Stock options and share dilution

Amazon letters: 2001, 1997 · Difficulty: Intro

> *"Limiting share count means more cash flow per share and more long-term value for owners." (2001)*

1. A company has 400 million shares outstanding and targets net dilution from employee stock options of 3% this year. How many new shares does that add (millions)? _____

2. If free cash flow stays the same and the number of shares rises, free cash flow per share…

   A. rises

   B. stays the same

   C. doubles

   D. falls

Source: Jeffrey P. Bezos, Letters to Amazon.com Shareholders: 2001, 1997 (ir.aboutamazon.com). Quotation © Amazon.com, Inc., all rights reserved; reproduced in part for non-commercial teaching. Numbers in the questions are made up unless stated.