



MicroStrategy Announces First Quarter 2011 Financial Results

53% Growth in License Revenue Year-Over-Year

VIENNA, Va., May 4, 2011 /PRNewswire/ -- MicroStrategy® Incorporated (Nasdaq: MSTR), a leading worldwide provider of business intelligence software, today announced financial results for the three-month period ended March 31, 2011 (the first quarter of its 2011 fiscal year).

First quarter 2011 revenues were \$122.0 million versus \$93.4 million for the first quarter of 2010, a 31% increase. Product licenses revenues for the first quarter of 2011 were \$27.4 million versus \$18.0 million for the first quarter of 2010, a 53% increase. Product support and other services revenues for MicroStrategy's core business intelligence (BI) business in the first quarter of 2011 were \$87.8 million versus \$71.3 million for the first quarter of 2010, a 23% increase.

Operating expenses for the first quarter of 2011 were \$87.8 million versus \$64.2 million for the first quarter of 2010, a 37% increase. During the first quarter of 2011, MicroStrategy capitalized \$3.8 million in costs associated with the development of its MicroStrategy 9.2 software, while no software development costs were capitalized during the first quarter of 2010. The increase in operating expenses was primarily due to an increase in the Company's worldwide employee headcount and related expenses.

Net income for the first quarter of 2011 was \$1.1 million, or \$0.10 per share on a diluted basis, compared to \$6.9 million, or \$0.56 per share on a diluted basis, for the first quarter of 2010.

For the first quarter of 2011, MicroStrategy recorded a benefit for income taxes from operations of \$0.6 million, as compared to a provision for income taxes from operations of \$3.6 million for the first quarter of 2010. The decrease in income taxes in the first quarter of 2011 was primarily attributable to a decrease in income from operations before income taxes, stronger results outside the U.S., a favorable settlement with the U.K. tax authority, and a discrete benefit recorded due to tax provision adjustments.

As of March 31, 2011, MicroStrategy had cash and cash equivalents of \$203.1 million versus \$174.1 million as of December 31, 2010, an increase of \$29.0 million. As of March 31, 2011, MicroStrategy had 8,012,950 shares of class A common stock and 2,694,362 shares of class B common stock outstanding.

MicroStrategy Positioned in the "Leaders" Quadrant of Gartner's 2011 Magic Quadrant for Business Intelligence Platforms Report:

Gartner, Inc. has positioned MicroStrategy in the "Leaders" quadrant in the 2011 "Magic Quadrant for Business Intelligence Platforms" report. According to Gartner, "[o]rganizations continue to turn to BI as a vital tool for smarter, more agile, and efficient business." Gartner describes Leaders as "vendors that are reasonably strong in the breadth and depth of their BI platform capabilities, and can deliver on enterprisewide implementations that support a broad BI strategy. Leaders articulate a business proposition that resonates with buyers, supported by the viability and operational capability to deliver on a global basis." A copy of the Gartner report is available, compliments of MicroStrategy, at <http://www.microstrategy.com/Gartner>.

MicroStrategy 9.2 Now Generally Available:

The latest release of the MicroStrategy platform, MicroStrategy 9.2, was made generally available on March 30, 2011. MicroStrategy 9.2 offers a major new feature, Visual Insight, which helps business people explore data to get the answers they need quickly and without assistance from their information technology (IT) teams. In addition, the latest release includes significant new features that allow organizations to embed even more information in rich interactive dashboards and further extend MicroStrategy's performance at the highest scales of user populations and database sizes.

From Data to Insight in 30 Minutes – Visual Insight gives business people a simple, powerful, and faster way to analyze data. In less than 30 minutes, business people can uncover insights that lay buried in tabular data by using highly interactive data visualizations, and without any support from IT. Visual Insight is designed to allow business people to answer business questions on their own, avoiding the lengthy process of report specification and design.

Visual Insight lets business people analyze data from across the enterprise, regardless of where it resides. Users can access data from a full spectrum of data stores, ranging from massive enterprise data warehouses, to distributed departmental databases, to financial databases, and even to data that resides on the individual's desktop computer and in Excel

spreadsheets. Visual Insight allows users to create simple, multi-tabbed "insight dashboards" that can present many different views of a business issue. These dashboards can be saved and shared so colleagues can access them and benefit from the analysis.

To see a demonstration of the new Visual Insight data exploration capabilities, visit <http://www.microstrategy.com/bi-visual-insight>.

Richer Interactive Dashboards – The enhancements in MicroStrategy 9.2 provide more user interactivity, data visualizations, and information content within a single dashboard. New dashboard selector controls allow users to navigate through analytical workflows faster and switch more easily between dashboard information panels. Business people can now analyze geographical data in their dashboards using MicroStrategy's Connector for Google Maps™. New pop information windows deliver additional business insights. In addition, business people can now access their dashboards using the Google Chrome™ and Apple Safari browsers, in addition to Mozilla Firefox® and Microsoft Internet Explorer®.

New Features for High Performance Operation – MicroStrategy 9.2 offers features that provide higher performance to end users and at the highest levels of usage. New incremental in-memory update features allow companies to avoid refreshing the entire in-memory data store in favor of simply updating the changed portions of data, which frees up processing time and allows companies to pre-position more data into high-speed memory. MicroStrategy 9.2 includes a capability to automatically redirect queries to in-memory data stores when the data originates from multidimensional data sources, including SAP® BW, Microsoft® Analysis Services, IBM Cognos® TM1, and Oracle® Essbase. In addition, MicroStrategy 9.2 offers the ability to automatically and transparently combine multidimensional data with relational data and retain full analytical capabilities, including drilling, sorting, pivoting, adding thresholds, aggregating, and adding calculations.

MicroStrategy's New Public Interest and Industry Apps for the iPad and iPhone:

In March, MicroStrategy announced that it has added multiple public interest and industry apps to its MicroStrategy Mobile™ App, which is available on the iTunes® App Store. The free apps are built with MicroStrategy's easy-to-use Mobile App platform and are available for both the iPad® and iPhone®.

Public Interest Apps:

- The Airline Performance App, based on data from the Bureau of Transportation Statistics, lets consumers analyze more than 11 million flights, see air traffic to and from any origin city in U.S. airspace, monitor on-time performance of airports by day of week and time of day, assess airline carriers by flight route and travel time, and understand the best days and times to fly.
- The Bank Performance App uses publically available data from the FDIC, and enables consumers to analyze the top 100 banks in the U.S. and rank them by 10 different key financial metrics, explore bank performance to see trends, and review top and bottom ranked banks using the leaders and laggards analytical model.
- The Hospital Quality App helps consumers locate the closest hospitals and compare quality rankings along several measures, analyze state hospital rankings, and compare the top 300 national hospitals across key metrics. The Hospital Quality App data is from the Department of Health and Human Services and the Centers for Medicare and Medicaid Services.

Industry Apps:

- The Telecommunications Channel App shows how different product and service channels (e.g., web, in-store, and call centers) are used by customers and their impact on revenue. Business people can make rapid, data-driven decisions to improve customer retention and increase revenue, whether in meetings, visiting the customer service center, or standing in the store.
- The Retail Management App allows buyers and merchandise managers to accelerate shipments by evaluating top-selling products, make markdown decisions based on seasonal sell-through, cancel shipments for bottom-selling products, and communicate more effectively with vendors.
- The Casino Management App enables casino operators to view the most important metrics pertaining to the operational performance of their properties, including financial performance, gaming activity levels and revenues, daily table and slot performance, entertainment and promotions, and lodging operations.

To download the MicroStrategy Mobile iPad App and explore these new apps, visit <http://itunes.apple.com/us/app/microstrategy-mobile-for-ipad/id382821025?mt=8>. To download the MicroStrategy Mobile iPhone App, visit <http://itunes.apple.com/us/app/microstrategy-mobile/id376256699?mt=8>.

New Customers and New Deals with Existing Customers in Q1 2011 Included:

Aperia Solutions; Barclays Bank; Blue Cross and Blue Shield of Kansas City; British Columbia Ambulance Service; Canadian Institute for Health Information; Chiquita Brands; Cisco Systems; Communications Media; Constellation Energy Group; DirecTV; DirecTV Argentina; Fiat Auto Argentina; Five Below; Fraser Health Authority; Global Blue Singapore; Groupon; Hachette Book Group; Heartland Payment Systems; Jetsetter; Liz Claiborne Canada; Marketwire; McDonald's Corporation; MedStar Health; Menards; Michaels Stores; Nagase; Nationwide Mutual Insurance Company; Sears Holdings Management Corporation; Sonic Automotive; Staples; Starwood Hotels & Resorts Worldwide; Student Conservation Association; Time Inc.; Toys R Us; Transportation Security Administration; Tuesday Morning; University of Miami; Visiting Nurse Services of New York; Vonage Network; VMware; and Whole Foods Market Services.

Examples of Customer Deals from Q1 2011:

Blue Cross and Blue Shield of Kansas City

Blue Cross and Blue Shield of Kansas City is the largest commercial health insurance provider in the Kansas City area, offering products and services to nearly one million members. Blue Cross and Blue Shield of Kansas City recently chose MicroStrategy as its new enterprise business intelligence solution to more effectively analyze its operational, clinical, and customer metrics.

MicroStrategy will be used to provide consistent reporting and analytics, enabling Blue Cross and Blue Shield of Kansas City to uncover new revenue streams, enhance provider programs and incentives, and reduce healthcare costs while improving quality of care. Blue Cross and Blue Shield of Kansas City selected MicroStrategy for its leadership in the business intelligence industry, healthcare expertise, low total cost of ownership, high performance at scale, and superior visualization capabilities.

Groupon

Groupon, (<http://www.groupon.com>), is the original daily deal site offering unbeatable discounts to 70 million subscribers in more than 500 markets across the world. Groupon will use MicroStrategy to analyze its daily deals and gain a deeper understanding of consumer behavior by examining the types of goods and services purchased, discounts offered, location, and purchaser demographics. The MicroStrategy-based reports and dashboards will give Groupon visibility into trends that can help to optimize and maximize the deals for improved performance. Groupon relies on a leading edge data infrastructure, including Hadoop and a cloud-based BI architecture, to deliver data at a rapid pace while still managing large amounts of data. MicroStrategy's ability to leverage these technologies will enable Groupon to quickly and reliably deliver data insights across the company.

Nagase

Nagase, a leading global source of products and services for chemicals, plastics, electronics, and health care, selected MicroStrategy for enhanced reporting and analytics. MicroStrategy will be used by Nagase executives and the sales and finance teams located at 20 offices across Japan as well as outside the country. Nagase selected MicroStrategy for its ability to seamlessly report on, analyze, and monitor data contained in SAP BW. In addition, Nagase chose MicroStrategy for its ease-of-use, scalability, and strong reputation as a global business intelligence provider.

About MicroStrategy Incorporated

Founded in 1989, MicroStrategy is a global leader in business intelligence (BI) technology. MicroStrategy software enables leading organizations worldwide to analyze the vast amounts of data stored across their enterprises to make better business decisions. The MicroStrategy Platform delivers actionable information to business users via the web and mobile devices, including the iPad®, iPhone®, and BlackBerry®. Companies choose MicroStrategy for its ease-of-use, sophisticated analytics, and superior data and user scalability. MicroStrategy offers free reporting software that can be downloaded from its website.

To learn more about MicroStrategy (Nasdaq: MSTR), visit www.microstrategy.com and follow us on Facebook (<http://www.facebook.com/microstrategy>) and Twitter (<http://www.twitter.com/microstrategy>).

MicroStrategy, MicroStrategy 9, and MicroStrategy Mobile 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 acceptance in the market of the MicroStrategy Mobile application platform; 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; the timing of significant orders; delays in the Company's ability to develop or ship new products, such as new or modified products the Company may seek to develop as a result of its high performance initiatives; market acceptance of new products;

competitive factors; general economic conditions, including significant downturns in industries, including the financial services and retail industries, in which we have a significant number of customers; currency fluctuations; impairment charges that may be required with respect to the Company's damaged corporate aircraft and other risks detailed in the Company's registration statements and periodic reports filed with the Securities and Exchange Commission. By making these forward-looking statements, the Company undertakes no obligation to update these statements for revisions or changes after the date of this release.

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

| | Three Months Ended | |
|----------------------------------------------------------------------------------|---------------------------|-----------------|
| | March 31, | |
| | 2011 | 2010 |
| | (unaudited) | (unaudited) |
| Revenues | | |
| Product licenses | \$ 27,380 | \$ 17,954 |
| Product support and other services | 94,649 | 75,436 |
| Total revenues | 122,029 | 93,390 |
| Cost of Revenues | | |
| Product licenses | 1,908 | 1,915 |
| Product support and other services | 31,253 | 19,709 |
| Total cost of revenues | 33,161 | 21,624 |
| Gross profit | 88,868 | 71,766 |
| Operating Expenses | | |
| Sales and marketing | 51,511 | 33,387 |
| Research and development | 12,998 | 12,331 |
| General and administrative | 23,281 | 18,460 |
| Total operating expenses | 87,790 | 64,178 |
| Income from operations before financing and other income and income taxes | 1,078 | 7,588 |
| Financing and Other (Expense) Income | | |
| Interest income, net | 82 | 102 |
| Other (expense) income, net | (631) | 2,849 |
| Total financing and other (expense) income | (549) | 2,951 |
| Income from operations before income taxes | 529 | 10,539 |
| (Benefit) provision for income taxes | (605) | 3,638 |
| Net income | \$ 1,134 | \$ 6,901 |
| Basic earnings per share (1) | \$ 0.11 | \$ 0.58 |
| Weighted average shares outstanding used in computing basic earnings per share | 10,671 | 11,890 |
| Diluted earnings per share (1) | \$ 0.10 | \$ 0.56 |
| Weighted average shares outstanding used in computing diluted earnings per share | 11,045 | 12,303 |

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

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

| | Core BI Business | | Angel.com | | Consolidated | |
|-----------------------------------------------------------------------------------------|--------------------|------------------|--------------------|-----------------|--------------------|------------------|
| | Three Months Ended | | Three Months Ended | | Three Months Ended | |
| | March 31, | | March 31, | | March 31, | |
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Revenues | | | | | | |
| Product licenses | \$ 27,380 | \$ 17,954 | \$ - | \$ - | \$ 27,380 | \$ 17,954 |
| Product support and other services | 87,849 | 71,338 | - | - | 87,849 | 71,338 |
| Angel.com services | - | - | 6,800 | 4,098 | 6,800 | 4,098 |
| Total revenues | 115,229 | 89,292 | 6,800 | 4,098 | 122,029 | 93,390 |
| Cost of Revenues | | | | | | |
| Product licenses | 1,908 | 1,915 | - | - | 1,908 | 1,915 |
| Product support and other services | 28,498 | 18,155 | - | - | 28,498 | 18,155 |
| Angel.com services | - | - | 2,755 | 1,554 | 2,755 | 1,554 |
| Total cost of revenues | 30,406 | 20,070 | 2,755 | 1,554 | 33,161 | 21,624 |
| Gross profit | 84,823 | 69,222 | 4,045 | 2,544 | 88,868 | 71,766 |
| Operating Expenses | | | | | | |
| Sales and marketing | 48,575 | 31,887 | 2,936 | 1,500 | 51,511 | 33,387 |
| Research and development | 11,994 | 11,658 | 1,004 | 673 | 12,998 | 12,331 |
| General and administrative | 22,539 | 17,946 | 742 | 514 | 23,281 | 18,460 |
| Total operating expenses | 83,108 | 61,491 | 4,682 | 2,687 | 87,790 | 64,178 |
| Income (loss) from operations before financing and other income and income taxes | 1,715 | 7,731 | (637) | (143) | 1,078 | 7,588 |
| Financing and Other (Expense) Income | | | | | | |
| Interest income, net | 82 | 102 | - | - | 82 | 102 |
| Other (expense) income, net | (593) | 2,849 | (38) | - | (631) | 2,849 |
| Total financing and other (expense) income | (511) | 2,951 | (38) | - | (549) | 2,951 |
| Income (loss) from operations before income taxes | \$ 1,204 | \$ 10,682 | \$ (675) | \$ (143) | \$ 529 | \$ 10,539 |
| (Benefit) provision for income taxes | | | | | (605) | 3,638 |
| Net income | | | | | \$ 1,134 | \$ 6,901 |
| Basic earnings per share | | | | | \$ 0.11 | \$ 0.58 |
| Weighted average shares outstanding used in computing basic earnings per share | | | | | 10,671 | 11,890 |
| Diluted earnings per share | | | | | \$ 0.10 | \$ 0.56 |
| Weighted average shares outstanding used in computing diluted earnings per share | | | | | 11,045 | 12,303 |

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

| | March 31, 2011 | December 31, 2010 |
|----------------|-------------------|----------------------|
| | (unaudited) | (audited) |
| Assets | | |
| Current assets | | |

| | | |
|---------------------------------------------|-------------------|-------------------|
| Cash and cash equivalents | \$ 203,143 | \$ 174,097 |
| Restricted cash and short-term investments | 313 | 284 |
| Accounts receivable, net | 64,094 | 82,056 |
| Prepaid expenses and other current assets | 22,971 | 26,751 |
| Deferred tax assets, net | 19,231 | 13,670 |
| Total current assets | 309,752 | 296,858 |
| Property and equipment, net | 64,516 | 65,033 |
| Capitalized software development costs, net | 11,170 | 9,059 |
| Deposits and other assets | 5,138 | 5,587 |
| Deferred tax assets, net | 2,964 | 5,029 |
| Total Assets | \$ 393,540 | \$ 381,566 |

Liabilities and Stockholders' Equity

Current liabilities

| | | |
|--------------------------------------------|----------------|----------------|
| Accounts payable and accrued expenses | \$ 35,746 | \$ 36,683 |
| Accrued compensation and employee benefits | 43,547 | 60,201 |
| Deferred revenue and advance payments | 110,971 | 89,331 |
| Deferred tax liabilities | 190 | 355 |
| Total current liabilities | 190,454 | 186,570 |

| | | |
|---------------------------------------|--------|--------|
| Deferred revenue and advance payments | 8,823 | 7,878 |
| Other long-term liabilities | 40,594 | 37,946 |

| | | |
|--------------------------|----------------|----------------|
| Total Liabilities | 239,871 | 232,394 |
|--------------------------|----------------|----------------|

Stockholders' Equity

| | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| Preferred stock undesignated, \$0.001 par value; 5,000 shares authorized; no shares issued or outstanding | - | - |
| Class A common stock, \$0.001 par value; 330,000 shares authorized; 14,418 shares issued and 8,013 shares outstanding, and 14,351 shares issued and 7,947 shares outstanding, respectively | 14 | 14 |
| Class B common stock, \$0.001 par value; 165,000 shares authorized; 2,694 shares issued and outstanding | 3 | 3 |
| Additional paid-in capital | 458,715 | 455,374 |
| Treasury stock, at cost; 6,405 shares | (475,184) | (475,184) |
| Accumulated other comprehensive loss | (1,433) | (1,455) |
| Retained earnings | 171,554 | 170,420 |
| Total Stockholders' Equity | 153,669 | 149,172 |
| Total Liabilities and Stockholders' Equity | \$ 393,540 | \$ 381,566 |

MICROSTRATEGY INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

| | Three Months Ended | |
|-----------------------------------------------------------------------------------|---------------------------|-------------|
| | March 31, | |
| | 2011 | 2010 |
| Operating activities: | | |
| Net income | \$ 1,134 | \$ 6,901 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 3,618 | 3,182 |

| | | |
|-------------------------------------------------------------------------------------|--------------------------|--------------------------|
| Bad debt expense | 816 | 691 |
| Deferred taxes | (1,723) | 1,162 |
| Excess tax benefits from stock-based payment arrangements | (1,852) | (12) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 18,802 | 11,185 |
| Prepaid expenses and other current assets | 3,273 | (2,473) |
| Deposits and other assets | 542 | 781 |
| Accounts payable and accrued expenses | (1,637) | (4,435) |
| Accrued compensation and employee benefits | (17,707) | (15,276) |
| Deferred revenue and advance payments | 20,298 | 20,293 |
| Other long-term liabilities | 2,644 | 2,878 |
| Net cash provided by operating activities | <u>28,208</u> | <u>24,877</u> |
| Investing activities: | | |
| Purchases of property and equipment | (4,326) | (1,411) |
| Capitalized software development costs | (3,776) | - |
| Insurance proceeds | 3,620 | - |
| (Increase) decrease in restricted cash and investments | (18) | 275 |
| Net cash used in investing activities | <u>(4,500)</u> | <u>(1,136)</u> |
| Financing activities: | | |
| Proceeds from sale of class A common stock under exercise of employee stock options | 1,490 | 60 |
| Excess tax benefits from stock-based payment arrangements | 1,852 | 12 |
| Purchases of treasury stock | - | (14,553) |
| Net cash provided by (used in) financing activities | <u>3,342</u> | <u>(14,481)</u> |
| Effect of foreign exchange rate changes on cash and cash equivalents | 1,996 | (2,167) |
| Net increase in cash and cash equivalents | <u>29,046</u> | <u>7,093</u> |
| Cash and cash equivalents, beginning of period | 174,097 | 224,769 |
| Cash and cash equivalents, end of period | <u><u>\$ 203,143</u></u> | <u><u>\$ 231,862</u></u> |

MSTR-F

Contact:

MicroStrategy Incorporated
Investor Relations
ir@microstrategy.com
(703) 848-8600

SOURCE MicroStrategy Incorporated

News Provided by Acquire Media