

First Read

NextEra Energy

Accelerating the Wind Deployment

The renewables are coming: mgmt provides latest view on '17/'18

Mgmt provided its long awaited update on pipeline adding substantially to '17/'18 wind expectations, up to 2.4-3.8GW range for US Wind, looking at an acceleration of demand over the prior '15/'16 origination effort (~2.5GW). However, expectations for solar are still up from prior, but only modestly with a range of 0.4-1.3GWs. Canadian Wind also remains quite modest at 0-0.3 GWs (effectively a single project). Net-net, while core US wind outlook is ahead of at least our expectations, the question remains is this the full extent of the 'up to a doubling' of the development efforts previously articulated by NEE in past quarters. Further, with 0.25GWs signed for post '16 wind, we look to understand the cadence of the development efforts further. We note a 100MW NM wind existing project acquisition in 1Q as well.

1Q results meaningfully ahead of expectations; reaffirms 6-8% EPS CAGR

Mgmt posted \$1.55 EPS on an Adjusted basis vs. \$1.39 Street consensus and our \$1.56. Mgmt kept the \$6.60-7.10 EPS range for 2018, implying 6-8% off 2014; expect this to be rolled forward at the next Analyst Day. The accelerated development activities would appear to drive results higher within the range.

Focus remains on the 6-8% EPS trajectory: what next?

Beyond the renewables update, the key focus for shares remains pending M&A activity given its public overtures for Oncor as part of the EFH process. We note terms imposed on creditors as part of the PUCT approval appear to provide less of a clear path forward for an exit to existing lenders, rather than the divestment of the utility subsidiary, Oncor, to NEE. Further, given benefits proposed to both constituencies we see real prospects for the HE deal to receive approval. We expect the call to continue to feature discussion of balance sheet benefits of adding utility 'ballast' to overall profile given credit rating implications; in turn, NEP disclosed \$300-400 Mn of HoldCo capacity. NEE '16 equity needs are also a key focus.

Valuation: Expect modestly positive reaction today

We expect shares to react modestly positive despite the higher anticipation into the call already as the 1Q beat was solid, and bucks the trend elsewhere. SOP is predicated on premium P/E utility multiple and EV/EBITDA for Devco and existing IPP assets.

Equities

Americas
Electric Utilities

12-month rating (UR) **Buy ***

12m price target (UR) **US\$115.00**

Price **US\$116.89**

RIC: NEE.N BBG: NEE US

Trading data and key metrics

52-wk range	US\$119.01-94.62
Market cap.	US\$53.3bn
Shares o/s	456m (COM)
Free float	100%
Avg. daily volume ('000)	708
Avg. daily value (m)	US\$81.2
Common s/h equity (12/16E)	US\$23.1bn
P/BV (12/16E)	2.3x
Net debt / EBITDA (12/16E)	4.1x

EPS (UBS, diluted) (US\$)

	12/16E	
	UBS	Cons.
Q1E	1.56	1.39
Q2E	1.51	1.55
Q3E	1.93	1.81
Q4E	1.18	1.40
12/16E	6.18	6.14
12/17E	6.50	6.53
12/18E	6.92	6.97

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Highlights (US\$m)	12/13	12/14	12/15	12/16E	12/17E	12/18E	12/19E	12/20E
Revenues	15,136	17,021	17,486	17,760	18,312	18,708	18,917	19,057
EBIT (UBS)	3,541	4,395	4,660	4,623	4,893	5,119	5,228	5,261
Net earnings (UBS)	2,122	2,334	2,599	2,823	2,973	3,151	3,228	3,348
EPS (UBS, diluted) (US\$)	4.97	5.30	5.72	6.18	6.50	6.92	6.99	7.21
DPS (US\$)	2.64	2.80	2.97	3.37	3.82	4.34	4.92	5.59
Net (debt) / cash	(28,426)	(29,024)	(28,519)	(30,733)	(30,648)	(29,915)	(27,959)	(26,181)
Profitability/valuation	12/13	12/14	12/15	12/16E	12/17E	12/18E	12/19E	12/20E
EBIT margin %	23.4	25.8	26.6	26.0	26.7	27.4	27.6	27.6
ROIC (EBIT) %	8.1	9.4	9.6	9.1	9.2	9.5	9.7	10.0
EV/EBITDA (core) x	10.6	10.0	9.8	10.8	10.5	10.1	9.9	9.9
P/E (UBS, diluted) x	16.1	18.2	17.9	18.9	18.0	16.9	16.7	16.2
Equity FCF (UBS) yield %	(4.1)	(1.1)	2.8	(0.8)	4.1	5.7	8.5	8.9
Net dividend yield %	3.3	2.9	2.9	2.9	3.3	3.7	4.2	4.8

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of US\$116.89 on 27 Apr 2016 19:36 EDT

Forecast returns

Forecast price appreciation	-1.6%
Forecast dividend yield	3.0%
Forecast stock return	+1.4%
Market return assumption	5.8%
Forecast excess return	-4.4%

Valuation Method and Risk Statement

Valuation is based on a sum-of-the-parts approach.

Risks for NextEra Energy, Inc. (NEE) include but are not limited to: (1) potential inability to deliver on its capital expenditure program; (2) unfavorable commodity movements [natural gas, power, etc.]; (3) adverse political/legal/regulatory actions; (4) decline in the demand for new wind and solar projects; (5) unfavorable weather and natural resources yield [sun radiance and wind generation]; (6) operational and construction risk; (7) inability to access the capital markets on attractive terms; (8) inability to re-contract assets after contract expiration; (9) declines in customer demand and population; (10) failure to close pending or prospective M&A transactions; (11) natural disasters or nuclear accidents; (12) losses at the retail marketing segment; (13) change in macroeconomics; and (14) other unforeseen changes.

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12-Month Rating	Definition	Coverage ¹	IB Services ²
Buy	FSR is > 6% above the MRA.	49%	32%
Neutral	FSR is between -6% and 6% of the MRA.	38%	26%
Sell	FSR is > 6% below the MRA.	14%	19%
Short-Term Rating	Definition	Coverage ³	IB Services ⁴
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%

Source: UBS. Rating allocations are as of 31 March 2016.

1:Percentage of companies under coverage globally within the 12-month rating category.

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UBS Securities LLC: Julien Dumoulin-Smith; Michael Weinstein; Paul Zimbardo.

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Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
NextEra Energy ^{4, 6a, 6b, 7, 16}	NEE.N	Buy (UR)	N/A	US\$116.89	27 Apr 2016

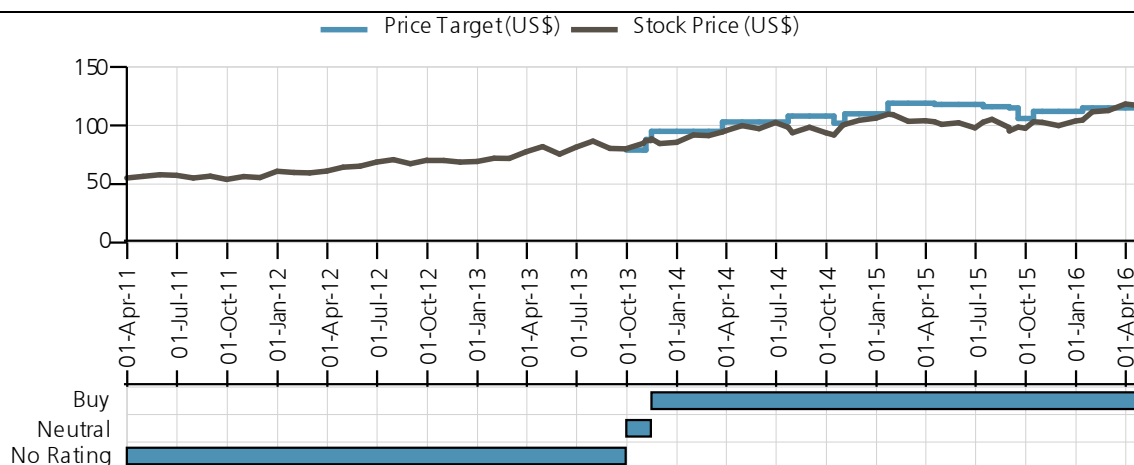
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NextEra Energy (US\$)



Source: UBS; as of 27 Apr 2016

Additional Prices: NextEra Energy Partners LP, US\$29.13 (27 Apr 2016); Source: UBS. All prices as of local market close.

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