

We hear from IR, recruitment and consultants on how a lack of IR stands out as a ‘natural IPO-readiness gap’



Derek Brown, who joined Trustpilot in November 2020 [to help take the online reviews firm public](#), jokes about signing a one-week notice period in the run-up to the IPO. But for an IR professional, a pre-IPO company is as risky as it is exciting.

The appeal of Trustpilot – [which listed in London](#) in March 2021 – won Brown over and he was willing to take the chance. And it paid off: he stayed with the company for more than three years, leaving in April this year. But he advises others to weigh up the pros and cons. ‘Anyone considering [joining a company pre-IPO] should really take that risk seriously, because it’s not up to the company: the markets change – Russia invades Ukraine, the unpredictable happens – and you could be out of the market for some time,’ he warns.

Debbie Nathan, founder of IR recruitment specialist [Debbie Nathan Associates](#), says most candidates are, of course, aware of the risk. But that risk is certainly less the closer a company is to actually going public. ‘The extent of risk varies depending on where the company is with its plan,’ she explains. ‘If the intention to float has been issued and pre-marketing has been done, it is a lower risk than a company at an earlier stage.’



Debbie Nathan, founder of IR recruitment specialist Debbie Nathan Associates

And – jokes aside – contracts might well have a short notice period or specific clauses built in to protect both the IRO and the company.

‘There have been instances where we have worked with pre-IPO clients that have appointed a head of IR and the candidate would accept the contract only if there was a clause to protect him/her for the short/medium term,’ explains Nathan. ‘That clause can come in many guises but potentially puts a time limit on when listing needs to happen or features an exit option that can be exercised with a payout.’

‘Most clients recognize there is a risk with any pre-IPO role and often choose to make this position a fixed-term contract with the potential to go permanent so that, if the firm doesn’t execute the IPO and doesn’t then need an IRO, neither party is tied in long term.’

A huge amount of work

So what's the right sort of timeframe to come in as an in-house IRO at a still-private company?

‘An eight-month run-up seems to be a good amount of time ahead of the deal for IR to be effective,’ Brown says. ‘You’ve got to come in and build relationships, you’ve got to learn the business inside out.’

Pointing to just how much is going on behind the scenes at that point, he notes that ‘if a business was contemplating a spring 2025 IPO, it would be going through a lot of work with its auditors, lawyers and the investment banks – and those investment banks will be giving it advice; the company may even have an IPO advisory business involved. Company management might be practicing the Q&A, putting together the management presentation. It might do some early-look presentations with pension funds, maybe attend a conference as a private company.

‘As the IR person, you’ve got the experience to discern how those investors feel and, maybe, how you should refine the messaging for the next meeting. That also feeds into your preparation for the full analyst presentation that takes place with the participating syndicate banks. It’ll feed into the prospectus and what you’re saying on the investment case. It’s a huge amount of work.’



Derek Brown, former head of IR at Trustpilot

The need for someone to come in quite quickly – and be willing to dive into a heavy workload with the understanding that the unpredictable might still happen – means Nathan typically sees certain profiles when she’s helping a company fill a pre-IPO role.

‘The candidates who more often than not are interested in a pre-IPO role are those who are available immediately and out of employment as the downside risk is low – they aren’t leaving a permanent role for this,’ she explains.

‘The other profile is people who have perhaps been in IR for a long time, had extensive experience within IR and capital markets but perhaps haven’t done an IPO and want to add that to their skillset – building an IR function from scratch. The rewards of this are greater as they are adding additional, new skills and experiences to their personal portfolio.’

A more experienced hire also brings with him or her added skills that can offer value even if the IPO doesn't go to plan. 'If the listing is delayed, someone who already has that wealth of experience will be adaptable and potentially able to use his or her experience in other relevant areas, such as strategy, debt or finance – so the downside risk is limited,' adds Nathan.

Being agile and adding value

Brown certainly sees his time at Trustpilot as a big boon to future roles.

'Because of the experience I've had, pre-IPO IR is a situation where I could quickly add value,' he explains, talking about some of the challenges that are unique to taking a private company to market – most notably around driving a culture change.

'A significant challenge can be the private-company mentality you face during and after the IPO,' he continues. 'Private businesses are under less public scrutiny than public ones. As a public company, the information you can talk about is naturally more restricted, your ability to deploy capital in the ways you want is also under far more scrutiny. And it's not solely up to management anymore, because the new investors are key stakeholders in the decision-making process. There's this significant transition – which is hard for management, and particularly founders, to ever really be fully prepared for.'

Losing the agility that has helped companies grow to this point is difficult for management, but Brown points out that even the day-to-day logistics are a big hurdle. Something that can 'be difficult for management after going public is the ongoing demand on its time,' he explains. 'Yes, you've done your IPO, but now let's sit down and map out the investor relations calendar for the next 12 months, because we've got to consolidate our position on the market, maybe we've got to improve our register or build ownership from the US.

Management team members are going to be required at conferences, they have to do investor roadshows, ad hoc meetings – this is all time in their diary that wasn't there before.

'As IRO, you will be explaining to and educating your CEO and CFO on how to frame their discussions in investor meetings but also how the world is going to change in terms of their ability to take strategic decisions. It becomes about carefully managing expectations, flagging decisions to investors beforehand, and keeping the message consistent.'

An IPO-readiness gap

As challenging as much of the internal work is, this is a big element in hiring an IR person well before going public, and previous IPO experience is often a premium in that process, explains Nathan, 'whether on the banking side or within a corporate'. Large caps are typically looking for someone with similar experience in an 'active IR program'; some firms even express a preference for someone who knows their planned trading destination.

When it comes to the timing of any appointment, Nathan notes that it can vary from six months or so prior to listing to a year after the IPO ‘when the CEO and CFO start to realize how much work is involved and when they feel the need to invest in more proactive IR’ – something she says is often driven by where the valuation is at the 12-month mark.

Of course, hiring an in-house IRO isn’t something all companies do before they go public. Dr Martin Steinbach, EMEA IPO leader at EY, sees it as so important, however, that a lack of investor relations shows up when EY conducts IPO-readiness assessments.

‘When we test the fitness of a company – a kind of health check [in the IPO planning process] – there are natural readiness gaps,’ he explains. ‘One of those is that there is no financial disclosure or financial communication infrastructure, which has to be led by an investor relations officer. It’s that really hard disclosure, for investors, analysts, the regulators and the exchange. Having good investor relations is always important. Having that contact that understands investor needs and brings constant visibility in the market.’



Dr Martin Steinbach, EMEA IPO leader at EY

The value of trust

Steinbach understands the risk-reward dilemma IR professionals face when considering joining a private company. ‘We all know an IPO is a project with no certainty,’ he says. ‘You cannot say, *Okay, in two months we will be listed and from then on I’ll do the investor relations.* So the challenge is to really convince a senior IR officer to come in pre-IPO – with the risk of not having an IPO.’

For him, ‘it makes sense that someone from the IR space comes in six months pre-IPO’ but he knows that is not always possible. Another strategy he sees in his work is essentially training up someone internally – often starting two years before any planned listing, when you would typically nominate an IPO project manager. That ‘clever human’ would go from IPO project manager to investor relations officer once the company is public. This gives you someone with a deep interest in the project, while also having time to train that person up – through the Certified Investor Relations Officer qualification, for

The third strategy, which Steinbach describes as ‘not the best’, involves hiring an interim IRO or outsourced IR service. ‘Then, when you are listed, you hire an internal investor relations officer,’ he says.

His issue with this third approach comes back to the deeply involved nature of pre-IPO IR that Brown talks about. ‘You have to be onboarded as an IRO,’ says Steinbach. ‘You really need to know your colleagues. When you disclose an annual financial report, you get information from accounting. It goes through the audit committee. It goes through governance and much more. IR must organize the whole value chain. There is also a question mark on efficiency and time costs [when IR is external or interim].’

Then comes the question of trust. ‘Between IR and the CFO and CEO, there also needs to be trust: you, as the IRO, represent the company,’ Steinbach explains. ‘The C-suite trusts you in your relationship to investors, in how you present the company and how you advise senior management. It relies on your expertise and your suggestions on media training, on storytelling and more.’

This is ultimately why Brown stresses the importance of hiring an internal IRO at the right time. ‘Don’t leave it too late, because you’re going to reduce the effectiveness of your investor relations person,’ he says. ‘Your IR person – if he or she is any good and has experience – will be able to help the management team navigate those relationships with investment banks and the IPO advisory firm. They’ve all got their own agendas, but your internal investor relations person is your person. He or she is your resource and loyal to *you*.’