

NextEra Energy (NEE)

Rating: Buy	Price \$65.31	Yield 3.2%	Market Cap. \$134.4B	52-Week Range \$79.25 – \$47.15
Data as of 04/22/2024				

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	\$2.06
Last Change	10% (Feb 16, 2024)
Consec. Yrs Increased	21
Paid Since	1944
5-Yr. Trailing Growth	11%
Long-Term Growth Est.	10%
Payout Ratio ('24)	61%
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

	'23A	'24E	'25E
Earnings Per Share	3.17	3.40	3.65
P/E	20.6x	19.2x	17.9x
PEGY	1.8x	1.7x	1.6x
LT EPS Growth Est.			8%
Est. Earnings Date		July 23, 2024	

Annualized Total Returns	1yr	3yr	5yr
NextEra Energy	(15)%	(4)%	9%
S&P Utilities Index	(2)%	3%	6%
S&P 500 Index	23%	8%	13%

Data as of 4/22/24. 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 approximately 19 times our 2024 earnings estimate, shares trade at a premium to peers' 15.5 times. This premium has compressed recently. 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 outperformed peers over the past five years, 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 decisions.

Key Developments

4/23/24: NextEra reported first-quarter operating earnings per share (EPS) of \$0.91, which was above the \$0.80 analyst consensus estimate and up from \$0.84 in the first quarter of 2023. Operating EPS grew over 8% from last year's first quarter due to contributions from both its utility and its renewable-energy-focused nonutility business. The company reaffirmed its EPS outlook through 2026. In our view, this was a solid quarter in the face of recent investor concerns about increasing competition and the impact of higher interest rates on NEE's renewables business. The company posted the second-best quarter in its history for origination of future projects in its renewables business. We believe the Inflation Reduction Act, which was signed into law in 2022 and provides tax credits to renewable-energy projects, provides great benefits to NextEra. We expect this legislation to accelerate the move to renewable energy, and we think NextEra is likely to be the largest beneficiary in our utility coverage.

3/12/24: NextEra announced that the Federal Election Commission (FEC) notified the company it has voted to close the file regarding a complaint by a nonprofit corporation alleging violations of the Federal Election Campaign Act against its utility, Florida Power & Light (FPL). The FEC concluded its consideration of the complaint without finding reason to believe FPL was in violation. This is favorable news, in our view. We believe this investigation had been a significant overhang on the stock with some investors expecting that a potential negative outcome could impair FPL's regulatory support in Florida. We expect investors to be encouraged by this news and that NextEra stock will react positively.

2/16/24: NextEra announced it is increasing its quarterly dividend 10% to \$0.515 per share. This raises the annual dividend from \$1.87 to \$2.06 per share, which represents a current dividend yield of roughly 3.6%.

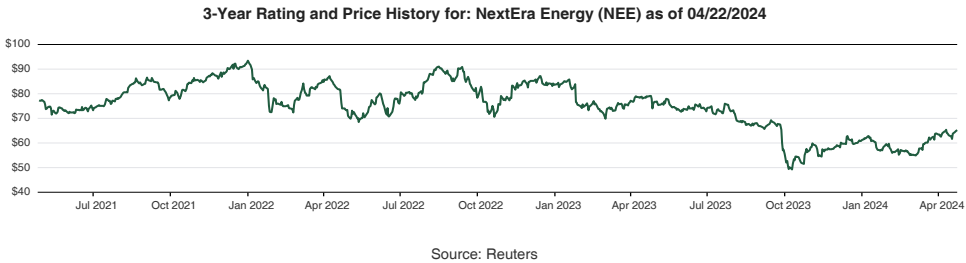
Analyst: Mike Doyle, CFA

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



April 23, 2024	BUY	HOLD	SELL
Stocks	51%	48%	1%
Investment Banking Services	5%	2%	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 that have been investment banking clients 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-
- Analysts receive compensation that is derived from revenues of Edward Jones as a whole which include, but are not limited to, investment banking revenue.

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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- Dividend Outlook (1-Year): Rising – We believe the dividend is likely to increase based on historical trends, the current payout ratio, and/or expected future earnings and cash flow; Stable – We believe the dividend is stable at the current level and is unlikely to increase or decrease; At Risk – We believe the dividend is at risk of being reduced or eliminated; No Dividend – This company does not pay a dividend.
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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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