

NextEra Energy, Inc. (NEE)

\$231.10 (As of 03/26/20)

Price Target (6-12 Months): **\$245.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 04/30/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:D

Value: F

Growth: C

Momentum: A

Summary

NextEra Energy is poised to benefit from ongoing investments, which are in turn going to boost its performance in the long run. NextEra's "30 by 30" plan will help the company meet the goal of making the generation portfolio cleaner. The \$50-\$55B investment through 2022 will add more clean power generation units, and modernize and strengthen its infrastructure. NextEra aims to lower emissions to 67% by 2025 from 2005 levels. Shares of the company have outperformed its 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.

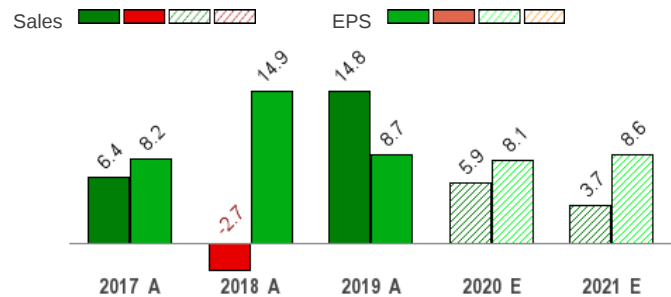
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$283.35 - \$174.80
20 Day Average Volume (sh)	5,052,639
Market Cap	\$113.0 B
YTD Price Change	-4.6%
Beta	0.26
Dividend / Div Yld	\$5.60 / 2.4%
Industry	Utility - Electric Power
Zacks Industry Rank	Top 13% (34 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-6.5%
Last Sales Surprise	-4.3%
EPS F1 Est- 4 week change	0.1%
Expected Report Date	04/28/2020
Earnings ESP	-0.5%
P/E TTM	27.6
P/E F1	25.5
PEG F1	3.3
P/S TTM	5.9

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021					21,087 E
2020	4,607 E	5,269 E	5,557 E	4,736 E	20,343 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					\$9.83 E
2020	\$1.95 E	\$2.43 E	\$2.74 E	\$1.81 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 03/26/2020. The reports text is as of 03/27/2020.

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. At the end of December 2017, NextEra Energy was founded in 1925.

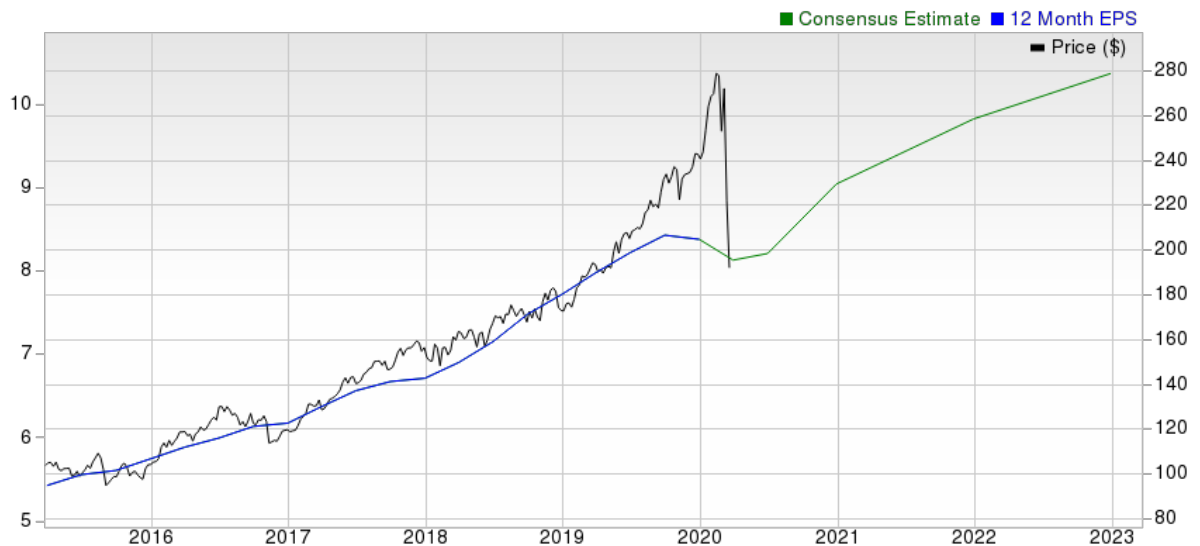
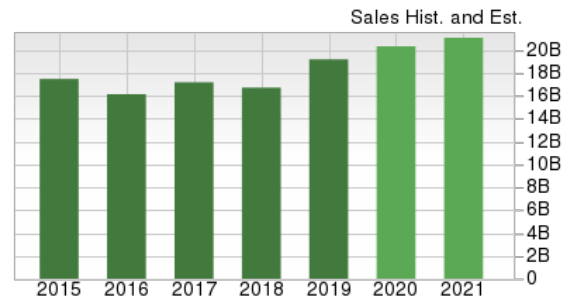
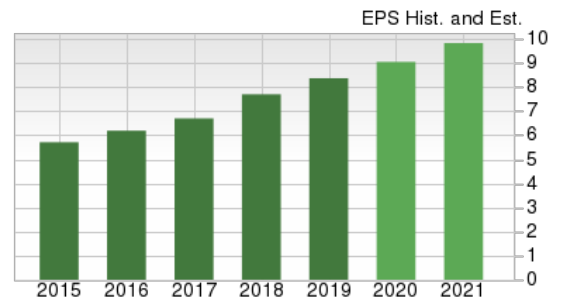
NextEra Energy's primary subsidiaries are **Florida Power & Light Company (FPL)**, **Gulf Power Company** and **NextEra Energy Resources LLC (NEER)**. NextEra Energy Capital Holdings, Inc. (NEECH) is a wholly owned subsidiary of NextEra, which owns and provides funds for NEER and other operating subsidiaries apart from FPL and its subsidiaries.

FPL is the largest electric utility in Florida, providing retail and wholesale electricity services to nearly 5 million customer accounts in eastern and southern Florida. FPL produces 95% of its power from natural gas, nuclear and solar sources. The segment had contributed \$12,192 million to the top line in 2019. At the end of December 2018, FPL had net generating capacity of around 24,510 megawatts (MW). Of the power generated by FPL, 73% comes from natural gas, 22% from nuclear, and the remaining 5% from solar, coal and oil combined.

Gulf Power is NextEra Energy's recently acquired rate-regulated electric utility subsidiary that serves more than 460,000 customers in eight counties throughout northwest Florida. The segment had contributed \$1,487 million to the top line in 2019.

NEER has majority of its electric generation assets in the North East, Mid-Atlantic, Central and Western United States, most of which are derived from renewable sources. At the end of 2018, NEER had 18,938 MW of total net generating capacity. The segment had contributed \$5,639 million to its top line in 2019. Corporate and Other had negatively impacted its top line by \$114 million in 2019.

In 2014, NextEra Energy formed NextEra Energy Partners, LP to own, manage and acquire contracted clean energy projects.



Reasons To Buy:

- ▲ Shares of NextEra Energy have gained 20.4% in the past 12 months, against its industry's 6.4% decline. NextEra Energy is a premier U.S. utility service provider, offering efficient power and energy services across various states with nearly 89% of its customers were residential and 11% were commercial.

The company is poised to gain from positive economic fundamentals in its service territories, which will help it achieve the targeted compound annual earnings growth rate of 6-8% through 2021, from an expected base of \$7.70 per share in 2018. For 2022, the company expects earnings to grow 6-8% year over year to the the range of \$10.00-\$10.75 per share.

Strong economic conditions, well-chalked capital investment plan, natural gas pipeline projects, addition of renewable generation assets and acquisition of natural gas assets 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. The regulated investment helped 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 its shareholders. Management intends to hike its dividend annually in the 12-14% range through at least 2020 from a 2017 base.

- ▲ Florida Power & Light Company has planned capital deployment in the range of \$23-\$25 billion from the last year 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 100,000 more customers in the fourth quarter than the year-ago period.

- ▲ 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. Since the third-quarter conference call, the company has added 1,609 MW of renewable projects to its backlog, which include 770 MW of solar, 340 MW of battery storage, and 500 MW of combined wind and repowering. These initiatives will help the company to achieve the plan of reducing carbon dioxide emissions rate to 67% by 2025 from a 2005 base.

- ▲ 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 also planned capital deployment in the range of \$2.9-\$3.3 billion from the last year through 2022 in various projects.

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 Lags Q4 Earnings & Revenue Estimates

NextEra Energy, Inc. reported fourth-quarter 2019 adjusted earnings of \$1.44 per share, lagging the Zacks Consensus Estimate of \$1.54 by 6.5%. In addition, the reported earnings were down 3.4% from \$1.49 per share in the prior-year quarter.

On a GAAP basis, NextEra Energy recorded earnings of \$1.99 per share, up 126.1% from 88 cents reported in the year-ago quarter.

Quarter Ending **12/2019**

Report Date	Jan 24, 2020
Sales Surprise	-4.27%
EPS Surprise	-6.49%
Quarterly EPS	1.44
Annual EPS (TTM)	8.38

Total Revenues

In the fourth quarter, NextEra Energy's operating revenues were \$4,588 million, lagging the Zacks Consensus Estimate of \$4,793 million by 4.3%. However, the reported revenues were up 4.5% year over year.

Segment Results

Florida Power & Light Company: Revenues from the segment amounted to \$2,925 million, down 0.3% from the prior-year figure of \$2,935 million. The segment's earnings came in at 81 cents per share, down 4.7% from 85 cents recorded in the prior-year quarter.

Gulf Power Company: Total segment revenues amounted to \$353 million. This segment's earnings per share totaled 5 cents in the reported quarter.

NextEra Energy Resources: Revenues from the segment amounted to \$1,338 million, down 10.1% from the prior-year quarter. Quarterly earnings from the segment came in at 66 cents per share, up 1.5% from 67 cents in the year-ago quarter.

Corporate and Other: The segment's operating loss in the reported quarter was 8 cents versus earnings of 3 cents per share in the year-ago period.

Highlights of the Release

In the reported quarter, NextEra Energy's total operating expenses were up 13% from the prior-year level to \$3,710 million.

Interest expenses in the quarter were \$188 million, down 73.5% from the year-ago period.

In the reported quarter, Florida Power & Light Company's total average customer count was up 100,000 on a year-over-year basis.

NextEra Energy Resources expanded the contracted renewables backlog by adding 5,800 MW of renewable projects during 2019.

Financial Update

NextEra Energy had cash and cash equivalents of \$600 million as of Dec 31, 2019 compared with \$638 million on Dec 31, 2018.

Long-term debt as of Dec 31, 2019 was \$37.54 billion, up from \$26.78 billion on Dec 31, 2018.

Cash flow from operating activities in 2019 was \$8.15 billion compared with \$6.59 billion in 2018.

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

The company 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 Arm to Build 100 MW Solar Project in Arkansas - Dec 2, 2019

NextEra Energy announced that its arm NextEra Energy Resources and Entergy Arkansas, a subsidiary of Entergy Corporation, have started the construction of a 100-megawatt (MW) solar project — the Chicot Solar Energy Center — in Arkansas. This will be the largest solar project in the state and produce enough energy to provide clean electricity to 18,000 homes.

NextEra Energy Resources will build, own and operate the Chicot Solar Energy Center, while Entergy Arkansas will purchase power from this project under a long-term agreement for 20 years.

Valuation

NextEra Energy Inc., shares are down 4.6% in the year to date period, but up 20.4% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Utility sector was down 16% and 18.5% in the year to date period, respectively. Over the past year, the Zacks sub-industry and sector was down 6.4% and 22% respectively.

The S&P 500 index is down 23.1% in the year to date period and 12.8% in the past year.

The stock is currently trading at 25.04X of forward 12 months earnings, which compares to 12.11X for the Zacks sub-industry, 11.38X for the Zacks sector and 14.92X 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 20.38X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$245 price target reflects 26.57X 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	25.04	12.11	11.38	14.92
	5-Year High	30.77	15.53	15.4	19.34
	5-Year Low	15.75	11.12	11.38	14.92
	5-Year Median	20.38	13.23	13.83	17.42
P/S F12M	Current	5.51	2.21	2.43	2.68
	5-Year High	6.78	2.45	3.29	3.43
	5-Year Low	2.35	1.54	1.75	2.54
	5-Year Median	3.95	1.87	2.03	3
P/B TTM	Current	2.73	1.42	2.78	3.33
	5-Year High	3.34	1.87	4.04	4.56
	5-Year Low	1.95	1.15	2.02	2.85
	5-Year Median	2.35	1.56	2.59	3.63

As of 3/26/2020

Industry Analysis Zacks Industry Rank: Top 13% (34 out of 253)



Top Peers

American Electric Power Company, Inc. (AEP)	Neutral
Dominion Energy Inc. (D)	Neutral
Duke Energy Corporation (DUK)	Neutral
Exelon Corporation (EXC)	Neutral
PPL Corporation (PPL)	Neutral
Southern Company (The) (SO)	Neutral
WEC Energy Group, Inc. (WEC)	Neutral
Xcel Energy Inc. (XEL)	Neutral

Industry Comparison Industry: Utility - Electric Power				Industry Peers		
	NEE Neutral	X Industry	S&P 500	D Neutral	DUK Neutral	EXC Neutral
VGM Score	D	-	-	C	B	C
Market Cap	113.00 B	7.08 B	18.50 B	60.70 B	59.54 B	35.64 B
# of Analysts	5	2	13	5	5	5
Dividend Yield	2.42%	3.42%	2.35%	5.19%	4.66%	4.18%
Value Score	F	-	-	D	C	B
Cash/Price	0.01	0.06	0.07	0.00	0.01	0.03
EV/EBITDA	14.20	9.78	11.16	14.94	10.25	5.84
PEG Ratio	3.27	3.44	1.74	3.54	3.34	3.02
Price/Book (P/B)	2.73	1.38	2.44	1.88	1.29	1.03
Price/Cash Flow (P/CF)	13.23	7.38	9.87	9.28	6.63	3.99
P/E (F1)	25.54	16.47	15.29	16.67	15.61	12.06
Price/Sales (P/S)	5.88	1.89	1.93	3.66	2.37	1.03
Earnings Yield	3.92%	6.04%	6.47%	6.00%	6.40%	8.28%
Debt/Equity	0.91	1.06	0.70	1.07	1.23	0.92
Cash Flow (\$/share)	17.47	4.27	7.01	7.80	12.24	9.18
Growth Score	C	-	-	B	B	C
Hist. EPS Growth (3-5 yrs)	10.18%	4.77%	10.85%	4.15%	1.95%	5.40%
Proj. EPS Growth (F1/F0)	8.08%	3.97%	2.89%	2.50%	2.81%	-5.78%
Curr. Cash Flow Growth	9.21%	3.60%	5.93%	30.28%	11.06%	-0.87%
Hist. Cash Flow Growth (3-5 yrs)	10.30%	5.47%	8.55%	12.51%	5.82%	6.14%
Current Ratio	0.53	0.83	1.23	0.61	0.62	0.85
Debt/Capital	47.90%	50.58%	42.57%	49.85%	54.06%	47.85%
Net Margin	19.62%	10.38%	11.64%	8.74%	14.89%	8.53%
Return on Equity	10.30%	9.68%	16.74%	12.05%	8.31%	9.19%
Sales/Assets	0.17	0.24	0.54	0.16	0.16	0.28
Proj. Sales Growth (F1/F0)	5.92%	1.61%	2.37%	6.89%	1.64%	-9.20%
Momentum Score	A	-	-	B	B	C
Daily Price Chg	9.91%	6.25%	6.21%	7.57%	8.67%	5.90%
1 Week Price Chg	-13.45%	-15.68%	-16.96%	-14.14%	-20.25%	-14.74%
4 Week Price Chg	-9.67%	-15.60%	-15.70%	-10.88%	-14.53%	-18.94%
12 Week Price Chg	-3.15%	-15.87%	-23.67%	-11.62%	-10.13%	-19.46%
52 Week Price Chg	20.42%	-13.55%	-13.99%	-4.27%	-9.16%	-26.47%
20 Day Average Volume	5,052,639	840,784	4,286,768	6,263,121	6,396,537	10,333,330
(F1) EPS Est 1 week change	0.00%	0.00%	-0.15%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.11%	0.00%	-2.28%	-0.14%	0.74%	-2.52%
(F1) EPS Est 12 week change	0.09%	0.00%	-3.22%	-0.32%	1.63%	-2.76%
(Q1) EPS Est Mthly Chg	2.27%	0.00%	-1.60%	-0.45%	-0.55%	-1.59%

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	F
Growth Score	C
Momentum Score	A
VGM Score	D

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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