



## Rocky Mountain Model Investment Club Education Presentation

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**November 20, 2024**  
**Rocky Mountain Model Investment Club**  
**Education Presentation**

**“Stock Splits”**

Carol Haverty  
Rocky Mountain Model Investment Club volunteer

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Rocky Mountain Model Investment Club

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**CORPORATE ACTIONS**

- ❖ **SPLITS**
- ❖ **MERGERS**
- ❖ **SPINOFFS**
- ❖ **BUYOUTS AND SETTLEMENTS**
- ❖ **NAME CHANGE**
- ❖ **SYMBOL**

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Stock splits

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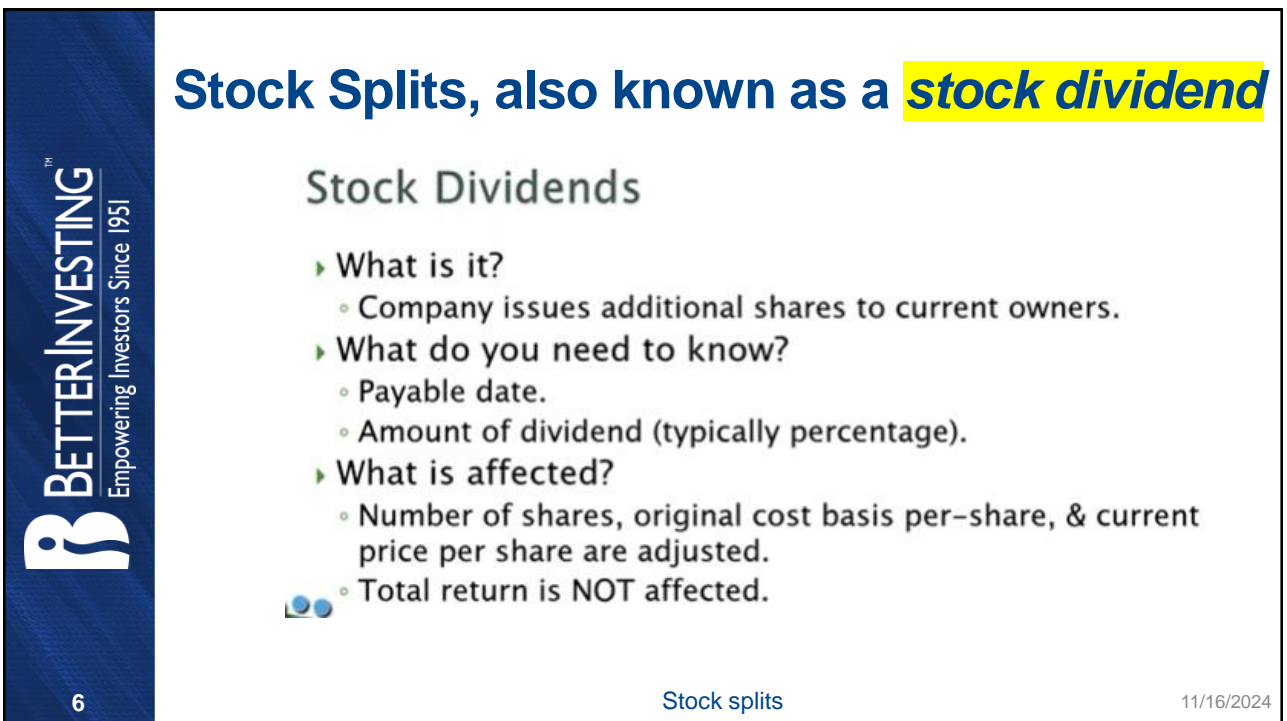
Handling Stock Spin-offs, Splits, Mergers, Buyouts, Settlement...

## How Will You Know About Corporate Action?

- ▶ News story or press announcement.
- ▶ Note in monthly brokerage statement.
- ▶ Discrepancy in number of shares, price date, or share price on statement or in myICLUB.com valuation.

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## Stock Splits, also known as a **stock dividend**

### Stock Dividends

- ▶ What is it?
  - Company issues additional shares to current owners.
- ▶ What do you need to know?
  - Payable date.
  - Amount of dividend (typically percentage).
- ▶ What is affected?
  - Number of shares, original cost basis per-share, & current price per share are adjusted.
  - Total return is NOT affected.

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# Reverse Stock Split

## Reverse Stock Split

- ▶ What is it?
  - Company reduces number of shares of current owners.
- ▶ What do you need to know?
  - Payable date.
  - Split ratio.
- ▶ What is affected?
  - Number of shares, original cost basis per share, & current price per share are adjusted.
  - Total return is NOT affected.

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# Recent examples of Stock splits



- Chipotle (50/1)
- Broadcom (10/1)
- Nvidia (10/1)
- MicroStrategy Inc (10/1)

Other S&P 500 companies that have done stock splits this year saw nice boosts after announcing splits but muted action after they took effect'

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**Chipotle (CMG) stock split - 06/25/2024**

In June of 2024 Chipotle (CMG) performed a 50 for 1 stock split; this can be handled with a standard stock split transaction in myiCLUB.com

To enter a Stock Split, go to Accounting > Securities > Stock Split

Details:

- **Date:** 06/26/24 (The stock split was done after hours on 06/25, but the stock did not trade at the adjusted price until the 26th, so we suggest to use that date if you are manually entering the transaction.)
- **Symbol:** CMG

Click Continue

- **Shares After Split:** 50 times the number of existing shares.
  - For Example, if you had 100 shares of CMG before the dividend, you would enter 5000 shares.
- **Split ratio:** The site will normally fill this in automatically, but if it doesn't, then use 50 for 1 as the ratio.
- **Cash for fractional shares:** Check your broker statement for any cash related to the transaction. Most often the statement will list is as Cash-in-Lieu if the club received money for fractional shares.
- **Account:** Most often this will be your brokerage.

Click Submit, and the transaction is complete !

**50 to 1**

Stock splits

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**broader market averages in the coming six to 12 month.** A recent 50-for-one stock split has changed some of the trading dynamics surrounding this stock. Prior to the split, a \$1 million change in expenses had a \$0.04-a-share impact on earnings per share, making it difficult to predict earnings accurately. Thus, Chipotle was able to surpass the consensus estimate often and by a wide margin. **Prior to the split, the average beat over the past three periods was \$1.06.** Now that the split has occurred, it will then take more than an \$18 million change in expenses to move earnings per share by just a penny. While the prior beats are now a penny to \$0.03, our point is that the eye-grabbing headlines are no longer there to propel the share price higher. Hence, the trading dynamics may have changed, and buyer beware.

Wayne C. Neff August 16, 2024

Company's Financial Strength	A+
Stock's Price Stability	60
Price Growth Persistence	65
Earnings Predictability	70

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**50/1 stock split by Chipotle impacts earnings predictability, prior, 1 mill change in expenses had a 4¢ Impact, after the split, 18 mil plus to move earnings 1¢**

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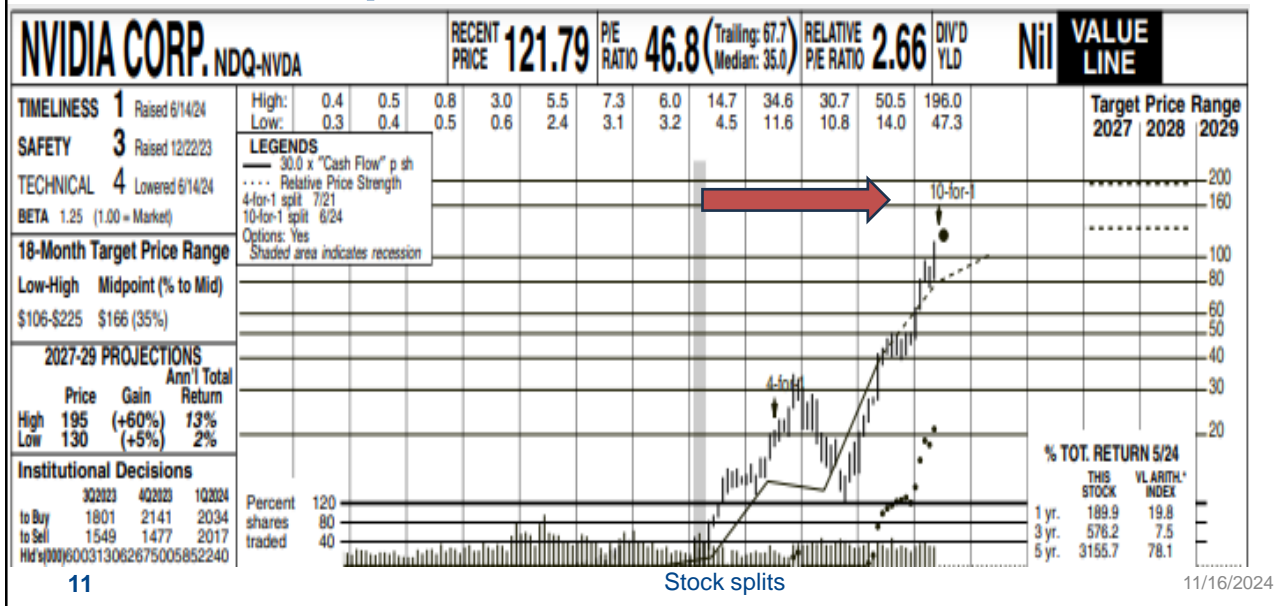
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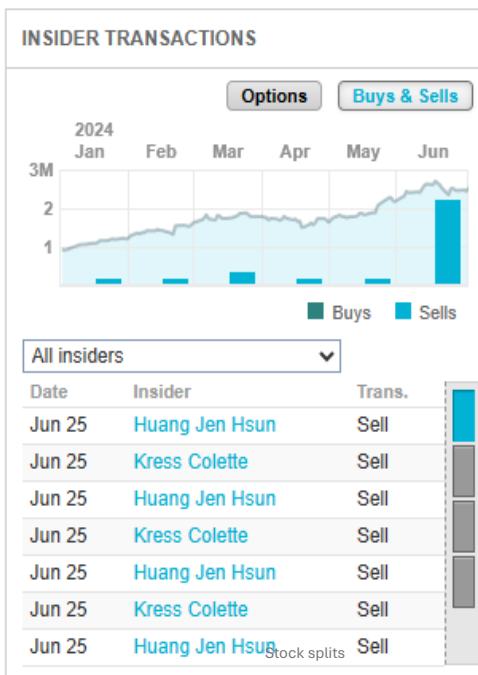
# Value Line report on Nvidia, NVDA



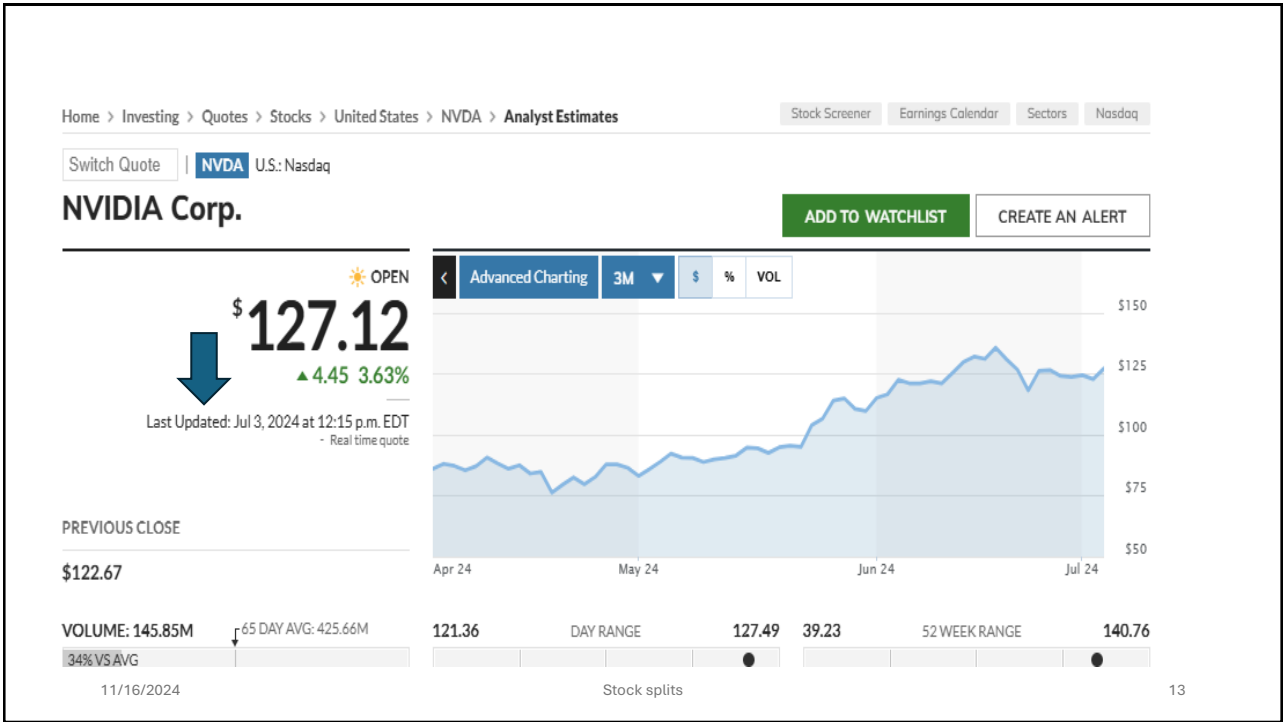
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Nvidia


Insiders



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## 2 for 1, index, established 1996

[www.2-for-1.com](http://www.2-for-1.com)

- This index fund has only stock split companies in the index, it tracks and list them every day.
- Adding and removing them to track the progress of stock splitting companies.
- 29 equally weighted positions, as of the market close on Monday 3/18/24.

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**2 for 1 current holdings**

EXR	EXTRA SPACE STORAGE, INC.	MAR-21	AMRK	A-MARK PRECIOUS METALS	JUN-22
HWKN	HAWKINS, INC.	APR-21	REX	REX AMERICAN RESOURCES	JUL-22
CP	CANADIAN PACIFIC	MAY-21	TECH	BIO-TECHNE CORP.	SEP-22
CSX	CSX CORPORTION	JUN-21	UHAL	U-HAUL HOLDING CO.	NOV-22
SCVL	SHOE CARNIVAL, INC.	JUL-21	PCAR	PACCAR, INC.	DEC-22
ISRG	INTUITIVE SURGICAL, INC.	AUG-21	SSRM	SSR MINING INC.	FEB-23
RJF	RAYMOND JAMES FINANCIAL	SEP-21	GCBC	GREENE COUNTY BANCORP	MAR-23
TM	TOYOTA MOTORS CORP	OCT-21	AAON	AAON INC.	JUL-23
MBIN	MERCHANTS BANCORP	DEC-21	CRPT	COPART, INC.	AUG-23
NSSC	NAPCO SECURITY TECH.	DEC-21	SRE	SEMPRA	AUG-23
GOOGL	ALPHABET, INC.	FEB-22	NVO	NOVO NORDISK	SEP-23
CM	CIBC	MAR-22	MLI	MUELLER INDUSTRIES	OCT-23
PTSI	P. A. M. TRANSPORTATION	APR-22	SNEX	STONEX GROUP INC.	NOV-23
CTO	CTO REALTY GROWTH, INC.	MAY-22	HUBG	HUB GROUP, INC.	JAN-24

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Stock splits

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## What are the benefits of stock splits?

- Improved liquidity
- Reduced share price
- Accessibility to retail investors
- Potentially positive impact on market perception



What is  
Stock Split

Stock splits

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## What causes stock splits?

- **Market share is too high**
  - **Deter small investors**
- **Usually after a run up in share price**
- **Small investors have negligible impact on the overall price.**



Stock splits

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## Why would a company avoid stock splits?

- **Opposite strategy:**
  - by refusing to split the stock and keeping the price high.
- They reduce trading volume.
- [Berkshire Hathaway](#) is a notable example of this.  
As of 2023, the company has never split its stock and on July 8, 2024, the 52-week high was \$627,760, the 52-week low \$617,202, and the market cap was \$886 billion.
- There is a class B stock that trades in the \$400.00.



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Stock splits

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## A reverse stock split

- The exchange temporarily adds a “D” to the ticker symbol
- Sometimes the company will change its name (known as **name change and consolidation** )
- Stigma, because the shares have declined in value
- Many large mutual funds, institutional investors have rules against buying a stock below a certain minimum. I.E. \$5.00 (*considered a penny stock*)
- *To stay on an exchange, stocks must have a minimum share price.*
- *I.E. in the U.S. to be regulated by the SEC depends on the number of shareholders*

## Reverse/Forward splits

- **From time to time, companies will issue a reverse split concurrently with a forward split, making a reverse/forward split.**<sup>[4]</sup>
- Note that in a reverse/forward split, the shareholder's **old shares are erased**, as they receive a number of **new shares in proportion to their original holdings.**
- By contrast, in a simple [stock split](#), the original shares remain on the exchange as shareholders receive additional shares based on their existing holdings. In both stock splits and reverse splits, the share price is adjusted in proportion to the increase in shares to maintain equal value

## **Underlying common equity (i.e., the sum of common stock, capital surplus, and retained earnings)**

- **Common equity remains the same**
- **Mix of retained earnings, capital surplus, and common stock remains unchanged**
- **All historical per-share numbers (including past share prices) are adjusted to reflect the new shares outstanding**

example, a company's stock traded in a range of 40 to 60 last year and it reported earnings of \$2.00 per share, after adjustment for a 2-for-1 stock split, the price range for last year would be 20 to 30 and earnings would be \$1.00 a share

## **Should I buy/sell shares before or after the split?**

- **Splits are often a bullish sign**
- **The stock may be inaccessible for smaller investors**
- **Share split can be a positive sign**
- **But we would advise interested accounts to wait for a better entry point**



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## How does a stock split affect dividends?

- Typically, dividends are reduced proportionally to the split ratio
- Total dividend amount you receive should remain the same.

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## Some of the benefits for company directors AND holders of the splitting stock owners?

With the increased number of shares held as a result of the stock split, several advantages could be accessed:

- Stocks can help fund Charitable Remainder Trust for future tax benefits.
- Stocks used to fund educational funds for relatives, or others (Coverdell IRA, State 529 plans)
- Stock gifts to non-profits could result in large charitable deductions
  - The non-profit would receive the stock at fair market value (no tax)
  - The Donor would receive a itemized deduction based on fair market value (no sale, no tax)

Check current  
State and  
Federal law,  
before acting

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[List of upcoming stock splits - Our Favorite AI Stocks Of 2024](#)  
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## Websites and resources

- [www.myclub.com](http://www.myclub.com)
- [www.valueline.com](http://www.valueline.com)
- [www.stockmarketjunkie.com](http://www.stockmarketjunkie.com)
- [www.myquicksearch.com](http://www.myquicksearch.com)
- [www.commonsearches.net/stock/splits](http://www.commonsearches.net/stock/splits)
- [www.bigcharts.com](http://www.bigcharts.com)
- [www.2-for-1.com](http://www.2-for-1.com)

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# Question and Comments

## Stock Splits

**Carol Haverty**  
Rocky Mountain Model Investment Club member/  
Chapter volunteer



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