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Basak Denizci

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IS THE HOSPITALITY INDUSTRY MORE LIKELY TO REPRICE STOCK OPTIONS?

Basak Denizci

ABSTRACT

Hospitality companies are known to be sensitive to the economy and movements in the market. When overall performance of the company is poor because of a market wide fall, hospitality managers should not be penalized for the decrease in the stock price. In such cases, it is acceptable to reprice the stock option to realign the incentives and to minimize the agency problem. This paper examines whether repricing of hospitality firms are more likely to reprice options after a stock price decrease that is accompanied by a market wide fall. Although the overall results are consistent with prior literature, I did not find enough evidence to support the hypothesis.