

A photograph of a desert landscape. In the foreground, a dark asphalt road with a yellow double line on the left and a white line on the right curves to the right. The middle ground shows a wide, sandy valley with some sparse, low-lying vegetation. In the background, a range of rugged, brown and tan mountains rises against a clear blue sky. A thin, diagonal gold line starts from the top left and points towards the mountains. The word "Vardis" is written in white, sans-serif font in the upper left corner.

Vardis

/ PRIVATE EQUITY CEO REPORT

- Overview:** We are pleased to share with you our third annual PE CEO Report. As in our previous years, we asked about PE CEOs for their perspective on compensation, governance, the relationship with their investors, and the differences in the role under PE ownership. We have also asked our participants to gaze into their crystal balls and provide their outlook on the likelihood and potential impact on their companies of macroeconomic events and trends.
- Methodology:** Between April 14 and May 13, 2022, Vardis contacted the CEOs of more than 1,100 Private Equity Portfolio companies. We asked questions about compensation, board communication, their roles, and their outlook for 2022 and beyond. During this time, Russian forces pressed their attacks on Ukraine, COVID drove a shutdown of Shanghai, the S&P fell by 9.4%, and the US Federal Reserve raised interest rates by 50 basis points in the face of annualized inflation tipping the scales at more than 8%. This is the context in which we asked CEOs their outlook for their own businesses.
- About Vardis:** Vardis is an international executive search firm focused strictly on portfolio company recruitment on behalf of Private Equity investors in North America, Europe and Asia (CEO, CFO, Board Directors, etc.) and in Pre-Deal situations through the introduction of Advisors, potential Board Members and Operating Executives.
- Questions & further information:** Should you have questions or want further information on this or Vardis' other surveys, including its annual Leadership surveys (conducted in conjunction with AlixPartners), please feel free to contact a Vardis consultant in any of our offices at www.vardis.com.
- Contacts:**

Dallas/Boston

John Hoagland
jhoagland@vardis.com

Boston

Jim von der Linden
jvonderlinden@vardis.com

New York

Dick Krant
dkrant@vardis.com

Boston

Josh King
jking@vardis.com

Frankfurt

Christiane Doerner
cdoerner@vardis.com

London

Mark Mullen
mmullen@vardis.com

Experienced & In-Demand

- 69% are previous CEOs
- 57% have worked with PE previously
- 90% are approached at least 1-2 times per month for new opportunities with 20% at least 3-5 times

Focused & Aligned

- 64% expect a liquidity event within 24 months, up from 44% last year
- 2/3 invested their own capital in the deal with 1/3 investing at least one-year's salary

Well Paid,
Comfortable with Pay
for Performance

- Base salaries are high, averaging approximately \$455,000 across our sample
- Base salaries are largely flat since 2020
- Target bonus has increased approximately 10% and **actual**, paid bonus has increased by almost 30%

Promise of Equity
Participation Key

- 2/3 have invested their own capital
- Half are earning the same or less than their previous role and have traded off cash for equity
- Median "base case" equity payout is approximately \$4.5M and has increased 8-10% since our last survey
- "Average" grant is 3-4% of Company's fully diluted equity

Company Performance Strong
– Clouds on the Horizon

- 79% expect improved results over 2021 – 36% "much better" and only 17% expecting a decline
- Participants site Labor Shortages, Wage Pressure, Turnover, and Inflation as highly probable to have a material impact on Company results

The Private Equity CEO – A Mosaic

Has been in place less than 3 years and expects a liquidity event within the next 24 months

Came from outside where they were previously a CEO – more than half with PE

Recruited for industry and prior PE experience

Largely a lateral compensation package – slight increase more likely than decrease

Coinvested alongside their investor and expects a median payout at liquidity of \$5.8M based on an equity grant of 3-4% of their company shares

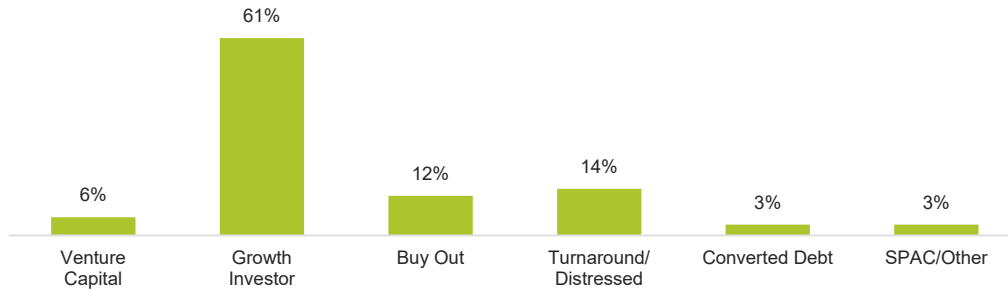
Has a median base of \$440k, bonus of 60-70% at target and achieved their target payout this year

Expects a strong 2022 – 71% expect improvement over 2021 with an average ROS of 15%.

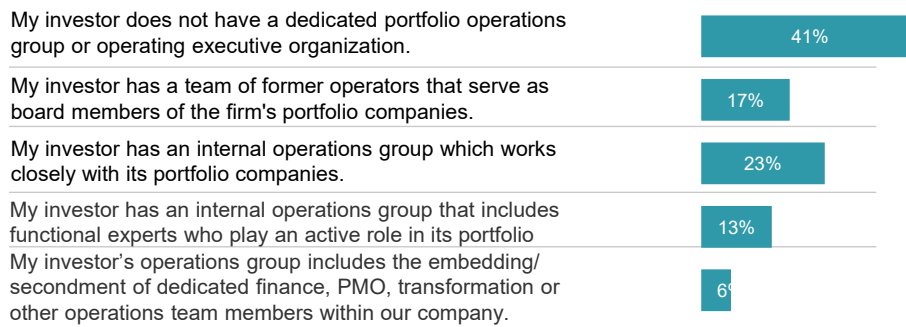
Is with a company performing at the level of its initial investment thesis with 46% outperforming.

Is approached 1-2 times each month for new CEO roles

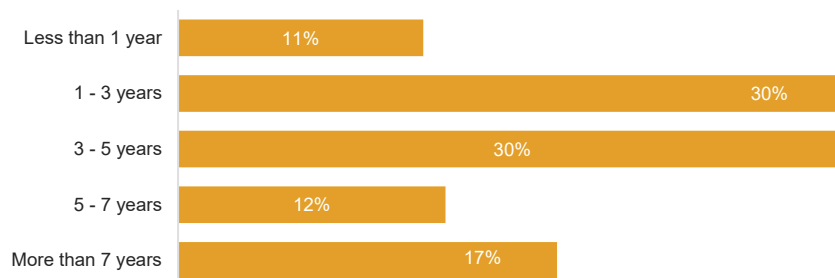
1 Your investor's investment style can best be described as:



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

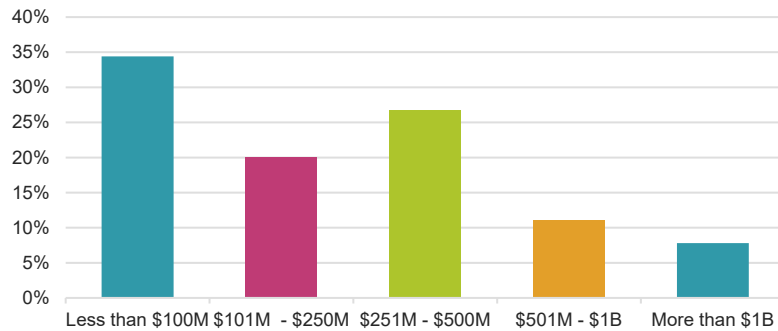


3 How long has your investor owned the Company?



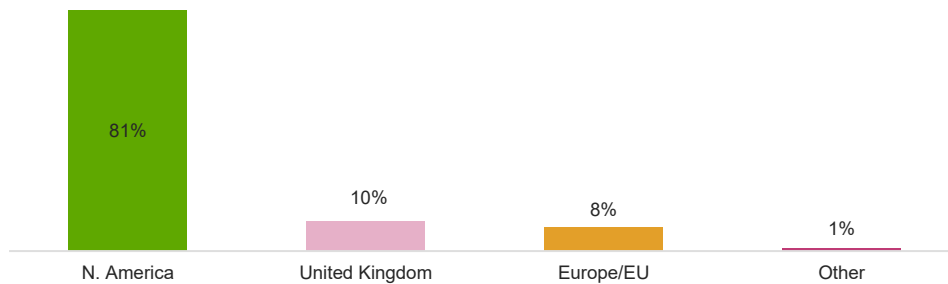
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What is your Company's annual revenue/turnover?



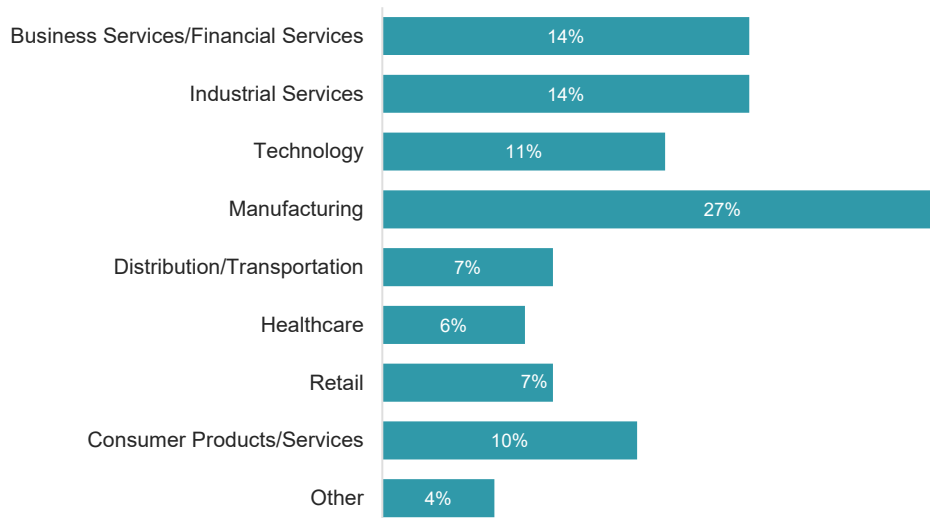
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Where are Company Headquarters?



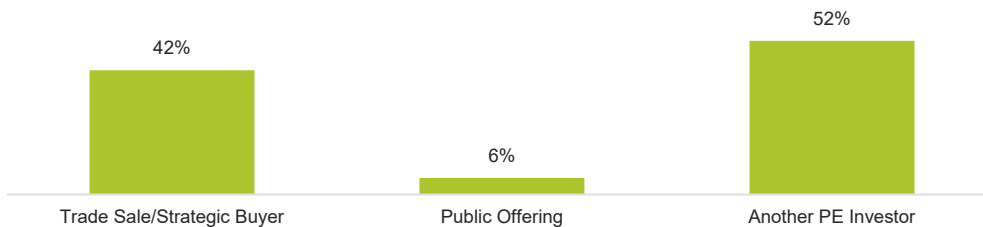
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What industry best describes your Company?



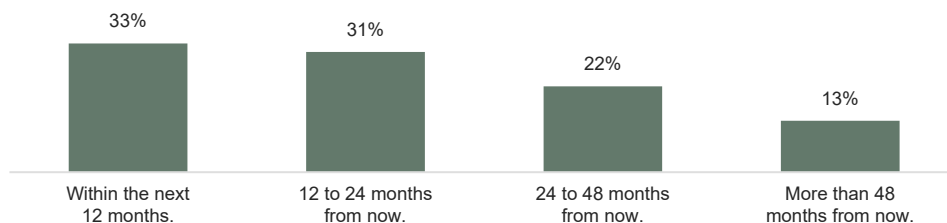
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What is the most likely exit for your current investor?



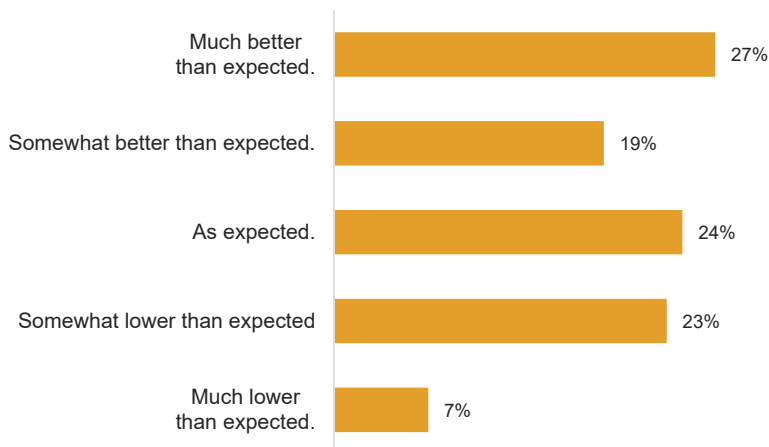
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When do you anticipate an exit?



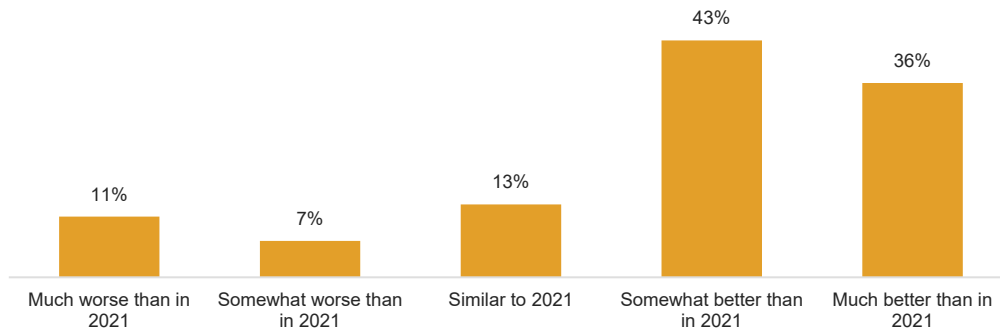
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How have operating results and value creation compared to the initial investment thesis?



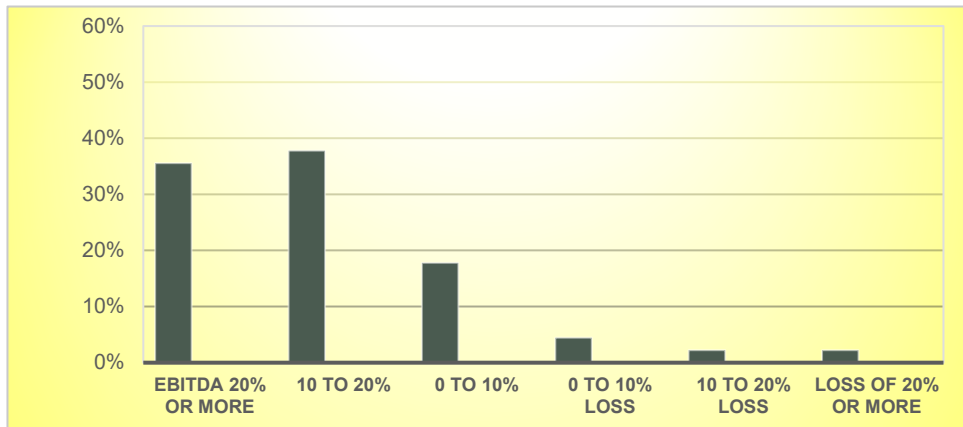
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In considering 2022, what are you expecting for this year's operating results?



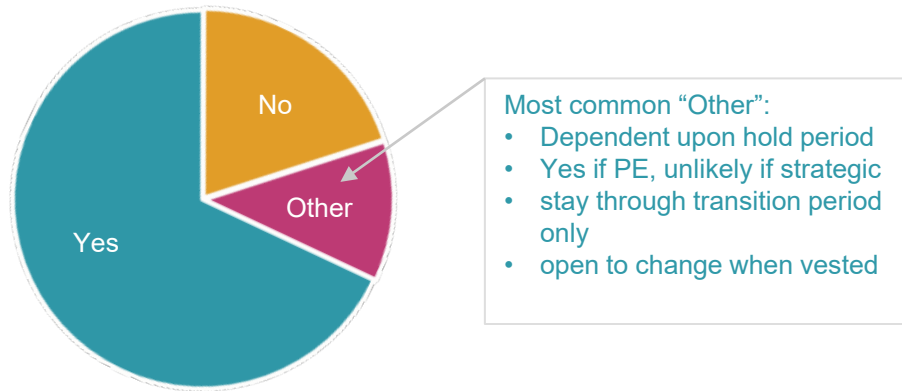
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What is your budgeted EBITDA (as a percentage of sales) for 2022?



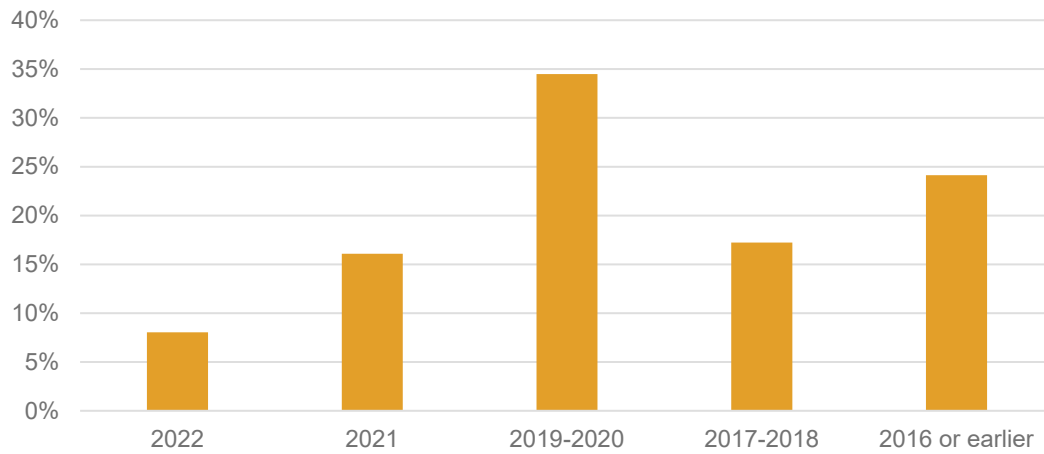
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Do you expect to remain with the Company through exit?



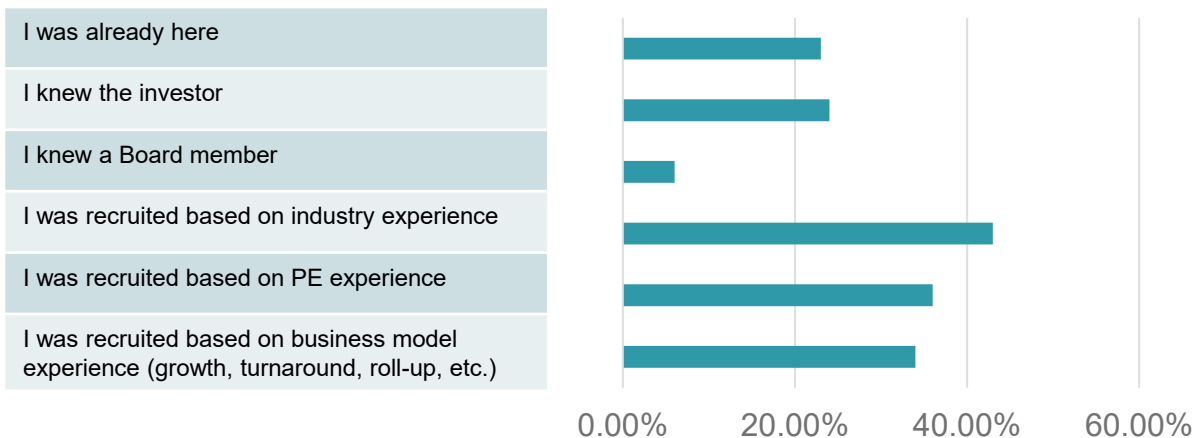
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When did you assume your current role?



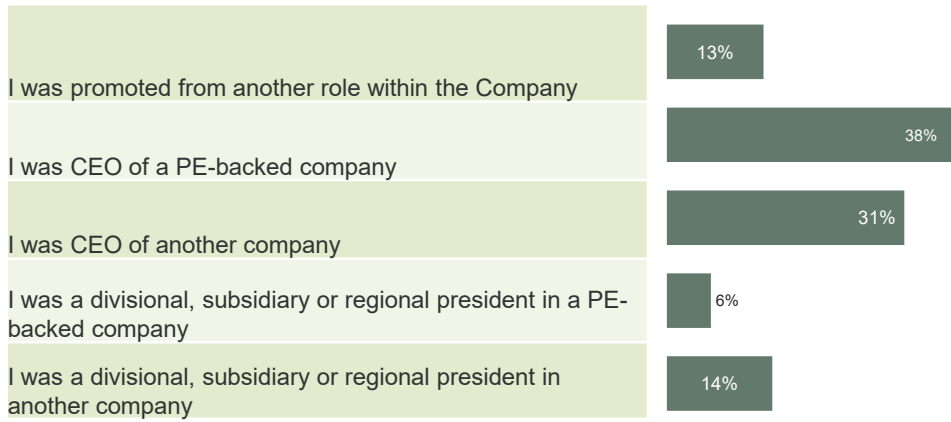
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What were the key factors in your hiring? (check all that apply)



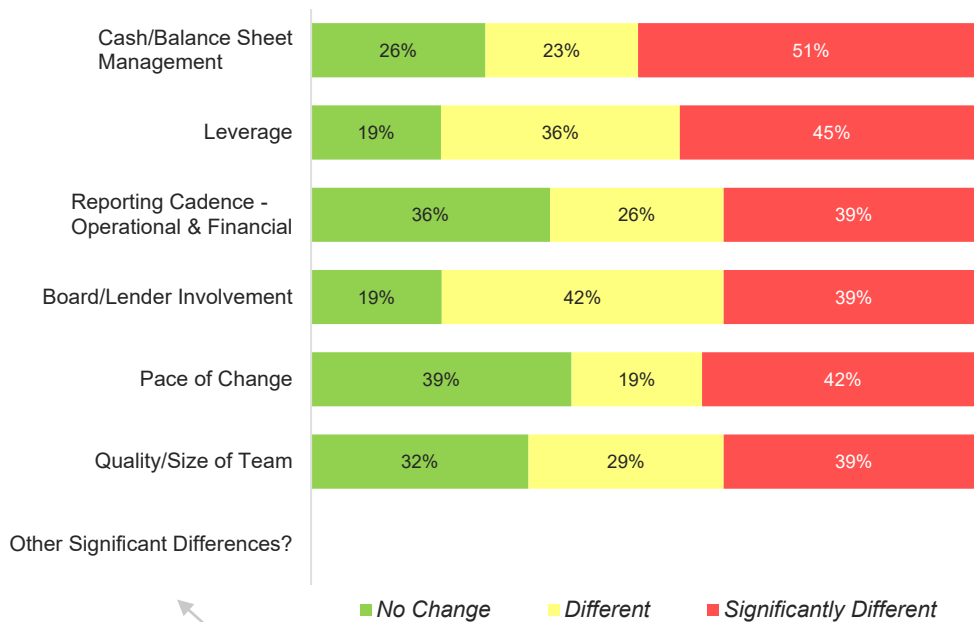
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What best describes your previous experience?



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

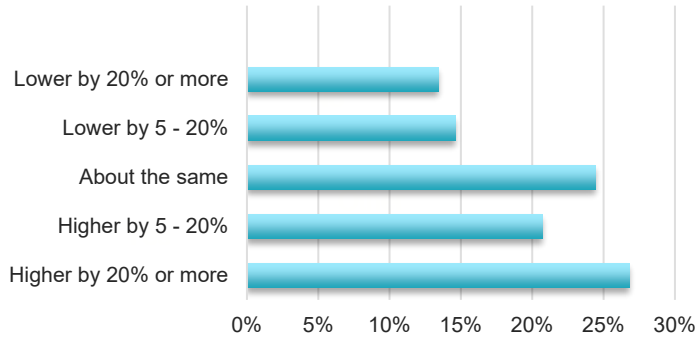


Most common "Other":

- Analysis and KPI development
- Mandate and pressure for change and progress
- Greater autonomy s

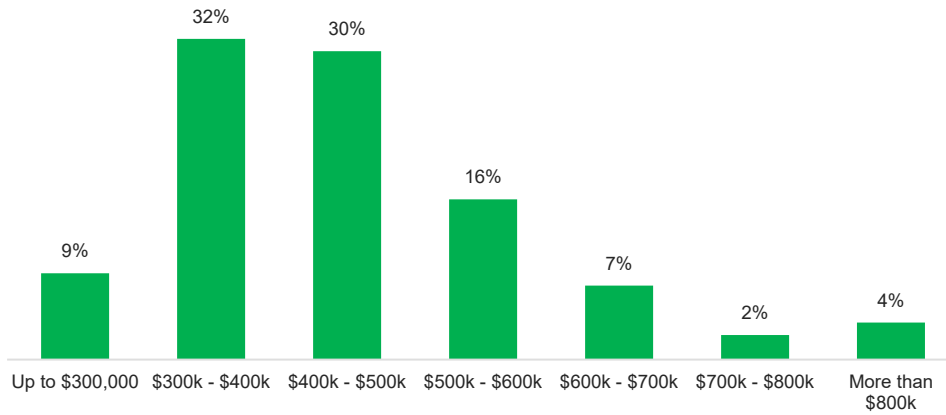
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How does your current annual cash compensation (base & target bonus) compare to your last role?

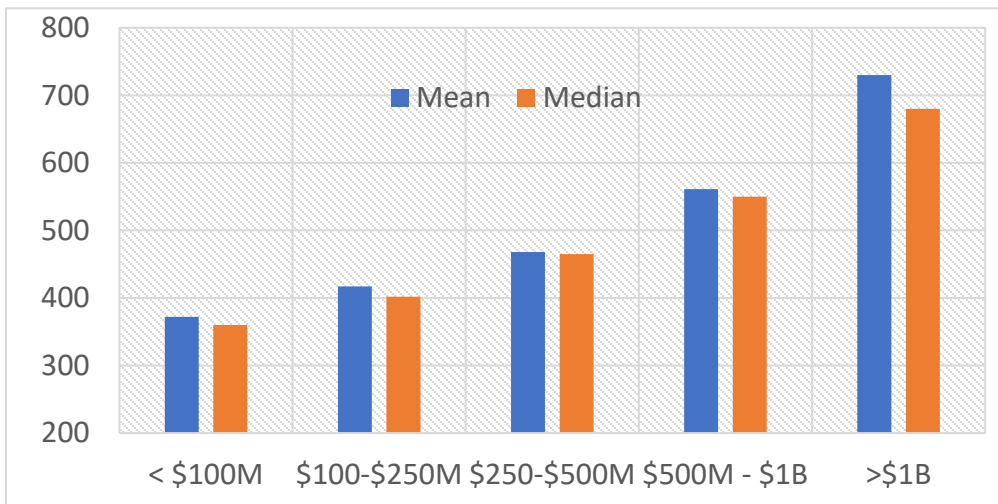


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What is your current base salary?

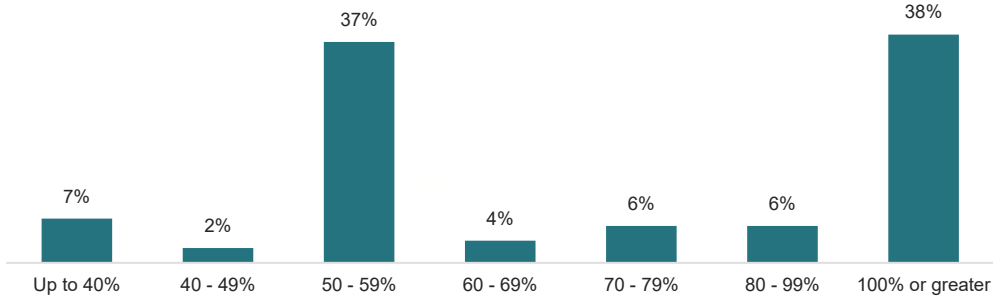


Base Salary Continued – Mean/Median by Revenue

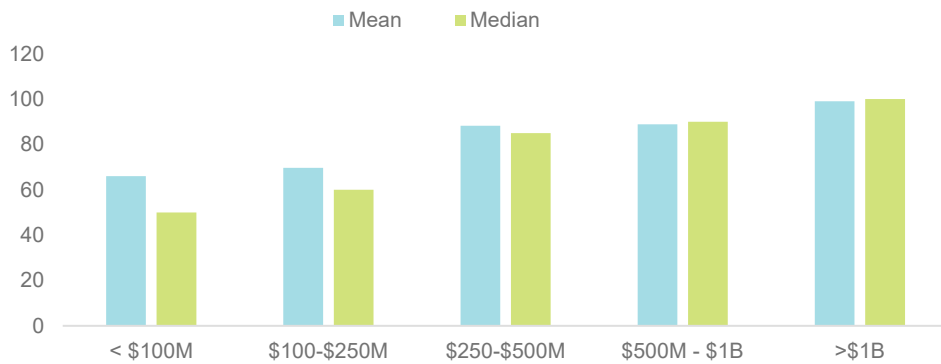


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What is your current annual target bonus (as a percentage of base salary)?

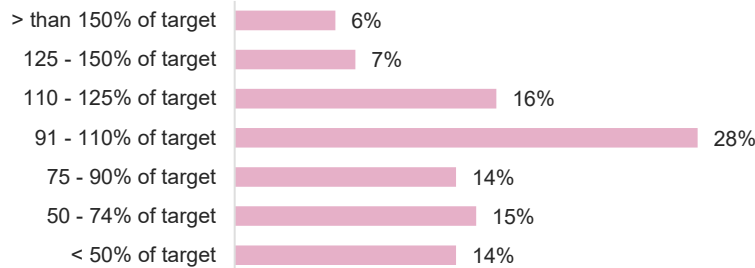


Bonus (% of base) Continued – Mean/Median by Revenue

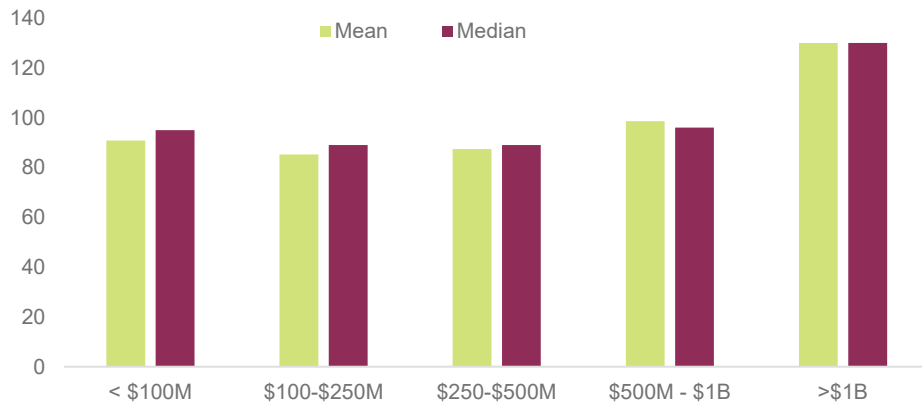


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What was your actual bonus paid this year (as a percentage of target bonus)?



Actual bonus paid (% of target) – Mean/Median by Revenue



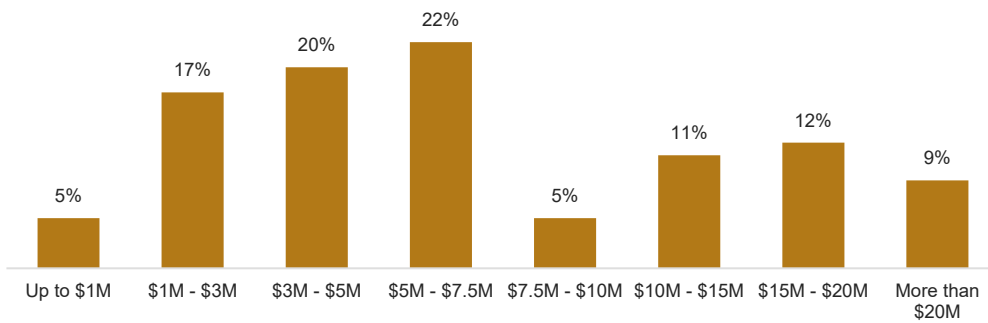
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Did you invest your own capital in the Company?

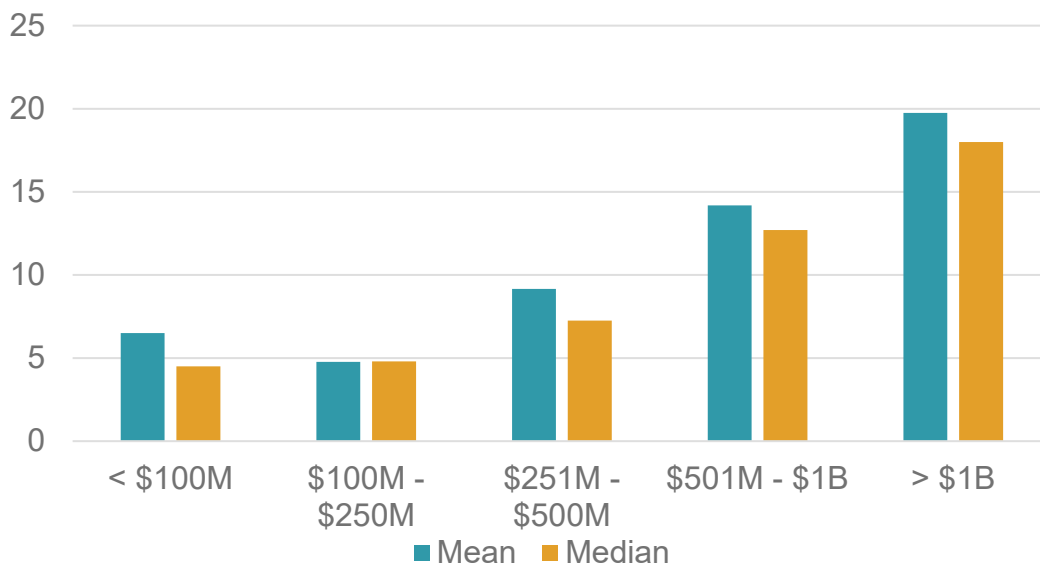


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What was your expected "base case" equity payout at exit when you took the role?

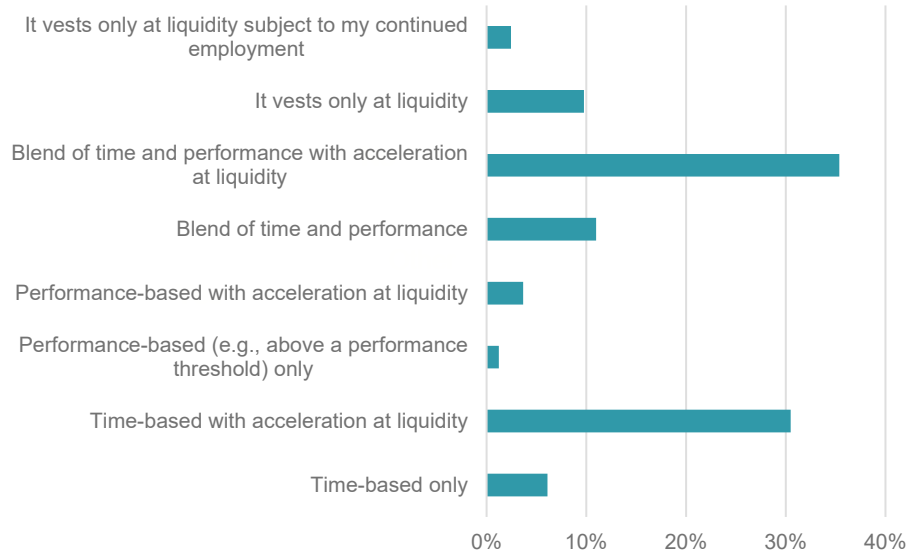


"Base case" Equity Payout (in \$Millions) – Mean/Median by Revenue



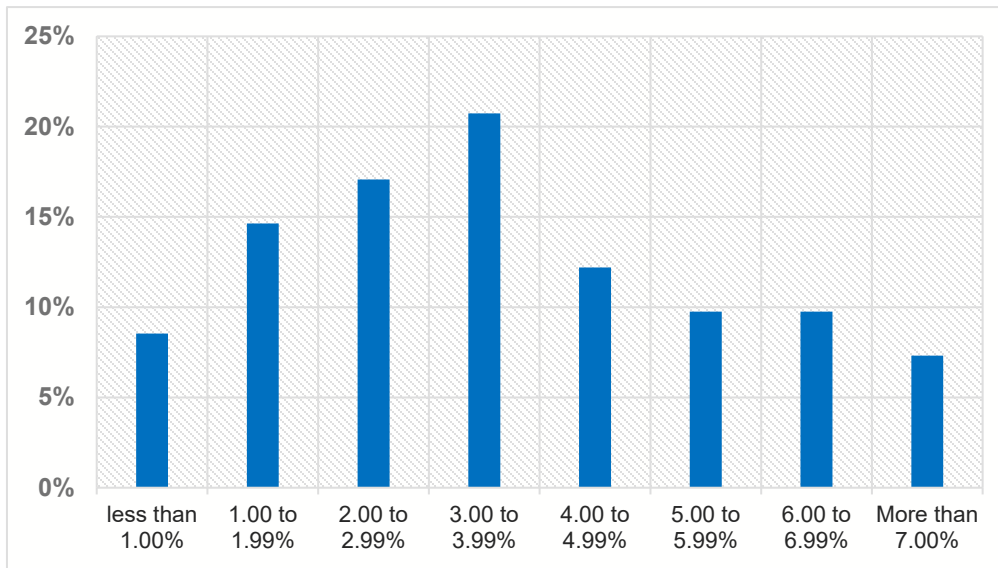
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How does your equity vest?

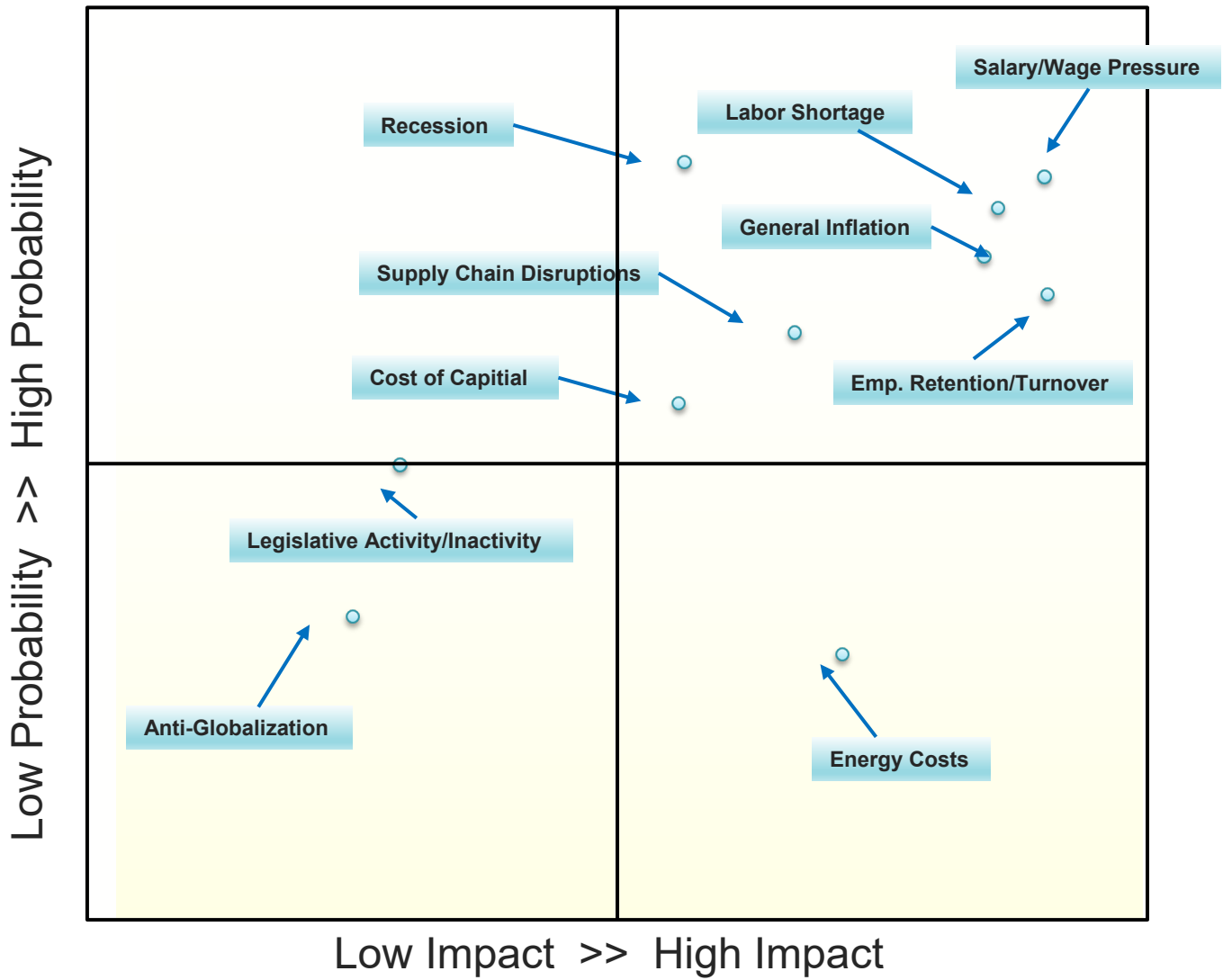


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What percentage of the Company's fully diluted shares (not the percentage of the pool) does your equity participation represent?



25 As you consider the current business environment, how are the following elements likely to impact your Company's value over the next 18 months?



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

