

**US capital markets**

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**ATMs: The other cash machine**

**W**e're talking about at-the-market offerings, or ATMs. Recently, ATMs have become quite popular. ATMs are also known as equity distribution programmes. However, they have nothing to do with the much maligned equity line financings. So, why the increased popularity?

An ATM is a public offering of securities into an existing trading market at varying prices, rather than at a fixed or negotiated price, through, among other things, exchange transactions. ATMs permit an issuer to "dribble out" securities into the market over a period of time at prices based on the market price of the issuer's common stock at the time of sale. The amount of securities sold in any single ATM issuance usually is insignificant compared to the issuer's public float or the daily trading volume of the issuer's stock. Unlike underwritten offerings with which investors are familiar, ATMs do not involve special selling efforts or broad-based marketing.

Perhaps the best way to think about an ATM is as a continuous offering in which securities are dribbled out into the market by an issuer that is able to control the timing and the amount of shares offered. If the issuer doesn't like the available price on a particular day, it can refrain from offering. If the issuer likes the price and the quantity of shares that the market is willing to accept, it can proceed to offer.

Recent market developments have contributed to the popularity of ATMs. Issuers and investment banks are concerned that the capital markets remain volatile and fragile. The risk that an issuer's reputation may be tarnished by either the failure to complete a large public offering, or the failure to complete it at a price that is viewed as acceptable for existing investors (concerned about dilution) and research analysts, has led issuers and bankers to focus on capital raising techniques that do not involve these risks.

We worked on our first ATM in 1993. For a time, only issuers in certain industry sectors, such as Reits (real estate investment trusts), which needed to access the capital markets regularly, turned to ATMs. However, in 2008 and 2009 a

number of large, WKSIs (well-known seasoned issuers) have conducted successful ATMs. Lately, a number of financial institutions have used ATMs – either alone or in conjunction with other financings – to raise capital to address regulatory concerns. Market conditions have now made these offerings more popular than at any time in their history.