11.1 Operating Profitability

Bitcoin can be uniquely used by companies which hold it in their treasury to lower their operating costs. This is of interest to a CFO and a corporation's management team because "operating profitability" is typically how they are judged by their boards and what their incentive compensation payouts are dependent on. The difference between regular profitability (revenue less expenses) and operating profitability (operating revenue less operating expenses) is that operating revenue and operating expenses are determined to be what the company expects to experience on a "run-rate" or under typical conditions. The basic idea is that companies have a lot of complicated accounting rules that make their overall earnings look a certain way, but many of the adjustments that are occurring don't confer information on the quality of the operations of the company.

For example, a manufacturing company that earns $1.5 billion in revenue from selling its goods and spends $1.2 billion on parts, compensation, marketing, legal, etc., is running its business profitably. However, they may have a lot of losses that they are required to also recognize, like depreciation on equipment, leases, goodwill, and other items related to past actions that have an annual recognition going forward in their results. These items may drag the overall costs above the $1.5 billion, making the company look unprofitable as a going concern. In order to account for only