

PUBLIC ANNOUNCEMENT

E.S.L.A. PLC, SPONSORED BY MOF, ISSUES BONDS TO ASSIST RESOLVE THE ENERGY SECTOR LEGACY DEBTS

Accra, 30th October 2017: Following weeks of marketing of the ESLA backed energy bonds, E.S.L.A. PLC, sponsored by the Ministry of Finance and administered by KPMG, successfully closed one of the largest local currency corporate bond issuances on Friday 27th October 2017.

This landmark transaction sets a precedent in Sub Sahara Africa for public sector/SOEs debt restructuring and provides a clear and structured framework for the resolution of legacy debts owed by SOEs within Ghana's energy sector.

The bonds which were issued as the first tranche of up to GHS6 billion under a GHS10 billion ESLA bond programme, comprised of bonds with tenures of 7-years and 10-years. Of particular significance is the level of enthusiasm domestic investors exhibited towards the 7-year bond, pushing total bids in excess of the GHS2.4 billion target. As such the 7-year was oversubscribed and closed on Friday, 27th October, priced at 19% (yield).

The pricing of the ESLA bond was very tight and compares favourably with recent past domestic sovereign transactions. The 7-Year bond, is priced at a spread of 120bps above the current yield on the 7-Year local currency government bond issued in April 2017. It is also instructive to note that compared to the 5-Year VRA Restructured Loan Facility done in 2016 at a coupon of 22%, the 7-year ESLA Bond was priced at a discount of 300bps to it. We believe that this attractive pricing is a further confirmation of renewed investor confidence.

Whilst there was significant investor enquiry on the 10- Year bond, there was a distinct impression that investors, especially international investors, required more time to study and appreciate the structure of ESLA PLC and the structure of the programme itself. Consequently, in consultation with the Transaction Advisors and the Sponsor, E.S.L.A. PLC has given consent for the 10-year bond auction to be extended by one more week. The 10-year bond auction is therefore set to close on Friday, 3rd November 2017.

The bonds which will be listed on the Ghana Stock Exchange (GSE), to provide investors with another tradeable asset class and will be of a size that we expect will ensure active secondary market activity and liquidity, essential ingredients for deepening the local capital market. It will also help establish and further extend the yield curve for local corporate bond issuances.

The Energy Debt Recovery levy flows, a subset of the ESLA levies that have been assigned to E.S.L.A. PLC will be utilised to support debt repayment. The EDR levy receipts which have been assigned to E.S.L.A PLC are more than sufficient to service the ESLA bonds. Flows from this levy currently amount to approximately GHS 1.28 billion per annum and are expected to grow over time. Bond holders will be paid from EDR levy receipts assigned to E.S.L.A. PLC. All financial flows will be published in addition to the financial statements, that will be audited by independent auditors', on the E.S.L.A. PLC website at www.eslaplc.com.

Ultimately, this initiative will help resolve some of the high levels of non-performing loans within the banking sector and provide improved liquidity to the banks. This will enable the banks to more robustly support businesses and provide enhanced credit which should help stimulate growth. It should also help drive a more efficient energy sector, and help lower electricity tariffs, all things being equal, as the sector becomes more efficient and competitive, to the benefit of the Ghanaian consumer.

For the first time, local investor participation significantly exceeded foreign participation, a remarkable development that signals local investor appetite for well-structured and tradeable local currency corporate and government bonds.

Issued by:



Frederick Dennis on behalf of
E.S.L.A. PLC