

Some low float stocks which we have covered include:

IIPR 17.04 total million shares and 16.83 million in the float

Link to share structure - <https://richtvlive.com/stock-quote/IIPR/share-info/>

TDOC 73 million total shares and 72 million in the float

Link to share structure - <https://richtvlive.com/stock-quote/TDOC/share-info/>

Some other companies that we talked about in the past with low share structure are

baby 32 million shares in the float - <https://www.otcmarkets.com/stock/BABYF/security>

-Aey only 10 million shares issued and outstanding

- <https://www.otcmarkets.com/stock/AEY/security>

LWAY only 15 million shares outstanding

- <https://www.otcmarkets.com/stock/LWAY/security>

What are low float stocks?

Low float stocks are the stocks of companies with pretty high institutional ownership that are left for trading on the market.

For example – if a company has total outstanding shares of 100 million and the restricted stocks (also known as closely-held) are 90 million, it means that just 10% (10 million) of all shares are low float stocks and are available for public trading.

Usually, companies issue closely-held stocks which are owned by major stakeholders, employees or other insiders.

The minority left for public trading (usually 10% - 15%) are low float stocks.

The fact that low float stocks are usually a very small number, makes them prone to higher volatility.

This, on the other hand, serves as a good opportunity for day traders.

Due to the frequent price movements of up to 100% and the potential for higher returns.

Low float stocks are traded multiple times in huge volumes throughout the trading session.

For example – a stock with a low float of 500 000 shares will change its price way faster when compared to a stock with a float of 10 million shares.

While the price of the first can be easily influenced with less buying power, it is way harder to move the price of the instrument with a bigger volume.

Another characteristic of low float stocks is the fact that the bid/ask spread is quite wide.

Low float penny stocks

When considering [day trading low float penny stocks](#), the important thing is to focus on finding common stock patterns by using technical indicators such as SMA, RSI, MA convergence/divergence and many others.

But to trade low float penny stocks successfully, one needs to consider one other characteristic as well – the volume.

Low float biotech stocks

Biotech companies are among the most popular low float stocks as the industry is highly profitable and renowned for its potential of sudden price booms (a consequence of a scientific breakthrough, FDA and patent approvals, etc.).

The high volatility makes low float biotech stocks a great opportunity for day traders to profit from.

A great source for day traders interested in biotech stocks is
Biopharmcatalyst.com

Stock Structure

Importance of Understanding a Stock's Structure

One of the facets of trading that is often overlooked when performing [fundamental](#) and [technical analysis](#) is a company's stock structure. A stock's structure pertains to how the shares of a public corporation are set up. This can have implications on both a fundamental and technical level. Fundamentally, stock structures can affect earnings-per-share, voting rights, financing, dilution, valuation and short interest. From a technical analysis perspective, the stock structure can affect stock price behavior, the rigidity of price movement, spreads, [volume](#), liquidity and momentum.

Outstanding Shares

The outstanding shares represent the total number of authorized shares that are in the hands of shareholders, financiers, investors and insiders, which include free trading and restricted stock. The outstanding shares represents all authorized shares that are not held by the company, which are called treasury stock. Outstanding shares values tend to expand and contract based on actions by the company. Stock based compensation and private placements increase the outstanding shares, which can further dilute the shareholder value. Stock buyback programs will shrink outstanding shares, which technically increases the earnings-per-share (EPS) values without actually increasing the actual earnings amount.

This little trick is called financial engineering. For example, if a company has 10 million outstanding shares with \$10 million in earnings, the EPS is \$1 [per share](#). If the company buys back 2 million shares leaving 8 million shares outstanding, the same \$10 million earnings equates to \$1.25 EPS and increase of 25% due solely to share buybacks, not an actual increase in profits.

Float

The float is the total number of free trading shares that are in the hands of investors. These shares have no restrictions and can be traded any time. Shares held by insiders require reporting protocol and aren't counted as part of the float until disposition, which also includes restricted shares, which cannot be traded until they meet certain time and vesting conditions. The float is usually much smaller than the total outstanding shares. Smaller floats equate to thinner [liquidity](#) since there are less free trading shares in the market. Smaller floats are also subject to more volatile price action and less daily trading volume. In many cases, smaller floats can lead to [short squeezes](#).

Authorized Shares

When a company is incorporated, it is required to state the total number of authorized shares it can issue. The total authorized shares states the maximum shares that can be issues by the company. From that amount, the outstanding shares are derived from the shares it actually issues including the initial public offering, secondary offerings, private placements and stock-based compensation and incentives. Companies may authorize more shares, but it will further dilute the shareholder equity when they are issued.

Common Shares

Common stock is also known as free trading shares. These shares are offered to the public through an initial public offering (IPO) when a company decides to go public and trade on a stock exchange. Common shares carry voting rights but are the last in line to receive dividend payouts and have almost no claim on assets if the company has to liquidate assets in bankruptcy proceedings. Shareholders of common stock are invited to annual shareholder meetings where the company presents the annual report, which includes the audited financial statements, and reviews the

company's performance and strategy moving forward. Shareholders are also presented with various items for vote including executive compensation, dividend payments, auditors, pending mergers or acquisitions and board member changes.

Periodically, the company will release more shares into the market through equity offerings including secondary offerings, shelf offerings and private placements. Newly listed public companies also have lock-up expiration periods starting six months after the IPO, which allow insiders and restricted stockholders to sell their shares in the open markets. This tends to further dilute the float but improves liquidity. Shares tend to sell-off weeks before a lock-up expiration in anticipation of more shares flooding the market. Further lock-up expirations are scheduled by the company to incrementally increase the float. Successful lock-up expirations result in liquidity improvement, stock price stabilization and [daily trading volume](#) improvement as the market successfully absorbs the shares.

Preferred Shares

Preferred shares have priority on dividend payouts above common shares and have a claim on the company's assets in the event of liquidation or insolvency. Preferred shares tend to receive higher dividend payments consistently since it act more like a bond and shares virtually the same rights as bondholders. Unlike common shares, preferred shares usually don't provide voting rights. Many preferred shares have the ability to convert to common shares, also known as convertible debentures or preferred shares. Companies use preferred shares as a method of financing that doesn't incur heavy debt.

Restricted Shares

Restricted stocks are non-trading company shares that cannot be transferred or sold until certain conditions are met. Restricted shares are commonly issued/granted to company employees and insiders as part of their compensation/incentive [packages](#).

Companies have their own rules regarding vesting of employee stock and time requirements before restrictions can be lifted on shares. Restricted shares are also used to raise funds for the company through private placements, secondary offerings and convertible debt offerings. Restricted stock requires the company to lift the restricted status before the shares are available for free trading.

What is considered a low float stock?

A low float stock is considered one with a relatively low number of shares, available for public trading.

Low float stocks are prone to higher volatility and price instabilities, which makes them a preferred instrument for day traders.

What is the float of a stock?

The float indicates the number of shares available for public trading.

The float is calculated by subtracting restricted stocks from the company's total outstanding shares.

The float is important for investors as it gives them an indication about the possible volatility and profit potential of the particular instrument.

What is a good float percentage?

It depends. Every trader has his own perceptions on what is a good float percentage, depending on the characteristics of the preferred trading strategy.

However, most industry professionals consider a float percentage as good when it is in the range of 10% - 25%.

Trading low float stocks - Summary

Trading low float stocks is not an easy task as it requires lots of attention and continuous monitoring of the open positions.

If you are not ready to lose money, do not start with low float stocks.

Due to their high volatility and instantaneous price swings, these instruments are capable of wiping out one's portfolio in a matter of minutes.

However, equipped with the right tools and ready to run nightly and daily scans will mitigate the risk of unexpected losses.

While at the same time low float stocks increase your chances of taking advantage of the huge profit opportunities.

Make sure to start each trading session with an initial pre-market scan to see which stocks have moved during the night (and are currently reacting to news events).

Do the same after the closing bell of each trading session to find out the main movers and add them to your watchlist for the next day.

And most importantly – do not forget to use low float stocks for day trading only and avoid leaving any open positions overnight!