

Failure of intelligent leverage of MSTR

MSTR is a company with the value add being their BTC holding, they run a small negative business in a traditional sense. Rest of its value is its balance sheet, with main assets being BTC and huge amount debt to go with. They have a current holding of 843,738 BTC, at the time of writing this the value of a BTC is running 76,766 pr. So this holding itself is \$64.77 Billion. The current market cap of MSTR is 56,75 Billion, so less than the holding, but how much debt have it cost them to acquire so much BTC.. 8.23 Billion in pure debt issuance.. but this is not their only increasingly high liability. They also have issued preferred shares. But for current, very easy calc is, BTC holding - 8.23 = \$56.54 Billion.

This means the current valuation is but over this basic intrinsic valuation, and can be explained easily by the moving of the BTC or at least the investors could be bullish in future prices of BTC.

Problem, the company is not only a holding of BTC, but also an instrument for investment like their fake fixed income, will dive into later on called STRC, STRD, STRK, STRF. But fundamentally spend money on salaries and such to run the less successful operation.

The intelligent leverage, how to hide risks.

How do you raise money to buy BTC if the banks don't like your bet, and few wallet holders seem to be bullish? You make your shareholders those who pay.

MSTR issues debt in a way banks want to buy: you make it a convertible bond. This is like an option of sorts. You get a strike price where it is in the bondholder's interest to convert to an agreed amount of shares. Here comes the intelligent part: you raise money at 0% interest because it's a convertible, spend the "free" money on BTC, and the face value of the balance sheet goes up, as BTC only needs to increase net positive to make money on the cheap debt. BTC goes up because you induce buying pressure in the short term. This makes the market cap go up. And the bond holders convert into shares, which dilutes the per-share amount of BTC each shareholder owns, and WOW.

"Free money" only costs the shareholder dilution, but if BTC increased enough in the meantime, even these people "made" money. What happens if BTC does not increase during this process?

The Fake Fixed Income Scheme

So. MSTR buys BTC, with debt. What does one do if no one will lend you more money for this kind of ponzi scheme. Answer: make an obscure security that looks like a fixed income debt instrument, but has no duty to fulfill whenever it becomes prudent to do so.

STRC, STRD, STRK, STRF.

Dividend Period	Record Date	Payout Date	Dividend/Share
Q2 2026	06/15/2026	06/30/2026	TBD*
Q1 2026	03/15/2026	03/31/2026	\$2.50
Q4 2025	12/15/2025	12/31/2025	\$2.50
Q3 2025	09/15/2025	09/30/2025	\$3.06

These are preferred stock issuances, STRD and STRF give a dividend of 10 dollars on a yearly basis, this is consistent in the sense, they have said they always will pay this, and they themselves are a seller and a buyer to fix this at \$100 to make this 10%, STRC gives 11.5% and STRK gives 8%. They say its "Fixed". Its only in the sense they make it fixed, as long as they pin it to \$100.

"perpetual preferred stock with the highest effective yield. STRD offers 10% annual"

Dividend Period	Record Date	Payout Date	Dividend Rate	Dividend/Share
Jun 2026	06/15/2026	06/30/2026	TBD*	TBD*
May 2026	05/15/2026	05/31/2026	11.50%	\$0.96
Apr 2026	04/15/2026	04/30/2026	11.50%	\$0.96
Mar 2026	03/15/2026	03/31/2026	11.50%	\$0.96
Feb 2026	02/15/2026	02/28/2026	11.25%	\$0.94
Jan 2026	01/15/2026	01/31/2026	11.00%	\$0.92
Dec 2025	12/15/2025	12/31/2025	10.75%	\$0.90
Nov 2025	11/15/2025	11/30/2025	10.50%	\$0.88
Oct 2025	10/15/2025	10/31/2025	10.25%	\$0.85
Sep 2025	09/15/2025	09/30/2025	10.00%	\$0.83
Aug 2025*	08/15/2025	08/31/2025	9.00%	\$0.80

They have paid a fixed \$2.5 per quarter for now, bare in mind the TBD is real. As they could just go back on their word legally speaking.

STRC gives a monthly payout.

Problem with preferred yield

They take the BTC exposure to make a “return” meaning hope it goes up with this debt, and pay it out on short frequency instead of a yearly convertible bond.

Total from operations

Year	thousands
2025	−40,909
2024	61,884
2023	256
2022	10,544
2021	46,094
2020	57,073
2019	−1,002
2018	3,981

Years Ended December 31,			
	2025	2024	% Change
Revenues:			
Product licenses	\$ 39,674	\$ 48,567	(18.3)%
Subscription services	175,657	106,776	64.5 %
Total product licenses and subscription services	215,331	155,343	38.6 %
Product support	204,225	243,805	(16.2)%
Other services	57,677	64,308	(10.3)%
Total revenues	477,233	463,456	3.0 %
Cost of revenues:			
Product licenses	3,956	3,060	29.3 %
Subscription services	72,956	42,440	71.9 %
Total product licenses and subscription services	76,912	45,500	69.0 %
Product support	28,592	33,289	(14.1)%
Other services	43,913	50,679	(13.4)%
Total cost of revenues	149,417	129,468	15.4 %
Gross profit	327,816	333,988	(1.8)%
Operating expenses:			
Sales and marketing	122,956	138,081	(11.0)%
Research and development	93,860	118,486	(20.8)%
General and administrative	151,909	140,537	8.1 %
Unrealized loss on digital assets	5,403,476	—	n/a
Digital asset impairment losses	—	1,789,862	n/a
Total operating expenses	5,772,201	2,186,966	NM
Loss from operations	\$ (5,444,385)	\$ (1,852,978)	NM

For the results of operations we have included the respective percentage of changes, unless greater than 100% or less than (100)%, in which case we have denoted such changes as not meaningful (NM).

Not talking about the digital assets losses created by instruments and btc. Just looking at the “real” operation cost and revenue of these, its a dying business.

Year Ended December 31,			
	2025	2024	
Interest expense, net:			
2025 Convertible Notes	\$ —	\$ 3,865	
2027 Convertible Notes	401	4,046	
2028 Convertible Notes	10,505	2,939	
2029 Convertible Notes	7,279	787	
2030A Convertible Notes	8,937	7,241	
2030B Convertible Notes	4,263	—	
2031 Convertible Notes	7,739	6,063	
2032 Convertible Notes	20,696	11,067	
2028 Secured Notes	—	23,915	
Other interest expense, net	5,148	2,018	
Total interest expense, net	\$ 64,968	\$ 61,941	
Other (Expense) Income, Net			

To be fair, these bonds are very cheap at 0%-2% across many different maturities, to spread risk. If we assume BTC will go up, these don't hurt the "strategy" as they are one of the better ways to finance this, as BTC is hyper volatile. But the important part here is looking at the debt payments of the REAL bonds, which if not paid will mean they are bankrupt. These exceed the operating gains one may have seen in 2024, 2021, or 2020. This creates refinancing, rolling over, or selling pressure. If BTC does not increase, the only real option to get more money is to pay out the early dividends they want to pay.

All in the hope that BTC value increases enough to revalue the market cap of the company and get the bonds converted to stock to decrease debt payments, only to later raise more at this price to pay for dividends.

Execution of a mean reversion strategy.

A combination of a short on MSTR and a long BTC position should give access to profit from this difference. This might be a long-term trend of mean-reverting correction, and option contracts have time decay, which needs to be priced in. Because Bitcoin and MSTR are in the same industry, maybe a combination of selling a call option on MSTR and using that premium to buy a call on BTC.

This enables one to collect the premium from MSTR's volatility and set a higher strike price on the long BTC call, creating the same leverage as MSTR.

Conclusion

MSTR is a Ponzi scheme. If one wants to invest in BTC, they hide risk by disguising stock issuance as convertible bonds, selling new instruments to finance operations. Seemingly like a good fixed income investment, with the right to cancel them at any time.

If one thinks BTC will increase in price, one should simply buy BTC directly, without the risky nature of a Ponzi collapse and the larger drawdowns of BTC value that may follow.