



Vardis

# Private Equity CFO Survey - 2023



Vardis

## 2023 Private Equity CFO Survey

- **Overview:** *We are pleased to share our seventh annual PE CFO Report. During May and June 2023, we reached out to over 1,000 CFOs in private equity owned companies. As in our 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.
- **Questions:** Should you want further information on this or Vardis' other surveys, please feel free to contact a Vardis consultant in any of our offices at [www.vardis.com](http://www.vardis.com).

# / TRENDS WORTH WATCHING



## Compensation Curve Flattening

Other than a 10%+ increase for Middle Market (\$100M - \$250M revenue), the CAGR for CFO cash compensation has normalized in the 4% range.

Equity grants continue to increase at 10%+.



## Leverage is Up

Average debt levels have increased a full turn (from 5 to 6) since our last survey, likely due to decreased EBITDA levels.

24% of respondents have at least 8X leverage



## Company Expectations Flat

Only 30% of respondents describe Company performance as stronger than initial investment thesis compared to 39% in prior survey.

38% of CFOs expect no improvement in financial results over last year. Only 22% of respondents in 2022 expected no improvement



## Liquidity and Tenure

Expected hold times have increased. 39% of respondents expect a liquidity event within 2 years compared to 61% in last year's survey.

Average tenure has increased a full year since 2022 to approximately 4 years.

Not as mobile. 70% work in the same city as their previous role -- 15% relocated and 15% "commute," this is up almost 20% since 2017.



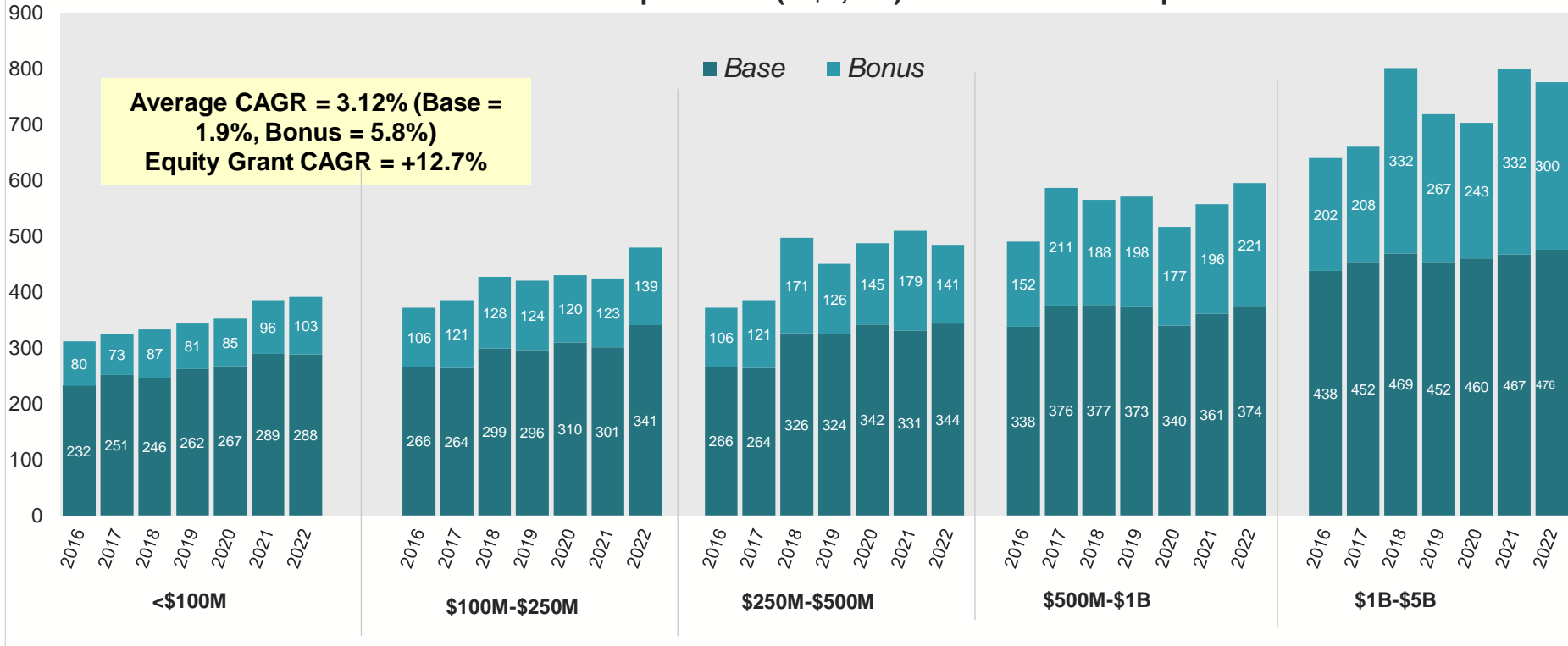
## Payday

Expected "base case" equity value now at \$4.5M and increasing at 10%+ per year.

Investors have tied payouts to performance. 61% of plans now tie vesting to performance, not just liquidity or time, an increase of 10% in each of the past two surveys.

# / CFO CASH COMPENSATION BY COMPANY REVENUE

2016 – 2022 Annual Cash Compensation (X \$1,000) for PE Backed Companies

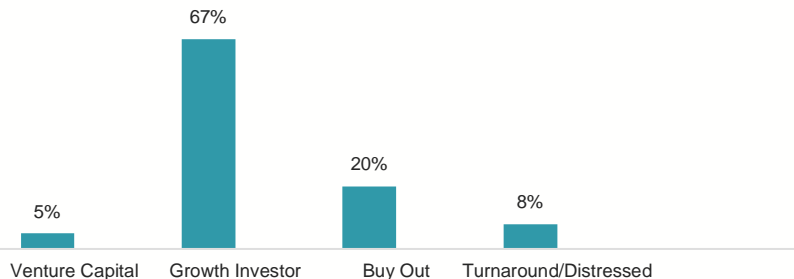


# / SURVEY RESPONSES

# / SURVEY RESPONSES: SECTION I, INVESTOR PROFILE

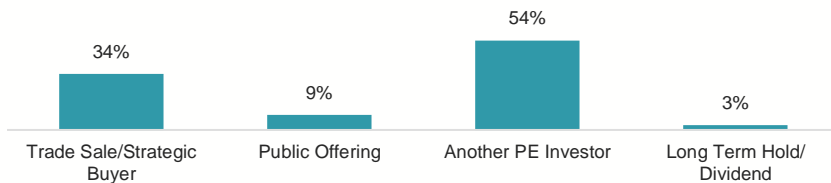
1

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



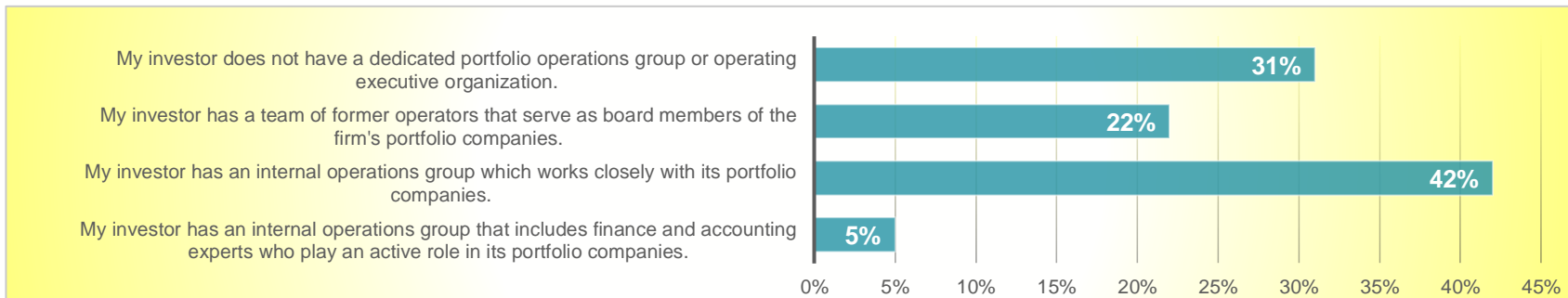
2

What is the most likely exit for your current investor?



3

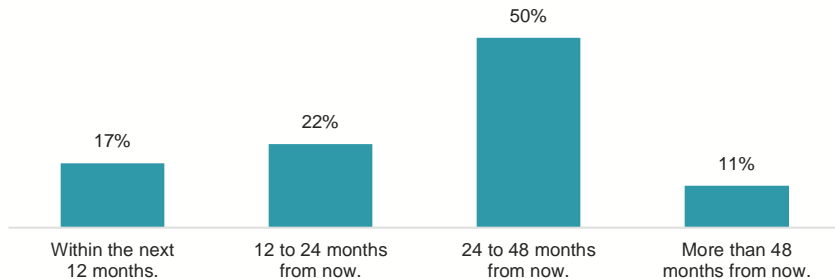
Which of these best describes your investor's operations model?



# / SURVEY RESPONSES: SECTION II, COMPANY PROFILE

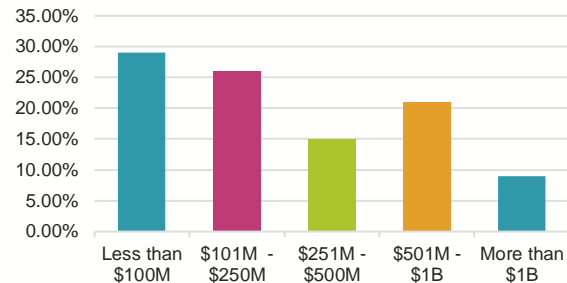
4

When do you anticipate an exit?



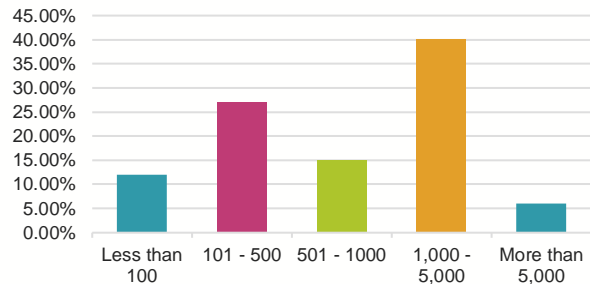
5

What is your Company's annual revenue?



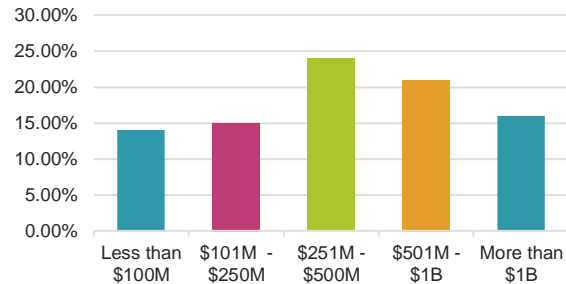
6

How many employees at your Company?



7

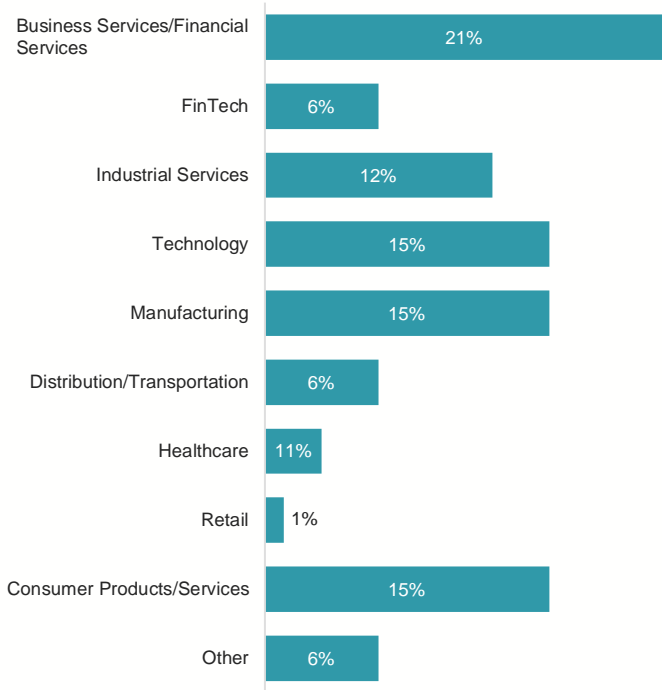
As of January 2023, what is your Company's approximate enterprise value?



# / SURVEY RESPONSES: SECTION II, COMPANY PROFILE

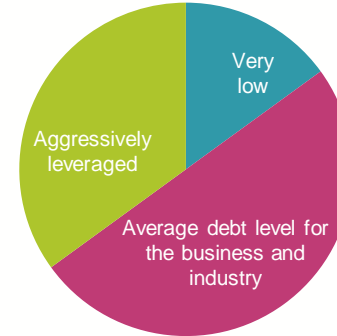
8

What industry best describes your Company?



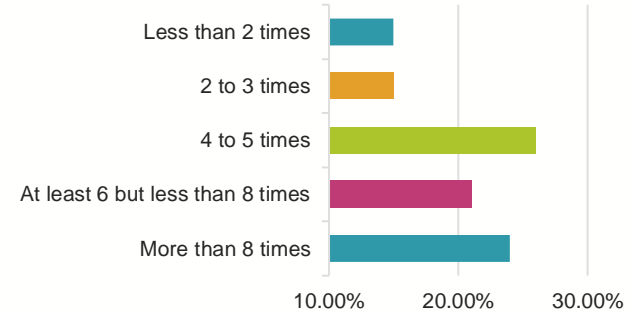
9

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



10

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

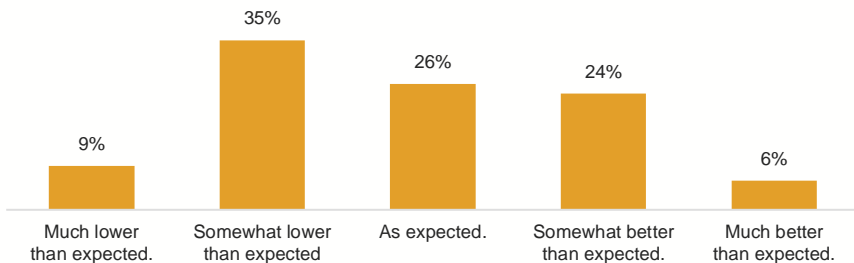




## / SURVEY RESPONSES: SECTION II, COMPANY PROFILE

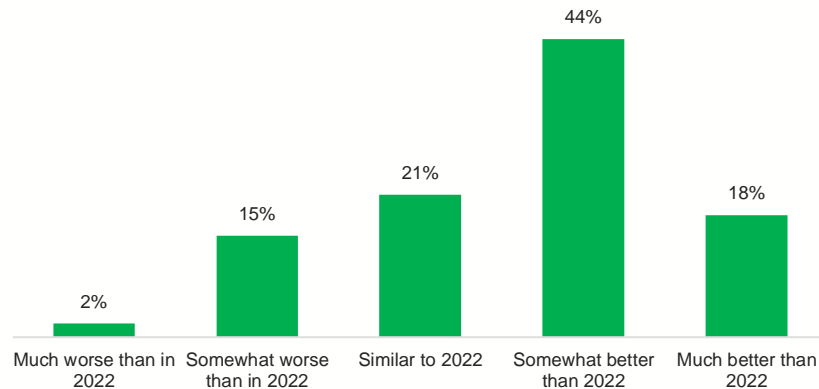
11

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



12

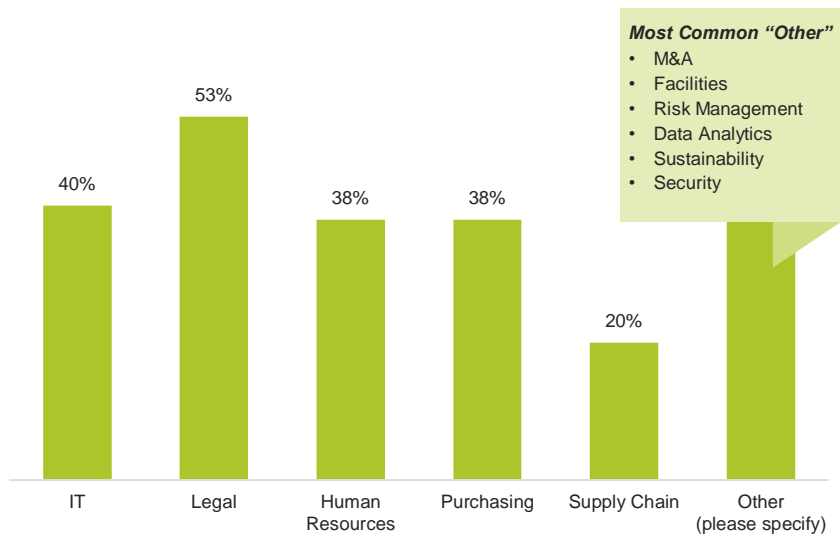
Looking at 2023, do you think operating results will be...



# / SURVEY RESPONSES: SECTION III, CFO ROLE

13

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



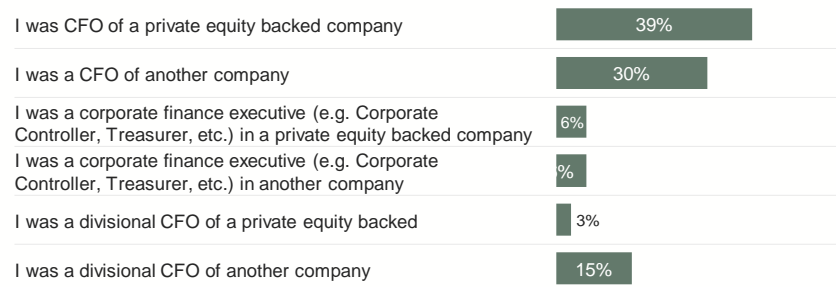
14

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



15

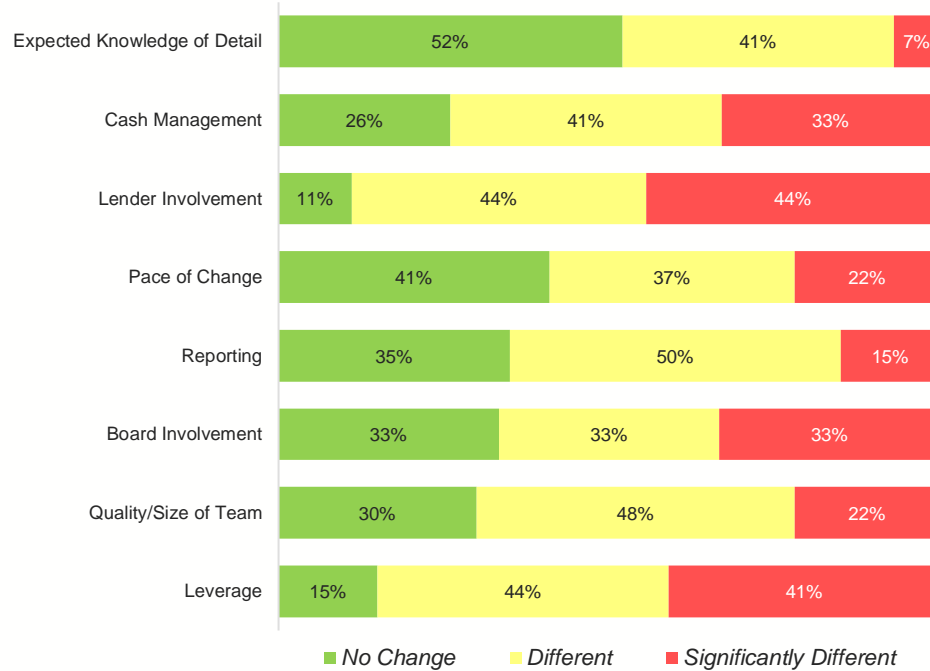
What best describes your previous experience?



## / SURVEY RESPONSES: SECTION III, CFO ROLE

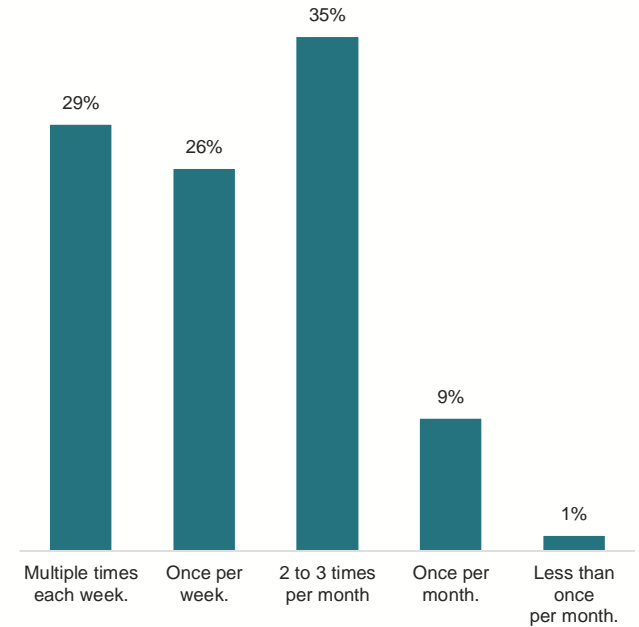
16

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



17

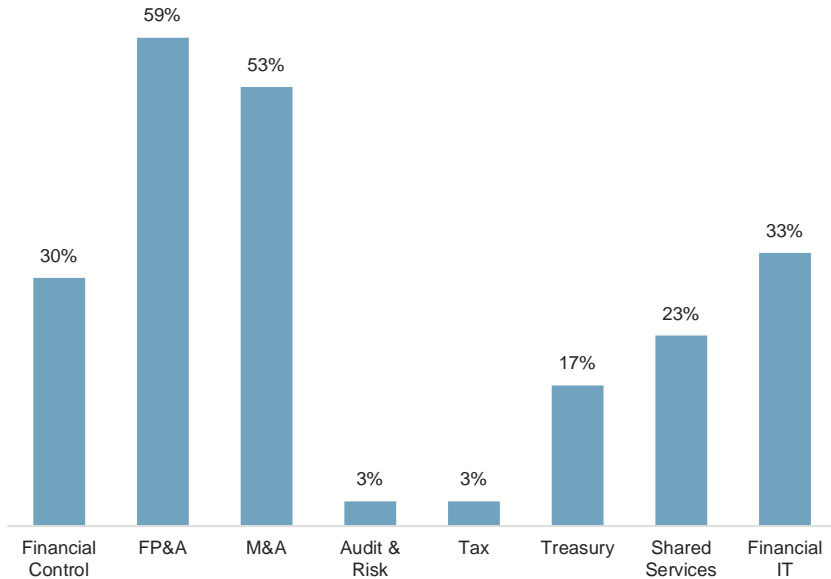
On average, about how often do you have contact with your investor?



## / SURVEY RESPONSES: SECTION III, CFO ROLE

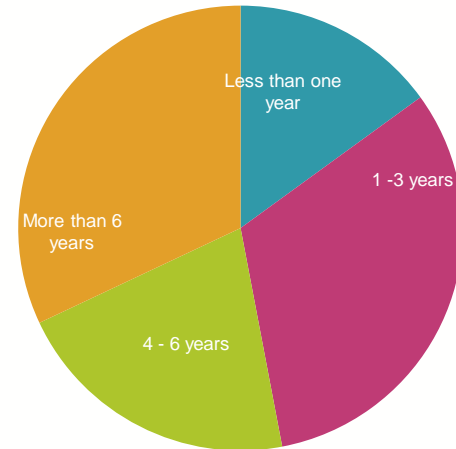
18

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



19

How long have you worked for your current organization?



## / SURVEY RESPONSES: SECTION III, CFO ROLE

20

Which of the following best describes your situation;

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

70%

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

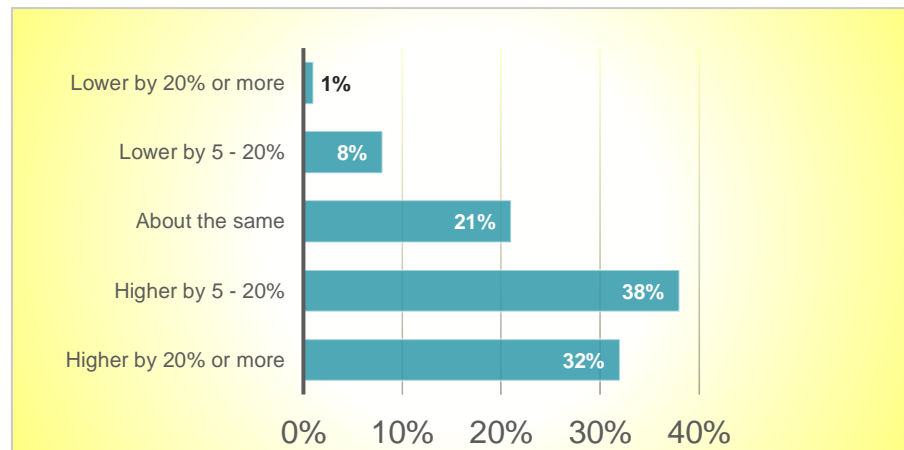
15%

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.

15%

21

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



# / SURVEY RESPONSES: SECTION IV, CFO COMPENSATION – BASE SALARY

22

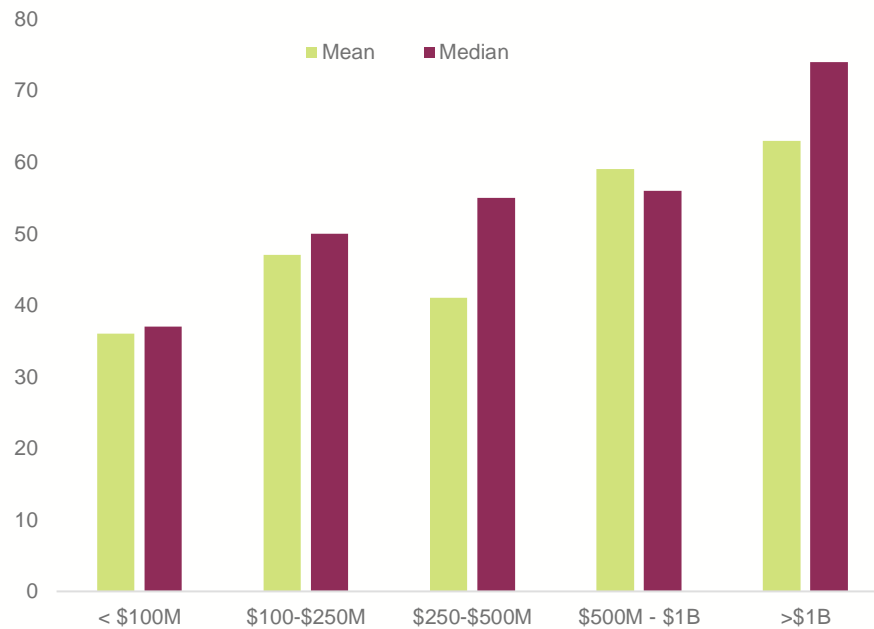
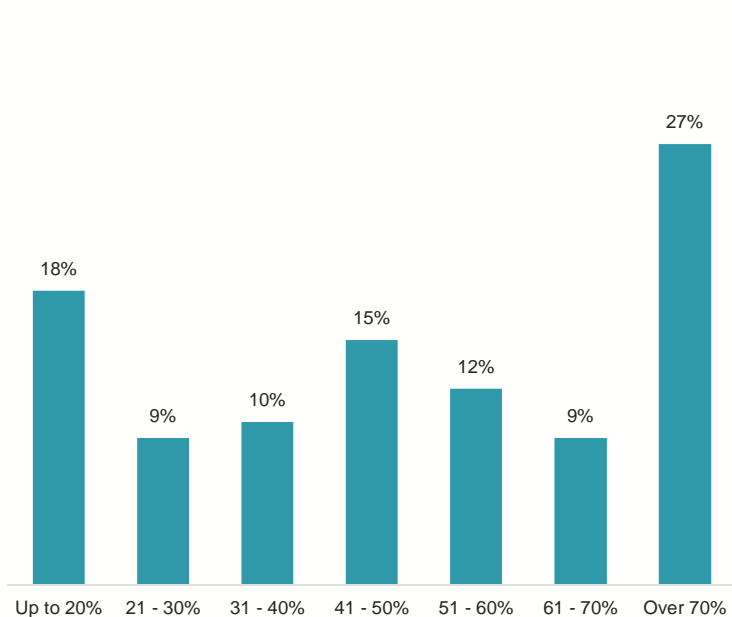
What is your current base salary? (Overall distribution and median and mean by revenue)



# / SURVEY RESPONSES: SECTION IV, CFO COMPENSATION – ACTUAL BONUS (PERCENTAGE OF BASE)

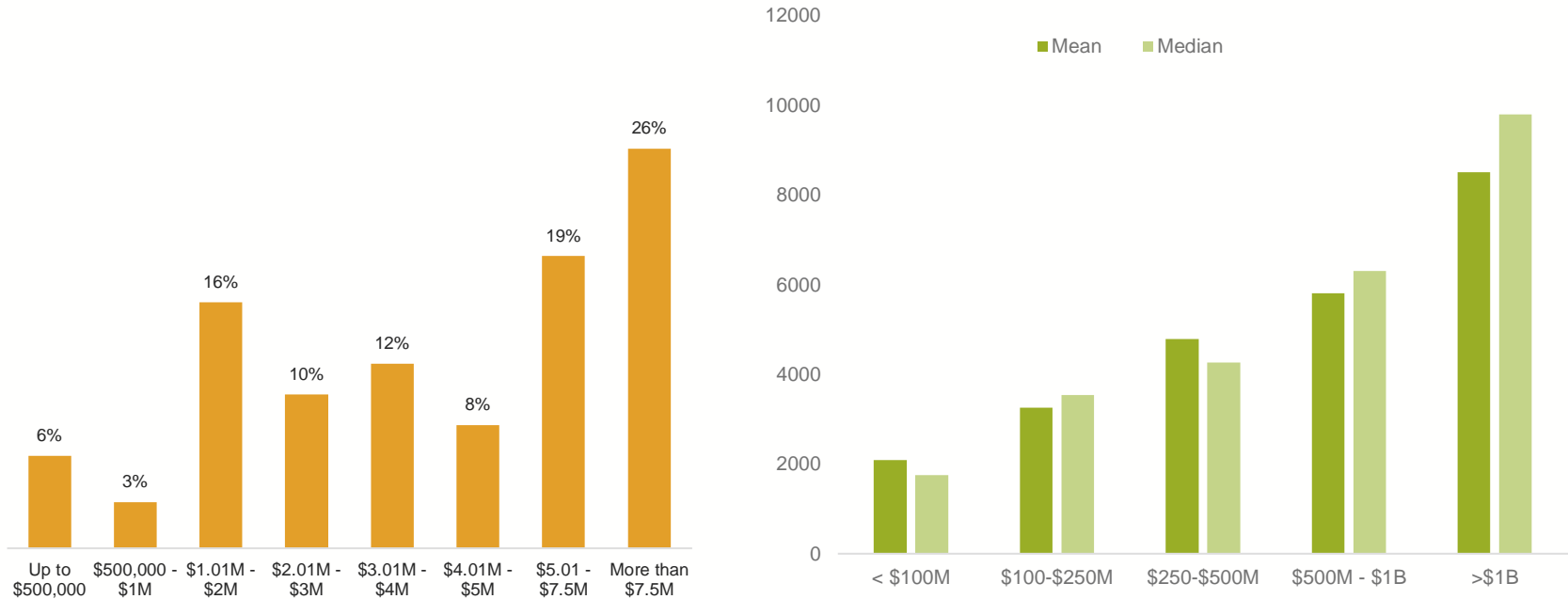
23

What was your actual annual bonus paid in 2023 (for 2022 performance)? (Overall distribution and mean/median by revenue.)



# / SURVEY RESPONSES: SECTION IV, CFO COMPENSATION – BASE CASE EQUITY

24 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 IV, CFO COMPENSATION – EQUITY

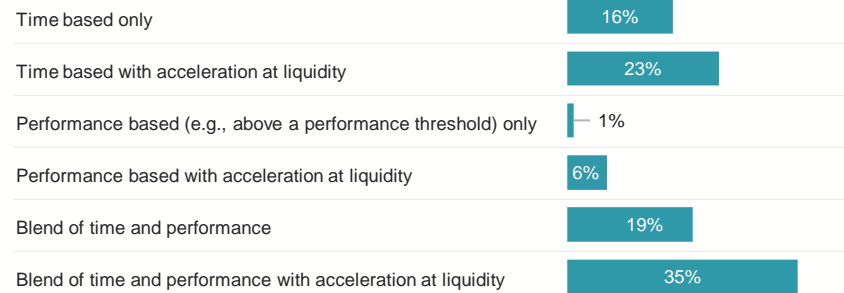
25

Did you invest your own capital in the Company?



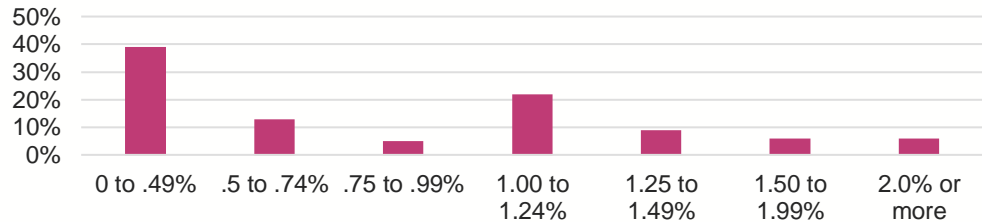
26

How does your equity vest?



27

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



## / SURVEY RESPONSES: SECTION V, CFO OUTLOOK

28

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”)?

