

# **Stock Split Size, Signaling and Profitability: Evidence from the Stock Exchange of Thailand**

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## **ABSTRACT**

This paper studies the use of stock split announcement as a signal of the firm's profitability. Similar to the findings of other countries, we observed the positive price reaction on stock split in Thailand. We also find that operating profitability of splitting firms increase until one year before stock split announcement and then the operating returns of splitting firms decrease in one year subsequence to split announcement. This finding may imply that the management split their stocks base on past performance. Moreover, split announcement contains a little information about firm's future profitability. However, splitting companies have significantly better operating profitability than control firms of similar-sized companies in same industry. Finally, we find the evidence that the surprise in the announced split factor is a signal used by managers to convey their private information to the market.