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## **2003 Corporate Review**

**February 3, 2003**

## Safe Harbor Statement

**“Various remarks that we may make about our future expectations, plans and prospects constitute forward-looking statements for purposes of the safe harbor provisions under The Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those indicated by these forward-looking statements as a result of various important factors, including those discussed in our registration statements and periodic reports filed with the SEC.”**

# 2003 Corporate Review - Agenda

- **Introduction** **Bill Chatterton (Treasurer)**
- **Overview / Sales** **Mike Saylor (Chairman and CEO)**
- **Financial Review** **Eric Brown (President and CFO)**
- **Product Management** **Mark LaRow (Vice President, MSTR Products)**
- **Lunch**
- **Technology – Product Demo** **Jeff Bedell (Chief Technology Officer)**
- **Marketing** **Sanju Bansal (Vice Chairman and COO)**
- **Questions / Answers**



**Overview / Sales**

**Presented By:**

**Mike Saylor**  
**Chairman and CEO**

**February 3, 2003**

No additional slides with this portion of the presentation



## **Financial Review**

**Presented By:**

**Eric F. Brown**  
**President & CFO**

**February 3, 2003**

# Agenda

## Corporate Overview

**Customers**

**Products and Competition**

**Finance and Operations Review**

# MicroStrategy is a Global Leader in Business Intelligence



## Our Market

BI Platform Technology Allowing Customers to Build Tailored BI Applications:

- Reporting
- Analysis
- Information Delivery

Legacy of Technology Innovation



## Our Software

**MicroStrategy 7i™**

Designed Specifically for Simple and Fast Initial Implementations

... plus ...

Able to Seamlessly Grow to Full Enterprise-class Requirements

The Only 3rd Generation BI



## Customers

Over 1,900 Customers across Diverse Industries and Geography

MicroStrategy Predominates in Middle Market and Fortune 500 Companies For Whom Business Intelligence is Becoming Mission-critical

Fueled by Demanding Customers



## Value Focus

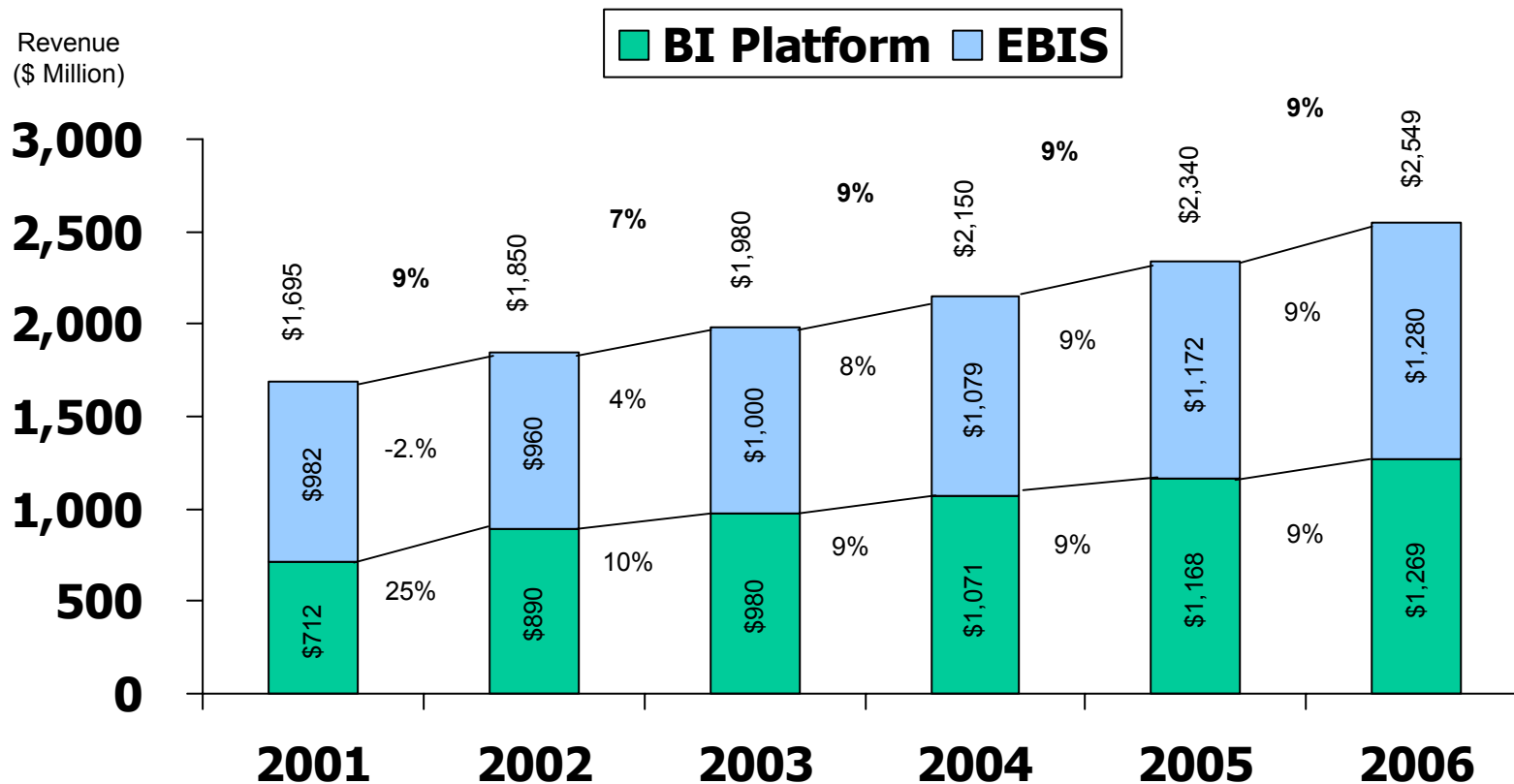
Providing a Low Entry Cost

... plus ...

Low Total Cost of Ownership As The BI Implementation Grows

Focused on Customer Value

# The Business Intelligence Market



2001-2006 CAGR%	
Total BI Market	8.5%
BI Platform	12.3%
EBIS	5.4%

\* Source Gartner Dataquest (November 2002) – Based on BI Software License Revenue



# Agenda

**Corporate Overview**

**Customers**

**Products and Competition**

**Finance and Operations Review**

# MicroStrategy is Selected By The **Leading Companies** in Their Industries for The Most Demanding BI Applications

## Retail

- 6 of the Top 10 Retailers
- Over 50% of the Global 200 Retailers



WHSmith PLC



THE LIMITED



CVS/pharmacy

## Financial Services

- 7 of the Top 7 Diversified FSI
- 4 of the Top 5 US Retail Banks
- 3 of the Top 5 Insurance Companies



BMO



FannieMae



"la Caixa"



## Pharmaceutical And Healthcare

- 7 of the Top 10 Pharmaceutical Companies
- Over 20,000 Seats Deployed



PHARMACIA



## Telecommunications

- 8 of the Top 10 Telecomm Companies
- Every Major European Telco



## Manufacturing

- 6 of the Top 10 Automotive Companies
- Over 72 Major Manufacturers



HONDA



## Consumer Goods

- Over 60 Major Consumer Goods Companies

ESTÉE LAUDER



REVLON



AVON

## Governments

- Covering Federal, State, and Local Government Entities



## Other Major Companies

- Major ERP and Hardware Companies



COMPAQ



GE Capital Fleet Services



YAHOO!

# Agenda

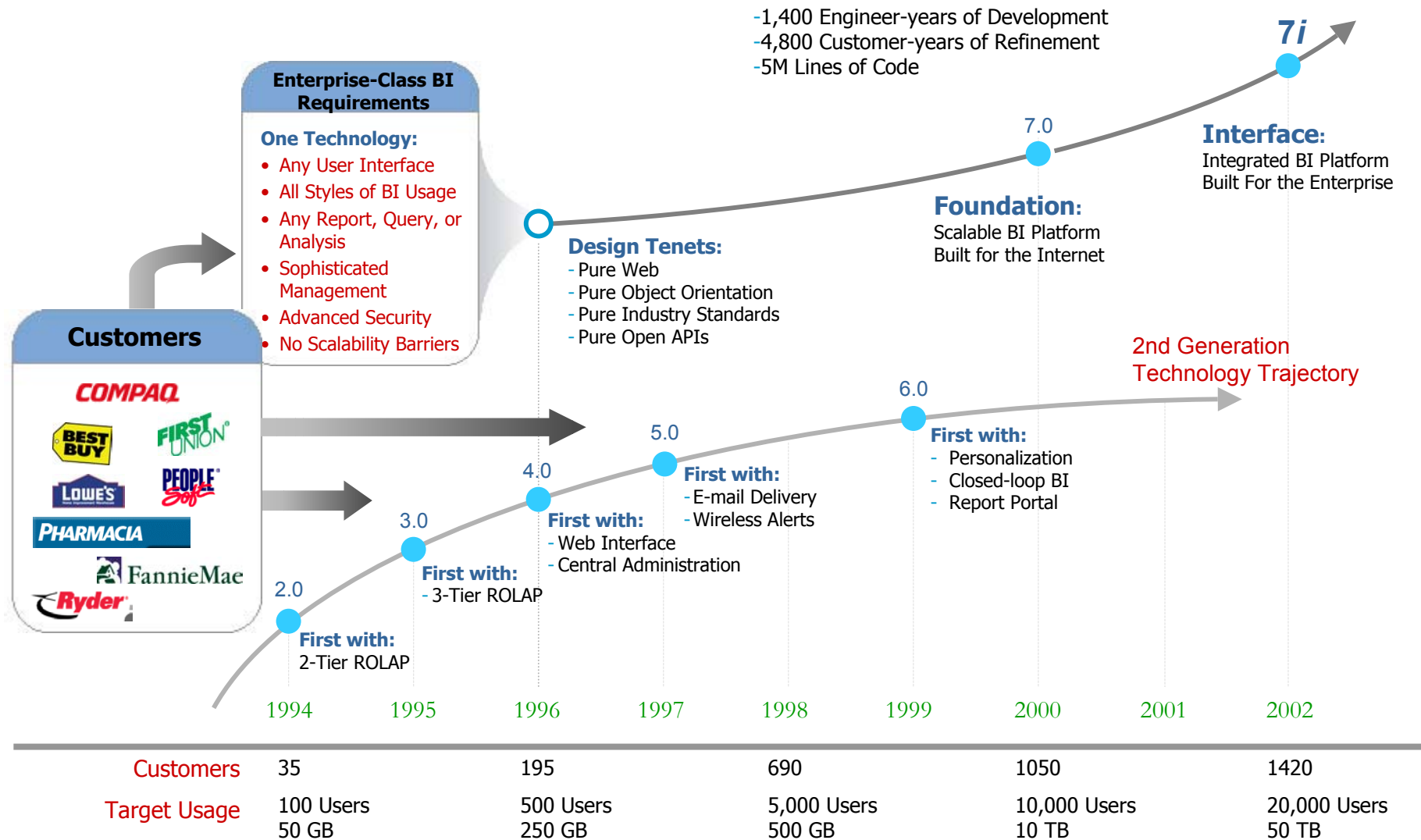
**Corporate Overview**

**Customers**

**Products and Competition**

**Finance and Operations Review**

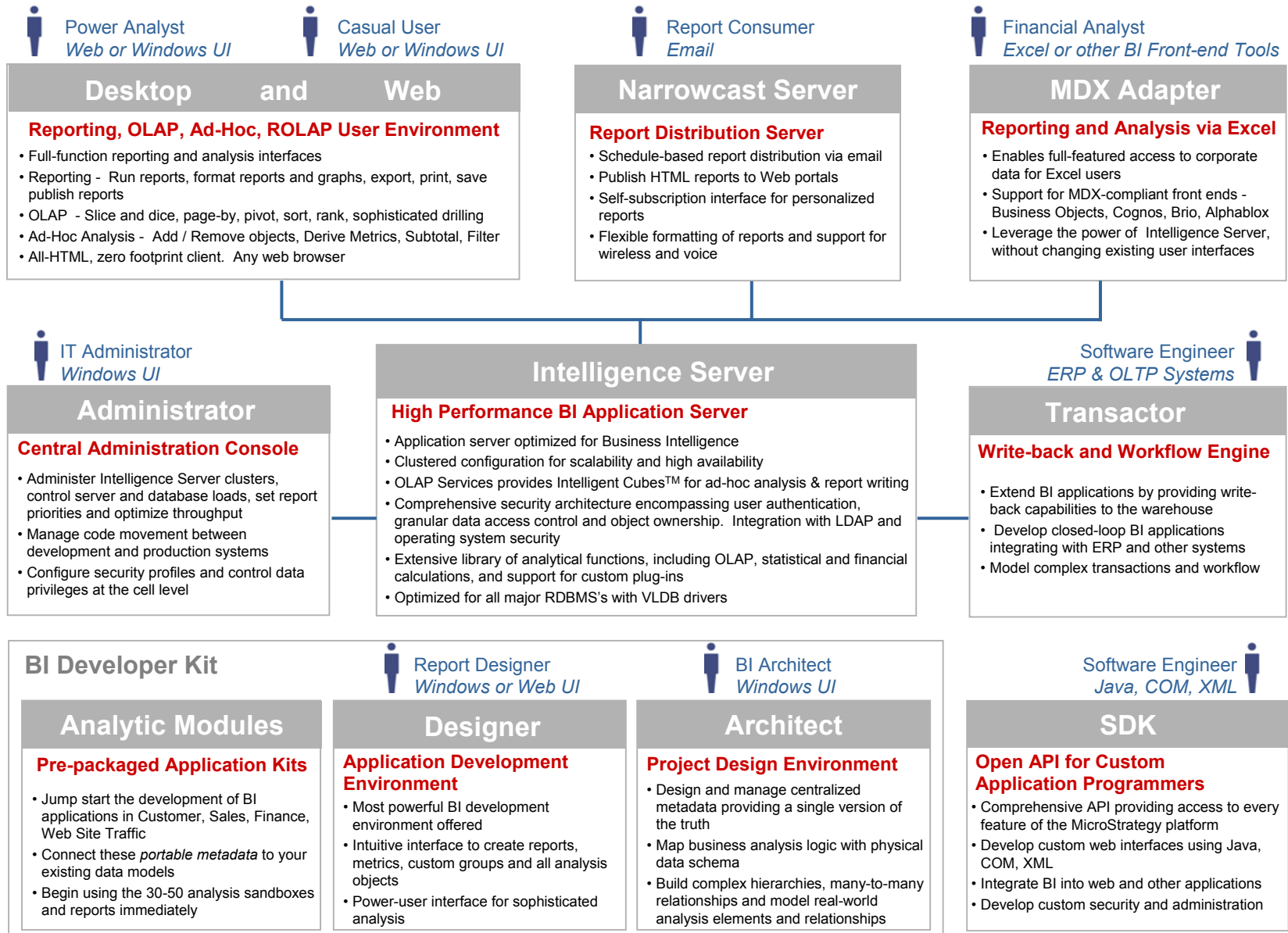
# Extraordinary Technology Investments Make MicroStrategy 7i a Leader in BI Technology



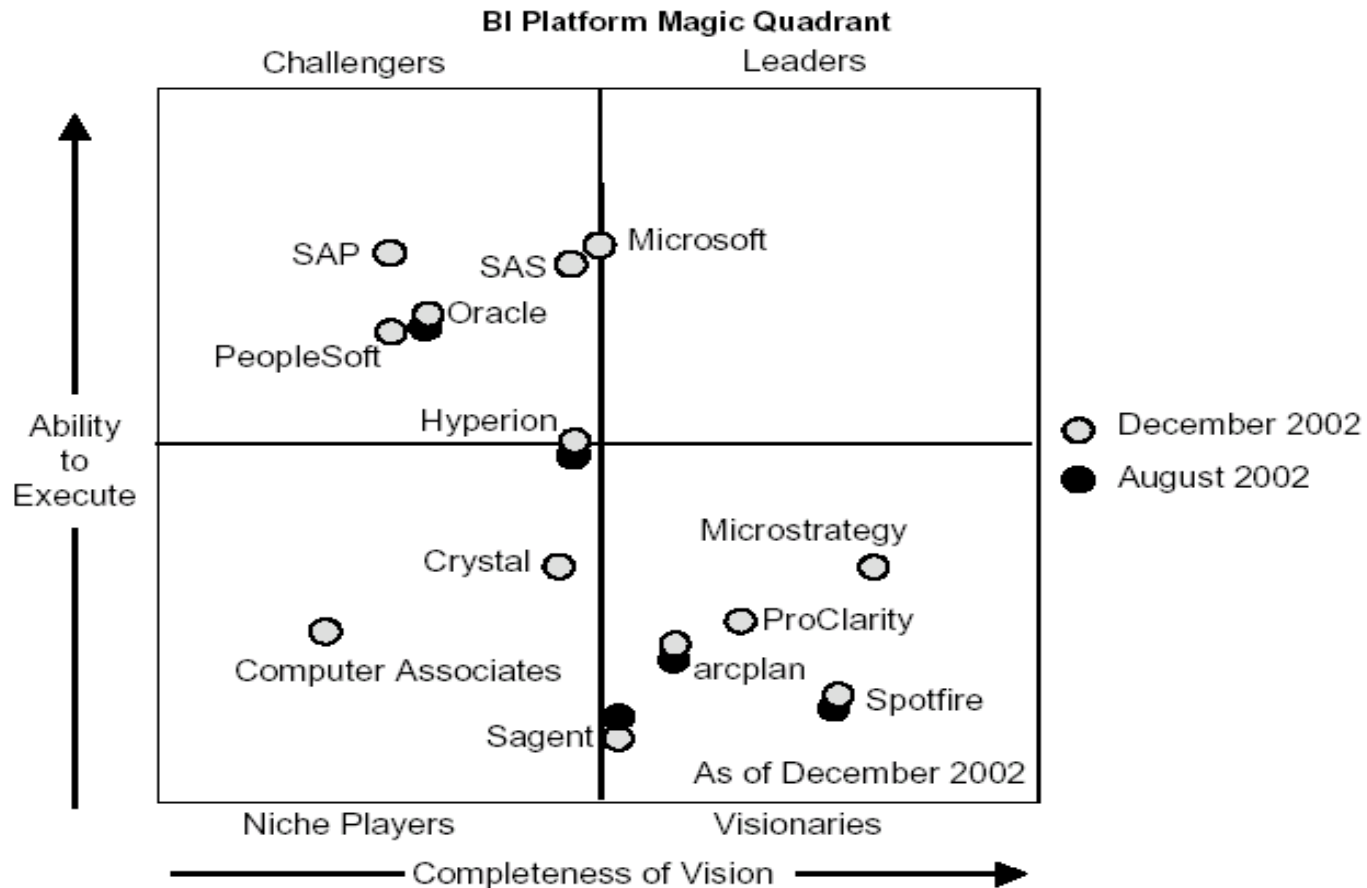
## MicroStrategy 7i is a **Leader in BI Technology**, and Has Been Specifically Designed to Be:

- ⇒ Simple, Fast, and Affordable for Initial Implementations
- ⇒ Capable of Seamlessly Scaling Up to Enterprise-class Requirements
  - Supporting **5 Styles of Business Intelligence**
  - Through a **Zero Footprint Web Interface**, Providing Windows-on-the-Web Functionality and Ease, with Instant Deployability
  - With a **Powerful Layered Object-Oriented Development Environment** for Rapid Development of Truly Powerful BI Applications, and Easy Maintenance
  - Based on a **100% Server-centric Architecture** Capable of Mission-critical IT Operations and Centralized Control
  - While Delivering **Low Total Cost of Ownership**

# MicroStrategy 7i Software Products



# Gartner Research: BI Platform Magic Quadrant As of December 2002



Source: Gartner Research

The Magic Quadrant is copyrighted Jan 2003 by Gartner, Inc. and is reused with permission, which permission should not be deemed to be an endorsement of any company or product depicted in the quadrant. The Magic Quadrant is Gartner, Inc.'s opinion and is an analytical representation of a marketplace at and for a specific time period. It measures vendors against Gartner defined criteria for a marketplace. The positioning of vendors within a Magic Quadrant is based on the complex interplay of many factors. Gartner does not advise enterprises to select only those firms in the "Leaders" quadrant. In some situations, firms in the Visionary, Challenger, or Niche Player quadrants may be the right matches for an enterprise's requirements. Well-informed vendor selection decisions should rely on more than a Magic Quadrant. Gartner research is intended to be one of many information sources including other published information and direct analyst interaction. Gartner, Inc. expressly disclaims all warranties, express or implied, of fitness of this research for a particular purpose. BI Magic Quadrants: Excitement in a Flat Market. Jan 27, 2003 H Dresner, B Hostmann, F. Buytendijk

# Agenda

**Corporate Overview**

**Customers**

**Products and Competition**

**Finance and Operations Review**



# Overview

## Restructure

- Resolved issues surrounding accounting restatement
- Re-focused on core business
- Reduced expenses and capital spending

## Stabilize

- Closure of
  - Strategy.com
  - System Integration
  - Hosting
- Stabilized headcount
- Enforced fiscal discipline

## Grow

- BI market growth
- Sales execution
- Technology strategy
- Improved capital structure
- Reduce debt
- Improve operating metrics

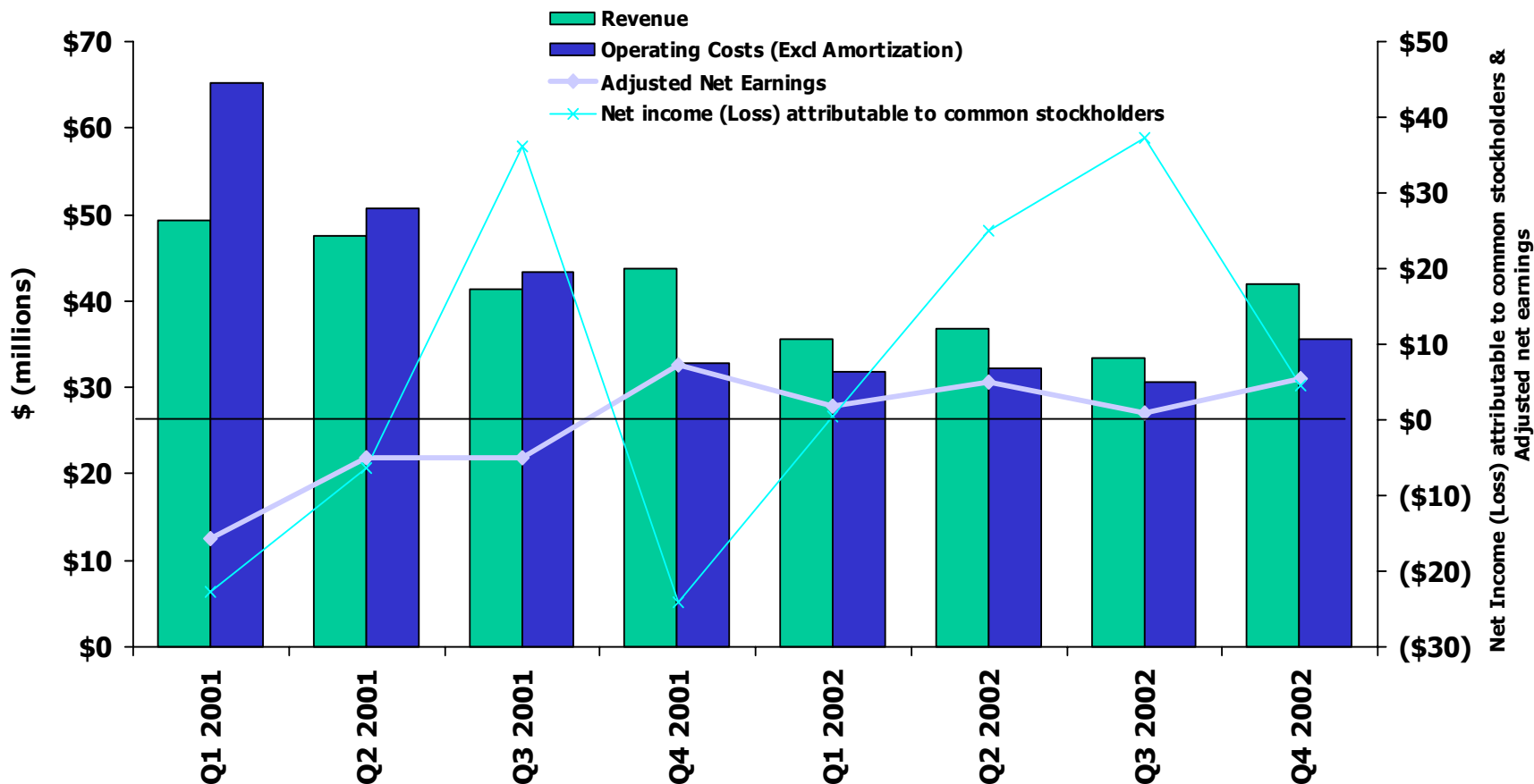
2000-2001

2002-2003

# Key Fiscal Initiatives

- Fiscal discipline
  - Orient culture towards “bottom line” focus versus topline growth
  - Business unit manager incentives tied to contribution margin
  - Account executive compensation tied to cash collection
    - Maintenance renewal
    - Reduction in DSOs
    - Improvement in operating cash flow
    - Emphasis across four product lines (license, tech support, consulting, and education)
  - Focus on key metrics: MX renewal rates, utilization and billability
  - Substantial investment in systems and infrastructure to track performance

# For the FIFTH consecutive quarter, the Company has generated positive adjusted net earnings



**Note:**  
 Operating Costs include Cost of Revenues, S&M, R&D and G&A  
 Reconciliation of Net Income (Loss) attributable to commons stockholders to Adjusted Net earnings presented on Slide #31

## Significant Capital Structure Changes Successfully Completed

- Restructured the Outstanding Preferred Stock by redeeming \$75.5 million in stated value for:
  - \$10 million cash
  - \$5 million note
  - 2.8 million shares of common stock

Removes significant uncertainty from the capital structure

Eliminates \$8 million in annual dividend costs

Q3 2002 GAAP gain of \$36 million from this accretive transaction

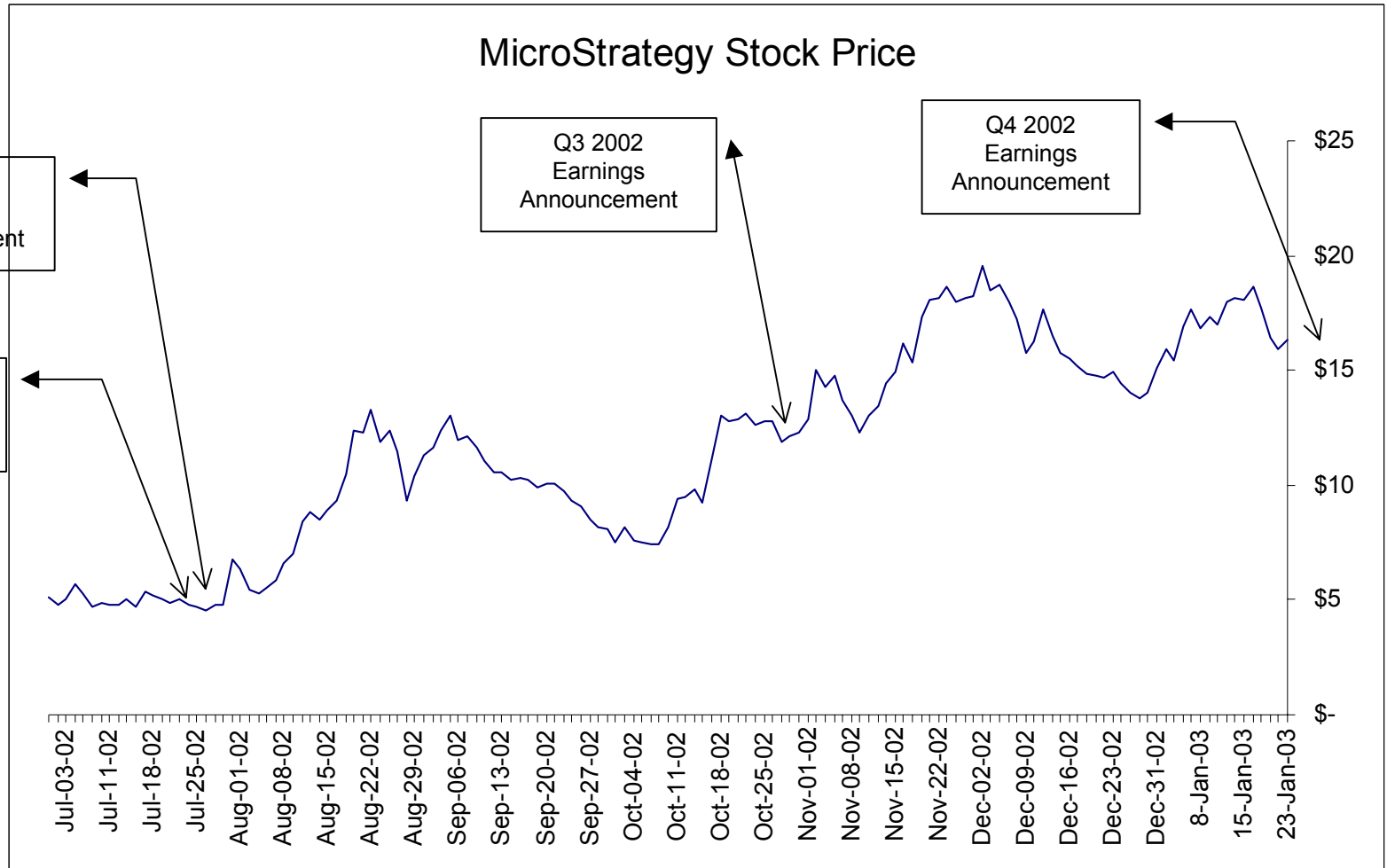
No more preferred stock overhang

- 1 for 10 reverse stock split successfully implemented

## Debt Reduction

- Class Action Notes:
  - Originally \$80.3 million in aggregate face value
  - 5 Year term
  - 7.5% interest
  - Convertible into common stock at Company's option
  - Up to 40% may be repurchased by the Company
  - The first interest payment was made on 12-24-02 – included interest from April-2001 through December-2002 (approx. \$8M)
- Corporate Initiatives
  - Q3 2002 Repurchased \$10 M in face value
  - Q4 2002 Repurchased \$7 M in face value
  - As of 1-30-03, \$63.3 M in face value remains

# Stock Market Reaction - Last 6 Months



## Q4 2002 vs. Q3 2002

(in millions)	Q4 02	Q3 02	B (W)
Product	20.5	12.9	7.6
Services	21.5	20.5	1.0
<b>Total Revenue</b>	<b>\$ 42.0</b>	<b>\$ 33.4</b>	<b>\$ 8.6</b>
Cost of Revenues	7.0	6.7	(0.3)
<b>Gross Profit</b>	<b>35.0</b>	<b>26.7</b>	<b>8.3</b>
<i>Gross Margin</i>	83%	80%	
Sales & Marketing	13.1	11.1	(2.0)
Research & Development	7.9	6.2	(1.7)
General & Administrative	7.6	6.5	(1.1)
Restructuring & Impairment Charges	1.4	0.4	(1.0)
Amortization of Goodwill & Intangible Assets	0.5	0.9	0.4
<b>Total Operating Expenses</b>	<b>30.5</b>	<b>25.1</b>	<b>(5.4)</b>
<b>Income (Loss) from Operations</b>	<b>4.5</b>	<b>1.6</b>	<b>2.9</b>
<i>Operating Margin</i>	11%	5%	
<b>Total financing &amp; other (expense)</b>	<b>0.1</b>	<b>35.8</b>	<b>(35.7)</b>
<b>Net income (loss) attributable to common stockholders</b>	<b>4.6</b>	<b>37.4</b>	<b>(32.8)</b>
<b>Adjusted Net Earnings *</b>	<b>5.5</b>	<b>1.0</b>	<b>4.5</b>

•Reconciliation of GAAP Earnings and Adjusted Net Earnings provided on Slide #31

Any difference between published results and this slide are due to rounding for presentation purposes

## Q4 2002 vs. Q4 2001

(in millions)	Q4 02	Q4 01	B (W)
Product	20.5	18.7	1.8
Services	21.5	25.0	(3.5)
<b>Total Revenue</b>	<b>\$ 42.0</b>	<b>\$ 43.7</b>	<b>(1.7)</b>
Cost of Revenues	7.0	8.6	1.6
<b>Gross Profit</b>	<b>35.0</b>	<b>35.1</b>	<b>(0.1)</b>
<i>Gross Margin</i>	83%	80%	
Sales & Marketing	13.1	12.7	(0.4)
Research & Development	7.9	6.4	(1.5)
General & Administrative	7.6	5.2	(2.4)
Restructuring & Impairment Charges	1.4	13.1	11.7
Amortization of Goodwill & Intangible Assets	0.5	4.5	4.0
<b>Total Operating Expenses</b>	<b>30.5</b>	<b>41.9</b>	<b>11.4</b>
<b>Income (Loss) from Operations</b>	<b>4.5</b>	<b>(6.8)</b>	<b>11.3</b>
<i>Operating Margin</i>	11%	-16%	
<b>Total financing &amp; other (expense)</b>	<b>0.1</b>	<b>(17.2)</b>	<b>17.3</b>
<b>Net income (loss) attributable to common stockholders</b>	<b>4.6</b>	<b>(24.0)</b>	<b>28.6</b>
<b>Adjusted Net Earnings *</b>	<b>5.5</b>	<b>7.4</b>	<b>(1.9)</b>

•Reconciliation of GAAP Earnings and Adjusted Net Earnings provided on Slide #31

Any difference between published results and this slide are due to rounding for presentation purposes



## Full Year 2002 vs. 2001

(in millions)	Full Yr 2002	Full Yr 2001	B (W)
<b>Revenue</b>	<b>\$ 147.8</b>	<b>\$ 182.1</b>	<b>\$ (34.3)</b>
Cost of Revenues	27.9	47.9	\$ 20.0
<b>Gross Profit</b>	<b>119.9</b>	<b>134.2</b>	<b>\$ (14.3)</b>
<i>Gross Margin</i>	81%	74%	
Sales & Marketing	48.2	77.2	\$ 29.0
Research & Development	26.3	32.8	\$ 6.5
General & Administrative	27.6	34.2	\$ 6.6
Restructuring & Impairment Charges	4.2	39.5	\$ 35.3
Amortization of Goodwill & Intangible Assets	3.2	17.2	\$ 14.0
<b>Total Operating Expenses</b>	<b>109.5</b>	<b>200.9</b>	<b>\$ 91.4</b>
<b>Income (Loss) from Operations</b>	<b>10.4</b>	<b>(66.7)</b>	<b>\$ 77.1</b>
<i>Operating Margin</i>	7%	-37%	
<b>Total financing &amp; other (expense)*</b>	<b>57.0</b>	<b>49.8</b>	<b>\$ 7.2</b>
<b>Net income (loss) attributable to common stockholders</b>	<b>67.4</b>	<b>(16.9)</b>	<b>\$ 84.3</b>
<b>Adjusted Net Earnings (Loss) *</b>	<b>13.2</b>	<b>(18.2)</b>	<b>\$ 31.4</b>

•Reconciliation of GAAP Earnings and Adjusted Net Earnings provided on Slide #31  
Any difference between published results and this slide are due to rounding for presentation purposes

# Quarterly Metrics – (\$ in millions)

## Revenue

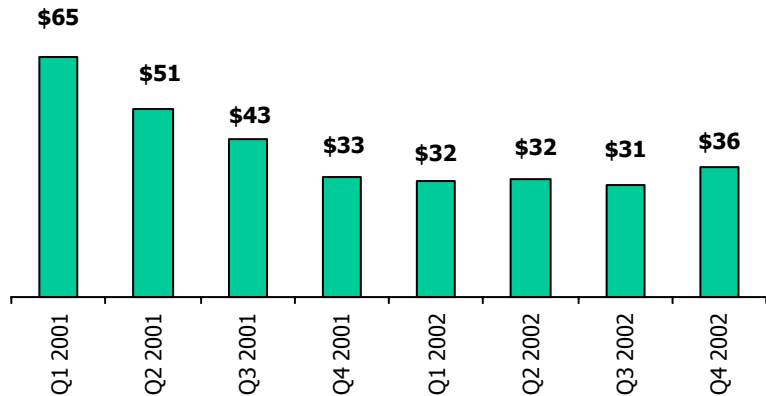


## Gross Profit

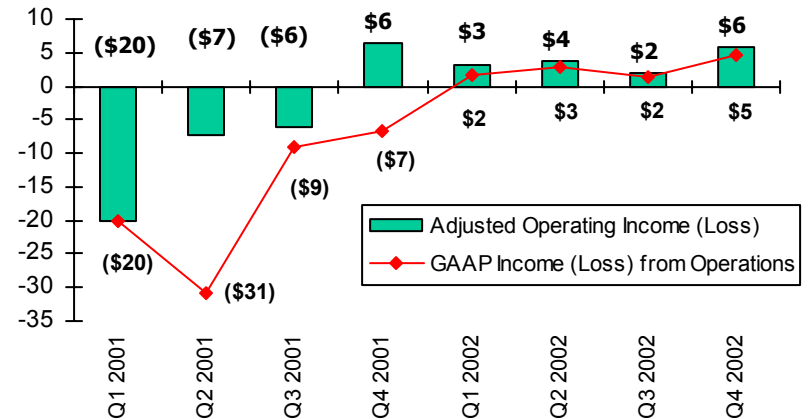


## Total Costs (Cost of Revenue + Op. Expenses)

Excludes amortization and restructuring



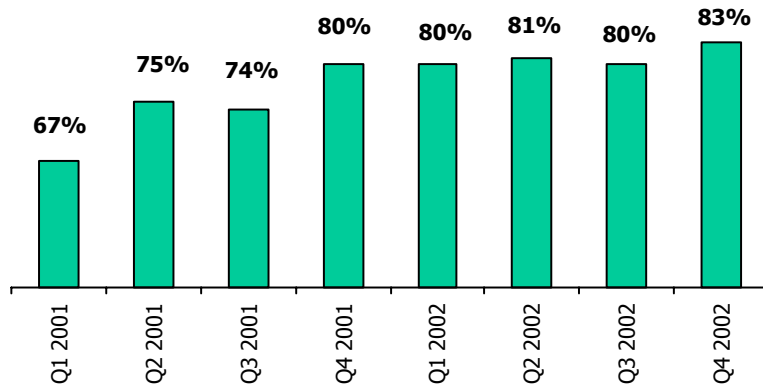
## Adjusted Operating Income (Loss)\*



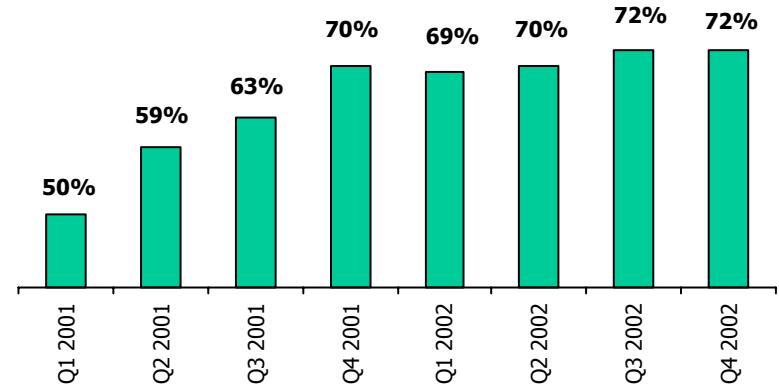
\* Reconciliation of GAAP Income (Loss) from Operations and Adjusted Operating Income (Loss) provided on Slide #31

# Key Metrics Review

## Gross Profit Margins

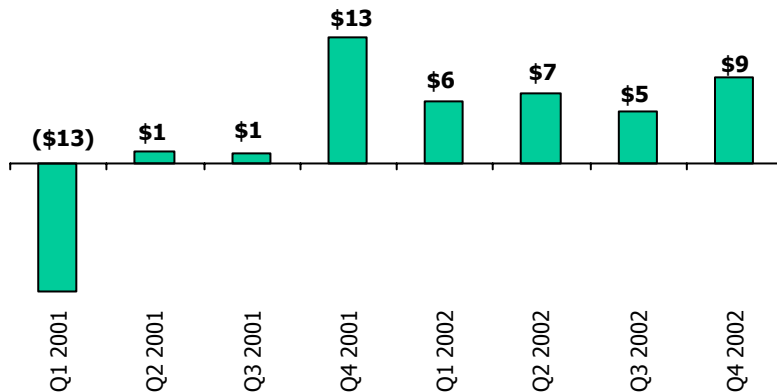


## Services Margins



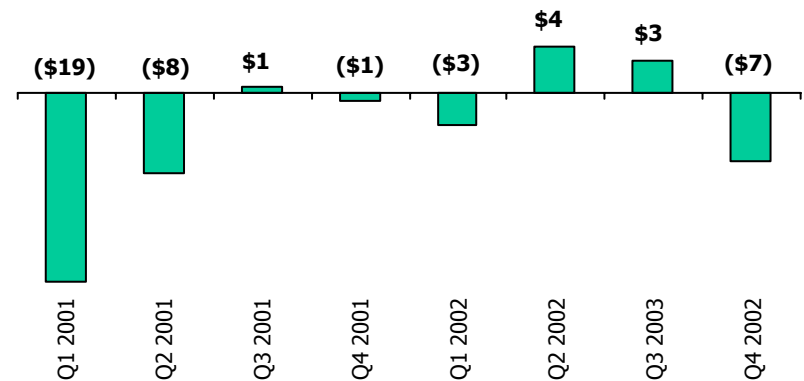
## EBITDA\*

(\$ in millions)



## Cash Flow From Operations

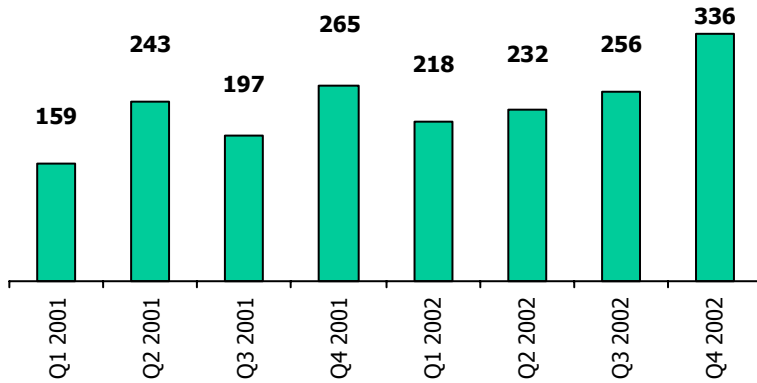
(\$ in millions)



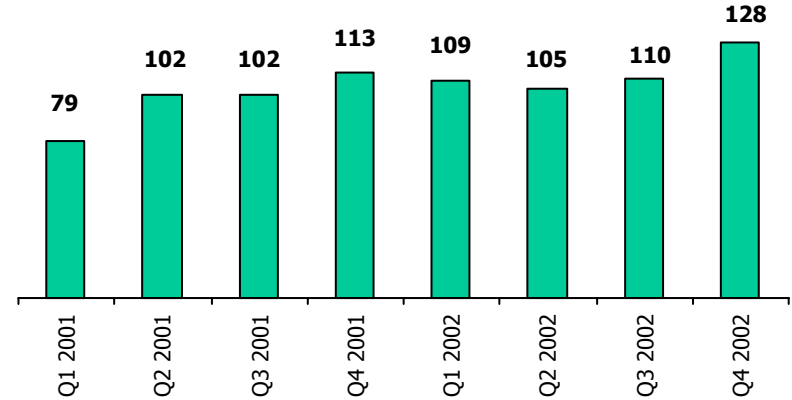
\*Reconciliation of GAAP Net Income (Loss) attributable to common stockholders and EBITDA provided on Slide #31

# Key Metrics Review

## Number of License Deals

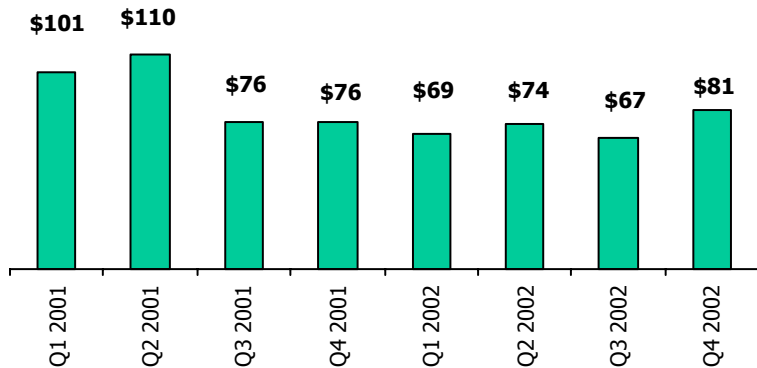


## Number of New Customers

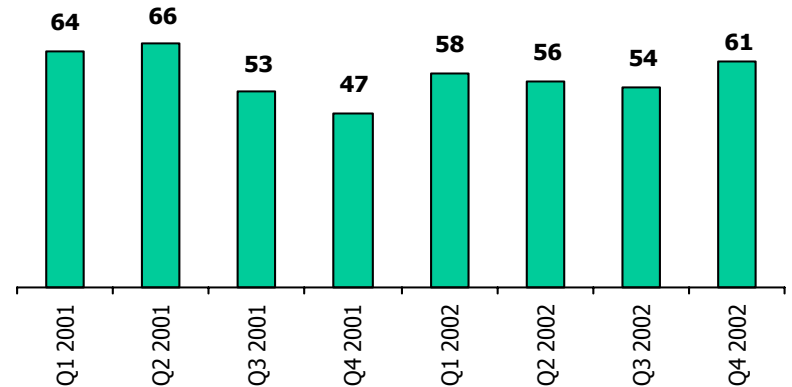


## Average Deal Size

(\$ in thousands)



## DSOs



## Consistent Quarterly Performance

Over the last two years, adjusted net earnings per share results have exceeded Wall Street expectations.

# Financial Review

## Closing Remarks

# Reconciliation – Adjusted net earnings, adjusted operating income (loss) & EBITDA

	Q1 2001	Q2 2001	Q3 2001	Q4 2001	FY 2001	Q1 2002	Q2 2002	Q3 2002	Q4 2002	FY 2002
<b>Reconciliation to Adjusted Net Earnings / (Loss)</b>										
Net income / (loss) attributable to common stockholders	\$ (22,729)	\$ (6,292)	\$ 36,135	\$ (24,042)	\$ (16,928)	\$ 428	\$ 24,946	\$ 37,374	\$ 4,630	\$ 67,378
Restructuring and impairment charges	-	23,422	2,977	13,064	39,463	1,232	1,162	370	1,434	4,198
Amortization of goodwill and intangible assets	4,249	4,249	4,248	4,505	17,251	965	862	856	512	3,195
Loss On investment	1,097	233	922	1,351	3,603	289	205	29	-	523
Provision for (reduction in) estimated costs of litigation settlement	(9,665)	(24,941)	(7,046)	11,554	(30,098)	(3,460)	(7,936)	-	-	(11,396)
Gain on contract termination	-	-	-	-	-	-	(16,837)	-	-	(16,837)
Gain on early extinguishment of notes payable	-	-	-	-	-	-	-	(4,661)	(2,089)	(6,750)
Discount amortization expense on notes payable	-	-	-	-	-	-	-	1,065	1,033	2,098
Other non-recurring items	-	(345)	-	-	(345)	(219)	(65)	358	(48)	26
(Income) / loss from discontinued operations	9,233	25,777	(93)	(2,103)	32,814	-	-	-	-	-
Dividends, accretion and beneficial conversion feature on convertible preferred stock	2,158	2,364	2,789	3,042	10,353	2,557	2,566	1,751	-	6,874
Net gain on refinancing of series A redeemable convertible preferred stock	-	(29,370)	-	-	(29,370)	-	-	-	-	-
Net gain on refinancing of series B, C and D convertible preferred stock	-	-	-	-	-	-	-	(36,135)	-	(36,135)
Gain on early redemption of redeemable convertible preferred stock of discontinued	-	-	(44,923)	-	(44,923)	-	-	-	-	-
<b>Adjusted net earnings / (loss)</b>	<b>\$ (15,657)</b>	<b>\$ (4,903)</b>	<b>\$ (4,991)</b>	<b>\$ 7,371</b>	<b>\$ (18,180)</b>	<b>\$ 1,792</b>	<b>\$ 4,903</b>	<b>\$ 1,007</b>	<b>\$ 5,472</b>	<b>\$ 13,174</b>
<b>Reconciliation to Adjusted Operating Income / (Loss)</b>										
Income / (loss) from operations	\$ (20,052)	\$ (30,774)	\$ (9,101)	\$ (6,793)		\$ 1,718	\$ 2,675	\$ 1,542	\$ 4,488	
Adjustment:										
Restructuring and impairment charges	-	23,422	2,977	13,064		1,232	1,162	370	1,434	
<b>Adjusted operating income / (loss)</b>	<b>\$ (20,052)</b>	<b>\$ (7,352)</b>	<b>\$ (6,124)</b>	<b>\$ 6,271</b>		<b>\$ 2,950</b>	<b>\$ 3,837</b>	<b>\$ 1,912</b>	<b>\$ 5,922</b>	
<b>Reconciliation to Adjusted Net EBITDA</b>										
Net income / (loss) attributable to common stockholders	\$ (22,729)	\$ (6,292)	\$ 36,135	\$ (24,042)		\$ 428	\$ 24,946	\$ 37,374	\$ 4,630	
Interest income	(809)	(499)	(605)	(258)		(230)	(179)	(200)	(119)	
Interest expense	284	1,487	1,794	1,836		1,619	1,659	2,772	2,363	
Provision for income taxes	289	48	1,003	1,120		399	420	312	59	
Depreciation and amortization	3,119	4,285	2,959	1,943		2,528	2,559	2,518	2,311	
Amortization of goodwill and intangible assets	4,249	4,249	4,248	4,505		965	862	856	512	
(Income) / loss from discontinued operations	9,233	25,777	(93)	(2,103)		-	-	-	-	
EBITDA before reconciling items	(6,364)	29,055	45,441	(16,999)		5,709	30,267	43,632	9,756	
Reconciling items:										
Restructuring and impairment charges	-	23,422	2,977	13,064		1,232	1,162	370	1,434	
Loss on investments	1,097	233	922	1,351		289	205	29	-	
Provision for (reduction in) estimated cost of litigation settlement	(9,665)	(24,941)	(7,046)	11,554		(3,460)	(7,936)	-	-	
Gain on early contract termination	-	-	-	-		-	(16,837)	-	-	
Gain on early extinguishment of notes payable	-	-	-	-		-	-	(4,661)	(2,089)	
Other (income) / expense, net	90	419	923	707		116	(2,169)	300	(356)	
Dividends, accretion and beneficial conversion feature on convertible preferred stock	2,158	2,364	2,789	3,042		2,557	2,566	1,751	-	
Net gain on refinancing of series A redeemable convertible preferred stock	-	(29,370)	-	-		-	-	-	-	
Net gain on refinancing of series B, C and D convertible preferred stock	-	-	-	-		-	-	(36,135)	-	
Gain on early redemption of redeemable convertible preferred stock of discontinued	-	-	(44,923)	-		-	-	-	-	
<b>Adjusted net EBITDA</b>	<b>\$ (12,684)</b>	<b>\$ 1,182</b>	<b>\$ 1,083</b>	<b>\$ 12,719</b>		<b>\$ 6,443</b>	<b>\$ 7,258</b>	<b>\$ 5,286</b>	<b>\$ 8,745</b>	



**Product Management**

**Presented By:**

**Mark LaRow**

**Vice President, MSTR Products**

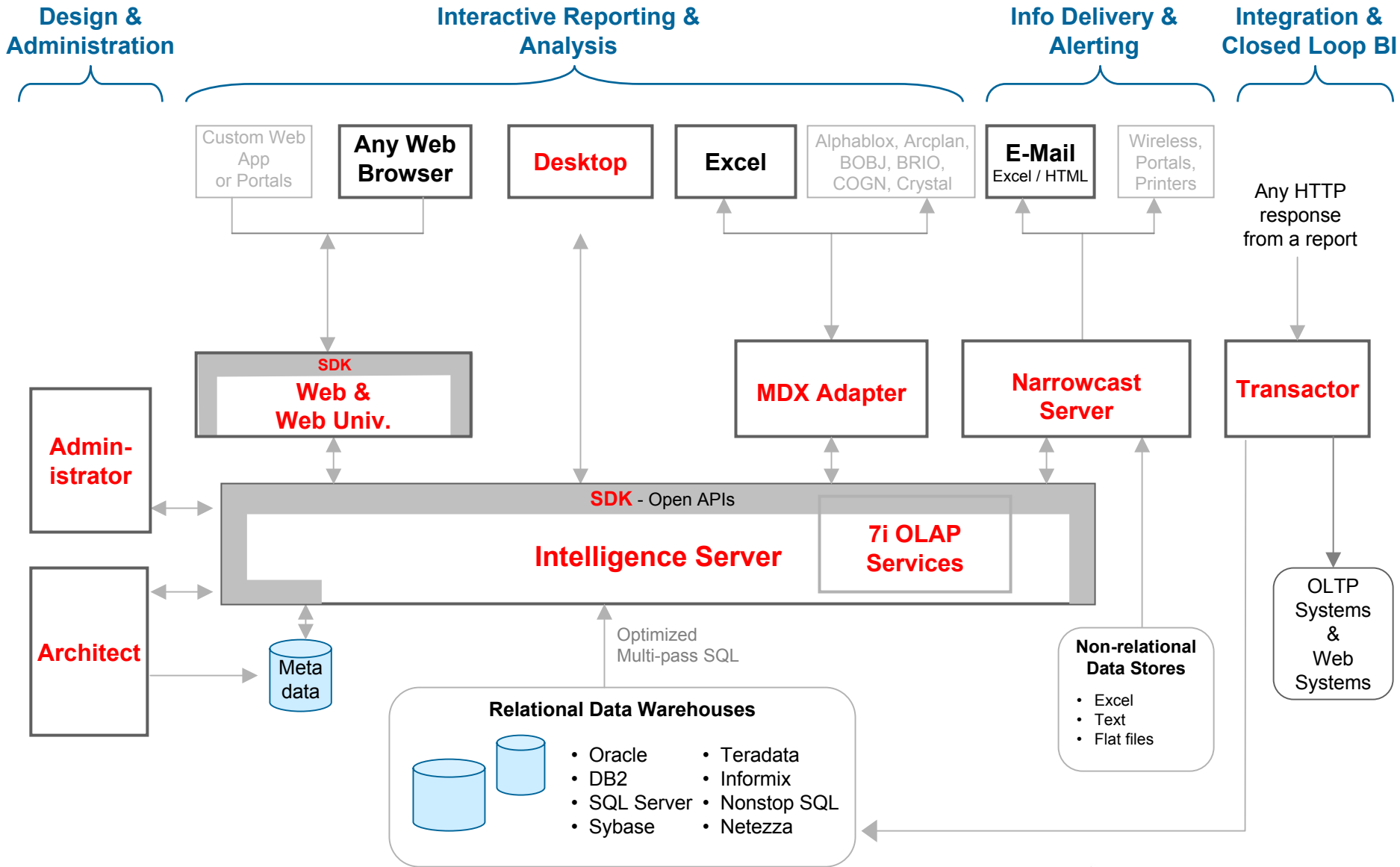
**February 3, 2003**



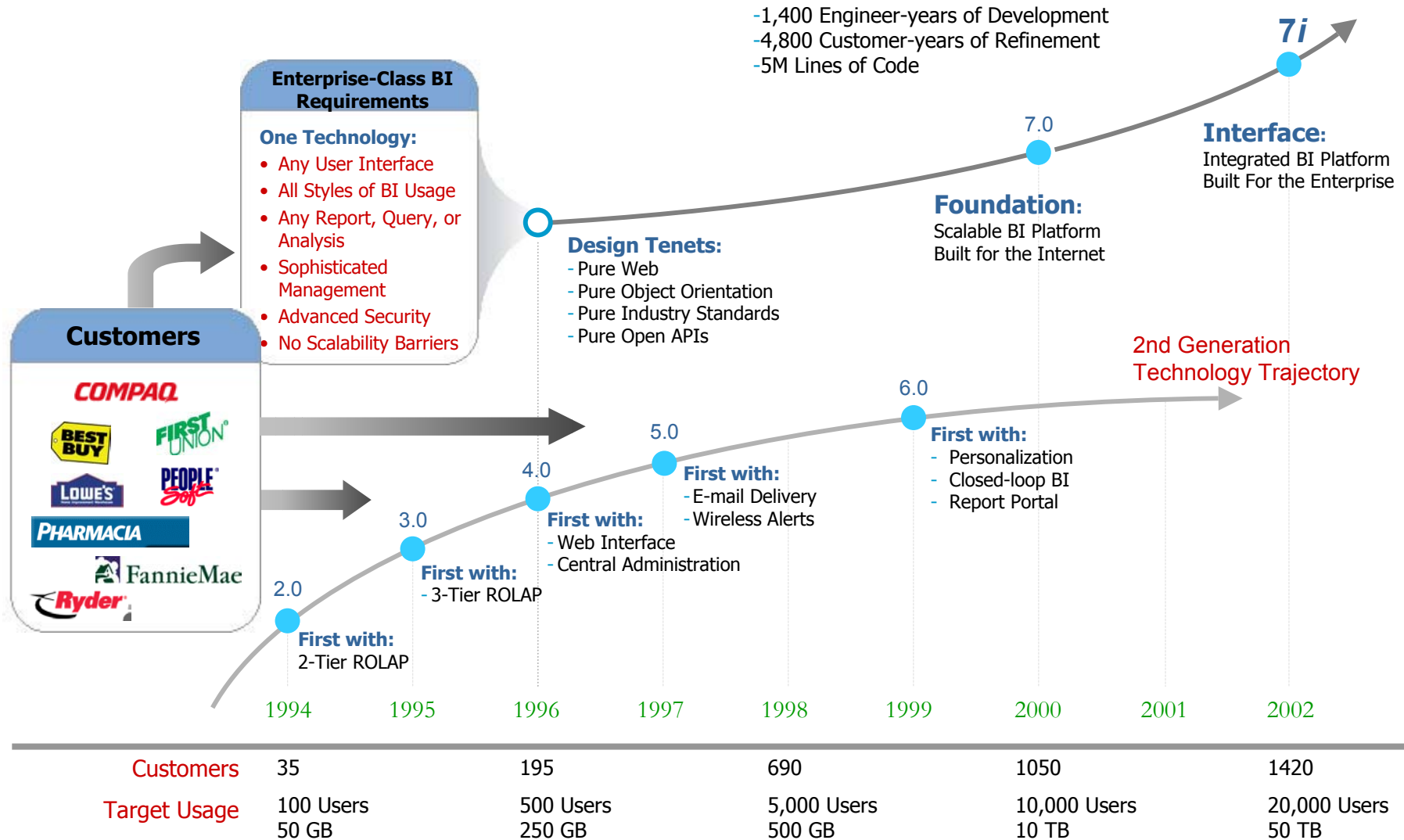
# Contents

- Product Overview
- Competitiveness
- Product Direction & Competition
- Markets and Strategy

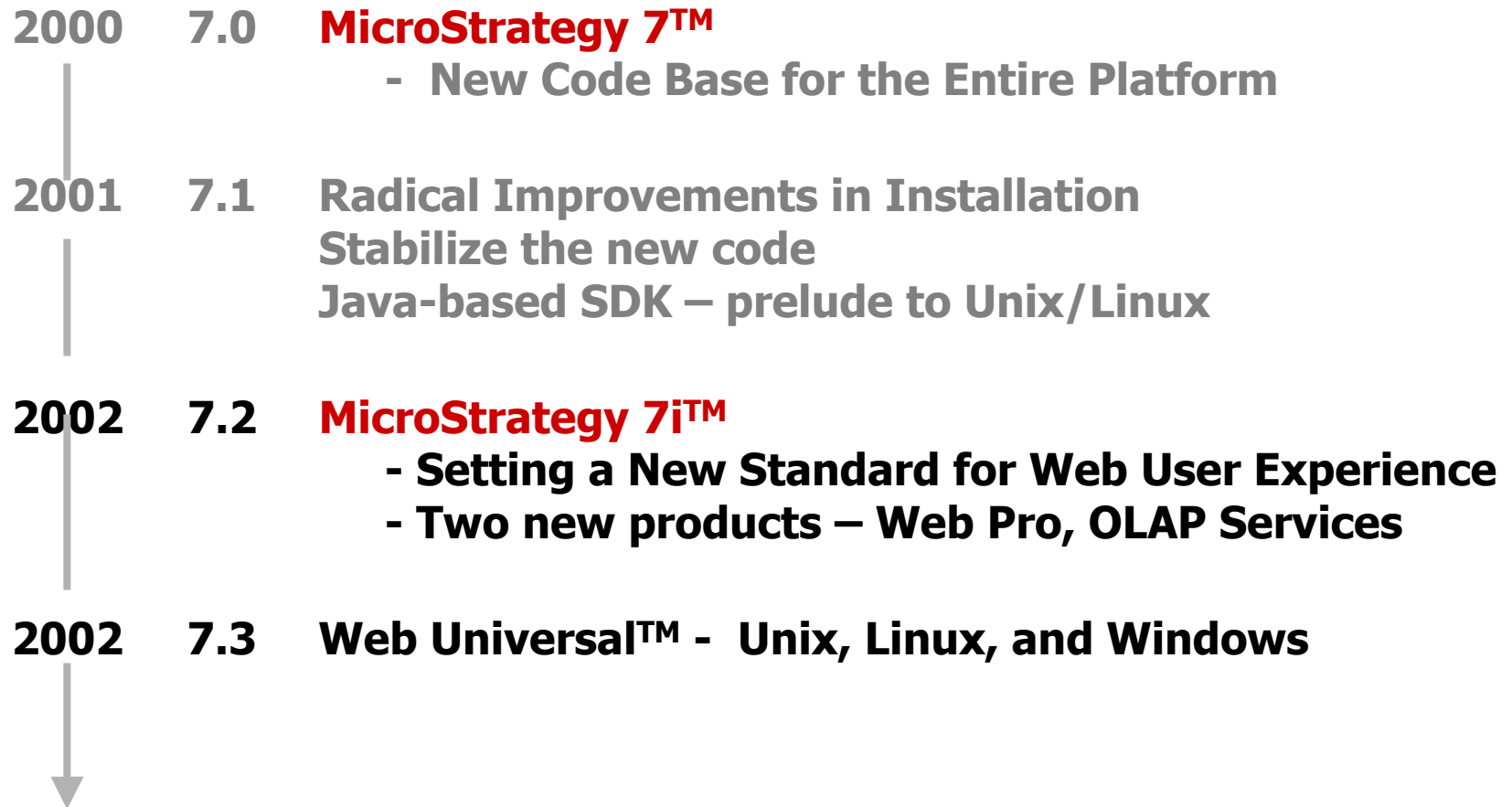
# MicroStrategy 7i™ : Product Overview



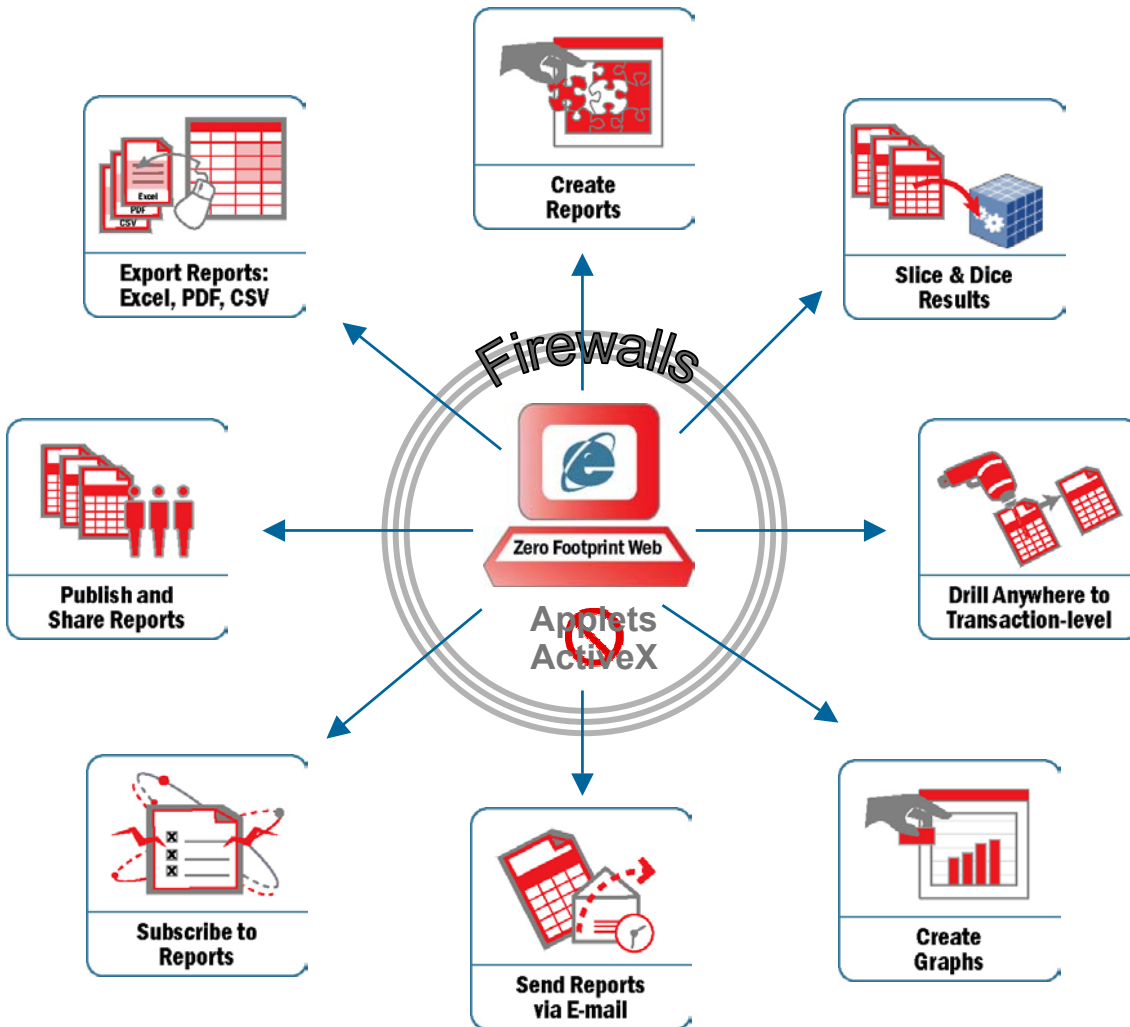
# Extraordinary Technology Investments Make MicroStrategy 7i a Leader in BI Technology



## In 2002, We Began To Fully Exploit Our New Technology Platform



# MicroStrategy 7i™ is Changing the Game with a **Zero-Footprint Web** Interface that Provides Complete Functionality for BI Users



## Zero Footprint Means:

- No Active-X or Java Applet downloads
- Works with all web browsers
- Pure HTML and DHTML works in all security configurations, across all firewalls and in Extranets
- Instant deployment to all users – just publish web link

## User Benefits:

- No end user IT admin
- No special software
- No conflicts with desktop software
- No hassle upgrade
- No performance impact due to downloads
- Accessible from any web browser anywhere

## Administrator Benefits:

- Zero downloaded code
- Zero client maintenance
- Zero security concerns

# MicroStrategy 7i™ Sets a New Standard for 'Windows-on-the-Web'

## "Windows On Web" User Interface Model

**Drop down menus**

**Drag and drop**

**Right click menus**

**Cascading menus**

## Drag and Drop Report Creation/Modification

**100% Object Access from Data Warehouse**

**WYSIWYG Design/Analysis**

**Drag-and-Drop Report Creation**

Sales Region	East	West	Central	Total
Revenue vs. Competitor	925,000	1,475,000	650,000	3,050,000
Revenue by Sales Representative	154,167	245,833	108,333	169,444
% Revenue Change vs. Previous Quarter	38%	(55.24%)	(69.05%)	(63.34%)
% Contribution to Total Revenues	33%	48.36%	21.31%	100.00%
Target Quota	2,250,000	2,250,000	2,250,000	6,750,000
% Conversion vs. Opportunity Size	41.11%	65.56%	28.89%	45.19%
Opportunities	13	17	10	40
Orders	6	10	4	20
% Opportunities Converted	46.15%	58.82%	40.00%	50.00%
Opportunity Size	725,000	1,350,000	1,075,000	3,150,000
% Conversion vs. Opportunity Size	127.59%	109.26%	60.47%	96.83%

## Excel-like Formatting

**Font type** **Font size** **Font style** **Number format** **Cell shading** **Font color**

Region	Q1.01 Revenue	Q1.01 Forecast	Q2.01 Revenue	Q2.01 Forecast
Northwest	\$16,728	\$20,400	\$38,041	\$34,700
Mid-Atlantic	\$34,110	\$34,110	\$94,780	\$94,780
Southwest	\$5,793	\$7,523	\$9,899	\$10,205
South	\$9,199	\$11,644	\$7,084	\$6,269
Central	\$31,046	\$32,680	\$11,573	\$14,700
East	\$16,728	\$20,400	\$38,041	\$34,700

## Complete Support For Dashboards and Scorecards

**Customizable layout**

**Graphical icons for KPIs**

**Combined grid-graph views**

**Color-coded thresholds**

## New 7i™ Products Are Adding Incremental Revenue

- OLAP Services
  - Adds Cube Style of Analysis to all MicroStrategy-based implementations
  - Competes directly with Cognos Powerplay for simple analysis applications
- Web Professional
  - Adds full report design capability in a Zero Footprint Web interface
  - Promotes end-user self-service and distributed development
  - No effective competition on the market

# In Nov 2002, **Web Universal™** is the First of Series of Multi-OS Products That Will Allow MicroStrategy to Address a Larger Market

## **MicroStrategy Web™**

- Wintel (32-bit processors only)
- Windows OS only
- ASP Interface only
- MSFT IIS App Server only
- MSFT IIS Web Server only
- Programming-based Customization
- Java-based APIs

## **MicroStrategy Web Universal™**

- **Any** Processor (up to 64 bit)
- **Any** OS (Unix, Linux, Windows)
- **Any** Interface (JSP or ASP)
- **Any** App Server (IBM, Sun, BEA, Tomcat)
- **Any** Web Server (IBM, Sun, Apache, MSFT)
- **Parameter-driven** Customization
- **Web Services**-based APIs

- Increases addressable MicroStrategy market by 22%
  - IDC estimate of BI market dedicated to Unix and Linux
  - Two new Customers in Q4-02 because of Web Univ - License = \$508K
- Web Universal is priced at 25% premium over MicroStrategy Web
- Eventually, all customers will migrate from Web to Web Universal



# Contents

- Product Overview
- **Competitiveness**
- Product Direction & Competition
- Markets and Strategy

## How the Competition Positions MicroStrategy

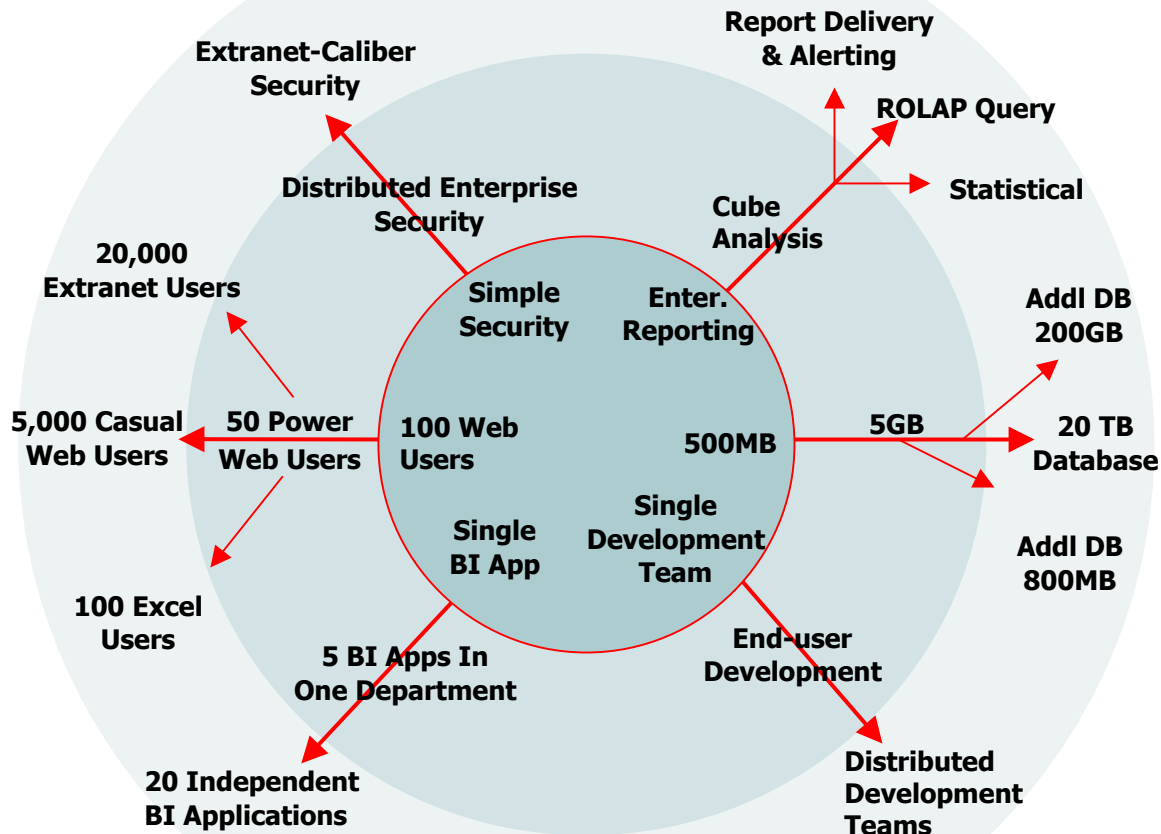
- MicroStrategy is the Cadillac of BI
  - Too powerful
  - Too many features
  - Too difficult to use
  - Too focused on the power users
  - Too much IT infrastructure
- MicroStrategy Corporate Viability

## MicroStrategy 7i™ Is the Clear Choice When Customers Need ...

<b>Application Requirement</b>	<b>7i Technology Attribute</b>
Data Scale (Beyond 500 GB)	ROLAP Engine
User Scale (Beyond 1,000)	Zero Footprint Web
Web Interface & Self-Service	Reporting, Query, Analysis, and even Report Building using 'Windows-on-the-Web'
Analytic Sophistication	>200 Built-in Functions, Multipass SQL
Report Scale (Beyond 500) & Distributed Development	Object Reuse, Unified and Centralized Meta Data
Security (Extranet-caliber)	Data-level, Metric-level, Summarization-level, Report-level, and Functionality-level
Consolidation of BI	5 Styles of BI on Unified Within One Platform
Integration with Other Systems	>3,000 Web Services-Accessible APIs
Industrial-Strength Infrastructure (24x7 Ops)	Clustering, Load Balancing, Central Control

# MicroStrategy BI Scales to Meet Enterprise Requirements

**No matter where you start your BI implementation ...  
... if it's successful, it grows beyond its original boundaries**



**Technology grows with scalable IT tools, with little or no additional software, and with proportionally fewer IT resources**

- Seamlessly extend the BI application from simple Reporting to include any or **all styles of BI**
- Scale to **Terabyte** databases
- Provide **self-service** report development to any or all end users
- Manage corporate definitions in **integrated metadata** and share definitions seamlessly with all applications
- Add **1,000s new users** automatically through LDAP
- Add **extranet users** simply by publishing a URL to zero footprint web UI
- Automatically **extend the centralized security** throughout the enterprise and even to extranets

# Competitive Headwinds

## Historic Drags



Ease of Use

Ease of Install / Oper.

Too Slow

## Recent



Corporate Viability

Unix and Linux

Costs Too Much

Report Writing

7i Interface

7.1 Release

7i OLAP Services - Intelligent Cubes

Comparison of Business Intelligence Software

MicroStrategy		<input checked="" type="checkbox"/>
Brio		<input type="checkbox"/>
Cognos		<input type="checkbox"/>
Crystal Decisions		<input type="checkbox"/>



## Industry Analyst Are Echoing Superiority of 7i Technology

*“MicroStrategy 7i is one of a few products that is both an EBIS and a BI platform, so it can be deployed as a query, analysis and reporting tool and can also be used to develop and deploy BI applications.”*

(The Gartner Group, Alan Tiedrich, Sept 20, 2002)

*“The value of a business intelligence architecture is dependent on the number and variety of analytic applications it supports. MicroStrategy 7i, with its powerful ROLAP and Web reporting capabilities, significantly increases the range of applications its customers can run.”*

*The net effect will be to extend the benefits of business intelligence to far more users across the enterprise.”*

(IDC Henry Morris, VP for Applications and Information Access)

*“MicroStrategy has taken a great step forward in improving the interactivity of its Web interface, which is now one of the best of the true zero-footprint, browser-independent OLAP Web implementations.”*

*“The new high speed server cubes and flexible Web front-end, coupled with MicroStrategy's traditional power when analyzing large volumes of detailed information, is a compelling combination.”*

**Nigel Pendse**, lead author of The OLAP Report (<http://www.olapreport.com>).

*“MicroStrategy 7i has not only responded with a consolidated architectural platform, but it has delivered pure-web report creation and formatting capabilities that will give enterprises the facility to answer their questions in the BI style of their choice while maintaining the flexibility to support evolving BI needs.”*

(The Aberdeen Group Bob Moran, Research VP and Managing Director, Data Knowledge and Analytics)

# Contents

- Product Overview
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- **Product Direction & Competition**
- Markets and Strategy

## Wide Range of User Requirements Resulted in Niches of BI Technology or 'Styles of BI'

### Ad Hoc Query & Reporting

1. Canned and Parameterized Reports
2. OLAP Functionality Against an Entire Database
3. User Control of Grid Content and Format

### Statistics & Data Mining

4. Sophisticated Analyses
5. Hypothesis Testing
6. Predictive Analysis

### Cube Analysis

7. OLAP Functionality Against a Data Subset (cube)
8. Speed-of-Thought Analysis
9. WYSIWYG Grid Content Control

### Report Delivery & Alerting

10. Report Subscription and Delivery
11. Exception-based Alerting
12. Information Delivery Services

### Enterprise Reporting

13. Batch Production of Printed and Web-based
14. Pixel-Level Control of Field Placement
15. Multi-Report Documents



# MSTR 7: Can Support All 5 Styles of BI within a Unified Framework

All Users



Any BI App



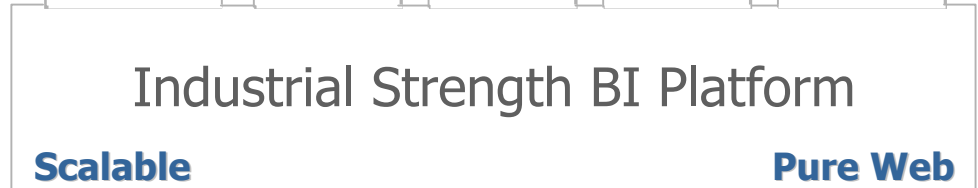
Unified User Interface



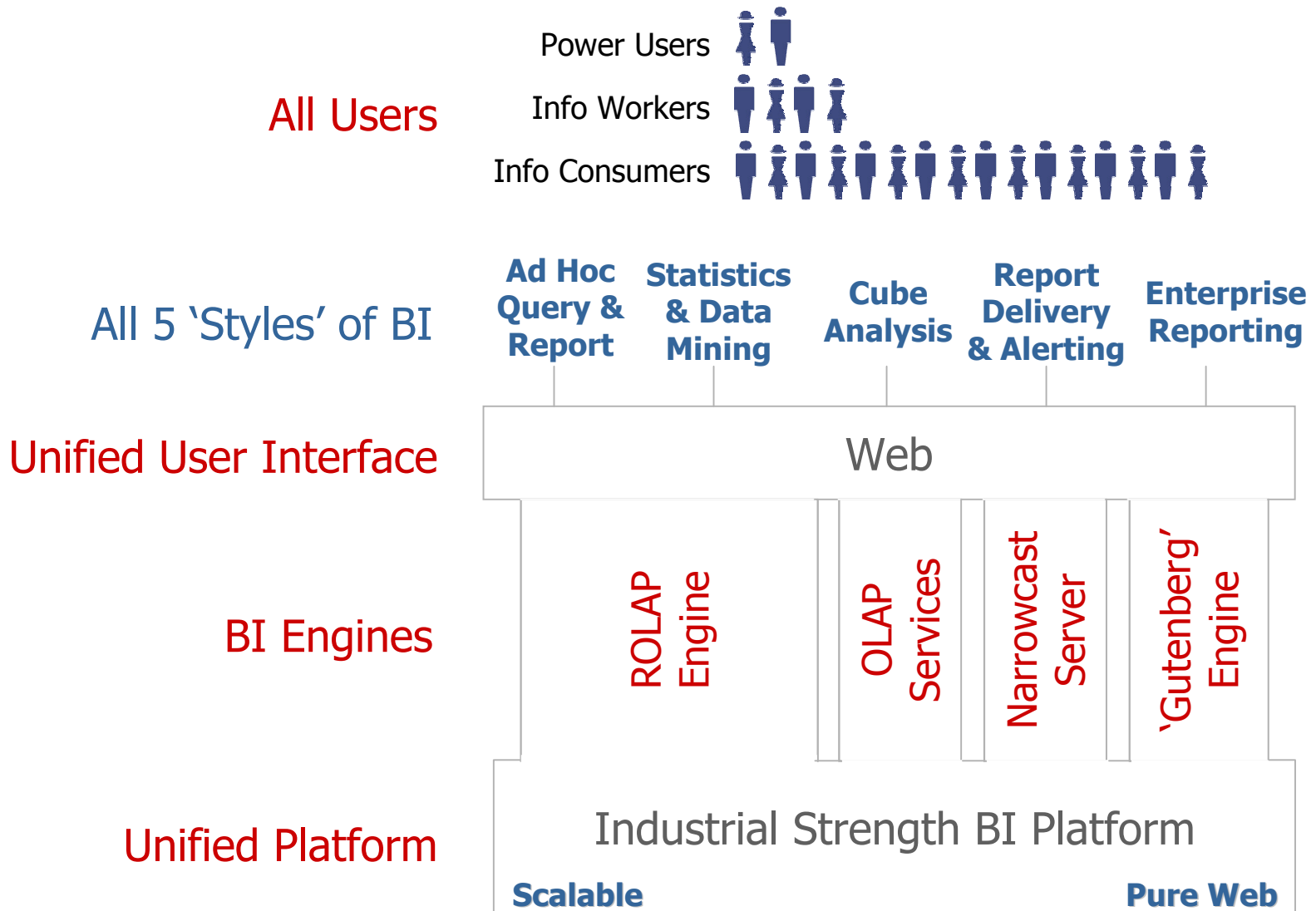
All 5 'Styles' of BI



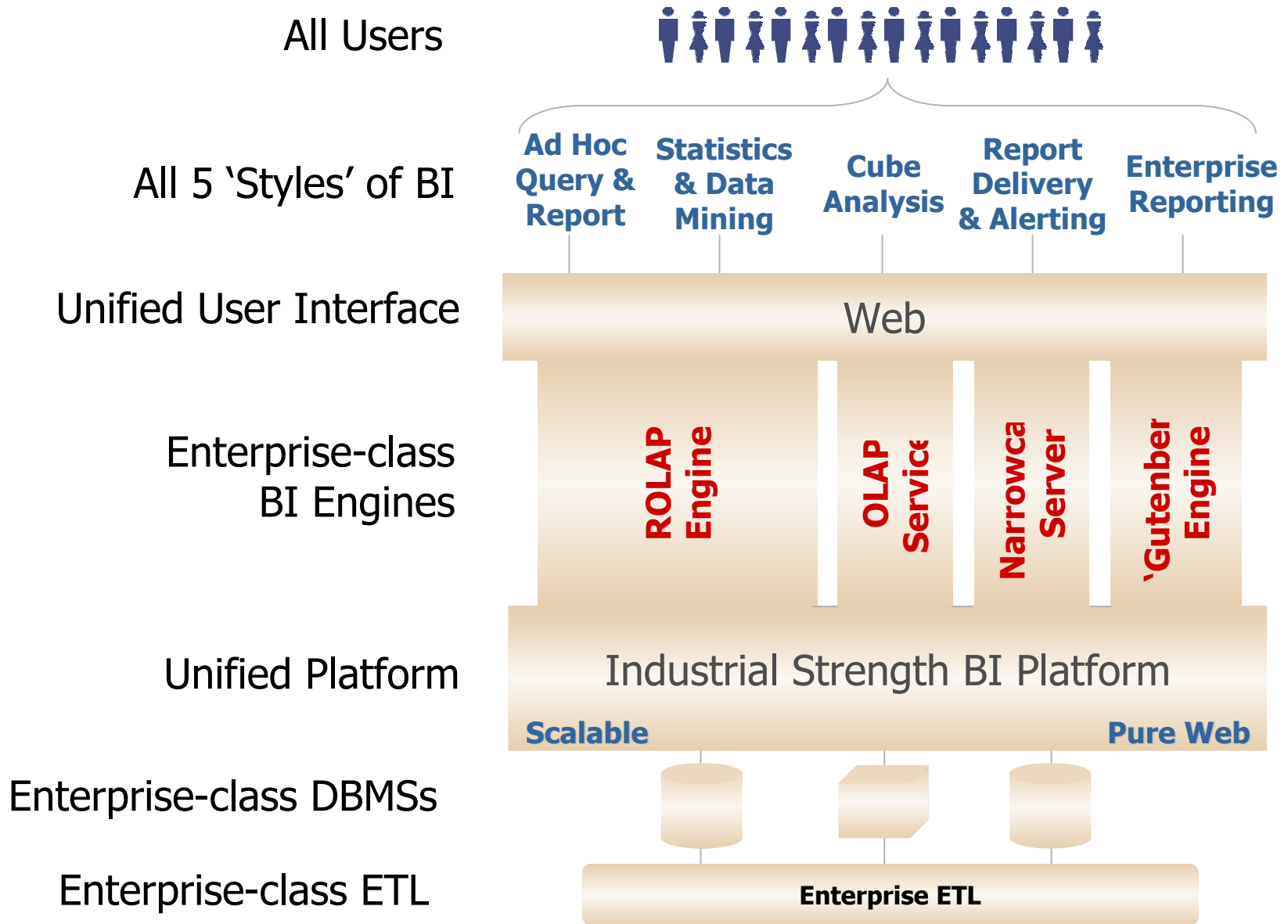
Unified Platform



# The **MicroStrategy 7i™** Platform Architecture Was Designed from the Beginning to Provide a Unified Interface and Foundation for all 5 Styles of BI



# The **Gold Standard** for Enterprise-class BI



# Competing Against Business Objects

## Product Characteristics

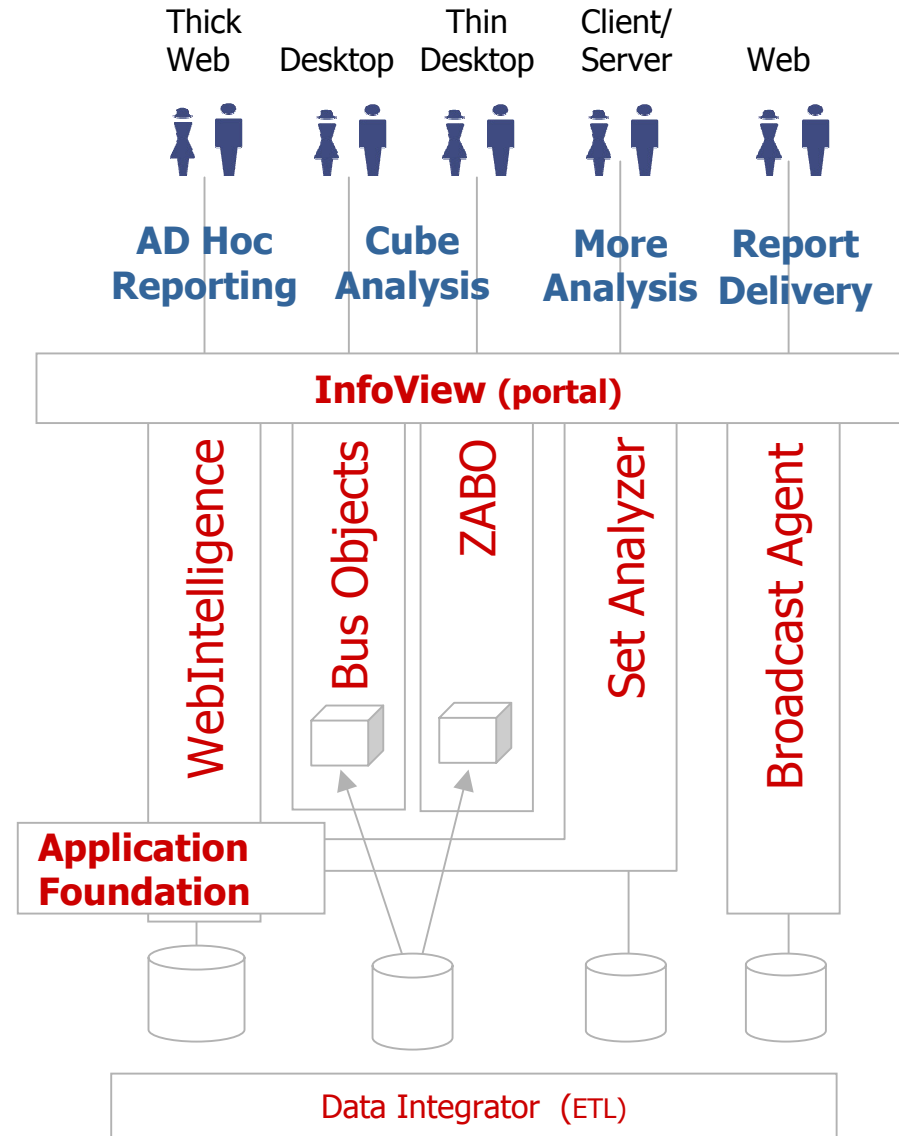
- Non-Integrated Products
- Different Interface for Each Product Despite Portal
- Different Metadata
- Limited Analytic Breadth
- Desktop Heritage
  - Limited central control
  - Limited re-use of meta data
  - Limited security architecture
  - Limited web functionality
- No Unified APIs

## Competitive Strengths

- Simple to Understand
- Quick & Dirty to Implement

## Competitive Weakness

- Only One Style of BI for each App
- Only One Style of BI for each User
- Different Interface for each User
- Difficult to Scale
- Limited Economies of Centralization



# Competing Against Cognos

## Product Characteristics

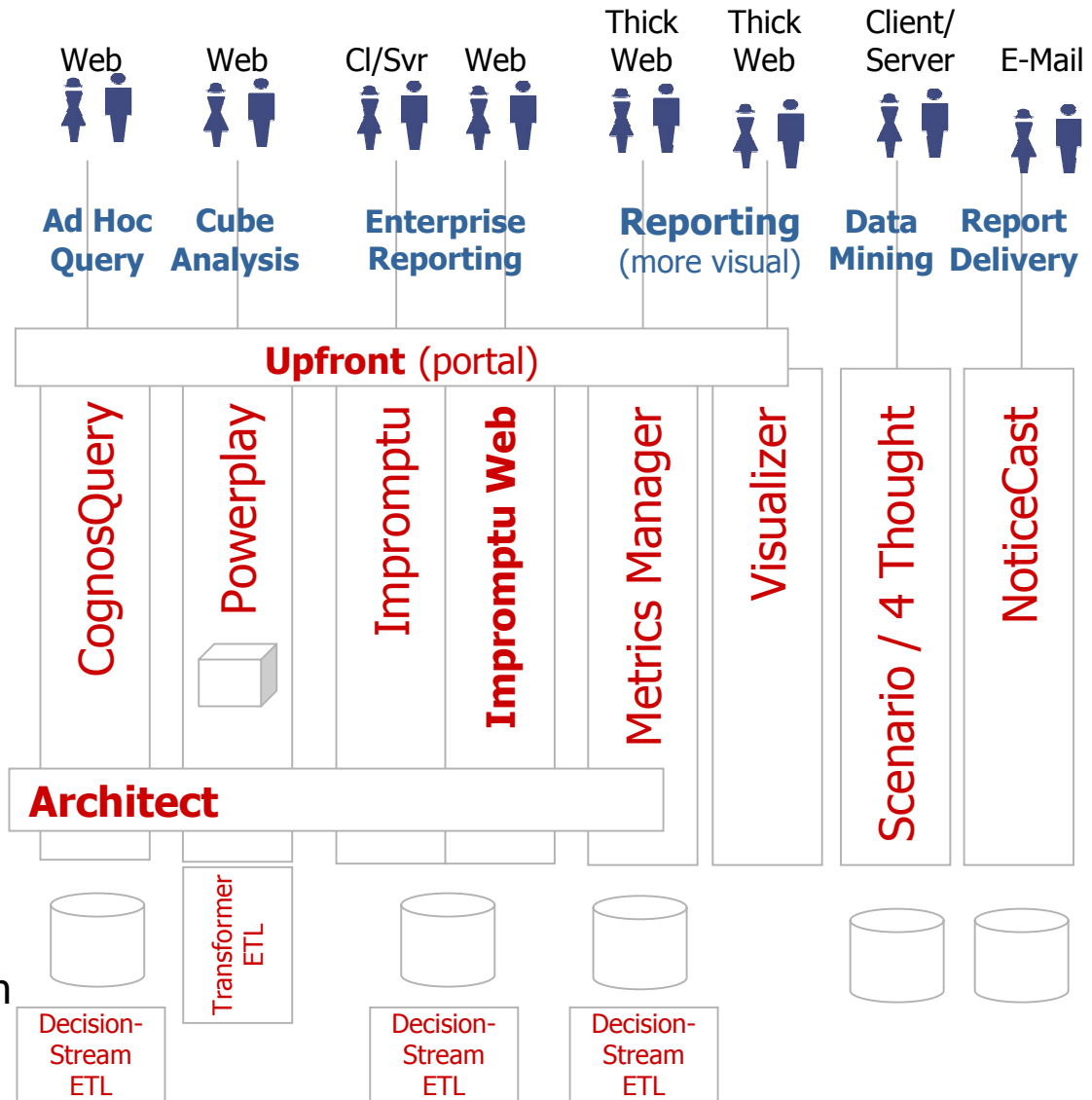
- Non-Integrated Products
- Different User Interface for Each
- Different Meta Data for Each
- Different Security for Each
- Different ETL for Each
- No Unified APIs

## Competitive Strengths

- Simple to Understand
- Broad Range of Products

## Competitive Weakness

- Only One Style of BI for each App
- Only One Style of BI for each User
- Different Interface for each User
- Difficult to Scale
- Limited Economies of Consolidation
- ETL is not Enterprise-class



# Competing Against Crystal

## Product Characteristics

- 2 Non Integrated Styles of BI
- Desktop Heritage
  - Limited central control
  - Limited re-use of meta data
  - Limited security architecture
  - Limited web functionality
- No Real APIs

## Competitive Strengths

- Simple to Understand
- Strong Formatting Capability
- Easy Access to Operational Data

## Competitive Weakness

- Only One Style of BI
- Report Mgmt, Metric Consistency, Data Integrity Becomes very problematic at Scale
- Limited Coordinated Distributed Development
- Limited Economies of Consolidation



## ERP Vendors and BI

- Most are adding pre-packaged reports and analysis
- Some are developing 1<sup>st</sup> generation BI technology based on cubes
- They will eventually take over the markets for basic operational reporting and narrow functional analysis of their own data (previously dominated by BOBJ and COGN)
- Will not be players in the general purpose BI market because their development of BI technology, reports, ETL will be driven by, and tuned to, their own operational application
- Market Impact
  1. Dry up BOBJ and COGN datamart solutions
  2. Will create a market for a unifying BI technology that can span multiple operational systems with consolidated data warehouses, unified user interface, and unified meta data
  3. Will offer OEM opportunity to MicroStrategy as one of the last pure-play BI vendors for those operational application vendors which do not develop their own BI technology

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# Markets For Business Intelligence

- The market needs Enterprise-class BI platform technology...  
... not more isolated tools
  - **BI applications** have evolved to the point where they are **mature IT**
  - **Most BI** technology has **not matured** at the same pace
  - **MicroStrategy** can meet the requirements
    - Unified architecture
    - The massive technology investments
    - Focus on mission-critical BI applications from the beginning
- MicroStrategy intends to **perfect the BI Platform**
- **Other vendors** seem to be leaving the **hard work unfinished** by moving into:
  1. Pre-packaged Reports (aka Analytical Applications)
  2. ETL Software
  3. CPM Software
  4. Portal Software
  5. Collaboration Software

# Pre-packaged Reports (aka Analytical Apps)

Pre-packaged Reports can come in one of 3 flavors:

1. Generic horizontal applications
2. Sophisticated horizontal applications
3. Vertically-specific applications

## 1. Generic horizontal pre-packaged applications

- Provides very little value except to the novice BI customer
- BI vendors will compete directly with ERP & CRM vendors
- MicroStrategy Strategy:
  - Offer pre-packaged “portable analytic modules” that are provided as starter kits
    - Financial Reporting
    - Sales and Distribution
    - Human Resources
    - Customer Analysis
    - Sales Analysis
  - Portable analytic modules can be ‘ported’ to existing data warehouses, or can be implemented standalone

# Pre-packaged Reports (aka Analytical Apps) con't

## 2. Sophisticated Horizontal Analytics

- Require extensive customization to make relevant to a real customer
- Data from more than one data source, making pre-packaged ETL impossible
- BI vendor will compete directly with ERP & CRM vendors
- Difficult to upgrade to future releases because of extensive customizations so there can be no maintenance stream, thus breaking the basic economic model for software companies
- MicroStrategy Strategy:
  - Fostering knowledge transfer of best practices using the Technical Account Management (TAM) program

## 3. Highly Vertically-specific Applications

- Requires extensive deep and narrow expertise
- Requires a portfolio of hundreds of applications to cover a modest footprint in several verticals
- No synergy between applications
- Requires significant customization for data sources and business process
- MicroStrategy Strategy:
  - Cultivate partner SIs and ISV with deep domain expertise to develop these on MSTR platform

# ETL Integration with BI

1. Pre-packaged ETL To Augment Pre-packaged Application offerings
  - Depends on viability of pre-packaged reporting applications - **dubious**
  - Depends on pre-defining the source systems – **how many can each vendor deliver?**
  - Besides, Pre-packaged reports from pre-defined sources are expected to belong to the ERP and CRM vendors in the future
2. ETL Tool Sold Concurrently with BI Tool for Custom-development
  - Most companies already have a preferred enterprise-class ETL tool to serve as a utility for all data movement needs
  - Value proposition is in purchase order convenience
  - Metadata integration would be good, but most BI vendors cannot even integrate the metadata of their disparate BI products
  - BOBJ will be distracted by new market, new competitors, expectation of technical integration, re-alignment of ETL to its applications
  - MicroStrategy Strategy:
    - Continue metadata integration with enterprise-class ETL vendors
      - MX2 Integration with Informatica
      - MetaBroker integration with Ascential

# Business Performance Management (BPM) - 1

1. Historical and Predictive analysis
  - We already have this... It's called ROLAP
  - Plus the pre-packaged Financial Reporting Analytic Module (FRAM) starter kit
2. Scorecards and Dashboards
  - We have a lot of this with Document Objects
  - A lot more with Gutenberg (Operational Report Writing)
3. Strategy Automation and Strategy Dissemination
  - Operational software that manages a process for establishing strategies, goals, metrics; and then reports on those as in BPM (1) above
  - Usually based on a recognized methodology – e.g., Balanced Scorecard
  - Includes operational applications like CorVu and many other niche vendors
  - MicroStrategy will augment those niche vendors, or customers are expected to develop these more simply using the 5 Styles and perhaps a custom UI
4. Decision Workflow
  - Directed decision-making workflow where information is at the center
  - Portals and other collaborative software are expected to take the lead here, not BI vendors.
  - MicroStrategy plans to feed portals and collaborative software with BI through Web Service and Portal Integration
  - MicroStrategy does support casual decision workflow simply using NCS Send Now/Subscription

### 5. CPM = Information-centric Operational Applications

- Genre of information-centric, business modeling, applications where large arrays of information are disseminated, modified, collected, consolidated, analyzed, re-disseminated, etc.
- Prime example today is Budgeting and Planning – Adaytum, Comshare, Hyperion, and ERP vendors
- Also includes Sales Force Automation, Supply Chain Management
- These are predominantly operational/transactional in nature
- ERP vendors are expected to own this market with adjunct BI technology (OEM'ed or developed in-house)

### 6. Business Process Management (the other BPM).

- New genre of application intending to measure and manage the throughput of professional work processes
- This has not caught on, but there are a number of niche vendors in this space pushing hard.
- SAP "xAPPS", Savvion, IDS Scheer, SeeRun, Vitria, FuegoTech, SeeBeyond
- BI is expected to be an adjunct, but not the driver of these systems

## Portals and Collaboration Software

- Portals are expected to become the predominant consolidated interface
  - All MicroStrategy functionality is expressible through a J2EE portal using Web Services
  - MicroStrategy is committed to delivering all user functionality through its web interface, so MicroStrategy can deliver the best BI through a portal
- Collaboration Software
  - Leave this to Microsoft and others to sort out
  - MicroStrategy plans to integrate BI through Open APIs and Web Services

## Existing Market Opportunities

1. Existing Customers - more users and more applications
  - Universal add-on - Unix, Linux, and 64 bit support
  - Web Professional add-on - End-user self-service
  - OLAP Services add-on - Intelligent cubes
  - Narrowcast Server™ add-on - New collaboration features
  - 'Project Gutenberg' add-on - Pixel perfect report writing
  
2. New Customers with Demanding Applications
  - We expect to continue to dominate this part of the market
  - There will only be more and more 'Demanding BI Applications' because IT does not step backward
  - IT Professionals are beginning to establish entire careers based on BI, and they need mission-critical BI applications to do this
  
3. New Customers with Simple or Very Small Applications
  - Start small with MicroStrategy, Grow Functionality and Scale
  - Future-proof your BI investment – 5 Styles of BI, Industrial Strength BI



## New and Emerging Market Opportunities

- Unix and Linux BI Market
  - IDC estimates that MicroStrategy has been excluded from 22% of the BI market due to lack of Unix and Linux offering
- Replacing Incumbent BI Technology
  - Installed base of BOBJ, COGN, BRIO are ripe markets for MicroStrategy
  - When BI implementations “hit the wall,” BI professionals turn to MicroStrategy
  - Approximately 15% of new MicroStrategy customers, are “buying up” to MicroStrategy from other incumbent BI technology
- Enterprise Consolidation and Enterprise Standardization
  - Companies are starting to rationalize their disparate BI technologies to reduce costs and eliminate islands of information
- Enterprise Reporting (with Gutenberg report writing)
  - Competing directly with Crystal and Actuate, but with a full platform
  - 2003 market size estimated to be \$300M to \$500M in licenses
- OEM Channel
  - Unix and Linux open the door for MicroStrategy
  - MicroStrategy is a world-class BI technology that is not competing with operational software vendors

**We Believe MicroStrategy Will Continue to Be the Best Pure-play BI Software Technology Uniquely Suited for:**

1. Building custom BI applications using...
2. All styles of BI, unified interface, unified platform
3. Capable of enterprise caliber IT development and operation
4. But supporting small initial implementations well
5. Delivering highest scalability and the economies of scale (TCO)
6. Delivering the economies of consolidating disparate BI
7. Integrating with other vendors' software – portals, web services, BPM, collaboration, etc.
8. Fostering a 3<sup>rd</sup> party market for ISVs and SIs to develop packaged solutions



## **Technology**

### **Presented By:**

**Jeff Bedell**

**Chief Technology Officer**

**February 3, 2003**

No additional slides with this portion of the presentation.  
For a demo of the 7i product please go to [www.microstrategy.com](http://www.microstrategy.com) and click on the 7i Product Demo.



**Marketing**

**Presented By:**

**Sanju Bansal**

**Vice Chairman and COO**

**February 3, 2003**

## How Does MicroStrategy Plan to Grow Revenue in 2003?

Recap of Sales, Operations, Technology

Applications of Our Technology

The Law of Small Numbers

The Marketing Challenge

Getting the Word Out

## 1. Sales Recap

- Seasoned sales force, 100% focused on business intelligence platform message
- Good field margins in 2002, should improve in 2003
- Have grown sales team by 36% since this time last year (97 selling heads as of 1/20/03 vs. 70 in Q1 2002)
- Plan to grow sales headcount to 110+ by year-end 2003, based on continued achievement of field margin targets (an additional 15%)

**We have the sales engine to meet our 2003 plan.**

## 2. Operations

- Budgeting and financial control processes are better-managed; witness Q3 2002
- Service margins, gross margins, and operating margins have improved
- Software and MX revenues are growing, system integration revenues are shrinking as we exit this low margin business.
- We have made tremendous progress in reducing liabilities. We have reduced our debt. No more preferred stock overhang.
- Maintenance is an approximately \$50M business in 2002 and we're instituting our first-ever COLA effective 2/1.

**Operations are much better managed and controlled.**

### 3. Technology

- Releasing new products which drive more revenue by allowing our customers to build more applications, deploy to more users, and replace competing BI tools with a better architecture.
- We expect demand in 2003 to be driven by:
  - a. Continued acceptance of 7i Platform: it's more robust, powerful, and functional than previous versions
  - b. Excitement about new 7i products (Web Professional, OLAP Services) that are opening up Query, Reporting, and OLAP opportunities.
  - c. Interest in deploying on J2EE application servers, Unix, Linux, etc. with our Universal product line.
  - d. Interest in a fully integrated report writer that we intend to offer as part of our product line

**We're focused on releasing relevant technology that increases our addressable market**



# 4. MicroStrategy Is a 'Pure Play' BI Platform Software Provider

## Customized BI Applications that Enterprises Need to Run their Business

### Customer Analysis

- Customer Segmentation
- Customer Profitability
- Cross-sell / Up-sell

### Supply Chain Management

- Inventory Analysis
- Trade Fund Analysis
- Distribution Cost Analysis

### Asset Management

- Channel Management
- Capital Budgeting
- HR Allocations

### Vendor Performance Analysis

- Service Level Agreement
- Chargeback Analysis
- Relative Sales Analysis

### Financial Reporting Analysis

- P&L Reporting
- Profitability Analysis
- Financial Compliance Analysis

### Sales Analysis

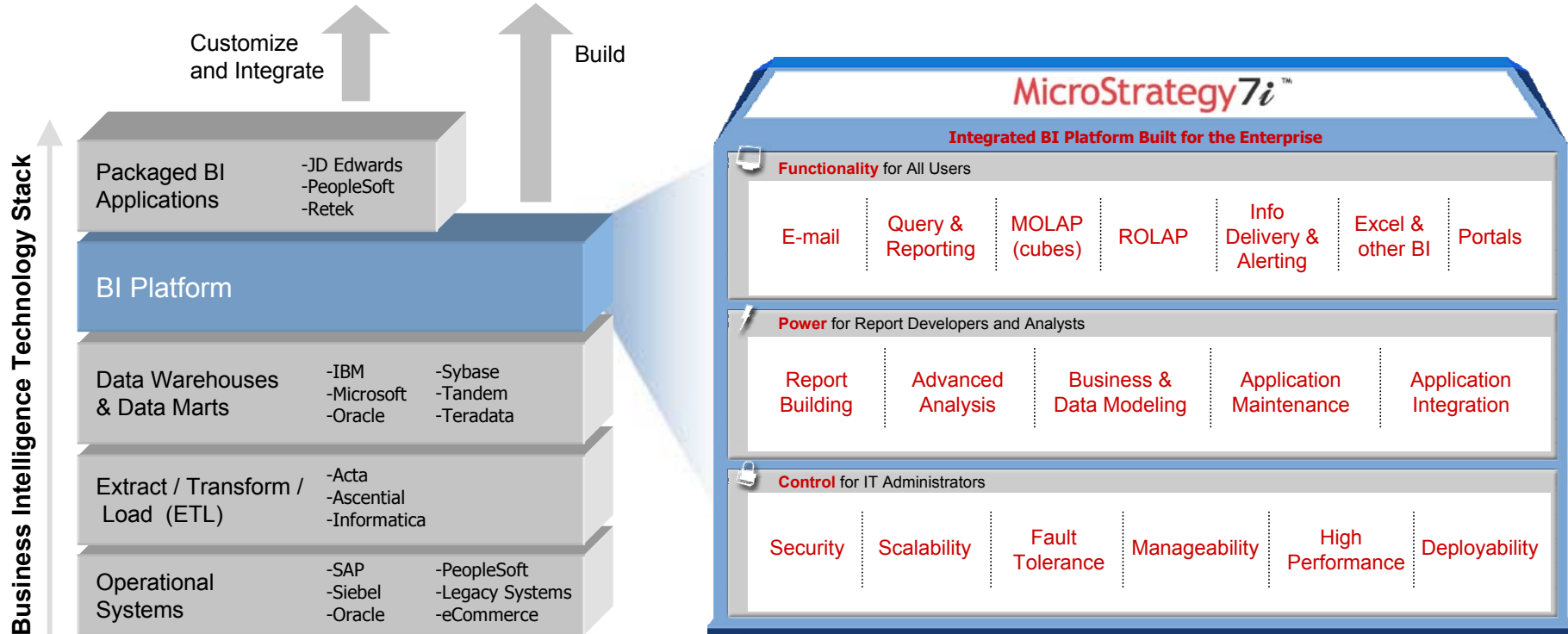
- Market Basket Analysis
- Store/Geographic Analysis
- Commission/Quota Reporting

### Risk Analysis

- Risk Management
- Portfolio Risk Analysis
- Fraud Detection

### Operations Analysis

- Web Traffic Analysis
- Compliance Reporting
- Store Operations Analysis



# MicroStrategy and Customer Analysis Applications

(Pre-packaged Module Now Available as part of Business Intelligence Developer Kit\*)

## Platform Strengths for Customer Analysis

- **True Segmentation** capability requires ad-hoc banding of customers by any criteria and drilling to atomic details.
- **Data Scalability** in the multi-terabyte range required for Customer Analysis is possible with the MicroStrategy ROLAP architecture
- **Intricate Multi-level Analysis** required for deeper customer insight is possible with MicroStrategy's multi-pass SQL engine
- **Database Platform and Schema Independence** is required to support complex customer-centric data bases
- **\*Pre-Packaged Customer Analysis Module** with 40 reports serves as an excellent starter kit to develop custom application

TARGETED BUSINESS VALUE	TYPICAL ANALYSIS
<ul style="list-style-type: none"> <li>• <b>Manage Loyalty and Reduce Churn</b> <ul style="list-style-type: none"> <li>• Optimize Product Offerings</li> <li>• Profile Lost Customers</li> </ul> </li> <li>• <b>Design Effective Campaigns</b> <ul style="list-style-type: none"> <li>• Segment Customer Base</li> <li>• Maximize Campaign ROI</li> </ul> </li> <li>• <b>Increase Customer Revenue/Profit</b> <ul style="list-style-type: none"> <li>• Cross/Up-Sell to Customers</li> <li>• Profile Profitable Customers</li> </ul> </li> <li>• <b>Analyze Customers</b> <ul style="list-style-type: none"> <li>• Measure Life Time Value</li> <li>• Segment Customers by Demographics</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <b>Customer Profiling</b> <ul style="list-style-type: none"> <li>• Segmentation by any Criteria</li> <li>• Revenue Contribution by Segment</li> </ul> </li> <li>• <b>Loyalty Management</b> <ul style="list-style-type: none"> <li>• Retention and Attrition Analysis</li> <li>• Time-based Trends</li> </ul> </li> <li>• <b>Revenue and Profit Enhancement</b> <ul style="list-style-type: none"> <li>• Product Affinity Analysis</li> <li>• Revenue and Profit Trends</li> </ul> </li> <li>• <b>Campaign Measurement</b> <ul style="list-style-type: none"> <li>• Response Measurement</li> <li>• Loyalty Program Analysis</li> </ul> </li> </ul>
DIFFERENTIATED MICROSTRATEGY ANALYSIS	
<p><b>Dynamically segment</b> top 3rd customers that spent below a threshold amount on a specific product category for current quarter</p> <p><b>Correlate product affinities and profiles</b> of all married customers to high value married customers to identify cross-sell products</p> <p><b>Develop a profile of lost customers</b> to identify which profitable customers might be at risk of leaving in the next quarter</p>	<p><b>Calculate profit contribution</b> of medium income customers in VA to overall profitability in the North East region</p> <p><b>Derive migration patterns</b> of customers between high RFM bands to lower ones for any two given time periods</p> <p><b>Forecast campaign ROI</b> by measuring and extrapolating campaign results in real time of previous similar campaigns and similar target group</p>

## Customers:

Create Personalized and Highly Effective Campaigns  
- **Wachovia**

Reduce Customer Churn and Retain Profitable Ones  
- **Interoute**

Optimize Customer Service to Improve Customer Satisfaction  
- **KeySpan**

Enhance Customer Loyalty by Purchase Behavior  
- **Boots The Chemist**

And Many More...

**Bank of Montreal**  
**Boots the Chemist**  
**Capital One**  
**Consors Discount Broker**  
**Equifax**  
**JPMorgan Chase**  
**Lyonnaise de Banque**  
**Nürnbergger**  
**Versicherungsgruppe**  
**PharmaPlus**  
**Visa**  
**Wind**

# MicroStrategy and Financial Reporting Analysis

(Pre-packaged Module Now Available as part of Business Intelligence Developer Kit\*)

## Platform Strengths for Financial Reporting Analysis

- **Precise Data Presentation and Formatting** is an important criteria for financial reports
- **Time-based Analysis** is key to financial reporting and is made possible easily through out-of-the-box time transformation, comparative and dynamic date functions
- **Intricate Multi-level Analysis** is a requirement to gain deeper insight into financial operations and is possible with MicroStrategy's multi-pass SQL engine
- **Database Platform and Schema Independence** is required to support multi-source financial data.
- **\*Pre-Packaged Financial Reporting Analysis Module** with 42 reports serves as an excellent starter kit to develop custom application

TARGETED BUSINESS VALUE
<ul style="list-style-type: none"> <li>• <b>Optimize A/R Collection</b> <ul style="list-style-type: none"> <li>• Identify A/R aging trend</li> <li>• Monitor Delinquency</li> </ul> </li> <li>• <b>Minimize Operating Costs</b> <ul style="list-style-type: none"> <li>• Identify High-Expenses Items</li> <li>• Itemize Costs Down to Txn Level</li> </ul> </li> <li>• <b>Project Revenue and Expenses</b> <ul style="list-style-type: none"> <li>• Compare Actual vs. Forecasts</li> <li>• Measure Variance</li> </ul> </li> <li>• <b>Maintain Financial Health</b> <ul style="list-style-type: none"> <li>• Monitor up-to-date Balance Sheet</li> <li>• Alert Managers to Anomalies</li> </ul> </li> </ul>

TYPICAL ANALYSIS
<ul style="list-style-type: none"> <li>• <b>Accounts Payable /Receivables</b> <ul style="list-style-type: none"> <li>• Aging of A/P and A/R</li> <li>• Comparison by Vendors</li> </ul> </li> <li>• <b>Balance Sheet Reporting</b> <ul style="list-style-type: none"> <li>• Time-based Comparisons</li> <li>• Up-to-date Balance Sheets</li> </ul> </li> <li>• <b>Profit And Loss Statements</b> <ul style="list-style-type: none"> <li>• Revenue and Cost Analysis</li> <li>• GAAP Reporting</li> </ul> </li> <li>• <b>Planning &amp; Forecasting</b> <ul style="list-style-type: none"> <li>• Variance from Actual</li> </ul> </li> <li>• <b>Cash Flow Analysis</b></li> </ul>

DIFFERENTIATED MICROSTRATEGY ANALYSIS	
<p><b>Monitor aging trend of A/R</b> by tracking gross amounts of Accounts Receivables versus the aging for multiple time periods</p> <p><b>Calculate the percent variance</b> between various forecasts and against actual amounts of all account types</p> <p><b>Create aggregated custom groups</b> to present financial information at a higher level and drill down to see transactional level details</p>	<p><b>Dynamically define exceptions on KPI's</b> to monitor and catch financial anomalies; thereby, reducing financial risk</p> <p><b>Perform Time-based Comparisons</b> of the Balance Sheet for a specific corporation between two given time periods</p> <p><b>Create board room quality financial documents</b> and incorporate multiple reports into single view allowing analyst to make decisions on complete information</p>

## Customers:

- Forecast the Financial Impact of Business Investments  
- **MCI**
- Monitor Operational Cash Flow  
- **La Caixa**
- Audit Accounts Payable and Receivable  
- **Fleet**
- Plan and Forecast Revenue and Expenditure - **Air Force Material Command**
- And Many More...
- Century Theatres**  
**Chela Financial**  
**La Caixa**  
**Liberty Funds**  
**Lufthansa**  
**Fannie Mae**  
**Fleet**  
**MCI**  
**Pacific Mutual Life**  
**Sara Lee Foods Europe**  
**Sprint PCS**  
**USAA**  
**Visa International**  
**WFS Financial**

# MicroStrategy and Web Traffic Analysis

(Pre-packaged Module Now Available as part of Business Intelligence Developer Kit\*)

## Platform Strengths for Web Traffic Analysis

- **Data scalability in the multi-terabyte range** required by Web Traffic Analysis achieved with enterprise-class architecture
- **Sophisticated analyses** such as product affinity and visitor profiling are supported using custom banding and statistical functions
- **Fully interactive zero footprint web** interface allows users to conduct speed of thought analysis using MicroStrategy Web
- **Proactive Delivery** of business critical reports and other data to users to enable response to issues in near real time
- **\*Pre-Packaged Web Traffic Analysis Module** with 64 reports serves as excellent starter kit to develop custom application

### TARGETED BUSINESS VALUE

- **Maximize Web Visitors**
  - Attract New Visitors
  - Convert Visitors to Customers
  - Retain Profitable Visitors
- **Streamline Web Content**
  - Optimize Navigation Paths
  - Reduce Cart Abandonment
  - Maximize Searchability
  - Determine Advertising Strategy
- **Optimize Web Business**
  - Determine Product Affinities
  - Maximize Profitability
  - Determine Channel Effectiveness

### TYPICAL ANALYSIS

- **Visitor Analysis**
  - Trends across websites
  - Visitor counts by time
  - Traffic by referrer
  - Visit frequency
- **Content Analysis**
  - Top visited pages
  - Bottom visited pages
  - Top entry and exit pages
  - Banner click through
- **eCommerce Analysis**
  - Sales by time, location
  - New customers by time
  - Transactions by product

### DIFFERENTIATED MICROSTRATEGY ANALYSIS

**Dynamically segment** visitors into buckets based on any selection criteria such as demographics and profitability using custom groups

**Correlate navigation paths** to conversion rates to determine the most popular routes to checkout with a path analysis tree

**Drill anywhere to click level data** to identify at which points visitors are entering and leaving a website

**Calculate profit contribution** visitors from different referring sites using custom statistical models to correctly allocate advertising budgets

**Measure "Stickiness"** of your website by analyzing visitor loyalty and frequency scores over time and correlating to traffic patterns

**Forecast demand** for online products based on historical data and time series analysis to ensure correct inventory level

## Customers:

Track Visitors by Referring Domains

- **Lending Tree**

Streamline Checkout Process to Reduce Abandonment

- **Lexmark**

Measure Banner Conversion rates

- **ECS**

Identify Profitable customers for campaigns

- **Barnes and Noble**

And Many More

**AltaVista**

**BBC Worldwide**

**CNET**

**CVS**

**Jumpy**

**Kiko.com**

**Nationwide**

**Vizzavi**

**Wind**

**Yahoo**

# MicroStrategy and Sales Analysis

## Platform Strengths for Sales Analysis

- **Atomic Level Data Access** allows for transaction level analysis using ROLAP Technology
- **Data scalability in the multi-terabyte range** required by Sales Analysis achieved with enterprise-class architecture
- **Fully interactive zero footprint web** interface allows users to conduct speed of thought analysis
- **Integration with supply chain** and other applications through open SDK and Transactor
- **Sophisticated analyses** such as product affinity are supported using custom banding and statistical functions

TARGETED BUSINESS VALUE	TYPICAL ANALYSIS
<ul style="list-style-type: none"> <li>• <b>Optimize Inventory</b> <ul style="list-style-type: none"> <li>• Analyze Seasonal Trends</li> <li>• Increase Supplier Performance</li> <li>• Minimize Shipping Costs</li> </ul> </li> <li>• <b>Manage Merchandize</b> <ul style="list-style-type: none"> <li>• Optimize Shelf Space</li> <li>• Analyze Product Profitability</li> <li>• Negotiate Optimal Prices</li> </ul> </li> <li>• <b>Maximize Marketing efficiency</b> <ul style="list-style-type: none"> <li>• Analyze Product Affinity</li> <li>• Determine Market Share</li> <li>• Forecast Promotional Lift</li> </ul> </li> <li>• <b>Analyze Sales Force</b> <ul style="list-style-type: none"> <li>• Maximize Lead Generation</li> <li>• Manage Sales Pipeline</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <b>Inventory Analysis</b> <ul style="list-style-type: none"> <li>• Time Series Analysis</li> <li>• BOH / EOH Analysis</li> <li>• Supply Chain Analysis</li> </ul> </li> <li>• <b>Merchandising</b> <ul style="list-style-type: none"> <li>• Actuals vs. Forecasts</li> <li>• Merchandise Placement</li> <li>• Pricing Analysis</li> </ul> </li> <li>• <b>Product Marketing</b> <ul style="list-style-type: none"> <li>• Promotional Lift</li> <li>• Product Affinity</li> <li>• Product Launch Analysis</li> </ul> </li> <li>• <b>Sales force Analysis</b> <ul style="list-style-type: none"> <li>• Lead Source Analysis</li> <li>• Performance by Region/Rep</li> </ul> </li> </ul>
DIFFERENTIATED MICROSTRATEGY ANALYSIS	
<p><b>Model contribution</b> of categories to total sales and profit using custom statistical models for use in vendor price negotiation</p> <p><b>Determine the probability</b> of products selling together using market basket analysis to optimally design store layouts to maximize sales</p> <p><b>Proactively Monitor</b> inventory Levels and sales to be notified when levels are low and automatically place order with supplier</p>	<p><b>Forecast effectiveness</b> of a campaign combining historical data with Market share analysis using time series analysis to optimally allocate resources by region</p> <p><b>Create executive dashboards</b> by combining multiple grids, graphs and other information on one document using advanced formatting features</p> <p><b>Drill across to transaction</b> data to correlate leads with opportunity age to identify accounts that need escalation</p>

## Customers:

Optimize Sales and Inventory by Product and location

- **Lowes**

Analyze plans vs. actuals and Product Profitability

- **ShopKo**

Predictively analyze market demand to right size production

- **Hallmark**

Identify affinity amongst product purchases for cross sell campaigns

- **Discover Financial**

And Many More

**Ahold**

**Avnet**

**Best Buy**

**Comet**

**Eddie Bauer**

**ITH**

**Marks & Spencer**

**Nationwide**

**The Limited**

**The Rouse Company**

**Thomas Cook**

**USPS**

## 5. Our View on Analytical Applications

- Thousands of custom business intelligence applications are being built on MicroStrategy 7i
- Each of these applications has a different data model, analytics and report formatting
- We believe every F2000-class company will have 100+ BI apps in next 5 years and 90% of the applications will be custom-built

**We believe 90% of BI apps will be built, not bought, hence our focus on BI platform**

## 6. Key Challenge for MicroStrategy in 2003

- We believe we're not invited to 9 of every 10 business intelligence buy cycles.
- Why?
  - Prospects haven't heard of MSTR
  - Prospects have heard of MSTR, but are unaware we're a a BI technology provider
  - Prospects are aware we provide BI technology but are unaware we have strengths relative to market share leaders (BOBJ, COGN)
  - Prospects are aware we have strengths relative to market share leaders (BOBJ, COGN), but our historic financial instability keeps them from considering us

**Due to lack of awareness or misperception, MicroStrategy is not invited to 90% of business intelligence buying cycles.**

## 7. Law of Small Numbers

- Achieved \$63M in license revenue in 2002, with the following revenue 'drags':
  - Perceived and real balance sheet instability
  - Small salesforce (only 70 at end of Q1 2002)
  - Little marketing aircover
  - MicroStrategy 7i only available in 2H 2002
- Drivers for 10% license growth
  - Continued upsell of 7i
  - Availability of Unix offerings
  - Larger salesforce
  - Increased marketing
  - Reduction in Balance Sheet Instability



## 8. Getting the Message Out

- We've been 'dark' for the last two years
  - In 2001, financial viability concerns were an extreme overhang
  - Environment improved in 2002, but skepticism still existed
- We're starting to build brand awareness and image as the leading pure play BI platform vendor:
  - Ensure people think of us as a technically superior BI platform alternative to Cognos and Business Objects
- Goal is to increase qualified incoming lead flow
  - In 2002, received 150-200 highly qualified sales leads / quarter (North America)
  - In 2003, goal is 250 – 300 highly qualified sales leads / quarter (North America)

**Our goal is to deliver 250 leads in Q1, 35% increase over last year.**

## 9. Direct Sales Force

- Refreshed all five sales presentations in 2H2002
  - Corporate Overview, MicroStrategy Products, MicroStrategy Education, MicroStrategy Premium Technical Support, Technical Account Management
- Developed comprehensive, new product demonstration
  - shows all products and unified infrastructure
  - well scripted, with key barbs about competitors
  - Certified all 60 presales staff
  - AEs will be certified by end of February
- Two “Leave Behind” Books
  - Next Generation Architecture
  - Customer Success Stories

**The sales force is (freshly) armed and dangerous.**

## 10. Customers and Prospects - Print and Electronic Ad Campaign -

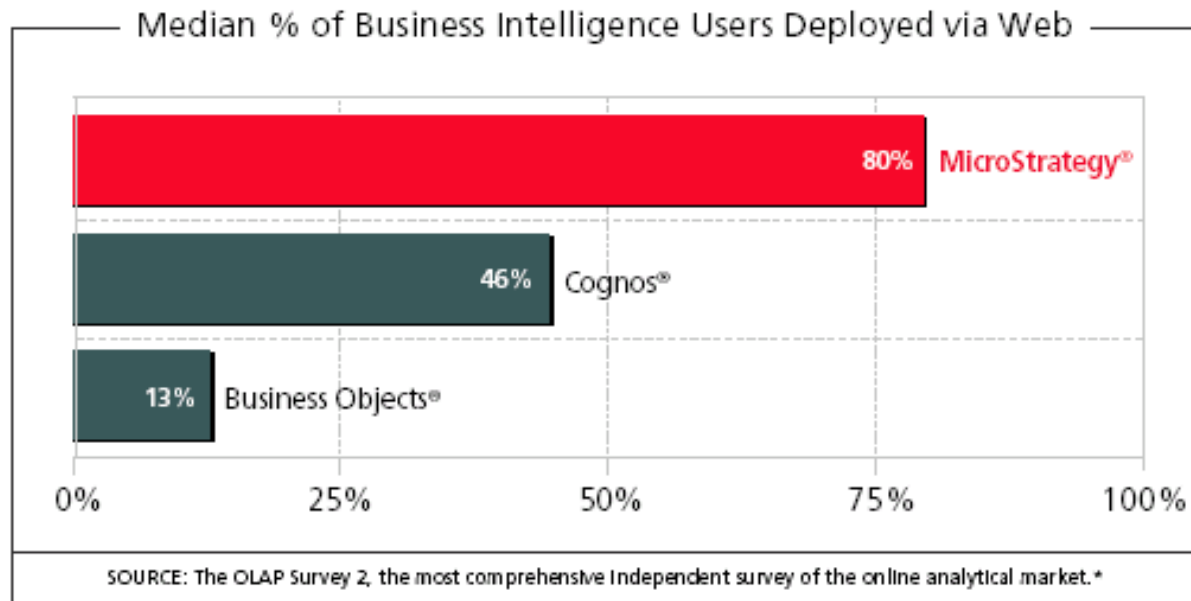
What makes MicroStrategy applications different than those built on competing technology is that in general, MicroStrategy-based applications:

- Access more data (often used to access transactional detail)
- Are distributed to more users (via the web)
- Are more integrated (shared metadata, metrics, security)

### Campaign Goals

- Brand Recognition
- Make clear we're a Business Intelligence vendor
- Assert we have a technical superiority over market incumbents (BOBJ & COGN), using 3<sup>rd</sup> party validation where possible

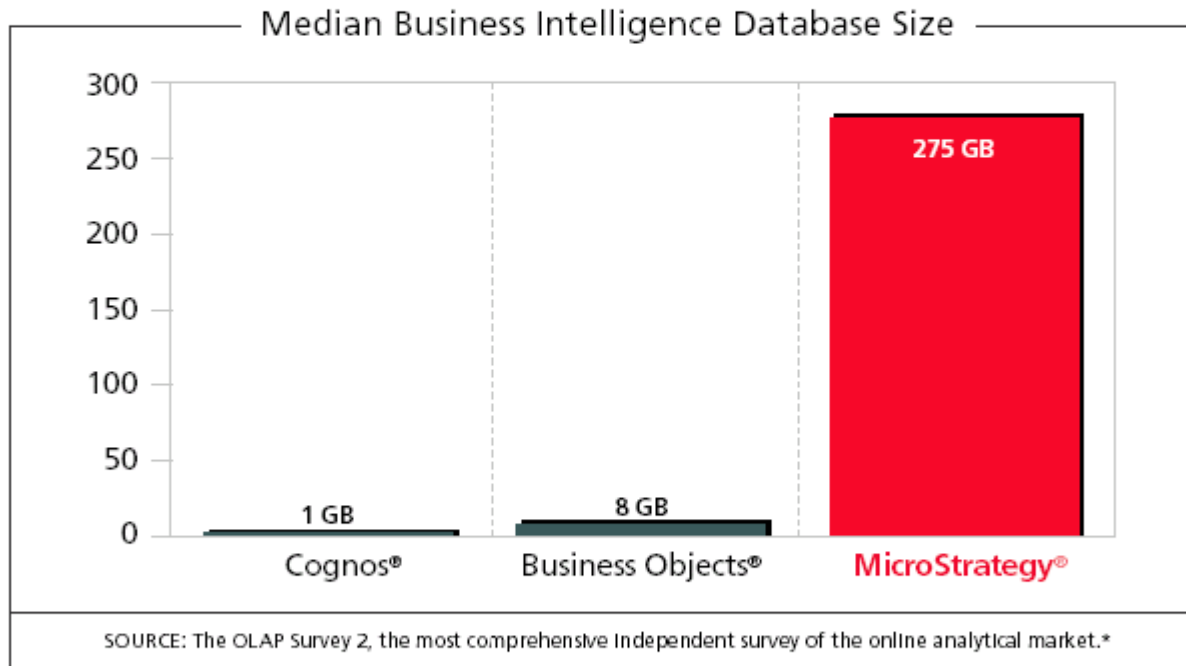
# MicroStrategy is the leader in Business Intelligence over the Web



"For industrial-strength business intelligence on the Web, MicroStrategy is the clear choice."

Doug Slemmer, CEO, IDLAP

# MicroStrategy is the leader in Business Intelligence Scalability



**"If you have a 100 Gigabyte or greater database, MicroStrategy is the clear choice."**

John Parker, CTO - Anexinet

## 11. Industry Analysts

- Executed technology analyst roadshow in April 2002 to launch MicroStrategy 7i
- Analysts were skeptical about our technology claims in 1H2002, but coverage and interest has improved markedly
- "Great Technology, Wait and See"
- On the heels of our outstanding Q4, executing analyst tour to review the "MicroStrategy Financial Turnaround"

**The industry analysts should be in a position to recommend us to their clients.**

## 12. Indirect Channel

- Re-establish relationships with hardware partners, systems integrators, and software partners who distanced themselves from us post-restatement
- Promoted Tom Villani to VP of Global Alliances
  - Deliver message that
    - MSTR is fiscally stronger
    - we have the best BI platform for building applications
    - delivered Unix Port of Web Server, Delivering Unix Port of Intelligence Server in 2003
    - Get systems integrators trained on MSTR 7i
- Care and feed our three largest OEM partners
  - Teradata
  - Retek
  - J.D. Edwards

**The channel appears to once again be receptive to amplifying the MicroStrategy message**

## Summary

- 100% focused on the Business Intelligence market
- We're a business intelligence pure play
- Technically superior to BOBJ & COGN
  - scalability, deployability, maintainability, and capability
  - stems from our server-centric architecture and pure web devotion
- Our customers build more applications on larger databases and deploy to more users with our technology
- We've focused the company, we're fiscally stronger, and we're poised for growth



# Questions and Answers