

The Henry Fund

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NextEra Energy, Inc. (NYSE: NEE)
Utilities – Regulated & Renewable Electric

November 20, 2025
Stock Rating: Hold

Investment Thesis

Price Target: \$96

We maintain coverage of NextEra Energy (NEE) with a Hold rating and a \$96 price target, implying 14% upside. NEE is uniquely positioned to benefit from the AI-driven surge in U.S. power demand. Its \$75 billion capital plan and 30 GW development backlog are key growth drivers. However, these strengths are fully reflected in its current premium valuation, limiting near-term catalysts.

Drivers of Thesis

- The AI-driven surge in U.S. power demand, accelerating from a 0.3% 10-year CAGR to over 2.2% in 2024/25, creates a 7x growth multiplier for NEE's best-in-class portfolio
- NEE's \$74B, 5-year investment plan is set to grow FPL's rate base by ~40% and add 8.2 GW of new solar, directly capturing this unprecedented demand surge ¹
- NEER's 30 GW development backlog, the world's largest, positions it to capture over 10.5 GW of signed data center demand, locking in high-margin growth for years

Risks to Thesis

- The potential 2027 phase-out of key IRA tax credits could impair returns on NEER's future project pipeline, while FPL's earnings are capped by a 10.8% authorized ROE
- NEE's \$74B capex plan faces a higher cost of capital than expected in the current rate environment, threatening to compress project returns
- FPL's dependency on Natural Gas makes it uniquely subject to volatility in its margins

Henry Fund DCF	\$108
Henry Fund DDM	\$90
Relative Multiple	\$46
HF % Upside	13%

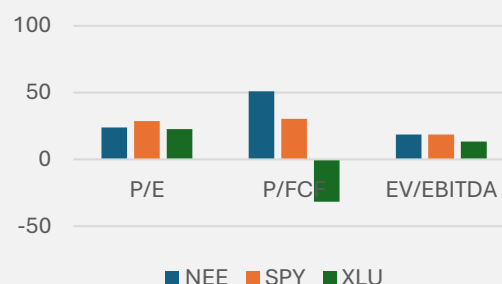
Price Data

Current Price	\$84.30
Date of Price	11/20/2025
52wk Range	\$62 – \$88
Consensus Price Target	\$91
Consensus % Upside	8%

Key Statistics

Market Cap (B)	175.50
Diluted Shares Out. (M)	8.49
Institutional Ownership	83%
Beta	0.57
Dividend Yield	2.69%
LT Growth Rate	3%

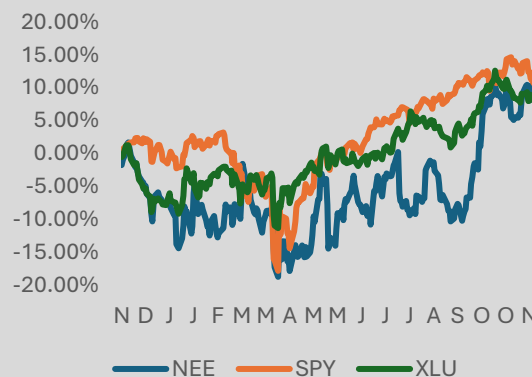
NEE vs. SPY & XLU



Earnings / EBITDA Estimates

Year	2022	2023	2024	2025e	2026e	2027e
HF EPS	2.10	3.60	3.37	2.35	2.12	2.65
% Growth		71.4	-6.4	-30.3	-9.8	25.0
Street EPS	2.10	3.60	3.37	3.43	3.77	4.09
% Growth		71.4	-6.4	1.8	9.9	8.5
HF EBITDA	11720	15383	13338	15634	17344	19235
% Growth		31.3	-13.3	17.2	10.9	10.9
Street EBITDA	11720	15383	13338	16539	18966	20866
% Growth		31.3	-13.3	24.0	14.7	10.0

Price Performance

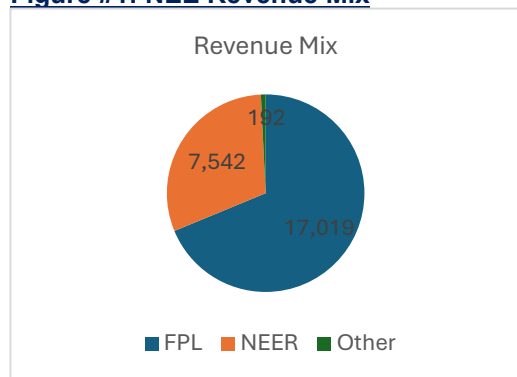


Balance Sheet / Cash Flow Snapshot

Net Debt	61736	69531	80846	86371	95003	98512
Debt/Equity	1.28	1.22	1.35	1.45	1.57	1.65
FCF	-10491	-5544	-7936	-6873	-7123	-1692
CFO	8262	11301	13260	11987	9088	10127

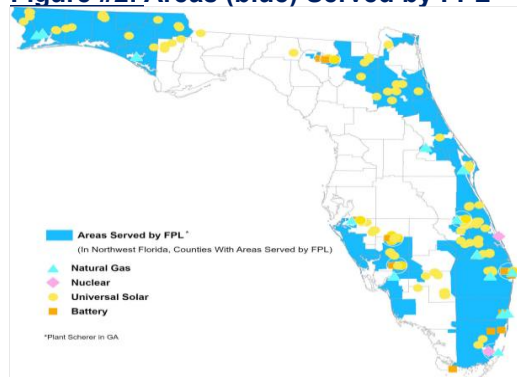
Profitability							NEE vs. Peer Group – Sales Growth			
								2025e	2026e	2027e
HF EBITDA	11720	15383	13338	15634	17344	19235	AEP	-1.0%	-15.2%	-18.0%
Gross Margin	69.9%	80.3%	75.6%	72.9%	71.2%	70.8%	D	6.3%	1.0%	0.7%
Net Margin	19.8%	26.0%	28.1%	20.2%	17.5%	19.5%	DUK	5.1%	17.7%	32.4%
ROA	2.6%	3.8%	3.8%	2.7%	2.5%	2.9%	SO	0.4%	0.5%	0.3%
ROE	8.4%	13.5%	11.6%	9.6%	9.0%	10.4%	WEC	5.5%	0.9%	-7.2%
ROIC	3.9%	8.4%	6.9%	4.1%	3.5%	3.9%				

Figure #1: NEE Revenue Mix



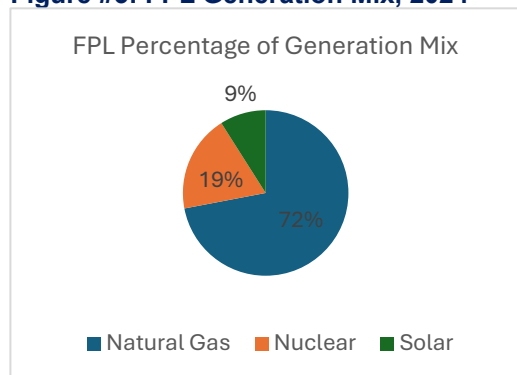
Source: 10-K, generated in Excel

Figure #2: Areas (blue) Served by FPL



Source: 10-K

Figure #3: FPL Generation Mix, 2024



Source: 10-K, generated in Excel

Figure #4: Historical & Estimate Revenue by Segment: FPL, NEER, and Other (in Millions)

Company Description

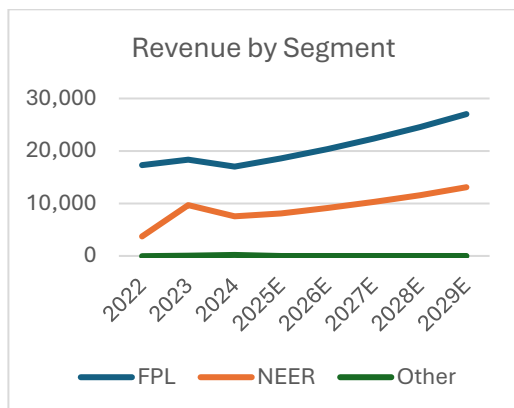
NextEra Energy is a leading North American clean energy company that employs over 15,000 individuals. Headquartered in Juno Beach, Florida, NextEra generates clean energy across the U.S. and Canada. The company's operations are divided into two core reportable segments: Florida Power & Light (FPL) and NextEra Energy Resources (NEER). FPL is its large, regulated electric utility segment, the "bread and butter" of NEE, while NEER is the growing unregulated branch that specializes in renewable energy: wind, nuclear, and solar.

Florida Power & Electric (FPL)

Florida Power & Light (FPL) operates as NextEra Energy's foundational regulated utility subsidiary. Having been acquired in 1925, FPL has served for decades as NEE's primary revenue contributor, consistently generating the majority of the parent company's consolidated earnings. The subsidiary's historical development includes strategic expansions such as the full integration of Gulf Power in 2021, which consolidated its service territory and maintained its position as the largest electric utility in the United States by customer count.

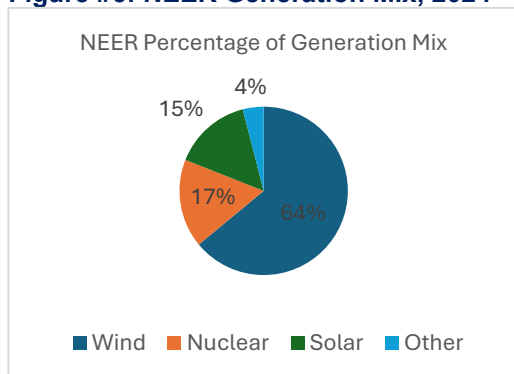
FPL's operational scale includes service to approximately 6.2 million customer accounts with a net generating capacity of 36,048 MW as of year-end 2024. Our analysis indicates the subsidiary experienced a -7.3% revenue decline in 2024 to \$17.0 billion, primarily attributable to milder weather conditions and lower pass-through natural gas costs. This follows a period of consistent growth from 2018-2023 where revenues expanded from \$11.9 billion to \$18.4 billion, demonstrating the segment's historical resilience to broader market volatility.

FPL's generation portfolio continues to be dominated by natural gas, though our projections indicate a strategic shift in resource allocation. The natural gas share is forecast to decline from 72% in 2024 to 70.9% in 2025 and 69.8% in 2026, while solar generation is projected to increase from 9% to 9.5% over the same period. This transition aligns with the company's \$43.8 billion 2024-2028 capital expenditure plan, which emphasizes solar capacity additions and grid modernization investments.



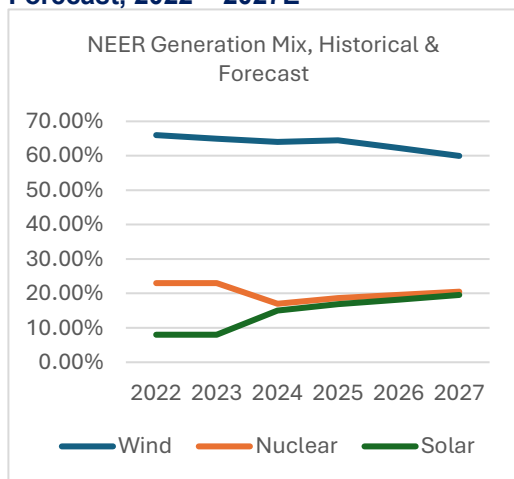
Source: 10-K and Henry Fund Forecast, generated in Excel

Figure #5: NEER Generation Mix, 2024



Source: 10-K, generated in Excel

Figure #6: NEER Generation Mix Forecast, 2022 – 2027E



Source: 10-K and Henry Fund Forecast, generated in Excel

Figure #7: NEER Presence in North America

We project FPL revenues to reach \$19.0 billion in 2025, representing 11.7% year-over-year growth, with further expansion to \$21.2 billion in 2026. This outlook incorporates multiple growth drivers: continued customer account growth at approximately 1.5-2.0% annually, the recovery of capital investments through regulatory mechanisms, and increasing electricity demand from data center development and industrial electrification. The subsidiary's cost structure benefits from economies of scale and grid optimization, resulting in residential electricity bills approximately 40% below the national average.

Our long-term modeling projects sustained revenue growth of approximately 7.8% annually from 2027 onward, reflecting the full rate-base incorporation of current capital investments. FPL's diversified generation strategy positions the subsidiary to respond to evolving grid requirements, maintaining natural gas for reliability while expanding solar and nuclear resources for emissions reduction and cost management. This balanced approach supports the subsidiary's role as a stable earnings contributor within NextEra Energy's consolidated portfolio.

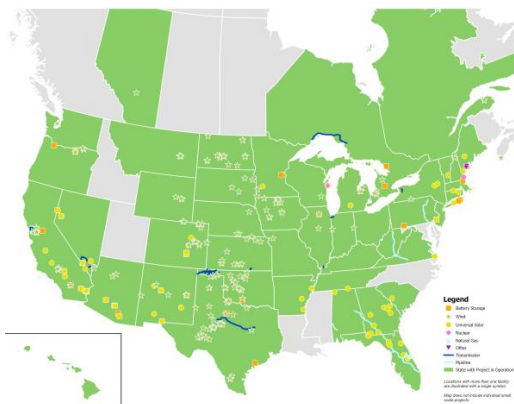
NextEra Energy Resources

NextEra Energy Resources (NEER) operates as NextEra Energy's competitive energy subsidiary, functioning as the world's largest generator of renewable energy from wind and solar. The segment maintains operations across 41 U.S. states and 4 Canadian provinces with a generating capacity of approximately 37,700 MW. NEER's business model centers on securing long-term power purchase agreements (PPAs) that provide predictable revenue streams while supporting the transition to sustainable energy.

NEER demonstrated significant revenue volatility in recent years, with operating revenues reaching \$9.7 billion in 2023 before declining to \$7.5 billion in 2024, representing a -22.0% year-over-year decrease. This follows a period of exceptional growth from 2021-2023 where revenues increased by 217% from \$3.1 billion to \$9.7 billion. The segment's generation mix has evolved substantially, with wind generation comprising 64% of the portfolio in 2024, while solar has expanded to 15% from just 7% in 2018.

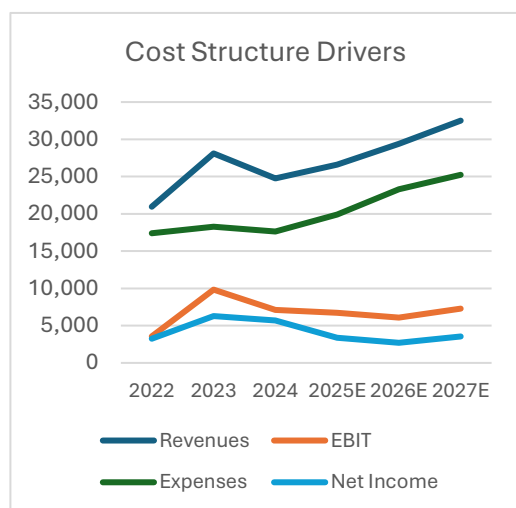
Our analysis indicates NEER is strategically rebalancing its generation portfolio toward more diversified renewable sources. While wind remains the dominant contributor at 64.5% of the projected 2025 mix, we forecast solar's share will increase to 16.9% in 2025 and 18.2% in 2026. This transition reflects NEER's focus on providing cost-competitive renewable energy solutions that can compete directly with traditional utility-scale power, including potentially serving load currently within FPL's service territory through competitive procurement processes.

The segment is particularly well-positioned to capitalize on structural shifts in electricity demand, specifically the rapid growth of data



Source: 10-K

Figure #8: Cost Structure Drivers



Source: 10-K and Henry Fund Forecast, generated in Excel

Figure #9: Debt Maturity Analysis

Fiscal Year	Coupon (%)	Payment (\$m)
2025	4.37	7961
2026	5.41	5592
2027	5.36	7079
2028	4.97	2167
2029	5.29	2167
Thereafter	4.72	47419
Total	4.85	72385

Source: 10-K

Figure #10: ESG Analysis

centers requiring clean, affordable power. Major technology companies have announced ambitious sustainability targets requiring significant renewable energy procurement, creating a substantial addressable market for NEER's scale and development capabilities. This demand driver supports our revenue growth projections of 2.2% in 2025 to \$7.7 billion, accelerating to 6.7% growth in 2026 to \$8.2 billion.

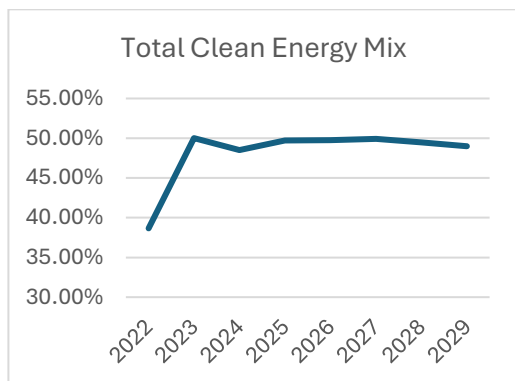
Our modeling projects sustained mid-single-digit revenue growth from 2027 onward, averaging approximately 5.2% annually through 2034. This outlook incorporates NEER's competitive advantages in renewable energy development, including scale efficiencies that enable it to offer among the lowest levelized costs of energy for new wind and solar projects. The segment's ability to provide cost-competitive renewable power positions it to capture a disproportionate share of the growing corporate and utility demand for clean energy, particularly from data center operators and other large commercial and industrial customers seeking to meet sustainability targets while managing electricity costs.

Cost Structure Analysis

NextEra's cost structure is capital-intensive, driven by its massive infrastructure investments. Key costs are pass-through fuel expenses and rising depreciation from new assets. The company maintains a competitive edge through low operational costs, supporting industry-leading margins. However, a significant increase in interest expense is forecast due to heavy debt funding for its growth.

Looking ahead, the cost forecast is shaped by a significant capital expenditure program of ~\$74 billion from 2024-2028. This investment will drive a notable increase in Depreciation & Amortization as new renewable projects and grid infrastructure come online, making it an ever-larger portion of the cost structure. Simultaneously, fuel and power costs are expected to normalize at a higher level than in 2023, particularly as the NEER segment potentially shifts its business mix toward dispatchable clean energy assets and merchant operations to meet soaring data center demand. Despite these rising absolute costs, the model projects strong operating leverage, with EBIT margins expanding to approximately 37% in 2025, primarily driven by the implementation of a new multi-year rate plan for its FPL segment that will allow it to earn regulated returns on its growing capital base.

A critical and growing headwind, however, lies below the operating line. To fund its aggressive growth, NextEra relies heavily on debt, leading to a forecasted dramatic rise in interest expense. This increasing cost of capital represents a key risk, necessitating that the returns on the company's investments consistently exceed its financing costs. The long-term margin story involves a gradual normalization from the 2025 peak as the faster-growing, typically lower-margin NEER business comprises a larger share of the



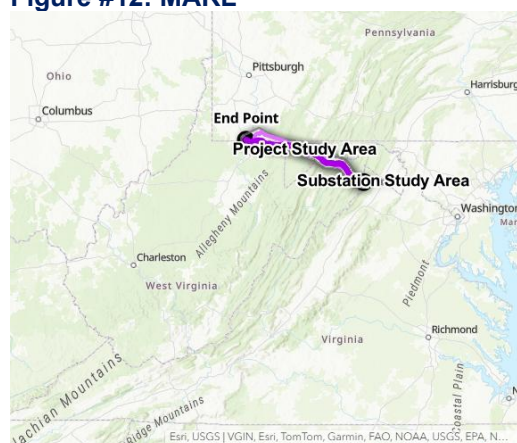
Source: 10-K and Henry Fund Forecast, generated in Excel

Figure #11: EPS Guidance/Expectation as of Q3 2025 Earnings for 2025-2027



Source: Q3 2025 Earnings Call Slide Deck

Figure #12: MARL



Source: NEE Investor Relations Website

overall revenue mix. Ultimately, the narrative is not one of pure margin expansion, but of scaling the business profitably; even with a moderating margin percentage, the massive growth in the revenue base is expected to drive substantial increases in absolute dollar profits, justifying the significant upfront capital outlay.

Additional Company Analysis

NextEra Energy's prospects are critically tied to long-term interest rates, specifically the 10-30 year Treasury yield, which serves as the direct benchmark for the corporate bonds it uses to finance long-lived infrastructure. The company's massive \$74 billion capital program is funded heavily with debt, and a decline in these rates would deliver a powerful tailwind by allowing NEE to refinance its upcoming \$11.5 billion 2027 debt maturity at lower coupons, directly reducing its forecasted \$4 billion-plus annual interest expense to preserve earnings and protect its premium valuation.

Furthermore, cheaper debt significantly enhances the competitive position of its NEER segment. Lower financing costs immediately improve the internal rate of return for every project in its 30-gigawatt development backlog, allowing NEER to submit more aggressive, winning bids for long-term power contracts. This financial advantage widens NextEra's moat, solidifying its position as the low-cost renewable energy provider and creating a clear catalyst for earnings growth in a lower-rate environment.

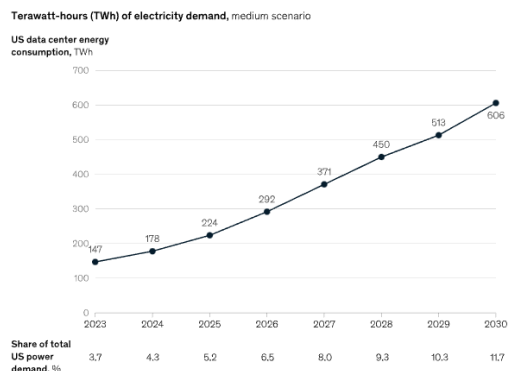
Debt Maturity Analysis

NextEra Energy's debt maturity structure is a critical component of its financial strategy, reflecting the capital-intensive nature of its utility and energy infrastructure businesses. The company carries a substantial debt load, with a consolidated long-term debt balance of approximately \$80.4 billion as of December 31, 2024. While the provided 10-K excerpt does not include the specific year-by-year maturity table from Note 13, the financial statements clearly demonstrate the scale of its ongoing debt management activities. In 2024 alone, the company issued \$24.8 billion in new long-term debt while retiring \$10.1 billion of existing obligations¹. This active refinancing cycle is further highlighted by its short-term obligations, which include \$1.9 billion in commercial paper and other short-term borrowings that require constant rolling over, plus significant portions of its revolving credit facilities—totaling over \$10.5 billion—maturing within the next 12 months. This clearly illustrates that the company faces substantial upcoming maturities on an annual basis.

The central question is whether NextEra Energy can repay these maturing debts from its operating cash flow. The answer is that while the company generates exceptionally strong and stable operating cash flow—\$13.3 billion in 2024—this cash is not primarily earmarked for paying down debt principal. Instead, it is strategically allocated to three key areas: funding its massive capital expenditure program (\$24.7 billion in 2024), paying dividends to shareholders

Figure #13: Data Center Demand Projections

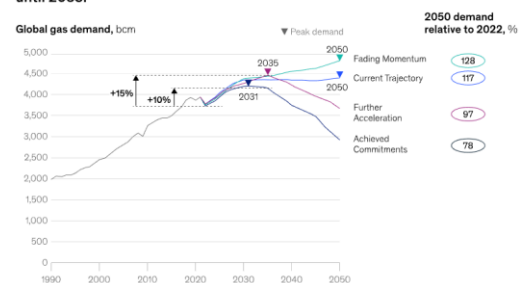
Demand for power for data centers is expected to rise significantly in the United States.



Source: McKinsey Global Energy Perspective 2023

Figure #14: Global Gas Demand Projections

Global gas demand is projected to grow by approximately 10–15 percent until 2035.



Source: McKinsey Global Energy Perspective 2023

Figure #16: AEP Revenues (2021-2024)

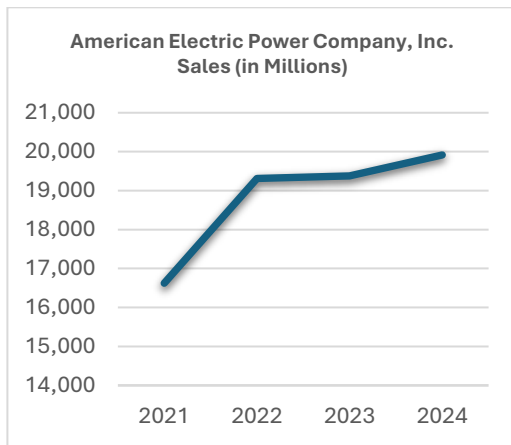
(\$4.2 billion in 2024), and covering interest expenses. Therefore, it is an absolute certainty that the company will need to continuously refinance its maturing debt by issuing new bonds and loans to push out the maturities. This is not a sign of financial distress but is a standard and essential practice across the utility and infrastructure sectors. These industries finance long-lived assets (like power plants and transmission lines) with long-term debt, and a perpetual cycle of refinancing is the fundamental model that allows them to match the lifespan of their assets with their financing.

Management actively manages this process with a clear target capital structure in mind, which is to maintain a balance of debt and equity that supports its strong investment-grade credit ratings. These ratings—such as A- for NEE and A for FPL—are paramount because they are the key to accessing low-cost capital in the debt markets. The company's strategy to uphold this structure involves a multi-faceted approach: proactively issuing long-term debt to lock in rates and manage maturity timelines, periodically issuing equity or equity-like instruments (like the \$2.3 billion from differential membership investors in 2024), and selling down ownership in projects to recycle capital. The primary financial pressure this creates is not the risk of default, but the risk of rising interest rates. As the company refinances older, cheaper debt with new, more expensive debt, its interest expense will rise, which can put pressure on its future earnings and profitability, until we see a drastically lower interest rate environment by possibly mid-2026. However, given its stellar credit rating, dominant market position, and proven, relentless access to capital markets, this refinancing process is executed relatively easily and is considered a normal part of its operations, not a crisis.

ESG Analysis

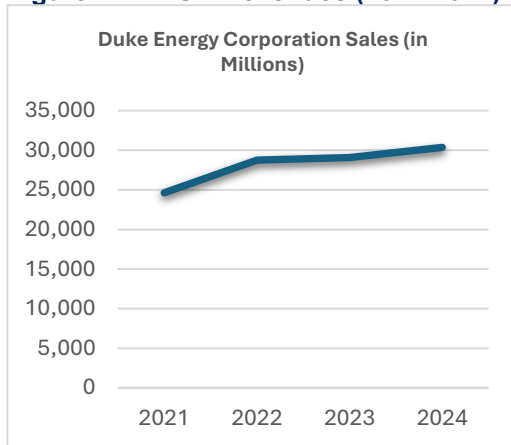
From an environmental, social, and governance perspective, NextEra Energy presents a strong but complex profile, led by its exceptional positioning in the environmental transition. The company is a world leader in renewable energy, with its NEER segment being the largest global generator of wind and solar energy and a leader in battery storage; its generation in 2024 was 64% from wind and 15% from solar, and when combined with nuclear power, the vast majority of its output comes from clean sources. Furthermore, its regulated utility, FPL, is rapidly decarbonizing its fleet by adding significant solar and battery storage capacity, demonstrating a deep commitment to the environmental component of ESG. This strength is tempered by specific environmental risks noted in its filings, including potential liabilities under wildlife protection laws due to eagle and bat collisions with wind turbines, for which one subsidiary is currently on probation.

On the social front, the company manages a large workforce of approximately 16,800 employees, with a significant portion unionized⁴, and it emphasizes reliable service and affordable bills for its customers, though it also faces the social challenge of seeking



Source: AEP 10-K, generated in Excel

Figure #17: DUK Revenues (2021-2024)



Source: DUK 10-K, generated in Excel

substantial base rate increases. The governance structure features formal board oversight through dedicated committees for risk and cybersecurity, which represents a best practice. However, a significant governance concern is the disclosed allegation of campaign finance law violations by FPL, which introduces a serious reputational and legal risk that could impair the company's relationship with regulators. Overall, NextEra's ESG profile is dominated by its clear environmental leadership, which is a powerful positive, but investors must weigh this against the ongoing governance scrutiny and the standard social risks inherent in a large, rate-regulated utility.

Recent Developments

Q3 Earnings

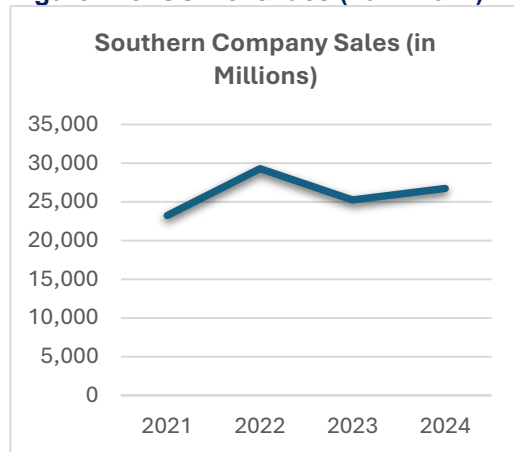
NextEra delivered a strong third quarter, with adjusted earnings per share rising 9.7% over the prior year³. This performance keeps the company on track to hit the upper end of its financial targets through 2027, supported by a confident outlook for continued dividend growth of roughly 10% annually through at least 2026. The results underscore the strength of both FPL and NEER.

The company positioned itself at the forefront of a fundamental shift in the U.S. power market, characterizing the current demand growth as "sudden and sharp." Leadership emphasized that after decades of stagnation, electricity demand is now exploding, driven by artificial intelligence, data centers, and industrial reshoring. In response, NextEra is executing its "all of the above" strategy, asserting that a mix of renewables, storage, natural gas, and nuclear is essential to meet this moment. They highlighted energy storage as a particular game-changer for its flexibility and low cost. While noting the recent One Big Beautiful Bill Act introduces new dynamics by phasing out some renewable credits, the company believes its extensive project pipeline and supply chain capabilities leave it uniquely positioned to capitalize on this unprecedented opportunity.

This strategy is clearly reflected in the segment performances. FPL is fueling growth through substantial infrastructure investment, with regulatory capital employed growing nearly 8%. The utility is advancing a four-year rate plan designed to support its build-out of over 8 gigawatts of new solar and storage by 2029, all while projecting customer bills will remain significantly below the national average. Meanwhile, Energy Resources had an exceptionally active quarter, originating 3.2 gigawatts of new projects and building a total backlog of nearly 30 gigawatts. A key takeaway is the growing demand from technology customers, with over 10.5 gigawatts now dedicated to serving data centers, and 30% of the entire backlog consisting of battery storage projects.

MidAtlantic Resiliency Link (MARL) Transmission Route

Figure #18: SO Revenues (2021-2024)

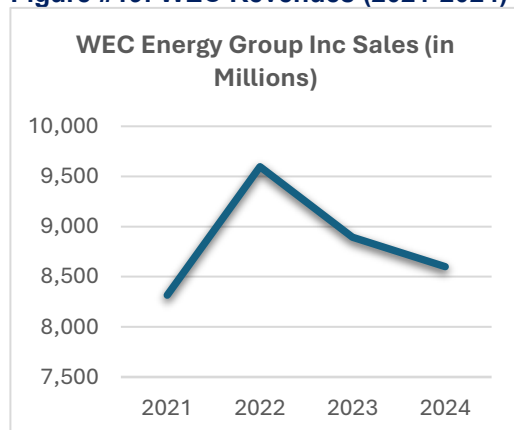


Source: SO 10-K, generated in Excel

The recent route finalization for the MidAtlantic Resiliency Link (MARL), a 107.5-mile, 500-kilovolt transmission line, underscores a critical and high-margin growth vector for NextEra Energy. This project is a direct play on the urgent need for grid modernization, which has become a primary industry theme. After decades of under-investment, the national transmission system is a key bottleneck to connecting new generation to load centers. The MARL project directly addresses this, positioning NextEra Energy Transmission to earn a highly predictable, FERC-regulated return on what will be a multi-billion dollar capital investment. The bullish takeaway is the addition of a long-duration, low-risk asset to the rate base that will generate durable earnings for decades, entirely insulated from merchant power price volatility. This development is emblematic of the company's strategic shift to not only build generation but also control the critical infrastructure that delivers it, capturing value across the entire electricity value chain.

This project is being shaped by a favorable regulatory push towards grid resilience and the integration of diverse energy sources. The current administration's focus on unleashing "American energy dominance" and recent legislative efforts, while complex, implicitly support the build-out of foundational infrastructure like MARL. The project's timeline, with construction expected to begin in 2029, aligns with the long-term nature of these regulatory and infrastructural cycles, providing a visible and secured growth runway well into the next decade.

Figure #19: WEC Revenues (2021-2024)



Source: WEC 10-K, generated in Excel

Commissioning of the Amite Solar Energy Center

The commissioning of the 250-megawatt Amite Solar Energy Center in June 2025 is a tangible manifestation of NextEra's core earnings growth engine operating at full speed. This project is a direct response to the most powerful industry catalyst in a generation: the "sudden and sharp" surge in electricity demand driven by artificial intelligence, data center expansion, and industrial reshoring. The bullish case here is multifaceted. First, projects of this scale are typically backed by long-term Power Purchase Agreements (PPAs), which lock in predictable, contracted revenue—de-risking the earnings stream. Second, and more importantly, Amite is not an isolated asset but part of a massive, scalable replication model; it represents a single data point in a ~30-gigawatt development backlog ¹⁴.

The underlying industry change making this growth so profitable is the dramatic reduction in the Levelized Cost of Energy (LCOE) for renewables paired with storage. Management has explicitly noted that battery storage is now "more than two times cheaper than gas-fired plants." This cost-advantage is a game-changer, allowing NextEra Energy Resources to offer firm, dispatchable clean power that is economically superior to traditional alternatives. This technological shift positions them as the low-cost provider to the most demanding new customer classes, particularly hyperscalers,

Figure #20: Federal Funds Rate

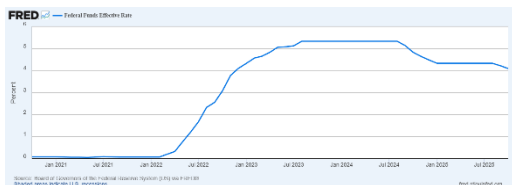


Figure #21: Producer Price Index, All Commodities

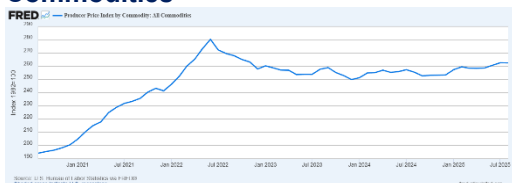
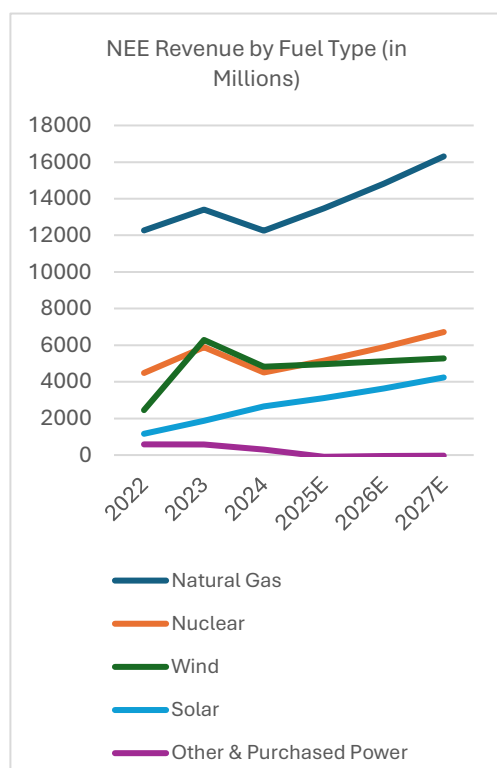


Figure #22: NEE Revenue by Fuel Type, 2022-2027



ensuring that their industry-leading backlog will translate into high-margin earnings growth for years to come, solidifying the premium valuation of the Energy Resources segment.

Industry Trends

Data Center Energy Usage

The exponential growth in artificial intelligence and high-performance computing is driving a structural shift in U.S. electricity demand that the market is still struggling to price in. Current projections have been rendered obsolete; the 50 GW by 2030 forecast is now considered conservative. Leading hyperscalers like Amazon, Google, and Microsoft are securing power for massive data center campuses, often with individual load requirements of 500 MW to over 1 GW—a demand comparable to a major aluminum smelter or a small city. The key driver is AI workload intensity: while a traditional data center may draw 20-40 MW, an AI data cluster with thousands of specialized GPUs can consume over 100 MW alone. This is not incremental growth; it is a step-change, creating a ~80 TWh annual electricity demand surge in the U.S. by 2028, according to Goldman Sachs Research ¹¹.

This demand surge presents both a monumental opportunity and a critical operational challenge for generators. The primary constraint is not capital, but time and grid interconnection. Renewable energy, while cost-competitive, is intermittent. AI data centers require 99.99% uptime and often need power 24/7, which solar and wind cannot provide alone without prohibitively large and expensive battery storage systems. This reality is forcing a pragmatic, dual-track approach. While Power Purchase Agreements (PPAs) for renewables remain the primary tool for meeting sustainability goals, the immediate, baseload power need is being met by the only source capable of scaling rapidly and reliably: natural gas. This is not a deviation from decarbonization goals but a necessary bridge, ensuring grid stability and preventing a capacity shortfall that could stifle technological innovation.

For a leader like NextEra Energy, this environment is a strategic accelerator. Their NEER segment is uniquely positioned as a one-stop shop, offering clients integrated solutions that combine renewable PPAs with firming capacity from gas or battery storage. Their extensive development pipeline and balance sheet strength allow them to move at the speed of their tech clients. Furthermore, their existing fleet of efficient gas assets, once seen as transition assets, are now critical cash flow generators, their capacity factors and merchant power prices bolstered by this new, inelastic demand. The firm is not just building for a renewable future; it is monetizing the essential bridge fuels of today, funding its long-term transition while capturing unprecedented margins.

Strategic Preference for Natural Gas

Despite ambitious policy targets, the fundamental economics and physics of the energy transition have cemented natural gas as the indispensable baseload fuel for the next decade. The EIA projects that natural gas will maintain its ~40% share of U.S. power generation through 2050, a testament to its reliability and scalability. The current demand surge is driving a projected 4.5 Bcf/d increase in gas consumption by 2030, primarily from the power sector. The cause is twofold: first, the rapid data center growth detailed above, and second, the concurrent retirement of over 200 GW of coal capacity since 2010, which gas is uniquely positioned to backfill due to its flexibility and lower emissions profile ¹¹.

The preference for gas is driven by hard-nosed operational advantages that alternatives cannot currently match. First is dispatchability: combined-cycle gas turbines (CCGTs) can ramp up to full power in minutes, providing critical grid flexibility to complement intermittent renewables and meet peak loads. Second is scalability: a 1 GW CCGT plant can be permitted and built in 3-4 years, significantly faster than nuclear or large-scale hydropower, and it requires only a pipeline connection rather than massive new transmission infrastructure. Third is cost: while renewable LCOE is low, the full-system cost of a 24/7 renewable-plus-storage grid is extraordinarily high. Gas provides firm capacity at a fraction of the cost, with Henry Hub prices remaining structurally low, averaging ~\$2.50/MMBtu, ensuring its economic viability.

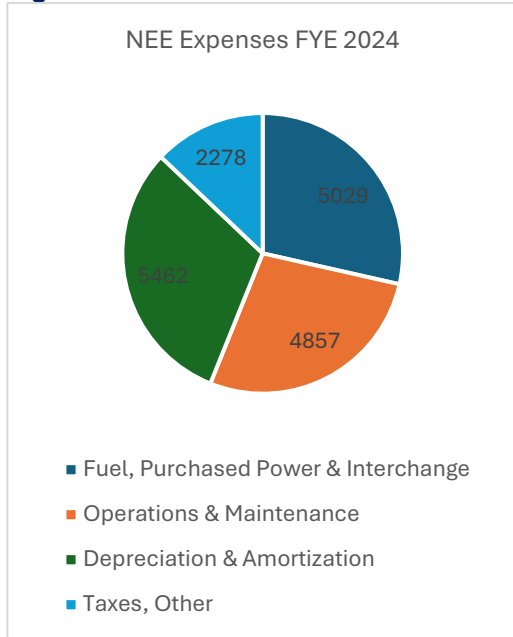
For utility and merchant power operators, this translates into a clear strategy: invest in modern, high-efficiency gas fleet. NEE's portfolio, including its regulated FPL operations, is a direct beneficiary. FPL's generation mix is already ~73% natural gas, insulating it from the reliability concerns plaguing other regions. This allows them to meet Florida's own robust load growth confidently. For NEER, the opportunity lies in merchant power. As baseload demand soars, capacity prices in key markets like PJM and ERCOT have skyrocketed, from ~\$100/MW-day in 2022 to over \$240/MW-day for 2024-25 delivery ¹³. NextEra's merchant gas assets are poised to capture these soaring prices, directly boosting EBITDA. The narrative is clear—gas is no longer a stranded asset risk but a critical, high-utilization profit center for the foreseeable future.

Markets and Competition

NEE's Peer Group

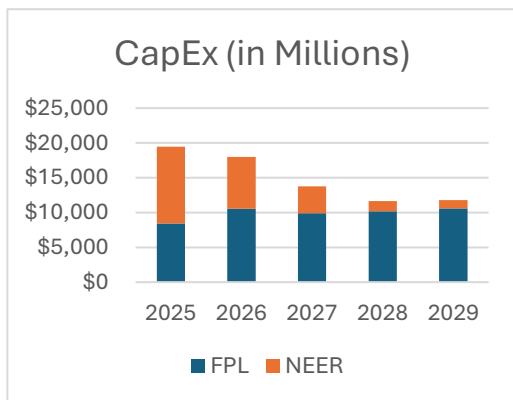
The U.S. regulated electric utility sector is an oligopoly of franchised monopolies, characterized by exceptional stability and predictable earnings. Major players like Duke Energy, Southern Company, and American Electric Power operate as regional giants, serving specific geographic niches without direct competition for customers. Instead, they compete strategically in capital markets for low-cost funding

Figure #23: Cost Chart



Source: 10-K, generated in Excel

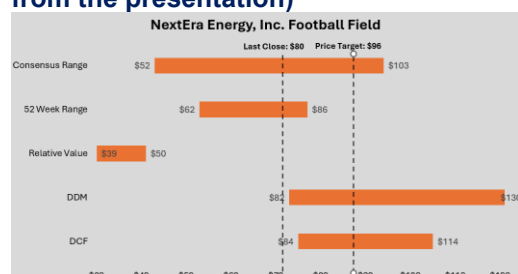
Figure #24: CapEx Chart



Source: 10-K, generated in Excel

and vie for regulatory favor to earn their authorized returns on massive, multi-billion-dollar capital plans. The industry's current mature growth phase is driven by a historic investment cycle in grid modernization, renewable generation, and capacity expansion to meet surging demand from data centers and electrification.

Figure #25: Football Field (Take this from the presentation)



Key distinctions between peers are rooted in their regulatory jurisdictions, exposure to high-growth regions like the Southeast, and execution prowess on complex projects. Profitability is a function of consistently earning the allowed return on equity and efficiently deploying capital. The primary risks are not substitution or disintegration, but regulatory disruption and execution missteps. Recent catalysts, namely the Inflation Reduction Act and the AI-driven data center boom, have solidified long-term growth visibility, making regulatory proficiency and balance sheet strength the ultimate determinants of competitive advantage.

American Electric Power Company, Inc.

AEP is a Columbus-based utility holding company with a massive service territory spanning 11 states, including key growth markets like Texas and Ohio. Its operations are divided into a regulated utilities segment and a transmission & distribution infrastructure business. AEP distinguishes itself with one of the nation's largest transmission systems, a significant competitive advantage for reliability and future investment. Historically a major coal burner, AEP is executing a strategic pivot, planning to invest \$33 billion in grid modernization and renewables through 2027. However, it carries a unique challenge: its service territory includes states with less progressive regulatory frameworks, which can create headwinds for recovering transition costs. Its scale and pivotal grid position make it a core industry player, but its regulatory diversity introduces a different risk profile compared to more concentrated peers ⁴.

Figure #26: Henry Fund vs. The Street

Estimates			
	Rev	2025e EPS	EBITDA
HF	26,622	2.35	15634
Street	28258	3.68	16539
% Diff.	-5.8%	-36.1%	-5.5%

Estimates			
	Rev	2026e EPS	EBITDA
HF	29409	2.12	17344
Street	31080	4.00	18966
% Diff.	-5.4%	-47.0%	-8.6%

Estimates			
	Rev	2027e EPS	EBITDA
HF	32507	2.65	19235
Street	33840	4.35	20866
% Diff.	-3.9%	-39.1%	-7.8%

WEC Energy Group Inc

WEC Energy Group, headquartered in Milwaukee, is the premier utility serving the Upper Midwest, primarily Wisconsin and Illinois. While smaller in customer count than others in this group, WEC is consistently regarded as one of the best-operated utilities in the country, renowned for its exceptional regulatory relationships and operational efficiency. It has a lower exposure to the explosive Southeast growth but compensates with a very stable, predictable business model and a top-tier credit rating. WEC's strategy has been focused on a balanced transition, investing heavily in solar, battery storage, and grid modernization without the massive, headline-risk projects of some peers. Its distinction lies in

its **execution excellence and profitability**, often boasting among the highest ROEs in the sector ⁴.

Duke Energy Corporation

Duke Energy is a Charlotte-based behemoth and one of the largest electric utilities in the U.S., serving 8.2 million customers in the Carolinas, Florida, and the Midwest. Its scale and geographic diversity in robust growth markets are its defining characteristics. Duke operates the largest regulated nuclear fleet in the country, providing low-carbon baseload power. Like its peers, it is executing a massive transition, with a \$65 billion capex plan focused on grid hardening, renewable generation, and modernizing its gas fleet. Duke's key differentiator is its exposure to the **high-growth Southeast**, particularly North Carolina, which is a top destination for data centers and industrial onshoring. This provides a powerful tailwind for organic load growth, layering on top of its transition-related investments, and positions it as a primary beneficiary of the data center demand surge ⁴.

Southern Company

Southern Company is an Atlanta-based utility serving 9 million customers across Georgia, Alabama, and Mississippi. It is a standout due to its successful execution of one of the most complex capital projects in the industry's recent history: the Vogtle 3 & 4 nuclear expansion in Georgia. After significant delays and cost overruns, the units are now online, providing Southern with a long-term, zero-carbon asset that is already in rate base. This positions it well ahead of peers still contemplating new nuclear. Southern's operations are heavily weighted toward its constructive regulatory compact in Georgia, which has historically been supportive of large-scale investment. With the Vogtle overhang removed, the company is now pivoting to a more traditional capex cycle focused on renewables and grid investment, but with a stronger, de-risked baseload generation profile than most competitors ⁴.

Economic Outlook

Interest Rates

Interest rates represent the most critical macroeconomic variable for the utilities sector, directly governing the cost of capital for its massive infrastructure investment programs. The industry is defined by its high leverage and capital intensity, requiring consistent access to debt markets to fund long-duration projects like new generation facilities and grid modernization. The era of near-zero interest rates post-2008 facilitated a debt-funded boom in renewable energy development. The recent and rapid hiking cycle has sharply increased financing costs, directly pressuring profitability and complicating the economics of new projects.

The impact is twofold. On the supply side, higher rates elevate the cost of building new capacity, from solar farms to natural gas peaking plants. This puts upward pressure on future customer rates and can slow the pace of investment if projects become economically marginal. For a company like NextEra Energy, which relies on continuous investment to grow its rate base and development pipeline, managing this cost of capital is paramount. On the demand side, higher interest rates temper broader economic activity by making borrowing more expensive for businesses and consumers. This can modestly dampen the robust growth in electricity demand from the industrial and commercial sectors, particularly affecting the very data center and manufacturing expansion that is currently driving load growth.

Looking forward, the Henry Fund consensus expects a moderation from recent peaks, but believes rates will stabilize at levels structurally higher than the past decade. This creates a persistent headwind. Utilities with strong balance sheets and proven ability to secure timely rate recovery from regulators will be best positioned to navigate this environment. Their capacity to execute multi-billion dollar capex plans without eroding returns will be the key differentiator, making regulatory proficiency as important as operational excellence.

Inflation

Inflation presents a complex challenge, directly impacting both the cost structure of utility operations and the political landscape of rate setting. Persistent inflation in key input costs—such as transformers, solar panels, and natural gas fuel—has significantly increased the capital required for planned investments. Supply chain disruptions have exacerbated this, leading to extended lead times and higher prices for critical equipment. Concurrently, wage inflation pressures operational expenditures, further squeezing margins.

This environment creates a tension between necessary investment and customer affordability. Utilities must spend more to build the same amount of capacity, which in turn requires them to seek larger rate increases from public utility commissions. However, elevated overall inflation erodes household disposable income, making regulators and politicians increasingly sensitive to rising utility bills. This raises the risk of "regulatory lag," where utilities are unable to fully or quickly recover their increased costs, thereby impacting profitability and potentially slowing the energy transition.

The Henry Fund view is that while some supply chain pressures have eased, structural inflationary pressures for specialized equipment and labor will persist. This makes operational efficiency and proactive supply chain management critical competitive advantages. The ability to lock in costs and execute projects on budget will separate outperformers. For investors, the focus should be on utilities operating within constructive regulatory frameworks

that have mechanisms, such as fuel adjustment clauses and forward test years, to mitigate the drag of inflation on earnings.

Valuation

Revenue Assumptions

The core assumption is a strategic shift where **NEER** becomes the dominant growth engine. We project NEER's revenues to accelerate from \$7.5 billion in 2024 to over \$15 billion by 2034E, a near-doubling that reflects an aggressive build-out of new renewable generation, primarily solar and storage. This aligns with industry trends where solar is the most cost-competitive and fastest-to-deploy technology. We are most bullish on solar, expecting it to be the primary driver of new capacity and revenue, while the existing nuclear fleet provides a stable, carbon-free foundation but not significant expansion.

Conversely, **FPL** provides a stable, predictable foundation. Its revenue is projected to grow at a steady ~4% annually, supported by rate base growth and investments in grid reliability and localized solar generation within its regulated monopoly. This segment ensures a consistent earnings base, de-risking the overall model against the more volatile merchant pricing environment in which NEER operates.

Cost Assumptions

We project Next Era's total operating expenses will rise from \$17.6 billion in 2024 to \$25.2 billion by 2027. This increase is largely due to a near-doubling of fuel and power purchase costs, which we forecast will jump from \$5.0 billion to \$9.8 billion. Operations and maintenance costs are also expected to grow steadily from \$4.9 billion to \$6.8 billion. In contrast, we assume depreciation and taxes will see only moderate growth.

CapEx Assumptions

NextEra Energy is in the midst of executing one of the most ambitious capital expenditure plans in the utility sector. This is not a new, one-year budget but part of a sustained, multi-year investment strategy. The scale of this investment is reflected in its financials, which showed a levered free cash flow of negative \$13.57 billion over the trailing twelve months, a clear sign of heavy, ongoing investment in infrastructure. This CapEx is being deployed across its entire business. At its regulated utility, Florida Power & Light, the company is investing billions—with full-year 2025 guidance between \$8 and \$8.8 billion—to enhance grid reliability, harden infrastructure against storms, and integrate over 8 gigawatts of new solar and battery storage by 2029.

The driver behind this massive spending is a fundamental shift in the industry landscape, characterized by what company leadership

has called "sudden and sharp" growth in U.S. electricity demand. This surge is largely fueled by the rapid expansion of artificial intelligence, data centers, and the reshoring of manufacturing, which could require tens of gigawatts of new, reliable power. NextEra's CapEx plan is a direct response to this opportunity, positioning the company to build the energy infrastructure of the future. This includes not only renewables and storage but also exploring new gas-fired generation and the potential restart of a nuclear facility, embodying its "all-of-the-above" strategy to ensure it can meet this generational demand shift head-on.

WACC Calculation

To derive our WACC estimate of 5.71%, we made several key assumptions. For the Risk-Free Rate, we used the current 10-year Treasury yield. The Beta is an average of the company's weekly raw beta over one through five years to smooth out near-term volatility⁵. Our marginal tax rate is 23%, combining the 21% federal corporate rate with a 2% state tax provision. Finally, the pre-tax cost of debt is not a generic benchmark but a weighted average of NextEra Energy's own fixed-term loans with 10-15 year maturities, reflecting its actual cost of borrowing.

DCF/EP

Our DCF price target of \$108 is supported by a terminal NOPLAT growth rate of 3.0%. While this is high for a traditional utility, it is a conservative assumption for NEE given the unprecedented U.S. energy demand growth from data centers and electrification expected to last into the 2040s. This rate sustainably embeds NEE's ability to continue capitalizing on this multi-decade secular tailwind well beyond its initial high-growth investment phase.

Relative Multiple

Our relative valuation price target is \$46, derived by applying the 2025E peer group average P/E of 19.51x to NEE's 2025E EPS. This peer multiple reflects the lower growth and return profiles of traditional utilities, which lack NEE's aggressive expansion into the high-growth, cheaper renewable energy market. Consequently, this comparative approach assigns a lower valuation, failing to capture the speculative premium associated with NEE's industry-leading transition and its potential for superior long-term earnings growth.

Henry Fund vs. The Street

Our \$108 DCF/EP and \$96 price target are slightly above consensus, reflecting a more optimistic outlook on NextEra's long-term growth trajectory. The primary difference lies in our assumptions for the renewable energy segment; we have incorporated more up-to-date and independent forecasts that fully capture the structural, multi-decade surge in U.S. electricity demand from data centers. Consequently, we use a higher terminal growth rate than consensus, as we model NEE sustaining its growth profile

well into the future by capitalizing on this unprecedented energy expansion from the renewables side, expected to peak after 2040, different from most utilities companies that have not begun a transition to renewables.

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