

INVESTMENT BANKS TOUT 'AT-THE-MARKET' OFFERINGS

BY DAVID HOLLEY

In response to the increasing chatter among life sciences companies and investors about the riskiness of trying to raise capital in the public market, investment bankers are heralding a type of equity sale known as an “at-the-market” offering as a more flexible, less uncertain capital-raising solution for money-starved public companies.

Boutique investment bank Brinson Patrick Securities Corp. said more life sciences companies are raising money through at-the-market financings, known as ATMs. A report released Thursday, June 23, by Brinson Patrick said U.S. biotech, medical device and other healthcare companies raised \$53 million through 19 ATM financings in the first quarter of 2011, a 30% increase from the \$40 million raised during the same quarter last year. The bank, which compiled the data by studying quarterly reports of publicly traded life sciences companies, said \$184 million was raised in 2010 through ATM offerings.

ATMs differ from traditional follow-on offerings because the managers of the offerings, such as Brinson Patrick, sells a company's equity on the public market in various tranches, instead of in one lump sum, said Todd Wyche, founder and managing director of New York-based Brinson Patrick.

“We're dribbling shares out into the market over time,” Wyche said.

For example, a company could plan to sell 10 million shares for \$20 million. Through an ATM, an investment bank would sell portions of those shares at separate times, with the sales being based on the company's current stock price. If a company is trading at \$2 per share, it might sell 3 million shares and raise \$6 million at one point in the year, and finish out its goal of raising \$20 million with other sales later in the year.

Because ATM offerings sell new equity, they're just as dilutive as other follow-on offerings. Wyche contends that they allow more flexibility for companies, adding that other types of offerings could cause stock price declines if investors are approached about an offering.

Quebec's Aeterna Zentaris Inc., an oncology biopharmaceutical company, sold 2.7 million shares in March to raise \$5.1 million, or about \$1.89 per share, of an overall \$19.8 million ATM offering. It then chose to sell 7.3 million shares in April to raise the remaining \$14.7 million, averaging \$2.01 per share.

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