

## Understanding MicroStrategy's Bitcoin Strategy: Insights from Michael Saylor

In a recent interview titled "*Michael Saylor: Why MicroStrategy's Bitcoin funding is NOT a glitch*," Michael Saylor, the Executive Chairman of MicroStrategy, shared his perspective on the company's strategic shift to Bitcoin. The interview reveals a fascinating approach to corporate finance, Bitcoin investment, and capital markets transformation. This post explores the key ideas, notable quotes, and insights from Saylor's discussion.

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### MicroStrategy's Transformation: From Software to Bitcoin

**MicroStrategy, originally an enterprise software company, has become the world's largest corporate holder of Bitcoin.** Founded in 1989, it has shifted from its traditional business model to focus on accumulating and managing Bitcoin. This shift began in August 2020, when Saylor converted \$250 million of the company's cash reserves into Bitcoin. Since then, MicroStrategy has acquired over 150,000 Bitcoin, positioning itself as a major player in the digital asset space.

*"We're issuing securities backed by digital capital, backed by Bitcoin. It's not a money glitch—it is a digital transformation of the capital markets."*

### The Role of Bitcoin in MicroStrategy's Strategy

Saylor highlights that MicroStrategy's decision to hold Bitcoin is based on the asset's long-term potential as a **"digital transformation of capital."** He sees Bitcoin as a form of *digital real estate*, offering a more efficient store of value compared to traditional assets like cash, real estate, or corporate bonds.

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## Key Components of MicroStrategy's Business Model

Saylor breaks down MicroStrategy's business into three main components:

1. **The Bitcoin Balance Sheet:** The company's extensive Bitcoin holdings, which it treats as permanent capital.
2. **The Software Business:** While still operational, the software business now plays a supporting role, providing cash flow that helps maintain MicroStrategy's operations.
3. **Bitcoin Securitization Business:** This involves issuing convertible bonds and other securities backed by their Bitcoin holdings, leveraging their balance sheet to raise capital.

*“We have 16 to 17 billion in Bitcoin exposure. We use this to issue securities to the public market that no one else could so easily create as us.”*

### Why It Works: Leveraging the Bitcoin Balance Sheet

MicroStrategy's innovative approach allows it to leverage its **permanent Bitcoin holdings** to issue bonds at a premium. For instance, the company can issue a convertible bond or equity and use the proceeds to acquire more Bitcoin. This strategy creates what Saylor calls a **“BTC yield”**—the increase in Bitcoin per share over time.

*“The real operating business of the company isn't the software business anymore... One of those bonds would generate ten years worth of earnings in five days.”*

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## Strategic Advantage: The Institutional Gateway for Bitcoin

Saylor positions MicroStrategy as a bridge between **traditional finance and digital assets**, offering institutional investors exposure to Bitcoin through securities like bonds and stocks. This provides a way for those who cannot directly hold Bitcoin to still gain exposure to its potential upside.

### **A Gateway for Various Investor Profiles**

MicroStrategy's structure attracts different types of investors:

- **Risk-Averse Investors:** They can buy MicroStrategy's convertible bonds, which offer less volatility.
- **Bitcoin Maximalists:** These investors can buy MicroStrategy stock, which is highly correlated with Bitcoin's price.
- **Traders and Speculators:** The stock's high volatility makes it appealing for those looking to trade options or other derivatives.

*"Our investors are bitcoiners. What do they want? They want more Bitcoin per share... The real MicroStrategy business is to be the leading public issuer of securities in order to acquire Bitcoin."*

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### **Addressing the "Infinite Money Glitch" Misconception**

Throughout the interview, Saylor addresses the common misconception that MicroStrategy's financial strategy is an *"infinite money glitch."* He argues that the company's approach is not a glitch but rather a **natural progression of capital markets** adapting to the digital age.

*"See, the misnomer there is it's not a money glitch. It is a digital transformation of the capital markets... Capital flows to where it's treated best."*

### **A Thermodynamic Analogy**

Saylor uses a **thermodynamic analogy** to explain the flow of capital into Bitcoin. He compares Bitcoin to a **"more ordered state"** where capital naturally flows from less efficient assets like real estate or fiat currency.

*"Think of steam becoming water... Bitcoin's advance is capital flowing from 20th-century analog assets to the 21st-century digital economy."*

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## The Future of Bitcoin and MicroStrategy's Role

Saylor is optimistic about Bitcoin's future, projecting that it will appreciate **29% annually over the next 21 years**, potentially reaching a value of **\$13 million per Bitcoin**. He envisions MicroStrategy playing a pivotal role in this evolution by being the *leading public issuer of Bitcoin-backed securities*.

*"My view is Bitcoin is going to appreciate 29% a year ARR for the next 21 years... MicroStrategy is this Bitcoin securities company."*

### The Potential for a Broader Shift

Saylor also discusses how other major companies, like Apple or Google, could follow a similar approach, using Bitcoin as a **treasury reserve standard**. He suggests that if a large tech company invested significantly in Bitcoin, it could lead to a substantial revaluation of both the company and Bitcoin.

*"If Apple did it a lot, they might add a trillion dollars to their market cap... MicroStrategy is 150% Bitcoin."*

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## Conclusion: MicroStrategy's Bold Path Forward

Michael Saylor's interview sheds light on the strategic thinking that has transformed MicroStrategy into a **pioneering entity in the Bitcoin space**. By combining innovative capital raising methods with a long-term belief in Bitcoin's value, Saylor has positioned MicroStrategy as a leader in the digital transformation of corporate finance.

### Key Takeaways:

- **Permanent Capital:** MicroStrategy's Bitcoin holdings provide a foundation for issuing new securities.
- **BTC Yield:** The strategy focuses on increasing Bitcoin per share through strategic capital management.
- **Institutional Gateway:** MicroStrategy offers a bridge for traditional investors to gain Bitcoin exposure.

- **Long-Term Vision:** Saylor believes in the continued appreciation of Bitcoin as a foundational asset in the digital economy.

By understanding these core principles, investors can better appreciate the unique role MicroStrategy plays in the evolving digital asset landscape.

*“We’re going to buy Bitcoin, never sell Bitcoin... We want to be the Amazon of fixed income in the Bitcoin space.”*