

Company	NextEra Energy	Ticker	NEE	Current Price	Industry:	Utilities	Sub-Industry	Electric Utilities
Target Price	\$79.03	TTM P/E	28.12	\$79.03	Beta		Mkt Cap (bn)	155.28
Stop Loss	\$63.20	Forward	26.80		Credit Rating	A-	Avg Vol (12M)	1978
52 wk High/Low	93.73-67.22	EPS	\$1.81	Rating Outlook	Above Average	Div Yield		2.15%

#### Company Background

NextEra Energy, Inc. is an American energy company with about 58 GW of generating capacity (24 GW of which were from fossil fuel sources), revenues of over \$18 billion in 2020, and about 14,900 employees throughout the US and Canada. It is the largest electric utility holding company by market capitalization. Its subsidiaries include Florida Power & Light (FPL), NextEra Energy Resources (NEER), NextEra Energy Partners, Gulf Power Company, and NextEra Energy Services.

#### Industry Outlook

Electric utilities sub-industry is neutral, balancing the negative impact of several near-term operating headwinds against projected record levels of capital spending (capex) that should support earnings growth, in our view. U.S. retail electric demand is growing slowly in the near term as U.S. economic conditions, such as housing starts and unemployment, could begin to deteriorate in a potential recessionary environment. The U.S. Energy Information Administration (EIA) currently forecasts annual residential electricity sales to grow between 0.0% and 1.0% in 2022, while commercial and industrial sales are expected to grow 3.2% and 4.0%, respectively, in 2022. In 2023, the EIA expects flat to negative 0.5% growth in residential and commercial, while industrial sales grow 3.1% annually.

#### Investment Thesis

The recent FPL rate case order should add \$692 million to 2022 revenue and \$560 million to 2023 revenue. We see additional revenue from renewable investment projects at NEER and currently forecast 25.5%-26.0% growth in 2022, followed by more moderate 9.0%-9.5% growth in 2023. The company also has a strong ESG score with their business model relying on producing clean energy using solar power and wind power. The company also provides dividends and the dividend growth has been steady at 2.53% YoY.

#### Investment Risks

- Unfavourable regulatory or legislative outcomes for NEE's service territory
- NEER has 19.6 GW renewables and storage backlog as of Q2
- Revenue stability at present is due to the multiyear rate plan at FPL in 2021
- Increase in inflation can lead to increase in the electricity costs

#### 3-5 takeaways

- The recent FPL rate case order should add \$692 million to 2022 revenue and \$560 million to 2023 revenue.
- Margins are expected near 34.0%-34.5% in 2022 and 35.0% in 2023, as completed capital projects and new rates support higher earnings.
- 2022 adjusted EPS estimate is \$2.86 (+12.2% Y/Y) while 2023 adj. EPS estimate is \$3.08 (+7.7% Y/Y)

#### Financial Performance

	2017	2018	2019	2020	2021
Revenue	17,173	16,727	19,204	17,997	17,069
Operating Profit	5,637	3,365	4,865	5,127	2,768
Net Income	5,380	6,638	3,769	2,919	3,573
Revenue Growth	0	0.0%	0.0%	0.0%	0.0%
EBITDA%	45.5%	50.4%	51.7%	52.93%	42.3%
Operating Profit %	-%	0.0%	0.0%	0.0%	0.0%
Net Income Margin	17.9%	21.1%	21.2%	23.7%	28.7%
D/E	118.60	99.55	102.95	108.24	121.27
EPS	2.87	3.51	1.95	1.49	1.82
PE Ratio	23.96	23.60	28.95	35.59	37.61
Current Ratio	0.64	0.36	0.53	0.47	0.53
RoE	20.47	21.28	10.59	7.94	9.69
RoA	5.72	6.58	3.40	2.38	2.66
Dividend per share	0.98	1.11	1.25	1.40	1.54
FCF	-4,319.0	-6,734.0	-4,294.0	-5,799.0	-8,057.0

#### Financial Performance

Name (BI Peers)	Ticker	Mkt Cap (USD)	FC to BV	Tot Assets	P/S-Y	P/EY	P/FCF-Y	P/S-Y	GHY	EBIT/Net Sales%	ROE-Y	ROA-Y
Median		12,558	1.83	39,508	2.56	18.87	0.00	2.56	73.48%	17.07%	11.16%	3.65%
NEXTERA ENERGY INC	NEE US	152,538	3.95	140,918	10.73	37.61	---	10.73	73.48%	17.07%	13.29%	3.65%
SEPPORA ENERGY	SRE US	47,628	1.33	72,058	2.31	16.37	---	3.21	74.97%	10.03%	11.16%	3.74%
NESTOR	NEE US	12,558	6.12	22,968	1.45	12.76	---	1.45	26.33%	22.64%	55.00%	3.76%
AWANGRID INC	AGR US	15,788	0.82	39,508	2.56	23.72	---	2.56	75.35%	12.83%	4.40%	1.95%
BLACK HILLS CORP	BKH US	4,258	1.47	9,138	2.29	18.87	---	2.29	61.93%	21.01%	8.85%	2.75%

\*Industry Avg. includes companies listed

#### Discounted Cash Flow

	2018-21	2022-31
Avg Revenue Growth	0.2%	27.1%
Avg Gross Margin	77.2%	69.6%
Avg EBITDA Margin	49.0%	40.3%
Avg NOPAT Margin	22.7%	12.8%
Avg FCF Margin	-35.5%	-49.0%
Tax Rate		21%
WACC		7%
Perpetuity growth rate		8%

#### Analyst Opinion

Buy: 15	Sell: 0	Hold: 4
Rating	Target	
S&P NetAdvantage	Hold	\$82.00
Bloomberg	Buy	\$93.00
Yahoo Finance	Buy	\$92.80

#### Total Return

Rating	Company	S&P 500	Industry Sect.	
YTD		-17%	-18.72%	-6.74%
2021		21.01%	26.89%	13.99%
Last 3 years		114.84%	90.13%	35.40%
Last 5 years		212.61%	112.89%	47.35%

CSR Characteristics	Company	Peers (Median)
ESG Disclosure score	27.53	24.67
Governance disclosure score	6.15	7.06
Social Disclosure score	4.41	4.41
Environmental disclosure score	5.44	4.26

Prepared by Team Hartford (Month Day, Year) using Bloomberg, S&P Net Advantage, Morning Star, Yahoo Finance