

Does **CEO Attractiveness** Influence Share Price?

...

COMM 486H

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Agenda

- Project Motivation
- Past Literature
- Data Collection & Methods
- Findings
- Biases & Room for Error

Our Motivation

- Exhausted strategies
- Wanted something fascinating
- Relationship between Share Price and time spent Golfing
- Behavioural Finance
- Public Perception
- CEO Attractiveness



Past Literature

“Beauty is Wealth: CEO Appearance and Shareholder Value”

- 2 Economists, from the University of Wisconsin: Joseph Halford & Hung-Chia Hsu
- Sample of 677 CEO's from the S&P 500
- Used a ‘Facial Symmetry Index’ to Objectively Rate CEO's



Past Literature

“Beauty is Wealth: CEO Appearance and Shareholder Value”

- Attractive CEO's had a “First Impression” Advantage
- Increase in Stock Price After Announcement/TV appearances
- Reliant Upon Appearance → No positive relationship if CEO NOT visible to public



Data Collection

- CEO Headshots
- CEO Attractiveness Ratings
- Stock Tickers
- CEO Announcement Dates
- Monthly Returns
- Monthly Risk Free Returns
- Monthly Market Returns

Methods

- Monthly stock returns
 - CRSP
- Ratings
 - Quartiles
- Quartile Returns
 - Compounded monthly returns
- Announcement date vs. change date
- Market adjustments
 - Fama-French

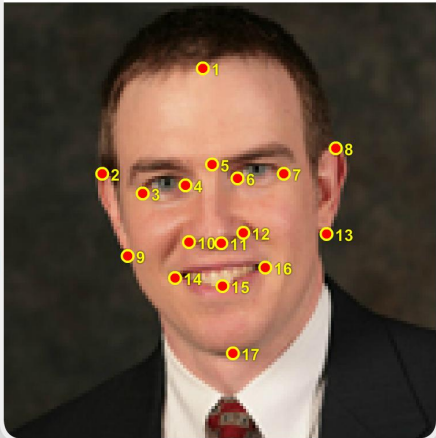


Examples of **Perfect** Facial Symmetry...

Facial Beauty Analysis - Score Your Face

All points Assigned

Performing Analysis
Your facial beauty score is being computed based on the geometry of your face.

A portrait of Adlai Fisher with 17 yellow circular markers numbered 1 through 17, indicating facial landmarks for analysis. The markers are distributed across the face: 1 on the forehead, 2-7 on the upper half, 8-13 on the lower half, and 14-17 on the chin and jawline.

**10/10
STUNNING!**

☒ Show Numbers ☐ Hide Numbers

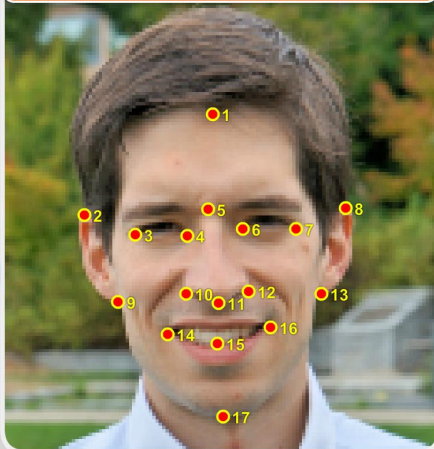
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Adlai Fisher

Facial Beauty Analysis - Score Your Face

All points Assigned

Performing Analysis
Your facial beauty score is being computed based on the geometry of your face.

A portrait of Charles Martineau with 17 yellow circular markers numbered 1 through 17, indicating facial landmarks for analysis. The markers are distributed across the face: 1 on the forehead, 2-7 on the upper half, 8-13 on the lower half, and 14-17 on the chin and jawline.

**10/10
BREATHTAKING!**

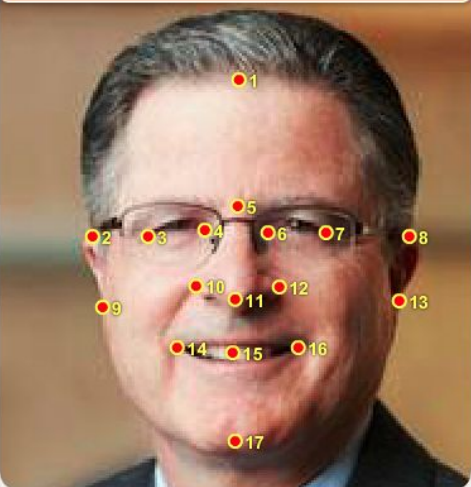
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Charles Martineau

How **Anaface** Works

All points Assigned



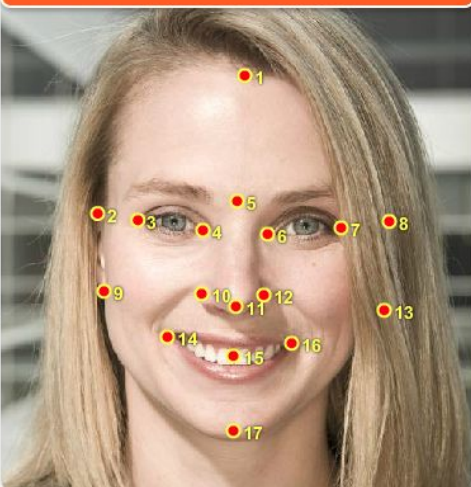
Performing Analysis
Your facial beauty score is being computed based on the geometry of your face.

You are a 6.81 out of 10. Here's why:

- Your face has good horizontal symmetry
- The ratio of your nose length to ear length is nearly ideal.
- Your innerocular distance is too big for your eyes.
- Your nose is too wide for your face width.
- Your face is too wide/too short.
- The ratio of your mouth width to nose width is nearly ideal.

☒ Show Numbers ☐ Hide Numbers

Place the point at the bottom of chin



Performing Analysis
Your facial beauty score is being computed based on the geometry of your face.

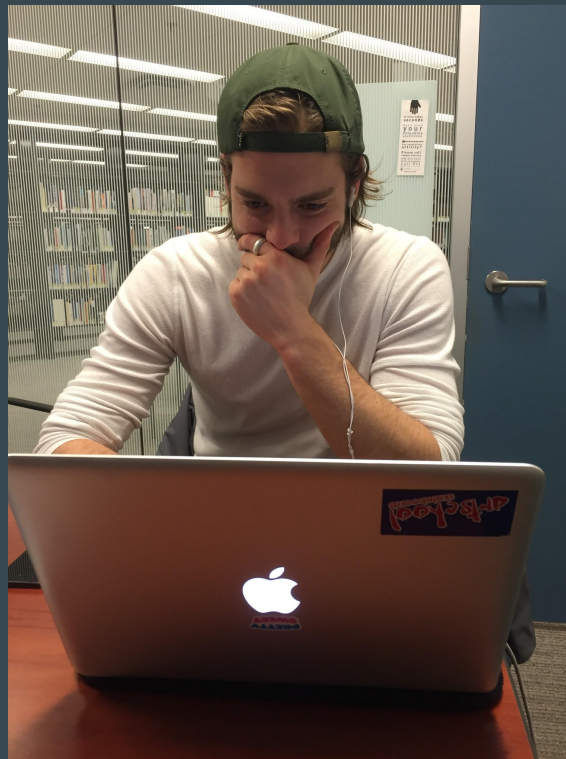
You are an 8.16 out of 10. Here's why:

- Your face has great horizontal symmetry
- The ratio of your nose length to ear length is nearly ideal.
- Your innerocular distance is too small for your eyes.
- Your nose is too narrow for your face width.
- Your face is too wide/too short.
- Your mouth is too wide for your nose.

☒ Show Numbers ☐ Hide Numbers

Empirical Approach

- 37 CEOs
 - Adjusted for outliers & missing data
- Collect data two years from every announcement date
- Monthly compounded returns based on quartiles
 - Actual Returns
 - Market-adjusted returns

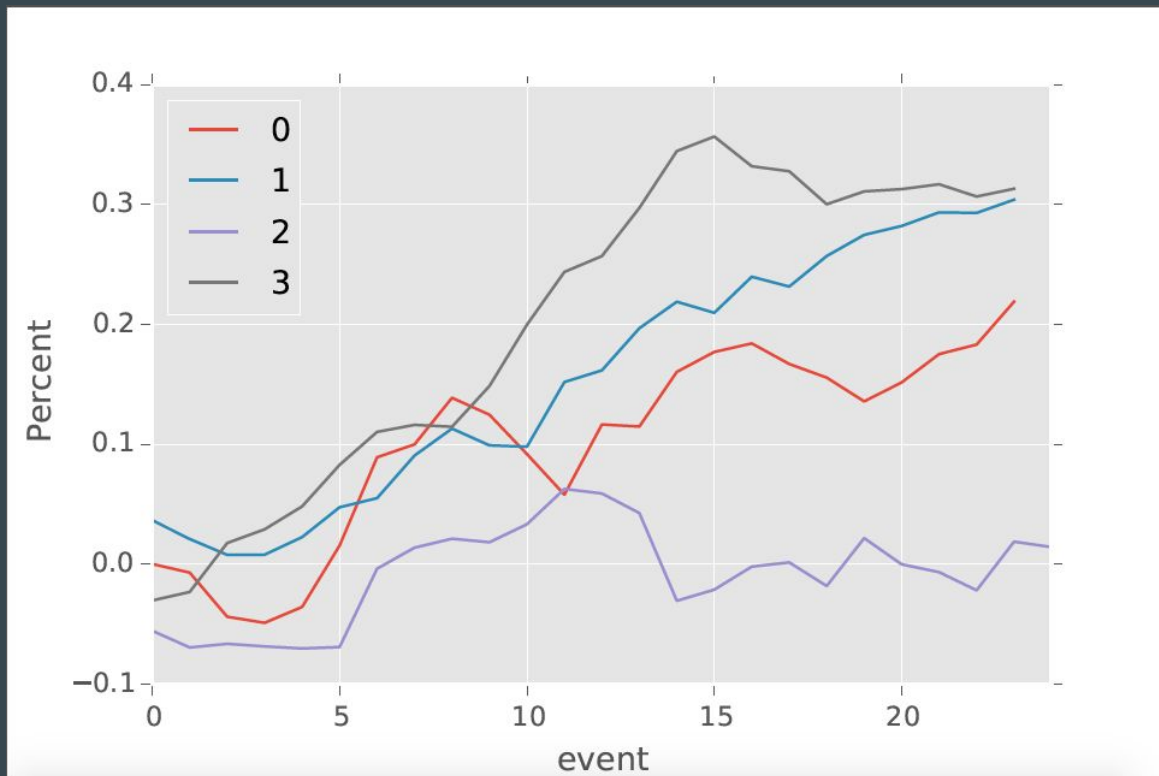


Dylan working away on the code

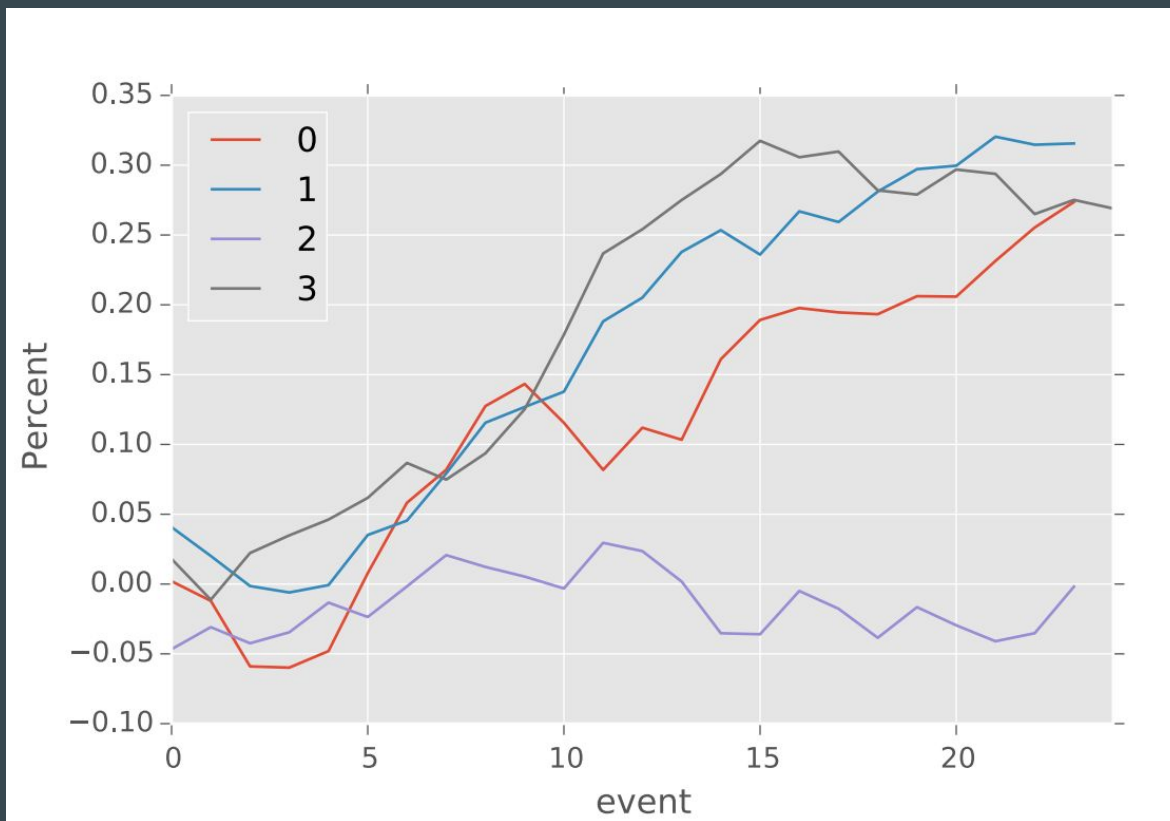
Findings

Does **CEO Attractiveness** Influence Share Price?

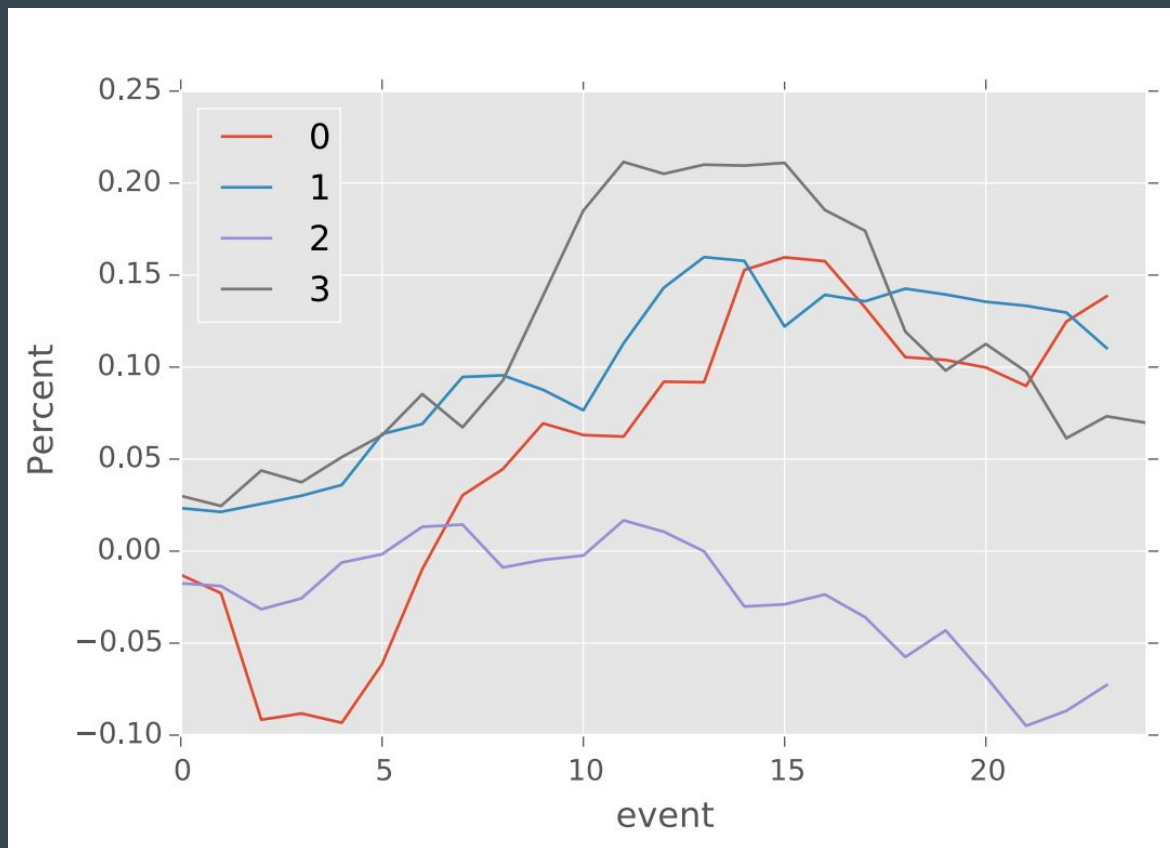
Raw Returns



Returns Adjusted for Risk Free Rate



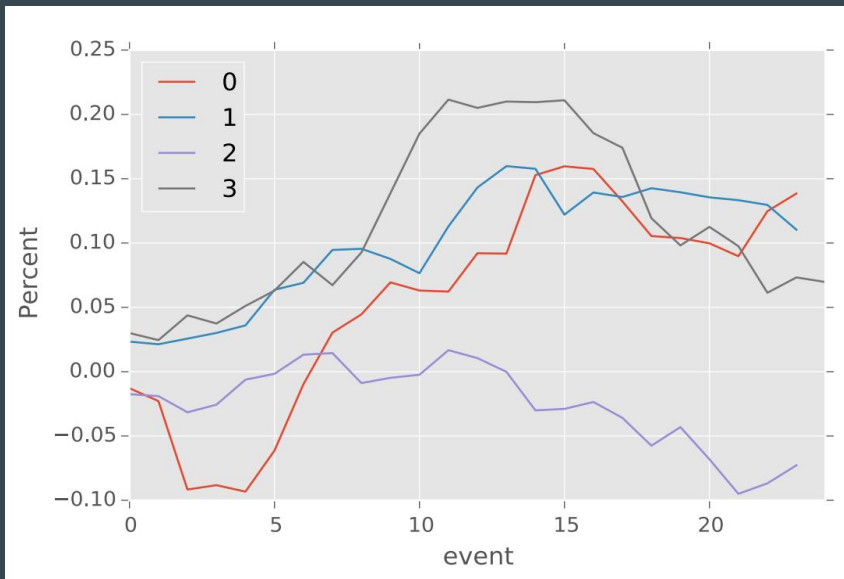
Returns Adjusted for Market Returns



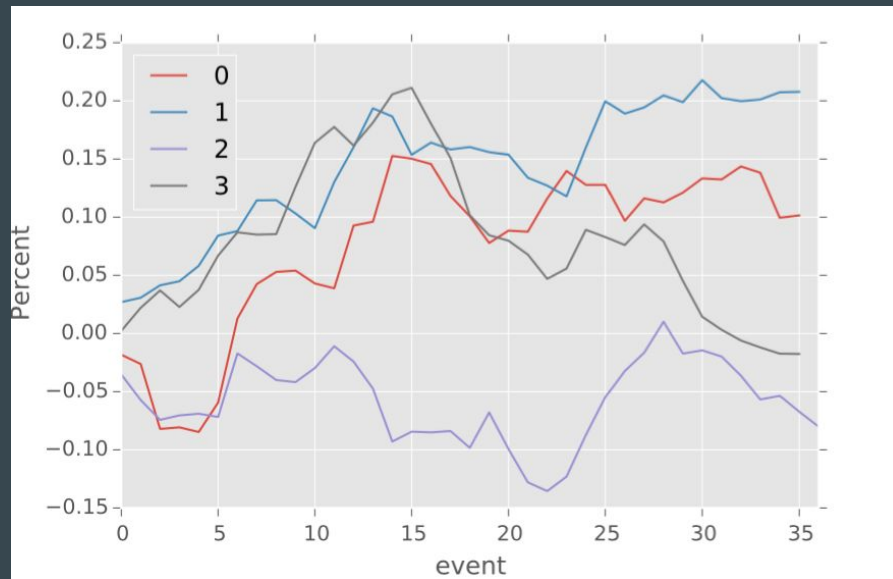
Strategy?

Additional Analysis

Returns Adjusted for **Market Returns**



24 months



36 months

Biases & Room for Error

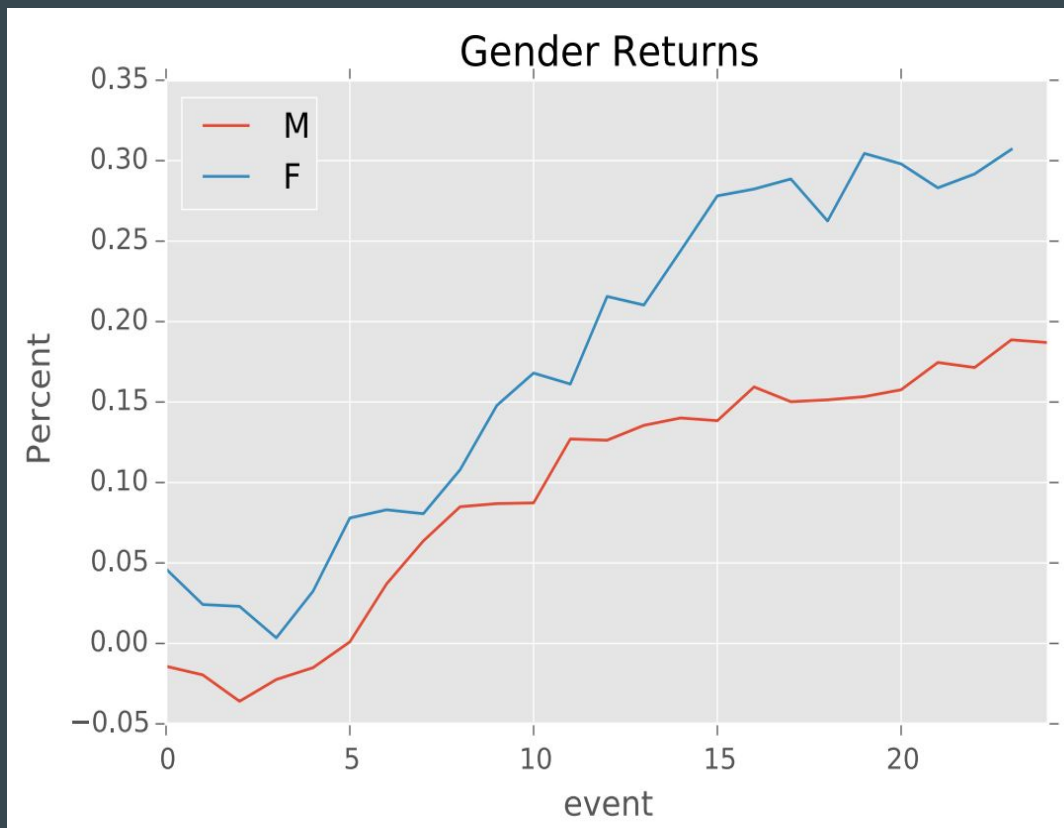
1. Ratings Bias

- Bias placing markers
 - Controlled
- Variation among CEO headshots
 - distance and angles
- Room for error with manual placement of markers on AnaFace
- University of Wisconsin
 - Top 5%



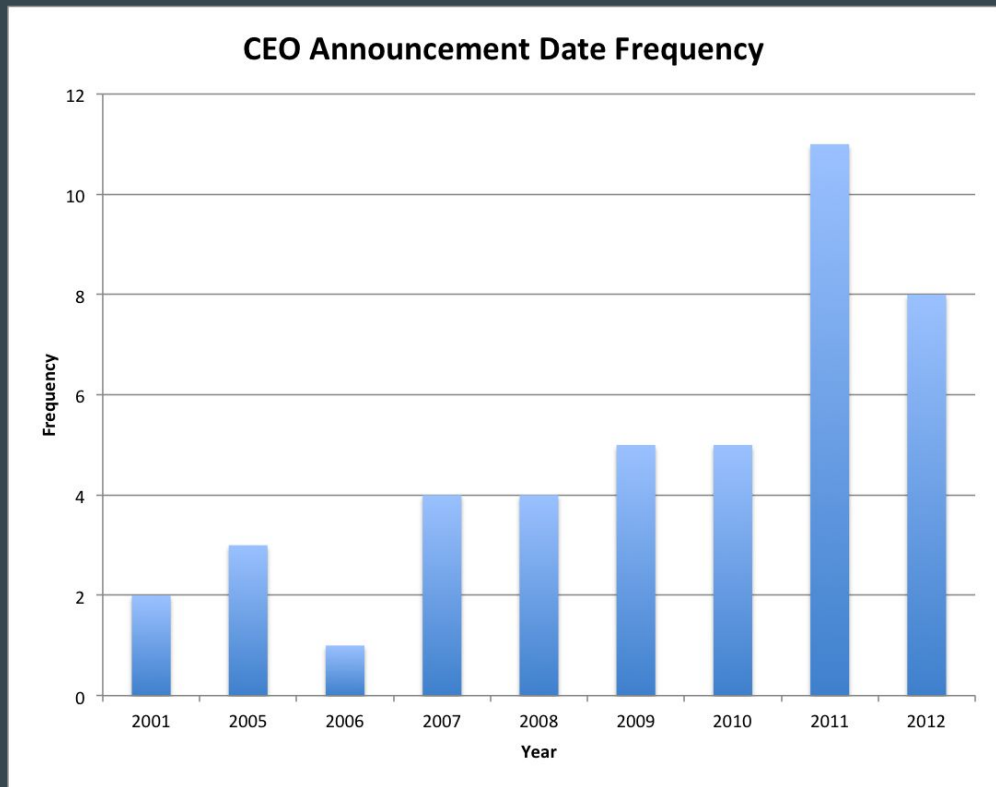
2. Sample Size

- S&P 500 Companies
- 44 CEO's total
 - Dropped 7 → 37 used



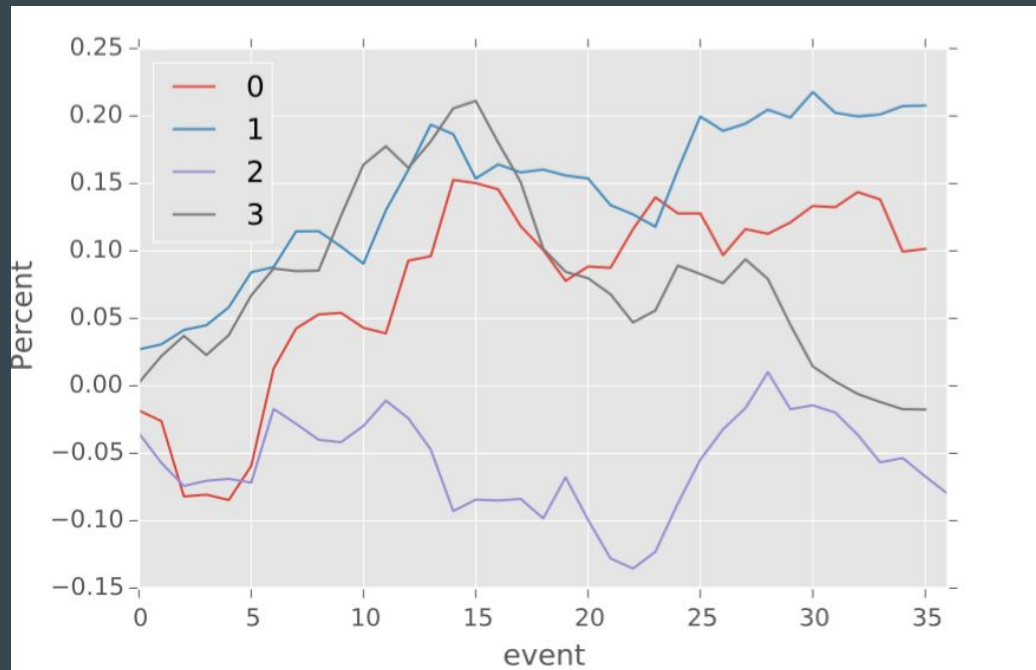
3. Time Period

- Macro factors
- Consistency



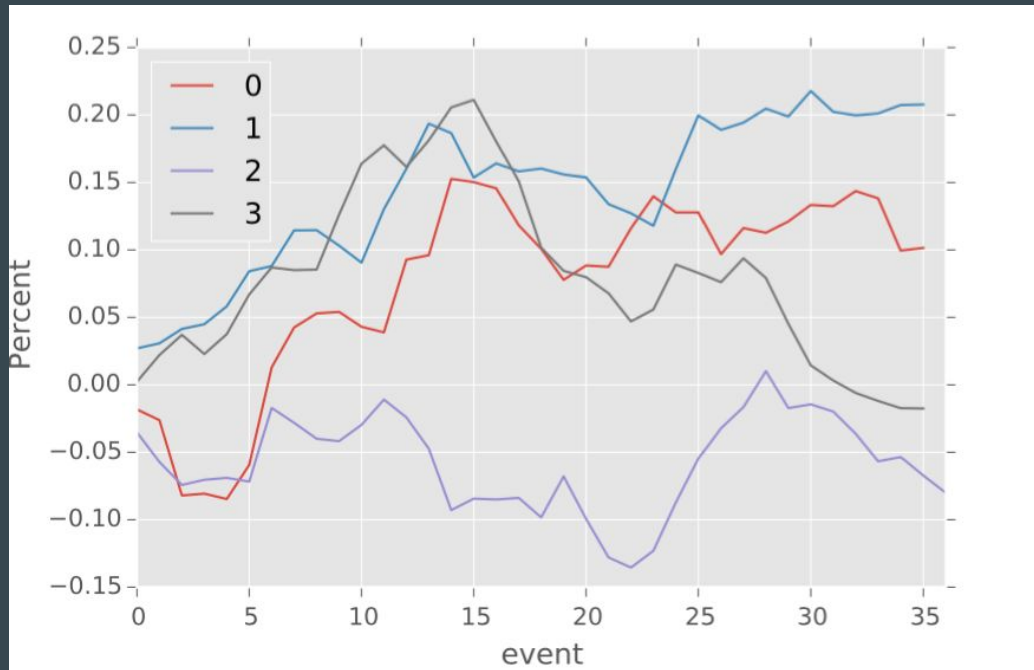
4. Return Frequency

- Daily vs Monthly Returns



Summary

- Objective Ratings
- Returns based on Ratings
- Investment Strategy?
- Biases & Errors



Questions?

Company	TICKER	CEO_NAME	DATE_ANNOUNCED	RATING	GENDER
Accenture	CAN	Pierre Nanterme	10/1/2010	7.45	M
Adobe Systems	ADBE	Shantanu Narayen	11/12/2007	6.24	M
Alcoa	AA	Klaus Kleinfeld	8/1/2007	7.76	M
Alliance Data	ADS	Ed Heffernan	2/18/2009	8.54	M
American Airlines Group	AAL	Doug Parker	9/1/2001	7.36	M
Aon	AON	Gregory C. Case	4/4/2005	6.96	M
Apple	AAPL	Tim Cook	8/24/2011	8.68	M
Avon	AVP	Sheri McCoy	4/9/2012	8.04	F
Bank of America	BAC	Brian Moynihan	1/1/2010	6.9	M
Best Buy Co. Inc.	BBY	Hubert Joly	8/17/2012	6.68	M
Boeing	BA	Jim Mcnerney	6/30/2005	7.62	M
Boston Scientific Corp	BSX	Michael Mahoney	11/1/2012	7.93	M
Campbell Soup Co	CPB	Denise Morrison	8/1/2011	6.14	F
Caterpillar Inc.	CAT	Douglas R. Oberhelman	10/22/2009	7.96	M
Charles Schwab	SCHW	Walt Bettinger	10/1/2008	7.33	M
Chevron	CVX	John Watson	1/1/2010	6.56	M
Cimarex	XEC	Thomas E. Jorden	8/29/2011	7.61	M
Connoco Phillips	COP	Ryan Lance	5/1/2012	7.9	M
Deere and Co	DE	Samuel Allen	8/1/2009	7.7	M
Equifax	EFX	Rick F. Smith	8/24/2005	8.12	M
Equinix	EQIX	Stephen M. Smith	4/19/2007	6.45	M
Estee Lauder	EL	Fabrizio Freda	5/8/2009	6.93	M
Hewlett Packard	HPE	Meg Whitman	9/22/2011	8.16	F
IBM	IBM	Ginni Rometty	10/25/2011	6.21	F
Kellog Co.	K	John Bryant	12/6/2010	6.74	M
KeyCorp	KEY	Beth Mooney	5/1/2011	7.08	F
Kohls Corp	KSS	Kevin Mansell	8/1/2008	6.97	M
Lockheed Martin	GM	Marillyn Hewson	11/9/2012	7.41	F
Marathon Petroleum Company	MPC	Gary R. Heminger	6/30/2011	7.22	M
Metlife	MET	Steven A. Kandarian	3/21/2011	7.68	M
Mylan	MYL	Heather Bresch	10/26/2011	7.19	F
PepsiCo	PEP	Indra K. Nooyi	8/14/2006	7.37	F
Sempra Energy	SRE	Debra Reed	6/27/2011	7.12	F
Sherwin-Williams	SHW	Christopher Connor	10/10/1999	6.37	M
Target Corporation	TGT	Gregg Steinhafel	5/1/2008	8.1	M
The Coca Cola Company	KO	Muhtar Kent	12/6/2007	6.12	M
Verizon Communications	VZ	Lowell McAdam	7/22/2011	8.06	M
Vulcan Materials Company	VMC	J. Thomas Hill	7/14/2014	7.53	M
Western Digital Corporation	WDC	Stephen Milligan	9/10/2012	6.66	M
Whole Foods Market	WFM	Walter Robb	6/15/2010	7.13	M
Xerox	XRX	Ursula Burns	7/1/2009	5.58	F
Xilinx	XLNX	Moshe Gavrielov	1/7/2008	7.26	M
Yahoo	YHOO	Marissa Mayer	7/16/2012	8.16	F

Out[50]:

	ExRet	MktComparison
0.25	-0.036557	-0.038421
0.50	0.012045	-0.000126
0.75	0.060498	0.045598
1.00	0.383522	0.339322