Company: Atlassian (NasdaqGS: TEAM)

Recommendation: Long

Price Target: $422 (79% upside/ 21% 3-yr IRR)

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A Microsoft Office for software development with a growing moat, large TAM and high-quality management

KEY STATISTICS

(in millions, except per share data)

Valuation			Market Data	
Current Price 04/16/2021	**234.76**		Dividend Yield	NA
52 Week High (02/19/2021)	*262.40*		5 Year Beta	0.81
52 Week Low (04/21/2020)	*143.87*		Float	131.7
Shares - Basic	250.1		Float %	52.7%
Marketcap - Basic	**58,704.5**		Short Int. as a % of S/O	2.4%
Plus: Total Debt	990.5		Shares Sold Short	6.0
Plus: Preferred Stock	0.0		Days Cover Short	3.9
Plus: Minority Interest	0.0		**Average Trading Volume**	
Less: Cash and ST Investment	(1,786.2)		Last Week	1.5
TEV - Basic	**57,908.8**		Last Month	1.5
Relative Performance			Last 3 Months	1.5
TEAM YTD	0.4%		Last 6 Months	1.6
S&P 500 YTD	11.4%		Last Year	1.7

TRADING CHART
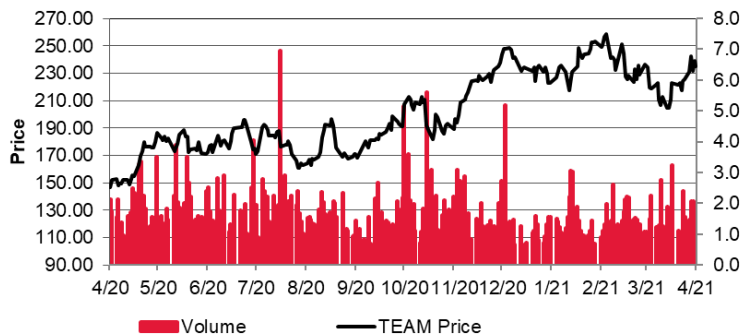
EXECUTIVE SUMMARY

Atlassian is a high-quality SaaS market leader that offers **mission critical** workplace collaboration and Application Development software. It is analogous to Microsoft Office for software development and is the oil that powers software development from planning, coding, deployment, support and collaboration.

I believe TEAM is undervalued as the market (1) **underappreciates TEAM's moat expansion as a result of cloud migration**, (2) **underestimates TEAM's strong network effect expanding in the large knowledge worker TAM**, (3) **overlooks management quality being long-term owner-operator and prudent capital allocator**.

The recently announced migration from perpetual licenses to cloud subscription presents a unique window to invest. Investors are concerned about the short-term revenue headwind and churn risk as a result of cloud migration, but my research suggests that it masked the better business potential given it leads to higher pricing power in a win-win situation and much stickier customers in the long-term.

My base case valuation suggests a **79% upside** from its current valuation at $236 ($423 target price). This is based upon sustained strong customer growth and subscription revenue per customer growth during and post-cloud-migration from my research. In addition, my bull/bear case analysis suggests an attractive **3.5x upside/ downside ratio**.

COMPANY OVERVIEW

Atlassian = Microsoft Office for software development

Founded in 2002, Atlassian is an Australian SaaS market leader. It is analogous to the Microsoft Office for software development, offering mission critical workplace collaboration and developer operations software in the fast-growing Application Development space. Their mission is to unleash the potential of every team through software that makes teamwork work. It has 16 products (Exhibit 1) with 2 flagship home-grown products, JIRA Software and Confluence, driving ~60% of revenue.

What's unique about Atlassian is its **self-reinforcing flywheel**:

- It offers its products at **highly affordable** price – basic version is free and starts as little as $5 per user per month for its paid product for a small team, with volume discounts for larger clients
- The superior product speaks for itself so Atlassian does not need a large enterprise sales team – majority of its products are **distributed directly** to clients via its **self-serve website**[1] with **transparent pricing** (vs. opaque and complex pricing plans offered by traditional enterprise software vendors)
- The lower marketing expenses translates into **higher reinvestment in product R&D**

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[1] A small portion of products are distributed via Atlassian's global network of 500+ solution partners who bring in unique expertise, services and products that complement Atlassian's portfolio e.g., deployment and customization services, localized purchasing assistance around currency, and language and specific in-country compliance requirements

- Strong product quality eventually leads to **high customer loyalty** and **strong pricing power** supported by **high switching cost** and **robust network effect**

From a <u>revenue</u> perspective, **90% of revenue is recurring** in nature which offers **high cash flow stability**. 58% of its FY2020 revenue is subscription-based – 78% of which is from cloud subscription with the rest from on-premises term-based licenses. These subscription contracts are one to twelve months in duration, with majority of them being one month. 29% of revenue is maintenance related and are typically tied to providing updates and technical support to perpetual licenses which contribute 6% of revenue. The remaining 7% of revenue is mainly associated with sales of 3rd party apps in the Atlassian Marketplace, through which it takes a 25% commission. It also includes revenues from some consulting and training services.

Atlassian has ~185k <u>customers</u>[2], including >2/3 of Fortune 500 companies. Due to the low-cost product encouraging trials and adoptions, 57% of them are small customers with <100 seats, 27% are medium (100-500 seats) and 16% are large (500+ seats). This is reflective of Atlassian's natural customer evolution – as small customers try and adopt Atlassian's products, many add more seats organically through viral expansion within the organization over time and thus become large clients in the long-term.

Atlassian's <u>network</u> include 25k+ 3rd party developers and 500+ solution partners. It also has a Atlassian Community Events (ACE) program where users can meet in their local cities at annual live customer and developer events. This includes Atlassian Summit, Atlassian Open, Atlas Camp and Atlassian Community. These events strengthen Atlassian's network effect as their products are more widely adopted (See Exhibit 2 for the Industry Map).

Inception of cloud migration
Today, ~85% of existing, and 95%+ of new clients are already on Atlassian's cloud offering. Cloud customers expand no. of paid users 20% faster than non-cloud customers with cloud net expansion rate at 121% (above Sass industry mean at 117%).

On 16 Oct 2020, management announced a full migration plan to the cloud by end of FY2024 (see Exhibit 3 for full migration plan). Similar to other SaaS offerings' cloud migration, there is a near-term revenue headwind as revenue associated as perpetual/ term licenses is generally recognized at the time of product delivery vs. cloud-based subscription services is recognized ratably. Management guided towards more moderated FY21 subscription sales growth at ~35% (lower than historical at 40%+) given pricing discounts available to companies that are willing to migrate to the cloud early (55% in 2021, 40% in 2022 and 20% in 2023), and it is expected that migration for medium and large-sized customers will take more time to migrate than smaller customers with 50%+ of customers migrating in FY23/24.

INDUSTRY ANALYSIS

Atlassian competes in the competitive Application Development (AppDev) space (i.e., software product development in a planned/ structured process). Within the lifecycle (Exhibit 4), Atlassian is the **no. 1 player in the "Planning" stage** with 34% market share, way ahead of Microsoft (including GitLab) at 11%, MicroFocus (9%), and IBM (9%). While it is only the 4th player in the "Create" stage and 3rd in the "Verify" stage, it is the fastest growing AppDev software vendor growing to be a one-stop-shop and is the **3rd player in the full ecosystem** (Exhibit 5).

The AppDev industry is under **significant secular tailwind**:
1. **Digital transformation** – For most companies, IT is becoming a strategic vs. back-office function. As such, companies are increasingly willing to invest in tools to facilitate IT development. Global IT spend is expected to grow at 6.2% in 2021[3]. Enterprise adoption for standardized Development and Operations (DevOps) toolkits is also growing rapidly from 18% penetration in 2018 to an expected 30% by 2022. This is beneficial for Atlassian as it develops as an AppDev one-stop-shop.
2. **Shift to agile development process** – Within software development, there is a shift to agile development process where deliverables are broken down into small tasks delivered in short sprint cycles (vs. traditional waterfall structure where projects are segmented into long phases). This significantly increase the need for better planning tools e.g., JIRA than traditional spreadsheets. Atlassian is rated as the **top market leader in agile planning** based on Gartner's magic quadrant (Exhibit 6). This well-positions Atlassian for long-term success in the growing AppDev industry.

Investors underappreciate TEAM's moat expansion from cloud migration

Even before cloud migration, Atlassian is a high-quality company with strong moat

- Atlassian is a **high growth** (~40% revenue CAGR, ~30% annual customer growth), **high cash generative** (80%+ gross margin, 40%+ FCF margins) business with a **capital-light model** (Exhibit 7)
- It offers a freemium model for the basic tier which significantly **lowers barriers to trial** while its paid products has the **lowest price within the industry** (Exhibit 8) thereby **raises switching cost** for clients
- Despite being the cheapest in the industry, TEAM's products are **highly regarded** within the IT community with **strong customer loyalty** (98%+ customer renewal rate)
  - "JIRA is the **most comprehensive development planning software** that I have ever used. If I have a to run another product at a new firm, I will definitely use JIRA again" – *Former software engineer manager, Novetta*
  - "In the consulting space, JIRA is popular. All Program Manager loves JIRA" – *Former Deloitte Technology Consultant*
  - "Once the customer gets to 500 JIRA user, it's **very, very difficult and rare that they will just fully churn off JIRA**. It is such a **unique product with so few peer competitors**. Many products can do issue tracking, but not at the full way that Jira can. It's such a **comprehensive method**." – *Former Enterprise Analytics Lead, Atlassian*
  - "Atlassian's products tend to get very sticky. Once you invest in JIRA, and especially if you add in Confluence, it's hard to move on" – *Former Product Strategy & Corp Development Director, Atlassian*
- The high-quality product gives Atlassian **strong pricing power**. Even some products have increased prices by up to 10% in the past 3 years, there is limited churn
  - "Their price to value is great, they are **so underpriced for what they provide**. We've **never seen churn from a price increase**" – *CEO, cPrime (Atlassian's customer & largest global partner)*
  - "Re the price hike, when you look at the actual cost per license for individuals, it's still **extremely competitive**, esp. for the functionality that they bring to the table" – *COO, Contegix (Atlassian's partner)*
- Lastly, the moat is supported by **growing network effect**. As more users sign up for Atlassian's products, more 3rd party app developers are incentivized to build Atlassian applications on its open platform. As the number of 3rd party applications increases (currently 1,000+ and growing), the more users join Atlassian. Once customers add at least one app or integration in JIRA software, dollar churn also reduces by ~50%

The cloud migration further strengthens TEAM's moat with **stronger pricing power**, **stickier customers** and **improved margins**

- Stronger pricing power: The new cloud pricing model suggests that small customer will benefit from same or even lower per user pricing post-migration, while medium and large customers will experience price increase (Exhibit 9). Large customers will be offered a 3-year loyalty discount program[4] to ease the transition, but even after discount, prices will increase by ~90% in the first year. Investors are concerned that this increases churn risk and poses near-term revenue headwind, but underappreciate that this is in fact a **win-win situation** as cloud migration eliminates clients' cost for hosting and tech administration – as such, the **total cost of ownership is lower post-migration** (Exhibit 10)
  - "Before, I had a group of six people that spent 90% of their time on 'care and feeding' for the application. Now, we can do it with one person, part-time. It's **night-and-day better**" – *Program Manager, Rockwell Automation*
- Stickier customers: As noted above, **cloud customers expand paid user base 20% faster** than server customers with **121% net expansion rate** (above SaaS industry benchmark at 117%). This is because subscriptions are auto-renewed; the user experience is also more seamless – it is much easier to add users/ features with automatic updates and upgrades for bug fixes. Net expansion rate is even stronger for medium and large size clients at 130%. In addition, the ability to track user click-through on cloud services will further allow Atlassian to **better optimize free-to-paid conversion and pricing in the long term**
- Improved margins: Similar to other SaaS companies, move away from perpetual licenses **lowers service and R&D costs** associated with maintaining different versions of licensed software, and thus improves margins in the long term

Investors underestimate TEAM's strength expanding in the large knowledge worker TAM

Atlassian has a huge knowledge worker TAM beyond technical users

- While Atlassian's products started with the IT community, some of the products e.g., Confluence and JIRA Align are helpful across technical and non-technical users. There are also products e.g., Trello and JIRA Core that are designed specifically for general knowledge workers (Exhibit 11)
- The **global knowledge worker TAM is estimated to be $74B in annual revenue growing at 9% CAGR**, which is even greater than the global technical TAM of $52B. The two segments combined yield a $126B total TAM (Exhibit 12)

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[4] A 55% reduction off the list price in FY21, 40% in FY22 and 20% in FY23

- Atlassian's addressable TAM is $24B in annual revenue, of which $11B is from non-technical teams. This suggests that there is **opportunity to expand the current addressable market of $1.6B by 7x just from knowledge worker alone** (14x combined with technical workers)! (Exhibit 12)
- To put it in a different lens, knowledge worker is a 1.1B user market with ~2M customers. Atlassian's current user base is only 15M with 185k clients, so there is a **long runway for growth** (Exhibit 13)

The knowledge worker TAM is achievable given strong product adoptions and many levers to grow users organically
- **A number of Atlassian products' have gained strong user traction among knowledge workers**
    - For instance, **Trello is the #1 business project management tool** that has outrun incumbent Basecamp in popularity and significantly leads any other peers in product interest based on Google Trends and web traffic (Exhibit 14)
    - While JIRA Software, JIRA Service Desk and Confluence were all developed for technical users, **~50% of these users are already non-technical knowledge workers** (Exhibit 15)
- Atlassian has an **effective 3-pronged land and expand strategy to organic growth**
    (i) <u>User base expansion</u>: The low-cost, self-serve freemium model is low friction, so it increases brand awareness and invites high trial adoption. With successful trials, there is strong WoM within organizations leading to more sign-ups, not just within the same department, but also across other functional teams
        - E.g., I personally started using JIRA for product management when starting a FinTech platform at Orbis Investments then subsequently migrated to using it for managing **Corporate Strategy** and **Analytics** projects. While running the product team, we also influenced the **Content** as well as **Legal** team to use JIRA for website content approval
        - VAR with existing customers confirmed strong opportunity to cross-/up-sell to non-technical teams
            - *ANZ*: ~20k staff ~50k licenses across organization. Using JIRA in **Risk Management** and **Portfolio Management**. Confluence is broadly used across teams. Considering using Atlassian products for **HR** too
            - *Fidelity*: Scaled to 6k users in <3 years, of which only 2.5k is in IT. Using JIRA for **Marketing** campaign management, **HR**, **Legal** and **Call Centre.** Confluence used extensively for Knowledge Management in **Call Centre**. Expect to hit 7k users in a year, and scaling to 9k easily
            - *Pfizer*: Using JIRA for **HR** time tracking
    (ii) <u>Product upgrades</u>: Once users experience the product, they may upgrade to more premium tiers to access more functionalities and features
    (iii) <u>Product range expansion</u>: With time, there is cross-product adoption too as users look for integrated product that address new business needs e.g., first use Trello for project management, then adopt Confluence for centralized knowledge hub

Investors overlook management quality being long-term owner-operator and prudent capital allocator
Atlassian's Co-CEOs are owner-operators with multi-generational vision
- Mike Cannon-Brookes and Scott Farquhar are co-founders and co-CEOs with a **compelling founder story**. Both of them studied Computer Science at the University of New South Wales in Sydney and wanted to start their own company. They built their own issue tracker, JIRA, for software development then soon recognized JIRA's potential value to other developers. Thus, they decided to take out $10k in credit card debt to found Atlassian
- Since launch, the co-CEOs have resisted VC funding to maintain control over the company and have iterated their **long-term vision** in numerous occasions
    - "Software should be bought and not sold"
    - "Given the choice between short-term results and building long-term scale, we choose the latter"
- Their **incentives are well-aligned with shareholders**
    - Both Co-CEOs combined own 46% of Atlassian stocks with 90%+ voting power
    - This contrasts starkly against their annual base salary of $50k
- Since founding, the Co-CEOs have a **proven track record of success**
    - They have delivered 14 years of positive FCF and 52% annual stock price return since IPO

They are also prudent capital allocators
- Significant portion of FCF is dedicated to R&D with a **high 48% R&D margin** and >50% of employees being involved in the R&D process. Given the low marketing spend, **R&D spend per SG&A dollar is also the highest among SaaS players at 1.4x** (Exhibit 16)
- In 2012, Atlassian acquired Hipchat, an on-premise internal instant messaging system, and rebranded it as Stride. However, seeing the raise of Microsoft Teams and Slack being dominant players and recognizing the challenging being the 3rd pplayer, Atlassian sold Stride to Slack instead in July 2018. This is a great example that the Co-CEOs are **pragmatic, thoughtful leaders** who are willing to cut losses and stay focused when there is more intense competition

- "We knew that continuing to compete in real-time communications meant diverting resources and focus from our core work management business. This was one of the most difficult decisions as a company, but we **made the call early on** and we're **stronger for making the pragmatic choice**" – *FY2022 Investor Day*
- "Although this market remains large, we concluded that the additional investment required to compete effectively is **unlikely to generate returns that are comparable to those of our other products and the opportunities around us**" – *Mike Cannon-Brookes, Atlassian Co-CEO (FY2019Q1 Earnings transcript)*

PRE-MORTEM & ASSESSMENT

Cloud migration presents a window for customer to reevaluate comparable vendor and may increase churn risk
<u>Assessment</u>: Atlassian remains the most cost-effective product. Even after JIRA's recent pricing increase, it is still substantially cheaper than comparable products e.g., Microsoft DevOps. Other offerings e.g., GitLab are not only more expensive, but also lack comparable functionalities. Even if there is a slight uptick in churn, they are likely to come from smaller clients that only represent ~20% of sales. For medium to large clients, there is continued growth in the past months since the announced migration based on web traffic data (Exhibit 17), which reinforced the product stickiness

While the self-serve model is low friction for small companies, winning large enterprise clients required more dedicated salesforce
<u>Assessment</u>: Even without a dedicated sales force, Atlassian was able to sign 2/3 Fortune 500 companies since launch. VAR with large enterprise clients suggest that Atlassian's products already have strong awareness. Even though Atlassian does not have a dedicated salesforce, their freemium model and transparent pricing highly encourages trials (vs. having to go through long, complex pricing exercise and legal paperwork) within these organizations. Once onboarded and scaled to more users, Atlassian's Technical Account Managers are generally very helpful in assisting clients through their user journey, so a large enterprise sales team may not be necessary

VALUATION

DCF
In the <u>base case</u>, I believe management's guidance on the rate of cloud migration is achievable and have modeled the near-term revenue in line with guidance[5] in the mid-30s range. This is rather conservative given the price increase among large customers is ~90% in the first year even after considering the migration discount.

In the long term, over a 10-year horizon, I modelled a **low-30% revenue CAGR**
- This is driven by an **average 19% annual customer growth** with strong customer retention and further TAM expansion from both technical and knowledge workers
- In addition, I expect **subscription revenue per customer to increase by 13%** from product upgrades and further cross-/up-selling
This means Atlassian will achieve its long-term product revenue target of $5B by FY26 and its cloud user base target of 100M by FY30

I applied a **12x FY30 exit EV/Sales multiple** and **45x FY30 exit EV/EBITDA** multiple based on comparable against other SaaS companies that have similar revenue growth rate and margin profile, and arrive at a $419 (77% upside, 21% 3-year IRR) and $406 (72% upside, 20% 3-year IRR) target price respectively. This leads to an **average target price of $422**, representing a **79% upside**, **21% 3-year IRR** (Exhibit 18).

My scenario analysis suggests that the stock has an asymmetric risk-adjusted return profile with a **3.5x upside/ downside ratio**
- The bull case assumes strong cloud revenue growth with a 42% 10-year CAGR driven by robust customer growth (21%) and subscription revenue per customer growth (18%) with a 20% multiple premium from the base case, leading to a $702 average price target (197% upside)
- The bear case assumes lackluster cloud revenue growth (13% 10-year CAGR) as there is more intense competition with competitors price-matching or undercutting Atlassian's product. Customer growth is limited at 9% p.a. Atlassian also has more limited opportunity to cross-/up-sell its products leading to only 4% annual growth in subscription revenue per customer. With a 20% multiple discount, this results in a $102 average price target (57% downside)

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[5] Expect 2 in 3 large/ medium customers will complete migration in FY23, FY24 or after given larger user base/ teams and 3rd party apps involved in migration. Smaller customers will migrate at a relatively constant pace. Cloud-subscription growth in mid-30s in FY21 and FY22

AV & EPV

The AV & EPV valuation approach further reinforced Atlassian's moat with **expected return at ~20%** (Exhibit 19)

- **Asset Value (AV)**: Adjusting for goodwill, brand value, reproduction of product portfolio as well as reproduction of workforce leads to an Asset Value of ~$3.2B
- **Earnings Power Value (EPV)**: Adjusting for marketing, product R&D as well as workforce growth expenses suggests that **EPV of equity is $11B which is ~3.5x of AV**. This confirms that Atlassian has a **sustainable competitive advantage** with superior management, and the **growth premium is ~4x of EPV** based on current market cap. If we assume all operating expenses are growth related, growth premium is still ~2.2x of EPV
- **Growth**: Triangulating between the historical and margin ROIC per additional customer method suggests **expected return at ~20%** on average, which is consistent with valuation from our DCF analysis
  - Historical method: If multiples were to compress to historical average, my analysis suggests a **14% annualized expected rate of return**. If we assume compression to FY20 multiples, the rate of return is 24%, while if multiple was to stay constant, the rate of return is 30%
  - Margin ROIC per additional customer: My unit economics analysis suggests a 41% marginal ROIC for each cloud subscription customer which is congruent with the Growth CAPEX approach with 37% ROIC. Using the more conservative ROIC and multiplying it by the remaining product lifecycle (assuming a 3-year release cycle) leads to a **24.5% earnings growth rate**

APPENDICES

Exhibit 1 – Atlassian product portfolio

	Product	Acquired?	Description
Plan, Track & Support	JIRA Software	Internal	Plan, track, and prioritize tech projects and manage software releases #1 software development tool used by agile teams
	JIRA Core	Internal	Manage business projects for Marketing (market campaigns), Operations (approval process), HR (onboarding), Legal (legal reviews) and Finance (budget reviews) teams
	JIRA Align	Apr 2019	Connects business strategy with tech execution to align strategy outcomes
	JIRA Service Management	Internal	Empower Dev and Ops team to collaborate at high-velocity in response to requests, incidents and changes
	Statuspage	Jul 2016	Provide real-time status/ incident communication
	Opsgenie	Oct 2018	Centralize incident alerts and notify the right people at the right time via SMS, emails and phone calls. Integrates with ServiceNow, BMC, Slack, Microsoft Teams and 200+ other tools
	Halp	May 2020	Capture, track and resolve employee requests directly in Slack. Set up automated answers for frequently asked questions
Collaborate	Confluence	Internal	Centralize project specifications, meeting notes and decisions in an organized manner to facilitate collaboration
	Trello	Feb 2017	Business-friendly version of JIRA Software
Code, Build & Ship	Bitbucket	Sep 2010	Collaborate on code with inline comments and pull requests. Manage and share Git repositories to build and ship software as a team
	Sourcetree	Oct 2011	Simplify user interaction with Git repositories in order to focus on coding
	Bamboo	2008	Facilitate continuous integration, deployment, and release management through test, staging to production environment
	Fisheye	Aug 2007	Visualize and report on activity, search for commits, files, revisions and teammates across SVN, Git, and Perforce repositories
	Crucible	Aug 2007	Find bugs and improve code quality through peer code review
Identity & Security	Atlassian Access	Internal	Provide company-wide visibility, security policies, and control across Atlassian cloud infrastructure
	Crowd	2008	Manage users from multiple directories (AD, LDAP, Azure AD) and control app authentication permissions

Exhibit 2 – Industry Map

	Key Products	Competitors		Target customer type	Example current customers
Plan, Track & Support	• JIRA Software	• Microsoft (Azure DevOps), FogBugz, Bugzilla		• Software Developer	• Square, eBay, Spotify, Airbnb & 65k+ customer
	• JIRA Service Management, Statuspage, Opsgenie, Halp	• ServiceNow, BMC Remedy, Zendesk, Freshservice, Freshdesk		• IT Service Manager	• Square, Sotheby's, Domino's, Twitter, Telegraph
	• JIRA Core, JIRA Align	• Asana, VersionOne and Planview		• Knowledge Worker	• Anthem, Nielsen, Homeland Security
Collaborate	• Confluence, Trello	• Microsoft, Google, Monday.com, Smartsheet, Basecamp		• Knowledge Worker	• Google, Tinder, Squarespace, Costco
Code, Build & Ship	• Bitbucket, Sourcetreee, Bamboo, Fisheye, Crucible	• Microsoft (GitHub, Team Foundation Server), GitLab, GitKraken, Jenkins,		• Web Developer	• Ford, Paypal, WeWork, Pandora, NASA, Splunk
Identity & Security	• Atlassian Access, Crowd	• Microsoft (Azure Active Directory), Citrix Workspace, OneLogin, LastPass		• IT Security Manager	• Lululemon, Redfin, Washington Post, Conde Nest, SoftBank, Stitch Fix, Equinox, Cloudera

(Arrows labeled "500+ Solution Partners")

+

25k+ 3rd party developers developing 1k+ add-ons available on Atlassian Marketplace

Exhibit 3 – Atlassian Cloud Migration Plan

Oct 16, 2020
Announcement

Feb 2, 2021
End of new license sales and pricing changes

Feb 2, 2022
End of upgrades and downgrades

Feb 2, 2023
End of new app sales

Feb 2, 2024
End of support

Exhibit 4 – Atlassian in the AppDev Lifecycle

App Development Lifecyle

4th player (~5% market share)

No. 1 player (~35% market share)

5th player (~3% market share)

Overall 3rd player in the AppDev ecosystem (~8% market share) behind Microsoft (21%) and IBM (10%)
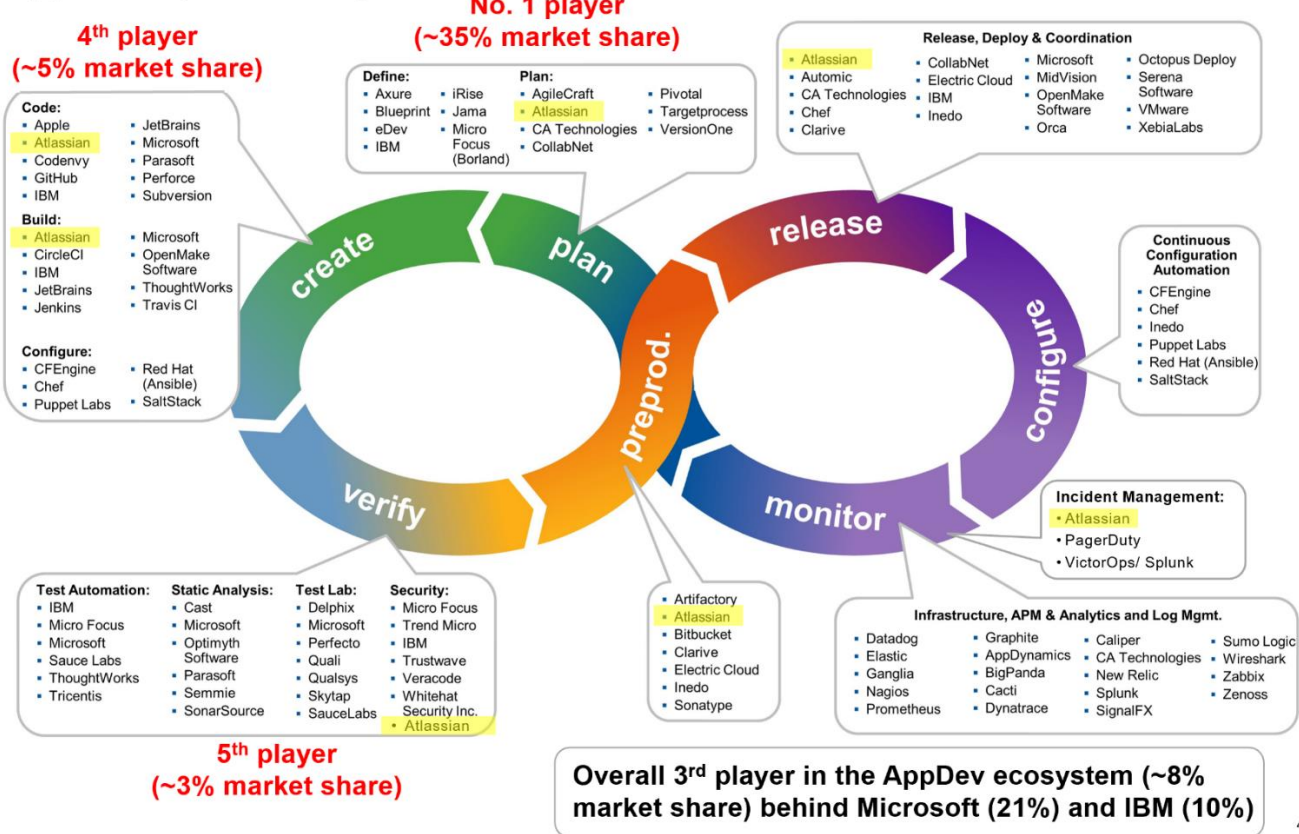
Exhibit 5 – Atlassian market share[6]

Market share in Core AppDev cycle

Overall

Legacy providers facing disruption from next-gen vendors

Plan

Create

Verify
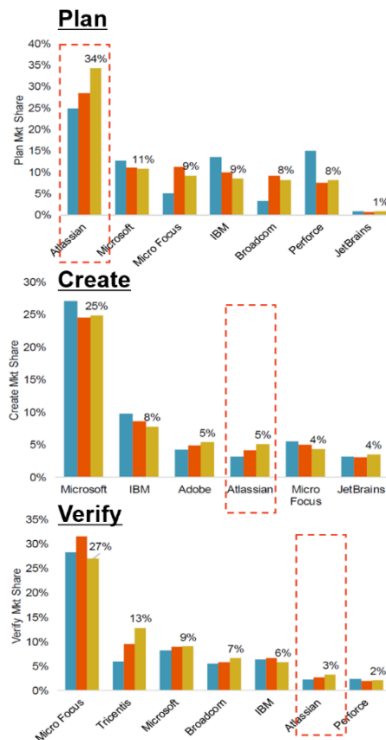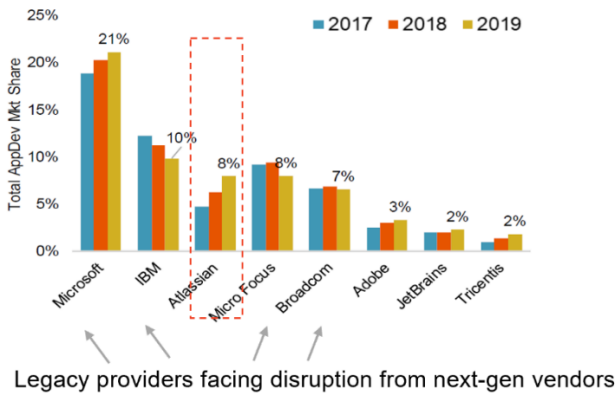
6 Source: Gartner

Exhibit 6 – Atlassian as the top market leader in agile planning[7]

Exhibit 7 – Atlassian as a high growth, high cash generative business

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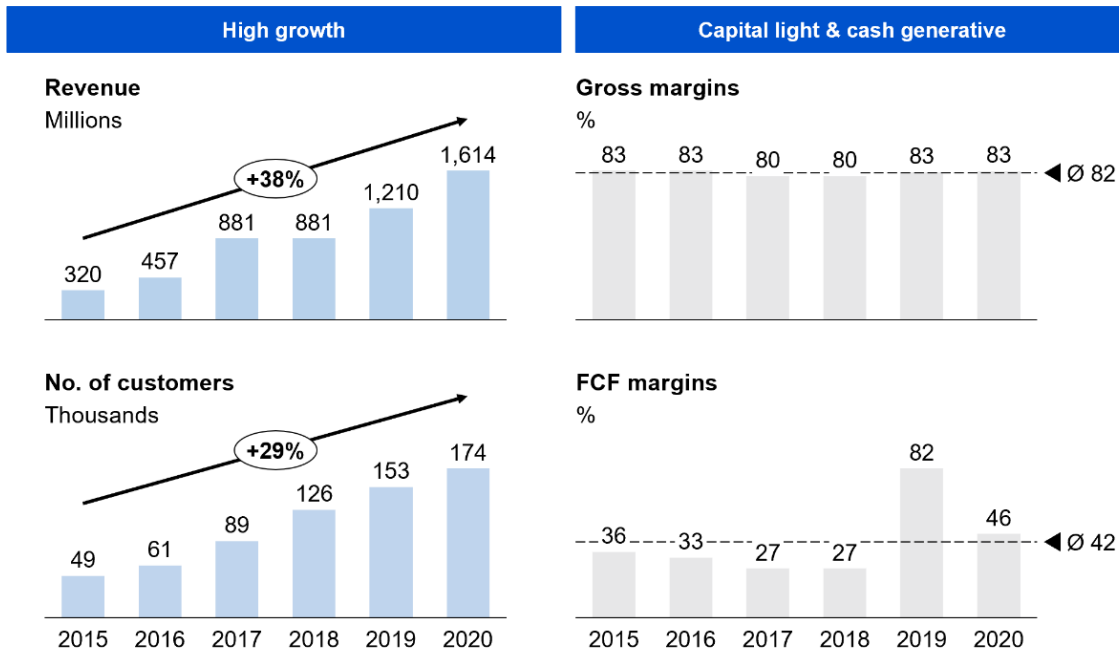
Exhibit 8 – Atlassian with the lowest priced product

Competitive pricing per user per year[1]

USD

__1st tier pricing__

420
350
252
168
132
120
72
54
48

◀ Ø 180

__2nd tier pricing__

624
588
360
350
300
300
252
228
82

◀ Ø 343

JIRA Cloud | GitLab | Azure DevOps | MS Project | Asana | Smartsheet | Axosoft | VersionOne | Rally
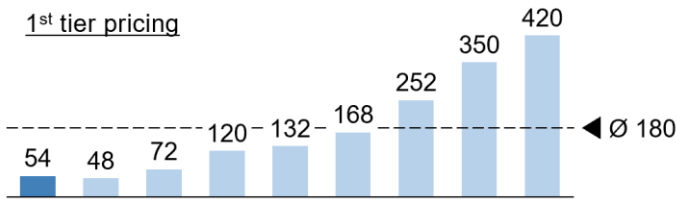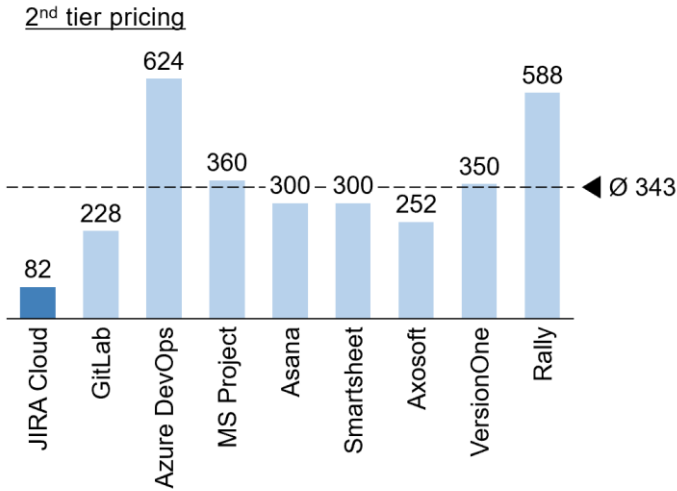
1   Assuming 1,000 users

Exhibit 9 – Atlassian cloud migration price hike[8]

SMALL CUSTOMER SEGMENT
(<100 SEATS)

$3,000
$2,520

SERVER MAINTENANCE
50 user server tier (26-50 users) annual maintenance

CLOUD EQUIVALENT
30 users - monthly billing (per-user-pricing) - Cloud Standard

MEDIUM CUSTOMER SEGMENT
(100-500 SEATS)

$13,000
$10,900

SERVER MAINTENANCE
250 user server tier (101-250 users) annual maintenance

CLOUD EQUIVALENT
125 users - annual billing (100-200 user tier) - Cloud Standard

LARGE CUSTOMER SEGMENT
(500+ SEATS)

$92,800
$69,600
$52,200
$25,200 $25,200 $25,200

YEAR 1   YEAR 2   YEAR 3

SERVER MAINTENANCE
10,000 user tier (2,001-10,000 users) annual maintenance

CLOUD EQUIVALENT
2,200 users - annual billing w/ loyalty discounts Cloud Standard

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[8] Atlassian Investor Day Presentation

Exhibit 10 – Large Customer Total Cost of Ownership[9]

Large customer TCO comparison

Jira Software
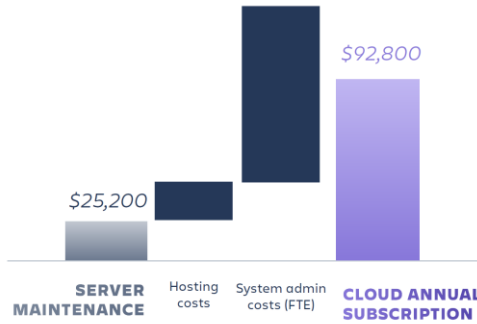
Exhibit 11 – Atlassian product suite by target user group
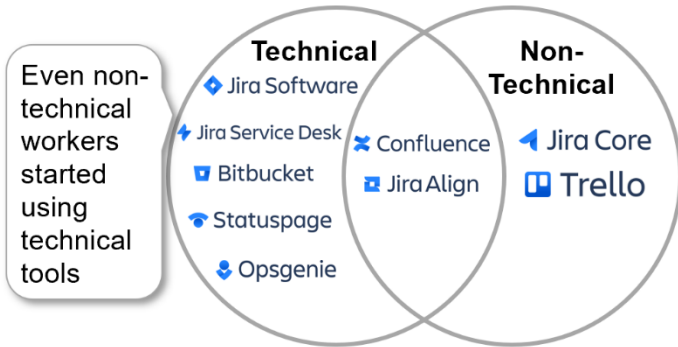
Exhibit 12 – Atlassian global TAM and addressable market[10]

Exhibit 13 – Atlassian addressable market by users and customers[11]

NOT TO SCALE

Number of users (M): Software users 45, Tech users 100, Knowledge workers 1,100, Total addressable opportunity 1,245; Long-term target 100; Current 15. ~83X, ~6X.

Number of customers (K): Companies with tech teams 800, Companies with 10+ knowledge workers 2,000, Total addressable opportunity 2,800; Current 185. +14X.
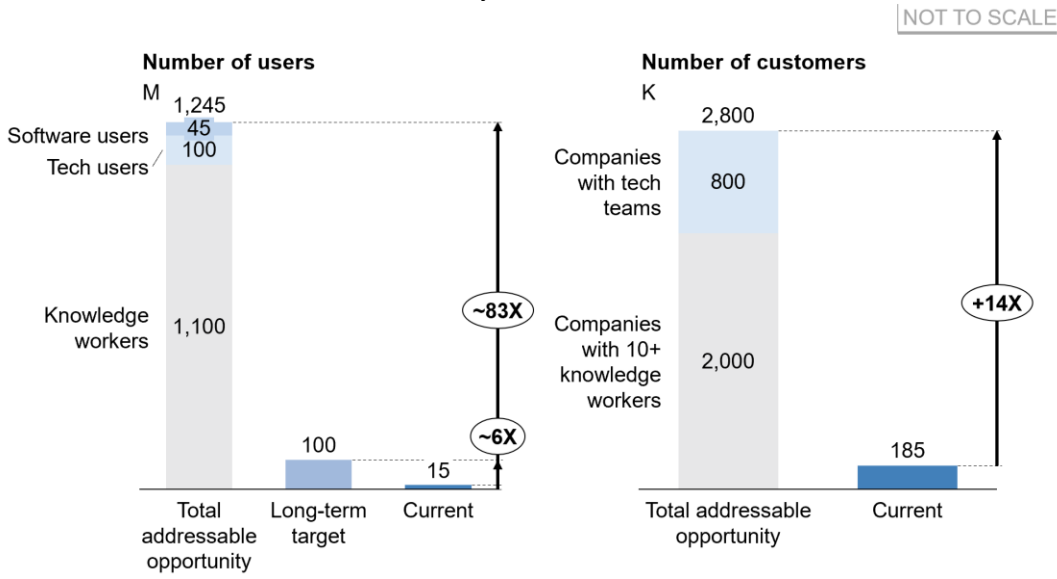
Exhibit 14 – Trello's Google Trends and Web Traffic

Project Management Tools Google Trends

Legend: Trello, Basecamp, monday.com, Smartsheet, Asana
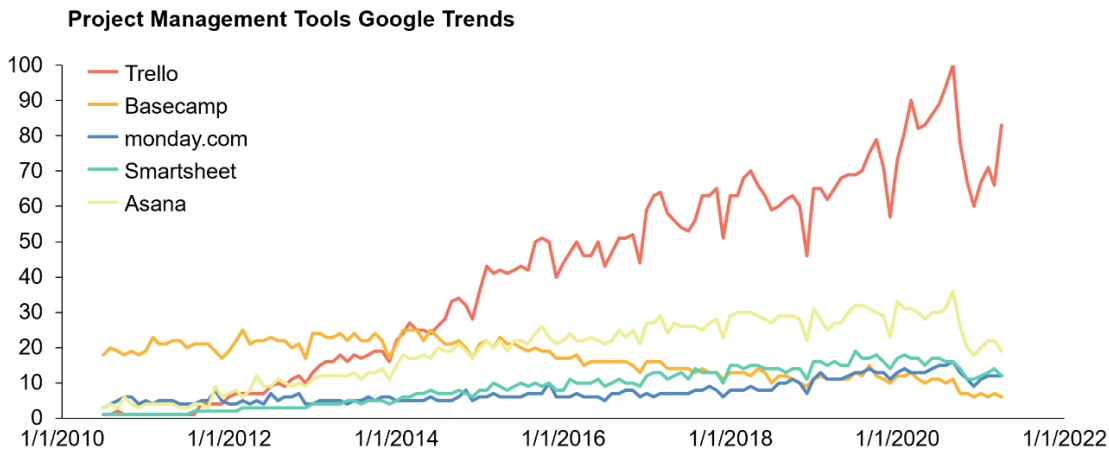
Project Management Tools Web Traffic[12]

Visits over time — Mar 2018 - Mar 2021, All Traffic

trello.com 3.3B, basecamp.com 490.4M, monday.com 366.2M, smartsheet.com 503.5M, asana.com 1.3B

Exhibit 15 – Atlassian product usage by user type[13]

TECHNICAL TEAMS   NON-TECHNICAL TEAMS

Jira Software
54%   46%

Jira Service Desk
52%   48%
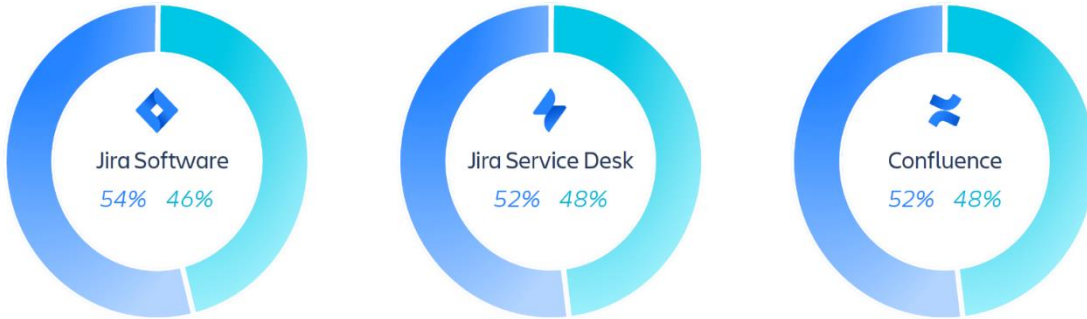
Confluence
52%   48%

Analysis based on sample of 2.1 million Jira Software cloud users | 1.8 million Confluence Cloud users | 270,000 Jira Service Desk users
Data as of October 2020

Exhibit 16 – Atlassian R&D spend

R&D spend
R&D margin % (left), R&D to SG&A ratio (right)

- **Highest R&D margin**
- **$1.4 in R&D spending per $1 in SG&A**
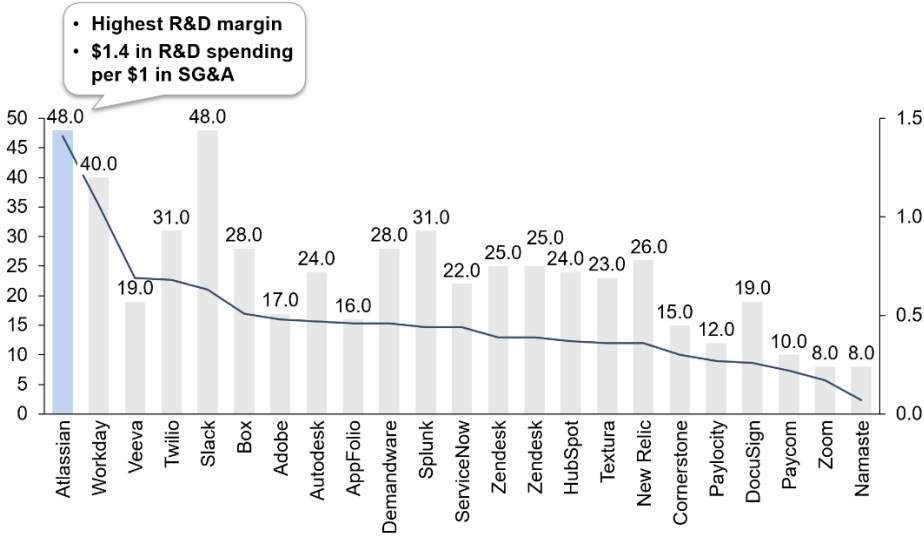
Exhibit 17 – Atlassian continued strong medium to large client growth since cloud migration[14]

Domains with >375 Monthly Unique Visitors
YoY Growth %
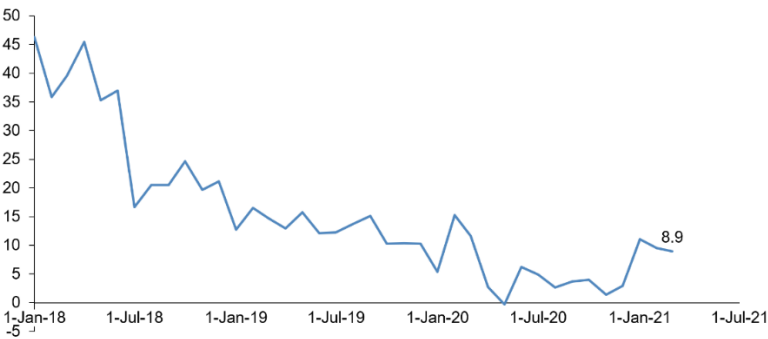
[13] Atlassian Investor Day Presentation
[14] Source: SimilarWeb

Exhibit 18 – Atlassian Valuation

Income Statement	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	10-year CAGR
								Projected							
Revenue															
Subscription	242	411	634	931	1,205	1,725	2,448	3,448	4,710	6,383	8,421	10,653	13,476	17,047	34%
YoY Growth %		*70%*	*54%*	*47%*	*29%*	*43%*	*42%*	*41%*	*37%*	*36%*	*32%*	*27%*	*27%*	*27%*	
Maintenance	266	327	395	469	469	385	200	32	-	-	-	-	-	-	-100%
YoY Growth %		*23%*	*21%*	*19%*	*0%*	*-18%*	*-48%*	*-84%*	*-100%*	*0%*	*0%*	*0%*	*0%*	*0%*	
Perpetual license	75	83	94	95	50	14	4	0	0	0	0	0	0	0	-60%
YoY Growth %		*12%*	*13%*	*2%*	*-47%*	*-73%*	*-73%*	*-95%*	*-95%*	*0%*	*0%*	*0%*	*0%*	*0%*	
Other	38	61	88	118	142	177	222	277	346	450	585	761	1,027	1,387	28%
YoY Growth %		*61%*	*45%*	*34%*	*20%*	*25%*	*25%*	*25%*	*25%*	*30%*	*30%*	*30%*	*35%*	*35%*	
Total revenue	**620**	**881**	**1,210**	**1,614**	**1,867**	**2,300**	**2,874**	**3,757**	**5,057**	**6,833**	**9,007**	**11,414**	**14,503**	**18,434**	**28%**
YoY Growth %		*42%*	*37%*	*33%*	*16%*	*23%*	*25%*	*31%*	*35%*	*35%*	*32%*	*27%*	*27%*	*27%*	
Consensus					*1,944*	*2,275*	*2,809*	*3,687*							
Diff from Consensus					*-4.0%*	*1.1%*	*2.3%*	*1.9%*							
(+) COGS	(98)	(140)	(165)	(220)	(255)	(314)	(392)	(509)	(678)	(904)	(1,176)	(1,471)	(1,842)	(2,304)	
Adj. Gross profit	**522**	**741**	**1,045**	**1,395**	**1,612**	**1,986**	**2,482**	**3,248**	**4,379**	**5,929**	**7,831**	**9,943**	**12,662**	**16,130**	**28%**
Margin %	*84%*	*84%*	*86%*	*86%*	*86%*	*86%*	*86%*	*86%*	*87%*	*87%*	*87%*	*87%*	*87%*	*88%*	
Incremental Margin %		*84%*	*92%*	*86%*	*86%*	*86%*	*87%*	*87%*	*87%*	*87%*	*88%*	*88%*	*88%*	*88%*	
(+) R&D	(231)	(317)	(430)	(559)	(653)	(805)	(1,006)	(1,315)	(1,770)	(2,392)	(3,152)	(3,995)	(5,076)	(6,452)	
Margin %	*-37%*	*-36%*	*-36%*	*-35%*	*-35%*	*-35%*	*-35%*	*-35%*	*-35%*	*-35%*	*-35%*	*-35%*	*-35%*	*-35%*	
(+) S&M	(102)	(128)	(200)	(245)	(283)	(349)	(436)	(569)	(766)	(1,034)	(1,362)	(1,725)	(2,190)	(2,782)	
Margin %	*-16%*	*-14%*	*-17%*	*-15%*	*-15%*	*-15%*	*-15%*	*-15%*	*-15%*	*-15%*	*-15%*	*-15%*	*-15%*	*-15%*	
(+) G&A	(85)	(123)	(164)	(221)	(255)	(315)	(390)	(507)	(677)	(908)	(1,188)	(1,494)	(1,883)	(2,375)	
Margin %	*-14%*	*-14%*	*-14%*	*-14%*	*-14%*	*-14%*	*-14%*	*-13%*	*-13%*	*-13%*	*-13%*	*-13%*	*-13%*	*-13%*	
Adj. EBITA	**104**	**174**	**251**	**370**	**420**	**517**	**650**	**857**	**1,167**	**1,596**	**2,129**	**2,730**	**3,512**	**4,522**	**28%**
Margin %	*17%*	*20%*	*21%*	*23%*	*22%*	*22%*	*23%*	*23%*	*23%*	*23%*	*24%*	*24%*	*24%*	*25%*	
(+) Depreciation	32	22	13	20	22	27	34	44	59	80	105	133	169	215	
Margin %	*5%*	*3%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	
Adj. EBITDA	**136**	**196**	**265**	**390**	**442**	**544**	**683**	**901**	**1,226**	**1,675**	**2,234**	**2,863**	**3,681**	**4,737**	**28%**
Margin %	*22%*	*22%*	*22%*	*24%*	*24%*	*24%*	*24%*	*24%*	*24%*	*25%*	*25%*	*25%*	*25%*	*26%*	
(+) Finance cost	(0.1)	(6.8)	(40.2)	(49.6)	(124.4)	(41.4)	(41.0)	(41.0)	(41.0)	(41.0)	(41.0)	(41.0)	(41.0)	(41.0)	
(+) Finance income	4.9	9.9	33.5	27.8	30.7	30.7	30.7	30.7	30.7	30.7	30.7	30.7	30.7	30.7	
(+) Other	(1.3)	4.7	32.4	33.1	32.7	32.7	32.7	32.7	32.7	32.7	32.7	32.7	32.7	32.7	
Adj. EBT	**108**	**182**	**277**	**381**	**359**	**539**	**672**	**880**	**1,189**	**1,618**	**2,151**	**2,752**	**3,535**	**4,544**	
Consensus					*427*	*496*	*669*								
Diff from Consensus					*(68)*	*43*	*3*								
(+) Taxes	(23)	(57)	(62)	(92)	(90)	(135)	(168)	(220)	(297)	(404)	(538)	(688)	(884)	(1,136)	
Tax rate %	*21%*	*32%*	*23%*	*24%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	
Adj. Net income	**85**	**124**	**215**	**289**	**269**	**404**	**504**	**660**	**892**	**1,213**	**1,613**	**2,064**	**2,651**	**3,408**	**28%**
Consensus					*305*	*371*	*504*								
Diff from Consensus					*-12%*	*9%*	*0%*								
Shares outstanding	222	231	239	245	245	245	245	245	245	245	245	245	245	245	
Adj. EPS	**0.38**	**0.54**	**0.90**	**1.18**	**1.10**	**1.65**	**2.06**	**2.69**	**3.64**	**4.96**	**6.59**	**8.43**	**10.83**	**13.92**	
(-) SBC	137.4	162.9	257.8	313.4	373.3	345.1	344.8	300.5	391.9	512.5	653.0	799.0	979.0	1,198.2	
Margin %	*22%*	*18%*	*21%*	*19%*	*20%*	*15%*	*12%*	*8%*	*8%*	*8%*	*7%*	*7%*	*7%*	*7%*	
(-) Intangible Amortization	29.9	57.3	56.8	42.5	56.0	69.0	86.2	112.7	151.7	205.0	270.2	342.4	435.1	553.0	
Margin %	*5%*	*7%*	*5%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	
(-) Other adjustments	(39.9)	17.7	537.6	283.5	500.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	
Margin %	*-6%*	*2%*	*44%*	*18%*	*27%*	*2%*	*2%*	*1%*	*1%*	*1%*	*1%*	*0%*	*0%*	*0%*	
Net income	**(43)**	**(113)**	**(638)**	**(351)**	**(660)**	**(60)**	**23**	**196**	**298**	**446**	**640**	**873**	**1,187**	**1,607**	
EPS	**(0.19)**	**(0.49)**	**(2.67)**	**(1.43)**	**(2.70)**	**(0.24)**	**0.09**	**0.80**	**1.22**	**1.82**	**2.61**	**3.56**	**4.85**	**6.56**	
YoY Growth %					*88%*	*-91%*	*-139%*	*747%*	*52%*	*50%*	*44%*	*36%*	*36%*	*35%*	
Consensus					*(2.82)*	*(0.27)*	*0.07*								
Diff from Consensus					*0.12*	*0.03*	*0.02*								

DCF	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
								Projected						
Free Cash Flow	201	226	390	534	44	742	1,062	1,555	2,284	3,285	4,516	5,887	7,655	9,915
FCF margin %	*32%*	*26%*	*32%*	*33%*	*2%*	*32%*	*37%*	*41%*	*45%*	*48%*	*50%*	*52%*	*53%*	*54%*
FCF as % Adj. EBITDA	*148%*	*115%*	*147%*	*137%*	*10%*	*137%*	*155%*	*173%*	*186%*	*196%*	*202%*	*206%*	*208%*	*209%*
FCF as % Adj. Net Income	*237%*	*182%*	*182%*	*185%*	*16%*	*184%*	*211%*	*236%*	*256%*	*271%*	*280%*	*285%*	*289%*	*291%*
Year					1	2	3	4	5	6	7	8	9	10
Discounted FCF					41	635	840	1,138	1,546	2,056	2,615	3,152	3,791	4,542

EV/Sales

Terminal EV/Sales multiple		12x
Terminal value		221,206
Discounted terminal value		101,330
EV		**121,685**
(-) Net Debt		796
Equity value		120,890
Share price	$	**419**
Current share price	$	236
Upside %		**77%**
3-year IRR		21%

EV/EBITDA

Terminal EV/EBITDA multiple		45x
Terminal value		213,150
Discounted terminal value		97,639
EV		**117,995**
(-) Net Debt		796
Equity value		117,199
Share price	$	**406**
Current share price	$	236
Upside %		**72%**
3-year IRR		20%

Average target price	$	412
Upside %		74%
3-year IRR		20%

Market Multiples Analysis of Information Technology Companies

(Amounts listed in USD. Numbers in millions, except per share data)

					Enterprise Value as a Multiple of:							Price as a Multiple of:		Projected	
	Stock Price (1)	Market Value of Equity	Enterprise Value(2)	Sales			EBITDA			EBIT		CY+1 EPS	CY+2 EPS	EPS Growth	PEG Ratio
Company				LTM	CY+1	CY+2	LTM	CY+1	CY+2	LTM					
Splunk Inc.	134.25	21,995.4	22,834.2	10.24x	8.99x	7.30x	NM	NM	102.3x	NM	NM	515.7x	11.6%	44.6x
Zoom Video Communications, Inc.	329.95	96,911.0	92,772.3	34.99	24.30	20.30	132.8	77.7	64.2	138.5	87.9	80.1	15.6%	5.1
DocuSign, Inc.	231.93	45,123.4	45,265.6	31.15	22.93	18.00	NM	131.6	95.3	NM	177.8	124.5	44.3%	2.8
salesforce.com, inc.	231.91	213,589.1	208,036.1	9.79	8.08	6.80	66.6	27.2	22.7	457.2	67.4	55.8	25.2%	2.2
Workday, Inc.	256.35	62,293.1	60,995.5	14.13	12.22	10.37	491.7	52.2	42.5	NM	91.0	73.4	28.2%	2.6
ServiceNow, Inc.	556.91	109,210.1	108,253.2	23.95	18.88	15.15	202.3	61.8	47.6	544.4	102.4	79.9	34.4%	2.3
Slack Technologies, Inc.	42.23	24,562.9	23,909.9	26.49	20.41	15.98	NM	NM	294.7	NM	NM	861.8	0.0%	NM
Zendesk, Inc.	150.33	17,792.1	17,997.8	17.48	13.88	11.12	NM	127.5	92.2	NM	213.2	143.1	0.0%	NM
Autodesk, Inc.	300.16	65,912.8	66,160.2	17.45	15.36	12.99	89.2	45.0	33.9	101.9	60.4	43.3	26.7%	1.6
Adobe Inc.	525.08	251,684.3	251,428.3	18.38	16.25	14.22	47.1	32.7	28.5	52.9	44.2	38.5	15.5%	2.5
Twilio Inc.	385.24	65,674.9	63,242.3	35.90	25.99	19.84	NM	396.7	227.8	NM	NM	1,269	17.3%	73.2
Square, Inc.	256.10	116,426.8	116,067.1	12.22	8.19	6.91	2,545.5	160.7	101.1	NM	209.0	134.7	41.1%	3.3
High				35.90x	25.99x	20.30x	2,545.5x	397x	294.7x	544.4x	213.2x	1,269x	44.3%	73.2x
Average				21.01	16.29	13.25	510.7	111.3	96.1	259.0	117.0	285.0	21.7%	14.0
Median				17.93	15.80	13.60	132.8	69.7	78.2	138.5	91.0	102.3	21.3%	2.7
Low				9.79	8.08	6.80	47.1	27.2	22.7	52.9	44.2	38.5	0.0%	1.6
Atlassian Corporation Plc	**234.76**	**58,704.5**	**57,908.8**	**32.12x**	**27.09x**	**22.80x**	**1,144.1x**	**105.5x**	**85.1x**	**3,300.6x**	**190.0x**	**142.2x**	**20.0%**	**7.1x**

(1) Financial data provided by S&P Capital IQ as of
(2) Calculated as Market Value of Equity plus total debt, non-controlling interest and preferred stock, less cash & equivalents.

Performance Analysis of Information Technology Companies

			Growth Rates					Profitability					Credit Statistics	
	LTM Ending:	% Off 52 Week High	Revenues		EBITDA		5 Year EPS CAGR	Gross LTM	EBIT LTM	Margins EBITDA			Total Debt / EBITDA	LTM EBITDA / Int Exp
Company			CY+1	CY+2	CY+1	CY+2				LTM	CY+1	CY+2		
Splunk Inc.	31-Jan-21	40.6%	13.9%	23.2%	NM	NM	11.6%	75.5%	(34.5%)	(30.3%)	NM	7.1%	NM	NM
Zoom Video Communications, Inc.	31-Jan-21	44.0%	44.0%	19.7%	18.0%	21.1%	15.6%	69.0%	25.3%	26.3%	31.3%	31.6%	0.1	0.0
DocuSign, Inc.	31-Jan-21	20.1%	35.9%	27.4%	52.1%	38.1%	44.3%	75.4%	(12.0%)	(7.5%)	17.4%	18.9%	NM	NM
salesforce.com, inc.	31-Jan-21	18.5%	21.1%	18.8%	15.7%	20.0%	25.2%	74.4%	2.1%	14.7%	29.7%	30.0%	1.5	24.8
Workday, Inc.	31-Jan-21	9.3%	15.6%	17.8%	0.7%	22.8%	28.2%	72.6%	(3.9%)	2.9%	23.4%	24.4%	8.9	1.8
ServiceNow, Inc.	31-Dec-20	6.9%	26.9%	24.6%	20.2%	29.8%	34.4%	78.2%	4.4%	11.8%	30.6%	31.8%	3.5	16.3
Slack Technologies, Inc.	31-Jan-21	5.3%	29.8%	27.7%	NM	NM	0.0%	86.5%	(31.2%)	(28.0%)	NM	5.4%	NM	NM
Zendesk, Inc.	31-Dec-20	9.8%	26.0%	24.8%	23.8%	38.3%	0.0%	75.7%	(13.6%)	(10.4%)	10.9%	12.1%	NM	NM
Autodesk, Inc.	31-Jan-21	6.5%	13.6%	18.3%	26.0%	32.8%	26.7%	91.9%	17.1%	19.6%	34.2%	38.3%	2.5	14.5
Adobe Inc.	5-Mar-21	2.2%	20.3%	14.3%	22.6%	14.8%	15.5%	87.5%	34.7%	39.0%	49.7%	49.9%	0.9	47.2
Twilio Inc.	31-Dec-20	15.8%	38.1%	30.9%	(14.0%)	74.1%	17.3%	52.0%	(24.9%)	(17.5%)	6.5%	8.7%	NM	NM
Square, Inc.	31-Dec-20	9.6%	49.2%	18.6%	52.3%	59.0%	41.1%	28.9%	(0.2%)	0.5%	5.1%	6.8%	27.0	0.6
High			49.2%	30.9%	52.3%	74%	44.3%	91.9%	34.7%	39.0%	49.7%	49.9%	27.0x	47.2x
Average			27.9%	22.2%	21.7%	35.1%	21.7%	72.3%	(3.1%)	1.8%	23.9%	22.1%	6.3	15.0
Median			26.4%	21.4%	21.4%	31.3%	21.3%	75.4%	(2.1%)	1.7%	26.6%	21.7%	2.5	14.5
Low			13.6%	14.3%	(14.0%)	14.8%	0.0%	28.9%	(34.5%)	(30.3%)	5.1%	5.4%	0.1	0.0
Atlassian Corporation Plc	**31-Dec-20**	**10.5%**	**18.6%**	**18.8%**	**18.5%**	**24.0%**	**20.0%**	**83.7%**	**1.0%**	**2.8%**	**25.7%**	**26.8%**	**11.4x**	**0.4x**

						Projected							
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Balance Sheet Summary														
Cash	244	1,410	1,268	1,480	1,566	2,413	3,644	5,419	7,999	11,685	16,729	23,285	31,790	42,786
Short-term investments	305	323	445	676	747	920	1,149	1,503	2,023	2,733	3,603	4,566	5,801	7,374
Accounts Receivable	27	46	83	112	130	160	199	261	351	474	625	792	1,006	1,279
Prepaid Expense & Other ST Assets	23	30	30	47	47	58	72	94	126	171	225	285	363	461
Other Current Assets	12	13	216	329	281	232	290	379	510	689	908	1,150	1,461	1,857
Total Current Assets	612	1,822	2,042	2,644	2,770	3,782	5,354	7,655	11,009	15,751	22,089	30,078	40,422	53,757
PP&E, Net	41	52	81	98	55	67	84	110	148	200	264	335	425	540
Goodwill & Intangible Assets	312	312	609	645	668	703	738	773	808	843	878	913	948	983
Other LT Assets	318	236	245	507	467	575	718	939	1,264	1,708	2,252	2,853	3,626	4,608
Total Assets	1,284	2,422	2,977	3,894	3,960	5,128	6,894	9,477	13,229	18,503	25,483	34,179	45,421	59,889
Accounts Payable	73	108	159	203	234	289	361	471	635	858	1,130	1,432	1,820	2,313
Deferred Revenue	245	324	441	574	664	818	1,022	1,335	1,798	2,429	3,202	4,057	5,156	6,553
ST Debt/ Current portion of LT Debt	-	-	854	889	889	889	889	889	889	889	889	889	889	889
Other ST Liabilities	8	13	876	1,353	1,867	2,300	2,874	3,757	5,057	6,833	9,007	11,414	14,503	18,434
Total Current Liabilities	327	445	2,330	3,019	3,654	4,296	5,145	6,453	8,378	11,009	14,228	17,793	22,368	28,189
LT Debt	-	820	-	-	-	-	-	-	-	-	-	-	-	-
LT Leases	-	-	-	230	223	223	223	223	223	223	223	223	223	223
Other LT Liabilities	63	250	82	70	232	286	357	466	628	848	1,118	1,417	1,801	2,289
Total Liabilities	390	1,515	2,412	3,319	4,108	4,804	5,725	7,142	9,229	12,080	15,569	19,433	24,391	30,701
Total Equity	894	907	565	575	(149)	324	1,170	2,335	4,000	6,423	9,914	14,746	21,029	29,188
Balance Sheet Drivers														
Working Capital Forecasting														
ST investment, % of LTM Sales	49.3%	36.7%	36.8%	41.9%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
Account receivables, % of LTM Sa	4.3%	5.2%	6.8%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%
Prepaid expenses, % of LTM Sales	3.8%	3.4%	2.5%	2.9%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Current tax receivables as % LTM	2.0%	1.4%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Current derivative assets as % LTI	0.0%	0.0%	17.8%	20.3%	15%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Trade and other payables, % of L	11.8%	12.2%	13.2%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%
Deferred revenue, % of LTM Sales	39.6%	36.8%	36.4%	35.5%	35.5%	35.5%	35.5%	35.5%	35.5%	35.5%	35.5%	35.5%	35.5%	35.5%
Other ST Liabilities as % of LTM S	1.3%	1.4%	72.4%	83.8%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
LT Assets														
Net PP&E as % of LTM Sales	-2%	-3%	-4%	-2%	-3%	-3%	-3%	-3%	-3%	-3%	-3%	-3%	-3%	-3%
Incremental goodwill as % incremental acquisition			71%	68%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%
Other LT Asset as % of LTM Sales	51%	27%	20%	31%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
LT Liabilities														
Other LT Liabilities as % of LTM S	10%	28%	7%	4%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	10-year CAGR
								Projected							
Key metrics															
Customer breakdown															
Beg customer	60,950	89,237	125,796	152,727	174,097	217,621	269,850	331,916	404,937	489,974	587,969	676,165	777,589	894,228	
New customer	28,287	36,559	26,931	21,370	43,524	52,229	62,066	73,022	85,037	97,995	88,195	101,425	116,638	134,134	
End customer	89,237	125,796	152,727	174,097	217,621	269,850	331,916	404,937	489,974	587,969	676,165	777,589	894,228	1,028,362	19%
YoY Growth %		41%	21%	14%	25%	24%	23%	22%	21%	20%	15%	15%	15%	15%	
Customers (avg)	75,094	107,517	139,262	163,412	195,859	243,736	300,883	368,427	447,456	538,972	632,067	726,877	835,908	961,295	
Annual subscription revenue per	2.71	3.26	4.15	5.35	6.15	7.08	8.14	9.36	10.53	11.84	13.32	14.66	16.12	17.73	13%
YoY Growth %		20%	27%	29%	15%	15%	15%	15%	13%	13%	13%	10%	10%	10%	
Annual product revenue per cust	4.22	4.59	5.22	6.28	6.41	7.13	8.15	9.36	10.53	11.84	13.32	14.66	16.12	17.73	
YoY Growth %		9%	14%	20%	2%	11%	14%	15%	12%	12%	12%	10%	10%	10%	
Scenarios															
Customer grwoth															
1 Bear					15%	15%	15%	10%	10%	10%	5%	5%	5%	5%	
2 Base					25%	24%	23%	22%	21%	20%	15%	15%	15%	15%	
3 Bull					25%	24%	23%	22%	21%	20%	20%	20%	20%	20%	
Subsription revenue per customer growth					5%	5%	5%	3%	3%	3%	3%	3%	3%	3%	
1 Bear					15%	15%	15%	15%	13%	13%	13%	10%	10%	10%	
2 Base					20%	20%	20%	20%	18%	18%	18%	15%	15%	15%	
3 Bull															

Peer Group Weighted Average Cost of Capital Calculation

Comparable Companies	Ticker	Levered Beta	Debt	Mkt. Val. Equity	Debt / Mkt. Cap.	Debt / Total Cap.	Marginal Tax Rate	Unlevered Beta
Splunk Inc.	NasdaqGS:SPLK	1.068	2,697.7	21,995.4	12.3%	10.9%	38.00%	0.992
Zoom Video Communications, Inc.	NasdaqGS:ZM	0.189	106.0	96,910.9	0.1%	0.1%	38.00%	0.189
DocuSign, Inc.	NasdaqGS:DOCU	0.643	915.8	45,123.4	2.0%	2.0%	38.00%	0.635
Adobe Inc.	NasdaqGS:ADBE	0.806	4,707.0	251,684.3	1.9%	1.8%	38.00%	0.797
Workday, Inc.	NasdaqGS:WDAY	1.187	2,238.1	62,293.1	3.6%	3.5%	38.00%	1.161
ServiceNow, Inc.	NYSE:NOW	0.834	2,135.2	109,210.1	2.0%	1.9%	38.00%	0.824
Slack Technologies, Inc.	NYSE:WORK	0.921	911.6	24,562.9	3.7%	3.6%	38.00%	0.900
Zendesk, Inc.	NYSE:ZEN	1.074	1,176.8	17,792.1	6.6%	6.2%	38.00%	1.031
Autodesk, Inc.	NasdaqGS:ADSK	0.949	2,104.6	65,912.8	3.2%	3.1%	38.00%	0.930
Adobe Inc.	NasdaqGS:ADBE	0.806	4,707.0	251,684.3	1.9%	1.8%	38.00%	0.797
Twilio Inc.	NYSE:TWLO	1.112	607.2	65,674.9	0.9%	0.9%	38.00%	1.106
Square, Inc.	NYSE:SQ	2.164	3,493.4	116,426.8	3.0%	2.9%	38.00%	2.124
Average		**0.979**	**2,150.0**	**94,105.9**	**3.4%**	**3.2%**	**38.00%**	**0.957**

Re-levered Beta = Averaged Unlevered Beta x (1 + Debt / Equity x (1 - Tax Rate))   *0.957 x (1 + 1.7% x (1 - 38.0%)) = 0.967*   **Re-levered Beta** | **0.967**

| **Atlassian Corporation Plc** | **TEAM** | **0.568** | **990.5** | **58,704.5** | **1.7%** | **1.7%** | **38.00%** | **0.562** |

WACC via Comparables

Cost of Debt:

Historical weighted average cost of debt		5.00%
Marginal tax rate		38.00%
After-tax cost of debt: 5.00% x (1 - 38.00%) =		3.10%

Cost of Equity:

Risk free rate[1]		1.59%
Re-levered beta		0.967
Market risk premium		6.80%
Other		0.00%
Cost of equity = 1.59% + (0.967 x 6.80%) + 0.00% =		8.17%

Percentage of Capital

Total debt	990.5	1.7%
Market value of equity	58,704.5	98.3%
Total capital	59,695.0	100.0%

Weighted Average Cost of Capital:

WACC = (3.10% x 1.7%) + (8.17% x 98.3%) =	**8.08%**

Cost of debt 5.00% x 1 – Tax rate 38.00% → After tax cost of debt 3.10% x % of debt 1.7% → Weighted cost of debt 0.05%

Risk free rate 1.59% + Beta 0.967 x Market risk premium 6.80% + Other 0.00% → Cost of equity 8.2% ; % of equity 98.3% X Cost of equity 8.2% → Weighted cost of equity 8.03%

Weighted cost of debt 0.05% + Weighted cost of equity 8.03% → Weighted average cost of capital 8.08%
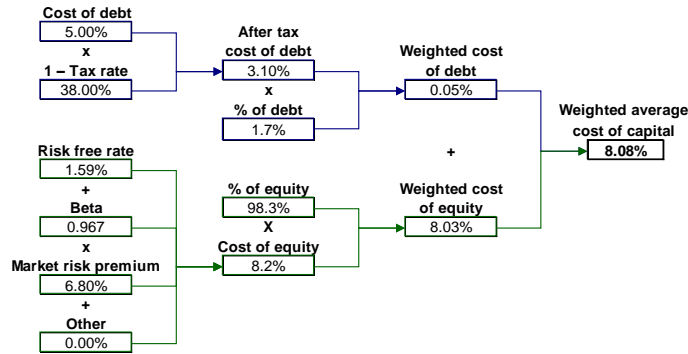
Exhibit 19 – AV & EPV Valuation

Asset Value

Asset value of equity (M)		Notes
Book Value of Equity	575	
Adjustments		
Inventories	-	
PP&E	-	
Goodwill	(39)	On 17 Oct 2019, it acquired Code Barrel, makers of "Automation for JIRA" for $39.1M and it is fully integrated into JIRA Marketplace. On 12 May 2020, acquired Halp, a tool that generates helpdesk tickets from team messaging systems, for $17M but it is going to be a standalone product under the Atlassian umbrella, so is therefore not adjusted
Brand value	1,174	
Reproduction of product portfolio	1,452	
Reproduction of lease portfolio	-	
Reproduction of workforce	51	
Other adjustments	-	
Asset value of equity (M)	**3,213**	

Brand adjustments		Notes
Method 1		
Sales & Marketing expenses	245	
% for marketing vs. sales	20%	Assume 20% of sales and marketing expenses is for marketing vs. sales related expenses
Marketing expenses	49	
WACC	8.1%	
Brand value	603	No external brand value estimate available for triangulation
Method 2		
Customer acquisition cost		
FY2019 Customers	152,727	
FY2020 Customers	174,097	
Customer churn rate	2%	Based on management reports on customer renewal rate
Sales & Marketing expenses	245	
New customer per S&M dollar (M)	100	
Cost of acquiring one customer	10,025	
(x) No. of customers	174,097	
Customer portfolio value (M)	1,745	
Average brand value (M)	**1,174**	

Product adjustments		Notes
Method 1		
R&D expenses	558.9	
R&D cycle (years)	3	Based on average of previous release cycle
Product portfolio value	1,677	

JIRA release version	Release date
8.0	Feb-19
7.0	Oct-15
6.0	May-13
5.0	2012
Average R&D cycle (years)	2.88

Method 2

Past R&D expenses (M)		Weights	
	558.872	100%	FY2020
	430.025	80%	FY2019
	317.167	60%	FY2018
	230.785	40%	FY2017
	208.306	20%	FY2016
Weighted average R&D investment	1,227		
Average portfolio value (M)	**1,452**		

Workforce adjustments   Notes

Function	# employees	% employee	Annual mean wage	
Engineering	2,850	45%	152,930	
IT	797	13%	43,060	
Sales	223	4%	62,130	
Business Development	125	2%	71,660	
Marketing	184	3%	71,570	
Arts & Design	272	4%	57,290	
Operations	130	2%	75,530	
Support	183	3%	41,040	
Program & Project Management	195	3%	80,220	
Media & Communications	104	2%	67,830	
Product Management	290	5%	80,000	
Human Resources	273	4%	67,760	
Other	711	11%	70,000	Assume average wage
Weighted average wage			**103,082**	
No. of employees			4,907	From FY2020 10k
Headhunting cost (% of wage)			10%	Assumption
Cost of reproduction (M)			51	

Source:
LinkedIn
US May 2019 National Occupational Employment & Wage Estimates
https://www.bls.gov/oes/current/oes_nat.htm

Earnings Power Value (EPV)

EPV		Notes		Marketing expenses adjustments	
Revenue	1,614			Marketing expenses	245
		Historical margin at ~1%. Assume LT margin of 20% in line with other SaaS subscription			
Operating margins %	20%	services		Brand value	1,174
					Assume 20 years which is likely
Operating income	323			Depreciation duration	20 conservative given 2% churn rate
Adjustments				Depreciation rate	5.0%
Over (under) depreciation	-			Maintenance marketing expenses	59
Growth expense				Growth marketing expenses	186
Marketing	186				
Product R&D	279			**Product R&D adjustments**	
Lease	-			R&D expenses	559
					Assume 50% depreciation given Atlassian's higher than peers'
Workforce	64			% R&D expenses attributed to growth	50% R&D expenses
Adjusted income	853			Growth R&D expenses	279
Taxes (%)	0.0%	0% tax rate given business still running at a loss			
Sustainable NOPAT	853			**Workforce adjustments**	
WACC	8.1%			Method I	
EPV Operating business (M)	10,502			2019 employees	3,616
Net debt				2020 employees	4,907
ST Debt & current portion of LT Debt	(775)			No. of new employees	1,291
					Assume 25% given workers are
LT Debt	(216)			Hiring expenses as % of wages	25% highly educated
Cash	1,252			Avg. wage ($)	103,082
Short-term investments	535			Growth hiring expenses	33
EPV Equity (M)	11,298				
Premium above AV %	352%			Method II	
					Source: Business Insiders Tech
				Employee average tenure	5.3 Average Tenure
Current market cap	57,884	As of 15 April 2021 market closing		Employee churn rate	19%
Value of growth options	46,586			2020 employees	4,907
Growth premium %	412%			Avg. wage ($)	103,082
				Growth hiring expenses	95
				Average growth hiring expenses (M)	64

A significant proportion of operating expenses are related to growth
Assuming all operating expenses are growth related, we are still short of market value

EPV		Notes
Revenue	1,614	
Gross profit margins %	86.40%	
Gross profit	1,395	
Taxes (%)	0.0%	0% tax rate given business still running at a loss
After tax gross profit	1,395	
WACC	8.1%	
EPV Operating business (M)	17,176	
Net debt		
ST Debt & current portion of LT Debt	(775)	
LT Debt	(216)	
Cash & ST investments	1,252	
Short-term receivables	535	
EPV Equity (M)	17,971	
Current market cap	57,884	As of 15 April 2021 market closing
Value of growth options	39,913	
Growth premium %	222%	

Growth

Growth		Note
Historical method		
Distribution yield	0%	
Rate of growth of earnings (g)	30%	Past 3 years revenue growth rate at 38%. Assume 30% to be more conservative
Organic growth	5%	Past annual price adjustment at 10%. Assume 5% to be more conservative
Current multiple	112.46	Based on EV/EBITDA NTM multiple
Historical average multiple	60.47	
Multiple compression period (years)	5	Assume takes 5 years to compress to past 5-year average
Rate of multiple compression (h)	-11.7%	
Annualized expected rate of return	14%	

Histoical multiple		Annualized expected rate of return based on different multiple scenarios		
Year	EV/EBITDA		Multiple	Rate of return
2016	48.87			
2017	39.17	Min multiple	39.17	4%
2018	50.38	Average multiple	60.47	14%
2019	75.21	FY2020 multiple	88.72	24%
2020	88.72	Maximum/current multiple	112.46	30%
Average	**60.47**			

Sensitivity analysis on rate of return

	h											
	14%	-25%	-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%	25%
g	0%	-26%	-21%	-16%	-11%	-5%	0%	5%	11%	16%	21%	26%
	5%	-23%	-17%	-12%	-6%	-1%	5%	11%	16%	22%	27%	33%
	10%	-19%	-13%	-7%	-2%	4%	10%	16%	22%	27%	33%	39%
	15%	-15%	-9%	-3%	3%	9%	15%	21%	27%	33%	39%	45%
	20%	-11%	-5%	1%	8%	14%	20%	26%	33%	39%	45%	51%
	25%	-8%	-1%	6%	12%	19%	25%	32%	38%	45%	51%	58%
	30%	-4%	3%	10%	17%	23%	30%	37%	44%	50%	57%	64%
	35%	0%	7%	14%	21%	28%	35%	42%	49%	56%	63%	70%
	40%	4%	11%	18%	26%	33%	40%	47%	55%	62%	69%	76%
	45%	8%	15%	23%	30%	38%	45%	53%	60%	68%	75%	83%
	50%	11%	19%	27%	35%	42%	50%	58%	66%	73%	81%	89%

Growth   Note

Marginal ROIC for additional customer method

Price of subscription	6,210	Based on average subscription revenue per cloud customer
WACC	8.1%	
Customer churn rate	2%	
Customer Lifetime Value (CLTV)	**61,361**	
Cost of acquiring a customer	10,025	
Number of customer	174,097	
R&D Cost per customer	1,852	
Capitalized R&D cost	**18,304**	
Cost of subscription revenue per customer	728	
Capitalized subscription costs	**7,189**	
SG&A per customer	812	
Capitalized SG&A	**8,020**	
Benefit	**17,822**	Operating income associated with an additional customer
Tax rate	0%	
Marginal NOPAT	17,822	
Marginal invested capital	43,539	
Marginal ROIC for an additional cloud subscription customer	41%	

Growth CAPEX method

	Customers	Maintenance CAPEX	S&M Expenses	Growth CAPEX
2016	60,950	12	93	81
2017	75,094	15	102	87
2018	107,517	22	128	106
2019	139,262	28	200	172
2020	163,412	33	245	212

	Product portfolio	Maintenance CAPEX	R&D expenses	Growth CAPEX
2016	399	9	208	200
2017	525	(32)	231	262
2018	699	(32)	317	349
2019	934	(37)	430	467
2020	1,227	(55)	559	614

	Customer portfolio growth CAPEX	Product portfolio growth CAPEX	Total growth CAPEX	Adj. NOPAT	Invested capital
2016	81	200	281	3.5	731.66
2017	87	262	350	104.218	
2018	106	349	455	174.106	
2019	172	467	639	251.201	
2020	212	614	826	370.016	1729.06

ROIC	37%
k	66.7%
Rate of growth of earnings (g)	24.5%