Tesla’s planned five-way stock split will make its shares much more affordable

Tesla has announced a new five-way stock split to take effect on August 28th, which will make the company’s shares cheaper for buyers.

The electric car maker’s stock closed on Tuesday at $1,374.39 a share, close to its July all-time high and at a total market valuation of more than $256 billion. But at prices that high, it’s difficult for individuals — especially retail traders using platforms like Robinhood — to own more than fractional shares of the company.

If you own Tesla stock by August 21st, you’ll receive four additional shares of common stock on the date of the split. Starting August 31st, Tesla says it will begin trading on a split-adjusted basis.

Tesla’s stock is nearly $1,400 a share right now
Stock splits are typically neutral events for investors — you used to own one share and now you own five, but the value remains the same. However, the split makes it easier for individuals — such as those Robinhood-using retail investors that love to get in on fast-growing tech stocks — to become official shareholders. For Tesla, it helps defend against claims its stock price is inflated by reducing the total cost of one share by 80 percent and giving the company the appearance of having more affordable and accessible shares.

There are also plenty of other, somewhat arbitrary reasons why a company, like Apple or Tesla, may want to split their stock,

as laid out in this explainer by *Bloomberg*'s Matt Levine. Some reasons include not being able to move fractional shares between brokerages as easily as full ones and concerns that a high-priced stock may reduce liquidity. But in some cases, it's just good for appearances to have a lower-priced, more accessible stock, especially when it's easier than ever for your average smartphone owner to throw some money into Robinhood and start trading.

Already, Tesla stock is up nearly 6 percent in after-hours trading following news of the decision.

https://www.theverge.com/2020/8/11/21364073/tesla-five-way-stock-split-august-21-plan-approved-shares-accessible-cheaper