

exexchange news

We determine the Push-out Score™

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Pressure on CEOs stays high for eighth month in a row

- **CEO Push-out Index reached 6.4 in June compared with 6.8 in May**
- **Departure with a drop of bitterness: Verizon CEO Lowell McAdam resigns**
- **Smooth move: Ameris CEO Ed Hortman hands over the reins**
- **Bitter exit: Athenahealth CEO Jonathan Bush steps down**
- **In-depth analysis of more than 200 CEO departures in the U.S.**

(exexchange) -- July 2, 2018 -- Verizon Communications Inc., Ameris Bancorp and Athenahealth Inc. are among the U.S. companies that announced a major leadership change in June 2018. Obviously, not all of the top managers leave the position entirely on their own initiative. Research shows that pressure on CEOs eases slightly, but is still high.

Every management change is different. The resignation of Verizon CEO Lowell McAdam is a departure with a drop of bitterness, the move of Ameris CEO Ed Hortman seems smooth, and the exit of Athenahealth CEO Jonathan Bush appears bitter.

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 measure the pressure on the departing executive and 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. Push-out Scores above 5 suggest strong pressure.

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).

The pressure on CEOs remains high. The CEO Push-out Index™, which reflects the average Push-out Score for CEO departures in the U.S., reached 6.4 in June 2018 compared with 6.8 in May 2018 (see Exhibit 3). For the eighth month in a row it was above the critical value of 5.

The average Push-out Score for CEO departures in the 12-month period from July 2017 to June 2018 was 5.4.

Around 48 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 leader (see Exhibit 4). Every second CEO 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 **Verizon Communications Inc.** is in the lower range of the scale. While it is an honorable departure, it contains a drop of bitterness.

As announced on June 8, the board "accepted the resignation" of Lowell C. McAdam, age 64, as CEO of the telecommunications company after seven years in the role, effective August 1, 2018.

McAdam's duties will be taken over by Hans E. Vestberg, age 53 and currently chief technology officer of Verizon.

McAdam will serve as executive chairman through his retirement from Verizon at the end of the year, at which time he will become non-executive chairman.

In the announcement from New York-based Verizon, Lowell McAdam receives accolades, praise and thanks.

So far there are no red flags visible.

During McAdam's seven-year tenure as CEO, shares of Verizon, the biggest U.S. wireless carrier, have gained about 36 percent, outpacing rival AT&T Inc. and Sprint Corp. But Verizon shares are lagging far behind T-Mobile US Inc. and the broader market. That's the first point for the Push-out Score.

During the past seven years, shares of T-Mobile have gained about 294 percent and the S&P 500 Index has gained about 127 percent.

A reason for McAdam's departure from the CEO post was not explicitly given. Point number 2.

M. Frances Keeth, lead independent director of Verizon's board, said that the leadership succession "is part of a deliberate and thoughtful process that began to take shape three years ago."

That is certainly true, but it is obviously only half the truth.

Vestberg is a relative newcomer to Verizon, having joined the company in April 2017 from the Swedish telecom company Ericsson, where he had been CEO and was ousted in an investor-driven shakeup.

Past Verizon CEOs spent years at the company, often leading several different divisions as they rose.

When Vestberg joined Verizon a little more than a year ago, he also took a seat on a three-member management team alongside Marni Walden, the then media chief, and John Stratton, in charge of customer and product operations. Walden and Stratton were seen as contenders to succeed McAdam. Walden resigned late last year. At the date of Vestberg's appointment as CEO of Verizon, Stratton announced his plans to retire by the end of the year.

McAdam steps aside at a critical time. That's point number 3.

Verizon and other wireless carriers grapple with new technologies and a wave of consolidation in the fast-changing industry.

Vestberg's rise can be seen as an indication that Verizon is prioritizing its network as it tries to take the lead in the race for faster networks known as 5G.

5G networks provide a foundation for further advances in sectors like internet-connected devices and autonomous vehicles.

T-Mobile and Sprint are in the midst of a planned \$26.5 billion merger.

McAdam's move came four days before AT&T won approval for its \$85 billion takeover of Time Warner Inc.

The language of the announcement provides one additional point.

Lead Independent Director Keeth says that Vestberg "has the right characteristics and global perspective to drive transformational change and lead Verizon into the future digital world," while Vestberg says that Verizon is "experiencing unprecedented changes in the way users interact in the digital world, and we are racing ahead to remain at the forefront of technology, connectivity and mobility."

"Transformational" and "unprecedented" change: It seems obvious that the biggest U.S. wireless carrier needs a CEO with a completely different skill set to remain competitive.

With a Push-out Score of 1, the CEO change at **Ameris Bancorp** seems smooth. It follows the pattern typical of well-prepared management changes.

As announced on June 6, Edwin W. (Ed) Hortman, age 64, leaves his post as CEO at the parent company of Ameris Bank after almost 14 years in the role, effective July 5, 2018.

Hortman's duties will be taken over by Dennis J. Zember, age 48 and currently chief operating officer of Ameris Bancorp.

Hortman will continue to serve as executive chairman of Ameris Bancorp and Ameris Bank until his retirement date of September 4.

Hortman explains his move as follows: "Our company has been working on succession planning for several years."

The evidence certainly seems to support this statement.

Zember worked his way up through the ranks, beginning as CFO of both Ameris Bancorp and Ameris Bank in 2005 and becoming chief operating officer of Ameris Bancorp and CEO of Ameris Bank in January 2018.

The CEO change is designed exactly as investors like it. The best time to hand over the reins is when everything is at its peak. This seems to be the case at Ameris. The share is now trading at its record high, and profits are booming.

The form and language of the announcement provide the icing on the cake.

In the announcement from Moultrie, Georgia-based Ameris, Ed Hortman does not need to praise himself.

Instead, he praises his successor and says that Ameris "has benefitted from Dennis's leadership for many years."

Hortman says: "Our investors and our customers should expect no change in the kinds of results that have become our standard."

Zember says: "I expect that the momentum Ed has helped build will carry us far into the future."

Conclusion: Form, language, age, tenure, share price development, official reason given, circumstances and the succession plan are consistent, reasonable and free of red flags.

The Push-out Score is 1 because the lead time is only 29 days. According to the Push-out Scoring System, one sign alone is not significant and can be ignored.

With a Push-out Score of 10, the CEO change at **Athenahealth Inc.** is at the top of the scale and appears bitter.

As announced on June 6, Jonathan S. Bush, who co-founded Athenahealth in 1997, leaves his CEO post at the health-technology company after 21 years in the role. It is the end of an era.

In the announcement from Watertown, Massachusetts-based Athenahealth, Jonathan Bush receives praise and thanks.

Nevertheless, there is absolutely no doubt that he was under pressure to leave.

Among the instantly visible red flags are his abrupt departure (effective immediately) and the fact that a successor is not available. For the time being, Jonathan Bush's responsibilities are redistributed. Bush, age 49, has stepped down as president, CEO and as a member of the board. Precise information about his future plans was not immediately available.

Bush steps aside at a critical time.

Elliott Management Corp., an activist hedge fund, in May proposed buying Athenahealth for \$160 a share. Elliott said Athenahealth had been mismanaged.

Jonathan Bush, a nephew of former U.S. President George H.W. Bush, steps down after a series of allegations about misconduct involving women.

While a reason for Bush's surprise exit is not explicitly given in the announcement, Athenahealth is eager to give broad hints regarding the nature of his departure.

Athenahealth said that its board has initiated a process to explore "strategic alternatives" to maximize shareholder value. The board will consider a sale, merger or other transaction as well as continuing as an independent company.

Bush's move comes four months after Jeff Immelt, the former CEO of General Electric Co., took over as chairman of Athenahealth.

Immelt, who has been appointed executive chairman, said: "The board and Jonathan agree that this change in leadership is appropriate as Athenahealth turns to its next chapter."

"The board and Jonathan agree" -- this order makes it clear that the board, not Bush, is sitting in the driver's seat regarding the management change.

Bush himself spoke at length and said 105 words. At the end, he wistfully and almost philosophically says that "working for something larger than yourself" gives "shape and purpose to an otherwise mechanical and brief human existence." Bush further said in disarming openness that "the very things that made me useful to the company and cause in these past twenty-one years, are now exactly the things that are in the way."

According to the Push-out Scoring System, 10 points are given when the manager was openly pushed out or when there is absolutely no doubt that the manager left the position due to pressure.

For the Push-out Score, it is irrelevant whether Bush was forced to leave or saw himself forced to leave. The circumstantial evidence leaves no room for interpretation and clearly indicates that his departure was forced, and the Push-out Score is 10.

Athenahealth said that a separation agreement with Bush will be disclosed once finalized.

In the U.S., the average tenure of departing CEOs in the 12-month period from July 2017 to June 2018 was 9.4 years (see Exhibit 5). The average CEO retirement age in the U.S. was 61.1 (see Exhibit 6).

These results were calculated from 241 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 highest average Push-out Scores in the U.S. were determined in the Technology sector with 6.7 and in the Healthcare sector with 6.3. The lowest Push-out Scores were determined in the Financial sector with 3.7 and the Industrial Goods sector with 4.1.

In the Basic Materials sector, the average Push-out Score was 5.8, in the Consumer Goods sector it was 6.0, and in the Services sector it was 4.9.

Corporate governance experts from Stanford University (David Larcker and Brian Tayan) and Harvard University (Ian Gow, now University of Melbourne) have investigated exexchange's analysis model and

found that Push-out Scores are positively correlated with stock market volatility. See <https://ssrn.com/abstract=2975805>

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

| Selected CEO departures | | | |
|--------------------------------|--------------------------------|-------------------|-------------------------|
| Announced | Company | Name | Push-out Score * |
| 8-Jun-18 | Verizon Communications Inc. | Lowell McAdam | 4 |
| 6-Jun-18 | Ameris Bancorp | Ed Hortman | 1 |
| 6-Jun-18 | Athenahealth Inc. | Jonathan Bush | 10 |
| 22-May-18 | J.C. Penney Co. | Marvin Ellison | 5 |
| 18-May-18 | Heartland Financial USA Inc. | Butch Fuller | 1 |
| 18-May-18 | Campbell Soup Co. | Denise Morrison | 10 |
| 19-Apr-18 | Mattel Inc. | Margo Georgiadis | 9 |
| 12-Apr-18 | Lennar Corp. | Stuart Miller | 5 |
| 2-Apr-18 | Commerce Bancshares Inc. | David Kemper | 0 |
| 26-Mar-18 | Lowe's Cos. | Robert Niblock | 7 |
| 20-Mar-18 | Dover Corp. | Bob Livingston | 5 |
| 12-Mar-18 | Lattice Semiconductor Corp. | Darin Billerbeck | 8 |
| 5-Mar-18 | 3M Co. | Inge Thulin | 0 |
| 27-Feb-18 | SeaWorld Entertainment Inc. | Joel Manby | 10 |
| 21-Feb-18 | Tupperware Brands Corp. | Rick Goings | 4 |
| 12-Feb-18 | Dun & Bradstreet Corp. | Bob Carrigan | 10 |
| 6-Feb-18 | Wynn Resorts Ltd. | Steve Wynn | 10 |
| 5-Feb-18 | Lululemon Athletica Inc. | Laurent Potdevin | 10 |
| 1-Feb-18 | Altria Group Inc. | Marty Barrington | 4 |
| 18-Jan-18 | Texas Instruments Inc. | Rich Templeton | 0 |
| 9-Jan-18 | Domino's Pizza Inc. | Patrick Doyle | 2 |
| 29-Nov-17 | Chipotle Mexican Grill Inc. | Steve Eills | 7 |
| 21-Nov-17 | Hewlett Packard Enterprise Co. | Meg Whitman | 5 |
| 16-Nov-17 | Lear Corp. | Matt Simoncini | 1 |
| 18-Oct-17 | American Express Co. | Ken Chenault | 0 |
| 28-Sep-17 | Kellogg Co. | John Bryant | 8 |
| 26-Sep-17 | Equifax Inc. | Rick Smith | 8 |
| 30-Aug-17 | Expedia Inc. | Dara Khosrowshahi | 0 |
| 16-Aug-17 | UnitedHealth Group Inc. | Steve Hemsley | 0 |
| 17-Jul-17 | Bank of New York Mellon Corp. | Gerald Hassell | 2 |

* The Push-out Score on a scale of 0 to 10 is a measure of the pressure on the departing CEO. Push-out Scores above 5 suggest strong pressure. 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 in post (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

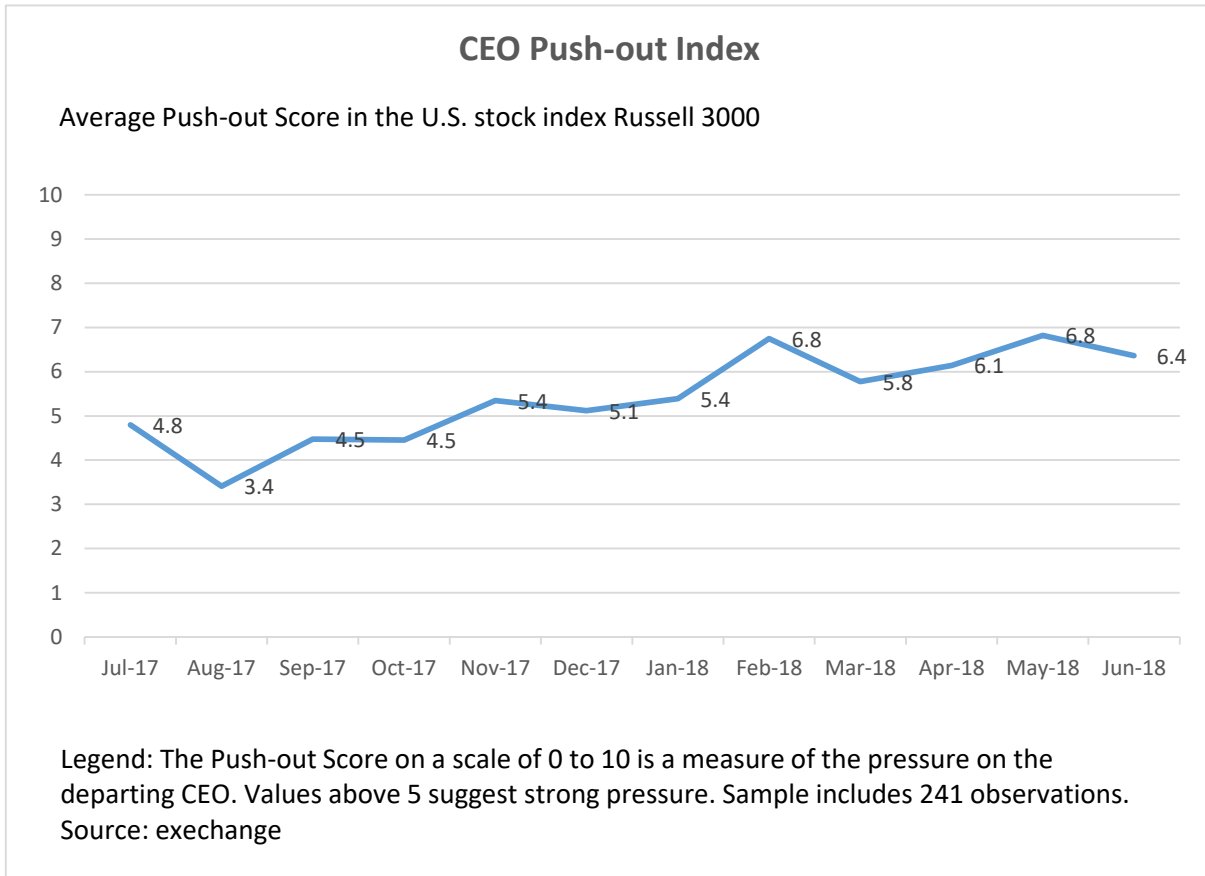
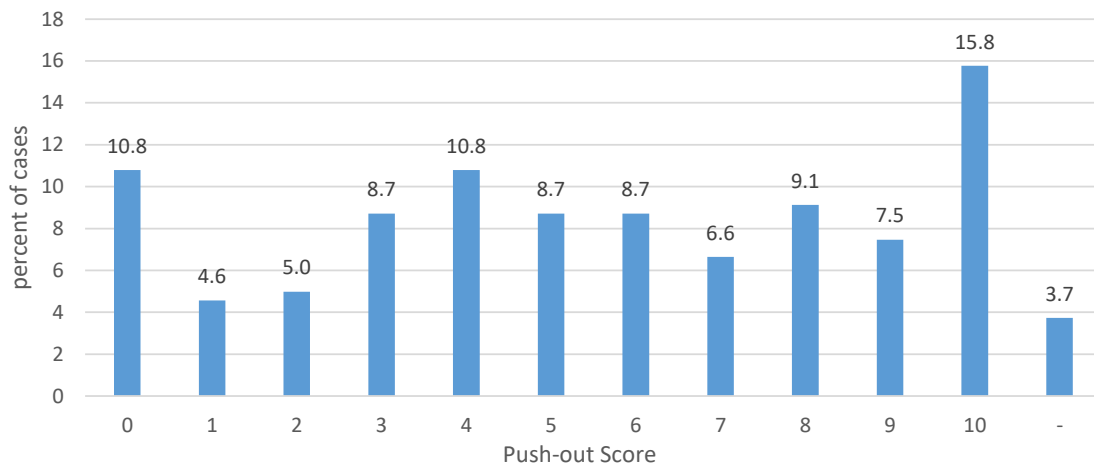


Exhibit 4

Many CEOs leave the position under pressure

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



Legend: Around 11 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 241 observations. Figures may not total to 100 due to rounding. Source: exchange

Exhibit 5

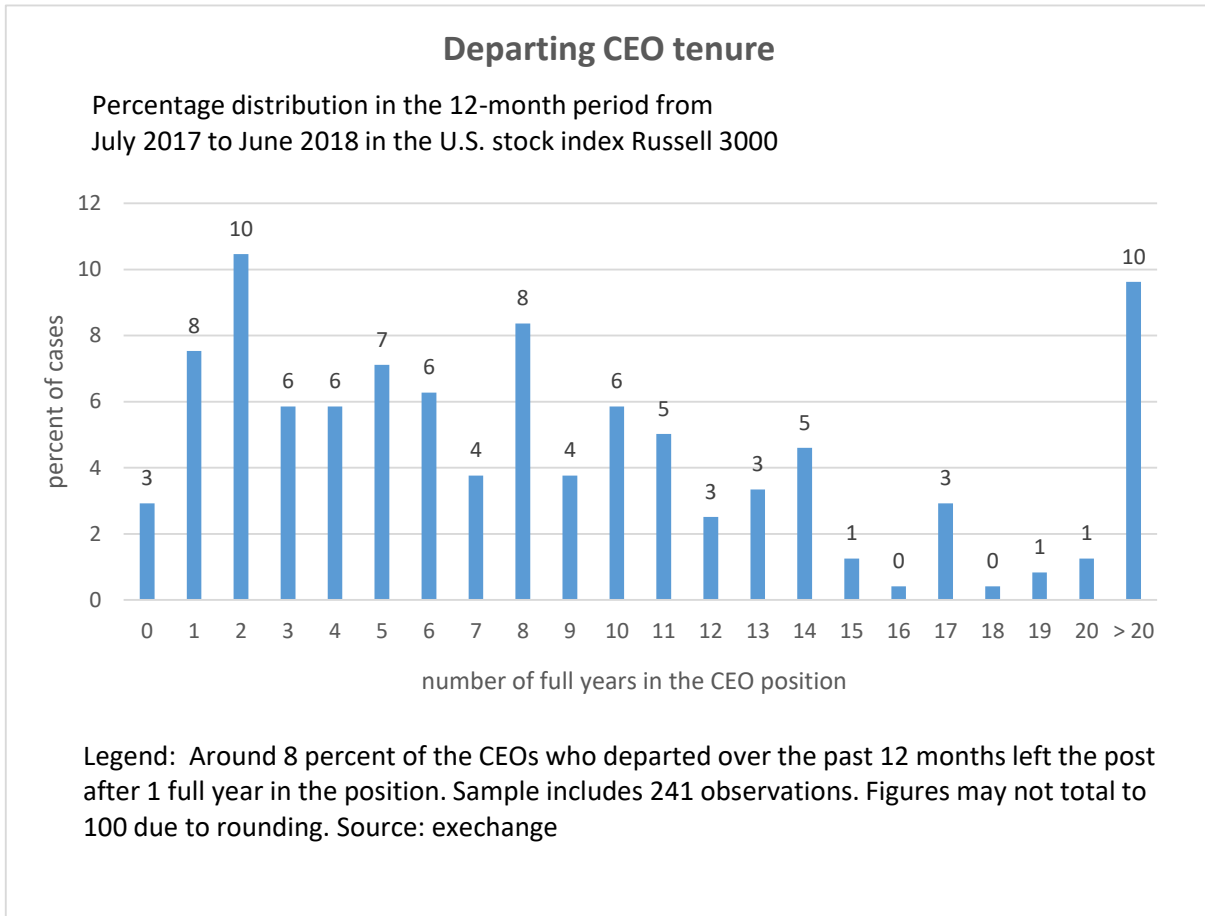
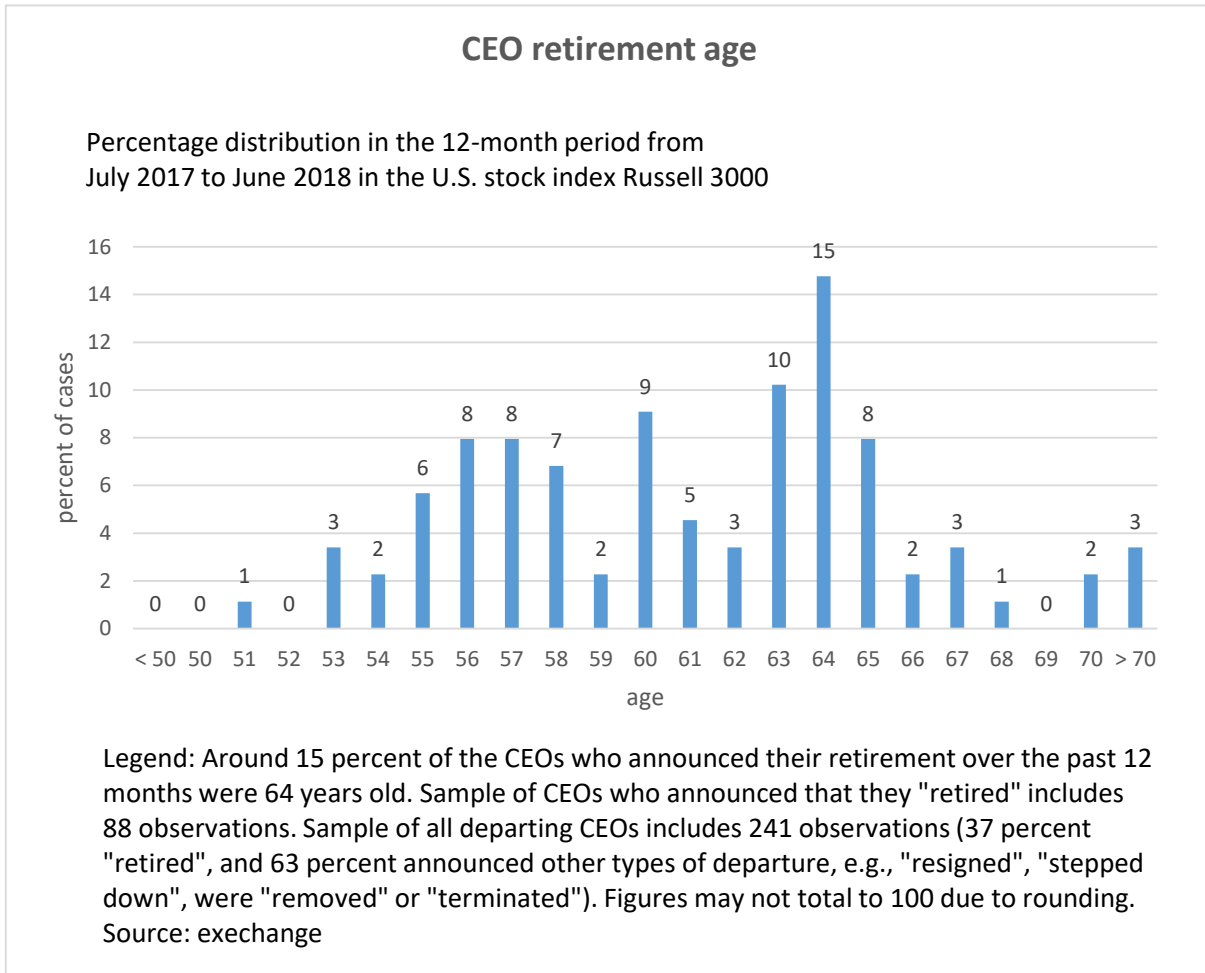


Exhibit 6

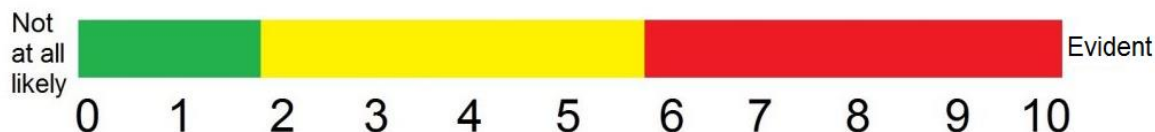


Push-out Score™: The number you need to know

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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