Covid-19 pandemic drives up involuntary CEO departures

- Forced CEO changes prevailed in April
- Two-edged move: AT&T CEO Randall Stephenson retires
- Peculiar exit: Altria CEO Howard Willard retires
- Icy farewell: SeaWorld CEO Serge Rivera resigns
- In-depth analysis of 316 CEO departures in the U.S. from the past 12 months

(exchange) -- May 1, 2020 -- AT&T Inc., Altria Group Inc. and SeaWorld Entertainment Inc. are among the U.S. companies that announced a leadership change in April 2020.

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

The Covid-19 pandemic, which caused stock prices around the world to plummet in March, drives up involuntary CEO departures in the U.S.

Research using the Push-out Score analysis model shows that in the second spring month, forced CEO changes prevailed. The pressure on CEOs in the U.S. was at a drastically elevated level in April 2020.

This is the result of a recent study by the research firm exchange, which has analyzed 316 CEO departures from companies in 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 climbs to 7.5**

The CEO Push-out Index™, which is calculated monthly and reflects the average Push-out Score for CEO departures in the U.S., rose to 7.5 in April 2020 from 6.2 in March 2020 (see Exhibit 3). The index reached its highest level in 12 months. For the twelfth month in a row, it was above the critical level of 5. Index values over 5 signal that apparently involuntary CEO departures predominate.

In April 2020, the barometer was influenced by many obviously forced turnover events and leadership changes with high Push-out Scores, including the announced CEO departures at Altria Group Inc., PG&E Corp., Helios Technologies Inc., Radius Health Inc., SeaWorld Entertainment Inc., Tanger Factory Outlet Centers Inc. and ANI Pharmaceuticals Inc. Voluntary leadership changes and events with low to medium Push-out Scores had a much lower impact on the index in April, including the CEO changes at AT&T Inc. and Crawford & Co.

In April 2020, around 83% of CEOs in the Russell 3000 index who announced their exits stepped down under severe pressure, i.e. with Push-out Scores between 6 and 10.

Obviously, the Covid-19 pandemic, which caused stock prices around the world to plummet in March, drives up involuntary CEO departures in the U.S.

In April 2020, exchange registered a total of 18 announced CEO exits in the Russell 3000 index, after 24 in March 2020 and 39 in February 2020.

The data suggest that during the Covid-19 pandemic, companies are delaying the planned departures of experienced bosses. At the same time, the boards now seem to be pushing for those CEO changes that are considered urgently needed to overcome the crisis.

The average Push-out Score for CEO departures in the 12-month period from May 1, 2019 to April 30, 2020 was 6, substantially above the long-term average of 5.

Around 57% 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 steps down under high pressure.

**Two-edged move: AT&T CEO Randall Stephenson retires**

With a Push-out Score of 5, the CEO departure at AT&T Inc. is exactly in the middle of the scale and looks two-edged.

As announced by AT&T Inc. on April 24, 2020, Randall Stephenson leaves his post as CEO at the media and telecommunications company, effective July 1, 2020.

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

First, Stephenson's age of 60 years (at the announcement date) is appropriate to the move.

Second, the lead time of 68 days is sufficiently long.

Third, Stephenson's term of office as CEO of 13 years and one month (as of July 1, 2020) is long enough.

Fourth, the succession plan indicates an orderly transition.

Stephenson's duties as CEO will be taken over by John Stankey, currently president and chief operating officer of AT&T. Stankey oversaw WarnerMedia after AT&T's $85 billion purchase of media company Time Warner. Stankey was named president and COO of AT&T last October. At that time, Stankey's promotion was widely believed to be a sign that he was first in line to one day take over for Stephenson. After serving 13 years as AT&T's Chairman and CEO, Stephenson will retire as CEO but
will serve as executive chairman of the board of directors until January 2021 "to ensure a smooth leadership transition."

At the same time, five warning lamps light up.

The stock price performance could be better. That's the first point for the Push-out Score.

The announcement follows a decline in AT&T Inc.'s share price of 29% during Stephenson's tenure. The S&P 500 has nearly doubled during that time frame, and AT&T rivals Comcast and Verizon have gained more than 175% and 50% respectively.

The reason for the leadership change is not fully transparent. Point number 2.

Stephenson's departure from the CEO post is explained as follows. AT&T stated: "Stankey's selection as AT&T's next CEO completes the final phase of a succession planning process that AT&T's Board began in 2017, which included a thorough evaluation of internal and external candidates. Most recently, the HR Committee -- led by AT&T Director Beth Mooney, comprised entirely of independent directors and supported by outside consultants -- engaged in an extensive five-month search process to ensure that the company's next CEO possessed the vision, experience, talent and leadership qualities necessary to deliver on AT&T's strategic plans. Those qualities in our new CEO are important for our future and essential during these challenging economic times."

The statement allows for the interpretation that the board may have been looking for a CEO with a different skill set and that the departure of the incumbent CEO may have been accelerated.

The circumstances of the management change are challenging. Point 3.

AT&T grapples with declines at WarnerMedia, which has been hit by a slump in advertising and the shutdown of movie theaters due to the Covid-19 pandemic.

Stephenson's exit comes after AT&T reached a truce with the activist investor, Elliott Management, which had been pushing for a strategic review of assets.

U.S. President Donald Trump, who has complained about CNN's coverage of him while his Justice Department tried to stop AT&T's takeover of Time Warner, celebrated the CEO change on Twitter. "Great News! Randall Stephenson, the CEO of heavily indebted AT&T, which owns and presides over Fake News @CNN, is leaving, or was forced out," Trump tweeted.

The form and language of the announcement provide points 4 and 5.

In the announcement from AT&T, which is based in Dallas, Texas, Randall Stephenson receives praise and thanks, but no accolades for concrete and quantified successes and no word of regret.

Beth Mooney, AT&T Director, said, regarding John Stankey: "Leadership succession is one of the board's most important responsibilities. After an extensive evaluation, it was clear that John Stankey was the right person to lead AT&T into the future."

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

Conclusion: Share price development, official reason, circumstances, form of the announcement and language in the communication raise five red flags.

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

**Peculiar exit: Altria CEO Howard Willard retires**

With a Push-out Score of 8, the CEO departure at Altria Group Inc. is in the upper quarter of the scale and appears peculiar.

As announced on April 17, 2020, Howard A. Willard has left his post as CEO at the Marlboro cigarette maker, effective April 14, 2020.

Willard’s duties as CEO will be taken over by William F. (Billy) Gifford, most recently chief financial officer of Altria.
Willard had temporarily stepped aside in March as CEO after being diagnosed with Covid-19.

On March 19, 2020, the company's board of directors determined that Billy Gifford will assume Willard's authority and responsibilities "until he returns from his leave of absence."

While it remains unclear whether and how Willard's temporary medical leave of absence is linked to his resignation, almost all criteria of the analysis model suggest that Willard presumably came under intense pressure to leave his post as CEO.

The age of Willard of 56 years (at the time the company filed its last annual proxy statement preceding the announcement) is relatively low, and precise information regarding Willard's future plans was not immediately available. That's the first point for the Push-out Score.

The notice period is alarming. The change was implemented three days before the announcement date. Point number 2.

The term of office of Willard as CEO of one year and 11 months (as of April 14, 2020) is very short. Point 3.

The stock price performance could be better. The announcement follows a decline in Altria Group Inc.'s share price of 27% since May 2018. Point 4.

The reason for the leadership change is not completely transparent. Point 5.

Altria did not give an explicit reason for Howard Willard's departure from the CEO post.

Altria said: "Mr. Willard, who was recovering from Covid-19, decided to step down following 28 years of distinguished service to Altria and its subsidiaries."

It is conspicuous that Altria gives no indication as to whether there is a causal connection between Willard's resignation and his illness.

In other words, it remains completely unclear whether Willard stepped down with Covid-19 or due to Covid-19.

Meanwhile, the circumstances of the management change are challenging. Point 6.

Under Willard, Altria took a 35% stake in Juul Labs Inc. The company has since seen the value of that investment dwindle due to several bans on e-cigarettes following reported health-linked concerns and a surge in teenage vaping.

Furthermore, Willard's exit comes weeks after the U.S. government filed an antitrust suit against Altria to unwind the deal.

Willard also pursued unsuccessful merger talks with rival Philip Morris International Inc.

Altria also announced the board's decision to separate the roles of chairman and CEO.

The board elected Thomas Farrell, formerly the board's independent presiding director, as independent chairman of the board, effective April 16, 2020.

The form and language of the announcement provide points 7 and 8.

In the announcement from Altria, which is based in Richmond, Virginia, Howard Willard receives praise and thanks, but no accolades for concrete and quantified successes, no word of regret and no good wishes.

Thomas Farrell, newly appointed independent chairman of the board, said, regarding Howard Willard: "The board thanks Howard for his nearly 30 years of distinguished service to Altria and for helping to set the course for Altria's 10-year vision to responsibly lead the transition of adult smokers to a non-combustible future."

Farrell said, regarding Billy Gifford: "Our election of Billy as the next CEO reflects the board's belief that his collaborative leadership style, strategic mindset and deep financial and industry expertise are right to lead Altria towards that future."
The statement allows for the interpretation that the board may have been looking for a CEO with a different skill set.

In the announcement from Altria, Howard Willard remains silent.

Conclusion: Age, notice period, tenure, share price development, official reason, circumstances, form of the announcement and language in the communication raise eight red flags. Only the succession plan prevented the score from climbing higher.

**Icy farewell: SeaWorld CEO Serge Rivera resigns**

With a Push-out Score of 10, the CEO departure at SeaWorld Entertainment Inc. is at the top of the scale and seems icy.

As announced on April 6, 2020, Sergio D. (Serge) Rivera has left his post as chief executive officer at the theme park and entertainment company, effective April 4, 2020.

In strictly formal terms, Rivera has "resigned."

At the same time, there is no reasonable doubt that Rivera faced the utmost pressure to leave his post as CEO.

Even a superficial observer can hardly overlook the multitude of warning signals.

The age of Rivera of 57 years (at the announcement date according to unverified publicly available information) is relatively low. That's the first point for the Push-out Score.

The notice period is alarming. The change was implemented two days before the announcement date. Point number 2.

The term of office of Rivera as CEO of five months (as of April 4, 2020) is extremely short. Point 3.

The stock price performance is disappointing. The announcement follows a decline in SeaWorld's share price of 66% since November 2019. Point 4.

Above all, the officially stated reason for the leadership change is a sign of enormous pressure. Point 5.

SeaWorld said: "Mr. Rivera informed the company that his resignation was due to disagreements over the board's involvement in the decision making at the company."

The circumstances of the management change are challenging. Point 6.

The theme-park operator contends with the coronavirus crisis. On March 16, 2020, SeaWorld temporarily closed all of their theme parks. The company followed Walt Disney and Comcast's Universal Studios in shutting down operations for at least a few weeks. Moreover, SeaWorld has been grappling with falling attendance and deeper losses after a 2013 documentary called "Blackfish" chronicled SeaWorld's practices related to its treatment of captive orcas.

The succession plan raises questions. Point 7.

A permanent successor is still to be found. Rivera's duties as CEO will be taken over in the interim by Marc G. Swanson, most recently chief financial officer of SeaWorld, as interim CEO. Swanson has been with the company for nearly 20 years and has previously served as interim CEO. Furthermore, Walter Bogumil, who served as chief strategy officer, has been appointed to the role of chief operating officer. Bogumil will be responsible for corporate and park operations in his new role.

The form and language of the announcement provide points 8 and 9.

Taking as a basis the announcement from SeaWorld, which is based in Orlando, Florida, Serge Rivera's move is a departure without pomp and ceremony. In the announcement, the departing chief executive receives no accolades for concrete and quantified successes, no praise, no explicit word of thanks, no word of regret and no good wishes.
Personal words for Rivera from a board member or a member of the management team were not contained in the statement.

Marc Swanson said: "This is a unique and extraordinary period for our company, our industry, and the world. We have a long tenured and experienced leadership team that is focused on managing this business through this difficult time, resuming operations and welcoming our valued ambassadors and guests back as soon as possible."

In the announcement from SeaWorld, Serge Rivera remains silent.

SeaWorld said in a regulatory filing: "Mr. Rivera is not entitled to, and is not seeking, any severance benefits in connection with his departure."

The constellation of all the aforementioned warning signals leaves little room for interpretation and indicates that Rivera was under enormous pressure to leave.

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

Therefore, the Push-out Score is increased to 10.

Independently of the present case, it is irrelevant for the Push-out Score whether a manager was forced to leave or quit under pressure.

Furthermore, independently of the present case, a Push-out Score of 10, an honorable departure and a formally voluntary resignation are not mutually exclusive.

A CEO who is under extreme pressure can decide that it is the right time to go and leave with his head held high.

**In-depth analysis of 316 CEO departures**

In the 12-month period from May 1, 2019 to April 30, 2020, around 28.2% of the CEOs in the U.S. left their posts with no reason given in the announcement.

Around 4.7% departed "to pursue other opportunities" and around 2.5% "to spend time with their family," statements that are sometimes taken as code for firings.

Around 3.2% left for "personal reasons," and around 1.9% departed with a specific reference to misconduct allegations (see Exhibit 5).

CEOs who departed "to pursue other opportunities" received an average score of 7.5. CEOs who left "to spend time with their family" received an average score of 5.9, and CEOs who stepped down for "personal reasons" received an average score of 7.1.

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.

- **Helios** Technologies Inc. CEO Wolfgang Dangel left his post in April 2020 "following the board's determination that he violated company policy, demonstrated behavior that was inconsistent with the company's core values and code of business conduct and ethics, and also exhibited poor judgment involving a consensual relationship with an employee."
- **Ingevity** Corp. CEO Michael Wilson resigned in February 2020. Ingevity said: "Wilson's resignation is unrelated to the company's financial reporting and business performance and is the result of matters relating to his personal conduct."
- **Interface** Inc. CEO Jay Gould was terminated in January 2020 "after an investigation concluded that he engaged in personal behavior that violated company policy and core values."
American Outdoor Brands Corp. CEO James Debney left his post in January 2020 "following the determination by the board of directors that he engaged in conduct inconsistent with a non-financial company policy."

McDonald's Corp. CEO Steve Easterbrook left his post in November 2019 "following the board's determination that he violated company policy and demonstrated poor judgment involving a recent consensual relationship with an employee."

Revance Therapeutics Inc. CEO Dan Browne stepped down in October 2019 "due to a misjudgment in handling an employee matter."

Female and male CEOs have been found to be equally likely to be pushed out. Over the past 12 months, both outgoing female and outgoing male CEOs received an average Push-out Score of 6.

In the U.S., the average tenure of departing CEOs in the 12-month period from May 1, 2019 to April 30, 2020 was 7.3 years (see Exhibit 7).

The average CEO retirement age in the U.S. was 61.7 years. The average CEO departure age (including CEOs who resigned, stepped down or retired) in the U.S. was 58.1 years (see Exhibit 8).

Over the past 12 months, the average Push-out Scores in nine 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 consumer staples sector with 7.4, in the consumer discretionary sector with 7.2 and in the energy sector with 6.9 (see Exhibit 9).

The lowest Push-out Scores were determined in the utilities sector with 2.7, in the real estate sector with 4.3 and in the materials sector with 5.4.

In the health care sector, the average Push-out Score was 6.6, in the communication sector it was 6.1, in the information technology sector it was 6.1, in the financials sector it was 5.6, and in the industrials sector it was 5.5.

These results were calculated from 316 individual CEO departures (179 of which were forced) of companies listed in the Russell 3000 index, which provide a homogenous and wide data pool for the analysis of CEO departures (see Exhibit 10).

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 exechange 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 exechange's analysis model and found that Push-out Scores are positively correlated with stock market volatility. See https://www.gsb.stanford.edu/faculty-research/working-papers/retired-or-fired-how-can-investors-tell-if-ceo-was-pressured-leave

About exechange

exechange 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 exechange.com.
Chief point:

Where is diversity at SAP during the Covid-19 crisis?

By Dirk Schiereck *

(exechange) -- May 1, 2020 -- The decision of SAP SE to appoint Christian Klein as sole CEO and the resignation of Jennifer Morgan leaves the company not only with a less diversified executive team with respect to gender but also in terms of internationality.

Because many institutional investors already consider environmental, social, and governance (ESG) criteria in their investments, including the governance element of diversity, SAP’s decision, which was taken in the midst of the Covid-19 crisis, can be interpreted as more than just a loss of cultural competence.

International diversity is becoming increasingly important as business activities extend far beyond national borders, making diversity a critical risk factor.

How are German small and medium-sized enterprises (SMEs) prepared for this risk?

We analyzed 1,560 top managers to answer this question. (1)

Based on an internationalization index, our results show that international diversity in management and supervisory boards of MDAX companies is even lower than that of DAX-30 companies.

Less than 10% of MDAX companies publish concrete quotas on international diversity, which is reflected by many criteria, such as a high ratio of foreign turnover or nationality of executives.

Remarkably, the correlation between companies that pursue extensive activities abroad and international diversity among their top managers barely exists.


* The writer is a professor of Corporate Finance at the Technische Universität Darmstadt.

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

Why SAP Co-CEO Jennifer Morgan left

- Push-out Score of 10 indicates exit under extreme pressure
- "Mutually agreed"

(exechange) -- May 1, 2020 -- She's gone. SAP Co-CEO Jennifer Morgan was the first female chief executive of a DAX-listed company. And he's alone. Now Christian Klein is the sole CEO.

Why did Morgan leave?
The Push-out Score of the research firm exechange, which gauges the pressure on outgoing CEOs on a scale of 0 to 10, shows a value of 10 for Morgan's move, indicating that she felt extreme pressure to depart.

Whereas it is noteworthy that the announcement of her departure, which came on April 20, 2020, follows an increase in SAP's share price of 6% since October 2019, even a superficial observer can hardly overlook the multitude of warning signals.

SAP stated that Morgan "mutually agreed" with the supervisory board of SAP that she will depart the company.

"Mutually agreed": The phrase is the first of many strong signs that the supervisory board took the initiative for the sitting Co-CEO's move, not Morgan herself.

The age of Morgan of 48 years (at the announcement date) is particularly low, and precise information regarding her future plans was not immediately available. That's the first point for the Push-out Score.

The change is effective immediately. Point number 2.

Shortly after the announcement, SAP had already removed the name of Morgan as Co-CEO from its leadership page on its website and listed Klein as sole CEO.

Morgan's 6-month Co-CEO term of office (as of April 20, 2020) is extremely short. Point 3.

Above all, the officially stated reason for the leadership change is a sign of enormous pressure. Point 4.

Alluding to the implications of the Covid-19 crisis, SAP stated: "More than ever, the current environment requires companies to take swift, determined action which is best supported by a very clear leadership structure. Therefore, the decision to transfer from Co-CEO to sole CEO model was taken earlier than planned to ensure strong, unambiguous steering in times of an unprecedented crisis."

The circumstances of the management change are challenging. Point 5.

On April 8, SAP cut its full-year earnings guidance after the coronavirus pandemic caused customers to put orders on hold.

The abrupt change in leadership comes just months after SAP decided to restore the dual-CEO structure as Bill McDermott left the company as sole CEO.

The succession plan also raises questions. Point 6.

Morgan's position as Co-CEO is eliminated, and questions arise regarding why "strong, unambiguous steering" should not have been possible with her.

With regard to the management structure, Morgan's move also leads to inquiry about whether "strong, unambiguous steering" at SAP is only necessary in times of an unprecedented crisis.

The form and language of the announcement provide points 7 and 8.
In the announcement from SAP, which is based in Walldorf, Germany, Jennifer Morgan receives praise and thanks, but no accolades for concrete and quantified successes, no word of regret and no good wishes.

Hasso Plattner, SAP’s co-founder and chairman of the supervisory board, did not say many words regarding Jennifer Morgan: “I am grateful to Jennifer for her leadership of SAP, including all she has done for the company, our people, and our customers.”

Meanwhile, the management change announcement carries a strong personal endorsement of Klein by Plattner.

Plattner, 76, exerts influence at SAP that far exceeds his 6% stake, and his backing for Klein represents a return to SAP’s German roots after the company took on a more American flavor during New Yorker Bill McDermott’s decade in charge at the top.

Plattner said, regarding Klein: “This transition comes at a time of great uncertainty in the world, but I have full faith in Christian’s vision and capabilities in leading SAP forward toward continued profitable growth, innovation, and customer success.”

In the given context, the praise for Klein can be interpreted as indirect criticism of Morgan.

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

Therefore, the Push-out Score is increased to 10.
## Selected CEO departures

<table>
<thead>
<tr>
<th>Announced</th>
<th>Company</th>
<th>Name</th>
<th>Push-out Score *</th>
</tr>
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<tbody>
<tr>
<td>24-Apr-20</td>
<td>AT&amp;T Inc.</td>
<td>Randall Stephenson</td>
<td>5</td>
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<tr>
<td>17-Apr-20</td>
<td>Altria Group Inc.</td>
<td>Howard Willard</td>
<td>8</td>
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<td>6-Apr-20</td>
<td>SeaWorld Entertainment Inc.</td>
<td>Serge Rivera</td>
<td>10</td>
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<tr>
<td>25-Mar-20</td>
<td>Groupon Inc.</td>
<td>Rich Williams</td>
<td>10</td>
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<tr>
<td>16-Mar-20</td>
<td>American Tower Corp.</td>
<td>Jim Taiclet</td>
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<tr>
<td>12-Mar-20</td>
<td>United Parcel Service Inc.</td>
<td>David Abney</td>
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<tr>
<td>28-Feb-20</td>
<td>Harley-Davidson Inc.</td>
<td>Matt Levitch</td>
<td>10</td>
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<tr>
<td>25-Feb-20</td>
<td>Walt Disney Co.</td>
<td>Bob Iger</td>
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<tr>
<td>20-Feb-20</td>
<td>L Brands Inc.</td>
<td>Les Wexner</td>
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<td>30-Jan-20</td>
<td>International Business Machines Corp.</td>
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<td>28-Jan-20</td>
<td>Match Group Inc.</td>
<td>Mandy Ginsberg</td>
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<td>13-Jan-20</td>
<td>Sysco Corp.</td>
<td>Tom Bené</td>
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<td>11-Dec-19</td>
<td>Jack in the Box Inc.</td>
<td>Lenny Comma</td>
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<td>5-Dec-19</td>
<td>United Airlines Holdings Inc.</td>
<td>Oscar Munoz</td>
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<td>Expedia Group Inc.</td>
<td>Mark Okerstrom</td>
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<td>21-Nov-19</td>
<td>Franklin Resources Inc.</td>
<td>Greg Johnson</td>
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<td>Abbott Laboratories</td>
<td>Miles White</td>
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<td>7-Nov-19</td>
<td>Gap Inc.</td>
<td>Art Peck</td>
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<td>22-Oct-19</td>
<td>Under Armour Inc.</td>
<td>Kevin Plank</td>
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<td>Qiagen NV</td>
<td>Peer Schatz</td>
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<td>16-Sep-19</td>
<td>SeaWorld Entertainment Inc.</td>
<td>Gus Antorcha</td>
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<td>DXC Technology Co.</td>
<td>Mike Lawrie</td>
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<td>6-Sep-19</td>
<td>Nucor Corp.</td>
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<td>26-Aug-19</td>
<td>Aramark</td>
<td>Eric Foss</td>
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<td>Karl Roessner</td>
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<td>Paal Kibsgaard</td>
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<td>Alliance Data Systems Corp.</td>
<td>Ed Heffernan</td>
<td>7</td>
</tr>
<tr>
<td>5-Jun-19</td>
<td>Laboratory Corp. of America Holdings</td>
<td>Dave King</td>
<td>2</td>
</tr>
<tr>
<td>5-Jun-19</td>
<td>Casey’s General Stores Inc.</td>
<td>Terry Handley</td>
<td>6</td>
</tr>
<tr>
<td>13-May-19</td>
<td>Bed Bath &amp; Beyond Inc.</td>
<td>Steven Temares</td>
<td>10</td>
</tr>
<tr>
<td>9-May-19</td>
<td>Symantec Corp.</td>
<td>Greg Clark</td>
<td>9</td>
</tr>
<tr>
<td>2-May-19</td>
<td>Fluor Corp.</td>
<td>David Seaton</td>
<td>8</td>
</tr>
</tbody>
</table>

* 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: exchage
Exhibit 2

**Push-out Score: Examples of factors considered**

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Selected factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Form</td>
<td>Dedicated press release (yes or no)</td>
</tr>
<tr>
<td></td>
<td>Placement (top of release or buried in other news, such as earnings release)</td>
</tr>
<tr>
<td></td>
<td>Length of disclosure (e.g., excessively short or long, omissions)</td>
</tr>
<tr>
<td>Language</td>
<td>Tone of announcement (warm, neutral, cold)</td>
</tr>
<tr>
<td></td>
<td>Language used in quotations (e.g., poisoned praise, hidden criticism)</td>
</tr>
<tr>
<td></td>
<td>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</td>
</tr>
<tr>
<td></td>
<td>Significant positive or negative relative performance</td>
</tr>
<tr>
<td>Official reason</td>
<td>Official reason given (yes or no)</td>
</tr>
<tr>
<td></td>
<td>Clarity of official reason (ambiguous or understandable)</td>
</tr>
<tr>
<td></td>
<td>Stated post-employment activity</td>
</tr>
<tr>
<td>Circumstances</td>
<td>Industry performance</td>
</tr>
<tr>
<td></td>
<td>Peer group performance</td>
</tr>
<tr>
<td></td>
<td>Governance factors (controversy, restatements, lawsuits)</td>
</tr>
<tr>
<td></td>
<td>Severance payments made (yes or no)</td>
</tr>
<tr>
<td>Succession</td>
<td>Signs of continuity</td>
</tr>
<tr>
<td></td>
<td>Successor identified (yes or no)</td>
</tr>
<tr>
<td></td>
<td>Internal vs. external successor</td>
</tr>
<tr>
<td></td>
<td>Interim or permanent replacement</td>
</tr>
<tr>
<td></td>
<td>Successor added to corporate website (yes or no)</td>
</tr>
</tbody>
</table>

*Source: exechange*
Exhibit 3

**How strong the pressure is: CEO Push-out Index**

Average Push-out Score in the 12-month period from May 1, 2019 to April 30, 2020 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 316 observations. Source: exechange
Exhibit 4

**How the pressure on CEOs is distributed**

Percentage distribution of Push-out Scores in the 12-month period from May 1, 2019 to April 30, 2020 in the U.S. stock index Russell 3000

Legend: Around 6% 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 316 observations. Figures may not total to 100 due to rounding. Source: exechange
Why they leave: CEO departure reasons

Percentage distribution of departure reasons in corporate announcements in the 12-month period from May 1, 2019 to April 30, 2020 in the U.S. stock index Russell 3000

No reason given; 28.2
"Other opportunities"; 4.7
"Time with family"; 2.5
"Personal reasons"; 3.2
Conduct issues; 1.9
Disagreement; 1.9
Health; 1.9
Death; 1.3
Career change (*); 2.8
Non-business-related reasons; 1.9
Irregularities; 0.3
Performance issues (**); 20.6
"The time is right"; 8.5

(*) if precise information about the new position is available immediately after the departure announcement; (**) if explicitly mentioned; Sample includes 316 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 May 1, 2019 to April 30, 2020 in the U.S. stock index Russell 3000

Legend: Around 12% of the CEOs who announced their departure within the above mentioned period left their post after 1 full year in the position. Sample includes 316 observations. Figures may not total to 100 due to rounding. Source: exechange
When they come to rest: CEO retirement age

Percentage distribution in the 12-month period from
May 1, 2019 to April 30, 2020 in the U.S. stock index Russell 3000

Legend: Around 9% of the CEOs who announced their retirement within the above mentioned period were 64 years old. Sample of retiring CEOs includes 100 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 May 1, 2019 to April 30, 2020 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 316 observations. Source: exechange
Exhibit 10

Forced CEO departures by sector

Number of CEO departures with Push-out Scores above 5 by sector in the 12-month period from May 1, 2019 to April 30, 2020 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 316 observations (179 of which were forced departures).

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.*

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**Push-out Score™**

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

![Push-out Score scale](image)

© exchage

**How the scoring works**

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

exchage’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.

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