

The Vardis logo consists of the word "Vardis" in a white, sans-serif font, positioned above a thin, diagonal gold line that extends from the top right of the letter 'd' towards the upper right corner of the image.

Vardis

# Private Equity CFO Survey

2024

[www.vardis.com](http://www.vardis.com)

# Introduction

## Overview

We are pleased to share our eighth annual PE CFO Report. During June and July 2024, we surveyed over 1,400 CFOs in private-equity-owned companies. As in previous years, we asked about PE CFOs 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](http://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 Themes

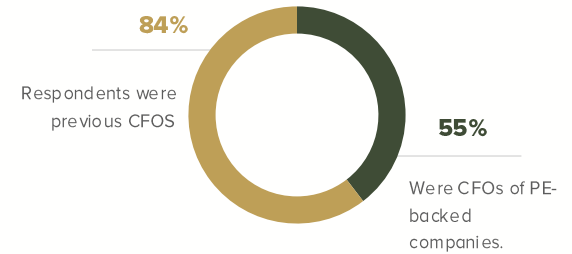
## 1 Compensation

- Base Salary:** Compensation is flattening. Blended CAGR since 2019 in line with GDP, 2.5%. The compensation bright spot is the lower middle market (<\$250M), where CAGR has been 3.5%. All other size bands show growth less than 2%. The average base salary is now \$370k.
- Bonus:** There's been compression here, too. For companies with revenue < \$100M, bonuses have grown at a compound 4.8%. A greater shift has taken place in expectations. Performance bonuses are now an expected part of compensation. Even those CFOs in companies where operating results have been "much lower than expected" received 75% of the bonus of CFOs where performance was in line with expectations.
- Equity:** Equity returns have grown at a blended 4.7% CAGR, rising to 6.7% when companies over \$1B are excluded. The blended average equity return at exit is now \$3.74M.

## 2 Role Evolution

- Job Location:** Only 37.5% of respondents work on-site at the headquarters location, while 30.6% work primarily from home. Size matters-these numbers are 66.7% and 13.3% respectively for companies over \$1B in revenue.
- Relocation:** The percentage of CFOs who relocated for their current job was only 14.9% in 2023/2024, compared to a historical average of 28% for the preceding four years. This number is even lower than the rate of relocation at the height of the Covid lockdown.
- Investment in FP&A & Data Analytics and "cost out" in financial control:** 65.9% indicated they will be investing in FP&A this coming year versus a historical rate of 54%. 22.7% will invest in Financial Control versus a historical rate of 30%. The functional focus is evolving towards Analytics and Analysis over People Leadership. Key areas of functional responsibility now cited include Data Science, Pricing, and Business Systems. 47% expect AI to impact their business model, with 64% of those in the lower middle market citing this as a key area of impact.

## 3 Prior CFO Experience Remains Important



- Prior Private Equity experience is the most frequently cited reason for their hiring. For companies where results have been better than expected, this percentage is 90%.
- Sometimes the prevailing wisdom is correct. Those with prior PE CFO experience do appear to outperform those without this experience. From 2019 to 2024, companies whose CFOs have previous PE CFO experience are more likely to perform "As expected" or "Better than expected." (see chart on page 16).

# Trends



## Exit Shift

Selling to another sponsor has replaced selling to a strategic as the most common form of exit. 54% of CFOs now expect to sell to a sponsor, compared to 41% in 2019.



## TX and the SW on the Move

Compensation for CFOs in Texas and the US Southwest now ranks among the highest in the world (on par with the US west coast). These markets command a 9% premium on compensation and the highest number of new CFO opportunities presented monthly-five per month compared to three to four in other parts of the US and three globally.



## Sought After Talent

Sitting CFOs report that they are on average approached over three times each month with new CFO opportunities.

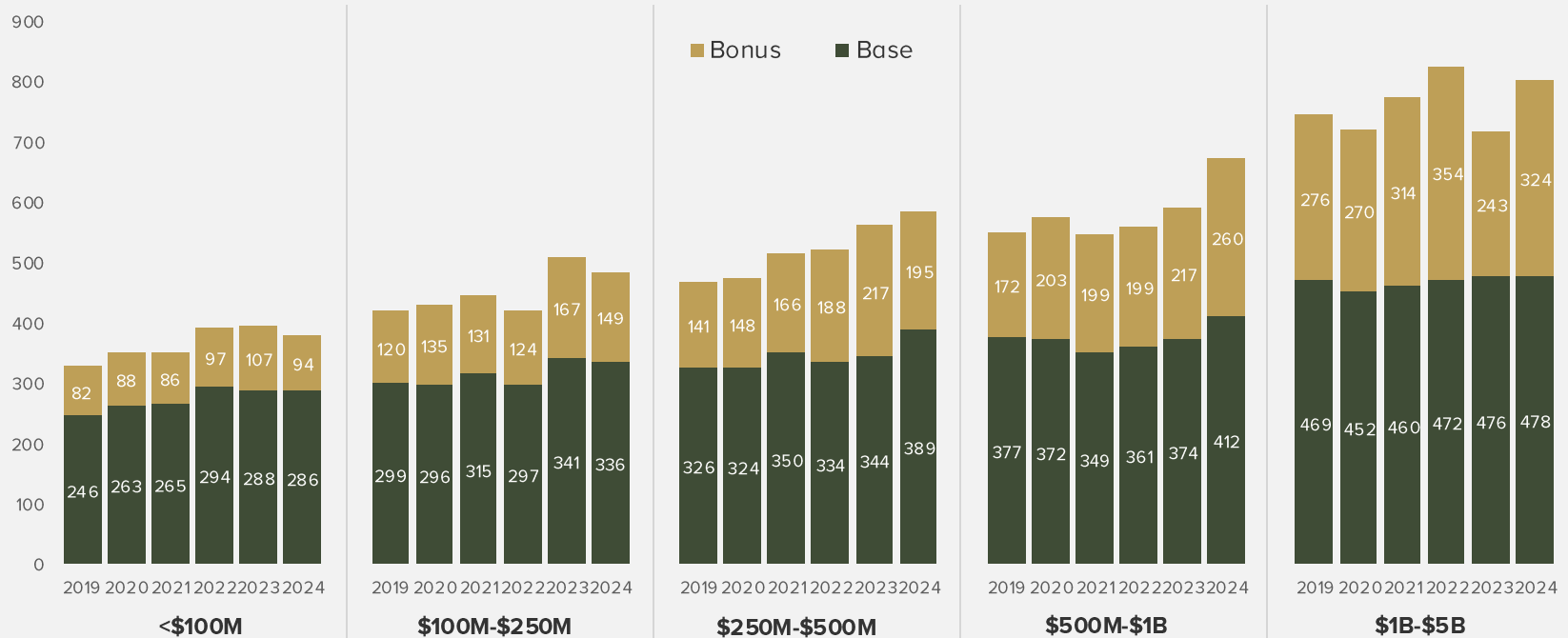


## Operating Partners

The major impact on the operations/governance model is not immediately obvious in the frequency of contact with CFOS (62% have at least weekly contact), operating results compared to the investment thesis, or expected time until exit. The most obvious difference appears to be the solving of problems once things go wrong. Of the 6% of companies expecting worse results in 2024 than 2023, none have an internal operations group.

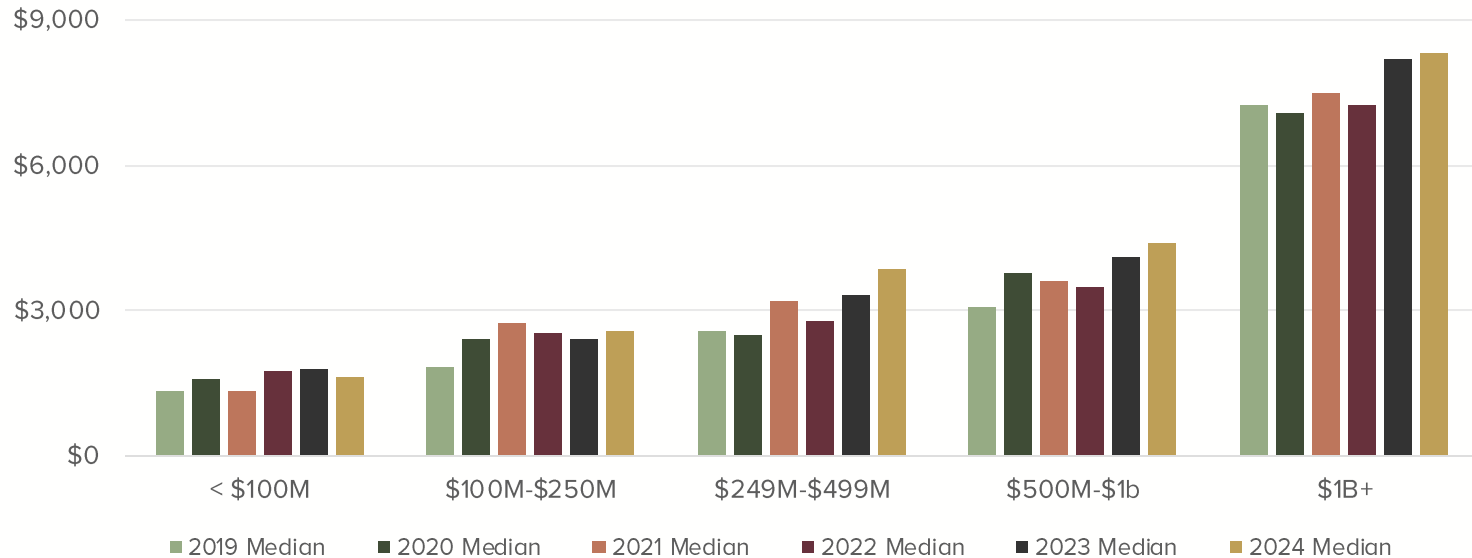
# CFO Cash Compensation By Company Revenue

2019 – 2024 Annual Mean Cash Compensation (X \$1,000) for PE Backed Companies



# Equity Value Base Case By Company Revenue

Target Equity Value at Liquidity (x \$1,000) 2019 - 2024

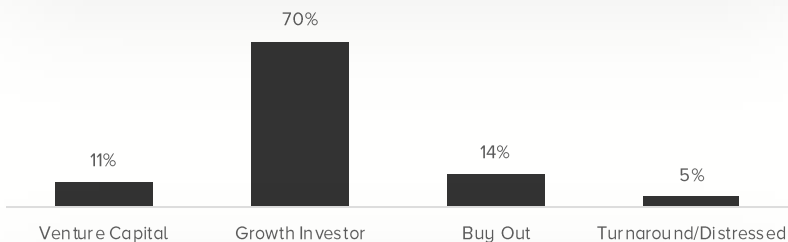


# Survey Responses



# Investor Profile

## 01 Your investor's investment style can best be described as



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

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

35%

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

26%

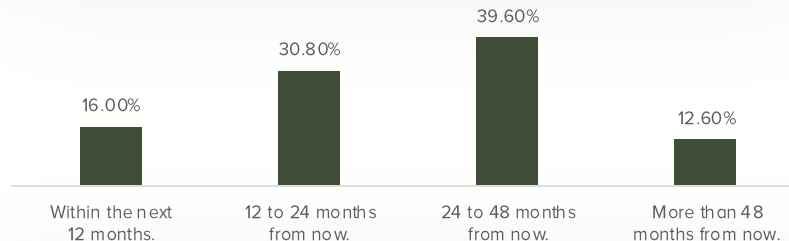
My investor has an internal operations group which works closely with its portfolio companies.

27%

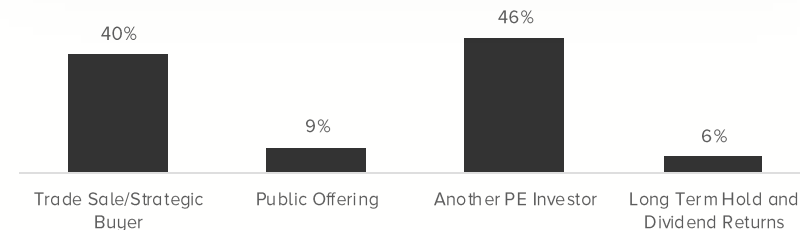
My investor has an internal operations group that includes finance and accounting experts who play an active role in its portfolio companies.

11%

## 02 When do you anticipate an exit?



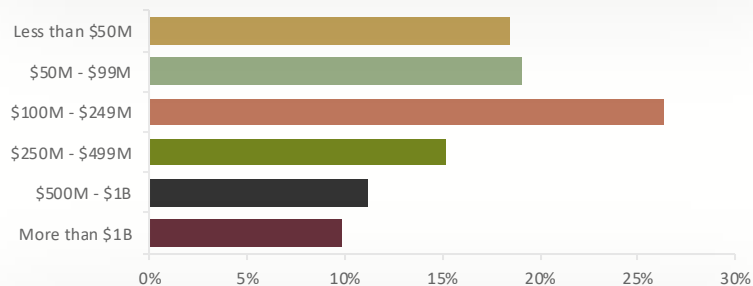
## 04 What is the most likely exit for your current investor?



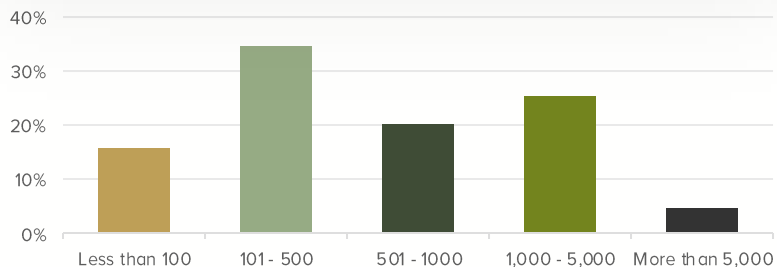


# Company Profile

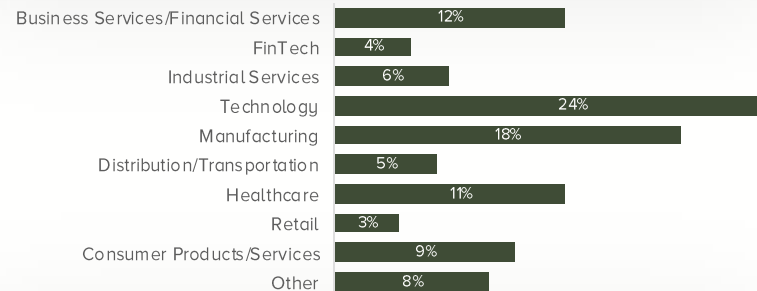
## 05 What is your Company's annual revenue?



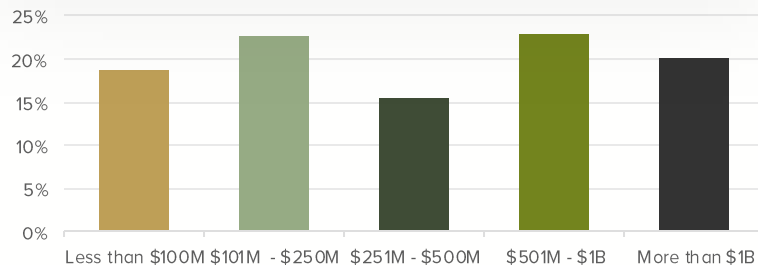
## 07 How many employees at your Company?



## 06 What industry best describes your Company?

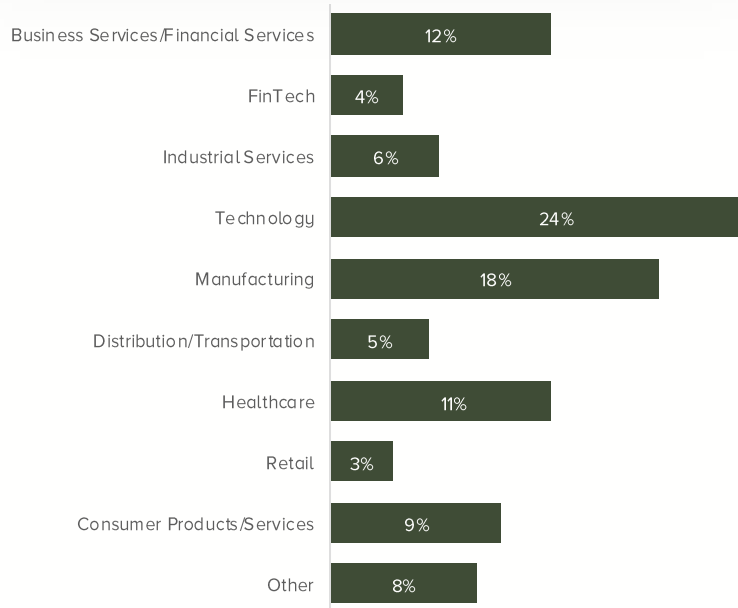


## 08 As of January 2024, what is your Company's approximate enterprise value?

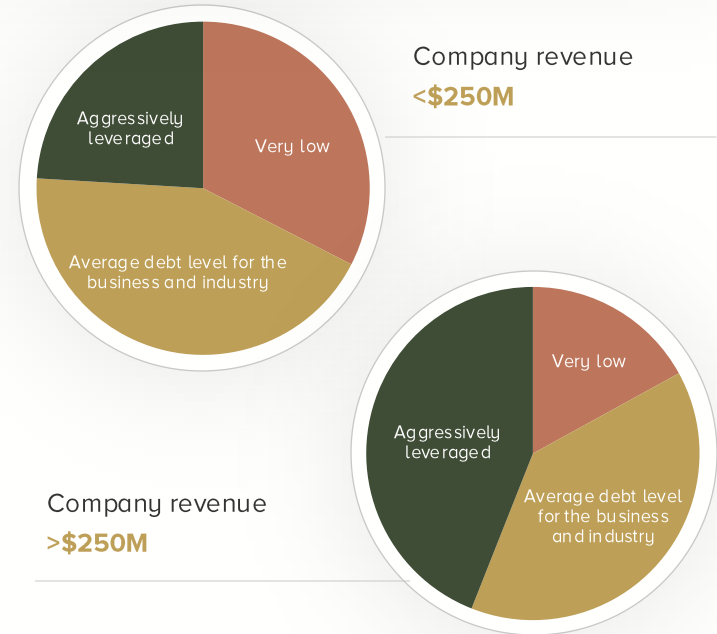


# Company Profile

## 09 What industry best describes your Company?



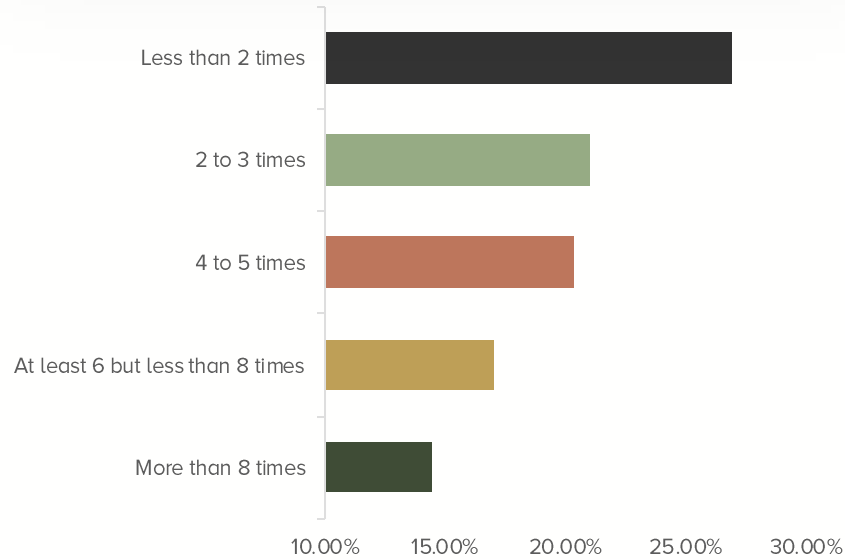
## 10 How would you describe your Company's level of debt?



# Company Debt Levels

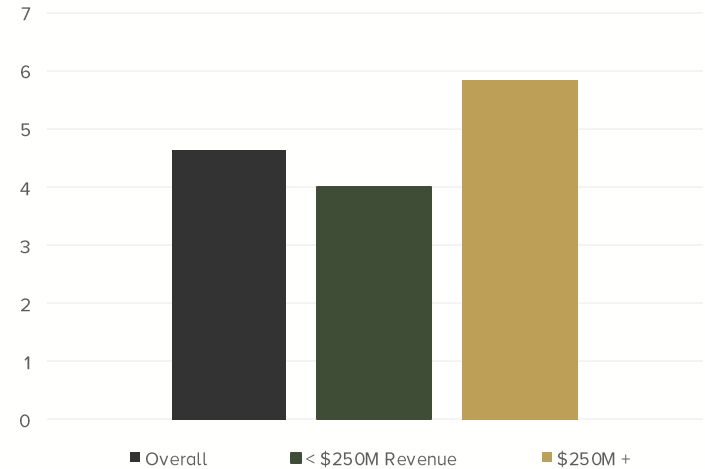
11

For its most recent reporting period, what was the approximate multiple of debt to trailing 12 months EBITDA?



## Average multiple of debt to earnings

Note: Average has increased 1.5 turns since 2019

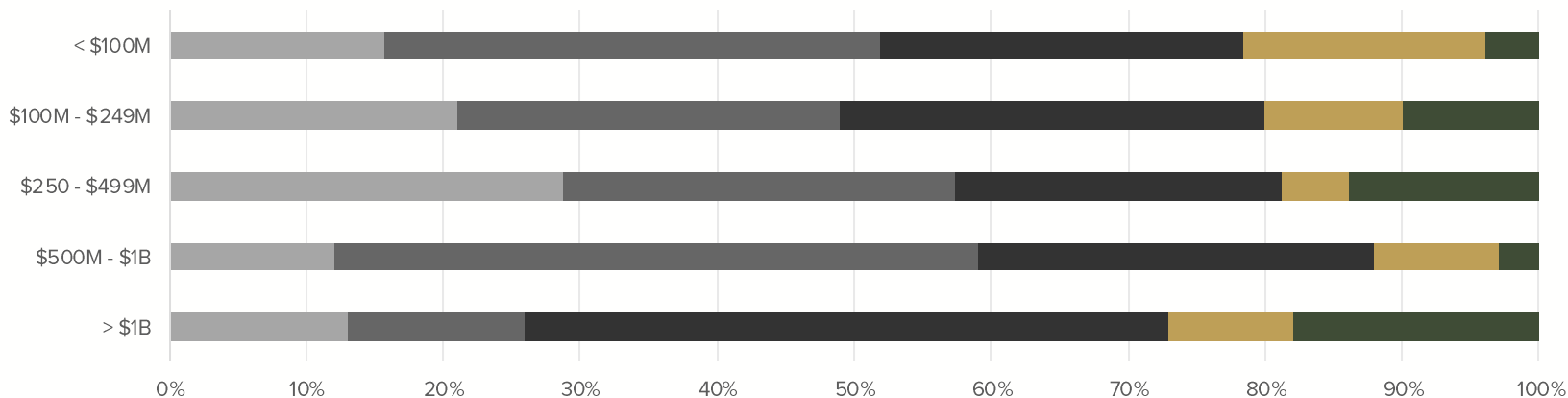
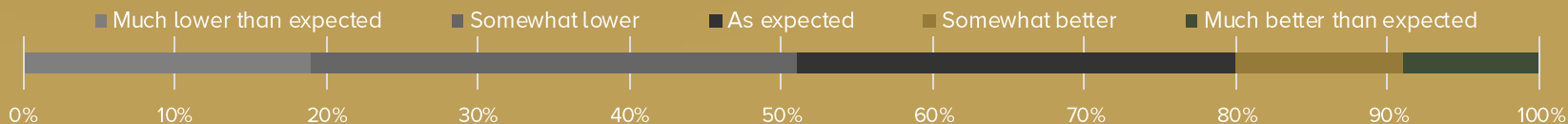


# Performance to Initial Investment Thesis

12

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

## Company Performance v. Expectations

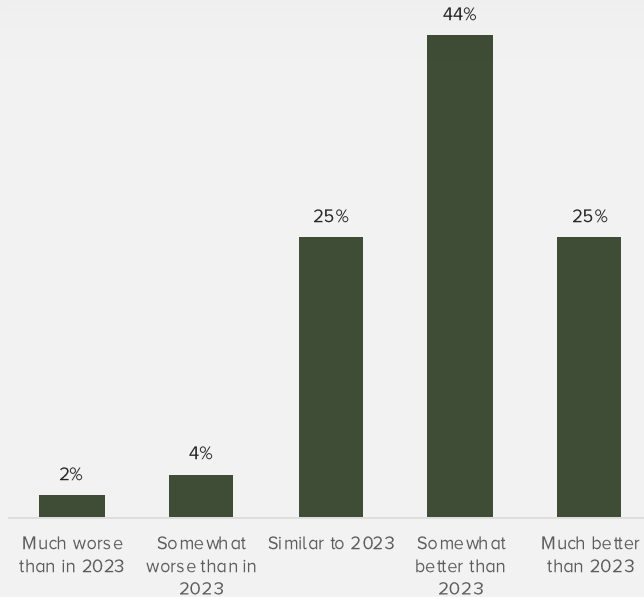


# 2024 Results Compared to 2023

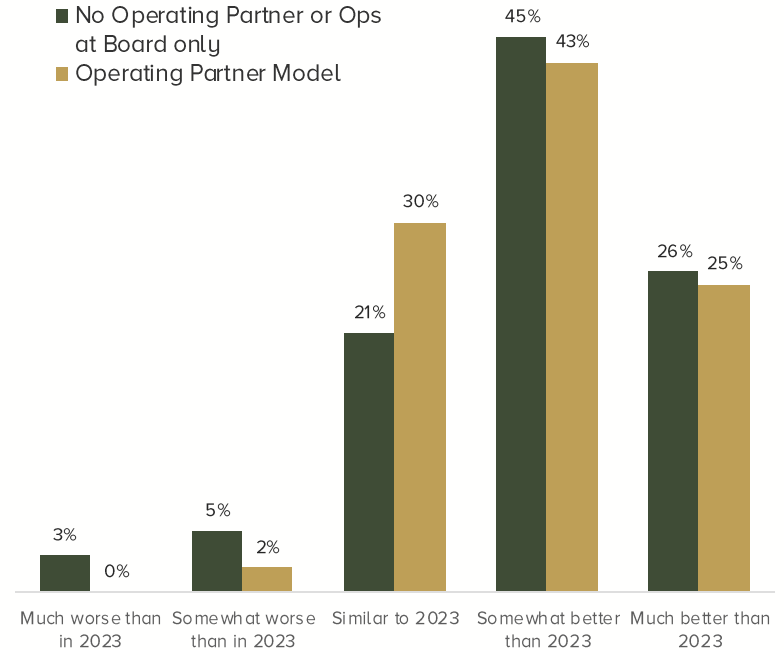
## Operating Partner model appears to lessen risk of continued underperformance

13

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



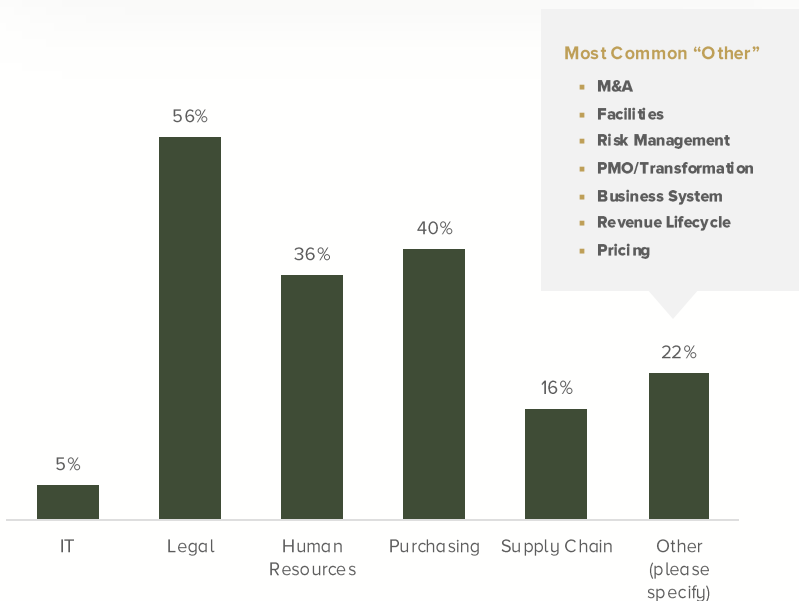
### Expected 2024 Performance by PE Firm Operations Model



# CFO Role & Hiring Criteria

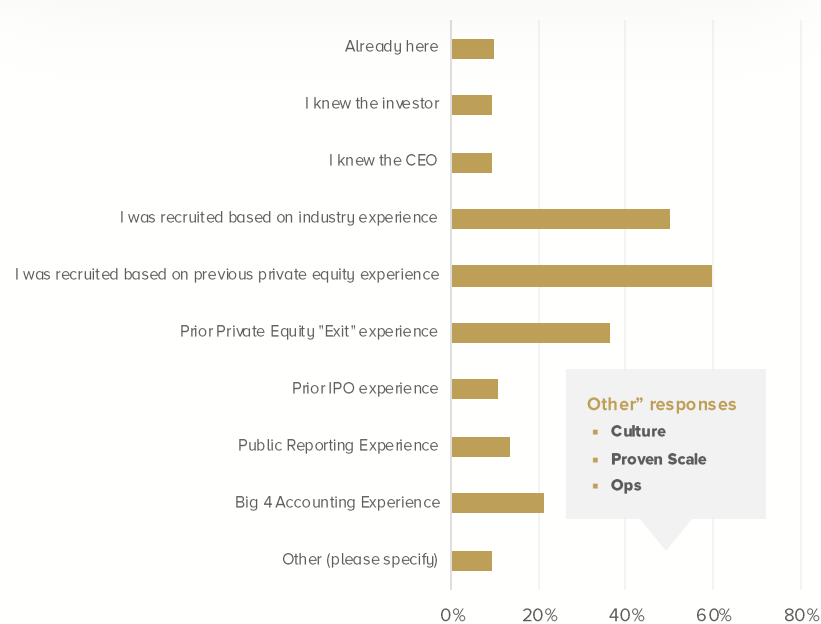
14

Other than finance & accounting, what other roles report to you? (check all that apply)



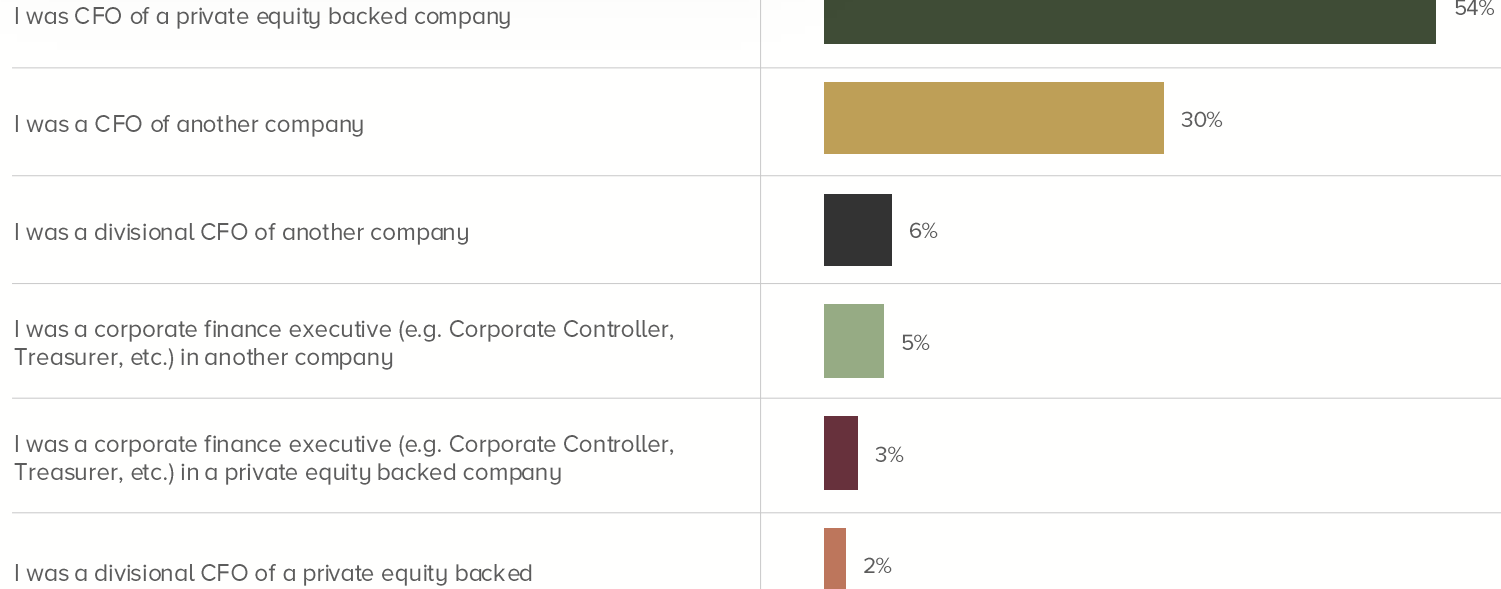
15

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



# CFO Prior Experience

## 16 What best describes your previous experience?

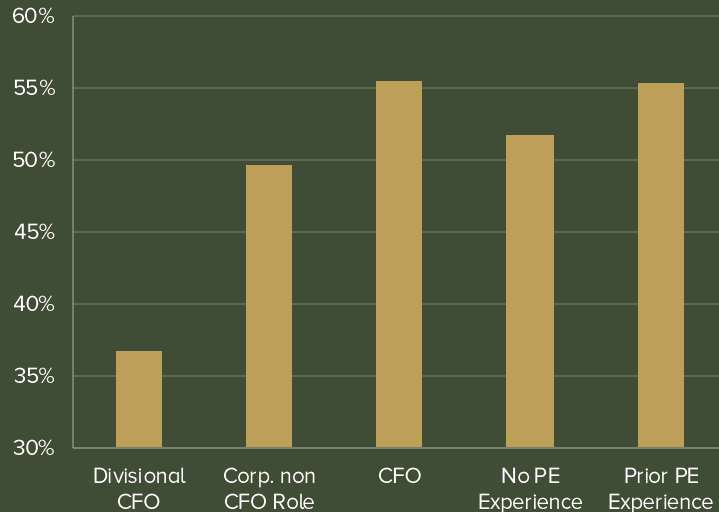


# Prior Experience and Company Performance

17

What best describes your company's expected performance?

Percentage of companies from 2019 – 2024 reporting company performance “As Expected” or “Better than Expected” based on sitting CFO’s prior functional and private equity experience.



## Expected 2024 Performance by PE Firm Operations Model

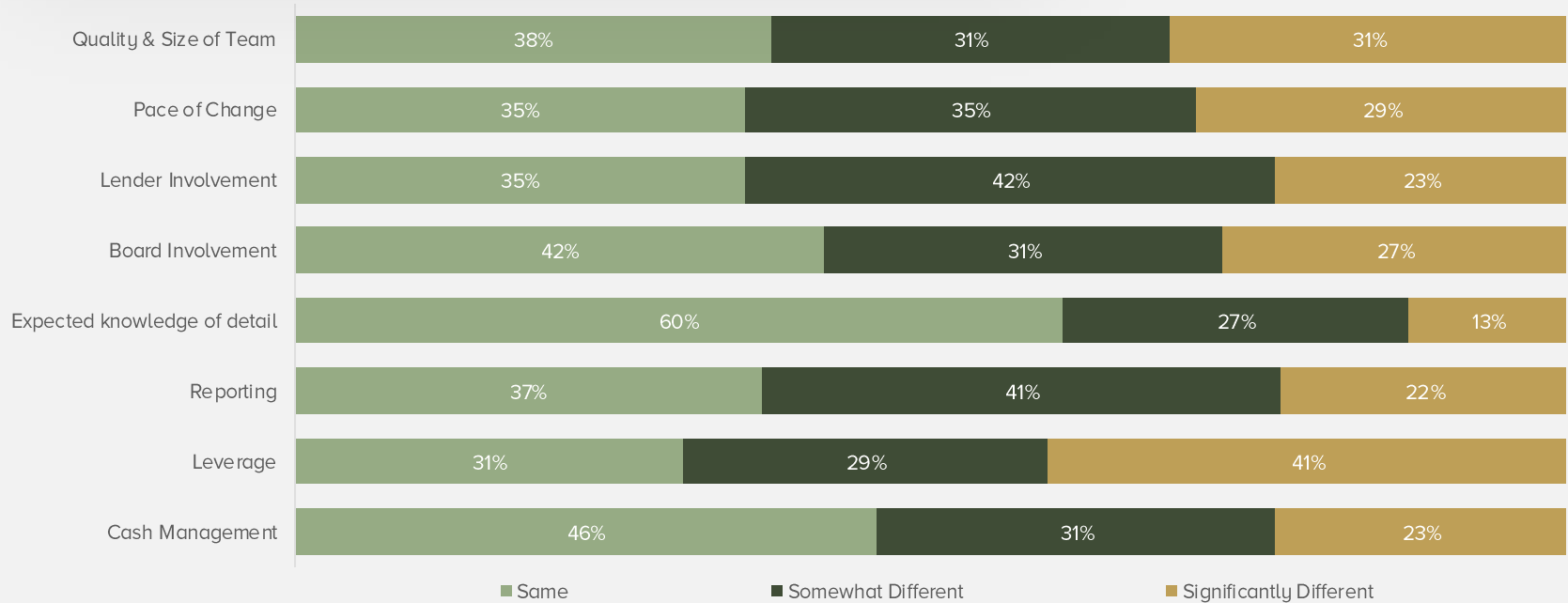
- From 2019 – 2024, **53.7%** of respondents, most of whom have both prior CFO and PE experience, have reported their companies as performing “As Expected” or “Better than Expected.”
- This compares to **37.6%** for those who were previously Divisional CFOs
- 49.6%** for those who previously held non-CFO roles at a corporate level (e.g. Controller or VP Finance).



# Key Differences under PE Ownership

18

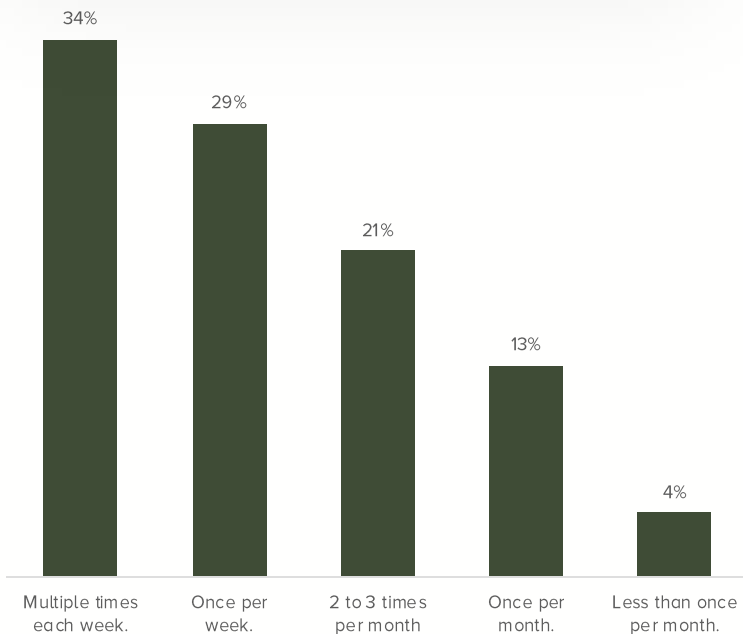
If this is your first experience in a Private Equity backed company, how does it compare to your previous role in the following categories?



# Board Contact & Oversight

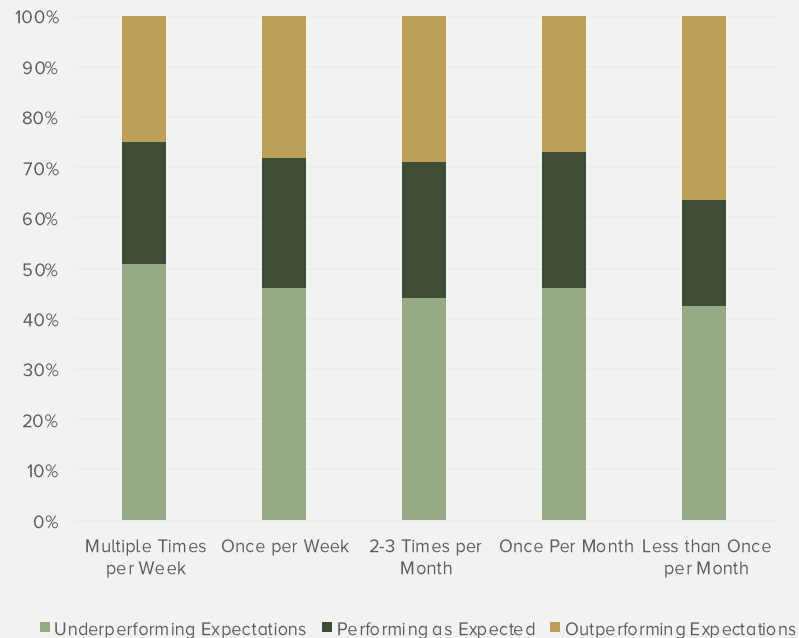
19

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



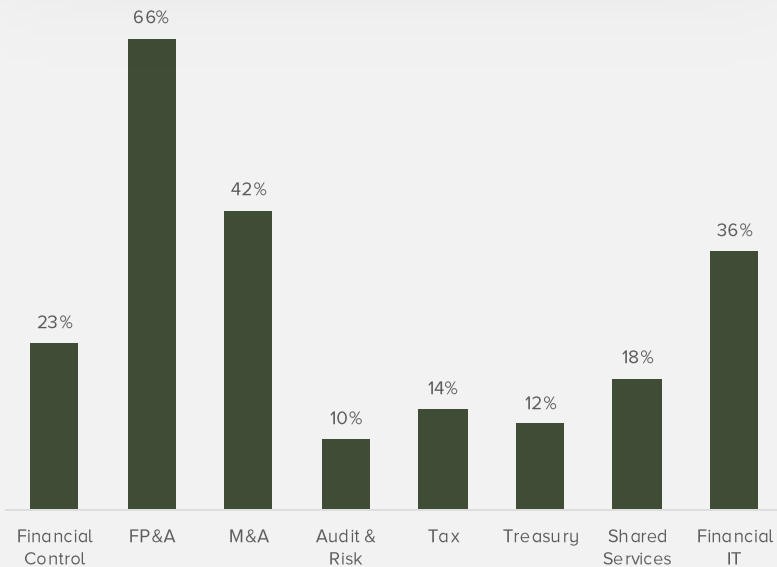
## Frequency of Contact 2019-2024 by Current Performance

- Company frequency virtually unimpacted by company performance

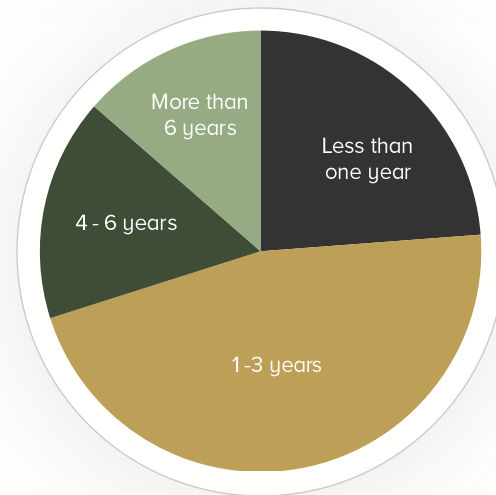


# Building the PE Ready Finance Function

20 In what areas are you mostly likely to invest during the coming 12 months? (Check all that apply.)

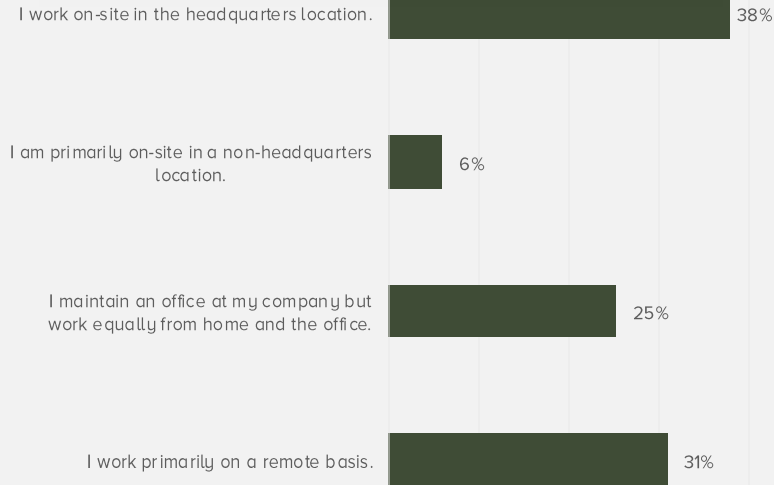


21 How long have you worked for your current organization?

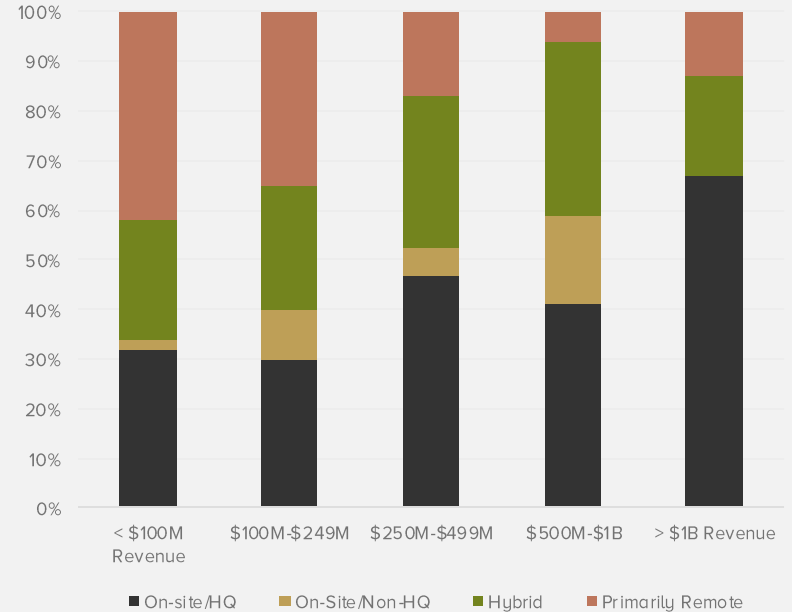


# Work Environment: On-site, at-home, hybrid?

## 22 Which best describes your current work environment?



### Work Environment by Revenue



# CFO Mobility and Relocation

## 23 Which of the following best describes your situation?

My current position is in the same city as my former role.

65%

My current position is in a different location and I relocated.

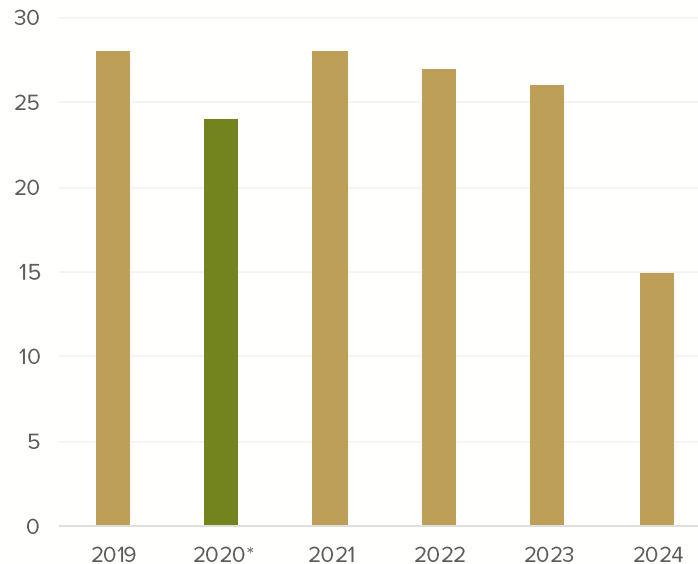
14%

My current position is in a different location. I maintained my previous residence and "commute" on a weekly or periodic basis to the new location.

21%

## Historic Relocation Rates

% of CFOs who Relocated 2019 - 2024

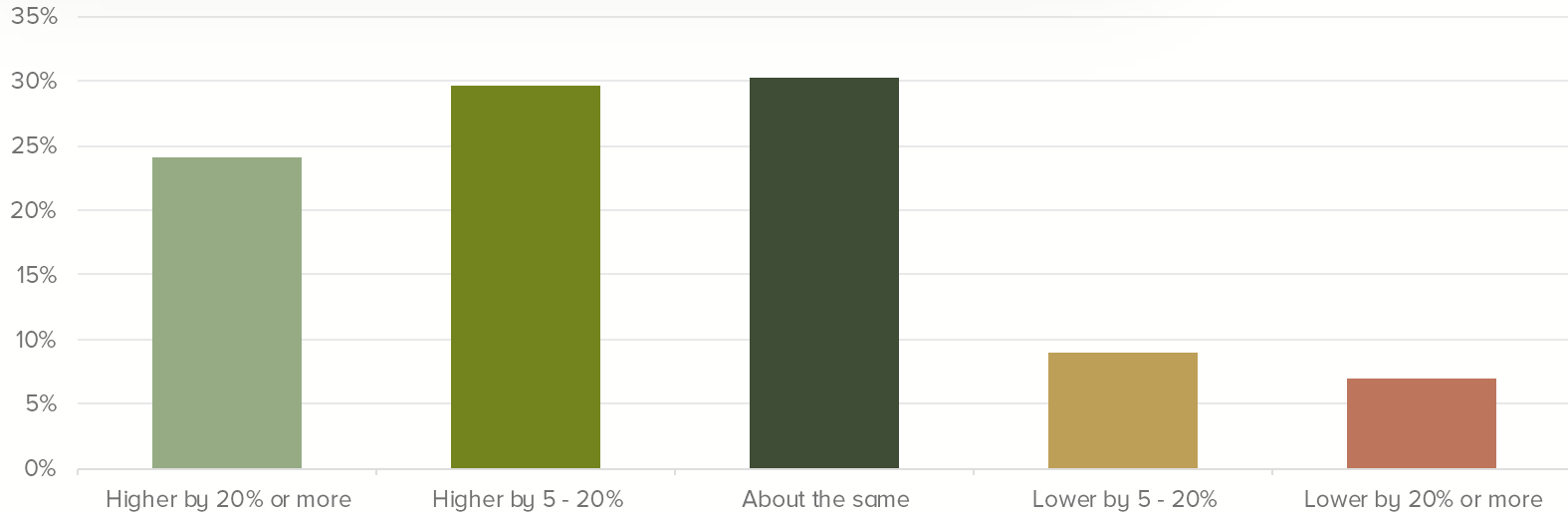


\* Covid Lockdown

# Compensation: Job Change Premium

24

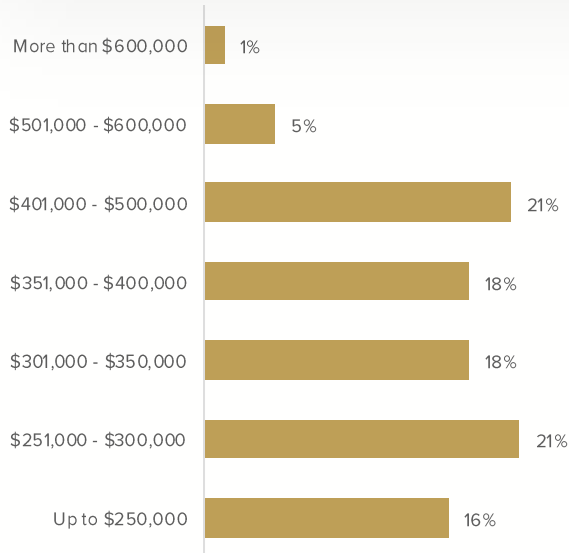
How does your current cash compensation (base & target bonus) compare to your last role?



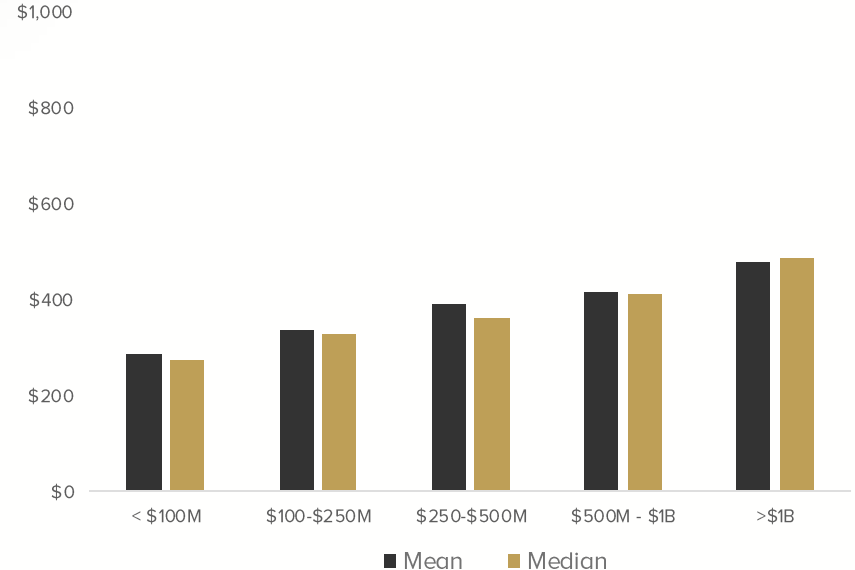
# Base Salary Overall and by Revenue

25

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



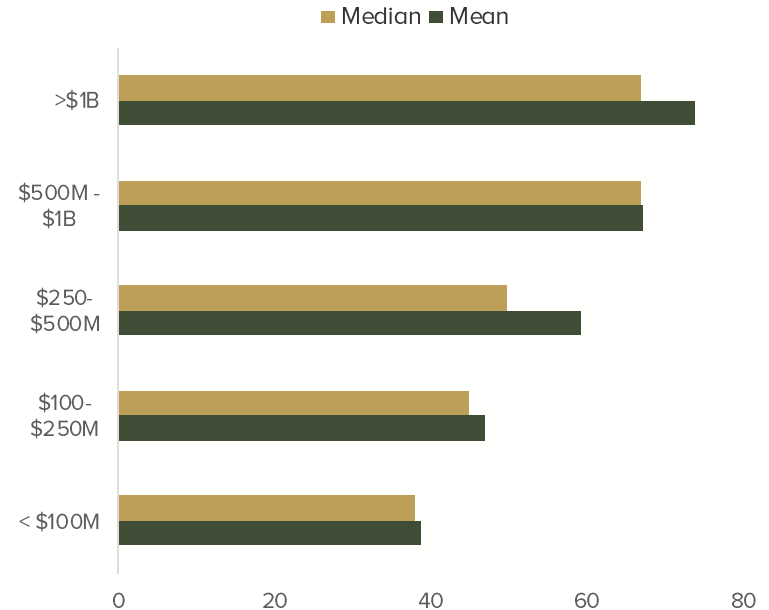
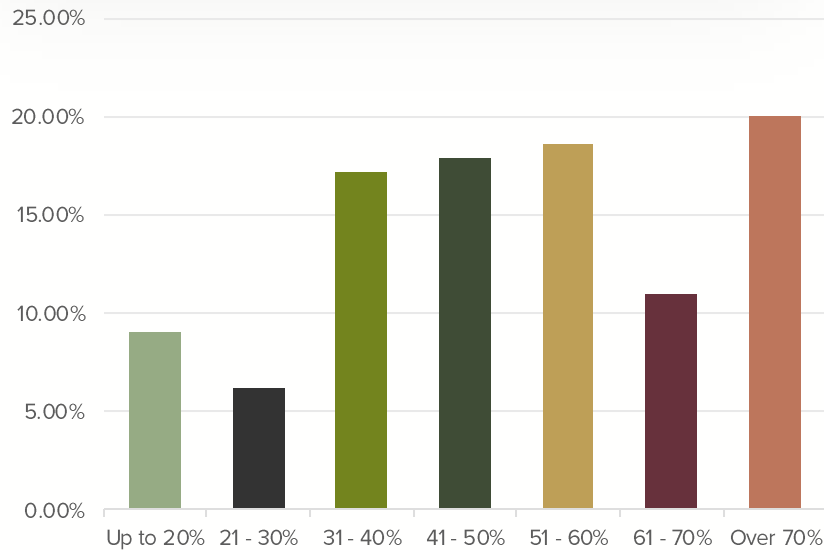
Current Base Salary (000s) by Revenue



# Target Bonus (Percent of Base) Overall and by Revenue

26

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

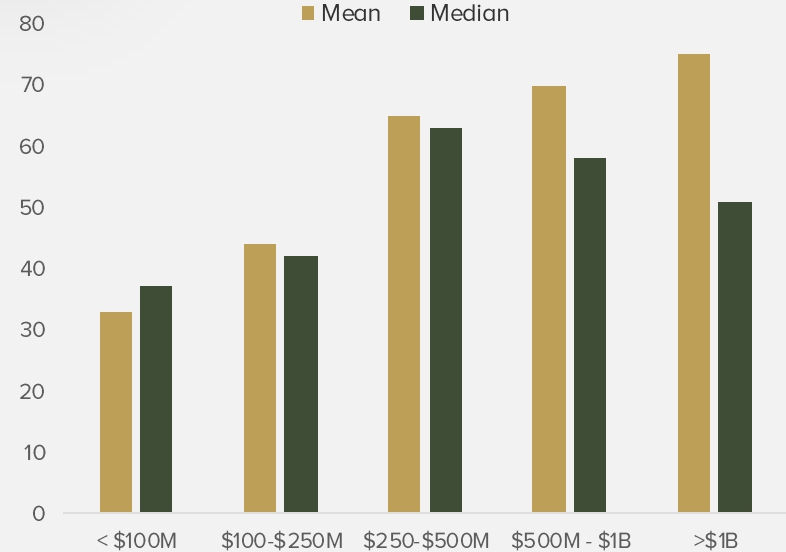
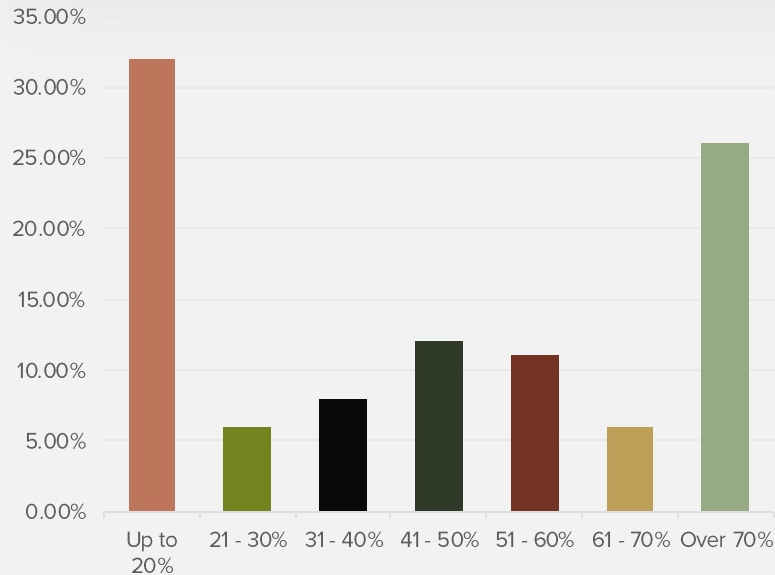




# Actual Bonus Received in 2024 (Percent of Base)

27

What was your actual annual bonus paid in 2024 for 2023 performance?  
(Overall distribution and mean/median by revenue.)



# Equity: Coinvest and Vesting Norms

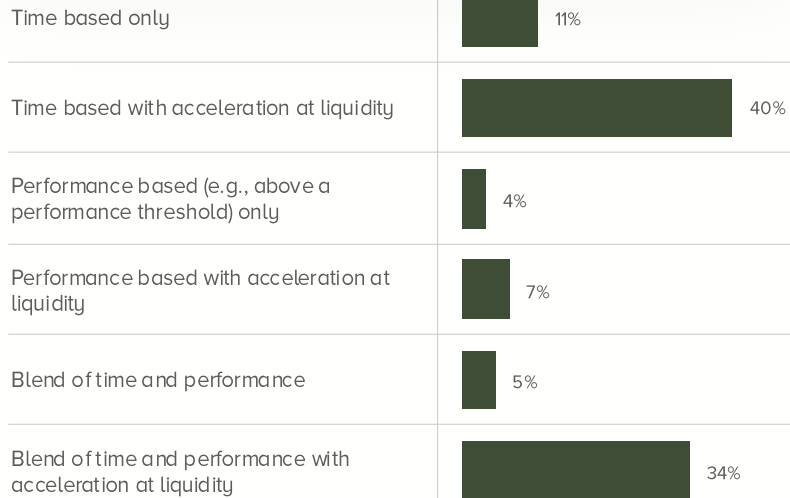
28

Did you invest your own capital in the Company?



29

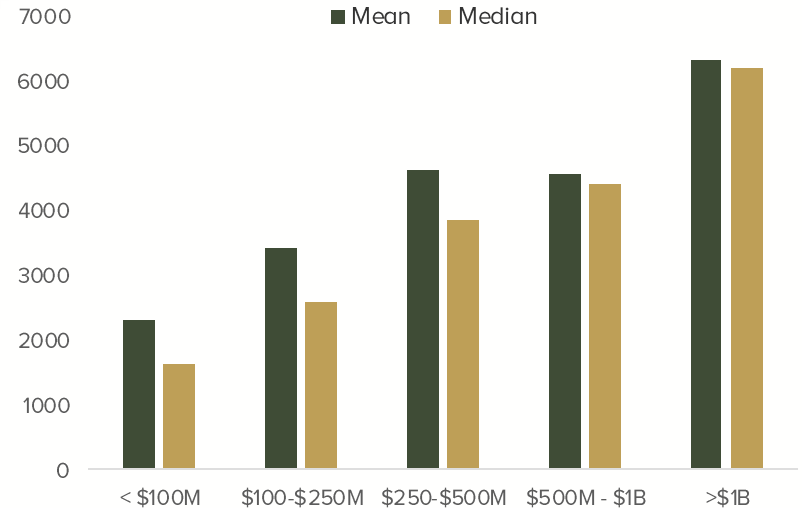
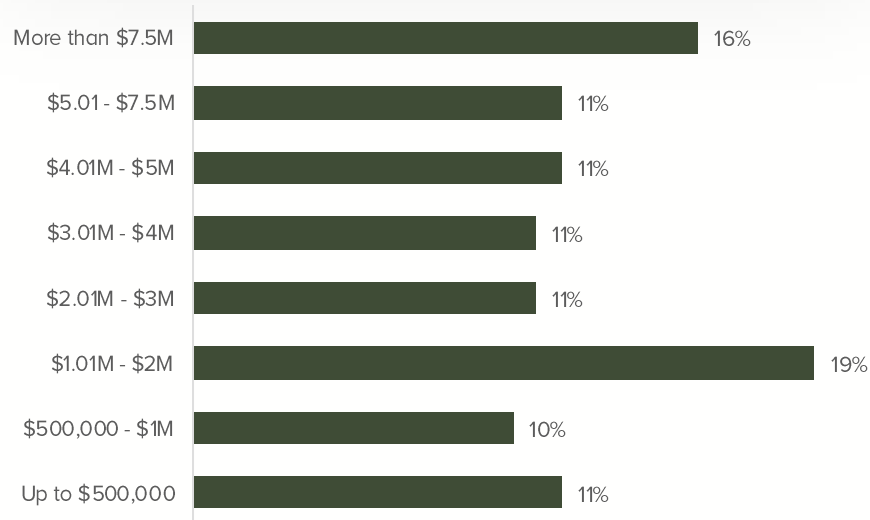
How does your equity vest?



# Exit Value of Equity Overall and by Revenue

30

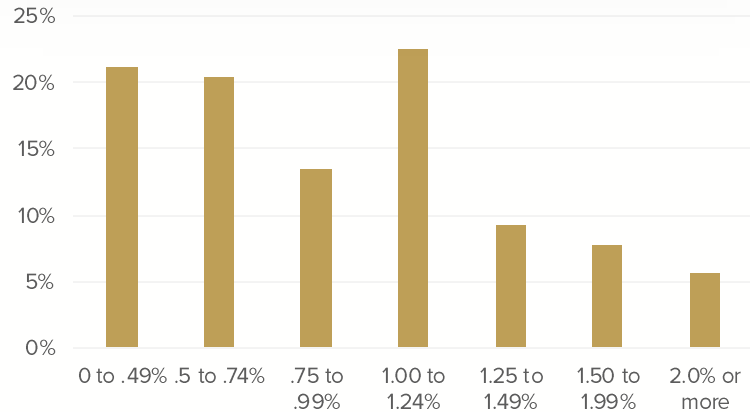
If your equity delivers against the expectation of the investment thesis, what gross proceeds (000's) do you expect at exit? (Overall and mean/median by revenue)



# Equity Grants and Incentive Pool Allocation

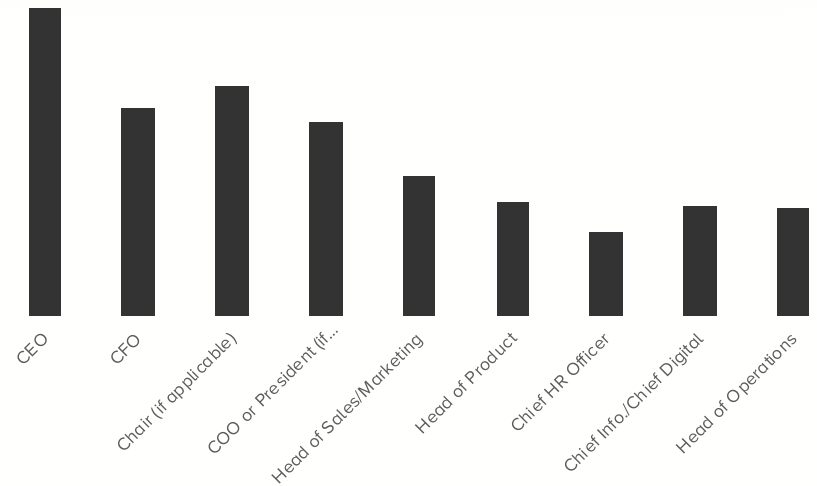
31

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



32

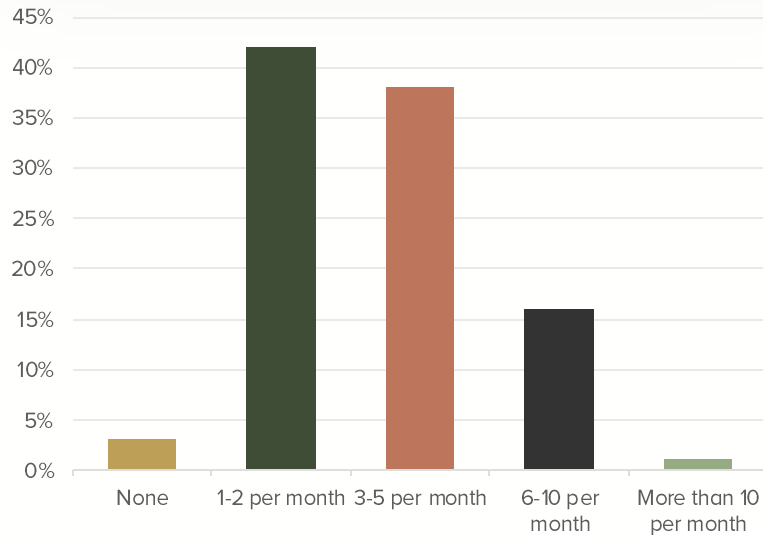
In order of size of equity participations, which executives do you believe have the largest stake in your company?



# CFO Demand & Potential Obstacles for 2025

33

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



34

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

