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NextEra Energy Inc. – Are clean energy goals enough to convince the investor?

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## Abstract

A company like NextEra Energy must be fully aware of the world's most concerning issues. For that so, it has stipulated a run into a carbon-free emissions' future that has no precedent among its peers. This paper aims to discuss and critically analyze the strategy behind that, by making the average investor understand if there are incentives to buy or sell a share of NEE. Through means of comparative analysis, watching key indicators but mainly through a Discounted Cash Flow valuation, we were able to grasp the full context behind the company and give advice on its real valuation.

Keywords: Renewables, Energy, NextEra, FPL

This report is part of the “NextEra Energy – A Real Plan for “Real Zero” report (annexed), developed by Lourenço Azevedo Neves and João Galvão Teles and should be read has an integral part of it.

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# Introduction

This report aims to be a key tool of help for any individual or institution that is doubtful about investing or not in any capacity in NextEra Energy. Our goal always to determine critically a set of projected returns and analyse qualitatively how the Florida-based company is structured and prepared for any forthcoming. Both of us went into this research without knowing anything about this Energy titan but we ended up discovering how well organized and prone to the future it is.

We always knew what were the sets of values that would entail our final recommendation, since they are easily quantifiable and extremely easy to understand. In the end, it is recommended to Buy when the projected return per share is higher than 10%, recommended to Hold if it is between 0% and 10% and recommended to Sell when it is below 0%. An holistic approach, of course, includes how the asset compares to others in the same area and if, given the economic context it is wise to buy or sell stocks, depending on the point of view. But, in reality, it all comes to the DCF valuation and what it proposes.

The joint report covers a beginning that familiarizes the reader on the company's beginnings and most distinctive features, not leaving behind an overview of the stakeholders, of its cost characteristics and of how it has performed on the market.

It then sets itself forward to the environmental concerns NextEra feels, rightly, as crucial to our survival. This part presents the most indicative programme any Utility has made, enlisting the goals comprised and how it will "get there" in practice. We also felt important (as almost Florida residents ourselves) to speak on the storms and hurricanes and the impact they had on NextEra's operations.

We then proceed to cover the industry in which NextEra is included, giving, though, more focus to the contemporary penchant for renewables and how that is incentivized by the U.S. Government while the world is in a bat patch economically.

Next, we talk about the possible strategies NextEra can take on for a better, profitable and sustainable position in the future. We, then, do a comprehensive approach on the companies closer to NextEra, i.e., its peers, even though it is hard to gather such companies for a very distinctive company in the sector.

The last but most important part is the valuation itself. It includes a very detailed Discounted Cash-Flow analysis and a punctuating Multiples Valuation. From this part is where we take the most important conclusions since any investor wants nothing but to profit from an investment decision. It wraps up with a Final Recommendations section where we give our piece of advice.

This report deals with the most qualitative part of the process. I enlist in this paper what NextEra is, how it cares immensely with the future of Energy and Electricity, what others in the same position as us do, and what must be the means for the company to accomplish that.

My pair, on the other hand, puts his hands to work with the valuation part of the report where he describes how our Valuation Model works and how it compares to another typical approach of valuation, giving then the recommendation that wraps up this project.

# Company Description

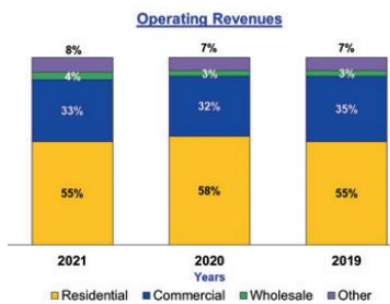
**A steady voice in the changing business of energy**

As one of the biggest in the energy utility sector, NextEra has a crucial saying in the area's next few years. Based in the U.S., in the state of Florida, the clean-energy company supports more than eleven million Florida residents<sup>1</sup> with reliable, affordable, and predominantly clean electricity through its subsidiary Florida Power & Light Company (FPL). The latter is the largest U.S. utilities company in produced and sold electricity. Much of this comes from the aid of NextEra Energy Resources (NEER), the renewables-focused branch of NEE. With almost 25,000MW of generating capacity at the end of 2021, NEER produces almost all its portfolio from clean and renewable sources, being one of the biggest generators of electric power in the U.S. NEER also boasts segments that enhance its ability to meet renewable projects demands, like battery storage projects and a transmission business (NEET), both on a wide scale.

The Florida Power & Light company came to fruition in 1925, serving 58 communities and having a generating capacity of 70MW.<sup>2</sup> By 1950, its stock was listed on the New York Stock Exchange (NYSE) and in the subsequent years its customer count grew astronomically while the company also entered in nuclear power, for example. In 1985, FPL had already recognized different power sources with enormous potential, not relying on oil. Coal, nuclear power, and natural gas were substitutes for the most used fuel in the world and recognition of quality from the world came from moves like the latter. By firmly establishing itself as a low-emission utility and opening its first wind and solar sites, FPL entered the 20<sup>th</sup> Century in the front seat of innovation.

2009 saw a major rebranding of the FPL Group, when the influential CEO James L. Robo was already taking the helm of the company. It changed the group's name to NextEra Energy while also dividing the company between FPL and NextEra Energy Resources, showing at the same

time a will to explore further from Florida and betting everything on alternative energies. It was, by that time, the largest producer of wind and solar in the U.S. It is with the launch of NextEra Energy Partners (a partnership to acquire and manage clean energy projects) and a heavy expansion in solar, wind, natural gas, and nuclear power that NextEra reached the year of 2022. One of the most successful energy companies in the world, the Florida-based entity is ready for what the future in this market holds and this standard for others is now difficult to achieve.



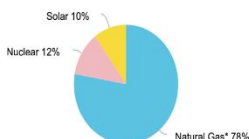
## Florida Power & Light

As the largest electric utility company in Florida and one of the biggest in the U.S., FPL does it all: generating, transmitting, and selling electric energy in a rate-regulated scenario. Acting upstream in Florida only, it generates a net amount of 28,450MW and makes it reach the

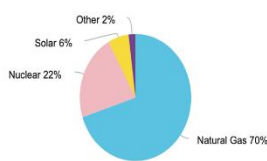
customer through 77,000 circuit miles of transmission and 696 substations. On January 1, 2022, FPL unified the ratemaking tariffs and rates with its recently merged company, Gulf Power Company. The combined force of both, coming from a transaction completed in 2021, serves more than eleven million people and more than 5.7 million customer accounts, covering east, lower west and northwest Florida. The Operating Revenues of FPL are of 55% for residential customer, 33% for commercial, 4% for

### NEE's Utility branch

FPL Segment  
2021 Net Generating Capacity by Fuel Type  
MW



FPL Segment  
2021 Net Generation by Fuel Type  
MWh



\*approximately 71% has dual fuel capability

Source: Company Data

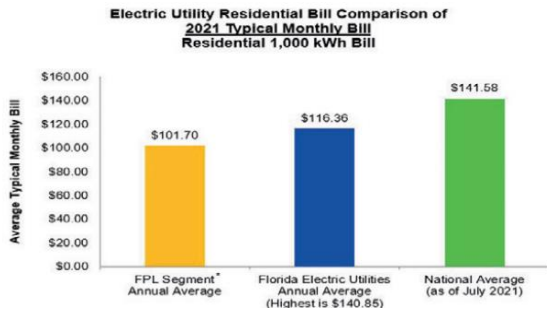
<sup>1</sup> NextEra Energy's Annual Report, 2021

<sup>2</sup> NextEra Energy's website, <https://www.nexteraenergy.com/company/history-timeline.html>

wholesale and 2% for other customers, representing 82,6% of NEE’s total revenues. Their mixture between residential and commercial customer accounts still consists of 89% and 11%, respectively, with wholesale and others serving for a residual amount.

Maintaining attractive rates is serious business for FPL. While the state of Florida and the

country boast averages of \$116.36 and \$141.58, respectively, for the standard industry benchmark of 1,000 kWh of consumption per month, FPL beats them with \$101.70 and a unifying-rates agreement that further shows the care in maintaining low rates. FPL wants to ensure superior value and low customer bills, high reliability, and excellent customer service, while searching for clean energy solutions. As many of its corporate reports attest the



Source: Company Data

Florida’s main distributor of electricity wants its rates to be affordable for costumers and to never fail them in the arrival of such a precious gift like electricity is. The average value for those same 1,000 kWh is well below the average of other electric utilities that work within Florida and from the national average, as the last report with information available (from July 2021)<sup>3</sup> proves.

Sources of Fuel came from four types in the past year: natural gas, nuclear, solar and coal. In terms of net generating capacity, natural gas came in first with 78% of it, while nuclear and solar represented almost the entirety of the other 22%. Its Net Generation is, meanwhile, slightly different, with values such as 70% of natural gas, 22% of nuclear, 6% of solar and 2% of other (coal included).

With the addition of Gulf Power to the portfolio, 481,000 more customers began to be served while also adding 3,500 MW of electric net generating capacity.

## NextEra Energy Resources (NEER)

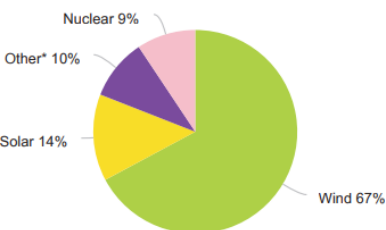
NEER is NEE’s business focused on clean energy and in the development, construction and operation of assets linked to renewable projects. Its operations are based in facilities over the U.S. and Canada and, considering all its ownership interests, the branch has a total net

generating capacity of approximately 30,000MW, in the end of 2021. The vast majority of NEER’s electricity comes from clean and renewable sources, while also developing battery storage projects to present the customer with standalone facilities (735MW of battery storage capacity). NEER is the world’s largest generator wind and solar energy and one of the world’s leaders in battery storage. Its net generating capacity consists, in its last measurement, of 67% wind, 14% solar, 10% other (primarily natural gas) and 9% nuclear.

Financially incorporated into NEER, NextEra Energy Transmission (NEET) is NEE’s rate-regulated transmission business. NEER as a whole is responsible for almost 18% of NEE’s revenues (FY’ 2021).

### **Diversifying and investing in renewables is the only potential future**

2021 Net Generating Capacity by Fuel Type MW



Source: Company Data

<sup>3</sup> U.S. Bureau of Labor Statistics

## Stock Performance

### *Going through the many years with a successful market index*

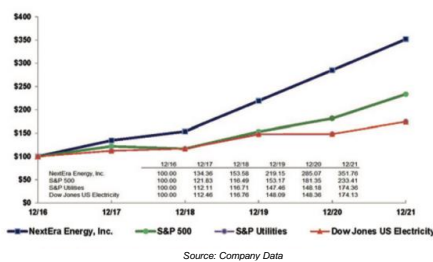
After going public in the 1950s as Florida Power & Light (FPL), the company started slowly and steadily to grow. But it was not long ago, since 2010, in a time in which former CEO James L. Robo started to take charge and the company officially changed its name to NextEra Energy, that its stock price really went up in value. Starting at \$13.21 per share in 31/12/2009, and currently at \$85.85 per share (15/12/2022), it means that in the last 12 years, the value grew \$72.64 per share or a total of c.550% or c.47% per year.<sup>4</sup>

In the past two years, the share price has been growing but more slowly, with a share price of \$77.15 per share at 31/12/2020, which means that it only grew c.11% in the past two years.

In conclusion, since it went public, NextEra Energy has been involved in a constant trend of growing, having had no real, pronounced, downward trend and with all slight decreases having been quickly recovered and surpassed.

Regarding the matter of its Total Shares Outstanding, the company has also been increasing them since 2010, having 1.629B shares outstanding in 2010 and currently sitting with 1.979B in Q3 2022.

COMPARISON OF 6 YEAR CUMULATIVE TOTAL RETURN\*  
Among NextEra Energy, Inc., the S&P 500 Index, the S&P Utilities Index and the Dow Jones US Electricity Index



## Shareholders

### *Ever since its IPO, stakeholders have been dispersed through the group's structure.*

Regarding its current shareholder structure, NextEra has a very mixed balance of investors being 79.82% of NEE's shares held by institutional investors. Inside this portion, 42.05% correspond to mutual funds, 37.77% are from other institutional investors and 0.25% are owned by individual stakeholders. No entity has a majority stake and can't, then, dictate the company's decisions at a freer will. Even so, the biggest part of shares corresponds to NextEra itself, with the 10.18% not taken from institutional investors.

The current biggest owners by stake are The Vanguard Group, holding 9.10%, with total value of \$14,007M, SSgA Funds Management, holding 5.76%, BlackRock Fund Advisors, holding 4.71% and JPMorgan Investment Management with 2.05%. This means that the other institutional owners have less than a 2% stake in NEE. Vanguard, BlackRock and JPMorgan are renowned investing entities, that give a certain flair of "good company to invest in" to NextEra.

Regarding the mutual funds that play a part in this scenario, the biggest one is Vanguard Total Stock Market Index Fund, owning 3% stake in NEE, followed by the Vanguard 500 Index Fund with 2.26% and all the other investors, that have less than a 2% stake ownership. Vanguard is then the biggest institutional investor, by a big margin, and two of its mutual funds are the two biggest mutual fund owners. This Vanguard footprint can be decisive for the future of the company since, because the rest of the structure is heavily dispersed, a group like Vanguard can climb up to a threat in terms of majority stakeholder, by claiming various smaller investors.

<sup>4</sup> Google Finance,

<https://www.google.com/finance/quote/NEE:NYSE?sa=X&ved=2ahUKEwigyqrlsf37AhVCwoUKHXJ2D2YQ3ecFegQIOxAi>

## Cost Structure

**Conquering clients comes through low prices. Maintaining profitability can only come from cost saving**

If we remind ourselves on how important the reliability and, mainly, the affordability of the rate NEE imposes to clients, we can assume that it can work through that affordable price through a good cost structure that stands out from peers and is sustainable in the long-term. By generating its entire capacity instead of acting just in the position of distributor, NextEra can enhance and control every single day-to-day decision in cost and directly control the operations.

It is also worthwhile remembering that FPL and NEER share a common platform, an initiative that aims lowering costs and increasing cross-business efficiency for that purpose. FPL itself, like it says in its “Financial Policy Business Overview”<sup>5</sup> puts forth a “strategy focused on developing and maintaining a low-cost position, including the implementation of ideas generated from cost saving initiatives”.

NEE’s lookout for Renewable Energies to be its main source of energy is also a very much viable position in cost saving. While the limited amount of fossil fuel becomes more expensive

through supply and demand movements and governments and international bodies impose tariffs and higher taxes on fossil fuels, its price is evidently going up. At the same time, IRENA (International Renewable Energy Agency)<sup>6</sup> proposes, in a report in 2021, a very amicable view towards renewable’s cost. Even if still high it has already, for a few years now,

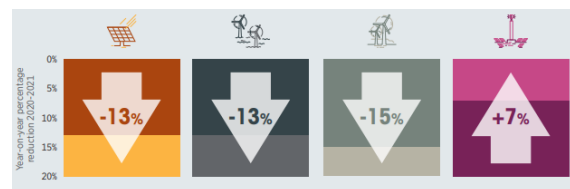
become pretty much competitive with higher scale sources and it will become even more. Just in a year-to-year basis, in 2021, the levelized cost of electricity (LCOE) of new utility-scale projects fell by 13%, from \$0.055/kWh to \$0.048/kWh.

This bet is only in the beginning and can be seen as sustainable in the long-term (let’s remember for a second that there is no Planet B) and at the same time, throughout this report, we gather evidence on how NEE is putting more skin in this game than practically all other peers.

## Environmental Concerns

The outlook into the environment is a big part of NEE’s day-to-day. Be it through confronting climate change or addressing ESG content. The company, according to its 2022 ESG Report<sup>7</sup>, sets big goals and holds itself to ambitious standards for this matter. This comes in the form of fighting climate change, a journey that started in the 1980s and still exists, with NEE standing out as one of the leaders in decarbonization.

Environmentally wise, NEE has been an industry leader for many decades by investing in low and zero-carbon-emissions generation, supporting environmental research, conserving biodiversity on responsible land, and engaging with government agencies and local stakeholders. It is important to notice that NextEra has delivered, from 2005 to 2021: a 58% reduction in CO<sub>2</sub>-emissions rate, 25% reduction in CO<sub>2</sub> tons emitted and a 79% increase in clean electricity generation.<sup>8</sup>



Source: Company Data

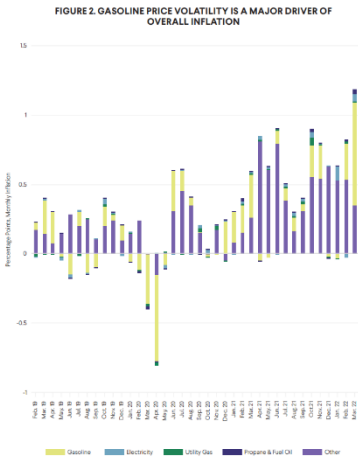
<sup>5</sup> NextEra Energy’s website, <https://www.investor.nexteraenergy.com/fixed-income-investors/financial-policy>

<sup>6</sup> IRENA - Renewable Power Generation Costs in 2021

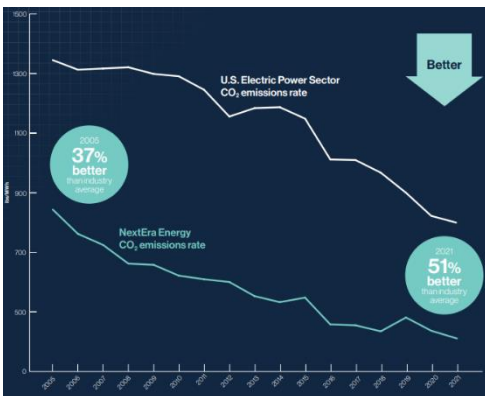
<sup>7</sup> NextEra’s ESG Report

<sup>8</sup> NextEra Energy Zero Carbon Blueprint

# “Real Zero” and the projects that will accomplish it



## The most ambitious carbon emissions goal ever set by an energy producer



If there is one credit NextEra can stand upon, is that it only sets purposes it can reach. By strategically analysing how much it would take to become a 100% clean-energy front runner and how long that would need, NEE has taken the goal of eliminating carbon emissions from all its operations by 2045 in a plan called “Real Zero”, leveraging on low-cost renewables to still maintain another cornerstone of its operations: energy affordability for customers. The company has a proven track in exceeding the industry expectations, since, from 2005 to 2021 its CO<sub>2</sub> emissions improved from 37% better to 51% when compared with the U.S. electric power sector while, in the meanwhile, meeting customer demands, by increasing in 72% total generation.

The benefits from this program would be enhanced by the autonomy in relation to fossil fuel volatility (as shown in recent years). The company values the market opportunity of decarbonizing the U.S. economy while developing low-cost renewable projects in more than \$4 trillion in a diverse mix of the already explored wind, solar, battery storage and nuclear sources and exploring new sources like green hydrogen and more that can come about. Economic studies show that reaching NEE’s could create up to 150,000 jobs and \$15 billion in annual

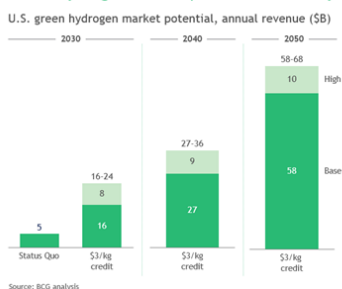
GDP in Florida (until 2045). This is done with the help of interim milestones every five years, reaching a reduction rate of 70% by 2025, 87% by 2035, and 94% by 2040.

As FPL continues and will still be the most significant share of NEE’s emissions, its goal is to significantly accelerate the transformation if its generation mix, reaching the 100% decarbonization in 2045 and comprising it generation fleet of solar, battery storage, wind, substituting natural gas with green hydrogen and slowly abandoning nuclear. Again, customers would benefit from the increased cost stability that would bring.

As for NEER, having more renewable energy from the wind and the sun than any other company in the world carries a high degree of responsibility. That comprehensive package of clean energy solutions, transmission expertise and a storage development platform, positions NextEra to lead U.S. decarbonization. The tens of billions of dollars invested in the last 30 years resulted in a more than 300% increase carbon-emissions-free generation since and a carbon-emissions rate 51% better than the U.S. electric sector in 2021.

There is also a game-changing opportunity available right now. Innovation around energy is fundamental. A recent technology that NEE has come across is green hydrogen, which produces no greenhouse gas emissions. It is versatile, being used in a variety of applications. Even if it has not reached a level of maturity where the taxes’ burden incentives are in place, there is a multibillion-dollar market being created. A BCG Analysis suggests that a \$3/kgH<sub>2</sub> tax credit could create 1-2 million jobs, expand this market to \$60-\$70 billion annually and trigger \$1.5-\$2 trillion of investment. NextEra is particularly active in lobbying the U.S. government about policy action towards because it knows the investment opportunity that putting the country in front of the current leader, the EU, would mean. It is, by far, one of the most far-reaching technologies to be discovered in the last few years with zero-carbon impact in

## Green hydrogen market potential: \$60B+ by 2050



Source: The Boston Consulting Group

functions like Heat and Power but also for Transportation and as a substitute of dangerous chemicals in the industry sector.

## Recent projects and market moves

Acknowledging the contemporary trends of the energy and electricity industry and the strategic plan of NextEra for the next 20-25 years, FPL has invested heavily in what they see as pivotal projects in recent years. Examples like the modernization of two natural gas facilities in Dania Beach to become high-efficiency, clean-burning units (1200MW) or the construction of the world's largest solar-powered battery (900MWh) are paramount in proving this. Even with Gulf Power, which has only recently entered the scene, the shift and continuous investment can be seen as it has placed into service its first solar development project, the 75-MW Blue Indigo Center. Besides, the more than 1,100MW of solar FPL and Gulf Power plan to bring until 2025 attest just that.

In total, we are talking about an investment of \$85 to \$95 billion on additional clean energy infrastructure through 2025. The long-term capacity this represents there on after and the roughly 10% annual earnings-per-share (EPS) to support that through 2025 give rise to bright perspectives.

Besides investing on renewables and new infrastructures for generating energy, one of the most interesting possibilities for growth and profit for NextEra is by expanding through M&A, given the market characteristics. The most notable recent purchase is that of Gulf Power Company, a company that belonged up to 2018 to one of NEE's more direct peers, The Southern Company. This deal, for a total of \$5.74 billion, between cash and debt assumption, was then coordinated as a merger and expanded FPL's spread in Florida, with more 481,000 customers and 9,500 miles of transmission lines. Many smaller acquisitions in the past few years have also showed NEE's strive for higher geography spread inside the U.S. and a diversity of operations. The acquisition of Trans Bay Cable in 2019 or GridLiance in 2021, two electric transmission cable utilities lines that are based in the Western part of the country, consolidated NEE's position and are examples of just that.

## Storms and Hurricanes

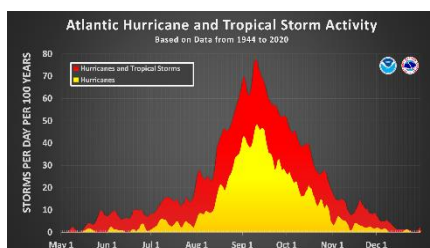
Although the impact of these natural disasters may seem occasional and of little importance, it is particularly important to account for this trend in such a susceptible state like Florida. During 2021 and 2020, FPL's results were severely impacted by hurricanes and tropical storms in Florida and, because maintaining the same level of charges for customers was a priority, it recorded that amount as *Storm Restoration Costs* in \$234 and \$183 million, respectively. In

2022, the same cycle has been seen with Hurricane Ian in September causing devastation. This time, fortunately, FPL dedicated itself to be prepared for such events and, even though more than 2.1 million customers lost power, smart grid hardening, and undergrounding investments benefitted them<sup>9</sup>. Electric power was eventually rapidly restored. Still, it is easy to observe how those unexpected costs influence FPL's operations results widely from 2020 to 2022. Hurricane Nicole, in a smaller scale than Ian is also affected Florida in November, with no way to account for damage still.

The Hurricane Ian impact can be a good indicator of what is to come for the company. For one

### **A look into the most important recent operations**

**These natural events show off the impacts of climate change, but NEE has been increasing protection**



Source: Florida State University

<sup>9</sup> NextEra's 3Q 2022 Statement

thing, Climate Change is proving to be ravaging areas at once much more regularly. But this was also the company's "best-ever service restoration time" in response to a Hurricane and sales were in such a good state in the same quarter this happened, that NEE's net income was \$147 million more than the same period in 2021. Still, and with all the effort NextEra makes for maintaining the same base-rate, the effort in September may cost around \$1.1 billion for customers.<sup>10</sup>

Being NEER's geographic sites not just Florida and its infrastructures also slightly different from FPL's, there would be no expectation of grave weather predicaments. But, having a good exposure to Texas, the American state's prolonged winter weather and snow blizzard in February 2021, that came for the first time in decades, brought lower revenues from generation and storage assets in the amount of \$331 million.

## The Energy Sector in the U.S. and the push to Renewables

The US renewable energy sector is already the second largest in the world, but still has a lot of growth potential. Fueled by an increasing demand and reduction in costs, renewable energy is expected to become the leading source of electricity generation by 2030s and expected to provide 42% of US's electricity (20% FY21).<sup>11</sup>

### Past and Future Growth

Since 2000, the renewables have been increasing its importance in the United States' energy mix. In fact, between 2000 and 2020, the overall renewable energy production grew around 91.2%, which represents about 12.2% of total US energy production. In the same period, renewable utility-scale electricity generation grew 120%, representing 19.5% of the US's net

electricity production, comparing to coal plants at 19.3% and nuclear plants at 19.7%. Natural gas is still the largest maker of electricity with 40.5%.

Nonetheless, this growth has made renewable energy into an essential element of the United States' energy mix.

The five main sources of renewable energy are: hydroelectric, wind, biomass, solar and geothermal. Wind is the main source of renewable energy, accounting for 43.2% of total renewable generation, while hydroelectric represent 36.43%, solar 11.4%, biomass 6.9% and geothermal 2.03%. This mix is expected to change, as solar energy is projected to lead this mix by 2050, expecting to generate almost half of renewable electricity.

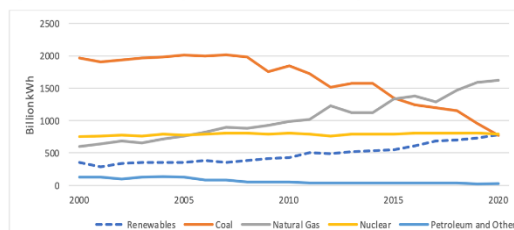
The EIA (Energy Information Administration) predicts annual renewable electricity generation to surpass natural gas by 2050, as with the increase in the decommissioning and retirement of coal and older fossil fuel plants, their capacities would be replaced by renewable energy.

### Decrease in Costs

**A crucial industry, dire for change**

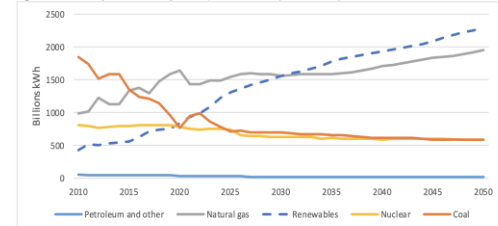
**A country still dependent on fossil fuels but ready for change**

Figure 1. U.S. Utility-Scale Electricity Generation by Source, 2000-2020 (billions kWh)



Source: U.S. Energy Information Administration, "January 2022 Monthly Energy Review: Electricity Net Generation," Accessed February 2022.

Figure 3. Electricity Generation by Source, 2010 to 2050 (billions kWh)



Source: U.S. Energy Information Administration, Annual Energy Outlook 2021, Accessed September 15, 2021.

<sup>10</sup> Utility Dive News: "NextEra says FPL's speedy Hurricane Ian recovery could cost customers \$1.1B"

<sup>11</sup> IEA (International Energy Agency): Renewables 2021 – Analysis and Forecast to 2026

One of the main reasons that justify this possible growth (alongside the increase in popularity and demand), is the projected decline in costs regarding renewable energy (more specifically wind and solar) projects. In fact, the average construction price for onshore wind turbines decreased 26.6% between 2013 and 2016 and the average construction price for solar generators decreased 51.5% in that same period. Although natural gas is still the cheapest in terms of construction cost, the EIA predicts this to change, and solar becoming the most competitive source.

## Government Support

Another main driver is the numerous incentives and support given by the United States government. In fact, according to the International Energy Agency (IEA), the United States spent around 8.8 billion dollars in 2020 in energy research, which is the largest by any IEA member. Adding to this the IJA (Infrastructure Investment and Jobs Act), which commits 65 billion dollars to modernize the US energy grid, the Inflation Reduction Act (IRA) which includes an investment of 369 billion dollars to reduce the technology costs in developing and deploying renewable energy and the American Jobs Act that plans to spend 380 billion dollars in the renewable energy sector,<sup>12</sup> are all recent proposals that show the amount of government investment in this sector. Also, the Biden administration has set the ambitious goal that the federal government achieves 100% carbon pollution free electricity use by 2030 and net zero emissions from federal procurement by 2050.<sup>13</sup>

**State tax levy and subsidies are gamechangers for renewables**

## Dark times for global energy and for the world

There is no hiding that the global economy is in a rough patch. It all started in the post-Covid 19 recession. A shift in the way consumers spent, putting pressure in goods, squeezed supply chains such that supply could not meet demand. This, in turn, increased prices for commodities, just like fuel. By the end of 2021 inflation had grown already by 3 p.p.<sup>14</sup> Consumer prices had already reached thirty years high by the end of 2021 with fuel, particularly, rising by a monstrous 49% after, in the first six months of 2022.<sup>15</sup>

With all this already demonstrating a tremendous volatility stage for Energy globally, the Russian military invaded Ukraine on the 24<sup>th</sup> of February 2022. Prices for natural gas had already increased since the heating of several households was needed through quarantine periods and this act of war, mixed with the natural gas production Russia has and the dependency of other countries of it, was the perfect cocktail for the word “recession” to appear and for prices, especially fuel prices, to soar even further. According to Moody’s Mark Zandi, the May 2022 indicator of 8.6% inflation rate in the United States was caused, in 3.5% by the Russian invasion of Ukraine.<sup>16</sup>

Understanding, still, the regional impacts is a must. While this happened in NEE’s country gas prices in Europe increased by 450% in less than a year, electricity prices by more than two-fold<sup>17</sup> and Brent Crude Oil per barrel (a benchmark price mainly used by European countries)

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<sup>12</sup> IRS.gov - IRA

<sup>13</sup> WhiteHouse.gov: “FACT SHEET: President Biden Sets 2030 Greenhouse Gas Pollution Reduction Target Aimed at Creating Good-Paying Union Jobs and Securing U.S. Leadership on Clean Energy Technologies”

<sup>14</sup> Research by The Federal Reserve Bank of San Francisco

<sup>15</sup> Bureau of Transportation Statistics

<sup>16</sup> Moody’s

<sup>17</sup> Euronews: “Why Europe’s energy prices are soaring and could get much worse”

**A recession is on the brink of day and fuel is heavily influenced by that. The dependence on Russia is, however, key**

rose from \$97.93 to \$127.98 in just 11 days<sup>18</sup> (from the 25<sup>th</sup> of February). To sum up, inflation reached a high of 9.1% in the US (not seen since 1981), 7.7% in Canada<sup>19</sup> (the other country where NextEra operates) and recession is now a great probability. This aggravated scenario is very much considered by us, be it in the riskiness of investing now, be it in the model through variables like the Market Risk Premium in this moment.

## Strategy

### The dilemma of internationalization

#### *Fresh pain in Spain*

At a first glance, being the United States and Canada market more saturated and well developed while other countries face a changing and developing market of Energy, it would make sense that NextEra leaped towards foreign countries to expand its operations. The company did so in 2014, exploring two photovoltaic solar parks in Extremadura, Spain. But it soon regretted and opted out of the investment. This was due to the Spain subsidiaries that built the park leveraging on a change of legal framework in the European that negatively affected NextEra.<sup>20</sup> This case led to five years of arbitration hearings that, luckily for NEE, culminated in compensation for the American company. But this case, the only one in record for NextEra, is the perfect example of how hard it is for American companies to leave the country and Canada (where rules are almost a mirror) for investments abroad, given the strict regulation scene in place for Energy production and the specific conditions (even in taxes and accounting measures) for Utilities.

If there comes a time in which NextEra ponders again the need for leaving North America, it must be done entering a big, well thought consortium or making one of its own (for the long-term). The countries it should aim by then should be Mexico (non-developed Renewables Energy Market<sup>21</sup> and a lot of good wind conditions and the possibility of direct connection to American grid) and other Latin American countries with similar conditions.

### Expansion within the U.S. and Horizontal Integration

#### *Building and temporarily buying across the U.S.*

From every sign we have seen, NextEra's medium-long term strategy is well designed (although it is not very publicized). Punctual acquisitions are part of the game in the U.S. if you want to survive as a big player in the Energy market. Moves like that of Gulf Power Company, in distribution and transmission in Florida or neighboring states are what makes more sense in terms of competition, bargaining power and easy adaptation to regional specificities. South Carolina's Santee Cooper was also already wooed from NextEra itself in 2018 and is a great possibility for the next acquisition. For the less restricted business NEER and NEET, searching for sites within the entire span of North America (like they do now) where renewables' parks can be developed is a must. There is also a great opportunity in battery storages and selling them to the wholesale market as more and more households and office building want to have their own generation of renewable energy (usually through solar panels). The integration with electric vehicles can also be an opportunity worth exploring for NEER, be it through the 100% supply in mobile charging points be it a small solar powered option embedded in these cars.

<sup>18</sup> Markets Insider: Crude Oil Price

<sup>19</sup> Statistics Canada, Consumer Price Index May 2022

<sup>20</sup> IISD (International Institute for Sustainable Development)

<sup>21</sup> International Trade Administration, Mexico Country Commercial Guide – Renewable Energy

## Making it first

NextEra Energy's position as the largest electric utility company by market capitalization and, at the same time, maybe the biggest proponent of achieving a "Real Zero" gives the privilege of a first-entry type of status. When, in 2050 as realistically expected, NextEra reaches a phase of generating only renewables and having the size and structure that only "big oil and gas" has nowadays, there will not be a similar company. If the trends we see today keep going in the same way, the cost of renewables and the sheer openness of it to the public and governing bodies will make that source of energy **the only way** of making it in this industry. It is just up to NEE to maintain the rhythm of green care, innovation and customer treatment and it will harvest the seeds it has planted today, in December of 2022.

## Comparable Companies

Within the high-specificity market NextEra operates in, there are number of firms we can put side to side with the Florida-based giant. It is, however, important to understand that it is only worthwhile to do it with U.S. companies that embraced the business from generation to distribution and that demonstrated some openness to renewables. By collecting a big chunk of Florida's customer base, NEE has cemented itself as one of the biggest players in the U.S. utilities but a lot of other companies present similar numbers as competitors.

**Exelon** is the largest electric utility company in the United States and was formerly the largest operator of nuclear power in the country, until part of its generation mix was englobed into

Constellation Energy, an independent spin-off created this year. 2021 saw Exelon reach more than \$36 billion of revenues. This is mainly driven by a stable growth in distribution and transmission (more than 10 million costumers across the US and Canada, having regulated entities in Illinois, Pennsylvania, Maryland, Delaware, New Jersey, and DC) and a lookout for a zero-carbon future, even if that represents modest potential. Still widely deemed one of the best utilities companies in the world, Exelon serves 48 states through six regulated entities, has put forward \$6 billion in energy infrastructure and compromised with raking \$29 billion until 2025.<sup>22</sup> It is also working hard to minimize environmental impacts, spurring sustainability. Exelon, even after dividing itself into Constellation Energy, is much larger in terms of revenues than

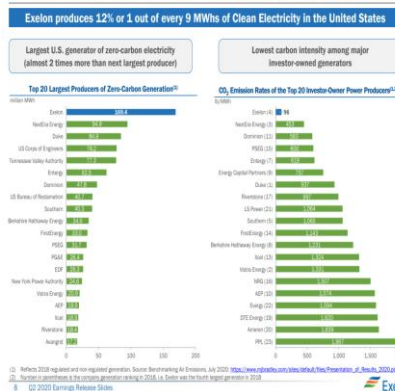
NextEra and its closer peers.<sup>23</sup>

One of those closer comparables to NextEra is **Southern Company** (commonly shortened as Southern Co.). Southern is a utility company headquartered in Georgia that focuses on the southern United States are, being also one of the most recognized companies of the type in the country. The company serves six states, namely Alabama, Georgia, Illinois, Mississippi, Tennessee, and Virginia. A much closer company in terms of size and structure to NextEra, Southern has completed a recent operation with NextEra, by selling Gulf Power for \$409 million and shutting down its Florida distribution operation. The company's revenues in 2021 totaled \$22.4 billion, increasing from that of 2020. Southern has also picked up on operating and developing renewables through some subsidiaries, meaning there are several solar, wind and biomass facilities in the country and a continuous bet on nuclear too. Still, natural gas is a major

**NextEra can be a decider of how it will be in this area**

**Exelon, The Southern Company, Duke Energy at a first glance, Xcel Energy and Entergy**

### Exelon Generation: Leader in Zero-Carbon Electricity Program



Source: Seeking Alpha

<sup>22</sup> Exelon – Corporate Information

<sup>23</sup> Bloomberg

part of Southern's generation mix, with 51%.<sup>24</sup> The Georgia company has invested in less conventional businesses for this area, leveraging the expertise in transmission lines for fiber optic communications and infrastructure technologies. Southern Company has an ambiguous relationship with environmental concerns. While it works with the US Department of Energy and technological companies on a variety of projects in that matter and enacted several measures, it also has been associated with payments to climate change deniers in the last few years.

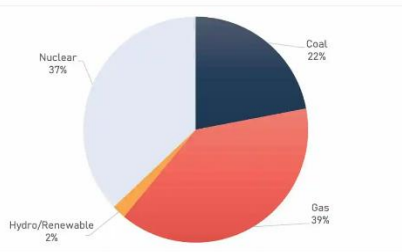
**Duke Energy's** revenues keep growing, yielding, for 2021, a value of \$25 billion, a significant increase over 2020's value of almost \$24 billion. Just like Southern, and other companies like Pacific Gas and Electric, Duke is one of the several utility companies near the \$20 billion revenues, 5-10 million customers, partially local scope, and a similar structure in terms of subsidiaries. Duke is headquartered in North Carolina, and serves, besides this, six states and Puerto Rico, being one of the states, NextEra's bastion, Florida. Duke has a far less extensive renewables reach. Almost all its 58200 MW come from coal, natural gas or oil with an even bigger stake coming from nuclear power. Its renewables arm only accounts for 1700MW of this.<sup>25</sup> Despite Duke's efforts in, for example, promoting the cap-and-trade systems and joining AREVA in planning a big biomass burning facility, the company is seen as one of the producers of air pollution in the United States and has been involved in many scandals around environmental concerns.

There are several other companies that are widely seen as comparables to NextEra.

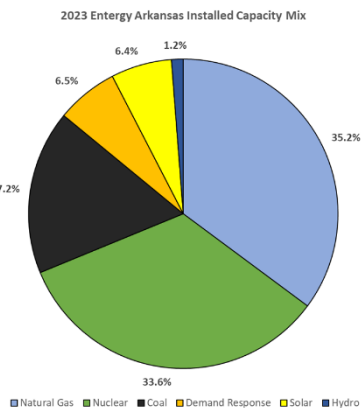
Companies like **Xcel Energy** and **Entergy** have lower revenues of \$13.43 billion and \$11.75 billion. They have less than 5 million customers but also span through more than one state, having Entergy a business more rooted in the South United States just like NextEra. These two have slightly divergent strategies in the clean energy they would provide and how they publicize it and try accomplishing it. Xcel was the first US utility to set carbon-free electricity goals (100% clean in 2050, 80% in 2030)<sup>26</sup>, added substantially wind farms to its portfolio in the last five years, partnered with Google in energy management, set goals for taking off 50% of coal for 2026 and shutting down coal plants by 2030. **Entergy** has been a great advocate of electric vehicles' charging stations and is constantly a member of the Dow Jones Sustainability Index (DJSI) but, in practice, has shown a very antiquated generation mix, being the second-largest nuclear generator in the United States (with plans for more) and having only a tiny portion of its 30000MW in hydroelectric power, while the remainder comes from fossil fuels.

There is a lot of space to compare these unique utility companies with NextEra, be it by considering them alone or as a group. The signs in this comparison are encouraging. The values worked on below were retrieved from Bloomberg, Reuters and Value Research.

Duke Energy's Generation Fuel Mix (2020)



Source: Charlotte's NPR News Source



Source: Entergy Own Data

(in millions of \$)

EV	Next Era Energy	Duke	Xcel	The Southern	Exelon
	238370	152700	62220	128190	79380

(in millions of \$)

Equity	Next Era Energy	Duke	Xcel	The Southern	Exelon
2020	36513	47964	14575	28263	32585
2021	37202	49296	15612	28164	34393
2022	38629	50345	16384	35476	24582

(in millions of \$)

Net Debt	Next Era Energy	Duke	Xcel	The Southern	Exelon
2022E	54388	66796	23294	51919	41235

Source: Own Data

NextEra is, whether you want it or not, a major player in the market of US Utilities. For that matter, having by far the biggest **Enterprise Value** within its peers is a great sign of total value, with the \$238.37 billions overtaking by a big distance the closest catch-up, Duke with an enterprise value of \$152.7

<sup>24</sup> Statista  
<sup>25</sup> Duke Energy's website  
<sup>26</sup> Xcel Energy's website

billion. But even with a higher Enterprise Value, NEE's **Net Debt** is lower than Duke's by a considerable amount of \$12.408 million (graph). Companies of lesser size like Xcel boast only \$23.294 billion but this difference with Duke is a sound indicator that NEE is of recommendable status in terms of liquidity and compromising to debtors. In another metric telling us the Florida company's good performance is obvious, NextEra is one of the biggest demonstrators in this group of five of a strong **Equity/Shareholder's Funds** metric in the last 3 years. In a consistent leap for a value around \$40 billion, NEE kept on the right track accompanied mainly by Duke and The Southern. Xcel followed the industry in a smaller scale and Exelon saw a poorer year of 2022, globally.

Source: Own Data

(in ratio)	D/E	Next Era Energy	Duke	Xcel	The Southern	Exelon
2022E		1.21	1.31	1.50	1.65	1.22

(in ratio)	Net Debt/EBITDA	Next Era Energy	Duke	Xcel	The Southern	Exelon
2022E		4.63	5.31	4.50	5.32	5.33

A company's

financial leverage is a powerful indicator of how the day-to-day operations and long-term perspective are feasible, even when conditions for it are rough. **D/E** and **Net Debt/EBITDA** are two measures we thought would be important to evaluate how NextEra was performing among its sector's peers. As seen in the former paragraph, NEE's levels of leverage are quite considering the size of the operations and how much it has been investing. The D/E ratio is also the smallest of the bunch, in 1.21, an absolute difference of 0.01 to its closest persecutor, Exelon and a percentual difference of 14,78% to the comparables' mean. As for Net Debt/EBITDA the figure does not change that much. NextEra is situated as one of the mid-values of its peers' group. While this ratio for the latter company is 4.63, the group's mean goes for 8,4% more and NEE is closer to the best positioned company in this metric, Xcel, with the lowest value of 4.5.

Source: Own Data

(in ratio)	P/BV	Next Era Energy	Duke	Xcel	The Southern	Exelon
2022E		4.35	1.60	2.33	2.38	1.67

A different scenario comes from NEE's position when its market value, coming from the company's shares is compared to its book value, by means of the **P/BV** ratio. It gives out a figure of 4.35 and all values from NextEra's comparables range from 1.6 to 2.38. This means that, in theory, in what we also defend, NEE has an intrinsic value different from what the pure Book Value of Equity demonstrates.

Source: Own Data

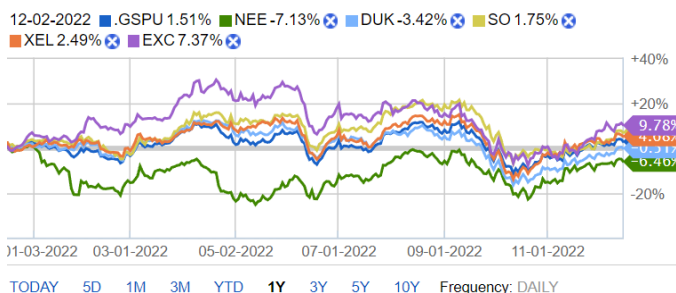
(in ratio)	Current Ratio	Next Era Energy	Duke	Xcel	The Southern	Exelon
2020		0.53	0.53	0.77	0.71	0.98
2021		0.47	0.62	0.84	0.82	0.87
2022E		0.53	0.77	1.04	0.81	0.81

In what concerns the liquidity in the short-term, we also get interesting conclusions from this analysis. NextEra is, by some distance, the company with the worst **Current Ratio**, in just 0.53. The other comparables have values between 0.75 and 0.85, while Xcel's management is somewhat relieved by knowing that, with 1.04 of Current Ratio in 2022 (expected), it can pay all short-term obligations within one year, in theory. Although these figures are relevant to grasp the panorama of the sector, it is not credible that all companies are in the brink of insolvency. Instead, and because a simple market overview can say that the utility industry in the US is profitable and stable, we can put responsibility into a good management of debt, especially what concerns the high-investment, long-term energy infrastructure projects, and into the recent shake in costs coming from the Covid-19 aftermath and the semi-shutdown of fossil fuels that the Ukrainian war caused (although with less impact in the U.S.).

Source: Own Data

(in %)	ROCE	Next Era Energy	Duke	Xcel	The Southern	Exelon
2020		9.82%	2.12%	4.29%	4.12%	2.77%
2021		4.98%	4.41%	4.14%	2.99%	2.29%
2022E		3.56%	4.01%	4.00%	8.02%	0.03%

One very important indicator that may be a decider for an investor to put his stakes into a company is **ROCE (Return on Capital Employed)**. With this metric we can assess how well a company allocates its capital into successful, profitable use. NEE's performance although expected to be worse this year, (3.56%) has been very strong throughout the last years (as an example, in 2020, amid a pandemic, it was 9.82%). NextEra's peers boast inconstant values. The Southern, who did have a slightly worse standard is expecting a high ROCE of 8.02% for 2022. As for Duke and Xcel, they have maintained an efficient and stable capital allocation, constantly having values near this year's NEE one. Exelon, on its turn, should review how profitability is accomplished from its current operations because, since 2020, the group never had a value superior to 2.77% and is expected to taste some mere 0.03% this year.



Source: Own Data

A perspective into the stock performance these five companies had is always a valid (although market imperfect) way of looking into their value and recent track record. In the last year, as expected, being all of them from the same subsector and of close geography. Be it from the time of the year or not, the truth is that in the past year, the entire stock group had just a small variation in values. In fact, even if this difference (taken from 15<sup>th</sup> December of 2021 to this date) only goes for double digits in one of the stocks, NextEra is the only outlier in this group. This because of two factors. First, it is the only share price that devalued in the past year, decreasing in 5.27% from \$92 to \$87.15. This is more linked to a higher value in December of 2021 than recent performance, that has been brilliant too. At the time Reuters reported that "NextEra beats profit estimates on beefing up clean energy projects" so that must have created a positive market sentiment on investors. Second, contrary to the other stocks in this sector, NEE's plummeted the most on the 12<sup>th</sup> of May and not in mid-October. This is attributable, of course, to the market conditions in the months after the invasion of Ukraine from Russia and how that influenced the energy market and prices, but also to the U.S. trade probe of supplies from Asia, in the end of April, that forced NextEra to postpone a big part of its solar and storage plans. But taking everything, recent months have attested how NEE is a solidified, strong player in the energy industry, since it has grown 18.94% in the last two months.

As for its comparables, there's a clear, noticeable pattern. Throughout the last year the four of them, increased a small portion in value per share, they all saw a peak happening in the middle months and a very big slump, in relative terms, in mid-October. Regarding total yearly increases, there was a margin of growth up to a mesmerizing 11.27% from smaller-cap company Exelon while Duke, for example, almost maintained its values (the only share price from this bunch that is higher than NextEra). This meant it only moved \$0.33. There is also the question that peak was dealt with in the mid-months for all of them, between April and September, in what clearly gives the idea of utility being beneficiaries of being sellers of

commodities, being that the spike in crude oil and natural gas leveraged electricity prices and consequently profits. As an example, S&P Energy Select SPDR ETF (XLE) was 65% up by the 20<sup>th</sup> of November 2022. Duke Energy is a big proponent of this, signaling \$115.43 in the end of April. But every stock has its bear period and, in great synchronicity, NEE's comparables witnessed a very big slump in October, from which they are growing until now, having recovered entirely. This downfall, that put, for example, Duke Energy in a \$85.97 threshold (below NextEra's current value), is almost entirely attributable to the high inflation data seen still (and what that means in terms of a looming financial crisis) but also specifically to the Bank of England<sup>27</sup> that jittered by this time, pointing it would only support the UK's bond market for only three more days. Since this low point of the year, the Utility sector in the U.S. rebalanced and rejoiced, with Xcel, for example, completing an astonishing 23.58% from then on to now. This historical stock analysis was made with data collected from NASDAQ.

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<sup>27</sup> Bloomberg News

# ANNEX

## NEXTERA ENERGY, INC.

ENERGY

JOÃO GALVÃO TELES & LOURENÇO AZEVEDO  
NEVES

## COMPANY REPORT

16 DECEMBER 2022

28863@novasbe.pt / 50682@novasbe.pt

### A Real Plan for “Real Zero”

*How to lead the decarbonization of America*

price of \$85.85 per share.

NextEra Energy shows a brilliant potential, standing on the feet of innovation and focusing on the upcoming renewables revolution. Revenues have long been on a growth tendency, with its values standing immune to crisis such as Covid and current energy prices fluctuations. From 2021 to 2022, for example Net Revenues are expected to rise in 13.45%.

Revenues are expected to increase in a great manner until 2025, reducing slightly in their growth until 2028 and then even further until 2033, with steady state values between 4.5% and 5.3%. This impact is driven by the share of revenues growth coming from NEER, that will leverage on the growing trend for renewables demand.

Costs are expected to grow at a stable pace, accompanying the investment and revenues trend. Main cost spikes in recent years came from one-off situations and non-operating activities, which gives NEE margin to eliminate them easily in the coming years.

The DCF for valuing NEE's share price by December 2022 assumed a 5.15% and 4.73% separate WACCs and a 2.85% terminal growth.

#### Company Description

NextEra Energy is an energetic company hailing from Florida, US. With subsidiaries like Florida Power & Light and NextEra Energy Resources it is simultaneously the largest electric utility company and the world's largest generator of renewable energy from wind and sun.

We give our NextEra's coverage a BUY recommendation, given our target price of \$98.77 per share, not included in the maximum 52-week range. This means a 15.05% investor return, or a capital gain of \$12.92 per share, given the current share

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**Recommendation:** BUY

*Vs Previous Recommendation*

**Price Target FY23:** \$98.77

*Vs Previous Price Target*

**Price (as of 27-Feb-23)** \$85.85

Bloomberg and Reuters: NEE

52-week range (\$) \$67.22-\$93.73

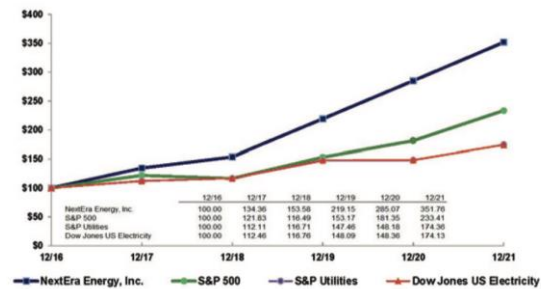
Market Cap (\$M) 170 220

Outstanding Shares (M) 2 088

Expected Investor Return 15%

Source: Bloomberg

**COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\***  
Among NextEra Energy, Inc., the S&P 500 Index, the S&P Utilities Index and the Dow Jones US Electricity Index



Source: NEE’s 2021 Annual Report

(Values in \$ millions)	2021	2022E	2023F
Revenues	17 069	19 723	23 608
Operating Profit (EBIT)	2913	3390	3294
Net Income	3573	3829	4615
ROIC	3.92%	5.61%	2.57%
Core ROIC	4.9%	4.47%	4.96%
WACC FPL	5.15%	5.15%	5.15%
WACC NEER	4.73%	4.73%	4.73%
EPS	1.81	0.31	0.67
P/E	51.61	49.05	147.42
Dividends	483	-	498
D/E	120.7%	138.7%	164.7%

Source: Bloomberg and Value Research

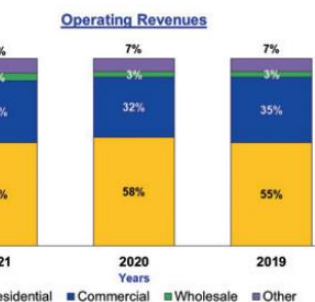
# Company Description

**A steady voice in the changing business of energy**

As one of the biggest in the energy utility sector, NextEra has a crucial saying in the area's next few years. Based in the U.S., in the state of Florida, the clean-energy company supports more than eleven million Florida residents<sup>28</sup> with reliable, affordable, and predominantly clean electricity through its subsidiary Florida Power & Light Company (FPL). The latter is the largest U.S. utilities company in produced and sold electricity. Much of this comes from the aid of NextEra Energy Resources (NEER), the renewables-focused branch of NEE. With almost 25,000MW of generating capacity at the end of 2021, NEER produces almost all its portfolio from clean and renewable sources, being one of the biggest generators of electric power in the U.S. NEER also boasts segments that enhance its ability to meet renewable projects demands, like battery storage projects and a transmission business (NEET), both on a wide scale.

The Florida Power & Light company came to fruition in 1925, serving 58 communities and having a generating capacity of 70MW.<sup>29</sup> By 1950, its stock was listed on the New York Stock Exchange (NYSE) and in the subsequent years its customer count grew astronomically while the company also entered in nuclear power, for example. In 1985, FPL had already recognized different power sources with enormous potential, not relying on oil. Coal, nuclear power, and natural gas were substitutes for the most used fuel in the world and recognition of quality from the world came from moves like the latter. By firmly establishing itself as a low-emission utility and opening its first wind and solar sites, FPL entered the 20<sup>th</sup> Century in the front seat of innovation.

2009 saw a major rebranding of the FPL Group, when the influential CEO James L. Robo was already taking the helm of the company. It changed the group's name to NextEra Energy while also dividing the company between FPL and NextEra Energy Resources, showing at the same time a will to explore further from Florida and betting everything on alternative energies. It was, by that time, the largest producer of wind and solar in the U.S. It is with the launch of NextEra Energy Partners (a partnership to acquire and manage clean energy projects) and a heavy expansion in solar, wind, natural gas, and nuclear power that NextEra reached the year of 2022. One of the most successful energy companies in the world, the Florida-based entity is ready for what the future in this market holds and this standard for others is now difficult to achieve.

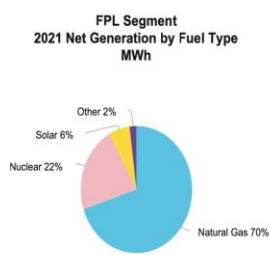
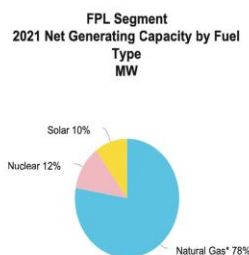


## NEE's Utility branch

## Florida Power & Light

As the largest electric utility company in Florida and one of the biggest in the U.S., FPL does it all: generating, transmitting, and selling electric energy in a rate-regulated scenario. Acting upstream in Florida only, it generates a net amount of 28,450MW and makes it reach the

customer through 77,000 circuit miles of transmission and 696 substations. On January 1, 2022, FPL unified the ratemaking tariffs and rates with its recently merged company, Gulf Power Company. The combined force of both, coming from a transaction completed in 2021, serves more than eleven million people and more than 5.7 million customer accounts, covering east, lower west and northwest Florida. The Operating Revenues of FPL are of 55% for residential customer, 33% for commercial, 4% for



\*approximately 71% has dual fuel capability

<sup>28</sup> NextEra Energy's Annual Report, 2021

<sup>29</sup> NextEra Energy's website, <https://www.nexteraenergy.com/company/history-timeline.html>

wholesale and 2% for other customers, representing 82,6% of NEE's total revenues. Their mixture between residential and commercial customer accounts still consists of 89% and 11%, respectively, with wholesale and others serving for a residual amount.

Maintaining attractive rates is serious business for FPL. While the state of Florida and the country boast averages of \$116.36 and \$141.58, respectively, for the standard industry benchmark of 1,000 kWh of consumption per month, FPL beats them with \$101.70 and a unifying-rates agreement that further shows the care in maintaining low rates. FPL wants to

ensure superior value and low customer bills, high reliability, and excellent customer service, while searching for clean energy solutions. As many of its corporate reports attest the Florida's main distributor of electricity wants its rates to be affordable for costumers and to never fail them in the arrival of such a precious gift like electricity is. The average value for those same 1,000 kWh is well below the average of other electric utilities that work within Florida and from the national average, as the last report with information

available (from July 2021)<sup>30</sup> proves.

Sources of Fuel came from four types in the past year: natural gas, nuclear, solar and coal. In terms of net generating capacity, natural gas came in first with 78% of it, while nuclear and solar represented almost the entirety of the other 22%. Its Net Generation is, meanwhile, slightly different, with values such as 70% of natural gas, 22% of nuclear, 6% of solar and 2% of other (coal included).

With the addition of Gulf Power to the portfolio, 481,000 more customers began to be served while also adding 3,500 MW of electric net generating capacity.

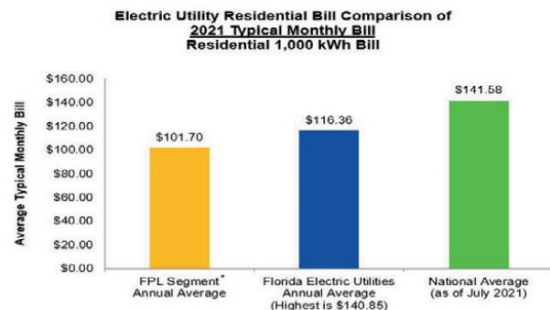
## NextEra Energy Resources (NEER)

NEER is NEE's business focused on clean energy and in the development, construction and operation of assets linked to renewable projects. Its operations are based in facilities over the U.S. and Canada and, considering all its ownership interests, the branch has a total net generating capacity of approximately 30,000MW, in the end of 2021. The vast majority of NEER's electricity comes from clean and renewable sources, while also developing battery storage projects to present the customer with standalone facilities (735MW of battery storage capacity). NEER is the world's largest generator wind and solar energy and one of the world's leaders in battery storage. Its net generating capacity consists, in its last measurement, of 67% wind, 14% solar, 10% other (primarily natural gas) and 9% nuclear.

Financially incorporated into NEER, NextEra Energy Transmission (NEET) is NEE's rate-regulated transmission business. NEER as a whole is responsible for almost 18% of NEE's revenues (FY' 2021).

## Stock Performance

Net Generating Capacity by Fuel Type  
MW



Source: Company Data

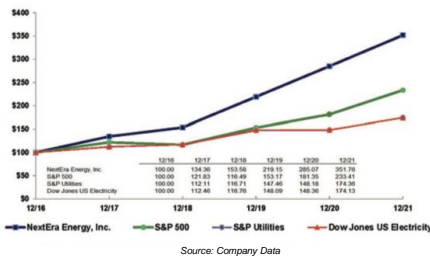
**Diversifying and investing in renewables is the only potential future**

**g through the many years  
a successful market**

<sup>30</sup> U.S. Bureau of Labor Statistics

After going public in the 1950s as Florida Power & Light (FPL), the company started slowly and steadily to grow. But it was not long ago, since 2010, in a time in which former CEO James L. Robo started to take charge and the company officially changed its name to NextEra Energy, that its stock price really went up in value. Starting at \$13.21 per share in 31/12/2009, and currently at \$85.85 per share (15/12/2022), it means that in the last 12 years, the value grew \$72.64 per share or a total of c.550% or c.47% per year.<sup>31</sup>

COMPARISON OF 6 YEAR CUMULATIVE TOTAL RETURN\*  
Among NextEra Energy, Inc., the S&P 500 Index,  
the S&P Utilities Index and the Dow Jones US Electricity Index



In the past two years, the share price has been growing but more slowly, with a share price of \$77.15 per share at 31/12/2020, which means that it only grew c.11% in the past two years.

In conclusion, since it went public, NextEra Energy has been involved in a constant trend of growing, having had no real, pronounced, downward trend and with all slight decreases having been quickly recovered and surpassed.

Regarding the matter of its Total Shares Outstanding, the company has also been increasing them since 2010, having 1.629B shares outstanding in 2010 and currently sitting with 1.979B in Q3 2022.

## Shareholders

*since its IPO, shareholders have been dispersed through the group's structure.*

Regarding its current shareholder structure, NextEra has a very mixed balance of investors being 79.82% of NEE's shares held by institutional investors. Inside this portion, 42.05% correspond to mutual funds, 37.77% are from other institutional investors and 0.25% are owned by individual stakeholders. No entity has a majority stake and can't, then, dictate the company's decisions at a freer will. Even so, the biggest part of shares corresponds to NextEra itself, with the 10.18% not taken from institutional investors.

The current biggest owners by stake are The Vanguard Group, holding 9.10%, with total value of \$14,007M, SSgA Funds Management, holding 5.76%, BlackRock Fund Advisors, holding 4.71% and JPMorgan Investment Management with 2.05%. This means that the other institutional owners have less than a 2% stake in NEE. Vanguard, BlackRock and JPMorgan are renowned investing entities, that give a certain flair of "good company to invest in" to NextEra.

Regarding the mutual funds that play a part in this scenario, the biggest one is Vanguard Total Stock Market Index Fund, owning 3% stake in NEE, followed by the Vanguard 500 Index Fund with 2.26% and all the other investors, that have less than a 2% stake ownership. Vanguard is then the biggest institutional investor, by a big margin, and two of its mutual funds are the two biggest mutual fund owners. This Vanguard footprint can be decisive for the future of the company since, because the rest of the structure is heavily dispersed, a group like Vanguard can climb up to a threat in terms of majority stakeholder, by claiming various smaller investors.

## Cost Structure

*acquiring clients comes through low prices. maintaining profitability can come from cost saving*

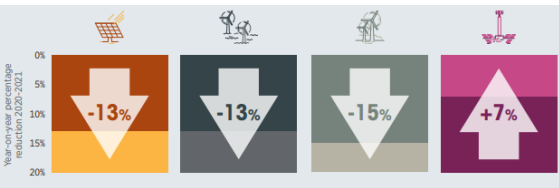
If we remind ourselves on how important the reliability and, mainly, the affordability of the rate NEE imposes to clients, we can assume that it can work through that affordable price through a

<sup>31</sup> Google Finance, <https://www.google.com/finance/quote/NEE:NYSE?sa=X&ved=2ahUKewigyqrlsf37AhVCwoUKHXJ2D2YQ3ecFegQIOxAi>

good cost structure that stands out from peers and is sustainable in the long-term. By generating its entire capacity instead of acting just in the position of distributor, NextEra can enhance and control every single day-to-day decision in cost and directly control the operations.

It is also worthwhile remembering that FPL and NEER share a common platform, an initiative that aims lowering costs and increasing cross-business efficiency for that purpose. FPL itself, like it says in its “Financial Policy Business Overview”<sup>32</sup> puts forth a “strategy focused on developing and maintaining a low-cost position, including the implementation of ideas generated from cost saving initiatives”.

NEE’s lookout for Renewable Energies to be its main source of energy is also a very much viable position in cost saving. While the limited amount of fossil fuel becomes more expensive through supply and demand movements and governments and international bodies impose tariffs and higher taxes on fossil fuels, its price is evidently going up. At the same time, IRENA (International Renewable Energy Agency)<sup>33</sup> proposes, in a report in 2021, a very amicable view towards renewable’s cost. Even if still high it has already, for a few years now,



Source: Company Data

become pretty much competitive with higher scale sources and it will become even more. Just in a year-to-year basis, in 2021, the levelized cost of electricity (LCOE) of new utility-scale projects fell by 13%, from \$0.055/kWh to \$0.048/kWh.

This bet is only in the beginning and can be seen as sustainable in the long-term (let’s remember for a second that there is no Planet B) and at the same time, throughout this report, we gather evidence on how NEE is putting more skin in this game than practically all other peers.

## Environmental Concerns

The outlook into the environment is a big part of NEE’s day-to-day. Be it through confronting climate change or addressing ESG content. The company, according to its 2022 ESG Report<sup>34</sup>, sets big goals and holds itself to ambitious standards for this matter. This comes in the form of fighting climate change, a journey that started in the 1980s and still exists, with NEE standing out as one of the leaders in decarbonization.

Environmentally wise, NEE has been an industry leader for many decades by investing in low and zero-carbon-emissions generation, supporting environmental research, conserving biodiversity on responsible land, and engaging with government agencies and local stakeholders. It is important to notice that NextEra has delivered, from 2005 to 2021: a 58% reduction in CO2-emissions rate, 25% reduction in CO2 tons emitted and a 79% increase in clean electricity generation.<sup>35</sup>

## “Real Zero” and the projects that will accomplish it

If there is one credit NextEra can stand upon, is that it only sets purposes it can reach. By

<sup>32</sup> NextEra Energy’s website, <https://www.investor.nexteraenergy.com/fixed-income-investors/financial-policy>

<sup>33</sup> IRENA - Renewable Power Generation Costs in 2021

<sup>34</sup> NextEra’s ESG Report

<sup>35</sup> NextEra Energy Zero Carbon Blueprint

strategically analysing how much it would take to become a 100% clean-energy front runner and how long that would need, NEE has taken the goal of eliminating carbon emissions from all its operations by 2045 in a plan called “Real Zero”, leveraging on low-cost renewables to still maintain another cornerstone of its operations: energy affordability for customers. The company has a proven track in exceeding the industry expectations, since, from 2005 to 2021 its CO2 emissions improved from 37% better to 51% when compared with the U.S. electric power sector while, in the meanwhile, meeting customer demands, by increasing in 72% total generation.

The benefits from this program would be enhanced by the autonomy in relation to fossil fuel volatility (as shown in recent years). The company values the market opportunity of decarbonizing the U.S. economy while developing low-cost renewable projects in more than \$4 trillion in a diverse mix of the already explored wind, solar, battery storage and nuclear sources and exploring new sources like green hydrogen and more that can come about. Economic studies show that reaching NEE’s could create up to 150,000 jobs and \$15 billion in annual GDP in Florida (until 2045). This is done with the help of interim milestones every five years, reaching a reduction rate of 70% by 2025, 87% by 2035, and 94% by 2040.

As FPL continues and will still be the most significant share of NEE’s emissions, its goal is to significantly accelerate the transformation if its generation mix, reaching the 100% decarbonization in 2045 and comprising it generation fleet of solar, battery storage, wind, substituting natural gas with green hydrogen and slowly abandoning nuclear. Again, customers would benefit from the increased cost stability that would bring.

As for NEER, having more renewable energy from the wind and the sun than any other company in the world carries a high degree of responsibility. That comprehensive package of clean energy solutions, transmission expertise and a storage development platform, positions NextEra to lead U.S. decarbonization. The tens of billions of dollars invested in the last 30 years resulted in a more than 300% increase carbon-emissions-free generation since and a carbon-emissions rate 51% better than the U.S. electric sector in 2021.

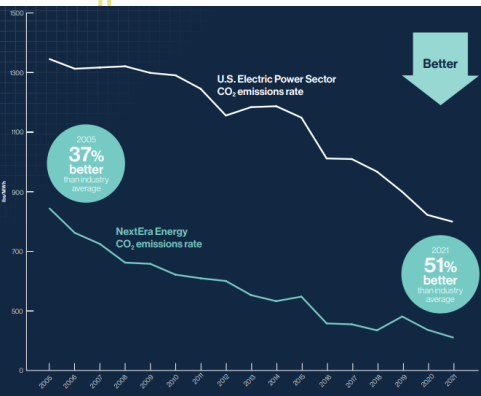
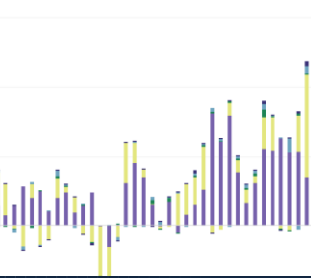
There is also a game-changing opportunity available right now. Innovation around energy is fundamental. A recent technology that NEE has come across is green hydrogen, which produces no greenhouse gas emissions. It is versatile, being used in a variety of applications.

Even if it has not reached a level of maturity where the taxes’ burden incentives are in place, there is a multibillion-dollar market being created. A BCG Analysis suggests that a \$3/kgH2 tax credit could create 1-2 million jobs, expand this market to \$60-\$70 billion annually and trigger \$1.5-\$2 trillion of investment. NextEra is particularly active in lobbying the U.S. government about policy action towards because it knows the investment opportunity that putting the country in front of the current leader, the EU, would mean. It is, by far, one of the most far-reaching technologies to be discovered in the last few years with zero-carbon impact in functions like Heat and Power but also for Transportation and as a substitute of dangerous chemicals in the industry sector.

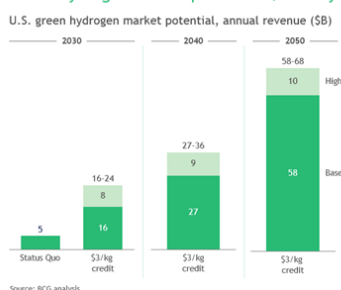
## Recent projects and market moves

Acknowledging the contemporary trends of the energy and electricity industry and the strategic plan of NextEra for the next 20-25 years, FPL has invested heavily in what they see as pivotal projects in recent years. Examples like the modernization of two natural gas facilities in Dania

FIGURE 2. GASOLINE PRICE VOLATILITY IS A MAJOR DRIVER OF OVERALL INFLATION



Green hydrogen market potential: \$60B+ by 2050



Source: The Boston Consulting Group

**into the most important operations**

Beach to become high-efficiency, clean-burning units (1200MW) or the construction of the world’s largest solar-powered battery (900MWh) are paramount in proving this. Even with Gulf Power, which has only recently entered the scene, the shift and continuous investment can be seen as it has placed into service its first solar development project, the 75-MW Blue Indigo Center. Besides, the more than 1,100MW of solar FPL and Gulf Power plan to bring until 2025 attest just that.

In total, we are talking about an investment of \$85 to \$95 billion on additional clean energy infrastructure through 2025. The long-term capacity this represents there on after and the roughly 10% annual earnings-per-share (EPS) to support that through 2025 give rise to bright perspectives.

Besides investing on renewables and new infrastructures for generating energy, one of the most interesting possibilities for growth and profit for NextEra is by expanding through M&A, given the market characteristics. The most notable recent purchase is that of Gulf Power Company, a company that belonged up to 2018 to one of NEE’s more direct peers, The Southern Company. This deal, for a total of \$5.74 billion, between cash and debt assumption, was then coordinated as a merger and expanded FPL’s spread in Florida, with more 481,000 customers and 9,500 miles of transmission lines. Many smaller acquisitions in the past few years have also showed NEE’s strive for higher geography spread inside the U.S. and a diversity of operations. The acquisition of Trans Bay Cable in 2019 or GridLiance in 2021, two electric transmission cable utilities lines that are based in the Western part of the country, consolidated NEE’s position and are examples of just that.

## Storms and Hurricanes

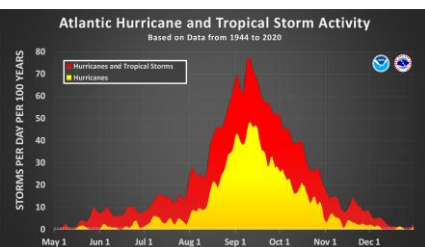
**Recent natural events show off impacts of climate change, NEE has been increasing attention**

Although the impact of these natural disasters may seem occasional and of little importance, it is particularly important to account for this trend in such a susceptible state like Florida. During 2021 and 2020, FPL’s results were severely impacted by hurricanes and tropical storms in Florida and, because maintaining the same level of charges for customers was a priority, it recorded that amount as *Storm Restoration Costs* in \$234 and \$183 million, respectively. In 2022, the same cycle has been seen with Hurricane Ian in September causing devastation. This time, fortunately, FPL dedicated itself to be prepared for such events and, even though more

than 2.1 million customers lost power, smart grid hardening, and undergrounding investments benefitted them<sup>36</sup>. Electric power was eventually rapidly restored. Still, it is easy to observe how those unexpected costs influence FPL’s operations results widely from 2020 to 2022. Hurricane Nicole, in a smaller scale than Ian is also affected Florida in November, with no way to account for damage still.

The Hurricane Ian impact can be a good indicator of what is to come for the company.

For one thing, Climate Change is proving to be ravaging areas at once much more regularly. But this was also the company’s “best-ever service restoration time” in response to a Hurricane and sales were in such a good state in the same quarter this happened, that NEE’s net income was \$147 million more than the same period in 2021. Still, and with all the effort NextEra makes for maintaining the same base-rate, the effort in September may cost around \$1.1 billion for customers.<sup>37</sup>



Source: Florida State University

<sup>36</sup> NextEra’s 3Q 2022 Statement

<sup>37</sup> Utility Dive News: “NextEra says FPL’s speedy Hurricane Ian recovery could cost customers \$1.1B”

Being NEER's geographic sites not just Florida and its infrastructures also slightly different from FPL's, there would be no expectation of grave weather predicaments. But, having a good exposure to Texas, the American state's prolonged winter weather and snow blizzard in February 2021, that came for the first time in decades, brought lower revenues from generation and storage assets in the amount of \$331 million.

## The Energy Sector in the U.S. and the push to Renewables

The US renewable energy sector is already the second largest in the world, but still has a lot of growth potential. Fueled by an increasing demand and reduction in costs, renewable energy is expected to become the leading source of electricity generation by 2030s and expected to provide 42% of US's electricity (20% FY21).<sup>38</sup>

### Past and Future Growth

Since 2000, the renewables have been increasing its importance in the United States' energy mix. In fact, between 2000 and 2020, the overall renewable energy production grew around 91.2%, which represents about 12.2% of total US energy production. In the same period, renewable utility-scale electricity generation grew 120%, representing 19.5% of the US's net electricity production, comparing to coal plants at 19.3% and nuclear plants at 19.7%. Natural gas is still the largest maker of electricity with 40.5%. Nonetheless, this growth has made renewable energy into an essential element of the United States' energy mix.

The five main sources of renewable energy are: hydroelectric, wind, biomass, solar and geothermal. Wind is the main source of renewable energy, accounting for 43.2% of total renewable generation, while hydroelectric represent 36.43%, solar 11.4%, biomass 6.9% and geothermal 2.03%. This mix is expected to change, as solar energy is projected to lead this mix by 2050, expecting to generate almost half of renewable electricity.

The EIA (Energy Information Administration) predicts annual renewable electricity generation to surpass natural gas by 2050, as with the increase in the decommissioning and retirement of coal and older fossil fuel plants, their capacities would be replaced by renewable energy.

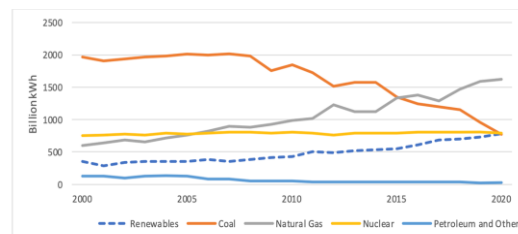
### Decrease in Costs

One of the main reasons that justify this possible growth (alongside the increase in popularity and demand), is the projected decline in costs regarding renewable energy (more specifically wind and solar) projects. In fact, the average construction price for onshore wind turbines decreased 26.6% between 2013 and 2016 and the average construction price for solar generators decreased 51.5% in that same period. Although natural gas is still the cheapest in terms of construction cost, the EIA predicts this to change, and solar becoming the most competitive source.

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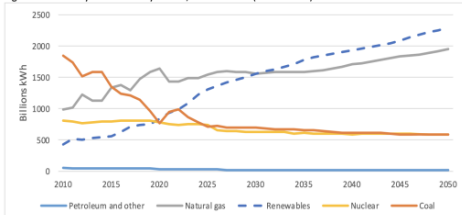
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Figure 1. U.S. Utility-Scale Electricity Generation by Source, 2000-2020 (billions kWh)



Source: U.S. Energy Information Administration, "January 2022 Monthly Energy Review: Electricity Net Generation," Accessed February 2022.

Figure 3. Electricity Generation by Source, 2010 to 2050 (billions kWh)



Source: U.S. Energy Information Administration, Annual Energy Outlook 2022, Accessed September 15, 2021.

<sup>38</sup> IEA (International Energy Agency): Renewables 2021 – Analysis and Forecast to 2026

## Government Support

Another main driver is the numerous incentives and support given by the United States government. In fact, according to the International Energy Agency (IEA), the United States spent around 8.8 billion dollars in 2020 in energy research, which is the largest by any IEA member. Adding to this the IJA (Infrastructure Investment and Jobs Act), which commits 65 billion dollars to modernize the US energy grid, the Inflation Reduction Act (IRA) which includes an investment of 369 billion dollars to reduce the technology costs in developing and deploying renewable energy and the American Jobs Act that plans to spend 380 billion dollars in the renewable energy sector,<sup>39</sup> are all recent proposals that show the amount of government investment in this sector. Also, the Biden administration has set the ambitious goal that the federal government achieves 100% carbon pollution free electricity use by 2030 and net zero emissions from federal procurement by 2050.<sup>40</sup>

## Dark times for global energy and for the world

There is no hiding that the global economy is in a rough patch. It all started in the post-Covid 19 recession. A shift in the way consumers spent, putting pressure in goods, squeezed supply chains such that supply could not meet demand. This, in turn, increased prices for commodities, just like fuel. By the end of 2021 inflation had grown already by 3 p.p.<sup>41</sup> Consumer prices had already reached thirty years high by the end of 2021 with fuel, particularly, rising by a monstrous 49% after, in the first six months of 2022.<sup>42</sup>

With all this already demonstrating a tremendous volatility stage for Energy globally, the Russian military invaded Ukraine on the 24<sup>th</sup> of February 2022. Prices for natural gas had already increased since the heating of several households was needed through quarantine periods and this act of war, mixed with the natural gas production Russia has and the dependency of other countries of it, was the perfect cocktail for the word “recession” to appear and for prices, especially fuel prices, to soar even further. According to Moody’s Mark Zandi, the May 2022 indicator of 8.6% inflation rate in the United States was caused, in 3.5% by the Russian invasion of Ukraine.<sup>43</sup>

Understanding, still, the regional impacts is a must. While this happened in NEE’s country gas prices in Europe increased by 450% in less than a year, electricity prices by more than two-fold<sup>44</sup> and Brent Crude Oil per barrel (a benchmark price mainly used by European countries) rose from \$97.93 to \$127.98 in just 11 days<sup>45</sup> (from the 25<sup>th</sup> of February). To sum up, inflation reached a high of 9.1% in the US (not seen since 1981), 7.7% in Canada<sup>46</sup> (the other country where NextEra operates) and recession is now a great probability. This aggravated scenario is very much considered by us, be it in the riskiness of investing now, be it in the model through variables like the Market Risk Premium in this moment.

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<sup>39</sup> IRS.gov - IRA

<sup>40</sup> WhiteHouse.gov: “FACT SHEET: President Biden Sets 2030 Greenhouse Gas Pollution Reduction Target Aimed at Creating Good-Paying Union Jobs and Securing U.S. Leadership on Clean Energy Technologies”

<sup>41</sup> Research by The Federal Reserve Bank of San Francisco

<sup>42</sup> Bureau of Transportation Statistics

<sup>43</sup> Moody’s

<sup>44</sup> Euronews: “Why Europe’s energy prices are soaring and could get much worse”

<sup>45</sup> Markets Insider: Crude Oil Price

<sup>46</sup> Statistics Canada, Consumer Price Index May 2022

**the tax levy and subsidies  
gamechangers for  
wables**

**recession is on the brink of  
and fuel is heavily  
encined by that. The  
dependence on Russia is,  
ever, key**

# Strategy

## The dilemma of internationalization

At a first glance, being the United States and Canada market more saturated and well developed while other countries face a changing and developing market of Energy, it would make sense that NextEra leaped towards foreign countries to expand its operations. The company did so in 2014, exploring two photovoltaic solar parks in Extremadura, Spain. But it soon regretted and opted out of the investment. This was due to the Spain subsidiaries that built the park leveraging on a change of legal framework in the European that negatively affected NextEra.<sup>47</sup> This case led to five years of arbitration hearings that, luckily for NEE, culminated in compensation for the American company. But this case, the only one in record for NextEra, is the perfect example of how hard it is for American companies to leave the country and Canada (where rules are almost a mirror) for investments abroad, given the strict regulation scene in place for Energy production and the specific conditions (even in taxes and accounting measures) for Utilities.

If there comes a time in which NextEra ponders again the need for leaving North America, it must be done entering a big, well thought consortium or making one of its own (for the long-term). The countries it should aim by then should be Mexico (non-developed Renewables Energy Market<sup>48</sup> and a lot of good wind conditions and the possibility of direct connection to American grid) and other Latin American countries with similar conditions.

## Expansion within the U.S. and Horizontal Integration

From every sign we have seen, NextEra's medium-long term strategy is well designed (although it is not very publicized). Punctual acquisitions are part of the game in the U.S. if you want to survive as a big player in the Energy market. Moves like that of Gulf Power Company, in distribution and transmission in Florida or neighboring states are what makes more sense in terms of competition, bargaining power and easy adaptation to regional specificities. South Carolina's Santee Cooper was also already wooed from NextEra itself in 2018 and is a great possibility for the next acquisition. For the less restricted business NEER and NEET, searching for sites within the entire span of North America (like they do now) where renewables' parks can be developed is a must. There is also a great opportunity in battery storages and selling them to the wholesale market as more and more households and office building want to have their own generation of renewable energy (usually through solar panels). The integration with electric vehicles can also be an opportunity worth exploring for NEER, be it through the 100% supply in mobile charging points be it a small solar powered option embedded in these cars.

## Making it first

NextEra Energy's position as the largest electric utility company by market capitalization and, at the same time, maybe the biggest proponent of achieving a "Real Zero" gives the privilege of a first-entry type of status. When, in 2050 as realistically expected, NextEra reaches a phase of generating only renewables and having the size and structure that only "big oil and gas" has nowadays, there will not be a similar company. If the trends we see today keep going in the

<sup>47</sup> IISD (International Institute for Sustainable Development)

<sup>48</sup> International Trade Administration, Mexico Country Commercial Guide – Renewable Energy

*Fresh pain in Spain*

*ding and temporarily  
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*tEra can be a decider of  
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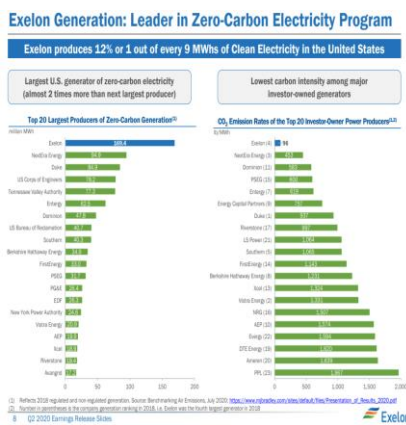
same way, the cost of renewables and the sheer openness of it to the public and governing bodies will make that source of energy **the only way** of making it in this industry. It is just up to NEE to maintain the rhythm of green care, innovation and customer treatment and it will harvest the seeds it has planted today, in December of 2022.

## Comparable Companies

Within the high-specificity market NextEra operates in, there are number of firms we can put side to side with the Florida-based giant. It is, however, important to understand that it is only worthwhile to do it with U.S. companies that embraced the business from generation to distribution and that demonstrated some openness to renewables. By collecting a big chunk of Florida's customer base, NEE has cemented itself as one of the biggest players in the U.S. utilities but a lot of other companies present similar numbers as competitors.

**Exelon** is the largest electric utility company in the United States and was formerly the largest operator of nuclear power in the country, until part of its generation mix was englobed into

Constellation Energy, an independent spin-off created this year. 2021 saw Exelon reach more than \$36 billion of revenues. This is mainly driven by a stable growth in distribution and transmission (more than 10 million costumers across the US and Canada, having regulated entities in Illinois, Pennsylvania, Maryland, Delaware, New Jersey, and DC) and a lookout for a zero-carbon future, even if that represents modest potential. Still widely deemed one of the best utilities companies in the world, Exelon serves 48 states through six regulated entities, has put forward \$6 billion in energy infrastructure and compromised with raking \$29 billion until 2025.<sup>49</sup> It is also working hard to minimize environmental impacts, spurring sustainability. Exelon, even after dividing itself into Constellation Energy, is much larger in terms of revenues than NextEra and its closer peers.<sup>50</sup>



Source: Seeking Alpha

One of those closer comparables to NextEra is **Southern Company** (commonly shortened as Southern Co.). Southern is a utility company headquartered in Georgia that focuses on the southern United States are, being also one of the most recognized companies of the type in the country. The company serves six states, namely Alabama, Georgia, Illinois, Mississippi, Tennessee, and Virginia. A much closer company in terms of size and structure to NextEra, Southern has completed a recent operation with NextEra, by selling Gulf Power for \$409 million and shutting down its Florida distribution operation. The company's revenues in 2021 totaled \$22.4 billion, increasing from that of 2020. Southern has also picked up on operating and developing renewables through some subsidiaries, meaning there are several solar, wind and biomass facilities in the country and a continuous bet on nuclear too. Still, natural gas is a major part of Southern's generation mix, with 51%.<sup>51</sup> The Georgia company has invested in less conventional businesses for this area, leveraging the expertise in transmission lines for fiber optic communications and infrastructure technologies. Southern Company has an ambiguous relationship with environmental concerns. While it works with the US Department of Energy and technological companies on a variety of projects in that matter and enacted several measures, it also has been associated with payments to climate change deniers in the last few years.

<sup>49</sup> Exelon – Corporate Information

<sup>50</sup> Bloomberg

<sup>51</sup> Statista



and The Southern. Xcel followed the industry in a smaller scale and Exelon saw a poorer year of 2022, globally.

Source: Own Data

(in ratio)	D/E	Next Era Energy	Duke	Xcel	The Southern	Exelon
2022E		1.21	1.31	1.50	1.65	1.22

(in ratio)	Net Debt/EBITDA	Next Era Energy	Duke	Xcel	The Southern	Exelon
2022E		4.63	5.31	4.50	5.32	5.33

A company's financial leverage is a powerful indicator of how the day-to-day operations and long-term perspective are feasible, even when conditions for it are rough. **D/E** and **Net Debt/EBITDA** are two measures we thought would be important to evaluate how NextEra was performing among its sector's peers. As seen in the former paragraph, NEE's levels of leverage are quite considering the size of the operations and how much it has been investing. The D/E ratio is also the smallest of the bunch, in 1.21, an absolute difference of 0.01 to its closest persecutor, Exelon and a percentual difference of 14,78% to the comparables' mean. As for Net Debt/EBITDA the figure does not change that much. NextEra is situated as one of the mid-values of its peers' group. While this ratio for the latter company is 4.63, the group's mean goes for 8,4% more and NEE is closer to the best positioned company in this metric, Xcel, with the lowest value of 4.5.

Source: Own Data

(in ratio)	P/BV	Next Era Energy	Duke	Xcel	The Southern	Exelon
2022E		4.35	1.60	2.33	2.38	1.67

A different scenario comes from NEE's position when its market value, coming from the company's shares is compared to its book value, by means of the **P/BV** ratio. It gives out a figure of 4.35 and all values from NextEra's comparables range from 1.6 to 2.38. This means that, in theory, in what we also defend, NEE has an intrinsic value different from what the pure Book Value of Equity demonstrates.

(in ratio)	Current Ratio	Next Era Energy	Duke	Xcel	The Southern	Exelon
2020		0.53	0.53	0.77	0.71	0.98
2021		0.47	0.62	0.84	0.82	0.87
2022E		0.53	0.77	1.04	0.81	0.81

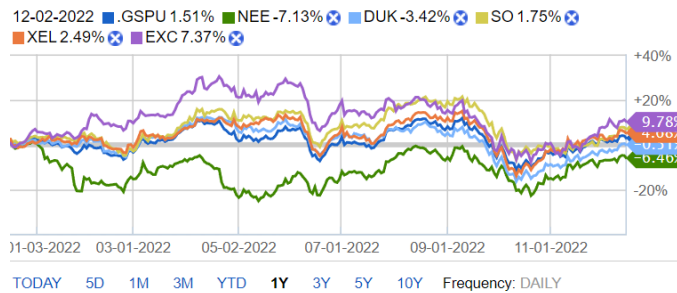
In what concerns the liquidity in the short-term, we also get interesting conclusions from this analysis. NextEra is, by some distance, the company with the worst **Current Ratio**, in just 0.53. The other comparables have values between 0.75 and 0.85, while Xcel's management is somewhat relieved by knowing that, with 1.04 of Current Ratio in 2022 (expected), it can pay all short-term obligations within one year, in theory. Although these figures are relevant to grasp the panorama of the sector, it is not credible that all companies are in the brink of insolvency. Instead, and because a simple market overview can say that the utility industry in the US is profitable and stable, we can put responsibility into a good management of debt, especially what concerns the high-investment, long-term energy infrastructure projects, and into the recent shake in costs coming from the Covid-19 aftermath and the semi-shutdown of fossil fuels that the Ukrainian war caused (although with less impact in the U.S.).

(in %)	ROCE	Next Era Energy	Duke	Xcel	The Southern	Exelon
2020		9.82%	2.12%	4.29%	4.12%	2.77%
2021		4.98%	4.41%	4.14%	2.99%	2.29%
2022E		3.56%	4.01%	4.00%	8.02%	0.03%

Source: Own Data

One very important indicator that may be a decider for an investor to put his stakes into a company is **ROCE (Return on Capital Employed)**. With this metric we can assess how well a company allocates its capital into successful, profitable use. NEE's performance although expected to be worse this year, (3.56%) has been very strong throughout the last years (as an example, in 2020, amid a pandemic, it was 9.82%). NextEra's peers boast inconstant values.

The Southern, who did have a slightly worse standard is expecting a high ROCE of 8.02% for 2022. As for Duke and Xcel, they have maintained an efficient and stable capital allocation, constantly having values near this year's NEE one. Exelon, on its turn, should review how profitability is accomplished from its current operations because, since 2020, the group never had a value superior to 2.77% and is expected to taste some mere 0.03% this year.



A perspective into the stock performance these five companies had is always a valid (although market imperfect) way of looking into their value and recent track record. In the last year, as expected, being all of them from the same subsector and of close geography. Be it from the time of the year or not, the truth is that in the past year, the entire stock group had just a small variation in values. In fact, even if this difference (taken from 15<sup>th</sup> December of 2021 to this date) only goes for double digits in one of the stocks, NextEra is the only outlier in this group. This because of two factors. First, it is the only share price that devalued in the past year, decreasing in 5.27% from \$92 to \$87.15. This is more linked to a higher value in December of 2021 than recent performance, that has been brilliant too. At the time Reuters reported that “NextEra beats profit estimates on beefing up clean energy projects” so that must have created a positive market sentiment on investors. Second, contrary to the other stocks in this sector, NEE’s plummeted the most on the 12<sup>th</sup> of May and not in mid-October. This is attributable, of course, to the market conditions in the months after the invasion of Ukraine from Russia and how that influenced the energy market and prices, but also to the U.S. trade probe of supplies from Asia, in the end of April, that forced NextEra to postpone a big part of its solar and storage plans. But taking everything, recent months have attested how NEE is a solidified, strong player in the energy industry, since it has grown 18.94% in the last two months.

As for its comparables, there’s a clear, noticeable pattern. Throughout the last year the four of them, increased a small portion in value per share, they all saw a peak happening in the middle months and a very big slump, in relative terms, in mid-October. Regarding total yearly increases, there was a margin of growth up to a mesmerizing 11.27% from smaller-cap company Exelon while Duke, for example, almost maintained its values (the only share price from this bunch that is higher than NextEra). This meant it only moved \$0.33. There is also the question that peak was dealt with in the mid-months for all of them, between April and September, in what clearly gives the idea of utility being beneficiaries of being sellers of commodities, being that the spike in crude oil and natural gas leveraged electricity prices and consequently profits. As an example, S&P Energy Select SPDR ETF (XLE) was 65% up by the 20<sup>th</sup> of November 2022. Duke Energy is a big proponent of this, signaling \$115.43 in the end of April. But every stock has its bear period and, in great synchronicity, NEE’s comparables witnessed a very big slump in October, from which they are growing until now, having recovered entirely. This downfall, that put, for example, Duke Energy in a \$85.97 threshold (below NextEra’s current value), is almost entirely attributable to the high inflation data seen still (and what that means in terms of a looming financial crisis) but also specifically to the Bank of

England<sup>54</sup> that jittered by this time, pointing it would only support the UK's bond market for only three more days. Since this low point of the year, the Utility sector in the U.S. rebalanced and rejoiced, with Xcel, for example, completing an astonishing 23.58% from then on to now. This historical stock analysis was made with data collected from NASDAQ.

## Valuation

To value NEE, we used DCF and multiples valuation methods. To perform the DCF model, we found that it would be more accurate if we split NEE into its different parts and perform a Sum-of-the-parts (SOTP) DCF valuation. With that being said, we valued FPL as a standalone company, as it operates as a separate entity, with different legal obligations and heavy restrictions, while having their full reports disclosed as such. Regarding the other two parts, the decision to group together NEER and the Corp. and Other segment came after the understanding the definition of Corp. and Other, which per the annual reports is "primarily comprised of the operating results of other business activities, as well as other income and expense items, including interest expense, and eliminating entries, and may include the net effect of rounding"<sup>55</sup>. Additionally, some adjustments to NEER, such as losses with respect to non-qualifying hedge activity, are included in the Corp. and Other balance. For these reasons, we deemed unfeasible to split Corp. and Other and value it as an independent unit, and, so, we decided that the most sensible thing to do was to group together NEER and Corp. and Other. Nonetheless, this grouping was meant for the results of the income statement reformulation phase (Core, Non-Core and Financial) and for the Unlevered Free Cash Flows, as the specific tax adjustments only concerned NEE and FPL as entities (disregarding NEER and Corp. and Other but, we were able to group these as being the remainder).

## Revenues Forecast

NEE's future revenues were forecasted considering individual and segmented revenues, so different drivers and data were used to forecast it for each segment.

Starting with FPL, the first two forecast drivers come from the Florida Public Service Commission<sup>56</sup> and FPL's own 10-year plan<sup>57</sup> as both enlist increases in customers and sales. The first, fueled by an increase in Florida's population, forecasts a total customer increase of 1,2% per year until 2032. Also, as told by FPL's econometric models, which account for billed energy sales and for variables such as "*cooling degree hours, heating degree hours, real per capita income per household, the twelve-month moving average of real electricity price increases over time*" among other variables, it is projected that residential sales will increase at a rate of 1,5% per year over this period. Other models also project commercial sales to increase at a rate of 0,7% per year. Historical Revenue Growth was also considered, and doing an average between 2018 and 2021, we arrive to a 6% average growth per year. The year 2022 was left out of this calculation as it is not complete, even when the annualized value shows a projected c.25% increase in revenues this year. The four-year rate settlement approved by the Florida Public Service Commission leads to a projected increase in base rate revenue of \$692M

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<sup>54</sup> Bloomberg News

<sup>55</sup> NEE's Annual Reports

<sup>56</sup> "2021 ten-year site plans" – FPSC - <http://www.psc.state.fl.us/Files/PDF/Utilities/Electricgas/TenYearSitePlans/2021/Review.pdf>

<sup>57</sup> "Ten-year power site plan" – FPL - [https://www.investor.nexteraenergy.com/~/\\_/media/Files/N/NEE-IR/investor-materials/supplemental-resources/10-year-site-plan.pdf](https://www.investor.nexteraenergy.com/~/_/media/Files/N/NEE-IR/investor-materials/supplemental-resources/10-year-site-plan.pdf)

in 2022, \$560M in 2023 and \$140M increase in both 2024 and 2025<sup>58</sup>. Finally, from 2026 onwards, the sales growth rate also considers a half part of the growth average between 2023 and 2027, as sales will start to stabilize. All these factors lead to a forecasted CAGR of FPL's sales of c.4,7% from 2023 to 2033.

NEER's future revenues are based on the expectation of new generating capacity, that appears on NEE's 2022 Q3 report. These expectations, on their turn, come from the current

Exhibit: NEER new generating capacity

MW	2022 - 2023 COD	2022 - 2023 Expectations	2024 - 2025 COD	2024 - 2025 Expectations
Wind	4,802	4,300 - 5,200	2,854	4,000 - 5,500
Solar	4,066	3,300 - 5,000	6,500	11,000 - 13,500
Energy Storage	2,141	1,700 - 2,200	1,194	3,200 - 4,700
Wind Repowering	247	200 - 500	0	-300
<b>Total</b>	<b>11,259</b>	<b>9,500-12,900</b>	<b>10,548</b>	<b>18,200 - 24,000</b>

Source: Annual reports

contracts on development and include the capacity that will be owned or operated by NEER. This total capacity comprises assets with long-term Power Purchasing Agreements, build-own-transfer projects with long-term operation and maintenance agreements and assets with expected long-term agreements for power hedging and/or the sale of environmental attributes. The median of such expectations was taken

as the clearly more realistic and conservative measure. For 2023, the forecasted revenues base was the average revenues between 2018 and 2022, as the decreases in 2021 and 2022 could be considered as exceptions due to natural causes, stemming from the heavy Hurricane Season in Florida and the prolonged winter storm in Texas, and so, NEER should be able to recover from these unfortunate accidents. Furthermore, NEER's 2022 Q2 and Q3 revenues saw respectively c.104% and c.540% revenues increase, so we can only reinforce what has just been said. The final sales growth until 2025 was taken as half-weighted between the historical growth and the expected growth due to generating capacity. After that, it was assumed that the large growth would start to stabilize, and, although it would still increase, that would be made at a lower rate. This ultimately leads to a CAGR of c. 13% between 2024 and 2033.

Because the Corp. and Others segment is used as more of residual account where adjustments are made, so it doesn't really follow a specific pattern or bigger trend. We decided to preview it as half of the historical growth rate, to keep the weight of this section low (as it is always forecasted to be, since adjustments are the issue), and avoid it having a larger role than it realistically should. This leads to an expected CAGR of NEE's Operating Revenues of c.13% per year until 2025, which is on track with NEE's official financial expectations of an at least 10% growth per year in Operating Revenues until 2025.

## Operating Costs Forecast

This section comprises all operating expenses (Core and Non-Core). Once again, NextEra Energy's forecasts were made based on the sum of the different segments, where each segment has its own forecast. Total Operating Expenses were then computed to be able to compare them with total revenues and try to achieve a constant margin on such elements. In our case, the historical operating expenses to revenues average equals the forecasted average which is around 77% of revenues.

### ▪ Fuel, Purchased Power and Interchange

Firstly, "Fuel, Purchased Power and Interchange" was computed as a percentage of revenues, because, historically, the proportions have been stable and it is very reasonable to expect that such a cost is influenced mainly by how much we sell, being around 27% of Revenues for FPL and 15% for NEER. Additionally, a 5% extra was added to the forecast, as,

<sup>58</sup> Fitch Rates Florida Power & Light's FMBs 'AA-' and Floating Rate Notes 'A+' – Fitch Ratings - <https://www.fitchratings.com/research/corporate-finance/fitch-rates-florida-power-light-fmbs-aa-floating-rate-notes-a-13-01-2022>

with the current geopolitical and macroeconomic situation, a lot of uncertainty regarding future fuel prices has risen, and, even if NEE is not a direct dependent of Russian gas like many European Utility Companies, the indirect effects come to fruition. This leads to a final proportion of 32% for FPL and 20% for NEER. Once again, due to the residual importance of the Corp. and Others' values, only a historical average was considered, being it 119% of revenues.

- **Other Operations and Maintenance**

For "Other Operations and Maintenance", only a historical percentage of revenues was considered as, in past years, the percentage has been stable, being 13% for FPL, on average 40% for NEER and -196% for Corporate & Others.

- **Depreciation**

Regarding Depreciation, NextEra Energy already provides the detailed Capex structure for both FPL and NEER until 2026, and it is very much aligned with their future projects. After 2026, FPL's Capex slightly decreases until it sets on par with Depreciation (from 2029 onwards), assuming that they will only invest to renew their already massive portion of assets. Because NEER's forecasted capex for 2026 is below the forecasted depreciation, it was assumed that starting in 2026, NEER's Capex will be on par with depreciation, so that they also just renew assets and will stabilize PPE. The Depreciation forecast was entirely based on this schedule, that can be seen below, where historical Depreciation was computed as a percentage of PPE and applied to future PPE, arriving to values of c.4.71% for FPL and c.4.01% for NEER. Because Corp. and Others' PPE and Capex is residual, the forecast assumes values as equal to the year 2022.

Depreciation Schedule FPL												
€'M	2022E	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Beginning of year PPE	62,212	67,775	72,210	76,392	80,331	84,150	86,304	87,163	87,163	87,163	87,162	87,162
CAPEX	8,495	7,630	7,585	7,540	7,605	6,121	4,927	4,108	4,108	4,108	4,108	4,108
Depreciation	(2,932)	(3,194)	(3,404)	(3,601)	(3,786)	(3,966)	(4,068)	(4,108)	(4,108)	(4,108)	(4,108)	(4,108)
Depreciation Schedule NEER												
€'M	2022E	2023P	2024P	2025P	2026P	2027P	2028P	2029P	2030P	2031P	2032P	2033P
Beginning of year PPE	72,210	76,392	80,331	84,150	86,304	87,163	87,163	87,163	87,163	87,163	87,162	87,162
CAPEX	7,205	1,690	570	360	355	1,914	1,914	1,914	1,915	1,916	1,917	1,918
Depreciation	(1,914)	(2,126)	(2,109)	(2,047)	(1,979)	(1,914)	(1,914)	(1,914)	(1,914)	(1,914)	(1,914)	(1,914)
Depreciation as % PPE	-4%	-4%	-4%	-4%	-4%	-4%	-4%	-4%	-4%	-4%	-4%	-4%
End of year PPE	52,978	52,542	51,003	49,316	47,692	47,692	47,692	47,692	47,693	47,695	47,698	47,701

Source: Annual reports and own analysis

- **Taxes Other than Income Taxes and Other – net**

"Taxes Other than Income Taxes and Other – net" was also forecasted as a historical percentage of Revenues, as, once again, the historical percentage of revenues is constant or stable. This is stated at 11% for FPL and at a 6% average for NEER. Because of the residual scope Corp. and Other has, it was assumed constant from 2022 onwards, at \$3M.

- **Storm Restoration Costs**

"Storm restoration costs", which are only applicable for FPL, are assumed to increase 5% per year. This element was hard to extend in terms of forecast, since, even if in the last few years, two major occurrences of Storms occurred, predicting natural phenomena like this is very hard. In a mix of knowing that they were only registered as "Storm restoration costs" because they were considered extraordinary (apart from that there is a provision, like to many other US Energy companies, for the Hurricane Season) and because climate change and peak

phenomena are expected to worsen. This estimate is very conservative on our part, so there is some leeway if it keeps happening.

- **Other Operating Expenses**

Finally, because “Impairment Charges” and “Acquisition-Related” expenses were only applicable in 2018 and 2019, and, by then, were low values, they were assumed as null in the forecast period.

## Income statement forecast

Basis of Preparation: The income statement forecast is based on the annual reports for 2018, 2019, 2020 and 2021, correctly split between the different segments by NEE itself. Regarding 2022, the most recent values (Q3 2022) were annualized, to come up with a value for 2022E. The income statements were then reformulated, to identify the core, non-core, and financial results. All the forecasts were made individually for each segment, trying to find the best way to use historical data and be able to deliver the most appropriate, logical, and accurate forecasts. The values were then summed to ultimately result on the values for NextEra Energy.

- **Core**

For the Core activities, the entries have already been detailed previously. Regarding the important entry of Tax Adjustments, a Statutory Tax Rate of 21% was used for Income Taxes. Due to the nature of NEE’s operations, as a public utility company that distributes electricity to a great portion of Florida and invests heavily in carbon-free emissions energy, it presents several tax benefits and reductions. The Inflation Reduction Act (IRA), executed by Joe Biden in the last year only adds to that, showing great benefits to renewables’ projects for example. Thus, the company reports their own Tax Adjustments in their official Annual Reports, showing that the actual Effective Tax Rate for the company was at 11% in 2021, 1.8% in 2020 and 11.7% in 2019. The adjustments are also reported putting FPL aside, as FPL has higher effective rates, really close to 21% while most of the NEE tax benefits come from NEER’s activity. This is due to the Production Tax Credit (PTC), which brings tax credit for electricity generated by selected technologies (such as solar and wind) and the Investment Tax Credit (ITC) which gives tax credit, in this case, for the construction of commercial solar systems and large-scale utility solar farms. The adjustments for NEER and Corp. and Other individually are not specified, and so, the difference between the adjustments of NEE and FPL was attributed to NEER and Corp. and Other altogether.

- **Non-Core**

The Non-Core Income Statement activities included some captions that either because of a non-existent value in recent periods or because they are hard and not logical to try and forecast accurately, were forecasted as 0 in the future periods. These entries are “Impairment Charges” (only applicable for NEER and with any value at all until 2019), “Gains on Disposal of Investments and Other Property – net” (only applicable to NEER), “Other Net Periodic Benefit Income” (only present in Corp. and Other) and “Gain on NEP Deconsolidation” (only applicable to NEER and existing values only in 2019). The other captions that aren’t included in the Operating Expenses were forecasted either as moving averages or fixed historical averages. The Tax Adjustments were applied in the same exact logic as in Core Result.

- **Financial**

For the Financial Activities, starting in 2019, NEE stopped booking interest income as an account and included it in “Other - net”, so, the forecast for this element from then on is also 0. Regarding, on the other hand, Interest Expense, it was computed for NEE as a historical average percentage of debt (resulting in 2,19% of total debt) and then split among the different segments according to the past proportion of total. This was done by the portions c.37% for FPL, c.35% for NEER and c.28% for Corporate & Others. “Change in Unrealized Gains (losses) on Equity Securities held in NEER’s Nuclear Decommissioning Funds – net” was assumed as a historical fixed average. It is important to note that the expected 2022 values are based on the annualized values of the Q3 report. It is, therefore, possible that the financial result suffers some variation due to accounts like, for example, Interest Expenses, that have almost no expression until Q3 so, even if in other years that did not happen, it may only be reported in Q4.

- **Total Result**

Finally, all of this leads to an expected final total result of \$2.271M in 2022 and \$9.440M in 2033, with an average CAGR of 20%.

## **Balance sheet forecast**

Basis of Preparation: The balance sheet forecast is based on the annual reports for 2018, 2019, 2020 and 2021, correctly split between the different segments by NEE itself. Regarding 2022, the most recent values (Q3 2022) were used as such, as it would not make sense to annualize some of these captions. The balance sheets were then reformulated, to identify the core invested capital, non-core invested capital and financial assets. All the forecasts were made individually for each segment, trying to find the best way to use historical data and be able to deliver the most appropriate, logical, and accurate forecasts. The values were then summed to result on the values for NextEra Energy.

- **Cash**

Operating Cash for each segment was assumed as 2% of the respective Operating Revenues (as per McKinsey<sup>59</sup>), with Corp. and Other assumed as an absolute value as most of its operating revenues are negative. Excess Cash is represented by the difference between Forecasted Cash and Cash Equivalents and Operating Cash.

- **Account Receivables/Payables and Inventories**

Because of the nature of the business and given the reliance on own generation and the nature of customer payments, we deemed that forecasting this Account Receivables/Payables and Inventories in days would not be reliable or adequate. For that reason, and because, historically, these captions have had an almost constant proportion of Revenues, all the Receivables, Payables and Inventory entries were forecasted as an historical average proportion of revenues.

- **Property Plant and Equipment**

Total PPE is forecasted following the Capex schedule given by the company, which gives shed on the expectations to achieve their long-term goals. For more detail on how it was forecasted please refer to the tables above “Depreciation Schedule FPL” and “Depreciation

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<sup>59</sup> “McKinsey on fFinance” – McKinsey - [https://www.mckinsey.com/client\\_service/corporate\\_finance/latest\\_thinking/mckinsey\\_on\\_finance/~/\\_media/1369E2B423894A069F485FD214C100DE.ashx](https://www.mckinsey.com/client_service/corporate_finance/latest_thinking/mckinsey_on_finance/~/_media/1369E2B423894A069F485FD214C100DE.ashx)

Schedule NEER". Regarding Corp. and Other, because the low values and no Capex forecast, future PPE was forecasted on a 4-year moving average.

- Regulatory assets/liabilities

These assets or liabilities are permitted by a regulatory agency to a U.S. public utility and allow the company to defer some items to the balance sheet and depreciate them over time, as if they were fixed assets, rather than to appear on the income statement as expenses. In our case, most of these assets and liabilities are related to FPL. For this reason, all forecasts are based on the forecasts of FPL's revenues.

- Debt

Total Debt was forecasted as the sum of four different captions: "Commercial paper", "Other short-term debt", "Current portion of long-term debt" and "Long-term debt". Each one of these items was forecasted individually, all based on Invested Capital proportions. Long term debt is by far the one seeing the largest increase due to the large effort in fixed assets investment that the company is undertaking and that forecasts to increase at least until the period from 2023-2025. Total Debt keeps increasing until 2029, which is when the company starts to stabilize and repay the debt.

- Equity/Payout

Total Shareholders' Equity was forecasted for NEE and then split by segment based on historical proportions. Regarding Payout Ratio, NEE forecasts a 10% payout increase until at least 2024, where, at this point, they are on par with the peer average of 65%, and so, we assumed that this proportion would be constant until the end of the forecast period. This leads to a close to stabilized D/E ratio between 2024 and 2028, where most of the debt has already been raised to fund all the projects. From 2028 to the end of the period, because debt starts being repaid with more focus and because Shareholder payments, in dividends, are still high (a constant goal of NEE), the D/E ratio starts slowly decreasing and it is looking to stabilize to prior investment periods, after the forecasted period of 2033.

- Remaining Captions

Finally, the remaining captions were all forecasted individually and per segment, either by a proportion of Revenues or Total Debt, depending on the nature of the caption.

## Discounted Cash Flow

As we previously said, the Discounted Cash Flow (or DCF) model is our main valuation model, who will help to assess on what should be the final recommendation.

- Free Cash Flows

An essential part of the DCF model is the computation of the unlevered free cash flows. In our case, the unlevered free cash flow was computed as the sum of core and non-core FCF's for both FPL and the junction of NEER and Corp. and Other. This ultimately leads to an unlevered free cash flow of \$-1,948M for FPL in 2022, and \$-4,508M for NEER and Corp. and Other. In 2033, the forecasted unlevered FCF for FPL is \$6,637M and \$4,070M for NEER and Corp. and Other. We understand that this increase may seem too optimistic, but the current

negative free cash flow is mainly caused by the enormous amount of investment the company is currently undertaking, and which, should lead to an increase in future revenues and FCF.

### ▪ Weighted Average Cost of Capital

Two different WACC were computed, one for FPL, which we are valuing as a standalone, and one for the junction of NEER and Corporate & Others. This division seemed crystal clear to us. As we previously said, FPL is a Floridian giant utility company, it acts from root to end in the production, transmission and distribution of heavily important commodity and it is, because of that, subject to very specific and restrictive regulation, geographical containment, and prices, while a great part of its energy is fossil-fueled. NEER is NEE's arm of almost purely renewables generation and its focus for innovation and riskier projects in this area. It also sells to other companies and displays its' battery storage and solar panel business to wholesale. For that only, they should, in our view be considered as two different business types carrying different risks. In our view, in contrast with FPL, the assumptions for NEER's WACC are closer to those of NEE, so we used the whole company's data to retrieve the cost of capital.

For the Betas, Unlevered Betas were taken from the 5 closest peers to each of the parts, them being Xcel, Southern, PG&E, Entergy and Duke for FPL and Xcel, American Electric Power, Southern, Exelon and Duke for NEER and Corp. and Other. To relever the Betas, both Market Values of Equity of these segments were assumed through the percentage of Equity they weigh in NEE (68% for FPL and 32% for NEER and Corp. and Other). The tax rates used were the statutory tax rates for FPL and NEER and Corp. and Other, which is 21%.

The Cost of Debt was calculated with the current risk-free rate (10-year US treasury bill), which we accounted at 3.4%, and the credit spread, using the latest "Fitch" rating<sup>60</sup> for FPL (A) and for the other segment using the NEE (A-). Then, we used the Damodaran estimated default spread table<sup>61</sup> and that led us to a credit spread of 1% for FPL and 1,15% for NEER and Corp. and Other.

Finally, the Market Risk Premium used is meant to represent the rate of return of any investment that carries risk and the value to choose from can vary with sources and specificity of the business. The most typically used MRP is 6%, but Professor Aswath Damodaran defends a lower value of 4.24% for the Risk Premium in the United States. With that being said, we decided to meet these values halfway between these values and opted for a MRP of 5.1%.

All of this leads to a final WACC of 5.15% for FPL and 4.73% for NEER and Corp. and Other.

### ▪ DCF Model Results

For the results of the DCF Model, Free Cash Flows were discounted at the Weighted Average Cost of Capital, with both Terminal Values having an expected terminal growth of 2.85% which is an average that includes the expected long-term growth of the USA GDP, based on historical values, and an historical inflation average. The Enterprise Value of both segments was subsequently added, putting us in a position of the Total Enterprise value of NEE. Total Debt was removed, and Excess Cash was added to arrive to the Implied Equity Value which was, finally, divided by the number of shares making us arrive to the Implied Share

#### Exhibit: FPL unl. Beta

FPL	Unl. beta
Xcel	0.27
Southern	0.33
PG&E	0.62
Entergy	0.3
Duke	0.23
<b>Total</b>	<b>0.35</b>

Source: Reuters

#### Exhibit: NEER/CO unl. Beta

NEER / Corporate & Other	Unl. Beta
Xcel	0.27
American electric power	0.24
Southern	0.33
Exelon	0.28
Duke	0.23
<b>Total</b>	<b>0.27</b>

Source: Reuters

#### Exhibit: WACC for FPL

FPL	2021
Debt	16,758
rD	4.40%
Tax rate	21%
Equity	117,667
rE	5.39%
<b>WACC</b>	<b>5.15%</b>

#### Exhibit: WACC for NEER/CO

NEER/Corp. & Other	2021
Debt	47,877
rD	4.55%
Tax rate	21%
Equity	55,274
rE	5.72%
<b>WACC</b>	<b>4.73%</b>

Sources: Bloomberg, Damodaran and own analysis

#### Exhibit: DCF model result

EV FPL	179,034
EV NEER	79,154
<b>Sum EV</b>	<b>258,188</b>
(-) Debt	64,825
(+) Cash	2,111
<b>Equity Value</b>	<b>195,474</b>
Number of shares	1,979
<b>Implied share price</b>	<b>\$98.77</b>
<b>Current share price</b>	<b>\$85.85</b>
Capital gain	\$12.92
Expected return	15%

<sup>60</sup> Own Company Website: <https://www.investor.nexteraenergy.com/financial-investors/financial-strength>

<sup>61</sup> Taken from: [https://www.researchgate.net/figure/Estimated-default-spreads-by-credit-rating\\_tbl2\\_288227112](https://www.researchgate.net/figure/Estimated-default-spreads-by-credit-rating_tbl2_288227112)

Price of \$98.77, which carries an Expected Capital Gain of 15% from the current share price of \$85.85 (closing price 15/12/2022).

Exhibit: FPL sensivity analysis

Growth

Exhibit: FPL WACC on MRP

FPL	
MRP	WACC
4.20%	4.84%
4.65%	5%
<b>5.10%</b>	<b>5.15%</b>
5.55%	5.30%
6.00%	5.45%

Source: Own analysis

Exhibit: FPL WACC on Beta

FPL	
Beta	WACC
0.09	3.81%
0.24	4.48%
<b>0.39</b>	<b>5.15%</b>
0.54	5.82%
0.69	6.49%

Source: Own analysis

WACC	Growth				
	2.35%	2.60%	2.85%	3.10%	3.35%
3.82%	166.73	197.68	244.59	324.08	488.12
4.48%	112.42	125.35	142.25	165.27	198.47
4.84%	94.95	103.87	115.03	129.40	148.58
5.00%	89.01	96.75	106.30	118.36	134.10
5.15%	83.76	90.53	<b>98.77</b>	109.03	122.15
5.30%	79.01	84.97	92.14	100.94	112.00
5.45%	74.77	80.04	86.33	93.95	103.38
5.81%	66.40	70.46	75.20	80.82	87.57
6.48%	54.63	57.25	60.24	63.66	67.64

Source: Own analysis

Exhibit: NEER/C.O. WACC on MRP

NEER/Corp. & Other	
MRP	WACC
4.20%	4.51%
4.65%	5%
<b>5.10%</b>	<b>4.73%</b>
5.55%	4.84%
6.00%	4.95%

Source: Own analysis

Exhibit: NEER/C.O. WACC on Beta

NEER/Corp. & Other	
Beta	WACC
-0.30	3.91%
-0.15	4.32%
<b>0.00</b>	<b>4.73%</b>
0.15	5.14%
0.30	5.55%

Source: Own analysis

Exhibit: NEER/C.O. sensivity analysis

Growth

WACC	Growth				
	2.35%	2.60%	2.85%	3.10%	3.35%
3.93%	114.99	125.04	139.74	163.26	207.00
4.33%	100.38	106.03	113.59	124.21	140.23
4.51%	95.62	100.12	105.97	113.90	125.23
4.62%	93.13	97.09	102.16	108.90	118.29
4.73%	90.86	94.36	<b>98.77</b>	104.55	112.40
4.84%	88.85	91.96	95.84	100.84	107.52
4.95%	87.00	89.77	93.20	97.55	103.27
5.13%	84.28	86.59	89.40	92.91	97.40
5.53%	79.45	81.05	82.95	85.23	88.04

Source: Own analysis

## ▪ Sensivity Analysis

To deliver a more appropriate recommendation, sensitivity analyses were performed for both parts. Starting with the WACC, two different analyses were performed, putting WACC dependent on both MRP and Beta, as both these variables are essential in its' calculation, and both have a lot of leeway and causes regarding the values. The Market Risk, as we had previously said, doesn't have a universal, stood upon value. Having in this in mind, we decided to subject the WACC to varying values ranging from the common threshold used of 6% to Professor Damodaran's 4,24%, to see the impact of this metric on the WACC. Then, because beta is also an important metric and is very dependent on the peers chosen, we tested what would be the WACC with different values of Beta. Then, because the peers chosen, their proximity to market returns and our, i.e., NextEra's position in relation to these two can vary a great deal, we tested what the WACC would be with different values of Beta. The results, very satisfying in the dimension of the changes, can be seen in the tables above and in fact, these two changes lead to entirely different WACC values that can change completely the final value of the Implied Share Price.

The second sensitivity was to try to confirm this hypothesis. These new WACC hypotheses were combined with changes in the Terminal Growth Rate (also a very important metric, where a slight difference can change the entire panorama of the final value), to see how our Implied Share Price would change (please refer to the tables above). These tables were color coded to efficiently show in green if the capital gain is above 10%, yellow if between 0%

and 10% and red if negative. Looking at the two analyses, we can clearly get the grasp that FPL is the one with most weight and influence in the final decision, with the lowest price being at \$54.53 and the highest at \$488.12, it also shows that increasing the WACC enough would lead to sudden capital losses. Regarding NEER, the changes wouldn't affect much the investment decision *per se*. As the lowest price is at \$79.45 and the highest at \$207. Leaning on this sensitivity with the WACC for both segments is in the domain of theory, since in practice, of course, NEE's shares are a compass of the total value of the company.

In sum, FPL's EV represents 69% of the total consolidated EV, leaving 31% for NEER and Corporate & Others. Such a division might, at a first glance, show an enormous dependence on the value of FPL. But the truth is, if we see how this proportion initiated, NEER, albeit never taking the spot of crown jewel for the group, shows an unprecedented and very successful progression.

## Multiples Valuation

We felt the need to perform a multiples valuation to accompany our DCF model. The subsequent results come from that method. Despite the company we're evaluating, for which we compiled the numbers from a myriad of information but mainly from the Annual Reports and, eventually, the Quarterly Statements, we performed this Multiples Valuation with information coming from Reuters and Bloomberg. Total Assets, Net Debt, Total Debt, Revenues, and the D/E ratio were retrieved directly from Reuters. All the other elements were taken from Bloomberg.

NextEra's comparables' choices were made having in mind utility companies with investment in similar sources of generation and the minimum exposition to renewables, similar revenue levels and size of customer bases, and approximate regional coverage (US-based is a must, given the local scope the companies of this sector have and how little openness to foreign countries there is).

An important stage in this phase was to understand what multiples to use for valuing NextEra. We wanted the multiples used to reflect as accurately as possible the company's intrinsic value, trying to exclude the volatility in costs and consequently sales prices that arose from the Covid-19 emergence and after Russia's invasion of Ukraine. Not excluding the local and specific importance of recent storms in the last two years. We also found investment,

### Exhibit: Multiples

Name	EV/EBIT	P/E
NextEra Energy Inc (Implied)	36.8	29.4
Southern Co/The	22.4	19.1
Exelon Corp	21.0	18.4
Xcel Energy Inc	25.4	22.1
Duke Energy Corp	24.1	19.0
Entergy Corp	23.7	18.4
<b>Mean</b>	<b>x25.55</b>	<b>x21.03</b>

Source: Bloomberg

especially in infrastructures and in long-term fixed assets, as of the utmost importance to this industry, so its values and the values of influenced items as of depreciation should be included in the analysis. The most sensible multiples were, then, for us, P/E, EV/EBIT. We understand that EV/EBITDA is more commonly used, and that EV/EBIT is somewhat near the P/E values, but it does reflect certain loopholes of the former two, being used, while including depreciation and amortization, to see if the stock price is higher or lower than it should in relation to other stocks. It is also typical for companies with similar profiles in the operating and ownership field, exactly the type of comparables chosen.

For reaching NEE's share price, we decided to use the peers' mean (including NEE) over

EV/EBIT and P/E, since NEE is in both cases the biggest value. NEE would amount a value of \$61.43 through EV/EBIT and \$81.04 using the P/E ratio. The average of these ratios gives out a share price of \$71.24 for NEE. This value is lower than the actual share price the company attained, \$85.85 on the 16<sup>th</sup> of December 2022. This is very important to understand one fact about NextEra. Whether being beneficial or not, its peers have very different valuation indexes. There is a lot to take in here. First, the comparables in terms of structure, size and all other already mentioned indicators are certainly different in terms of relative valuation, in the sense that NEE's comparison against its own historical record and accounting for its debt takes a heavy toll. Second, we can also say that there is an intrinsic value that is not being quantified properly for NEE in relation to the market it operates in. The added value in the future that NextEra brings with its very heavy bet on clean energy and a temporary exposition of the rest of the market to the negative macroeconomic scenario we're living in are proposals of explanation.

This last topic tells us how these results can be inaccurate, added to the fact that all comparables have lower EV/EBIT and P/E ratios, showing a clear undervaluation of NextEra. In the process of this analysis, we understood that the closer peer of NextEra is Southern Company. With a Net Debt level of just 4.54% difference, a ROCE (Return on Capital Employed) with just 0.57% deviation and a quite close level of Revenues and Total Assets, the company has proven to be the best proxy for NextEra. This comes even with Xcel having just 0.52 of absolute difference in Net Debt/EBITDA, the closer level of high P/E and just a deviation of 0.92% in ROE. But still, just the sheer size and complex structure NextEra boasts has much more to do with The Southern Company. It is important to take into consideration that NextEra is a standout in terms of these metrics. To sum up, the outcome of the valuation was a 2022 target price of \$71.24 and a negative return per share of 17%, given the current price per share of \$85.85.

## Final Recommendation

After reviewing carefully both the valuations, and, having another look at the company, with its current state and future projections, we believe that our DCF valuation might have been the most accurate one. As we previously said, the multiples valuation isn't getting the full scope on what the potential of NextEra Energy could be. By having established themselves as one of the biggest renewable energy suppliers in the United States, and with such ambitious goals, we believe that our DCF analysis is the most accurate one. Although the target price is out of the previous 52-week range, for years now NEE has been able to increase its share price, and we see no reason to believe why this trend wouldn't keep on in the next year. For these reasons, and for all the others previously mentioned in this research paper, our recommendation would be a **Buy** with the target price of **\$98.77/share** for Dec-23.

## Appendix - Financial Statements – Income Statement

\$'M	2018	2019	2020	2021	2022E	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
<b>Core</b>																
<b>Operating revenues</b>	<b>16,727</b>	<b>19,204</b>	<b>17,997</b>	<b>17,069</b>	<b>19,723</b>	<b>23,608</b>	<b>25,519</b>	<b>28,162</b>	<b>30,949</b>	<b>33,540</b>	<b>35,331</b>	<b>37,206</b>	<b>39,165</b>	<b>41,217</b>	<b>43,199</b>	<b>45,139</b>
FPL	11,862	13,679	13,040	14,103	17,019	19,823	19,846	21,285	22,803	24,314	25,075	25,860	26,670	27,504	28,365	29,253
NEER	4,984	5,639	5,046	3,053	2,169	4,842	5,872	6,926	8,192	9,268	10,294	11,382	12,529	13,744	14,862	15,913
Corp & others	(119)	(114)	(109)	(87)	(61)	(57)	0	(49)	(45)	(42)	(39)	(36)	(33)	(31)	(29)	(27)
<b>Fuel, purchased power and interchange</b>	<b>3,732</b>	<b>4,363</b>	<b>3,539</b>	<b>4,527</b>	<b>6,517</b>	<b>6,852</b>	<b>7,322</b>	<b>8,054</b>	<b>8,789</b>	<b>9,485</b>	<b>9,831</b>	<b>10,175</b>	<b>10,515</b>	<b>10,415</b>	<b>10,257</b>	<b>10,048</b>
FPL	3,250	3,803	3,030	3,956	5,819	5,961	6,222	6,741	7,222	7,700	7,941	8,190	8,446	8,275	8,085	7,875
NEER	609	689	600	698	832	959	1,163	1,371	1,622	1,835	1,936	2,028	2,108	2,177	2,207	2,205
Corp & others	(127)	(129)	(121)	(137)	(131)	(68)	(63)	(58)	(54)	(50)	(46)	(43)	(40)	(37)	(34)	(32)
<b>Other operations and maintenance</b>	<b>3,330</b>	<b>3,640</b>	<b>3,751</b>	<b>3,953</b>	<b>4,215</b>	<b>4,496</b>	<b>5,009</b>	<b>5,638</b>	<b>6,337</b>	<b>6,959</b>	<b>7,257</b>	<b>7,540</b>	<b>7,803</b>	<b>8,045</b>	<b>8,213</b>	<b>8,321</b>
FPL	1,514	1,738	1,709	1,803	1,799	2,457	2,543	2,735	2,952	3,147	3,246	3,347	3,452	3,560	3,672	3,787
NEER	1,649	1,668	1,824	1,897	2,136	1,948	2,363	2,787	3,296	3,729	3,935	4,122	4,285	4,424	4,485	4,482
Corp & others	-167	174	218	253	280	111	103	95	89	82	76	71	66	61	56	52
<b>Storm restoration costs</b>	<b>3</b>	<b>234</b>	<b>183</b>	<b>28</b>	<b>118</b>	<b>123</b>	<b>130</b>	<b>136</b>	<b>143</b>	<b>150</b>	<b>158</b>	<b>165</b>	<b>174</b>	<b>182</b>	<b>192</b>	<b>201</b>
FPL	3	234	183	28	118	123	130	136	143	150	158	165	174	182	192	201
NEER	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corp & others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Depreciation and amortization</b>	<b>3,011</b>	<b>4,316</b>	<b>4,057</b>	<b>3,024</b>	<b>4,442</b>	<b>5,284</b>	<b>5,736</b>	<b>6,711</b>	<b>7,820</b>	<b>9,044</b>	<b>9,046</b>	<b>9,086</b>	<b>9,086</b>	<b>9,086</b>	<b>9,086</b>	<b>9,086</b>



# Free Cash Flow map

(\$'M)	2018	2019	2020	2021	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
<b>Core</b>																
<b>Core result</b>	<b>4,636</b>	<b>5,297</b>	<b>4,928</b>	<b>3,407</b>	<b>3,423</b>	<b>5,234</b>	<b>5,811</b>	<b>6,712</b>	<b>7,682</b>	<b>8,592</b>	<b>9,411</b>	<b>10,360</b>	<b>11,424</b>	<b>12,927</b>	<b>14,478</b>	<b>16,084</b>
FPL	3,052	3,824	4,361	4,772	5,661	5,464	5,654	6,210	6,722	7,236	7,482	7,768	8,135	8,838	9,574	10,344
NEER and Corp & others	1,584	1,474	568	(1,365)	(2,238)	(229)	155	502	961	1,357	1,929	2,572	3,289	4,089	4,903	5,740
<b>PPE</b>	<b>70,334</b>	<b>82,010</b>	<b>91,803</b>	<b>99,348</b>	<b>108,447</b>	<b>120,995</b>	<b>125,022</b>	<b>127,711</b>	<b>129,987</b>	<b>132,134</b>	<b>134,301</b>	<b>135,168</b>	<b>135,167</b>	<b>135,161</b>	<b>135,166</b>	<b>135,169</b>
Change	-	11,676	9,793	7,545	9,099	12,548	4,027	2,690	2,276	2,146	2,167	868	(1)	(6)	5	4
FPL	41,499	49,837	53,879	58,227	62,212	67,775	72,210	76,392	80,331	84,150	86,304	87,163	87,163	87,163	87,162	87,162
NEER	-	8,338	4,042	4,348	3,985	5,563	4,436	4,181	3,939	3,819	2,155	859	(0)	(0)	(0)	(0)
Corp & others	233	3,440	5,800	3,058	4,802	7,276	(436)	(1,539)	(1,687)	(1,624)	(0)	(0)	(0)	1	2	3
Change non current assets and liab	-	(102)	(49)	139	312	(291)	28	47	24	(48)	13	9	(1)	(7)	3	1
<b>NWC</b>	<b>503</b>	<b>(934)</b>	<b>(1,294)</b>	<b>(2,175)</b>	<b>(1,838)</b>	<b>(818)</b>	<b>(330)</b>	<b>2</b>	<b>519</b>	<b>829</b>	<b>(1,505)</b>	<b>(868)</b>	<b>(162)</b>	<b>610</b>	<b>1,416</b>	<b>2,261</b>
Change	-	(1,437)	(360)	(881)	337	1,020	488	332	517	310	(2,334)	637	706	772	806	845
FPL	733	461	861	1,123	1,577	1,790	1,825	1,998	2,138	2,299	2,250	2,419	2,609	2,812	3,036	3,280
NEER	(180)	(1,249)	(2,085)	(3,212)	(3,220)	(2,583)	(2,236)	(2,000)	(1,640)	(1,375)	(3,802)	(3,346)	(2,843)	(2,287)	(1,716)	(1,127)
Corp & others	(50)	(146)	(70)	(86)	(196)	(25)	81	4	20	(95)	47	59	72	84	96	107
Change non current assets and liab	-	(96)	76	(16)	(110)	171	106	(77)	16	(115)	142	12	12	12	12	11
<b>Total change in core invested capital</b>	<b>-</b>	<b>12,164</b>	<b>8,395</b>	<b>8,234</b>	<b>13,294</b>	<b>6,342</b>	<b>2,754</b>	<b>1,643</b>	<b>936</b>	<b>660</b>	<b>(937)</b>	<b>690</b>	<b>(99)</b>	<b>32</b>	<b>164</b>	<b>264</b>
FPL	-	6,207	4,239	4,387	10,230	(2,276)	4,073	3,162	3,090	2,404	1,632	500	(385)	(448)	(371)	(381)
NEER	-	3,457	3,399	3,168	5,360	7,449	(582)	(1,960)	(1,948)	(1,948)	(2,670)	202	256	388	501	595
Corp & others	-	2,500	757	679	(2,297)	1,169	(737)	441	(206)	204	101	(12)	30	92	34	50
<b>Core FCF</b>	<b>-</b>	<b>(6,867)</b>	<b>(3,467)</b>	<b>(4,827)</b>	<b>(9,871)</b>	<b>(1,107)</b>	<b>3,058</b>	<b>5,069</b>	<b>6,747</b>	<b>7,932</b>	<b>10,349</b>	<b>9,670</b>	<b>11,523</b>	<b>12,895</b>	<b>14,313</b>	<b>15,820</b>
FPL	-	(2,383)	122	385	(4,569)	7,740	1,581	3,048	3,632	4,832	5,850	7,288	8,520	9,286	9,945	10,726
NEER and Corp & others	-	(4,483)	(3,588)	(5,212)	(5,302)	(8,847)	1,477	2,022	3,115	3,100	4,498	2,382	3,003	3,609	4,368	5,095
<b>Non Core</b>																
<b>Non Core result</b>	<b>3,643</b>	<b>(2,100)</b>	<b>(3,638)</b>	<b>(1,215)</b>	<b>(2,273)</b>	<b>(3,262)</b>	<b>(2,469)</b>	<b>(2,877)</b>	<b>(3,109)</b>	<b>(3,388)</b>	<b>(3,573)</b>	<b>(3,745)</b>	<b>(3,928)</b>	<b>(4,126)</b>	<b>(4,317)</b>	<b>(4,505)</b>
FPL	(2,144)	(1,925)	(1,910)	(2,061)	(2,255)	(2,735)	(2,853)	(3,078)	(3,270)	(3,475)	(3,579)	(3,683)	(3,790)	(3,902)	(4,018)	(4,136)
NEER and Corp & others	5,786	(176)	(1,728)	847	(18)	373	385	200	162	87	6	(62)	(138)	(224)	(300)	(369)
<b>Change non core assets and liab</b>	<b>-</b>	<b>(4,824)</b>	<b>(733)</b>	<b>414</b>	<b>(742)</b>	<b>840</b>	<b>576</b>	<b>(92)</b>	<b>285</b>	<b>232</b>	<b>430</b>	<b>481</b>	<b>534</b>	<b>594</b>	<b>597</b>	<b>607</b>
FPL	-	(171)	(133)	271	(1,582)	1,149	(44)	(88)	(82)	(81)	(41)	(42)	(44)	(45)	(46)	(48)
NEER	-	346	(231)	113	1,157	(954)	281	288	346	294	453	507	562	624	630	643
Corp & others	-	(4,999)	(369)	30	(317)	644	339	(291)	21	20	18	17	16	14	13	12
<b>Total change in non core invested capital</b>	<b>-</b>	<b>(4,824)</b>	<b>(733)</b>	<b>414</b>	<b>(742)</b>	<b>840</b>	<b>576</b>	<b>(92)</b>	<b>285</b>	<b>232</b>	<b>430</b>	<b>481</b>	<b>534</b>	<b>594</b>	<b>597</b>	<b>607</b>
FPL	-	(171)	(133)	271	(1,582)	1,149	(44)	(88)	(82)	(81)	(41)	(42)	(44)	(45)	(46)	(48)
NEER	-	346	(231)	113	1,157	(954)	281	288	346	294	453	507	562	624	630	643
Corp & others	-	(4,999)	(369)	30	(317)	644	339	(291)	21	20	18	17	16	14	13	12
<b>Non Core FCF</b>	<b>-</b>	<b>2,724</b>	<b>(2,905)</b>	<b>(1,629)</b>	<b>(3,531)</b>	<b>(3,202)</b>	<b>(3,044)</b>	<b>(2,785)</b>	<b>(3,394)</b>	<b>(3,620)</b>	<b>(4,003)</b>	<b>(4,227)</b>	<b>(4,462)</b>	<b>(4,720)</b>	<b>(4,914)</b>	<b>(5,113)</b>
FPL	-	(1,754)	(1,777)	(2,332)	(673)	(3,884)	(2,609)	(2,989)	(3,188)	(3,394)	(3,538)	(3,641)	(3,746)	(3,857)	(3,971)	(4,088)
NEER and Corp & others	-	4,477	(1,129)	704	(858)	682	(235)	204	(205)	(226)	(466)	(586)	(715)	(862)	(943)	(1,025)
<b>Financial</b>																
<b>Financial result</b>	<b>(1,980)</b>	<b>(2,368)</b>	<b>(2,162)</b>	<b>(1,214)</b>	<b>(527)</b>	<b>(2,038)</b>	<b>(2,140)</b>	<b>(2,184)</b>	<b>(2,220)</b>	<b>(2,240)</b>	<b>(2,260)</b>	<b>(2,269)</b>	<b>(2,250)</b>	<b>(2,215)</b>	<b>(2,175)</b>	<b>(2,122)</b>
FPL	(650)	(776)	(776)	(745)	(894)	(738)	(775)	(791)	(804)	(811)	(819)	(822)	(815)	(803)	(788)	(768)

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### Report Recommendations

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<b>Buy</b>	Expected total return (including expected capital gains and expected dividend yield) of more than 10% over a 12-month period.
<b>Hold</b>	Expected total return (including expected capital gains and expected dividend yield) between 0% and 10% over a 12-month period.
<b>Sell</b>	Expected negative total return (including expected capital gains and expected dividend yield) over a 12-month period.

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