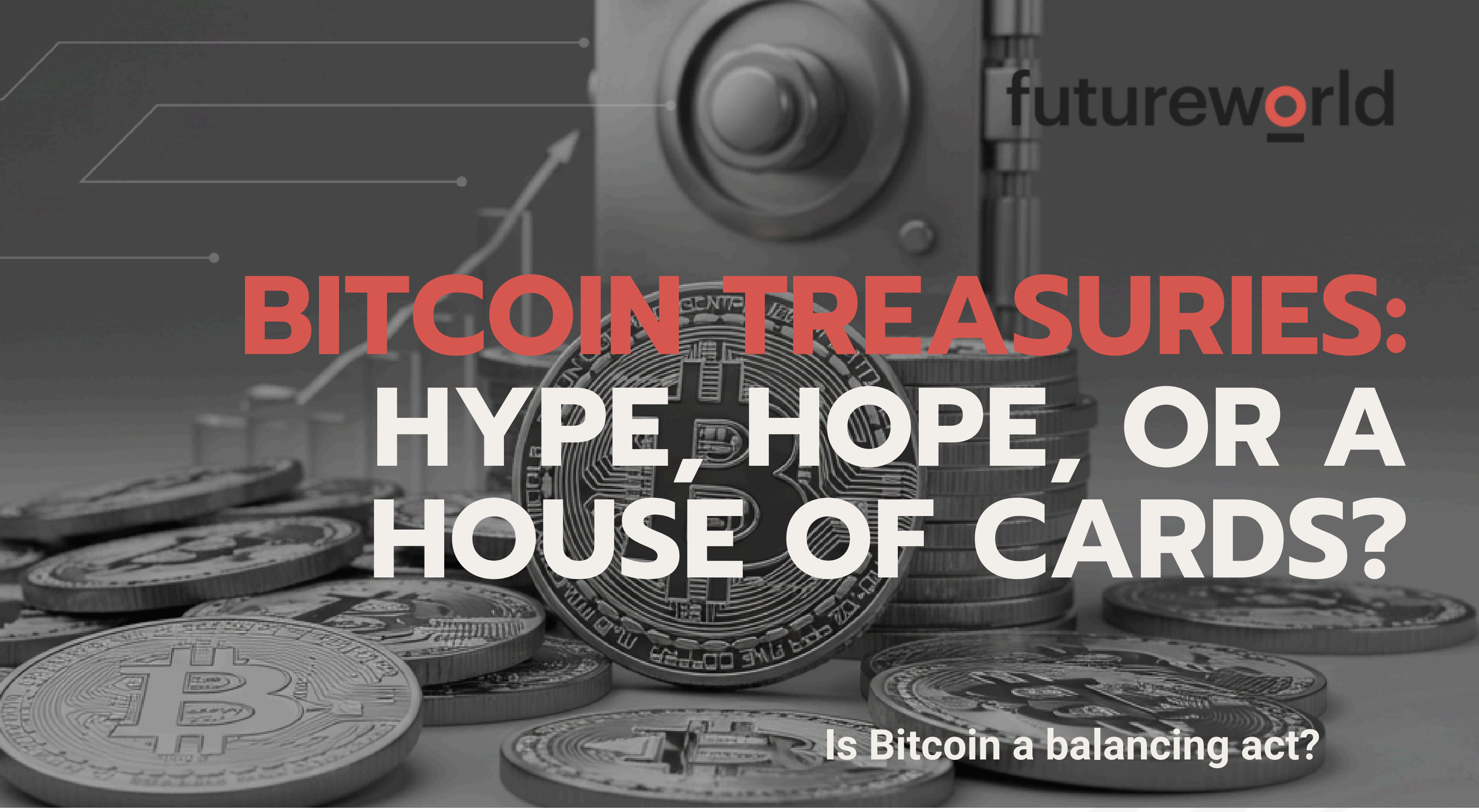


BITCOIN TREASURIES: HYPE, HOPE, OR A HOUSE OF CARDS?

Is Bitcoin a balancing act?

Why companies are betting on Bitcoin, and what could upend the strategy.

What is a Bitcoin treasury model?

Over the last four years, an increasingly bold strategy has emerged among global companies: holding Bitcoin as part of their treasury reserves.

This Bitcoin treasury strategy involves treating the digital currency as a corporate asset, much like cash or gold. Companies are creating Bitcoin treasuries not just as an 'inflation hedge' but as a multi-tool strategy to strengthen and modernise their balance sheets.

Corporate treasury:

The department or function within a company that manages its financial assets, liabilities, and risks. Think of it as the strategic financial brain of an organization, ensuring there's enough cash to operate today and preparing for what's around the corner.

Once considered a radical idea, it has now become a strategic reality for certain businesses, but remains hotly debated as either long-term financial foresight or over-leveraged hype.

Advocates contend that Bitcoin's limited supply and long-term performance provide a compelling opportunity for lasting value preservation, while its decentralised, bank-free design offers financial sovereignty.

On the other hand, critics warn that this strategy depends on volatile assumptions and, in many respects, mirrors unsustainable dynamics similar to those seen in 'Ponzi schemes' (although, perhaps better terms could be 'reflexive bubble dynamics' or 'greater fool theory').

Reflexive bubble dynamics:

A self-reinforcing loop where rising prices boost investor belief, which drives more buying, pushing prices even higher, until sentiment shifts and the cycle reverses.

Greater fool theory:

The idea that an asset can keep rising in value as long as someone else is willing to pay more for it, regardless of its intrinsic worth, until the chain of buyers runs out.

That tension between long-term hedge and speculative excess is central to how this strategy is perceived.

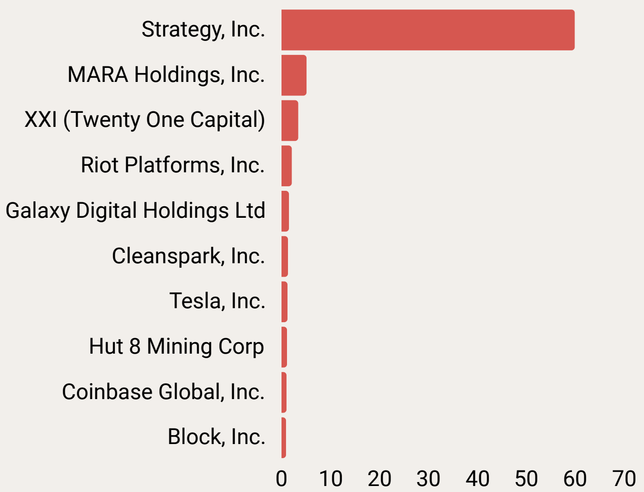
Should the bitcoin price skyrocket, as some predict, then the potential upside of holding a small bitcoin allocation may outweigh the risks. However, if sentiment shifts, even a diversified treasury may find itself exposed to a more amplified downside.

Who is already on board?

Bitcoin's growing acceptance has led to a notable, though still niche, group of companies around the world that hold Bitcoin. Either as a small part of their broader treasury diversification strategy, or, in some notable cases, as a core feature of their business model.

Top 10 Companies holding Bitcoin[1]

Bitcoin value (USD Bn) - May 2025



However, the numbers can be misleading. As of 30 May 2025, an estimated 127 corporate entities (public and private) together held roughly 1.1 million Bitcoin (total value USD 113.5 Bn), but nearly half of that is held by a single company. This highlights how the Bitcoin treasury trend may appear broader than it is - a concentrated conviction rather than a widespread consensus.

For now, in part 1, we focus on the general trend of buying and holding Bitcoin as a treasury diversification strategy rather than on any specific players or the use of unique strategies. In part 2, we will explore the more novel Bitcoin treasury strategies, particularly companies that have Bitcoin holdings as a core part of their business model.

The rationale and assumptions: The faith behind the bet

Companies today face a challenging environment: rising monetary inflation, low yields on traditional treasury investments, and an ever-increasing cost of capital.

Conventional treasury strategies, such as holding large sums of cash or investing in sovereign bonds, often underperform relative to the growth required to keep shareholders satisfied. This has driven corporate leaders to look for assets that can preserve capital, and ideally, appreciate over long-term horizons.

The advocate's argument for Bitcoin, however, is based on several critical assumptions:

Store of value potential:

This is the assumption that Bitcoin will maintain its long-term purchasing power, functioning similarly to gold. Rather than relying on constant price increases, the value proposition lies in its resilience - preserving capital amid inflation, currency devaluation, and macroeconomic instability. If Bitcoin holds its role as a durable and credible reserve asset, it could support corporate balance sheets by safeguarding value over time.

Scarcity and limited supply:

Bitcoin is fundamentally scarce because its total supply is capped at 21 million. With approximately 19 million already mined (and considering that some coins are lost due to forgotten passwords or inaccessible wallets, a more realistic available supply may be around 16–18 million), only about 2 million remain to be mined over the next 120 years. With a near-constant supply and assuming continued demand growth, basic supply and demand economic principles predict that Bitcoin's price will increase. This scarcity is seen as the deflationary promise that makes Bitcoin an attractive long-term reserve asset, more so than fiat currencies or other inflationary assets.

Market maturity and adoption:

There is a strong faith that increasing institutional acceptance, bolstered by regulatory changes such as new US accounting rules that allow digital assets to be marked to market, will improve Bitcoin's legitimacy. As market maturity increases, market inefficiencies will decline, liquidity will increase, and Bitcoin may become less volatile – a common criticism that has prevented greater mainstream adoption.

Of course, these assumptions rest on the belief that Bitcoin's path toward maturity will outpace its speculative excesses, a belief not without its critics.

Why hold Bitcoin in corporate treasury? The optimists case.

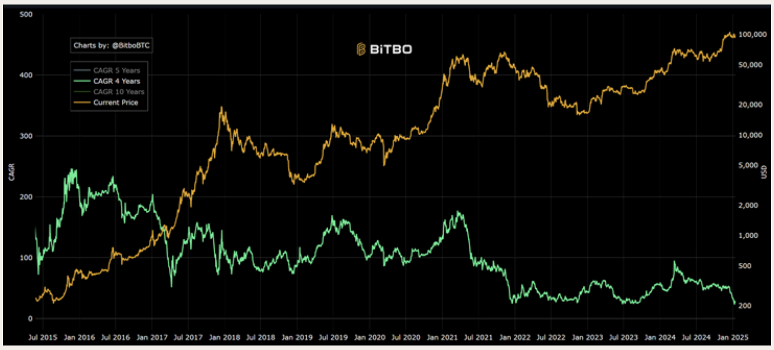
From an optimist's perspective, Bitcoin is viewed as a strategic treasury asset - one that can protect against macroeconomic risks, yield substantial financial returns, diversify corporate holdings, and signal technological progressiveness.

Macroeconomic risks:
As an inflation hedge, Bitcoin's limited supply makes it immune to monetary inflation typically caused by central banks increasing the fiat money supply.

High return potential:
Even though Bitcoin's meteoric rise has moderated in recent years, it still delivers impressive long-term returns. Over a 5-year horizon, Bitcoin has compounded at an annualised rate of roughly 45%–60%, depending on the entry point, far outpacing traditional assets. For example, the S&P 500 delivered approximately 18% annualised over the same period. While short-term volatility remains high, Bitcoin's long-term trajectory continues to reward patient holders.

Bitcoin price vs 4 year CAGR[2]

(USD, %)



Even when comparing risk-adjusted returns using the Sharpe ratio, Bitcoin returns have still been positive compared to popular assets.[3]

Sharpe ratio

Used to express risk-adjusted returns, which describes an investment's excess returns versus its volatility. The higher the Sharpe ratio, the better the risk-adjusted return.

Diversification:
While more recent Bitcoin movements have shown greater correlation with the S&P 500 as retail and institutional investors add greater allocations into their portfolios, Bitcoin still offers a degree of diversification relative to traditional asset classes, i.e., stocks, bonds, and real estate.

Innovation signal:

Holding Bitcoin brands a company as forward-thinking. This tells the market you're looking beyond today, investing in where technology and the world are going. Companies leverage Bitcoin reserves to showcase their tech leadership and attract growth-oriented investors.

Strategic insurance:

By staking a claim in crypto's potential, companies hedge against the risk of missing out on a financial paradigm shift, similar to early internet adopters securing a foothold in the digital age.

It's about playing offense with treasury management, rather than the traditional, very conservative approach. But each of these upsides still rests on the assumption that Bitcoin's store of value potential, scarcity, and demand trajectory will sustain its growth.

So, what happens if the optimists' assumptions fall flat?

For all the enthusiasm and success stories to date, Bitcoin treasury strategies also come with significant risks and controversies. Will we reach a point where the house of cards will collapse? What happens if Bitcoin treasuries stop delivering blockbuster gains?

Asset	10-Year Sharpe Ratio	5-Year Sharpe Ratio	1-Year Sharpe Ratio
Bitcoin	0.85	0.55	1.83
NASDAQ 100 Index	0.76	0.74	1.72
S&P 500 Index	0.54	0.54	1.76
Gold	0.28	0.5	1.32
U.S. Dollar	0.21	-0.02	-0.19

Hoarding vs. spending:

Is there really a real-world use? At the moment, given the volatility and transaction costs, Bitcoin's value rests on being a store of value rather than any transactional use case. (A recent study showed only ~3% of respondents use cryptocurrency as a payment method).[4] And, given the scarcity, then just like any appreciating asset (or similarly for fiat during periods of currency deflation), human behaviour is not to spend it, but rather to save it.

So, is the future that Bitcoin will be mostly hoarded, not spent? If Bitcoin is only appealing as a store of value, then its value is predicated on everyone else holding the same belief. Should this confidence falter (which, despite many +50% price collapses, has yet to happen), then those left exposed may find their Bitcoin investments worth very little.

Diminishing returns:

The mathematics of scale. As Bitcoin's dollar price rises, keeping the same percentage gain demands ever-larger absolute moves. Saylor's 'bear case' (presented in his 2024 presentation Bitcoin, The Red Wave, and The Crypto Renaissance) of $3 million by 2045 implies 21% annual growth across two decades, an uphill climb as the asset matures.

Sentiment swings:

The perception of Bitcoin's future potential plays a significant role in sustaining its value. If enthusiasm wanes and prices plateau or decline, investor confidence can erode. This weakening sentiment may reduce the perceived legitimacy or strategic benefit of holding Bitcoin, potentially leading companies to face losses or reputational blowback for having embraced a high-risk asset.

In summary, Bitcoin treasuries shine well when prices are rising sharply, but potentially crack under a sober calculation of declining returns, utility questions, and rational investor behaviour. When the thrill of 'digital gold' gives way to math and market mechanics, even the most daring treasury strategies can unravel, revealing their reliance on unending price growth for having embraced a volatile and experimental asset class.

Conclusion: Strategic asset or speculative distraction?

Including Bitcoin as a treasury asset signals a departure from traditional corporate finance, where only relatively low-risk, well-known assets were considered 'investment-grade'. Including a Bitcoin allocation promises a hedge against inflation, diversification from traditional assets, and, in an era of low yields, potential high returns, all alongside a compelling signal of innovation that can propel a company's stock to new heights. But this opportunity comes with strings attached: volatility, uncertain adoption, and investor sentiment risks.

As the global economic landscape evolves and regulatory frameworks catch up with the pace of crypto innovation, only time will tell whether including Bitcoin assets within corporate treasuries will emerge as a sustainable evolution of corporate finance. For every visionary company seizing the moment, there is an equal risk of overreach or miscalculation.

In Part 2, we'll examine the companies taking this strategy to the next level, and unpack whether their bold models offer a blueprint for others or a cautionary tale of leveraged belief.

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