

VALUATION SCORECARD

MicroStrategy Inc

67 18 48
73 13 78
83 60 77
81 16 66

NASD: MSTR

PREPACKAGED SOFTWARE

Technology

MARKET VALUE (\$BIL) \$11.95
SHARES OUTS (MIL): 15.00
AVG DAILY VOL (000): 1,411

YIELD: 0.0%
P/E: 90.0X
BETA: 2.62X

02/26/24
Price:
\$796.48

Over the next 6 years, MicroStrategy shares will need to reach \$1336 to achieve average annual stock market performance of 9.0%. To achieve Upper quartile performance, MicroStrategy's stock price will need to reach \$1572 by 2029. At the current price of \$796, what are market expectations regarding MicroStrategy's future operating performance?

DETAILS

- Price Target Research identifies MicroStrategy as having: high expected growth, high financial strength, high profitability, and low stability.
- Very high valuation, leading shareholder returns.
- MicroStrategy's past growth is modestly above average.
- Return on Equity is group leading. Asset Turnover, Pretax Margin, and Pretax ROA are group lagging.
- MicroStrategy's risk profile is neutral.



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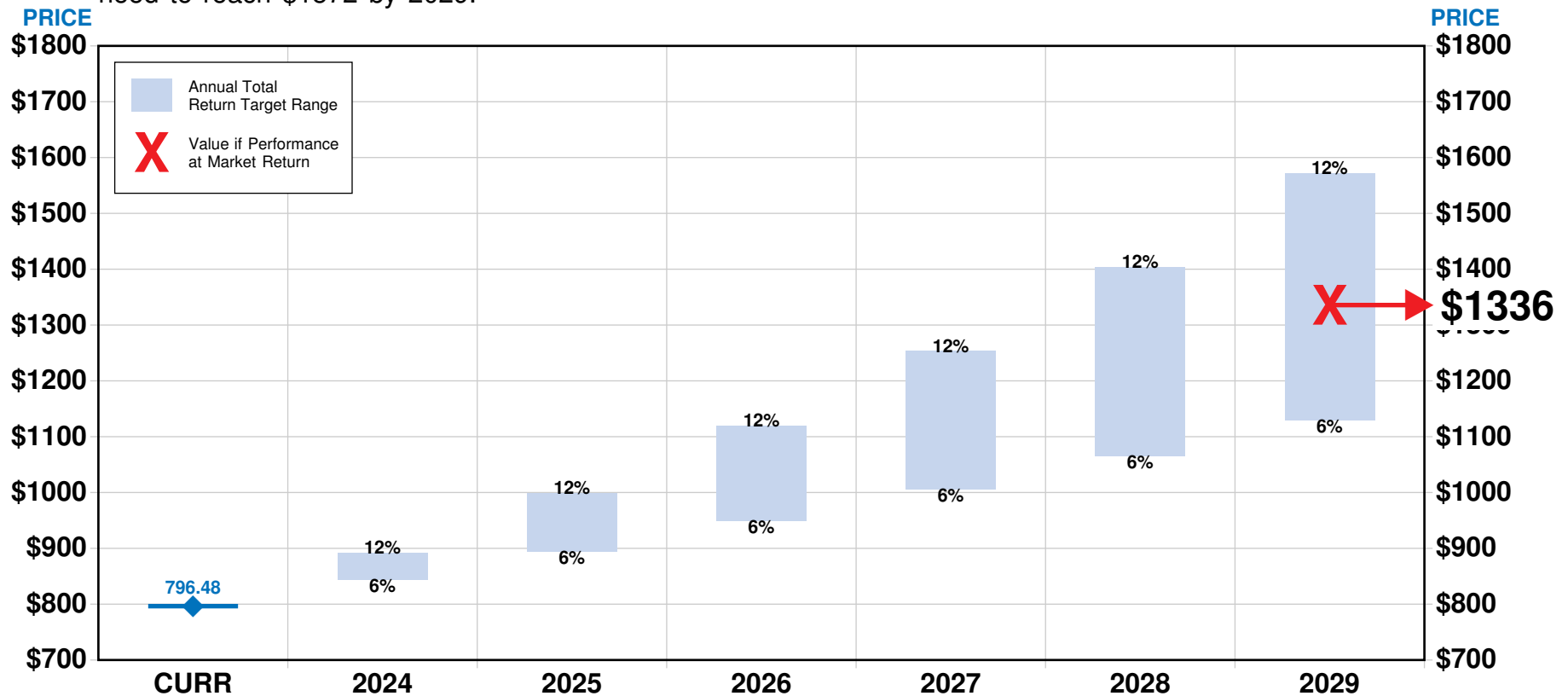
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The Value Challenge

How Does MicroStrategy Get to \$1336 by 2029?

At the current price of \$796, what is the market's view of MicroStrategy's future operating performance? To achieve average annual stock market performance of 9.0% over the next 6 years, MicroStrategy shares will need to reach \$1336. To achieve Upper quartile performance, MicroStrategy's stock price will need to reach \$1572 by 2029.



Diamonds represent MicroStrategy warranted value based on scenario assumptions and PTR proprietary analysis. Shaded bands represent year-end stock price necessary to achieve target returns.

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Executive Summary

- **Price Target Research identifies MicroStrategy as having:** high expected growth, high financial strength, high profitability, and low stability.
- **Very high valuation, leading shareholder returns.** Current valuation levels are very high relative to the MicroStrategy Peer Group. Recent market returns have significantly outperformed the MicroStrategy Peer Group. Future shareholder returns expected to significantly lag the overall equity market. Based on current investor expectations, MicroStrategy shares should reach a level of \$631 by 2029 — an annual total shareholder return of –3.8%. A 2029 stock price of \$1336 would reflect median performance and a price of \$1572 would be required to reach upper quartile performance.
- **MicroStrategy's past growth is modestly above average.** Historical growth has been high relative to the MicroStrategy Peer Group and forecasted growth is relatively very high. Asset Growth, and Equity Growth have been superior. Revenue Growth, and EPS Growth have lagged. MicroStrategy's historical income statement growth has been lower than balance sheet growth. Revenue growth has fallen short of asset growth; earnings growth has fallen short of equity growth driving erosion in return on equity.
- **Asset Turnover, Pretax Margin, and Pretax ROA are group lagging.** The company has very low cash and will have to work to generate attractive investments and improve valuation.
- **MicroStrategy's risk profile is neutral.** Overall variability has been only average with only average revenue variability, very high E.P.S. variability, and very high stock price volatility. Financial Strength is relatively very high and earnings' expectations are below average. The debt/capital ratio has declined.

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Valuation Scorecard

WEALTH CREATION



Favorable

- **Historical performance.** Very strong 5–year total returns relative to MicroStrategy Peer Group. One year returns very strong. Valuation is very high relative to group. Annual growth in warranted value has been very strong.
- **Market expectations.** Looking forward, total shareholder returns expected to significantly lag the overall equity market. Based on current investor expectations, MicroStrategy shares should reach a level of \$631 by 2029 — an annual total shareholder return of –3.8%.

GROWTH



Mixed

- **Historical performance.** Asset Growth, and Equity Growth have been superior. Revenue Growth, and EPS Growth have lagged.
- **Market expectations.** Historical growth has been high relative to the MicroStrategy Peer Group and forecasted growth is relatively very high.
- **Valuation key.** The company has very low cash and will have to work to generate attractive investments and improve valuation.

PROFITABILITY



Mixed

- **Historical performance.** Return on Equity is group leading. Asset Turnover, Pretax Margin, and Pretax ROA are group lagging.
- **Market expectations.** The company has maintained ROE levels along with a very significant increase in shares outstanding. Investors will have to deal with these trends.
- **Valuation key.** Given MicroStrategy's very low cash it will have to work to finance attractive investment opportunities that will raise profitability.

RISK



Mixed

- **Historical performance.** Financial Strength is relatively very high. Debt/capital ratio has declined. Overall variability has been only average.
- **Market expectations.** Overall variability average. Earnings' expectations are below average.
- **Valuation key.** MicroStrategy's neutral risk profile has little impact on MicroStrategy's valuation.

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MicroStrategy Peer Group (14 Companies)

1/1

- Alstom
- American Vanguard Corp
- BBX Capital Corp
- Ceva Inc
- DaVita Inc
- Graham Holdings Co
- Imax Corp
- Knight–Swift Transportation Hold
- Luminex Corp
- Mercury Systems Inc
- MicroStrategy Inc
- Pampa Energia SA
- Seven Generations Energy Ltd
- Trican Well Service Ltd

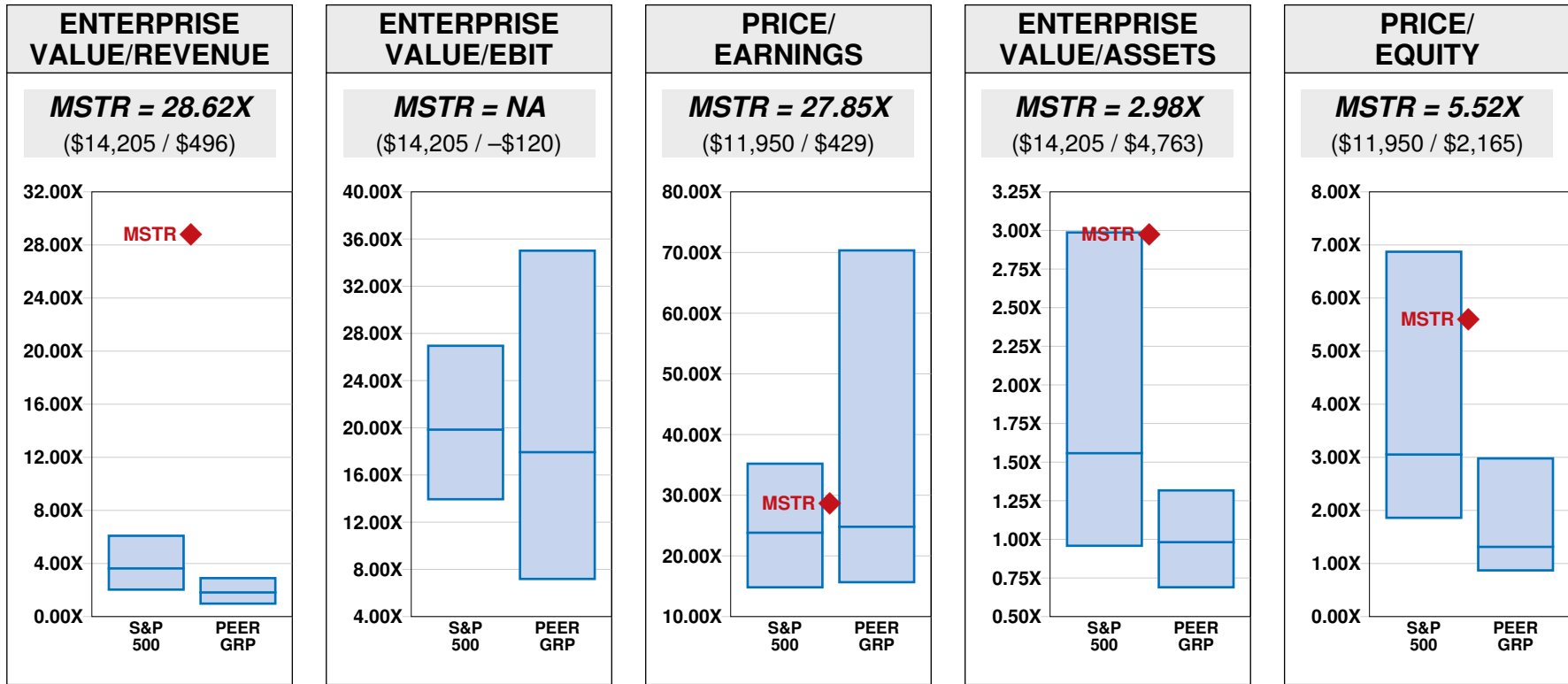
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Summary – Current Valuation

- **Relative to S&P 500 Composite, MSTR’s overall valuation is high.**
 - Ratio of enterprise value/revenue is upper quartile. Ratio of enterprise value/assets is at the upper quartile. Price/equity ratio is above median. Price/earnings ratio is above median. Ratio of enterprise value/earnings before interest and taxes is unavailable.
- **Relative to MicroStrategy Peer Group, MSTR’s overall valuation is quite high.**
 - Ratio of enterprise value/revenue is upper quartile. Price/equity ratio is upper quartile. Ratio of enterprise value/assets is upper quartile. Price/earnings ratio is slightly above median. Ratio of enterprise value/earnings before interest and taxes is unavailable.

Valuation Relative to Key Groups

MicroStrategy's valuation relative to S&P 500 Composite is in line with its valuation relative to MicroStrategy Peer Group. Relative to MicroStrategy Peer Group, MSTR's overall valuation is quite high. Ratio of enterprise value/revenue is upper quartile. Price/equity ratio is upper quartile. Ratio of enterprise value/assets is upper quartile. Price/earnings ratio is slightly above median. Ratio of enterprise value/earnings before interest and taxes is unavailable.



Individual valuation measures for each group are percentiled and compared to MicroStrategy values. High end of bar represents group upper quartile value. Lower end represents lower quartile value. Middle line represents group median. MicroStrategy value is represented by diamond.

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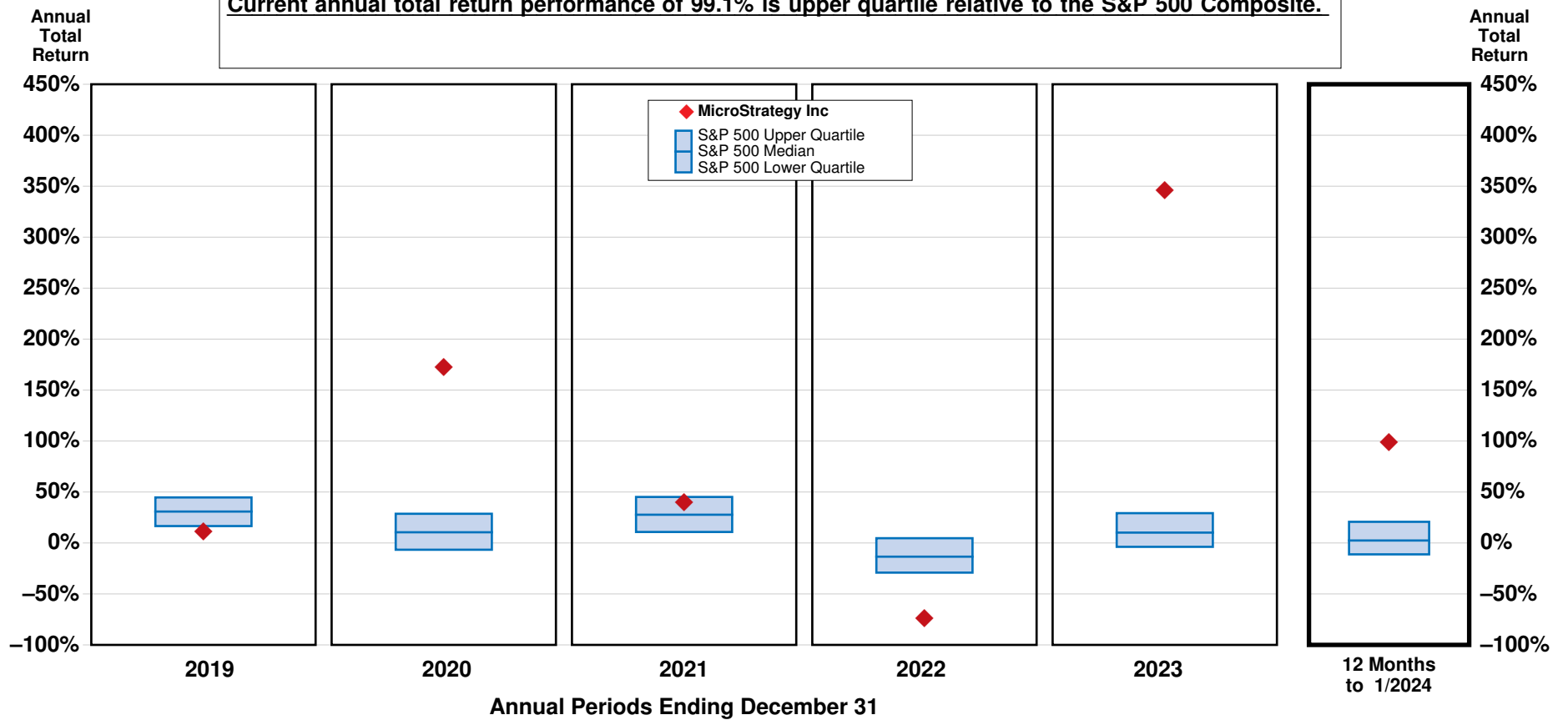
Investment Performance vs. S&P 500

- MicroStrategy's annual total return performance of 99.1% for the year ending January, 2024 is upper quartile.
- Over the last 5 years, MicroStrategy's annual total return performance has been superior. By quartile, annual total returns have been:
 - upper quartile for 2 of the last 3 years.
 - upper quartile for 3 of the last 5 years.
 - upper quartile for 3 of the last 6 annual periods.
- MicroStrategy's current 5-year total return performance of 31.6% through January, 2024 is upper quartile.
- Over the last 5 years, MicroStrategy's 5-year total return performance has been superior. 5-year total returns by quartile have been:
 - top quartile for 2 of the last 3 5-year periods.
 - top quartile for 4 of the last 5 5-year periods.
 - top quartile for 4 of the last 6 5-year periods.

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Annual Total Returns vs. S&P 500 Composite

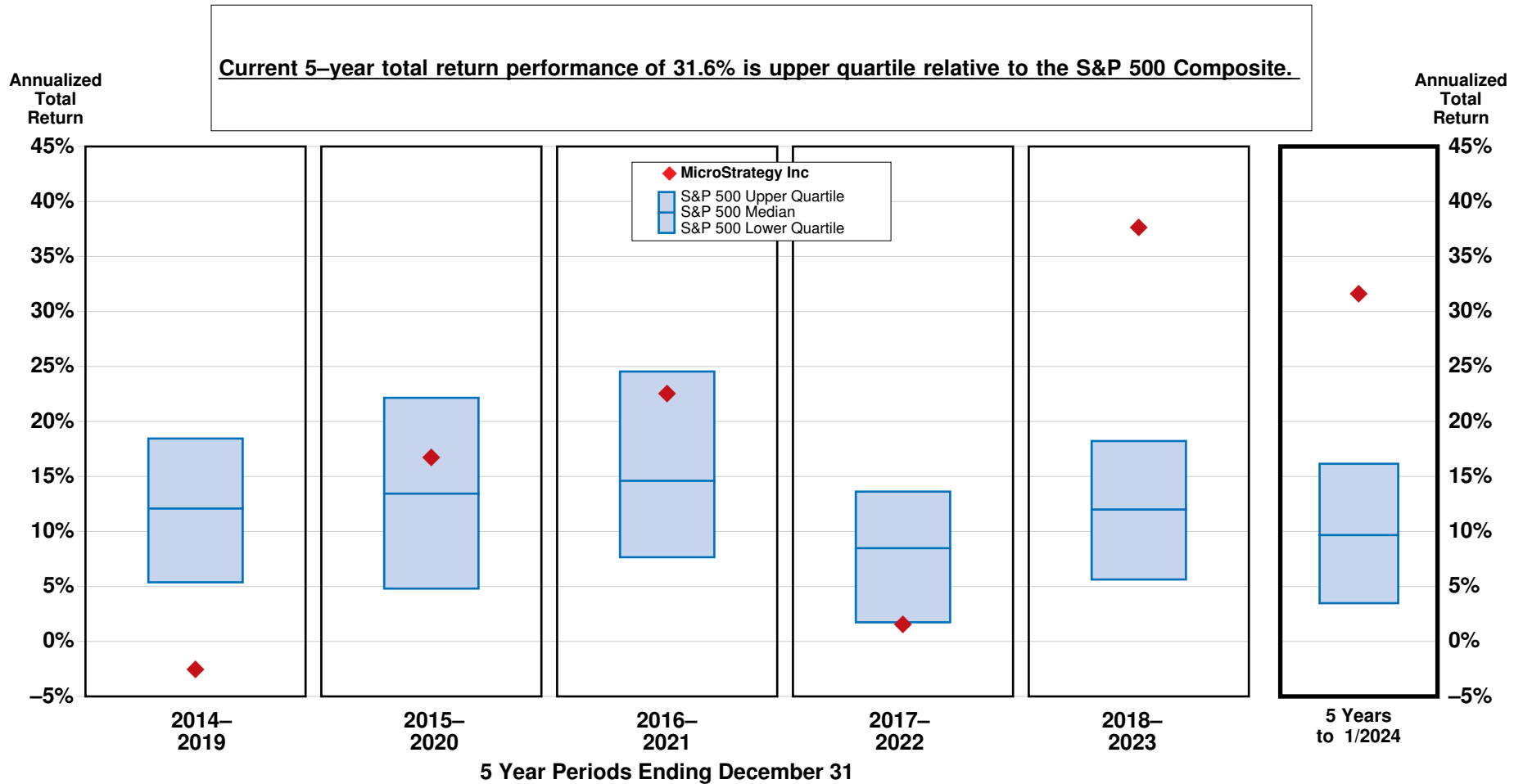
Current annual total return performance of 99.1% is upper quartile relative to the S&P 500 Composite.



Total returns are annualized and include price appreciation and common dividends accumulated during each period. MicroStrategy returns represented by diamond; S&P 500 Composite upper quartile by upper end of bar; lower quartile by lower end; median returns by the line.

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5 Year Annualized Total Returns vs. S&P 500 Composite



Total returns are annualized and include price appreciation and common dividends accumulated during each period. MicroStrategy returns represented by diamond; S&P 500 Composite upper quartile by upper end of bar; lower quartile by lower end; median returns by the line.

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Summary – Growth Profile

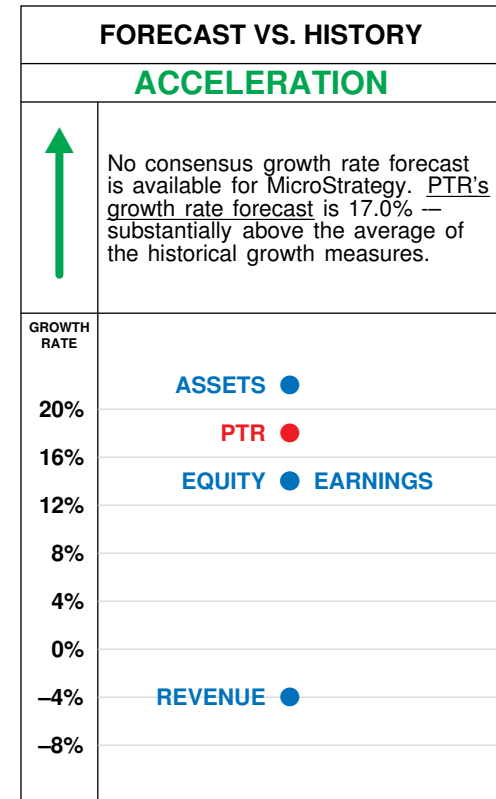
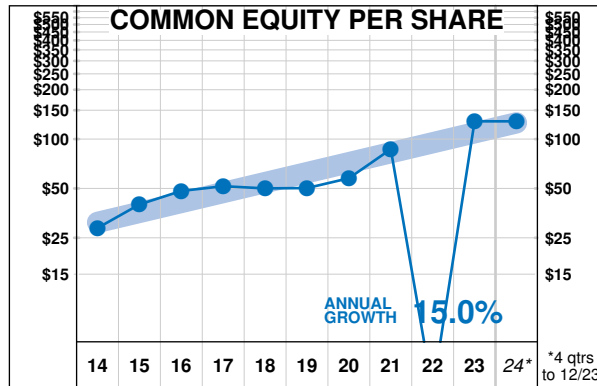
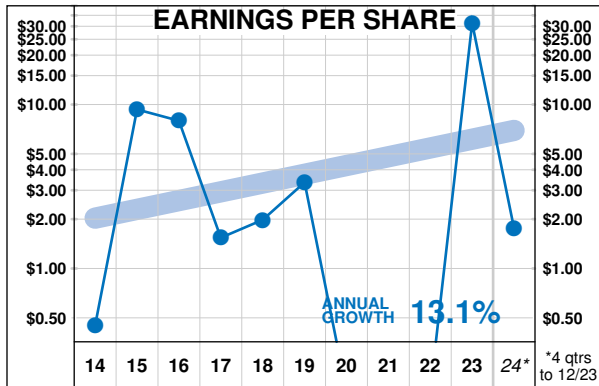
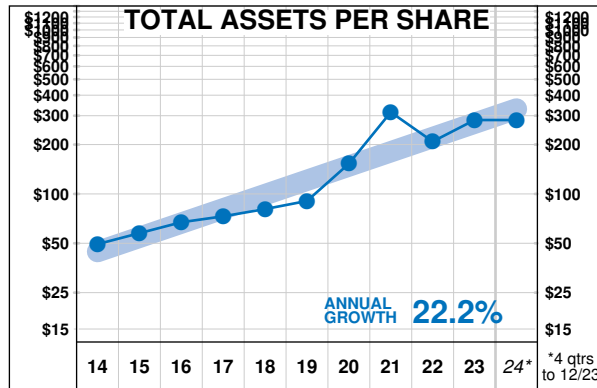
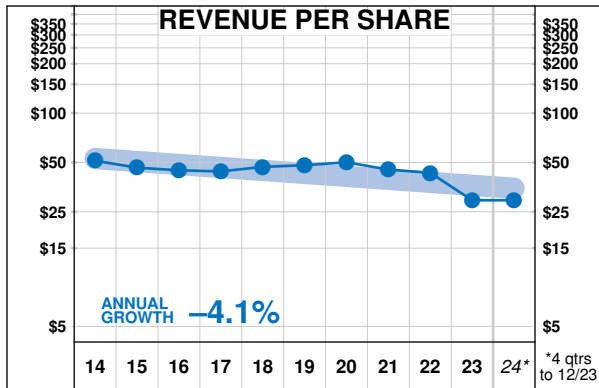
- **Historical growth profile.** MicroStrategy's historical income statement growth and balance sheet growth have diverged. Revenue growth has fallen short of asset growth; earnings growth has paralleled equity growth.
 - Annual revenue growth has been –4.1% per year.
 - Total asset growth has been 22.2% per year.
 - Annual E.P.S. growth has been 13.1% per year.
 - Equity growth has been 15.0% per year.
- **Growth profile vs. Microstrategy Peer Group.** Relative to the Microstrategy Peer Group, MicroStrategy's historical growth measures are erratic.
 - Equity growth (15.0%) has been upper quartile.
 - Total asset growth (22.2%) has been upper quartile.
 - E.P.S. growth (13.1%) has been substantially above median.
 - Revenue growth (–4.1%) has been lower quartile.

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Growth Profile For Period 2014–2024

MicroStrategy’s historical income statement growth and balance sheet growth have diverged. Revenue growth has fallen short of asset growth; earnings growth has paralleled equity growth. Annual revenue growth has been –4.1% per year. Total asset growth has been 22.2% per year. Annual E.P.S. growth has been 13.1% per year. Equity growth has been 15.0% per year.

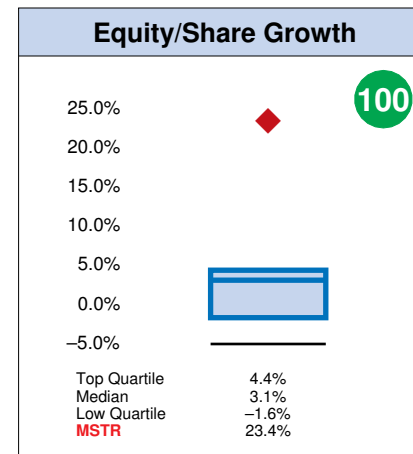
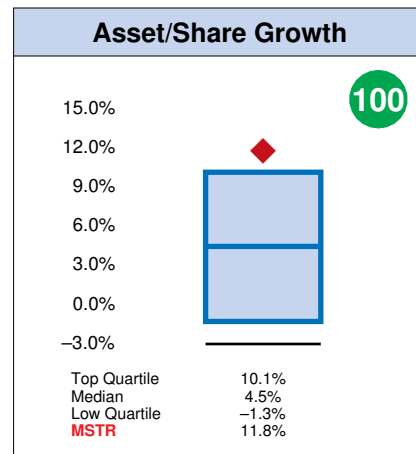
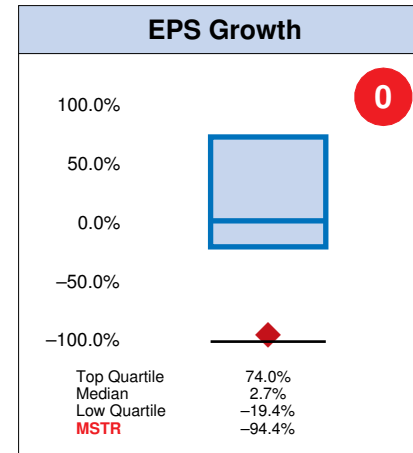
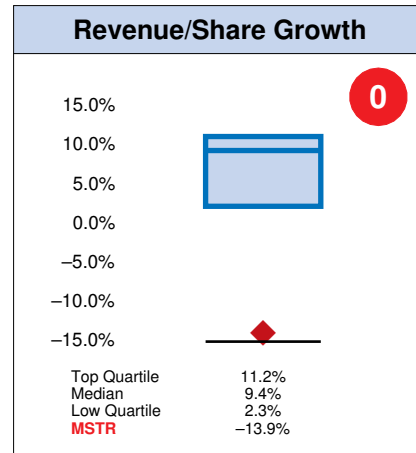


Selected historical data property of Standard and Poor's

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Longer term growth rates in revenue, net income, total assets, and common equity are derived from a least-squares statistical analysis of MicroStrategy’s historical performance and are on a per share basis. (Where indicated, a significantly different shorter term trend is also presented.) Note that the consensus growth rate forecast is the average of available Street forecasts.

Key Growth Measures Relative to MicroStrategy Peer Group (14 Companies)

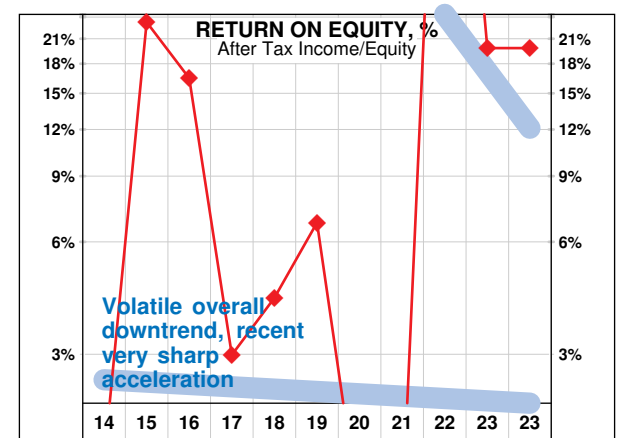
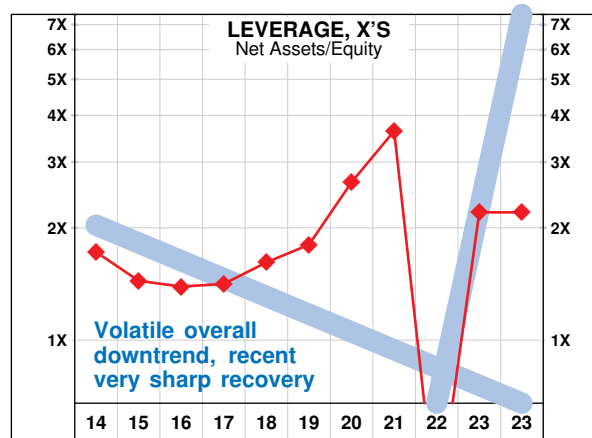
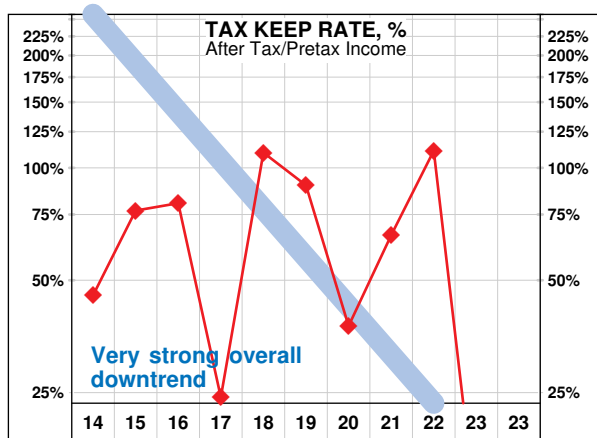
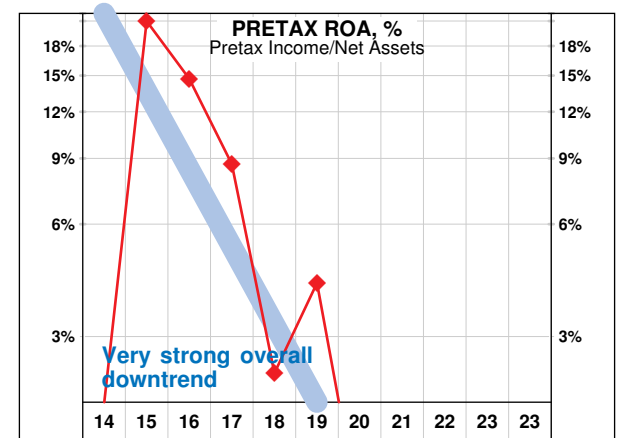
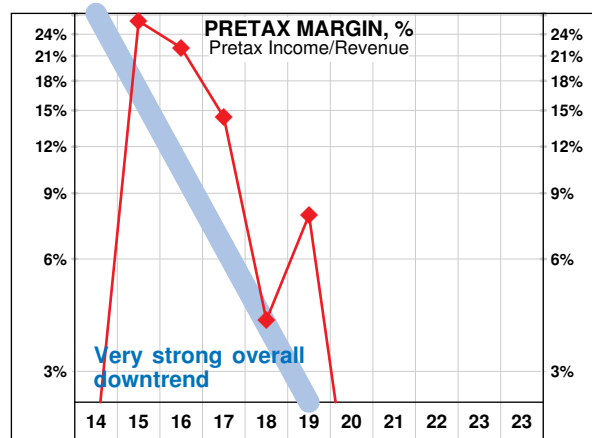
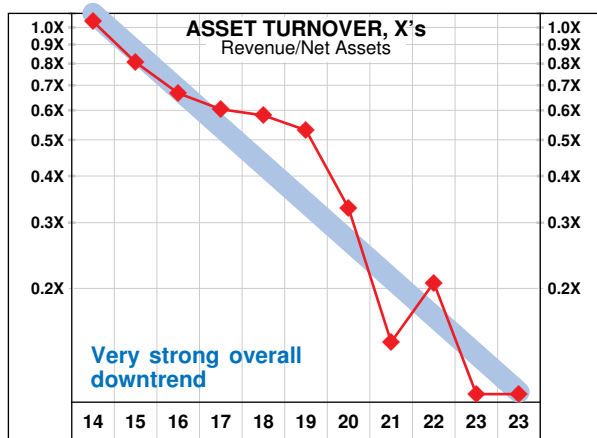


High end of bar represents MicroStrategy Peer Group upper quartile value. Lower end represents lower quartile value. Middle line represents group median. MicroStrategy values are represented by red diamonds. MicroStrategy percentile ranks (0–100) shown in circles.

Summary – Profitability Performance

- **Trend in operating performance.** MicroStrategy's return on equity has eroded significantly since 2014. The current level of 19.8% is 12.77X the low for the period and is –14.8% from the high.
 - MicroStrategy's very strong negative trend in pretax operating return significantly offset by a very strong positive trend in non–operating factors is a significant analytical factor.
 - The productivity of MicroStrategy's assets declined over the full period 2014–2023: asset turnover has suffered a very strong overall downtrend.
 - MicroStrategy's pretax margin experienced a very strong overall downtrend over the period 2014–2023.
 - Non–operating factors (income taxes and financial leverage) had a very significant positive influence on return on equity.
 - Financial leverage has experienced a volatile overall downtrend but it experienced a very sharp recovery after the 2022 low.
- **Current operating performance.** MicroStrategy's return on equity is at the upper quartile (19.8%) for the four quarters ended December, 2023.
 - Operating performance (pretax return on assets) is substantially below median (–2.6%) reflecting asset turnover that is lower quartile (0.10X) and lower quartile pretax margin (–25.1%).
 - Tax "keep" rate (income tax management) is lower quartile (–344.%) resulting in after tax return on assets that is upper quartile.
 - Financial leverage (leverage) is at median (2.20X).

Profitability Profile (Four Quarters Ending December, 2023)

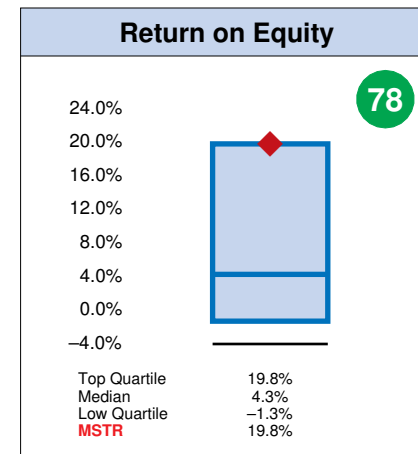
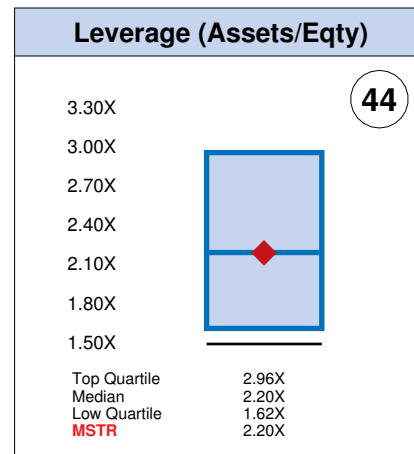
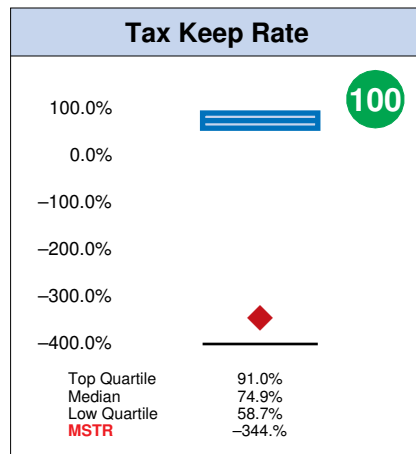
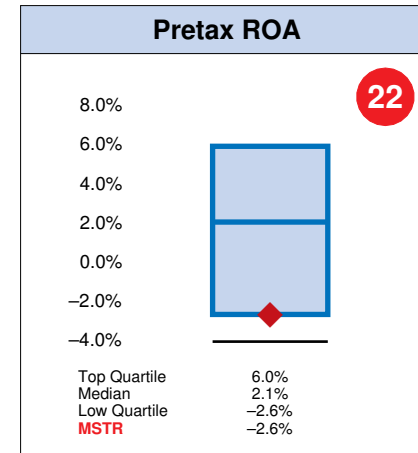
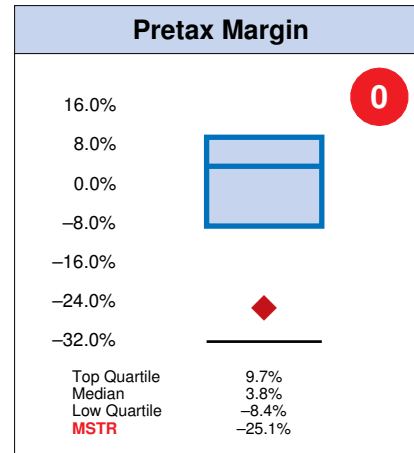
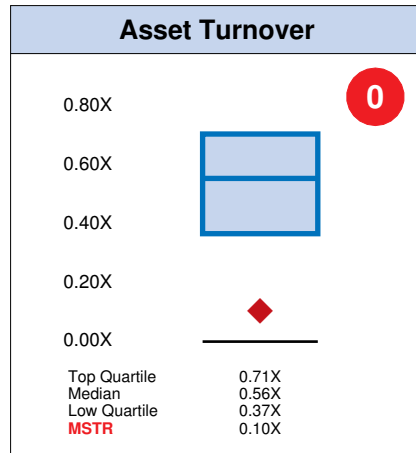


Selected historical data property of Standard and Poor's

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Asset turnover: the revenue "productivity" of a firm's assets. **Pretax profit margin:** the profitability of each \$ of sales. **Pretax return on assets:** profitability before differences in tax liability. **Tax "keep" rate:** the percentage of pretax income retained after taxes. **Leverage (asset/equity ratio):** in asset terms rather than the traditional financing focus. **Return on equity:** ratio of net income to common equity.

Key Profitability Measures Relative to MicroStrategy Peer Group (14 Companies)



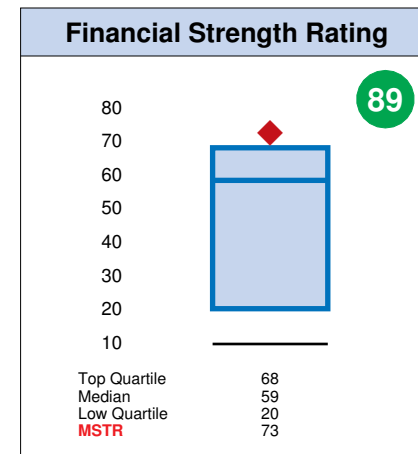
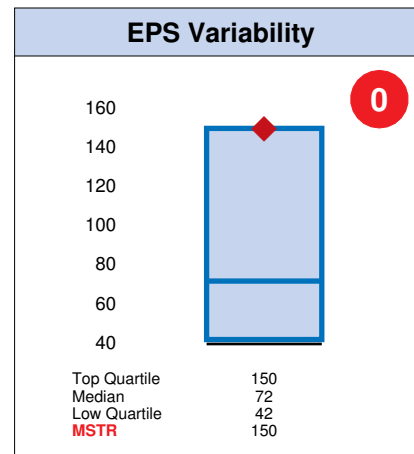
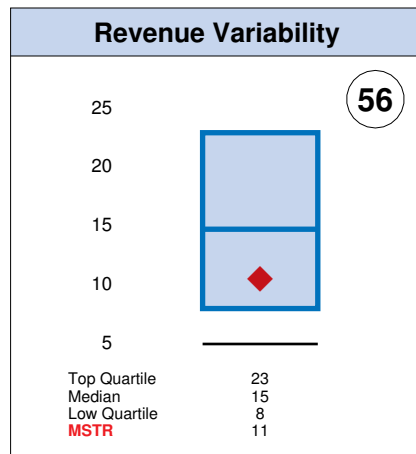
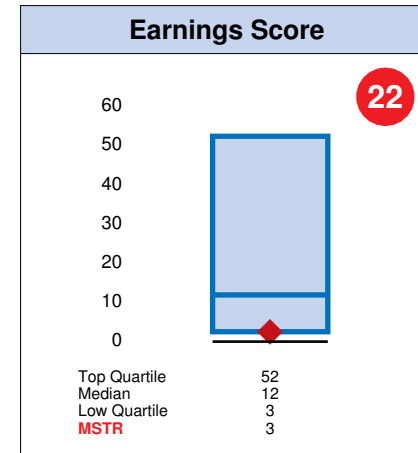
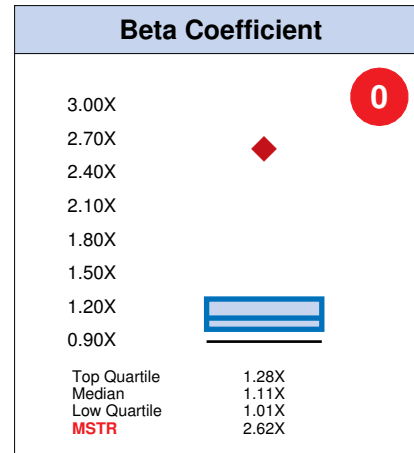
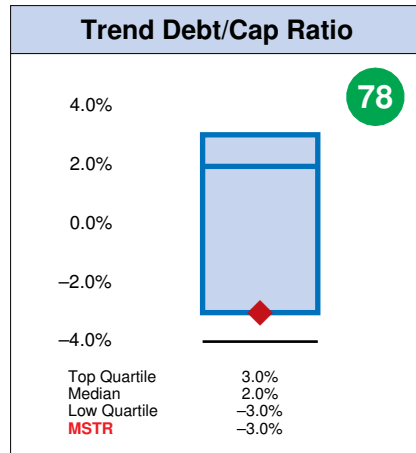
High end of bar represents MicroStrategy Peer Group upper quartile value. Lower end represents lower quartile value. Middle line represents group median. MicroStrategy values are represented by red diamonds. MicroStrategy percentile ranks (0–100) shown in circles.

Risk Profile

- **Relative to the MicroStrategy Peer Group, MicroStrategy's overall risk profile is MODERATE RISK.** This profile reflects measures of financial strength, earnings expectations, variability and changes in capital structure.
 - MicroStrategy's financial strength rating is 73. This rating is relatively very high resulting in a superior factor rating of 89.
 - The recent trend in MicroStrategy's debt/capital ratio is -3.0% . This change is relatively low. A high factor rating of 78 results.
 - MicroStrategy's revenue variability is 11. This variability is average, resulting in an average factor rating of 56.
 - MicroStrategy's earnings score is 3. Such a score is relatively low with a resulting poor factor rating of 22.
 - MicroStrategy's earnings variability is 150. This variability is relatively very high, producing a very low factor rating of 0.
 - MicroStrategy's beta coefficient is 2.62X. This volatility is very high, producing a very poor factor rating of 0.

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Key Risk Measures Relative to MicroStrategy Peer Group (14 Companies)



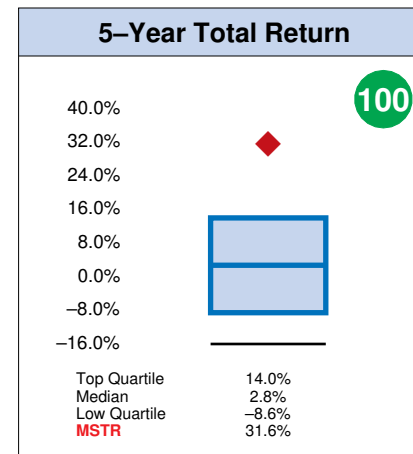
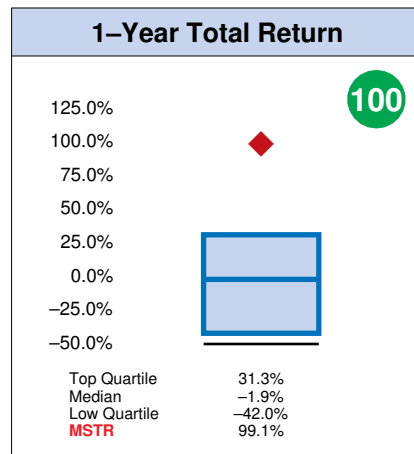
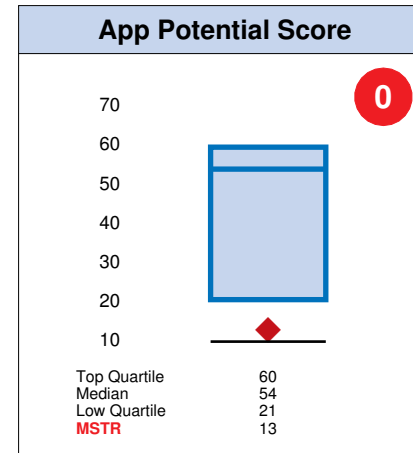
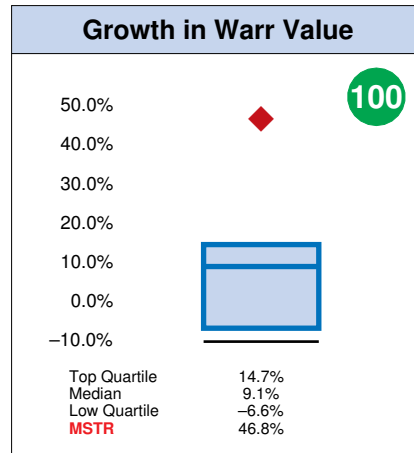
High end of bar represents MicroStrategy Peer Group upper quartile value. Lower end represents lower quartile value. Middle line represents group median. MicroStrategy values are represented by red diamonds. MicroStrategy percentile ranks (0–100) shown in circles.

Wealth Creation Profile

- **Relative to the MicroStrategy Peer Group, MicroStrategy's wealth creation profile is VERY FAVORABLE.** The profile is based on measures of warranted value, appreciation potential and total shareholder returns.
 - MicroStrategy's five year total return is 31.6%. This five year return is relatively very high resulting in a quite high factor rating of 100.
 - The recent trend in MicroStrategy's warranted market value is 46.8%. This rate of change is relatively very high resulting in a very high factor rating of 100.
 - MicroStrategy's one year total return is 99.1%. This one year return is relatively very high resulting in a very high factor rating of 100.
 - MicroStrategy's appreciation score is 13. This appreciation score is relatively very low, producing a very poor factor rating of 0.
- **Total shareholder returns expected to significantly lag the overall equity market.** Based on current investor expectations, MicroStrategy shares should reach a level of \$631 by 2029 — an —3.8% per year total shareholder return. A 2029 stock price of \$1336 would reflect median performance and a price of \$1572 would be required to reach upper quartile performance.

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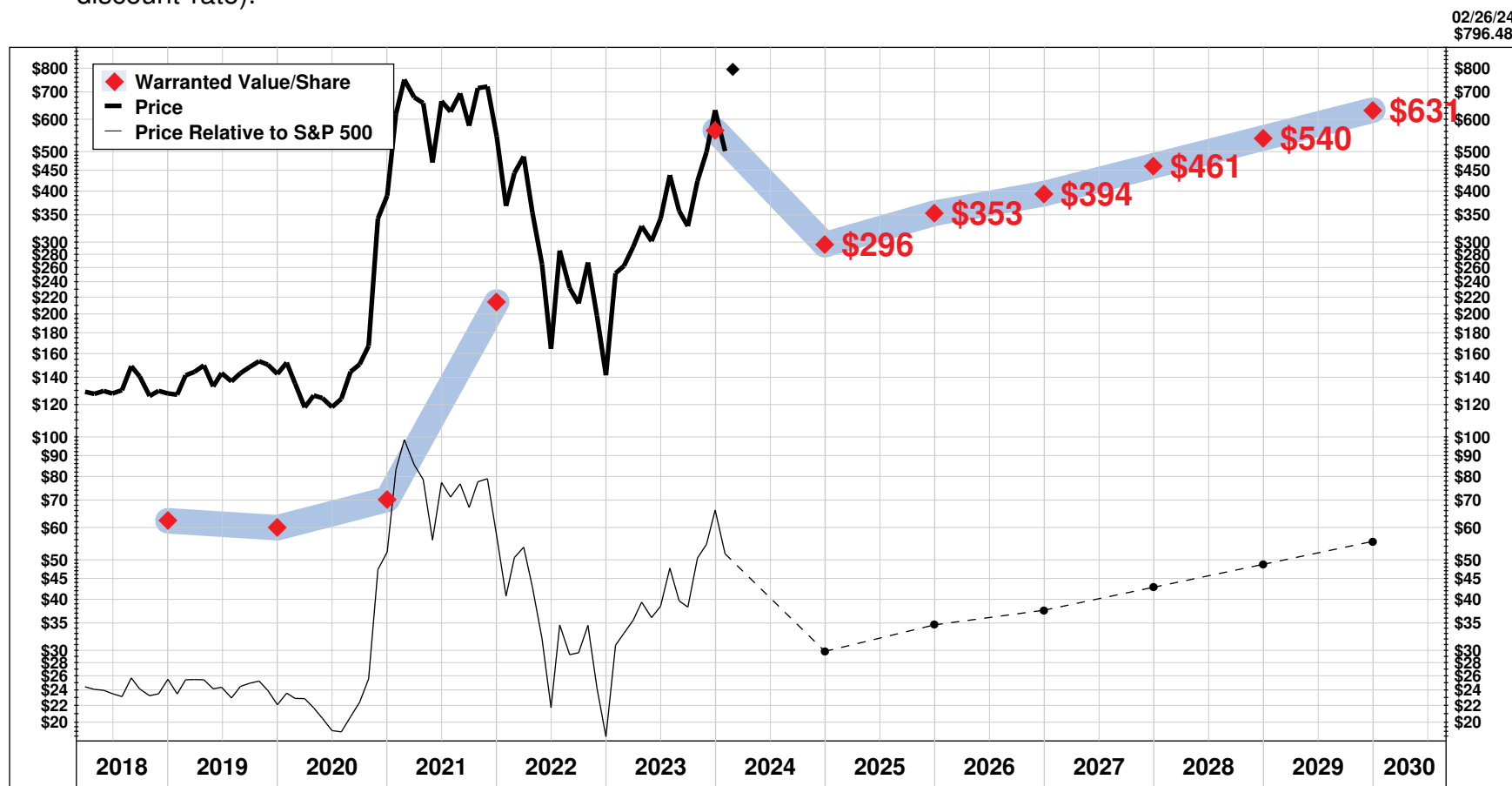
Key Wealth Creation Measures Relative to MicroStrategy Peer Group (14 Companies)



High end of bar represents MicroStrategy Peer Group upper quartile value. Lower end represents lower quartile value. Middle line represents group median. MicroStrategy values are represented by red diamonds. MicroStrategy percentile ranks (0-100) shown in circles.

Warranted Value vs. Stock Price, 2024–2029

Based on current investor expectations for MicroStrategy, Price Targets for the period 2024–2029 are developed. Starting with the current price of \$796, a Price Target of \$631 for 2029 results. Price Targets are derived for each fiscal year using PTR cash flow forecasts and the powerful CFROI framework. Key forecast inputs are: expected profitability, expected long term growth, and cost of equity capital (or discount rate).

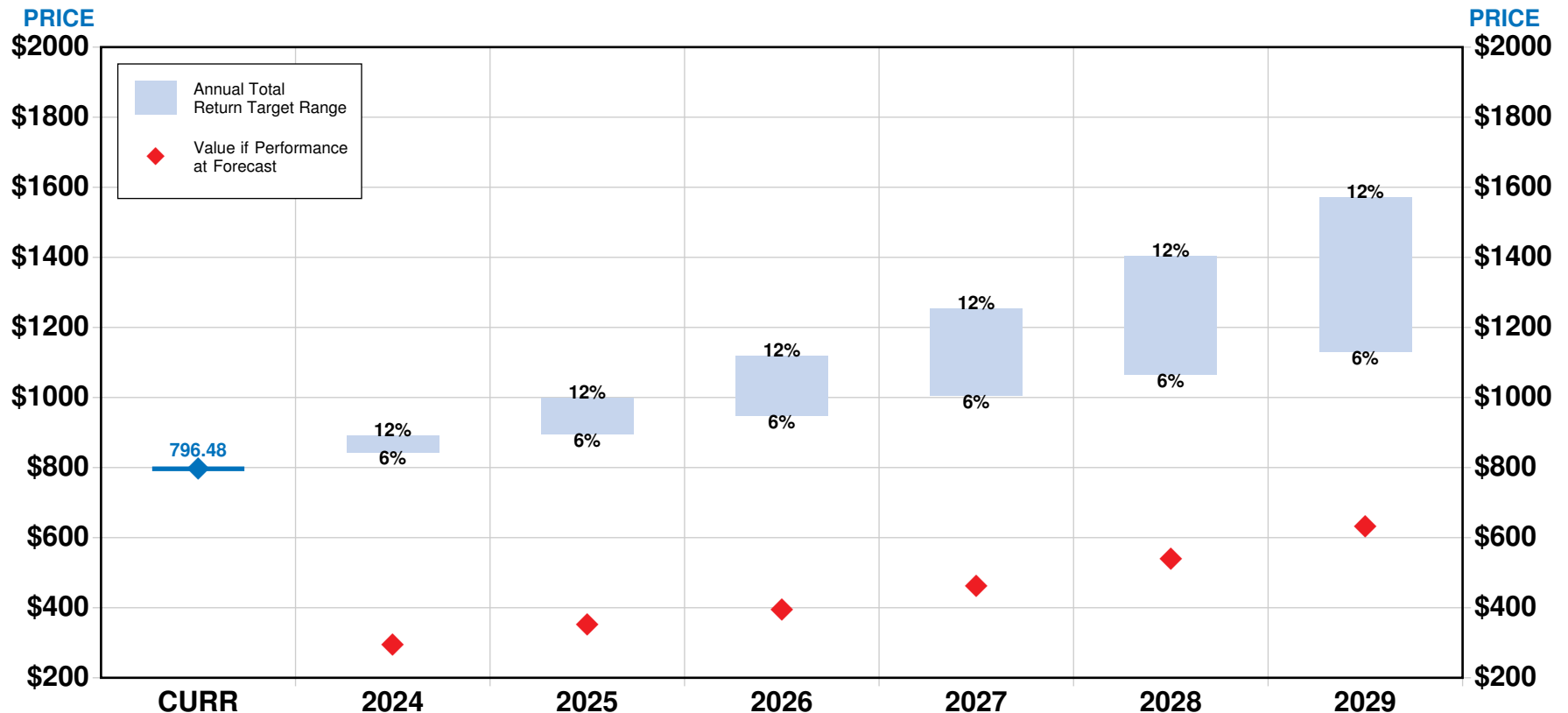


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The Value Challenge

Warranted Stock Price, 2024–2029

Total shareholder returns expected to significantly lag the overall equity market. Based on current investor expectations, MicroStrategy shares should reach a level of \$631 by 2029 — a –3.8% per year total shareholder return. A 2029 stock price of \$1336 would reflect median performance and a price of \$1572 would be required to reach upper quartile performance.



Diamonds represent MicroStrategy warranted value based on scenario assumptions and PTR proprietary analysis. Shaded bands represent year-end stock price necessary to achieve target returns.

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