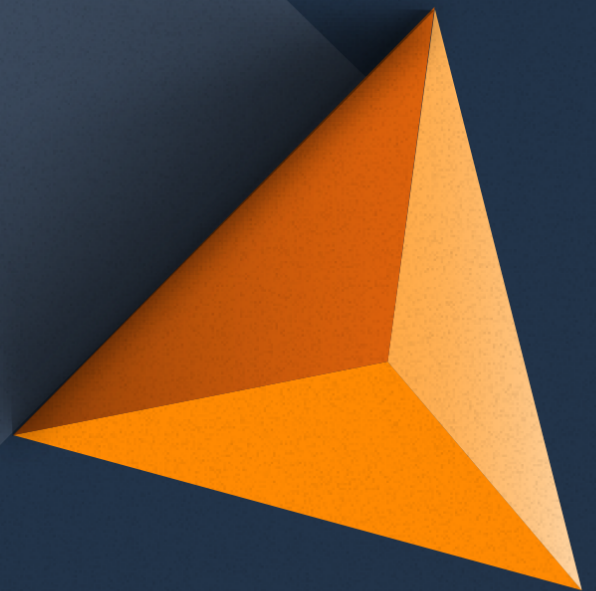


# CFO Compensation Study

## Executive Summary

Private Equity | 2024



# Table of Contents

|           |  |
|-----------|--|
| <b>3</b>  | <b>Introduction</b>                                    |
| <b>4</b>  | <b>Executive Summary</b>                               |
| <b>5</b>  | What is “fair” compensation in the middle market?      |
| <b>7</b>  | How important is work environment flexibility to CFOs? |
| <b>9</b>  | Attracting an experienced, multi-time CFO              |
| <b>11</b> | Most CFOs are open to new opportunities                |
| <b>12</b> | <b>Demographics</b>                                    |
| <b>16</b> | <b>Methodology</b>                                     |
| <b>17</b> | <b>Connect With Our Experts</b>                        |

# Introduction

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Welcome to our inaugural Chief Financial Officer (CFO) Compensation Study. This past year underlined the critical importance of getting it right when building leadership teams. From executive recruitment to talent development and retention, identifying key drivers of success is paramount to growth.

This survey was designed to provide a lens into the current state of the CFO talent market within the healthcare industry. For this report, we reached out to over 500 CFOs across the U.S. and gathered data on current compensation, expectations, and overall mindset of healthcare CFOs.

The following executive summary provides insights into middle market CFO compensation trends, return-to-office dynamics, demands of multi-time CFOs, and current talent market trends. By leveraging these findings, companies can refine their CFO compensation packages to attract and retain top-tier CFO talent. For CFO job seekers, this data can serve as valuable benchmarking data as you consider future opportunities.

We hope you find the insights and information valuable.



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# Executive Summary

JM Search's CFO Study surveyed financial executives from a wide range of healthcare businesses to provide a comprehensive view of compensation trends across the industry. The study revealed key findings pertaining to:

- Fair compensation ranges
- Return-to-office trends
- Attracting multi-time CFOs
- CFO retention



## Fair compensation ranges

The primary objective of this study was to determine the fair compensation range for middle market CFOs. Survey findings supported the anecdotal market feedback, that compensation was heavily concentrated – experiencing limited variations due to company size, sector, and geographic location. The results further serve as an aide in benchmarking and structuring competitive compensation packages for middle market companies seeking to hire a CFO in today's market.



## Return-to-office trends

Amidst an evolving work landscape, the survey identified notable return-to-office trends among healthcare CFOs. With a growing percentage of CFOs continuing to express interest in hybrid and remote work, employers must adapt to attract and retain CFO talent, particularly for those with proven success in the role. Flexibility and continuous assessment of market trends will be critical to talent strategies as the market normalizes.



## Attracting multi-time CFOs

When considering the hire of a multi-time CFO, equity prevailed as the biggest factor in compensation packages. Based on survey results, these seasoned executives require a greater amount of equity compared to the total population surveyed. Those seeking to attract a seasoned CFO should highlight equity as part of their value proposition for the candidate.



## CFO retention

Finally, study respondents suggested the demand for CFO talent remains high, with the majority of respondents continuing to explore opportunities outside of their current employer.



# What is “fair” compensation in the middle market?

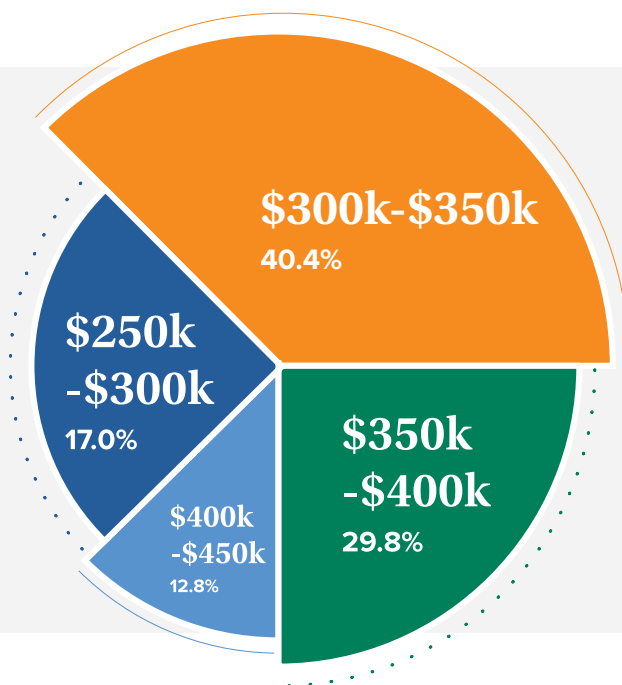
Determining fair compensation for CFO talent is critical to attracting top executives. Nearly 50% of responding CFOs work for middle market businesses with revenues between \$100M - \$500M.

Based on our market knowledge captured through the executive search process – CFO compensation seems to have become increasingly “standardized.” As a result, we wanted to explore what “fair” compensation currently is within the middle market.

Our survey findings supported this anecdotal market feedback, with over 70% of middle market respondents earning a base salary between \$300k - \$400k (**Exhibit A**). The bonus range was similarly standardized within the middle market with 53% of respondents targeting a 50-59% bonus (**Exhibit B**).

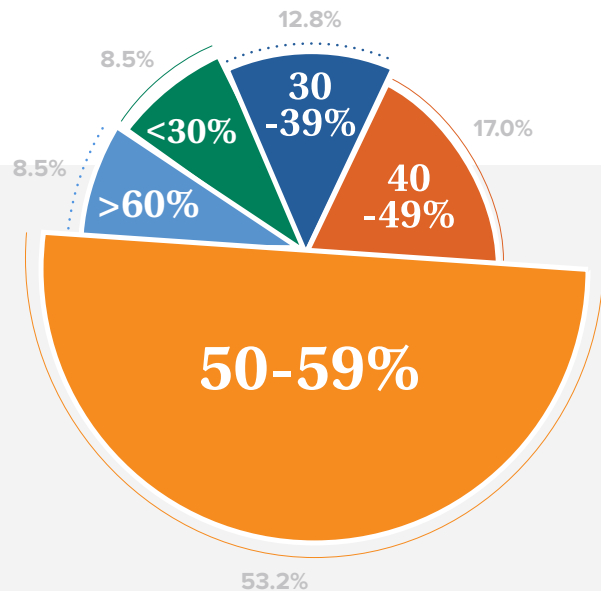
## Exhibit A: What is your base salary?

Salary data for mid-market respondents (\$100-\$500M revenue)



## Exhibit B: What is your target bonus percentile?

Bonus data for mid-market respondents (\$100-\$500M revenue)



### KEY TAKEAWAY:

In the middle market, the market rate for a CFO is consistently within the \$300k-\$400k compensation range, with a target bonus of 50-59%.

## What is “fair” compensation in the middle market? (continued)

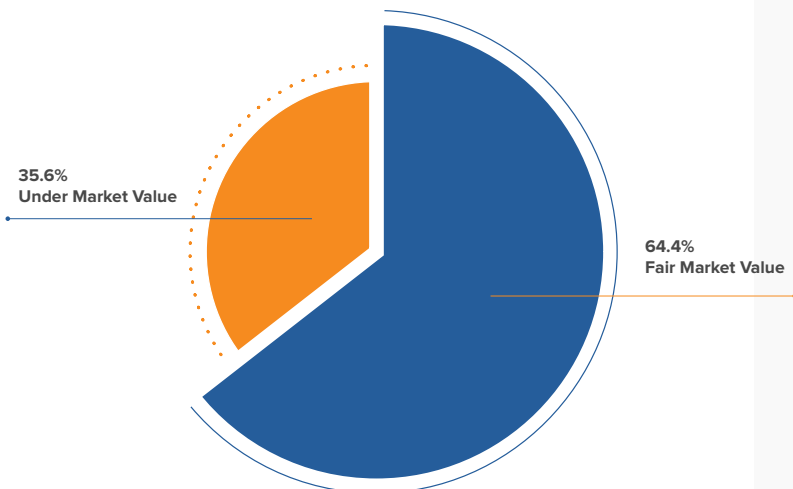
Interestingly, most CFOs seem to have taken note of the growing standardization – with nearly two-thirds of responding CFOs responding that they view their current compensation as competitive (**Exhibit D**).

It’s worth noting that we saw the greatest variability in points of equity, which was most impacted by successful transactions. For CFOs with no transactions, none of the respondents received over 1.5pts of equity – with 87.5% receiving 1.25pts or less, and 12.5% receiving less than .5pts.

Conversely, 43.5% of CFOs with 2+ transactions received over 1.25pts of equity. This was a stark difference from those respondents with no transaction experience. Those with 1 transaction fell squarely between the two categories (**Exhibit C**).

### **Exhibit D: Do you believe your current compensation is competitive in today’s market?**

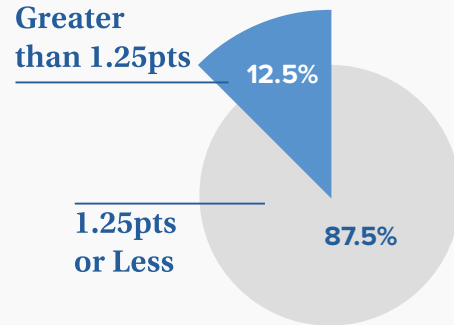
*Mid-market respondents  
(\$100-\$500M revenue)*



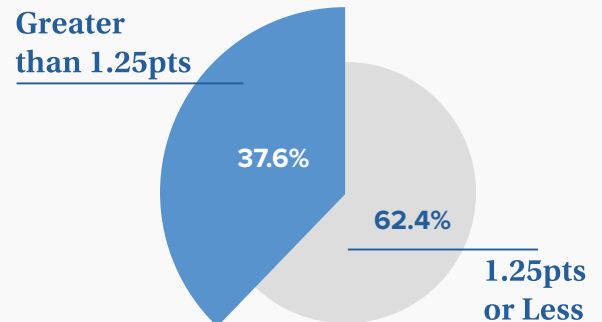
### **Exhibit C: How many points of equity do you have?**

*Mid-market respondents  
(\$100-\$500M revenue)*

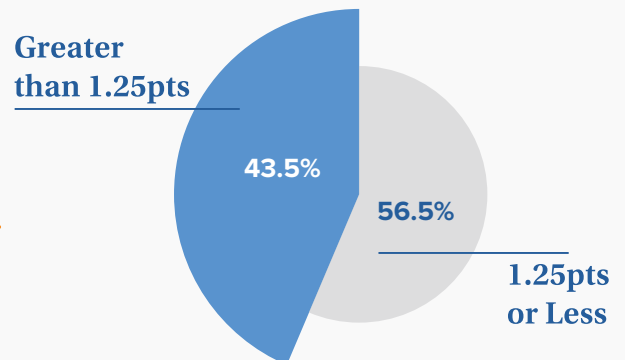
#### No transactions as CFO



#### Served as CFO through 1 transaction



#### Served as CFO through 2+ transactions



## How important is work environment flexibility to CFOs?

In our daily interactions with investors and CEOs, we know that business leaders are continuing to grapple with how to measure the effectiveness and success of key roles in different work environments, including in-office, hybrid, and remote. We often hear clients contemplate questions like:

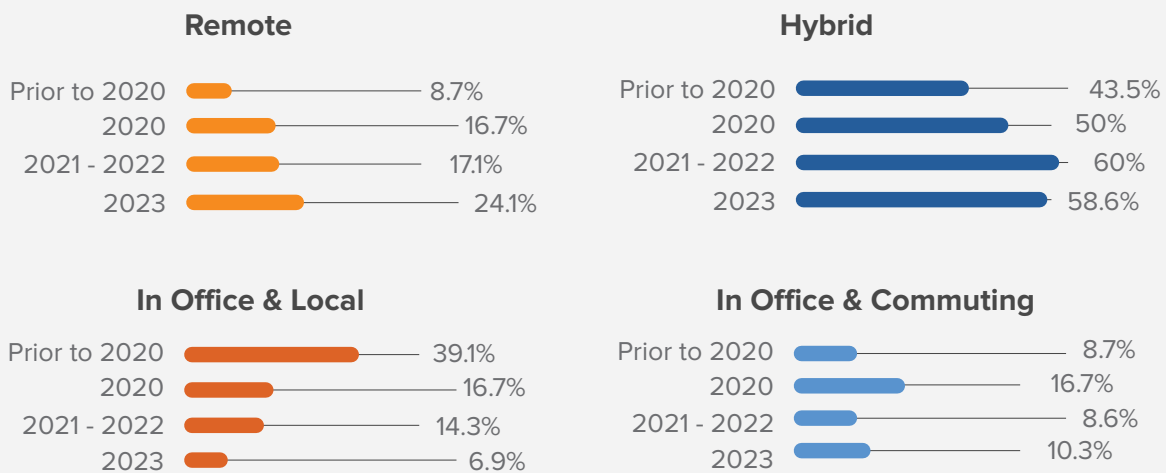
*When will the market rebalance?*  
*How does location impact success? What is the impact on company culture?*

Based on our CFO study, remote work remains on the upswing with 24% of 2023 hires responding that they work remotely, which is the highest level seen since 2020 (**Exhibit E**). A hybrid structure is also continuing its dominance, with over 50% of respondents.

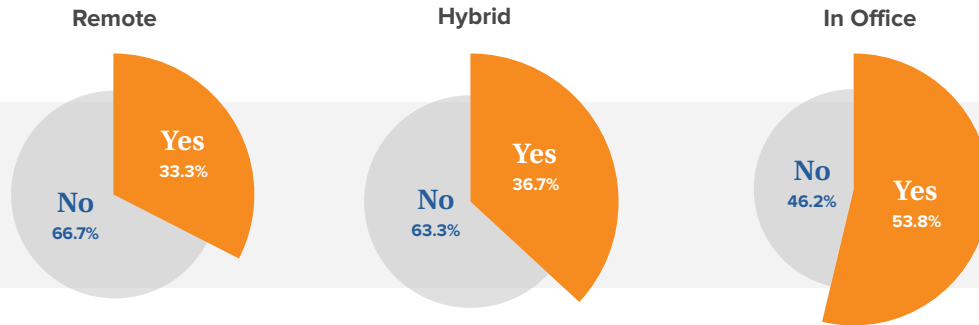
**Remote work remains on the upswing with 24% of 2023 hires responding that they work remotely, which is the highest level seen since 2020.**

### Exhibit E: How do you describe your current work environment?

*(Survey data reflective of the year the person joined their current company)*



## Exhibit F: Did you receive a merit-based increase in 2023?



We hypothesize that more clients are broadening the talent pool by expanding their CFO search to include candidates outside of their geographic footprint. Time will tell if this strategy is a viable long-term option.

All this said, the argument for being in-person in an office setting remains strong. When analyzing who received a merit increase in 2023, 54% of in-office CFOs were rewarded with an increase in compensation, relative to just 33% of CFOs that work remotely (**Exhibit F**).

We found this data to be in-line with the direct feedback and conversations we've had with clients and business leaders across

the market, who have shared that there is a strong case for first-time CFOs to be in-person in an office setting as they are often viewed as "still needing to prove themselves" to their CEOs and investors. CFOs with proven experience and multiple transactions often are viewed as having earned more flexibility.

If you are in the market for a new CFO and proven transaction experience is a requirement, work flexibility should be a key consideration as part of your recruitment strategy.

### KEY TAKEAWAY:

**CFOs with multiple transactions are more likely to be remote or hybrid relative to first-time CFOs.**

## Exhibit G: How would you describe your current work environment?





## Attracting an experienced, multi-time CFO

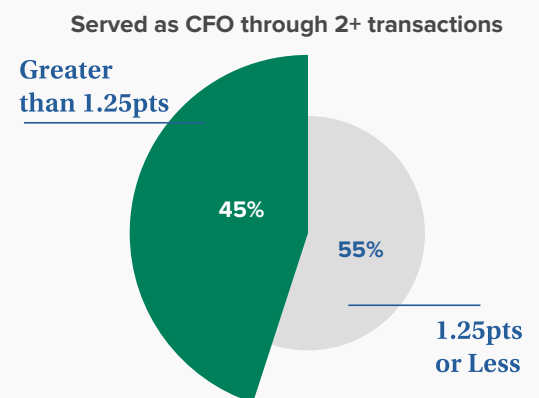
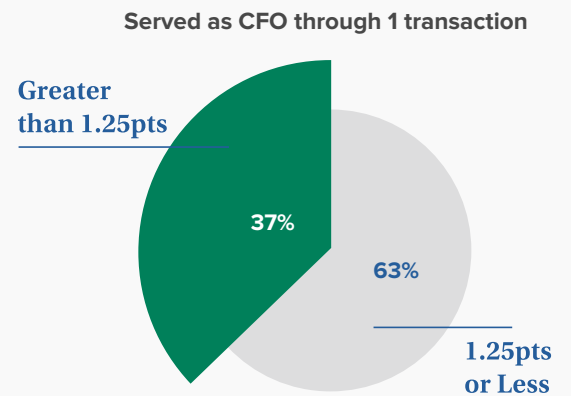
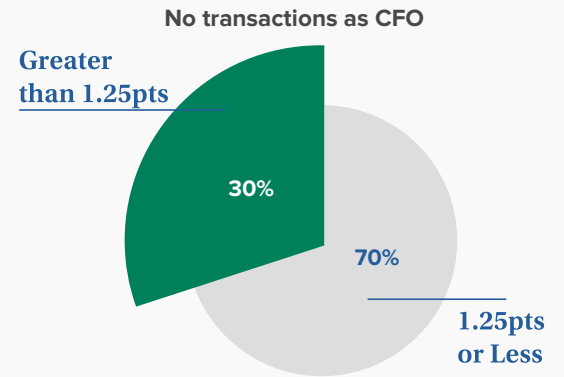
When it comes to attracting a CFO with a track record of successful transactions, the amount of equity awarded is key to a competitive compensation package.

Based on our survey results, the greatest variation in compensation when comparing first-time CFOs to multi-time CFOs was the amount of equity awarded.

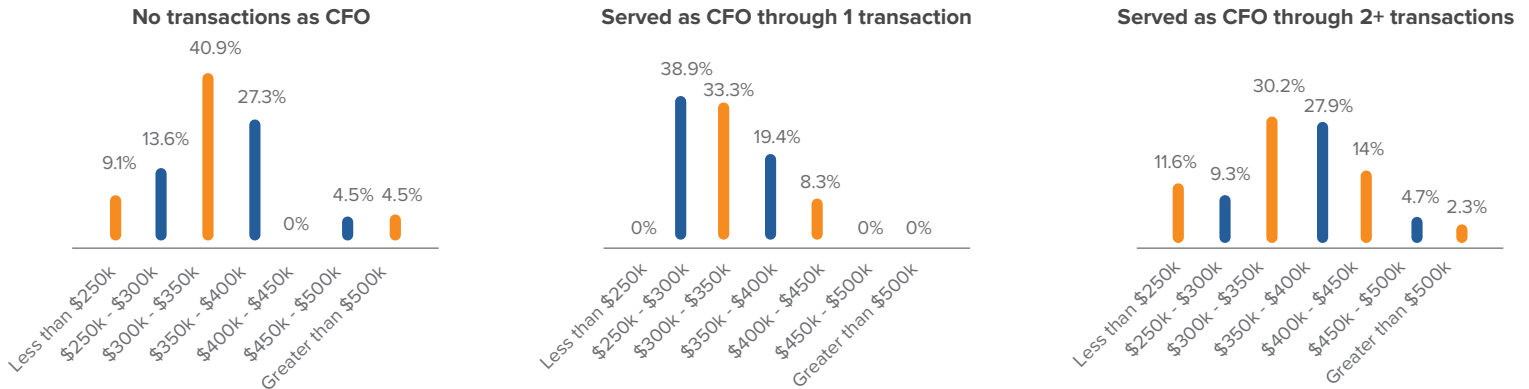
Of survey respondents, 70% of respondents with no prior transactions as CFO received 1.25pts of equity or less. Conversely, for CFOs with 2+ transactions, 45% received over 1.25pts and 28% received 1.75pts or greater. This is a stark difference from CFOs without prior transaction success (**Exhibit H**).

### Exhibit H: How many points of equity do you have?

Points of equity data for all respondents



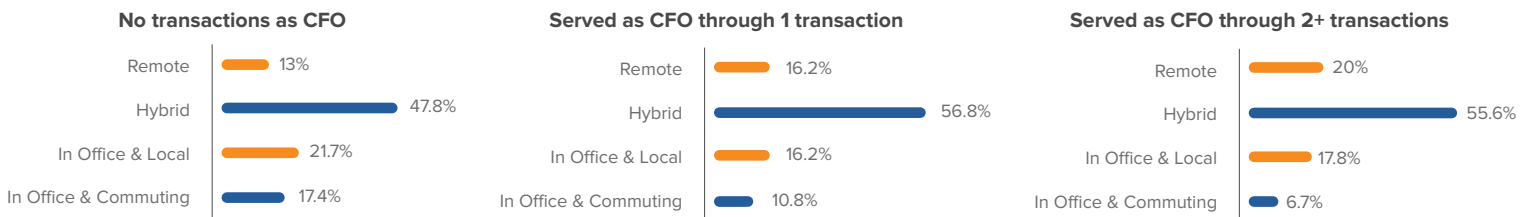
## Exhibit I: Base salary relative to transaction experience



Base Salary did not mimic this degree of variation, suggesting that multi-time CFOs are willing to bet on themselves and make the long-term play (**Exhibit I**). While this can pose certain challenges for breaking down the equity pool, it can also promote retention and commitment to growth.

Another key difference was time in the office. Proven CFOs are significantly less likely to be working in office compared to first-time CFOs (**Exhibit J**). Proven experience as a CFO can often combat the challenges associated with being a remote employee.

## Exhibit J: How would you describe your current work environment?

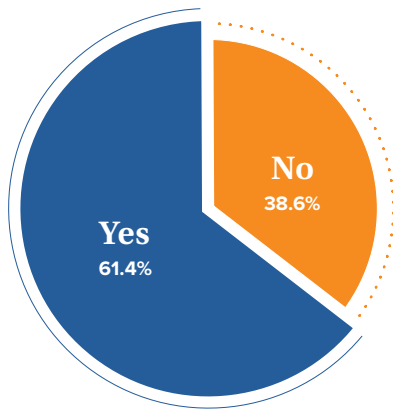


# Most CFOs are open to new opportunities

Market trends continue to suggest that the CFO market remains competitive and active. Our survey results further supported this with most CFOs sharing that they continue to be receptive to new opportunities. While nearly two-thirds of survey respondents believe their compensation is competitive, 61% confirmed that they still are considering new external opportunities (Exhibit K).

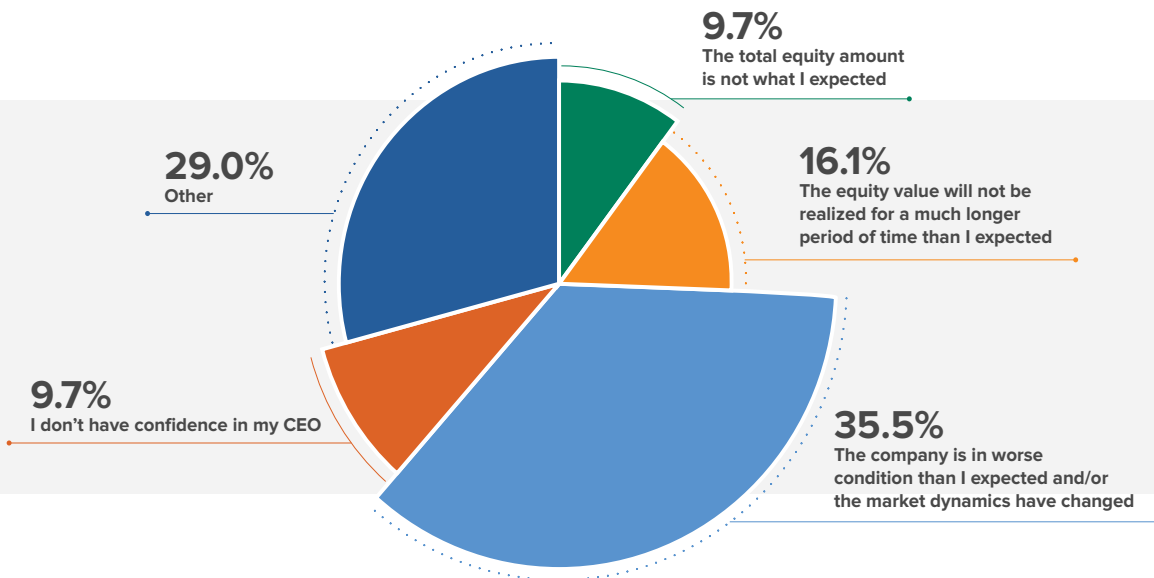
In our work with CEOs and investors, we have seen increased retention rates when leaders increase transparency around valuations, associated equity value, and adjustments in holding period.

**Exhibit K: Have you considered another CFO opportunity in the last 6 months?**



**KEY TAKEAWAY:**  
If it's not in pursuit of higher compensation, what's fueling the desire for CFOs to consider new opportunities? Based on our survey data, the top reason for exploring new opportunities was that the company was in worse shape than expected and that market dynamics have changed (Exhibit L). This is not surprising given macroeconomic factors, such as slowed deal flow, increased interest rates, and general uncertainty.

**Exhibit L: If yes, what is the description that best matches your reason for considering a new role?**

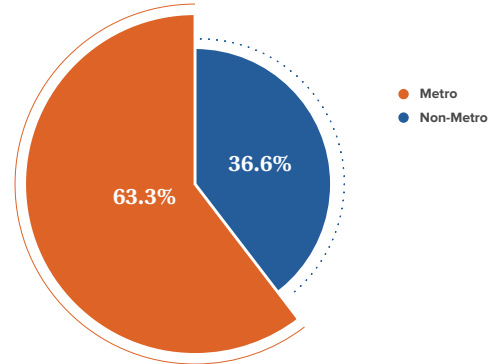
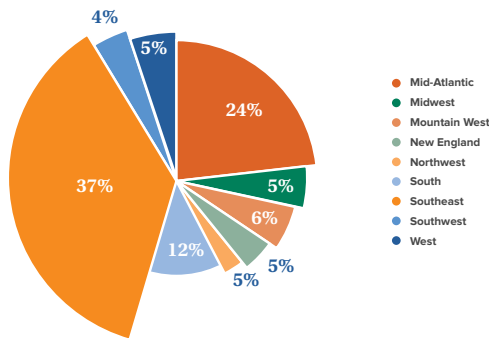


# Meet the CFOs

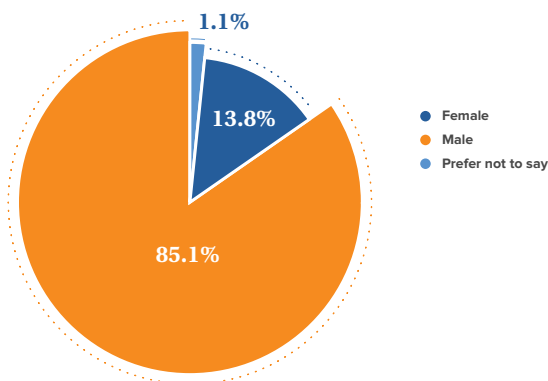
JM Search invited more than 500 CFOs to participate in this study and received completed survey data from 101 current CFOs. Spanning across 27 states and 13 of the top 15 U.S. metropolitan areas, survey respondents represent a wide geographic range, as well as diverse backgrounds, varying levels of experience, and sub-sector specialization.

## Demographics

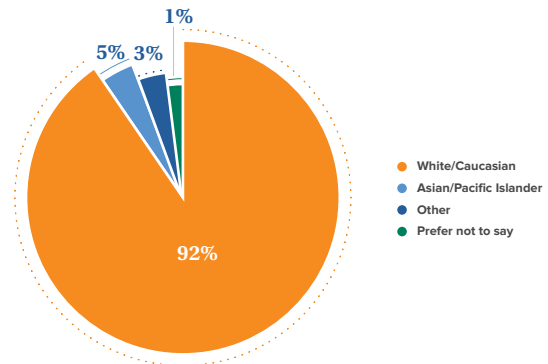
### ► Geographic Region



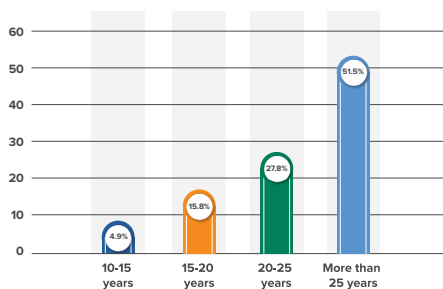
### ► Gender



### ► Ethnicity



### ► Years of Experience

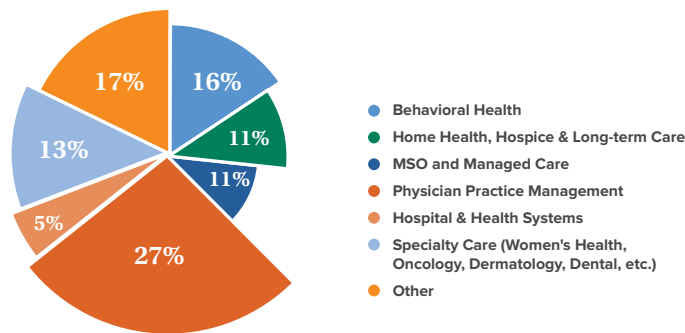


## Sector Focus

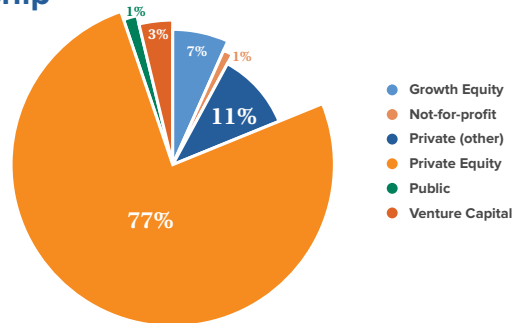
A highly targeted survey, all survey recipients are current CFOs for healthcare businesses, and most are currently with an investor-backed (88%) business. The goal – to capture data that represented the core client and candidate base of JM Search.

## Company Profile

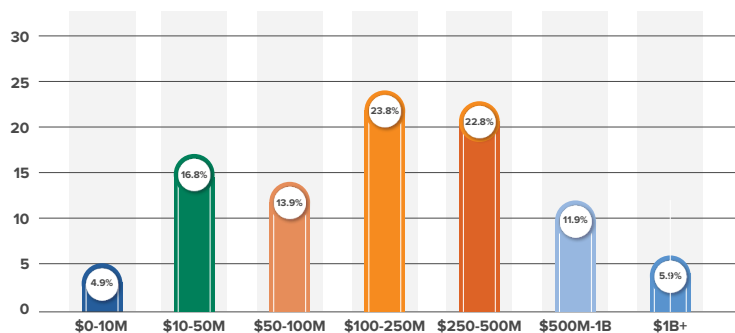
### ► Sector



### ► Company Ownership



### ► Company Revenue



# Compensation

## ► By Company Revenue:

| Revenue     | Base Salary |             |             |             |             |         |
|-------------|-------------|-------------|-------------|-------------|-------------|---------|
|             | <\$250k     | \$250k-300k | \$300k-350k | \$350k-400k | \$400k-500k | \$500k+ |
| 0-10M       | 20%         | 40%         | 40%         | 0%          | 0%          | 0%      |
| 10M-50M     | 11.8%       | 52.9%       | 23.5%       | 11.8%       | 0%          | 0%      |
| 50M-100M    | 28.6%       | 14.3%       | 14.3%       | 28.6%       | 14.3%       | 0%      |
| 100M-250M   | 0%          | 20.8%       | 37.5%       | 29.2%       | 12.5%       | 0%      |
| 250M – 500M | 0%          | 13%         | 43.5%       | 30.4%       | 13%         | 0%      |
| 500M+       | 0%          | 0%          | 38.9%       | 27.8%       | 22.3%       | 11.1%   |

| Revenue     | Target Bonus |         |         |         |       |
|-------------|--------------|---------|---------|---------|-------|
|             | <30%         | 30%-39% | 40%-49% | 50%-59% | 60%+  |
| 0-10M       | 20%          | 0%      | 40%     | 40%     | 0%    |
| 10M-50M     | 35.3%        | 29.4%   | 23.5%   | 11.8%   | 0%    |
| 50M-100M    | 14.3%        | 7.1%    | 21.4%   | 42.9%   | 14.3% |
| 100M-250M   | 8.3%         | 8.3%    | 20.8%   | 58.3%   | 4.2%  |
| 250M – 500M | 8.7%         | 17.4%   | 13%     | 47.8%   | 13%   |
| 500M+       | 5.6%         | 5.6%    | 27.8%   | 38.9%   | 22.2% |

## Compensation (continued)

| Revenue     | Equity (Points) |           |          |           |             |             |           |       |
|-------------|-----------------|-----------|----------|-----------|-------------|-------------|-----------|-------|
|             | <.5pts          | .5-.75pts | .75-1pts | 1-1.25pts | 1.25-1.5pts | 1.5-1.75pts | 1.75-2pts | 2+pts |
| 0-10M       | 0%              | 0%        | 0%       | 0%        | 25%         | 0%          | 25%       | 50%   |
| 10M-50M     | 12.5%           | 6.3%      | 18.8%    | 25%       | 6.3%        | 12.5%       | 12.5%     | 6.3%  |
| 50M-100M    | 9.1%            | 9.1%      | 18.2%    | 27.3%     | 0%          | 18.2%       | 9.1%      | 9.1%  |
| 100M-250M   | 5%              | 10%       | 15%      | 25%       | 20%         | 5%          | 10%       | 10%   |
| 250M – 500M | 5%              | 10%       | 25%      | 35%       | 20%         | 5%          | 0%        | 0%    |
| 500M+       | 18.8%           | 0%        | 12.5%    | 31.3%     | 0%          | 12.5%       | 6.3%      | 18.8% |

| Revenue     | Equity (Expected Value) |       |       |        |       |
|-------------|-------------------------|-------|-------|--------|-------|
|             | <2M                     | 2M-4M | 4M-7M | 7M-10M | 10M+  |
| 0-10M       | 25%                     | 0%    | 25%   | 0%     | 50%   |
| 10M-50M     | 46.7%                   | 40%   | 13.3% | 0%     | 0%    |
| 50M-100M    | 36.4%                   | 36.4% | 18.2% | 9.1%   | 0%    |
| 100M-250M   | 19%                     | 33.3% | 42.9% | 4.8%   | 0%    |
| 250M – 500M | 28.6%                   | 28.6% | 23.8% | 9.5%   | 9.5%  |
| 500M+       | 5.9%                    | 17.6% | 35.3% | 11.8%  | 29.4% |

# Methodology

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## ▶ Survey Design and Implementation

- An in-depth survey was developed to gather information on CFO compensation and market demands across the healthcare industry.
- The survey aimed to collect benchmarking data for CEOs, hiring managers, and investors planning to hire financial leaders.

## ▶ Participant Selection and Recruitment

- Approximately 500 sitting CFOs were invited to participate, targeting a diverse range of healthcare sub-sectors, with a notable emphasis on investor-backed businesses.
- Respondents included first-time and experienced CFOs across a spectrum of company sizes and locations.

## ▶ Data Collection

- The survey was conducted in Q4 of 2023.
- Over 100 executives responded to the survey.





# Connect with Our Experts

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