



Research & Insights

Current State of Macro and Markets

DATs, Market Distress, 10/10 Liquidation Cascades & the Absent Marginal Buyer

An Extension to: Corporate Treasury Adoption of Digital Assets (Aug 2025)

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Executive Summary

In August 2025, Herring Global published "Corporate Treasury Adoption of Digital Assets: Financing Strategies, Market Reactions, and Advisor Incentives," examining 51 DAT announcements from August 2020 through August 2025. That paper established several foundational findings: median day-one equity returns were negative (-3.67%), corporate equities systematically underperformed their underlying tokens (-4.51% vs +13.09%), and equities traded as leveraged digital asset proxies with approximately 0.9 correlation to their reference tokens.

Six months later, the structural risks identified in that analysis have materialized with severity. This extension documents the current state of the DAT sector as of February 2026, where the convergence of macro headwinds, whale liquidations, and evaporating marginal demand has left the majority of digital asset treasury companies in acute financial distress.

Overall macro conditions have not been favourable. Persistent inflation, hawkish central bank posturing, renewed US tariff escalation, and a risk-off rotation across global equity markets have created a hostile environment for leveraged risk assets. The October 10, 2025 liquidation event—a cascading forced unwind across centralized and decentralized venues, marked a decisive inflection point, driving digital asset prices sharply lower and exposing the fragility of the DAT model under stress. In the months since, asset prices have remained depressed and have failed to meaningfully recover, compressing the net asset values on which these companies' capital strategies depend.

Critically, these depressed valuations are now posing a plausible systemic risk to the DAT sector itself—especially for those companies that are highly leveraged. This paper uses the enterprise-value mNAV (EV mNAV), defined as $(\text{Market Cap} + \text{Total Debt} - \text{Cash}) / \text{Crypto NAV}$, as the primary valuation metric throughout. EV mNAV captures the full capital structure—including convertible debt and preferred equity—and reveals how much of a DAT's apparent premium is debt-driven rather than equity-market confidence. When EV mNAV compresses toward 1.0x and underlying crypto assets sit well below acquisition cost, the reflexive flywheel that powered DAT expansion reverses: equity issuance becomes dilutive, debt obligations remain fixed against shrinking collateral, and the ability to refinance or raise fresh capital deteriorates. For the most leveraged players—Strategy with \$8.2 billion in convertible debt and an EV mNAV of 1.29x sustained almost entirely by leverage, Metaplanet with a 39% unrealized loss on its BTC position—the margin between managed drawdown and existential distress has narrowed considerably.

The core thesis of this update is straightforward: **the DAT playbook, as replicated at scale throughout 2025, is now being stress-tested in a downturn for the first time.** Bitcoin has fallen approximately 48% from its October 2025 all-time high of ~\$126,000 to ~\$65,778. Ethereum has declined roughly 62% from ~\$5,000 to ~\$1,888. The downstream consequences for DAT equities have been far more severe—drawdowns of 55% to 95% from their respective peaks.

1. The DAT Sector in Distress: A Comprehensive Assessment

1.1 EV mNAV Compression: From Premium to Parity

The most critical valuation metric for DAT companies—the enterprise-value mNAV (EV mNAV)—has compressed dramatically across the sector. EV mNAV is calculated as Enterprise Value (Market Cap + Total Debt – Cash) divided by the market value of crypto holdings, and is the industry-standard formulation used by Strategy, BitcoinTreasuries.net, and CoinDesk. Our original paper noted that mNAV premiums incentivized further equity issuance and crypto acquisition, creating a reflexive flywheel. That flywheel has now reversed.

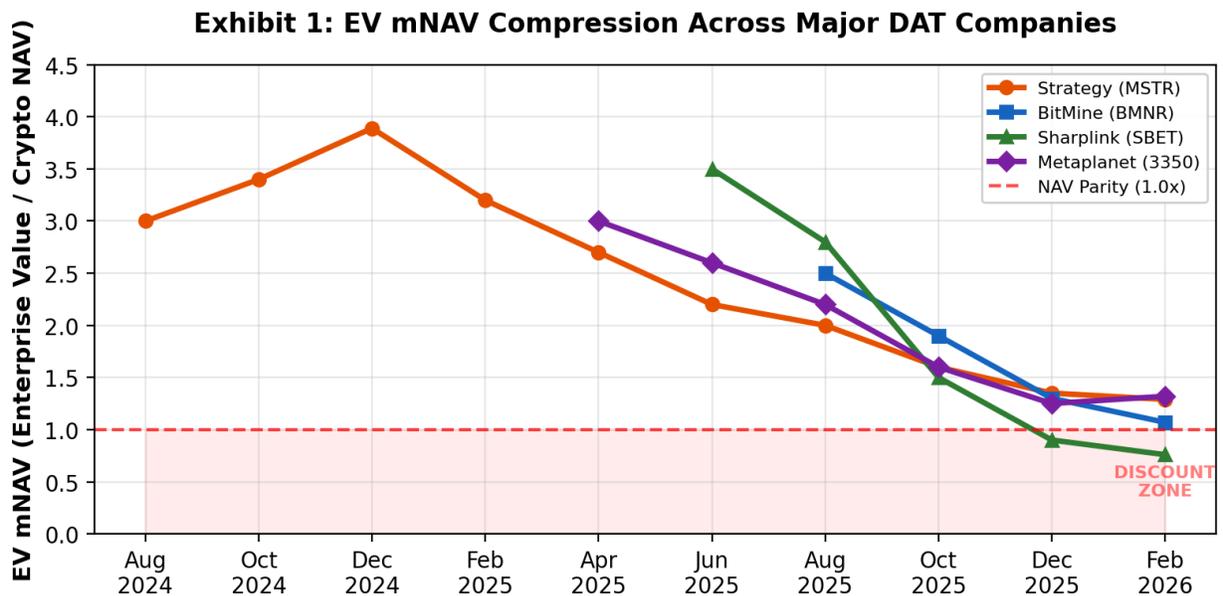


Exhibit 1 illustrates, the EV mNAV compression is universal. BitMine (BMNR) traded at approximately 2.5x upon its ETH treasury launch in August 2025 and has since compressed to approximately 1.07x. Sharplink (SBET)—which carries no debt—has fallen to 0.76x EV mNAV, and Metaplanet trades at approximately 1.32x EV mNAV, sustained largely by its \$280 million debt structure despite a 39% unrealized loss on its BTC position.

When EV mNAV approaches 1x, every capital formation lever breaks simultaneously: ATM equity dilutes NAV per share, converts can't be priced with a credible conversion premium, and lenders won't extend credit against shrinking collateral. At that point, the accretion engine stops.

Table 1: DAT Distress Scorecard — February 2026

Company	Ticker	Asset	Holdings	Avg Cost	Current Price	Unreal. P/L	Stock Drwn	EV mNAV
Strategy	MSTR	BTC	717,131	\$76,056	~\$65,778	-13.5%	-70%	1.29x
Metaplanet	3350.T	BTC	35,102	\$107,000	~\$65,778	-38.9%	-82%	1.32x
BitMine	BMNR	ETH	4,371,497	\$3,826	~\$1,888	-50.7%	-75%	1.07x
Sharplink	SBET	ETH	867,798	\$3,609	~\$1,888	-47.7%	-94%	0.76x
ETHZilla	ETHZ	ETH	~50,000*	\$3,500	~\$1,888	-46.1%	-80%	UNWOUND

Source: BitcoinTreasuries.net, The Block, CoinGecko, Dropstab, company filings. BTC @ \$65,778; ETH @ \$1,888. Drawdowns from 2025 peak. *ETHZilla holdings approximate at peak; position fully liquidated Q1 2026.

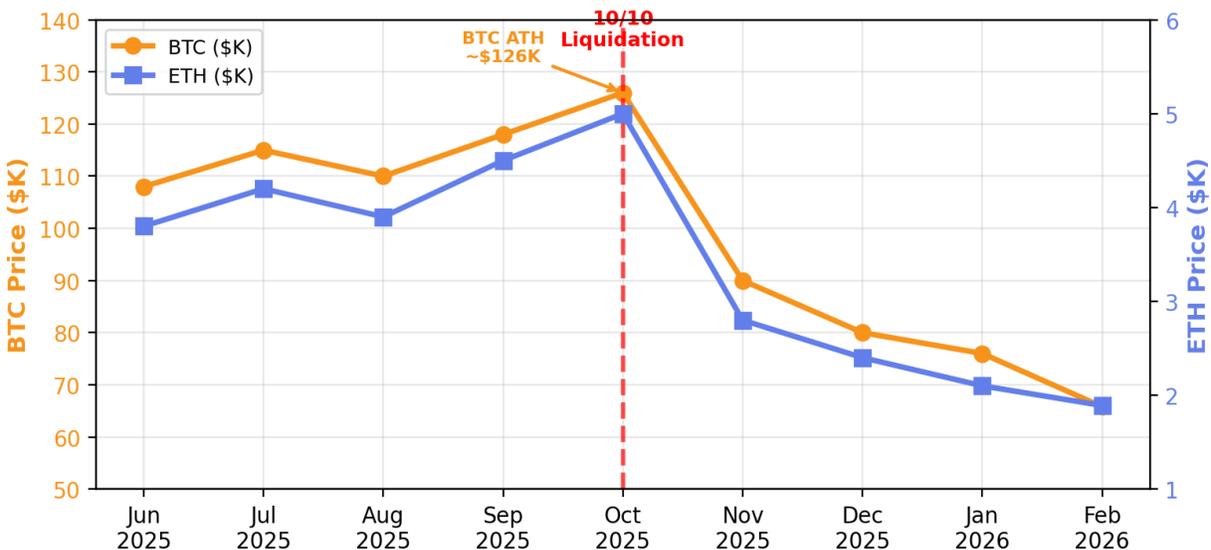
2. The 10/10 Liquidation Cascade & Whale Unwinding

2.1 Anatomy of the 10/10 Liquidation Event

The October 10, 2025 liquidation event marked a pivotal inflection point for the digital asset treasury sector. A confluence of macro factors renewed US tariff escalation, hawkish Federal Reserve signaling, and a sharp unwinding of leveraged crypto positions triggered cascading liquidations across centralized and decentralized venues. The event created a violent downward repricing that disproportionately impacted DAT companies, whose equities function as leveraged beta to underlying crypto assets.

In the weeks following 10/10, on-chain data reveals a distinct pattern of whale unwinding. Large holders wallets containing >1,000 BTC or >10,000 ETH began systematic reduction of positions. This is consistent with forced deleveraging by hedge funds and proprietary trading desks that had built concentrated long positions during the H1 2025 rally.

Exhibit 2: BTC & ETH Price Action — Post-ATH Drawdown



The downstream impact on DAT companies is direct and severe. As underlying crypto prices fall, the NAV denominator in the mNAV equation contracts, but equity prices fall even faster due to the embedded leverage in the DAT structure debt obligations remain fixed while asset values decline. This creates a doom loop where falling mNAV prevents further equity issuance, which prevents further crypto acquisition, which removes a source of marginal demand from the market.

2.2 ETHZilla: A Case Study in Full DAT Unwinding

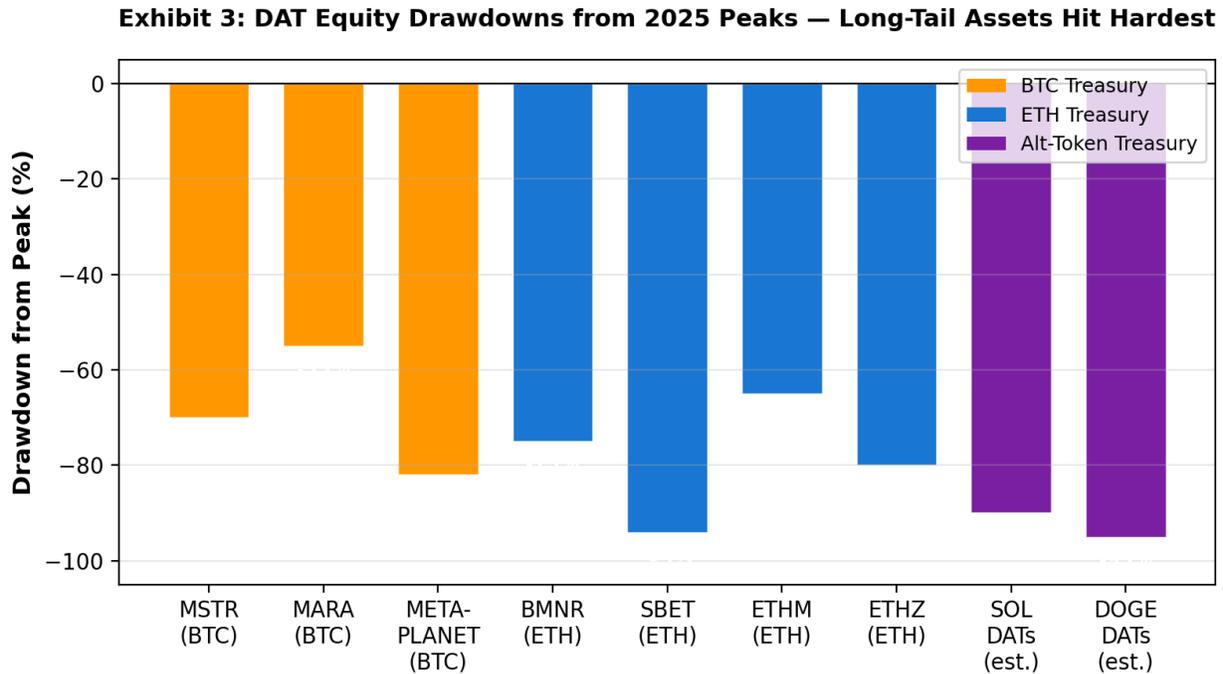
ETHZilla (ETHZ), formerly 180 Life Sciences, represents the first complete unwinding of a DAT ETH position among the major players. The company, which had attracted attention through a Peter Thiel-linked investment, fully liquidated its Ethereum treasury holdings in Q1 2026. The decision appears driven by a combination of factors: severe EV mNAV discount, inability to raise further capital through equity issuance, and operational cash requirements that could no longer be met through existing reserves.

ETHZilla's exit is significant not for the scale of its holdings (~50,000 ETH), which represent a modest portion of total corporate ETH, but for the precedent it sets. When a DAT company fully unwinds, it

converts from a marginal buyer into a net seller, adding supply pressure at precisely the point where demand is weakest. Moreover, it signals to the market that the DAT model, as currently constructed, is not durable through a full market cycle.

3. BTC/ETH Majors vs. Long-Tail DATs: Asymmetric Stress

Our original August 2025 paper documented that market capitalization is a significant determinant of DAT equity outcomes, with larger firms exhibiting more durable returns. This finding has been amplified in the current drawdown. While BTC- and ETH-focused DATs are experiencing severe stress, the pain for long-tail DAT companies, those holding smaller-cap tokens such as SOL, XRP, DOGE, TON, and others is materially worse.



As Exhibit 3 demonstrates, BTC treasury companies have experienced drawdowns averaging 55-70% from peak, which, while severe, is consistent with historical Bitcoin drawdown severity. ETH treasury companies have fared worse at 65-94%, reflecting Ethereum's deeper relative decline. However, long-tail DATs holding altcoins have experienced drawdowns of 90-95%, with many now trading at near-zero equity value.

Table 2: Stress Severity by DAT Asset Category

Category	Underlying Drawdown	Avg Equity Drawdown	EV mNAV Range	Capital Access
BTC	-48%	-55% to -82%	1.1x – 1.4x	Constrained
ETH	-62%	-65% to -94%	0.7x – 1.1x	Severely Impaired
Long-Tail / Altcoin	-70% to -90%	-85% to -99%	<0.3x	Non-Existent

Source: Herring Global analysis. Drawdowns measured from respective 2025 peaks.

The reason for this asymmetry is structural. BTC and ETH benefit from deep, liquid markets, established ETF infrastructure, and institutional-grade custody. Their DAT holders, Strategy, MARA, BitMine have access to sophisticated capital markets tools (convertible debt, ATM programs, credit facilities) that provide resilience. Long-tail DATs, by contrast, operate with thinner liquidity, smaller market capitalizations, and weaker institutional backing. Their underlying tokens lack the demand floor that ETF flows provide to BTC and ETH.

While the stress on BTC and ETH DATs is therefore more muted relative to their underlying asset declines, it is important to note that "more muted" is a relative term. Strategy's 70% equity drawdown and \$12.4B Q4 2025 loss, or BitMine's estimated \$8.5B unrealized loss on ETH, represent extraordinary magnitudes by any traditional corporate standard.

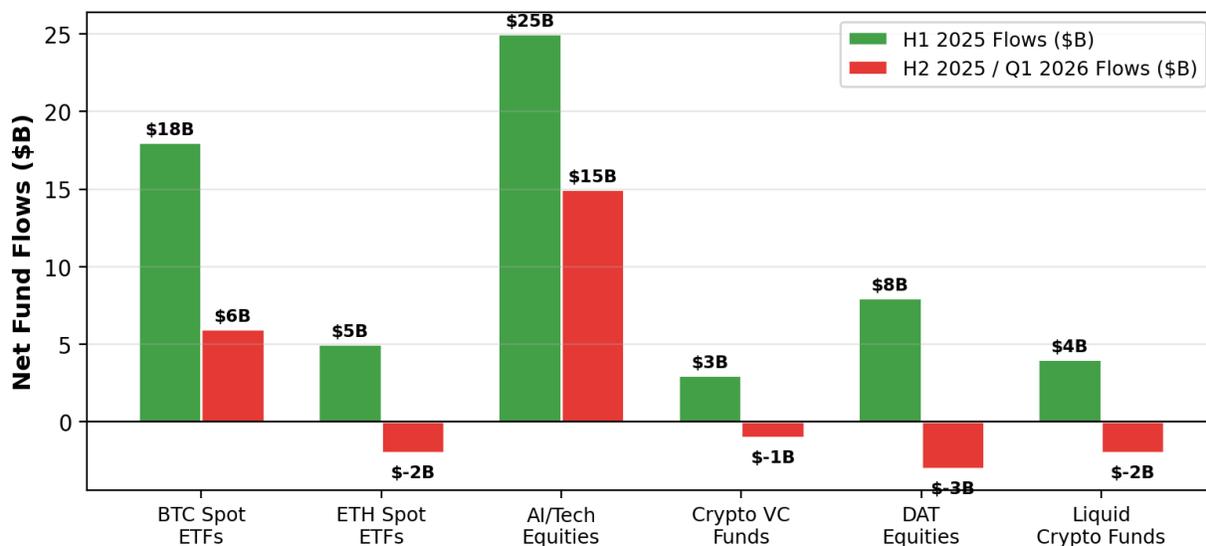
4. The Absent Marginal Buyer

4.1 TradFi ETP/ETFs Flows: The Wave That Receded

The 2024-2025 cycle was characterized by an unprecedented wave of TradFi capital entering digital assets through exchange-traded products. US spot Bitcoin ETFs, approved in January 2024, attracted cumulative net inflows exceeding \$40 billion through H1 2025. Spot Ethereum ETFs, launched in mid-2024, added further demand. This institutional wave was a primary driver of the rally that took BTC to \$125,000 and ETH to \$5,000.

However, ETP flows reversed sharply in H2 2025 and into Q1 2026. Net outflows from BTC ETFs, combined with a cessation of fresh ETH ETF allocations, removed a critical pillar of marginal demand. The absence of this buyer is acutely felt in the current environment.

Exhibit 4: Capital Allocation Shift — From DATs to AI, Post-10/10 Outflows



4.2 Capital Rotation: From Crypto to AI

Compounding the demand shortfall is a generational rotation of institutional capital from crypto to artificial intelligence. Throughout 2025, the AI narrative driven by breakthroughs in large language models, autonomous agents, and AI infrastructure captured the marginal dollar that might previously have flowed into digital asset strategies. AI-focused equities and venture capital fundraises absorbed record allocations, creating direct competition for the institutional capital that DATs depend upon.

The data is stark: AI/tech equity fund flows remained robustly positive at \$15B+ in H2 2025, even as DAT equities experienced net outflows of \$3B+ and liquid crypto fund flows turned negative. Venture capital performance in crypto has deteriorated sharply, with many 2021-2022 vintage funds reporting negative returns, further reducing LP appetite for digital asset allocation.

4.3 The Feedback Loop

These dynamics create a reinforcing feedback loop that is difficult to break:

1. Crypto prices fall → DAT NAVs decline → EV mNAV compresses toward 1.0x

2. Compressed EV mNAV (equity below NAV) prevents accretive equity issuance → DATs cannot acquire more crypto
3. Removal of DAT marginal demand → further crypto price weakness
4. Whale unwinding and forced selling (e.g., ETHZilla) adds supply pressure
5. TradFi ETP outflows and AI capital rotation remove external demand sources

Until a new marginal buyer emerges, such as regulatory catalyst (e.g., CLARITY Act passage enabling pension fund allocation), a reversal in Fed policy, or a shift in the macro environment, we expect continued downside pressure across the sector.

5. Outlook & Conclusion

5.1 We Expect More Downside Until Marginal Buyers Are Found

Our base case scenario anticipates continued pressure on DAT equities through at least mid-2026. The structural impediments compressed EV mNAV, depleted marginal demand, whale unwinding, and capital rotation toward AI—are unlikely to resolve quickly. The key variables to monitor include:

- CLARITY Act progress: Passage would classify BTC as a digital commodity under CFTC oversight, potentially unlocking trillions in pension and sovereign wealth fund allocation.
- Federal Reserve pivot: A return to rate cuts would revive risk-asset appetite broadly, benefiting crypto and DATs alike.
- ETH staking revenue durability: ETH DATs (BitMine, Sharplink) generate real income through staking, which may provide a valuation floor absent from BTC DATs.
- Strategy debt maturity schedule: With \$8.2B in convertible debt and \$2.25B cash reserve, Strategy's ability to navigate without forced BTC sales remains the single most important systemic risk in the sector.

5.2 Existential Risk: The Non-Zero Probability of a Major DAT Bailout

While much of the current discourse focuses on drawdowns and EV mNAV compression as cyclical inconveniences, this research urges a more sober assessment: **the risk of a forced liquidation or bailout of a major DAT player including Strategy or BitMine remains remote but plausible in the future.** The implications of such a scenario for the broader digital asset ecosystem would be profound.

Strategy holds 717,131 BTC approximately 3.4% of the total Bitcoin supply against \$8.2 billion in convertible debt obligations. While Michael Saylor has publicly stated that the firm can service its debt even if Bitcoin falls to \$8,000, this assertion relies on the continued ability to refinance maturing obligations and the assumption that no covenant triggers or liquidity crises emerge. In a scenario where Bitcoin experiences a further leg down to \$50,000 or below the firm's ability to roll its convertible notes becomes uncertain. A failure to refinance would not merely impact Strategy; it would constitute a systemic event for Bitcoin markets, as forced liquidation of even a fraction of 717,131 BTC into an already illiquid environment would trigger cascading sell pressure.

Similarly, BitMine holds 4.37 million ETH 3.6% of Ethereum's total supply with an estimated unrealized loss of \$8.5 billion. The company's \$670 million cash reserve provides a runway, but with annualized staking revenue of approximately \$166 million against a treasury position that has declined by billions, the margin of safety is narrower than headline figures suggest. At full staking scale, when MAVAN launches in Q1 2026, annualized rewards could reach \$239 million but this remains forward-looking. If institutional backers (ARK, Founders Fund, Pantera) begin reducing exposure, or if the MAVAN staking launch encounters delays, BitMine's ability to sustain its accumulation strategy comes into question.

If either of these entities were forced into a full or partial liquidation, the magnitude of downside skew would be amplified dramatically. The market does not currently have sufficient buy-side depth to absorb 700,000+ BTC or 4+ million ETH in an orderly manner. The resulting price impact would cascade through ETFs, lending desks, DeFi protocols, and every other DAT company holding the same assets.

Table 3: Major DAT Supply Overhang — Crypto at Risk in a Forced Liquidation Scenario

Company	Ticker	Asset	Holdings	% of Total Supply	Value @ Market (\$B)	Debt / Liabilities (\$B)
Strategy	MSTR	BTC	717,131	3.41%	\$47.2	\$8.2
MARA Holdings	MARA	BTC	53,250	0.25%	\$3.5	\$1.8
Twenty One Cap.	XX1	BTC	43,514	0.21%	\$2.9	\$0.5
Metaplanet	3350.T	BTC	35,102	0.17%	\$2.3	\$0.28
BitMine	BMNR	ETH	4,371,497	3.62%	\$8.3	~\$0.5
Sharplink	SBET	ETH	867,798	0.72%	\$1.6	~\$0.1
SUM of BTC Top DAT exposure		BTC	848,997	4.04%	\$55.8	\$10.8
SUM of ETH Top DAT exposure		ETH	5,239,295	4.34%	\$9.9	~\$0.6

Source: BitcoinTreasuries.net, The Block, company filings. Holdings as of Feb 2026. BTC @ \$65,778; ETH @ \$1,888. BTC supply: 21M; ETH supply: 120.7M.

The numbers in Table 3 underscore the systemic dimension of this risk. The top six DAT companies alone hold approximately 849,000 BTC (4.04% of total supply, valued at \$55.8 billion) and 5.24 million ETH (4.34% of total supply, valued at \$9.9 billion). This is an extraordinary concentration of major crypto assets on corporate balance sheets, much of it acquired at prices well above current market levels and, in several cases, financed with debt.

In a tail-risk scenario where even one major player is forced to sell, **the volume of BTC and ETH at risk of being sold down into an already illiquid environment represents a supply shock that current order books cannot absorb.** On-chain data shows that Bitcoin's effective available supply—coins that have moved in the last 90 days—has contracted to approximately 15% of circulating supply. Ethereum's active supply ratio is similarly compressed. Forced selling of 4%+ of total supply into a market with 15% effective liquidity would produce price dislocations far exceeding those observed in the 10/10 liquidation event.

We stress that this is not our base case. Strategy's \$2.25 billion cash reserve, BitMine's institutional backing, and the optionality afforded by convertible debt structures all provide buffers. However, the probability is non-zero, and the severity in a realization scenario is extreme. Prudent risk management demands that market participants model this tail and price it accordingly.

5.3 Survivorship Considerations

Not all DATs will survive this drawdown. Our August 2025 paper noted that smaller firms face structural disadvantages—dilution, illiquidity, and narrative exhaustion. These disadvantages have now become existential. We anticipate further full unwinds similar to ETHZilla, particularly among long-tail altcoin DATs and under-capitalized ETH treasury companies that lack the scale and institutional backing of a BitMine or Sharplink.

The companies most likely to endure are those with: (a) significant scale and liquidity, (b) diversified revenue streams (mining, staking), (c) manageable debt burdens, and (d) access to institutional capital markets. On the BTC side, Strategy and MARA fit this profile. On the ETH side, BitMine's institutional backing (ARK, Founders Fund, Pantera) and emerging staking revenue provide relative resilience, though the magnitude of unrealized losses remains a serious concern.

5.4 Connecting to Our Original Findings

This market environment validates and extends the conclusions of our August 2025 research. The finding that equities systematically underperform their underlying tokens has been amplified: in the current drawdown, DAT equities are falling 1.3-1.6x as fast as their reference assets. The advisor incentive misalignment we identified where EV mNAV-based compensation rewards narrative-driven premiums over genuine value creation which has been exposed by the market. And the importance of scale, which our dataset demonstrated empirically, has become a matter of corporate survival.

The DAT sector represents a genuine innovation in corporate finance. But like all innovations, it requires a full market cycle to reveal its true risk profile. We are now in the revelation phase. The companies, advisors, and investors who internalize these lessons will be better positioned when the cycle eventually turns.

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