



NextEra Energy

NEE-NYSE

Rating
Outperform

Price: Apr-22
\$247.17

Target
\$262.00

Total Rtn
8%

NEE Gets Clean Bill of Health

Bottom Line: NEE reported better-than-expected 1Q20 EPS of \$2.38 vs. our \$2.28 and the Street's \$2.26. **Importantly, the company reiterated its 2020-22 EPS guidance supporting a 6-8% growth expectation as well as its 12% dividend growth in '20 and 10% growth in both '21 and '22.** Results were driven by YoY regulatory capital growth of 9% at FPL, O&M savings at Gulf, and better wind resource at NEER. Highlights include a strong liquidity position of ~\$12bn, and NEER's strong competitive advantage in the renewable development industry during the ongoing global pandemic.

Key Points

- **FPL ended 1Q20 with a reserve amortization balance of \$744M highlighting the ability to meet the high end of their ROE band (11.6%) even through an extended pandemic.** FPL's reserve amortization is a unique mechanism that differentiates FPL from peers by adding visibility to its EPS profile.
- **FPL and Gulf filed a 10-year site plan with the Florida PSC indicating their intention to operate the two utilities as an integrated electric system in 2022.** The 10-year site plan projects ~70% increase in the amount of zero emission electricity generated in 2029, relative to 2019. FPL projects it will have more than 10,000 MW of installed solar capacity in the next decade with ~1,600MW within Gulf Power's service territory. The plan also includes 1,200MW of battery storage, eliminating most coal and the previously expected construction of gas plants.
- **NEER's economies of scale provide a competitive advantage navigating the global pandemic.** We believe NEER's wide access to capital and strong supply chain relationships (almost always their suppliers' largest buyer) position the company to weather the uncertain environment without any hiccups to previously discussed project timelines. In fact, this environment could present M&A opportunities as weaker renewable developers struggle to access capital and keep construction on time. Since the 4Q19 call, NEER added 1,590MW of renewable projects to the backlog (600MW wind +2022, 420MW solar, 457MW battery storage, 113MW wind repowering).
- **We continue to believe NEE "checks all the boxes"; strong management, market cap, liquidity, and dual growth engines fueling above-average EPS (8%) & DPS (10%) growth making it a core holding.** With help from its best-in-class utility playbook, renewable scale, and constructive regulatory mechanisms, we believe NEE will not face any setbacks from previously outlined expectations.

Utilities, Power & Renewables

James M. Thalacker

james.thalacker@bmo.com

Nicholas A Lubrano

nicholas.lubrano@bmo.com

Legal Entity: BMO Capital Markets Corp.

Analyst

(212) 885-4007

Associate

(212) 885-4176



Company Description

NextEra Energy (NEE) owns and operates three primary business segments: Florida Power & Light, Florida's largest electric distribution and generation company, Gulf Power, electric utility acquired by NEE in 2019, and NextEra Energy Resources, one of the world's largest generators of renewable energy.



NEE-NYSE
Research



Glossary
FPL 054516
20210015-EI



Company
Models

NextEra Energy Rating History as of 04/21/2020



IMPORTANT DISCLOSURES

Analyst's Certification

I, James M. Thalacker, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities or issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Analysts who prepared this report are compensated based upon (among other factors) the overall profitability of BMO Capital Markets and their affiliates, which includes the overall profitability of investment banking services. Compensation for research is based on effectiveness in generating new ideas and in communication of ideas to clients, performance of recommendations, accuracy of earnings estimates, and service to clients.

Analysts employed by BMO Nesbitt Burns Inc. and/or BMO Capital Markets Limited are not registered as research analysts with FINRA. These analysts may not be associated persons of BMO Capital Markets Corp. and therefore may not be subject to the FINRA Rule 2241 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

Company Specific Disclosures

- Disclosure 1: BMO Capital Markets has undertaken an underwriting liability with respect to NextEra Energy within the past 12 months.
- Disclosure 2: BMO Capital Markets has provided investment banking services with respect to NextEra Energy within the past 12 months.
- Disclosure 3: BMO Capital Markets has managed or co-managed a public offering of securities with respect to NextEra Energy within the past 12 months.
- Disclosure 4: BMO Capital Markets or an affiliate has received compensation for investment banking services from NextEra Energy within the past 12 months.
- Disclosure 5: BMO Capital Markets or an affiliate received compensation for products or services other than investment banking services within the past 12 months from NextEra Energy.
- Disclosure 6A: NextEra Energy is a client (or was a client) of BMO Nesbitt Burns Inc., BMO Capital Markets Corp., BMO Capital Markets Limited or an affiliate within the past 12 months: A) Investment Banking Services
- Disclosure 6C: NextEra Energy is a client (or was a client) of BMO Nesbitt Burns Inc., BMO Capital Markets Corp., BMO Capital Markets Limited or an affiliate within the past 12 months: C) Non-Securities Related Services.

Methodology and Risks to Target Price/Valuation for NextEra Energy (NEE-NYSE)

Methodology: NEE's regulated electric and gas distribution companies are subject to numerous state and federal regulatory agencies that determine the rates they can charge for their services. Utility businesses are highly correlated to interest rate movements. NEE's development of solar and wind generation assets are often dependent on the presence of Federal and State Tax incentives that may not be renewed. **NEE owns and operates multiple nuclear generation assets that are subject to Federal and State regulatory on operational and safety standards**

Risks: NEE's regulated electric and gas distribution companies are subject to numerous state and federal regulatory agencies that determine the rates they can charge for their services. Utility businesses are highly correlated to interest rate movements. NEE's development of solar and wind generation assets are often dependent on the presence of Federal and State Tax incentives that may not be renewed. NEE owns and operates multiple nuclear generation assets that are subject to Federal and State regulatory on operational and safety standards

Distribution of Ratings (April 21, 2020)

Rating category	BMO rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	StarMine Universe~
Buy	Outperform	43.3 %	26.8 %	53.5 %	45.7 %	55.5 %	57.7%
Hold	Market Perform	52.9 %	18.1 %	44.0 %	51.2 %	43.0 %	37.5%
Sell	Underperform	3.8 %	15.0 %	2.6 %	3.1 %	1.5 %	4.8%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

** Reflects rating distribution of all companies from which BMO Capital Markets Corp. has received compensation for Investment Banking services as percentage within ratings category.

*** Reflects rating distribution of all companies from which BMO Capital Markets Corp. has received compensation for Investment Banking services as percentage of Investment Banking clients.

**** Reflects rating distribution of all companies covered by BMO Capital Markets equity research analysts.

***** Reflects rating distribution of all companies from which BMO Capital Markets has received compensation for Investment Banking services as percentage of Investment Banking clients.

~ As of April 1, 2019.

Ratings Key (as of October 2016)

We use the following ratings system definitions:

OP = Outperform - Forecast to outperform the analyst's coverage universe on a total return basis;

Mkt = Market Perform - Forecast to perform roughly in line with the analyst's coverage universe on a total return basis;

Und = Underperform - Forecast to underperform the analyst's coverage universe on a total return basis;

(S) = Speculative investment;

Spd = Suspended - Coverage and rating suspended until coverage is reinstated;

NR = No Rated - No rating at this time; and

R = Restricted - Dissemination of research is currently restricted.

The total return potential, target price and the associated time horizon is 12 months unless otherwise stated in each report. BMO Capital Markets' seven Top 15 lists guide investors to our best ideas according to different objectives (CDN Large Cap, CDN Small Cap, US Large Cap, US Small Cap, Income, CDN Quant, and US Quant have replaced the Top Pick rating).

Prior BMO Capital Markets Rating System

(April 2013 - October 2016)

http://researchglobal.bmocapitalmarkets.com/documents/2013/rating_key_2013_to_2016.pdf

(January 2010 - April 2013)

http://researchglobal.bmocapitalmarkets.com/documents/2013/prior_rating_system.pdf

Other Important Disclosures

For Important Disclosures on the stocks discussed in this report, please go to <https://researchglobal0.bmocapitalmarkets.com/public-disclosure/> or write to Editorial Department, BMO Capital Markets, 3 Times Square, New York, NY 10036 or Editorial Department, BMO Capital Markets, 1 First Canadian Place, Toronto, Ontario, M5X 1H3.

Dissemination of Research

Dissemination of BMO Capital Markets Equity Research is available via our website <https://researchglobal0.bmocapitalmarkets.com/>. Institutional clients may also receive our research via Thomson Reuters, Bloomberg, FactSet, and Capital IQ. Research reports and other commentary are required to be simultaneously disseminated internally and externally to our clients. Research coverage of licensed cannabis producers and other cannabis-related companies is made available only to eligible approved North American, Australian, and EU-based BMO Nesbitt Burns Inc., BMO Capital Markets Limited, and BMO Capital Markets Corp. clients via email, our website and select third party platforms.

~ Research distribution and approval times are provided on the cover of each report. Times are approximations as system and distribution processes are not exact and can vary based on the sender and recipients' services. Unless otherwise noted, times are Eastern Standard and when two times are provided, the approval time precedes the distribution time.

BMO Capital Markets may use proprietary models in the preparation of reports. Material information about such models may be obtained by contacting the research analyst directly. There is no planned frequency of updates to this report.

For recommendations disseminated during the preceding 12-month period, please visit: <https://researchglobal0.bmocapitalmarkets.com/public-disclosure/>.

General Disclaimer

"BMO Capital Markets" is a trade name used by the BMO Investment Banking Group, which includes the wholesale arm of Bank of Montreal and its subsidiaries BMO Nesbitt Burns Inc., BMO Capital Markets Limited in the U.K., Bank of Montreal Europe Plc in Ireland and BMO Capital Markets Corp. in the U.S. BMO Nesbitt Burns Inc., BMO Capital Markets Limited, Bank of Montreal Europe Plc and BMO Capital Markets Corp are affiliates. Bank of Montreal or its subsidiaries ("BMO Financial Group") has lending arrangements with, or provide other remunerated services to, many issuers covered by BMO Capital Markets. The opinions, estimates and projections contained in this report are those of BMO Capital Markets as of the date of this report and are subject to change without notice. BMO Capital Markets endeavours to ensure that the contents have been compiled or derived from sources that we believe are reliable and contain information and opinions that are accurate and complete. However, BMO Capital Markets makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions contained herein and accepts no liability whatsoever for any loss arising from any use of, or reliance on, this report or its contents. Information may be available to BMO Capital Markets or its affiliates that is not reflected in this report. The information in this report is not intended to be used as the primary basis of investment decisions, and because of individual client objectives, should not be construed as advice designed to meet the particular investment needs of any investor. Nothing herein constitutes any investment, legal, tax or other advice nor is it to be relied on in any investment or decision. If you are in doubt about any of the contents of this document, the reader should obtain independent professional advice. This material is for information purposes only and is not an offer to sell or the solicitation of an offer to buy any security. BMO Capital Markets or its affiliates will buy from or sell to customers the securities of issuers mentioned in this report on a principal basis. BMO Capital Markets or its affiliates, officers, directors or employees have a long or short position in many of the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon. The reader should assume that BMO Capital Markets or its affiliates may have a conflict of interest and should not rely solely on this report in evaluating whether or not to buy or sell securities of issuers discussed herein.

Additional Matters

This report is directed only at entities or persons in jurisdictions or countries where access to and use of the information is not contrary to local laws or regulations. Its contents have not been reviewed by any regulatory authority. BMO Capital Markets does not represent that this report may be lawfully distributed or that any financial products may be lawfully offered or dealt with, in compliance with regulatory requirements in other jurisdictions, or pursuant to an exemption available thereunder.

To Australian residents: BMO Capital Markets Limited is exempt from the requirement to hold an Australian financial services licence under the Corporations Act and is regulated by the UK Financial Conduct Authority under UK laws, which differ from Australian laws. This document is only intended for wholesale clients (as defined in the Corporations Act 2001) and Eligible Counterparties or Professional Clients (as defined in Annex II to MiFID II).

To Canadian Residents: BMO Nesbitt Burns Inc. furnishes this report to Canadian residents and accepts responsibility for the contents herein subject to the terms set out above. Any Canadian person wishing to effect transactions in any of the securities included in this report should do so through BMO Nesbitt Burns Inc.

The following applies if this research was prepared in whole or in part by Colin Hamilton, Alexander Pearce, Raj Ray, David Round or Edward Sterck: This research is not prepared subject to Canadian disclosure requirements. This research is prepared by BMO Capital Markets Limited and distributed by BMO Capital Markets Limited or Bank of Montreal Europe Plc and is subject to the regulations of the Financial Conduct Authority (FCA) in the United Kingdom and the Central Bank of Ireland (CBI) in Ireland. FCA and CBI regulations require that a firm providing research disclose its ownership interest in the issuer that is the subject of the research if it and its affiliates own 5% or more of the equity of the issuer. Canadian regulations require that a firm providing research disclose its ownership interest in the issuer that is the subject of the research if it and its affiliates own 1% or more of the equity of the issuer that is the subject of the research. Therefore each of BMO Capital Markets Limited and Bank of Montreal Europe Plc will disclose its and its affiliates' ownership interest in the subject issuer only if such ownership exceeds 5% of the equity of the issuer.

To E.U. Residents: In an E.U. Member State this document is issued and distributed by Bank of Montreal Europe plc which is authorised and regulated in Ireland and operates in the E.U. on a passported basis. This document is only intended for Eligible Counterparties or Professional Clients, as defined in Annex II to "Markets in Financial Instruments Directive" 2014/65/EU ("MiFID II").

Singapore: This disclaimer applies to research reports distributed by the Private Banking unit of Bank of Montreal, Singapore Branch ("BMO SG"), an exempt financial adviser under the Financial Advisers Act (Cap. 110) of Singapore ("FAA") only. This research report is prepared by BMO Capital Markets and distributed by BMO SG pursuant to an arrangement under regulation 32C of the Financial Advisers Regulations of Singapore. This research report is distributed by BMO SG solely to persons who qualify as accredited investors as defined in the FAA only, and is not intended for and may not be circulated to the general public. This report and any information contained in this report shall not be disclosed to any other person. If you are not an accredited investor, please disregard this report. BMO SG does not accept legal responsibility for the contents of the report. Recipients should contact BMO SG at 65-6535 2323 for matters arising from, or in connection with the report.

To U.S. Residents: BMO Capital Markets Corp. furnishes this report to U.S. residents and accepts responsibility for the contents herein, except to the extent that it refers to securities of Bank of Montreal. Any U.S. person wishing to effect transactions in any security discussed herein should do so through BMO Capital Markets Corp.

To U.K. Residents: In the UK this document is published by BMO Capital Markets Limited which is authorised and regulated by the Financial Conduct Authority. The contents hereof are intended solely for the use of, and may only be issued or passed on to, (I) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (II) high net worth entities falling within Article 49(2)(a) to (d) of the Order (all such persons together referred to as "relevant persons"). The contents hereof are not intended for the use of and may not be issued or passed on to retail clients.

To Israeli residents: BMO Capital Markets is not licensed under the Israeli Law for the Regulation of Investment Advice, Investment Marketing and Portfolio Management of 1995 (the "Advice Law") nor does it carry insurance as required thereunder. This document is to be distributed solely to persons that are qualified clients (as defined under the Advice Law) and qualified investors under the Israeli Securities Law of 1968. This document represents the analysis of the analyst but there is no assurance that any assumption or estimation will materialize.

These documents are provided to you on the express understanding that they must be held in complete confidence and not republished, retransmitted, distributed, disclosed, or otherwise made available, in whole or in part, directly or indirectly, in hard or soft copy, through any means, to any person, except with the prior written consent of BMO Capital Markets.

[Click here](#) for data vendor disclosures when referenced within a BMO Capital Markets research document.

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

BMO Financial Group (NYSE, TSX: BMO) is an integrated financial services provider offering a range of retail banking, wealth management, and investment and corporate banking products. BMO serves Canadian retail clients through BMO Bank of Montreal and BMO Nesbitt Burns. In the United States, personal and commercial banking clients are served by BMO Harris Bank N.A., (Member FDIC). Investment and corporate banking services are provided in Canada and the US through BMO Capital Markets.

BMO Capital Markets is a trade name used by BMO Financial Group for the wholesale banking businesses of Bank of Montreal, BMO Harris Bank N.A. (Member FDIC), Bank of Montreal Europe Plc, and Bank of Montreal (China) Co. Ltd. and the institutional broker dealer businesses of BMO Capital Markets Corp. (Member FINRA and SIPC) in the U.S., BMO Nesbitt Burns Inc. (Member Canadian Investor Protection Fund) in Canada, Europe and Asia, Bank of Montreal Europe Plc in Europe, BMO Capital Markets Limited in the U.K. and Australia and BMO Advisors Private Limited in India.

"Nesbitt Burns" is a registered trademark of BMO Nesbitt Burns Corporation Limited, used under license. "BMO Capital Markets" is a trademark of Bank of Montreal, used under license. "BMO (M-Bar roundel symbol)" is a registered trademark of Bank of Montreal, used under license.

® Registered trademark of Bank of Montreal in the United States, Canada and elsewhere.

TM Trademark Bank of Montreal

©COPYRIGHT 2020 BMO CAPITAL MARKETS CORP.