

Krause Fund Research

Spring 2023

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BUY

Next Era Energy (NYSE: NEE)

Target Range: \$71 - \$75
Current Price: \$64

Analysts

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Investment Thesis

Executive Summary:

We recommend a buy rating for NextEra Energy because the continuation of capital expenditures will accelerate growth compared to peers in the utilities sector. NEE will capitalize on the increased demand for renewable energy nationwide, while maintaining a stable revenue base with their Florida utility division. In the past year, this sector has struggled with high interest rates and unstable commodity prices, leading analysts to undervalue the stock.

Thesis Drivers:

- NextEra CEO expects nearly 100 new renewable projects to come online in 2024. From this expectation we project their renewable revenue from NEER to increase by an average of 18.8% yearly for the next five years.
- We expect FPL to have revenue growth of 3.3% in the next five years crediting Florida population and GDP growth that create the need for customer accounts, lowering overall company risk.
- Demand for renewable energy in the United States is expected to increase by 5.8% yearly which is the revenue that NEE will capture.

Risks to Thesis:

- We expect multiple FED interest rate cuts in the coming months, but if interest rates remain flat, or increase, we expect investors to continue undervaluing utilities. This will keep the cost for capital expenditures high and limit growth opportunities.
- Natural gas prices have been very volatile in the past five years. We expect COGS to be 19.5% of sales, but if COGS rise to historical highs of 30%, costs will increase by 3 billion in 2024 putting stress on NOI.

Company Overview

NextEra Energy (NEE) is a power and electric company based in Juno Beach, Florida. Revenue is mainly generated from two branches of business: Florida Power & Light (FPL) and NextEra Energy Resources (NEER). FPL is America's largest utility with over 33,000 MWs of generating capacity. NEER, conversely, is the company's energy division which focusses on clean, renewable energy like wind and solar sources.

Key Statistics

Share Statistics

Market Cap: 129,600 M
Shares Outstanding: 2,026.10 M
52-week range: \$48.38-\$79.04
Current P/E (TTM): \$17.43

Valuation Summary

DCF/EP: \$75.24
DDM: \$71.23
Relative P/E: \$17.20

Financials

2023 Revenue: 28,114 M
2024E Revenue: 30,715 M
2023 EPS: \$3.61
2024E EPS: \$3.31
2023 Dividend Growth: 10%
2024E Dividend Growth: 6%

Ratios

Profit Margin (2023): 22%
Profit Margin (2024E): 18%

5-year stock performance vs S&P 500

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among NextEra Energy, Inc., the S&P 500 Index, the S&P 500 Utilities Index and the Dow Jones US Electricity Index

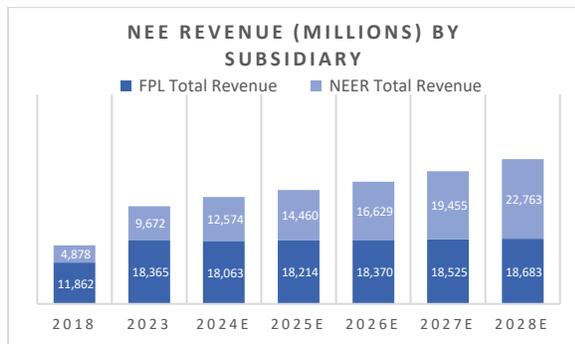


Company Description

NextEra Energy (NEE) is an electricity and infrastructure company based in North America. Specifically, NEE is headquartered in Juno Beach, Florida which implies it's benefit from abundant sunshine and growing demand for energy. The company focusses on providing clean energy solutions through two lines of business: Florida Power & Light (FPL) and NextEra Energy Resources (NEER). FPL is America's largest utility provider with a total generating capacity of 33,275 megawatts of energy as of 2023 [13]. NEER oversees the company's renewable energy division which gains its competitive advantage from their renewable projects, as their 2023 activity boosted NEE to the 4th largest renewable energy company thanks to their massive infrastructure generating wind and solar power [20].

NextEra Energy Analysis

Revenue Decomposition



To begin our valuation, we forecasted the revenue we expect NextEra to generate over the next four years. In 2024, we forecast an 8.47% revenue growth landing total revenue 30,715 for the year. Following 2024, revenue growth will decrease to 6.23%, 6.63%, and

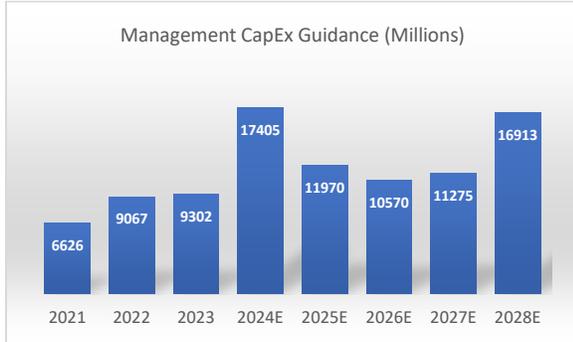
7.84% for 2025, 2026, and 2027 respectively, before returning to about 8.35% in 2028.

It is evident that the majority of NEE's revenue comes from FPL; the utility accounted for over 65% of total revenue in 2023. In estimating FPL's revenue growth, we mainly focused on the number of accounts added YoY based off population growth in the state and change in month rates for power. According to the US census, Florida is the fastest growing state in the US, averaging 1.75% growth the past two years. Using this data, we estimate that the state of Florida, will grow by rates ranging from 1.68% to 1.75% through 2028 [4]. Additionally, based on recent reports from the Public Service Commission, FPL has been approved to lower its monthly charge for power which will decrease its revenue per megawatt generated. Despite the commission citing lowering costs for this approval, this is in direct contrast of a 2022 approval to raise monthly rates, so we estimate that following 2024, FPL customer rates will balance by the end of the year. We forecast total FPL revenue to decrease 0.65% in 2024, before returning to a steady growth rate of about 0.85% for 2025, 2026, 2027, and 2028 respectively.

NextEra Energy Resources is the other significant generator of revenue we expect this piece of the business to have higher growth than FPL. This continues the pattern that has been building for the past decade. According to management, past capital expenditures spending will generate a large revenue growth rate for 2024 before returning to half of that in the next two years. However, many projects are expected to come online in 2024 which we expect to see results from those in 2027 and 2028 which will be responsible for an increase in revenue

growth then. So, for 2024 we estimate a 30% revenue growth, 15% for 2025 and 2026, and finally a 17% rate for 2027 and 2028.

Capital Expenditures



The capital expenditures are essential to the 21.33 P/E ratio that NEE is trading at. The capital expenditures are estimated to be the driving force for the revenue growth we have estimated in the perpetual future. Per management guidance we have estimated 17.4, 12, 10.6, and 11.3 billion dollars for the years 2024-2027 respectively [6].

Using the guidance from 2024 - 2027 along with AEP's capital expenditures we estimated a 50% increase for 2028 to estimate 16.9 billion in capital expenditures [6]. Spikes happen when revenue jumps because the infrastructure must keep up with demand. We are expecting a jump in revenue for 2028, so we also think capital expenditures must jump as well. This level of Capital Expenditure aligns closely with AEP who has the most similar capital expenditures. With nearly 33% and 35% of revenue spent on capital expenditures for NEE and AEP respectfully. We can assume that the future will carry similar capital expenditure percentages and spikes. AEP had a 20% spike in capital expenditures in 2028, but also did not have as much of an increase in revenue as we projected for NEE which is why NEE's capital expenditures have an 50% increase.

Fuel, purchased power and interchange expenses:

Fuel purchased power and interchange is the main driver for cost of goods sold, so we grew it according to previous years percent of sales excluding outliers. We estimated a 19.54% cost of sales which was a four-year average from 2020 – 2023 excluding outliers years of 2021 and 2022. We then used this average as the estimate to calculate Fuel, purchased power and interchange for all the estimated years. This average aligns with our economic analysis from the utility PPI that costs should fluctuate, but NEE should be able to avoid massive change.

Other operations and maintenance

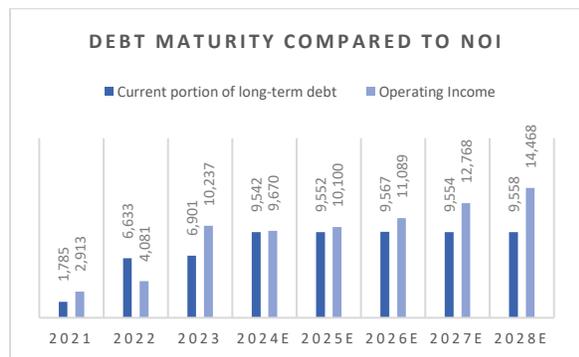
These expenses include repairs costs to major infrastructure within the business including transmission lines and plants. The historical data has always been within 20% - 30% of sales, but it is hard to estimate the future percent every year. To offset the unpredictability, we averaged the last five years of percent of sales for each year we estimate.

Depreciation and Amortization (D&A)

The D&A is the last operating expense that significantly affects operating income. To estimate D&A we averaged the last nine years of depreciation expense divided beginning property, plant, and equipment (PPE) and then we used this average to multiply by the beginning PPE for each estimated year. The estimates that were calculated made sense when looking at past D&A expenses and the operating income.

Capital Structure

Debt Maturity Schedule



The debt maturity schedule refers to the current portion of long-term debt that matures in that year. Our forecast for this is 9,542, 9,552, 9,567, 9,554, and 9,558 for 2024, 2025, 2026, 2027, and 2028 respectively. For the 2024-2026 these are not estimates, but values provided by management in the 10-k guidance notes. Our forecast for the current portion of long-term debt to mature in 2027 and 2028 is based off a three-year average, as we thought this was the most responsible method of maintaining a similar pattern of debt accrual.

The estimated NOI comes very close to the amount of current debt that is due, but this is not unusual for NEE. This will also be offset in future years when the difference becomes substantial.

Debt Rating

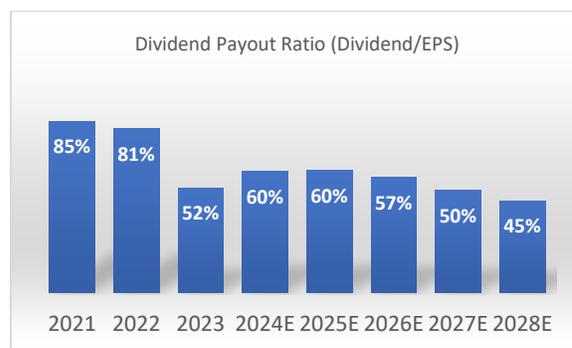
NextEra Energy's debt rating is a BBB which means that it is in the investment grade range. Although significantly removed from risk-free treasury bills, this rating is relatively low default risk [13]. This has room to increase considering the risk level and history of NEE, but no news has been made public yet.

Forecasted Capital Structure

We forecasted our debt-to-equity ratio using a 5-year average for our commercial paper, other short-term debt, and long-term debt percentage. However, we believed for years forecasted years 2026, 2027, and 2028, the cash balance was too high, so we subtracted 0.02 points to the long-term debt percentage to raise our cash balance to a more reasonable level. To forecast our equity, we used management recommendations in the 10-K in which the average strike price and increase in shares outstanding are expected to remain stable. The debt-equity ratio will be 4.54, 4.57, 4.73, 4.66, and 4.80 for years 2024, 2025, 2026, 2027, and 2028 respectively. Additionally, the debt to capital ratio will be 0.82 for 2024, 2025, and 2027, but 0.83 for 2026 and 2028.

Payout Policy

Dividends



We used management guidance cited on the 2023 end of year earnings call to make our projections for future dividends. Despite management saying that dividend growth will likely be in the 6-8% range, we believe it will be at the lower end of that range for the first two years, but then rise for the last two and continue value rate [20]. This is because we expect our earnings and return on equity to increase substantially in the following 2026 because of past capital expenditures

generating revenue. We forecast dividends to be \$1.98, \$2.10, \$2.25, \$2.41, and \$2.57 per share for the years 2024, 2025, 2026, 2027, and 2028 respectively.

The payout ratio should drop because earnings per share will increase at a higher percentage. With earnings per share growing significantly, NEE will build a retention ratio greater than past years to fund increased capital expenditures and growth initiatives.

Share Repurchases

NextEra Energy is a company that rarely repurchases shares based on past 10-K data. Based on this information, we do not forecast any share repurchases in the next four years.

WACC

It is important to consider the weighted average cost of capital (or WACC) when crafting a valuation model. We calculated the 61.7% of the total capital is from the market value of equity by multiplying the share price (as of close 10 April 2024) by the number of shares outstanding. Market value of debt on the other hand, was calculated by taking the sum of all short-term debt, current portion of long-term debt, long term debt, and present value of operating leases. This value came out to be 80,538.4 (38.3%). Multiplying the costs by their weights gave us a weighted average cost of capital of 6.8%.

Cost of Equity

To calculate the Cost of Equity we used the capital asset pricing model (or CAPM) which involved us taking the Bloomberg-provided raw beta and multiplying it by the equity risk premium and adding that value to the risk-free-rate. The 4.58% risk-free-rate was found by deriving the yield of a 10-yr US Treasury bond, while the 5.26% equity risk premium

was calculated by taking a geometric average over the 10-yr US Treasury bond yield [21]. To calculate the 0.73 beta, we took an average of 2-year, 3-year, 4-year, 5-year, weekly betas and 5-year monthly beta [21]. These values computed an 8.40% Cost of Equity.

Cost of Debt

The inputs for the cost of debt were the risk-free-rate (discussed previously), the implied default premium, and the marginal tax rate. We used the Bloomberg 10-year yield to maturity curve to find a pre-tax cost of debt of 5.41% [21]. Using the same risk-free-rate as our cost of equity, we were able to back into the implied default premium at 0.83% [21]. To find the forecasted marginal tax rate we took an average of the marginal tax rate between 2020 and 2023 to find a 22% rate [13]. These values computed an after-tax Cost of Debt of 4.22%.

Industry Analysis

Industry Description

The electrical utility industry is a government regulated business that makes money from the demand of energy from consumers. Prices for most utility companies are set and must be petitioned to change making prices very static. Volume of energy demanded is closely tied to overall economic growth which is estimated in the *economic analysis section*. The main sources for energy are coal, natural gas, oil, nuclear, and renewable energy. The type of energy a company chooses to focus in has a great effect on the price to earnings ratio and the growth potential the market shows for these companies.

Porter's Five Forces

Competition – Low

The energy utility energy has very low competition because of the high amount of government regulation. Governments control the level of competition that is allowed in the market because their goal is to keep prices as affordable as possible for consumers which might mean they only one a single utility company in a specific area. The low competitive environment helps them remain dominant in the areas they already service, but it is harder for NEE to expand.

Threat of Substitutes – Very Low

There is no more efficient way to provide energy to consumers other than utilities for electricity. Since there are no substitutes, there can be no threat to NEE [1].

Supplier Power – High

Supplier power is high because there is a limited number of suppliers that consistently contains very complex supply chains. For these reasons utility companies have little leverage to bargain for the necessary commodities, and this will put stress on NEE's profit margin if commodity prices rise.

Customer Power - Low

Customer power is low at this point because the energy is a commodity, but it is rising with the rise of renewable energy. Renewable energy often acts as an additional energy supplier in most areas, so with more renewable energy companies' customer power going forward should continue to rise. The utilities petition process is how they change the prices, and the government could keep rates favorable for the company.

Threat of New Entries - Low

All energy sources require high startup capital which makes new competition very rare since many markets already have an industry provider. The riskiness of putting high amount of capital of front with no guarantee a new utility company will be able to take market share keeps many new competitors away. This will keep competition low for the foreseeable future for NEE.

Recent Development and Trends

Renewable Energy Subsidies

The government has been pushing renewable energy by offering massive subsidies to utility companies that are investing into renewable projects. This has caused a shift in capital expenditures and overall company investment plans to be more focused on renewable projects. Subsidies are tax credits 93% of the time with the biggest credit being the Inflation Reduction Act [3]. This Act offer many types of credits for renewable projects providing with some reaching a 40 percent tax credit [4]. These credits will push NEE to be more profitable and increase the amount of capital they can put into future capital expenditures.

Emission Reduction Initiatives

Companies across America have been demanding clean energy because of the government incentives and public opinion. Utility companies benefit from having a positive public opinion, so many are pushing to implement clean energy. As mentioned above, the government is offering massive subsidies that have ignited investment in renewable energy. This has made it much easier for companies to garner positive public opinion while making profitable investments. Over 115 billion dollars has been spent by

companies to growing America’s clean energy economy since March 2021 [4]. NEE will continue to benefit from revenues of companies that want to utilize clean energy.

Population Growth

The demand for energy is closely tied to macroeconomic factors like population growth. The United States population has a compounded annual growth rate of .52% over the past ten years and is projected to continue growing at a similar rate [3]. More people will mean more energy is demanded by both the sheer number of people but also the increased GDP that happens as a result (GDP estimate is talked about in depth in the *economic analysis*).

Peer Comparison

Companies	Stock Price	Market Capitalization	P/E 24E	Percent of Renewable Revenue
Next Era Energy, Inc.	\$ 64	\$ 131,170	19.34	55%
The Southern Company	\$ 72	\$ 78,515	4.02	15%
Duke Energy Corporation	\$ 97	\$ 74,823	5.97	23%
American Electric Power Company	\$ 86	\$ 45,418	5.60	17%
General Electric Vernova	\$ 137	\$ 37,159	33.15	44%

[23]

The peer group for NEE was chosen by finding companies that are large market capitalization (market cap) in the electrical utilities industry preferable operating in the southern region or have a similar renewable energy business.

The Southern Company

The Southern Company (SO) operates in the southern region and is the primary provider for Georgia and Alabama with the second highest market cap in the energy utility industry. These factors make the southern company a very comparable company to NEE even though the company has the lowest renewable revenue percentage. Additionally, the southern company is a direct competitor

of FPL due to Traditional Electric Operating Company operating in Florida and accounts for 72 percent of the SO’s revenue (not all revenue is from Florida) [14]. The reason NEE is trading at a higher multiple than SO is because NEE is almost 4 times more renewable than SO. This gap explains why NEE should be valued more as a growth company rather than a value company like SO.

Duke Energy Corporation

Duke Energy Corporation (DUK) operates as a direct competitor very similarly to SO. With a market cap of almost 75 billion dollars, this company supplies energy to the center of Florida bringing in just over 7 billion in revenue [15]. DUK is also 23% renewable which is the third highest out of NEE peer group. DUK is trading at a multiple of 6, but even though these companies appear very similar, NEE supplies more than twice as much renewable energy to a greater area which raises the P/E ratio [15].

American Electric Power Company

American Electric Power Company (AEP) distributes energy to 10 states and brings in about two thirds of the revenue of NEE [16]. The smaller revenue accounts for the market cap being around a third of the amount. The biggest reason AEP is comparable to NEE is because the high percentage of sales that AEP has contributed to Capital Expenditures. Historically AEP has used mostly coal, but they are in the middle of a transition to gas, nuclear, and renewables [16]. Their expected growth has put their P/E at a 5.60 multiple because they are still very far behind NEE’s renewable energy growth.

General Electric Vernova

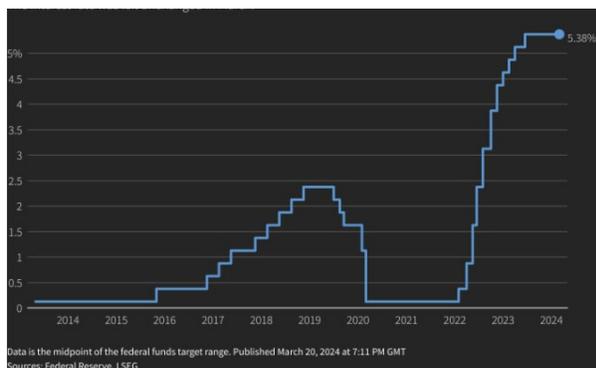
General Electric Vernova (GEV) is the most comparable company to NEE in terms of renewable revenue. In 2022 GEV had 32.8 billion dollars in revenue or 3 billion dollars more in revenue than NEE in the same year but had very low earnings [11]. This is what accounts for their low market cap, but also the reason that the P/E is so high even though they have less renewable revenue than NEE. This company could potentially be driving competition in the national renewable space if GEV can increase their profit margins.

Economic Analysis

Federal Funds Rate

The energy sector is very sensitive to interest rates, as they affect a company's ability to invest in new infrastructure, issue debt for projects, and dampen consumer demand. As this rate fluctuates the effect is displayed in borrowing, saving, and treasury bond rates. If the Fed keeps this rate high, it cools the economy and reduces spending. Companies in the Utilities and Energy sectors depend on debt markets to fund CAPEX. The current effective federal funds rate stands at 5.33% [18].

Effective Fed Funds:



We believe that the federal funds rate will fall 1.5% by 2025, bringing the effective rate to 3.83%. We believe this will be followed by a .5% cut in the following three years. Bringing us to 2.33% in 2028. The CME Fed Watch Tool currently has an average estimate of a 4.33% effective rate in September 2025 [7]. Our estimate is below street expectations because we believe the Fed's hand will be forced by a deflationary event, geopolitical conflict, or rising national debt levels.

The Fed is underestimating the impact of a potentially deflationary event. We have begun to see cracks in the banking system over the past year. While solvency issues have subsided and the distressed paper has rallied to close 2023, risk happens fast. Slumping values in the commercial real estate markets are putting continued stress on banks across the globe [19].

The geopolitical landscape remains complicated. As smaller wars and conflicts continue to break out, the likelihood of larger scale conflict increases. If the U.S. were to get involved in a war, they would need to issue large amounts of debt to fund the efforts [10]. In this event, the Fed would likely resume quantitative easing and take rates substantially lower.

Regardless of a potential recession or deflationary event, the Fed can't keep rates higher for longer. The U.S. national debt stands at 34.5 trillion [12]. While rates have come down in recent months, the federal government can't afford for their paper to roll at a 4-5% interest rate. Interest payments are quickly blowing out and will exceed defense spending soon. While monetary policy is technically separate from fiscal policy, fiscal spending will continue to dominate as debt levels climb.

Whether the Fed makes it back to 2% inflation or not they will start to cut soon. We don't know where the first domino will fall - but it will fall. In an overleveraged economy like ours, the Fed will be forced to take rates to zero quickly, as they were in the previous two recessions.

BBB Effective Yield

While the federal funds rate is very useful for determining the direction of the entire economy, corporate yields offer a much more specific way to measure CAPEX impacts. The index we chose reflects the yield of all invest grade rated corporate debt publicly issues in the US rated BBB. Using these rates allows us to specifically measure the cost of debt for the kinds of companies we are looking at, instead of using treasuries which measure the cost of the government to borrow. We chose a BBB index because it most closely reflects our investment universe (NEE is BBB rated). Energy and Utility companies have huge CAPEX budgets because of the infrastructure heavy nature of their business. This means being able to finance projects as cheap as possible is important for maximizing profitability.

BBB Effective Yield:

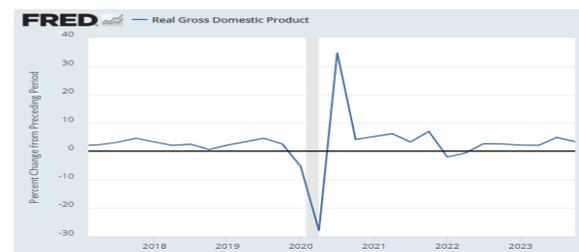


Similar to our Federal Funds Rate projection, we expect BBB corporate yields to fall, representing a parallel long-run shift in the yield curve. A lot of the recent fall in BBB

yields is due to markets reacting to a more dovish Fed. While the fed hasn't made a rate cut yet, Powell's press conference certainly sounded like a pivot. This caused bonds to rally and yields to fall. As actual rate cuts begin to happen in mid-2024, we expect corporate yields to continue to fall. We expect corporate yields of 4.5% by the end of 2025.

Real Gross Domestic Product (GDP) Growth

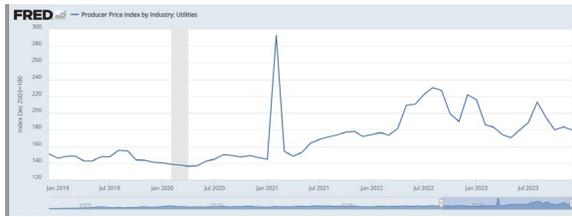
Quarter over Quarter change in real GDP:



There is a positive correlation between overall economic growth and electricity demand. Following the third quarter of 2020, real GDP has averaged a 3.1% growth year over year (YoY) [19]. Despite a brief contraction in the first half of 2022, GDP has maintained a solid growth rate even in the presence of rising inflation, supply chain issues, and tight labor markets [19]. It is important to note that the Federal Reserve Bank of St. Louis predicted GDP growth to fall to less than 1% in 2023 because of these similar issues, but the economy managed to maintain about a 3% growth rate. With FED rate cuts on the horizon for the second half of 2024, we forecast that real GDP growth will rise to 3.5 for 2024. The increase in GDP will result in more energy demand and increased revenues for the at least the coming year.

Utilities Producers Price Index

Five-year Utilities PPI:



The utility specific PPI is a very good indicator of how levels of inflation are impacting utility and energy companies' expenses. Input prices include natural gas, coal, and nuclear input and raw material expenses. Inflation in areas that increase prices for capital expenditures could influence the long-term growth ability for utility companies, as utilities must be granted approval to change their monthly rate charged to customers. A massive amount of capital is needed to fund the long-term growth initiatives NEE is reaching for, so the increase in these prices could make growth projects too expensive and therefore predict the rate at which these companies will grow. The utility PPI index of inputs can predict growth levels for companies in the utility sector.

Within the next 3 months, the utility PPI will decrease and bottom out at 170. In the next 1 to 2 years the PPI will increase to 210 because of uncertainty of the supply line in the middle east and the cycle of natural gas reserves needing to be refilled and therefore increasing demand. These movements should not significantly impact profitability, but the quick rise in PPI may cause a momentary decrease in stock price because of investor sentiment.

Population Growth of Florida

Six-Year Florida Population Growth:



NEE's utility division, Florida Power & Light, generates its revenue from customer accounts in the state of Florida. Between 2021 and 2023 the state sustained a population growth rate of at least 1.65% which makes Florida the fastest growing state in the US. Based on three-year averages, we forecast that the state will continue to grow at between a 1.65% and 1.75% rate in the next four years. These high population growth rates directly correlate to the number of customer accounts added which drives FPL's revenue.

Valuation Models

Discounted Cash Flow (DCF) Model

Estimated share price: \$75.24

For our DCF, we forecasted NEE's free cash flows for years 2024-2028 which is the entirety of our forecast horizon. On the final year we computed a continuing value which will represent all future cash flows following 2028. The inputs for computing our continuing value (CV) are the net operating profit less adjusted taxes (or NOPLAT) of year 2028, constant growth of NOPLAT, return on invested capital (or ROIC) of year 2028, and estimated WACC. We used a constant NOPLAT growth rate of 2.5%, as it reflects a conservative growth of the market and industry in an uncertain climate. We

calculated the year 2028 ROIC by dividing our forecasted 2028 NOPLAT by our forecasted 2027 Invested Capital to achieve a value of 10.77%. We used the calculated WACC of 6.8% discussed previously. Including our continuing value for year 2028, our free cash flows used are 4,057, 5,497, 7,720, 9,006, and 271,354 for 2024, 2025, 2026, 2027, and 2028 respectively. Using the WACC to the power of the number of years from today, we discounted these to find the present value of all these cash flows (CV year was discounted by 4). Taking the sum of the present value gave us a value of operating assets of 230,440. From this point, we needed to make non-operating adjustments and subtract total debt which can be seen on the balance sheet. These adjustments gave us a value of 155,125 which was divided by 2,028 total shares outstanding to get an implied last FYE intrinsic value of \$74.24. To adjust this value to find the intrinsic value of today, we multiplied this value by 1 added to the difference between the 8.40% and the 3.73% current dividend yield to the power of 107 divided by 366. This came out to an intrinsic value of \$75.24.

This represents an increase of 17.54% increase. This forecast seems a little high considering this is a utility company, but this high of an upside is what makes us comfortable that NEE is a buy.

Economic Profit (EP) Model

Estimated share price: \$75.24

We know that the EP Model and DCF Model should equal the same intrinsic value, but instead of using free cash flows, we use economic profit value for each year which are then discounted the same way, summed together, and added to that year's invested capital to find the value of operating assets.

To find the EP value of years 2024-2027, we subtract the WACC from the NOPLAT divided by the previous year's invested capital and multiply that value by the invested capital of the previous year. We still needed to compute a CV that represented all future cash flows following 2028, but we largely used the same value as the DCF model. After discounting all EP values, using 130,299 CV as 2028's EP, the same way we discounted cash flows in the DCF model, we achieved a present value of total EP value of 109,781. We added this value to 2023 invested capital of 120,660 to get a 230,440 value of operating assets. Final steps of non-operating adjustments and applying the mid-year value formula are the same as the DCF model. We found the today intrinsic value of \$75.24.

Same analysis as *Discounted Cash Flow (DCF) Model*

Dividend Discount Model (DDM)

Estimated share price: \$71.23

Our next valuation model is the Dividend Discount Model (DDM) which uses the expected dividends as cash flows and the product of earnings-per-share (EPS) and price-to-earnings (P/E) as the continuing value. The inputs of this model are the 2028 EPS, the 2028 return-on-equity (ROE), and the cost of equity from the WACC calculation. We estimated continuing value EPS growth to be 3.75%. Return on equity is computed by dividing forecasted net income by the previous year's total stockholders' equity and came out to be 12.94%. Using these assumptions we could find a P/E multiple that allowed us to compute an expected stock price for year 2028 by multiplying that P/E multiple by the expected 2028 EPS. This equation gave us a 2028 stock price of \$83.17. Using this value as the

cash flow for 2028, and the forecasted dividends of years 2024-2017 (see income statement), we could use the cost of equity as the WACC and discount all these back to today. The summation of all these present values multiplied by the mid-year intrinsic value formula (discussed previously) gives us an intrinsic value today of \$68.26 from the dividend discount model.

This represents an increase of 11.28% increase. NEE is a dividend paying company, so it makes sense to use the DDM when making analysis. This analysis is very favorable especially since this model represents the downside of the firms increase.

Relative Valuation Model

Estimated share price: \$17.20

The averages from the relative valuation are substantially below the P/E and PEG ratio for NEE, but this would be expected since NEE is an industry leader and expected to have faster growth. GEV and NEE were both considered outliers for all statistics (except for NEE’s Est. Growth). The average P/E was 5.20 and NEE traded at 19.3 [13]. Though this may seem high it is important to keep in mind that NEE not only has the highest market capitalization, but already has the most renewable energy capacity that is growing faster than any other company of its size. The larger than average P/E is what drove the PEG ratio to also be higher than average. Another important consideration is to compare NEE to GEV directly because they are the most similar company in terms of energy production. GEV is much smaller and has not been very efficient in producing profits (hence a 33.15 P/E), but the credibility and backing and general electrics has pushed investors to see the growth potential in GEV [17]. Even though GEV numbers are slightly

inflated, this does put into perspective that the P/E ratio that NEE is trading at may not be unwarranted. Overall, the relative valuation is useful in looking at other comparable companies in size, but since NEE has different energy production sources it is more accurate to compare NEE to firms like GEV.

Sensitivity Analysis

CV Revenue NEER Growth Rate vs. CV Revenue FPL Growth Rate

		CV FPL Revenue Growth Rate							
		75.24	0.25%	0.45%	0.65%	0.85%	1.05%	1.25%	1.45%
CV NEER Growth Rate	15.50%	73.46	73.62	73.79	73.95	74.11	74.28	74.44	74.44
	16.00%	73.89	74.05	74.22	74.38	74.54	74.71	74.87	74.87
	16.50%	74.32	74.48	74.65	74.81	74.97	75.14	75.30	75.30
	17.00%	74.75	74.91	75.07	75.24	75.40	75.56	75.73	75.73
	17.50%	75.18	75.34	75.50	75.67	75.83	75.99	76.16	76.16
	18.00%	75.61	75.77	75.93	76.10	76.26	76.42	76.59	76.59
	18.50%	76.03	76.20	76.36	76.52	76.69	76.85	77.01	77.01

Revenue is a main driver of stock prices because much of the value of the stock is tied to the performance of new projects. It is very important to consider the CV in our model, as it accounts for more than 90% of the total estimated price. The growth rates associated with NEER and FPL is what drive total revenue, but as the table shows, the range of 73.46 and 77.03 is not a cause for concern. This tight window shows that NEE can significantly underperform the projected revenue growth rates and be valued higher than the current price point.

CV Growth of NOPLAT vs. WACC

		CV Growth of NOPLAT							
		75.24	2.20%	2.30%	2.40%	2.50%	2.60%	2.70%	2.80%
WACC	6.50%	80.36	81.60	82.91	84.28	85.72	87.23	88.83	88.83
	6.60%	77.49	78.65	79.86	81.13	82.46	83.86	85.33	85.33
	6.70%	74.76	75.83	76.95	78.12	79.36	80.65	82.01	82.01
	6.80%	72.14	73.14	74.18	75.26	76.40	77.60	78.86	78.86
	6.90%	69.64	70.56	71.53	72.53	73.59	74.70	75.85	75.85
	7.00%	67.24	68.10	68.99	69.93	70.90	71.93	73.00	73.00
	7.10%	64.94	65.73	66.57	67.43	68.34	69.28	70.27	70.27

The CV of NOPLAT is a driver of the models, along with WACC to discounts the FCF. A 6% difference in either of these drivers gave

a \$10 stock price range. The growth of NOPLAT was determined by the expected increase of the whole utility industry because this represents the perpetual growth of the stock. We believe since it would be difficult to beat the industry in perpetuity this variable would have to stay close to 2.5%. WACC should not be very volatile because it is derived from the cost of equity and debt that will be broken down further in the next three tables. Overall, these variables are strong drivers, and should not drastically impact our model if small changes do occur.

Cost of Equity vs. CV of ROIC

		Cost of Equity							
		75.24	7.80%	8.00%	8.20%	8.40%	8.60%	8.80%	9.00%
CV of ROIC	9.07%	80.63	76.88	73.35	70.02	66.87	63.90	61.08	
	9.57%	82.77	78.94	75.34	71.95	68.74	65.71	62.84	
	10.07%	84.70	80.81	77.14	73.69	70.43	67.34	64.42	
	10.57%	86.44	82.49	78.77	75.26	71.95	68.82	65.85	
	11.07%	88.03	84.02	80.25	76.70	73.34	70.16	67.16	
	11.57%	89.48	85.42	81.61	78.01	74.61	71.39	68.35	
	12.07%	90.81	86.71	82.85	79.21	75.77	72.52	69.44	

The CV of ROIC and the cost of equity are both stable and change, while overall impact on the model is rare. The cost of equity accounts for over 60% of the WACC, but this variable is based on ten-year averages that are hard to change. It would be very unlikely for this variable to significantly change in a short period of time to change this model. The CV of ROIC is within the range that NEE has been producing for the past decade. The ROIC is on the higher side, but this is expected since capital expenditure projects should start to produce more earnings than expenditures. However, if the ROIC were to fall to the lower range at 9.07%, the stock price would still be above the current price at just above \$70.

Beta vs. Equity Risk Premium

		Beta							
		75.24	0.58	0.63	0.68	0.73	0.78	0.83	0.88
ERP	4.51%	100.16	94.76	89.74	85.08	80.73	76.67	72.86	
	4.76%	96.64	91.21	86.20	81.54	77.20	73.15	69.37	
	5.01%	93.28	87.85	82.83	78.18	73.86	69.84	66.08	
	5.26%	90.09	84.65	79.64	75.01	70.71	66.71	62.98	
	5.51%	87.03	81.60	76.60	71.99	67.72	63.75	60.05	
	5.76%	84.12	78.70	73.71	69.12	64.88	60.94	57.28	
6.01%	81.33	75.92	70.96	66.40	62.18	58.27	54.65		

Beta and equity risk premium (ERP) affects WACC, significantly affecting the price of the DCF. Fortunately, both factors are very stable; NEE is in a very stable industry and has the biggest market cap which will keep the beta low around .73, and the equity risk premium is a 10-year treasury average so it must move slowly. These two variables together show the key drivers of the cost of equity on the model, but since both are very steady, there is little risk that these variables will impact the valuation.

Risk Free Rate vs. Pretax Cost of Debt

		Risk Free Rate							
		75.24	4.28%	4.38%	4.48%	4.58%	4.68%	4.78%	4.88%
Pretax Cost of Debt	5.11%	83.38	81.47	79.62	77.82	76.08	74.38	72.73	
	5.21%	82.40	80.52	78.70	76.93	75.21	73.53	71.91	
	5.31%	81.44	79.59	77.79	76.04	74.35	72.70	71.09	
	5.41%	80.49	78.66	76.89	75.17	73.50	71.87	70.29	
	5.51%	79.56	77.76	76.01	74.31	72.66	71.06	69.50	
	5.61%	78.63	76.86	75.14	73.46	71.83	70.25	68.71	
	5.81%	76.83	75.10	73.43	71.80	70.21	68.67	67.17	

The risk-free rate (RFR) and the pretax cost of debt are two more drivers for WACC. Again, WACC is a very significant driver in the model because it discounts the FCF and the EP models. These variables do not affect the model as much as the previous two variables, but they show the other half of cost of equity and cost of debt. These variables again are not likely to change significantly because they are derived from 10-year treasury bonds, so they should not impact our valuation significantly.

COGS as % of Sales vs. Marginal Tax Rate

Marginal Tax Rate	COGS Percent of Sales							
	75.24	18.79%	19.04%	19.29%	19.54%	19.79%	20.04%	20.29%
20.5%	78.89	78.02	77.14	76.26	75.38	74.50	73.62	
21.0%	78.54	77.67	76.79	75.92	75.04	74.17	73.29	
21.5%	78.19	77.31	76.44	75.57	74.70	73.83	72.96	
22.0%	77.83	76.96	76.10	75.23	74.36	73.50	72.63	
22.5%	77.47	76.61	75.75	74.89	74.02	73.16	72.30	
23.0%	77.11	76.26	75.40	74.54	73.68	72.82	71.97	
23.5%	76.76	75.90	75.05	74.19	73.34	72.49	71.63	

COGS accounts for almost a third of the operating expenses and it can be shown how big of an impact they have when compared to another major expense of marginal tax rate. The marginal tax rate has historically been very steady for the financial statements. The tax rate may fluctuate slightly, but we are confident the move will not be impactful. Percent of COGS was made from the “fuel, purchased power and interchange” account on the balance sheet. This account is driven by prices of gas and has been known to be volatile because of the uncertainty of global markets. For every 25 Bps the stock price moves about a dollar, and that is concerning when considering that the percent of sales has reached 30% in past years. We believe this is unlikely to move forward because as a company they will have more bargaining power from their size and multiple options in fuel sources. This bargaining power along with the expected increase in efficiency should keep the percentage of COGS to sales in the orbit of 19.5%.

Conclusion

Capital expenditures geared towards infrastructure for long-term revenue generation have set NextEra Energy up to take advantage of a growing renewable energy market. From utilizing this opportunity, revenues will rise significantly, consequently, bolstering the stock price. Expecting a stable economic climate, (including decreasing interest rates,

decreasing gas prices, and increasing energy demand) NextEra will benefit from better investor sentiment. With new energy projects expected to come online, coupled with stable revenue growth from a reliable utility, we recommend a **BUY** rating be assigned to NEE.

Important Note

This report was created by students enrolled in Applied Equity Valuation 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 with 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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Next Era Energy, Inc.
Revenue Decomposition

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
NEE Total Revenue	17069	20956	28114	30,715	32,755	35,083	38,067	41,535
<i>Rev. Growth Rate</i>	-5%	23%	34%	8.470%	6.227%	6.634%	7.841%	8.349%
Florida Power & Light (FPL)								
Revenue from Residential Class	7756.1	9332.28	10468.05	10,296	10,382	10,471	10,559	10,649
<i>Residential Rev. Growth Rate</i>	15%	20%	12%	-1.65%	0.84%	0.86%	0.85%	0.85%
Rev. from Commercial Class	4512.64	5530.24	6060.45	5,961	6,011	6,062	6,113	6,165
<i>Commercial Rev. Growth Rate</i>	21%	23%	10%	-1.65%	0.84%	0.86%	0.85%	0.85%
Revenue from Wholesale Class	423.06	691.28	550.95	542	546	551	556	560
<i>Wholesale Rev. Growth Rate</i>	21%	63%	-20%	-1.65%	0.84%	0.86%	0.85%	0.85%
Revenue from Other Classes	1410.2	1728.2	1285.55	1,264	1,275	1,286	1,297	1,308
<i>Other Rev. Growth Rate</i>	73%	23%	-26%	-1.65%	0.84%	0.86%	0.85%	0.85%
<i>State of Florida Population Growth (average)</i>	1.2%	1.9%	1.6%	1.75%	1.68%	1.71%	1.69%	1.70%
<i>Customer Rate Increase (based on inflation growth)</i>		2.5%	2.5%	-2.50%	0.00%	0.00%	0.00%	0.00%
<i>FPL's adjusted revenue growth</i>				-1.65%	0.84%	0.86%	0.85%	0.85%
FPL Total Revenue	14102	17282	18365	18,063	18,214	18,370	18,525	18,683
<i>FPL Rev. Growth Rate</i>	21%	23%	6%	-1.65%	0.84%	0.86%	0.85%	0.85%
Next Era Energy Resources								
NEER Total Revenue	3053	3720	9672	12,574	14,460	16,629	19,455	22,763
<i>NEER Rev. Growth Rate</i>	-39%	22%	160%	30.00%	15.00%	15.00%	17.00%	17.00%
Corporate and Other								
Corporate and Other Total Rev.	-86	-46	77	79	82	84	87	89
<i>Corp. and Other Rev. Growth Rate</i>	-21%	-47%	-267%	3.00%	3.00%	3.00%	3.00%	3.00%
Generating Capacity								
Florida Power & Light Total Gen. Capacity (MWs)	28564	32100	33276	34,961	36,937	39,407	41,483	43,834
<i>Gen. Cap Growth Rate</i>	2%	12%	4%	5.06%	5.65%	6.69%	5.27%	5.67%
Revenue Per MW	\$ 0.49	\$ 0.54	\$ 0.55	\$ 0.52	\$ 0.49	\$ 0.47	\$ 0.45	\$ 0.43
NEER Total Gen. Capacity (MWs)	24600	33800	37700	42,070	46,086	52,849	58,947	65,926
<i>Gen. Cap. Growth Rate</i>	-11%	27%	10%	11.59%	9.55%	14.68%	11.54%	11.84%
Revenue Per MW	\$ 0.12	\$ 0.11	\$ 0.26	\$ 0.30	\$ 0.31	\$ 0.31	\$ 0.33	\$ 0.35

Next Era Energy, Inc.
Income Statement

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Total Operating Revenues:	17,069	20,956	28,114	30,715	32,755	35,083	38,067	41,535
Operating Expenses:								
Fuel, purchased power and interchange	4,527	6,389	5,457	6,001	6,399	6,854	7,437	8,115
Other operations and maintenance	3,981	4,428	4,681	6,370	6,793	7,198	7,596	8,191
Storm restoration costs	28	-	-	-	-	-	-	-
Impairment charges	-	-	-	-	-	-	-	-
Acquisition-related	-	-	-	-	-	-	-	-
Depreciation and amortization	3,924	4,503	5,879	6,149	6,700	6,957	7,134	7,337
Taxes other than income taxes and other - net	1,801	2,077	2,265	2,878	3,104	3,323	3,524	3,791
Total Operating Expenses - net	14,233	17,397	18,282	21,399	22,997	24,333	25,692	27,433
Gains on disposal of businesses/assets - net	77	522	405	353	342	340	392	366
Operating Income	2,913	4,081	10,237	9,670	10,100	11,089	12,768	14,468
Other Income (Deductions)								
Interest expense	1,270	585	(3,324)	(3,961)	(4,299)	(4,351)	(4,533)	(4,492)
Interest income	-	-	-	124	178	74	182	147
Benefits associated with differential membe	-	-	-	-	-	-	-	-
Equity in earnings (loses) of equity method i	666	203	(648)	116	133	153	179	210
Allowance for equity funds used during cons	142	112	161	301	207	183	195	293
Gains on disposal of investments and other	70	80	125	101	115	126	129	134
Change in unrealized gains (losses) on equity securities held in NEER's nuclear decommissioning funds - net	267	(461)	159	249	257	265	272	281
Other net periodic benefit income	257	202	245	98	102	107	112	117
Other - net	130	200	333	433	563	732	878	1,054
Total other income (deductions) - net	262	(249)	(2,949)	(2,538)	(2,744)	(2,713)	(2,585)	(2,258)
Income before income taxes	3,175	3,832	7,288	7,131	7,356	8,377	10,183	12,211
Income taxes	348	586	1,006	1,569	1,618	1,843	2,240	2,686
Net Income (loss)	2,827	3,246	6,282	5,562	5,738	6,534	7,943	9,524
Net gain attributable to noncontrolling interes	746	901	1,028	1,151	1,316	1,496	1,762	2,007
Net income attributable to NEE	3,573	4,147	7,310	6,714	7,054	8,029	9,705	11,532
Net earnings (loss) per share - basic	1.82	2.1	3.61	3.31	3.47	3.95	4.77	5.66
Weighted average shares outstanding - basi	1962.5	1972.6	2,026.1	2,028.2	2,030.3	2,032.4	2,034.5	2,036.7
Annual dividends per share	1.54	1.7	1.87	1.98	2.10	2.25	2.41	2.57

Next Era Energy, Inc.
Balance Sheet

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
ASSETS								
Current Assets:								
Cash and Cash Equivalents	639	1,601	2,690	3,855	1,595	3,941	3,186	4,208
Customer Receivables - Net	3,378	4,349	3,609	4,782	5,341	5,982	6,282	6,501
Other Receivables	730	744	944	1,098	1,226	1,298	1,365	1,492
Materials, Supplies and Fuel Inventory	1,561	1,934	2,106	2,543	2,802	2,996	3,205	3,430
Regulatory Assets	1,125	2,165	1,460	1,527	1,598	1,672	1,749	1,830
Derivatives	689	1,590	1,730	1,810	1,894	1,981	2,073	2,168
Contract assets		318	1,487	1,045	1,115	1,194	1,296	1,570
Other Current Assets	1,166	789	1,335	1,134	1,046	1,094	1,080	1,138
Total Current Assets	9,288	13,490	15,361	17,794	16,615	20,157	20,234	22,337
Property Plant and Equipment - Net	99,348	111,059	125,776	137,032	142,302	145,914	150,055	159,631
Special Use Funds (Restricted Funds)	8,922	7,496	8,698	9,096	9,512	9,948	10,403	10,879
Investment in equity method investees	6,159	6,582	6,156	6,272	6,405	6,558	6,738	6,948
Prepaid benefit costs	2,243	1,832	2,112	2,210	2,312	2,418	2,530	2,647
Regulatory Assets	4,578	5,992	4,801	5,023	5,255	5,498	5,752	6,017
Derivatives	1,135	1,935	1,790	1,873	1,959	2,050	2,144	2,244
Goodwill	4,844	4,854	5,091	5,091	5,091	5,091	5,091	5,091
Other assets	4,395	5,695	7,704	5,532	5,052	5,342	5,620	5,824
Total other assets	131,624	145,445	162,128	172,128	177,888	182,819	188,333	199,281
Total Assets	140,912	158,935	177,489	189,922	194,503	202,976	208,567	221,617
Current Liabilities								
Commercial paper	1,382	1,709	4,650	3,589	3,530	3,772	4,214	4,855
Other short-term debt	700	1,368	255	970	1,077	1,159	1,186	1,097
Current portion of long-term debt	1,785	6,633	6,901	9,542	9,552	9,567	9,554	9,558
Accounts payable	6,935	8,312	8,504	9,527	10,954	12,279	12,895	13,589
Customer Deposits	485	560	638	800	853	911	970	1,049
Accrued interest & taxes	525	719	970	(188)	(207)	(178)	(175)	(122)
Derivatives	1,263	2,102	845	884	925	968	1,012	1,059
Accrued construction-related expenditures	1,378	1,760	1,861	3,493	2,374	2,111	2,250	3,369
Regulatory liabilities	289	350	340	332	326	364	373	387
Other current liabilities	2,695	3,182	2,999	2,688	2,764	2,866	2,900	2,843
Total Current Liabilities	17,437	26,695	27,963	31,637	32,147	33,818	35,179	37,684
Other Liabilities and Deferred Credit								
Long-term debt	50,960	55,256	61,405	65,363	66,275	69,292	68,083	70,688
Asset retirement obligations	3,082	3,245	3,403	3,249	3,207	3,237	3,268	3,273
Deferred income taxes	8,310	9,072	10,142	10,445	10,578	10,668	10,769	10,998
Regulatory liabilities	11,273	9,626	10,049	12,132	12,054	11,953	12,174	13,350
Derivatives	1,713	2,909	2,741	2,868	3,000	3,139	3,284	3,435
Other liabilities & deferred credits	2,468	2,696	2,762	2,400	2,514	2,568	2,588	2,566
Total other liabilities & deferred credits	77,806	82,804	90,502	96,456	97,628	100,857	100,166	104,311
Total liabilities	95,243	109,499	118,465	128,093	129,775	134,676	135,345	141,994
Redeemable Noncontrolling Interests - VIEs	245	1,110	1,256	1,256	1,256	1,256	1,256	1,256
EQUITY								
Common Equity	11,291	12,740	17,386	17,497	17,609	17,720	17,832	17,943
Retained earnings (accumulated deficit)	25,911	26,707	30,235	31,777	33,249	35,213	38,262	42,543
Accumulated other comprehensive income (loss)	-	(218)	(153)	(153)	(153)	(153)	(153)	(153)
Noncontrolling interests	8,222	9,097	10,300	11,451	12,768	14,263	16,026	18,033
TOTAL EQUITY	45,424	48,326	57,768	60,573	63,473	67,044	71,966	78,367
TOTAL LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY	140,912	158,935	177,489	189,922	194,503	202,976	208,567	221,617

Next Era Energy, Inc.
Forecasted Cash Flow Statement

Fiscal Years Ending Dec. 31	2024E	2025E	2026E	2027E	2028E
Net Income	5,562	5,738	6,534	7,943	9,524
Depreciation and Amortization	6,149	6,700	6,957	7,134	7,337
Change in Customer Receivables - Net	(1,173)	(559)	(641)	(300)	(219)
Change in Other Receivables	(154)	(128)	(72)	(67)	(127)
Change in Materials, Supplies and Fuel Inventory	(437)	(258)	(194)	(209)	(225)
Change in Other Current Assets	201	88	(48)	14	(58)
Change in Prepaid benefit costs	(98)	(102)	(107)	(112)	(117)
Change in Other Assets	2,172	480	(290)	(278)	(204)
Change in Accounts payable	1,023	1,426	1,325	616	694
Change in Customer Deposits	162	53	59	59	78
Change in Accrued interest & taxes	(1,158)	(19)	29	3	53
Change in Other current liabilities	(311)	76	102	34	(56)
Change in Asset retirement obligations	(154)	(42)	30	31	5
Change in Deferred income taxes	303	134	90	101	229
Change in Other liabilities & deferred credits	(362)	114	54	20	(22)
Total Operating Cash Flows	11,726	13,701	13,827	14,990	16,892
Change in Regulatory Assets	(67)	(71)	(74)	(77)	(81)
Change in Derivatives	(80)	(84)	(87)	(92)	(96)
Change in Contract assets	442	(69)	(79)	(102)	(275)
Change in Gross Property Plant and Equipment - Net	(17,405)	(11,970)	(10,570)	(11,275)	(16,913)
Change in Special Use Funds	(398)	(416)	(435)	(455)	(476)
Change in Investment in equity method Investees	(116)	(133)	(153)	(179)	(210)
Change in Regulatory Assets	(222)	(232)	(243)	(254)	(266)
Change in Derivatives	(83)	(87)	(91)	(95)	(99)
Change in Goodwill	-	-	-	-	-
Change in Derivatives	39	41	43	45	47
Change in Accrued construction-related expenditures	1,632	(1,120)	(263)	139	1,119
Change in Regulatory liabilities	(8)	(6)	39	8	15
Change in Regulatory liabilities	2,083	(78)	(101)	221	1,176
Change in Derivatives	127	132	139	145	152
Total Investing Cash Flows	(14,056)	(14,092)	(11,876)	(11,971)	(15,906)
Change in Commercial paper	(1,061)	(59)	242	442	642
Change in Other short-term debt	715	108	82	27	(90)
Change in Current portion of long-term debt	2,641	10	15	(13)	4
Change in Long-term debt	3,958	911	3,018	(1,209)	2,605
Change in Common Equity	111	111	111	111	111
Change in Accumulated other comprehensive income (loss)	-	-	-	-	-
Change in Noncontrolling interests	1,151	1,316	1,496	1,762	2,007
Dividends	(4,020)	(4,266)	(4,569)	(4,894)	(5,242)
Redeemable Noncontrolling Interests - VIEs	-	-	-	-	-
Total Financing Cash Flows	3,495	(1,868)	394	(3,774)	37
Net Change in Cash	1,165	(2,259)	2,345	(755)	1,023
Beginning Balance Cash	2,690	3,855	1,595	3,941	3,186
Ending Cash Balance	3,855	1,595	3,941	3,186	4,208

Next Era Energy, Inc.
Historical Cash Flow Statement

Fiscal Years Ending Dec. 31	2018	2019	2020	2021	2022	2023
Cash Flows From Operating Activities						
Net income (loss)	5776	3388	2369	2827	3246	6282
Adjustments to reconcile income to net cash:						
Depreciation & amortization	3911	4216	4052	3924	4503	5879
Nuclear fuel & other amortization	236	262	263	290	287	272
Impairment charges	11	72	-	-	-	-
Unrealized losses (gains) on marked to market derivative contracts - net	54	-108	533	2005	1378	-1949
Unrealized losses (gains) on equity securities held in NextEra Energy Resources, LLC & Nex	-	-	-	-	461	-159
Foreign currency transaction losses (gains)	16	17	45	-94	-104	92
Unrealized gains (losses) on marked to market energy contracts	-	-	-	-	-	-
Deferred income taxes	1463	258	-78	436	534	708
Cost recovery clauses & franchise fees	-225	155	-121	-599	-1465	1104
Acquisition of purchased power agreement	-52	-	-	-	-	-
Benefits associated with differential membership interests - net	-	-	-	-	-	-
Loss (gain) associated with Maine fossil	-	-	-	-	-	-
Equity in losses (earnings) of equity method investees	-358	-66	1351	-666	-203	648
Distributions of losses (earnings) from equity method investees	328	438	456	526	541	712
Allowance for equity funds used during construction	-	-	-	-	-	-
Losses (gains) on disposal of assets - net	-	-	-	-	-	-
Losses (gains) on disposal of businesses, assets & investments - net	-191	-461	-403	-146	-602	-530
Loss (gain) on NextEra Energy Partners, LP deconsolidation	-3927	-	-	-	-	-
Recoverable storm-related costs	-	-180	-69	-138	-811	-399
Other than temporary impairment losses on securities held in nuclear decommissioning fund	-	-	-	-	-	-
Net loss (gain) from discontinued operations, net of income taxes	-	-	-	-	-	-
Other adjustments - net	156	-213	189	-326	85	34
Changes in Operating Assets:						
Customer & other receivables	-	-	-	-	-	-
Materials, supplies & fossil fuel inventory	-	-	-	-	-	-
Other current assets	-	-	-	-	-	-
Current assets	-631	123	-364	-1267	-1340	58
Other assets	-	-	-	-	-	-
Noncurrent assets	-220	-93	-234	-324	-89	-408
Accounts payable & customer deposits	-	-	-	-	-	-
Margin cash collateral	-	-	-	-	-	-
Income taxes	-	-	-	-	-	-
Interest & other taxes	-	-	-	-	-	-
Other current liabilities	-	-	-	-	-	-
Current liabilities	163	116	-6	1053	1702	-1109
Other liabilities	-	-	-	-	-	-
Noncurrent liabilities	83	231	-	52	139	\$66.00
Net cash flows from operating activities	6593	8155	7983	7553	8262	11301
Cash Flows from investing activities						
Capital expenditures of FPL	-5012	-5560	-6477	-6626	-9067	-9302
Acquisition & capital expenditures of Gulf Power	-	-5165	-1012	-782	-	-
Independent power & other investments of NextEra Energy Resources, LLC	-6994	-6385	-6851	-8247	-9541	-15565
Cash grants under the American Recovery & Reinvestment Act of 2009	3	-	-	-	-	-
Nuclear fuel purchases	-267	-315	-245	-275	-223	-185
Other capital expenditures	-731	-37	-25	-147	-452	-61
Proceeds from sale of the fiber-optic telecommunications business	-	-	-	-	-	-
Sale of independent power investments & other investments of NextEra Energy Resources, I	1617	1163	1012	2761	1564	1883
Change in loan proceeds restricted for construction	-	-	-	-	-	-
Proceeds from sale or maturity of securities in special use funds & other investments	3410	4008	3916	4995	3857	4875
Purchases of securities in special use funds & other investments	-3733	-4160	-4100	-5310	-4586	-5926
Proceeds from the sale of a noncontrolling interest in subsidiaries	-	-	-	-	-	-
Distributions from equity method investees	637	-	-	-	-	-
Other investing activities - net	120	274	83	40	89	-110
Net cash flows from investing activities	-10950	-16177	-13699	-13591	-18359	-23467
Cash Flows from Financing activities:						
Issuances of long-term debt, including premiums & discounts	4399	13919	12404	16683	13856	13857
Retirements of long-term debt	-3102	-5492	-6103	-9594	-4525	-7978
Proceeds from differential membership investors	1841	1604	3522	2779	4158	2745
Payments to differential membership investors	-	-	-	-	-	-
Net change in short-term debt	-	-	-	-	-	-
Proceeds from notes payable	-	-	-	-	-	-
Net change in commercial paper	1062	-234	-965	-169	327	2941
Proceeds from other short-term debt	5665	200	2158	-	1755	1980
Repayments of other short-term debt	-455	-4765	-2100	-257	-1125	-2613
Payments from (to) related parties under a cash sweep & credit support agreement - net	-21	-54	-2	47	240	1213
Repayments of notes payable	-	-	-	-	-	-
Issuances of common stock or equity units - net	718	1494	-92	14	1460	4514
Proceeds from issuance of NextEra Energy Partners, LP convertible preferred units - net	-	-	-	-	-	-
Proceeds from sale of noncontrolling interests	-	-	501	65	-	-
Dividends on common stock	-2101	-2408	-2743	-3024	-3352	-3782
Other financing activities - net	-372	-391	-406	-737	-565	-728
Net cash flows from financing activities	7634	3873	6174	5807	12229	12149
Effects of currency translation on cash, cash equivalents & restricted cash	-7	4	-20	1	-7	-4
Net increase (decrease) in cash, cash equivalents & restricted cash	3270	-4145	438	-230	2125	-21
Cash, cash equivalents & restricted cash at beginning of year	1983	5253	1108	1546	1316	3441
Cash, cash equivalents & restricted cash at end of year	5253	1108	1546	1316	3441	3420
Cash paid for interest (net of amount capitalized)	1209	1799	1432	1323	1375	2463
Cash paid (received) for income taxes - net	200	184	235	-69	-32	321

Next Era Energy, Inc.
Common Size Income Statement

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Total Operating Revenues:	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Operating Expenses:								
Fuel, purchased power and interchange	26.52%	30.49%	19.41%	19.54%	19.54%	19.54%	19.54%	19.54%
Other operations and maintenance	23.32%	21.13%	16.65%	20.74%	20.74%	20.52%	19.95%	19.72%
Storm restoration costs	0.16%		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Impairment charges			0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Acquisition-related			0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation and amortization	22.99%	21.49%	20.91%	20.02%	20.45%	19.83%	18.74%	17.66%
Taxes other than income taxes and other - net	10.55%	9.91%	8.06%	9.37%	9.48%	9.47%	9.26%	9.13%
Total Operating Expenses - net	83.39%	83.02%	65.03%	69.67%	70.21%	69.36%	67.49%	66.05%
Gains on disposal of businesses/assets - net	0.45%	2.49%	1.44%	1.15%	1.04%	0.97%	1.03%	0.88%
Operating Income	17.07%	19.47%	36.41%	31.48%	30.84%	31.61%	33.54%	34.83%
Other Income (Deductions)								
Interest expense	7.44%	2.79%	-11.82%	-12.89%	-13.12%	-12.40%	-11.91%	-10.82%
Interest income			0.00%	0.40%	0.54%	0.21%	0.48%	0.35%
Benefits associated with differential membership interests - net			0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Equity in earnings (losses) of equity method investees	3.90%	0.97%	-2.30%	0.38%	0.41%	0.44%	0.47%	0.51%
Allowance for equity funds used during construction	0.83%	0.53%	0.57%	0.98%	0.63%	0.52%	0.51%	0.70%
Gains on disposal of investments and other property - net	0.41%	0.38%	0.44%	0.33%	0.35%	0.36%	0.34%	0.32%
Change in unrealized gains (losses) on equity securities held in NEER's nuclear decommissioning funds - net	1.56%	-2.20%	0.57%	0.81%	0.78%	0.75%	0.72%	0.68%
Other net periodic benefit income	1.51%	0.96%	0.87%	0.32%	0.31%	0.30%	0.29%	0.28%
Other - net	0.76%	0.95%	1.18%	1.41%	1.72%	2.09%	2.31%	2.54%
Total other income (deductions) - net	1.53%	-1.19%	-10.49%	-8.26%	-8.38%	-7.73%	-6.79%	-5.44%
Income before income taxes	18.60%	18.29%	25.92%	23.22%	22.46%	23.88%	26.75%	29.40%
Income taxes	2.04%	2.80%	3.58%	5.11%	4.94%	5.25%	5.88%	6.47%
Net Income (loss)	16.56%	15.49%	22.34%	18.11%	17.52%	18.62%	20.86%	22.93%
Net Gain attributable to noncontrolling interests	4.37%	4.30%	3.66%	3.75%	4.02%	4.26%	4.63%	4.83%
Net income attributable to NEE	20.93%	19.79%	26.00%	21.86%	21.54%	22.89%	25.49%	27.76%

Next Era Energy, Inc.

Common Size Balance Sheet

% Sales

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
ASSETS								
Current Assets:								
Cash and Cash Equivalents	3.74%	7.64%	9.57%	12.55%	4.87%	11.23%	8.37%	10.13%
Customer Receivables - Net	19.79%	20.75%	12.84%	15.57%	16.30%	17.05%	16.50%	15.65%
Other Receivables	4.28%	3.55%	3.36%	3.57%	3.74%	3.70%	3.58%	3.59%
Materials, Supplies and Fuel Inventory	9.15%	9.23%	7.49%	8.28%	8.55%	8.54%	8.42%	8.26%
Regulatory Assets	6.59%	10.33%	5.19%	4.97%	4.88%	4.77%	4.59%	4.41%
Derivatives	4.04%	7.59%	6.15%	5.89%	5.78%	5.65%	5.44%	5.22%
Contract Assets		1.52%	5.29%	3.40%	3.40%	3.40%	3.40%	3.78%
Other Current Assets	6.83%	3.77%	4.75%	3.69%	3.19%	3.12%	2.84%	2.74%
Total Current Assets	54.41%	64.37%	54.64%	57.93%	50.73%	57.46%	53.15%	53.78%
Property Plant and Equipment - Net	582.04%	529.96%	447.38%	446.13%	434.44%	415.92%	394.18%	384.33%
Special Use Funds (Restricted Funds)	52.27%	35.77%	30.94%	29.61%	29.04%	28.35%	27.33%	26.19%
Investment in equity method Investees	36.08%	31.41%	21.90%	20.42%	19.55%	18.69%	17.70%	16.73%
Prepaid benefit costs	13.14%	8.74%	7.51%	7.19%	7.06%	6.89%	6.65%	6.37%
Regulatory Assets	6.59%	10.33%	5.19%	4.97%	4.88%	4.77%	4.59%	4.41%
Derivatives	4.04%	7.59%	6.15%	5.89%	5.78%	5.65%	5.44%	5.22%
Goodwill	28.38%	23.16%	18.11%	16.57%	15.54%	14.51%	13.37%	12.26%
Other assets	25.75%	27.18%	27.40%	18.01%	15.42%	15.23%	14.76%	14.02%
Total other assets	771.13%	694.05%	576.68%	560.39%	543.08%	521.11%	494.73%	479.79%
Total Assets	825.54%	758.42%	631.32%	618.33%	593.81%	578.57%	547.89%	533.56%
Current Liabilities								
Commercial paper	8.10%	8.16%	16.54%	11.68%	10.78%	10.75%	11.07%	11.69%
Other short-term debt	4.10%	6.53%	0.91%	3.16%	3.29%	3.30%	3.12%	2.64%
Current portion of long-term debt	10.46%	31.65%	24.55%	31.07%	29.16%	27.27%	25.10%	23.01%
Accounts payable	40.63%	39.66%	30.25%	31.02%	33.44%	35.00%	33.87%	32.72%
Customer Deposits	2.84%	2.67%	2.27%	2.60%	2.60%	2.60%	2.55%	2.52%
Accrued interest & taxes	3.08%	3.43%	3.45%	-0.61%	-0.63%	-0.51%	-0.46%	-0.29%
Derivatives	4.04%	7.59%	6.15%	5.89%	5.78%	5.65%	5.44%	5.22%
Accrued construction-related expenditures	8.07%	8.40%	6.62%	11.37%	7.25%	6.02%	5.91%	8.11%
Regulatory liabilities	1.69%	1.67%	1.21%	1.08%	0.99%	1.04%	0.98%	0.93%
Other current liabilities	15.79%	15.18%	10.67%	8.75%	8.44%	8.17%	7.62%	6.85%
Total Current Liabilities	102.16%	127.39%	99.46%	103.00%	98.14%	96.40%	92.41%	90.73%
Other Liabilities and Deferred Credit								
Long-term debt	298.55%	263.68%	218.41%	212.80%	202.33%	197.51%	178.85%	170.19%
Asset retirement obligations	18.06%	15.48%	12.10%	10.58%	9.79%	9.23%	8.59%	7.88%
Deferred income taxes	48.68%	43.29%	36.07%	34.00%	32.30%	30.41%	28.29%	26.48%
Regulatory liabilities	66.04%	45.93%	35.74%	39.50%	36.80%	34.07%	31.98%	32.14%
Derivatives	4.04%	7.59%	6.15%	5.89%	5.78%	5.65%	5.44%	5.22%
Other liabilities & deferred credits	14.46%	12.87%	9.82%	7.81%	7.67%	7.32%	6.80%	6.18%
Total other liabilities & deferred credits	455.83%	395.13%	321.91%	314.03%	298.05%	287.49%	263.13%	251.14%
Total liabilities	557.99%	522.52%	421.37%	417.03%	396.20%	383.88%	355.54%	341.86%
EQUITY								
Common equity	66.15%	60.79%	61.84%	56.97%	53.76%	50.51%	46.84%	43.20%
Retained earnings (accumulated deficit)	151.80%	127.44%	107.54%	103.46%	101.51%	100.37%	100.51%	102.43%
Accumulated other comprehensive income (loss)		-1.04%	-0.54%	-0.50%	-0.47%	-0.44%	-0.40%	-0.37%
Noncontrolling interests	48.17%	43.41%	36.64%	37.28%	38.98%	40.66%	42.10%	43.42%
TOTAL EQUITY	266.12%	230.61%	205.48%	197.21%	193.78%	191.10%	189.05%	188.68%
TOTAL LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY	825.54%	758.42%	631.32%	618.33%	593.81%	578.57%	547.89%	533.56%

Next Era Energy, Inc.
Value Driver Estimation

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
NOPLAT:								
Operating Revenues	17,069	20,956	28,114	30,715	32,755	35,083	38,067	41,535
Less: Fuel, purchased power, & interchange expenses	4,527	6,389	5,457	6,001	6,399	6,854	7,437	8,115
Less: Other operations and maintenance	3,981	4,428	4,681	6,370	6,793	7,198	7,596	8,191
Less: Storm restoration costs	28	-	-	-	-	-	-	-
Less: Impairment charges	-	-	-	-	-	-	-	-
Less: Acquisition-related	-	-	-	-	-	-	-	-
Less: Depreciation and amortization	3,924	4,503	5,879	6,149	6,700	6,957	7,134	7,337
Less: Taxes other than income taxes and other - net	1,801	2,077	2,265	2,878	3,104	3,323	3,524	3,791
Plus: Implied interest on operating leases	77	79	83	53	58	60	62	64
EBITA	4,686	5,715	12,180	12,248	12,921	14,134	15,962	17,957
Adjusted Taxes								
Income Tax Provision	348	586	1,006	1,569	1,618	1,843	2,240	2,686
Tax Shield From Non-Operating Expenses:								
Plus: Tax shield on gains (losses) on disposal of businesses/assets	(16)	(18)	(28)	(23)	(26)	(28)	(29)	(30)
Plus: Tax shield on interest expense	290	133	745	901	963	984	1,023	1,013
Tax on Non-Operating Expenses:								
Less: Taxes on interest income	-	-	-	28	40	17	41	33
Less: Benefits associated with differential membership interests - net	-	-	-	-	-	-	-	-
Less: Equity in earnings (losses) of equity method investees	152	46	(145)	26	30	35	40	47
Less: Allowance for equity funds used during construction	32	25	36	69	46	41	44	66
Less: Gains on disposal of investments and other property - net	16	18	28	23	26	28	29	30
Less: Change in unrealized gains (losses) on equity securities held in NEER's nuclear decommissioning funds - net	61	(105)	36	57	58	60	61	63
Less: Other net periodic benefit income	59	46	55	22	23	24	25	26
Less: Other - net	30	45	75	98	126	165	198	238
Total Adjusted Taxes	272	624	1,639	2,123	2,207	2,428	2,794	3,165
Change in Deferred Taxes	290	762	1,070	303	134	90	101	229
NOPLAT	4,704	5,852	11,611	10,428	10,847	11,795	13,268	15,021
Invested Capital (IC):								
Operating Current Assets:								
Normal Cash	494	606	814	889	948	1,015	1,102	1,202
Customer Receivables - Net	3,378	4,349	3,609	4,782	5,341	5,982	6,282	6,501
Other Receivables	730	744	944	1,098	1,226	1,298	1,365	1,492
Materials, Supplies and Fuel Inventory	1,561	1,934	2,106	2,543	2,802	2,996	3,205	3,430
Regulatory Assets	1,125	2,165	1,460	1,527	1,598	1,672	1,749	1,830
Other Current Assets	1,166	789	1,335	1,134	1,046	1,094	1,080	1,138
Total Current Operating Assets	8,454	10,587	10,268	11,973	12,960	14,057	14,782	15,592
Non Interest-Bearing Current Liabilities								
Accounts payable	6,935	8,312	8,504	9,527	10,954	12,279	12,895	13,589
Customer Deposits	485	560	638	800	853	911	970	1,049
Accrued construction-related expenditures	1,378	1,760	1,861	3,493	2,374	2,111	2,250	3,369
Regulatory liabilities	289	350	340	332	326	364	373	387
Other current liabilities	2,695	3,182	2,999	2,688	2,764	2,866	2,900	2,843
Total Non Interest-Bearing Current Liabilities	11,782	14,164	14,342	16,840	17,270	18,531	19,388	21,237
Plus: Net PP&E	99,348	111,059	125,776	137,032	142,302	145,914	150,055	159,631
Plus: Net Other Operating Assets								
Regulatory Assets	4,578	5,992	4,801	5,023	5,255	5,498	5,752	6,017
Other assets	4,395	5,695	7,704	5,532	5,052	5,342	5,620	5,824
Total Net Other Operating Assets	8,973	11,687	12,505	10,555	10,307	10,839	11,372	11,841
Less: Other Operating Liabilities								
Regulatory Liabilities	11,273	9,626	10,049	12,132	12,054	11,953	12,174	13,350
Other Liabilities	2,468	2,696	2,762	2,400	2,514	2,568	2,588	2,566
Total Net Other Operating Liabilities	13,741	12,322	12,811	14,532	14,568	14,521	14,762	15,917
Total Invested Capital (IC)	91,252	106,847	121,396	128,187	133,731	137,758	142,059	149,911
Free Cash Flow (FCF):								
NOPLAT	4,704	5,852	11,611	10,428	10,847	11,795	13,268	15,021
Change in IC	7,395.15	15,595.48	14,548.14	6,791.90	5,543.18	4,027.47	4,300.55	7,852.61
FCF	(2,691)	(9,743)	(2,937)	3,636	5,304	7,768	8,967	7,168
Return on Invested Capital (ROIC):								
NOPLAT	4,704	5,852	11,611	10,428	10,847	11,795	13,268	15,021
Beginning IC	83,857	91,252	106,847	121,396	128,187	133,731	137,758	142,059
ROIC	5.61%	6.41%	10.87%	8.59%	8.46%	8.82%	9.63%	10.57%
Economic Profit (EP):								
Beginning IC	83,857	91,252	106,847	121,396	128,187	133,731	137,758	142,059
x (ROIC - WACC)	-1.19%	-0.39%	4.07%	1.79%	1.66%	2.02%	2.83%	3.77%
EP	(999.23)	(353.68)	4,344.83	2,171.90	2,129.04	2,700.45	3,899.21	5,359.28

Next Era Energy, Inc.*Weighted Average Cost of Capital (WACC) Estimation***Cost of Equity:**

Risk-Free Rate	4.58%
Beta	0.73
Equity Risk Premium	5.26%
Cost of Equity	8.40%

ASSUMPTIONS:

*10 yr treasury bond
Average of 2 yr, 3 yr, 4 yr, 5yr weekly and 5 yr monthly Beta calculation
1928-2023 geometric average over 10 year treasury*

Cost of Debt:

Risk-Free Rate	4.58%
Implied Default Premium	0.83%
Pre-Tax Cost of Debt	5.41%
Marginal Tax Rate	22%
After-Tax Cost of Debt	4.22%

10 yr treasury bond

YTM on 10 yr corporate bond

Market Value of Common Equity:

Total Shares Outstanding	2,028
Current Stock Price	\$64.01
MV of Equity	129,825.9

MV Weights

61.71%

Market Value of Debt:

Short-Term Debt	4558
Current Portion of LTD	9542
Long-Term Debt	65363
PV of Operating Leases	1075
MV of Total Debt	80,538.40

38.29%

Market Value of the Firm

210,364.3

100.00%

Estimated WACC

6.80%

Next Era Energy, Inc.

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

Key Inputs:

CV Growth of NOPLAT	2.50%
CV Year ROIC	10.57%
WACC	6.80%
Cost of Equity	8.40%

Fiscal Years Ending Dec. 31	2024E	2025E	2026E	2027E	2028E
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DCF Model:

Free Cash Flow (FCF)	3,636	5,304	7,768	8,967	
Continuing Value (CV)					266,667
PV of FCF	3,404	4,650	6,376	6,892	204,960

Value of Operating Assets: 226,283

Non-Operating Adjustments:

Excess cash	2966
Current derivative assets	1810
Derivative assets	1873
Special Use Funds (Restricted Fur	9096
Investment in equity method Inv	6272
Prepaid benefit costs	2210
PV Operating Leases	-1075
Commercial paper	-3589
Long term debt	-65363
Current Portion of LT Debt	-9542
Non-controlling interest	-11451
Other Liabilities	-5088
Current derivative liabilities	-845
Derivative Liabilities	-2868
ESOP	-111

Value of Equity 150,577

Shares Outstanding 2,028

Intrinsic Value of Last FYE \$ 74.24

Implied Price as of Today \$ 75.24

EP Model:

Economic Profit (EP)	2,172	2,129	2,700	3,899	
Continuing Value (CV)					124608
PV of EP	2,034	1,867	2,217	2,997	95,774

Total PV of EP 104,887

Invested Capital (last FYE) 121,396

Value of Operating Assets: 226,283

Non-Operating Adjustments

Excess cash	2965.7
Current derivative assets	1809.9
Derivative assets	1872.7
Special Use Funds (Restricted Fur	9096.0
Investment in equity method Inv	6271.9
Prepaid benefit costs	2209.6
PV Operating Leases	-1074.8
Commercial paper	-3588.5
Long term debt	-65363.4
Current Portion of LT Debt	-9542.0
Non-controlling interest	-11451.4
Other Liabilities	-5088.0
Current derivative liabilities	-845.0
Derivative Liabilities	-2867.6
ESOP	-111.5

Value of Equity 150,577

Shares Outstanding 2,028

Intrinsic Value of Last FYE \$ 74.24

Implied Price as of Today \$ 75.24

Next Era Energy, Inc.

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

Fiscal Years Ending	2024E	2025E	2026E	2027E	2028E
EPS	\$ 3.31	\$ 3.47	\$ 3.95	\$ 4.77	\$ 5.66
ROE	11.08%	11.11%	11.98%	13.49%	14.71%
Key Assumptions					
CV growth of EPS	3.75%				
CV Year ROE	13.23%				
Cost of Equity	8.40%				
Future Cash Flows					
P/E Multiple (CV Year)					15.40
EPS (CV Year)					\$ 5.66
Future Stock Price					\$ 87.22
Dividends Per Share	1.98	2.10	2.25	2.41	
Discounted Cash Flows	1.83	1.79	1.76	1.74	63.16
Intrinsic Value as of Last FYE	\$ 70.29				
Implied Price as of Today	\$ 71.23				

Relative Valuation Models

Excluded from Average

Ticker	Company	Price	Market Cap.	EPS 2024E	EPS 2025E	P/E 24	P/E 25	Est. 5yr EPS gr.	PEG 24	PEG 25	% renewable
NEE	Next Era Energy, Inc.	\$64.01	\$131,170.29	3.31	3.47	19.3	18.4	2.7	7.3	7.0	55%
AEP	American Electric Power Company	\$86.10	\$45,418.20	\$15.38	\$14.43	5.60	5.97	1.8	3.04	3.24	17%
SO	The Southern Company	\$71.74	\$78,515.20	\$17.85	\$16.59	4.02	4.32	2.7	1.48	1.60	15%
DUK	Duke Energy Corporation	\$96.71	\$74,823.30	\$16.20	\$15.25	5.97	6.34	2.5	2.43	2.58	23%
GEV	General Electric Vernova	\$136.57	\$37,159.00	\$4.12	\$6.24	33.15	21.89	1.5	49.50	48.50	44%
Average						5.20	5.54	2.42	2.32	2.47	31%

NEE Next Era Energy, Inc. \$64.01 3.31 3.47 19.3 18.4 2.7 7.3 7.0

Implied Relative Value:

P/E (EPS24) \$ 17.20
P/E (EPS25) \$ 19.26
PEG (EPS24) \$ 20.33
PEG (EPS25) \$ 22.76

Next Era Energy, Inc.
Key Management Ratios

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Liquidity Ratios:								
Current Ratio (Current Assets/Liabilities)	0.53	0.51	0.55	0.56	0.52	0.60	0.58	0.59
Quick Ratio ((Current Assets - Inventory)/Current Liabilities)	0.44	0.43	0.47	0.48	0.43	0.51	0.48	0.50
Cash Ratio (Cash/Current Liabilities)	0.04	0.06	0.10	0.12	0.05	0.12	0.09	0.11
Asset-Management Ratios:								
Total Asset Turnover (Total Revenue/(Begin. Total Assets+End Total Assets))	0.064	0.070	0.084	0.084	0.085	0.088	0.092	0.097
Days Sales Outstanding (Total Receivables/(annual sales/365))	87.84	88.71	59.11	69.87	73.17	75.74	73.32	70.24
Fixed Asset Turnover (Total Receivables/Total Other Assets)	3.12%	3.50%	2.81%	3.42%	3.69%	3.98%	4.06%	4.01%
Financial Leverage Ratios:								
Debt to Asset Ratio (Total Debt/Total Assets)	0.39	0.41	0.41	0.42	0.41	0.41	0.40	0.39
Debt to EBITDA Ratio (Total Debt/EBITDA)	11.70	11.37	6.01	6.49	6.23	5.93	5.20	4.80
Debt to Equity Ratio (Total Debt/Total Equity)	4.86	5.10	4.21	4.54	4.57	4.73	4.66	4.80
Debt to Capital Ratio (Total Debt/(Total Debt+Total Equity))	0.83	0.84	0.81	0.82	0.82	0.83	0.82	0.83
Profitability Ratios:								
Return on Equity (NI/Beg TSE)	6.29%	7.15%	13.00%	9.63%	9.47%	10.29%	11.85%	13.23%
Return on Assets (NI/Beg TA)	2.21%	2.30%	3.95%	3.13%	3.02%	3.36%	3.91%	4.57%
Operating Income Margin (Operating Income/Revenue)	28.43%	17.07%	19.47%	36.41%	31.48%	30.84%	31.61%	33.54%
Payout Policy Ratios:								
Dividend Payout Ratio (Dividend/EPS)	84.62%	80.95%	51.80%	59.88%	60.47%	56.91%	50.43%	45.46%
Total Payout Ratio ((Divs. + Repurchases)/NI)	106.97%	103.27%	60.20%	72.28%	74.35%	69.93%	61.62%	55.04%
Retention Ratio	0.15	0.19	0.48	0.40	0.40	0.43	0.50	0.55

