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Uruguay issued a Global Bond with maturity in 2060, at the lowest spread in all times

Today the Republic launched a global offering in dollars, with maturity in 2060. Concurrently, it launched a switch and cash tender offer for some dollar-denominated bonds with shorter maturity.

I. Transaction goals

- Continue with the pre-funding policy of the Central Government, strengthening the liquidity level.
- To extend the average time to maturity of debt by repurchasing shorter bonds, to reduce the roll-over risk.
- To create a new benchmark in the long part of the curve, which will enhance the liquidity and attractiveness of the instrument for investors.
- To continue diversifying the investor base.

II. Design of the transaction

The financial exercise was intra-day and involved:

- The issuance of a new global bond denominated in US Dollars, with final maturity in 2060, with three annual installments in 2058, 2059 and 2060 (average life 35 years).
- In parallel, the Republic announced a switch tender offer for three series of Global Bonds in US Dollars with maturities between 2025, 2027 and 2031. This offered the investor the possibility of selling their bond to the Republic for cash (“non-preferred offers”), or of presenting it as part payment for the new Bond being issued (“preferred offers”).
- The underwriting banks were: ITAU BBA USA SECURITIES INC., SANTANDER US CAPITAL MARKETS LLC and HSBC SECURITIES (USA) INC.

III. Results

- Total issuance amounted to US dollars 1.298 billion, of which US dollars 1.250 billion was issued in cash, while the remainder was issued to eligible bonds as part of the tender offer.
- Demand significantly exceeded the amount issued, with a combined order book that reached a peak of US dollars 4.5 billion.
- The annual yield was 5.293%, with an annual coupon of 5.25%.
- The spread over the US Treasury Bond was 115 basis points, representing the historical lowest spread for the long part of the curve.
- The New Issue Premium was 0 bps, considering that the existing Global Bond 2055 offered a spread of T+110 at the opening and the extension premium was 5 bps.

IV. Assessment

- In a context of volatility and ample supply registered in global markets, investor demand far exceeded the amount offered.
- The Government managed to issue a new bond at the long end of the curve, something it had not done since 2018.
- The order book was made up of a high-quality and diversified investor base, with a total of 154 participating accounts. Among these, some accounts accompanied the Republic for the first time, coming from countries such as Ireland, South Korea, the United Arab Emirates, Singapore, Taiwan, and Luxembourg, among others.
- Initial Price Talks were announced at T+ 145 pbs and given the significant demand allowed the Government to compress the spread, with a final value of 115 basis points.
- This new issue once again confirms the confidence that investors, both local and international, have in the macroeconomic strength of Uruguay.