FitchRatings

Corporates
Water/Wastewater Utility
Brazil

Companhia de Saneamento Basico do Estado de Sao Paulo (SABESP)

Companhia de Saneamento Basico do Estado de Sao Paulo's (Sabesp) ratings reflect its solid business profile in Brazil's water/wastewater industry and the benefits from its large-scale operations and predictable demand. Fitch Ratings expects the company's net leverage to remain aligned with the ratings, despite the significantly negative free cash flow (FCF) expected due to a more aggressive capex plan than previously anticipated.

Sabesp's current EBITDA margins are above the average of its Brazilian peers, and its ability to continue improving them is crucial for managing higher debt levels. The company has strong financial flexibility to support capex and refinancing needs. Fitch evaluates the company's credit profile on a standalone basis separate from its main shareholders.

Key Rating Drivers

Low Business Risk: Sabesp's credit profile benefits from its near monopoly on the provision of an essential service in its concession area. As the largest water/wastewater company in the Americas by customer base, it has economies of scale that enhance profitability. Fitch's analysis considers the evolving regulatory environment and the hydrological risk inherent in Sabesp's business. The company's activity in the state of Sao Paulo is favorable, given the state has the largest GDP and population in the country.

Above-Peer EBITDA Margin: Fitch expects Sabesp to continue to improve its already-high EBITDA margin, achieving 54% in 2025 with gradual growth to above 60% in 2028. This level compares favourably with its peers in Latin America. The estimates of profitability increase incorporate results from operating efficiency gains, which is crucial to mitigating pressure on the company's credit metrics in the near term. The average EBITDA margin was 46% in 2020-2024, rising to 52% in 2024. The base case scenario forecasts EBITDA of BRL12.6 billion in 2025 and BRL14.7 billion in 2026.

High Revenue Predictability: Sabesp's credit profile benefits from resilient demand and record of adequate tariff increases that support its high revenue predictability. Fitch assumes tariff increases in line with inflation in 2025 and annual average of around 7% thereafter, supported by annual tariff revisions until 2029 to incorporate high capex levels. The total volume billed should grow by an average 3.1% annually during this period, given the increasing number of connections and improved billing measures. The base case scenario incorporates manageable levels of water losses and delinquency, with no water supply restrictions, as reservoirs are currently at comfortable levels.

Aggressive Capex Cycle: Sabesp has a capex plan of more than BRL60 billion for 2025-2029 to meet the regulatory target to provide water distribution services for 99% of the population and sewage collection and treatment to 99% of the population within its region of operation. The company focus mainly on increasing sewage treatment ratio, which is currently above 80%, as it already complies with the water distribution and sewage collection targets.

Manageable Leverage Increase: Fitch expects Sabesp's strong financial profile to be sustained through its capex cycle, despite estimates of higher indebtedness. Fitch forecasts EBITDA interest coverage reducing to 2.9x and net leverage peaking at 2.7x in the next three years, which are still commensurate with its ratings. These ratios were 5.7x and 1.7x at year-end (YE) 2024, respectively. Fitch also expects Sabesp's interest payments to increase because of the upward trend of the basic interest rates in Brazil, which is likely to further pressure FCF generation.

Ratings

Long-Term IDR	BB+
Long-Term Local-Currency IDR	BB+
National Long-Term Rating	AAA(bra)
Outlooks	
Long-Term Foreign-Currency IDR	Stable
Long-Term Local-Currency IDR	Stable
National Long-Term Rating	Stable

Click here for the full list of ratings

ESG and Climate

Highest ESG Relevance Scores

Environmental	3
Social	3
Governance	3

2035 Climate Vulnerability Signal: 15

Applicable Criteria

National Scale Rating Criteria (December 2020)

Corporate Rating Criteria (December 2024)

Related Research

Global Corporates Macro and Sector Forecasts — March 2025 (March 2025)

Latin American Utilities Outlook 2025 (December 2024)

Analysts

Gustavo Mueller
+55 21 4503 2632
gustavo.mueller@fitchratings.com

Julian Robayo
+57 601 241 3237
julian.robayo@fitchratings.com

Strong Negative FCF: Fitch estimates Sabesp's cash flow from operations (CFFO) of BRL6.1 billion in 2025, resulting in strong negative FCF of BRL11.0 billion after relevant investments of BRL15.0 billion and dividends of BRL2.3 billion. Annual FCF in 2026-2027 should average negative BRL7.1 billion, following an average CFFO of BRL7.8 billion and relevant average annual investments and dividends of BRL13.2 billion and BRL1.7 billion, respectively. The company is implementing a crucial operating efficiency strategy, including cost-cutting initiatives and commercial measures, which should improve cash flow generation and mitigate FCF pressure.

Financial Summary

(BRL Mil.)	2022	2023	2024	2025F	2026F	2027F
Gross revenue	17,192	19,972	21,726	23,259	25,825	28,628
EBITDA	7,063	9,645	11,354	12,640	14,675	16,778
EBITDA margin (%)	41.1	48.3	52.3	54.3	56.8	58.6
CFO (Fitch-defined)	3,377	4,181	6,835	6,261	6,811	8,478
EBITDA net leverage (x)	2.2	1.6	1.7	2.4	2.6	2.7

F – Forecast
Source: Fitch Ratings, Fitch Solutions

Peer Analysis

Sabesp's mature operations and its position as the largest water/wastewater utility in the Americas benefit its business profile in terms of economies of scale and financial structure. In comparison, Aegea Saneamento e Participacoes S.A. (Aegea; Local Currency [LC] and Foreign Currency [FC] Issuer Default Ratings [IDRs]: BB/Stable), has moderate leverage, reflecting its growth strategy, partially mitigated by stronger EBITDA margins. Sabesp's sound CFFO generation capacity also supports the one-notch difference in the IDR. Aegea's credit profile benefits from its diversified concessions within Brazil, while Sabesp operates exclusively in the state of Sao Paulo, which results in concentrated operational and regulatory risks.

Compared to power-transmission company Alupar Investimento S.A. (LC IDR: BBB-/Stable; FC IDR: BB+/Stable), Sabesp has higher regulatory risk, lower operational cash flow predictability and less asset diversification, which explains the difference in the LC IDRs.

Sabesp compares favorably with Namibia Water Corporation (NamWater; LC and FC IDRs: BB-/Stable), a government-related entity in Namibia that has its ratings constrained by the shareholder. This is due to Fitch's view of legal ringfencing and access and control as 'open', which leads to the company's IDRs being constrained by the sovereign's. NamWater Standalone Credit Profile is 'bb-', supported by the company's role as the water supplier in Namibia, with a cost pass-through tariff framework and a strong financial profile.

Navigator Peer Comparison

	IDR/Outlook	Operating Environment	Management and Corporate Governance	Regulatory Environment	Commodity Exposure	Market Position	Asset Base and Operations	Profitability	Financial Structure	Financial Flexibility
Aegea Saneamento e Participacoes S.A.	BB/Stable	bb	bb+	bb+	bb+	bbb	bb+	bb	bb	bb
Alupar Investimento S.A.	BB+/Stable	bb	bbb-	bbb	bbb	bbb	bbb-	bbb	bbb-	bbb-
Companhia de Saneamento Basico do Estado de Sao Paulo (SABESP)	BB+/Stable	bb	bb+	bb+	bb+	bbb	bb+	bb+	bbb	bb

Source: Fitch Ratings
Relative Importance of Factor: Higher, Moderate, Lower

Name	IDR/Outlook	Operating Environment	Management and Corporate Governance	Regulatory Environment	Commodity Exposure	Market Position	Asset Base and Operations	Profitability	Financial Structure	Financial Flexibility
Aegea Saneamento e Participacoes S.A.	BB/Stable	0	+1	+1	+1	+3	+1	0	0	0
Alupar Investimento S.A.	BB+/Stable	-1	+1	+2	+2	+2	+1	+2	+1	+1
Companhia de Saneamento Basico do Estado de Sao Paulo (SABESP)	BB+/Stable	-1	0	0	0	+2	0	0	+2	-1

Source: Fitch Ratings
Factor Score Relative to IDR: Worse positioned than IDR, Within one notch of IDR, Better positioned than IDR

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- Negative action on the Brazilian Country Ceiling, which will lead to negative action on the FC IDR;
- EBITDA margins below 40%;
- Net leverage sustained above 3.0x;
- Increased regulatory risk;
- Lower financial flexibility.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- A positive rating action on the LC IDR depends on FCF neutral to slightly negative;
- A positive rating action on the FC IDR depends on the same movement on the LC IDR and on the Brazilian Country Ceiling;
- An upgrade of the National Scale Ratings is not possible as the rating is at the top of the national scale.

Liquidity and Debt Structure

Sabesp' strong access to financial market is a key factor for the rating, as it enables the company to finance its negative FCF and rollover existing debt. The company's strong cash position of BRL5.4 billion at YE 2024 is likely to decline as Sabesp implements its capex plan. Sabesp has a lengthened debt maturity schedule, with BRL2.9 billion maturing in 2025. In 1Q25, the company issued BRL3.7 billion in debentures for refinancing purposes and reinforce liquidity. Fitch expects Sabesp to sustain its cash balance-to-short term debt ratio above 1.0x through the cycle.

At YE 2024, Sabesp's total debt of BRL24.7 billion consisted primarily of funding of BRL9.8 billion from multilateral agencies, BRL11.7 billion in debenture issuances, and BRL2.7 billion from Caixa Economica Federal (Caixa) and Banco Nacional de Desenvolvimento Economico e Social (BNDES). Positively, Sabesp hedges all its FX debt exposure.

ESG Considerations

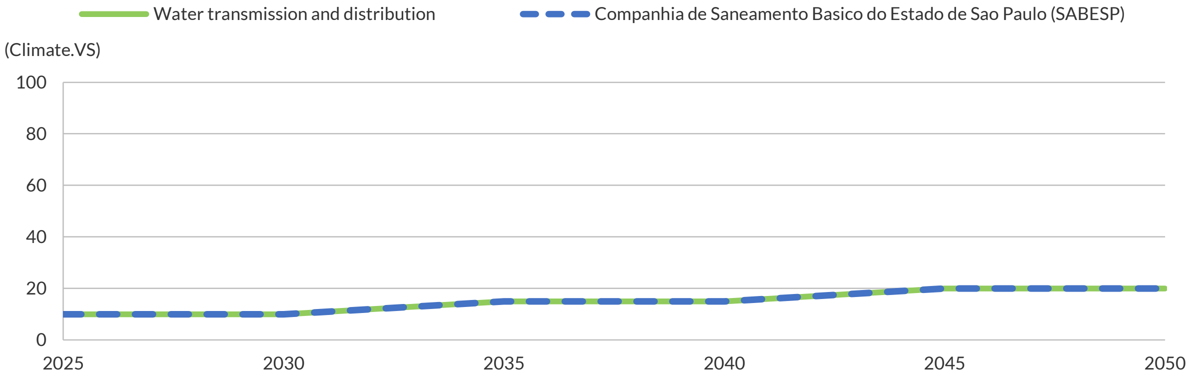
The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

Climate Vulnerability Considerations

Fitch uses Climate Vulnerability Signals (Climate.VS) as a screening tool to identify sectors and Fitch-rated issuers that are potentially most exposed to credit-relevant climate transition risks and, therefore, require additional consideration of these risks in rating reviews. Climate.VS range from 0 (lowest risk) to 100 (highest risk). For more information on Climate.VS, see Fitch's Corporate Rating Criteria. For more detailed, sector-specific information on how Fitch perceives climate-related transition risks, see Climate Vulnerability Signals for Non-Financial Corporate Sectors.

The 2024 revenue-weighted Climate.VS for SABESP for 2035 is 15 out of 100, suggesting low exposure to climate-related risks in that year. For further information on how Fitch perceives climate-related risks in the utilities sector, see our Utilities – Long-Term Climate Vulnerability Signals Update.

Climate.VS Evolution
As of March 31, 2025



Source: Fitch Ratings

Liquidity and Debt Maturities

Liquidity Analysis

(BRL Mil.)	2025F	2026F	2027F	2028F
Available liquidity				
Beginning cash balance	5,382	-8,492	-21,688	-30,209
Rating case FCF after acquisitions and divestitures	-11,014	-8,439	-6,062	—
Total available liquidity (A)	**-5,632**	**-16,931**	**-27,750**	**-30,209**
Liquidity uses				
Debt maturities	-2,860	-4,757	-2,459	-1,734
Total liquidity uses (B)	**-2,860**	**-4,757**	**-2,459**	**-1,734**
Liquidity calculation				
Ending cash balance (A+B)	-8,492	-21,688	-30,209	-31,943
Revolver availability	—	—	—	—
Ending liquidity	**-8,492**	**-21,688**	**-30,209**	**-31,943**
Liquidity score (x)	-2.0	-3.6	-11.3	-17.4

F – Forecast
Source: Fitch Ratings, Fitch Solutions, Companhia de Saneamento Basico do Estado de Sao Paulo (SABESP)

Scheduled Debt Maturities

(BRL Mil.)	December 31, 2024
2025	2,860
2026	4,757
2027	2,459
2028	1,734
2029	2,377
Thereafter	10,535
Total	**24,723**

Source: Fitch Ratings, Fitch Solutions, Companhia de Saneamento Basico do Estado de Sao Paulo (SABESP)

Key Assumptions

- Total volume billed growth of 2.9% on annual average for 2025-2027, supported mainly by growth of connections and overall stable volume/connection consumption;
- Total annual tariff increase of 6.4% on annual average for 2025-2027;
- Average annual capex of BRL15.4 billion in 2025-2027;
- Average annual dividends of BRL2.2 billion in 2025-2027, equivalent to a payout ratio of 25% of net profit until 2026 and of 50% in 2027.

Financial Data

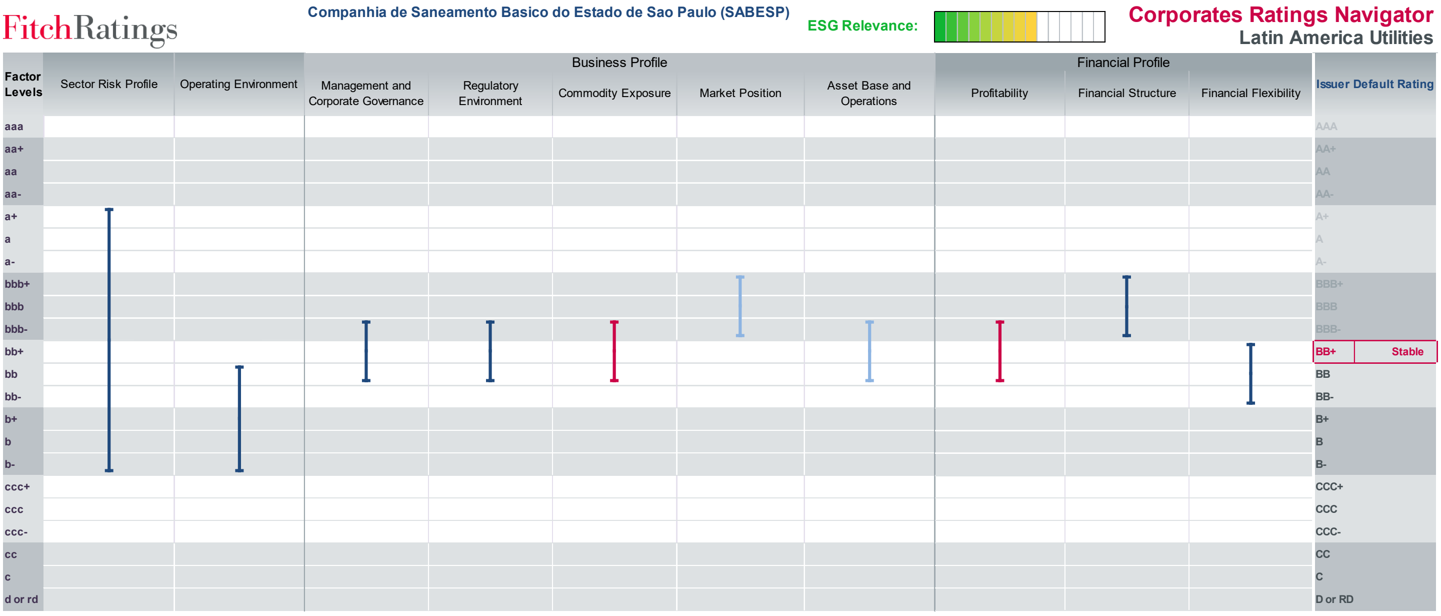
(BRL Mil.)	2022	2023	2024	2025F	2026F	2027F
Summary income statement						
Gross revenue	17,192	19,972	21,726	23,259	25,825	28,628
Revenue growth (%)	13.7	16.2	8.8	7.1	11.0	10.9
EBITDA before income from associates	7,063	9,645	11,354	12,640	14,675	16,778
EBITDA margin (%)	41.1	48.3	52.3	54.3	56.8	58.6
EBITDA after associates and minorities	7,063	9,645	11,354	12,640	14,675	16,778
EBIT	4,612	6,855	8,677	9,565	11,038	12,698
EBIT margin (%)	26.8	34.3	39.9	41.1	42.7	44.4
Gross interest expense	-1,002	-1,199	-1,481	-3,729	-5,203	-5,434
Pretax income including associate income/loss	4,273	4,754	13,643	6,576	6,387	7,644
Summary balance sheet						
Readily available cash and equivalents	3,545	3,265	5,382	4,054	3,168	3,750
Debt	18,857	19,085	24,723	34,409	41,962	48,606
Net debt	15,312	15,820	19,340	30,355	38,794	44,855
Summary cash flow statement						
EBITDA	7,063	9,645	11,354	12,640	14,675	16,778
Cash interest paid	-1,505	-1,936	-1,977	-3,729	-5,203	-5,434
Cash tax	-1,369	-1,569	-1,763	-1,775	-1,725	-2,064
Dividends received less dividends paid to minorities (inflow/outflow)	—	—	—	—	—	—
Other items before FFO	-508	-1,139	-702	-783	-626	-501
FFO	4,098	5,372	7,729	7,092	7,674	9,159
FFO margin (%)	23.8	26.9	35.6	30.5	29.7	32.0
Change in working capital	-721	-1,191	-894	-831	-863	-681
CFO (Fitch-defined)	3,377	4,181	6,835	6,261	6,811	8,478
Total non-operating/nonrecurring cash flow	—	—	—	—	—	—
Capex	-3,624	-4,139	-8,031	—	—	—
Capital intensity (capex/revenue) (%)	21.1	20.7	37.0	—	—	—
Common dividends	-604	-824	-929	—	—	—
FCF	-850	-782	-2,125	—	—	—
FCF margin (%)	-4.9	-3.9	-9.8	—	—	—
Net acquisitions and divestitures	—	—	—	—	—	—
Other investing and financing cash flow items	-26	-99	-400	—	—	—
Net debt proceeds	1,270	600	4,624	9,686	7,553	6,643
Net equity proceeds	—	1	—	—	—	—
Total change in cash	394	-280	2,100	-1,328	-886	582
Calculations for forecast publication						
Capex, dividends, acquisitions and other items before FCF	-4,228	-4,962	-8,960	-17,275	-15,250	-14,540
FCF after acquisitions and divestitures	-850	-782	-2,125	-11,014	-8,439	-6,062
FCF margin after net acquisitions (%)	-4.9	-3.9	-9.8	-47.4	-32.7	-21.2
Gross Leverage ratios (x)						
EBITDA leverage	2.7	2.0	2.2	2.7	2.9	2.9
(CFO-capex)/debt	-1.3	0.2	-4.8	-25.4	-17.4	-7.9
Net Leverage ratios (x)						
EBITDA net leverage	2.2	1.6	1.7	2.4	2.6	2.7
(CFO-capex)/net debt	-1.6	0.3	-6.2	-28.8	-18.8	-8.6
Coverage ratios (x)						
EBITDA interest coverage	4.7	5.0	5.7	3.4	2.8	3.1

CFO – Cash flow from operations
Source: Fitch Ratings, Fitch Solutions

How to Interpret the Forecast Presented

The forecast presented above is based on Fitch Ratings' internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch Ratings to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch Ratings' rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch Ratings' forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch Ratings' own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch Ratings' own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch Ratings may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch Ratings' own internal deliberations, where Fitch Ratings, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch Ratings may update the forecast in future reports but assumes no responsibility to do so. Original financial statement data for historical periods is processed by Fitch Solutions on behalf of Fitch Ratings. Key financial adjustments and all financial forecasts credited to Fitch Ratings are generated by rating agency staff.

Ratings Navigator



Bar Chart Legend:	
Vertical Bars = Range of Rating Factor	Bar Arrows = Rating Factor Outlook
Bar Colors = Relative Importance	⇧ Positive
Higher Importance	⇩ Negative
Average Importance	⇳ Evolving
Lower Importance	☐ Stable

FitchRatings

Companhia de Saneamento Basico do Estado de Sao Paulo (SABESP)

Corporates Ratings Navigator
Latin America Utilities

Operating Environment

bb+	Economic Environment	bbb	Average combination of countries where economic value is created and where assets are located.
bb	Financial Access	bbb	Average combination of issuer specific funding characteristics and of the strength of the relevant local financial market.
	Systemic Governance	b	Systemic governance (eg rule of law, corruption; government effectiveness) of the issuer's country of incorporation consistent with 'b'.
b-			
ccc+			

Management and Corporate Governance

bbb	Management Strategy	bb	Strategy generally coherent but some evidence of weak implementation.
bbb-	Governance Structure	bbb	Good CG track record but effectiveness/independence of board less obvious. No evidence of abuse of power even with ownership concentration.
bb+	Group Structure	aa	Transparent group structure.
bb	Financial Transparency	bbb	Good quality reporting without significant failing. Consistent with the average of listed companies in major exchanges.
bb-			

Regulatory Environment

bbb	Independence	bb	Moderate government Interference in utility regulations.
bbb-	Balance	bbb	Regulatory framework is moderately biased toward the needs of end users at the expense of sector participants.
bb+	Transparency	bbb	The tariff-setting procedure is transparent and includes the participation of industry players.
bb	Recourse of Law	bb	Procedures to appeal rulings are lengthy; appeals could be untested; companies can comment on regulations.
bb-	Timeliness of Cost Recovery	bbb	Moderate lag to recover capital and operating costs.

Commodity Exposure

bbb	Price and Volume Risk	bbb	Moderate exposure to price risk. Long-term contracts provide high revenue visibility and most costs variations are passed through.
bbb-	Counterparty Risk	bb	Weighted average credit quality of actual and potential offtakers is in line with 'BB' rating.
bb+			
bb			
bb-			

Market Position

a-	Consumption Growth Trend	bbb	Customer and usage growth in line with industry averages.
bbb+	Customer Mix	a	Well diversified customer mix.
bbb	Geographic Location	bb	High sensitivity to extreme weather or disaster disruptions.
bbb-	Supply Demand Dynamics	bbb	Moderately favorable outlook for prices and rates.
bb+			

Asset Base and Operations

bbb	Asset Diversity	bbb	Good quality and/or reasonable scale diversified assets.
bbb-	Reliability of Operations and Cost Position	bbb	Reliability and cost of operations at par with industry averages with moderate operating losses.
bb+	Exposure to Environmental Regulations	bb	Significant exposure to environmental regulations.
bb	Capital and Technological Intensity of Capex	bb	Reinvestment concentrated in capital-intensive or unproven technologies.
bb-			

Profitability

bbb	Volatility of Profitability	bbb	Stability and predictability of profits in line with utility peers.
bbb-	Free Cash Flow	bb	Structurally negative FCF across the investment cycle.
bb+			
bb			
bb-			

Financial Structure

a-	EBITDA Leverage	bbb	4.0x
bbb+	EBITDA Net Leverage	bbb	3.5x
bbb			
bbb-			
bb+			

Financial Flexibility

bbb-	Financial Discipline	bbb	Less conservative policy but generally applied consistently.
bb+	Liquidity (Cash+CFO)/S-T Debt	bbb	One-year liquidity ratio above 1.25x. Well-spread maturity schedule of debt but funding may be less diversified.
bb	EBITDA Interest Coverage	b	3.0x
bb-	FX Exposure	bbb	Some FX exposure on profitability and/or debt/cash flow match. Effective hedging in place.
b+			

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

Credit-Relevant ESG Derivation

Companhia de Saneamento Basico do Estado de Sao Paulo (SABESP) has 12 ESG potential rating drivers

- Energy and fuel use in operations; entities' financial targets for losses/shrinkage
- Water usage in operations; water utilities' financial targets for water quality, leakage and usage
- Impact of waste including pollution incidents; discharge compliance; sludge, coal ash
- Networks' exposure to extreme weather events- negative (e.g. risk of drought and flooding) or positive (e.g. additional return on resilience capex)
- Regulatory-driven access and affordability targets of utility services
- Quality and safety of products and services; data security

Showing top 6 issues

			Overall ESG
key driver	0	issues	5
driver	0	issues	4
potential driver	12	issues	3
not a rating driver	1	issues	2
	1	issues	1

For further details on Credit-Relevant ESG scoring, see page 3.

FitchRatings

Companhia de Saneamento Basico do Estado de Sao Paulo (SABESP)

Corporates Ratings Navigator
Latin America Utilities

Credit-Relevant ESG Derivation

Companhia de Saneamento Basico do Estado de Sao Paulo (SABESP) has 12 ESG potential rating drivers

- Companhia de Saneamento Basico do Estado de Sao Paulo (SABESP) has exposure to energy productivity risk but this has very low impact on the rating.
- Companhia de Saneamento Basico do Estado de Sao Paulo (SABESP) has exposure to water management risk but this has very low impact on the rating.
- Companhia de Saneamento Basico do Estado de Sao Paulo (SABESP) has exposure to waste & impact management risk but this has very low impact on the rating.
- Companhia de Saneamento Basico do Estado de Sao Paulo (SABESP) has exposure to extreme weather events but this has very low impact on the rating.
- Companhia de Saneamento Basico do Estado de Sao Paulo (SABESP) has exposure to access/affordability risk but this has very low impact on the rating.
- Companhia de Saneamento Basico do Estado de Sao Paulo (SABESP) has exposure to customer accountability risk but this has very low impact on the rating.

Showing top 6 issues

			ESG Relevance to Credit Rating
key driver	0	issues	5
driver	0	issues	4
potential driver	12	issues	3
not a rating driver	1	issues	2
	1	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	1	Emissions from operations	Asset Base and Operations; Regulatory Environment; Profitability; Financial Structure	5
Energy Management	3	Energy and fuel use in operations; entities' financial targets for losses/shrinkage	Asset Base and Operations; Commodity Exposure; Profitability; Financial Structure	4
Water & Wastewater Management	3	Water usage in operations; water utilities' financial targets for water quality, leakage and usage	Asset Base and Operations; Regulatory Environment; Profitability	3
Waste & Hazardous Materials Management; Ecological Impacts	3	Impact of waste including pollution incidents; discharge compliance; sludge, coal ash	Asset Base and Operations; Regulatory Environment; Profitability	2
Exposure to Environmental Impacts	3	Networks' exposure to extreme weather events- negative (e.g. risk of drought and flooding) or positive (e.g. additional return on resilience capex)	Asset Base and Operations; Commodity Exposure; Profitability	1

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	3	Regulatory-driven access and affordability targets of utility services	Asset Base and Operations; Regulatory Environment; Profitability	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Quality and safety of products and services; data security	Regulatory Environment; Profitability	4
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Profitability; Financial Structure; Financial Flexibility	3
Employee Wellbeing	2	Worker safety and accident prevention	Financial Flexibility	2
Exposure to Social Impacts	3	Social resistance to major projects that leads to delays and cost increases	Profitability; Financial Structure	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance	5
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance	4
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance	3
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance	2
				1

How to Read This Page

ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

CREDIT-RELEVANT ESG SCALE

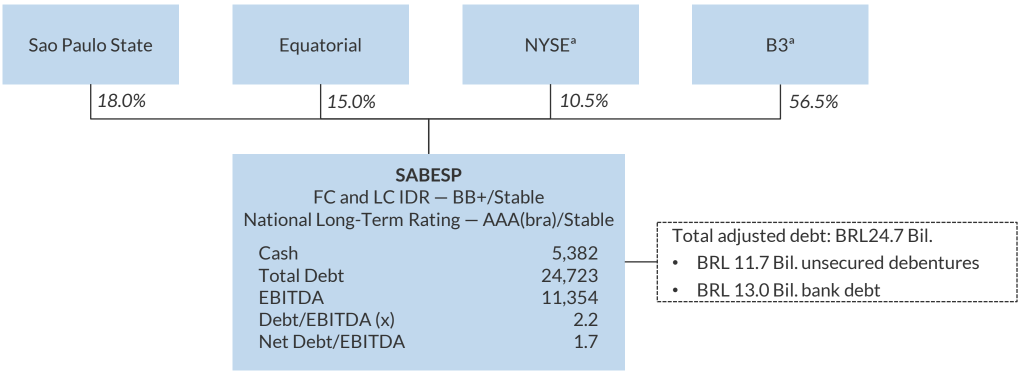
How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Simplified Group Structure Diagram

Organizational Structure — Compania de Saneamento Basico do Estado de Sao Paulo (SABESP)

(BRL Mil., as of December 31, 2024)



[a] Free float. IDR – Issuer Default Rating.
Source: Fitch Ratings, Compania de Saneamento Basico do Estado de Sao Paulo (SABESP)

Peer Financial Summary

Company	Issuer Default Rating	Financial statement date	Gross revenue (USD Mil.)	EBITDA (USD Mil.)	EBITDA margin (%)	EBITDA interest coverage (x)	EBITDA net leverage (x)
Companhia de Saneamento Basico do Estado de Sao Paulo (SABESP)	BB+						
	BB+	2024	3,509	1,834	52.3	5.7	1.7
	BB+	2023	4,060	1,961	48.3	5.0	1.6
	BB	2022	3,342	1,373	41.1	4.7	2.2
Aegea Saneamento e Participacoes S.A.	BB						
	BB	2024	1,616	960	59.4	3.1	3.9
	BB	2023	1,394	693	49.7	2.6	4.9
	BB	2022	714	434	60.7	2.6	4.2
Alupar Investimento S.A.	BB+						
	BB+	2024	529	424	80.1	2.3	3.5
	BB+	2023	648	536	82.6	2.5	3.4
	BB	2022	570	479	84.0	3.0	3.6
Namibia Water Corporation	BB–						
	BB–	2024	110	10	9.4	75.5	-9.6
	BB–	2023	115	19	16.1	153.5	-5.3
	BB–	2022	141	34	23.9	43.9	-3.2

Source: Fitch Ratings, Fitch Solutions

Fitch Adjusted Financials

(BRL 000, as of December 31, 2024)	Notes and formulas	Standardized values	Lease treatment	Other adjustments	Adjusted values
Income statement summary					
Revenue		36,145,477	—	-14,419,871	21,725,606
EBITDA	(a)	18,187,102	—	-6,833,298	11,353,804
Depreciation and amortization		-2,676,642	—	—	-2,676,642
EBIT		15,510,460	—	-6,833,298	8,677,162
Balance sheet summary					
Debt	(b)	24,790,229	—	-67,440	24,722,789
Of which other off-balance-sheet debt		—	—	—	—
Lease-equivalent debt		—	—	—	—
Lease-adjusted debt		24,790,229	—	-67,440	24,722,789
Readily available cash and equivalents	(c)	5,382,300	—	—	5,382,300
Not readily available cash and equivalents		37,715	—	—	37,715
Cash flow summary					
EBITDA	(a)	18,187,102	—	-6,833,298	11,353,804
Dividends received from associates less dividends paid to minorities	(d)	—	—	—	—
Interest paid	(e)	-1,976,694	—	—	-1,976,694
Interest received	(f)	817,060	—	—	817,060
Preferred dividends paid	(g)	—	—	—	—
Cash tax paid		-1,763,206	—	—	-1,763,206
Other items before FFO		-6,965,903	—	6,263,573	-702,330
FFO	(h)	8,298,359	—	-569,725	7,728,634
Change in working capital		-893,791	—	—	-893,791
CFO	(i)	7,404,568	—	-569,725	6,834,843
Non-operating/nonrecurring cash flow		—	—	—	—
Capex	(j)	-8,030,674	—	—	-8,030,674
Common dividends paid		-928,851	—	—	-928,851
FCF		-1,554,957	—	-569,725	-2,124,682
Gross leverage (x)					
EBITDA leverage	b/(a+d)	1.4	—	—	2.2
(CFO-capex)/debt (%)	(i+j)/b	-2.5	—	—	-4.8
Net leverage (x)					
EBITDA net leverage	(b-c)/(a+d)	1.1	—	—	1.7
(CFO-capex)/net debt (%)	(i+j)/(b-c)	-3.2	—	—	-6.2
Coverage (x)					
EBITDA interest coverage	(a+d)/(-e)	9.2	—	—	5.7

CFO – Cash flow from operations
Notes: The standardized items presented above are based on Fitch's taxonomy for the given sector and region.
Reported items may not match the Fitch taxonomy, but they are captured into corresponding lines accordingly.
Debt includes other off-balance-sheet debt.
Debt in the standardized values column excludes lease liabilities of BRL468,068 thousand.
Source: Fitch Ratings, Fitch Solutions, Companhia de Saneamento Basico do Estado de Sao Paulo

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.