Ad Hoc Group of Argentina Exchange Bondholders Webinar

Bondholders Can Do Better Than Argentina's Unilateral Exchange Offer

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Who we are:

- A group of 18 investment funds known as the Exchange Bondholder Group
- The Exchange Bondholder Group holds nearly $4bn in exchange bonds issued under the 2005 indenture in connection with exchanges in 2005 and 2010
  - *This is more than 15% of the $23.5bn outstanding exchange bonds*
- Exchange bonds comprise around 35% of Argentina's outstanding stock of foreign-law bonds
- We are closely aligned with other Argentina bondholder groups, and welcome coordination with other holders
- Our group and the others have each issued press releases and a joint statement rejecting the exchange offer

Selected Steering Committee Members

- HBK Investments
- Monarch Alternative Capital LP
- Pharo Management (UK) LLP
- Redwood Capital Management, LLC
- VR Capital Group

Agenda

Description of the Exchange Offer

Legal issues bondholders should consider in evaluating whether to consent to the Exchange Offer

Assessment of the economics of the Exchange Offer

Conclusion: Why the Exchange Bondholder Group believes bondholders should reject the current Exchange Offer

In A Nutshell: Exchange Bond Holders Should Not Accept This Exchange Offer

The proposed Exchange Offer is financially punitive

- Zero cash flow for first 3 years, minimal cash flows until 2028
- No compensation for accrued interest
- Term-out of already long-dated and smooth cashflows
- No adequate compensation for Exchange Bonds
- No value at all returned when Argentina rebounds

The Exchange offer has been dictated unilaterally and not negotiated with organized creditors groups

- All three Bondholder Groups have publicly rejected the deal
- Argentina risks a complete rupture of relationships with most major institutional EM investors
- Will the IMF be able to support Argentina?

- **Holders who accept the proposal run the risk of being trapped in a stillborn deal:**
  - Collective Action Clauses are not triggered
  - Exit bonds would not be held by large investors, and may trade poorly
  - The Right Upon Future Offering (RUFO) clause may offer limited protection
  - Meanwhile, Exchange Bondholders will have given up better protection of the 2005/10 Indenture
- **It's not 2005! Bondholders are well-organized, well-intentioned and well-informed about what Argentina can afford while addressing its current financial challenges**

Bondholders stand ready to provide Argentina with liquidity relief to tackle the COVID-19 crisis

- The Covid-19 health emergency is a severe, universal challenge. Bondholders stand ready to provide Argentina with the needed short-term liquidity relief to deal with the crisis

- But note that the G20's Debt Suspension Initiative calls for a "time-bound NPV-neutral suspension" of payments, not a 3-year confiscation

- Argentina is attempting to restructure Exchange Bonds that mature in 2033 and 2038. For a crisis today, Argentina should discuss cashflows due in the very short term, not in a decade

Description of the Exchange Offer

What are the Exchange Bonds?

- Foreign-law Exchange Bonds: 2033 DISCO bonds and 2038 PAR bonds issued to Argentina's creditors who chose to participate in the 2005 and 2010 distressed exchanges

- Around US$23.5bn currently outstanding broken down in 12 ISIN series (EUR and USD)

- Benefit from much stronger creditor protections than what creditors will receive if they participate in this exchange offer

Key Financial Terms of the Exchange Offer

Table A – 2005 Indenture EBs

2005 Indenture Eligible Bonds	Principal Amount Outstanding (to be considered for Voting Purposes)	ISIN	Exchange Offer Consideration[1]	Acceptance Priority Level
U.S. dollar-denominated Discounts due 2033 (New York law) issued in 2005	U.S.$3,937,610,834	US040114GL81	U.S.$140.20380 of the New USD 2039 Bond, U.S.$ 140.20380 of the New USD 2043 Bond or U.S.$133.19361 of New USD 2047 Bonds, at Holders' discretion.	N/A
U.S. dollar-denominated Discounts due 2033 (New York law) issued in 2010	U.S.$1,226,835,747	XS0501194756		N/A
U.S. dollar-denominated Discounts due 2033 (New York law) issued in 2010	U.S.$7,930,869	XS0501195050		N/A
Euro-denominated Discounts due 2033 (English law) issued in 2005	€3,107,569,663	XS0205545840	€137.61037 of the New Euro 2039 Bond, € 137.61037 of the New Euro 2043 Bond or €130.72985 of the New Euro 2047 Bond, at Holders' discretion.	N/A
Euro-denominated Discounts due 2033 (English law) issued in 2010	€2,656,769,079	XS0501195134		N/A
Euro-denominated Discounts due 2033 (English law) issued in 2010	€4,703,359	XS0501195308		N/A
U.S. dollar-denominated Pars due 2038 (New York law) issued in 2005	U.S.$5,005,659,942	US040114GK09	U.S.$100 of the New USD 2043 Bond, U.S.$95 of New USD 2047 Bonds, at Holders' discretion.	N/A
U.S. dollar-denominated Pars due 2038 (New York law) issued in 2010	U.S.$ 93,304,820	XS0501195647		N/A
U.S. dollar-denominated Pars due 2038 (New York law) issued in 2010	U.S.$1,634,359	XS0501195720		N/A
Euro-denominated Pars due 2038 (English law) issued in 2005	€5,034,912,168	XS0205537581	€100 of the New Euro 2043 Bond or €95 of the New Euro 2047 Bond, at Holders' discretion.	N/A
Euro-denominated Pars due 2038 (English law) issued in 2010	€1,427,127,806	XS0501195993		N/A
Euro-denominated Pars due 2038 (English law) issued in 2010	€11,183,124	XS0501196025		N/A

(1) Principal amount of New Bonds per U.S.$100 or €100 notional principal amount of Eligible Bonds.

The New USD 2039 Bonds will:

- mature on November 15, 2039;
- accrue interest at the following annual rates:

From and including	To but excluding	Rate
November 15, 2022	November 15, 2023	0.60%
November 15, 2023	November 15, 2025	1.75%
November 15, 2025	November 15, 2027	4.00%
November 15, 2027	November 15, 2039	4.50%

- pay principal in U.S. dollars in 11 nominally equal installments on November 15, 2029, November 15, 2030, November 15, 2031, November 15, 2032, November 15, 2033, November 15, 2034, November 15, 2035, November 15, 2036, November 15, 2037, November 15, 2038 and at maturity.

The New USD 2043 Bonds will:

- mature on November 15, 2043;
- accrue interest at the following annual rates:

From and including	To but excluding	Rate
November 15, 2022	November 15, 2023	0.60%
November 15, 2023	November 15, 2025	3.00%
November 15, 2025	May 15, 2029	3.625%
May 15, 2029	November 15, 2043	4.875%

- pay principal in U.S. dollars in 14 nominally equal installments on November 15, 2030, November 15, 2031, November 15, 2032, November 15, 2033, November 15, 2034, November 15, 2035, November 15, 2036, November 15, 2037, November 15, 2038, November 15, 2039, November 15, 2040, November 15, 2041, November 15, 2042 and at maturity.

Source: Argentina Exchange Offer Press release, April 17th 2020

Recovery Analysis

INDICATIVE

Table. Argentina Offer Recovery. Sensitivity to exit yields

Recovery (per 1 unit of claim in exchange of following bonds)

			Exit yields										
			7%	8%	9%	10%	11%	12%	13%	14%	15%	16%	17%
USD Bonds	**Exchanged in priority for**	**Notional haircut**											
Macri - Group 1 (2021-2023)	New USD 2030	12%	52%	48%	45%	41%	38%	35%	33%	30%	28%	26%	24%
Macri - Group 2 (2026-2036)	New USD 2036	5%	53%	47%	42%	38%	34%	30%	27%	24%	22%	19%	17%
Macri - Residual	New USD 2047	5%	55%	49%	43%	38%	34%	30%	27%	24%	21%	19%	17%
DISCO	New USD 2039	0%	60%	53%	48%	42%	38%	34%	31%	28%	25%	22%	20%
PAR	New USD 2043	0%	60%	53%	46%	41%	37%	33%	29%	26%	23%	21%	19%
EUR Bonds													
Macri - Group 1 (2022-2023)	New EUR 2030	18%	48%	44%	41%	38%	35%	32%	30%	28%	26%	24%	22%
Macri - Group 2 (2027-2028)	New EUR 2036	5%	47%	42%	37%	33%	29%	26%	23%	21%	18%	16%	15%
Macri - Residual	New EUR 2047	5%	48%	42%	37%	33%	29%	26%	23%	20%	18%	16%	15%
DISCO	New EUR 2039	0%	53%	47%	41%	37%	33%	29%	26%	24%	21%	19%	17%
PAR	New EUR 2043	0%	52%	46%	40%	35%	31%	28%	25%	22%	20%	17%	16%

Note: No payment of accrued interests. Assumes exchange offer on May 15th, 2020 and bonds discounted at that date. Semi-annual exit yield (bloomberg convention)

Legal issues bondholders should consider in evaluating whether to consent to the Exchange Offer

Key Legal Terms of the Exchange Offer

- **Those who consent to the Exchange Offer may receive New Bonds, even if the exchange is not approved by the requisite percentage of the Exchange Bonds**
  - Holders who do not consent will retain all the rights and protections of the old bonds, unless the very high consent thresholds required to amend the bonds are met
  - Those who consent will receive New Bonds with materially worse legal and economic terms
  - Holders could be crammed down even if they do not consent – and the likelihood this will happen increases with support for the Exchange Offer
- **All New Bonds will be issued under the 2016 Indenture**
- **All New Bonds will be issued under NY law (Euro denominated exchange bonds are currently governed by English law)**
- **Argentina can terminate the offer at any time for any reason. Argentina is not obligated to accept the tender of bonds**
- **Argentina contends (we believe incorrectly) that it can "re-designate" – essentially to manipulate the outcome after seeing the results of the vote**
  - Those accepting the Exchange offer will be deemed to have consented to give Argentina in its "sole discretion" the ability to "re-designate at any time (including after the Expiration) the series of Eligible Bonds that will be subject to the Proposed Modifications by excluding one or more series of the initially designated series in our sole and absolute discretion"

Those Who Accept the Exchange Offer Will Receive New Bonds Under the 2016 Indenture

- **The Exchange Bonds are currently governed by the 2005 Indenture**
  - This indenture was negotiated as part of Argentina's 2005 and 2010 exchange offers. It has creditor-friendly terms included as an incentive for holders to join the earlier exchange
- **The New Bonds will be governed by a different indenture – the 2016 Indenture**
  - This means that bonds that are tendered ***will be replaced*** with new bonds under the 2016 Indenture
  - Existing bonds will be ***cancelled***
  - If Argentina accepts the tender, this replacement with New Bonds will occur as to those who tender even if the exchange is not broadly accepted
- **Those who accept the exchange are giving up important creditor protections. Argentina acknowledges this in the Prospectus Supplement outlining the offer**

Reduced Creditor Protections in the New Bonds

Collective Action Clause 2005 Indenture

- **Voting Thresholds**
  - Reserved Matter Amendments
    - Single series: Holders of 75% or more of outstanding Debt Securities of that series
    - Two or more series: Holders of not less than 85% of aggregate principal amount of the Debt Securities of all affected Series and 66-2/3% of each individual series
  - Non-Reserved Matter
    - Not less than 66-2/3% of the aggregate principal amount of the Debt Securities of such Series then Outstanding

Collective Action Clause 2016 Indenture

- **Voting Thresholds**
  - Reserved Matter Amendments
    - Single series: Holders of more than 75% of Outstanding Debt Securities of that Series
    - Cross Series: Holders of more than 66-2/3% of the Outstanding Debt Securities of all the Series affected by that proposed Modification, and more than 50% of the Outstanding Debt Securities of each Series affected by that proposed Modification (taken individually)
  - Non-Reserved Matter
    - More than 50% of the aggregate principal amount of the Outstanding Debt Securities of that Series.
- **Cross – Indenture Voting**
  - Permitted under 2016 Indenture

Reduced Creditor Protections in the New Bonds

Pari Passu Clause in 2005 Indenture

"The Securities will constitute the direct, unconditional, unsecured and unsubordinated obligations of the Republic. Each Series will rank pari passu with each other Series, without any preference one over the other by reason of priority of date of issue or currency of payment or otherwise, and at least equally with all other present and future unsecured and unsubordinated External Indebtedness (as defined herein) of the Republic"

Pari Passu Clause in 2016 Indenture

"The [Bonds] constitute and will constitute direct, general, unconditional and unsubordinated obligations of the Republic, for which the full faith and credit of the Republic is pledged. The [Bonds] rank and will rank without any preference among themselves and equally with all other unsubordinated Public External Indebtedness of the Republic. ***It is understood that this provision shall not be construed so as to require the Republic to make payments under the [Bonds] ratably with payments being made under any other Public External Indebtedness"***

Reduced Creditor Protections in the New Bonds

Others

- **Shorter Prescription Period** (*i.e.* time period in which to sue) in the 2016 Indenture. The 2005 Indenture permits suit to be brought within 10 years for principal and 5 years for interest; the 2016 Indenture reduces these periods to 5 years and 2 years, respectively
- **Ability of a Holder to bring suit** - the 2005 Indenture also includes an express acknowledgement of the right of the beneficial holder to pursue remedies for its portion of the Exchange Bonds. This protection is absent in the 2016 indenture
- **Sovereign Immunity** - The 2005 Indenture contains a broader waiver of in Sovereign Immunity by the Republic

The Exchange Offer Includes a Rights Upon Future Offer (RUFO) Clause

What is a RUFO ("Rights Upon Future Offer") Clause?

"[F]ollowing the expiration of the Invitation until the fifth anniversary of the Settlement Date, the Republic voluntarily makes an offer to purchase or exchange or solicits consents to amend any 2005 Indenture Eligible Bonds or the 2016 Indenture Eligible Bonds neither amended nor tendered pursuant to the Invitation, the Republic will take all steps necessary so that each holder of New Bonds . . . will have the right, for a period of at least 30 calendar days following the announcement of such offer or solicitation, ***to exchange any of such holder's New Bonds for the consideration in cash or in kind received in connection with such purchase or exchange offer or securities having terms substantially the same as those resulting from such amendment process***, in each case in accordance with the terms and conditions of such purchases, exchange offer or amendment process"

Rights Upon Future Offer (RUFO) Clause (Cont'd).

- **The RUFO Clause will not protect you**
- **It will not prevent a holdout situation**
  - Argentina can continue to pay holdouts without making a new offer – nothing in the Exchange Offer prevents the payment of holdouts according to the original terms of the bonds
- **It will not prevent litigation by holdouts**
  - The RUFO clause does not apply if the purchase, exchange or amendment is made in satisfaction of a final, non-appealable court order or arbitral award
- **Instead, the RUFO clause incentivizes Argentina never to improve on the terms of its offer, even if its financial situation recovers, because it will not want to have to supplement the amounts already provided in the exchange**
- **If history is any indication, Argentina will use the RUFO clause as a justification to not make any better offers**

Former President Cristina Fernández de Kirchner promised that the exchange bonds would be paid in full

Former President Fernández de Kirchner:

- March 4, 2010: "I want to assure all those who are creditors of Argentina, that you are going to collect your debts"
- November 1, 2012: "[W]e are going to honor all the commitments we made, when we issued debt securities we knew we were going to pay"
- September 11, 2014: "This sovereign payment law means that Argentina wants to pay can pay and will pay all the debts with all of the bondholders. All. This law not only assures the payment to the 92,4% of creditors that trusted in the Argentinians, and adhered to the restructuring of the sovereign debt in 2005 with President Kirchner, and later, with me, in 2010, but also contemplates the interests of those creditors that did not enter into either of the debt swaps, a 7,6% [interest return]. . . "

  "The Argentinians who had a reputation for not wanting to pay, now even by law we tell the world that we can pay and that we are going to pay"

What should I do if I accepted the Tender Offer and would like to revoke my acceptance?

- **The Prospectus Supplement Provides:**
  - "*Holders may revoke their Tender Order at any time prior to the Expiration*"
  - However, "*After the Expiration, you may no longer deliver or revoke Tender Orders*"

- **Act quickly: reports from brokers and private bankers indicate there is a time lag in processing requests**

- **How to Revoke**
  - "*For a revocation of a Tender Order to be effective, a written or facsimile transmission notice of withdrawal of Eligible Bonds must be received by the relevant clearing system at or prior to the Expiration" by a properly transmitted "Request Message . , . Any such notice of withdrawal must (a) specify the name of the person who delivered the Tender Order to be revoked, the name in which the Eligible Bonds are registered (or, if tendered by a book-entry transfer, the name of the participant in DTC whose name appears on the security position listing as the owner of such Eligible Bonds), if different from that of the person who deposited the Eligible Bonds, and (b) include the principal amount of Eligible Bonds to be revoked or with respect to which Tender Orders are being revoked.*"
  - "*If you hold Eligible Bonds through Euroclear, Clearstream, SIX SIS or Caja de Valores, a revocation of a Tender Order must be delivered and received by Euroclear, Clearstream, SIX SIS or Caja de Valores, as applicable, in accordance with the procedures established by them and on or prior to the deadlines established by each of those clearing systems. Holders are responsible for informing themselves of these deadlines and for arranging the due and timely delivery of "blocking" instructions to Euroclear, Clearstream, SIX SIS or Caja de Valores*"

Assessment of the Economics of the Exchange Offer

Argentina's Exchange Offer has some key shortfalls

1. Argentina targets to repay only ~350m in cashflows by end-2023

2. Argentina is confiscating the investors' currently-accrued interest claims completely

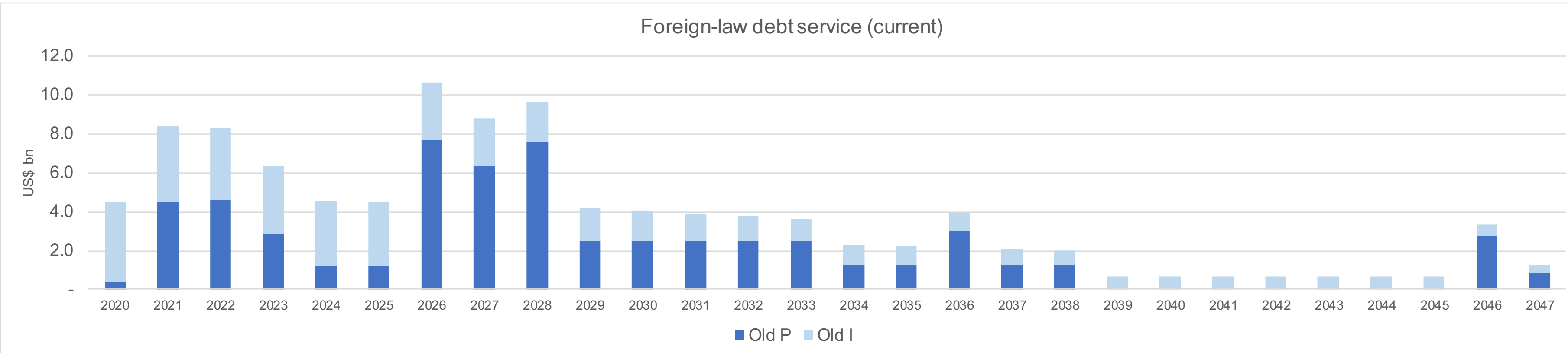
3. Argentina's offer targets disproportionate savings that appear to exceed even what would be contemplated under the IMF's Technical Note(1)

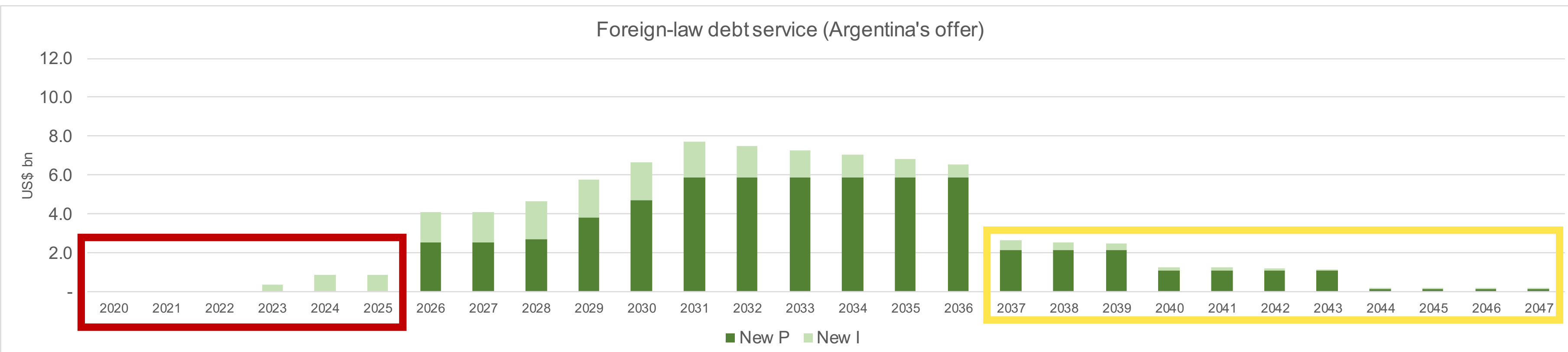
4. Argentina does not currently offer any contingent instrument

5. Exchange Bonds do not receive adequate additional compensation

(1) https://www.imf.org/en/Publications/CR/Issues/2020/03/20/Argentina-Technical-Assistance-Report-Staff-Technical-Note-on-Public-Debt-Sustainability-49284

Argentina's Exchange Offer targets disproportionate savings (1/2)





Source: Exchange Bondholder Group. Figures are indicative and based on assumptions of how the various bonds would be allocated through the offer.

Argentina's Exchange Offer targets disproportionate savings (2/2)

Minister Guzman's "$41.5bn savings" cannot be directly compared to IMF's Note, or to reality, because it covers only Eurobonds, not local-law hard FX debt, and ignores the future savings on rollover debt that now would not have to be issued

	Cash flow savings through 2030 (US$bn)	Refinancing assumptions
IMF's Scenario 3	50-55	Average interest rate of 5 percent and a maturity of 7 years.
IMF's Scenario 2	**70-75**	Average interest rate of 7 percent and a maturity of 5 years.
IMF's Scenario 1	**80-85**	Average interest rate of 9 percent and a maturity of 3 years.
Argentina's offer	**85-114**	Range using average maturity greater than 10 years and average refinancing cost ranging between 5 and 9 percent

Source: Exchange Bonds Group, IMF's technical DSA note on Argentina. Figures are indicative and based on assumptions of how the various bonds would be allocated through the offer. Assumes equal treatment for local-law foreign currency debt.

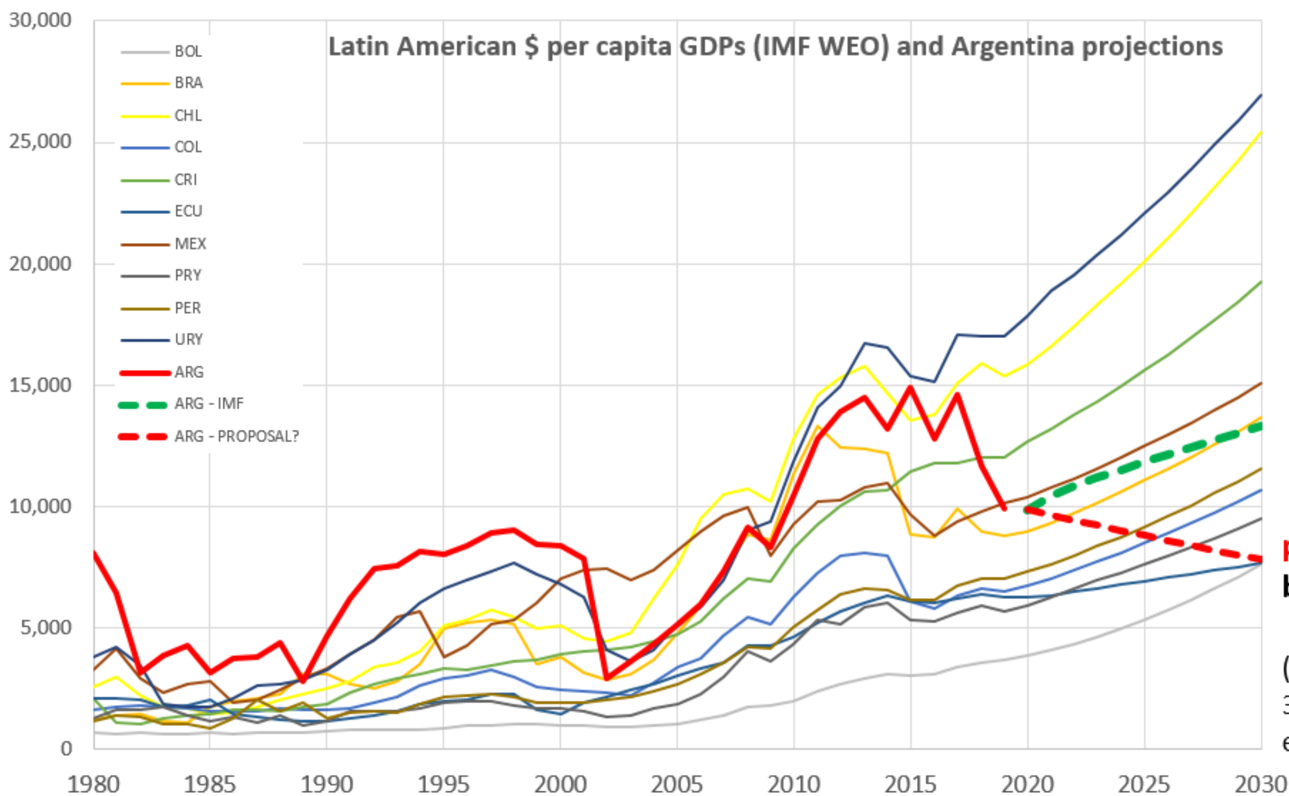
Argentina Exchange Offer has some key shortfalls

1. **Argentina targets to repay only ~350m in cashflows by end-2023**
2. **Argentina is confiscating the investors' currently-accrued interest claims completely**
3. **Argentina's offer targets disproportionate savings that appear to exceed even what would be contemplated under the IMF's Technical Note[(1)]**
4. **Argentina does not currently offer any contingent instrument**
5. **Exchange Bonds do not receive adequate additional compensation**

(1) https://www.imf.org/en/Publications/CR/Issues/2020/03/20/Argentina-Technical-Assistance-Report-Staff-Technical-Note-on-Public-Debt-Sustainability-49284

Argentina has not published a clear Debt Sustainability Analysis

Argentina's debt service capacity embedded in the current offer would suggest a very low US$ GDP path based on IMF's restrictive 3% FX debt service limit



IMF Note path - Argentina becomes Brazil...

proposal..? - Argentina becomes Paraguay..?

(12 bil 2030 FX debt service / 3% FXDS limit -> $400 bil economy..?)

Conclusion and Recommendations

Conclusion

- All three creditors Groups have issued a joint statement today rejecting Argentina's unilateral Exchange Offer

- Any Exchange Bondholder who accepts Argentina's current offer will be left with bonds that have inferior protection, and they will make it harder for the bondholders' groups to negotiate in good faith a fair recovery rate for everyone

- We stand ready to constructively engage with Argentina when its government is ready to do so, with the common objective of finding a viable solution to the Republic's current financial challenges

Let's stay in touch

Questions

Thank You

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For any further questions, please contact: argentina@unboxedcommunications.com