

THE RISE, FALL, AND REEMERGENCE
OF BITCOIN TREASURY COMPANIES
Second Edition

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Mike Flaum, The Rise, Fall, and Reemergence of Bitcoin Treasury Companies V2

Liquidity is the enemy of convexity.
Scarcity is the friend of convexity.

Mike Flaum

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Chapter 2.1 - Overview

I decided to keep the original version of this book intact.

Version 1 was written as a postmortem. Its purpose was to explain what went wrong during the first major wave of Bitcoin treasury companies. I wanted to understand why so many companies copied Strategy's basic idea but produced completely different results.

Version 2 is the first part of this book. It explains what I learned during the year after Version 1 was written. After Version 2 concludes, the original book appears exactly as it was originally published.

Over the past year, I traveled around the world and attended many Bitcoin events. I spoke with investors, executives, analysts, and people building companies in this space. Those conversations reinforced something I had written about in my book on artificial intelligence: MANY people can LIKE a concept, SOME people can REPEAT a concept, but very FEW people can RECONSTRUCT a concept.

Repeating a concept means remembering the words.

Reconstructing a concept means understanding why it works, which parts matter, and what happens when the conditions change.

Many people looked at what Michael Saylor and Strategy accomplished and assumed it would be easy to copy. The apparent formula seemed simple:

- Raise money.
- Buy Bitcoin.
- Watch the value of the company rise.
- Repeat the process.

But copying the visible actions was not the same as understanding the system.

Strategy did not succeed simply because it bought Bitcoin. It succeeded because it combined Bitcoin accumulation with a capital structure that protected ownership, provided access to capital, and allowed the company to continue operating through different market conditions.

Many companies copied the Bitcoin purchases without understanding the structure supporting them. They issued too many shares, raised capital on poor terms, accepted weak financing arrangements, or assumed that a rising Bitcoin price would eventually correct every mistake.

It did not.

That was the central conclusion of Version 1:

Liquidity is the enemy of convexity.
Scarcity is the friend of convexity.

A share represents a claim on the company's Bitcoin. If a company creates too many shares relative to the amount of Bitcoin it owns, each share represents less Bitcoin. When the share count becomes too large, the company loses scarcity. When scarcity disappears, the stock loses much of its ability to rise faster than Bitcoin.

This is especially clear when other companies are compared with Strategy, which owns more Bitcoin than any other public company. If a smaller company owns only a fraction of Strategy's Bitcoin but has the same number of shares, or several times as many shares, the mathematics work against it.

- No story can change that.
- No presentation can change that.
- No promise about future growth can change that.

The company must either acquire much more Bitcoin, repair its share structure, or both.

During the following year, the market demonstrated these principles in real time. Some companies continued making the same mistakes. Some began repairing their structures. A small number executed extremely well. The role of cash, debt, preferred capital, reverse stock splits, and management execution also became much clearer.

Version 2 explains what changed, what did not change, and what surprised me.

The original book was a postmortem of the first wave of Bitcoin treasury companies. This update is a record of what happened next.

Chapter 2.2 - One Year Later

Everything changed on December 1, 2025.

On that date, Strategy announced that it had created a \$1.44 billion U.S. dollar reserve. The reserve was designed to pay dividends on its preferred stock and interest on its debt.

This represented a major change.

Before this announcement, the Bitcoin treasury model focused almost entirely on acquiring more Bitcoin. Holding cash appeared inefficient. If Bitcoin was expected to rise over time, why would a Bitcoin treasury company hold dollars?

The following year provided the answer.

Cash gives a company time. It allows the company to pay its obligations, reduce debt, support its securities, and survive a decline in Bitcoin without being forced to sell large amounts of Bitcoin at the wrong time.

Cash had become a strategic asset.

What Strategy Did

Strategy continued to increase its Bitcoin holdings, but it also made several major changes to its capital structure:

- Created the USD Reserve.
- Increased the reserve from \$1.44 billion to more than \$2 billion within weeks.
- Later separated its dollar liquidity into two categories: the USD Reserve and USD Cash.
- Adopted a policy requiring the USD Reserve to cover at least one year of expected preferred dividends and debt interest.
- Repurchased \$1.5 billion of convertible debt for approximately \$1.38 billion.
- Reduced its outstanding convertible debt from approximately \$8.2 billion to \$6.7 billion.
- Created programs to repurchase STRC and MSTR shares.
- Sold a small amount of Bitcoin when management believed that doing so improved the capital structure.
- Moved STRC from monthly dividends to two dividend payments each month.
- Continued building the market for digital credit.

These decisions changed Strategy's risk profile.

At the end of November 2025, my calculation showed Strategy's net leverage at approximately 14%. As its dollar assets increased and its debt declined, net leverage eventually reached approximately zero. Based on my latest calculation, it is now approximately 0.85%.

Net leverage measures debt after subtracting cash and other dollar assets, compared with the value of the company's Bitcoin. Strategy still has debt. The important change is that it now has enough dollar assets to offset effectively all of that debt.

Strategy also learned an important lesson when it used a large part of its cash to repurchase convertible debt. Its reserve temporarily fell below one year of expected dividend and interest payments. At the same time, Bitcoin declined and STRC traded well below its \$100 stated amount.

The market reacted badly.

Strategy CEO Phong Le later explained that the company had underestimated how much leverage investors were using to buy STRC. Some Bitcoin owners had borrowed against their Bitcoin to purchase STRC and collect the difference between their borrowing cost and STRC's dividend rate.

When Bitcoin declined, some of those investors faced margin pressure. They were forced to sell STRC. That selling pushed STRC farther below its target range and created additional pressure.

Strategy could support STRC through repurchases, but it could not buy an unlimited number of shares every day. Market liquidity and securities rules limit how quickly a company can intervene.

The lesson was clear: a large cash buffer was not optional. It was necessary to maintain confidence in Strategy's digital credit securities.

What Strive Did

Strive demonstrated the same principle on a smaller scale.

Strive began operating as a public Bitcoin treasury company in September 2025. It then moved quickly:

- It completed its acquisition of Semler Scientific in January 2026.
- It assumed \$100 million of Semler convertible debt.
- It exchanged or retired \$90 million of that debt.
- It later retired the remaining \$10 million.
- It completed a 1-for-20 reverse stock split on February 6, 2026.
- It built a cash and securities reserve to support SATA dividends.
- It continued acquiring Bitcoin.
- It became debt-free, and no encumbered Bitcoin.
- It changed SATA from monthly dividends to cash dividends paid every business day.

Daily dividends began on June 16, 2026.

This gave SATA a clear distinction from STRC. STRC pays dividends twice each month. SATA pays dividends every business day.

The difference may sound small, but it created a new product in the market. Investors receive cash more frequently, and the security can be used more easily in funds, structured products, and other financial systems that value frequent cash flow. This also forces hedge funds shorting STRC to pay the cash dividend every business day. This helps to combat predatory practices by much larger entities.

SATA has now grown to approximately \$+1 billion in stated value. STRC is much larger, at approximately \$9+ billion, but Strive built its product and capital structure in less than one year.

Strive did not simply announce a plan. It completed the plan.

What Changed

One year later, the strongest Bitcoin treasury companies were no longer judged only by how much Bitcoin they acquired.

The important questions became:

- How much cash does the company hold?
- How much debt does it have?
- Can it pay its obligations during a Bitcoin decline?
- Can it support its preferred securities?
- Can it raise capital without constantly issuing common shares?
- Does management complete what it promises?

Bitcoin remained the central asset.

But cash became the protection around it.

Strategy proved this at enormous scale. Strive proved that a smaller company could use the same basic principles, move quickly, and build a strong capital structure.

That was the first major lesson of the year after the original book was written.

Chapter 2.3 - The Four-Part Framework

I needed a way to separate the different mechanics of a Bitcoin treasury company in my own mind.

These companies appear simple. They raise capital and buy Bitcoin. But underneath that simple description are four separate questions. Mixing them together creates confusion.

That is why I developed this four-part framework:

1. Ownership
2. Amplification
3. Leverage
4. Valuation

Each part measures something different.

1. Ownership

A Bitcoin treasury company is primarily a balance-sheet company. That makes its equity structure extremely important.

There are two ways to double a company's market capitalization.

The first way is vertical: keep the share count the same and double the stock price. Shareholders love that.

The second way is horizontal: keep the stock price the same and double the number of shares. The market capitalization still doubles, but existing shareholders have been diluted.

The final market capitalization may be identical, but the shareholder experience is completely different.

A company can say that it grew, raised capital, and bought more Bitcoin. But shareholders really care if their shares increase in price, meaning their economic value increased.

The number of shares also affects who can own the stock.

When a stock falls below \$10, many institutional investors may be unable or unwilling to buy it because of their internal mandates. This is not a law, but it is a real market constraint. When a stock remains below \$1, it can eventually enter the exchange-delisting process.

This is why a reverse split can matter.

A reverse split does not change anyone's percentage ownership. It does not create value by itself. However, a 10-for-1 or 20-for-1 reverse split can move a stock from below \$1 to \$10 or \$20. That can make the stock investable again for institutions.

But the reverse split must be accompanied by a credible plan. Otherwise, it becomes an admission that the original capital structure failed without providing investors with a reason to return.

Ownership therefore involves both the amount of Bitcoin represented by each share and the structure, price, and institutional viability of the equity itself.

2. Amplification

Amplification asks:

How much additional Bitcoin can be acquired without increasing the common-share denominator?

The term did not become widely used until the middle of 2025. Its meaning depends on an important accounting and market-structure quirk.

Preferred shares generally are not included in basic shares outstanding or assumed diluted shares outstanding. STRK is an exception because of its conversion features.

A company can therefore issue preferred stock and use the proceeds to buy Bitcoin without increasing its common-share count.

The preferred stock creates a senior claim. That claim must be paid before value reaches the common shareholders. But if the Bitcoin acquired with the preferred capital grows beyond the value of that senior claim, the remaining value flows back to the common equity.

That is amplification.

It does not eliminate risk, and it is not free money. It is a way to increase the pool of Bitcoin without immediately increasing the common-share denominator.

We will see this more clearly when we examine Strive and SATA.

3. Leverage

Leverage asks:

How much debt remains after accounting for cash?

In a normal operating company, debt can be productive. A company borrows money, builds a factory, buys equipment, hires employees, or expands its business. That debt becomes part of enterprise value because it helped fund the operating assets.

A Bitcoin treasury company is different. It is primarily a balance-sheet company. Debt creates a fixed claim against an asset whose market price can fall rapidly.

That is why net debt and net leverage matter more than debt alone.

Strategy may have approximately \$6.7 billion of convertible debt, but if it also holds approximately \$6.7 billion in cash and dollar reserves, its net debt is effectively zero.

Strive has gone further. It has no debt and approximately \$230 million of cash and marketable securities. Its net debt is therefore negative, which is another way of saying that it has a positive net cash position.

Strive demonstrated the value of a debt-free, cash-rich balance sheet. Strategy subsequently moved in the same general direction at a much larger scale.

This was one of the most important changes of the past year. Cash stopped being viewed as idle money that should immediately be converted into Bitcoin.

Cash became a strategic asset.

It pays obligations, supports preferred securities, creates flexibility during market declines, and gives management time to act.

4. Valuation

Valuation asks:

What price will the market place on the structure that management created?

This is where mNAV becomes important. It compares the market's valuation of the company with the value of its Bitcoin.

Valuation is the market's judgment on the first three parts of the framework.

If a company protects ownership, creates productive amplification, and controls leverage, the market may reward it with a higher valuation. If the share count and debt are out of control, a good story will not repair the underlying math.

Management can support valuation in several ways. It can repurchase shares and reduce the denominator. It can repair the stock's institutional viability through a reverse split, although the split itself does not change mNAV. It can also execute well enough that investors become willing to pay a higher price for the stock.

Narrative matters, but narrative must be supported by structure and execution.

At the time of this update, only two preferred securities have reached truly meaningful scale: Strive's SATA at more than \$1 billion and Strategy's STRC at approximately \$9 billion. Other preferred securities have been announced, but are still in their early stages.

Strive's execution since September 2025 has been exceptional. It repaired its common equity, eliminated its debt, built a cash position, completed an acquisition, and created a preferred security that reached meaningful scale.

Its narrative works because the capital structure supports it.

That is the central purpose of this framework. The four parts must be examined separately, but they ultimately work together:

1. **Ownership:** Did the company protect the common shareholder?
2. **Amplification:** Did it add Bitcoin without expanding the common-share denominator?
3. **Leverage:** Can the balance sheet survive difficult markets?
4. **Valuation:** Did the market reward the structure and execution?

A company does not earn a strong valuation simply by owning Bitcoin. It earns that valuation by building a capital structure that works.

Chapter 2.4 - Same Metrics Different Formulas - Amplification

Strategy and Strive both use the word **amplification**.

However, they do not present the metric in the same form. Strategy reports amplification as a multiple. Strive reports it as a percentage.

That makes a direct comparison harder than it should be.

At the time of this writing, Strategy reports amplification of approximately **1.25x**. Strive reports amplification of approximately **50%**.

At first glance, those numbers appear to measure different things. Once they are converted into the same format, the comparison becomes much clearer.

Strategy's Amplification Multiple

Strategy expresses amplification as a multiple.

The basic relationship is:

Bitcoin NAV ÷ Bitcoin NAV remaining after senior claims

Using simplified numbers, assume Strategy owns \$70 billion of Bitcoin and has \$14 billion of net senior claims.

After subtracting those claims, \$56 billion remains:

$$\text{\$70 billion} - \text{\$14 billion} = \text{\$56 billion}$$

Strategy's amplification multiple is therefore:

$$\text{\$70 billion} \div \text{\$56 billion} = 1.25x$$

To convert that multiple into the percentage of the Bitcoin reserve represented by senior claims, the formula is:

$$1 - (1 \div 1.25) = 20 \text{ percent}$$

Therefore, Strategy's 1.25x amplification multiple represents approximately **20 percent amplification** when stated using Strive's percentage format.

The same result can be seen more directly:

$$\text{\$14 billion} \div \text{\$70 billion} = 20 \text{ percent}$$

Strategy also has convertible debt, but its cash and dollar reserves approximately offset that debt. For this simplified comparison, the converts and cash largely cancel each other out. The remaining senior claim is primarily the preferred stock.

On this basis, Strategy is conservatively amplified. Approximately 20 percent of its Bitcoin reserve is matched by net senior claims.

Strive's Amplification Percentage

Strive presents amplification more directly as a percentage.

Using simplified numbers, Strive has approximately \$2.2 billion of Bitcoin and approximately \$1.1 billion of SATA preferred stock.

The calculation is:

$$\text{\$1.1 billion} \div \text{\$2.2 billion} = 50\%$$

Strive therefore reports approximately **50% amplification**.

Strive also has approximately \$230 million of cash and marketable securities and no debt. Its cash strengthens the balance sheet and provides additional protection, but it does not change the basic comparison between SATA's stated value and the company's Bitcoin reserve.

Putting Both Companies on the Same Scale

Once the two companies are measured using the same percentage formula, the comparison is straightforward:

- Strategy: approximately 20 percent amplification
- Strive: approximately 50 percent amplification

Strive therefore has approximately **2.5 times the amplification of Strategy**:

$$50 \text{ percent} \div 20 \text{ percent} = 2.5x$$

This does not mean that one structure is automatically better than the other.

Strategy's 20 percent amplification is conservative. Its Bitcoin reserve is very large relative to its net senior claims.

Strive's 50 percent amplification is higher, but I would not describe it as excessive. Strive has operated with this structure through a difficult Bitcoin market. It has no debt, maintains a meaningful cash position, and has continued to support SATA successfully.

Based on what the market has demonstrated so far, I consider Strive's amplification neither conservative nor aggressive. It appears stable and approximately right for its current structure.

That is the important conclusion.

The word **amplification** is the same, but the reported numbers use different formulas. Strategy's 1.25x multiple represents approximately 20 percent when converted into Strive's format. Strive reports its approximately 50 percent figure directly.

Before comparing any two amplification numbers, they must first be translated into the same language.

Chapter 2.5 - Share Comparison

A Bitcoin treasury company is a balance-sheet company. That makes the relationship between its Bitcoin and its shares one of the most important parts of the business.

This chapter uses a simple way to examine that relationship: shares per Bitcoin.

Most companies report Bitcoin per share. That calculation is correct, but the numbers are small and filled with decimal places. Shares per Bitcoin presents the same relationship in reverse:

Basic shares outstanding $\div$ Bitcoin held = Shares per Bitcoin

The lower the number, the more Bitcoin each share represents.

This does not answer every question about a Bitcoin treasury company. It does not account for preferred stock, convertible debt, cash, or other senior claims. It is a gross ownership comparison, not a complete valuation model. Its purpose is to make the basic structure visible before adding more complicated layers.

NORMALIZING EVERYTHING AGAINST STRATEGY

I developed this table by normalizing the companies against Strategy.

Strategy is the natural reference point because it owns more Bitcoin than any other public company. It also provides a long operating history that can be used to compare different capital structures.

At the time of this update, Strategy held 846,000 Bitcoin and had approximately 420.5 million basic shares outstanding. That equals approximately 497 shares for every Bitcoin held.

The other companies can then be measured against that baseline.

Strive, after its 20-for-1 reverse split, had approximately 3,681 shares per Bitcoin. That was 7.4 times Strategy's number.

Nakamoto, after its 40-for-1 reverse split, had approximately 4,006 shares per Bitcoin. That was 8.1 times Strategy's number.

Metaplanet had approximately 31,728 shares per Bitcoin. That was 63.8 times Strategy's number.

These comparisons are gross measurements. They do not subtract preferred stock, debt, or other senior claims. I made that choice deliberately. There are more detailed ways to calculate common-equity exposure, but those calculations can quickly obscure the much larger differences between these companies.

When one company requires 497 shares to represent one Bitcoin and another requires more than 31,000 shares, adjustments of five or ten percent do not change the central conclusion.

STRATEGY'S PROGRESS OVER TIME

Strategy's history shows why shares per Bitcoin is useful. Using basic shares outstanding, the company's approximate shares per Bitcoin were:

December 31, 2020:	1,361 shares per Bitcoin
December 31, 2021:	907 shares per Bitcoin
December 31, 2022:	872 shares per Bitcoin
December 31, 2023:	892 shares per Bitcoin
December 31, 2024:	549 shares per Bitcoin
December 31, 2025:	464 shares per Bitcoin
March 31, 2026:	454 shares per Bitcoin
June 30, 2026:	439 shares per Bitcoin
September 20, 2026:	497 shares per Bitcoin

The broad trend is clear. Strategy substantially reduced the number of shares required to represent one Bitcoin. Its ownership efficiency improved even while the company issued shares and raised enormous amounts of capital.

The final period also shows that the metric does not automatically move in the right direction. Between June and September 2026, Strategy's basic share count increased while its Bitcoin holdings moved to 846,000. Shares per Bitcoin therefore increased from approximately 439 to 497.

A Bitcoin treasury company must continually protect the relationship between the Bitcoin it owns and the shares it issues.

STRIVE AND NAKAMOTO AFTER THEIR REVERSE SPLITS

The Strive and Nakamoto rows are placed next to each other because the comparison is revealing.

After their reverse splits, their shares-per-Bitcoin figures were relatively close:

Strive:	3,681 shares per Bitcoin
Nakamoto:	4,006 shares per Bitcoin

But they did not arrive at those numbers in the same way.

Strive completed a 20-for-1 reverse split. Nakamoto completed a 40-for-1 reverse split. The table also shows what their share counts and stock prices would look like in the old units.

Without the reverse split, Strive's equivalent stock price would have been approximately \$1.50. Nakamoto's would have been approximately \$0.24.

A reverse split does not change anyone's percentage ownership. It does not create Bitcoin, increase the value of the company, or repair the underlying business. It changes the units in which the ownership is presented.

However, those units matter.

A stock that remains below \$1 can eventually face delisting risk. A stock below \$10 may also fall outside the mandates of many institutional investors. A reverse split can restore a usable stock price and reopen the door to a broader group of investors.

It is also a tacit admission that the previous share structure was no longer working.

The split must therefore be followed by execution. Strive did that. It eliminated its debt, maintained cash, completed its Semler Scientific acquisition, created a functioning preferred-security program through SATA, and acquired substantially more Bitcoin without producing a comparable increase in basic common shares.

That is why the comparison is not simply about the split. The reverse split repaired the units. Strive's subsequent execution improved the structure behind those units.

THE FORWARD-SPLIT MIRROR IMAGE

Netflix provides the opposite example.

Netflix's stock price had climbed above \$1,000 before it completed a 10-for-1 forward split. At that price, one standard options contract representing 100 shares controlled more than \$100,000 of stock.

The high price was the result of long-term success, but it was beginning to reduce accessibility. Netflix officially explained that its split would make the stock more accessible to employees participating in its stock-option program.

A forward split lowers the price of each share while increasing the share count by the same proportion. Like a reverse split, it does not change the percentage ownership of existing shareholders.

But the message is different.

A forward split can be the consequence of accumulated success and convexity. The stock price became so high, and each share so scarce, that the company divided each share into smaller units to restore accessibility and liquidity.

A reverse split is usually an attempt to solve the opposite problem. The company has too many low-priced shares and must combine them into larger units to restore institutional usability.

One divides a scarce and valuable unit. The other attempts to recreate scarcity after the unit price has fallen too far.

SHARES PER MILLION DOLLARS OF MARKET VALUE

The second half of the table compares Strategy with the Magnificent Seven and Netflix. It asks another simple question:

How many shares are required to represent \$1 million of equity market value?

Because market capitalization equals share price multiplied by shares outstanding, this calculation can also be expressed as:

$\$1,000,000 \div \text{Share price}$

At the prices used in this table, Strategy required approximately 6,188 shares to represent \$1 million of equity market value.

NVIDIA required approximately 4,453 shares. Therefore, Strategy required about 1.39 times as many shares as NVIDIA to represent the same \$1 million of market value.

Netflix required approximately 13,943 shares. That is more than twice Strategy's number. Expressed in the table's normalized direction, Netflix measured approximately 0.44 times Strategy.

A multiple below one can initially appear confusing. In this case, 0.44 means that Strategy's number is only 44 percent of Netflix's. Stated the other way, Netflix requires approximately 2.25 times as many shares as Strategy to represent the same market value.

Across the Magnificent Seven plus Netflix, the normalized measurements range from approximately 0.44 times to 4.81 times Strategy. That is an approximately elevenfold range.

This shows that there is no single perfect share count. Even the largest and best-run companies operate with very different stock prices and share structures. However, the comparison also shows that successful companies generally remain within a workable range. When a company falls far outside that range, the capital structure begins working against it.

THE CENTRAL LESSON

The purpose of this table is not to claim that one number explains an entire company. It is to reveal the order of magnitude.

Small disagreements over basic shares, diluted shares, convertible securities, or senior claims can matter in a complete valuation. They do not erase a difference of eight times, sixty-four times, or several hundred times.

That is the central point:

Liquidity is the enemy of convexity. Scarcity is the friend of convexity.

Issuing more shares can raise capital and increase market liquidity. Sometimes that issuance is productive. But every new common share divides the ownership of the company into another piece.

If the Bitcoin acquired grows faster than the share count, ownership efficiency improves.

If the share count grows faster than the Bitcoin, ownership efficiency deteriorates.

A forward split can restore accessibility after success has driven a stock price too high. A reverse split can restore usability after the share structure has become dysfunctional. Neither split creates economic value by itself.

The value comes from what management does before and after the split.

The share count is not merely an accounting detail. For a Bitcoin treasury company, it is the architecture of ownership.

BITCOIN TREASURY & CAPITAL EFFICIENCY - Mike Flaum												
Mike Flaum - Inventor of: Shares / \$1M of Market Cap and Shares / \$1M of Bitcoin Market Cap												
BTC Price (USD) Now		\$85,000										
Date		9/24/2026										
BITCOIN TREASURY & CAPITAL EFFICIENCY - Mike Flaum												
Ticker	Company	BTC Held	Bitcoin Price	BTC Market Cap	Shares per Bitcoin	Shares/BTC vs. MSTR	Shares Per \$1M BTC Market Cap	Share Price (USD)	Basic Shares Outstanding	Equity Market Cap	Shares Per \$1M Equity Market Cap	Equity Market Cap vs. MSTR
MSTR	Strategy	846,000	\$85,000	\$71,910,000,000	497	1.0	5,848	\$161.61	420,507,000	\$67,958,136,270	6,188	1
MTPLF	MetaPlanet	43,000	\$85,000	\$3,655,000,000	31,728	63.8	373,265	\$1.80	1,364,282,624	\$2,455,708,723	555,556	90
ASST	Strive Original Shares	26,355	\$85,000	\$2,240,175,000	73,612	148.1	866,027	\$1.50	1,940,052,980	\$2,904,259,311	668,003	108
ASST	Strive Post 20:1 Split	26,355	\$85,000	\$2,240,175,000	3,681	7.4	43,301	\$29.94	97,002,649	\$2,904,259,311	33,400	5
NAKA	NAKA Post 40:1 Split	4,467	\$85,000	\$379,695,000	4,006	8.1	47,130	\$9.76	17,894,943	\$174,654,644	102,459	17
NAKA	NAKA Original Shares	4,467	\$85,000	\$379,695,000	160,241	322.4	1,885,191	\$0.24	715,797,720	\$174,654,644	4,098,361	662
MAGNIFICENT 7 + Netflix - MIKE FLAUM												
Ticker	Company	BTC Held	Bitcoin Price	BTC Market Cap			Shares Per \$1M BTC Market Cap	Share Price (USD)	Shares Outstanding	Equity Market Cap	Shares Per \$1M Equity Market Cap	Shares per \$1M Market Cap vs. MSTR
NVDA	NVIDIA	0						\$224.58	24,147,000,000	\$5,422,933,260,000	4,453	1.39
AAPL	Apple	0						\$335.92	14,594,180,000	\$4,902,476,945,600	2,977	2.08
MSFT	Microsoft	0						\$497.93	7,425,545,491	\$3,697,401,866,334	2,008	3.08
GOOGL	Alphabet	0						\$342.36	12,230,000,000	\$4,187,062,800,000	2,921	2.12
META	Meta	0						\$777.59	2,547,506,225	\$1,980,915,365,498	1,286	4.81
NFLX	Netflix	0						\$71.72	4,163,939,676	\$298,637,753,563	13,943	0.44
TSLA	Tesla	11,509	\$85,000	978,265,000			4,037,298	\$377.94	3,949,547,394	\$1,492,691,942,088	2,646	2.34
AMZN	Amazon	0						\$249.38	10,786,313,572	\$2,689,890,878,585	4,010	1.54

Chapter 2.6 - Summary

A Bitcoin treasury company can be understood through four parts:

1. Ownership
2. Amplification
3. Leverage
4. Valuation

Each part answers a different question. Together, they show whether the company has built a capital structure that can work over time.

1. Ownership

The first question is:

Did the company protect the common shareholder?

Traditional operating companies are often compared using the price-to-earnings ratio. But the formula is not simply price divided by total earnings. It is:

Price per Share ÷ Earnings per Share

The words “per Share” are critical.

Two companies can produce similar total earnings while producing very different results for each shareholder. If a company doubles its earnings but also doubles its share count, earnings per share do not increase. The business became larger, but the economic result for each share did not improve.

A Bitcoin treasury company presents a similar problem. Its economic performance is largely connected to the value of the Bitcoin on its balance sheet. That makes shares per Bitcoin a useful comparison:

Basic shares outstanding ÷ Bitcoin held = Shares per Bitcoin

This metric allows companies with very different sizes and ownership structures to be compared using one common reference point.

A company can have more shares per Bitcoin than Strategy and still build a successful business. But there must be a good economic reason for the difference.

The explanation cannot simply be that the management team is intelligent, that the company operates in Japan or Europe, or that it has a compelling story. Geography and narrative do not change the ownership math.

If a company falls far outside the normal range, it must demonstrate how its capital structure will create more value for each common share. Otherwise, the share count will continue working against the shareholder.

That is why ownership comes first. If the common-share denominator is not protected, everything else becomes more difficult.

2. Amplification

The second question is:

Can the company acquire additional Bitcoin without increasing the common-share denominator?

Amplification is primarily achieved by raising capital through securities that are not included in basic common shares outstanding. Preferred stock can provide this form of capital.

The preferred security creates a senior claim, so the capital is not free. But it allows the company to buy additional Bitcoin without immediately issuing more common shares. If the value created above the senior claim flows back to the common equity, the common shareholder receives the benefit of amplification.

At the time of this update, two companies have demonstrated this at meaningful scale: Strategy and Strive.

Strategy has built the largest digital-credit platform, STRC. Strive has shown that the model can also work at a much smaller scale through SATA.

Other companies are beginning to issue or announce preferred securities. Whether they understand the complete structure remains an open question.

Issuing a preferred security does not automatically repair a company. Digital credit cannot solve severely damaged ownership geometry. If the common-share count is already far out of proportion to the Bitcoin held, adding a preferred security does not make that underlying problem disappear.

Amplification works best when it is built on top of a common-equity structure that already works.

3. Leverage

The third question is:

Can the balance sheet survive difficult markets?

The most important lesson of the past year is simple:

Net debt of zero is good. Zero debt is even better.

Strategy has convertible debt, but it also holds enough cash and dollar reserves to offset most or all of that debt at different points in time. This can bring its net debt close to zero.

Strive has gone one step further. It has eliminated its debt and holds a positive cash balance. Its net debt is therefore negative.

This represents a fundamental change in how Bitcoin treasury companies think about cash.

Previously, cash was often treated as an unproductive asset that should be converted into Bitcoin as quickly as possible. The events of the past year demonstrated that cash has another purpose.

Cash pays dividends and interest. It supports preferred securities. It allows a company to repurchase securities when market prices become unstable. It provides flexibility during a Bitcoin decline. Most importantly, it gives management time.

Cash became a strategic asset.

A company that owns a large amount of Bitcoin but lacks cash may be forced to raise capital or sell assets at the worst possible time. A company with a strong cash reserve has more choices.

For a Bitcoin treasury company, survival is part of the strategy.

4. Valuation

The fourth question is:

What value will the market place on the structure management has created?

Ownership, amplification, and leverage are primarily mathematical. Investors can examine the share count, Bitcoin holdings, senior claims, debt, and cash.

Valuation is different. It includes the market's judgment about the future.

If a company protects common ownership, creates productive amplification, and controls its leverage, investors may reward it with a higher valuation. Once the underlying math works, narrative becomes important.

Narrative means what investors believe the company can become.

It includes confidence in management, access to capital, future Bitcoin acquisitions, the quality of the company's preferred securities, and the company's ability to execute through different market conditions.

But narrative comes last, not first.

A powerful story cannot permanently overcome a damaged share structure, excessive leverage, or a lack of liquidity. The structure must support the story.

The cleanest way to understand valuation is therefore:

Ownership, amplification, and leverage create the structure. Narrative determines what investors are willing to pay for that structure.

The Complete Framework

The four questions work together:

1. **Ownership:** Did the company protect the common shareholder?
2. **Amplification:** Did it acquire additional Bitcoin without unnecessarily expanding the common-share denominator?
3. **Leverage:** Does it have enough cash and balance-sheet strength to survive difficult markets?
4. **Valuation:** Did the market reward the company's structure, execution, and future potential?

A Bitcoin treasury company does not succeed merely because it owns Bitcoin.

It succeeds when it protects the ownership of each share, uses its capital structure to acquire more Bitcoin, maintains the financial strength to survive, and gives investors a credible reason to believe that it can continue executing.

The math establishes what the company is.

The narrative expresses what the company may become.

Conclusion - Future

The future is always speculative. Nothing in this chapter is financial advice. These are my observations and expectations based on the structures that exist today.

The only prediction I can make with complete confidence is that change is inevitable.

The Beginning

In August 2020, Strategy reached an inflection point.

Michael Saylor has explained that he could have retired and gradually disappeared into relative obscurity. He was not ready to do that. When he discovered Bitcoin, he found a new foundation on which to rebuild Strategy.

That decision began a six-year period of financial engineering.

The phrase “financial engineering” is sometimes used negatively. I use it positively. Strategy took a new monetary asset and began building a capital structure around it.

If Bitcoin is synthetic, engineered money, then it may be the ultimate treasury asset. It is scarce, global, liquid, divisible, and independent of any single government. A company that believes in those properties can do more than simply hold Bitcoin. It can build financial products and an entire balance-sheet strategy on top of it.

Everyone who believes in Strategy already believes in Bitcoin. But not everyone who believes in Bitcoin believes in Strategy, Strive, or the broader Bitcoin Treasury model.

That difference comes down to an understanding of capital markets.

Owning Bitcoin is only the starting point. A Bitcoin treasury company must also protect ownership, create amplification, control leverage, and earn an appropriate valuation.

Durability Through the Downturn

Bitcoin reached approximately \$126,000 in October before falling below \$60,000. That was a decline of more than 50 percent.

This was not an easy environment in which to build a Bitcoin Treasury company. It was a real test.

Strategy and Strive did more than survive it.

Strategy raised billions of dollars in cash and dollar reserves, reduced its net leverage to approximately zero at different points, expanded its preferred-stock platform, and continued building the largest corporate Bitcoin position in the world.

Strive eliminated its debt, maintained approximately \$230 million of cash and marketable securities, completed the Semler Scientific acquisition, executed a reverse split, expanded its Bitcoin holdings, and built SATA into a preferred security with more than \$1 billion of notional value.

These companies demonstrated durability.

A company with zero net debt, substantial cash, and a functioning preferred-security platform has a formidable balance sheet. Strive has no debt. Strategy has enough cash and dollar reserves to offset most or all of its convertible debt at different points in time.

These are balance-sheet fortresses.

They still have obligations. Preferred dividends must be paid. Operating expenses, rent, accounts payable, and other liabilities continue to exist. But neither company is dependent on a traditional debt structure that can force the liquidation of its Bitcoin.

That distinction matters.

Both companies built these structures during a major Bitcoin decline. If their capital structures remained functional during a crypto winter, they should have more opportunities when Bitcoin enters a sustained bull market.

I believe that process has already begun.

The Unpredictability of mNAV

At the time of this writing, Bitcoin is approximately \$85,000. If Bitcoin rises above \$100,000, returns to its previous high near \$126,000, and eventually moves toward \$150,000 or \$200,000, the value of these capital structures could change rapidly.

Those are not extreme Bitcoin scenarios. They represent a return to the prior high and extensions above it.

What happens to the mNAV of Strategy or Strive in that environment?

I do not believe anyone can answer that question precisely.

Traditional valuation models are based on operating revenue, profit margins, cash flows, and growth rates. Bitcoin treasury companies do not fit neatly into those models. Their results depend on Bitcoin's price, common-share issuance, preferred issuance, investor demand, market sentiment, and management's ability to deploy capital.

They also now have functioning amplification.

Strategy's amplification is approximately 20 percent using the methodology discussed earlier. Strive's is approximately 50 percent. On that basis, Strive currently has approximately 2.5 times Strategy's amplification.

Strive is also much smaller. At the figures used in this update, Strategy held 846,000 Bitcoin and Strive held 26,355 Bitcoin. Strategy's Bitcoin position was approximately 32 times larger.

That size difference creates uncertainty and opportunity. Strategy has scale, market access, and an established platform. Strive has a much smaller base from which percentage growth can occur.

No one has enough historical data to know exactly how the market will value those differences during a Bitcoin bull market.

Two Different Forms of Accretion

It is important to separate amplification from mNAV accretion.

Amplification allows a company to acquire Bitcoin with capital that does not immediately increase its basic common-share count. Preferred stock can therefore expand the Bitcoin pool without expanding the common-share denominator.

mNAV accretion works differently.

Assume a company owns \$1 of Bitcoin for every common share, but the market values that share at \$2. The company can issue one new share for \$2 and use the proceeds to buy \$2 of Bitcoin.

The company is not buying Bitcoin at half price. It pays the full market price for the Bitcoin.

The advantage comes from selling \$1 of existing Bitcoin value at a \$2 market valuation. The company receives more capital than the Bitcoin value previously represented by that share. If it deploys that capital effectively, Bitcoin per share can increase.

When mNAV is 2.0 instead of 1.0, common-stock issuance can be substantially more accretive.

That creates a possible cycle:

1. Bitcoin rises.
2. The company's Bitcoin holdings become more valuable.
3. Investors assign the company a higher mNAV.
4. The company issues equity more accretively.
5. The company acquires more Bitcoin.
6. Bitcoin per share can increase.
7. The improved ownership structure may support the valuation.

Amplification through preferred stock can operate alongside mNAV accretion through common equity. We have never seen both mechanisms functioning at today's scale through a complete Bitcoin bull market.

That is why conventional price targets may fail.

My Expectations

My predictions are straightforward.

I believe Bitcoin will reclaim its previous All Time High during 2027.

I believe Strategy will reach one million Bitcoin by the end of 2026.

I believe Strategy can reach approximately 1.25 million Bitcoin by June 2027 and 1.5 million Bitcoin by the end of 2027.

That would mean adding approximately 500,000 Bitcoin during 2027 alone.

These are predictions, not guarantees. They depend on Bitcoin's price, Strategy's valuation, access to capital, preferred-stock demand, and management execution.

But the mechanism is visible.

If Bitcoin rises and Strategy's mNAV expands, common-equity issuance becomes more accretive. If its preferred securities continue raising capital, amplification can add another source of Bitcoin acquisition. These two systems can reinforce each other.

Strive has a similar opportunity from a much smaller starting point. Its higher amplification and smaller Bitcoin base could produce results that are difficult to model if Bitcoin rises and the market awards Strive a higher valuation.

I do not believe anyone can produce a reliable price target for either company under those conditions. I have built models and produced estimates myself, but there is not yet enough real-world data to know how these systems will behave at scale during a full bull market.

The resulting valuations may surprise many people.

They would not surprise me. What would surprise me is if anyone could model them precisely in advance.

The Third Regime

When I wrote the original version of this book, I described the history of Bitcoin treasury companies in phases.

The first phase was the rise.

Strategy began its Bitcoin program in 2020 and spent the following years demonstrating that a public company could use Bitcoin as its primary treasury asset. By 2024, other companies were attempting to reproduce the model.

The second phase was the fall.

A new group of Bitcoin treasury companies appeared, including Metaplanet, Nakamoto, and others. Many copied the visible parts of Strategy's model without reconstructing the underlying mechanics. Share counts expanded, stock prices fell, leverage became dangerous, and narrative moved ahead of structure.

The market exposed those weaknesses during 2025 and 2026.

We have now entered the third phase: the reemergence.

The reemergence is not theoretical. It has already begun.

Strategy rebuilt its balance-sheet defense around cash, dollar reserves, reduced net leverage, and a large digital-credit platform.

Strive demonstrated that a smaller company could repair its common equity, eliminate its debt, hold strategic cash, acquire another company, and build a functioning preferred security during a Bitcoin downturn.

The model has evolved.

The next generation of successful Bitcoin treasury companies will not be judged only by how much Bitcoin they hold. They will be judged by how well they protect each common share, how intelligently they use preferred capital, how much leverage they carry, how much cash they maintain, and whether their execution earns a higher valuation.

That is the reemergence.

Looking Forward

The original book was a postmortem. It examined what went wrong when companies attempted to copy Strategy without understanding the complete system.

This update records what happened next.

The market demonstrated that ownership matters. Amplification matters. Leverage matters. Cash matters. Execution matters. Narrative matters only after the structure works.

Strategy and Strive have now built structures that survived a severe Bitcoin decline. They possess substantial Bitcoin, functioning preferred securities, strong cash positions, and little or no net debt.

If Bitcoin continues rising, those structures will face a different test: not whether they can survive, but how quickly they can grow.

I believe the future of this sector is incredibly bright. I also believe it will remain difficult to predict.

That combination is what makes the next phase so important.

The rise established the idea.

The fall exposed the mistakes.

The reemergence built a stronger model.

Now the market will show us what that model can become.

PROLOGUE - INVENTING THE LENS

The world changed so quickly that most people didn't notice it happening. One day, information was scarce, and expertise was a moat. Then AI snapped its fingers and flattened the entire knowledge stack. Every chart, every balance sheet, every academic paper, every market commentary, instantly available, instantly analyzed, instantly summarized.

AI took the informational advantage that once separated amateurs from professionals and dissolved it in real time. It became the great equalizer. And in that moment, a strange question emerged: If AI can know everything, analyze anything, and summarize any domain, where does a human create value?

It took me longer than I expected to answer that question. The reflexive assumption was that you profit from AI by owning the companies that build it; NVIDIA, OpenAI, Perplexity, whoever controls the next compute frontier. And sure, that might work. But it didn't feel like a strategy. It felt like a lottery ticket.

The deeper opportunity wasn't owning the infrastructure. It was owning the imagination layer.

AI can retrieve information. AI can synthesize information. AI can even generate prose. But AI does not originate lived experience. It does not have scars, intuition, or the pattern recognition that comes from decades of watching markets behave badly and people behave worse. It does not feel when a system is under stress long before the data confirms it.

That's where value lives now. Not in the data, but in the framing.

This book exists because of a framing that did not exist before: Shares per \$1 million of market cap. A simple, elegant pressure gauge that reveals the true convexity - or decay - of a Bitcoin treasury company. A metric no model produced. A metric no white paper suggested. A metric that only emerges after obsessing over dilution, float mechanics, and balance sheets long enough to sense where the stress fractures form.

AI didn't invent it. I did. And that was the moment I understood how humans actually profit from AI: you invent the lens, and AI scales it.

Once that clicked, a second realization followed just as clearly: publishing itself is about to be reorganized. Writers used to hide behind 300-page hardcovers and paywalls. But that world is fading. Readers don't want volume. They want clarity. They want the complete mental model - short, sharp, high-yield - delivered in a format AI can expand, compress, analyze, or remix.

An AI-amplified author doesn't write long. They write precisely. They write frameworks.

That's why this book is short. It's a tool, not a monument. A compact mental model you can absorb quickly, deploy immediately, and feed into your own AI to interrogate from every angle.

But this book isn't really about AI. It's about metrics—and what happens when the right system is analyzed with the wrong ones.

The first generation of Bitcoin treasury companies did not fail because they lacked intelligence, effort, or ambition. They had plenty of metrics. Many of them were mathematically correct. Some even accurately described rates of change. But they were the wrong metrics.

They measured motion when they needed to measure structure. They measured growth when they needed to protect equilibrium. They treated balance-sheet engineering like an income-statement problem.

Bitcoin itself had already solved this. Bitcoin's power does not come from yield, velocity, or clever financial engineering. It comes from capital efficiency enforced by physics—fixed supply, disciplined issuance, and an uncompromising denominator.

What most Bitcoin treasury companies failed to do was apply those same principles to their own equity. They optimized narratives instead of structure. They pursued scale without protecting scarcity. They diluted their float faster than Bitcoin could compound.

The result wasn't just underperformance. It was equilibrium destruction. And that's the real story of Bitcoin Treasury 2.0 (2024 and 2025)

Its collapse wasn't the end of the model. It was the clearing event. It exposed the mistakes, but it also revealed the blueprint.

Companies that truly understand this—companies disciplined enough to align their capital structure with Bitcoin's physics—stand to capture extraordinary upside. Not because they're loud, lucky, or early, but because they refuse to inflate their denominator into oblivion.

This book is about the rise and fall of the first generation of Bitcoin treasury companies. But it's also about the blueprint for the next generation—the ones who will survive their own volatility, master their dilution, and leverage Bitcoin's asymmetry instead of fighting it.

Bitcoin exposed how money is broken. AI exposed how information is broken. Together, they've created a landscape where the winners are the ones who can see what isn't on the screen yet.

This is one of those unseen things.

Let's begin.

Chapter 1.1 - THE ORIGINAL PROMISE

The idea started as a simple observation: the money was melting.

Most people didn't see it because inflation was hidden behind a government statistic - CPI - a number optimized for calm, not accuracy. CPI measures price changes after the fact. It tells you what already happened. It does not explain why purchasing power keeps disappearing.

The deeper force is M2 growth: the expansion of the money supply itself. CPI tells you how prices rise. M2 tells you why they rise.

It took years of watching the system to understand the real relationship.

M2 is debasement.

CPI is inflation.

Together, they define the true degradation of money.

If CPI is 4% and M2 is growing at 6%, your monetary degradation is not four percent or six percent. It is ten percent per year.

You don't need a PhD to understand what that means. You just need the Rule of 72.

Most people are taught the Rule of 72 as a growth shortcut. It answers a simple question: given an annual rate of return, how long does it take for something to double?

At a 10% annual return, 72 divided by 10 equals 7.2. Your money doubles in 7.2 years.

At a 7.2% annual return, 72 divided by 7.2 equals 10. Your money doubles every decade.

That is how the rule is usually taught.

But the rule works just as cleanly in reverse.

Instead of asking how fast value compounds, you ask how fast purchasing power decays. If money is degrading at a combined rate of 10% per year — through debasement and inflation — then 72 divided by 10 still equals 7.2. The arithmetic is identical. The direction is not.

Your purchasing power is cut in half every 7.2 years.

Even at a combined degradation rate of 7.2%, the result is the same. Seventy-two divided by 7.2 equals 10. Your money loses half its real value every decade.

Once you accept this, a generational truth becomes unavoidable. It is not your imagination that life keeps getting harder. It is the arithmetic of fiat currency.

This is not a bug.

This is a feature of the system. And once you see that clearly, you stop thinking in government-friendly language and start thinking in numbers. Those numbers lead directly to the question that would spark the Bitcoin treasury movement:

Why would any company store excess capital in an asset guaranteed to lose half its real value every seven to ten years? That was the question Michael Saylor asked when he made the decision that redefined MicroStrategy — now Strategy.

Traditionally, companies parked their treasury assets in sovereign bonds, corporate bonds, and short-term cash instruments. These were labeled "safe." But safe for whom? Not for shareholders. U.S. Treasuries yield less than the combined force of monetary debasement and inflation. Corporate bonds are not much better. They offer nominal stability at the cost of real erosion.

Saylor's insight was brutally simple. A corporate balance sheet is allowed to hold commodities. Bitcoin is a commodity. So why park capital in melting assets when you can store it in one with provable scarcity?

This was the original promise of the Bitcoin treasury company. Instead of surrendering capital, buying back shares, and hoping earnings growth outran monetary decay, the model flipped the script.

The idea was straightforward.

- Raise capital.
- Buy Bitcoin.
- Increase Bitcoin per share.
- Let Bitcoin's long-run compounding overpower dilution.

This inverted the dominant financial loop of the technology world.

The traditional EPS loop worked like this: cash flow led to buybacks. Buybacks reduced share count. Fewer shares increased EPS. Higher EPS supported higher valuations.

Bitcoin enabled a different loop: capital raises led to Bitcoin accumulation. Bitcoin accumulation increased Bitcoin per share. Higher Bitcoin per share supported higher valuations.

One loop is income-statement driven. The other is balance-sheet driven.

In a world where money degrades at seven to ten percent per year, the balance-sheet loop appeared stronger. This was not speculation. It was monetary defense. If fiat treasuries decay every year, why store value in them? If sovereign bonds guarantee a slow loss, why call them safe? And if Bitcoin compounds — imperfectly but powerfully — why treat it as a speculative asset instead of strategic collateral?

This was not about getting rich quickly.
It was about not getting poor slowly.

The first generation of Bitcoin treasury companies attempted to solve a problem mainstream finance still refuses to name: dollars are structurally defective as long-term collateral.

- Bitcoin offered the opposite.
- Fixed supply.
- Transparent issuance.
- Global liquidity.
- Zero dilution.

A track record of outpacing monetary debasement. For the first time in modern history, a corporation could put Bitcoin on its balance sheet.

Companies have always been able to change their share count. They have always been able to issue equity. That was never new. What was new was the ability to replace melting monetary collateral with a provably scarce asset inside the corporate treasury itself. That was the innovation Bitcoin treasury companies were set up to exploit.

Strategy was not reckless. It was rational. If money is melting — halving in real terms every decade or faster — then holding long-duration fiat collateral is a guaranteed loss. Converting excess capital into Bitcoin was not speculation. It was balance-sheet defense. The market rewarded that clarity. It looked visionary because it was.

But this book is not really about Strategy.
It is about what came after.

The Bitcoin treasury 2.0 companies looked at the surface-level success and copied the wrong things. They focused on Bitcoin yield - growing Bitcoin holdings as fast as possible. They focused on mNAV - a ratio that describes scale but ignores capital efficiency. They optimized for accumulation speed, not ownership geometry.

The implicit belief was simple: acquire as much Bitcoin as possible, as quickly as possible, and trust that Bitcoin's long-term CAGR would overwhelm everything else. If the stock price spiked, great. If it collapsed, that was noise. Long term, Bitcoin would fix it. For a time, that belief looked vindicated. Prices rocketed. Volatility was celebrated. Scale was confused with success.

What would become clear later - and what this book is ultimately about - is that solving the asset problem without solving the capital-structure problem creates a fatal mismatch. Bitcoin can be the right asset and still fail if capital efficiency is ignored. It was not Bitcoin that broke Bitcoin treasury 2.0. It was dilution. It was the denominator. It was a failure to respect the geometry between Bitcoin held and shares outstanding.

That is where the model failed. And that is where the real story begins.

Chapter 1.2 - THE MECHANICS

Once you understand a single constraint, the entire Bitcoin treasury category simplifies. Bitcoin treasury companies can, in theory, buy back their own shares. But they generally cannot recycle Bitcoin gains the way traditional companies recycle operating cash flow. Selling Bitcoin to fund buybacks violates the core premise of the model. The strategy is explicitly built around not selling the Bitcoin.

There is no internal flywheel that turns Bitcoin appreciation into automatic share reduction. That constraint forces a deeper mechanical truth:

Value creation in a Bitcoin treasury company comes from Bitcoin acquisition paired with disciplined equity scarcity.

Traditional finance optimizes EPS. Bitcoin treasury companies operate under a different system, one governed by two variables working together:

- Bitcoin per Share.
- Float Efficiency.

Bitcoin per share is foundational. It tells you how much Bitcoin each share represents. But on its own, it is incomplete. It describes the numerator, not the structure that determines whether that numerator actually compounds for shareholders.

To see why, consider a simple analogy. Imagine two Rolex dealers, with exactly the same model watches. One owns 100 Rolex watches. The other owns 100,000 Rolex watches. If both dealers have proportional ownership structures, their valuations per share look identical. On paper, the mNAV is the same. But if the second dealer issued vastly more shares to acquire inventory, the ownership experience is completely different. The watches are the same. The ownership geometry is not.

Bitcoin per share is Rolexes per share. It tells you how much inventory exists. It does not tell you whether that inventory was acquired efficiently.

This is where most early frameworks stopped — and where they failed to see the full picture. A company can meaningfully increase Bitcoin per share and still impair convexity if its float expands even faster. That is exactly what played out across much of the Bitcoin treasury 2.0. MetaPlanet illustrates this clearly. The company expanded its Bitcoin holdings from roughly 7,000 BTC to over 30,000 BTC - a fourfold increase. Bitcoin per share rose. But the share count expanded even more aggressively. The result was that most of the upside failed to accrue to shareholders. Nothing was “wrong” with Bitcoin. The issue was capital structure.

Strategy shows the opposite case. Its success did not come merely from acquiring Bitcoin. It came from acquiring Bitcoin efficiently. Strategy raised capital selectively, at prices that preserved ownership geometry. Had it started with an inflated float — or issued shares aggressively into weakness - its Bitcoin per share gains would have been neutralized rather than amplified.

This leads to a more accurate formulation:

Everything reduces to two numbers working together.

1. Bitcoin per Share - the numerator of treasury strength.
2. Float Efficiency - the denominator that determines scarcity.

Increase Bitcoin per share while maintaining a disciplined float, and the equity becomes a convex instrument. Increase Bitcoin per share while allowing the float to expand unchecked, and the equity's upside becomes increasingly constrained.

Convexity exists only when the numerator and denominator move in harmony.

This is why liquidity works against convexity in this model. A growing float reduces scarcity. A very large float limits future optionality. A collapsing share price — drifting below ten dollars, then five, then one - restricts access to capital markets and makes future Bitcoin accumulation increasingly difficult.

Reverse splits may reset optics, but they do not change ownership geometry. A reverse split mechanically preserves ownership and mNAV, but it does not preserve equilibrium. While BTC per share and share price increase by the split factor, no new scarcity is created and no capital efficiency is repaired. The market typically interprets a reverse split as evidence of prior dilution and structural failure, increasing the discount rate applied to the equity. As a result, post-split price often drifts downward until the original ownership geometry reasserts itself. Reverse splits change units; they do not change outcomes.

For years, the industry lacked a clean way to measure this.

Traditional finance has P/E for earnings, P/B for assets, and EV/EBITDA for operations. Bitcoin treasury companies had no comparable metric that captured capital efficiency and scale simultaneously.

That gap is why I introduced two related metrics:

Shares per \$1 Million of Bitcoin Market Cap.

Shares per \$1 Million of Equity Market Cap.

These metrics normalize companies of vastly different sizes and expose economies of scale — or the lack of them. They reveal whether Bitcoin accumulation is being achieved in a way that preserves scarcity or erodes it.

While developed to diagnose Bitcoin treasury structures, Shares per \$1 Million of Equity Market Cap generalizes naturally to traditional equities as a capital-efficiency lens, allowing direct comparison between companies with vastly different P/E ratios by normalizing ownership dilution independently of earnings narratives. This is why the Magnificent Seven are included in this chapter - they provide a non-Bitcoin reference set of the market's most capital-efficient allocators, establishing a baseline against which Bitcoin treasury companies can be evaluated on structure rather than story.

This also explains why several commonly cited metrics proved misleading. BTC yield measures rate of change. It tells you how fast Bitcoin is being accumulated. It does not tell you whether shareholders benefit from that accumulation. mNAV measures relative scale. It compares market cap to Bitcoin held, but it ignores how many shares exist. Two companies can have identical mNAVs and radically different capital efficiency. Capital efficiency lives in the denominator. This table exists to make that visible.

The orange section on the left isolates Bitcoin metrics: Bitcoin held, Bitcoin market cap, and shares per \$1M of Bitcoin market cap. This number is structurally invariant. It does not change with price. It reflects ownership geometry.

The green section isolates Equity metrics: share price, shares outstanding, and shares per \$1M of equity market cap. This is where dislocation appears. This number moves with dilution, sentiment, and capital structure decisions.

On the far right sit Bitcoin per share and mNAV. These ratios are not incorrect. They are incomplete. They describe outcomes, not mechanics. They tell you what happened, not whether it was sustainable. When you separate these domains, the experience of the Bitcoin treasury 2.0 becomes easier to understand.

Most Bitcoin treasury companies optimized for Bitcoin accumulation speed (Bitcoin Yield) without fully appreciating the implications of their share issuance. In some cases, early PIPE deals set the float so high that subsequent Bitcoin purchases could not materially restore convexity. Their ability to raise additional capital became constrained not by Bitcoin, but by their own cap tables. This was not malice. It was a nascent industry learning in real time. The framework to evaluate capital efficiency simply did not exist yet.

Strategy emerged as the benchmark not because it bought Bitcoin, but because it respected equity scarcity. It treated float discipline as integral to the model, not an afterthought.

The next phase of Bitcoin treasury companies will be defined by this distinction. Those that preserve Bitcoin per share and maintain float efficiency will retain convexity. Those that ignore the denominator will find that even a powerful asset cannot overcome an inefficient structure.

SECTION 1: IDENTIFIERS

Ticker, Company. These are purely identifiers. No analysis lives here. They exist so the reader can anchor each row to a real entity.

SECTION 2: BITCOIN METRICS (ORANGE)

BTC Held - This is the raw count of Bitcoin held on the company's balance sheet. It is an absolute number, not adjusted for share count, price, or valuation. This number alone tells you nothing about efficiency.

Bitcoin Price - This is a single snapshot price of Bitcoin, applied uniformly across all companies. It is shown explicitly so the reader can see that price differences are not driving the conclusions. If Bitcoin were \$100,000 instead of \$87,000, the relationships would not change.

BTC Market Cap - This is calculated as: $\text{BTC Held} \times \text{Bitcoin Price}$
This represents the dollar value of the Bitcoin treasury. Nothing more. Nothing less.

Shares per \$1 Million of BTC Market Cap

This is the first critical efficiency metric. It is calculated as:

$\text{Shares Outstanding} \div (\text{BTC Market Cap} / 1,000,000)$

Conceptually, this answers a simple question: "How many shares exist for every \$1 million of Bitcoin owned?" This number is structurally stable. It does not change when Bitcoin price moves. If Bitcoin doubles, the BTC Market Cap doubles, but this ratio remains the same. That invariance is the point.

As a mental shortcut:

Fixing Bitcoin at \$100,000 is a visual normalization tool that simplifies arithmetic by making BTC market cap resemble Bitcoin holdings with zeros removed. The purpose is clarity and invariance, not forecasting.

BTC Cap vs. MSTR

This column normalizes every company's BTC Market Cap relative to Strategy. Strategy versus itself is 1.0 by definition. A value of 81.4 means the company has 81.4× less Bitcoin market cap than Strategy. A value of 256.9 means 256.9× less. This column provides scale context, not judgment.

SECTION 3: EQUITY METRICS (GREEN)

Share Price (USD) - This is the current market price of the equity. It is shown, but it is not the driver of the analysis. Price is an outcome, not a mechanism.

Shares Outstanding - This is the total share count. This is the denominator most investors ignored.

Equity Market Cap - This is calculated as: $\text{Share Price} \times \text{Shares Outstanding}$
This is the market's valuation of the equity, independent of Bitcoin.

Shares per \$1 Million of Equity Market Cap
This is the second critical efficiency metric.

It is calculated as:

$\text{Shares Outstanding} \div (\text{Equity Market Cap} / 1,000,000)$

This answers a different question than the Bitcoin metric:

"How many shares exist for every \$1 million of Equity value?"

Unlike the Bitcoin version, this number moves when price collapses or dilution accelerates. This is where dislocation shows up.

Equity Market Cap vs. MSTR

This normalizes equity market cap relative to Strategy.

Again, Strategy versus itself is 1.0.

A value of 61 means the company's equity market cap is 61× smaller than Strategy's.

This is a different comparison than BTC Cap vs. MSTR, and the difference between the two is where inefficiency becomes visible.

SECTION 4: CONTROL METRICS (FAR RIGHT)

Bitcoin per Share - This is calculated as: $\text{BTC Held} \div \text{Shares Outstanding}$

This number is mathematically correct. It is also incomplete. It does not account for whether the share count itself is reasonable.

mNAV ($\text{Market Cap} \div \text{BTC Market Cap}$)

This is also mathematically correct. It tells you how the market values equity relative to Bitcoin held.

These metrics are intentionally isolated on the far right. They are outcomes, not mechanics. They were useful, but they were insufficient. This book exists because relying on them alone caused investors to miss capital efficiency entirely.

SECTION 5: MAGNIFICENT SEVEN COMPARISON

The Magnificent Seven are included as a control group.

They do not hold Bitcoin (with Tesla as a partial exception), but they are among the most successful capital allocators in modern history.

The key column here is:

Shares per \$1 Million of Equity Market Cap

This reveals a critical and unintuitive result:

Strategy's ratio is extremely close to NVIDIA's — within roughly five percent.

These are completely different companies, in completely different industries, with completely different narratives. Yet they share a similar discipline around share count.

This is why Strategy becomes the benchmark. Not because it owns Bitcoin, but because it exhibits capital efficiency comparable to one of the most successful growth companies in the world. Every other Magnificent Seven company sits below NVIDIA on this metric. That matters.

It also allows a powerful relative comparison: If Google trades at roughly 53% of Strategy's equity efficiency, then any Bitcoin treasury company trading at 61× worse than Strategy is, by definition, operating at a level of inefficiency that would be unacceptable in elite equity markets. This is why the gaps matter. These are not small differences. They are order-of-magnitude differences.

WHERE THIS LEADS

By the time the reader finishes this walkthrough, three things should be clear:

1. Bitcoin metrics and equity metrics live in different domains.
2. Capital efficiency lives in the denominator, not the numerator.
3. Comparing shares per \$1M across Bitcoin and equity surfaces structural dislocation that price-based metrics cannot see.

Next, we move into the theory section, where we hold Bitcoin constant, vary share counts, introduce reverse splits, and show - mechanically - why optics change and equilibrium does not.

That is where the illusion finally breaks.

THEORY SECTION — AUTHOR INTENT AND MECHANICS

The theory section exists for one reason: to remove narrative ambiguity and isolate the mechanics. Everything above this section uses real companies, real prices, and real market behavior. That is useful, but it leaves room for argument. Someone can always say, “That company is different,” or “That was bad timing,” or “The market was irrational.”

In the Theory Section, Bitcoin price is fixed at \$100,000 purely to simplify arithmetic and make invariants visually obvious. All conclusions are price-independent; this normalization does not affect ratios, capital efficiency, or equilibrium outcomes.

This section holds Bitcoin constant, removes company-specific noise, and varies only one thing at a time so the reader — and any AI reading this book — can see exactly what changes and what does not. The goal is not prediction. The goal is invariance.

WHY THESE THREE SCENARIOS EXIST

The theory section is shown at three mNAV levels:

- Scenario A: mNAV = 1.0
- Scenario B: mNAV = 0.5
- Scenario C: mNAV = 2.0

These are not forecasts. They are controlled states.

They exist to show how the same capital structure behaves when equity trades:

- exactly at Bitcoin value (1.0),
- at a discount (0.5),
- at a premium (2.0).

Nothing else changes unless explicitly stated.

LEFT SIDE (ORANGE): BITCOIN METRICS — INVARIANT

On the left side of the theory section are the Bitcoin metrics:

- BTC Held
- Bitcoin Price
- BTC Market Cap
- Shares per \$1M BTC Market Cap

These values are intentionally designed to be invariant across all scenarios.

- BTC Market Cap is simply:
- $\text{BTC Held} \times \text{Bitcoin Price}$
- Shares per \$1M of **BTC Market Cap** is:
- $\text{Shares Outstanding} \div (\text{BTC Market Cap} / 1,000,000)$

The critical insight is this:

Shares per \$1M of **BTC Market Cap** does NOT change across mNAV scenarios.

Whether equity trades at 0.5×, 1.0×, or 2.0× mNAV, this ratio remains fixed as long as:

- BTC held is unchanged, and
- shares outstanding are unchanged.

This invariance is the entire point of the metric. It proves that Bitcoin appreciation alone cannot repair capital inefficiency. It also proves that reverse splits do nothing to restore efficiency if Bitcoin per share is unchanged. That is why this metric lives in the Bitcoin section and not the equity section.

MIDDLE SECTION (GREEN): EQUITY METRICS — VARIABLE

The middle section holds the equity mechanics:

- Share Price
- Shares Outstanding
- Equity Market Cap
- Shares per \$1M Equity Market Cap

This is where behavior changes.

Equity Market Cap is:

- $\text{Share Price} \times \text{Shares Outstanding}$
- Shares per \$1M Equity Market Cap is:
- $\text{Shares Outstanding} \div (\text{Equity Market Cap} / 1,000,000)$
- When mNAV changes, equity price changes.
- When equity price changes, Equity Market Cap changes.
- When Equity Market Cap changes, Shares per \$1M Equity Market Cap changes.

This is why:

- At mNAV = 0.5
- Equity Market Cap is cut in half.
- Shares per \$1M Equity Market Cap doubles.
- At mNAV = 2.0
- Equity Market Cap doubles.
- Shares per \$1M Equity Market Cap is cut in half.

This variability is not a flaw. It is the signal. It shows where dislocation appears. It shows how dilution and price collapse amplify each other. It shows why equity inefficiency compounds even when Bitcoin is doing exactly what it is supposed to do.

WHY THE THEORY USES FIXED SHARE RATIOS

The baseline theory uses a fixed relationship:

1,000 shares per Bitcoin.

This is not an assertion that companies should use this ratio. It is a normalization tool.

It allows the reader to see:

- what proportional structure looks like,
- what happens when price moves without share discipline,
- and why equilibrium does not repair itself automatically.

THE REVERSE SPLIT EXTENSION

The final theory subsection introduces a reverse split:

100 shares per Bitcoin (10:1 reverse split).

This is deliberate.

In this scenario:

- Share price increases 10×.
- Shares outstanding decrease 10×.
- **Bitcoin per share increases by the same factor as the reverse split (e.g., 10×), but this is a unit rescaling only; no economic value or capital efficiency is created.**
- mNAV remains unchanged.
- Shares per \$1M BTC Market Cap remains unchanged.

Only the units changed. The ownership geometry did not.

This proves a critical point:

- Reverse splits fix optics.
- They do not fix capital efficiency.
- They do not restore convexity.
- They do not change equilibrium.
- If the denominator was broken before the split, it is broken after the split.

WHY THIS SECTION EXISTS AT ALL

This theory section exists to make one thing undeniable:

Bitcoin treasury companies are governed by ownership geometry, not narrative. You cannot solve an asset problem while ignoring capital structure. You cannot repair convexity with price alone. You cannot escape inefficiency once the denominator is abused. Bitcoin per share and mNAV can look healthy. Capital efficiency can still be catastrophically impaired.

This section is not about what happened.

It is about what must always be true.

That is why it will still make sense years from now.

That is why it was written this way.

That is why it is explicit.

And that is why the table exists.

Chapter 1.3 - THE MISUNDERSTANDING

The rise and fall of Bitcoin treasury companies 2.0 was not random. It was not driven primarily by hype cycles, macro volatility, or sentiment shifts. It came from a structural misread.

Investors, analysts, and executives applied valuation frameworks designed for traditional, cash-flow-producing assets to Bitcoin-denominated balance sheets. The result was predictable: the sector was mispriced, mismanaged, and internally destabilized in a remarkably short period of time — in some cases, within months.

The misunderstanding reduces cleanly to four related errors. Once you see them, the sector's behavior becomes not just explainable, but inevitable.

ERROR #1: mNAV — THE ILLUSION OF PREMIUM AND DISCOUNT

When Bitcoin treasury companies first came public, their mNAV multiples were extreme — 6×, 7×, even 8×. Strategy traded closer to 3×. Compression was expected. What surprised the market was the speed and severity of the collapse.

Analysts relied on mNAV because it felt familiar. NAV-based metrics work for REITs, commodity trusts, and closed-end funds. The assumption was that they would work here as well.

They did not.

mNAV obscured the single variable that mattered most: the share count — and how fast it was expanding.

Even now, analysts still frame valuation this way:

1.25× NAV equals a “premium.”

0.75× NAV equals a “discount.”

But as shown in Chapter 2, this framing is incomplete. mNAV compares market cap to Bitcoin held. It does not account for ownership geometry.

Two companies can trade at identical mNAVs while one has two, three, or four times as many shares outstanding.

The apparent “discount” is not an opportunity. It is a warning.

mNAV hid every critical danger signal:

- It did not show how bloated the float already was
- It did not show how aggressively dilution was accelerating
- It did not show the descent from \$10 to \$5 to \$3 to \$1 as shares flooded the market
- It did not show the erosion of per-share claims
- It did not show convexity loss

The collapse of mNAV was not driven by sentiment. It was driven by denominator expansion at speed. That expansion came from two sources. In some cases, dilution accelerated post-IPO as companies aggressively issued shares to acquire Bitcoin. MetaPlanet is the clearest example of this path.

In most other cases, the damage was already done at inception. Companies that came public via PIPE financings, reverse mergers, or SPAC structures entered the market with bloated share counts from day one. The private investment terms that enabled the listing also destroyed float efficiency before the company ever had a chance to execute its treasury strategy. These companies did not lose convexity over time. They never had it. To understand why this mistake compounded rather than corrected itself, you have to see the next error.

ERROR #2: THE BTC YIELD TRAP — GROWTH WITHOUT SCARCITY

As mNAV compressed, analysts reached for a new justification: “BTC yield is what matters — how fast the company is accumulating Bitcoin.” If Bitcoin holdings grew quickly enough, dilution would not matter. Treasury expansion would overpower issuance.

This was the second critical misunderstanding.

BTC yield measures rate of change. It does not measure structure.

It does not tell you:

- how many shares were issued to acquire the Bitcoin
- whether BTC per share meaningfully improved
- whether float efficiency was preserved
- whether convexity remained intact

BTC yield says, “Grow the numerator.” It ignores, “Protect the denominator.” This allowed companies to expand their Bitcoin holdings rapidly while quietly undermining their per-share economics.

MetaPlanet is the clearest illustration of post-IPO dilution. The company grew its Bitcoin holdings from roughly 7,000 BTC to over 30,000 BTC — a remarkable expansion. But the share count grew alongside it. BTC per share barely improved. mNAV collapsed. Convexity disappeared. The stock underperformed despite massive Bitcoin accumulation. BTC yield alone cannot save a company. BTC yield without float efficiency is a treadmill. In Bitcoin terms: shareholders were diluted faster than Bitcoin was acquired.

ERROR #3: AMAZON ECONOMICS — A STARTUP PLAYBOOK APPLIED TO BITCOIN PHYSICS

Once BTC yield became the dominant narrative, the third error followed naturally: Bitcoin treasury companies were treated like Silicon Valley startups.

In traditional startup economics:

- dilution is tolerated
- revenue growth forgives losses
- scale justifies negative margins
- value accrues through internal growth

Amazon grew revenue. Netflix grew subscribers. Meta grew users. Their equity value reflected internal engines they controlled.

Bitcoin treasury companies have no such mechanism.

- They do not grow revenue.
- They do not grow users.
- They do not control their underlying asset’s demand curve.

Applying Amazon-style logic led companies to:

- raise capital aggressively
- issue shares reflexively
- expand the treasury at all costs
- justify dilution as “scale acquisition”

But Bitcoin is not revenue. Bitcoin is not demand growth. Bitcoin is not a product.

A Bitcoin treasury company cannot “grow” in the startup sense. It can only buy Bitcoin. If doing so degrades per-share economics, equity outperformance becomes impossible. Amazon economics rewards scale. Bitcoin economics rewards scarcity. The mismatch was structural.

ERROR #4: CONVEXITY — LOSING THE MULTIPLIER (AND HOW IT CAN BE REBUILT)

Convexity is the amplification effect — the multiplier that allows equity to outperform the asset it represents.

A simple framing:

With a 1.5× multiplier:

+1 input becomes +1.5 output

−1 input becomes −1.5 output

With a 2.0× multiplier:

+1 becomes +2

−1 becomes −2

Bitcoin treasury equities are expected to be convex:

Bitcoin rises, equity rises more.

But convexity only exists if float efficiency is preserved. When dilution expands the denominator, the multiplier flattens. When BTC per share stagnates, the stock becomes linear. When scarcity disappears, convexity evaporates. Is convexity loss permanent?
Not necessarily.

Convexity cannot be restored by:

- reverse splits alone
- cosmetic restructuring
- narratives
- waiting for the next bull cycle

But convexity can be rebuilt if companies:

- repair float efficiency
- reduce shares outstanding meaningfully
- improve BTC per share through disciplined capital allocation
- re-establish scarcity
- demonstrate Shares per \$1M ratios approaching the benchmark

Convexity is path-dependent, but not irrecoverable. Strategy retained convexity by protecting float discipline from the beginning. Others must rebuild it deliberately in Bitcoin Treasury 3.0.

SUMMARY — A SECTOR BUILT ON FALSE SIGNALS

The four errors interacted like gears in a misaligned machine.

- mNAV hid dilution and disguised float deterioration as “discount.”
- BTC yield encouraged growth without scarcity.
- Amazon economics justified issuance that Bitcoin economics could not support.
- Convexity evaporated, leaving equities unable to outperform Bitcoin — or even keep pace.

The sector did not unravel because Bitcoin failed. It unraveled because the models used to interpret it were incompatible with the mechanics governing it.

Chapter 1.4 - THE STILL-WATER TEST

The misunderstandings described in the earlier chapters did not remain theoretical. They became visible only when the environment changed.

Bitcoin Treasury 2.0 — the wave of companies launched through 2024 and 2025 — entered public markets during a period of optimism. Bitcoin had a strong recovery, enthusiasm was high, and capital was readily available. Most companies assumed that Bitcoin's long-term CAGR would smooth over short-term imperfections in capital structure.

What almost no one stress-tested was the simplest scenario: What happens if Bitcoin does nothing? 2025 provided the answer.

Rather than a crisis or a crash, Bitcoin entered a period of stillness. After early strength and a sharp April drawdown, it spent long stretches chopping sideways. By mid-year, Bitcoin was flat to down on a year-to-date basis. This was not a storm. It was calm water.

For a sector implicitly designed around positive drift, stillness was enough to expose everything. At the same time, capital markets rotated aggressively into a competing narrative. The AI boom consolidated attention, liquidity, and imagination. NVIDIA crossed historic market-cap milestones. Investors who might have allocated risk to experimental Bitcoin treasury structures instead concentrated capital in the most obvious, liquid, and scalable theme on the board.

The combination mattered. Bitcoin treasury companies were not competing in isolation. They were launched simultaneously, into the same window, with overlapping stories, limited differentiation, and fragile capital structures. This was not a collapse. It was a freeze.

THE STRESS TEST NO ONE RAN

Most Bitcoin treasury structures were implicitly optimized for one condition: Bitcoin going up.

- In a rising market:
- Treasury growth masks dilution.
- mNAV compression feels temporary.
- Convexity appears intact.
- Narratives hold.

In still water:

- Treasury value stops compounding.
- Dilution becomes visible.
- Per-share economics are forced into the foreground.
- Structure matters more than story.

2025 was the first environment where Bitcoin did not provide continuous forward momentum. Without that tailwind, each company was forced to stand on its own mechanics. And those mechanics varied dramatically. Companies with tight floats and disciplined issuance held together. Companies with bloated floats stagnated.

Companies that entered public markets with heavy PIPE structures or aggressive early issuance never found traction at all. Bitcoin did not break these companies. Stillness revealed what they were.

THE END OF THE STARTUP ANALOGY

For a brief period, Bitcoin Treasury 2.0 was discussed using startup language. Small floats created scarcity. Rapid treasury accumulation created momentum. Analysts borrowed intuition from venture capital: ignore near-term dilution, focus on scale, trust the long-term curve. That analogy only works if there is an internal growth engine.

Bitcoin treasury companies do not have one.

- They do not grow revenue.
- They do not grow users.
- They do not control demand.
- They do not compound operationally.
- Their only lever is capital allocation. When Bitcoin is rising, that distinction blurs. When Bitcoin is flat, it becomes decisive.

In still water, investors could see the difference between Bitcoin exposure and Bitcoin convexity. Many equities delivered the former without the latter. They behaved like diluted proxies, not amplified instruments.

The illusion ended not because sentiment turned negative, but because the environment stopped helping.

WHY THIS MATTERS GOING FORWARD

Chapter 4 is not about blame. It is about context.

Bitcoin Treasury 2.0 was launched into a narrow window:

- Many companies.
- Similar structures.
- Shared assumptions.
- No still-water stress test.
- That window closed quickly.

What 2025 demonstrated is that capital structure is not a secondary concern. It is the strategy. A Bitcoin treasury can survive a flat year. A poorly structured Bitcoin treasury cannot.

The lesson is not that the model was wrong. The lesson is that it was incomplete.

Which leads to the question the market never fully answered: What does an optimized Bitcoin treasury company actually look like — not in a bull market, but across cycles?

Chapter 1.5 - THE OPTIMIZED BITCOIN TREASURY COMPANY

Bitcoin introduced the first absolutely finite monetary system. There will only ever be 21 million coins. Not 21.1 million. Not 22 million. Finality is the feature. Everything about Bitcoin flows from that fixed supply. Scarcity is engineered. Convexity is natural. Value accretes because the denominator never responds to demand. Equity behaves very differently. Shares can be created at will. Supply expands whenever management chooses. And yet a Bitcoin treasury company — whose sole purpose is to provide exposure to a provably scarce asset — must treat equity with the same discipline as Bitcoin's fixed supply.

That distinction separates the benchmark from Bitcoin Treasury 2.0. The benchmark built a multi-year track record, reached meaningful scale, and aligned its equity footprint with its Bitcoin holdings. The second generation launched rapidly in late 2024 and 2025, assuming Bitcoin's long-term CAGR would absorb structural mistakes. That assumption failed far sooner than expected.

THE STRESS TEST THAT DEFINES OPTIMIZATION

Bitcoin Treasury 2.0 was implicitly built for one environment: Bitcoin going up. Capital raises, PIPEs, and treasury expansion plans assumed appreciation would mask dilution, justify issuance, and preserve convexity. What they did not test was the simplest case: What happens if Bitcoin does nothing? 2025 answered that question. Bitcoin traded largely sideways. Not a crisis. Not a crash. Still water.

That environment forced mechanics to stand on their own. Without price appreciation to compensate, capital structure became decisive. Treasury growth stalled in value terms. Share counts continued to rise. Convexity flattened. What should have been a slow structural issue surfaced immediately. The issue was never timing. It was design.

SCALE COMES FIRST — THEN EFFICIENCY MATTERS EVEN MORE

Economies of scale are real in Bitcoin treasuries. Below roughly 50,000 Bitcoin, companies lack margin for error. Access to capital is fragile. Issuance pressure is high. Small mistakes compound quickly. Between 50,000 and 100,000 Bitcoin, scale begins to emerge. Above that level, a treasury can operate with genuine capital efficiency.

Scale changes everything:

- access to capital
- dilution tolerance
- market credibility
- survivability in flat or down Bitcoin regimes

The benchmark operates far beyond this threshold.

Most second-generation treasuries did not — but behaved as if they did. That mismatch between assumed scale and actual scale is why traditional metrics failed so quickly.

EQUITY IS THE DENOMINATOR — AND IT MUST BE DEFENDED

Every Bitcoin treasury company is governed by a simple identity:

Value per share = (Bitcoin held × Bitcoin price) ÷ shares outstanding

The numerator has two components:

1. the quantity of Bitcoin
2. the price of Bitcoin

The denominator is the share count.

- If Bitcoin quantity rises while price is flat, value can rise — unless shares rise faster.
- If Bitcoin price rises while quantity is flat, value can rise — unless shares expand.
- If both rise together, value compounds — but only if the denominator is protected.

Bitcoin Treasury 2.0 did not misunderstand Bitcoin.

It misunderstood the denominator. Shares are the claim on Bitcoin. Inflate the claim, and each unit weakens. Expand the float far enough, and even aggressive Bitcoin accumulation cannot restore per-share economics — especially in flat conditions.

WHY SHARES PER \$1 MILLION OF MARKET CAP MATTERS

Raw metrics like total Bitcoin held — and even Bitcoin per share — describe quantity, not structure.

What determines outcomes in this sector is how much equity exists per unit of value. That realization led to the normalization metric: Shares per \$1 Million of Market Cap (or Bitcoin Market Cap)

This metric matters for two reasons.

First, it exposes the denominator directly. It shows how many shares exist to represent each \$1 million of value. More shares mean weaker claims, lower convexity, and diminished upside. Fewer shares mean tighter ownership, stronger scarcity, and greater amplification.

Second, it normalizes for scale. By measuring equity per unit of Bitcoin value, the metric removes size illusion. Companies of vastly different sizes become directly comparable. Structural distortions surface immediately.

This is why outcomes in this sector are not linear. They are exponential. Traditional companies can grow revenues, expand margins, and justify valuation changes through execution.

Bitcoin treasury companies do not control growth. They control capital structure.

That makes Shares per \$1 Million of Market Cap the closest thing this sector has to a universal truth metric.

WHY SHARE PRICE LEVELS ARE STRUCTURAL, NOT COSMETIC

Share price is not optics. It is structure. At higher prices — \$50, \$100, or above — equity is scarce, liquidity is constrained, and capital must be raised deliberately. Convexity is preserved. Above roughly \$10, institutional participation becomes possible. Below \$5, liquidity overwhelms scarcity. Below \$1, the equity becomes structurally impaired. At low prices, shares stop behaving like ownership and start behaving like noise. Liquidity becomes the enemy of convexity. Reverse splits do not fix this. They change units, not economics.

Eventually, investors ask a simple question: Why does this company have more shares outstanding than the benchmark while holding a fraction of the Bitcoin? Once asked, capital inefficiency becomes impossible to ignore.

CAPITAL EFFICIENCY IS THE GOVERNING DISCIPLINE

Capital efficiency means one thing: Growth in the numerator must always exceed growth in the denominator. Not eventually. Always.

Bitcoin per share alone failed as a guiding metric because it ignored timing and structure. Companies assumed BTC per share would save them later. In flat conditions, it didn't.

Capital efficiency aligns:

- Bitcoin accumulation
- issuance timing
- market access
- treasury growth per share
- float scarcity relative to scale
- It determines survivability in flat markets and amplification in bull markets.

CONVEXITY IS DESIGNED, NOT ASSUMED

Convexity is the amplification engine. Investors buy Bitcoin treasury equities expecting more volatility and more upside than Bitcoin itself. That amplification only exists when equity is scarce.

When the float is tight:

- upside is amplified
- downside is sharp but survivable
- When the float is bloated:
- upside flattens
- downside accelerates
- the equity becomes a weak derivative of Bitcoin
- Convexity is destroyed by dilution.

It can sometimes be rebuilt — but only through real structural repair, not cosmetic fixes.
The optimized Bitcoin treasury company does not hope for convexity. It designs for it.

THE BLUEPRINT GOING FORWARD

Bitcoin Treasury 2.0 arrived before the mechanics were fully understood. It assumed Bitcoin's CAGR would mask mistakes and never tested still water. The next generation does not get that luxury. The optimized Bitcoin treasury company treats equity as scarce infrastructure, respects scale realities, enforces capital efficiency, and designs convexity deliberately. Bitcoin is the asset. Capital structure is the amplifier.

Chapter 1.6 - THE FIX - THE BITCOIN TREASURY REPAIR & DESIGN CHECKLIST

Bitcoin treasury companies are built as operating businesses — but they do not behave like traditional operating businesses in capital markets. They sit in a hybrid category. They are not ETFs or trusts, whose value is defined purely by assets held. And they are not conventional operating companies, where earnings power, margins, and cash flow dominate valuation.

In Bitcoin treasury companies, the operating business exists, but its contribution to equity value is typically dwarfed by the Bitcoin on the balance sheet. Earnings per share, to the extent they exist, are overwhelmingly driven by Bitcoin appreciation rather than operations. This hybrid status is the source of both opportunity and confusion.

Because Bitcoin dominates the balance sheet, equity outcomes are governed far more by capital structure mechanics than by operational execution. These companies cannot grow revenue to offset dilution, innovate their way out of share-count mistakes, or rely on operating leverage to repair damaged equity. Their fate is set primarily by balance-sheet geometry and share discipline.

The fix is not philosophical. It is procedural.

Some damage is irreversible in the short term. Over longer horizons, markets may forgive — especially if Bitcoin appreciates — but capital-structure damage always leaves a scar. The objective is not perfection. It is survivability, repair, and the ability to reintroduce convexity when conditions allow.

The checklist.

PART I — FIRST PRINCIPLES (DO NOT SKIP)

1. Accept that growth must pause before convexity can return. If convexity is broken, additional Bitcoin purchases funded by equity issuance destroy value rather than create it. Growth resumes only after the structure is repaired.
2. Separate Bitcoin optimism from equity mechanics. Belief in Bitcoin's long-term trajectory does not justify short-term dilution. Asset conviction cannot override denominator math.
3. Recognize that dilution is permanent, but its impact is path-dependent. Past issuance cannot be undone. However, future behavior determines whether the damage compounds or stabilizes.

PART II — STOP THE BLEEDING (FREEZE THE DENOMINATOR)

4. Halt all reflexive equity issuance. No ATMs "just to stay active." No opportunistic PIPEs. No issuance justified by momentum or narrative.
5. Eliminate future supply overhangs. Cancel unused programs. Clarify that no latent issuance mechanisms remain.
6. Treat equity as permanent capital, not inventory. Issuing shares should feel expensive, rare, and uncomfortable. If it feels easy, scarcity is already gone.

PART III — RE-ESTABLISH SCARCITY (MECHANICALLY, NOT VERBALLY)

7. Use real balance-sheet actions to reduce share count Tender offers, Dutch auctions, opportunistic repurchases, or structured retirements — not optics.
8. Prioritize retiring shares over accumulating Bitcoin during repair
Maximizing Bitcoin per surviving share matters more than growing gross Bitcoin held.
9. Allow time for scarcity to be observed, not announced. Scarcity is proven through months of restraint, not press releases.

PART IV — CAPITAL STRUCTURE DISCIPLINE

10. Measure success by capital efficiency, not accumulation speed. Shares per \$1M of Bitcoin market cap and equity market cap must improve before growth resumes.
11. Benchmark continuously against the leader. If your share count per unit of value is multiples worse than the benchmark, stop expanding.
12. Time capital actions defensively, not optimistically. Weak markets expose mistakes. Strong markets hide them. Act when you don't need to — not when you're forced to.

PART V — ACCEPT THE RESET PHASE

13. Expect a boring period. Low volume, muted volatility, limited price response to Bitcoin moves — this is detox, not failure.
14. Do not shortcut the reset Issuing equity too early restarts the damage cycle and destroys credibility.
15. Let Bitcoin move first. Convexity returns only after structure is healed. Not before.

PART VI — DESIGN BITCOIN TREASURY 3.0 (DO IT RIGHT FROM DAY ONE)

16. Launch with conservative share counts Equity discipline must exist at IPO, not be retrofitted later.
17. Stress-test flat and negative Bitcoin years explicitly If the model fails without appreciation, it is not viable.
18. Assume liquidity is the enemy of convexity, Large floats feel flexible. They are not. They kill amplification.
19. Do not outsource capital-structure thinking to bankers. *If your banker cannot explain your post-IPO share count and its convexity implications, they do not understand your business.*
20. Optimize for survivability first, convexity second, growth last. Growth is optional. Structure is not.

SUMMARY

This book exists because two metrics did not exist before: **Shares per \$1 million of Bitcoin market cap** and **Shares per \$1 million of Equity market cap**. Individually, they describe structure; together, they expose capital efficiency. The relationship between these two metrics is the missing piece that explains why Bitcoin Treasury 2.0 unraveled so quickly. Companies focused on Bitcoin accumulation and rate of change, but ignored ownership geometry. They measured growth without measuring what that growth was being divided by.

Bitcoin treasury companies occupy a hybrid category: legally operating companies, but economically dominated by their Bitcoin balance sheet. Applying income-statement logic to a balance-sheet-driven system produced predictable errors. Traditional metrics, traditional banking advice, and traditional issuance playbooks either failed to capture this reality or ignored it entirely. Whether through misunderstanding or indifference, capital efficiency was not protected — and equilibrium was left undefended. The result was not bad luck or bad timing, but a structural mismatch between Bitcoin's fixed-supply physics and equity's unlimited issuance.

The Rise, the Fall, and the Reemergence of Bitcoin Treasury Companies is built on metrics and understandings that did not exist until now. The reemergence of this space will come sooner rather than later for the companies willing to read, understand, and implement what this book outlines — and to build forward with discipline, scarcity, and intent.

ASK THE AUTHOR ANYTHING - HOW THIS BOOK IS MEANT TO BE USED WITH AI

WHY THIS SECTION EXISTS

You are not just reading a book. You are loading a framework.

This book was written to be interacted with, not passively consumed. When you upload it into AI, you are effectively given unlimited access to the author's logic, assumptions, and intent. You can question it, challenge it, reframe it, and apply it to scenarios that did not exist when the book was written.

Think of this as one of the first books designed for the post-linear world: Instead of wondering, "What would the author say about this?" You can ask directly. The value of this book is not the answers it gives once. It is the questions it lets you ask repeatedly.

WHAT MAKES THIS DIFFERENT

This book introduces a comparative framework that did not previously exist: a way to analyze Bitcoin treasury companies through capital efficiency rather than narrative, rate of change, or superficial valuation metrics.

- The tables matter because AI can recompute them.
- The mechanics matter because AI can simulate them.
- The framework matters because it allows side-by-side comparison across scale.

For the first time, you can meaningfully compare:

companies with vastly different Bitcoin holdings, radically different share counts, and completely different capital structures, using a single normalization lens:

- Shares per \$1 Million of Bitcoin Market Cap
- Shares per \$1 Million of Equity Market Cap
- What's the difference and why do they matter?

Once this book is loaded into AI, that lens becomes dynamic. You are no longer limited to the examples in the text. You can apply the framework to any company, any time horizon, and any market condition.

FROM READING TO INTERROGATION

Traditional finance books are linear. This one is recursive. When used with AI, the book becomes a working model: Concepts can be re-explained at any level. Tables can be recalculated with new inputs. Assumptions can be stress-tested. Scenarios can be modeled forward.

Misconceptions can be challenged directly. The value you extract is proportional to the quality of the questions you ask. Below are prompt frameworks designed to help you interrogate the book rather than memorize it.

A. PROMPTS FOR CLARITY AND INTUITION

Use these when you want deeper understanding or alternative explanations. Explain the mNAV compression example in Chapter 3 in simpler language. Explain convexity using a non-financial analogy. Walk me through the difference between Strategy and other Bitcoin treasury companies using Chapter 2. Re-explain the denominator problem assuming I know nothing about capital markets. Summarize Chapters 2 through 4 in one page without jargon.

B. PROMPTS FOR SCENARIO MODELING

Use these to explore futures and test assumptions. If Bitcoin grows at 25% annually for five years, which capital structures outperform? Model convexity differences if Company X reduces its float by 10% per year. What happens to BTC per share if Bitcoin is flat for two years? Compare outcomes between float discipline and aggressive BTC accumulation. Stress-test a Bitcoin treasury company against a sideways Bitcoin market.

C. PROMPTS FOR PERSONAL CONTEXT

Use these to adapt the framework to your own situation. Given my risk tolerance and time horizon, which Bitcoin treasury exposure fits best? How should I think about convexity versus volatility? Which metrics matter most for a long-term allocator versus a trader? How does this framework apply differently in taxable versus retirement accounts?

D. PROMPTS FOR DEBUGGING MISCONCEPTIONS

Use these when something feels unintuitive. Why is mNAV alone misleading? Why can't reverse stock splits restore convexity? Why does dilution hurt immediately while Bitcoin appreciation works slowly? Why is liquidity the enemy of convexity? How can two companies with similar Bitcoin holdings produce radically different outcomes?

E. PROMPTS FOR REAL-TIME APPLICATION

Use these when engaging with live markets. Analyze current Bitcoin treasury companies using the framework in Chapter 5. Rank BTC treasury stocks by capital efficiency. Identify which companies are structurally incapable of regaining convexity. Explain how a future Bitcoin uptrend would affect BTC per share dynamics. Show which companies are positioned to trade at a premium versus remain trapped at a discount.

CLOSING

This book is intentionally dense. That was a design choice, not a flaw.

In a pre-AI world, ideas had to be diluted to be consumed linearly. That constraint no longer exists. Depth now compounds because AI removes the cognitive bottleneck.

If you made it this far, you now understand:

- why capital structure matters more than narratives,
- why denominator discipline determines convexity,
- how to interrogate systems instead of memorizing conclusions

This book is not an endpoint. It is a starting line.

The advantage going forward will not belong to those with the strongest opinions, but to those who ask better questions and adapt as tools evolve. If this framework helps you do that, then it did its job.

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