

exexchange news

We determine the Push-out Score™

3.2018

Pressure on CEOs jumps to 12-month high

- **CEO Push-out Index increases to 6.8 in February from 5.4 in January**
- **High number of CEO changes linked to allegedly bad behavior**
- **Departure with a drop of bitterness: Altria CEO Marty Barrington retires**
- **Relatively smooth move: Tupperware CEO Rick Goings leaves post**
- **Rough exit: Dun & Bradstreet CEO Bob Carrigan steps down**
- **In-depth analysis of more than 200 CEO departures in the U.S.**

(exexchange) -- March 1, 2018 -- Altria Group Inc., Tupperware Brands Corp. and Dun & Bradstreet Corp. are among the companies that announced a major leadership change in February 2018. Obviously, not all of the top managers leave the position entirely on their own initiative. Research shows that pressure on CEOs is increasing. Furthermore, CEOs with bad behavior are shown the red card.

Every management change is different. The retirement of Altria CEO Marty Barrington is a departure with a drop of bitterness, the move of Tupperware CEO Rick Goings seems relatively smooth, and the exit of Dun & Bradstreet CEO Bob Carrigan is extremely rough.

A more detailed insight is provided by research firm exexchange, which has analyzed more than 500 changes in top management of publicly traded companies from around the world and from the past 12 months, including more than 200 CEO departures in the U.S. (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. The system also interprets the sometimes-cryptic language in corporate communications, using a proprietary algorithm (see Exhibit 2).

In February 2018, the pressure on CEOs jumped to its highest level in the past 12 months. The CEO Push-out Index™, which reflects the average Push-out Score for CEO departures in the U.S., increased to 6.8 in February from 5.4 in January (see Exhibit 3).

In February, the number of overtly forced CEO changes linked to allegedly bad behavior was particularly high, including the departures of Steve Wynn, CEO of **Wynn Resorts** Ltd.; Laurent Potdevin, CEO of **Lululemon Athletica** Inc.; and Louis Hernandez, CEO of **Avid Technology** Inc.

Steve Wynn left his post after The Wall Street Journal reported that Wynn had engaged in a pattern of sexual misconduct.

Laurent Potdevin's sudden departure was explained as follows. Lululemon said: "Lululemon expects all employees to exemplify the highest levels of integrity and respect for one another, and Mr. Potdevin fell short of these standards of conduct."

Louis Hernandez was terminated "due to violations of Company policies related to workplace conduct."

The average Push-out Score for CEO departures in the 12-month period from March 2017 to February 2018 was 4.7.

Around 39.8 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 4). Four in ten CEOs stepped down under pressure.

A Push-out Score of 6 means that six of the following nine criteria are fulfilled: unusual age, short notice, short tenure, poor share price performance, non-transparent reason, critical time, succession issues, formal anomalies and linguistic peculiarities in the announcement. When the manager is openly pushed out (e.g., "terminated for cause"), then 10 points are given.

With a Push-out Score of 4, the CEO change at **Altria Group Inc.** is in the lower range of the scale and contains a drop of bitterness.

As announced on February 1, Martin J. (Marty) Barrington leaves his post as CEO at the Marlboro maker after about six years in the position, effective May 17, 2018, following the company's annual shareholders meeting. The lead time is 105 days. According to Altria, Barrington has decided to retire at age 65.

Barrington's duties will be taken over by Howard Willard, age 54 and currently chief operating officer of Altria. Thomas Farrell, the presiding director, said: "Our election of Howard as the next chairman and CEO is the result of our long-term succession planning process." So far there are no red flags visible.

During Barrington's tenure as CEO, Altria's share price more than doubled. But investors have been disappointed lately. Altria's share price has declined since June 2017. That's the first point for the Push-out Score.

Barrington steps aside at a critical time. That's point number 2.

The CEO is steering Altria through one of the most difficult transitions in tobacco-industry history as smoking rates continue to decline.

The announcement of Barrington's departure coincides with a report from Altria showing that revenue from its smokable products, including Marlboro cigarettes, dropped 3.2 percent in the fourth quarter as U.S. cigarette shipments slid 8.9 percent.

Meanwhile, Altria's plan for a new product is encountering difficulties. The cigarette maker was dealt a setback in January when the Food and Drug Administration said there was not enough evidence that the product called iQos, a device that heats tobacco without burning it, reduces the risks of tobacco-related disease.

Altria has a licensing agreement with Philip Morris International Inc. to sell its iQos product in the U.S. if it is approved by regulators. Philip Morris already sells iQos in 29 countries.

On February 1, Altria also posted an earnings forecast that missed Wall Street projections. The company expects profit of \$3.90 to \$4.03 a share this year, excluding some items. According to Bloomberg, analysts had estimated \$4.18.

The form and language of the announcement provide further warning signals and two additional points.

In the announcement from Altria, Marty Barrington receives praise and thanks, but no good wishes for the future. Barrington will retire as Altria's chairman, CEO and president, and he will not stand for re-election to the board at the 2018 annual meeting.

Farrell said 19 words regarding the long-standing CEO, Barrington: "The board is grateful for Marty's extraordinary leadership the last several years, as Altria has outperformed our competitive benchmarks." Regarding Willard, the presiding director says that "he has the proven leadership skills, track record and strategic mindset to lead the next chapter of Altria's remarkable story."

With a Push-out Score of 4, the CEO change at **Tupperware Brands Corp.** is also in the lower range of the scale and seems relatively smooth.

As announced on February 21, E.V. (Rick) Goings leaves his CEO post at the direct sales company after almost 21 years in the position, effective May 9, 2018, following the 2018 annual meeting of shareholders. The lead time is 77 days.

Goings's duties will be taken over by Tricia Stitzel, currently president & chief operating officer of Tupperware.

It is a "planned succession" and a generational change as well. Tricia Stitzel is about 20 years younger than Rick Goings. The maker of plastic storage containers built on the entrepreneurship of women will have a female CEO for the first time in its history. Goings will remain as Executive Chairman at Tupperware.

The change follows a decline in the share price of Tupperware since December 2013. That's the first point for the Push-out Score.

The circumstances of the management change are challenging. That's point number 2.

On January 31, 2018, Tupperware took a big charge in its fourth quarter that wiped out profits. The company also said it expects current-quarter results to be dented by weak demand in Indonesia, India and North America. Furthermore, Tupperware's first-quarter sales growth forecast missed Wall Street's estimates.

At the age of 72, Goings's move seems overdue. Point number 3.

The language in the announcement provides one additional point.

Stitzel addresses a weak point of Tupperware and says that "we are poised to build upon our strong foundation in capitalizing on new and exciting growth opportunities."

With a Push-out Score of 10, the CEO change at **Dun & Bradstreet Corp.** is at the top of the scale and appears extremely rough.

As announced on February 12, Robert P. (Bob) Carrigan leaves his post as chief executive officer at the company that provides commercial data, analytics and insights for business after about four and a half years in the position. Carrigan's duties were taken over in the interim by Tom Manning, most recently lead director of Dun & Bradstreet.

The announcement of Carrigan's move is accompanied by good news. Dun & Bradstreet also reported fourth-quarter earnings of \$26.2 million. The results exceeded market expectations. In the announcement, Carrigan receives thanks and good wishes.

Nevertheless, there is absolutely no doubt that Carrigan left his post due to pressure.

Among the instantly visible red flags are his low age of 51 years, his abrupt departure (effective immediately), the recently poor share price development and the fact that a permanent successor is not available. That makes the first four points on the scale.

A reason for the surprising change is not explicitly given. Dun & Bradstreet said that Manning's appointment "follows Robert Carrigan's decision to step down as chairman of the board, chief executive officer, and as a director of the company, by mutual agreement with the Dun & Bradstreet board of directors."

"By mutual agreement": The phrase is the first of many strong signs that the board took the initiative for Carrigan's move, not Carrigan himself, while it was officially "Carrigan's decision to step down."

In the announcement, Dun & Bradstreet is eager to give some more broad hints regarding the nature of the CEO change. James Fernandez, new lead director of the board, said in a fairly blunt statement: "As Dun & Bradstreet continues its work to drive sustainable growth, the board believes now is the right time to transition the company's leadership." This statement supports the observation that the board, not Carrigan, is sitting in the driver's seat. The phrase can also be seen as a slap in the face for Carrigan (who might be considered incapable of driving sustainable growth).

Interim CEO Manning said that he looks forward to working with the board and the rest of the management team "to ensure we capitalize on the opportunities in the marketplace and enhance value for our customers and for our shareholders." Dun & Bradstreet is a longtime buyout target. Manning further said: "The board believes that this is a time of great opportunity for Dun & Bradstreet."

Furthermore, it speaks volumes that in the announcement, James Fernandez, new lead director of the Board, introduces Tom Manning, but does not say a word about Bob Carrigan.

In the announcement from Dun & Bradstreet, Bob Carrigan does not get a chance to speak.

For the Push-out Score, it is irrelevant whether Carrigan was forced to leave or saw himself forced to leave. The circumstances clearly indicate that his departure was forced, and the Push-out Score is 10.

Bloomberg noted after the CEO change that "the window of leadership uncertainty will provide an opening for private equity firms that have circled the company before, only to be rebuffed" and that under Carrigan's leadership, shareholders received an annualized return of 5.9 percent -- less than half that of the S&P 500.

In the U.S., the average tenure of departing CEOs in the 12-month period from March 2017 to February 2018 was 9.2 years (see Exhibit 5). The average CEO retirement age in the U.S. was 62 (see Exhibit 6).

These results were calculated from 244 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 the past 12 months, the Healthcare sector showed the highest average Push-out Scores in the U.S. with 5.8. The lowest Push-out Scores were determined in the Industrial Goods sector with 2.8 and the Financial sector with 3.1.

In the Basic Materials sector, the average Push-out Score was 4.9, in the Consumer Goods sector it was 4.8, in the Services sector it was 5.0, and in the Technology sector it was 5.6.

Corporate governance experts from Stanford University have investigated exchange's analysis model and found that Push-out Scores are positively correlated with stock market volatility (see Gow, Ian D., Larcker, David F. and Tayan, Brian, "Retired or Fired: How Can Investors Tell If a CEO Was Pressured to Leave?" (May 25, 2017). Rock Center for Corporate Governance at Stanford University Closer Look Series: Topics, Issues and Controversies in Corporate Governance No. CGRP-66; Stanford University Graduate School of Business Research Paper No. 17-40. Available at SSRN: <https://ssrn.com/abstract=2975805>).

About exchange

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

Exhibit 1

Selected CEO departures, March 2017 to February 2018				
Announced	Company	Name	Push-out Score	Sector
27-Feb-18	SeaWorld Entertainment Inc.	Joel Manby	10	Services
21-Feb-18	Tupperware Brands Corp.	Rick Goings	4	Consumer Goods
12-Feb-18	Dun & Bradstreet Corp.	Bob Carrigan	10	Technology
07-Feb-18	O'Reilly Automotive Inc.	Greg Henslee	3	Services
06-Feb-18	Wynn Resorts Ltd.	Steve Wynn	10	Services
05-Feb-18	Lululemon Athletica Inc.	Laurent Potdevin	10	Consumer Goods
01-Feb-18	Altria Group Inc.	Marty Barrington	4	Consumer Goods
01-Feb-18	Univar Inc.	Steve Newlin	0	Basic Materials
29-Jan-18	Revlon Inc.	Fabian Garcia	9	Consumer Goods
18-Jan-18	Texas Instruments Inc.	Rich Templeton	0	Technology
9-Jan-18	Domino's Pizza Inc.	Patrick Doyle	2	Services
4-Jan-18	Xilinx Inc.	Moshe Gavrielov	4	Technology
5-Dec-17	Dish Network Corp.	Charlie Ergen	5	Services
29-Nov-17	Chipotle Mexican Grill Inc.	Steve Ells	7	Services
21-Nov-17	Hewlett Packard Enterprise Co.	Meg Whitman	5	Technology
7-Nov-17	State Street Corp.	Jay Hooley	3	Financial
6-Nov-17	Cardinal Health Inc.	George Barrett	6	Services
6-Nov-17	Anthem Inc.	Joe Swedish	6	Healthcare
18-Oct-17	American Express Co.	Ken Chenault	0	Financial
2-Oct-17	Dentsply Sirona Inc.	Jeff Slovin	10	Healthcare
28-Sep-17	Chevron Corp.	John Watson	3	Basic Materials
28-Sep-17	Kellogg Co.	John Bryant	8	Consumer Goods
26-Sep-17	Equifax Inc.	Rick Smith	8	Financial
30-Aug-17	Expedia Inc.	Dara Khosrowshahi	0	Services
16-Aug-17	UnitedHealth Group Inc.	Steve Hemsley	0	Healthcare
17-Jul-17	Bank of New York Mellon Corp.	Gerald Hassell	2	Financial
12-Jun-17	General Electric Co.	Jeff Immelt	4	Industrial Goods
22-May-17	Ford Motor Co.	Mark Fields	9	Consumer Goods
3-May-17	General Mills Inc.	Ken Powell	5	Consumer Goods
9-Mar-17	American International Group Inc.	Peter Hancock	10	Financial

Source: exchange

Exhibit 2

Push-out Score: Examples of factors considered

Dimension	Selected factors
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
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

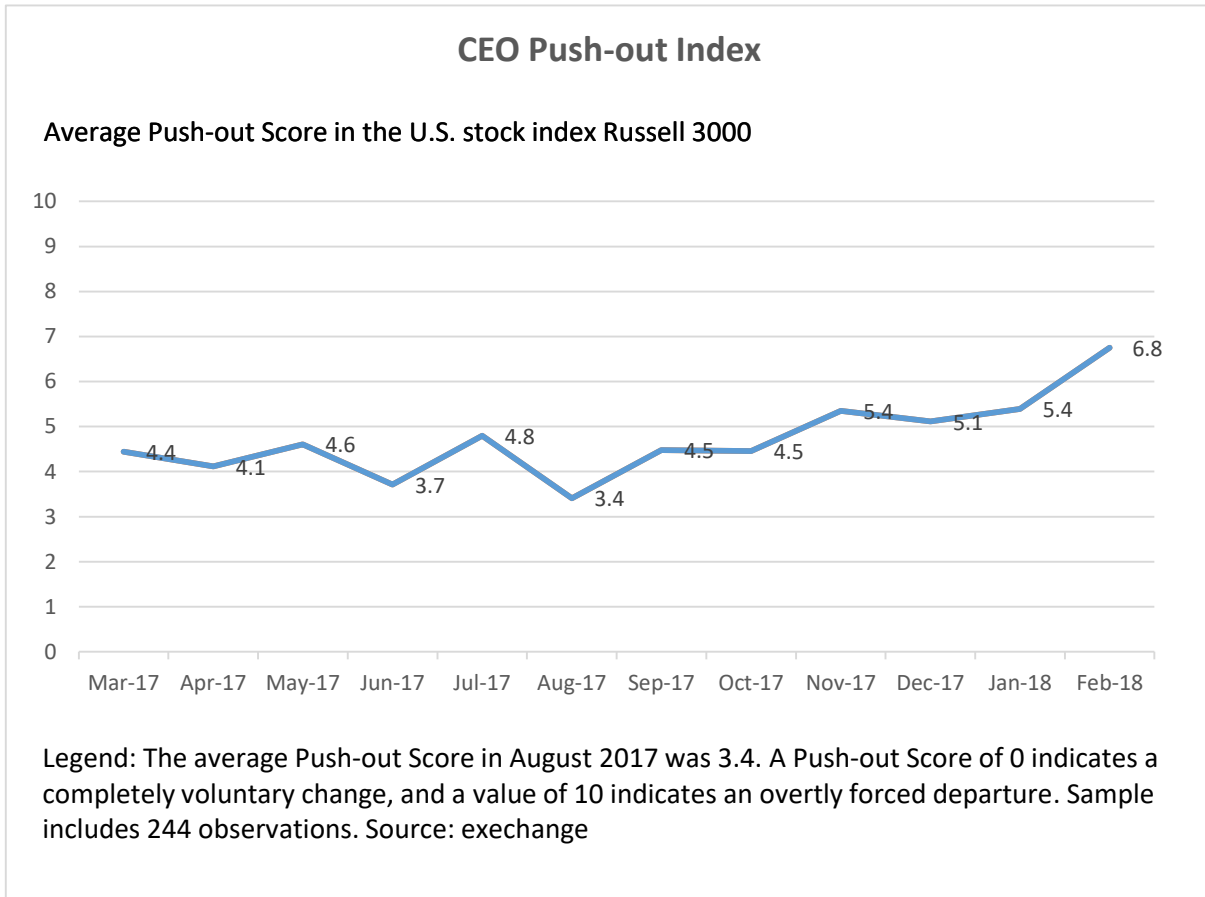
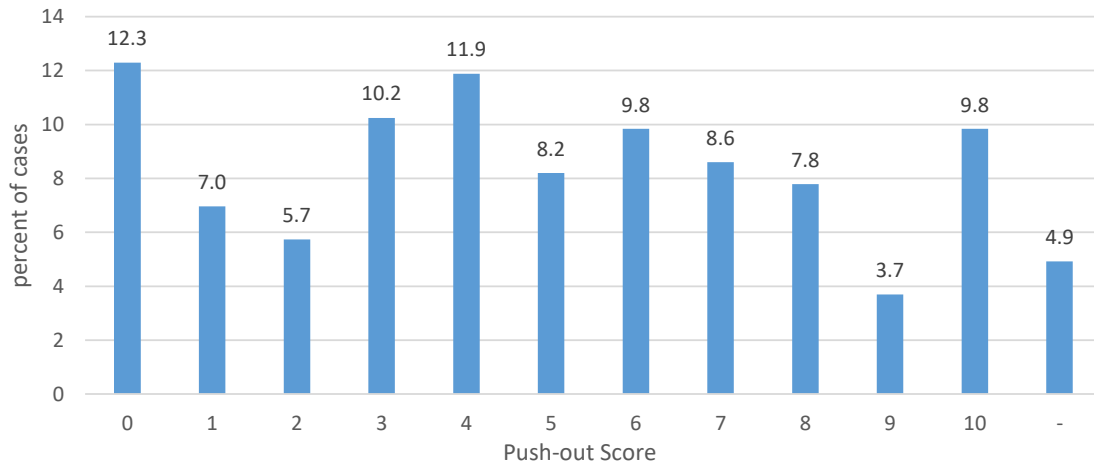


Exhibit 4

Many CEOs leave the position under pressure

Percentage distribution of Push-out Scores in the 12-month period from March 2017 to February 2018 in the U.S. stock index Russell 3000



Legend: Around 12 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 244 observations. Source: exchange

Exhibit 5

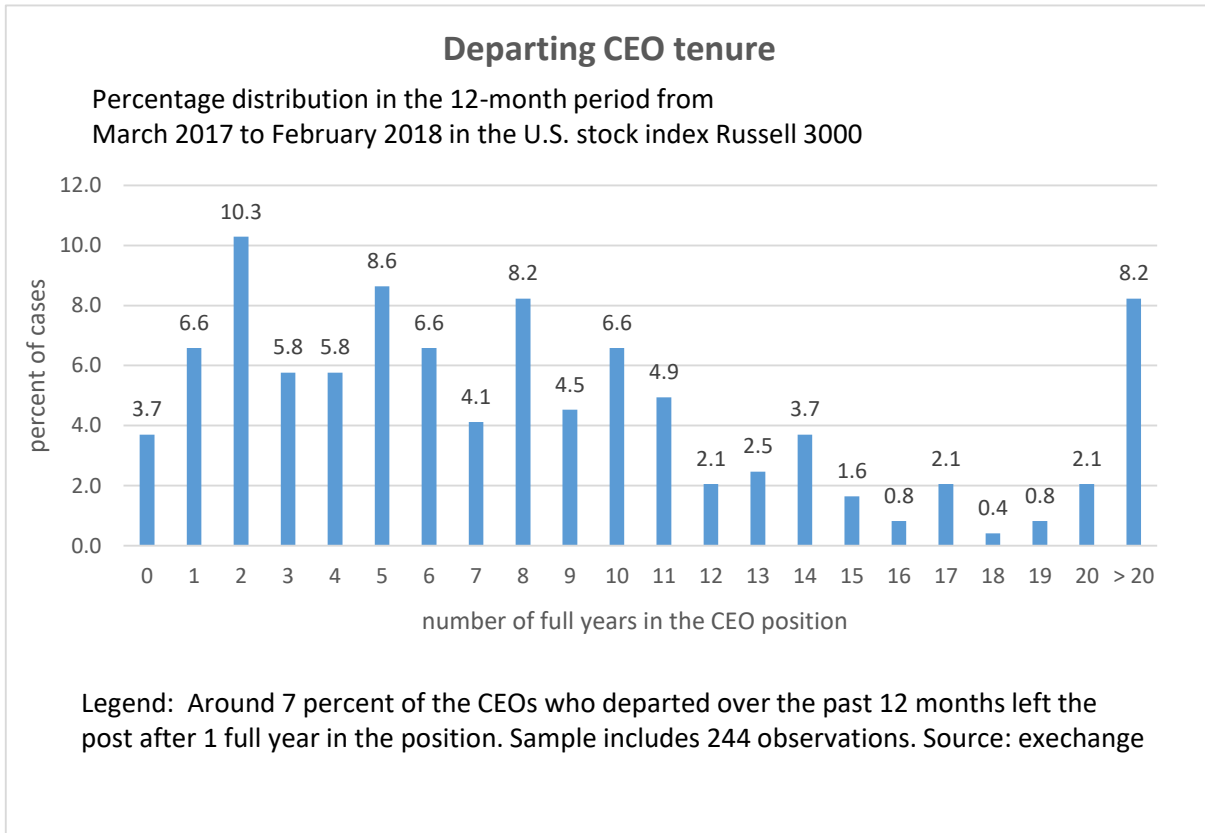
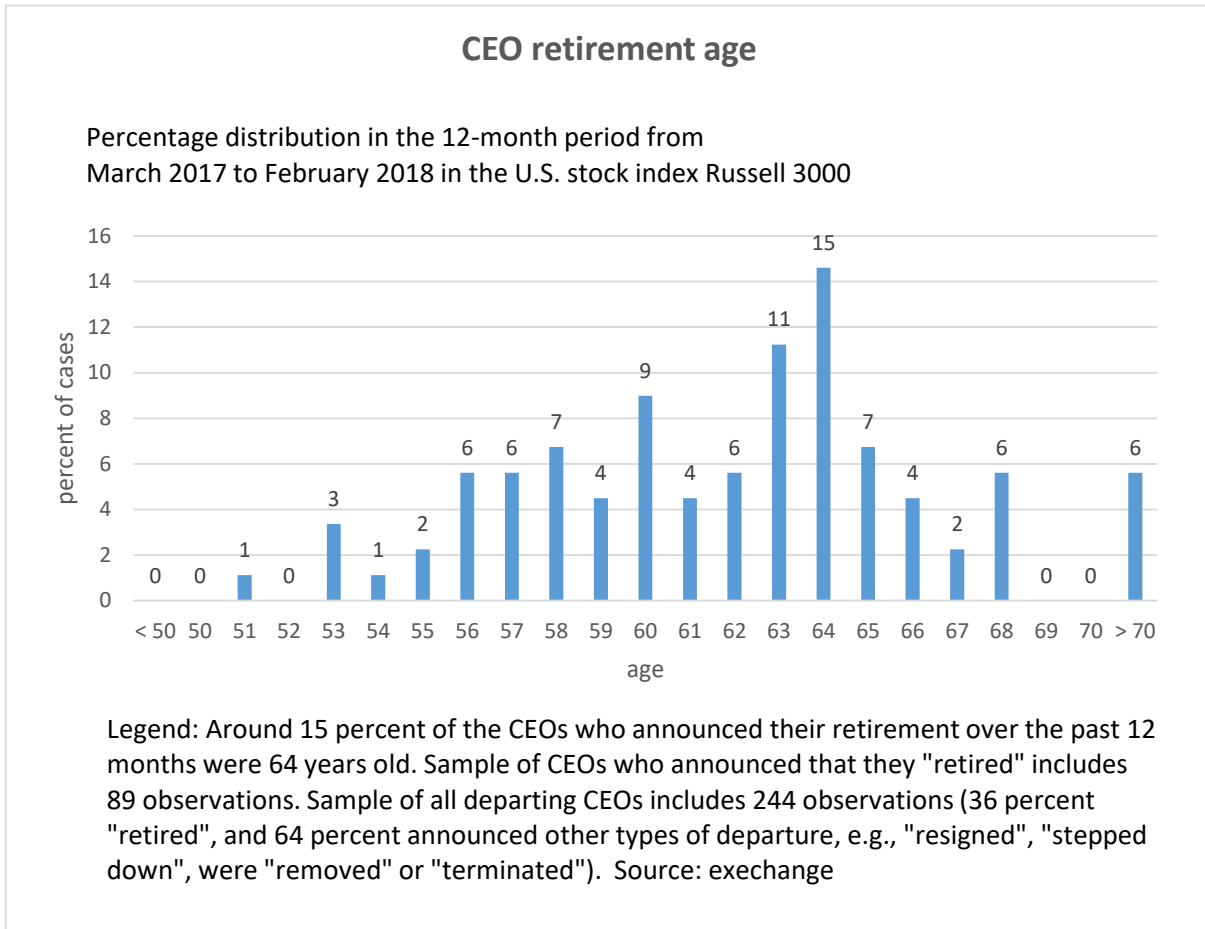


Exhibit 6

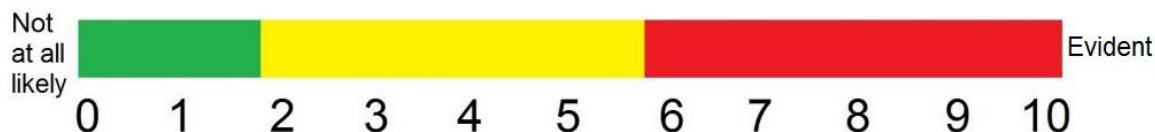


Push-out Score™: The number you need to know

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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