



HEIDRICK & STRUGGLES

**2014**

Private Equity  
EMEA Compensation  
Survey

**Executive Report**

## Introduction

In June 2014 Heidrick & Struggles invited over 7000 executives working in the European Private Equity industry to participate in an online survey of compensation. This annual survey follows the successful 2013 edition.

We received 574 useable responses (a slight increase on 2013) from professionals working across the PE value chain: executives who raise and retain capital, executives who invest this capital and those who work to improve returns, as well as the CFOs, General Counsels, and CHROs of their funds. This represented a response rate of 8% and we would like to take this opportunity to thank all those who completed the survey.

The largest respondent group was Investment Professionals (77% of total participants) and this report focuses primarily on their compensation levels and trends. As well as analysing investment professionals as a group we have differentiated between strategies; Buyout, Secondaries, Fund of Fund, Co-investment, VC and Credit (with an emphasis on illiquid and distressed).

We gathered further data on fundraising professional and operating professional compensation and have reported on it where we had achieved significant response rates. For other functional specialisations we did not gather sufficient information.

Should you wish to discuss the survey in greater detail please do not hesitate to contact us.

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Partner

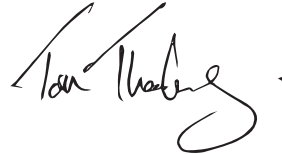
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### On Confidentiality

The survey has been conducted on an anonymous basis for the individuals and their employers and Heidrick & Struggles has kept separate the data relating to name and firm from their compensation.

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## Market Backdrop

- Further crystallisation of funds who are the 'winners' and 'losers'.
- Late 2013 and H1 2014 has seen the first 'green shoots' since the crisis with a few first time funds raising significant capital.
- The employment market remains subdued. However, there are a small number of senior roles being recruited in Europe. Demand from professionals still greatly exceeds the supply of roles.
- In a market with high asset pricing and readily available debt, firms are struggling to identify investment opportunities to pursue with conviction.

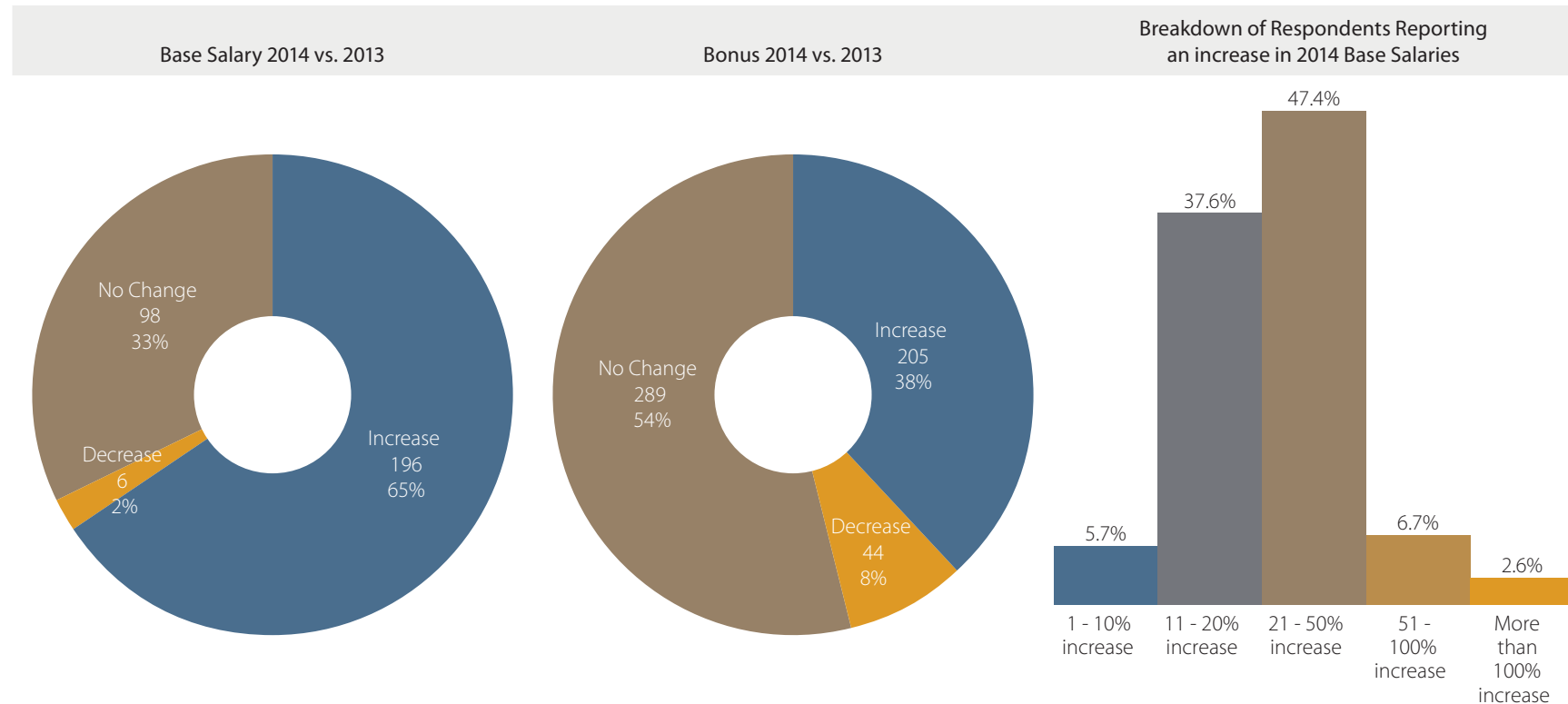
Responses have varied but a few trends emerge

- The large cap sector is investing again in advisor and executive networks to create advantage in sourcing and auction processes.
- In the middle market and below there is a focus on "hunters" who are able to source effectively.
- Certain sectors seek professionals with deep industry expertise:
  - Technology
  - Mining, Energy & Natural Resources
- Proven "Deal Captains" remain the most typically "traded" seat in most firms in European Private Equity.

Accordingly we were interested to understand compensation with the industry in detail and to answer questions such as:

- How has pay developed recently?
- How has pay developed year on year (2013 vs 2014)?
- What is the relationship between fund size and compensation?
- Is there a variation between strategies?
- Is there a difference between European Markets in compensation?
- Is there a variation across the value chain of executive roles in compensation?

## General Observations on Compensation Trends



A higher proportion (65%) of respondents reported pay increases in our 2014 survey versus 36% in 2013. Scale of reported increase was similar, as was changes to bonuses.

65% of respondents received base salary increases between 2013 and 2014. 38% also saw an increase in bonus levels reflecting continued increasing rewards for top performers at good firms.

*Time series data is analysed later in the report (page 9)*

# Respondents Cash Compensation Development

2012-2014

€('000)	2012			2013			2014			CAGR Total Comp 2014	CAGR Total Comp 2013
All Professionals	Mean Base	Mean Bonus	Total Comp	Mean Base	Mean Bonus	Total Comp	Mean Base	Mean Bonus	Total Comp		
Managing Director Level: Managing Directors, Managing Partners, Senior Partners, Partners	271	267	538	290	267	557	286	328	614	6.9%	3.8%
Principal Level: Principals, Vice Presidents and Directors	146	153	299	159	147	306	160	145	305	0.9%	7.1%
Associate Level: Associates and Analysts	82	57	139	90	65	155	82	58	140	0.3%	15.6%

€('000)	2012			2013			2014			CAGR Total Comp 2014	CAGR Total Comp 2013
All Professionals	Mean Base	Mean Bonus	Total Comp	Mean Base	Mean Bonus	Total Comp	Mean Base	Mean Bonus	Total Comp		
Managing Director Level	268	281	549	287	272	559	298	329	627	6.9%	3.3%
Principal Level	145	155	300	159	150	309	159	147	306	1.0%	7.8%
Associate Level	83	58	141	90	66	156	82	62	144	0.6%	14.8%

Self reported compensation development for Principals and Associates has grown at less than the rate of inflation and is markedly different than our 2013 summary; suggesting strong cost management within GPs: The reported CAGR for the Associate cadre total compensation was 14.8% in 2013 versus 0.6% in 2014. Given the strong response rate in the survey for this group this is a notable trend.

Managing Director's compensation has increased above inflation and was double the reported increase in 2013.

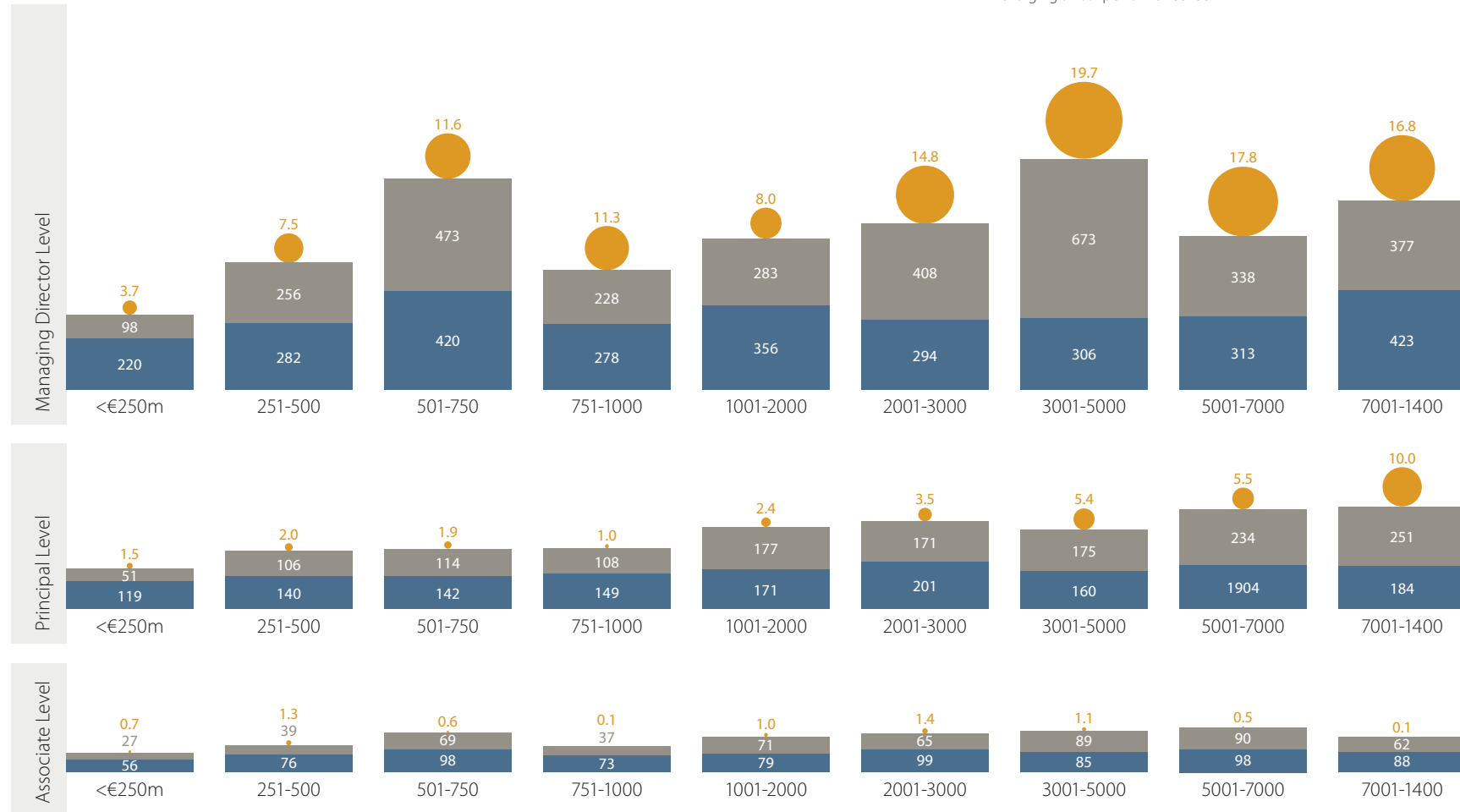


# Mean Base, Bonus & Carry by Fund Size 2014

Investment Professionals only

Carry - € at work: The expected return on total carry participation across all vehicles. Based on achieving a net 2x return (above hurdle and after fees) in a vehicle charging a 20% performance fee.

● Mean Carry 2014 (€ Millions)  
■ Mean Bonus 2014 (€ Thousands)  
■ Mean Base 2014 (€ Thousands)  
 Fund sizes in € Millions

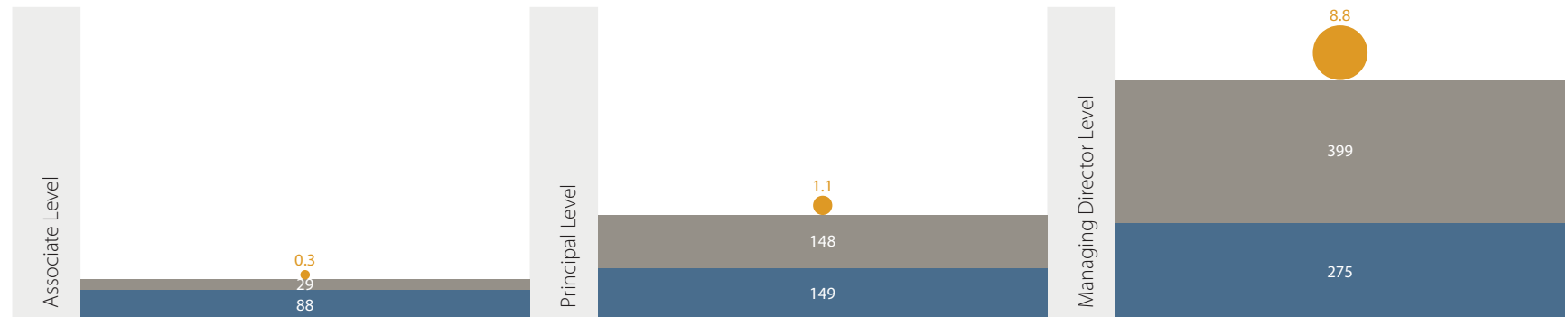


This analysis was the most popular data set from our 2013 survey as it helped individuals 'benchmark' their compensation, allowing the inquisitive industry participant to answer the question "where do I stand versus my peers?"

Whilst we have observed some variations in the data as segmented by fund size, the overall picture is consistent with our 2013 report.

## Mean Base, Bonus & Carry

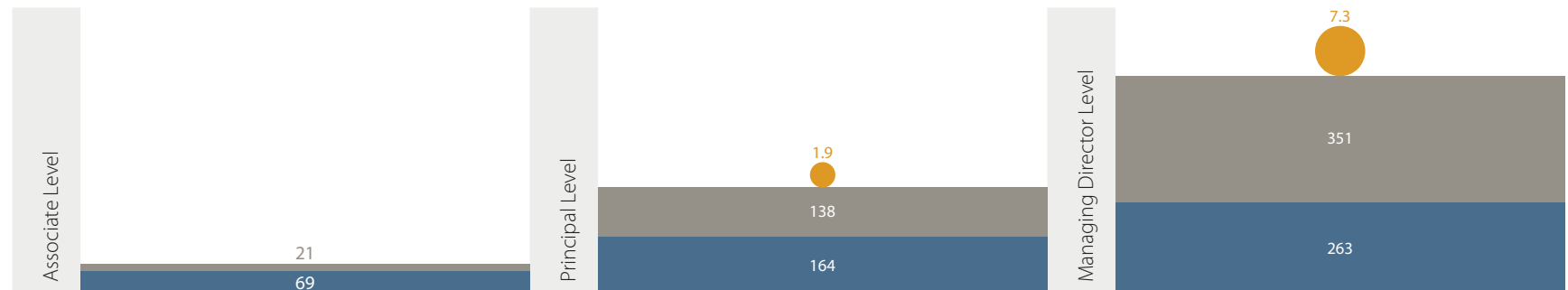
### Fundraising and Investor Relations Professionals only



Compensation for fundraisers and investor relations professionals continues to reflect a trend observable from last year's survey; Senior practitioners are paid on a similar cash basis to their peers but lag behind on carry (by approximately 50%). This data incorporates 66 respondents.

## Mean Base, Bonus & Carry

### Operating Professionals only



New for 2014's survey is compensation data for Operating Professionals drawn from 43 respondents. It is notable that junior operators are compensated at lower levels than their investment professional peers for base, bonus and carry.

Senior Operating Professionals receive a comparable salary, but lower bonus and carry share, whilst principals are compensated at similar levels to their investment professional peers across all forms of compensation.



## Years of PE Experience & Compensation in 2014 vs 2013

Investment Professionals only

(€'000)			Mean		
Years of PE Experience	Base	Bonus	Total Cash (Base + Bonus 2014)	Total Cash (Base + Bonus 2013)	% change in total cash since 2013
0-2	86	66	146	126	16.1%
2-4	113	86	191	176	8.5%
5-6	159	120	277	254	9.3%
7-8	181	171	348	331	5.2%
9-10	233	220	448	415	8.0%
11-12	278	317	595	535	11.1%
13-14	228	234	462	389	18.7%
15-16	274	442	715	696	2.8%
17+	248	337	585	625	-6.4%

When talking with aspiring entrants to the industry we often counsel that Private Equity is an “Endurance Team Sport”.

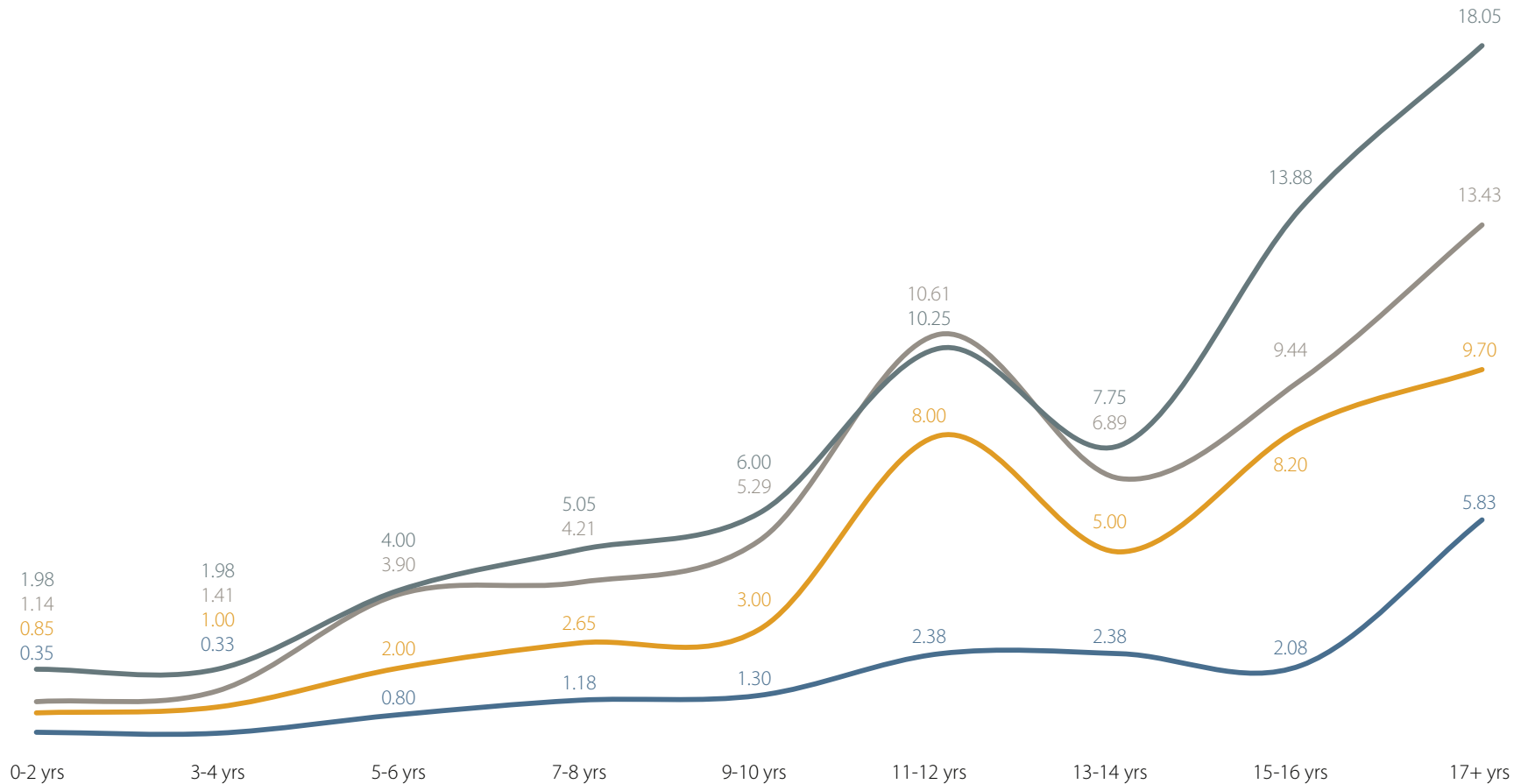
Wealth is created through securing a seat at a good firm, delivering good performance and progressing within the firm. There is notably higher growth in compensation for senior practitioners; which we feel reflects the general industry economic model.

# Years of PE Experience & Carry 2014

Investment Professionals only

Carry - € at work: The expected return on total carry participation across all vehicles. Based on achieving a net 2x return (above hurdle and after fees) in a vehicle charging a 20% performance fee.

Legend:  
 Mean (Grey)  
 Median (Orange)  
 25th Percentile (Blue)  
 75th Percentile (Dark Grey)



The graph above illustrates the relationship between carry development and experience and the percentile ranges.

Crucially we do not match compensation data to the source fund's performance so cannot comment whether there is a strong relationship between fund performance and compensation.

# Comparison of Compensation across Europe and Africa

2014 for Investment Professionals only

Responses from countries are grouped as:

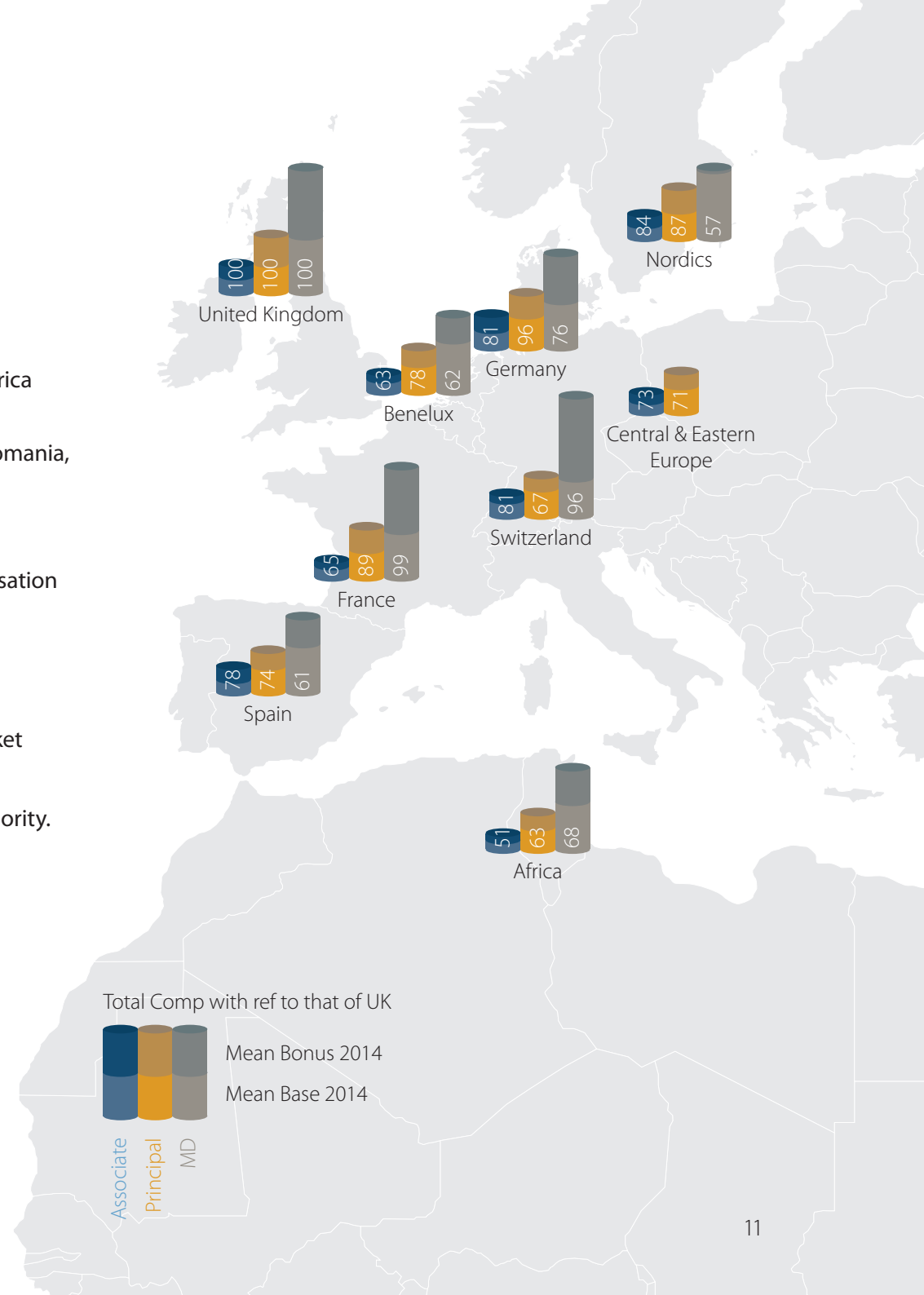
- **Africa:** Nigeria, Republic of Tunisia, Kenya, Egypt and South Africa
- **Benelux:** Belgium, Netherlands and Luxembourg.
- **Central & Eastern Europe (CEE):** Belarus, Hungary, Poland, Romania, Russia and Turkey.
- **Nordics:** Denmark, Norway, Sweden and Northern Europe.

Europe continues to show significant variability for cash compensation dependent on geography.

London remains the most highly compensated market.

In the Nordics, Benelux, Germany and Spain, junior investment professionals are rewarded comparatively better to London market highs than their senior compatriots.

In France and Africa compensation levels remained linked to seniority.

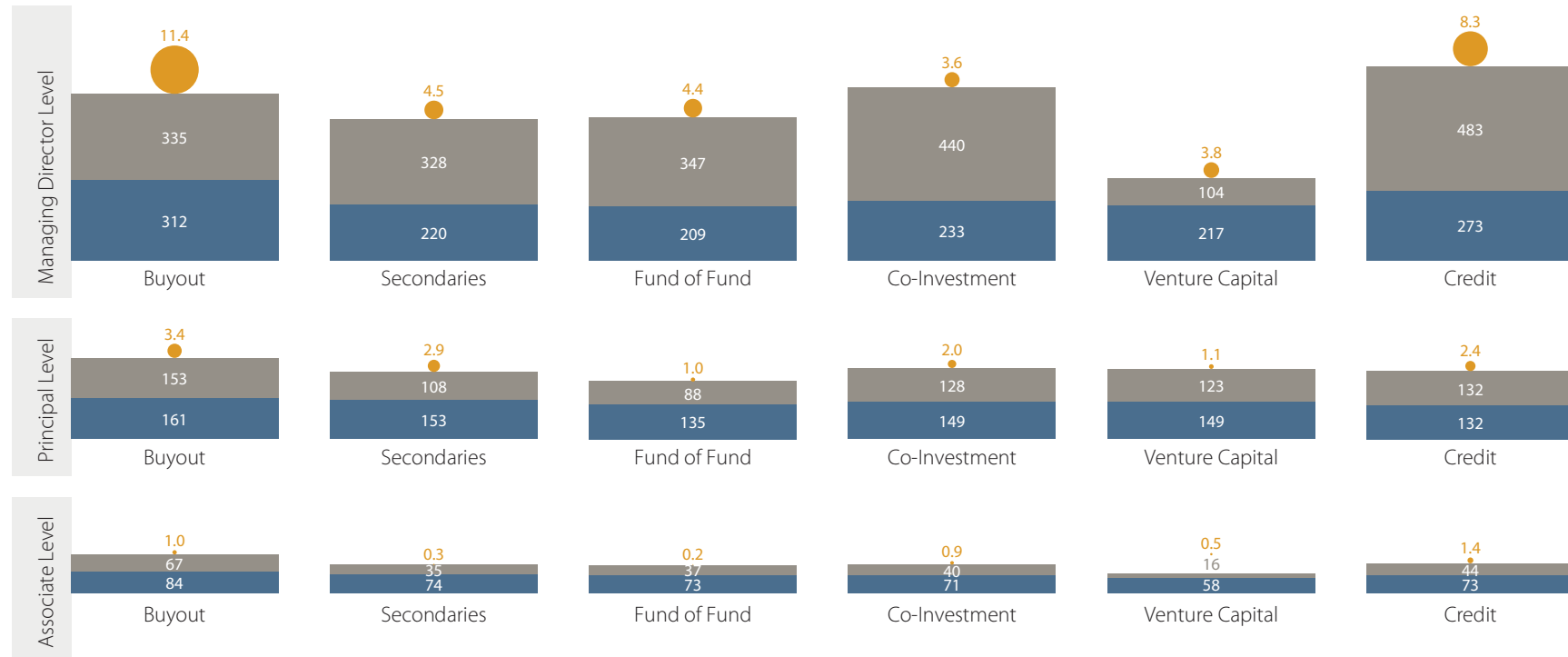


# Investment Strategy Mean Base, Bonus and Carry 2014

Investment Professionals only

Carry - € at work: The expected return on total carry participation across all vehicles. Based on achieving a net 2x return (above hurdle and after fees) in a vehicle charging a 20% performance fee.

● Mean Carry 2014 (€ Millions)  
 ■ Mean Bonus 2014 (€ Thousands)  
 ■ Mean Base 2014 (€ Thousands)



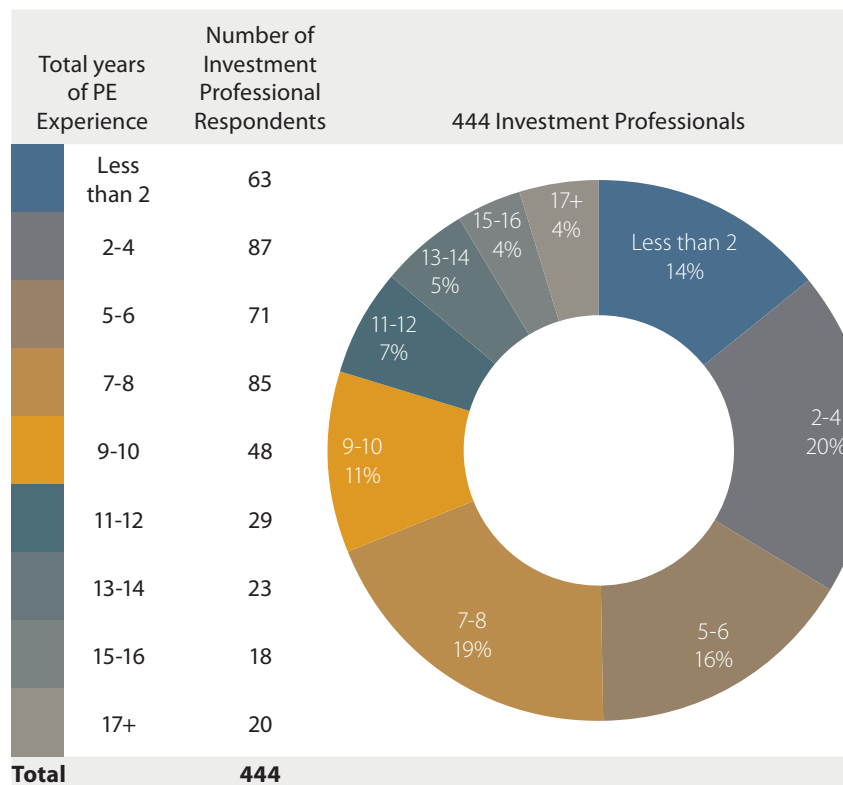
This data allows us to show the trends between various private capital strategies.

Whilst there is a clear trend towards higher margin products allowing funds to compensate at higher levels, we were surprised at the gap between primary and secondary strategies and co-investments, which are compensated closer to stand alone GPs

The strong compensation in Credit Funds is notable and we feel is driven by market demand for talent in this sector.

## Respondents PE Experience Demographics

Investment Professionals only



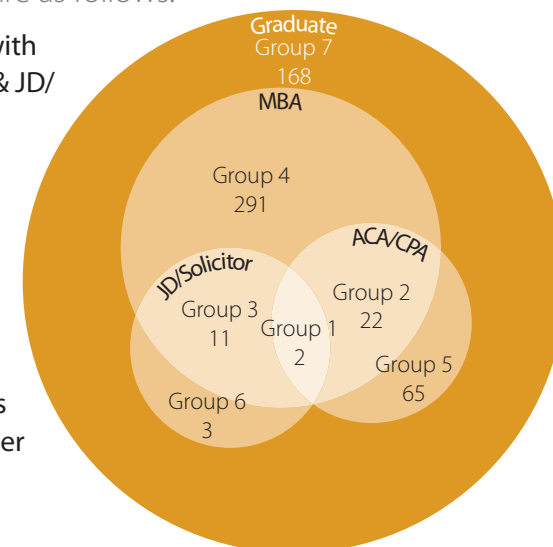
## Split of Respondents by Educational Qualification

All Professionals

On the basis of the responses related to their educational qualifications, the respondents can be broadly classified under the following Groups

Respondents with MBA are as follows:

- Group 1: 2 respondents with MBA and both ACA/CPA & JD/Solicitor Qualifications.
- Group 2: 22 respondents with MBA and just ACA/CPA Qualifications.
- Group 3: 11 respondents with MBA and just JD/Solicitor Qualifications.
- Group 4: 291 respondents with just MBA and no other additional Qualifications.



Respondents without MBA are as follows:

- Group 5: 65 Non-MBA respondents with just ACA/CPA Qualification.
- Group 6: 3 Non-MBA respondents with just JD/Solicitor Qualification.
- Group 7: 168 Non-MBA respondents with no additional Qualification.

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## HEIDRICK & STRUGGLES

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ONE LEADERSHIP TEAM AT A TIME™

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