



COTW: Bitcoin Balance Sheets

Several institutions have added millions of dollars worth of Bitcoin to their corporate treasuries this year. We examine the current state of Bitcoin balance sheets in this week's Chart of the Week.

- **Institutionalization of Crypto:** There have been many defining trends of 2021, from NFTs to DeFi to regulation, though perhaps none have been bigger than the institutionalization of crypto. Indeed, companies such as Square, PayPal, Visa, Morgan Stanley, Goldman Sachs, and State Street are adding crypto products and services at a breakneck pace in an effort to meet customer demand and not get left behind. Investment has skyrocketed too, whether measured by institutional crypto product AUM moving from \$19b at year-end 2020 to \$79b as of last week, per CoinShares, or crypto venture investment moving from \$3b in 2020 to [\\$18b in the first nine months of 2021](#). And myriad companies, from MicroStrategy to Tesla to Square, have added Bitcoin to their balance sheets as a store of value to protect against currency debasement. Pioneered by business software firm Microstrategy, with its \$250m BTC purchase in the summer of 2020, it was Tesla's \$1.5b BTC investment and acceptance of BTC as payment in February that was arguably the shot across the bow, raising awareness and bringing further legitimacy both as a treasury reserve asset and more generally.
- **Benefits of a Bitcoin Balance Sheet:** The oft-cited reason to include Bitcoin as a corporate asset is to hedge against currency debasement, given Bitcoin's fixed supply relative to unprecedented central bank money printing around the world. Such quantitative easing has also suppressed global yields, leaving corporate treasurers often generating negative spreads on short duration assets and making the potential price appreciation from even a small investment in BTC all the more enticing. Adding Bitcoin to a corporate treasury may also further a corporate culture of embracing modern technologies or compliment the acceptance of digital payments within the business. Indeed, Square cited the "rapid evolution of cryptocurrency and unprecedented uncertainty from a macroeconomic and currency regime perspective" in its [Bitcoin Investment Whitepaper](#) as reasons for its investment. MicroStrategy even has a [website](#) dedicated for corporates interested in adding Bitcoin to their treasuries, complete with a downloadable playbook.
- **Why Adoption May be Slow:** While corporate investment in Bitcoin has been a wise investment to this point, treasurers face an uphill battle in adding the digital asset to their balance sheet for several reasons. First, the accounting for Bitcoin can be a headache, especially in the US where it's

treated as an intangible asset that's written down when its price falls but not up when it rises. Such volatility also makes it harder to manage working capital requirements. Add to that reputational risk, custody risk, incongruent treasury policies, and typically conservative corporate treasurers whose main focus is to ensure liquidity and protect the balance sheet and it's easy to see why we haven't seen a flurry of corporate investment activity to date. In fact, a February survey by Gartner revealed that just 5% of financial executives plan to add Bitcoin as a corporate asset in 2021, with 84% citing financial risk due to volatility as the main concern with holding BTC, with additional worries around board risk aversion, low use as a medium of exchange, and regulatory considerations.

- Fortress Balance Sheets:** We show the largest Bitcoin balances in **Exhibit 1** below, as compiled by bitcointreasuries.net. Blockchain software company Block.one and defunct crypto exchange Mt. Gox are actually the two largest corporate holders of BTC, with MicroStrategy being the largest publicly traded firm. In fact, MicroStrategy's 7,054 BTC constitute 85% of its market cap, represent over 0.5% of BTC's 21m total supply, and have generated a nearly \$4b profit for the company. Tesla is the next publicly traded company on the list, and like MicroStrategy, has generated a roughly 2x return on its BTC investment. Square, Bitcoin miner Marathon Digital, and Coinbase, which recently announced a \$500m corporate allocation to cryptocurrencies, also have material Bitcoin holdings. While the hurdles for corporates to add BTC to their balance sheets are high, falling Bitcoin volatility, rising liquidity, and rising inflation just might usher in the next wave of corporate Bitcoin investment.

Exhibit 1: Bitcoin Treasury Balances

Company	Country	Ticker	Market Cap, \$m	% BTC	BTC	Value, \$m	Basis, \$m	Return	Source / Notes
Block.one	US	private	private	-	164,000	10,144			Profile
MTGOX K.K.	JP	private	private	-	141,686	8,764	69	128.0x	Report
MicroStrategy LLC	US	NADQ:MSTR	8,286	85%	114,041	7,054	3,160	2.2x	SEC 8-K Filing
Ukraine (various)	UA	government	government	-	46,351	2,867			Media Reports
Tesla, Inc.	US	NADQ:TSLA	757,555	0.40%	43,200	2,672	1,500	1.8x	SEC 10-K Filing
The Tezos Foundation	CH	private	private	-	24,808	1,535			Sep '20 Tezos Foundtn Report
Stone Ridge Holdings Group	US	private	private	80%	10,889	674			Oct 2020 Ann. BTC @ NYDIG
Square inc.	US	NADQ:SQ	114,276	0.40%	8,027	497	220	2.3x	Bitcoin Investment Whitepaper
Marathon Digital Holdings	US	NADQ:MARA	6,405	6%	6,665	412	174	2.4x	Company Press Release
Coinbase Global, Inc.	US	NADQ:COIN	72,654	1%	4,487	278			SEC S-1 Filing
Hut 8 Mining Corp	CA	NADQ:HUT	3,009	9%	4,450	275	39	7.0x	Company Press Release
Galaxy Digital Holdings	CA	TSE:GLXY	12,337	2%	4,000	247			Regulatory Filing
Bitcoin Group SE	DE	ADE.DE	306	81%	4,000	247			Financial Report
Bitfarms Limited	CA	NASDAQ:BITF	1,630	10.00%	2,646	164	23	7.1x	Company Press Release
NEXON Co. Ltd	US	TYO:3659	15,920	0.67%	1,717	106	100	1.1x	Company Press Release
Riot Blockchain, Inc.	US	NADQ:RIOT	3,140	3.10%	1,565	97	10	9.7x	SEC 10-Q Filing
Argo Blockchain PLC	US	OTCPK:ARBKF	590	13.30%	1,268	78			December 2020
Hive Blockchain	CA	CVE:HIVE	2,131	4%	1,266	78			Earnings Report
Seetee AS	NO	AKER:NO	790	9.16%	1,170	72	59	1.2x	Company Press Release
EI Salvador	ES	government	government	-	1,120	69			Press Reports

Source: [Bitcointreasuries.net](https://bitcointreasuries.net), GSR

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Sources

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Gartner: [Gartner Survey Suggests Most Finance Executives Not Planning to Hold Bitcoin as a Corporate Asset](#)

Reuters: [Rush to bitcoin? Not so fast, say keepers of corporate coffers](#)

Wall Street Journal: [Bitcoin on the Balance Sheet Is an Accounting Headache for Tesla, Others](#)

Cointelegraph: [Inflation winds stiffen as Bitcoin ballast on balance sheets proves its value](#)

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