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## Companhia de Saneamento Basico do Estado de Sao Paulo

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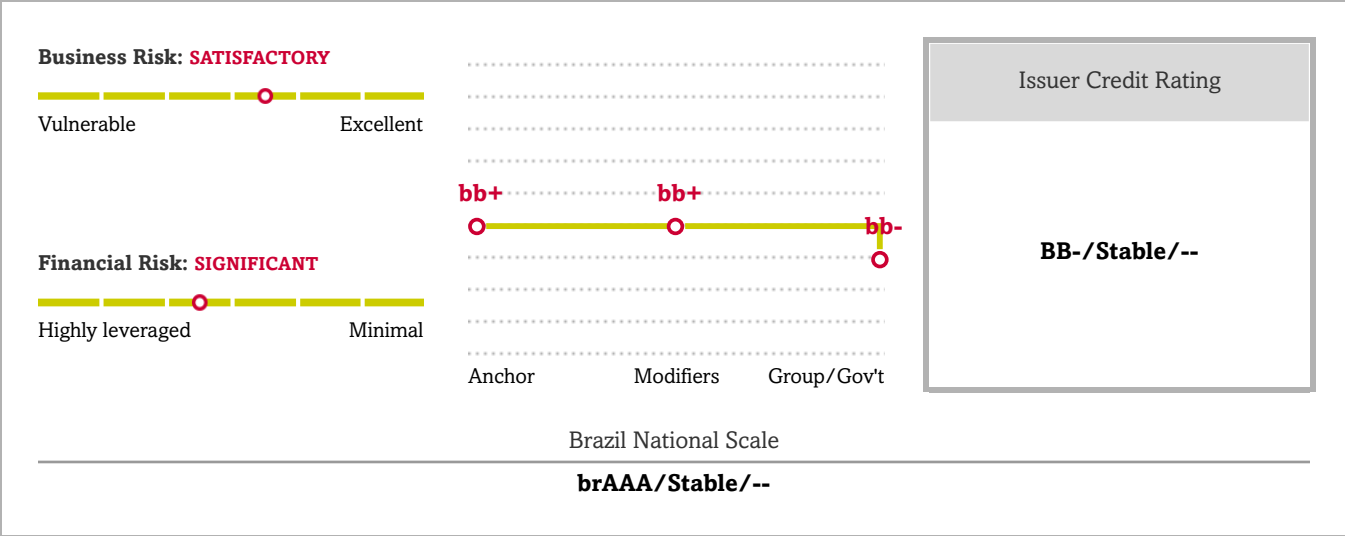
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# Companhia de Saneamento Basico do Estado de Sao Paulo



## Credit Highlights

Key strengths	Key risks
Stable regulated water and sewage business, with a monopoly and a diverse client base.	Impact from COVID-19 and foreign currency exposure (unhedged) could result in worsening credit metrics.
Recent investments in reservoir system redundancy help partially offset negative impact from droughts.	It's still unclear what plans its controlling shareholder, the state of Sao Paulo, has for the company. We believe privatization is possible.
Continuous investments to increase water and sewage coverage, which are already higher than the Brazilian average.	Although its stand-alone credit profile (SACP) is 'bb+', the ratings are limited by those on the sovereign.

**Impact of the COVID-19 pandemic on SABESP should be moderate.** The social distancing measures to contain the spread of the coronavirus are hurting the economic activity of companies in various sectors in Brazil. We don't expect Companhia de Saneamento Basico do Estado de Sao Paulo (SABESP) to be significantly affected, considering the essentiality of the water and sewage services that it provides to the population of the state of São Paulo. The more resilient residential segment represents about two-thirds of total revenues, while commercial and industrial wholesale customers, more exposed to the overall economic conditions, account for less than 30%.

Nevertheless, in order to alleviate the economic impact on a portion of its customers, and following an announcement by the governor of the state of São Paulo (the company's controlling shareholder), low-income customers are temporarily exempted from paying water/sewage bills for the 90-day period that started on April 1, 2020. SABESP announced that it expects to offset lower revenues with initiatives to reduce expenses and adjustments to its budget. Even disregarding these, we expect the impact on SABESP's cash flow generation and credit metrics to be very limited, because the number of families that currently benefit from the low-income tariffs are about 5% of about 10 million residential customers of the utility. In addition, the margins on the low-income segment are typically lower than the rest of the residential segment. The regulator also announced that it will evaluate the economic and financial balance of the service provided by SABESP. Moreover, although the regulator approved in early April a 2.4924% tariff

adjustment, the implementation of this was postponed for 90 days, and will take effect in July 2020. The regulator will announce new tariffs specifically to compensate for this period of exemption. We'll continue monitoring not only a potential increase in the amount of losses and delinquencies, but also any political interference that could jeopardize the company's credit profile.

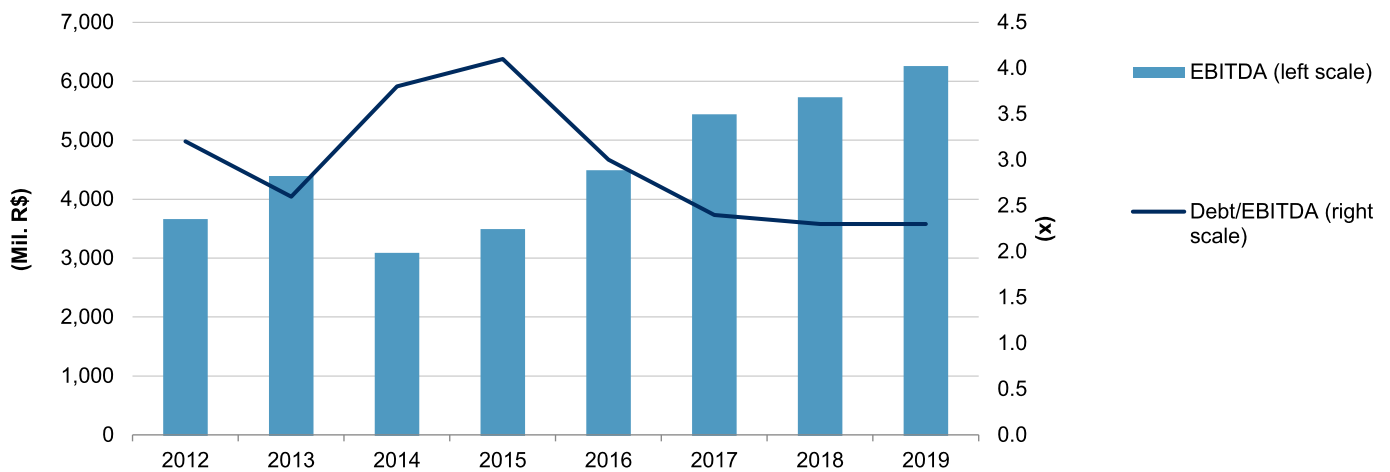
**Company more resilient to hydrology risk, but still exposed to foreign currency fluctuations.** A few years ago, SABESP was affected by a combination of severe drought during 2014-2015 and the sharp depreciation of the Brazilian real. However, as hydrology has returned to normal, and following the investments SABESP made to improve the water reservoir system's reliability, we expect the utility to be more resilient to volatility in water inflows.

Nevertheless, although SABESP's cash flow generation is all in the domestic currency, the company remains exposed to foreign currency fluctuations because about 50% of its financial debt is denominated in U.S. dollars or Japanese yen (unhedged).

In our view, 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 helps to partially compensate for the negative effects of exchange rate fluctuations.

**Chart 1**

**EBITDA And Debt Evolution**



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## Outlook: Stable

The stable outlook on SABESP for the next 12 months reflects our view that the company, as a regulated utility, could be subject to a government intervention in a hypothetical sovereign default scenario. The company is owned by the state of Sao Paulo, and the credit quality of the Brazilian states are usually limited by that of Brazil (BB-/Stable/B).

### Downside scenario

Any negative rating action on the sovereign rating would trigger a downgrade of SABESP because we limit its credit quality by that of its controlling shareholder, and by that of Brazil.

We could downgrade SABESP if funds from operations (FFO) to debt falls below 9% or if debt to EBITDA surpasses 5.5x due to a combination of weaker operating performance--which could result from the impact of the COVID-19 pandemic takes much longer than expected or a very poor hydrological season--combined with a sharp depreciation of the Brazilian real.

### Upside scenario

An upgrade in the next 12 months would rely on an upgrade of Brazil.

We could revise the company's SACP upwards if it consistently has debt to EBITDA below 2.0x and FFO to debt near 35%, mostly because of improving operating performance, lower debt, and a significant reduction of its foreign currency debt exposure.

## Our Base-Case Scenario

Assumptions	Key Metrics	
<ul style="list-style-type: none"> <li>No severe droughts to affect the company's operations in the next few years.</li> <li>Due to the coronavirus pandemic, we revised downwards our assumption of water consumption--we now expect zero to marginal growth in 2020. We also considered higher delinquency levels and increased working capital needs for this year.</li> <li>Tariffs readjusted by 2.4924% starting in July 2020. For the following years, we assume water and sewage rates increasing by inflation.</li> <li>Annual investments of about R\$3.5 billion, mostly</li> </ul>	<b>2020E 2021E</b>	
	Debt to EBITDA (x)	2.8-3.3 2.5-3.0
	FFO to debt (%)	20-24 22-26

for sewage services.

- Dividend payouts of 25% from 2020 onwards.

### Base-case projections

Despite the coronavirus pandemic, we don't expect SABESP's credit metrics to be materially affected in 2020 and 2021, because it's mainly exposed to the more resilient residential segment. Given its investments in the past to integrate the main reservoirs, we think that the company's performance is now more resilient to drought. Thus, we expect SABESP to post debt to EBITDA between 2.8x and 3.3x in the next two years and FFO to debt of 20%-26%.

Given the high level of annual investments, we believe the company will generate negative free operating cash flow (FOCF) in the next two years, indicating its need for external funding to finance these investments.

## Company Description

Brazil-based water utility SABESP is the largest water and sewage company in Latin America, based on number of clients and net revenues. The company operates water and sewage systems in 372 municipalities in the state of Sao Paulo, which is responsible for about 32% of Brazil's GDP. As of Dec. 31, 2019, the company had adjusted revenues and adjusted EBITDA of R\$13.7 billion and R\$6.2 billion, respectively.

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.

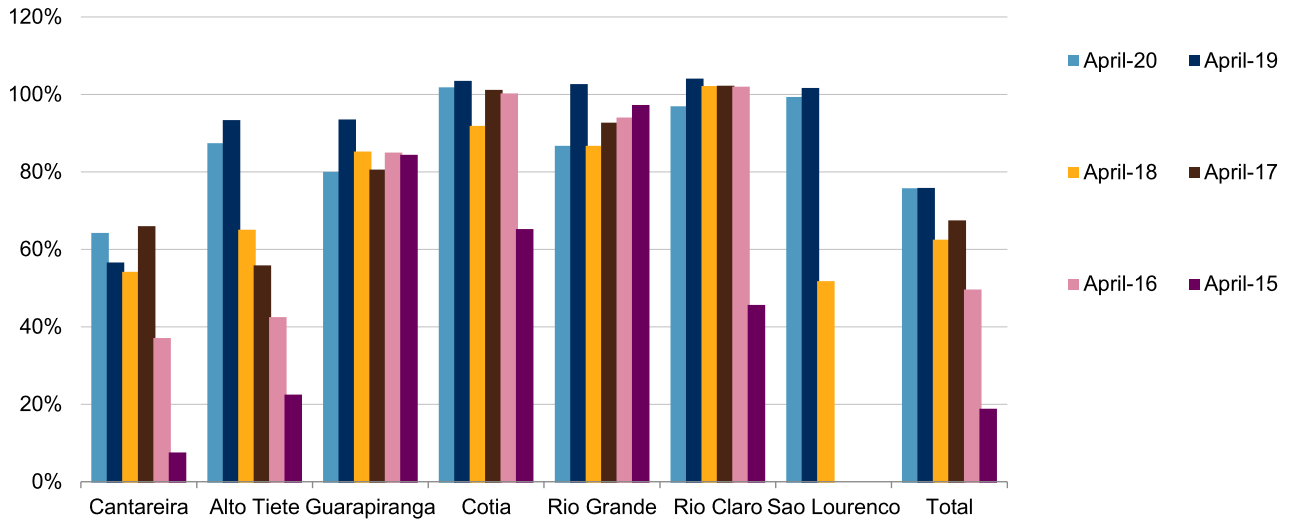
## Business Risk: Satisfactory

**Transparent regulatory framework, although regional.** SABESP's regulatory framework is under the state of Sao Paulo's regulatory agency--Agencia Reguladora de Saneamento e Energia do Estado de Sao Paulo (ARSESP)--and it is 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 also 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. We believe that the regulatory framework in place has ensured that SABESP can continue investing to improve service coverage in the municipalities where it operates.

**Reservoir levels and resilience are higher than in past years.** Since the 2014-2015 drought, SABESP has taken several initiatives to connect its water reservoirs that serve the city of Sao Paulo's metropolitan area and increase water production. Currently, its reservoirs are at their highest levels, and 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.

Chart 2

Reservoir Levels

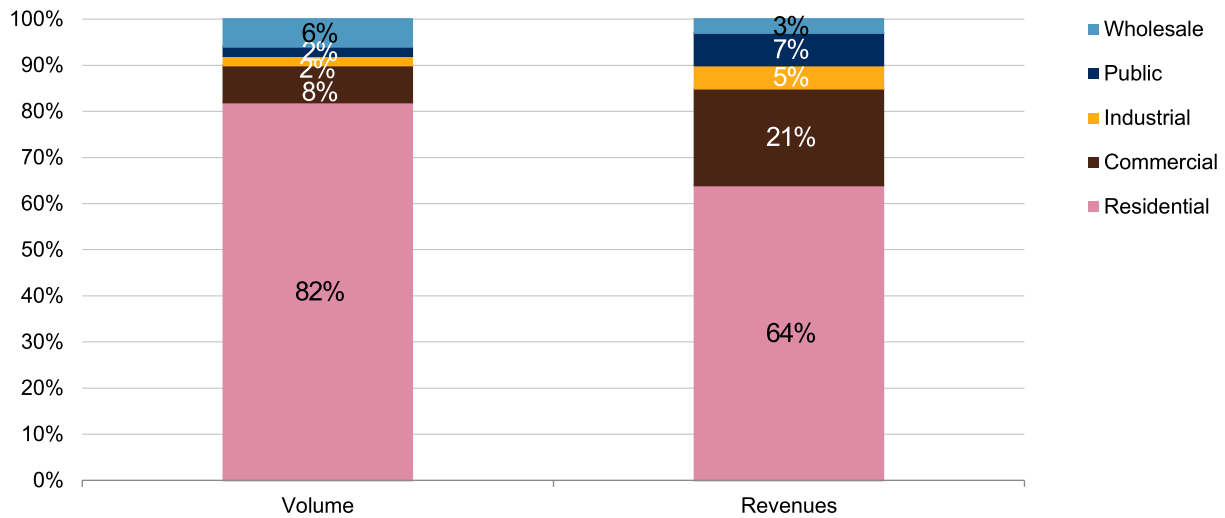


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**Diversified customer base, but geographic concentration.** Given that SABESP's client base is mostly in the residential segment, we don't believe the company faces any client concentration risks. We view this as positive for the company, since residential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

**Chart 3**

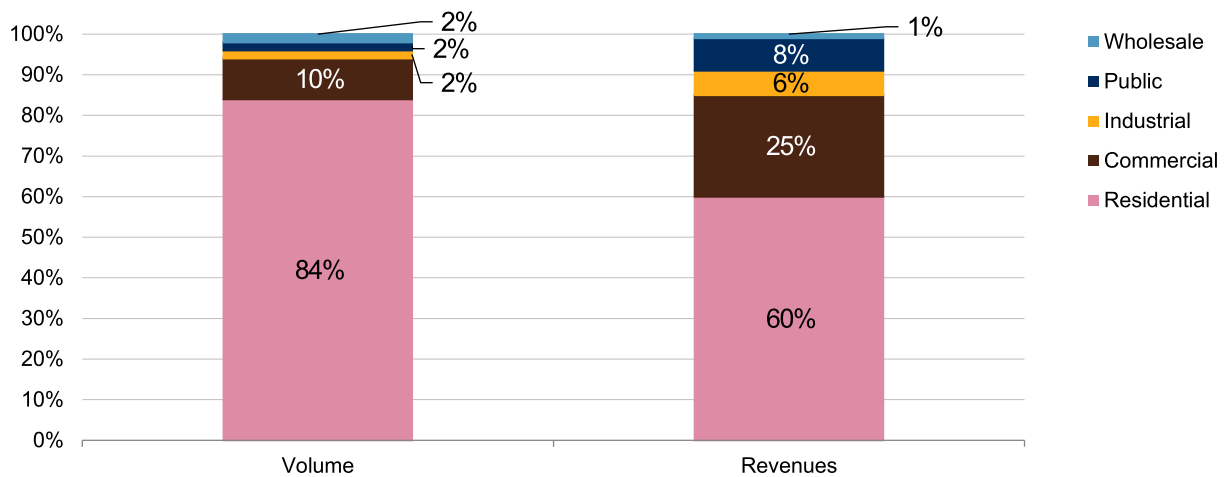
**Water Client Breakdown**



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**Chart 4**

**Sewage Client Breakdown**



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Nevertheless, SABESP has a geographic concentration in the metropolitan region of the city of Sao Paulo, which represents about 73% of the company's revenues. On the other hand, the fact that the concession contract for the municipality of Sao Paulo still has 20 years remaining gives the company's revenues stability.



## Peer comparison

We've selected these companies as SABESP's peers because they're both pure water utility companies, government-related entities, and rated in the 'BB' category.

When comparing them, we see that SABESP has a much larger scale and a regulatory framework still 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 April 13, 2020	BB-/Stable/--	BB+/Negative/--	BB+/Stable/B
	--Fiscal year ended Dec. 31, 2019--	--Fiscal year ended June 30, 2019--	--Fiscal year ended Dec. 31, 2018--
<b>(Mil. R\$)</b>			
Revenue	13,700.2	4,152.4	2,246.5
EBITDA	6,240.2	1,150.5	1,040.2
Funds from operations (FFO)	4,046.9	1,026.8	932.2
Interest expense	1,269.2	118.0	104.9
Cash interest paid	970.6	123.6	96.4
Cash flow from operations	3,964.0	963.7	529.6
Capital expenditure	3,040.2	300.9	634.1
Free operating cash flow (FOCF)	923.8	662.8	(104.5)
Discretionary cash flow (DCF)	183.8	662.8	(104.5)
Cash and short-term investments	2,253.2	960.2	58.1
Debt	14,352.4	478.4	718.9
Equity	21,635.8	5,883.8	4,016.1
<b>Adjusted ratios</b>			
EBITDA margin (%)	45.5	27.7	46.3
Return on capital (%)	13.9	16.9	7.0
EBITDA interest coverage (x)	4.9	9.7	9.9
FFO cash interest coverage (x)	5.2	9.3	10.7
Debt/EBITDA (x)	2.3	0.4	0.7
FFO/debt (%)	28.2	214.6	129.7
Cash flow from operations/debt (%)	27.6	201.4	73.7
FOCF/debt (%)	6.4	138.5	(14.5)
DCF/debt (%)	1.3	138.5	(14.5)

## Financial Risk: Significant

In spite of the expected negative impact of COVID-19 on overall economic activity and exchange rates, we expect SABESP to sustain a still adequate operating performance and relatively comfortable credit metrics over the next few years. In addition, 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 peak at about 3.0x and FFO to debt to approach 20% in 2020, but those should gradually recover over the next few years. In spite of lower water consumption growth, an increase in delinquency, and higher working capital needs, we expect SABESP to be able to keep metrics at these levels this year.

Given that SABESP has a robust investment plan of about R\$7.8 billion in the next two years, we expect that the company would need to raise additional debt in order to fund these investments, refinance existing debt, and distribute dividends.

### Financial summary

Table 2

Companhia de Saneamento Basico do Estado de Sao Paulo -- Financial Summary					
Industry Sector: Water					
	--Fiscal year ended Dec. 31--				
	2019	2018	2017	2016	2015
<b>(Mil. R\$)</b>					
Revenue	13,700.2	12,354.4	11,457.4	10,365.3	8,374.9
EBITDA	6,240.2	5,713.5	5,420.7	4,472.2	3,472.7
Funds from operations (FFO)	4,046.9	3,604.9	3,163.4	2,001.8	2,277.7
Interest expense	1,269.2	1,350.3	1,383.0	1,204.7	1,340.3
Cash interest paid	970.6	1,220.6	1,325.1	1,440.7	1,177.2
Cash flow from operations	3,964.0	3,354.4	2,652.8	2,302.8	2,174.9
Capital expenditure	3,040.2	1,694.7	1,327.7	1,435.1	1,985.6
Free operating cash flow (FOCF)	923.8	1,659.7	1,325.2	867.8	189.3
Discretionary cash flow (DCF)	183.8	1,006.3	559.2	728.4	(12.9)
Cash and short-term investments	2,253.2	3,029.2	2,283.0	1,886.2	1,639.2
Gross available cash	2,253.2	3,029.2	2,283.0	1,886.2	1,639.2
Debt	14,352.4	13,093.6	12,750.3	13,343.2	14,314.6
Equity	21,635.8	19,551.7	17,513.0	15,419.2	13,716.6
<b>Adjusted ratios</b>					
EBITDA margin (%)	45.5	46.2	47.3	43.1	41.5
Return on capital (%)	13.9	14.9	14.8	12.9	9.9
EBITDA interest coverage (x)	4.9	4.2	3.9	3.7	2.6
FFO cash interest coverage (x)	5.2	4.0	3.4	2.4	2.9
Debt/EBITDA (x)	2.3	2.3	2.4	3.0	4.1
FFO/debt (%)	28.2	27.5	24.8	15.0	15.9
Cash flow from operations/debt (%)	27.6	25.6	20.8	17.3	15.2

Table 2

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

## Industry Sector: Water

	--Fiscal year ended Dec. 31--				
	2019	2018	2017	2016	2015
<b>(Mil. R\$)</b>					
FOCF/debt (%)	6.4	12.7	10.4	6.5	1.3
DCF/debt (%)	1.3	7.7	4.4	5.5	(0.1)

FFO--Funds from operations.

**Liquidity: Adequate**

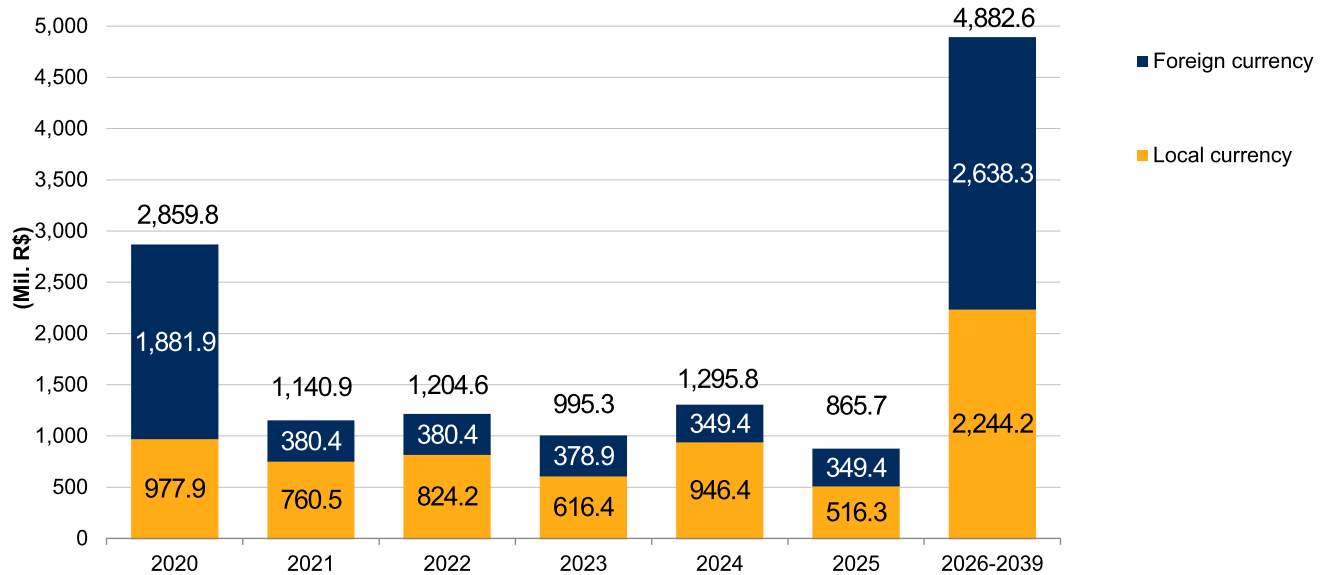
We expect the company's sources to uses of cash to be above 1.1x in the next 12 months, and that it will be able to keep complying with its financial covenants. We also expect the difference between sources and uses of cash to remain positive for the next 12 months even if forecasted EBITDA were to decline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

Principal Liquidity Sources	Principal Liquidity Uses
<ul style="list-style-type: none"> <li>Consolidated cash and liquid investments of R\$2.3 billion as of Dec. 31, 2019; and</li> <li>Projected cash flow generation of about R\$4.0 billion in 2020.</li> </ul>	<ul style="list-style-type: none"> <li>Short-term debt maturities of R\$2.9 billion, as of Dec. 31, 2019;</li> <li>Minimum annual investments of about R\$2.0 billion; and</li> <li>Dividend payments of about R\$600 million, equivalent to 25% of the previous year's net income.</li> </ul>

**Debt maturities**

**Chart 5**

**Debt Maturity Profile**  
As of Dec. 31, 2019



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## Covenant Analysis

SABESP has several financial covenants on its debt contracts, which it was in compliance with as of year-end 2019.

### Compliance expectations

We expect that SABESP will be able to comply with its financial covenants in the following few quarters, even with more volatile exchange rates, because about 50% of the company's debt is denominated in dollars or yen. Even if the company's 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 by 15%, we believe that SABESP has enough cushion on 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 acceleration would occur only if the company is not able to comply with them for two consecutive or non-consecutive quarters.

For the company's 10th, 14th, and 18th debenture issuances and its debt with Brazilian development bank BNDES (except contract 08.2.0169.1), compliance is measured on a quarterly basis and considers:

- 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 isn't able to comply with these thresholds for two quarters in a 12-month period. For the BNDES debt, 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 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 see 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 to the company and the people within its area of influence. For example, in 2014 SABESP's main reservoir was affected by a significant drought 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 serves about 28 million people directly with water and provides sewage collection services to about 24 million people in 372 municipalities in the state of São Paulo. Compared to 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.

Governance factors currently do not affect our ratings. However, in our view, the fact that SABESP is controlled by the state of São Paulo could ultimately undermine the effectiveness of the company's governance structure, because it could potentially 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 above-average when compared to other jurisdictions, wouldn't jeopardize the company's credit profile.

## Government Influence

The state of Sao Paulo is SABESP's controlling shareholder, with 50.3% of the company's shares. Currently, the credit quality of the Brazilian states limits the ratings on their GREs. In our view, there's a moderately high likelihood that the majority shareholder would provide timely and sufficient extraordinary support to SABESP in the event of financial distress. We base this view on the following:

- SABESP provides water and sewage services to about 70% of the urban population of the state.
- Currently, the state owns the majority of the company.

The state of Sao Paulo is discussing how to capitalize SABESP so that the company would have more capacity to invest in the next few years without increasing debt. The state is discussing two models:

- First, the creation of an intermediary vehicle that will hold the state of Sao Paulo's shares in SABESP. The state would still control the company, although indirectly.
- Second, the privatization of the company. However, the state government has signaled that this would happen only

if a broad federal regulatory framework is approved for the sanitation sector. In addition, this plan requires approval from the state legislative assembly.

## **Rating Above The Sovereign**

SABESP operates in a heavily regulated environment. It's regulated at the state level, through ARSESP. We believe there could be potential interference from the government in the water utility sector, given its ability to determine the guidelines for the segment. Therefore, we believe that a default of the state of Sao Paulo would provide incentives to the government to intervene in the company, hampering SABESP's ability to repay debt. Therefore, we consider that as a regulated utility, the ratings on SABESP are limited by the credit quality of its controlling shareholder, which is in turn capped by that of Brazil.

## **Issue Ratings - Subordination Risk Analysis**

We rate the following of SABESP's debt instruments:

- \$350 million notes maturing in December 2020 (rated 'BB-');
- R\$500 million 12th debentures issuance maturing in 2025 (rated 'brAAA');
- R\$1 billion 17th debentures issuance that matures in 2023 (rated 'brAAA');
- R\$500 million 21th debentures issuance maturing in 2022 (rated 'brAAA'); and
- R\$867 million 23rd debentures issuance that matures in 2027 (rated 'brAAA').
- R\$400 million 24th debentures issuance that matures in 2029 (rated 'brAAA').

### **Capital structure**

SABESP's capital structure consists of about R\$13.2 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 just 20% of its financial debt is secured, and therefore doesn't pose a significant disadvantage to the unsecured creditors.

## **Reconciliation**

Table 3

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

--Fiscal year ended Dec. 31, 2019--

**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
	12,710.6	17,983.7	7,491.7	5,711.6	841.3	6,240.2	4,197.2	3,273.4
<b>S&amp;P Global Ratings' adjustments</b>								
Cash taxes paid	--	--	--	--	--	(1,222.7)	--	--
Cash taxes paid: Other	--	--	--	--	--	--	--	--
Cash interest paid	--	--	--	--	--	(737.3)	--	--
Reported lease liabilities	534.1	--	--	--	--	--	--	--
Accessible cash and liquid investments	(2,253.2)	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	233.3	(233.3)	(233.3)	(233.3)
Income (expense) of unconsolidated companies	--	--	(3.7)	--	--	--	--	--
Nonoperating income (expense)	--	--	--	301.7	--	--	--	--
Debt: Workers compensation/self insurance	3,360.9	--	--	--	--	--	--	--
Revenue: Finance/interest income	--	(1,336.9)	(1,336.9)	(1,336.9)	--	--	--	--
Revenue: Other	--	(2,946.6)	(2,946.6)	(2,946.6)	--	--	--	--
COGS: Valuation gains/(losses)	--	--	(9.6)	(9.6)	--	--	--	--
COGS: Other nonoperating nonrecurring items	--	--	2,881.4	2,881.4	--	--	--	--
SG&A: Valuation gains/(losses)	--	--	145.1	145.1	--	--	--	--
EBITDA: Other	--	--	18.7	18.7	--	--	--	--
Interest expense: Other	--	--	--	--	194.6	--	--	--
Working capital: Taxes	--	--	--	--	--	--	1,222.7	--
Working capital: Other	--	--	--	--	--	--	1,200.8	--
Operating cash flow: Taxes	--	--	--	--	--	--	(1,222.7)	--
Operating cash flow: Other	--	--	--	--	--	--	(1,200.8)	--
Total adjustments	1,641.8	(4,283.5)	(1,251.5)	(946.2)	427.9	(2,193.3)	(233.3)	(233.3)



Table 3

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

S&P Global Ratings' adjusted amounts								
	Debt	Revenue	EBITDA	EBIT	Interest expense	Funds from operations	Cash flow from operations	Capital expenditure
	14,352.4	13,700.2	6,240.2	4,765.5	1,269.2	4,046.9	3,964.0	3,040.2

## Ratings Score Snapshot

### Issuer Credit Rating

BB-/Stable/--

### 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 (-2 notches from SACP)
- **Rating above the sovereign:** (no impact)

## Related Criteria

- Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Reflecting Subordination Risk in Corporate Issue Ratings, March 28, 2018
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<b>Business And Financial Risk Matrix</b>						
<b>Business Risk Profile</b>	<b>Financial Risk Profile</b>					
	Minimal	Modest	Intermediate	<b>Significant</b>	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
<b>Satisfactory</b>	a/a-	bbb+	bbb/bbb-	<b>bbb-/bb+</b>	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-

<b>Ratings Detail (As Of April 20, 2020)*</b>	
<b>Companhia de Saneamento Basico do Estado de Sao Paulo</b>	
Issuer Credit Rating	BB-/Stable/--
<i>Brazil National Scale</i>	brAAA/Stable/--
Senior Unsecured	
<i>Brazil National Scale</i>	brAAA
Senior Unsecured	BB-
<b>Issuer Credit Ratings History</b>	
12-Jan-2018	BB-/Stable/--
18-Aug-2017	BB/Negative/--
24-May-2017	BB/Watch Neg/--
19-Feb-2016	BB/Negative/--
13-Oct-2015	BB/Stable/--
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/--
19-Feb-2016	brA+/Negative/--

**Ratings Detail (As Of April 20, 2020)\*(cont.)**

13-Oct-2015

brAA-/Stable/--

\*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.

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