



MicroStrategy Announces Fourth Quarter 2009 Financial Results

--44% Increase in Net Income Year-Over-Year --Diluted Earnings Per Share of \$1.66

MCLEAN, Va., Feb 03, 2010 /PRNewswire via COMTEX News Network/ -- MicroStrategy(R) Incorporated (Nasdaq: MSTR), a leading worldwide provider of business intelligence software, today announced financial results for the three-month period ended December 31, 2009 (the fourth quarter of its 2009 fiscal year).

Fourth quarter 2009 revenues were \$105.8 million versus \$95.0 million for the fourth quarter of 2008, an 11% increase. Product licenses revenues for the fourth quarter of 2009 were \$30.0 million versus \$28.0 million for the fourth quarter of 2008, a 7% increase. Product support and other services revenues for MicroStrategy's core business intelligence (BI) business in the fourth quarter of 2009 were \$71.5 million versus \$64.0 million for the fourth quarter of 2008, a 12% increase.

Operating expenses for the fourth quarter of 2009 were \$59.8 million versus \$57.6 million for the fourth quarter of 2008, a 4% increase. During the fourth quarter of 2008, MicroStrategy capitalized \$5.5 million in research and development costs associated with the development of its MicroStrategy 9^(TM) software, while no software development costs have been capitalized since the general release of MicroStrategy 9 in March 2009.

Income from continuing operations before financing and other income and income taxes for the fourth quarter of 2009 was \$26.6 million, or 25% of revenue, versus \$21.3 million, or 22% of revenue, for the fourth quarter of 2008, a 25% increase. Net income for the fourth quarter of 2009 was \$20.5 million, or \$1.66 per share on a diluted basis, compared to \$14.3 million, or \$1.17 per share on a diluted basis, for the fourth quarter of 2008, a 44% increase.

For the fourth quarter of 2009, MicroStrategy's effective tax rate on income from continuing operations was 24% compared to 38% for the fourth quarter of 2008. The lower effective tax rate in the fourth quarter of 2009 was primarily attributable to increased research and development tax credits and stronger results outside the U.S.

As of December 31, 2009, MicroStrategy had cash and cash equivalents of approximately \$224.8 million versus \$122.9 million as of December 31, 2008, an increase of \$101.9 million. As of December 31, 2009, MicroStrategy had 9,255,072 shares of class A common stock and 2,694,362 shares of class B common stock outstanding.

Announcement of MicroStrategy 9 Release 2:

MicroStrategy's latest software release was made generally available on January 22, 2010, and announced at the Company's annual user conference in Las Vegas on January 26, 2010.

MicroStrategy 9 Release 2 specifically supports the emerging and demanding needs of the new generation of Mobile Intelligence applications. Mobile Intelligence is being driven by the growth of the Mobile Internet and by the accelerating growth in mobile devices such as the Apple iPhone, iPod touch, and iPad; RIM's BlackBerry; Motorola's Droid; and Google's Nexus One. Mobile Intelligence applications demand much faster performance and serve much larger user populations than traditional wired Internet applications.

"MicroStrategy is well positioned to support the escalating growth of Mobile Intelligence with our latest software release," said Michael Saylor, President and CEO of MicroStrategy. "We have focused on creating a world-class business intelligence architecture that is designed to provide the speed and performance our customers expect in the Mobile Internet era. Unlike various competitors, we have not been distracted by acquisitions and the need to refit technology into the product suite of a parent company."

High Performance at High Scale

MicroStrategy 9 Release 2 includes significant enhancements that make information flow much faster to business users, even at the highest scale of usage:

- MicroStrategy's enhanced in-memory BI technology can deliver up to four times the performance as MicroStrategy 9 Release 1.
- Testing done in MicroStrategy's High Performance Benchmark Laboratory has shown that MicroStrategy's enhanced technology can deliver better than 2-second average response times for Mobile Intelligence applications supporting 1

million users.

- Business users will see up to two times faster performance for their common report manipulations such as sorting, filtering, slicing, and calculations; and faster navigation, browsing, and searching.
- Dashboard users will experience faster dashboard load times and faster dashboard interactivity as a result of enhanced data compression algorithms and new rendering algorithms.

Deliver More BI with Less Effort

MicroStrategy's latest release offers numerous enhancements that enable IT staff to deliver more information with less effort, resulting in a lower total cost of ownership:

- Companies can rapidly create new BI applications using MicroStrategy's Jump-Start Project^(TM), which includes more than 30 pre-designed reports and dashboards that can be directly connected to existing databases, providing people with immediate use of their new BI application.
- The new Graphical Architect^(TM) features auto-modeling heuristics that make project setup as much as eight times faster for new BI applications, reducing the time to create BI applications from days or weeks to hours.
- MicroStrategy Health Center^(TM) automatically scans all MicroStrategy servers to anticipate and correct system problems, improving system performance and uptime.
- DashboardApps^(TM), MicroStrategy's next generation dashboard application, delivers easy-to-use dashboards to thousands of business users every day. DashboardApps do not require any training or special software to install, and can contain an entire day's worth of information for BI users within a single dashboard.

MicroStrategy is planning to host a series of 50+ events to launch its latest software release. More information is available at <http://www.microstrategy.com/Software/businessintelligence>.

MicroStrategy World 2010:

MicroStrategy held its 13th annual user conference, MicroStrategy World 2010, January 25-28 in Las Vegas, Nevada.

CEO Michael Saylor delivered the keynote presentation on the first day of the conference and described MicroStrategy's drive to capitalize on the evolution toward Mobile Intelligence. Saylor said, "Computing is entering its fifth generation in which desktop Internet applications are giving way to a new generation of Mobile Internet applications. In the Mobile Internet age, applications which were mildly successful when used at one's desk, suddenly become incredibly effective and valuable when consumed on the go, anywhere and anytime business is being conducted. Mobile information access will likely eclipse desktop information access in the near future. This heightened level of usage, combined with the richness of the mobile interface, will change the way information is consumed and MicroStrategy intends to be at the forefront of this wave. MicroStrategy 9 is designed to outperform competitive BI architectures, and is well-suited to provide intelligence in the age of the Mobile Internet. Our goal is to enable our customers to deliver Mobile Intelligence ahead of their competition to their employees, their suppliers, and their customers."

The event featured more than 100 educational sessions, an exhibit hall showcasing MicroStrategy partners, and an update on the Company's latest technology advances. Executives from more than 25 world-class companies presented their success strategies and experiences using BI to enhance business performance. Some of the companies that presented at MicroStrategy World 2010 included 24 Hour Fitness, AARP, Allstate Insurance, AutoTrader.com, Barclays, Cabela's, Con-way Freight, eBay, Edmunds.com, GUESS?, Lowe's Companies, Pacific Sunwear, Payless ShoeSource, Ryder System, Travelers Insurance, and Yahoo!.

At the conference, MicroStrategy recognized Citigroup's Brian L. Fox as the recipient of the MicroStrategy Individual Excellence in Business Intelligence award. Fox was recognized for his use of information dashboards to deliver advanced program analytics to Citi's customers. MicroStrategy also recognized five companies for achieving outstanding business performance with their MicroStrategy-based business intelligence applications:

AmerisourceBergen: AmerisourceBergen was recognized in the Extranet Deployment category for its InSite system, powered by MicroStrategy technology. The InSite system supports AmerisourceBergen's community pharmacy clients across the U.S. with powerful dashboards and scorecards that provide rich analytics and tailored information. The extranet allows pharmacy owners to quickly identify suspect claims that may contribute to profit leakage, and uncover opportunities to expand their business and reduce unnecessary costs. AmerisourceBergen is one of the world's largest pharmaceutical services companies,

with operations primarily in the United States and Canada.

Con-way Freight: Con-way Freight was the award recipient in the Advanced Analytics category. Approximately 1,200 knowledge workers at Con-way Freight spanning all departments rely on MicroStrategy to access the company's corporate data assets. Con-way Freight uses advanced regression models to anticipate customer behavior. To continually evaluate its freight network and reduce waste, Con-way Freight has created an optimization model to monitor and enhance the flow of freight. Con-way Freight is the industry's leading less-than-truckload (LTL) freight transportation company.

Yahoo!, Inc.: Yahoo!, Inc. was recognized in the Data Scalability category. A MicroStrategy customer since 2002, Yahoo! uses MicroStrategy's software to analyze petabytes of Web traffic and ecommerce data. Yahoo! analysts generate an array of dashboards and reports to optimize the company's Web sites. Yahoo! attracts hundreds of millions of users every month through its innovative technology and engaging content and services, making it one of the most trafficked Internet destinations.

Lowe's Companies: Lowe's Companies was the award recipient in the User Scalability category. Lowe's is the second-largest home improvement retailer in the world, serving approximately 14 million customers per week. Lowe's currently has a number of MicroStrategy-based BI applications that support over 16,000 employees across a variety of business functions. Current MicroStrategy-based BI applications at Lowe's include DART (Data Access and Reporting Tool), which provides employees with greater insight into key performance metrics. Lowe's recently expanded its deployment of MicroStrategy to support a new business intelligence application for its store management, and relies on MicroStrategy 9 to provide store management teams with access to key reports and business metrics.

Ross Stores, Inc.: Ross Stores, Inc. was recognized in the Enterprise Deployment category. Across its enterprise, Ross Stores has deployed eight large-scale MicroStrategy applications, primarily focused on Merchandising, Store Operations, Store Scorecarding, Loss Prevention, and Supply Chain Efficiencies. In addition, Ross Stores relies on the MicroStrategy platform to provide labor management reporting. Ross Stores, Inc. is the nation's second largest off-price retailer with more than 1,000 stores in 27 states.

New Customers and New Deals with Existing Customers in Q4 2009 Included:

24 Hour Fitness; Aeropostale; AstraZeneca; Bank of America; Bayer HealthCare Pharmaceuticals; Bell Canada; Cabela's; Classic Residence by Hyatt; Comcast Entertainment Group; CompuCom Systems; Darden Restaurants; Dell Computer Corporation; Department of the Navy; Deutsche Bank Securities; Diageo North America; E. & J. Gallo Winery; eBay; Farmer Brothers Company; Fox Interactive Media; Freddie Mac; Fruit of the Loom; General Dynamics Advanced Information Systems; Marriott International; McDonald's Corporation; Meredith Corporation; Metropolitan Life Insurance Co.; Netflix; NV Energy; PepsiCo; Pfizer Global Manufacturing; QVC; Ryder System; Safeway; Sears Holdings Management Corporation; Starwood Hotels & Resorts Worldwide; The Cheesecake Factory; The Container Store; Thomson Reuters Markets; Wachovia Dealer Services; Yahoo!

Examples of Customer Deals from Q4 2009:

CompuCom

CompuCom, a leading IT outsourcing company, has chosen MicroStrategy as its BI platform to provide sales, services, and financial reporting capabilities. CompuCom plans to consolidate two disparate BI reporting tools and use MicroStrategy as its single business intelligence platform. With MicroStrategy, CompuCom end users, including Sales Analysts, Financial Analysts, and Customer Representatives, will have detailed insights into vital data related to their business areas. CompuCom personnel will be able to take advantage of MicroStrategy's intuitive "drill anywhere" feature, which enables users to rapidly generate reports by surfing through the data warehouse for new combinations of the data they need. By consolidating its reporting environment on MicroStrategy, CompuCom will be able to reduce the overall number of reports required, as well as reduce the time needed to maintain its BI infrastructure.

Farmer Brothers Company

Farmer Brothers Co. is the nation's largest direct-store delivery business for coffee and allied products. Farmer Brothers recently expanded its deployment of MicroStrategy for enhanced operational reporting and analytics. Farmer Brothers Co. employees will use MicroStrategy reports and information dashboards to uncover insight into financials, sales order processing, manufacturing, procurement, inventory, and human resources. MicroStrategy will also be used by Farmer Brothers' personnel across the organization, including the CEO, COO, CFO, Controller, VP Finance, VP Sales, and Sales staff, as well as by manufacturing, financial, HR, and operations users.

Starwood Hotels & Resorts Worldwide, Inc.

Starwood Hotels & Resorts Worldwide, Inc. is one of the world's leading hotel and leisure companies with approximately 991

properties in more than 100 countries and 145,000 employees at its owned and managed properties. Starwood has expanded its deployment of MicroStrategy for business intelligence reporting and analytics. Starwood relies on MicroStrategy to analyze reservation and guest information and uncover patterns and trends. More than 3,000 Starwood personnel use MicroStrategy's highly-visual information dashboards and content-rich reports for valuable insights into its key business areas, including revenue management, reservations, property management, and brand analysis. Starwood also relies on MicroStrategy for market performance analysis, owner relations, operations, strategic account management, and global sales analysis.

MicroStrategy Customers Delivered Impressive Sales Growth during Recession, According to Aberdeen Group Report:

Aberdeen Group published a report citing that MicroStrategy customers indicated strong sales growth between September 2008 and July 2009 as compared to the industry average. According to the report, customers using MicroStrategy software achieved a 6% increase in sales during the time period as compared to an industry average of a 4% decline in sales revenue. Among large BI vendors in the survey, only MicroStrategy customers experienced significant sales growth.

The report also found:

- MicroStrategy customers were 23% more likely than the industry average to have insight into their marketing spending and 29% more likely than the industry average to be able to connect the marketing investment to sales revenues.
- MicroStrategy customers exhibit a much stronger use of enterprise-wide BI (63%) than the industry average of 48%.

Aberdeen Group's report investigated different strategies and tactics that companies used to manage business performance during the recession. Elaborating on MicroStrategy's customers, the report states, "...not only do they know how and where they spend their marketing budget, but they can gauge the contribution of that expenditure to the success of the organization."

About MicroStrategy Incorporated

Founded in 1989, MicroStrategy is a global leader in business intelligence (BI) technology. MicroStrategy provides integrated reporting, analysis, and monitoring software that helps leading organizations worldwide make better business decisions every day. 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, <http://www.microstrategy.com/freereportingsoftware>. More information about MicroStrategy (Nasdaq: MSTR) is available at www.microstrategy.com.

MicroStrategy, MicroStrategy 9, MicroStrategy DashboardApps, MicroStrategy Health Center, MicroStrategy Graphical Architect and MicroStrategy Jump-Start Project 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 Company's ability to recognize deferred revenue through delivery of products or satisfactory performance of services; continued acceptance of the Company's products in the marketplace; the timing of significant orders; delays in the Company's ability to develop or ship new products; 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; 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.

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

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|---|------------------------------------|----------------------|-------------------------------------|--------------------|
| | 2009 | 2008 | 2009 | 2008 |
| | ----- (unaudited) | ----- (unaudited) | ----- (unaudited) | ----- (audited) |
| Revenues | | | | |
| Product licenses | \$29,959 | \$27,959 | \$101,856 | \$95,924 |
| Product support and other services | 75,813 | 67,046 | 275,932 | 264,469 |
| | ----- | ----- | ----- | ----- |
| Total revenues | 105,772 | 95,005 | 377,788 | 360,393 |
| | ----- | ----- | ----- | ----- |
| Cost of Revenues | | | | |
| Product licenses | 2,084 | 434 | 6,607 | 1,877 |
| Product support and other services | 17,382 | 15,631 | 59,996 | 61,529 |
| | ----- | ----- | ----- | ----- |
| Total cost of revenues | 19,466 | 16,065 | 66,603 | 63,406 |
| | ----- | ----- | ----- | ----- |
| Gross profit | 86,306 | 78,940 | 311,185 | 296,987 |
| | ----- | ----- | ----- | ----- |
| Operating Expenses | | | | |
| Sales and marketing | 35,096 | 37,624 | 128,472 | 137,683 |
| Research and development | 11,389 | 6,122 | 41,796 | 30,571 |
| General and administrative | 13,265 | 13,878 | 54,613 | 60,933 |
| | ----- | ----- | ----- | ----- |
| Total operating expenses | 59,750 | 57,624 | 224,881 | 229,187 |
| | ----- | ----- | ----- | ----- |
| Income from continuing operations before financing and other income and income taxes | 26,556 | 21,316 | 86,304 | 67,800 |
| | ----- | ----- | ----- | ----- |
| Financing and Other Income (Expense) | | | | |
| Interest income, net | 438 | 185 | 955 | 2,266 |
| Other income (expense), net | 167 | 974 | (1,459) | 705 |
| | --- | --- | ----- | --- |
| Total financing and other income (expense) | 605 | 1,159 | (504) | 2,971 |
| | --- | ----- | ---- | ----- |
| Income from continuing operations before income taxes | 27,161 | 22,475 | 85,800 | 70,771 |
| Provision for income | | | | |

| | | | | |
|--|----------|----------|----------|----------|
| taxes | 6,620 | 8,638 | 25,293 | 29,003 |
| | ----- | ----- | ----- | ----- |
| Income from continuing operations | 20,541 | 13,837 | 60,507 | 41,768 |
| Discontinued operations: | | | | |
| Gain from sale of discontinued operations, net of tax provision (\$0 and \$11,190, respectively) | - | - | 14,437 | - |
| Income (loss) from discontinued operations, net of tax provision (benefit) (\$0 and \$358, for the three months ended, respectively, and (\$54) and \$534 for the twelve months ended, respectively) | - | 448 | (107) | 65 |
| | --- | --- | --- | -- |
| Discontinued operations, net of tax | - | 448 | 14,330 | 65 |
| | ----- | ----- | ----- | ----- |
| Net Income | \$20,541 | \$14,285 | \$74,837 | \$41,833 |
| | ----- | ----- | ----- | ----- |
| Basic earnings per share (1): | | | | |
| From continuing operations | \$1.72 | \$1.16 | \$5.08 | \$3.51 |
| From discontinued operations | \$- | \$0.04 | \$1.20 | \$0.01 |
| | -- | ----- | ----- | ----- |
| Basic earnings per share | \$1.72 | \$1.20 | \$6.28 | \$3.52 |
| | ----- | ----- | ----- | ----- |
| Weighted average shares outstanding used in computing basic earnings per share | 11,929 | 11,889 | 11,906 | 11,886 |
| | ----- | ----- | ----- | ----- |
| Diluted earnings per share (1): | | | | |
| From continuing operations | \$1.66 | \$1.13 | \$4.92 | \$3.39 |
| From discontinued operations | \$- | \$0.04 | \$1.17 | \$0.01 |
| | -- | ----- | ----- | ----- |
| Diluted earnings per share | \$1.66 | \$1.17 | \$6.09 | \$3.40 |
| | ----- | ----- | ----- | ----- |
| Weighted average shares outstanding used in computing diluted earnings per share | 12,350 | 12,226 | 12,284 | 12,303 |
| | ----- | ----- | ----- | ----- |

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

MICROSTRATEGY INCORPORATED
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 | |
| | December | 31, | December | 31, | December | 31, |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | ---- | ---- | ---- | ---- | ---- | ---- |
| Revenues | | | | | | |
| Product licenses | \$29,959 | \$27,959 | \$- | \$- | \$29,959 | \$27,959 |
| Product support and other services | 71,507 | 64,030 | - | - | 71,507 | 64,030 |
| Angel.com services | - | - | 4,306 | 3,016 | 4,306 | 3,016 |
| | --- | --- | --- | --- | --- | --- |
| Total revenues | 101,466 | 91,989 | 4,306 | 3,016 | 105,772 | 95,005 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Cost of Revenues | | | | | | |
| Product licenses | 2,084 | 434 | - | - | 2,084 | 434 |
| Product support and other services | 15,845 | 14,729 | - | - | 15,845 | 14,729 |
| Angel.com services | - | - | 1,537 | 902 | 1,537 | 902 |
| | --- | --- | --- | --- | --- | --- |
| Total cost of revenues | 17,929 | 15,163 | 1,537 | 902 | 19,466 | 16,065 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Gross profit | 83,537 | 76,826 | 2,769 | 2,114 | 86,306 | 78,940 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Operating Expenses | | | | | | |
| Sales and marketing | 33,679 | 35,759 | 1,417 | 1,865 | 35,096 | 37,624 |
| Research and development | 10,460 | 5,318 | 929 | 804 | 11,389 | 6,122 |
| General and administrative | 12,664 | 13,811 | 601 | 67 (a) | 13,265 | 13,878 |
| | ----- | ----- | --- | -- | ----- | ----- |
| Total operating expenses | 56,803 | 54,888 | 2,947 | 2,736 | 59,750 | 57,624 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Income (loss) from continuing operations before financing and other income and income taxes | 26,734 | 21,938 | (178) | (622) | 26,556 | 21,316 |

| | | | | | | |
|--|----------|----------|---------|---------|----------|----------|
| Financing and Other Income | | | | | | |
| Interest income, net | 438 | 185 | - | - | 438 | 185 |
| Other income, net | 164 | 974 | 3 | - | 167 | 974 |
| | --- | --- | --- | --- | --- | --- |
| Total financing and other income | 602 | 1,159 | 3 | - | 605 | 1,159 |
| | --- | ----- | --- | --- | --- | ----- |
| Income (loss) from continuing operations before income taxes | \$27,336 | \$23,097 | \$(175) | \$(622) | \$27,161 | \$22,475 |
| Provision for income taxes | | | | | 6,620 | 8,638 |
| | | | | | ----- | ----- |
| Income from continuing operations | | | | | 20,541 | 13,837 |
| Discontinued operations: | | | | | | |
| Income from discontinued operations, net of tax | | | | | - | 448 |
| | | | | | --- | --- |
| Discontinued operations, net of tax | | | | | - | 448 |
| | | | | | | |
| Net income | | | | | \$20,541 | \$14,285 |
| | | | | | ===== | ===== |
| Basic earnings per share: | | | | | | |
| From continuing operations | | | | | \$1.72 | \$1.16 |
| From discontinued operations | | | | | \$- | \$0.04 |
| | | | | | -- | ----- |
| Basic earnings per share | | | | | \$1.72 | \$1.20 |
| | | | | | ----- | ----- |
| Diluted earnings per share: | | | | | | |
| From continuing operations | | | | | \$1.66 | \$1.13 |
| From discontinued operations | | | | | \$- | \$0.04 |
| | | | | | -- | ----- |

| | | |
|---|--------|--------|
| Diluted earnings per share | \$1.66 | \$1.17 |
| | ----- | ----- |
| Basic weighted average shares outstanding | 11,929 | 11,889 |
| | ===== | ===== |
| Diluted weighted average shares outstanding | 12,350 | 12,226 |
| | ===== | ===== |

(a) An insignificant amount of general and administrative services was provided to the Angel.com business unit by MicroStrategy's core business operations during the three months ended December 31, 2008.

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

| | Core BI Business | | Angel.com | | Consolidated | |
|---------------------------------------|---------------------|----------|---------------------|--------|---------------------|----------|
| | Twelve Months Ended | | Twelve Months Ended | | Twelve Months Ended | |
| | December 31, | | December 31, | | December 31, | |
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | ---- | ---- | ---- | ---- | ---- | ---- |
| Revenues | | | | | | |
| Product licenses | \$101,856 | \$95,924 | \$- | \$- | \$101,856 | \$95,924 |
| Product support and other services | 261,956 | 253,660 | - | - | 261,956 | 253,660 |
| Angel.com services | - | - | 13,976 | 10,809 | 13,976 | 10,809 |
| | --- | --- | ----- | ----- | ----- | ----- |
| Total revenues | 363,812 | 349,584 | 13,976 | 10,809 | 377,788 | 360,393 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Cost of Revenues | | | | | | |
| Product licenses | 6,607 | 1,877 | - | - | 6,607 | 1,877 |
| Product support and services revenues | 54,625 | 59,331 | - | - | 54,625 | 59,331 |
| Angel.com services | - | - | 5,371 | 2,198 | 5,371 | 2,198 |
| | --- | --- | ----- | ----- | ----- | ----- |
| Total cost of revenues | 61,232 | 61,208 | 5,371 | 2,198 | 66,603 | 63,406 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Gross profit | 302,580 | 288,376 | 8,605 | 8,611 | 311,185 | 296,987 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Operating Expenses | | | | | | |

| | | | | | | |
|---|----------|----------|-----------|-----------|----------|----------|
| Sales and marketing | 123,690 | 129,721 | 4,782 | 7,962 | 128,472 | 137,683 |
| Research and development | 38,042 | 27,546 | 3,754 | 3,025 | 41,796 | 30,571 |
| General and administrative | 52,741 | 60,651 | 1,872 | 282 (a) | 54,613 | 60,933 |
| | ----- | ----- | ----- | --- | ----- | ----- |
| Total operating expenses | 214,473 | 217,918 | 10,408 | 11,269 | 224,881 | 229,187 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Income (loss) from continuing operations before financing and other income and income taxes | 88,107 | 70,458 | (1,803) | (2,658) | 86,304 | 67,800 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Financing and Other (Expense) Income | | | | | | |
| Interest income, net | 955 | 2,266 | - | - | 955 | 2,266 |
| Other (expense) income, net | (1,462) | 705 | 3 | - | (1,459) | 705 |
| | ----- | --- | --- | --- | ----- | --- |
| Total financing and other (expense) income | (507) | 2,971 | 3 | - | (504) | 2,971 |
| | ---- | ----- | --- | --- | ---- | ----- |
| Income (loss) from continuing operations before income taxes | \$87,600 | \$73,429 | \$(1,800) | \$(2,658) | \$85,800 | \$70,771 |
| Provision for income taxes | | | | | 25,293 | 29,003 |
| | | | | | ----- | ----- |
| Income from continuing operations | | | | | 60,507 | 41,768 |
| Discontinued operations: | | | | | | |
| Gain from sale of discontinued operations, net of tax | | | | | 14,437 | - |
| (Loss) income from discontinued operations, net of tax | | | | | (107) | 65 |
| | | | | | ---- | -- |
| Discontinued operations, net of tax | | | | | 14,330 | 65 |
| | | | | | ----- | ----- |
| Net income | | | | | \$74,837 | \$41,833 |
| | | | | | ===== | ===== |

| | | |
|---|--------|--------|
| Basic earnings per share: | | |
| From | | |
| continuing operations | \$5.08 | \$3.51 |
| From | | |
| discontinued operations | \$1.20 | \$0.01 |
| | ----- | ----- |
| Basic earnings per share | \$6.28 | \$3.52 |
| | ----- | ----- |
| Diluted earnings per share: | | |
| From | | |
| continuing operations | \$4.92 | \$3.39 |
| From | | |
| discontinued operations | \$1.17 | \$0.01 |
| | ----- | ----- |
| Diluted earnings per share | \$6.09 | \$3.40 |
| | ----- | ----- |
| Basic weighted average shares outstanding | 11,906 | 11,886 |
| | ===== | ===== |
| Diluted weighted average shares outstanding | 12,284 | 12,303 |
| | ===== | ===== |

(a) An insignificant amount of general and administrative services was provided to the Angel.com business unit by MicroStrategy's core business operations during the twelve months ended December 31, 2008.

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

| | December 31, 2009 ---- | December 31, 2008 ---- |
|---|------------------------------|------------------------------|
| | (unaudited) | (audited) |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$224,769 | \$122,915 |
| Restricted cash and investments | 549 | 619 |
| Accounts receivable, net | 56,399 | 49,670 |
| Prepaid expenses and other current assets | 10,861 | 9,518 |
| Deferred tax assets, net | 12,642 | 26,743 |
| Assets held-for-sale | - | 4,964 |
| | ----- | ----- |
| Total current assets | 305,220 | 214,429 |

| | | |
|---|----------|----------|
| Operating activities: | | |
| Net income | \$74,837 | \$41,833 |
| Less: Income from discontinued operations, net | (14,330) | (65) |
| | ----- | --- |
| Income from continuing operations | 60,507 | 41,768 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 10,631 | 6,399 |
| Bad debt expense | 1,863 | 2,029 |
| Deferred taxes | 16,146 | 20,925 |
| Stock-based compensation | - | 46 |
| Excess tax benefits from stock-based payment arrangements | (907) | (422) |
| Other, net | 10 | 72 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (9,264) | (3,862) |
| Prepaid expenses and other current assets | (1,168) | 1,643 |
| Deposits and other assets | 553 | 157 |
| Accounts payable and accrued expenses | 1,076 | 5,102 |
| Accrued compensation and employee benefits | 2,041 | 5,574 |
| Deferred revenue and advance payments | 12,108 | 5,278 |
| Other long-term liabilities | 3,319 | 190 |
| | ----- | --- |
| Net cash provided by operating activities from continuing operations | 96,915 | 84,899 |
| Net cash (used in) provided by operating activities from discontinued operations | (472) | 4,019 |
| | ---- | ----- |
| Net cash provided by operating activities | 96,443 | 88,918 |
| | ----- | ----- |
| Investing activities: | | |
| Advance deposits on purchases of property and equipment | - | (25,000) |
| Purchases of property and equipment | (18,265) | (5,167) |
| Capitalized software development costs | (4,218) | (13,575) |
| Decrease in restricted cash and investments | 575 | 1,100 |
| | --- | ----- |
| Net cash used in investing activities from continuing operations | (21,908) | (42,642) |
| Net cash provided by (used in) investing activities from discontinued operations | 24,546 | (160) |
| | ----- | ---- |
| Net cash provided by (used in) investing activities | 2,638 | (42,802) |
| | ----- | ----- |
| Financing activities: | | |
| Proceeds from sale of class A common stock under exercise of employee stock options | 1,216 | 2,104 |
| Excess tax benefits from stock-based payment arrangements | 907 | 422 |
| Purchases of treasury stock | - | (8,387) |
| Distribution to Alarm.com minority shareholders | (60) | - |
| | --- | --- |
| Net cash provided by (used in) financing activities from continuing operations | 2,063 | (5,861) |
| Net cash provided by financing activities from discontinued operations | - | - |
| | --- | --- |
| Net cash provided by (used in) | | |

| | | |
|---|-----------|-----------|
| financing activities | 2,063 | (5,861) |
| Effect of foreign exchange rate changes on cash and cash equivalents | 710 | (2,534) |
| | --- | ----- |
| Net increase in cash and cash equivalents | 101,854 | 37,721 |
| Cash and cash equivalents, beginning of period | 122,915 | 85,194 |
| | ----- | ----- |
| Cash and cash equivalents, end of period | \$224,769 | \$122,915 |
| | ===== | ===== |

SOURCE MicroStrategy Incorporated

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