

NEE WRITE UP

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Investment decision: Did Not Invest

Introduction

Our group chose to analyze NextEra Energy (NEE) in the utilities and renewables sector due to its unique position as both the largest regulated utility in Florida and the world's leading producer of wind and solar energy. From a narrative standpoint, NEE represents a company balancing stability from its regulated operations with growth ambitions in clean energy. Despite its industry leadership and strong ESG profile, we ultimately chose **not to invest** due to concerns about valuation, as well as recent appreciation of the stock.

Company and Valuation Details

NextEra Energy operates through two main segments: Florida Power & Light (FPL), which delivers regulated electricity to nearly 6 million customers, and NextEra Energy Resources (NEER), which develops large-scale renewable projects across North America. The company maintains an impressive market share, a strong credit rating, and one of the largest renewable backlogs in the U.S.

As of October 9, 2025, NEE traded at \$83.71 per share with a market capitalization of \$148.9 billion. Our dcf analysis produced a target price of \$102.08, implying modest upside of roughly 22%. Our weighted valuation based on the dcf, comparable companies and precedent transactions produced a target price of \$83.46, which is around the same price as the current stock price. However, the stock's high EV/EBITDA multiple of 19.1x—well above peers averaging 13.7x—suggests that the market is already pricing in optimistic growth assumptions. Combined with rising financing costs and recent stock appreciation, we determined that the current risk-reward profile does not justify an investment at this time.

Historical performance

NextEra's historical trajectory reflects steady operational growth and diversification. Originally founded as Florida Power & Light (FPL) in 1925, the company evolved into NextEra Energy in 2009 after expanding into renewables through its NEER segment. Over the past three years, NEE has delivered a total return of 19.3%, outperforming many peers.

However, this growth has relied heavily on leverage and reinvestment, which has constrained free cash flow and dividend flexibility.

Recent partnerships—such as the 2025 AI infrastructure collaboration with BlackRock's Global Infrastructure Partners—show NEE's continued push toward innovation and grid modernization. Yet, this expansion also magnifies exposure to regulatory, construction, and financing risks.

Conclusion

NextEra Energy remains one of the most strategically positioned players in the energy transition, offering stability through its regulated utility and growth through its renewables arm. However, its premium valuation, capital-intensive business model, and exposure to interest rate volatility temper our enthusiasm.

While we acknowledge NEE's long-term potential as a clean energy leader, we would like to see stronger profitability, improved cash generation, and a more favorable rate environment before investing.