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 December 31, 2025

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 January 30, 2026, there were 169,610,457 shares of the registrant’s Class A Common Stock, $0.00001 par value per share, and 94,133,617 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)

	December 31, 2025	June 30, 2025
Assets		
Current assets:		
Cash and cash equivalents	$ 1,158,122	$ 2,512,874
Marketable securities	407,932	424,268
Accounts receivable, net	911,915	778,302
Prepaid expenses and other current assets	297,437	175,793
Total current assets	2,775,406	3,891,237
Non-current assets:		
Property and equipment, net	97,952	105,118
Operating lease right-of-use assets	126,475	169,127
Strategic investments	209,979	221,942
Intangible assets, net	494,959	244,840
Goodwill	2,305,132	1,304,445
Deferred tax assets	25,433	3,762
Other non-current assets	125,045	101,499
Total assets	$ 6,160,381	$ 6,041,970
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 231,654	$ 222,092
Accrued expenses and other current liabilities	603,850	681,601
Deferred revenue, current portion	2,230,427	2,227,002
Operating lease liabilities, current portion	50,696	50,164
Total current liabilities	3,116,627	3,180,859
Non-current liabilities:		
Deferred revenue, net of current portion	201,082	254,252
Operating lease liabilities, net of current portion	175,774	201,483
Long-term debt	988,609	987,684
Deferred tax liabilities	23,993	23,881
Other non-current liabilities	63,447	48,157
Total liabilities	4,569,532	4,696,316
Commitments and contingencies (Note 11)		
Stockholders' equity		
Class A Common Stock, $0.00001 par value; 750,000,000 shares authorized, 170,436,795 and 165,949,196 issued and outstanding at December 31, 2025 and June 30, 2025, respectively	2	2
Class B Common Stock, 0.00001 par value; 230,000,000 shares authorized, 95,068,747 and 97,030,987 issued and outstanding at December 31, 2025 and June 30, 2025, respectively	1	1
Additional paid-in capital	6,378,041	5,574,290
Accumulated other comprehensive income (loss)	(465)	13,226
Accumulated deficit	(4,786,730)	(4,241,865)
Total stockholders' equity	1,590,849	1,345,654
Total liabilities and stockholders' equity	$ 6,160,381	$ 6,041,970

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 December 31,		Six Months Ended December 31,	
	2025	**2024**	**2025**	**2024**
Revenues:				
Subscription	$ 1,507,656	$ 1,213,248	$ 2,882,158	$ 2,345,196
Other	78,659	73,215	136,710	129,048
Total revenues	1,586,315	1,286,463	3,018,868	2,474,244
Cost of revenues (1) (2)	237,691	223,127	495,615	440,751
Gross profit	1,348,624	1,063,336	2,523,253	2,033,493
Operating expenses:				
Research and development (1) (2)	826,489	680,213	1,582,483	1,283,314
Marketing and sales (1) (2)	376,434	271,894	712,861	524,287
General and administrative (1)	193,448	168,708	371,993	315,349
Total operating expenses	1,396,371	1,120,815	2,667,337	2,122,950
Operating loss	(47,747)	(57,479)	(144,084)	(89,457)
Other income (expense), net	(13,550)	(7,999)	5,254	(27,431)
Interest income	18,065	25,586	47,910	54,150
Interest expense	(12,525)	(7,291)	(21,161)	(14,609)
Loss before income taxes	(55,757)	(47,183)	(112,081)	(77,347)
Provision for (benefit from) income taxes	(13,112)	(8,975)	(17,566)	84,630
Net loss	$ (42,645)	$ (38,208)	$ (94,515)	$ (161,977)
Net loss per share attributable to Class A and Class B common stockholders:				
Basic	$ (0.16)	$ (0.15)	$ (0.36)	$ (0.62)
Diluted	$ (0.16)	$ (0.15)	$ (0.36)	$ (0.62)
Weighted-average shares used in computing net loss per share attributable to Class A and Class B common stockholders:				
Basic	263,828	261,147	263,409	260,812
Diluted	263,828	261,147	263,409	260,812

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

Cost of revenues	$ 20,121	$ 23,031	$ 40,052	$ 41,245
Research and development	324,865	260,278	571,359	453,723
Marketing and sales	55,505	43,260	99,489	79,252
General and administrative	52,133	52,161	92,851	90,656

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

Cost of revenues	$ 19,753	$ 10,130	$ 29,710	$ 20,246
Research and development	93	93	187	187
Marketing and sales	5,507	3,673	9,106	7,345

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

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2025	**2024**	**2025**	**2024**
Net loss	$ (42,645)	$ (38,208)	$ (94,515)	$ (161,977)
Other comprehensive income (loss), net of reclassification adjustments:				
Foreign currency translation adjustment	1,791	(13,499)	(3,955)	(7,839)
Net change in unrealized gain (loss) on marketable and privately held debt securities	(36)	(741)	358	613
Net gain (loss) on cash flow hedging derivative instruments	594	(67,197)	(10,094)	(56,691)
Other comprehensive income (loss), before tax	2,349	(81,437)	(13,691)	(63,917)
Income tax effect	—	—	—	—
Other comprehensive income (loss), net of tax	2,349	(81,437)	(13,691)	(63,917)
Total comprehensive income (loss), net of tax	$ (40,296)	$ (119,645)	$ (108,206)	$ (225,894)

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 December 31, 2025

	Common Stock				Additional paid in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Total stockholders’ equity
	Class A		Class B					
	Shares	Amount	Shares	Amount				
Balance at September 30, 2025	167,175	$ 2	96,050	$ 1	$ 5,925,417	$ (2,814)	$ (4,543,670)	$ 1,378,936
Common stock issued	2,155	—	—	—	—	—	—	—
Conversion from Class B Common Stock to Class A Common Stock	981	—	(981)	—	—	—	—	—
Stock-based compensation	—	—	—	—	452,624	—	—	452,624
Repurchases of Class A Common Stock	(1,279)	—	—	—	—	—	(200,415)	(200,415)
Other comprehensive income (loss), net of tax	—	—	—	—	—	2,349	—	2,349
Net loss	—	—	—	—	—	—	(42,645)	(42,645)
Balance at December 31, 2025	169,032	$ 2	95,069	$ 1	$ 6,378,041	$ (465)	$ (4,786,730)	$ 1,590,849

Three Months Ended December 31, 2024

	Common Stock				Additional paid in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Total stockholders’ equity
	Class A		Class B					
	Shares	Amount	Shares	Amount				
Balance at September 30, 2024	160,558	$ 2	99,995	$ 1	$ 4,498,214	$ 42,820	$ (3,512,203)	$ 1,028,834
Common stock issued	1,770	—	—	—	—	—	—	—
Conversion from Class B Common Stock to Class A Common Stock	1,018	—	(1,018)	—	—	—	—	—
Stock-based compensation	—	—	—	—	378,730	—	—	378,730
Repurchases of Class A Common Stock	(368)	—	—	—	—	—	(68,364)	(68,364)
Other comprehensive income (loss), net of tax	—	—	—	—	—	(81,437)	—	(81,437)
Net loss	—	—	—	—	—	—	(38,208)	(38,208)
Balance at December 31, 2024	162,978	$ 2	98,977	$ 1	$ 4,876,944	$ (38,617)	$ (3,618,775)	$ 1,219,555

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

Six Months Ended December 31, 2025

	Common Stock				Additional paid in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Total stockholders’ equity
	Class A		Class B					
	Shares	Amount	Shares	Amount				
Balance at June 30, 2025	165,860	$ 2	97,031	$ 1	$ 5,574,290	$ 13,226	$ (4,241,865)	$ 1,345,654
Common stock issued	3,872	—	—	—	—	—	—	—
Conversion from Class B Common Stock to Class A Common Stock	1,962	—	(1,962)	—	—	—	—	—
Stock-based compensation	—	—	—	—	803,751	—	—	803,751
Repurchases of Class A Common Stock	(2,662)	—	—	—	—	—	(450,350)	(450,350)
Other comprehensive income (loss), net of tax	—	—	—	—	—	(13,691)	—	(13,691)
Net loss	—	—	—	—	—	—	(94,515)	(94,515)
Balance at December 31, 2025	169,032	$ 2	95,069	$ 1	$ 6,378,041	$ (465)	$ (4,786,730)	$ 1,590,849

Six Months Ended December 31, 2024

	Common Stock				Additional paid in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Total stockholders' equity
	Class A		Class B					
	Shares	Amount	Shares	Amount				
Balance at June 30, 2024	159,388	$ 2	101,012	$ 1	$ 4,212,064	$ 25,300	$ (3,204,516)	$ 1,032,851
Common stock issued	3,054	—	—	—	4	—	—	4
Conversion from Class B Common Stock to Class A Common Stock	2,035	—	(2,035)	—	—	—	—	—
Stock-based compensation	—	—	—	—	664,876	—	—	664,876
Repurchases of Class A Common Stock	(1,499)	—	—	—	—	—	(252,282)	(252,282)
Other comprehensive income (loss), net of tax	—	—	—	—	—	(63,917)	—	(63,917)
Net loss	—	—	—	—	—	—	(161,977)	(161,977)
Balance at December 31, 2024	162,978	$ 2	98,977	$ 1	$ 4,876,944	$ (38,617)	$ (3,618,775)	$ 1,219,555

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 December 31,		Six Months Ended December 31,	
	2025	**2024**	**2025**	**2024**
Cash flows from operating activities:				
Net loss	$ (42,645)	$ (38,208)	$ (94,515)	$ (161,977)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization	35,621	23,149	59,954	45,976
Stock-based compensation	452,624	378,730	803,751	664,876
Impairment charges for leases and leasehold improvements	—	—	26,673	—
Deferred income taxes	(48,628)	(2,161)	(48,708)	(2,929)
Amortization of interest rate swap contracts	(1,611)	(6,865)	(7,163)	(14,020)
Net loss (gain) on strategic investments	2,555	2,611	(23,971)	17,903
Net foreign currency loss (gain)	(504)	(5,621)	1,327	(2,581)
Other	(88)	(968)	80	23
Changes in operating assets and liabilities, net of business combinations:				
Accounts receivable, net	(367,390)	(211,755)	(126,029)	(67,725)
Prepaid expenses and other assets	(43,578)	(25,759)	(136,259)	(65,673)
Accounts payable	35,315	24,863	10,358	14,719
Accrued expenses and other liabilities	32,956	30,464	(82,060)	(77,704)
Deferred revenue	123,178	183,425	(76,919)	81,509
Net cash provided by operating activities	177,805	351,905	306,519	432,397
Cash flows from investing activities:				
Business combinations, net of cash acquired	(1,213,177)	—	(1,228,875)	(4,975)
Purchases of property and equipment	(9,289)	(9,336)	(23,401)	(15,487)
Purchases of strategic investments	(5,000)	(11,500)	(5,000)	(25,550)
Purchases of marketable securities	(4,496)	(116,619)	(67,259)	(160,323)
Proceeds from maturities of marketable securities	53,222	25,480	85,109	71,628
Proceeds from sales of strategic investments	34,840	271	34,840	4,313
Net cash used in investing activities	(1,143,900)	(111,704)	(1,204,586)	(130,394)
Cash flows from financing activities:				
Repurchases of Class A Common Stock	(197,440)	(69,241)	(450,246)	(252,851)
Other	—	—	—	(3,143)
Net cash used in financing activities	(197,440)	(69,241)	(450,246)	(255,994)
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	(823)	(9,056)	(6,752)	(5,492)
Net increase (decrease) in cash, cash equivalents, and restricted cash	(1,164,358)	161,904	(1,355,065)	40,517
Cash, cash equivalents, and restricted cash at beginning of period	2,323,055	2,056,735	2,513,762	2,178,122
Cash, cash equivalents, and restricted cash at end of period	$ 1,158,697	$ 2,218,639	$ 1,158,697	$ 2,218,639
Reconciliation of cash, cash equivalents, and restricted cash within the condensed consolidated balance sheets to the amounts shown in the condensed consolidated statements of cash flows above:				
Cash and cash equivalents	$ 1,158,122	$ 2,217,604	$ 1,158,122	$ 2,217,604
Restricted cash included in other non-current assets	575	1,035	575	1,035
Total cash, cash equivalents, and restricted cash	$ 1,158,697	$ 2,218,639	$ 1,158,697	$ 2,218,639
Non-cash investing and financing activities:				
Purchase of property and equipment included in accrued expenses and other current liabilities	3,702	3,849	3,702	3,849
Repurchases of Class A Common Stock included in accrued expenses and other current liabilities	4,270	2,375	4,270	2,375

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 (the “Company”) is a global technology company with a mission to unleash the potential of every team. The Company’s team collaboration software enables organizations to connect all teams through a system of work that unlocks productivity at scale. The Company’s portfolio of interconnected apps, AI agents, and products, each with discrete value propositions, delivers solutions for software teams, IT operations and support teams, leadership, and business teams. Atlassian puts AI at the center of the Company’s portfolio to enhance teamwork for users across apps and Collections, a carefully curated set of apps and agents designed to solve complex tasks. These apps, agents, and Collections are all built on the Atlassian Cloud Platform and data model: a common technology foundation that seamlessly connects teams, information, and workflows throughout an organization.

The Company’s fiscal year ends on June 30 of each year. References to fiscal year 2026, for example, refer to the fiscal year ending June 30, 2026.

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”), which 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 December 31, 2025 and June 30, 2025, the statements of operations, comprehensive income (loss), stockholders’ equity, and cash flows for the three and six months ended December 31, 2025 and 2024.

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. Such management estimates and assumptions include, but are not limited to, the determination of:

- the standalone selling price of performance obligations for revenue contracts with multiple performance obligations;
- the fair value of assets acquired and liabilities assumed for business combinations;
- the recognition, measurement and valuation of current and deferred income taxes and uncertain tax positions.

Actual results could differ materially from these estimates.

Segment

The Company operates as a single operating segment and derives revenue primarily from fees earned from subscription-based arrangements for providing customers with software in a cloud-based-infrastructure that the Company provides, and from the sale of on-premises term license agreements.

An operating segment is defined as a component of an entity for which discrete financial information is available and whose results of operations are regularly reviewed by the chief operating decision maker ("CODM"). The Company has identified the CEO, Mike Cannon-Brookes, as the CODM. The CODM manages the Company using consolidated financial information. Further, the Company offers a connected portfolio of apps that are built on a single Atlassian platform and data model. Accordingly, the Company has determined it operates as a single operating and reportable segment.

The CODM uses consolidated net loss to allocate resources, including headcount, and make business investment decisions during the Company's budgeting process. The CODM also uses consolidated net loss to assess performance by comparing the consolidated results to forecasts. Significant segment expenses are organized by function and are presented on the condensed consolidated statements of operations. Other segment items included in consolidated net loss are: other income and expense, net, interest income, interest expense, and the provision for income taxes, which are reflected in the condensed consolidated statements of operations.

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 2025, which was filed with the SEC on August 15, 2025.

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 receivable and contract assets are credit-impaired. As of December 31, 2025, and June 30, 2025, no customer represented more than 10% of the total accounts receivable balance. For the three and six months ended December 31, 2025, and 2024, no customer represented more than 10% of total revenues.

New Accounting Standards Not Yet Adopted in Fiscal Year 2026

In December 2023, the FASB issued ASU No. 2023-09 *"Income Taxes (Topic 740): Improvements to Income Tax Disclosures."* This ASU requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. This ASU is effective for annual reporting periods beginning after December 15, 2024. The Company is currently evaluating the impact of the new guidance and expects to adopt ASU 2023-09 in its consolidated financial statements for the year ended June 30, 2026. The adoption will require certain additional disclosure in the notes to the Company's consolidated financial statements.

In November 2024, the FASB issued ASU No. 2024-03 *"Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures."* This ASU requires disaggregated disclosure of income statement expenses for public entities. The ASU does not change the expense captions an entity presents on the face of the income statement; rather, it requires disaggregation of certain expense captions into specified categories in disclosures within the footnotes to the financial statements. This ASU is effective for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements and disclosures.

In July 2025, the FASB issued ASU 2025-05 "*Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets for Private Companies and Certain Not-for-Profit Entities,"* which amends ASC 326-20 to provide a practical expedient and an accounting policy election (for all entities, other than public business entities that elect the practical expedient) related to the estimation of expected credit losses for current accounts receivable and current contract assets that arise from transactions accounted for under ASC 606. This ASU is effective for fiscal years beginning after December 15, 2025, and early adoption is permitted. The Company is currently evaluating the impact of the new guidance and does not expect it to have a material impact on its consolidated financial statements.

In September 2025, the FASB issued ASU 2025-06 *"Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software."* This ASU makes targeted improvements to the accounting for internally developed software subject to ASC 350-40. This ASU is effective for fiscal years beginning after December 15, 2027, and early adoption is permitted. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements.

In November 2025, the FASB issued ASU 2025-11 *"Interim Reporting, (Topic 270),"* which clarifies interim reporting guidance and centralizes condensed interim disclosure requirements. This ASU is effective for interim periods within fiscal years beginning after December 15, 2027, and early adoption is permitted. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements and disclosures.

In December 2025, the FASB issued ASU 2025-12, *"Codification Improvements,"* which clarifies guidance and makes minor improvements across various topics, including earnings per share, receivables, revenue, income taxes, and equity. This ASU is effective for annual periods beginning after December 15, 2026, and interim periods within those annual periods, with early adoption permitted. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements and disclosures.

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 December 31, 2025, 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	$ 515,441	$ —	$ 515,441
Marketable securities:			
U.S. treasury securities	—	197,753	197,753
Agency securities	—	3,210	3,210
Certificates of deposit and time deposits	—	10,000	10,000
Commercial paper	—	12,433	12,433
Corporate debt securities	—	184,536	184,536
Derivative financial instruments	—	21,658	21,658
Total assets measured at fair value	$ 515,441	$ 429,590	$ 945,031
Liabilities measured at fair value			
Derivative financial instruments	$ —	$ 4,846	$ 4,846
Total liabilities measured at fair value	$ —	$ 4,846	$ 4,846

The following table presents the Company's financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2025, 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	$ 1,774,138	$ —	$ 1,774,138
Corporate debt securities	—	382	382
Marketable securities:			
U.S. treasury securities	—	176,661	176,661
Agency securities	—	3,216	3,216
Certificates of deposit and time deposits	—	10,000	10,000
Commercial paper	—	19,697	19,697
Corporate debt securities	—	214,694	214,694
Derivative financial instruments	—	23,234	23,234
Total assets measured at fair value	$ 1,774,138	$ 447,884	$ 2,222,022
Liabilities measured at fair value			
Derivative financial instruments	$ —	$ 2,445	$ 2,445
Total liabilities measured at fair value	$ —	$ 2,445	$ 2,445

Due to the short-term nature of accounts receivable, net, contract assets, accounts payable, 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 is classified within Level 3. The Company's privately held debt and equity securities amounted to $156.1 million and $168.8 million as of December 31, 2025, and June 30, 2025, respectively.

4. Investments

Marketable Securities

The Company's investments of marketable securities as of December 31, 2025, consisted of the following (in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. treasury securities	$ 197,135	$ 618	$ —	$ 197,753
Agency securities	3,199	11	—	3,210
Certificates of deposit and time deposits	10,000	—	—	10,000
Commercial paper	12,433	—	—	12,433
Corporate debt securities	183,962	574	—	184,536
Total marketable securities	$ 406,729	$ 1,203	$ —	$ 407,932

The Company's investments of marketable securities as of June 30, 2025, consisted of the following (in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. treasury securities	$ 176,338	$ 388	$ (65)	$ 176,661
Agency securities	3,197	19	—	3,216
Certificates of deposit and time deposits	10,000	—	—	10,000
Commercial paper	19,697	—	—	19,697
Corporate debt securities	214,190	527	(23)	214,694
Total marketable securities	$ 423,422	$ 934	$ (88)	$ 424,268

The table below summarizes the Company's marketable securities by remaining contractual maturity (in thousands):

	December 31, 2025	June 30, 2025
Due in one year or less	$ 310,866	$ 271,923
Due in one year through five years	97,066	152,345
Total marketable securities	$ 407,932	$ 424,268

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 December 31, 2025, and June 30, 2025, unrealized losses and the related risk of expected credit losses were not material.

Strategic Investments

Carrying value of privately held debt securities

The Company's investments of privately held debt securities as of December 31, 2025, consisted of the following (in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Privately held debt securities	$ 7,430	$ —	$ (3,250)	$ 4,180

The Company's investments of privately held debt securities as of June 30, 2025, consisted of the following (in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Privately held debt securities	$ 7,780	$ —	$ (3,350)	$ 4,430

Carrying value of privately held equity securities

Privately held equity securities are measured using the measurement alternative. The carrying value is measured as the total initial cost plus the cumulative net gain (loss).

The carrying values for privately held equity securities as of December 31, 2025 are summarized below (in thousands):

	Privately held equity securities
Initial total cost	$ 142,302
Cumulative net gains (losses)	9,604
Carrying value	$ 151,906

Privately held equity securities' cumulative net losses are composed of downward adjustments and impairment charges of $5.4 million and upward adjustments of $15.0 million as of December 31, 2025.

During the three months ended December 31, 2025, the Company sold its holdings of its publicly traded equity securities. As such, the Company did not have any publicly traded equity securities as of December 31, 2025.

The carrying values for privately held equity securities as of June 30, 2025 are summarized below (in thousands):

	Privately held equity securities
Initial total cost	$ 166,302
Cumulative net losses	(1,909)
Carrying value	$ 164,393

Privately held equity securities' cumulative net losses are composed of downward adjustments and impairment charges of $8.5 million and upward adjustments of $6.6 million as of June 30, 2025.

Gains and Losses on Strategic Investments

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2025	2024	2025	2024
Unrealized gains recognized on publicly traded equity securities	$ —	$ —	$ 24,729	$ —
Unrealized gains recognized on privately held equity securities	7,549	—	9,846	—
Unrealized losses recognized on privately held equity securities including impairment	(749)	—	$ (1,249)	$ —
Unrealized losses on privately held debt securities	(250)	—	(250)	—
Unrealized gains, net	$ 6,550	$ —	$ 33,076	$ —
Realized losses recognized on sales of publicly traded equity securities	(10,070)	—	(10,070)	—
Realized losses recognized on privately held equity securities	—	(2,611)	—	(2,645)
Realized gains recognized on privately held equity securities	965	—	965	—
Gains (losses) on strategic investments, net	$ (2,555)	$ (2,611)	$ 23,971	$ (2,645)
Unrealized gains recognized during the reporting period on privately held equity securities still held at the reporting date	$ 6,800	$ —	$ 8,597	$ —

Unrealized gains recognized on privately held equity securities include upward adjustments from equity securities accounted for under the measurement alternative, while unrealized losses recognized on privately held equity securities include downward adjustments and impairment. Realized gains on sales of privately held securities, net, reflect 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.

Realized gains and losses recognized on sales of publicly traded equity securities reflect the difference between the sale proceeds and the carrying value of the security at the beginning of the period.

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.

The following table sets forth the carrying amounts of the equity method investment and the movements during fiscal year 2025 and the six months ended December 31, 2025 (in thousands):

	Equity Method Investment
Balance as of June 30, 2024	$ 74,510
Share of losses	(20,433)
Effect of change in exchange rates	(958)
Balance as of June 30, 2025	53,119
Share of losses	—
Effect of change in exchange rates	774
Balance as of December 31, 2025	$ 53,893

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 December 31, 2025 (in thousands):

	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	$ 1,008,770	$ 65,189	$ 1,073,959	$ 760,817	$ 313,142	$ 1,073,959

The following table sets forth the notional amounts of the Company's hedging derivative instruments as of June 30, 2025 (in thousands):

	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	$ 1,064,280	$ 79,858	$ 1,144,138	$ 765,613	$ 378,525	$ 1,144,138

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

	Balance Sheet Location	December 31, 2025	June 30, 2025
Derivative assets			
Derivatives designated as hedging instruments:			
Foreign exchange forward contracts	Prepaid expenses and other current assets	$ 18,423	$ 16,210
Foreign exchange forward contracts	Other non-current assets	926	3,715
Derivatives not designated as hedging instruments:			
Foreign exchange forward contracts	Prepaid expenses and other current assets	2,309	3,309
Total derivative assets		$ 21,658	$ 23,234
Derivative liabilities			
Derivatives designated as hedging instruments:			
Foreign exchange forward contracts	Accrued expenses and other current liabilities	$ 4,493	$ 2,409
Foreign exchange forward contracts	Other non-current liabilities	185	—
Derivatives not designated as hedging instruments:			
Foreign exchange forward contracts	Accrued expenses and other current liabilities	168	36
Total derivative liabilities		$ 4,846	$ 2,445

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 December 31,		Six Months Ended December 31,	
	2025	2024	2025	2024
Beginning balance of accumulated gains in accumulated other comprehensive income (loss)	$ 13,991	$ 51,930	$ 24,679	$ 41,424
Gross unrealized gains (losses) recognized in other comprehensive income (loss)	3,216	(57,867)	(3,493)	(39,852)
Net losses (gains) reclassified from cash flow hedge in accumulated other comprehensive income (loss) into profit or loss:				
Recognized in cost of revenues	181	32	361	(11)
Recognized in research and development	(1,731)	(2,049)	(648)	(2,489)
Recognized in marketing and sales	(32)	(48)	15	9
Recognized in general and administrative	571	(400)	834	(328)
Recognized in interest expense	(1,611)	(6,865)	(7,163)	(14,020)
Ending balance of accumulated gains in accumulated other comprehensive income (loss)	$ 14,585	$ (15,267)	$ 14,585	$ (15,267)

6. Property and Equipment

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

	December 31, 2025	June 30, 2025
Equipment	$ 19,458	$ 15,008
Computer hardware and software	63,282	58,559
Furniture and fittings	27,521	25,217
Leasehold improvements and other	142,219	154,113
Property and equipment, gross	252,480	252,897
Less: accumulated depreciation	(154,528)	(147,779)
Property and equipment, net	$ 97,952	$ 105,118

Depreciation expense was $10.3 million and $9.3 million for the three months ended December 31, 2025, and 2024, respectively, and $21.0 million and $18.2 million for the six months ended December 31, 2025 and 2024, respectively.

During the six months ended December 31, 2025, the Company recorded a $1.1 million impairment charge, which is recorded in leasehold improvements and other, as a result of its facilities consolidation restructuring efforts. Refer to Note 14, "*Restructuring*," for additional information.

7. Business Combinations

The Browser Company of New York Inc.

On October 20, 2025, the Company acquired 100% of the outstanding equity of The Browser Company of New York Inc. ("BCNY"), the company behind the Dia and Arc browsers. The total purchase price was $488.3 million, composed of $481.5 million in cash and $6.8 million in non-cash settlement of existing BCNY shares included in our strategic investments. The acquisition of BCNY further expands offerings to Atlassian customers by providing a browser for enterprises designed for knowledge workers using SaaS applications in the AI-era.

The following table summarizes the preliminary fair values of assets acquired and liabilities assumed as of the date of acquisition (in thousands):

	Fair Value
Cash and cash equivalents	$ 22,160
Prepaid expenses and other current assets	1,235
Intangible assets, net	91,000
Goodwill	376,885
Accrued expenses and other current liabilities	(2,102)
Deferred tax liabilities	(832)
Net assets acquired	$ 488,346

The excess of purchase price over the fair value of assets acquired and liabilities assumed was recorded as goodwill. The resulting goodwill is primarily attributed to the assembled workforce and expanded market opportunities, including providing the BCNY browsers to customers as an additional product along with existing Company offerings. The goodwill is not deductible in the U.S. for income tax purposes. The fair values assigned to assets acquired and liabilities assumed are preliminary and based on management's estimates and assumptions which may be subject to change as additional information is received. The primary areas that remain preliminary relate to the fair values of certain intangible assets acquired, certain tangible assets and liabilities acquired, contingencies as of the acquisition date, income tax, including deferred taxes, and residual goodwill. The Company expects to finalize the valuation no later than one year from the acquisition date.

The following table sets forth the components of identifiable intangible assets acquired and their estimated useful lives as of the date of acquisition (in thousands, except for useful life):

	Fair Value	Useful Life
Developed Technology	$ 80,000	3
Trade Name	11,000	3

Developed technology represents the estimated fair value of BCNY's AI-enabled browser technology. Trade name represents the estimated fair value of the BCNY trade name.

In connection with the transaction, the Company granted $8.2 million worth of replacement awards in the form of restricted stock unit ("RSU") awards to BCNY employees and $97.0 million worth of RSU awards to certain key BCNY employees. The fair value of the RSU awards was based on the stock price of the Company on the grant date. The RSU awards are subject to future vesting provisions based on service conditions, and the related expense is accounted for as stock-based compensation and classified in the condensed consolidated statement of operations according to the activities that the employees perform.

A Software Company

On November 10, 2025, the Company acquired 100% of the outstanding equity of A Software Company ("DX"), which specializes in engineering intelligence. The acquisition of DX further expands the offerings to Atlassian customers and enhances our Collections. The total purchase price was composed of $720.4 million in cash.

The following table summarizes the preliminary fair values of assets acquired and liabilities assumed as of the date of acquisition (in thousands):

		Fair Value
Cash and cash equivalents	$	27,910
Accounts Receivable		6,529
Other non-current assets		9,929
Intangible assets, net		182,800
Goodwill		557,439
Accrued expenses and other current liabilities		(1,706)
Deferred revenue, current		(25,482)
Deferred tax liabilities		(26,865)
Other non-current liabilities		(10,192)
Net assets acquired	$	720,362

The excess of purchase price over the fair value of assets acquired and liabilities assumed was recorded as goodwill. The resulting goodwill is primarily attributed to the assembled workforce and expanded market opportunities, including integrating the DX engineering intelligence platform with existing Company offerings. The goodwill is not deductible in the U.S. for income tax purposes. The fair values assigned to assets acquired and liabilities assumed are preliminary and based on management's estimates and assumptions which may be subject to change as additional information is received. The primary areas that remain preliminary relate to the fair values of certain intangible assets acquired, certain tangible assets and liabilities acquired, contingencies as of the acquisition date, income tax, including deferred taxes, and residual goodwill. The Company expects to finalize the valuation no later than one year from the acquisition date.

The following table sets forth the components of identifiable intangible assets acquired and their estimated useful lives as of the date of acquisition (in thousands, except for useful life):

		Fair Value	Useful Life
Developed Technology	$	138,000	5
Trade Name		37,000	5
Customer Relationships		4,800	5
Backlog		3,000	3

Developed technology represents the estimated fair value of DX's engineering intelligence technology. Trade name represents the estimated fair value of the DX trade name.

In connection with the transaction, the Company granted $201.8 million in restricted stock and provided $38.9 million in deferred cash compensation to certain key DX employees. The fair value of the restricted stock was based on the Company's stock price on the grant date. Both the restricted stock and cash compensation are subject to future vesting provisions based on service conditions. The related expense for the restricted stock and cash compensation is accounted for as employee compensation expense, specifically stock-based compensation related to the restricted stock, and is classified in the condensed consolidated statement of operations according to the activities that the employees perform.

Other Fiscal Year 2026 Business Combinations

During the six months ended December 31, 2025, the Company completed two additional acquisitions to expand its offerings. The transactions were accounted for as business combinations and were not material individually or in the aggregate to the condensed consolidated financial statements.

Total transaction costs incurred related to the Company's fiscal year 2026 business combinations were not material.

The Company has included the financial results of each business combination in its condensed consolidated financial statements from the date of acquisition, which were not material for the three months ended December 31, 2025. Pro forma results of operations have not been presented for the three and six months ended December 31, 2025 and 2024 because the effect of the acquisitions individually and in the aggregate would not be material to our condensed consolidated financial statements.

8. 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 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, 2025	$ 1,304,445
Additions	999,243
Effect of change in exchange rates	1,444
Balance as of December 31, 2025	$ 2,305,132

Intangible Assets

Intangible assets consisted of the following as of December 31, 2025 (in thousands):

	Gross Carrying Amount	Accumulated Amortization	Net
Acquired developed technology	$ 700,262	$ (308,005)	$ 392,257
Patents, trade names, and other rights	118,928	(42,066)	76,862
Customer relationships	143,487	(117,647)	25,840
Total Intangible Assets	$ 962,677	$ (467,718)	$ 494,959

Intangible assets consisted of the following as of June 30, 2025 (in thousands):

	Gross Carrying Amount	Accumulated Amortization	Net
Acquired developed technology	$ 466,932	$ (278,525)	$ 188,407
Patents, trade names, and other rights	70,928	(37,337)	33,591
Customer relationships	135,687	(112,845)	22,842
Total Intangible Assets	$ 673,547	$ (428,707)	$ 244,840

The weighted-average remaining useful lives of the Company's acquired intangible assets as of December 31, 2025 were as follows:

	Weighted-Average Remaining Useful Lives (Years)
Acquired developed technology	4
Patents, trade names, and other rights	5
Customer relationships	3

Amortization expense for intangible assets was approximately $25.4 million and $13.9 million for the three months ended December 31, 2025, and 2024, respectively and $39.0 million and $27.8 million for the six months ended December 31, 2025 and 2024, respectively.

The following table presents the estimated future amortization expense related to intangible assets held as of December 31, 2025 (in thousands):

Fiscal Years:		
Remainder of 2026	$	62,518
2027		120,083
2028		117,321
2029		87,843
2030		73,839
Thereafter		33,355
Total future amortization expense	$	494,959

9. Accrued Expenses and Other Current Liabilities

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

	December 31, 2025		June 30, 2025	
Accrued expenses	$	216,138	$	180,197
Employee benefits		320,210		422,986
Tax liabilities		9,182		36,726
Customer deposits		19,153		16,396
Other payables		39,167		25,296
Total accrued expenses and other current liabilities	$	603,850	$	681,601

10. Debt

Credit Facility

In August 2024, the Company's principal U.S. operating subsidiary, Atlassian US, Inc., entered into an amended and restated credit agreement (the "2024 Credit Agreement"), which eliminated a term loan facility and provides for a $750 million senior unsecured revolving credit facility (the "2024 Credit Facility"). The 2024 Credit Agreement replaced the Company's prior credit agreement entered into in October 2020 ("2020 Credit Agreement"), which provided for a $1 billion senior unsecured delayed-draw term loan facility (the "Term Loan") and a $500 million senior unsecured revolving credit facility.

The 2024 Credit Facility bears interest, at the Company's option, at a base rate or the Secured Overnight Financing Rate, plus, in each case, a spread of 0.875% to 1.50% per annum. In each case, the applicable margin will be determined by the consolidated leverage ratio of the Company and its subsidiaries, or, following the Company's one-time option, the Company's credit rating. The Company may repay outstanding loans under the 2024 Credit Facility at any time, without premium or penalty, and the Company has the option to request an increase of $250 million in certain circumstances. The 2024 Credit Facility matures in August 2029. As of December 31, 2025 there were no borrowings under the 2024 Credit Facility.

The Company is also obligated to pay a commitment fee on the undrawn amounts of the 2024 Credit Facility at an annual rate ranging from 0.075% to 0.20%, determined by the Company's consolidated leverage ratio, or, following the Company's one-time option, the Company's credit rating.

The 2024 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 increases to 4.5x during the period of four fiscal quarters immediately following a material acquisition. As of December 31, 2025, the Company was in compliance with all covenants associated with the 2024 Credit Facility.

Senior Notes

On May 15, 2024, the Company issued $500.0 million aggregate principal amount of 5.250% senior notes due 2029 (the “2029 Notes”) and $500.0 million aggregate principal amount of 5.500% senior notes due 2034 (the “2034 Notes,” and together with the 2029 Notes, the “Notes”). The 2029 Notes and the 2034 Notes will mature on May 15, 2029, and May 15, 2034, respectively. The 2029 Notes bear interest at a rate of 5.250% per year. The 2034 Notes bear interest at a rate of 5.500% per year. Interest on the Notes is paid semi-annually in arrears on May 15 and November 15 of each year, beginning on November 15, 2024.

The Notes are senior unsecured obligations of the Company. The Company may redeem either series of the Notes, in whole or in part, at any time or from time to time at the applicable redemption price. Upon the occurrence of a change of control event, the Company will be required to make an offer to repurchase all outstanding Notes from their holders at a price equal to 101% of their principal amount thereof, plus accrued and unpaid interest to, but not including, the date of repurchase. The indenture governing the Notes also includes covenants (including certain limited covenants restricting the Company’s ability to incur certain liens and enter into certain sale and leaseback transactions), events of default, and other customary provisions. As of December 31, 2025, the Company was in compliance with all covenants associated with the Notes.

The Company incurred debt discount and issuance costs of approximately $14.3 million in connection with the Notes offering, which were allocated on a pro rata basis to the 2029 Notes and 2034 Notes. The debt discount and issuance costs are amortized on an effective interest rate method to interest expense over the contractual term of the Notes. The proceeds from this offering, net of debt discounts and issuance costs, were $985.7 million. The net proceeds were used primarily to repay the Term Loan.

The components of the Notes were as follows (in thousands, except percentage data):

Instrument	Expected Remaining Term (years)	Contractual Interest Rate	Effective Interest Rate	December 31, 2025	June 30, 2025
2029 Notes	3.4	5.250 %	5.55 %	$ 500,000	$ 500,000
2034 Notes	8.4	5.500 %	5.71 %	500,000	500,000
Unamortized debt discount and issuance costs				(11,391)	(12,316)
Long-term debt				$ 988,609	$ 987,684

The total estimated fair value of the Notes was approximately $1.04 billion and $1.03 billion as of December 31, 2025, and June 30, 2025, respectively. The estimated fair value of the Notes, which the Company deems Level 2 financial instruments, was determined based on quoted bid prices in an over-the-counter market on the last trading day of the reporting period.

11. Commitments and Contingencies

Noncancellable Purchase Obligations

The Company has contractual commitments for services with third parties related to its cloud services platform, marketing-related contracts, and other services. These commitments are non-cancellable and expire within two to seven years, as disclosed in Note 11, *“Commitments and Contingencies*” of its Annual Report on Form 10-K for fiscal year 2025.

Operating Leases

During the six months ended December 31, 2025, the Company recorded a $25.2 million impairment charge for operating lease right-of-use assets as a result of its facilities consolidation restructuring efforts. Refer to Note 14, “*Restructuring*,” for additional information.

There were no other 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 9, “*Leases,*” of the Company’s Annual Report on Form 10-K for fiscal year 2025.

Supplemental information related to operating leases were as follows (in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2025	2024	2025	2024
Operating lease costs	$ 9,803	$ 10,909	$ 20,428	$ 21,575
Right-of-use assets obtained in exchange for new operating lease liabilities	$ —	$ 13,363	$ 239	$ 20,789

Legal Proceedings

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 resolutions of these pending legal matters are 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 its condensed consolidated financial statements.

12. Revenue

Remaining Performance Obligations

The 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 December 31, 2025, approximately $3.8 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 71% 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 offerings were as follows (in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2025	2024	2025	2024
Americas				
United States	$ 648,343	$ 537,396	$ 1,261,360	$ 1,043,623
Other Americas	97,905	81,769	190,674	160,041
Total Americas	746,248	619,165	1,452,034	1,203,664
EMEA				
Germany	166,166	131,991	308,144	249,793
Other EMEA	497,174	393,491	921,275	744,958
Total EMEA	663,340	525,482	1,229,419	994,751
Asia Pacific	176,727	141,816	337,415	275,829
Total revenues	$ 1,586,315	$ 1,286,463	$ 3,018,868	$ 2,474,244

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2025	2024	2025	2024
Cloud	$ 1,067,027	$ 846,962	$ 2,064,735	$ 1,639,268
Data Center	435,616	362,281	808,264	697,875
Marketplace and other	83,672	77,220	145,869	137,101
Total revenues	$ 1,586,315	$ 1,286,463	$ 3,018,868	$ 2,474,244

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 products, which are 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. Marketplace and other offerings mainly include fees received for sales of third-party apps in the Atlassian Marketplace and services like premier support, advisory services and training services. 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.

In September 2025, the Company announced plans to end-of-life its Data Center deployment offering. Beginning in March 2026, the Company will no longer sell term licenses to new customers, and the Company will stop selling term licenses and expansions to existing customers in March 2028. Subject to limited exceptions, the Company plans to end maintenance and support for its Data Center offerings in March 2029.

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 that are refundable. The changes in the balances of deferred revenue were as follows (in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2025	2024	2025	2024
Balance, beginning of period	$ 2,281,156	$ 2,012,820	$ 2,481,254	$ 2,114,736
Additions	1,736,668	1,469,888	2,969,123	2,555,753
Revenue	(1,586,315)	(1,286,463)	(3,018,868)	(2,474,244)
Balance, end of period	$ 2,431,509	$ 2,196,245	$ 2,431,509	$ 2,196,245

For the three months ended December 31, 2025 and 2024, approximately 40% and 41% of revenue recognized was from the deferred revenue balances at the beginning of each fiscal year, respectively. For the six months ended December 31, 2025 and 2024, approximately 50% and 51% 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 were as follows (in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2025	2024	2025	2024
Balance, beginning of period	$ 140,598	$ 83,444	$ 136,340	$ 79,711
Additions	43,657	23,833	62,754	36,063
Amortization expense	(15,966)	(10,026)	(30,805)	(18,523)
Balance, end of period	$ 168,289	$ 97,251	$ 168,289	$ 97,251
Deferred contract acquisition costs included in:				
Prepaid expenses and other current assets			$ 62,443	$ 36,578
Other non-current assets			105,846	60,673
Total			$ 168,289	$ 97,251

There were no impairment losses recorded during the periods presented.

13. Geographic Information

The Company’s long-lived assets by geographic regions were as follows (in thousands):

	December 31, 2025	June 30, 2025
United States	$ 129,828	$ 168,841
Australia	50,814	54,073
India	30,096	34,909
All other countries	13,689	16,422
Total long-lived assets	$ 224,427	$ 274,245

Long-lived assets for this purpose consist of property and equipment and operating lease right-of-use assets.

14. Restructuring

During the first quarter of fiscal year 2026, the Company initiated a rebalancing of resources resulting in the elimination of certain roles. These actions were part of the Company’s initiatives to reduce additional capacity no longer necessary due to the increased ability, accessibility, performance, stability, and supportability of its products. As a result, the Company recorded severance and other termination benefits of $27.9 million, and stock-based compensation of $1.4 million for the affected employees for the six months ended December 31, 2025.

In addition, during the first quarter of fiscal year 2026, the Company exited certain floors of a leased property, which it plans to sublease, in order to optimize its real estate footprint. As a result, the Company recorded impairment charges for the related operating lease right-of-use assets and leasehold improvements of $26.3 million for the six months ended December 31, 2025. The fair values of the impaired assets were estimated using discounted cash flow models (income approach) based on market participant assumptions with Level 3 fair value inputs. The assumptions used in estimating fair value include the expected downtime prior to the commencement of future subleases, projected sublease income over the remaining lease periods, and discount rates that reflect the level of risk associated with receiving future cash flows.

The execution of these actions, including cash payment of the severance and other termination benefits and related liabilities, was substantially completed as of December 31, 2025.

A summary of the Company’s restructuring charges for the six months ended December 31, 2025, by major activity type was as follows (in thousands):

	Severance and Other Termination Benefits	Stock-based Compensation	Lease Consolidation	Total
Cost of revenue	$ 27,794	$ 1,432	$ 2,366	$ 31,592
Research and development	—	—	12,102	12,102
Marketing and sales	—	—	8,154	8,154
General and administrative	95	—	3,735	3,830
Total	$ 27,889	$ 1,432	$ 26,357	$ 55,678

The following table is a summary of the changes in the liabilities, included within accrued expenses and other current liabilities on the condensed consolidated balance sheets as of December 31, 2025, related to the restructuring charges (in thousands):

	Severance and Other Termination Benefits	Stock-based Compensation	Lease Consolidation	Total
Charges	$ 27,889	$ 1,432	$ 26,357	$ 55,678
Payments	(22,215)	—	(50)	(22,265)
Non-cash items	(446)	(1,432)	(26,307)	(28,185)
Liability as of December 31, 2025	$ 5,228	$ —	$ —	$ 5,228

15. Stockholders' Equity

Stock-based Compensation

A summary of RSU activity for the six months ended December 31, 2025 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, 2025	$ 16,578,020	$ 190.98	$ 3,366,830
Granted	13,120,190	166.45	—
Vested	(3,833,577)	195.82	604,727
Forfeited or cancelled	(1,598,962)	179.38	—
Balance as of December 31, 2025	$ 24,265,671	$ 177.56	$ 3,934,436

As of December 31, 2025, total compensation cost not yet recognized in the condensed consolidated financial statements related to employee and director RSU awards was $3.3 billion.

During the six months ended December 31, 2025, the Company granted 1,353,312 shares of restricted stock awards ("RSA") in connection with business combinations. During the six months ended December 31, 2024, the Company did not grant any shares of RSA. As of December 31, 2025 and June 30, 2025, there were 1,405,418 and 90,083 shares of RSA outstanding, respectively. These outstanding shares of RSA 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 RSA was $227.9 million and $18.3 million as of December 31, 2025 and June 30, 2025, respectively.

Share Repurchase Program

In September 2024, the Board of Directors authorized a program to repurchase up to $1.5 billion of the Company's outstanding Class A Common Stock (the "2024 Repurchase Program"). The 2024 Repurchase Program commenced in April 2025 following completion of the previous repurchase program.

In October 2025, the Board of Directors authorized a new program under which the Company may repurchase up to an additional $2.5 billion of the Company's outstanding Class A Common Stock (the "2025 Repurchase Program" and, together with the 2024 Repurchase Program, the "Repurchase Programs"). The 2025 Repurchase Program will commence following completion of the 2024 Repurchase Program.

The Repurchase Programs do not have a fixed expiration date, may be suspended or discontinued at any time, and do not obligate the Company to repurchase any specific dollar amount or to acquire any specific number of shares. The Company 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 Securities Exchange Act of 1934, as amended (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 the Company at its 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.

During the three and six months ended December 31, 2025, the Company repurchased and subsequently retired approximately 1.3 million and 2.7 million shares of its Class A Common Stock for approximately $200.4 million and $450.3 million at an average price per share of $156.74 and $169.21, respectively. All repurchases were made in open market transactions. As of December 31, 2025, the Company was authorized to purchase a remaining $720.9 million and $2.5 billion of its Class A Common Stock under the 2024 Share Repurchase Program and 2025 Share Repurchase Program, respectively.

16. 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 December 31,				Six Months Ended December 31,			
	2025		2024		2025		2024	
	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B
Numerator:								
Net loss	$ (26,961)	$ (15,684)	$ (23,725)	$ (14,483)	$ (59,171)	$ (35,344)	$ (100,188)	$ (61,789)
Denominator:								
Weighted-average shares outstanding, basic and diluted	166,797	97,031	162,158	98,989	164,906	98,503	161,321	99,491
Net loss per share, basic and diluted	$ (0.16)	$ (0.16)	$ (0.15)	$ (0.15)	$ (0.36)	$ (0.36)	$ (0.62)	$ (0.62)

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2025	2024	2025	2024
Class A Common Stock restricted stock units	16,762	6,805	12,666	8,598
Class A Common Stock restricted stock awards	69	48	36	33
Total	16,831	6,853	12,702	8,631

17. Income Taxes

The Company computes its provision for (benefit from) income taxes by applying the estimated annual effective tax rate to year-to-date ordinary income and adjusting the provision for (benefit from) income taxes 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 relative proportion of domestic and foreign earnings, current cash taxes in jurisdictions with 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 benefit of $13.1 million and $17.6 million for the three and six months ended December 31, 2025, respectively, as compared to an income tax benefit of $9.0 million and an income tax provision of $84.6 million for the three and six months ended December 31, 2024, respectively. The income tax benefit for the three and six months ended December 31, 2025 was primarily attributable to the mix of earnings and losses at various jurisdictions, valuation allowances in the U.S. and Australia, and non-deductible stock-based compensation in certain foreign jurisdictions.

The income tax benefit for the three months ended December 31, 2024 was primarily attributable to the mix of earnings and losses at various jurisdictions. The income tax provision for the six months ended December 31, 2024 was primarily attributable to the mix of earnings and losses at various jurisdictions, non-deductible stock-based compensation in certain foreign jurisdictions, and valuation allowances in the U.S. and Australia, partially offset by research and development tax credits and incentives.

On July 4, 2025, the U.S. government enacted The One Big Beautiful Bill Act ("OBBBA"), which includes, among other provisions, changes to the U.S. corporate income tax system such as allowing the immediate expensing of qualifying domestic research and development expenses and permanent extensions of certain provisions within the Tax Cuts and Jobs Act. Certain provisions are effective for the Company beginning in fiscal year 2026. The changes had an immaterial impact on the Company's benefit from income taxes for the three and six months ended December 31, 2025.

The Company regularly assesses the need for a valuation allowance against its deferred tax assets. In making that assessment, the Company considers both positive and negative evidence related to the likelihood of realization of the deferred tax assets to determine, based on the weight of available evidence, whether it is more likely than not that some or all of the deferred tax assets will not be realized. Based on available evidence as of December 31, 2025, the Company will continue to maintain a valuation allowance against U.S. federal, U.S. state, and Australian deferred tax assets. The Company intends to maintain the valuation allowance until sufficient positive evidence exists to support the reversal of, or a decrease in, the valuation allowance.

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, 2025, included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on August 15, 2025.

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," "plan," "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.

Overview

Our mission is to unleash the potential of every team.

Atlassian's team collaboration software enables organizations to connect all teams through a system of work that unlocks productivity at scale.

Our deeply interconnected portfolio of apps, AI agents, and products, each with discrete value propositions, delivers solutions for software teams, IT operations and support teams, leadership, and business teams. We've put AI at the center of our portfolio to enhance teamwork for users across our apps and Collections, a carefully curated set of apps and agents designed to solve complex tasks. These apps, agents, and Collections are all built on the Atlassian Cloud Platform and data model: a common technology foundation that seamlessly connects teams, information, and workflows throughout an organization.

We generate revenues primarily in the form of subscription fees. Subscription revenues consist primarily of fees earned from subscription-based arrangements for providing customers the right to use our software apps 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 apps and product offerings, prices, and pricing plans for our offerings, which may impact the growth rate of our revenue, and our deferred revenue balances, remaining performance obligations, and customer retention. Subscription revenue, through our Cloud and Data Center offerings, results in a large recurring revenue base.

In September 2025, we announced plans to end-of-life our Data Center deployment offering. Beginning in March 2026, we will no longer sell term licenses to new customers, and we will stop selling term licenses and expansions to existing customers in March 2028. Subject to limited exceptions, we also plan to end maintenance and support for on-premises versions of our products in March 2029. In order to support customers who face unique requirements or challenges, we will offer an approximately three-year extended maintenance period for certain customers.

In the second quarter of fiscal 2026, we completed the acquisitions of The Browser Company of New York Inc. ("BCNY") and A Software Company ("DX"). We believe integrating these technologies into our offerings will enhance customer value. BCNY has built a browser for enterprises optimized for SaaS applications in the AI-era. DX offers market-leading engineering intelligence that provides leaders with data-driven insights to understand how their investments are helping teams accelerate and improve their work and enhances the value of the offerings in our Collections.

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 are subject to risks and exposures from the evolving macroeconomic environment, inflationary pressures, interest rate policy, changes in trade policies, political instability, and geopolitical tensions. We monitor the direct and indirect impacts of these circumstances on our business and financial results. 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.

Restructuring

During the first quarter of fiscal 2026, we initiated a rebalancing of resources, resulting in the elimination of certain roles. These actions were part of our initiatives to reduce additional capacity no longer necessary due to the increased ability, accessibility, performance, stability, and supportability of our products. As a result, we recorded severance and other termination benefits of $27.9 million and stock-based compensation of $1.4 million for the affected employees for the six months ended December 31, 2025.

In addition, during the first quarter of fiscal 2026, we exited certain floors of a leased property, which we plan to sublease, in order to optimize our real estate footprint. As a result, we recorded impairment charges for the related operating lease right-of-use assets and leasehold improvements of $26.3 million for the six months ended December 31, 2025.

A summary of restructuring charges for the six months ended December 31, 2025 by major activity type is as follows (in thousands):

	Severance and Other Termination Benefits	Stock-based Compensation	Lease Consolidation	Total
Cost of revenue	$ 27,794	$ 1,432	$ 2,366	$ 31,592
Research and development	—	—	12,102	12,102
Marketing and sales	—	—	8,154	8,154
General and administrative	95	—	3,735	3,830
Total	$ 27,889	$ 1,432	$ 26,357	$ 55,678

The execution of these actions, including cash payment of the severance and other termination benefits related liabilities, was substantially completed as of December 31, 2025. Refer to Note 14, "*Restructuring*," in the notes of our condensed consolidated financial statements for additional information.

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, higher average price per user, and adoption of new apps or 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 with a small footprint by either adopting our free editions or purchasing a single app or product for a limited number of users. We are focused on continuing to grow our total customer base, specifically 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 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 apps, if the app deployments share a unique domain name, we only include the customer once for purposes of calculating a customer.

As of December 31, 2025, we had more than 350,000 customers. If we include single-user accounts and organizations that have only adopted our free or starter offerings, the active use of our offerings extends well beyond our total customer base. Through the extensive use of our software, 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.

The following table sets forth our number of customers with greater than $10,000 in Cloud ARR as of the dates presented:

	As of				
	December 31, 2024	March 31, 2025	June 30, 2025	September 30, 2025	December 31, 2025
Number of customers with greater than $10,000 in Cloud ARR	49,449	50,715	51,978	53,017	55,369

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 in the 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 December 31,		Six Months Ended December 31,	
	2025	2024	2025	2024
Net cash provided by operating activities	$ 177,805	$ 351,905	$ 306,519	$ 432,397
Less: Capital expenditures	(9,289)	(9,336)	(23,401)	(15,487)
Free cash flow	$ 168,516	$ 342,569	$ 283,118	$ 416,910

Free cash flow decreased by $174.1 million during the three months ended December 31, 2025, as compared to the three months ended December 31, 2024. The decrease in free cash flow was primarily attributable to a decrease in net cash provided by operating activities. The decrease in net cash provided by operating activities was primarily attributable to an increase in cash paid to employees, vendors, and cash paid for income taxes, partially offset by an increase in cash received from customers.

Free cash flow decreased by $133.8 million during the six months ended December 31, 2025 as compared to the six months ended December 31, 2025. The decrease in free cash flow was primarily attributable to a decrease in net cash provided by operating activities. The decrease in net cash provided by operating activities was primarily attributable to an increase in cash paid to employees, vendors, and cash paid for income taxes, partially offset by an increase in cash received from customers.

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 deployment, and the price of the licenses. Our subscription-based arrangements generally have a contractual term of one to twelve months. 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.

In September 2025, we announced plans to end-of-life our Data Center deployment offering. Beginning in March 2026, we will no longer sell term licenses to new customers, and we will stop selling term licenses and expansions to existing customers in March 2028. Subject to limited exceptions, we plan to end maintenance and support for these on-premises versions of our products in March 2029.

We expect subscription revenue, specifically from our Cloud offerings, to increase and continue to be our primary driver of revenue growth. We expect our revenue to fluctuate quarterly and within our quarterly financial results based on customer buying patterns.

Other Revenues

Other revenues primarily include fees received for sales of third-party apps in the Atlassian Marketplace. Advisory services 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 advisory services 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.

Cost of Revenues

Cost of revenues primarily consists of expenses related to hosting our cloud infrastructure, which includes third-party hosting fees and depreciation associated with computer equipment, compensation expenses for our employees, including stock-based compensation, 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 expenses, and facilities and related overhead costs.

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

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.

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 mix.

We expect gross margin to increase modestly, driven by optimization of our Cloud infrastructure and support costs, partially offset by the revenue mix shift from Data Center offerings to Cloud offerings.

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, bonuses, stock-based compensation, and employee benefit costs.

Research and Development

Research and development expenses consist primarily of compensation expenses for our employees, including stock-based compensation, facilities and related overhead costs, certain IT program expenses, and consulting and contractor costs associated with our software development teams. We continue to focus our research and development efforts on building new apps, and AI agents, adding new features and services, integrating acquired technologies, increasing functionality, enhancing our Cloud infrastructure, and advancing our artificial intelligence capabilities.

Marketing and Sales

Marketing and sales expenses consist primarily of compensation expenses for our employees, including stock-based compensation, marketing and sales program expenses, consulting and contractor costs, facilities and related overhead costs, and certain IT program expenses. Marketing programs consist of advertising, promotional events, such as user conferences, sponsorships, corporate communications, brand building, and marketing activities such as online lead generation. Sales programs consist of activities and teams focused on direct sales to customers, 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 offerings 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 expenses for our employees, including stock-based compensation, for finance, legal, human resources and information technology personnel, facilities and related overhead costs, consulting and contractor costs, certain IT program expenses, and other corporate expenses.

Income Taxes

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

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.

Business Combinations

The allocation of the purchase price in a business combination requires management to make significant estimates in determining the fair value of acquired assets and assumed liabilities, especially with respect to intangible assets. The excess of the purchase price in a business combination over the fair value of these tangible and intangible assets acquired and liabilities assumed is recorded as goodwill. Critical assumptions used to estimate the fair value of intangible assets include projected revenue growth, discount rate, and technology migration curves. These assumptions are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. We evaluate these estimates and assumptions as new information is obtained and may record adjustments to the fair value of the tangible and intangible assets acquired and liabilities assumed, but not later than one year from the acquisition date.

There have been no other significant changes to our critical accounting policies and estimates during the three and six months ended December 31, 2025, 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 2025.

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 December 31,				Six Months Ended December 31,			
	2025	% of Total Revenues	2024	% of Total Revenues	2025	% of Total Revenues	2024	% of Total Revenues
Revenues:								
Subscription	$ 1,507,656	95 %	$ 1,213,248	94 %	$ 2,882,158	95 %	$ 2,345,196	95 %
Other	78,659	5	73,215	6	136,710	5	129,048	5
Total revenues	1,586,315	100	1,286,463	100	3,018,868	100	2,474,244	100
Cost of revenues	237,691	15	223,127	17	495,615	16	440,751	18
Gross profit	1,348,624	85	1,063,336	83	2,523,253	84	2,033,493	82
Operating expenses:								
Research and development	826,489	52	680,213	53	1,582,483	52	1,283,314	52
Marketing and sales	376,434	24	271,894	21	712,861	24	524,287	21
General and administrative	193,448	12	168,708	13	371,993	12	315,349	13
Total operating expenses	1,396,371	88	1,120,815	87	2,667,337	88	2,122,950	86
Operating loss	(47,747)	(3)	(57,479)	(4)	(144,084)	(4)	(89,457)	(4)
Other income (expense), net	(13,550)	(1)	(7,999)	(1)	5,254	—	(27,431)	(1)
Interest income	18,065	1	25,586	2	47,910	1	54,150	2
Interest expense	(12,525)	(1)	(7,291)	(1)	(21,161)	(1)	(14,609)	(1)
Loss before income taxes	(55,757)	(4)	(47,183)	(4)	(112,081)	(4)	(77,347)	(4)
Provision for (benefit from) income taxes	(13,112)	(1)	(8,975)	(1)	(17,566)	(1)	84,630	3
Net loss	$ (42,645)	(3)%	$ (38,208)	(3)%	$ (94,515)	(3)%	$ (161,977)	(7)%

Three Months Ended December 31, 2025 and 2024

Revenues

(in thousands, except percentage data)	Three Months Ended December 31, 2025	2024	$ Change	% Change
Subscription	$ 1,507,656	$ 1,213,248	$ 294,408	24 %
Other	78,659	73,215	5,444	7
Total revenues	$ 1,586,315	$ 1,286,463	$ 299,852	23 %

Total revenues increased $299.9 million, or 23%, in the three months ended December 31, 2025 compared to the three months ended December 31, 2024. Growth in total revenues was primarily attributable to increased demand for our offerings from existing customers. Of total revenues recognized in the three months ended December 31, 2025, over 90% was attributable to sales to customer accounts existing on or before September 30, 2025.

Subscription revenues increased $294.4 million, or 24%, in the three months ended December 31, 2025 compared to the three months ended December 31, 2024. The increase in subscription revenues was primarily attributable to paid seat expansion from our existing customers and price increases.

Other revenues increased $5.4 million, or 7%, in the three months ended December 31, 2025 compared to the three months ended December 31, 2024. The increase in other revenues was primarily attributable to an increase of $4.9 million in marketplace revenue.

Total revenues by deployment options were as follows:

(in thousands, except percentage data)	Three Months Ended December 31, 2025	2024	$ Change	% Change
Cloud	$ 1,067,027	$ 846,962	$ 220,065	26 %
Data Center	435,616	362,281	73,335	20
Marketplace and other	83,672	77,220	6,452	8
Total revenues	$ 1,586,315	$ 1,286,463	$ 299,852	23 %

Total revenues by geography were as follows:

(in thousands, except percentage data)	Three Months Ended December 31, 2025	2024	$ Change	% Change
Americas	$ 746,248	$ 619,165	$ 127,083	21 %
EMEA	663,340	525,482	137,858	26
Asia Pacific	176,727	141,816	34,911	25
Total revenues	$ 1,586,315	$ 1,286,463	$ 299,852	23 %

Cost of Revenues

(in thousands, except percentage data)	Three Months Ended December 31, 2025	2024	$ Change	% Change
Cost of revenues	$ 237,691	$ 223,127	$ 14,564	7 %
Gross margin	85 %	83 %		

Cost of revenues increased $14.6 million, or 7%, in the three months ended December 31, 2025 compared to the three months ended December 31, 2024. The overall increase was primarily attributable to an increase of $23.0 million in hosting fees and an increase of $9.6 million in amortization expense, partially offset by a decrease of $13.6 million in compensation expense for employees (which includes a decrease of $2.9 million in stock-based compensation) and a decrease of $4.0 million in consulting and other professional fees.

Operating Expenses

Research and Development

(in thousands, except percentage data)	Three Months Ended December 31, 2025	2024	$ Change	% Change
Research and development	$ 826,489	$ 680,213	$ 146,276	22 %

Research and development expenses increased $146.3 million, or 22%, in the three months ended December 31, 2025 compared to the three months ended December 31, 2024. The overall increase was primarily attributable to an increase of $141.8 million in compensation expenses for employees (which includes an increase of $64.6 million in stock-based compensation).

Marketing and Sales

(in thousands, except percentage data)	Three Months Ended December 31, 2025	2024	$ Change	% Change
Marketing and sales	$ 376,434	271,894	$ 104,540	38 %

Marketing and sales expenses increased $104.5 million, or 38%, for the three months ended December 31, 2025 compared to the three months ended December 31, 2024. The overall increase was primarily attributable to an increase of $64.0 million in compensation expenses for employees (which includes an increase of $12.2 million in stock-based compensation), and an increase of $29.7 million in advertising and marketing program expenses.

General and Administrative

(in thousands, except percentage data)	Three Months Ended December 31, 2025	2024	$ Change	% Change
General and administrative	$ 193,448	168,708	$ 24,740	15 %

General and administrative expenses increased $24.7 million, or 15%, in the three months ended December 31, 2025 compared to the three months ended December 31, 2024. The overall increase was primarily attributable to an increase of $16.7 million in compensation expense for employees, an increase of $2.5 million in software subscription related expense and an increase of $1.7 million in professional service fees.

Other Expense, net

(in thousands, except percentage data)	Three Months Ended December 31, 2025	2024	$ Change	% Change
Other expense, net	$ (13,550)	$ (7,999)	$ (5,551)	69 %

Other expense, net increased $5.6 million, or 69%, in the three months ended December 31, 2025, compared to the three months ended December 31, 2024. The overall increase in other expense was primarily attributable to an increase of $6.5 million in realized loss on strategic investments.

Interest Income

(in thousands, except percentage data)	Three Months Ended December 31, 2025	2024	$ Change	% Change
Interest income	18,065	25,586	$ (7,521)	(29)%

Interest income decreased $7.5 million, or (29)% in the three months ended December 31, 2025, compared to the three months ended December 31, 2024. The decrease was primarily attributable to a decrease in investment income as a result of decreased invested cash balances.

Interest Expense

(in thousands, except percentage data)	Three Months Ended December 31, 2025	2024	$ Change	% Change
Interest expense	$ (12,525)	$ (7,291)	$ (5,234)	72 %

Interest expense increased $5.2 million, or 72% in the three months ended December 31, 2025 compared to the three months ended December 31, 2024. The increase was primarily attributable to the amortization of interest rate swap contracts.

Benefit from Income Taxes

	Three Months Ended December 31,			
(in thousands, except percentage data)	**2025**	**2024**	**$ Change**	**% Change**
Benefit from income taxes	$ (13,112)	$ (8,975)	$ (4,137)	*
Effective tax rate	*	*		

* Not meaningful

Benefit from income taxes increased $4.1 million for the three months ended December 31, 2025, as compared to the three months ended December 31, 2024. The increase was primarily attributable to the partial release of valuation allowance on certain U.S. deferred tax assets resulting from the recognition of additional deferred tax liabilities in connection with the business combinations and the change in the mix of earnings and losses in foreign jurisdictions. See Note 7, *"Business Combinations,"* and Note 17, "*Income Taxes*," of the notes to our condensed consolidated financial statements for additional information.

Our future effective annual tax rate may be materially affected 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, 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.

We recognize the tax benefit of an uncertain tax position only if we conclude it is more likely than not that the position is sustainable upon examination by the taxing authority, based on the technical merits. The tax benefit recognized is measured as the largest amount of benefit which is greater than 50 percent likely to be realized upon settlement with the taxing authority. We believe we have provided adequate reserves for income tax uncertainties in all open tax years. Based on the information currently available, we do not anticipate a material change in unrecognized tax benefits in the next 12 months.

On July 4, 2025, the U.S. government enacted The One Big Beautiful Bill Act ("OBBBA"), which includes, among other provisions, changes to the U.S. corporate income tax system such as allowing the immediate expensing of qualifying domestic research and development costs and permanent extensions of certain provisions within the Tax Cuts and Jobs Act. Certain provisions are effective for us beginning in fiscal year 2026. The changes had an immaterial impact on our income tax benefit for the three and six months ended December 31, 2025 and we currently do not anticipate these changes to have a material impact on our results for fiscal year 2026. We will continue to monitor any developments and guidance related to OBBBA.

The Organization for Economic Co-operation and Development introduced a framework for a global minimum corporate income tax of 15% known as the Global Anti-Base Erosion rules. This legislation has been enacted in certain jurisdictions where we operate and is effective for our fiscal year 2026. As of December 31, 2025, the global minimum tax does not have a significant impact on our financial statements. As additional jurisdictions enact legislation, transitional rules lapse, and other provisions of the global minimum tax legislation become effective, our effective tax rate and cash tax payments may increase in future years.

Six Months Ended December 31, 2025 and 2024

Revenues

(in thousands, except percentage data)	Six Months Ended December 31, 2025	Six Months Ended December 31, 2024	$ Change	% Change
Subscription	$ 2,882,158	$ 2,345,196	$ 536,962	23 %
Other	136,710	129,048	7,662	6
Total revenues	$ 3,018,868	$ 2,474,244	$ 544,624	22 %

Total revenues increased $544.6 million, or 22%, in the six months ended December 31, 2025 compared to the six months ended December 31, 2024. Growth in total revenues was primarily attributable to increased demand for our products from existing customers. Of total revenues recognized in the six months ended December 31, 2025, over 90% was attributable to sales to customer accounts existing on or before June 30, 2025.

Subscription revenues increased $537.0 million, or 23%, in the six months ended December 31, 2025 compared to the six months ended December 31, 2024. The increase in subscription revenues was primarily attributable to paid seat expansion from our existing customers and price increases.

Other revenues increased $7.7 million, or 6%, in the six months ended December 31, 2025 compared to the six months ended December 31, 2024. The increase in other revenues was primarily attributable to an increase of $7.9 million in marketplace revenue.

Total revenues by deployment options were as follows:

(in thousands, except percentage data)	Six Months Ended December 31, 2025	Six Months Ended December 31, 2024	$ Change	% Change
Cloud	$ 2,064,735	$ 1,639,268	$ 425,467	26 %
Data Center	808,264	697,875	110,389	16
Marketplace and other	145,869	137,101	8,768	6
Total revenues	$ 3,018,868	$ 2,474,244	$ 544,624	22 %

Total revenues by geography were as follows:

(in thousands, except percentage data)	Six Months Ended December 31, 2025	Six Months Ended December 31, 2024	$ Change	% Change
Americas	$ 1,452,034	$ 1,203,664	$ 248,370	21 %
EMEA	1,229,419	994,751	234,668	24
Asia Pacific	337,415	275,829	61,586	22
Total revenues	$ 3,018,868	$ 2,474,244	$ 544,624	22 %

Cost of Revenues

(in thousands, except percentage data)	Six Months Ended December 31, 2025	Six Months Ended December 31, 2024	$ Change	% Change
Cost of revenues	$ 495,615	$ 440,751	$ 54,864	12 %
Gross margin	84 %	82 %		

Cost of revenues increased $54.9 million, or 12%, in the six months ended December 31, 2025 compared to the six months ended December 31, 2024. The overall increase was primarily attributable to an increase of $37.4 million in hosting fees paid to third-party providers. In addition, we recorded restructuring charges of $31.6 million in the six months ended December 31, 2025, which were composed of $29.2 million of severance and other termination benefits, and $2.4 million of impairment charges for a lease and leasehold improvements. The increase was partially offset by a decrease of $6.8 million in fees paid for consulting and other professional services.

Operating Expenses

Research and Development

(in thousands, except percentage data)	Six Months Ended December 31, 2025	2024	$ Change	% Change
Research and development	$ 1,582,483	$ 1,283,314	$ 299,169	23 %

Research and development expenses increased $299.2 million, or 23%, in the six months ended December 31, 2025 compared to the six months ended December 31, 2024. The overall increase was primarily attributable to an increase of $278.3 million in compensation expenses for employees (which includes an increase of $117.6 million in stock-based compensation). In addition, we recorded restructuring charges of $12.1 million in the six months ended December 31, 2025, related to impairment charges for a lease and leasehold improvements.

Marketing and Sales

(in thousands, except percentage data)	Six Months Ended December 31, 2025	2024	$ Change	% Change
Marketing and sales	$ 712,861	$ 524,287	$ 188,574	36 %

Marketing and sales expenses increased $188.6 million, or 36%, for the six months ended December 31, 2025, compared to the six months ended December 31, 2024. The overall increase was primarily attributable to an increase of $109.8 million in compensation expenses for employees (which includes an increase of $20.2 million in stock-based compensation), and an increase of $50.9 million in advertising and marketing program expenses. In addition, we recorded restructuring charges of $8.2 million in the six months ended December 31, 2025, related to impairment charges for a lease and leasehold improvements.

General and Administrative

(in thousands, except percentage data)	Six Months Ended December 31, 2025	2024	$ Change	% Change
General and administrative	$ 371,993	$ 315,349	$ 56,644	18 %

General and administrative expenses increased $56.6 million, or 18%, in the six months ended December 31, 2025 compared to the six months ended December 31, 2024. The overall increase was primarily attributable to an increase of $36.4 million in compensation expenses for employees (which includes an increase of $2.2 million in stock-based compensation) and an increase of $6.2 million in professional service fees. In addition, we recorded restructuring charges of $3.7 million in the six months ended December 31, 2025, related to impairment charges for a lease and leasehold improvements.

Other Income (Expense), net

(in thousands, except percentage data)	Six Months Ended December 31, 2025	2024	$ Change	% Change
Other income (expense), net	$ 5,254	$ (27,431)	$ 32,685	(119)%

Other income (expense), net increased $32.7 million, or 119% in the six months ended December 31, 2025 compared to the six months ended December 31, 2024. The overall increase in other income was primarily attributable to an increase of $24.7 million in unrealized gains on public equity investments and a decrease of $15.3 million in expenses related to our share of loss from an equity method investment.

Interest Income

(in thousands, except percentage data)	Six Months Ended December 31, 2025	2024	$ Change	% Change
Interest income	$ 47,910	$ 54,150	$ (6,240)	(12)%

Interest income decreased $6.2 million, or 12% in the six months ended December 31, 2025 compared to the six months ended December 31, 2024. The decrease was primarily attributable to a decrease in our portfolio yield due to declining interest rates.

Interest Expense

(in thousands, except percentage data)	Six Months Ended December 31, 2025	2024	$ Change	% Change
Interest expense	$ (21,161)	$ (14,609)	$ (6,552)	45 %

Interest expense increased $6.6 million, or 45%, in the six months ended December 31, 2025 compared to the six months ended December 31, 2024. The increase was primarily attributable to the amortization of interest rate swap contracts.

Provision for (Benefit from) Income Taxes

(in thousands, except percentage data)	Six Months Ended December 31, 2025	2024	$ Change	% Change
Provision for (benefit from) income taxes	$ (17,566)	$ 84,630	$ (102,196)	*
Effective tax rate	*	*		

* Not meaningful

Provision for (benefit from) income taxes decreased $102.2 million for the six months ended December 31, 2025, as compared to the six months ended December 31, 2024. The decrease was primarily attributable to the change in the mix of earnings and losses in foreign jurisdictions and the partial release of valuation allowance on certain U.S. deferred tax assets resulting from the recognition of additional deferred tax liabilities in connection with the business combinations. See Note 7, *"Business Combinations,"* and Note 17, "*Income Taxes*," of 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, 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.

We recognize the tax benefit of an uncertain tax position only if we conclude it is more likely than not that the position is sustainable upon examination by the taxing authority, based on the technical merits. The tax benefit recognized is measured as the largest amount of benefit which is greater than 50 percent likely to be realized upon settlement with the taxing authority. We believe we have provided adequate reserves for income tax uncertainties in all open tax years. Based on the information currently available, we do not anticipate a material change in unrecognized tax benefits in the next 12 months.

On July 4, 2025, the U.S. government enacted OBBBA, which includes, among other provisions, changes to the U.S. corporate income tax system such as allowing the immediate expensing of qualifying domestic research and development costs and permanent extensions of certain provisions within the Tax Cuts and Jobs Act. Certain provisions are effective for us beginning in fiscal year 2026. The changes had an immaterial impact on our income tax benefit for the three and six months ended December 31, 2025 and we currently do not anticipate these changes to have a material impact on our results for fiscal year 2026. We will continue to monitor any developments and guidance related to OBBBA.

The Organization for Economic Co-operation and Development introduced a framework for a global minimum corporate income tax of 15% known as the Global Anti-Base Erosion rules. This legislation has been enacted in certain jurisdictions where we operate and is effective for our fiscal year 2026. As of December 31, 2025, the global minimum tax does not have a significant impact on our financial statements. As additional jurisdictions enact legislation, transitional rules lapse, and other provisions of the global minimum tax legislation become effective, our effective tax rate and cash tax payments may increase in future years.

Liquidity and Capital Resources

As of December 31, 2025, we had cash and cash equivalents totaling $1.2 billion, marketable securities totaling $407.9 million, and accounts receivable totaling $911.9 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):

	Six Months Ended December 31,	
	2025	2024
Net cash provided by operating activities	$ 306,519	$ 432,397
Net cash used in investing activities	(1,204,586)	(130,394)
Net cash used in financing activities	(450,246)	(255,994)
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	(6,752)	(5,492)
Net increase (decrease) in cash, cash equivalents, and restricted cash	$ (1,355,065)	$ 40,517

Our primary source of cash is collections from our customers. Our primary uses of cash from operating activities are general business expenses, including employment expenses, cloud platform and other infrastructure services, income taxes, professional services fees, marketing expenses, software expenses, and facility expenses.

Net cash provided by operating activities decreased by $125.9 million for the six months ended December 31, 2025, compared to the six months ended December 31, 2024. The net decrease was primarily attributable to an increase in cash paid to employees, vendors, and cash paid for income taxes, partially offset by an increase in cash received from customers.

Net cash used in investing activities increased by $1,074.2 million during the six months ended December 31, 2025, compared to the six months ended December 31, 2024. The net increase was primarily attributable to an increase in cash consideration paid for acquisitions, net of cash acquired of approximately $1,223.9 million.

Net cash used in financing activities increased by $194.3 million for the six months ended December 31, 2025, compared to the six months ended December 31, 2024. The net increase was primarily attributable to an increase in repurchases of Class A Common Stock of $197.4 million.

Material Cash Requirements

Debt

As of December 31, 2025, we had $500.0 million aggregate principal amount of 5.250% senior notes due 2029 (the “2029 Notes”) and $500.0 million aggregate principal amount of 5.500% senior notes due 2034 (the “2034 Notes,” and together with the 2029 Notes, the “Notes”). The 2029 Notes and the 2034 Notes will mature on May 15, 2029, and May 15, 2034, respectively. Interest on the Notes will be paid semi-annually in arrears on May 15 and November 15 of each year, starting from November 15, 2024.

On August 12, 2024, Atlassian US, Inc.’s prior credit facility was amended and restated to provide for a $750 million senior unsecured revolving credit facility (the “2024 Credit Facility”). We may repay outstanding loans under the 2024 Credit Facility at any time, without premium or penalty, and we have an option to request an increase of $250 million in certain circumstances. The 2024 Credit Facility replaced our prior credit facility entered into in October 2020, which provided for a $1 billion senior unsecured delayed-draw term loan facility (the “Term Loan”) and a $500 million senior unsecured revolving credit facility. The 2024 Credit Facility matures in August 2029. As of December 31, 2025, there were no borrowings under the 2024 Credit Facility. Refer to Note 10, “*Debt,*” to our condensed consolidated financial statements for additional information.

Share Repurchase Program

In September 2024, the Board of Directors authorized a program to repurchase up to $1.5 billion of our outstanding Class A Common Stock (the “2024 Repurchase Program”). The 2024 Repurchase Program commenced in April 2025 following completion of the prior repurchase program. In October 2025, the Board of Directors authorized a new program under which we may repurchase up to an additional $2.5 billion of the Company’s outstanding Class A Common Stock (the “2025 Repurchase Program” and, together with the 2024 Repurchase Program, the “Repurchase Programs”). The 2025 Repurchase Program will commence following completion of the 2024 Repurchase Program. The Repurchase Programs do not have a fixed expiration date, may be suspended or discontinued at any time, and do not obligate us to repurchase any specific dollar amount or to acquire any specific number of shares.

During the three and six months ended December 31, 2025, we repurchased and subsequently retired approximately 1.3 million and 2.7 million shares of Class A Common Stock for approximately $200.4 million and $450.3 million at an average price per share of $156.74 and $169.21, respectively. All repurchases were made in open market transactions. As of December 31, 2025, $720.9 million and $2.5 billion of Class A Common Stock remained available for repurchase under the 2024 Share Repurchase Program and 2025 Share Repurchase Program, respectively.

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. Refer to Note 11, “*Commitments and Contingencies,”* to our condensed consolidated financial statements for additional information.

Other Future Obligations

We believe that our existing cash and cash equivalents, together with cash generated from operations, and borrowing capacity from the 2024 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 offerings.

As of December 31, 2025, 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 gross margin, 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 and non-GAAP gross margin*. Excludes expenses related to stock-based compensation, amortization of acquired intangible assets, and restructuring charges.
- *Non-GAAP operating income and non-GAAP operating margin*. Excludes expenses related to stock-based compensation, amortization of acquired intangible assets, and restructuring charges.

- *Non-GAAP net income and non-GAAP net income per diluted share*. Excludes expenses related to stock-based compensation, amortization of acquired intangible assets, restructuring charges, and the related income tax effects of these items.
- *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 and six months ended December 31, 2025 and 2024 (in thousands, except percentage and per share data):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2025	**2024**	**2025**	**2024**
Gross profit				
GAAP gross profit	$ 1,348,624	$ 1,063,336	$ 2,523,253	$ 2,033,493
Plus: Stock-based compensation	20,121	23,031	38,620	41,245
Plus: Amortization of acquired intangible assets	19,753	10,130	29,710	20,246
Plus: Restructuring charges (3)	—	—	31,592	—
Non-GAAP gross profit	$ 1,388,498	$ 1,096,497	$ 2,623,175	$ 2,094,984
Gross margin				
GAAP gross margin	85%	83%	84%	82%
Plus: Stock-based compensation	2	1	1	2
Plus: Amortization of acquired intangible assets	1	1	1	1
Plus: Restructuring charges (3)	—	—	1	—
Non-GAAP gross margin	88%	85%	87%	85%
Operating income				
GAAP operating loss	$ (47,747)	$ (57,479)	$ (144,084)	$ (89,457)
Plus: Stock-based compensation	452,624	378,730	802,319	664,876
Plus: Amortization of acquired intangible assets	25,353	13,896	39,003	27,778
Plus: Restructuring charges (3)	—	—	55,678	—
Non-GAAP operating income	$ 430,230	$ 335,147	$ 752,916	$ 603,197
Operating margin				
GAAP operating margin	(3)%	(4)%	(5)%	(4)%
Plus: Stock-based compensation	29	29	27	27
Plus: Amortization of acquired intangible assets	1	1	1	1
Plus: Restructuring charges (3)	—	—	2	—
Non-GAAP operating margin	27%	26%	25%	24%
Net income				
GAAP net loss	$ (42,645)	$ (38,208)	$ (94,515)	$ (161,977)
Plus: Stock-based compensation	452,624	378,730	802,319	664,876
Plus: Amortization of acquired intangible assets	25,353	13,896	39,003	27,778
Plus: Restructuring charges (3)	—	—	55,678	—

Adjustment for: Income tax (1)	(114,445)	(98,791)	(205,947)	(75,350)
Non-GAAP net income	$ 320,887	$ 255,627	$ 596,538	$ 455,327
Net income per share				
GAAP net loss per share - diluted	$ (0.16)	$ (0.15)	$ (0.36)	$ (0.62)
Plus: Stock-based compensation	1.71	1.43	3.04	2.53
Plus: Amortization of acquired intangible assets	0.10	0.05	0.15	0.11
Plus: Restructuring charges (3)	—	—	0.21	—
Adjustment for: Income tax (1)	(0.43)	(0.37)	(0.78)	(0.29)
Non-GAAP net income per share - diluted	$ 1.22	$ 0.96	$ 2.26	$ 1.73
Weighted-average diluted shares outstanding				
Weighted-average shares used in computing diluted GAAP net loss per share	263,828	261,147	263,409	260,812
Plus: Dilution from dilutive securities (2)	364	4,546	843	2,422
Weighted-average shares used in computing diluted non-GAAP net income per share	264,192	265,693	264,252	263,234
Free cash flow				
GAAP net cash provided by operating activities	$ 177,805	$ 351,905	$ 306,519	$ 432,397
Less: Capital expenditures	(9,289)	(9,336)	(23,401)	(15,487)
Free cash flow	$ 168,516	$ 342,569	$ 283,118	$ 416,910

(1) We 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 years 2026 and 2025, we determined the projected non-GAAP tax rate to be 24% and 26%, respectively. 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 we operate.

(2) The effects of these dilutive securities were not included in the GAAP calculation of diluted net loss per share for the three and six months ended December 31, 2025 and December 31, 2024 because the effect would have been anti-dilutive.

(3) Restructuring charges include stock-based compensation expense related to the rebalancing of resources for the six months ended December 31, 2025.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

There have been no material changes to our market risk from the information presented in Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk, in our Annual Report on Form 10-K for the year ended June 30, 2025.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our Chief Executive Officer 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 December 31, 2025, 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 Chief Executive Officer 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 December 31, 2025 that has 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

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 resolutions of these pending legal matters are 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 Annual Report on Form 10-K. These risks include, but are not limited to, the following:

- *Our historical rapid growth makes it difficult to evaluate our future prospects, and we may not be able to sustain our revenue growth rate or achieve profitability in the future.*
- *The continuing global economic and geopolitical volatility, and measures taken in response, 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 AI offerings and investments may not be successful, which could adversely affect our business or financial results.*
- *We may encounter challenges as we continue to transition our business to focus on Cloud offerings.*
- *Our business depends on our customers renewing their subscriptions 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 or package new apps, agents and enhancements to our existing offerings that achieve market acceptance and that keep pace with technological developments, our business and results of operations could be harmed.*
- *We invest significantly in research and development, and to the extent our research and development investments do not translate into new offerings or material enhancements to our current offerings, or if we do not use those investments efficiently, our business and results of operations would be harmed.*
- *If we fail to effectively manage our growth, our business and results of operations could be harmed.*
- *We may encounter challenges as we develop our sales force and sales strategy.*
- *Our business model for our low-touch customers is based in part on a high volume of transactions and organic expansion. If this model is not effective, our business and results of operations could be harmed.*
- *If our security controls are compromised, leading to unauthorized or inappropriate access to customer data, our products could be perceived as insecure, and such perception may result in the loss of existing customers, hinder our ability to attract new ones, and expose us to 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 offerings or in the apps on Atlassian Marketplace could harm our business and results of operations.*
- *Privacy concerns and laws, as well as evolving regulation of cloud computing, AI apps and 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 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.*
- *We recognize certain revenue streams over the term of our subscription contracts. Consequently, downturns in new sales may not be immediately reflected in our results of operations and may be difficult to discern.*
- *Seasonality may cause fluctuations in our revenue.*
- *Our current and future indebtedness may limit our flexibility in obtaining additional financing and in pursuing other business opportunities or operating activities.*
- *Our global operations and structure subject us to potentially adverse tax consequences.*
- *Our development and use of AI technologies may expose us to operational, legal, regulatory, reputational and other risks that may adversely affect our business.*
- *The dual class structure of our common stock has the effect of concentrating voting control with certain stockholders, in particular, our Co-Founders 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 historical rapid growth makes it difficult to evaluate our future prospects, and we may not be able to sustain our revenue growth rate or achieve profitability in the future.

We have experienced rapid growth in recent years and our historical growth rate should not be considered indicative of our future performance and may decline in the future. This rapid growth also makes it more challenging to evaluate our future prospects. 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 apps, agents and platforms; increase in competition; challenges relating to collecting accounts receivable or collection periods; seasonality in the timing of our sales; the duration of our sales contracts; limitations on our ability to, or any decision not to, increase pricing, challenges or trends associated with the migration to our Cloud offerings; failure to capitalize on growth opportunities; contraction in our overall market; or impact from broader macroeconomic factors. We make assumptions regarding the risks and uncertainties associated with our growth as we plan and operate our business. If our assumptions are incorrect or change, or if we do not address risks successfully, our operating and financial results could differ materially from our expectations, our growth rates may slow, and our business would suffer.

In addition, we expect our 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 apps, agents and features for, and enhancements of, our existing apps and agents, including our AI offerings. As a result of these significant investments, and in particular stock-based compensation associated with our growth, we have not in the past and may not in the future be able to achieve profitability as determined under U.S. generally accepted accounting principles (“GAAP”). The additional expenses we will incur may not lead to sufficient additional revenue to maintain historical revenue growth rates and achieve profitability.

The continuing global economic and geopolitical volatility, and measures taken in response, could harm our business and results of operations.

Large-scale international events in recent years, such as the geopolitical instability and war in regions including Ukraine and the Middle East and economic uncertainty regarding the imposition of and changes in trade policies (including trade wars, tariffs or other trade restrictions or the threat of such actions), have negatively impacted or may in the future negatively impact the global economy, including by disrupting global supply chains and creating volatility and disruption of financial markets. These impacts, as well as economic uncertainty from market, interest rate, and inflation volatility, have and may continue to cause us to experience 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.

The impact our customers or potential customers experience from global economic and geopolitical volatility adversely affects demand for our offerings. Our business depends on demand for business software applications generally and collaboration software solutions in particular. The market adoption of our products and our revenue is dependent on the number of users of our products. The continuing global economic and geopolitical volatility and uncertainty could cause customers to reduce the number of personnel providing development or engineering services and decrease technology spending (including for software products). Changes in the macro IT spending environment may cause similar effects as well. We may see declines in expected spending from new customers or renewals and reductions in paid seats from existing customers. There may also be negative impacts to collections of accounts receivable. Some customers, particularly our small- and medium-sized customers, may reduce or delay spending, request extended payment terms or concessions, or even file for bankruptcy protection or go out of business. We may also experience elongated sales cycles, budget cuts and freezes, delays in project implementation, and increased pricing pressure from our enterprise or larger-sized customers. Any of these impacts could harm our business, results of operations, and financial condition, and also negatively impact our ability to forecast our future results.

The extent to which global economic and geopolitical 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. We have seen revenue growth from existing customers moderate and have experienced volatility in the trading prices for our Class A Common Stock; such volatility may continue in the long term. Any sustained adverse impacts from these and other 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. They could also heighten many of the other risks described in this “Risk Factors” section.

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 a wide range of companies in each of the markets we serve, including from both large technology vendors and smaller companies that offer project management, collaboration, and developer tools; both cloud vendors targeting enterprise service management teams and legacy vendors that offer service desk solutions; and both large technology vendors that offer a suite of products and smaller companies offering point solutions for team collaboration. Some of our competitors have also made acquisitions to offer a more comprehensive product or service offering, which may allow them to compete more effectively with our offerings. We expect this trend to continue as companies attempt to strengthen or maintain their market positions in an evolving industry. Following such 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.

Many of our current and potential competitors have greater resources than we do, with established marketing relationships, larger enterprise sales forces, access to larger customer bases, pre-existing customer relationships, and major distribution agreements with consultants, system integrators, and resellers. 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, including AI, the evolution of our apps, agents, and Collections, and new market entrants, we expect competition to intensify in the future. For example, our competitors may develop more effective AI products, more successfully incorporate AI into their offerings and sales strategy, gain or leverage superior access to certain AI technologies, or achieve higher market acceptance of their AI solutions. In addition, as we continue to expand our focus into new use cases or other 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 offerings to achieve or maintain more widespread market acceptance, any of which could harm our business, results of operations, and financial condition. Additionally, some current and potential customers, particularly large organizations, have elected, and more 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 offerings 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 in that market 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 AI offerings and investments may not be successful, which could adversely affect our business or financial results.

We are investing in AI across the company and increasingly building out our AI-powered offerings, including apps, agents, and features like our Rovo platform apps. We expect AI apps, agents and features, both those we develop and those developed by third parties, to continue to be important to our offerings and our operations over time, but there can be no assurances that we will effectively develop, implement or market AI agents and features or that we will realize the desired or anticipated benefits from AI. We bear significant development and operational costs in building and supporting our AI tools and offerings, and expect these investments to continue to negatively impact our operating margins in the near term. Developing, maintaining, and deploying these technologies involves substantial risks, and we cannot guarantee that they will improve our offerings or provide benefits to our customers or business. As our business and offerings evolve to incorporate additional AI capabilities, we may be unable to effectively monetize our AI offerings or determine new methods for capitalizing on these opportunities. For example, we have made Rovo available at no additional cost to our premium, enterprise, and standard edition customers across Jira, Confluence, Jira Service Management and Teamwork Collection. If strategies like this are not successful in helping us win new customers and retain and expand within existing customers, we may not be able to offset the investments we have made in these technologies, which would adversely impact our results of operations and financial condition.

Additionally, AI technology and services is a highly competitive and rapidly evolving market. Our competitors or other third parties may incorporate AI into their products and offerings more quickly or more successfully than we can. Our ability to compete in this space will also depend in part on our ability to attract and retain employees with AI expertise. We also rely on certain third-party AI models, products, and integration providers. Such providers may be prohibited from offering certain models or technologies in jurisdictions in which we operate, may terminate their relationships with us, or otherwise cease to make certain models or technologies available to us, or may make certain models or technologies more expensive for us to use. Additionally, it is possible that an increased prevalence of AI may impact the work practices of software teams, IT operations and support teams, leadership, and business teams, and therefore our market opportunity. Any of the foregoing could adversely affect our business, reputation, or financial results.

We may encounter challenges as we continue to transition our business to focus on Cloud offerings.

While a substantial majority of our business was historically generated from customers using Server products, which are no longer available, and Data Center products, over time, our Cloud offerings have become more central to our distribution model, and this trend will continue in the future. To support this transition, we have directed a significant portion of our financial and operating resources to implement robust Cloud offerings and to migrate our existing customers to our Cloud offerings, which impacts our results of operations, revenue recognition practices, and financial condition. For example, due to the higher fees associated with hosting our Cloud infrastructure, we have and expect to continue to see increased expenses and lower margins as customers transition to Cloud. Our strategy to provide our AI tools at no or low cost to the majority of our Cloud customers may further increase these hosting costs without corresponding revenue increases.

In September 2025, we announced plans to end-of-life our Data Center deployment offering via our Atlassian Ascend initiative. Beginning in March 2026, we will no longer sell term licenses to new customers, and we will stop selling term licenses and expansions to existing customers in March 2028. Subject to limited exceptions, we plan to end maintenance and support for these on-premises versions of our products in March 2029. If we are unable to offer the systems, security capabilities, or controls our Data Center customers require to migrate to our Cloud offerings, or if our customers otherwise choose not to migrate, our revenue growth and profitability will be negatively impacted. The Atlassian Ascend initiative may impact purchasing patterns among our Data Center customers in ways that create fluctuations in our quarterly financial results and impacts the guidance we issue, including decisions regarding sizes of Data Center product renewals, expansions, timing of Cloud upgrades or decisions not to renew or upgrade. In our migration from Server, we offered discounts to certain of our enterprise-level Server customers as an incentive, which impacted our near-term revenue growth, and we will offer similar incentives in connection with Atlassian Ascend. Additionally, we may also be subject to additional competitive and pricing pressures for our Cloud offerings compared to our Data Center offerings, which could harm our business. Revenues recognized from our Cloud offerings are also typically lower in the initial year compared to our Data Center offerings, which may impact our near-term revenue growth rates and margins.

Our business depends on our customers renewing their subscriptions 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 licenses or subscriptions when existing contract terms expire and that we expand our commercial relationships with our existing customers. Our customers have no obligation to renew their licenses or subscriptions, and our customers may not renew licenses or subscriptions with a similar contract duration or with the same or greater number of users. The majority of our customer base is on annual or monthly terms. Some of our customers have elected not to renew their agreements with us in the past, 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 but not limited to our customers' satisfaction with our offerings, releases, support and pricing, customer awareness and adoption of the benefits and features of our offerings, changes to the packaging of our product offerings (including our purchasable Collections and the product packaging and pricing of our AI offerings), our increased focus on our Cloud offerings, competing software products and new market entrants, our customers' ability to continue their operations and spending levels, mergers and acquisitions affecting our customer base, or the effects of global economic conditions on us or our customers, partners and suppliers. Additionally, 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 renew their subscriptions, 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 or package new apps, agents and enhancements to our existing offerings 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 offerings and to introduce and package compelling new apps or agents that reflect the changing nature of our markets. The success of any enhancement to our offerings 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 apps or agents that we develop may not be introduced in a timely or cost-effective manner, may contain bugs or other defects, or may not achieve the market acceptance necessary to generate significant revenue.

The markets for our offerings are subject to rapid technological change, evolving industry standards, and changing regulations, as well as changing customer needs, requirements, and preferences. These are all uncertain and we cannot predict the consequences, effects, or introduction of new, disruptive, emerging technologies or the manner and pace at which our markets develop over time, and our ability to compete in these markets depends on predicting and adapting to these changing circumstances. The success of our business will depend, in part, on our ability to adapt and respond effectively to these changes on a timely basis, and anticipating these factors requires that we allocate significant resources without any guarantee that any such investments and efforts will result in initial or enhanced adoption of our offerings in the marketplace. For example, with the development of next-generation solutions, including AI solutions, we have and expect to continue to commit significant resources to developing new AI apps and agents and other enhancements incorporating AI, and there is no guarantee that our investments and efforts will result in wider adoption of our offerings in the marketplace. If new technologies emerge that can deliver competitive products and services at lower prices, more efficiently, more reliably, more conveniently or more securely or if new products are introduced into the market that could render any of our existing offerings obsolete, such technologies and products could adversely impact our ability to compete effectively and may lead to customers reducing or terminating their usage of our offerings.

If we are unable to successfully develop new apps and agents, enhance our existing offerings to meet customer requirements, or otherwise gain market acceptance, our business, results of operations, and financial condition could be harmed.

We invest significantly in research and development, and to the extent our research and development investments do not translate into new offerings or material enhancements to our current offerings, 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 offerings and enhance our existing offerings to address additional applications and markets. In fiscal years 2025 and 2024, our research and development expenses were 51% and 50% 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 apps or agents and generate revenue, if any, from such investment. Additionally, anticipated customer demand for an offering 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 offering. 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 offerings 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 offerings to customers in over 200 countries and territories. Further, we have employees in Australia, Canada, France, Germany, India, Japan, the Netherlands, New Zealand, the Philippines, Poland, Singapore, South Korea, Turkey, the U.S., and the United Kingdom (the “UK”), and many of our employees have been with us for relatively shorter tenures. 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 offerings and our associated infrastructure support. If we fail to successfully manage our anticipated growth, the quality of our offerings 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 adapt in these areas.

We may encounter challenges as we develop our sales force and sales strategy.

In recent years, we have focused on strategically growing our sales force to expand and deepen our relationships with our largest existing customers, particularly in the enterprise segment. As our sales force continues to develop, we may encounter challenges in identifying, recruiting, training, and retaining a qualified sales force, and we expect this growth to require significant time, expense, and attention. Expanding our sales infrastructure also has impacts on 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 while maintaining positive free cash flow.

As our enterprise sales teams grow, we face increased costs, longer sales cycles, greater competition, and less predictability in completing our sales. Since the sales cycles for our enterprise offerings are multi-phased and complex, it can be unpredictable when a given sales cycle will close. For enterprise customers, the evaluation process may be longer and more involved, and require us to invest more in educating our customers about our apps, agents, Collections, services, and solutions, particularly because the decision to use our offerings is often an enterprise-wide decision. We may be required to submit more robust proposals, participate in extended proof-of-concept evaluation cycles, and engage in more extensive contract negotiations. In addition, our enterprise customers often demand more complex configurations and additional integration services and product features. Adverse macroeconomic conditions have in the past, and may in the future, cause delays in our enterprise customers' purchasing decisions. Due to these factors, we often must devote greater sales support to certain enterprise customers, which increases our costs and time required, without assurance that potential customers will ultimately purchase our solutions. We also may be required to devote more resources to implementation, which increases our costs, without assurance that customers receiving these services will renew at the same level or at all. Additionally, our revenue from enterprise customers may be affected by seasonality in sales cycles, extended collection cycles, potential deferral of revenue, and alternative licensing arrangements. We expect to see these impacts increase as we grow our enterprise sales motion. An increase in enterprise sales contracts could also increase our number of or mix of multi-year sales contracts, which can also have an impact on our revenue cycles.

Additionally, our existing and future pricing and packaging strategies for enterprise and other customers for our existing and future service offerings may not be accepted by customers. For example, we offer certain apps and agents in purchasable Collections and we have limited experience with determining the optimal pricing and terms for such packaging. Our adoption of, or failure to adopt, changes to our pricing and packaging strategies, as well as the timing and manner of such changes, may harm our business, results of operations and financial condition.

Our business model for our low-touch customers is based in part on a high volume of transactions and organic expansion. If this model is not effective, our business and results of operations could be harmed.

Our business model for low-touch customers is based in part on attracting a high volume of customers through free trials, limited free versions, and affordable starter licenses. For example, we have traditionally offered entry-level or free pricing for certain offerings to small teams at a price that typically does not require capital budget approval and that is orders-of-magnitude less than the price of traditional enterprise software. This approach is intended to drive trial, adoption, and initial expansion organically within organizations, through low-touch customer service, high product quality, and transparent pricing arrangements. However, if users do not perceive sufficient value in upgrading from free or entry-level offerings or if users do not become, or influence others to become, paying customers, we may not realize the intended benefits of this strategy. Any decrease in our customers' satisfaction with our offerings, either as a result of our own actions or due to factors outside of our control, could also harm word-of-mouth referrals and our brand. Historically, a majority of users do not convert from free trials or limited free versions to paid apps or products, and our strategy also relies on these users influencing broader adoption within their organizations. Additionally, we have historically increased and will continue to increase prices from time to time, which may also hurt the efficacy of this strategy.

Our ability to compete may be adversely affected as competitors introduce lower-cost or free alternatives, making it more difficult to acquire new customers. Some customers may also view our offerings as discretionary purchases, which can reduce demand, especially during periods of economic uncertainty. If we are unable to sell our software in high volume, or if our free trial and affordable pricing strategies do not result in sufficient conversion to paid customers, our business, results of operations, and financial condition could be harmed.

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 apps, agents and 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 may also 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 function. End customers may also reach out to us requesting support for third-party apps sold on the Atlassian Marketplace. To supplement our customer support teams, we have relied in the past and will continue to rely on third-party vendors to fulfill requests to resolve common or frequently asked questions for Atlassian offerings. 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. Certain of our customers have in the past experienced outages across their use of our apps, agents and products and it is possible that similar incidents may occur in the future. 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 apps, agents, and 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 2025, we derived over 50% of our revenue from channel partners' sales efforts. At times in the past, one solution partner represented more than 10% of our total accounts receivable.

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. If any solution partners fail to pay us under the terms of our agreements, including any delays in payment, or we are otherwise unable to collect on our accounts receivable from these solution partners, we may be adversely affected both from the inability to collect amounts due and the cost of enforcing the terms of our contracts, including litigation. Additionally, 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 offerings with limited or no notice and with little or no penalty. We expect that any additional solution partnerships we identify and develop in the future will be similarly non-exclusive and unbound by any requirement to continue to market our offerings. 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 offerings, our business, results of operations, and financial condition could be harmed. If our solution partners do not effectively market and sell our offerings or fail to meet the needs of our customers, our reputation and ability to grow our business could also be harmed.

If we fail to integrate our apps, agents, and 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 apps, agents and products must integrate with a variety of network, hardware, and software platforms, and we need to continuously modify and enhance our apps, agents, and products to adapt to changes in hardware, software, networking, browser, and database technologies. In particular, we have developed our apps, agents, and 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, certain providers may claim we have failed to meet these standard terms and conditions. Our business could also be harmed if any provider:

- discontinues or limits our access to its APIs, due to a claim of breach of terms and conditions or for any other reason;
- 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 may also be subject to privacy risks in connection with the third-party data we collect and process through APIs and, in some instances, customers may find our administrative controls for such data use inadequate. As with any data processing, there are privacy considerations for the data we collect and process from third-party sources, and customers may seek more controls in our products around third-party integrations. We believe a significant component of our value proposition to customers is the ability to optimize and configure our apps, agents, and 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 offerings 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 apps, agents, and 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 apps, agents, and products to operate effectively with future infrastructure platforms and technologies could also reduce the demand for our offerings, resulting in customer dissatisfaction and harm to our business. If we are unable to respond to changes in a cost-effective manner, our apps, agents, and products may become less marketable, less competitive, or obsolete and our results of operations could be harmed.

We derive a majority of our revenue from Jira, Confluence, and Jira Service Management.

We derive a majority of our revenue from Jira, Confluence, and Jira Service Management. As such, the market acceptance of these apps and products is critical to our success. Demand for these and our other offerings is affected by a number of factors, many of which are beyond our control, such as continued market acceptance of our offerings by customers for existing and new use cases, the timing of development and release of new apps, 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 offerings, our business, results of operations, and financial condition 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 acquired Loom, Inc. in fiscal year 2024 and both The Browser Company of New York Inc. and A Software Company in the second quarter of fiscal year 2026. We also from time to time enter into strategic relationships with other businesses to expand our offerings, 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 or depart soon after acquisition closing. An acquired company’s products or services may not easily adapt to work with our offerings, or we have difficulty retaining the customers due to changes in ownership, management or otherwise. Our due diligence of an acquired company may also fail to identify all the liabilities, shortcomings or challenges of an acquired business, including issues relating to intellectual property, employees or company culture, customers, product quality or architecture, regulatory compliance practices or tax and accounting practices. We may also be, and from time to time have been, exposed to unknown risks or liabilities stemming from acquisitions, including risks relating to data security, vulnerabilities in cybersecurity, data privacy obligations, or breaches from acquired companies.

Acquisitions may also disrupt our business, divert our resources, and require significant management attention that would otherwise be available for the 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.

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, or 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, technology, or business cultures; and/or
- become subject to adverse tax consequences, substantial depreciation, impairment, or deferred compensation charges.

If we cannot continue to expand the use of our offerings 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 offerings 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 offerings 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.

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 and maintain a remote-first “Team Anywhere” work environment, 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.

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 the 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.

Our reputation could also be adversely impacted by, among other things, any failure or perceived failure in our social and environmental practices, public pressure from investors or policy groups to change our policies, or customer perceptions of our marketing efforts, sponsorship arrangements, social media or any statements made by us, our executives and employees, agents or other third parties. Our sponsorship relationships and partnerships may also subject us to negative publicity as a result of any actual or alleged conduct by, or consumers' perceptions of, our partners or individuals and entities associated with such organizations, which could have an adverse effect on our reputation and brand.

Our sponsorship relationships and partnerships and the general promotion of our brand requires us to make substantial expenditures. We anticipate that these 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.

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 offerings, and we believe that third-party apps from the Atlassian Marketplace facilitate greater usage and customization of our offerings. 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 have in the past and may in the future create disruptions in our customers' use of our products, lead to data loss or unauthorized access to customer data, damage our brand and reputation, and affect the continued use of our products, which could harm our business, results of operations and financial condition.

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

If our security controls are compromised, leading to unauthorized or inappropriate access to customer data, our products could be perceived as insecure, and such perception may result in the loss of existing customers, hinder our ability to attract new ones, and expose us to 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. In addition, we rely on third-party service providers to host or otherwise process some of such data, and any failure by a third party, or any other entity in our collective supply chain, to prevent or mitigate data security breaches or improper access to, or use, acquisition, disclosure, alteration, or destruction of, such data could have similar adverse consequences for us. 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, 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, the techniques used to obtain unauthorized access to systems or sabotage systems, or disable or degrade services, change frequently and are often unrecognizable until launched against a target, and therefore 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, or employee, vendor or contractor error or malfeasance, and other causes. These and other risks may be heightened by our remote-first “Team Anywhere” work environment. We have also in the past been, and may in the future be, a target of security threats, including from state actors. While these incidents have not materially affected our business, reputation or financial results, there is no guarantee they will not in the future. In addition, third parties have in the past and may in the future also utilize our products and platforms for malicious purposes, such as to upload abhorrent content (including on our Loom app) or host malware, which could result in reputational harm to us and negatively impact our business, and this risk could be heightened as adoption of our AI offerings increase. Building AI into our offerings may also result in security incidents or otherwise increase cybersecurity risks. AI technologies may be used in connection with certain cybersecurity attacks, resulting in heightened risks of security breaches and incidents.

As we further transition to selling our apps, agents, and 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 have in the past, and may in the future, contain bugs, vulnerabilities, or defects that pose data security risks to our customers or lead to the unauthorized access of user data. 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. We have in the past identified a vulnerability in an open source software application we used and similar incidents may occur in the future and could have 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.

Data security breach incidents also expose us to liability under various laws and regulations across jurisdictions and increase the risk of litigation and governmental or regulatory investigation. Due to concerns about data security and integrity, a growing number of legislative and regulatory bodies have adopted breach notification and other requirements in the event that information subject to such laws is disclosed without authorization, accessed by unauthorized persons, lost or deleted, or otherwise impacted by a security breach. There may be additional regulations regarding the security of such data in the future. Additionally, we may need to notify customers, governmental authorities, and/or other affected individuals with respect to such incidents. For example, laws in the EU and UK and all 50 U.S. states may require businesses to provide notice to customers, governmental authorities, and/or other individuals whose personal information has been impacted by a data security breach. Complying with such numerous and complex regulations in the event of a data security breach would be expensive and difficult, and failure to comply with these regulations could subject us to regulatory scrutiny and additional liability. We are also contractually required to notify customers or other counterparties of certain security incidents, including certain data security breaches. Regardless of our contractual protections, any actual or perceived data security breach, or breach of our contractual obligations, could harm our reputation and brand, expose us to potential liability, or require us to expend significant resources on data security and in responding to any such actual or perceived breach.

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 apps, agents, and 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 apps, agents, products or websites are unavailable, if our users are unable to access our apps, agents, products or websites 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. We may be subject to regulations that require us to report extended services outages to governmental authorities and customers. 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, we have in the past incurred costs associated with offering service level credits and other concessions to certain customers who experienced outages across their use of our offerings. It is possible that large-scale outages in the future could 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 cloud computing platform providers (such as Amazon Web Services) and other hardware and software providers, as well as general internet availability, to maintain our infrastructure and distribute our apps, agents, and products. Any disruptions in these services, including as a result of actions outside of our control, would significantly impact the continued performance of our apps, agents, and 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 apps, agents, and 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 offerings or in the apps on Atlassian Marketplace could harm our business and results of operations.

Errors, failures, vulnerabilities, or bugs may occur in our offerings, especially when updates are deployed or new apps, agents, or 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 apps, agents, or 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 apps, agents, or 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 apps, agents or products have and could result in negative publicity, impacts to the confidentiality, integrity or availability of customer data, loss of or unauthorized access to customer data, loss of or delay in market acceptance of our offerings, 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 apps, negatively affect the confidentiality, integrity or availability of customer data, damage our brand and reputation, and affect the continued use of our apps, which could harm our business, results of operations and financial condition.

Privacy concerns and laws as well as evolving regulation of cloud computing, AI products and 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 the United States, the Federal Trade Commission and state regulators enforce a variety of data privacy issues, such as promises made in privacy policies or failures to appropriately protect information about individuals, as unfair or deceptive acts or practices in or affecting commerce in violation of the Federal Trade Commission Act or similar state laws. In addition, U.S. state data privacy laws, such as the California Consumer Privacy Act 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. In the European Economic Area ("EEA") and the UK, data privacy laws and regulations, such as the European Union General Data Protection Regulation ("EU GDPR") and United Kingdom General Data Protection Regulation and Data Protection Act 2018 (collectively, the "UK GDPR," and, together with the EU GDPR, the "GDPR"), impose comprehensive obligations directly on Atlassian as both a data controller and a data processor, as well as on many of our customers, in relation to our collection, processing, sharing, disclosure and other use of personal data. Data privacy laws and regulations around the globe continue to evolve, and as various jurisdictions introduce legislation or regulation (such as India's Digital Personal Data Protection Act), we and our customers could be exposed to additional regulatory burdens that could increase our costs, reduce usage of our offerings, and adversely affect our business and results of operations.

As our Cloud offerings continue to become more central to our distribution model, particularly in light of Project Ascend, we may face additional privacy risks, including risks stemming from regulation of cloud computing. For example, the transition to Cloud offerings may be impacted by emerging EU cloud sovereignty requirements that could disadvantage our Cloud offerings in public sector organizations and regulated industries. We may also be subject to increased data security risks as customers increasingly transition from self-managed environments to our Cloud platform.

We are also subject to evolving privacy laws on cookies, tracking technologies and e-marketing. For example, the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 establishes certain requirements for commercial email messages and specifies penalties for the transmission of commercial email messages that are intended to deceive the recipient as to source or content. In addition, certain states and foreign jurisdictions, such as Australia, Canada, and the European Union ("EU"), have enacted laws that regulate sending email, and some of these laws are more restrictive than U.S. laws. The placement of certain cookies or similar tracking technologies on an individual's device and subsequent use are subject to consent requirements in certain jurisdictions, including several U.S. states, the European Union and United Kingdom. In particular, recent European court and regulator decisions are driving increased attention to compliance with these requirements, and companies in our industry have been named in civil litigation alleging improper data collection via these technologies.

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. 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.

We monitor the regulatory, judicial, and legislative environment and have invested in addressing these developments. These new 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. In addition, changes to penalties, fines, and action related to data breaches could impact our potential liability exposure. Record-breaking enforcement actions globally have shown that regulators wield their right to impose substantial fines for violations of technology 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 EEA to the United States. Even though the CJEU decision upheld the Standard Contractual Clauses as an adequate transfer mechanism, the decision created uncertainty around the validity of all EU-to-U.S. data transfers. The EU and U.S. governments later established 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, but it is uncertain whether this framework will eventually be overturned in court like the previous two EU-U.S. bilateral cross-border transfer frameworks. The validity of the EU-U.S. Data Privacy Framework has been legally challenged and may be challenged in the future. 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, jurisdictions are considering legal frameworks on AI, which is a trend that may increase now that the first such framework has entered into force in the EU; several others have been passed in various jurisdictions.

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. Our data residency controls may at times fail, exposing us to fines, penalties, civil actions, or other harm.

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, our data handling or data protection practices, may also lead to increased regulatory scrutiny or cause our customers to seek alternative products or services. Complaints about the practices of technology companies in general, even if unrelated to our business or operations, may also 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.

New laws, guidance or decisions related to AI, as well as the related increased regulatory scrutiny in recent years, may limit our ability to use our AI solutions, apps, agents and features, or require us to make changes to our operations that may decrease our operational efficiency, result in an increase to operating costs or hinder our ability to improve our services. While the GDPR already provides for transparency obligations and the imposition of safeguards where automated decision-making is used in certain circumstances, a number of U.S. state data privacy laws that have recently passed and/or gone into effect similarly impose transparency obligations and provide the right for data subjects to opt-out of profiling that will have legal or similarly significant effects. As these laws continue to evolve, we and our customers could be exposed to additional regulatory burdens that could increase our costs, reduce usage of our apps or agents, and adversely affect our business and results of operations.

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 or new services we offer 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 offerings 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, including patents, copyrights, trade secrets, and trademarks, 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. Furthermore, the legal issues, including copyright and related rights, surrounding AI technologies and the data used for training such technologies or otherwise used as inputs into such technologies has not been fully addressed by courts or national or local laws or regulations, and the use or adoption of AI technologies into our apps and services may result in exposure to claims of copyright infringement, other intellectual property infringement or misappropriation, or other related claims. 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. 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, we provide certain of 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 such customers misuse or distribute 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 Financial Matters

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 and terms of customer contracts and renewals;
- seasonality impacts in our sales cycle and other operations;
- challenges in collecting outstanding accounts receivable balances;
- changes in our or our competitors' pricing policies and offerings;
- new products, features, enhancements, or functionalities introduced by our competitors;
- changes to our overall market;
- the amount and timing of our operating costs and capital expenditures related to the operations and expansion of our business;
- our focus on our Cloud offerings and customer migrations to our Cloud platform;
- the success of our AI offerings and our continued ability to incorporate AI solutions and features into our products, platform and business;
- 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;
- significant security breaches, technical difficulties, or interruptions to our products or the third-party products on which we rely;
- the impact of new accounting pronouncements and associated system implementations, or changes in accounting principles and the application of new and existing accounting principles;
- extraordinary expenses such as litigation, tax settlements, adverse audit rulings or other dispute-related settlement payments;
- the number of new employees added or, conversely, any reductions in force;
- the timing of the grant or vesting of equity awards to employees, contractors, or directors;
- major changes to management or our board of directors;
- general economic conditions, including inflationary pressures and interest rate policy, that may adversely affect either our customers' ability or willingness to purchase additional licenses, subscriptions, delay a prospective customer's purchasing decisions, reduce the value of new license or subscription, or affect customer retention; and
- the impact of U.S. and international political and social unrest, changes in trade policies, armed conflict, natural disasters, climate change, diseases and pandemics, and any associated economic downturn, on our results of operations and financial performance.

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 recognize certain revenue streams over the term of our subscription 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 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 plans entered into during previous quarters. Consequently, a decline in new or renewed licenses and subscriptions or any challenges relating to accounts receivable collections or collection periods 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 offerings, 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 economic uncertainties may cause customers to request concessions, including better pricing, which may not be reflected immediately in our results of operations. In addition, customers have in the past and may continue in the future slow their rate of expansion or edition upgrades or reduce their number of licenses. Changes in the terms of our customer contracts, product lifecycles and the adoption and application of accounting principles relating to revenue recognition also impact our results.

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 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.

Seasonality may cause fluctuations in our revenue.

As we continue to invest in our sales-led motion and deepen our footprint with enterprise customers, we believe we have and may continue to see increased seasonal fluctuations in terms of the timing of when we enter into customer agreements. We believe we may have experienced in the past and may experience in the future seasonality effects due to enterprise customer budget cycles and our internal commission plans and quotas for our enterprise sales force. For instance, a higher percentage of customer sales are typically executed in the second and fourth quarters of our fiscal year. Seasonality effects may cause variability in revenue growth rates in certain quarters and within quarters. Our revenues fluctuate quarterly, and seasonality effects may cause additional fluctuations in our quarterly financial results. These fluctuations may adversely affect the market price of our Class A Common Stock.

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 revenue for our offerings, 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. For example, during periods of higher interest rates, as has occurred in recent years in the U.S. and other regions, debt financing may become more expensive. The 2024 Credit Facility and the indenture governing our Notes (each defined below) contain 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 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. Any new equity or debt securities we issue could also 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.

Our current and future indebtedness may limit our flexibility in obtaining additional financing and in pursuing other business opportunities or operating activities.

In May 2024, we issued $500 million aggregate principal amount of 5.250% senior notes due 2029 (the “2029 Notes”) and $500 million aggregate principal amount of 5.500% senior notes due 2034 (together with the 2029 Notes, the “Notes”). In August 2024, we amended and restated our prior credit facility to eliminate the senior unsecured delayed-draw term loan facility and provide for a $750 million senior unsecured revolving credit facility (the “2024 Credit Facility”). As of December 31, 2025, we had no outstanding revolving loans under 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. The indentures governing our Senior Notes contain certain negative covenants, including a limitation on liens and a limitation on sale/leaseback covenants.

Under the terms of these covenants, 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 certain 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 owed and could have a material adverse impact on our business. 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. If we were to draw on the Credit Facility, any increase in interest rates may negatively impact our financial results.

We continue to have the ability to incur additional debt, subject to the limitations in our Credit Facility and the indentures governing our Senior Notes. 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.

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 would be 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.

Privately held companies in which we invest have undertaken 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 a number of our investments have lost value in the past. Valuations of privately held companies are also inherently complex due to the lack of readily available market data, and, as a result, the basis for these valuations is subject to the timing and accuracy of the data received from these companies. If we determine that any of our more significant investments have experienced a decline in value, we may be required to record an impairment, which could be material and negatively impact our financial results. In addition, we have in the past, and may in the future, continue to deploy material investments in individual companies in which we have previously invested, 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.

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

We are subject to tax in the U.S., Australia, and various other jurisdictions. Significant judgment is often required in the determination of our worldwide provision for (benefit from) 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 nondeductible 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, during fiscal year 2024, we entered into a unilateral advanced pricing arrangement with the Australian Taxation Office ("ATO") 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. If that arrangement is not renewed with similar or better terms, it may result in additional tax liabilities in the future. We will continue to pursue advanced pricing arrangements in Australia and other jurisdictions to proactively manage and mitigate the risk of transfer pricing disputes with tax authorities. 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, in July 2025, the U.S. government enacted The One Big Beautiful Bill Act ("OBBBA") which includes a broad range of tax reform provisions that may affect our financial results. The OBBBA includes, among other provisions, the allowance of immediate expensing of qualifying domestic research and development expenses and permanent extensions of certain provisions within the Tax Cuts and Jobs Act, which was signed into law in 2017. The Inflation Reduction Act ("IRA"), signed into law in 2022, includes various corporate tax provisions including an 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 ("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, and Turkey 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. The mandate is further extended to include certain domestic arrangements in Poland. These regulations (known as MDR in the UK and Poland and DAC 6 in the other EU countries) require taxpayers to disclose certain transactions to the tax authorities resulting in an additional layer of compliance and requiring careful consideration of the tax benefits obtained when entering into transactions that need to be disclosed.

The OECD introduced significant changes to the international tax law framework through the Pillar Two guidelines. These guidelines establish a coordinated set of rules intended to prevent multinational enterprises from shifting profits to low-tax jurisdictions by implementing a 15% global minimum tax. Many countries in which we operate, including the member states of the EU, have enacted Pillar Two. Pillar Two rules became applicable to us in fiscal year 2025. In response to U.S. opposition to certain aspects of Pillar Two, in January 2026 the OECD introduced a new “side-by-side” safe harbor that is expected to apply to us beginning in fiscal year 2027. This safe harbor would exclude U.S.-parent groups from certain provisions of Pillar Two; however, locally enacted domestic minimum taxes would continue to apply. 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 changes in tax rates, 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, regulations, and taxation officer interpretations. 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 apps, agents, products, and services 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.

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 (“Section 404”). 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. We could also become subject to investigations by the stock exchange on which our securities are listed, 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 apps, agents, products, and services 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, the Indian rupee, the Euro, and the British pound sterling 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 and liabilities that are denominated in currencies other than the U.S. dollar. In addition, we transact in non-U.S. dollar currencies for our apps, agents, products and services, 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 are exposed to credit risk and fluctuations in the market values of our investment portfolio.

Given the global nature of our business, we 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 geopolitical instability, 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.

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 Legal and Regulatory Matters

Our development and use of AI technologies may expose us to operational, legal, regulatory, reputational and other risks that may adversely affect our business.

We are continually enhancing and expanding our platform and offerings with AI technology. Our development and use of AI technologies may expose us to operational challenges and security risks, legal claims, regulatory scrutiny, and reputational harm. AI models can be flawed, biased, or produce inaccurate or misleading outputs, which may not be easily detected. Inappropriate data practices or negative public perception of AI could reduce acceptance of our AI-enabled products and services. If our AI tools or their outputs are harmful, biased, inaccurate, or otherwise controversial, we could face legal, competitive, or reputational damage, and customers may reduce or discontinue use of our offerings. Additionally, insufficient rights to use third-party AI tools, data, or content could result in violations of intellectual property, privacy, or contractual obligations.

We are also subject to evolving laws and regulations governing AI, including those related to privacy, data protection, intellectual property, and platform moderation. For example, there is currently uncertainty about the extent to which privacy and data protection laws apply to AI technologies and these requirements may conflict with our use of AI technologies. As a result, we may face increased difficulty operating these technologies, be subject to regulatory fines or penalties, be required to modify our business practices, retrain our AI systems, or even be prevented or restricted from using AI technologies altogether. New or changing legal requirements—such as the EU AI Act—may also require significant changes to our practices and increase compliance costs. Because the regulatory landscape for AI is rapidly evolving and varies by jurisdiction, we may face challenges in adapting our products and practices, and cannot predict all potential risks or liabilities related to AI use.

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 our customers operate, including imposing taxes, fees, or other charges. Changes in these laws or regulations could require us to modify our apps, agents, products, and services 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. 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 apps, agents, 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 develop and are otherwise incorporated into our offerings, including AI, 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 apps, agents, 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.

Our sales to U.S. government entities and contractors are subject to additional challenges and risks, including those related to FedRAMP compliance.

We offer apps, agents, products, and services to U.S. federal, state, and local government agencies, as well as to contractors and organizations that support them. We have obtained various government certifications and authorizations that are required to support sales opportunities to the government, including Federal Risk and Authorization Management Program ("FedRAMP") Moderate, covering Jira, Confluence, and Jira Service Management. Maintaining FedRAMP and other similar restricted cloud environments places an increased compliance burden upon us, which may increase our internal costs to provide services to government agencies. Challenges and risks include:

- Maintaining FedRAMP authorization requires continuous monitoring, regular security assessments, and timely remediation of identified vulnerabilities. Any failure to meet these obligations, or any security incidents or breaches that demonstrate non-compliance with required controls, could result in loss of authorization, or otherwise undermine our trust with the authorizing agency, which would restrict our ability to serve public sector customers.
- Only products and features included within the FedRAMP authorization boundary are assessed for security compliance. Certain apps and integrations may not inherit FedRAMP status unless they are specifically evaluated and approved, which may limit the functionality available to government customers.
- The government security and certification requirements we are working towards (such as those for FedRAMP and related programs, including FedRAMP High and U.S. Department of Defense Impact Level 5), are subject to change. We are investing in expanding our compliance to higher security levels, but delays or inability to achieve these certifications could impact our competitiveness in the public sector.
- Government contracts may include terms that are less favorable than our standard agreements, and non-compliance with contract terms or regulatory requirements can result in severe penalties, including suspension or debarment from government contracting.
- Demand for our offerings from government customers may be influenced by public sector budget cycles, funding authorizations, government shutdowns, and changes in government policy or administration priorities. Contracts with governmental entities are also subject to termination for the convenience of the customer.
- We may be subject to audits and investigations related to our government contracts that could result in severe consequences if violations are found, including contract termination, future debarment, payment suspensions, profit forfeiture, civil and criminal penalties, and administrative sanctions. These penalties could significantly damage our reputation and adversely affect our financial performance.

Our success in the government sector depends on our ongoing compliance efforts, our ability to expand the scope of authorized offerings, and our responsiveness to evolving regulatory and customer requirements. Any failure in these areas could adversely impact our business, reputation, and financial results.

Adverse litigation results could have a material adverse impact on our business.

We have been involved with claims, suits, purported class or representative actions, regulatory and government investigations, or other proceedings. The claims, suits, actions, regulatory and government investigations we face may involve intellectual property, labor and employment, competition, commercial disputes, data security and privacy, bankruptcy, tax and related compliance, and other matters. They could impose a significant burden on our management and employees, prevent us from offering one or more of our apps or products to others, require us to change our technology or business practices, or result in monetary damages, fines, injunctive relief, civil or criminal penalties, reputational harm, or other adverse consequences. Any litigation and other claims are subject to inherent uncertainties and a material adverse impact in our financial statements could occur for the period in which the effect of an unfavorable outcome becomes probable and reasonably estimable.

Regulators', investors', customers' and others' expectations and scrutiny of our performance relating to environmental, social and governance efforts may impose additional costs and expose us to new risks.

There is an increasing focus from certain regulators, investors, customers, employees, and other stakeholders concerning environmental, social and governance ("ESG") matters. Any failure to meet the ESG standards set by various constituencies may damage our reputation or otherwise harm our business or financial condition.

As ESG best practices and reporting standards continue to develop, we expect to incur increasing costs relating to ESG monitoring, reporting, and compliance. In recent years, there has been a proliferation of climate and other ESG disclosure requirements at the local, national, and international levels, which have required and will continue to require significant time, effort, and resources in order to comply with differing requirements. If our ESG practices and reporting fail to meet such requirements, we may be exposed to risks of government or regulatory enforcement or liability. We voluntarily 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. 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, some investors may use ESG factors to guide their investment strategies and, in some cases, may choose not to invest in us if they do not agree with our policies and actions relating to ESG. If our competitors' ESG performance is perceived to be better than ours, potential or current investors or other stakeholders may elect to engage 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. Alternatively, any negative perceptions of any perceived insufficient or overdone pursuit of any ESG initiatives could also result in adverse impacts, including potential stakeholder engagement or litigation or other proceedings.

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-Founders 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 December 31, 2025, stockholders who hold our Class B Common Stock collectively hold approximately 85% of the voting power of our outstanding share capital and entities affiliated with our Co-Founders, Michael Cannon-Brookes and Scott Farquhar, collectively hold substantially all of our Class B Common Stock. The holders of our Class B Common Stock will collectively continue to control a majority of the combined voting power of our capital stock 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. Therefore, if Messrs. Cannon-Brookes and Farquhar retain a significant portion of their holdings of our Class B Common Stock for the foreseeable future, they will control a significant portion of the voting power of our capital stock and be able to control substantially all matters submitted to our stockholders for approval. This will limit the ability or preclude the ability of our stockholders to influence corporate matters, including the election of directors and the amendments of our organizational documents. This concentrated control may also 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.

At times, Messrs. Cannon-Brookes and Farquhar may have interests that differ from holders of our Class A Common Stock and may vote in a way that may be adverse to such interests. As members of our board of directors, and, in Mr. Cannon-Brookes' case, as an executive officer, 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 the holders of our Class A Common Stock.

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:

- guidance regarding our operating results and other financial metrics that we provide to the public, differences between our guidance and market expectations, our failure to meet our guidance, any withdrawal of previous guidance or changes from our historical guidance;
- changes in investor and analyst valuation models for our Class A Common Stock;
- announcements of technological innovations, new applications or enhancements to services, acquisitions, strategic alliances, or significant agreements by us or by our competitors;
- disruptions in our services due to computer hardware, software, or network problems or any announcements related to security incidents;
- announcements of customer additions and customer cancellations or delays in customer purchases;
- recruitment or departure of key personnel;
- the economy as a whole, political and regulatory uncertainty, and market conditions in our industry and the industries of our customers;
- trading activity by directors, executive officers, and significant stockholders, or the perception in the market that the holders of a large number of shares intend to sell their shares;
- any future issuances of our securities; and
- any changes to our Share Repurchase Program (as defined below).

Additionally, the stock markets have at times experienced extreme price and volume fluctuations that have affected and may in the future affect the market prices of equity securities of many companies. These fluctuations have, in some cases, been unrelated or disproportionate to the operating performance of these companies. Further, the trading prices of many technology companies have been particularly volatile and fluctuated in a manner unrelated or disproportionate to the operating performance of those companies.

Large volatilities in the market price of our Class A Common Stock may subject us to securities class action litigation. For example, in February 2023, a purported securities class action complaint was filed against us and certain of our officers in U.S. federal court; this suit was dismissed in August 2024. Similar suits in the future could result in substantial costs and divert our management’s attention from other business concerns, which could harm our business.

Substantial future sales of our 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 December 31, 2025, we had 170,436,795 outstanding shares of Class A Common Stock and 95,068,747 outstanding shares of 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.

We cannot guarantee that our Share Repurchase Programs will be fully consummated or that they 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 September 2024, our board of directors authorized a share repurchase program to repurchase up to $1.5 billion of our outstanding shares of Class A Common Stock (the “2024 Share Repurchase Program”) and this program commenced in April 2025, following the completion of a prior share repurchase program. In October 2025, our board of directors authorized a new program under which we may repurchase up to an additional $2.5 billion of our outstanding Class A Common Stock (the “2025 Share Repurchase Program,” and together with the 2024 Share Repurchase Program, the “Share Repurchase Programs”). The 2025 Share Repurchase Program will commence following the completion of the 2024 Share Repurchase Program. Under the Share Repurchase Programs, 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 Programs do not have a fixed expiration date, may be suspended or discontinued at any time, and do 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 Programs will be fully consummated or that they will enhance long-term stockholder value. The Share Repurchase Programs 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 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, amended and restated bylaws, our Senior Notes, 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 such holders own significantly less than a majority of the shares of our total outstanding 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.

In addition, the change in control repurchase event provisions of our Senior Notes may delay or prevent a change in control of the Company, because those provisions allow note holders to require us to repurchase such notes upon the occurrence of a fundamental change or change in control repurchase event. 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, Senior Notes 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 offerings 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 offerings 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, 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 in any country or region in which we operate or sell our offerings, including due to rising inflation or hyperinflation, and related interest rate increases;
- geopolitical and economic risks relating to general political and economic instability around the world, including in the Middle East and Ukraine, and uncertainty regarding or any impacts from the imposition of and changes in trade policies, including trade wars, tariffs or other trade restrictions or the threat of such actions;
- 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;
- impacts of pandemics or public health emergencies; and
- compliance with the laws of numerous foreign taxing jurisdictions, including withholding obligations, and overlapping of different tax regimes.

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 offerings and could harm our business, results of operations, and financial condition.

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, one of our former Co-Chief Executive Officers stepped down from his executive officer role and into an advisory role, effective August 2024. Our former President stepped down from her executive officer role, effective December 2025, and in October 2025, we announced that our Chief Financial Officer will be stepping down, effective June 2026. 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 are able to terminate their employment with us at any time. The loss of one or more of our executive officers, especially our Chief Executive Officer, or other key employees may harm our business.

In addition, in order to execute our growth plan, we must attract and retain highly qualified personnel. For example, we hired a new Chief Revenue Officer, effective January 2025, and a new Chief Product and AI Officer, effective November 2025. Competition for highly qualified personnel is intense, and many of the companies with which we compete for experienced personnel have greater resources than we have. 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, especially those with experience in designing and developing software and cloud-based services or with AI and machine learning backgrounds, has been, and we expect it to continue to be, challenging. If we are unable to hire and retain talented product engineering personnel, we may be unable to scale our operations or release new apps, agents, or products in a timely fashion and, as a result, customer satisfaction with our apps, agents or products may decline. Furthermore, as we hire employees from competitors or other companies, prior employers may attempt to assert that the employees or we have breached certain legal obligations, resulting in a diversion of our time and resources.

Any reorganizational or rebalancing efforts we conduct, including the ones in March 2023 and first quarter fiscal year 2026, may have an adverse effect on our ability to attract and retain employees. In addition, job candidates and existing employees often consider the value of the equity awards they receive in connection with their employment. We have experienced large fluctuations in our stock price since the end of fiscal year 2021. 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.

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 Australia and the San Francisco Bay Area of California. Australia has experienced significant wildfires and flooding that have impacted our employees. The west coast of the United States contains active earthquake zones and is often at risk from wildfires. 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 malfunction, natural disaster, disease or pandemic, or catastrophic event, our ability to conduct normal business operations and deliver our offerings to 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 but not limited to the increasing frequency of extreme weather events and their impact on critical infrastructure in the United States, Australia and elsewhere, have the potential to disrupt our businesses, our employees, our third-party suppliers, and/or the business of our customers, and may cause us to experience extended product downtimes, higher attrition, and losses and additional costs to maintain and resume operations. Furthermore, failure to achieve or advance towards our public sustainability commitments and objectives regarding climate action may have an adverse effect on our standing with investors, suppliers, and customers, as well as on our financial results and our capacity to attract and retain skilled individuals. In addition, any negative perceptions of our pursuit of climate action sustainability initiatives could also result in adverse impacts, including potential stakeholder engagement or litigation.

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

Issuer Purchases of Equity Securities

Share repurchases of our Class A Common Stock for the three months ended December 31, 2025 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
October 2025	226	$ 155.05	226	$ 3,386,325
November 2025	265	150.76	265	3,346,368
December 2025	788	$ 159.23	788	$ 3,220,928
Total	1,279		1,279	

(1) In September 2024, the Board of Directors authorized a program to repurchase up to an additional $1.5 billion of the Company's outstanding Class A Common Stock (the "2024 Repurchase Program"). The 2024 Share Repurchase Program commenced in April 2025 following completion of the previous share repurchase program. In October 2025, the Board of Directors authorized a new program under which we may repurchase up to an additional $2.5 billion of the Company's outstanding Class A Common Stock (the "2025 Repurchase Program" and, together with the 2024 Repurchase Program, the "Repurchase Programs").

The Repurchase Programs do 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 Securities Exchange Act of 1934, as amended, 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.

Unregistered Sales of Equity Securities

During the quarter ended December 31, 2025, we issued 1,026,598 unregistered shares of our Class A Common Stock, subject to certain time-based vesting provisions, in connection with our acquisitions of certain private companies. The issuances did not involve any underwriters, any underwriting discounts or commissions, or any public offering. The issuances were made in a private transaction exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act") pursuant to Section 4(a)(2) of the Securities Act and Regulation D and Regulation S promulgated under the Securities Act.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Trading Plans

On December 5, 2025, Rajeev Rajan, the Company’s Chief Technology Officer, adopted a Rule 10b5-1 trading arrangement that is intended to satisfy the affirmative defense of Rule 10b5-1(c) for the sale of (i) up to 34,457 shares of the Company’s Class A Common Stock, (ii) up to 100% of the shares of the Company’s Class A Common Stock issued upon the settlement of 21,628 outstanding RSUs, net of shares sold to cover tax withholding obligations in connection with the vesting and settlement of such RSUs, (iii) up to 65% of the shares of the Company’s Class A Common Stock issued upon the settlement of 63,886 outstanding RSUs, net of shares sold to cover tax withholding obligations in connection with the vesting and settlement of such RSUs, and (iv) up to 65% of the shares of the Company’s Class A Common Stock issued upon the settlement of any future RSUs awarded during the plan period, net of shares sold to cover tax withholding obligations in connection with the vesting and settlement of such RSUs, in each case pursuant to the terms of the plan and until March 7, 2027.

On December 5, 2025, Gene Liu, the Company’s Chief Accounting Officer, adopted a Rule 10b5-1 trading arrangement that is intended to satisfy the affirmative defense of Rule 10b5-1(c) for the sale of up to 6,432 shares of the Company’s Class A Common Stock pursuant to the terms of the plan, until March 5, 2027.

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
31.1	Certification of 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 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 Principal Executive Officer 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				

‡ The certification attached as Exhibit 32.1 that accompanies this Quarterly Report on Form 10-Q pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, is not deemed “filed” by the registrant for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

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: February 6, 2026	By:	/s/ Joseph Binz	
		Name:	Joseph Binz
		Title:	Chief Financial Officer *(Duly Authorized Officer and Principal Financial Officer)*

EXHIBIT 31.1

CERTIFICATION

I, Michael Cannon-Brookes, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Atlassian Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 6, 2026

/s/ Michael Cannon-Brookes

Michael Cannon-Brookes
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, Joseph Binz, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Atlassian Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 6, 2026

/s/ Joseph Binz

Joseph Binz
Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Atlassian Corporation (the “Company”) for the fiscal quarter ended December 31, 2025 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each undersigned officer of the Company certifies pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of such officer’s knowledge:

1. the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 6, 2026	By:	/s/ Michael Cannon-Brookes	
		Name:	Michael Cannon-Brookes
		Title:	Chief Executive Officer *(Principal Executive Officer)*
Date: February 6, 2026	By:	/s/ Joseph Binz	
		Name:	Joseph Binz
		Title:	Chief Financial Officer *(Principal Financial Officer)*

This certification is being furnished to accompany the Report pursuant to 18 U.S.C. § 1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.