

NextEra Energy (NEE) – Hold PT: \$80.52



Today's Price: \$77.02
 Dividend Yield: 1.85%
 Market Cap: \$148.34B
 Industry: Utilities
 Headquarters: Juno Beach, FL



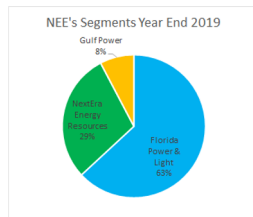
Build back better: an energy company that looks to a brighter future

Business Overview

NextEra Energy consists of two main business segments: the Florida Power & Light regulated utility, and NextEra Energy Resources, a deregulated generator of predominantly wind, natural gas, nuclear and solar powered assets in North America. Moreover, it also holds a 65.1% share in the YieldCo NextEra Energy Partners.

Revenue Segmentation:

Florida Power & Light: \$12.192b
 NextEra Energy Resources: \$5.639b
 Gulf Power: \$1.487b



Thesis Points

- 1. Utility and Renewable Procurement:** better operational efficiency leads to cheaper cost per megawatt. Perhaps this is NEE's greatest competitive advantage
- 2. Hydrogen Opportunity:** NextEra Energy is an early mover in green hydrogen. This also represents a potential enabler for NextEra Energy to deploy more renewables projects
- 3. Upselling Storage:** Energy storage costs are declining, and storing energy is cheaper now (in some places) than producing power on the fly when the demand increases
- 4. ESG Competitive Advantage:** Less CO2 emissions, safer working standards for employees, mission oriented company

Industry Overview

The United States has the second largest energy industry in the world, with an increasing focus to also become pioneer and leader in the future trend of renewables. In the recent years, the utilities industry has seen continuous increase in capital expenditure due to investment in renewables as well as replacing aging infrastructure, yet this increase in spending has been offset by decreasing nature gas and renewable prices, and resulted in only modest increase in consumer prices. Despite the effort of the Trump administration, the decline of coal is inevitable and natural gas continue to dominate US power generation, with renewables quickly rising due to state efforts to subsidize and encourage renewables. As the amount of EV start to quickly rise, the utilities industry also is expecting sustained increase in energy demand and foresee more investment and grid modernization will be needed in the future.



Additional Commentary – Valuation/Risks/News

Valuation: NEE enjoys highest ROA, ROE, net income margin, and other profitability metrics among competitors, but is also considerably more expensive than competitors. We rate it a hold.

Risks: PG&E contracts in relation to PG&E's bankruptcy, operational risks from force majeure, shareholder dilution

News: A 4-1 stock split took place roughly two weeks ago. Also, there has been talks about a mega merger between NextEra and Duke Energy. For regulation reasons, financing reasons, and previous attempts at other mergers reasons, we do not believe such a deal will close

