NextEra Energy, Inc.
[NYSE: NEE]

Recommendation: BUY
Target Price: $85.56

MBA AF 632 ASSET MANAGEMENT PRACTICUM

Analyst:
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Valuation	DCF	CompCo
Estimated Price	$89.11	$77.28
Weight	70%	30%

MARKET PROFILE

Closing Price	$66.8
Shares Outstanding	2.06 B
Market Capitalization	136.6B
Price/Sales	5.4
Price/Cash Flow	10.5
Beta	0.339
Institutional Holdings	88.2%
Insider Holdings	0.09%

LIQUIDITY RATIOS

Ratios	2021	2022	2023	2024
Current	2.27	1.89	1.76	1.75
Quick	1.65	1.28	1.20	1.19
Cash	0.97	0.59	0.46	0.48

HISTORICAL EPS

COMPANY OVERVIEW

NextEra Energy, based in Juno Beach, Florida, is a leading clean energy company and one of the largest renewable energy producers in the U.S. It operates primarily through two subsidiaries: Florida Power & Light (FPL) and NextEra Energy Resources (NEER).

- **Florida Power & Light (FPL)** is the largest rate-regulated electric utility in the U.S., serving over 6 million customer accounts across Florida. FPL is transitioning its energy mix toward renewable sources, with significant investments in solar power and smart grid technology. By 2025, FPL aims to have installed 20 million solar panels, making it a major solar utility in the U.S.
- **NextEra Energy Resources (NEER)** is the world's largest producer of wind and solar energy. NEER focuses on the development, ownership, and operation of renewable energy projects across solar, wind, and energy storage. As of 2023, 66% of NEER's output was from wind and 11% from solar, with a 24 GW development backlog of new renewable energy projects.

NextEra's long-term strategy is centered on sustainability and clean energy growth, with the company aiming to achieve net-zero emissions by 2050. It is also investing heavily in AI-powered energy management, energy storage, and smart grid solutions, making it uniquely positioned to meet the energy needs of both residential consumers and the AI-driven industry of the future.

INDUSTRY OVERVIEW

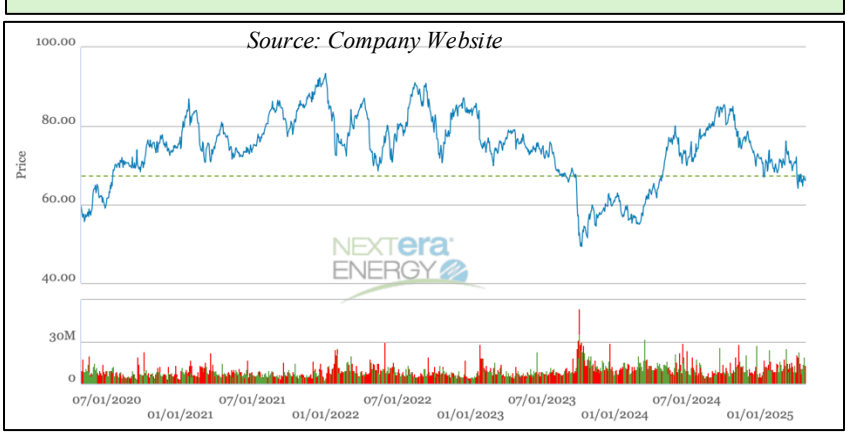
The global energy industry is increasingly driven by the demand for clean, renewable energy. Governments worldwide are setting carbon-neutral goals and enacting policies to encourage the adoption of solar, wind, and energy storage technologies, positioning these solutions as the cornerstone of future power generation.

Simultaneously, the rise of AI-driven industries, particularly data centers and cloud computing, has created a new wave of electricity demand. These industries, now among the largest consumers of energy, require reliable and scalable clean energy solutions. To meet these demands, the integration of smart grids and AI-powered energy management is becoming essential, with companies like NextEra Energy playing a key role in providing sustainable solutions for the growing energy needs of AI-driven sectors.

DUPONT ANALYSIS

Year	Net Profit Margin [%]	Asset Turnover	Financial Leverage	ROE [%]
2021	11.30%	0.61	2.75	14.73%
2022	8.87%	0.68	2.42	15.25%
2023	9.29%	0.61	1.76	11.62%
2024	13.21%	0.53	1.57	9.76%

STOCK PRICE CHART



'AHA' MOMENT

"AI and Renewables Are Rebuilding the Grid of Tomorrow."

The **traditional energy grid** was designed for an era where power consumption was **predictable** and **steady**, fueled by **fossil fuels**. It worked for homes, factories, and predictable demand. But that world has changed. **AI-powered industries**, such as **data centers**, **cloud computing**, and **machine learning**, are **exploding in scale**, creating an **insatiable demand for power**. Today, these industries are some of the **largest consumers of electricity**, pushing the **traditional grid** to its **breaking point**.

Here's the **turning point**: **AI and renewables**, once seen as **separate worlds**, are now **converging** to solve this energy crisis. **AI** is no longer just a consumer of power—it's **transforming** how energy is **managed**, **distributed**, and **optimized**. **Smart grids** powered by **AI** are now **balancing** renewable energy sources like **solar** and **wind**, ensuring a **reliable**, **scalable energy supply** for industries that demand **24/7 power**. **Renewables** have gone from being an **alternative energy source** to the **foundation of the future grid**, and companies like **NextEra** are **leading the charge**.

NextEra Energy is at the **forefront of this transformation**, using **AI-driven energy management** and **renewable energy innovations** to **rebuild the grid** for tomorrow's needs. By combining **smart grid technologies** with **cutting-edge renewable energy solutions**, **NextEra** is not just adapting—it's **shaping the future** of the **energy landscape**, ensuring that the **AI-powered world** can thrive on **clean, sustainable power**.

INVESTMENT THESIS

1. Technological Advancements in Smart Grids and AI-Powered Energy Management

NextEra Energy is at the forefront of **rebuilding the energy grid** to support the **growing energy demands** of **AI-powered industries**. With its **cutting-edge smart grid technology**, **NextEra** is not only modernizing the grid but also integrating **AI-driven solutions** that **optimize energy flow**, **forecast demand**, and **balance renewable energy sources** like **solar** and **wind**. These technological advancements are crucial for meeting the needs of industries that require **24/7, scalable** and **sustainable energy**. As AI continues to drive **energy consumption**, **NextEra's innovation in smart grids** and **energy management systems** positions it as a leader in **the energy sector's future**.

2. Strong Financial Performance and Sustainable Growth

NextEra Energy has shown **consistent revenue growth** and **strong earnings**, supported by its leading position in **renewable energy** and **smart grid technologies**. With **$85 billion in planned capital expenditures** through **2029**, the company is **well-positioned** for continued **growth**. Its **regulated utility business** (FPL) provides stable cash flows, while **NEER's** investments in **renewable energy** and **energy storage** ensure **high-growth potential**. These factors make **NextEra** a solid investment for those seeking long-term **sustainable growth** and **strong returns**.

3. Leadership in Renewable Energy and Commitment to Sustainability

NextEra is the **largest producer of wind and solar energy** in the U.S. and continues to expand its **renewable energy portfolio** with investments in **solar**, **wind**, and **energy storage**. As demand for **clean energy** increases, **NextEra's commitment to sustainability**—including its goal to achieve **net-zero emissions by 2050**—aligns with global trends toward **carbon reduction** and **green technology**. The company's leadership in **renewables** makes it a key player in the **global energy transition**, positioning it to capitalize on the growing **demand for clean, renewable power**.

VALUATION

To value NextEra Energy, we used a blended approach incorporating both a **DCF-based EBITDA multiple method** and a **comparable company analysis**. The DCF model, which assumes a **7.5% perpetuity growth rate** and a range of terminal EBITDA multiples, yields a **base case value of $89.11**. This method reflects the company's strong cash flow outlook, significant capital investments in renewable energy, and its leadership in clean infrastructure innovation. The comparable company analysis, using historical premium-adjusted **P/E and EV/EBITDA multiples** of industry peers, originally produced an average implied price of **$80.50**. However, to better reflect market sentiment, macroeconomic headwinds, and potential valuation compression among peers, we downward-adjusted the implied CompCo value to **$77.28**.By applying a **65% weight to DCF** and **35% to the comparable company analysis**, we arrive at a **blended target price of $85.56**. This valuation supports a **Buy recommendation**, driven by NextEra's consistent performance, strong long-term earnings visibility, and its strategic advantage in scaling clean, AI-integrated energy solutions across North America.

DCF EBITA MUTIPLE METHOD

WACC	Terminal EBITDA Multiple				
	14.8x	16.3x	17.8x	19.3x	20.8x
5.5%	68.80	82.51	96.23	109.95	123.66
6.0%	65.83	79.23	92.62	106.02	119.41
6.5%	62.95	76.03	89.11	102.20	115.28
7.0%	60.15	72.93	85.71	98.49	111.27
7.5%	57.42	69.91	82.40	94.88	107.37

BASE CASE: $89.11

UPSIDE: 35%

PERPETIUITY GROWTH: 7.5%

WACC	Upside Potential Terminal Multiple				
	14.8x	16.3x	17.8x	19.3x	20.8x
5.5%	4%	25%	46%	66%	87%
6.0%	0%	20%	40%	60%	81%
6.5%	-5%	15%	35%	55%	74%
7.0%	-9%	10%	30%	49%	68%
7.5%	-13%	6%	25%	43%	62%

WACC	Implied Perpetuity Growth Terminal Multiple				
	14.8x	16.3x	17.8x	19.3x	20.8x
5.5%	6.7%	6.6%	6.5%	6.5%	6.4%
6.0%	7.3%	7.1%	7.0%	7.0%	6.9%
6.5%	7.8%	7.6%	7.5%	7.5%	7.4%
7.0%	8.3%	8.1%	8.0%	8.0%	7.9%
7.5%	8.8%	8.7%	8.6%	8.5%	8.4%

SOURCE: BLOOMBERG TERMINAL

COMPARABLE COMPANY ANALYSIS

Metric	Historical Avg Premium (%)	Implied Multiple (x)	Implied Share Price (USD)
BF P/E	44	19.0	71.25
BF EV/EBITDA	36	16.3	77.28
BF EV/EBIT	42	25.9	88.69
BF EV/Rev	76	9.0	81.64
LF P/BV	13	2.1	51.61

SOURCE: BLOOMBERG TERMINAL

RISK ANALYSIS

1. Regulatory and Policy Risks

NextEra Energy is exposed to **regulatory changes** related to **government incentives** for renewable energy projects, such as the **Investment Tax Credit (ITC)** and **Production Tax Credit (PTC)**. These incentives play a crucial role in making renewable energy projects financially viable. Any changes in these policies or delays in **regulatory approvals** for new projects could significantly affect **NextEra's growth prospects**. To mitigate this, **NextEra** actively engages with **policymakers** to advocate for supportive policies and maintains a **diversified portfolio** of regulated and unregulated assets to reduce reliance on any single regulatory framework.

2. Operational and Construction Risks

The development of **renewable energy projects** comes with risks, including **delays**, **cost overruns**, and **supply chain disruptions**. These risks could impact project timelines and the profitability of **NextEra's investments** in **solar**, **wind**, and **energy storage**. To manage these risks, **NextEra** employs **robust project management** processes, long-term supply contracts, and maintains strong relationships with **key suppliers** to ensure the timely delivery of essential materials and equipment.

3. Climate and Environmental Risks

As a major energy provider, **NextEra** is vulnerable to **climate-related risks** such as **extreme weather events** (e.g., hurricanes) that can disrupt operations. The company's significant presence in **Florida** makes it particularly exposed to such risks. To mitigate this, **NextEra** invests in **climate-resilient infrastructure** and has implemented **hurricane-resistant designs** for its energy assets. Additionally, the company integrates **energy storage solutions** to balance the intermittent nature of **renewable energy** sources like **solar** and **wind**, ensuring a stable power supply despite changing weather conditions.

4. Financial and Market Risks

NextEra Energy is exposed to **market volatility**, including **interest rate fluctuations** and **commodity price changes**. Rising interest rates can increase the **cost of capital**, while fluctuations in **natural gas prices** can affect revenue streams from its utility operations. To manage these risks, **NextEra** utilizes **financial hedging strategies** to mitigate the impact of **commodity price volatility** and **interest rate hikes**. The company also maintains a **strong balance sheet**, which helps ensure stable access to capital for its renewable energy projects.

STRUCTURAL SHIFTS WITHIN NEXT ENERGY

NextEra Energy has strategically transformed itself from a traditional utility into a **future-focused energy infrastructure company**. Historically centered around regulated electricity distribution through Florida Power & Light (FPL), the company has shifted its growth engine to **NextEra Energy Resources (NEER)** — now the world's largest producer of wind and solar energy. This structural realignment reflects a broader pivot: from fossil-fuel dependency to a diversified portfolio anchored in **renewables, battery storage, and intelligent grid solutions**.

Internally, the company has restructured its capital allocation, with multi-billion-dollar investments moving beyond generation into **non-generating assets** — including smart grids, AI-powered forecasting systems, and digital control platforms. These assets enhance grid efficiency, reliability, and scalability — critical for meeting the demands of AI-driven industries. NextEra's operational model has also evolved, embedding **digital technologies and real-time data** across its network to shift from energy production to **energy orchestration**.

This transformation is supported by governance changes emphasizing **ESG alignment**, board diversity, and long-term value creation. Ultimately, these structural shifts position NextEra not merely as a renewable energy leader, but as a **technology-integrated energy platform** — capable of powering and managing the grid of the future.

NEXTERA'S LEADERSHIP IN NON-GENERAITNG ASSETS

While most utilities focus on power generation, **NextEra Energy has built a significant competitive advantage through its investment in non-generating assets** — infrastructure that doesn't produce electricity directly but is essential to enabling and scaling clean energy. This includes **AI-powered smart grid systems**, **digital monitoring platforms**, and **advanced demand forecasting tools**, which allow real-time optimization of energy flow across the grid. By integrating technologies such as **smart meters**, **grid automation**, and **digital twins**, NextEra ensures efficient transmission, predictive maintenance, and outage prevention — all of which improve reliability and reduce operational risk.

Another core asset class is **battery energy storage**, which plays a pivotal role in stabilizing the intermittent nature of wind and solar power. These systems store excess energy during peak generation and dispatch it when demand rises, ensuring consistent, 24/7 clean power availability. Additionally, NextEra has strategically acquired **land, transmission rights, and permitting capacity**, which serve as long-term enablers of future renewable development.

Together, these non-generating assets form the **operational backbone of NextEra's clean energy strategy**, allowing the company to scale sustainably, respond intelligently to demand surges, and offer integrated energy solutions to power-hungry sectors like data centers. This forward-looking infrastructure is what distinguishes NextEra as a true **energy platform**, not just a generator.

PORTER'S 5 FORCES

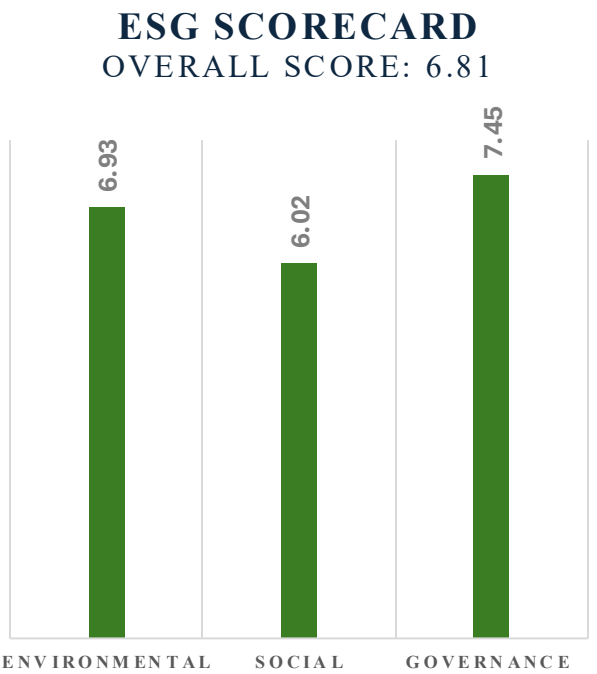
Threat of New Entrants: **MOERATE**	•Entry barriers are high due to capital intensity, regulatory hurdles, and required scale. NextEra's established infrastructure and PPAs deter new players. Its brand leadership in renewables strengthens its market protection.
Bargaining Power of Suppliers: **MEDIUM**	•Limited global suppliers for wind, solar, and storage tech gives them leverage. High demand and supply constraints can drive up costs. NextEra mitigates this with long-term contracts and diversified vendors.
Bargaining Power of Buyers: **MEDIUM**	•Large commercial clients have some negotiation power due to their scale. However, switching is difficult due to infrastructure and service reliability. NextEra's clean energy focus enhances customer retention.
Threat of Substitutes: **MEDIUM**	•Alternatives like nuclear or hydrogen exist but are less cost-effective or scalable. Fossil fuels remain a fallback but contradict ESG goals. NextEra's solar-wind-storage mix is more competitive and flexible.
Rivalry Between Existing Competitors: **HIGH**	•The renewable space is highly competitive with many utility-scale players. Firms compete on cost, innovation, and project scale. NextEra's edge lies in smart grid tech, scale, and energy intelligence.

ENVIORNMENTAL, SOCIAL, GOVERNANCE

ENVIORNMENTAL

NextEra Energy leads the renewable energy sector, focusing on **wind**, **solar**, and **energy storage** to transition away from fossil fuels. The company aims to achieve **carbon-free energy by 2045**, emphasizing **Scope 1, 2, and 3 emissions reduction**. **Scope 1 emissions**, from its **gas-fired plants** and company-owned equipment, have been reduced through a shift to **renewable energy** and the use of **carbon capture technologies** at natural gas plants. **Scope 2 emissions** are minimized by **smart grid investments** and increasing on-site **solar generation**, reducing reliance on externally purchased energy. **Scope 3 emissions**, from **supply chain activities**, are managed by working with suppliers to promote **sustainable practices** and reduce emissions in production processes and corporate travel.

Beyond emissions reductions, **NextEra** focuses on **environmental conservation**, engaging in **wildlife protection** programs, particularly for endangered species like **manatees** and **crocodiles** in Florida. The company also invests in **energy storage** and **smart grid technologies**, ensuring the stable distribution of **renewable energy**. **NextEra's** continued investment in **energy storage** and **solar capacity** positions it as a key player in the **clean energy transition**, working toward **net-zero emissions** and minimizing environmental impact across its operations.



SOURCE: BLOOMBERG TERMINAL

SOCIAL

NextEra Energy prioritizes **workforce diversity** and **community engagement**, aiming to reflect the communities it serves. In 2023, **41% of the workforce** and **15% of the board members** were minorities, with **38% of the board members** being women, emphasizing the company's commitment to **equal opportunity** and **inclusive leadership**. The company's **$25 billion investment** over the next four years focuses on **economic development**, particularly in underrepresented communities.

NextEra also upholds **human rights**, ensuring policies are in place to prevent **forced labor** across its **supply chain**, especially within **renewable energy projects**. Through partnerships with various organizations, the company supports **STEM education** and **workforce development**. The **NextEra Energy Foundation** donated **$6 million** in 2023 to drive initiatives in **economic mobility**, **community empowerment**, and **workforce development**.

Volunteers spent Power to Care day in 2024 in Sarasota, Fla., building a meditation garden and planting landscaping, among other projects.

SOURCE: NEXT ERA SUSTAINABILITY REPORT 2024

GOVERNANCE

NextEra Energy upholds strong **corporate governance** with a board comprising **11 independent directors** (out of 12), **4 women**, and **2 ethnically diverse members**, ensuring **diverse leadership** and **inclusive decision-making**. The **average tenure** of directors is **5.5 years**, while a **specified retirement age** helps inject new perspectives into the board. The company aligns **executive compensation** with **sustainable operational performance**, focusing on **customer value**, **reliability**, and **clean energy solutions**. Metrics such as **O&M costs per retail MWh**, **capital expenditures**, and **customer satisfaction** guide executive rewards, reinforcing NextEra's commitment to **energy efficiency** and **customer satisfaction**. In addition, safety is a key priority, with the **number of OSHA recordable incidents** integrated into compensation to ensure a **zero-injury workplace**. Lastly, **NextEra** also emphasizes **cybersecurity** and **environmental responsibility**, striving to meet **zero environmental violations** and reinforcing its position as a **leader in sustainable, clean energy**.


Armando Pimentel, president and CEO of FPL, John Ketchum, chairman and CEO of NextEra Energy, and Rebecca Kujawa, president and CEO of NextEra Energy Resources, address employees during a town hall.

SOURCE: NEXT ERA SUSTAINABILITY REPORT 2024