

## Borrowing Program Video Update – January 14, 2021

[Trevor]

Let me first of all introduce today's participants, we have Gadi Mayman, CEO of the Ontario Financing Authority. We also have Alex Caridia, head of government finance at RBC. And I am Trevor Thom, head of government finance at TD Securities. Gadi, first of all I want to congratulate you and your team after yesterday's successful \$3.5 billion 5-year bond issue in the USD global bond market. And I think I speak on behalf of both Alex and myself when I say that we very much appreciate being joint leads on this issue along with Citibank and Bank of America Merrill Lynch.

Your team has certainly been very busy over the last week, having raised close to 8 billion Canadian dollars, or so, after last week's very successful 5-year sterling issue. I'm assuming that being able to raise close to \$50 billion on a program of \$52.3 billion so far this fiscal year has allowed you to breathe a little easier.

I'm not going to spend too much time on the issue at this stage. Let's get into some questions from Alex and myself that will hopefully shed some light on how the province approaches international debt markets. So with that, I will now pass the call over to Alex.

[Alex]

Thanks Trevor and welcome Gadi. Gadi, you've done a lot of foreign issuance since the year's begun. I'm just wondering if there's a change to your strategy in terms of accessing foreign versus domestic Canadian markets?

[Gadi]

Thank you Alex and thank you Trevor. To answer your question, in the *2020 Budget* we said that our target range was to issue between 70 to 80 percent in the domestic market and the remaining 20 to 30 percent internationally. We were very clear that, that was a target that was subject to market conditions, and we've had some truly extraordinary market conditions over the last week and a half since the New Year. We were able to launch our largest sterling issue ever, last week. And the transaction we did yesterday was our second largest USD issue. So, that's moved us a bit below the 70 percent at the bottom of the range and that's likely given how far we are in the program, having issued \$49.5 billion out of the \$52.3 billion for this fiscal year that ends on March 31<sup>st</sup>. We'll probably end up slightly below the 70 percent level, but that's fine.

On a continuum where we borrow, overall, we will probably still remain in overall the total borrowing program between last year, this year and next year, as it all blends together, we'll still probably be within that 70 to 80 percent range. But we'll take advantage of the markets when the investor demand is there, and that's exactly what we did yesterday.

[Trevor]

Thank you Gadi, with pound sterling becoming a core foreign market for Ontario joining your regular large-sized bond issuance in USD and Euros, do you see this resulting in less USD and Euro issuance, assuming you maintain your target foreign currency issuance this current fiscal year?

[Gadi]

I don't it will reduce the amount that we do in USD and Euros. Maybe proportionally, out of the, as a percentage of the program, but obviously the program has been larger than it has been in the past due to COVID-19 and the way the government has responded to it as have governments all around the world. So we have a larger program. A larger program, to be able to get the diversification into more currencies is really helpful for us. And what we saw with the sterling transaction last week, is we saw investors that wouldn't normally buy our name and certainly not in Canadian dollars, possibly in USD, but maybe not in the sort of size that they did. So we got some nice diversification of investors, both from an investor type and also from a geography perspective. So I see the sterling market, which we've had now two large-sized issues this fiscal year. A billion pounds back in last spring and a billion and three quarter-pounds last week is something that adds to the program, not takes away from what we do in USD and Euros.

[Alex]

Thanks Gadi, in terms of investor bases, did you see similar investor bases for both the sterling and the USD issues, and can you describe what type of investors you've been attracting?

[Gadi]

So, really good order books in both of them. The dollar transaction that we did today, had over 140 different investors in it and that's really quite, even by our standards that is quite a large variety of investors. But in terms of who our core investors are: banks, bank treasuries, central banks, asset managers, insurance companies; those are our core buyers and that's both in sterling and USD. But, different focus on an individual basis. So what we saw for example in terms of distribution by geography, when we did sterling, for example, very very large UK pick up of the transaction which is only natural as it's their home currency.

The particular transaction we did yesterday in USD, did have compared to our average USD issue if I can call it that, a bigger pickup from Europe, middle east and Africa, and proportionally less from the US. But generally, a variety of investors, geographically disbursed, type of investors disbursed. So, a really good outcome for us and what's critically important for us as we enter into foreign markets, one of the reasons we do that, one of the critical reasons we do that is to diversify our investor base away from our domestic core investor base, which will always make up, as I said before between 70 and 80 percent of our total overall issuance.

[Trevor]

Thank you Gadi, I guess the last couple of questions I'll take from here. First one is, how do you decide on the timing and size of your global benchmark issues? And then finally after that, any last words that you'd like to share with your global investors?

[Gadi]

Well, timing is really based on a combination of investor demand and quite frankly the arbitrage to bring it back to Canadian dollars, because we do not take much if any foreign exchange exposure. So it's important for us to be able to bring it back to Canadian dollars and bring it back to Canadian dollars cost-effectively. It's a little bit more expensive for us generally to do something whether it's in sterling, or euros or USD, but that minor pick up is more than offset by

the size that we're able to get in. So we look for times when you as our underwriters tell us that there's really good investor demand and that we're able to hedge that back to Canadian dollars. So that's how we figure out the timing and it just happens to work out that we've had two very large deals to start the year, and that puts our program in really good shape having done, as I mentioned before, \$49.5 billion out of \$52.3 billion with two and a half months to go in the fiscal year. So we'll complete the program and then begin prefunding for next year. As I said before, we view our borrowing program as somewhat of a continuum, once we finish one year we start the next year. We keep going that way, we look at our overall proportions in various currencies based on what the total debt portfolio looks like and where we're going to be borrowing in that way.

Last thing I'd say, is just, once again as I usually do, when I'm talking to investors, thank you very much. It's a big program, we recognize it's a big program. We need your support and we've been very fortunate to have had your support and the support of our underwriters over this year of COVID as our program has expanded quite a bit. And that's allowed us to continue to carry forward at a really attractive rate for us and to fund the needs of the government of Ontario. So once again, thank you very much to investors.

[Alex]

Gadi, on behalf of RBC Capital Markets and TD Securities, thank you again for taking the time to share your comments on both the sterling and the USD transactions. Obviously, both of them are impressively successful deals in terms of investor distribution, level of oversubscription and spread tightening that really commends the Province's strong standing in international SSA markets. So congratulations to you and the whole team at the OFA and thank you again.

[Gadi]

Thank you very much, thank you.