Perspective from **Franklin Templeton Digital Assets**

The Strategy Treasury Playbook

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In the rapidly evolving landscape of cryptocurrency, a new asset management approach for publicly traded firms has emerged: the corporate crypto treasury strategy. The companies engaged in this new trend raise capital through various financial instruments such as equity, convertible notes, and preferred shares, with the explicit purpose of acquiring and holding crypto assets like Bitcoin (BTC), Ethereum (ETH), or Solana (SOL) on their balance sheets. This highly-speculative model was pioneered by MicroStrategy, which started accumulating BTC in 2020 and has since rebranded as Strategy. Since January 2024, these companies have collectively raised over $17 billion, signaling a significant shift in how institutional investors and retail participants are engaging with the crypto market.[1]

Capital Formation: How these companies raise funds

To understand the business model of the corporate crypto treasury strategy, it's helpful to look at how these firms raise money. These companies sell various unique financial instruments that come with different levels of risk and reward profiles.

Mechanism	Description
At-the-market (ATM) Programs	Type of equity issuance where a company sells its shares on a continuous basis, typically through a broker or underwriter
Private Investment in Public Equity (PIPEs)	When a company sells its shares to a small group of accredited investors, typically at a discount to the current market price
Preferred Equity	Offers higher yields and priority in asset distribution, making it an appealing choice for slightly more risk-averse investors than common equity
Convertible Notes	Offer investors the potential to convert their debt into equity at a future date, providing upside optionality
Secured/Unsecured Notes	Forms of corporate debt that serve as a promise from one party to another regarding the repayment of a specific amount of money that either has (secured) or does not have (unsecured) collateral attached to it
Other	Less common mechanisms used include SPACs (Special Purpose Acquisition Company) and reverse mergers

Market Landscape: Participants & what are they buying?

The market for corporate crypto treasury participants is diverse, with several key players each pursuing different strategies and focusing on various crypto assets such as BTC, ETH, and SOL. At the time of writing this, the companies discussed in this piece are recognized as the leading treasury holders for the respective token.

Public Company	Description
Strategy (MSTR)	The leading player in this space, holding 582,000 BTC (~2.8% of total Bitcoin supply). Strategy announced their plan of raising $84 billion to acquire more bitcoin, aiming to further solidify its position as a major player in the crypto treasury space.[3]
Metaplanet Inc. (MTFPL)	Japanese listed investment firm, Metaplanet has undergone a pivot toward a bitcoin treasury strategy. Metaplanet has raised capital through equity and debt financing with a long-term goal of acquiring 210,000 BTC by the end of 2027.
Twenty One (CEP)	Twenty One is focusing on accumulating BTC to maximize bitcoin ownership per share. The company plans to raise ~$685 million through a combination of PIPEs, SPACs, and convertible notes
SharpLink Gaming Inc. (SBET)	The company has raised $425 million to buy Ethereum and now trades at a $2.5 billion market cap. SharpLink's plans include accumulating more ETH and exploring yield opportunities with its ETH position.
Upexi Inc. (UPXI)	Upexi, a Nasdaq-listed company has integrated a crypto treasury strategy that is focused on Solana, actively increasing its SOL holdings to over 700,000 as of June 2025.
Sol Strategies Inc. (CYFRF)	A Canadian firm, Sol Strategies is raising $1 billion to buy SOL. The company aims to capitalize on Solana's growth, focusing on both staking and DeFi applications.

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Emerging players are also entering the market, each with their own unique approach. The combined efforts of these companies have significantly increased the demand for crypto assets through by offering unique financial instruments not found in the crypto ecosystem. As of 2025, over 309,000 BTC is held by 38 public companies, representing a 196% year-over-year (YoY) increase.[4]

Strategic Rationale: Why this model works (until it might not)

The strategic rationale behind the corporate crypto treasury strategy is multifaceted, offering both significant upsides and potential downsides.

Upsides:

- **Raising Capital at a Premium to NAV:** One of the primary advantages of this model is the ability to raise capital at a premium to net asset value (NAV). This means companies can issue shares at prices higher than the value of their underlying crypto assets, making capital formation accretive. Interestingly, the volatility of crypto assets—often viewed as a risk—is a key enabler of this strategy. Volatility increases the value of embedded options in financial instruments like convertible notes. These notes often include the right to convert debt into equity at favorable terms, typically sold at a lower value than market pricing of the embedded option.
- **Asset Appreciation:** As crypto assets like Bitcoin increase in value, the intrinsic value of companies holding them rises—since their asset base grows while liabilities remain unchanged. This can lead to a higher market value (stock price), though not always. Market prices are influenced by future expectations of the crypto

markets and may lag intrinsic value due to factors like premium compression. Still, in most cases rising crypto prices boost both fundamentals and investor confidence, creating a positive feedback loop.

- **Staking Yield:** For companies holding Proof-of-Stake (PoS) assets like Solana (SOL), staking provides a revenue stream, enhancing the overall returns of the company's treasury, beyond simple asset appreciation.

Despite the advantages, several risks can threaten the sustainability of the corporate crypto treasury model.

Downsides:

- **Premium Compression:** One of the most critical risks is the collapse of the market-to-NAV (mNAV) ratio. When this ratio falls below 1, equity issuance becomes dilutive rather than accretive. This can halt capital formation and break the positive feedback loop these companies rely on. For example, if Strategy's mNAV drops below 1, it may struggle to raise additional capital without harming existing shareholders.
- **Negative Feedback Loop Risk:** A particularly dangerous scenario is the emergence of a negative feedback loop. If crypto prices fall, the premium to NAV may collapse into a discount. To support the stock price, the company might sell crypto to buy back shares (an accretive transaction). However, this treasury selling can further depress crypto prices, triggering a self-reinforcing cycle of declining asset values, increasing the discount to NAV, and investor confidence.

Conclusion: The Future of Corporate Crypto Treasuries

The future of the corporate crypto treasury strategy is uncertain and contingent on several critical factors, including market conditions, capital structures, and feedback loops. The ability to maintain a premium to NAV is crucial for the success of the companies engaged in these strategies. If the premium remains constant or even increases, these companies can continue to raise capital and accumulate more crypto assets. This can create a positive feedback loop, where the appreciation of crypto assets enhances the equity value of the company, attracting more investors.

In summary, the corporate crypto treasury model represents a new phase of institutional crypto adoption, but it is not without its risks. The ability to maintain a premium to NAV, continue accretive transactions, and navigate market volatility will be crucial for the long-term success of these companies. If the premium remains constant, the model could continue to thrive, but a significant drawdown or long bear market could lead to a downward spiral, making these companies highly risky investments.

Sources:
1. Source: "Digital Asset Treasury Strategy Market Update." Clear Street. May 2025.
2. Source: "Digital Asset Treasury Strategy Market Update." Clear Street. May 2025.
3. Source: "Digital Asset Treasury Strategy Market Update." Clear Street. May 2025.
4. Source: "Digital Asset Treasury Strategy Market Update." Clear Street. May 2025.

Glossary:
Market-to-NAV (mNAV): comparison between the market price of an investment and its net asset value

WHAT ARE THE RISKS?

All investments involve risk, including the loss of principal.

Digital assets are subject to risks relating to immature and rapidly developing technology, security vulnerabilities of this technology, (such as theft, loss, or destruction of cryptographic keys), conflicting intellectual property claims, credit risk of digital asset exchanges, regulatory uncertainty, high volatility in their value/price, unclear acceptance by users and global marketplaces, and manipulation or fraud. Portfolio managers, service providers to the portfolios and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect the portfolio and their investors, despite the efforts of the portfolio managers and service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the portfolios and their investors.

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