

NextEra Energy, Inc. (NEE)

\$227.05 (As of 05/01/20)

Price Target (6-12 Months): **\$238.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 04/30/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

2-Buy

Zacks Style Scores:

VGM:C

Value: C

Growth: B

Momentum: A

Summary

NextEra Energy is poised to benefit from the ongoing investments. Its "30 by 30" plan will help it meet the goal of making the generation portfolio cleaner. The \$50-\$55B investment through 2022 will add more clean power generation units, and strengthen its infrastructure. The company has enough liquidity to counter the challenges posed by COVID-19. NextEra continued with its capital projects amid this crisis. Shares of the company have outperformed the industry in the past year. However, its nature of business is subject to complex and comprehensive federal, state and other regulations. If the planned nuclear plant outages last longer or an unplanned outage occurs, the company's normal operations and profitability might be hindered.

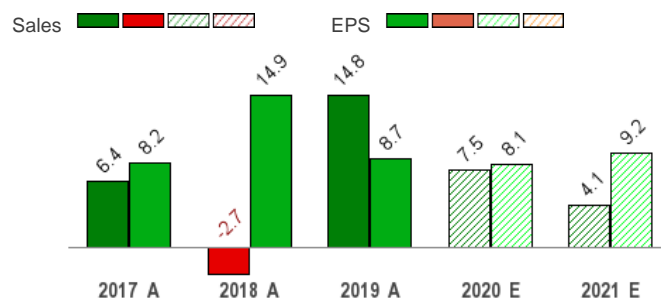
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$283.35 - \$174.80
20 Day Average Volume (sh)	2,717,072
Market Cap	\$111.1 B
YTD Price Change	-6.2%
Beta	0.20
Dividend / Div Yld	\$5.60 / 2.4%
Industry	Utility - Electric Power
Zacks Industry Rank	Top 21% (53 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	7.7%
Last Sales Surprise	-1.6%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	NA
Earnings ESP	0.0%
P/E TTM	26.5
P/E F1	25.1
PEG F1	3.2
P/S TTM	5.6

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021					21,495 E
2020	4,613 A	5,294 E	5,624 E	4,955 E	20,650 E
2019	4,075 A	4,970 A	5,572 A	4,588 A	19,204 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$2.39 E	\$2.64 E	\$3.10 E	\$1.81 E	\$9.88 E
2020	\$2.38 A	\$2.49 E	\$2.75 E	\$1.65 E	\$9.05 E
2019	\$2.20 A	\$2.35 A	\$2.39 A	\$1.44 A	\$8.37 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 05/01/2020. The reports text is as of 05/04/2020.

Overview

Juno Beach, FL-based NextEra Energy Inc. (previously known as FPL Group Inc.) is a public utility holding company engaged in the generation, transmission, distribution, and sale of electric energy. The company has both regulated and non-regulated energy-related products and services, with operations in 27 states in the U.S. and four provinces in Canada. NextEra Energy was founded in 1925. The company serves nearly 10 million people through approximately 5 million customer accounts.

NextEra Energy's primary subsidiaries are **Florida Power & Light Company** (FPL), **Gulf Power Company** and **NextEra Energy Resources** LLC (NEER). NextEra Energy Capital Holdings, Inc. (NEECH) is a wholly owned subsidiary of NextEra, which owns and provides funds for NEER and other operating subsidiaries apart from FPL and its subsidiaries. In 2014, NextEra Energy formed NextEra Energy Partners, LP to own, manage and acquire contracted clean energy projects. As of Mar 31, 2020, the company had 45,500 megawatts of net generating capacity.

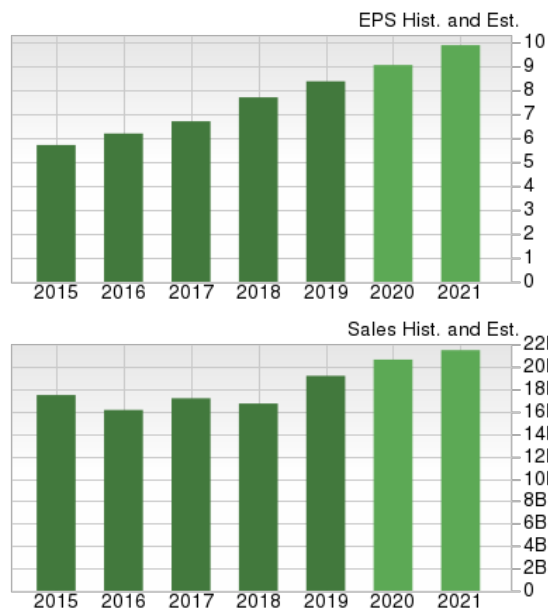
NextEra Energy produces a large volume of electricity from wind and solar energy. The company, through its subsidiaries, is advocating higher usage of clean fuel sources to generate electricity and aiming to reduce total carbon emissions by 67% within 2025 from 2005 base. The company aims to invest in the range of \$50-\$55 billion through 2022 to strengthen the existing operations.

FPL, Gulf Power and NEER contributed \$12,192 million, \$1,487 million and \$5,639 million to its top line, respectively, in 2019. Corporate and Other had negatively impacted its top line by \$114 million in 2019.

FPL and Gulf Power are contemplating to merge and create one large Florida utility by 2022, which will provide operational and financial benefits to customers. The companies plan to take further steps toward integration over the coming months.

NEER is the competitive energy business of NextEra and plans to add 11,500-18,500 MW of clean power generation assets across the United States over the 2019-2022 time frame.

Amid the challenges posed by outbreak of COVID-19, the company ensured that its major capital projects continue to proceed without any hindrances.



Reasons To Buy:

- ▲ Shares of NextEra Energy have gained 18.9% in the past 12 months against the industry's 6.3% decline. NextEra Energy is a premier U.S. utility service provider, offering efficient power and energy services across various states. Nearly 89% of its customers were residential and 11% were commercial.

Amid the unprecedented economic crisis due to the outbreak of novel coronavirus, the company still expects to achieve the targeted compound annual earnings growth rate of 6-8% through 2021 from an expected base of \$7.70 per share in 2018, courtesy of strong asset base. For 2022, the company expects earnings to grow 6-8% year over year to the range of \$10.00-\$10.75 per share.

Well-chalked capital investment plan, natural gas pipeline projects, addition of renewable generation assets, acquisitions and adequate liquidity will boost its performance.

- ▲ NextEra Energy has well-chalked plans to invest in the range of \$50-\$55 billion in different projects, which were extended from the last year through 2022. These investments will be directed to modernize and strengthen the existing infrastructure of the company, enabling it to serve the expanding customer base more effectively. These investments are also helping the company to produce more electricity from clean sources and lower carbon emissions from the production process. These initiatives will also help the company to achieve the plan of reducing carbon dioxide emissions rate to 67% by 2025 from a 2005 base.

The regulated investment is helping the company generate adequate cash flow, which was utilized to strengthen existing operation and increase its shareholders' value. In May 2017, NextEra Energy's Board of Directors authorized common stock repurchases of up to 45 million over an unspecified period. No doubt, when the company will start repurchasing shares, it will further enhance the value of shareholders. Management intends to hike its dividend by 12% in 2020 and in excess of 10% annually at least through 2022 from a 2020 base.

- ▲ NextEra Energy has been managing its debt quite effectively and has top-tier credit ratings from all major rating agencies ranging from A- to Baa1. The company had a long-term debt of \$41,116 million as of Mar 31, 2020, higher than \$37,543 million on Dec 31, 2019. As a consequence, its debt to capital at first quarter-end was 52.7%, marginally higher than the year-ago level of 50.7%. The debt to capital of the company is also higher than the industry's 50.9%.

The increase in the debt level was primarily due to \$4-billion long-term financings secured by the company to preserve liquidity amid the disruption caused by the COVID-19 pandemic. NextEra Energy issued \$2.5 billion of equity units to further strengthen the liquidity position amid this liquidity crunch. The company's times interest earned ratio at the end of the first quarter was 2.1, down from 2.7 at 2019-end. Although the ratio declined sequentially, the firm will be able to meet debt obligations in the near future without any difficulties.

- ▲ Florida Power & Light Company has planned capital deployment in the range of \$23-\$25 billion from 2019 through 2022 in various projects. The new investments in natural gas fueled projects to lower its carbon footprint. NextEra Energy's 1,200-MW FPL Dania Beach Clean Energy Center, expected to come online in 2022, will be fueled by clean-burning natural gas that will boost clean generation.

FPL's focus is on clean, efficient, modernized generation, as well as a stronger and smarter grid, to further improve the already outstanding efficiency and reliability of its system. Recently, the company announced "30-by-30" plan to install more than 30 million solar panels in Florida by 2030, which will substantially increase its renewable generation capacity. FPL's strategy continues to result in typical residential bills below both Florida and National averages. Courtesy of such an initiative and improving Florida economy, FPL continues to increase the number of customer accounts. The addition and strengthening of transmission and distribution lines further enhance the reliability of its services. It has already added 72,000 more customers in the first quarter than the year-ago period. FPL and Gulf Power have taken steps to help customers counter the challenges created by the COVID-19 pandemic and have suspended electrical disconnections during the state of emergency.

- ▲ NextEra Energy also invests in natural gas pipeline operations. The acquisition of Gulf Power Company, Florida City Gas and ownership stakes in two natural gas power plants from Southern Company will further expand regulated natural gas operation of NextEra Energy and be accretive to its earnings over the long term. These acquisitions were accretive to NextEra's earnings.

The acquisition of Florida assets is soon going to be accretive to the company's earnings. This is expected to add 15-20 cents to earnings in 2020 and 2021, respectively. For Gulf Power, the company has planned capital deployment in the range of \$2.9-\$3.3 billion from 2019 through 2022 in various projects. FPL and Gulf Power filed a combined Ten Year Site Plan with the Florida Public Service Commission. The plan highlights the next phase of smart capital investment opportunities across the Florida system. The company is contemplating to integrate FPL and Gulf Power into a single system by 2022, which will provide operational and financial benefits to customers.

- ▲ NextEra Energy Resources continues to work on its strategy of making a long-term investment in clean energy assets. In line with this strategy, the company announced plans to add nearly 11,500-18,500 MW of alternate power generation assets across the United States over the 2019-2022 time frame.

During 2019, NextEra Energy Resources had added nearly 5,800 MW of renewable projects to its backlog. During the first quarter, the company added 1,590 MW of renewable projects to its backlog, which includes 420 MW of solar, 457 MW of battery storage, and 713 MW of combined wind and repowering.

Reasons To Sell:

- ▼ NextEra Energy's financial performance primarily depends on its ability to manage the operations of its transmission and distribution businesses. The transmission and distribution operations sometimes face natural disaster, several operational risks, including breakdown, failure or damage of equipment's or processes, accidents and labor disputes.
- ▼ NextEra Energy's nature of business is subject to complex and comprehensive federal, state and other regulations. The company's regulated entity, FPL, depends on the Florida Public Service Commission for timely rate relief and cost recovery approvals. Any denial of such applications could materially affect the company's operational results. At present, NextEra Energy is working on a few capital projects. If the projects are delayed due to some uncontrollable events, it could result in cost overruns and adversely impact the company's profitability.
- ▼ The operation and maintenance of NEE's and FPL's nuclear generation facilities involve environmental, health and financial risks that could result in fines or closure of the facilities, as well as increased costs and capital expenditures. If a scheduled outage of the nuclear units lasts longer than anticipated, it will adversely impact production and profitability of the company. Also, these nuclear operations carry the risk of unplanned outages for maintenance and safety issues, which could adversely impact production and profitability of the company.
- ▼ Unfavorable supply costs necessary to provide full energy and capacity requirement services could have an undesirable impact on NextEra's earnings outcome. Increasing indirect input costs is also a headwind for the company.

Stringent regulatory conditions, sudden fluctuation in input costs and hazards of operating nuclear plants are persistent headwinds.

Last Earnings Report

NextEra Energy Q1 Earnings Beat Estimates, Revenues Lag

NextEra Energy, Inc. reported first-quarter 2020 adjusted earnings of \$2.38 per share, surpassing the Zacks Consensus Estimate of \$2.21 by 7.7%. In addition, the reported earnings were up 8.2% from \$2.20 per share in the prior-year quarter.

On a GAAP basis, the company recorded earnings of 86 cents per share, down 39% from \$1.41 reported in the year-ago quarter.

Quarter Ending **03/2020**

Report Date	Apr 22, 2020
Sales Surprise	-1.57%
EPS Surprise	7.69%
Quarterly EPS	2.38
Annual EPS (TTM)	8.56

Total Revenues

In the first quarter, NextEra Energy's operating revenues were \$4,613 million, lagging the Zacks Consensus Estimate of \$4,687 million by 1.6%. The reported revenues were up 13.2% year over year.

Segment Results

Florida Power & Light Company (FPL): Revenues from the segment amounted to \$2,540 million, down 2.9% from the prior-year figure of \$2,618 million. The segment's earnings came in at \$1.31 per share, up 7.4% from \$1.22 recorded in the prior-year quarter.

Gulf Power Company (Gulf Power): Total segment revenues amounted to \$328 million, in line with the year-ago figure. This segment's earnings per share totaled 8 cents in the reported quarter, in line with the year-ago level.

NextEra Energy Resources: Revenues from the segment amounted to \$1,773 million, up 5.3% from the prior-year quarter. Quarterly earnings from the segment came in at \$1.08 per share, up 61.2% from 67 cents in the year-ago quarter.

Corporate and Other: The segment's operating loss in the reported quarter was 9 cents compared with a loss of 7 cents per share in the year-ago period.

Highlights of the Release

Despite the economic challenges posed by the outbreak of novel coronavirus, the company's capital projects continue to progress per plans. FPL and Gulf Power have taken steps to help customers, and both the utilities have suspended electrical disconnections in Florida to ensure that customers have continued access to electricity regardless of their economic circumstances.

In the reported quarter, NextEra Energy's total operating expenses were down 10.4% from the prior-year level to \$2,632 million.

Interest expenses in the quarter were \$1,311 million, up 83.6% from the year-ago period.

In the reported quarter, Florida Power & Light Company's total average customer count was up 72,000 on a year-over-year basis.

NextEra Energy Resources expanded the contracted renewables backlog by adding 1,600 MW of renewable projects during the first quarter.

Financial Update

NextEra Energy had cash and cash equivalents of \$3,335 million as of Mar 31, 2020 compared with \$600 million on Dec 31, 2019.

Long-term debt as of Mar 31, 2020 was \$41.11 billion, up from \$37.54 billion on Dec 31, 2019.

Cash flow from operating activities in first-quarter 2020 was \$1.89 billion compared with \$1.59 billion in the prior-year period.

Guidance

NextEra Energy reiterated its long-term earnings growth guidance. The company's earnings are expected to grow at a compound annual rate of 6-8% per year through 2021, off its base of \$7.70 in 2018. The company expects contributions from Florida acquisitions to boost earnings by 15 cents in 2020 and 20 cents in 2021.

NextEra Energy expects 2022 adjusted earnings per share in the range of \$10-\$10.75, indicating 6-8% growth from 2021 EPS.

The firm currently aims to add 11,500-18,500 MW of renewable power projects to its portfolio within the 2019-2022 time frame.

Recent News

NextEra Unit to Cut Rates to Aid Users Amid COVID-19 Crisis - Mar 30, 2020

NextEra Energy announced that its unit Florida Power & Light Company ("FPL") has sought approval from the Florida Public Service Commission to lower electricity rates from May 1. FPL has plans to make a one-time decrease of around 25% for the typical residential customer bill (using 1,000-kWh on average). The company intends to pass on the benefits of lower fuel costs and help customers who are under significant financial distress on account of the coronavirus pandemic.

Previously in January, the company lowered its customer bill by 4%. If the proposed decline is approved by the commission, the average monthly bill of the typical residential customer of \$99.90 in December 2019 will fall to nearly \$74 per month in May 2020, making the utility bills nearly 30% lower than the U.S. average.

Valuation

NextEra Energy Inc., shares are down 6.3% in the year to date period, and up 18.9% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Utility sector was down 15.1% and 17.4% in the year to date period, respectively. Over the past year, the Zacks sub-industry and sector was down 6.3% and 21.3% respectively.

The S&P 500 index is down 12.1% in the year to date period and 3.7% in the past year.

The stock is currently trading at 24.34X of forward 12 months earnings, which compares to 12.45X for the Zacks sub-industry, 11.73X for the Zacks sector and 20.18X for the S&P 500 index.

Over the past five years, the stock has traded as high as 30.77X and as low as 15.75X, with a 5-year median of 20.54X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$238 price target reflects 25.53X of our forward 12 months earnings.

The table below shows summary valuation data for NEE

Valuation Multiples - NEE					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	24.34	12.45	11.73	20.18
	5-Year High	30.77	15.53	15.32	20.18
	5-Year Low	15.75	11.12	11.35	15.19
	5-Year Median	20.54	13.23	13.79	17.44
P/S F12M	Current	5.31	2.02	2.5	3.19
	5-Year High	6.78	2.45	3.29	3.44
	5-Year Low	2.35	1.54	1.75	2.54
	5-Year Median	4	1.88	2.04	3.01
P/B TTM	Current	2.72	1.52	3.11	3.75
	5-Year High	3.34	1.94	4.05	4.55
	5-Year Low	1.95	1.21	2.01	2.84
	5-Year Median	2.37	1.56	2.6	3.64

As of 5/1/2020

Industry Analysis Zacks Industry Rank: Top 21% (53 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Dominion Energy Inc. (D)	Outperform	3
FirstEnergy Corporation (FE)	Outperform	2
Pacific Gas & Electric Co. (PCG)	Outperform	3
American Electric Power Company, Inc. (AEP)	Neutral	3
Duke Energy Corporation (DUK)	Neutral	2
Exelon Corporation (EXC)	Neutral	2
National Grid Transco, PLC (NGG)	Neutral	3
Southern Company (The) (SO)	Neutral	2

Industry Comparison Industry: Utility - Electric Power				Industry Peers		
	NEE	X Industry	S&P 500	D	DUK	EXC
Zacks Recommendation (Long Term)	Neutral	-	-	Outperform	Neutral	Neutral
Zacks Rank (Short Term)	2	-	-	3	2	2
VGM Score	C	-	-	B	B	B
Market Cap	111.13 B	7.28 B	20.61 B	63.36 B	60.66 B	34.87 B
# of Analysts	5	3	14	5	5	5
Dividend Yield	2.47%	3.37%	2.11%	4.97%	4.57%	4.27%
Value Score	C	-	-	C	C	B
Cash/Price	0.03	0.05	0.06	0.00	0.00	0.03
EV/EBITDA	14.29	9.74	11.87	15.54	10.47	5.88
PEG Ratio	3.21	3.58	2.47	3.75	3.49	2.98
Price/Book (P/B)	2.72	1.44	2.67	1.97	1.31	1.01
Price/Cash Flow (P/CF)	13.23	7.95	10.66	9.88	6.92	4.04
P/E (F1)	25.09	17.27	19.01	17.53	16.21	11.92
Price/Sales (P/S)	5.63	1.85	2.10	3.82	2.42	1.01
Earnings Yield	3.99%	5.66%	5.05%	5.70%	6.17%	8.38%
Debt/Equity	1.01	1.06	0.72	1.07	1.23	0.92
Cash Flow (\$/share)	17.47	4.27	7.01	7.80	12.24	9.18
Growth Score	B	-	-	B	B	D
Hist. EPS Growth (3-5 yrs)	10.27%	4.77%	10.88%	4.15%	1.95%	5.40%
Proj. EPS Growth (F1/F0)	8.10%	1.56%	-7.32%	1.70%	0.75%	-6.71%
Curr. Cash Flow Growth	9.21%	3.66%	5.92%	30.28%	11.06%	-0.87%
Hist. Cash Flow Growth (3-5 yrs)	10.30%	5.53%	8.55%	12.51%	5.82%	6.14%
Current Ratio	0.71	0.83	1.23	0.61	0.62	0.85
Debt/Capital	50.29%	50.95%	43.84%	49.85%	54.06%	47.85%
Net Margin	17.77%	10.69%	11.08%	8.74%	14.89%	8.53%
Return on Equity	10.38%	9.86%	16.44%	12.05%	8.31%	9.19%
Sales/Assets	0.17	0.23	0.54	0.16	0.16	0.28
Proj. Sales Growth (F1/F0)	7.52%	0.00%	-1.42%	6.73%	0.60%	-9.98%
Momentum Score	A	-	-	C	A	C
Daily Price Chg	-1.71%	-1.99%	-2.39%	-1.96%	-2.27%	-3.24%
1 Week Price Chg	-2.66%	-3.65%	-1.74%	-4.40%	-4.89%	-4.79%
4 Week Price Chg	2.06%	6.90%	17.07%	8.54%	6.64%	6.92%
12 Week Price Chg	-13.87%	-18.11%	-18.53%	-9.55%	-12.66%	-23.17%
52 Week Price Chg	20.55%	-8.90%	-9.82%	0.19%	-5.73%	-25.44%
20 Day Average Volume	2,717,072	488,074	2,641,413	3,133,309	3,540,135	5,459,868
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.02%	-0.88%	-6.62%	-0.78%	-1.89%	-0.46%
(F1) EPS Est 12 week change	-0.24%	-2.25%	-13.28%	-0.78%	-0.91%	0.24%
(Q1) EPS Est Mthly Chg	2.37%	-2.02%	-11.97%	-5.50%	-2.79%	-5.76%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	C
Growth Score	B
Momentum Score	A
VGM Score	C

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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