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What Apple’s Stock Split Means for You

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No, your screens aren’t lying to you. Shares of [**Apple**](http://www.wsj.com/public/quotes/main.html?type=djn&symbol=AAPL) Inc.**[AAPL +4.12%](http://blogs.wsj.com/public/quotes/main.html?type=djn&symbol=AAPL?mod=inlineTicker" \t ")** now trade under $100, a development that hasn’t happened in years.

[**Apple’s unorthodox 7-for-1 stock split**](http://blogs.wsj.com/moneybeat/2014/04/23/apples-7-for-1-stock-split-is-very-unusual/), announced at the end of April, has finally arrived. The stock started trading on a split-adjusted basis Monday morning, and recently rose 1% to $93.14.

In a stock split, a company increases the number of shares outstanding while lowering the price accordingly. Splits don’t change anything fundamentally about a company or its valuation, but they tend to make a company’s stock more attractive to mom-and-pop investors. Apple shares rallied 23% from late April, when the company announced the split in conjunction with a strong quarterly report, through Friday.

A poll conducted by our colleagues at MarketWatch found [**50% of respondents said they would buy Apple shares after the split**](http://blogs.marketwatch.com/thetell/2014/06/09/50-call-apple-a-buy-after-split-marketwatch-poll/). Some 31% said they already owned the stock and 19% said they wouldn’t buy it. The survey received more than 20,000 responses.

Here are five things you need to know about Apple’s stock split.

**WHO DOES THE STOCK SPLIT IMPACT?** Investors who owned Apple shares as of June 2 qualify for the stock split, meaning they get six additional shares for every share held. So if an investor held one Apple share, that person would now hold a total of seven shares. Apple also previously paid a dividend of $3.29, which now translates into a new quarterly dividend of $0.47 per share.

**WHY IS APPLE DOING THIS?** The iPhone and iPad maker says it is trying to attract a wider audience. “We’re taking this action to make Apple stock more accessible to a larger number of investors,” Apple CEO [**Tim Cook**](http://topics.wsj.com/person/C/tim%2C-cook/5997) said in April. But the comment also marked [**an about-face from two years earlier**](http://blogs.wsj.com/moneybeat/2014/04/24/tim-cooks-about-face-on-stock-splits/). At Apple’s shareholder meeting in February 2012, Mr. Cook said he didn’t see the point of splitting his company’s stock, noting [**such a move does “nothing” for shareholders**](http://www.businessweek.com/articles/2012-02-24/apple-says-no-to-a-stock-split).

**WILL APPLE GET ADDED TO THE DOW?**It’s unclear at the moment, although a smaller stock price certainly makes Apple a more attractive candidate to get added to blue-chip Dow. Apple, the biggest U.S. company by market capitalization, has never been part of the historic 30-stock index, a factor that many observers attributed to its high stock price. The Dow is a price-weighted measure, meaning the bigger the stock price, the larger the sway for a particular component. That is different from indexes such as the S&P 500, which are weighted by market caps (each company’s stock price multiplied by shares outstanding).

**WILL APPLE KEEP RALLYING?** Since the financial crisis, [**companies that have split their stocks have struggled in the short term and outperformed the broad market over a longer time horizon**](http://blogs.wsj.com/moneybeat/2014/06/09/after-split-apple-is-ripe-for-a-lull/). Since 2010, 57 companies in the S&P 500 have split their shares. Those stocks have averaged a 0.2% gain the day they started trading on a split-adjusted basis, according to New York research firm Strategas Research Partners. A month later, they have risen just 0.5%. But longer term, the average gains are more pronounced. Since 2010, these stocks have averaged a 5.4% increase three months after a split and a 28% surge one year later, Strategas says.

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**WHAT IF APPLE NEVER SPLIT ITS STOCK?** Apple has now split its stock four times throughout its history. It previously conducted 2-for-1 splits on three separate occasions: February 2005, June 2000 and June 1987. According to some back-of-the-envelop math by S&P’s Howard Silverblatt, if Apple never split its stock, you’d have eight shares for each original one prior to the most recent split. So Friday’s $645.57 closing level would translate to $5164.56 unadjusted for splits.