

21 Keys to MSTR's Financial Strategy

Master the essentials of MSTR's Financial Strategy.

MSTR

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At The Market (ATM)

A flexible equity offering allowing sales of shares into the market at prevailing prices over time.

At-the-market (ATM) offering enables public companies to sell shares directly into existing trading markets at current prices, providing gradual capital raising without fixed terms. Strategy utilizes ATMs for its 42/42 plan, completing \$21 billion in MSTR shares by May 2025 and launching \$21 billion each for STRK and common, with \$20.87 billion remaining for STRK as of May 2025.

This method supports opportunistic Bitcoin buys during bull markets, as seen in \$180.3 million raised April-May 2025.

BTC Gain

The number of Bitcoin added to Strategy's holdings attributable to its BTC Yield over a specified period.

BTC Gain is defined as the initial Bitcoin holdings at the start of a period multiplied by the BTC Yield for that period, representing the accretive Bitcoin acquired through Strategy's financing activities. This metric quantifies the direct impact of capital raises on per-share Bitcoin exposure, with year-to-date 2025 figures at ₮115,862 as of October 2025 and ₮140,538 for full-year 2024.

In practice, it illustrates efficiency across financing types; for a \$100 million issuance, non-convertible preferred yields the highest BTC Gain at 1,038 BTC compared to 413 BTC from common equity. Strategy prioritizes this to maximize common shareholder benefits, as seen in its 42/42 plan expansion to \$84 billion.

BTC Multiple

The ratio of Strategy's BTC NAV to its BTC \$ Equity, indicating leverage in its Bitcoin treasury.

BTC Multiple measures the amplification of Bitcoin exposure through leverage, calculated as BTC NAV divided by BTC \$ Equity, where BTC \$ Equity is BTC NAV minus BTC \$ Value. In Strategy's framework, it reflects the recursive upside from financing, with higher multiples signifying greater torque on Bitcoin price movements.

As of March 2025, multiples vary by security, such as 52.1x for the 2028 convertible notes, dropping to 5.3x for preferred stocks like STRK.

This illustrative metric aids in assessing risk-reward, though it is not a traditional financial measure and should be used cautiously.

BTC nav (MSTR)

Strategy's Bitcoin holdings valued at current market price, excluding liabilities.

BTC NAV is the total Bitcoin held multiplied by current price, a supplemental metric not equivalent to traditional NAV, ignoring debt and preferred liquidation values. As of October 2025, Strategy's BTC NAV is \$77,865 million for 640,031 BTC at \$122,764 per BTC.

It aids in premium calculations but investors should reference SEC filings for full context.

BTC Risk (MSTR)

The annual probability that a liability's BTC Rating falls below 1x, estimated via Black-Scholes for asset drawdown.

BTC Risk quantifies the likelihood of Bitcoin holdings value dropping below the par value coverage for a specific security, using a put option-implied probability from Black-Scholes model with inputs like BTC volatility and ARR. For STRK, it stands at 46% annually under baseline assumptions as of May 2025, adjusting lower with positive BTC returns.

It informs credit assessments but is not an actuarial or agency rating, presented illustratively without recovery assumptions.

Applied across Strategy's stack, it ranges from 0% for senior converts to 38% for STRF.

BTC Yield

Strategy's key performance indicator measuring the percentage increase in Bitcoin holdings per diluted common share over a period.

BTC Yield is Strategy's proprietary metric calculating the percentage change in the ratio of Bitcoin holdings to assumed diluted shares outstanding, reflecting the effectiveness of its capital raising in accretive Bitcoin accumulation. Introduced as part of its Bitcoin treasury strategy, it targets minimum annual growth, with a revised 2025 goal of 30% after achieving 25.0% year-to-date as of July 2025 and 25.9% as of October 2025. For example, in Q1 2025, Strategy achieved 19.7%, surpassing initial 15% targets through \$28.7 billion in financing.

The metric drives shareholder value by prioritizing Bitcoin per share over traditional metrics, using issuances like preferred stock to minimize dilution while maximizing acquisitions. As of May 2025, it stood at 14% year-to-date on issued shares, aiming for 25% by year-end, equivalent to increasing BTC per 1,000 MSTR shares from 1.79 to 1.99.

Sustainability challenges arise as holdings grow, requiring exponentially more capital for incremental yield; from 2.6 BTC per basis point in 2021 to 58 BTC in 2025.

Call Option

A contract granting the right to buy an asset at a fixed price by expiration.

A call option allows the buyer to purchase the underlying asset at the strike price before expiry, profiting from price rises. Embedded in Strategy's converts, they provide upside, with deltas affecting hedge needs.

Conversion Ratio (MSTR)

The number of common shares receivable per convertible security upon exercise.

Conversion ratio is the par value of a convertible security divided by the conversion price, determining shares issued on conversion. For Strategy's notes, ratios range from 1.49 (2029) to 6.68 (2030 A), all in-the-money as of 2025.

Adjustments occur for splits or dividends to maintain value.

Convertible Notes

Hybrid debt securities convertible into equity, used by companies like Strategy to fund Bitcoin purchases at low interest.

Convertible notes are debt instruments that can be converted into a predetermined number of common shares at the holder's option, combining fixed-income features with equity upside. In corporate finance, they allow issuers to raise capital with lower interest rates due to the embedded call option value, attractive for high-volatility stocks. Strategy has issued over \$8 billion in such notes maturing 2028-2032, with coupons from 0% to 2.25%, all in-the-money as of March 2025 at strikes \$149.80-\$672.40.

These notes enable deferred dilution, with Strategy using proceeds for Bitcoin, achieving low costs via volatility-harvesting arbitrage. Risks include option erosion if volatility drops, with average -13% price decline from 85% to 50% IV.

Convertible Preferred Stock

Preferred stock convertible into common shares, blending dividend income with equity conversion potential.

Convertible preferred stock offers fixed dividends with the option to convert into common stock at a set ratio, providing downside protection and upside participation. In Strategy's case, STRK exemplifies this, with 8% dividends and conversion at \$1,000 strike, raising \$744 million by March 2025.

It embeds call options, sensitive to volatility, with Strategy using it to minimize common dilution while funding Bitcoin.

Digital Asset Treasury (DAT)

Public companies that strategically accumulate digital assets(primarily BTC or ETH) as core treasury reserves to drive shareholder value and provide digital asset market exposure.

Digital Asset Treasury (DAT or DATCO), refers to public companies that strategically accumulate digital assets (primarily BTC or ETH) as core treasury reserves to drive shareholder value and provide amplified exposure to digital asset markets. These firms, like Strategy (formerly MicroStrategy), hold over \$100 billion in assets collectively as of 2025.

DATs act as ETF alternatives in restricted markets, enabling capital efficiency through equity issuance and debt for acquisitions. In 2025, over \$15 billion has been raised for DAT strategies.

Embedded Call Option

A call option integrated into a security, like converts, allowing conversion to equity.

Embedded call options are provisions in hybrids granting conversion rights, valued separately to assess total instrument worth. In Strategy's bonds, they cap upside at 130% of strike for redemptions, contributing 26-74% of value.

Implied Volatility

Market's expected annualized price fluctuation of an asset, derived from option prices.

Implied volatility (IV) estimates future asset price movement as implied by option premiums, expressed as a percentage; higher IV inflates option costs. For MSTR, IV at 60.6% as of recent data ranks in the 35th percentile over the past year, driven by Bitcoin exposure.

In Strategy's converts, high IV (e.g., 80%) makes embedded options valuable, lowering effective interest but increasing sensitivity; a drop to 50% could reduce convert values by 13%.

Leverage Ratio (MSTR)

A measure of debt relative to assets or equity, in Strategy's case (Debt + Preferred)/Market Cap.

Leverage ratio assesses financial risk by comparing liabilities to assets, with Strategy defining it as (Debt + Preferred Stock)/Market Cap, targeting 20-30% for "intelligent leverage." As of May 2025, it stood at 9%, the lowest since 2020, enabling further debt for Bitcoin buys.

In Bitcoin treasuries, higher ratios amplify returns but risk liquidations; Strategy's 3:1 implies 30% equity loss on 10% Bitcoin drop.

mNAV

Multiple of Net Asset Value - a valuation metric for digital asset treasury companies, representing the ratio of enterprise value to digital asset holdings value.

mNAV, or multiple of Net Asset Value, is a valuation metric used for digital asset treasury companies (DAT), representing the ratio of a company's enterprise value (market cap plus debt minus cash) to the value of its digital asset holdings (primarily Bitcoin). It quantifies the market premium investors pay for future accumulation potential and leverage, sometimes exceeding 2x for leaders like Strategy (MSTR). High mNAV reflects bullish sentiment on Bitcoin yield (BTC per share growth), but can compress during drawdowns; it's a key proxy for digital assets exposure via equities.

Non-convertible Preferred Stock

Preferred stock without conversion rights, focusing on fixed dividends and seniority.

Non-convertible preferred stock provides fixed dividends without equity conversion, prioritizing income stability over growth potential. Strategy's STRF, with 10% cash dividends and \$711 million outstanding, fits this, offering higher yields but no upside from Bitcoin rallies.

Preferred for accreting BTC per common share, it incurs less dilution than equity issuances.

PIPE

Private placement of public equity shares to accredited investors at a discount, for quick capital.

PIPE, or Private Investment in Public Equity, involves selling unregistered shares to select investors below market price, often for rapid funding without public offerings. It provides companies immediate capital, with registration following, common in distressed or growth scenarios.

In digital asset firms, it could fund treasury expansions, though Strategy primarily uses ATMs and converts; PIPEs offer alternatives for confidential raises.

Preferred Stock

Equity securities with priority over common stock for dividends and assets, used in Strategy's stack for Bitcoin funding.

Preferred stock is a class of ownership providing fixed dividends and asset priority in liquidation, without voting rights, often perpetual or convertible. In digital asset contexts, companies like Strategy issue it to raise non-dilutive capital for Bitcoin treasuries, offering yields above bonds. Strategy's offerings include STRK (8%), STRF (10%), and STRD (10%), totaling \$1.668 billion outstanding as of May 2025.

It ranks above common equity but below debt, with cumulative dividends and penalties for misses, appealing for income with less volatility than MSTR.

Strategy (MSTR)

A business intelligence company that pioneered Bitcoin treasury strategy, holding over 638,460 BTC as its primary reserve asset.

Strategy (formerly MicroStrategy, ticker: MSTR) is a business intelligence software company that rebranded in February 2025, pioneering a Bitcoin treasury strategy by holding over 638,460 BTC (valued at ~\$62.6 billion) as its primary reserve asset. Led by Michael Saylor, it raises capital via convertible notes and equity to acquire BTC, aiming to increase "BTC per share" for long-term value, trading at premiums (mNAV >2x) as a leveraged Bitcoin proxy.

This model has inspired DATs globally, blending software revenue with crypto holdings for amplified exposure.

STRF

Strategy's 10.00% Series A Perpetual Strife Preferred Stock, a non-convertible preferred equity providing high fixed dividends without equity upside.

STRF is Strategy's (formerly MicroStrategy) 10.00% Series A Perpetual Strife Preferred Stock, a non-convertible preferred equity issued to fund Bitcoin purchases, offering a fixed 10% annual cash dividend on a \$100 stated amount. Launched in March 2025 with an initial \$850 million offering and expanded via a \$2.1 billion at-the-market program, it pays quarterly dividends and ranks senior to STRK and common equity in liquidation but lacks conversion features. As of May 2025, \$711 million was outstanding, trading at \$94.30 for an effective yield of 10.6%.

Unlike convertible options like STRK, STRF provides pure income exposure, with penalties for missed payments including a 100 bps coupon increase per miss, up to 18%, and board election rights after four consecutive misses. It exhibits 50% correlation to MSTR and 55% to Bitcoin, with a BTC Rating of 5.8x and credit spread of 675 bps, making it vulnerable to Bitcoin declines widening spreads without upside participation.

STRF appeals to income-focused investors in Strategy's capital stack, but carries risks from limited cash flow generation since 2021, potentially leading to suspensions and value erosion in downturns.

STRK

Strategy's 8.00% Series A Perpetual Strike Preferred Stock, a convertible preferred equity offering perpetual dividends and Bitcoin-linked upside.

STRK is Strategy's (formerly MicroStrategy) 8.00% Series A Perpetual Strike Preferred Stock, a convertible preferred equity instrument designed to raise capital for Bitcoin acquisitions while providing investors with yield and potential equity conversion. Issued in March 2025 as part of a \$21 billion at-the-market program, it offers an 8% perpetual dividend payable in cash or common shares, with a conversion option into MSTR common stock at a \$1,000 strike price. As of July 2025, approximately \$818 million in notional value was outstanding, with dividends accumulating quarterly and restrictions on share payments if MSTR falls below 35% of its January 2025 price of \$347.92.

The security embeds a call option component, contributing about 34% of its value, making it sensitive to MSTR volatility and Bitcoin price movements due to Strategy's treasury focus. STRK ranks below convertible notes but above common equity in the capital stack, with a BTC Rating of 5.3x and implied credit spread of 700 bps as of May 2025, offering less volatility than MSTR but asymmetric downside risk from volatility declines.

Investors favor STRK for its 7% effective yield at trading prices around \$114, combining fixed income with Bitcoin exposure, though it faces risks from dividend suspensions or Bitcoin drawdowns impacting Strategy's financing ability.

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