

SABESP

Privatization Path & Math: pushbacks & risk premium

Reiterate Rating: BUY | PO: 97.00 BRL | Price: 79.67 BRL

Increasing PO: privatization assumptions but with caveats

We raise our PO for Sabesp to R\$97 (from R\$81, ADR \$19.40 from \$16.20) as we: 1) incorporate privatization assumptions with 30% cost reduction (+R\$10), 2) partially offset by a +150bp higher risk premium (-R\$17) to reflect uncertainties ahead of the privatization (details below). We also discuss recent pushbacks from investors, such as lack of visibility about a strategic shareholder and Sabesp's cost-cutting potential. Reiterate Buy.

Pushbacks: strategic shareholder and cost-cut potential

Investors have raised two main concerns about Sabesp's privatization upside: 1) strategic shareholder, as we think many investors expect Sabesp's privatization to consist of a bookbuilding process with no guarantee of a large shareholder to lead Sabesp's transformation, 2) cost-cutting potential, as comparisons with privately managed water utilities look limited due to different concession profiles.

Strategic shareholder: a risk premium perspective

We share investors' view that a strategic shareholder could translate into higher confidence in Sabesp's turnaround execution. Thus, a privatization without a strategic shareholder could mean: 1) higher risk premium (stock trading at higher implied IRR) and 2) lower expectations about its cost-cutting potential (e.g. 30% vs 50%). As a sensitivity analysis, each +/-100bp change to Ke implies +/-R\$12/share (see page 3).

Cost-cutting: sensitivity analysis & views

We estimate Sabesp's cost potential at 30-50% based on recent privatizations. However, we expect more visibility about efficiencies initiatives after the privatization (page 3).

Reiterate Buy with new R\$97 price objective

Our new base-case assumes Sabesp's privatization with: 1) 30% cost-reduction, 2) 10.5% Ke real terms (vs 9% previously, reflecting greater uncertainties about the privatization process), implying 1.1x EV/RAB 24e. Our bull case would imply 1.3x EV/RAB, while our bear case would imply 0.8x EV/RAB (see pages 3-5 for details).

Estimates(Dec) (BRL)	2021A	2022A	2023E	2024E	2025E
EPS	2.33	3.45	4.58	6.03	6.14
EPS Change (YoY)	385.4%	48.1%	32.8%	31.7%	1.8%
Consensus EPS (Bloomberg)			4.98	6.36	6.90
DPS	0.59	0.84	1.02	1.39	1.42
ADR EPS (US\$)	0.43	0.67	0.92	1.21	1.24
ADR DPS (US\$)	0.11	0.16	0.21	0.28	0.28
Valuation (Dec)					
P/E	34.2x	23.1x	17.4x	13.2x	13.0x
Dividend Yield	0.7%	1.1%	1.3%	1.7%	1.8%
EV / EBITDA*	13.9x	12.3x	9.7x	7.6x	6.6x
Free Cash Flow Yield*	-1.4%	-1.3%	-0.9%	-3.2%	-10.1%

* For full definitions of *IQmethod*SM measures, see page 7.

03 March 2024

Equity

Key Changes

(BRL)	Previous	Current
Price Obj.	81.00	97.00

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Stock Data

Price (Common / ADR)	79.67 BRL / 16.08 USD
Price Objective	97.00 BRL / 19.40 USD
Date Established	3-Mar-2024 / 3-Mar-2024
Investment Opinion	B-1-7 / B-1-7
52-Week Range	43.78 BRL - 83.70 BRL
Market Value (mn)	54,455 BRL
Free Float	49.7%
Average Daily Value	46.60 USD
Shares Outstanding (mn)	683.5 / 683.5
BofA Ticker / Exchange	CSBJF / SAO
BofA Ticker / Exchange	SBS / NYS
Bloomberg / Reuters	SBSP3 BZ / SBSP3.SA
ROE (2023E)	10.9%
Net Dbt to Eqty (Dec-2022A)	56.4%

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Refer to important disclosures on page 8 to 11. Analyst Certification on page 6. Price Objective Basis/Risk on page 6.

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Timestamp: 03 March 2024 09:21PM EST

iQprofileSM SABESP

iQmethodSM – Bus Performance*

(BRL Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	5.1%	6.5%	8.2%	9.6%	9.4%
Return on Equity	6.7%	9.0%	10.9%	13.0%	12.0%
Operating Margin	22.3%	22.5%	27.5%	34.5%	37.8%
Free Cash Flow	(744)	(724)	(515)	(1,762)	(5,518)

iQmethodSM – Quality of Earnings*

(BRL Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	1.9x	1.2x	1.1x	1.7x	1.8x
Asset Replacement Ratio	1.7x	1.5x	1.5x	3.0x	3.9x
Tax Rate	35.5%	33.0%	26.3%	28.4%	28.4%
Net Debt-to-Equity Ratio	58.4%	56.4%	54.3%	57.4%	70.2%
Interest Cover	2.3x	2.0x	2.5x	3.2x	2.6x

Income Statement Data (Dec)

(BRL Millions)	2021A	2022A	2023E	2024E	2025E
Sales	15,114	17,192	19,583	21,391	22,405
% Change	7.3%	13.7%	13.9%	9.2%	4.7%
Gross Profit	13,284	15,092	17,494	19,282	20,250
% Change	6.1%	13.6%	15.9%	10.2%	5.0%
EBITDA	5,617	6,314	8,054	10,302	11,796
% Change	-4.3%	12.4%	27.6%	27.9%	14.5%
Net Interest & Other Income	(927)	(372)	(1,153)	(1,619)	(2,615)
Net Income (Adjusted)	1,594	2,356	3,128	4,123	4,199
% Change	383.8%	47.8%	32.8%	31.8%	1.8%

Free Cash Flow Data (Dec)

(BRL Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	1,594	2,356	3,128	4,123	4,199
Depreciation & Amortization	2,253	2,451	2,677	2,924	3,318
Change in Working Capital	578	332	(43)	0	0
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(1,446)	(2,240)	(2,168)	72	(67)
Capital Expenditure	(3,724)	(3,624)	(4,108)	(8,882)	(12,967)
Free Cash Flow	-744	-724	-515	-1,762	-5,518
% Change	-246.6%	2.6%	28.9%	-242.3%	-213.1%
Share / Issue Repurchase	NA	NA	NA	NA	NA
Cost of Dividends Paid	(402)	(576)	(697)	(950)	(967)
Change in Debt	514	1,727	741	3,988	8,963

Balance Sheet Data (Dec)

(BRL Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	3,151	3,545	3,075	4,351	6,829
Trade Receivables	2,695	3,063	3,301	3,301	3,301
Other Current Assets	657	677	705	705	705
Property, Plant & Equipment	291	339	416	495	577
Other Non-Current Assets	46,371	49,584	51,989	57,867	67,435
Total Assets	53,165	57,208	59,486	66,719	78,846
Short-Term Debt	1,831	2,246	0	0	0
Other Current Liabilities	3,262	4,411	2,852	2,851	2,851
Long-Term Debt	15,893	16,713	19,401	23,435	32,441
Other Non-Current Liabilities	7,247	6,504	7,148	7,175	7,065
Total Liabilities	28,234	29,874	29,402	33,461	42,358
Total Equity	24,932	27,334	30,084	33,258	36,489
Total Equity & Liabilities	53,165	57,208	59,486	66,719	78,846

* For full definitions of iQmethodSM measures, see page 7.

Company Sector

Water Utilities

Company Description

Sao Paulo water utility is the largest sanitation company in Brazil, serving over 26mn people in 371 cities in São Paulo state. The city of São Paulo represents close to 50% of Sabesp's total revenues and 45% of total customers. Sabesp was the first listed water utility to go through a thorough tariff review process, which began in 2012. We estimate Sabesp's regulatory asset base (RAB) at R\$55bn YE21

Investment Rationale

Our Buy rating on Sabesp is based on it being a key beneficiary from the positive agenda expected for the sector, given: i) lower risk perception on future tariff reviews, and ii) privatization becoming a possibility.

Stock Data

Average Daily Volume	2,894,640
Shares / ADR	1.00

Quarterly Earnings Estimates

	2022	2023
Q1	1.16A	0.80A
Q2	0.39A	0.80A
Q3	1.30A	1.11A
Q4	0.60A	1.87E

Key Changes

(US\$)	Previous	Current
Price Obj.	16.20	19.40

Sabesp's privatization: Path & Math

Sabesp's privatization is expected to be concluded in June 2024, transforming Sabesp into the first listed privately managed water utility in Brazil.

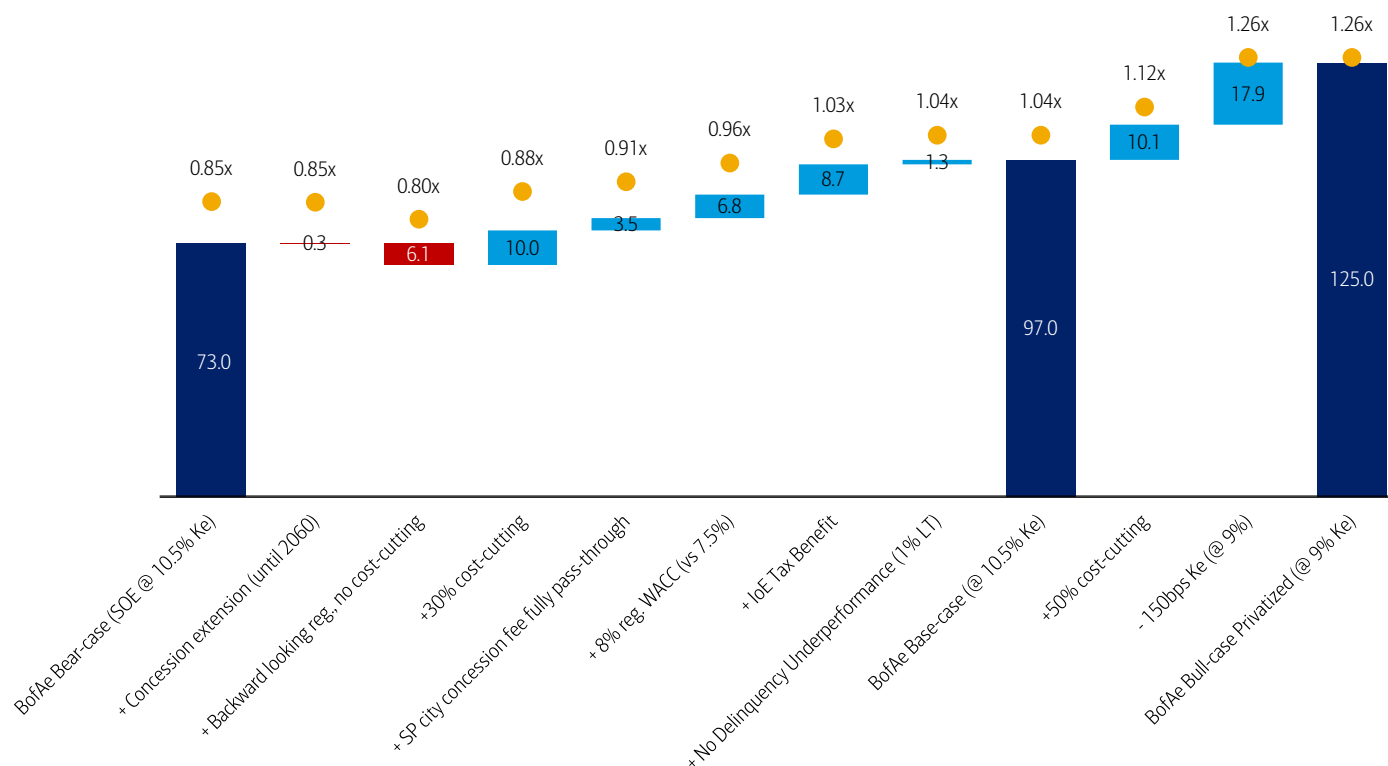
According to media reports, the next steps are: 1) March 2024: final regulatory framework (see [Sabesp new regulation](#)), 2) April 2024: new concession contracts with municipalities, 3) June 2024: a planned R\$15-20bn equity offering, reducing São Paulo government to a 20-30% stake.

In our new base-case, we incorporate a privatization scenario assuming 30% cost-cutting, while increasing our cost of equity to 10.5% in real terms (vs 9%). In our view, these two assumptions reflect the uncertainties ahead of a potential privatization offering, such as the lack of visibility about the potential strategic shareholder.

In our bull case, we think a strategic shareholder could translate into lower risk premium and higher cost-cutting potential, which could drive the stock to 1.3x EV/RAB 24e.

Exhibit 1: Scenario analysis: In our bull case, we think a strategic shareholder could translate into lower risk premium and higher cost-cutting potential, which could drive the stock to 1.3x EV/RAB 24e (R\$125/share)

Sabesp Bear, Base and Bull cases (R\$/share vs EV/RAB)



Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

According to news reports, Sabesp's privatization could consist of an equity offering ranging from R\$15-20bn, including a secondary sale by São Paulo government and a primary tranche. In Exhibit 2, we present a sensitivity analysis of Sabesp's implied IRR and multiples under different scenarios of: 1) primary offering, 2) share price, 3) cost-cutting potential.

Exhibit 2: Scenario analysis: We estimate SBSP currently offering 12-13% real IRR under a privatization scenario (bull-case)

IRR and multiples sensitivity analysis under different share prices and cost-cutting assumptions

SBSP3/share	78.0	80.0	82.0	84.0	86.0	88.0	90.0	92.0	94.0	96.0	98.0	100.0	102.0	104.0	106.0
vs Curr. Price	-4%	-1%	1%	4%	6%	9%	11%	14%	16%	19%	21%	23%	26%	28%	31%
IRR, real - Current Method (Cash + FCF1 adj. by interest income...)															
No cost-cutting (Bear-case)	8.2%	7.9%	7.6%	7.3%	7.1%	6.8%	6.5%	6.3%	6.1%	5.8%	5.6%	5.4%	5.2%	5.0%	4.8%
30% cost-cutting (11y CF duration)	11.5%	11.2%	11.0%	10.7%	10.5%	10.3%	10.1%	9.9%	9.7%	9.5%	9.4%	9.2%	9.0%	8.9%	8.7%
50% cost-cutting (12y CF duration)	12.5%	12.2%	12.0%	11.7%	11.5%	11.3%	11.0%	10.8%	10.6%	10.4%	10.2%	10.0%	9.9%	9.7%	9.5%
IRR, real - Alternative Method (FCF0 + FCF1...)															
No cost-cutting (Bear-case)	10.7%	10.5%	10.3%	10.1%	9.9%	9.7%	9.5%	9.3%	9.1%	8.9%	8.7%	8.6%	8.4%	8.3%	8.1%
30% cost-cutting (12y CF duration)	12.1%	11.9%	11.7%	11.5%	11.3%	11.1%	10.9%	10.7%	10.5%	10.4%	10.2%	10.0%	9.9%	9.7%	9.6%
50% cost-cutting (14y CF duration)	13.1%	12.9%	12.6%	12.4%	12.2%	12.0%	11.8%	11.6%	11.4%	11.2%	11.0%	10.9%	10.7%	10.5%	10.4%
EV/RAB															
2024e	0.89x	0.91x	0.92x	0.94x	0.95x	0.97x	0.99x	1.00x	1.02x	1.03x	1.05x	1.07x	1.08x	1.10x	1.11x
2025e	0.87x	0.89x	0.90x	0.92x	0.93x	0.95x	0.96x	0.98x	0.99x	1.00x	1.02x	1.03x	1.05x	1.06x	1.08x
2026e	0.83x	0.84x	0.85x	0.87x	0.88x	0.89x	0.90x	0.92x	0.93x	0.94x	0.95x	0.97x	0.98x	0.99x	1.01x
EV/EBITDA (no cost-cutting)															
2024e	6.6x	6.7x	6.8x	7.0x	7.1x	7.2x	7.3x	7.5x	7.6x	7.7x	7.8x	8.0x	8.1x	8.2x	8.3x
2025e	6.2x	6.3x	6.4x	6.6x	6.7x	6.8x	6.9x	7.0x	7.1x	7.3x	7.4x	7.5x	7.6x	7.7x	7.8x
2026e	5.9x	6.0x	6.1x	6.2x	6.4x	6.5x	6.6x	6.7x	6.8x	6.9x	7.0x	7.1x	7.2x	7.4x	7.5x
EV/EBITDA (30% cost-cutting)															
2024e	6.9x	7.0x	7.2x	7.3x	7.4x	7.5x	7.7x	7.8x	7.9x	8.0x	8.1x	8.3x	8.4x	8.5x	8.6x
2025e	6.6x	6.7x	6.8x	6.9x	7.0x	7.1x	7.2x	7.3x	7.5x	7.6x	7.7x	7.8x	7.9x	8.0x	8.1x
2026e	6.2x	6.3x	6.4x	6.5x	6.6x	6.7x	6.8x	6.9x	7.0x	7.1x	7.2x	7.2x	7.3x	7.4x	7.5x
EV/EBITDA (50% cost-cutting)															
2024e	6.9x	7.0x	7.2x	7.3x	7.4x	7.5x	7.7x	7.8x	7.9x	8.0x	8.1x	8.3x	8.4x	8.5x	8.6x
2025e	6.2x	6.3x	6.4x	6.5x	6.6x	6.7x	6.8x	7.0x	7.1x	7.2x	7.3x	7.4x	7.5x	7.6x	7.7x
2026e	5.7x	5.8x	5.9x	5.9x	6.0x	6.1x	6.2x	6.3x	6.4x	6.5x	6.6x	6.6x	6.7x	6.8x	6.9x

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 3: We estimate SBSP currently offering 11-12% real IRR under a privatization scenario of 30% cost-cutting

IRR (real terms) sensitivity analysis to share price vs primary offering

30% cost-cutting		SBSP3/share														
Primary Offering Size (R\$m)		78.0	80.0	82.0	84.0	86.0	88.0	90.0	92.0	94.0	96.0	98.0	100.0	102.0	104.0	106.0
	0	12.1%	11.9%	11.7%	11.5%	11.3%	11.1%	10.9%	10.7%	10.5%	10.4%	10.2%	10.0%	9.9%	9.7%	9.6%
	1,000	12.0%	11.8%	11.6%	11.4%	11.2%	11.0%	10.8%	10.6%	10.5%	10.3%	10.1%	10.0%	9.8%	9.7%	9.5%
	2,000	12.0%	11.7%	11.5%	11.3%	11.1%	10.9%	10.7%	10.5%	10.4%	10.2%	10.0%	9.9%	9.7%	9.6%	9.4%
	3,000	11.9%	11.6%	11.4%	11.2%	11.0%	10.8%	10.6%	10.5%	10.3%	10.1%	10.0%	9.8%	9.6%	9.5%	9.3%
	4,000	11.8%	11.6%	11.3%	11.1%	10.9%	10.8%	10.6%	10.4%	10.2%	10.0%	9.9%	9.7%	9.6%	9.4%	9.3%
	5,000	11.7%	11.5%	11.3%	11.1%	10.9%	10.7%	10.5%	10.3%	10.1%	10.0%	9.8%	9.6%	9.5%	9.3%	9.2%

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 4: We estimate SBSP currently offering ~13% real IRR under a privatization scenario of 50% cost-cutting (bull-case)

IRR (real terms) sensitivity analysis to share price vs primary offering

50% cost-cutting		SBSP3/share														
Primary Offering Size (R\$m)		78.0	80.0	82.0	84.0	86.0	88.0	90.0	92.0	94.0	96.0	98.0	100.0	102.0	104.0	106.0
	0	13.2%	13.0%	12.7%	12.5%	12.3%	12.1%	11.9%	11.7%	11.5%	11.3%	11.1%	11.0%	10.8%	10.6%	10.5%
	1,000	13.1%	12.9%	12.6%	12.4%	12.2%	12.0%	11.8%	11.6%	11.4%	11.2%	11.0%	10.9%	10.7%	10.5%	10.4%
	2,000	13.0%	12.8%	12.5%	12.3%	12.1%	11.9%	11.7%	11.5%	11.3%	11.1%	10.9%	10.8%	10.6%	10.4%	10.3%
	3,000	12.9%	12.7%	12.4%	12.2%	12.0%	11.8%	11.6%	11.4%	11.2%	11.0%	10.8%	10.7%	10.5%	10.3%	10.2%
	4,000	12.8%	12.6%	12.3%	12.1%	11.9%	11.7%	11.5%	11.3%	11.1%	10.9%	10.7%	10.6%	10.4%	10.2%	10.1%
	5,000	12.7%	12.5%	12.3%	12.0%	11.8%	11.6%	11.4%	11.2%	11.0%	10.8%	10.7%	10.5%	10.3%	10.2%	10.0%

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH



Price objective basis & risk

SABESP (CSBJF / SBS)

Our R\$97 PO (USD 19.4 ADR) on Sabesp is based on our DCF model, discounting estimated free cash flow to equity at an 10.5% cost of equity (real terms). Our key assumptions are: 1) full recognition of capex deployed into the company's RAB, 2) 100% of the concessions fee paid built into tariffs, 3) new tariffs regulation proposed in the privatization process, 4) Sabesp financing 70% of total capex deployment with new debt, at market rates IPCA +6.5%), 5) IoE tax benefits, 6) a 1x RAB residual value in 2060 (further deducted by Gross Debt) and 7) 30% cost-cutting due to the expected privatization turnaround

Upside risks are: i) privatization, ii) higher dividend payout policy (vs current 25%), and iii) lower regulatory risk perception (each +/-100bp to our 10.5% Ke real) impacts our equity value by +/-13%.

Downside risks are: i) tightening regulatory returns in upcoming tariff reviews, ii) capex deployed not recognized into RAB, iii) operational costs above opex allowances, iv) privatization halted by politicians and auditing courts.

Analyst Certification

We, Arthur Pereira, CFA and Gustavo Faria, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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BofA Securities is currently acting as Global Coordinator on Companhia de Saneamento Básico do Estado de São Paulo – SABESP's potential follow-on operation which was announced on December 21, 2023.

Latin America - Utilities Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Alupar	XDFCF	ALUP11 BZ	Arthur Pereira, CFA
	COPEL	ELP	ELP US	Arthur Pereira, CFA
	COPEL PN	XLPUF	CPLE6 BZ	Arthur Pereira, CFA
	Edenor	XEDTF	EDN AR	Gustavo Faria
	Edenor	EDN	EDN US	Gustavo Faria
	Eletrobras	CAIFF	ELET3 BZ	Arthur Pereira, CFA
	Eletrobras	EBR	EBR US	Arthur Pereira, CFA
	Eletrobras-Pref	EBRB	EBR/B US	Arthur Pereira, CFA
	Eletrobras-Pref	CAIGF	ELET6 BZ	Arthur Pereira, CFA
	Energisa S/A	XLXGF	ENG11 BZ	Arthur Pereira, CFA
	Eneva	XZUMF	ENEV3 BZ	Arthur Pereira, CFA
	Equatorial	XKERF	EQTL3 BZ	Arthur Pereira, CFA
	Neoenergia	XGXGF	NEOE3 BZ	Arthur Pereira, CFA
	Pampa Energia	PPENF	PAMP AR	Gustavo Faria
	Pampa Energia	PAM	PAM US	Gustavo Faria
	SABESP	CSBJF	SBSP3 BZ	Arthur Pereira, CFA
	SABESP	SBS	SBS US	Arthur Pereira, CFA
	Serena Energia	XZQAF	SRNA3 BZ	Arthur Pereira, CFA

Latin America - Utilities Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
NEUTRAL				
	Auren Energia	XZMXF	AURE3 BZ	Arthur Pereira, CFA
	Cemig	CIG	CIG US	Arthur Pereira, CFA
	Cemig	CEMCF	CMIG4 BZ	Arthur Pereira, CFA
	Central Puerto	CEPU	CEPU US	Gustavo Faria
	Central Puerto	CEPUF	CEPU AR	Gustavo Faria
	COPASA	CSAOF	CSMG3 BZ	Arthur Pereira, CFA
	TAESA	XTAEF	TAE11 BZ	Arthur Pereira, CFA
UNDERPERFORM				
	AES Brasil	XDFDF	AESB3 BZ	Arthur Pereira, CFA
	CPFL Energia	XPFGF	CPFE3 BZ	Arthur Pereira, CFA
	CTEEP	XOOTF	TRPL4 BZ	Arthur Pereira, CFA
	Engie Brasil	XZDDF	EGIE3 BZ	Arthur Pereira, CFA
	Sanepar	XJALF	SAPR11 BZ	Arthur Pereira, CFA
RSTR				
	Ambipar	XAPEF	AMBP3 BZ	Arthur Pereira, CFA

iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity
Operating Margin
Earnings Growth
Free Cash Flow

Quality of Earnings

Cash Realization Ratio
Asset Replacement Ratio
Tax Rate
Net Debt-To-Equity Ratio
Interest Cover

Valuation Toolkit

Price / Earnings Ratio
Price / Book Value
Dividend Yield
Free Cash Flow Yield
Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income
Operating Profit
Expected 5 Year CAGR From Latest Actual
Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations
Capex
Tax Charge
Net Debt = Total Debt – Cash & Equivalents
EBIT

Numerator

Current Share Price
Current Share Price
Annualised Declared Cash Dividend
Cash Flow From Operations – Total Capex
EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities
Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Amortization
Shareholders' Equity
Sales
N/A
N/A

Denominator

Net Income
Depreciation
Pre-Tax Income
Total Equity
Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)
Shareholders' Equity / Current Basic Shares
Current Share Price
Market Cap = Current Share Price × Current Basic Shares
Sales

Basic EBIT + Depreciation + Amortization

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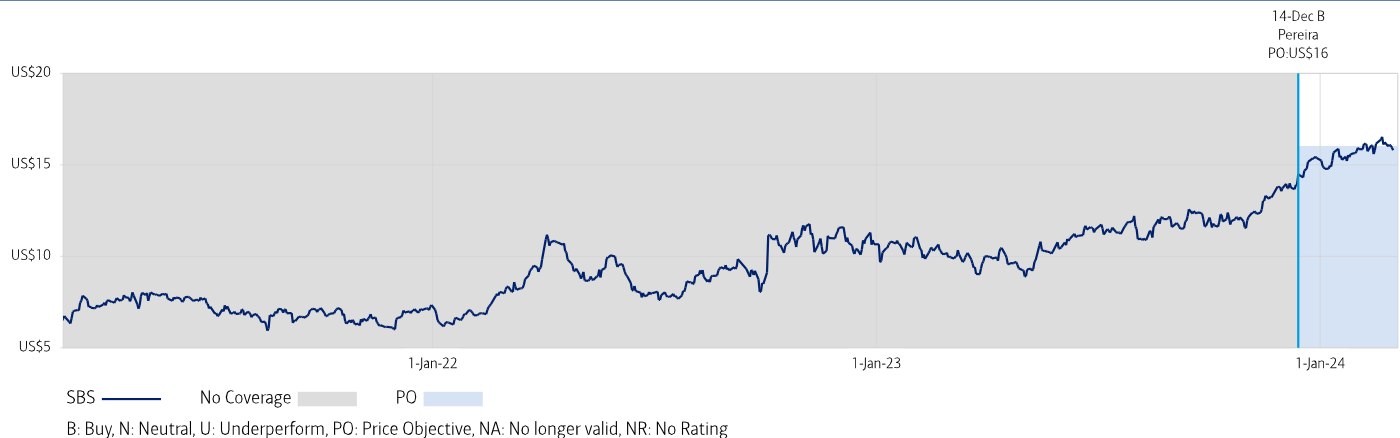
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Cia de Saneamento (CSBJF) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Cia de Saneamento (SBS) Price Chart



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Equity Investment Rating Distribution: Utilities Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	72	46.45%	Buy	52	72.22%
Hold	45	29.03%	Hold	32	71.11%
Sell	38	24.52%	Sell	21	55.26%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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