



Remuneration, Equity & Outlook Report 2023

A report on CFOs in private
equity-backed businesses



Foreword

I am delighted to introduce Finatal's sixth annual Remuneration, Equity & Outlook Report for CFOs in private equity-backed businesses.

The trends seen in this year's report are reflective of the challenging backdrop and economic uncertainty that have been hallmarks of 2023. These challenges bring the role of the CFO to the fore and make attracting and retaining a CFO that can guide a business through complexity more critical than ever. The increasing competition between funds for the most talented and experienced finance leaders is demonstrated by the data, with 2023 showing the largest year-on-year increase in base salaries and bonuses since this report was started.

There are positives that have arisen from a year of change: the slowdown in deals completed over the last 12 months has meant greater focus from investors on optimising their existing

portfolios. This has led to CFOs feeling more supported by their investors and more confident in their roles compared to last year, both ultimately beneficial to creating value.

There are also small forward steps around diversity. Last year's data found that gender diversity was the highest priority for boards. This year, while still a significant minority, female CFOs are reporting a higher average salary than their male counterparts, indicative of the growing recognition of the benefits that gender diversity brings to organisations.

While it has not been an easy year for businesses, CFOs continue to play a vital role in creating value for their organisations. I'd like to thank the individuals who took the time to contribute to the data presented in this report and for their roles in driving the industry forward.



Katie Beck Chair, Finatal

Katie is an experienced board director and business advisor, with over 20 years' experience working with and investing in mid-market businesses. Katie's executive career was as an investor and portfolio partner at Doughty Hanson, Darwin Private Equity and August Equity. Alongside her role at Finatal, Katie chairs BB7, a BGF-backed fire safety consulting business and works as a portfolio advisor and partner to Agathos Management.



Introduction

About this report

Thank you for your interest in Finatal's 2023 report on remuneration, equity and outlook, focused on CFOs working in private equity-backed businesses.

This is the sixth consecutive year this report has been published, covering the remuneration packages offered to CFOs in the UK, shedding light on the factors that influence their compensation. It analyses a wide range of data, including salary benchmarks, bonus structures, equity participation and the impact of industry, location and business size on earnings. It also looks at the attitudes of finance leaders towards business challenges faced and experiences of navigating these.

The objective of the report is to provide a clear, current view of opportunities and challenges faced by CFOs working in portfolio businesses. In a time of rapid economic change and increasing competition for the best finance talent, this report aims to provide insight for businesses, leaders and funds to make informed decisions, helping individuals and organisations to build success.

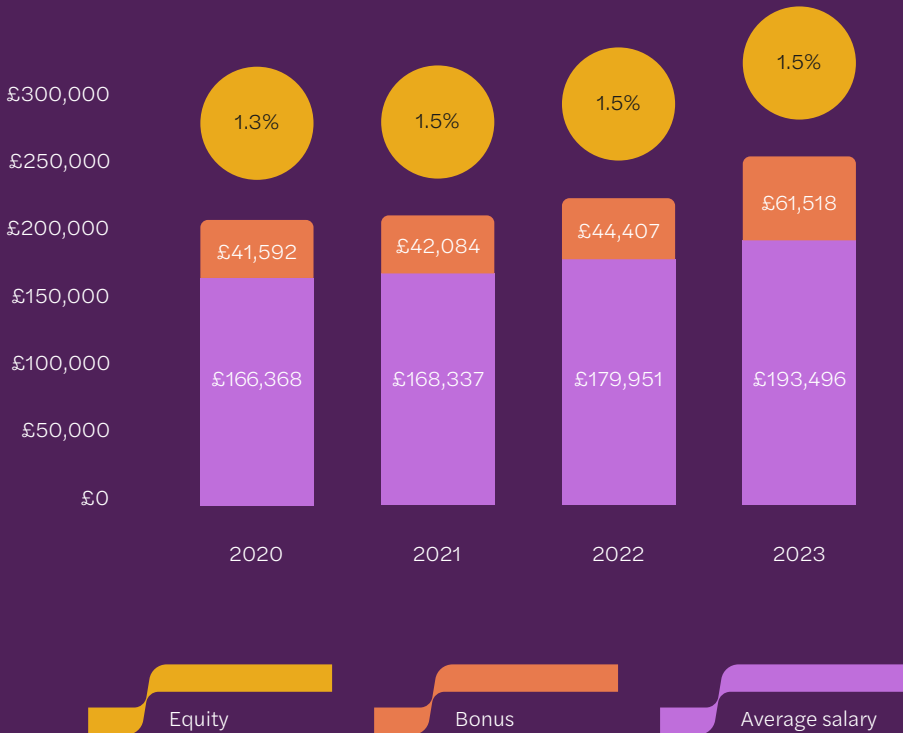
The data in this report was gathered in October 2023, from a sample of UK-based CFOs who are currently working in a private equity-backed business or who have done so in the last 12 months.



Compensation

In 2023, the average salary for a CFO working in a private equity-backed business in the UK is £193,496, a 7.5% increase from the average in our 2022 report. This is also the biggest year-on-year jump we have seen in the six years since we started producing this report, a clear reflection of the inflationary pressures across the economy.

Bonuses have increased in percentage value from 23% to 26%, picking back up to the 5-year average we have noted in this report of 25%. Anecdotally, this would seem to be reflecting 2022 profitability and growth. 33% of respondents anticipate a further increase in bonuses for the next 12 months, with 55% predicting no change.



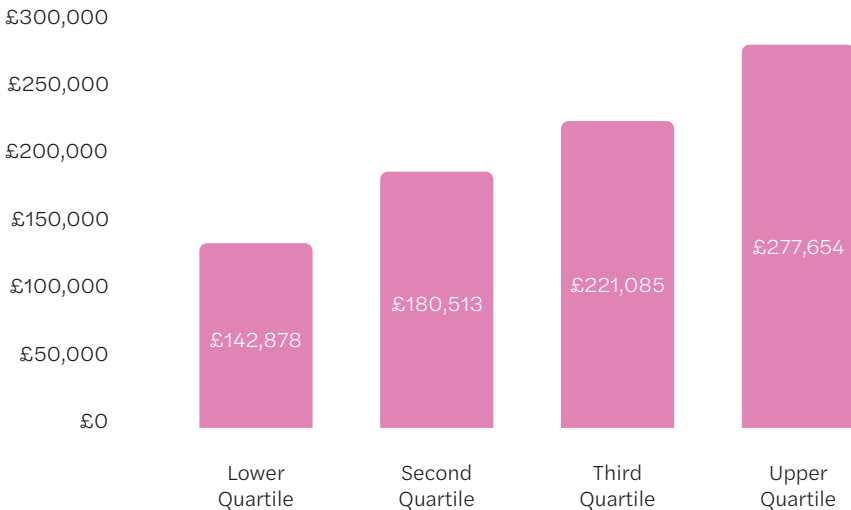
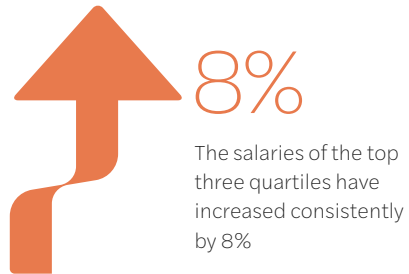


Salary

Our data shows the upper quartile of respondents are earning an average of £277,654, with the lower quartile of CFOs earning £142,878.

This range of £134,776 reflects both the size and complexity of businesses (reviewed in more detail on page 8 of this report), but also experience and calibre of the CFO pool; for example, most in the lower quartile range are first time CFOs.

In comparison to last year, the salaries of the top three quartiles have increased consistently by 8%. However, the highest quartile increased overall by 11.5%. This increase in the highest earners' salaries may reflect the demand for the highest calibre CFOs.

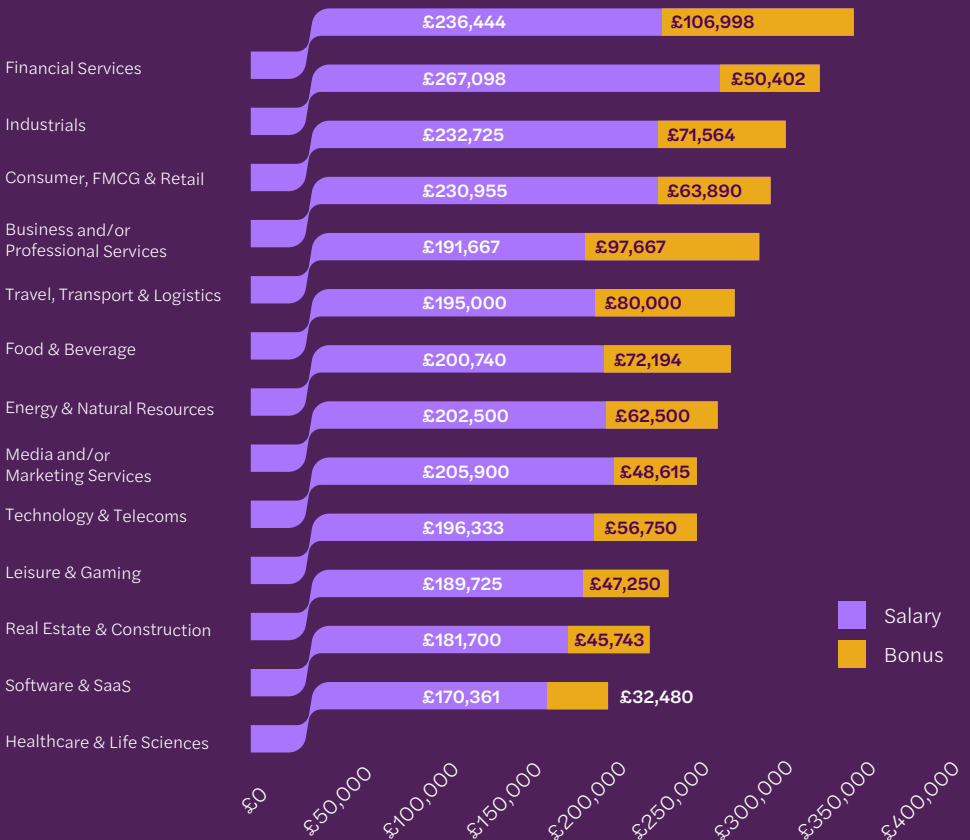




Average salary by sector

CFOs working in the financial services sector reported to have the highest annual package – with a base salary of £236,444 and a bonus of £106,998. This bonus figure is the highest across all sectors, both by quantum and in percentage terms. Healthcare had the lowest average compensation packages, primarily as a result of receiving lower bonuses. CFOs surveyed in the industrials sector were paid, on average, the highest base salaries at £280,000.

The compensation for CFOs in software & SaaS falls towards the scale, perhaps unexpected given the preponderance of deals in this space. However, given the majority of the deals in this industry are smaller, salaries are skewed downwards as a result.





Compensation by location

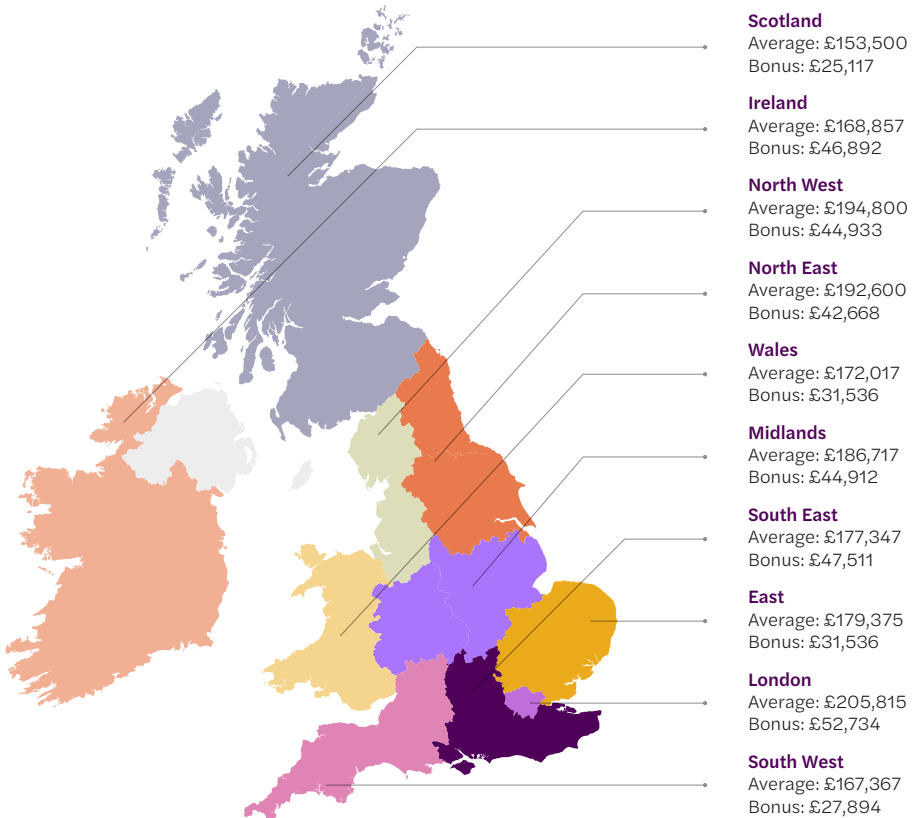
The location differential for compensation is broadly in line with where the hotbeds of private equity within the UK & Ireland are; with London and the Northwest taking the top two spots.

London commands the highest compensation with an average base of £205,815, plus an average bonus of £52,734.

Scotland have a significantly lower average salary, at £153,500 - 20.7% lower than the report's average.

 £205,815

London commands the highest compensation

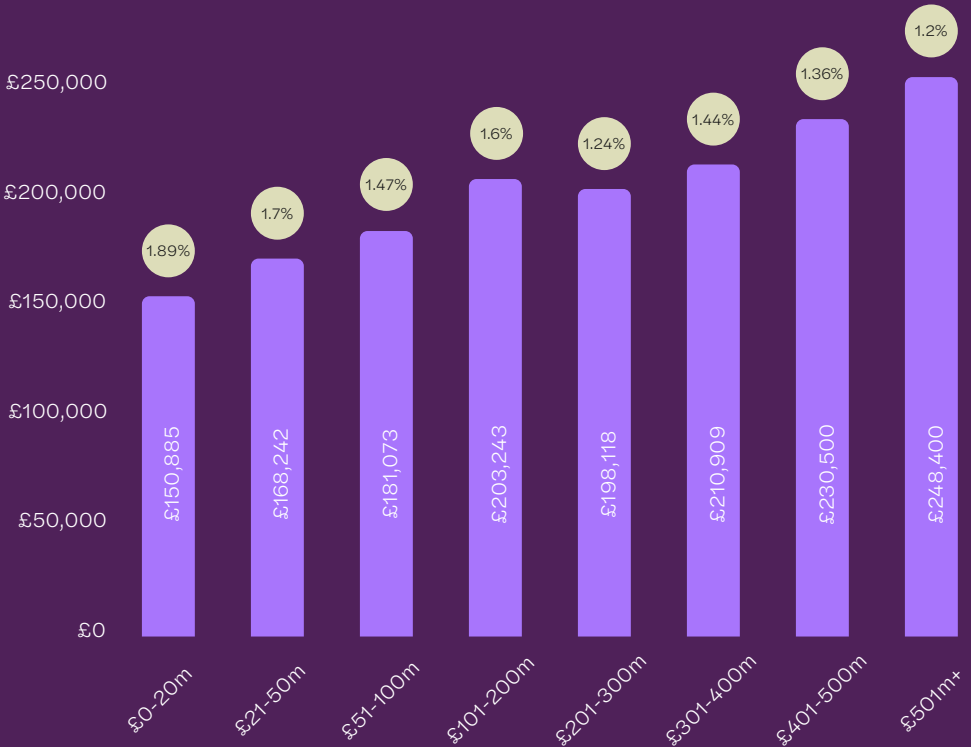




Average salary and equity by target enterprise value

There remains a strong positive correlation between size of businesses and pay/equity. £0-20m target enterprise value businesses pay an average of £150,886 salary, with larger-cap businesses exceeding £210,909 on average.

Target enterprise value directly affects equity, ranging from 1.89% in sub-£20m EV businesses, through to an average of 1.2% in £501+ million businesses.





Investor support

65% of respondents believed their investors had been extremely supportive over the past 12 months. Less than 5% of CFOs felt unsupported, with 30% feeling fairly well supported.

Against a clearly challenging backdrop, 62% of CFOs felt that their PE backers had spent more time with them, understanding the issues facing the business; while 36% had gone as far as injecting cash into the business, and others had been able to introduce the business to expert resources (for example pricing and/or procurement specialists).

Not as many CFOs had experienced cross-portfolio sharing, but still a moderate proportion of investors have taken steps to ensure cross-pollination is happening.

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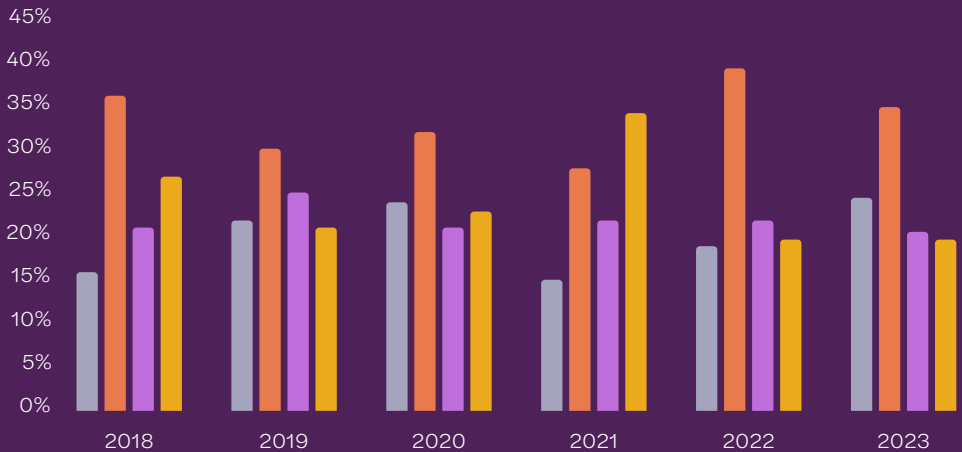


CFO requirements

Resilience and an ability to work well under pressure have retained the top spot, in line with the findings of our 2022 data, in terms of the trait most PE CFOs see as key to their success.

way through over the past twelve months. The importance of strategic input and leadership skills have risen to levels only seen in 2020 before – demonstrating the heightened need for strong guidance in the current climate.

This is reflective of the tougher market conditions and numerous issues that many business executives have had to navigate their



Strategic input into the business/leadership/acumen

Resilience/ability under pressure

Communication with investors

Adaptability/flexibility



Business challenges

The headwinds facing the global macro environment, with rising interest rate, continued worldwide conflict and economic slowdown have created an unusual mix of challenges.

It is unsurprising, therefore, that the broader macroeconomic environment was cited by over 90% of respondents as an issue they are facing, and with 45% seeing it as a critical problem facing their business. Hiring top talent remains a priority for many businesses, and as we've seen over the past year, we are still operating at near full employment in the UK; good quality employees are still in very high demand.

A significant proportion of businesses in private equity are still focused on buy and build as a critical part of their growth plans. Though not such a pressing issue for a high proportion of respondents, 21% see finding good quality bolt-ons as a critical issue.

While the threat of inflation has not receded completely, it is much less of an issue than we were seeing last year, with just 19% seeing it as critical, though 64% of CFOs felt it was still an issue having some impact.

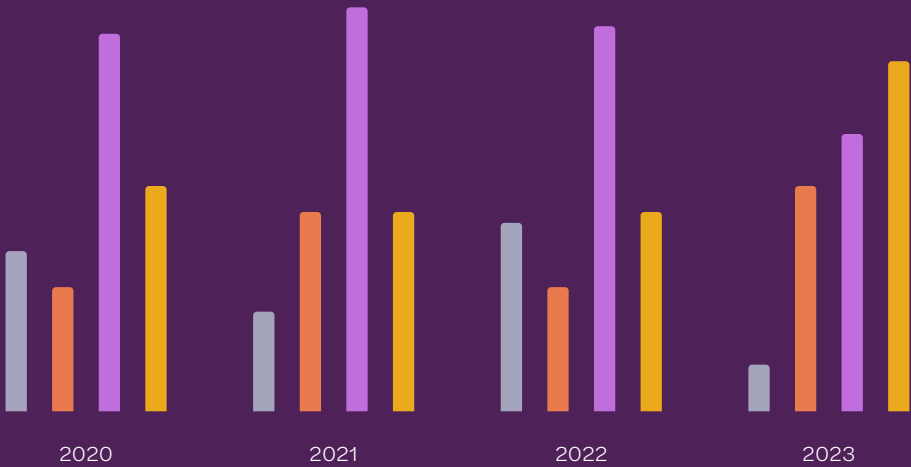
	Not an issue	Issue with some impact	Critical issue
Hiring	25.90%	46.70%	27.40%
Inflationary environment	16.40%	64.20%	19.40%
Macroeconomic environment	6.70%	48.10%	45.20%
Finding good quality M&A options	42.10%	36.80%	21.10%



Leadership

2023 saw a 7.7% increase of confidence when asked if the respondents would remain as the company CFO at exit, as compared to last year. 70% of respondents feel secure within their leadership role and that they are able to withstand managing business challenges.

We saw the smallest percentage of respondents feeling unconfident of their position in the six years of running this report, with only 5% of CFOs feeling unlikely they would be in their seat come exit, compared to 23% of respondents feeling uncertain last year.



Not confident

Uncertain

Confident

Extremely confident



Diversity

As in previous years, there is a clear need for improved diversity at CFO level within businesses. This is reflected in compensation packages, with female CFOs reporting earning 12.8% more on average than male CFOs.

This data point was reflected across the market, even after considering size of businesses and experience, highlighted the increase in demand for female representation at C-suite level.

Only 12.2% of survey participants this year represented individuals from ethnic minority backgrounds. This figure is in line with wider data sets covering diversity within private equity, and demonstrates the significant strides that the industry at large must still take.

£219,909

Female

£189,457

Male



Conclusion

The data from this report highlights the increased demand industry-wide for talented finance leadership, as businesses seek strong professionals to create value in times of challenges and change across private equity.

The period of relative inactivity in terms of deals across PE has elevated the need for CFOs to be resilient and work under pressure and the data reveals that businesses are recognising the importance of finance leaders who possess a diverse skill set and can adapt to evolving market conditions.

Private equity funds have long shown their ability to navigate economic uncertainty and capitalise on emerging possibilities. In 2024, businesses will inevitably face new challenges, and CFOs will be increasingly relied on to provide strategic financial guidance and drive innovation, making their role indispensable in driving long-term growth and profitability for their organisations.

This report has been conducted on an anonymous basis and the data is reviewed and reported on only in aggregate.



Who we are

Finatal is the leading search partner for private capital, focused on building successful, talented teams for private equity funds and their portfolio companies.

We partner with businesses at all stages of the investment cycle across the UK, Europe and North America, offering exceptional service at an unrivalled pace.

Perfectly placed to work on both permanent and interim assignments, we fuse our extensive expertise and broad network to match the strong candidates with the businesses that complement their ambitions.

To find out more about how Finatal can help you or your business build success, please [get in touch](#).

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