

Title: Clearing up some questions about the language in the 8-k by comparing it to other company's stock split filings

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Created 2022-04-02 18:57:02 UTC

Permalink: /r/DDintoGME/comments/tuqbhs/clearing_up_some_questions_about_the_language_in/

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Ok, so I made a post on Thursday pointing out the language in the 8-k saying (bold emphasis is mine)

>On March 31, 2022, GameStop Corp (the "Company or "Gamestop") announced its plan to request stockholder approval at the upcoming 2022 Annual Meeting of Stockholders (the "Annual Meeting") for an increase in the number of authorized shares of Class A common stock from 300,000,000 to 1,000,000,000 through an amendment to the Company's Third Amended and Restated Certificate of Incorporation (the "Charter Amendment") in order to implement a stock split of the Company's Class A common stock ****in the form of a stock dividend**** and provide flexibility for future corporate needs.

<https://gamestop.gcs-web.com/static-files/5af6f18f-71a0-45c6-a0c4-11ac4558c20e>

I got a lot of responses comparing it to Tesla's split filing. ****This is because Tesla did the exact same thing, which kicked off their squeeze**** let's look at their 8-k from August 11, 2020

>On August 11, 2020. Tesla, Inc issued a press release announcing that its board of directors has declared a five-for-one split of Tesla's common stock ****In the form of a stock dividend.****

The dividend was distributed the last week of August. This was the starting gun for Tesla going from from \$45 on the week of September 3, **~~2020~~** 2019 to 880 on the week of Jan 4, **~~2021~~** 2020 (whoopsie, moved the years forward)

<https://preview.redd.it/vautd0mex5r81.png?width=1240&format;=png&auto;=webp&s;=92cc1989bd6103d1019a521c87fc8a03b5457f3c>

<https://preview.redd.it/h8dwl1jfx5r81.png?width=1186&format;=png&auto;=webp&s;=2f29503ca17a94490af298d7a4ce117dd1852ba2>

<https://preview.redd.it/my1vrcbgx5r81.png?width=1191&format;=png&auto;=webp&s;=fe893deace45f5f4cc5caf3b2989e30aa495f715>

[****https://ir.tesla.com/_flysystem/s3/sec/000156459020039353/tsla-8k_20200811-gen_0.pdf****](https://ir.tesla.com/_flysystem/s3/sec/000156459020039353/tsla-8k_20200811-gen_0.pdf)

Now, let's compare these stock filings to Amazon's stock split announcement last month

>On March 9, 2022, the Board of Directors of Amazon.com , Inc. (the "Company") approved a 20-for1 split of the Company's common stock to be effected through an amendment to the Company's Restated Certificate of Incorporation (the "Amendment"). The Amendment will also effect a proportionate increase in the number of shares of authorized common stock.

Note that there is no language about a stock dividend here because Amazon is not doing a stock dividend,

but just a classic forward split.

<https://d18rn0p25nwr6d.cloudfront.net/CIK-0001018724/f6c12bbc-aa86-4f1a-8d28-f790dab31a24.pdf>

Ok, so let's compare what happens during a stock split to what happens during a stock dividend (it is very similar to the investors, but the plumbing works differently)

* During a stock split (forward or reverse). a number of shares becomes a different number of shares. No "new" shares are issued. In a 5-for-1 forward split, the broker just has to multiply your number of shares by 5, the opposite happens during a reverse split. A stock split will include a recall of all outstanding shares and then the company will issue the new number of shares.

* During a stock dividend (there is no such thing as a reverse stock dividend). The company issues new shares and gives them to the DTCC to distribute to the shareholders. In a 5-for-1 split in the form of a stock dividend, the company would issue 4 new shares for every share it has ever issued. They would then give those shares to the DTCC and the DTCC would have to distribute them. In the case of a shorted company, the DTCC will need to locate the shares to replace the missing dividend shares since every shareholder is entitled to the new shares, but they did not receive enough shares from the company. A stock dividend does not require a share recall.

In both cases, the shareholder will see their balance of shares increase 5 fold, however the price will react differently

* In a 5-for-1 split if the price was \$100 before the split, the price will be \$20 after the split

* in a 5-for-1 dividend, the new shares will be distributed to the shareholders without a recall, and the DTCC is on the hook to cover shorted shares properly. They will need to locate these replacement shares and since it isn't a trade, it is either harder or impossible for them to FTD on these shares. This is because there is no counterparty in this journal entry. An FTD would require there to be a counterparty that the DTCC just didn't find.

<https://www.educba.com/stock-dividend-vs-stock-split/>

<https://www.myaccountingcourse.com/accounting-dictionary/stock-split/>

Now for the fun part: speculation on the split ratio

Gamestop currently has 76.3 shares outstanding. Any split ratio of 4-for-1 or higher would put them past the currently approved number of outstanding shares that they can issue which is 300M. but they are asking to go to 1B, so I don't think it will be that low.

Gamestop has also asked for 8m shares to set aside for executive compensation, so the outstanding after the split can actually only get to 992M and not 1B. This means that the upper limit on a stock split would be 13-for-1 but that wouldn't leave them with any shares left to do anything with so I don't think they will go that high.

I think it will either be a 7-for-1 or a 10-for-1 split where we would get either 6 or 9 new shares for every share we previously held.

For anyone wondering why they didn't do this sooner. The increase to the number of outstanding shares

they can issue requires a shareholder vote, and the dividend requires approval by the board. RC was not in control of the board yet for last year's annual meeting, so they had to wait until this year to take this particular step.