

Apple's Stock Splits Today to \$92 Per Share

Michael Liedtke, AP Technology Writer

SAN FRANCISCO (AP) — Apple's resurgent stock may have as much to do with financial engineering as the company's technological wizardry.

In late April, the iPhone and iPad maker announced plans to split its stock for the first time in nine years. Since then, Apple's stock has climbed 23 percent, creating more than \$100 billion in shareholder wealth while the Standard & Poor's 500 edged up just 4 percent.

Other factors contributed to the Apple rally: The company raised its quarterly dividend, committed an additional \$30 billion to buying back its stock, struck a \$3 billion deal to buy headphone maker Beats Electronics and previewed its latest software for iPhones, iPads and Mac computers.

But the stock split helped renew investor interest in Apple Inc., already the world's most valuable company.

THE SPLIT COULD ATTRACT MORE INVESTORS

The reason has more to do with psychology than logic. Splits lower a stock's trading price by substantially increasing the number of outstanding shares. Even though the company's market value remains the same, the prospect of a lower price per share often excites investors who previously shied away from a stock because it looked too expensive.

Companies executing splits hope to attract more buyers by making the stock appear more affordable. The concept will be tested Monday when Apple's stock begins trading for the first time since the split's completion.

Apple is executing a 7-for-1 split. That means every Apple stockholder gets six additional shares for every share they owned as of June 2. The distribution will increase Apple's outstanding stock from about 861 million shares to about 6 billion shares.

To adjust for that swing, Apple's stock price will likely fall from Friday's closing price of \$645.57 to the \$90 to \$95 range.

...AND BRING APPLE MORE PRESTIGE

Although it's unclear if this was Apple's intent, the lower price could clear the way for the company to be included among the 30 stocks in the Dow Jones industrial average. The closely watched benchmark is supposed to mirror key sectors of the economy, a role that seems perfectly suited for Apple given the popularity of the company's products and its \$171 billion in annual revenue.

Apple's Stock Splits Today to \$92 Per Share

Published on Wireless Week (<http://www.wirelessweek.com>)

But Apple's high stock price made it impractical to include the company in the Dow. That's because the Dow's value is calculated in a way that gives greater weight to the companies with the highest stock prices. The method has discouraged the Dow Jones selection committee from picking companies with stock prices trading at more than \$300. Visa Inc. is the only Dow Jones company with a current stock price above \$200.

Whether Apple will now make it into the Dow Jones is the "\$3 trillion question," says Howard Silverblatt, senior index analyst for S&P Indices.

SPLITS ARE FALLING OUT OF FASHION

Stock splits once seemed reflexive whenever a company's share price neared \$100. In recent years, though, splits have dwindled as companies became more comfortable allowing their stocks to trade for hundreds of dollars.

Even though the overall stock market has been soaring, only 57 splits have been completed since 2009 among companies in the Standard Poor's 500. That compares with 375 splits from 1997 through 2000, a period that coincided with the dot-com boom.

THIS ISN'T APPLE'S FIRST SPLIT

Apple has completed 2-for-1 splits on three previous occasions: May 1987, June 2000 and February 2005. The stock rose 2 percent in the first year after the 1987 split and surged by 60 percent in the first year after the 2005 split. The shares plunged 57 percent in the first year after the 2000 split, which occurred amid a steep downturn in technology stocks.

YOU'LL NEED TO ADJUST THE BAR

Before the split, the all-time high for Apple's stock stood at \$705.07. With the split, that peak has now been revised to \$100.72. Apple went public in December 1980 at a split-adjusted 39 cents per share.

Source URL (retrieved on 01/26/2015 - 5:46am):

<http://www.wirelessweek.com/news/2014/06/apples-stock-splits-today-92-share>