

## Brazilian Corporate Credit Indicators: Second-Quarter 2019

### Tax Reform Expected to Follow After Pension Reform Approval

**Final Steps for Pension Reform:** Pension reform approval in August 2019 marks an important step to eventual passage into law and paves the way for initial discussions of long awaited tax reform. Preliminary savings indicate between BRL1.0 trillion and BRL1.3 trillion in 10 years. Even if approved in the current form, pension reform alone will not be sufficient to alleviate Brazil's (BB-/Stable) economic problems. Fiscal consolidation, stabilization of debt and boosting growth prospects remain significant challenges. Macroeconomic performance indicators for first-half 2019 suggest the economy is struggling to rebound. Real GDP grew by only 0.7% yoy in first-half 2019 due to weak public spending and a mild recovery in industrial activity. Consumer demand lost momentum as persistently high unemployment prevents a sustainable economic recovery. The Brumadinho dam collapse and weak demand from Argentina (CCC) also weighed on first-half 2019 GDP growth. Fitch Ratings revised Brazil's GDP, as of June 2019, to 1.0% in 2019 and 2.2% in 2020, from 2.1% and 2.7%, previously.

**Improving Downgrades/Upgrades Ratio:** Fitch does not anticipate any material change in downgrades/upgrades for 2019. The ratio was at 0.7x, as of Aug. 14, 2019, excluding sovereign-related rating actions, consisting of seven upgrades and five downgrades. Abundant domestic market liquidity, record low interest rates in Brazil and Fitch's expectation of a gradual recovery in operating cash flow in second-half 2019 have resulted in a substantial reduction in refinancing risks, supporting this view. Additional liquidity from the recently announced withdrawal of part of the Government Severance Indemnity Fund should inject BRL30 billion into Brazil's economy in 2019 and BRL12 billion in 2020, according to government estimates. This additional liquidity should help stimulate the consumer market until economic environmental fundamentals gain traction. Structural reform approval continues to be crucial to restore a sustainable and healthy economic growth trajectory following a deep and prolonged recession.

**Risk of External Market Contamination:** While Brazil deals with domestic issues, the external economic and political environment shows no signs of stabilization. Lower commodity prices, a faster than expected slowdown in China, an escalating U.S.-China trade war and negative GDP growth in Germany, negatively reverberated across emerging market economies. A lower interest rate outlook in the U.S. opened up some breathing room for Brazil's Central Bank to further reduce the policy rate to historical lows of 6.0% in August 2019 following a series of rate cuts beginning in late 2016.

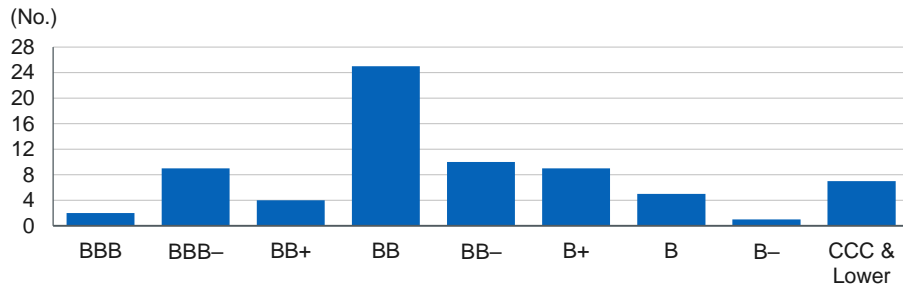
**Abundant Local Market Liquidity:** Fitch believes domestic issuances will remain attractive for Brazilian corporates in 2019–2020, partially offsetting a higher risk aversion to cross border issuances as turbulence from the external market shows no signs of relief. Local debt issuances continue to rise from record-low interest rates and a more benign economic outlook. Debenture issuances in first-half 2019 totaled BRL85 billion compared with BRL78 billion in first-half 2018 and BRL29 billion in first-half 2017. Cross-border issuance remains selective for Brazilian entities as the economic recovery remains uncertain and concerns regarding a potential global economic slowdown escalate. Bond issuances amounted to BRL9 billion in first-half 2019, up from BRL8 billion in first-half 2018, but below BRL14 billion in first-half 2017. The exchange rate remains volatile and has exceeded USD1.00/BRL4.00 recently.

**Moderate CFFO Growth:** Cash flow from operations (CFFO) for Brazilian issuers started to show signs of recovery after being severely hit during the economic slowdown. Fitch expects aggregate CFFO to improve by 13% in 2019 and 8% in 2020, while expected FCF should be slightly positive even with capex accelerating by 20% yoy in 2019. These projections are based on record low interest rates, better working capital management, tamed inflation and a more benign macroeconomic environment. Recent Brazilian real depreciation following external market turbulences and the U.S.-China trade war could benefit Brazilian commodity exports in the medium term, which would be partially offset by escalating Argentine economic and political uncertainties. Challenges include weak economic activity and growth prospects relying on a sustainable improvement in the unemployment rate and higher household consumption.

**Gradual Deleveraging Trend:** Fitch expects median leverage ratios for Brazilian corporates to continue to improve in 2019 and beyond. Median gross adjusted debt/EBITDAR of 3.2x and net adjusted debt/EBITDAR of 2.5x is expected in 2019, down from 3.7x and 2.8x in 2018, respectively. This is due to the combination of mild improvement in EBITDAR generation and a 4% reduction in net debt. Fitch forecasts a gradual recovery in capex, strengthened by 20% in 2019 and 8% in 2020, will prevent more meaningful deleveraging but will be an important spur to EBITDAR growth in 2020 and 2021 following an expected improvement in the economic environment.

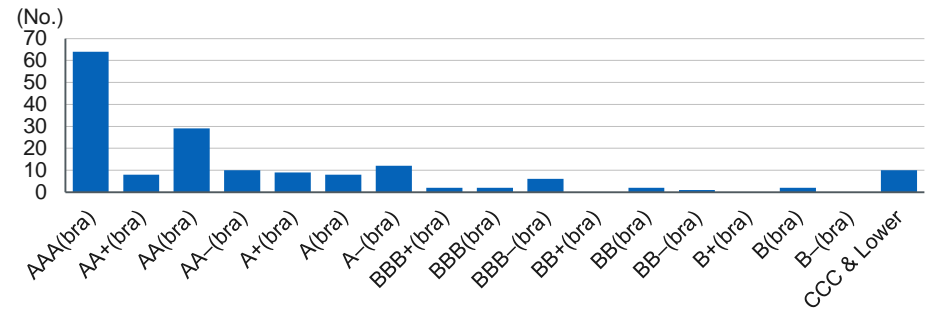
Brazilian Corporates: Rating Portfolio

**Brazilian Corporate Ratings Distribution — International Scale**  
(As of June 2019)



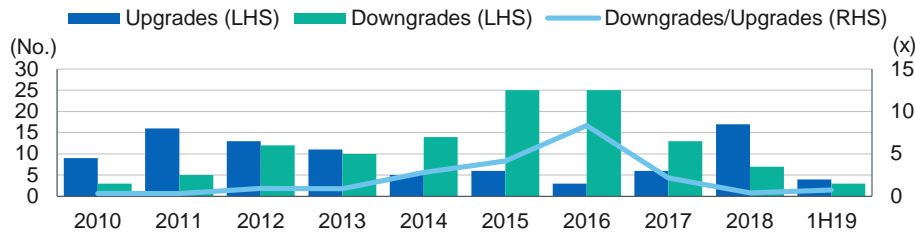
Source: Fitch Ratings, Fitch Solutions.

**Brazilian Corporate Ratings Distribution — National Scale**  
(As of June 2019)



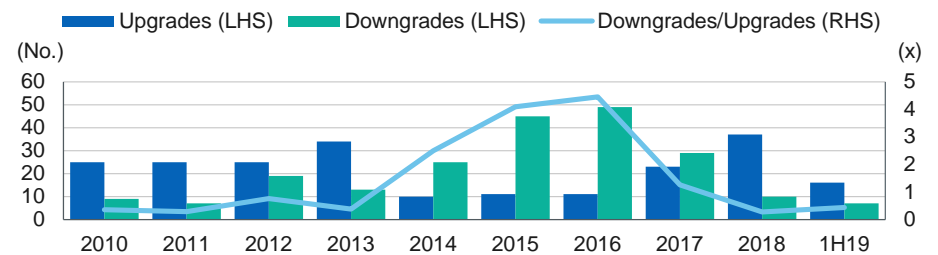
Source: Fitch Ratings, Fitch Solutions.

**Downgrades and Upgrades — International Scale**  
(Excluding Actions Related to Sovereign Downgrades)



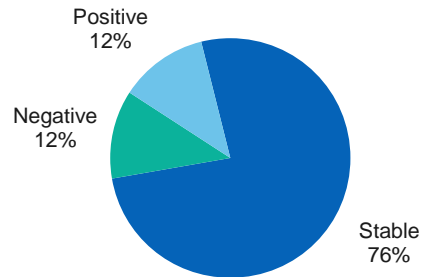
Note: Excludes multiple rating actions on the same issuer and upgrades related to debt restructuring.  
Source: Fitch Ratings, Fitch Solutions.

**Downgrades and Upgrades — National Scale**



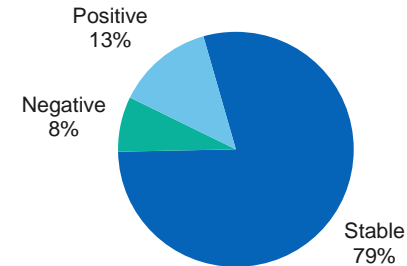
Note: Excludes multiple rating actions on the same issuer and upgrades related to debt restructuring.  
Source: Fitch Ratings, Fitch Solutions.

**Ratings Outlook/Watch — International Scale**  
(As of June 2019)



Source: Fitch Ratings, Fitch Solutions.

**Ratings Outlook/Watch — National Scale**  
(As of June 2019)



Source: Fitch Ratings, Fitch Solutions.

## Brazilian Corporates: Sector Risks Profile

## Key Issues for Brazilian Corporates In 2019

## Operating Cash Flow Recovery Still at a Slower Pace

- A frustrated economic recovery.
- Weakening commodity prices following a risk of a global slowdown.
- Low inflation and interest rates remain supportive.
- A persistently high unemployment rate.
- FX volatility in the short term.

## A Strong Local Credit Market Is Critical

- A relevant reduction in refinancing risks
- Slow recovery of investment levels.
- A selective cross-border debt market.
- Strong local credit and debt markets.
- Higher M&A opportunities.

Source: Fitch Ratings, Fitch Solutions.

## Brazilian Corporate Ratings: Outlook by Sector

Sector	Portfolio Breakdown (%)		Sector Outlook	Issuers' Ability to Withstand Challenges in 2019	Key Factors
	International Scale	National Scale			
Electric-Energy	22.2	28.2	➡	Strong	A gradual recovery in energy consumption, issuers with moderate leverage and high financial flexibility.
Building Materials & Construction	8.3	3.7	⬇	Medium to Weak	A mixed portfolio of unleveraged and leveraged issuers with scarce demand in infrastructure.
Metals & Mining	8.3	3.1	➡	Medium	Strong iron ore prices benefit miners. Domestic steel recovery remains delayed with cost pressures affecting margins on steel producers. Leverage generally improved.
Oil & Gas/Chemicals	6.9	4.9	➡	Medium	Increasing oil-related commodities prices, some deterioration in petrochemical spreads and a mix of unleveraged and leveraged issuers.
Sugar & Ethanol	6.9	3.7	➡	Medium to Weak	Highly leveraged issuers with high refinancing risk.
Food and Beverage – Protein	5.6	2.5	➡	Medium	Issuers are challenged to improve profitability and generate FCF within the competitive local market and with export restrictions in the international market. The capital structure is leveraged but liquidity remains the strongest credit factor.
Pulp & Paper	5.6	3.1	⬆	Strong	Market fundamentals for pulp producers remain favorable in the medium term and pulp prices should remain elevated to 2020 due to a lack of new projects. Demand from China softened in the last six months.
Transportation – Railroads/Highways	4.2	5.5	➡	Strong	A very low exposure to local macroeconomic cycles and strong competitive advantages over other transportation models support consistent demand, high profitability and strong operating cash flow generation. Issuers present conservative metrics and robust financial flexibility.
Transportation – Rent a Car/Highway Logistics	4.2	5.5	⬆	Medium	High exposure to the macroeconomic environment and a mixed portfolio of unleveraged and highly leveraged issuers.
Health Care	4.2	6.1	➡	Strong	Issuers maintain strong capital structures and business resilience.
Water Utilities	2.8	8	➡	Strong	Issuers maintain business resilience and adequate capital structures to deal with business risks.
Real Estate	2.8	3.7	➡	Medium	Fitch expects a gradual recovery in the commercial properties market, with a reduction in vacancy rates and a recovery in rental prices. Malls should continue to report adequate results and high occupancy rates within a business environment of slow recovery.
Food and Beverage – Processed	1.4	1.8	➡	Strong	Issuers maintain adequate capital structures and business resilience.
Homebuilding	1.4	3.1	➡	Weak	The business environment should gradually recover in 2019, in a scenario strongly dependent on recovery of domestic macroeconomic conditions. However, without crucial reforms, it will be difficult for the government to implement policies to stimulate economic growth.
Retail	0	6.1	➡	Medium	Weak economic growth and a persistently high unemployment rate keeps demand under pressure. Weak recovery of operating cash flow.
Other	15.3	11	➡	—	—

Note: ⬇ – Negative Outlook. ➡ – Stable Outlook. ⬆ – Positive Outlook.

Source: Fitch Ratings, Fitch Solutions.

Brazilian Corporates: Issuer Risk Profile

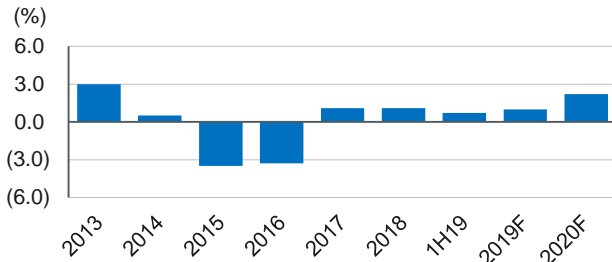
Key Risks: Issuer Portfolio

Key Concerns	Corruption Scandals	Macroeconomic Exposure	Low Commodities Prices	FX Valuation	Leverage	Refinancing Risk
High Risk	<ul style="list-style-type: none"> <li>Odebrecht Engenharia e Construcao S.A.</li> </ul>	<ul style="list-style-type: none"> <li>GOL Linhas Aereas Inteligentes S.A.; Tegra Incorporadora S.A.; Companhia Siderurgica Nacional (CSN); Usinas Siderurgicas de Minas Gerais S.A. (Usiminas); Intercement Participacoes S.A.; Andrade Gutierrez Engenharia S.A.; Gerdau S.A.; and Votorantim S.A.</li> </ul>	<ul style="list-style-type: none"> <li>CSN; Jalles Machado S.A.; Usiminas; Biosev S.A.; Gerdau S.A.; Vale, S.A.; and USJ - Acucar e Alcool S.A.</li> </ul>	<ul style="list-style-type: none"> <li>USJ - Acucar e Alcool S.A.; GOL; Biosev S.A.; Companhia de Saneamento Basico do Estado de Sao Paulo (SABESP); Petroleo Brasileiro S.A. (Petrobras); General Shopping Brasil S.A.; Intercement Participacoes S.A.; and Azul S.A.</li> </ul>	<ul style="list-style-type: none"> <li>General Shopping Brasil S.A.; USJ - Acucar e Alcool S.A.; Tegra Incorporadora S.A.; Biosev S.A.; Centrais Eletricas Brasileiras S.A. (Eletrobras); and Petrobras.</li> </ul>	<ul style="list-style-type: none"> <li>General Shopping Brasil S.A.; USJ - Acucar e Alcool S.A.</li> </ul>
Medium Risk	<ul style="list-style-type: none"> <li>Eldorado Brasil Celulose S.A.; Andrade Gutierrez Engenharia S.A.; Braskem S.A.; Eletrobras; Petrobras; and JBS S.A.</li> </ul>	<ul style="list-style-type: none"> <li>General Shopping Brasil S.A.; Marfrig Global Foods S.A.; Minerva S.A.; Cosan S.A. Industria e Comercio; Cosan Limited; Energisa S.A.; Natura Cosmeticos S.A.; Oi S.A.; Suzano S.A.; Companhia Energetica de Minas Gerais (CEMIG); Light S.A.; Tupy S.A.; BR Malls Participacoes; Globo Comunicacao e Participacoes S.A.; Companhia de Gas de Sao Paulo – COMGAS; Klabin S.A.; Raizen Energia S.A.<sup>a</sup>; Raizen Combustiveis S.A.<sup>a</sup>; BRF S.A.; Localiza Rent a Car S.A.; JSL S.A.; USJ - Acucar e Alcool S.A.; Jalles Machado S.A.; Biosev S.A.; Petrobras; Braskem; Ouro Verde Locacao e Servico S.A.; Eletropaulo Metropolitana Eletricidade de Sao Paulo S.A.; Atento Luxco 1; Odebrecht; and Votorantim S.A..</li> </ul>	<ul style="list-style-type: none"> <li>Suzano S.A.; Klabin S.A.; Eldorado Brasil Celulose S.A.; Braskem S.A.; Raizen Energia S.A.<sup>a</sup>; Raizen Combustiveis S.A.<sup>a</sup>; and Petrobras.</li> </ul>	<ul style="list-style-type: none"> <li>Eletrobras; Jalles Machado S.A.; Raizen Energia S.A.<sup>a</sup>; Raizen Combustiveis S.A.<sup>a</sup>; Natura Cosmeticos S.A.; Unigel Participacoes S.A.; Andrade Gutierrez Engenharia S.A.; and CSN.</li> </ul>	<ul style="list-style-type: none"> <li>CEMIG; Light S.A.; Marfrig Global Foods S.A.; Aegea Saneamento e Participacoes S.A. (Aegea); Oi S.A.; Jalles Machado S.A.; Natura Cosmeticos S.A.; Cosan Limited; Klabin S.A.; JSL S.A.; Energisa S.A.; JBS S.A.; Andrade Gutierrez Engenharia S.A.; Votorantim S.A.; Ouro Verde Locacao e Servico S.A.; Embraer S.A.; Rumo S.A.; Odebrecht Engenharia e Construcao S.A.; Minerva S.A.; Petroleo Brasileiro S.A.; Unigel Participacoes S.A.; CSN; Usiminas; Suzano S.A.; Intercement Participacoes S.A.; BRF S.A.; Azul S.A.; and GOL.</li> </ul>	<ul style="list-style-type: none"> <li>JSL S.A.; Andrade Gutierrez Engenharia S.A.; Biosev S.A.; Natura Cosmeticos S.A.; Intercement Participacoes S.A.; Usiminas; Hidrovias do Brasil S.A.; Unigel Participacoes S.A.; CSN; Eldorado Brasil Celulose S.A.; Ouro Verde Locacao e Servico S.A.; Oi S.A.; Azul S.A.; and GOL.</li> </ul>
Low Risk	—	<ul style="list-style-type: none"> <li>SABESP; Aegea; Embraer S.A.; Rede DOr Sao Luiz S.A.; Ache Laboratorios Farmaceuticos S.A.; Cielo S.A.; JBS S.A.; Engie Brasil Energia S.A.; Vale S.A.; Rumo S.A.; MRS Logista S.A.; Eletrobras; Transmissora Alianca de Energia Eletrica S.A.; Alupar Investimentos S.A. and Transmissora Alianca de Energia Eletrica S.A.</li> </ul>	<ul style="list-style-type: none"> <li>Votorantim S.A.</li> </ul>	<ul style="list-style-type: none"> <li>Cosan S.A. Industria e Comercio; Cosan Limited; Marfrig Global Foods S.A.; Minerva S.A.; JBS S.A.; Braskem S.A.; Raizen Energia S.A.<sup>a</sup>; Raizen Combustiveis S.A.<sup>a</sup>; Gerdau S.A.; Vale S.A.; BRF S.A.; Embraer S.A.; Odebrecht Engenharia e Construcao S.A.; Alupar Investimentos S.A.; Atento Luxco 1 and Eletropaulo Metropolitana Eletricidade de Sao Paulo S.A.</li> </ul>	<ul style="list-style-type: none"> <li>BR Malls Participacoes S.A.; Globo S.A.; Braskem S.A.; Tupy S.A.; Ache Laboratorios Farmaceuticos S.A.; Cielo S.A.; Engie Brasil Energia S.A.; Raizen Energia S.A.<sup>a</sup>; Raizen Combustiveis S.A.<sup>a</sup>; Rede DOr Sao Luiz S.A.; Transmissora Alianca de Energia Eletrica S.A.; MRS Logista S.A.; Gerdau S.A.; Vale S.A.; Eldorado Brasil Celulose S.A.; Localiza Rent a Car S.A.; COMGAS; Atento Luxco 1 and SABESP.</li> </ul>	<ul style="list-style-type: none"> <li>Eletrobras; Globo; Rumo S.A.; Ache Laboratorios Farmaceuticos S.A.; Cosan S.A.; Eletropaulo Metropolitana Eletricidade de Sao Paulo S.A.; Tegra Incorporadora S.A.; Engie Brasil Energia, S.A.; Suzano S.A.; Klabin S.A.; Alupar Investimentos S.A.; Vale S.A.; Raizen Energia S.A.<sup>a</sup>; Raizen Combustiveis S.A.<sup>a</sup>; Votorantim Jalles Machado S.A.; Odebrecht; Braskem S.A.; Transmissora Alianca de Energia Eletrica S.A.; Cielo S.A.; Rede DOr Sao Luiz S.A.; MRS Logista S.A.; Gerdau S.A.; Petrobras; Marfrig Globa Foods S.A.; JBS S.A.; Localiza Rent a Car; Energisa S.A.; BRF S.A.; Minerva S.A.; COMGAS; Atento Luxco 1; SABESP; BR Malls; CEMIG; Light S.A. and Aegea.</li> </ul>

<sup>a</sup>Raizen Combustiveis S.A. and Raizen Energia S.A. are analyzed under the combined financials of Raizen S.A. Source: Fitch Ratings, Fitch Solutions.

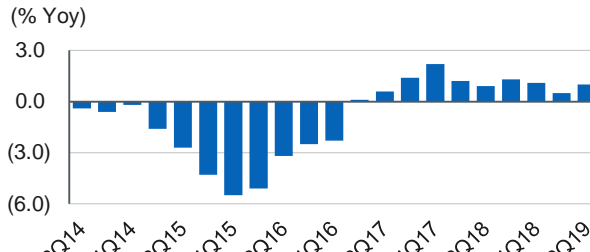
Brazilian Corporates: Key Macro Variables

Yearly GDP Growth



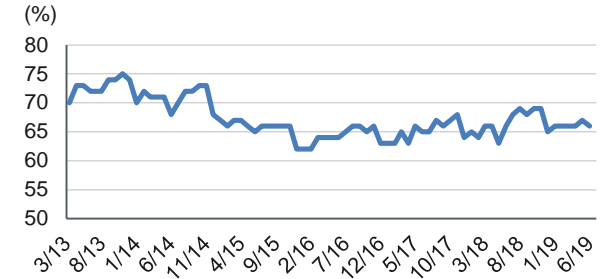
F – Forecast.  
Source: Banco Central do Brasil.

Quarterly GDP Growth



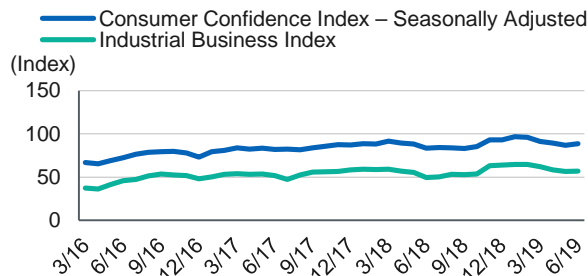
Source: Instituto Brasileiro de Geografia e Estatística.

Industrial Capacity Utilization Rate



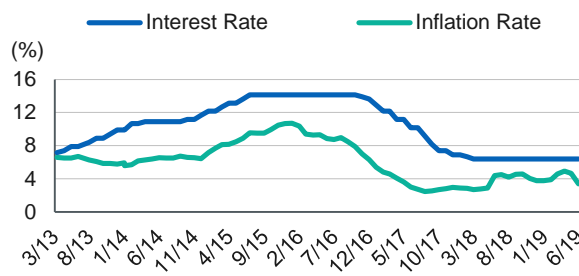
Source: Confederacao Nacional da Industria.

Confidence Indicators



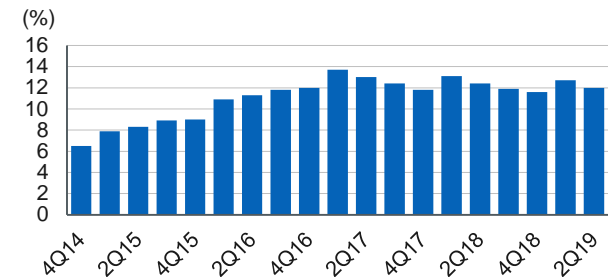
Source: Fundacao Getulio Vargas, Confederacao Nacional da Industria.

Inflation and Interest Rates



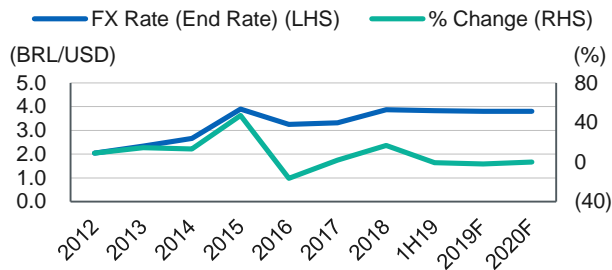
Source: Instituto Brasileiro de Geografia e Estatística, Banco Central do Brasil.

Unemployment Rate



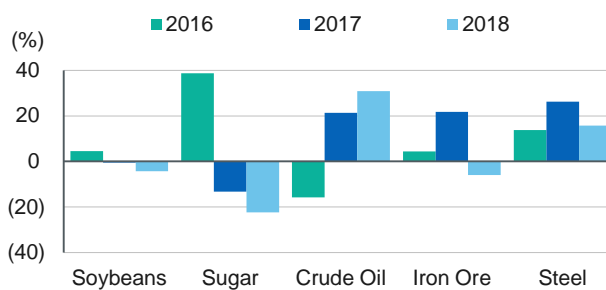
Source: Instituto Brasileiro de Geografia e Estatística, PNAD Continua.

FX Rate



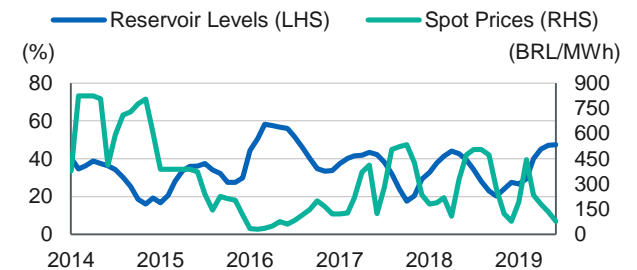
F – Forecast.  
Source: Fitch Ratings, Fitch Solutions, Banco Central do Brasil.

Key Commodity Average Price Changes



Source: Fitch Ratings, Fitch Solutions, Bloomberg LP.

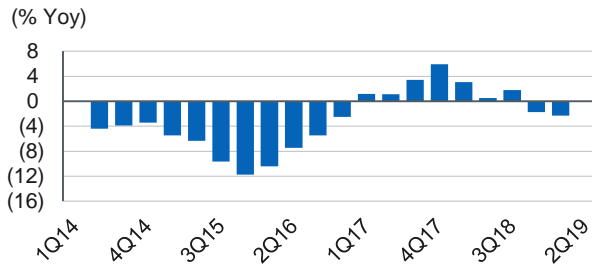
Hydroelectric Reservoir Levels and Power Prices



Note: Includes sub-system Southeast and Middle East.  
Source: Operador Nacional do Sistema Eletrico.

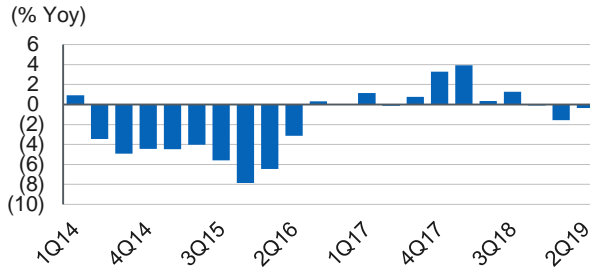
Brazilian Corporates: Industrial Indicators

Industrial Production



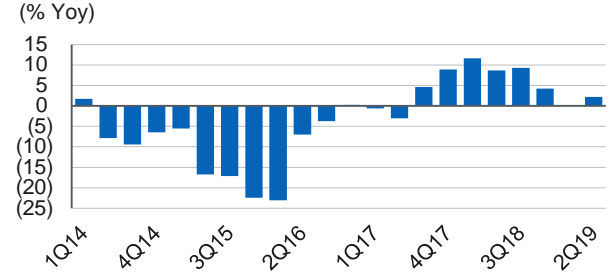
Source: Instituto Brasileiro de Geografia e Estatística,

Industrial Energy Consumption



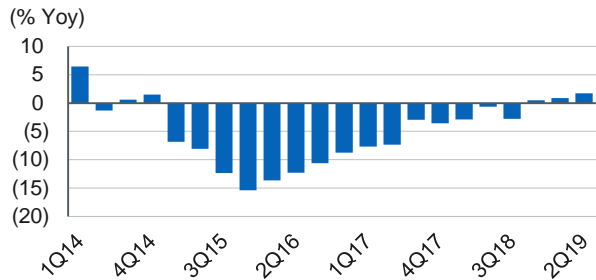
Source: Empresa de Pesquisa Energetica.

Steel Consumption



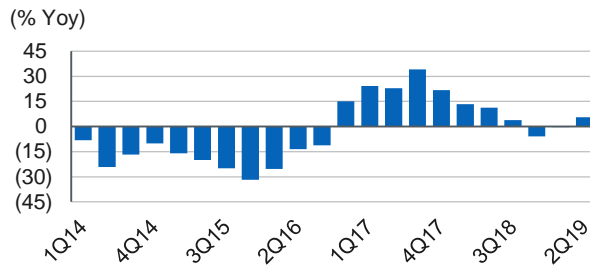
Source: Instituto Aço Brasil.

Cement Consumption



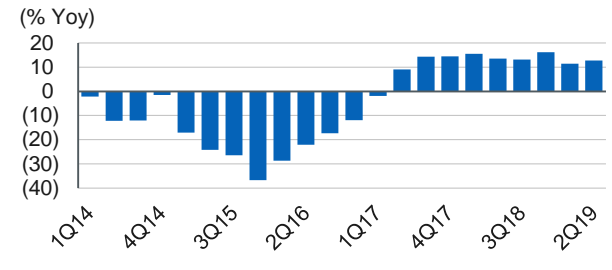
Source: Sindicato Nacional da Industria do Cimento.

Vehicle Production



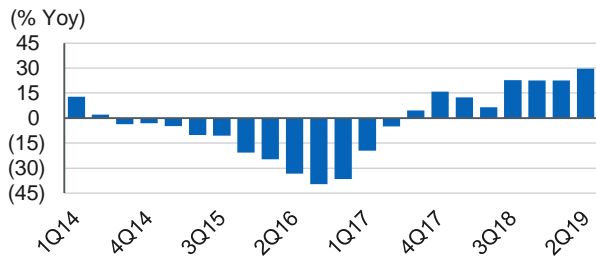
Source: Associação Nacional dos Fabricantes de Veículos Automotores.

Vehicle Sales



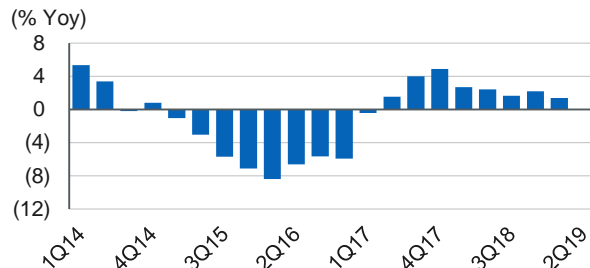
Source: Associação Nacional dos Fabricantes de Veículos Automotores.

Vehicle Inventories



Source: Associação Nacional dos Fabricantes de Veículos Automotores.

Retail Sales



Source: Instituto Brasileiro de Geografia e Estatística.

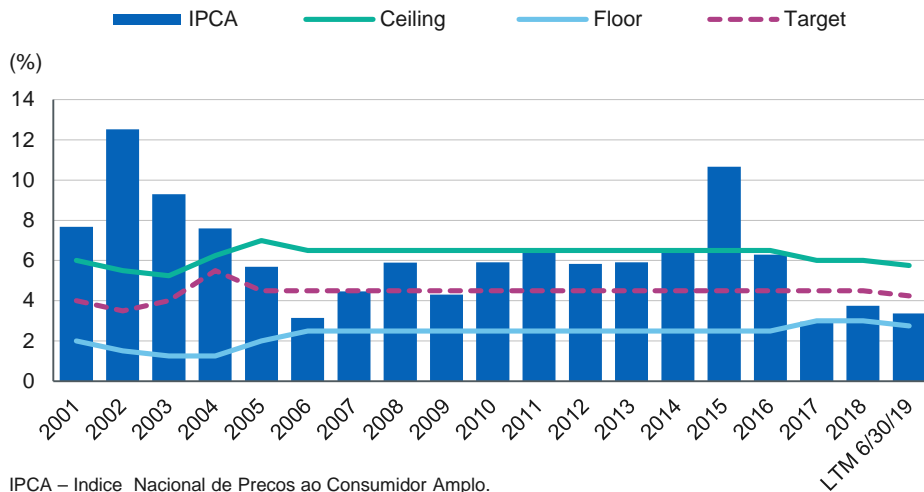
**Growth Trends — Selected Segments Within the Manufacturing Industry**

(%)	2014	2015	2016	2017	2018	1H19
Food Products	(1.0)	(1.8)	0.5	1.2	(5.3)	0.2
Chemicals	(3.9)	(6.2)	(1.0)	0.6	(0.6)	1.5
Oil Distillates and Biofuels	2.3	(5.9)	(8.5)	(4.2)	0.7	(0.5)
Beverages	1.3	(4.7)	(3.1)	0.8	0.8	5.7
Non-Metallic Minerals	(2.5)	(7.7)	(10.6)	(2.2)	0.4	2.9
Metallurgy	(7.4)	(8.4)	(6.0)	4.7	4.0	0.4
Rubber and Plastics	(3.6)	(9.3)	(6.6)	4.6	1.0	(1.8)
Metal Products	(10.1)	(11.5)	(10.6)	(1.4)	2.6	5.8
Equipment and Machines	(5.7)	(14.5)	(11.7)	2.8	3.7	1.5
Motor Vehicles	(16.8)	(25.9)	(12.1)	17.2	12.7	3.5

Source: Instituto Brasileiro de Geografia e Estatística, Fitch Ratings.

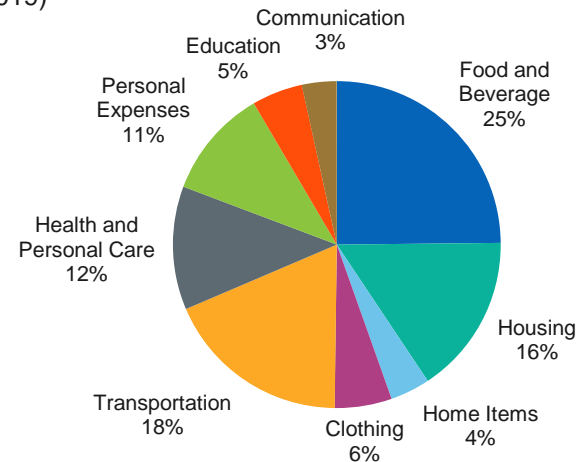
Brazilian Corporates: Inflation

IPCA and Inflation Target



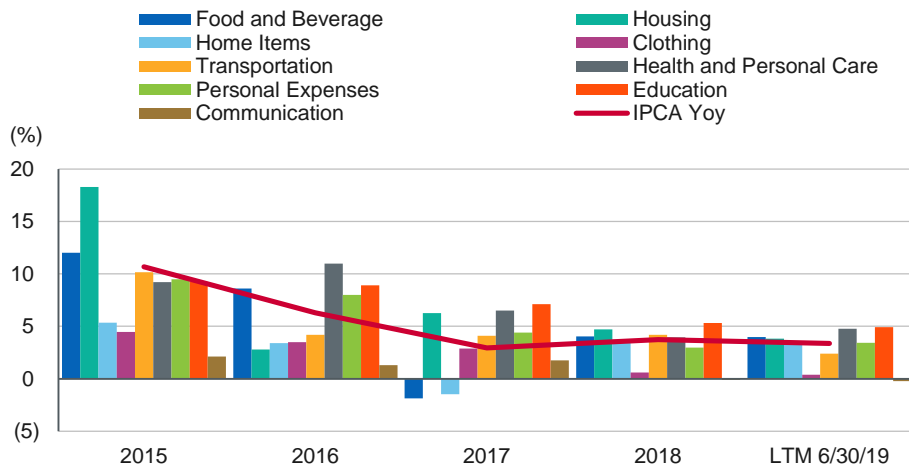
IPCA – Índice Nacional de Preços ao Consumidor Amplo. Source: Banco Central do Brasil.

IPCA Breakdown — Weight By Group (As of June 2019)



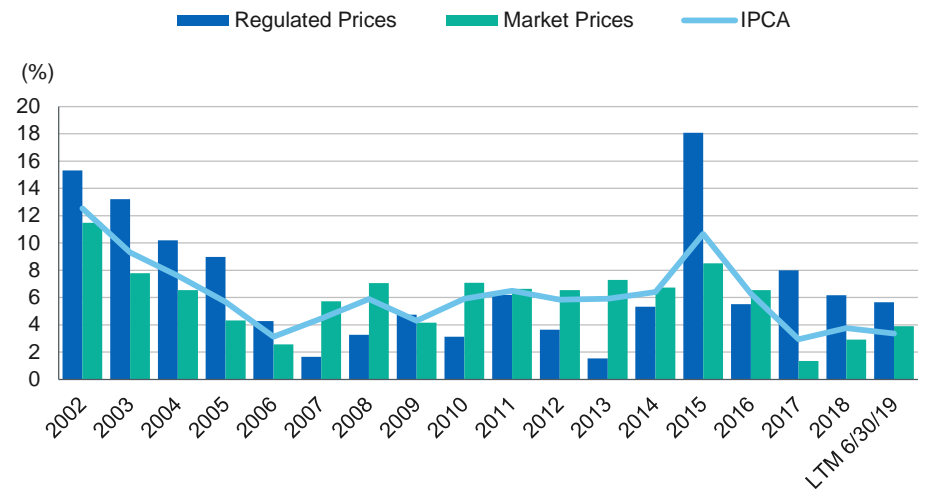
IPCA – Índice Nacional de Preços ao Consumidor Amplo. Source: Banco Central do Brasil.

Inflation By Group



IPCA – Índice Nacional de Preços ao Consumidor Amplo. Source: Banco Central do Brasil.

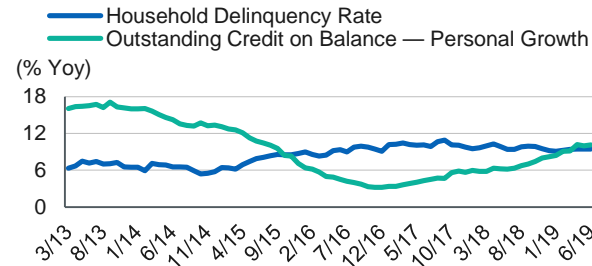
Inflation — Regulated Prices and Market Prices



Source: Banco Central do Brasil, IBGE.

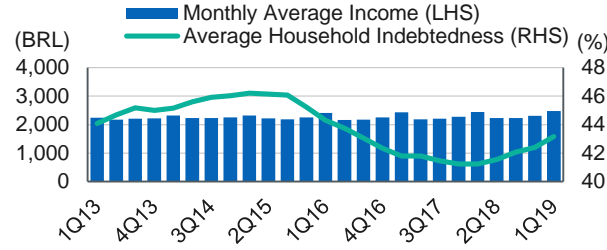
Brazilian Corporates: Credit Overview

Household Delinquency Rate and Consumer Lending Growth Rate



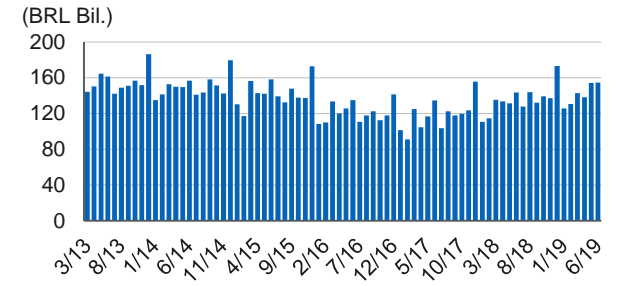
Source: Confederacao Nacional do Comercio, Banco Central do Brasil.

Household Average Income and Average Indebtedness



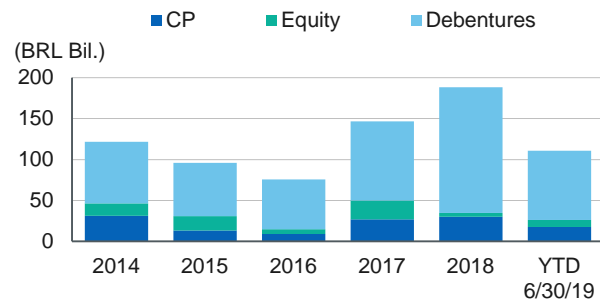
Source: Instituto Brasileiro de Geografia e Estatistica, Banco Central do Brasil.

Corporate Lending



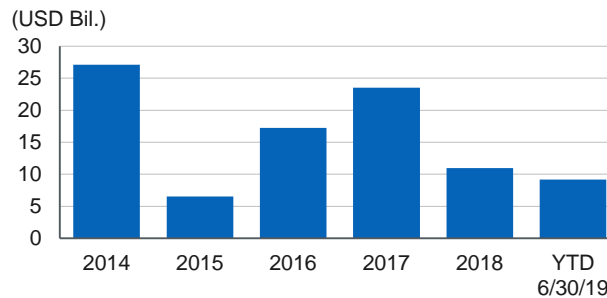
Source: Banco Central do Brasil.

Corporate Issuances



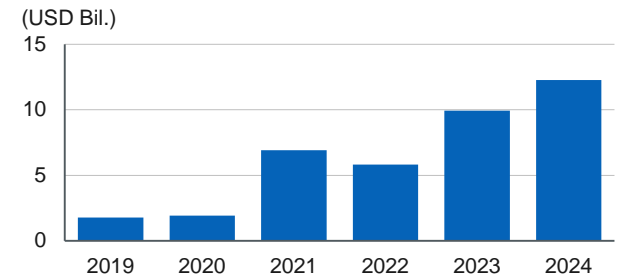
Source: ANBIMA.

Cross-Border Issuances



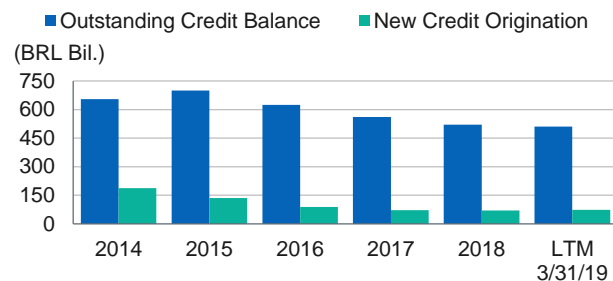
Source: ANBIMA.

Cross-Border Bond Maturities — Fitch Portfolio



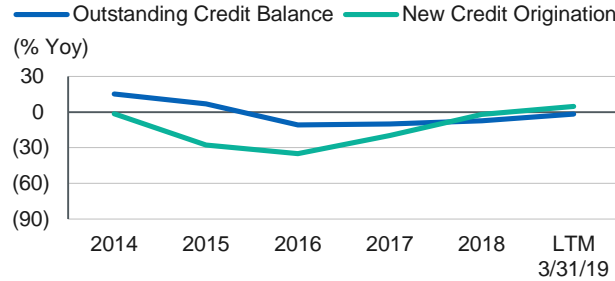
Source: Bloomberg, LP.

BNDES — Credit Growth



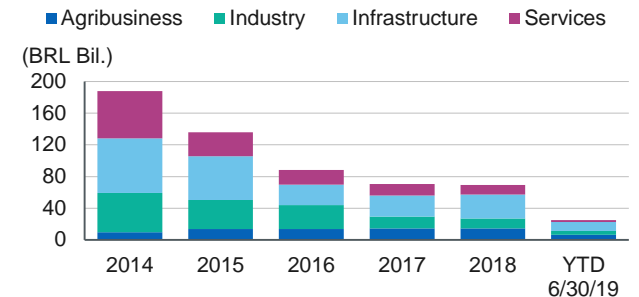
BNDES – Banco Nacional de Desenvolvimento Economico e Social. Source: Fitch Ratings, Fitch Solutions, BNDES.

BNDES — Credit Growth



BNDES – Banco Nacional de Desenvolvimento Economico e Social. Source: Fitch Ratings, Fitch Solutions, BNDES.

BNDES — New Credit by Segment

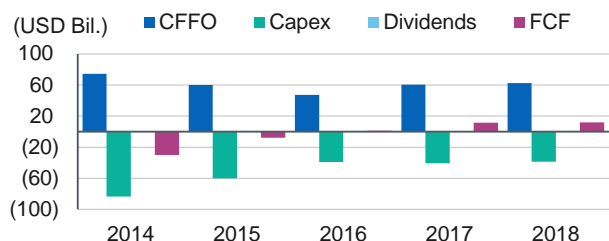


BNDES – Banco Nacional de Desenvolvimento Economico e Social. Source: Fitch Ratings, Fitch Solutions, BNDES.



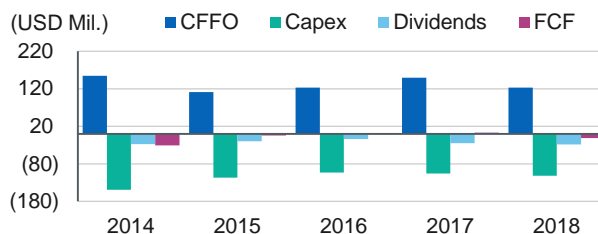
Brazilian Corporates: Financial Profile

Aggregate Cash Flow Performance — Brazilian Corporate Ratings — Fitch Portfolio



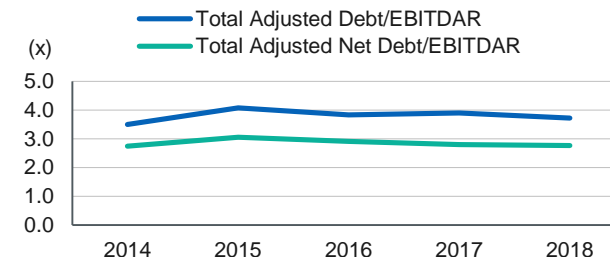
CFFO – Cash flow from operations.  
Source: Fitch Ratings, Fitch Solutions.

Median Cash Flow Performance — Brazilian Corporate Ratings — Fitch Portfolio



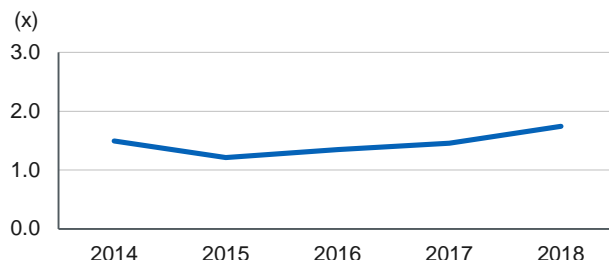
CFFO – Cash flow from operations.  
Source: Fitch Ratings, Fitch Solutions.

Median Leverage — Brazilian Corporate Ratings — Fitch Portfolio



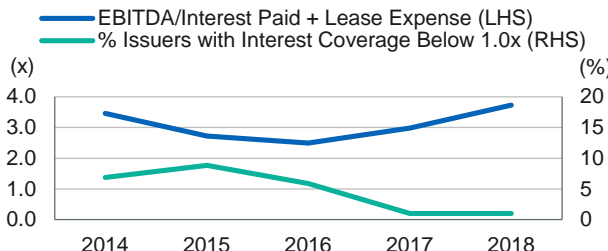
Source: Fitch Ratings, Fitch Solutions.

Median Liquidity — Brazilian Corporate Ratings — Fitch Portfolio — Cash/Short-Term Debt



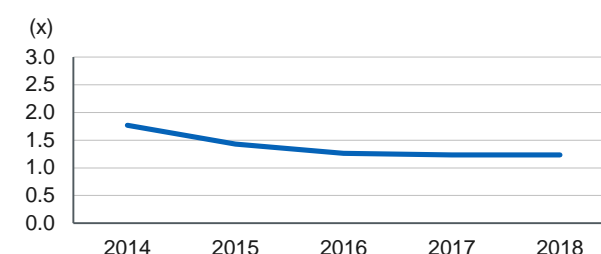
Source: Fitch Ratings, Fitch Solutions.

Median EBITDAR/Interest Paid + Lease Expense — Brazilian Corporate Ratings — Fitch Portfolio



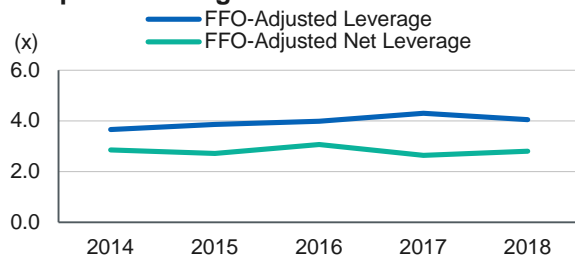
Source: Fitch Ratings, Fitch Solutions.

Median Capex/Depreciation — Brazilian Corporate Ratings — Fitch Portfolio



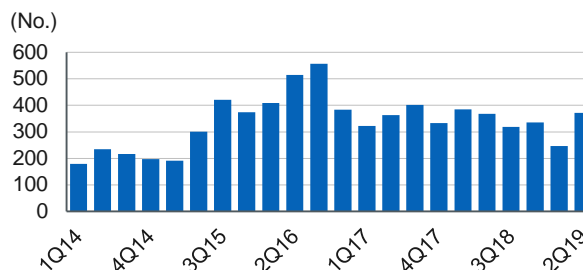
Source: Fitch Ratings, Fitch Solutions.

Median — FFO Adjusted Leverage — Brazilian Corporate Ratings — Fitch Portfolio



Source: Fitch Ratings, Fitch Solutions.

Total Judicial Recovery Requests



Source: Fitch Ratings, Fitch Solutions, Serasa Experian.

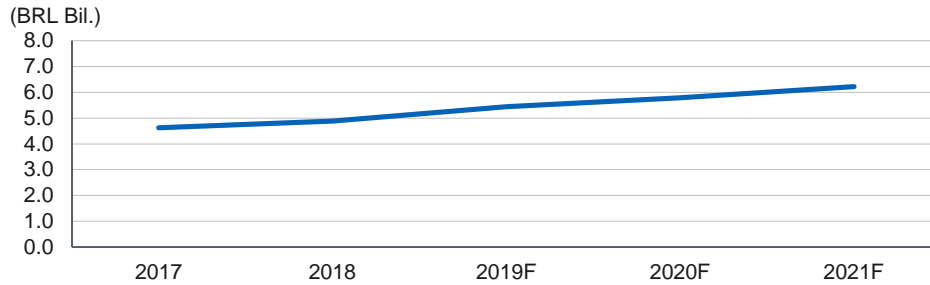
Debt Restructuring or Judicial Recovery — Issuers Rated by Fitch

2014	2015	2016	2017	2018	2019
Aralco	Schahin	GOL	Essencis	Inbrands	USJ
—	GVO	USJ	Solvi	Constellation	Liq
—	OAS	Usiminas	Queiroz Galvão	Andrade Gutierrez	Ouro Verde
—	Galvao Eng.	Liq	QGDI	—	—
—	Ceargro	GSB	Moura Dubeux	—	—
—	Sifco	Oi	—	—	—
—	General Shopping	—	—	—	—
—	Cimento Tupi	—	—	—	—

Source: Fitch Ratings, Fitch Solutions.

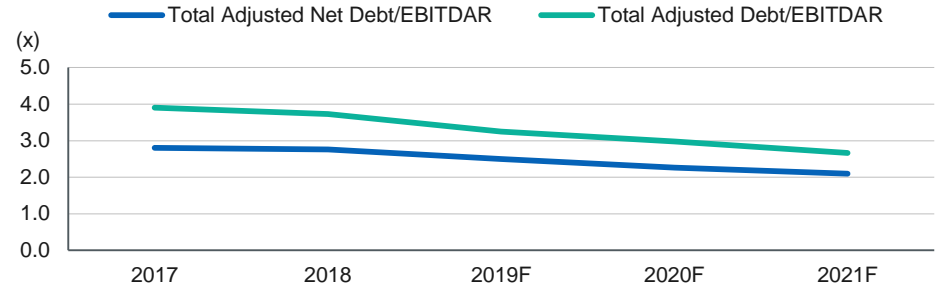
Brazilian Corporates: Fitch Forecasts

Median Revenue



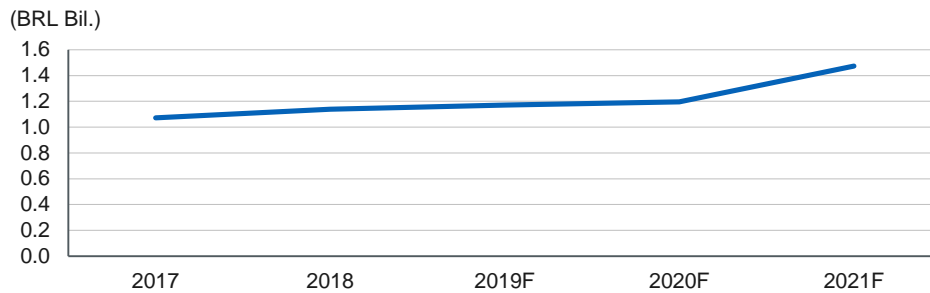
F – Forecast.  
Source: Fitch Ratings, Fitch Solutions.

Median Leverage



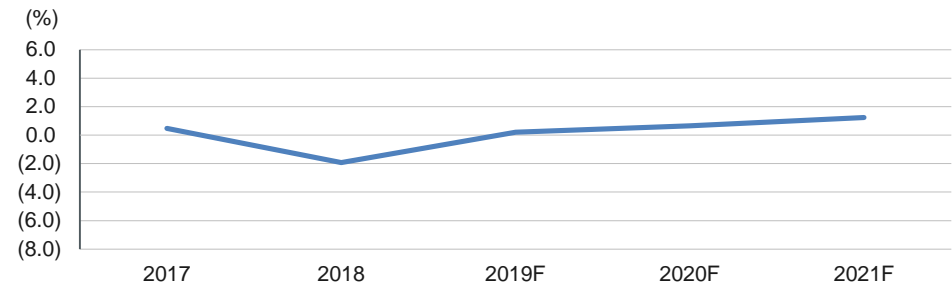
F – Forecast.  
Source: Fitch Ratings, Fitch Solutions.

Median EBITDAR



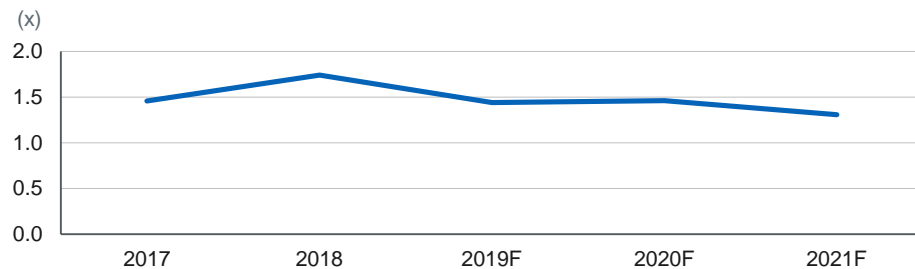
F – Forecast.  
Source: Fitch Ratings, Fitch Solutions.

FCF Margin



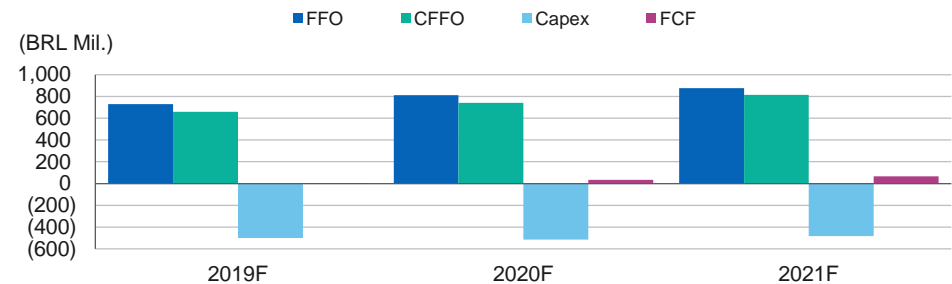
F – Forecast.  
Source: Fitch Ratings, Fitch Solutions.

Median Liquidity — Cash/Short-Term Debt



F – Forecast.  
Source: Fitch Ratings, Fitch Solutions.

Median Cash Flow Performance



F – Forecast. CFFO – Cash flow from operations  
Source: Fitch Ratings, Fitch Solutions.

## Brazilian Corporates: Key Statistics

(BRL Mil.) Issuer	LT FC IDR	Operating EBITDAR <sup>a</sup>		Cash Flow from Operations		Total Adjusted Net Debt/EBITDAR (x)		Cash and Marketable Securities	2018	
		2018	2019F	2018	2019F	2018	2019F		Short-Term Debt	Total Adjusted Debt
Raizen Combustiveis S.A. <sup>b</sup>	BBB	6,937	7,981	5,635	5,902	2.5	2.3	6,008	3,883	23,168
Raizen Energia S.A. <sup>b</sup>	BBB	6,937	7,981	5,635	5,902	2.5	2.3	6,008	3,883	23,168
Vale S.A.	BBB-	62,977	64,696	47,346	50,568	1.1	1.0	22,532	8,279	93,705
Braskem S.A.	BBB-	11,335	10,974	9,524	7,078	2.7	2.5	6,892	11,600	37,298
Embraer S.A.	BBB-	1,832	2,451	4,045	1,881	3.6	2.5	8,632	1,950	15,559
Gerdau S.A.	BBB-	5,986	5,791	2,000	2,800	2.1	2.1	3,350	1,825	16,129
Suzano S.A. <sup>c</sup>	BBB-	16,609	15,945	11,558	10,051	1.8	2.8	31,596	11,228	61,639
Votorantim S.A.	BBB-	5,148	5,499	2,452	3,557	2.3	1.5	11,057	5,291	24,451
Cielo S.A.	BB+	6,230	4,607	3,575	3,951	1.2	1.4	2,874	1,109	10,074
Globo Comunicacao e Participacoes S.A.	BB+	1,316	2,516	1,094	1,610	(4.3)	(2.2)	9,746	54	3,378
Klabin S.A.	BB+	4,023	3,881	2,616	2,624	3.1	3.7	7,047	1,975	19,446
Eletropaulo Metropolitana Eletricidade de Sao Paulo S.A. <sup>d</sup>	BB+	4,092	5,147	316	2,826	4.7	3.0	2,865	13,515	22,187
BRF S.A.	BB	2,925	3,829	(215)	2,699	6.8	4.6	5,377	5,191	25,263
Ache Laboratorios Farmaceuticos S.A.	BB	934	989	551	670	0.1	0.4	245	45	383
Aegea Saneamento e Participacoes S.A.	BB	810	986	380	270	3.7	4.1	1,380	698	4,379
Alupar Investimento S.A.	BB	1,260	1,254	353	832	2.3	3.4	3,595	727	6,514
Atento Luxco 1	BB	926	979	297	414	3.1	3.0	517	199	3,582
BR Malls Participacoes S.A.	BB	869	932	538	529	2.9	2.1	931	613	3,435
Companhia de Gas de Sao Paulo – COMGAS	BB	1,384	2,102	1,343	1,398	1.1	1.6	1,727	565	3,283
Companhia de Saneamento Basico do Estado de Sao Paulo (SABESP)	BB	5,763	5,213	3,665	3,356	1.8	2.1	3,029	2,112	13,195
Cosan Limited	BB	5,592	5,604	5,069	5,489	2.0	2.1	7,825	2,058	21,702
Cosan S.A.	BB	1,410	2,175	2,043	2,729	2.0	1.7	4,056	987	9,564
Energisa S.A.	BB	2,648	2,397	(1,627)	2,041	4.6	5.3	4,245	2,818	16,340
Engie Brasil Energia S.A.	BB	4,368	4,811	3,147	3,689	1.6	1.6	2,642	670	9,510
Hidrovias do Brasil S.A.	BB	453	549	204	266	4.6	3.8	1,089	195	3,159
JSL S.A.	BB	1,751	1,741	891	714	4.3	4.3	2,976	2,149	10,570
Localiza Rent a Car S.A.	BB	1,772	2,295	341	291	3.5	3.0	2,443	635	8,595
MRS Logistica S.A. (MRS)	BB	1,543	1,349	1,136	1,073	1.4	1.5	346	412	2,445
Natura Cosméticos S.A.	BB	2,560	2,776	844	976	4.0	3.6	2,430	1,396	12,658
Rede DOr Sao Luiz S.A.	BB	3,015	3,805	793	896	3.2	3.1	4,057	729	13,608

<sup>a</sup>EBITDAR includes dividends received from associates and minorities. EBITDA for airlines, retail and other companies with material rents and leases expenses were adjusted to EBITDAR. <sup>b</sup>Raizen Combustiveis S.A. and Raizen Energia S.A. are analyzed under the combined financials of Raizen S.A. <sup>c</sup>Financials for Suzano S.A. and Fibria Celulose S.A. reflect the companies' combined financials. <sup>d</sup>Eletropaulo Metropolitana Eletricidade de Sao Paulo S.A.'s figures reflect Enel Brasil S.A.'s financials and projections. LT FC IDR – Long-Term Foreign Currency Issuer Default Rating. F – Forecast. *Continued on the next page.*  
Source: Fitch Ratings, Fitch Solutions.

## Brazilian Corporates: Key Statistics (Continued)

(BRL Mil.) Company Name	LT FC IDR	Operating EBITDAR <sup>a</sup>		Cash Flow from Operations		Total Adjusted Net Debt/EBITDAR (x)		Cash and Marketable Securities	2018	
		2018	2019F	2018	2019F	2018	2019F		Short-Term Debt	Total Adjusted Debt
Rumo S.A.	BB	3,275	3,450	1,790	1,980	2.3	2.2	3,100	1,383	10,593
Transmissora Alianca de Energia Eletrica S.A.	BB	1,135	1,172	1,040	955	1.8	2.4	819	433	3,292
Tupy S.A.	BB	623	703	577	484	1.1	1.0	714	37	1,396
Azul S.A.	BB-	2,606	3,503	494	959	4.6	4.0	2,202	509	14,121
Usinas Siderurgicas de Minas Gerais S.A. (Usiminas)	BB-	1,899	2,215	850	1,310	2.6	2.1	1,093	1,433	6,816
Centrais Eletricas Brasileiras S.A. (Eletrobras)	BB-	7,119	9,223	2,410	5,803	9.1	7.4	6,991	12,089	84,965
Jalles Machado S.A.	BB-	557	602	364	429	2.1	1.7	343	207	1,539
JBS S.A.	BB	15,681	17,210	7,440	9,058	3.3	2.7	8,936	2,923	60,312
Light S.A.	BB-	1,593	1,601	41	867	5.5	5.5	1,684	1,981	10,520
Marfrig Global Foods S.A.	BB-	2,689	4,218	94	1,096	4.0	3.0	7,192	4,175	16,188
Minerva S.A.	BB-	1,554	1,514	(160)	376	4.0	3.1	4,397	3,802	10,646
Petroleo Brasileiro S.A. (Petrobras)	BB-	139,877	149,344	77,812	78,136	2.7	2.6	58,043	14,296	467,325
Eldorado Brasil Celulose S.A.	BB-	2,715	2,840	2,188	1,641	2.4	1.7	828	2,246	7,343
Biosev S.A.	B+	2,052	1,861	957	845	3.5	3.4	1,329	663	8,591
Tegra Incorporadora S.A.	B+	(482)	(315)	(178)	(165)	(6.4)	(10.4)	342	360	3,434
Unigel Participacoes S.A.	B+	428	467	37	161	3.1	2.8	240	111	1,553
Companhia Energetica de Minas Gerais (CEMIG)	B+	3,389	4,150	1,008	2,345	4.6	3.9	1,594	2,143	18,605
GOL Linhas Aereas Inteligentes S.A.	B+	3,181	3,539	1,863	1,394	4.6	4.3	1,305	1,223	14,874
Intercement Participacoes S.A.	B	1,268	1,011	(35)	212	5.4	4.7	1,517	2,180	8,601
Companhia Siderurgica Nacional (CSN)	B	4,991	7,684	2,322	4,091	5.0	2.6	3,144	5,653	28,827
Ouro Verde Locacao e Servico S.A.	B	349	503	379	543	3.8	2.3	184	1,504	1,504
Oi S.A.	B-	7,551	6,938	2,863	5,214	4.5	4.7	4,587	673	38,929
General Shopping e Outlets do Brasil S.A.	CCC-	152	83	(91)	0	6.2	9.7	384	80	1,333
Andrade Gutierrez Engenharia S.A.	CCC-	(32)	253	282	286	(80.7)	3.8	403	291	1,780
U.S.J. – Acucar e Alcool S.A.	CCC-	226	222	0	74	6.6	5.8	113	420	1,602
<b>Median</b>	—	<b>2,560</b>	<b>2,516</b>	<b>957</b>	<b>1,394</b>	<b>3.1</b>	<b>2.8</b>	<b>2,865</b>	<b>1,396</b>	<b>10,570</b>

<sup>a</sup>EBITDAR includes dividends received from associates and minorities. EBITDA for airlines, retail and other companies with material rents and leases expenses were adjusted to EBITDAR. <sup>b</sup>Raizen Combustiveis S.A. and Raizen Energia S.A. are analyzed under the combined financials of Raizen S.A. <sup>c</sup>Financials for Suzano S.A. and Fibria Celulose S.A. reflect the companies' combined financials. <sup>d</sup>Eletropaulo Metropolitana Eletricidade de Sao Paulo S.A.'s figures reflect Enel Brasil S.A.'s financials and projections. LT FC IDR – Long-Term Foreign Currency Issuer Default Rating. F – Forecast.  
Source: Fitch Ratings, Fitch Solutions.

Special Report  
Outlooks

Brazil

## 2019 Outlooks

[Fitch Ratings 2019 Outlook: Latin American Corporates \(Navigating the New Political Landscape\) \(December 2018\)](#)[Fitch Ratings 2019 Outlook: Latin American Sovereigns \(November 2018\)](#)

## Related Research

[Significant Challenges Will Remain for Brazil Post Pension Reform \(August 2019\)](#)[Brazil – June 2019 Global Economic Outlook Forecast \(June 2019\)](#)[Brazil \(May 2019\)](#)

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