

Equity Vesting and Investment

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The Review of Financial Studies, Volume 30, Issue 7, July 2017, Pages 2229–2271,
<https://doi.org/10.1093/rfs/hhx018>

Published: 27 March 2017

This paper links the CEO's concerns for the current stock price to reductions in real investment. We identify short-term concerns using the amount of stock and options scheduled to vest in a given quarter. Vesting equity is associated with a decline in the growth of research and development and capital expenditure, positive analyst forecast revisions, and positive earnings guidance, within the same quarter. More broadly, by introducing a measure of incentives that is determined by equity grants made several years prior, and thus unlikely driven by current investment opportunities, we provide evidence that CEO contracts affect real decisions.

Received May 12, 2015; editorial decision December 15, 2016 by Editor Andrew Karolyi.

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