

Pricing Date: February 5, 2024

Republic of Paraguay | Case Study

Inaugural PYG and New USD Offering



Paraguay | US\$1bn Dual-Tranche PYG and USD Offering

On February 5th, 2024, the Republic of Paraguay successfully priced a US\$1bn equivalent offering consisting of debut 7-year PYG-denominated Notes and new 12-year US\$ Notes, to yield 7.900% and 6.000%, respectively. Concurrently, Paraguay launched a 5-day tender offer of its existing notes due 2026. Citi served as Joint Bookrunner and Joint Dealer Manager in this transaction.

Key Offering Terms

Issuer:	Republic of Paraguay (Ticker: "PARGUY")	
Ranking:	Senior Unsecured Notes	
Format:	144A/ Reg S	
Currency:	PYG / US\$-Denominated	
Issue Ratings:	Ba1 / BB+ / BB+ (Moody's / S&P / Fitch)	
Transaction:	New PYG Notes due 2031	New USD Notes due 2036
CY Denomination:	PYG	USD
Currency (Payment):	USD	USD
Settlement FX:	7,286.47	N/A
Final Maturity Date:	February 9, 2031	February 9, 2036
Amortization:	Bullet	Two installments in 2035 and 2036
New Issue Size:	US\$500mm equivalent	US\$500mm
Coupon:	7.900%	6.000%
Yield:	7.900%	6.000%
Spread to Bmrk.:	N/A	+183.4 bps
Price	100.00%	100.00%
Denominations:	G. 1mm x G. 1mm	US\$200k x US\$1k
Optional Redemption:	2-month Par Call	MWC; 3-month Par Call
Listing:	Luxembourg Stock Exchange / Euro MTF	
Governing Law:	State of New York	
Joint Bookrunners & Dealer Managers:	 + 2	
Settlement Date:	February 9, 2024 (T+4)	

Key Transaction Highlights

- ✓ First ever PYG-linked transaction by Paraguay, representing the breaking of a new frontier into successful local currency deals in the international markets
- ✓ Largest US\$ orderbook achieved by Paraguay since 2020, highlighting investor optimism on the Republic's outlook
- ✓ Second tightest-ever spread to US Treasury achieved by the sovereign in US dollars
- ✓ Paraguay reopened the international local-currency bond market for Latin American sovereigns in 2024, proving that appetite from investors in the space remains firm

Execution Overview

- The offering was executed following an extensive 5-day roadshow in London, Boston and New York, during which Paraguay met with over 70 accounts—via in-person and virtual meetings—to introduce its inaugural LCY deal and provide a credit update
- Taking advantage of a constructive market tone, Paraguay announced its intention to issue a dual-tranche offering denominated in PYG and US\$ with initial price thoughts ("IPTs") of 8% to low 8s for the PYG Notes and 6.250% area for the US\$ tranche
- Momentum for the transaction grew rapidly over the course of the morning, with the orderbook exceeding deal size within two hours after IPTs, with both tranches anchored by more than a dozen orders of over US\$100 million from high quality accounts
- Capitalizing on this meaningful show of support from the market, Paraguay was able to compress pricing from IPTs, releasing guidance of 7.950% area (+/- 5bps) for the PYG tranche and 6.000% (the number) for the US\$ tranche
- While some investors down-scaled their orders following price tightening, the book remained very healthy, enabling Paraguay to launch a \$1bn equivalent deal, pricing 25bps tighter than IPTs across both tranches, with its US\$ bond sold inside fair value

Orderbook Evolution (EST Time)

