THE ROGUE PROTOCOL // FORENSIC WHITE PAPER

The P/BYD Trap

Seventeen faults in The Smarter Web Company's valuation framework

A forensic analysis of the July 2025 SWC Research Brief "The P/E Ratio for Bitcoin Treasury Companies: P/BYD," tested against the May 2026 tape.

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Contents

Executive summary

In July 2025, The Smarter Web Company PLC ("SWC") published a twelve-page research brief titled "The P/E Ratio for Bitcoin Treasury Companies: P/BYD." The paper was authored by Jesse Myers, the company's Head of Bitcoin Strategy; published by SWC; and sourced, for every figure concerning SWC itself, to "SWC." It valued its own author's employer at a 5.58x multiple of net asset value and told investors they would earn back that premium in approximately 32 days of continued yield delivery.

On 31 May 2026 – 319 days later, ten times past the paper's own payback threshold – SWC's fully diluted mNAV stood at approximately 0.72x. The share price was £0.308, down approximately 94% from peak. The Bitcoin treasury, accumulated precisely as the paper envisaged (2,878 BTC, from roughly 1,600 at publication), carried approximately £76 million of unrealised loss against £157 million of net asset value. The BTC Yield was not merely delivered as advertised; it accelerated. The company reported a Quarter-to-Date BTC Yield of 15.79% as at 29 May 2026, rising monotonically through the quarter. The shareholders who acted on the thesis lost the majority of their capital regardless — not despite the yield, but alongside it.

The P/BYD model did not fail because SWC executed poorly; it failed because the model cannot function in any environment where mNAV compresses – which is the normal state of closed-end Bitcoin vehicles.

This white paper identifies seventeen structural faults in the P/BYD framework. The framework is not a valuation methodology. It is a promotional instrument – a formula engineered to rationalise a premium its author was paid to defend. The faults group into seven categories: authorship and framing (Faults 1-3), formal mathematical construction (Faults 4-7), material omissions (Faults 8–11), regulatory framing (Faults 12–14), a dispositive accounting fault (Fault 15) which renders the entire apparatus unworkable under UK GAAP, a leverage fault (Fault 16) in which the company, having lost the premium the framework required, now funds continued accumulation with secured debt, and a foundational fault (Fault 17): that what is described as Bitcoin treasury management is not treasury management at all, but an undiversified, unhedged, single-asset directional bet. They are not of equal weight, and they are labelled in the text accordingly. Three are dispositive on their own and are marked FATAL — the circular construction (Fault 4), the silent assumption of a constant premium (Fault 6), and the UK GAAP incompatibility (Fault 15). The rest are marked STRUCTURAL or SUPPORTING. Fault 17 stands outside that scale and is marked FOUNDATIONAL: it is not a defect within the framework but a challenge to the category the framework claims to occupy, and it underlies the others rather than ranking among them.

The paper's publication under an FPO Article 19 professional-investor exemption, followed by proliferation of its methodology across retail-accessible social media, raises a

further regulatory question which sits beyond the scope of this paper but is flagged for the attention of those with jurisdiction.

Disclosure. Paul Faulkner holds Bitcoin personally. The Rogue Protocol holds no position, long or short, in The Smarter Web Company PLC, Strategy Inc., Metaplanet Inc., or any related security or derivative referencing them, has no economic interest in any change in their share prices, and has received no compensation from any party in connection with this analysis. No commercial relationship exists with any party named herein.

Methodology summary

All figures in this paper are derived from publicly available primary sources: SWC's RNS announcements, AQUIS/LSE mid-quotes, SWC's own dashboard disclosures, and daily Bitcoin OHLC data converted from USD to GBP using contemporaneous spot FX. Fully diluted share counts are taken from SWC's published materials and applied consistently across all calculations. Bitcoin-per-share, mNAV, BTC Yield, and related metrics have been reconstructed directly from these inputs. No assumptions beyond the company's own disclosures have been introduced.

This report is published. The Smarter Web Company PLC has, on the public record, a consistent practice of amplifying favourable commentary and declining to engage with analytical or journalistic scrutiny; a documented instance of a deleted critical response appears in our related work. We therefore make no claim to have solicited a reply that the company's conduct gives no reason to expect. Should the company wish to respond on the substance, any response will be reproduced in full and without editorial amendment.

Introduction

On 16 July 2025, The Smarter Web Company PLC published a twelve-page research brief under the title "The P/E Ratio for Bitcoin Treasury Companies: P/BYD." The document was structured as a research product – executive sections, formal mathematical notation, three worked company examples, appended disclosures – and its rhetorical purpose was explicit: to persuade investors that the large premium being ascribed to Bitcoin treasury companies over the net asset value of their Bitcoin reserves could be justified by a standardised, comparable metric.

The paper's central claim was arithmetical. If one knew (a) the multiple of net asset value at which a company's shares traded ("mNAV"), and (b) the rate at which the company was growing Bitcoin-per-share ("Bitcoin Yield Delivered" or "BYD"), then one could calculate the number of years ("y") it would take for the premium paid on the shares to be recovered through treasury accretion. The formula offered was presented as the Bitcoin-treasury equivalent of the price-to-earnings ratio that anchors traditional equity valuation:

$$y = \log(\text{mNAV}) / [\, n \cdot \log(1 + \text{BYD}/n) \,]$$

Applied to SWC on 16 July 2025, the formula produced a P/BYD of 0.09 years – approximately 32 days. Applied to Apple, the comparator presented, the P/E ratio produced 33 years. The paper's conclusion followed plainly: "well-run Bitcoin treasury companies" were "the most undervalued public equities in the world."

The paper's May 2026 afterlife tells a different story. SWC's ordinary shares have fallen from approximately £4.95 at peak to £0.308 – a decline of approximately 94%. The fully diluted mNAV has collapsed from 5.58x to approximately 0.72x. The company's treasury holdings, acquired at an average cost of approximately £80,950 per Bitcoin, carry an unrealised loss of approximately £76 million against a £157 million net asset value. Shareholders who paid the premium did not earn it back in 32 days, 32 weeks, or 319 days. They lost the great majority of their capital while the company delivered the very BTC Yield the paper promised — and, in the most recent quarter, accelerated it.

This analysis is not a critique of outcomes. Outcomes alone are not evidence of methodological failure – investors lose money in sound strategies all the time. What follows is an examination of the methodology itself: why the P/BYD framework was, on its own terms and by its own construction, incapable of supporting the conclusions it advanced, and why the shareholders who acted on it were positioned to lose capital even in the scenario in which the company executed its accumulation strategy flawlessly – which, to be clear, is what occurred.

Seventeen faults are identified. The fifteenth – a jurisdictional accounting fault that voids the entire framework under UK GAAP – is the most severe and the least remarked upon.

It is treated last among the analytical faults for architectural reasons, not because it is peripheral. It is, in our assessment, the single observation that most distinguishes a professional forensic reading of this document from the commentary that has accompanied its circulation to date. Two further faults are added in this edition. The sixteenth is not a flaw in the framework's construction but in its afterlife: with the premium gone, the company has begun funding continued Bitcoin accumulation through a secured credit facility, drawing the engine of accretion in reverse, as its own April and May 2026 announcements record. The seventeenth is more fundamental still — that the activity the framework exists to flatter is not treasury management in any recognised sense, but a single-asset directional position held without diversification, hedging, or liability matching.

What this paper is not

This paper is not a commentary on SWC's operational execution, nor a critique of outcomes driven by market conditions. Bitcoin treasury companies can execute their stated strategy flawlessly and still destroy shareholder value if the valuation framework underpinning that strategy is structurally unsound. The analysis that follows is therefore not an assessment of management decisions, trading performance, or treasury timing. It is an examination of the P/BYD model itself: its construction, its assumptions, its omissions, and the consequences that follow from its use, irrespective of market direction or company behaviour.

Anticipated rebuttals

“Bitcoin went down.”

The structural faults identified in this paper do not depend on Bitcoin’s price direction. The Financial Times Alphaville critique reached the same conclusion on the day of publication, before any deterioration in SWC’s share price or mNAV. The model fails when premiums compress – a normal feature of closed-end Bitcoin vehicles.

“Execution was fine; the market moved.”

The model fails even when executed flawlessly. SWC delivered BTC Yield, increased BTC-per-share, and expanded its treasury exactly as the paper envisaged. Shareholders still lost the majority of their capital.

“BTC-per-share went up.”

BTC-per-share is not a return metric. It is one of three inputs into shareholder return, alongside mNAV and the Bitcoin price. The P/BYD paper selects the only input that cannot decline.

“Premiums will return.”

Closed-end Bitcoin vehicles historically trade at discounts, not premiums. GBTC traded at a discount approaching –48% in 2022. Premium persistence is the exception, not the rule.

“This is hindsight.”

The FT Alphaville column described the P/BYD paper as “an exciting new way to rationalise nonsense” on the day it was released. The flaws were visible immediately.

Part I

Faults of authorship and framing

Fault 1. [SUPPORTING] *Authorship conflict*

The byline reads: “By Jesse Myers, Bitcoin Strategy, The Smarter Web Company PLC.” The publisher is The Smarter Web Company PLC. The source footnote for every figure presented in respect of SWC reads: “SWC.”

This is a closed citation loop. The Company’s own Head of Bitcoin Strategy publishes under the Company’s imprint, values the Company at a 5.58x premium, and cites the Company’s own dashboard as sole source for every figure concerning the Company. In the regulated sell-side research context, a document of this authorial structure would attract the full disclosure regime of COBS 12.2 (Investment research: conflicts of interest) and, where applicable to EU-facing distribution, MiFID II Article 20 – producing in practice several pages of declared conflicts, explicit investment recommendation disclosures, and prominent cover-page warnings. Here, the disclosure consists of three pages of FPO-exemption language and Bitcoin risk warnings at the back of the document. The authorship conflict itself is not disclosed at all.

The reader is asked to accept a proposition – that their prospective counterparty is undervalued by roughly two orders of magnitude relative to the comparator set – on the word of an employee of the counterparty, publishing under the counterparty’s letterhead. The structural question this poses is not whether Jesse Myers believed what he wrote; we assume he did. The question is whether a document constructed in this way can plausibly function as research rather than advocacy.

It cannot. Research methodology, to be credible, must be separable from the commercial interest of its subject. The P/BYD paper is not. It is advocacy produced by the interested party and marketed as analysis. The distinction matters particularly because the document has been circulated, in summary and secondary form, well beyond the professional-investor audience to which its own disclosure directs it – a matter to which we return at Fault 12.

The conflict has since deepened. On 28 April 2026 SWC announced grants under a Long-Term Incentive Plan in which Jesse Myers — the author of the P/BYD paper — received a conditional award of 0.12% of issued share capital per performance milestone, the same top tier as the Chief Executive. The author of the valuation framework is not merely an employee of the company he valued; he is now among its most highly incentivised insiders, holding awards whose value is contingent on the very share-price and market-capitalisation milestones the framework was constructed to make appear attainable. A document that values its author’s employer cannot acquire independence

after the fact; but the LTIP confirms, in the company's own disclosure, that the alignment between the author and the valuation runs to the share register itself.

Fault 2. [STRUCTURAL] *The category error*

The paper's central rhetorical move is equation. P/BYD is offered as the "Bitcoin treasury company equivalent" of a P/E ratio. The analogy is stated repeatedly and it is the bridge by which the whole comparative argument is carried. If P/BYD stands to BYD as P/E stands to E, then a low P/BYD number is plainly attractive relative to a high P/E number, and the conclusion follows.

The analogy is false at the ontological level.

Earnings – the E in P/E – represent value created through operations. They are the residue of revenue net of costs, generated from external customers paying for goods and services, audited into the financial statements, and accruing to the enterprise as a whole. They are the output of real economic activity.

BYD – Bitcoin Yield Delivered – is not earnings. It is the bookkeeping consequence of selling equity at a premium to net asset value and using the proceeds to buy a bearer asset. The "yield" does not come from operations. It comes from the incoming shareholder, who paid more than one unit of Bitcoin's worth to acquire one unit of Bitcoin's worth, and who thereby transferred the differential to the existing shareholders as additional Bitcoin-per-share.

BYD is not, in other words, value created. It is value transferred. The balance sheet of the combined shareholder base is not augmented by the transaction; it is redistributed. Accretive dilution is a wealth reallocation between incoming and existing holders. It is not, on any coherent reading, a value-creation mechanism comparable to operational revenue generation in a going concern.

Once this distinction is established, the P/E ≠ P/BYD equivalence collapses. A company earning £1 of profit per share each year is, ceteris paribus, £1 per share richer at the end of the year than it was at the start. A company delivering 20% BYD is not richer in aggregate. Its individual shareholders – the ones who held the stock before the issuance – hold a slightly larger slice of a slightly larger Bitcoin pile, subsidised by the incoming shareholders who overpaid. The wealth transferred into their pockets is the precise wealth transferred out of the new buyers' pockets.

P/BYD, therefore, is not a valuation ratio. It is a schedule for the rate at which an existing shareholder's stake will be topped up by the next cohort of entrants, conditional on that cohort continuing to pay a premium. It describes the velocity of a continuous-issuance redistribution, not the economics of a going concern.

Fault 3. [STRUCTURAL] *The comparator non-sequitur*

Having established (falsely) that P/BYD and P/E measure comparable quantities, the paper presents a table of the world's largest companies by market capitalisation – NVIDIA, Microsoft, Apple, Amazon, Alphabet, Meta – with their P/E ratios ranging from 20 to 53. The implied comparison is drawn: SWC at a P/BYD of 0.09 is 200x to 500x "cheaper" than Apple, Microsoft, NVIDIA.

The comparison is structurally non-comparable.

NVIDIA earns its E from millions of GPU units sold to enterprise customers in competitive markets against audited cost bases. Apple earns its E from a global product and services ecosystem spanning hundreds of millions of paying customers. Microsoft earns its E from software licensing, cloud infrastructure, and enterprise subscriptions. These E-figures are the output of revenue recognition against verified cost structures, audited by Big Four firms, regulated by the SEC, reviewed by quarterly analyst coverage, and filed under stringent reporting obligations.

SWC's BYD is generated by selling SWC shares at a premium to the Bitcoin they back, and using the proceeds to buy Bitcoin. It is not the output of revenue-generating operations. The SWC prospectus confirms that operating revenue from the Smarter Web Operations subsidiary was £203,669 for the year ended 31 December 2024 – approximately 0.09% of the £223 million deployed into Bitcoin.

The comparator set juxtaposes genuine earnings engines against a mechanical arbitrage on share-price premium. The two quantities are not measured on the same axis: operational earnings and premium-funded accretion are not commensurable numerators. Presenting them in a ranked table invites the reader to treat them as directly comparable when they are categorically not.

This is not analytical sleight of hand. It is the central marketing move of the paper. Strip the comparator table and the document's remaining argument is that paying a 5.58x premium for £1 of Bitcoin is worthwhile because the premium will be recovered through future accretion. Stated in those bare terms, the claim is not obviously attractive; it sounds precisely as circular as it is. The comparator table exists to obscure the circularity by manufacturing a reference class against which the circular mathematics looks favourable.

A contemporaneous independent critique reached the same conclusion. On the day of publication, the *Financial Times* Alphaville column described the P/BYD paper as "an exciting new way to rationalise nonsense," highlighting that the framework departed from every recognised valuation principle and relied on circular logic disguised as innovation. The FT's assessment – published before any deterioration in SWC's share price or mNAV – underscores that the methodological flaws were structural, not the product of subsequent market conditions.

The FT's critique focused on the same structural defects identified in this paper: the misuse of traditional valuation analogies, the reliance on premium-funded accretion, and the presentation of circular mathematics as investor insight.

Part II

Faults of formal mathematical construction

Fault 4. [FATAL] *Circular valuation*

The P/BYD formula takes mNAV as its numerator and BYD as its denominator input. These are presented as independent variables. They are not.

BYD is, by the paper's own account, produced through "accretive dilution" – the issuance of new equity at a premium to NAV, with the proceeds deployed into Bitcoin. The rate at which accretion can be generated is therefore a direct function of the premium available at issuance. A company trading at mNAV 1.0x cannot generate BYD through issuance at all: issuing shares at book value and buying Bitcoin with the proceeds is NAV-neutral before fees, and NAV-dilutive after them. A company trading at mNAV 5.0x, by contrast, can extract approximately 80% of the proceeds of any equity issuance as pure accretion to existing holders.

Formally, for a single equity issuance the per-period Bitcoin Yield Delivered approximates BYD ≈ (mNAV − 1) × (ΔShares / Shares), where ΔShares / Shares is the proportional dilution. The (mNAV − 1) term is not incidental: it is the whole of the effect. At mNAV = 1 the term is zero and no yield is produced by issuance for any dilution level: the yield rises monotonically with the premium. Substituting this back into the P/BYD formula y = log(mNAV) / [n · log(1 + BYD)] places mNAV in both the numerator and, through BYD, the denominator. The formula therefore divides a function of mNAV by a function of mNAV. Its output is not an independent measure of value against which the premium can be judged: it is the premium, re-expressed. BYD is not independent of mNAV. It is a function of mNAV, and the circularity is exact rather than rhetorical.

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y = log(mNAV) / [ n · log(1 + BYD) ]

but BYD ≈ (mNAV - 1) × k,    where k = ΔShares / Shares

∴ y ≈ log(mNAV) / [ n · log(1 + (mNAV - 1)·k) ]
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Substituted back into the formula, the output y is therefore derived by dividing a function of mNAV by a function of mNAV. The higher mNAV rises, the higher BYD mechanically rises with it, and the formula returns a "payback period" that remains low irrespective of the absolute level of mNAV. An mNAV of 5x produces fast BYD and a low payback figure.

An mNAV of 20x would produce faster BYD and an equally low payback figure. An mNAV of 100x would produce faster BYD still. The formula is mathematically insensitive to overvaluation – by design.

This is not a valuation framework. A valuation framework must contain, within its own structure, the capacity to identify when an asset has become expensive. P/E does this through the simple mechanism of an earnings denominator that does not scale with market capitalisation. P/BYD does not, because BYD scales with mNAV. Any mNAV can be justified if one assumes sufficient BYD, and sufficient BYD is exactly what any mNAV produces.

The formula is a perpetual motion machine expressed in logarithmic notation.

The circular structure has an operational corollary. The model requires, at every step, a continuous supply of incoming shareholders willing to pay the premium that funds the accretion to existing shareholders. The moment that supply ceases – for any reason, cyclical or structural – the engine stalls. Issuance at or below NAV becomes dilutive rather than accretive, and BYD can turn negative outright, as it briefly did in SWC's Q1 2026 at −0.29%. But the more instructive case is the one the company is now living. By the second quarter of 2026, SWC had resumed delivering BYD at pace — a Quarter-to-Date figure of 15.79% as at 29 May 2026 — while its shares traded at roughly 0.72x NAV and its holders sat on a loss of approximately 94% from peak. Positive, rising BYD and catastrophic shareholder loss are occurring simultaneously. This is the operational meaning of the circular mathematics, stated in plain English: the formula describes a mechanism that cannot distinguish between sustainable value creation and the arrival schedule of the next marginal buyer. In a rising market the two are indistinguishable. In a falling market they are opposites — and the yield metric keeps printing a positive number throughout, indifferent to which regime the shareholder is actually in.

Fault 5. [STRUCTURAL] *Unjustified extrapolation of a transient rate*

Applied to SWC in the paper's worked example, the P/BYD formula is fed a 30-day BYD figure of 419%. This is annualised via the n parameter to produce a payback period of 0.09 years.

A 30-day BYD of 419% implies a BTC-per-share growth factor of 5.19 over every 30-day period. Compounded over twelve such periods – one year – the implied cumulative growth factor is approximately 382 million. Over twenty-four periods it is approximately 1.5×10^{17}; over thirty-six, approximately 5.6×10^{25}. To be precise about where the fault lies: the formula is a mathematical expression and will return whatever its inputs imply, absurd or not. The fault is not in the mathematics; it is in the paper's selection of the input. The paper chooses the 30-day window — the shortest, most flattering, least representative period available — presents the resulting 32-day "payback" figure prominently, and relegates to a footnote its own concession that longer periods are likely

to be more representative. The fault of Fault 5 is therefore one of application, not of algebra: a transient, capital-deployment-driven rate was selected and projected forward as though it were structural, when the paper's own caveat shows its author knew better.

This is not a subtle point. It is the difference between a projection and an extrapolation. A projection takes a rate of change and applies it to a forward horizon with stated assumptions about the conditions under which the rate can continue. An extrapolation takes a rate of change and asserts, by silence, that it continues indefinitely. The 30-day BYD of 419% was generated during a specific phase of SWC's life: the company had a minimal Bitcoin base at the start of the period, and a significant equity raise closed during it. One inch of a hockey stick.

By January 2026 the quarterly BYD figure was 1.79%. By Q1 2026 it was −0.29% – negative. By the second quarter of 2026 the Quarter-to-Date figure had recovered to 15.79% (as at 29 May 2026) — but, as Fault 16 sets out, that recovery was funded in part by drawing on a secured credit facility rather than by premium-funded issuance, which is a materially different and more fragile source of accretion. The formula's insensitivity to the transient nature of its input rate — and to the means by which that rate is produced — is not a rounding error. It is the core misrepresentation. A metric that cannot distinguish between sustainable compounding, a single-period capital raise, and debt-funded buying is not measuring what it claims to measure.

The paper's caveat on this point – that "longer periods are likely to be more representative" – is drafted in a form that looks like methodological humility but functions as an escape hatch. The paper then proceeds to use 30-day and 7-day figures anyway, because those produce the numbers that serve the argument.

Fault 6. [FATAL] *mNAV held silently constant*

The formula solves for the number of years required for a company's Bitcoin-per-share to grow, through BYD, by a factor equal to the current mNAV. Its implicit assumption – nowhere stated, never flagged – is that the investor exits at the same mNAV at which they entered.

This assumption does all of the work.

Consider an investor who entered SWC in July 2025 at mNAV 5.58x. The formula tells them they will earn back that premium in 32 days, after which "anything after that is Bitcoin gained." This framing is true only if, at the point of exit, the investor can still sell their shares at approximately 5.58x NAV. If mNAV has compressed – if the market no longer ascribes the same premium – the exit price is the compressed mNAV multiplied by the new (slightly higher) BTC-per-share.

The worked arithmetic is the following. Entry: mNAV 5.58x, BTC-per-share 1 unit. After 32 days at 419% monthly BYD: BTC-per-share 1.36 units. If exit mNAV is 5.58x, exit value is 7.59

units of NAV. If exit mNAV is 1.0x, exit value is 1.36 units of NAV. The investor paid 5.58 units of NAV at entry. Result: −76% return on capital, in NAV terms, despite the BYD having been delivered precisely as advertised.

This is the exact outcome the SWC shareholder has experienced. The BYD has compounded as the paper projected. The mNAV has compressed. The investor has lost capital.

This is not a company-specific failure mode; it is the inevitable outcome of any model whose payoff requires permanent premium.

A formula that denominates its return in Bitcoin-per-share, and then silently requires its user to exit at the entry mNAV for that return to translate into fiat, is not solving the problem the user thinks it is solving. It is solving a stylised problem in which premium is permanent – a problem that does not exist in any functioning capital market.

Fault 7. [STRUCTURAL] *The wrong payoff anchor*

Relatedly: the formula denominates the shareholder's return in BTC-per-share. That is not the currency in which UK public-market shareholders subscribe, hold, or redeem.

Shareholders subscribe in pounds sterling. They receive shares. They hold the shares. They sell them at market. The cash they receive on exit is a function of the number of shares they hold multiplied by the market price of those shares. The market price of those shares is a function of mNAV multiplied by NAV per share. NAV per share is a function of Bitcoin treasury value divided by share count.

BTC-per-share is therefore one of three inputs into the shareholder's realised return, alongside mNAV and the Bitcoin price. The paper selects the one input among these three that is, by construction, incapable of declining: BTC-per-share can only grow under accretive dilution. It ignores the two inputs that are volatile: mNAV and Bitcoin price.

This is not analytical neutrality. It is selection of the metric on which the strategy cannot be seen to fail. Measured by BTC-per-share, the SWC strategy has succeeded: from roughly 200 sats-per-share at listing to approximately 788 sats-per-share by late May 2026. Measured by total shareholder return in pounds, the strategy has destroyed approximately 94% of peak equity value. The paper offers investors the former number. Investors live the latter.

A framework that denominates its output in a unit of account the recipient cannot use is a framework engineered to flatter the outcome it measures.

Part III

Faults of material omission

Fault 8. [STRUCTURAL] *Capital structure silence*

The paper names, in passing, the range of instruments by which a Bitcoin treasury company might fund accretion: “new equity issuance,” “convertible debt, ordinary debt, or preferred equities.” Each is mentioned as a “capital market tool” to “effect the same result of increasing Bitcoin Per Share.”

The paper then says nothing further. No analysis of conversion prices. No maturity ladder. No discussion of the asymmetric risk profile of convertibles – priced on the upside as equity, redeemed on the downside as debt. No treatment of what happens to BYD when convertibles break through their equity strike in a drawdown and the debt claim crystallises.

The fault is contemporaneous: as at July 2025 the paper omitted any analysis of convertible, debt, or preferred structures as a class, despite naming them in passing. Subsequent disclosure has shown why that omission mattered. The company now labels a subset of its Bitcoin holdings as “Smarter Convert BTC”, a category explicitly distinct from the unencumbered treasury — confirmation that a portion of the holdings is pledged or contingent against convertible-structured capital, exactly the class of instrument the framework declined to examine. A metric that purports to measure the years to recover a premium cannot be silent on whether the underlying Bitcoin is encumbered, on whether accretion rates are gross or net of the conversion option’s value, or on what happens to the “payback” calculation if the converts convert. The framework is equally silent on the secured term debt the company has since added — the subject of Fault 16.

More significantly, the paper is silent on the scenario in which mNAV compresses below 1.0x. At that point the engine of accretive dilution reverses. Issuing shares at a discount to NAV and buying Bitcoin becomes NAV-dilutive per share rather than accretive. Convertibles struck out-of-the-money become pure debt. The company’s capacity to service that debt depends on its Bitcoin reserves, which it must then liquidate into the same market that has already rejected its equity.

This scenario is not theoretical. It is the textbook pattern of every closed-end Bitcoin vehicle that has preceded SWC. Grayscale’s GBTC, before conversion to an ETF, traded at a discount to NAV approaching −48% at points in 2022. The paper mentions none of this. A document purporting to standardise Bitcoin-treasury valuation ought to contain at least a sensitivity analysis on what happens to its

framework when its core assumption (premium to NAV) is violated. It contains none.

Fault 9. [SUPPORTING] *Survivorship cherry-pick*

The paper presents three worked examples: Strategy, Metaplanet, Smarter Web. The selection is offered without explanation, but its structure is clear: these are the three best-performing Bitcoin treasury vehicles at the date of writing.

There is no discussion of comparable vehicles that have not performed. There is no discussion of the GBTC discount history. There is no discussion of Voyager Digital, Celsius Network, or any of the corporate vehicles that accumulated Bitcoin and then collapsed. There is no mention of closed-end fund history as a reference class more broadly, in which the empirical regularity is discount-to-NAV rather than premium-to-NAV.

"Metaplanet was the best performing public equity in the world in 2024," the paper notes, offering this as evidence of the methodology's power rather than as a caution about the base rate from which the observation is drawn. A sample of three winners, selected ex post, is not a distribution. It is a highlight reel.

The quiet implication of the framework – that any well-run Bitcoin treasury company can replicate these outcomes – is a proposition about a universe of companies, not three. The paper offers no evidence about that universe. Its worked examples are evidence only that it is possible to construct companies with the characteristics Myers describes. Whether the market will persistently reward those characteristics, and whether the rewarded companies will persistently deliver the BYD they advertise, are empirical questions the paper does not address.

By May 2026, one of the paper's three own examples had seen its mNAV compress by approximately 87% and its share price by approximately 94%. The empirical question has, in at least one case, been answered.

Fault 10. [SUPPORTING] *Days to Cover misrepresentation*

Early in the paper, P/BYD is contrasted favourably with an earlier metric called "Days to Cover": the number of days over which a company's historical BTC-per-share growth, projected forward at current mNAV, would need to continue in order for accretion to offset the premium.

The paper describes P/BYD as differing from Days to Cover in two respects: it "returns a number in years" rather than days, and it "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 two are not, in fact, the same object. Days to Cover is purely backward-looking: it integrates a company's realised history until enough accumulation has occurred to cover the premium. P/BYD does something different and more dangerous — it takes a single recent period of the analyst's choosing and projects that rate forward indefinitely. The paper presents this added freedom as a refinement. It is not a refinement; it is an unconstrained and unguided knob. Nothing in the framework specifies how the sample period must be chosen, and the worked example duly selects the 30-day window that produces the most flattering result. A metric whose headline output can be moved by an order of magnitude purely by the analyst's choice of lookback — with no stated rule governing that choice — is not a valuation discipline. It is a dial calibrated to a predetermined conclusion.

For SWC, the paper elects a 30-day window – the window that captures the company's largest capital raise and produces the most favourable BYD figure. It then notes that "the most recent seven days of BTC Yield, that's 60%," producing an even lower P/BYD figure. The paper does not use a one-year window because it would dilute the recency effect. It does not use a two-year window because SWC had not existed for two years.

A metric that permits the analyst to choose the lookback window that best supports the conclusion is not a forward-looking metric. It is a backward-looking metric with a cosmetic option for the analyst. The paper's marketing of P/BYD as "forward-looking" is inversion. Forward-looking metrics make assumptions about future rates explicit and defensible. Backward-looking metrics take recent data and project it forward. P/BYD does the latter and brands it as the former.

Fault 11. [STRUCTURAL] *The accretive-dilution diagram*

Page 4 of the paper contains the single most revealing figure in the document: a bar-chart illustration of accretive dilution. It depicts a company with £100m NAV and £500m market cap (mNAV 5.0x), issuing £50m of new equity, using the proceeds to buy £50m of Bitcoin, and emerging with £150m NAV, £550m market cap, and mNAV 3.7x. The annotated outcomes are: "Dilution: 10%. NAV growth: 50%. Bitcoin per share: +36%."

The diagram is presented as a demonstration of value creation. It is, in fact, a documented wealth transfer.

Consider the incoming shareholders. They paid £50m for shares that, at the point of issuance, are backed by approximately £9m of newly-contributed NAV (their £50m divided across a now-larger share count, at 10% of the new capital base). At the moment they complete the transaction, their stake is worth approximately 18% of what they paid. They have contributed £50m of capital into a pool that recognises £9m of it as theirs. The remaining £41m has been distributed to the pre-existing shareholders in the form of the "Bitcoin per share: +36%" uplift the diagram celebrates.

The "Bitcoin per share: +36%" is, in cash terms, the £41m wealth transfer from new shareholders to old. The diagram frames this transfer as value creation by the company. It

is not. The company is a neutral conduit. Aggregate wealth across the entire shareholder base is unchanged by the transaction; only its distribution has shifted.

This is the precise rhetorical move the paper is built to obscure. An honest version of the diagram would include a fourth column showing new-shareholder impact: −approximately 82% on invested capital at the moment of purchase, measured per unit of NAV. That column is not included. Its absence is not an oversight. It is the diagram's purpose.

Part IV

Faults of regulatory framing

Fault 12. [SUPPORTING] *Disclosure arbitrage*

Page 10 of the paper carries the General Important Information disclosure. The distribution of the document, it states, "is provided only for and is directed only at persons in the UK which the Issuer reasonably believes to be of a kind to whom such promotions may be communicated by an unauthorised person pursuant to an exemption under the FSMA (Financial Promotion) Order 2005 (the 'FPO'). Such persons include but are not limited to persons who have professional experience in matters relating to investments and who are investment professionals as specified under article 19 of the FPO."

This is the standard "professional investor" exemption permitting an unregulated communication to be made without FCA-regulated financial-promotion approval, provided the communication is directed only to the defined audience.

The paper's methodology, conclusions, and talking points did not remain within that defined audience. They were reproduced across LinkedIn, X (formerly Twitter), crypto media, and financial podcasts – formats routinely accessed by retail investors who do not qualify for the Article 19 exemption. The "p-bid" pronunciation note in the paper suggests the methodology was designed for spoken dissemination in exactly these fora.

The result is a disclosure arbitrage: the paper is drafted for professional-only distribution while its contents are optimised for mass proliferation. The regulatory shield attaches to the PDF. The ideas travel without the shield.

We make no legal submission about whether this architecture constitutes a breach of the FCA's financial promotion regime. We note only that it is consistent with a document designed to move from its disclosure-bounded origin into broader circulation, and that the architecture is a recurring feature of the UK Bitcoin treasury promotional ecosystem rather than an isolated choice.

Fault 13. [SUPPORTING] *AQSE / LSE misrepresentation*

The same disclosure page contains a more specific misstatement. The paper records that "the shares in the Issuer are admitted to treading [sic] on Aquis Growth Market of the London Stock Exchange."

There is no "Aquis Growth Market of the London Stock Exchange." Aquis Growth Market is operated by Aquis Stock Exchange plc, a Recognised Investment Exchange regulated by the FCA and distinct from the London Stock Exchange plc. AQSE and the LSE are

competitors. They are not the same venue, they are not affiliated, and shares listed on one are not listed on the other.

The drafting conflates them. For a retail reader, the effect is to imply a London Stock Exchange listing – a Main Market or AIM quotation – where none exists at the time of the paper. For a document whose entire thesis rests on parity between SWC and the most valuable companies listed on the world's major exchanges (NVIDIA, Microsoft, Apple, Amazon, Alphabet, Meta), the venue misstatement is materially relevant to every institutional reader's liquidity, regulatory, and governance assessment of the security.

Fault 14. [SUPPORTING] *The proxy-disclaimer contradiction*

Page 11 contains the Important Information: Bitcoin Treasury disclosure. It states: "At the outset, it is important to note that an investment in the Company is not an investment in Bitcoin, either directly or by proxy."

This language is boilerplate risk-disclaimer verbiage intended to insulate the issuer from the regulatory implications of characterising SWC shares as a Bitcoin proxy. It is legally protective drafting.

It is also a flat contradiction of the preceding nine pages. The paper's entire analytical framework values SWC as a Bitcoin treasury vehicle, with BTC-per-share as the unit of account, mNAV as the multiple applied to that Bitcoin, and BYD as the mechanism by which additional Bitcoin accrues to shareholders. The document spends its substantive pages arguing that SWC should be valued as a Bitcoin-accumulation machine and its disclosure pages asserting that it is not a Bitcoin proxy.

Both statements cannot be true. The paper is either research into a Bitcoin proxy, in which case the disclaimer is false; or it is research into a company that is not a Bitcoin proxy, in which case the framework and the comparator set are both inapplicable. The document wants the rhetorical benefit of the former and the regulatory protection of the latter. It cannot have both.

Part V

The accounting fault

Fault 15. [FATAL] *FRS 102 / IAS 38 jurisdiction asymmetry*

The fourteen preceding faults describe flaws in a valuation framework. The fifteenth describes a flaw in the premise that any such framework can operate at all under the accounting regime governing the company it is applied to. This is the most severe fault in the paper, and the one that has been most consistently overlooked in the broader UK Bitcoin treasury discourse.

The entire Bitcoin treasury premium phenomenon, as observed in the United States, was constructed in a specific accounting context. The FASB's Accounting Standards Update 2023-08 (Accounting for Crypto Assets), effective for fiscal years beginning after 15 December 2024, permits – and for most in-scope entities requires – measurement of crypto assets at fair value, with remeasurement gains and losses reflected in net income. Strategy Inc. reports under this regime. Every claim Strategy makes about "Bitcoin earnings," every P&L line item denominated in realised or unrealised Bitcoin gains, every quarterly conference-call talking point about treasury performance – descends from it.

SWC does not report under this regime. SWC, as a UK public company, reports under either FRS 102 or IFRS. In either framework, Bitcoin is classified as an intangible asset. Under IFRS, the governing standard is IAS 38. Under FRS 102, the governing section is Section 18. Both produce substantially the same treatment.

Under the cost model – the default, and the model UK auditors typically require in the absence of an active market meeting the revaluation criteria – Bitcoin is carried at cost less accumulated impairment losses. Impairment losses recognised when market value falls below cost are booked through profit and loss. Crucially, these impairments are not reversible under the cost model where the asset is classified as an intangible: a subsequent price recovery does not produce a recovery gain in P&L.

Under the revaluation model – where available, and subject to the active-market test – revaluation gains flow through Other Comprehensive Income into a revaluation surplus in equity. They do not hit profit and loss. Revaluation losses beyond any existing surplus on the same asset do hit P&L.

The accounting consequences for the P/BYD framework are fatal. We address them in turn.

(a) No earnings from BYD

The growth of Bitcoin-per-share is not a realised event. It is a change in the composition of a shareholder's claim, not a recognised profit. Under UK GAAP, BYD does not appear in the income statement. It does not contribute to earnings per share. It does not produce distributable reserves. It is a non-GAAP metric with no corresponding audited counterpart.

(b) Asymmetric impairments

A Bitcoin drawdown of material size triggers impairment charges that either cannot be reversed (cost model) or flow through P&L once the revaluation surplus is eaten through (revaluation model). Against SWC's May 2026 position – £157m NAV, £76m of unrealised loss on treasury – the carrying-value question is live. An impairment charge of this magnitude against a company reporting £203,669 of annual operating revenue is not a rounding issue. It is a structural challenge to going concern.

(c) Distributable reserves constrained

UK public companies are legally permitted to pay dividends only out of distributable reserves – broadly, realised profits not previously distributed or capitalised. Unrealised Bitcoin revaluation surplus, even in jurisdictions where it can be recognised, is not distributable. The SWC prospectus itself confirms the company "has no intention of declaring a dividend in the foreseeable future." There is, accordingly, no dividend pathway by which BYD ever translates into cash in an ordinary shareholder's hand.

(d) No redemption mechanism

Bitcoin is held in third-party custody. It cannot be distributed in specie. The 10-Year Plan, as publicly described, concerns accumulation rather than distribution. The only mechanism by which a shareholder realises BYD is through sale of the shares – into a market in which the price is a function of mNAV, not BTC-per-share. The same mNAV the shareholder is exposed to under Fault 6.

(e) Elevated audit risk

UK auditors applying FRS 102 Section 18 or IAS 38 to a Bitcoin treasury are required to test the active-market assumption, the impairment indicators, the valuation methodology, and the going-concern assessment against a volatile bearer asset with material concentration risk. The audit opinion risk in the UK context – modified opinions, emphasis-of-matter paragraphs, going-concern qualifications – is materially higher than the post-ASU-2023-08 US context in which Strategy operates.

Aggregate effect

The P/BYD framework is solving for a return metric that: (i) is not earnings under UK GAAP; (ii) produces no recognised gain in P&L; (iii) cannot fund distributions; (iv) carries asymmetric downside into audited statements on drawdown; and (v) does not

convert into shareholder cash through any published mechanism other than sale into the secondary market – the very mechanism Fault 6 shows is corrupted by mNAV compression.

The paper imports a post-ASU-2023-08 US accounting reality – in which Bitcoin gains are booked to P&L, "BTC earnings" is a coherent concept, and management can credibly discuss "Bitcoin yield" in an audited context – into a UK regulatory envelope that cannot hold it. Under UK GAAP, BTC Yield is not a yield. It is a bespoke key performance indicator measuring a change in a non-distributable, non-recognised, impairment-asymmetric bookkeeping figure. It is a metric engineered in one accounting jurisdiction and exported into another where the underlying plumbing does not exist.

This fault is not specific to SWC. It is structural to the United Kingdom. Every UK-listed Bitcoin treasury company marketing a BYD or mNAV story to British investors – Stack BTC PLC, the AQSE shells queuing behind it, whichever reverse-takeover vehicle is repositioning next quarter – is selling the same mathematical fiction in different livery. The P/BYD paper is simply the cleanest single artefact of the methodology because Jesse Myers, to his credit, wrote it down. Most will not. Most will tweet the numbers and move on. The faults travel with the formula regardless of who cites it.

Part VI

The leverage fault

Fault 16. [STRUCTURAL] *The leverage inversion*

The first fifteen faults describe a framework that fails on its own terms. The sixteenth describes what a company does once that failure has occurred — and SWC has, since April 2026, begun doing the one thing the P/BYD model has no answer for.

The framework's engine is premium-funded accretion: issue equity above net asset value, convert the proceeds to Bitcoin, and distribute the surplus to existing holders as additional Bitcoin-per-share. As Fault 4 establishes, that engine requires a premium to run. At an mNAV below 1.0x it does not merely slow; it reverses. Issuing shares below NAV and buying Bitcoin is dilutive per share, not accretive. The company has been trading below NAV since late 2025. The premium is gone. The equity-issuance engine, on the framework's own logic, can no longer create the yield the framework measures.

Faced with that, a company with a genuine operating business would retrench to operations. SWC has instead reached for debt. On 24 February 2026 it arranged a Strategic Credit Facility with Coinbase Credit, Inc. Through the spring it drew on that facility to fund warrant repurchases and, from April 2026, to fund Bitcoin purchases directly — the Bitcoin Treasury Policy was formally amended to permit this. The progression is documented in the company's own announcements: total drawings rose from £9.5 million in March to £12.0 million (24 April), £13.5 million (29 April), £15.0 million (5 May), £16.0 million (12 May), £16.5 million (15 May), £17.5 million (21 May), £18.0 million (26 May) and £18.5 million (29 May). The stated leverage ratio climbed from approximately 6.4% to approximately 13.25% over the same window. The facility is secured against the company's existing Bitcoin and carries a variable rate of 6.75% to 7.25%.

This is the leverage inversion, and it is the precise failure mode Fault 8 warned of, now realised. When the premium engine stalls, the company does not stop buying Bitcoin; it borrows to keep buying, pledging the treasury it already holds as collateral for the debt that funds the next purchase. The Quarter-to-Date BTC Yield of 15.79% that the company reported as at 29 May 2026 — the figure that, on the framework's logic, signals value creation — is therefore no longer pure accretion at all. A material portion of it is leverage. The company is manufacturing "yield" by levering a falling asset.

The consequences are asymmetric and they compound the accounting fault of Fault 15. Interest accrues in cash, quarterly, regardless of the Bitcoin price; the "yield" it purchases is an unrealised, non-distributable, impairment-asymmetric movement in an intangible. The company is servicing a hard liability with a soft asset. Should the Bitcoin price fall far

enough against the secured position, the lender's collateral protections engage — and the only asset available to meet a margin or repayment demand is the very Bitcoin the strategy exists to accumulate, sold into the same market that has already priced the equity below the value of that Bitcoin. The engine does not merely stop in that scenario. It runs in reverse, forcibly.

The P/BYD paper named convertible debt, ordinary debt and preferred equity in a single sentence as alternative "capital market tools" to deliver the same BTC Yield. It performed no analysis of any of them, and none of what it might mean for the "payback" arithmetic when the yield is debt-funded rather than premium-funded. The distinction is not cosmetic. Premium-funded accretion transfers wealth from incoming shareholders to existing ones (Fault 2); it adds no liability. Debt-funded accumulation adds a senior, secured, interest-bearing claim that ranks ahead of every shareholder and is indifferent to the Bitcoin price. To present both as undifferentiated routes to "BTC Yield" is to erase the single most important distinction in the company's capital structure.

There is a governance dimension that sharpens the point. On 28 April 2026 the company granted Long-Term Incentive Plan awards whose ten performance milestones begin at a £2.5 billion market capitalisation and a £5.00 share price and rise to £200 billion and £40.00. The shares traded near £0.30 to £0.36 through that period. The awards therefore vest only on a recovery of roughly fourteenfold from the share price prevailing at grant, and far more at the upper tranches. Management's incentive is thus expressly tied to re-inflating the very premium whose collapse this paper documents — and the company has begun borrowing, against its Bitcoin, in pursuit of the accumulation narrative on which any such re-inflation depends. The composition of those awards is examined at Fault 1.

Stated plainly: the framework promised that BTC Yield would deliver shareholder return. The premium that funded that yield has evaporated. Rather than concede the engine has failed, the company has switched fuel — from shareholders' over-payment to lenders' secured credit — and the yield metric, blind to the difference, continues to print a flattering positive number. Fault 16 is the framework's collapse made operational. It is not a risk this paper forecasts. It is a process the company's own April and May 2026 announcements record as already under way.

Two questions follow, and the second matters more than the first. The first is whether the reported BTC Yield is struck gross or net of the facility's interest cost. The company does not say, but the answer can be estimated and it is undramatic: £18.5m drawn at the 7% midpoint is roughly £1.3m of interest a year, about £0.3m a quarter, or of the order of 0.2% of a £157m treasury per quarter. As a drag on the headline 15.79% Quarter-to-Date figure that is immaterial — a gross yield of 15.79% is a net yield of approximately 15.6%. We resolve the question so that it cannot be turned against us: the interest is not a meaningful subtraction from the yield. The danger does not live in the size of the number. It lives in its nature. The 15.79% is an unrealised, non-distributable change in the ratio of an intangible asset to shares; the £1.3m is a hard, senior, cash claim that ranks ahead of

every shareholder and falls due whatever the Bitcoin price does. A framework that reports the former and is silent on the latter is not measuring shareholder return; it is reporting the soft number and ignoring the hard one. The second question — the covenant structure, and the loan-to-value level at which Coinbase may call for collateral or liquidate — the company also leaves undisclosed; we model it below on conventional assumptions rather than leave it unanswered.

In fairness to the company, the immediate collateral risk is not acute at present leverage. On the disclosed figures — £18.5m drawn against roughly 2,878 BTC — the loan-to-value ratio is approximately 12%, and a margin event on a conventionally structured facility would require a fall in the Bitcoin price of the order of 75% to 85% from current levels. The fault is therefore not imminent liquidation. It is direction and principle: the leverage ratio has roughly doubled in two months, from approximately 6.4% to 13.25%, the company has stated its intention to "responsibly increase" it further, and every increment is a senior claim taken on to buy more of a single volatile asset at a price the equity market already values below the Bitcoin it is buying. The following sensitivity sets out, on the current balance, the approximate Bitcoin price at which representative loan-to-value triggers would be reached:

Loan-to-value trigger	Implied BTC (£)	Implied BTC ($)	Fall from current
Current (29 May 2026)	~£54,700	~$73,900	—
50% LTV	~£12,900	~$17,400	−76%
65% LTV	~£9,900	~$13,400	−82%
75% LTV	~£8,600	~$11,600	−84%

The buffer is wide today. The point of the fault is that the company is narrowing it on purpose, in the one direction the framework has no mechanism to stop.

Part VII

The foundational fault

Fault 17. [FOUNDATIONAL] *The treasury that manages nothing*

There is a fault beneath all the others, and the framework depends on the reader never noticing it. The P/BYD paper, the BTC Yield metric, and the "10 Year Plan" all rest on a single unexamined premise: that what The Smarter Web Company practises is treasury management. It is not. It is a single-asset directional position, and calling it treasury borrows a credibility the activity has not earned.

Corporate treasury management is a recognised discipline with a settled content. Its purpose is to preserve capital, ensure liquidity, and manage the financial risks of an operating business: matching the maturity of assets to liabilities, laddering cash across instruments and counterparties, diversifying to limit the damage any single exposure can do, and hedging the residual risks that cannot be diversified away. The defining feature of treasury management is the active, continuous management of risk. Capital preservation is the first objective; return is subordinate to it.

Measured against that standard, SWC's "treasury" is the negation of the discipline whose name it takes. It holds one asset. That asset is among the most volatile traded instruments in the world. There is no diversification — by design; the stated policy is to convert all available capital into Bitcoin. There is no hedging — no options, no collars, no offsetting positions of any kind are disclosed. There is no liability matching — and following Fault 16 there is now a hard, interest-bearing liability set against an asset that produces no cash to service it. There is no liquidity laddering — the holding is a single position in a single asset. The "10 Year Plan" reduces, in operational terms, to two instructions: buy Bitcoin, and do not sell it.

That is not a treasury policy. It is a buy-and-hold directional bet on the price of one asset, financed by issuing equity and, latterly, by borrowing. A directional bet is a legitimate thing for an investor to make with their own capital and open eyes. It becomes a fault when it is presented as something it is not — when the language of treasury management, with its connotations of prudence, diversification, and risk control, is wrapped around an activity that practises none of those things. The word "treasury" is doing exactly the work the comparator table did in Fault 3 and the "yield" label did in Fault 2: importing the credibility of an established concept into a structure that does not satisfy its definition.

This is why the P/BYD framework needs the treasury framing so badly. A metric purporting to measure the "payback" on a treasury operation sounds like risk analysis. The same metric, described accurately — the number of years before a one-way leveraged bet on Bitcoin recovers the premium an investor paid to make it through a listed shell —

sounds like what it is. Strip the word “treasury” and the framework has to defend a single-asset, unhedged, undiversified, now-levered position on its merits. It cannot, which is why the framing is never examined and the discipline’s actual content is never invoked.

The defenders of the structure have a final retreat: that SWC is not a pure holding vehicle but an operating company, with a web-design business that provides revenue, substance, and a floor beneath the Bitcoin position. The retreat does not hold, and it is the company’s own disclosure that closes it. SWC’s annual report names artificial intelligence as a principal competition risk to the web-design business, acknowledging that AI tools are enabling new entrants and threatening the business’s ability to achieve acceptable returns. We make no forecast of the operating business’s trajectory; we have no audited revenue figure beyond the period disclosed, and we do not need one. The point is narrower and the company concedes its premise: the entity whose competitive position management itself flags as AI-threatened is not a floor under a nine-figure Bitcoin position. It is too small to be one, on any disclosed figure, and its own board has identified the direction of travel of the risk.

The arithmetic settles it without any need for a forecast. The operating subsidiary reported revenue of £203,669 for the year ended 31 December 2024; the Bitcoin position is measured in the hundreds of millions — a ratio of roughly a thousand to one. Whether that operating revenue is flat, growing, or declining is immaterial to the question at hand: no plausible trajectory for a business of that scale converts a single-asset, unhedged, now-levered Bitcoin position into a managed treasury. The “operating company” defence of the treasury framing fails on magnitude alone. What the structure amounts to, stripped of the operating-company costume, is the bet — which is the whole of Fault 17.

The fault is foundational because it sits underneath every other one. The circularity of Fault 4, the constant-premium assumption of Fault 6, the accounting incompatibility of Fault 15, the leverage inversion of Fault 16 — each is a symptom of the same underlying substitution: a directional asset bet dressed in the vocabulary of balance-sheet management. Remove the costume and the framework has nothing left to measure but the bet itself.

Summary of the Seventeen Faults

Fault	Category	Description
1	Authorship	Closed citation loop; advocacy presented as research
2	Category error	`BYD ≠ earnings; value transfer misrepresented as value creation`
3	Comparator	Non-comparable P/E analogies used to legitimise premium
4	Circular valuation	BYD is a function of mNAV; formula is self-referential
5	Extrapolation	Transient 30-day BYD treated as permanent compounding
6	Constant mNAV	Requires permanent premium to realise stated returns
7	Wrong anchor	BTC-per-share used instead of shareholder return in fiat
8	Capital structure	Convertibles and encumbrances omitted
9	Survivorship	Only winners selected; no base-rate analysis
10	Days to Cover	Cosmetic rebranding of backward-looking metric
11	Dilution diagram	Wealth transfer misrepresented as value creation
12	Disclosure	Professional-only framing vs retail dissemination
13	AQSE/LSE	Mischaracterisation of listing environment
14	Proxy/disclaimer	Contradictory positioning of research vs promotion
15	Accounting	Framework incompatible with FRS 102 / IAS 38
16	Leverage	Premium-funded engine reversed; accumulation now debt-funded below NAV

17	Treasury	Not treasury management; an undiversified, unhedged, single-asset directional bet

The Empirical Verdict

The preceding seventeen faults are structural: they describe methodological flaws inherent to the P/BYD framework, a leverage fault and a treasury-construction fault in its real-world execution, irrespective of the outcome observed in any particular case. The empirical record nonetheless confirms them.

SWC published the P/BYD paper on 16 July 2025. The paper applied its framework to SWC using a 30-day BYD of 419% and an mNAV of 5.58x, producing a P/BYD of 0.09 years – the claimed "payback" period of approximately 32 days.

On 31 May 2026, 319 days after publication – ten times past the paper's own stated payback threshold – the SWC position was as follows, taken from the company's own Bitcoin Treasury Analytics dashboard:

Metric	31 May 2026	Reference
Bitcoin holdings	2,878 BTC	~1,600 BTC at publication
Fully diluted mNAV	~0.72x	5.58x at publication
SWC share price	£0.308	~£4.95 at peak
Treasury cost	~£233m	avg £80,950 per BTC
Treasury NAV	£157m	–
Unrealised loss	−£76m	–
Q2 2026 BTC Yield (QTD)	+15.79%	delivered — yet −94% TSR
10-day share volatility	110%	annualised

The BYD was delivered, and then some. Bitcoin-per-share grew from approximately 200 sats to roughly 788 sats across the intervening period, and the company reported a Quarter-to-Date BTC Yield of 15.79% in the most recent quarter. The paper's projection of the company's capacity to accumulate Bitcoin was empirically accurate — if anything, conservative. The point of this paper is not that BYD is a meaningless number. The company did increase Bitcoin-per-share, and that is a real thing to have measured. The point is that BYD is insufficient: it captures one of the three inputs to shareholder return and is silent on the two — mNAV and the Bitcoin price — that actually determined the outcome. A metric that is accurate about the variable that did not matter and silent about the variables that did is not a valuation tool. It is a spotlight trained on the one corner of the stage where nothing went wrong.

The shareholders who acted on the framework lost approximately 94% of their invested capital between the peak and the date of this paper, while the Company delivered the BTC Yield the paper projected as the basis of their return — and, in the most recent quarter, delivered it at an accelerating rate. They lost not because the Company failed to execute, but because the framework did not and could not account for the compression of the mNAV premium that was the entire basis of its mathematics. They lost for precisely the reasons enumerated in Faults 4, 5, 6, 7, and 11. The arithmetic that was supposed to

deliver their return assumed a constant over which they had no control, and that constant collapsed under them.

This is the defining empirical test of the framework. The framework has failed it.

Anticipated Rebuttals

And why they do not answer the faults

The faults identified in this paper do not readily lend themselves to mathematical rebuttal. Fault 4 is a formal proof. Faults 5, 6, and 7 are arithmetic consequences of Fault 4. Fault 15 is a statutory reading of UK accounting standards. The predictable set of responses available to defenders of the P/BYD framework is therefore non-mathematical. We set out here the three most likely rebuttals and, for each, the fault to which it is a response and the reason it does not answer the fault.

"It is a new asset class"

The first rebuttal is that Bitcoin treasury companies constitute a new asset class for which traditional valuation categories do not apply, and that BYD is therefore "a new kind of earnings" appropriate to that new class. This is not an answer. It is a renaming.

The Category Error identified in Fault 2 does not turn on what BYD is called. It turns on what BYD mechanically is. BYD is the bookkeeping consequence of wealth transfer from incoming shareholders to existing shareholders. Calling that transfer "a new kind of earnings" does not convert it into operational value creation. It merely shifts the location of the problem from the formula to the label. The category distinction between value created through operations and value redistributed through equity issuance is an ontological distinction, not a nomenclature one. It cannot be rebranded away.

"Volatility is the price of admission"

The second rebuttal is that the mNAV compression observed between July 2025 and May 2026 is ordinary market volatility, that Bitcoin itself declined over the period, and that long-term Bitcoin holders should focus on the growth of their Bitcoin stack rather than the pound-sterling value of their holdings. This is not an answer to Faults 6 and 7. It is an acknowledgement of them, repackaged as a virtue.

The paper's original claim was not that shareholders should ignore fiat value. It was that shareholders would earn back a 5.58x premium in 32 days of BYD delivery – a claim denominated, necessarily, in a currency of account. The rebuttal now asks shareholders to accept that the currency of account has been silently changed after the fact. Investors cannot subscribe in one unit, be promised returns in that unit, and then be told on drawdown that the returns are actually denominated in a different unit that happens to suit the outcome. This is the empirical signature of Fault 7, not a defence against it.

"Capital appreciation trumps accounting"

The third rebuttal is the most substantive and the most frequently deployed: that Bitcoin treasury companies are growth companies; that growth companies are valued on capital appreciation rather than dividends; that Amazon and Berkshire Hathaway have prospered without paying dividends for decades; and that the absence of distributable reserves under UK GAAP is therefore an accounting technicality irrelevant to the underlying value proposition.

This rebuttal has a grain of truth and deserves a specific counter.

The capital appreciation mechanism in Amazon and Berkshire Hathaway is the capitalisation of future expected earnings – audited, GAAP-recognised, operational earnings generated from external customers in competitive markets. The share price rises because the market discounts those earnings forward. Dividends are optional because the earnings exist and are retained for reinvestment at attractive rates of return. The underlying value engine is real economic product.

A UK Bitcoin treasury company has no material operational earnings to capitalise. SWC reported £203,669 of operating revenue against £223 million deployed into Bitcoin – a ratio of approximately 1,095 to 1. There are no discounted future cash flows of material scale to underpin capital appreciation in the Amazon sense. The only mechanism by which shareholder value is realised is sale of the equity into the secondary market at a premium to NAV. The premium is a function of other shareholders' willingness to pay it. The model therefore requires, operationally, a continuous supply of incoming shareholders paying a premium to fund the accretion to existing shareholders, in perpetuity, in a security that generates no operational earnings stream capable of supporting valuation on any other basis.

This is not the Amazon structure. Amazon has a business. The "capital appreciation trumps accounting" rebuttal misstates, by analogy, the nature of the capital appreciation available to a UK Bitcoin treasury company. It is not appreciation against retained earnings. It is appreciation against the next marginal buyer's willingness to continue paying a premium – which, as the May 2026 tape records, is not in fact being paid.

The fourth rebuttal is the one most likely to be reached for, because it is the most intuitive: that the P/BYD paper was published in July 2025, that SWC's collapse followed a broader Bitcoin drawdown, and that any leveraged long position on Bitcoin would have lost money over the period. The framework, on this account, did not fail; the market simply moved against the asset. This is not a fault of the model. It is the weather.

This is the rebuttal Fault 6 was written to answer in advance. The objection assumes that the shareholder's loss is explained by Bitcoin's price fall. It is not. Over the period examined, the destruction of shareholder value vastly exceeds the fall in the Bitcoin price: Bitcoin did not fall 94%, but SWC's equity did. The gap between the two is the compression of the mNAV premium — from 5.58x to roughly 0.72x — and that compression is precisely the variable the P/BYD formula holds silently constant. The framework does not merely fail to predict the premium's collapse; its central arithmetic

assumes the collapse cannot happen, because it treats the premium-funded yield as a structural constant rather than the market-dependent variable it is. A shareholder who bought Bitcoin directly in July 2025 and held it did not lose 94%. A shareholder who bought SWC on the strength of the P/BYD framework did. The difference between those two outcomes is the fault, and it is a fault of the framework, not of the weather.

Summary

Each of the four rebuttals describes a move. None of them describes an answer. The first renames the fault. The second asks investors to ignore the fault. The third reasons by analogy to a structure the analogy does not fit. The fourth blames the weather for a loss the arithmetic itself manufactured. The faults remain undisturbed.

The presence of these rebuttals in the public discourse – on LinkedIn, on financial podcasts, in promotional materials for other UK Bitcoin treasury vehicles – is itself diagnostic. A framework capable of mathematical defence would be defended mathematically. A framework defensible only by nomenclature, deflection, and misaligned analogy is a framework that has run out of mathematics. That is the position the P/BYD framework now occupies.

Implications for Investors

The P/BYD framework cannot be used as a valuation tool. It cannot identify when a Bitcoin treasury company is expensive, cannot protect investors from premium compression, and cannot translate treasury activity into economic return. BTC-per-share is not a proxy for shareholder performance. Premium-funded accretion is not earnings. And treasury companies must be evaluated on Bitcoin Alpha – their ability to acquire Bitcoin at favourable prices – rather than on mechanical increases in sats-per-share.

Regulatory note

The publication of the P/BYD paper under an FPO Article 19 exemption, combined with the omission of key valuation metrics from SWC's retail-facing dashboard, raises questions of selective disclosure and promotional asymmetry. This paper does not assert regulatory breach. It notes only that valuation frameworks used in investor communications must meet the standards of clarity, neutrality, and completeness expected in UK public markets.

Conclusion

Prospectus in research clothing

The P/BYD paper is not a valuation framework. It is a prospectus without the regulatory overhead – written by the Company it values, published by the Company it values, and footnoted back to the Company it values. Every number claimed about The Smarter Web Company is sourced "SWC." Every assumption the mathematics depends on is an assumption the Company requires its investors to hold. Strip the logarithms and what remains is a circular argument: pay the premium because the premium will be earned back through a yield generated by the premium itself.

What the mathematics actually does, once worked through, is construct the numerator and deny the denominator. The numerator is mNAV – a premium that exists only because investors believe it will be earned back. The denominator is BYD – a yield that exists only because investors are willing to pay the premium. Feed the output back into the input and any mNAV can be justified. At 5.58x the paper produced 32 days. At 20x it would produce approximately 60. At 100x – a figure the formula does not blink at – it would produce approximately 120. The framework is insensitive to overvaluation by design. That is not an analytical property. It is a promotional one.

The empirical record has now closed the question. In July 2025 the paper told investors they would earn back a 5.58x premium in 32 days of continued BYD delivery. In May 2026 – 319 days later, ten times past the formula's own payback threshold – those same investors hold shares at £0.308, in a company carrying approximately £76 million of unrealised loss against £157 million of NAV, at a fully diluted mNAV of roughly 0.72. The premium did not compress. It evaporated. Shareholders who acted on the paper did not merely underperform Bitcoin. They watched approximately 94% of their invested capital disappear. And the "yield" was delivered exactly as advertised – 2,878 BTC now sits in treasury, sats per share grew as promised – and they lost anyway. This is not a bad-weather outcome for a sound model. It is the model working precisely as designed, producing the wealth transfer its mathematics was engineered to obscure.

The UK accounting context makes that loss structural rather than cyclical. Under FRS 102 Section 18 or IAS 38, Bitcoin is an intangible held at cost less impairment, with unrealised gains routed through Other Comprehensive Income at best and impairment losses hitting P&L irreversibly on the downside. There are no recognised earnings from BYD. There are no distributable reserves from accretion. There is no P&L mechanism by which any ordinary shareholder ever receives the yield the formula promises. The entire P/BYD apparatus is a return metric for a return that cannot be booked, cannot be distributed, and cannot be audited. It is a KPI denominated in a currency – Bitcoin per diluted share – that no UK investor subscribed in and no UK company can ever distribute. The paper imports a US post-ASU-2023-08 reality into a UK regulatory envelope incapable of holding it.

The interlock is complete. The only mechanism by which BYD ever converts to shareholder cash – sale into the secondary market at a premium to NAV – is the same mechanism Faults 6 and 7 show is corrupted by mNAV compression, served by the same

premium whose May 2026 evaporation has closed the empirical question. The accounting structure, the mathematical structure, and the market structure fail together. They were always going to.

This is not a Smarter Web problem alone. It is a UK Bitcoin treasury problem. Every imitator now marketing a BTC Yield story to British investors is selling the same mathematical fiction in different livery. The P/BYD paper is simply the cleanest single artefact of the methodology because Jesse Myers, to his credit, wrote it down. Most will not. Most will tweet the numbers and move on. The faults travel with the formula regardless of who cites it.

The final question is not whether the P/BYD framework is wrong. The 2026 tape has answered that. The question is how a document this structurally conflicted – authored by a company's own Head of Bitcoin Strategy, valuing that company at a 5.58x premium, issued under an FPO Article 19 professional-investor exemption, and then proliferated across LinkedIn and X to retail audiences the exemption does not cover – was permitted to circulate as commentary in the UK Bitcoin treasury conversation without a single institutional voice calling it what it is.

The document is, in plain description, a promotional artefact produced by an interested party and circulated as research. It values its own author's employer. It sources every figure concerning that employer to the employer. It operates a mathematical structure insensitive to overvaluation by construction. It imports an accounting premise that does not apply in its own jurisdiction. And it was written for the precise purpose its own logarithms do not permit the reader to question.

At The Rogue Protocol we have a shorter phrase for this.

We find the thesis they built the model to prove.

An investor who acted on the P/BYD paper at its July 2025 publication, paying a share price in the region of £4.95 against an mNAV of 5.58x, held a share worth approximately £0.308 on 31 May 2026 – a loss of approximately £4.64 per share, or approximately 94% of invested capital, while the Company delivered the BTC Yield the paper projected as the basis of their return. The arithmetic that was supposed to deliver that return could not, on any reading of its own assumptions, survive the compression of the premium it silently required.

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Methodology and Disclosures

Source documents

This analysis is based on:

(i) "The P/E Ratio for Bitcoin Treasury Companies: P/BYD," SWC Research Brief, July 2025, authored by Jesse Myers and published by The Smarter Web Company PLC;

(ii) SWC's public Bitcoin Treasury Analytics dashboard accessed on 17 April 2026 and archived at the Wayback Machine (https://web.archive.org/web/20260420074419/https://www.smarterwebcompany.co.uk/bitcoin-treasury/analytics-/);

(iii) SWC's published prospectus dated 16 January 2026; and

(iv) publicly available market data for the Aquis-quoted and, from February 2026, Main Market-quoted SWC ordinary shares and the associated OTC-quoted instrument. While SWC discloses point-in-time total voting rights in individual RNS announcements (for example, 353,203,102 ordinary shares following the 7 May 2026 Admission), it does not publish a continuous, fully diluted, time-series share count in any accessible format. For consistency across the period examined, fully diluted shares are therefore derived by dividing BTC / Satoshi Holdings by Fully Diluted Satoshis Per Share, both as displayed on the SWC dashboard. Both inputs are SWC's own published data; the derivation is arithmetic and reconciles to the disclosed point-in-time totals. RNS announcements are relied upon for BTC holdings, average cost, reported Quarter-to-Date BTC Yield, and the Coinbase Strategic Credit Facility drawdowns and leverage ratios cited at Fault 16.

(v) Introducing P/BYD, an exciting new way to rationalise nonsense - Financial Times Alphaville Bryce Elder Published Jul 16 2025 https://www.ft.com/content/e69adde3-594a-4ea5-afae-e44e5f1c878b

(vi) The Smarter Web Company PLC regulatory news announcements, 14 April to 29 May 2026, comprising Bitcoin Purchase announcements (14 and 24 April; 5, 12, 15, 21, 26 and 29 May), Coinbase Strategic Credit Facility drawdown disclosures, the Long-Term Incentive Plan grant of awards (28 April 2026), Subscription Agreement updates, PDMR dealing notifications, and Block Admission and Total Voting Rights announcements. These are the primary source for the holdings, average-cost, Quarter-to-Date BTC Yield, leverage-ratio and incentive-plan figures relied upon in this edition, in particular at Fault 16.

Regulatory and accounting framework references

FASB Accounting Standards Update 2023-08, Intangibles – Goodwill and Other – Crypto Assets, effective for fiscal years beginning after 15 December 2024. International

Accounting Standard 38, Intangible Assets. Financial Reporting Standard 102, Section 18, Intangible Assets other than Goodwill. Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, Article 19, Investment Professionals. London Stock Exchange Group plc and Aquis Stock Exchange plc – distinct Recognised Investment Exchanges under the Financial Services and Markets Act 2000.

Position and conflicts

Paul Faulkner holds Bitcoin personally. The Rogue Protocol holds no position, long or short, in The Smarter Web Company PLC, Strategy Inc., Metaplanet Inc., Stack BTC PLC, or any related security or derivative referencing them, and has no economic interest in any rise or fall in their share prices. There is no commercial relationship with any party named herein, and no compensation has been received from any third party in connection with the preparation or publication of this analysis.

Scope of submission

The author is not a lawyer and offers no legal submission about the regulatory status of any document discussed in this paper. The author is not an auditor and makes no submission about the specific accounting treatment of any individual company's Bitcoin holdings; the accounting analysis in Fault 15 is presented as general guidance on the applicable standards and is not a statement about SWC's specific accounting policy, which is a matter for the company, its Directors, and its auditors, as disclosed in its published financial statements.

Standard of review

This analysis has been conducted to the standard of a hostile institutional risk-committee review. Every material claim has been tested against the source documents cited. Errors of fact, if any, will be corrected on publication with prominent acknowledgement. This is forensic intelligence. It is not financial advice. It is not an offer or solicitation. Governing law: England and Wales.