

2020 Private Equity–Backed Chief Financial Officer Compensation Survey



Contents

Introduction	4
Methodology	4
The watchdog for private equity investment	5
Survey respondents	7
Portfolio company demographics	8
CFO compensation	9

Introduction

Welcome to our *2020 Private Equity–Backed Chief Financial Officer Compensation Survey*, an analysis of compensation in both North America and Europe for this increasingly critical role. Together with our surveys of private equity investment and operating professionals around the world, these reports help to create a comprehensive picture of the compensation that key executives are currently receiving in a wide range of positions.

For this report, Heidrick & Struggles compiled compensation data from a survey of 656 senior financial officers in North America and Europe. While most carried the title of chief financial officer (CFO), the survey group also included top or lead financial executives with other titles.

We hope you enjoy reading the survey. As always, suggestions are welcome, so please feel free to contact us—or your Heidrick & Struggles representative—with questions and comments.

With warmest regards,

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Methodology

In an online survey fielded in July and August of this year, we asked participants to provide compensation data from 2019 for bonuses and 2020 for base compensation. All data collected is self-reported by CFOs and has been aggregated to evaluate trends in compensation packages, including base salary, bonus, and equity or long-term incentives.

All compensation figures in tables and charts are reported in USD thousands unless otherwise noted.

On confidentiality

The private equity–backed chief financial officer compensation survey, 2020, has been conducted on an anonymous basis for individuals and their employers, and Heidrick & Struggles has removed the data relating to identity from reported compensation figures.

Acknowledgment

The authors wish to thank **Anurag Dang** for his contributions to this report.

The watchdog for private equity investment

When a private equity (PE) firm acquires a company, one of the first three roles that the new owners usually look to reshape is that of the chief financial officer, with the others being chair and CEO. Typically, a PE firm has a new vision for the company and wants a trusted financial professional who can make its vision a reality. To shepherd the company's balance sheet and cash flow according to the new investment thesis, PE firms typically seek CFOs who are closely aligned with them and have significant experience both in the CFO role and in working with a PE sponsor. Our survey found that 58% of CFOs have more than 25 years of experience, and 34% have more than 15 years of experience as a CFO or lead finance officer.

Demand for the role has been high, with deal volumes showing a recent uptick driving even greater demand. That is particularly true in

the lower middle market, where PE firms are finding substantial opportunity. Given the opportunities for growth in these companies if they are put under the right strategy, ownership, and funding model, it is often worthwhile for a PE firm to pay a new CFO more than the previous owner would have in order to drive an anticipated greater value creation.

We expect demand for PE-experienced CFOs to continue to increase as market conditions change; with notable assets on the market facing challenges in the current climate, PE firms' ability to acquire will increase, spiking demands for new, strong CFOs. This will combine with the ever-present reasons for sponsor-backed CFO turnover, such as the need for specific industry or technical skills such as listed company experience for a pre-IPO asset. Furthermore, our survey shows that 34% of

respondents say their PE firm's exit timeline has elongated by a year or more as a result of COVID-19, increasing concerns about retaining high-caliber CFOs across all sectors and sizes of companies, where, previously, shorter timelines or more lucrative equity were sufficient to hold them.

That said, for portfolio companies of all sizes, PE executives have often found themselves short of competitive information on topics such as CFO median cash compensation and median equity around the globe, in different sectors, and at companies of different sizes. The perspectives found through this survey should, we hope, prove to be helpful, as it includes information on companies both large and small and across all industries.

Company size and industry

Company size (revenue in USD, %)

\$0–\$50m	17
\$51m–\$100m	14
\$101m–\$250m	22
\$251m–\$500m	18
\$501m–\$1bn	13
\$1bn–\$3bn	10
\$3bn–\$5bn	2
More than \$5bn	2
Don't know/ prefer not to answer	1

Industry (%)

Industrial or energy	27
Consumer	21
Technology or telecoms	16
Healthcare or life sciences	15
Financial services	7
Business services	7
Other (please specify)	4
Education	1

Note: Numbers may not sum to 100%, because of rounding.

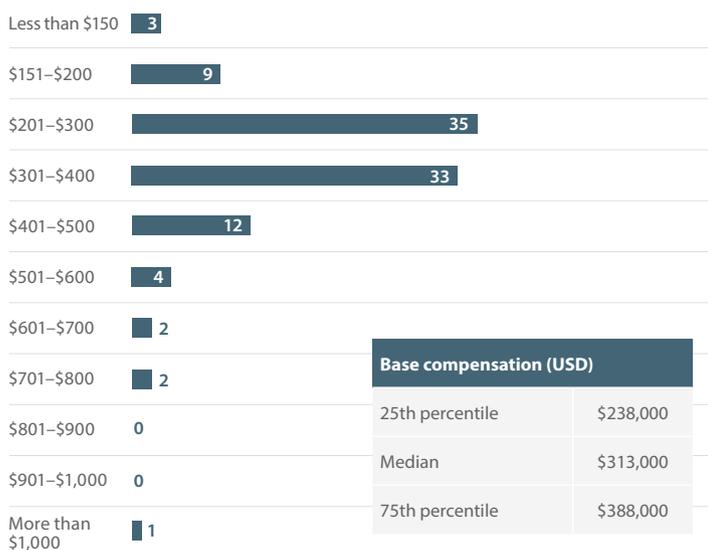
Source: Heidrick & Struggles' private equity-backed chief financial officer compensation survey, 2020, n = 656 respondents

The median base compensation among the professionals surveyed for this report was \$313,000, and the median bonus compensation was \$150,000, for a total median cash compensation of \$463,000. Base, bonus, and total cash compensation rise, as expected, by company size, and while nearly half of all

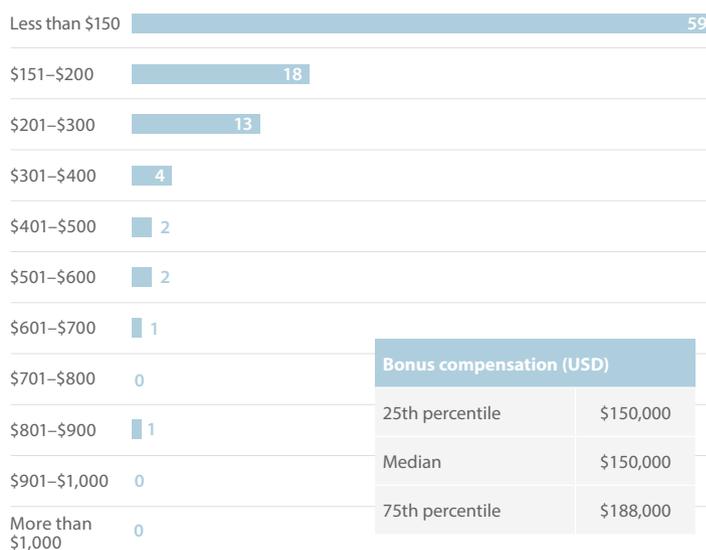
CFOs said they did not receive equity as part of their compensation, our survey found that those who do can receive substantial amounts: in dollar terms, equity awards were valued at more than \$100,000 for 47% of the respondents, with 22% getting equity above \$1 million.

Cash compensation

Base compensation (USD thousands, %)



Bonus compensation (USD thousands, %)

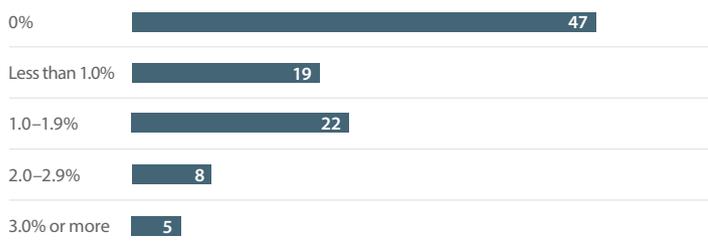


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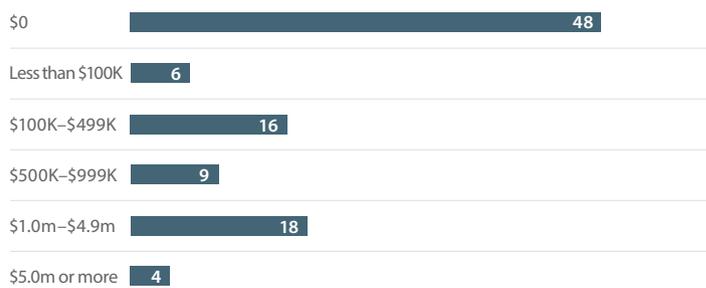
Source: Heidrick & Struggles' private equity-backed chief financial officer compensation survey, 2020, n = 656 respondents

Equity compensation

Equity as a percentage (%)



Equity in USD (%)



Note: Numbers may not sum to 100%, because of rounding.

Source: Heidrick & Struggles' private equity-backed chief financial officer compensation survey, 2020, n = 328 respondents

Survey respondents

The CFOs of private equity-backed firms are long on experience, our survey shows: 58% have more than 25 years of experience. Most are in the United States, though nearly a quarter are in Europe.

Both North American and European respondents are highly experienced: 90% of the former and 83% of the latter have 20 or more years of professional experience, and 33% and 36%, respectively, have 15 or more years of experience as the senior financial executive. The figures showed similarly little variation by company size or industry.

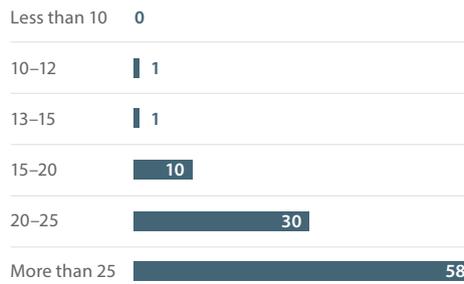
Overall respondent demographics

Current function or role (%)

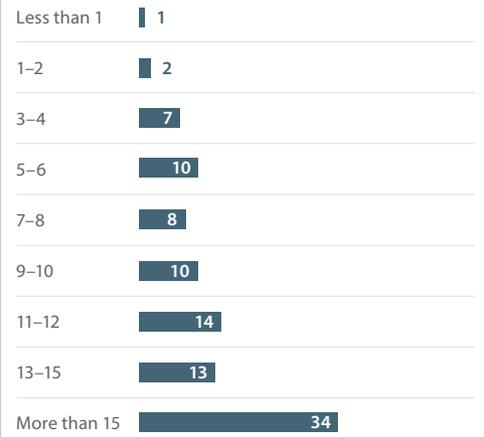
- CFO
- Top or lead finance executive
- Other finance executive (such as controller, treasurer, head of financial planning and analysis, or a divisional CFO)



Professional experience (years, %)



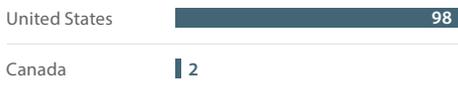
CFO/lead finance role experience (years, %)



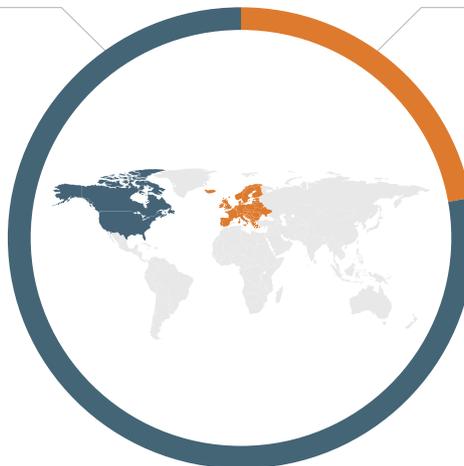
Note: Numbers may not sum to 100%, because of rounding.
Source: Heidrick & Struggles' private equity-backed chief financial officer compensation survey, 2020, n = 656 respondents

Geographic distribution

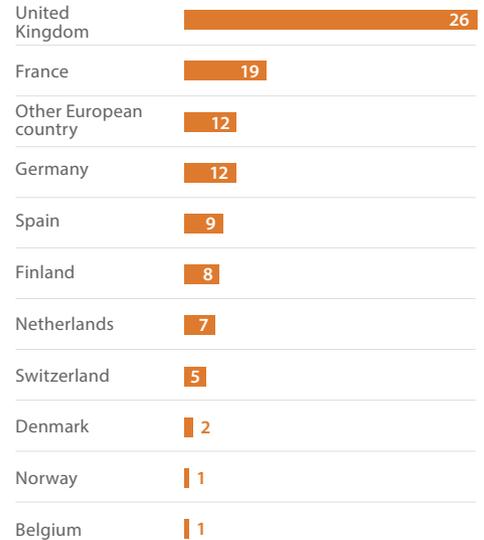
North America (%)



78% 22%



Europe (%)



Note: Numbers may not sum to 100%, because of rounding.
Source: Heidrick & Struggles' private equity-backed chief financial officer compensation survey, 2020, n = 656 respondents

Portfolio company demographics

Just over half of the companies covered by this survey have revenues of \$250 million or less; the largest segment, 22%, comprises companies with revenues of \$101 million to \$250 million.

Digging deeper into industries shows the range of types of companies included.

Portfolio company sectors (%)

Financial

Insurance	31
Fintech	22
Consumer finance	16
Other	12
Wealth management	6
Real estate	6
Corporate and investment banking	4
Commercial banking	2

Industrial

Manufacturing	33
Oil and gas	14
Engineering and construction	13
Other	8
Chemicals	7
Aerospace and defense	6
Transportation	6
Utilities	5
Automotive	5
Mining and metals	2

Technology and telecoms

Software	51
Communications services	17
IT outsourcing	10
Other	10
Other hardware and systems	8
Communications equipment and technology	5

Healthcare and life sciences

Other	50
Pharmaceuticals and biotechnology	24
Medical devices and equipment	13
Managed care	8
Hospitals	6

Consumer

Consumer packaged goods	45
Retail	29
Hospitality and leisure	11
Media and entertainment	10
Other	6

Business services

Marketing/market research	27
Other	22
Business process outsourcing	20
Data and analytics	11
Consulting	9
IT outsourcing	7
Legal	2
Accounting	2

Note: Numbers may not sum to 100%, because of rounding.

Source: Heidrick & Struggles' private equity-backed chief financial officer compensation survey, 2020, n = 656 respondents

CFO compensation

As noted earlier, the median base compensation among the professionals surveyed for this report was \$313,000, and the median bonus compensation was \$150,000, for a total median cash compensation of \$463,000. Looking by company size, base, bonus, and total cash compensation all rise as company size does,

with total median cash compensation coming in at \$613,000 at companies with revenues above \$1 billion. Cash compensation is higher in North America than Europe, respondents report, and among industries, CFOs at healthcare and life sciences companies are paid the most, at \$488,000 in median total cash compensation.

Median cash compensation (USD)

		Median base compensation			Median bonus compensation			Median total cash compensation		
		25th percentile	Median	75th percentile	25th percentile	Median	75th percentile	25th percentile	Median	75th percentile
Overall		\$238,000	\$313,000	\$388,000	\$150,000	\$150,000	\$188,000	\$407,125	\$463,000	\$576,000
Region	North America	\$275,500	\$313,000	\$388,000	\$150,000	\$150,000	\$188,000	\$425,500	\$488,000	\$601,000
	Europe	\$188,000	\$238,000	\$338,000	\$150,000	\$150,000	\$163,000	\$338,000	\$425,500	\$513,000
Company size (revenue in USD)	Pre-revenue–\$100m	\$213,000	\$275,500	\$313,000	\$150,000	\$150,000	\$150,000	\$363,000	\$425,500	\$463,000
	\$101m–\$500m	\$275,500	\$313,000	\$363,000	\$150,000	\$150,000	\$188,000	\$425,500	\$476,000	\$551,000
	\$501m–\$1bn	\$275,500	\$375,500	\$413,000	\$150,000	\$188,000	\$275,500	\$426,000	\$563,000	\$676,000
	More than \$1bn	\$275,500	\$388,000	\$513,000	\$150,000	\$188,000	\$338,000	\$463,000	\$613,000	\$851,000
Industry	Financial services	\$238,000	\$313,000	\$388,000	\$150,000	\$150,000	\$238,000	\$425,500	\$476,000	\$588,000
	Industrial	\$238,000	\$275,500	\$338,000	\$150,000	\$150,000	\$188,000	\$388,000	\$438,500	\$560,000
	Technology and telecoms	\$275,500	\$313,000	\$363,000	\$150,000	\$150,000	\$213,000	\$425,500	\$476,000	\$551,000
	Healthcare and life sciences	\$275,500	\$313,000	\$388,000	\$150,000	\$150,000	\$188,000	\$425,000	\$488,000	\$601,000
	Consumer	\$238,000	\$313,000	\$413,000	\$150,000	\$150,000	\$188,000	\$425,500	\$463,000	\$601,000
	Business services	\$238,000	\$313,000	\$388,000	\$150,000	\$150,000	\$150,000	\$388,000	\$463,000	\$551,000

Forty-seven percent of professionals receive no equity as part of their compensation; that share rises to 65% among survey respondents in Europe. On the flip side, CFOs at technology companies most often receive at least some equity—68% do so. Among all CFOs who do receive equity, 40% receive 2% or less, and just 5% receive more than 3%. In dollar terms, that can be a substantial difference.

Median equity compensation

		Median equity*	
		As a %	Median (USD)
Overall		1.00%	\$600,000
Region	North America	1.00%	\$750,000
	Europe	1.00%	\$250,000
Company size (revenue in USD)	Pre-revenue-\$100m	1.10%	\$600,000
	\$101m-\$500m	1.00%	\$1,000,000
	\$501m-\$1bn	0.50%	\$600,000
	More than \$1bn	0.50%	\$355,000
Industry	Financial services	0.75%	\$325,000
	Industrial	1.00%	\$500,000
	Technology and telecoms	1.00%	\$500,000
	Healthcare and life sciences	1.00%	\$600,000
	Consumer	1.00%	\$600,000
	Business services	1.00%	\$1,125,000

*Excludes those who have 0%/\$0 equity.

Source: Heidrick & Struggles' private equity-backed chief financial officer compensation survey, 2020, n = 328 respondents

It's also notable that the shares of CFOs reporting equity grants of \$1 million or more were higher at the smallest companies, where cash compensation is lower. Of CFOs who receive equity at companies with \$100 million or less in revenue, for example, 42% reported an equity grant of \$1 million or more, compared with 24% of respondents receiving equity at companies with annual revenue of more than \$1 billion. It seems likely that smaller companies, with smaller cash flows and less-certain business models, are seeking to attract and retain CFOs with a bet on the company's longer-term success.

Private Equity Practice

Heidrick & Struggles' global Private Equity Practice combines a deep understanding of private equity markets with world-class expertise across all major industries and functions to provide a broad range of value-adding services.

We pride ourselves on finding top private equity management talent by recruiting investment professionals, operating partners, and other essential senior managers who support financial growth. Additionally, we work with private equity-backed portfolio companies to bring innovative services designed to meet today's challenges while securing the leadership needed to deliver on tomorrow's strategies.

Our expertise includes due-diligence support, pre- and post-acquisition executive search, leadership assessment, proactive introductions, and the construction of advisory boards for both private equity firms and their portfolio companies. With more than 80 consultants in 50 offices around the world, our team includes functional experts in areas such as technology and operations, finance, human resources, marketing, compliance, risk, and legal infrastructure. Our blend of search and consulting services enables us to develop long-term strategic partnerships that build winning leadership teams and create substantial value.

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Financial Officers Practice

Heidrick & Struggles' Financial Officers Practice helps clients navigate an increasingly complex and competitive talent landscape to build great finance teams and position them for success within the organization and the marketplace.

Our practice experts around the globe have been at the forefront of the trends that shape this critical function for nearly two decades. We have an astute understanding of the complex demands and multiple roles that today's senior financial officers must possess and what boards and CEOs need from their finance leaders.

Our CFO executive search team focuses on C-level leadership, and our expertise spans all core areas of finance leadership: corporate and divisional CFO, full finance team build-outs, controllership and accounting, audit, treasury, tax, corporate development, M&A, risk management, investor relations, financial planning and analysis, and shared services.

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ONE LEADERSHIP TEAM AT A TIME®

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