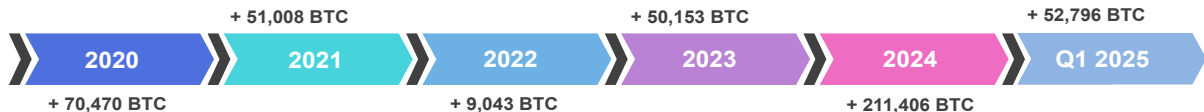


Microstrategy – The American Pioneer

MicroStrategy (now rebranded as “Strategy”) is a U.S. – based enterprise analytics and business intelligence software company founded in 1989 by CEO Michael Saylor. By 2020, it was a profitable software firm seeking to optimize shareholder returns amid low interest rates and surplus cash on its balance sheet. In August 2020, MicroStrategy made a pivotal strategic shift by adopting Bitcoin as its primary corporate treasury reserve asset, becoming the first U.S. publicly traded company to do so. This decision was driven by macroeconomic concerns—specifically, the unprecedented monetary stimulus and inflationary pressures triggered by the COVID-19 crisis—which the company believed would significantly erode the long-term real value of fiat currencies. This bold treasury strategy marked a major transformation, as MicroStrategy evolved from a conventional software company into what Saylor calls the world’s first “Bitcoin Treasury” company.

Timeline of MicroStrategy's Bitcoin Accumulation Strategy

The path to 499,226 Bitcoins



- **2020:** First purchase of \$250 million using the company treasury's cash in August. An additional \$50 million purchase in cash and issuance of convertible senior notes for \$650 million.
- **2021:** Continued buying with proceeds from convertible senior notes, senior secured notes and started At-The-Market (ATM) stock offerings.
- **2022:** Accumulation slowed during the crypto bear market. Notably, in Q1 2022 the company obtained a bitcoin backed loan to fund a **4,167 BTC** purchase (~\$191 million).
- **2023:** With Bitcoin prices rebounding, MicroStrategy resumed heavier accumulation.
- **2024:** MicroStrategy undertook its largest-ever buying spree, deploying massive equity raises totalling \$15.6 billion to acquire **218,887 BTC in Q4 alone for \$20.5 billion**. This unprecedented quarterly purchase nearly doubled its holdings.
- **2025:** MicroStrategy expanded its capital markets activity by launching STRK and STRF, two perpetual preferred stock offerings designed for institutional income investors.

Fundraising Methods for Bitcoin Purchases

Existing Treasury Cash

- MicroStrategy's initial Bitcoin purchases were made with cash reserves.
- \$475 million in 2020.
- \$200 million since 2021.
- Funded 9% of existing Bitcoin in Treasury

Convertible Senior Notes

- MicroStrategy issued low – or zero – interest bonds convertible into MSTR shares at a set price.
- These raise capital cheaply and offer investors upside if the stock rises.
- If MSTR stock appreciates, bondholders are likely to convert, reducing repayment obligations.
- Funded 24% of existing Bitcoin in Treasury

Senior Secured Notes

- Traditional bonds with fixed interest, backed by company assets.
- More stable than convertibles but lack equity conversion options.

MSTR ATM (At-the-Market Equity Offering)

- MSTR sells shares on the open market as needed, raising funds flexibly.
- Offers flexibility, allows the company to raise funds based on market conditions.
- No new debt, but shareholders get diluted.
- Funded 64% of existing Bitcoin in Treasury

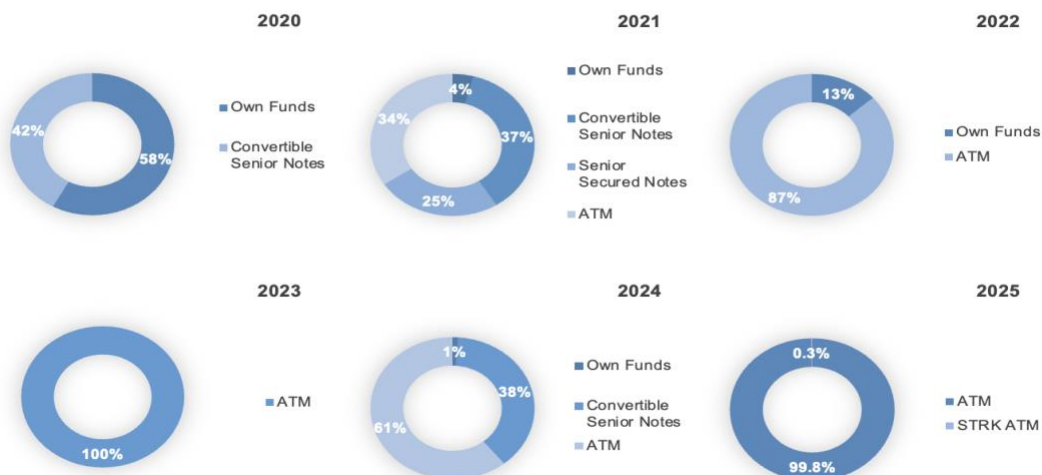
STRK ATM

- STRK is a preferred stock sold to institutional investors
- 8% dividend paid in cash or stock
- Convertible to common stock at 10/1 at \$1000

STRF ATM

- STRF is a preferred stock sold to institutional investors
- 10% dividend paid in cash
- Not convertible

Funding Source (% of Total BTC)



Benefits of the Bitcoin Strategy

Shareholder Value & Stock Performance:

MicroStrategy's strategic pivot to Bitcoin has generated exceptional returns for its shareholders. As of March 2025, and from the day of its Bitcoin treasury strategy in August 2020, **MicroStrategy's share price had surged approximately 2,200%, compared to a 640% increase in the price of Bitcoin and 71% for the Nasdaq over the same period.**



The MSTR/BTC ratio is up over 200% since August 2020, which is extremely impressive when we account for the outsized At-the-Market stock offerings the company has been issuing. This overperformance reflects investor enthusiasm for MicroStrategy as a leveraged proxy for Bitcoin exposure.



ETF Inclusions:

Between 2023 and 2024, MicroStrategy's stock surged nearly 1,900%, leading to its inclusion in the Nasdaq-100 index in December 2024. This milestone significantly expanded the company's investor base, particularly among institutional funds, and increased demand for its shares.

The rising interest in Bitcoin-centric corporates also led to the creation of thematic ETFs such as the Bitwise Bitcoin Standard Corporations ETF (ticker: ONWB), which includes publicly traded companies holding at least 1,000 BTC.

By aligning its corporate strategy with Bitcoin, MicroStrategy was able to deliver equity returns far beyond what would have been possible had it remained in cash—effectively validating Michael Saylor's thesis that Bitcoin can maximize long-term shareholder value.

Publicity and Brand Elevation:

MicroStrategy's adoption of a Bitcoin treasury strategy drew widespread media coverage, significantly increasing investor interest. As the company emerged as a leading corporate advocate for Bitcoin, its stock began to be viewed as a publicly traded proxy for Bitcoin exposure. This perception attracted a more diverse and active investor base—including both institutional and retail participants—resulting in **higher trading volumes** and **enhanced liquidity**.

As of April 2025, MicroStrategy is 106th largest US company by market capitalization and the 11th largest publicly traded equity by volume. This improved liquidity benefited shareholders by lowering trading costs, narrowing bid-ask spreads and facilitating easier market access.

Enhanced Capital Markets Access:

MicroStrategy gained a powerful strategic advantage: access to large-scale, low-cost capital markets. In 2024, the company became the largest issuer of convertible bonds—securities that not only ranked as the best-performing of the year, but even outperformed Bitcoin itself. These instruments allowed investors to gain Bitcoin-correlated upside with the downside protection of fixed-income securities.

Name	Issue Date	Price	Maturity	Put Date	Coupon	Notional (\$M)	Market Value(\$M)	Bitcoin Par	Reference Price	Conversion Price
Convert 2028	9/20/2024	\$177.74	9/15/2028	9/16/2027	0.625%	\$1,010	\$1,795	\$60,100	\$130.85	\$183.19
Convert 2029	11/22/2024	\$77.55	12/2/2029	6/2/2028	0.000%	\$3,000	\$2,327	\$92,300	\$433.80	\$672.40
Convert 2030 A	3/9/2024	\$207.08	3/16/2030	9/16/2028	0.625%	\$800	\$1,657	\$64,100	\$105.10	\$149.77
Convert 2030 B	2/22/2025	\$94.61	3/2/2030	3/2/2028	0.000%	\$2,000	\$1,892	\$96,200	\$321.05	\$433.43
Convert 2031	3/19/2024	\$149.01	3/16/2031	9/16/2028	0.875%	\$604	\$900	\$70,500	\$166.22	\$232.72
Convert 2032	6/18/2024	\$162.27	6/16/2032	6/16/2029	2.250%	\$800	\$1,298	\$66,700	\$151.35	\$204.33
			4.9 Years		0.421%	\$8,214	\$9,869	\$82,448	\$289.90	\$425.25

Traditionally, buying convertible debt has been the domain of institutional players and especially hedge funds engaged in convertible arbitrage strategies. However, retail investors are now participating since 2025 through the launch of the REX Bitcoin Corporate Treasury Convertible Bond ETF (ticker: BMAX), introduced by REX Shares. This ETF focuses on convertible bonds issued by companies that incorporate Bitcoin into their treasury strategies.

Such investor confidence would have been unattainable without the credibility MicroStrategy built around its Bitcoin-centric narrative. The strategy unlocked billions of dollars in low-cost financing—through 0%–1% coupon debt and equity sold at strong premiums—that a traditional software firm would likely never have accessed. This capital access dramatically improved MicroStrategy’s financial strength and supported aggressive growth.

The company plans to continue tapping into the fixed income markets to fund their Bitcoin purchases in 2025, as noted by the recent words of MicroStrategy’s CEO Michael Saylor **“There is \$300 trillion of fixed income, so I want 1% of it.”**

When is MicroStrategy buying

MicroStrategy accumulates Bitcoin more efficiently on behalf of its shareholders when Bitcoin's price is high. The stock has a high correlation to the bitcoin price; therefore, a high bitcoin price often means a high stock price and since buying sprees are primarily funded by At-The-Market (ATM) equity offerings the company ends up selling MSTR stock at an elevated price to buy Bitcoin at an elevated price.

However, the concept of 'buying at a high USD price' is largely irrelevant in this context. For the company, buying 'cheap' Bitcoin means acquiring it when MicroStrategy's stock trades at a significant premium relative to its Net Asset Value (NAV) in Bitcoin. In such moments, the company can raise more capital per unit of BTC acquired.



Despite representing just 0.07% of the total U.S. equity market by value, MicroStrategy accounted for a staggering 16% of all equity capital raised in 2024—illustrating its disproportionate footprint and influence.

Similarly, favorable windows to issue new debt, particularly convertible notes, also tend to arise when both Bitcoin and MSTR stock prices are high.

Financial Impact and Key Data

Under prior U.S. GAAP accounting standards, Bitcoin was classified as an intangible asset and recorded at its historical purchase cost. Beginning in early 2025, updated FASB accounting rules now allow companies to report crypto assets at fair value. This change eliminates the accounting mismatch and better reflects the true economic impact of MicroStrategy's Bitcoin holdings on its financial statements.

There remains widespread misunderstanding about the risks associated with MicroStrategy's Bitcoin accumulation strategy—particularly its use of leverage. As of April 2, 2025, the company held approximately \$8.2 billion in debt, while its Bitcoin holdings were valued at around \$45 billion. Importantly, much of this debt is composed of convertible bonds, many of which are already far above their strike prices and are therefore likely to convert into equity rather than require repayment in cash.

Even under the conservative assumption that the entire \$8.2 billion must be repaid, the company's leverage ratio would be just 18% relative to its Bitcoin assets. In practical terms, Bitcoin would need to fall to approximately \$15,500 for the value of MicroStrategy's BTC holdings to equal its outstanding debt.

One persistent misconception is the significance of MicroStrategy's Bitcoin cost basis. In reality, the acquisition price is not a useful metric for evaluating the company's financial strength. Since November 2024, MicroStrategy has acquired \$21 billion worth of Bitcoin at prices ranging from \$76,000 to \$107,000. While this has increased the average cost basis of its holdings, it has simultaneously improved the company's capital structure by reducing overall leverage.

During the company's most recent earnings call, Michael Saylor reaffirmed a target leverage ratio between 20% and 30%, suggesting that MicroStrategy may continue to strategically increase its use of leverage through additional convertible debt or preferred equity.

In effect, MicroStrategy's balance sheet now more closely resembles that of a digital asset investment firm than a conventional software company—marking a fundamental transformation in its corporate identity and financial profile.

Conclusion

MicroStrategy has pioneered a new paradigm in treasury allocation by establishing Bitcoin as its reserve foundation. This shift unlocked significant shareholder value, provided access to billions in low-cost capital, and transformed the company into a high-conviction, asset-backed equity opportunity.

The most significant takeaway from this story is that, despite MicroStrategy's decision to pursue an aggressive Bitcoin strategy, the company has not faced a systemic crisis at any point over the past five years.

MicroStrategy stands as the leading American pioneer in the Bitcoin treasury strategy space. Through its bold and disciplined long-term allocation approach, the company has not only gained a significant first-mover advantage but also set a precedent and strategic blueprint for other organizations to replicate.