

How did the reverse stock split of Movie Pass's parent company affect its total stockholders' equity?

Helios and Matheson, Inc. (NASDAQ: [HMNY](#)) is the parent company of MoviePass, the theater subscription service. MoviePass has struggled to find a sustainable, profitable business model. Its original \$10 per month subscription plan allowed subscribers to see one movie per day. MoviePass had to pay most theaters the full price of the ticket each time a subscriber went to a movie, so the MoviePass service lost money if a subscriber saw just two movies a month (the average movie ticket price is about \$9.) This business model caused MoviePass's parent company to incur significant losses.

On July 25, 2018, Helios and Matheson Analytics implemented a 1-to-250 reverse stock split. Shareholders had to approve the reverse stock split at a special meeting prior to the reverse stock split.

Helios and Matheson shareholders received one share for every 250 shares they owned prior to the reverse stock split.

The company implemented this reverse stock split in an attempt to avoid being delisted by NASDAQ. NASDAQ can remove companies from the stock exchange if the company's stock price drops below \$1.00 per share for 30 consecutive days or if the company's total market value falls below \$50 million.

At the close of the date of the reverse stock split, the stock's price was adjusted from 8.5 cents per share to \$21.25 per share.

Questions

1. What impact did the reverse stock split have on Helios and Matheson's total stockholders' equity?
2. What impact does a reverse stock split have on a stock's par value? Explain.
3. Why do you think Helios and Matheson did not want to be delisted from NASDAQ?
4. What has happened to the market price of Helios and Matheson stock since the reverse stock split was implemented on July 25, 2018?