Cielo S.A.

Rating Type	Rating	Outlook	Last Rating Action
Cielo S.A.			
Long-Term Local Currency IDR	BB+	Stable	Affirmed Nov. 2, 2018
Long-Term IDR	BB+	Stable	Affirmed Nov. 2, 2018
National Long-Term Rating	AAA(bra)	Stable	Affirmed Nov. 2, 2018
Cielo USA Inc.			
Senior Unsecured Notes	BB+		Affirmed Nov. 2, 2018
Click here for full list of ratings			

Financial Summary

(BRL Mil.)	Dec 2016	Dec 2017	Dec 2018F	Dec 2019F
Net Revenue	12,301	11,600	11,140	11,192
Adjusted EBITDAR	8,215	7,672	6,546	6,425
Cash Flow from Operations	4,435	6,095	4,652	4,365
FFO Adjusted Leverage (x)	1.8	2.0	2.0	1.8
Total Adjusted Net Debt/Operating EBITDAR (x)	1.1	0.7	0.7	0.7

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

On Nov. 2, 2018, Fitch Ratings affirmed Cielo S.A.'s Foreign and Local Currency Issuer Default Rating (IDRs) at 'BB+' and its Long-Term national scale rating at 'AAA(bra)'. The Outlook for the corporate ratings is Stable.

Cielo's ratings reflect the company's solid capital structure and financial flexibility and its proven capacity to generate strong and resilient cash flow in different macroeconomic environments and amid increased competition. Cielo benefits from its leading position in the Brazilian card payment industry, which is supported by the growing and predictable revenue stream from a diversified base of affiliated merchants.

The analysis also incorporates the low counterparty risks associated with the Brazilian banking system, as more than 95% of the volume of transactions is concentrated in banks rated 'BB–' and above or that are partially guaranteed by Visa and MasterCard. Cielo has virtually no direct credit exposure to cardholders, as the card-issuing bank guarantees cardholders' payments, while the company's exposure to merchants is limited.

Key Rating Drivers

Card Payment Industry Leader: Cielo is the leading company in Brazil's merchant acquiring and payment processing industry with an estimated market share of 51.1%. Despite significantly increased competition in recent years, the industry remains highly concentrated, with the two largest participants representing approximately 84% of the market. Cielo's competitive advantage relies in part on the relationship and distribution network of three important banks in the Brazilian banking system, Banco do Brasil S.A., Banco Bradesco S.A. and, to a lesser extent, Caixa Economica Federal. Cielo's affiliation with these banks gives it access to their broad customer base to acquire merchant accounts.

Challenges from Increased Competition: The market dynamics for the Brazilian payment industry has significantly

changed in the last two years, and Fitch expects competition to continue to increase and pressure operating margins. In Fitch's opinion, Cielo's market share should remain strong, but will gradually decline in the medium term. The recent successful IPOs of two smaller participants will also contribute to a more aggressive growth strategy and to a fierce battle to gain market share.

Cielo has an important challenge to adapt its strategy to the highly competitive business environment and continue to grow its activities and preserve strong cash flow generation. The company's operating results were pressured by a reduction in the net interchange fee, in revenues from point of sale (POS) equipment rental and in prepayment revenue, combined with lower growth in the volume of credit transactions.

In Fitch's opinion, Cielo's defensive strategy to enter more aggressively into a new business segment, for micro to small merchants, still needs to be tested. This is a more price-sensitive segment, in which smaller participants, such as PagSeguro Digital Ltd. (not rated) and Stone Pagamentos S.A. (not rated), have gained important market share. The acquisition of Stelo S.A. in 2018 should support Cielo's plan to grow more aggressively in this segment, with sale of POS and acquisition of receivables activities.

Financial Volumes to Continue to Grow: Fitch expects mid-single-digit growth of credit and debit transactions in Brazil in 2018 and 2019, supported by low penetration of credit and debit cards and some improvement in consumer spending. However, the still uncertain pace of economic recovery will continue to pressure business growth compared with high historical growth levels.

Cielo processed BRL458 billion in credit and debit transactions in the first nine months of 2018 and BRL626 billion in 2017. The volume of credit and debit transactions increased by more than 20% per year from 2007 to 2012 and by an average of 16% in 2013 and 2014. Weak macroeconomic conditions and tough competition resulted in slower growth toward single digits since 2015, and the volume of credit and debit transactions increased by 7.0% in 2016, 6.7% in 2017 and only 0.8% during the first nine months of 2018.

Low Risk of Credit Loss: Cielo has virtually no direct credit exposure to cardholders, as the card-issuing bank guarantees cardholders' payments, while the company's exposure to merchants is limited. The company is, however, partially exposed to card-issuing bank defaults on a payment settlement for Visa and MasterCard transactions. The risk associated with Visa and MasterCard transactions is mitigated because more than 95% of the volume of transactions is concentrated in banks rated 'BB–' and above. For some non-investment-grade banks, Cielo's risk management policy requires the card-issuing bank to pledge collateral.

Cash Flow Remains Robust: Cielo has demonstrated recurrent capacity to generate robust and resilient cash flow during different economic cycles and increased competition. It also benefits from increased revenue diversification following the acquisition of Merchant e-Solutions, Inc. in the U.S., and the Cateno joint venture. Fitch projects adjusted EBITDA to decrease to BRL6.5 billion in 2018 and BRL6.4 billion in 2019. In the LTM ended Sept. 30, 2018, the company reported BRL6.7 billion of adjusted EBITDA, including financial income derived from the acquisition of receivables from merchants of BRL1.8 billion, FFO of BRL5.6 billion and cash flow from operations (CFFO) of BRL5.0 billion. These results compare negatively with BRL7.7 billion, BRL5.3 billion and BRL6.1 billion, respectively, in 2017.

The reduction in the net interchange fee, in revenues from POS equipment rental and in prepayment revenue, combined with lower growth of the volume of credit transactions, pressured EBITDA generation. Cielo invested BRL563 million and distributed dividends of BRL3.4 billion in the LTM ended Sept. 30, 2018, resulting in FCF of BRL967 million. Fitch expects FCF to remain positive in 2018–2020 despite increased pressure on cash flow generation due to the highly competitive environment.

Strong Capital Structure: Cielo has strong credit metrics and leverage remains low. In the LTM ended Sept. 30, 2018, net debt to adjusted EBITDA, including financial income derived from the acquisition of receivables from merchants, was 0.9x, in line with the 2016–2017 average. Fitch's projections indicate net leverage close to 1.0x in the upcoming years. As of Sept. 30, 2018, Cielo had BRL10.2 billion of total debt, of which about 35% was denominated in foreign currencies.

Rating Pierces Country Ceiling: Cielo's Foreign Currency IDR of 'BB+' is one notch higher than Brazil's 'BB' Country Ceiling, as the company's offshore readily available cash easily covers hard currency interest expense. Currently, cash held abroad covers hard currency debt service over the next 24 months by more than 2.0x. In line with Fitch's *Non-Financial Corporates Exceeding the Country Ceiling Rating Criteria*, this could allow the company to be rated up to three notches above the Brazilian Country Ceiling. Cielo's Foreign Currency IDR is constrained by the company's Local Currency IDR, which is a reflection of the company's underlying credit quality. If Cielo's offshore readily available cash/hard currency interest ratio falls below 1.0x, Cielo's Foreign Currency IDR would be downgraded and limited to Brazil's Country Ceiling.

Rating Derivation Relative to Peers

Rating Derivation Versus Peers	
Peer Comparison	Cielo is the leading company in Brazil's merchant acquiring and payment processing industry with an estimated market share of 51.1%. The second-largest is Redecard (controlled by Itau Unibanco Holding S.A.; not rated) with 33.2% market share and the third-largest is GetNet (controlled by Banco Santander S.A.; not rated) with 11.7%. Compared to small players, like Stone and PagSeguro, the three leaders have strong competitive advantages due to their controlling shareholders' structure, as the affiliation with these leading banks gives them access to a broad customer base to acquire merchant accounts and creates high barriers to entry. As is characteristic of the industry in Brazil, Cielo has no direct credit exposure to cardholders, as the card-issuing bank guarantees cardholders' payments. Cielo's ratings incorporate the counterparty risks associated with the Brazilian banking system. Cielo has a predictable revenue stream from a diversified base of affiliated merchants and has consistently reported strong cash flow generation. In general, participants with lower scale of operations are more reliant on the financial income from the acquisition of receivables from merchants that could present more volatility. Cielo is also well positioned in terms of R&D in technology, reducing the risk of obsolete systems, while small companies have higher technology risk.
Parent/Subsidiary Linkage	No parent/subsidiary linkage is applicable.
Country Ceiling	Cielo's Foreign Currency rating is not constrained by Brazil's Country Ceiling Rating of 'BB' as the company's offshore readily available cash covers hard currency interest expense by more than 1.0x. Cielo's Foreign Currency IDR is constrained by the company's Local Currency IDR, which is a reflection of the company's underlying credit quality. If Cielo's offshore readily available cash-to-hard currency interest ratio falls below 1.0x, Cielo's Foreign Currency IDR would be downgraded and limited to Brazil's Country Ceiling.
Operating Environment	Concerns about the weak economic environment and governance conditions in Brazil are embedded into Cielo's ratings. The business resilience of its industry, the company's competitive advantages and its strong balance sheet offset some of these risks.
Other Factors	As is characteristic of the industry in Brazil, Cielo has no direct credit exposure to cardholders, as the card-issuing bank guarantees cardholders' payments. Cielo's ratings incorporate the counterparty risks associated with the Brazilian banking system.

Source: Fitch Ratings.

Navigator Peer Comparison

Issuer		Business profile						Financial profile		
Name	IDR/Outlook	Operating Environment	Management and Corporate Governance	Competitive Position	Diversification	Customer Dynamics	Sector Environment	Profitability	Financial Structure	Financial Flexibility
Cielo S.A.	BB+/Sta	bb-	bbb+	a-	bbb	bb+	bbb-	bbb+	a-	a-
First Data Corp.	BB-/Pos	aaa	bb+	bbb	bb+	bbb	bb+	bbb+	b+	bb
Source: Fitch Ratings.					Importance	Higher	Moderate	Lower		

Rating Sensitivities

Developments That May, Individually or Collectively, Lead to Positive Rating Action

- Ratings upgrades are not likely at this time.

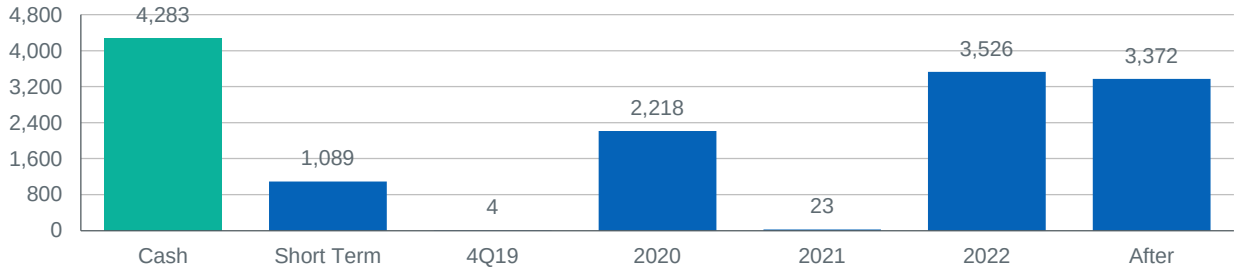
Developments That May, Individually or Collectively, Lead to Negative Rating Action

- An increase in the volume of credit and debit transactions with banks rated 'BB–' and below without collateral being pledged by the card-issuing bank or not guaranteed by MasterCard;
- Weakening credit profile of the main banks that operate with Cielo;
- A significant loss due to fraud and charge-backs;
- Tougher competition leading to a significant loss of market share and profitability;
- Significant changes in regulatory risk;
- A negative rating action on Brazil's sovereign ratings that leads to negative rating actions on Banco do Brasil, Bradesco, Caixa and Itau could result in negative rating action for Cielo.

Liquidity and Debt Structure

Strong Liquidity: Cielo's liquidity position is strong and cash flow generation comfortably covers debt maturities. As of Sept. 30, 2018, Cielo had cash and marketable securities of BRL4.3 billion and BRL1.1 billion of short-term debt. About 86% of total cash is invested in Brazil and 14% abroad. At Sept. 30, 2018, the company had BRL1.1 billion of debt maturing up to the end of 2019, BRL2.2 billion in 2020 and BRL23 million in 2021. In 2018, Cielo amortized the last installment of its debentures, totalling BRL1.6 billion. Fitch expects Cielo to continue to use operating cash flow generation to reduce total debt in the next couple of years.

Debt Amortization Schedule
(As of Sept. 30, 2018)
(BRL Mil.)



Source: Fitch Ratings, Fitch Solutions, Cielo S.A.

Debt Maturities and Liquidity at YE 2017

Liquidity Summary

(BRL 000)	12/31/16	12/31/17
Total Cash and Cash Equivalents	2,734,437	6,024,197
Short-Term Investments	0	0
Less: Not Readily Available Cash and Cash Equivalents	0	0
Fitch-Defined Readily Available Cash and Cash Equivalents	**2,734,437**	**6,024,197**
Availability Under Committed Lines of Credit	0	0
Total Liquidity	**2,734,437**	**6,024,197**
LTM EBITDA	**8,215,396**	**7,672,055**
LTM FCF	**2,517,118**	**3,403,426**

Source: Fitch Ratings, Fitch Solutions, Cielo S.A.

Scheduled Debt Maturities

(BRL 000)	12/31/17
Current Year	2,788,254
Plus 1 Year	79,934
Plus 2 Years	2,028,862
Plus 3 Years	22,303
Plus 4 Years	2,916,803
Thereafter	3,370,277
Total Debt Maturities	**11,206,433**

Source: Fitch Ratings, Fitch Solutions, Cielo S.A.

Key Assumptions

Fitch's Key Assumptions Within Our Rating Case for the Issuer

- Volume of credit and debit transactions to increase by 5.0% in 2018 and 6.0% in 2019;
- Annual investments of BRL500 million;
- Lower revenues from POS rental due to higher competition and foreclosures of retail stores;
- Acquisition of receivables from merchants between 18% and 19% of total credit value of transactions;
- Dividends of 75% of net income.

Financial Data

(BRLth)	Historical			Forecast		
	Dec 2015	Dec 2016	Dec 2017	Dec 2018F	Dec 2019F	Dec 2020F
Summary Income Statement						
Net Revenue	11,122,314	12,300,784	11,600,341	11,139,777	11,191,637	11,414,475
Revenue Growth (%)	44.0	10.6	-5.7	-4.0	0.5	2.0
Operating EBITDA (Before Income from Associates)	7,618,834	8,215,396	7,672,055	6,545,959	6,425,222	6,491,754
Operating EBITDA Margin (%)	56.4	54.8	54.8	48.6	47.3	46.9
Operating EBITDAR	7,618,834	8,215,396	7,672,055	6,545,959	6,425,222	6,491,754
Operating EBITDAR Margin (%)	56.4	54.8	54.8	48.6	47.3	46.9
Operating EBIT	6,717,007	7,249,714	6,725,040	5,636,543	5,511,572	5,559,913
Operating EBIT Margin (%)	60.4	58.9	58.0	50.6	49.2	48.7
Gross Interest Expense	-1,354,124	-1,331,783	-904,151	-643,265	-555,107	-480,275
Pretax Income (Including Associate Income/Loss)	5,434,831	6,020,776	6,085,809	5,253,278	5,276,465	5,399,638
Summary Balance Sheet						
Readily Available Cash and Equivalents	1,315,648	2,734,437	6,024,197	4,816,623	4,014,868	4,175,597
Total Debt with Equity Credit	14,355,369	11,403,378	11,206,433	9,418,179	8,338,245	7,309,383
Total Adjusted Debt with Equity Credit	14,355,369	11,403,378	11,206,433	9,418,179	8,338,245	7,309,383
Net Debt	13,039,721	8,668,941	5,182,236	4,601,556	4,323,377	3,133,786
Summary Cash Flow Statement						
Operating EBITDA	7,618,834	8,215,396	7,672,055	6,545,959	6,425,222	6,491,754
Cash Interest Paid	-857,649	-1,208,344	-856,756	-643,265	-555,107	-480,275
Cash Tax	-1,792,207	-2,053,521	-2,031,339	-1,786,115	-1,793,998	-1,835,877
Dividends Received Less Dividends Paid to Minorities (Inflow/(Out)flow)	0	0	0	0	0	0
Other Items Before FFO	495,912	334,092	492,900	0	0	0
Funds Flow from Operations	5,464,890	5,287,623	5,276,860	4,376,580	4,396,116	4,495,602
FFO Margin (%)	49.1	43.0	45.5	39.3	39.3	39.4
Change in Working Capital	-3,602,779	-852,806	817,977	275,279	-30,996	-133,191
Cash Flow from Operations (Fitch Defined)	1,862,111	4,434,817	6,094,837	4,651,858	4,365,120	4,362,412
Total Non-Operating/Nonrecurring Cash Flow	0	0	0			
Capex	-556,188	-526,718	-472,217			
Capital Intensity (Capex/Revenue) (%)	5.0	4.3	4.1			
Common Dividends	-1,434,328	-1,390,981	-2,219,194			
FCF	-128,405	2,517,118	3,403,426			
Net Acquisitions and Divestitures	-8,002,818	-100,133	0			
Other Investing and Financing Cash Flow Items	52,133	-52,407	32,963	0	0	0
Net Debt Proceeds	5,310,564	-963,144	-96,722	-1,788,254	-1,079,934	-1,028,862
Net Equity Proceeds	19,329	7,998	25,574	0	0	0
Total Change in Cash	-2,749,197	1,409,432	3,365,241	-1,207,574	-801,755	160,729
Calculations for Forecast Publication						
Capex, Dividends, Acquisitions and Other Items Before FCF	-9,993,334	-2,017,832	-2,691,411	-4,071,178	-4,086,941	-3,172,821
FCF After Acquisitions and Divestitures	-8,131,223	2,416,985	3,403,426	580,680	278,179	1,189,591
FCF Margin (After Net Acquisitions) (%)	-73.1	19.6	29.3	5.2	2.5	10.4
Coverage Ratios						
FFO Interest Coverage (x)	7.2	5.2	6.7	7.4	8.3	9.7
FFO Fixed-Charge Coverage (x)	7.2	5.2	6.7	7.4	8.3	9.7
Operating EBITDAR/Interest Paid + Rents (x)	8.9	6.8	9.0	10.2	11.6	13.5
Operating EBITDA/Interest Paid (x)	8.9	6.8	9.0	10.2	11.6	13.5
Leverage Ratios						
Total Adjusted Debt/Operating EBITDAR (x)	1.9	1.4	1.5	1.4	1.3	1.1
Total Adjusted Net Debt/Operating EBITDAR (x)	1.7	1.1	0.7	0.7	0.7	0.5
Total Debt with Equity Credit/Operating EBITDA (x)	1.9	1.4	1.5	1.4	1.3	1.1
FFO Adjusted Leverage (x)	2.3	1.8	2.0	2.0	1.8	1.6
FFO Adjusted Net Leverage (x)	2.1	1.4	0.9	1.0	0.9	0.7

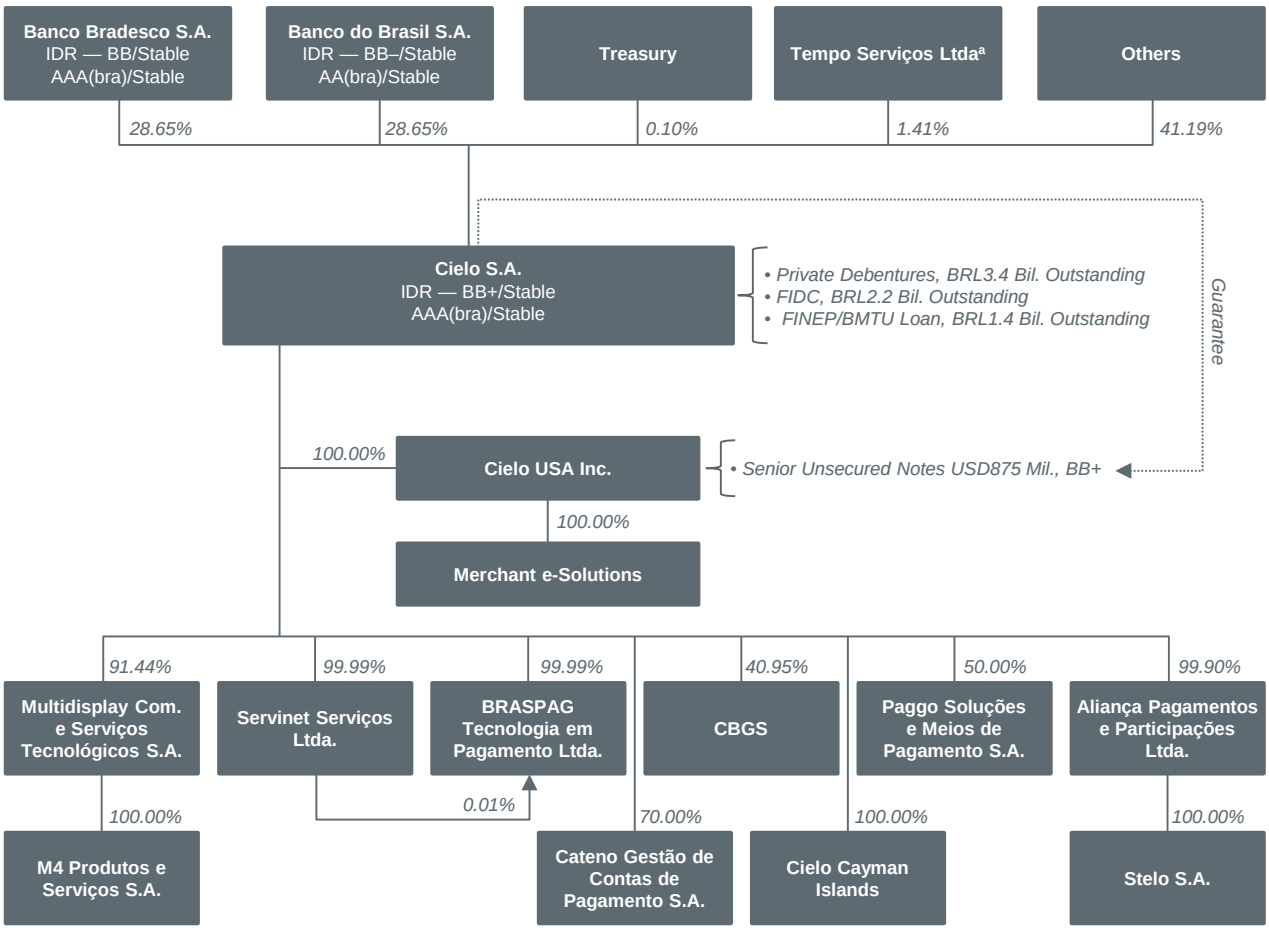
Source: Fitch Ratings, Fitch Solutions.

How to Interpret the Forecast Presented

The forecast presented is based on the agency's 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 to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch's 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's forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch's own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch's own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch 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's own internal deliberations, where Fitch, 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 may update the forecast in future reports but assumes no responsibility to do so.

Simplified Group Structure Diagram

Organizational Structure — Cielo S.A.
(As of Sept. 30, 2018)



[a]Tempo Serviços Ltda is part of Bradesco Group, but is not part of the shareholders agreement. IDR – Issuer Default Rating.
Source: Fitch Ratings, Cielo S.A.

Peer Financial Summary

Company	IDR	Financial Statement Date	Net Revenue (USDm)	Operating Adjusted EBITDAR Margin (%)	FFO Margin (%)	FFO Fixed Charge Coverage (x)	FFO Adjusted Leverage (x)
Cielo S.A.	BB+						
	BBB–	2017	3,632	54.8	45.5	6.7	2.0
	BB+	2016	3,525	54.8	43.0	5.2	1.8
	BBB–	2015	3,338	56.4	49.1	7.2	2.3
First Data Corp.	BB–						
	B+	2017	12,052	27.0	17.1	3.1	6.5
	B	2016	11,584	26.5	15.9	2.7	6.5
	B	2015	11,451	24.1	7.2	1.4	7.4

Source: Fitch Ratings, Fitch Solutions.

Reconciliation of Key Financial Metrics

(BRL Thousand, As reported)	31 Dec 2017
Income Statement Summary	
Operating EBITDA	7,672,055
+ Recurring Dividends Paid to Non-controlling Interest	0
+ Recurring Dividends Received from Associates	0
+ Additional Analyst Adjustment for Recurring I/S Minorities and Associates	0
= Operating EBITDA After Associates and Minorities (k)	**7,672,055**
+ Operating Lease Expense Treated as Capitalised (h)	**0**
= Operating EBITDAR after Associates and Minorities (j)	**7,672,055**
Debt & Cash Summary	
Total Debt with Equity Credit (l)	**11,206,433**
+ Lease-Equivalent Debt	0
+ Other Off-Balance-Sheet Debt	0
= Total Adjusted Debt with Equity Credit (a)	**11,206,433**
Readily Available Cash [Fitch-Defined]	6,024,197
+ Readily Available Marketable Securities [Fitch-Defined]	0
= Readily Available Cash & Equivalents (o)	**6,024,197**
Total Adjusted Net Debt (b)	**5,182,236**
Cash-Flow Summary	
Preferred Dividends (Paid) (f)	**0**
Interest Received	424,980
+ Interest (Paid) (d)	**(856,756)**
= Net Finance Charge (e)	**(431,776)**
Funds From Operations [FFO] (c)	**5,276,860**
+ Change in Working Capital [Fitch-Defined]	817,977
= Cash Flow from Operations [CFO] (n)	**6,094,837**
Capital Expenditures (m)	**(472,217)**
Multiple applied to Capitalised Leases	**0.0**
Gross Leverage	
Total Adjusted Debt / Op. EBITDAR* [x] (a/j)	**1.5**
FFO Adjusted Gross Leverage [x] (a/(c-e+h-f))	**2.0**
Total Adjusted Debt/(FFO - Net Finance Charge + Capitalised Leases - Pref. Div. Paid)	
Total Debt With Equity Credit / Op. EBITDA* [x] (l/k)	**1.5**
Net Leverage	
Total Adjusted Net Debt / Op. EBITDAR* [x] (b/j)	**0.7**
FFO Adjusted Net Leverage [x] (b/(c-e+h-f))	**0.9**
Total Adjusted Net Debt/(FFO - Net Finance Charge + Capitalised Leases - Pref. Div. Paid)	
Total Net Debt / (CFO - Capex) [x] ((l-o)/(n+m))	**0.9**
Coverage	
Op. EBITDAR / (Interest Paid + Lease Expense)* [x] (j/-d+h)	**9.0**
Op. EBITDA / Interest Paid* [x] (k/(-d))	**9.0**
FFO Fixed Charge Cover [x] ((c+e+h-f)/(-d+h-f))	**6.7**
(FFO + Net Finance Charge + Capit. Leases - Pref. Div Paid) / (Gross Int. Paid + Capit. Leases - Pref. Div. Paid)	
FFO Gross Interest Coverage [x] ((c+e-f)/(-d-f))	**6.7**
(FFO + Net Finance Charge - Pref. Div Paid) / (Gross Int. Paid - Pref. Div. Paid)	

* EBITDA/R after Dividends to Associates and Minorities

Source: Fitch Ratings, Fitch Solutions, Cielo S.A.

Fitch Adjustment Reconciliation

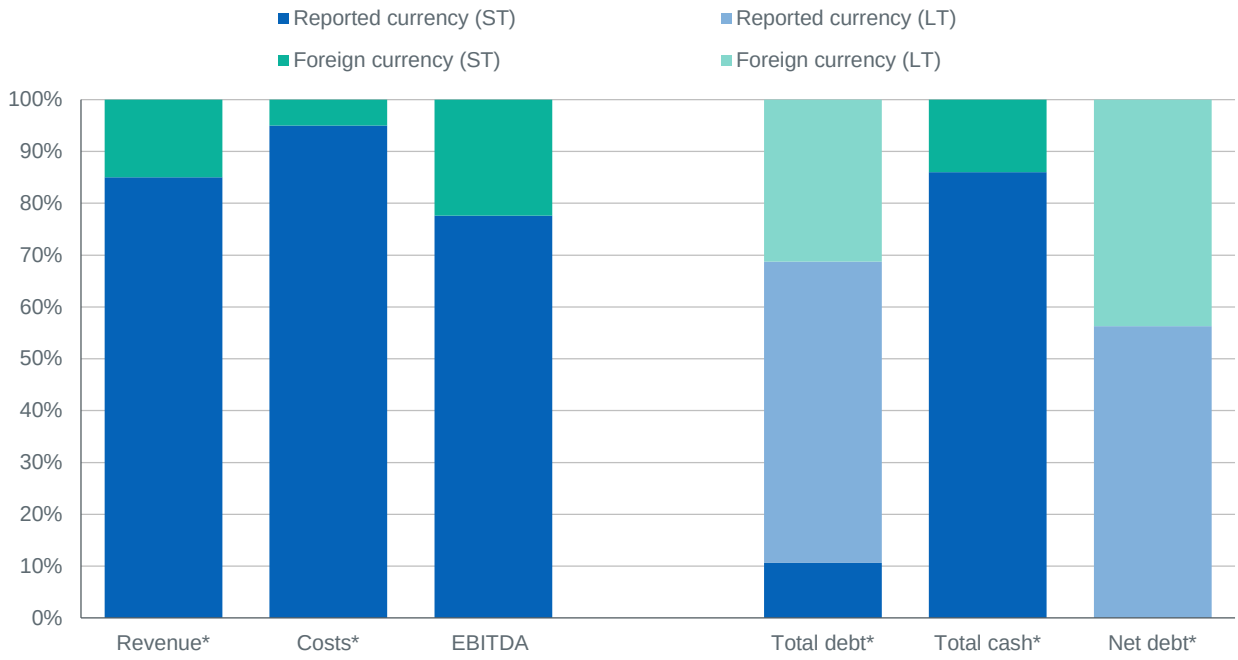
	Reported Values 31 Dec 17	Sum of Fitch Adjustments	- CORP - Factoring	Other Adjustment	Adjusted Values
Income Statement Summary					
Revenue	11,600,341	0			11,600,341
Operating EBITDAR	5,271,454	2,400,601		2,400,601	7,672,055
Operating EBITDAR after Associates and Minorities	5,271,454	2,400,601		2,400,601	7,672,055
Operating Lease Expense	0	0			0
Operating EBITDA	5,271,454	2,400,601		2,400,601	7,672,055
Operating EBITDA after Associates and Minorities	5,271,454	2,400,601		2,400,601	7,672,055
Operating EBIT	4,324,439	2,400,601		2,400,601	6,725,040
Debt & Cash Summary					
Total Debt With Equity Credit	11,245,898	(39,465)		(39,465)	11,206,433
Total Adjusted Debt With Equity Credit	11,245,898	(39,465)		(39,465)	11,206,433
Lease-Equivalent Debt	0	0			0
Other Off-Balance Sheet Debt	0	0			0
Readily Available Cash & Equivalents	6,024,197	0			6,024,197
Not Readily Available Cash & Equivalents	0	0			0
Cash-Flow Summary					
Preferred Dividends (Paid)	0	0			0
Interest Received	424,980	0			424,980
Interest (Paid)	(856,756)	0			(856,756)
Funds From Operations [FFO]	5,276,860	0			5,276,860
Change in Working Capital [Fitch-Defined]	243,373	574,604	574,604		817,977
Cash Flow from Operations [CFO]	5,520,233	574,604	574,604		6,094,837
Non-Operating/Non-Recurring Cash Flow	0	0			0
Capital (Expenditures)	(472,217)	0			(472,217)
Common Dividends (Paid)	(2,219,194)	0			(2,219,194)
Free Cash Flow [FCF]	2,828,822	574,604	574,604		3,403,426
Gross Leverage					
Total Adjusted Debt / Op. EBITDAR* [x]	2.1				1.5
FFO Adjusted Leverage [x]	2.0				2.0
Total Debt With Equity Credit / Op. EBITDA* [x]	2.1				1.5
Net Leverage					
Total Adjusted Net Debt / Op. EBITDAR* [x]	1.0				0.7
FFO Adjusted Net Leverage [x]	0.9				0.9
Total Net Debt / (CFO - Capex) [x]	1.0				0.9
Coverage					
Op. EBITDAR / (Interest Paid + Lease Expense)* [x]	6.2				9.0
Op. EBITDA / Interest Paid* [x]	6.2				9.0
FFO Fixed Charge Coverage [x]	6.7				6.7
FFO Interest Coverage [x]	6.7				6.7

*EBITDA/R after Dividends to Associates and Minorities
Source: Fitch Ratings, Fitch Solutions, Cielo S.A.

FX Screener

Cielo's currency exposure is considered low. About 15% of the company's revenues are generated in foreign currency. However, the contribution to adjusted EBITDA is low. At Sept. 30, 2018, about 35% of Cielo's total debt of BRL10.2 billion was U.S. dollar-denominated and 14% of its consolidated cash invested abroad. Although only a small part of its adjusted EBITDA is hard-currency denominated, the risk is partially mitigated through the volume of credit transactions from overseas customers that are received abroad by Cielo.

Fitch FX Screener
(Cielo S.A. — BB+/Stable, LTM Sep-18, BRLth)



*Post hedge, absolute figures displayed are Fitch's analytical estimates, based on publicly available information
Source: Fitch

Covenant Summary

Cielo has one financal covenant, applicable to the 4131 loan with Bank of Tokyo-Mitsubishi UFG Ltd.: net debt/adjusted EBITDA must be equal to or below 3.0x, measured annually.

Cielo is in compliance with the covenant as of Sept. 30, 2018.

Related Research & Criteria

National Scale Ratings Criteria (July 2018)
Corporate Rating Criteria (March 2018)
Non-Financial Corporates Exceeding the Country Ceiling Rating Criteria (January 2018)

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The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.