

## PART I - FINANCIAL INFORMATION

### Item 1. Financial Statements

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

	March 31, 2021 (unaudited)	December 31, 2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 82,544	\$ 59,675
Restricted cash	1,194	1,084
Accounts receivable, net	150,626	197,461
Prepaid expenses and other current assets	16,390	14,400
Total current assets	250,754	272,620
Digital assets	1,946,582	1,054,302
Property and equipment, net	41,091	42,975
Right-of-use assets	71,367	73,597
Deposits and other assets	15,013	15,615
Deferred tax assets, net	118,272	6,503
<b>Total assets</b>	<b>\$ 2,443,079</b>	<b>\$ 1,465,612</b>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable, accrued expenses, and operating lease liabilities	\$ 39,816	\$ 45,119
Accrued compensation and employee benefits	44,824	49,249
Deferred revenue and advance payments	198,980	191,250
Total current liabilities	283,620	285,618
Convertible senior notes, net	1,661,914	486,366
Deferred revenue and advance payments	14,517	14,662
Operating lease liabilities	81,849	84,328
Other long-term liabilities	34,329	33,382
Deferred tax liabilities	1,812	8,211
<b>Total liabilities</b>	<b>2,078,041</b>	<b>912,567</b>
<b>Commitments and Contingencies</b>		
<b>Stockholders' Equity</b>		
Preferred stock undesignated, \$0.001 par value; 5,000 shares authorized; no shares issued or outstanding	0	0
Class A common stock, \$0.001 par value; 330,000 shares authorized; 16,466 shares issued and 7,782 shares outstanding, and 16,307 shares issued and 7,623 shares outstanding, respectively	16	16
Class B convertible common stock, \$0.001 par value; 165,000 shares authorized; 1,964 shares issued and outstanding, and 1,964 shares issued and outstanding, respectively	2	2
Additional paid-in capital	685,943	763,051
Treasury stock, at cost; 8,684 shares and 8,684 shares, respectively	(782,104)	(782,104)
Accumulated other comprehensive loss	(5,721)	(3,885)
Retained earnings	466,902	575,965
<b>Total stockholders' equity</b>	<b>365,038</b>	<b>553,045</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 2,443,079</b>	<b>\$ 1,465,612</b>

The accompanying notes are an integral part of these Consolidated Financial Statements.

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

	Three Months Ended March 31,	
	2021 (unaudited)	2020 (unaudited)
<b>Revenues:</b>		
Product licenses	\$ 21,280	\$ 12,584
Subscription services	10,026	7,968
Total product licenses and subscription services	31,306	20,552
Product support	70,649	71,158
Other services	20,947	19,714
<b>Total revenues</b>	<b>122,902</b>	<b>111,424</b>
<b>Cost of revenues:</b>		
Product licenses	488	670
Subscription services	3,628	4,064
Total product licenses and subscription services	4,116	4,734
Product support	4,812	6,718
Other services	13,621	13,093
<b>Total cost of revenues</b>	<b>22,549</b>	<b>24,545</b>
<b>Gross profit</b>	<b>100,353</b>	<b>86,879</b>
<b>Operating expenses:</b>		
Sales and marketing	38,198	39,518
Research and development	29,483	26,101
General and administrative	21,729	21,332
Digital asset impairment losses	194,095	0
<b>Total operating expenses</b>	<b>283,505</b>	<b>86,951</b>
<b>Loss from operations</b>	<b>(183,152)</b>	<b>(72)</b>
Interest (expense) income, net	(2,396)	1,855
Other income, net	1,264	434
<b>(Loss) income before income taxes</b>	<b>(184,284)</b>	<b>2,217</b>
(Benefit from) provision for income taxes	(74,264)	1,560
<b>Net (loss) income</b>	<b>\$ (110,020)</b>	<b>\$ 657</b>
<b>Basic (loss) earnings per share (1)</b>	<b>\$ (11.40)</b>	<b>\$ 0.07</b>
Weighted average shares outstanding used in computing basic (loss) earnings per share	9,647	9,976
<b>Diluted (loss) earnings per share (1)</b>	<b>\$ (11.40)</b>	<b>\$ 0.07</b>
Weighted average shares outstanding used in computing diluted (loss) earnings per share	9,647	10,031

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

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

	Three Months Ended March 31,	
	2021 (unaudited)	2020 (unaudited)
<b>Operating activities:</b>		
Net (loss) income	\$ (110,020)	\$ 657
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	2,782	2,756
Reduction in carrying amount of right-of-use assets	2,086	2,053
Credit losses and sales allowances	(172)	828
Deferred taxes	(76,759)	957
Share-based compensation expense	7,711	3,111
Digital asset impairment losses	194,095	0
Amortization of issuance costs on convertible senior notes	1,172	0
Changes in operating assets and liabilities:		
Accounts receivable	6,774	14,406
Prepaid expenses and other current assets	(2,919)	(3,295)
Deposits and other assets	(62)	84
Accounts payable and accrued expenses	(3,413)	(154)
Accrued compensation and employee benefits	(3,810)	(13,031)
Deferred revenue and advance payments	47,606	22,001
Operating lease liabilities	(2,458)	(2,238)
Other long-term liabilities	90	934
Net cash provided by operating activities	62,703	29,069
<b>Investing activities:</b>		
Purchases of digital assets	(1,086,375)	0
Proceeds from redemption of short-term investments	0	10,000
Purchases of property and equipment	(447)	(661)
Purchases of short-term investments	0	(9,928)
Net cash used in investing activities	(1,086,822)	(589)
<b>Financing activities:</b>		
Proceeds from convertible senior notes	1,050,000	0
Issuance costs paid for convertible senior notes	(24,596)	0
Proceeds from sale of class A common stock under exercise of employee stock options	23,854	340
Purchases of treasury stock	0	(50,747)
Net cash provided by (used in) financing activities	1,049,258	(50,407)
<b>Effect of foreign exchange rate changes on cash, cash equivalents, and restricted cash</b>	(2,160)	(3,871)
<b>Net increase (decrease) in cash, cash equivalents, and restricted cash</b>	22,979	(25,798)
<b>Cash, cash equivalents, and restricted cash, beginning of period</b>	60,759	457,816
<b>Cash, cash equivalents, and restricted cash, end of period</b>	<u>\$ 83,738</u>	<u>\$ 432,018</u>

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