Investor Relations - IR

What is 'Investor Relations - IR'

Investor relations (IR) is a department, present in most medium-to-large public companies, that provides investors with an accurate account of company affairs. This helps private and institutional investors make informed buy or sell decisions. A company's IR department also serves as a bridge for providing market intelligence to internal corporate management.

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BREAKING DOWN 'Investor Relations - IR'

The purpose of IR is to ensure a company's publicly traded stock is being fairly traded through the dissemination of key information that allows investors to determine whether a company is a good investment for their needs. IR departments are subdepartments of public relations (PR) departments and work to communicate with investors, shareholders, government organizations and the overall financial community.

The Function of IR Departments

IR teams are typically tasked with coordinating shareholder meetings and press conferences, releasing financial data, leading financial analyst briefings, publishing reports to the SEC and handling the public side of any financial crisis. Unlike other parts of PR-driven departments, IR departments are required to be tightly integrated with a company's accounting department, legal department and executive management team (CEO, COO, CFO).

In addition, IR departments have to be aware of the changing regulatory requirements, and advise the company on what can and cannot be done from a PR perspective. For example, IR departments have to lead companies in quiet periods, where it is illegal to discuss certain aspects of a company and its performance.

The Need for IR Departments

The Sarbanes-Oxley Act, also known as the Public Company Accounting Reform and Investor Protection Act, was passed in 2002, increasing reporting requirements for publicly traded companies. This expanded the need for public companies to have internal departments dedicated to investor relations, reporting compliance and the accurate dissemination of financial information.

Companies normally start building out their IR departments before going public. During this pre-initial public offering (IPO) phase, IR departments can help establish corporate governance, conduct internal financial audits and start communicating with potential IPO investors.

For example, when a company goes on an IPO road show, it is common for some institutional investors to become interested in the company as an investment vehicle. Once interested, institutional investors require detailed information about the company, both qualitative and quantitative. To obtain this information, the company's IR department is called upon to provide a description of its products and services, financial statements, financial statistics and an overview of the company's organizational structure.

The largest need, however, is an IR department's interactions with investment analysts who provide public opinion on the company as an investment opportunity. These opinions influence the overall investment community, and it is the IR department's job to manage these analysts' expectations.