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Companhia de Saneamento Basico do Estado de Sao Paulo

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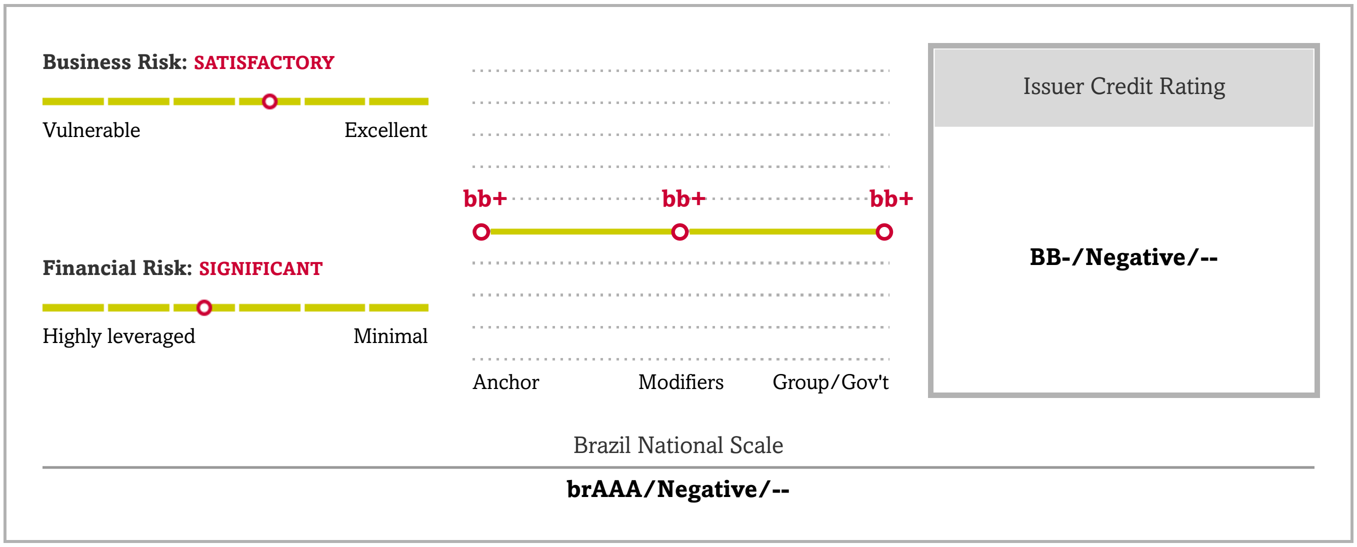
Companhia de Saneamento Basico do Estado de Sao Paulo



Credit Highlights

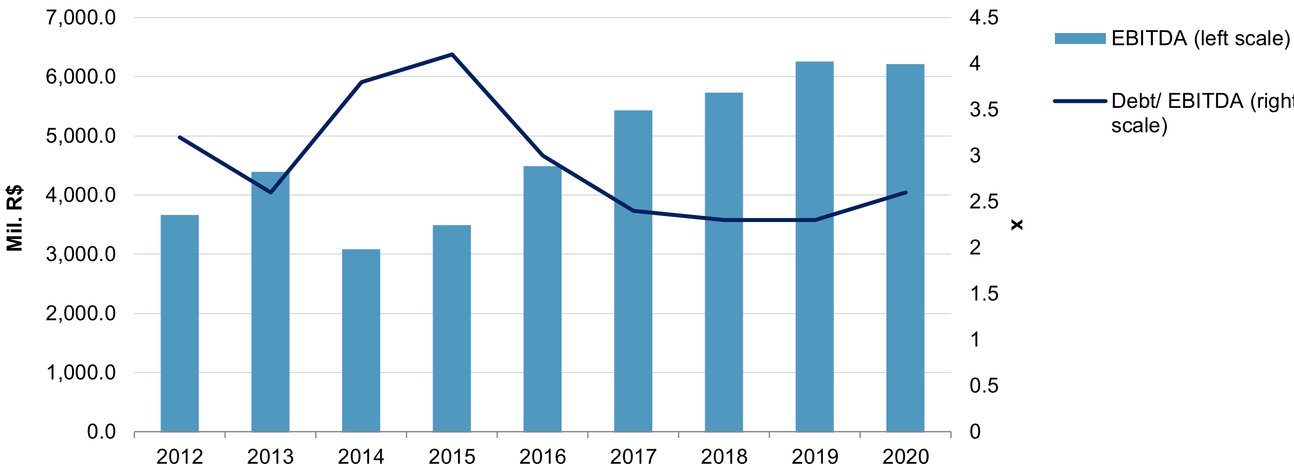
Key strengths	Key risks
A stable regulated water and sewage business, with a monopoly and diverse client base.	It's still unclear what plans the controlling shareholder, the state of Sao Paulo, has for the company. We believe privatization is possible.
During the COVID-19 pandemic, the company demonstrated resiliency, maintaining comfortable credit metrics.	Although the company's stand-alone credit profile (SACP) is 'bb+', the sovereign ratings limit those on the company.
Ongoing investments to increase water and sewage coverage, which are already higher than the Brazilian average.	Vulnerable to droughts' impact, although recent investments in the reservoir system redundancy help partly offset this risk.

Moderate impact from the COVID-19 pandemic. Although weaker than in previous years, Companhia de Saneamento Basico do Estado de Sao Paulo's (SABESP's) performance in 2020 and the first quarter of 2021 was in line with our expectations. The company posted adjusted debt to EBITDA of 2.6x, compared with our forecast of 2.8x. Given the essential nature of the service that it provides, SABESP should keep posting somewhat resilient operating performance despite subdued demand due to COVID-19, given the shrinking volumes in the commercial and industrial segments (down 10.6% and 9.0%, respectively, from the 2019 levels), while the residential segment that represents the bulk of volumes is holding up well (up 2.9%). As we had expected, provisions for customer delinquency surged, totaling R$445 million in 2020, because of the pandemic-induced economic shock, which can continue denting the company's results in 2021.

We continue assessing SABESP's liquidity as adequate, given its long-term maturities with an average weighted profile of more than four years and cash position of R$3.5 billion as of March 31, 2021, versus short-term debt maturities of R$3.2 billion.

Chart 1

EBITDA And Leverage



Exposure to foreign currency fell. In 2020, the company reduced significantly its exposure to foreign currency, having converted to Brazilian reals its $495 million loan from Inter-American Development Bank (IDB) in April, and amortized in September its $350 million euro notes maturing in December 2020. Therefore, while SABESP remains exposed to foreign currency, given that cash flows are in the domestic currency, debt denominated in dollars or Japanese yen fell to 21% in March 2021 from 55% one year earlier. Still, the back-ended debt amortization profile of the foreign currency debt, its attractive interest rates, and the company's interest coverage ratios surpassing 3.0x help to partly compensate for the negative effects of exchange-rate fluctuations.

The company is more resilient to hydrology risk. Severe drought during 2014-2015 took a toll on SABESP's operations, but since then, it has made significant investments to improve the water reservoir system's reliability, making it more resilient to volatility in water inflows, especially given that the current hydrology conditions are weaker than in the past few years.

Outlook: Negative

The negative outlook on SABESP for the next 12 months reflects our view that, as a regulated utility, the company could be ultimately subject to intervention in an unlikely and hypothetical government default scenario.

Downside scenario

We could lower the ratings in the next 12 months in case of a fiscal deterioration of SABESP's controlling shareholder, the state of São Paulo. This could translate into potential interference in either the company's financial policy or in its rate adjustments. Any downgrade of the sovereign would also trigger a downgrade of SABESP because we limit its credit quality to that of Brazil (foreign currency: BB-/Stable/B). We could also downgrade SABESP based on its own fundamentals if its funds from operations (FFO) to debt falls below 9% or if debt to EBITDA surpasses 5.5x. This could occur due to a combination of weaker operating performance, due to a very poor rainfall season, with a sharp depreciation of the Brazilian real.

Upside scenario

We could revise the outlook on SABESP to stable if the shareholder's fiscal conditions improve. We could also revise the outlook to stable if specific measures are implemented that effectively limit the state's ability to interfere in the company. We could revise the company's SACP upwards if its debt to EBITDA is consistently below 2.0x and FFO to debt near 35%, mostly because of improving operating performance, lower debt, combined with further reduction of its foreign currency debt exposure.

Our Base-Case Scenario

Assumptions

- No severe droughts to affect the company's operations in the next few years.
- As economy recovers, and given that residential consumption remained resilient during the coronavirus pandemic, we now expect an increase in water and sewage services of 1.5%.
- Rates readjusted by inflation.
- Annual investments of about R$4.2 billion, mostly for sewage services.
- Dividend payouts of 27.9%.

Key Metrics

	2021E	2022E
Debt to EBITDA (x)	2.5-3.0	2.5-3.0
FFO to debt (%)	23-27	23-27

Base-case projections

Despite the coronavirus pandemic, SABESP showed resilience in terms of credit metrics in 2020, closing last year with debt to EBITDA of 2.6x, given that it provides services mainly to the more resilient residential segment. Moreover, given the company's investments in the past to integrate the main reservoirs, we believe that its performance is now more resilient to a drought scenario. Therefore, we expect SABESP to post debt to EBITDA between 2.5x and 3.0x in the coming few years and FFO to debt of 23%-26%.

Company Description

Brazil-based water utility SABESP is the largest water and sewage company in Latin America, based on number of clients and net revenue. The company operates water and sewage systems in 375 municipalities in the state of Sao Paulo, which generates about 32% of Brazil's GDP. The company is a government-related entity (GRE), because the state of Sao Paulo is SABESP's controlling shareholder, with a 50.3% equity stake. The remaining portion is traded at B3 S.A. – Brasil, Bolsa, Balcao and the New York Stock Exchange.

Business Risk: Satisfactory

Transparent regulatory framework, although regional. SABESP's regulatory framework is set by the state of Sao Paulo's regulatory agency--Agencia Reguladora de Serviços Públicos do Estado de Sao Paulo (ARSESP)--and it's responsible for authorizing SABESP's annual rate adjustments, which mostly relate to the pass-through of the costs and expenses for the water and sewage activities. In addition, ARSESP establishes the methodology for SABESP's periodic rate reset--which occurs every four years--that defines the weighted average cost of capital (WACC) that will pay for SABESP's investments that will increase the company's asset base during the cycle.

Last April, the regulator approved the terms of the third rate review cycle, which incorporated changes in the structure of rates as well as in its components. A base rate (P0) was approved at R$5.1213/m3 as of February 2021 based on a regulatory WACC of 8.10%. Changes in the rate structure will be implemented gradually starting in 2022. The new rate will consist of the following:

- A fixed value per connection to cover the costs of infrastructure and a variable amount based on volumes;
- the minimum 10 m3 per month charge was removed;
- A single rate for all the regions, and a differentiation for each type of service: water supply, sewage collection and sewage treatment; and
- A staggered real rate increase for residential customers: 1.5% in 2022, 3.0% in 2023, and 4.6% in 2024.

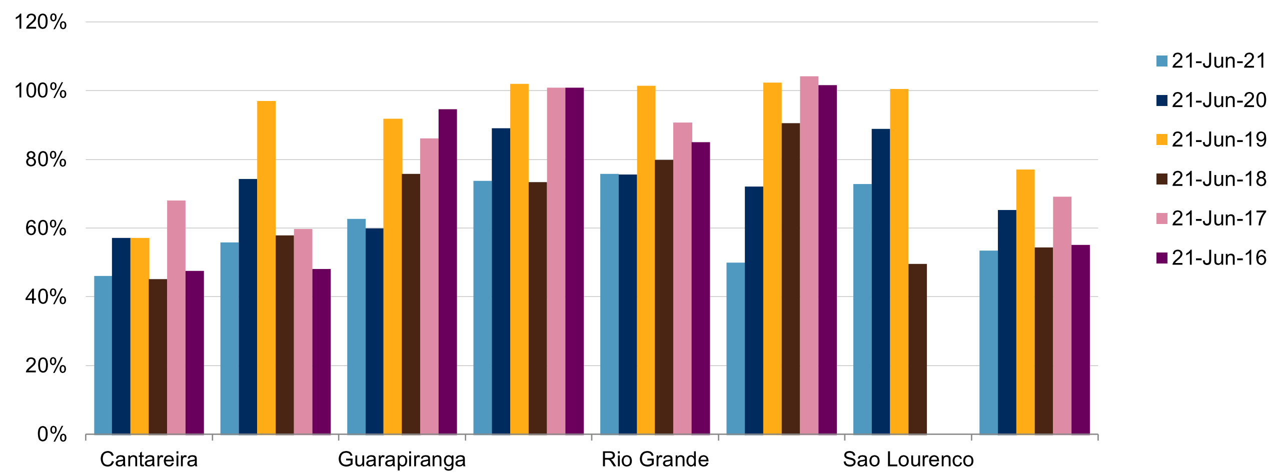
We believe that the regulatory framework has ensured that SABESP can continue investing to improve service coverage in the municipalities where it operates.

Resilience to droughts is greater than in past years. Following the 2014-2015 drought, SABESP took several initiatives to connect its water reservoirs that serve the city of Sao Paulo's metropolitan area and increase water production. Currently, while reservoir levels are lower than one year ago, we believe that the company is now better prepared for a severe drought season than in the past, indicating a more resilient operating and financial performance. Water levels at

SABESP's main water reservoirs, Cantareira and Alto Tietê, both of which represent about 60% of the water supply for the metropolitan region of São Paulo, were at 45.2% and 54.7% as of June 28, 2021, compared with 56.4% and 73.5% one year ago.

Chart 2

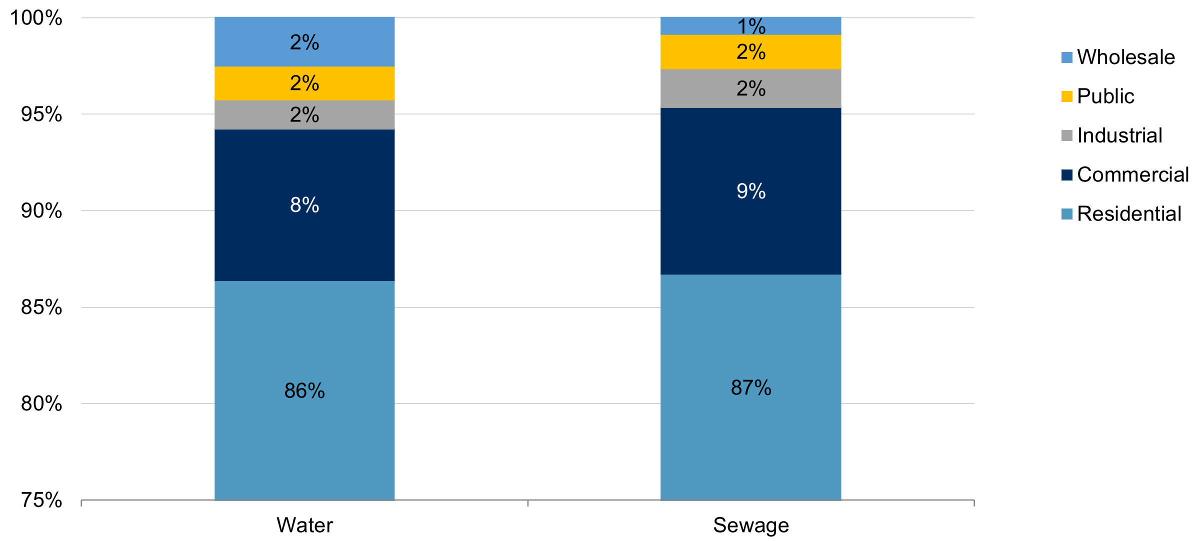
Reservoir Levels



A diversified customer base, but geographic concentration. Given that SABESP's client base is mostly in the residential segment, we don't believe the company faces any client concentration risks. We view this as positive for the company, because residential clients' consumption behavior tends to be somewhat inelastic. In addition, given that the company is now responsible for the water services of the cities of Guarulhos, Mauá, and Santo André, the wholesale market makes up less of SABESP's client base.

Chart 3

Clients' Breakdown By Billed Volume In 2020



Nevertheless, SABESP mostly operates in the metropolitan region of the city of Sao Paulo, which represents about 70% of the company's revenue. On the other hand, the concession contract for this area still has 19 years remaining provides the company's revenue stability.

Peer comparison

We've selected these companies as SABESP's peers because they're both pure water utility companies, government-related entities (GREs), and rated in the 'BB' category. When comparing them, we see that SABESP has a much larger scale and a regulatory framework less subject to political interference, allowing it to carry more debt. We believe this situation will remain in the next few years, because the company will invest more to increase sewage coverage.

Table 1

Companhia de Saneamento Basico do Estado de Sao Paulo--Peer Comparison

Industry Sector: Water			
	Companhia de Saneamento Basico do Estado de Sao Paulo	**Rand Water**	**Vodokanal St. Petersburg**
Ratings as of June 4, 2021	BB-/Negative/--	BB/Stable/--	BB+/Stable/B
	--Fiscal year ended--		
	Dec. 31, 2020	**June 30, 2020**	**Dec. 31, 2019**
(Mil. R$)			
Revenue	13,800.2	5,187.3	2,326.2
EBITDA	6,199.7	1,264.8	1,117.9

Table 1

Companhia de Saneamento Basico do Estado de Sao Paulo--Peer Comparison (cont.)			
Funds from operations (FFO)	4,961.7	1,126.6	961.1
Interest expense	1,210.3	137.7	80.4
Cash interest paid	865.0	138.2	106.5
Cash flow from operations	4,739.9	1,020.4	622.2
Capital expenditure	3,103.7	532.9	627.9
Free operating cash flow (FOCF)	1,636.1	487.5	(5.6)
Discretionary cash flow (DCF)	746.0	487.5	(5.6)
Cash and short-term investments	3,807.5	1,802.1	121.4
Debt	16,319.7	0.0	614.6
Equity	22,793.7	8,093.4	5,735.2
Adjusted ratios			
EBITDA margin (%)	44.9	24.4	48.1
Return on capital (%)	11.8	15.7	8.2
EBITDA interest coverage (x)	5.1	9.2	13.9
FFO cash interest coverage (x)	6.7	9.2	10.0
Debt/EBITDA (x)	2.6	0.0	0.5
FFO/debt (%)	30.4	N.M.	156.4
Cash flow from operations/debt (%)	29.0	N.M.	101.2
FOCF/debt (%)	10.0	N.M.	(0.9)
DCF/debt (%)	4.6	N.M.	(0.9)

N.M.--Not meaningful. R$--Brazilian real.

Financial Risk: Significant

SABESP showed resilience in 2020, despite the harsh impact of COVID-19 on overall economic activity and exchange rates, having sustained adequate operating performance and comfortable credit metrics, which we expect to remain over the next few years. Moreover, we believe that SABESP's operations are now more resilient to hydrology after it invested in connecting its reservoirs. Therefore, we expect the company's debt to EBITDA to remain at 2.5-3.0x and FFO to debt at about 25% over the next few years. Given that SABESP has a robust investment plan of about R$21 billion until 2025, we expect that the company would need to raise additional debt in order to fund these investments, refinance existing debt, and distribute dividends in the next few years.

Financial summary

Table 2

Companhia de Saneamento Basico do Estado de Sao Paulo--Financial Summary						
Industry Sector: Water						
	1Q2021 LTM	**2020**	**2019**	**2018**	**2017**	**2016**
(Mil. R$)						
Revenue	13,933.3	13,800.2	13,700.2	12,354.4	11,457.4	10,365.3
EBITDA	6,325.0	6,199.7	6,299.3	5,713.5	5,420.7	4,472.2

Table 2

Companhia de Saneamento Basico do Estado de Sao Paulo--Financial Summary (cont.)

Industry Sector: Water

	1Q2021 LTM	2020	2019	2018	2017	2016
Funds from operations (FFO)	4,808.8	4,961.7	4,106.0	3,604.9	3,163.4	2,001.8
Interest expense	1,171.0	1,210.3	1,269.2	1,350.3	1,383.0	1,204.7
Cash interest paid	628.7	865.0	970.6	1,220.6	1,325.1	1,440.7
Cash flow from operations	4,612.9	4,739.9	3,964.0	3,354.4	2,652.8	2,302.8
Capital expenditure	3,376.9	3,103.7	3,040.2	1,694.7	1,327.7	1,435.1
Free operating cash flow (FOCF)	1,236.0	1,636.1	923.8	1,659.7	1,325.2	867.8
Discretionary cash flow (DCF)	345.9	746.0	183.8	1,006.3	559.2	728.4
Cash and short-term investments	3,508.4	3,807.5	2,253.2	3,029.2	2,283.0	1,886.2
Gross available cash	3,508.4	3,807.5	2,253.2	3,029.2	2,283.0	1,886.2
Debt	16,376.2	16,319.7	14,352.4	13,093.6	12,750.3	13,343.2
Equity	23,290.6	22,793.7	21,635.8	19,551.7	17,513.0	15,419.2
Adjusted ratios						
EBITDA margin (%)	45.4	44.9	46.0	46.2	47.3	43.1
Return on capital (%)	11.4	11.8	14.1	14.9	14.8	12.9
EBITDA interest coverage (x)	5.4	5.1	5.0	4.2	3.9	3.7
FFO cash interest coverage (x)	6.7	6.7	5.2	4.0	3.4	2.4
Debt/EBITDA (x)	2.6	2.6	2.3	2.3	2.4	3.0
FFO/debt (%)	29.4	30.4	28.6	27.5	24.8	15.0
Cash flow from operations/debt (%)	28.2	29.0	27.6	25.6	20.8	17.3
FOCF/debt (%)	7.5	10.0	6.4	12.7	10.4	6.5
DCF/debt (%)	2.1	4.6	1.3	7.7	4.4	5.5

FFO--Funds from operations. R$--Brazalian real.

Liquidity: Adequate

We still view SABESP as having adequate liquidity, because we expect the company's cash sources to uses to be above 1.1x in the next 12 months, and that it will be able to keep complying with its financial covenants. We also expect the difference between cash sources and uses to remain positive for the next 12 months even if forecasted EBITDA were to decline by 10%. We also believe that the company has flexibility to absorb high-impact, low-probability events with limited refinancing risk, as seen in its performance during the 2015 drought. In our view, SABESP has wide access to credit and capital markets, and it has sound relationships with public and private banks, and multilateral lending agencies.

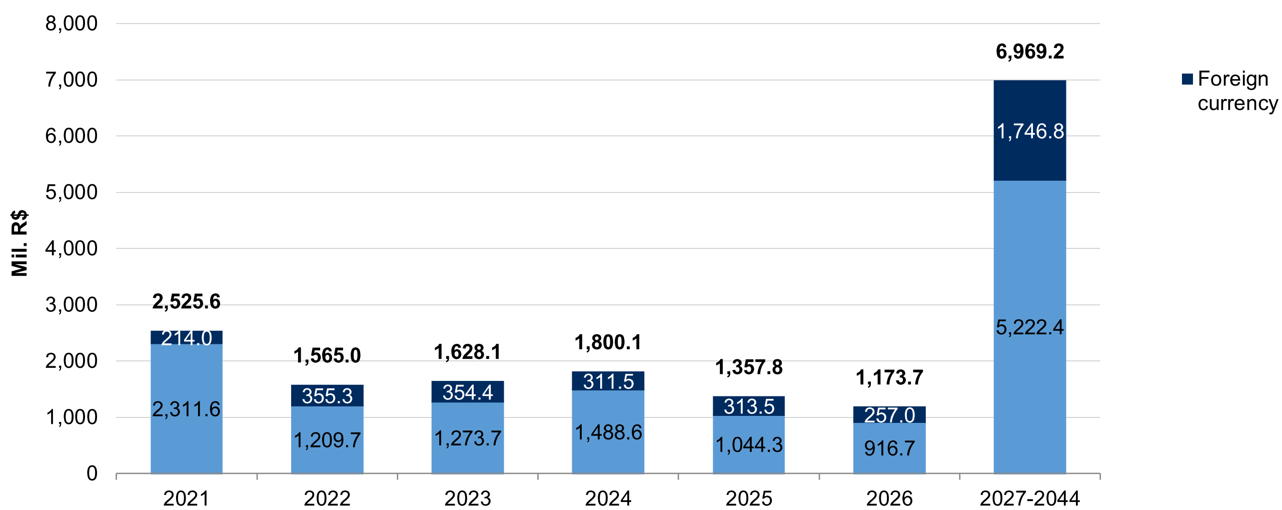
Principal Liquidity Sources	Principal Liquidity Uses
• Consolidated cash and liquid investments of R$3.5 billion as of March 31, 2021; and	• Short-term debt maturities of R$3.2 billion as of March 31, 2021;

- Projected cash flows of about R$4.5 billion in the next 12 months.
- Minimum annual investments of about R$2.0 billion; and

Debt maturities

Chart 4

Debt Maturities (As Of March 31st, 2021)



R$--Brazalian real.

Covenant Analysis

SABESP has several financial covenants on its debt contracts, with which it was in compliance as of March 2021.

Compliance expectations

We expect SABESP to comply with its financial covenants in the following few quarters, even with more volatile exchange rates, because about 20% of the company's debt is denominated in dollars or yen. Even if its EBITDA declines by about 10% amid a prolonged pandemic, due to challenging hydrology conditions, or if the Brazilian real depreciates and the company's gross and net debt increases 15%, we believe that SABESP has enough cushion in its financial covenants to remain in compliance with them. In our view, as SABESP's debt has matured or the company has financed it, the 3.65x gross debt to EBITDA financial covenants have been gradually replaced with a 3.50x threshold on a net debt basis.

Requirements

The company's most recent debentures issuance have the following financial covenants:

- Net debt to EBITDA up to 3.5x; and
- EBITDA interest coverage of at least 1.5x.

These financial covenants are measured on a quarterly basis and a debt payment acceleration would occur only if the company is unable to comply with them for two consecutive or non-consecutive quarters (in a 12-month period). For the company's 14th and 18th debenture issuances and its loan from the Brazilian development bank (BNDES; except for contract 08.2.0169.1), compliance is measured on a quarterly basis and incorporates the following:

- Net debt to EBITDA up to 3.0x; and
- EBITDA interest coverage equal to or more than 3.5x.

Covenants are considered breached if SABESP is unable to comply with these thresholds for two quarters in a 12-month period. For the BNDES loan, the company will be required to increase the receivables given as collateral by 20% if covenants are breached.

For BNDES contract 08.2.0169.1, calculated on an annual basis:

- EBITDA margin of 38% or higher;
- EBITDA interest coverage of 2.35x or higher; and
- Net debt to EBITDA up to 3.2x.

For the company's 12th debentures issuance, compliance is measured on a quarterly basis, and a breach will occur if SABESP doesn't comply for two quarters in a 12-month period:

- Current ratio above 1.0x; and
- EBITDA interest coverage of at least 1.5x.

This issuance also has a rating trigger clause, so if SABESP is downgraded below 'brAA-', the debt payment accelerates.

For its 17th debenture issuance, compliance is calculated on a quarterly basis, and a breach would be non-compliance for two consecutive quarters or two non-consecutive ones:

- Gross debt to EBITDA up to 3.65x; and
- EBITDA interest coverage of at least 1.5x.

Environmental, Social, And Governance

We view SABESP as more exposed to environmental risks than peers, because of the operational and financial challenges that the Brazilian water utility may face due to extreme climate events. SABESP relies on water availability in its reservoirs to supply its clients. The impact of extreme climate-related events may have critical consequences for the company and the people within its concession. For example, water level at SABESP's main reservoir plummeted because of a severe drought in 2014 that forced the utility to take several measures to control water consumption throughout the state of Sao Paulo, such as reduced water pressure that resulted in water supply stoppage in some areas. SABESP also offered discounts to customers in order to encourage water consumption savings. These events hurt the company's credit metrics at the time.

From a social perspective, SABESP provides water about 28 million people directly and sewage collection services to about 24 million people in 375 municipalities in the state of São Paulo. Compared with the average of other companies in Brazil, we view SABESP's water distribution and sewage collection coverage as much higher. SABESP serves a large area and population, which has required robust investment to expand its services and has improved the quality of life in the communities it serves.

Relative to governance factors, the state's control of SABESP could ultimately undermine the effectiveness of the company's governance structure, because it could promote the interests and priorities of the government above those of other stakeholders. The company is also exposed to extensive laws and regulations. Nevertheless, the ratings assume that the risk of interference, although greater than in other jurisdictions, it wouldn't jeopardize the company's credit profile.

Group Influence

We view SABESP as a GRE because the state of São Paulo owns 50.3% of the company. In general, the credit quality of the Brazilian local and regional governments (LRGs) usually limits those of the entities they control. We attribute varying degrees of likelihood of support from the states to these companies. However, we also believe states might intervene by redirecting resources to the government, and could therefore, weaken GREs, especially amid challenging fiscal conditions. Nevertheless, we believe that SABESP has solid governance standards, a record of a hands-off approach by the government, and financial resilience, which helps mitigate the risk of potential interference. In addition, while the dividends that the company is expected to distribute aren't relevant when compared to the overall operating revenues of the state, SABESP is an important vehicle for the state in terms of public investment in the local economy. We also believe that the state's incentive to impair an essential services provider is limited amid the unprecedented public health crisis. Still, we also tested SABESP's resilience to a hypothetical default of the state of São Paulo. Due to the overall weak Brazilian economy and that our base case already reflects stressed conditions, the level of stress incorporated into our test on SABESP was limited and included an extraordinary increase in state tax, a delay in the application of rates, and much higher working capital needs because of an increase in delinquency levels. In this hypothetical scenario, we expect SABESP to be relatively resilient to a state-level default.

Issue Ratings - Subordination Risk Analysis

We rate the following of SABESP's debt instruments:

- R$500 million 12th debentures issuance maturing in 2025 (rated 'brAAA');
- R$1 billion 17th debentures issuance that matures in 2023 ('brAAA');
- R$500 million 21st debentures issuance maturing in 2022 ('brAAA'); and
- R$867 million 23rd debentures issuance that matures in 2027 ('brAAA').
- R$400 million 24th debentures issuance that matures in 2029 ('brAAA').
- R$1.45 billion 25th debentures issuance that matures in 2021 ('brAAA').
- R$1.045 billion 26th debentures issuance that matures in 2030 ('brAAA').
- R$1 billion 27th debentures issuance that matures in 2027 (rated 'brAAA').
- Up to R$1.2 billion 28th debentures issuance that matures in 2028 ('brAAA').

Capital structure

SABESP's capital structure consists of about R$17 billion in financial debt, including its senior unsecured debt.

Analytical conclusions

All the issue-level ratings on SABESP are at the same level as our global and national scale issuer credit ratings on the company. This is because SABESP issued all the rated debt at the operating level, and less than 20% of its financial debt is secured, and therefore doesn't pose a significant disadvantage to the unsecured creditors.

Reconciliation

Table 3

Companhia de Saneamento Basico do Estado de Sao Paulo--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. R$)

	--Fiscal year ended Dec. 31, 2020--							
Companhia de Saneamento Basico do Estado de Sao Paulo reported amounts								
	Debt	**Revenue**	**EBITDA**	**Operating income**	**Interest expense**	**S&P Global Ratings' adjusted EBITDA**	**Cash flow from operations**	**Capital expenditure**
Reported	16,784.0	17,797.5	6,529.5	4,492.4	812.7	6,199.7	4,978.2	3,342.1
S&P Global Ratings' adjustments								
Cash taxes paid	--	--	--	--	--	(373.1)	--	--
Cash interest paid	--	--	--	--	--	(626.6)	--	--
Reported lease liabilities	474.6	--	--	--	--	--	--	--
Accessible cash and liquid investments	(3,807.5)	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	238.3	(238.3)	(238.3)	(238.3)

Table 3

Companhia de Saneamento Basico do Estado de Sao Paulo--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. R$) (cont.)								
Income (expense) of unconsolidated companies	--	--	(14.1)	--	--	--	--	--
Nonoperating income (expense)	--	--	--	238.1	--	--	--	--
Debt: Workers compensation/self insurance	2,868.6	--	--	--	--	--	--	--
Revenue: Finance/interest income	--	(280.8)	(280.8)	(280.8)	--	--	--	--
Revenue: Other	--	(3,716.6)	(3,716.6)	(3,716.6)	--	--	--	--
COGS: Valuation gains/(losses)	--	--	37.3	37.3	--	--	--	--
COGS: Other nonoperating nonrecurring items	--	--	3,630.1	3,630.1	--	--	--	--
SG&A: Valuation gains/(losses)	--	--	122.0	122.0	--	--	--	--
EBITDA: Other	--	--	(107.7)	(107.7)	--	--	--	--
Interest expense: Other	--	--	--	--	159.3	--	--	--
Working capital: Taxes	--	--	--	--	--	--	373.1	--
Working capital: Other	--	--	--	--	--	--	977.2	--
Operating cash flow: Taxes	--	--	--	--	--	--	(373.1)	--
Operating cash flow: Other	--	--	--	--	--	--	(977.2)	--
Total adjustments	(464.3)	(3,997.4)	(329.8)	(77.5)	397.6	(1,238.1)	(238.3)	(238.3)
S&P Global Ratings' adjusted amounts								
	Debt	**Revenue**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from operations**	**Cash flow from operations**	**Capital expenditure**
Adjusted	16,319.7	13,800.2	6,199.7	4,414.8	1,210.3	4,961.7	4,739.9	3,103.7

R$--Brazil Real.

Ratings Score Snapshot

Issuer Credit Rating

BB-/Negative/--

Business risk: Satisfactory

- **Country risk:** Moderately high
- **Industry risk:** Very low
- **Competitive position:** Satisfactory

Financial risk: Significant

- **Cash flow/leverage:** Significant

Anchor: bb+

Modifiers

- **Diversification/portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Adequate (no impact)
- **Management and governance:** Fair (no impact)
- **Comparable rating analysis:** Neutral (no impact)

Stand-alone credit profile : bb+

- **Likelihood of government support:** Moderately high

Related Criteria

- General Criteria: Group Rating Methodology , July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- General Criteria: Methodology For National And Regional Scale Credit Ratings, June 25, 2018
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
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- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- Principles of Credit Ratings, Feb. 16, 2011
- General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating , Oct. 1, 2010

Business And Financial Risk Matrix

Business Risk Profile	Financial Risk Profile					
	Minimal	Modest	Intermediate	**Significant**	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
Satisfactory	a/a-	bbb+	bbb/bbb-	**bbb-/bb+**	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Ratings Detail (As Of June 29, 2021)*

Companhia de Saneamento Basico do Estado de Sao Paulo		
Issuer Credit Rating		BB-/Negative/--
Brazil National Scale		brAAA/Negative/--
Senior Unsecured *Brazil National Scale*		brAAA
Issuer Credit Ratings History		
12-Jun-2020		BB-/Negative/--
12-Jan-2018		BB-/Stable/--
18-Aug-2017		BB/Negative/--
24-May-2017		BB/Watch Neg/--
12-Jun-2020	*Brazil National Scale*	brAAA/Negative/--
11-Jul-2018		brAAA/Stable/--
12-Jan-2018		brAA-/Stable/--
18-Aug-2017		brAA-/Negative/--
20-Jun-2017		brAA-/Watch Neg/--
24-May-2017		brA+/Watch Neg/--

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.