DIGITAL ASSET SOLUTIONS

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Strategy: When does the largest Bitcoin buyer become a risk?

Strategy has built an independent capital market model based on a Bitcoin reserve. Convertible bonds, common stock, and, most recently, high-yield preferred stock have financed a portfolio of more than 840,000 Bitcoin. In the short term, the company has sufficient liquidity. The risk today lies in financing ongoing payments, not in the amount of liabilities. For the Bitcoin market, Strategy thus remains a potential cyclical amplifier, not a systemic risk.

The company was founded in 1989 as MicroStrategy, a provider of enterprise data analytics software, and has been listed on the Nasdaq since 1998. This business continues to operate, but generates less than $500 million in annual revenue and is now irrelevant to the company's valuation. Founder Michael Saylor made the pivot in August 2020 when he reallocated the company's cash reserves into Bitcoin and purchased 21,454 Bitcoin for $250 million. What began as a one-time reallocation became an ongoing program, financed through common stock, convertible bonds, and - starting in 2025 - preferred stock. In February 2025, the company was renamed Strategy, and Saylor has served as Executive Chairman ever since. The holdings were acquired at an average price of approximately $75,500 per Bitcoin and are currently trading below the cost basis.

As a result, Strategy is today less of a software company and more of a capital-market-dependent financing platform with Bitcoin as its core asset. As of mid-July, the company held 843,775 Bitcoin. This corresponds to approximately 4% of the maximum supply. At a Bitcoin price of $64,800, the holdings had a market value of $54.7 billion. This was offset by $6.7 billion in convertible bonds, five series of preferred shares with a par value of $15.5 billion, and a designated dollar reserve of $3.75 billion.

The way the company operates

Convertible bonds take priority; they must be repaid, refinanced, or converted upon maturity. Next in line are the preferred shares, most of which have no fixed term; their dividends are only partially mandatory, with one series subject to the discretion of the Board of Directors. Suspending dividends would therefore be possible, but it would effectively close off access to the capital markets.

Even with a Bitcoin price of around 7,950 USD, the convertible bonds would still be fully covered on a mathematical basis, including the preferred shares at their par value of around 26,300 USD. There are no liquidation thresholds, as the portfolio is unencumbered and the convertible bonds are unsecured.

BITCOIN HOLDINGS **843'775**	MARKET VALUE **54.7 bn**
CONVERTIBLE BONDS **6.7 bn**	PREFERRED SHARES **15.5 bn**
PAYMENT BURDEN P.A. **1.76 bn**	DOLLAR RESERVES **3.75 bn**

Key financial metrics for Strategy, as of July 26, 2026. Liabilities at face value / Data: Strategy, SEC, Chart: DAS

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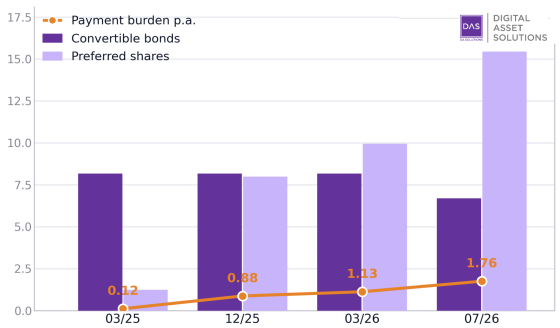
The weakness, therefore, lies not in coverage but in the payment burden. Strategy must pay out $1.76 billion annually in preferred dividends and interest, while the software business contributes very little to this.

From the accumulation model to capital management

This cycle was particularly efficient as long as MSTR stock traded at a premium to the value of its Bitcoin holdings. New shares could then be issued without diluting the Bitcoin holdings per share.

Since spring 2025, the nominal value of the perpetual preferred shares has risen from $1.3 billion to $15.5 billion, while the convertible bonds have declined from $8.2 billion to $6.7 billion. The annual burden from dividends and interest grew during the same period from approximately $0.1 billion to $1.76 billion. Strategy has thus partially replaced fixed maturities with a permanent distribution burden that arises regardless of the Bitcoin price. Since June, the company has therefore been pursuing a more active capital management strategy, including a dedicated dollar reserve, buyback programs, regular adjustments to the variable-rate STRC distribution, and explicitly authorized Bitcoin sales. In early July, Strategy sold 3,588 Bitcoin to finance preferred dividends and replenish the reserve. While the volume was small relative to the total holdings, the signal was nonetheless significant. Bitcoin no longer serves solely for accumulation but also as a source of liquidity when needed.



Nominal values of convertible bonds and preferred shares, as well as annualized payment burden, in billions of USD / Data: Strategy, SEC, Chart: DAS

The bottleneck lies in the capital market

In the short term, the dollar reserve buys time. The existing $3.75 billion covers annual payments for a little over two years; the company is now aiming for a cushion of two to three years. The dividend has been paid eighteen times in a row so far, even during the recent market downturn. The reserve prevents an immediate need to sell, but does not eliminate the dependence on new share issuances or Bitcoin sales.

Both financing channels have already narrowed. With an mNAV of 1.0 - that is, without a premium of the stock over the Bitcoin holdings - new common shares are becoming increasingly dilutive. At the same time, all preferred shares are trading below par value. New issuances thus remain possible but require higher yields and make ongoing financing more expensive. Consequently, Strategy is not facing a closed capital market. Raising capital is currently merely less attractive and increasingly costly.

The first major test will come on March 1, 2028. At that time, investors will be able to redeem convertible bonds totaling $2.0 billion in cash. This will be followed by approximately $1.01 billion in September 2028 and another $1.5 billion at the end of 2029. As of the reporting date, all conversion prices were significantly above the MSTR share price. An automatic conversion into shares cannot therefore be assumed at this time.

By March 2028, Strategy must either reopen the equity channel under more attractive terms, stabilize the market for preferred shares, or build up additional liquidity for refinancing. The current situation is therefore not a balance sheet problem, but a race between the reach of the reserve and the reopening of the capital market.

When Strategy becomes a problem for Bitcoin

For Strategy, a serious stress test only arises when multiple warning signs occur simultaneously. An mNAV that remains below 1.0 makes new common shares economically unattractive. Preferred stock prices significantly below par value make the second financing channel more expensive.

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If, at the same time, the dollar reserve approaches the one-year mark again, the time buffer until the first significant redemption rights in March 2028 will shrink. Several consecutive weeks of selling would ultimately indicate that Strategy has shifted from being a tactical to a recurring seller of Bitcoin.

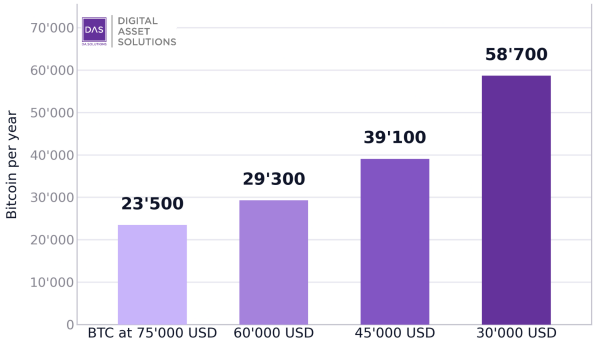
> **Early warning system:** A combination of an mNAV below 1.0, an STRC price below $90, a reserve coverage ratio of less than one year, and recurring Bitcoin sales is critical for Strategy. Two of these thresholds have been reached.

In such an environment, a negative feedback loop could develop. A lower Bitcoin price reduces the value of holdings and weighs on MSTR stock. New capital becomes more expensive or dilutive, reserves decline, and additional Bitcoin sales become more likely. These sales could further weigh on the market and make it even harder to raise capital.

For Bitcoin, however, the loss of this buyer is more significant in the short term than the amount sold so far. Strategy acquired approximately 173,500 Bitcoin in the first half of the year - more than twice as much as the network mined during the same period. If this buyer disappears, the market will already have to absorb a significant gap in demand. Only then will potential sales create additional supply.

Market amplifier, not a systemic risk

Based on its own holdings, such sales would be sustainable over several years. Nevertheless, they could have a noticeable impact on the market, as they would occur on a recurring basis and largely independent of price movements. Especially during periods of ETF outflows or low liquidity, Strategy could exacerbate a downward trend. The company would then no longer be merely a buyer stepping back from the market, but an additional source of supply.



Annual BTC sales required to cover the $1.76 billion payment burden without new capital / Calculation: DAS

Strategy thus remains a potential driver of the Bitcoin cycle, but does not pose a systemic risk to the network. An open capital market makes the company an additional buyer. An issuance window that remains closed for several quarters can temporarily turn it into a recurring seller. However, even a gradual sale of the approximately 4% holding does not jeopardize either the technical functionality or the long-term limited supply of Bitcoin. The holdings simply change hands.

The real risk for Bitcoin therefore lies not in the balance sheet of a single holder, but in the network's own ability to function. A potential transition to quantum-resistant cryptography requires not only a technical solution but also its broad acceptance and coordinated implementation across a user base without a central authority. We addressed this issue in detail in our May study. Structurally, it carries more weight than anything that might result from Strategy's capital structure.

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