

Poacher turned gamekeeper – the transition from sell-side analyst to IRO

Analysts often dream of working in investor relations, yet don't fully understand the complexities of the role. Here, **Simon Whittington** has made the move, and offers his insights to those looking to do the same.

In a recent conversation with a sell-side analyst, I was asked how I felt IR differed from the sell side – my previous role. “Surely you IR guys just twiddle your thumbs in between quarterly announcements and decide which biscuits to lay out for the AGM?” He was joking, but I suspect he was interested in my answer as he contemplates a move himself...

So I thought I'd share my thoughts with a wider audience – either for those who have recently made the move or are considering doing so. For established IROs, maybe I can offer some insight into how our world compares to that of one of our key stakeholders.

Firstly, the differences

The greatest ‘shock’ I had moving in-house, albeit one I welcomed, was the prevalence and importance of team work. Whilst an analyst will formally sit within a team, few research notes are the product of a significant group effort. By contrast, a full

year results announcement or annual report is a major project requiring good working relationships with those in finance, communications and company secretary roles to name a few. With teamwork of course comes internal meetings and demands from colleagues. As an analyst your diary is largely your own, barring any unexpected newsflow. You probably don't sit on committees or have ‘actions’ from previous meetings. We IROs are cogs in a much larger machine, mutually dependent upon others.

As an IRO, you are likely to be part of a broader senior finance team. Anyone reporting to the CFO will probably find themselves in conversations about finance team succession planning, and be asked for opinions about finance systems and processes. Not necessarily familiar territory for most sell-siders!

Using that classic iceberg metaphor, what is visible from the outside often belies what is going on underneath the surface. From my experience, the numbers neatly

FROM ANALYST TO IRO

- The IR role in a company is much more team-based than the work of a research analyst.
- It is crucial for IROs to know the business inside-out.
- Leverage your sell-side background to provide insight to the business.
- Share your knowledge of markets and the City with colleagues who may themselves be shareholders.

presented in announcements rarely appear at the click of a button. There's often more work than an analyst might think in ensuring that we are showing the right numbers, on the right basis, in the right way. Similarly, IR or management fluency in answering the array of questions that are thrown at us often reflects hours of preparation – from merely unearthing the answers from the bowels of the organisation, to agreeing with management and colleagues the most effective way to present them. If things look easy from the outside then we're doing our job well!

But there are a great number of similarities between the two roles. Of course, we share the same end customer – the investor – even if we're serving them in different ways and with different considerations.

Distillation

At its core, as IR professionals we seek to effectively collate, distil and communicate information about the business. In the same way, an analyst will spend hours on his research, synthesising his work down to a price target, a recommendation and a two minute summary to share with sales teams at the morning meeting.

As part of this, the IRO and analyst both need to be attuned to the needs of different audiences. Much like the analyst will communicate very differently with



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the portfolio manager client and with a trader colleague, we'll be sensitive to the differing needs of internal and external stakeholders, and those investors well-versed in the company, or those new to the story.

We both have to be entrepreneurial. The analyst generates new stock ideas as she or he sees fit, while we IROs improve our programme from one year to the next, actively seeking new or better ways of conveying our investment narrative.

Tips for analysts switching over

Firstly, be sure to share your knowledge of markets and the City with colleagues. Many will be shareholders themselves and will be interested in what's moving the share price and the wider market. This offers a particularly good 'in' with members of the executive management team you may not otherwise spend much time with.

‘Leverage your unique skillset and broader perspective from your sell-side background to bring fresh insight to the business’

Next, while you're obviously well placed to know what additional information and datapoints the analysts

want – and indeed this perspective is a key asset – be careful. Transparency should be encouraged, but there will be internal tensions you may not previously have considered. Are some things commercially sensitive? What additional questions will this disclosure raise? Will we still be comfortable providing this data next year? Resist that inner-analyst urge to share everything until you're confident it's safe to do so!

But in my view the greatest asset that a sell-sider can bring is not necessarily their knowledge of the investor base, or of how to deal with the market. It is about bringing a new frame of reference to the organisation. The chances are that you will be the only person in the company to have that background, so you are well placed to appreciate the external, often more objective, view and to look at the business in a different way.

Maybe your experience of analysing other companies leads you to raise questions others have not thought of, or to suggest a different, less conventional, way of solving that problem. Maybe you can see the woods when colleagues around the table are focussing on the trees.

My top tip therefore: leverage your unique skillset and broader perspective from your sell-side background to bring fresh insight to the business.

So, going back to the conversation I had with my sell-side friend, I feel I gave a good account of what we IROs do behind the scenes which, it turns out, is quite a lot. Although, of course, agreeing with our team-mates in the company secretary function which biscuits to lay on at the AGM is indeed a crucial part of the role. ■

SOME LOCKDOWN SUMMER READING TIPS FOR IROs

There are few books dedicated to the IR profession. However, for those wanting some potentially relevant and thought-provoking lockdown summer holiday reading suggestions, here are some things I've been reading recently.

- *Thinking, Fast and Slow* by Daniel Kahneman – fast becoming a 'classic' on behavioural economics. Certain biases trip us up time and time again. How can we tame them or even use them to our advantage?
- *Good Strategy/Bad Strategy: The difference and why it matters* by Richard

Rumelt – there are as many different interpretations of 'strategy' as there are books on the subject, but this book takes a nice approach, including spelling out what strategy is not. It will make you think twice when you are next drafting those strategy statements!

- *The Choice Factory: 25 behavioural biases that influence what we buy* by Richard Shotton – seemingly a 'must read' book for our marketing colleagues looking to improve their copy writing and advertising, there are some parallels here with our own corporate communications.

UPDATED BEST PRACTICE GUIDELINES

The IR Society has recently published its updated best practice guidelines for members, bringing together the Society's views on the topics of relevance to our profession.

The guidelines are periodically reviewed by our best practice committee and show the Society's position, outline current best practice and, at the end of each section, suggest sources for further information and reading.

This latest edition includes an additional section on COVID-19, reflecting the best practice in IR that is emerging from the crisis on issues such as virtual investor meetings and roadshows, AGMs and corporate reporting.

The updated guidelines are available in the IR Resources section on the Society's website – www.irsociety.org.uk

