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Billionaire Saylor's MicroStrategy Bought \$25 Million In Bitcoin During Last Month's \$500 Billion Crypto Market Crash



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Investing

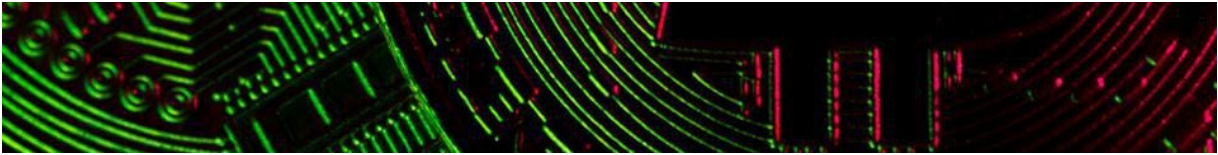
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TOPLINE MicroStrategy, the data analytics firm helmed by billionaire cryptocurrency bull Michael Saylor, announced its latest big investment in bitcoin on Tuesday morning, yet again doubling down on its unprecedented commitment to the world's largest cryptocurrency even as the Securities and Exchange Commission cracks down on how the firm has reported operating profits amid bitcoin's recent price crash.



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Despite regulators cracking down on its massive crypto stash, the data analytics company helmed by ... [+] GETTY IMAGES

KEY FACTS

- In a regulatory [filing](#) on Tuesday, Virginia-based MicroStrategy, which owns more bitcoin than any other corporation in the world, disclosed it purchased approximately 660 bitcoins for about \$25 million in cash, or \$37,865 per coin, between December 30 and January 31.
- The company, which started buying cryptocurrency for its balance sheet in August 2020, says it now holds approximately 125,051 bitcoins, purchased for nearly \$3.8 billion, or an average price of \$30,200 per coin.
- MicroStrategy has helped fund its bitcoin purchases using debt and proceeds from a \$1 billion stock offering previously disclosed in June.
- \Shares of MicroStrategy jumped about 4% Tuesday morning after the announcement, but they've plunged more than 30% this year amid a broader-market rout that's pushed the price of bitcoin down nearly 20%.
- MicroStrategy's latest investment comes as bitcoin struggles near a six-month low after a series of sell-offs, [sparked](#) largely by the Federal Reserve's removal of pandemic-era stimulus measures, tanked prices about 50% below an all-time high of about \$69,000 set in November.

Commission in December asking MicroStrategy to [stop adjusting](#) its profits to exclude accounting losses related to bitcoin's plunge.



BIG NUMBER

\$4.9 billion. That's the value of MicroStrategy's bitcoin holdings on Tuesday given prices of about \$38,930 per coin.

TANGENT

In October, MicroStrategy [posted](#) a loss of \$36.1 million for the third quarter, but it also reported that it would've made \$27.7 million if it excluded accounting losses from bitcoin, which totaled more than \$65 million. The SEC [sent](#) a letter to MicroStrategy in December saying it objected to the treatment and asking the firm to remove the adjustment in future filings. MicroStrategy, which has previously said "it believes the inclusion of such losses may "distract" investors, said it would comply in a

MicroStrategy is set to report fourth-quarter earnings after the market closes Tuesday.

CHIEF CRITIC

“Volatility in bitcoin shows that companies cannot rely on cryptocurrencies as sound corporate cash investments,” says Jerry Klein, the managing director of \$19 billion advisory Treasury Partners. “Corporate investors get none of the sweets, but all of the indigestion by investing in bitcoin.”

Accounting rules require corporations to treat bitcoin as an intangible asset, Klein says, meaning firms “must write down the value if the price declines, but they can’t write up the value if the price appreciates.” Tesla and billionaire Jack Dorsey-led Square have also reported accounting losses related to their bitcoin holdings.

KEY BACKGROUND

Thanks to its growing bitcoin investment—rivaled only by Tesla's 42,000 coins—MicroStrategy has minted a stunning turnaround since the dot-com bubble tanked its stock price roughly two decades ago. Shares have skyrocketed nearly 200% since the company first [started](#) buying bitcoin. However, prices have also been incredibly sensitive to the nascent crypto market's outsized volatility. Battered more recently by the SEC's growing scrutiny, the stock has crashed nearly 64% from a 21-year high in February 2020, when recently skyrocketing bitcoin prices plummeted after Tesla CEO Elon Musk said on Twitter its prices seemed “a little high.”

SURPRISING FACT

After peaking at nearly \$3 trillion in value on November 10, the crypto market now sits at a total market capitalization of about \$1.9 trillion, according to crypto data website CoinGecko.

FURTHER READING

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