

Vardis

Private Equity CEO Survey

2024

www.vardis.com

Introduction

Overview

We are pleased to share the 2024 results of annual PE CEO Report. During September and October 2024, we surveyed over 1,250 CFOs in private-equity-owned companies. As in previous years, we asked about PE CEOs for their perspective on compensation, governance, and the working relationship with their sponsors.

About Vardis

Vardis is an international executive search firm focused on portfolio company recruitment on behalf of Private Equity investors (CEO, CFO, COO, Board Directors, etc.) and Pre-Deal through the introduction of Advisors, Board Members and Operating Executives. We believe that access to current, focused data makes for better hiring and career decisions for investors and executives. Our compensation surveys and original research are essential tools to our core recruiting process.

Contact

Should you want further information on this or Vardis' other surveys, please contact a Vardis consultant in any of our offices at www.vardis.com.

North America

John Hoagland

jhoagland@vardis.com

Josh King

jking@vardis.com

UK

Mark Mullen

mmullen@vardis.com

Germany

Christiane Doerner

cdoerner@vardis.com

Key Trends

1 CEO Profile

- **Demand for Industry Experience:** Industry expertise remains most important recruitment criteria - 89% of CEOs recruited within their sector
- **Prior CEO & PE experience less crucial than expected:** Only 43% have prior CEO experience, only 20% have prior PE CEO experience
- **CEO Tenure Growing w/ Hold Times:** Longer hold times have led to the average tenure increasing by 6 months to just under 4 years
- **Exits shifting to PE buyers:** Expected exits to strategic buyer have decreased by half since 2022. 74% of CEOs now believe their acquirer will be another PE firm, potentially leading to demand for CEOs with longer runways for multiple turns.

2 CEO Compensation & Recruitment

- **Base Salary :** CEO base salary largely unchanged for past 3 years
- **Bonus:** Median CEO bonus now 100% of base
- **PE CEO Demand Remains Strong:** 90% of PE CEOs are approached at least monthly on new opportunities with 1/3 reporting at least 3 approaches
- **Transition Premium Growing with Deal Size:** 10% median increase in cash compensation (base & annual bonus) for new CEO's, rising to 20% for companies over \$250M
- **Recent CEO Appointment Uptick -** Modest 4% increase cash compensation for CEOs placed within last 18 months

3 Company Performance & Oversight

- **Hold Times Extended:** Expected time remaining to a liquidity event has increased by 5 months to 28 months since 2022
- **Longer Holds do not Indicate Weaker Performance:** 46% are outperforming the initial investment thesis versus 28% underperforming (26% meeting expectations)
- **Operating Partner Model Gaining Traction:**
 - Dramatic increase from 35% to 65% of firms employing OPs in just the past two years
 - Companies with Operating Partners show stronger outlook - 78% expect performance improvement vs 70% in firms who limit operating oversight to Board roles

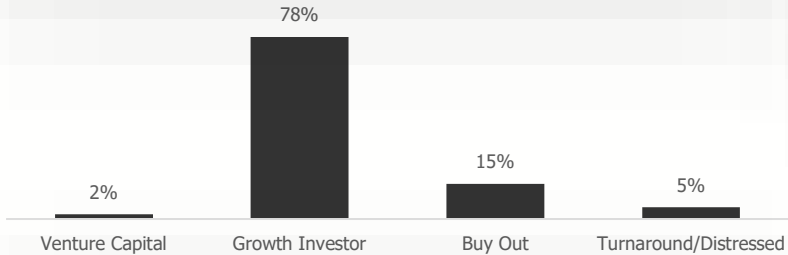
Survey Responses



Survey Responses: Investor Profile

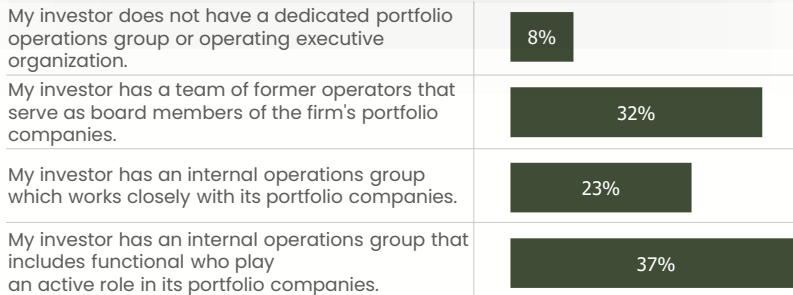
01

Your investor's investment style can best be described as



02

Which of these best describes your investor's operations model?



02

Comparison of operations models -- Current versus 2022 responses

My investor does not have a dedicated portfolio operations group or operating executive organization.



My investor has a team of former operators that serve as board members of the firm's portfolio companies.



My investor has an internal operations group which works closely with its portfolio companies.

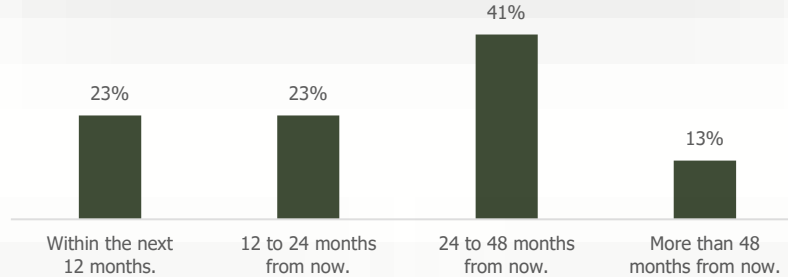


My investor has an internal operations group that includes functional who play an active role in its portfolio companies.

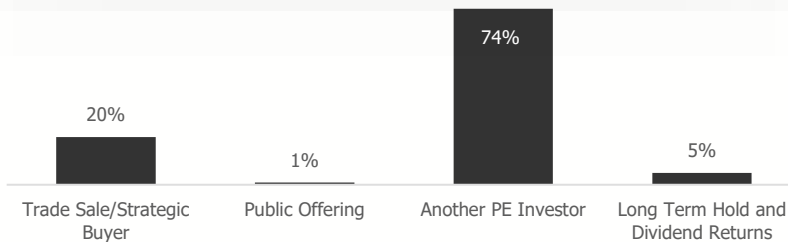


Survey Responses: Investor Profile

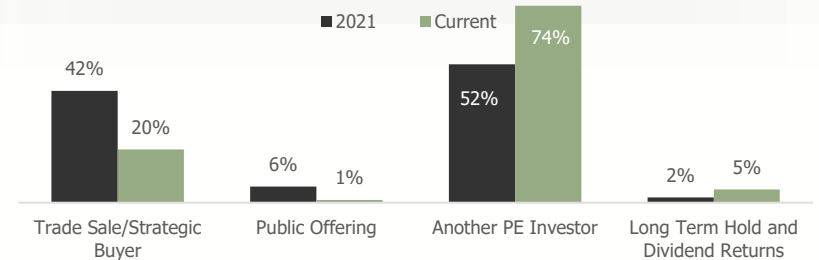
03 When do you anticipate an exit?



04 What is the most likely exit for your current investor?

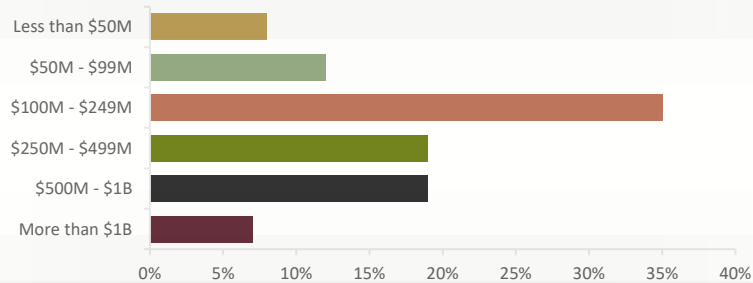


04 Comparison of likely exits -- Current versus 2022

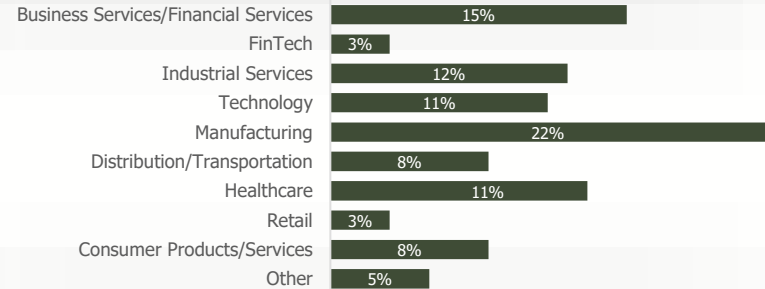


Survey Responses: Company Profile

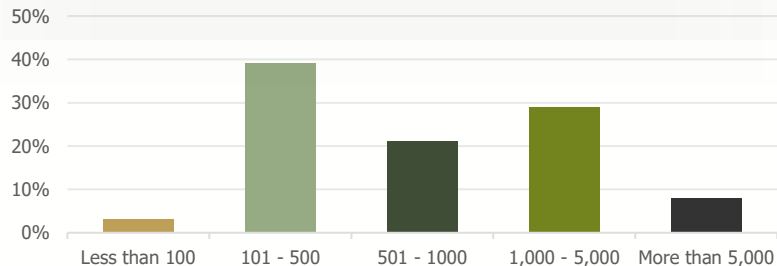
05 What is your Company's annual revenue?



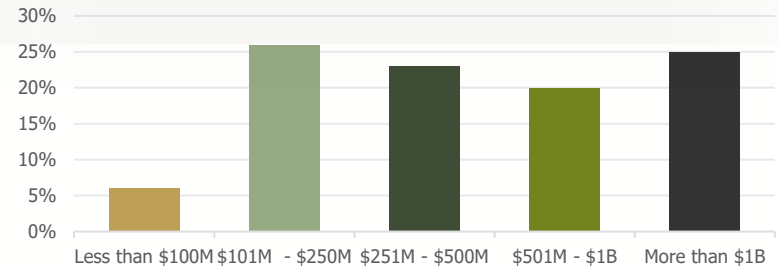
06 What industry best describes your Company?



07 How many employees at your Company?



08 As of January 2024, what is your Company's approximate enterprise value?

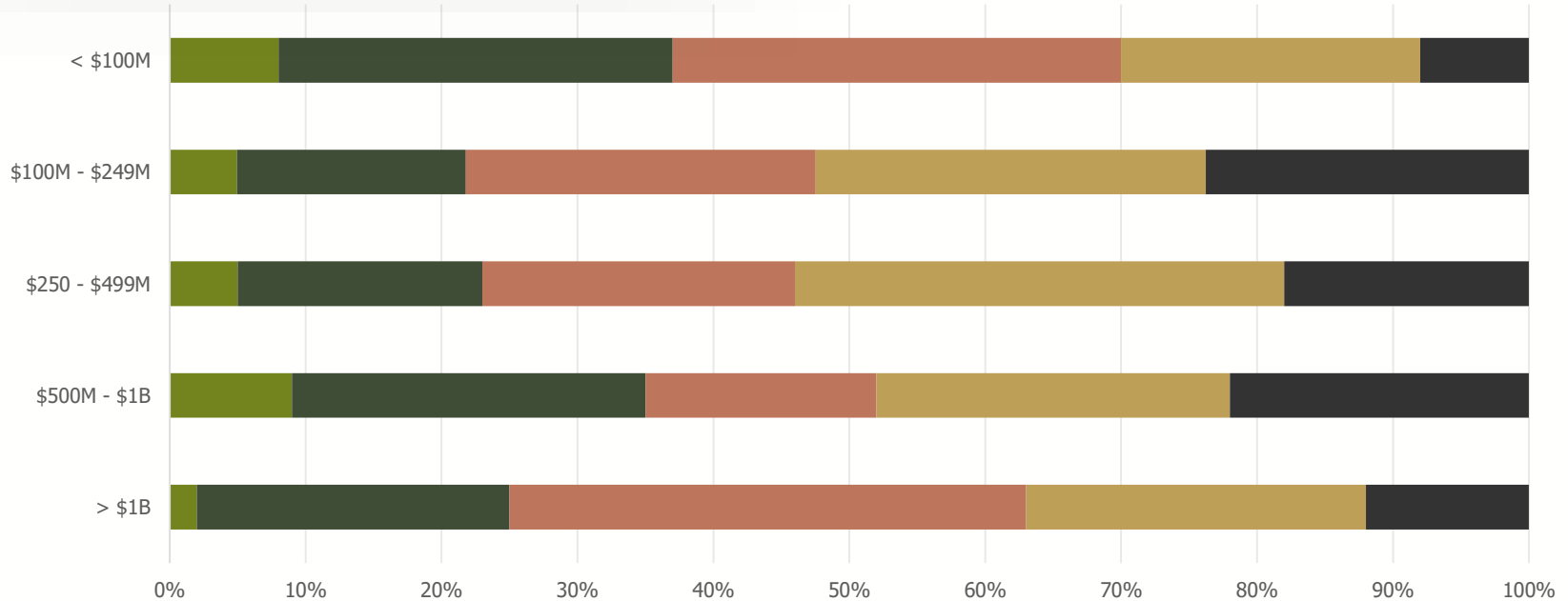


Survey Responses: Company Performance

09

How have operating results and value creation compared to the initial investment thesis?

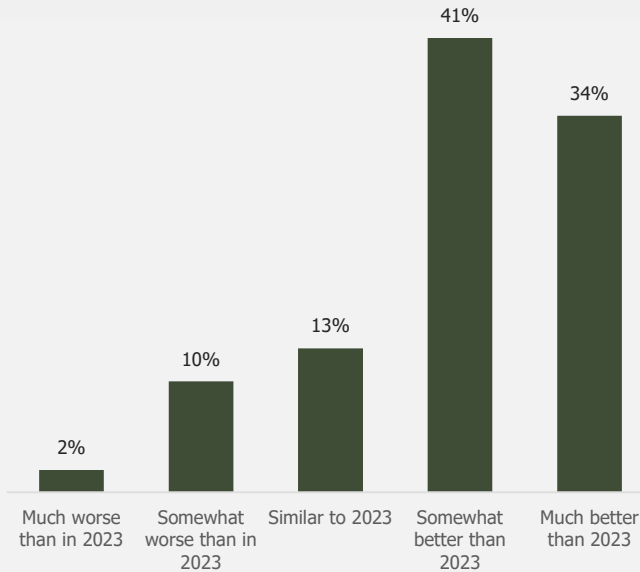
■ Much Weaker than Expected ■ Somewhat Weaker than Expected ■ As Expected ■ Somewhat Better than Expected ■ Much Better than Expected



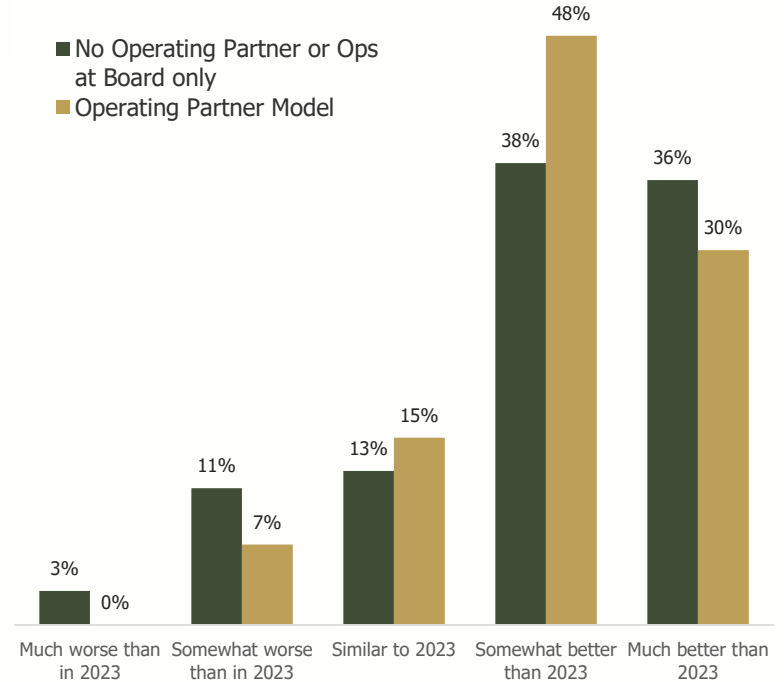
Survey Responses: Company Performance

10

Looking at 2024, do you think operating results will be...

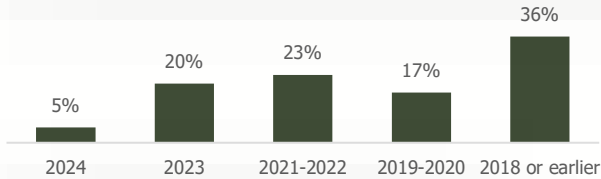


Expected 2024 Performance by PE Firm Operations Model

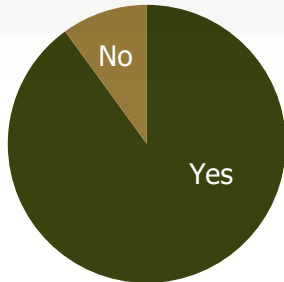


Survey Responses: CEO Role

11 When did you assume your current role? **

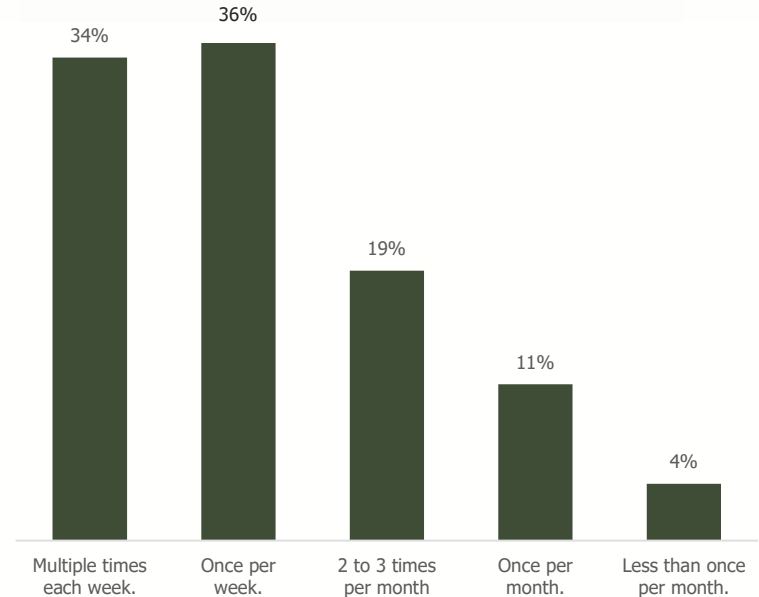


12 Do you expect to remain in your role through exit? **



** NOTE: CEO tenure has increased by 6 months (18%) since 2022. Expectation to continue through exit has increased from 68% to 90%.

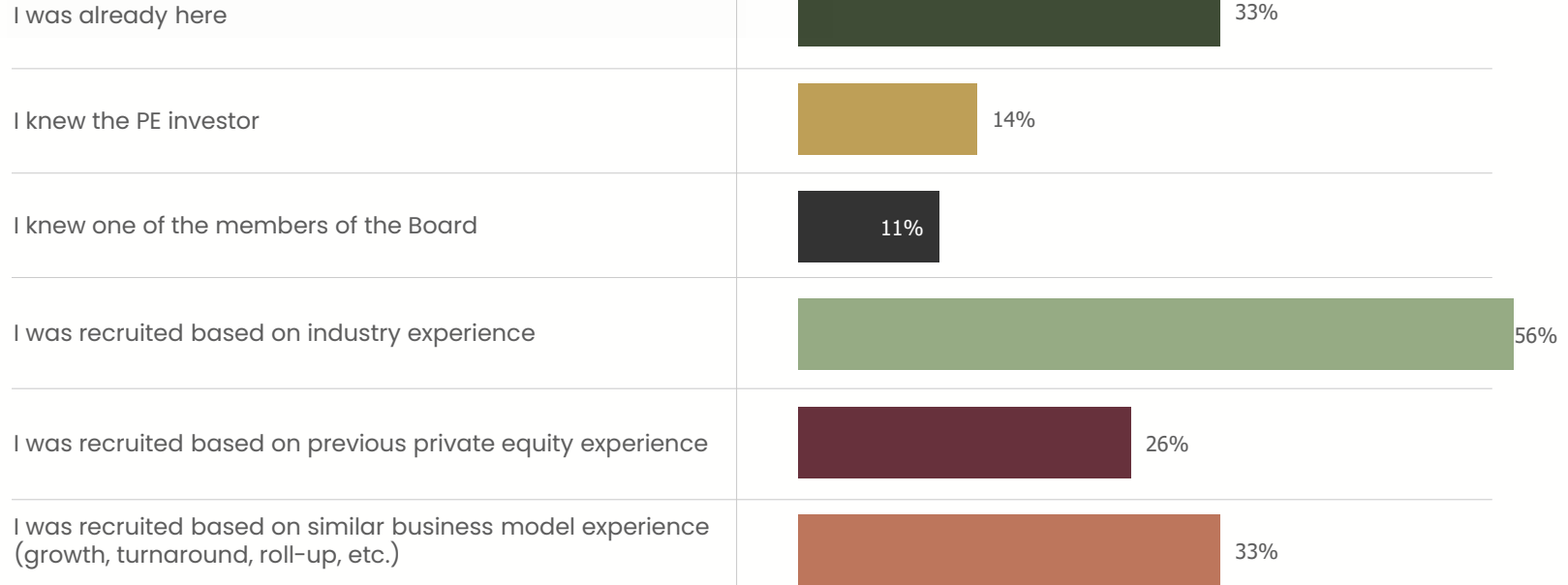
13 On average, about how often do you have contact with your investor?



Survey Responses: CEO Hiring

14

What were the key factors in your hiring? (list all that apply)



Survey Responses: CEO Hiring

15 What best describes your previous experience?

I was CEO of a private equity-backed company



I was CEO of another company



I was a divisional, subsidiary or regional president in a private equity backed company



I was a divisional, subsidiary or regional president in another company

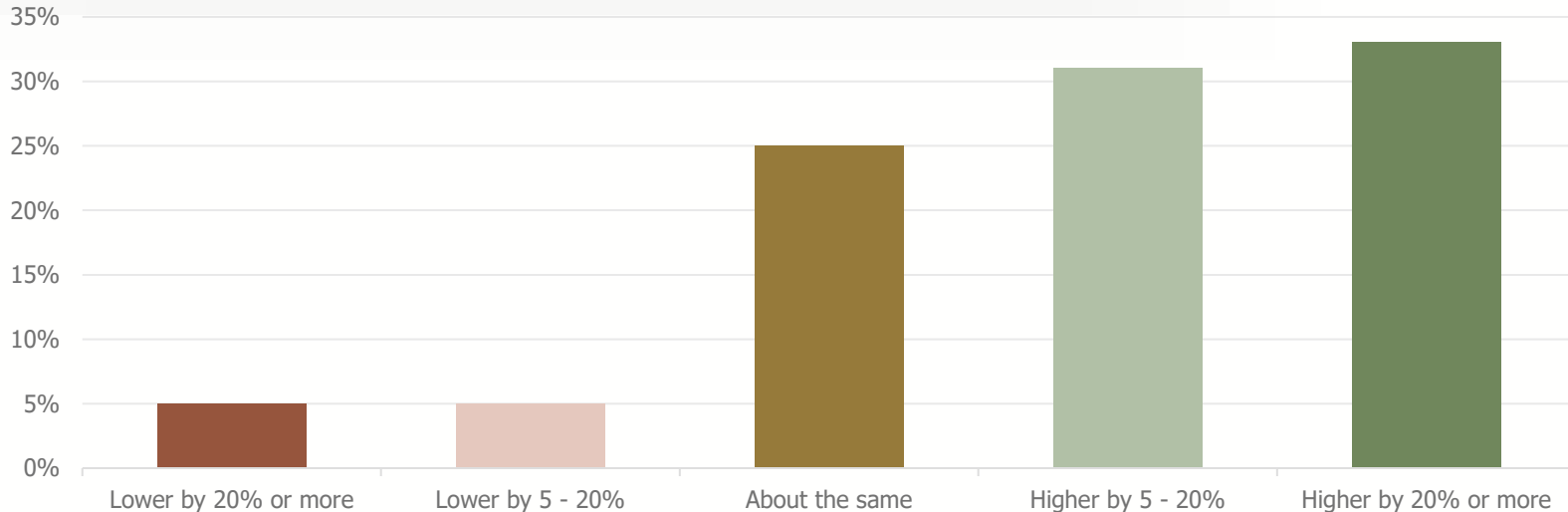


I was promoted from another role within this company



Survey Responses: On-Target Cash (Base & Bonus) compared to last role

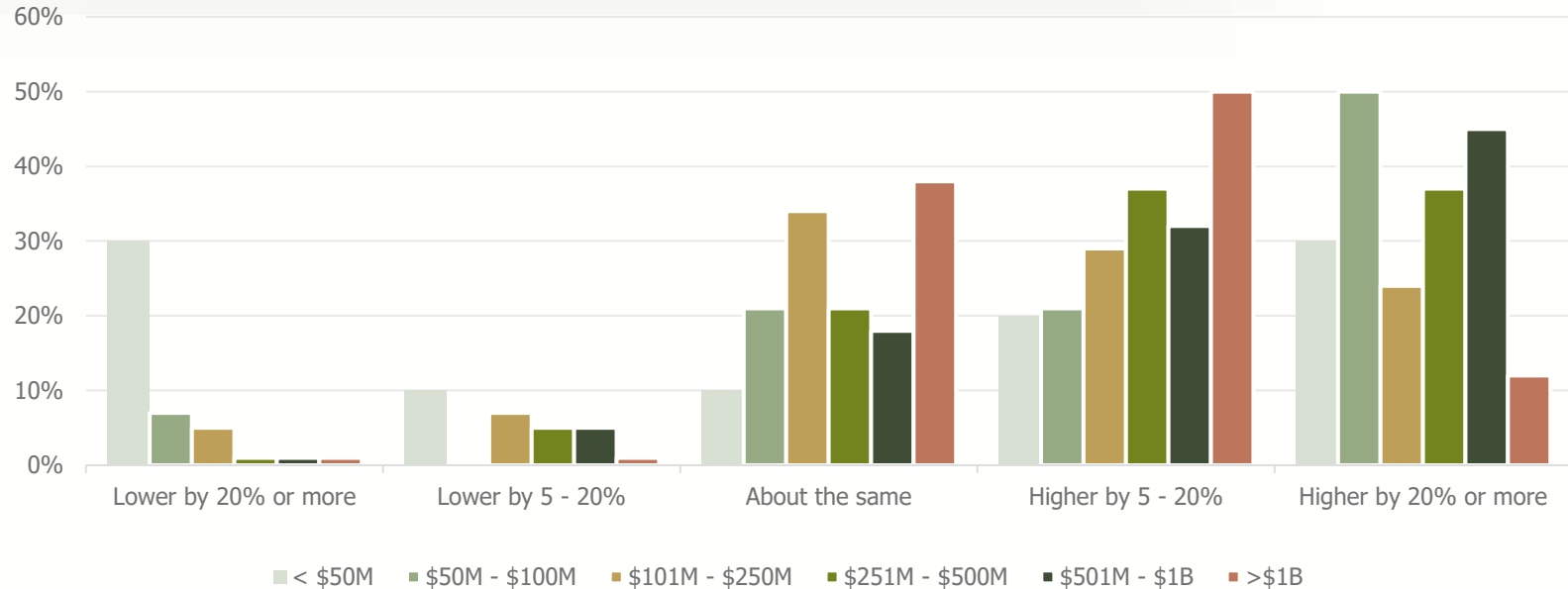
16 How does your current cash compensation (base & target bonus) compare to your last role?



Survey Responses: On-Target Cash (Base & Bonus) compared to last role

16

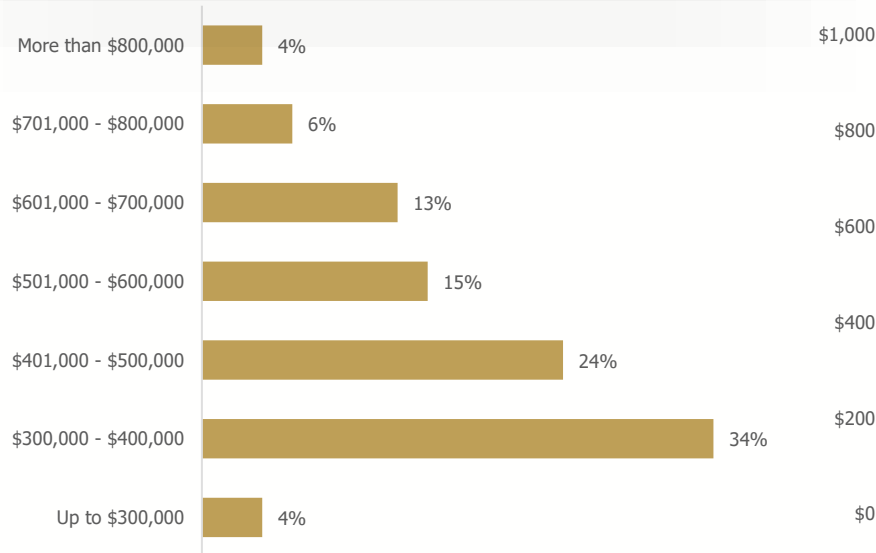
How does your current cash compensation (base & target bonus) compare to your last role?



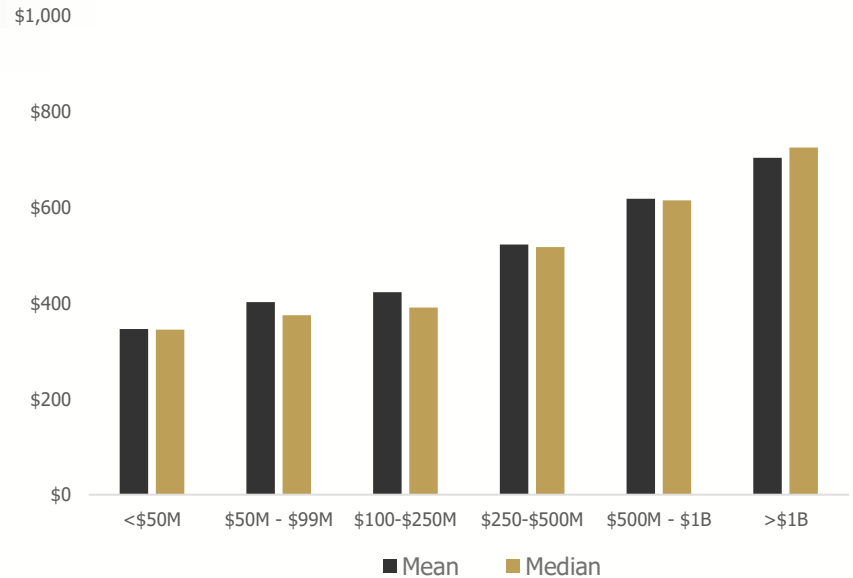
Survey Responses: Base Salary

17

What is your current base salary? (Overall distribution and median and mean by revenue)



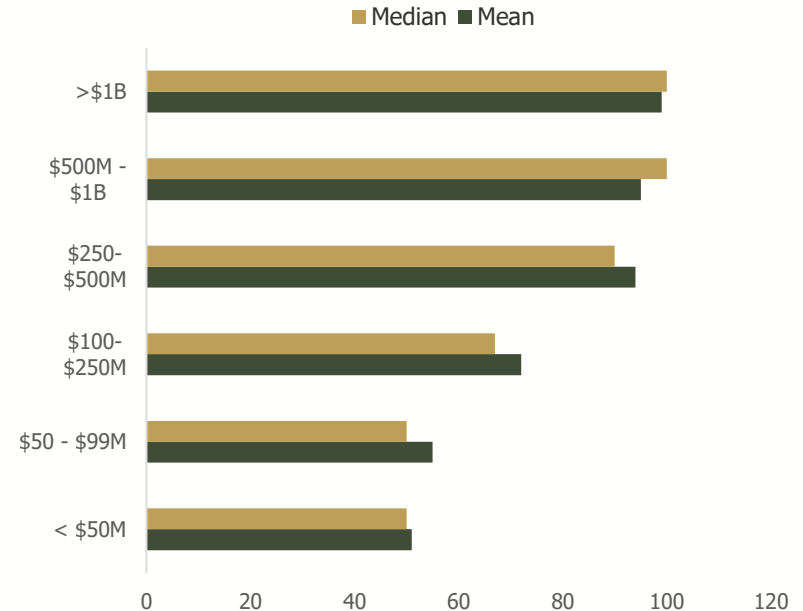
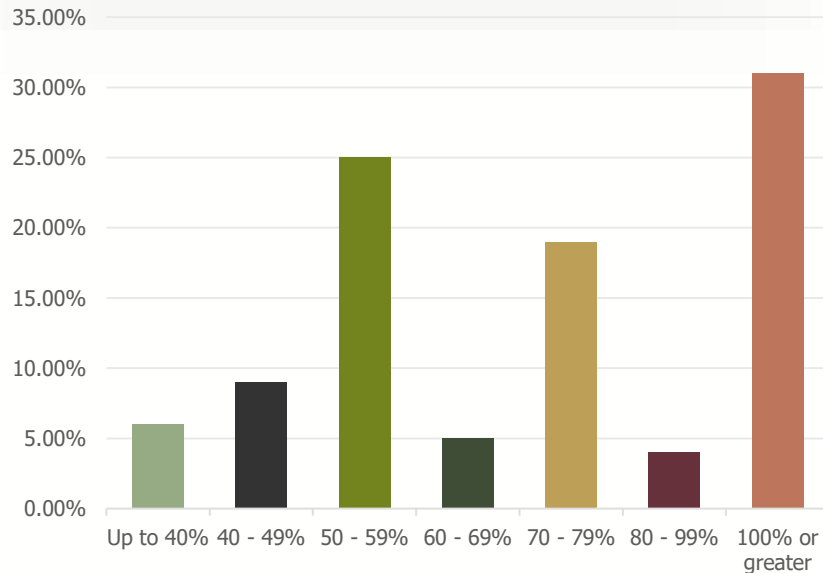
Current Base Salary (000s) by Revenue



Survey Responses: – Annual Target Bonus (% of Base)

18

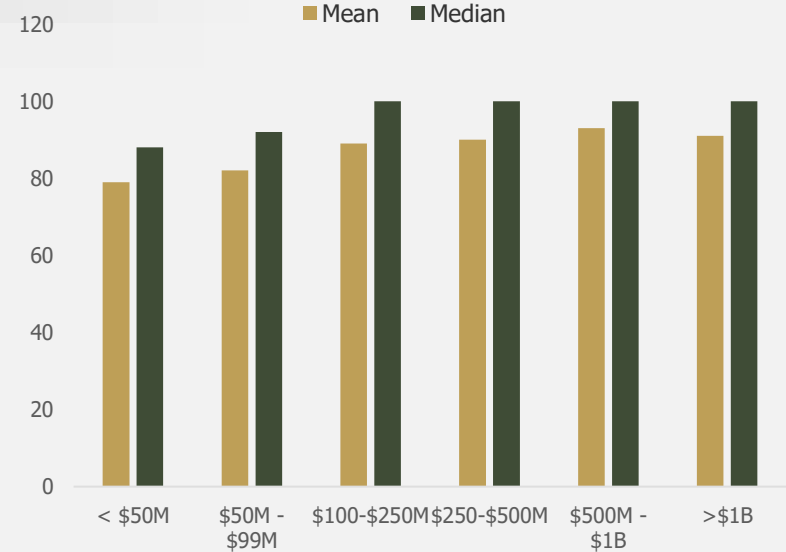
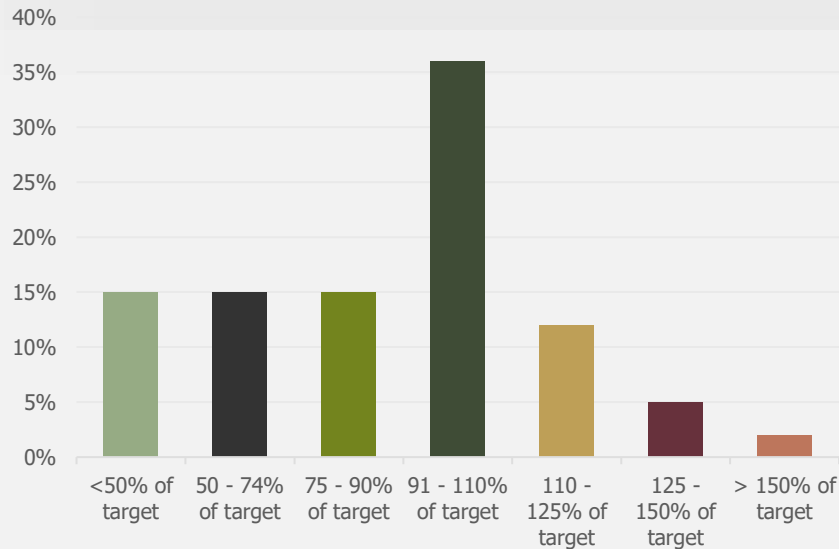
What is your current target annual bonus? (Overall distribution and mean/median by revenue.)



Survey Responses: Actual 2024 Bonus (% of Target)

19

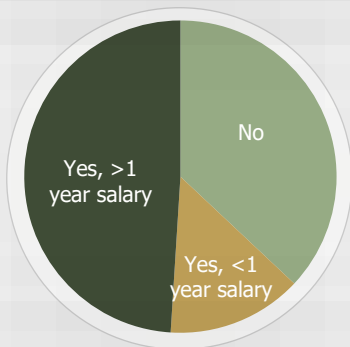
What was your actual annual bonus paid as a percentage of target in 2024 for 2023 performance? (Overall and mean/median by revenue.)



Survey Responses: Equity Participation

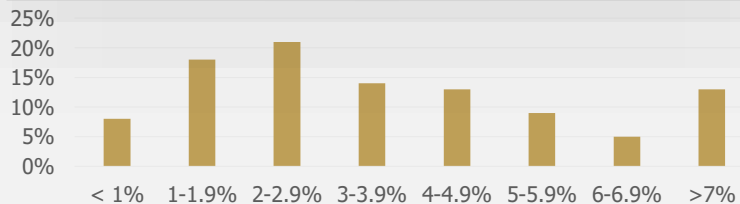
20

Did you invest your own capital in the Company?



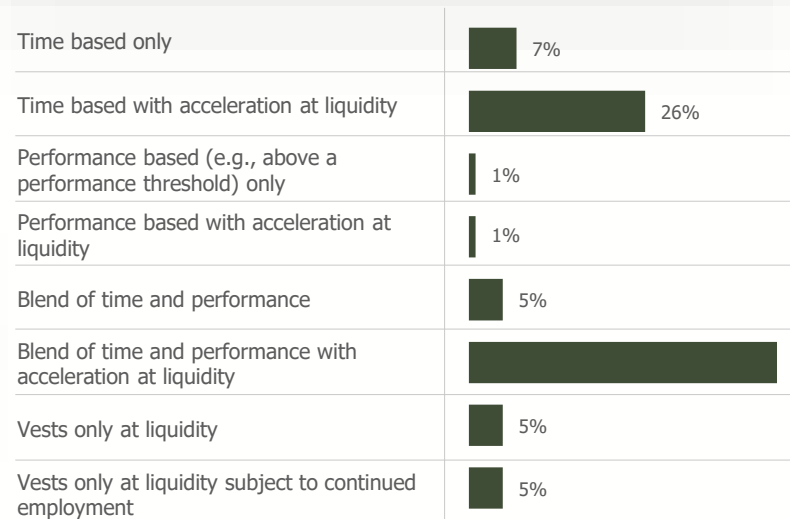
22

What percentage of the fully diluted shares of your Company do you believe your equity grant represents?



21

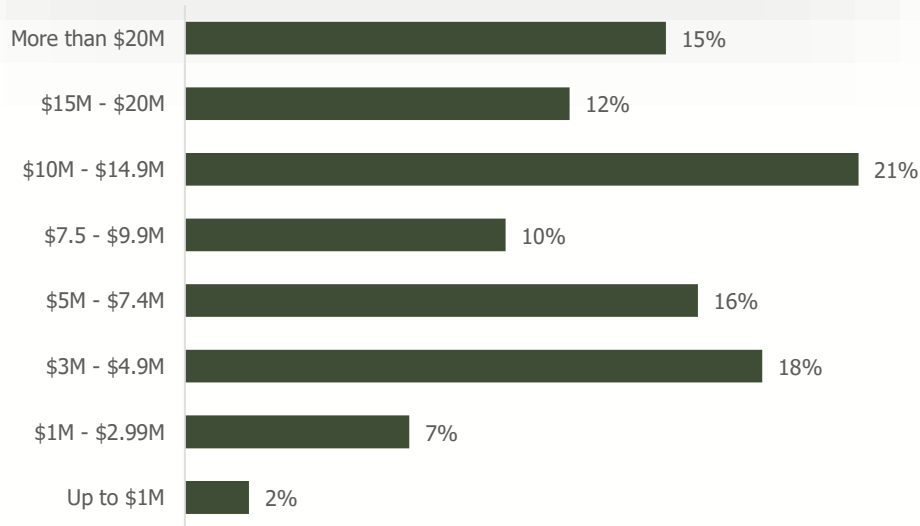
How does your equity vest?



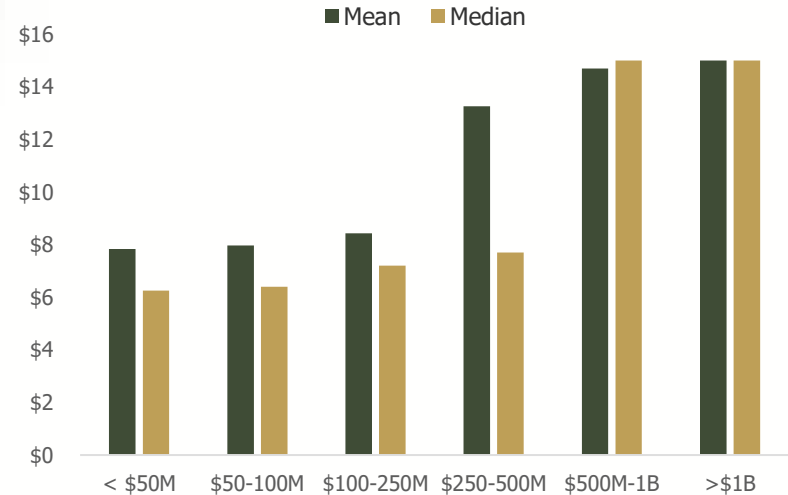
Survey Responses: Equity Base Case Value

23

If your equity delivers against the expectation of the investment thesis, what gross proceeds (000's) do you expect at exit? (Overall and mean/median by revenue)



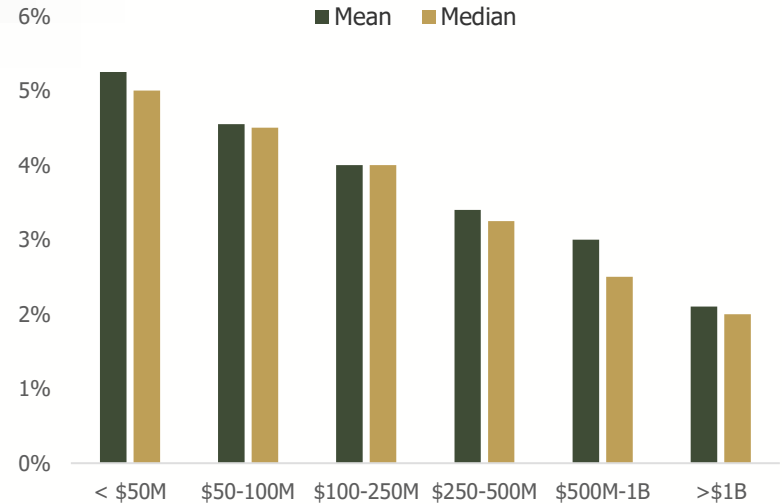
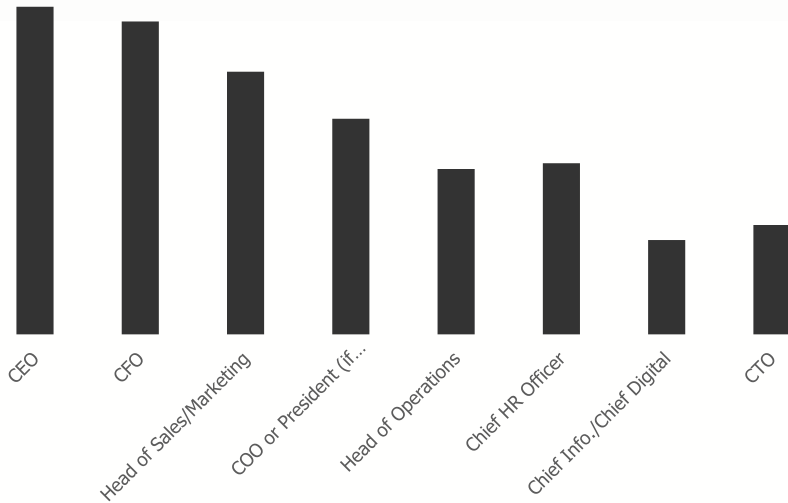
(in \$ millions)



Survey Responses: Equity Pool Participants

24

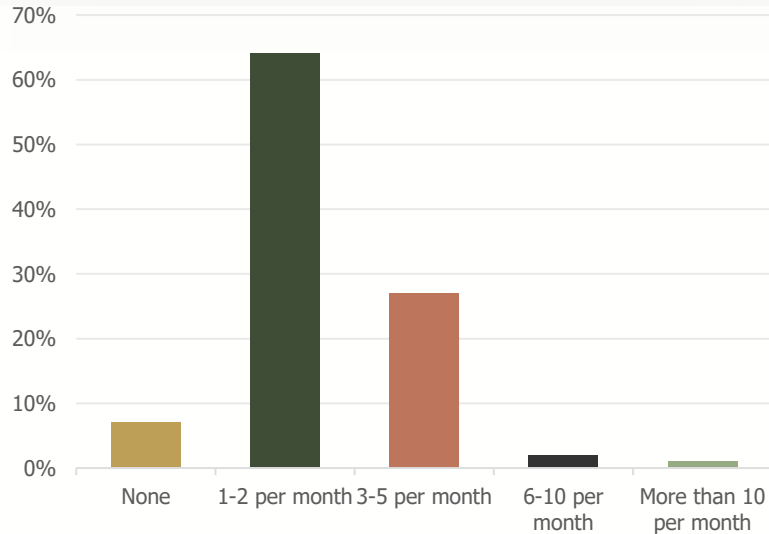
In order of size of equity participations, which executives do you believe have the largest stake in your company? (Average and by revenue)



Survey Responses: Market Outlook

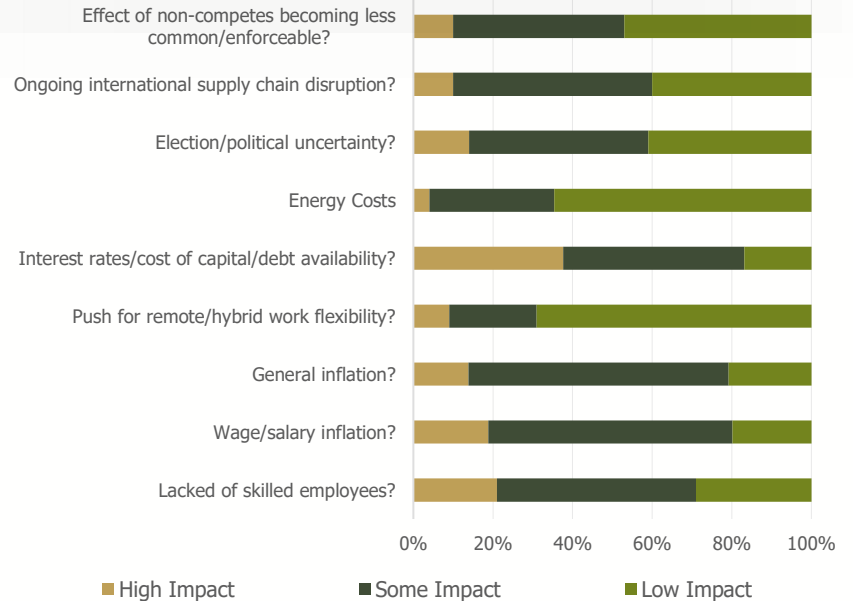
25

How many new CEO opportunities are presented to you by investors or recruiters in an average month?



26

What impact do you think these factors will have on your business in the next 12 months?



Vardis



BOSTON

1 Hollis St. Ste. 207
Wellesley, MA 02482
United States

+1 617 495 7656

LONDON

The Gridiron Building
One Pancras Square
London, N1C 4AG
United Kingdom

+44 7771 506739

FRANKFURT

Schillerstrasse. 27
60313 Frankfurt
Germany

+49 69 348 77 34 50

DALLAS

1412 Main St. Ste. ES16
Dallas, TX 75202
United States

+1 617 281 5823

NEW YORK

Soundview Plaza
1266 E. Main St. #700R
Stamford, CT 06902
United States

+1 646 559 6776