

Markets

Tesla, MicroStrategy, Block Face Hit From Bitcoin

- Value of stakes probably fell combined \$5 billion last quarter
- CEOs are Bitcoin backers who keep some company cash in tokens

By [Subrat Patnaik](#)

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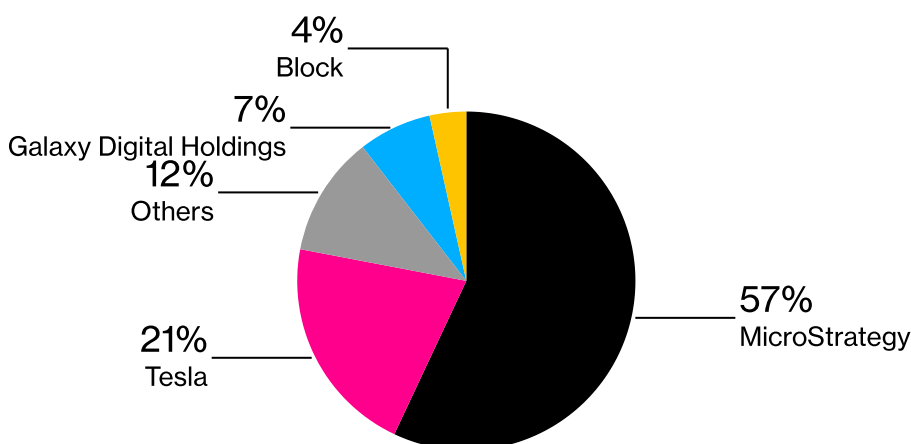
As if the environment weren't tough enough for one-time stock market high-flyers [Tesla Inc.](#), [MicroStrategy Inc.](#) and [Block Inc.](#), the three companies took an estimated combined hit of \$5 billion on their holdings of Bitcoin in the second quarter.

The decline in value reflects the 59% plunge in the cryptocurrency's price in the period ending June 30. Bloomberg calculated the loss based on the companies' previous disclosures about their Bitcoin stashes.

While those are paper losses only for MicroStrategy and Block until they sell, Tesla has locked in some of the drop: The carmaker unloaded [the majority of its Bitcoin](#) in the quarter, and an impairment hurt profitability, it said Wednesday.

Crypto Royalty

MicroStrategy, Tesla, Block own about 85% of bitcoin held at public firms



Source: CoinGecko

The toll shows the danger that companies run when they decide to stash some of their corporate treasury -- normally held in cash or ultra-safe short-term Treasuries -- in volatile cryptocurrencies. While Bitcoin has rebounded a bit from its low last month under \$18,000, there's no guarantee it will ever get anywhere near its November high of almost \$68,000.

“It's very risky for companies to purchase Bitcoin, which is an extremely volatile asset, and puts the company's cash at risk of severe losses,” said Jerry Klein, managing director at Treasury Partners, a New York firm that manages cash for corporations.

There are at least 27 public companies with Bitcoin on their balance sheet, according to CoinGecko. While most of them are cryptocurrency miners and financial service firms, more than 85% of the Bitcoins held at public companies were with software company MicroStrategy, carmaker Tesla and payments provider Block.

For investors, the holdings add a layer of risk to what are already volatile stocks. Their shares have been hit by surging inflation, rising interest rates and the prospect of a possible recession. Tesla's stock is down 30% this year, while MicroStrategy and Block have each lost about half their value.

All three companies are led by big proponents of the cryptocurrency. MicroStrategy Chief Executive Officer Michael Saylor has made one of the boldest moves, with his company shelling out almost \$4 billion to buy 129,699 Bitcoins. Based on the price move, the tokens dropped in value by \$3.4 billion in the second quarter.

The software firm became the first public company to invest the lion's share of its treasury in Bitcoin in 2020 after Saylor questioned the conventional strategy of investing in short-term US government securities when yields tumbled, adding that inflation would make cash worthless.

Elon Musk's Tesla bought \$1.5 billion of the token early last year and quickly sold some of that stash at a gain. Musk said around that time that the cryptocurrency is a "good thing" and on the verge of getting "broad acceptance by conventional finance people."

It sold 75% of its remaining holdings in the second quarter because it was unsure how long Covid lockdowns in China would last, so it wanted to have extra cash on its balance sheet, Musk said on an earnings call Wednesday. The company operates a factory in Shanghai.

"We are certainly open to increasing our Bitcoin holdings in future," he said on the call. "So this should not be taken as some verdict on Bitcoin." Tesla hasn't sold any of its holdings of another token, Dogecoin, he said.

Bitcoin fell 2.2% to \$22,725 as of 9:35 a.m. in New York.

Block, run by Bitcoin enthusiast and Twitter co-founder Jack Dorsey, owned \$366 million worth of that coin as of March 31, according to a company statement.

Investors will be watching earnings from MicroStrategy and Block, on Aug. 2 and Aug. 4, respectively, to see how big a writedown each takes on the holdings.

Marking Tesla's estimated holdings and Square's stake at the June 30 Bitcoin market price of about \$18,731 puts the combined paper losses for the three companies at about \$5 billion, according to Bloomberg calculations. About 70% of that comes from MicroStrategy.

A representative for Block declined to comment on the company's Bitcoin holdings, while Tesla and MicroStrategy didn't respond to requests for comment.

"I think the companies that hold Bitcoin will try to hold onto it now that it has fallen so far," said Matt Maley, chief market strategist at Miller Tabak + Co. "However, they might be forced to sell it due to margin calls if it sees another meaningful down leg."

[Read more: MicroStrategy CEO Saylor Says No Margin Call on Bitcoin Loan](#)

Tech Chart of the Day

A Matter of Profit

Tesla is outperforming EV peers Rivian, Lucid, Nikola this year



Tesla, the world's most valuable automaker and the only profitable US EV firm, is outperforming peers this year as investors move away from unprofitable growth companies. Tesla rose as much as 5% on Thursday after it reported second-quarter earnings that beat Wall Street estimates. Meanwhile, Nikola Corp. and Lucid Group Inc. have plunged about 40% this year and Rivian's stock has lost more than two-thirds of its value.

Top Tech Stories

[China](#) fined Didi Global Inc. more than 8 billion yuan (\$1.2 billion), wrapping up a year-long probe into the ride-hailing giant that's come to symbolize Beijing's bruising campaign to rein in its powerful internet industry.

[Apple Inc.](#)'s pivot to a subscription-like model creates a clear path to a market capitalization of more than \$3 trillion, according to Morgan Stanley.

[Tesla Inc.](#) Chief Executive Officer Elon Musk said the electric-vehicle manufacturer has been through "supply chain hell," but sees commodities prices trending lower and signaled optimism the company can achieve record volume over the rest of the year.

[Intel Corp.](#) spent a record \$1.75 million on federal lobbying over the past three months as the semiconductor industry fought to secure billions of dollars in grants and subsidies from Congress.

[Microsoft Corp.](#) said Wednesday it was eliminating many job openings. Google is pausing hiring for the next two weeks, while Lyft is shutting down a division and trimming jobs.

Contentsquare, the French provider of web analytics, is raising \$600 million in a round of funding led by Sixth Street, valuing the startup at \$5.6 billion, confirming reporting by Bloomberg this month.

NetEase Inc. is planning to debut the Diablo Immortal mobile game in China on July 25 -- a month after the highly anticipated title was originally scheduled to launch in the world's biggest gaming market.

Semiconductor Manufacturing International Corp. has likely advanced its production technology by two generations, defying US sanctions intended to halt the rise of China's largest chipmaker.

SAP SE cut its 2022 operating profit forecast amid a reduced contribution from software licenses revenue and fallout from the war in Ukraine.

– *With assistance by Tom Contiliano, Esha Dey, and Matt Turner*

(Updates stock moves throughout.)