

Title: Why the stock split/dividend is great but won't directly trigger a huge price increase

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There's a little bit of bad information going around regarding the upcoming split/dividend. I haven't seen anyone directly address much of this yet, so I wanted to make a post and get that corrected. However, I'm not a finance professional. I've spent the last year and some reading and learning about all of this like the rest of you. If I'm mistaken in any way, please let me know and I'll edit or remove the post.

With that out of the way, let's jump right into it.

First, the share price will not remain the same as it was before the split. Some know this, some don't. I saw an ape insisting that the price will stay the same post-split in the bets sub earlier, so here we go:

When a split occurs, more shares are created and become outstanding, but this does NOT affect GameStop's market valuation. Let's use Friday's data for an example.

Say we have a 7:1 split that happens right at market close. GameStop's market cap is \$11.16b based on a stock price of \$146.19 (76.34m shares outstanding x \$146.19). The instant of the split, the number of outstanding shares becomes 534.38m (76.34m x 7), but the company's valuation doesn't go up 7x as a result, it stays the same. The new share price is the market cap (valuation) divided by the new number of shares outstanding.

$\$11.16\text{b} / 534.38\text{m} = \text{a new share price of } \20.88

If the stock price did stay the same, what would stop companies from announcing stock splits, raising their valuations, and obtaining bigger and bigger loans using the newly split stock as collateral?

Next up is the big one. The share split/dividend isn't going to force SHF to buy the naked shorted shares back.

The reasons for this are similar to the share split explanation above. The market value of their short position doesn't change. The number of shares they owe does go up 7x, but the stock price is also 1/7th of what it was before the split, so their total position remains the same.

You might be thinking "But GameStop is only releasing another 458m shares! They'll have to buy the remainder on the market!"

Why?

They've already made a naked short position based on the original locate. Those located shares are now 7x the original amount too. Shares go on the books, shorts say "Yeah, of course we have 'em. Look at the locates!", and nothing has really changed.

"But look at Overstock! They had a lawsuit over a dividend!"

True, but they were also trying to release a blockchain dividend which isn't what GameStop has announced. A regular stock dividend won't accomplish the same thing since there isn't an exclusivity problem. This is why we all wanted an NFT dividend that isn't reproducible by SHF's months ago.

Ugh, now that the semi-crappy part is done, let's talk about the good stuff.

GameStop is about to become a whole lot more accessible.

Regardless of how wrong it is, movie apes are about to lose the "theater stock is a better value because of the lower price" argument. While we won't go lower than stickyfloor's share price with a 7:1 split using Friday's data, the prices would be comparable and we can expect to see more crossover from movie apes. I'll take additional confused diamond hands over no new diamond hands at all.

Movie apes aside, a lower share price makes \$GME easier to buy for the public in general, which can add buying pressure if people take interest.

I also don't think the split/dividend will make much of a difference in how quickly we lock the float with DRS either. While the lower price will probably go up some with new buying pressure, we'll be able to buy in smaller increments making up that gap. You can't buy 1 share at \$146 if you only have \$120 to spend, but you can definitely buy 5 at \$21.

Overall, I do believe that this will end up being a piece of how RC ends up winning the war against mayoman, but I don't think we can expect a huge run resulting from the split/dividend itself unless other factors come into play.