

# SAN DIEGO BUSINESS JOURNAL

## More Biotech Firms Head to ATM for Cash

### LIFE SCIENCES: New Financing Approach Is Gaining Attention

By KELLY QUIGLEY

Publicly held biotechnology companies are increasingly going the ATM route to raise capital, said **Todd Wyche**, co-founder and managing director of New York-based investment firm **Brinson Patrick Securities Corp.**, which has an office in La Jolla.



Todd Wyche

Wyche isn't talking about automated teller machines. He's referring to a different type of ATM, the one that stands for "at-the-market" stock offering. It's a financing approach that involves selling a set number of newly issued shares slowly at the prevailing market price, rather than the traditional "follow-on" approach of selling a large block of new shares at a fixed price and all at once, Wyche said.

"We're seeing a big uptrend in the amount of capital that's being raised and in the number of biotech issuers that are putting these at-the-market offerings in place," said Wyche, who focuses exclusively on ATMs. "This is a new tool life science companies are using for accessing the capital markets."

A look at the total amount raised through ATM offerings in recent years shows how the vehicle is gaining accep-

tance. In 2011, life science companies raised more than \$216 million with at-the-market offerings, versus \$184 million in 2010, \$91 million in 2009, and a little over \$1 million in 2008, according to Brinson Patrick's market data.

The company is still collecting fourth-quarter data and expects numbers to grow quarter data and expects numbers to grow for 2011. ATMs also are popular with real estate investment trusts and publicly traded banks.

At-the-market offerings became more popular after the global financial crisis in the late 2000s, Wyche said. "Investment banks and issuers realized that ATMs were a viable way to raise capital even when the capital markets were virtually shut down for more traditional types of financing methods," he said.

#### Local Companies on Board

In San Diego, some of the life science companies that have used the ATM approach during the past year include **Apricus Biosciences Inc.**, **Cardium Therapeutics Inc.**, **MediciNova Inc.**, **Marshall Edwards Inc.**, and **Somaxon Pharmaceuticals Inc.**, according to Brinson Patrick and filings with the U.S. Securities and Exchange Commission. San Diego-based clean technology company **Maxwell Technologies Inc.** also recently announced an at-the-market offering, with plans to sell up to \$30 million in shares for working capital.

ATM offerings are generally less expensive to execute than traditional equity offerings and do not require a lot of executive time — for example, there are no required "executive road shows," Wyche said.

He said the cost of a traditional stock offering is up to 30 percent of the total amount raised, in part because when a company announces that it will be selling a large number of new shares at a set price, the company's shares on the market tend to decline as investors who would normally buy hold off for the offering, he explained.

"There's a lot of unnecessary dilution that occurs," he said.

Wyche estimated that the cost of an ATM is closer to about 3 percent to 5 percent of the total amount raised.

"Shares are able to 'trickle' into the market, without impacting the issuer's stock price," according to report by **Morrison & Foerster LLP**, a global law firm.

Wyche said that ATMs are ideal for raising general working capital, funding specific projects, funding research and development and paying off debt.

And they're beneficial to life science companies in particular because they allow for a company to raise money as needed over a long period of time to fund things like clinical trials and research. "Biotech companies tend to have a milestone-to-milestone strategy, with very little cash on their balance sheet," Wyche said.

A Brinson Patrick spokesman noted that there are times when an ATM isn't the best option, notably when a company would need to make money fast. "If they need a significant amount of money over a short period of time, an ATM offering would not be the appropriate approach," he said. "An ATM is a strategic approach to raising capital — it is not a run-and-gun mechanism to raising capital."