

MicroStrategy (MSTR)

The Best Way to Own Bitcoin in the Stock Market

Price Target \$700

To be clear, we are not recommending anyone to be long bitcoin. However, we've been asked our opinion on bitcoin by many of our readers, so here it is.

The Citron Fund has a position in MSTR, which we believe is the best way to own Bitcoin. While we believe BTC is going higher, we cannot provide any deeper analysis than what has been overanalyzed by all.

If you don't know Michael Saylor – it is time you do now. Watch any of these YouTube videos and you will understand why we are excited about Bitcoin and MSTR.

https://www.youtube.com/results?search_query=michael+saylor

Three years ago, Citron was a vocal skeptic of bitcoin and particularly on low quality companies that soared on nothing more than hype such as Longfin and Riot Blockchain.

<https://www.cnbc.com/2017/12/19/infamous-short-seller-andrew-left-scrambling-for-ways-to-bet-against-bitcoin.html#:~:text=Infamous%20short%2Dseller%20Andrew%20Left%20scrambling%20for%20ways%20to%20bet%20against%20bitcoin,-,Published%20Tue%2C%20Dec&text=Opportunities%20to%20short%2C%20or%20bet,on%20CNBC's%20%E2%80%9CFast%20Money.%E2%80%9D>

Today, we are long bitcoin as we believe there is no better inflation hedge in the market. As stated by one of the greatest macro investors of our lifetime, Paul Tudor Jones, last month on CNBC:

- *“Bitcoin has a lot of the characteristics of being an early investor in a tech company... like investing with Steve Jobs and Apple, or investing in Google early”*
- *“I think we are in the first inning of bitcoin and it's got a long way to go”*

<https://www.cnbc.com/video/2020/10/22/paul-tudor-jones-on-bitcoin-its-like-investing-early-in-a-tech-company.html>

For anyone who has tried to buy Bitcoin, it is a real pain in the ass with the constant fear that it can get stolen. If you buy GBTC, you pay a premium to the underlying price. So, the question is how can I own Bitcoin AND most importantly have a level of safety with an underlying business.

Though we are not recommending that you be long bitcoin, if you want exposure to bitcoin this is the only way to do it...

MicroStrategy (MSTR)

MSTR is the largest independent publicly-traded business intelligence company with the leading enterprise analytics platform. This is a great business with stable, recurring high-margin revenue as evidenced by the multi-billion-dollar acquisitions of MSTR's peers by PE firms and strategic buyers such as Salesforce in recent years.

<u>MSTR Peer</u>	<u>Acquirer</u>	<u>Purchase Price</u>	<u>Year</u>
Tibco Software	Vista Equity	\$4.3 Billion	2014
Qlik Technologies	Thoma Bravo	\$3 Billion	2016
Tableau Software	Salesforce	\$15.7 Billion	2019

<https://www.reuters.com/article/us-tibco-software-m-a-vistaequity/vista-equity-to-buy-tibco-software-for-4-3-billion-idUSKCN0HO11Y20140929>

<https://fortune.com/2016/06/02/qlik-acquired-by-thoma-bravo/>

<https://techcrunch.com/2019/08/01/salesforce-closes-15-7b-tableau-deal/>

MSTR is led by billionaire founder/CEO Michael Saylor. Over the past year as interest rates went to close to zero, Saylor came to the realization that not only was Wall Street giving zero value for the cash on MSTR's balance sheet but this cash would generate a negative real yield for the foreseeable future. Though Saylor was initially skeptical of bitcoin and even tweeted in 2013 that bitcoin's "days were numbered", he came to the conclusion that buying bitcoin today is like buying Apple, Facebook, Google and Amazon ten years ago, which he also did. Saylor now has strong conviction that bitcoin will become the "dominant digital monetary network":

"And when I say digital monetary network, I put it on the shelf next to Google being the first digital search network, YouTube being the first digital video

network, Apple being the first digital mobile network, and Facebook being the first digital social network. It's a pretty powerful thing."

"It's got an upside that feels like buying Apple, Facebook, Google, or Amazon a decade ago, where it could go from here is pretty interesting."

"We bought it to hold forever. I mean, as Warren Buffett would say the ideal holding period on an asset is forever... If we thought that it wasn't a good treasury asset then we wouldn't have bought it at all."

In an interview from almost a decade ago with Bloomberg, Saylor discussed his book *The Mobile Wave* and correctly predicted that software companies such as Google, Facebook and Apple would "eat the world".

<https://www.youtube.com/watch?v=HSZchBL-DDg>

In this interview from last month, Saylor explains why buying bitcoin today is like buying early in Apple, Facebook, Google, or Amazon.

https://www.youtube.com/watch?v=t_nVYtoiShg

Today, MSTR owns more bitcoin than any other publicly traded company. In Q3 2020, MSTR invested \$425 million to purchase 38,250 bitcoins, which have a current market value of over \$700 million. Therefore, MSTR is trading at just 2.5x sales.

Saylor has stated that MSTR will use bitcoin as its primary treasury reserve asset and will purchase additional bitcoins with excess cash flow going forward. In other words, MSTR's bitcoin treasure chest will continue to grow. In addition, MSTR is looking to build a suite of bitcoin data services. On last week's investor call, Saylor noted that he is eager to "leverage" his company's business intelligence experience in the bitcoin data space.

"There's an entire exploding universe of intelligence opportunities all wrapped around this kind of unique bitcoin intelligence coming off the blockchain. And we'll explore it all."

<https://www.coindesk.com/microstrategy-wants-to-be-in-the-bitcoin-business-not-just-an-investor>

Now here is why there is no better way to play bitcoin in the stock market today than MSTR.

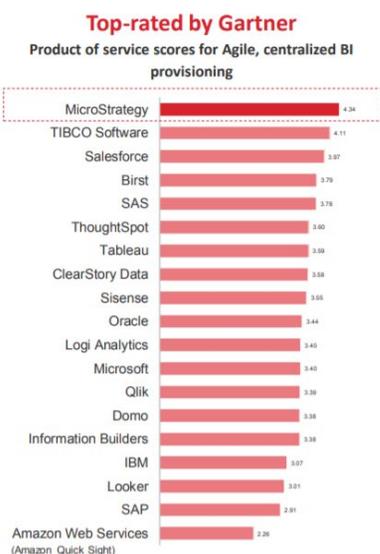
MSTR’s leading business intelligence software company is not only ranked best in class by Gartner as recently as March 2020 but also just reported its best earnings in a decade. With a new product cycle, MSTR is finally pointed in the right direction and setup for continued growth. We expect MSTR’s valuation multiple will soon inflect higher to reflect this.

1. We are the Top BI Company with the Top Product

MicroStrategy
 HQ: Tysons Corner, VA
 NASDAQ: MSTR
 www.microstrategy.com

1989 Founded	30 years CEO Tenure	#1 Product
4,000+ Customers	39 Cities	27 Countries
9 Support Centers	35 Field Service Centers	3 Development Centers

Innovator and industry leader in web, mobile and cloud-based analytics



Leader on the Forrester Wave
 The Forrester Wave™: Enterprise BI Platforms (Client-managed)–Q3 2019



Source: Gartner (Critical Capabilities for Analytics and Business Intelligence Platforms, March 2020), Forrester (The Forrester Wave™: Enterprise BI Platforms, July 2019)

MSTR’s underlying business is currently trading at a massive discount to peers today at just 2.5x sales.

In other words, if bitcoin goes to \$0, MSTR’s core business alone is still worth more than its current market price BUT if bitcoin trades to \$50K, MSTR could be worth \$700. If bitcoin trades to \$300K as predicted by Citibank, MSTR would trade at over \$1,700 or more than 700% higher than today’s stock price.

Below is some back of the envelope analysis with MSTR’s current business and exposure to Bitcoin. NOTE – these numbers will expand as the company continues to buy Bitcoin with free cash flow.

(\$ in millions except per share #)

2021 Revenue	\$500
EV/Sales Multiple	9.0x
Enterprise Value of Core Business	\$4,500

Cash	\$53
Debt	\$0

Market Cap	\$4,553
Shares Outstanding	9.3

MSTR Stock Price (Core Business)	\$492
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# of Bitcoins held by MSTR	38,250	38,250	38,250	38,250	38,250
Price of Bitcoin	\$0	\$15,000	\$50,000	\$100,000	\$300,000
Value of Bitcoin Holdings in mn	\$0	\$574	\$1,913	\$3,825	\$11,475
Shares Outstanding	9.3	9.3	9.3	9.3	9.3

Value of Bitcoin Holdings per Share	\$0	\$62	\$207	\$413	\$1,239
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MSTR Stock Price (Core Business + Bitcoin Holdings)	\$492	\$554	\$698	\$905	\$1,731
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As investors scramble to look for ways to capitalize on bitcoin in the stock market, look no further than MSTR. At these prices today, investors are getting a best in class software business at a discount and a free call option on owning a growing treasure chest of bitcoins!!!

Cautious Investing to All

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