NextEra Energy (NEE)

Rating: Buy

Price	Yield	Market Cap.	52-Week Range
$66.90	3.4%	$145.0B	$86.10 – $61.72

Data as of 05/21/2025

Sector	Utilities
Subsector	Utilities
Investment Category	Large Cap
Price Movement	Below Average

Company Overview

NextEra was founded in 1925 and is based in Juno Beach, Florida. It operates two primary businesses. Its regulated Florida utility, FP&L, serves about 6 million customers across Florida including the greater Miami region. NextEra Energy Resources is the largest wind- and solar-power generator in North America. Competitors in its renewable energy business include AVANGRID and Enel.

Revenues International	0%
Standard & Poor's/Moody's	A-/Baa1
MSCI ESG Rating	AA/Leader

Dividend Outlook (1-Year): Rising

Annualized Payment	$2.27
Last Change	10% (Feb 14, 2025)
Consec. Yrs Increased	22
Paid Since	1944
5-Yr. Trailing Growth	10%
Long-Term Growth Est.	10%
Payout Ratio ('25)	62%
Dividends Paid	Mar, Jun, Sep, Dec

Commentary: We expect dividends to increase at least as fast as earnings for the next several years, as NEE has a reasonable payout ratio (the percentage of earnings paid out in dividends) and generates significant cash from its unregulated (nonutility) businesses.

Valuation & Earnings

	'24A	'25E	'26E
Earnings Per Share	3.43	3.68	4.00
P/E	19.5x	18.2x	16.7x
PEGY	1.7x	1.6x	1.5x
LT EPS Growth Est.			8%
Est. Earnings Date			July 23, 2025

Annualized Total Returns	1yr	3yr	5yr
NextEra Energy	(4)%	3%	7%
S&P Utilities Index	15%	8%	11%
S&P 500 Index	11%	16%	16%

Data as of 5/21/25. Source: FactSet. Indexes are unmanaged and cannot be invested in directly. Past performance is no guarantee of future results.

Investment Summary

We rate shares of NextEra a Buy. The company is a leader in renewable power-generation. We expect the push toward cleaner power generation to continue in the U.S. NextEra also serves about 6 million customers in Florida through its regulated utility. Florida has seen good customer growth and has provided very supportive regulatory treatment for utilities. We believe these factors should provide NextEra with above-average growth opportunities.

Outlook

Above-Average Earnings Growth Expected - We forecast above-average earnings and dividend growth due to robust spending on utility infrastructure as well as renewables coming online with long-term contracts for output.

Leadership in Renewable Power Positions Company Well - NEE is the United States' largest producer of renewable power coming from wind and solar. In our view, the company's unregulated (nonutility) segment is well-positioned to benefit from the country's push toward lower emissions.

Favorable Regulatory Treatment and Customer Growth - The utility business serves most of southern Florida, an area that has had strong customer growth. We think Florida's regulatory treatment of utilities is positive for NextEra. NEE's utility business is allowed to earn above-average returns and has support from regulators to build renewable energy and projects that improve the resiliency of its electric grid against hurricanes and other storms.

Valuation and Recent Performance - We view shares as attractively valued. At a price-to-earnings ratio of approximately 16.7 times our 2026 earnings estimate, shares trade roughly in line with peers' 16.6 times. In our opinion, NEE has a strong track record of earnings and dividend growth, a quality management team, and above-average growth prospects. Shares have underperformed peers over the past five years, even as NEE has achieved above-average earnings and dividend growth.

Risks - The primary downside risks include deterioration in renewable-energy markets, higher interest rates, and adverse regulatory and legislative decisions.

Key Developments

5/22/25: Shares of NextEra Energy are lower this morning on news that the House of Representatives has voted in favor of the Republican tax bill, which would now phase out renewable energy tax credits by the end of 2028, which is sooner than a draft bill had contemplated. This would be an incremental negative for NEE if the bill becomes law. However, it must still make it through the Senate, where we believe these phase outs could be eased. A number of Republican senators have expressed support for the credits, with many largely Republican states benefiting from the creation of jobs related to these credits. If the bill were to pass under the House version, we think NextEra would still be well-positioned as the largest renewables developer in the U.S. Renewables are becoming increasingly competitive with other forms of power, even without the support of tax credits. The anticipated increase in power demand from data centers will require more power production. We expect renewables will be a very important contributor to this need. Additionally, many states and corporations have clean-energy mandates, which we believe continue to provide demand for renewables. Finally, despite renewed interest in nuclear and gas-fired power, new nuclear tends to bring higher risk to utilities due to cost and schedule overruns, while gas-fired power is not an easy short-term solution either, with typically longer timeframes to put it in service than renewables and with gas turbines on back order at some companies. We remind investors that NextEra derives roughly two-thirds of its earnings from its Florida utilities, which should see little if any impact to earnings even if this bill becomes law in its current form. We believe NextEra remains well positioned and that the lower share price presents an opportunity for investors, with shares now trading in line with the utility peer-group average. We expect NextEra to produce earnings growth above the average of peers.

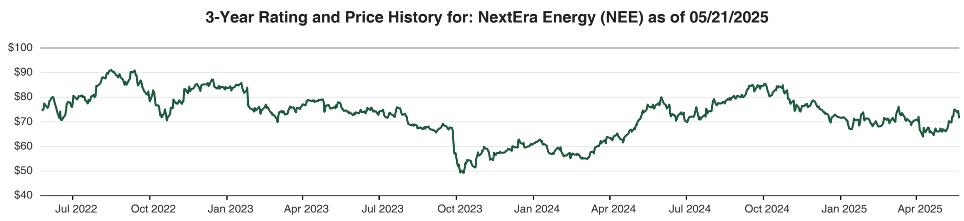
Analyst: Mike Doyle, CFA

Please see important disclosures and analyst certification on page 2 of the report.

Analyst Certification

I certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers; and no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in the research report. Mike Doyle, CFA

Required Research Disclosures



Source: Reuters

May 22, 2025	BUY	HOLD	SELL
Stocks	55%	44%	0%
Investment Banking Services	4%	6%	0%

The table lists the percent of stocks we follow globally in each of our rating categories. Investment banking services indicate the percentage of those companies where the firm has acted in furtherance of a public offering of the issuer within the past 12 months.

- Initiated Coverage PRE-1996.....(B) 07/31/02-10/23/12...(H) 10/23/12-12/02/16...(B) 12/02/16-
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Opinion Rating Definitions: Buy (B) - We believe the valuation is attractive and total return potential is above average over the next 3-5 years compared with industry peers. **Hold (H)** - We believe the stock is fairly valued and total return potential is about average over the next 3-5 years compared with industry peers or a special situation exists, such as a merger, that warrants no action. **Sell (S)** - We believe the stock is overvalued and total return potential is below average over the next 3-5 years compared with industry peers. In some cases we expect fundamentals to deteriorate considerably and/or a recovery is highly uncertain. **FYI (FYI)** - For informational purposes only; factual, no opinion. **Under Review (UR)** – Our rating, estimates, and opinion for this company are under review and should not be relied upon for making investment decisions until updated.

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- Price Movement: Above Average (AA) – This stock will likely be more volatile than the average stock in the S&P 500 Index. These companies are often growing faster than the average company and/or are in industries that are more sensitive to the economy. Average (A) – This stock will likely experience volatility similar to the average stock in the S&P 500 Index. Below Average (BA) – This stock will likely be less volatile than the average stock in the S&P 500 Index. These companies are often more mature, grow more slowly than the average company, and/or are in industries that are less sensitive to the economy.
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