

exexchange news

We determine the Push-out Score™

1.2018

The bumpiest CEO changes in 2017

In-depth analysis of more than 200 CEO departures in the U.S. from the past 12 months

(exexchange) -- December 15, 2017 -- Blue Apron Holdings, Inc., Ford Motor Company and Equifax Inc. are among the companies that have announced the bumpiest leadership changes in 2017.

A more detailed insight is provided by research firm exexchange, which has analyzed more than 200 CEO departures of publicly traded companies in the U.S. from the past 12 months (see Exhibit 1).

exexchange uses a scoring system with a scale of 0 to 10 to determine the likelihood of a forced executive change. A Push-out Score of 0 indicates a completely voluntary management change, and a score of 10 indicates an overtly forced departure.

The Push-out Score incorporates facts from company announcements and other publicly available data, including the age of the outgoing manager, time in office and share price performance. The system also interprets the sometimes-cryptic language in corporate communications, using a proprietary algorithm (see Exhibit 2).

Around 37 percent of the Push-out Scores of CEO departures in the U.S. from the past 12 months reached values between 6 and 10, which suggest strong pressure on the outgoing CEO (see Exhibit 3). Every third CEO in the U.S. steps down under pressure. In many cases, the pressure for these changes came from activist investors.

A Push-out Score of 6 means that six of the following nine criteria are fulfilled: low age, short notice, short tenure, poor share price performance, non-transparent reason, critical time, succession issues, formal anomalies and linguistic peculiarities in the announcement.

Many food manufacturers and retailers are among the corporates with the bumpiest CEO changes in 2017. The food industry is facing unprecedented change because shoppers have started to avoid canned and boxed food, with online retailers such as Amazon.com, Inc. also entering the food business.

Matt Salzberg, CEO of **Blue Apron Holdings, Inc.** (Push-out Score: 8), resigned in November just five months after the IPO. The meal-kit company suffered production problems and projected slower sales growth. The company priced its June IPO at US\$10 a share but had seen its stock price fall to just US\$3. Blue Apron's stock performance has been the worst of any major company that has gone public in 2017. Just as Blue Apron was about to start marketing its IPO, Amazon announced its acquisition of Whole Foods Market Inc., a supermarket chain featuring foods without artificial preservatives, colors, flavors, sweeteners and hydrogenated fats.

John Bryant, CEO of **Kellogg Company** (Push-out Score: 8), retired in October at the age of 51. Kellogg's revenue has fallen every year since 2013, and the cereal and snack company has been struggling to keep its profit margin because shoppers have turned away from boxed food, which has

been hurt by the perception that other food is more wholesome. Bryant's replacement is Steve Cahillane, most recently CEO of vitamin and supplement company The Nature's Bounty Co.

Steve Eells, CEO and founder of **Chipotle Mexican Grill, Inc.** (Push-out Score: 7), announced his departure from the CEO post in November after the fast-food chain suffered numerous hits to its reputation, including several food-safety scares. Investors were also concerned about the burrito chain's lack of momentum. Chipotle said its board was looking for "a new leader with demonstrated turnaround expertise to help address the challenges facing the company, improve execution, build customer trust, and drive sales". Eells said: "We need to move faster to make improvements."

Sally Smith, CEO of **Buffalo Wild Wings, Inc.** (Push-out Score: 6), announced her decision to retire in June after activist investor Marcato won a fight to overhaul the restaurant company's board. Marcato had campaigned for nearly a year to pressure Smith and the board to pursue strategies that the activist believes will boost the stock price.

Carl Lee, Jr., CEO of **Snyder's-Lance, Inc.** (Push-out Score: 8), retired in April as the salty snack maker announced that its preliminary first quarter 2017 results were well-below its prior guidance. Lee's duties were taken over in the interim by Brian Driscoll, a former CEO at Diamond Foods, and Snyder's-Lance said: "With increased focus on margin expansion and profitable growth, we are confident that Brian has the skills to address some of the recent performance challenges, as well as drive the Company to a level of profitability more in line with the expectations of our shareholders."

There were more bumpy CEO changes in the Consumer Goods and Services sector in 2017:

Mark Fields, CEO of **Ford Motor Company** (Push-out Score: 9), retired in May. The automaker's market value had fallen below the market capitalization of electric car pioneer Tesla, Inc. Jim Hackett, who oversaw the Ford subsidiary that works on autonomous vehicles, took the reins from Fields. The management change came less than two weeks after Fields was sharply criticized during Ford's annual shareholders meeting for the company's deteriorating financial results. During Fields' three-year tenure, Ford's shares dropped 40 percent.

Frederic Cumenal, CEO of **Tiffany & Co.** (Push-out Score: 10), stepped down in February after the jewelry stores company was rocked by headwinds caused by the strong U.S. dollar and stepped-up security at its flagship store next to Trump Tower in New York hurt traffic. Michael Kowalski, chairman of Tiffany's board of directors and previous CEO, took over as interim CEO and said: "The Board is committed to our current core business strategies, but has been disappointed by recent financial results. The Board believes that accelerating execution of those strategies is necessary to compete more effectively in today's global luxury market and improve performance."

Stefan Larsson, CEO of **Ralph Lauren Corporation** (Push-out Score: 10), announced his departure in February after founder and executive chairman Ralph Lauren and Larsson found that they have "different views on how to evolve the creative and consumer-facing parts of the business". In recent years, the design company suffered from an overreliance on the department-store industry, heavy discounting and an aging customer base.

Mark Light, CEO of **Signet Jewelers Limited** (Push-out Score: 9), announced his retirement in July, citing "health reasons". Light had faced allegations of misconduct during Signet's sexual harassment controversy. Travis Kalanick, CEO of **Uber Technologies Inc.**, resigned in June under pressure from investors over employee sexual harassment investigations.

There were also some bumpy CEO changes in the Healthcare, Technology and Financial sectors.

Joe Swedisch, CEO of **Anthem, Inc.** (Push-out Score: 6), left the CEO post in November after the health insurance company tried unsuccessfully to buy rival Cigna Corp.

Jeff Slovin, CEO of **Dentsply Sirona Inc.** (Push-out Score: 10), resigned in September as the dental equipment maker announced "that its Board of Directors has implemented leadership changes intended to position the Company to achieve its potential". Slovin's move was part of a management shake-up also involving the position of President and Chief Operating Officer, Technologies.

David Dvorak, CEO of **Zimmer Biomet Holdings, Inc.** (Push-out Score: 6), stepped down in July. Production problems at the Biomet legacy North Campus facility had resulted in sales disruptions.

Andy Mattes, CEO of **Diebold Nixdorf, Inc.** (Push-out Score: 10), stepped down in December. Gary Greenfield, who will become Chairman of the Board on January 1, 2018, said: "Given the significant changes taking place in our industry, now is the time for Diebold Nixdorf to leverage the full strength of the organization and enhance its focus on the new era of global connected commerce."

Kirill Tatarinov, CEO of **Citrix Systems, Inc.** (Push-out Score: 9), stepped down "upon mutual agreement" in July. Bloomberg reported earlier that private equity firms Bain Capital, Carlyle Group and Thoma Bravo were among a group of bidders for the software company. The potential sale of the business came after Elliott Management reached a settlement with Citrix in 2015 to add the activist fund's star technology partner, Jesse Cohn, to Citrix's board.

Rick Smith, CEO of **Equifax Inc.** (Push-out Score: 8), retired in September after the consumer credit reporting agency reported that hackers had exploited an unpatched flaw in its website software to extract names, Social Security numbers, birth dates and other information about millions of people.

Peter Hancock, CEO of **American International Group** (Push-out Score: 10), resigned in March after the insurance company experienced a major setback in its turnaround plan and faced pressure from activist investors including Carl Icahn and John Paulson.

Klaus Kleinfeld, CEO of **Arconic Inc.** (Push-out Score: 10), stepped down in April after he had sent a letter directly to a senior officer of Elliott Management that the Board determined showed poor judgment. Elliott had been campaigning for the ouster of Kleinfeld.

Every bumpy management change is bumpy in a different way, every smooth management change is smooth in a similar way. This is how it should be: After a long and distinguished career, the CEO hands over a well-ordered house to a carefully selected successor and receives laud, praise and thanks. This was also often the case in 2017, and it is reflected in Push-out Scores of 0 or 1.

This includes the management changes at **U.S. Bancorp** (Richard Davis handed over the baton to Andy Cecere) and **UnitedHealth Group Inc.** (Steve Hemsley's duties were taken over by Dave Wichmann). One of the most glorious exits of the year was achieved by Ken Chenault, CEO of **American Express Company**. On October 18, the 66-year-old announced his retirement, effective February 1, 2018, with a lead time of 106 days, after about 17 years in the position. Chenault accepts the accolade from major shareholder Warren Buffett himself. The investor legend says about him: "Ken's been the gold standard for corporate leadership and the benchmark that I measure others against."

In the U.S., the average Push-out Score for CEO departures in 2017 was 4.4. The average tenure of departing CEOs in the U.S. was 8.7 years (see Exhibit 4). The average CEO retirement age in the U.S. was 62 (see Exhibit 5).

These results were calculated from 238 individual CEO departures of companies listed in the Russell 3000 index, which provide a homogenous and wide data pool for the analysis of CEO departures. The Russell 3000 seeks to be a benchmark of the entire U.S. stock market and encompasses the 3,000 largest U.S.-traded stocks, in which the underlying companies are all incorporated in the U.S.

In 2017, the Healthcare sector showed the highest average Push-out Scores in the U.S. with 5.7. The lowest Push-out Scores were determined in the Industrial Goods sector with 2.2 and the Financial sector with 2.8. In the Basic Materials sector, the average Push-out Score was 4.1, in the Consumer Goods sector it was 4.2, in the Services sector it was 5.3, and in the Technology sector it was 5.1.

About exexchange

exexchange is an independent research provider widely recognized as an important voice on executive changes. exexchange determines the Push-out Score and was featured by The Wall Street Journal, Harvard Business Review and Stanford University. For more information, visit exexchange.com.

Exhibit 1

CEO departures under pressure in 2017 (selection)				
Announced	Company	Name	Push-out Score	Sector
13-Dec-17	Diebold Nixdorf, Inc.	Andy Mattes	10	Technology
30-Nov-17	Blue Apron Holdings, Inc.	Matt Salzberg	8	Consumer Goods
29-Nov-17	Chipotle Mexican Grill, Inc.	Steve Ells	7	Services
13-Nov-17	The Madison Square Garden Company	Doc O'Connor	7	Services
6-Nov-17	Anthem, Inc.	Joe Swedish	6	Healthcare
31-Oct-17	Scana Corporation	Kevin Marsh	10	Utilities
12-Oct-17	Hostess Brands, Inc.	Bill Toler	6	Consumer Goods
2-Oct-17	Dentsply Sirona Inc.	Jeff Slovin	10	Healthcare
28-Sep-17	Kellogg Company	John Bryant	8	Consumer Goods
27-Sep-17	Frank's International N.V.	Douglas Stephens	9	Basic Materials
26-Sep-17	Equifax Inc.	Rick Smith	8	Financial
31-Aug-17	Tenet Healthcare Corporation	Trevor Fetter	10	Healthcare
28-Aug-17	Santander Consumer USA Holdings Inc.	Jason Kulas	8	Financial
18-Jul-17	Six Flags Entertainment Corporation	John Duffey	7	Services
17-Jul-17	Signet Jewelers Limited	Mark Light	9	Services
17-Jul-17	Radius Health, Inc.	Bob Ward	7	Healthcare
12-Jul-17	Global Net Lease, Inc.	Scott Bowman	7	Financial
11-Jul-17	Zimmer Biomet Holdings, Inc.	David Dvorak	6	Healthcare
10-Jul-17	Citrix Systems, Inc.	Kirill Tatarinov	9	Technology
10-Jul-17	Vista Outdoor Inc.	Mark DeYoung	8	Consumer Goods
27-Jun-17	Pandora Media, Inc.	Tim Westergren	8	Services
2-Jun-17	Buffalo Wild Wings, Inc.	Sally Smith	6	Services
22-May-17	Ford Motor Company	Mark Fields	9	Consumer Goods
8-May-17	Spirit Realty Capital, Inc.	Tom Nolan	7	Financial
3-May-17	Xperi Corporation	Tom Lacey	7	Technology
2-May-17	Molina Healthcare, Inc.	Joseph Molina	10	Healthcare
2-May-17	Etsy, Inc.	Chad Dickerson	10	Services
28-Apr-17	Wesco Aircraft Holdings, Inc.	Dave Castagnola	7	Services
17-Apr-17	Arconic Inc.	Klaus Kleinfeld	10	Industrial Goods
17-Apr-17	Snyder's-Lance, Inc.	Carl Lee, Jr.	8	Consumer Goods
9-Mar-17	American International Group	Peter Hancock	10	Financial
17-Feb-17	DineEquity, Inc.	Julia Stewart	7	Services
7-Feb-17	Autodesk, Inc.	Carl Bass	6	Technology
6-Feb-17	Tiffany & Co.	Frederic Cumenal	10	Services
2-Feb-17	Ralph Lauren Corporation	Stefan Larsson	10	Consumer Goods
Source: exchange				

Exhibit 2

Push-out Score: Factors considered (selection)

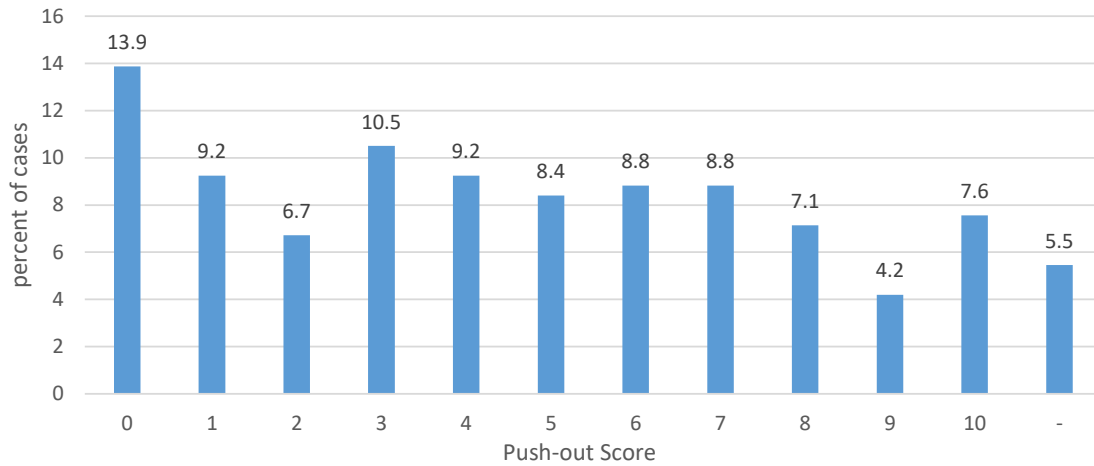
Dimension	Examples of factors considered
Form	Dedicated press release (yes or no) Placement (top of release or buried in other news, such as earnings release) Length of disclosure (e.g., excessively short or long, omissions)
Language	Tone of announcement (warm, neutral, cold) Language used in quotations (e.g., poisoned praise, hidden criticism) Clarity of language
Age	Age of departing executive relative to typical retirement age
Notice period	Length of time between announcement and last day
Tenure	Length of time with company (reasonable or excessively short)
Share price	Recent share price performance Significant positive or negative relative performance
Official reason	Official reason given (yes or no) Clarity of official reason (ambiguous or understandable) Stated post-employment activity (e.g., retire, health, taking new job)
Circumstances	Industry performance Peer group performance Governance factors (controversy, restatements, lawsuits) Severance payments made (yes or no)
Succession	Signs of continuity Successor identified (yes or no) Internal vs. external successor Interim or permanent replacement Successor added to corporate website (yes or no)

Source: exchange

Exhibit 3

Chart 1: Many CEOs leave the position under pressure

Percentage distribution of Push-out Scores in the 12-month period from January 2017 to December 2017 in the U.S. stock index Russell 3000



Legend: Around 14 percent of the departing CEOs received a Push-out Score of 0. A Push-out Score of 0 indicates a completely voluntary change, and a value of 10 indicates an overtly forced departure. Cases in which a Push-out Score is not determined (e.g., death or health reasons) are summarized under "-". Sample includes 238 observations. Source: exexchange

Exhibit 4

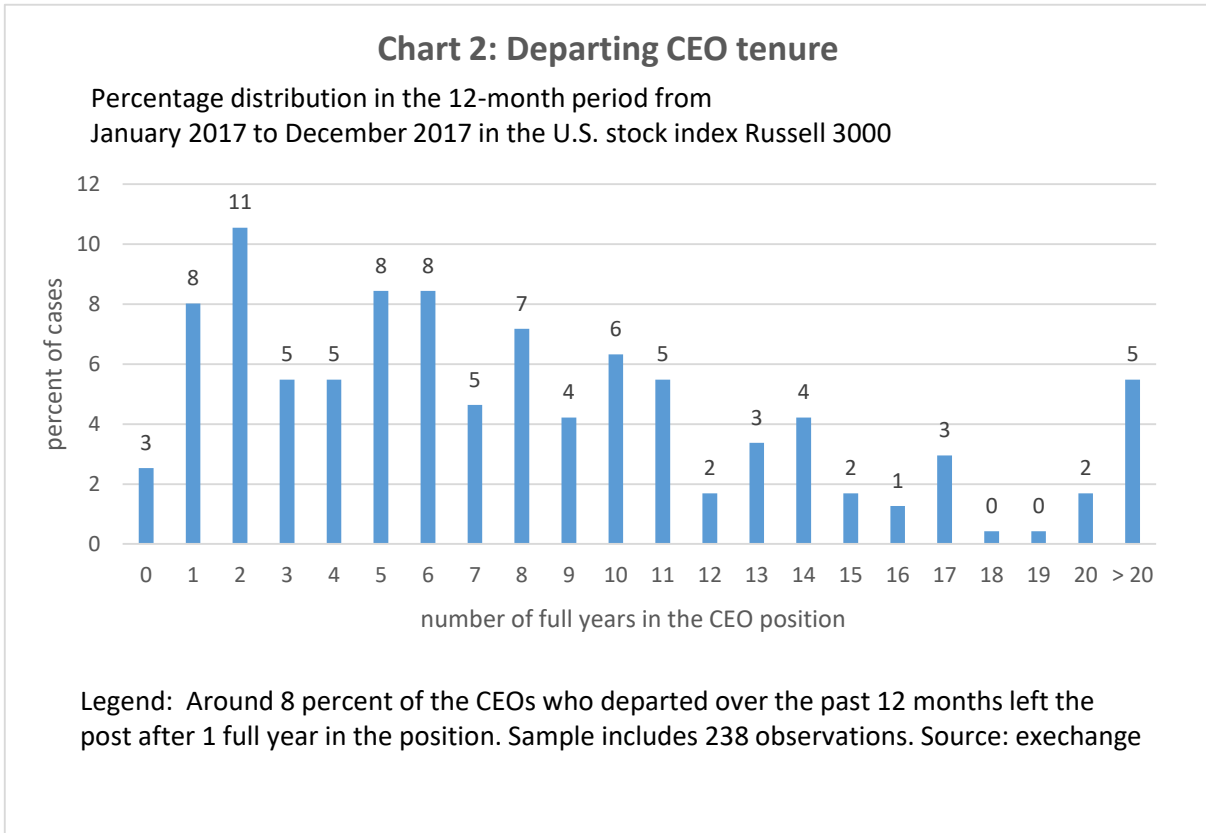
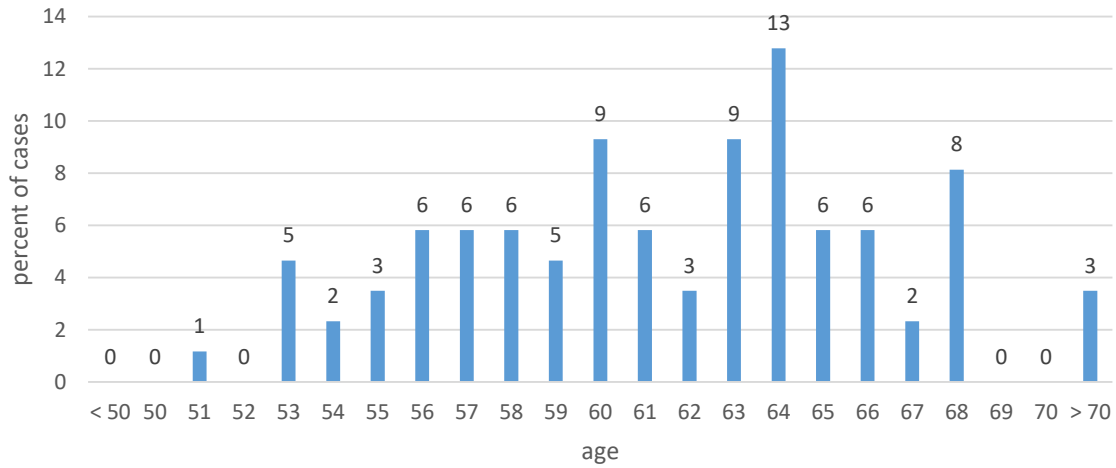


Exhibit 5

Chart 3: CEO retirement age

Percentage distribution in the 12-month period from January 2017 to December 2017 in the U.S. stock index Russell 3000



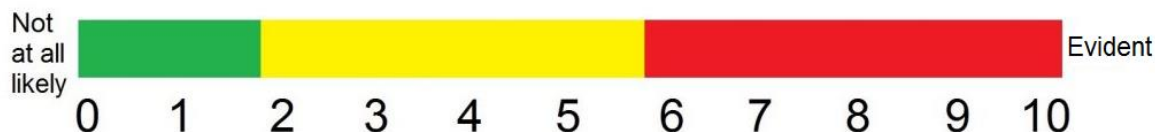
Legend: Around 13 percent of the CEOs who announced their retirement over the past 12 months were 64 years old. Sample of CEOs who announced that they "retired" includes 86 observations. Sample of all departing CEOs includes 238 observations (36 percent "retired", and 64 percent announced other types of departure, e.g., "resigned", "stepped down", were "removed" or "terminated"). Source: exchange

Push-out Score™: The number you need to know

Forced or voluntary departure? The Push-out Score is the number you need to know.

Push-out Score™

How likely is it the manager was pushed out or felt pressure to leave the post?



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How the scoring works

The Push-out Score is a measure of the pressure on the departing executive.

exexchange's Push-out Scoring System™ is based on the assumption that management changes are triggered by pull-out forces and push-out forces.

The higher the score, the more likely the manager was pushed out or felt pressure to leave the position.

When the manager is openly pushed out (e.g., "terminated for cause") or when there is absolutely no doubt that the manager left the position due to pressure, then 10 points are given.

If the manager was not openly pushed out and the reason for the departure is not health-related, one point is given for each of the following parameters (proxy variables) when certain criteria are fulfilled.

1. Form of the announcement
2. Language in the announcement
3. Age
4. Notice period
5. Tenure
6. Share price development
7. Official reason given
8. Circumstances of the management change
9. Succession

A Push-out Score of **0 to 1** suggests no significant signs for push-out forces.

A Push-out Score of **2 to 5** suggests significant signs for push-out forces.

A Push-out Score of **6 to 9** suggests strong signs for push-out forces.

Who comes. Who leaves.
Who wants to go. Who has to go.
Who is praised. Who is blamed.
Who wins. Who loses.
Who's in. Who's out.
Who is good. Who is well.
Who recovers. Who is bad.
Who advises. Who is well advised.
Who steps back. Who kicks back.
Who is appointed. Who is disappointed.
Who signs. Who resigns.
Who separates amicably. Who separates mutually.
Who escapes. Who is a scapegoat.
Who fits. Who quits.
Who's old. Who's obsolete.
Who's number 1. Who's number 2.
Who goes ahead. Who goes behind.
Who is there. Who is gone.
Who is right. Who is left.
Who fights for honor. Who fights for money.
Who is selected. Who is sorted out.
Who is honored. Who is humbled.
Who benefits. Who suffers.
Who goes through hell. Who keeps going.
Who gets a golden hello. Who gets a golden handshake.
Who bows. Who bows out.
Who is host. Who is hostile.
Who is goodman. Who is badman.
Who is a friend. Who is an enemy.
Who is hired. Who is fired.
Who steps up. Who steps down.
Who chairs. Who presides.
Who is over. Who is under.
Who gives in. Who gives up.
Who says thanks. Who says No thanks.
Who wishes all the best. Who wishes the best of luck.
Who prompts. Who repeats.
Who leaves early. Who leaves late.
Who designs. Who resigns.
Who excites. Who exits.
Who is first. Who is last.
Who throws his hat. Who throws in the towel.
Who ranks first. Who is the first available.
Who is successful. Who is successor.
Who congratulates. Who wishes luck.
Who packs in. Who packs out.
Who reigns. Who serves.
Who retires from office. Who retires from the world.
Who is in seventh heaven. Who is on cloud nine.

Who speaks. Who is silent.
Who sits. Who lies.
Who heals. Who hurts.
Who sees green. Who sees red.
Who soothes. Who scolds.
Who is sorry. Who is sad.
Who is thrilled. Who mourns.
Who is up. Who is down.
Who helps. Who betrays.
Who is not named. Who is shamed.
Who is missed. Who is dismissed.
Who commands. Who obeys.
Who is a leader. Who is a follower.
Who accepts. Who regrets.
Who is at C-level. Who is at eye level.
Who feels pity. Who feels schadenfreude.
Who shows grace. Who falls from grace.
Who tells the story. Whose fate is unknown.
Who is hero. Who is zero.
Who is welcomed. Who is ousted.
Who is severe. Who gets severance.
Who quits at the right time. Who says the time is right.
Who decides. Who departs.
Who is groomed. Who is doomed.
Who is major. Who is minor.
Who assists. Who stands by.
Who is refunded. Who is replaced.
Who contributes. Who distributes.
Who is family. Who is familiar.
Who is confident. Who is confidant.
Who has tailwind. Who has headwind.
Who makes a big deal. Who makes a big fuss.
Who is in quest. Who is at rest.
Who does well. Who means well.
Who will be back. Who leaves for good.
Who stumbles. Who crumbles.
Who topples. Who tumbles.
Who is victor. Who is victim.
Who pays. Who pays back.
Who earns it. Who deserves it.
Who is vested. Who is invested.
Who gives the last shirt. Who gives the last penny.
Who is personal. Who takes it personally.
Who is a big wheel. Who is a bigwig.
Who is chief. Who is big kahuna.
Who is a personality. Who is a person.
Who is Who. Who says what.
Who has a vote. Who has a say.
Who has the last word. Who can say it?

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