

2021

Europe and Africa Private Capital Compensation Survey



Contents

A message from the authors	4
Methodology	5
Executive summary	6
State of the private capital market 2021	6
Hiring trends	7
State of private capital professional compensation	8
Spotlight: United Kingdom	15

Heidrick & Struggles' ninth annual survey includes a review of major hiring trends, an in-depth look into the structure of 2021 compensation packages, and a spotlight on trends in the United Kingdom.

A message from the author

Welcome to the 2021 Europe and Africa Private Capital Compensation Survey, the ninth annual edition. Our goal in producing this survey is to develop and share with the industry a comprehensive understanding of both compensation practices and backgrounds of investment, fundraising, and operating professionals at private capital firms across Europe and Africa

This year's survey includes responses from 439 professionals working across Europe and Africa. Many thanks to all who have completed the survey, whether you have done so every year or participated for the first time this year. We appreciate your time and effort in contributing to the project. If you wish to discuss the survey in greater detail, please do not hesitate to contact us.

With warmest regards,

update



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On confidentiality

The Europe and Africa private capital compensation survey, 2021, was conducted on an anonymous basis for individuals and their employers, and Heidrick & Struggles has removed the data relating to identity from reported compensation figures.

Acknowledgments

The authors wish to thank **Mohd Arsalan** and **Daria Sklyarova** for their contributions to this report.

Methodology

In an online survey, we asked participants to provide their compensation data from 2019, 2020, and 2021. All data collected was self-reported by private capital professionals and has been aggregated to evaluate trends in compensation packages, including base salary, bonus, and carried interest (carry). In addition to overall compensation data, we segregated responses by gender, level of seniority, fund size, and investment strategy across buyout, growth capital, distressed, credit, direct lending, secondaries, fund of funds, co-investment, and venture capital.

Responses from 439 participants are included in the survey results.

In some compensation charts, we report the mean, lower quartile (25th percentile), median, and upper quartile (75th percentile) responses. Please note that the mean can be influenced by particularly high or low data points, especially in small sample sizes. Many firms that use compensation surveys set their compensation targets around or above the upper quartile. Carried interest is calculated using "carry euros at work," which is 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. 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 euros at work ($500 \times 0.2 \times 0.07 = 7$).

All compensation figures in tables and charts are reported in EUR thousands unless otherwise noted.

A note on titles

While title structures vary according to firm, we have divided respondents into three groups based on level and responsibility.

Managing partner/partner

Experienced dealmakers and senior members of the firm who are responsible for sourcing and originating investments. Managing partners/partners interact directly with management teams, lead negotiations, and are part of, or deal with, the firm's investment committee.

Principal

Considered "deal captains," principals are accomplished executives who lead and manage deal teams. They also may be expected to originate their own investments and identify potential acquisitions.

Associate

The entry-level role for investment professionals. Associates are responsible for analyzing companies and business plans, financial modeling, conducting due diligence, working with service providers, and assisting with the management and monitoring of portfolio companies under the direction of senior team members.

Executive summary

This year's survey includes a review of private capital activity in Europe and Africa for 2020 and 2020 to date, our thoughts on the major hiring trends for private capital professionals and an in-depth look into the structure of compensation packages in the United Kingdom.

The private capital market in Europe has rebounded from the lows early on in the COVID-19 pandemic: deal count for the first half of 2021 is already close to the full-year total for 2020 and, with GPs sitting on €249.7

billion of dry powder, total deal value is on pace to surpass the high of 2018. Hiring freezes have thawed, competition for talent is fierce, and compensation is growing, particularly in the United Kingdom.

We note that while female private capital professionals do not yet have compensation on par with their male colleagues, the increased competition for diverse candidates could help to close the gaps for women and other diverse professionals relatively quickly.

State of the private capital market 2021

It has been an astounding year for private capital in Europe and Africa. Economies have, on the whole, rebounded sharply from the first few months of the COVID-19 pandemic, private capital activity along with it. Pricing for assets is higher than ever and competition is strong.

Private capital deal making in the second quarter of 2021 posted its second-highest quarterly numbers, propelled by middle market activity as sellers reaped the benefits of high valuations and GPs began deploying the resources they amassed in 2020. In addition, PE firms took many public companies private in the first half of this year, putting deal value on pace to reach its highest level in a decade. Exits in the first half of 2021 alone topped 2020's full-year exit value.¹

Europe is readying for strong deal making ahead, with capital raising up nearly 20% in

just the first six months of 2021: European GPs have €249.7 billion of dry powder at the ready. All told, 2021 is shaping up to have more deals done than 2019, when there were 4,446, and a greater deal value than 2018, which reached €470.9 billion.²

There are many favorable conditions for growth in 2021, including the fact that financing and refinancing deals are historically cheap thanks to liquidity among institutional investors and an aggressive hunt for yield. European leveraged loan issuance hit a record high in Q1. And while the United Kingdom has completed its withdrawal from the European Union (EU), the presence there of the €750.0 billion NextGenerationEU pandemic recovery fund is likely to improve the outlook for transitions at several private capital--backed companies in Europe. In addition,

firms are already showing a desire to invest in private markets in order to expand their exposure and we have observed a continuing trend of new entrants into the industry.

If there is a caution, it may lie in the outlook for general economic growth. The International Monetary Fund (IMF) is predicting a 4.3% increase for the Euro area, below that of the United States at 4.9% and only marginally ahead of the forecast growth for Africa, at 4.1%.³

Much of the private capital funding that is being deployed in Africa now is making its way to the continent's booming fintech sector. There are 576 active fintech companies in Africa now, and the sector grew by 17.3% from 2019 to 2021. Nearly 68% of these start-ups are located in just three countries: South Africa, Nigeria, and Kenya, which are also where many of the African respondents to this survey are based.⁴

1 Dominick Mondesir, *European PE Breakdown, Q2 2021*, PitchBook, July 19, 2021, pitchbook.com.

2 Dominick Mondesir, *European PE Breakdown, Q2 2021*, PitchBook, July 19, 2021, pitchbook.com.

3 *World Economic Outlook Update: Fault Lines Widen in the Global Recovery*, International Monetary Fund, July 2021, imf.org.

4 Leah Hodgson, "Is Africa fintech's next frontier?" PitchBook, August 6, 2021, pitchbook.com.

Hiring trends

In hiring, the contrast with 2020 could not be starker. As the pandemic spread last year, firms imposed hiring freezes. What little hiring did happen was largely for operating partner roles as firms focused on strengthening their existing assets for exits, many of which were stretched beyond initial timelines due to uncertainty.

Operating partners are still in demand in 2021, and once again firms are keenly seeking investment professionals and those with the expertise to handle pre-acquisition work and fundraising. Hiring has been particularly strong at the pre-partner and deal captain level, which in many firms is a more receptive entry point than the partner level. Hiring has also been strong at more junior levels, but private capital firms are facing more competition for talent from entities outside of financial services, such as technology and innovation firms. The pandemic still casts a shadow on hiring, however. Professionals who might have

eagerly moved to a new country for a new role in the past remain hesitant to do so. There is also greater hesitancy (than there was before the pandemic) to switch firms because the increased private capital activity has professionals waiting for past awards to vest.

As a result, candidates now have more negotiating leverage than they have had in the past. Compensation is rising in many cases and hiring firms must be organized to move quickly to win the right talent.

This is particularly the case in the competition for diverse talent. In the past, firms have made some efforts to hire candidates of underrepresented genders, ethnicities, socioeconomic backgrounds, and academic pedigree, as well as those who identify as LGBTQI. This year, they are demanding such candidates and the competition for them is fierce.

We believe that in order to further diversify, firms will need to commit to bringing in lateral talent—, people who may need 6 to 12 months to get up to speed. And firms will need to commit to this development time even though deal teams are lean. Firms will also need to work harder on retention and development, which will mean building a more inclusive culture and replacing common apprenticeship and “up-or-out” models with true development programs. Those models have some merits but, grounded as they are in a relatively homogeneous and male workforce, they fall short in a more diverse environment. The largest and most operationally sophisticated firms are starting to develop a proactive, forward-looking strategy to hire and retain diverse talent, and we believe that all firms will need to follow this model if they are to compete for diverse candidates.

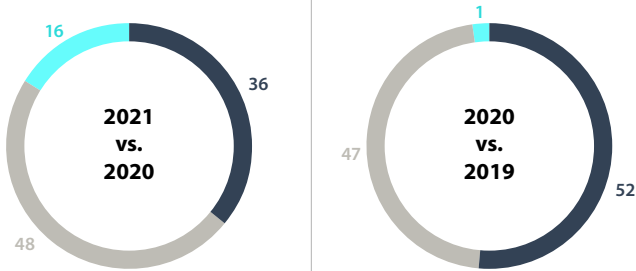
State of private capital professional compensation

Compensation is once again rising for all professionals, with increases in base salaries of 21% or more for the majority of respondents expecting an increase. Associates continue to make strong gains.

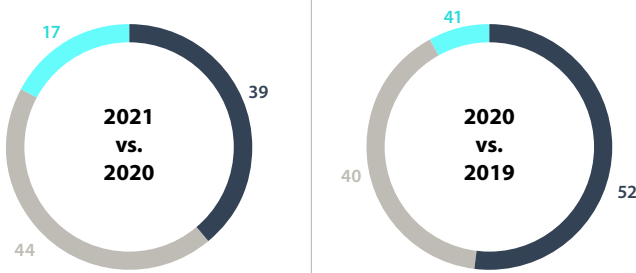
General observations on compensation trends (%)

■ Increase ■ No change ■ Decrease

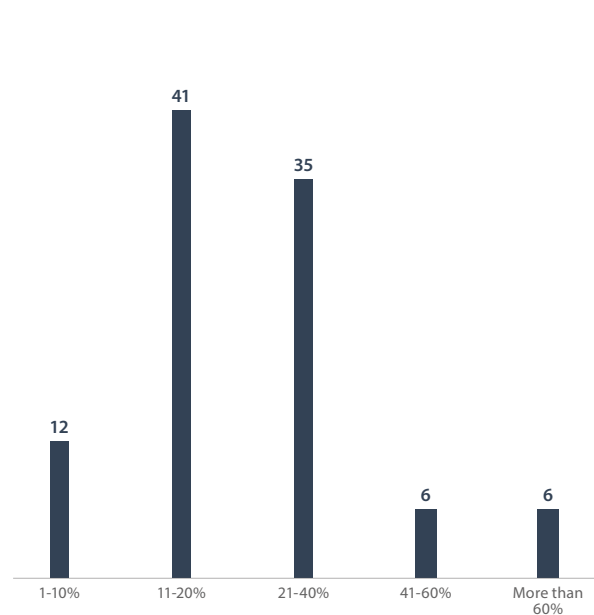
Base



Bonus



Breakdown of respondents reporting an increase in 2021 base salaries (%)

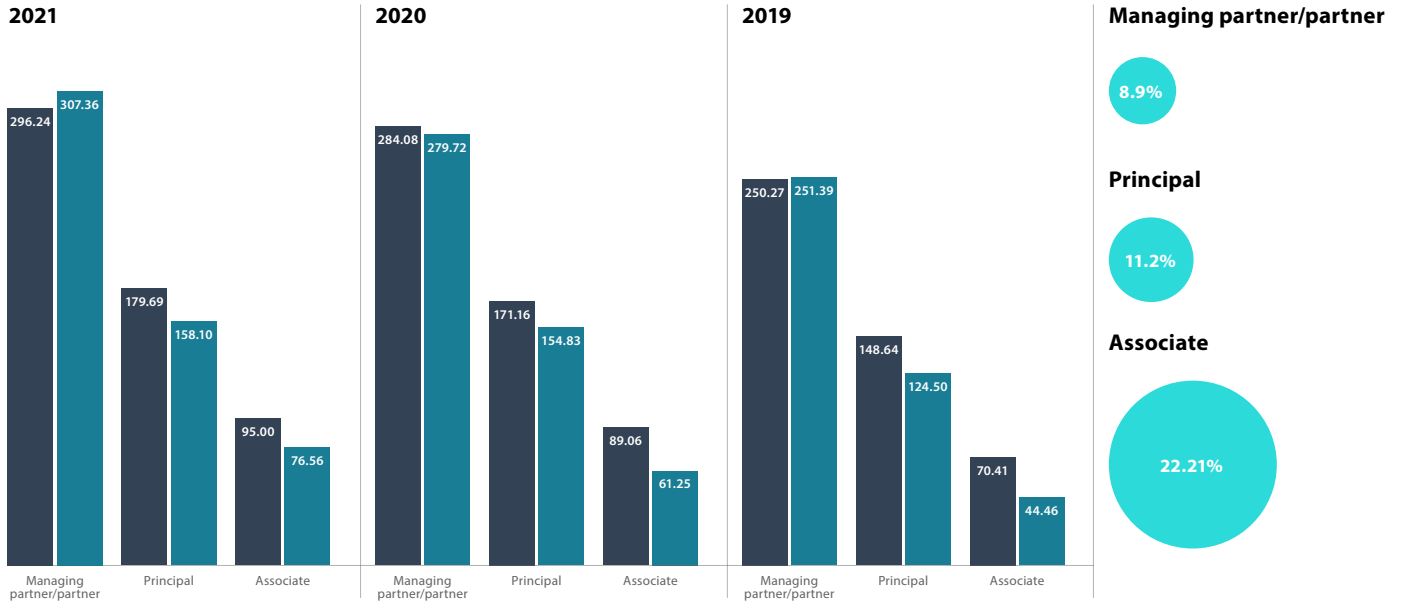


Source: Heidrick & Struggles Europe and Africa private capital compensation survey, 2021, n = 439 respondents

General observations on compensation trends

All Professionals, (€k)

■ Base ■ Bonus ● 3-year CAGR of total cash compensation



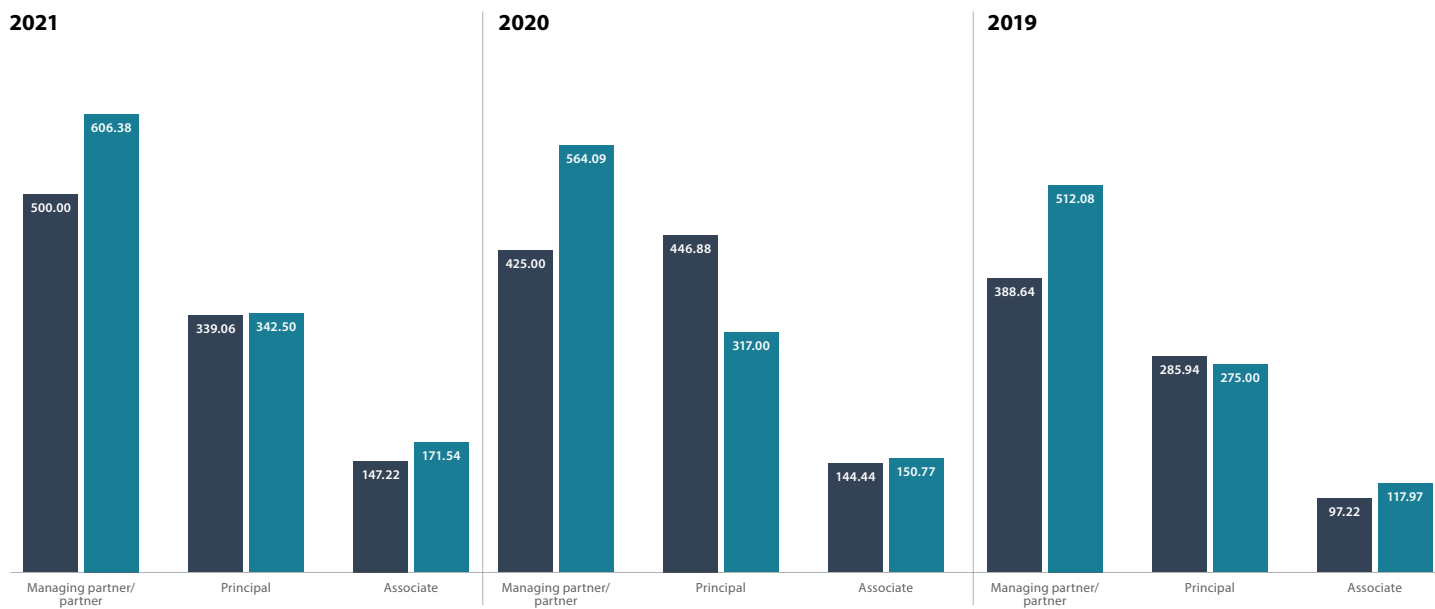
Source: Heidrick & Struggles Europe and Africa private capital compensation survey, 2021, n = 439 respondents

We see generally lower compensation for women, particularly at the most senior levels. Private equity investment professionals in the United States reported the same pattern.⁵

General observations on total compensation trends by gender

All Professionals, (€k)

■ Female ■ Male



Source: Heidrick & Struggles Europe and Africa private capital compensation survey, 2021, n = 407 respondents

⁵ Jonathan Goldstein and John Rubinetti, 2021 North American Private Equity Investment Professional Compensation Survey, Heidrick & Struggles, on heidrick.com.

We believe that it is at least in part a reflection of the fact that there are relatively few women at senior levels at PE firms, particularly at the firms with the largest

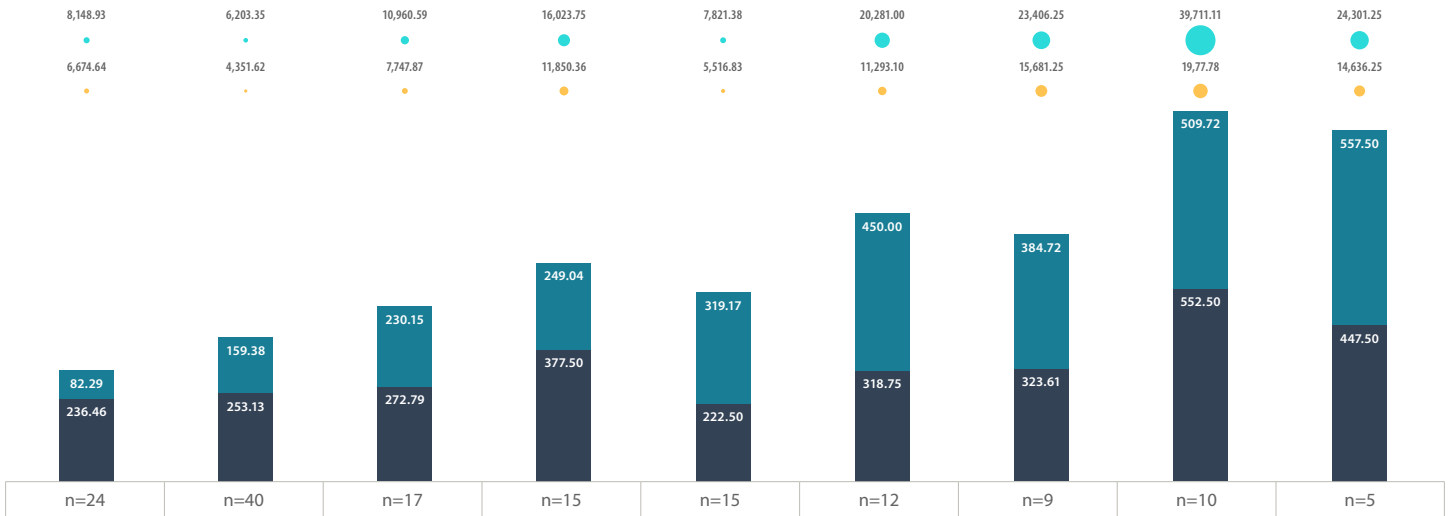
volume of assets under management, where compensation base and bonus is always higher than at smaller firms. Compensation also rises with years of experience.

Mean base, bonus, and carry by fund size, 2021

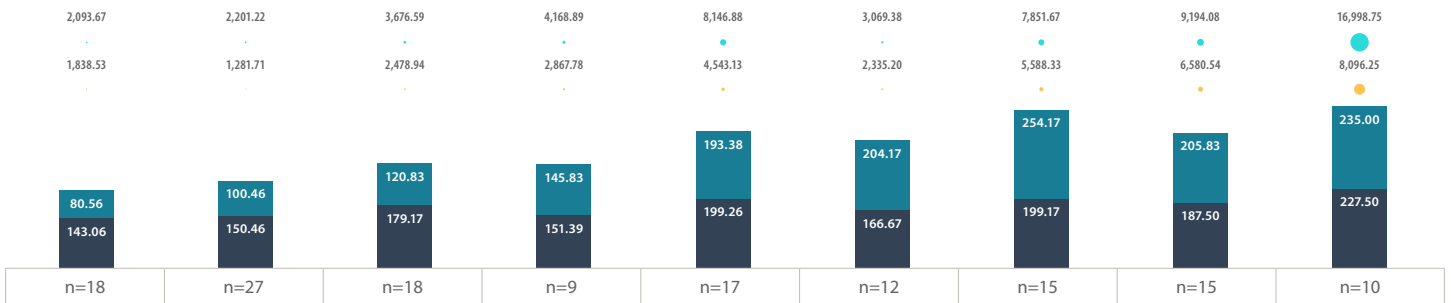
Investment professionals only

■ Mean base 2021, (€k) ■ Mean bonus 2021, (€k) ● Mean carry all funds, (€m) ● Mean carry current fund, (€m) □ Number of respondents

Managing partner/partner level



Principal level



Associate level



Source: Heidrick & Struggles Europe and Africa private capital compensation survey, 2021, n = 356 respondents

Years of PE experience and compensation

Investment professionals only

Mean (€k)						
Years of PE experience	Base (2021)	Bonus (2021)	Total cash compensation (base + bonus 2021)	Total cash compensation (base + bonus 2020)	Total cash compensation (base + bonus 2019)	3-year CAGR total cash compensation (2021)
0-2	94.64	83.93	178.57	160.71	117.31	23.38%
2-4	118.75	94.60	213.35	190.34	149.72	19.37%
5-6	164.42	142.12	306.54	286.15	234.23	14.40%
7-8	196.43	177.98	374.40	333.33	290.85	13.46%
9-10	229.00	216.07	441.84	414.29	359.69	10.83%
11-12	273.61	293.06	566.67	509.03	468.06	10.03%
13-14	219.21	196.25	393.75	380.63	345.63	6.73%
15-16	291.99	324.68	616.67	628.85	522.44	8.64%
17+	328.91	339.88	626.19	592.06	554.76	6.24%

*Total cash compensation is equal to the sum of reported mean base and bonus.

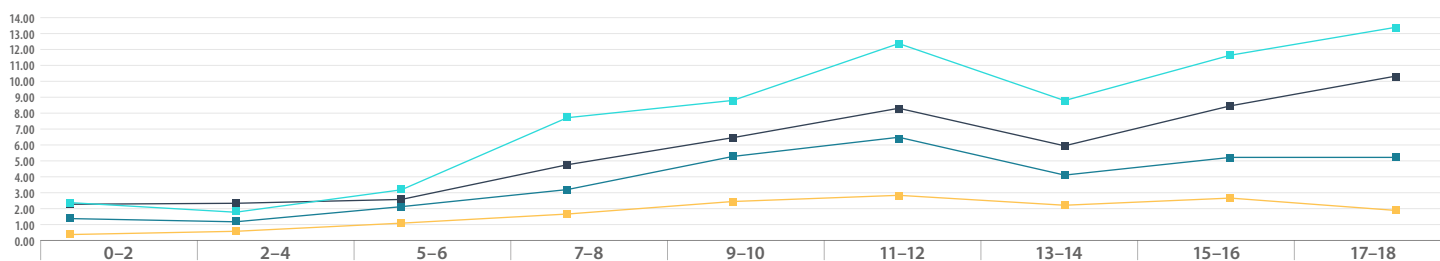
Source: Heidrick & Struggles Europe and Africa private capital compensation survey, 2021, n = 439 respondents

Years of PE experience and compensation

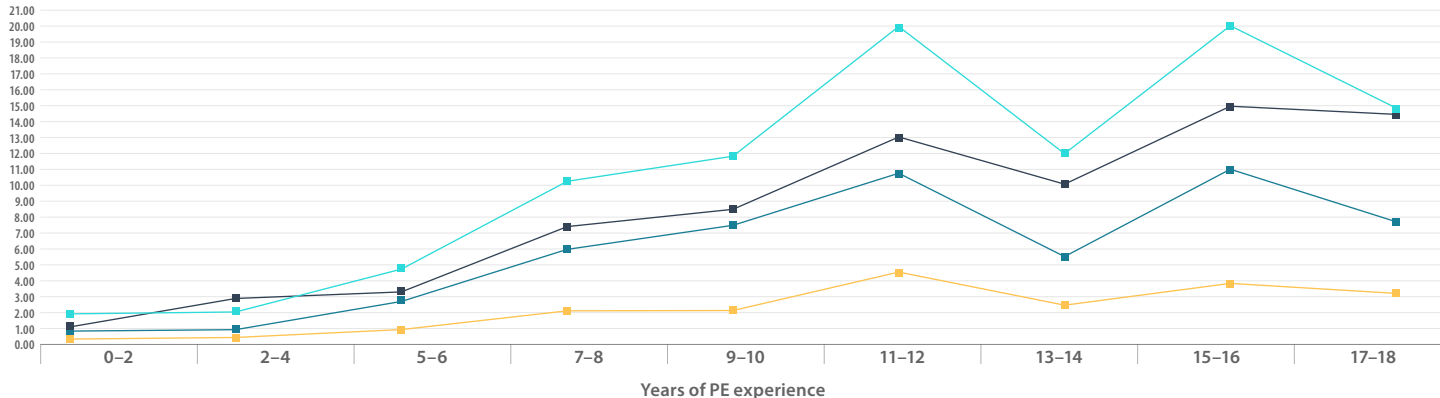
Investment professionals only, (€m)

Carry in current fund

■ Mean ■ 25th percentile ■ Median ■ 75th percentile



Carry in all funds



The graphs above illustrate the relationship between carry development and experience, including percentile ranges

Whilst we draw the data above into quartiles, we do not report of performance so cannot comment on whether there is a strong correlation between fund performance and compensation.

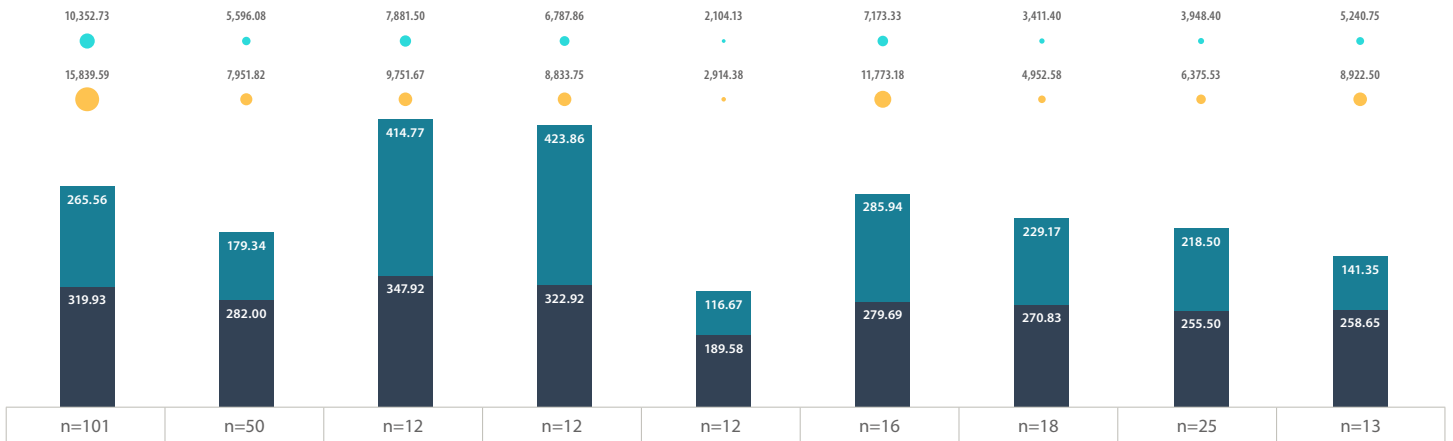
By investment strategy, distressed and credit investment professionals report the highest 2021 compensation.

Mean base, bonus, and carry by investment strategy, 2021

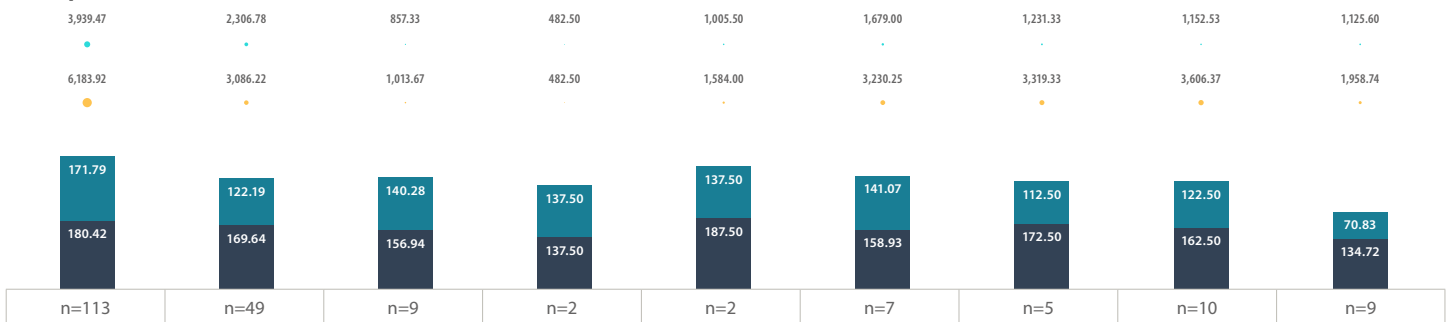
Investment professionals only

■ Mean base 2021, (€k) ■ Mean bonus 2021, (€k) ● Mean carry all funds, (€m) ● Mean carry current fund, (€m) □ Number of respondents

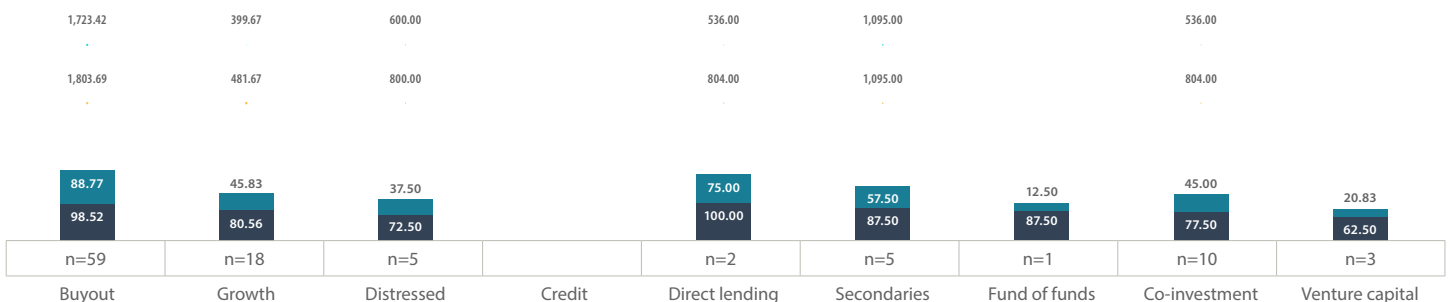
Managing partner/partner level



Principal level



Associate level



Source: Heidrick & Struggles Europe and Africa private capital compensation survey, 2021, n = 559 respondents

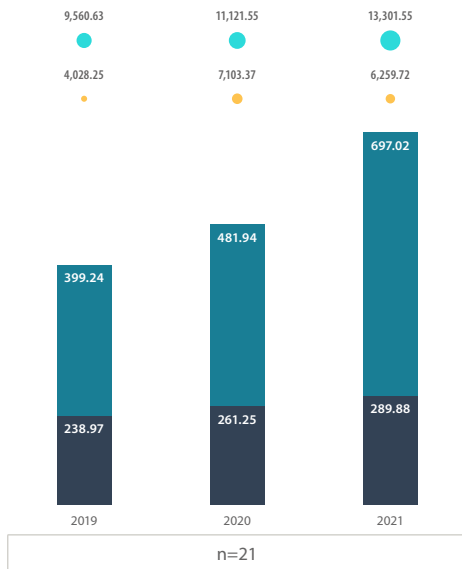
Looking over the three years covered in the survey, on the whole both fundraising and IR executives and operating executives reported rising compensation at all levels.

Mean base, bonus, and carry

Fundraising and investor relations professionals only

■ Mean base 2021, (€k) ■ Mean bonus 2021, (€k) ● Mean carry all funds, (€m) ● Mean carry current fund, (€m) □ Number of respondents

Managing partner/partner level



Principal level



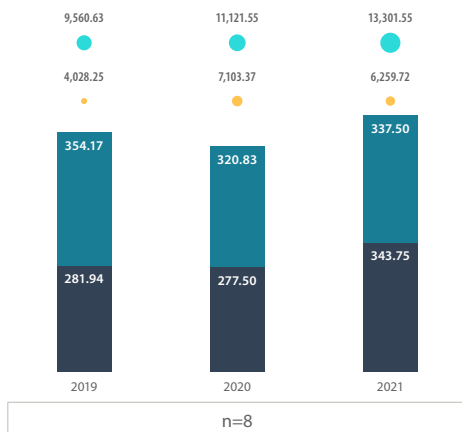
Associate level



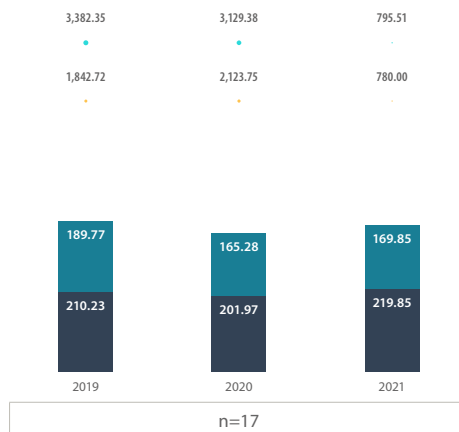
Mean base, bonus, and carry

Operating partners only

Managing partner/partner level



Principal level



Associate level



*The compensation figures for 2020 and 2019 are taken from last year's report
Source: Heidrick & Struggles Europe and Africa private capital compensation survey, 2021, n = 34 respondents

Spotlight: United Kingdom

Across the region, senior investment professionals in the United Kingdom reported the highest total cash compensation, followed by those in southern Europe (Spain and Italy), Africa (South Africa, Nigeria, Kenya, Morocco, Egypt, and Cote d'Ivoire), the Nordics (Denmark, Finland, Norway, and

Sweden) and, finally, western Europe (France, Germany, Netherlands and Switzerland).

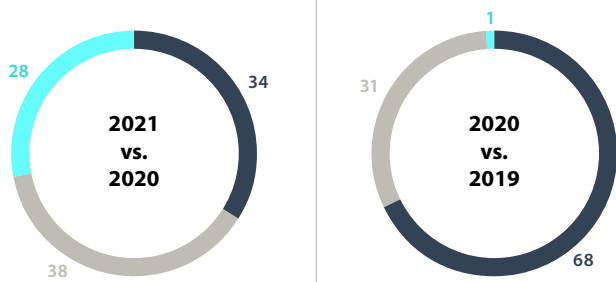
We looked more deeply at compensation patterns in the United Kingdom this year. UK managing partners and partners reported a sharp increase in bonuses this year, with male

professionals reporting greater gains than their female counterparts. UK associates have made compensation gains in recent years, with a compound annual growth rate of nearly 21% over the last three years. And, as expected, compensation generally rises with fund size.

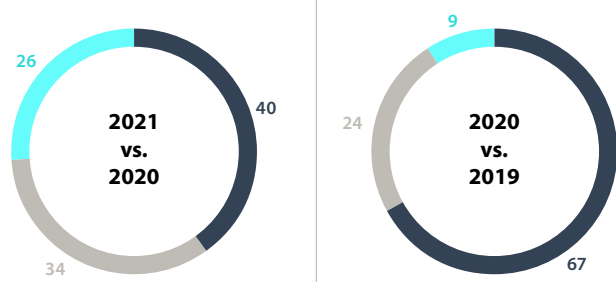
General observations on compensation trends in United Kingdom(%)

■ Increase ■ No change ■ Decrease

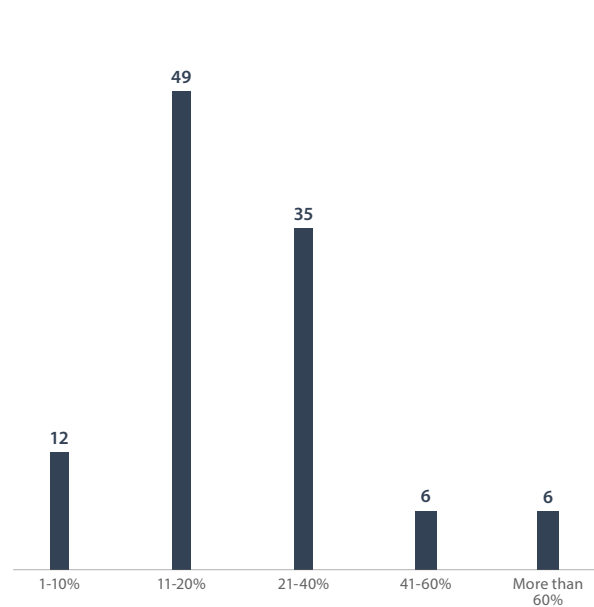
Base



Bonus



Breakdown of respondents reporting an increase in 2021 base salaries (%)

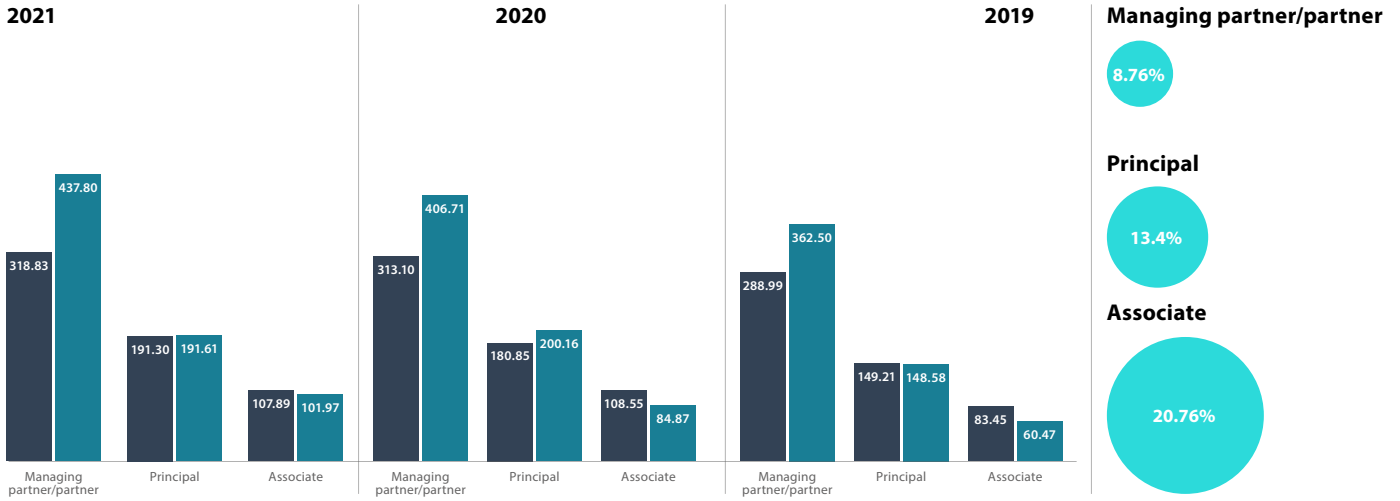


Source: Heidrick & Struggles Europe and Africa private capital compensation survey, 2021, n = 200 respondents

General observations on compensation trends in United Kingdom

All Professionals, (€k)

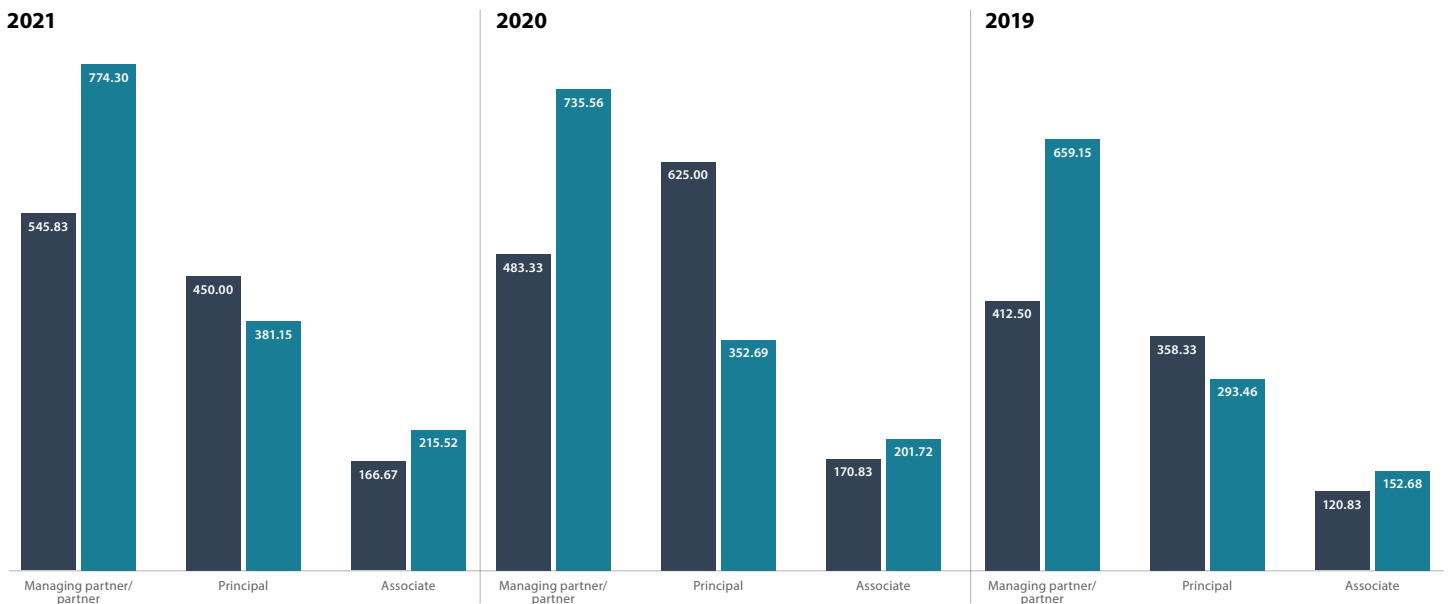
■ Base ■ Bonus ● 3-year CAGR of total cash compensation



General observations on total compensation trends in United Kingdom by gender

All Professionals, (€k)

■ Female ■ Male



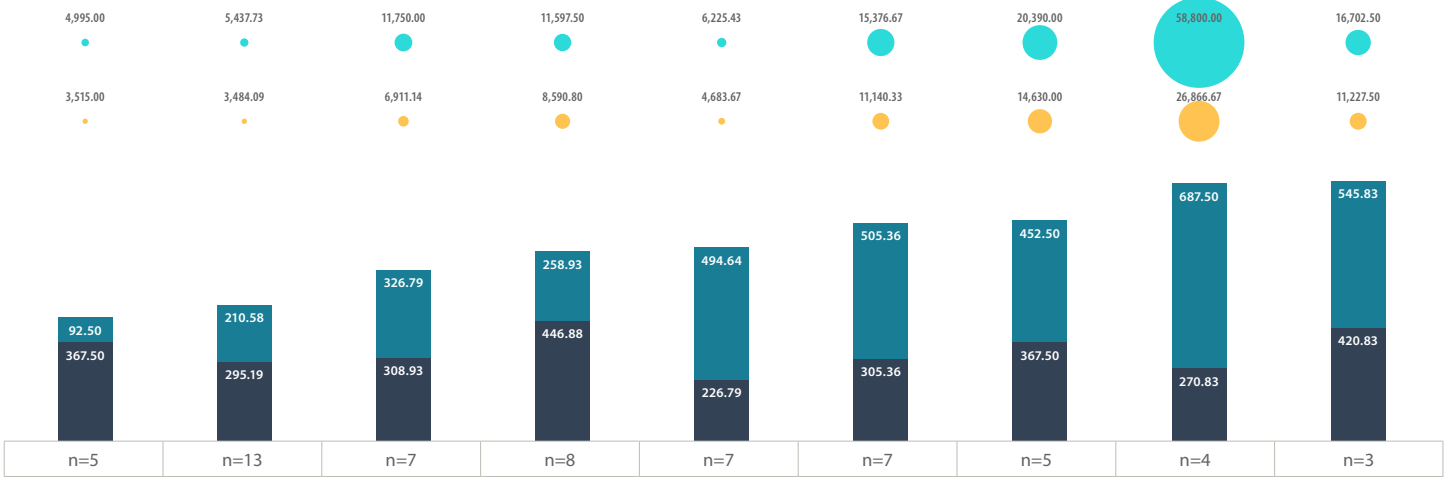
Source: Heidrick & Struggles Europe and Africa private capital compensation survey, 2021, n = 200 respondents

Mean base, bonus, and carry by fund size, 2021 (United Kingdom)

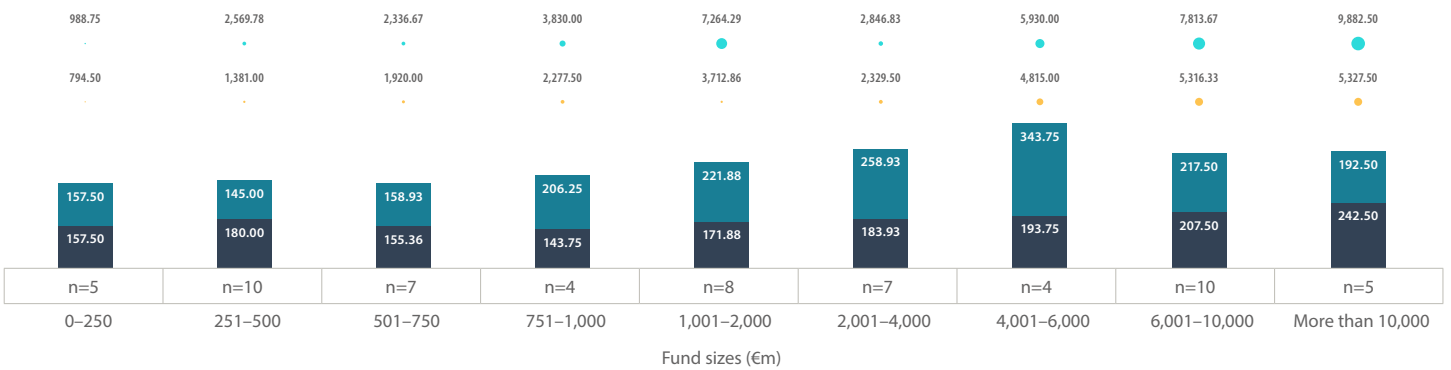
Investment professionals only

■ Mean base 2021, (€k) ■ Mean bonus 2021, (€k) ● Mean carry all funds, (€m) ● Mean carry current fund, (€m) □ Number of respondents

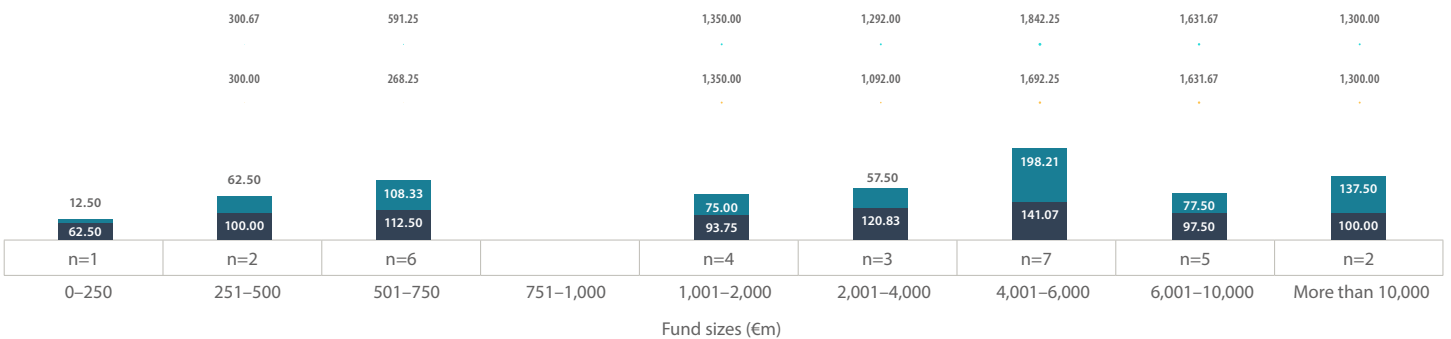
Managing partner/partner level



Principal level



Associate level



Source: Heidrick & Struggles Europe and Africa private capital compensation survey, 2021, n = 149 respondents

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.

With more than 80 consultants in 50 offices around the world, our expertise shadows the private equity life cycle from pre-deal due-diligence support to 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.

We pride ourselves on our work with private equity-backed portfolio companies to secure the leadership needed to deliver on tomorrow's strategies. Our consulting services enable us to develop long-term strategic partnerships that build winning leadership teams and create substantial value.

In addition, we are the leader in finding top private equity management talent by recruiting investment professionals, operating partners, and other essential senior managers who support financial growth.

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ONE LEADERSHIP TEAM AT A TIME®

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