Ministerio de Economía y Finanzas

Montevideo, February 6, 2025

Uruguay issues Global Dollar Bond due 2037, achieving the lowest risk premium in history for a new dollar bond

Today, the Republic successfully issued a global bond denominated in US dollars, maturing in 2037, along with a simultaneous offer to repurchase shorter-term global bonds.

I. Transaction goals

The objectives of the operation were:

- Advance the Central Government's financing program for 2025.
- To extend the average time to maturity of debt by repurchasing short-term instruments to mitigate refinancing risk.
- To create a new benchmark in the mid-section of the sovereign dollar bond yield curve.
- To continue diversifying the investor base by type and region.

II. Design of the transaction

The executed transaction included:

- The issuance of a new global bond denominated in US dollars, maturing in 2037, with amortization in three equal annual payments in 2035, 2036, and 2037 (average life of 11 years).
- Simultaneously, an offer to repurchase two series of Global Bonds in US Dollars maturing in 2027 and 2031 was launched. Investors had the option to sell their bonds to Uruguay for cash ("non-preferred offers") or exchange them as part of the payment for the newly issued bond ("preferred offers").
- The underwriting banks were: JP MORGAN SECURITIES LLC, BBVA SECURITIES INC., and CITIGROUP GLOBAL MARKETS INC.

III. Results

- Total issuance amounted to US dollars 1.5 billion, of which US dollars 1.2 billion was exchanged for cash, with the remaining amount allocated to repurchasing eligible bonds.
- Demand significantly exceeded the amount issued, with total orders reaching a peak of US dollars 5.4 billion.
- The bond's yield (and fixed coupon) was 5.442% per annum, with a spread of 100 basis points (1% per annum) over the U.S. Treasury reference bond for this maturity. This represents the lowest spread ever paid by Uruguay for a new global dollar bond issuance (new benchmark).[1]
- The New Issue Premium paid by the government over the implicit sovereign curve is estimated at 2 to 4 basis points, calculated based on the risk premium of Uruguay's 2034 global dollar bond in the secondary market before the transaction announcement and maturity extension adjustments.

IV. Assessment

- In a context of geopolitical volatility in global markets, investor demand significantly exceeded the offered amount.
- The order book was composed of a high-quality and diversified investor base, with over 234 participating accounts from 28 different countries. Among them, investors from countries such as Germany, Australia, South Korea, Kazakhstan, Israel, Portugal, Spain, and Luxembourg participated in Uruguay's bond issuance for the first time.
- The bond was initially launched with a spread of 135 basis points over the U.S. Treasury reference bond, but the volume and elasticity of demand allowed the government to compress the spread to a final value of 100 basis points.
- This new issuance once again reaffirms investor confidence, both local and international, in Uruguay's macroeconomic strength and policy frameworks.

[1] If we also consider the reopening of previously issued global dollar bonds, the lowest yield spread ever paid by Uruguay for an international dollar issuance corresponded to the reopening of the 2031 Dollar Bond in May 2021. In that case, the issued amount was US dollars 574 million, with a spread of 80 basis points over the U.S. benchmark at that time.