

Title: Stock Split vs. Stock Dividend

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Hey guys,

Some apes seem to have misconceptions on the difference between stock split and stock dividend, so here's a quick write-up to clarify the issue.

Scenario: GameStop has 80M shares outstanding and 100M shorted shares. Share price \$120.

Assuming stock split 2-for-1, GameStop will have 160M shares outstanding and 200M shorted shares. Share price becomes \$60. The purpose of stock split is to lower the share price.

Assuming stock dividend 1-for-1, GameStop will have 160M shares outstanding and 200M shorted shares. Share price becomes \$60. WHAT? Isn't that the same as stock split??

Well, the difference is that the Short Sellers (SHF) are responsible for the dividend of 100M shorted shares. They have to come out with new 100M shares to give out as dividends.

How can SHF come out with 100M shares? Either they buy from the open market or create more synthetic shares using derivatives. To avoid such problems, some SHF may close their shorts before the dividend date.

TLDR: Read the above. Feel free to question.