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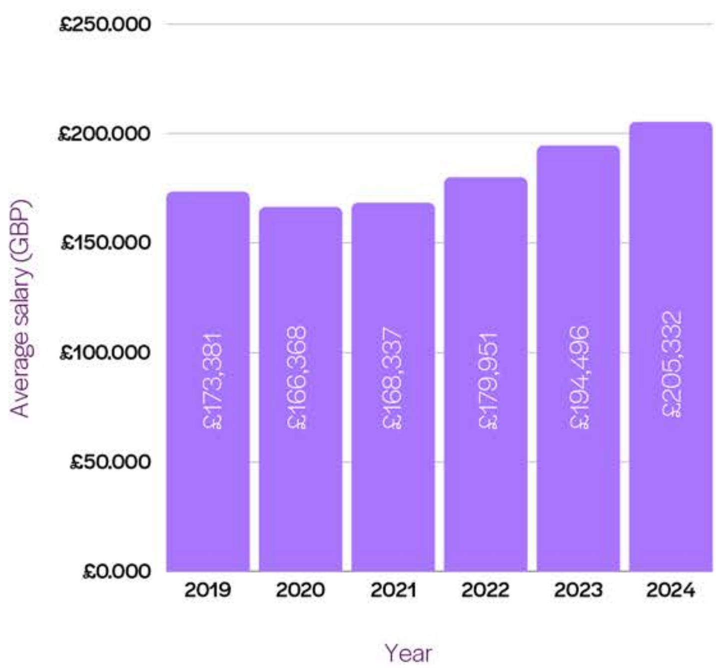
The CFO Conundrum: Reflections on remuneration of CFOs in private equity

Our Remuneration, Equity and Outlook Report for PE CFOs has been collecting data across the industry annually since 2017. The objective of this report has always been to provide a concise, current view of the opportunities and challenges faced by CFOs working in portfolio businesses, as well as to give clear guidance around compensation expectations. As we continue to develop the survey each year, we build increasingly valuable insights into the evolving landscape of the private equity CFO. Here, Managing Director Jack Lane explores what these trends tell us about the evolution of the CFO role and what that means for those looking to build success in their career as finance leaders.

For investors and executives alike, data collected in our annual survey paints a picture of the pressures and expectations faced by CFOs navigating an increasingly complex market, where attracting and retaining top-tier talent is critical to portfolio success and understanding the dynamics of remuneration and market sentiment is key to staying competitive.

We have ridden something of a macroeconomic rollercoaster since 2019. Brexit, Covid, post-Covid tech boom. Softened debt market, buy-and-build frenzy, buy-out bonanza. Russia's invasion of Ukraine, geopolitical tensions, shifts in power. Rising inflation, increased debt costs and decreasing consumer confidence. Now Trump re-elected and Starmer leading the first Labour government since 2010. It's no secret that many private equity firms have enjoyed immense success during this period but, broadly, the industry has faced tumultuousness like never before. It should come as no surprise then, that these challenges have been felt most acutely by the executives leading their portfolio companies. Here, we reflect on the data from the last six years and the shifts in the trends over a particularly challenging horizon.

Average basic salary for CFOs in portfolio companies



The average salary has increased 18%, recovering swiftly following a decrease during the pandemic.

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The CFO role has become increasingly complex over the years. The modern CFO must be capable of delivering much more than just financial engineering to be successful in a PE portfolio company. They are expected to drive results under pressure, especially in a tight economy, provide real leadership to the business and act as true sparring partners to the CEO.

- Mark Tentori, ex-private equity CFO & Charterhouse Portfolio Partner; CFO mentor

Compensation:

Far from a 'glorified accountant', the PE CFO role continues to be treated as a high-value position, commanding top-tier salaries, bonuses and equity participation.

- Average salaries for a mid-market PE CFO have increased over time, up more than 18% from £173,381 in 2019 to £205,332 in 2024.
- Whilst the quantum they represent have increased in line with the salaries they are unpinned by, bonuses have hovered around the same percentage at c25%.
- Average equity participation has increased from 1.5% in 2019 to 1.7% in 2024.
- Geographical pay discrepancy remains relatively minimal. Contrary to popular belief, the salary for PE CFOs is less dependent on local market pricing and more aligned across the broader industry.
- Salaries across all sectors have increased at the same rate, with no significant deltas for specific industries – indicating little impact from condensed deal-flow in certain markets over the period.

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The increase in CFO salaries reflects a number of independent factors, most of which we expect will continue to impact remuneration in future.

1 Indexing on experience

Funds tend to look for experienced CFOs who have already taken a business through an exit. These people come at a higher price point as they are in higher demand and typically have a greater idea of the challenges and their value contribution for the road ahead.

2 Market competition

Not only are experienced CFOs in high demand but there is increasing competition for top-tier talent across the wider candidate pool. As the PE market has expanded significantly, the requirement for CFOs in portfolio businesses has driven a higher demand than historic supply could meet.

3 Retention strategy

In response to these two points, PE is having to fight harder to retain their top-quality CFOs in order to fend them off from other prospective hirers, often coming with fresh equity allocations and promising shorter time frames to exit.

4 Increased complexity and expanded responsibility

Funds are recognising the increasing importance of the role, which has expanded deeper into strategy, value creation and growth, in the demanding landscape of private equity. CFOs are being well compensated for their pivotal role in successfully steering a portfolio company's success.

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> With ever lengthening hold periods, the successful CFOs will be those who adeptly align themselves with both management and PE objectives, and also maintain a sense of curiosity about developing new value creation opportunities.

- Edward Knighton, Operating Advisor to private equity funds

Confidence:

Among those surveyed, there has been a significant flux in confidence in remaining in post as CFO for the next exit event; from 62% of respondents in 2019, peaking at 72% in 2021 and falling to just 54% in 2024. Over the years, these confidence levels have also become more polarised, likely driven by disparities in business performance.

With the average CFO lasting just shy of three years in their role, against an average PE deal cycle of five and a half years, many of these underconfident CFOs will be proven correct.

Increased pressure to perform

Whilst the role of the PE CFO has certainly become more challenging, the uptick in compensation has left the position under a great deal of scrutiny. The expected value creation by the modern PE CFO is significantly higher than its 2019 counterpart and investors are not afraid to replace where they see a lack of impact.

54%

The proportion of CFOs in 2024 who felt confident they would still be in post at their company's next exit

Resetting strategies

Amidst the economic maelstrom, plenty of portfolio companies have had to pivot their growth plans in order play out the intended investment thesis. The most typical here being a shift away from expensive M&A to driving organic growth.

It's unlikely that the CFO hired to drive the first strategy remains to be the perfect hire for the reset.

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Extended timeframes

Where investors typically operate under tight timelines to create value, the lengthening of the average PE hold-period has stretched the expected tenure of the CFO in situ. Given the statistics, it's increasingly unlikely that the same person will remain in post over an elongated timeframe and it seems that CFOs are acutely aware of this.

Candidate-driven moves

Of course, plenty of CFO movement is driven by the candidates themselves. Perhaps identifying a strategic shift, a valuation adjustment or simply finding themselves bored as they fight for a pay-day that may never happen, a number of CFOs will be unconfident that they'll be there for exit - primarily because they don't want to be!

In 2024, 68% of respondents felt that their investors were supportive, but there is a gap between this number and the confidence in retention until exit. Of course, PE will not seek to retain every CFO in their portfolio but they certainly have a role to play in instilling confidence in those they'd much rather not replace. Communication – and investors certainly appear to have more time to do so with their CFOs, as 40% of respondents reported increased engagement – can go a long way here. The gap also suggests there is an opportunity to show support via financial encouragement – proactive retention may have a cost but it's unlikely to be outweighed by the cost of a replacement.

> I have been a CFO for multiple private equity portfolio companies over the last three decades. I have seen businesses have to navigate through both enormous growth phases and challenging economies. In both cases, it is critical for the CFO to be able to cope with the macro-pressures and internal board dynamics. The more pressure they face, the more they are required to remain calm and help guide the business through to success.
>
> **- Kevin Budge, experienced private equity CFO**

Diversity:

Female CFOs continue to be under-represented in the PE community, but there are promising movements in the right direction to improve gender balance in the industry.

The average female PE CFO is now being paid £224,000, 10% higher than their male counterparts. This is a significant increase from only two years ago, when the average female CFO salary was £171,000 against the male average of £181,000.

£224k

The average salary for a female PE CFO in 2024, reported by survey respondents

This figure reflects the ongoing demand for gender diversity in the industry – in 2022, 44% of respondents found that diversity was increasingly prioritised at board level and these figures show a clear improvement in PE addressing the imbalance. Whilst the pay gap may seem significant, it is worth noting that there is greater growth of female CFOs in larger deals (upper-mid market and above) which skews the pay bracket northwards.

This is likely indicative of the greater DEI initiatives across larger funds and their ability to attract talent coming from a wider, non-PE background.

> It's promising that PE is taking an active interest in increasing diversity around the board table for their portfolio companies, especially female representation in the CFO role. Addressing the pay gap is strong start to attract diversity at the top table. However, offering more flexibility and ensuring the business can accommodate board members working a hybrid model is a significantly more important factor than pure financials.
>
> **- Claire Price, private equity CFO, ex CFO of Investis Digital (ECI to Investcorp) and Potentia Founding Member**

Concerns:

Our report has highlighted a shift and return to certain concerns for the CFO role over time.

- In 2019 the prevalent concern, representing 45% of participants, was wider economic challenges. Hiring followed as the second biggest concern at 20%.
- Rather unsurprisingly, 2020 saw the coronavirus pandemic as the biggest concern (48%), followed by wider economic challenges at 29%. Hiring dropped to 13%.
- Hiring took the top spot in 2021, spiking to 35%, with the wider economy only ranked by 17% of participants.
- 2022 saw inflationary impact just pip hiring to the primary concern – 31% vs 30%.
- In 2023, 45% of respondents said the macroeconomy was a critical issue, with 27% citing hiring.
- In our 2024 survey, 38% identified the macroeconomy as a critical issue with hiring creeping up to 31%.

Hiring and macroeconomic instability have consistently been at the forefront of the challenges CFOs face. It is unlikely, given the prospects for 2025, that these challenges will take a backseat for the following 12 months.

31%

of respondents said that hiring was a critical issue they faced as CFOs in 2024

Reflecting on this data, it's clear that a successful PE CFO will need to address these challenges in order to maximise value in their role. You should expect prospective CFO candidates to be able to demonstrate how they have navigated macroeconomic challenges – bullet-proofing their businesses as much as possible so as to mitigate risk and enabling an exit.

Equally, CFO candidates should be able to demonstrate a strong hiring track-record – being capable of building teams and driving performance through people over time should be a non-negotiable.

> A critical trait of a private equity CFO is the ability to distil the key drivers of the business into discrete data points such that control of these drivers can be tracked and evidenced over time. The best CFOs have an ability to identify and communicate these to the C-suite, investors and broader business. This becomes even more important at times of macroeconomic and market uncertainties, as we have been seeing in recent years.

- David Silver, Portfolio Chair/NED and former Head of European IB, Baird

CFO traits

Since the start of our survey, one trait has been consistently identified as the dominant factor important to a CFO in private equity.

Resilience and ability under pressure

This is perhaps unsurprising given the macroeconomic turbulence since 2019, the increased responsibility of the role and the flux of uncertainty to remain until exit. Every PE CFO, and hopefully most investors, would acknowledge that the role is a tough and pressurised one. Being able to deliver results without feeling overburdened by the intensity of working in a PE backed business is critically important.

Resilience has ranked the highest in every survey since 2019, averaging between 28% and 38% of the rankings, with the exception of 2021 where it was trumped by agility/flexibility.

35%

of CFOs surveyed deem resilience as the most critical quality for successful leaders

Whilst it is somewhat reliant on a shared understanding of the type of pressure within the PE ecosystem, this is a quality we are frequently asked to rank prospective CFO candidates against and is frequently delved into as part of a formal referencing process.

Whilst it is clearly not a trait that can mark success in isolation, it's increasingly important to be able to identify CFOs who can demonstrate it.

We will continue to run the CFO report and track the evolution of trends and data over time. We're proud to support both the PE and CFO community by publishing our findings each year and hope that the information we build on over time will continue to support many of our clients and candidates. If you'd like to discuss, please do not hesitate to reach out.

Who we are

Finatal is the search partner for private capital investors and their portfolio companies. We recruit world-class talent across international markets. 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. Our exclusive focus is on private capital, recruiting professionals who work with businesses to achieve their value creation goals.

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