

2022 – 23

Private Equity Backed
Chief Financial Officer
Salary Survey

DRAX is the leading strategic leadership specialist for private equity

Welcome to DRAX, an LCap Group Company.

We thank you for engaging with our 2022 - 23 Chief Financial Officer (CFO) Salary and Remuneration Survey. We believe that this report provides an accurate reflection of salaries within the private equity (PE) landscape throughout 2022 - 23.

We are grateful to the 283 CFOs and senior finance professionals who took the time to respond to this year's survey. They have provided us with invaluable insights into the life of a PE CFO and the market in which they operate. We hope you enjoy reading this report, and we appreciate any feedback you might have.

What We Do - Executive Search, Leadership Evaluation & Advisory Support

The LCap Group is a house of brands, committed to optimising the leadership teams of high-growth businesses. The Group is composed of Altus Partners, DRAX and Rowan, which are powered by Leadership Dynamics. The LCap Group supports clients through the complete private equity journey.



Driving diversity is at the heart of what we do at DRAX.
In 2022, 30% of placed candidates were diverse executives.



Forward

Welcome to the 2nd Edition of DRAX's Annual CFO Salary Survey.

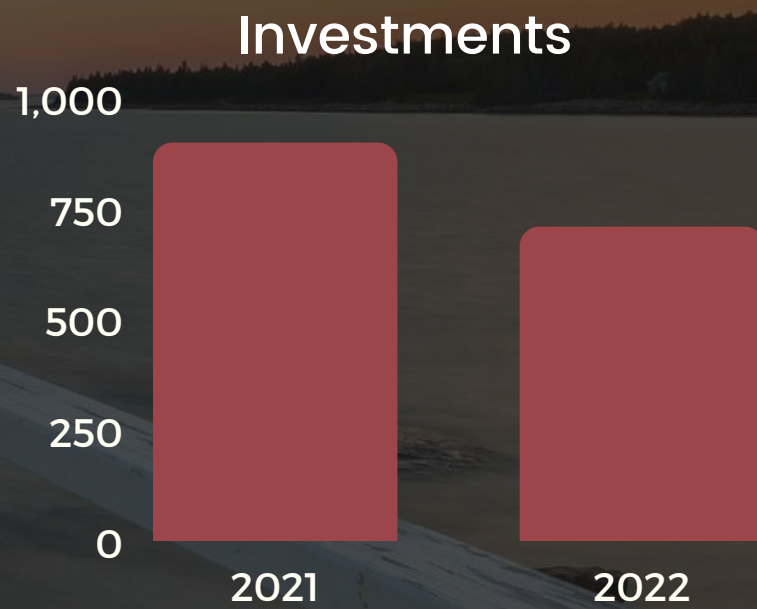
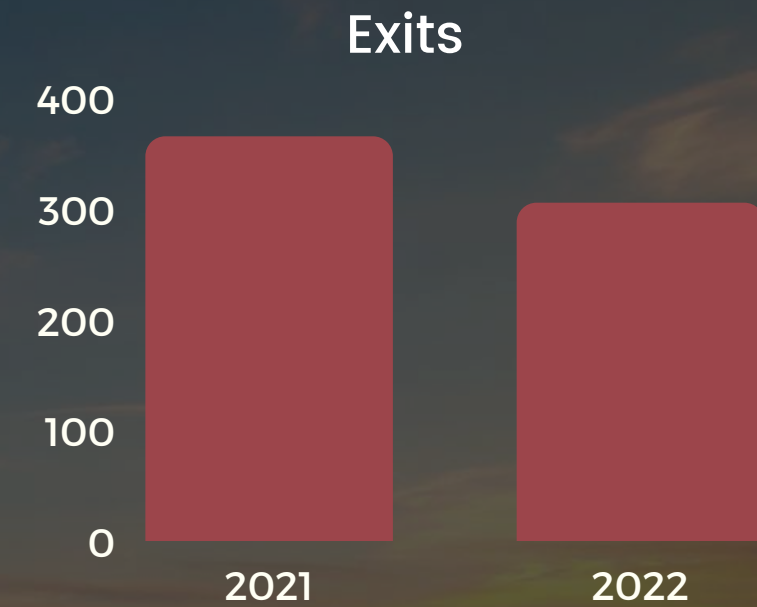
Another year into the post-COVID era, 2022 brought with it further geopolitical and social turmoil and economic volatility. While the PE landscape continues to be robust, it too faced substantial challenges.

According to the CFOs who responded to our survey, whilst businesses continued to pick up the pieces post-COVID, the key challenges faced in 2022 included inflation, finding and retaining talent, all while seeking to preserve solid margins in such an uncertain environment.

With investments and exits both down significantly from 2021, management teams have been in the hot seat, particularly when it comes to CFOs. As one of the most common roles to be replaced upon investment, as well as being the trusted supervisors of a healthy balance sheet, CFOs face intense pressure in a demanding marketplace.

With this market uncertainty comes a mismatch of supply and demand in the CFO market. PE funds continue to prioritise PE and exit experience as key recruitment criteria for CFOs given the pressure on management teams to perform at their peak. However, with a downturn in exit activity, the pool of available CFOs with this experience is finite.

Amongst this unrest, CFOs remain driven, tirelessly working to move the dial and creating value for their businesses.



Mark Tomley

Mark Tomley
Partner and Head of CFO Practice



Survey Respondents

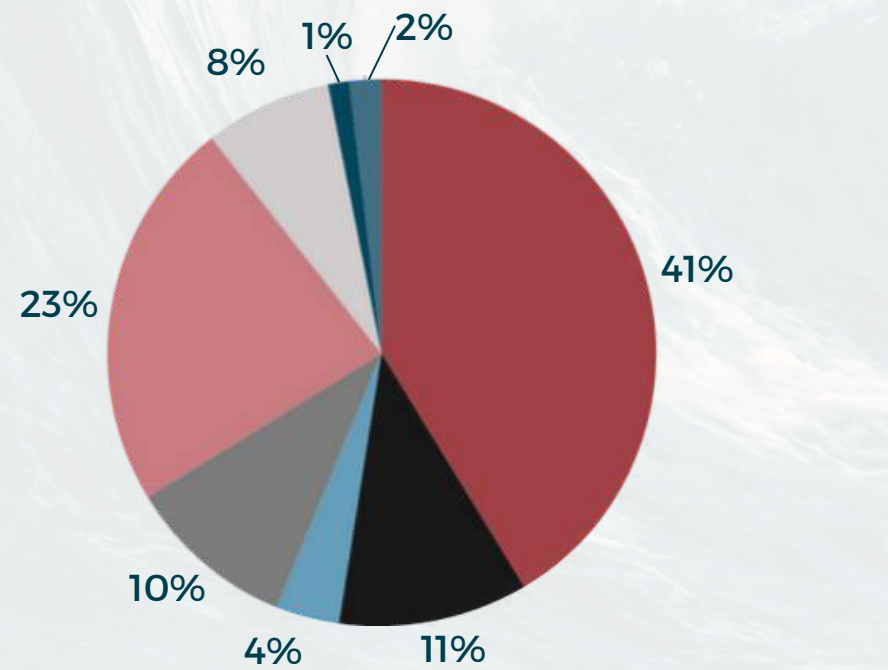
The data from this survey is taken from 283 individuals, with over 70% of responses from Group CFOs, and the remainder from other senior finance professionals. This survey represents CFOs working for UK headquartered businesses.

All data came from individuals currently operating in PE backed businesses, across a number of sectors, including Business Services (including Industrials, Energy and Manufacturing), Professional Services, Financial Services, Healthcare and Education, Consumer and Leisure, and Technology (including IT Services, Telco and Software).

The businesses where these individuals operate cover a broad range of sizes, ranging from less than £50 million to over £1 billion in revenues.

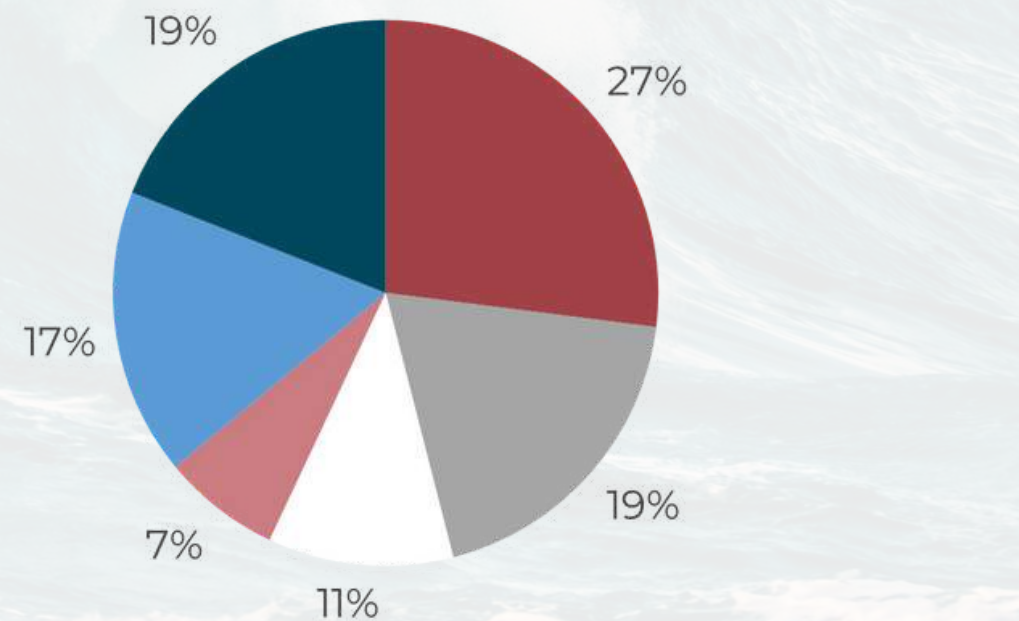
88% of respondents were male and 89% were white.

Region



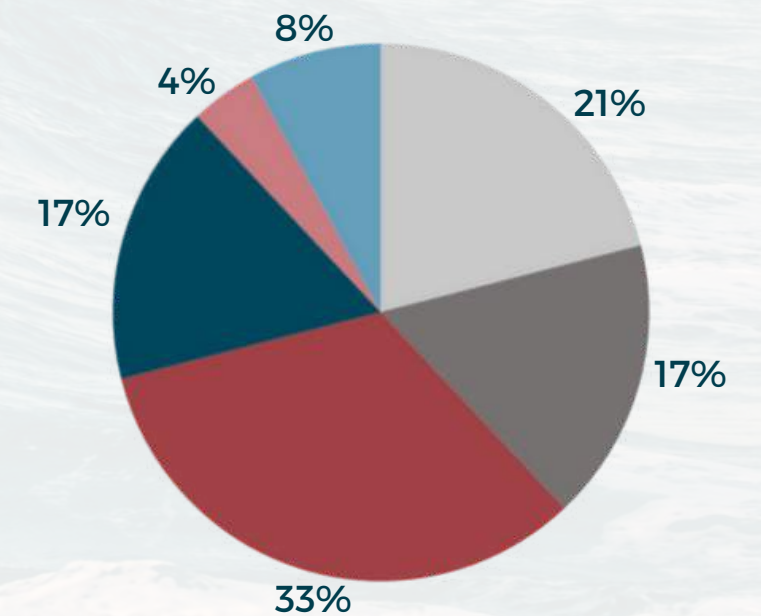
■ London ■ Midlands ■ North East ■ North West
■ South East ■ South West ■ Wales ■ Other

Sector Breakdown



■ Business Services ■ Professional Services ■ Financial Services
■ Healthcare & Education ■ Consumer & Leisure ■ Technology

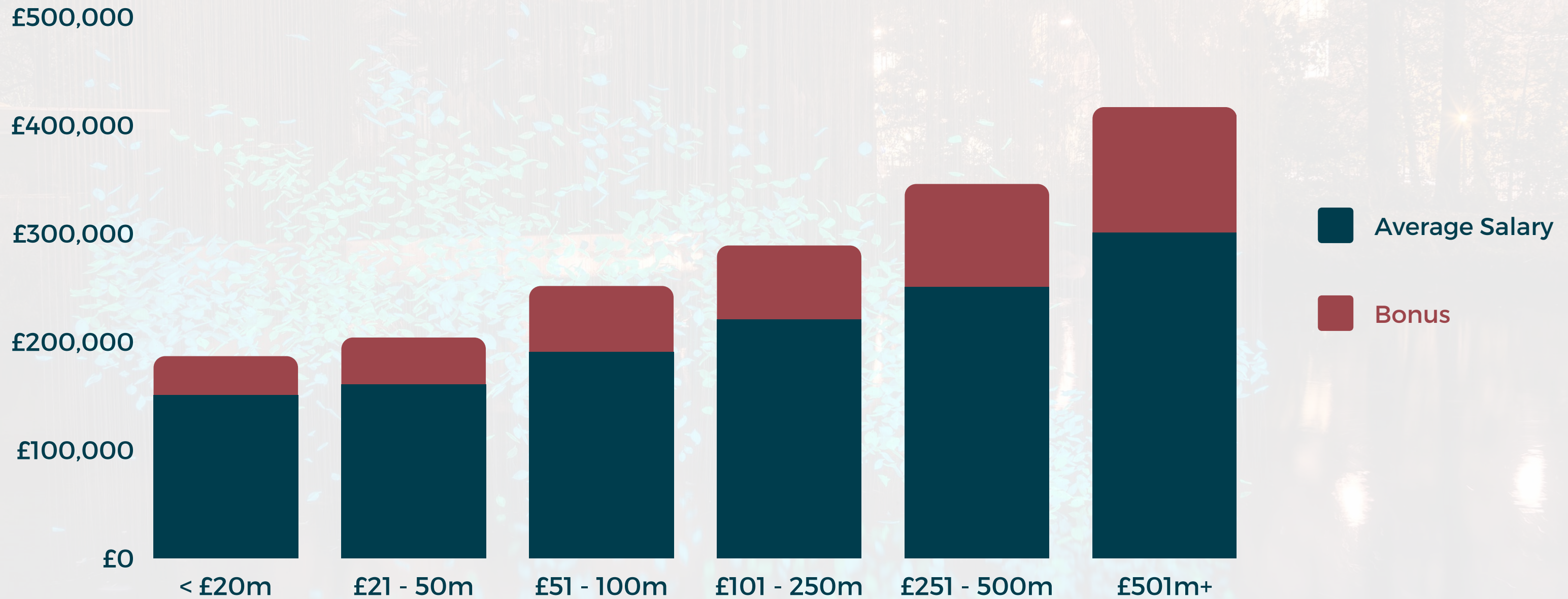
Revenue Breakdown



■ < £50m ■ £51 - 100m ■ £101 - 250m
■ £251 - 500m ■ £501m - 1bn ■ £1bn+

Annual Compensation

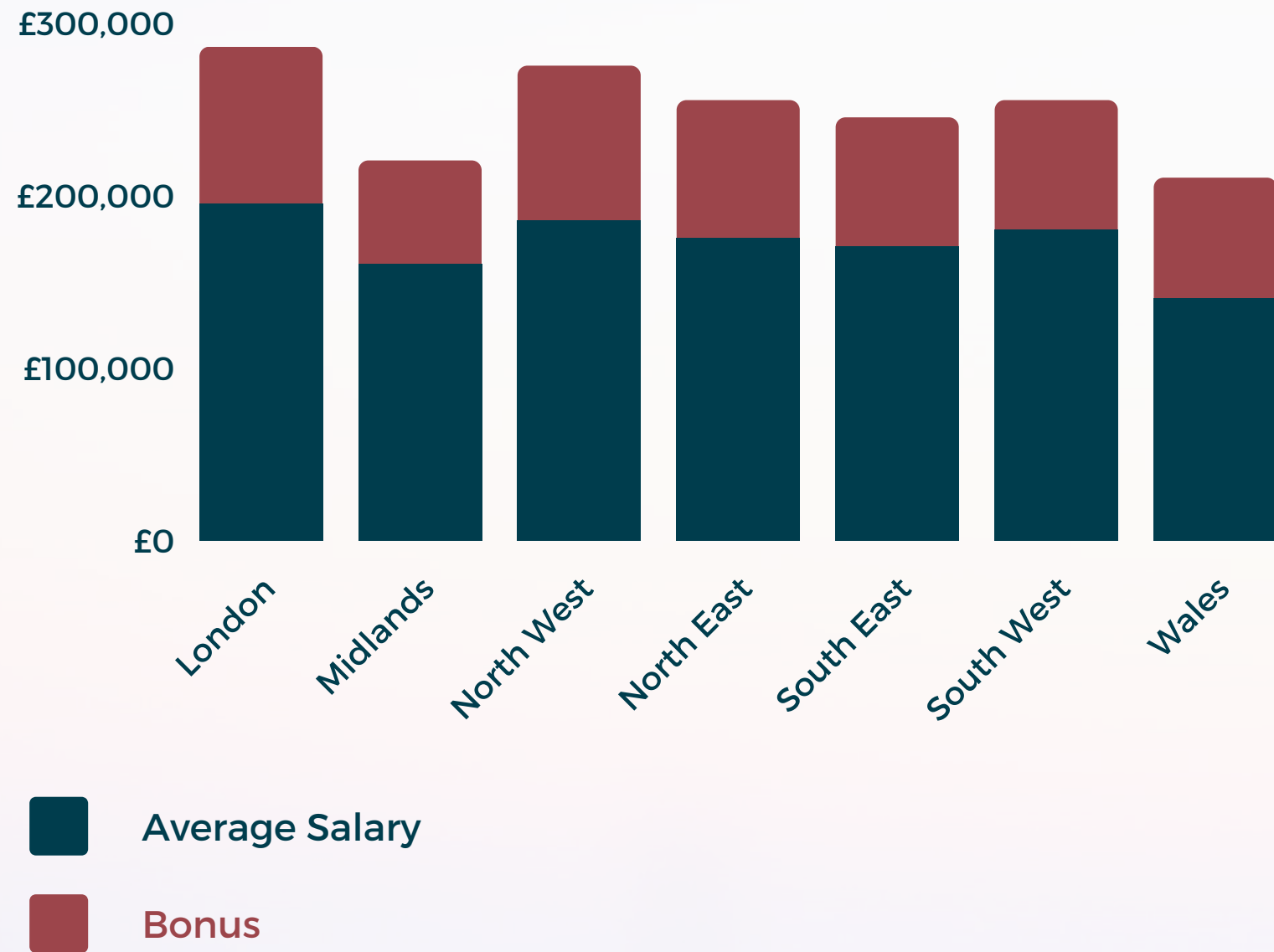
Average Base Salary & Annual Bonus by Enterprise Value Range



As anticipated, there is a significant correlation between compensation and enterprise value. Businesses with greater enterprise value show higher base salaries and bonuses, whereas businesses with lower enterprise values reflect lower base salaries and bonuses.

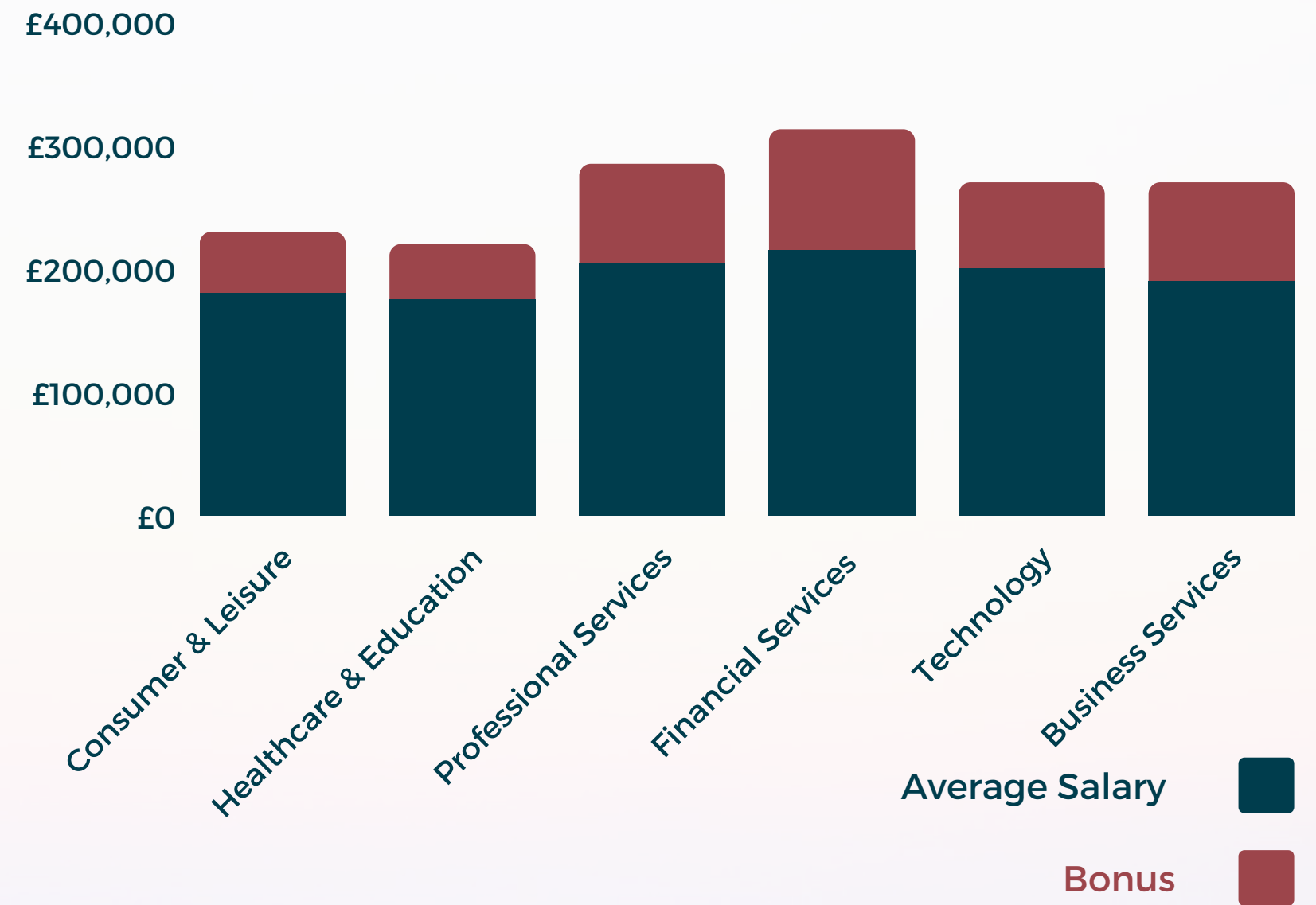
Annual Compensation

Average Base Salary & Bonus by Region



Although there is no clear correlation between compensation and region, London represents the highest base salaries, at an average of £195,462, and bonus contributions of £91,042 on average, with an overall average package of £286,504. This data suggests that regardless of location, securing a CFO requires comparable expenditure for companies and investors.

Average Base Salary & Bonus by Sector



CFOs in the Financial Services sector see the highest base salaries at an average of £215,739 and bonuses at an average of £97,911, with an overall average package of £313,650. The Healthcare and Education sector reported the lowest base salaries at £176,800 and bonuses at £55,924, with an overall average package of £232,724. These figures fall in line with the trends seen in recent years.

Salary and Experience

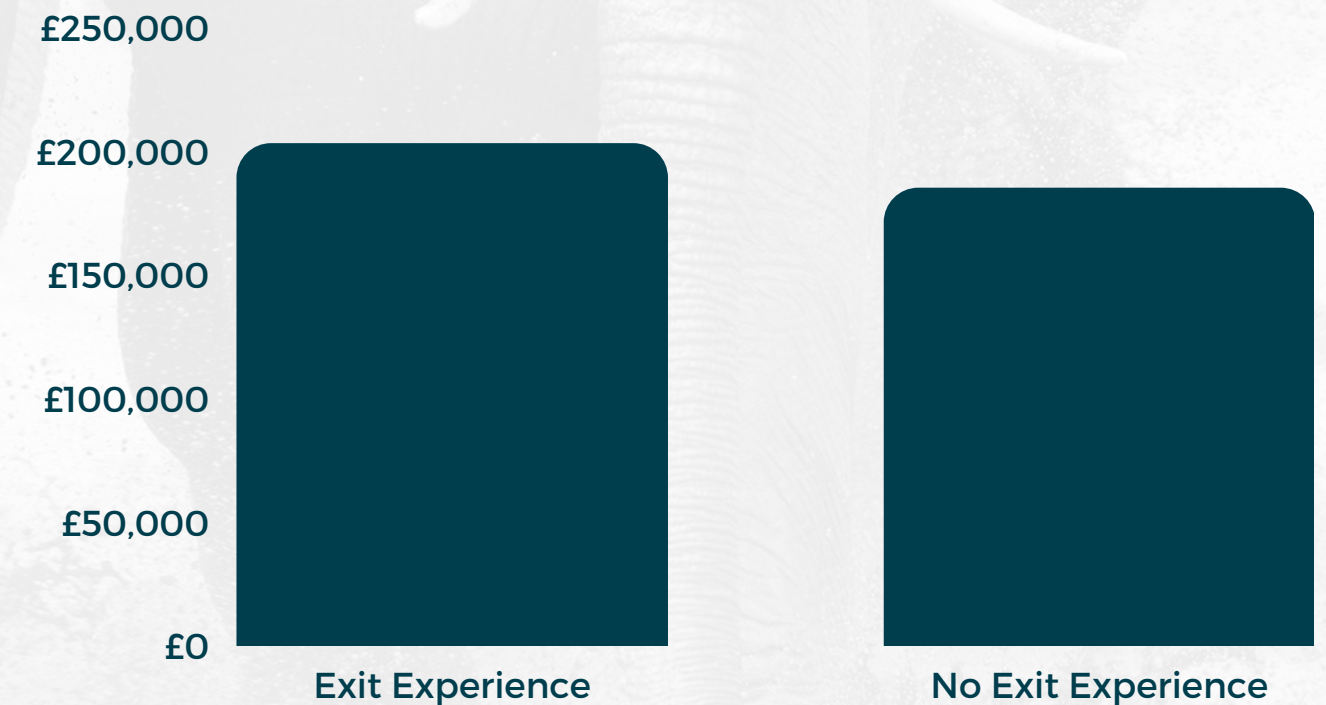
CFOs in businesses with international operations have significantly higher base salaries, at an average of £201,350. CFOs in businesses with only domestic operations see base salaries at £175,116 on average. This suggests that knowledge of FX, hedging strategy, international supply chain management, amongst other relevant international situational experience is highly desirable.

CFOs with experience completing an end-to-end exit process have higher base salaries, at an average of £202,450, whereas CFOs who have not completed an exit process have base salaries at an average of £184,974. CFOs with this experience continue to be the most highly sought after, with investors believing exit experience reduces risk in their appointments.

Average Base Salary by International Operations



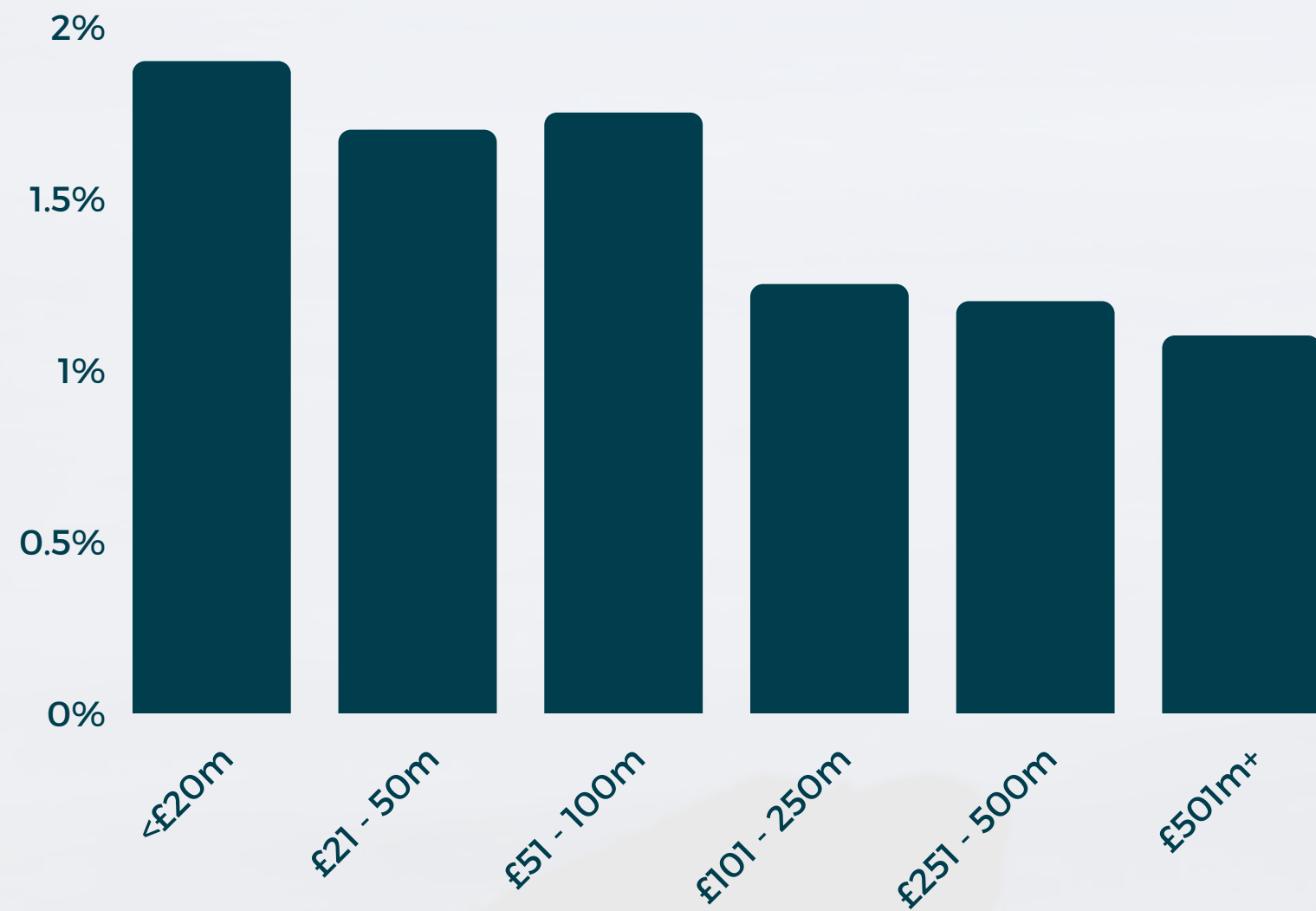
Average Base Salary by Exit Experience



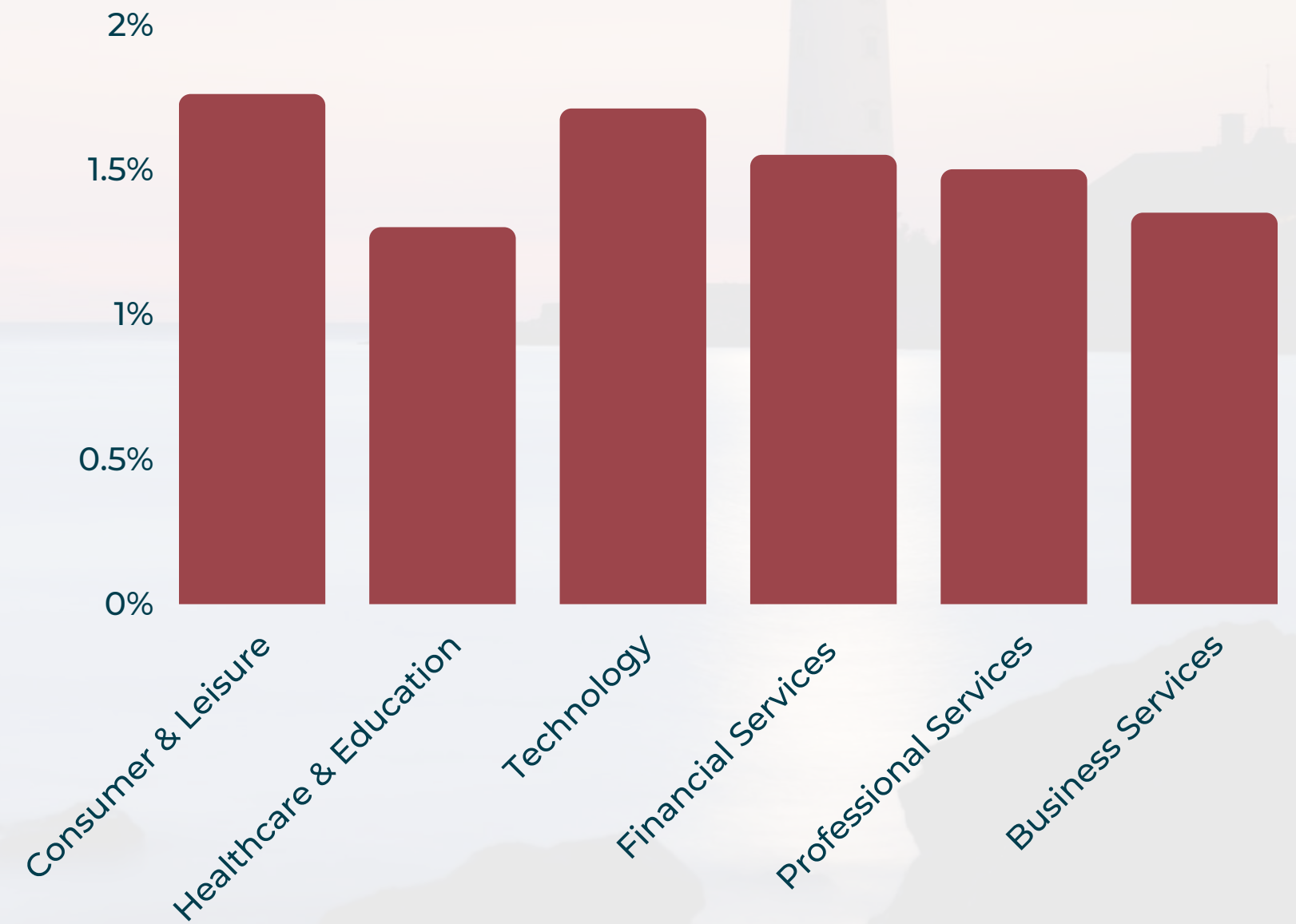
Equity

Reported equity participation ranged from 0.25% through to over 3%. Equity varies with enterprise value, as anticipated; as enterprise value increases, equity participation decreases. Reported equity participation averages at 1.9% for businesses reporting less than £20m enterprise value and 1.1% for businesses reporting over £501m enterprise value.

Average Equity % by Enterprise Value



Average Equity % by Sector



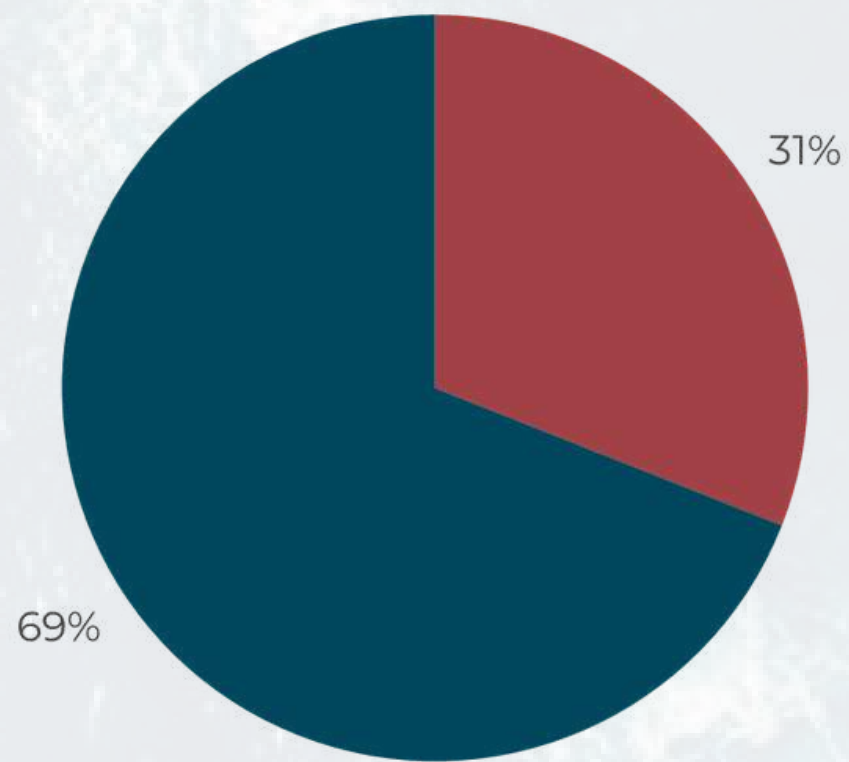
Equity participation varies by sector, with Consumer & Leisure and Technology reporting the highest values at 1.76% and 1.71%, respectively. Healthcare & Education sees the lowest equity participation, at 1.3% on average. This, combined with the base salary and bonus data, indicates that the Healthcare & Education sector have the overall lowest remuneration package.

Views Towards Pay

CFOs in the Financial Services sector have the highest role satisfaction, with a score of 8 on a scale of 1 to 10.

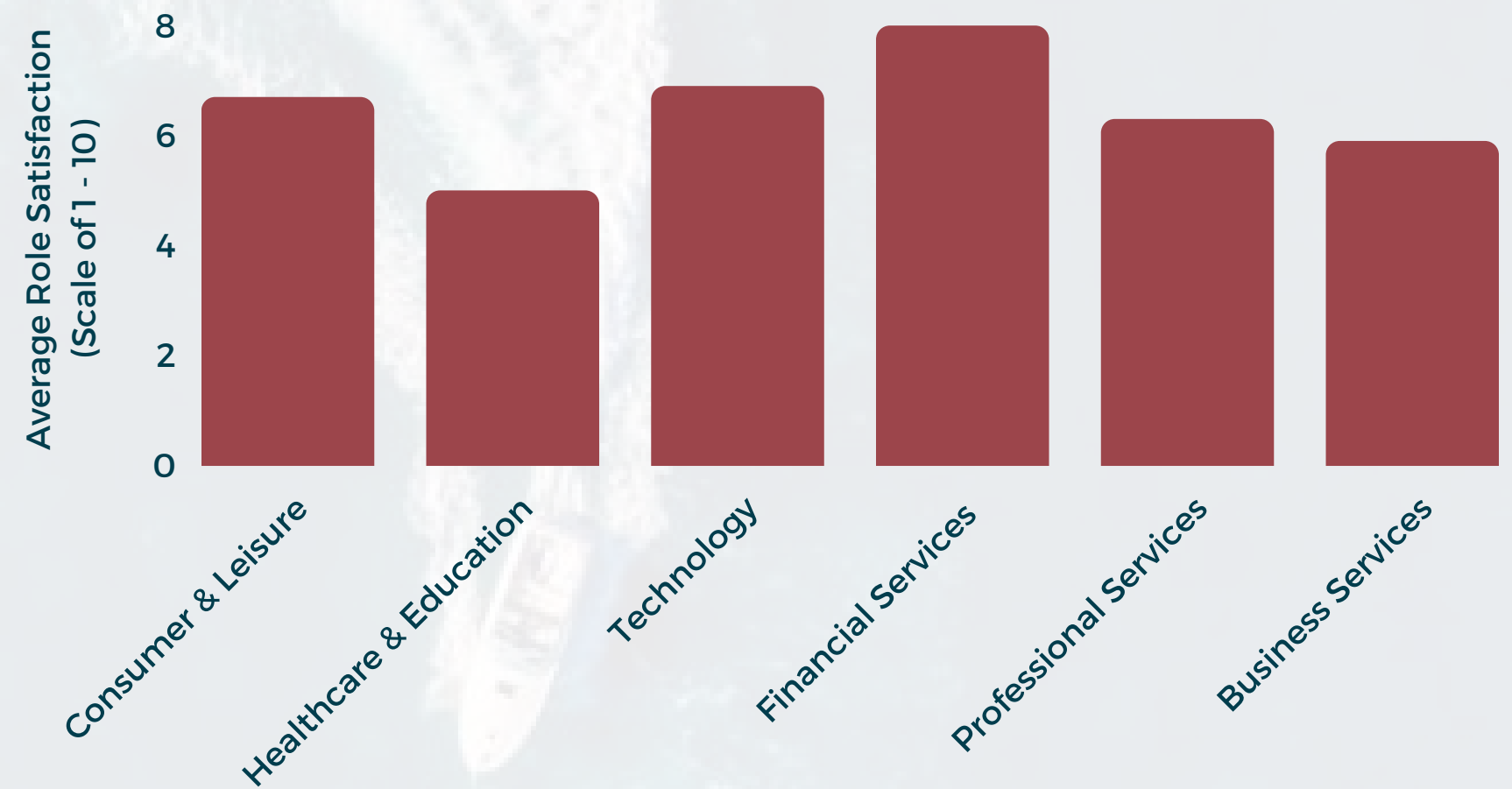
Despite the significant challenges the sector has faced, Consumer and Leisure trails only slightly behind at 7 out of 10, suggesting that Consumer CFOs are able to see opportunity amongst chaos, remaining motivated and resilient.

Healthcare and Education report the lowest role satisfaction at 5 out of 10, even as they operate within one of the most recession-resilient industries.



■ Feel Fairly Compensated ■ Feel Unfairly Compensated

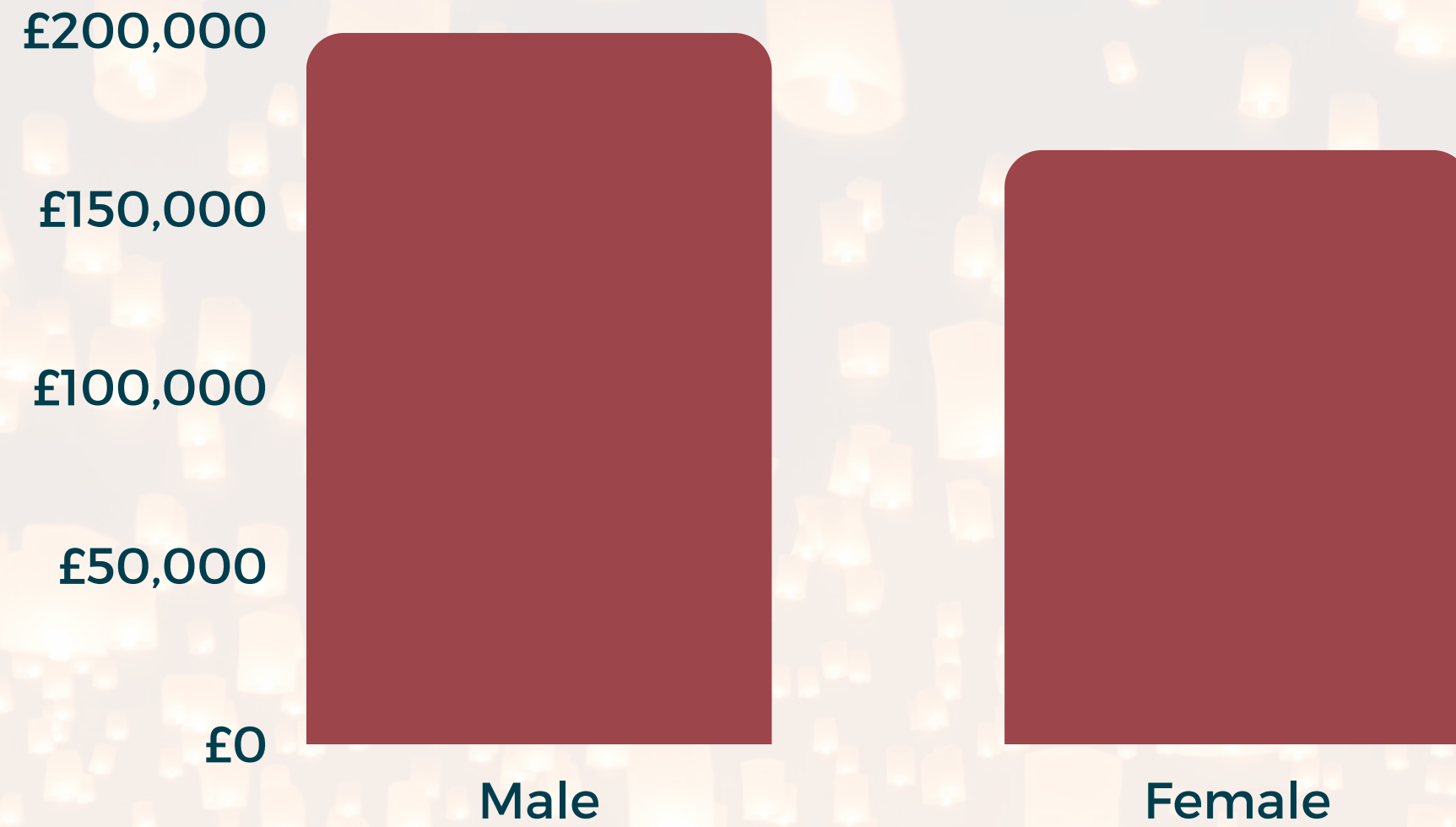
Average Role Satisfaction by Sector



Overall, 69% of CFOs believe they are fairly compensated, suggesting that PE-backed businesses put forth clear compensation strategies.

Gender

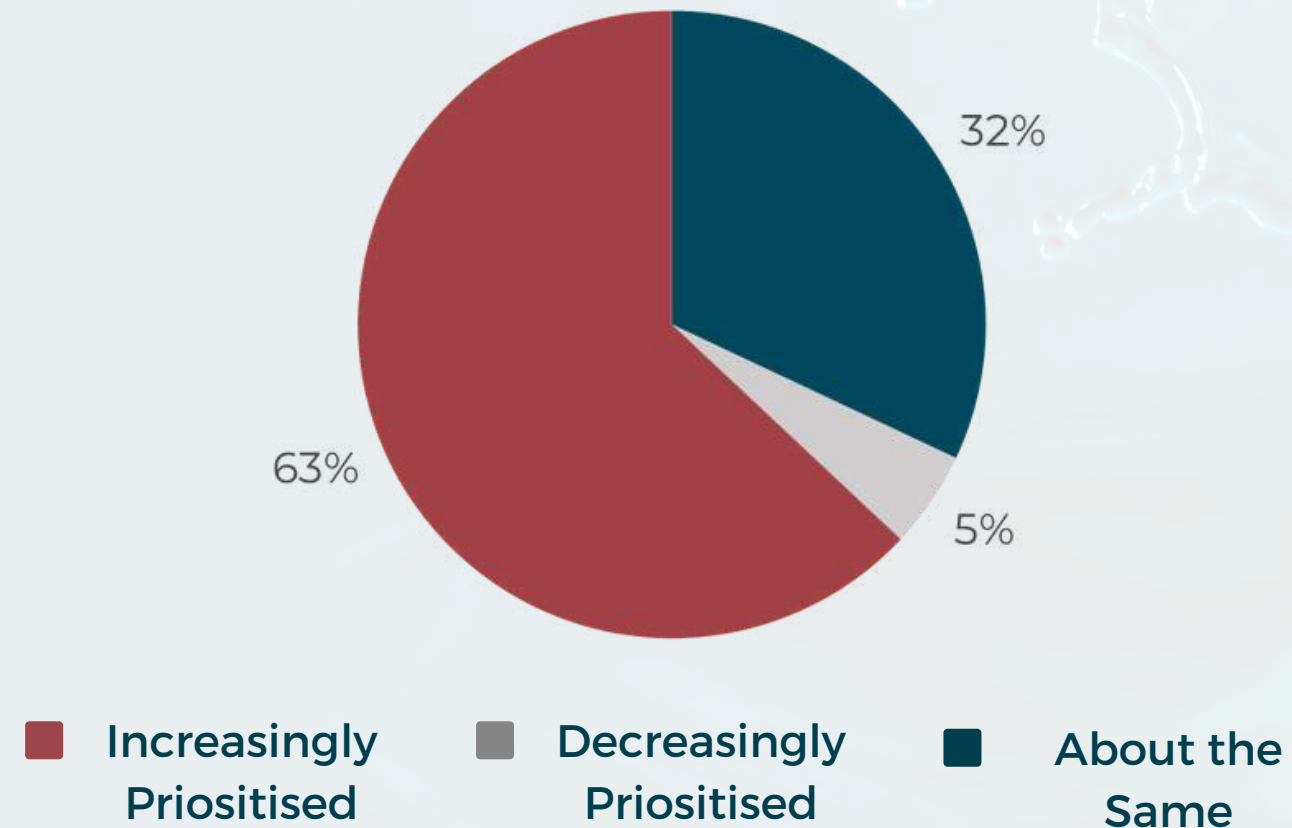
Average Base Salary by Gender



69% of male respondents and 67% of female respondents feel fairly compensated, reminiscent of the competitive private equity remuneration landscape. Although males and females are aligned in their satisfaction towards their compensation, they report significantly different base salaries, with males and females on average earning £199,089 and £166,263, respectively.

ESG Perceptions

Perceptions of ESG Prioritisation in 2022



63% of CFOs believe that ESG initiatives became more prevalent in the workplace in 2022. While reminiscent of the trends seen across the PE landscape, this hopefully sheds light on how PE funds are fine-tuning their ESG and impact investing playbooks, decreasing greenwashing and focusing more executing on their action plans.

These views do not vary significantly across sector or gender.

Perception of ESG Prioritisation by Sector

	INCREASINGLY PRIORITISED	DECREASINGLY PRIORITISED	ABOUT THE SAME
CONSUMER & LEISURE	75%	4%	21%
HEALTHCARE & EDUCATION	82%	0%	18%
TECHNOLOGY	64%	4%	32%
FINANCIAL SERVICES	67%	0%	33%
PROFESSIONAL SERVICES	79%	0%	21%
BUSINESS SERVICES	74%	2%	24%

Perception of ESG Prioritisation by Gender

	INCREASINGLY PRIORITISED	DECREASINGLY PRIORITISED	ABOUT THE SAME
MALE	62%	6%	32%
FEMALE	67%	0%	33%

Conclusion

2022 brought with it further market uncertainty; what will 2023 bring to the table?

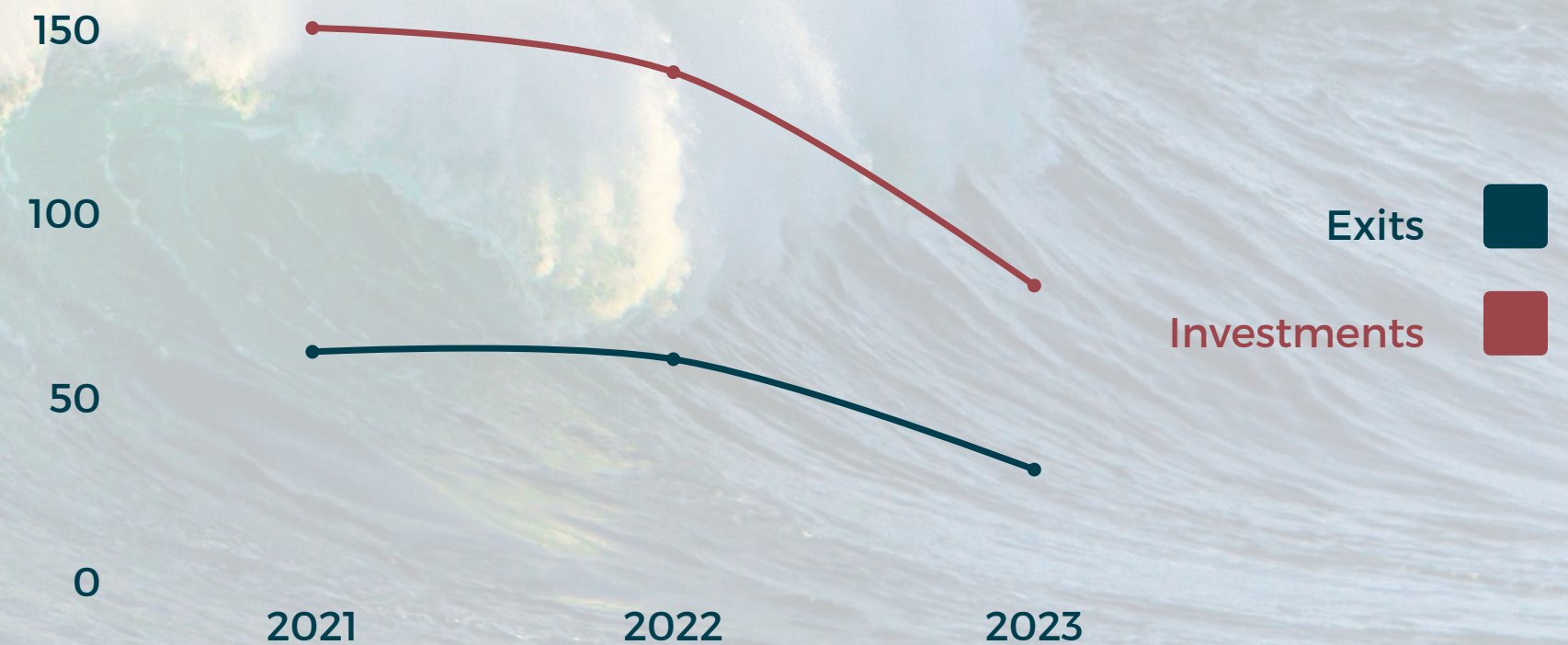
With the instability that 2022 brought, the skills and behaviours once required of CFOs are no longer enough. The ever-evolving PE landscape left CFOs feeling they need to bring more to the table, with the respondents to this survey citing an increased demand for strategic focus and business partnering, recognising the requirement to act like a right-hand to the CEO more than ever.

As we now enter the second quarter of 2023, businesses continue to face challenges, with the number of exits and investments in January and February down compared to the past two years. The CFOs who responded to this survey predict the key challenges of 2023 to be the continued geopolitical unrest, difficulties finding and retaining talent and continued inflationary pressures.

With declined deal activity, the supply and demand misalignment for CFO talent persists, begging the question, where can PE investors be more flexible in their CFO requirements, and can those trade-offs facilitate greater opportunity for diverse finance professionals to enter the PE world?

We appreciate you engaging with our survey, and look forward to another year of working alongside the PE community and identifying what trends next year's survey can uncover.

Number of PE Exits and Investments in January and February (2021 - 2023)



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**Leadership
DYNAMICS.**