

5 Stocks Splitting Shares

Fools know the value of a stock split: zero. It's a nonevent. Instead of a \$20 bill in your wallet, you now have two \$10 bills. You're eating 12 smaller slices of your pizza instead of six larger ones.

So if [stock splits](#) mean nothing, why do companies do them? There are a few reasons, none of which has anything to do with whether the stock is a good investment. Here are the usual ones:

- To make the stock look cheap.
- To increase liquidity.
- To meet stock-exchange listing requirements.
- To express a bullish management sentiment.

Regardless of the reason, the market tends to view stock splits as positive events, and a company's shares can get a short-term boost from the news. But if the business isn't a good, long-term company, it doesn't matter if its shares split, or whether you buy them before or after.

A split decision

That's why we pair up stock-split announcements with the sentiments of more than 115,000 members of [Motley Fool CAPS](#). Every day, professional and novice investors rate the prospects of thousands of stocks, resulting in a rating between one and five stars (five being the best). Data shows that [newly minted five-star stocks](#) offer the best opportunities for investors, while the lowest-rated companies fared worst. If the best stock pickers think a company's long-term performance is outstanding, and the company has announced the bullish signal to split its shares, maybe investors should take notice.

Then we dive in and see exactly what the CAPS community has to say about some of these companies. Here is a list of stocks that have recently announced splits.

Company	Split	Announce Date	Pay Date	CAPS Rating (out of 5)
DXP Enterprises (Nasdaq: DXPE)	2:1	9/8/08	9/30/08	***
Ebix (Nasdaq: EBIX)	3:1	9/18/08	10/8/08	*****
Brown-Forman (NYSE: BF-B)	5:4	9/29/08	10/27/08	*****
The Buckle (NYSE: BKE)	3:2	9/16/08	10/30/08	**
Bank of Granite (Nasdaq: GRAN)	5:4	9/23/08	10/31/08	*

Sources: Company SEC filings; Motley Fool CAPS.

Three of these companies are apparently well-liked by investors, as indicated by their CAPS ratings of three stars or better. Those high ratings are a signal that our CAPS community is just as confident about the companies' prospects as management appears to be. Yet as the market takes its toll on share prices, the need to split shares may decline as well, causing a dearth of split announcements -- just as we've seen over the past few months.

Splitting hairs

Over the past three years, industrial MRO provider [DXP Enterprises](#) has been enjoying a 55% compounded growth rate in revenue and an 81% increase in profits. Even analysts haven't been able to keep up with the growth it has enjoyed -- it has beat estimates in three of the last four quarters -- but maybe they're catching on: they expect DXP to post a 52% earnings increase this quarter and look for 25% long-term growth.

In comparison to larger competitor **MSC Industrial** (NYSE: [MSM](#)), which analysts think will only achieve 16% growth over the next few years, DXP is looking positively limber. Just before the split was announced, CAPS member [Option1307](#) talked about how DXP stacks up well on many metrics, but he also reminds us that it's a [low-volume stock](#) and urges caution:

My one main concern (and why I won't buy DXPE in anything besides monopoly \$\$) is that it has a volume of around 100 K a day...I don't like companies this small and not liquid. Scary stuff for me. Net profit margin of 3.5 is awfully low for the industry.

Where many teen retailers, like **Pacific Sunwear** (Nasdaq: [PSUN](#)), have faded like denim after too many spins through the rinse cycle, [The Buckle](#) has managed to continue posting [surprising same-store sales numbers](#). CAPS member [mbernhagen](#) figures the company has found a sweet spot among usually fickle fashion-shoppers:

This company is terrific. I have been watching it rise steadily without hesitation since April, and I am unhappy that I didn't buy in then. Their clothing lines (BKE particularly, a private label for Buckle) are very fashion forward and not too trendy (sorry, no Ed Hardy \$300 t-shirts here). They offer an escape from the Gap and Banana Republic for young men, and women, without having to fork over the cash they would have to at places like Nordstrom (where the over-priced Rail department offers very little variety). I see the Buckle to continue being very successful over the next year, and imagine they will start growing the business in new ways with the increased market cap and cash flow.

Split the difference

It pays to start your own research on these stocks on [Motley Fool CAPS](#). Read a company's financial reports, scrutinize key data and charts, and examine the comments your fellow investors have made all from a stock's CAPS page. Why not head over to the completely free [CAPS service](#) and let us hear what you've got to say about these or any other stocks that you think we should split hairs over?