



17 February 2023

## **The AMF calls on listed companies to improve investor information regarding the risks incurred in the case of dilutive financing transactions**

**With a view to the protection and satisfactory information of investors, the Autorité des Marchés Financiers is reinforcing its policy and recommends that companies which resort to financing via the issuance of equity securities or securities giving access to the capital spread over time should adopt a standard press release and warning regarding risks.**

In their search for equity financing, some listed companies may resort to financing consisting of capital increases carried out in several instalments and spread over time for the benefit of an intermediary who does not intend to be a long-term shareholder. These arrangements may, for example, take the form of capital increase programmes through the exercise of options (PACEOs – according to the French acronym – or equity lines) or the issuance of convertible bonds with warrants attached (OCABSAs).

In recent years, the AMF has observed an upsurge in reports and complaints from individuals who have lost a significant part of their investments in listed companies that have resorted to this type of financing. In all, in 2021-2022 more than 500 investors contacted the AMF, noting in particular significant capital dilution and steep falls in the share prices. In a study carried out on a sample of 69 companies that resorted to OCABSA type financing, the AMF observed that 57 companies had seen their share price fall by 72% on average since carrying out a first financing transaction.

Following several notices intended both for the companies, their company officers and investors, the AMF is reinforcing its policy. In a Position-Recommendation whose scope has been extended to cover all dilutive financing transactions spread over time, it clarifies its expectations regarding communication when entering into the agreement between the company and the intermediary. It thereby wants to ensure that the information provided to investors enables them to better understand the company's situation. For easier reading, the AMF proposes a press release template presenting the essential information in order of importance.

For a better understanding of the risks incurred by investors, it also recommends that companies include in the header of their notice a warning about the specific features of the securities issued, the risks of strong downward pressure on the share price and of the loss of their invested capital, as well as the risk of severe dilution due to the large number of securities issued. The AMF provides an insert template for this purpose (see insert below).

Its duties of protection of savings and investor information may lead the AMF to publish a press release naming the issuer and informing investors, notably via the following warning, of the risks of such transactions if the issuer who performs them has either failed to reproduce this warning or fully replicate its substance in the header of its communications, or if it has not disclosed to the market all the information appearing in the press release template.

**Warning:**

*"Company X has arranged financing in the form of [specify the type of financial instruments giving access to the capital] with company Y [name of the intermediary], which, after receiving the shares resulting from the conversion or exercise of these instruments, does not intend to remain a shareholder of the company.*

*The shares resulting from the conversion or exercise of the aforementioned instruments will generally be sold in the market very promptly, and this may create strong downward pressure on the share price.*

*Shareholders may incur a loss of their invested capital as a result of a significant decline in the company's share price, and significant dilution due to the large number of securities issued for the benefit of company Y [name of the intermediary].*

*Investors are urged to be very vigilant before deciding to invest in the securities of companies admitted to trading which carry out such dilutive financing transactions, especially when they are carried out repeatedly. [The company gives a reminder that the present dilutive financing transaction is not the first one that it has arranged].*

*Investors are especially urged to learn of the risks related to these transactions, indicated in the following press release."*

## **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/en> URL = [https://www.amf-france.org/en]*

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### Read more

Position - Recommandation DOC-2020-06 : Guide d'élaboration des prospectus et de l'information à fournir en cas d'offre au public ou d'admission de titres

👉 financiers (In French only)

The AMF publishes a study on the share price performance of companies using

👉 dilutive financing in the form of OCABSAs or equity lines


### Keywords

FINANCIAL PRODUCTS

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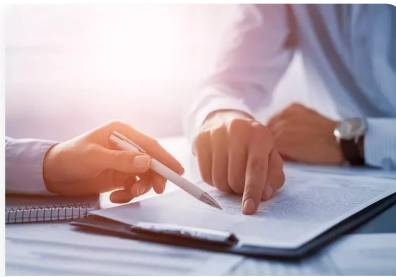
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