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Exeter Student Investment Fund

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# NextEra Energy (NEE)

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# Recommendation



- NextEra Energy is an American utility company, it is the largest electric utility holding company by market cap (\$145billion). Utilities fall within the industrial sector
- I give this a buy rating given the nature and opportunities presented by the company
- Ethically their focus on energy derived from renewable sources is one reason I like the company
- I believe with a smaller supply of fossil fuels by design we will see more demand in renewable energy and investment in utilities offering this



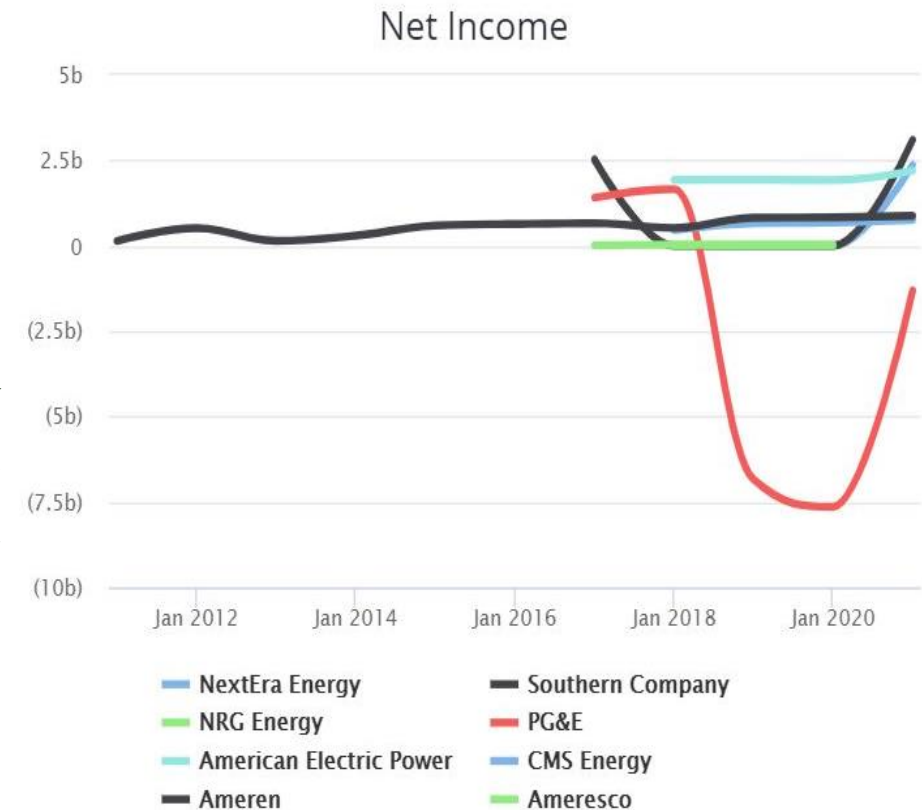


- Information about the company:
  - NEE was founded in 1984 as the holding company Florida Power & Light Group inc. It is the world's largest utility company sourcing mainly through renewable energy from the wind and sun, it also has investments in gas infrastructure assets. Its subsidiary FPL Group was founded in 1925 a utility holding company.
- Management
  -  James L. Robo CEO of NEE and chairman of FPL, since 2013, prior he was COO of NEE since 2006, he has a BA and MBA from Harvard University
  -  John W. Ketchum President of Nextera Energy Partners (NEP) (growth oriented limited partnership) previously CFO of NEP 2017-2019, originally joined NEE in 2002. He completed the Emerging CFO – strategic Financial Leadership Program at Stanford
  -  Rebecca J. Kujawa CFO of NEP, NEE and FPL, she holds the CFA and was a member of NYSE and National Association of Securities Dealers' joint committee

# Company Overview

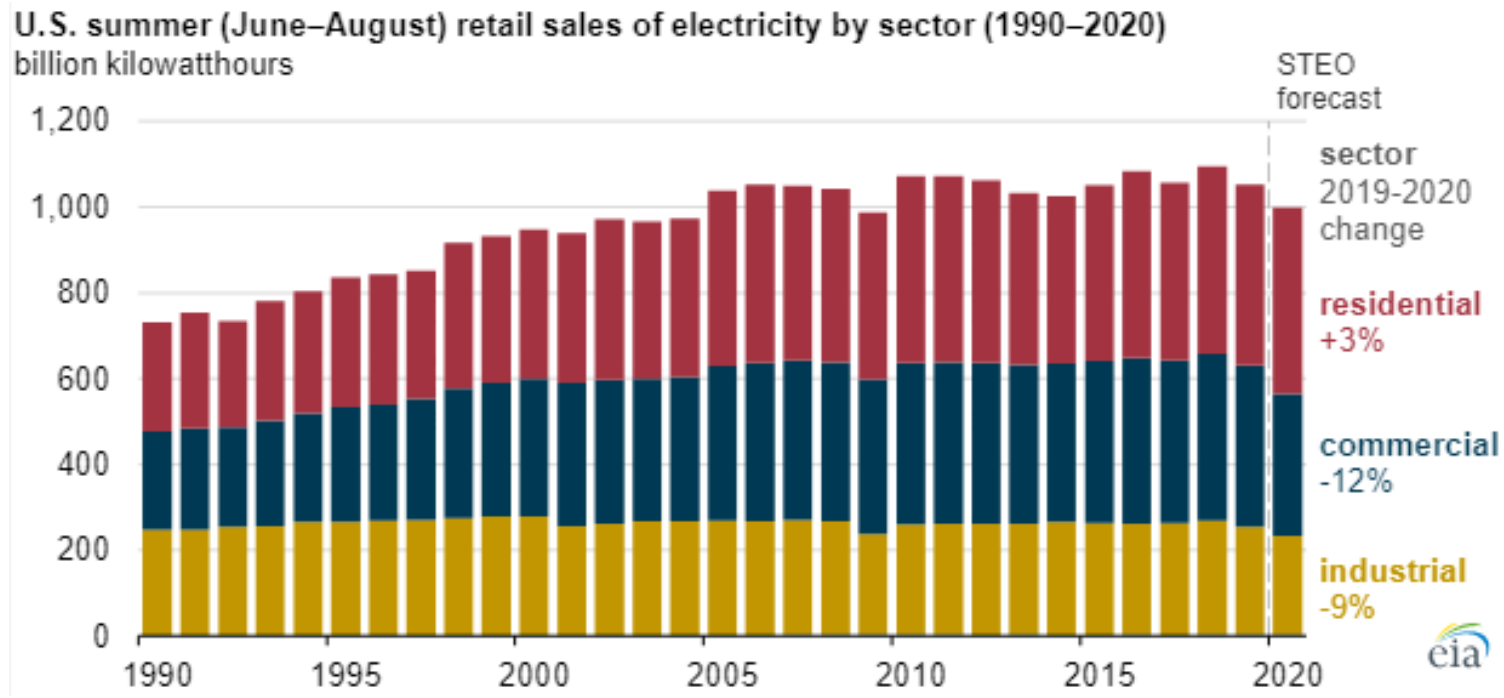


- Business Model Clean energy company, with subsidiary Florida Power & Light
  - Differentiators - ethicality, growth prospects
  - Total Revenue \$18bn in 2020, this is down from \$19.2bn in 2019
  - Market cap \$29billion, current price \$74.15
  - P/E ratio 48.56, Cash flow per share 3.44, Dividend yield 1.81%
  - It has the worlds largest collection of solar and wind farms and therefore warrants the most power, aligning with its ethical nature means it should trade at a much higher premium than it currently does.





- The value of renewable energy is undervalued based on the views of the current US administration, the Texas power crisis and rising oil prices and termed 'super cycle' makes this an undervalued investment
- Demand will rise as people move into offices, go traveling, use electric vehicles and increase technology demands





- Rumoured to be acquiring Duke Energy Corp which has a \$23bn market cap and net income of \$1.26bn
- \$2tn clean energy package over 4 years should see significant investment
- Return to normal will see higher utility bills through business expenditure
- Green hydrogen plant should be operational by 2023 while closing its last coal fired power unit
- Signed contracts for expanding renewables in mega watts

|                    | 2019 – 2020<br>In Service | 2021 – 2022<br>Signed<br>Contracts | Updated<br>2021 – 2022<br>Expectations | 2023 – 2024<br>Signed<br>Contracts | New<br>2023 – 2024<br>Expectations | 2021 – 2024<br>Expectations |
|--------------------|---------------------------|------------------------------------|--|------------------------------------|------------------------------------|-----------------------------|
| Wind               | 3,805                     | 3,093                              | 3,700 – 4,400                          | 429                                | 2,250 – 3,500                      | 5,950 – 7,900               |
| Solar              | 1,466                     | 4,173                              | 4,800 – 5,600                          | 2,842                              | 7,000 – 8,800                      | 11,800 – 14,400             |
| Energy Storage     | 20                        | 1,646                              | 1,650 – 2,000                          | 955                                | 2,700 – 4,300                      | 4,350 – 6,300               |
| Wind Repowering    | 2,611                     | 409                                | 375 – 700                              |                                    | 200 – 700                          | 575 – 1,400                 |
| <b>Total</b>       | <b>7,902</b>              | <b>9,321</b>                       | <b>10,525 – 12,700</b>                 | <b>4,226</b>                       | <b>12,150 – 17,300</b>             | <b>22,675 – 30,000</b>      |
| Build-Own-Transfer | 674                       | 110                                |  | 380                                |                                    |                             |



## Share price forecast

The 17 analysts offering 12 month price targets for NextEra Energy Inc have a median target of 90.00, with a high estimate of 101.00 and a low estimate of 77.00. The median estimate represents a 22.02% increase from the last price of 73.76.

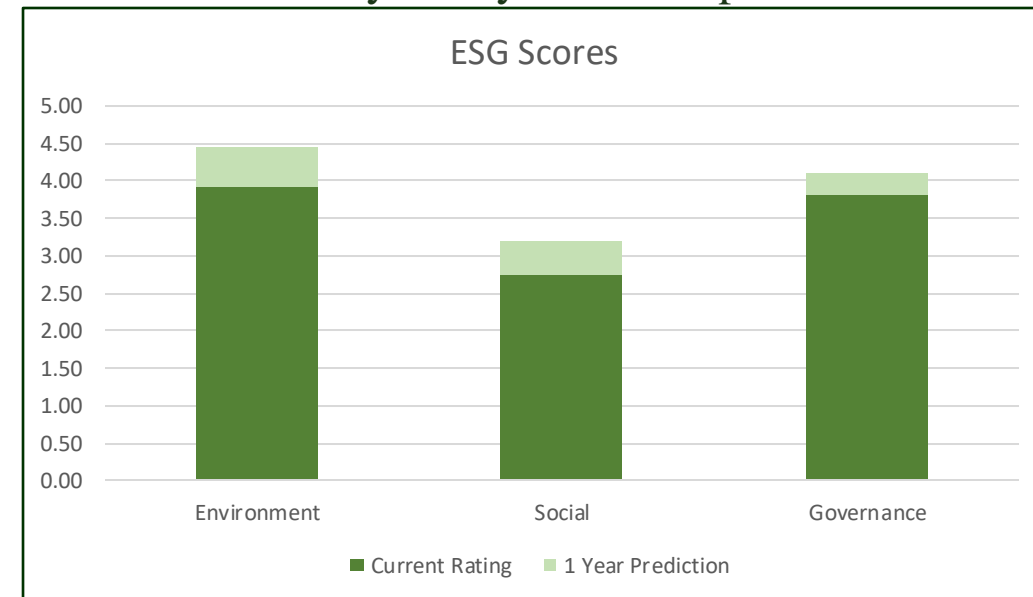


|      |       |        |
|------|-------|--------|
| High | 36.9% | 101.00 |
| Med  | 22.0% | 90.00  |
| Low  | 4.4%  | 77.00  |

I believe this valuation from the FT along with the dividend yield makes it a very attractive stock to buy



- Blade wastage
- NextEra Energy is recognized as one of the World's Most Ethical Companies(R) for the 14th time
- Health and safety issues along with workers rights complaints through FP&L, one man fell and another raised complaints back in 2019. Since, Nextera Energy has released a safety policy where they outline the safety programs and training as well as leadership program which includes monitory safety rules and practices







- I think NextEra is a strong buy and undervalued given the potential of renewable energy in 2021 particularly through business demand aiming to use more sustainable energy sources
- The dividend yield and large growth potential due to its favourable sector with the Biden administration makes it a desirable option

