

Online Appendix
Hot-Stove Effects: The Impact of CEO Past Corporate Experiences on Dividend Policy

Appendix A.1
BoardEx Execucomp Matching Process

The merge between Execucomp and BoardEx is a difficult process since the employee unique identifiers in each dataset differ. The variable we can attempt to rely on is the executive name; however, there exists cases in which titles and degrees presents problems in a direct match on name (such that Matthew Faulkner, Ph.D. would not directly match to Mr. Matty Faulkner). Once we disregard titles and degrees, we continue to first and last names. Now, even simple spelling mistakes may prove to be issues in each dataset. We add additional examinations of current employment firm by year to further provide a quality matching process. Our multi-step process described below allows us to be extremely confident that we have matched, and built, a high quality dataset with a high level of specificity to use in this study.

First, we place all first and last names in all caps and run a direct merge between employee first name, last name, year and firm identifier (as suggested by the Wharton Research and Data Service [WRDS], using CIK number between the two datasets). This process only keeps exact matches between the four variables, thus providing certainty that these are the same person and providing both unique identifiers between BoardEx (directorid) and Execucomp (execid). The second step becomes a combination of a Levenshtein's spelling distance and hand-matching procedures to effectively match those people not matched. We hand sort through results that are 'close' to perfect matches, such as example above of Matthew Faulkner and Matty Faulkner. Ultimately, the dataset contains 6,224 CEO matches between the Execucomp and Boardex.

TABLE 5 (Cont.)

Dividend Levels

This table presents results on the relation between the past corporate experience of the CEO and firm-level dividend policy. The dependent variable dividend level is dividends scaled by annual net income. The key variable of interest is DISTRESS_EXPERIENCES, defined as an indicator equal to one if the CEO worked at a prior firm that experienced difficulties. We use four measures of difficulties based on bond ratings downgrades, adverse cash flow shocks, and adverse shocks to the firm's annual stock return, and dividend cuts. Our dependent variable is scaled multiplying by one hundred for ease of viewing coefficients. All the regressions include year and industry fixed effects. Robust standard errors are in parenthesis. ***, **, * indicate significance at the 1%, 5% and 10% levels, respectively.

<i>Panel B</i>	(1)	(2)	(3)	(4)	(5)
<i>Dividends scaled by earnings</i>	Div-Earn	Div-Earn	Div-Earn	Div-Earn	Div-Earn
DISTRESS_EXPERIENCES	-6.113*** (1.083)				
PRICE_SHOCK		-1.247 (3.133)			
OCF_SHOCK			-15.098*** (3.203)		
RATING_EVENT				-4.720** (1.905)	
DIVIDEND_DISTRESS					-3.822*** (1.256)
SIZE	3.894*** (0.316)	3.870*** (0.316)	3.856*** (0.316)	3.896*** (0.316)	3.869*** (0.316)
PROFITABILITY	162.566*** (6.914)	162.258*** (6.909)	161.891*** (6.910)	162.430*** (6.909)	162.501*** (6.908)
ASSET_GROWTH	-12.706*** (1.253)	-12.644*** (1.252)	-12.602*** (1.250)	-12.684*** (1.253)	-12.651*** (1.252)
LEVERAGE	-27.324*** (2.931)	-27.711*** (2.932)	-27.805*** (2.931)	-27.743*** (2.931)	-27.497*** (2.931)
CASH	-41.824*** (3.728)	-42.455*** (3.737)	-41.687*** (3.730)	-42.614*** (3.728)	-42.484*** (3.727)
CAPEX	-120.586*** (12.141)	-120.397*** (12.141)	-119.791*** (12.145)	-120.975*** (12.145)	-120.071*** (12.138)
IDIOSYNCRATIC_RISK	-32.655*** (0.725)	-32.691*** (0.725)	-32.624*** (0.725)	-32.684*** (0.725)	-32.680*** (0.725)
MB	-4.903*** (0.503)	-4.860*** (0.503)	-4.844*** (0.503)	-4.881*** (0.503)	-4.879*** (0.503)
MALE	-11.284*** (2.510)	-10.683*** (2.510)	-10.447*** (2.509)	-10.678*** (2.510)	-10.992*** (2.511)
MBA	-0.344 (1.015)	-0.679 (1.014)	-0.602 (1.014)	-0.648 (1.014)	-0.491 (1.015)
CEO_AGE	0.533*** (0.064)	0.535*** (0.064)	0.540*** (0.064)	0.529*** (0.064)	0.537*** (0.064)
INTERCEPT	103.141** (46.671)	100.796** (46.697)	100.134** (46.680)	100.019** (46.696)	102.972** (46.689)
Obs.	35634	35634	35634	35634	35634
Pseudo R ²	0.099	0.099	0.099	0.099	0.099
Industry Dummy	Yes	Yes	Yes	Yes	Yes
Year Dummy	Yes	Yes	Yes	Yes	Yes

TABLE 5 (Cont.)

Dividend Levels

This table presents results on the relation between the past corporate experience of the CEO and firm-level dividend policy. The dependent variable dividend level is dividends scaled by market value of equity. The key variable of interest is DISTRESS_EXPERIENCES, defined as an indicator equal to one if the CEO worked at a prior firm that experienced difficulties. We use four measures of difficulties based on bond ratings downgrades, adverse cash flow shocks, and adverse shocks to the firm's annual stock return, and dividend cuts. Our dependent variable is scaled multiplying by one hundred for ease of viewing coefficients. All the regressions include year and industry fixed effects. Robust standard errors are in parenthesis. ***, **, * indicate significance at the 1%, 5% and 10% levels, respectively.

<i>Panel C</i>	(1)	(2)	(3)	(4)	(5)
<i>Dividends scaled by price</i>	Div-Price	Div-Price	Div-Price	Div-Price	Div-Price
DISTRESS_EXPERIENCES	-0.188*** (0.043)				
PRICE_SHOCK		-0.147 (0.125)			
OCF_SHOCK			-0.553*** (0.123)		
RATING_EVENT				-0.057 (0.075)	
DIVIDEND_DISTRESS					-0.109** (0.050)
SIZE	0.254*** (0.013)	0.253*** (0.013)	0.253*** (0.013)	0.254*** (0.013)	0.253*** (0.013)
PROFITABILITY	6.683*** (0.257)	6.674*** (0.256)	6.663*** (0.256)	6.680*** (0.256)	6.682*** (0.256)
ASSET_GROWTH	-0.545*** (0.047)	-0.543*** (0.047)	-0.541*** (0.047)	-0.543*** (0.047)	-0.543*** (0.047)
LEVERAGE	-0.975*** (0.116)	-0.983*** (0.116)	-0.989*** (0.116)	-0.986*** (0.116)	-0.979*** (0.116)
CASH	-1.785*** (0.147)	-1.794*** (0.147)	-1.774*** (0.147)	-1.807*** (0.147)	-1.806*** (0.147)
CAPEX	-5.917*** (0.479)	-5.915*** (0.480)	-5.894*** (0.480)	-5.918*** (0.480)	-5.902*** (0.479)
IDIOSYNCRATIC_RISK	-1.006*** (0.026)	-1.008*** (0.026)	-1.005*** (0.026)	-1.008*** (0.026)	-1.008*** (0.026)
MB	-0.331*** (0.021)	-0.330*** (0.021)	-0.329*** (0.021)	-0.330*** (0.021)	-0.331*** (0.021)
MALE	-0.509*** (0.100)	-0.488*** (0.100)	-0.478*** (0.100)	-0.488*** (0.100)	-0.499*** (0.100)
MBA	-0.013 (0.041)	-0.024 (0.041)	-0.021 (0.041)	-0.024 (0.041)	-0.018 (0.041)
CEO_AGE	0.023*** (0.003)	0.024*** (0.003)	0.024*** (0.003)	0.023*** (0.003)	0.024*** (0.003)
INTERCEPT	4.311** (1.987)	4.235** (1.987)	4.204** (1.987)	4.228** (1.987)	4.302** (1.987)
Obs.	37039	37039	37039	37039	37039
Pseudo R ²	0.184	0.183	0.184	0.183	0.183
Industry Dummy	Yes	Yes	Yes	Yes	Yes
Year Dummy	Yes	Yes	Yes	Yes	Yes