

# STOCK SPLIT- CASE STUDIES

## Case Study: Apple Inc.'s Stock Split Transaction and its Market Impact

Apple Inc., one of the world's most valuable companies, has undergone several stock splits since its initial public offering (IPO). Apple went public on December 12, 1980, and has since evolved from a niche computer manufacturer to a global leader in technology, particularly in consumer electronics and digital services. The company's stock splits have been pivotal in maintaining share prices at levels that attract a broad base of investors.

Apple Inc. has strategically executed five stock splits since its IPO, with the first occurring on June 16, 1987, as a two-for-one split to keep share prices accessible, resulting in a 2% rise in stock prices over the following year. The second split, also a two-for-one, took place on June 21, 2000, amid the dot-com bubble burst; although the stock was priced at \$84 prior to the split, it halved by September due to broader market declines, though Apple later recovered. The third split on February 28, 2005, again a two-for-one, followed a nearly quadrupling of share value, with the company highlighting its leadership in innovation and the digital music revolution, leading to a 60% price increase in the subsequent year. The fourth split on June 9, 2014, was a significant seven-for-one split, reducing share prices from nearly \$700 to around \$100, aimed at increasing accessibility and facilitating Apple's inclusion in the Dow Jones Industrial Average, which was achieved in March 2015. Most recently, on August 31, 2020, Apple executed a four-for-one stock split, further enhancing its appeal to retail investors and solidifying its position in the market. Each of these splits reflects Apple's commitment to maintaining investor accessibility while navigating varying market conditions and reinforcing its growth trajectory.

Apple Inc.'s stock splits have played a crucial role in shaping its market presence and investor relations. By strategically managing stock splits, Apple has maintained share price accessibility while fostering investor confidence. The company's ability to navigate external market challenges while achieving substantial post-split gains illustrates its resilience and innovative leadership in the technology sector. As Apple continues to evolve, the lessons learned from its stock split history will undoubtedly inform future strategies for market engagement and investor relations.

## Case Study: Amazon's Stock Split Transaction and its Market Impact

Amazon went public on May 15, 1997, at an initial offering price of \$18 per share. The company's rapid growth and increasing market capitalization necessitated stock splits to enhance liquidity and make shares more accessible to a broader range of investors.

Amazon.com, Inc. executed three significant stock splits in the late 1990s as part of its growth strategy. The first split, a two-for-one split on June 2, 1998, saw the share price drop from \$85.68 to \$43.62, with a subsequent surge in price to \$124.02 by July 2, indicating heightened trading volume that increased from around 8 million to between 28 and 54 million shares. The second split occurred on January 5, 1999, as a three-for-one split, reducing the price from \$354.96 to

\$109.56, followed by a closing price of \$138.00 the next day; however, by February 5, 1999, the stock fell to \$115.88, reflecting decreased trading volume. The third and final split in this period was another two-for-one split on September 2, 1999, which adjusted the share price from \$119.06 to \$57.50, closing at \$60.06, and rising to \$77.25 by October 1, 1999. Collectively, these splits were aimed at increasing liquidity and accessibility for investors, with varying impacts on Amazon's stock performance and trading activity.

Amazon's stock splits during 1998 and 1999 were instrumental in establishing its market presence and improving accessibility for investors. The company's strategic use of stock splits to boost liquidity and draw in investment reflects a keen awareness of market dynamics. Although the immediate reactions to the splits were favorable, the later variations in stock price reveal the intricacies of investor sentiment and market conditions.

### **Case Study: Tesla's Stock Split Transaction and its Market Impact**

Tesla went public in 2010 and experienced significant growth in both market capitalization and share price over the years. By mid-2020, Tesla's stock price had soared, prompting discussions about stock splits to increase liquidity.

In August 2020, Tesla executed a 5-for-1 stock split, which led to a period of volatility in the weeks following the event. However, this split ultimately served as a catalyst for the stock, which rallied nearly 60% from the time of the split to the end of 2020. This surge in value significantly contributed to Tesla's inclusion in the S&P 500 index later that year. This case underscores the strategic importance of stock splits in bolstering market presence and investor confidence.

### **Case Study: HUM Network Limited Stock Split Transaction and its Market Impact**

Hum Network Limited, incorporated in Pakistan on February 25, 2004, is a prominent media company that focuses on launching transnational satellite channels and engaging in various media-related activities, including production and advertising. The company went public in June 2005, with an initial share price of PKR 10, and saw its stock price soar to PKR 171.8 before executing a strategic stock split in October 2014, reducing the par value from PKR 10 to PKR 1.

The trading volume data for Hum Network Limited before and after the stock split reveals a remarkable surge in investor activity and interest following the split. Prior to the stock split, the company experienced monthly trading volumes that peaked at approximately 27.96 million shares over a year, but post-split, these figures skyrocketed, with the 1-month volume increasing to over 73.53 million shares—an increase of over 63.46 million shares. This trend continued in subsequent months, with the 3-month volume escalating to 263.08 million shares, marking a staggering increase of 248.78 million shares, and eventually reaching a 12-month volume of 733.21 million shares, which represents an impressive rise of 705.25 million shares. The data clearly indicates that the stock split successfully enhanced liquidity and accessibility, attracting a

broader range of investors and significantly boosting overall trading activity in Hum Network Limited's shares.

### **Case Study: National Foods Limited Stock Split Transaction and its Market Impact**

National Foods Limited, incorporated on February 19, 1970, in Pakistan, has established itself as a leading manufacturer and seller of convenience-based food products. Originally a private limited company, it transitioned to a public limited company under the Companies Ordinance, 1984 (now Companies Act, 2017). The company is ultimately owned by ATC Holdings (Private) Limited and made its public offering in 1998 and got listed on the Pakistan Stock Exchange. With a diverse portfolio of over 250 food products across more than 10 major categories, National Foods Limited has positioned itself as a prominent player in Pakistan's food industry. In 2013, it was recognized on the Forbes List of Asia's 200 Best Under A Billion, highlighting its success and growth potential.

On October 22, 2014, National Foods Limited executed a strategic stock split, reducing the face value of its shares from PKR 10 to PKR 5. Before the split, the 1-month trading volume was only 95,750 shares, but it jumped to over 1 million shares afterward, showing an increase of 909,550 shares. This upward trend continued, with the 3-month volume rising from 206,400 to 1,776,000 shares, a change of 1,569,600 shares. Similarly, the 6-month volume climbed from 418,300 to 2,790,300 shares, the 9-month volume increased from 1,171,600 to 3,496,850 shares, and the 12-month volume went from 2,604,200 to 4,054,950 shares. Overall, the stock split successfully made the shares more accessible and attractive to investors, leading to a substantial increase in trading activity.

### **Case Study: Synthetic Products Enterprises Limited Stock Split Transaction and its Market Impact**

Synthetic Products Enterprises Limited was established in Pakistan on May 16, 1982, as a private limited company. It transitioned to a public limited company on July 21, 2008, and was subsequently listed on the Pakistan Stock Exchange on February 10, 2015. The company primarily focuses on manufacturing and selling plastic auto parts, plastic packaging for the food and FMCG sectors, and moulds and dies.

In November 2021, Synthetic Products Enterprises Limited implemented a stock split, reducing the face value of its shares from PKR 10 to PKR 5. This marks the most recent stock split in Pakistan. Following the split, the company has seen significant changes in its trading volume. In the most recent month post-split, trading volume surged from 551,000 shares before the split to 3,009,500 shares afterwards, representing an increase of 2,458,500 shares. Similarly, the three-month trading volume increased from 3,392,000 to 8,195,000 shares, a rise of 4,803,000 shares. Over a six-month period, the volume grew from 10,152,000 to 15,931,000 shares, yielding an increase of 5,779,000 shares. In a nine-month timeframe, the volume rose slightly from

18,529,000 to 18,854,000 shares, resulting in a modest gain of 325,000 shares. However, the one-year trading volume saw a decrease from 32,318,000 shares before the split to 21,631,500 shares afterwards, indicating a significant decline of 10,686,500 shares.

Overall, while the stock split seems to have positively influenced trading volumes in the short to medium term, the long-term trend reflects a notable decline. It is important to mention that the share price has returned to its pre-split value, currently hovering around PKR 40 per share.

#### Source:

<https://www.ig.com/en/trading-strategies/apple-stock-split-2020--what-you-need-to-know-230803>

<https://www.ig.com/en/trading-strategies/amazon-stock-split-history--what-you-need-to-know-190725>

<https://www.forex.com/en-us/news-and-analysis/what-you-need-to-know-about-the-tesla-stock-split/#:~:text=Tesla%20has%20completed%20a%203,markets%20opened%20on%20August%2025>