

At-the-Market Offerings: A Flexible Form of Financing

By Walter Godlewski

At-the-market offerings, or ATMs, have gained popularity in recent years as a strategic and flexible tool for raising capital. Also called a “dribble offering,” an ATM offering allows a publicly traded company to issue and sell shares of its stock into an existing trading market from time to time at prevailing market prices. Unlike an underwritten offering where a fixed number of shares are sold at a fixed price at one time, the number of shares sold, share prices and duration of the offering may all vary over the term of the ATM.

Benefits of ATMs

An ATM program can be tailored to each issuer’s capital needs and strategic goals, allowing a company to determine the number of shares it would like to sell, the period of time over which it would like such sales to occur and the minimum acceptable price for share sales. Even after the ATM program has been established, an issuer can suspend and recommence share sales, allowing the issuer to use the program on an “as-needed” basis.

Since an ATM offering “dribbles” shares into the market a little at a time, its impact on the issuer’s stock price is minimized. An ATM program can be established relatively quickly and the cost to the issuer is usually lower than for other types of offerings. In addition, ATM offerings do not require a roadshow or special marketing efforts.

Types of Issuers

ATM offerings have gained popularity among companies that frequently need to raise capital, such as biotech and life sciences companies, as well as energy companies and utilities. The benefits of ATMs are not limited to those industries, however. ATM offerings are a potentially useful tool for any public company seeking to raise capital over an extended period of time.

Disadvantages and Other Considerations

ATM offerings are not the right financing tool for every company in every situation. They are not necessarily the best tool for raising a large amount of capital in a short period of time or for companies with limited stock trading volumes.

A Tool for CEOs and CFOs

Use of ATM programs has increased substantially in recent years and CEOs, CFOs and other finance officers stand to benefit from understanding them so that, if the time is right, they can add an ATM program to the array of financing techniques available to meet their company’s capital needs.

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A potentially useful tool for public companies seeking to raise capital over time.