

The Government of Israel

Century Bond Paves the Way for Post-COVID-19 Recovery

Case Study

The Client	The Government of Israel is rated AA-/A1/A+ by S&P/Moody's and Fitch.
The Challenge	<p>When the COVID-19 pandemic struck, the Government of Israel was quick to provide financial support to businesses and citizens to safeguard the economy and protect people's livelihoods. In order to finance this aid, the Government sought to raise debt in the international markets.</p> <p>Given the impact of COVID-19 and the scale of the funds required, the Government intended to sell debt with a variety of maturities to reach a wide range of investors. One significant challenge was that the pandemic prevented a traditional roadshow.</p>
The Solution	<p>Citi acted as joint bookrunner for a record \$5 billion fundraising of 10-year, 30-year and 100-year USD bonds. The century bonds are Israel's longest tenor – longer than the country has been in existence – and place the country among a handful that have sold debt with 100-year maturities.</p> <p>The transaction was launched on an extremely tight timeframe – just seven days from mandate to execution – given the immediate need for funds, and with only a virtual roadshow to interact with international investors. Nevertheless, demand for the three-tranche transaction totaled more than \$25 billion, enabling competitive pricing.</p>
The Result	<p>The 100-year bond was priced with a coupon of 4.5% while the \$2 billion 10-year carried a coupon of 2.75% and the \$2 billion 30-year bonds offered a 3.875% coupon – relatively low rates for sovereign debt offerings at these tenors and all lower than the initial price talk. The sale attracted more than 400 different investors from 40 countries, including the United States, Germany and the United Kingdom, as well as high demand from Asian institutional investors.</p> <p>The success of the issue, especially the historic century bond, at a time of market stress, high volatility and economic uncertainty is a testament to Israel's financial strength, its reputation in the international bond markets and its relationships with investors around the world. This global offering was an important pillar of the Government's financing activity to support the recovery of the economy during the pandemic.</p>