Krause Fund Research
Fall 2021

NextEra Energy, Inc. (NYSE: NEE)

November 15th, 2021

Utilities

Stock Rating: HOLD

Analysts

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Investment Thesis

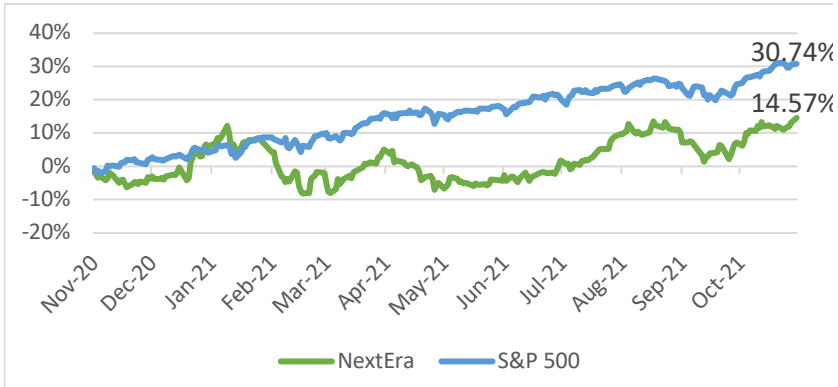
Drivers of Thesis:

- We factored in our revenue forecast the 4.82% projected growth in population. We believe this will **increase customer accounts** for FPL by 1.43%, and Gulf Power by 1.1% annually. In 2021, we project an **increased revenue growth rate by 17.05**% in 2021 and a 5% to 6% increase between from 2022 to 2025 due to managements guidance of **increased capital expenditures** and changes in their fuel mix.
- NextEra's growth through **acquisitions of renewable resources widens their competitive advantage** in the renewable energy space. We expect this to **increase NextEra's generating capacity** by 15.07% until 2025. NextEra's leadership in the space positions them to accommodate the future of energy needs ahead of its competitors.
- President **Bidens $1 trillion infrastructure bill** includes **$65 billion for clean energy investments**. This is an opportunity for NextEra to engage in contracts that will pull in more revenue for NEE in the future.

Risks to Thesis:

- The projected **rise in inflation** could cause **operating expenses to increase.**
- **Bad weather conditions** fueled by climate change may **affect FPL's electricity generation negatively**.
- Increasing **prices of natural gas** could increase NextEra's expenses directly. Natural gas prices are up almost 60% year-over-year.

12-Month Stock Performance



Target Price: $80 -$90

Model Prices	
DCF Model:	$89
DDM:	$75
2021 Relative P/E:	$42
Price Data	
Current Price:	$87.34
52-Week Low:	$68.83
52-Week High:	$87.69
Key Statistics:	
Market Capitalization (B):	169.4
Shares Outstanding (M):	1,971
Beta (3-Year Weekly):	0.86
2021E EPS:	2.50
P/E Ratio:	142.3
Forward P/E Ratio:	34.9
Forward Dividend:	1.54
Payout Ratio:	126.5%
Operating Revenues:	5.12 B
Financial Ratios	
ROA:	2.4%
ROE:	8.5%
Debt/EBITDA:	5.58
Debt/Equity:	1.44

Company Description

NextEra Energy, Inc. generates, transmits, distributes, and sells electric power to retail and wholesale customers in North America. The company generates electricity through wind, solar, nuclear, and fossil fuel, such as coal and natural gas facilities. It also develops, constructs, and operates long-term contracted assets with a focus on renewable generation. As of December 31, 2020, the company operated approximately 28,400 megawatts of net generating capacity. It serves approximately 11 million people through approximately 5.1 million customer accounts in Florida with approximately 76,200 circuit miles of transmission and distribution. NextEra Energy, Inc. is headquartered in Juno Beach, Florida

Executive Summary

NextEra Energy Inc. (NEE) is an energy utility company that operates through its subsidiaries, Florida Power & Light (FPL), including Gulf Power, and NextEra Energy Resources (NEER). We currently rate NextEra as a hold rating with a price range between $80 and $90. Our price target would value NextEra between 8% below to 3% above the current price on November 15 of $87.34.

We believe that NextEra, as a utility company with an emphasis on renewable energy, is poised to benefit the most from future legislation and modern developments in energy generation and transmission. They are the largest generator of renewable energy in the world and the largest American supplier of electric utility. Demand for renewable energy from legislative regulation and consumer perception is high, with prominent signaling from the Biden administration that renewable initiative will continue to be pursued.

Our hold rating is based upon the following analyses and valuation models.

Economic Analysis

Real GDP Growth

Real GDP growth is the annual growth rate of the production of goods and services within the domestic economy, adjusted for inflation. A growing economy benefits NextEra as it increases the demand energy resources and utilities.

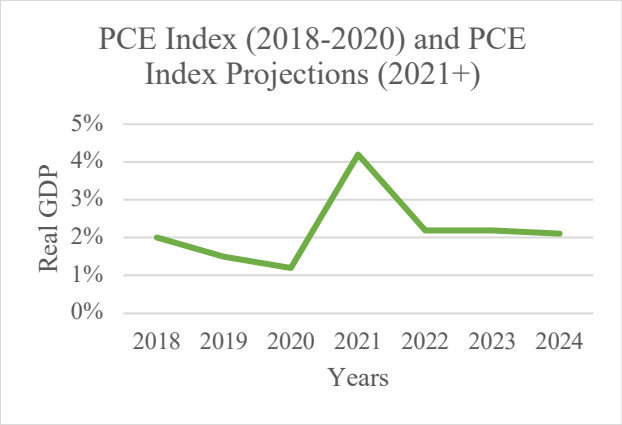
The Federal Reserve expects short-term U.S. GDP growth at a rate around 6%. We expect such elevated GDP growth due to the rebounding economic recovery from COVID-19 and low interest rates[1].

Beyond the next two quarters, the Federal Reserve expects the real GDP growth to stabilize at a healthy 2-3%[1]. This is likely to be coincided with an increase in interest rates and the alleviation of supply shortages. A slower growing economy poses less utility need and growth prospect.

Inflation

Inflation is the annual rate of increase in the prices of goods and services within an economy. The Federal Reserve commonly gauges inflation by the personal consumption expenditures (PCE) price index. The PCE price index tracks the increase in prices of a broad set of purchases by a wide range of consumers.

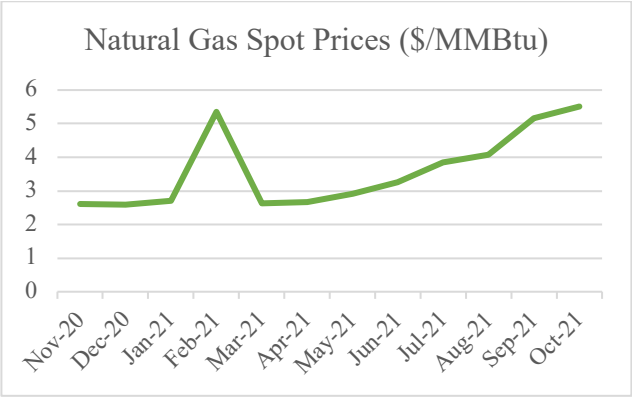
For the year 2021, rates of inflation are projected to increase significantly from the prior year. The Federal Reserve projects PCE inflation of 4.2% for 2021, compared to 1.2% and 1.5% in 2020 and 2019, respectively. The PCE index is expected to normalize back to normal levels after 2022[1].



NextEra's rate-regulated subsidiary, Florida Power & Light, is regulated by state and municipal levels in their rates charged to customers, property and plant construction, and budgeting processes. Economic inflation is a factor considered in the regulation of these controls. However, rate increases may be sticky and become outpaced relative to the inflationary pressure faced by NextEra.

Natural Gas Supply and Prices

Natural Gas is a significant input of the energy generated by NextEra and its subsidiaries. Natural gas prices have recently faced pressures from constrained supply chains, low workforces, and inflationary forces. The spot price for Natural gas is currently $4.78/million British thermal units (MMBtu), up 59.40% year over year. Natural gas prices have been volatile in the third quarter of 2021 with spot prices in October ranging between $6.31/MMBtu and $4.99/MMBtu. The average spot price for natural gas in the first half of 2021 was $3.25/MMBtu and $2.33/MMBtu in 2020. The EIA expect high prices and volatility to continue through February of 2021 and decline through 2022, with an average of $3.93/MMBtu [8].



source[8]

Sharp increases in price and volatility directly affect NextEra's inventory and margins. FPL, including Gulf Power, is particularly impacted because of their limited ability to match rate increases.

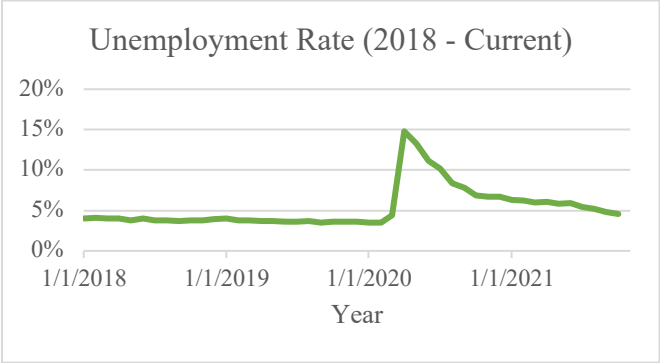
Regulation

FPL and Gulf Power are directly impacted by regulation by governing authorities related to previously mentioned economic variables. These rate-regulated subsidiaries contribute more than half of NextEra's revenue, leaving margins more susceptible to external forces.

Rising concerns of environmental sustainability are also expected to effect regulation. While NextEra places a strong focus on their renewable energy generation, around 50% of all the energy generated by NextEra is generated by natural gas, which contributes to the emissions of greenhouse gases. NextEra is geared towards moving more of their dependence towards their renewable generation facilities, but their use of natural gas may give rise to threats proposed legislation by the Biden administration and international emissions regulation. However, NextEra's renewable initiative and overall size in the industry also provides a competitive advantage relative to more oil & gas dependent competitors.

Unemployment Rate

The unemployment rate measures the percentage of unemployed people within the labor force. During 2020 unemployment rates spiked to 6.7%, up from 3.6% in 2019 and 3.8% in 2018. The significant rise in unemployment is primarily attributable to COVID-19 and related employment shortages. Since the beginning of the pandemic, the unemployment rate has tapered back down to an expected median of 4.5% in 2021. The Federal Reserve estimates unemployment to continue to normalize to 3.5%-4% for 2022 and beyond[1].



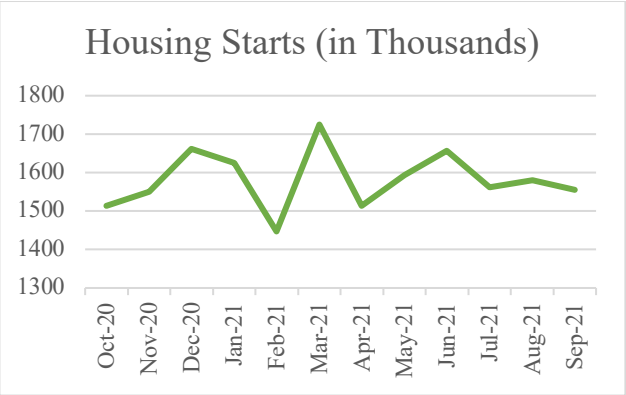
Source[1]

It is important to note that "underemployed" individuals, those working below their qualifications, are not counted as being within the labor force. As ongoing COVID-19 restrictions and related labor shortages continue, underemployed individuals may also be removing participants from the labor force, thus not providing an accurate representation of the status of economic recovery.

NextEra's revenue from both rate-regulated and non-regulated sources are directly affected by the labor shortage and their ability to buy and transport materials. Ongoing pressure from the labor shortage may continue to drive up costs for NextEra and the industry as whole. Alternatively, the sustained increase in unemployment rate means more people staying home and using utilities, increasing the demand and revenue of NextEra's services.

Housing Starts

Housing starts is an economic indicator that tracks the number of residential constructions projects that have been initiated, usually measured monthly. Before the COVID-19 pandemic, housing starts had reached a peak of 1.59 million in February 2020, falling to just 938 thousand in March 2020 as restrictions began. Housing starts have largely recovered since last year, reaching a new peak of 1.73 million in March 2021. However, housing starts in the last two quarters have suffered from volatility due to labor and supply pressures. Housing starts for the most recent month, October, was 1.55 million, down nearly 10% from post-COVID-19 highs. Housing starts are projected to continue to fall to an average of 1.37 million in 2022 and 1.27 million in 2023[3].



Trading Economics

Housing starts are a useful indicator for energy and utility companies as increases in commercial residences increases the demand for energy and customer accounts. While housing starts were increasing rapidly prior to COVID-19 due to low interest rates, supply chain struggles continue to pressure development and materials. Ongoing supply pressure may affect NextEra's forecasted growth in customer accounts and energy supplied.

Industry Analysis

Industry Overview

NextEra operates in both regulated and non-regulated markets. Their subsidiaries generate, transmit, and distribute electric power to residential, commercial, and wholesale customers. Segments for electrical power generation accounts for 18.6% of revenue in the utilities industry. Segments for electrical power transmission and distribution accounts for 50.4% of revenue in the utilities industry[5]. The customer mix for the electric-utilities industry is 52% residential, 32% commercial, 15% industrial, and less than 1% transportation.[9]

Rate-regulated utilities are regulated by governing bodies at the retail and wholesale level. NextEra's FPL and Golf Power, which primarily operate out of Florida, are regulated by the Florida Public Service Commission (FPSC) for retail accounts. NextEra is also regulated by the Federal Energy Regulatory Commission (FERC) for wholesale accounts. Given that electric utilities are considered a necessity, rates charged to customer accounts require approval by governing authorities. This industry creates an investment with consistent demand and acceptable returns subject to appropriate adjustment.

NextEra Energy Resources (NEER) is comprised of NextEra's operations in both competitive energy and rate-regulated transmission industries. Under this subsidiary, NextEra supplies energy to Southern and Midwestern states, subject to varying regulation. NEER also generates energy through its development, construction, and management of power generating facilities to provide energy to wholesale customers spanning 38 U.S. states and 4 Canadian provinces[4].

The energy and utilities industry is largely matured, with most market shares being determined by region and energy sources. NextEra's ability to gain market share will be determined by NextEra's focus on renewable power generation and construction/acquisitions within the industry.

Porter's Five Forces

Degree of Competition – Low

The utilities industry consists of many smaller utility subsidiaries operating at regional and local levels. Since this industry is highly regulated, price-based competition is prevented and reduces/eliminates internal competition. The high regulation of this industry protects customers from high prices. Also, since there are few substitutes for electricity, the industry experiences minimal external competition. NextEra faces minimal competition in this industry.

Bargaining Power of Buyers – Low

Heavy regulation in the utilities industry reduces the bargaining power of buyers. Since

rates are set by regulators, customers in this industry don't have the power to drive price changes. However, customers in the manufacturing industry have high bargaining power because they can change how they operate to accommodate for changes in the price of electricity.

Bargaining Power of Supplier – High
Suppliers in this industry have a high bargaining power. Commodities used to generate electricity are unique in this industry. This gives suppliers more power and allows them to drive up costs. Utility companies can switch their fuel mix and use renewable sources, limiting their dependency on commodities. But switching to more renewable sources might come at a higher cost and incurring the increased cost of commodities might be the best option.

Threat of Substitutes – Low
Substitutes for electricity in this industry is low. Utility companies can alter their fuel mix, but that is mostly very costly. However, customers cause the level of substitutes in the wholesale market to be high because utility companies in that market will be competing to make prices more attractive for their wholesale customers.

Threat of New Entrants – Low to moderate
Heavy regulation in the utilities industry means that companies cannot set their own profit margins. This causes competition to be stiff and profit margins to be tight, making the threat of new entrants low. However, for companies that have come up with innovative ways of generating electricity and using renewable energy at attractive lower cost, might enter the industry easily because there are few renewable energy generating companies. Also, there is high demand for renewable energy because of the threat of climate change. NextEra energy's NEER segment is the largest renewable energy company in the world and faces minimal threat and competition.

Recent Developments and Trends

Labor & Supply Shortages
Recent shortages in labor, and subsequent shortages in supply and distribution may continue to put pressure on the economy as a whole. Unemployment is currently higher than pre-pandemic levels with many underemployed individuals weighing on the market. Related to the supply chain shortage, natural gas prices have increased substantially in the last two quarters. Additionally, shortages in materials have slowed housing starts and the ability to pursue capital expenditure projects.

Government Regulation
As previously mentioned, a significant portion of NextEra's revenues are subject to regulation by governing bodies. These regulations, in conjunction with rising inflation, will directly impact NextEra's revenue and expenses.

Additionally, broader government regulation on the horizon may also impact NextEra's forward-looking strategies in energy generation and facility construction. The Clean Power Plan set forth in 2015 by President Obama outlines annual reductions in pollutants and emissions with specific goals and time frames[6]. The Biden Administration has also outlined plans to reconsider regulation and environmental costs associated with the energy sector. The Biden Administration is focused on the empowerment of renewable energy production, a space within the industry that NextEra is continually aligning themselves with[8]. However, the Biden Administration's focus also seeks to reduce dependency on natural gasses -- a fossil fuel which comprises 46% of the energy generated by NextEra and its subsidiaries. This trend spans the entire industry as 40% of all energy generated is sourced from natural gas and 60% being derived from all fossil fuels[7].

Sustainability & Social Perception
The interest in developing sustainable energy sources has expanded into the realm of corporate initiatives and public perception. Supported by the ongoing adoption of electric vehicles (EVs), consumers and producers are demanding regulation and corporate practices to reduce the footprint of the economy. NextEra's focus on the renewables sector puts them in a more favorable position than competitors that are more dependent on fossil fuel sources. Additionally, NextEra's practice of developing and acquiring renewable energy generating facilities may see subsidization from the

U.S. Government and improved perception by customers and investors.

Mergers & Acquisitions
Development in generating capacity and capital expenditures is largely driven by the industry's activity in mergers and acquisitions. Large players in the energy-utilities sector often seek power generation facilities to expand and diversify their portfolio of power derived from various sources. The strategies and prices assumed from acquiring companies within the industry is impacted by regulation, technology, and the ability of firm's abilities to engage in capital expenditure projects. NextEra's strength in mergers and acquisition activity is further analyzed in the company analysis.

Technological Changes
With demand for renewable energy increasing, there is more focus on the development and advancement of electrical power generating facilities. NextEra and the industry's ongoing development of facilities will continue to harbor innovation and improvements in electrical generation and transmission. NextEra is also focused on transitioning more of their generating capacity to nuclear power, an energy source that is highly dependent on technological advancement and efficient development processes. Such nuclear initiatives are also being empowered by the Biden Administration[8].

Competition and Peer Comparisons

Competitor Overview

Symbol	Market Value (millions)	Sales	Total Debt/Total Equity
NEE	166,676	19,019	144.4%
DUK	79,217	24,406	139.2%
SO	70,558	21,915	189.2%
D	63,446	14,025	149.6%

Factset

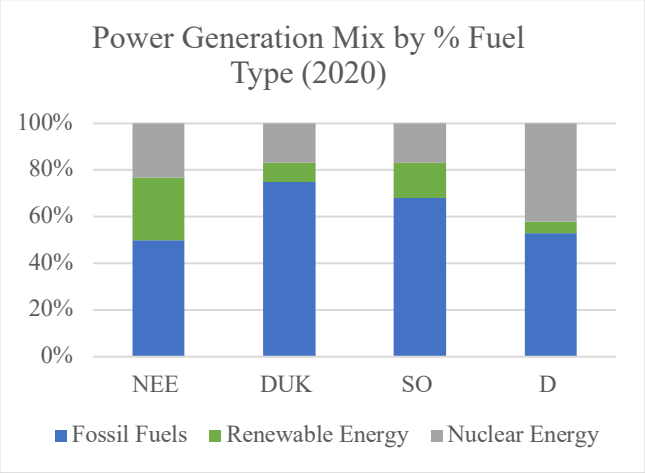
Duke Energy Corporation (DUK) operates in the electric-utility industry through three segments: Electric Utilities and Infrastructure, Gas Utilities and Infrastructure, and Commercial Renewables. Duke Energy's Electric Utilities and Infrastructure engages in regulated public utility service in North Carolina, South Carolina, Florida, Ohio, and Indiana. This subsidiary provides service to approximately 7.9 million customers within a service territory of approximately 91,000 square miles with a total estimated population of 25 million people. Duke Energy's Gas Utilities and Infrastructure is responsible for the distribution of natural gas to retail customers in North Carolina, South Carolina, Tennessee, Ohio, and Kentucky. This subsidiary operates primarily through regulated public utilities and serves 1.6 million customers. Duke Energy, through its subsidiary: Commercial Renewables, operates in a competitive space with NEER. Commercial Renewables engages in the development and construction of renewable power-generating facilities and energy storage businesses.
Duke Energy provides services that are most competitive with NextEra. While Duke Energy trails NextEra in customers served and geographic diversification, Duke Energy reported higher sales and the lowest debt to equity of all competitors in 2020[10]. In 2020, a proposed acquisition of Duke Energy by NextEra failed after Duke rejected an offer that would have been the largest acquisition in the sector[11].

The Southern Company (SO) operates in the electric-utilities industry through three operating segments: traditional electric operating companies, Southern Power Company, and Southern Company Gas. Their traditional electric operating companies – Alabama Power, Georgia Power, and Mississippi Power, are public utility companies providing electric service to retail and wholesale customers. Southern Power Company is public utility company that engages in the development, construction, and management of power generation assets and sells in the rate-regulated wholesale market. Southern Company Gas is an energy service company that distributes natural gas to Illinois, Georgia, Virginia, and Tennessee. The Southern Company also offers digital wireless communications and fiber optics services. The Southern Company serves approximately 8.6 million utility customers[12].The Southern Company is more comparable to Duke Energy in market capitalization, sales, and customer accounts. Southern also has a significantly higher debt to equity ratio than the competitors.

Dominion Energy (D) is an electric-utility company that operates through four segments: Dominion Energy Virginia, Gas Distribution, Dominion Energy South Carolina, and Contracted Assets. Their subsidiaries generate and distribute regulated electricity to Virginia, North Carolina, and South Carolina. The company also sells and distributes nonregulated energy through its Gas Distribution

subsidiary. Dominion Energy also engages in marketing and price risk activities. The company serves approximately 7 million customers. Dominion places their focus on developing an infrastructure of electrical lines and growing nuclear-sourced energy.[13]

NextEra and Industry Competitors in Generating Capacity and Fuel Mix



Source[4 10 12 14]

NextEra has the largest portfolio of renewable energy of all competitors in the industry. Their use of fossil fuels in energy generated has also decreased every year. Nearly 30% of NextEra's energy generated is renewably sources, and 23% from nuclear sources. NextEra's next closest competitors, Duke Energy and The Southern Company, have invested 8% and 15% into renewable sources, respectively. NextEra has also been able to develop nuclear sourced energy to offset its dependency on fossil fuels to below that of its competitors. The industry is committed to moving towards renewable energy, with Dominion Energy working to finalize a $10 billion deal to expand its renewable portfolio with wind farms. [14] NextEra's ability to position themselves as the strongest renewable player in the electric-utilities industry gives them a stark head start in developing and improving a forward-looking energy generation strategy.

NextEra and Industry Competitors in Debt and Credit Rating

Symbol	Corporate Credit Rating (S&P)	Outlook
NEE	A-	Stable
DUK	BBB+	Stable
SO	BBB+	Stable
D	BBB+	Positive

FactSet

Credit ratings in the electric-utilities industry similarly gauged due to the mature nature of the largest players in the industry. Credit rating in this industry directly impact the reliability of financing projects and the ability of a firms to fulfill debt obligations. Having better credit ratings allows firms to borrow at lower rates, increasing the viability of capital expenditure projects. The S&P credit rating system uses a letter grading system to denote carrying degrees of investment-grade debt (A- and better) and speculative-grade debt (BBB+ and below). As of the end of 2020, only 32% of utility credit ratings achieved were A- or above, 27% of which were A-. This puts NextEra at the high end the industry in their ability to manage debt. NextEra also maintains the second lower debt to equity ratio of their competitors. [15]

NextEra and Industry Competitors in Operating Margins

Symbol	Gross Margin %	ROA	ROE
NEE	37.8%	2.4%	8.5%
DUK	28.6%	1.8%	6.4%
SO	31.1%	2.6%	11.2%
D	60.3%	2.4%	8.6%

FactSet

Operating margins and profitability ratios were competitive among major players in the industry for 2020. Our forecasts project profitability ratios for NextEra to increase to 13% and 3.5% for ROE and ROA, respectively. Our forecast also projects gross margin to fall to 22%, subject to NextEra's recent acquisitions and capital expenditures. Given the nature of the electric-utilities sector, profitability ratios will fluctuate as firms pursue capital-intensive projects and endure external economic pressures. Profitability for the near-term will also be highly dependent on the prices of natural gas. NextEra maintains mostly superior profitability ratios to

competitors, less the ROE of Southern Company and gross margin of Dominion Energy. Dominion Energy's gross margin is largely driven by their focus on established electrical lines infrastructure and less diversified fuel mix. NextEra's profitability will continue to be established as they continue to develop their fuel mix and generation portfolio. NextEra's efficiency in management and production in the electric-utilities sector will set up a renewable-based future with increasing profitability on the horizon from advancements in technology and the broader transition towards renewables.

Catalysts for Growth/Change

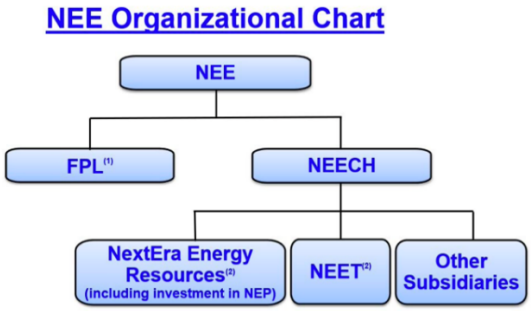
The mature nature of the electric-utilities industry has clear paths to growth and change. NextEra's pace in mergers and acquisitions will be a substantial driver of the development of their generating capacity. With much of their generating capacity being derived from renewable sources, their advancements in technology will provide more utility than their competitors. Additionally, NextEra's operations in nuclear sourced electrical energy puts them at the cutting edge of electrical generation.

However, the electric-utilities industry is largely catalyzed by external factors that are not firm-specific. The outlook on COVID-19 and related economic impacts is uncertain. Changes in unemployment, interest rates, and supply chain capacity will continue to impact producers across all industries. Political policy will also impact the demand and profitability of energy facilities as regulatory bodies seek to decrease dependency on fossil fuels. Natural gas spot prices will also continue to directly affect the industry due to the economy's dependency and significant increases in price. The outlook on specific drivers of growth and change for the electric-utilities sectors are still recovering from the economic results and consequences of COVID-19.

Company Analysis

Company Structure

NextEra energy is one of the largest electric power energy companies in North America. It operates through its primary segments: Florida Power and Light (FPL) and NextEra Energy Resources (NEER). FPL contains the recently acquired Gulf Power, which will continue to be reported as separate segments in 2021. The NEER segment operates through NextEra Energy Resources and NextEra Energy Transmission (NEET) together under the holding company, NextEra Energy Capital Holdings (NEECH). Additionally, the acquisition and management of clean energy projects is controlled by an affiliate, NextEra Energy Partners (NEP). NEP also possess ownership interest in contracted natural gas pipelines acquired from third parties. NEER has indirect limited partnership interest in NEP of 57.2%, accounting for the segment under the equity method investment. NextEra, through its subsidiaries, is a national leader in electric utilities and a world leader in renewable energy generation. These segments have shown NextEra's diversification in electricity supply and generation. The graphic below shows the organizational structure of NextEra Energy and its segments.[4]

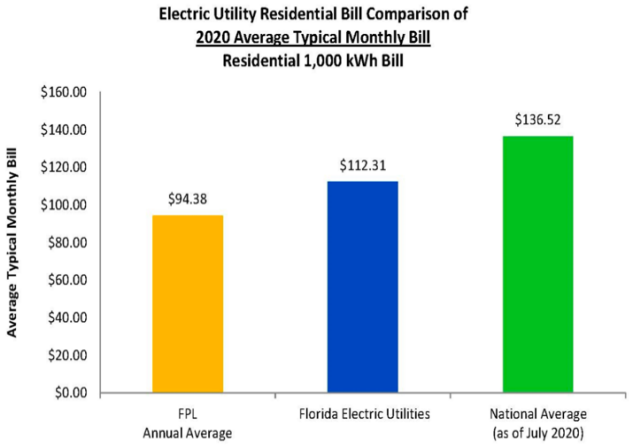


Annual Reports[4]

Florida Power and Light

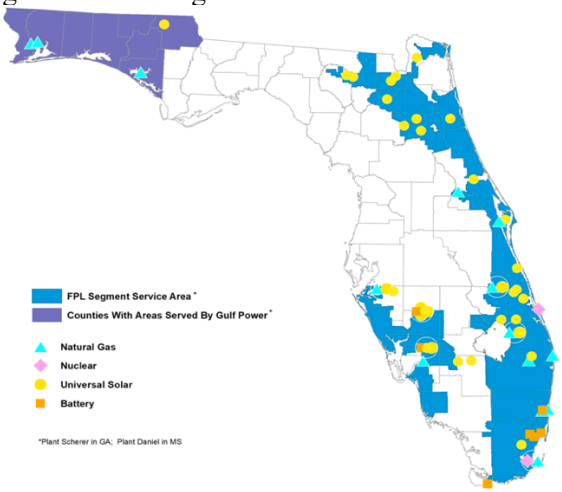
Florida Power and Light (FPL) is a rate-regulated electric utility that primarily engages in the generation, transmission, and sale of electric power in Florida. They are the largest utility company in Florida, and one of the largest electric utility companies in the United States. FPL makes up 64% of NextEra Energy's total revenue. FPL provides services to its residential, commercial, and wholesale customers through an integrated transmission and distribution system that links its generation facilities to its customers. FPL serves 11 million people through 5.1 million customer accounts. 89% of FPL's revenue is generated from residential customers. FPL generates revenue from tariff-based sales to its retail customers and from contracts that have fixed prices with customers in Florida. FPL charges rates regulated by the governing bodies, FPSC and FERC. These rates are regulated to provide essential utility to the public at low rates, while providing investors with a reasonable rate of return. FPL's allowed regulatory ROE is 10.55%, with a range of 9.6% to 11.6%. FPL

continues to maintain a lower-than-average rate to attract more customers. In the figure bellow, we can see how FPL's average residential monthly bill is lower than the average monthly bill of other Florida electric utilities and the national average monthly bill. [4]



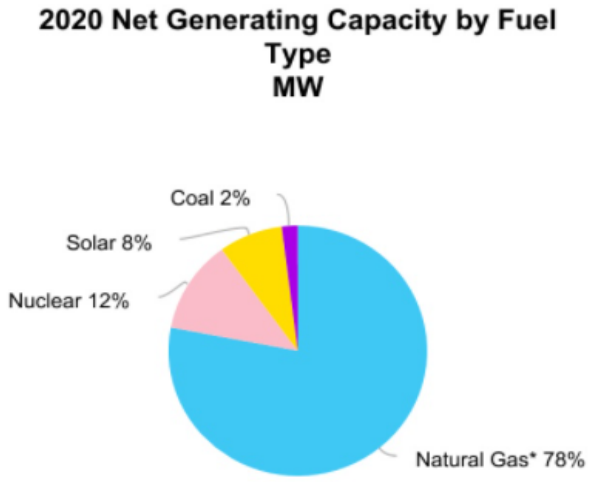
Annual Reports[4]

We expect FPL's customer accounts to increase from 5.12 million in 2020 to 5.2 million in 2021 and subsequently to 5.5 million in 2025. This increment in customer account reflects the expectation of Florida's population to grow steadily by about 4.82%, from 21.9 million in 2021 to 23.1 million in 2025. The figure below shows FPL's service areas in Florida. FPL's position as the third most populated state in the U.S allows them to capitalize on population growth. FPL is also positioned to benefit from locality in their generation of solar power. FPL's development in nuclear sourced energy has also benefitted from the locality, with ample water sources aiding the safety of nuclear power plants. Below is a map of FPL (and Gulf Power) service areas and power generation/storage sites. [4]



Annual Reports[4]

FPL had approximately 28,400 MW of net generating capacity and approximately 76,200 circuit miles of transmission and distribution lines. As of December 31, 2020, FPL's serving load was approximately 28,528 MW, including 28,414 MW of FPL-owned facilities and 114 MW available through purchased power agreements. FPL owned and operated 30 fossil-fuel burning plants, almost all are natural gas. These fossil fuel plants are responsible for 22,008 MW of FPL's generating capacity. FPL has announced the retirement of one of the few operating coal plants, signaling their transition towards renewable energy. FPL owned and operated 4 nuclear plants with a generating capacity of 3,052 MW and 32 solar generation facilities with a generating capacity of 2,270 MW. Energy demand is usually cyclical, raising revenues in the summer when customers are using more air conditioning. FPL is also overhauling two generating units in its Lauderdale facility to provide high-efficiency, clean-burning natural gas units. These cleaner, more efficient units are expected to supply 1,200 MW of generating capacity and be in service by 2022. FPL is also in the process of finishing the final nine of twenty planned solar plants. These solar plants are expected to generate 74.5 MW each and be placed into service by mid-2021. [4]



FPL - Annual Reports[4]

FPL sources a significant majority of their generating capacity from natural gas at 78%. Most of the industry relies heavily on natural gas as well, with FPL having a strong foot hold in the renewable sector. FPL will continue to pursue initiatives to increase renewable-sourced generating capacity and

improve the efficiency of necessary fossil fuel burning plants.

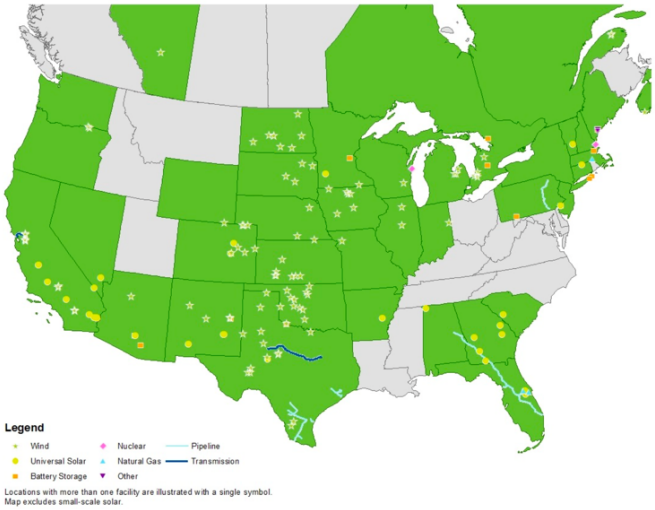
Gulf Power

Gulf Power was acquired by NextEra on January 1, 2019, via a stock purchase agreement with The Southern Company to acquire all the outstanding common shares of Gulf Power for approximately $4.44 billion in cash and the assumption of approximately $1.3 billion of Gulf Power debt. On January 1, 2021, Gulf Power merged with FPL, continuing under the FPL name. The companies will report as separate operating segments through 2021. The acquisition of Gulf Power strengthened NextEra's ability to serve customers and generate power in the Florida area. Gulf Power brought with them, 474,000 customers and 2,400 MW of mostly fossil-fueled generating capacity. Gulf Power is based in Northwestern Florida, with 9,500 miles of transmission and distribution lines. Gulf Power also operates under a separate rate agreement from FPL, allowing for an ROE of 10.25%, with a range of 9.25% to 11.25%. Gulf Power generates 8% of revenue for NEE. The mission of the Gulf power segment is to provide customer value by delivering reliable, affordable, and environmentally responsible electricity while strengthening their communities. This addition to NextEra's portfolio will expand their presence in Florida and increase their net generating capacity. [4]

NextEra Energy Resources

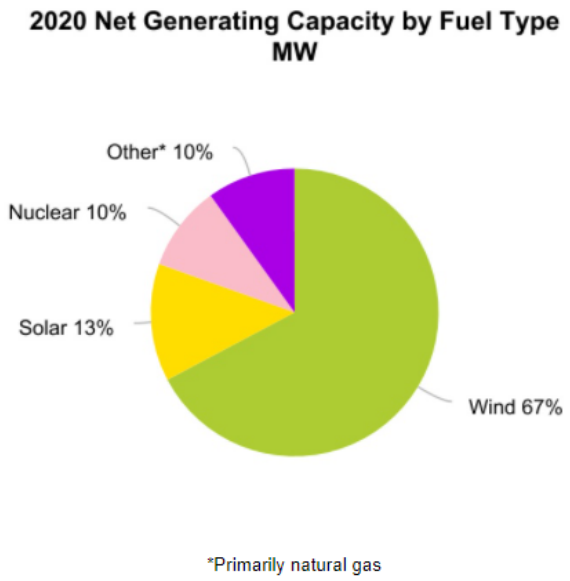
NextEra Energy Resources is segmented by NextEra's competitive energy sales and rate-regulated transmission business. NEER's strategy is to emphasize the development, construction, and operation of long-term contracted assets with a focus on renewable projects. NEER generates 28% of NextEra energy's revenue. It gets its revenue from the sale of energy commodities, electric capacity, and electric transmission in the wholesale market in the U.S. and Canada. NEER, owning approximately 23,900 MW of net generating capacity, is one of the largest wholesale electric generators in the U.S. 23,370 MW of which are produced across 38 American states, and 520 MW produced across 4 Canadian provinces. NEER produces most of its energy from renewable sources, also engaging in the development and battery storage projects to meet the needs of customers more efficiently. NEER also owns and operated regulated transmission facilities, mostly in Texas and California, consisting of approximately 215 substations and 1,1910 circuit miles. NEER also engages in energy-related commodity marketing and trading activities, including entering financial and physical contracts. Contracts include power and fuel commodities, and related products use for the purpose of providing full energy services, distribution of utilities, and offering customized power. These activities also provide related risk management services to wholesale customers and hedging positions for the production from NEER's generation assets that is not sold under long term agreements. [4]

NEER is the world's largest generator of renewable energy from the wind and sun, and a world leader in battery storage. NEER's map of generation projects, natural gas pipelines, and transmission facilities as follows:



Annual Reports[4]

NextEra's stride in developing a portfolio of renewably sourced energy is reflected in NEER's operating facilities and fuel mix. NEER's power generating assets produce energy with long-term power sales agreements for most of their capacity. Contracted generation represented approximately 21,983 MW of total net generating capacity. The terms on wind generating facilities have a remaining weighted-average life of 16 years. NEER also supplies uranium and other nuclear materials with contracts for the conversion, enrichment, and fabrication of nuclear fuel with expiration dates ranging from 2021-2033. NEER's merchant generation assets primarily operate outside of these long-term sales agreements. The sale of this capacity and output requires active marketing and hedging against the possible downsides of certain dependencies on commodities. [4] NEER's MW generation sources for 2020 follows:



NEER - Annual Reports[4]

Mergers and Acquisitions

Mergers and acquisition in the electric utilities are major catalysts for growth and change. As previously mentioned, NextEra recently finalized the acquisition of Gulf Power, under their subsidiary FPL. The acquisition had a value of $5.7 billion to Gulf Power, including liabilities assumed by NextEra. The addition of Gulf Power efficiently strengthens FPL's service network and diversified portfolio of energy generation[4].

In 2020, NextEra failed to acquire one of their largest competitors, Duke Energy Corporation. The acquisition would have been the sectors largest-ever acquisition. Duke Energy rejected the offer, but such an acquisition within a regulated sector would have been challenged. Duke Energy would have needed approval from every state they operate regulated services in as well as receive assent from federal utility regulators. The acquisition was incredibly attractive to NextEra, but the nature of the industry blocks the formation of any possible monopolies[11].

In April 2021, NextEra announced the agreement to acquire four wind farms with a generating capacity of 391 MW. The facilities were acquired from Brookfield Renewable, a global renewable power asset owner and operator. The wind generating facilities are in California and New Hampshire and were acquired for a base purchase price of $733 million. [16]

In April 2021, NextEra Energy announced the acquisition of GridLiance Holdco and GridLiance GP from affiliates of Blackstone. The acquisition brought about 700 miles of transmission and distribution lines and related equipment with rate-regulated operations across three regional transmission organizations and six states. The acquisition was closed at a value of almost $660 million, included the assumption of liabilities. [17]

In October 2021, NextEra announced that it had entered into an agreement to acquire 50% interest in a renewable portfolio, operating wind, and solar facilities across 9 states. The deal consists of approximately 2,520 MW of generating capacity and approximately 115 MW of integrated battery storage. The agreement also set terms for 10 years and approximately $824 million in convertible equity portfolio financing (including acquired assets). The deal extends NextEra's operations by three states and increases its total ownership of battery storage assets to nearly 90 MW. [18]

Valuation Analysis

Valuation Methodology

We made our valuation of NextEra Energy by analyzing their historical trends, company filings, industry outlook and the current economic conditions that might affect the performance of NextEra. We used the discounted cash flow and economic profit method, dividend discount model and relative price to earnings method to get our target price range of $80 to $90 per share.

Revenue Decomposition

NextEra's revenues are a function of their ability to produce electrical energy and distribute that energy to customers in various markets. NextEra reports customer accounts for their FPL and Gulf Power segments. We forecast FPL customer accounts increase at an annual average rate of 1.4% and Gulf Power accounts to increase at an annual average rate of 1.1%. NextEra's growth in customer accounts will increase with population in the Florida area and continued acquisitions. NextEra's frequent mergers/acquisitions of existing infrastructure will substantially increase the number of customers served by NextEra. Given the current average of NextEra's ability to acquire customers, we forecast 5.6 million customer accounts with FPL and 501,000 accounts with Gulf Power

We expect NextEra's NEER segment to perform better under regulatory and economic pressure. We forecast a 15% annual growth rate in total generating capacity, based off NextEra's ability to acquire smaller companies and strengthen their forward-looking strategies. We expect NEER to grow faster than FPL and Gulf Power, reaching 52% of NextEra's total revenue by 2025, compared to 38% currently. We expect NextEra to reach $26.86 billion in total revenue by 2025.

Fuel, Purchased Power & Interchange Expense

We expect fuel and expenses related to purchased power will maintain around 21.5% of revenue. Operating in the rate regulated market keep margins thin as inflationary pressure continue. We also expect natural gas prices to continue to rise in the short term, directly affecting NextEra's cost of sales. As previously mentioned, NextEra may hedge these exposures to risk in the commodities market. Additionally, NextEra will continue to retire expensive and inefficient equipment to make way for new capital expenditure projects. In the longer run, NextEra's focus on acquisitions and renewable energy will continue to develop, making renewable energy likely to become cheaper to harvest and distribute. It is also important to note that, under the specifications of rate regulations agreements, NextEra is shielded to a certain degree of losses from its operations as a public utility. Should economic forces impact NextEra's profitability in regulated markets, they would be able to claim regulatory assets for recovery of costs.

Other Operations & Maintenance Expense

Other operations & maintenance expense is a general expense account that we also expect to move with sales. These costs are expected to maintain around 20% of revenue, based on historical costs relative to revenue. These expenses include operations of regulated generation and transmission, routine plant maintenance, and repairs.

Depreciation & Amortization Expense

Depreciation and amortization is a major component of the income statement to companies in equipment-heavy industries. A firm's ability to count depreciation against taxable income and account for equipment losing value is significantly important to companies in the energy industry. We calculated forecasted depreciation and amortization by figuring an implied average rate from historical expenses as a percentage of net PPE. Then, we applied implied depreciation rate to each year's net PPE, subject to management's guidance on upcoming and ongoing capital expenditures.

Weighted Average Cost of Capital (WACC)

To calculate WACC, we used 10-year treasury bond as our risk-free rate, three-year weekly beta, and an implied equity risk premium from Damodaran as our assumptions to calculate cost of equity. In addition to the risk-free rate, we used an 8–11-year bond yield as our pre-tax cost of debt to calculate after-tax cost of debt. We used a 5.86% cost of equity and 1.68% after-tax cost of debt to calculate WACC. We then calculated the market value weight of common equity to be 78.07% and the market value weight of total debt to be 21.93%. This resulted in a 4.94% WACC, which was used in our DCF and EP models, and our sensitivity analysis.

Cost of Equity

When calculating cost of equity, we used capital asset pricing model formula. For the risk-free rate, we assumed a 1.63% rate based on the 10-year treasury bond. We used 0.86 as our beta, based on the three-year weekly beta from Bloomberg. We chose to use a three-year weekly beta because it will reflect changes in NEE's returns since acquiring Gulf power in 2019. For the equity risk premium, we chose the 4.93% covid adjusted rate from Damodaran. This resulted in a 5.86% cost of equity.

Cost of Debt

We utilized the same risk-free rate used in the cost of equity calculations to calculate the cost of debt. We used an average of 2.26% YTM of bonds that matures in 8 to 11 years as our pre-tax cost of debt. We used an implied marginal tax rate of 25.53% and arrived at a 1.86% after-tax cost of debt

Valuation Models

Discounted Cash Flow (DCF) & Economic Profit (EP)

We believe that using these two models to valuate NEE is the most accurate out of all our valuation models because of its intrinsic nature of the valuation. We are expecting NEE to reach steady state by 2025, so we forecasted NEE five years into the future and calculated our continuing value in 2025. We used CV Growth of NOPLAT, CV Year ROIC, WACC and Cost of Equity as our assumptions when valuating NEE in both valuation models.

Our DCF model was built by forecasting the future cash flows of NEE and using WACC as the discount rate to discount the cash flows to their present values. Our EP model was built by forecasting NEE's economic profit and discounting it using WACC as the discount rate and adding back 2020's invested capital to the total present value of economic profit. For both models, we adjusted for non-operating assets and liabilities to come up with an equity value and divided this value by NEE's shares outstanding. We arrived at a share price of $89.58 in both models.

Dividend Discount Model

We used the same five-year forecasting period used in our DCF and EP model to make our dividend discount model. The key assumptions we used were CV growth of EPS, CV Year ROED and Cost of Equity. We discounted forecasted dividends by the cost of equity we used in our WACC formula to find the intrinsic value. We arrived at a share price of $74.65. This price is lower than our target price range despite healthy dividends.

Relative Valuation

For our relative valuation, we used Duke Energy, Southern Company, Dominion Energy, Entergy, and NRG Energy as our comparable companies. Entergy and NRG are smaller competitors in the market for electric utilities, they provide similar comparison for the type of operations. Entergy and NRG have market capitalizations of $21 billion and $9 billion, respectively. The average estimated P/E for the industry is 16.85x in 2021 and 15.40x in 2022. NextEra is forecasted to trade at a P/E multiple of 19.73x in 2021 and 18.55 in 2022. NextEra trades at nearly the highest premium across the industry because of their immense size in the industry and impressive portfolio of renewable energy. [25]

Sensitivity Analysis

Equity Risk Premium vs Beta

We wanted to test equity risk premium versus beta because they are key inputs in calculating cost of equity, which is part of the WACC formula. Also, equity takes up 78.07% of NextEra energy's capital structure. A change in equity risk premium and beta greatly influences WACC and the WACC is used in our DCF and EP valuation model to come up with the implied share price. Based on our sensitivity analysis, as beta and equity risk premium increases, the implied share price decreases. For instance, with all else being equal, when beta increases from 0.86 to 0.89 and ERP increases from 4.93% to 5%, the implied share price decreases by 8.73%, from $89.00 to $81.23. This change shows that implied share price is highly sensitive to a change in beta and equity risk premium.

ERP \ Beta	0.75	0.77	0.80	0.86	0.89	0.93	0.95
4.58%	128.23	122.38	114.39	101.32	94.82	87.76	84.52
4.70%	122.48	116.91	109.29	96.81	90.60	83.84	80.74
4.82%	117.14	111.83	104.55	92.61	86.67	80.18	77.21
4.93%	112.57	107.47	100.48	89.00	83.28	77.03	74.17
5%	109.81	104.84	98.02	86.82	81.23	75.12	72.32
5.15%	104.24	99.53	93.06	82.40	77.07	71.25	68.58
5.28%	99.77	95.26	89.06	78.84	73.72	68.13	65.55

Marginal Tax Rate vs Depreciation Rate

We analyzed the sensitivity of marginal tax rate and depreciation rate because they affect the overall earnings of NEE and it is key in determining some inputs that are used to derive the intrinsic share price in our DCF and EP models. Changes in the marginal tax rate influences our forecasted cash flows and pre-tax cost of debt, which is used in calculated our WACC. The table below shows that as marginal tax rate increases, the intrinsic share price for NEE increases. We used depreciation rate to forecast depreciation expense for NEE on the income statement. A significant increase in depreciation rate will increase depreciation expense and reduce pre-tax income. The table below shows that as depreciation rate increases, the intrinsic share price decreases.

Marginal Tax Rate \ Depreciation Rate	4.05%	4.13%	4.20%	4.38%	4.45%	4.60%	4.68%
24.55%	93.70	92.46	91.39	88.73	87.61	85.38	84.20
24.78%	93.76	92.53	91.46	88.79	87.68	85.44	84.26
25%	93.83	92.59	91.52	88.85	87.74	85.50	84.32
25.53%	93.99	92.75	91.68	89.00	87.89	85.65	84.47
26%	94.13	92.89	91.81	89.14	88.02	85.78	84.60
26.40%	94.25	93.01	91.93	89.25	88.13	85.89	84.71
26.70%	94.34	93.10	92.02	89.34	88.22	85.98	84.79

CV Growth of NOPLAT vs WACC

We decided to test how sensitive our price valuation is to a change in WACC and CV growth of NOPLAT. A slight change in these inputs significantly changes our share price valuation. The significant change in share price as the inputs change show how important the two inputs are. Based on the table below, as WACC increases, share price decreases. As CV growth of NOPLAT increases, share price increases.

WACC

CV Growth of NOPLAT	89.00	4.80%	4.85%	4.89%	4.94%	4.97%	5.00%	5.04%
	2.30%	90.61	88.25	86.43	84.21	82.95	81.69	80.07
	2.40%	93.30	90.80	88.86	86.51	85.18	83.85	82.13
	2.45%	94.74	92.15	90.15	87.73	86.36	84.99	83.23
	2.50%	96.23	93.56	91.50	89.00	87.59	86.18	84.36
	2.55%	97.79	95.03	92.91	90.33	88.87	87.42	85.54
	2.65%	101.13	98.17	95.90	93.15	91.59	90.05	88.06
	2.70%	102.92	99.86	97.50	94.66	93.04	91.45	89.39

NEER Generating Capacity Growth Rate vs NEER Revenue per MW

We wanted to test the sensitivity between NEER's generating capacity growth rate in 2021 and the revenue per MW for 2021 because it is one of the world's largest generators of renewable energy. Through NextEra's NEER subsidiary, the company continues to invest in renewable energy PPE. The table below shows that as NEER increases its growth in generating capacity through investing, the share price valuation increases. Additionally, as NEER revenue per MW increases, share price valuation increases as well.

NEER Revenue per MW 2021

NEER generating capacity growth 2021	89.00	0.235	0.240	0.245	0.256	0.261	0.265	0.270
	14.50%	74.37	77.09	79.80	85.63	88.50	90.67	93.39
	14.85%	76.25	79.01	81.76	87.68	90.59	92.79	95.55
	15.00%	77.06	79.84	82.61	88.56	91.49	93.71	96.48
	15.07%	77.47	80.25	83.03	89.00	91.94	94.17	96.95
	15.20%	78.16	80.95	83.75	89.75	92.70	94.94	97.74
	15.30%	78.70	81.51	84.32	90.35	93.31	95.56	98.37
	15.50%	79.81	82.64	85.47	91.55	94.53	96.80	99.63

FPL Account Growth Rate vs FPL Revenue per Account Growth Rate

We decided to look at how changes in FPL account growth rate in 2021 and FPL revenue per account growth rate would affect our model. We decided to analyze these two variables because 64% of NEE's revenue is generated from the FPL segment. Also, as stated in our company analysis, we expect FPL customer accounts to increase as Florida's population is projected to increase between now and 2025. The table below shows that as FPL's customer account and revenue per account growth rates increase, the intrinsic share price in our DCF and EP models increase.

FPL Revenue per account growth rate 2021

FPL Account growth rate 2021	89.00	14.50%	14.85%	15.00%	15.07%	15.20%	15.30%	15.50%
	1.30%	84.89	86.94	87.82	88.26	89.01	89.61	90.81
	1.34%	85.12	87.16	88.05	88.49	89.24	89.83	91.03
	1.38%	85.34	87.39	88.28	88.72	89.46	90.06	91.26
	1.43%	85.63	87.68	88.56	89.00	89.75	90.35	91.55
	1.50%	86.02	88.07	88.96	89.40	90.14	90.74	91.94
	1.55%	86.31	88.36	89.24	89.68	90.43	91.02	92.22
	1.58%	86.48	88.53	89.41	89.85	90.60	91.19	92.39

NEE Revenue vs Fuel Expenses (% of Revenue)

We wanted to analyze how a change in NextEra's revenue for 2021 and a change in fuel, purchased power and interchange as a percentage of revenue in 2021 causes the implied share price to fluctuate. We forecasted NextEra's 2021 revenue based on the company's subsidiaries average growth rate over a period and added the total dollar value of revenue generated from each subsidiary. Fuel, purchased power, and interchange is important to NextEra because it is the largest expense the company has. Changes in this expense significantly impacts revenue and the implied share price of NextEra Energy. Our analysis of the two variables in the table below shows that as fuel, purchased and interchange as a percentage of revenue decreases, the implied share price decreases and as revenue increases, the implied share price increases.

2021 Fuel, purchased power and interchange as a % of revenue

2021 NEE Revenue (Million)	89.00	-21.40%	-21.45%	-21.50%	-21.56%	-21.60%	-21.65%	-21.70%
	19,200	89.33	89.06	88.79	88.45	88.26	88.00	87.73
	20,000	89.56	89.30	89.03	88.69	88.50	88.24	87.97
	21,000	89.86	89.60	89.33	88.98	88.80	88.53	88.27
	21,065	89.88	89.62	89.35	89.00	88.82	88.55	88.29
	22,045	90.17	89.91	89.64	89.30	89.11	88.84	88.58
	23,050	90.47	90.21	89.94	89.59	89.41	89.14	88.87
	25,000	91.05	90.79	90.52	90.17	89.99	89.72	89.45

Important Disclaimer

This report was created by students enrolled in the Security Analysis (6F:112) class at the University of Iowa. The report was originally created to offer an internal investment recommendation for the University of Iowa Krause Fund and its advisory board. The report also provides potential employers and other interested parties an example of the students' skills, knowledge, and abilities. Members of the Krause Fund are not registered investment advisors, brokers or officially licensed financial professionals. The investment advice contained in this report does not represent an offer or solicitation to buy or sell any of the securities mentioned. Unless otherwise noted, facts and figures included in this report are from publicly available sources. This report is not a complete compilation of data, and its accuracy is not guaranteed. From time to time, the University of Iowa, its faculty, staff, students, or the Krause Fund may hold a financial interest in the companies mentioned in this report

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NextEra Energy, Inc.

Revenue Decomposition

Fiscal Years Ending Dec. 31	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Revenue (in millions)	16,727	19,204	17,997	21,065	22,205	23,533	25,075	26,864
Revenue growth rate	-2.72%	14.81%	-6.29%	17.05%	5.41%	5.98%	6.55%	7.13%
Revenue from Electric	16,740	19,318	18,106	21,015	22,152	23,476	25,015	26,799
Florida Power & Light:								
Residential	6,524	6,706	6,764	6,417	6,419	6,422	6,424	6,427
Residential growth rate	-0.92%	2.78%	0.87%	-5.13%	0.04%	0.04%	0.04%	0.04%
Commercial	4,033	4,267	3,732	4,083	4,085	4,087	4,088	4,090
Commercial growth rate	-3.75%	5.80%	-12.55%	9.42%	0.04%	0.04%	0.04%	0.04%
Wholesale	474	366	350	350	350	350	350	351
Wholesale growth rate	32.17%	-22.91%	-4.35%	0.04%	0.04%	0.04%	0.04%	0.04%
Other	830	853	816	817	817	817	818	818
Other growth rate	-0.91%	2.78%	-4.35%	0.04%	0.04%	0.04%	0.04%	0.04%
Florida Power & Light Total	**11,862**	**12,192**	**11,662**	**11,667**	**11,671**	**11,676**	**11,681**	**11,685**
FPL growth rate	-0.92%	2.78%	-4.35%	0.04%	0.04%	0.04%	0.04%	0.04%
Gulf Power	**-**	**1,487**	**1,398**	1,314	1,236	1,162	1,092	1,027
Gulf Power growth rate			-5.99%	-5.99%	-5.99%	-5.99%	-5.99%	-5.99%
Neer	**4,878**	**5,639**	**5,046**	8,034	9,245	10,638	12,242	14,087
Neer growth rate	-5.54%	15.60%	-10.52%	59.21%	15.07%	15.07%	15.07%	15.07%
Other	**(13)**	**(114)**	**(109)**	51	54	57	61	65
Other growth rate	-135.14%	776.92%	-4.39%					
Percentage of Electric Revenue								
Florida Power & Light	70.86%	63.11%	64.41%	55.52%	52.69%	49.74%	46.69%	43.60%
Gulf Power		7.70%	7.72%	6.25%	5.58%	4.95%	4.37%	3.83%
NEER	29.14%	29.19%	27.87%	38.23%	41.73%	45.32%	48.94%	52.57%
Neer - Generating Capacity								
Neer MW	21,000	21,900	27,300	31,415	36,151	41,600	47,871	55,088
Revenue per MW	0.232	0.257	0.185	0.256	0.256	0.256	0.256	0.256
Generating Capacity growth rate	10.18%	4.29%	24.66%	15.07%	15.07%	15.07%	15.07%	15.07%
Customer Accounts								
Florida Power & Light Accounts (in thousands)	5,004	5,093	5,126	5,200	5,274	5,350	5,426	5,504
Account growth rate	1.71%	1.78%	0.66%	1.43%	1.43%	1.43%	1.43%	1.43%
Revenue per account (in dollars)	2,371	2,394	2,275	2,244	2,213	2,183	2,153	2,123
Revenue per account growth rate	-2.58%	0.99%	-4.97%	-1.37%	-1.37%	-1.37%	-1.37%	-1.37%
Gulf Power Accounts (in thousands)		468	474	479	484	490	495	501
Account growth rate		-	1.13%	1.13%	1.13%	1.13%	1.13%	1.13%
Revenue per account (in dollars)		3,175	2,952	2,744	2,551	2,371	2,205	2,049
Revenue per account growth rate		-	-7.04%	-7.04%	-7.04%	-7.04%	-7.04%	-7.04%

NextEra Energy, Inc.
Income Statement

Fiscal Years Ending Dec. 31	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Operating revenues	16,727	19,204	17,997	21,065	22,205	23,533	25,075	26,864
Operating Expenses								
Fuel, purchased power and interchange	(3,732)	(4,363)	(3,539)	(4,543)	(4,789)	(5,075)	(5,407)	(5,793)
Other operations and maintenance	(3,330)	(3,640)	(3,751)	(4,214)	(4,442)	(4,707)	(5,016)	(5,374)
Storm cost amortization	(3)	(234)	(183)	-	-	-	-	-
Depreciation and amortization excluding storm cost amortization:	(3,911)	(4,216)	(4,052)	(4,049)	(4,422)	(4,589)	(4,721)	(4,851)
Depreciation	(3,892)	(4,198)	(4,025)	(4,017)	(4,405)	(4,573)	(4,703)	(4,834)
Amortization	(19)	(18)	(27)	(32)	(17)	(16)	(18)	(17)
Taxes other than income taxes and other - net	(1,551)	(1,804)	(1,709)	(1,776)	(1,872)	(1,984)	(2,114)	(2,265)
Total operating expenses - net	(12,527)	(14,257)	(13,234)	(14,582)	(15,525)	(16,355)	(17,259)	(18,283)
Gains / losses on disposal of businesses / assets - net	80	406	353	-	-	-	-	-
Operating income / loss	4,280	5,353	5,116	6,484	6,680	7,178	7,816	8,581
Other Income (Deductions)								
Interest expense	(1,498)	(2,249)	(1,950)	(1,052)	(1,098)	(1,138)	(1,173)	(1,209)
Benefits associated with differential membership interests - net				-	-	-	-	-
Equity in earnings / losses of equity method investees	358	66	(1,351)	140	148	157	167	179
Gains / losses on disposal of assets - net	111	55	50	50	50	50	50	50
Allowance for equity funds used during construction	96	67	93	106	111	118	126	135
Interest income	51	54	38	144	92	142	210	289
Gain on NEP deconsolidation	3,927	-	-	-	-	-	-	-
Change in unrealized losses on equity securities held in NEER's nuclear decommissioning funds - net	(189)	238	163	163	163	163	163	163
Revaluation of contingent consideration				-	-	-	-	-
Other net periodic benefit income	168	185	200	216	228	242	257	276
Other - net excluding equity in earnings / losses of equity method investees	48	67	54	66	69	73	78	84
Total other income / deductions - net	3,072	(1,517)	(2,703)	(167)	(236)	(194)	(122)	(34)
Income / loss before income taxes	7,352	3,836	2,413	6,317	6,444	6,984	7,695	8,547
Income tax expense / benefit	(1,576)	(448)	(44)	(1,613)	(1,645)	(1,783)	(1,964)	(2,182)
Income / loss from continuing operations	5,776	3,388	2,369	4,704	4,799	5,201	5,730	6,365
Gain from discontinued operations, net of income taxes				-	-	-	-	-
Net income / loss	5,776	3,388	2,369	4,704	4,799	5,201	5,730	6,365
Net income attributable to noncontrolling interests	862	381	550	206	215	223	230	237
Net income / loss attributable to NextEra Energy, Inc.	6,638	3,769	2,919	4,910	5,014	5,424	5,960	6,602
Weighted average shares outstanding - basic	1,892.80	1,928.00	1,959.00	1,960	1,961	1,963	1,964	1,966
Year end shares outstanding	1,912.00	1,956.00	1,960.00	1,961	1,962	1,964	1,965	1,967
Net income (loss) per share - basic	3.51	1.96	1.49	$2.50	$2.56	$2.76	$3.03	$3.36
Dividends per share of common stock	1.11	1.25	1.40	1.56	1.72	1.88	2.04	2.20

All figures in millions of U.S. Dollar.

NextEra Energy, Inc.
Balance Sheet

Fiscal Years Ending Dec. 31	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
ASSETS								
Current assets:								
Cash and cash equivalents	638	600	1,105	(1,494)	706	3,786	7,378	11,665
Customer receivables, net of allowances	2,302	2,282	2,263	2,403	2,533	2,685	2,861	3,065
Other receivables	667	525	711	690	727	770	821	880
Materials, supplies and fossil fuel inventory	1,223	1,328	1,552	1,583	1,669	1,769	1,885	2,019
Regulatory assets	448	335	377	566	597	633	674	722
Derivatives	564	762	570	582	594	607	620	633
Assets held for sale				0	0	0	0	0
Other	551	1,576	804	978	1,031	1,093	1,165	1,248
Total current assets	6,393	7,408	7,382	5,309	7,858	11,343	15,404	20,232
Other assets:								
Property, plant and equipment - net	70,334	82,010	91,803	100,676	104,501	107,488	110,475	113,315
Special use funds	5,886	6,954	7,779	7,943	8,111	8,282	8,457	8,635
Investment in equity method investees	6,748	7,453	5,728	5,868	6,016	6,173	6,340	6,519
Prepaid benefit costs	1,284	1,437	1,707	1,636	1,724	1,827	1,947	2,086
Regulatory assets	3,290	3,287	3,712	3,288	3,466	3,674	3,914	4,194
Derivatives	1,355	1,624	1,647	1,682	1,717	1,753	1,790	1,828
Goodwill		4,204	4,254	4,254	4,254	4,254	4,254	4,254
Other investments				0	0	0	0	0
Other	8,412	3,314	3,672	4,191	4,418	4,682	4,989	5,345
Total other assets	97,309	110,283	120,302	129,539	134,207	138,133	142,166	146,176
Total assets	103,702	117,691	127,684	**134,848**	**142,066**	**149,476**	**157,570**	**166,408**
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY								
Current liabilities:								
Commercial paper	2,749	2,516	1,551	2,658	2,755	2,840	2,927	3,016
Other short-term debt	5,465	400	458	447	464	478	493	508
Current maturities of long-term debt	2,716	2,124	4,138	3,381	3,505	3,612	3,724	3,837
Accounts payable	2,386	3,631	4,615	3,982	4,198	4,449	4,740	5,079
Customer deposits	445	499	474	610	643	681	726	777
Accrued interest and taxes	477	558	519	388	405	420	433	446
Derivatives	675	344	311	318	324	331	338	345
Accrued construction-related expenditures	1,195	1,152	991	1,376	1,429	1,470	1,510	1,549
Other excluding accrued construction-related expenditures	1,130	2,309	2,256	2,018	2,128	2,255	2,403	2,574
Regulatory liabilities	325	320	245	372	392	416	443	475
Liabilities associated with assets held for sale								
Total current liabilities	17,563	13,853	15,558	15,550	16,242	16,951	17,737	18,606
Other liabilities and deferred credits:								
Long-term debt	26,782	37,543	41,944	44,750	46,396	47,818	49,295	50,789
Asset retirement obligations	3,135	3,457	3,057	3,890	4,037	4,153	4,268	4,378
Deferred income taxes	7,367	8,361	8,020	9,684	11,382	13,223	15,250	17,502
Regulatory liabilities	9,009	9,936	10,735	10,389	10,951	11,606	12,367	13,249
Derivatives	516	863	1,199	1,224	1,250	1,277	1,303	1,331
Other	1,449	1,831	2,242	2,153	2,269	2,405	2,562	2,745
Total other liabilities and deferred credits	48,258	61,991	67,197	72,090	76,287	80,480	85,046	89,994
Total liabilities	65,821	75,844	82,755	87,640	92,529	97,431	102,783	108,600
Redeemable noncontrolling interests	468	487						
EQUITY								
Common stock	10,495	11,975	11,242	11,301	11,361	11,420	11,480	11,539
Retained earnings	23,837	25,199	25,363	27,377	29,431	31,657	34,110	36,834
Accumulated other comprehensive income (loss)	(188)	(169)	(92)	(92)	(92)	(92)	(92)	(92)
Total common shareholders' equity	34,144	37,005	36,513	38,586	40,700	42,985	45,498	48,282
Noncontrolling interests	3,269	4,355	8,416	8,622	8,837	9,060	9,290	9,526
Total equity	37,413	41,360	44,929	47,208	49,537	52,045	54,787	57,808
Total liabilities, redeemable noncontrolling interests and equity	103,702	117,691	127,684	**134,848**	**142,066**	**149,476**	**157,570**	**166,408**

All figures in millions of U.S. Dollar.

NextEra Energy, Inc.

Historical Cash Flow Statement

Fiscal Years Ending Dec. 31	2017	2018	2019	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income / loss	5,320	5,776	3,388	2,369
Adjustments to reconcile net income to net cash provided by / used in operating activities:				
Depreciation and amortization	2,357	3,911	4,216	4,052
Nuclear fuel and other amortization	272	236	262	263
Impairment charges	446	11	72	-
Unrealized gains / losses on marked to market derivative contracts - net	436	54	(108)	533
Foreign currency transaction losses (gains)	(25)	16	17	45
Deferred income taxes	(875)	1,463	258	(78)
Cost recovery clauses and franchise fees	82	(225)	155	(121)
Acquisition / termination of purchased power agreement	(243)	(52)	-	-
Benefits associated with differential membership interests - net	(460)	-	-	-
Equity in losses / earnings of equity method investees	-	(358)	(66)	1,351
Loss / gain associated with Maine fossil	-	-	-	-
Distributions of earnings from equity method investees	-	328	438	456
Losses (gains) on disposal of a business/assets - net	(1,225)	(191)	(461)	(403)
Gain from discontinued operations, net of income taxes	-	-	-	-
Loss on sale of natural gas-fired generating assets	-	-	-	-
Gain on NEP deconsolidation	-	(3,927)	-	-
Recoverable storm-related costs	(108)	-	(180)	(69)
Changes in prepaid option premiums and derivative settlements	-	-	-	-
Allowance for equity funds used during construction	-	-	-	-
Other - net	90	156	(213)	189
Accounts payable and customer deposits	-	-	-	-
Margin cash collateral	-	-	-	-
Income taxes	-	-	-	-
Other current liabilities	-	-	-	-
Other - net excluding recoverable storm-related costs of FPL, allowance for equity funds used during construction and gains on disposal of assets - net	-	-	-	-
Changes in operating assets and liabilities:				
Current assets	(353)	(631)	123	(364)
Other assets	(60)	(220)	(93)	(234)
Current liabilities	766	163	116	(6)
Other liabilities	(7)	83	231	-
Net cash provided by / used in operating activities	6,413	6,593	8,155	7,983
CASH FLOWS FROM INVESTING ACTIVITIES				
Capital expenditures of FPL	(5,174)	(5,012)	(5,560)	(6,477)
Acquisition and capital expenditures of Gulf Power	-	-	(5,165)	(1,012)
Independent power and other investments of NEER	(5,295)	(6,994)	(6,385)	(6,851)
Cash grants under the American Recovery and Reinvestment Act of 2009	78	3	-	-
Nuclear fuel purchases	(197)	(267)	(315)	(245)
Other capital expenditures and other investments	(74)	(731)	(37)	(25)
Proceeds from sale of the fiber-optic telecommunications business	1,454	-	-	-
Other - net	327	1,737	1,437	1,095
Sale of independent power and other investments of NEER	178	1,617	1,163	1,012
Other - net excluding sale of independent power and other investments of NEER	149	120	274	83
Proceeds from sale or maturity of securities in special use funds and other investments	3,207	3,410	4,008	3,916
Purchases of securities in special use funds and other investments	(3,244)	(3,733)	(4,160)	(4,100)
Proceeds from sales of non controlling interests in NEP	-	-	-	-
Proceeds from sale or maturity of securities in special use funds				
Distributions from equity method investees		637	-	-
Proceeds from sale or maturity of other securities				
Net cash used in / provided by investing activities	(8,918)	(10,950)	(16,177)	(13,699)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuances of long-term debt, including premiums and discounts	8,354	4,399	13,919	12,404
Retirements of long-term debt	(6,780)	(3,102)	(5,492)	(6,103)
Proceeds from differential membership investors	1,414	1,841	1,604	3,522
Net change in commercial paper	1,419	1,062	(234)	(965)
Proceeds from other short-term debt	450	5,665	200	2,158
Repayments of other short-term debt	(2)	(455)	(4,765)	(2,100)
Payments from related parties under CSCS agreement - net		(21)	(54)	(2)
Other - net		(372)	(391)	(406)
Issuances of common stock/equity units - net	603	718	1,494	(92)
Proceeds from sale of noncontrolling interests				501
Dividends on common stock	(1,845)	(2,101)	(2,408)	(2,743)
Repurchases of common stock				
Payments to differential membership investors				
Other - net excluding repurchases of common stock and proceeds from differential membership investors				
Net cash provided by / used in financing activities	2,933	7,634	3,873	6,174
Effects of currency translation on cash, cash equivalents and restricted cash	26	(7)	4	(20)
Net increase / decrease in cash, cash equivalents and restricted cash	454	3,270	(4,145)	438
Cash, cash equivalents and restricted cash at beginning of period	1,529	1,983	5,253	1,108
Cash and cash equivalents at end of period	1,983	5,253	1,108	1,546

All figures in millions of U.S. Dollar.

NextEra Energy, Inc.

Forecasted Cash Flow Statement

Fiscal Years Ending Dec. 31	2021E	2022E	2023E	2024E	2025E
CASH FLOWS FROM OPERATING ACTIVITIES					
Net Income	4,704	4,799	5,201	5,730	6,365
Adjustments to reconcile net income to cash from operating activities:					
Add: Depreciation and amortization	4,049	4,422	4,589	4,721	4,851
Less: Amortization	(32)	(17)	(16)	(18)	(17)
Allowance for doubtful accounts	0	0	0	0	0
Change in deferred taxes	1,664	1,698	1,840	2,027	2,252
Changes in working capital accounts:					
Change in receivables	(119)	(167)	(195)	(226)	(263)
Change in inventories	(31)	(86)	(100)	(116)	(134)
Change in regulatory assets	(189)	(31)	(36)	(41)	(48)
Change in prepaid expenses and other current assets	(174)	(53)	(62)	(72)	(83)
Change in accounts payable	(633)	215	251	292	338
Change in regulatory liabilities	(219)	582	678	788	914
Change in other liabilities	(89)	116	136	158	183
Change in Accrued construction related expenditures	148	161	168	189	210
Change in accrued compensation and other liabilities	4	50	53	57	65
Net cash provided by / used in operating activities	9,083	11,691	12,508	13,489	14,633
CASH FLOWS FROM INVESTING ACTIVITIES					
Change in short-term investments	(12)	(12)	(13)	(13)	(13)
Change in long-term investments	(339)	(351)	(364)	(379)	(395)
Capital expenditures (change in gross PPE)	(12,890)	(8,230)	(7,560)	(7,690)	(7,675)
Change in other assets	(24)	(493)	(574)	(667)	(774)
Change in derivative liabilities	32	33	33	34	35
Change in asset retirement obligation	833	148	115	115	110
Change in noncontrolling interests	206	215	223	230	237
Net cash used in / provided by investing activities	(12,195)	(8,691)	(8,140)	(8,370)	(8,476)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issuance(payment) of notes payable and S-T debt	(11)	16	14	15	15
Change in commercial paper	1,107	98	84	88	89
Changes in current portion of long-term debt	(757)	124	107	112	113
Proceeds from issuance(payment) of long-term debt	2,806	1,647	1,421	1,477	1,494
Payment of dividends	(2,691)	(2,745)	(2,975)	(3,277)	(3,641)
Proceeds from issuance of common stock	59	59	59	59	59
Repurchases of common stock	0	0	0	0	0
Changes in accumulated other comprehensive income	0	0	0	0	0
Net cash provided by / used in financing activities	513	(800)	(1,288)	(1,527)	(1,871)
Change in Cash	(2,599)	2,200	3,080	3,592	4,286
PLUS: Cash at beginning of the Year	1,105	(1,494)	706	3,786	7,378
Cash at the End of the Year	(1,494)	706	3,786	7,378	11,665

All figures in millions of U.S. Dollar.

NextEra Energy, Inc.

Common Size Income Statement

Fiscal Years Ending Dec. 31	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Operating revenues	100%	100%	100%	100%	100%	100%	100%	100%
Operating Expenses								
Fuel, purchased power and interchange	(22.31)	(22.72)	(19.66)	(21.56)	(21.56)	(21.56)	(21.56)	(21.56)
Other operations and maintenance	(19.91)	(18.95)	(20.84)	(20.00)	(20.00)	(20.00)	(20.00)	(20.00)
Storm cost amortization	(0.02)	(1.22)	(1.02)					
Depreciation and amortization excluding storm cost amortization	(23.38)	(21.95)	(22.51)	(19.22)	(19.92)	(19.50)	(18.83)	(18.06)
Depreciation	(23.27)	(21.86)	(22.36)	(19.07)	(19.84)	(19.43)	(18.76)	(17.99)
Armortization	(0.11)	(0.09)	(0.15)	(0.15)	(0.08)	(0.07)	(0.07)	(0.06)
Taxes other than income taxes and other - net	(9.27)	(9.39)	(9.50)	(8.43)	(8.43)	(8.43)	(8.43)	(8.43)
Total operating expenses - net	(74.89)	(74.24)	(73.53)	(69.22)	(69.91)	(69.50)	(68.83)	(68.06)
Gains / losses on disposal of businesses / assets - net	0.48	2.11	1.96					
Operating income / loss	25.59	27.87	28.43	30.78	30.09	30.50	31.17	31.94
Other Income (Deductions)								
Interest expense	(8.96)	(11.71)	(10.84)	(4.99)	(4.94)	(4.84)	(4.68)	(4.50)
Benefits associated with differential membership interests - net								
Equity in earnings / losses of equity method investees	2.14	0.34	(7.51)	0.67	0.67	0.67	0.67	0.67
Gains / losses on disposal of assets - net	0.66	0.29	0.28	0.24	0.23	0.21	0.20	0.19
Allowance for equity funds used during construction	0.57	0.35	0.52	0.50	0.50	0.50	0.50	0.50
Interest income	0.30	0.28	0.21	0.68	0.42	0.60	0.84	1.08
Gain on NEP deconsolidation	23.48							
Change in unrealized losses on equity securities held in NEER's nuclear decommissioning funds - net	(1.13)	1.24	0.91	0.77	0.73	0.69	0.65	0.61
Revaluation of contingent consideration								
Other net periodic benefit income	1.00	0.96	1.11	1.03	1.03	1.03	1.03	1.03
Other - net excluding equity in earnings / losses of equity method investees	0.29	0.35	0.30	0.31	0.31	0.31	0.31	0.31
Total other income / deductions - net	18.37	(7.90)	(15.02)	(0.79)	(1.06)	(0.82)	(0.49)	(0.13)
Income / loss before income taxes	43.95	19.98	13.41	29.99	29.02	29.68	30.69	31.82
Income tax expense / benefit	(9.42)	(2.33)	(0.24)	(7.66)	(7.41)	(7.58)	(7.83)	(8.12)
Income / loss from continuing operations	34.53	17.64	13.16	22.33	21.61	22.10	22.85	23.69
Gain from discontinued operations, net of income taxes								
Net income / loss	34.53	17.64	13.16	22.33	21.61	22.10	22.85	23.69
Net income attributable to noncontrolling interests	5.15	1.98	3.06	0.98	0.97	0.95	0.92	0.88
Net income / loss attributable to NextEra Energy, Inc.	39.68	19.63	16.22	23.31	22.58	23.05	23.77	24.58

NextEra Energy, Inc.

Common Size Balance Sheet

Fiscal Years Ending Dec. 31	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
ASSETS								
Current assets:								
Cash and cash equivalents	3.81	3.12	6.14	(7.09)	3.18	16.09	29.43	43.42
Customer receivables, net of allowances	13.76	11.88	12.57	11.41	11.41	11.41	11.41	11.41
Other receivables	3.99	2.73	3.95	3.27	3.27	3.27	3.27	3.27
Materials, supplies and fossil fuel inventory	7.31	6.92	8.62	7.52	7.52	7.52	7.52	7.52
Regulatory assets	2.68	1.74	2.09	2.69	2.69	2.69	2.69	2.69
Derivatives	3.37	3.97	3.17	2.76	2.68	2.58	2.47	2.36
Assets held for sale								
Other	3.29	8.21	4.47	4.64	4.64	4.64	4.64	4.64
Total current assets	38.22	38.58	41.02	25.20	35.39	48.20	61.43	75.31
Other assets:								
Property, plant and equipment - net	420.48	427.05	510.10	477.92	470.61	456.76	440.57	421.81
Special use funds	35.19	36.21	43.22	37.71	36.53	35.19	33.73	32.14
Investment in equity method investees	40.34	38.81	31.83	27.86	27.09	26.23	25.28	24.27
Prepaid benefit costs	7.68	7.48	9.48	7.76	7.76	7.76	7.76	7.76
Regulatory assets	19.67	17.12	20.63	15.61	15.61	15.61	15.61	15.61
Derivatives	8.10	8.46	9.15	7.98	7.73	7.45	7.14	6.81
Goodwill		21.89	23.64	20.19	19.16	18.08	16.96	15.84
Other investments								
Other	50.29	17.26	20.40	19.90	19.90	19.90	19.90	19.90
Total other assets	581.75	574.27	668.46	614.93	604.40	586.98	566.96	544.13
Total assets	619.97	612.85	709.47	640.13	639.78	635.19	628.39	619.44
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY								
Current liabilities:								
Commercial paper	16.43	13.10	8.62	12.62	12.41	12.07	11.67	11.23
Other short-term debt	32.67	2.08	2.54	2.12	2.09	2.03	1.97	1.89
Current maturities of long-term debt	16.24	11.06	22.99	16.05	15.79	15.35	14.85	14.28
Accounts payable	14.26	18.91	25.64	18.90	18.90	18.90	18.90	18.90
Customer deposits	2.66	2.60	2.63	2.89	2.89	2.89	2.89	2.89
Accrued interest and taxes	2.85	2.91	2.88	1.84	1.82	1.78	1.72	1.66
Derivatives	4.04	1.79	1.73	1.51	1.46	1.41	1.35	1.29
Accrued construction-related expenditures	7.14	6.00	5.51	6.53	6.43	6.24	6.02	5.77
Other excluding accrued construction-related expenditures	6.76	12.02	12.54	9.58	9.58	9.58	9.58	9.58
Regulatory liabilities	1.94	1.67	1.36	1.77	1.77	1.77	1.77	1.77
Liabilities associated with assets held for sale								
Total current liabilities	105.00	72.14	86.45	73.82	73.15	72.03	70.74	69.26
Other liabilities and deferred credits:								
Long-term debt	160.11	195.50	233.06	212.43	208.94	203.20	196.59	189.06
Asset retirement obligations	18.74	18.00	16.99	18.46	18.18	17.65	17.02	16.30
Deferred income taxes	44.04	43.54	44.56	45.97	51.26	56.19	60.82	65.15
Regulatory liabilities	53.86	51.74	59.65	49.32	49.32	49.32	49.32	49.32
Derivatives	3.08	4.49	6.66	5.81	5.63	5.42	5.20	4.95
Other	8.66	9.53	12.46	10.22	10.22	10.22	10.22	10.22
Total other liabilities and deferred credits	288.50	322.80	373.38	342.22	343.55	341.99	339.16	335.00
Total liabilities	393.50	394.94	459.83	416.03	416.70	414.02	409.90	404.26
Redeemable noncontrolling interests	2.80	2.54						
EQUITY								
Common stock	62.74	62.36	62.47	53.65	51.16	48.53	45.78	42.95
Retained earnings	142.51	131.22	140.93	129.96	132.54	134.52	136.03	137.11
Accumulated other comprehensive income (loss)	-1.12	-0.88	-0.51	(0.44)	(0.41)	(0.39)	(0.37)	(0.34)
Total common shareholders' equity	204.13	192.69	202.88	183.17	183.29	182.66	181.44	179.72
Noncontrolling interests	19.54	22.68	46.76	40.93	39.80	38.50	37.05	35.46
Total equity	223.67	215.37	249.65	224.10	223.09	221.16	218.49	215.19
Total liabilities, redeemable noncontrolling interests and equity	619.97	612.85	709.47	640.13	639.78	635.19	628.39	619.44

NextEra Energy, Inc.
Value Driver Estimation

Fiscal Years Ending Dec. 31	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
NOPLAT:								
Operating Revenues	16,727	19,204	17,997	21,065	22,205	23,533	25,075	26,864
Less: Fuel, purchased power and interchange expense	3,732	4,363	3,539	4,543	4,789	5,075	5,407	5,793
Less: Other operations and maintenance expense	3,330	3,640	3,751	4,214	4,442	4,707	5,016	5,374
Less: Storm cost amortization expense	3	234	183	-	-	-	-	-
Less: Depreciation & amortization expense	3,911	4,216	4,052	4,049	4,422	4,589	4,721	4,851
Less: Taxes other than income taxes & other expenses - net	1,551	1,804	1,709	1,776	1,872	1,984	2,114	2,265
EBITA	**4,200**	**4,947**	**4,763**	**6,484**	**6,680**	**7,178**	**7,816**	**8,581**
Income tax provision	1,576	448	44	1,613	1,645	1,783	1,964	2,182
Plus: Tax shield on interest expense	389	549	511	269	280	291	299	309
Less: Tax shield on Interest and Investment Income	106	29	(344)	73	61	76	96	120
Less: Tax shield on Non-operating Income	1,041	120	119	124	128	133	139	146
Less: Tax shield on Gains on disposal of assets	14	31	24	10	29	28	14	13
LESS: Total Adjusted Taxes	**805**	**817**	**756**	**1,675**	**1,707**	**1,836**	**2,014**	**2,212**
PLUS: Change in Deferred Tax Liability	**1,463**	**258**	**(78)**	**1,664**	**1,698**	**1,840**	**2,027**	**2,252**
NOPLAT	**4,858**	**4,388**	**3,929**	**6,474**	**6,672**	**7,182**	**7,830**	**8,621**
Invested Capital (IC):								
Net Operating Working Capital								
Operating Current Assets:								
Normal cash	386	444	416	487	513	544	579	621
Customer receivable - net	2,302	2,282	2,263	2,403	2,533	2,685	2,861	3,065
Other receivables	667	525	711	690	727	770	821	880
Materials, supplies, and fossil fuel inventory	1,223	1,328	1,552	1,583	1,669	1,769	1,885	2,019
Regulatory assets	448	335	377	566	597	633	674	722
Other current assets	551	1,576	804	978	1,031	1,093	1,165	1,248
Total Operating Current Assets	**5,577**	**6,490**	**6,123**	**6,708**	**7,071**	**7,494**	**7,985**	**8,555**
Operating Current Liabilities:								
Accounts payable	2,386	3,631	4,615	3,982	4,198	4,449	4,740	5,079
Customer deposits	445	499	474	610	643	681	726	777
Accrued construction related expenses	1,195	1,152	991	1,376	1,429	1,470	1,510	1,549
Regulatory liabilities	325	320	245	372	392	416	443	475
Other current liabilities	1,130	2,309	2,256	2,018	2,128	2,255	2,403	2,574
Total Operating Current Liabilities	**5,481**	**7,911**	**8,581**	**8,359**	**8,789**	**9,270**	**9,822**	**10,454**
Net Operating Working Capital	**96**	**(1,421)**	**(2,458)**	**(1,651)**	**(1,718)**	**(1,776)**	**(1,837)**	**(1,899)**
Plus: Net PP&E	**70,334**	**82,010**	**91,803**	**100,676**	**104,501**	**107,488**	**110,475**	**113,315**
Other LT Operating Assets								
Regulatory assets	3,290	3,287	3,712	3,288	3,466	3,674	3,914	4,194
Other assets	8,412	3,314	3,672	4,191	4,418	4,682	4,989	5,345
Plus: Total Other LT Operating Assets	**11,702**	**6,601**	**7,384**	**7,480**	**7,884**	**8,356**	**8,903**	**9,539**
Other LT Operating Liabilities								
Regulatory liabilities	9,009	9,936	10,735	10,389	10,951	11,606	12,367	13,249
Other liabilities & deferred credits	1,449	1,831	2,242	2,153	2,269	2,405	2,562	2,745
Less: Total Other LT Operating Liabilities	**10,458**	**11,767**	**12,977**	**12,542**	**13,220**	**14,010**	**14,929**	**15,994**
Total Invested Capital	71,674	75,423	83,752	93,963	97,447	100,057	102,612	104,961
Free Cash Flow (FCF):								
NOPLAT	4,858	4,388	3,929	6,474	6,672	7,182	7,830	8,621
Change in IC	10,439	3,748	8,329	10,211	3,484	2,610	2,555	2,349
FCF	**(5,581)**	**640**	**(4,400)**	**-3,738**	**3,188**	**4,572**	**5,275**	**6,272**
Return on Invested Capital (ROIC):								
NOPLAT	4,858	4,388	3,929	6,474	6,672	7,182	7,830	8,621
Beginning IC	61,235	71,674	75,423	83,752	93,963	97,447	100,057	102,612
ROIC	**7.93%**	**6.12%**	**5.21%**	**7.73%**	**7.10%**	**7.37%**	**7.83%**	**8.40%**
Economic Profit (EP):								
Beginning IC	61,235	71,674	75,423	83,752	93,963	97,447	100,057	102,612
x (ROIC - WACC)	2.99%	1.18%	0.27%	2.79%	2.16%	2.43%	2.88%	3.46%
EP	**1833.15**	**846.82**	**202.96**	**2335.92**	**2029.37**	**2368.07**	**2886.34**	**3551.64**

NextEra Energy, Inc.

Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:		*ASSUMPTIONS:*
Risk-Free Rate	1.63%	*10-year Treasury bond*
Beta	0.86	*3 Year Weekly Beta (Bloomberg)*
Equity Risk Premium	4.93%	*Implied ERP (covid adjusted) from Damodaran*
Cost of Equity	**5.86%**	
Cost of Debt:		
Risk-Free Rate	1.63%	*10-year Treasury bond*
Implied Default Premium	0.63%	
Pre-Tax Cost of Debt	2.26%	*8 to 11 Years Bond Yield (Bloomberg)*
Marginal Tax Rate	25.53%	
After-Tax Cost of Debt	**1.68%**	

Market Value of Common Equity:		**MV Weights**
Total Shares Outstanding	1960	
Current Stock Price	$87.34	
MV of Equity	**171,186.40**	78.07%
Market Value of Debt:		
Short-Term Debt	2,009	
Current Portion of LTD	4,138	
Long-Term Debt	41,944	
PV of Operating Leases		
MV of Total Debt	**48,091.00**	21.93%
Market Value of the Firm	**219,277.40**	100.00%

Estimated WACC	**4.94%**	sample number

NextEra Energy, Inc.

Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models

Key Inputs:	
CV Growth of NOPLAT	2.50%
CV Year ROIC	8.40%
WACC	4.94%
Cost of Equity	5.86%

Fiscal Years Ending Dec. 31	2021E	2022E	2023E	2024E	2025E
DCF Model:					
Free Cash Flow (FCF)	-3737.7	3187.9	4572.1	5274.5	6272.2
Continuing Value (CV)					248146.5
PV of FCF	-3561.8	2894.8	3956.3	4349.2	204614.8
Value of Operating Assets:	212253.4				
Non-Operating Adjustments					
ADD: Excess Cash	689.3				
ADD: Investment in Equity Method Investees	5728.0				
ADD: Derivative Assets - total	2217.0				
ADD: Special use funds	7779.0				
ADD: Prepaid benefit costs	1707.0				
LESS: ESOP	-596.1				
LESS: Commercial Paper	-1551.0				
LESS: Other Short-term debt	-458.0				
LESS: Current maturities of long-term debt	-4138.0				
LESS: Long-term debt	-41944.0				
LESS: Noncontrolling Interest	-8416.0				
LESS: Derivative Liability - total	-1510.0				
LESS: Asset retirement obligation	-3057.0				
Value of Equity	168703.6				
Shares Outstanding	1960.0				
Intrinsic Value of Last FYE	$ 86.07				
Implied Price as of Today	$ 89.00				
EP Model:					
Economic Profit (EP)	2335.9	2029.4	2368.1	2886.3	3551.6
Continuing Value (CV)					145534.6
PV of EP	2225.9	1842.8	2049.1	2380.0	120003.8
Total PV of EP	128501.7				
Invested Capital (last FYE)	83751.7				
Value of Operating Assets:	212253.4				
Non-Operating Adjustments					
ADD: Excess Cash	689.3				
ADD: Investment in Equity Method Investees	5728.0				
ADD: Derivative Assets - total	2217.0				
ADD: Special use funds	7779.0				
ADD: Prepaid benefit costs	1707.0				
LESS: ESOP	-596.1				
LESS: Commercial Paper	-1551.0				
LESS: Other Short-term debt	-458.0				
LESS: Current maturities of long-term debt	-4138.0				
LESS: Long-term debt	-41944.0				
LESS: Noncontrolling Interest	-8416.0				
LESS: Derivative Liability - total	-1510.0				
LESS: Asset retirement obligation	-3057.0				
Value of Equity	168703.6				
Shares Outstanding	1960.0				
Intrinsic Value of Last FYE	$ 86.07				
Implied Price as of Today	$ 89.00				

NextEra Energy, Inc.

Dividend Discount Model (DDM) or Fundamental P/E Valuation Model

Fiscal Years Ending Dec. 31	2021E	2022E	2023E	2024E	2025E
EPS	$2.50	$2.56	$2.76	$3.03	$3.36
Key Assumptions					
CV growth of EPS	2.50%				
CV Year ROE	14.51%				
Cost of Equity	5.86%				
Future Cash Flows					
P/E Multiple (CV Year)					24.67
EPS (CV Year)					$ 3.36
Future Stock Price					$ 82.84
Dividends Per Share	1.56	1.72	1.88	2.04	$ 82.84
	1.06	1.12	1.19	1.26	1.26
Discounted Cash Flows	1.474	1.535	1.585	1.625	65.973
Intrinsic Value as of Last FYE	$ 72.19				
Implied Price as of Today	$ 74.65				

NextEra Energy, Inc.

Relative Valuation Models

Ticker	Company	Price	EPS 2021E	EPS 2022E	P/E 21	P/E 22	Est. 5yr EPS gr.
DUK-US	Duke Energy	102.01	$5.17	$5.50	19.73	18.55	5.45
SO-US	Southern	62.32	$3.11	$3.52	20.04	17.70	6.50
D-US	Dominion Energy	75.93	$3.82	$4.12	19.88	18.43	6.67
ETR-US	Entergy	103.02	$5.73	$6.36	17.98	16.20	5.70
NRG-US	NRG Energy	39.89	$6.01	$6.51	6.64	6.13	43.00
				Average	16.85	15.40	
NEE	NextEra Energy, Inc.	$87.34	$2.50	$2.56	34.9	34.2	52.2

Implied Relative Value:

P/E (EPS21)	**$**	**42.21**
P/E (EPS22)	**$**	**39.37**

NextEra Energy, Inc.

Key Management Ratios

Fiscal Years Ending Dec. 31	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Liquidity Ratios:															
Current Ratio (Current Assets/Current Liabilities)	0.73	0.59	0.64	0.72	0.67	0.68	0.64	0.36	0.53	0.47	0.34	0.48	0.67	0.87	1.09
Quick Ratio (Current Assets less Inventory/Current Liabilities)	0.57	0.47	0.51	0.58	0.55	0.56	0.52	0.29	0.44	0.37	0.24	0.38	0.56	0.76	0.98
Cash Ratio (Cash/Current Liabilities)	0.06	0.04	0.05	0.06	0.06	0.12	0.15	0.04	0.04	0.07	-0.10	0.04	0.22	0.42	0.63
Asset-Management Ratios:															
Cash and Cash equivalent (Op. Revenue/Avg. Cash)		40.39	39.47	33.54	30.46	17.34	11.44	14.22	31.02	21.11	-108.19	-56.32	10.48	4.49	2.82
Receivables (Op. Revenue/Avg. Receivables)		7.39	6.97	7.65	7.91	6.87	6.64	5.86	6.65	6.23	6.94	6.99	7.01	7.03	7.04
Inventory (COGS/Avg. Inventory)		9.12	9.27	9.24	9.25	8.48	6.64	8.79	9.40	7.75	8.17	8.39	8.36	8.29	8.21
Current Assets (Op. Revenue/Avg. Current Assets)		2.82	2.73	2.66	2.55	2.27	2.36	2.47	2.78	2.43	3.32	3.37	2.45	1.87	1.51
Fixed Assets (Op. Revenue/Avg. Fixed Assets)		0.31	0.30	0.31	0.30	0.25	0.25	0.23	0.25	0.21	0.22	0.22	0.22	0.23	0.24
Total Assets Turnover (Op. Revenue/Avg. Total Assets)		0.23	0.23	0.24	0.22	0.19	0.18	0.17	0.17	0.15	0.16	0.16	0.16	0.16	0.17
Financial Leverage Ratios:															
Debt to Equity Ratio (Total Debt/Total Equity)	2.83	3.01	2.84	2.72	2.57	2.55	2.32	1.76	1.83	1.84	1.86	1.87	1.87	1.88	1.88
Equity Multiplier (Total Assets/Total Equity)	3.83	4.01	3.84	3.72	3.57	3.55	3.32	2.77	2.85	2.84	2.86	2.87	2.87	2.88	2.88
Debt to Asset Ratio (Total Debt/Total Assets)	0.38	0.41	0.40	0.37	0.36	0.34	0.34	0.34	0.34	0.36	0.36	0.35	0.35	0.34	0.33
Profitability Ratios:															
Return on Equity (NI/Beg TSE)		12.79%	11.87%	13.66%	13.82%	12.90%	22.09%	23.53%	11.04%	7.89%	13.45%	12.99%	13.33%	13.87%	14.51%
Return on Assets (NI/Total Assets)	3.36%	2.97%	2.75%	3.30%	3.35%	3.34%	5.44%	5.57%	2.88%	1.86%	3.49%	3.38%	3.48%	3.64%	3.83%
Gross Profit Margin (NI/Sales)	12.54%	13.40%	12.61%	14.51%	15.80%	18.60%	30.94%	34.53%	17.64%	13.16%	22.33%	21.61%	22.10%	22.85%	23.69%
Payout Policy Ratios:															
Dividend Payout Ratio (Dividend/EPS)	0.48	0.52	0.59	0.51	0.50	0.55	0.34	0.32	0.64	0.94	0.61	0.66	0.67	0.67	0.66
Total Payout Ratio ((Dividends. + Repurchases)/NI)	0.67	0.54	0.59	0.51	0.50	0.55	0.34	0.32	0.64	0.94	0.65	0.71	0.73	0.74	0.74
Retention Ratio ((EPS-DPS)/EPS)	0.52	0.48	0.41	0.49	0.50	0.45	0.66	0.68	0.36	0.06	0.38	0.33	0.32	0.33	0.34

NextEra Energy, Inc.

Effects of ESOP Exercise and Share Repurchases on Common Stock Account and Number of Shares Outstanding

Number of Options Outstanding (shares):	9.62
Average Time to Maturity (years):	6.20
Expected Annual Number of Options Exercised:	2
Current Average Strike Price:	$ 38.32
Cost of Equity:	5.86%
Current Stock Price:	$87.34

Fiscal Years Ending Dec. 31	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Increase in Shares Outstanding:	2	2	2	2	2
Average Strike Price:	$ 38.32	$ 38.32	$ 38.32	$ 38.32	$ 38.32
Increase in Common Stock Account:	**59**	**59**	**59**	**59**	**59**
Share Repurchases ($)	0	0	0	0	0
Expected Price of Repurchased Shares:	$ 87.34	$ 90.75	$ 94.30	$ 97.98	$ 101.80
Number of Shares Repurchased:	-	-	-	-	-
Shares Outstanding (beginning of the year)	1,959	1,961	1,962	1,964	1,965
Plus: Shares Issued Through ESOP	2	2	2	2	2
Less: Shares Repurchased in Treasury	-	-	-	-	-
Shares Outstanding (end of the year)	**1,961**	**1,962**	**1,964**	**1,965**	**1,967**

NextEra Energy, Inc.

Valuation of Options Granted under ESOP

Current Stock Price	$87.34
Risk Free Rate	1.63%
Current Dividend Yield	1.95%
Annualized St. Dev. of Stock Returns	81.48%

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
Range 1	9,618,204	38.32	6.20	$ 61.98	$ 596,096,848
Total	9,618,204	$ 38.32	6.20	$ 71.13	**$ 596,096,848**

NextEra Energy, Inc.
Sensitivity Tables

Beta

ERP	0.75	0.77	0.80	0.86	0.89	0.93	0.95
4.58%	128.23	122.38	114.39	101.32	94.82	87.76	84.52
4.70%	122.48	116.91	109.29	96.81	90.60	83.84	80.74
4.82%	117.14	111.83	104.55	92.61	86.67	80.18	77.21
4.93%	112.57	107.47	100.48	89.00	83.28	77.03	74.17
5%	109.81	104.84	98.02	86.82	81.23	75.12	72.32
5.15%	104.24	99.53	93.06	82.40	77.07	71.25	68.58
5.28%	99.77	95.26	89.06	78.84	73.72	68.13	65.55

Depreciation Rate

Marginal Tax Rate	4.05%	4.13%	4.20%	4.38%	4.45%	4.60%	4.68%
24.55%	93.70	92.46	91.39	88.73	87.61	85.38	84.20
24.78%	93.76	92.53	91.46	88.79	87.68	85.44	84.26
25%	93.83	92.59	91.52	88.85	87.74	85.50	84.32
25.53%	93.99	92.75	91.68	89.00	87.89	85.65	84.47
26%	94.13	92.89	91.81	89.14	88.02	85.78	84.60
26.40%	94.25	93.01	91.93	89.25	88.13	85.89	84.71
26.70%	94.34	93.10	92.02	89.34	88.22	85.98	84.79

WACC

CV Growth of NOPLAT	4.80%	4.85%	4.89%	4.94%	4.97%	5.00%	5.04%
2.30%	90.61	88.25	86.43	84.21	82.95	81.69	80.07
2.40%	93.30	90.80	88.86	86.51	85.18	83.85	82.13
2.45%	94.74	92.15	90.15	87.73	86.36	84.99	83.23
2.50%	96.23	93.56	91.50	89.00	87.59	86.18	84.36
2.55%	97.79	95.03	92.91	90.33	88.87	87.42	85.54
2.65%	101.13	98.17	95.90	93.15	91.59	90.05	88.06
2.70%	102.92	99.86	97.50	94.66	93.04	91.45	89.39

NEER Revenue per MW 2021

NEER generating capacity growth 2021	0.235	0.240	0.245	0.256	0.261	0.265	0.270
14.50%	74.37	77.09	79.80	85.63	88.50	90.67	93.39
14.85%	76.25	79.01	81.76	87.68	90.59	92.79	95.55
15.00%	77.06	79.84	82.61	88.56	91.49	93.71	96.48
15.07%	77.47	80.25	83.03	89.00	91.94	94.17	96.95
15.20%	78.16	80.95	83.75	89.75	92.70	94.94	97.74
15.30%	78.70	81.51	84.32	90.35	93.31	95.56	98.37
15.50%	79.81	82.64	85.47	91.55	94.53	96.80	99.63

FPL Revenue per account growth rate 2021

FPL Account growth rate 2021	14.50%	14.85%	15.00%	15.07%	15.20%	15.30%	15.50%
1.30%	84.89	86.94	87.82	88.26	89.01	89.61	90.81
1.34%	85.12	87.16	88.05	88.49	89.24	89.83	91.03
1.38%	85.34	87.39	88.28	88.72	89.46	90.06	91.26
1.43%	85.63	87.68	88.56	89.00	89.75	90.35	91.55
1.50%	86.02	88.07	88.96	89.40	90.14	90.74	91.94
1.55%	86.31	88.36	89.24	89.68	90.43	91.02	92.22
1.58%	86.48	88.53	89.41	89.85	90.60	91.19	92.39

2021 Fuel, purchased power and interchange as a % of revenue

2021 NEE Revenue (Million)	-21.40%	-21.45%	-21.50%	-21.56%	-21.60%	-21.65%	-21.70%
19,200	89.33	89.06	88.79	88.45	88.26	88.00	87.73
20,000	89.56	89.30	89.03	88.69	88.50	88.24	87.97
21,000	89.86	89.60	89.33	88.98	88.80	88.53	88.27
21,065	89.88	89.62	89.35	89.00	88.82	88.55	88.29
22,045	90.17	89.91	89.64	89.30	89.11	88.84	88.58
23,050	90.47	90.21	89.94	89.59	89.41	89.14	88.87
25,000	91.05	90.79	90.52	90.17	89.99	89.72	89.45