

exexchange news

We determine the Push-out Score™

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Pressure on CEOs stagnates

- **CEO Push-out Index flat at 5.3 in August after 5.3 in July**
- **Bumpy exit: Calyxt CEO Federico Tripodi leaves post**
- **Ambiguous move: PepsiCo CEO Indra Nooyi steps down**
- **Splendid departure: ITT CEO Denise Ramos retires**
- **In-depth analysis of 240 CEO departures in the U.S.**

(exexchange) -- September 12, 2018 -- Calyxt Inc., PepsiCo Inc. and ITT Inc. are among the U.S. companies that announced a major leadership change in August 2018.

Obviously, not all of the top managers leave the position entirely on their own initiative.

Research shows that the pressure on CEOs stagnates and remains at a high level.

Every management change is different. The exit of Calyxt CEO Federico Tripodi seems bumpy, the move of PepsiCo CEO Indra Nooyi appears ambiguous, and the departure of ITT CEO Denise Ramos looks splendid.

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. of companies in the Russell 3000 (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. It considers not only the official reason given for the departure, but also additional evidence that weighs on the credibility of that reason. The system also interprets the sometimes-cryptic language in corporate communications, using a proprietary algorithm (see Exhibit 2).

The CEO Push-out Index™, which reflects the average Push-out Score for CEO departures in the U.S., stagnated at 5.3 in August 2018 after 5.3 in July 2018 (see Exhibit 3).

For the tenth month in a row it was above the critical value of 5. In August, the index was influenced by an above-average number of events with high Push-out Scores, including the announced CEO changes at Sanmina Corp., Tailored Brands Inc., Textainer Group Holdings Ltd., Maiden Holdings Ltd. and Pico Holdings Inc.

The average Push-out Score for CEO departures in the 12-month period from September 2017 to August 2018 was 5.6.

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).

Almost one in two 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 9, the CEO change at **Calyxt** Inc. is in the upper range of the scale and is considered a bumpy exit.

As announced on August 22, Federico A. Tripodi leaves his post as CEO at the agriculture-focused gene-editing company.

A variety of factors suggests that Tripodi was under strong pressure to leave the former subsidiary of French biopharmaceutical company Collectis, which was spun off from its parent through an IPO in 2017.

Tripodi's duties will be taken over in the interim by Yves Ribeill, a former CEO of biotech company Scynexis, Inc. Ribeill is already a director of Calyxt. Often a board member is a last resort, someone who is turned to in desperation when a company cannot find suitable candidates. That's the first point for the Push-out Score.

Tripodi is leaving the company "to pursue other opportunities," and precise information about his future plans was not immediately available. Point number 2.

He leaves his post abruptly (effective immediately). That's point number 3.

His age of 41 years could justify a career rise, but not an abrupt departure with an initially unknown destination. Point number 4.

Tripodi's short tenure as CEO of Calyxt (two years and three months) raises one more red flag. Point number 5.

Tripodi steps aside at a critical time. On August 1, Calyxt reported a loss in its second quarter. Point number 6.

Calyxt's share price has declined since October 2017. Point number 7.

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

In the announcement from Calyxt, Tripodi receives thanks and good wishes, but he gets no accolades for concrete and quantified successes, no praise and no word of regret.

André Choulika, founder of Collectis and chairman of Calyxt's board of directors, issued 23 hollow words regarding Tripodi: "The company would like to thank Mr. Tripodi for his service as CEO and wishes him the very best in his future endeavors."

At the time of Tripodi's appointment as CEO at Calyxt, Choulika had sounded completely different, stating 76 warm words regarding Tripodi, praising him as "a perfect fit" for Calyxt and lauding his "successful track record in developing and bringing products to market."

Now that Tripodi is gone and Calyxt is still working on the commercial launch of its high-oleic soybean variety, Choulika says that the board is confident that his successor Ribeill will bring "the right combination of skills necessary to succeed during this pivotal period for Calyxt" and points to his "extensive prior experience in healthcare."

All this can be seen as a slap in the face of Tripodi, who, prior to joining Calyxt, had worked as general manager for Monsanto Co.'s sugarcane division in Brazil.

In the announcement from Calyxt, Tripodi does not get a chance to speak. When he was appointed CEO around two years ago, he uttered 125 words, praising Calyxt as "one of the most innovative and dynamic companies in the agricultural biotech industry to date."

Conclusion: Low age, short notice period, short tenure, poor share price development, non-transparent reason, critical time, succession issues, formal anomalies and linguistic peculiarities in the announcement are nine red flags. Tripodi's move follows the pattern typical of bumpy CEO changes.

With a Push-out Score of 5, the CEO change at **PepsiCo** Inc. is in the middle of the scale and is considered an ambiguous move.

As announced on August 6, Indra K. Nooyi, age 62, steps down from her post as CEO at the food, snack, and beverage corporation after 12 years in the role, effective October 3.

Nooyi will continue to serve as chairman of PepsiCo's board of directors "until a date in early 2019 to be mutually determined by Nooyi and the board."

Her duties as CEO will be taken over by Ramon Laguarta, currently president of PepsiCo.

In the announcement from Purchase, New York-based PepsiCo, Nooyi receives accolades, praise and thanks.

So far, there are no red flags visible.

Nooyi leaves her post at short notice (58 days after the announcement date). That's the first point for the Push-out Score.

PepsiCo Inc.'s share price has stagnated since May 2017. Point number 2.

During Nooyi's time leading PepsiCo, the company's shares rose by about 80 percent. Rival Coca-Cola's shares have more than doubled during the same time period.

Ian Cook, presiding director at PepsiCo, pointed to an 80 percent rise in revenue and a shareholder return of 162 percent since December 31, 2006. Meanwhile, the S&P 500 consumer staples sector has delivered a return of 188 per cent over that time, according to Bloomberg data.

The reason given for Nooyi's departure is not completely comprehensible. Point number 3.

PepsiCo stated that she will depart PepsiCo in early 2019 "so as to pursue the next phase of her life."

Precise information about Nooyi's future plans was not immediately available.

The circumstances of the management change are challenging. Point number 4.

PepsiCo's revenues from its main North American beverages division had fallen recently. The unit makes up approximately one third of the company's overall sales. Food companies have lost billions in revenue in recent years as consumers gravitate to more natural products and try to avoid sugary drinks.

PepsiCo saw off an activist campaign two years ago from the hedge fund manager Nelson Peltz, who had called on the group to separate its beverage and snack divisions.

The language in the announcement provides one additional point.

In the announcement, the departing chief executive receives no word of regret and no good wishes.

Daniel Vasella, chairman of the board's nominating and corporate governance committee, said, referring to her successor Ramon Laguarta, that he represents "the necessary agility for PepsiCo" and that he "keenly understands the evolving needs of consumers" and the "trends affecting our business in markets around the world."

Vasella's words suggest that PepsiCo needs a CEO with slightly different skills to adapt more efficiently to changing consumer habits.

With a Push-out Score of 0, the CEO change at **ITT** Inc. is at the bottom of the scale and is considered a splendid departure.

It follows the pattern typical of well-prepared management changes.

As announced on August 2, Denise L. Ramos, age 61, leaves her post as CEO at the maker of components for the aerospace, transportation, energy and industrial markets after about seven years in the role, effective January 1, 2019.

The lead time is 152 days.

Ramos's duties will be taken over by Luca Savi, age 52 and currently chief operating officer of ITT Inc.

Ramos's departure from the CEO post is explained as follows. ITT said: "As part of the company's long-term succession planning process, Luca Savi has been named to the newly created role of president and chief operating officer, and he will become chief executive officer and president on Jan. 1, 2019."

Frank MacInnis, chairman of ITT's board of directors, remarked: "This planned transition comes at a time of strength for ITT."

Long-term succession planning process? Time of strength for ITT? The evidence certainly seems to support these statements.

Savi joined ITT in 2011 and most recently served as executive vice president and chief operating officer.

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 ITT. Its shares are now trading at a record high, and profits are booming.

On August 3, the day after the CEO change announcement, ITT reported second-quarter earnings. On a per-share basis, ITT had a net income of 79 cents. Earnings, adjusted for non-recurring costs, amounted to 82 cents per share and hit a new all-time high, exceeding expectations and growing 26 percent compared with the prior year.

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

In the announcement from White Plains, New York-based ITT, Denise Ramos receives accolades and praise.

Frank MacInnis, the chairman, stated: "During her tenure, ITT has continually created value for shareholders as market capitalization has grown to \$4.9 billion, an increase of more than 2.5X."

In the announcement, Ramos does not need to praise herself. Instead, she compliments her successor and says that "his global perspective, growth-oriented mindset and intense focus on customers make him uniquely qualified to continue our legacy of creating value."

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

Ramos clearly leaves ITT on a high note.

In the past 12 months, around 36.3 percent of the CEOs in the U.S. left their post with no reason given in the announcement.

Around 6.3 percent departed "to pursue other opportunities" and around 2.5 percent "to spend time with their family," statements that are sometimes taken as code for firings.

Around 2.5 percent left for "personal reasons," and around 3.8 percent have been ousted with a specific reference to misconduct (see Exhibit 5).

In the past 12 months, exexchange recorded the following CEO changes in the Russell 3000 index that were openly linked in the corporate announcement to alleged or actual conduct issues.

- **Texas Instruments** Inc. CEO Brian Crutcher resigned in July due to "violations of the company's code of conduct."
- **Barnes & Noble** Inc. CEO Demos Parneros was terminated in July for "violations of the company's policies."
- **Rambus** Inc. CEO Ron Black was terminated in June after his "conduct fell short of the company's standards."
- **Intel** Corp. CEO Brian Krzanich resigned in June after a "violation of Intel's non-fraternization policy" and after a "past consensual relationship with an Intel employee."
- **Avid Technology** Inc. CEO Louis Hernandez was terminated in February due to "violations of company policies related to workplace conduct."
- **Wynn Resorts** Ltd. CEO Steve Wynn resigned in February because he found himself "the focus of an avalanche of negative publicity."
- **Lululemon Athletica** Inc. CEO Laurent Potdevin left in February because "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."
- **Equinix** Inc. CEO Steve Smith resigned in January after exercising "poor judgment with respect to an employee matter."
- **Farmer Mac** CEO Tim Buzby was terminated in December "solely on the basis of violations of company policies unrelated to the company's financial and business performance."

In the U.S., the average tenure of departing CEOs in the 12-month period from September 2017 to August 2018 was 9.2 years (see Exhibit 6).

The average CEO retirement age in the U.S. was 61.2 (see Exhibit 7).

In the past 12 months, the highest average Push-out Scores in the U.S. were determined in the Technology sector with 7 and in the Healthcare sector with 6.6.

The lowest Push-out Scores were determined in the Financial sector with 3.8 and the Industrial sector with 4.8.

In the Consumer sector, the average Push-out Score was 5.8, in the Basic Materials sector it was 5.5, and in the Services sector it was 5.

These results were calculated from 240 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.

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 *
22-Aug-18	Calyxt Inc.	Federico Tripodi	9
6-Aug-18	PepsiCo Inc.	Indra Nooyi	5
2-Aug-18	ITT Inc.	Denise Ramos	0
17-Jul-18	Goldman Sachs Group Inc.	Lloyd Blankfein	3
12-Jul-18	Northrop Grumman Corp.	Wes Bush	6
11-Jul-18	Dunkin' Brands Group Inc.	Nigel Travis	2
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
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
21-Feb-18	Tupperware Brands Corp.	Rick Goings	4
12-Feb-18	Dun & Bradstreet Corp.	Bob Carrigan	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
5-Jan-18	Gentex Corp.	Fred Bauer	5
21-Dec-17	Papa John's International Inc.	John Schnatter	7
13-Dec-17	Diebold Nixdorf Inc.	Andy Mattes	10
5-Dec-17	Dish Network Corp.	Charlie Ergen	5
21-Nov-17	Hewlett Packard Enterprise Co.	Meg Whitman	5
16-Nov-17	Lear Corp.	Matt Simoncini	1
13-Nov-17	Madison Square Garden Co.	Doc O'Connor	7
18-Oct-17	American Express Co.	Ken Chenault	0
17-Oct-17	Northern Trust Corp.	Rick Waddell	0
2-Oct-17	Dentsply Sirona Inc.	Jeff Slovin	10
28-Sep-17	Chevron Corp.	John Watson	3
28-Sep-17	Kellogg Co.	John Bryant	8
26-Sep-17	Equifax Inc.	Rick Smith	8

* 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: exexchange

Exhibit 2

Push-out Score: Examples of factors considered

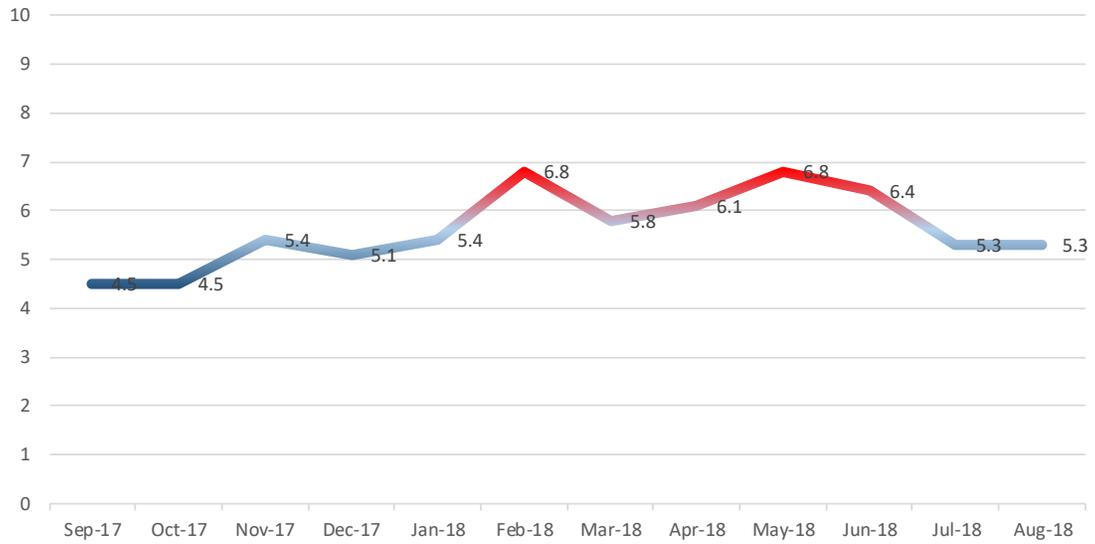
Dimension	Selected factors
Form	Dedicated press release (yes or no) Placement (top of release or buried in other news, such as earnings release) Length of disclosure (e.g., excessively short or long, omissions)
Language	Tone of announcement (warm, neutral, cold) Language used in quotations (e.g., poisoned 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

How strong the pressure is: CEO Push-out Index

Average Push-out Score in the U.S. stock index Russell 3000

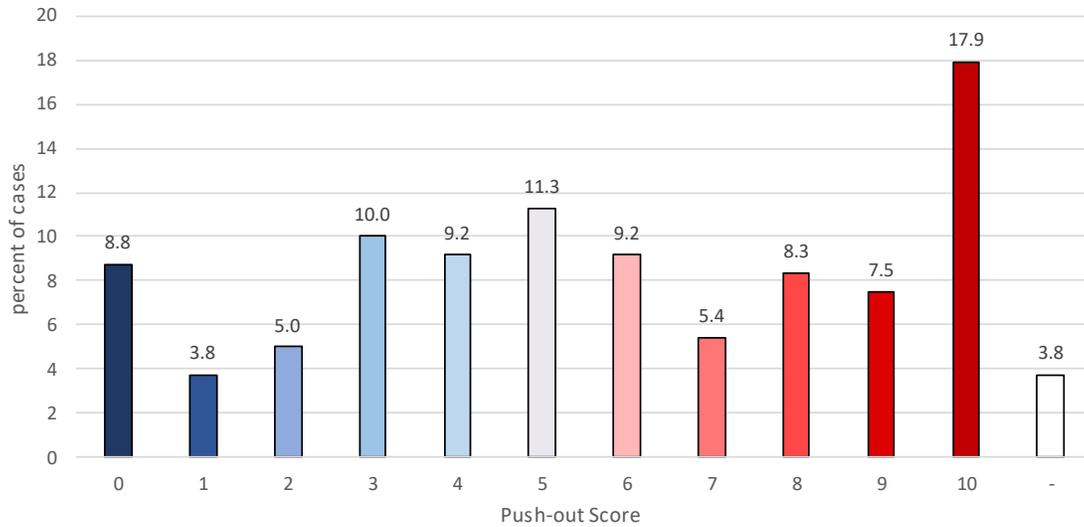


Legend: The Push-out Score on a scale of 0 to 10 is a measure of the pressure on the departing CEO. Values above 5 suggest strong pressure. Sample includes 240 observations. Source: exchange

Exhibit 4

How the pressure on CEOs is distributed

Percentage distribution of Push-out Scores in the 12-month period from September 1, 2017 to August 31, 2018 in the U.S. stock index Russell 3000

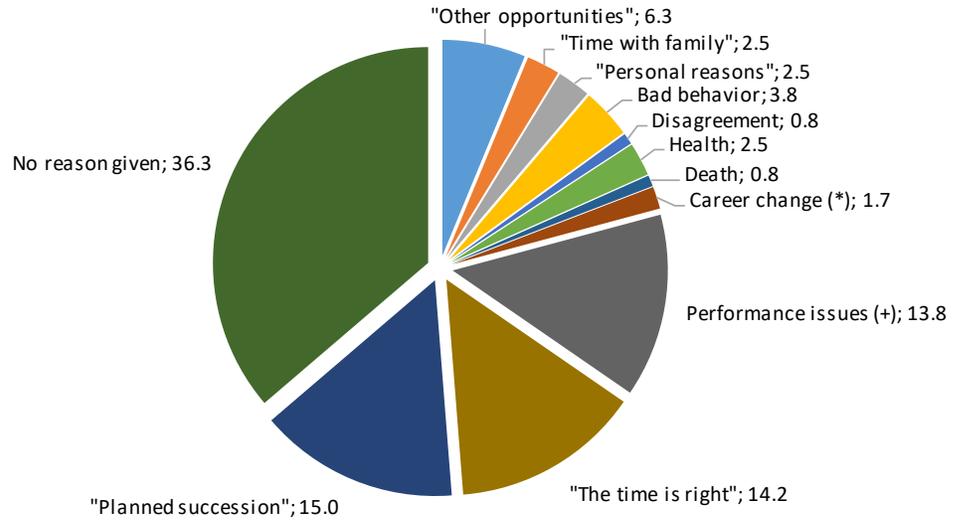


Legend: Around 9 percent of the CEOs received a Push-out Score of 0. Cases in which a score is not determined (e.g., death) are summarized under '-'. Sample includes 240 observations. Figures may not total to 100 due to rounding. Source: exchange

Exhibit 5

Why they leave: CEO departure reasons

Percentage distribution of departure reasons in corporate announcements in the 12-month period from September 1, 2017 to August 31, 2018 in the U.S. stock index Russell 3000

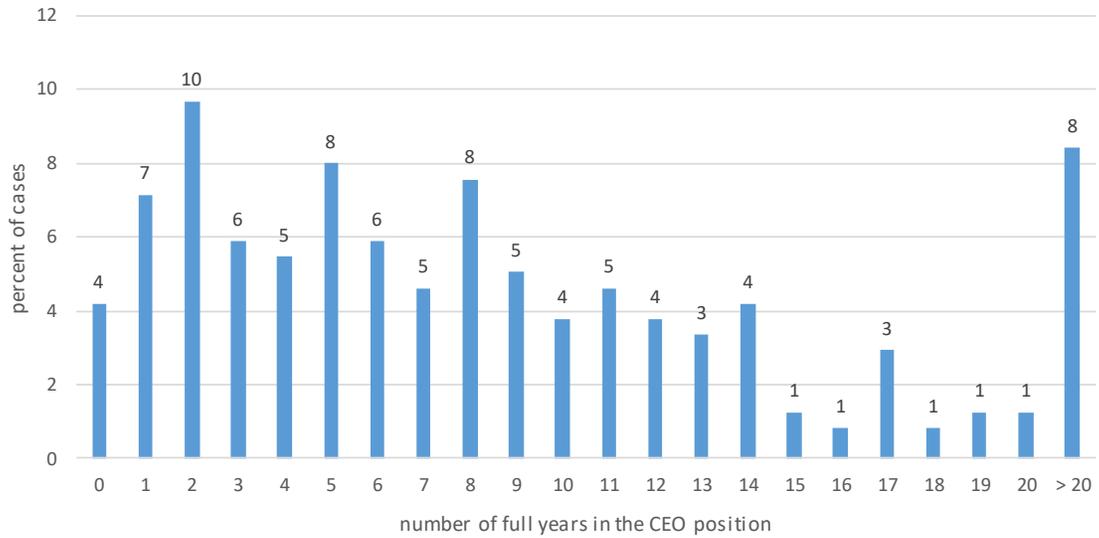


(*) if precise information about the new position is available immediately after the departure announcement; (+) if explicitly mentioned; Sample includes 240 observations. Figures may not total to 100 due to rounding. Source: exchange

Exhibit 6

How long they stay: Departing CEO tenure

Percentage distribution in the 12-month period from September 1, 2017 to August 31, 2018 in the U.S. stock index Russell 3000

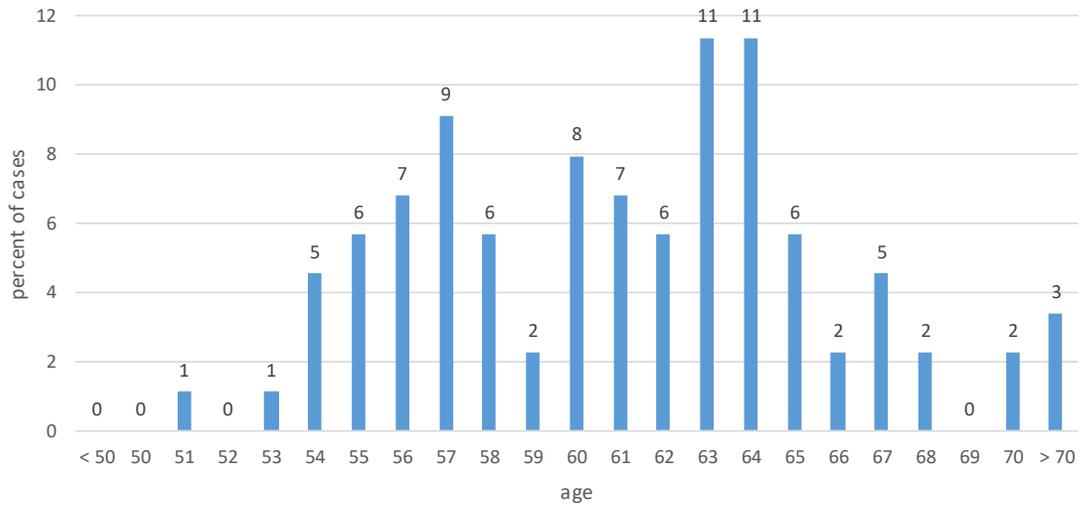


Legend: Around 7 percent of the CEOs who announced their departure within the above mentioned period left their post after 1 full year in the position. Sample includes 240 observations. Figures may not total to 100 due to rounding. Source: exchange

Exhibit 7

When they come to rest: CEO retirement age

Percentage distribution in the 12-month period from September 1, 2017 to August 31, 2018 in the U.S. stock index Russell 3000



Legend: Around 11 percent of the CEOs who announced their retirement within the above mentioned period were 64 years old. Sample of all departing CEOs includes 240 observations. Figures may not total to 100 due to rounding. 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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