

HEIDRICK & STRUGGLES

PRIVATE EQUITY PRACTICE

2017

Nordic Private Capital

Compensation Survey

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# Introduction

We are pleased to present the results of Heidrick & Struggles' inaugural *Nordic Private Capital Compensation Survey*, which we conducted in December 2016. The survey was completed by 102 private capital professionals working across Denmark, Finland, Norway, and Sweden.

This survey examines the following topics:

- How has compensation developed in the region over the past three years?
- How does compensation compare across professional levels?
- How does compensation compare across fund size?
- How does compensation compare across fund strategies?
- How does compensation vary across geographic locations?

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

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## On Confidentiality

The survey was conducted anonymously for individuals and their employers, and Heidrick & Struggles has removed all information related to identity from the compensation data.

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## Methodology

All data collected is self-reported by private capital professionals and has been aggregated to evaluate trends in compensation packages, including base salary, bonus, and carried-interest plans, through an online survey that requested participants to provide data from 2014, 2015, and 2016. In addition to collecting overall compensation data, we segregated responses by strategy across buyout, growth, distressed, credit, secondaries, fund of fund, co-investment, and venture capital.

Carried interest is calculated using “carry dollars at work”—the expected return on total carry participation across the lifetime of all vehicles, based on achieving a net 2x return (above hurdle and after fees) in a vehicle charging a 20% performance fee. For example, 7 points (700 bps) of carry (out of a possible 100) in a €500 million fund with 20% carry would result in €7 million of carry dollars at work ( $500 \times 0.2 \times 0.07 = 7$ ).

## A Note on Role Definitions

While title structures vary according to firm, we have attempted to divide respondents into three groups based on level and responsibility:

**Managing Partner/Partner** - Most senior level at the firm. Typically, although not always, one of the founders.

**Principal** - Investment professional with some experience originating and leading their own investments. Accomplished executor with board experience. Leads and manages deal execution for the firm, including managing service providers and due diligence.

**Associate** - Responsible for analyzing companies and business plans, conducting due diligence, and working with service providers under the direction of the Principal.

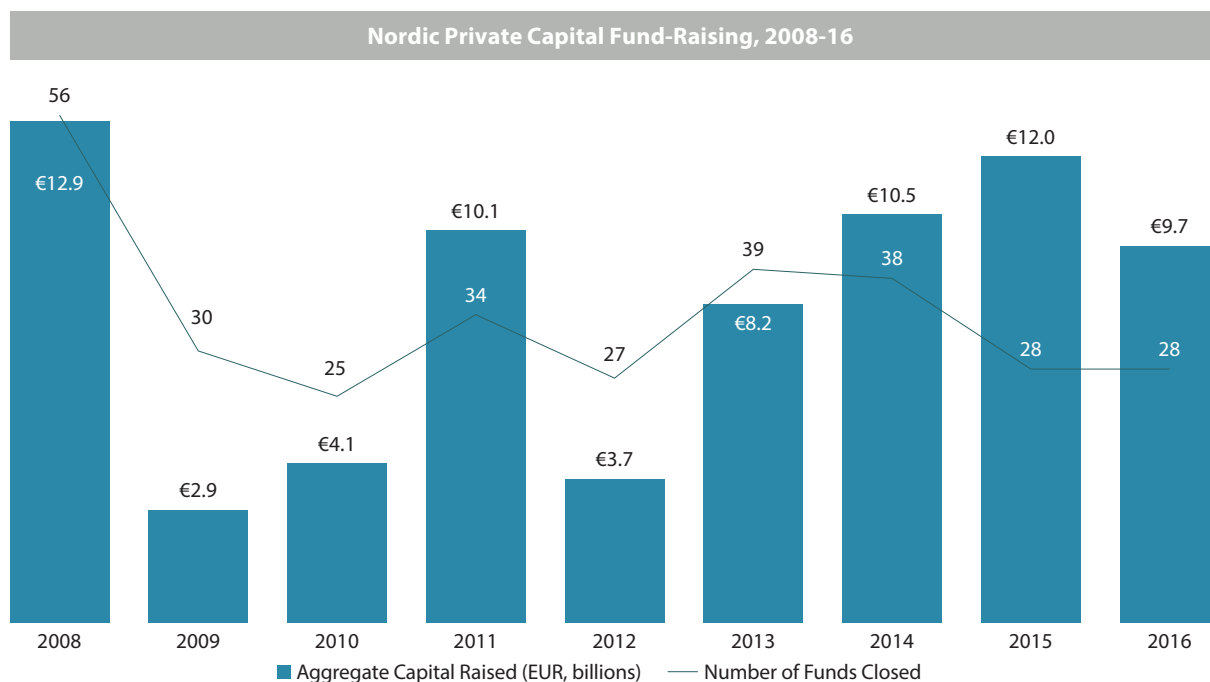
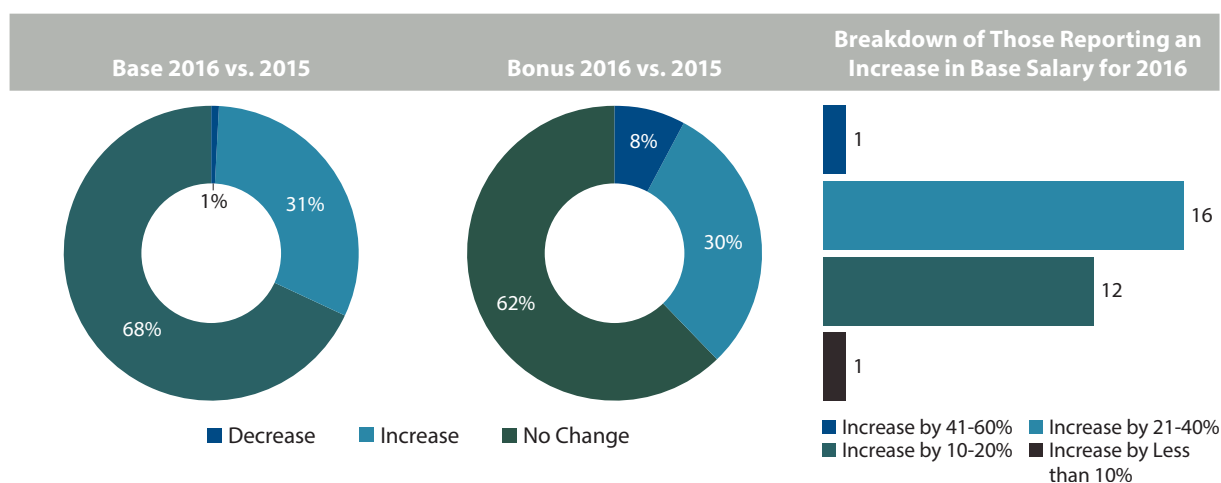
*All compensation figures in tables and charts are reported in euro thousands.*

# General Observations and Market Trends

Across the Nordic region, compensation for private capital professionals remained stable in 2016. More than two-thirds of survey participants stated that there was no change to their base salary in 2016, and 62% disclosed that there was no change to their bonus over the same period.

The reported moderate growth in cash compensation is reflective of recent market conditions where private capital fund-raising, the largest determinant of hiring and compensation, slowed but remained strong with €9.7 billion of capital raised across 28 funds in 2016.

Cash compensation for Nordic-based private capital professionals is expected to grow as investors remain optimistic and fund managers with strong track records continue to successfully raise capital.



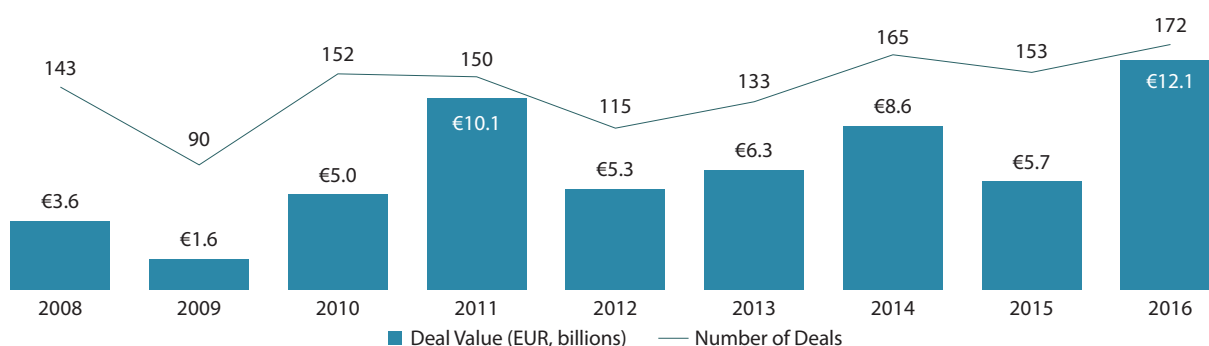
Source: Preqin Private Equity Online



Private capital firms exited 143 investments across the Nordic region in 2016, generating €12 billion in value. Overall activity in 2016 was quite healthy, although at lower values, with some outliers impacting the high numbers witnessed in 2015. The latest annual figure for exits represents the best year on record for public exits, with 14 initial public offerings (IPOs). The resulting €6.6 billion raised through public offerings indicate that Nordic equity markets are becoming deeper, more sophisticated, and much more accessible to high-growth and pre-IPO companies.

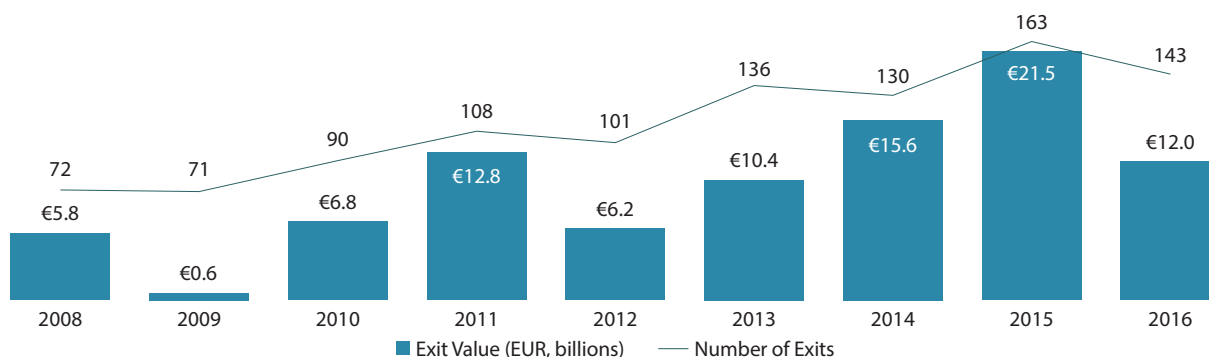
Cash compensation for all Nordic-based private capital professionals has steadily risen over the past three years as a result of favorable market conditions. On a percentage basis, Associates benefitted the most with a 16.06% compound annual growth rate (CAGR) for total cash compensation from 2014 to 2016, significantly outperforming other professional levels.

#### Nordic Private Equity-Backed Buyout Deals, 2008-16



Source: Preqin Private Equity Online

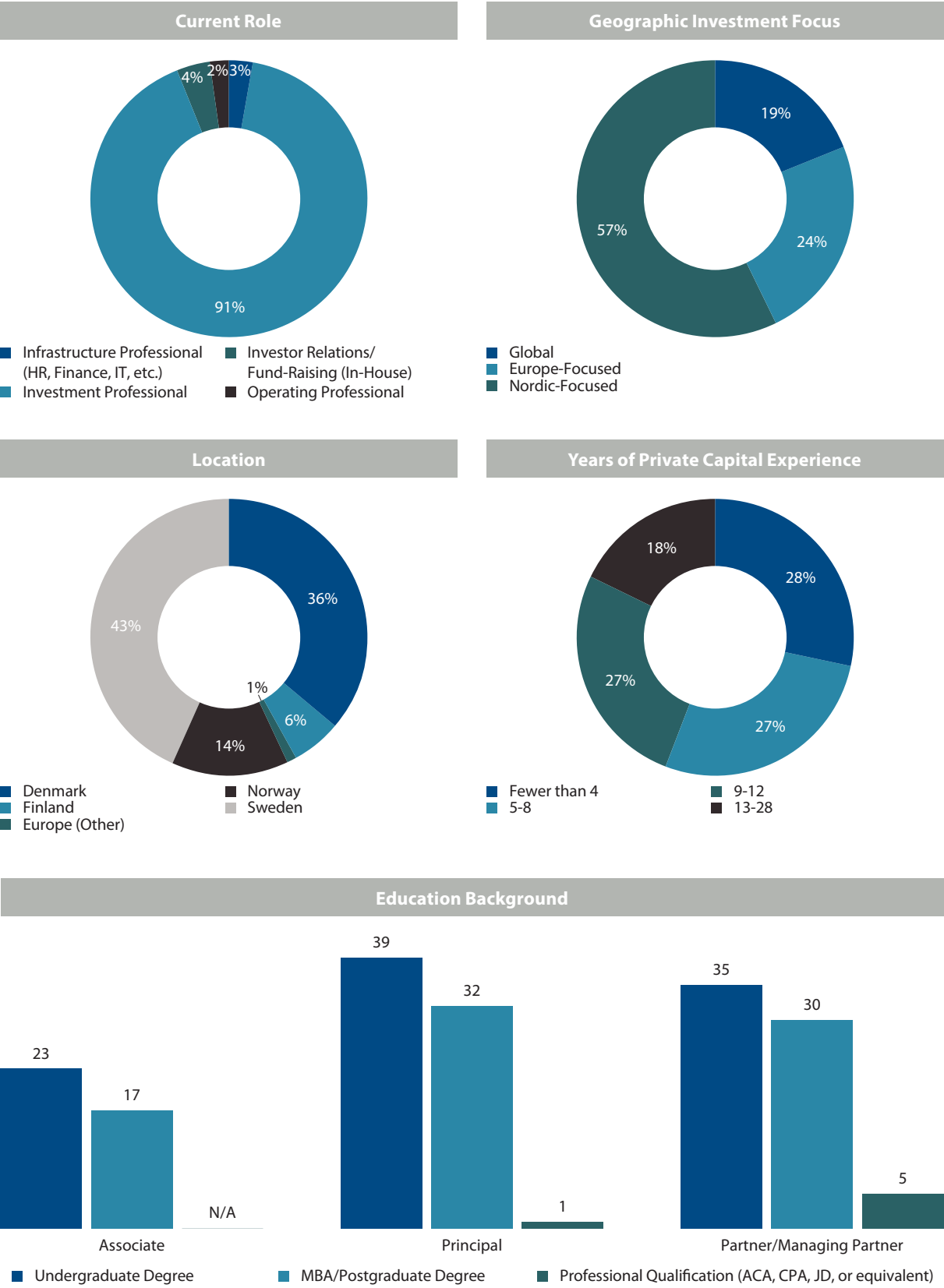
#### Nordic Private Capital Exits, 2008-16



Source: PitchBook Data, Inc.

Total Cash Compensation										
(EUR, thousands)	2014			2015			2016			CAGR
	Mean Base	Mean Bonus	Total Comp	Mean Base	Mean Bonus	Total Comp	Mean Base	Mean Bonus	Total Comp	Total Comp
<b>Associate</b>	70.76	43.90	114.67	80.55	48.44	128.99	94.64	59.82	154.46	16.06%
<b>Principal</b>	125.00	83.42	208.42	133.01	91.28	224.29	141.98	101.53	243.51	8.09%
<b>Partner/Managing Partner</b>	209.37	82.62	291.99	220.31	85.01	305.32	225.37	81.89	306.76	2.50%

# Profile of Respondents



Education Background

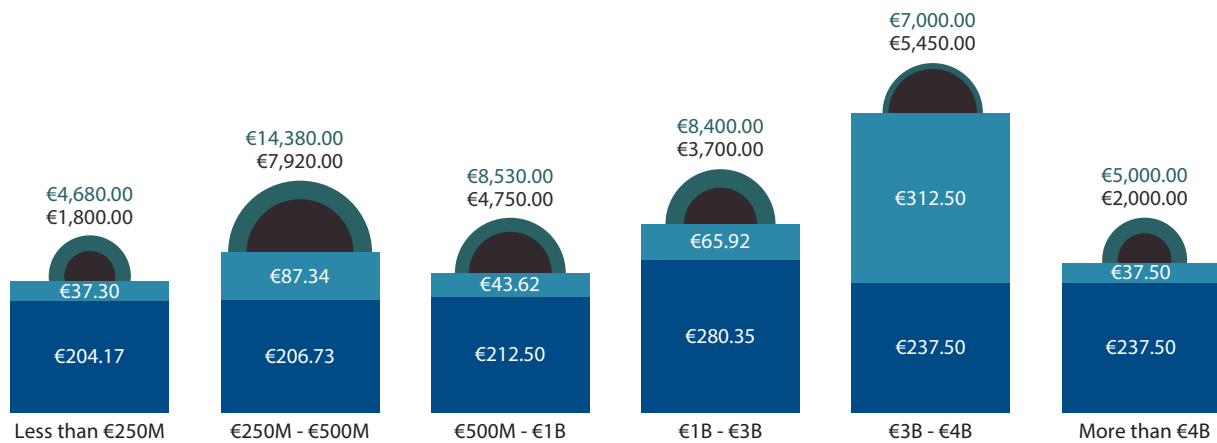
Role	Undergraduate Degree	MBA/Postgraduate Degree	Professional Qualification (ACA, CPA, JD, or equivalent)
Associate	23	17	N/A
Principal	39	32	1
Partner/Managing Partner	35	30	5



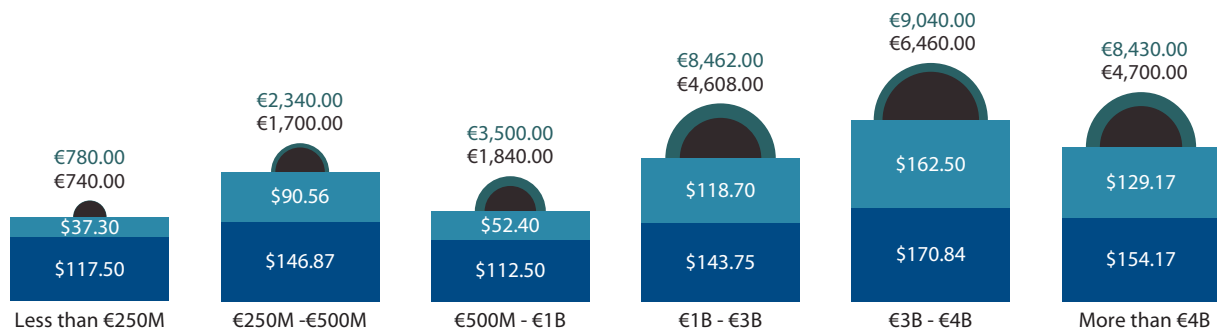
# Mean Base, Bonus, and Carry by Fund Size 2016

Carry - All Funds  
Carry - Current Fund  
Bonus  
Base

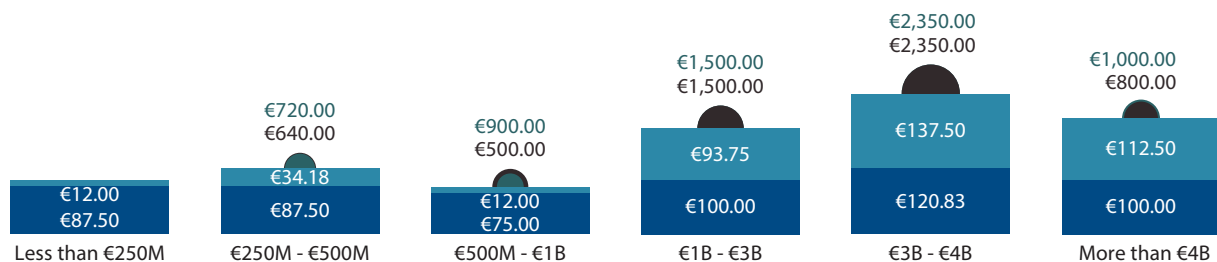
## Partner/Managing Partner



## Principal

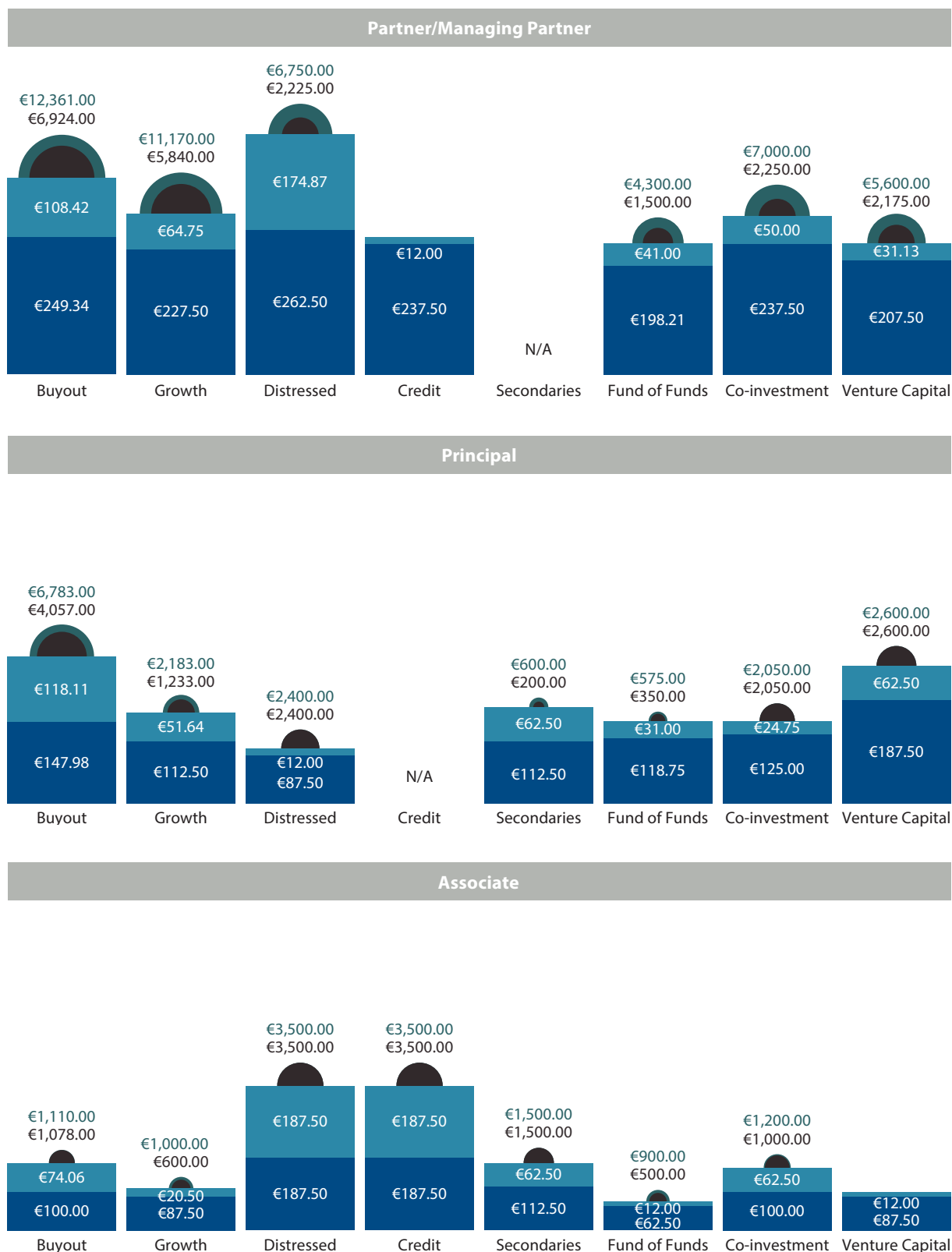


## Associate



# Mean Base, Bonus, and Carry by Investment Strategy 2016

Carry - All Funds  
Carry - Current Fund  
Bonus  
Base





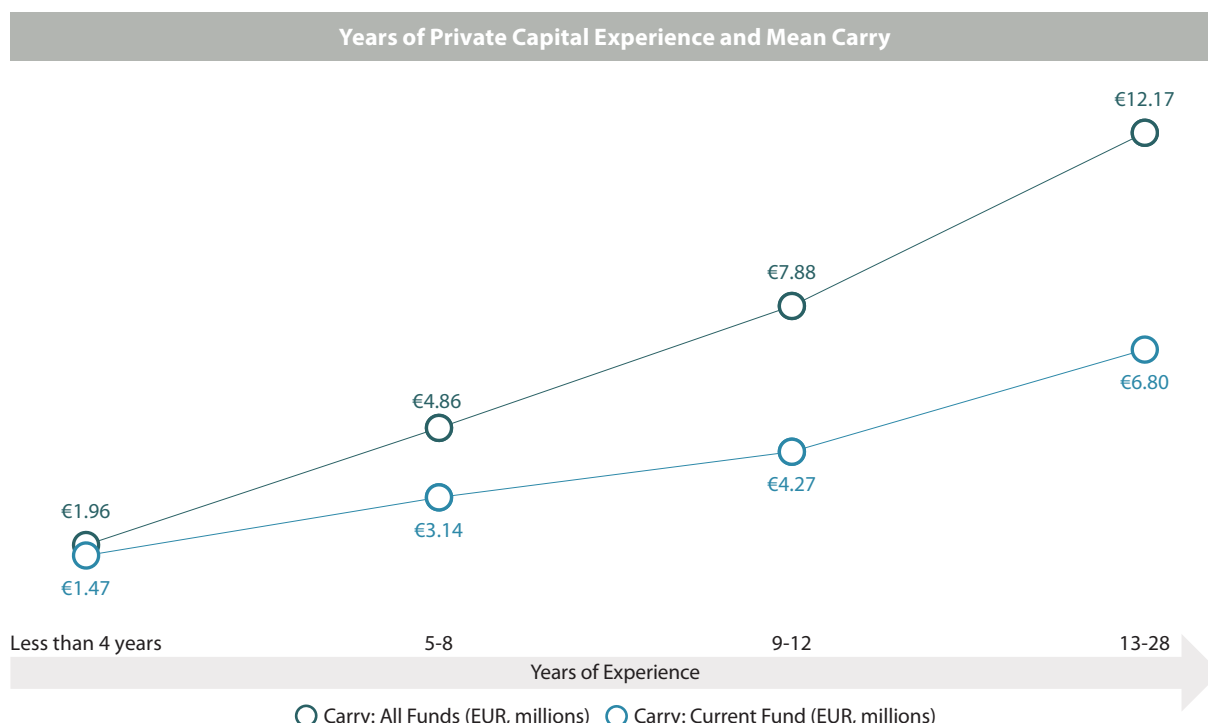
# Years of Private Capital Experience and Compensation Development

The number of years of private capital experience directly correlates with the amount of compensation a professional receives, and this correlation is particularly evident with their amount of carry.

For total cash compensation in 2016, professionals with less than four years of experience witnessed the strongest year-over-year (y-o-y) gains at 18.07%. Conversely, professionals with more than 13 years of experience earned 3.39% less than in 2015.

The inverse trend between years of direct experience and y-o-y compensation growth in 2016 indicates that Nordic firms are focusing on attracting, retaining, and training local professionals early in their careers in order to overcome the difficulties of appealing to external senior talent who view the market as relatively small compared with other areas of Europe and can easily travel when needed.

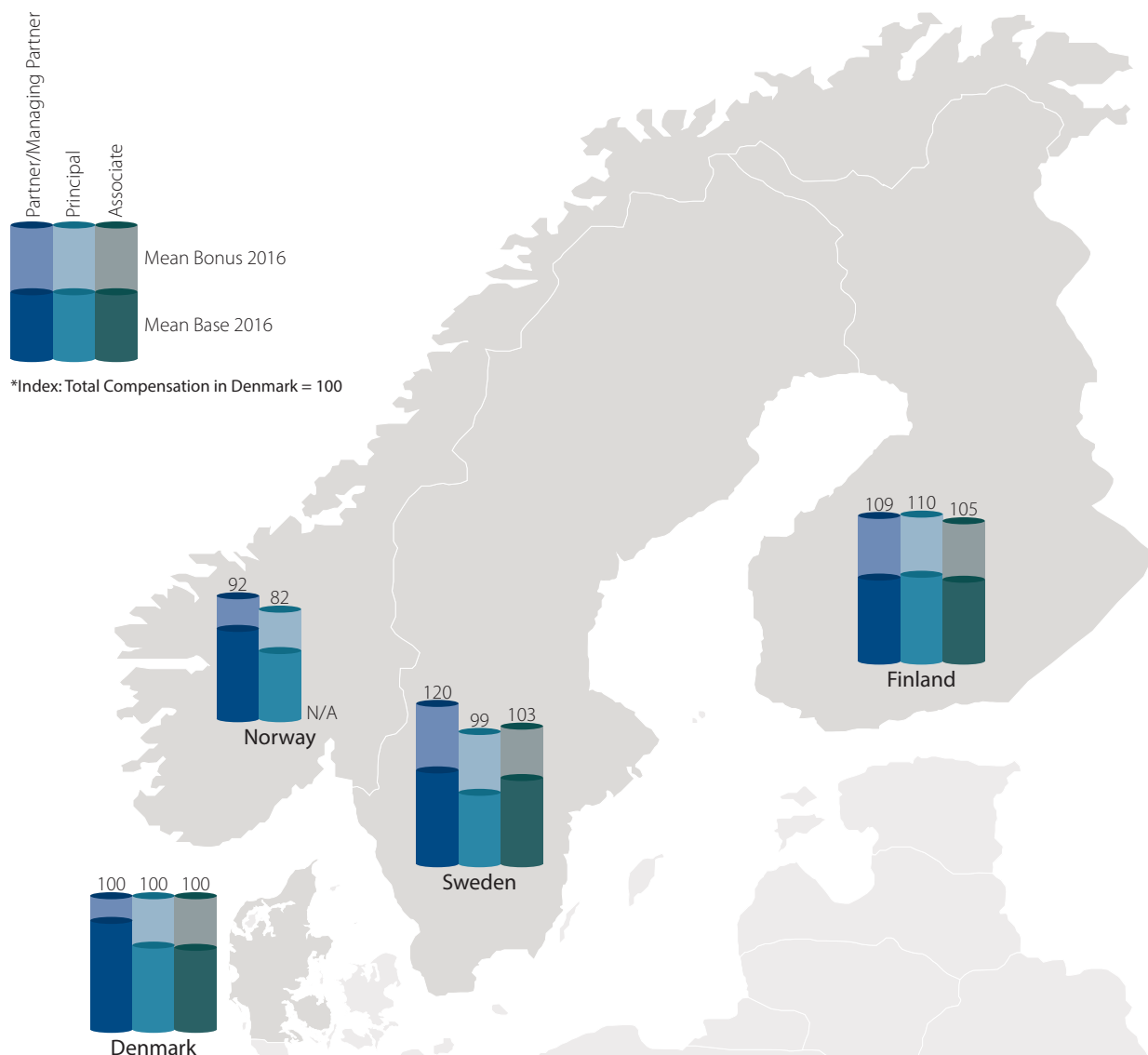
(EUR, thousands)	Mean					
	Base (2016)	Bonus (2016)	Total Cash (Base + Bonus 2014)	Total Cash (Base + Bonus 2015)	Total Cash (Base + Bonus 2016)	Y-O-Y Change in Total Cash (2016)
<b>Less than 4 Years</b>	96.76	52.73	115.95	126.92	149.85	18.07%
<b>5-8</b>	153.12	117.89	211.31	239.56	269.52	12.51%
<b>9-12</b>	199.03	112.42	279.88	304.92	311.46	2.14%
<b>13-28</b>	218.75	48.22	287.28	276.34	266.97	-3.39%



# Comparison of Compensation Across the Nordic Region

Accounting for varying market conditions across individual Nordic countries, total cash compensation differs by location. Using Denmark as a base reference, private capital professionals located in Finland generally received higher levels of total compensation compared with other markets. Similarly, Partners/Managing Partners in Sweden significantly outperformed their counterparts in other countries, as it is a much more diversified market and was ranked as the best country for business in 2017 by *Forbes*. Meanwhile, private capital professionals based in Norway earned less than the rest of the region, as the local market is still viewed as unattractive to foreign capital.

## Total Compensation with Denmark as Base





# Private Equity Practice

Heidrick & Struggles' global Private Equity Practice combines a deep understanding of private equity markets with world-class expertise across all major industries and functions to provide a broad range of value-adding services.

We pride ourselves on finding top private equity management talent by recruiting investment professionals, operating partners, and other essential senior managers who support financial growth. Additionally, we work with private equity-backed portfolio companies to bring innovative services designed to meet today's challenges while securing the leadership needed to deliver on tomorrow's strategies.

Our expertise includes due-diligence support, pre- and post-acquisition executive search, leadership assessment, proactive introductions, and the construction of advisory boards for both private equity firms and their portfolio companies. With more than 80 consultants in 50 offices around the world, our team includes functional experts in areas such as technology and operations, financial officers, human resources, marketing, compliance, risk, and legal infrastructure. Our blend of search and consulting services enables us to develop long-term strategic partnerships that build winning leadership teams and create substantial value.

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# 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)

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

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