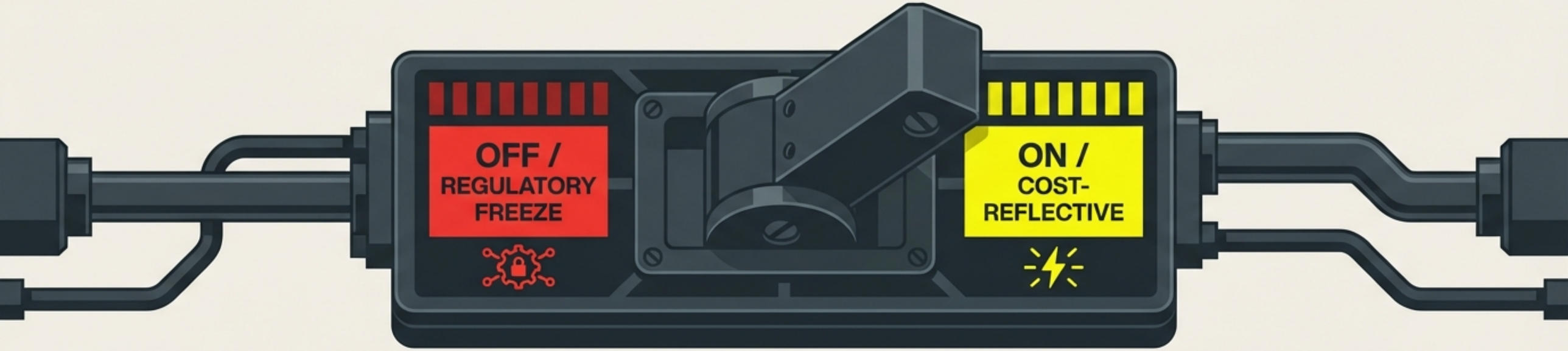
A Call Option on Argentine Politics Wrapped in a Monopoly



An investment memo on Edenor (EDN): Latin America's cheapest utility and the 2027 binary risk that explains why.

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A 95-year physical monopoly trading at distress multiples.

THE ASSET: UNDENIABLE QUALITY



- **Largest electricity distributor in Argentina.** With critical infrastructure spanning the Buenos Aires metropolitan area.
- **3.39 million captive customers.** A captive market with immense, inelastic demand.
- **9 million people served.** Directly powering approximately 20% of the national population.
- **Concession legally locked through 2087.** Providing exceptionally long-term legal certainty for operations.

THE PRICING: EXISTENTIAL THREAT



- **Trading at 3–4x EV/EBITDA.** Reflecting extreme market distress and skepticism.
- **70–80% valuation discount to US utilities.** A massive valuation gap compared to stable, developed markets.
- **40–50% valuation discount to Brazilian peers.** Significant underperformance relative to regional counterparts.
- **Pricing power dictated entirely by the sovereign.** Future cash flows are fully dependent on political will.

Edenor's financial trajectory is almost entirely a function of Argentine political cycles. The market is pricing in the existential threat of tariff re

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The underlying physical reality: 4,637 square kilometers of captive demand.

SCALE

22,951 GWh

Georgia: Total energy sold in FY2025 (16% of Argentina's total distribution).

CUSTOMER BASE

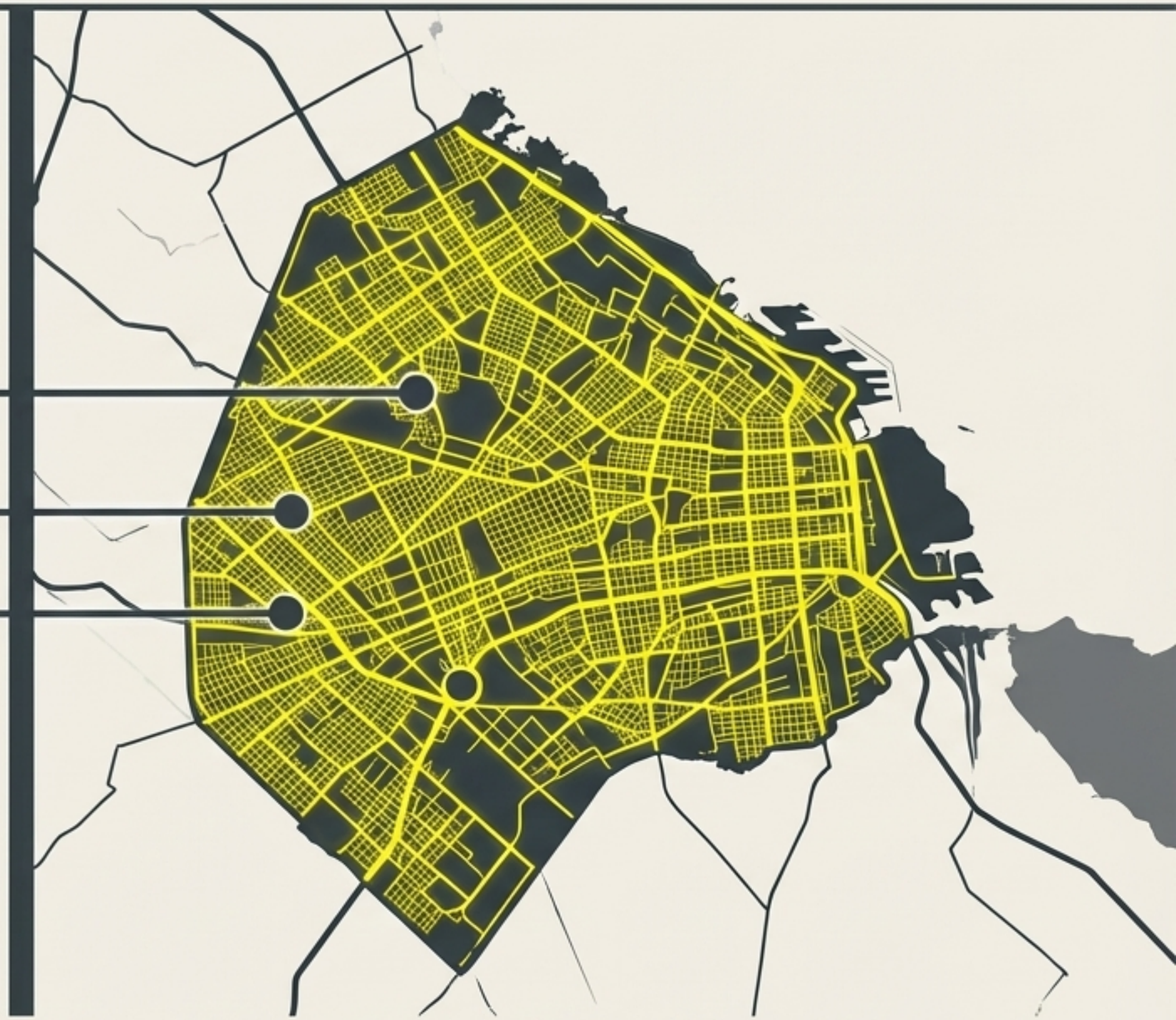
89% Residential

Georgia: Balanced by volume: 50% residential, 42% commercial, 8% industrial.

OPERATIONS

Pure-Play Distributor

Georgia: Buys wholesale from CAMMESA, sells via ENRE-regulated tariffs. Revenue comes exclusively from the VAD (Distribution Value Added).



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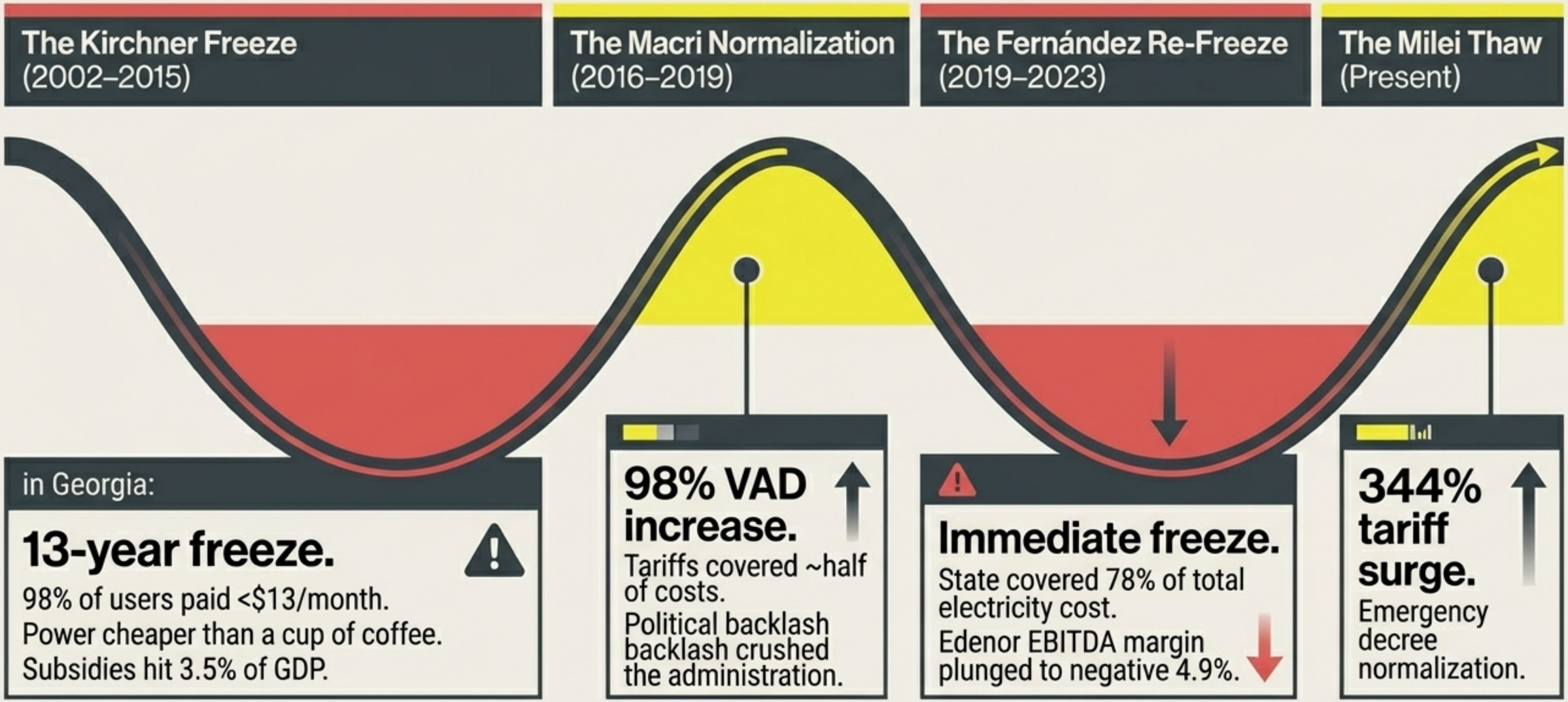
The regulatory discount is institutional, not theoretical.

	ARGENTINA (ENRE)	BRAZIL (ANEEL)	CHILE (CNE)
S&P Regulatory Assessment	'Credit Supportive' (Lowest tier)	'Very Credit Supportive'	'Very Credit Supportive'
Board Autonomy	Intervened by executive branch under every government since 2001.	Staggered 5-year terms, genuine independence.	Highly autonomous, technical board.
Tariff Passthrough	Catastrophic implementation. Emergency freezes invoked by decree.	Stable, automatic cost-passthrough.	Stable, predictable tariff-setting.

The Argentine concession contract guarantees 'fair and reasonable' tariffs—a protection that has been repeatedly overridden without legal consequence.

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Twenty years of tariff destruction and the certainty of mean reversion.



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The Milei Shock: Reversing the subsidy burden.

2023: THE FERNÁNDEZ EXIT



2025: THE MILEI ERA



ECONOMIC IMPACT

Tariffs rose 344% from Dec 2023 to Oct 2025.

Residential prices reached ~$0.094/kWh (71% of world avg), ending the era of sub-penny power.

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The RQT 2025–2030 Framework: A beautifully designed system on paper.

Feb/Apr 2024

VAD increased by **319.2%**; end-user bills up **65-150%**.

319.2%

65-150%

Aug 2024 onward

Monthly CPD adjustments (~3–4%) linked automatically to CPI.

April 2025

Five-year review locked.

14.35%

real VAD increase via 30 monthly installments through Nov 2027.

The Catch

Regulated WACC set at

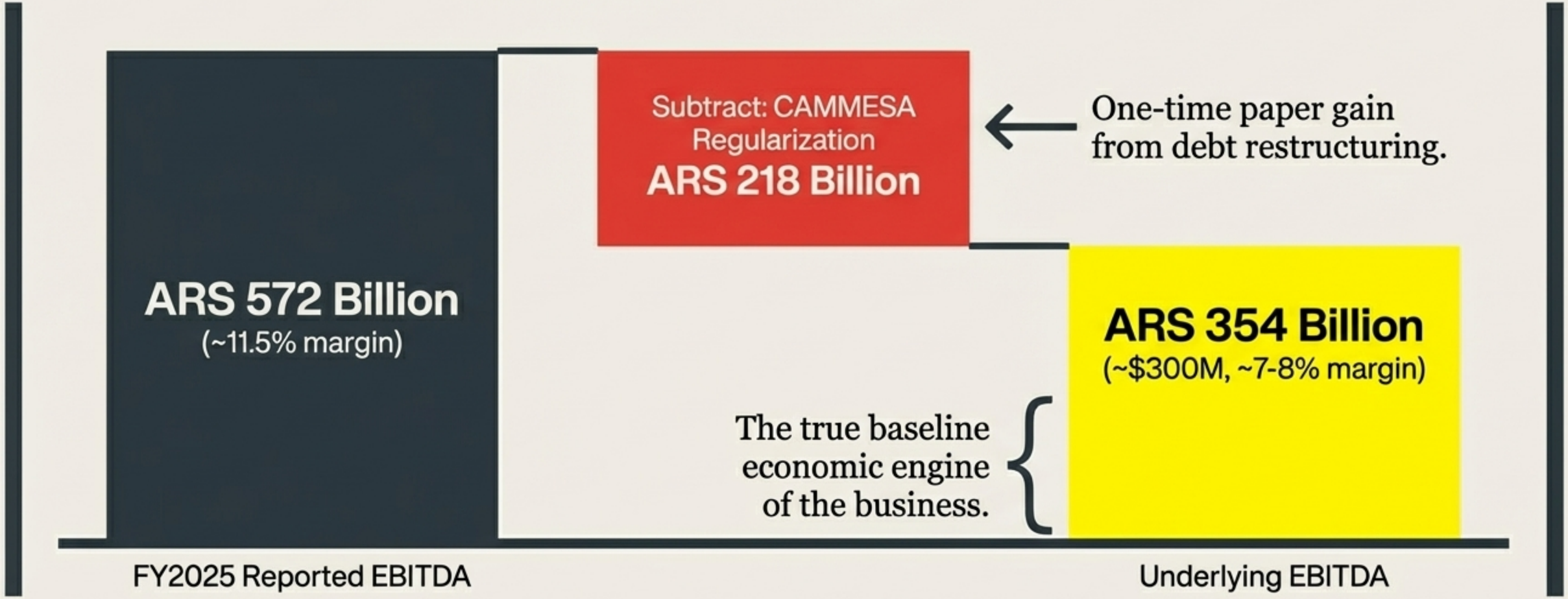
6.5%

after tax—arguably insufficient for Argentina's sovereign risk environment.

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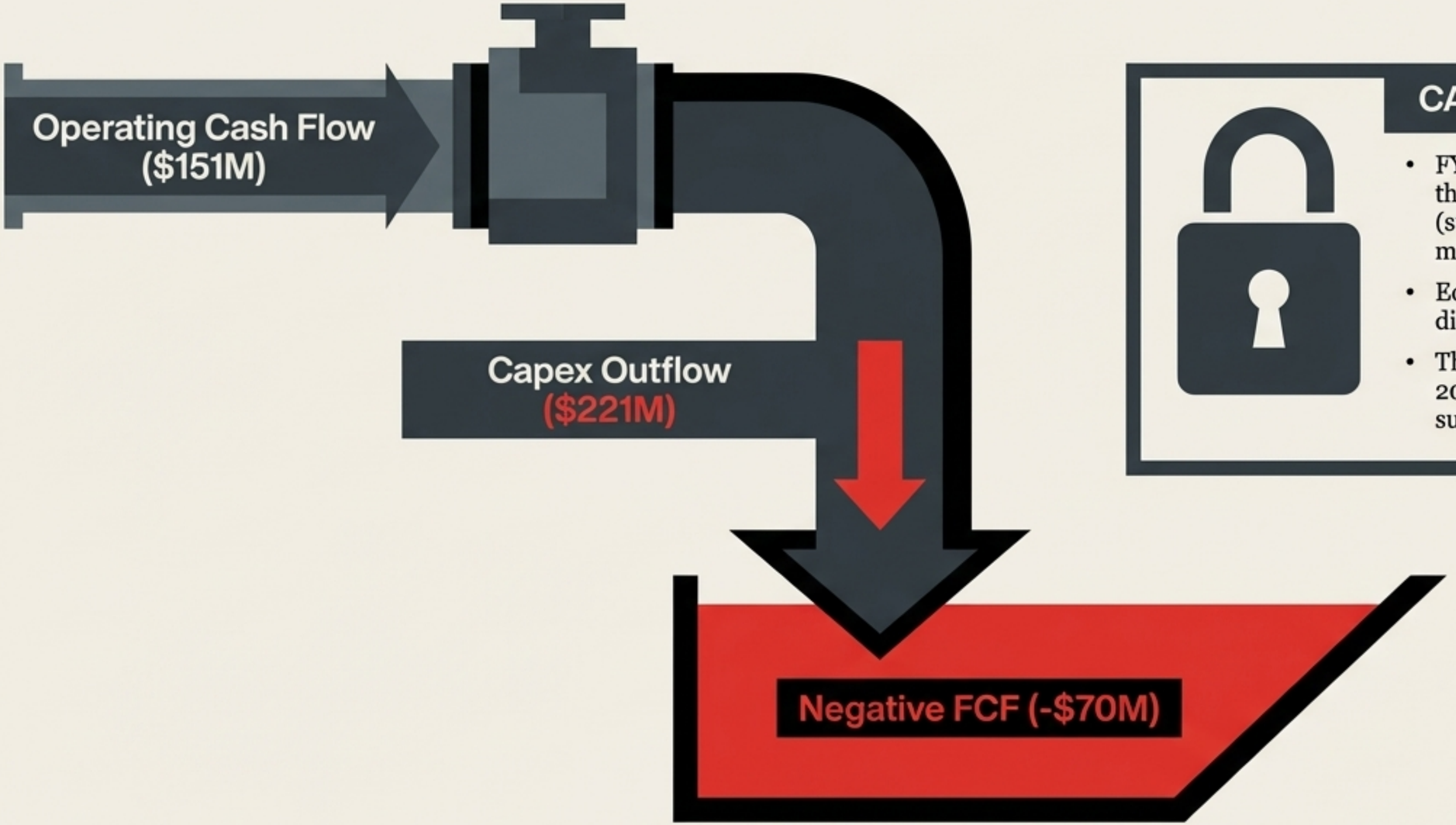
Unmasking the hyper-inflated financials to find the true cash flow.

Context: Argentina's IAS 29 hyperinflationary accounting heavily distorts profitability. Investors valuing Edenor on headline P/E or reported EBITDA are capitalizing non-recurring accounting artifacts.



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Catch-up capital expenditure consumes all generated cash.

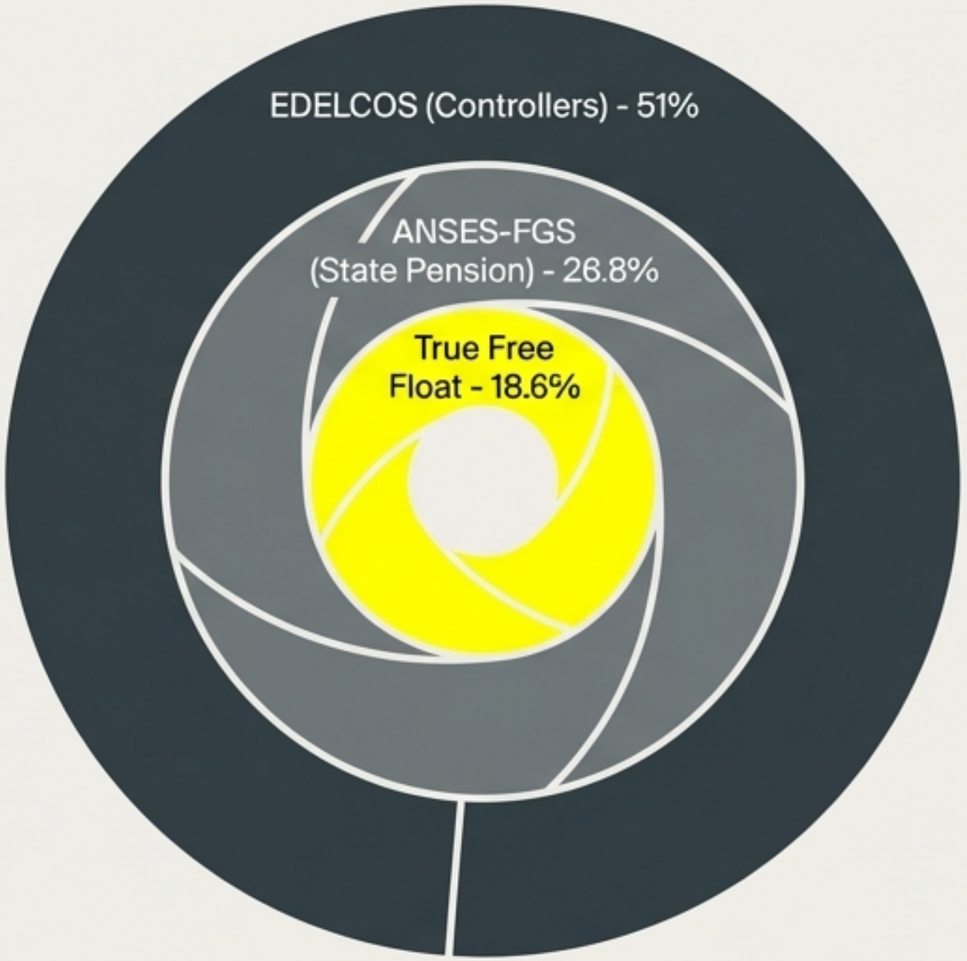


CAPITAL ALLOCATION

- FY2025 capex of ARS 395B is the highest in company history (substations, 324,000 smart meters).
- Edenor has never paid a cash dividend in its 33-year history.
- The earliest realistic dividend: 2027–2028, contingent on sustained tariff normalization.

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Thin float and controller misalignment



THE LIQUIDITY CONSTRAINT

ADR (EDN) average daily volume is just $3–5 million. Bid-ask spreads widen dramatically (up to 14% observed) during stress events.

THE CONTROLLER DYNAMIC

Controllers (Vila, Manzano, Filiberti) bought control for just $100M in 2021 (now worth ~$1.2B).

THE MISALIGNMENT

Controllers are playing with house money and seek political capital; minority ADR holders carry the immediate financial risk.

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Cheapest in LatAm: The market prices in partial normalization.

METRIC	EDENOR (EDN)	BRAZIL PEERS	US UTILITIES
EV / EBITDA	3-4x	5.5-8x	12-17x
P/E (Trailing)	~7-8x	8-18x	15-20x
P/Book	0.81x	1.5-3x	1.5-2.5x
Dividend Yield	0%	3-7%	2.5-4%

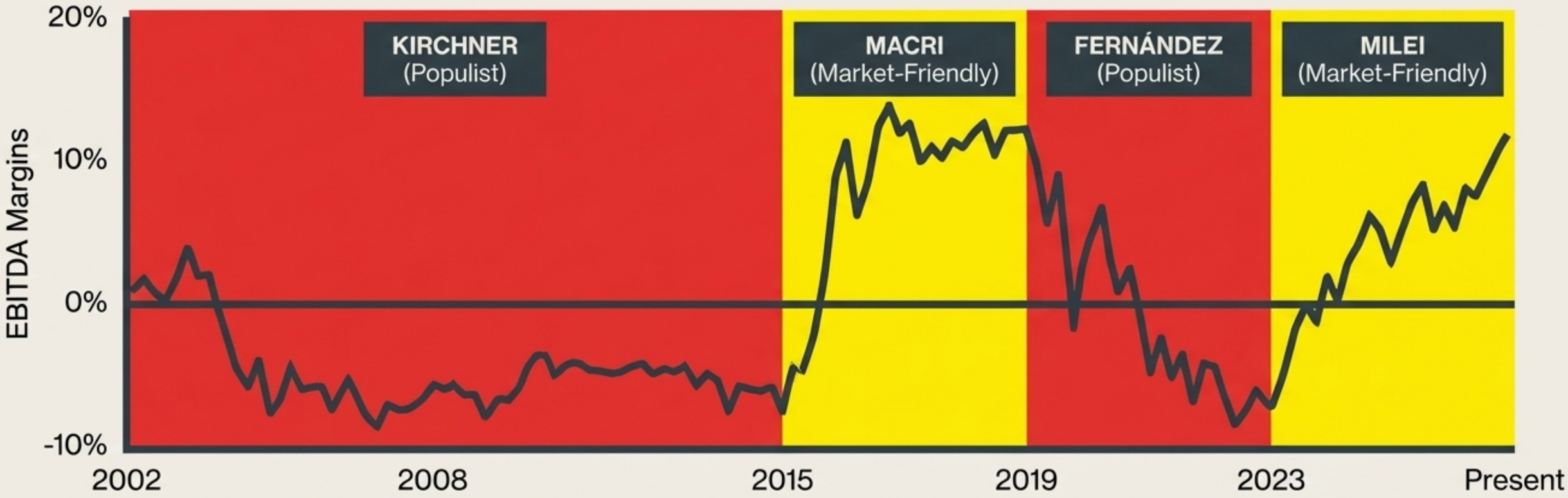
THE VALUATION MATH: Applying Brazilian multiples (6-7x) to underlying $300M EBITDA implies an **ADR price of $35–48** (**vs current $28-33**). At the **$62.55 ATH**, the market priced in full normalization.

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Premium Financial Print

Edenor is an asset that reflects political outcomes, not business operations.

The business operations are secondary. The only variable that dictates equity value is political will.



The Pattern: Every time a market-friendly government normalizes tariffs, margins recover toward 12-15%. Every time a populist government invokes Emergency Law, tariffs are frozen and margins crash negative.

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The October 24, 2027 Binary Call Option.

MILEI REELECTION / REFORM CONTINUITY

$45–$65

(50-120% upside)

- Five-year tariff framework holds.
- Inflation falls to 15-20%.
- Margins sustain 12-15%.
- Dividends initiate.
- Re-rates to Brazilian utility multiples.

PERONIST RETURN / TARIFF RE-FREEZE

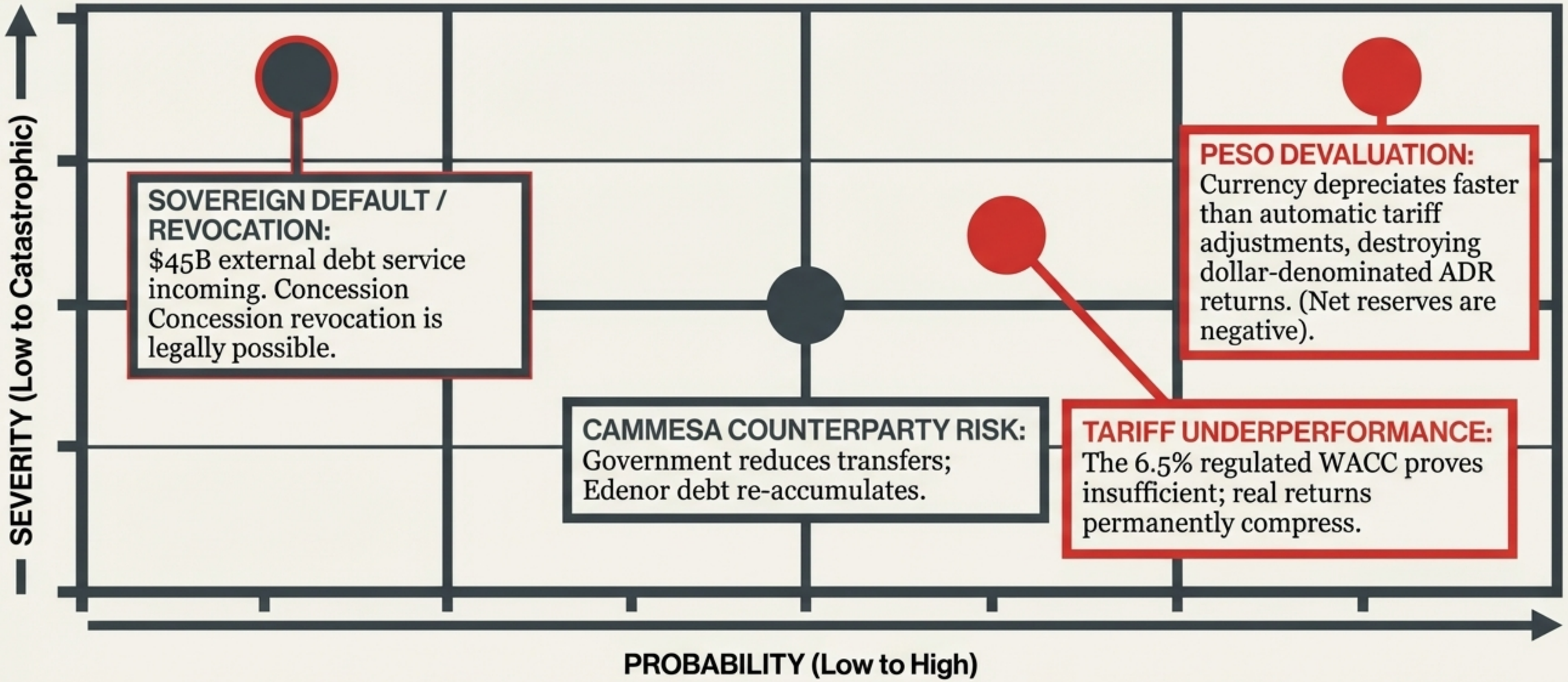
$12–$18

(50-65% downside)

- Incoming government invokes Emergency Law.
- Tariffs frozen immediately.
- Subsidies reimposed.
- EBITDA collapses to negative.
- Exact replay of 2019-2023 destruction.

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Tail risks and execution hurdles.



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The Monitoring Dashboard: Signposts for the Binary Bet

Monthly Adjustments



Are automatic CPI-linked tariff increases applied on schedule? Any ENRE delay is a red alert.

Fiscal Subsidies



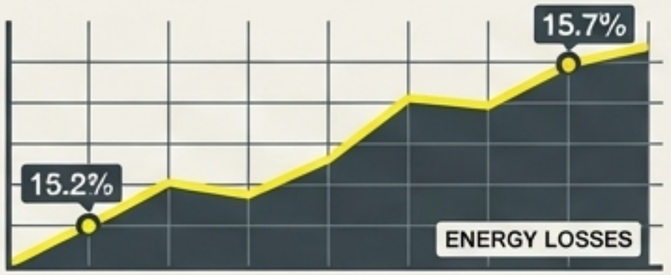
Is the government strictly maintaining the 0.5% of GDP energy subsidy budget target?

Political Capital



Is Milei's public approval rating remaining above the critical 40% survival threshold?

Operations



Are energy losses contained? Recent uptick from 15.2% to 15.7% warrants close monitoring.

Macro Constraints



Are the IMF central bank reserve accumulation targets actually being met?

The Ultimate Signal



Has management announced a formal dividend policy? This would be the definitive proof of genuine normalization.

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