

Indonesia Infrastructure Finance's USD Debut Bond Achieves Record Pricing

Case Study

The Client Indonesia Infrastructure Finance (IIF) is the country's leading sustainable infrastructure financing and advisory institution. It was founded in 2010 by the Ministry of Finance, the World Bank, the Asian Development Bank and other multilateral institutions.

The Challenge IIF acts as a catalyst for the acceleration and improvement of private sector participation in investment into Indonesian sustainable infrastructure projects. To advance its efforts to provide solutions for financing infrastructure development in Indonesia, it wanted to access the global bond market with a sustainability note that would enable it to broaden its investor base and achieve an attractive financing cost.

The Solution Citi acted as Joint Bookrunner for a \$150 million five-year unsecured sustainability Regulation S bond. IIF's sustainability financing framework was independently reviewed by Sustainalytics, which also issued a second party opinion.

Over two days, IIF engaged with over 50 global investors to introduce its credit, rated BBB by Fitch (in line with the Republic of Indonesia), and the USD sustainability bond offering. Investors valued IIF's unique developmental mandate and strong sustainability practices supported by its shareholders. Initial guidance was set at 2.125%.

The Result Demand for IIF's bond issue – the inaugural green, social, or sustainability bond from Indonesia's non-bank financial institution sector – reached more than \$600 million, demonstrating investor confidence in the country's COVID-19 recovery efforts and ultimately, the prospect of an infrastructure-led economic rebound. The strong investor interest enabled the \$150 million bond to be priced at a yield of 1.750% – 37.5 basis points inside initial marketing levels – and a coupon of 1.500%, record-low levels for a USD global bond offering from Indonesia.

By geography, the issuance was distributed 72% to Asia and 28% to EMEA. By investor type, the issuance was distributed 54% to asset managers, 23% to insurance and pension funds, 13% to banks with the remaining 10% distributed to private banks and other investors. "This [bond issue] exhibits not only confidence from investors but also the high support [for] sustainable infrastructure development in Indonesia," says Reynaldi Hermansjah, IIF's CEO.