

MicroStrategy

**Microstrategy's "bet"
on Bitcoin**



Is it the "trade of the century"?

MicroStrategy's stock price soared 600% in the past 12 months, thanks to the audacious Bitcoin strategy of its visionary founder, Michael Saylor.

Charles-Henry Monchau
Chief Investment Officer

On November 5th, Donald Trump officially returned to the Oval Office. His victory sparked a rally across several key sectors, including banking, non-renewable energy, private prisons, and cryptocurrencies. Among the biggest winners was bitcoin, the biggest cryptocurrency saw an increase of over 31% since the election as investors bet on a more laissez-faire regulatory approach under Trump's administration. MicroStrategy Inc, benefited from this bitcoin rally, rising over 35% since the election. This surge occurred because MicroStrategy has become almost synonymous with bitcoin itself, a "proxy" for it due to its aggressive investment strategy in the cryptocurrency.

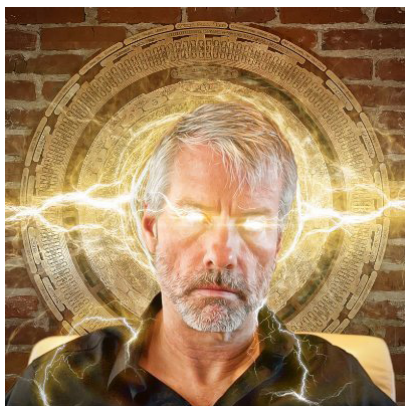
This article dives into the motivations behind MicroStrategy's heavy bitcoin bets, examining its evolution before bitcoin, and how it is only the first mover in what could become a broader global recognition of cryptocurrencies.

MicroStrategy Inc before bitcoin

MicroStrategy's journey began in 1989 in Delaware, U.S. as a small consultancy with big ambitions.

Founded by Michael Saylor and Sanju Bansal after meeting at MIT, the company initially focused on developing software for data mining and business intelligence. Through the 1990s and early 2000s, MicroStrategy experienced rapid growth as companies became increasingly digitalised. Its 1998 IPO was a major success, with shares doubling on the first day of trading. But then the dot-com bubble burst. In March 2000, following an accounting scandal, MicroStrategy's stock dropped 62% in one day, and Michael Saylor lost \$6 billion in net worth and became the answer to the Trivial Pursuit question on "Who has lost the most money in a single day?".

Despite these challenges, MicroStrategy continued to innovate and expanded its business. Today, the company designs, develops, markets, and delivers advanced enterprise analytics and mobile platforms through licensing agreements and cloud-based subscriptions. Its flagship product is MicroStrategy ONE. Using a semantic layer and AI-powered processing, this platform aggregates data from both internal and external sources and allows enterprises to create various reports and analytics dashboards. The platform also supports AI application development, including conversational AI and integrates with major cloud providers, such as AWS, Google Cloud, and Microsoft Azure. MicroStrategy serves an important client base that includes the U.S. government, along with major players across industries such as retail, banking, consulting, technology, insurance, manufacturing, telecommunications, healthcare, and the public sector. In 2023, MicroStrategy reported an annual revenue of \$496.26 million.



Source: Michael Saylor profile picture on X

Michael Saylor stepped down as CEO of MicroStrategy in August 2022, handing the position over to then-President

Phong Le. However, as Executive Chairman and holding over 50% of the shareholder voting rights, Saylor remains deeply involved in deciding the company's strategies. Over the years, the multimillionaire has been credited as the inventor on 48 patents and is the author of the bestselling book *The Mobile Wave*. He established the Saylor Academy, a nonprofit offering free education to over 2 million students. He also became a respected voice in the bitcoin space, frequently speaking at crypto conferences and featured in interviews on bitcoin and finance.

MicroStrategy Bitcoin strategy

When the Covid-19 pandemic brought the economic activity of many companies to a halt, Michael Saylor was already concerned about his company's waning momentum. Thanks to prudent cost management, the Nasdaq-listed IT company had managed to build up a substantial cash position, with close to 500 million dollars at the end of 2019. Yet Saylor was not interested in using this cash to acquire competitors or invest in R&D. Instead, he saw two paths forward: share buybacks or investing in assets that could deliver higher returns than stagnant cash. In his view, the ultra-expansive policies of central banks were creating new risks for the financial markets and could ultimately lead to high inflation, which would have an impact on real investment returns. He then turned his attention to cryptocurrencies. It was decided that MicroStrategy would invest part of its cash reserves into bitcoin.

In early August 2020, Michael Saylor hosted the MicroStrategy quarterly results conference call. He presented analysts with his strategy for reinvesting cash, i.e. buying back shares but also building a multi-asset class portfolio that would eventually include alternative investments including cryptocurrencies. No one was paying too much attention to this last point. Except that a few days later, MicroStrategy's treasurer decided to buy his first bitcoins, 21,454 bitcoins to be precise. This represented an investment of \$250 million, with an average purchase price of just over \$11,000. This was just the start of a long honeymoon between the software company and cryptocurrency. Michael Saylor even decided to issue a convertible bond to finance additional purchases of bitcoin. When bitcoin corrected by nearly 25% at the end of January 2021, Saylor did not hesitate to strengthen his positions even further.

As of November 10, MicroStrategy held 279,420 bitcoins on its balance sheet, at an average purchase price of \$42,692, representing a total market value of over \$25 billion. This makes MicroStrategy the largest publicly traded corporate holder of bitcoin globally. As for the share price, it has soared, particularly following the re-election of President Trump, the first openly pro-cryptocurrency president. In five years, the share price has risen by more than 1995%, an exponential increase that obviously has nothing to do with the group's operating results.



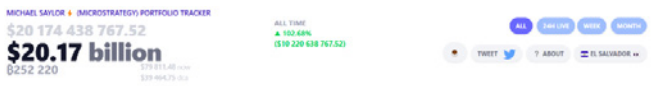
Source: Blocktrainer

21/21 Plan

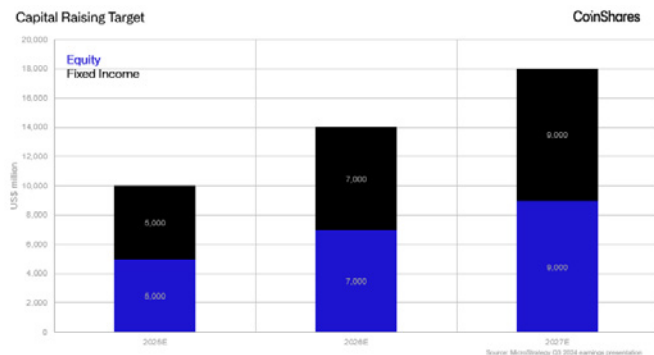
In their Q3 2024 earnings report, MicroStrategy unveiled its “21/21 Plan,” a strategic initiative focused on raising \$42 billion over the next three years to accumulate bitcoin holdings. At the time of writing and based on the current bitcoin price of around \$90,000, \$42 billion in bitcoin equates to roughly 466,667 BTC, representing approximately 2.2% of the total bitcoin supply.

This capital-raising initiative, designed to run between 2025 and 2027, is split evenly: \$21 billion through equity offerings and \$21 billion via fixed-income securities. Each year is set to see a gradual increase in funding, with \$10 billion planned for 2025, \$14 billion for 2026, and \$18 billion for 2027, equally divided between equity and bonds.

To monitor the effectiveness of these acquisitions, MicroStrategy developed a BTC Yield metric, that focuses on bitcoin acquisition efficiency relative to new share issuance. Their goal is to hold between 106 and 110 bitcoins per share from 2025 to 2027, a target already exceeded in 2024 with 118 bitcoins per share. They aim to sustain an annual BTC yield of 6% to 10% over the coming years. The 21/21 plan sparked enthusiasm among crypto commentators, who are increasingly “bullish” on MicroStrategy’s strategy.



Source: Cryptobriefing



Source: Bitget

MicroStrategy, only the first mover of a global bitcoin recognition

In the meantime, MicroStrategy shares have become what is known as a ‘proxy’ for bitcoin. Many institutional and private investors have a positive view of bitcoin (or other cryptocurrencies). But they are unwilling or unable to buy bitcoin directly. As a result, buying a listed share with a high correlation to bitcoin is one of the only ways of solving this problem.

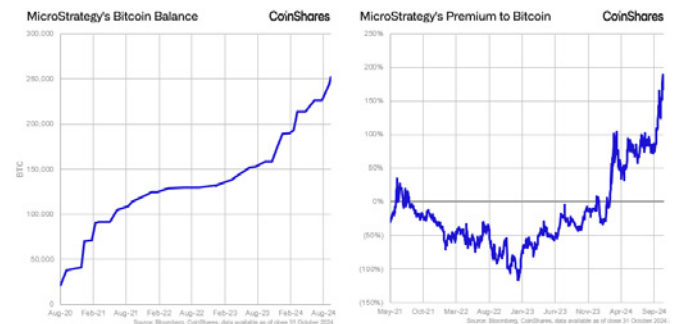
This success story became an inspiration to others. Several companies, both private and public, are now considering allocating some of their cash to bitcoin. Other companies are going even further: why not transform their business model in a

similar way to what MicroStrategy has undertaken, i.e. become a bitcoin investment ‘pool’ quoted on the stock exchange. Michael Saylor is prepared to support this mimicry himself. Indeed, the CEO is organising conferences open to those who would like to invest some of their cash in bitcoin. During these seminars, Michael Saylor explains in detail how to make purchases and the accounting methods involved.

Recently, the trend sparked by MicroStrategy gained momentum. In France, The Blockchain Group specialising in Data Intelligence, AI, and decentralised technologies announced a purchase of 15 BTC for €0.949 million. This acquisition is part of their new strategy to become a “Bitcoin Treasury Company.” Conducted through DELUBAC & CIE, a registered digital asset service provider, the transaction leverages secure custody solutions provided by Taurus SA, a Swiss leader in digital asset infrastructure.

Similarly, Singapore-based AI company Genius Group adopted bitcoin as its primary treasury asset, launching a “bitcoin-first” approach that prioritises bitcoin in its financial reserves. Genius Group plans to allocate \$120 million from its \$150 million At-The-Market (ATM) funding facility to acquire bitcoin, which will constitute over 90% of their reserves. The company is also initiating a Web3 Wealth Renaissance educational series and enabling bitcoin payments on its Edtech platform. Genius Group’s Director, Thomas Power, expressed strong support for MicroStrategy’s strategy, and shared a similar vision for Genius Group: “We see bitcoin as being the primary store of value that will power these exponential technologies.”

Microsoft may also soon join the movement. Microsoft shareholders, including influential stakeholders like BlackRock, voted on a proposal for the \$3 trillion tech giant to allocate part of its reserves to bitcoin. The outcome of this vote is to be announced at the next shareholder meeting in December. According to Cointelegraph, the NCPFR raised concerns that Microsoft may risk shareholder lawsuits if it chooses not to invest in bitcoin and the asset’s value subsequently increases.



Source: Bitget

Conclusion

MicroStrategy’s bitcoin strategy is a high-risk, high reward move. As excitement builds around MSTR stock, analysts urge caution. Mads Eberhardt, an analyst at Steno Research, recently observed that the impact of MicroStrategy’s 10-for-1 stock split in August is fading, the stock’s premium relative to its bitcoin holdings is now nearing 300%. This is historically high compared to the 200% premium seen in the 2021 bull market.

Critics also highlight MicroStrategy’s heavy exposure to bitcoin’s volatility. Yet, the company managed to survive the bear market. When bitcoin came under significant pressure in 2022, and the company was temporarily \$2 billion, or 50%, in the red with its bitcoin purchases, the stock itself traded higher than before the first bitcoin acquisition. A rule in the bitcoin community is that you have to hold the asset for at least four years to mitigate risks, and this patience has proven beneficial for MicroStrategy.

For further information

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