuit is purportedly brought on behalf of purchasers of the Company's securities between August 5, 2022 and November 3, 2022 (the "Class Period"). The complaint alleges claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rule 10b-5 promulgated thereunder, based on allegedly false and misleading statements about the Company's business and prospects during the Class Period. The lawsuit seeks unspecified damages. The defendants filed a motion to dismiss on September 8, 2023, and the plaintiffs filed their opposition on October 23, 2023. The defendants' reply is currently due November 22, 2023, and a hearing is currently scheduled for January 10, 2024.

In March, April and August 2023, three stockholder derivative lawsuits were filed in the U.S. District Court for the District of Delaware against the members of the Company's board of directors and certain of its officers, captioned *Silva v. Cannon-Brookes*, Case No. 1:23-cv-00283; *Keane v. Cannon-Brookes*, Case No. 1:23-cv-00399; and *Azzawi v. Cannon-Brookes*, Case No. 1:23-cv-00884. The Company is named as a nominal defendant. These stockholder derivative lawsuits are based largely on the same allegations as the Putative Class Action, including allegations relating to the Company's disclosures during the Class Period as well as, in certain instances, alleged insider trading. The lawsuits purport to assert claims for, among other things, breach of fiduciary duty, corporate waste, unjust enrichment, and violations of Section 10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder. The complaints seek unspecified damages and other relief purportedly on the Company's behalf. In May and August 2023, the Court consolidated the Silva, Keane, and Azzawi actions into *In re Atlassian Corporation Stockholder Derivative Litigation*, Case No. 1:23-cv-00283-GBW (the "Consolidated Action"), and stayed the Consolidated Action pending resolution of any motion(s) to dismiss in the Putative Class Action.

On September 6, 2023, a stockholder derivative lawsuit was filed in the U.S. District Court for the Northern District of California against the members of the Company's board of directors and certain of its officers, captioned Capistrano v. Cannon-Brookes, Case No. 4:23-cv-04584 (the "Capistrano Action"). The Company is named as a nominal defendant. The complaint is based largely on the same allegations as the Putative Class Action and the Consolidated Action, including allegations relating to the Company's disclosures during the Class Period as well as, in certain instances, alleged insider trading. The lawsuits purport to assert claims for, among other things, breach of fiduciary duty, corporate waste, unjust enrichment, and violations of Section 10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder. The complaints seek unspecified damages and other relief purportedly on the Company's behalf. On October 31, 2023, the Court stayed the Capistrano Action pending resolution of any motion(s) to dismiss in the Putative Class Action.

The defendants have denied and intend to continue to deny the allegations of wrongdoing and vigorously defend against the claims in each of the Putative Class Action, the Consolidated Action, and the Capistrano Action.

In addition to the matters discussed above, from time to time, the Company is party to litigation and other legal proceedings in the ordinary course of business. While the Company does not believe the ultimate resolution of pending legal matters is likely to have a material adverse effect on the Company's financial position, the results of any litigation or other legal proceedings are uncertain and as such the resolution of such legal proceedings, either individually or in the aggregate, could have a material adverse effect on its business, results of operations, financial condition or cash flows. The Company accrues for loss contingencies when it is both probable that it will incur the loss and when it can reasonably estimate the amount of the loss or range of loss. For the periods presented, the Company has not recorded any liabilities as a result of the litigation or other legal proceedings in its condensed consolidated financial statements.

Indemnification Provisions

The Company's agreements include provisions indemnifying customers against intellectual property and other third-party claims. In addition, the Company has entered into indemnification agreements with its directors, executive officers and certain other officers that will require the Company to, among other things, indemnify these individuals for certain liabilities that may arise as a result of their affiliation with the Company. For the periods presented, the Company has not incurred any costs as a result of such indemnification obligations and has not recorded any liabilities related to such obligations in the condensed consolidated financial statements.

11. Revenue

Remaining Performance Obligations

Transaction price allocated to the remaining performance obligations represents contracted revenue that has not yet been recognized, which includes deferred revenue and unbilled amounts that will be recognized as revenue in future periods. Transaction price allocated to the remaining performance obligations is influenced by several factors, including the timing of renewals, the timing of delivery of software licenses, average contract terms, and foreign currency exchange rates. Unbilled portions of the remaining performance obligations are subject to future economic risks including bankruptcies, regulatory changes and other market factors.

As of September 30, 2023, approximately $1.7 billion of revenue is expected to be recognized from the transaction price allocated to remaining performance obligations. The Company expects to recognize revenue on approximately 82% of these remaining performance obligations over the next 12 months with the balance recognized thereafter.

Disaggregated Revenue

The Company's revenues by geographic region based on end-users who purchased the Company's products or services are as follows (in thousands):

	Three Months Ended September 30,	
	2023	2022
Americas		
United States	$ 426,191	$ 357,748
Other Americas	63,337	52,173
Total Americas	$ 489,528	$ 409,921
EMEA	378,006	304,278
Asia Pacific	110,241	93,193
Total revenues	$ 977,775	$ 807,392

The Company provides different deployment options for its product offerings. Cloud offerings provide customers the right to use the Company's software in a cloud-based infrastructure that the Company provides. Data Center offerings are on-premises term license agreements for the Company's Data Center offerings, which are software licensed for a specified period, and includes support and maintenance services that are bundled with the license for the term of the license period. Server offerings include the license of software on a perpetual basis to customers for use on the customer's premises and support and maintenance services ("Server offerings"). Marketplace and other offerings mainly include fees received for sales of third-party apps in the Atlassian Marketplace and services like premier support, technical account management, consulting and training. Premier support consists of subscription-based arrangements for a higher level of support across different deployment

options, and revenues from this offering are included in Subscription revenues within the Company's condensed consolidated statements of operations.

The revenues from Server offerings consists of revenue from maintenance services since the Company no longer sells perpetual licenses for its Server offerings. The Company plans to generally end maintenance and support for these Server offerings in February 2024.

The Company's revenues by deployment options are as follows (in thousands):

	Three Months Ended September 30,	
	2023	2022
Cloud	$ 604,647	$ 475,043
Data Center	242,943	171,228
Server	78,752	113,813
Marketplace and other	51,433	47,308
Total revenues	$ 977,775	$ 807,392

Deferred Revenue

The Company records deferred revenues when cash payments are received or due in advance of the Company satisfying its performance obligations, including amounts which are refundable. The changes in the balances of contract balances are as follows (in thousands):

	Three Months Ended September 30,	
	2023	2022
Balance, beginning of period	$ 1,545,479	$ 1,182,680
Additions	933,377	797,546
Revenue	(977,775)	(807,392)
Balance, end of period	$ 1,501,081	$ 1,172,834

For the three months ended September 30, 2023 and 2022, approximately 58% and 56% of revenue recognized was from the deferred revenue balances at the beginning of each fiscal year, respectively.

Deferred Contract Acquisition Costs

The changes in the balances of deferred contract acquisition costs are as follows (in thousands):

	Three Months Ended September 30,	
	2023	2022
Balance, beginning of period	$ 53,604	$ 27,141
Additions	6,114	5,129
Amortization expense	(5,188)	(2,541)
Balance, end of period	$ 54,530	$ 29,729
Deferred contract acquisition costs included in:		
Prepaid expenses and other current assets	$ 19,163	$ 9,932
Other non-current assets	35,367	19,797
Total	$ 54,530	$ 29,729

The Company periodically reviews these deferred contract acquisition costs to determine whether events or changes in circumstances have occurred that could impact the period of benefit. There were no impairment losses recorded during the periods presented.

12. Stockholders’ Equity

Stock-based Compensation

A summary of restricted stock unit (“RSU”) activity for the three months ended September 30, 2023 was as follows (in thousands except share and per share data):

	Number of Shares		Weighted Average Grant Date Fair Value		Aggregate Intrinsic Value
Balance as of June 30, 2023	9,562,918	$	235.16	$	1,604,753
Granted	6,078,952		200.06		—
Vested	(1,046,736)		247.53		199,371
Forfeited or cancelled	(407,987)		234.41		—
Balance as of September 30, 2023	14,187,147	$	219.23	$	2,858,852

As of September 30, 2023, total compensation cost not yet recognized in the condensed consolidated financial statements related to employee and director RSU awards was $2.3 billion, which is expected to be recognized over a weighted-average period of 1.9 years.

During the three months ended September 30, 2023 and 2022, the Company did not grant shares of restricted stock. As of September 30, 2023 and June 30, 2023, there were 3,313 and 6,131 shares of restricted stock outstanding, respectively. These outstanding shares of restricted stock are subject to forfeiture or repurchase at the original exercise price during the repurchase period following employee termination, as applicable. The total aggregate intrinsic value of outstanding shares of restricted stock were $0.7 million and $1.0 million as of September 30, 2023 and June 30, 2023, respectively.

Share Repurchase Program

In January 2023, the Board of Directors authorized a program to repurchase up to $1.0 billion of the Company’s outstanding Class A Common Stock (the “Share Repurchase Program”). During the three months ended September 30, 2023, the Company repurchased and subsequently retired approximately 0.3 million shares of its Class A Common Stock for approximately $65.3 million at an average price per share of $187.09. All repurchases were made in open market transactions. As of September 30, 2023, the Company was authorized to purchase a remaining $780.5 million of its Class A Common Stock under the Share Repurchase Program.

13. Net Loss Per Share

The Company computes net loss per share of Class A and Class B Common Stock using the two-class method. As the liquidation and dividend rights for both Class A and Class B Common Stock are identical, the net loss is allocated on a proportionate basis to the weighted-average number of shares of common stock outstanding for the period. Basic net loss per share attributable to Class A and Class B stockholders is computed by dividing the net loss by the weighted-average number of Class A and Class B Common Stock outstanding during the period.

For the calculation of diluted net loss per share, net loss for basic earnings per share is adjusted by the effect of dilutive securities, including awards under the Company’s equity compensation plans. The dilutive potential shares of common stock are computed using the treasury stock method or the as-if converted method, as applicable. Since the Company is in a loss position for all periods reported, basic and diluted net loss per share are the same for all periods as the inclusion of potential dilutive shares would have been anti-dilutive.

The following tables present the calculation of basic and diluted net loss per share attributable to common stockholders (in thousands, except per share data):

	Three Months Ended September 30,			
	2023		2022	
	Class A	Class B	Class A	Class B
Numerator:				
Net loss	$ (19,013)	$ (12,870)	$ (7,916)	$ (5,825)
Denominator:				
Weighted-average shares outstanding, basic and diluted	153,798	104,109	146,996	108,171
Net loss per share, basic and diluted	$ (0.12)	$ (0.12)	$ (0.05)	$ (0.05)

The potential weighted average dilutive securities that were not included in the dilutive earnings per share calculation because the effect would be anti-dilutive are as follows (shares in thousands):

	Three Months Ended September 30,	
	2023	2022
Class A Common Stock options	—	1
Class A Common Stock restricted stock units	6,828	4,784
Class A Common Stock restricted stock awards	4	30
Total	6,832	4,815

14. Income Taxes

The Company computes its provision for income taxes by applying the estimated annual effective tax rate to year-to-date ordinary income and adjusts the provision for discrete tax items recorded in the period. In each quarter, the Company updates the estimated annual effective tax rate and makes a year-to-date adjustment to the provision. The estimated annual effective tax rate is subject to volatility due to several factors, including changes in the Company's domestic and foreign earnings, current cash taxes in jurisdictions with full valuation allowances, material discrete tax items, or a combination of these factors as a result of certain transactions or events.

The Company reported an income tax provision of $20.9 million on pretax loss of $11.0 million for the three months ended September 30, 2023, as compared to an income tax provision of $8.0 million on pretax loss of $5.7 million for the three months ended September 30, 2022. The income tax provision for the three months ended September 30, 2023 reflects an increase in tax expense primarily attributable to the recognition of reserves for uncertain tax positions and overall growth in foreign jurisdictions associated with an increase in profit and non-deductible stock-based compensation. The Company's effective tax rate substantially differed from the U.S. statutory income tax rate of 21.0% primarily due to the recognition of a reserve for uncertain tax positions, different tax rates in foreign jurisdictions such as Australia, non-deductible stock-based compensation in foreign jurisdictions, and full valuation allowances in the U.S. and Australia.

Since fiscal year 2020, the Company has been in unilateral advanced pricing agreement ("APA") negotiations with the Australian Taxation Office ("ATO") relating to the Company's transfer pricing arrangements between Australia and the U.S. During fiscal year 2023, the Company discussed with the ATO, for the first time, a framework to finalize its transfer pricing arrangements for the proposed APA period (tax years ended June 30, 2019 to June 30, 2025). In October 2023, the Company finalized the APA with the ATO and, pursuant to the terms of the agreement, made a cash tax payment of approximately $60.5 million.

The Company regularly assesses the need for a valuation allowance against its deferred tax assets. The Company's assessment is based on all positive and negative evidence related to the realizability of such deferred tax assets. Based on available objective evidence as of September 30, 2023, the Company will continue to maintain a full valuation allowance on its U.S. federal, U.S. state, and Australian deferred tax assets as it is more likely than not that these deferred tax assets will not be realized. The Company intends to maintain the full valuation allowance until sufficient positive evidence exists to support the reversal of, or decrease in, the valuation allowance.

15. Subsequent Events

In October 2023, the Company entered into a definitive agreement to acquire Loom, Inc. ("Loom"), an asynchronous video messaging tool that helps users communicate through instantly shareable videos. Under the terms of the agreement, the Company will acquire Loom for approximately $975 million, inclusive of Loom's cash balance, subject to customary adjustments. Total consideration will be comprised of approximately $880 million in cash, and the remainder in the form of the Company's equity awards, subject to continued vesting provisions. The Company expects to fund the cash consideration through existing cash balances.

The transaction is expected to close in the third quarter of fiscal year 2024, subject to customary closing conditions and required regulatory approval.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the audited consolidated financial statements and notes thereto and the information contained in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended June 30, 2023, included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on August 18, 2023.

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995*. In some cases, you can identify these statements by forward-looking words such as "may," "will," "expect," "believe," "anticipate," "intend," "could," "should," "estimate," or "continue," and similar expressions or variations, but these words are not the exclusive means for identifying such statements. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results and the timing of certain events to differ materially from future results and timing expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled "Risk Factors" in Part II, Item 1A of this Quarterly Report on Form 10-Q. The forward-looking statements in this Quarterly Report on Form 10-Q represent our views as of the date of this Quarterly Report on Form 10-Q. Except as may be required by law, we assume no obligation to update these forward-looking statements or the reasons that results could differ from these forward-looking statements. You should, therefore, not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this Quarterly Report on Form 10-Q.*

Company Overview

Our mission is to unleash the potential of every team.

Our products help teams organize, discuss and complete shared work — delivering superior outcomes for their organizations.

Our primary products include Jira Software and Jira Work Management for planning and project management, Confluence for content creation and sharing, and Jira Service Management for team service, management and support applications. Together, our products form an integrated system for organizing, discussing and completing shared work, becoming deeply entrenched in how teams collaborate and how organizations run. The Atlassian platform is the common technology foundation for our products that drives connection between teams, information, and workflows. It allows work to flow seamlessly across tools, automates the mundane so teams can focus on what matters, and enables better decision-making based on the data customers choose to put into our products.

Our mission is possible with a deep investment in product development to create and refine high-quality and versatile products that users love. By making our products affordable for organizations of all sizes and transparently sharing our pricing online for most of our products, we generally do not follow the practice of opaque pricing and ad hoc discounting that is typical in the enterprise software industry. We aim to grow our customer base, targeting every organization, regardless of size, industry, or geography. This allows us to operate at unusual scale for an enterprise software company, with customers across virtually every industry sector in approximately 200 countries as of September 30, 2023. Our customers range from small organizations that have adopted one of our products for a small group of users, to over two-thirds of the Fortune 500, many of which use a combination of our products across thousands of users.

To reach this expansive market, we primarily distribute and sell our products online where our customers can get started in minutes without the need for assistance. We focus on enabling a self-service, low-friction model that makes it easy for customers to try, adopt and use our products. By making our products simple, powerful, affordable and easy to adopt, we generate demand from word-of-mouth and viral expansion within organizations.

Our culture of innovation, transparency and dedication to customer service drives our success in implementing and refining this unique approach. We believe this approach creates a self-reinforcing effect that fosters innovation, quality, customer success, and scale. As a result of this strategy, we invest significantly more in research and development activities than in traditional sales activities relative to other enterprise software companies.

A substantial majority of our sales are automated through our website, including sales of our products through our solution partners and resellers. Our solution partners and resellers primarily focus on customers in regions that require local language support and other customized needs. We plan to continue to invest in our partner programs to help us enter and grow in new markets, complementing our automated, low-touch approach.

We generate revenues primarily in the form of subscription and maintenance fees. Subscription revenues consist primarily of fees earned from subscription-based arrangements for providing customers the right to use our software in a cloud-based-infrastructure that we provide ("Cloud offerings"). We also sell on-premises term license agreements for our Data Center products ("Data Center offerings"), consisting of software licensed for a specified period and support and maintenance services that are bundled with the license for the term of the license period. Subscription revenues also include subscription-based agreements for our premier support services. From time to time, we make changes to our product offerings, prices and pricing plans for our products which may impact the growth rate of our revenue, our deferred revenue balances, and customer retention.

Maintenance provides our customers with access to unspecified future updates, upgrades and enhancements and technical product support on an if-and-when-available basis for perpetual license products purchased and operated by our customers on their premises ("Server offerings"). Maintenance revenue combined with our subscription revenue business, through our Cloud and Data Center offerings, results in a large recurring revenue base. In each of the past three fiscal years, more than 80% of our total revenues have been of a recurring nature from subscription and maintenance fees.

We no longer sell perpetual licenses or upgrades for our Server offerings and we plan to end maintenance and support for these Server offerings in February 2024, subject to limited exceptions for some enterprise customers that have signed an agreement for our Cloud offerings. We will proactively help our customers transition to other versions of our products with our migration tools and programs, customer support teams, and pricing and packaging options.

Economic Conditions

Our results of operations may vary based on the impact of changes in the global economy on us or our customers. Our business depends on demand for business software applications generally and for collaboration software solutions in particular. We believe that weakening macroeconomic conditions, in part due to rising inflation, increases in interest rates, Russia's invasion of Ukraine and remaining effects of the COVID-19 pandemic, have impacted our results of operations during the three months ended September 30, 2023. Primarily, we have seen growth from existing customers and the rate of conversion from our free to paid products both moderate beginning in fiscal year 2023, and continuing through the current quarter. We believe these events are largely due to customers impacted by weakening economic conditions. The extent to which these risks ultimately impact our business, results of operations, and financial position will depend on future developments, which are uncertain and cannot be predicted at this time.

Key Business Metrics

We utilize the following key metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans and make strategic decisions.

Customer Base

We have a history of successfully growing both our total customer base and the spend per customer through growth in users, purchase of new licenses, and adoption of new products. We believe our ability to attract new customers is critical, and expanding within the existing customer base is the primary driver of our success as a business. Typically, new customers begin their journey with Atlassian products with a small footprint by either adopting our free editions or purchasing a single product for a limited number of users. We are focused on continuing to grow our total customer base, specifically on growing the number of customers with more than $10,000 in annualized recurring revenue from our Cloud offerings ("Cloud ARR"), as it measures our ability to successfully expand within our existing customer base.

We define the number of total customers at the end of any particular period as the number of organizations with unique domains with an active subscription for two or more seats. We define the number of customers with Cloud ARR greater than $10,000 using the same definition as total customers with the distinction of having an active Cloud subscription and greater than $10,000 in Cloud ARR. We define Cloud ARR as the annualized recurring revenue run-rate of Cloud subscription agreements at a point in time. We calculate Cloud ARR by taking the Cloud monthly recurring revenue ("Cloud MRR") run-rate and multiplying it by 12. Cloud MRR for each month is calculated

by aggregating monthly recurring revenue from committed contractual amounts at a point in time. Cloud ARR and Cloud MRR should be viewed independently of revenue and do not represent our revenue under U.S. generally accepted accounting principles (“GAAP”), as they are operational metrics that can be affected by contract start and end dates and renewal rates. While a single customer may have distinct departments, operating segments, or subsidiaries with multiple active licenses or subscriptions of our products, if the product deployments share a unique domain name, we only include the customer once for purposes of calculating a customer.

Including single-user accounts and organizations who have only adopted our free or starter products, the active use of our products extends well beyond our more than 265,000 customers. With these customers using our software today, we are able to reach a vast number of users, gather insights to refine our offerings, and generate growing revenue by expanding within our total customer base. Customers with greater than $10,000 in Cloud ARR represent the majority of our Cloud revenue, and the growth in this cohort demonstrates our ability to expand within our existing customer base.

The following table sets forth our number of customers as of the dates presented:

	As of				
	September 30, 2022	December 31, 2022	March 31, 2023	June 30, 2023	September 30, 2023
Number of customers with greater than $10,000 in Cloud ARR	34,011	36,191	37,336	38,726	40,103

Free Cash Flow

Free cash flow is a non-GAAP financial measure that we calculate as net cash provided by operating activities less net cash used in investing activities for capital expenditures. Management considers free cash flow to be a liquidity measure that provides useful information to management and investors about the amount of cash generated by our business that can be used to fund our commitments, repay our debt, and for strategic opportunities, such as reinvesting in our business, making strategic acquisitions, and strengthening our financial position. Free cash flow is not a measure calculated in accordance with GAAP and should not be considered in isolation from, or as a substitute for financial information prepared in accordance with GAAP, such as GAAP net cash provided by operating activities. In addition, free cash flow may not be comparable to similarly titled metrics of other companies due to differences among methods of calculation. The following table presents a reconciliation of net cash provided by operating activities to free cash flow for the periods presented (in thousands):

	Three Months Ended September 30,	
	2023	2022
Net cash provided by operating activities	$ 166,956	$ 92,442
Less: Capital expenditures	(3,669)	(16,496)
Free cash flow	$ 163,287	$ 75,946

Free cash flow increased by $87.3 million during the three months ended September 30, 2023 as compared to the three months ended September 30, 2022. The increase of free cash flow was primarily attributable to the increase of net cash provided by operating activities and a decrease in capital expenditures. The increase of net cash provided by operating activities was primarily attributable to an increase in cash received from customers, offset by an increase in cash paid to suppliers and employees and cash used to pay income taxes.

For more information about net cash provided by operating activities, please see “Liquidity and Capital Resources.”

Components of Results of Operations

Sources of Revenues

Subscription Revenues

Subscription revenues consist primarily of fees earned from subscription-based arrangements for providing customers the right to use our software in a cloud-based-infrastructure that we provide. We also sell on-premises term license agreements for our Data Center offerings, which consist of software licensed for a specified period and include support and maintenance services that are bundled with the license for the term of the license period. Subscription revenues also include subscription-based agreements for our premier support services. Subscription revenues are driven primarily by the number and size of active licenses, the type of product and the price of the licenses. Our subscription-based arrangements generally have a contractual term of one to twelve months, with a majority being one month. For Cloud offerings, subscription revenue is recognized ratably as services are performed, commencing with the date the service is made available to customers. For Data Center offerings, we recognize revenue upfront for the portion that relates to the delivery of the term license and the support and related revenue is recognized ratably as the services are delivered over the term of the arrangement. Premier support consists of subscription-based arrangements for a higher level of support across different deployment options, and revenue is recognized ratably as the services are delivered over the term of the arrangement.

Maintenance Revenues

Maintenance revenues represent fees earned from providing customers unspecified future updates, upgrades and enhancements and technical product support for perpetual license products on an if-and-when-available basis. Maintenance revenue is recognized ratably over the term of the support period.

Other Revenues

Other revenues primarily include fees received for sales of third-party apps in the Atlassian Marketplace. Technical account management, consulting and training services are also included in other revenues. Revenue from the sale of third-party apps via Atlassian Marketplace is recognized on the date of product delivery given that all of our obligations have been met at that time and on a net basis as we function as the agent in the relationship. Revenue from technical account management is recognized over the time period that the customer has access to the service. Revenue from consulting and training is recognized over time as the services are performed.

We expect subscription revenue to increase and continue to be our primary driver of revenue growth as our customers continue to migrate to our Cloud and Data Center offerings. We no longer sell perpetual licenses or upgrades for our Server offerings and we plan to generally end maintenance and support for these Server offerings in February 2024. Migrating our larger customers to our subscription offerings continues to be one of our most important priorities ahead of Server end of support in February 2024. Consistent with our strategy, our Server business is expected to contract and Maintenance revenue is expected to decline as Server customers migrate to our Cloud and Data Center offerings.

Cost of Revenues

Cost of revenues primarily consists of expenses related to compensation expenses for our employees, including stock-based compensation, hosting our cloud infrastructure, which includes third-party hosting fees and depreciation associated with computer equipment and software; payment processing fees; consulting and contractors costs, associated with our customer support and infrastructure service teams; amortization of acquired intangible assets, such as the amortization of the cost associated with an acquired company's developed technology; certain IT program fees; and facilities and related overhead costs. To support our cloud-based infrastructure, we utilize third-party managed hosting facilities. We allocate stock-based compensation based on the expense category in which the employee works. We allocate overhead such as information technology costs, rent and occupancy charges in each expense category based on headcount in that category. As such, general overhead expenses are reflected in cost of revenues and operating expense categories.

We expect cost of revenues to increase as we continue to invest in our cloud-based infrastructure to support migrations and our Cloud customers.

Gross Profit and Gross Margin

Gross profit is total revenues less total cost of revenues. Gross margin is gross profit expressed as a percentage of total revenues. Gross margin can fluctuate from period to period as a result of changes in product and services mix.

We expect gross margin to decrease due to the sales mix shift from Server and Data Center offerings to Cloud offerings. This impact will be primarily driven by increased hosting costs as well as additional personnel costs to support migrations and our cloud customers.

Operating Expenses

Our operating expenses are classified as research and development, marketing and sales, and general and administrative. For each functional category, the largest component is compensation expenses, which include salaries and bonuses, stock-based compensation, employee benefit costs, and contractor costs. We allocate overhead, such as information technology costs, rent, and occupancy charges in each expense category based on headcount in that category.

Research and Development

Research and development expenses consist primarily of compensation expense for our employees, including stock-based compensation, consulting and contractor costs, contract software development costs, facilities and related overhead costs, and certain IT program expenses. We continue to focus our research and development efforts on building new products, adding new features and services, integrating acquired technologies, increasing functionality, enhancing our cloud infrastructure and developing our mobile capabilities.

Marketing and Sales

Marketing and sales expenses consist primarily of compensation expense for our employees, including stock-based compensation, marketing and sales programs, consulting and contractor costs, facilities and related overhead costs, and certain IT program expenses. Marketing programs consist of advertising, promotional events, corporate communications, brand building and product marketing activities such as online lead generation. Sales programs consist of activities and teams focused on supporting our solution partners and resellers, tracking channel sales activity, supporting and servicing our customers by helping them optimize their experience and expand the use of our products across their organizations and helping product evaluators learn how they can use our tools most effectively.

General and Administrative

General and administrative expenses consist primarily of compensation expense for our employees, including stock-based compensation, for finance, legal, human resources and information technology personnel, consulting and contractor costs, certain IT program expenses, other corporate expenses and facilities and related overhead costs.

Income Taxes

Provision for income taxes consists primarily of income taxes related to federal, state, and foreign jurisdictions where we conduct business.

Net Loss

We incurred a net loss during the three months ended September 30, 2023, primarily attributable to growing our team, specifically focusing on adding research and development personnel to drive continued product innovation, as well as investments in infrastructure to support our Cloud offerings.

Critical Accounting Estimates

Our condensed consolidated financial statements have been prepared in accordance with GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, as well as the reported revenues and expenses during the reporting periods. These items are monitored and analyzed by us for changes in facts and circumstances, and material changes in these estimates could occur in the future. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Changes in estimates are reflected in reported results for the period in which they become known. Actual results may differ from these estimates under different assumptions or conditions and such differences could be material.

There have been no significant changes to our critical accounting policies and estimates during the three months ended September 30, 2023, as compared to the critical accounting estimates disclosed in Management's Discussion and Analysis of Financial Results of Operations included in our Annual Report on Form 10-K for fiscal year 2023.

New Accounting Pronouncements Pending Adoption

The impact of recently issued accounting standards is set forth in Note 2, "*Summary of Significant Accounting Policies*," of the notes to our condensed consolidated financial statements.

Results of Operations

The following table sets forth our results of operations for the periods indicated (in thousands, except for percentages of total revenues):

	Three Months Ended September 30,					
		2023	% of Total Revenues		2022	% of Total Revenues
Revenues:						
Subscription	$	851,982	87 %	$	650,984	82 %
Maintenance		78,598	8		113,565	14
Other		47,195	5		42,843	4
Total revenues		977,775	100		807,392	100
Cost of revenues		178,029	18		139,392	17
Gross profit		799,746	82		668,000	83
Operating expenses:						
Research and development		481,738	49		399,006	49
Marketing and sales		193,567	20		160,128	20
General and administrative		143,310	15		142,893	18
Total operating expenses		818,615	84		702,027	87
Operating loss		(18,869)	(2)		(34,027)	(4)
Other income (expense), net		(8,335)	(1)		29,289	3
Interest income		25,226	3		5,143	1
Interest expense		(8,976)	(1)		(6,121)	(1)
Loss before provision for income taxes		(10,954)	(1)		(5,716)	(1)
Provision for income taxes		(20,929)	(2)		(8,025)	(1)
Net loss	$	(31,883)	(3)%	$	(13,741)	(2)%

Three Months Ended September 30, 2023 and 2022

Revenues

	Three Months Ended September 30,						
(in thousands, except percentage data)		2023		2022		$ Change	% Change
Subscription	$	851,982	$	650,984	$	200,998	31 %
Maintenance		78,598		113,565		(34,967)	(31)
Other		47,195		42,843		4,352	10
Total revenues	$	977,775	$	807,392	$	170,383	21 %

Total revenues increased $170.4 million, or 21%, in the three months ended September 30, 2023 compared to the three months ended September 30, 2022. Growth in total revenues was primarily attributable to increased demand for our products from both new and existing customers. Of total revenues recognized in the three months ended September 30, 2023, over 90% was attributable to sales to customer accounts existing on or before June 30. 2023.

Subscription revenues increased $201.0 million, or 31%, in the three months ended September 30, 2023 compared to the three months ended September 30, 2022. The increase in subscription revenues was primarily attributable to additional subscriptions from our existing customer base, and customers migrating to subscription services for our Cloud offerings and term-based licenses for our Data Center offerings.

Maintenance revenues decreased $35.0 million, or 31%, in the three months ended September 30, 2023 compared to the three months ended September 30, 2022. We no longer offer upgrades to perpetual licenses beginning February 2022, and generally plan to end maintenance and support for these products in February 2024.

Other revenues increased $4.4 million, or 10%, in the three months ended September 30, 2023 compared to the three months ended September 30, 2022. The increase in other revenues was primarily attributable to an increase of $4.3 million in revenue from sales of third-party apps through our Atlassian Marketplace.

Total revenues by deployment options were as follows:

	Three Months Ended September 30,			
(in thousands, except percentage data)	**2023**	**2022**	**$ Change**	**% Change**
Cloud	$ 604,647	$ 475,043	$ 129,604	27 %
Data Center	242,943	171,228	71,715	42
Server	78,752	113,813	(35,061)	(31)
Marketplace and other	51,433	47,308	4,125	9
Total revenues	$ 977,775	$ 807,392	$ 170,383	21 %

Total revenues by geography were as follows:

	Three Months Ended September 30,			
(in thousands, except percentage data)	**2023**	**2022**	**$ Change**	**% Change**
Americas	$ 489,528	$ 409,921	$ 79,607	19 %
EMEA	378,006	304,278	73,728	24
Asia Pacific	110,241	93,193	17,048	18
Total revenues	$ 977,775	$ 807,392	$ 170,383	21 %

Cost of Revenues

	Three Months Ended September 30,			
(in thousands, except percentage data)	**2023**	**2022**	**$ Change**	**% Change**
Cost of revenues	$ 178,029	$ 139,392	$ 38,637	28 %
Gross margin	82 %	83 %		

Cost of revenues increased $38.6 million, or 28%, in the three months ended September 30, 2023 compared to the three months ended September 30, 2022. The overall increase was primarily attributable to an increase of $18.4 million in compensation expense for employees (which includes an increase of $6.2 million in stock-based compensation), and an increase of $13.8 million in hosting fees paid to third-party providers.

Operating Expenses

Research and Development

	Three Months Ended September 30,			
(in thousands, except percentage data)	**2023**	**2022**	**$ Change**	**% Change**
Research and development	$ 481,738	$ 399,006	$ 82,732	21 %

Research and development expenses increased $82.7 million, or 21%, in the three months ended September 30, 2023 compared to the three months ended September 30, 2022. The overall increase was primarily attributable to an increase of $94.2 million in compensation expenses for employees (which includes an increase of $40.3 million in stock-based compensation) partially offset by a decrease of $13.2 million in professional service fees.

Marketing and Sales

	Three Months Ended September 30,			
(in thousands, except percentage data)	**2023**	**2022**	**$ Change**	**% Change**
Marketing and sales	$ 193,567	160,128	$ 33,439	21 %

Marketing and sales expenses increased $33.4 million, or 21%, for the three months ended September 30, 2023, compared to the three months ended September 30, 2022. The overall increase was primarily attributable to an increase of $29.6 million in compensation expenses for employees (which includes an increase of $9.1 million in stock-based compensation).

General and Administrative

	Three Months Ended September 30,			
(in thousands, except percentage data)	**2023**	**2022**	**$ Change**	**% Change**
General and administrative	$ 143,310	142,893	$ 417	— %

General and administrative expenses increased $0.4 million in the three months ended September 30, 2023 compared to the three months ended September 30, 2022. The overall increase was primarily attributable to an increase of $10.8 million in compensation expenses for employees (which included an increase of $6.3 million in stock-based compensation), partially offset by a decrease of $6.3 million in professional service fees, and a decrease in legal fees and office expenses.

Other Income and Expense

	Three Months Ended September 30,			
(in thousands, except percentage data)	**2023**	**2022**	**$ Change**	**% Change**
Other income (expense), net	$ (8,335)	$ 29,289	$ (37,624)	(128)%

Other income (expense), net decreased $37.6 million, or 128%, in the three months ended September 30, 2023, compared to the three months ended September 30, 2022. The decrease in other income (expense) was primarily attributable to a decrease of $43.1 million gain from a non-cash sale of a controlling interest of a subsidiary recorded during the three months ended September 30, 2022 and an increase of $6.8 million to record our share of loss from an equity method investment recorded during the three months ended September 30, 2023.

Interest Income

	Three Months Ended September 30,			
(in thousands, except percentage data)	**2023**	**2022**	**$ Change**	**% Change**
Interest income	25,226	5,143	$ 20,083	390 %

Interest income increased $20.1 million, or 390% in the three months ended September 30, 2023 compared to the three months ended September 30, 2022. The increase was primarily attributable to an increase in investment income as a result of increased investment balances and increased interest rates.

Interest Expense

	Three Months Ended September 30,			
(in thousands, except percentage data)	**2023**	**2022**	**$ Change**	**% Change**
Interest expense	$ (8,976)	$ (6,121)	$ (2,855)	47 %

Interest expense increased $2.9 million, or 47% in the three months ended September 30, 2023 compared to the three months ended September 30, 2022. The increase was primarily attributable to an increase in interest expense from our Credit Facility (as defined below) as a result of increased interest rates.

Provision for Income Taxes

	Three Months Ended September 30,			
(in thousands, except percentage data)	**2023**	**2022**	**$ Change**	**% Change**
Provision for income taxes	$ (20,929)	$ (8,025)	$ (12,904)	**
Effective tax rate	**	**		

** Not meaningful

We reported an income tax provision of $20.9 million on pretax loss of $11.0 million for the three months ended September 30, 2023, as compared to an income tax provision of $8.0 million on pretax loss of $5.7 million for the three months ended September 30, 2022. The income tax provision for the three months ended September 30, 2023 reflects an increase in tax provision primarily attributable to the overall growth in foreign jurisdictions associated with an increase in profit and non-deductible stock-based compensation and recognition of a reserve for uncertain tax positions. Since fiscal year 2020, we have been in unilateral advanced pricing agreement ("APA") negotiations with the Australian Taxation Office ("ATO") relating to our transfer pricing arrangements between Australia and the U.S. During fiscal year 2023, we discussed with ATO, for the first time, a framework to finalize our

transfer pricing arrangements for the proposed APA period (tax years ended June 30, 2019 to June 30, 2025). In October 2023, we finalized the APA with the ATO and, pursuant to the terms of the agreement, made a cash tax payment of approximately $60.5 million.

Our effective tax rate substantially differed from the U.S. statutory income tax rate of 21.0% primarily attributable to the recognition of reserves for uncertain tax positions, different tax rates, non-deductible stock-based compensation in foreign jurisdictions, and full valuation allowances in the U.S. and Australia. See Note 14, "*Income Tax*," to the notes to our condensed consolidated financial statements for additional information.

Our future effective annual tax rate may be materially impacted by the expense or benefit from tax amounts associated with our foreign earnings that are taxed at rates different from the federal statutory rate, level of profit before tax, accounting for uncertain tax positions, business combinations and changes in our valuation allowances to the extent sufficient positive evidence becomes available, closure of statute of limitations or settlement of tax audits, and changes in tax laws.

A significant amount of our earnings is generated by our Australian subsidiaries. Our future effective tax rates may be adversely affected to the extent earnings are lower than anticipated in countries where we have lower statutory tax rates. Changes in our global operations could result in changes to our effective tax rates, future cash flows, and overall profitability of our operations.

Liquidity and Capital Resources

As of September 30, 2023, we had cash and cash equivalents totaling $2.1 billion, short-term investments totaling $94.3 million and accounts receivables totaling $368.3 million. Since our inception, we have primarily financed our operations through cash flows generated by operations and corporate debt.

Our cash flows from operating activities, investing activities, and financing activities for the periods presented were as follows (in thousands):

	Three Months Ended September 30,	
	2023	2022
Net cash provided by operating activities	$ 166,956	$ 92,442
Net cash used in investing activities	(56,903)	(6,238)
Net cash provided by (used in) financing activities	(65,879)	1,396
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	(3,280)	(4,939)
Net increase in cash, cash equivalents, and restricted cash	$ 40,894	$ 82,661

Cash provided by operating activities has historically been affected by the amount of net loss adjusted for non-cash expense items such as depreciation and amortization, expense associated with stock-based awards, and gain on non-cash sale of controlling interest of a subsidiary, the timing of employee-related costs such as bonus payments, collections from our customers, which is our largest source of operating cash flows, income tax payment and changes in other working capital accounts.

Accounts impacting working capital consist of accounts receivables, prepaid expenses and other current assets, accounts payables, current provisions, and current deferred revenue. Our working capital may be impacted by various factors in future periods, such as billings to customers for subscriptions, licenses and maintenance services and the subsequent collection of those billings or the amount and timing of certain expenditures.

Net cash provided by operating activities increased by $74.5 million for the three months ended September 30, 2023, compared to the three months ended September 30, 2022. The net increase was primarily attributable to an increase in cash received from customers, offset by an increase in cash paid to suppliers and employees and cash used to pay income taxes.

Net cash used in investing activities increased by $50.7 million during the three months ended September 30, 2023, compared to the three months ended September 30, 2022. The net increase was primarily attributable to an increase in net outflows of $88.3 million from marketable securities activity, offset by an increase in net inflows of $24.2 million from strategic investment activity and a decrease of $12.8 million from purchases of property and equipment.

Net cash used in financing activities increased by $67.3 million for the three months ended September 30, 2023, compared to the three months ended September 30, 2022. The net cash used in financing activities was primarily attributable to repurchases of Class A Common Stock of $65.9 million during the three months ended September 30, 2023.

Material Cash Requirements

Debt

In October 2020, Atlassian US, Inc. entered into a credit agreement establishing a $1 billion senior unsecured delayed-draw term loan facility (the “Term Loan Facility”) and a $500 million senior unsecured revolving credit facility (the “Revolving Credit Facility,” and together with the Term Loan Facility, the “Credit Facility”). We have fully drawn the Term Loan Facility, and we have full access to the $500 million under the Revolving Credit Facility. The Credit Facility matures in October 2025 and bears interest, at our option, at a base rate plus a margin up to 0.50% or the Secured Overnight Financing Rate plus a credit spread adjustment of 0.10% plus a spread of 0.875% to 1.50%, in each case with such margin being determined by our consolidated leverage ratio. The Revolving Credit Facility may be borrowed, repaid, and re-borrowed until its maturity, and we have the option to request an increase of $250 million in certain circumstances. The Credit Facility may be repaid at our discretion without penalty. Commencing on October 31, 2023, we are obligated to repay the outstanding principal amount of the Term Loan in installments on a quarterly basis in an amount equal to 1.25% of the Term Loan Facility borrowing amount until the maturity of the Credit Facility.

Share Repurchase Program

In January 2023, the Board of Directors authorized a program to repurchase up to $1.0 billion of our outstanding Class A Common Stock (the “Share Repurchase Program”). During the three months ended September 30, 2023, we repurchased approximately 0.3 million shares of our Class A Common Stock for approximately $65.3 million at an average price per share of $187.09. All repurchases were made in open market transactions. As of September 30, 2023, we were authorized to purchase a remaining $780.5 million of our Class A Common Stock under the Share Repurchase Program.

Contractual Obligations

Our principal commitments consist of contractual commitments for our cloud services platform and other infrastructure services, and obligations under leases for office space including obligations for leases that have not yet commenced. There were no material changes outside the ordinary course of business to our contractual obligations disclosed in our Annual Report on Form 10-K for fiscal year 2023.

Other Future Obligations

In October 2023, we entered into a definitive agreement to acquire Loom, Inc. (“Loom”), an asynchronous video messaging tool that helps users communicate through instantly shareable videos. Under the terms of the agreement, we will acquire Loom for approximately $975 million, inclusive of Loom’s cash balance, subject to customary adjustments. Total consideration will be comprised of approximately $880 million in cash, and the remainder in Atlassian equity awards, subject to continued vesting provisions. We expect to fund the cash consideration through existing cash balances.

We believe that our existing cash and cash equivalents, together with cash generated from operations, and borrowing capacity from the Credit Facility will be sufficient to meet our anticipated cash needs for at least the next 12 months. Our other future cash requirements will depend on many factors including our growth rate, the timing and extent of spend on research and development efforts, employee headcount, marketing and sales activities, payments to tax authorities, acquisitions of additional businesses and technologies, the introduction of new software and services offerings, enhancements to our existing software and services offerings and the continued market acceptance of our products.

As of September 30, 2023, we are not party to any off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, results of operations, liquidity, capital expenditures, or capital resources.

Non-GAAP Financial Measures

In addition to the measures presented in our condensed consolidated financial statements, we regularly review other measures that are not presented in accordance with GAAP, defined as non-GAAP financial measures

by the SEC, to evaluate our business, measure our performance, identify trends, prepare financial forecasts and make strategic decisions. The key measures we consider are non-GAAP gross profit, non-GAAP operating income, non-GAAP operating margin, non-GAAP net income, non-GAAP net income per diluted share and free cash flow (collectively, the “Non-GAAP Financial Measures”). These Non-GAAP Financial Measures, which may be different from similarly titled non-GAAP measures used by other companies, provide supplemental information regarding our operating performance on a non-GAAP basis that excludes certain gains, losses and charges of a non-cash nature or that occur relatively infrequently and/or that management considers to be unrelated to our core operations. Management believes that tracking and presenting these Non-GAAP Financial Measures provides management, our board of directors, investors and the analyst community with the ability to better evaluate matters such as: our ongoing core operations, including comparisons between periods and against other companies in our industry; our ability to generate cash to service our debt and fund our operations; and the underlying business trends that are affecting our performance.

Our Non-GAAP Financial Measures include:

- *Non-GAAP gross profit*. Excludes expenses related to stock-based compensation, and amortization of acquired intangible assets.
- *Non-GAAP operating income and non-GAAP operating margin*. Excludes expenses related to stock-based compensation, and amortization of acquired intangible assets.
- *Non-GAAP net income and non-GAAP net income per diluted share*. Excludes expenses related to stock-based compensation, amortization of acquired intangible assets, gain on a non-cash sale of a controlling interest of a subsidiary and the related income tax adjustments.
- *Free cash flow*. Free cash flow is defined as net cash provided by operating activities less capital expenditures, which consists of purchases of property and equipment.

We understand that although these Non-GAAP Financial Measures are frequently used by investors and the analyst community in their evaluation of our financial performance, these measures have limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our results as reported under GAAP. We compensate for such limitations by reconciling these Non-GAAP Financial Measures to the most comparable GAAP financial measures.

The following table presents a reconciliation of our Non-GAAP Financial Measures to the most comparable GAAP financial measure for the three months ended September 30, 2023 and 2022 (in thousands, except percentage and per share data):

	Three Months Ended September 30, 2023	2022
Gross profit		
GAAP gross profit	$ 799,746	$ 668,000
Plus: Stock-based compensation	16,821	10,613
Plus: Amortization of acquired intangible assets	5,772	5,697
Non-GAAP gross profit	$ 822,339	$ 684,310
Operating income		
GAAP operating loss	$ (18,869)	$ (34,027)
Plus: Stock-based compensation	235,581	173,631
Plus: Amortization of acquired intangible assets	8,231	8,296
Non-GAAP operating income	$ 224,943	$ 147,900
Operating margin		
GAAP operating margin	(2)%	(4)%
Plus: Stock-based compensation	24%	21%
Plus: Amortization of acquired intangible assets	1%	1%
Non-GAAP operating margin	23%	18%
Net income		
GAAP net loss	$ (31,883)	$ (13,741)
Plus: Stock-based compensation	235,581	173,631
Plus: Amortization of acquired intangible assets	8,231	8,296
Less: Gain on a non-cash sale of a controlling interest of a subsidiary	(1,378)	(43,091)
Less: Income tax adjustments (1)	(41,571)	(32,548)
Non-GAAP net income	$ 168,980	$ 92,547
Net income per share		
GAAP net loss per share - diluted	$ (0.12)	$ (0.05)
Plus: Stock-based compensation	0.91	0.68
Plus: Amortization of acquired intangible assets	0.03	0.03
Less: Gain on a non-cash sale of a controlling interest of a subsidiary	(0.01)	(0.17)
Less: Income tax adjustments (1)	(0.16)	(0.13)
Non-GAAP net income per share - diluted	$ 0.65	$ 0.36
Weighted-average diluted shares outstanding		
Weighted-average shares used in computing diluted GAAP net loss per share	257,907	255,167
Plus: Dilution from dilutive securities (2)	1,008	1,041
Weighted-average shares used in computing diluted non-GAAP net income per share	258,915	256,208
Free cash flow		
GAAP net cash provided by operating activities	$ 166,956	$ 92,442
Less: Capital expenditures	(3,669)	(16,496)
Free cash flow	$ 163,287	$ 75,946

(1) In the first quarter of fiscal year 2024, we began to utilize a fixed long-term projected non-GAAP tax rate in our computation of the non-GAAP income tax adjustments in order to provide better consistency across interim reporting periods. In projecting this long-term non-GAAP tax rate, we utilized a three-year financial projection that excludes the direct and indirect income tax effects of the other non-GAAP adjustments reflected above. Additionally, we considered our current operating structure and other factors such as our existing tax positions in various jurisdictions and key legislation in major jurisdictions where we operate. For fiscal year 2024, we determined the projected non-GAAP tax rate to be 27%. This fixed long-term projected non-GAAP tax rate eliminates the effects of non-recurring and period specific items which can vary in size and frequency. Examples of the non-recurring and period specific items include but are not limited to changes in the valuation allowance related to deferred tax assets, effects resulting from acquisitions, and unusual or infrequently occurring items. We will periodically re-evaluate this long-term rate, as necessary, for significant events. The rate could be subject to change for a variety of reasons, for example, significant changes in the geographic earnings mix or fundamental tax law changes in major jurisdictions where the company operates.

(2) The effects of these dilutive securities were not included in the GAAP calculation of diluted net loss per share for the three months ended September 30, 2023 and 2022 because the effect would have been anti-dilutive.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Foreign Currency Exchange Risk

We operate globally and are exposed to foreign exchange risk arising from exposure to various currencies in the ordinary course of business. Our exposures primarily consist of the Australian dollar, Indian rupee, Euro, British pound, Japanese yen, Philippine peso, Canadian dollar, Polish zloty and New Zealand dollar. Foreign exchange risk arises from commercial transactions and recognized financial assets and liabilities denominated in a currency other than the U.S. dollar. Our financial risk management policy is reviewed annually by our Audit Committee and requires us to monitor our foreign exchange exposure on a regular basis.

The substantial majority of our sales contracts are denominated in U.S. dollars, and our operating expenses are generally denominated in the local currencies of the countries where our operations are located. We therefore benefit from a strengthening of the U.S. dollar and are adversely affected by the weakening of the U.S. dollar.

We have a cash flow hedging program in place and enter into derivative transactions to manage certain foreign currency exchange risks that arise in our ordinary business operations. We recognize all derivative instruments as either assets or liabilities on our condensed consolidated statements of financial position and measure them at fair value. Gains and losses resulting from changes in fair value are accounted for depending on the use of the derivative and whether it is designated and qualifies for hedge accounting.

We enter into master netting agreements with select financial institutions to reduce our credit risk, and we trade with several counterparties to reduce our concentration risk with any single counterparty. We do not have significant exposure to counterparty credit risk at this time. We do not require nor are we required to post collateral of any kind related to our foreign currency derivatives.

Foreign currency exchange rate exposure

We hedge material foreign currency denominated monetary assets and liabilities using balance sheet hedges. The fluctuations in the fair market value of balance sheet hedges due to foreign currency rates generally offset those of the hedged items, resulting in no material effect on profit. Consequently, we are primarily exposed to significant foreign currency exchange rate fluctuations with regard to the spot component of derivatives held within a designated cash flow hedge relationship affecting other comprehensive income.

Interest Rate Risk

We are exposed to interest rate risk arising from our variable interest rate Credit Facility. Our financial risk management policy is reviewed annually by our Audit Committee and requires us to monitor its interest rate exposure on a regular basis.

We have a hedging program in place and enter into derivative transactions to manage the variable interest rate risks related to our Term Loan Facility. We enter into master netting agreements with financial institutions to execute our hedging program. Our master netting agreements are with select financial institutions to reduce our credit risk, and we trade with several counterparties to reduce our concentration risk with any single counterparty. We do not have significant exposure to counterparty credit risk at this time. We do not require nor are we required to post collateral of any kind related to our interest rate derivatives.

We enter into interest rate swaps with the objective to hedge the variability of cash flows in the interest payments associated with our variable-rate Term Loan Facility. The interest rate swaps involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. The interest rate swaps are designated as cash flow hedges and measured at fair value.

In addition, our cash equivalents and investment portfolio are subject to market risk due to changes in interest rates. Fixed rate securities may have their market value adversely impacted due to a rise in interest rates. As of September 30, 2023, we had cash and cash equivalents totaling $2.1 billion and short-term investments totaling $94.3 million.

There have been no material changes to our market risk during the three months ended September 30, 2023. For quantitative disclosures about market risk, refer to Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk, from our Annual Report on Form 10-K for the fiscal year 2023.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our Co-Chief Executive Officers and Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2023, have concluded that, as of such date, our disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by us in reports that we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and (2) is accumulated and communicated to our management, including our Co-Chief Executive Officers and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) under the Exchange Act that occurred during the quarter ended September 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures and internal control over financial reporting, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures and internal control over financial reporting must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

PART II

ITEM 1. LEGAL PROCEEDINGS

On February 3, 2023, a putative securities class action (the “Putative Class Action”) was filed in the U.S. District Court for the Northern District of California, captioned *City of Hollywood Firefighters’ Pension Fund vs. Atlassian Corporation*, Case No. 3:23-cv-00519, naming us and certain of our officers as defendants. The lawsuit is purportedly brought on behalf of purchasers of our securities between August 5, 2022 and November 3, 2022 (the “Class Period”). The complaint alleges claims under Sections 10(b) and 20(a) of the Exchange Act, and Rule 10b-5 promulgated thereunder, based on allegedly false and misleading statements about our business and prospects during the Class Period. The lawsuit seeks unspecified damages. The defendants filed a motion to dismiss on September 8, 2023, and the plaintiffs filed their opposition on October 23, 2023. The defendants’ reply is currently due November 22, 2023, and a hearing is currently scheduled for January 10, 2024.

In March, April and August 2023, three stockholder derivative lawsuits were filed in the U.S. District Court for the District of Delaware against the members of our board of directors and certain of our officers, captioned *Silva v. Cannon-Brookes*, Case No. 1:23-cv-00283; *Keane v. Cannon-Brookes*, Case No. 1:23-cv-00399; and *Azzawi v. Cannon-Brookes, Case No. 1:23-cv-00884*. We are named as a nominal defendant. These stockholder derivative lawsuits are based largely on the same allegations as the Putative Class Action, including allegations relating to our disclosures during the Class Period as well as, in certain instances, alleged insider trading. The lawsuits purport to assert claims for, among other things, breach of fiduciary duty, corporate waste, unjust enrichment, and violations of

Section 10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder. The complaints seek unspecified damages and other relief purportedly on our behalf. In May and August 2023, the Court consolidated the Silva, Keane, and Azzawi actions into *In re Atlassian Corporation Stockholder Derivative Litigation*, Case No. 1:23-cv-00283-GBW (the “Consolidated Action”), and stayed the Consolidated Action pending resolution of any motion(s) to dismiss in the Putative Class Action.

On September 6, 2023, a stockholder derivative lawsuit was filed in the U.S. District Court for the Northern District of California against the members of our board of directors and certain of our officers, captioned *Capistrano v. Cannon-Brookes*, Case No. 4:23-cv-04584 (the “Capistrano Action”). We are named as a nominal defendant. The complaint is based largely on the same allegations as the Putative Class Action and the Consolidated Action, including allegations relating to our disclosures during the Class Period as well as, in certain instances, alleged insider trading. The lawsuits purport to assert claims for, among other things, breach of fiduciary duty, corporate waste, unjust enrichment, and violations of Section 10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder. The complaints seek unspecified damages and other relief purportedly on our behalf. On October 31, 2023, the Court stayed the Capistrano Action pending resolution of any motion(s) to dismiss in the Putative Class Action.

The defendants have denied and intend to continue to deny the allegations of wrongdoing and vigorously defend against the claims in each of the Putative Class Action, the Consolidated Action, and the Capistrano Action.

In addition to the matters discussed above, from time to time, we are party to litigation and other legal proceedings in the ordinary course of business. While we do not believe the ultimate resolution of pending legal matters is likely to have a material adverse effect on our financial position, the results of any litigation or other legal proceedings are uncertain and as such the resolution of such legal proceedings, either individually or in the aggregate, could have a material adverse effect on our business, results of operations, financial condition or cash flows. We accrue for loss contingencies when it is both probable that we will incur the loss and when we can reasonably estimate the amount of the loss or range of loss. For the periods presented, we have not recorded any liabilities as a result of the litigation or other legal proceedings in our condensed consolidated financial statements.

ITEM 1A. RISK FACTORS

A description of the risks and uncertainties associated with our business is set forth below. You should carefully consider such risks and uncertainties, together with the other information contained in this Quarterly Report on Form 10-Q, and in our other public filings. If any such risks and uncertainties actually occur, our business, financial condition or results of operations could differ materially from the plans, projections and other forward-looking statements included elsewhere in this Quarterly Report on Form 10-Q and in our other public filings. In addition, if any of the following risks and uncertainties, or if any other risks and uncertainties, actually occur, our business, financial condition, or results of operations could be harmed substantially.

Risk Factor Summary

Our business is subject to numerous risks and uncertainties, including those highlighted in this section titled “Risk Factors” and summarized below. We have various categories of risks, including risks related to our business and industry, risks related to information technology, intellectual property, data security and privacy, risks related to legal, regulatory, accounting, and tax matters, risks related to ownership of our Class A Common Stock, risks related to our indebtedness, and general risks, which are discussed more fully below. As a result, this risk factor summary does not contain all of the information that may be important to you, and you should read this risk factor summary together with the more detailed discussion of risks and uncertainties set forth following this summary, as well as elsewhere in this Quarterly Report on Form 10-Q. These risks include, but are not limited, to the following:

- *Our rapid growth makes it difficult to evaluate our future prospects and may increase the risk that we will not continue to grow at or near historical rates.*
- *We may not be able to sustain our revenue growth rate or achieve profitability in the future.*
- *The continuing global economic and geopolitical volatility, the COVID-19 pandemic, including any associated economic and social impacts, increased inflation and measures taken in response to these events, could harm our business and results of operations.*
- *The markets in which we participate are intensely competitive, and if we do not compete effectively, our business, results of operations, and financial condition could be harmed.*

- *Our distribution model of offering and selling on-premises offerings of certain of our products, in addition to offering and selling Cloud offerings of these products, increases our expenses, may impact revenue recognition timing, and may pose other challenges to our business.*
- *Our business depends on our customers renewing their subscriptions and maintenance plans and purchasing additional licenses or subscriptions from us, and any decline in our customer retention or expansion could harm our future results of operations.*
- *If we are not able to develop new products and enhancements to our existing products that achieve market acceptance and that keep pace with technological developments, our business and results of operations could be harmed.*
- *Our quarterly results have fluctuated in the past and may fluctuate significantly in the future and may not fully reflect the underlying performance of our business.*
- *Our business model relies on a high volume of transactions and affordable pricing. As lower cost or free products are introduced by our competitors, our ability to generate new customers could be harmed.*
- *If we fail to effectively manage our growth, our business and results of operations could be harmed.*
- *Our recent restructuring may not result in anticipated alignment with customer needs and business priorities or operational efficiencies, could result in total costs and expenses that are greater than expected, and could disrupt our business.*
- *If our current marketing model is not effective in attracting new customers, we may need to incur additional expenses to attract new customers and our business and results of operations could be harmed.*
- *Our Credit Facility and overall debt level may limit our flexibility in obtaining additional financing and in pursuing other business opportunities or operating activities.*
- *Legal, regulatory, social, and ethical issues relating to the use of new and evolving technologies, such as artificial intelligence ("AI") and machine learning, in our offerings may result in reputational harm and liability*
- *If our security measures are breached or unauthorized or inappropriate access to customer data is otherwise obtained, our products may be perceived as insecure, we may lose existing customers or fail to attract new customers, and we may incur significant liabilities.*
- *Interruptions or performance problems associated with our technology and infrastructure could harm our business and results of operations.*
- *Real or perceived errors, failures, vulnerabilities, or bugs in our products or in the products on Atlassian Marketplace could harm our business and results of operations.*
- *Privacy concerns and laws as well as evolving regulation of cloud computing, AI services, cross-border data transfer restrictions and other domestic or foreign regulations may limit the use and adoption of our services and adversely affect our business and results of operation.*
- *Our global operations and structure subject us to potentially adverse tax consequences.*
- *The dual class structure of our common stock has the effect of concentrating voting control with certain stockholders, in particular, our Co-Chief Executive Officers and their affiliates, which will limit our other stockholders' ability to influence the outcome of important transactions, including a change in control.*

Risks Related to Our Business and Industry

Our rapid growth makes it difficult to evaluate our future prospects and may increase the risk that we will not continue to grow at or near historical rates.

We have been growing rapidly over the last several years, and as a result our ability to forecast our future results of operations is subject to a number of uncertainties, including our ability to effectively plan for and model future growth. Our recent and historical growth should not be considered indicative of our future performance. We have encountered in the past, and will encounter in the future, risks and uncertainties frequently experienced by growing companies in rapidly changing industries, such as the recent weakening economic conditions. If our assumptions regarding these risks and uncertainties, which we use to plan and operate our business, are incorrect or change, or if we do not address these risks successfully, our operating and financial results could differ materially from our expectations, our growth rates may slow, and our business would suffer.

We may not be able to sustain our revenue growth rate or achieve profitability in the future.

Our historical growth rate should not be considered indicative of our future performance and may decline in the future. Our revenue growth rate has fluctuated in prior periods and, in future periods, our revenue could grow more slowly than it has in the past or decline for a number of reasons, including any reduction in demand for our products, increase in competition, limited ability to, or our decision not to, increase pricing, contraction of our overall market, a slower than anticipated adoption of or migration to our Cloud offerings, or our failure to capitalize on growth opportunities. For example, beginning in the first quarter of fiscal year 2023, we have seen growth from existing customers moderate, which we believe is due to customers being impacted by weakening economic conditions. Additionally, beginning in February 2021, we ceased sales of new perpetual licenses for our products, and beginning in February 2022, we ceased sales of upgrades to these on-premises versions of our products. Subject to limited exceptions for some enterprise customers that have signed an agreement for our Cloud offerings, we also plan to end maintenance and support for these on-premises versions of our products in February 2024. If our customers do not transition from our on-premises offerings to our Cloud or Data Center offerings prior to February 2024, our revenue growth rates and profitability may be negatively impacted.

In addition, we expect expenses to increase substantially in the near term, particularly as we continue to make significant investments in research and development and technology infrastructure for our Cloud offerings, expand our operations globally and develop new products and features for, and enhancements of, our existing products. As a result of these significant investments, and in particular stock-based compensation associated with our growth, we may not be able to achieve profitability as determined under U.S. generally accepted accounting principles (“GAAP”) in future periods. The additional expenses we will incur may not lead to sufficient additional revenue to maintain historical revenue growth rates and profitability.

The continuing global economic and geopolitical volatility, the COVID-19 pandemic, including any associated economic and social impacts, increased inflation and measures taken in response to these events, could harm our business and results of operations.

The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains, and created significant volatility and disruption of financial markets. Additionally, the Russian invasion of Ukraine in 2022 has led to further economic disruptions. The conflict has increased inflationary pressures and supply chain constraints, which have negatively impacted the global economy. Inflationary pressure may result in decreased demand for our products and services, increases in our operating costs (including our labor costs), reduced liquidity, and limits on our ability to access credit or otherwise raise capital. In response to the concerns over inflation risk, the U.S. Federal Reserve raised interest rates multiple times in 2022 and 2023 and may continue to do so in the future. It is especially difficult to predict the impact of such events on the global economic markets, which have been and will continue to be highly dependent upon the actions of governments, businesses, and other enterprises in response to such events, and the effectiveness of those actions.

The adverse public health developments of COVID-19, including orders to shelter-in-place, travel restrictions, and mandated business closures, have adversely affected workforces, organizations, customers, economies, and financial markets globally, leading to increased macroeconomic and market volatility. It has also disrupted the normal operations of many businesses, including ours. We now allow most employees the flexibility to work remotely indefinitely as part of our “Team Anywhere” policy. Our remote-work arrangements could strain our business continuity plans, introduce operational risk, including cybersecurity risks and increased costs, and impair our ability to effectively manage our business, which may negatively impact our business, results of operations, and financial condition. We are actively monitoring the impacts of the situation and may continue to adjust our current policies and practices.

Our business depends on demand for business software applications generally and for collaboration software solutions in particular. In addition, the market adoption of our products and our revenue is dependent on the number of users of our products. The COVID-19 pandemic, including intensified measures undertaken to contain the spread of COVID-19, the Russian invasion of Ukraine, increased inflation and interest rates and the resulting economic and social impacts of these events could reduce the number of personnel providing development or engineering services, decrease technology spending, including the purchasing of software products, adversely affect demand for our products, affect our ability to accurately forecast our future results, cause some of our paid customers or suppliers to file for bankruptcy protection or go out of business, affect the ability of our customer support team to conduct in-person trainings or our solutions partners to conduct in-person sales, impact expected spending from new customers or renewals, expansions or reductions in paid seats from existing customers, negatively impact collections of accounts receivable, result in elongated sales cycles, and harm our business, results of operations, and financial condition. In particular, we have revenue exposure to customers who are small- and medium-sized businesses. If these customers’ business operations and finances are negatively affected, they may not purchase or

renew our products, may reduce or delay spending, or request extended payment terms or price concessions, which would negatively impact our business, results of operations, and financial condition. For example, rising interest rates and slowing economic conditions have contributed to the failures of banking institutions, such as Silicon Valley Bank and First Republic Bank. While we have not had any direct exposure to recently failed banking institutions to date, if other banks and financial institutions enter receivership or become insolvent in the future in response to financial conditions affecting the banking system and financial markets, our ability or our customers' ability to access existing cash, cash equivalents, and investments may be threatened and affect our customers' ability to pay for our products and could have a material adverse effect on our business and financial condition.

The extent to which these factors ultimately impact our business, results of operations, and financial position will depend on future developments, which are uncertain and cannot be fully predicted at this time, including, but not limited to, the continued duration and spread of the COVID-19 outbreak and related variants, its severity, the actions taken by governments and authorities to contain the virus or treat its impact, the effectiveness of current vaccine and therapeutic treatments, and the extent to which normal economic and operating conditions continue to resume, future developments regarding Russia's invasion of Ukraine, continued inflationary pressures and governmental actions, such as interest rate increases to respond to such pressures, the effects of U.S. political instability, and the effects of recent unrest in the Middle East. As a result of these and other recent macroeconomic events, we have seen the growth from existing customers moderate and experienced volatility in the trading prices for our Class A Common Stock, and such volatility may continue in the long term. Any sustained adverse impacts from these and other recent macroeconomic events could materially and adversely affect our business, financial condition, operating results, and earnings guidance that we may issue from time to time, which could have a material effect on the value of our Class A Common Stock.

The markets in which we participate are intensely competitive, and if we do not compete effectively, our business, results of operations, and financial condition could be harmed.

The markets for our solutions are fragmented, rapidly evolving, highly competitive, and have relatively low barriers to entry. We face competition from both traditional, larger software vendors offering full collaboration and productivity suites and smaller companies offering point products for features and use cases. Our principal competitors vary depending on the product category and include Microsoft (including GitHub), IBM, Alphabet, ServiceNow, PagerDuty, Gitlab, Freshworks, Asana, Monday.com, Notion and Smartsheet. In addition, some of our competitors have made acquisitions to offer a more comprehensive product or service offering, which may allow them to compete more effectively with our products. We expect this trend to continue as companies attempt to strengthen or maintain their market positions in an evolving industry. Following such potential consolidations, companies may create more compelling product offerings and be able to offer more attractive pricing options, making it more difficult for us to compete effectively.

Our competitors, particularly our competitors with greater financial and operating resources, may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards, or customer requirements. With the adoption of new technologies, such as AI and machine learning, the evolution of our products, and new market entrants, we expect competition to intensify in the future. For example, as we continue to expand our focus into new use cases or other product offerings beyond software development teams, we expect competition to increase. Pricing pressures and increased competition generally could result in reduced sales, reduced margins, losses, or the failure of our products to achieve or maintain more widespread market acceptance, any of which could harm our business, results of operations and financial condition.

Many of our current and potential competitors have greater resources than we do, with established marketing relationships, large enterprise sales forces, access to larger customer bases, pre-existing customer relationships, and major distribution agreements with consultants, system integrators and resellers. Additionally, some current and potential customers, particularly large organizations, have elected, and may in the future elect, to develop or acquire their own internal collaboration and productivity software tools that would reduce or eliminate the demand for our solutions.

Our products seek to serve multiple markets, and we are subject to competition from a wide and varied field of competitors. Some competitors, particularly new and emerging companies with sizeable venture capital investment, could focus all their energy and resources on one product line or use case and, as a result, any one competitor could develop a more successful product or service in a particular market we serve which could decrease our market share and harm our brand recognition and results of operations. For all of these reasons and others we cannot anticipate today, we may not be able to compete successfully against our current and future competitors, which could harm our business, results of operations, and financial condition.

Our distribution model of offering and selling on-premises offerings of certain of our products, in addition to offering and selling Cloud offerings of these products, increases our expenses, may impact revenue recognition timing, and may pose other challenges to our business.

We currently offer and sell both on-premises (Server and Data Center) and Cloud offerings of certain of our products. For these products, our Cloud offering enables quick setup and subscription pricing, while our on-premises offering permits more customization, a perpetual or term license fee structure, and complete application control. Although a substantial majority of our revenue was historically generated from customers using our on-premises products, over time our customers have moved and will continue to move to our Cloud offerings, and our Cloud offerings will become more central to our distribution model. For example, beginning in February 2021, we ceased sales of new perpetual licenses for our Server products, and beginning in February 2022, we ceased sales of upgrades to these versions of our products. Subject to limited exceptions for some enterprise customers that have signed an agreement for our Cloud offerings, we also plan to end maintenance and support for Server versions of our products in February 2024. We may be subject to additional competitive and pricing pressures for our Cloud offerings compared to our on-premises offerings, which could harm our business. Further, revenues from our Cloud offerings are typically lower in the initial year compared to our on-premises offerings, which may impact our near-term revenue growth rates and margins, and we incur higher or additional costs to supply our Cloud offerings, such as fees associated with hosting our cloud infrastructure. Additionally, we offered discounts to certain of our enterprise-level Server customers to incentivize migration to our Cloud offerings, which impacted our near-term revenue growth. If our customers do not transition from our Server offerings to our Cloud or Data Center offerings prior to February 2024, our revenue growth rates and profitability may be negatively impacted. If our Cloud offerings do not develop as quickly as we expect, if we are unable to continue to scale our systems to meet the requirements of successful, large Cloud offerings, or if we lose customers currently using our on-premises products due to our increased focus on our Cloud offerings or our inability to successfully migrate them to our Cloud products, our business could be harmed. We are directing a significant portion of our financial and operating resources to implement robust Cloud offerings for our products and to migrate our existing customers to our Cloud offerings, but even if we continue to make these investments, we may be unsuccessful in growing or implementing our Cloud offering that competes successfully against our current and future competitors and our business, results of operations, and financial condition could be harmed.

Our business depends on our customers renewing their subscriptions and maintenance plans and purchasing additional licenses or subscriptions from us, and any decline in our customer retention or expansion could harm our future results of operations.

In order for us to maintain or improve our results of operations, it is important that our customers renew their subscriptions and maintenance plans when existing contract terms expire and that we expand our commercial relationships with our existing customers. Our customers have no obligation to renew their subscriptions or maintenance plans, and our customers may not renew subscriptions or maintenance plans with a similar contract duration or with the same or greater number of users. Our customers generally do not enter into long-term contracts, rather they primarily have monthly or annual terms. Some of our customers have elected not to renew their agreements with us and it is difficult to accurately predict long-term customer retention.

Our customer retention and expansion may decline or fluctuate as a result of a number of factors, including our customers’ satisfaction with our products, new market entrants, our product support, our prices and pricing plans, the prices of competing software products, reductions in our customers’ spending levels, new product releases and changes to packaging of our product offerings, mergers and acquisitions affecting our customer base, our increased focus on our Cloud offerings, our decision to end the sale of new perpetual licenses for our products, or the effects of global economic conditions, including the impacts on us or our customers, partners and suppliers from inflation and interest rate increases. We may be unable to timely address any retention issues with specific customers, which could harm our results of operations. If our customers do not purchase additional licenses or subscriptions or renew their subscriptions or maintenance plans, renew on less favorable terms, or fail to add more users, our revenue may decline or grow less quickly, which could harm our future results of operations and prospects.

If we are not able to develop new products and enhancements to our existing products that achieve market acceptance and that keep pace with technological developments, our business and results of operations could be harmed.

Our ability to attract new customers and retain and increase revenue from existing customers depends in large part on our ability to enhance and improve our existing products and to introduce compelling new products that reflect the changing nature of our markets. The success of any enhancement to our products depends on

several factors, including timely completion and delivery, competitive pricing, adequate quality testing, integration with existing technologies and our platform, and overall market acceptance. Any new product that we develop may not be introduced in a timely or cost-effective manner, may contain bugs, or may not achieve the market acceptance necessary to generate significant revenue. If we are unable to successfully develop new products, enhance our existing products to meet customer requirements, or otherwise gain market acceptance, our business, results of operations, and financial condition could be harmed.

If we cannot continue to expand the use of our products beyond our initial focus on software developers, our ability to grow our business could be harmed.

Our ability to grow our business depends in part on our ability to persuade current and future customers to expand their use of our products to additional use cases beyond software developers, including information technology and business teams. If we fail to predict customer demands or achieve further market acceptance of our products within these additional areas and teams, or if a competitor establishes a more widely adopted product for these applications, our ability to grow our business could be harmed.

We invest significantly in research and development, and to the extent our research and development investments do not translate into new products or material enhancements to our current products, or if we do not use those investments efficiently, our business and results of operations would be harmed.

A key element of our strategy is to invest significantly in our research and development efforts to develop new products and enhance our existing products to address additional applications and markets. In fiscal years 2023 and 2022, our research and development expenses were 53% and 46% of our revenue, respectively. If we do not spend our research and development budget efficiently or effectively on compelling innovation and technologies, our business could be harmed and we may not realize the expected benefits of our strategy. Moreover, research and development projects can be technically challenging and expensive. The nature of these research and development cycles may cause us to experience delays between the time we incur expenses associated with research and development and the time we are able to offer compelling products and generate revenue, if any, from such investment. Additionally, anticipated customer demand for a product we are developing could decrease after the development cycle has commenced, and we would nonetheless be unable to avoid substantial costs associated with the development of any such product. If we expend a significant amount of resources on research and development and our efforts do not lead to the successful introduction or improvement of products that are competitive in our current or future markets, it could harm our business and results of operations.

If we fail to effectively manage our growth, our business and results of operations could be harmed.

We have experienced and expect to continue to experience rapid growth, both in terms of employee headcount and number of customers, which has placed, and may continue to place, significant demands on our management, operational, and financial resources. We operate globally and sell our products to customers in approximately 200 countries. Further, we have employees in Australia, the U.S., the United Kingdom (the “UK”), the Netherlands, the Philippines, Poland, India, Turkey, Canada, Japan, Germany, France, New Zealand and South Korea, and a substantial number of our employees have been with us for fewer than 24 months. We plan to continue to invest in and grow our team, and to expand our operations into other countries in the future, which will place additional demands on our resources and operations. As our business expands across numerous jurisdictions, we may experience difficulties, including in hiring, training, and managing a diffuse and growing employee base.

We have also experienced significant growth in the number of customers, users, transactions and data that our products and our associated infrastructure support. If we fail to successfully manage our anticipated growth and change, the quality of our products may suffer, which could negatively affect our brand and reputation and harm our ability to retain and attract customers. Finally, our organizational structure is becoming more complex and if we fail to scale and adapt our operational, financial, and management controls and systems, as well as our reporting systems and procedures, to manage this complexity, our business, results of operations, and financial condition could be harmed. We will require significant capital expenditures and the allocation of management resources to grow and change in these areas.

Our recent restructuring may not result in anticipated alignment with customer needs and business priorities or operational efficiencies, could result in total costs and expenses that are greater than expected, and could disrupt our business.

In March 2023, we announced a plan to reduce our global headcount by approximately 5% and to reduce our office space. These actions are part of our initiatives to better position ourselves to execute against our largest

growth opportunities. This includes continuing to invest in strategic areas of the business, aligning talent to best meet customer needs and business priorities, and consolidating our leases for purposes of optimizing operational efficiency. We may incur other charges or cash expenditures not currently contemplated due to unanticipated events that may occur, including in connection with the implementation of these actions. We may not realize, in full or in part, the anticipated benefits from this restructuring due to unforeseen difficulties, delays or unexpected costs. If we are unable to realize the expected operational efficiencies from the restructuring, we may need to undertake additional restructuring activities, and our operating results and financial condition could be adversely affected.

Furthermore, our restructuring efforts may be disruptive to our operations and could yield unanticipated consequences, such as attrition beyond planned staff reductions, increased difficulties in our day-to-day operations and reduced employee morale. If employees who were not affected by the reduction in force seek alternative employment, this could result in unplanned additional expenses to ensure adequate resourcing or harm our productivity. Our restructuring could also harm our ability to attract and retain qualified personnel who are critical to our business, the failure of which could adversely affect our business.

Our corporate values have contributed to our success, and if we cannot maintain these values as we grow, we could lose the innovative approach, creativity, and teamwork fostered by our values, and our business could be harmed.

We believe that a critical contributor to our success has been our corporate values, which we believe foster innovation, teamwork, and an emphasis on customer-focused results. In addition, we believe that our values create an environment that drives and perpetuates our product strategy and low-cost distribution approach. As we undergo growth in our customers and employee base, transition to a remote-first “Team Anywhere” work environment, and continue to develop the infrastructure of a public company, we may find it difficult to maintain our corporate values. Any failure to preserve our values could harm our future success, including our ability to retain and recruit personnel, innovate and operate effectively, and execute on our business strategy.

Our quarterly results have fluctuated in the past and may fluctuate significantly in the future and may not fully reflect the underlying performance of our business.

Our quarterly financial results have fluctuated in the past and may fluctuate in the future as a result of a variety of factors, many of which are outside of our control. If our quarterly financial results fall below the expectations of investors or any securities analysts who follow us, the price of our Class A Common Stock could decline substantially. Factors that may cause our revenue, results of operations and cash flows to fluctuate from quarter to quarter include, but are not limited to:

- our ability to attract new customers, retain and increase sales to existing customers, and satisfy our customers’ requirements;
- the timing of customer renewals;
- changes in our or our competitors’ pricing policies and offerings;
- new products, features, enhancements, or functionalities introduced by our competitors;
- the amount and timing of operating costs and capital expenditures related to the operations and expansion of our business;
- significant security breaches, technical difficulties, or interruptions to our products;
- our increased focus on our Cloud offerings, including customer migrations to our Cloud products;
- the number of new employees added or, conversely, reductions in force;
- changes in foreign currency exchange rates or adding additional currencies in which our sales are denominated;
- the amount and timing of acquisitions or other strategic transactions;
- extraordinary expenses such as litigation, tax settlements, adverse audit rulings or other dispute-related settlement payments;
- general economic conditions, such as recent inflation and interest rate increases, that may adversely affect either our customers’ ability or willingness to purchase additional licenses, subscriptions, and maintenance

plans, delay a prospective customer's purchasing decisions, reduce the value of new license, subscription, or maintenance plans, or affect customer retention;

- the impact of U.S. and international political and social unrest, armed conflict, natural disasters, climate change, diseases and pandemics, and any associated economic downturn, on our results of operations and financial performance;
- seasonality in our operations;
- the impact of new accounting pronouncements and associated system implementations; and
- the timing of the grant or vesting of equity awards to employees, contractors, or directors.

Many of these factors are outside of our control, and the occurrence of one or more of them might cause our revenue, results of operations, and cash flows to vary widely. As such, we believe that quarter-to-quarter comparisons of our revenue, results of operations, and cash flows may not be meaningful and should not be relied upon as an indication of future performance.

We may require additional capital to support our operations or the growth of our business and we cannot be certain that we will be able to secure this capital on favorable terms, or at all.

We may require additional capital to respond to business opportunities, challenges, acquisitions, a decline in the level of license, subscription or maintenance revenue for our products, or other unforeseen circumstances. We may not be able to timely secure debt or equity financing on favorable terms, or at all. This inability to secure additional debt or equity financing could be exacerbated in times of economic uncertainty and tighter credit, such as is currently the case in the U.S. and abroad. In addition, recent increases in interest rates could make any debt financing that we are able to secure much more expensive than in the past. Our current Credit Facility (defined below) contains certain restrictive covenants and any future debt financing obtained by us could involve restrictive covenants relating to financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. If we raise additional funds through further issuances of equity, convertible debt securities or other securities convertible into equity, our existing stockholders could suffer significant dilution in their percentage ownership of Atlassian, and any new equity securities we issue could have rights, preferences and privileges senior to those of holders of our Class A Common Stock. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to grow or support our business and to respond to business challenges could be significantly limited.

If our current marketing model is not effective in attracting new customers, we may need to incur additional expenses to attract new customers and our business and results of operations could be harmed.

Unlike traditional enterprise software vendors, who rely on direct sales methodologies and face long sales cycles, complex customer requirements and substantial upfront sales costs, we primarily utilize a viral marketing model to target new customers. Through this word-of-mouth marketing, we have been able to build our brand with relatively low marketing and sales costs. We also build our customer base through various online marketing activities as well as targeted web-based content and online communications. This strategy has allowed us to build a substantial customer base and community of users who use our products and act as advocates for our brand and solutions, often within their own corporate organizations. Attracting new customers and retaining existing customers requires that we continue to provide high-quality products at an affordable price and convince customers of our value proposition. If we do not attract new customers through word-of-mouth referrals, our revenue may grow more slowly than expected, or decline. In addition, high levels of customer satisfaction and market adoption are central to our marketing model. Any decrease in our customers' satisfaction with our products, including as a result of our own actions or actions outside of our control, could harm word-of-mouth referrals and our brand. If our customer base does not continue to grow through word-of-mouth marketing and viral adoption, we may be required to incur significantly higher marketing and sales expenses in order to acquire new subscribers, which could harm our business and results of operations.

One of our marketing strategies is to offer free trials, limited free versions or affordable starter licenses for certain products, and we may not be able to realize the benefits of this strategy.

We offer free trials, limited free versions or affordable starter licenses for certain products in order to promote additional usage, brand and product awareness, and adoption. Historically, a majority of users never convert to a paid version of our products from these free trials or limited free versions or upgrade beyond the starter license. Our

marketing strategy also depends in part on persuading users who use the free trials, free versions or starter licenses of our products to convince others within their organization to purchase and deploy our products. To the extent that these users do not become, or lead others to become, customers, we will not realize the intended benefits of this marketing strategy, and our ability to grow our business could be harmed.

Our business model relies on a high volume of transactions and affordable pricing. As lower cost or free products are introduced by our competitors, our ability to generate new customers could be harmed.

Our business model is based in part on selling our products at prices lower than competing products from other commercial vendors. For example, we offer entry-level or free pricing for certain products for small teams at a price that typically does not require capital budget approval and is orders-of-magnitude less than the price of traditional enterprise software. As a result, our software is frequently purchased by first-time customers to solve specific problems and not as part of a strategic technology purchasing decision. We have historically increased, and will continue to increase, prices from time to time. As competitors enter the market with low cost or free alternatives to our products, it may become increasingly difficult for us to compete effectively and our ability to garner new customers could be harmed. Additionally, some customers may consider our products to be discretionary purchases, which may contribute to reduced demand for our offerings in times of economic uncertainty, inflation and interest rate increases. If we are unable to sell our software in high volume, across new and existing customers, our business, results of operations and financial condition could be harmed.

Our sales model does not rely primarily on a direct enterprise sales force, which could impede the growth of our business.

Our sales model does not rely primarily on traditional, quota-carrying sales personnel. Although we believe our business model can continue to adequately serve our customers without a large, direct enterprise sales force, our viral marketing model may not continue to be as successful as we anticipate, and the absence of a large, direct, enterprise sales function may impede our future growth. As we continue to scale our business, a more traditional sales infrastructure could assist in reaching larger enterprise customers and growing our revenue. Identifying, recruiting, training, and retaining such a qualified sales force would require significant time, expense and attention and would significantly impact our business model. In addition, expanding our sales infrastructure would considerably change our cost structure and results of operations, and we may have to reduce other expenses, such as our research and development expenses, in order to accommodate a corresponding increase in marketing and sales expenses and maintain positive free cash flow. If our lack of a large, direct enterprise sales force limits us from reaching larger enterprise customers and growing our revenue, and we are unable to hire, develop, and retain talented sales personnel in the future, our revenue growth and results of operations could be harmed.

We derive a majority of our revenue from Jira Software and Confluence.

We derive a majority of our revenue from Jira Software and Confluence. As such, the market acceptance of these products is critical to our success. Demand for these products and our other products is affected by a number of factors, many of which are beyond our control, such as continued market acceptance of our products by customers for existing and new use cases, the timing of development and release of new products, features, functionality and lower cost alternatives introduced by our competitors, technological changes and developments within the markets we serve, and growth or contraction in our addressable markets. If we are unable to continue to meet customer demands or to achieve more widespread market acceptance of our products, our business, results of operations, and financial condition could be harmed.

We recognize certain revenue streams over the term of our subscription and maintenance contracts. Consequently, downturns in new sales may not be immediately reflected in our results of operations and may be difficult to discern.

We generally recognize subscription and maintenance revenue from customers ratably over the terms of their contracts. As a result, a significant portion of the revenue we report in each quarter is derived from the recognition of deferred revenue relating to subscription and maintenance plans entered into during previous quarters. Consequently, a decline in new or renewed licenses, subscriptions, and maintenance plans in any single quarter may only have a small impact on our revenue results for that quarter. However, such a decline will negatively affect our revenue in future quarters. Accordingly, the effect of significant downturns in sales and market acceptance of our products, and potential changes in our pricing policies or rate of expansion or retention, may not be fully reflected in our results of operations until future periods. For example, the impact of the current economic uncertainty may cause customers to request concessions, including better pricing, or to slow their rate of expansion or reduce their number of licenses, which may not be reflected immediately in our results of operations. We may also be unable to reduce our cost structure in line with a significant deterioration in sales. In addition, a significant majority of our costs are expensed as incurred, while a significant portion of our revenue is recognized over the life of the agreement with our customer. As a result, increased growth in the number of our customers could continue to result in our recognition of more costs than revenue in the earlier periods of the terms of certain of our customer agreements. Our subscription and maintenance revenue also makes it more difficult for us to rapidly increase our revenue through additional sales in any period, as revenue from certain new customers must be recognized over the applicable term.

If the Atlassian Marketplace does not continue to be successful, our business and results of operations could be harmed.

We operate the Atlassian Marketplace, an online marketplace, for selling third-party, as well as Atlassian-built, apps. We rely on the Atlassian Marketplace to supplement our promotional efforts and build awareness of our products, and we believe that third-party apps from the Atlassian Marketplace facilitate greater usage and customization of our products. If we do not continue to add new vendors and developers, are unable to sufficiently grow the number of cloud apps our customers demand, or our existing vendors and developers stop developing or supporting the apps that they sell on the Atlassian Marketplace, our business could be harmed.

In addition, third-party apps on the Atlassian Marketplace may not meet the same quality standards that we apply to our own development efforts and, in the past, third-party apps have caused disruptions affecting multiple customers. To the extent these apps contain bugs, vulnerabilities, or defects, such apps may create disruptions in our customers' use of our products, lead to data loss or unauthorized access to customer data, they may damage our brand and reputation, and affect the continued use of our products, which could harm our business, results of operations and financial condition.

Any failure to offer high-quality product support could harm our relationships with our customers and our business, results of operations, and financial condition.

In deploying and using our products, our customers depend on our product support teams to resolve complex technical and operational issues. We may be unable to respond quickly enough to accommodate short-term increases in customer demand for product support. We also may be unable to modify the nature, scope and delivery of our product support to compete with changes in product support services provided by our competitors. Increased customer demand for product support, without corresponding revenue, could increase costs and harm our results of operations. In addition, as we continue to grow our operations and reach a global and vast customer base, we need to be able to provide efficient product support that meets our customers' needs globally at scale. The number of our customers has grown significantly and that has put additional pressure on our product support organization. The end customers may also reach out to us requesting support for third-party apps sold on the Atlassian Marketplace. In order to meet these needs, we have relied in the past and will continue to rely on third-party vendors to fulfill requests about third-party apps and self-service product support to resolve common or frequently asked questions for Atlassian products, which supplement our customer support teams. If we are unable to provide efficient product support globally at scale, including through the use of third-party vendors and self-service support, our ability to grow our operations could be harmed and we may need to hire additional support personnel, which could harm our results of operations. For example, in April 2022, a very small subset of our customers experienced a full outage across their Atlassian Cloud products due to a faulty script used during a maintenance procedure. While we restored access for these customers with minimal to no data loss, these affected customers experienced disruptions in using our Cloud products during the outage. Our sales are highly dependent on our business reputation and on positive recommendations from our existing customers. Any failure to maintain high-quality product support, or a market perception that we do not maintain high-quality product support, could harm our reputation, our ability to sell our products to existing and prospective customers, and our business, results of operations and financial condition.

If we are unable to develop and maintain successful relationships with our solution partners, our business, results of operations, and financial condition could be harmed.

We have established relationships with certain solution partners to distribute our products. We believe that continued growth in our business is dependent upon identifying, developing and maintaining strategic relationships with our existing and potential solution partners that can drive substantial revenue and provide additional value-added services to our customers. For fiscal year 2023, we derived over 40% of our revenue from channel partners' sales efforts.

Successfully managing our indirect channel distribution efforts is a complex process across the broad range of geographies where we do business or plan to do business. Our solution partners are independent businesses we

do not control. Notwithstanding this independence, we still face legal risk and reputational harm from the activities of our solution partners including, but not limited to, export control violations, workplace conditions, corruption and anti-competitive behavior.

Our agreements with our existing solution partners are non-exclusive, meaning they may offer customers the products of several different companies, including products that compete with ours. They may also cease marketing our products with limited or no notice and with little or no penalty. We expect that any additional solution partners we identify and develop will be similarly non-exclusive and unbound by any requirement to continue to market our products. If we fail to identify additional solution partners in a timely and cost-effective manner, or at all, or are unable to assist our current and future solution partners in independently distributing and deploying our products, our business, results of operations, and financial condition could be harmed. If our solution partners do not effectively market and sell our products, or fail to meet the needs of our customers, our reputation and ability to grow our business could also be harmed.

Our Credit Facility and overall debt level may limit our flexibility in obtaining additional financing and in pursuing other business opportunities or operating activities.

In October 2020, Atlassian US, Inc. entered into a credit agreement establishing a $1 billion senior unsecured delayed-draw term loan facility and a $500 million senior unsecured revolving credit facility (together, the “Credit Facility”). Our Credit Facility requires compliance with various financial and non-financial covenants, including affirmative covenants relating to the provision of periodic financial statements, compliance certificates and other notices, maintenance of properties and insurance, payment of taxes and compliance with laws and negative covenants, including, among others, restrictions on the incurrence of certain indebtedness, granting of liens and mergers, dissolutions, consolidations and dispositions. The Credit Facility also provides for a number of events of default, including, among others, failure to make a payment, bankruptcy, breach of a covenant or representation and warranty, default under material indebtedness (other than the Credit Facility), change of control and judgment defaults.

Under the terms of the Credit Facility, we may be restricted from engaging in business or operating activities that may otherwise improve our business or from financing future operations or capital needs. Failure to comply with the covenants, including the financial covenant, if not cured or waived, will result in an event of default that could trigger acceleration of our indebtedness, which would require us to repay all amounts owing under our Credit Facility and could have a material adverse impact on our business.

Overdue amounts under the Credit Facility accrue interest at a default rate. We cannot be certain that our future operating results will be sufficient to ensure compliance with the financial covenant in our Credit Facility or to remedy any defaults. In addition, in the event of default and related acceleration, we may not have or be able to obtain sufficient funds to make the accelerated payments required under the Credit Facility.

We continue to have the ability to incur additional debt, subject to the limitations in our Credit Facility. Our level of debt could have important consequences to us, including the following:

- our ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes may be impaired or such financing may not be available on favorable terms;
- we may need a substantial portion of our cash flow to make principal and interest payments on our debt, reducing the funds that would otherwise be available for investment in operations and future business opportunities;
- our debt level will make us more vulnerable than our competitors with less debt to competitive pressures or a downturn in our business or the economy generally; and
- our debt level may limit our flexibility in responding to changing business and economic conditions.

Our ability to service our debt will depend upon, among other things, our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond our control. If our operating results are not sufficient to service our current or future indebtedness, we will be forced to take actions such as reducing or delaying our business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing our debt, or seeking additional equity capital or bankruptcy protection. We may not be able to effect any of these remedies on satisfactory terms to us or at all.

In addition, our Credit Facility has a floating interest rate that is based on variable and unpredictable U.S. and international economic risks and uncertainties and an increase in interest rates, such as has occurred recently and may occur in the future, may negatively impact our financial results. We enter into interest rate hedging transactions that reduce, but do not eliminate, the impact of unfavorable changes in interest rates. We attempt to minimize credit exposure by limiting counterparties to internationally recognized financial institutions, but even these counterparties are subject to default and contract risk and this risk is beyond our control. There is no guarantee that our hedging efforts will be effective or, if effective in one period will continue to remain effective in future periods.

We have amended our Credit Facility to utilize the Secured Overnight Financing Right ("SOFR") to calculate the amount of accrued interest on any borrowings in place of the London Interbank Offered Rate ("LIBOR"), which ceased publication on June 30, 2023. SOFR is intended to be a broad measure of the cost of borrowing cash overnight that is collateralized by U.S. Treasury securities. However, because SOFR is a broad U.S. Treasury repo financing rate that represents overnight secured funding transactions, it differs fundamentally from LIBOR. The change from LIBOR to SOFR could result in interest obligations that are more than or that do not otherwise correlate over time with the payments that would have been made on this debt if LIBOR were available. This may result in an increase in the cost of our borrowings under our existing Credit Facility and any future borrowings.

If we are not able to maintain and enhance our brand, our business, results of operations, and financial condition could be harmed.

We believe that maintaining and enhancing our reputation as a differentiated and category-defining company is critical to our relationships with our existing customers and to our ability to attract new customers. The successful promotion of our brand attributes will depend on a number of factors, including our and our solution partners' marketing efforts, our ability to continue to develop high-quality products, our ability to minimize and respond to errors, failures, outages, vulnerabilities, or bugs, and our ability to successfully differentiate our products from competitive products. In addition, independent industry analysts often provide analyses of our products, as well as the products offered by our competitors, and perception of the relative value of our products in the marketplace may be significantly influenced by these analyses. If these analyses are negative, or less positive as compared to those of our competitors' products, our brand may be harmed.

The promotion of our brand requires us to make substantial expenditures, and we anticipate that the expenditures will increase as our market becomes more competitive, as we expand into new markets, and as more sales are generated through our solution partners. To the extent that these activities yield increased revenue, this revenue may not offset the increased expenses we incur. If we do not successfully maintain and enhance our brand, our business may not grow, we may have reduced pricing power relative to competitors, and we could lose customers or fail to attract new customers, any of which could harm our business, results of operations, and financial condition.

Legal, regulatory, social, and ethical issues relating to the use of new and evolving technologies, such as AI and machine learning, in our offerings may result in reputational harm and liability.

We are building AI and machine learning into our products. The rapid evolution of AI and machine learning will require the application of resources to develop, test and maintain our products and services to help ensure that AI and machine learning are implemented responsibly in order to minimize unintended, harmful impact. Failure to properly do so may cause us to incur increased research and development costs, or divert resources from other development efforts, to address social and ethical issues related to AI and machine learning. As with many cutting-edge innovations, AI and machine learning present new risks and challenges. Existing laws and regulations may apply to us or our vendors in new ways and new laws and regulations may be instituted, the effects of which are difficult to predict. The risks and challenges presented by AI and machine learning could undermine public confidence in AI and machine learning, which could slow its adoption and affect our business. If we enable or offer AI and machine learning products that draw controversy due to their perceived or actual impact on human rights, intellectual property, privacy, security, employment, the environment or in other social contexts, we may experience brand or reputational harm, competitive harm or legal liability. Data governance practices by us or others that result in controversy could also impair the acceptance of AI solutions. This in turn could undermine the decisions, predictions, analysis or other outputs that AI applications produce, subjecting us to competitive harm, legal liability and brand or reputational harm.

Uncertainty around new and emerging AI applications such as generative AI content creation may require additional investment in the development of proprietary datasets, machine learning models and systems to test for accuracy, bias and other variables, which are often complex, may be costly and could impact our profit margin as we expand generative AI into our product offerings. Developing, testing and deploying AI systems may also increase

the cost profile of our offerings due to the nature of the computing costs involved in such systems. Potential government regulation specifically related to AI may also increase the burden and cost of research and development in this area. For example, countries are considering legal frameworks on AI, which is a trend that may increase now that the European Commission (the “EC”) of the European Union (the “EU”) has proposed the first such framework. Stakeholders and those affected by the development and use of AI and machine learning (including our employees and customers) who are dissatisfied with our public statements, policies, practices, or solutions related to the development and use of AI and machine learning may express opinions that could introduce reputational or business harm, or legal liability.

If we fail to integrate our products with a variety of operating systems, software applications, platforms and hardware that are developed by others, our products may become less marketable, less competitive, or obsolete and our results of operations could be harmed.

Our products must integrate with a variety of network, hardware, and software platforms, and we need to continuously modify and enhance our products to adapt to changes in hardware, software, networking, browser and database technologies. In particular, we have developed our products to be able to easily integrate with third-party applications, including the applications of software providers that compete with us, through the interaction of application programming interfaces (“APIs”). In general, we rely on the fact that the providers of such software systems continue to allow us access to their APIs to enable these customer integrations. To date, we have not relied on long-term written contracts to govern our relationship with these providers. Instead, we are subject to the standard terms and conditions for application developers of such providers, which govern the distribution, operation and fees of such software systems, and which are subject to change by such providers from time to time. Our business could be harmed if any provider of such software systems:

- discontinues or limits our access to its APIs;
- modifies its terms of service or other policies, including fees charged to, or other restrictions on us or other application developers;
- changes how customer information is accessed by us or our customers;
- establishes more favorable relationships with one or more of our competitors; or
- develops or otherwise favors its own competitive offerings over ours.

We believe a significant component of our value proposition to customers is the ability to optimize and configure our products with these third-party applications through our respective APIs. If we are not permitted or able to integrate with these and other third-party applications in the future, demand for our products could decline and our business and results of operations could be harmed.

In addition, an increasing number of organizations and individuals within organizations are utilizing mobile devices to access the internet and corporate resources and to conduct business. We have designed and continue to design mobile applications to provide access to our products through these devices. If we cannot provide effective functionality through these mobile applications as required by organizations and individuals that widely use mobile devices, we may experience difficulty attracting and retaining customers. Failure of our products to operate effectively with future infrastructure platforms and technologies could also reduce the demand for our products, resulting in customer dissatisfaction and harm to our business. If we are unable to respond to changes in a cost-effective manner, our products may become less marketable, less competitive or obsolete and our results of operations could be harmed.

Acquisitions of, or investments in, other businesses, products, or technologies could disrupt our business, and we may be unable to integrate acquired businesses and technologies successfully or achieve the expected benefits of such acquisitions.

We have completed a number of acquisitions and strategic investments and continue to evaluate and consider additional strategic transactions, including acquisitions of, or investments in, businesses, technologies, services, products, and other assets in the future. For example, we recently announced that we signed a definitive agreement with Loom, Inc., an asynchronous video messaging tool that helps users communicate through instantly shareable videos. We also may enter into strategic relationships with other businesses to expand our products, which could involve preferred or exclusive licenses, additional channels of distribution, discount pricing or investments in other companies.

Any acquisition, investment or business relationship may result in unforeseen operating difficulties and expenditures. In particular, we may encounter difficulties assimilating or integrating the businesses, technologies, products, personnel, or operations of the acquired companies, particularly if the key personnel of the acquired companies choose not to work for us, their software and services are not easily adapted to work with our products, or we have difficulty retaining the customers of any acquired business due to changes in ownership, management or otherwise. Acquisitions may also disrupt our business, divert our resources, and require significant management attention that would otherwise be available for development of our existing business. We may not successfully evaluate or utilize the acquired technology or personnel, or accurately forecast the financial impact of an acquisition transaction, including accounting charges. Moreover, the anticipated benefits of any acquisition, investment, or business relationship may not be realized or we may be exposed to unknown risks or liabilities.

In the future, we may not be able to find suitable acquisition or strategic investment candidates, and we may not be able to complete acquisitions or strategic investments on favorable terms, if at all. Our previous and future acquisitions or strategic investments may not achieve our goals, and any future acquisitions or strategic investments we complete could be viewed negatively by users, customers, developers or investors.

Negotiating these transactions can be time consuming, difficult and expensive, and our ability to complete these transactions may often be subject to approvals that are beyond our control. Consequently, these transactions, even if announced, may not be completed. For one or more of those transactions, we may:

- issue additional equity securities that would dilute our existing stockholders;
- use cash that we may need in the future to operate our business;
- incur large charges, expenses, or substantial liabilities;
- incur debt on terms unfavorable to us or that we are unable to repay;
- encounter difficulties retaining key employees of the acquired company or integrating diverse software codes or business cultures; and
- become subject to adverse tax consequences, substantial depreciation, impairment, or deferred compensation charges.

We are subject to risks associated with our strategic investments, including partial or complete loss of invested capital. Significant changes in the value of this portfolio could negatively impact our financial results.

We have strategic investments in privately held companies, and, in the past, publicly traded companies, in both domestic and international markets, including in emerging markets. These companies range from early-stage companies to more mature companies with established revenue streams and business models. Many such companies generate net losses and the market for their products, services or technologies may be slow to develop, and, therefore, they are dependent on the availability of later rounds of financing from banks or investors on favorable terms to continue their operations. The financial success of our investment in any privately held company is typically dependent on a liquidity event, such as a public offering, acquisition or other favorable market event reflecting appreciation relative to the cost of our initial investment. Likewise, the financial success of our investment in any publicly held company is typically dependent upon an exit in favorable market conditions, and to a lesser extent on liquidity events. The capital markets for public offerings and acquisitions are dynamic and the likelihood of successful liquidity events for the companies we have invested in could significantly worsen. Further, valuations of privately held companies are inherently complex due to the lack of readily available market data.

Privately held companies in which we invest have in the past and others may in the future undertake an initial public offering. We may also decide to invest in companies in connection with or as part of such company's initial public offering or other transactions directly or indirectly resulting in it being publicly traded. Therefore, our investment strategy and portfolio have also expanded in the past to include public companies. In certain cases, our ability to sell these investments may be constrained by contractual obligations to hold the securities for a period of time after a public offering, including market standoff agreements and lock-up agreements.

All of our investments, especially our investments in privately held companies, are subject to a risk of a partial or total loss of investment capital and our investments have lost value in the past. In addition, we have in the past, and may in the future, continue to deploy material investments in individual investee companies, resulting in the increasing concentration of risk in a small number of companies. Partial or complete loss of investment capital of these individual companies could be material to our financial statements.

The expected benefits of the U.S. Domestication may not be realized.

On September 30, 2022, we completed a redomestication that resulted in Atlassian Corporation becoming our publicly traded parent company, replacing Atlassian Corporation Plc, a public company limited by shares, incorporated under the laws of England and Wales (the "U.S. Domestication"). We believe that the U.S. Domestication will increase access to a broader set of investors, support inclusion in additional stock indices, streamline our corporate structure, and provide more flexibility in accessing capital and, as a result, will be beneficial to our business and operations, the holders of our ordinary shares, and other stakeholders. The success of the U.S. Domestication will depend, in part, on our ability to realize the anticipated benefits associated with the U.S. Domestication and associated reorganization of our corporate structure. There can be no assurance that all of the anticipated benefits of the U.S. Domestication will be achieved, particularly as the achievement of the benefits are subject to factors that we do not and cannot control.

We expect to incur additional costs related to the U.S. Domestication, including recurring costs resulting from financial reporting obligations of being a "domestic issuer" as opposed to a "foreign private issuer" in the United States.

We will incur additional legal, accounting and other expenses that may exceed the expenses we incurred prior to the U.S. Domestication. The obligations of being a public company in the U.S. require significant expenditures and will place significant demands on our management and other personnel, including costs resulting from public company reporting obligations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations regarding corporate governance practices, including those under the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, and the listing requirements of the Nasdaq Global Select Market. These rules require that we maintain effective disclosure and financial controls and procedures, internal control over financial reporting and changes in corporate governance practices, among many other complex rules that are often difficult to monitor and maintain compliance with. While we were subject to many of these requirements prior to the U.S. Domestication, additional legal and accounting requirements apply to us following the U.S. Domestication. Our management and other personnel will need to devote additional time to ensure compliance with all of these requirements and to keep pace with new regulations, otherwise we may fall out of compliance and risk becoming subject to litigation or being delisted, among other potential problems.

Risks Related to Information Technology, Intellectual Property, and Data Security and Privacy

If our security measures are breached or unauthorized or inappropriate access to customer data is otherwise obtained, our products may be perceived as insecure, we may lose existing customers or fail to attract new customers, and we may incur significant liabilities.

Use of our products involves the storage, transmission, and processing of our customers' proprietary data, including potentially personal or identifying information. Unauthorized or inappropriate access to, or security breaches of, our products could result in unauthorized or inappropriate access to data and information, and the loss, compromise or corruption of such data and information. In the event of a security breach, we could suffer loss of business, severe reputational damage adversely affecting customer or investor confidence, regulatory investigations and orders, litigation, indemnity obligations, damages for contract breach, penalties for violation of applicable laws or regulations, significant costs for remediation, and other liabilities. We have incurred and expect to incur significant expenses to prevent security breaches, including costs related to deploying additional personnel and protection technologies, training employees, and engaging third-party solution providers and consultants. Our errors and omissions insurance coverage covering certain security and privacy damages and claim expenses may not be sufficient to compensate for all liabilities we may incur.

Although we expend significant resources to create security protections that shield our customer data against potential theft and security breaches, such measures cannot provide absolute security. We have in the past experienced breaches of our security measures and other inappropriate access to our systems. Certain of these incidents have resulted in unauthorized access to certain data processed through our products. Our products are at risk for future breaches and inappropriate access, including, without limitation, inappropriate access that may be caused by errors or breaches that may occur as a result of third-party action, including from state actors, or employee, vendor or contractor error or malfeasance, and other causes. In October 2023, we discovered that a known state threat actor was actively exploiting a vulnerability in the Server and Data Center offerings of our Confluence product. We created and issued a patch to resolve the vulnerability and worked with affected customers to identify any unauthorized access. Additionally, the ongoing Russian invasion of Ukraine may result in a heightened threat environment and create unknown cyber risks, including increased risk of retaliatory cyber-attacks

from Russian actors against non-Russian companies. Additionally, we have transitioned to a remote-first “Team Anywhere” work environment that may pose additional data security risks.

As we further transition to selling our products via our Cloud offerings, continue to collect more personal and sensitive information, and operate in more countries, our risks continue to increase and evolve. For instance, we rely on third-party partners to develop apps on the Atlassian Marketplace that connect with and enhance our Cloud offerings for our customers. These apps may not meet the same quality standards that we apply to our own development efforts and may contain bugs, vulnerabilities, or defects that could pose data security risks. Our ability to mandate security standards and ensure compliance by these third parties may be limited. Additionally, our products may be subject to vulnerabilities in the third-party software on which we rely. For example, in December 2021, a vulnerability in a widely-used open-source software application, known as Apache Log4j, was identified that could have allowed bad actors to remotely access a target, potentially stealing data or taking control of a target’s system. We promptly worked to remediate vulnerabilities related to Apache Log4j in our products while working with our partners to ensure the same. While this issue has not materially affected our business, reputation or financial results, there is no guarantee that our actions effectively remediated the vulnerabilities and there is no assurance that other incidents could not occur in the future with a material adverse effect on our business. We are likely to face increased risks that real or perceived vulnerabilities of our systems could seriously harm our business and our financial performance, by tarnishing our reputation and brand and limiting the adoption of our products.

Because the techniques used to obtain unauthorized access to or to sabotage systems change frequently and generally are not identified until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. We may also experience security breaches that may remain undetected for an extended period and, therefore, have a greater impact on the products we offer, the proprietary data processed through our services, and, ultimately, on our business.

Interruptions or performance problems associated with our technology and infrastructure could harm our business and results of operations.

We rely heavily on our network infrastructure and information technology systems for our business operations, and our continued growth depends in part on the ability of our existing and potential customers to access our solutions at any time and within an acceptable amount of time. In addition, we rely almost exclusively on our websites for the downloading of, and payment for, all our products. We have experienced, and may in the future experience, disruptions, data loss and corruption, outages and other performance problems with our infrastructure and websites due to a variety of factors, including infrastructure changes, introductions of new functionality, human or software errors, capacity constraints, denial of service attacks, or other security-related incidents. In some instances, we have not been able to, and in the future may not be able to, identify the cause or causes of these performance problems within an acceptable period of time. It may become increasingly difficult to maintain and improve our performance, especially during peak usage times and as our products and websites become more complex and our user traffic increases.

If our products and websites are unavailable, if our users are unable to access our products within a reasonable amount of time, or at all, or if our information technology systems for our business operations experience disruptions, delays or deficiencies, our business could be harmed. Moreover, we provide service level commitments under certain of our paid customer cloud contracts, pursuant to which we guarantee specified minimum availability. If we fail to meet these contractual commitments, we could be obligated to provide credits for future service, or face contract termination with refunds of prepaid amounts related to unused subscriptions, which could harm our business, results of operations, and financial condition. From time to time, we have granted, and in the future will continue to grant, credits to paid customers pursuant to, and sometimes in addition to, the terms of these agreements. For example, in April 2022, a very small subset of our customers experienced a full outage across their Atlassian cloud products due to a faulty script used during a maintenance procedure. While we restored access for these customers with minimal to no data loss, these affected customers experienced disruptions in using our cloud products during the outage. We incurred certain costs associated with offering service level credits and other concessions to these customers, although the overall impact did not have a material impact on our results of operations or financial condition. However, other future events like this may materially and adversely impact our results of operations or financial condition. Further, disruptions, data loss and corruption, outages and other performance problems in our cloud infrastructure may cause customers to delay or halt their transition to our Cloud offerings, to the detriment of our increased focus on our Cloud offerings, which could harm our business, results of operations and financial condition.

Additionally, we depend on services from various third parties, including Amazon Web Services, to maintain our infrastructure and distribute our products via the internet. Any disruptions in these services, including as a result

of actions outside of our control, would significantly impact the continued performance of our products. In the future, these services may not be available to us on commercially reasonable terms, or at all. Any loss of the right to use any of these services could result in decreased functionality of our products until equivalent technology is either developed by us or, if available from another provider, is identified, obtained and integrated into our infrastructure. To the extent that we do not effectively address capacity constraints, upgrade our systems as needed, and continually develop our technology and network architecture to accommodate actual and anticipated changes in technology, our business, results of operations and financial condition could be harmed.

Real or perceived errors, failures, vulnerabilities, or bugs in our products or in the products on Atlassian Marketplace could harm our business and results of operations.

Errors, failures, vulnerabilities, or bugs may occur in our products, especially when updates are deployed or new products are rolled out. Our solutions are often used in connection with large-scale computing environments with different operating systems, system management software, equipment, and networking configurations, which may cause errors, failures of products, or other negative consequences in the computing environment into which they are deployed. In addition, deployment of our products into complicated, large-scale computing environments may expose errors, failures, vulnerabilities, or bugs in our products. Any such errors, failures, vulnerabilities, or bugs have in the past not been, and in the future may not be, found until after they are deployed to our customers. Real or perceived errors, failures, vulnerabilities, or bugs in our products have and could result in negative publicity, loss of or unauthorized access to customer data, loss of or delay in market acceptance of our products, loss of competitive position, or claims by customers for losses sustained by them, all of which could harm our business and results of operations.

In addition, third-party apps on Atlassian Marketplace may not meet the same quality standards that we apply to our own development efforts and, in the past, third-party apps have caused disruptions affecting multiple customers. To the extent these apps contain bugs, vulnerabilities, or defects, such apps may create disruptions in our customers' use of our products, lead to data loss or unauthorized access to customer data, they may damage our brand and reputation, and affect the continued use of our products, which could harm our business, results of operations and financial condition.

Privacy concerns and laws as well as evolving regulation of cloud computing, AI services, cross-border data transfer restrictions and other domestic or foreign regulations may limit the use and adoption of our services and adversely affect our business and results of operation.

Regulation related to the provision of services over the internet is evolving, as federal, state and foreign governments continue to adopt new, or modify existing, laws and regulations addressing data privacy, cybersecurity, data protection, data sovereignty and the collection, processing, storage, hosting, transfer and use of data, generally. In some cases, data privacy laws and regulations, such as the EU's General Data Protection Regulation ("GDPR"), impose obligations directly on Atlassian as both a data controller and a data processor, as well as on many of our customers. In addition, new U.S. data privacy laws, such as the California Consumer Privacy Act ("CCPA") as amended by the California Privacy Rights Act ("CPRA"), and laws that have recently passed and/or gone into effect in many other states similarly impose new obligations on us and many of our customers, potentially as both businesses and service providers. These laws continue to evolve, and as various states introduce similar proposals, we and our customers could be exposed to additional regulatory burdens. Further, laws and legislative proposals such as the EU's proposed e-Privacy Regulation are increasingly aimed at the use of personal information for marketing purposes, and the tracking of individuals' online activities. The EU has been developing new requirements related to the use of data, including in the Digital Services Act, that may impose additional rules and restrictions on the use of the data in our products and services.

In addition, various safe harbors have historically been provided to those who hosted content provided by others, such as safe harbors from monetary damages for copyright infringement arising from copyrighted content provided by customers and others, and for defamation and other torts arising from information provided by customers and others. There is an increasing demand for repealing or limiting these safe harbors by either judicial decision or legislation, and we have active legal proceedings that have been impacted by the repeal or limiting of safe harbors that were previously available to us. Loss of these safe harbors may require altering or limiting some of our services or may require additional contractual terms to avoid liabilities for our customers' misconduct.

Although we monitor the regulatory, judicial and legislative environment and have invested in addressing these developments, these laws may require us to make additional changes to our practices and services to enable us or our customers to meet the new legal requirements, and may also increase our potential liability exposure through new or higher potential penalties for noncompliance, including as a result of penalties, fines and lawsuits

related to data breaches. Record-breaking enforcement actions globally have shown that regulators wield their right to impose substantial fines for violations of privacy regulations, and these enforcement actions could result in guidance from regulators that would require changes to our current compliance strategy. Furthermore, privacy laws and regulations are subject to differing interpretations and may be inconsistent among jurisdictions. These and other requirements are causing increased scrutiny among customers, particularly in the public sector and highly regulated industries, and may be perceived differently from customer to customer. These developments could reduce demand for our services, require us to take on more onerous obligations in our contracts, restrict our ability to store, transfer and process data, require us to fundamentally change our business activities and practices or modify our products, or, in some cases, impact our ability or our customers' ability to offer our services in certain locations, to deploy our solutions, to reach current and prospective customers, or to derive insights from customer data globally. For example, in July 2020, the Court of Justice of the European Union ("CJEU") invalidated the EU-U.S. Privacy Shield Framework, one of the mechanisms that allowed companies, including Atlassian, to transfer personal data from the European Economic Area ("EEA") to the United States. Even though the CJEU decision upheld the Standard Contractual Clauses as an adequate transfer mechanism, the decision creates uncertainty around the validity of all EU-to-U.S. data transfers. Depending on how the CJEU's decision is enforced, the cost and complexity of providing our services in certain markets may increase. While the EU and U.S. governments have recently adopted the EU-U.S. Data Privacy Framework to foster EU-to-U.S. data transfers and address the concerns raised in the aforementioned CJEU decision, it is uncertain whether this framework will be overturned in court like the previous two EU-U.S. bilateral cross-border transfer frameworks. As a result, regulators may be inclined to interpret the CJEU's decision, and the logic behind it, as significantly restricting certain cross-border transfers. Certain countries outside of the EEA have also passed or are considering passing laws requiring varying degrees of local data residency. By way of further example, statutory damages available through a private right of action for certain data breaches under the CPRA and potentially other U.S. states' laws, may increase our and our customers' potential liability and the demands our customers place on us. As another example, countries are considering legal frameworks on AI, which is a trend that may increase now that the EC has proposed the first such framework.

The costs of compliance with, and other burdens imposed by, privacy laws, regulations and standards may limit the use and adoption of our services, reduce overall demand for our services, make it more difficult to meet expectations from our commitments to customers and our customers' users, lead to significant fines, penalties or liabilities for noncompliance, impact our reputation, or slow the pace at which we close sales transactions, in particular where customers request specific warranties and unlimited indemnity for noncompliance with privacy laws, any of which could harm our business. We have adopted and continue to adopt data residency in certain territories. These services may enhance our ability to attract and retain customers operating in the relevant jurisdictions, but may also increase the cost and complexity of supporting those customers, the scope of our residency offering may not align with customer needs, and our customers may request similar offerings in other territories.

In addition to government activity, privacy advocates and other industry groups have established or may establish new self-regulatory standards that may place additional burdens on our ability to provide our services globally. Our customers expect us to meet voluntary certification and other standards established by third parties. If we are unable to maintain these certifications or meet these standards, it could adversely affect our ability to provide our solutions to certain customers and could harm our business. In addition, we have seen a trend toward the private enforcement of data protection obligations, including through private actions for alleged noncompliance, which could harm our business and negatively impact our reputation. In addition, a shift in consumers' data privacy expectations or other social, economic or political developments could impact the regulatory enforcement of privacy regulations, which could require our cooperation and increase the cost of compliance with the imposed regulations.

Further, any failure or perceived failure by us to comply with our posted privacy policies, our privacy-related obligations to users or other third parties, or any other legal obligations or regulatory requirements relating to privacy, data protection or information security may result in governmental investigations or enforcement actions, litigation, claims or public statements against us by consumer advocacy groups or others and could result in significant liability, cause our users to lose trust in us, and otherwise materially and adversely affect our reputation and business. Furthermore, the costs of compliance with, and other burdens imposed by, the laws, regulations and policies that are applicable to the businesses of our users may limit the adoption and use of, and reduce the overall demand for, our platform. Additionally, if third parties we work with violate applicable laws, regulations or agreements, such violations may put our users' data at risk, could result in governmental investigations or enforcement actions, fines, litigation, claims, or public statements against us by consumer advocacy groups or others and could result in significant liability, cause our users to lose trust in us and otherwise materially and adversely affect our reputation and business. Further, public scrutiny of, or complaints about, technology companies or their data handling or data protection practices, even if unrelated to our business, industry or operations, may

lead to increased scrutiny of technology companies, including us, and may cause government agencies to enact additional regulatory requirements, or to modify their enforcement or investigation activities, which may increase our costs and risks.

Finally, the uncertain and shifting regulatory environment and trust climate may raise concerns regarding data privacy and cybersecurity, which may cause our customers or our customers' users to resist providing the data necessary to allow our customers to use our services effectively. In addition, new products we develop or acquire may expose us to liability or regulatory risk. Even the perception that the privacy and security of personal information are not satisfactorily protected or do not meet regulatory requirements could inhibit sales of our products or services and could limit adoption of our cloud offerings.

We may be sued by third parties for alleged infringement or misappropriation of their intellectual property rights.

There is considerable patent and other intellectual property development activity in our industry. Our future success depends in part on not infringing upon or misappropriating the intellectual property rights of others. We have received, and may receive in the future, communications and lawsuits from third parties, including practicing entities and non-practicing entities, claiming that we are infringing upon or misappropriating their intellectual property rights, and we may be found to be infringing upon or misappropriating such rights. We may be unaware of the intellectual property rights of others that may cover some or all of our technology, or technology that we obtain from third parties. Any claims or litigation could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages or ongoing royalty or license payments, prevent us from offering our products or using certain technologies, require us to implement expensive workarounds, refund fees to customers or require that we comply with other unfavorable terms. In the case of infringement or misappropriation caused by technology that we obtain from third parties, any indemnification or other contractual protections we obtain from such third parties, if any, may be insufficient to cover the liabilities we incur as a result of such infringement or misappropriation. We may also be obligated to indemnify our customers or business partners in connection with any such claims or litigation and to obtain licenses, modify our products or refund fees, which could further exhaust our resources. Even if we were to prevail in the event of claims or litigation against us, any claim or litigation regarding our intellectual property could be costly and time-consuming and divert the attention of our management and other employees from our business operations and disrupt our business.

Indemnity provisions in various agreements potentially expose us to substantial liability for intellectual property infringement and other losses.

Our agreements with customers and other third parties may include indemnification or other provisions under which we agree to indemnify or otherwise be liable to them for losses suffered or incurred as a result of claims of intellectual property infringement, damages caused by us to property or persons, or other liabilities relating to or arising from our products or other acts or omissions. The term of these contractual provisions often survives termination or expiration of the applicable agreement. Large indemnity payments or damage claims from contractual breach could harm our business, results of operations and financial condition. Although we generally contractually limit our liability with respect to such obligations, we may still incur substantial liability related to them. Any dispute with a customer with respect to such obligations could have adverse effects on our relationship with that customer and other current and prospective customers, reduce demand for our products, damage our reputation and harm our business, results of operations and financial condition.

We use open source software in our products that may subject our products to general release or require us to re-engineer our products, which could harm our business.

We use open source software in our products and expect to continue to use open source software in the future. There are uncertainties regarding the proper interpretation of and compliance with open source software licenses. Consequently, there is a risk that the owners of the copyrights in such open source software may claim that the open source licenses governing their use impose certain conditions or restrictions on our ability to use the software that we did not anticipate. Such owners may seek to enforce the terms of the applicable open source license, including by demanding release of the source code for the open source software, derivative works of such software, or, in some cases, our proprietary source code that uses or was developed using such open source software. These claims could also result in litigation, require us to purchase a costly license or require us to devote additional research and development resources to change our products, any of which could result in additional cost, liability and reputational damage to us, and harm to our business and results of operations. In addition, if the license terms for the open source software we utilize change, we may be forced to re-engineer our products or incur additional costs to comply with the changed license terms or to replace the affected open source software. Although

we have implemented policies and tools to regulate the use and incorporation of open source software into our products, we cannot be certain that we have not incorporated open source software in our products in a manner that is inconsistent with such policies.

Any failure to protect our intellectual property rights could impair our ability to protect our proprietary technology and our brand.

Our success and ability to compete depend in part upon our intellectual property. We primarily rely on a combination of patent, copyright, trade secret and trademark laws, trade secret protection and confidentiality or license agreements with our employees, customers, business partners and others to protect our intellectual property rights. However, the steps we take to protect our intellectual property rights may be inadequate. We make business decisions about when to seek patent protection for a particular technology and when to rely upon trade secret protection, and the approach we select may ultimately prove to be inadequate. Even in cases where we seek patent protection, there is no assurance that the resulting patents will effectively protect every significant feature of our products. In addition, we believe that the protection of our trademark rights is an important factor in product recognition, protecting our brand and maintaining goodwill and if we do not adequately protect our rights in our trademarks from infringement, any goodwill that we have developed in those trademarks could be lost or impaired, which could harm our brand and our business. In any event, in order to protect our intellectual property rights, we may be required to spend significant resources to monitor and protect these rights.

For example, in order to promote the transparency and adoption of our downloadable software, we provide our customers with the ability to request a copy of the source code of those products, which they may customize for their internal use under limited license terms, subject to confidentiality and use restrictions. If any of our customers misuses or distributes our source code in violation of our agreements with them, or anyone else obtains access to our source code, it could cost us significant time and resources to enforce our rights and remediate any resulting competitive harms.

Litigation brought to protect and enforce our intellectual property rights could be costly, time consuming and distracting to management. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights, which could result in the impairment or loss of portions of our intellectual property rights. Our failure to secure, protect and enforce our intellectual property rights could harm our brand and our business.

Risks Related to Legal, Regulatory, Accounting, and Tax Matters

Our global operations and structure subject us to potentially adverse tax consequences.

We are subject to income taxes as well as non-income-based taxes in the U.S., Australia and various other jurisdictions. Significant judgment is often required in the determination of our worldwide provision for income taxes. Our effective tax rate could be impacted by changes in our earnings and losses in countries with differing statutory tax rates, changes in transfer pricing, changes in operations, changes in non-deductible expenses, changes in excess tax benefits of stock-based compensation expense, changes in the valuation of deferred tax assets and liabilities and our ability to utilize them, the applicability of withholding taxes, effects from acquisitions, and changes in accounting principles and tax laws. Any changes or uncertainty in taxing jurisdictions' administrative interpretations, decisions, policies and positions could also materially impact our income tax liabilities. Our intercompany relationships are subject to complex transfer pricing regulations administered by taxing authorities in various jurisdictions. The relevant revenue and taxing authorities may disagree with positions we have taken generally, or our determinations as to the value of assets sold or acquired, or income and expenses attributable to specific jurisdictions. For example, we recently entered into an unilateral advanced pricing agreement with the Australian Tax Office in relation to our transfer pricing arrangements between Australia and the U.S. for the tax years ended June 30, 2019 to June 30, 2025 that resulted in us making a tax payment of $117.4 million. In addition, in the ordinary course of our business we are subject to tax audits from various taxing authorities. Although we believe our tax positions are appropriate, the final determination of any future tax audits could be materially different from our income tax provisions, accruals and reserves. If such a disagreement were to occur, we could be required to pay additional taxes, interest and penalties, which could result in one-time tax charges, a higher effective tax rate, reduced cash flows and lower overall profitability of our operations.

Tax laws in the U.S. and in foreign jurisdictions are subject to change. For example, the Tax Cuts and Jobs Act ("TCJA"), signed into law in 2017, enacted significant tax law changes which impacted our tax obligations and effective tax rate beginning in our fiscal year 2023. The TCJA eliminates the option to deduct research and development expenditures, instead requiring taxpayers to capitalize and amortize such expenditures over five or

fifteen years beginning in fiscal year 2023. Although Congress is considering legislation that would defer or eliminate the capitalization and amortization requirement, there is no assurance that the provision will be repealed or otherwise modified. The Inflation Reduction Act ("IRA"), signed into law in 2022, includes various corporate tax provisions including a new alternative corporate minimum tax on applicable corporations. The IRA tax provisions may become applicable to us in future years, which could result in additional taxes, a higher effective tax rate, reduced cash flows and lower overall profitability of our operations.

Certain government agencies in jurisdictions where we do business have had an extended focus on issues related to the taxation of multinational companies. In addition, the Organization for Economic Cooperation and Development (the "OECD") has introduced various guidelines changing the way tax is assessed, collected and governed. Of note are the efforts around base erosion and profit shifting which seek to establish certain international standards for taxing the worldwide income of multinational companies. These measures have been endorsed by the leaders of the world's 20 largest economies.

In March 2018, the EC proposed a series of measures aimed at ensuring a fair and efficient taxation of digital businesses operating within the EU. As collaborative efforts by the OECD and EC continue, some countries have unilaterally moved to introduce their own digital service tax or equalization levy to capture tax revenue on digital services more immediately. Notably France, Italy, Austria, Spain, the UK, Turkey and India have enacted this tax, generally 2% on specific in-scope sales above a revenue threshold. The EU and the UK have established a mandate that focuses on the transparency of cross-border arrangements concerning at least one EU member state through mandatory disclosure and exchange of cross-border arrangements rules. These regulations (known as MDR in the UK and DAC 6 in the EU) require taxpayers to disclose certain transactions to the tax authorities resulting in an additional layer of compliance and require careful consideration of the tax benefits obtained when entering into transactions that need to be disclosed.

The OECD has proposed significant changes to the international tax law framework in the form of the Pillar Two proposal. The proposal aims to provide a set of coordinated rules to prevent multinational enterprises from shifting profits to low-tax jurisdictions and to implement a 15% global minimum tax. A number of countries have agreed to implement the proposal, including the member states of the EU, which are required to codify the rules into domestic law by December 31, 2023. Pillar Two is being enacted progressively in the many of the countries in which we operate. The potential effects of Pillar Two may vary depending on the specific provisions and rules implemented by each country that adopts Pillar Two and may include tax rate changes, higher effective tax rates, potential tax disputes and adverse impacts to our cash flows, tax liabilities, results of operations and financial position.

Global tax developments applicable to multinational companies may continue to result in new tax regimes or changes to existing tax laws. If the U.S. or foreign taxing authorities change tax laws, our overall taxes could increase, lead to a higher effective tax rate, harm our cash flows, results of operations and financial position.

Taxing authorities may successfully assert that we should have collected or in the future should collect sales and use, value-added or similar taxes, and we could be subject to liability with respect to past or future sales, which could harm our results of operations.

We do not collect sales and use, value-added and similar taxes in all jurisdictions in which we have sales, based on our understanding that such taxes are not applicable to the products we sell in certain jurisdictions. Sales and use, value-added and similar tax laws and rates vary greatly by jurisdiction. Certain jurisdictions in which we do not collect such taxes may assert that such taxes are applicable, which could result in tax assessments, penalties, and interest, and we may be required to collect such taxes in the future. Such tax assessments, penalties and interest, or future requirements could harm our results of operations.

The requirements of being a public company may strain our resources, divert management's attention, and affect our ability to attract and retain executive officers and qualified board members.

We are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the listing requirements of Nasdaq and other applicable securities rules and regulations. Compliance with these rules and regulations has increased our legal and financial compliance costs, making some activities more difficult, time-consuming, and costly, and has increased demand on our systems and resources. The Exchange Act requires, among other things, that we file annual reports with respect to our business and results of operations. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and, if required, improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight is required.

We expect to continue to incur significant legal, accounting, insurance and other expenses and to expend time and resources to comply with these requirements. Additionally, as a result of the complexity involved in complying with the rules and regulations applicable to public companies, our management's attention may be diverted from other business concerns, which could harm our business, results of operations and financial condition. In addition, the pressures of operating a public company may divert management's attention to delivering short-term results, instead of focusing on long-term strategy. Additionally, we may need to develop our reporting and compliance infrastructure and may face challenges in complying with new requirements that may become applicable to us over time. If we fall out of compliance, we risk becoming subject to litigation or being delisted, among other potential problems.

Further, as a public company it is more expensive for us to maintain adequate director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified executive officers and members of our board of directors.

If we are unable to maintain effective internal control over financial reporting in the future, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our Class A Common Stock could be negatively affected.

As a public company, we are required to maintain internal controls over financial reporting and to report any material weaknesses in such internal controls. We are required to furnish a report by management on the effectiveness of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act. If we identify material weaknesses in our internal control over financial reporting, if we are unable to comply with the requirements of Section 404 in a timely manner or assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of Class A Common Stock could be negatively affected, and we could become subject to investigations by the stock exchange on which our securities are listed, the Securities and Exchange Commission (the "SEC") or other regulatory authorities, which could require additional financial and management resources.

We face exposure to foreign currency exchange rate fluctuations.

While we primarily sell our products in U.S. dollars, we incur expenses in currencies other than the U.S. dollar, which exposes us to foreign currency exchange rate fluctuations. A large percentage of our expenses are denominated in the Australian dollar and the Indian rupee, and fluctuations in these currencies could have a material negative impact on our results of operations. Moreover, our subsidiaries, other than our U.S. subsidiaries, maintain net assets that are denominated in currencies other than the U.S. dollar. In addition, we transact in non-U.S. dollar currencies for our products, and, accordingly, changes in the value of non-U.S. dollar currencies relative to the U.S. dollar could affect our revenue and results of operations due to transactional and translational remeasurements that are reflected in our results of operations.

We have a foreign exchange hedging program to hedge a portion of certain exposures to fluctuations in non-U.S. dollar currency exchange rates. We use derivative instruments, such as foreign currency forward contracts, to hedge the exposures. The use of such hedging instruments may not fully offset the adverse financial effects of unfavorable movements in foreign currency exchange rates over the limited time the hedges are in place. Moreover, the use of hedging instruments may introduce additional risks if we are unable to structure effective hedges with such instruments or if we are unable to forecast hedged exposures accurately.

We and our customers are subject to increasing and changing laws and regulations that may expose us to liability and increase our costs.

Federal, state, local and foreign government bodies or agencies have in the past adopted, and may in the future adopt, laws or regulations affecting the technology industry or the industries in which are customers operate, including imposing taxes, fees, or other charges. Changes in these laws or regulations could require us to modify our products in order to comply with these changes. The costs of compliance with, and other burdens imposed by, industry-specific laws, regulations and interpretive positions may limit our customers' use and adoption of our services and reduce overall demand for our services. Compliance with these regulations may also require us to devote greater resources to support certain customers, which may increase costs and lengthen sales cycles. For example, some financial services regulators in various jurisdictions have imposed guidelines for use of cloud computing services that mandate specific controls or require financial services enterprises to obtain regulatory

approval prior to outsourcing certain functions. In the United States, the implementation of a cybersecurity Executive Order released in May 2021 may result in further changes and enhancements to compliance and incident reporting standards in order to obtain certain public sector contracts in the future. Additionally, in July 2023, the SEC adopted rules requiring the disclosure of specified elements of cybersecurity risk management, strategy and governance and requiring the disclosure of material cybersecurity incidents within a short time period. If we are unable to comply with these rules, guidelines or controls, or if our customers are unable to obtain regulatory approval to use our services where required, our business may be harmed.

Additionally, various of our products are subject to U.S. export controls, including the U.S. Department of Commerce's Export Administration Regulations and economic and trade sanctions regulations administered by the U.S. Treasury Department's Office of Foreign Assets Controls. These regulations may limit the export of our products and provision of our services outside of the U.S., or may require export authorizations, including by license, a license exception, or other appropriate government authorizations, including annual or semi-annual reporting and the filing of an encryption registration. Export control and economic sanctions laws may also include prohibitions on the sale or supply of certain of our products to embargoed or sanctioned countries, regions, governments, persons and entities. In addition, various countries regulate the importation of certain products through import permitting and licensing requirements, and have enacted laws that could limit our ability to distribute our products. Import, export and economic sanctions laws may also change rapidly due to political events, such as has occurred in response to Russia's invasion of Ukraine. The exportation, reexportation, and importation of our products, and the provision of services, including by our solution partners, must comply with these laws or else we may be adversely affected through reputational harm, government investigations, penalties, and a denial or curtailment of our ability to export our products or provide services. Complying with export control and sanctions laws can be time consuming and complex and may result in the delay or loss of sales opportunities. Although we take precautions to prevent our products from being provided in violation of such laws, we are aware of previous exports of certain of our products to a small number of persons and organizations that are the subject of U.S. sanctions or located in countries or regions subject to U.S. sanctions. If we are found to be in violation of U.S. sanctions or export control laws, it could result in substantial fines and penalties for us and for the individuals working for us. Changes in export or import laws or corresponding sanctions may delay the introduction and sale of our products in international markets, or, in some cases, prevent the export or import of our products to certain countries, regions, governments, persons or entities altogether, which could adversely affect our business, financial condition and results of operations. Changes in import and export laws are occurring in the jurisdictions in which we operate and we may fail to comply with new or changing regulations in a timely manner, which could result in substantial fines and penalties for us and could adversely affect our business, financial condition and results of operation.

We are also subject to various domestic and international anti-corruption laws, such as the U.S. Foreign Corrupt Practices Act and the UK Bribery Act, as well as other similar anti-bribery and anti-kickback laws and regulations. These laws and regulations generally prohibit companies and their employees and intermediaries from authorizing, offering, or providing improper payments or benefits to officials and other recipients for improper purposes. We rely on certain third parties to support our sales and regulatory compliance efforts and can be held liable for their corrupt or other illegal activities, even if we do not explicitly authorize or have actual knowledge of such activities. Although we take precautions to prevent violations of these laws, our exposure for violating these laws increases as our international presence expands and as we increase sales and operations in additional jurisdictions.

Finally, as we expand our products and services and evolve our business models, we may become subject to additional government regulation or increased regulatory scrutiny. Regulators (both in the U.S. and in other jurisdictions in which we operate) may adopt new laws or regulations, change existing regulations, or their interpretation of existing laws or regulations may differ from ours. For example, the regulation of emerging technologies that we may incorporate into our offerings, such as AI and machine learning, is still an evolving area, and it is possible that we could become subject to new regulations that negatively impact our plans, operations and results. Additionally, many jurisdictions across the world are currently considering, or have already begun implementing, changes to antitrust and competition laws, regulations or their enforcement to enhance competition in digital markets and address practices by certain digital platforms that they perceive to be anticompetitive, which may impact our ability to invest in, acquire or enter into joint ventures with other entities.

New legislation, regulation, public policy considerations, changes in the cybersecurity environment, litigation by governments or private entities, changes to or new interpretations of existing laws may result in greater oversight of the technology industry, restrict the types of products and services that we can offer, limit how we can distribute our products, or otherwise cause us to change the way we operate our business. We may not be able to respond

quickly to such regulatory, legislative and other developments, and these changes may in turn increase our cost of doing business and limit our revenue opportunities. In addition, if our practices are not consistent with new interpretations of existing laws, we may become subject to lawsuits, penalties, and other liabilities that did not previously apply.

Investors' and other stakeholders' expectations of our performance relating to environmental, social and governance factors may impose additional costs and expose us to new risks.

There is an increasing focus from certain investors, customers, employees, other stakeholders and regulators concerning environmental, social and governance matters ("ESG"). Some investors may use these non-financial performance factors to guide their investment strategies and, in some cases, may choose not to invest in us if they believe our policies and actions relating to ESG are inadequate. We may face reputational damage in the event that we do not meet the ESG standards set by various constituencies.

As ESG best practices and reporting standards continue to develop, we may incur increasing costs relating to ESG monitoring and reporting and complying with ESG initiatives. For example, the SEC has recently proposed climate change and ESG reporting requirements, which, if approved, would increase our compliance costs. We may also face greater costs to comply with new ESG standards or initiatives in the European Union and California. We publish an annual Sustainability Report, which describes, among other things, the measurement of our greenhouse gas emissions and our efforts to reduce emissions. In addition, our Sustainability Report provides highlights of how we are supporting our workforce, including our efforts to promote diversity, equity, and inclusion. Our disclosures on these matters, or a failure to meet evolving stakeholder expectations for ESG practices and reporting, may potentially harm our reputation and customer relationships. Due to new regulatory standards and market standards, certain new or existing customers, particularly those in the European Union, may impose stricter ESG guidelines or mandates for, and may scrutinize relationships more closely with, their counterparties, including us, which may lengthen sales cycles or increase our costs.

Furthermore, if our competitors' ESG performance is perceived to be better than ours, potential or current investors may elect to invest with our competitors instead. In addition, in the event that we communicate certain initiatives or goals regarding ESG matters, we could fail, or be perceived to fail, in our achievement of such initiatives or goals, or we could be criticized for the scope of such initiatives or goals. If we fail to satisfy the expectations of investors, customers, employees and other stakeholders or our initiatives are not executed as planned, our business, financial condition, results of operations, and prospects could be adversely affected.

If we are deemed to be an investment company under the Investment Company Act of 1940, our results of operations could be harmed.

Under Sections 3(a)(1)(A) and (C) of the Investment Company Act of 1940, as amended (the "Investment Company Act"), a company generally will be deemed to be an "investment company" for purposes of the Investment Company Act if (i) it is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting, or trading in securities or (ii) it engages, or proposes to engage, in the business of investing, reinvesting, owning, holding, or trading in securities and it owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis. We do not believe that we are an "investment company," as such term is defined in either of these sections of the Investment Company Act. We currently conduct, and intend to continue to conduct, our operations so that neither we, nor any of our subsidiaries, is required to register as an "investment company" under the Investment Company Act. If we were obligated to register as an "investment company," we would have to comply with a variety of substantive requirements under the Investment Company Act that impose, among other things, limitations on capital structure, restrictions on specified investments, prohibitions on transactions with affiliates, and compliance with reporting, record keeping, voting, proxy disclosure and other rules and regulations that would increase our operating and compliance costs, could make it impractical for us to continue our business as contemplated, and could harm our results of operations.

Risks Related to Ownership of Our Class A Common Stock

The dual class structure of our common stock has the effect of concentrating voting control with certain stockholders, in particular, our Co-Chief Executive Officers and their affiliates, which will limit our other stockholders' ability to influence the outcome of important transactions, including a change in control.

Shares of our Class B Common Stock have ten votes per share and shares of our Class A Common Stock have one vote per share. As of September 30, 2023, stockholders who hold our Class B Common Stock collectively hold approximately 87% of the voting power of our outstanding share capital and in particular, entities affiliated with

our Co-Chief Executive Officers, Michael Cannon-Brookes and Scott Farquhar, collectively hold approximately 87% of the voting power of our outstanding share capital. The holders of our Class B Common Stock will collectively continue to control a majority of the combined voting power of our capital stock and therefore be able to control substantially all matters submitted to our stockholders for approval so long as the outstanding shares of our Class B Common Stock represent at least 10% of all shares of our outstanding Class A Common Stock and Class B Common Stock in the aggregate. These holders of our Class B Common Stock may also have interests that differ from holders of our Class A Common Stock and may vote in a way which may be adverse to such interests. This concentrated control may have the effect of delaying, preventing or deterring a change in control of Atlassian, could deprive our stockholders of an opportunity to receive a premium for their shares as part of a sale of Atlassian and might ultimately affect the market price of our Class A Common Stock.

If Messrs. Cannon-Brookes and Farquhar retain a significant portion of their holdings of our Class B Common Stock for an extended period of time, they will control a significant portion of the voting power of our capital stock for the foreseeable future. As members of our board of directors, Messrs. Cannon-Brookes and Farquhar each owe statutory and fiduciary duties to Atlassian and must act in good faith and in a manner they consider would be most likely to promote the success of Atlassian for the benefit of stockholders as a whole. As stockholders, Messrs. Cannon-Brookes and Farquhar are entitled to vote their shares in their own interests, which may not always be in the interests of our stockholders generally.

The market price of our Class A Common Stock is volatile, has fluctuated significantly in the past, and could continue to fluctuate significantly regardless of our operating performance resulting in substantial losses for our Class A ordinary stockholders.

The trading price of our Class A Common Stock is volatile, has fluctuated significantly in the past, and could continue to fluctuate significantly, regardless of our operating performance, in response to numerous factors, many of which are beyond our control, including:

- general economic conditions;
- actual or anticipated fluctuations in our results of operations;
- the financial projections we may provide to the public, any changes in these projections or our failure to meet these projections;
- failure of securities analysts to initiate or maintain coverage of Atlassian, publication of inaccurate or unfavorable research about our business, changes in financial estimates or ratings changes by any securities analysts who follow Atlassian or our failure to meet these estimates or the expectations of investors;
- announcements by us or our competitors of significant technical innovations, new products, acquisitions, pricing changes, strategic partnerships, joint ventures or capital commitments;
- changes in operating performance and stock market valuations of other technology companies generally, or those in our industry in particular;
- price and volume fluctuations in the overall stock market from time to time, including as a result of trends in the economy as a whole;
- actual or anticipated developments in our business or our competitors' businesses or the competitive landscape generally;
- developments or disputes concerning our intellectual property or our products, or third-party proprietary rights;
- changes in accounting standards, policies, guidelines, interpretations or principles;
- new laws or regulations, new interpretations of existing laws, or the new application of existing regulations to our business;
- changes in tax laws or regulations;
- any major change in our board of directors or management;

- additional shares of Class A Common Stock being sold into the market by us or our existing stockholders or the anticipation of such sales;
- the existence of our program to repurchase up to $1.0 billion of our outstanding Class A Common Stock (the “Share Repurchase Program”) and purchases made pursuant to that program or any failure to repurchase shares as planned, including failure to meet expectations around the timing, price or amount of share repurchases, and any reduction, suspension or termination of our Share Repurchase Program;
- cyber-security and privacy breaches;
- lawsuits threatened or filed against us; and
- other events or factors, including those resulting from geopolitical risks, natural disasters, climate change, diseases and pandemics, macroeconomic factors such as inflationary pressures or recession, war, including recent unrest in the Middle East and Russia’s invasion of Ukraine, financial institution instability, incidents of terrorism, or responses to these events.

In addition, the stock markets, and in particular the market on which our Class A Common Stock is listed, have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many technology companies. Stock prices of many technology companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. In the past, stockholders have instituted securities class action litigation following periods of market volatility. In February 2023, a purported securities class action complaint was filed against us and certain of our officers in U.S. federal court. Our involvement in this or other securities litigation could subject us to substantial costs, divert resources and the attention of management from operating our business, and harm our business, results of operations and financial condition.

Substantial future sales of our Class A Common Stock could cause the market price of our Class A Common Stock to decline.

The market price of our Class A Common Stock could decline as a result of substantial sales of shares of our Class A Common Stock, particularly sales by our directors, executive officers and significant stockholders, or the perception in the market that holders of a large number of shares intend to sell their shares. As of September 30, 2023, we had 154,177,836 outstanding Class A Common Stock and 104,085,737 outstanding convertible Class B Common Stock.

We have also registered shares of Class A Common Stock that we issue under our employee equity incentive plans. These shares may be sold freely in the public market upon issuance.

Certain holders of our Class A Common Stock and our Class B Common Stock, including our founders, have rights, subject to certain conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or our stockholders. Sales of our Class A Common Stock pursuant to these registration rights may make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. These sales also could cause the market price of our Class A Common Stock to fall and make it more difficult for our investors to sell our Class A Common Stock at a price that they deem appropriate.

We cannot guarantee that our Share Repurchase Program will be fully consummated or that it will enhance long-term stockholder value. Repurchases of shares of our Class A Common Stock could also increase the volatility of the trading price of our Class A Common Stock and could diminish our cash reserves.

In January 2023, our board of directors authorized a Share Repurchase Program to repurchase up to $1.0 billion of our outstanding Class A Common Stock. Under the Share Repurchase Program, stock repurchases may be made from time to time through open market purchases, in privately negotiated transactions, or by other means, including through the use of trading plans intended to qualify under Rule 10b5-1 under the Exchange Act, in accordance with applicable securities laws and other restrictions. The Share Repurchase Program does not have a fixed expiration date, may be suspended or discontinued at any time, and does not obligate us to acquire any amount of Class A Common Stock. The timing, manner, price, and amount of any repurchases will be determined by us at our discretion and will depend on a variety of factors, including business, economic and market conditions, prevailing stock prices, corporate and regulatory requirements, and other considerations. We cannot guarantee that the Share Repurchase Program will be fully consummated or that it will enhance long-term stockholder value. The Share Repurchase Program could also affect the trading price of our Class A Common Stock and increase volatility,

and any announcement of a reduction, suspension or termination of the Share Repurchase Program may result in a decrease in the trading price of our Class A Common Stock. In addition, repurchasing our Class A Common Stock could diminish our cash and cash equivalents and marketable securities available to fund working capital, repayment of debt, capital expenditures, strategic acquisitions, investments, or business opportunities, and other general corporate purposes.

We do not expect to declare dividends in the foreseeable future.

We currently anticipate that we will retain future earnings for the development, operation and expansion of our business and to fund our Share Repurchase Program, and do not anticipate declaring or paying any cash dividends for the foreseeable future. As a result, stockholders must rely on sales of their shares of Class A Common Stock after price appreciation, if any, as the only way to realize any future gains on their investment.

Anti-takeover provisions contained in our amended and restated certificate of incorporation and amended and restated bylaws, as well as provisions of Delaware law, could impair a takeover attempt.

Our amended and restated certificate of incorporation and amended and restated bylaws contain, and the General Corporation Law of the State of Delaware (the “Delaware General Corporation Law”) contains, provisions which could have the effect of rendering more difficult, delaying or preventing an acquisition deemed undesirable by our board of directors. These provisions provide for the following:

- a dual-class structure which provides our holders of Class B Common Stock with the ability to significantly influence the outcome of matters requiring stockholder approval, even if they own significantly less than a majority of the shares of our outstanding Class A Common Stock and Class B Common Stock;
- no cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- the exclusive right of our board of directors to set the size of the board of directors and to elect a director to fill a vacancy, however occurring, including by an expansion of the board of directors, which prevents stockholders from being able to fill vacancies on our board of directors;
- the ability of our board of directors to authorize the issuance of shares of preferred stock and to determine the price and other terms of those shares, including voting or other rights or preferences, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer;
- the ability of our board of directors to alter our amended and restated bylaws without obtaining stockholder approval;
- in addition to our board of directors’ ability to adopt, amend, or repeal our amended and restated bylaws, our stockholders may adopt, amend, or repeal our amended and restated bylaws only with the affirmative vote of the holders of at least 66 2/3% of the voting power of the outstanding shares of capital stock entitled to vote generally in the election of directors, voting together as a single class;
- the required approval of at least 66 2/3% of the voting power of the outstanding shares of capital stock entitled to vote thereon, voting together as a single class, to adopt, amend, or repeal certain provisions of our amended and restated certificate of incorporation;
- the ability of stockholders to act only at an annual or special meeting of stockholders;
- the requirement that a special meeting of stockholders may be called only by certain specified officers of the Company, a majority of our board of directors then in office or the chairperson of our board of directors;
- advance notice procedures that stockholders must comply with in order to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders’ meeting, which may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer’s own slate of directors or otherwise attempting to obtain control of us; and
- the limitation of liability of, and provision of indemnification to, our directors and officers.

These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in our management.

As a Delaware corporation, we are also subject to provisions of the Delaware General Corporation Law, including Section 203 thereof, which prevents some stockholders holding more than 15% of our outstanding common stock from engaging in certain business combinations without approval of the holders of substantially all of our outstanding common stock.

Any provision of our amended and restated certificate of incorporation, amended and restated bylaws or the Delaware General Corporation Law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock.

Claims for indemnification by our directors and officers may reduce our available funds to satisfy successful third-party claims against us and may reduce the amount of money available to us.

Our amended and restated certificate of incorporation and amended and restated bylaws provide that we will indemnify our directors and officers, in each case to the fullest extent permitted by Delaware law.

In addition, as permitted by Section 145 of the Delaware General Corporation Law, our amended and restated bylaws and our indemnification agreements that we have entered or intend to enter into with our directors and officers provide that:

- we will indemnify our directors and officers to the fullest extent permitted by Delaware law. Delaware law provides that a corporation may indemnify such person if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the registrant and, with respect to any criminal proceeding, had no reasonable cause to believe such person’s conduct was unlawful;
- we may, in our discretion, indemnify employees and agents in those circumstances where indemnification is permitted by applicable law;
- we are required to advance expenses, as incurred, to our directors and officers in connection with defending a proceeding, except that such directors or officers will undertake to repay such advances if it is ultimately determined that such person is not entitled to indemnification;
- the rights conferred in our amended and restated bylaws are not exclusive, and we are authorized to enter into indemnification agreements with our directors, officers, employees and agents and to obtain insurance to indemnify such persons, both of which we have done; and
- we may not retroactively amend our amended and restated bylaw provisions to reduce our indemnification obligations to directors, officers, employees, and agents.

While we have procured directors’ and officers’ liability insurance policies, such insurance policies may not be available to us in the future at a reasonable rate, may not cover all potential claims for indemnification, and may not be adequate to indemnify us for all liability that may be imposed.

Our amended and restated certificate of incorporation and amended and restated bylaws provide for an exclusive forum in the Court of Chancery of the State of Delaware for certain disputes between us and our stockholders, and that the federal district courts of the United States will be the exclusive forum for the resolution of any complaint asserting a cause of action under the Securities Act.

Our amended and restated certificate of incorporation and amended and restated bylaws provide, that unless we consent in writing to the selection of an alternative forum, (a) the Court of Chancery of the State of Delaware (or, if such court does not have subject matter jurisdiction thereof, the federal district court for the District of Delaware or other state courts of the State of Delaware) will, to the fullest extent permitted by law, be the sole and exclusive forum for: (i) any derivative action, suit or proceeding brought on behalf of the Company, (ii) any action, suit or proceeding asserting a claim of breach of a fiduciary duty owed by any director, officer or stockholder to the Company or our stockholders, (iii) any action, suit or proceeding arising pursuant to any provision of the Delaware General Corporation Law or our amended and restated certificate of incorporation or amended and restated bylaws, or (iv) any action, suit or proceeding asserting a claim against the Company that is governed by the internal affairs doctrine; and (b) the federal district courts of the United States will be the exclusive forum for the resolution of any complaint asserting a cause or causes of action arising under the Securities Act, including all causes of action asserted against any defendant to such complaint. Any person or entity purchasing or otherwise acquiring any interest in any security of the Company will be deemed to have notice of and consented to these provisions. Nothing in our amended and restated certificate of incorporation or amended and restated bylaws precludes stockholders that assert claims under the Exchange Act, from bringing such claims in federal court to the extent that the Exchange Act confers exclusive federal jurisdiction over such claims, subject to applicable law.

We believe these provisions may benefit us by providing increased consistency in the application of Delaware law and federal securities laws by chancellors and judges, as applicable, particularly experienced in resolving corporate disputes, efficient administration of cases on a more expedited schedule relative to other forums and protection against the burdens of multi-forum litigation. If a court were to find the choice of forum provision that is contained in our amended and restated certificate of incorporation or amended and restated bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could materially adversely affect our business, results of operations, and financial condition. For example, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. Accordingly, there is uncertainty as to whether a court would enforce such a forum selection provision as written in connection with claims arising under the Securities Act.

The choice of forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our current or former director, officer or stockholder to the Company, which may discourage such claims against us or any of our current or former director, officer or stockholder to the Company and result in increased costs for investors to bring a claim.

General Risk Factors

Our global operations subject us to risks that can harm our business, results of operations, and financial condition.

A key element of our strategy is to operate globally and sell our products to customers around the world. Operating globally requires significant resources and management attention and subjects us to regulatory, economic, geographic, and political risks. In particular, our global operations subject us to a variety of additional risks and challenges, including:

- increased management, travel, infrastructure, and legal compliance costs associated with having operations in many countries;
- difficulties in enforcing contracts, including "clickwrap" contracts that are entered into online, of which we have historically relied as part of our product licensing strategy, but which may be subject to additional legal uncertainty in some foreign jurisdictions;
- increased financial accounting and reporting burdens and complexities;
- requirements or preferences within other regions for domestic products, and difficulties in replacing products offered by more established or known regional competitors;
- differing technical standards, existing or future regulatory and certification requirements, and required features and functionality;
- communication and integration problems related to entering and serving new markets with different languages, cultures, and political systems;
- compliance with foreign privacy and security laws and regulations and the risks and costs of non-compliance;
- compliance with laws and regulations for foreign operations, including anti-bribery laws (such as the U.S. Foreign Corrupt Practices Act, the U.S. Travel Act, and the UK Bribery Act), import and export control laws, tariffs, trade barriers, economic sanctions, and other regulatory or contractual limitations on our ability to sell our products in certain foreign markets, and the risks and costs of non-compliance;
- heightened risks of unfair or corrupt business practices in certain geographies that may impact our financial results and result in restatements of our consolidated financial statements;
- fluctuations in currency exchange rates, rising interest rates, and related effects on our results of operations;
- difficulties in repatriating or transferring funds from, or converting currencies in certain countries;

- weak economic conditions which could arise in each country or region in which we operate or sell our products, including due to rising inflation or hyperinflation, such as is occurring in Turkey, and related interest rate increases, or general political and economic instability around the world, including as a result of recent unrest in the Middle East and Russia's invasion of Ukraine;
- differing labor standards, including restrictions related to, and the increased cost of, terminating employees in some countries;
- difficulties in recruiting and hiring employees in certain countries;
- the preference for localized software and licensing programs and localized language support;
- reduced protection for intellectual property rights in some countries and practical difficulties associated with enforcing our legal rights abroad;
- imposition of travel restrictions, prohibitions of non-essential travel, modifications of employee work locations, or cancellation or reorganization of certain sales and marketing events as a result of pandemics or public health emergencies;
- compliance with the laws of numerous foreign taxing jurisdictions, including withholding obligations, and overlapping of different tax regimes; and
- geopolitical risks, such as political and economic instability, including in the U.S., and changes in diplomatic and trade relations.

Compliance with laws and regulations applicable to our global operations substantially increases our cost of doing business in foreign jurisdictions. We may be unable to keep current with changes in government requirements as they change from time to time. Failure to comply with these laws and regulations could harm our business. In many countries, it is common for others to engage in business practices that are prohibited by our internal policies and procedures or other regulations applicable to us. Although we have implemented policies and procedures designed to ensure compliance with these regulations and policies, there can be no assurance that all of our employees, contractors, business partners and agents will comply with these regulations and policies. Violations of laws, regulations or key control policies by our employees, contractors, business partners, or agents could result in delays in revenue recognition, financial reporting misstatements, enforcement actions, reputational harm, disgorgement of profits, fines, civil and criminal penalties, damages, injunctions, other collateral consequences, or the prohibition of the importation or exportation of our products and could harm our business, results of operations, and financial condition.

Catastrophic events may disrupt our business.

Natural disasters, pandemics other public health emergencies, geopolitical conflicts, social or political unrest, or other catastrophic events may cause damage or disruption to our operations, international commerce and the global economy, and thus could harm our business. We have a large employee presence and operations in the San Francisco Bay Area of California and Australia. The west coast of the U.S. contains active earthquake zones and is often at risk from wildfires. Australia has recently experienced significant wildfires and flooding that have impacted our employees. In the event of a major earthquake, hurricane, typhoon or catastrophic event such as fire, power loss, telecommunications failure, cyber-attack, war or terrorist attack in any of the regions or localities in which we operate, we may be unable to continue our operations and may endure system interruptions, reputational harm, delays in our application development, lengthy interruptions in our product availability, breaches of data security and loss of critical data, all of which could harm our business, results of operations and financial condition.

Additionally, we rely on our network and suppliers of third-party infrastructure and applications, internal technology systems, and our websites for our development, marketing, internal controls, operational support, hosted services and sales activities. If these systems were to fail or be negatively impacted as a result of a natural disaster, disease or pandemic, or catastrophic event, our ability to conduct normal business operations and deliver products to our customers could be impaired.

As we grow our business, the need for business continuity planning and disaster recovery plans will grow in significance. If we are unable to develop adequate plans to ensure that our business functions continue to operate during and after a disaster, disease or pandemic, or catastrophic event, or if we are unable to successfully execute on those plans, our business and reputation could be harmed.

Climate change may have a long-term impact on our business.

The long-term effects of climate change on the global economy and the technology industry in particular are unclear, however we recognize that there are inherent climate-related risks wherever business is conducted. Climate-related events, including the increasing frequency of extreme weather events and their impact on critical infrastructure in the U.S., Australia and elsewhere, have the potential to disrupt our business, our third-party suppliers, and/or the business of our customers, and may cause us to experience extended product downtimes, and losses and additional costs to maintain and resume operations.

We depend on our executive officers and other key employees and the loss of one or more of these employees or the inability to attract and retain highly skilled employees could harm our business.

Our success depends largely upon the continued services of our executive officers and key employees. We rely on our leadership team and other key employees in the areas of research and development, products, strategy, operations, security, go-to-market, marketing, IT, support, and general and administrative functions. From time to time, there may be changes in our executive management team resulting from the hiring or departure of executives, which could disrupt our business. For example, we announced in August 2023 that our current Chief Revenue Officer will step down from his role effective December 31, 2023. In addition, we do not have employment agreements with our executive officers or other key personnel that require them to continue to work for us for any specified period and, therefore, they could terminate their employment with us at any time. The loss of one or more of our executive officers, especially our Co-Chief Executive Officers, or other key employees could harm our business.

In addition, in order to execute our growth plan, we must attract and retain highly qualified personnel. Competition for these personnel in Sydney, Australia, the San Francisco Bay Area, and in other locations where we maintain offices, is intense, especially for engineers experienced in designing and developing software and cloud-based services. We have from time to time experienced, and we expect to continue to experience, difficulty hiring and retaining employees with appropriate qualifications. In particular, recruiting and hiring senior product engineering personnel (particularly with AI and machine learning backgrounds) has been, and we expect it to continue to be, challenging. In addition, our rebalancing in March 2023, and any future rebalancing efforts intended to improve operational efficiencies and operating costs, may adversely affect our ability to attract and retain employees. If we are unable to hire and retain talented product engineering personnel, we may be unable to scale our operations or release new products in a timely fashion and, as a result, customer satisfaction with our products may decline.

Many of the companies with which we compete for experienced personnel have greater resources than we have. If we hire employees from competitors or other companies, these employers may attempt to assert that the employees or we have breached certain legal obligations, resulting in a diversion of our time and resources. In addition, job candidates and existing employees often consider the value of the equity awards they receive in connection with their employment. If the value or perceived value of our equity awards declines, it could harm our ability to recruit and retain highly skilled employees. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business, results of operations and financial condition could be harmed.

We are exposed to credit risk and fluctuations in the market values of our investment portfolio.

Given the global nature of our business, we may have diversified U.S. and non-U.S. investments. Credit ratings and pricing of our investments can be negatively affected by liquidity, credit deterioration, financial results, economic risk, including from impacts of inflation, recent unrest in the Middle East and Russia's invasion of Ukraine, political risk, sovereign risk or other factors. As a result, the value and liquidity of our investments may fluctuate substantially. Therefore, although we have not realized any significant losses on our investments, future fluctuations in their value could result in a significant realized loss.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Share repurchases of our Class A Common Stock for the three months ended September 30, 2023 were as follows (in thousands, except for average price paid per share):

	Total Number of Shares Purchased (1)	Average Price Paid Per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
July 2023	174	$ 174.20	174	$ 815,569
August 2023	12	169.15	12	813,486
September 2023	163	202.17	163	780,507
Total	349		349	

(1) In January 2023, the Board of Directors authorized a program to repurchase up to $1.0 billion of our outstanding Class A Common Stock (the “Share Repurchase Program”). The Share Repurchase Program does not have a fixed expiration date, may be suspended or discontinued at any time, and does not obligate us to repurchase any specific dollar amount or to acquire any specific number of shares. We may repurchase shares of Class A Common Stock from time to time through open market purchases, in privately negotiated transactions, or by other means, including through the use of trading plans intended to qualify under Rule 10b5-1 under the Exchange Act, in accordance with applicable securities laws and other restrictions. The timing, manner, price, and amount of any repurchases will be determined by us at our discretion and will depend on a variety of factors, including business, economic and market conditions, prevailing stock prices, corporate and regulatory requirements, and other considerations.

(2) Average price paid per share includes costs associated with the repurchases, when applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Description	Provided Herewith	Incorporated by Reference			
			Form	SEC File No.	Exhibit	Filing Date
3.1	Amended and Restated Certificate of Incorporation of Atlassian Corporation, adopted as of September 27, 2022.		8-K	001-37651	3.1	10/03/2022
3.2	Amended and Restated Bylaws of Atlassian Corporation, adopted as of September 30, 2022.		8-K	001-37651	3.2	10/03/2022
10.1†★	Deed of Amendment (No. 2), dated August 28, 2023, to Agreement for Lease, dated March 23, 2022, by and among Atlassian Corporation Plc, Atlassian Pty Ltd, Vertical First Pty Ltd as trustee for the Vertical First Trust, Dexus Property Services Pty Limited, Dexus Funds Management Limited as responsible entity for Dexus Property Trust and Dexus Funds Management Limited as responsible entity for Dexus Operations Trust.	X				
31.1	Certification of Co-Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X				
31.2	Certification of Co-Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X				
31.3	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X				
32.1	Certification of Co-Principal Executive Officers and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X				
101.INS	Inline XBRL Instance Document. The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.	X				
101.SCH	Inline XBRL Taxonomy Extension Schema Document.	X				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.	X				
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.	X				
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.	X				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.	X				
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101 filed herewith).	X				

† Portions of this exhibit have been redacted.

★ Certain exhibits and schedules to this agreement have been omitted.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ATLASSIAN CORPORATION

Date: November 3, 2023	By:	/s/ Joseph Binz	
		Name:	Joseph Binz
		Title:	Chief Financial Officer *(Duly Authorized Officer and Principal Financial Officer)*