WE ARE PLEASED TO SHARE THE RESULTS OF A SURVEY OF CFOS OF PRIVATE EQUITY OWNED COMPANIES. THE SURVEY FOCUSED ON; COMPENSATION, JOB CONTENT, AND THE DIFFERENCES BETWEEN PE AND PUBLIC OWNERSHIP.

/ About Vardis: Vardis is an international executive search firm focused strictly on the Private Equity market. The firm supports investors in N. America, Europe and Asia on senior level recruitment (CEO, CFO, Chairmen, etc.) and in Pre-Deal situations through the introduction of Advisors, potential Board Members and Operating Executives. Further information is available at www.vardis.com.
OVERVIEW: In October 2016 Vardis contacted the CFOs of 620 North American and European private equity portfolio companies with questions on compensation and job content. Those surveyed are representative of the broader Private Equity market. Sponsors ranged from lower middle market investors without committed capital funds to the largest global sponsors with over $75B under management. Portfolio companies represented a range of industries with the largest concentrations in manufacturing, consumer products & services, technology, healthcare, financial services, distribution and industrial service.

Questions & further information: Should you have questions or want further information on this or Vardis’ other surveys, please feel free to contact a Vardis consultant in any of our offices. Further information is available at www.vardis.com.
CFO’s are not trading cash for equity
– majority receive an increase in new role of 5% - 20%
– despite somewhat lower base salaries, PE CFO cash
remuneration greater than public company counterparts

55% co-invest in the equity with 1/3 investing > 1 year
of annual salary

Prior experience with PE of greater importance in
their selection for the role (55%) than industry expertise
(39%)

73% of CFO’s are responsible for functions beyond
finance including Legal (73%), IT (69%), HR (51%),
Purchasing (36%)

Only 20% of first time PE CFOs report “business as
usual” with 40% reporting “significantly different”
MARKET EFFICIENCY

- PE Investors retain existing CFO post deal only 25% of the time
- Average CFO tenure of 3.67 years consistent with shortened hold times
- CFO’s are not trading cash for equity – majority receive an increase in new role of 5% to 20% with 40% reporting an increase of 20% or more
- Virtual parity with public company peers on annual cash compensation
- Slight discount on base salary offset by higher bonus, i.e. “pay for performance”
- 55% co-invest in the equity with 1/3 investing > 1 year of annual salary
- Average vesting 4.3 years
- 70% have accelerated equity vesting at liquidity
- Performance vesting is replacing time-based vesting. 50% have performance criteria attached to equity payout.
CFO’S ROLE

- Only 26% of CFO’s report their current role as their first corporate CFO role
- 46% have previously held a PE CFO role
- The primary reason for their selection for the role is prior PE experience (55%) followed by industry expertise (39%)
- 73% of CFO’s are responsible for functions beyond finance including Legal (73%), IT (69%), HR (51%), Purchasing (36%)
- Only 20% of first time PE CFO’s report “business as usual”. Key differences compared to their prior roles include:
  - Debt/Leverage – 95% reported differences with 55% responding “significantly different”
  - Pace of Change – 75% (40% significantly different)
  - Board involvement/focus – 85% (80% significantly different)
  - Cash management focus – 80% (40% significantly different)
  - Quality and size of team – 83% (35% significantly different)
COMPENSATION BY THE NUMBERS

Annual Cash (x $1,000)

- Rev. < $100M: 86, 106, 232, 338, 500
- $100M-$500M: 27, 266, 299, 48, 66
- $500M-$1B: 32, 299, 48, 450
- $1B-$5B: 330, 372, 450

Equity Grant & Base Case Value

- Equity %: Rev. < $100M: 0.2, $100M-$500M: 0.3, $500M-$1B: 0.5, $1B-$5B: 1.5
- Equity Value ($M): Rev. < $100M: 2, $100M-$500M: 3, $500M-$1B: 5, $1B-$5B: 8
SURVEY RESPONSES
Survey Responses: Section I, Investor Profile

1. Your investor’s investment style can best be described as:
   - Venture Capital
   - Growth Investor
   - Buy Out
   - Turnaround/Distressed

2. The size companies in which your investor typically invests are best described as:
   - Early Stage/Start Up
   - Lower Middle Market
   - Late Stage/Growth
   - Middle Market
   - Large Cap

3. The total Assets Under Management for your investor are:
   - $0 - $500M
   - $501M - $2B
   - $2B - $5B
   - More than $5B

4. Your investor’s typical hold period is:
   - Less than 3 years
   - 3 - 5 years
   - 5 - 7 years
   - More than 7 years
Survey Responses: Section II, Company Profile

5. What is your Company’s annual revenue?
- Less than $100M
- $101M - $500M
- $501M - $1B
- More than $1B

6. How many employees at your Company?
- Less than 100
- 101 - 500
- 501 - 1000
- 1,000 - 5,000
- More than 5,000

7. From which region is the majority of your Company’s revenue derived?
- Americas
- EMEA
- Asia Pacific

8. Where is Company Headquarters?
- N. America
- UK & Ireland
- Continental Europe
- Asia Pacific
- Australasia
- Other

9. What industry best describes your Company?
- Business Services/Financial Services
- Industrial Services
- Technology
- Manufacturing
- Distribution/Transportation
- Healthcare
- Consumer Products/Services
- Retail
- Other

10. What is the most likely exit for your current investor?
- Trade Sale/Strategic Buyer
- Public Offering
- Another PE Investor
11. Other than finance & accounting, what other roles report to you? (check all that apply)
- IT
- Human Resources
- Supply Chain
- Legal
- Purchasing
- Other (please specify)

12. What were the key factors in your hiring? (check all that apply)
- I was already here
- I was recruited based on industry experience
- Public Accounting Experience
- Other (please specify)
- I knew the investor
- I was recruited based on previous private equity experience
- "Big 4" Accounting Experience

13. What best describes your previous experience?
- I was a divisional CFO or number two finance executive in another company
- I was a divisional CFO or number two finance executive in a private equity backed company
- I was CFO of a different company
- I was CFO of a private equity backed company

15. How long have you worked for your current organization?
- Less than 1 year
- 1-3 years
- 4-6 years
- More than 6 years
Survey Responses: Section IV, CFO Compensation - Cash

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

- Lower by 20% or more
- Lower by 5 - 20%
- About the same
- Higher by 5 - 20%
- Higher by 20% or more

17. What is your current base salary?

- Up to $200,000
- $201,000 - $250,000
- $251,000 - $300,000
- $301,000 - $350,000
- $351,000 - $400,000
- $401,000 - $500,000
- More than $500,000

18. What is your current target annual bonus?

- Up to 20%
- 21 - 30%
- 31 - 40%
- 41 - 50%
- 51 - 60%
- 61 - 70%
- Over 70%

19. What do you expect your actual annual bonus to be this year?

- Up to 20%
- 21 - 30%
- 31 - 40%
- 41 - 50%
- 51 - 60%
- 61 - 70%
- Over 70%

20. If you receive other, non-salary compensation (e.g. car, club dues, supplemental retirement, executive health insurance, housing, education reimbursement, etc.), what percentage of your base salary are these benefits worth?

- I don't receive any supplemental compensation
- Up to 10% of my base salary
- 10 - 20% of my base salary
- 20 - 30% of my base salary
- More than 30% of my base salary
Survey Responses: Section IV, CFO Compensation - Equity

21. Did you invest your own capital in the Company?

- No
- Yes, less than one year's base salary
- Yes, more than one year's base salary

22. What percentage of the equity in your portfolio company have you been granted (vested and unvested)?

- No equity
- Up to 5%
- 6 - 10%
- 11 - 20%
- 21 - 25%
- 31 - 35%
- More than 35%

23. If your equity delivers against the mean expectation of the investment thesis, what gross proceeds do you expect at exit?

- Up to $500,000
- $500,000 - $1M
- $1M - $2M
- $2M - $3M
- $3M - $4M
- $4M - $5M
- $5M - $7.5M
- More than $7.5M

24. How does your equity vest?

- Time based only
- Time based with acceleration at liquidity
- Performance based (e.g., above a performance threshold) only
- Performance based with acceleration at liquidity
- Blend of time and performance
- Blend of time and performance with acceleration at liquidity

25. How do you perceive your remuneration package compared to the market?

- I believe I am below market
- I believe I am at market
- I believe that I am above market