



# Q2 2023 Financial Results

August 1, 2023

# MicroStrategy Q2 2023 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).





# Operational Results

Phong Le, President & Chief Executive Officer

# Financial Highlights

Q2 2023

**\$120.4M**

Total Revenues, a decrease of **1%** YoY, or **flat** on a constant currency basis

**\$35.4M**

Total Software Licenses Revenues<sup>(1)</sup>, an increase of **4%** YoY, or **7%** on a constant currency basis

**\$19.9M**

Subscription Services Revenues, an increase of **42%** YoY, or **44%** on a constant currency basis

**\$23.1M**

Non-GAAP Current Subscription Billings<sup>(2)</sup>, an increase of **15%** YoY

(1) Total Software Licenses Revenues is the “Total Product Licenses and Subscription Services Revenues” in our consolidated statements of operations.

(2) Please refer to the Appendix for a reconciliation of Subscription Services Revenues to Non-GAAP Current Subscription Billings.





# MicroStrategy World 2023

Orlando, FL

Business Intelligence

MicroStrategy ONE

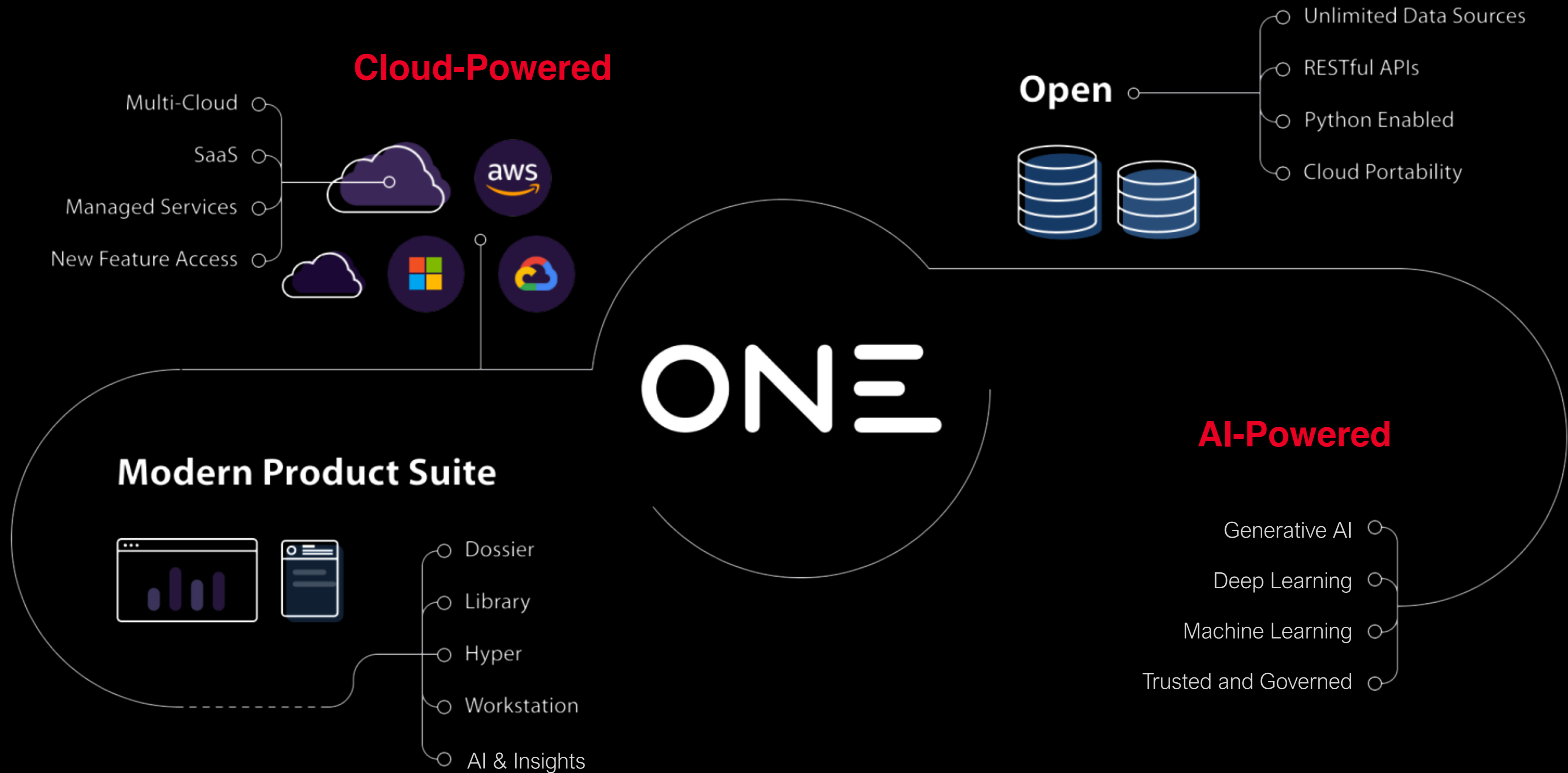


Bitcoin and Lightning for Corporations





# MicroStrategy ONE



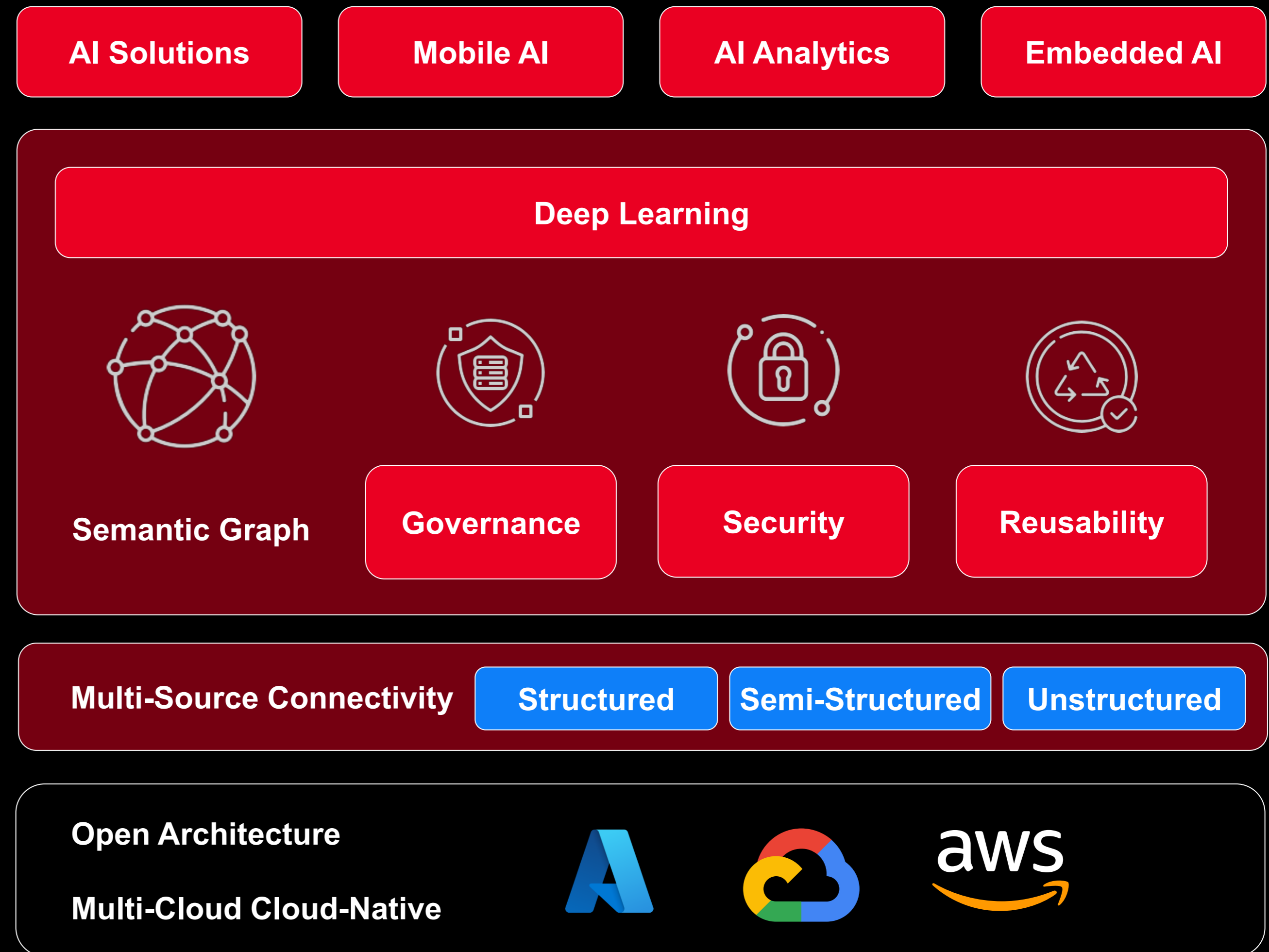
# The AI/BI Platform – MicroStrategy ONE

MicroStrategy is well positioned to let organizations build and deploy AI applications to users by leveraging the core capabilities in its leading BI platform.

Much of the complexity of AI solutions is procuring, transforming, managing and maintaining data.

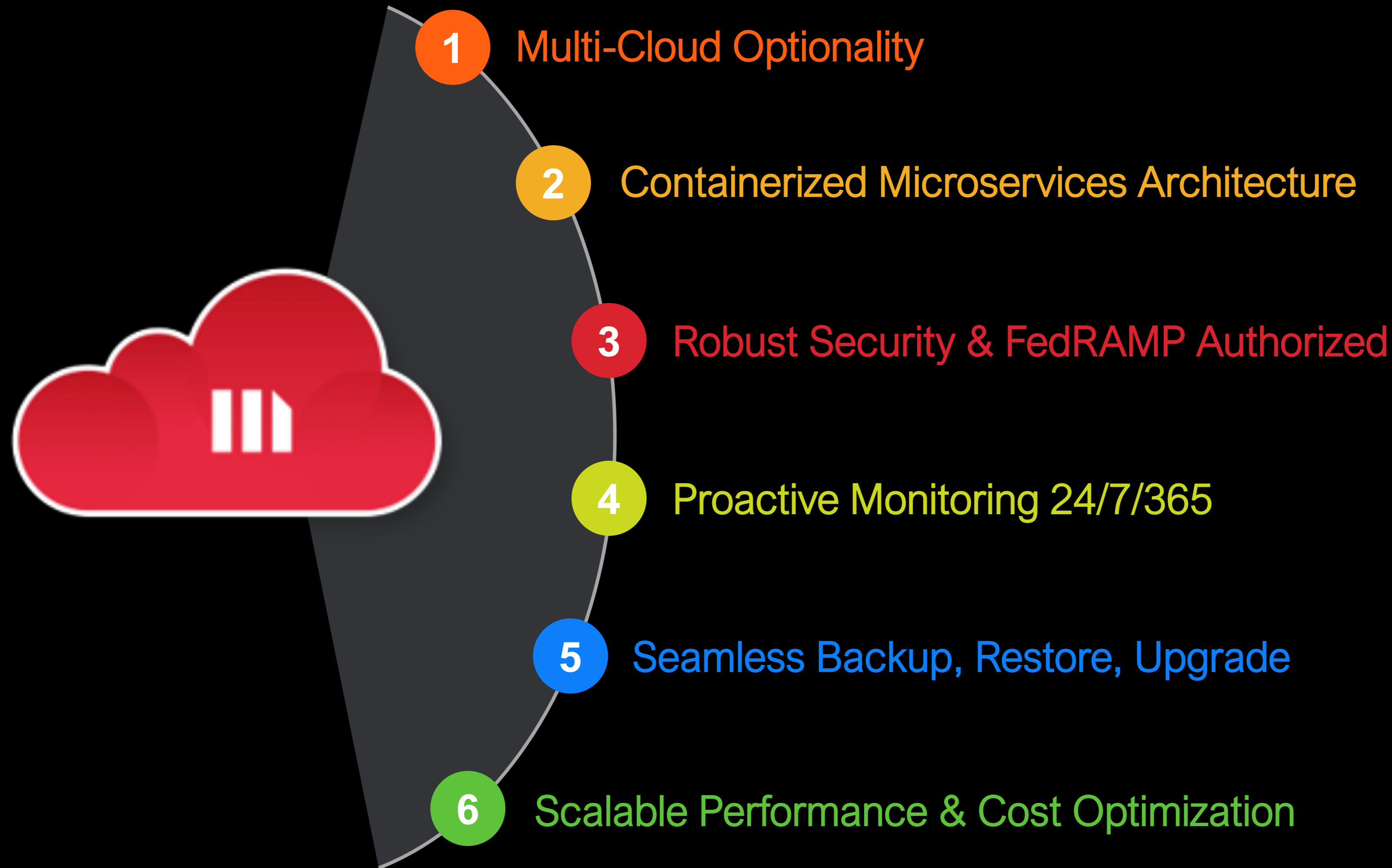
Data scale, governance and trust challenges in BI are amplified with AI.

Security and access control is needed across users and in interacting with deep learning and large language models.



# Innovation in Cloud Architecture

MicroStrategy Cloud continues to develop cloud-native capabilities that deliver trusted analytics at scale, embracing flexibility and elevating customer environments with AI-ready solutions





# Innovation in Artificial Intelligence

MicroStrategy One Amplified with AI – Swift, Secure, and Scalable Deployment to Thousands

MicroStrategy ONE's Q3 upgrade brings advanced AI capabilities and a new dimension, **MicroStrategy AI** - empowering organizations to rapidly deploy secure, governed and trusted AI applications

MicroStrategy AI includes:

## Data Whisperer

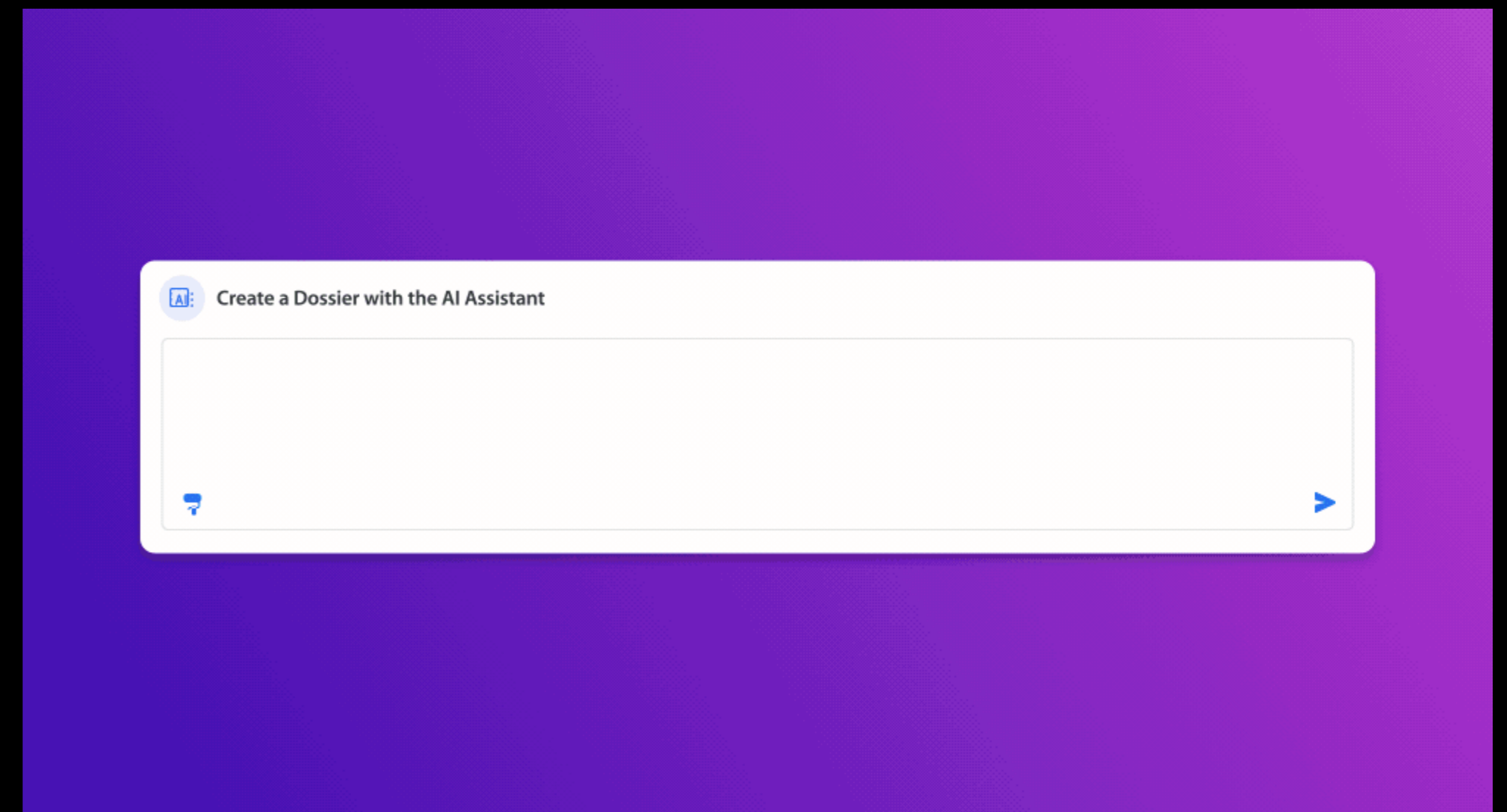
Any business user can ask and understand the "why" behind the data using this intuitive chat experience.

## AI Canvas

Ask or point it at a dataset, and our AI model will build a beautiful dossier that provides a 360 analysis of the data.

## Insights

Ask questions via chat for analysis on seasonality, key driver, linear regression trend or time series outlier. Like the visualization? Add it to your Dossier.



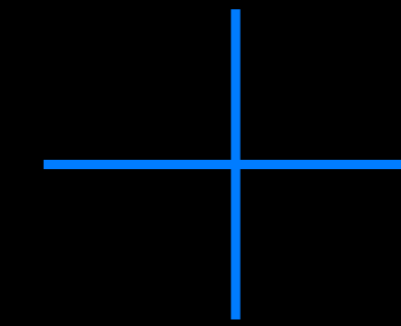
# Microsoft Azure Partnership

MicroStrategy One Amplified with AI – Swift, Secure, and Scalable Deployment to Thousands

- Multi-year partnership expands integration of MSTR products with Microsoft 365, powered with Azure OpenAI Service
- **AI-powered functionality enables customers to leverage the full potential of their data**
  - Natural language capabilities for visualization and dashboard generation
  - Enhanced productivity for code, workflow, schema, and content creation



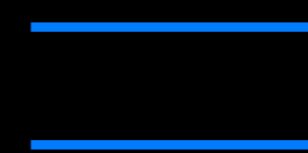
Leading Enterprise Analytics Platform



Microsoft

Trusted Technology Platform for Global Enterprises

## Advanced Product Collaborations & Integrations



Azure OpenAI Service

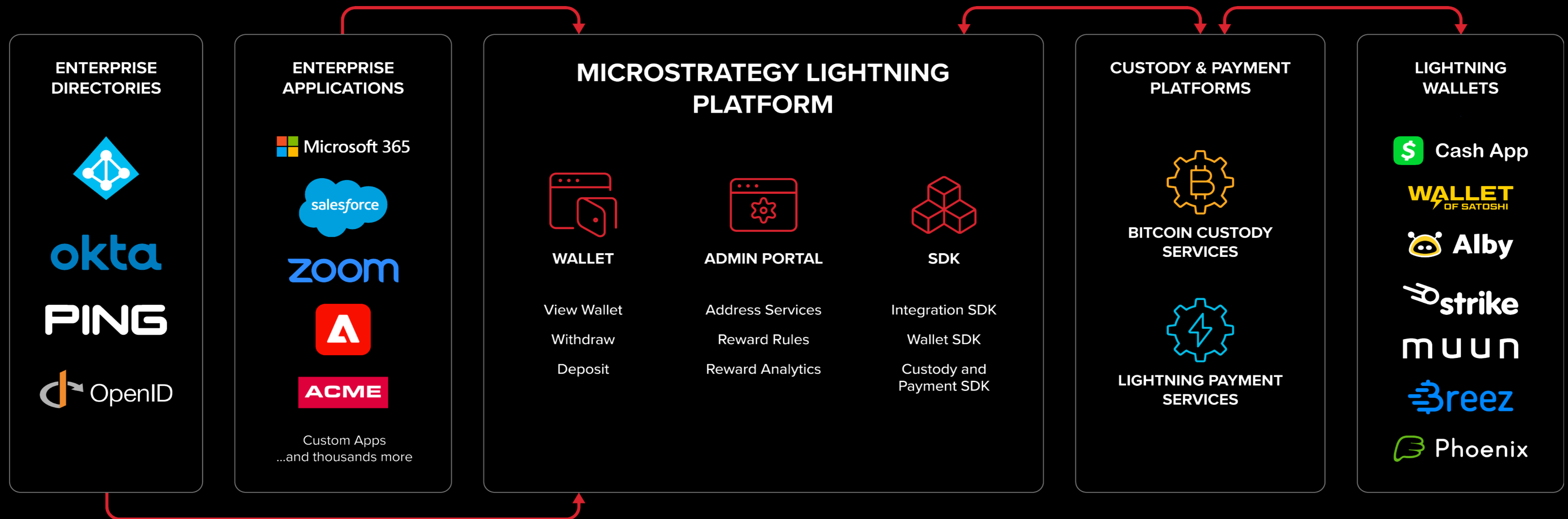


Microsoft 365 Productivity Suite



# Innovation in Bitcoin

MicroStrategy Lightning Rewards is an enterprise platform that incentivizes employees and customers to take certain actions and rewards them with satoshis instantly. Announced at MicroStrategy World, we are targeting to make Lightning Rewards generally available in Q3.



This is the first of multiple innovative bitcoin and lightning technology applications the MicroStrategy team is developing.

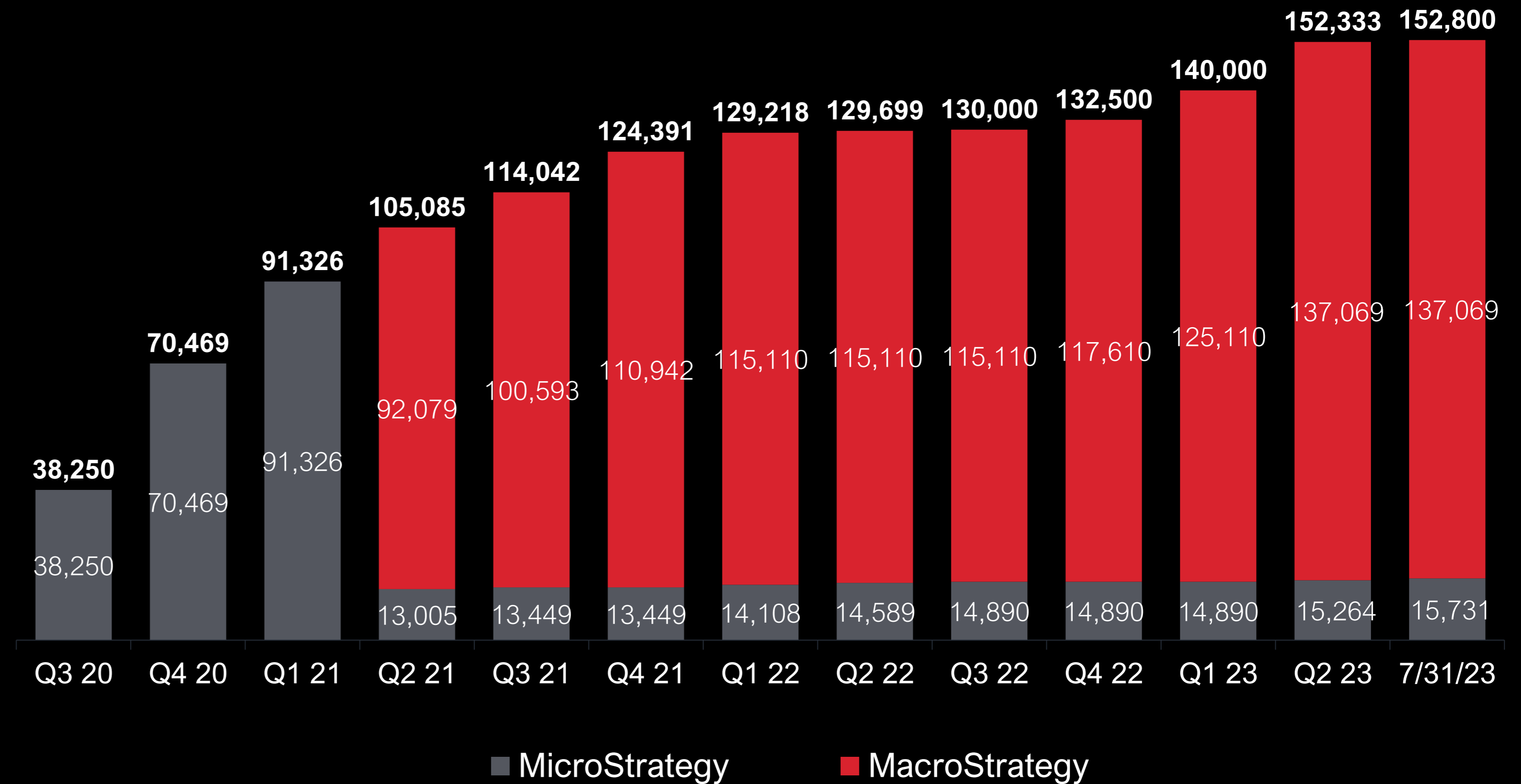




# Bitcoin Holdings Evolution

- In Q2, we increased our holdings by **12,333 bitcoins** for a net aggregate purchase amount of \$347 million or \$28,136 per bitcoin
- As of June 30, 2023, we held **152,333 bitcoins** acquired for a total cost of \$4.52 billion, or \$29,668 per bitcoin
- After the end of Q2, we purchased an **additional 467 bitcoins** for a net aggregate purchase amount of \$14.4 million, or \$30,788 per bitcoin
- As of July 31, 2023, we held **152,800 bitcoins** acquired for a total cost of \$4.53 billion, or \$29,672 per bitcoin

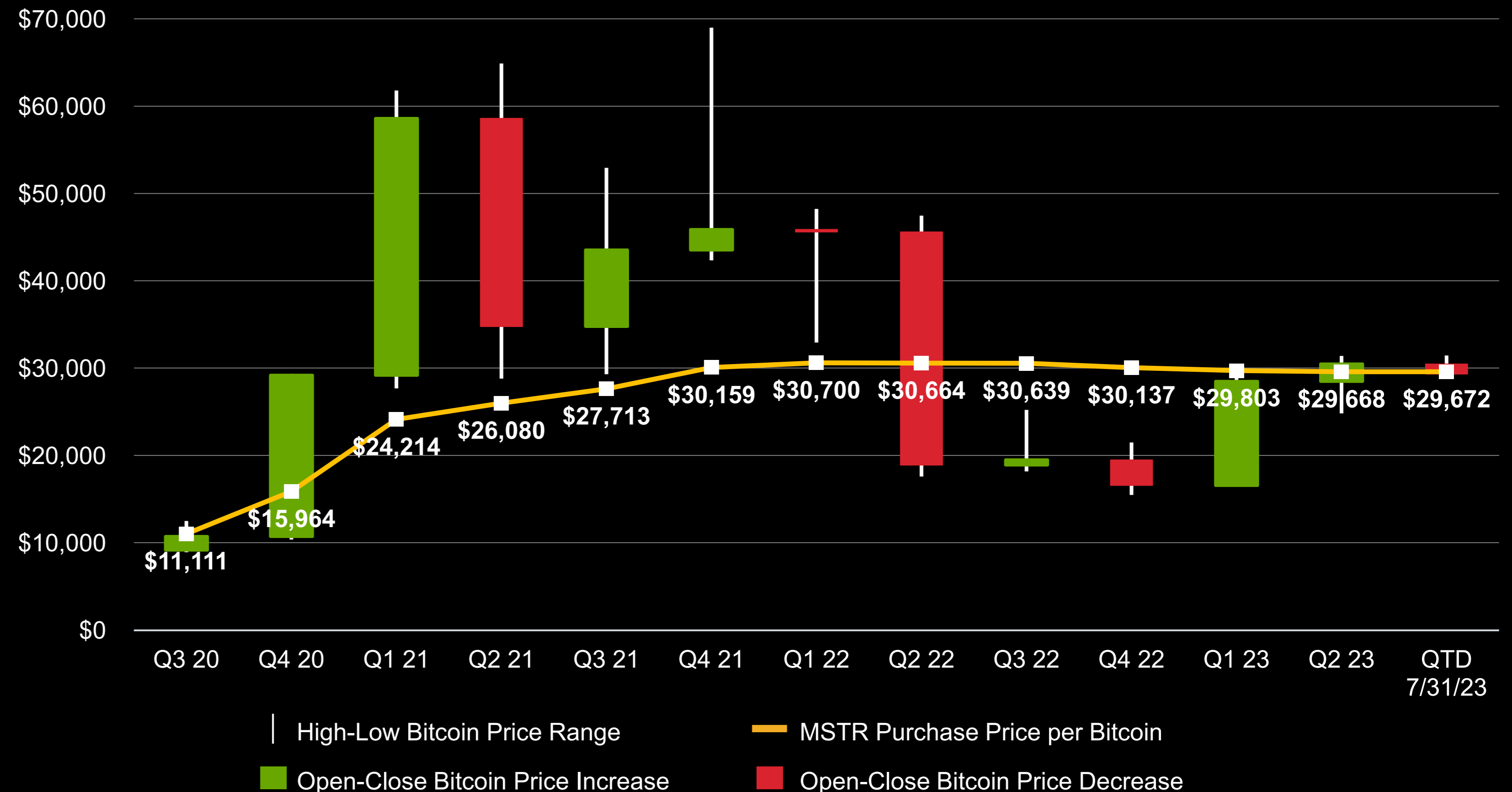
**Approximate Number of Bitcoins Held at End of Quarter**



# Bitcoin Price Evolution

- Bitcoin is volatile and has fluctuated over the quarters
- **MicroStrategy principles**
  - High conviction
  - Long-term focused
  - Risk-managed approach
- **Core business is insulated from near-term bitcoin price volatility**
  - Sufficient liquidity to cover debt service payments
  - No near-term debt maturities

## Bitcoin Price (\$)



Source: Bitcoin prices represent market price of one bitcoin on the Coinbase exchange. End of period prices are shown as of 4:00 p.m. Eastern Time on the last day of the respective quarter or date noted.





# Financial Results

Andrew Kang, Senior Executive VP & Chief Financial Officer



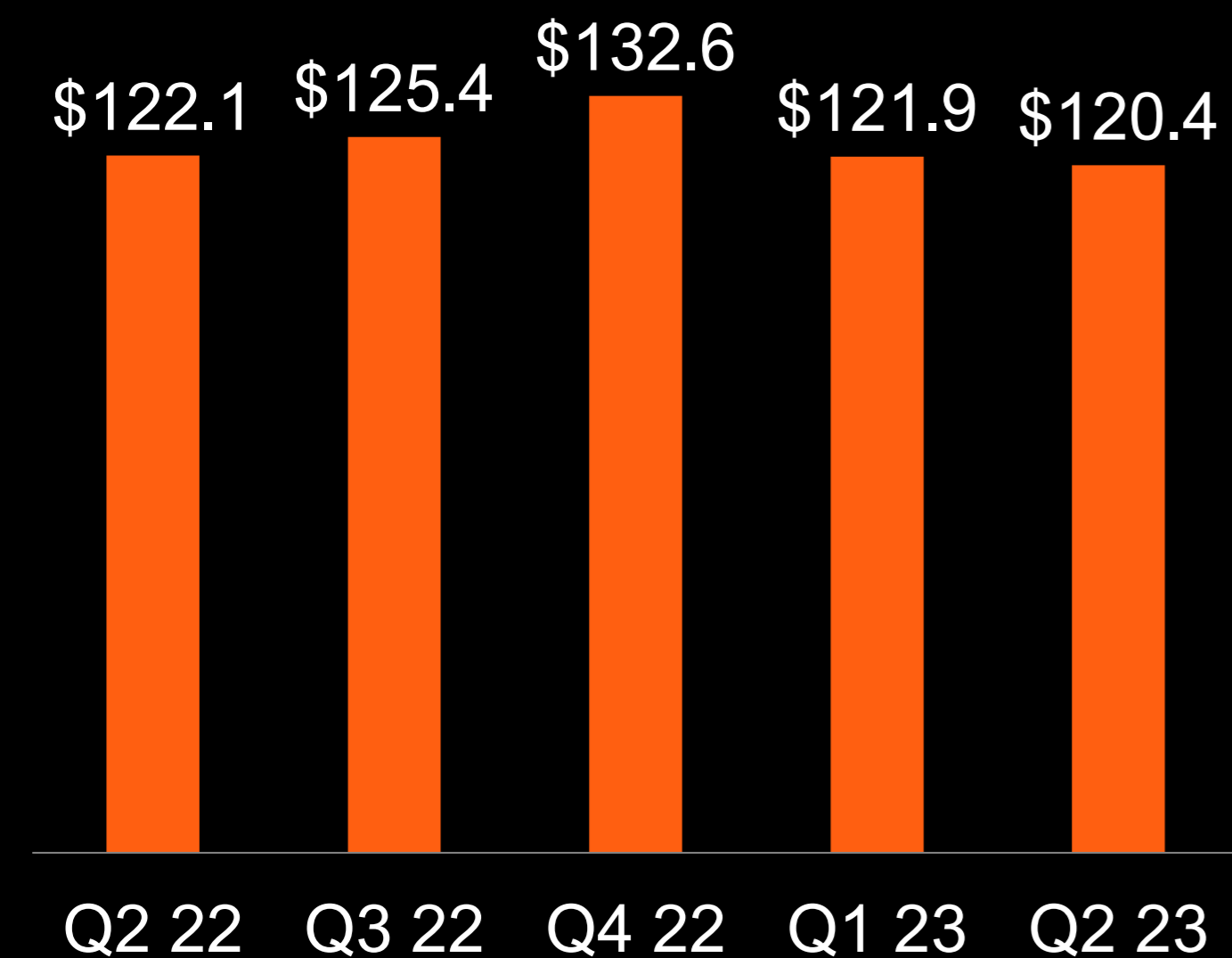
# Revenue Components

Q2 2023

(\$ in Millions)

## Total Revenues

Q2 2023: **-1%** YOY  
Constant FX: **Flat** YOY



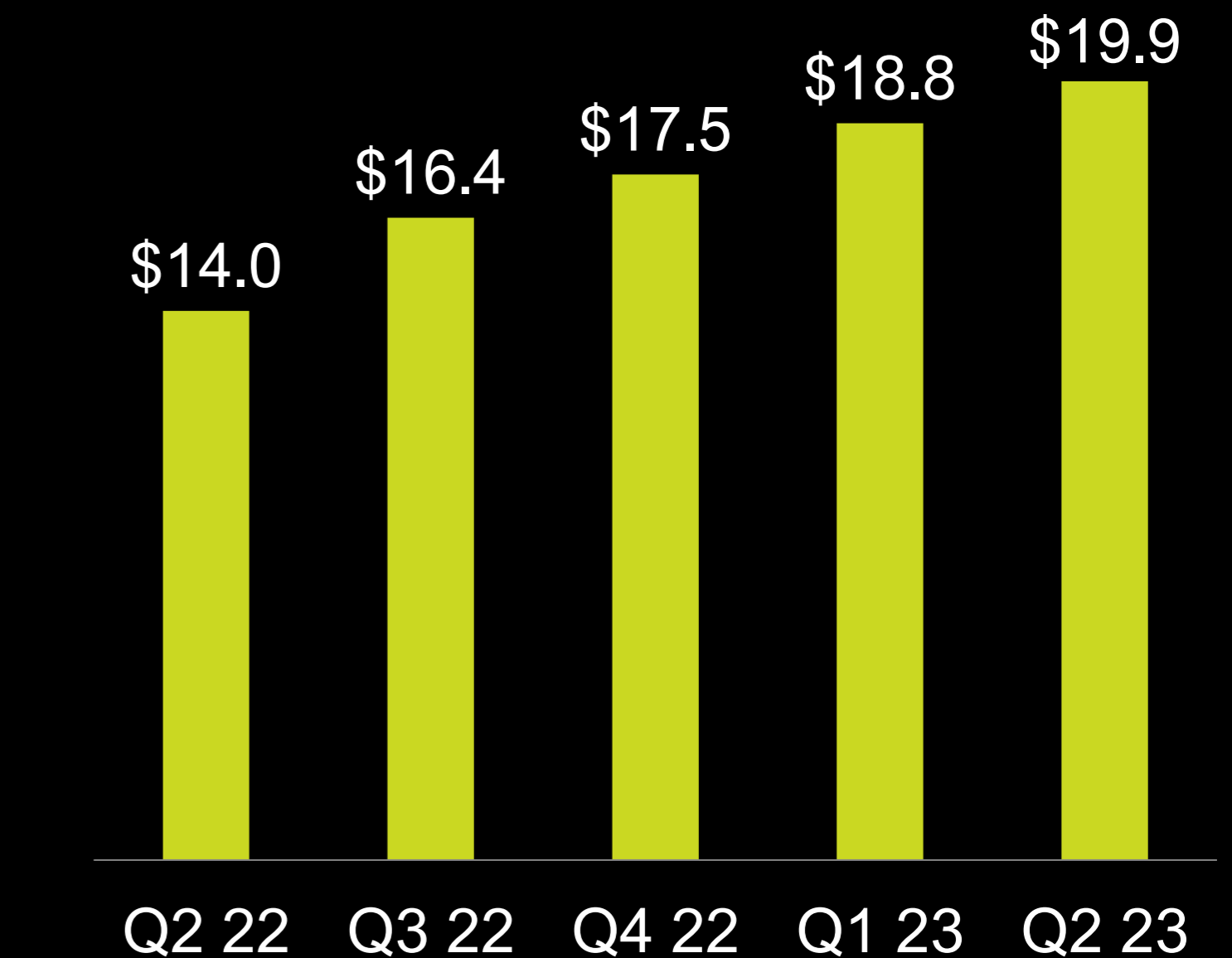
## Total Software Licenses Revenues<sup>(1)</sup>

Q2 2023: **+4%** YOY  
Constant FX: **+7%** YOY



## Subscription Services Revenues

Q2 2023: **+42%** YOY  
Constant FX: **+44%** YOY



(1) Total Software Licenses Revenues is the "Total Product Licenses and Subscription Services Revenues" in our consolidated statements of operations.



# Non-GAAP Billings Components<sup>(1)</sup>

Q2 2023

(\$ in Millions)

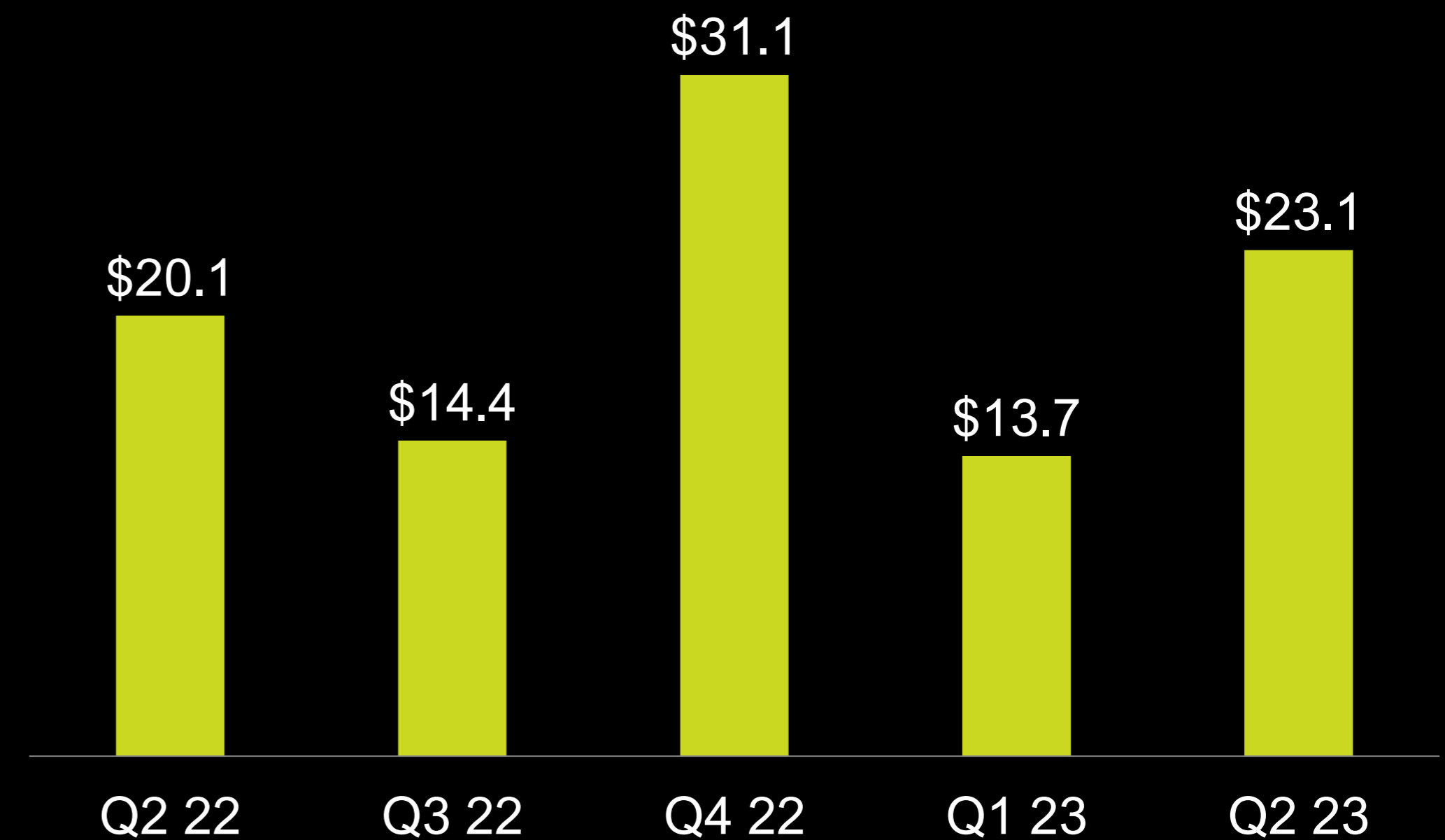
## Current Software Licenses Billings

Q2 2023: **-2%** YOY



## Current Subscription Billings

Q2 2023: **+15%** YOY



(1) Please refer to the Appendix for a reconciliation of Total Software Licenses Revenues to Non-GAAP Current Software Licenses Billings, and Subscription Services Revenues to Non-GAAP Current Subscription Billings.

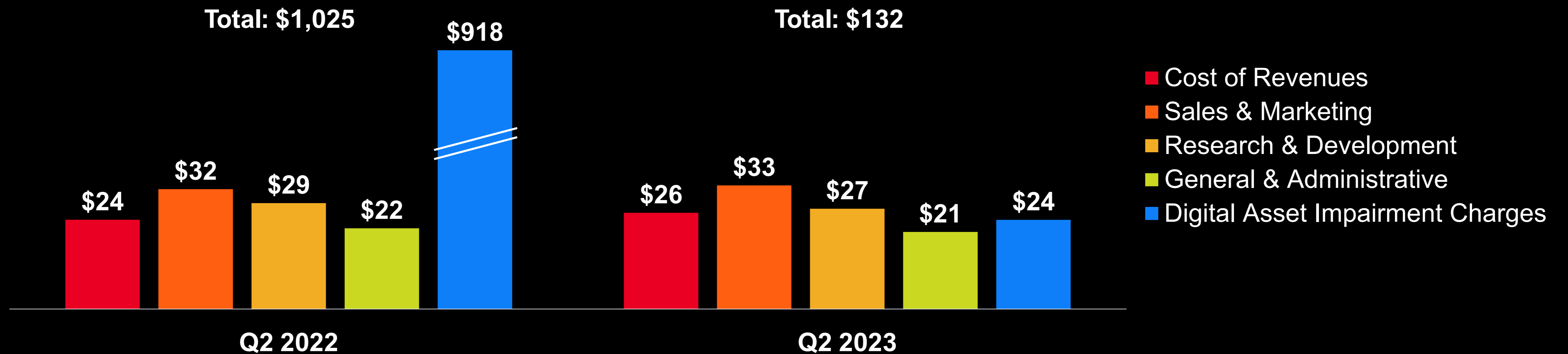


# Cost Structure and Drivers

Q2 2023

- Non-GAAP cost of revenues higher YoY primarily due to higher total cloud hosting costs
- Non-cash digital asset impairment charge was significantly lower due to higher bitcoin price as of June 30, 2023
- Overall foreign exchange (FX) impacts favorable in Q2

**Non-GAAP Expenses By Type<sup>(1)</sup>**  
(\$ in Millions)



(1) Please refer to the Appendix for GAAP Expenses, and a reconciliation of each component of Non-GAAP Expenses including Non-GAAP Cost of Revenues, Non-GAAP Sales & Marketing Expense, Non-GAAP Research & Development Expense, and Non-GAAP General & Administrative Expense.



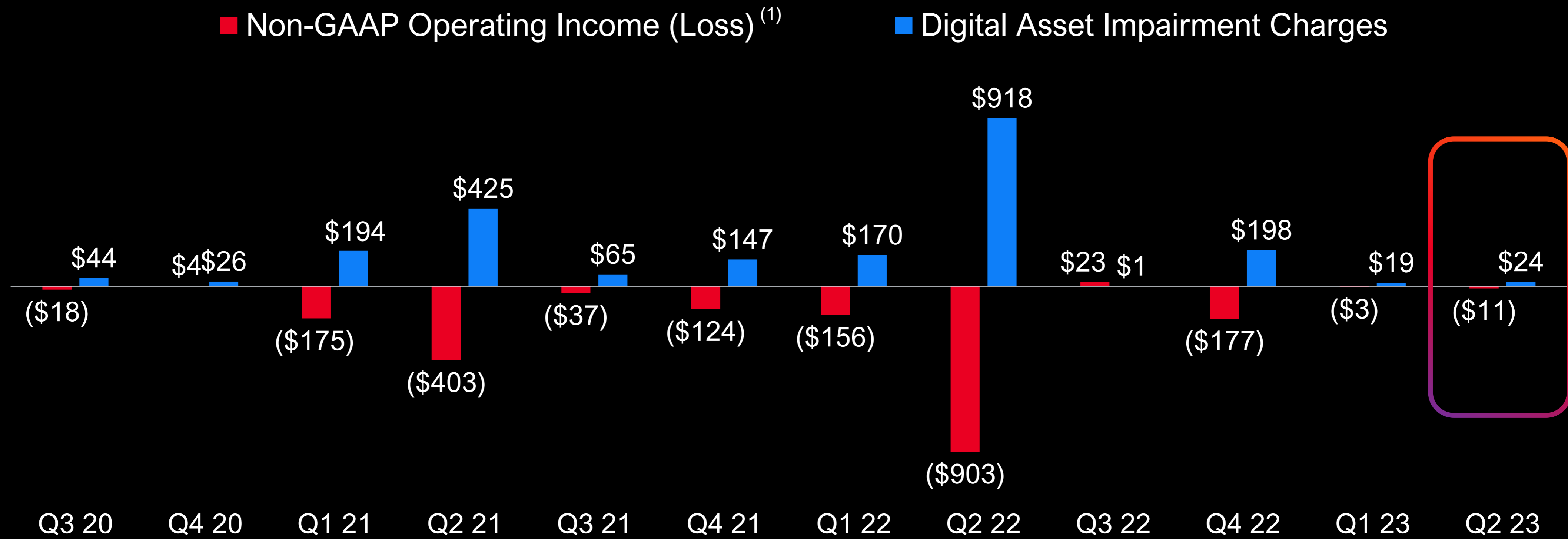


# Non-GAAP Operating Income (Loss)

Q2 2023

(\$ in Millions)

- Non-GAAP operating loss was \$11 million
- Non-cash digital asset impairment charge was \$24 million

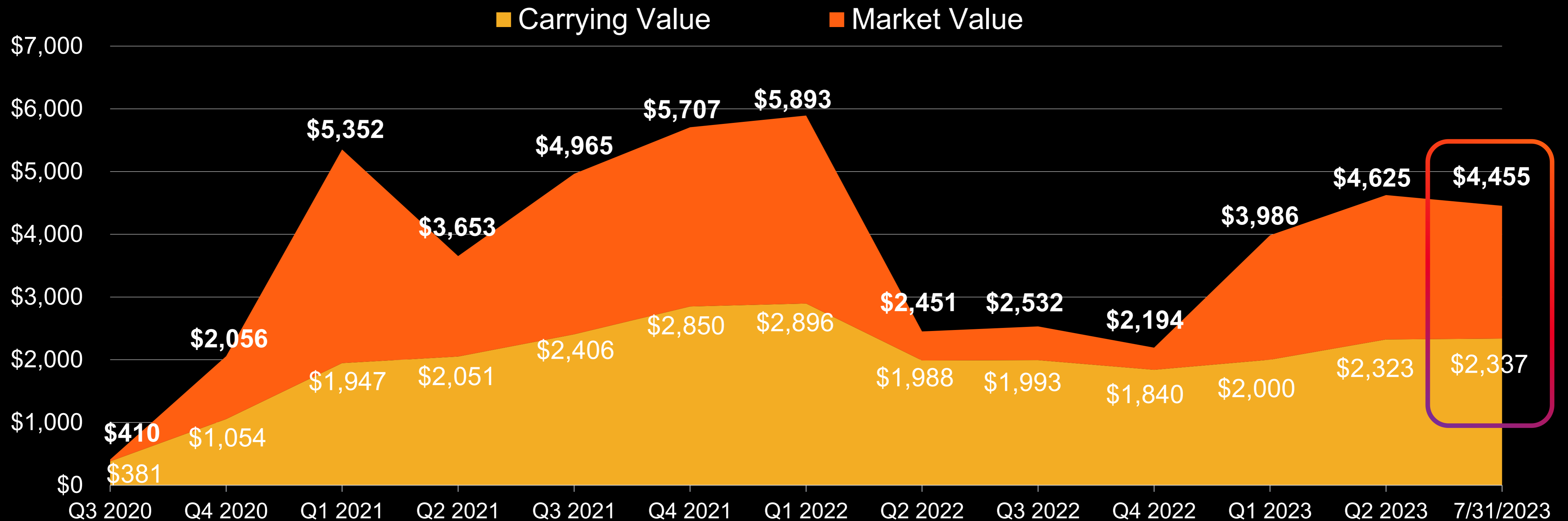


(1) Please refer to the Appendix for GAAP Income (loss) from Operations, and a reconciliation of non-GAAP Operating Income (Loss). Q4 2022 digital impairment charges are shown net of gains on sale.



# Bitcoin Holdings Carrying Value vs. Market Value

(\$ in Millions)



- Aggregate cost of ~\$4.5 billion and carrying value of ~\$2.3 billion, reflecting ~\$2.2 billion in cumulative impairment charges
- In March 2023, the FASB issued an exposure draft for comment that would cause in-scope digital assets, such as bitcoin, to be measured at fair value; In May 2023, MSTR submitted a response letter to the exposure draft

Note: Calculations are based on prices as of 4pm Eastern Time on the last day of the respective quarter or date noted.



# Strong Capital Structure

- Issued \$335M under the at-the-market (“ATM”) equity offering program in Q2; terminated the remaining ~\$290M capacity
- Initiated a new \$750M ATM program; no shares issued under the new program to-date
- Weighted average annual fixed interest rate 1.6%, approximately \$36M annualized fixed interest expense

	Principal Instruments	Maturity	Amount at Issuance (\$M)	Annual Interest Rate (%)	Annualized Interest Expense (\$M)
Debt	Senior Secured Notes	Jun 2028 <sup>(1)</sup>	\$500	6.125%	\$30.6
Converts	Convertible Senior Notes	Dec 2025	\$650	0.75%	\$4.9
		Feb 2027	\$1,050	0.00%	\$0.0
	<b>Subtotal<sup>(2)</sup>:</b>		<b>\$2,200</b>	<b>1.61%</b>	<b>\$35.5</b>
Equity	Equity Issuances <sup>(3)</sup>	NA	\$1,723	NA	NA
	<b>Total:</b>		<b>\$3,923</b>		

(1) Please refer to the Q2 2023 10-Q for the springing maturity provisions that may accelerate the maturity date of the senior secured notes.

(2) Excludes \$11M principal amount and interest payable on our other long-term secured debt. Please refer to the Q2 2023 10-Q for further detail.

(3) Represents issuances of Class A Common Stock under shelf registration statement in 2021, 2022, and 2023.



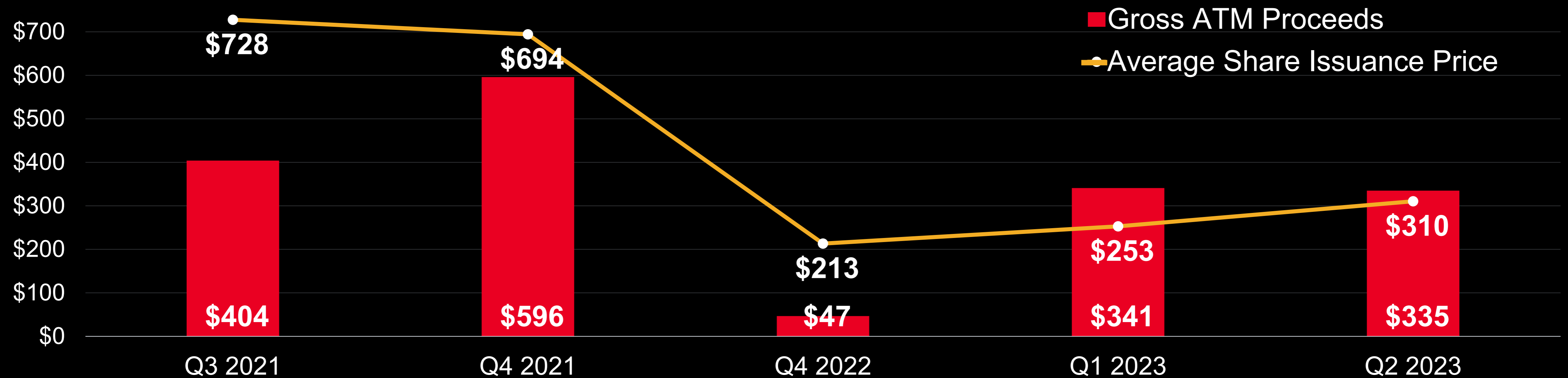


# ATM Activity

Q3 2021 to Q2 2023

- Issued equity for cumulative gross proceeds of \$1,723M at an average issuance price of approximately \$424 per share to date
- Primary use of ATM proceeds has been to acquire bitcoin in all quarters of equity issuance as well as to repay debt in Q1 2023

(Gross Proceeds \$ in Millions)



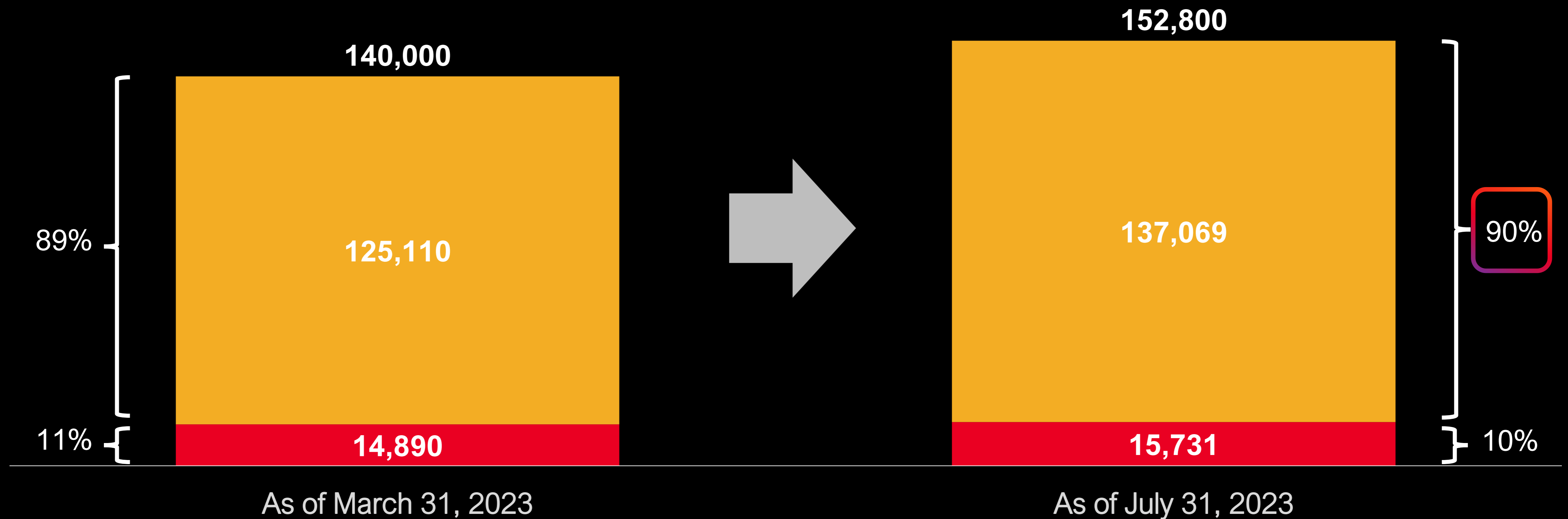
## Approximate Average Purchase Price Per Bitcoin in Respective Quarter

Quarter	Q3 2021	Q4 2021	Q4 2022	Q1 2023	Q2 2023
Price (\$)	\$46,876	\$57,113	\$17,616	\$23,903	\$28,136



# Current Bitcoin Holdings

- 90% of our total bitcoin holdings are unencumbered as of July 31, 2023



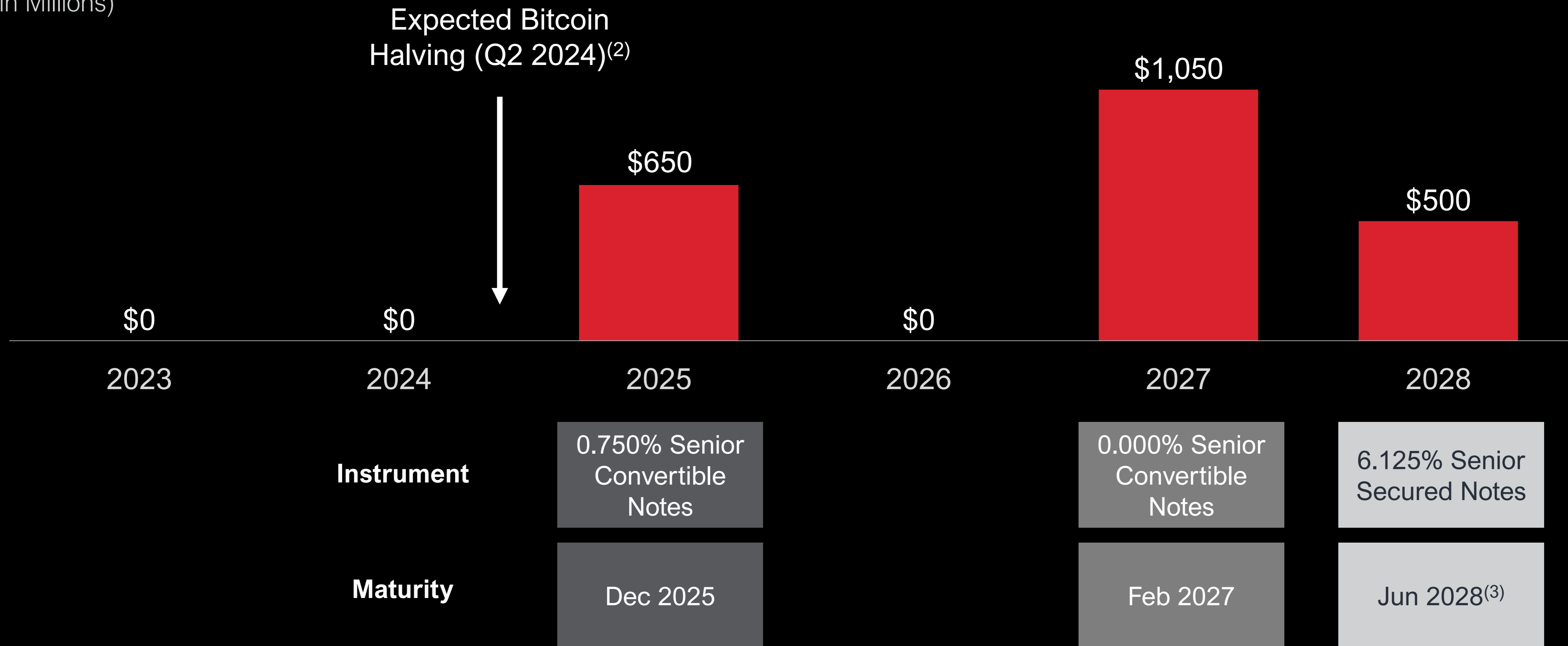
■ MicroStrategy: Collateralized

■ MacroStrategy: Unencumbered



# Balance Sheet – Principal Debt Maturities<sup>(1)</sup>

(\$ in Millions)



(1) Excludes \$11M principal amount of other long-term secured debt. Please refer to the Q2 2023 10-Q for further detail.

(2) Bitcoin "halving", which is expected to next occur in mid-2024, refers to the decrease in the block reward from 6.25 to 3.125 bitcoins per block, resulting in fewer bitcoins generated per block.

(3) Please refer to the Q2 2023 10-Q for the springing maturity provisions that may accelerate the maturity date of the senior secured notes.



# 2023 Focus

**Positive  
Growth and  
Preserving  
Margins**

**Innovation in  
Native Cloud  
and AI**

**Acceleration  
in Cloud and  
Subscription  
Billings**

**Acquire and  
Hold Bitcoin**



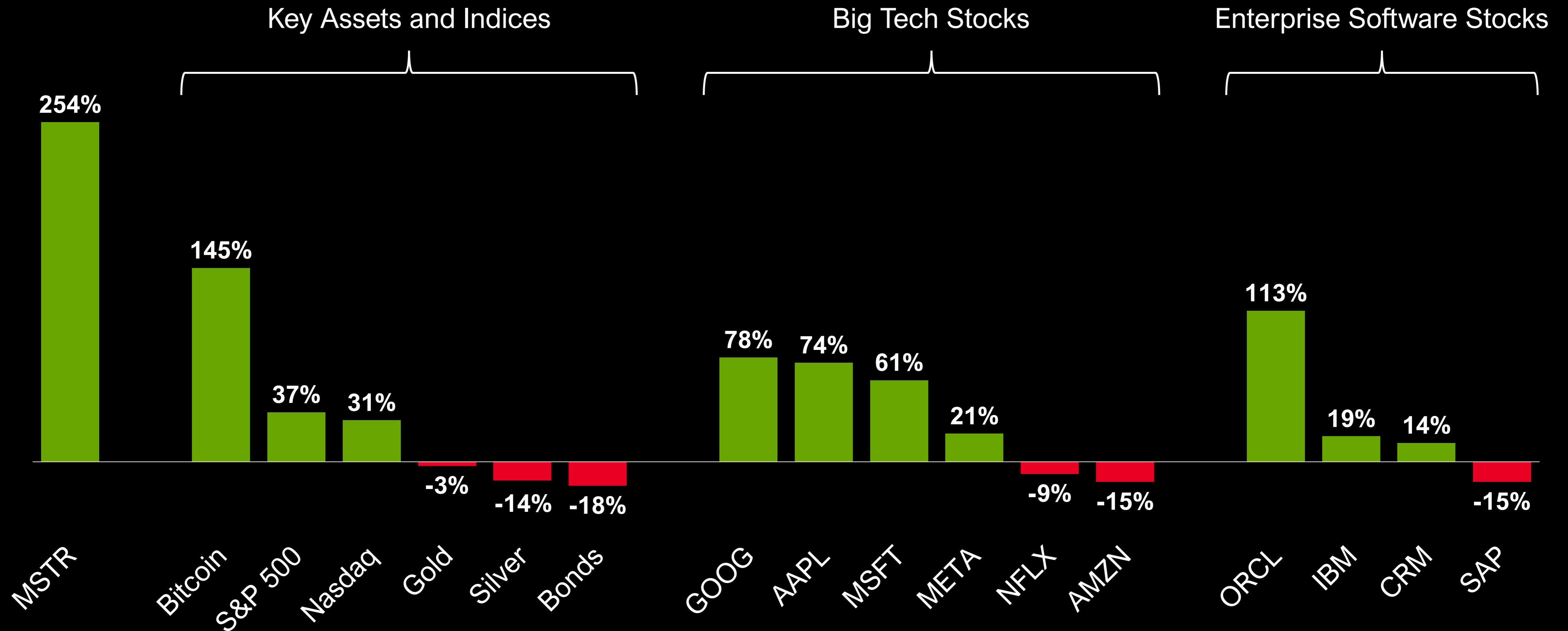




# Strategy & Bitcoin

Michael Saylor, Executive Chairman

# MicroStrategy Outperformance Since Adoption of Bitcoin Strategy



Stock performance since August 10, 2020, when MicroStrategy adopted its bitcoin strategy.

Source: FactSet as of 4pm Eastern Time on July 31, 2023.



# MicroStrategy Advantage

Unique value proposition versus other bitcoin investment vehicles

	<i>“Regulation for institutions”</i>	<i>“Non-bitcoin business value”</i>	<i>“Borrow competitively”</i>	<i>“Incremental bitcoin”</i>	<i>“Risk management”</i>	<i>“Performance”</i>
	Ease of Access	Downside Protection	Intelligent Leverage	Generate Yield	Healthy Derivatives	Tracking Bitcoin Price
MicroStrategy	✓	✓	✓	✓	✓	✓
Bitcoin	✗	✗	✗	✗	✗	✓
Futures ETF	✓	✗	✗	✗	⌋	✗
Spot ETF	<i>Not Available</i>	✗	✗	✗	⌋	✓
GBTC	<i>OTC Only</i>	✗	✗	✗	✗	⌋
Bitcoin Miners	✓	✗ *	✗	⌋	⌋	✓ *

Note: Based on the Company’s own view of the relative positioning of the various categories shown.

\* Highly levered.

⌋ Partially meets criteria.





# Appendix



# Non-GAAP Reconciliations (\$ in Millions)

Q2 2023

## Reconciliation of GAAP to non-GAAP income (loss) from operations

	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23	Q2 23
Revenues	\$128.0	\$134.5	\$119.3	\$122.1	\$125.4	\$132.6	\$121.9	\$120.4
Cost of Revenues	\$22.3	\$24.0	\$25.7	\$25.2	\$25.4	\$26.7	\$27.9	\$27.1
Operating Expenses	\$155.3	\$248.0	\$263.6	\$1,015.0	\$93.9	\$299.5	\$114.3	\$120.0
<b>GAAP Income (Loss) from Operations</b>	<b>\$(49.7)</b>	<b>\$(137.5)</b>	<b>\$(170.0)</b>	<b>\$(918.1)</b>	<b>\$6.1</b>	<b>\$(193.7)</b>	<b>\$(20.3)</b>	<b>\$(26.7)</b>
<b>GAAP Operating Margin %</b>	<b>-39%</b>	<b>-102%</b>	<b>-142%</b>	<b>-752%</b>	<b>5%</b>	<b>-146%</b>	<b>-17%</b>	<b>-22%</b>
Share-Based Compensation	\$12.2	\$13.2	\$14.4	\$15.3	\$16.9	\$17.0	\$17.6	\$15.5
<b>Non-GAAP Income (Loss) from Operations</b>	<b>(\$37.5)</b>	<b>(\$124.3)</b>	<b>(\$155.6)</b>	<b>(\$902.8)</b>	<b>\$23.0</b>	<b>(\$176.7)</b>	<b>(\$2.8)</b>	<b>(\$11.2)</b>
<b>Non-GAAP Operating Margin %</b>	<b>-29%</b>	<b>-92%</b>	<b>-130%</b>	<b>-740%</b>	<b>18%</b>	<b>-133%</b>	<b>-2%</b>	<b>-9%</b>
Digital Asset Impairment Losses, Net of Gains on Sale	\$65.2	\$146.6	\$170.1	\$917.8	\$0.7	\$197.6	\$18.9	\$24.1





# Non-GAAP Reconciliations (\$ in Millions)

Q2 2023

## Reconciliation of total software licenses revenues to current software licenses billings

	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23	Q2 23
Current Deferred Product Licenses Revenues	\$2.3	\$1.0	\$1.1	\$0.8	\$0.4	\$2.8	\$0.5	\$1.0
Current Deferred Subscription Services Revenues	\$23.1	\$35.6	\$34.2	\$40.3	\$38.3	\$51.9	\$46.7	\$49.9
<b>Current Deferred Software Licenses Revenues</b>	<b>\$25.4</b>	<b>\$36.6</b>	<b>\$35.3</b>	<b>\$41.0</b>	<b>\$38.7</b>	<b>\$54.7</b>	<b>\$47.2</b>	<b>\$50.9</b>
Product Licenses Revenues	\$25.8	\$32.5	\$16.5	\$20.1	\$22.3	\$27.6	\$17.4	\$15.5
Subscription Services Revenues	\$10.9	\$11.8	\$12.8	\$14.0	\$16.4	\$17.5	\$18.8	\$19.9
<b>Total Software Licenses Revenues<sup>(1)</sup></b>	<b>\$36.7</b>	<b>\$44.4</b>	<b>\$29.4</b>	<b>\$34.1</b>	<b>\$38.7</b>	<b>\$45.0</b>	<b>\$36.2</b>	<b>\$35.4</b>
Change in Current Deferred Software Licenses Revenues	\$(1.1)	\$11.2	\$(1.3)	\$5.8	\$(2.3)	\$16.0	\$(7.5)	\$3.7
<b>Non-GAAP Current Software Licenses Billings</b>	<b>\$35.6</b>	<b>\$55.6</b>	<b>\$28.1</b>	<b>\$39.9</b>	<b>\$36.4</b>	<b>\$61.0</b>	<b>\$28.7</b>	<b>\$39.1</b>

## Reconciliation of subscription services revenues to non-GAAP current subscription billings

	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23	Q2 23
<b>Current Deferred Subscription Services Revenues</b>	<b>\$23.1</b>	<b>\$35.6</b>	<b>\$34.2</b>	<b>\$40.3</b>	<b>\$38.3</b>	<b>\$51.9</b>	<b>\$46.7</b>	<b>\$49.9</b>
Subscription Services Revenues	\$10.9	\$11.8	\$12.8	\$14.0	\$16.4	\$17.5	\$18.8	\$19.9
Change in Current Deferred Subscription Services Revenues	\$(2.8)	\$12.5	\$(1.4)	\$6.1	\$(2.0)	\$13.6	\$(5.1)	\$3.2
<b>Non-GAAP Annual Subscription Billings</b>	<b>\$8.0</b>	<b>\$24.3</b>	<b>\$11.4</b>	<b>\$20.1</b>	<b>\$14.4</b>	<b>\$31.1</b>	<b>\$13.7</b>	<b>\$23.1</b>

(1) Total Software Licenses Revenues is the "Total Product Licenses and Subscription Services Revenues" in our consolidated statements of operations.





# Non-GAAP Reconciliations (\$ in Millions)

Q2 2023

## Reconciliation of non-GAAP operating expenses

	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23	Q2 23
<b>GAAP Operating Expenses</b>	<b>\$155.3</b>	<b>\$248.0</b>	<b>\$263.6</b>	<b>\$1,015.0</b>	<b>\$93.9</b>	<b>\$299.5</b>	<b>\$114.3</b>	<b>\$120.0</b>
Share-Based Compensation <sup>(1)</sup>	\$11.5	\$12.2	\$13.4	\$14.2	\$15.8	\$15.9	\$16.5	\$14.4
<b>Non-GAAP Operating Expenses</b>	<b>\$143.9</b>	<b>\$235.7</b>	<b>\$250.2</b>	<b>\$1,000.7</b>	<b>\$78.1</b>	<b>\$283.6</b>	<b>\$97.8</b>	<b>\$105.6</b>
Digital Asset Impairment Losses, Net of Gains on Sale	\$65.2	\$146.6	\$170.1	\$917.8	\$0.7	\$197.6	\$18.9	\$24.1

## Reconciliation of total non-GAAP expenses

	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23	Q2 23
Cost of Revenues	\$22.3	\$24.0	\$25.7	\$25.2	\$25.4	\$26.7	\$27.9	\$27.1
Operating Expenses	\$155.3	\$248.0	\$263.6	\$1,015.0	\$93.9	\$299.5	\$114.3	\$120.0
<b>Total GAAP Expenses</b>	<b>\$177.7</b>	<b>\$272.0</b>	<b>\$289.2</b>	<b>\$1,040.2</b>	<b>\$119.3</b>	<b>\$326.3</b>	<b>\$142.2</b>	<b>\$147.1</b>
Share-Based Compensation	\$12.2	\$13.2	\$14.4	\$15.3	\$16.9	\$17.0	\$17.6	\$15.5
<b>Total Non-GAAP Expenses</b>	<b>\$165.5</b>	<b>\$258.8</b>	<b>\$274.8</b>	<b>\$1,024.9</b>	<b>\$102.4</b>	<b>\$309.2</b>	<b>\$124.7</b>	<b>\$131.6</b>
Digital Asset Impairment Losses, Net of Gains on Sale	\$65.2	\$146.6	\$170.1	\$917.8	\$0.7	\$197.6	\$18.9	\$24.1

(1) Share-Based Compensation shown reflects the amounts recorded to Sales & Marketing, Research & Development, and General & Administrative only.





# Non-GAAP Reconciliations (\$ in Millions)

Q2 2023

## Reconciliation of total non-GAAP expenses

	Q2 22	Q2 23
<b>GAAP Expenses</b>		
Cost of Revenues	\$25.2	\$27.1
Sales & Marketing	\$36.9	\$37.7
Research & Development	\$31.8	\$29.4
General & Administrative	\$28.5	\$28.8
Digital Asset Impairment Losses, Net of Gains on Sale	\$917.8	\$24.1
<b>Total GAAP Expenses</b>	<b>\$1,040.2</b>	<b>\$147.1</b>
<b>Share-Based Compensation</b>		
Cost of Revenues	\$1.0	\$1.1
Sales & Marketing	\$4.4	\$4.2
Research & Development	\$3.1	\$2.2
General & Administrative	\$6.7	\$8.0
<b>Total Share-Based Compensation</b>	<b>\$15.3</b>	<b>\$15.5</b>
<b>Non-GAAP Expenses</b>		
Cost of Revenues	\$24.2	\$26.0
Sales & Marketing	\$32.4	\$33.4
Research & Development	\$28.7	\$27.1
General & Administrative	\$21.8	\$20.8
Digital Asset Impairment Losses, Net of Gains on Sale	\$917.8	\$24.1
<b>Total Non-GAAP Expenses</b>	<b>\$1,024.9</b>	<b>\$131.6</b>

