Rainy mid-fall for CEOs

- CEO Push-out Index declines to 5.5 in October from 6.4 in September
- Two-edged move: Under Armour CEO Kevin Plank leaves his post
- Bumpy exit: Qiagen CEO Peer Schatz steps down
- Splendid departure: Zoetis CEO Juan Alaix retires
- In-depth analysis of 288 CEO departures in the U.S. from the past 12 months

(exchange) -- November 1, 2019 -- Under Armour Inc., Qiagen NV and Zoetis Inc. are among the U.S. companies that announced a leadership change in October 2019.

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

Research using the Push-out Score analysis model shows that in the second fall month, forced CEO changes prevailed. The pressure on CEOs in the U.S. has fallen modestly in October 2019, reaching a slightly elevated level. In September, it was at a significantly elevated level.

This is the result of a recent study by the research firm exchange, which has analyzed 288 CEO departures from companies on the Russell 3000 index over the past 12 months (see Exhibit 1). The Russell 3000 index includes most public companies on major U.S. stock exchanges.

exchange 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 that the executive's departure was almost certainly voluntary, whereas a score of 10 suggests an openly forced exit (requiring proof by clear and convincing evidence or proof beyond a reasonable doubt). Push-out Scores above 5 indicate that there is strong reason to believe that an executive may have been pushed out (requiring proof by a preponderance of the evidence).

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 Push-out Score indicates how many of the following nine criteria are met: unusual age, short notice, short tenure, poor share price performance, non-transparent reason, challenging circumstances, 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.

For example, a CEO in his early 50s is likely to receive a high score if he steps down at short notice after a short tenure without a comprehensible explanation and if the company’s stock price is weak, the succession plan remains unclear and the board’s praise of him is lukewarm.
CEO Push-out Index declines to 5.5

Rainy mid-fall for CEOs: The CEO Push-out Index™, which is calculated monthly and reflects the average Push-out Score for CEO departures in the U.S., fell to 5.5 in October 2019 from 6.4 in September 2019 (see Exhibit 3). It was the first decline in three months. Index values over 5 signal that apparently involuntary CEO departures predominate.

In October 2019, the barometer was influenced by many obviously forced turnover events and leadership changes with high Push-out Scores, including the announced CEO departures at Marathon Petroleum Corp., Western Digital Corp., Qiagen NV, Howard Hughes Corp., Covetrus Inc., Revance Therapeutics Inc. and USA Technologies Inc. Voluntary leadership changes and events with low to medium Push-out Scores had a slightly lower impact on the index in October, among them the CEO changes at Nike Inc., Zoetis Inc., ServiceNow Inc., Trimble Inc. and Under Armour Inc.

In September 2019, the index had also been dominated by many obviously forced turnover events and leadership changes with high Push-out Scores, including the announced CEO departures at EBay Inc., DXC Technology Co., Tapestry Inc., SeaWorld Entertainment Inc., Akcea Therapeutics Inc., Stewart Information Services Corp. and Tidewater Inc.

The average Push-out Score for CEO departures in the 12-month period from November 1, 2018 to October 31, 2019 was 5.9, substantially above the long-term average of 5.

Around 58% of the Push-out Scores of CEO departures in the U.S. from the past 12 months reached values between 6 and 10 (see Exhibit 4).

In other words, more than one in two CEOs stepped down under high pressure.

Two-edged move: Under Armour CEO Kevin Plank leaves his post

With a Push-out Score of 5, the CEO departure at Under Armour Inc. is exactly in the middle of the scale and appears two-edged.

As announced on October 22, 2019, Kevin A. Plank leaves his post as CEO at the footwear company, effective January 1, 2020.

On a superficial view, several aspects indicate a smooth change.

First, the lead time of 71 days is adequate.

Second, Plank’s time in office as CEO of 24 years (as of January 1, 2020) is really long enough.

Third, the succession plan points to a slick handover.

Kevin Plank’s duties as CEO will be taken over by Patrik Frisk, currently president & chief operating officer of Under Armour.

Plank, having served as chairman and CEO since he founded the company in 1996, will become executive chairman and brand chief continuing to lead Under Armour's board of directors "while focusing on product elevation, amplifying the brand story and stewarding the company's strong team culture."

Fourth, the form of the announcement is fine.

At the same time, five of nine warning lamps light up.

The age of Plank of 47 years (at the announcement date according to unverified publicly available information) is very low. That's the first point for the Push-out Score.

The stock price performance is relatively poor. The announcement follows a decline in Under Armour's share price of 18% since July 2019. Point number 2.

The reason for the leadership change is not completely comprehensible. Point 3.
Kevin Plank's departure from the CEO post is explained as follows. Plank said: "Our multi-year, transition approach has ensured purposeful leadership continuity. Patrik is the right person to serve as Under Armour's next CEO."

Meanwhile, the circumstances of the management change are challenging. Point 4.

Under Armour has been caught up in a sales slump in North America while combating the likes of Adidas, Nike and Lululemon in a cut-throat sports apparel and sneaker market.

Under Armour also came face to face with its own #MeToo moment in 2018, when the public learned employees had charged visits to strip clubs on their corporate credit cards.

The language in the announcement does not seem to be free of signs of pressure. Point 5.

Patrik Frisk said: "As our entire global team continues to lean hard into our transformation, I am honored to lead this great brand toward the realization of its full potential."

This sounds as if a CEO with other skills is needed.

Patrik Frisk is nine years older than Kevin Plank.

Conclusion: Age, share price development, official reason, circumstances and language in the communication raise five red flags.

The Push-out Score of 5 suggests that some pressure may have contributed to Plank's move.

Plank denied facing pressure from his board to step aside. "To be completely clear, this is strictly my decision," Plank told Fortune.

Under Armour did not respond to a message seeking comment on the score.

**Bumpy exit: Qiagen CEO Peer Schatz steps down**

With a Push-out Score of 7, the CEO departure at Qiagen NV is in the upper third of the scale and looks bumpy.

As announced on October 7, 2019. Peer M. Schatz leaves his post as CEO at the provider of sample and assay technologies for molecular diagnostics.

In strictly formal terms, Schatz leaves his post voluntarily.

Qiagen said that Schatz "has notified the company that, after 27 years at Qiagen, he has decided to step down as chief executive officer and chairman of the management board."

At the same time, the vast majority of the data points indicate that Schatz was under strong pressure to leave his post as CEO.

The age of Schatz of 54 years (at the announcement date) is quite low. That's the first point for the Push-out Score.

The notice period raises questions. A precise date for the move is not explicitly specified in the announcement. Point number 2.

The stock price performance is relatively poor. The announcement follows a decline in Qiagen’s share price of 20% since July 2019. Point 3.

The reason for the leadership change is not entirely understandable. Point 4.

Schatz is leaving "to pursue other interests." Precise information regarding his future plans was not immediately available.

Qiagen also stated that Schatz will remain with the company as special advisor to the supervisory board and transition into this role "in the coming weeks."

The circumstances of the management change are challenging. Point 5.
On October 7, 2019, Qiagen also said it would stop developing its next-generation genome sequencing machines and instead collaborate with industry leader Illumina. For the third quarter, the maker of diagnostic kits for cancer and tuberculosis cut its forecast for sales growth, adjusted for currency swings, to about 3%, down from a previous outlook of 4%-5%, with Qiagen's China business turning out significantly weaker than expected.

The succession plan raises questions. Point 6.

"The supervisory board will now start a search for a permanent CEO," Qiagen said.

Peer Schatz’s duties as CEO will be taken over in the interim by Thierry Bernard, currently senior vice president, head of molecular diagnostics business area of Qiagen, as interim CEO.

The form of the announcement shows anomalies. Point 7.

In the announcement from Qiagen, which is based in Venlo, Netherlands, Peer Schatz receives praise and thanks, but no accolades for concrete and quantified successes, no word of regret and no good wishes.

Håkan Björklund, chairman of the Qiagen supervisory board, said, regarding the long-standing chief executive Peer Schatz: "We respect his decision to pursue other interests."

The announcement of Peer Schatz's move comes 16 months after Björklund took over as chairman of Qiagen.

Conclusion: Age, notice period, share price development, official reason, circumstances, succession plan and form of the announcement raise seven red flags. Only Schatz’s sufficiently long term of office as CEO of 15 years and nine months (as of October 7, 2019) and the language in the communication prevented an even higher score.

Qiagen did not respond to a message seeking comment on the score.

**Splendid departure: Zoetis CEO Juan Alaix retires**

With a Push-out Score of 1, the CEO departure at Zoetis Inc. is near the bottom of the scale and seems splendid.

As announced on October 3, 2019, Juan Ramón Alaix "has decided to retire" as CEO at the world's largest producer of medicine and vaccinations for pets and livestock, effective December 31, 2019.

Alaix's move meets all the criteria for an ideal leadership changes, with one exception.

First, Alaix’s age of 68 years (at the announcement date) is appropriate to the move.

Second, the lead time of 89 days is adequate.

Third, Alaix’s time in office as CEO of seven years and six months (as of December 31, 2019) is impeccable.

Fourth, the stock price performance is satisfactory. The announcement follows an increase in Zoetis's share price of 33% since October 2018. From February 1, 2013, when Zoetis' common shares first started trading, through September 30, 2019, the company's cumulative total shareholder return has been 322%, versus 126% for the S&P 500.

Fifth, the circumstances of the management change are broadly positive. The company's fundamentals appear to be sound.

Sixth, the succession plan points to a slick handover.

Alaix’s duties as CEO will be taken over by Kristin C. Peck, currently executive vice president and group president of U.S. operations, business development and strategy of Zoetis.

The fact that the CEO post is filled internally implies continuity.

It is a generational change as well. Kristin Peck is about 20 years younger than Juan Alaix.
Seventh, the form of the announcement is hardly to be criticized. 

Eighth, the language in the announcement is the cherry on the cake. 

In the announcement from Zoetis, which is based in Parsippany, New Jersey, Juan Alaix receives accolades, praise and thanks. 

Michael McCallister, chairman of the board of directors of Zoetis, said, regarding the long-standing chief executive Juan Alaix: "During his tenure, he drove innovation and consistently delivered strong financial results."

In the announcement, the outgoing CEO does not need to praise himself. Instead, he compliments his successor and says: "Kristin is the right leader for Zoetis’ future. … Her strategic vision and proven track record of performance throughout her tenure at the company, as well as her operational experience and deep customer knowledge, have her well-prepared to drive Zoetis’ continued growth for the benefit of all our key stakeholders.”

Alaix will act as an advisor on the leadership transition through December 31, 2020.

Conclusion: Age, notice period, tenure, share price development, circumstances, succession plan, form of the announcement and language in the communication are consistent, reasonable and free of red flags. The Push-out Score is 1 because the reason for the leadership change is not expressly stated. According to the Push-out Scoring System, one sign alone is not significant and can be ignored.

Zoetis did not respond to a message seeking comment on the score.

In-depth analysis of 288 CEO departures

In the 12-month period from November 1, 2018 to October 31, 2019, around 30.2% of the CEOs in the U.S. left their post with no reason given in the announcement.

Around 6.9% departed “to pursue other opportunities” and around 2.8% “to spend time with their family,” statements that are sometimes taken as code for firings.

Around 2.1% left for “personal reasons,” and around 1.7% departed with a specific reference to misconduct allegations (see Exhibit 5).

CEOs who departed “to pursue other opportunities” received an average score of 7.7. CEOs who left “to spend time with their family” received an average score of 6, and CEOs who stepped down for “personal reasons” received an average score of 7.5.

Companies are, within certain limits, not necessarily required to reveal the reason for a CEO departure (see Exhibit 6). However, if they consider it appropriate, they may give a reason for the move, for example to curb speculation.

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

- **Revance Therapeutics** Inc. CEO Dan Browne stepped down in October 2019 "due to a misjudgment in handling an employee matter".
- **Herbalife Nutrition** Ltd. CEO Rich Goudis resigned in January 2019. His departure "pertains to comments which recently came to light, made by Mr. Goudis prior to his role as CEO, that are contrary to the company’s expense-related policies and business practices. The comments made were inconsistent with Herbalife Nutrition's standards and do not reflect the company's culture.”
- **Kemet** Corp. CEO Per Loof resigned in December 2018 following “an investigation overseen by certain independent members of the Kemet board, with the assistance of an external law firm, of the facts and circumstances surrounding a consensual personal relationship between Mr. Loof and an employee of the company and related actions which were inconsistent with the company’s policies.”
Female CEOs are obviously more likely to be pushed out than male CEOs. Over the past 12 months, outgoing female CEOs have received an average Push-out Score of 6.9, substantially above the average Push-out Score of 5.9 for outgoing male CEOs.

In the U.S., the average tenure of departing CEOs in the 12-month period from November 1, 2018 to October 31, 2019 was 7.4 years (see Exhibit 7).

The average CEO retirement age in the U.S. was 61.6 years. The average CEO departure age (including CEOs who resigned, stepped down or retired) in the U.S. was 57.9 years (see Exhibit 8).

Over the past 12 months, the average Push-out Scores in eight out of 11 sectors have been above the critical threshold of 5. The highest average Push-out Scores in the U.S. were determined in the communication sector with 7.9, in the energy sector with 7.1 and in the consumer staples sector with 7 (see Exhibit 9). Telecommunications and media companies are in the midst of digital change. Oil companies are under pressure from consumers, governments and investors to transition to cleaner energy sources while cutting dependence on fossil fuels. Technology developments like electric vehicles are also changing the outlook for the world's energy mix. Companies in the consumer staples sector, which includes suppliers of products ranging from toothpaste to canned soup, are grappling with rapidly changing consumer preferences that undermine the value of big consumer brands. Food companies are under particular pressure as shoppers have started to avoid canned and boxed food.

The lowest Push-out Scores were determined in the utilities sector with 2, in the real estate sector with 2.3 and in the financials sector with 4.7.

In the consumer discretionary sector, the average Push-out Score was 7, in the health care sector it was 6.7, in the information technology sector it was 6, in the materials sector it was 5.2, and in the industrials sector it was 5.1.

These results were calculated from 288 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.

The exchange study monthly documents and analyzes CEO departure events of Russell 3000 companies, updating a database first introduced in 2017.

Corporate governance experts from Stanford University (David Larcker and Brian Tayan) and Harvard University (Ian Gow, now University of Melbourne) have investigated exchange's analysis model and found that Push-out Scores are positively correlated with stock market volatility. See https://ssrn.com/abstract=2975805

**This and other reports, including exhibits, are available at https://exchange.com/news**

**About exchange**

exchange is the independent, privately held research provider that tracks executive changes and determines the Push-out Score™, a measure of pressure on departing CEOs on a scale of 0 to 10. The Push-out Score was featured by *The Wall Street Journal, Harvard Business Review* and *Stanford University*. For more information, visit exchange.com.
Chief point:

**Thomas Cook illustrates the three main reasons for corporate stumbles**

_By Jo Whitehead *_*

Our research looks at CEOs who leave under a cloud following a period of poor performance. A recent example is the bankruptcy of Thomas Cook, which illustrates the three main reasons for corporate stumbles neatly.

First, the company struggled to deal with a difficult challenge in its core business as the internet deconstructed its vertically integrated business model. Suddenly, it had to deal with focused airline competitors such as Ryanair, new upstart travel agents who focused on attractive niches, and a general shift away from bricks and mortar on the high street to online sites such as Expedia and Booking.com -- changes that it did not manage convincingly.

Second, the company struggled with its growth strategy, making some poor and expensive acquisitions.

Third, the company amplified the risks from these strategic problems by taking on large amounts of debt, putting a financial burden on the business which was manageable only if there were no downturns -- such as that due to Brexit uncertainty.

Stumbles are normally the result of one or two of these three problems. Thomas Cook suffered from all three -- which makes its collapse less surprising.

*The writer is a director of Ashridge Strategic Management Centre and currently researching why companies and CEOs stumble. Jo.whitehead@ashridge.hult.edu*

*Editor's note: This is a guest post.*
By the numbers:

What a month for CEOs in the UK!

- The leaders of Smith & Nephew, BP, Imperial Brands and Tesco announce their departure
- Push-out Score suggests that Imperial Brands CEO Alison Cooper was forced to go

(exchange) -- November 1, 2019 -- The leaders of four large caps from the United Kingdom have announced their departure in October. What a month!

BP Plc CEO Bob Dudley and Tesco Plc CEO Dave Lewis appear to be leaving voluntarily. Smith & Nephew Plc CEO Namal Nawana stepped down amid reports of a disagreement over pay. Imperial Brands Plc CEO Alison Cooper is obviously being forced to go.

Cooper is Big Tobacco's longest-serving leader.
Was she pushed out? Or did she jump before she was pushed?

The Push-out Score of the research firm exchange, which gauges the pressure on outgoing CEOs on a scale of 0 to 10, shows a value of 7 for Cooper's move, indicating strong pressure.

Cooper's age of 53 years (at the announcement date) is quite low. That's the first point for the Push-out Score.

The stock price performance leaves much to be desired. The announcement follows a decline in Imperial Brands's share price of 48% since January 2017. Point number 2.

The reason for the leadership change is not completely understandable. Point 3.

In the announcement, Imperial Brands did not explicitly explain the reason for Alison Cooper's move.

Precise information regarding Alison Cooper's future plans was not immediately available.

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

Alison Cooper's move comes as Imperial grapples with a regulatory backlash against e-cigarettes and declining tobacco sales. Just a week before the departure announcement, Imperial warned its sales and profit would be lower than expected this year. Cooper ignored the heat-not-burn sector even as rival Philip Morris International Inc.'s device, IQOS, proved successful in several key markets.

The succession raises questions. Point 5.

Imperial is already searching for a new chairman.

"Further announcements on the chairman and CEO will be made when their successors are appointed," Imperial Brands said.

The form and language of the announcement provide points 6 and 7.

In the announcement from Imperial Brands, which is based in Bristol, United Kingdom, Alison Cooper receives accolades, praise and thanks, but no word of regret.

Chairman Mark Williamson said that Cooper has worked "tirelessly" and "with great energy and passion" during her 20 years with Imperial, nine of which have been as CEO.

In the announcement from Imperial Brands, Alison Cooper remains silent.

Imperial Brands stated: "Chief Executive Officer Alison Cooper and the board have agreed that she will step down from the role of CEO and from the board once a suitable successor is found."

In the given context, the wording of the statement allows for the reading that the board may not only have condoned, tolerated or accepted the departure of the CEO but might even have endorsed, encouraged or pushed it. Although some interpretations may seem daring, they show how wide the
spectrum of possible exegeses is when companies -- presumably intentionally -- communicate ambiguously.

Conclusion: Age, share price development, official reason, circumstances, succession plan, form of the announcement and language in the communication raise seven red flags. Only the appropriate notice period and Cooper's sufficiently long term of office as CEO of nine years and five months (as of October 3, 2019) prevented an even higher score.

Imperial did not respond to a message seeking comment on the score.

Smith & Nephew CEO Namal Nawana (Push-out Score: 7) stepped down from his position as CEO "by mutual agreement" on October 31, 2019 "to pursue other opportunities outside of the UK." Nawana stepped aside amid reports of a disagreement over pay. Pharmaceutical executive pay in the U.S. far outstrips that in the U.K. Nawana took a pay cut to join Smith & Nephew from U.S. medical diagnostics company Alere, where he earned $8.6 million in 2016 and $11.1 million in 2015.

Smith & Nephew did not respond to a message seeking comment on the score.

The CEO changes at BP and Tesco seem voluntary, but both are not perfect.

BP CEO Bob Dudley (Push-out Score: 4) announced his departure from the oil and gas provider, and BP Chairman Helge Lund stated: "As the company charts its course through the energy transition this is a logical time for a change." Dudley is 64 years old (at the announcement date). BP has been targeted by climate activist groups on numerous occasions in recent months, with demonstrators increasingly angry about the lack of progress toward a lower-carbon future. In August, BP sold its last operation in Alaska but insisted this was not the result of pressure from environmental campaigners.

BP did not respond to a message seeking comment on the score.

Tesco CEO Dave Lewis (Push-out Score: 3) announced his upcoming departure from Britain's biggest retailer after about five years in the role, stating: "My decision to step down as Group CEO is a personal one. I believe that the tenure of the CEO should be a finite one and that now is the right time to pass the baton." Lewis is 54 years old (at the announcement date), and his successor is brought in from outside.

Tesco did not respond to a message seeking comment on the score.
### Selected CEO departures

<table>
<thead>
<tr>
<th>Announced</th>
<th>Company</th>
<th>Name</th>
<th>Push-out Score *</th>
</tr>
</thead>
<tbody>
<tr>
<td>22-Oct-19</td>
<td>Under Armour Inc.</td>
<td>Kevin Plank</td>
<td>5</td>
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<tr>
<td>7-Oct-19</td>
<td>Qiagen NV</td>
<td>Peer Schatz</td>
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<td>3-Oct-19</td>
<td>Zoetis Inc.</td>
<td>Juan Alaix</td>
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<td>16-Sep-19</td>
<td>SeaWorld Entertainment Inc.</td>
<td>Gus Antorcha</td>
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<td>11-Sep-19</td>
<td>DXC Technology Co.</td>
<td>Mike Lawrie</td>
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<td>6-Sep-19</td>
<td>Nucor Corp.</td>
<td>John Ferriola</td>
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<td>26-Aug-19</td>
<td>Aramark</td>
<td>Eric Foss</td>
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<td>14-Aug-19</td>
<td>E*Trade Financial Corp.</td>
<td>Karl Roessner</td>
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<td>12-Aug-19</td>
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<td>Greg Creed</td>
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<td>31-Jul-19</td>
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<td>Mark Hunter</td>
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<td>Paal Kibsgaard</td>
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<td>Alliance Data Systems Corp.</td>
<td>Ed Heffernan</td>
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<td>5-Jun-19</td>
<td>Laboratory Corp. of America Holdings</td>
<td>Dave King</td>
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<td>5-Jun-19</td>
<td>Casey's General Stores Inc.</td>
<td>Terry Handley</td>
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<td>Bed Bath &amp; Beyond Inc.</td>
<td>Steven Temares</td>
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<td>9-May-19</td>
<td>Symantec Corp.</td>
<td>Greg Clark</td>
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<td>Fluor Corp.</td>
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<td>Mike Thaman</td>
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<td>Bunge Ltd.</td>
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<td>Gannett Co.</td>
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<td>Camillo Pane</td>
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<td>1-Nov-18</td>
<td>Caesars Entertainment Corp.</td>
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* 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: exchang

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**Note:** The table data is extracted from the image and formatted to match the expected output. The source reference is included at the bottom of the table.
### Push-out Score: Examples of factors considered

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<thead>
<tr>
<th>Dimension</th>
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<td>Form</td>
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<tr>
<td>Language</td>
<td>Tone of announcement (warm, neutral, cold) &lt;br&gt;Language used in quotations (e.g., poisoned praise, hidden criticism) &lt;br&gt;Clarity of language</td>
</tr>
<tr>
<td>Age</td>
<td>Age of departing executive relative to typical retirement age</td>
</tr>
<tr>
<td>Notice period</td>
<td>Length of time between announcement and last day</td>
</tr>
<tr>
<td>Tenure</td>
<td>Length of time in post (reasonable or excessively short)</td>
</tr>
<tr>
<td>Share price</td>
<td>Recent share price performance &lt;br&gt;Significant positive or negative relative performance</td>
</tr>
<tr>
<td>Official reason</td>
<td>Official reason given (yes or no) &lt;br&gt;Clarity of official reason (ambiguous or understandable) &lt;br&gt;Stated post-employment activity</td>
</tr>
<tr>
<td>Circumstances</td>
<td>Industry performance &lt;br&gt;Peer group performance &lt;br&gt;Governance factors (controversy, restatements, lawsuits) &lt;br&gt;Severance payments made (yes or no)</td>
</tr>
<tr>
<td>Succession</td>
<td>Signs of continuity &lt;br&gt;Successor identified (yes or no) &lt;br&gt;Internal vs. external successor &lt;br&gt;Interim or permanent replacement &lt;br&gt;Successor added to corporate website (yes or no)</td>
</tr>
</tbody>
</table>

Source: exechange
How strong the pressure is: CEO Push-out Index

Average Push-out Score in the 12-month period from November 1, 2018 to October 31, 2019 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 288 observations. Source: exechange
How the pressure on CEOs is distributed

Percentage distribution of Push-out Scores in the 12-month period from November 1, 2018 to October 31, 2019 in the U.S. stock index Russell 3000

Legend: Around 5% 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 288 observations. Figures may not total to 100 due to rounding. Source: exechange
Exhibit 5

Why they leave: CEO departure reasons

Percentage distribution of departure reasons in corporate announcements in the 12-month period from November 1, 2018 to October 31, 2019 in the U.S. stock index Russell 3000

- "No reason given"; 30.2%
- "Other opportunities"; 6.9%
- "Time with family"; 2.8%
- "Personal reasons"; 2.1%
- Conduct issues; 1.7%
- Disagreement; 1.4%
- Health; 1.7%
- Death; 0.7%
- Career change (*); 1.7%
- Non-business-related reasons; 0.7%
- Performance issues (**); 19.1%
- "The time is right"; 9.7%
- "Planned succession"; 21.2%

(*) if precise information about the new position is available immediately after the departure announcement; (**) if explicitly mentioned; Sample includes 288 observations. Figures may not total to 100 due to rounding. Source: exechange
Exhibit 6

SEC requirements

Companies are, within certain limits, not necessarily required to reveal the reason for a CEO departure. However, if they consider it appropriate, they may give a reason for the move, for example to curb speculation.

The Securities and Exchange Commission requires that public companies must issue a securities filing called an 8-K within four business days if a major event relevant to shareholders occurs (see https://www.sec.gov/files/form8-k.pdf).

While Item 5.02(b) of Form 8-K requires companies to disclose when a principal executive officer "retires, resigns or is terminated from that position," companies only need to "disclose the fact that the event has occurred and the date of the event."

When companies make statements, they must act responsibly, including endeavoring to ensure the statements are not false or misleading and do not omit information a reasonable investor would consider important in making an investment decision.

If the CEO is also a director, which a CEO often is, and departs in their capacity as a director because of a disagreement with the company "on any matter relating to the company’s operations, policies or practices," or has been removed for cause from the board of directors, item 5.02(a) of Form 8-K requires the company to disclose "a brief description of the circumstances representing the disagreement that the registrant believes caused, in whole or in part, the director’s resignation, refusal to stand for re-election or removal."

The SEC does not detail how specific that description must be.

While statements must not be misleading, companies sometimes give vague reasons for a CEO’s departure. This approach may be sensible because an investigation has not yet been completed, due to privacy concerns for the CEO, in order to prevent a defamation action by the departing CEO against the company, or to have more flexibility in case a CEO tries to litigate a “for cause” departure or the elimination of severance payments.
Exhibit 7

How long they stay: Departing CEO tenure

Percentage distribution in the 12-month period from November 1, 2018 to October 31, 2019 in the U.S. stock index Russell 3000

Legend: Around 10% of the CEOs who announced their departure within the above mentioned period left their post after 1 full year in the position. Sample includes 288 observations. Figures may not total to 100 due to rounding. Source: exechange
When they go: CEO departure age

Percentage distribution in the 12-month period from November 1, 2018 to October 31, 2019 in the U.S. stock index Russell 3000

Legend: Around 6% of the CEOs who announced their departure within the above mentioned period were 64 years old. Sample includes 288 observations. Figures may not total to 100 due to rounding.
Source: exechange
Where the pressure on CEOs is high

Average Push-out Scores by sector in the 12-month period from November 1, 2018 to October 31, 2019 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 288 observations. Source: exechange
Push-out Score™: The number you need to know

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

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

How the scoring works

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

exchange’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 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.


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