

Private Equity & VC Compensation Report

SAMPLE REPORT



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Introduction

In our many years publishing the annual Private Equity and Venture Capital Compensation Report, both before and after the peak, we've seen significant changes in private equity and VC compensation trends. Again this year, we've seen evidence that the market has settled into somewhat of a groove.

This year's report includes actual data from hundreds of partners and employees that represent several hundred private equity and venture capital firms. As we collected the data in October and November of 2014, and did not see significant market events since that time, we feel comfortable presenting the 2014 numbers as final.

The Report addresses issues such as base and bonus compensation earned (both by title and by fund size), fund performance and its impact on bonus levels, the many facets of carried interest, satisfaction with pay and job security concerns. The Report also seeks to understand how private equity professionals perceive their work and what they expect from their employers.

Where we could, we included insights from the industry and our experience in the job market. That said, the data points in this report are based solely on data collected directly from private equity and VC professionals.


Some of the big questions answered in this analysis include:

- What are the compensation levels and ranges by title?
- How does fund size and performance affect pay?
- What is the balance between base salaries vs. bonus payouts?
- Which titles earn the most and how has their comp changed?
- Who is sharing in carry and at what levels?

We feel a responsibility to present a compensation benchmark resource that is affordable, comprehensive, and reliable. We are satisfied that we have met that goal again this year and we hope, after reading the Report, that you feel that we exceeded your expectations.

We're confident this report will provide you with valuable information, whether you are negotiating your compensation package, setting goals for your professional development, or establishing benchmarks for your firm's compensation policies.

Sincerely,

A handwritten signature in black ink that reads "David". The signature is stylized with a large, looped 'D' and a cursive 'avid'.

David Kochanek, Publisher

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Executive Summary

Throughout the global financial industry, the private equity and venture capital sectors have remained strong performers when it comes to compensation and job opportunities. While many other segments of the broader financial industry have struggled to fully regain their footing since the 2008 financial crisis, professionals working in private equity and venture capital have done quite well, with many firms seeking new talent and overall compensation rising.

This year, we've seen a moderation of sorts in the growth of both compensation expectations and satisfaction. While 2014 may not have been as strong of a year as we've seen in the recent past, this more moderate pace of growth may be more sustainable in the long run and offers optimism that above average prospects may continue for some time.

Across the board this year, we found that most of our survey respondents were expecting an increase in their bonuses. Gains in incentive compensation were particularly strong for those in large firms and managing large funds, and for those in the most senior levels of the organization. The alignment between fund performance and individual bonuses was not as close this year, reflecting some potential alterations in the drivers of incentive compensation.

Increased working hours was another major development we are following in this year's survey. We saw a considerable increase in the number of employees working greater than 70 hours per week. This is a departure from the trend of the last several years where we've seen declining average time worked per week in the private equity and venture capital sector. That said, at the same time we see increasing hours, employees are also receiving higher vacation allotments, though few take the full vacation amounts provided to them.

While an MBA still provides an edge in compensation versus lesser-educated peers, this gap narrowed considerably this year. In our 2014 report a professional with an MBA could expect a 19 percent advantage in total compensation, this year that has narrowed to only a 12 percent advantage. Yet it remains that those with the graduate business degree do still carry an edge in landing the highest paying positions.

Those professionals in the private equity and venture capital sector that are currently job hunting can take some comfort in increased hiring intentions in the coming year from our survey respondents. Firms looking for investment professionals jumped to 41 percent this year from only 34 percent in the prior year. And the skillset seeing the biggest surge in demand? Firms looking for accountants jumped to 25 percent this year from only 14 percent in last year's survey.

In this year's survey, we found a decline in the overall number of professionals satisfied with their current compensation arrangements. Only 45 percent of respondents indicated that they were satisfied with their paychecks. This is not materially lower than last year's report, however if you look back two years to 2013's report, this is a large decline from the 56 percent that were satisfied with their pay in that year. Whether a strong job market has professionals more interested in jumping ship for higher pay, or the higher number of hours in the office are leaving workers feel undercompensated, we'll keep an eye on this trend as it develops through the next year.

This year's compensation report is primarily made up of responses from North America and the U.K., with 34 percent representing senior level positions and 43 percent representing mid-level positions.

Some of the highlights from this year's report include:

- The annual average cash compensation for private equity and VC professionals remained relatively unchanged over last year at \$____,000 USD.
- Bonuses comprised ____ percent of this year's compensation.
- _____ percent of professionals expected total cash earnings increases of more than 16 percent, while ____ percent expected no increase or even a decrease.
- MBAs earned a ____ percent higher salary on average, and earned ____ percent more in cash compensation when bonuses were factored in.
- The demand for investment professionals has strengthened in the last year; ____ percent of firms are indicating hiring intentions, where last year this number was ____ percent.

Methodology

We surveyed hundreds of partners, principals and employees during October and November 2014 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 those that make up most of the industry, the small, boutique firms.

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

Abacus Private Equity	Abbott Capital Management	Adams Street Partners
Aldine Capital Partners	Alpinvest partners	American Capital
Apax Partners	Audax Group	Aurelius AG
BlackRock	Blue Heron Capital	Bowery Capital
Brigade Capital	Camden Partners	Capital Partners
CapitalSpring	CapVest	Castle Creek Capital
Century Capital Partners	Comcast Ventures	Corrum Capital
CPPIB	Deutsche Bank Investments	Dominus Capital
Dorchester Capital	Edison Partners	Energy Spectrum Capital
Excel Venture Management	ff Venture Capital	GE Capital
Grafton Asset Management	Green Hill Capital Management	Greycroft Partners
H.I.G. Capital	Hamilton Lane	HarbourVest Partners
Hayman Woods	Hemisphere Venture Capital Fund	Highland Capital Partners
IFE Mezzanine	Innovation Endeavors	Intact Financial Corporation
Investec Asset Management	IP Group	Kaiser Permanente Ventures
Landmark Partners	LKC Transaction	Longworth Venture Partners
Lynx Equity Limited	Maveron	MentorTech Ventures
Merit Capital Partners	Middle East Venture Partners	MPM Capital
North Atlantic Capital	Northern Lights Capital Group	Northzone
O'Reilly AlphaTech Ventures	Optum Health Venture Partners	Orthogonal Partners
Partners Group	Pomona Capital	Prospect Capital
Prostar Capital	Providence Equity	Prudential Real Estate Investors
PSP Investments	PureTech Ventures	Resource Capital Funds
Rusnano Group	Safeguard Scientifics	Samsung OIC Strategic Investments
Siemens Venture Capital	Sigma Capital Advisors	Siguler Guff
Stamos Capital Partners	The Riverside Company	The Townsend Group
TPG	TriplePoint Capital	Unitas Capital
Venrock	Watermen Capital	WAVE Equity Partners

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.

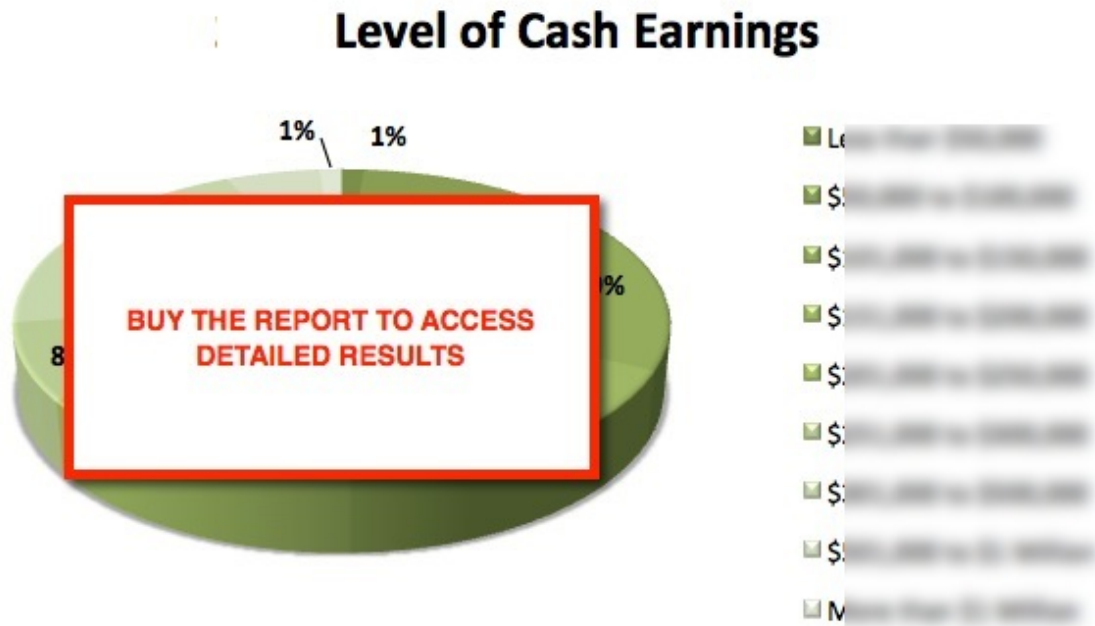


Figure 1: Last Year Levels of Earnings

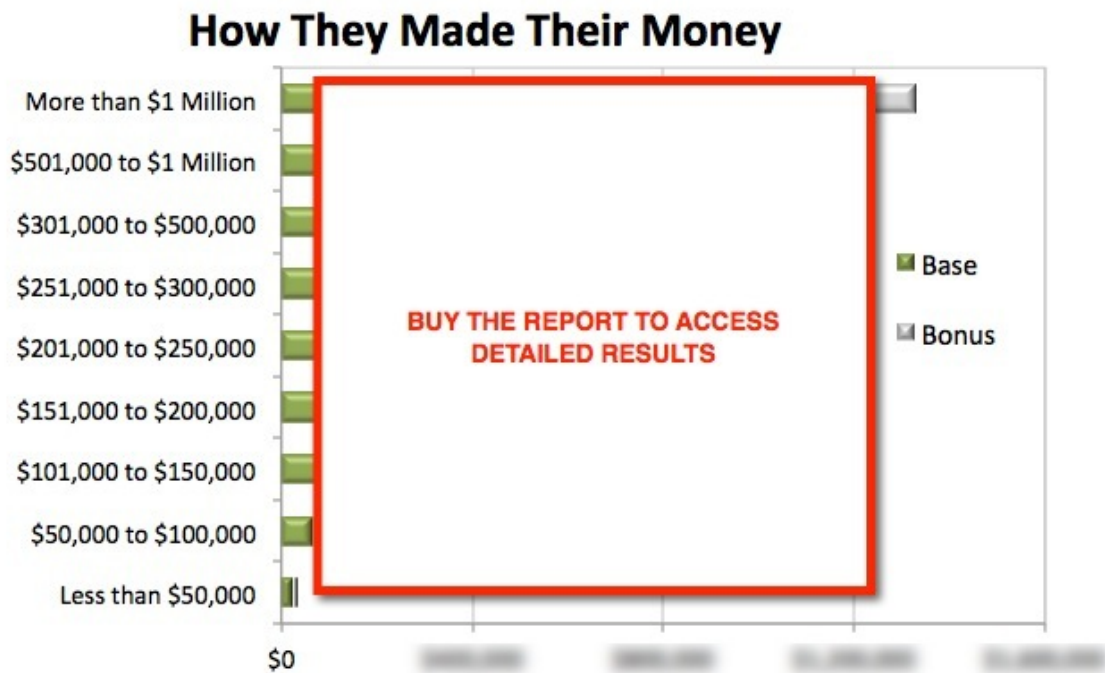


Figure 3: Base vs. Bonus Pay

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. Back in the 2011 survey, 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.

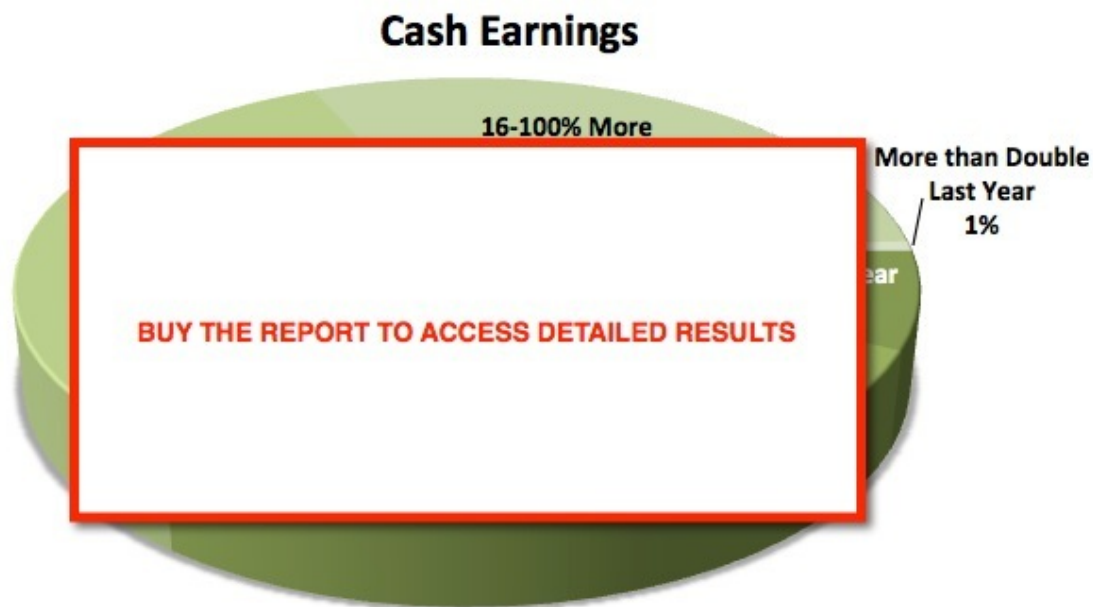


Figure 5: Year over Year Change in Cash Earnings

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 in 2014 than they did in 2013.

In terms of what positions are seeing increases, respondents carrying all titles in the sector reported expecting higher 2014 earnings on average. From the _____ to the _____, everyone is expecting to have taken home more at the end of 2014 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.

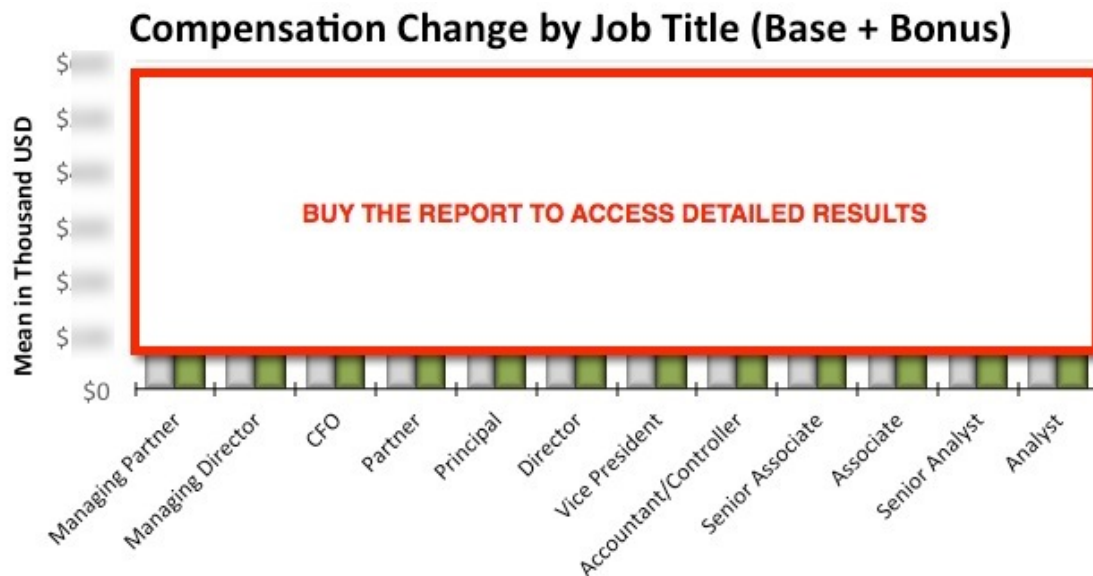


Figure 6: Compensation Change by Title

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 2013. Overall, the results paint a very balanced and stable picture when it comes to guaranteed bonus expectations in the industry.

Guaranteed Bonus Percentage



Figure 7: Guaranteed Bonus Percentage

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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.

Job Title	MEAN			TOTAL COMPENSATION		
	Base	Bonus	Total	25th Percentile	50th Percentile	75th Percentile
Accountant/Controller	\$	BUY THE REPORT TO ACCESS DETAILED RESULTS				
Analyst	\$					
Associate	\$					
CFO	\$					
Director	\$					
Investment Manager	\$					
Managing Director	\$					
Managing Partner	\$					
Partner	\$					
Principal	\$					
Senior Analyst	\$					
Senior Associate	\$					
Vice President	\$					

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

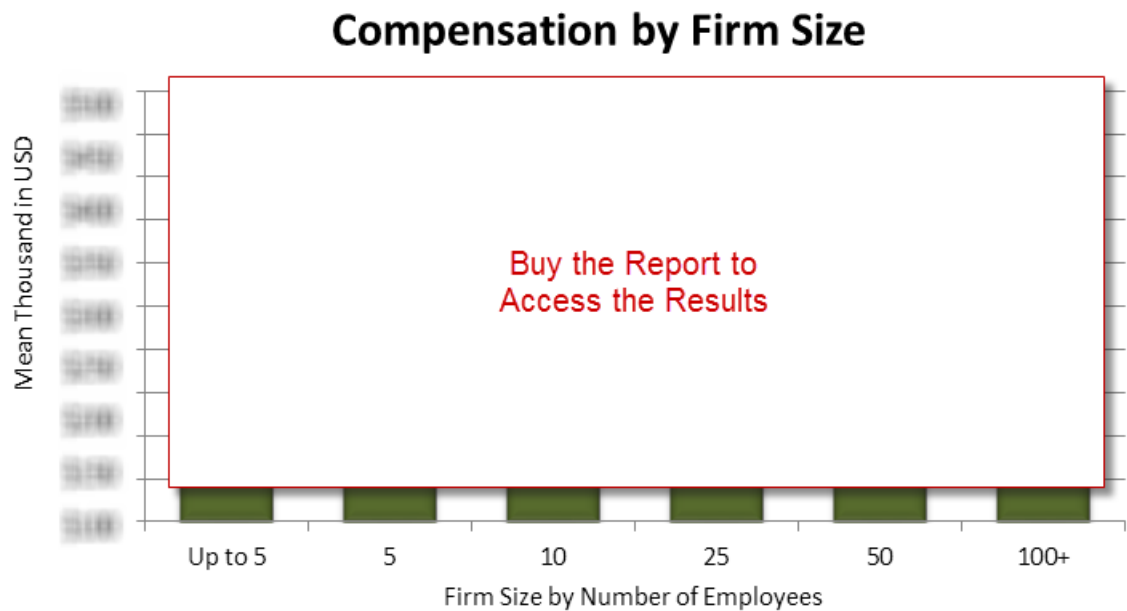


Figure 10: Compensation by Firm Size (Employees)

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.

Type of Firm

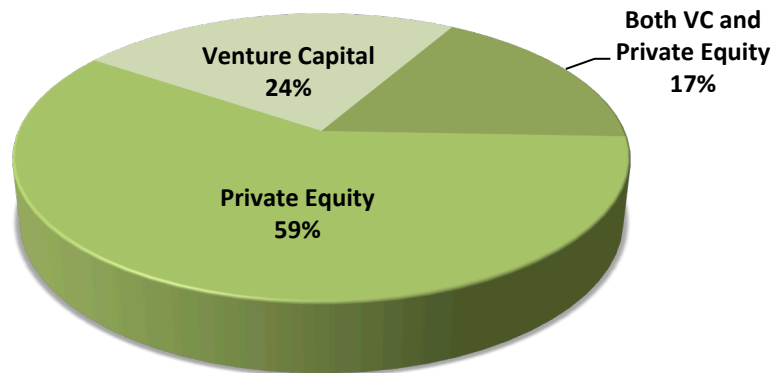


Figure11: Type of Firm

Year over year, we have been seeing a decrease in those working in venture capital-only 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 16 percent in the first nine months of 2014 compared to 2013.

Organizational Structure of the Firm

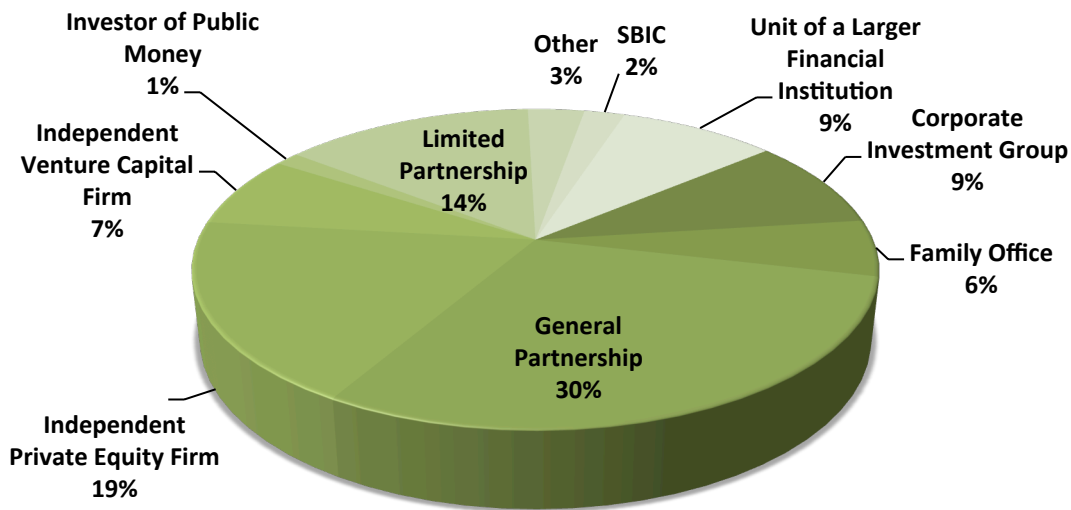


Figure 12: Organizational Structure of the Firm



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 _____.

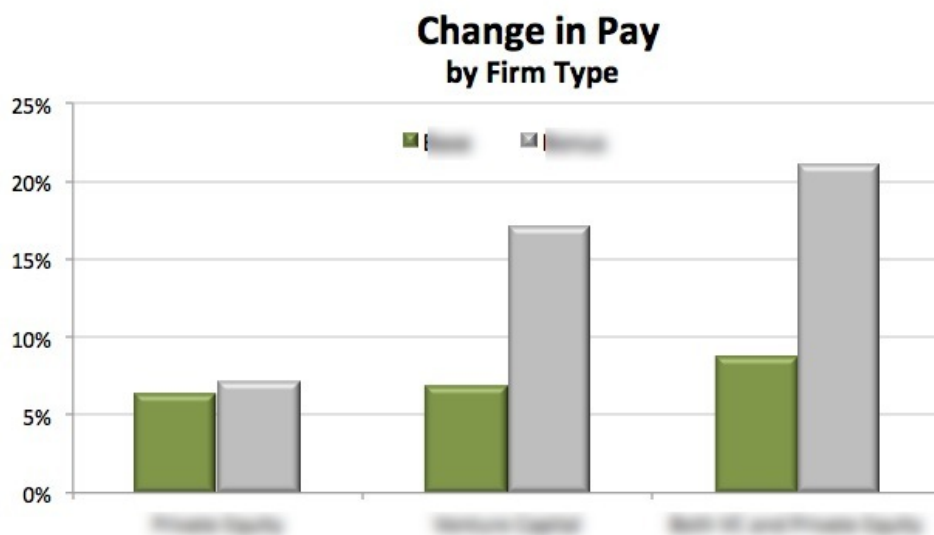


Figure 14: Change in Pay by Firm Type

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.

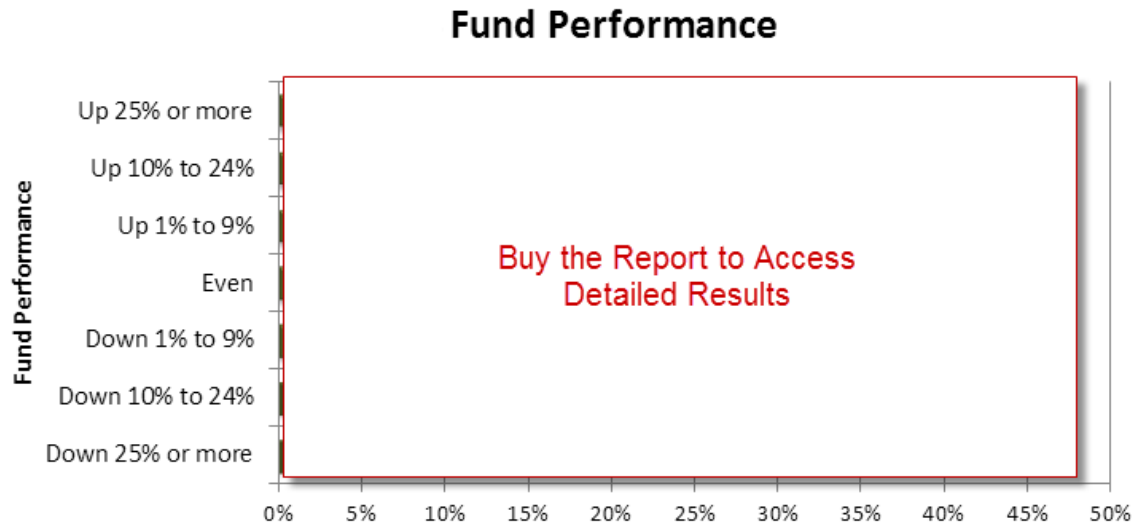


Figure 15: Fund Performance Ranges

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.

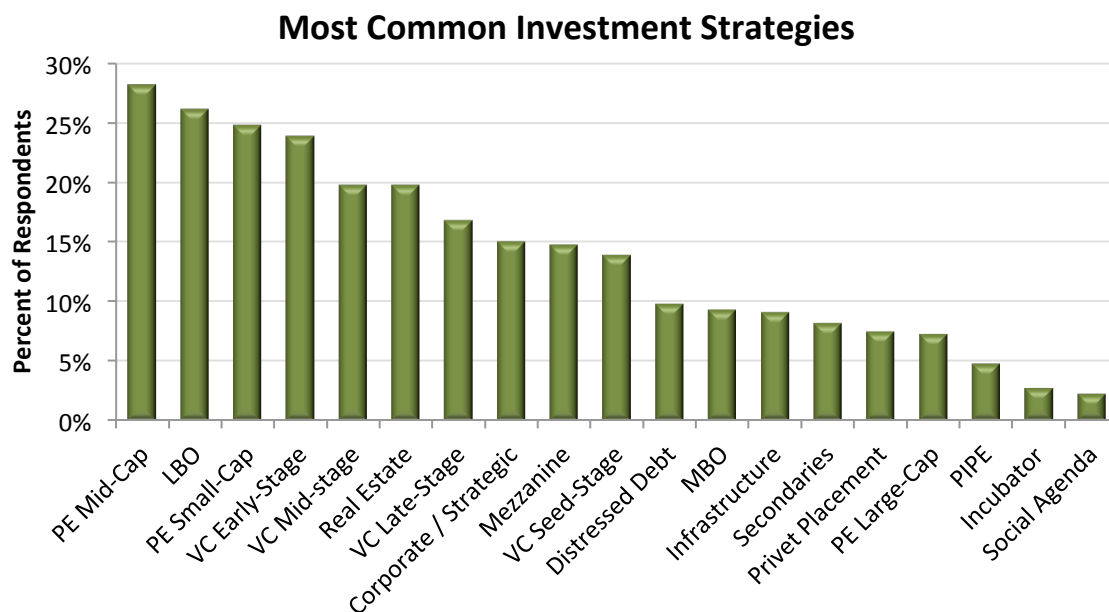


Figure17: Most Common Investment Strategies

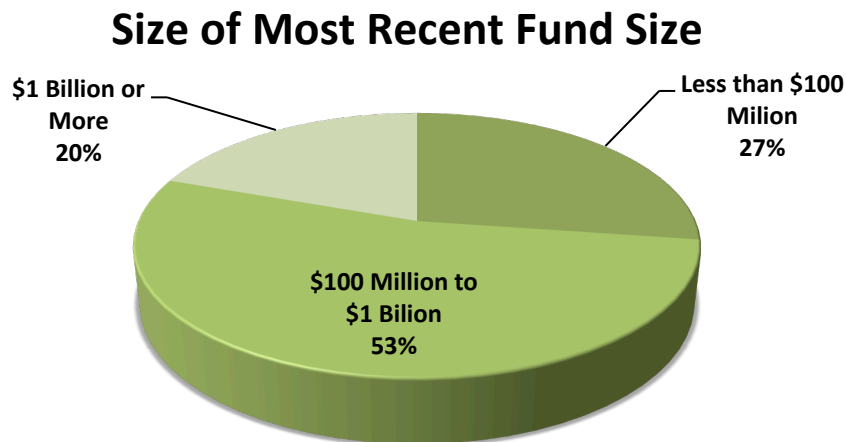


Figure18: Size of Most Recent Fund

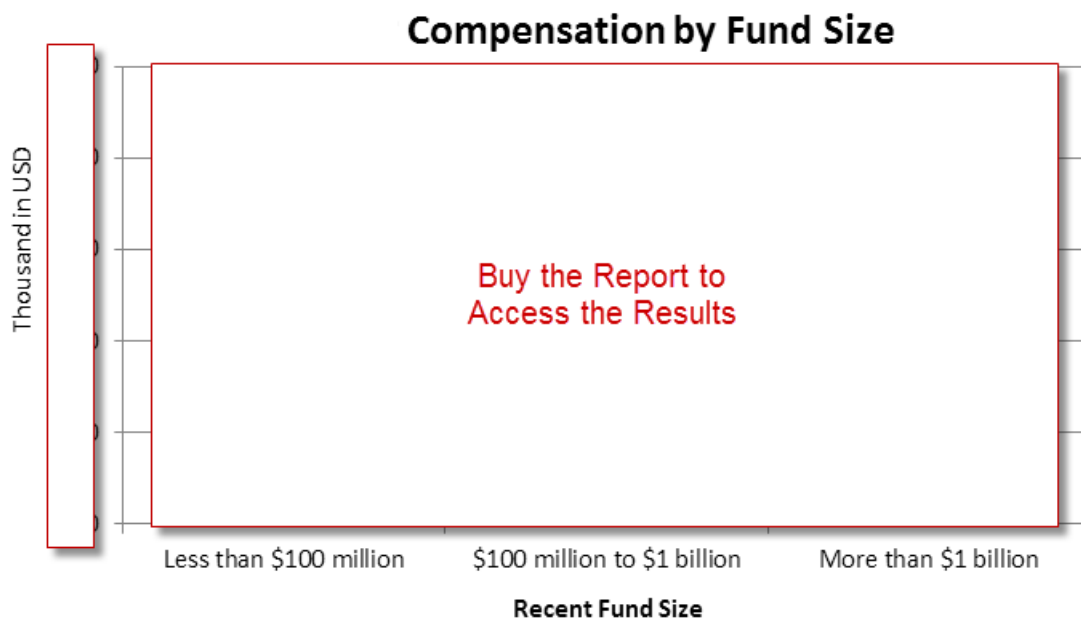


Figure 19: Average Compensation by Fund Size

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.

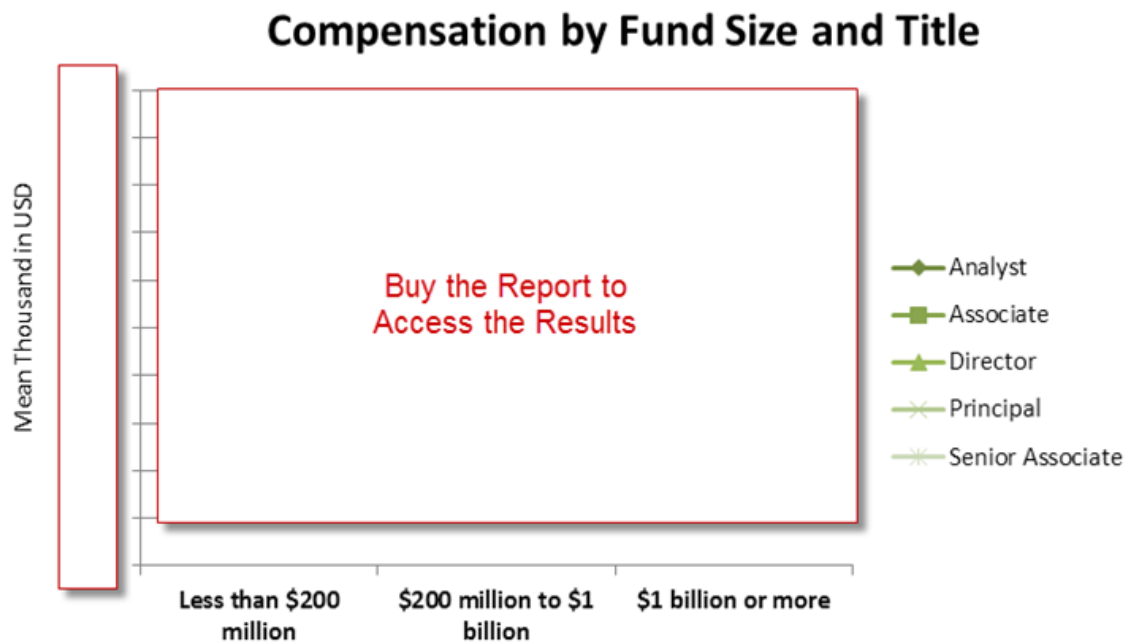


Figure 22: Mean Compensation by Fund Size for Common Roles

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.

	Assets Under Management		
Title	Less than \$200 million	\$200 million to \$1 billion	\$1 billion or more
Base Salary			
Analyst	Buy the Report to Access the Results		
Associate			
CFO			
Director			
Investment Manager			
Managing Director			
Managing Partner			
Partner			
Principal			
Senior Associate			
Vice President	\$200	\$202	\$200
Bonus			
Analyst	\$100	\$100	\$100
Associate	Buy the Report to Access the Results		
CFO			
Director			
Investment Manager			
Managing Director			
Managing Partner			
Partner			
Principal			
Senior Associate			
Vice President			

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 2012. 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.

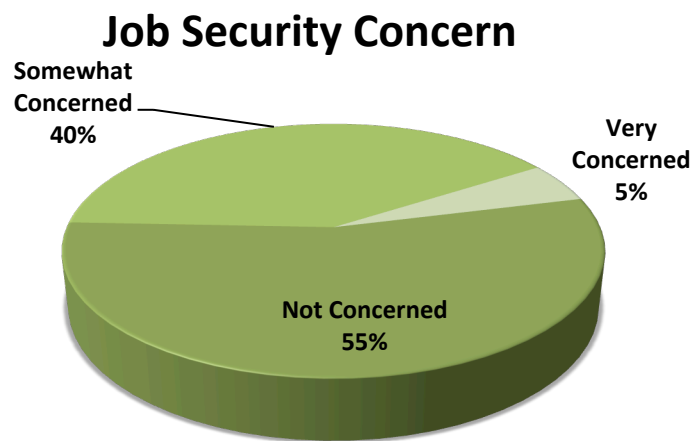


Figure 29: Job Security Concerns

Why Concerned About Job Security

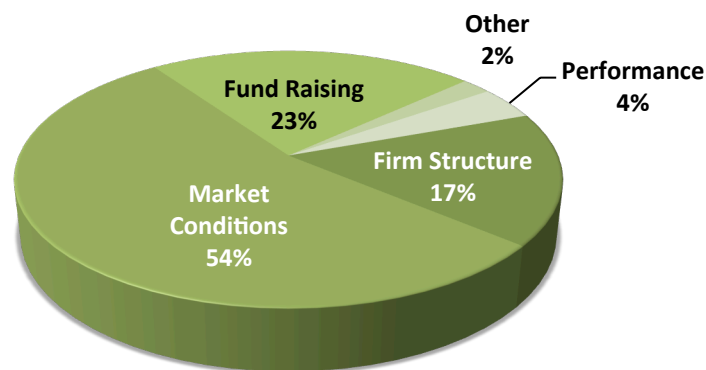


Figure 30: Why Concerned About Job Security

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The fact that fewer professionals were concerned with their job security may be well grounded in fact for 2014. While not as robust as the results of our 2013 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 2013.

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	88	88	88	88	88	88
Not Hiring	12	12	12	12	12	12
Reducing Headcount	0	0	0	0	0	0

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.

How Good is Your Firm's Training?

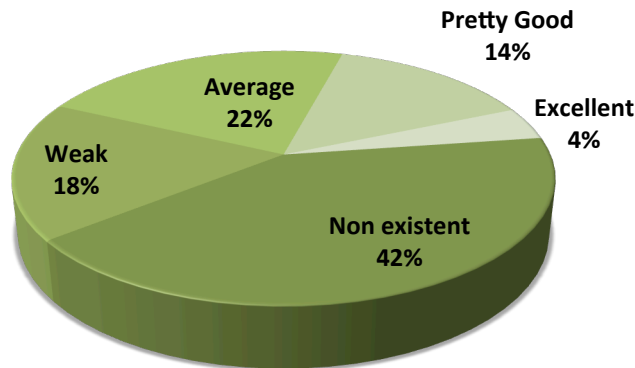


Figure33: Quality of Firm's Training Program

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.

Size of the Carry Pool

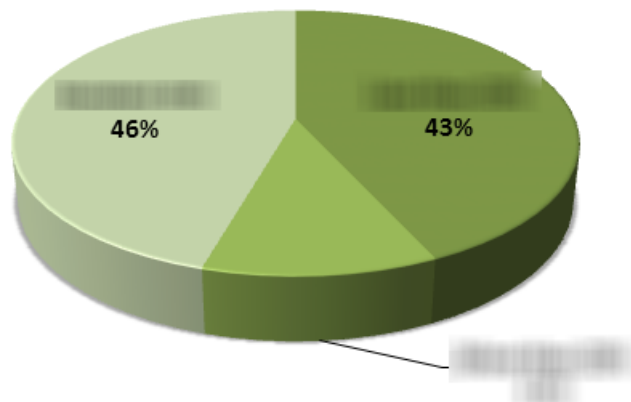


Figure 34: Size of Carried Interest Pool

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 _____ .

Your Portion of the Carry Pool

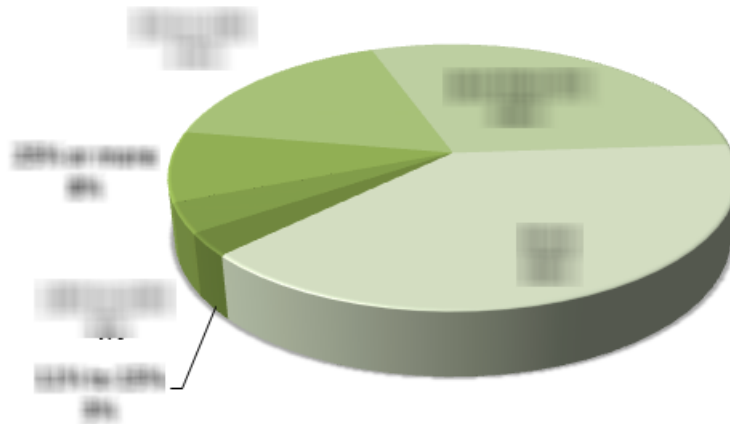


Figure 35: How Carry is Shared

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.

Carry Percentage by Years of Work Experience

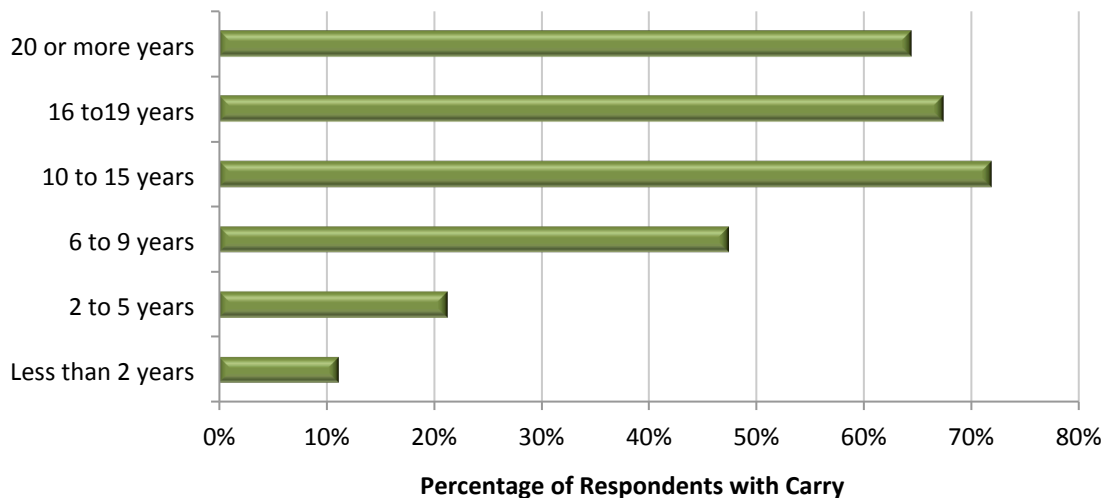


Figure 37: Carry Participation by Years of Work Experience

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.

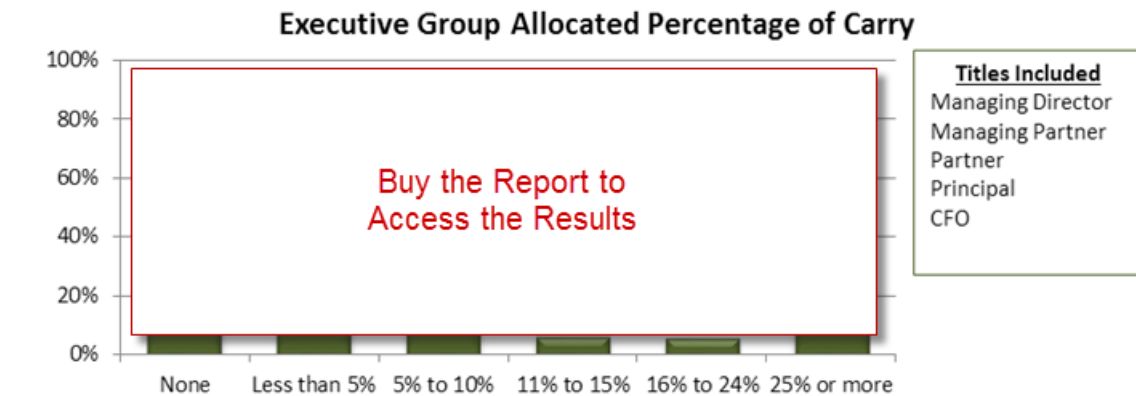


Figure 38: Executive Level Allocated Carry Percentages

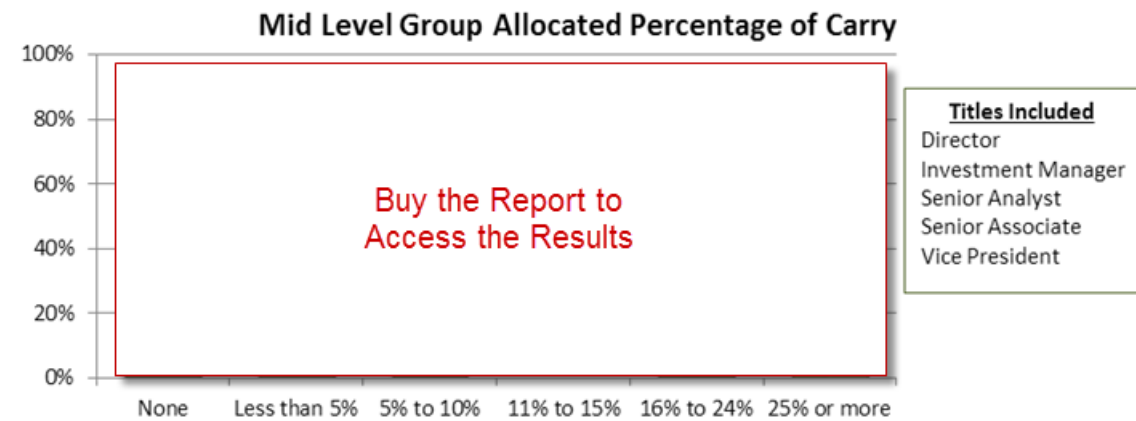


Figure 39: Mid Level Allocated Carry Percentages

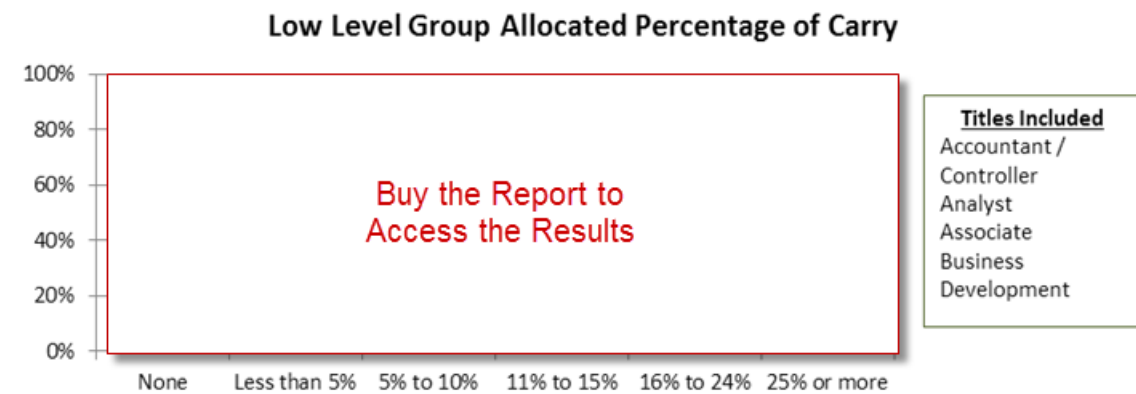


Figure 40: Lower Level Allocated Carry Percentages

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	Buy the Report to Access Detailed Results	
Bonus		
Total		
Vacation Weeks Earned		

Figure 41: MBA Compensation Comparison

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