

HEIDRICK & STRUGGLES

---

# EMEA Private Capital Compensation Survey **2015**

Executive Report



## Introduction

In June 2015 Heidrick & Struggles invited more than 7,000 executives working in the European Private Capital industry to participate in an online survey of compensation.

This is the third annual edition of the survey.

We received 396 usable responses (since 2013 a cumulative total of 1,531 responses) from professionals working across illiquid funds: buyout, Growth, Distressed, Credit, Direct Lending, Fund of Funds, Secondaries, Co-Investment, and Venture.

The survey includes executives working across the Private Equity (PE) value chain: those who raise and retain capital; those who invest capital; and those who work to improve returns. We also reached out to the CFOs, General Counsels, and CHROs of their funds.

We would like to thank all those who completed this survey.

The largest respondent group remains Investment Professionals (328 responses) and this report principally focuses on their compensation levels and trends.

We have analyzed some aspects of fundraising professionals' compensation and have reported on it where response data enables.

For operating partners and other functional specifications we did not gather sufficient information that would allow us to analyze trends in depth.

Should you wish to discuss the survey in greater detail please do not hesitate to contact us.

**Richard Thackray**  
Partner  
[rthackray@heidrick.com](mailto:rthackray@heidrick.com)



**Tom Thackeray**  
Associate Principal  
[tthackeray@heidrick.com](mailto:tthackeray@heidrick.com)



**Kanika Walia**  
Senior Research Analyst  
[kwalia@heidrick.com](mailto:kwalia@heidrick.com)



### On Confidentiality

The survey has been conducted on an anonymous basis for the individuals and their employers and Heidrick & Struggles has kept separate the data relating to name and firm from their compensation.

# Contents

<b>Market Backdrop</b>	<b>4</b>
<b>General Observations on Compensation Trends</b>	<b>5</b>
<b>Respondents' Cash Compensation Development 2013–2015</b>	<b>6</b>
<b>Mean Base, Bonus &amp; Carry (Current Fund and All Funds) by Fund Size, 2015 Investment Professionals Only</b>	<b>7</b>
<b>Mean Base, Bonus &amp; Carry in 2015 vs 2014 Fundraising and Investor Relations Professionals Only</b>	<b>8</b>
<b>Years of PE Experience &amp; Compensation in 2015 vs 2014 vs 2013 Investment Professionals Only</b>	<b>9</b>
<b>Years of PE Experience &amp; Carry, 2015 Investment Professionals Only</b>	<b>10</b>
<b>Investment Strategy Mean Base, Bonus &amp; Carry, 2015 Investment Professionals Only</b>	<b>11</b>
<b>Comparison of Compensation Across Europe and Africa, 2015 Investment Professionals Only</b>	<b>12</b>
<b>Respondents, PE Experience Demographics All Professionals</b>	<b>13</b>
<b>Split of Respondents by Educational Qualifications All Professionals</b>	<b>13</b>

## Market Backdrop

Capital superabundance is creating a viciously competitive market. Few firms believe they will deliver strong returns from their current vintage fund:

- Asset prices are high and there is a strong sense that the market is overpriced.
- There remains significant equity capital “dry powder” and many firms are behind the investment schedule for their current funds.
- Plentiful low-cost debt supports pressure on prices and lending competition has returned capital structures and terms to pre-GFC (global financial crisis) levels.

Don't confuse European respite with recovery.

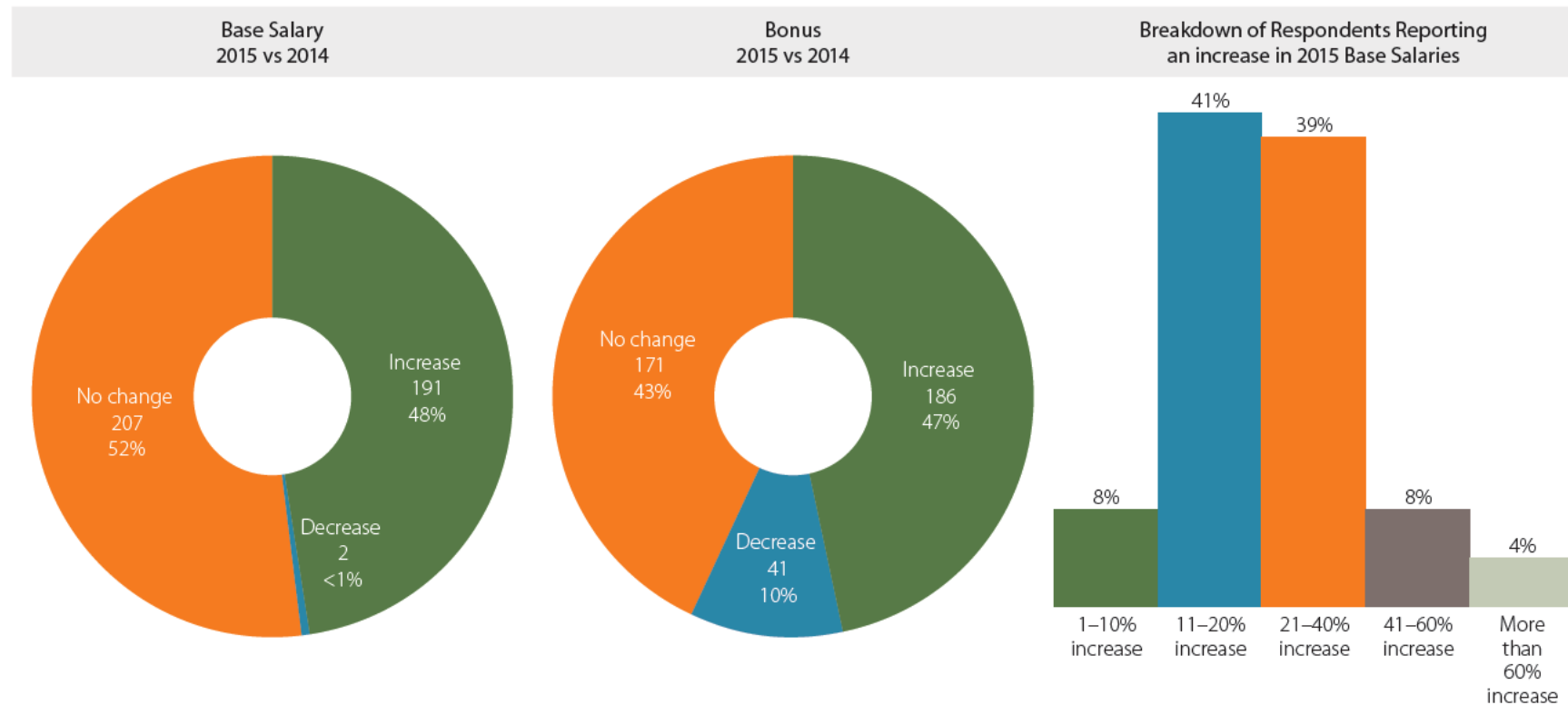
### There Is Intense Pressure on GPs (General Partners)

- Sourcing and creating differentiation in transactions is key.
- Funds with evolved and disciplined approaches to value creation are viewed as having a sustainable advantage.

### Hiring and Talent Trends

- For the second year since the GFC we have seen significant rebirth in PE with many new managers raising capital. A key driver is listed alternative asset managers seeking to drive assets under management (AuM).
- Several successful European managers are becoming multi-strategy firms with an emphasis on special situations as the lead diversification play.
- Firms are refocusing on Europe's largest economy, Germany. There is a demand for German investment professionals.
- Fundraising continues its trend towards specialization. The largest firms are actively hiring ultra high net worth (UHNW) and family office coverage.
- Despite the demand from limited partners (LPs) to see visible operating ability within funds, there remains low demand for operating professionals.

## General Observations on Compensation Trends



48% of respondents reported base salary increases between 2014 and 2015 (a 20% decrease from last year). The scale of increase has also declined from 2014's survey, with the majority (80%) reporting an 11–40% increase.

Time series data is analyzed later in the report (page 9).

# Respondents' Cash Compensation Development

2013–2015

(€'000)	2013				2014				2015			
	Mean Base	Mean Bonus	Total Comp	CAGR	Mean Base	Mean Bonus	Total Comp	CAGR	Mean Base	Mean Bonus	Total Comp	CAGR
<b>All Professionals</b>												
Partner Level: Managing Directors, Managing Partners, Senior Partners, and Partners	290	267	557	4%	286	328	614	7%	298	326	625	2%
Principal Level: Principals, Vice Presidents and Directors	159	147	306	7%	160	145	305	1%	170	175	345	13%
Associate Level: Associates and Analysts	90	65	155	16%	82	58	140	0%	101	74	175	25%

(€'000)	2013				2014				2015			
	Mean Base	Mean Bonus	Total Comp	CAGR	Mean Base	Mean Bonus	Total Comp	CAGR	Mean Base	Mean Bonus	Total Comp	CAGR
<b>Investment Professionals</b>												
Partner Level	287	272	559	3%	298	329	627	7%	307	324	631	1%
Principal Level	159	150	309	8%	159	147	306	1%	168	172	340	11%
Associate Level	90	66	156	15%	82	62	144	1%	101	73	174	21%

Self-reported compensation development for Managing Directors has grown at less than 1% in 2015, a contrast to the 6.9% shown in 2014 and 3.3% in 2013. However, Principal and Associate compensation has grown significantly – 11% and 21%, respectively. This is a notable change from 2014 when increases were 1% and 0.6%, respectively.

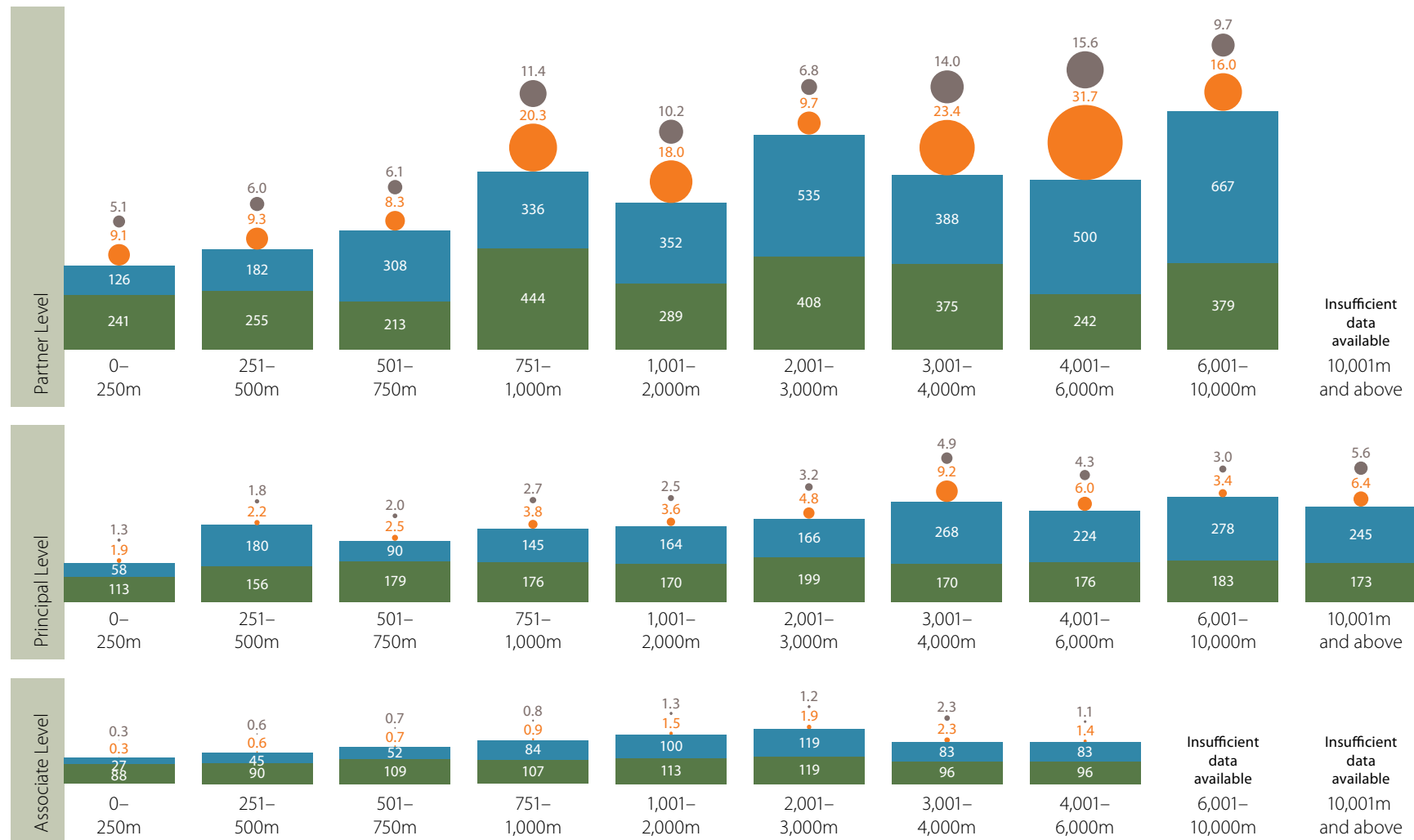
# Mean Base, Bonus & Carry (Current Fund and All Funds) by Fund Size, 2015

Investment Professionals Only

Carry—€ at work: The expected return on total carry participation across all vehicles. Based on achieving a net 2x return (above hurdle and after fees) in a vehicle charging a 20% performance fee.

- Mean Carry Current Funds (€ Millions)
- Mean Carry All Funds (€ Millions)
- Mean Bonus (€ Thousands)
- Mean Base (€ Thousands)

Fund sizes in € Millions



A new addition to 2015's survey is the comparison between carry in current funds vs carry in all funds. The data above remains consistent with the overall picture from 2014 and 2013. There has been a slight increase in cash compensation for the most junior ranks across all fund sizes.



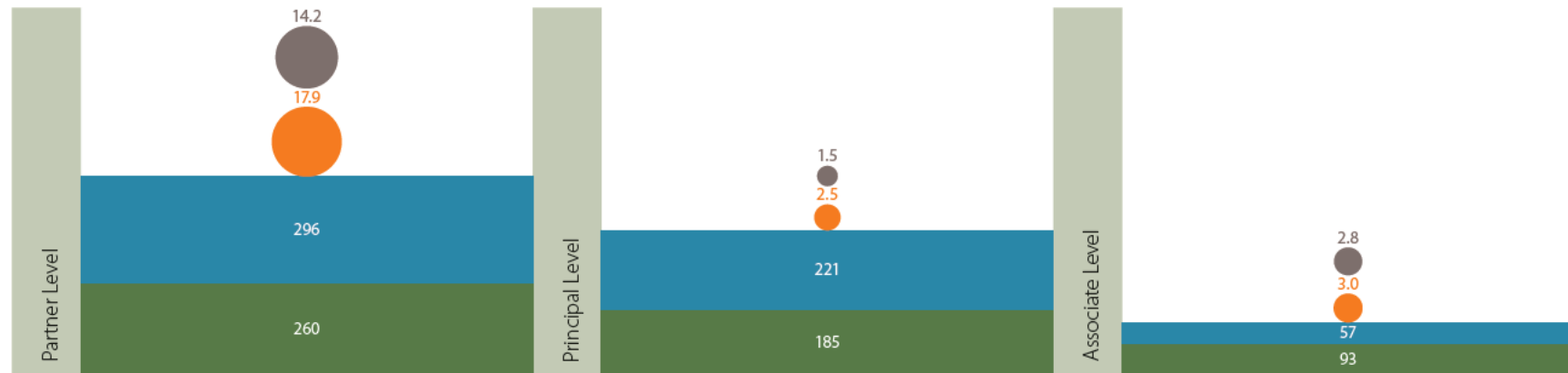
# Mean Base, Bonus & Carry in 2015 vs 2014

Fundraising and Investor Relations Professionals Only

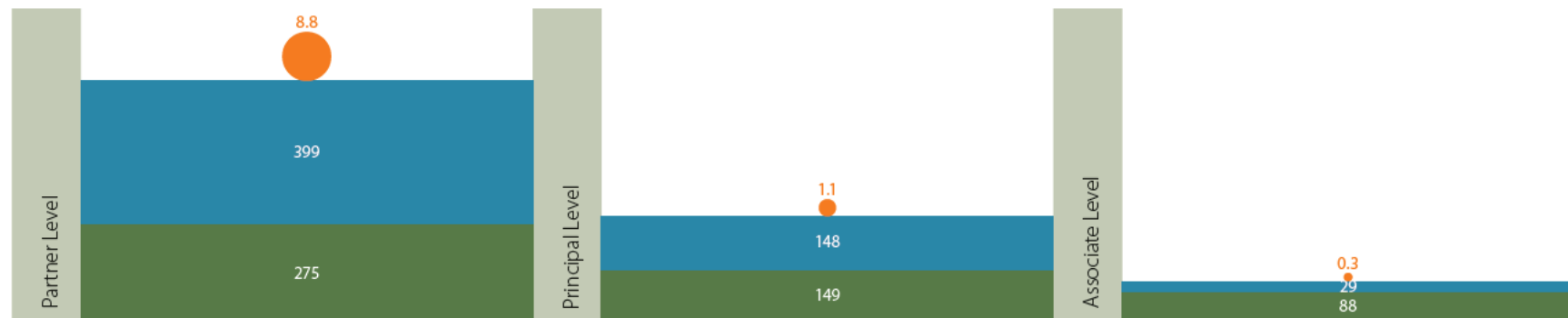
Carry—€ at work: The expected return on total carry participation across all vehicles. Based on achieving a net 2x return (above hurdle and after fees) in a vehicle charging a 20% performance fee.

- Mean Carry Current Funds (€ Millions)
- Mean Carry All Funds (€ Millions)
- Mean Bonus (€ Thousands)
- Mean Base (€ Thousands)

2015



2014



Compensation for fundraising and investor relations professionals remains consistent with 2014. These professionals continue to earn cash compensation comparable with their investment peers but carried interest lags behind (by approximately 50%). This data incorporates 33 respondents.



# Years of PE Experience & Compensation in 2015 vs 2014 vs 2013

Investment Professionals Only

(€'000)		Mean				
Years of PE Experience	Base (2015)	Bonus (2015)	Total Cash (Base + Bonus 2015)	Total Cash (Base + Bonus 2014)	Total Cash (Base + Bonus 2013)	% Change in Total Cash Since 2014
0–2	98	74	175	173	175	1%
2–4	126	92	218	185	164	18%
5–6	158	157	314	283	246	11%
7–8	170	173	342	307	282	11%
9–10	220	256	468	425	374	10%
11–12	263	379	640	547	528	17%
13–14	271	302	573	498	481	15%
15–16	290	340	610	520	480	17%
17+	339	251	580	565	571	3%

The majority of professionals, with at least two years' industry experience, have reached double-digit percentage increases in cash compensation. We believe this reflects the significant exits taking place in Europe, as professionals are rewarded for generating superior returns for investors.

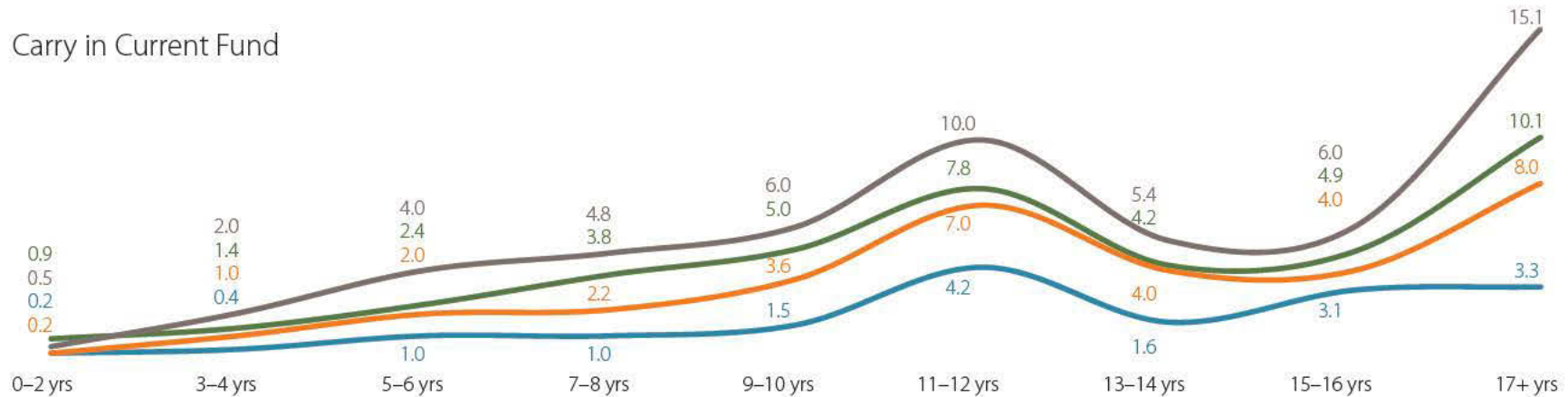
# Years of PE Experience & Carry, 2015

Investment Professionals Only

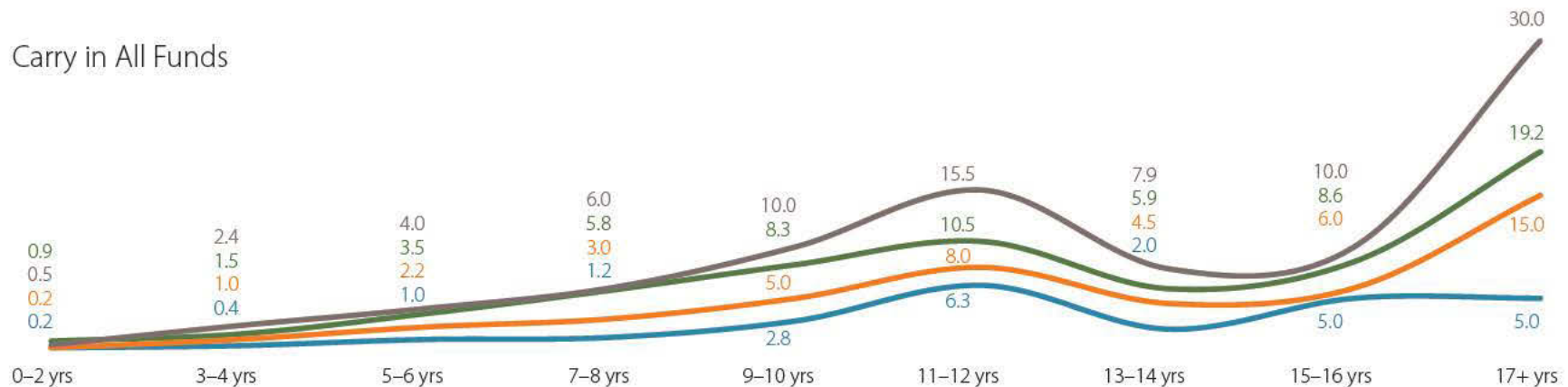
Carry—€ at work: The expected return on total carry participation across all vehicles. Based on achieving a net 2x return (above hurdle and after fees) in a vehicle charging a 20% performance fee.

Legend:  
 Mean (Green)  
 Median (Orange)  
 25th Percentile (Blue)  
 75th Percentile (Grey)

## Carry in Current Fund



## Carry in All Funds



New for 2015's survey is the comparison between carry in current funds vs carry in all funds. The two graphs illustrate the relationship between carry development and experience and the percentile ranges. Crucially, we do not match compensation data to the source fund's performance so cannot comment on whether there is a strong relationship between fund performance and compensation.

# Investment Strategy Mean Base, Bonus & Carry, 2015

Investment Professionals Only

Carry—€ at work: The expected return on total carry participation across all vehicles. Based on achieving a net 2x return (above hurdle and after fees) in a vehicle charging a 20% performance fee.

- Mean Carry Current Funds (€ Millions)
- Mean Carry All Funds (€ Millions)
- Mean Bonus (€ Thousands)
- Mean Base (€ Thousands)



This data allows us to show trends between various private capital strategies. For 2015's edition we have added new strategies: Growth, Distressed and Direct Lending. Strong compensation in Credit Funds remains a trend from 2014 and continues to reflect market demand for talent in this sector.

# Comparison of Compensation Across Europe and Africa, 2015

## Investment Professionals Only

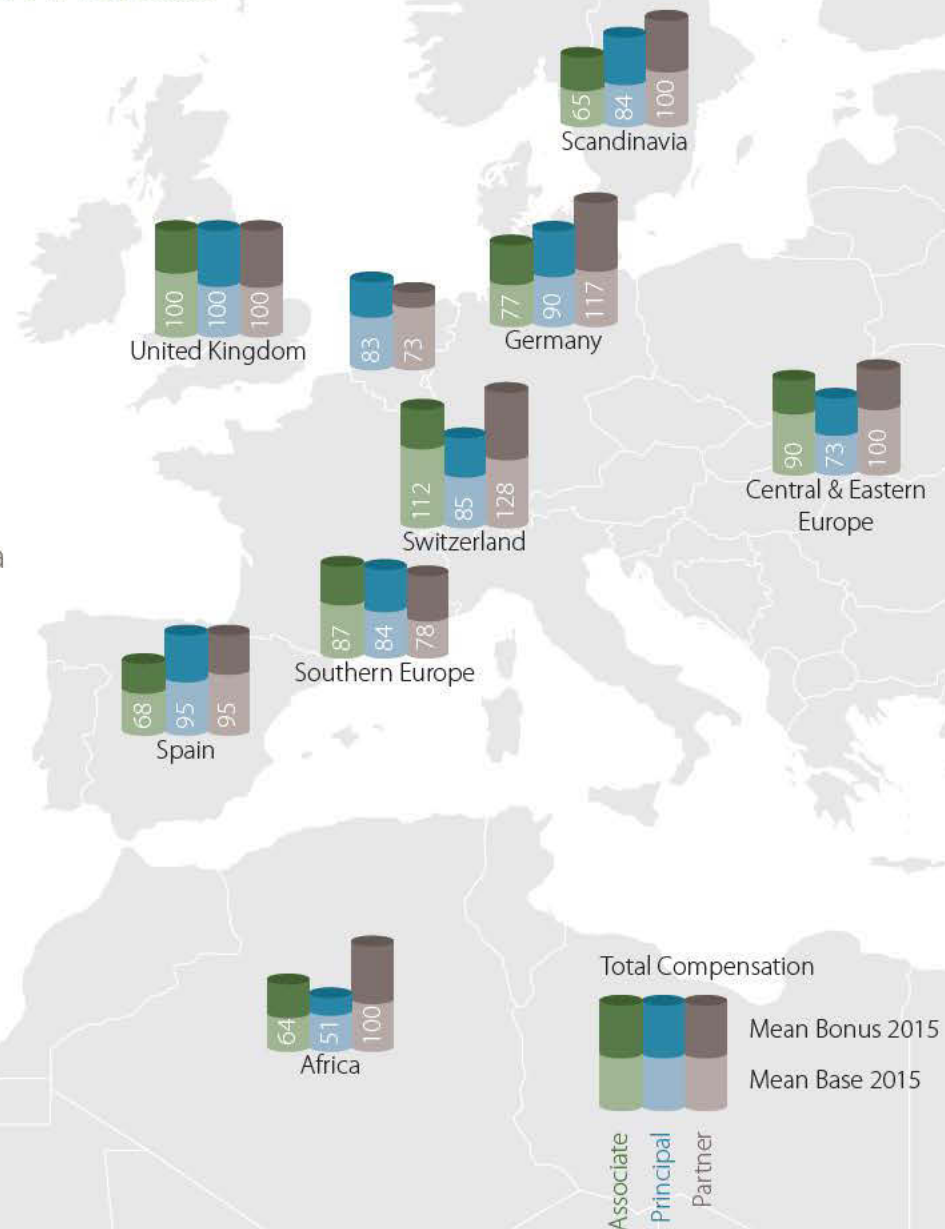
Europe continues to show significant variability for cash compensation dependent on geography.

Switzerland has overtaken London as the most highly compensated market (from 2014).

In Africa, Scandinavia, CEE, Germany and Switzerland juniors are remunerated equal to, or better than, their peers in London.

Responses from some countries are clubbed under a region:

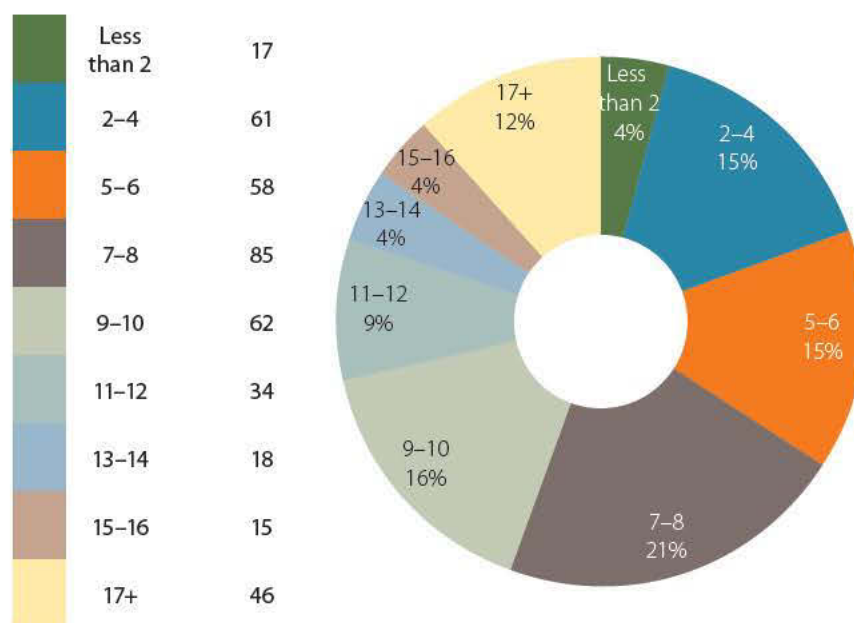
- Benelux
- Central & Eastern Europe (CEE)
- Scandinavia
- Africa
- Southern Europe



## Respondents, PE Experience Demographics

All Professionals

Total Years of PE Experience	Number of Investment Professional Respondents	396 Investment Professionals
------------------------------	-----------------------------------------------	------------------------------



**Total** **396**

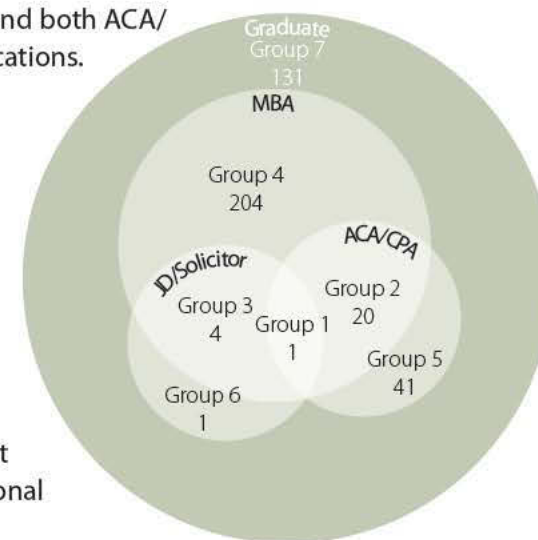
## Split of Respondents by Educational Qualifications

All Professionals

On the basis of the responses related to their educational qualifications, the respondents can be broadly classified under the following groups.

Respondents with MBA are as follows:

- **Group 1**  
1 respondent with MBA and both ACA/CPA & JD/Solicitor qualifications.
- **Group 2**  
20 respondents with MBA and just ACA/CPA qualification.
- **Group 3**  
4 respondents with MBA and just JD/Solicitor qualification.
- **Group 4**  
204 respondents with just MBA and no other additional qualifications.



Respondents without MBA are as follows:

- **Group 5:** 41 non-MBA respondents with just ACA/CPA qualification.
- **Group 6:** 1 non-MBA respondent with just JD/Solicitor qualification.
- **Group 7:** 131 non-MBA respondents with no additional qualifications.



Richard Thackray

Partner

+44 20 7075 4000

rthackray@heidrick.com

Muriel Moreau

Partner

+33 1 44 34 17 25

mmoreau@heidrick.com

Kanika Walia

Senior Research Analyst

kwalia@heidrick.com

Tom Thackeray

Associate Principal

+44 20 7075 4000

tthackeray@heidrick.com

Elizabeth Hammond

Executive Assistant

+44 20 7075 4062

ehammond@heidrick.com

## HEIDRICK & STRUGGLES

Heidrick & Struggles is the premier provider of senior-level executive search, culture shaping, and leadership consulting services. For more than 60 years we have focused on quality service and built strong relationships with clients and individuals worldwide. Today, Heidrick & Struggles' leadership experts operate from principal business centers globally.

**[www.heidrick.com](http://www.heidrick.com)**

WE HELP OUR CLIENTS  
CHANGE THE WORLD,  
ONE LEADERSHIP TEAM  
AT A TIME™

Copyright © 2015 Heidrick & Struggles International, Inc. All rights reserved.

Reproduction without permission is prohibited. Trademarks and logos  
are copyrights of their respective owners.

hs-00112