

The logo for Vardis, featuring the word "Vardis" in a white, sans-serif font. A thin yellow diagonal line starts from the top right of the letter 'V' and extends towards the bottom left of the image.

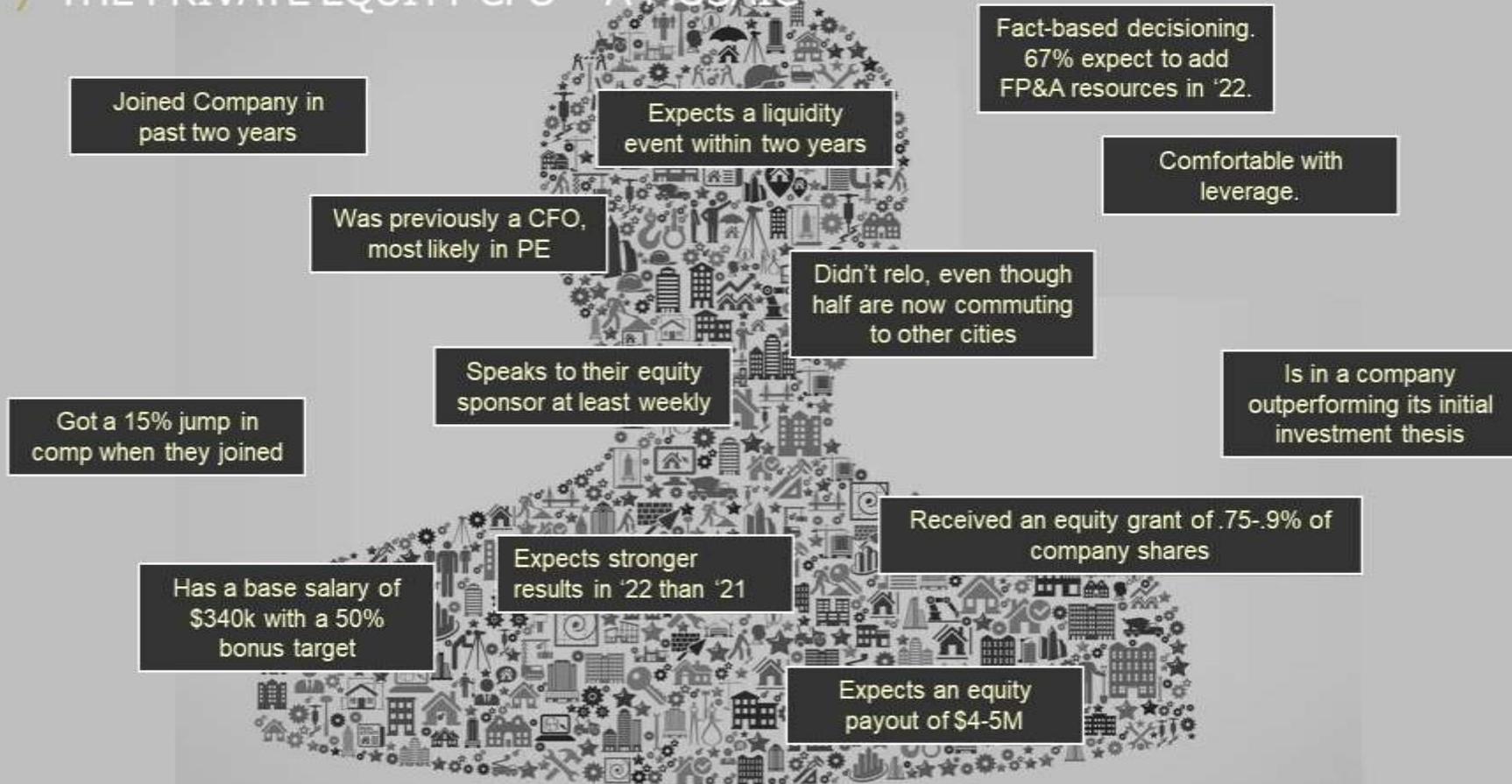
Vardis

The background of the slide is a grayscale image of a financial report. It includes a portion of a keyboard in the top left, a line graph with multiple data series in the center, and a bar chart in the bottom right. A pencil is positioned diagonally across the bottom right, pointing towards the bar chart. The overall scene is dimly lit, with the text overlaid in white and yellow.

/PRIVATE EQUITY PORTCO CFO REPORT

- / Overview:** *We are pleased to share with you our sixth annual PE CFO Report. As in our previous years, we asked about PE CFOs 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 CFOs of more than 1,000 Private Equity Portfolio companies. . 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%. We asked questions about compensation, board communication, their roles, and their outlook for 2022 and beyond. While North America is over-represented in our final sample, the CFO market is efficient and global. We have identified regional differences where they are material.*
- / About Vardis:** *Vardis is an international executive search firm focused strictly on portfolio company recruitment on behalf of Private Equity investors (CEO, CFO, COO, Board Directors, etc.) and in Pre-Deal situations through the introduction of Advisors, 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.*

THE PRIVATE EQUITY CFO – A MOSAIC



/ TRENDS WORTH WATCHING



Base Compensation Curve Flattening

- For other than the Lower Middle Market (sub-\$100M), the CAGR for CFO cash compensation has normalized in the 4% range.
- Cash is “progressive,” with increases more likely included in performance bonus.
- Equity grants continue to increase.



Leverage is Up

- Average debt levels have increased a full turn (from 4 to 5) since our last survey, despite increased EBITDA levels.
- One-third of respondents have at least 6X leverage



Talent Market Overheated – Time to Rethink Model?

- Only 28% of respondents identify themselves as first time CFOs
- Recruitment activity is intense with more than half of respondents approached on new opportunities at least five times per month.
- Risks of increased hold time OR liquidity events – increased hold times lock in CFOS. For the 39% of CFOs outperforming their investment thesis (and therefore their equity base case), a risk exists that they will not reenter the market at liquidity. CEOs and PE investors may be forced to rethink recruitment strategies.

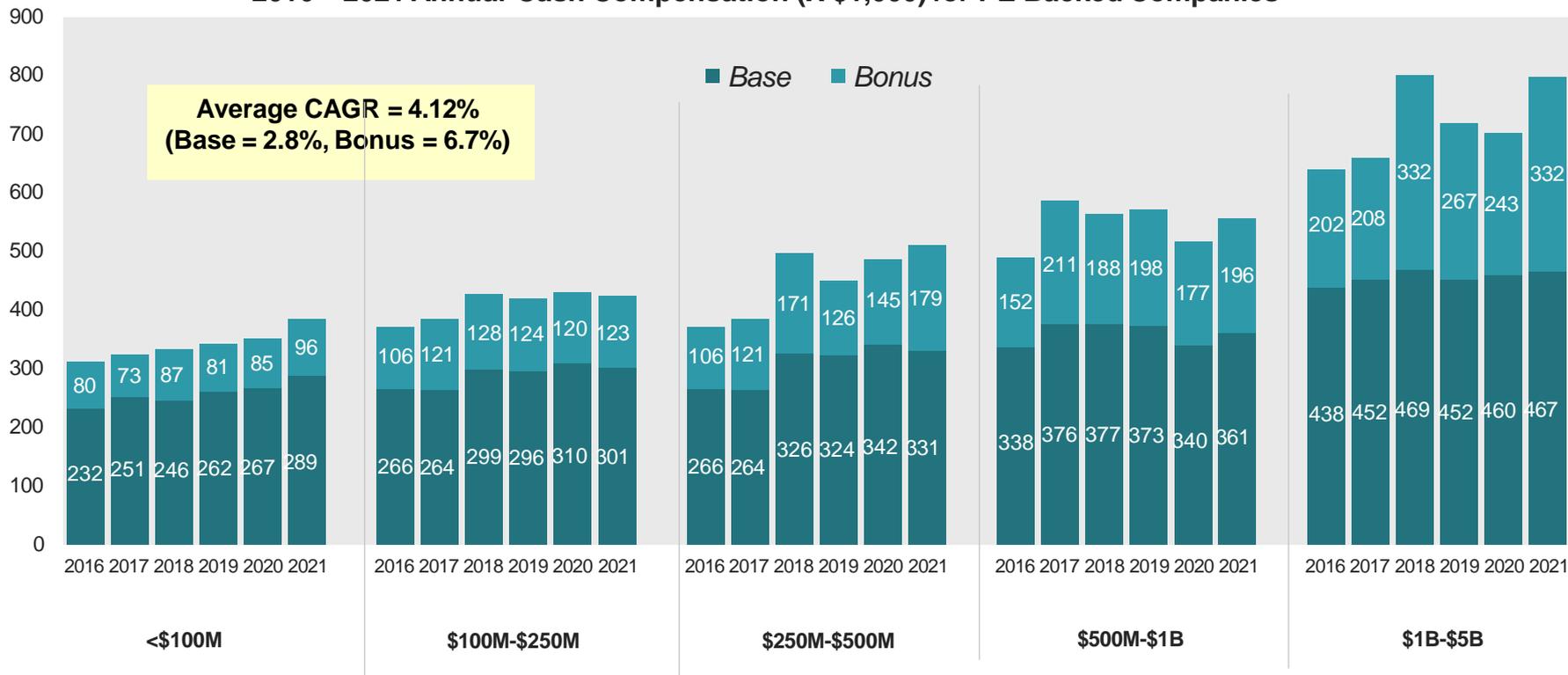


Optimism reigns, and yet...

- 78% of respondents expect improved results in 2022 with 44% expecting significant improvement over 2021 levels. And yet...
- Respondents also identify labor shortages, turnover, wage structure, supply chain and inflation as “high probability” challenges with “material impact” on Company profitability.

/ CFO CASH COMPENSATION BY COMPANY REVENUE

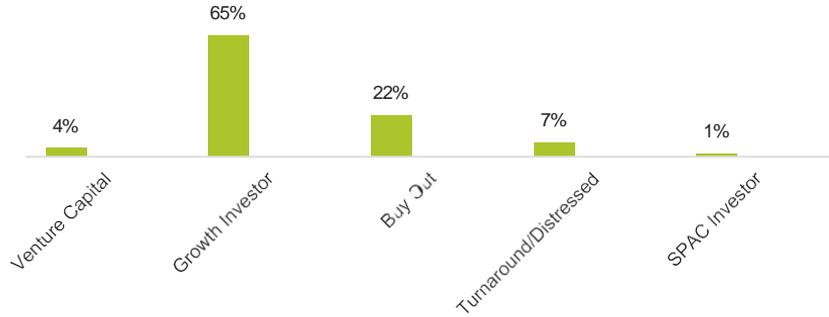
2016 – 2021 Annual Cash Compensation (X \$1,000) for PE Backed Companies



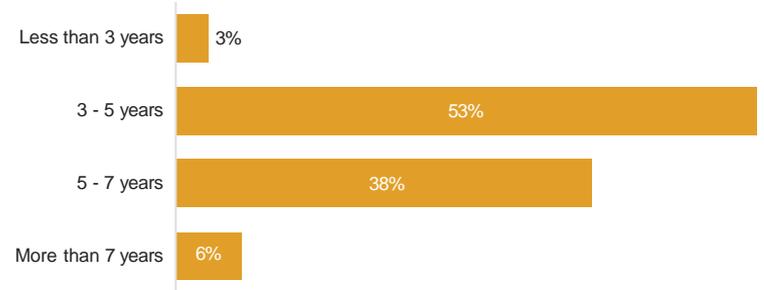
/ SURVEY RESPONSES

/ SURVEY RESPONSES: SECTION I, INVESTOR PROFILE

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



2 Your investor's typical hold period is:



3 What is the most likely exit for your current investor?



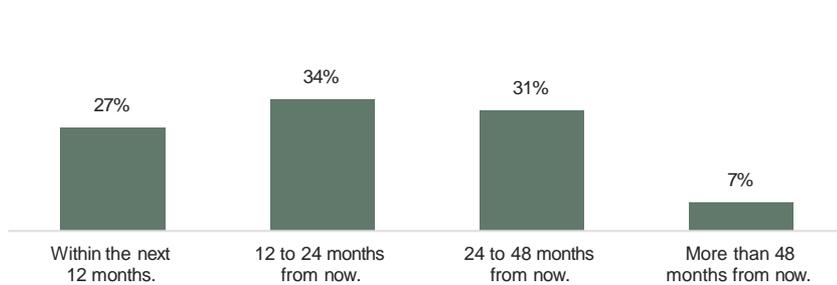
4 Which of these best describes your investor's operations model?



/ SURVEY RESPONSES: SECTION II, COMPANY PROFILE

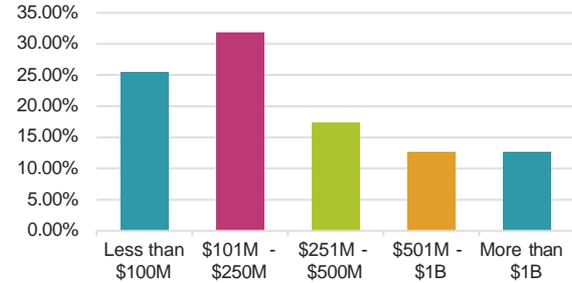
5

When do you anticipate an exit?



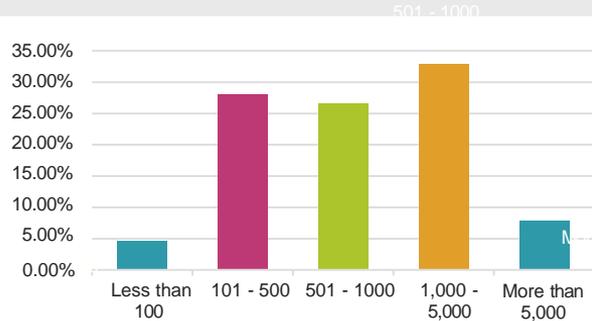
6

What is your Company's annual revenue?



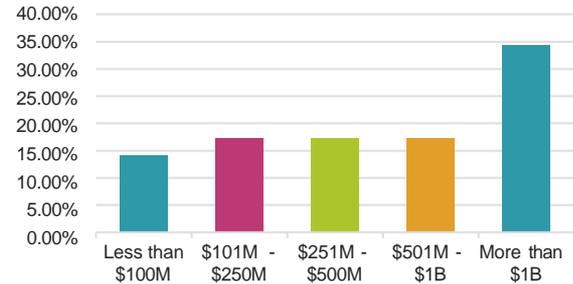
7

How many employees at your Company?



8

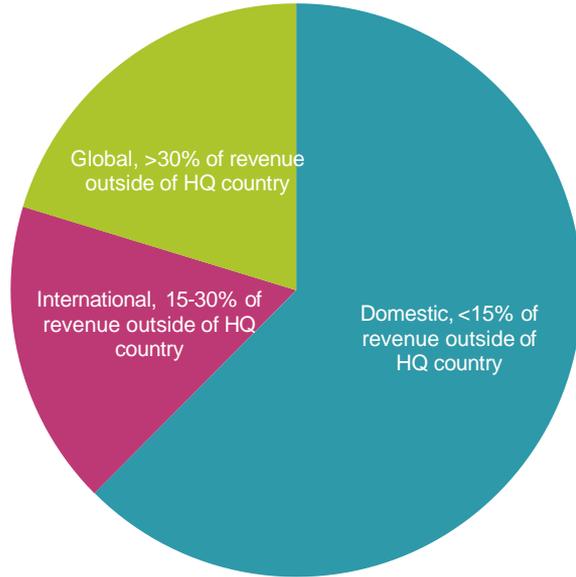
As of January 2022, what is your Company's approximate enterprise value?



/ SURVEY RESPONSES: SECTION II, COMPANY PROFILE

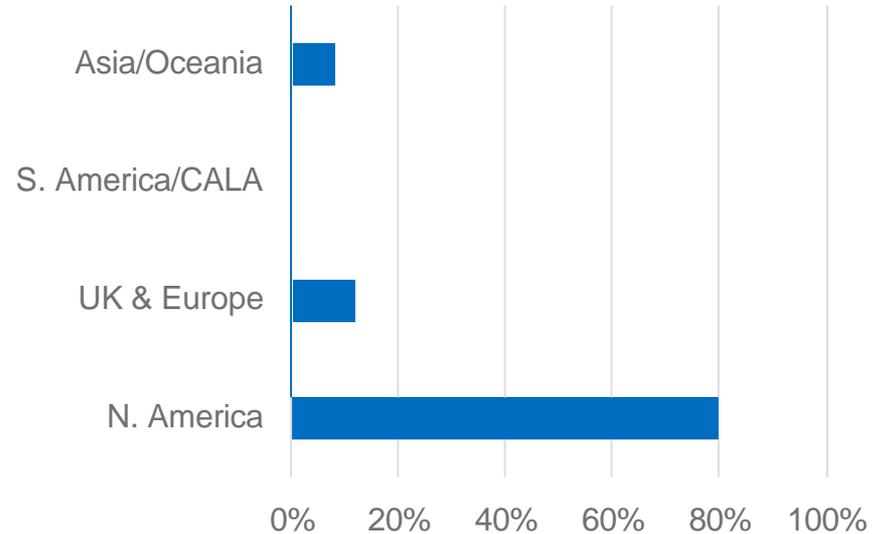
9

What best describes your Company?



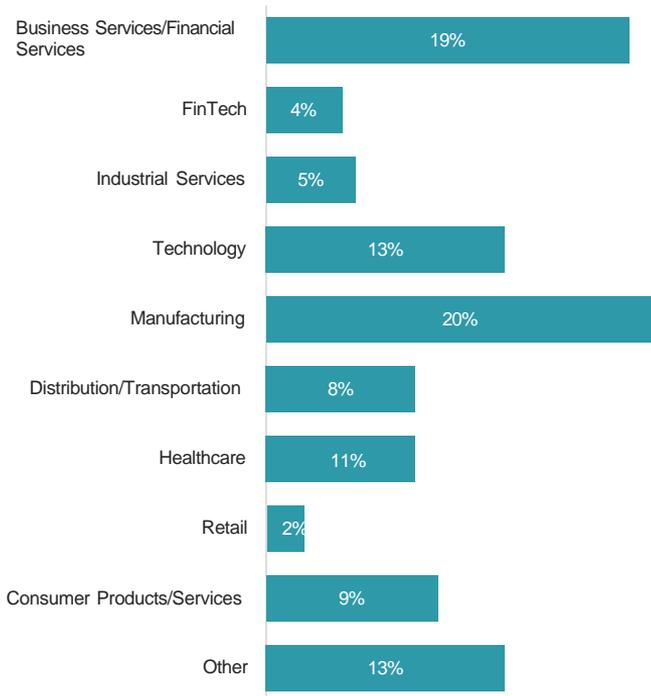
10

Where is Company Headquarters?



/ SURVEY RESPONSES: SECTION II, COMPANY PROFILE

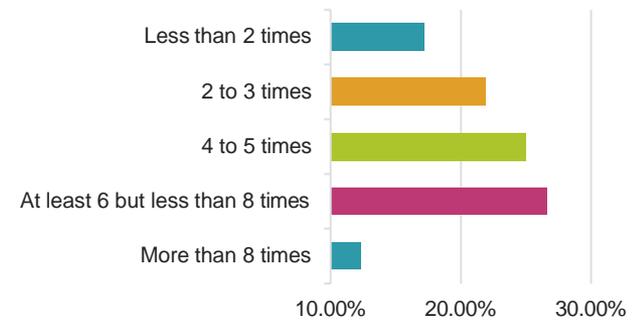
11 What industry best describes your Company?



12 How would you describe your Company's level of debt?



13 For its most recent reporting period, what was the approximate multiple of debt to trailing 12 months EBITDA?



/ SURVEY RESPONSES: SECTION II, COMPANY PROFILE

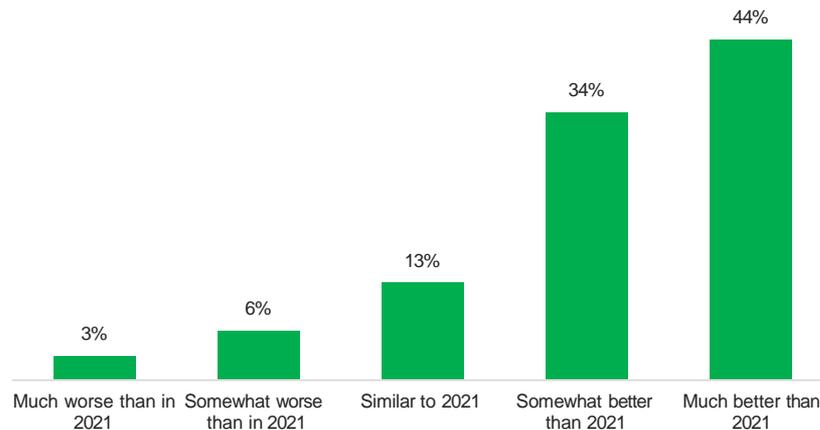
14

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



15

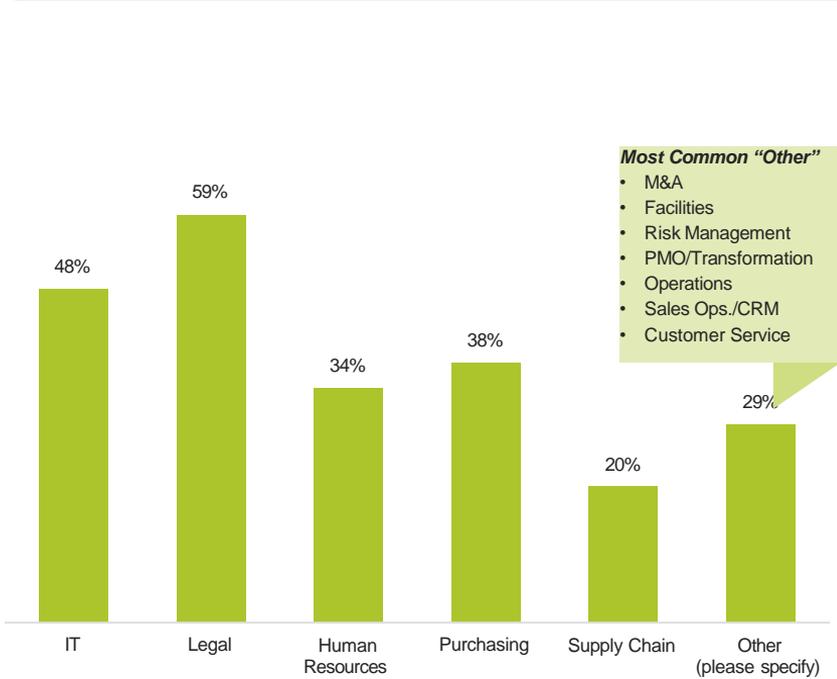
Looking at 2022, do you think operating results will be...



/ SURVEY RESPONSES: SECTION III, CFO ROLE

16

Other than finance & accounting, what other roles report to you?
(check all that apply)



17

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



18

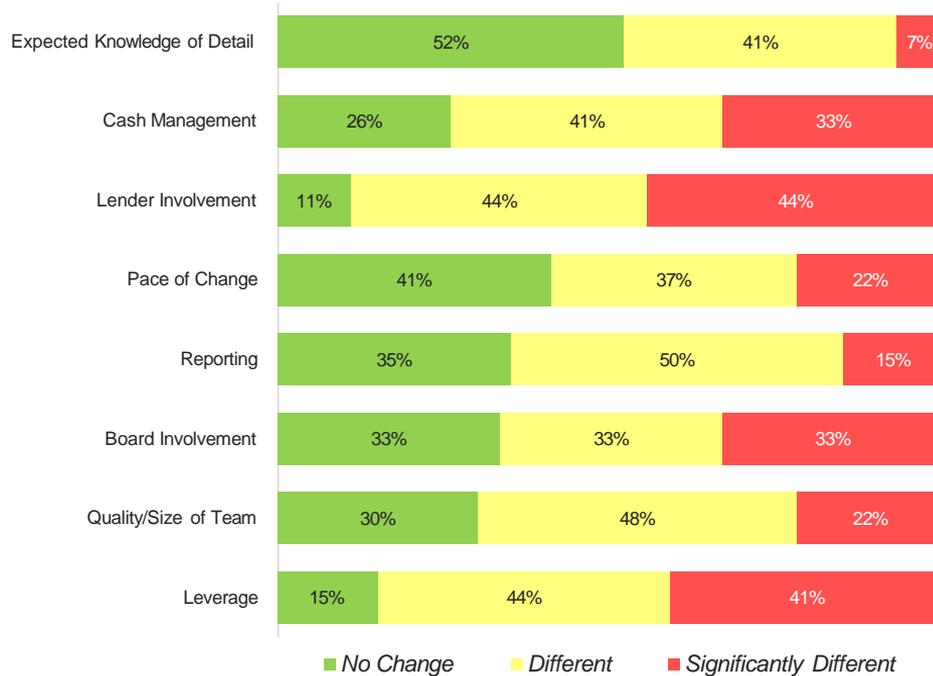
What best describes your previous experience?



/ SURVEY RESPONSES: SECTION III, CFO ROLE

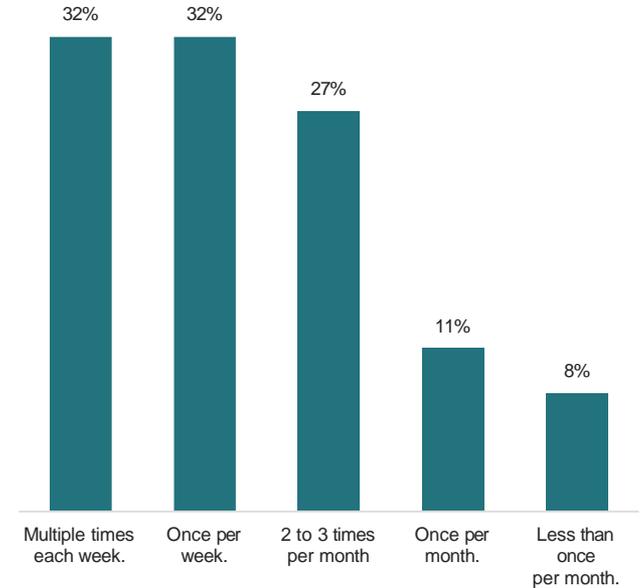
19

If this is your first experience in a Private Equity backed company, how does it compare to your previous role in the following categories?



20

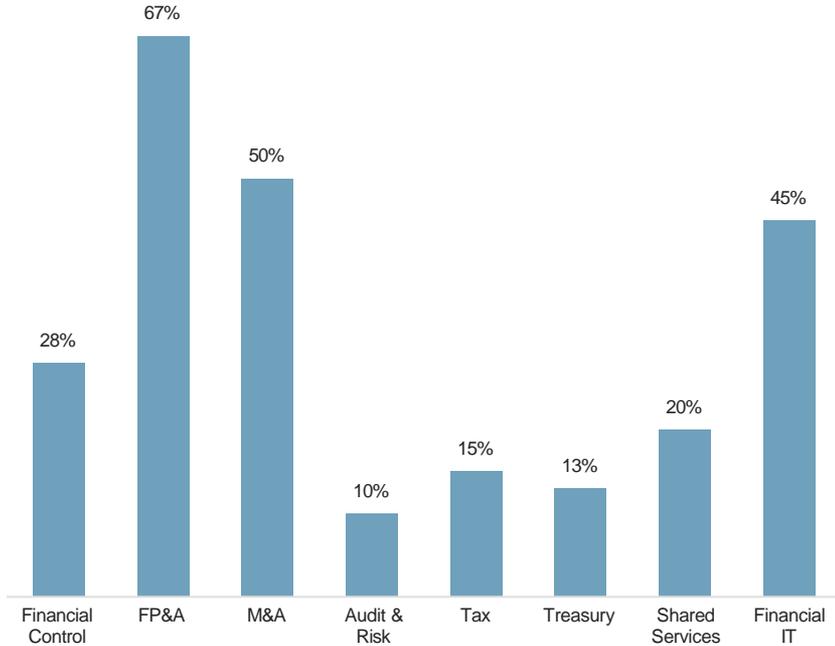
On average, about how often do you have contact with your investor?



/ SURVEY RESPONSES: SECTION III, CFO ROLE

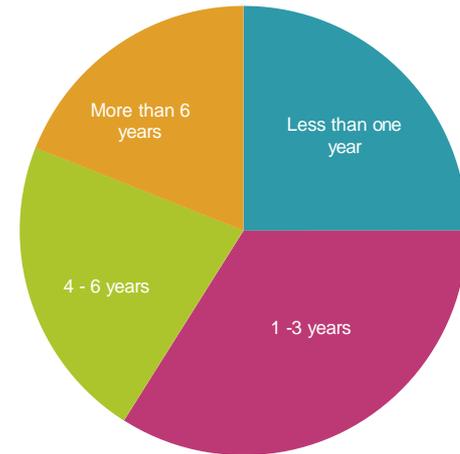
21

In what areas are you mostly likely to invest during the coming 12 months? (Check all that apply.)



22

How long have you worked for your current organization?



/ SURVEY RESPONSES: SECTION III, CFO ROLE

23

Which of the following best describes your situation;

My current position is in the same city as my former role.

52%

My current position is in a different location and I relocated.

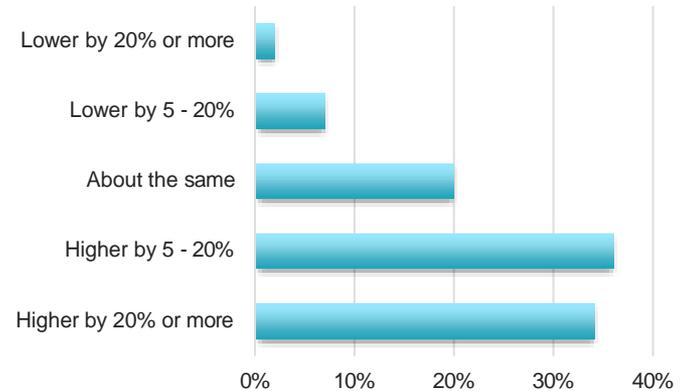
34%

My current position is in a different location. I maintained my previous residence and "commute" on a weekly or periodic basis to the new location.

14%

24

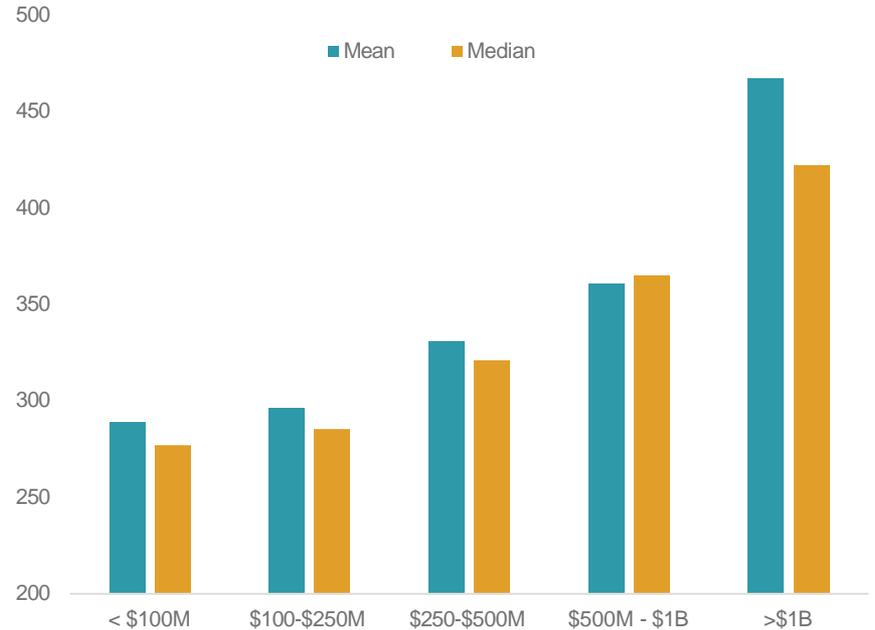
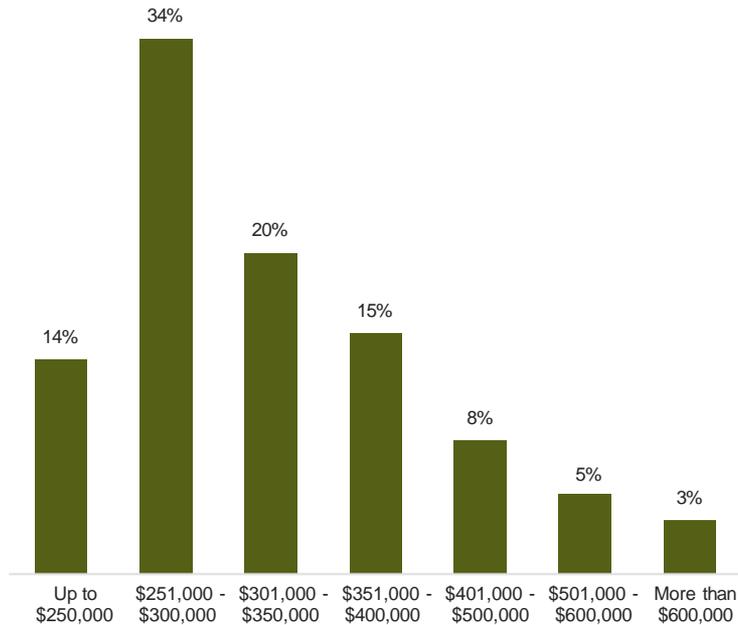
How does your current cash compensation (base & target bonus) compare to your last role?



/ SURVEY RESPONSES: SECTION IV, CFO COMPENSATION – BASE SALARY

25

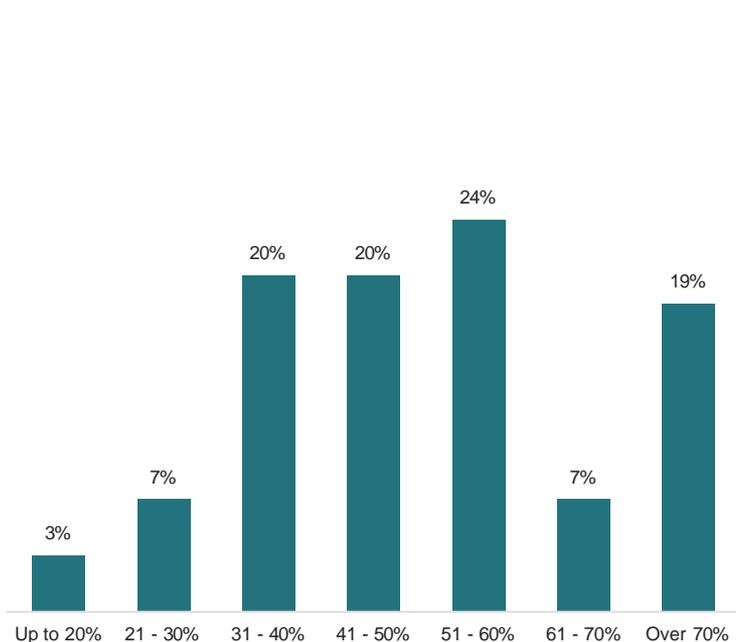
What is your current base salary? (Overall distribution and median and mean by revenue)



/ SURVEY RESPONSES: SECTION IV, CFO COMPENSATION – ANNUAL TARGET BONUS (PERCENTAGE OF BASE)

26

What is your current target annual bonus? (Overall distribution and mean/median by revenue.)



/ SURVEY RESPONSES: SECTION IV, CFO COMPENSATION – ACTUAL BONUS (PERCENTAGE OF BASE)

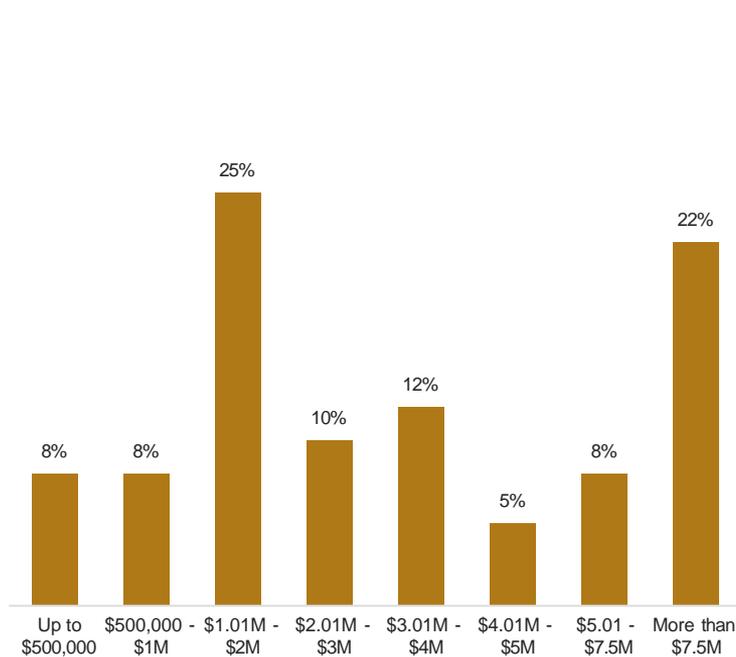
27

What was your actual annual bonus paid in 2022 (for 2021 performance)? (Overall distribution and mean/median by revenue.)



/ SURVEY RESPONSES: SECTION IV, CFO COMPENSATION – BASE CASE EQUITY

28 If your equity delivers against the expectation of the investment thesis, what gross proceeds (000's) do you expect at exit? (Overall and mean/median by revenue)



/ SURVEY RESPONSES: SECTION IV, CFO COMPENSATION – EQUITY

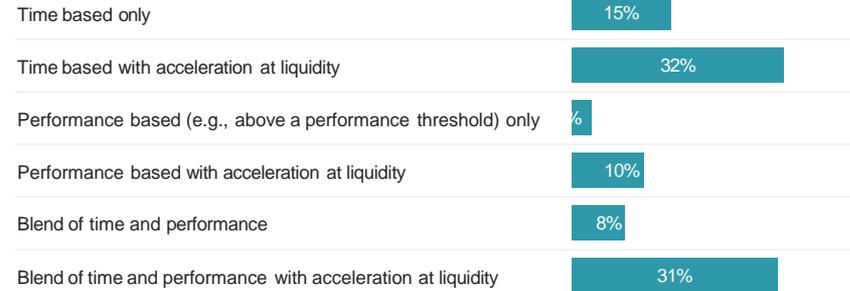
29

Did you invest your own capital in the Company?



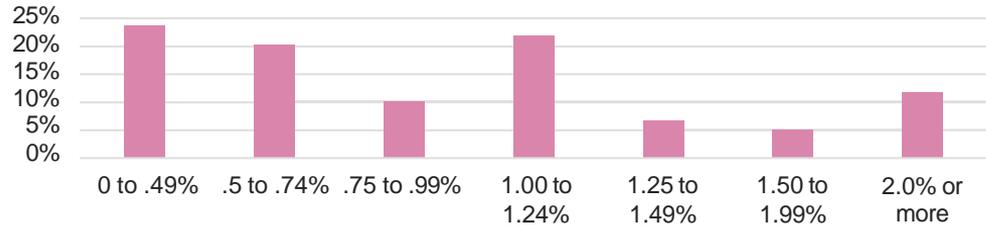
30

How does your equity vest?



31

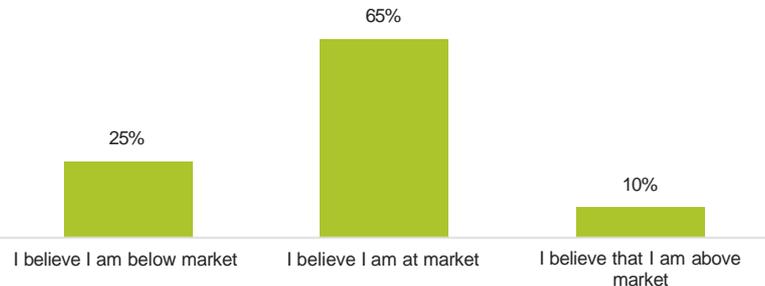
What percentage of the fully diluted shares of your Company do you believe your equity grant represents?



/ SURVEY RESPONSES: SECTION V, CFO OUTLOOK

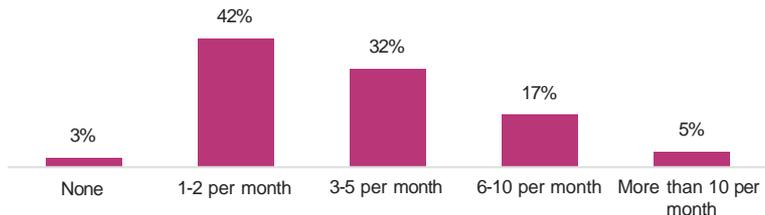
32

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



33

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



34

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

