

# 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 and financial profile within the water/wastewater industry in Brazil, with benefits coming from its large scale in the industry. Fitch Ratings expects the company to maintain conservative net leverage and robust liquidity. This is despite Fitch's forecast of negative FCFs due to an even more aggressive capex plan than previously anticipated.

The analysis incorporates Fitch's view of the company's ownership exposure to the majority shareholder, the state of Sao Paulo (Issuer Default Rating (IDR), BB/Stable), and the allowance of the Local Currency (LC) IDR to be up to two notches above the parent's rating, as per Fitch's criteria, which is currently not a constraint.

## Key Rating Drivers

**Porous Linkage Assessment:** Fitch's assessment of Sabesp's Standalone Credit Profile (SCP) is commensurate with a 'BB+' LC IDR. Nevertheless, Sabesp is a company controlled by the state of Sao Paulo and, therefore, Fitch applied the Government-Related Entities and Parent and Subsidiary Linkage Rating Criteria, which resulted in the issuer's LC IDR allowance at two notches above its parent's IDR.

Sabesp's LC IDR can reflect its Standalone Credit Profile (SCP), considering that the state of Sao Paulo's IDR is 'BB'. Fitch regards the decision-making influence of the state of São Paulo over Sabesp's operations as strong and the oversight robust. In addition, there is 'porous' legal ringfencing and 'porous' access and control between the company and its main shareholder.

**Low Business Risk:** Sabesp's credit profile benefits from its almost monopolistic position for provision of an essential service in its concession area. It presents economies of scale as the largest water/wastewater company in the Americas by number of customers, which adds to its profitability.

The analysis takes into consideration the evolving regulatory environment, the hydrological risk intrinsic to Sabesp's business and the political exposure as a state-owned company, with potential shift in strategies after each election for the government of Sao Paulo. The company's activity in the state of Sao Paulo is favorable, given the state has the largest GDP and population in the country.

**High Revenue Predictability:** Sabesp's credit profile benefits from resilient demand and record of adequate tariff increases that supports its high revenue predictability. Fitch already incorporated the approved tariff increase of 6.45% scheduled to be implemented in May 2024. The assumption for annual tariff increase thereafter is in line with inflation estimates of about 3.5%.

The company also benefits from required revenue framework in which it must receive or return revenue to customers in the following year, by means of a tariff adjustment, if realized revenue falls outside the range -2.5% to +2.5% from the regulatory required revenue. This revenue protection mechanism should be reviewed by Sabesp's regulatory entity in the next tariff revision, estimated to occur in 2025, and Fitch does not anticipate any relevant changes on the company's low revenue volatility.

## Ratings

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

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](#)

2035 Climate Vulnerability Signal: 14

## Applicable Criteria

[Corporate Rating Criteria \(November 2023\)](#)

[Government-Related Entities Rating Criteria \(January 2024\)](#)

[National Scale Rating Criteria \(December 2020\)](#)

[Parent and Subsidiary Linkage Rating Criteria \(June 2023\)](#)

## Related Research

[Global Corporates Macro and Sector Forecasts](#)

## Analysts

Gustavo Mueller  
 +55 21 4503 2632  
[gustavo.mueller@fitchratings.com](mailto:gustavo.mueller@fitchratings.com)

Mauro Storino  
 +55 21 4503 2625  
[mauro.storino@fitchratings.com](mailto:mauro.storino@fitchratings.com)

**EBITDA Margin Above Peers:** Fitch expects Sabesp to keep an EBITDA margin in the 45%-50% range, which is high and compares favorably with its state-owned peers in Brazil. In the base case scenario for the rating, the company's EBITDA margin reaches 45% in 2024 and increases to 47% in 2025, mainly supported by operating efficiency gains. Total volume billed should increase by 1.4% on average annually during this period, given the increasing number of connections. Fitch's projection assumes manageable levels of water losses and delinquency and no water supply restrictions, as reservoirs are at comfortable levels.

**Heavy Investment Cycle:** Sabesp significantly increased its capex plan for 2024-2027 to BRL39 billion, from BRL24 billion previously expected, which should further pressure FCF. Fitch projects the issuer's EBITDA of BRL10.3 billion and cash flow from operations (CFFO) of BRL4.9 billion in 2024, resulting in negative FCF of BRL4.2 billion after relevant investments of BRL8.1 billion and dividends of BRL1.0 billion. Annual FCF in 2025-2026 should average negative BRL5.7 billion, after robust average CFFO of BRL6.2 billion, investments of BRL11.0 billion and expected dividends of around BRL950 million on average per year. Working capital pressure should ease as the company improves commercial measures.

**Low to Moderate Leverage:** The leverage metrics of Sabesp should remain low to moderate over the rating horizon 2024-2026, despite of heavy negative FCF. In the base case scenario, the total debt-to-EBITDA and net debt-to-EBITDA ratios increase but remain below 3.5x and 3.0x, respectively, which are conservative for the industry. Fitch forecasts gross leverage of 2.2x and net leverage of 2.0x in 2024 and peaking by 2027 as the company implements its capex plan.

**Possible Privatization Should Be Neutral:** The ongoing strategy for possible change in Sabesp's ownership structure should not affect the ratings. The potential impact on the company's ratings deriving from privatization will depend on whether the updates mainly in capex, dividend and financial policies are materially different from current assumptions. The assessment after conclusion of eventual privatization will also take into consideration Fitch's expectations on efficiency gains and profitability improvements.

## Financial Summary

(BRLm)	2021	2022	2023	2024F	2025F	2026F
Gross revenue	15,114	17,192	19,972	22,629	23,671	25,002
EBITDA	6,351	7,063	9,645	10,264	11,209	11,898
EBITDA margin (%)	42.0	41.1	48.3	45.4	47.4	47.6
CFO (Fitch-defined)	3,334	3,377	4,181	4,883	6,016	6,373
EBITDA net leverage (x)	2.3	2.2	1.7	2.0	2.4	2.7

F – Forecast

Source: Fitch Ratings, Fitch Solutions

## Rating Derivation Relative to Peers

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, compared with Aegea Saneamento e Participacoes S.A. (Aegea; LC and Foreign Currency (FC) IDRs BB/Stable), which 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 on the IDR, despite exposure to political risk. Aegea's credit profile benefits from its diversified concessions within Brazil, while Sabesp operates exclusively in the state of Sao Paulo, which concentrates operational and regulatory risks.

Compared with power-transmission company Alupar Investimento S.A. (LC IDR BBB-/Stable; FC IDR BB+/Stable), Sabesp presents higher regulatory risk, lower operational cash flow predictability and less asset diversification, which explain the difference on the LC IDRs, despite Sabesp's expected lower leverage metrics.

Sabesp favorably compares with Namibia Water Corporation (NamWater; FC and LC IDRs BB-/Stable), a government-related entity in Namibia that has its ratings constrained by the shareholder, given 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 SCP is 'bbb-', supported by the company's role as the water supplier in Namibia, with a cost pass-through tariff framework and a strong financial profile.

## Rating Sensitivities

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

- A positive rating action on the LC IDR depends on FCF at least 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.

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

- Negative action on the Brazilian Country Ceiling will lead to negative action on the FC IDR;
- Negative rating action on the state of São Paulo rating by more than one level may lead to negative action on the FC and LC IDRs;
- EBITDA margins below 40%;
- Net leverage sustained above 3.0x;
- Increased political and/or regulatory risk;
- Lower financial flexibility.

## Liquidity and Debt Structure

**Strong Liquidity Profile:** Sabesp's robust cash position and strong access to financial markets are key factors for the rating, as they enable the company to manage its forecast negative FCF and refinancing needs. Sabesp's cash position of BRL3.3 billion at end of 2023 was sound and covered its short-term debt of BRL2.5 billion by 1.3x.

Total debt of BRL19.4 billion had an extended maturity profile and consisted primarily of funding from multilateral agencies of BRL8.4 billion, BRL7.4 billion in debenture issuances, and BRL3.0 billion from Caixa Economica Federal (Caixa; BB/Stable) and Banco Nacional de Desenvolvimento Economico e Social (BNDES; BB/Stable).

Foreign currency debt corresponding to 14% of total debt represents reduced exposure risk to currency volatility. At end-2023, only Caixa's and BNDES's debt was secured by receivables that represents less than 0.3x its EBITDA and does not put pressure on the ratings of unsecured issuance.

## 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 [www.fitchratings.com/topics/esg/products#esg-relevance-scores](http://www.fitchratings.com/topics/esg/products#esg-relevance-scores).

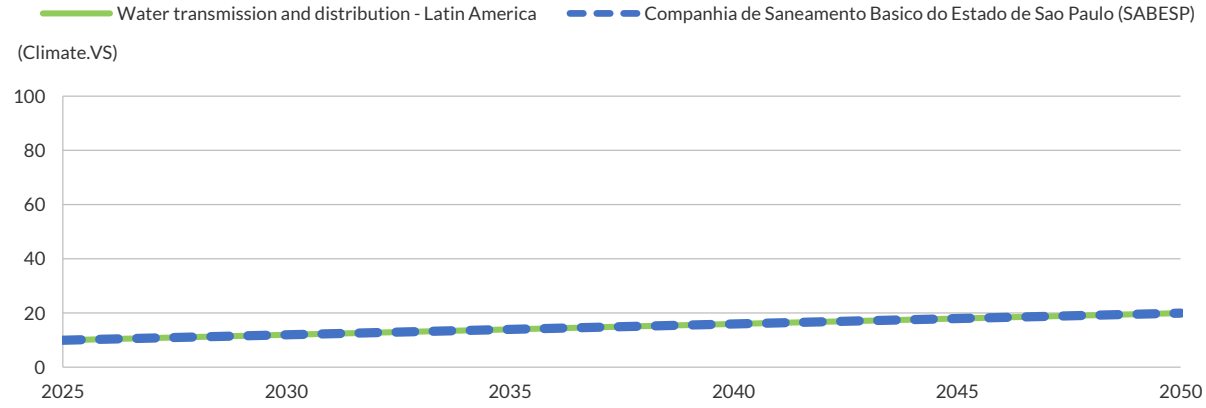
## Climate Vulnerability Considerations

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](#).

The 2023 revenue-weighted Climate.VS for SABESP for 2035 is 14 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 Dec. 31, 2023



Source: Fitch Ratings

## Liquidity and Debt Maturities

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

Liquidity Analysis (BRLm)	2024F	2025F	2026F
<b>Available liquidity</b>			
Beginning cash balance	3,265	-3,494	-12,270
Rating case FCF after acquisitions and divestitures	-4,211	-6,414	-4,933
<b>Total available liquidity (A)</b>	<b>-946</b>	<b>-9,908</b>	<b>-17,203</b>
<b>Liquidity uses</b>			
Debt maturities	-2,548	-2,362	-2,248
<b>Total liquidity uses (B)</b>	<b>-2,548</b>	<b>-2,362</b>	<b>-2,248</b>
<b>Liquidity calculation</b>			
Ending cash balance (A+B)	-3,494	-12,270	-19,451
Revolver availability	0	0	0
<b>Ending liquidity</b>	<b>-3,493.8</b>	<b>-12,269.8</b>	<b>-19,451.0</b>
Liquidity score (x)	-0.4	-4.2	-7.7

F – Forecast.

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

Scheduled debt maturities (BRLm)	31 Dec 23
2024	2,548
2025	2,362
2026	2,248
2027	2,383
2028	1,679
Thereafter	8,174
<b>Total</b>	<b>19,394</b>

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

## Key Assumptions

### Fitch's Key Assumptions Within the Rating Case for the Issuer:

- Total volume billed growth of 1.6% in 2024 and on annual average for 2025-2026, supported by growth of connections and overall stable volume/connection consumption;
- Total annual tariff increase of 6.45% in May 2024 and 3.5% thereafter – in line with Fitch's inflation estimates;
- Average annual capex of BRL10.0 billion in 2024-2026;
- Average annual dividends of BRL953 million in 2024-2026, equivalent to a payout ratio of 29% of net profit.

## Financial Data

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

(BRLm)	2021	2022	2023	2024F	2025F	2026F
<b>Summary income statement</b>						
Gross revenue	15,114	17,192	19,972	22,629	23,671	25,002
Revenue growth (%)	7.3	13.7	16.2	13.3	4.6	5.6
EBITDA before income from associates	6,351	7,063	9,645	10,264	11,209	11,898
EBITDA margin (%)	42.0	41.1	48.3	45.4	47.4	47.6
EBITDA after associates and minorities	6,351	7,063	9,645	10,264	11,209	11,898
EBITDAR	6,351	7,063	9,645	10,264	11,209	11,898
EBITDAR margin (%)	42.0	41.1	48.3	45.4	47.4	47.6
EBIT	4,097	4,612	6,855	6,911	7,338	7,614
EBIT margin (%)	27.1	26.8	34.3	30.5	31.0	30.5
Gross interest expense	-564	-1,002	-1,199	-2,525	-2,700	-3,207
Pretax income including associate income/loss	3,170	4,273	4,754	4,691	4,816	4,611
<b>Summary balance sheet</b>						
Readily available cash and equivalents	3,151	3,545	3,265	2,256	2,659	2,228
Debt	17,598	18,857	19,394	22,596	29,412	33,914
Lease-adjusted debt	17,598	18,857	19,394	22,596	29,412	33,914
Net debt	14,447	15,312	16,129	20,340	26,754	31,687
<b>Summary cash flow statement</b>						
EBITDA	6,351	7,063	9,645	10,264	11,209	11,898
Cash interest paid	-845	-1,505	-1,936	-2,525	-2,700	-3,207
Cash tax	-1,209	-1,369	-1,569	-1,267	-1,300	-1,245
Dividends received less dividends paid to minorities (inflow/outflow)	—	—	—	—	—	—
Other items before FFO	-117	-508	-1,139	-878	-658	-588
FFO	4,331	4,098	5,372	5,900	6,729	7,062
FFO margin (%)	28.7	23.8	26.9	26.1	28.4	28.2
Change in working capital	-996	-721	-1,191	-1,016	-714	-689
CFO (Fitch-defined)	3,334	3,377	4,181	4,883	6,016	6,373
Total non-operating/nonrecurring cash flow	—	—	—	—	—	—
Capex	-3,747	-3,624	-4,139	—	—	—
Capital intensity (capex/revenue) (%)	24.8	21.1	20.7	—	—	—
Common dividends	-254	-604	-824	—	—	—
FCF	-667	-850	-782	—	—	—
FCF margin (%)	-4.4	-4.9	-3.9	—	—	—
Net acquisitions and divestitures	—	—	—	—	—	—
Other investing and financing cash flow items	-16	-26	-99	—	—	—
Net debt proceeds	26	1,270	600	3,202	6,816	4,502
Net equity proceeds	—	—	1	—	—	—
Total change in cash	-656	394	-280	-1,009	403	-431
<b>Leverage ratios (x)</b>						
EBITDA leverage	2.8	2.7	2.0	2.2	2.6	2.9
EBITDA net leverage	2.3	2.2	1.7	2.0	2.4	2.7
EBITDAR leverage	2.8	2.7	2.0	2.2	2.6	2.9
EBITDAR net leverage	2.3	2.2	1.7	2.0	2.4	2.7
FFO adjusted leverage	3.5	3.6	2.8	2.8	3.2	3.4
FFO adjusted net leverage	2.9	3.0	2.3	2.5	2.9	3.1
FFO leverage	3.5	3.6	2.8	2.8	3.2	3.4
FFO net leverage	2.9	3.0	2.3	2.5	2.9	3.1

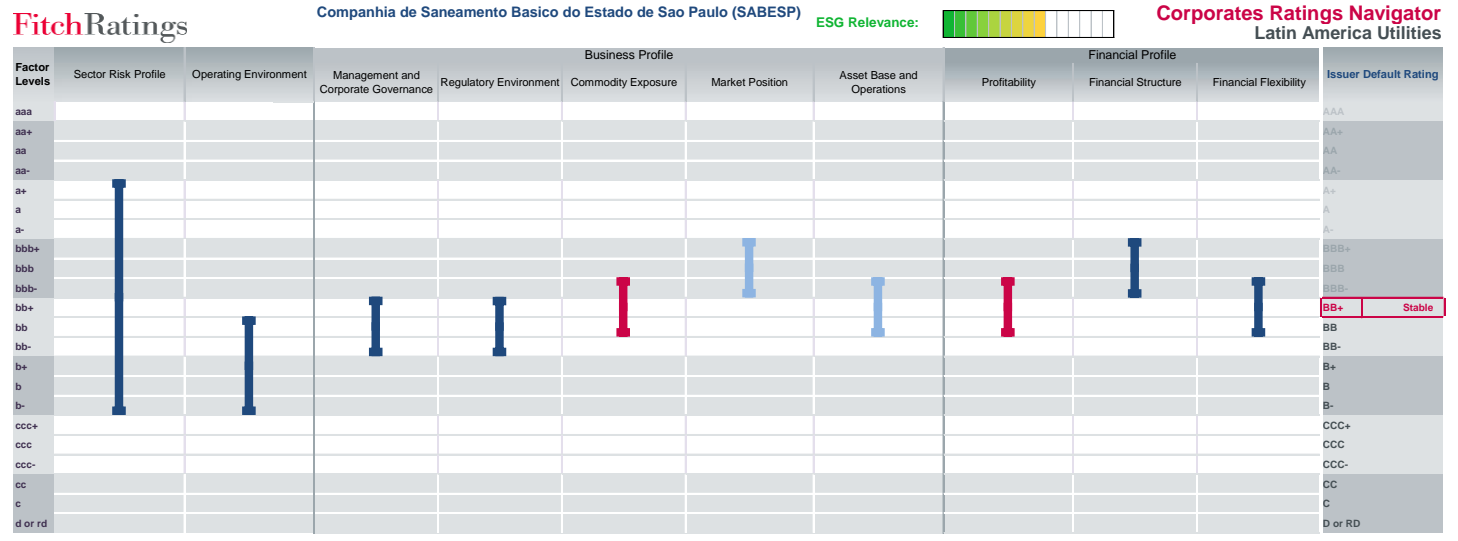
(BRLm)	2021	2022	2023	2024F	2025F	2026F
<b>Calculations for forecast publication</b>						
Capex, dividends, acquisitions and other items before FCF	-4,001	-4,228	-4,962	-9,094	-12,429	-11,306
FCF after acquisitions and divestitures	-667	-850	-782	-4,211	-6,414	-4,933
FCF margin after net acquisitions (%)	-4.4	-4.9	-3.9	-18.6	-27.1	-19.7
<b>Coverage ratios (x)</b>						
FFO interest coverage	5.9	3.4	3.6	3.2	3.4	3.1
FFO fixed-charge coverage	5.9	3.4	3.6	3.2	3.4	3.1
EBITDAR fixed-charge coverage	7.5	4.7	5.0	4.1	4.2	3.7
EBITDAR net fixed-charge coverage	9.1	6.5	6.2	4.6	4.4	4.0
EBITDA interest coverage	7.5	4.7	5.0	4.1	4.2	3.7
<b>Additional metrics (%)</b>						
CFO-capex/debt	-2.3	-1.3	0.2	-14.4	-18.6	-11.7
CFO-capex/net debt	-2.9	-1.6	0.3	-16.0	-20.5	-12.5
CFO/capex	89.0	93.2	101.0	60.0	52.3	61.6

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	<ul style="list-style-type: none"> <li>↑ Positive</li> <li>↓ Negative</li> <li>↕ Evolving</li> <li>□ Stable</li> </ul>
<ul style="list-style-type: none"> <li>Higher Importance</li> <li>Average Importance</li> <li>Lower Importance</li> </ul>	



**Operating Environment**

bbb+	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	bb	Board effectiveness questionable with few independent directors. "Key person" risk from dominant CEO or shareholder.
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.
b+			

**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.
b+	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.
bbb+			
bb			
bb-			

**Market Position**

bbb+	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.
bbb+			

**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.
bbb+	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.
bbb-			

**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.
bbb+			
bb			
bbb-			

**Financial Structure**

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

**Financial Flexibility**

bbb	Financial Discipline	bbb	Less conservative policy but generally applied consistently.
bbb-	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.
bbb+	EBITDA Interest Coverage	bb	4.5x
bb	FX Exposure	bbb	Some FX exposure on profitability and/or debt/cash flow match. Effective hedging in place.
bbb-			

**Credit-Relevant ESG Derivation**

				Overall ESG
Companhia de Saneamento Basico do Estado de Sao Paulo (SABESP) has 12 ESG potential rating drivers				
key driver	0	issues	5	
driver	0	issues	4	
potential driver	12	issues	3	
not a rating driver	1	issues	2	
	1	issues	1	

Showing top 6 issues  
For further details on Credit-Relevant ESG scoring, see page 3.

**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

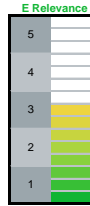
Companhia de Saneamento Basico do Estado de Sao Paulo (SABESP) has 12 ESG potential rating drivers

key driver	0	issues	ESG Relevance to Credit Rating
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.	0	issues	5
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.	0	issues	4
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.	12	issues	3
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.	1	issues	2
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.	1	issues	1

Showing top 6 issues

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	1	Emissions from operations	Asset Base and Operations; Regulatory Risk; Profitability; Financial Structure
Energy Management	3	Energy and fuel use in operations; entities' financial targets for losses/shrinkage	Asset Base and Operations; Commodity Price and Market Risk; Profitability; Financial Structure
Water & Wastewater Management	3	Water usage in operations; water utilities' financial targets for water quality, leakage and usage	Asset Base and Operations; Regulatory Risk; Profitability
Waste & Hazardous Materials Management; Ecological Impacts	3	Impact of waste including pollution incidents; discharge compliance; sludge, coal ash	Asset Base and Operations; Regulatory Risk; Profitability
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 Price and Market Risk; Profitability

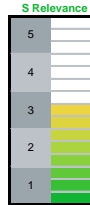


How to Read This Page

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.

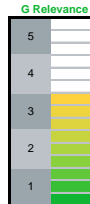
Social (S) Relevance Scores

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



Governance (G) Relevance Scores

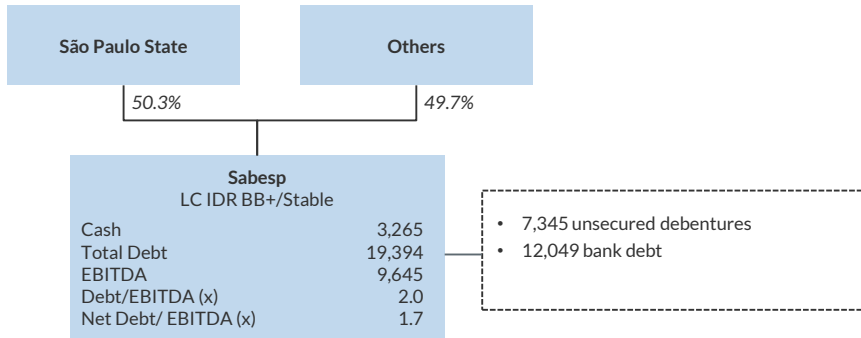
General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance
Group Structure	3	Complexity,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



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 – Companhia de Saneamento Basico do Estado de Sao Paulo (Sabesp)**  
(BRL Mil., as of December 31, 2023)



IDR – Issuer Default Rating.  
Source: Fitch Ratings, Fitch Solutions, Sabesp.

## Peer Financial Summary

Company	Issuer Default Rating	Financial statement date	Gross revenue (USDm)	EBITDA (USDm)	EBITDA margin (%)	Cash flow from operations/capex (%)	EBITDA net leverage (x)
Companhia de Saneamento Basico do Estado de Sao Paulo (SABESP)	BB+						
	BB	2022	3,342.2	1,373	41	93.2	2.2
	BB	2021	2,656.1	1,116	42	89.0	2.3
Aegea Saneamento e Participacoes S.A.	BB						
	BB	2023	1,394.0	786	56	47.0	4.4
	BB	2022	714.3	434	61	37.8	4.2
	BB	2021	516.5	309	60	85.6	3.4
Companhia de Gas de Sao Paulo - COMGAS	BB+						
	BB+	2023	2,805.9	710	25	206.1	1.3
	BB	2022	3,164.7	626	20	249.9	1.6
	BB	2021	1,878.5	530	28	203.4	1.6
Energisa S.A.	BB+						
	BB+	2023	4,971.7	1,492	30	93.2	3.3
	BB	2022	4,328.4	1,138	26	81.4	3.7
	BB	2021	4,243.4	900	21	21.5	3.6
Compass Gas e Energia S.A.	BB						
	BB	2022	3,677.4	644	18	213.5	1.2
	BB	2021	1,987.6	412	21	138.0	1.0

Source: Fitch Ratings, Fitch Solutions

## Fitch Adjusted Financials

(BRL 000 as of 31 Dec 23)	Notes and formulas	Standardised values	Other adjustments	Adjusted values
<b>Income statement summary</b>				
Revenue		25,572,056	-5,600,332	19,971,724
EBITDAR		9,104,173	541,190	9,645,363
Lease expense for capitalised leased assets		–	–	–
EBITDA	(a)	9,104,173	541,190	9,645,363
Depreciation and amortization		-2,790,586	–	-2,790,586
EBIT		6,313,587	541,190	6,854,777
<b>Balance sheet summary</b>				
Debt	(b)	19,394,050	–	19,394,050
Of which other off-balance-sheet debt		–	–	–
Lease-equivalent debt		–	–	–
Lease-adjusted debt		19,394,050	–	19,394,050
Readily available cash and equivalents	(c)	3,265,236	–	3,265,236
Not readily available cash and equivalents		54,944	–	54,944
<b>Cash flow summary</b>				
EBITDA	(a)	9,104,173	541,190	9,645,363
Dividends received from associates less dividends paid to minorities	(d)	–	–	–
Interest paid	(e)	-1,936,419	–	-1,936,419
Interest received	(f)	370,638	–	370,638
Preferred dividends paid	(g)	–	–	–
Cash tax paid		-1,568,611	–	-1,568,611
Other items before FFO		75,844	-1,214,835	-1,138,991
FFO	(h)	6,045,625	-673,645	5,371,980
Change in working capital		-1,191,273	–	-1,191,273
CFO	(i)	4,854,352	-673,645	4,180,707
Non-operating/nonrecurring cash flow		–	–	–
Capex	(j)	-4,138,574	–	-4,138,574
Common dividends paid		-823,671	–	-823,671
FCF		-107,893	-673,645	-781,538
<b>Gross leverage (x)</b>				
EBITDA leverage	b / (a+d)	2.1	–	2.0
EBITDAR leverage		2.1	–	2.0
FFO leverage	b / (h-e-f-g)	2.5	–	2.8
FFO adjusted leverage		2.5	–	2.8
(CFO-capex)/debt (%)	(i+j) / b	3.7	–	0.2
<b>Net leverage (x)</b>				
EBITDA net leverage	(b-c) / (a+d)	1.8	–	1.7
EBITDAR net leverage		1.8	–	1.7
FFO net leverage	(b-c) / (h-e-f-g)	2.1	–	2.3
FFO adjusted net leverage		2.1	–	2.3
(CFO-capex)/net debt (%)	(i+j) / (b-c)	4.4	–	0.3
<b>Coverage (x)</b>				
EBITDA interest coverage	(a+d) / (-e)	4.7	–	5.0
EBITDAR fixed-charge coverage		4.7	–	5.0
FFO interest coverage	(h-e-f-g) / (-e-g)	3.9	–	3.6
FFO fixed-charge coverage		3.9	–	3.6

CFO – Cash flow from operations

Note: 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.

Source: Fitch Ratings, Fitch Solutions, Sabesp.

**Government Related Entity Analysis**

**Companhia de Saneamento Basico do Estado de Sao Paulo (SABESP) Rating Derivation Summary**

**GRE Key Risk Factors and Support Score**

Responsibility to support	5.0
Decision-making and oversight	Strong
Precedents of support	Not Strong Enough
Incentives to support	0.0
Preservation of provision of public service or sovereignty or strategic assets	Not Strong Enough
Contagion risk	Not Strong Enough
Support score	5.0
<b>Summary</b>	
Supporting government	Sao Paulo, State of
Government LT IDR	–
GRE SCP	–
Support category	Virtually No Expectations
<b>Notching expression</b>	
Single equalisation factor	No
GRE LT IDR	BB
LT IDR – Long-Term Issuer Default Rating. GRE – Government-related entity. SCP – Standalone Credit Profile. n.a. – Not applicable. Source: Fitch Ratings	

Government LT IDR	GRE SCP	GRE LT IDR
AAA	aaa	AAA
AA+	aa+	AA+
AA	aa	AA
AA-	aa-	AA-
A+	a+	A+
A	a	A
A-	a-	A-
BBB+	bbb+	BBB+
BBB	bbb	BBB
BBB-	bbb-	BBB-
BB+	bb+	BB+
<b>BB</b>	bb	<b>BB</b>
BB-	bb-	BB-
B+	b+	B+
B	b	B
B-	b-	B-
CCC+	ccc+	CCC+
CCC	ccc	CCC
CCC-	ccc-	CCC-
CC	cc	CC
C	c	C
RD	rd	RD
D	d	D
Source: Fitch Ratings		

	A	B	C	D	E	F	G
<b>GRE's SCP - Government's IDR</b>	<b>Equal to or more than 45.0</b>	<b>Between 42.5 and 35.0<sup>a</sup></b>	<b>Between 32.5 and 30.0<sup>a</sup></b>	<b>Between 25.0 and 20.0<sup>a</sup></b>	<b>15.0<sup>a</sup></b>	<b>12.5</b>	<b>Equal to or less than 10.0</b>
>0	Standalone or constrained	Standalone or constrained	Standalone or constrained	Standalone or constrained	Standalone or constrained	Standalone or constrained	Standalone or constrained
0	0	0	0	Standalone	Standalone	Standalone	Standalone
-1	0	0	0	+1 <sup>b</sup>	Standalone	Standalone	Standalone
-2	0	0	0	+1	Standalone	Standalone	Standalone
-3	0	0	-1	+1	Standalone	Standalone	Standalone
-4	0	-1	-2	+1	Standalone	Standalone	Standalone
-5	0	-1	-2	+2	+1	Standalone	Standalone
-6	0	-1	-2	+3	+2	+1	Standalone
-7	0	-1	-2	+4	+2	+1	Standalone
-8	0	-1	-2	+4	+3	+1	Standalone
-9	0	-1	-2	+5	+3	+1	Standalone
-10	0	-2	-3	+5	+3	+1	Standalone
-11	-1	-2	-4	+5	+3	+1	Standalone
-12	-1	-3	-4	+5	+3	+1	Standalone
-13	-2	-3	-5	+5	+3	+1	Standalone
-14	-2	-3	-5	+5	+3	+1	Standalone
-15	-2	-3	-5	+5	+3	+1	Standalone
No SCP	0	-1	-2	-3	n.a	n.a	n.a

<sup>a</sup>Including those values. <sup>b</sup>Capped at government IDR minus one if the credit drivers of the GRE are largely similar to or interrelated with those of the government (typical for policy GREs). Note: Columns A to C refer to notching down from the government IDR and columns D to F refer to notching up from the Standalone Credit Profile. See Fitch's *Government-Related Entities Rating Criteria* for more information. GRE - Government-related entity. SCP - Standalone Credit Profile. LT IDR - Long-Term Issuer Default Rating. n.a. - Not applicable.  
Source: Fitch Ratings

## 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.

## DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: <https://www.fitchratings.com/understandingcreditratings>. In addition, the following <https://www.fitchratings.com/rating-definitions-document> details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. Published ratings, criteria, and methodologies are available from this site at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the Code of Conduct section of this site. Directors and shareholders' relevant interests are available at <https://www.fitchratings.com/site/regulatory>. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed. Fitch Ratings makes routine, commonly-accepted adjustments to reported financial data in accordance with the relevant criteria and/or industry standards to provide financial metric consistency for entities in the same sector or asset class.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001.

Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

Copyright © 2024 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved.