

Case Study: Republic of Paraguay

New USD \$600mm 5.000% Notes due 2026

Transaction Terms

New Issue 03/23/2016

US\$600,000,000



Republic of Paraguay

5.000% Notes
due 2026

Bank of America
Merrill Lynch

Joint Bookrunner and Billing &
Delivery Agent

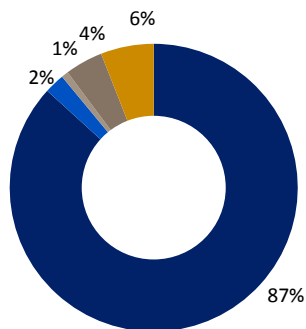
Issuer:	Republic of Paraguay
Ratings:	Ba1/BB/BB (Moody's/S&P/Fitch)
Format:	144A / Reg S
Size:	US\$ 600 million
Pricing Date:	March 23 rd 2016
Settlement:	March 31 st 2016
Maturity:	April 15 th 2026
Yield:	5.000%
UST Spread:	T+312.7bps
Coupon:	5.000%
Price:	99.997%
Denoms:	\$200K x \$1k
Law:	New York Law

Transaction Highlights

On March 23rd, 2016, BofAML, acting as a Joint Bookrunner and Billing & Delivery Agent priced \$600mm of new 5.00% USD Notes due 2026 for the Republic of Paraguay ("Paraguay") (Ba1/BB/BB). The transaction represents the Republic's return to the international bond market after reopening its 4.625% Notes due 2023 in April, 2015. Please see below the key takeaways from the transaction:

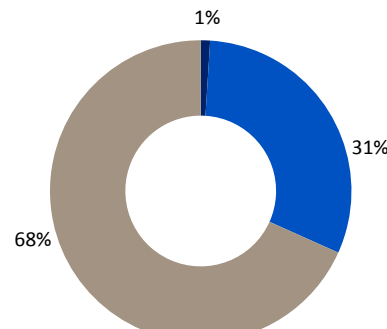
- Timing:** On Monday, March 21st, Paraguay announced a series of fixed income investor calls to take place on Tuesday and Wednesday the 22nd and 23rd
 - Paraguay decided to engage investors via telephonics instead of physical meetings in order to take advantage of the positive market sentiment and lack of competing supply to expedite the marketing process into two days
 - In total, Paraguay conducted calls with 38 investors from the US, Europe and Asia
 - Taking advantage of positive feedback from investors and stable market conditions, Paraguay expedited the process and announced terms of the transaction on Wednesday the 23rd, prior to concluding the scheduled calls
 - The Republic was able to execute a highly oversubscribed transaction ahead of well telegraphed new issue supply out of other LatAm Sovereigns in the upcoming weeks
- Announcement & Intra Execution Tightening:** The transaction was announced at 8.43am EST as a "US\$500mm" USD 10yr new issue with initial price thoughts ("IPTs") set at 5.375% area
 - The momentum generated by the announcement and positive investor feedback allowed the orderbook to become oversubscribed within the first 30 minutes after announcement growing at a fast pace, with indications of interest peaking at \$3.2bn (5.3x O/S) from 168 investors by 11:00am EST
 - Leveraging on the momentum and strength of the orderbook, Paraguay was able to compress IPTs from 5.375% area to 5.125% area (+/- 12.5bps), ultimately launching a \$600mm deal at 5.000% ; the tight end of guidance
- New Issue Premium & Pricing Rationale:** Prior to the announcement of the new 10yr benchmark, Paraguay's outstanding USD benchmark (ticker: PARGUY 4.625% 2023) was spotted trading at 101 px / interpolated UST+275 / 4.5% YTM
 - Therefore, the final pricing of 5.000% / UST+312.7bps implies a very small new issue premium of around ~0-10bps from where the Notes were spotted, after adjusting for the credit curve of 25bps between the outstanding 2023 and the new 2026 benchmark (as observed in other LatAm countries like Brazil, Colombia and Guatemala's 7-10-yr curves), representing the lowest concession for any USD Sovereign issue in LatAm in 2016
- Distribution by Type:** Asset Manager 87%, Hedge Fund 6%, Pension/Insurance 4%, Bank Portfolio 2%, Broker Dealer/Private Bank 1%
- Distribution by Region:** US 68%, EMEA 31%, Asia 1%
- The transaction consolidates BofAML's leadership as a **top underwriter for the Republic of Paraguay**, having led all four capital markets transactions since the Republic's debt IPO in 2013

Allocation by Type



■ Asset Manager
■ Bank Portfolio
■ Broker Dealer/PB
■ Pension/Insurance
■ Hedge Fund

Allocation by Region



■ Asia
■ EMEA
■ US