NextEra Energy (NEE) consists of two main business segments: the Florida Power & Light regulated utility ("FPL"), and NextEra Energy Resources, a deregulated generator of predominantly wind, natural gas, nuclear and solar powered assets in North America. Moreover, it also holds a 65.1% share in the YieldCo NextEra Energy Partners (NEP).

Name	Ticker	Growth Rate	Dividend	D+G
NextEra Energy	NEE	10.00%	2.07%	12.07%

Highlights: NEE is in an opportunistic position to capture the US green energy transition dream. NEE's portfolio of assets delivers accelerating opportunities to invest in renewables, storage, hydrogen and electricity networks. We expect growing investments in Florida Power & Light (FPL) at stable and attractive returns, a successful turn-around of Gulf Power and a tripling of renewables capacity over 5 years for NextEra Energy Resources, leading to 10% EPS CAGR.

Bull Case:

- ***Triple Play Allows This Company to Trade at a Premium*** - Florida Power & Light and Gulf Power (~66% of EBITDA and ~60% of valuation incl. Gulf Power) receives an above-average ROE for premium service and offers strong growth in a highly regulated environment. NextEra's rate-based businesses will grow investments in networks and look to decarbonize Florida's power mix. We believe this segment will continue to deliver industry leading rate-based growth at ~9% in coming years, offering among the lowest customer bills in Florida and the U.S. This allows the company to be rewarded with one of the highest ROEs in the space. This trifecta of premium growth, return and regulatory environment deserves a premium over rate-based peers. In a new 2021 rate case, FPL & Gulf have proposed a combined revenue increase of USD2bn for 2022-25 and a ~1% increase in the ROE lifting the maximum from 11.6% to potentially 12.5%. We are confident that the investment program will be approved along with a maximum ROE of at least 11.6% in line with current levels for continued excellency.
- ***Strong Differentiated Growth*** - NextEra's Energy Resources (~34% of EBITDA and ~40% valuation) is the leading renewables and storage developer in the US with very attractive returns. We think NextEra could double or triple gross investments in renewables and storage over time at continuously attractive and above average returns. We expect capacity to almost triple by 2025E.
- ***History of Strong Execution*** - NEE has a spotless track record of execution with low risk. The firm has exceeded or reached the upper end of its original EPS guidance in every year since 2012 and has become the largest US utility having delivered adjusted earnings per share CAGR of ~7.8% and dividend CAGR of ~9.1% since 2003.

Bear Case:

- ***Regulated Industry*** - General attitude and policy toward the energy & utilities industry (e.g., Renewables, regulated returns, energy taxes, etc.) will have significant influence toward the future earnings stream of companies operating in this space.
- ***Exposed to Commodity Pressures*** – Power, Gas, Coal, Carbon will also impact the profitability with merchant power generation/ upstream/ midstream activities.
- ***Degree of Execution Risk*** - Execution risk of the Capex and business plan.

Overview: As a consequence of renewables and electricity demand growth, electricity networks, will become crucial and investments in U.S. electricity networks are expected to triple or quadruple to (i) integrate renewables, (ii) replace aging assets, (iii) accommodate electricity demand growth from electric vehicles and electric heat pumps, (iv) improve resilience versus extreme weather events, (v) increase the level of interconnections with other regions and (vi) deploy measuring and monitoring devices – a smart network – to accommodate the intermittency of renewables and manage a much more interconnected setup. The US net zero path may require cumulative investments of $2 trillion in the 2020s and the three largest investment categories are estimated to be solar & wind, electricity networks and buildings, we believe NextEra will be a deep beneficiary to government infrastructure spending and other subsidies.

There is obviously no such thing as a perfect company, but NextEra is giving it a good shot. NextEra is not only in pole position for the US energy transition, the company is also a cost leader, has exhibited extremely sensible use of cash and M&A and has a decade long track record of a clear strategy with dependable execution and consistent and detailed communication. Known quality at that level is rarely cheap and we believe the recent pull-back is an excellent entry point.

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