MicroStrategy Announces First Quarter 2019 Financial Results

April 30, 2019

TYSONS CORNER, Va.--(BUSINESS WIRE)--Apr. 30, 2019-- MicroStrategy®, Incorporated (Nasdaq: MSTR), a leading worldwide provider of enterprise analytics and mobility software, today announced financial results for the three-month period ended March 31, 2019 (the first quarter of its 2019 fiscal year).

MicroStrategy adopted Accounting Standards Update No. 2016-02, Leases (Topic 842), and its subsequent amendments (“ASU 2016-02”), effective January 1, 2019. Comparative prior period consolidated financial statements have not been restated and are not directly comparable to the current period consolidated financial statements.

First quarter 2019 revenues were $115.4 million versus $123.0 million for the first quarter of 2018, a 6.2% decrease. Product licenses and subscription services revenues for the first quarter of 2019 were $25.4 million versus $25.0 million for the first quarter of 2018, a 1.9% increase. Product support revenues for the first quarter of 2019 were $71.5 million versus $74.4 million for the first quarter of 2018, a 4.0% decrease. Other services revenues for the first quarter of 2019 were $18.5 million versus $23.6 million for the first quarter of 2018, a 21.7% decrease. Foreign currency effects had an unfavorable impact on revenues for the first quarter of 2019.

Operating expenses for the first quarter of 2019 were $99.6 million versus $97.1 million for the first quarter of 2018, a 2.6% increase.

Loss from operations for the first quarter of 2019 was $10.4 million versus income from operations of $0.7 million for the first quarter of 2018. Net loss for the first quarter of 2019 was $7.9 million, or $0.77 per share on a diluted basis, as compared to net income of $1.7 million, or $0.15 per share on a diluted basis, for the first quarter of 2018.

Non-GAAP loss from operations, which excludes share-based compensation expense, was $7.4 million for the first quarter of 2019 versus non-GAAP income from operations of $5.5 million for the first quarter of 2018. The tables at the end of this press release include a reconciliation of (loss) income from operations to non-GAAP (loss) income from operations for the three months ended March 31, 2019 and 2018. An explanation of this non-GAAP financial measure is also included under the heading “Non-GAAP Financial Measure” below.

As of March 31, 2019, MicroStrategy had cash and cash equivalents and short-term investments of $551.1 million, as compared to $576.1 million as of December 31, 2018, a decrease of $25.1 million. During the first quarter of 2019, MicroStrategy repurchased 362,148 shares of its class A common stock for an aggregate purchase price of approximately $48.2 million. As of March 31, 2019, MicroStrategy had 8.2 million shares of class A common stock and 2.0 million shares of class B common stock outstanding.

MicroStrategy uses its Intelligent Enterprise™ platform across the enterprise and has created an interactive dossier with quarterly financial performance data. Anyone can access the MSTR Financials dossier via a web browser, or by downloading the MicroStrategy Library™ app on an iOS or Android device. To download the native apps, visit MicroStrategy Library for iPad, MicroStrategy Library for iPhone, or MicroStrategy Library for Android tablet and smartphone.

Conference Call

MicroStrategy will be discussing its first quarter 2019 financial results on a conference call today beginning at approximately 5:00 p.m. EDT. To access the conference call, dial (844) 824-7425 (domestically) or (716) 220-9429 (internationally) and use conference ID 7634017. A live and archived webcast will be available under the “Events” section on MicroStrategy’s investor relations website at http://ir.microstrategy.com/events.cfm. A replay of the conference call will be available beginning approximately two hours after the call concludes until May 7, 2019 at (855) 859-2056 (domestically) or (404) 537-3406 (internationally) using the passcode 7634017.

Recent Business Highlights

- MicroStrategy announced the general availability of MicroStrategy 2019™, the industry’s first and only enterprise platform for Federated Analytics, Transformational Mobility, and HyperIntelligence™. MicroStrategy 2019 delivers modern analytics on an enterprise platform that can be deployed on-premises or on multiple private and public cloud platforms. MicroStrategy customers on MicroStrategy 2019 platform can get started on HyperIntelligence by downloading the MicroStrategy HyperIntelligence extension at the Chrome Web Store. Customers can provision MicroStrategy 2019 in the cloud with the MicroStrategy for AWS and MicroStrategy for Azure provisioning consoles. A 30-day free trial is available for MicroStrategy 2019 on AWS and Microsoft Azure.
- MicroStrategy was recognized by industry analysts in the following published research:
  - Recognized by Gartner, Inc. as the sole Challenger in the “2019 Magic Quadrant for Analytics and Business Intelligence Platforms” (1)
  - Named a Technology Innovation Leader by Dresner Advisory Services for the second consecutive year
  - Ranked the #1 Overall Value Index Leader in Embedded Analytics and Business Intelligence by Ventana Research
  - Ranked the #1 Overall Value Index Leader in Mobile Analytics and Business Intelligence by Ventana Research
- MicroStrategy held its 22nd annual user conference, MicroStrategy World™ 2019, which brought together thousands of product experts, thought leaders and MicroStrategy users for three days of inspirational keynotes, educational workshops,
and customer presentations on how analytics can transform the way people use information to make each organization a more Intelligent Enterprise. Attendees also learned about MicroStrategy’s new platform, robust partner network, and services offerings as well as how they can employ new digital strategies to increase the adoption of analytics across the enterprise.

- MicroStrategy announced the ability of customers to leverage MicroStrategy 2019 on Microsoft Azure and Amazon Web Services, which allows customers to launch fully-configured analytics, mobility, and HyperIntelligence projects on Azure and AWS.
- MicroStrategy hosted its second annual Datathon at MicroStrategy World 2019, challenging participants to create innovative analytics, AI, big data, or mobile applications using MicroStrategy 2019 with aggregated data from CharityBase, a free, open source charity data portal with public information on the activities, locations, and finances of thousands of charities registered in England and Wales.

Non-GAAP Financial Measure

MicroStrategy is providing a supplemental financial measure for (loss) income from operations that excludes the impact of share-based compensation arrangements. This supplemental financial measure is not a measurement of financial performance under generally accepted accounting principles in the United States (“GAAP”) and, as a result, this supplemental financial measure may not be comparable to similarly titled measures of other companies. Management uses this non-GAAP financial measure internally to help understand, manage, and evaluate business performance and to help make operating decisions. MicroStrategy believes that this non-GAAP financial measure is also useful to investors and analysts in comparing its performance across reporting periods on a consistent basis because it excludes a significant non-cash expense that MicroStrategy believes is not reflective of its general business performance. In addition, accounting for share-based compensation arrangements requires significant management judgment and the resulting expense could vary significantly in comparison to other companies. Therefore, MicroStrategy believes the use of this non-GAAP financial measure can also facilitate comparison of MicroStrategy’s operating results to those of its competitors.

About MicroStrategy Incorporated

MicroStrategy (Nasdaq: MSTR) is a leading worldwide provider of enterprise analytics and mobility software and services. Our mission is to make every enterprise a more Intelligent Enterprise. MicroStrategy 2019 delivers modern analytics on an open, comprehensive enterprise platform designed to drive business results with Federated Analytics, Transformational Mobility, and HyperIntelligence. To learn more, visit MicroStrategy online, and follow us on LinkedIn, Twitter and Facebook.

MicroStrategy, Intelligent Enterprise, MicroStrategy Library, MicroStrategy 2019, HyperIntelligence, and MicroStrategy World are either trademarks or registered trademarks of MicroStrategy Incorporated in the United States and certain other countries. Other product and company names mentioned herein may be the trademarks of their respective owners.

This press release may include statements that may constitute “forward-looking statements,” including estimates of future business prospects or financial results and statements containing the words “believe,” “estimate,” “project,” “expect” or similar expressions. Forward-looking statements inherently involve risks and uncertainties that could cause actual results of MicroStrategy Incorporated and its subsidiaries (collectively, the “Company”) to differ materially from the forward-looking statements. Factors that could contribute to such differences include: the extent and timing of market acceptance of MicroStrategy’s new offerings, including MicroStrategy 2019; the Company’s ability to recognize revenue or deferred revenue through delivery of products or satisfactory performance of services; continued acceptance of the Company’s other products in the marketplace; fluctuations in tax benefits or provisions, including as a result of changes to U.S. federal tax laws; the timing of significant orders; delays in or the inability of the Company to develop or ship new products; competitive factors; general economic conditions; currency fluctuations; and other risks detailed in the Company’s registration statements and periodic reports filed with the Securities and Exchange Commission. The Company undertakes no obligation to update these forward-looking statements for revisions or changes after the date of this release.

MSTR-F

(1)Gartner, Magic Quadrant for Analytics and Business Intelligence Platforms, Cindi Howson, James Richardson, Rita Sallam, Austin Kronz, 11 February 2019. Gartner does not endorse any vendor, product or service depicted in its research publications, and does not advise technology users to select only those vendors with the highest ratings or other designation. Gartner research publications consist of the opinions of Gartner’s research organization and should not be construed as statements of fact. Gartner disclaims all warranties, express or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose.

MICROSTRATEGY INCORPORATED
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>March 31,</td>
</tr>
<tr>
<td></td>
<td>2019 (unaudited)</td>
</tr>
<tr>
<td></td>
<td>2018 (unaudited)</td>
</tr>
<tr>
<td>Revenues</td>
<td></td>
</tr>
<tr>
<td>Product licenses</td>
<td>$ 18,291</td>
</tr>
<tr>
<td>Subscription services</td>
<td>7,144</td>
</tr>
<tr>
<td>Total product licenses and subscription services</td>
<td>25,435</td>
</tr>
</tbody>
</table>
Product support 71,450 74,415
Other services 18,481 23,589
Total revenues 115,366 122,967

Cost of revenues
Product licenses 519 2,211
Subscription services 3,598 3,249
Total product licenses and subscription services 4,117 5,460
Product support 7,067 4,796
Other services 14,989 14,929
Total cost of revenues 26,173 25,185

Gross profit 89,193 97,782

Operating expenses
Sales and marketing 48,760 51,335
Research and development 28,215 23,560
General and administrative 22,604 22,172
Total operating expenses 99,579 97,067

(Loss) income from operations (10,386 ) 715
Interest income, net 2,566 2,034
Other expense, net (596 ) (1,594 )
(Loss) income before income taxes (8,416 ) 1,155
Benefit from income taxes (510 ) (518 )
Net (loss) income $ (7,906 ) $ 1,673

Basic (loss) earnings per share (1): $ (0.77 ) $ 0.15
Weighted average shares outstanding used in computing basic (loss) earnings per share 10,328 11,447

Diluted (loss) earnings per share (1): $ (0.77 ) 0.15
Weighted average shares outstanding used in computing diluted (loss) earnings per share 10,328 11,488

(1) Basic and fully diluted (loss) earnings per share for class A and class B common stock are the same.

MICROSTRATEGY INCORPORATED
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

March 31,  December 31,  
2019 2018*
(unaudited)

Assets
Current assets
Cash and cash equivalents $ 258,743 $ 109,924
Restricted cash 922 862
Short-term investments 292,314 466,186
Accounts receivable, net 133,922 171,359
Prepaid expenses and other current assets 32,511 30,068
Total current assets 718,412 778,399

Property and equipment, net 54,832 51,919
Right-of-use assets 87,743 0
Deposits and other assets 8,374 8,134
Deferred tax assets, net 18,983 17,316
Total Assets $ 888,344 $ 855,768

Liabilities and Stockholders’ Equity
Current liabilities
## Accounts payable, accrued expenses, and operating lease liabilities
- Accounts payable, accrued expenses, and operating lease liabilities: $37,227, $33,684

## Accrued compensation and employee benefits
- Accrued compensation and employee benefits: 36,713, 48,045

## Deferred revenue and advance payments
- Deferred revenue and advance payments: 4,539, 6,469
- Operating lease liabilities: 106,661, 0
- Other long-term liabilities: 34,793, 61,262
- Deferred tax liabilities: 35, 37
- **Total Liabilities**: 410,038, 326,037

## Deferred revenue and advance payments
- Deferred revenue and advance payments: 36,713, 48,045
- Operating lease liabilities: 106,661, 0
- Other long-term liabilities: 34,793, 61,262
- Deferred tax liabilities: 35, 37
- **Total Liabilities**: 410,038, 326,037

## Stockholders' Equity
- Preferred stock undesignated: 0, 0
- Class A common stock: 16, 16
- Class B convertible common stock: 2, 2
- Additional paid-in capital: 581,429, 576,957
- Treasury stock, at cost: (634,405), (586,161)
- Accumulated other comprehensive loss: (9,964), (10,217)
- Retained earnings: 541,228, 549,134
- **Total Stockholders' Equity**: 478,306, 529,731

## Total Liabilities and Stockholders' Equity
- **Total Liabilities and Stockholders' Equity**: $888,344, $855,768

*Derived from audited financial statements.*

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### MICROSTRATEGY INCORPORATED

#### CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

<table>
<thead>
<tr>
<th>Three Months Ended</th>
<th>March 31,</th>
<th>March 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019 (unaudited)</td>
<td>2018 (unaudited)</td>
</tr>
</tbody>
</table>

#### Operating activities:
- **Net (loss) income**: $(7,906), $1,673
- **Adjustments to reconcile net (loss) income to net cash provided by operating activities**:
  - Depreciation and amortization: 3,664, 3,298
  - Bad debt expense: 827, 165
  - **Net realized loss on short-term investments**: 41, 0
- **Deferred taxes**: (1,694), (2,662)
- **Share-based compensation expense**: 3,017, 4,743
- **Changes in operating assets and liabilities**:
  - Accounts receivable: 10,266, 422
  - Prepaid expenses and other current assets: (3,070), (3,783)
  - Deposits and other assets: (134), 228
  - Accounts payable and accrued expenses: (3,108), (6,016)
  - Accrued compensation and employee benefits: (12,195), (8,085)
  - Deferred revenue and advance payments: 38,502, 19,570
- **Operating lease liabilities**: (2,074), 0
- **Other long-term liabilities**: 320, 9,164
- **Net cash provided by operating activities**: 26,456, 18,717

#### Investing activities:
- **Proceeds from redemption of short-term investments**: 314,403, 195,820
- **Purchases of property and equipment**: (6,011), (1,294)
- **Purchases of short-term investments**: (138,099), (483,440)
- **Net cash provided by (used in) investing activities**: 170,293, (288,914)
Financing activities:

Proceeds from sale of class A common stock under exercise of employee stock options 1,507 0

Purchases of treasury stock (48,244) 0

Payments on capital lease obligations and other financing arrangements prior to the adoption of ASU 2016-02 0 (7)

Net cash used in financing activities (46,737) (7)

Effect of foreign exchange rate changes on cash, cash equivalents, and restricted cash (1,133) 2,202

Net increase (decrease) in cash, cash equivalents, and restricted cash 148,879 (268,002)

Cash, cash equivalents, and restricted cash, beginning of period 110,786 421,182

Cash, cash equivalents, and restricted cash, end of period $259,665 $153,180

MICROSTRATEGY INCORPORATED
REVENUE AND COST OF REVENUE DETAIL
(in thousands)

Three Months Ended
March 31, 2019 2018 (unaudited) (unaudited)

Revenues

Product licenses and subscription services:
Product licenses $18,291 $17,301
Subscription services 7,144 7,662
Total product licenses and subscription services 25,435 24,963
Product support 71,450 74,415
Total revenues 115,366 122,967

Cost of revenues

Product licenses and subscription services:
Product licenses 519 2,211
Subscription services 3,598 3,249
Total product licenses and subscription services 4,117 5,460
Product support 7,067 4,796
Total cost of revenues 26,173 25,185

Gross profit $89,193 $97,782

MICROSTRATEGY INCORPORATED
DEFERRED REVENUE DETAIL
(in thousands)

<table>
<thead>
<tr>
<th>March 31, 2019 (unaudited)</th>
<th>December 31, 2018* (unaudited)</th>
<th>March 31, 2018 (unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred product licenses revenue $555 $1,768 $3,064</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred subscription services revenue 15,641 13,508 16,742</td>
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<td></td>
</tr>
<tr>
<td>Deferred product support revenue 166,306 152,501 173,156</td>
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<td></td>
</tr>
</tbody>
</table>
Deferred other services revenue 7,568 8,763 8,756
Total current deferred revenue and advance payments $190,070 $176,540 $201,718

Non-current:
Deferred product licenses revenue $479 $542 $843
Deferred subscription services revenue 247 2,384 385
Deferred product support revenue 3,231 3,091 3,854
Deferred other services revenue 582 452 586
Total non-current deferred revenue and advance payments $4,539 $6,469 $5,668

Total current and non-current:
Deferred product licenses revenue $1,034 $2,310 $3,907
Deferred subscription services revenue 15,888 15,892 17,127
Deferred product support revenue 169,537 155,592 177,010
Deferred other services revenue 8,150 9,215 9,342
Total current and non-current deferred revenue and advance payments $194,609 $183,009 $207,386

* Derived from audited financial statements.

### MicroStrategy Incorporated
**Reconciliation of GAAP to Non-GAAP Measure**

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>Three Months Ended March 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019 (unaudited)</td>
</tr>
<tr>
<td>Reconciliation of non-GAAP (loss) income from operations:</td>
<td></td>
</tr>
<tr>
<td>(Loss) income from operations</td>
<td>$(10,386)</td>
</tr>
<tr>
<td>Share-based compensation expense</td>
<td>3,017</td>
</tr>
<tr>
<td>Non-GAAP (loss) income from operations</td>
<td>$(7,369)</td>
</tr>
</tbody>
</table>

### MicroStrategy Incorporated
**Worldwide Employee Headcount**

<table>
<thead>
<tr>
<th></th>
<th>March 31, 2019</th>
<th>December 31, 2018</th>
<th>September 30, 2018</th>
<th>June 30, 2018</th>
<th>March 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subscription services</td>
<td>54</td>
<td>56</td>
<td>55</td>
<td>54</td>
<td>57</td>
</tr>
<tr>
<td>Product support</td>
<td>224</td>
<td>202</td>
<td>194</td>
<td>184</td>
<td>182</td>
</tr>
<tr>
<td>Consulting</td>
<td>429</td>
<td>452</td>
<td>458</td>
<td>443</td>
<td>441</td>
</tr>
<tr>
<td>Education</td>
<td>50</td>
<td>47</td>
<td>44</td>
<td>39</td>
<td>42</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>675</td>
<td>707</td>
<td>699</td>
<td>687</td>
<td>667</td>
</tr>
<tr>
<td>Research and development</td>
<td>733</td>
<td>716</td>
<td>688</td>
<td>651</td>
<td>604</td>
</tr>
<tr>
<td>General and administrative</td>
<td>329</td>
<td>348</td>
<td>326</td>
<td>322</td>
<td>313</td>
</tr>
<tr>
<td>Total headcount</td>
<td>2,494</td>
<td>2,528</td>
<td>2,464</td>
<td>2,380</td>
<td>2,306</td>
</tr>
</tbody>
</table>


Source: MicroStrategy Incorporated

MicroStrategy Incorporated
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