Private Equity & VC Compensation Report

SAMPLE REPORT

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Introduction

For the past 14 years, we have published this report based on our in-depth surveys with professionals in the private equity and venture capital industry. We identify current compensation trends and job satisfaction factors and report them to you.

This year's report includes actual data from hundreds of partners and employees representing several hundred private equity and venture capital firms. We polled respondents in October and November 2020, and asked questions designed to uncover a variety of factors related to compensation.

The *2021 Private Equity and Venture Capital Compensation Report* summarizes our findings and answers questions such as:

- What are the compensation levels and ranges by title?
- How does fund size and performance affect pay?
- What is the balance between base salaries and bonus payouts?
- How are bonuses calculated and when are they paid out?
- Which titles earn the most and how has their compensation changed?
- Who is sharing in carry and at what levels?
- What are the primary drivers of carry participation?

The report also seeks to understand how private equity and venture capital professionals perceive their work, their pay and their job security. Where possible, we offer insights from the industry and our experience. However, the focus of this report is data collected *directly* from private equity and venture capital professionals.

Our report is a time-tested compensation benchmark that is affordable, comprehensive, and reliable. We expect you will find it valuable, whether you are negotiating your compensation package, setting goals for your professional development, or establishing targets for your firm's compensation policies.

List of Figures

Executive Summary

In this, our fourteenth annual *Private Equity & Venture Capital Compensation Report*, we again identify current industry compensation trends and provide insights into their effect on compensation practices, recruitment and retention.

This year marks the seventh straight year of compensation gains in the private equity and venture capital industry. This year was unprecedented with the COVID-19 pandemic and many respondents noted concerns about fundraising and job security in this environment.

Despite the pandemic, we saw a general upward trend in compensation. The percentage of respondents earning $150,000 and below has continued to decline. At the same time, those earning from $150,000 to $1 million increased 7 percent, to 68 percent of respondents. This is the highest percentage of private equity and venture capital professionals reporting earnings more than $150,000 in annual compensation in the history of this report.

In most pay bands, respondents made less bonus pay compared to last year. But, overall, 59 percent of respondents expect to see greater cash earnings this year, with 41 percent earning the same or less than last year.

Bonus payouts for firms of all sizes are based on individual performance, firm performance, fund performance and a combination of factors. The largest bonuses are paid by the largest firms based on firm performance.

Regardless of size, most firms organize into smaller teams, an industry trend idetified in this report as early as 2014. This year, 87 percent reported teams of less than 25 employees.

In-house training continues to receive unfavorable reviews, with more than half of respondents reporting non-existent or weak internal training programs. Similar to last year, only 18 percent rate their in-house training as good to excellent despite the benefits firms could gain in recruitment and retention by strengthening this area.

Across the board, respondents working in private equity earn greater compensation than those in venture capital. However, those that work in hybrid firms earn the greatest compensation as vice presidents and managing directors.

Job seekers will appreciate the section of this report devoted to identifying which positions are in demand, what percentage of firms are hiring, and what percentage are cutting back.

The 2021 *Private Equity and Venture Capital Compensation Report* provides readers insightful, industry-specific information regarding the complex subject of compensation.

Other highlights from this year's report include:

- Those with the title chief financial officer are those happiest with their overall compensation. The most dramatic decline in reported happiness was among investment managers.
- Overall, compensation is up, and satisfaction is down.
- The highest paid titles are managing partner and managing director.
- 70 percent of respondents do not receive a bonus guarantee.
- Employees at the largest firms can expect to earn more than double the bonus pay of those at smaller firms.
- PE Small-Cap and PE Mid-Cap remain the most common investment strategies.
- Fund performance in 2020 is down over 2019. Funds up 10 to 24 percent declined 8 percentage points, but still represented the majority at 43 percent.

"COVID has caused stress on portfolio companies and required additional hours of work without additional compensation."
Managing Partner, Venture Capital and Private Equity

Methodology

We surveyed hundreds of partners, principals and employees during October and November 2020 to benchmark compensation practices. Respondents represented firms from around the globe, with a strong concentration in North America.

Included are some of the largest and most recognized private equity and venture capital firms and the small, boutique firms that make up most of the industry.

A sample of some of the participating firms includes (listed with participant permission):

Adams Street Partners
Amadeus Capital Partners
Apollo Global Management Inc.
Ardian
Arsenal Growth
Audax Group
Bain Capital
BlackRock
Bank of America
Capitala Group
Carlyle
Castlelake
Comvest Partners
CPP Investments
Desjarinds Capital
Digital Colony
GE Ventures
Dunas Capital
Green Arrow Capital SGR
Gaston Capital Corporation
Goldman Sachs
Hamilton Lane
Heartwood Partners
HIG Capital
High Road Capital Partners
Hoxton Ventures
International Finance Corporation
KKR
LBC Credit Partners
LEM Capital
Lovell Minnick Partners
Merit Capital Partners
Morpheus Ventures
NBK Capital Partners
Northzone
O'Reilly Alphatech Ventures
Pfingsten Partners
Prospect
Providence Energy
Resource Capital Funds
Route 66 Ventures
Sandbox Industries
SFW Capital Partners
SIPAREX
Spring Lane Capital
StepStone
Syngenta Ventures
Tortoise Capital Advisors
Tree Line Capital Partners
Trinity Alps Capital Partners
TVC Capital
Unusual Ventures
Venrock
Voyager Capital
Walker Dunlop Investment Partners
Westport Capital
Wolters Kluwer

Pay Levels

In the private equity and venture capital industries, bonus payouts are a substantial component of total compensation. This is especially true for those at the higher ranges of industry earnings, where bonuses can comprise upwards of 70 percent of an individual's compensation.

On average, this year's projected bonuses are reported at ___ percent of total compensation (down significantly from ___ percent last year). In terms of projected earnings, those earning over $____,000 saw more earnings coming from bonuses than in base salaries. The inverse was true for those earning less than $____,000, and the proportion decreased exponentially alongside overall earnings.

Figure 1: Last Year Levels of Earnings

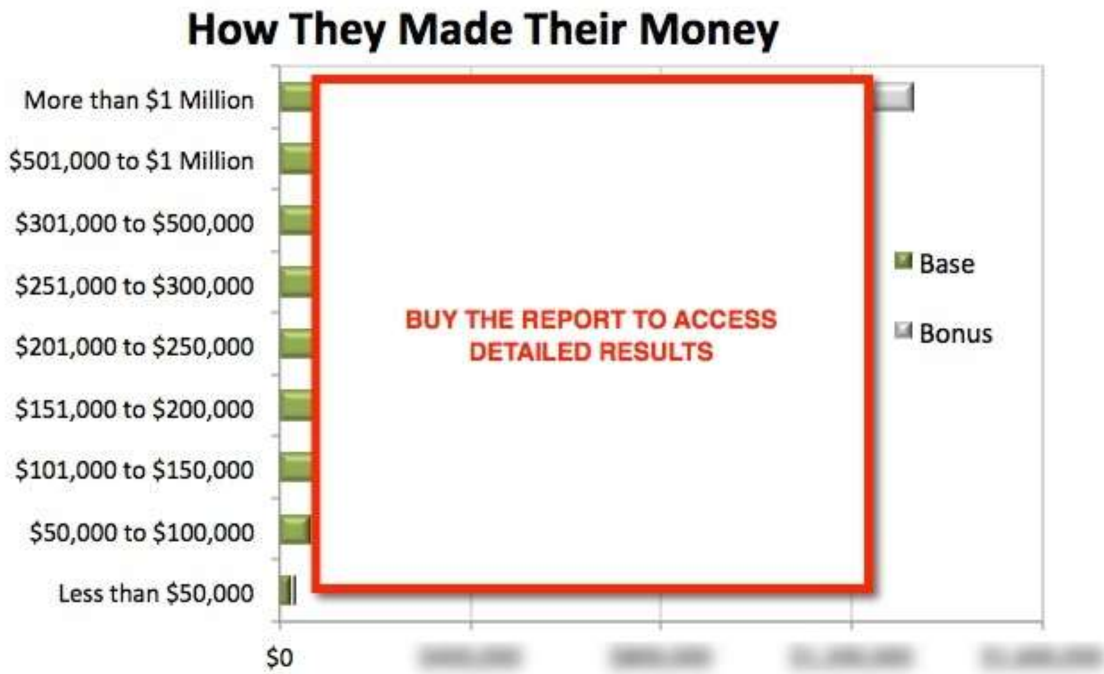

Figure 3: Base vs. Bonus Pay

Optimism regarding the trend in overall cash earnings is up slightly compared to our last survey, but remains largely consistent with longer run trends.

This year, ___ percent of individuals expected their total cash earnings to remain the same or decline, whereas last year, ___ percent had a steady or declining outlook on their take home pay. On the other side of the coin, the same number of professionals (___ percent) expect an increase of ___ percent or more in their total compensation.

Again, we are seeing fewer and fewer respondents indicating their compensation will remain unchanged year over year. Three years ago, nearly ___ percent of those polled expected their pay to be relatively stable. The decline to only ___ percent this year, down from ___ percent last year, continues this trend. If bonuses become an increasingly large part of employee compensation, we expect this trend to continue.

Figure 5: Year over Year Change in Cash Earnings

The overall level of confidence in pay increases for the private equity and venture capital industry hasn't changed much from last year. We have seen a slight increase in the number of individuals expecting a ____percent increase, offset by a similar decline in those expecting to earn about the same as last year. This modest increase in optimism is offset by an increase in the number of respondents expecting to have earned less this year than they did last.

In terms of what positions are seeing increases, respondents carrying all titles in the sector reported expecting higher earnings on average. From the ________ ________ to the _________ _____________, everyone is expecting to have taken home more at the end of this year than they did the year prior. While the previous chart indicates mixed optimism, it seems that, on average, a positive outlook prevails in the industry.

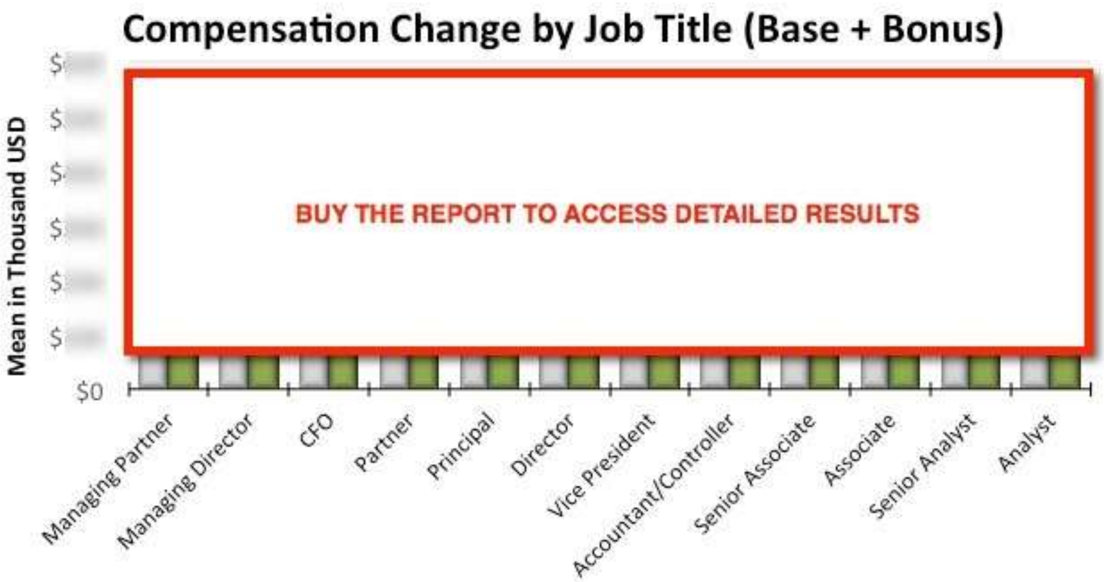

Figure 6: Compensation Change by Title

The survey results surrounding guaranteed bonuses are almost unchanged year over year. We saw the second consecutive year where those receiving no guaranteed bonus increased by ___ percent. Countering the trend of last year, however, was the ___ percent decline in those receiving fully guaranteed bonuses, reversing an uptick in last year. Overall, the results paint a very balanced and stable picture when it comes to guaranteed bonus expectations in the industry.

Figure 7: Guaranteed Bonus Percentage

Below is a summary chart of reported median compensation by title. When looking at compensation by title, we suggest focusing more on percentiles vs. averages to get the best overall picture of the range.

	MEAN			TOTAL COMPENSATION		
Job Title	Base	Bonus	Total	25th Percentile	50th Percentile	75th Percentile
Accountant/Controller	$					
Analyst	$					
Associate	$					
CFO	$					
Director	$					
Investment Manager	$					
Managing Director	$					
Managing Partner	$					
Partner	$					
Principal	$					
Senior Analyst	$					
Senior Associate	$					
Vice President	$					

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Note: In thousands of USD. Excludes countries where compensation practices vary significantly from USA, Canada and UK.

Figure 8: Cash Compensation Mean, Median and Ranges by Title

Consistent from previous years, the highest bonuses are obtained by those in executive or top level management positions. This is because, in general, they have more of their pay "at risk." The higher bonuses are meant to compensate for this increased volatility.

Differences between Firm Types and Fund Size

In a continuation from a trend that started last year, we see the average group size of our respondents decreasing. Those in groups of five or less are up, offset by declines in the number of respondents in larger groups. The one exception to this trend is those in ______ groups, which has increased. Overall, however, we believe that this is a trend towards __________ ________ __________, which positions a firm more strongly in reacting to changing conditions.

In terms of the size of the firms beyond the immediate working group, we did not see much change year over year from our respondents. There was a slight uptick in those working for firms in the ___________ range, offset by some declines in the ____ to ____ and ____ to ____ employee ranges. Overall, the data indicates a steady state in the average size of private equity and venture capital firms in the market.

Figure 9: Size of Group and Firm

Figure 10: Compensation by Firm Size (Employees)

There has been a pronounced shift in terms of compensation by firm size according to this year's survey. Last year, compensation was led by __________ size firms around 50 employees. This year, we've seen a shift towards higher compensation in ________ firms. What is even more interesting is that the differential isn't being driving purely by bonuses, but also by higher base compensation in the _______ firms.

We did see that the difference in base compensation remains stable once a firm reaches approximately ____ employees. Bonuses do increase however as firm size grows in the _______________ range though the ______ firms still offer the strongest combined base compensation and bonuses.

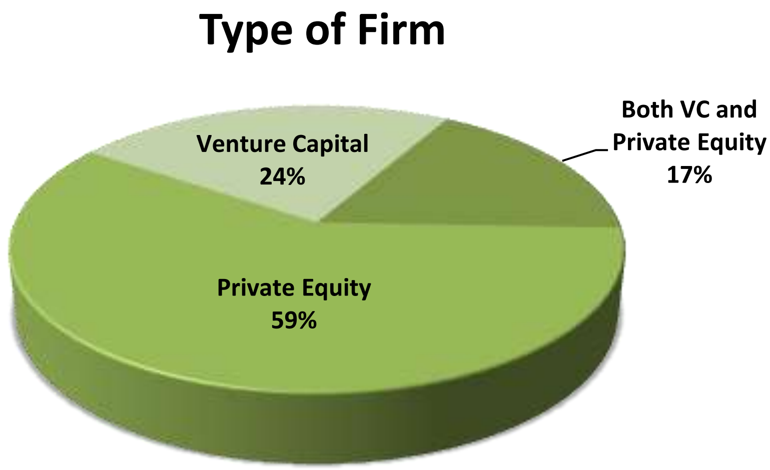

Figure11: Type of Firm

Year over year, we have been seeing a decrease in those working in ______ enterprises. The strong demand for private equity funds, coupled with the economies of scale by running combined operations, are likely behind this trend. The total amount of deal flow in venture capital is also decreasing, down xx percent in the first nine months of this year compared to last.

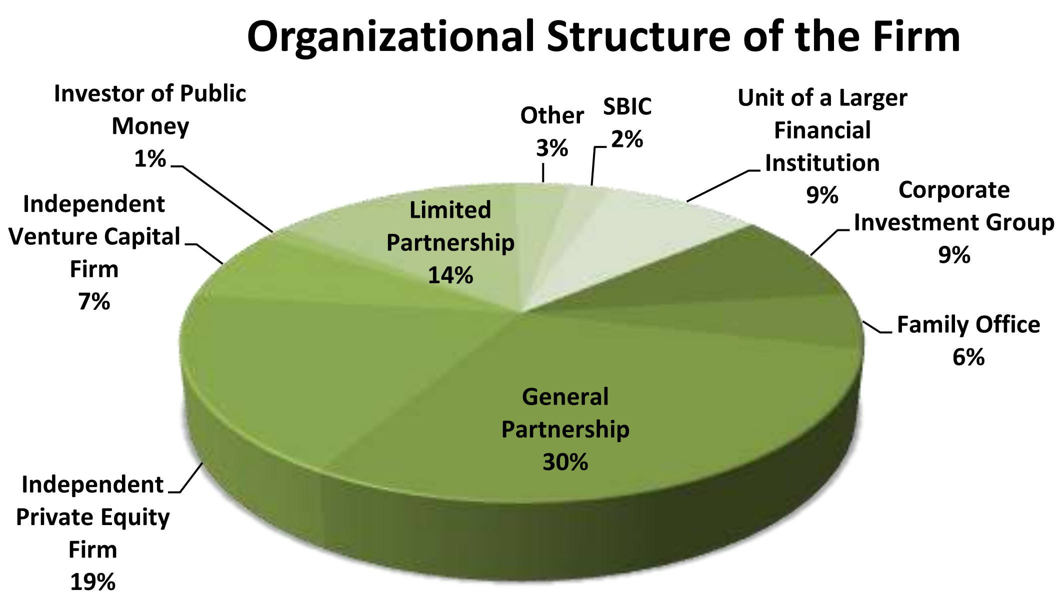

Figure 12: Organizational Structure of the Firm

Figure 13: Compensation Differences between Firm Types

An ongoing trend from previous years, we are seeing considerable differences in compensation between respondents, depending on their firm's focus. While at the Associate level compensation is fairly consistent between firm types, as you move up the ranks, things become more variable. In nearly all cases, those working for pure play venture capital firms earn _____________.

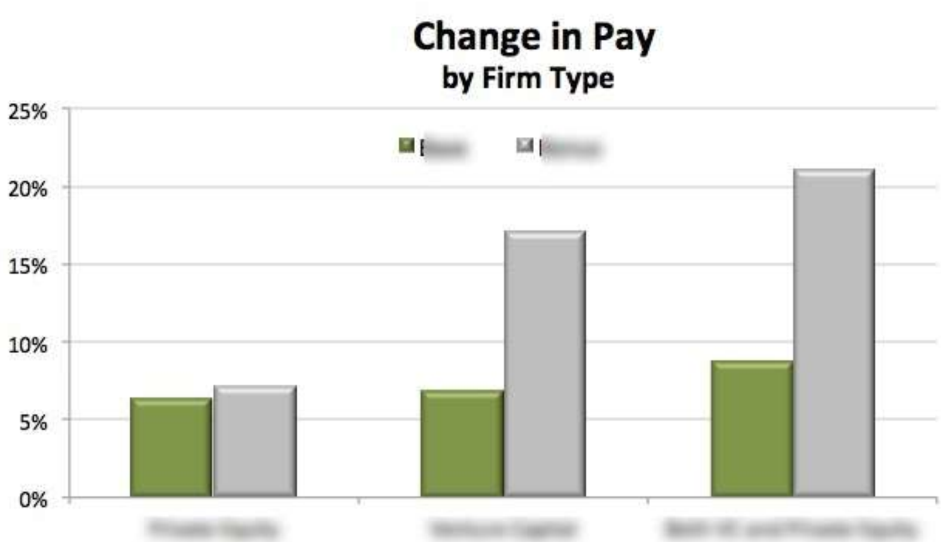

Figure 14: Change in Pay by Firm Type

Respondents are quite a bit more optimistic on their fund performance. We found that ____ percent of respondents expected returns of over ___ percent this year, up from ___ percent the year prior. We also found gains in the "up 10 to 24 percent" and "up 1 to 9 percent" categories, offset by declines in the number of respondents reporting _________ performance.

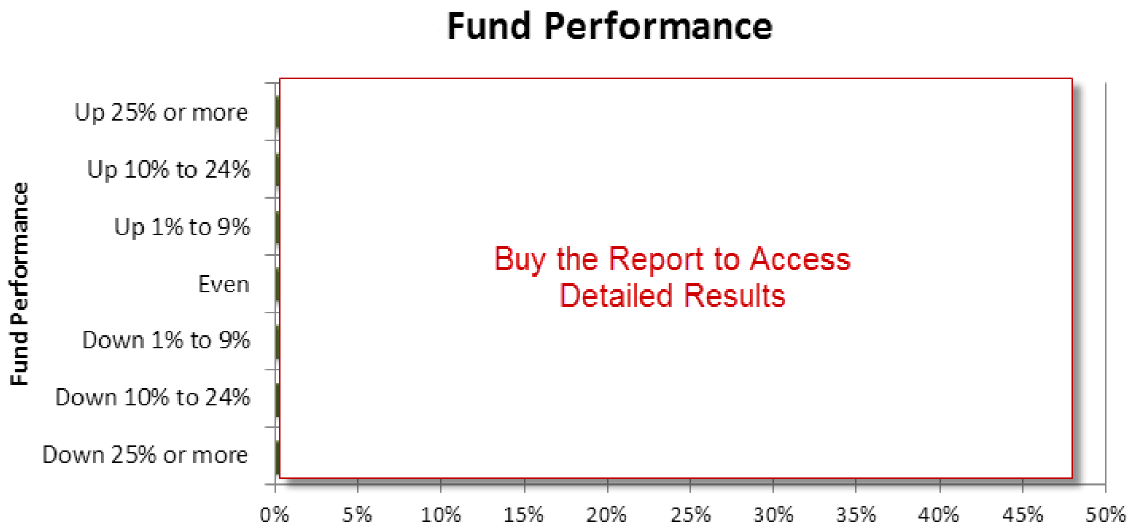

Figure 15: Fund Performance Ranges

The expected bonus level data shows a considerable change from last year.

Expected bonuses for firms with __________ for the year have considerably dropped off in comparison to last year's data, while those employed by _____________ funds have higher expectations of bonuses this year.

While in last year's survey we saw a clear correlation between bonus payouts and fund performance, this is certainly not the case this year. Those with funds expected to _____ ____ percent or greater this year still expected a $________ thousand bonus on average. This is, however, a return to years prior, where we did find less correlation than anticipated in bonuses by fund performance level.

Every year, to better understand how respondents are managing their funds, we ask in which investment strategies their firms are most involved. PE Mid-Cap led the way in responses, unchanged from our last two surveys. Firms focused on early stage venture capital funds declined to the point where they dropped out of the top 3 strategies, while leveraged buyout (LBO)-focused funds took second place, despite merely holding steady. Funds focusing on real estate increased substantially year over year, growing nearly 5 percent, making it the fastest growing strategy as investors seek alternative asset classes amid market volatility.

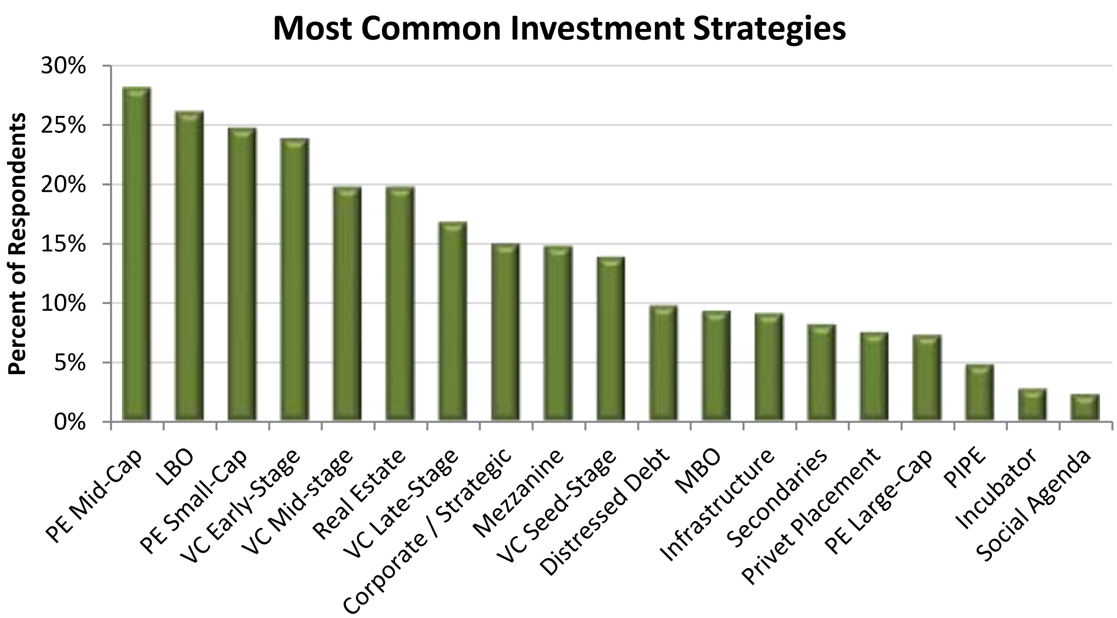

Figure17: Most Common Investment Strategies

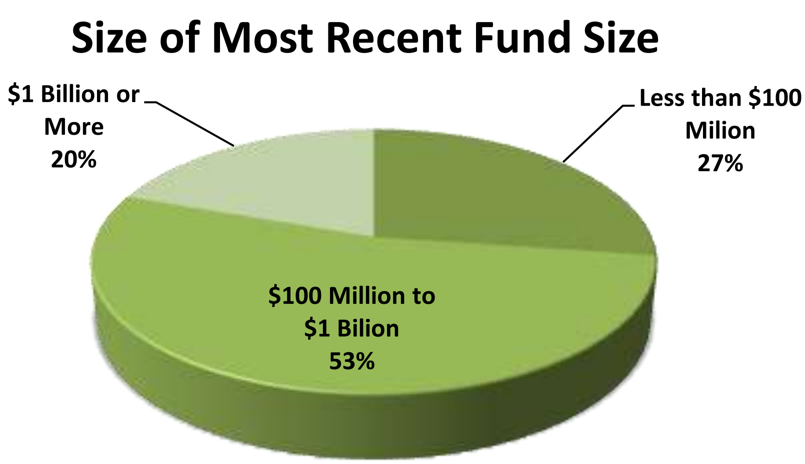

Figure18: Size of Most Recent Fund

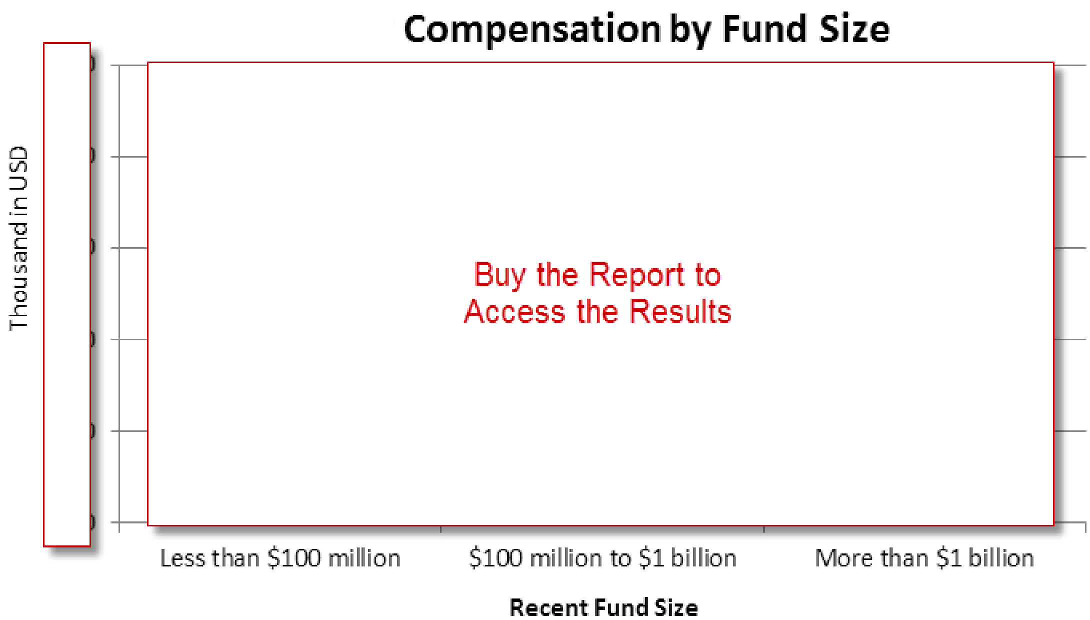

Figure 19: Average Compensation by Fund Size

In contrast to compensation by team size discussed earlier, respondents indicated substantially higher compensation if working for a firm that's most recent fund size was over $___________. The gap between _____ ___________ funds and ________ _______ funds in terms of compensation increased considerably, from ___ percent the year before to ___ percent this year. Keep in mind, this segment represents _____ percent of respondents.

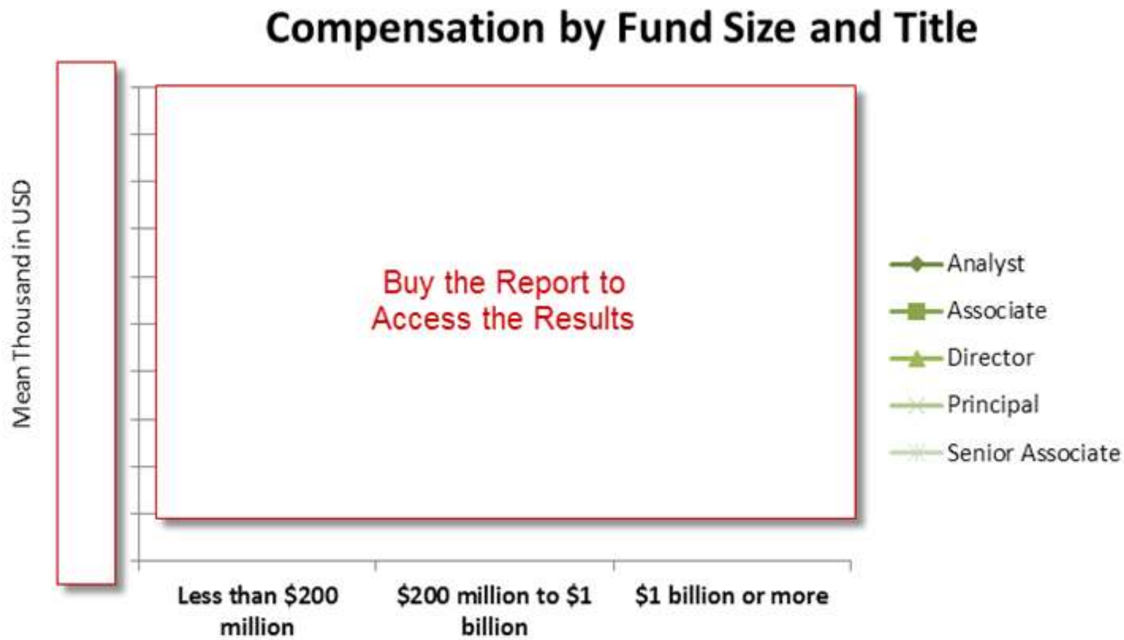

Figure 22: Mean Compensation by Fund Size for Common Roles

In nearly all cases, cash compensation was _____ ______ with the size of the fund. The only exceptions to this norm were _______, who saw total compensation decline as they moved to funds over $1 billion. This is a reversal of the results of the last survey where ____________earned the biggest premium as they moved up in assets under management.

However, as we indicated in the previous survey, last year's results were heavily influenced by _________ ____________, and with the moderation of these ________ in the current period, we see the trend return to a more typical pattern.

Below is a summary chart showing base and bonus levels by both firm size (based on AUM) and title.

Title	Assets Under Management: Less than $200 million	Assets Under Management: $200 million to $1 billion	Assets Under Management: $1 billion or more
Base Salary			
Analyst			
Associate			
CFO			
Director			
Investment Manager			
Managing Director			
Managing Partner			
Partner			
Principal			
Senior Associate			
Vice President			
Bonus			
Analyst			
Associate			
CFO			
Director			
Investment Manager			
Managing Director			
Managing Partner			
Partner			
Principal			
Senior Associate			
Vice President			

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Note: Mean cash compensation in thousands of USD. Excludes countries where compensation practices vary significantly from USA, Canada and UK. Also excludes positions where enough data was not available to create an identifiable mean.

Figure 23: Base and Bonus by Firm Size (AUM) and Title

Job Security and Balance

One of the best leading indicators of the overall health of the private equity and venture capital job market is the feelings of our respondents toward their own job security.

We are now seeing a third year of relative stability after a big jump in confidence in 20xx. While 6 percent of respondents were very concerned about their job security in both last year's and this year's survey, the number that were somewhat concerned declined 4 percentage points year over year.

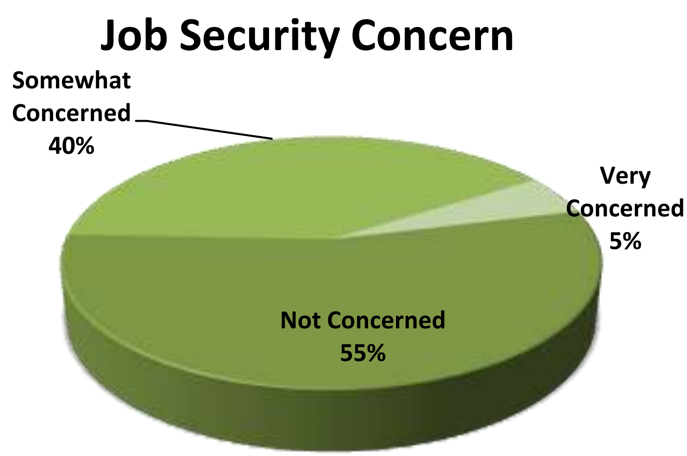

Figure 29: Job Security Concerns

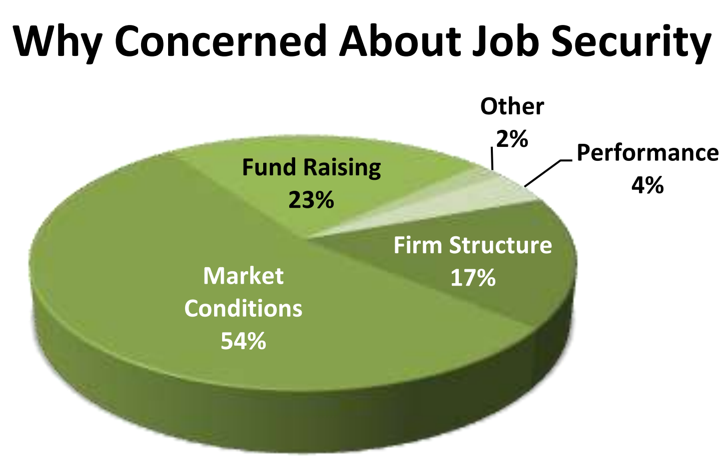

Figure 30: Why Concerned About Job Security

The fact that fewer professionals were concerned with their job security may be well grounded in fact for 20xx. While not as robust as the results of our 20xx report, we have noticed an uptick in hiring intentions across the board when compared to last year's report. Better yet for the private equity or venture capital professional, fewer firms are considering a reduction in headcount. This comes despite a slight decrease in the number of U.S. private equity deals being closed in the first nine months of the year, compared to 20xx.

Those professionals with an accounting background are seeing demand for their skills increase the most, with ____ percent of firms looking for Accountants in the coming year versus only ____ percent in the year prior. That said, investment professionals lead the way yet again with ____ percent of firms looking to hire new talent in this area versus only ___ percent last year.

	Investment	Accounting	Marketing	Ops & PM	IT	Investor Relations
Hiring	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Not Hiring	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Reducing Headcount	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Figure 31: Which Positions are in the Greatest Demand

Increasingly, we are seeing firms take innovative approaches to compensation beyond simple pay increases and bonuses. In order to acquire top talent, firm's today need to stretch out and offer both strong benefits and an enriching corporate culture.

While cash compensation continues to climb at small firms, and now even exceeds some mid-sized and large firms, these teams are uniquely positioned to offer additional opportunities especially for young employees. Offering junior team members the opportunity to be exposed to a variety of functions allows them to both grow individually, but also improve their ability to deal with cross functional issues in the future.

Importantly, it offers enrichment to the role which may decrease attrition within a young demographic which often poses a challenge to human resources professionals in terms of retention.

Figure33: Quality of Firm's Training Program

Training is certainly one benefit that firms can offer that provides value to the fund while improving individual's satisfaction. However, firms are struggling to meet the expectations of team members.

Respondents suggesting that their firm's training practices are "weak" or "non-existent" actually increased slightly over last year. This is clearly a missed opportunity for firms to add value.

Training programs can be developed in house or outsourced to firms such as Breaking Into Wall Street, which provides online programs for learning basic and advanced financial modeling.

Carried Interest

In private equity and venture capital, carried interest allocations are typically around 20 percent of the fund's profit. In select cases, it can be substantially higher. Total carried interest is distributed to fund team members based on their personal carry, or share of the fee.

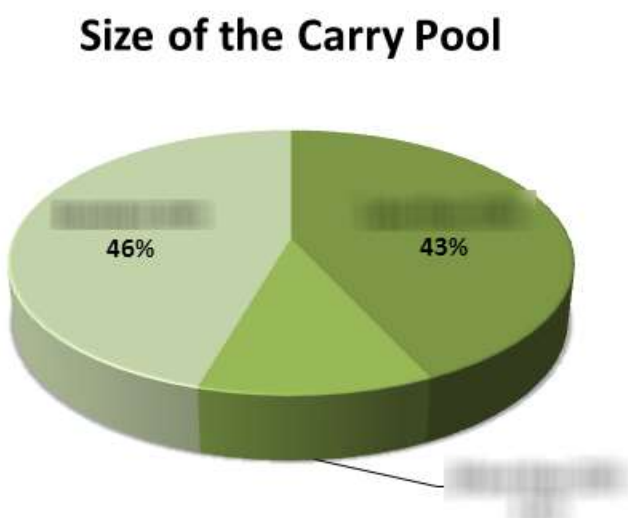

Figure 34: Size of Carried Interest Pool

Compared to last year, the number of firms with a carried interest pool greater than 20 percent increased ___ percent. Respondents reporting a carry pool below the ____________ were unchanged year over year.

The two leading factors in determining whether a private equity professional will get carried interest as part of their compensation were _____________ and their ____________________ ______________ .

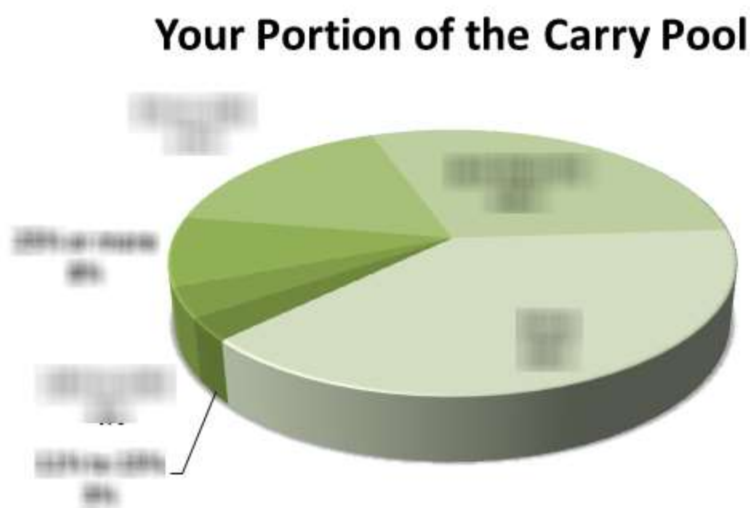

Figure 35: How Carry is Shared

As profits have yet to fully recover from pre-market crash levels, we have yet to see carry payout return to their past levels. However, we do see a slight uptick this year in those receiving some carry. ____ percent of respondents received carried interest allocations of some level this year, while last year only ____ percent of respondents enjoyed this benefit.

For those with carry, they report having an average holding period of ___ years (up from ___ last year) to be fully vested in their carried interest; with a range of Associates at ___ years (up from ___ last year) and Partners at ____ years (down from ___ last year).

At the upper levels of fund management, carry participation has been largely steady, with some modest declines in the number of ____________ and _______________ participating in carry pools. This is unlikely to be representative of a trend away from carry participation for these senior professionals, and is more likely related to which individuals with these titles responded this year.

As expected, work experience is highly correlated with position in the firm, and accordingly, is also related to carry percentage. We see two large jumps in participation, in the 6 to 9 year range and then again in the 10 to 15 year range. After that tenure, carry pool participation levels become relatively stable.

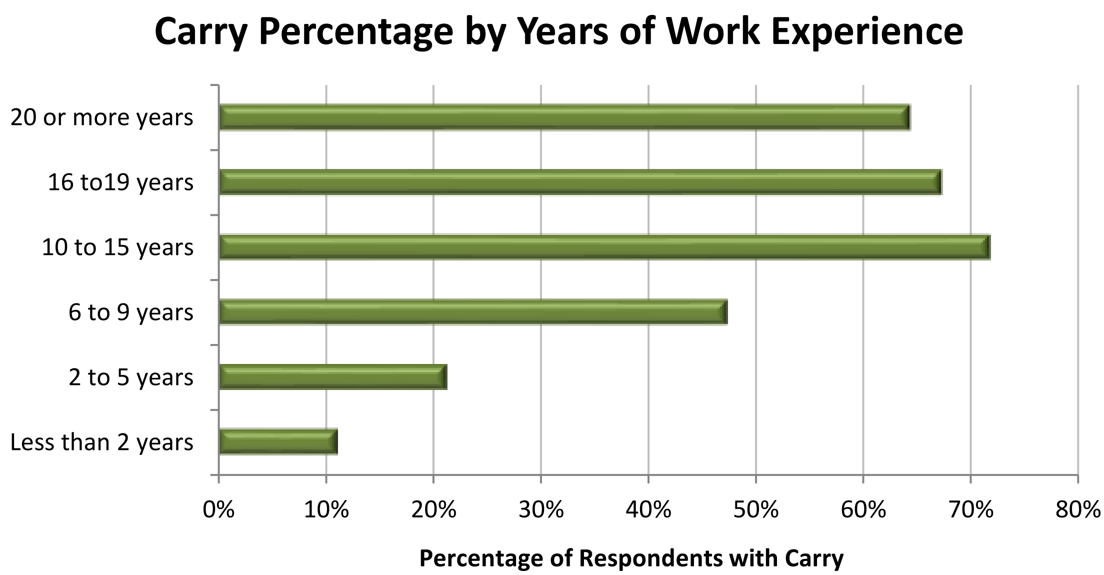

Figure 37: Carry Participation by Years of Work Experience

Below are three separate graphs that show the detail surrounding how carry is typically allocated in our respondent's firms. The data is grouped by level, based on titles, within the firm.

Figure 38: Executive Level Allocated Carry Percentages

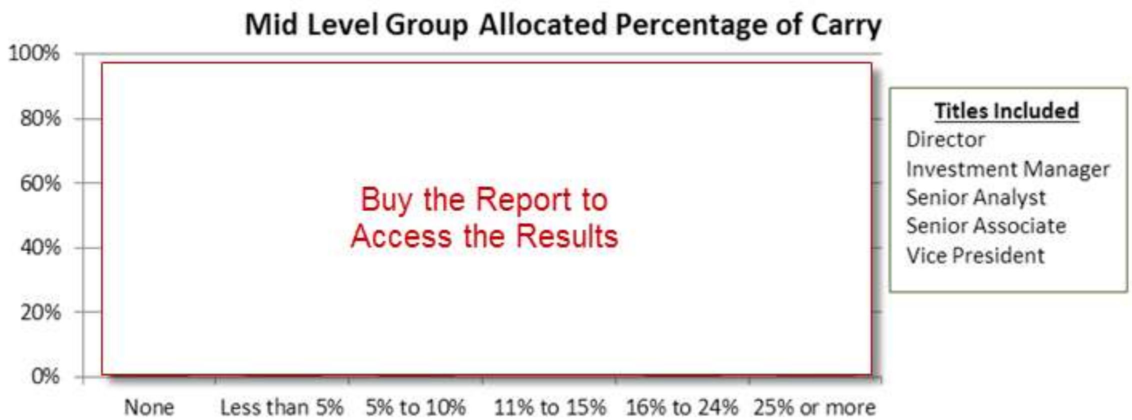

Figure 39: Mid Level Allocated Carry Percentages

Figure 40: Lower Level Allocated Carry Percentages

Education and Experience

Compared to last year's results, we have seen a narrowing of the compensation differential between those with an MBA, and those without. In our survey results from last year, a respondent with an MBA earned ___ percent more than their peers, while this year we see only a ___ percent premium placed on the graduate business degree.

Much of this gap was closed in base compensation, while the minimal bonus differential remained mostly steady compared to last year.

Average Compensation (USD)

	MBA	No MBA
Base		
Bonus		
Total		
Vacation Weeks Earned	3.3	3.2

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Figure 41: MBA Compensation Comparison

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