[PDF Database Document] - BTCC Cryptocurrency Exchange

Original:
https://www.btcc.com/en-US/academy/financial-investment/google-stock-split-should-you-buy-googl-shares-now

Google stock split: Should you buy GOOGL shares now?

In this article we will discuss the Google stock split history, benefits and price, and Alphabet's latest earnings and price prediction.

Google parent company Alphabet completed a 20-for-one stock split for its Class A (GOOGL), Class B and Class C (GOOG) shares in mid-July 2022.

While investors cheered the stock split news earlier in the year, concerns about slowing advertising revenue amid macroeconomic headwinds pushed Alphabet's stock to a 20-month low.

By the end of October 2022, GOOGL and GOOG shares extended year-to-date losses to about 35% each after reposting weak third-quarter earnings.

What exactly is a stock split?

A stock split is a corporate action in which a company issues additional stock to its shareholders at a predetermined ratio. A stock split will result in an increase in the number of shares held by existing shareholders but will see its price reduced by the stock split ratio. The total dollar value of all shares will not change due to a stock split.

"Think about it like a chocolate bar. Your one big chocolate bar is broken down into multiple bite-size pieces. You still have the same amount of chocolate, just in smaller pieces," explained research firm Morningstar in a blog post.

Common stock split ratios are 2-for-1 or 3-for-1, where a shareholder receives an additional one or two shares for every stock held. The unit price of the stock will fall by a division of two or three, accordingly, after the split takes place.

Stock splits are also referred to as “one-time special stock dividend” in corporate announcements. A company can choose to split its stock multiple times, subject to shareholder approval.

Google stock split ratio: 20-for-one

When did Google stock split? Shareholders of Alphabet’s Class A, Class B and Class C stock received an additional 19 shares for each stock they owned after the 15 July market close.

Alphabet announced on 1 February that its board of directors had approved and declared the stock split for the company’s Class A, Class B and Class C shares.

Investors cheered the Google stock split news as Alphabet Class A shares surged over 7.5% on the following day to see its best intraday gain of 2022.

Shareholders approved the plan at the 2022 Annual Meeting of Stockholders on 1 June, with the Google stock split date set for 15 July.

Alphabet has divided its stock into three classes. Class A shares and Class C shares are listed in public markets. Class B shares are exclusively owned by the company’s founders and select directors.

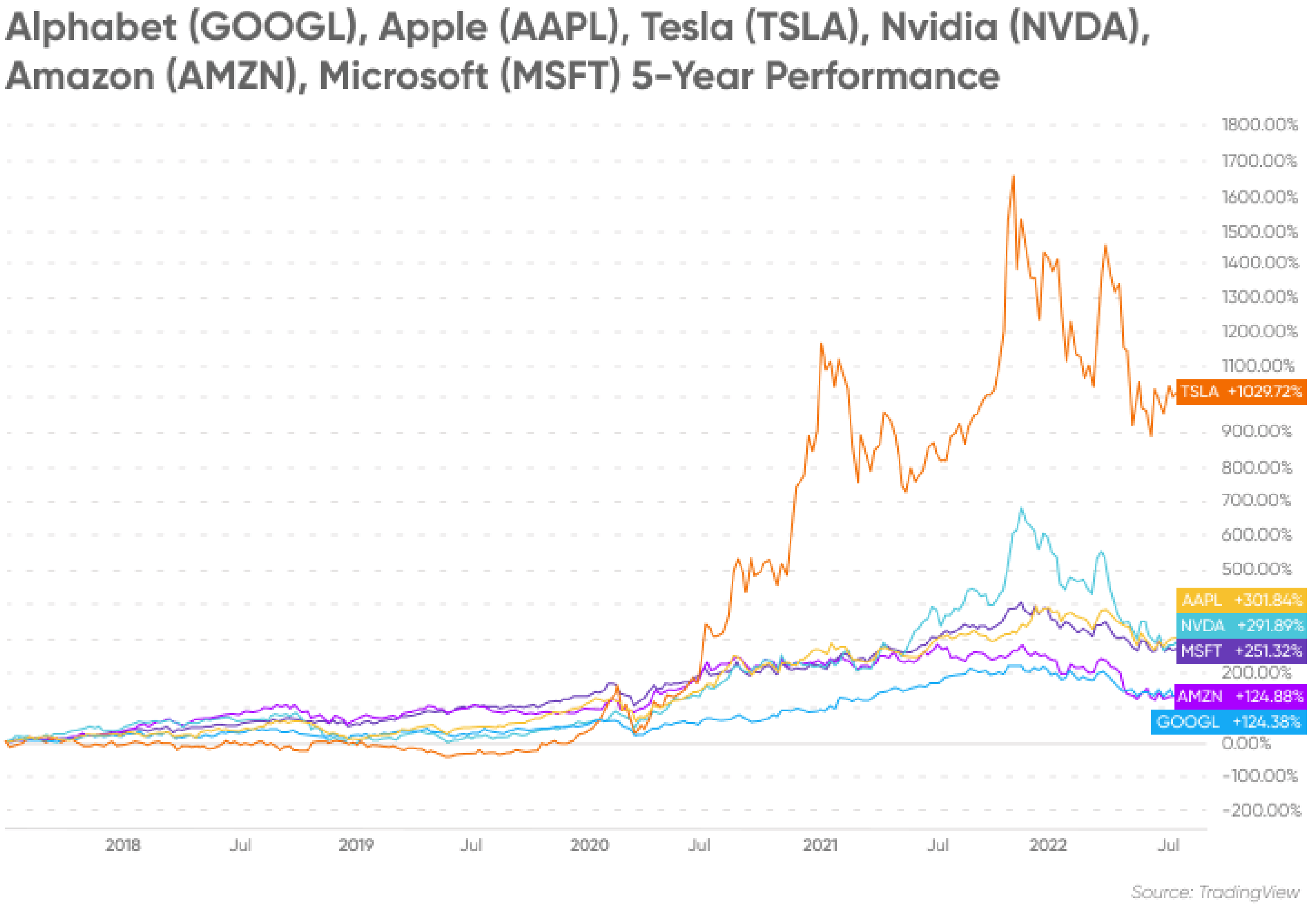
The company’s Class A shares differ from Class B shares as the latter shareholders do not trade their shares on stock exchanges.

Alphabet’s Class B shares are reported to have 10 votes a share while its Class A shares have only one vote each.

Why did Alphabet undergo a stock split?

Companies carry out stock splits with the intent of making their stock prices more attractive to retail investors.

Big Tech companies, including Apple (AAPL), Tesla (TSLA), Nvidia (NVDA) and Amazon (AMZN), have announced or carried out stock splits of their own recently, having seen their share prices soar.



It has to be mentioned that the higher share price of company A versus company B does not mean that A is more valuable than B. A company’s market value is usually measured by its market capitalisation, which is calculated by multiplying the total number of outstanding shares by the unit share price.

Stock splits do not directly affect a company’s market capitalisation. However, as investors anticipate increased retail interest after stock splits, a company announcing a stock split could see its share price rise on the news.

“In most cases, stock splits are undertaken by companies when the share price has gone up significantly, particularly in relation to a company’s stock market peers. If the share price becomes more affordable for smaller investors, it can reasonably be assumed that more investors will participate, and so the overall liquidity of the stock would increase as well,” added Morningstar.

Will Google stock split boost Alphabet share price?

Markets tend to react positively to stock split news. GOOGL stock jumped as much as 10% to an all-time high of $3,030 a day after the announcement of its stock split on 2 February 2022. Google’s stock price was trading at around $2,750 before the split news.

As trading began on 18 July, Alphabet class A stock opened at a split-adjusted price of $112.64. Google’s stock price before the split was $2,255.34 as the market closed on 15 July.

However, historical analyses of stock splits have shown that share prices of a company typically rise after the announcement of any stock split and fall after its implementation.

In August 2020, Tesla (TSLA) saw its share price surge about 80% from $274 to $498 between the announcement and implementation of its five-for-one stock split. Shares fell by over 33% to $330 over the next five days after the stock split adjustment.

Similarly, Apple (APPL) shares jumped over 34% between the announcement and implementation of its stock split in July-August 2020. Stock prices dropped about 15% within the next 14 trading sessions.

It is important to mention that strong quarterly results played influential roles in the above-mentioned share price jumps for Apple in 2020 and Alphabet in 2022 as their stock split announcements were paired with quarterly earning result releases.

“Everyone knows that stock splits are completely meaningless when it comes to a company’s fundamentals, yet companies continue to split their stocks anyway, and more often than not, the price of a stock gets at least a short-term boost from the announcement,” said Bespoke Investment Group in a note seen by Forbes.

Alphabet Q3 earnings: Latest earnings

Alphabet announced its 2022 third-quarter earnings on 25 October 2022. Here are the highlights:

- The YouTube owner reported a 11% year-on-year (yoy) jump in quarterly revenue in constant currency terms to $69.09 bn which missed Refinitiv-polledanalysts expectations of $70.58bn.
- Quarterly revenue from YouTube ads slipped nearly 2% yoy.
- Quarterly revenue from Google Cloud rose about 38% yoy.
- Alphabet’s quarterly net income fell over 25% to $13.91bn with diluted earnings per share coming in at $1.06 in the third-quarter of 2022 compared to $1.40 a year ago.
- Quarterly operating margins fell to 25% from 32% as reported a year ago.
- GOOGL shares closed 9.1% lower on 26 October 2022 following third-quarter earnings.

GOOGL stock: Analysts say

Morningstar senior equity analyst Ali Mogharabi lowered GOOGL’s fair value estimate to $160 from $169 in a 26 October note seen by Capital.com.

Mogharabi cited “stronger dollar and economic uncertainty” as the main reasons for Alphabet’s decelerating in revenue growth in the third-quarter.

“Assuming less uncertainty in the macroeconomic environment, plus the monetization of YouTube Shorts, we expect advertising revenue growth to return to double-digit levels in 2023,” said Mogharabi.

Elsewhere, Jefferies analysts Brent Thill and John Byun also cut the price target for GOOGL stock to $125 from $130 after its third-quarter earnings result.

However, the duo highlighted the company’s losses in 2022 has made its valuations attractive. They said:

“Valuation ~11x NTM EV/EBITDA vs. 10-yr avg 12x is attractive for investors looking past the coming recession, for which GOOGL is better equipped than others.”

Finally, MarketBeat data on 1 November 2022 showed 30 out of 35 analysts rated the stock ‘buy’, one rated it ‘strong buy’ and four rated it ‘hold’.

The consensus GOOGL stock forecast stood was at over $134.3, representing an upside of about 42% from its October close of $94.5.

Note that analysts’ predictions can be wrong. Always make sure to conduct your own due diligence before making any investment or trading decisions.

What’s the impact on the Dow?

Could shares trading at a lower level after the split price help Alphabet build its case for inclusion on the Dow Jones Industrial Average index (US30)?

Despite being among the biggest companies in the US by market capitalisation, Alphabet is not a member of the Dow Jones Industrial Average – one of the reasons for this could be its high pre-stock split share price.

The Dow Jones Industrial Average index is a price-weighted index, which means that a constituent company's share price will determine its weighting in the index. A stock with a higher price could potentially have a greater influence on the Dow index's performance.

"Since the indexes are price weighted, the Index Committee evaluates stock price when considering a company for inclusion. The Index Committee monitors whether the highest-priced stock in the index has a price more than 10 times that of the lowest," says the Dow Jones Averages Methodology.

Being added to one of the most followed stock market indices could attract additional capital into Alphabet via exchange-traded funds (ETFs) that track the performance of the Dow Jones Industrial Average index.

Interestingly, e-commerce giant Amazon (AMZN) has followed in the footsteps of YouTube owner Alphabet in announcing a 20-for-one stock split in 2022 – a first in 20 years for the Jeff Bezos-led company.

It should be noted that the inclusion of Alphabet in the Dow Jones Industrial Average Index after the stock split is not guaranteed. The index aims to maintain "adequate sector representation" as a part of its selection process.

Google stock split history

A Google share split has only once taken place prior to 15 July 2022 – before the firm was under its current parent company, Alphabet.

In 2015, Google restructured to operate as a subsidiary of a newly-created holding company called

Alphabet. Google founders Larry Page and Sergey Brin took up positions of CEO and president of Alphabet, respectively.

Until April 2014, Google's Class C shares were not available to the public. Google announced a 1,998-for-1,000 stock split in January 2014, where holders of 1,998 existing Class A shares (GOOGL) received 1,000 Class A shares and 998 Class C shares (GOOG) in return.

Since that split, GOOGL has returned close to 300%.

FAQs

Why did Google split its stock?

Companies usually do stock splits in an effort to make their stock more affordable and attractive to retail investors.

Has Google ever had a stock split before?

Google announced a 1998-for-1000 stock split in January 2014, with holders of 1998 existing Class A shares (GOOGL) receiving 1000 Class A shares and 998 Class C shares (GOOG) in return. Since that split, GOOGL has returned close to 300%.

How many times has Google split its stock?

Google stock has undergone a split only once before in 2014.

Read More:

BTCC Bonus Campaign – Sign up BTCC to Get 3,500USDT!

What Is Futures Trading in Crypto? A Guide for Beginners

Gasoline Price Prediction 2022,2030: What Will It Be In Next Five Years?

When Will Pi Coin Launch: Pi Network Phase 4 Release Date

Is Pi Network Legit Or Scam: Pi Coin Real Or Fake?

Pi Coin Price Prediction 2025

Hooked Protocol Price Prediction: How High Will HOOK Coin Go?

Wild Cash App by Hooked Protocol: Answer Quiz to Earn $HOOK

Ethereum Price Prediction 2025-2030

Metamask Airdrop – To Get $MASK Token For Free?

LUNA Classic Burn: Will LUNC Burn Its Supply?

Terra LUNA 2.0 vs. Luna Classic (LUNC): What Are the Differences?

Luna Classic Price Prediction: Will Luna Classic Reach $1?

CRO Crypto Price Prediction 2025: Will CRO Coin Ever Reach $1?

ADA Cardano Price Prediction 2025, 2030

HBAR Price Prediction 2030: How Much Is HBAR Worth in 2030?

HBAR Price Prediction 2022, 2025, 2030

Best Bitcoin Casino Free Spins No Deposit 2022

Dogelon Mars Price Prediction: Is Dogelon Mars A Good Investment?

What Is PoW Ethereum (ETHW)? Your Ultimate Guide