Stock Awards Pay Off Big for Bobby Kotick, Andy Heyward

By Howard Fine

Monday, June 7, 2021

For two local chief executives, Bobby Kotick at Activision Blizzard Inc. and Andy Heyward at Genius Brands International Inc., 2020 brought a massive windfall in total compensation.

Despite the pandemic and the difficulty for some companies in an unstable economy, the equity compensation for executives continued to experience an upward trajectory.

Notably, the compensation for Kotick and Heyward increased in 2020 by more than 400% in one case, with Heyward's going up to $11.3 million, while Kotick's increased to $154 million, a 381% jump.

These are two of the more extreme examples of the latest trend to grip the world of executive compensation: equity-based compensation, which ties pay for chief executives to the value of the company's stock.

Despite this huge loss, Genius Brands' share price surged 411% to $1.38 in 2020, though Kotick's compensation package, however, far outpaced those gains. His pay skyrocketed by 413% last year.

Kotick saw his total package increase by $124 million last year to reach a stratospheric $154 million. The combined equity awards were worth more than $16 million. The remaining $1.3 million was vested stock option awards with a market value on that date of $10.4 million.

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"There is such a huge prevalence of equity-based compensation these days," said Ian Ayres, a professor of finance and chairman of the finance and business economics department at the USC Marshall School of Business. "The board told Kotick in 2016 that he could get $50 million if the company met certain goals."

"The fact of the matter is that you give your CEO a huge amount of equity at the beginning of a long employment contract," Ayres said. "You build in a huge equity award right at the beginning and continue to build it up.

"The stock options are designed to make the CEO pay attention to the long-term value of the company," he added.

Heyward: stocking up

The compensation committee took these actions to address shareholder concerns about its compensation program and the loss of $11 million.

"We are in such a crisis position of having enormous shares outstanding," Heyward said. "We have to make sure that we do not continue to issue more shares. We have to make sure that the company's management team is aligned with the shareholders.

In any event, Murphy said, the value of these shares is transitory.

He said, "I have to say, I liked the concept of the compensation committee meeting in the boardroom with all of the other directors as a way to bring the compensation committee into the boardroom to make sure that we are all on the same page."