



# 2Q 2020 Financial Results

*July 28, 2020*

# MicroStrategy 2Q 2020 Earnings Call

## Safe Harbor Statement

### Forward-Looking Statements

Some of the information we provide in this presentation regarding our future expectations, plans, and prospects may constitute forward-looking statements. Actual results may differ materially from these forward-looking statements due to various important factors, including the risk factors discussed in our most recent 10-Q filed with the SEC. We assume no obligation to update these forward-looking statements, which speak only as of today.

Also, in this presentation, we will refer to certain non-GAAP financial measures. Reconciliations showing GAAP versus non-GAAP results are available in our earnings release and the appendix of this presentation, which were issued today and are available on our website at [www.microstrategy.com](http://www.microstrategy.com).

# MicroStrategy 2Q 2020 Earnings Call

## Business Highlights

- **Solid quarter in context of challenging macro environment due to COVID-19**
- **Strong adoption of HyperIntelligence<sup>®</sup>, signing a number of transactions with new and existing customers**
- **Double Digit year-over-year growth in Subscription revenue and billings**
- **GAAP Operating Income of \$6.3M, up \$11.2M year-over-year**
- **Non-GAAP Operating Income of \$8.6M, up \$10.3M year-over-year**

1. *Non-GAAP operating income excludes the impact from share-based compensation*  
2. *Please refer to the Appendix for a reconciliation GAAP to non-GAAP financial measures*

# MicroStrategy 2Q 2020 Earnings Call

## Notable Strength in Cloud Offering

- **We are focused on selling MicroStrategy Cloud and are leading with this offer for new deployments**
- **Well-positioned to benefit as more companies move away from on-premise IT stack**
- **Feature parity, scalability and ease of deployment**
- **Introducing incentive program for on-premise customers to migrate to Cloud**
- **Cloud transition will occur over a few years**

# MicroStrategy 2Q 2020 Earnings Call

## Improvements to Profitability and Productivity

- **Non-GAAP operating expenses down 17% YoY with three consecutive quarters of YoY decline**
- **Fully virtual model driving cost reductions in T&E and Marketing**
- **Virtual demand generation approach reaching more customers, more quickly**
- **Continued to evaluate and rationalize headcount**

1. *Non-GAAP operating expenses excludes the impact from share-based compensation*  
2. *Please refer to the Appendix for a reconciliation GAAP to non-GAAP financial measures*

# MicroStrategy 2Q 2020 Earnings Call

## Future Profitability

- **Targeting \$60-90 million non-GAAP operating income in 2021**
- **Strategy is to generate profitability at this level or higher going forward**
- **Will continue to invest in our growth initiatives and focus on revenue growth**

1. *Non-GAAP operating income excludes the impact from share-based compensation*

# MicroStrategy 2Q 2020 Earnings Call

## Capital Allocation

- **\$500+ million cash and short-term investments is a strategic asset**
- **We are confident we can be more active using our balance sheet to generate long-term shareholder value**
- **Planning to return up to \$250M of excess cash to shareholders over the next 12 months**
- **Seeking to invest up to \$250 million of excess cash in alternative investments over the next 12 months**

# MicroStrategy 2Q 2020 Earnings Call

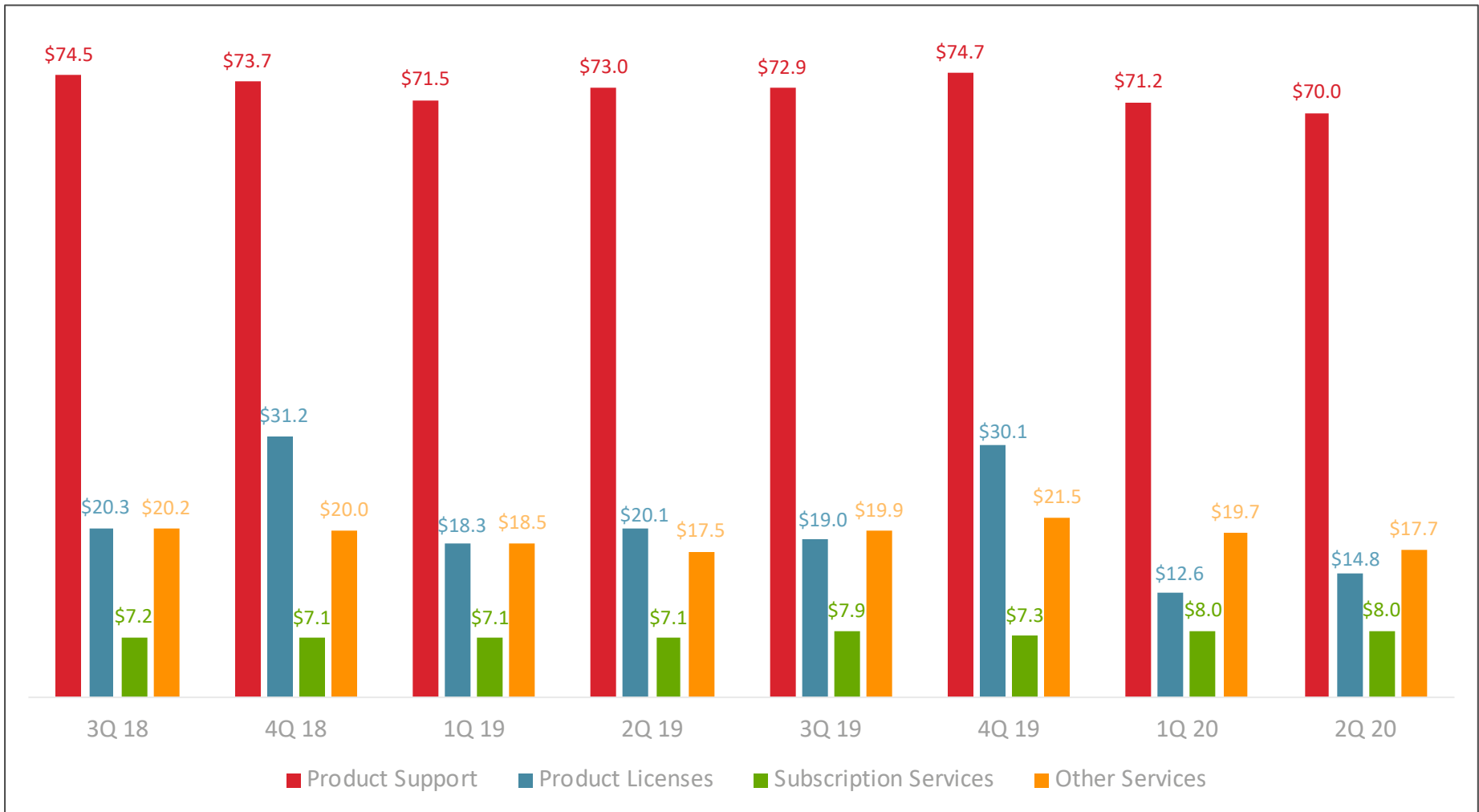
## Go-forward Strategy

- 1. Grow revenue through HyperIntelligence, Cloud Business Intelligence, and Embedded Intelligence (OEM)**
- 2. Simplify and streamline go-to-market including products and pricing, offering cloud-first platform-as-a-service with focus on prospects**
- 3. Streamline cost structure, driving margin and cash flow improvements**
- 4. Run business with \$50M in operating cash, and utilize excess cash on MicroStrategy stock and alternative investments**



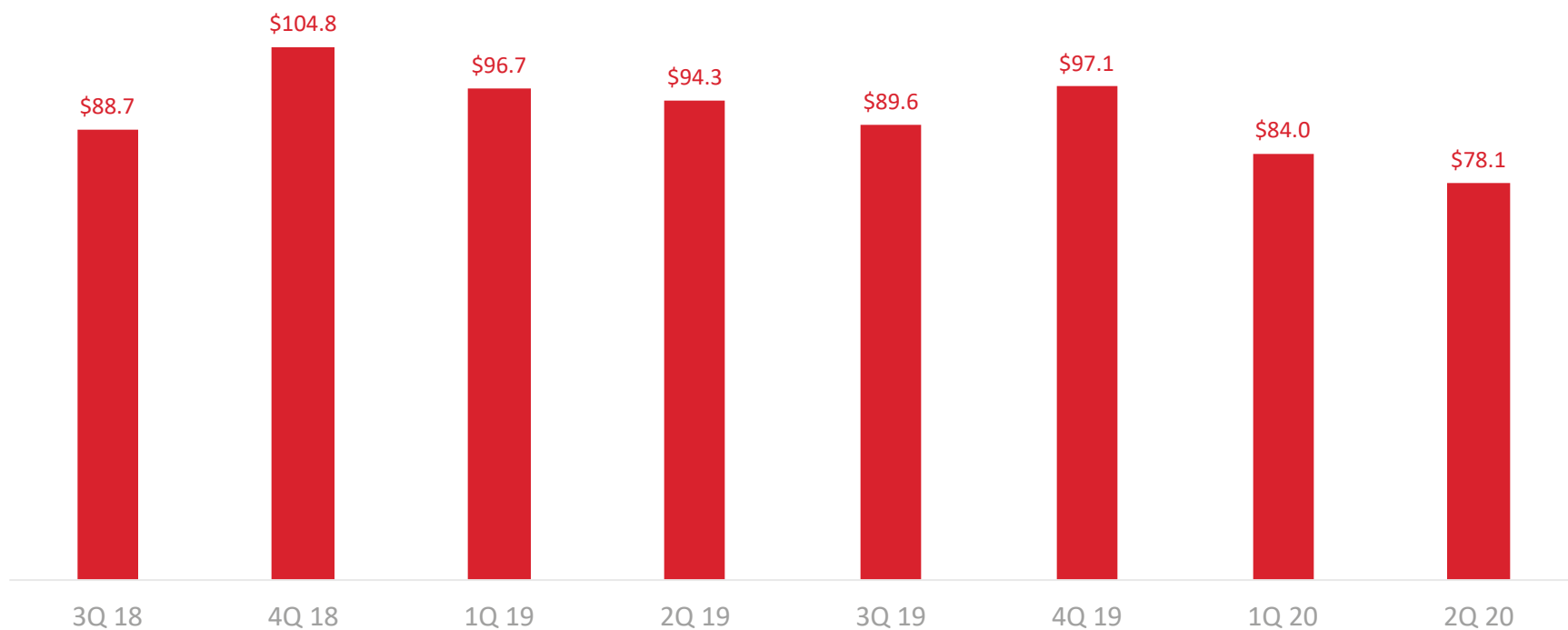
# MicroStrategy 2Q 2020 Earnings Call

Revenue – Amounts in Millions



# MicroStrategy 2Q 2020 Earnings Call

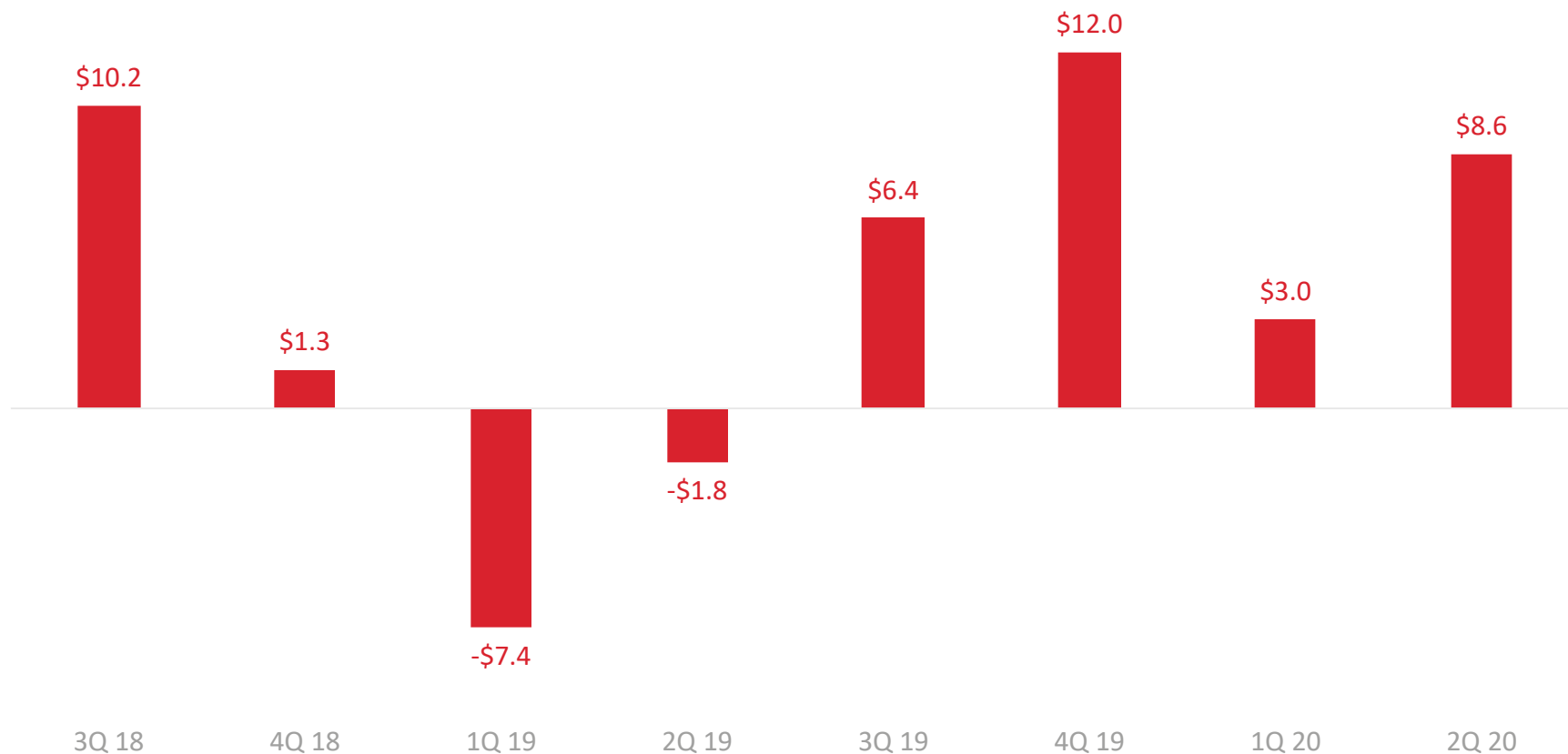
## Non-GAAP Operating Expenses – Amounts in Millions



1. Non-GAAP operating expenses excludes the impact from share-based compensation
2. Please refer to the Appendix for a reconciliation GAAP to non-GAAP financial measures

# MicroStrategy 2Q 2020 Earnings Call

Non-GAAP Operating Income (Loss) – Amounts in Millions



1. Non-GAAP operating income excludes the impact from share-based compensation
2. Please refer to the Appendix for a reconciliation GAAP to non-GAAP financial measures



# Appendix

# MicroStrategy 2Q 2020 Earnings Call

## GAAP to non-GAAP Reconciliations

### Reconciliation of GAAP to non-GAAP operating income (loss)

in \$000's

	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
GAAP operating income (loss)	\$ 7,220	\$ (2,157)	\$ (10,386)	\$ (4,830)	\$ 4,586	\$ 9,628	\$ (72)	\$ 6,328
Share-based compensation expense	\$ 3,011	\$ 3,504	\$ 3,017	\$ 3,036	\$ 1,834	\$ 2,322	\$ 3,111	\$ 2,226
Non-GAAP operating income (loss)	\$ 10,231	\$ 1,347	\$ (7,369)	\$ (1,794)	\$ 6,420	\$ 11,950	\$ 3,039	\$ 8,554

*Adds back share-based compensation to operating income (loss)*

### Reconciliation of GAAP to non-GAAP operating expenses:

in \$000's

	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
GAAP operating expenses	\$ 91,543	\$ 108,189	\$ 99,579	\$ 97,217	\$ 91,292	\$ 99,267	\$ 86,951	\$ 80,267
Share-based compensation expense	\$ 2,862	\$ 3,343	\$ 2,836	\$ 2,937	\$ 1,705	\$ 2,175	\$ 2,904	\$ 2,193
Non-GAAP operating expenses	\$ 88,681	\$ 104,846	\$ 96,743	\$ 94,280	\$ 89,587	\$ 97,092	\$ 84,047	\$ 78,074

*Removes share-based compensation (included in operating expenses) from total operating expense*