

MEDIA BIAS IN CEO PAY

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On March 13, 2017, Fortune.com published an article comparing compensation of Marissa Mayer, Yahoo's CEO, and her replacement, Thomas J. McInerney. This article, titled "Yahoo's new Male CEO Will Make Double Marissa Mayer's Salary," reports limited information and draws erroneous conclusions to support their discussion of the gender wage gap.

There are more important factors than gender to consider when setting CEO pay that the article fails to touch on, for example the incumbent's experience, how the compensation is reported in total, sign on awards, stock awarded upon a change of control, etc.

Here is a deeper look at the two.

EXPERIENCE. McInerney has served in executive roles for 13 years, including 3 years as a CEO. Mayer was hired as Yahoo's CEO from Google, where her highest executive level was vice president. Comparing each incumbent side by side, McInerney has more experience and at a higher executive level than Mayer had prior to her employment at Yahoo. His experience and track record warrant higher compensation than a CEO coming in with less experience.

	MAYER	MCINERNEY
Total Years of Employment	13	27
Years of Experience as CEO	0	3
Base Salary	\$1,000,000	\$2,000,000
Sign-On Equity Award	\$30,000,000	\$0
Annual Incentive Target	\$2,000,000	\$2,000,000
LTI Minimum	\$12,000,000	\$0
LTI Threshold	-	\$6,000,000
LTI Maximum	-	\$24,000,000
Time-Based LTI	50%	0%
Performance-Based LTI	50%	100%

MAYER	MCINERNEY
2y Software Engineer	9y Investment Banking
2y Product Manager	10y Executive Vice President & CFO
2y Director	3y Chief Executive Officer
7y Vice President	5y Private Investor

STOCK AWARDS. The base salaries for the two executives are small pieces of their compensation packages. The majority of CEO pay comes from annual incentive and long-term incentive payouts. Both Mayer and McInerney have equal annual incentive opportunities. The biggest difference in their compensation packages lies within the LTI plans, and McInerney's deal is not as sweet as Mayer's. The Fortune article draws conclusions from their erroneous comparison of the maximum LTI payout attainable by McInerney to the minimum attainable for Mayer. If minimums are the subject of comparison, then one should compare McInerney's \$0 to Mayer's \$12 million. Furthermore, his LTI payout is 100% performance based and at risk while only half of Mayer's was.

As the Fortune article points out, Yahoo is going to be a very different company after the sale of its' assets to Verizon. Based on this fact, it makes more sense to compare Mayer's compensation to the peer companies identified by Yahoo. Marissa Mayer's base salary is competitive within her peer group, which consists of predominantly male CEOs earning an average base salary of \$1 million. Mayer's reported total compensation from 2013-2015 averaged to \$39.5 million, placing her at the 80th percentile of the peer group. She earned more money than 80% of her peers, and will most likely out earn Mr. McInerney's possible \$28 million, which assumes he achieves all of his performance targets.

CHANGE OF CONTROL. One more useful piece of information. It is likely the sale of Yahoo to Verizon will go through on June 8, 2017. As a result, Ms. Mayer will earn approximately \$186mm, or if annualized over her 5-year tenure and including base salary and bonus, she would have earned approximately \$40mm per year. Nearly four times as much as her male counterpart.

While the Fortune article headliner, and it's spinoff articles, on CEO pay disparity between Ms. Mayer produced some 14.5 million search hits, it seems important to have all the facts nailed down. Based on a more thorough review of each Yahoo chief, it appears Ms. Mayer will annually earn 400% more than her male counterpart.



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