The P/E Ratio for Bitcoin Treasury Companies: P/BYD

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In accounting school, you learn that a business is its financial statements. The value of a business is its assets minus liabilities, plus the expected future cash flows from operations discounted back to present value. Balance sheet and income statement.

When valuing companies, conventional wisdom says to focus on future profits. By contrast, the balance sheet tends to be viewed as simply the infrastructure that makes operations possible. For investors seeking attractive investments in traditional equities, it's the company's future profit generation that weighs most heavily.

This is why stocks tend to be discussed in terms of their P/E ratio, meaning Price of the company / annual Earnings of the company.

Over the last few decades, P/E ratios have been bid up to exceedingly high levels. Apple trades at a 33 P/E ratio, meaning that investors will have to wait 33 years to earn cumulative profits equal to their investment today. Here are the P/E ratios for the world's most valuable public companies:

Rank	Company	Market cap	P/E
1	NVIDIA	$4.02 T	**53**
2	Microsoft	$3.74 T	**39**
3	Apple	$3.15 T	**33**
4	Amazon	$2.39 T	**36**
5	Alphabet (Google)	$2.19 T	**20**
6	Meta	$1.80 T	**27**

Source: companiesmarketcap.com, as of 11 July 2025

These high P/E ratios have become the de facto price of admission for investors looking to park their capital in the stock market. Equities are overvalued, but global capital doesn't know of a better place to store its value.

Obviously, the natural next topic would be an enumeration of Bitcoin's properties as the best store of value asset in the world, but for our purposes here, let's just assume this as given. Now we can move on to what this piece has to say that is new.

A new model of delivering shareholder value

As Michael Saylor likes to say, "the only thing better than Bitcoin is more Bitcoin." This is where Bitcoin treasury companies come in.

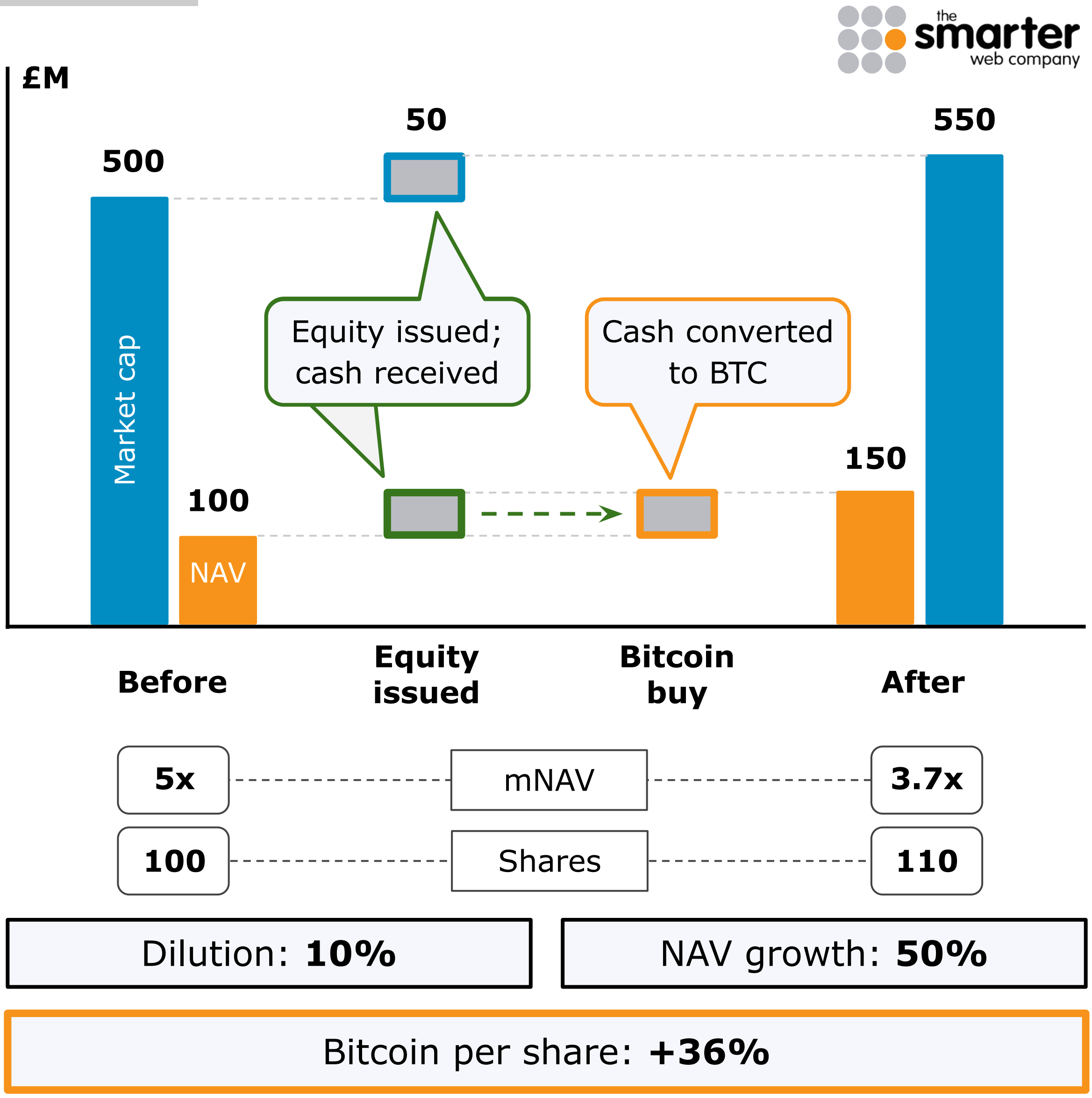
A Bitcoin treasury company is any company that has adopted the explicit goal of **increasing its Bitcoin holdings per share.** If a company increases this metric over time, they have delivered Bitcoin Yield for the benefit of shareholders.

This goal can be achieved through a variety of methods, but the emerging best practices center on utilizing capital markets to fundraise & deploy the proceeds into Bitcoin.

Perhaps the purest version of this is "accretive dilution" through new equity issuance, which makes sense when a company is trading at a premium to its Net Asset Value (NAV). This is best understood via a visual example.

Here is how the mechanics of share issuance can increase Bitcoin Per Share when a company is trading at a premium to NAV:

High mNAV enables accretive dilution



There are other capital market tools to effect the same result of increasing Bitcoin Per Share, such as raising capital via convertible debt, ordinary debt, or preferred equities.

The objective of each is to deliver BTC Yield for shareholders, which is the unique value proposition that Bitcoin treasury companies offer to investors.

Valuing a Bitcoin treasury company

This is a brand new model of delivering shareholder value. As a result, the metrics to understand these companies are still being developed. So far, analysis of these companies has centered around two key metrics:

- **mNAV:** the market cap divided by the value of treasury assets (cash + Bitcoin), showing the premium that the market values the company compared to the value of the treasury.
- **Days to Cover:** the number of days ago that the company's Bitcoin Per Share was equal to current Bitcoin Per Share divided by the current mNAV

However, these metrics each tell one half of the story. What is needed is a way to incorporate both elements (current market premium & recent rate of performance) into a formula to understand how long it may take for investors to earn the value of their investment back.

This is what P/E ratios achieve when analyzing traditional companies. The informational value of a P/E ratio is that it tells you how many years it will take to earn back your investment via income statement profits. This standardizes nicely across businesses and industries, and serves as a valuable shorthand for determining when a business is overvalued or undervalued relative to others.

By contrast, a Bitcoin treasury company seeks to deliver shareholder value not solely via operating profits, but also by growing their balance sheet – specifically, by increasing Bitcoin Per Share over time.

It's a different path to delivering shareholder value, but no less real.

Because it is a different model, it requires a different formula to assess the expected time to deliver a return. Now we can ask a simple question…

What would be the **Bitcoin treasury company equivalent** to a **P/E ratio?**

The P/BYD Ratio: Price / Bitcoin Yield Delivered

To start, we must clearly establish what we are solving for:

- We want a formula whose **output is in the same format** as you would receive **from a P/E ratio**
- More specifically, we want to **isolate the number of years** that it will take a BTC treasury company to grow its Bitcoin Per Share by a multiple equivalent to the current mNAV of the company.
- In other words, **how long will it take to deliver enough BTC Yield to offset the mNAV premium paid upfront**?

By re-arranging the formula for Bitcoin Per Share growth over time, we can solve for how many years it will take a Bitcoin treasury company to grow its Bitcoin Per Share by a factor equivalent to current mNAV, based on Bitcoin Yield Delivered over a defined time period:

The P/BYD Ratio

$$y = \frac{\log(mNAV)}{n \cdot \log(1 + BYD)}$$

Where:

- ***y*** = years to shareholder return on Bitcoin held
- ***mNAV*** = multiple of Net Asset Value, aka market cap / treasury assets
- ***BYD*** = Bitcoin Yield Delivered over the most recent period
- ***n*** = number of periods per year

A few notes on P/BYD (which we've been pronouncing **"p-bid"**):

- Because of the exponential nature of compounding BTC Yield over successive periods, isolating the years to shareholder return on Bitcoin held requires log terms
- *BYD* (Bitcoin Yield Delivered) should be from the most recent period, which can be one year, quarter, or even month. Adjusting *n* to account for the number of periods in a year normalizes the length of period used
- All else equal, longer periods are likely to be more representative. However, for less mature Bitcoin treasury companies, a shorter period may be more representative of the current state of a Bitcoin treasury company's ability to generate additional BTC Yield.
- P/BYD is similar to Days to Cover, but different in that it 1) returns a number in years, and 2) allows the user to define a sample period of recent performance to project forward, rather than simply looking back in time as far as necessary.

The net result of the **P/BYD ratio is an informative measure for Bitcoin treasury companies** (who aim to deliver shareholder value through balance sheet growth), **which is equivalent to that of a P/E ratio for traditional operating companies** (who aim to deliver shareholder value through income statement profits).

P/BYD Ratio examples today

Strategy

As of 15 July 2025, Strategy had an mNAV of 1.95x and delivered 19.7% of BTC Yield in 1H 2025. This results in a P/BYD ratio of 1.86.

Assuming a continued rate of BTC Yield delivery, investors would have to wait **1.86 years** to earn cumulative Bitcoin equal to their investment today (and anything after that is Bitcoin gained).

Source: Strategy.com analytics dashboard

Metaplanet

As of 15 July 2025, Metaplanet had an mNAV of 3.51x and delivered 129.4% of BTC Yield in Q2 2025. This results in a P/BYD ratio of 0.38.

Assuming a continued rate of BTC Yield delivery, investors would have to wait **0.38 years** to earn cumulative Bitcoin equal to their investment today (and anything after that is Bitcoin gained).

After the first two weeks of Q3 2025, Metaplanet is already showing a QTD BTC Yield of 17.8%. If we use this for BTC Yield Delivered, this results in a P/BYD ratio of 0.29. In other words, Metaplanet is off to a slightly faster pace of delivering BTC Yield in Q3.

It's also worth noting that Metaplanet was the best performing public equity in the world in 2024. Given how this math shows Metaplanet is delivering shareholder value at an extremely rapid pace, this should come as no surprise.

Smarter Web

As of 16 July 2025, Smarter Web has a 30-Day BTC Yield of 419% and an mNAV of 5.58x. This results in a P/BYD ratio of 0.09.

If we choose to use just the most recent seven days of BTC Yield, that's 60%. This results in a P/BYD ratio of 0.07. This tells us that the most recent week for Smarter Web delivered slightly faster BTC Yield generation than that seen over the last month.

Overall, an investor who re-allocates BTC into Smarter Web appears to be "overpaying" 5.58x for Bitcoin. However, assuming a continued rate of BTC Yield delivery, investors would have to wait just **0.09 years (~32 days)** to earn cumulative Bitcoin equal to their investment today (and anything after that is Bitcoin gained).

Interestingly, the apparent undervaluing of Bitcoin treasury companies seems to be greatest for smaller and newer companies that are generating higher BTC Yield. It may be that market participants have a strong aversion to "overpaying" for Bitcoin via a high mNAV, overlooking the all-important rate of Bitcoin Yield Delivered. This may be to the advantage of investors who understand the dynamics captured by the P/BYD ratio.

Towards a unified model for equities valuation

Your eyes are not deceiving you, there is quite a stark difference between the P/BYD ratios for these Bitcoin treasury companies and the P/E ratios prevalent in traditional equities markets.

In my opinion, this reflects the poorly understood nature of Bitcoin treasury companies and their alternative pathway to delivering shareholder value through strengthening their balance sheets, as opposed to the traditional understanding of shareholder value coming from future profits.

With the P/BYD ratio, we now have the language to directly compare Bitcoin treasury company valuations to traditional equities and their P/E ratios. This leaves investors to ask themselves an essential question: in the investable landscape, which companies offer deep value?

The math is clear, illustrated in simple terms with the P/BYD calculation showing the time it takes a public company with Bitcoin on its balance sheet to “pay back” its valuation. When you compare this to traditional P/E ratios, as outlined earlier, it’s possible that well-run Bitcoin treasury companies are **the most undervalued public equities in the world**.

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The Company is neither authorised nor regulated by the FCA. And cryptocurrencies (such as Bitcoin) are unregulated in the UK. As with most other investments, the value of Bitcoin can go down as well as up, and therefore the value of the Company's Bitcoin holdings can fluctuate. The Company may not be able to realise its Bitcoin exposure for the same as it paid in the first place or even for the value the Company ascribes to its Bitcoin positions due to these market movements. And because Bitcoin is unregulated, the Company is not protected by the UK's Financial Ombudsman Service or the Financial Services Compensation Scheme.

Nevertheless, the Board of Directors of the Company has taken the decision to invest in Bitcoin, and in doing so is mindful of the special risks Bitcoin presents to the Company's financial position. These risks include (but are not limited to): (i) the value of Bitcoin can be highly volatile, with value dropping as quickly as it can rise. Investors in Bitcoin must be prepared to lose all money invested in Bitcoin; (ii) the Bitcoin market is largely unregulated. There is a risk of losing money due to risks such as cyber-attacks, financial crime and counterparty failure; (iii) the Company may not be able to sell its Bitcoin at will. The ability to sell Bitcoin depends on various factors, including the supply and demand in the market at the relevant time. Operational failings such as technology outages, cyber-attacks and comingling of funds could cause unwanted delay; and (iv) cryptoassets are characterised in some quarters by high degrees of fraud, money laundering and financial crime. In addition, there is a perception in some quarters that cyber-attacks are prominent which can lead to theft of holdings or ransom demands. The Board of Directors of the Company does not subscribe to such a negative view, especially in relation to Bitcoin. However, prospective investors in the Company are encouraged to do your own research before investing.

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