

Research Update:

# Argentine Utility Edenor Ratings Raised To 'B-' From 'CCC+' On Higher Rates; Outlook Stable

June 30, 2025

## Rating Action Overview

- S&P Global Ratings expects Argentina-based utility Empresa Distribuidora y Comercializadora Norte S.A. (Edenor or the company) to improve its operational and financial performance following ENREs recent approval of the integral tariff review that will be applicable during the next five years.
- We updated our base case scenario incorporating the new tariff scheme and expect now Edenor's cash flow will be more stable and predictable, with EBITDA margins around 10%-12% over the next 12 months, enabling the company to continue its demanding capital expenditure (capex) plan.
- Therefore, on June 30, 2025, we raised our issuer credit rating on Edenor and the issue rating on its debt to 'B-' from 'CCC+'. We also revised the stand-alone credit profile to 'b-' from 'ccc+'.
- The outlook is stable, mirroring the sovereign's and reflects our expectation that Edenor will present relatively stable and manageable credit metrics.

## Rating Action Rationale

**We think the new rate approval will improve Edenor's cash flow predictability, liquidity, and capital structure.** On April 29, 2025, Argentina's energy regulator (ENRE) approved a new rate schedule for energy distribution companies. The new schedule has a predictable mechanism with monthly adjustments starting in May. The monthly and automated adjustments are based on Argentina's consumer and producer price indices. The new framework also established a rate mechanism and quality service guidelines for the distribution sector for the next five years, eliminating Edenor's dependence on discretionary adjustments from the government, which we view as a credit positive.

**We will closely monitor the compliance of this new mechanism, as we still consider the regulatory framework weak.** While the current government has initiated a long-term radical

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change in electricity regulation, Argentina's economy has endured many years of regulatory unpredictability and lacking transparency.

Moreover, the ratings on Edenor incorporate the regulatory liabilities of Argentina peso (ARS) 290 billion owed to the wholesale market administrator, Compañía Administradora del Mercado Mayorista Eléctrico S.A. (Cammesa). The company has adhered to various payment plans to repay all of its obligations and as of to date is in full compliance with its payments, while we expect this to continue as long as the rate scheme is respected. In our view, the need to face these payments place Edenor in a weaker position compared to similarly rated peers.

**We expect the new framework to improve the company's operational performance.** We now forecast EBITDA of close to US\$240 million for this year and approximately US\$300 million in 2026, with stable margins of 10%-12%. The higher forecast for 2026 owes to an expected increase in energy demand given heightened economic activity in Argentina; reduced energy losses resulting from ongoing investment plans; and the proration provided by the regulator to recover overdue revenue, cover unrecognized costs in previous adjustments, and compensate for delays in implementing the rate review.

We expect a leverage ratio close to 1.5x-2.5x for the next 24 months and funds from operations exceeding 40%. Additionally, we believe Edenor will continue executing its annual capex plan of approximately US\$250 million, aiming at keeping its network updated. Under this new mechanism, we forecast Edenor will use debt and internal cash flow generation to finance capex without severely weakening its liquidity.

## Outlook

The stable outlook on Edenor mirrors that on Argentina. This is because, under a sovereign stress scenario, the company could experience restrictions on accessing, converting, and transferring money abroad. Additionally, it reflects our expectations that the company will maintain stable and predictable operational cash flow over the next 12 months, given the new monthly adjustment mechanism that will allow the company to meet its financial obligations and investment plan without affecting its liquidity.

### Downside scenario

We could downgrade Edenor in the next 12 months if the Argentine central bank reimposes restrictions on accessing foreign currency, worsening our assessment of the country's transfer and convertibility risks, which we do not anticipate at this stage. We could consider a downward revision of the ratings on Edenor ratings if the rate adjustment mechanism is suspended or modified for inflationary purposes, affecting the company's cash flow, liquidity, and capital structure.

### Upside scenario

A rating upgrade requires an upward revision of our transfer and convertibility assessment for Argentina and a longer track record of revenue collection under the new rate-adjustment mechanism for 2025-2030, which we deem unlikely in the next 12 months.

## Company Description

Edenor is the largest electricity distribution company in Argentina in terms of customers (more than 3.3 million) and electricity sales (22,692 gigawatt hours in the 12 months ended March 2025). The company has a 20% market share and has had a 95-year concession since 1992 to distribute electricity in a densely populated area (about 9 million inhabitants) in the northwestern part of greater Buenos Aires and the northern part of the city of Buenos Aires. Empresa de Energia del Cono Sur holds a 51% stake in Edenor, followed by Administracion Nacional de la Seguridad Social (26.8%). Edenor holds 3.4%, and 18.6% floats on the New York and Buenos Aires stock exchanges.

## Our Base-Case Scenario

### Assumptions

- Macroeconomic variables according to "[Economic Outlook Emerging Markets Q3 2025: Tariffs' Direct Impact Is Modest So Far, But Indirect Effect Will Feed Through](#)," June 24, 2025.
- Argentina's average Consumer Price Index growth of about 42% in 2025 and 23% in 2026, which we expect to affect the bulk of the company's costs.
- Revenue adjusted according to the new framework in the foreseeable future.
- Average exchange rate per US\$1 of ARS1,152 for 2025 and ARS1,400 for 2026. Given that the company's debt is in dollars, the Argentine peso's depreciation increases the stock of debt in pesos.
- Additional debt to finance capex.
- Annual capex of ARS300 billion-ARS350 billion for 2025 and 2026, representing close to 25% of the value added from distribution.
- Full payment of the energy costs purchased. Additionally, we anticipate that the company will continue to meet its commercial obligations, as it has adhered to various payment plans for the debt owed to Cammesa.
- No dividend payments.

Under this context, we expect EBITDA generation to become more predictable and stable in the coming years, following the approval of an automatic rate adjustment mechanism. We forecast EBITDA to be around US\$240 million in 2025 and slightly higher in 2026, close to US\$300 million, with a margin that we expect to stabilize between 10% and 12%.

## Liquidity

Although we expect sources to uses of liquidity to be above 1.2x in the upcoming 12 months, we view Edenor's liquidity as less than adequate. Our view accounts for the weak regulatory framework in Argentina and the need to see a longer track record and respect in the application of the recently approved rate adjustment.

In addition, we believe that it would be very difficult for the company to overcome a high-impact situation without refinancing. Edenor's exposure to currency fluctuations and lack of hedges heighten risks, since all its financial obligations are denominated in foreign currency, while its revenue is in Argentine pesos.

Principal liquidity sources

- Cash and liquid investments of ARS372 billion as of March 31, 2025
- Funds from operations of ARS275 billion-ARS300 billion over the next 12 months

Principal liquidity uses

- Short term debt close to ARS75 million as of March 31, 2025
- Capex of ARS300 billion
- No dividends

Covenants

Edenor isn't subject to debt-payment acceleration covenants. Nevertheless, the company is subject to restrictive covenants for the incurrence of new debt, which require a leverage ratio maximum of 3.75x and interest coverage of at least 2x.

Although unlikely, Edenor could breach these covenants in the upcoming years if rate adjustments are interrupted. The company expects to comply with its covenants in the upcoming years.

Issue Ratings--Subordination Risk Analysis

Capital structure

We rate the company's US\$184 million notes due October 2030. As of March 31, 2025, the company has a capital structure with US\$388 million of senior unsecured debt.

Analytical conclusions

We rate Edenor’s debt at the same level of its corporate credit rating because there is no significant element of subordination risk present in the capital structure, in our view. Therefore, we have raised the issue-level ratings on Edenor’s debt to 'B-' from 'CCC+'.

Rating Component Scores

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### Rating Component Scores

Component	
Foreign currency issuer credit rating	B-/STABLE/--
Local currency issuer credit rating	B-/STABLE/--
Business risk	6 - Vulnerable
Country risk	6 - Very High Risk
Industry risk	1 - Very Low Risk
Competitive position	6 - Vulnerable
Financial risk	5 - Aggressive
Cash flow/leverage	5 - Aggressive
Anchor	b
Diversification/portfolio effect	3 - Neutral/Undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Less than adequate
Management and governance	Neutral
Comparable rating analysis	Negative
Stand-alone credit profile	b-

## Related Criteria

- [Criteria | Corporates | General: Sector-Specific Corporate Methodology](#), April 4, 2024
- [Criteria | Corporates | General: Corporate Methodology](#), Jan. 7, 2024
- [Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities](#), Jan. 7, 2024
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments](#), April 1, 2019
- [Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings](#), March 28, 2018
- [Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers](#), Dec. 16, 2014
- [General Criteria: Methodology: Industry Risk](#), Nov. 19, 2013
- [General Criteria: Country Risk Assessment Methodology And Assumptions](#), Nov. 19, 2013
- [General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions](#), Nov. 19, 2013
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

# Ratings List

Ratings list

Upgraded

	To	From
<b>Empresa Distribuidora Y Comercializadora Norte S.A.</b>		
Issuer Credit Rating	B-/Stable/--	CCC+/Stable/--
Senior Unsecured	B-	CCC+

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