



Vardis

/PRIVATE EQUITY REPORT

Chief Information & Chief Digital Officers 2023

/ TRENDS TO WATCH



IT & Digital Initiatives Central to Investment Success

- 45% of CIOs report that IT transformation is central to Investment Thesis
- 93% describe their investor as “digitally savvy” or “*aspiring* to being digitally savvy”



Communication Gaps in the System

- Only 19% of CIOs are measured by a quantifiable hurdle – IRR, ROI, MOIC, etc. – for IT or digital initiatives
- 15% of CIOs are not aware of role of IT in their investor’s initial investment thesis



Not Just Scorekeeping... A Core Activity, and Funded that Way

- Over 70% of CIOs identify “Growth/Increasing Revenue” revenue growth” as their most important area for investment in the next 18-24 months
- Average spend on IT/Digitization initiatives is 3.4% of revenue
- Spend CAGR is over 9% since 2019 with 36% reporting annual increases of more than 20% since 2019



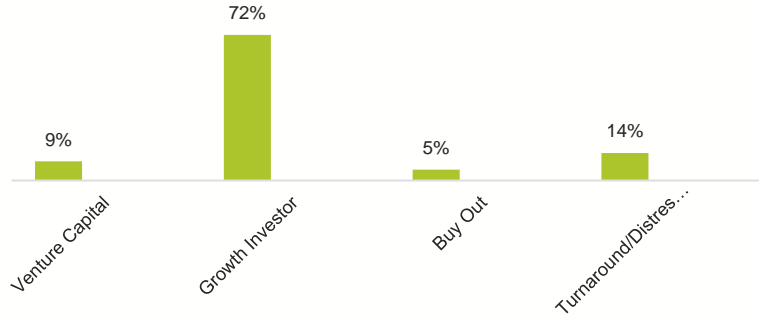
CIO Comp Up (though still a relative value). Time for CIOs to up their game to sit at the table.

- Average target CIO comp now up to \$335,000
- Less than 25% are first time CIOs – experience counts
- CIOs need to justify a seat at the table – cannot accept “I don’t know” in response to questions about their investor’s investment thesis or manage to a strict internal ROI or IRR hurdle on IT/Digitization Initiatives

/ SURVEY RESPONSES

/ SURVEY RESPONSES: SECTION I, INVESTOR PROFILE

1 Your investor's investment style can best be described as:



2 Is your Board/Investor digitally savvy?

My Board/Investor is not digitally savvy.

7%

My Board aspires to be digitally savvy. It appreciates the benefits without understanding the level of commitment initiatives require.

47%

Yes, my Board has a broad appreciation for digital transformation -- benefits as well as impact, resource commitment and disruption.

46%

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

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

23%

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

42%

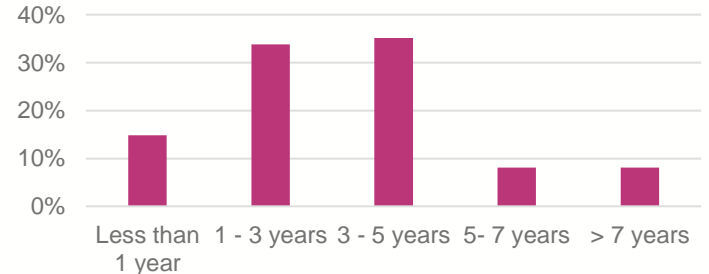
My investor has an internal operations group which works closely with its portfolio companies.

27%

My investor has an internal operations group that includes technology, systems and digitization experts who play an active role in its portfolio companies.

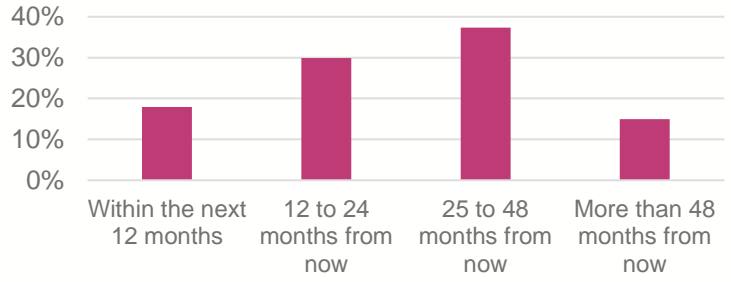
8%

4 How long has your investor owned the Company?

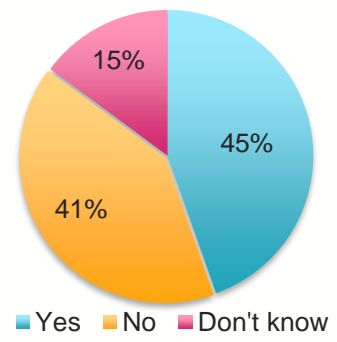


/ SURVEY RESPONSES: SECTION I, INVESTOR PROFILE

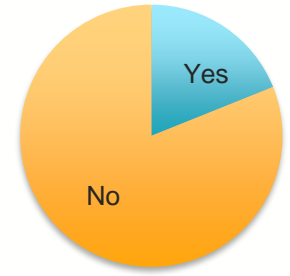
5 When do you anticipate an exit/liquidity event?



6 Was IT, technology, or a full digital transformation central to your investor's initial Investment Thesis?



7 Does your investor/Board assign a strict ROI, IRR or Multiple of Invested Cash hurdle to IT, Technology or Digitization Initiatives?



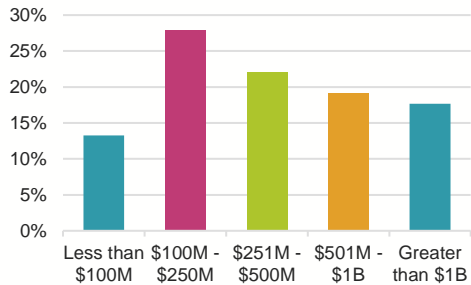
8 If yes, describe...

- Payback on investments must be less than 5 years and have a ROI of 10% or greater.
- IRR at WACC+3%
- OKRs, financial reporting. Client success driven data
- Clearly defined returns over a fixed period. Defined based upon the length of time and size of the return against the initial and ongoing investment
- ROI < 4 years
- 3 years & 30% ROI/IRR
- Everything now requires ROI within a year.

/ SURVEY RESPONSES: SECTION II, COMPANY PROFILE

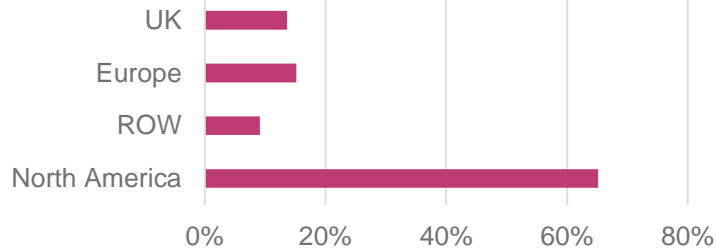
9

What is your Company's annual revenue?



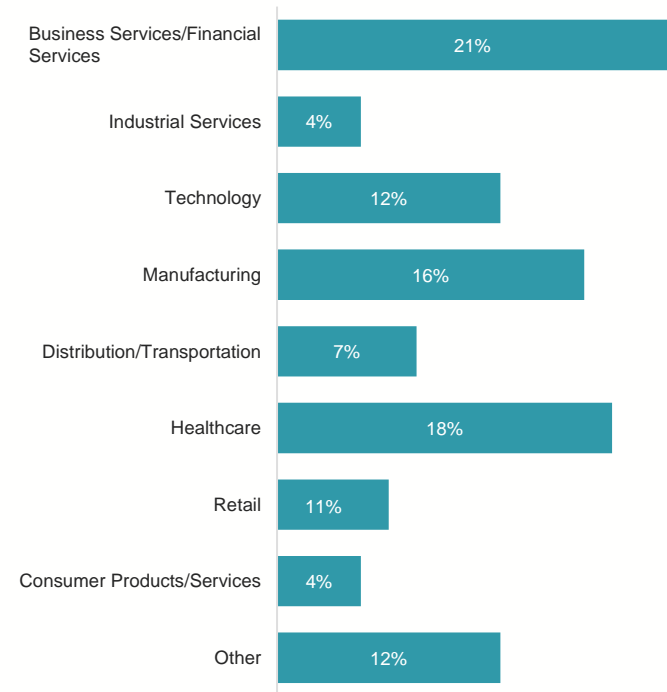
10

Where is Company Headquarters?



11

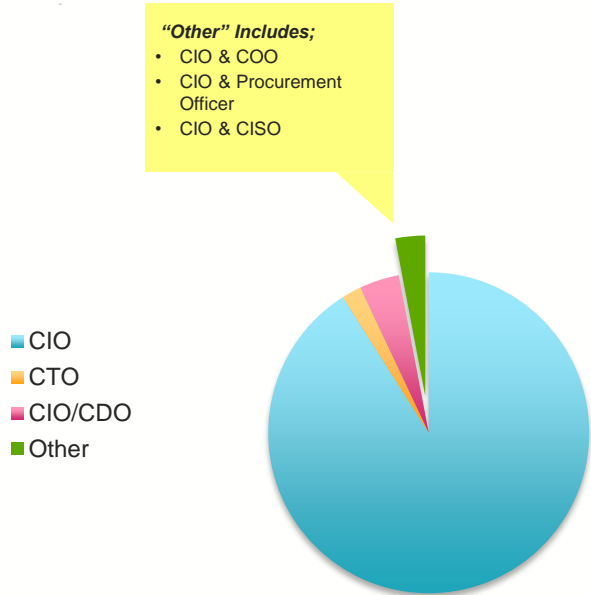
What industry best describes your Company?



/ SURVEY RESPONSES: SECTION III, EXECUTIVE PROFILE

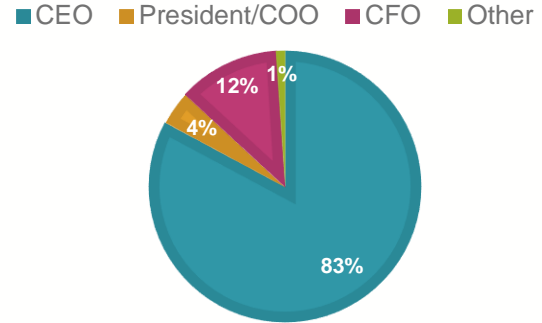
12

What is your title?



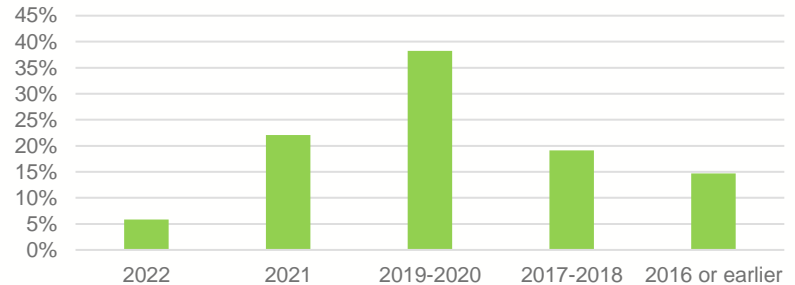
13

To whom do you report?



14

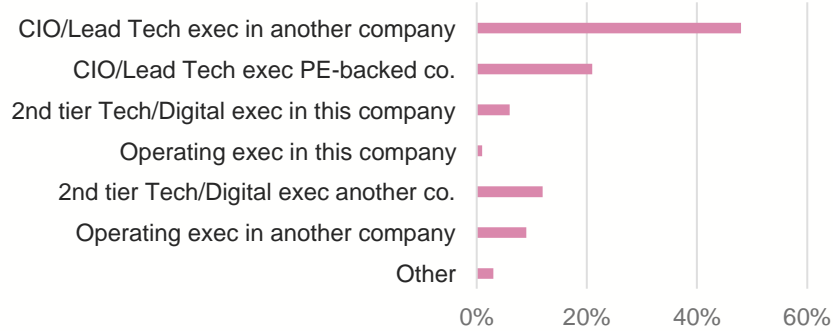
When did you assume your current role?



/ SURVEY RESPONSES: SECTION III, CIO ROLE

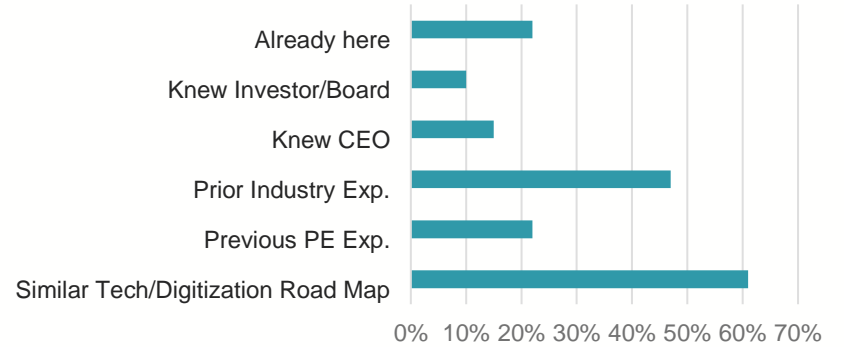
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What best describes your previous experience?



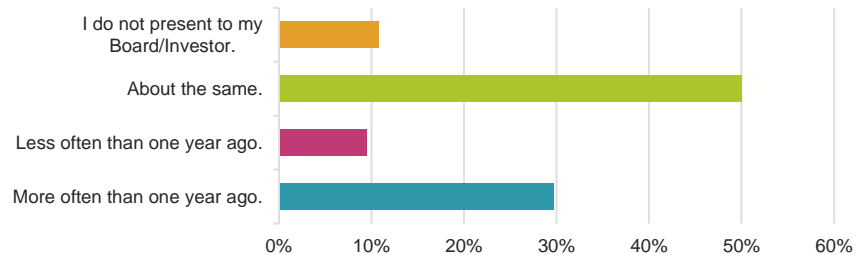
16

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



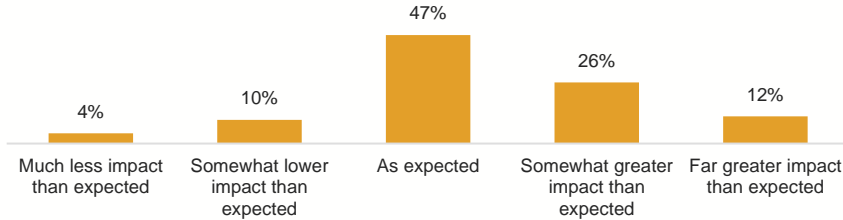
17

Compared to a year ago, how often do you present to your Board/Investor?

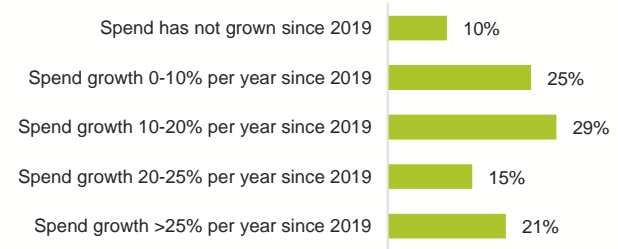


/ SURVEY RESPONSES: SECTION IV, TECHNOLOGY/DIGITIZATION RESULTS

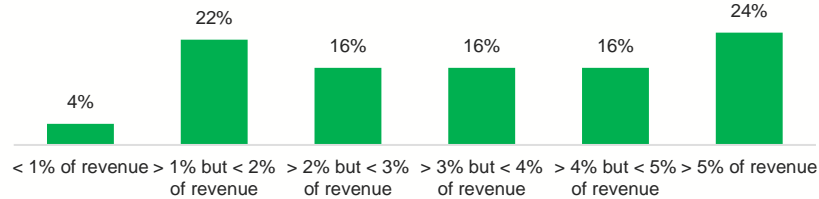
18 How has the impact of IT, Technology and Digitization initiatives compared to the initial investment thesis?



19 What has been the approximate average annual increase in IT, Technology or Digitization spend since 2019?



20 As a percentage of revenue/turnover, what is the budgeted 2022 spend (capital and operating budget) for IT, Technology and Digitization initiatives?



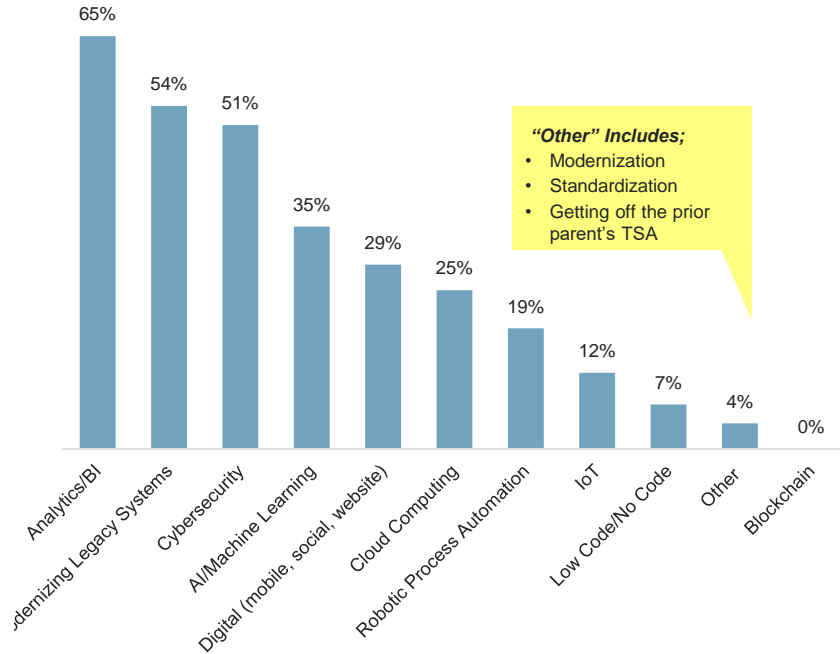
Average Spend 3.4%

- < \$100M = 3.8%
- \$100M-\$250M = 4.2%
- \$250M-\$500M = 3.5%
- \$500m - \$1B = 3.1%
- 1b+ = 2.4%

/ SURVEY RESPONSES: SECTION V, CIO OUTLOOK

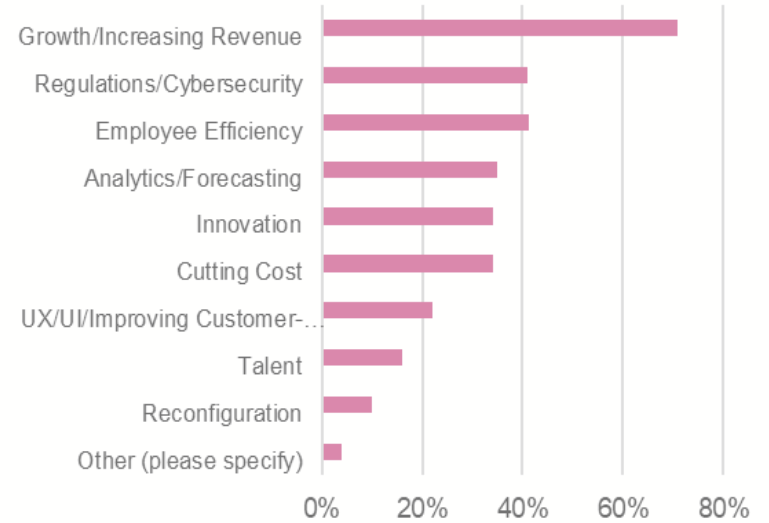
21

What are your most important priorities for the coming year? Pick 3.



22

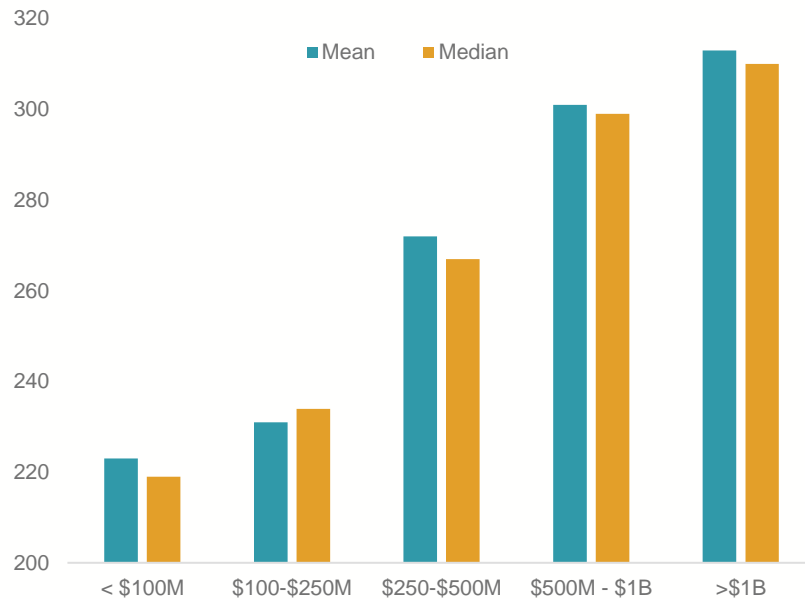
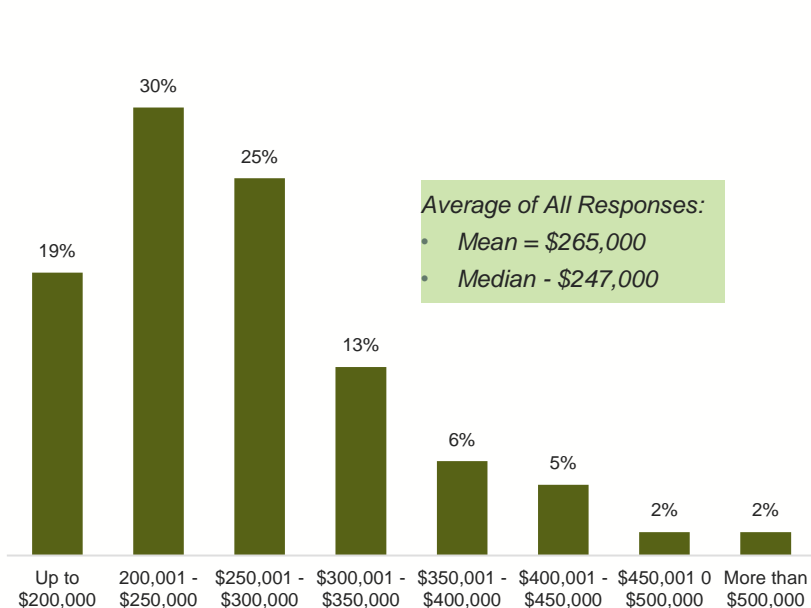
Which are the most important areas for you to invest over the next 18-24 months? (Pick 3)



/ SURVEY RESPONSES: SECTION VI, CIO COMPENSATION – BASE SALARY

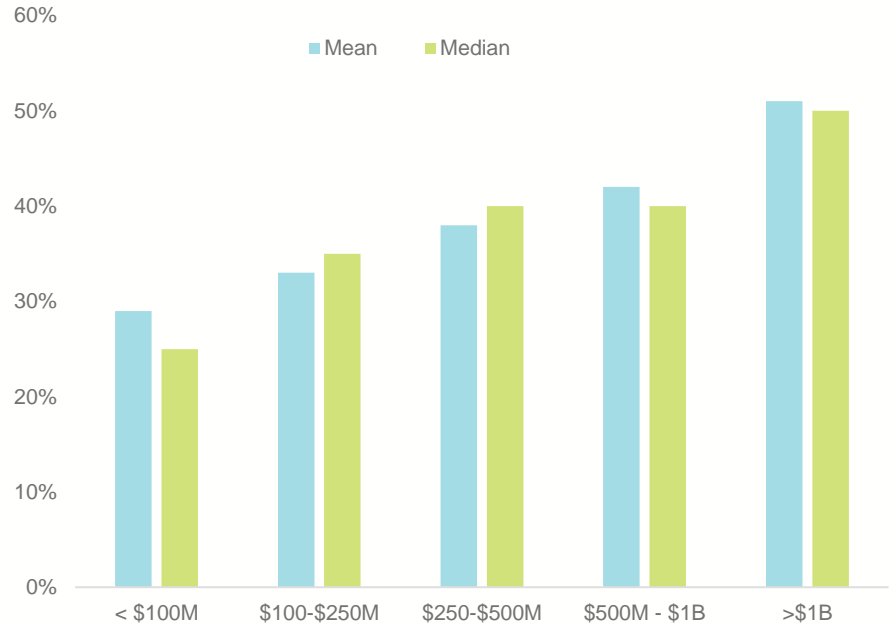
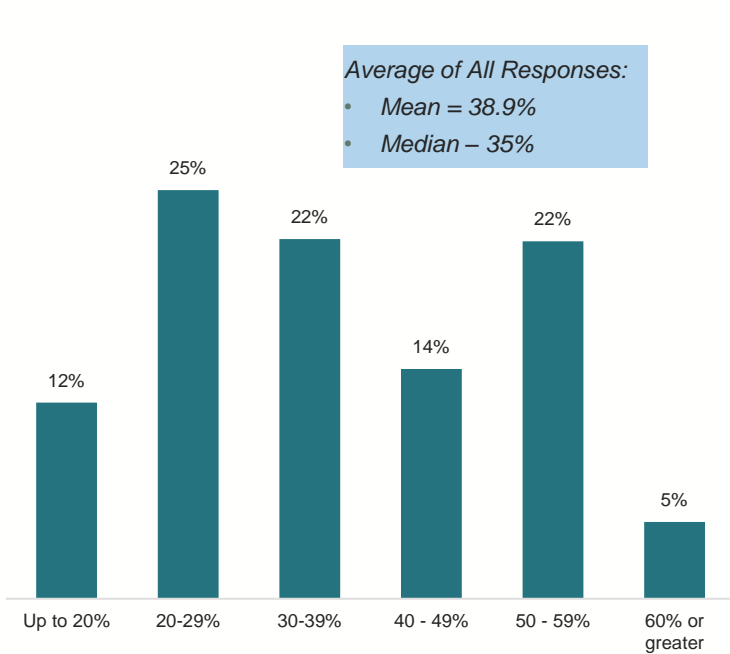
23

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



/ SURVEY RESPONSES: SECTION VI, CIO COMPENSATION – ANNUAL TARGET BONUS (PERCENTAGE OF BASE)

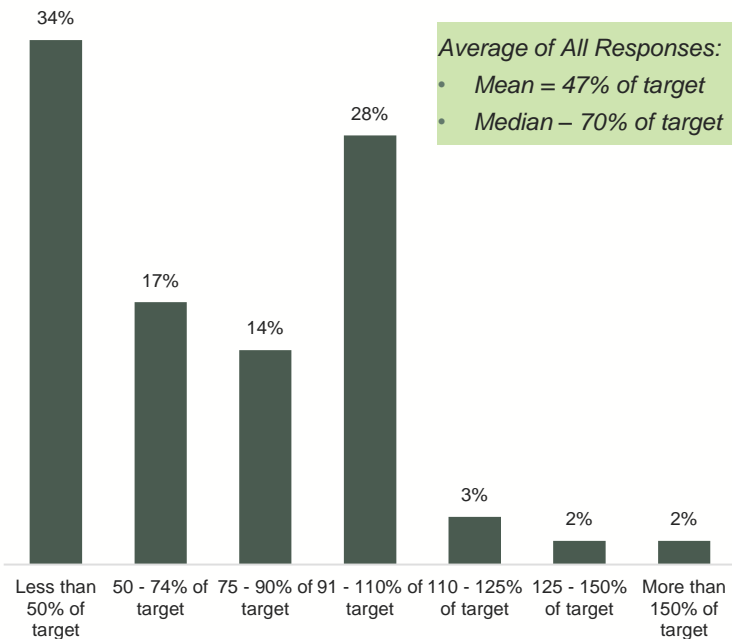
What is your current target annual bonus? (Overall distribution and mean/median by revenue.)



/ SURVEY RESPONSES: SECTION VI, CIO COMPENSATION – ACTUAL BONUS (% OF TARGET)

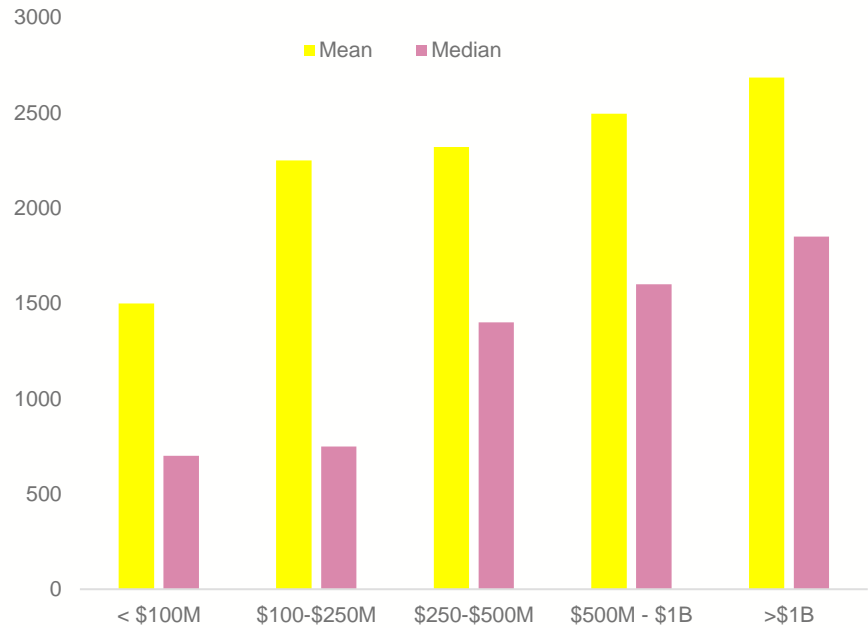
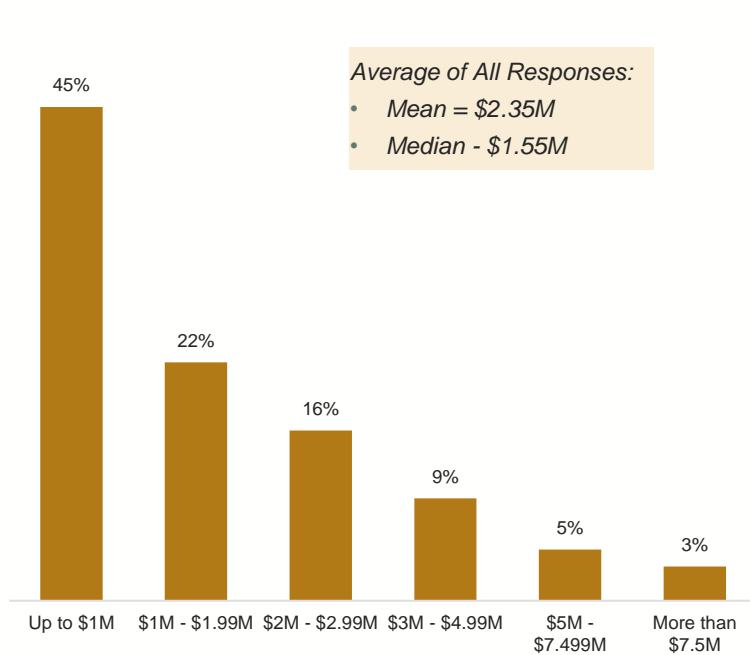
27

What will your actual 2022 bonus be as a percentage of your target bonus? (Overall distribution and mean/median by revenue.)



/ SURVEY RESPONSES: SECTION VI, CIO COMPENSATION – BASE CASE EQUITY

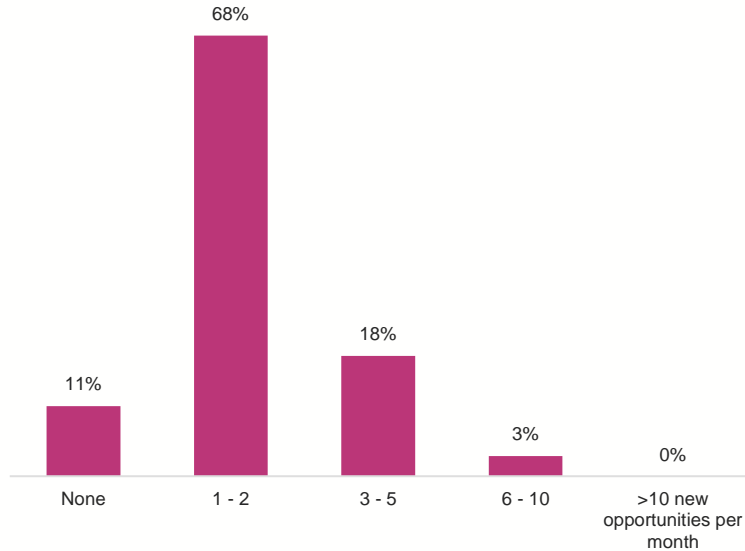
28 If your equity delivers against the expectation of the investment thesis, what gross proceeds (000's) do you expect at exit? (Overall and mean/median by revenue)



/ SURVEY RESPONSES: SECTION VII, CIO MARKET

29

How many new CIO job opportunities are presented to you by investors or recruiters in the average month (whether or not you “take the call”)?



VARDIS 2023 PE CIO/CDO REPORT

/ Methodology: During November 2022, **Vardis** contacted the CIOs/CDOs of more than 1,000 Private Equity Portfolio companies. We asked questions about compensation, board communication, their roles and results, and their priorities for 2023 and beyond. While North America is over-represented in our final sample, the CIO/CDO market is efficient and global. We have identified regional differences where material.

/ About Vardis: Vardis is an international executive search firm focused strictly on portfolio company recruitment on behalf of Private Equity investors (CEO, CFO, COO, CIO, Board Directors, etc.) and in Pre-Deal situations through the introduction of Advisors, Board Members and Operating Executives.

/ Questions & further information: Should you have questions or want further information on this or Vardis' other leadership reports, please feel free to contact a Vardis consultant in any of our offices at www.vardis.com.