Republic of Ghana

Investor enthusiasm for bond market return and exchange

Case Study

The Client

The Republic of Ghana is a West African country with a population of 26 million. Ghana's 2013 GDP was $48.1BN. The country's primary exports are gold, cocoa, manganese and timber products. Ghana's credit ratings as of April 2015 from S&P, Moody's and Fitch are B-, B3 and B respectively.

The Challenge

The Republic of Ghana successfully debuted in the international bond market in 2007 with a $750 million 8.5% 10-year note, jointly lead managed by Citi. In 2013, the government needed to raise additional funds for investment so decided to access the market again and tap into international investor appetite for sub-Saharan African sovereign's credit. They also decided to take advantage of the strong market demand to extend its maturity profile and lower its interest costs by exchanging part of the 2017 issue for the new bond. The bond exchange was the first for a sovereign in the region so it was critical to accurately gauge investors' sentiment towards the plan.

The Solution

Citi, acting as joint bookrunner, worked with the Republic to launch investor meetings for a new $750 million note due 2023 and announce an exchange offer on its outstanding 2017 notes, capped at $250 million in response to investor feedback.

During a three-day, two-team roadshow that included London, Germany, Los Angeles, San Francisco, Boston and New York, investors focused on the country's large budget and current account deficits. However, the Republic, led by the Minister of Finance, galvanized investors, who appreciated Ghana's diversified economy and growth prospects of 8% compared to a sub-Saharan African average (excluding South Africa) of around 6%. In addition, investors responded favorably to Ghana's stable internal political environment, the economic benefits of its oil discovery and its progress in alleviating poverty. As a result, the deal gained momentum.

The Result

The new $1.0 billion 144a/Reg. S issue due 2023 was priced with a coupon of 7.875% to yield 8% — inside the Republic's existing international yield curve — having generated a $2.2bn order book. It was the first sub-Saharan African bond listed locally and the first time Ghanaian investors could buy bonds (Citi managed the placing). The $250 million exchange offer for the 2017 notes for new 2023 notes was comfortably completed, leaving both investors and the Republic satisfied.

The new bond and the exchange demonstrated investor enthusiasm for Ghana's credit story and reflected positively on the Republic given its prudent approach to liability management.

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