PSG Wealth

Company Update Report

NextEra Energy Inc

Utilities

Ticker	NEE-US
Share price	$87
Intrinsic value	$96
Upside/(Downside)	10%
Recommendation	Buy

As at: 27 Jan 2026

Analyst thesis

Our recommendation is based on:

- Cost advantage: NextEra Energy's leading scale in wind and solar generation and capital-efficient development model provides structural cost leadership, strong operating leverage, and high free-cash-flow visibility. Its long-standing utility footprint and renewable expertise create durable competitive barriers.
- Resilient earnings driven by contracted cash flows: A large portion of earnings is supported by regulated utility operations and long-term power purchase agreements. This stable earnings base, combined with diversified renewable assets, delivers predictable margins and consistent cash generation across cycles.
- Expansion into high-growth renewable segments within North America: NextEra continues to scale wind, solar, and energy storage platforms, capturing growth from data centres, industrial customers, and grid modernisation. A roughly 30-gigawatt backlog broadens its addressable market and extends the long-term growth runway.
- Room for long-term gains: The company's visible cash flows, supportive policy tailwinds from IRA incentives, global decarbonisation trends, and potential lower interest rates indicate potential upside relative to its current valuation.

Latest company and market insights

Key highlights

In this report, we review the latest FY25 results for the year ended 31 December 2025.

Financial results at a glance:

- Total group operating revenues increased from $24.8 billion in FY24 to $27.4 billion in FY25, a rise of 11% year-on-year. The uplift was driven mainly by strong top-line growth at FPL, where revenues rose on the back of customer additions, higher load, and continued expansion of the regulated rate base, alongside higher contributions from Energy Resources as more renewables and storage projects entered service and the contracted portfolio expanded.
- Operating expenses increased to from $17.6 billion in FY24 to $19.4 billion, up 10% year-on-year, mainly reflecting FPL's larger asset base and higher costs as Energy Resources' project portfolio and financing activity expanded.
- NextEra Energy delivered FY25 adjusted EPS of $3.71, up ~8% year-on-year (FY24: $3.43), exceeding the top end of guidance.
- Development activity set another record, with 13.5 GW of new origination added in 2025, backlog at ~30 GW, and 7.2 GW placed into service, including progress on the Duane Arnold nuclear recommissioning under a long-term PPA.
- The balance sheet remains robust, supported by strong, predictable cash flows from FPL's regulated utility and Energy Resources contracted projects, even as debt levels remain elevated to fund growth and long-lived assets.
- Outlook remains positive, with FPL's regulated rate base expected to grow under a new four-year regulatory settlement that provides earnings and investment visibility, supported by the company's broader capital investment plan extending through 2032, while Energy Resources focuses on converting its ~30 GW backlog and gas investments into contracted cash flows and EPS growth.

Management's guidance:

Management reaffirmed long-term targets, guiding to adjusted EPS of $3.92–$4.02 in 2026 and compound annual adjusted EPS growth of about 8% from the 2025 base of $3.71 through 2032 and targeting ~8% annually through 2035. Dividend per share growth of ~10% per year through 2026 off a 2024 base, then 6% annually from end-2026 through 2028.

Sector outlook

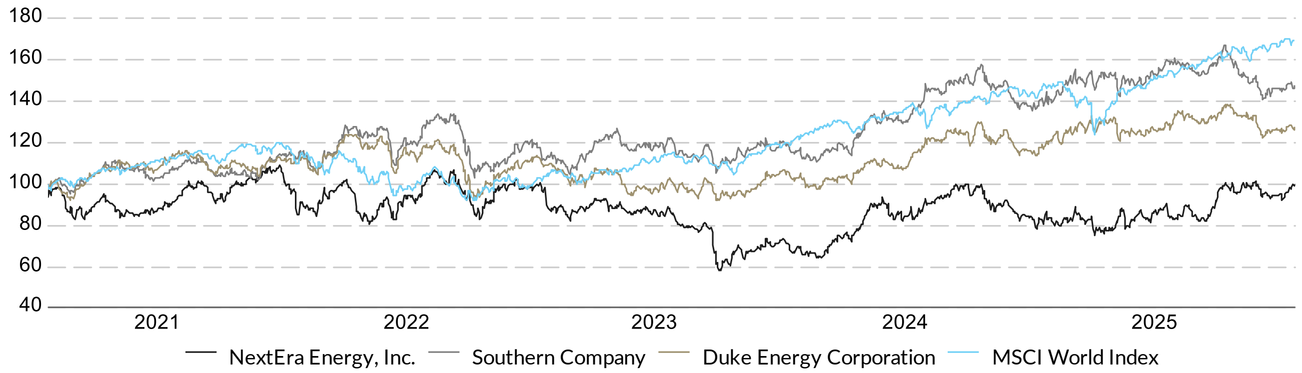
The global renewable energy and regulated utility sector is expected to be supported by rising electricity demand, driven by electrification across transportation, buildings, and industry, as well as rapidly growing power needs from data centres, whose electricity consumption is projected to double by 2030. Growing adoption of electric vehicles, heat pumps (reverse-cycle air conditioners), and broader industrial electrification will further drive capacity additions. Companies are focusing on expanding wind, solar, and storage capacity, modernising the grid, and securing long-term contracts to meet demand. While competition for capital and the need for resilient infrastructure persist, supportive policies, diversified generation portfolios, and long-term contracted revenues position the sector for sustainable growth and long-term profitability.

Table 1: Qualitative summary

Factor	Rating	Description
Growth	★★★☆☆	Expected three-year revenue CAGR is 15.6%, and expected three-year EPS CAGR is 12.7%. Revenue growth is expected to be supported by rising electricity demand, driven by expanding data-centre energy use, increasing AI-related workloads, accelerating electrification of transport and industry, and long-term contracted demand for renewable generation.
Valuation	★★★★☆	The share price is trading at a 10% discount to the IV. Current NTM P:E of 21.7x is trading at a 30% discount to the five-year average P:E of 30.8x.
Dividend	★★☆☆☆	LTM dividend yield 2.6%. NTM dividend yield 2.9%.
Issuance	★★☆☆☆	Shares issued have increased by 6% over the past five years.
Catalyst	The sector's strong underlying demand drivers, including expanding data-centre energy use, rising AI workloads, and accelerating electrification across transport and industry, provide multiple avenues for revenue growth beyond current capacity. Additional upside from securing new long-term power purchase agreements, accelerating renewable project development, and leveraging advances in energy storage and grid integration to capture rising electricity demand. Continued expansion of regulated utility operations and growing electricity demand enhance visibility and position the company to capture long-term growth opportunities.	
Quality of earnings	★★☆☆☆	Five-year average ROE 12.9%. Five-year average net profit margin 23.6%. Six of the past 10 years had positive earnings growth. Earnings quality is underpinned by regulated revenue streams, which provide stable and predictable income visibility.
Moat	★★★★☆	Scale and cost advantage: NextEra Energy is the largest generator of wind and solar energy globally, enabling economies of scale, cost efficiencies, and preferred access to prime sites that are difficult for competitors to replicate. Regulatory/Permitting advantage: Utility operations and renewable projects require extensive regulatory approvals, grid interconnection rights, and permitting. NextEra's long operating history, regulatory relationships, and transmission access create meaningful barriers to entry. Customer and market access: Long-term power purchase agreements with investment-grade counterparties, alongside regulated utility demand, provide secure market access, predictable revenues, and diversified customer exposure that new entrants struggle to replicate.
Management and governance	★★★☆☆	John Ketchum has served as President and CEO of NextEra Energy since 1 March 2022, following a planned leadership transition from former CEO James Robo, who became executive chairman. John has been with NextEra Energy for nearly two decades, holding multiple senior leadership roles across finance, operations, and renewable energy development.
Balance sheet	★★★★☆	Debt to equity 143.8%. Total debt has increased in line with the capital-intensive business model, while the debt-to-equity ratio has remained broadly stable over recent years. Debt to assets 45%.
Risks	As a capital-intensive utility and renewables developer, higher interest rates or tighter credit conditions could increase financing costs and pressure project returns and valuation. Delays in project permitting, construction, grid interconnection, or cost overruns could impact the timing and profitability of new renewable and storage capacity additions. Constraints in transmission availability or delays in grid expansion may limit the ability to deliver power to high-demand regions, affecting the utilisation of renewable assets. Regulation: Changes in utility regulation, rate-setting frameworks, permitting processes, or renewable policy at the federal or state level could affect allowed returns, project economics, and development timelines.	

Source: FactSet

Graph 1: Five-year price (Indexed to 100)



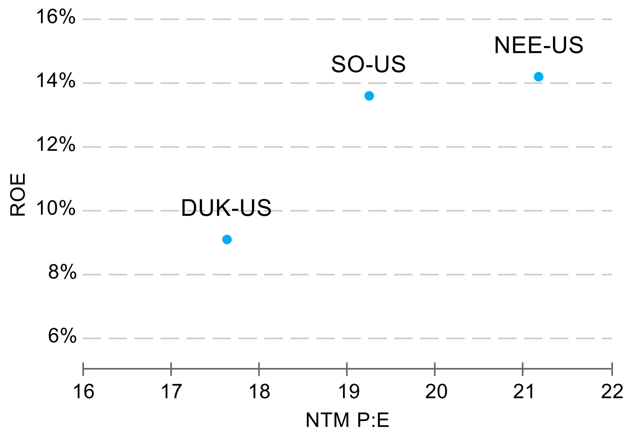
Source: FactSet

Table 2: Price performance versus benchmark and peers

Period	YTD	MTD	3M	6M	1Y	2Y	3Y	5Y	10Y
NEE-US	6.5%	6.5%	1.3%	19.0%	17.4%	46.2%	11.9%	0.3%	220.8%
DUK-US	1.3%	1.3%	-6.7%	-1.0%	8.1%	23.9%	17.2%	27.8%	64.5%
SO-US	1.1%	1.1%	-8.1%	-7.5%	5.6%	27.6%	30.6%	47.7%	85.3%
MSCI world	1.9%	1.9%	2.0%	9.7%	16.1%	39.0%	62.1%	69.9%	196.6%

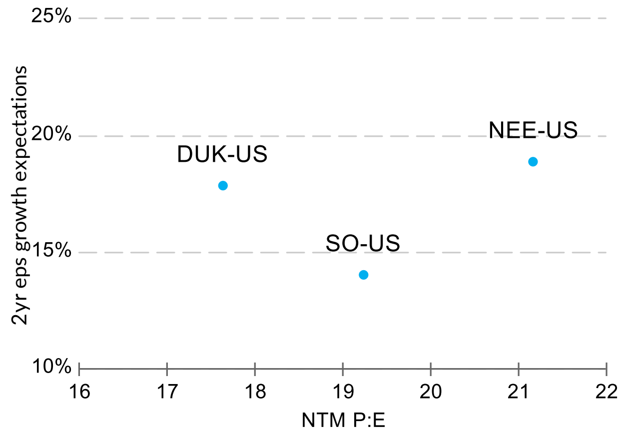
Source: FactSet

Graph 2: P:E vs 2Y average ROE



Source: FactSet

Graph 3: P:E vs EPS 2Y CAGR forecast



Source: FactSet

Valuation

The valuation of NEE is based on a historical NTM P:E multiple applied to forecast earnings, reflecting the company's long-term growth profile and defensive utility characteristics. Earnings forecasts are driven by regulated rate-base growth and contracted renewable capacity additions, in line with management guidance. The valuation multiple is anchored to NextEra Energy's historical trading range and adjusted for the medium-term growth outlook. Bear, base, and bull scenarios are considered, with probability weightings reflecting potential outcomes.

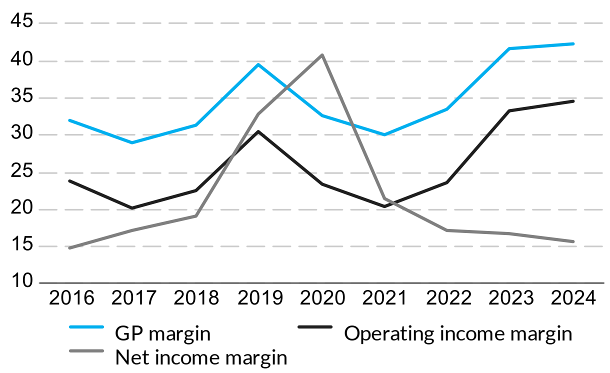
Table 3: Valuation summary

Valuation Probabilities			
	Bear	Base	Bull
P:E Multiple	16x	24x	28x
Probability	15%	65%	20%
Implied share price	$66	$97	$113
Weighted intrinsic value			**$96**
Upside/(Downside)			**10%**

Graph 4: NTM P:E relative to benchmark

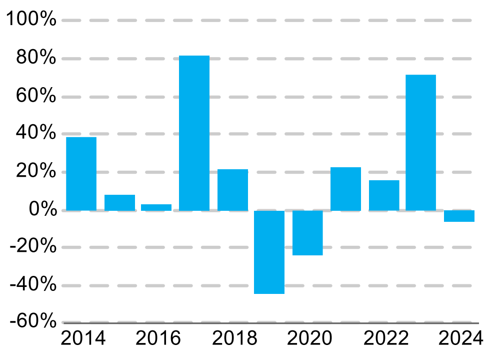
Source: FactSet

Graph 5: Profit margins (%)



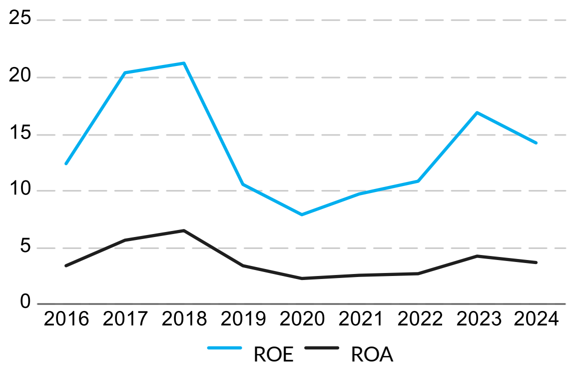
Source: FactSet

Graph 6: 10Y EPS year-on-year change



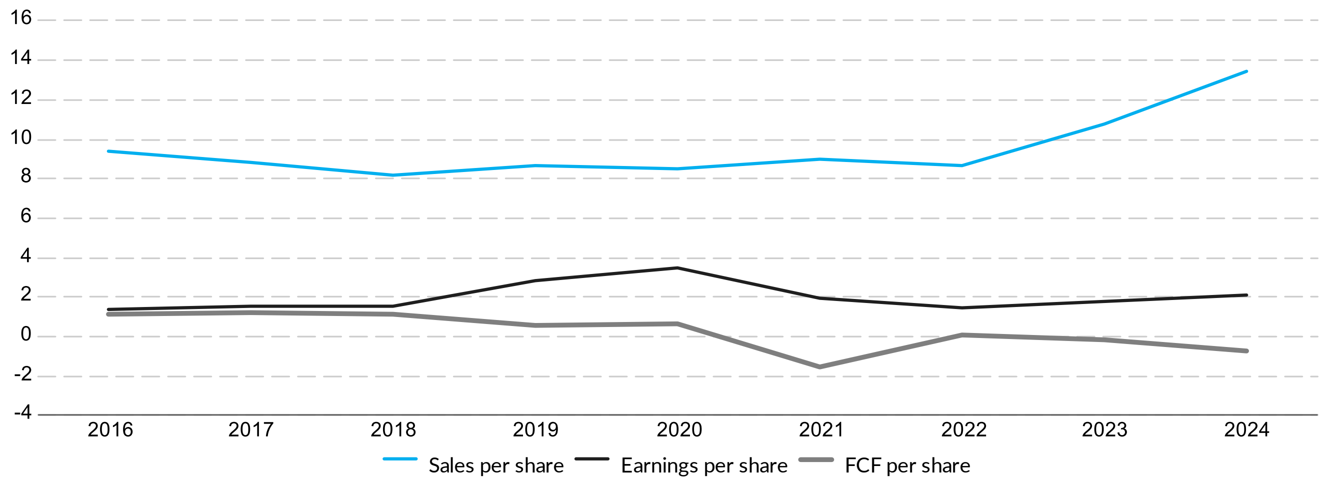
Source: FactSet

Graph 7: ROE and ROA (%)



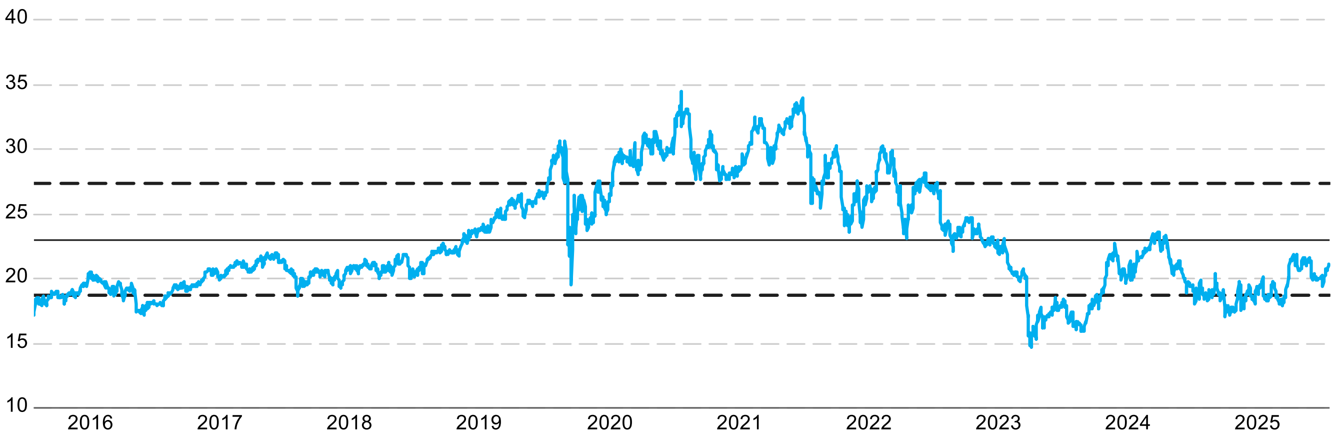
Source: FactSet

Graph 8: Sales, earnings and FCF per share (USD)



Source: FactSet

Graph 9: NTM P:E



Source: FactSet

Table 4: Financials and ratios

Income statement ($Mn)	Dec 21	Dec 22	Dec 23	Dec 24	Dec 25	1Y Growth	3Y CAGR	5Y CAGR
Revenue	21 267	26 596	22 820	24 406	27 412	7%	5%	7%
Cost of sales	12 404	15 320	16 017	15 348	16 923	10%	3%	8%
Gross income	4 672	5 947	10 579	7 472	7 483	0%	8%	4%
EBIT	7 062	9 199	4 538	6 780	8 020	18%	-4%	15%
EBITDA	11 276	13 989	10 689	12 541	14 600	16%	1%	12%
Net income	2 827	3 246	6 282	5 698	5 332	-6%	18%	18%
EPS (USD)	1.8	2.1	3.6	3.4	3.3	-2%	16%	17%
Balance sheet ($Mn)	**Dec 21**	**Dec 22**	**Dec 23**	**Dec 24**	**Dec 25**	**1Y Growth**	**3Y CAGR**	**5Y CAGR**
Total assets	140 912	158 935	177 489	190 144	212 721	12%	10%	11%
Total shareholders equity	45 669	49 436	59 024	60 861	66 479	9%	10%	8%
Total liabilities	95 243	109 499	118 465	129 283	146 242	13%	10%	12%
Ratios	**Dec 21**	**Dec 22**	**Dec 23**	**Dec 24**	**Dec 25**	**5Y Avg**		
Net debt/EBITDA	4.80	4.53	6.60	6.44	6.36	5.74		
Interest coverage	4.5	4.8	1.4	1.7	1.8	2.8		
Debt/assets	39%	41%	41%	44%	45%	42%		

Source: FactSet

Table 5: Standard finance and investment abbreviations

Abbreviation	Definition
$	United States Dollar
CAGR	Compounded annual growth rate
DCF	Discounted Cash Flow
DUK-US	Duke Energy Corp
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings per share
FCF	Free cash flow
FPL	Florida Power & Light
FY	Financial year
IRA	Inflation Reduction Act
LTM	Last twelve months (also known as trailing)
M	Month
MTD	Month to date
NAV	Net asset value
NEE-US	NextEra Energy Inc
NTM	Next twelve months (also known as forward)
P:E	Price to earnings
ROA	Return on assets
ROE	Return on equity
SO-US	Southern Company
Y/y	Year(s)
YTD	Year to date

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PSG Wealth provides medium- to long-term recommendations based on the premium or discount that a company trades at, relative to our estimation of intrinsic value. We expect companies to rerate towards their intrinsic value over a one- to three-year period. The long-term valuation is a quantitative-based valuation based on the fundamental performance of each company in the past, as well as their future forecasts. The fundamental features used are based on profitability and includes EPS growth and return on equity (ROE).

House view guidance: House view guidance is indicative only. Each client's circumstances are different, and it remains critical that indicative guidance is discussed with your portfolio manager or financial adviser.

Date and share price: The date the report was reviewed and approved by the portfolio committee is likely to precede the release date and price on the report.

*Share price as at closing.

Analyst certification

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