



THE BDO 600

2019 Study of CEO and CFO
Compensation Practices of
600 Mid-Market Public Companies



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BDO GLOBAL EMPLOYER SERVICES PRACTICE

BDO's Global Employer Services practice consists of an experienced and dedicated team of professionals who are committed to assisting leadership and boards with developing strategies and compensation programs designed to attract, retain, and reward the executive team. Our services include designing and benchmarking executive compensation programs including cash- and equity-based programs, board remuneration, compensation committee development, nonqualified and deferred compensation plans, advising on compensation related tax and accounting issues, and other related services.

Our services are tailored and scalable, designed to accommodate the unique needs of public, private, and nonprofit clients of all sizes and across all industries including multinational Fortune 500 companies.

Introduction

Executive compensation weighs heavily on the minds of most companies today. External scrutiny of executive pay practices continues to intensify as shareholder activists, investors, and employees demand greater transparency. The new CEO pay ratio analyses and the ongoing quest to align compensation programs with shareholder value creation metrics represent both new and ongoing challenges. Designing a smart, well-balanced compensation strategy and program requires careful consideration of both internal and external factors. Accounting, regulatory, and tax issues must be evaluated alongside the effectiveness of incentive programs designed to reward executives for their contributions toward achieving organizational goals.

ABOUT THE BDO 600 STUDY

This study examines the CEO and CFO compensation plans and pay levels of 600 middle market public companies, reviewing the key components of pay packages and providing comparisons by title, company size, and industry.

The BDO 600 Study details the compensation practices for Chief Executive Officers (CEOs) and Chief Financial Officers (CFOs) of publicly traded companies in the following industries:



Energy



Financial Services – Banking



Financial Services – Nonbanking



Healthcare



Manufacturing



Real Estate



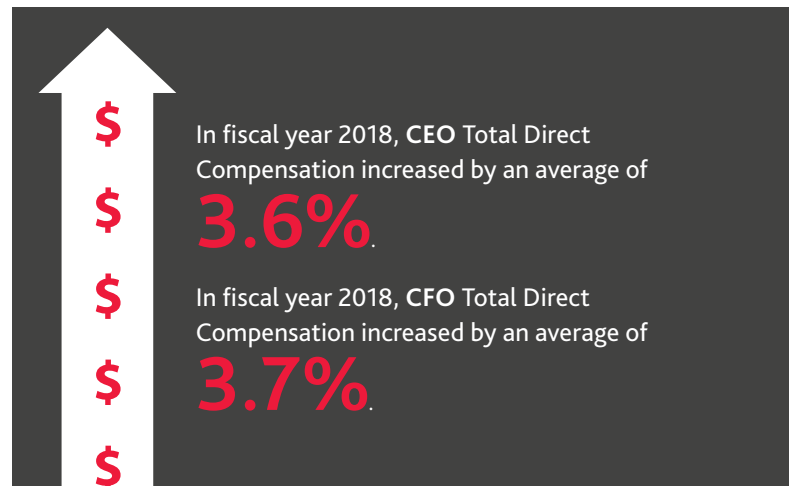
Retail



Technology

Companies in the six non-financial services industries have annual revenues between \$100 million and \$3 billion. Companies in the two financial services industries have assets between \$100 million and \$6 billion. All data in our study were extracted from proxy statements that were filed between April 2018 and March 2019. Consolidated proxy data were provided by Salary.com.

Our study is unique in the industry because it focuses on middle market companies; most compensation studies focus on much larger companies.





Methodology

The data collected from the 600 companies in the sample represent the compensation policy in effect at each company's fiscal year-end, as disclosed in the executive compensation narrative in public filings. We analyzed the data in aggregate by the standard five components of compensation: salary, bonus and annual incentives, stock options, other long-term incentives (LTI), and full-value stock awards.

TYPES OF COMPENSATION

- ▶ **Salary** is the annualized base salary.
- ▶ **Bonus and Annual Incentives** comprise discretionary bonuses earned as well as payments received under annual incentive plans.
- ▶ **Stock + LTI** is the total long-term incentive including stock options, full-value stock awards and other LTI.
- ▶ **Stock Options** are the grant date fair value awards as reported by each company. If a company did not report these values, the values were calculated using the FAS123R assumptions as reported by the company. Irregular grants have been annualized.
- ▶ **Full-Value Stock Awards** data include both stock and stock unit awards. The grant date fair value of the awards was used in this analysis. Irregular grants have been annualized.
- ▶ **Other LTI** refers to payments received under long-term incentive plans.
- ▶ **Total Direct Compensation (TDC)** represents the sum of salary, bonus and annual incentives, stock options, full-value stock awards, and other LTI for each incumbent.

SCOPE FACTORS

Compensation levels and program design features for the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are organized by company size and industry. The results can be benchmarked by either of these factors to obtain different perspectives on pay levels and compensation practices.

COMPANY SIZE

Most traditional executive compensation studies use annual revenues (or assets in the case of financial services institutions) as the primary scope factor because of the well-established and direct correlation between company size and executive compensation.

Our study reports compensation for three groups of companies based on size:

Size Category	Revenue Range	Asset Range (Financial Services)
Group A	\$100 million – \$500 million	\$100 million – \$1.25 billion
Group B	\$500 million – \$1.25 billion	\$1.25 billion – \$2.5 billion
Group C	\$1.25 billion – \$3 billion	\$2.5 billion – \$6 billion

INDUSTRY

This study also reports the pay levels and compensation practices for CEOs and CFOs for companies in eight industries.

- ▶ Energy
- ▶ Financial Services – Banking
- ▶ Financial Services – Nonbanking
- ▶ Healthcare
- ▶ Manufacturing
- ▶ Real Estate
- ▶ Retail
- ▶ Technology

ADDITIONAL NOTES ON THE STUDY

In cases where there was more than one CEO or CFO within the fiscal year, we used the compensation for the incumbent who occupied the position for the majority of the fiscal year.

To establish a common comparative base for all 600 companies in the study sample, a consistent methodology was used to value compensation levels including annualizing salary data as appropriate. If a company could not be brought into parity with other companies in the sample, then that company was excluded from the sample and replaced with a similar company to obtain a representative sample across industries and company size.

Compensation Insights

OVERVIEW

Attracting and retaining top talent is an ongoing challenge for companies. According to Harvard Business Review, 50% to 60% of executives fail within the first 18 months of being promoted or hired. This underscores the challenge that boards face when trying to fill top positions. Compensation is the primary tool at their disposal to entice new talent to their company. Despite these pressures, salaries for CEOs increased by only 2.5% on average and the total direct compensation increased by 3.6%. This was somewhat surprising given that most of the industries represented by companies in our sample had excellent financial results for FY18.

Executive compensation continues to be scrutinized, especially CEO compensation. The CEO pay ratio was developed with the goal of shedding light on the pay discrepancies between CEOs and the workforce. We provide an analysis of these ratios in the next section of the report. Overall, the ratios state the obvious: CEO pay is much higher than the median pay for the rank and file.

Linking pay to the right performance measures also continues to be a challenge. The selection of metrics that define the attainment of strategic performance goals must align with shareholder value creation. The "right" measure selected by many compensation committees is often TSR (total shareholder return) since it has the most face validity relative to shareholder value creation. However, other measures may be predictive of TSR performance and should be considered because they provide a more direct line of sight to strategic goal attainment.

This year, we analyzed the linkage between pay plan design elements and TSR. Specifically, we tested:

- ▶ The relationship between the 2018 CEO compensation mix and three-year TSR performance of the BDO 600 companies.
- ▶ The relationship and impact of metrics used in long-term incentive (LTI) plans on TSR.
- ▶ The prevalence of performance measures used to anchor compensation plans for executives.

From these analyses we found that a higher percentage of pay allocated to annual incentives correlates to better TSR. We also found that the key metrics aligned with TSR were not always the most prevalent measures selected to anchor CEO compensation programs. The results differed by industry, underscoring the importance of taking industry-specific practices into account.

Over the past 12 years, we benchmarked other compensation practices to track industry trends. Key findings include:

- ▶ The total direct compensation target for CEOs and CFOs continues to be largely based on variable or incentive pay.
- ▶ Approximately 80% of CEO pay and 70% of CFO pay is linked to annual and long-term incentives.
- ▶ Larger companies provide more pay through incentive compensation.
- ▶ The use of stock options continues to account for only a small portion of the equity component of most compensation plans.

These and other trends are described in more detail in the remainder of this report.

CEO PAY RATIO

In 2018, companies reported a CEO pay ratio for the first time, as required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. The final rule amends existing executive compensation disclosure rules to require companies to disclose:

- ▶ The median of the annual total compensation of all its employees¹, except the CEO
- ▶ The annual total compensation of its CEO
- ▶ The ratio of those two amounts

For this group of companies, the average CEO pay ratio is 121x and the median is 58x. Seventy-five percent of the companies have a ratio that is less than 117x. As illustrated in the table below, the ratio tends to increase with company size. As such, the ratio for the BDO 600 is significantly lower than the median ratio of 273x for the S&P 500 (the average for the S&P 500 is 347x).

Among the BDO 600 companies, the industry with the highest pay ratio is retail, characterized by a large part-time workforce (which likely skews the numbers); the lowest ratio is found in financial services – nonbanking, an industry characterized by a highly paid professional workforce.

Company Size	CEO Pay Ratio	
	Median	Average
Group A	35	90
Group B	59	104
Group C	85	159
Industry		
Energy	44	52
Financial Services - Banking	47	106
Financial Services - Nonbanking	22	23
Healthcare	102	167
Manufacturing	75	121
Real Estate	57	84
Retail	163	232
Technology	74	154

“Unfortunately, the CEO pay ratio doesn’t provide compensation committees or investors with actionable insights. Ultimately, what matters most is whether a company’s adopted compensation philosophy does an effective job with retention and linking pay to the company’s long-term strategic objectives. The more meaningful question is whether the metrics built into incentives actually focus attention on the right goals and behaviors.”



RICK SMITH
Global Employer
Services Managing
Director

¹ The rule defines “employee” to include a registrant’s U.S. and non-U.S. employees, as well as its part-time, seasonal, and temporary employees. Workers not employed by a registrant (or its subsidiaries), however, such as independent contractors, “leased” workers, or other workers who are employed by a third party, were not covered by the SEC’s proposed definition of “employee.” A registrant can supplement its pay ratio disclosure or provide additional pay ratios or its shareholders to consider if it wants to explain the effect of including part-time, seasonal, and temporary employees on its pay ratio disclosure.

LINKAGE OF INCENTIVE PAY TO TOTAL SHAREHOLDER RETURN – PAY MIX AND INCENTIVE METRIC REVIEW

An ongoing challenge for compensation committees is aligning the interests of executives with shareholders. Incentive pay is generally considered an effective approach for linking the financial interests of the top executives to that of the company. In public companies, one key goal is to improve total shareholder return (TSR).

Companies often grant their executives stock or options to ensure they “have skin in the game;” the intent is to create a strong linkage between shareholders’ financial success and executive rewards. Unfortunately, absolute TSR performance may not create a line of site for executives between the attainment of the company’s strategic objectives and compensation outcomes.

We used the BDO 600 companies to identify which performance measures were most frequently used in long-term compensation plans and how performance of these measures impact TSR.

We tested two compensation elements to see if there was a relationship with total shareholder return. As noted earlier, BDO examined:

- ▶ The relationship between the 2018 CEO compensation mix and three-year TSR performance of the BDO 600 companies.
- ▶ The relationship between key financial metrics commonly used as incentive metrics in long-term incentive (LTI) plans and TSR.

This section provides an overview of the approach used to analyze the data and insights from these analyses.

METHODOLOGY FOR BDO'S CEO PAY MIX ANALYSIS

BDO utilized a regression model to identify those aspects of CEO pay that were significantly correlated with company performance as measured by three-year TSR growth.

CEO compensation mix (specifically the percent of pay allocated to annual incentives and the percent allocated to long-term incentives) was used to predict financial performance.

METHODOLOGY FOR BDO'S INCENTIVE METRIC ANALYSIS

BDO developed industry-specific regression models from which we identified the financial metrics with the strongest relationship to TSR.

BDO tabulated the prevalence of all metrics, financial and otherwise, used in long-term incentive plans for the BDO 600 companies. We then compared those metrics to those that we found to have the greatest influence on TSR. In this way, we identified gaps between the most common incentive design metrics and those that we found to have the strongest relationship with TSR.

PAY MIX FINDINGS - CEO

Overview

A fundamental element of pay plan design is determining how much pay should be at risk. Theoretically, plans with a higher percentage of pay at risk may be more motivational because they can potentially deliver a larger reward for performance. As such, more leveraged pay packages may result in better performance.

Summary Findings

We identified a relationship between improved financial performance and CEO compensation, notably a greater percentage of pay “at risk.” Pay at risk includes “variable pay” in the form of annual and long-term incentives.

“A well-designed compensation plan should lead to better financial results, although critics point to the danger of being overly focused on the short-term. It’s about finding the right balance. Executive pay plans need to include the right mix of metrics and targets to incentivize long-term financial growth and nonfinancial success.”



TOM ZIEMBA
Global Employer Services Managing
Director and Compensation Consulting
Practice Leader

INCENTIVE METRICS FINDINGS

Overview

When designing an executive incentive plan, two of the most important questions are, “what are the right metrics?” and “do these metrics align with TSR?”

BDO examined the usage of different metrics across the BDO 600 companies on an industry-by-industry basis, assessing the relationship between those metrics and TSR. The importance of understanding the relationship between potential financial metrics and TSR is that it allows companies to craft incentive plans that are designed to emphasize long-term TSR growth, while maintaining a line of sight for executives by using metrics that reflect attainment of strategic goals (e.g., revenue growth).

Summary Findings

For every industry, except banking, we discovered a strong (statistically significant) relationship between TSR and one to three different financial metrics. The best predictors of three-year TSR performance are presented in the following table.

Metric	Retail	Banking	Technology	Nonbanking	Healthcare	Manufacturing	Real Estate	Energy
ROIC ²	X		X	X		X		X
3-year EBIT ³ growth	X		X	X	X			
3-year revenue growth			X				X	
3-year net income growth					X		X	

² ROIC – Return on Invested Capital

³ EBIT – Earnings Before Interest and Taxes

We then determined which metrics were most commonly used in long-term incentive plans for this group of companies. Upon comparison of the results, we found that there is often a disconnect between the most commonly used long-term incentive metrics in each industry, and the financial metrics with the strongest relationship to TSR. As illustrated in the table below, this may be a missed opportunity to adopt financial metrics to anchor compensation plans that measure the attainment of strategic financial goals, drive sustained TSR growth, and deliver value to shareholders.

The following table shows the prevalence of each metric for all companies, as well as by industry. The percentage of companies that used the metric in their long-term incentive plan is presented.

The three most commonly used metrics in each industry are shaded based on their rank and the metrics that best predicted TSR are boldly outlined.

To interpret the table, look for the overlap between the shaded metrics (those most commonly used in the incentive plans) and the metrics in bold red (those that are the strongest predictors of TSR):

- **Overlap:** This indicates that the metrics that are strong predictors of TSR are also commonly used in the incentive plans.
- **No overlap:** This means that there is a disconnect; the metrics being used in incentive plans are not the best predictors of long-term TSR growth.

Long-Term Incentive Metric Prevalence

	All	Retail	Banking	Technology	Nonbanking	Healthcare	Manufacturing	Real Estate	Energy
TSR	44%	22%	26%	35%	28%	47%	38%	88%	60%
Earnings per Share (EPS)	19%	24%	31%	12%	35%	14%	18%	12%	10%
ROIC/ ROE ⁴	18%	19%	77%	0%	19%	0%	28%	3%	12%
Revenue	17%	14%	8%	44%	17%	26%	15%	3%	5%
EBITDA ⁵	16%	25%	0%	23%	9%	26%	21%	2%	12%
Operating Income (EBIT)	11%	25%	0%	25%	11%	7%	15%	2%	0%
Strategic Goals	4%	0%	0%	12%	11%	2%	1%	2%	5%
Net Profit / Income	4%	5%	8%	0%	7%	7%	6%	0%	0%
Other	4%	2%	13%	4%	6%	0%	4%	3%	3%
Corporate Performance	4%	3%	5%	4%	2%	2%	6%	2%	7%
Free Cash Flow (FCF)	4%	3%	0%	4%	0%	2%	6%	3%	9%
Individual Performance	2%	3%	3%	2%	4%	2%	0%	5%	0%
No Disclosure	1%	1%	1%	1%	0%	3%	3%	0%	2%

■ Most Common Metric ■ Second Most Common Metric ■ Third Most Common Metric ■ Predictor of TSR

4 ROE – Return on Equity

5 EBITDA – Earnings Before Interest, Tax, Depreciation and Amortization

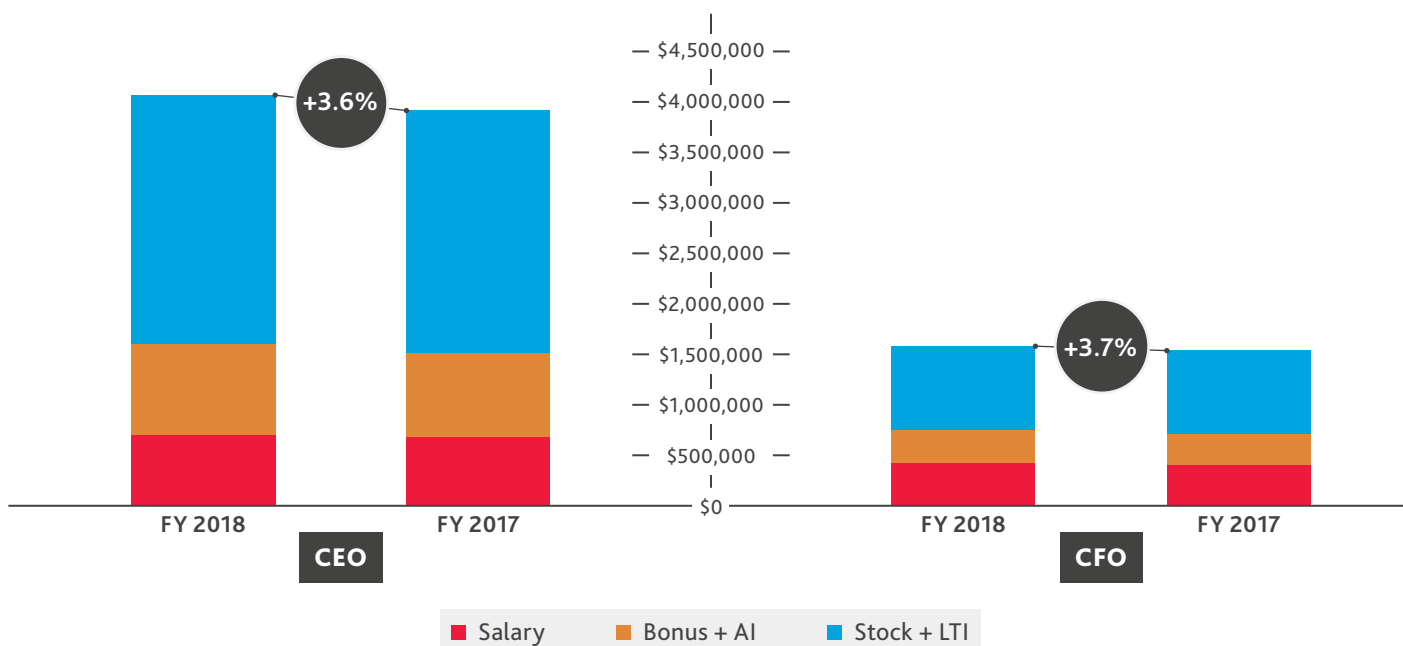
RESULTS BY INDUSTRY

The relationship between the performance on each metric and TSR vary by industry. The financial metrics used in the regressions explained between 25% and 63% of TSR for the different industries, excluding banking where there was no statistically significant relationship. The technology, healthcare, and retail industries exhibited the strongest relationships between TSR and the key financial metrics. The following table summarizes the relationships between TSR and financial metrics:

Industry	Best Predictors of TSR	Most Commonly Used LTI Metrics	Gap Analysis
Retail	EBIT and ROIC	EBIT, EBITDA, and EPS	More emphasis on EBIT and ROIC instead of EBITDA and EPS in long-term incentive plans may help drive TSR growth
Banking	N/A	Returns, EPS, and TSR	N/A
Technology	EBIT, Revenue, and ROIC	Revenue, TSR, and EBIT	Return metrics are not used by any companies but our analysis shows that strong ROIC is associated with higher three-year TSR growth
Nonbanking	EBIT and ROIC	EPS, TSR, and Returns	EPS was the most commonly used metric, but it is not a main driver of three-year TSR growth
Healthcare	EBIT and Net Income	TSR, EBITDA, and Revenue	Revenue and EBITDA are the two most commonly used metrics, but our analyses indicate that EBIT and Net Income growth are better indicators of TSR growth
Manufacturing	EPS and ROIC	TSR, Returns, EBITDA	Our analysis suggests that EPS would be a better metric than EBITDA for manufacturing companies
Real Estate	Net Income and Revenue	TSR, EPS, and Individual Performance	EPS was the most commonly used metric but it is not a main driver of three-year TSR growth
Energy	ROIC	TSR, EBIT, and Returns	EBIT was one of the most commonly used metrics, but it is not a strong predictor of TSR

Overall Results

OVERALL RESULTS - TOTAL DIRECT COMPENSATION (TDC)



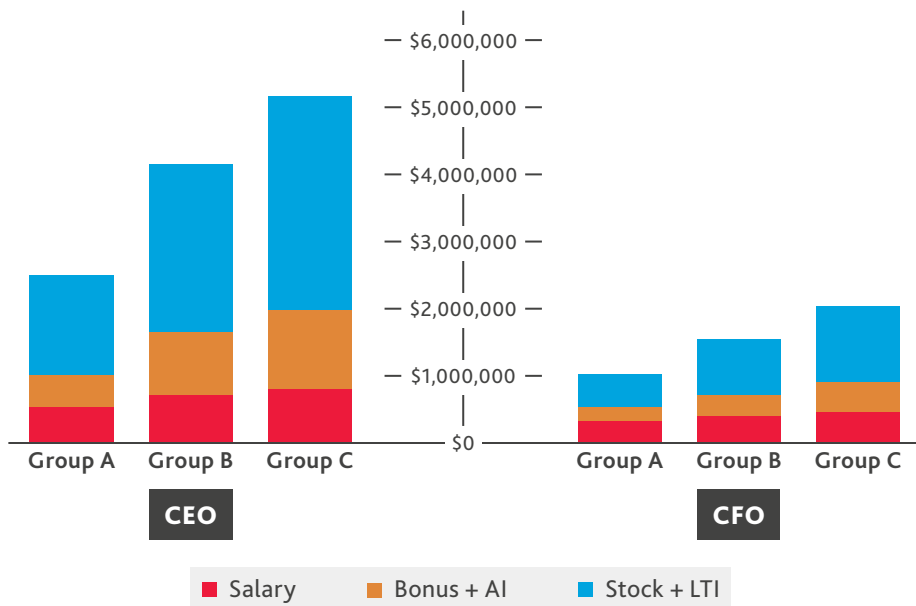
SUMMARY OF FINDINGS

Key findings from our analysis of CEO and CFO compensation based on company size are summarized here.

- In aggregate, CEOs and CFOs experienced moderate pay increases of 3.6% and 3.7%, respectively:** most of these increases consisted of bonuses and annual incentives, as well as long-term incentives.
- Same incumbent CEOs and CFOs experienced more significant increases:**

 - ▶ CEOs were provided average salary increases of 7%, while total cash increased by 14% and total direct compensation increased by 12%.
 - ▶ CFOs received more modest salary increases of 3% on average, while total cash increased by 10% and total direct compensation increased by 13%.

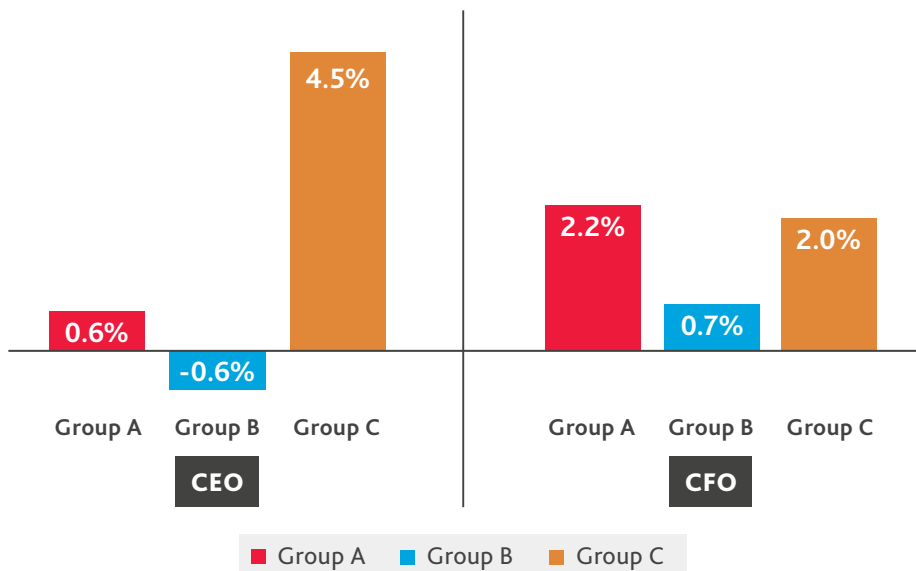
OVERALL RESULTS BY COMPANY SIZE



3. Pay continues to be highly correlated with company size: As the chart on the left illustrates, a positive correlation exists between CEO and CFO compensation and company size.

Average CEO total direct compensation ranges from \$2,495,916 for companies in the smallest size category⁶ (Group A) to \$5,175,909 for companies in the largest size category⁷ (Group C). Average CFO total direct compensation ranges from \$1,031,189 for companies in Group A to \$2,038,596 for companies in Group C.

YEAR-OVER-YEAR CHANGE IN TDC



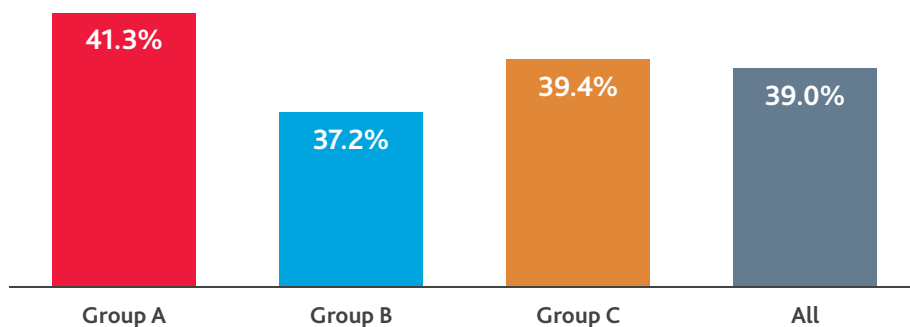
4. Larger company CEOs had the largest pay increase: CEOs in Group A experienced a slight increase in pay (0.6%) while CEOs in Group B experienced a 0.6% decrease. Pay jumped 4.5% year-over-year for CEOs of the largest companies in the sample (Group C). CFO pay increased across all groups; Group A and C both experienced a 2% increase.

⁶ \$100 million – \$500 million revenues and \$100 million – \$1.25 billion in assets (financial services)

⁷ \$1.25 billion – \$3 billion revenues and \$2.5 billion – \$6 billion in assets (financial services)

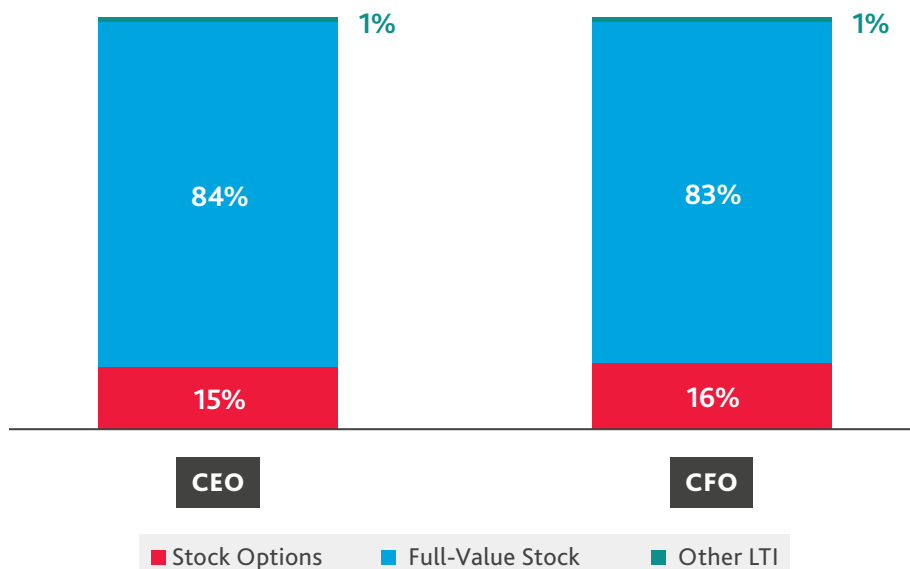
5. **CEO/CFO pay:** Pay levels for CFOs are approximately 40% of CEO pay for the companies in our sample. The graph on the right presents a comparison of median CFO TDC to median CEO TDC for all companies and by company size.

CFO TDC AS % OF CEO TDC



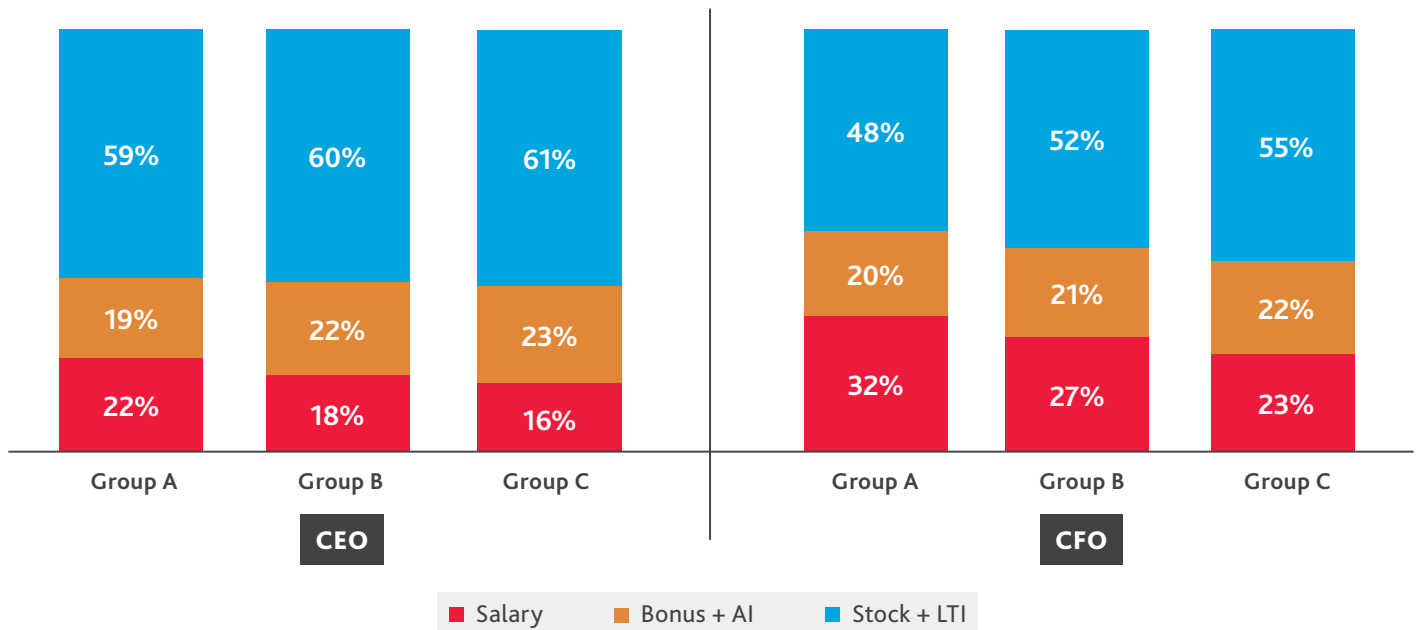
6. **Full-value shares dominate long-term incentives:** Stock options are losing favor, as most companies (regardless of size) opted to give both CEOs and CFOs full-value stock.

MIX OF LTI



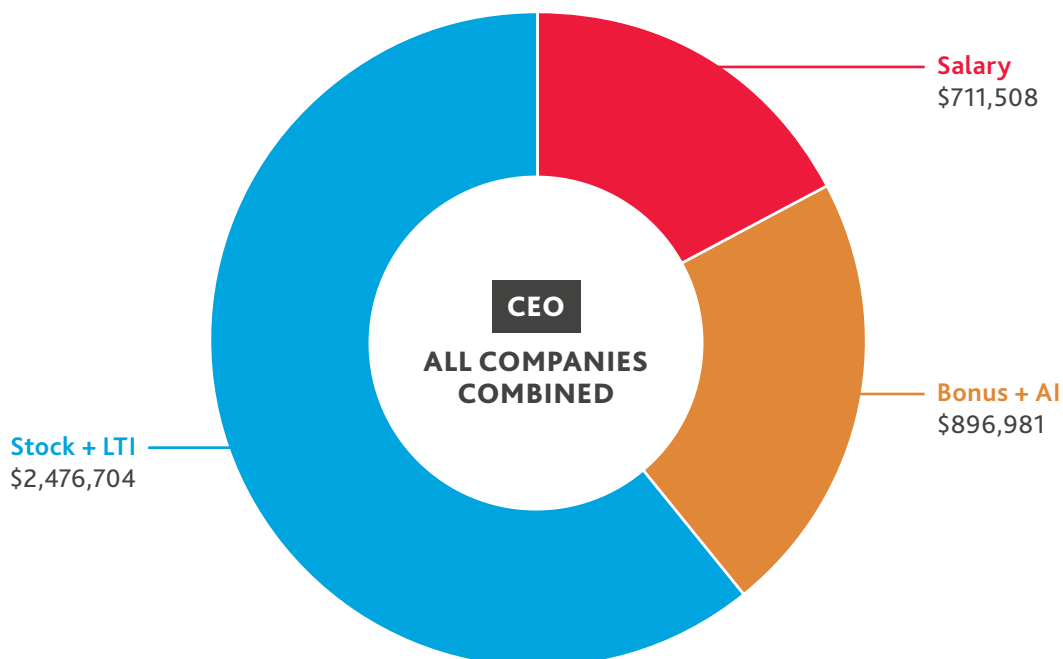
7. **Larger companies place the greatest percentage of pay at risk:** The graph below illustrates that approximately 80% of the pay for CEOs was in the form of incentive compensation. As noted in a previous section, more variable compensation was associated with higher TSR. Variable compensation for both the CEO and CFO increased in tandem with company size.

PAY MIX BY COMPANY SIZE



The following pages detail our findings for the CEO and CFO.

The following chart indicates the composition of total direct compensation for CEOs. Clearly, the long-term incentive component represents over 50% of the total compensation package.



The table below summarizes average pay for the CEO, comparing fiscal year 2018 to 2017. The percent increase or decrease for each pay component is provided. Total direct compensation (TDC) for CEOs increased by 3.6%.

Position	Year	Average Salary	Bonus and Annual Incentives	Stock + LTI*	TDC
CEO	FY 2018	\$710,233	\$895,373	\$2,472,265	\$4,077,871
	FY 2017	\$693,217	\$822,804	\$2,422,027	\$3,938,048
Change Over Prior Year		2.5%	8.8%	2.1%	3.6%

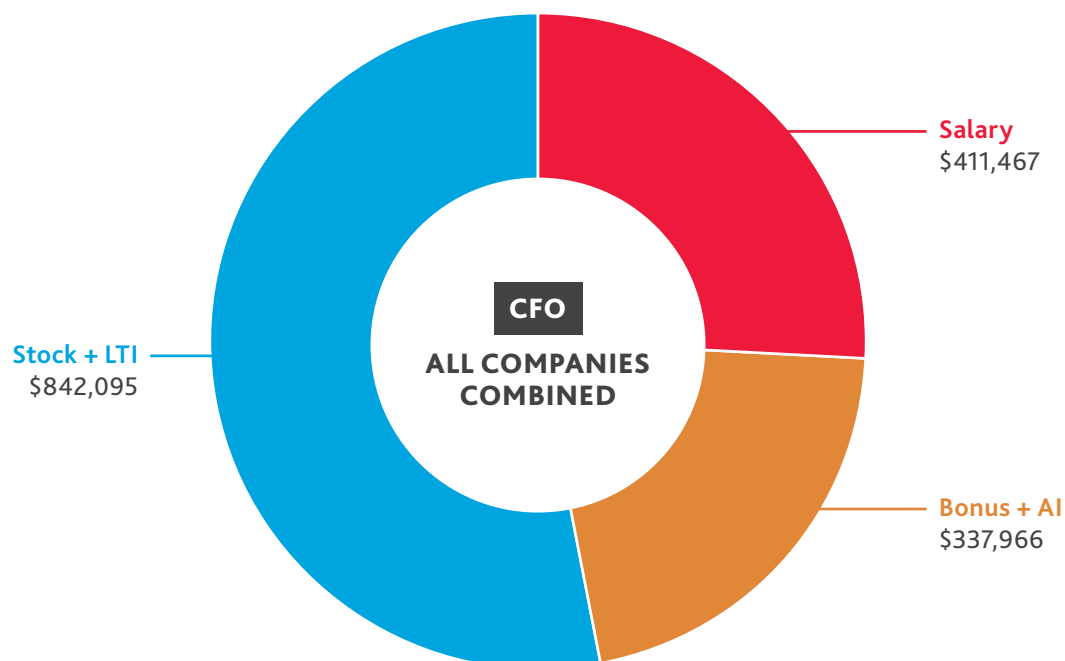
*Because not all CEOs received annual LTI payments, year-over-year comparisons may not accurately indicate market trends.

COMPENSATION MIX

The compensation mix has remained fairly consistent over the last several years. The average compensation mix for CEOs in 2018 continues to favor stock and long-term incentives.

The majority of equity value provided to both CEOs and CFOs is delivered through full-value stock awards.

Position	Year	Annual Cash	Stock + LTI	Total
CEO	2018	39%	61%	100%
	2017	38%	62%	100%



The table below summarizes average pay for the CFO, comparing fiscal year 2018 to 2017. The percent increase or decrease for each pay component is provided. Total direct compensation (TDC) for the CFO position increased by 3.7%.

Position	Year	Average Salary	Bonus and Annual Incentives	Stock + LTI*	TDC
CFO	FY 2018	\$411,467	\$337,966	\$842,095	\$1,591,528
	FY 2017	\$400,381	\$312,372	\$822,649	\$1,535,402
Change Over Prior Year		2.8%	8.2%	2.4%	3.7%

*Because not all CFOs received annual LTI payments, year-over-year comparisons may not accurately indicate market trends.

COMPENSATION MIX

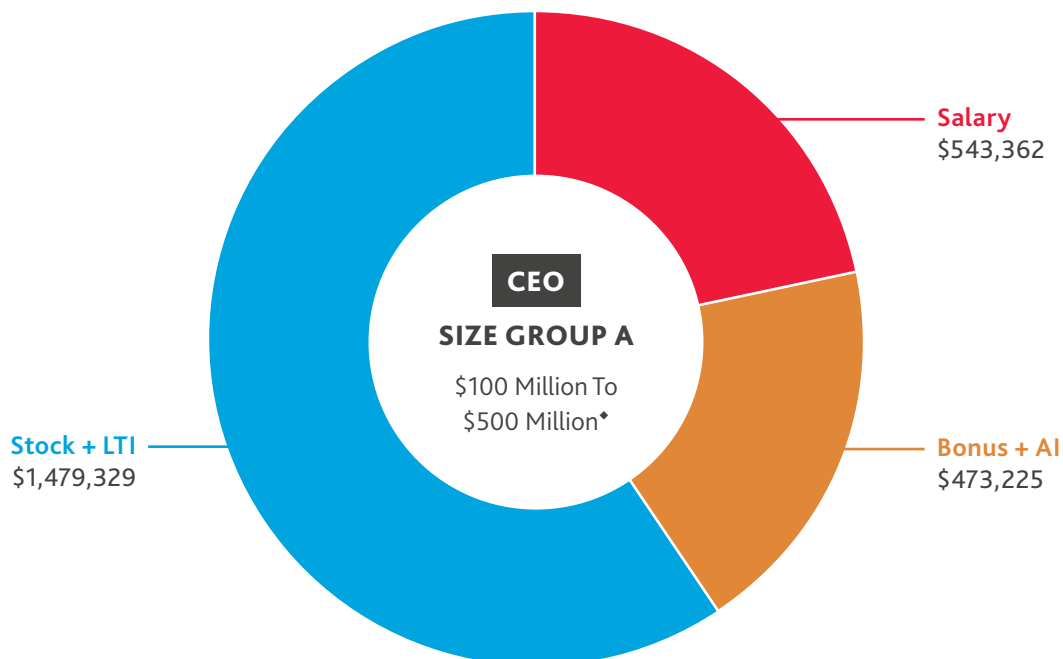
Compared to the CEO, the CFO average compensation mix in 2018 is more evenly split between cash and long-term incentives/equity, and the levels remained steady with 2017.

Position	Year	Annual Cash	Stock + LTI	Total
CFO	2018	47%	53%	100%
	2017	46%	54%	100%

The remainder of this study presents results by company size and industry.

COMPENSATION LEVELS BY COMPANY SIZE

Overall Results



The average compensation paid to CEOs of the smallest sized companies for fiscal years 2018 and 2017 is listed in the table below.

Position	Year	Average Salary	Bonus and Annual Incentives	Stock + LTI*	TDC
CEO	FY 2018	\$543,362	\$473,225	\$1,479,329	\$2,495,916
	FY 2017	\$546,956	\$491,531	\$1,441,657	\$2,480,144

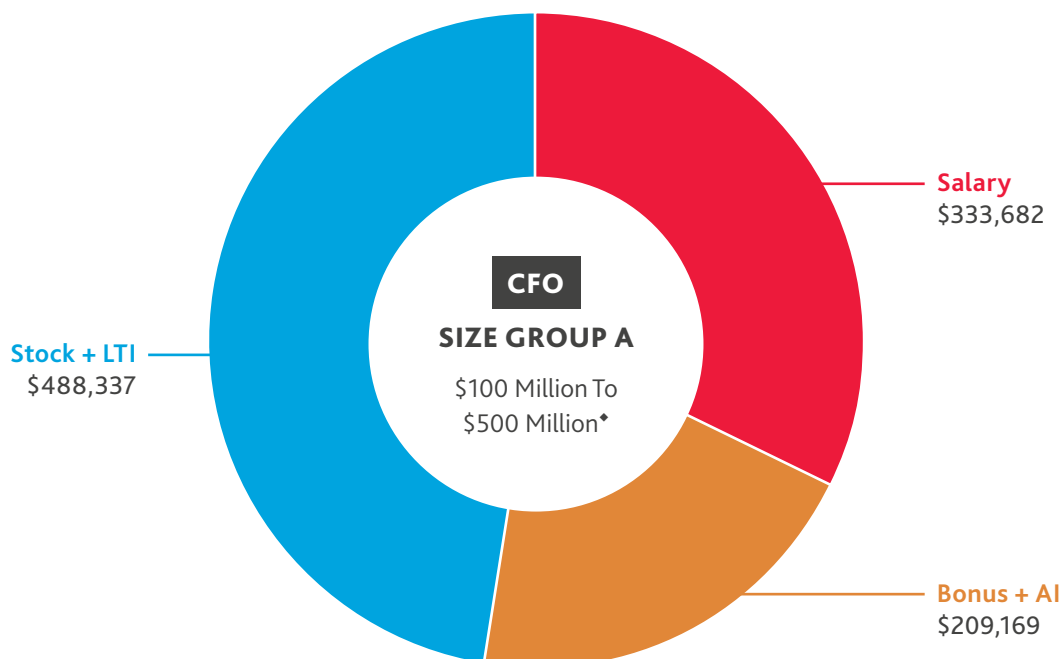
*Because not all CEOs received annual LTI payments, year-over-year comparisons may not accurately indicate market trends.

COMPENSATION MIX

CEOs experienced minimal change in the amount of compensation delivered through stock and long-term incentives in 2018 compared to 2017.

Position	Year	Annual Cash	Stock + LTI	Total
CEO	2018	41%	59%	100%
	2017	42%	58%	100%

* Financial service companies in this data sample have between \$100M and \$1.25B in assets



The average compensation paid to CFOs of the smallest sized companies for fiscal years 2018 and 2017 is provided in the table below.

Position	Year	Average Salary	Bonus and Annual Incentives	Stock + LTI*	TDC
CFO	FY 2018	\$333,682	\$209,169	\$488,337	\$1,031,189
	FY 2017	\$330,975	\$197,322	\$480,239	\$1,008,536

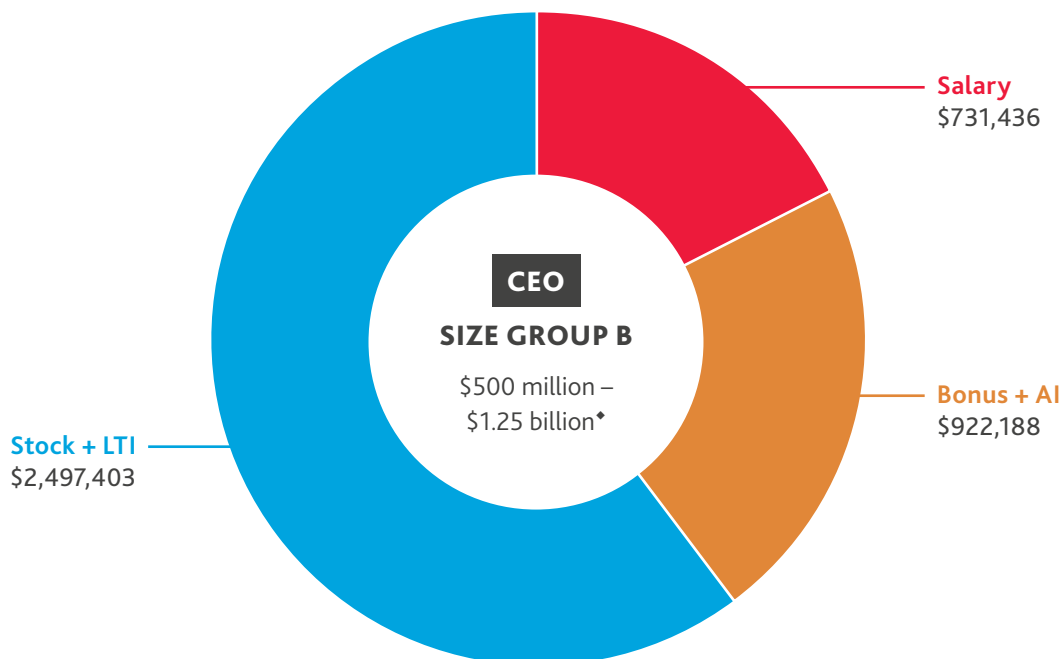
*Because not all CFOs received annual LTI payments, year-over-year comparisons may not accurately indicate market trends.

COMPENSATION MIX

CFOs experienced a slight decrease in the amount of compensation delivered through long-term incentives and equity in 2018 compared to 2017.

Position	Year	Annual Cash	Stock + LTI	Total
CFO	2018	53%	47%	100%
	2017	52%	48%	100%

* Financial service companies in this data sample have between \$100M and \$1.25B in assets



The average compensation paid to CEOs of mid-sized companies for fiscal years 2018 and 2017 is listed in the table below. The small year-over-year decrease in CEO total direct compensation was driven by decreases in long-term incentives, despite bonuses and annual incentives rising.

Position	Year	Average Salary	Bonus and Annual Incentives	Stock + LTI*	TDC
CEO	FY 2018	\$731,436	\$922,188	\$2,497,403	\$4,151,027
	FY 2017	\$715,534	\$867,991	\$2,593,393	\$4,176,918

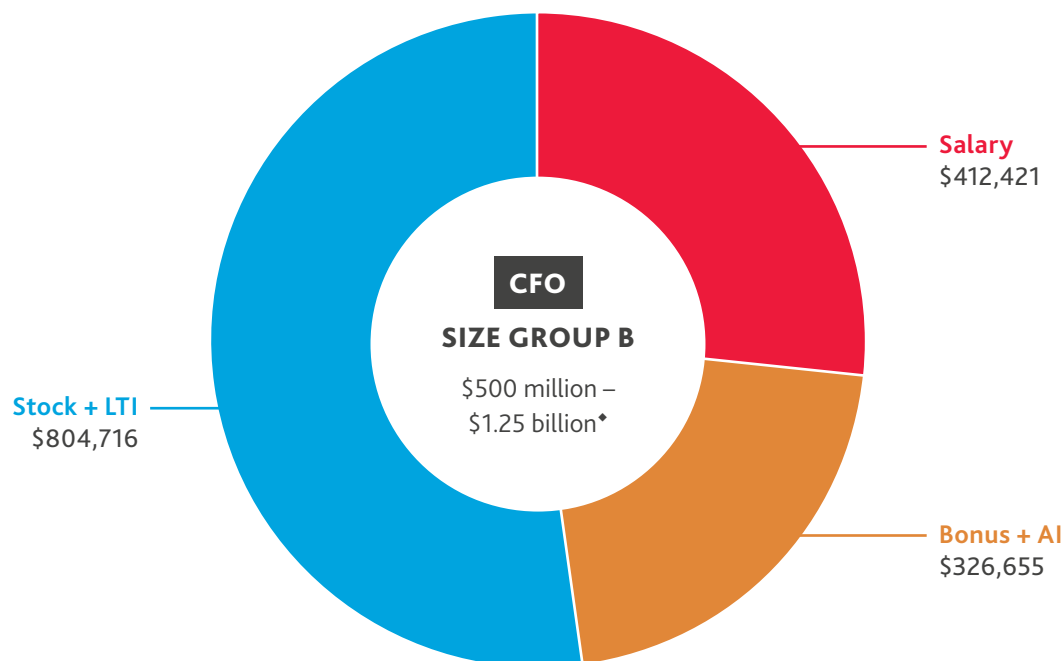
*Because not all CEOs received annual LTI payments, year-over-year comparisons may not accurately indicate market trends.

COMPENSATION MIX

CEOs in this group saw a slight reduction in the amount of compensation paid through stock and long-term incentives.

Position	Year	Annual Cash	Stock + LTI	Total
CEO	2018	40%	60%	100%
	2017	38%	62%	100%

* Financial service companies in this data sample have between \$1.25B - \$2.5B in assets



The average compensation paid to CFOs of mid-sized companies for fiscal years 2018 and 2017 is listed in the table below. CFO total direct compensation saw little change.

Position	Year	Average Salary	Bonus and Annual Incentives	Stock + LTI*	TDC
CFO	FY 2018	\$412,421	\$326,655	\$804,716	\$1,543,793
	FY 2017	\$403,500	\$330,521	\$798,310	\$1,532,331

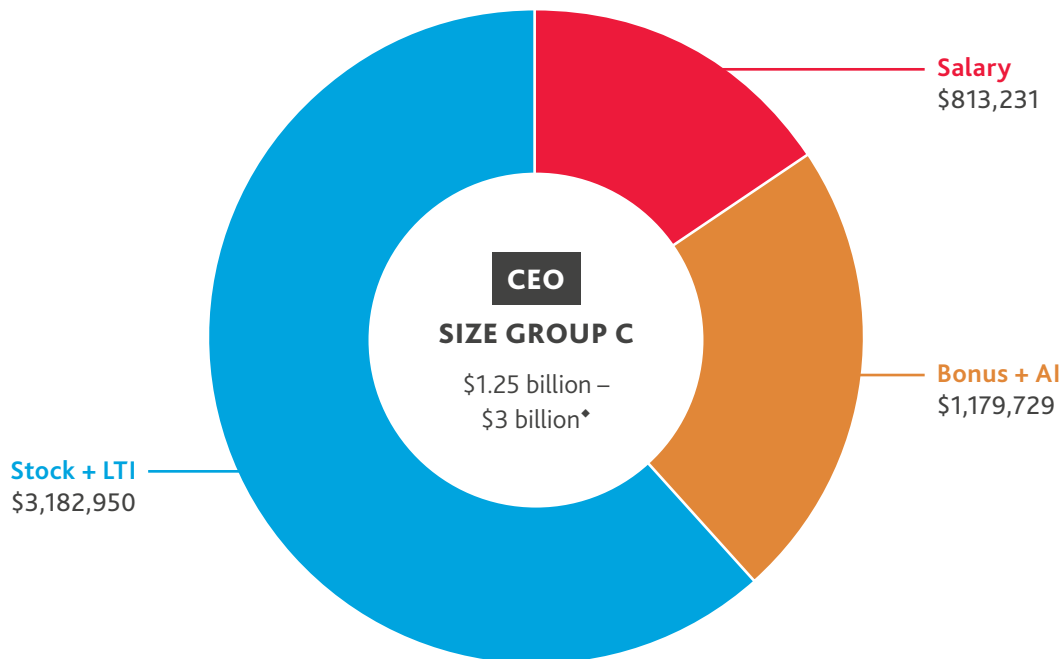
*Because not all CFOs received annual LTI payments, year-over-year comparisons may not accurately indicate market trends.

COMPENSATION MIX

The use of long-term incentives and equity for CFO compensation remained the same as the prior year.

Position	Year	Annual Cash	Stock + LTI	Total
CEO	2018	48%	52%	100%
	2017	48%	52%	100%

* Financial service companies in this data sample have between \$1.25B - \$2.5B in assets



The average compensation paid to CEOs of the largest companies in our sample for fiscal years 2018 and 2017 is listed in the table below. CEO total direct compensation was relatively consistent year-over-year.

Position	Year	Average Salary	Bonus and Annual Incentives	Stock + LTI*	TDC
CEO	FY 2018	\$813,231	\$1,179,729	\$3,182,950	\$5,175,909
	FY 2017	\$797,169	\$1,064,445	\$3,093,628	\$4,955,242

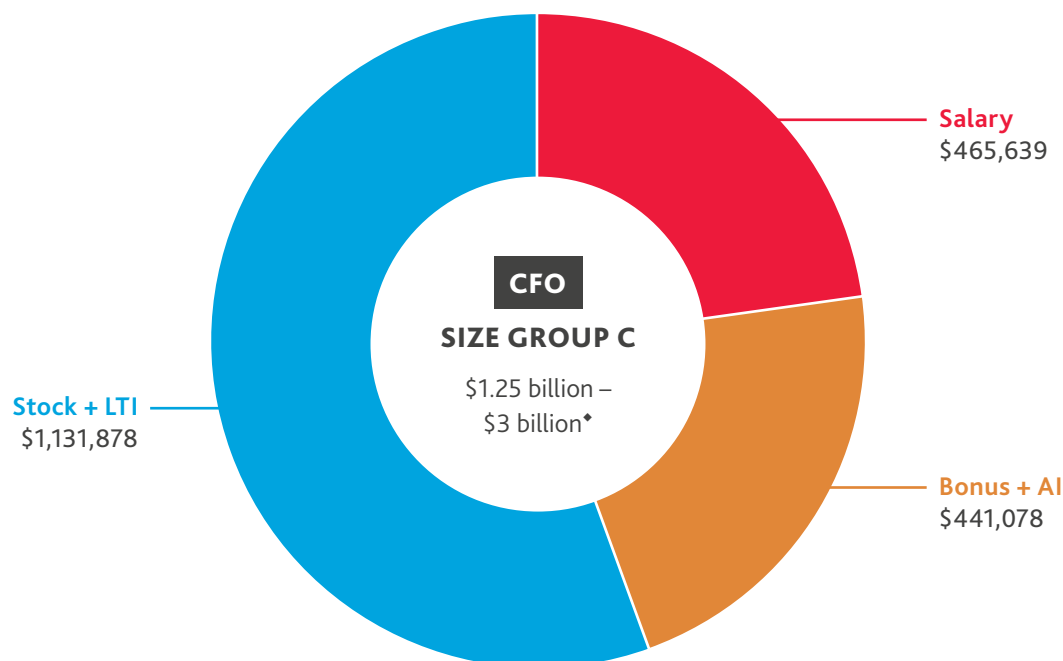
*Because not all CEOs received annual LTI payments, year-over-year comparisons may not accurately indicate market trends.

COMPENSATION MIX

The CEO pay mix in 2018 remained fairly level with 2017.

Position	Year	Annual Cash	Stock + LTI	Total
CEO	2018	39%	61%	100%
	2017	38%	62%	100%

* Financial service companies in this data sample have between \$2.5B - \$6B in assets



The average compensation paid to CFOs of the largest companies in our sample for fiscal years 2018 and 2017 is listed in the table below.

Position	Year	Average Salary	Bonus and Annual Incentives	Stock + LTI*	TDC
CFO	FY 2018	\$465,639	\$441,078	\$1,131,878	\$2,038,596
	FY 2017	\$457,315	\$391,344	\$1,150,670	\$1,999,329

*Because not all CFOs received annual LTI payments, year-over-year comparisons may not accurately indicate market trends.

COMPENSATION MIX

CFOs' stock and LTI component decreased a small amount in 2018 compared to 2017.

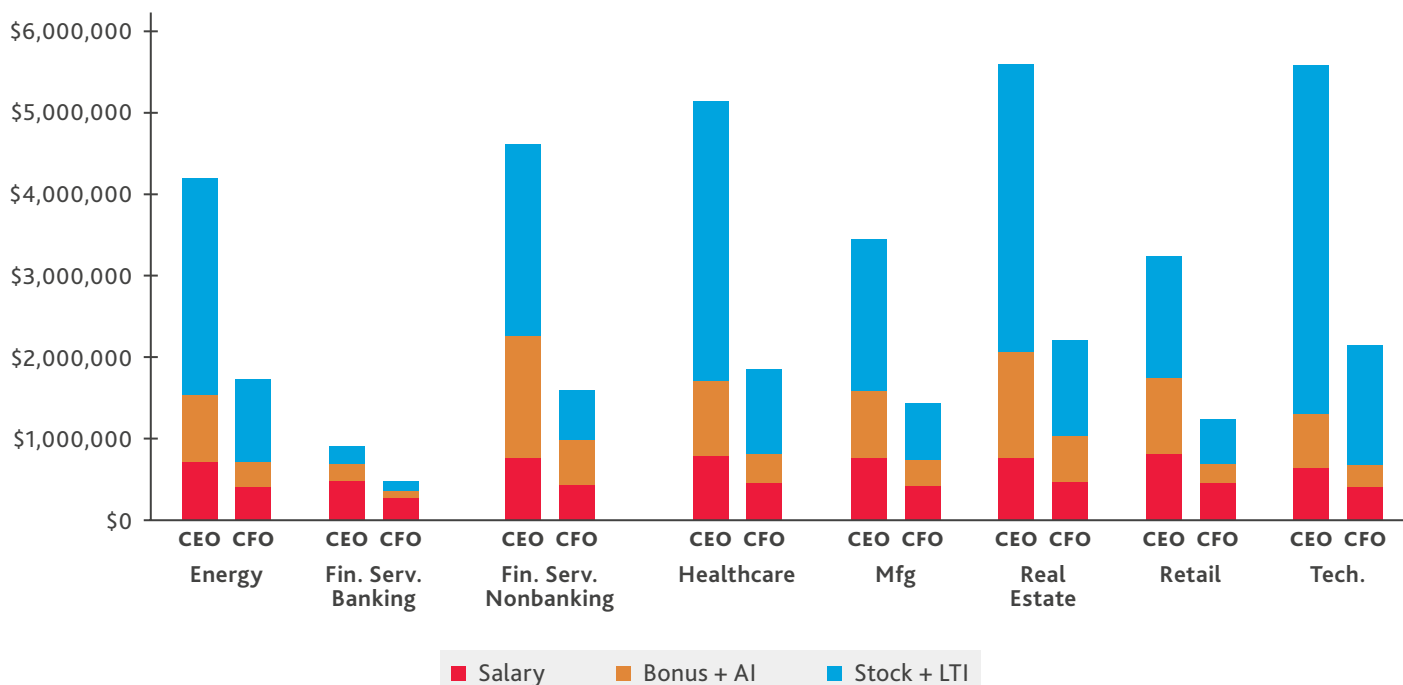
Position	Year	Annual Cash	Stock + LTI	Total
CEO	2018	44%	56%	100%
	2017	42%	58%	100%

* Financial service companies in this data sample have between \$2.5B - \$6B in assets

COMPENSATION LEVELS BY INDUSTRY

Overall Results

OVERALL RESULTS BY INDUSTRY



For middle market companies, industry is just as important as company size for benchmarking CEO and CFO compensation. As indicated in the chart above, CEO and CFO compensation levels vary considerably by industry.

CHANGES TO CEO COMPENSATION

CEOs in the financial services – nonbanking industry experienced the largest year-over-year increase in average total direct compensation (13%), followed by healthcare with an 11% increase. Real estate industry CEOs experienced a 7% increase. CEOs in the retail and energy industries experienced decreases of 3% and 16%, respectively.

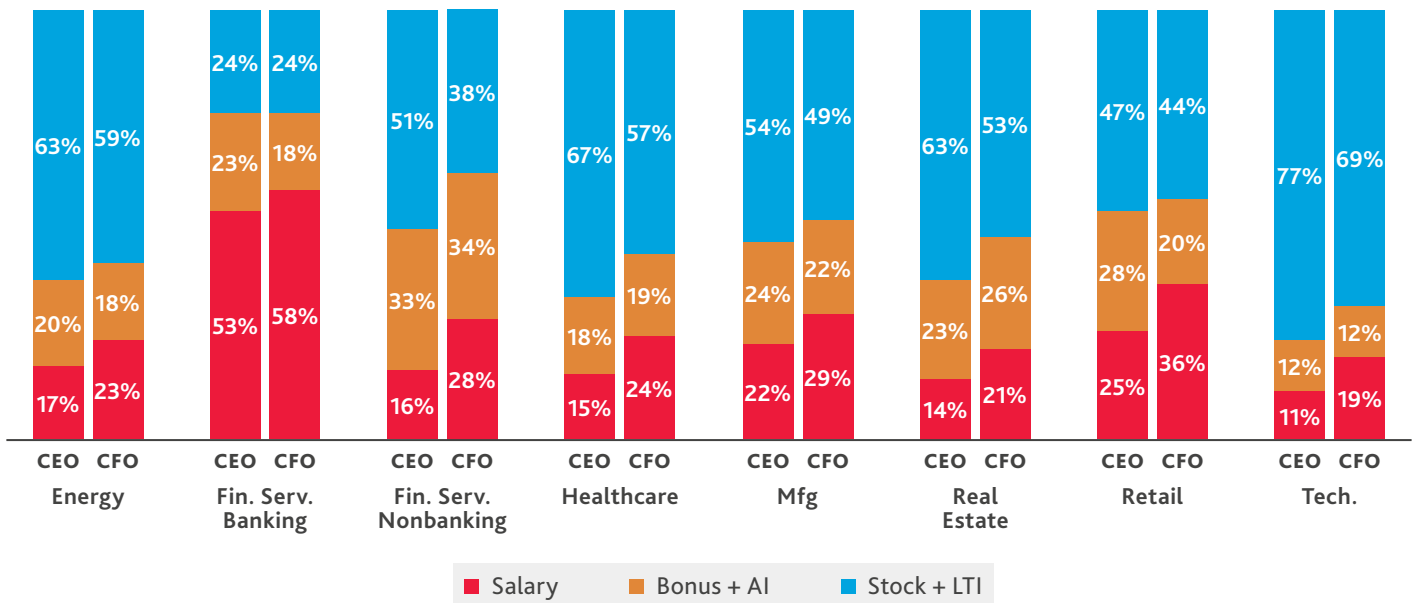
Average compensation varies widely from \$5,601,342 for real estate industry CEOs to \$901,841 for CEOs in the financial services - banking industry. Our findings reveal that companies in the financial services - banking industry favor cash over equity, with a compensation mix of 76% cash and 24% equity/LTI. Other industries feature a more balanced compensation mix between annual cash and equity/LTI.

CHANGES TO CFO COMPENSATION

Financial services - banking industry CFOs experienced the largest percentage increase on average in total direct compensation (16%) while financial services - nonbanking and healthcare industry CFOs each experienced a 13% increase.

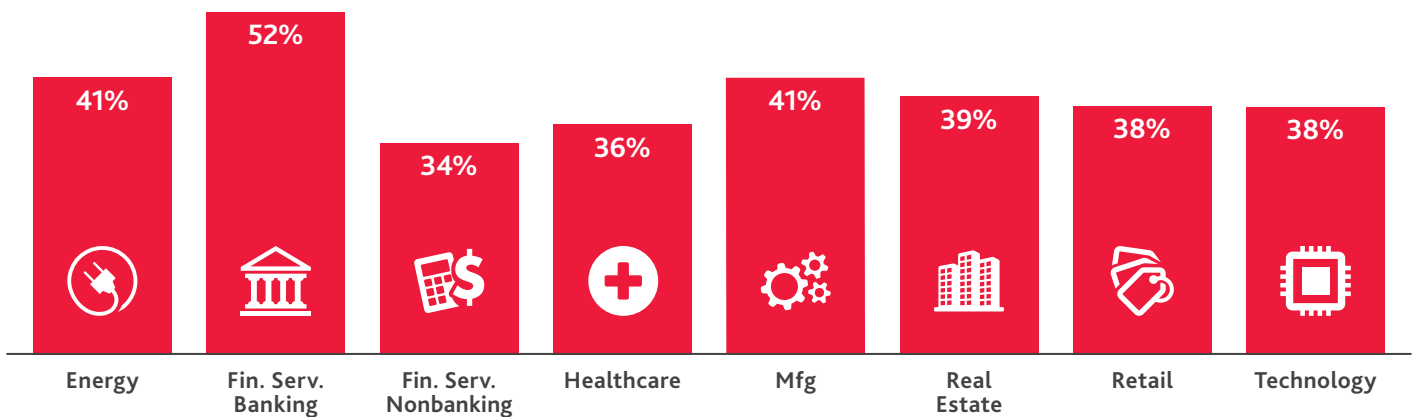
Real estate CFOs have the highest average compensation at \$2,199,712; CFOs of financial services - banking industry companies fall on the lowest end at \$467,509. The CFO compensation mix is similar to that of CEOs; companies in the financial services - banking industry favor cash over equity, with a compensation mix of 76% cash and 24% equity/LTI. Other industries feature a more balanced mix of pay between annual cash and equity/LTI. Full-value stock awards are favored over stock options for companies across all industries.

PAY MIX BY INDUSTRY



The relationship of CFO to CEO pay varies somewhat by industry. The biggest gap is found in the financial services – nonbanking industry where CFOs earn 34% of the CEO’s average total direct compensation. CFOs in the financial services - banking industry are the most well-paid as a percentage of CEO compensation, earning 52% of what CEOs make.

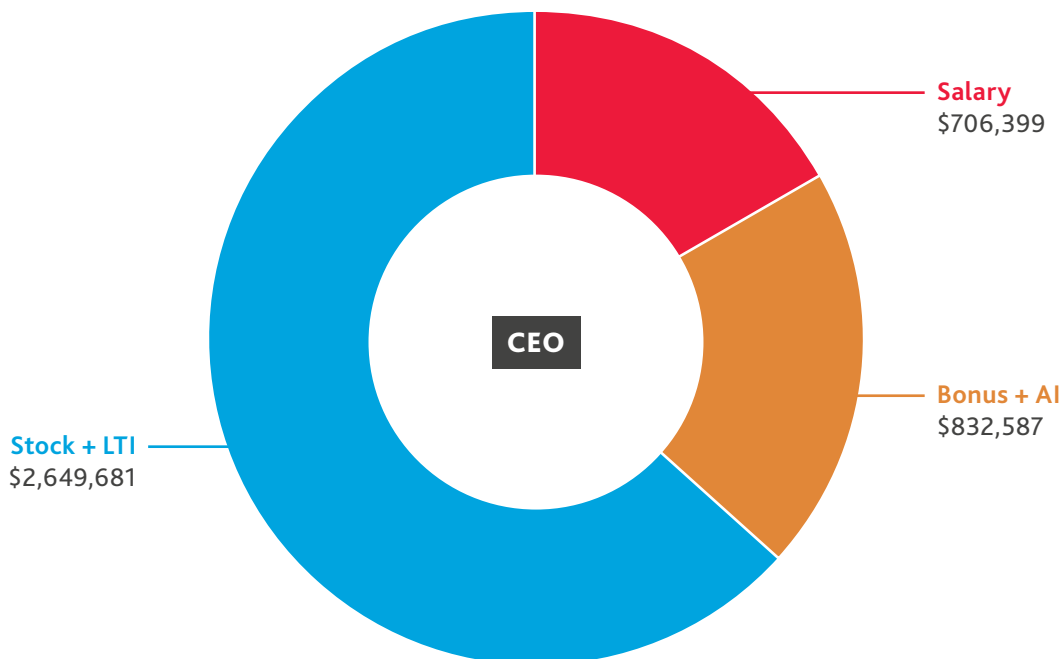
CFO TDC AS % OF CEO TDC



The following pages detail our findings for each of the eight industries.

COMPENSATION LEVELS BY INDUSTRY

Energy



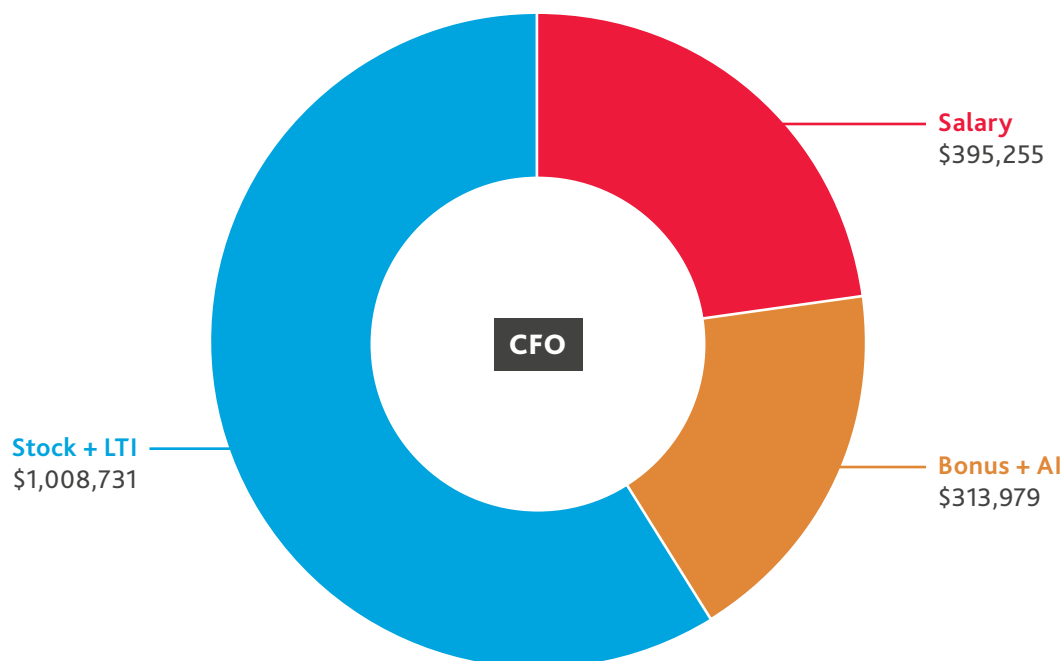
The average total direct compensation paid to energy industry CEOs for fiscal years 2018 and 2017 is listed below. Historically, energy industry CFOs reported the highest average compensation among all industries included in this study. In recent years, energy industry CEO compensation levels have fallen behind healthcare, real estate, and technology; in 2018, energy industry CEOs experienced a 16% decrease in pay from the prior year.

Position	Year	Average Salary	Bonus and Annual Incentives	Stock + LTI*	TDC
CEO	FY 2018	\$706,399	\$832,587	\$2,649,681	\$4,188,667
	FY 2017	\$723,912	\$957,768	\$3,314,237	\$4,995,917
Change Over Prior Year		-2.4%	-13.1%	-20.1%	-16.2%

*Because not all CEOs received annual LTI payments, year-over-year comparisons may not accurately indicate market trends.

The resulting 2018 compensation mix is listed below.

Position	Year	Annual Cash	Stock + LTI	Total
CEO	2018	37%	63%	100%
	2017	34%	66%	100%



The average total direct compensation paid to energy industry CFOs for fiscal years 2018 and 2017 is listed below. Similar to CEOs, CFO pay decreased by almost 16%.

Position	Year	Average Salary	Bonus and Annual Incentives	Stock + LTI*	TDC
CFO	FY 2018	\$395,255	\$313,979	\$1,008,731	\$1,717,964
	FY 2017	\$410,424	\$398,472	\$1,225,884	\$2,034,780
Change Over Prior Year		-3.7%	-21.2%	-17.7%	-15.6%

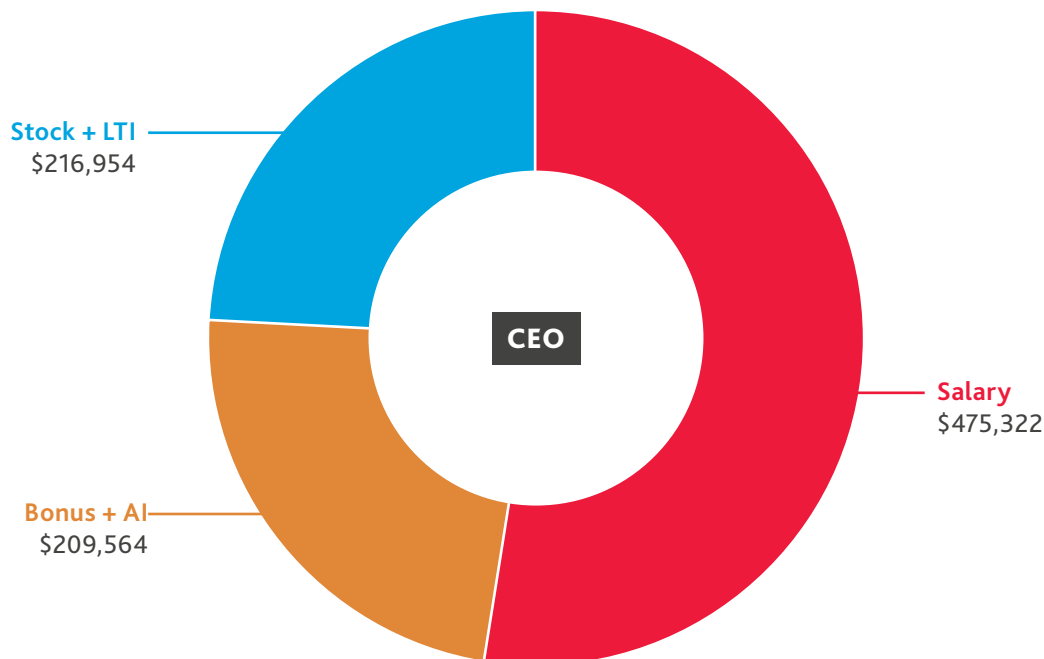
*Because not all CFOs received annual LTI payments, year-over-year comparisons may not accurately indicate market trends.

The resulting 2018 compensation mix is listed below, and it is very similar to 2017.

Position	Year	Annual Cash	Stock + LTI	Total
CFO	2018	41%	59%	100%
	2017	40%	60%	100%

COMPENSATION LEVELS BY INDUSTRY

Financial Services - Banking



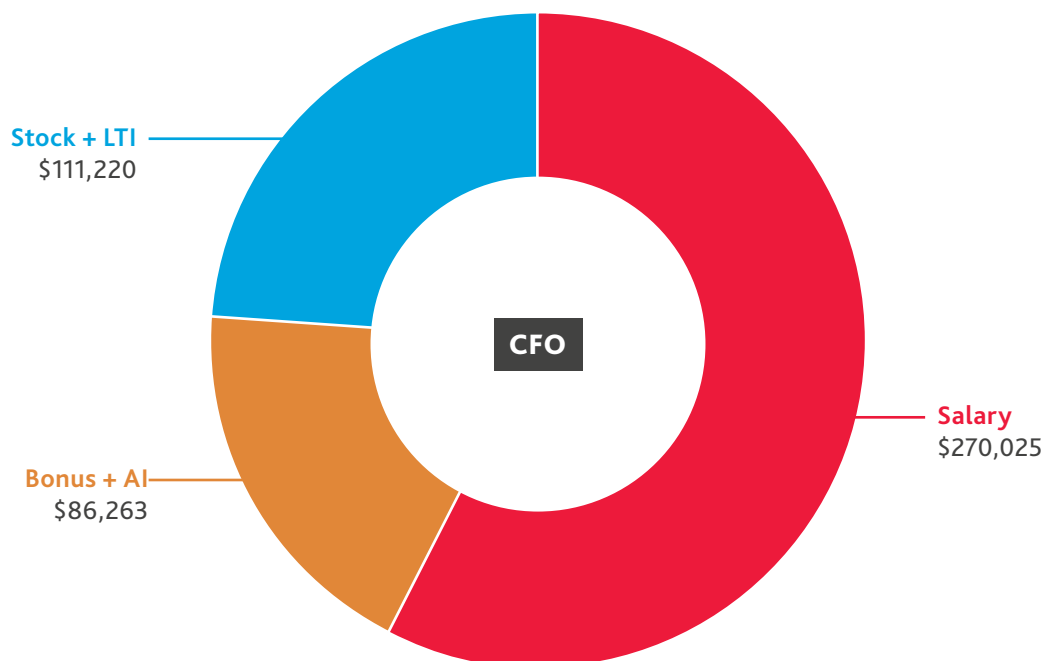
The average total direct compensation paid to CEOs of companies in the financial services - banking industry for fiscal years 2018 and 2017 is listed below. Financial services – banking institutions provide the highest percentage of compensation in terms of salary and bonus/annual incentives among all industries studied. Average CEO (and CFO) compensation levels, however, remain the lowest of all industries included in our study. In 2018, CEO pay levels climbed upward.

Position	Year	Average Salary	Bonus and Annual Incentives	Stock + LTI*	TDC
CEO	FY 2018	\$475,322	\$209,564	\$216,954	\$901,841
	FY 2017	\$446,505	\$196,651	\$195,104	\$838,260
Change Over Prior Year		6.5%	6.6%	11.2%	7.6%

*Because not all CEOs received annual LTI payments, year-over-year comparisons may not accurately indicate market trends.

The resulting compensation mix is shown below.

Position	Year	Annual Cash	Stock + LTI	Total
CEO	2018	76%	24%	100%
	2017	77%	23%	100%



The average total direct compensation paid to CFOs of companies in the financial services - banking industry for fiscal years 2018 and 2017 is listed below.

Position	Year	Average Salary	Bonus and Annual Incentives	Stock + LTI*	TDC
CFO	FY 2018	\$270,025	\$86,263	\$111,220	\$467,509
	FY 2017	\$245,259	\$77,136	\$79,756	\$402,151
Change Over Prior Year		10.1%	11.8%	39.5%	16.3%

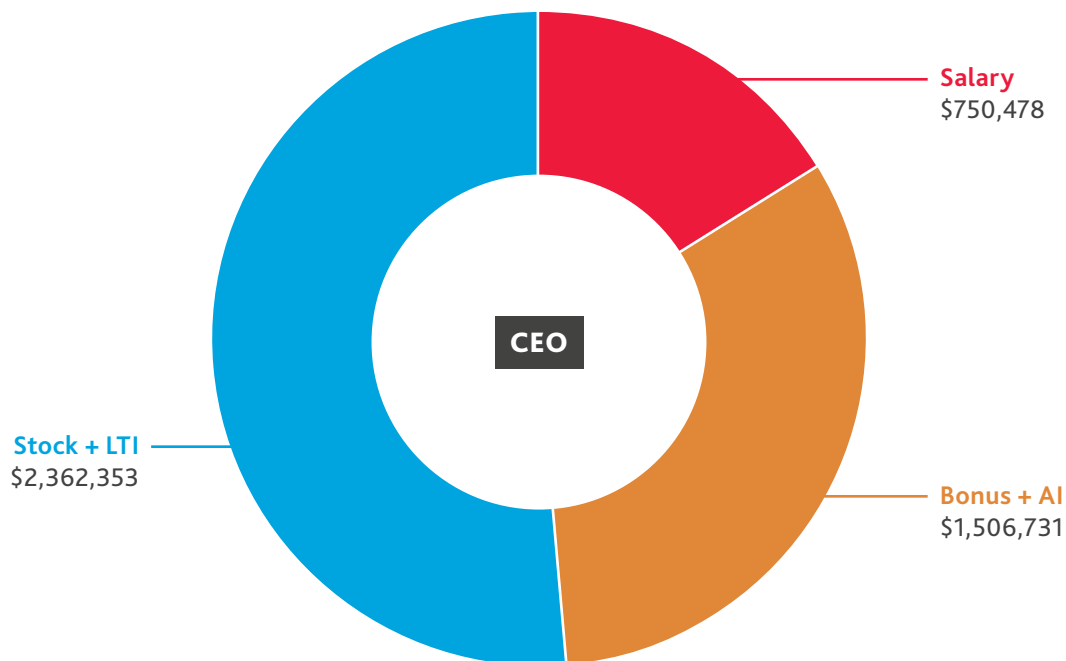
*Because not all CFOs received annual LTI payments, year-over-year comparisons may not accurately indicate market trends.

The resulting compensation mix is shown below.

Position	Year	Annual Cash	Stock + LTI	Total
CFO	2018	76%	24%	100%
	2017	80%	20%	100%

COMPENSATION LEVELS BY INDUSTRY

Financial Services - Nonbanking



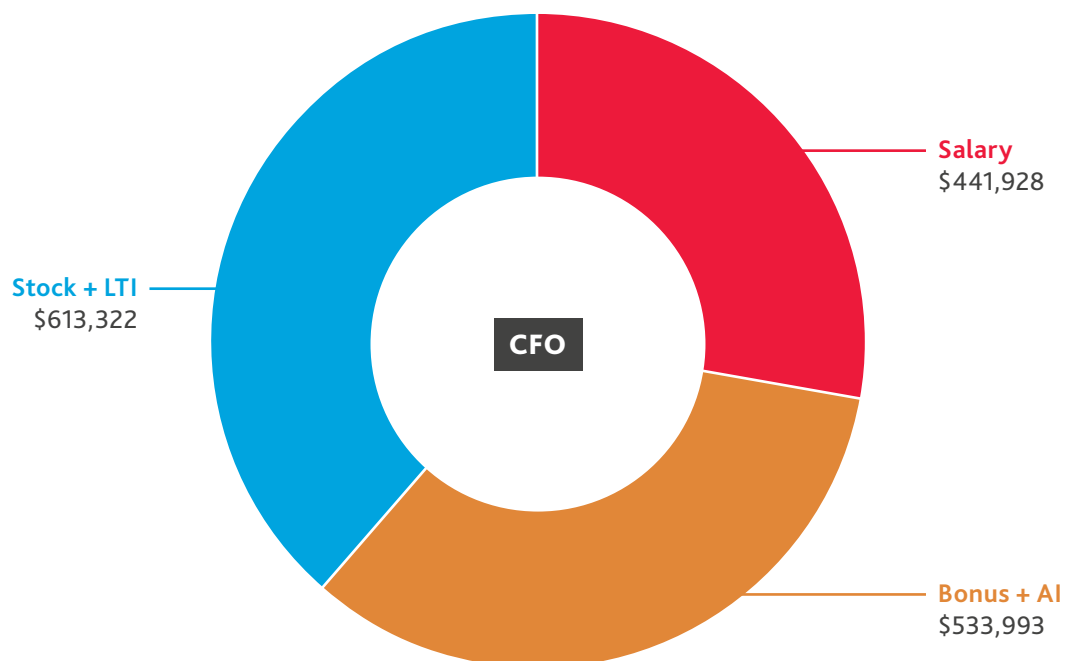
The average total direct compensation paid to CEOs of companies in the financial services - nonbanking industry for fiscal years 2018 and 2017 is listed below. The year 2016 was the first instance in which the CEO was paid more in long-term incentives/equity (51%) compared to annual cash (49%) – a trend that continued in 2018, after an even split between the two in 2017. CEOs in this industry also saw the largest percentage increase in total direct compensation (13%).

Position	Year	Average Salary	Bonus and Annual Incentives	Stock + LTI*	TDC
CEO	FY 2018	\$750,478	\$1,506,731	\$2,362,353	\$4,619,562
	FY 2017	\$709,383	\$1,338,047	\$2,038,718	\$4,086,148
Change Over Prior Year		5.8%	12.6%	15.9%	13.1%

*Because not all CEOs received annual LTI payments, year-over-year comparisons may not accurately indicate market trends.

The resulting compensation mix is shown below.

Position	Year	Annual Cash	Stock + LTI	Total
CEO	2018	49%	51%	100%
	2017	50%	50%	100%



The average total direct compensation paid to CFOs of companies in the financial services - nonbanking industry for fiscal years 2018 and 2017 is listed below.

Position	Year	Average Salary	Bonus and Annual Incentives	Stock + LTI*	TDC
CFO	FY 2018	\$441,928	\$533,993	\$613,322	\$1,589,242
	FY 2017	\$416,305	\$429,644	\$565,736	\$1,411,685
Change Over Prior Year		6.2%	24.3%	8.4%	12.6%

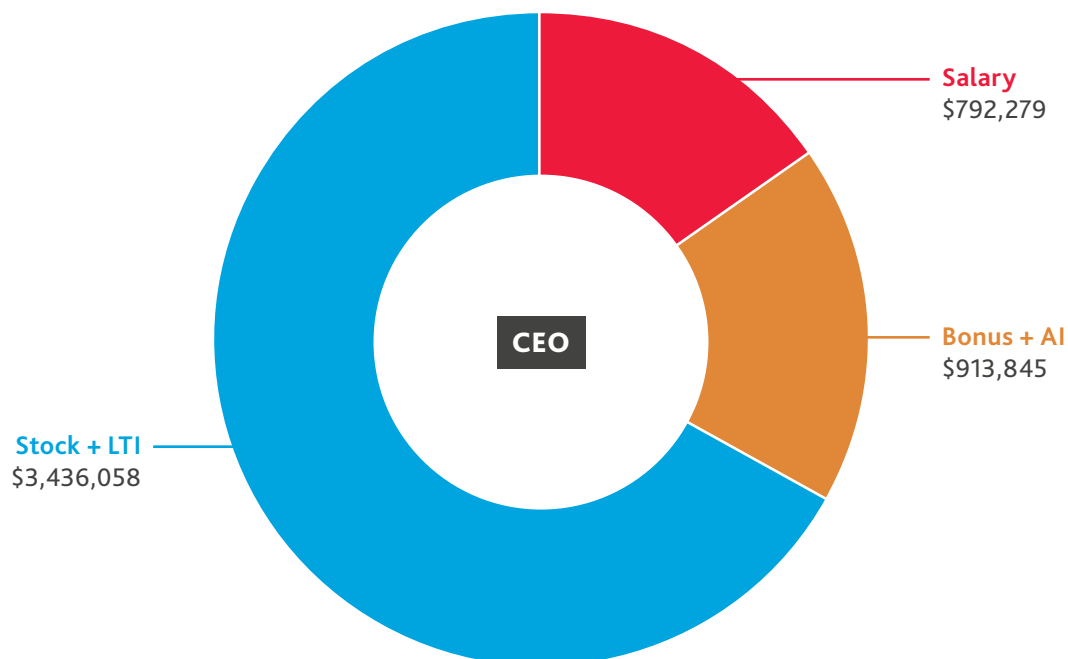
*Because not all CFOs received annual LTI payments, year-over-year comparisons may not accurately indicate market trends.

The resulting compensation mix is shown below.

Position	Year	Annual Cash	Stock + LTI	Total
CFO	2018	61%	39%	100%
	2017	60%	40%	100%

COMPENSATION LEVELS BY INDUSTRY

Healthcare



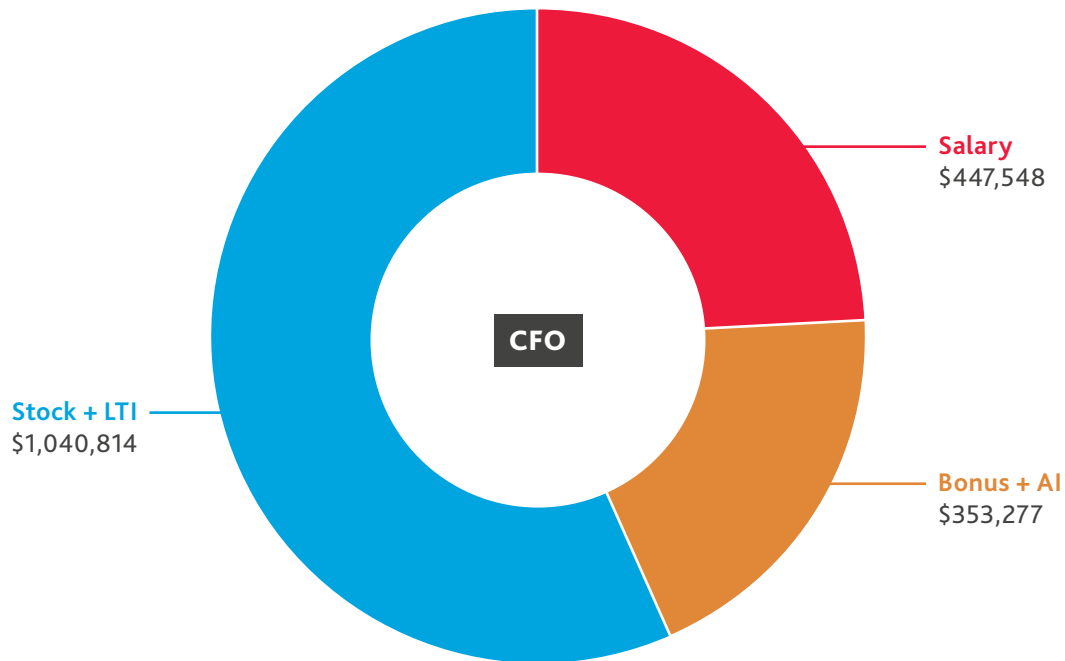
The average total direct compensation paid to healthcare industry CEOs for fiscal years 2018 and 2017 is listed below. Total direct compensation for CEOs saw a year-over-year increase of 11%, with use of annual incentives going up close to 7%, and stock and long-term incentives increasing by 13.6% between 2017 and 2018.

Position	Year	Average Salary	Bonus and Annual Incentives	Stock + LTI*	TDC
CEO	FY 2018	\$792,279	\$913,845	\$3,436,058	\$5,142,182
	FY 2017	\$750,584	\$855,760	\$3,025,235	\$4,631,579
Change Over Prior Year		5.6%	6.8%	13.6%	11.0%

*Because not all CEOs received annual LTI payments, year-over-year comparisons may not accurately indicate market trends.

The resulting compensation mix is shown below.

Position	Year	Annual Cash	Stock + LTI	Total
CEO	2018	33%	67%	100%
	2017	35%	65%	100%



The average total direct compensation paid to healthcare industry CFOs for fiscal years 2018 and 2017 is listed below.

Position	Year	Average Salary	Bonus and Annual Incentives	Stock + LTI*	TDC
CFO	FY 2018	\$447,548	\$353,277	\$1,040,814	\$1,841,640
	FY 2017	\$428,480	\$301,311	\$900,822	\$1,630,613
Change Over Prior Year		4.5%	17.2%	15.5%	12.9%

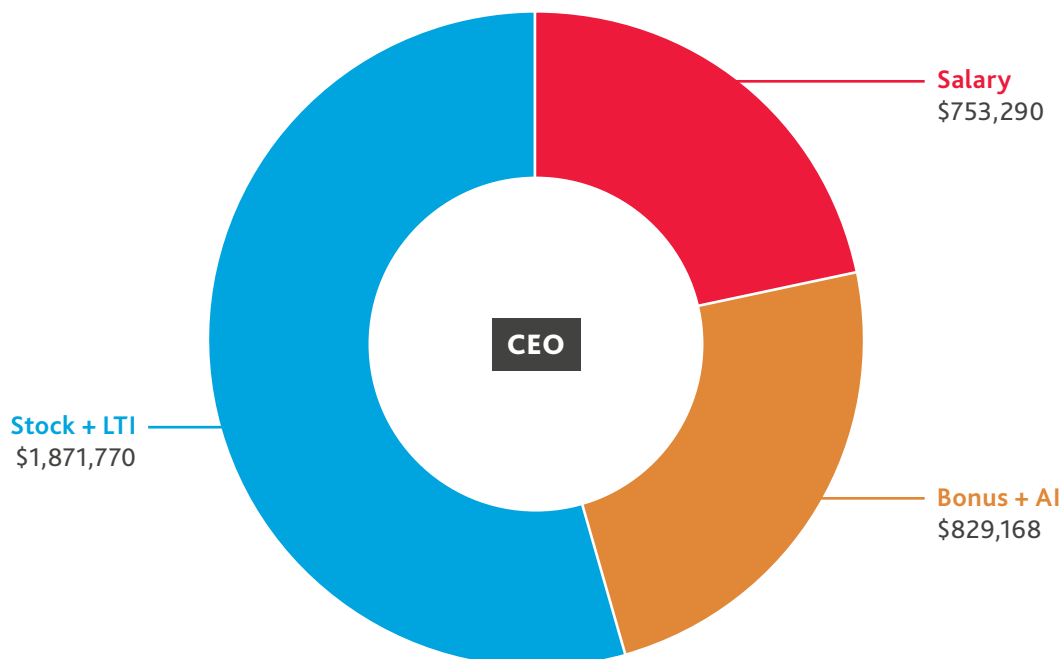
*Because not all CFOs received annual LTI payments, year-over-year comparisons may not accurately indicate market trends.

The resulting compensation mix is shown below.

Position	Year	Annual Cash	Stock + LTI	Total
CFO	2018	43%	57%	100%
	2017	45%	55%	100%

COMPENSATION LEVELS BY INDUSTRY

Manufacturing



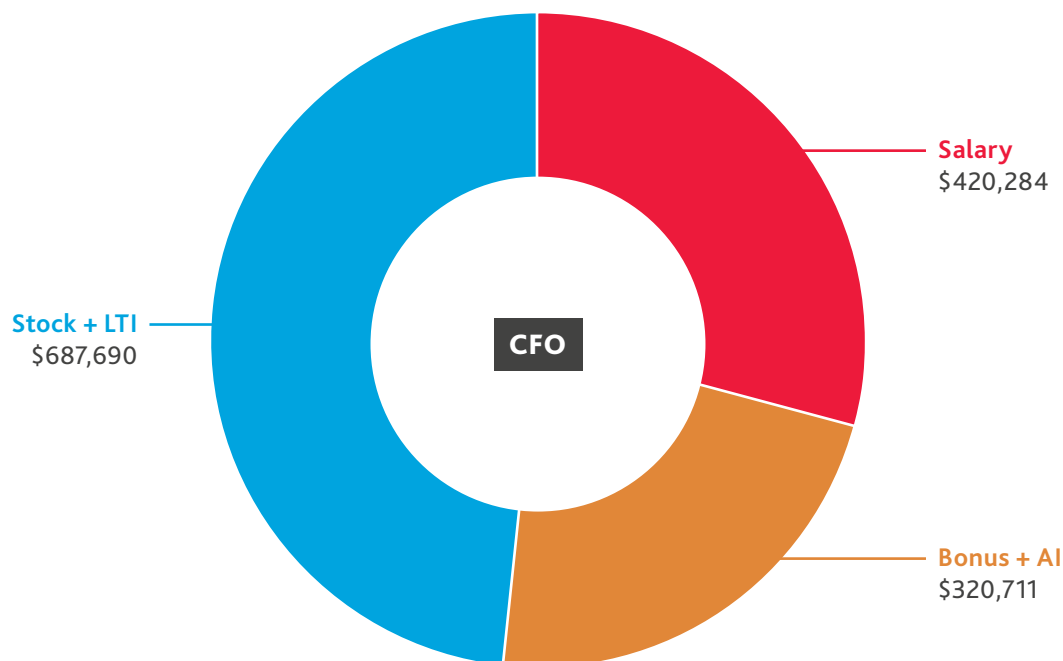
The average total direct compensation paid to manufacturing CEOs for fiscal years 2018 and 2017 is listed below. Manufacturing CEOs experienced a modest increase (3%) in pay in 2018 as compared to 2017.

Position	Year	Average Salary	Bonus and Annual Incentives	Stock + LTI*	TDC
CEO	FY 2018	\$753,290	\$829,168	\$1,871,770	\$3,454,227
	FY 2017	\$743,709	\$679,572	\$1,925,274	\$3,348,555
Change Over Prior Year		1.3%	22.0%	-2.8%	3.2%

*Because not all CEOs received annual LTI payments, year-over-year comparisons may not accurately indicate market trends.

The resulting compensation mix is shown below.

Position	Year	Annual Cash	Stock + LTI	Total
CEO	2018	46%	54%	100%
	2017	43%	57%	100%



The average total direct compensation paid to manufacturing CFOs for fiscal years 2018 and 2017 is listed below. CFOs experienced a 2% increase in total direct compensation; while there was a year-over-year increase in bonus and annual incentives, this was offset by only a small increase (1.6%) in salary and a decrease (-1.4%) in stock and long-term incentives.

Position	Year	Average Salary	Bonus and Annual Incentives	Stock + LTI*	TDC
CFO	FY 2018	\$420,284	\$320,711	\$687,690	\$1,428,686
	FY 2017	\$413,709	\$288,350	\$697,235	\$1,399,294
Change Over Prior Year		1.6%	11.2%	-1.4%	2.1%

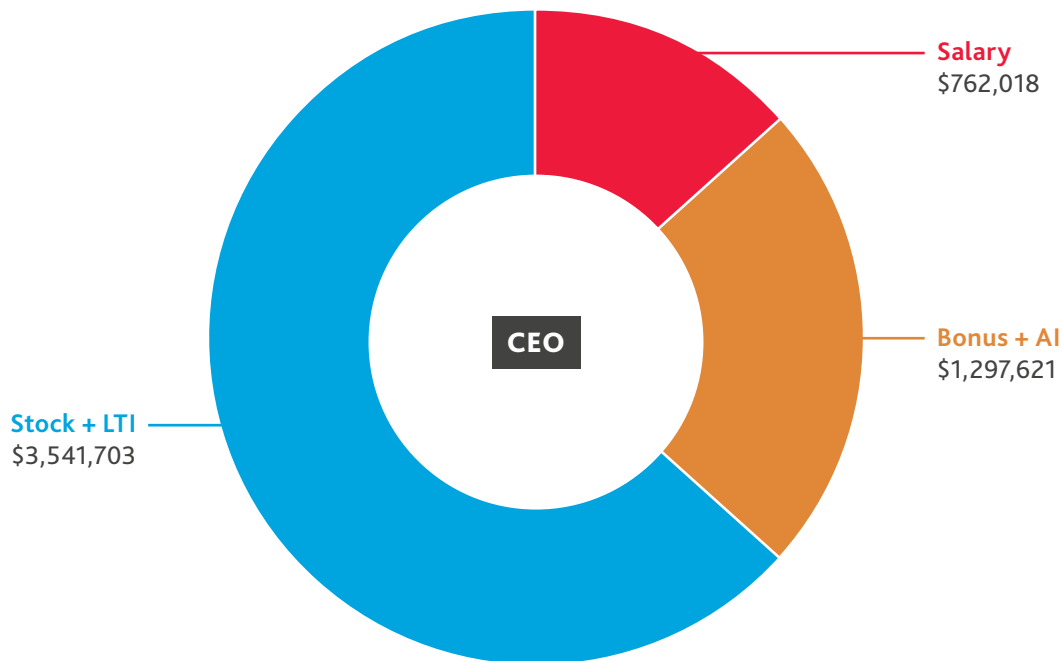
*Because not all CFOs received annual LTI payments, year-over-year comparisons may not accurately indicate market trends.

The resulting compensation mix is listed below.

Position	Year	Annual Cash	Stock + LTI	Total
CFO	2018	52%	48%	100%
	2017	50%	50%	100%

COMPENSATION LEVELS BY INDUSTRY

Real Estate



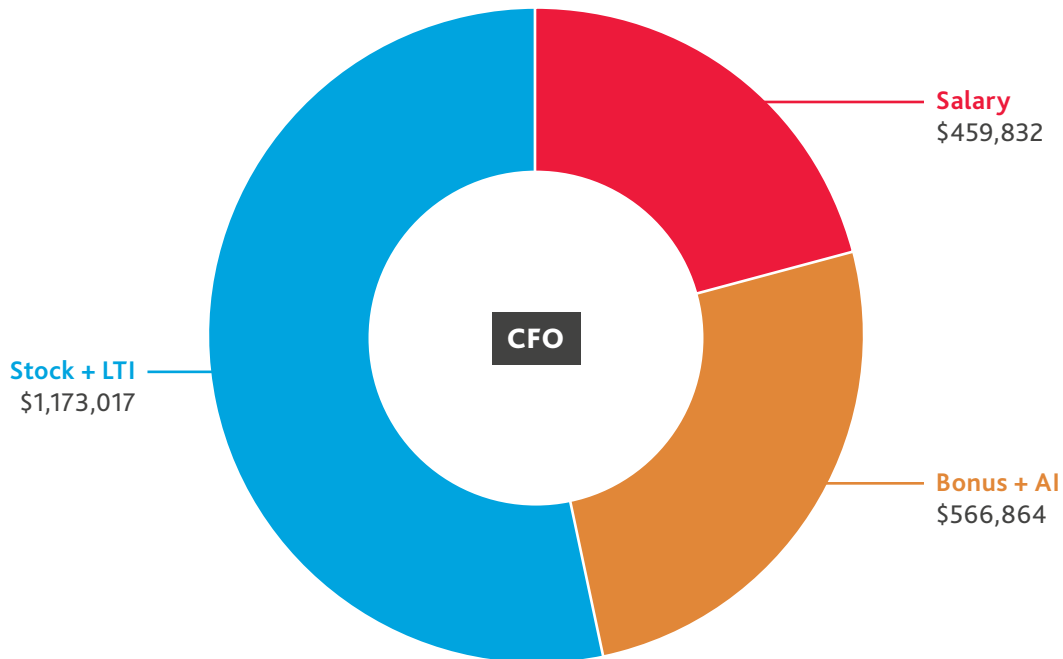
The average total direct compensation paid to CEOs of companies in the real estate industry for fiscal years 2018 and 2017 is listed below. Real estate CEOs are the highest paid among all industry groups, reporting a 7% pay increase over the prior year.

Position	Year	Average Salary	Bonus and Annual Incentives	Stock + LTI*	TDC
CEO	FY 2018	\$762,018	\$1,297,621	\$3,541,703	\$5,601,342
	FY 2017	\$753,878	\$1,223,887	\$3,254,900	\$5,232,665
Change Over Prior Year		1.1%	6.0%	8.8%	7.0%

*Because not all CEOs received annual LTI payments, year-over-year comparisons may not accurately indicate market trends.

The resulting compensation mix is shown below.

Position	Year	Annual Cash	Stock + LTI	Total
CEO	2018	37%	63%	100%
	2017	38%	62%	100%



The average total direct compensation paid to CFOs of companies in the real estate industry for fiscal years 2018 and 2017 is listed below.

Position	Year	Average Salary	Bonus and Annual Incentives	Stock + LTI*	TDC
CFO	FY 2018	\$459,832	\$566,864	\$1,173,017	\$2,199,712
	FY 2017	\$449,365	\$551,414	\$1,095,918	\$2,096,697
Change Over Prior Year		2.3%	2.8%	7.0%	4.9%

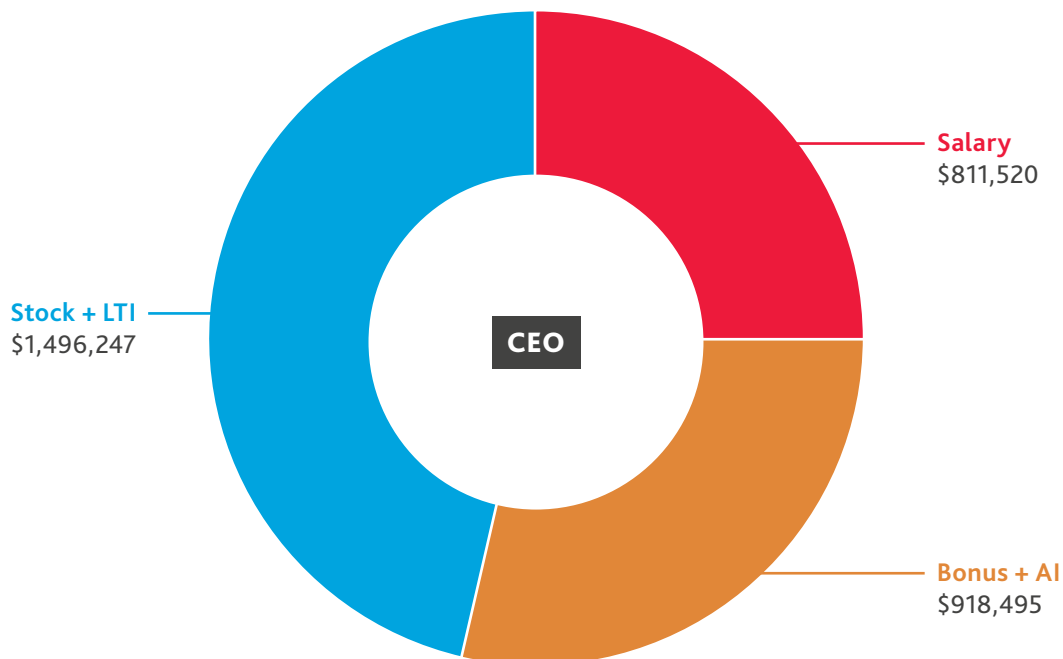
*Because not all CFOs received annual LTI payments, year-over-year comparisons may not accurately indicate market trends.

The resulting compensation mix is listed below.

Position	Year	Annual Cash	Stock + LTI	Total
CFO	2018	47%	53%	100%
	2017	48%	52%	100%

COMPENSATION LEVELS BY INDUSTRY

Retail



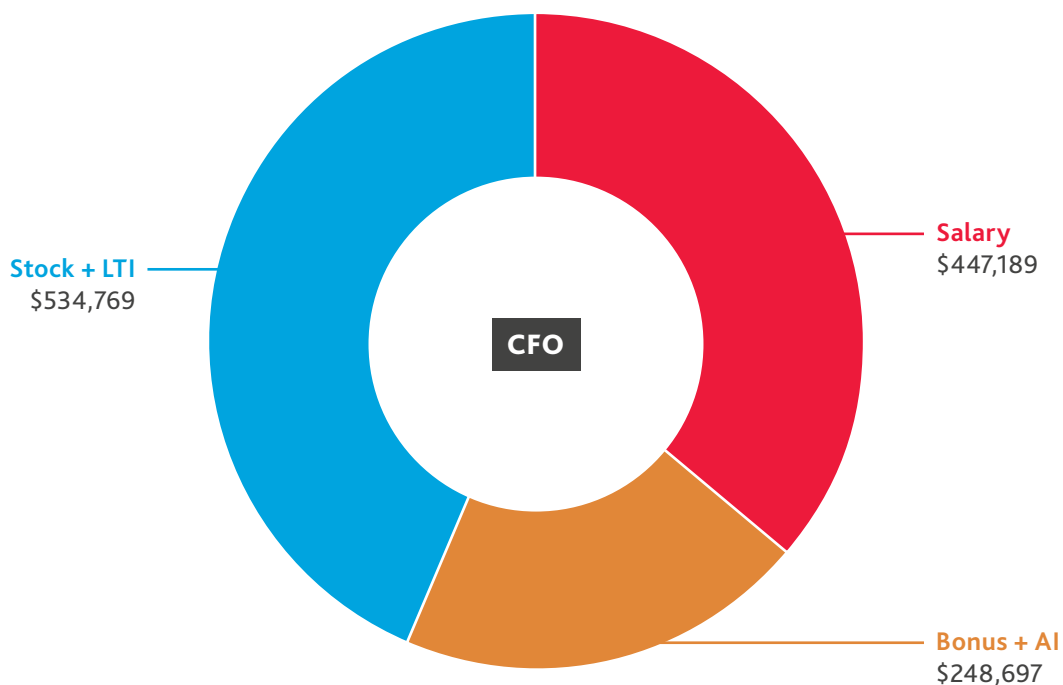
The average total direct compensation paid to retail industry CEOs for fiscal years 2018 and 2017 is listed below. The compensation mix for retail industry CEOs was less equity-focused in 2018, due to an increase in pay delivered through bonus and annual incentives (36%) and a steep decrease in the amount of stock and long-term incentives paid (18%). CEO pay in this industry dropped by 2.2% overall. In prior years, the average stock grant was very large for retail CEOs. The situation changed in 2018, with several retail companies issuing no grants, and others issuing significantly smaller ones than in prior years, reducing the overall average value of stock grants for this industry.

Position	Year	Average Salary	Bonus and Annual Incentives	Stock + LTI*	TDC
CEO	FY 2018	\$811,520	\$918,495	\$1,496,247	\$3,226,262
	FY 2017	\$803,384	\$674,283	\$1,821,731	\$3,299,398
Change Over Prior Year		1.0%	36.2%	-17.9%	-2.2%

*Because not all CEOs received annual LTI payments, year-over-year comparisons may not accurately indicate market trends.

The resulting compensation mix is shown below.

Position	Year	Annual Cash	Stock + LTI	Total
CEO	2018	54%	46%	100%
	2017	45%	55%	100%



The average total direct compensation paid to retail industry CFOs for fiscal years 2018 and 2017 is listed below. There were several incumbents in this year’s group who received sizable stock grants and bonuses. This drove up the average TDC, which jumped almost 11%.

Position	Year	Average Salary	Bonus and Annual Incentives	Stock + LTI*	TDC
CFO	FY 2018	\$447,189	\$248,697	\$534,769	\$1,230,655
	FY 2017	\$443,850	\$213,522	\$452,220	\$1,109,592
Change Over Prior Year		0.8%	16.5%	18.3%	10.9%

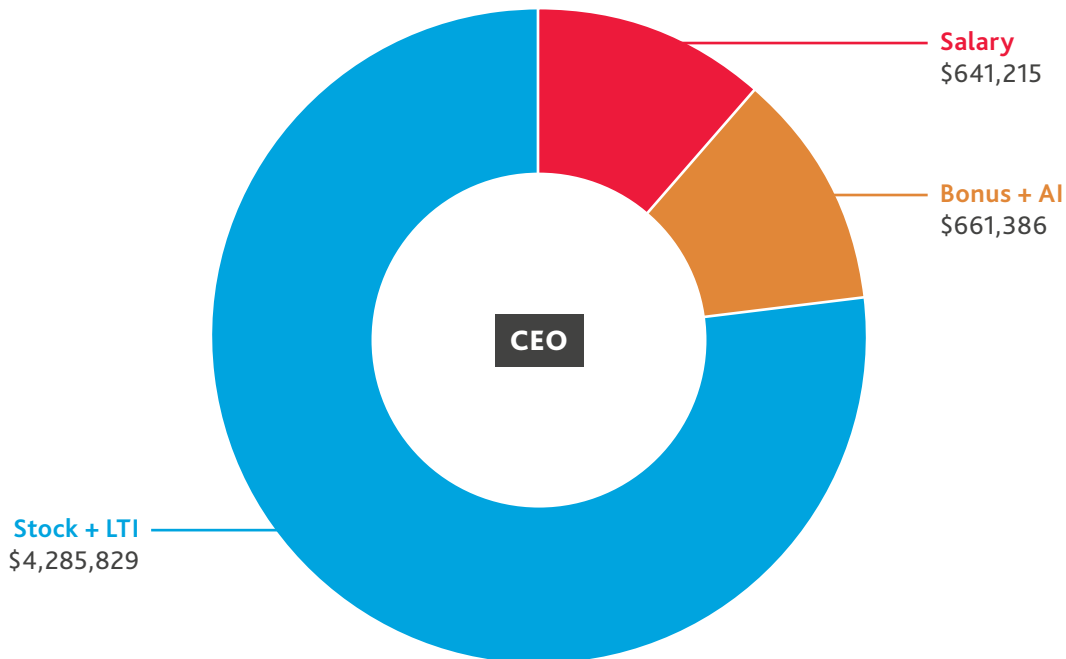
*Because not all CFOs received annual LTI payments, year-over-year comparisons may not accurately indicate market trends.

The resulting compensation mix is listed below.

Position	Year	Annual Cash	Stock + LTI	Total
CFO	2018	57%	43%	100%
	2017	59%	41%	100%

COMPENSATION LEVELS BY INDUSTRY

Technology



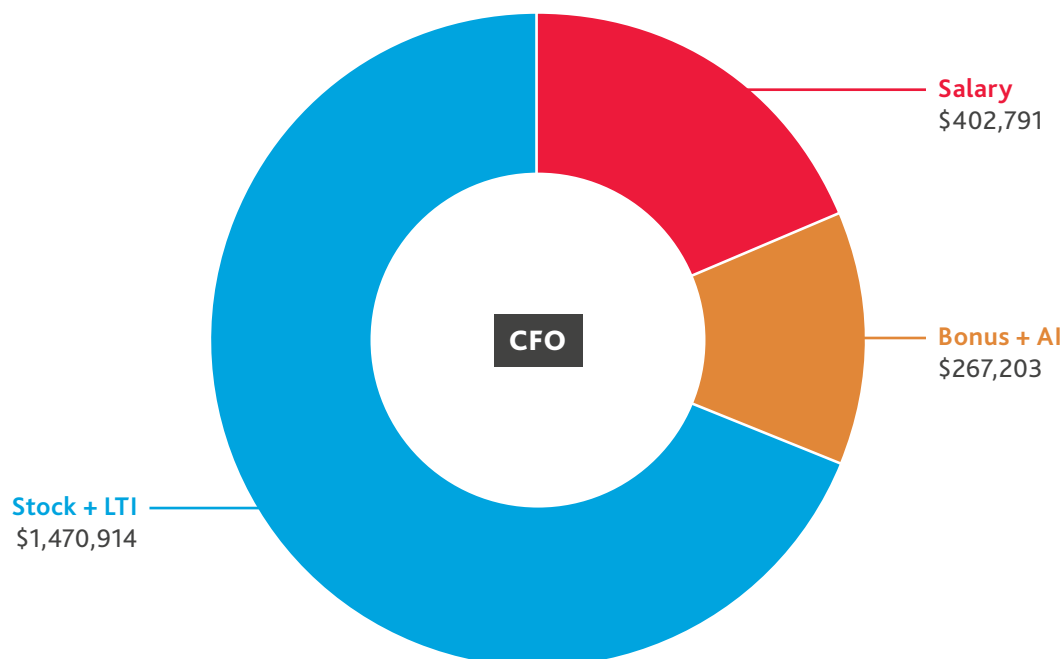
The average total direct compensation paid to technology industry CEOs for fiscal years 2018 and 2017 is listed below. This year technology company CEOs ranked as the second most highly compensated among all industry groups, falling behind real estate for the first time in three years. Technology company CEOs receive a higher percentage of compensation in the form of long-term incentives and equity compared to CEOs in any other industry studied. However, their overall pay increase was on the low end of the industry groups.

Position	Year	Average Salary	Bonus and Annual Incentives	Stock + LTI*	TDC
CEO	FY 2018	\$641,215	\$661,386	\$4,285,829	\$5,588,429
	FY 2017	\$629,832	\$674,000	\$4,007,824	\$5,311,656
Change Over Prior Year		1.8%	-1.9%	6.9%	5.2%

*Because not all CEOs received annual LTI payments, year-over-year comparisons may not accurately indicate market trends.

The resulting compensation mix is shown below.

Position	Year	Annual Cash	Stock + LTI	Total
CEO	2018	23%	77%	100%
	2017	25%	75%	100%



The average total direct compensation paid to technology industry CFOs for fiscal years 2018 and 2017 is listed below. This group saw a decline in total direct compensation driven by the fact that the value of their stock and LTI grants was less than the prior year. Technology company CFOs received a higher percentage of compensation in the form of long-term incentives and equity than CFOs in any other industry studied.

Position	Year	Average Salary	Bonus and Annual Incentives	Stock + LTI*	TDC
CFO	FY 2018	\$402,791	\$267,203	\$1,470,914	\$2,140,909
	FY 2017	\$395,446	\$238,813	\$1,553,666	\$2,187,925
Change Over Prior Year		1.9%	11.9%	-5.3%	-2.1%

*Because not all CFOs received annual LTI payments, year-over-year comparisons may not accurately indicate market trends.

The resulting compensation mix is listed below.

Position	Year	Annual Cash	Stock + LTI	Total
CFO	2018	31%	69%	100%
	2017	29%	71%	100%

The ***BDO 600: 2019 Study of CEO and CFO Compensation Practices of 600 Mid-Market Public Companies*** examined the compensation practices of publicly-traded companies in the energy, financial services – banking, financial services – nonbanking, healthcare, manufacturing, real estate, retail, and technology industries. Companies in the six non-financial service industries in our study have annual revenues between \$100 million and \$3 billion. Companies in the two financial services industries in our study have assets between \$100 million and \$6 billion.

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Please visit www.bdo.com/2019-bdo-600-ceo-cfo for the electronic copy of this study.

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