



NextEra Energy Partners (NYSE: NEP)

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AGENDA

1 Company Overview

2 Industry Outlook

3 Investment Thesis

4 Valuation

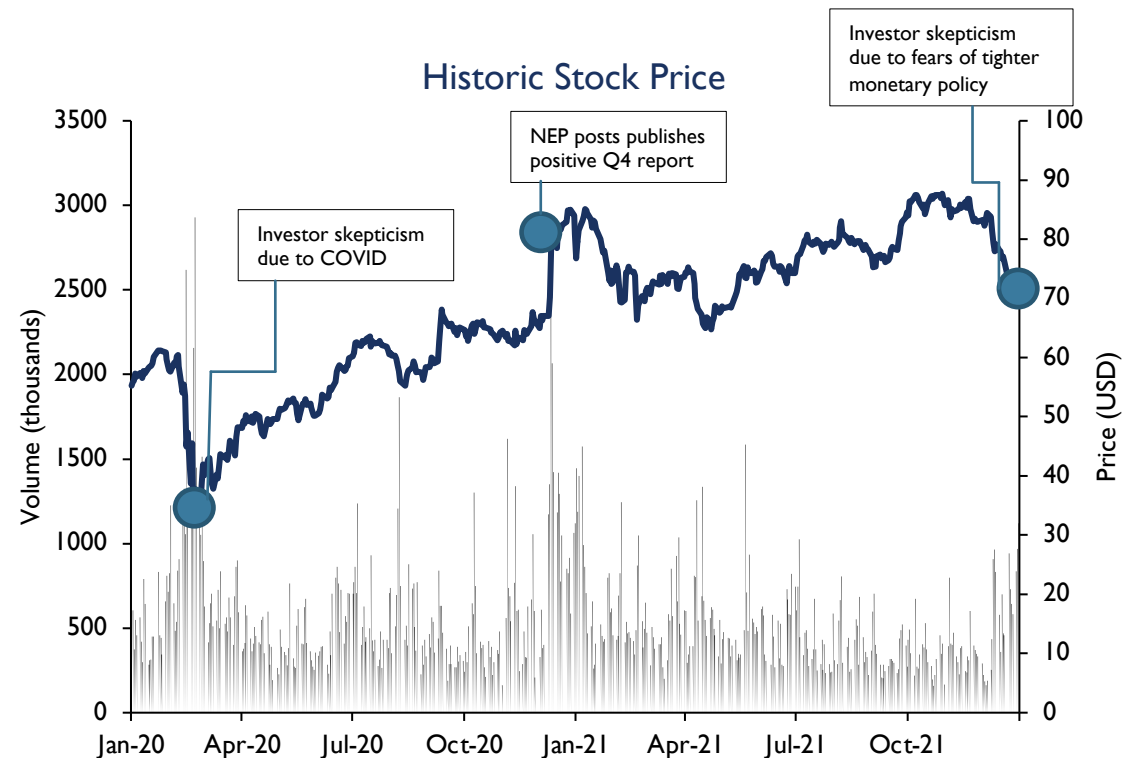
5 Recommendation

6 Catalysts and Risks

Company Overview

PRICE VOLUME CHART AND CAPITALIZATION TABLE

Price-Volume Analysis



Market Data

Capitalization (in USD\$ Millions)

	Enterprise Value (EV) Build		% of EV
Share Price	\$	72.65	
Shares Outstanding		83.87	
Market Capitalization	\$	5940	48%
(+) Long-Term Debt	\$	5294	43%
(+) Short-Term Debt	\$	1261	10%
(-) Cash and Cash Equivalents	\$	(147)	(1.2%)
Enterprise Value	\$	12348	100%

Trading Multiples

EV / LTM EBITDA	28.4x
Price / LTM Sales	6.2x
LTM P/E Ratio	44.3x

Market Data

52-Week High	88.80
% of 52-Week High	94%

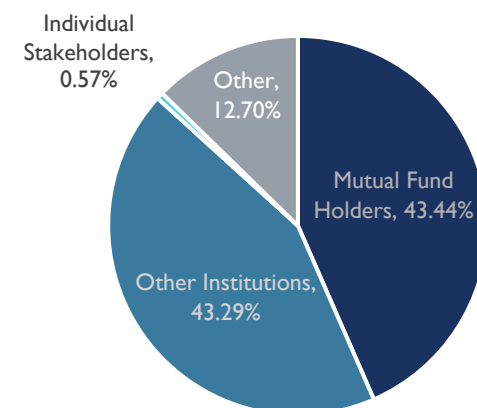
Company Overview

SHAREHOLDER OVERVIEW

Shareholder Summary

Stockholder	Stake	Total Value (\$)	Shares bought/sold	Total Change
Fidelity Investments	8.26%	6,330,715	+443,981	+7.54%
Neuberger Berman Investment Advisory	5.62%	4,307,190	-378,441	-8.08%
Jennison Associates LLC	3.61%	2,765,307	-62,789	-2.22%
Energy Income Partners LLC	3.54%	2,709,123	-379,734	-12.29%
Newton Investment Management	3.02%	2,314,048	+2,314,048	-
T. Row Price Associates	2.99%	2,289,256	+319,687	+16.23%
1832 Asset Management LP	2.30%	1,758,394	-329,432	-15.78%
Eventide Asset Management LLC	2.00%	1,532,000	+204,900	+15.44%
Goldman Sachs & Co. LLC	1.90%	1,454,422	+547,871	+60.43%
Kayne Anderson Capital Advisors LLC	1.89%	1,466,688	-500	-0.03%

Ownership Structure



- 80.8% of NextEra Energy Partners shares are owned by institutional investors
- 0.2% of NextEra Energy Partners shares are owned by insiders.
- Strong institutional ownership indicates hedge funds, endowments and large money managers believe a company will outperform the market over the long term.

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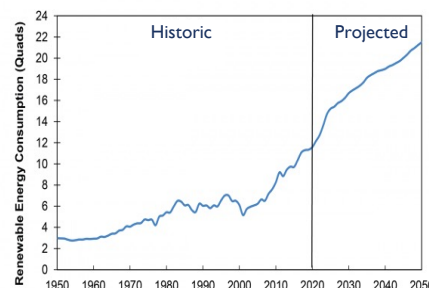
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Industry Outlook

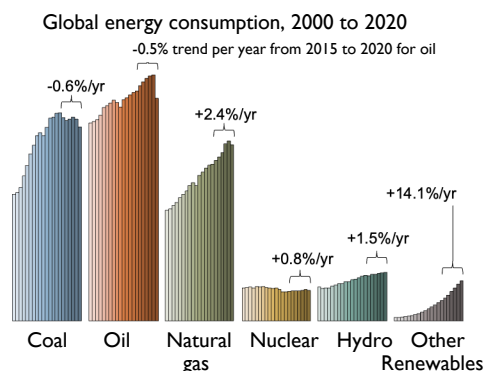
RENEWABLE ENERGY INDUSTRY

Industry at a Glance

- Renewable energy is the fastest-growing energy source in the United States
- Solar generation is the fastest-growing electricity source.
- Nearly all countries had renewable energy policy targets in place at the end of 2020.
- Renewable energy allows for substantial cost decline incentivizing corporations



Oil & Gas Industry Outlook



- Improving their ESG outlook as it is becoming a bigger criteria within investors
- Business models are shifting to greener and decarbonized models
- High oil prices in 2021 enables investment in riskier and expensive green energy solutions






NEP compared to Industry

	NextEra Energy Partners	Electric Services Industry	Energy Sector	NYSE Exchange
Market Cap	\$5.49B	\$12.40B	\$7.30B	\$14.63B
Dividend Yield	3.77%	4.13%	12.07%	3.57%
P/E Ratio	25.77	12.82	10.01	21.10
Price / Sales	5.99	3.59	27.41	21.40
Price / Cash	17.18	9.29	13.20	83.09
Price / Book	0.68	2.41	11.85	11.09
Net Income	-50M	\$508.36M	-\$556.27M	\$427.33M
7 Day Performance	-1.97%	-1.70%	1.02%	-2.02%
1 Month Performance	-13.89%	-5.43%	3.98%	-7.33%
1 Year Performance	-9.92%	4.06%	57.91%	9.39%

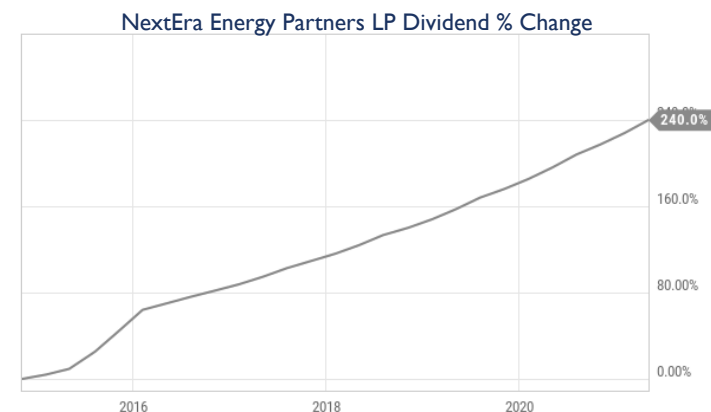
Industry Outlook

COMPETITORS

Major Players

Company	Share Price	Market Cap	Revenue	P/E Ratio
 AGR	\$45.32	\$17.55B	\$6.32B	20.69
 CNP	\$27.37	\$17.21B	\$7.42B	18.01
 KEP	\$8.34	\$10.71B	\$49.67B	-10.97
 VST	\$21.31	10.28B	\$11.44B	-5.10
 EBR	\$6.41	10.06B	\$5.65B	7.51

Points of Difference



NEP should be able to continue finding increasingly attractive financing options in order to maintain its impressive growth streak.

Market Leader (AGR) Comparison

Company	% shares owned by institutional investors	Net Margin	Consensus Target Price	Potential Upside
AGR	10.7%	10.57%	\$91.20	27.29%
NEP	80.8%	29.70%	\$52.67	14.67%

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

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STRONG FUNDAMENTALS TO SUPPORT DIVIDENDS

Reliable Stream of Cash Flows

- Ownership Status
 - Continual stream of cash flows from portfolio of operating assets 
- Contract Longevity
 - Long-term contracted PPA's, weighted average remaining contract term of approximately 15 years 
- Investment-grade Offtakers
 - Well-diversified with ~60 credible counterparties, mainly utility companies and governments 

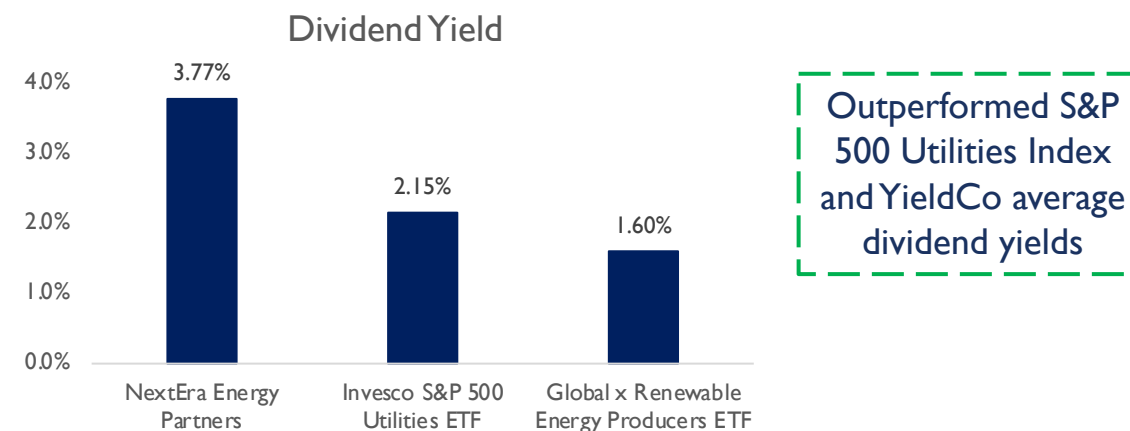
ESG Oriented

Environmental	Social	Governance
<ul style="list-style-type: none"> • Daily site inspections, routine self-assessments, and environmental audits • Environmental experts to monitor potential impacts to biodiversity from operating assets 	<ul style="list-style-type: none"> • Project adjacent communities benefit from corporate giving programs 	<ul style="list-style-type: none"> • Diverse board of directors • Shareholder engagement • Independent audit committee

High-Quality Clean Energy Portfolio

- Diversify of Clean Energy
 - Energy mix is roughly 75% renewable energy and 25% natural gas
 - Renewable mix is 85% wind and 15% solar
 - Diversifying into solar-plus-storage projects, recently acquired a 100 MW solar storage project
- Newly Constructed Operating Assets
 - ~80% of renewables mix built less than seven years ago, reducing risk of unexpected maintenance costs

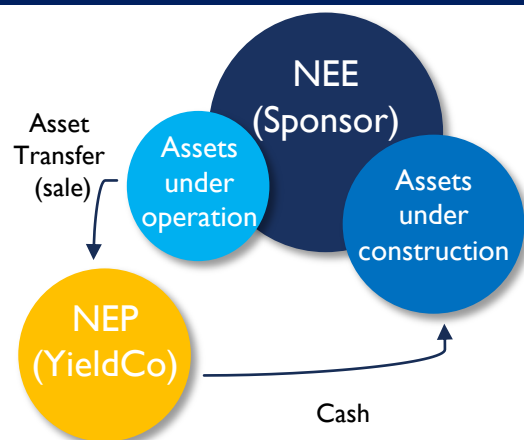
Dividend Growth Performance



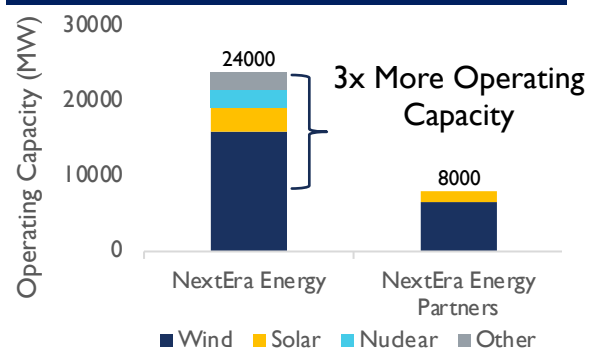
GROWTH PROSPECTS FROM PARENT COMPANY, NextEra Energy, Inc. (NEE)

Abundant Growth Opportunities from Parent Company, NEE

YieldCo/Sponsor Relationship

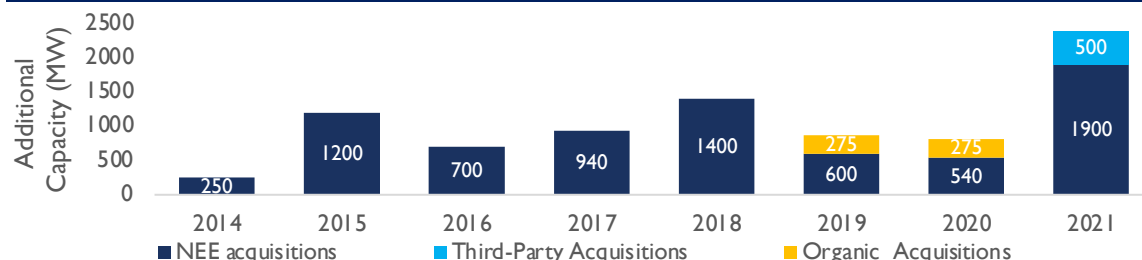


Renewables mix comparison



- NEE has over 16,600 MW in its backlog of signed contracts

Historical Renewables Acquisitions Summary

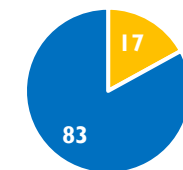


Privileged Access to NEE development pipeline means ample acquisition opportunities

Projected Mix of Energy Portfolio

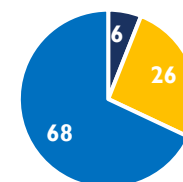
- Mix of solar in NEP's portfolio expected to increase given solar comprises ~65% of signed contracted projects from 2022-2024
- Recent 100 MW solar-plus-storage project acquisition from NEE supports this

NEP
Current
Renewables
Mix

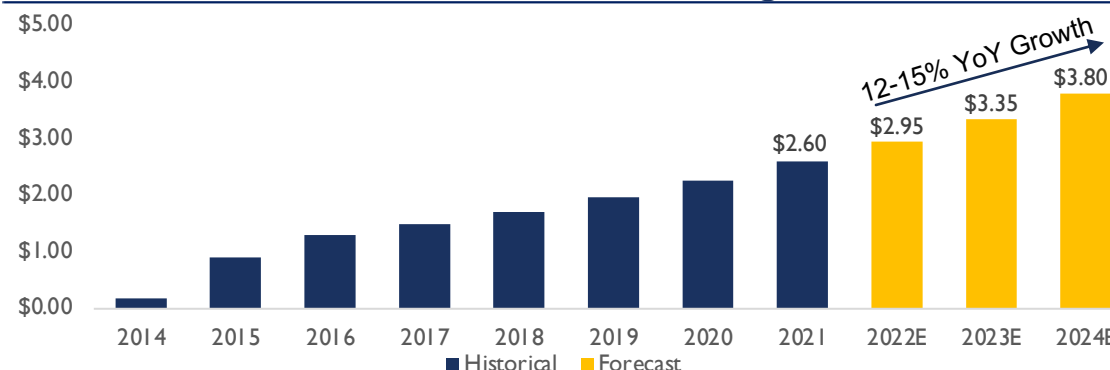


■ Storage ■ Solar ■ Wind

NEP
Renewables
Mix, 2025E



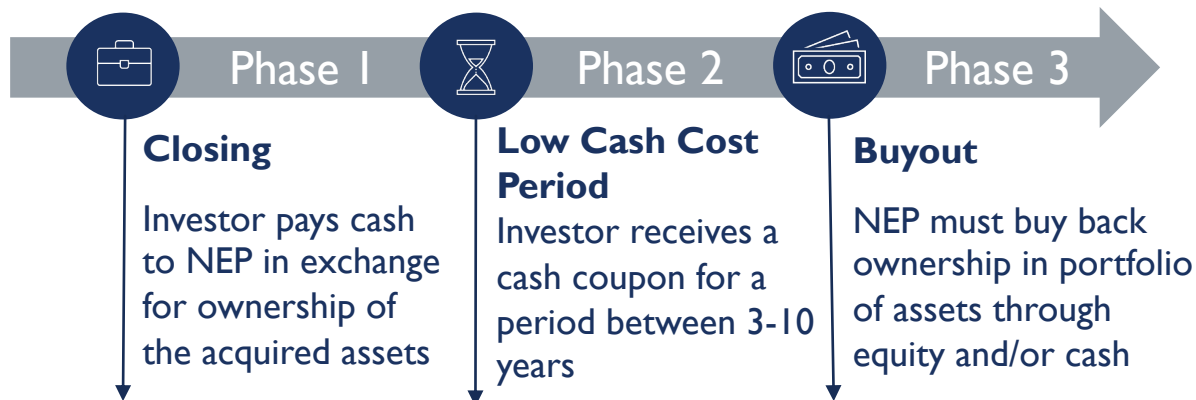
NEP Forecasted Dividend Growth Target



Clear visibility provides investor confidence that they can achieve DPS forecasts

GROWTH THROUGH ACCRETIVE ACQUISITIONS LEVERAGING LOW-COST FINANCING

What is Convertible Equity Portfolio Financing (CEPF)?



Benefits of Convertible Equity Portfolio Financing

- Reduce Potential Share Dilutions
 - If NEP share price rises during low cash cost period, they can buy back portfolio ownership with less shares than they would have needed during closing stage
- Buyout Flexibility
 - During price volatility, they can delay buyout since low cash cost period is 3-10 years; NEP can wait to execute buyout at a favourable share price

Funded By World Leading Asset Managers

2018	2019	2020	2021
BLACKROCK	BLACKROCK	EIG	KKR
\$750M 3-6.5 years 2.5% implied coupon	\$170M 3.5-6 years <1.0% implied coupon	\$750M 4-7 years 2.8% implied coupon	\$900M 3.5-6 years <1.0% implied coupon
			KKR
			\$1.1B 3-10 years 4.4% implied coupon
			APOLLO
			\$824M 3-10 years 4.8% implied coupon

- In 2021 Q4, NEP executed buyout of 2018 CEPF for ~885M, paying with 7.25M newly issued shares and 265M in cash
 - Issued 9M less shares than if they used common equity financing
 - ~150M cash savings from not needing to pay dividends if they issued common equity
- Strong Industry Relationships
 - KKR signed a Letter of Intent with NEP to invest ~\$900M CEPF to support future growth

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COMP TABLE AND COMMENTARY

Comparable Companies: Peer Universe

Trading Comps Output

(In USD millions)

Comparable Energy Companies	Market Cap.	Enterprise Value	P/E			EV / EBITDA			EBIT/Int. Exp			EV / Total Revenue		
			2021A	2022E	2023E	2021A	2022E	2023E	2021A	2022E	2023E	2022E	2023E	2024E
FIRST SOLAR INC (NasdaqGS: FSLR)	\$ 8,074.40	\$ 6,618.80	21.3x	39.4x	22.9x	9.4x	12.5x	8.2x	39.4x	22.0x	37.0x	2.3x	2.4x	1.9x
SOLAREDGE TECHNOLOGIES, INC (NasdaqGS: SEDG)	\$ 11,173.00	\$ 10,695.40	42.7x	31.2x	23.6x	29.2x	21.5x	16.3x	17.1x	68.7x	97.6x	5.4x	4.1x	3.3x
RENEWABLE ENERGY GROUP, INC. (NasdaqGS: REGI)	\$ 2,032.40	\$ 1,557.50	9.4x	11.0x	13.9x	5.3x	5.5x	6.1x	10.7x	8.0x	5.8x	0.5x	0.5x	0.5x
SUNPOWER CORPORATION (NasdaqGS: SPWR)	\$ 2,816.00	\$ 2,818.00	76.1x	34.8x	21.3x	32.5x	22.1x	14.6x	0.5x	3.2x	6.3x	2.2x	1.7x	1.5x
CLEARWAY ENERGY INC (NYSE:CWEN.A)	\$ 3,750.90	\$ 6,338.30	52.0x	19.4x	25.8x	5.4x	5.2x	5.4x	1.0x	1.2x	1.5x	4.9x	4.5x	4.6x
Maximum	\$ 11,173.00	\$ 10,695.40	76.1x	39.4x	25.8x	32.5x	22.1x	16.3x	39.4x	68.7x	97.6x	5.4x	4.5x	4.6x
75th Percentile	\$ 8,074.40	\$ 6,618.80	52.0x	34.8x	23.6x	29.2x	21.5x	14.6x	17.1x	22.0x	37.0x	4.9x	4.1x	3.3x
Median	\$ 3,750.90	\$ 6,338.30	42.7x	31.2x	22.9x	9.4x	12.5x	8.2x	10.7x	8.0x	6.3x	2.3x	2.4x	1.9x
25th Percentile	\$ 2,816.00	\$ 2,818.00	21.3x	19.4x	21.3x	5.4x	5.5x	6.1x	1.0x	3.2x	5.8x	2.2x	1.7x	1.5x
Minimum	\$ 2,032.40	\$ 1,557.50	9.4x	11.0x	13.9x	5.3x	5.2x	5.4x	0.5x	1.2x	1.5x	0.5x	0.5x	0.5x
NEXTERA ENERGY PARTNERS LP (NYSE: NEP)	\$ 5,936.50	\$ 19,919.50	41.0x	33.3x	29.3x	14.6x	11.3x	10.6x	0.6x	3.7x	2.3x	20.3x	15.3x	11.7x

Comparable Companies: Analysis Commentary

- NextEra Renewable Partners (NEP) is far more levered than it's comparable companies, currently holds a 5.36 D/E ratio; implies higher risk of default
 - For this reason, it was important to highlight EBIT / Int. Expense because they are trading at a large premium. The biggest risk highlighted is their ability to pay interest due to their highly levered state, however, NextEra Energy (NEE), their parent company provides a strong safety net
- Due to NEP's highly levered state, comparable companies that were chosen were focused on a combination of market capitalization and EV
- NEP is currently trading at a fair price relative to it's peers when looking at 3 year projections of P/E ratio and EV / EBITDA
- EV / Total Revenue highlights NEP is trading at a premium relative to it's sales, however, the trendline shows revenue will grow rapidly
 - Investment theory 1-3 spoke upon how NEP plans to rapidly increase their sales with a stable plan to slowly pay off debts to a sustainable level

COMP TABLE AND COMMENTARY

Comparable Output Table:

Comparable Universe Multiple Application

Metric	Multiple			Implied Enterprise Value			Implied Share Price			Implied Return		
	Lower Limit	Median	Upper Limit	Lower Limit	Median	Upper Limit	Lower Limit	Median	Upper Limit	Lower Limit	Median	Upper Limit
EV / 2021A EBITDA	5.3x	9.4x	32.5x	\$7,249.89	\$12,791.04	\$44,249.86	\$86.41	\$152.46	\$527.41	18.9%	109.8%	626.0%
EV / 2022E EBITDA	5.2x	12.5x	22.1x	\$9,233.99	\$21,965.26	\$38,973.30	\$110.06	\$261.80	\$464.52	51.5%	260.4%	539.4%
EV / 2023E EBITDA	5.4x	8.2x	16.3x	\$10,178.71	\$15,279.49	\$30,537.10	\$121.32	\$182.12	\$363.97	67.0%	150.7%	401.0%
EV / 2021A Total Revenue	0.5x	2.3x	5.4x	\$489.49	\$2,215.77	\$5,349.82	\$5.83	\$26.41	\$63.76	(92.0%)	(63.6%)	(12.2%)
EV / 2022E Total Revenue	0.5x	2.4x	4.5x	\$670.08	\$3,162.79	\$5,815.89	\$7.99	\$37.70	\$69.32	(89.0%)	(48.1%)	(4.6%)
EV / 2023E Total Revenue	0.5x	1.9x	4.6x	\$870.24	\$3,291.48	\$7,750.20	\$10.37	\$39.23	\$92.37	(85.7%)	(46.0%)	27.1%
Median							\$48.39	\$95.84	\$228.17	(33.4%)	31.9%	214.1%

Conclusion:

- Comparable analysis concludes the median implied share price is **\$95.84**, bull case: \$228.17, bear case: \$48.39
- Main reason for high EV / EBITDA implied price is caused by
 - SPWR (EV / EBITDA multiple for bull case) is similar to NEP as high EBITDA growth rates are projected, signalling it's high valuation premium
 - NEP's highly leveraged capital structure (5.36 D/E) causes implied EV to be higher to comparables
- To reach a more accurate valuation, the EV / Total Revenue was utilized as half the valuation method. EV / Total Revenue is an appropriate valuation metric in this scenario based revenue is unaffected by capital structure and that is the main driver of EV in this valuation method
- Ultimately, the comparable companies analysis is projecting a 31.9% gain with a massive upside of 214.1% and downside of 33.4%
- The bear case of the comparable model will be set as the stop loss price of the recommendation. This is because if the share price dropped below, the model would not hold anymore

Valuation

DISCOUNTED CASH FLOW AND COMMENTARY

DCF Valuation Assumptions / Terminal Value

- Most numbers were taken from CapIQ estimates. We take the average number from all their case scenarios. WACC received from Bloomberg – calculated through industry cost of equity and debt
- PV of terminal value of exit multiple: \$12,867.63 (in millions)
 - Exit EV / EBITDA of 8.5 in period 5 taken from CapIQ estimates
- PV of terminal value of perpetuity method: \$13,020.82 (in millions)
 - Growth rate of 4.5% was used: Bullish, however, very high EBITDA projected growth + inflation

WACC: **6.81%**

Perp. Growth Rate: **4.5%**

FDSO: **83.9 million**

Statutory Tax Rate: **48.00%**

Exit EV/EBITDA: **8.5**

DCF Unlevered Cash Flow Summary

(in USD millions)	DCF Unlevered Cash Flow									
						Projected Forecast				
Period	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E		
					1	2	3	4	5	
Revenue	\$ 771.00	\$ 855.00	\$ 917.00	\$ 982.00	\$ 1,544.47	\$ 1,729.16	\$ 1,804.87	\$ 2,088.07		
Growth Rate (%)		11%	7%	7%	57%	12%	4%	16%		
EBITDA	\$ 881.00	\$ 1,104.00	\$ 1,263.00	\$ 1,360.00	\$ 1,719.27	\$ 1,838.62	\$ 1,931.23	\$ 2,102.00		
EBITDA Growth (%)		25%	14%	8%	26%	7%	5%	9%		
EBIT	\$ 443.00	\$ 233.00	\$ 253.00	\$ 234.00	\$ 598.24	\$ 704.33	\$ 845.67	\$ 982.17		
Less: Taxes	\$ (212.64)	\$ (111.84)	\$ (121.44)	\$ (112.32)	\$ (287.16)	\$ (338.08)	\$ (405.92)	\$ (471.44)		
Add: Depreciation & Amortization	\$ 203.00	\$ 259.00	\$ 271.00	\$ 288.00	\$ 310.48	\$ 306.86	\$ 298.07	\$ 305.50		
Less: Cap Ex	\$ (25.00)	\$ (93.00)	\$ (334.00)	\$ (113.00)	\$ (105.75)	\$ (110.00)	\$ (250.00)	\$ (250.00)		
Less: Maintenance CapEx	\$ (27.00)	\$ (17.00)	\$ (10.00)	\$ (10.00)	\$ (10.00)	\$ (10.00)	\$ (10.00)	\$ (10.00)		
Unlevered FCF				\$ 286.68	\$ 505.81	\$ 553.11	\$ 477.82	\$ 556.23		
Discount Rate (WACC)				6.81%	6.81%	6.81%	6.81%	6.81%		
Present value of FCF				\$ 268.40	\$ 443.37	\$ 453.92	\$ 367.13	\$ 400.12		
Sum of present value of FCF	\$ 1,932.94									

Valuation

DISCOUNTED CASH FLOW AND COMMENTARY

Valuation Method: Perpetuity Growth

Entreprise to Equity Value (Perpetuity Growth)	
Entreprise Value	\$ 14,953.76
Less: Net Debt	\$ 7,003.00
Market Capitalization	\$ 7,950.76
Diluted Shares Outstanding	83.9
Equity Value	\$ 94.76

Valuation Method: Exit Multiple Method

Entreprise to Equity Value (Exit Multiple Method)	
Entreprise Value	\$ 14,785.57
Less: Net Debt	\$ 7,003.00
Market Capitalization	\$7,782.57
Diluted Shares Outstanding	83.9
Equity Value	\$ 92.76

Valuation Method: Perpetuity Growth

		WACC						
		5.31%	5.81%	6.31%	6.81%	7.31%	7.81%	8.31%
Perpetuity Growth Rate	\$ 94.76							
	3.75%	\$ 73.91	\$ 67.59	\$ 61.59	\$ 55.89	\$ 50.47	\$ 45.32	\$ 40.42
	4.00%	\$ 86.18	\$ 79.29	\$ 72.75	\$ 66.54	\$ 60.64	\$ 55.02	\$ 49.69
	4.25%	\$ 100.85	\$ 93.28	\$ 86.10	\$ 79.27	\$ 72.79	\$ 66.63	\$ 60.77
	4.50%	\$ 118.69	\$ 110.30	\$ 102.33	\$ 94.76	\$ 87.57	\$ 80.74	\$ 74.24
	4.75%	\$ 140.87	\$ 131.45	\$ 122.51	\$ 114.02	\$ 105.95	\$ 98.28	\$ 90.99
	5.00%	\$ 169.17	\$ 158.44	\$ 148.26	\$ 138.58	\$ 129.39	\$ 120.66	\$ 112.36
	5.25%	\$ 206.54	\$ 194.09	\$ 182.26	\$ 171.03	\$ 160.36	\$ 150.22	\$ 140.58

Sensitivity Analysis: Exit Multiple Method

		WACC						
		5.31%	5.81%	6.31%	6.81%	7.31%	7.81%	8.31%
Exit EV/EBITDA	\$ 92.76							
	7.0x	76.01	72.48	69.06	65.73	62.48	59.33	56.26
	7.5x	85.68	81.93	78.28	74.74	71.29	67.93	64.66
	8.0x	95.35	91.37	87.51	83.75	80.09	76.53	73.07
	8.5x	105.02	100.82	96.73	92.76	88.89	85.13	81.47
	9.0x	114.69	110.27	105.96	101.77	97.70	93.73	89.88
	9.5x	124.36	119.71	115.18	110.78	106.50	102.33	98.28
	10.0x	134.04	129.16	124.41	119.79	115.30	110.94	106.68

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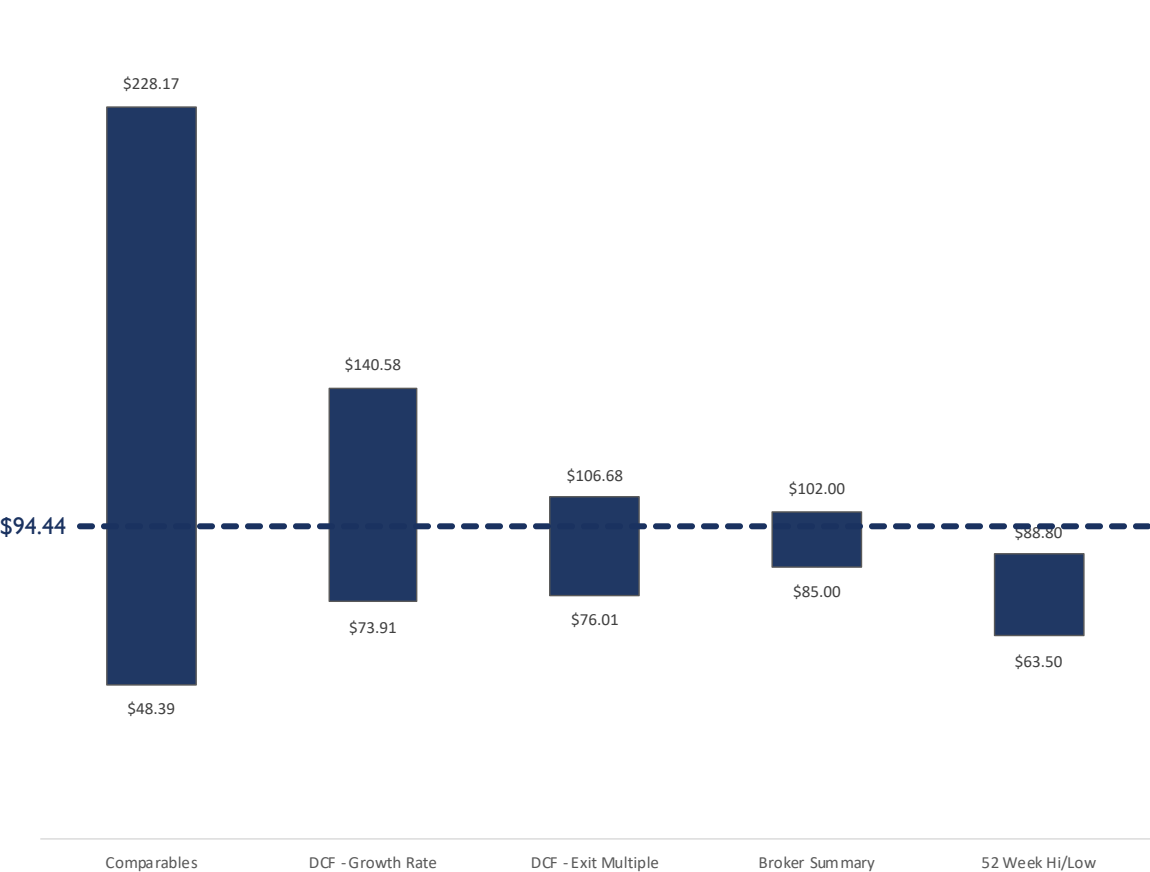
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Recommendation

BUY WITH A PRICE OF ~\$94.44 (+30%)

Indicative Valuation Range

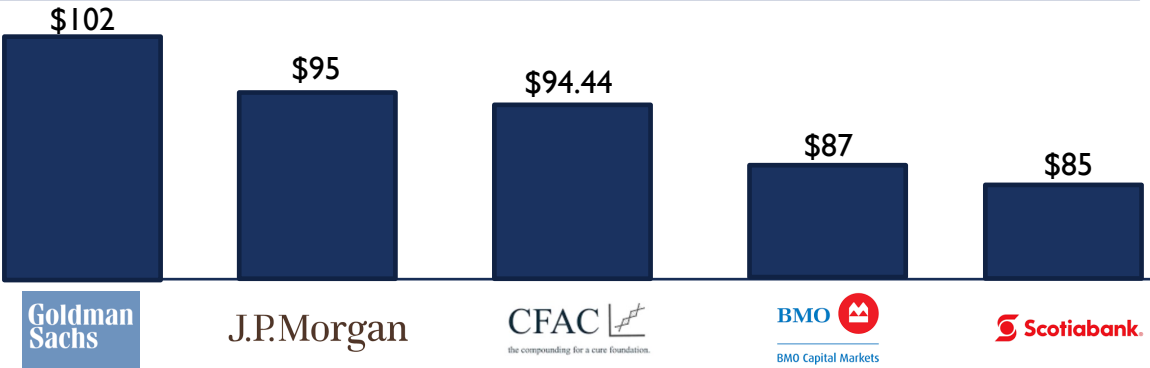


Price Target

Valuation Summary		
Analysis	Price	Weight
DCF - Perpetuity Growth Method	\$94.76	33%
DCF - Exit Multiple Method	\$92.76	33%
Comparable Companies Analysis	\$95.84	33%
Average	\$94.44	100%



Selected Broker Summary



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Catalysts and Risks

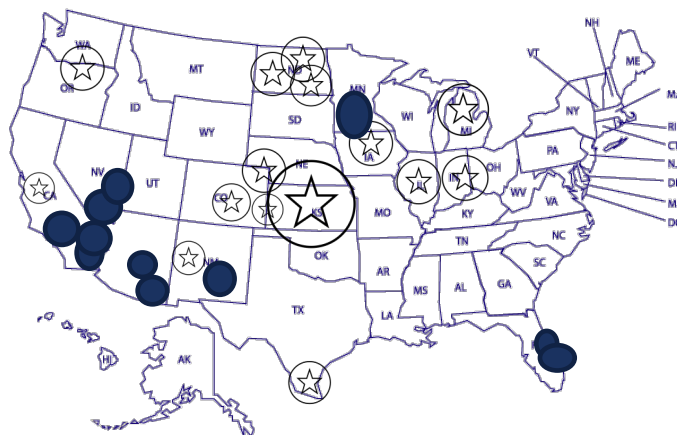
Catalysts

Short Term Catalysts

- Company size
 - In a highly competitive market, competing for bids is key. Because of NEP size it gives them a significant advantage over their competitors.

Acquisition

- Recently acquired 50% interest in a 2,520-megawatt portfolio of long term contracted renewables.
- As a result, NEP gains seven new wind farms and nine new solar projects.
- NEP is also looking to expand and acquire contracted natural gas and nuclear.
- Allowing the company to “not put all their eggs in one basket”



- Star = one wind farm (27 total)
 - Within the large star in the center there are 13 wind farms
- Dot = solar farm (11 total)

Long Term Catalysts

- Social
 - Most of the world is now pushing for a “greener” and “healthier” planet. NEP being a prominent figure in both wind and solar energy the company will stand to greatly profit as the movement gains further traction.
 - As people move towards electric powered technology such as cars, sustainable energy that NEP produces will become more desirable.
- Joe Biden’s \$1.2 trillion infrastructure bill
 - The President’s bill \$65 billion towards grid infrastructure and \$50 billion towards cyber and climate resilience.
 - The passing of the bill also brought with a number of goals for zero emissions:
 - Carbon pollution free emissions by 2030
 - Zero-emission vehicles by 2030
 - Net zero emissions from federal procurement no later than 2050.

Catalysts and Risks

Risks

Short Term Risks

- Operational
 - Damage to modes of transport and operational equipment could lead to no revenue at all.
 - NEP uses third parties for all its transport, if a contract were to fall through. It could mean the company lose all preferred modes of distribution.
- Stock price
 - The stock price for NEP is the lowest it has been in six months. Currently sitting at \$72.18 USD.
 - They have been weighed down due to the rising interest rates and has deterred investors from high growth stocks.
 - So, investors have reverted to more basic and reliable investments such as, raw minerals, oil and gas.
 - Seen CVE which is up 75% over the last six months and XOM which is up 32% over the last six months.

Long Term Risks

- Contract
 - NEP relies on a limited number of customers and leaves themselves open to the risk that if one or more of these customers is unable or unwilling to pay for services performed. Then the company will suffer serious revenue problems.
 - Their contracts are usually long term based, which again because they have so few customers leaves them open to credit risk.
- Interest rate risk
 - NEP is exposed to risk resulting from changes in interest rates associated with outstanding and associated future debt issuances and borrowings.
 - Currently all long term-debt was not exposed to fluctuations in interest expense as it was either fixed rate debt or financially hedged.
 - At the end of 2021, the estimated fair value of NEP's debt was \$3.5 billion and the carrying value of debt was \$3.4 billion.