



Print from the website of the AMF

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The AMF warns listed companies, corporate officers and investors about the risks associated with equity line and OCABSA financing

Since the beginning of the year, the AMF has noted an increase in calls from individuals who have lost a large part of their investment in listed companies that use equity line or OCABSA (notes with warrants) financing. This type of financing can create strong downward pressure on the share price of the companies concerned and result in a considerable dilution of investors.

In their search for equity financing, some listed companies resort to dilutive financing consisting of capital increases carried out in several instalments and spread out over time for the benefit of a financial intermediary who is not intended to remain a shareholder in the long term. These arrangements take the form of equity lines or issues of bonds convertible into shares with warrants (OCABSA).

In July 2020, the AMF warned that such financing is most often used by companies that no longer have access to any form of credit because their financial situation has deteriorated or their prospects are not promising. It also pointed out that such funding is based on a particularly complex structure and that its implications are difficult to grasp and predict. They carry very significant risks, not only for the issuer but also for shareholders and investors.

The impact of such financing on the market and on investors can be very far-reaching. The financial securities issued in this context generally give rise to a high level of shareholder dilution and their rapid sale on the market can push down the share price significantly.

The AMF has seen an increase in calls and reports of retail investors who have suffered significant losses after investing in companies that use these instruments. There have been 250 such calls since the beginning of the year, some of which point to significant dilution of equity investors and a sharp decline in the share price.

The AMF urges issuers and corporate officers to be particularly vigilant before resorting to this type of financing and draws their attention to their responsibility in implementing these instruments.

The AMF is also warning retail investors about the risks of investing in companies that use this type of financing. Investments such as these are complex, risky and rarely suited to retail investors.

Lastly, the AMF reminds shareholders that such financing is generally set up pursuant to delegations of authority granted by the general meeting to the board of directors. Shareholders are therefore invited to be vigilant when the agenda is published on the resolutions that will be debated and voted on at the general meetings, particularly those aimed at cancelling their preferential subscription rights.

About the AMF

The AMF is an independent public authority responsible for ensuring that savings invested in financial products are protected and that investors are provided with adequate information. The AMF also supervises the orderly operations of markets. Visit our website <https://www.amf-france.org>. URL = [https://www.amf-france.org/]

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Communication du 20 juillet 2020 - L'AMF alerte les émetteurs et les investisseurs sur les risques associés au financement par OCABSA et autres formes d'équity

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