# Atlassian’s AI focus and Collections strategy drive growth despite stock dip



Atlassian has recently released its Q3 earnings, revealing a total revenue of $1.4 billion, indicating a 14% increase compared to the same quarter last year. Notably, subscription revenue accounted for $1.3 billion of this figure, growing 19% year-on-year, while cloud revenue surged by 25%. However, despite these positive metrics, Wall Street reacted negatively, leading to an 11% drop in the company’s stock when trading opened on Friday, concluding the day down 9%. Analysts have pointed to a slight slowdown in billings as a contributing factor, attributed to more complex deal cycles as Atlassian broadens its enterprise reach.

CEO Mike Cannon-Brookes articulated the company’s strategy in a shareholders’ letter, emphasising a historical commitment to long-term goals rather than short-term gains. He reiterated, “Atlassian has a history of making long-term, focused, big bets.” The company’s decision to incorporate its AI agent platform, Rovo, as a complimentary feature in its core products instead of charging a premium has been a focal point of this strategy. This move is aimed at driving adoption rather than immediate revenue, with Cannon-Brookes suggesting it will position Atlassian favourably within the AI sector over time.

During a conversation with Wall Street analysts, Cannon-Brookes expressed confidence in Atlassian’s approach to integrating AI into knowledge work. He remarked, “We do think that the future of teamwork is going to be about this sort of iterative human-AI, human-agent collaboration.” This belief is based on positive feedback from customers at the recent Team '25 conference, which Cannon-Brookes stated has emboldened Atlassian’s aspirations for AI expansion among existing and prospective clients.

The recent quarterly results and customer experiences, such as those from global publisher HarperCollins, underscore the benefits of deploying Rovo, as highlighted in the shareholder letter. HarperCollins reported a remarkable fourfold reduction in manual project work, streamlining processes that traditionally consumed considerable time. Cannon-Brookes noted, “Their teams now use Rovo agents to draft requirement artifacts, reducing work that would take up to 50 hours to one hour.”

Atlassian's strategy involves bundling its products into 'Collections', including the flagship Teamwork Collection that combines tools like Jira and Confluence with Rovo. The pricing structure is designed to encourage customers to standardise and increase usage of Atlassian tools within their organisations. Cannon-Brookes explained that this approach simplifies the buying process for customers, paving the way for long-term growth. The introduction of Collections is expected to reduce friction in the purchasing process and promote greater adoption across multiple products.

However, financial results also revealed some challenges, with the company reporting a net loss of $70.8 million for the quarter, a significant decline from the previous year’s net income of $12.8 million. Additionally, despite an overall positive growth trajectory, the operating margin on a GAAP basis was negative 1%, compared to a positive 1% a year ago.

At the end of the quarter, over 50,000 customers were spending more than $10,000 annually on cloud services, a rise of 14% year-on-year. Moreover, the number of monthly active users engaging with the AI platform reached 1.5 million, up from 1 million in the previous quarter.

While the long-term strategy may not please immediate market expectations, the company's focus on innovation and user value continues to guide its decisions in the rapidly evolving tech landscape. As Cannon-Brookes explained, “That simplicity, that reduction in friction does result in, in our experience, a long-term growth driver.”

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

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