



### COMPANY UPDATE / PRICE TARGET CHANGE / ESTIMATE CHANGE

#### Key Metrics

NEE - NYSE (1/26/18)	\$157.69
Price Target	\$175.00
52-Week Range	\$119.32 - \$159.40
Shares Outstanding (mm)	474.0
Market Cap. (\$mm)	\$74,745
3-Mo. Average Daily Volume	1,851,000
Institutional Ownership	74.0%
Debt/Total Capital	52.0%
ROE (ttm)	12.7%
Book Value/Share (est.)	\$53.76
Price/Book Value	2.9x
Indicated Dividend / Yield	\$3.93 2.5%
Dividend Cycle	March, June, Sept., Dec.

#### EPS FY 12/31

	2016A	Prior 2017E	Actual 2017	Prior 2018E	Curr. 2018E
1Q		--		--	--
2Q		--		--	--
3Q		--		--	--
4Q		--		--	--
Year	\$6.19		\$6.70	\$7.25	\$7.75
P/E	25.5x		23.5x		20.3x
Payout	56%		59%		51%

Note: Figures exclude non-recurring items

#### Revenue (\$mm)

	2016A	Prior 2017E	Actual 2017	Prior 2018E	Curr. 2018E
1Q		--		--	--
2Q		--		--	--
3Q		--		--	--
4Q		--		--	--
Year	\$16,155		\$17,195		\$17,675

**Company Description:** NextEra Energy Inc. is a leading clean energy company with more than 45,000 megawatts of generating capacity. NextEra Energy's principal subsidiaries are Florida Power & Light Company, which serves more than 4.8 million customer accounts in Florida, and NextEra Energy Resources, LLC, which together with its affiliated entities is the world's largest generator of renewable energy from the wind and sun. Fuel sources: Natural Gas 54.8%, Nuclear 26.7%, Wind 10.0%, Coal 4.2%, Oil 3.2%, Hydro 1.2%, Solar 0.2%.

## NextEra Energy

NEE -- NYSE -- Long-term Buy -- 2

### Company raises earnings guidance; maintain Long-term Buy and raise price target to \$175

#### Investment Highlights

- **NextEra Energy reported higher fourth quarter and full-year 2017 results.** Adjusted fourth quarter earnings were \$1.25 per share versus \$1.21 per share in the fourth quarter of 2016, slightly below expectations. Both of NextEra's primary businesses, Florida Power & Light and Energy Resources, the competitive energy business of NextEra Energy, posted higher quarterly earnings. For the full year, NextEra earned \$6.70 per share compared to \$6.19 per share in 2016, an increase of 8.2%. Florida Power & Light contributed \$4.09 per share to 2017 earnings versus \$3.71 per share in 2016. Energy Resources contributed earnings of \$2.61 per share in 2017 compared to \$2.33 per share in 2016. Both businesses continue to perform well. In sum, we believe it was yet another fine year for NextEra.
- **Management raises earnings guidance due to tax reform.** The company expects that earnings will benefit by \$0.45 per share due to lower taxes on its non-regulated operations. As a result, NEE has raised 2018 earnings guidance to a range of \$7.45 to \$7.95 per share from a range of \$6.80 to \$7.30 previously. The company continues to expect earnings to grow by a 6% to 8% rate but has extended its timeframe by a year through 2021. Moreover, NEE expects to grow its earnings at or near the top of its guidance range.
- **We maintain our Long-term Buy rating and are raising our two-year price target by \$5 to \$175 per share.** We continue to believe NEE has an attractive fundamental outlook and that both of the company's primary businesses appear poised to deliver sustained significant long-term growth. We expect NextEra to deliver above average earnings and dividend growth. We anticipate a 13% dividend hike in February. In our view, NEE remains an excellent core holding for investors seeking long-term capital appreciation and rising dividends.

**Note Important Disclosures on Pages 3 - 4.  
Note Analyst Certification on Page 3.**

**Outlook**

We believe NextEra Energy has a favorable long-term fundamental outlook. The company has consistently delivered positive results as evidenced by the 8.2% gain in earnings in 2017. We continue to be impressed by the steadily positive performance from its two primary business segments, Florida Power & Light and NextEra Energy Resources. We also believe that both businesses remain well positioned for future growth. Florida Power & Light should benefit from continued spending on capital projects, customer growth and a favorable Florida economy. We believe that FPL is well positioned to take advantage of new regulatory investments in the state, which could boost its growth rate. In addition, Florida Power & Light is early in the second year of a rate agreement which reduces regulatory risk.

Energy Resources, the competitive energy business of NextEra Energy, is expected to benefit significantly from lower taxes. Also, both solar investment tax credits and wind production credits were kept unchanged in the recent tax legislation. We feel Energy Resources will continue to benefit from the strength in the demand for renewables. As a reminder, NextEra Energy Resources, together with its affiliates, is the world's largest generator of renewable energy from the wind and sun. Energy Resources had a record year for new wind and solar origination in 2017. Between 2017-2020, Energy Resources expects to install 5.4 GW (Gigawatt)-7.8GW of wind production. During the same period, Energy Resources also expects to add 1.4 GW-3.8 GW of solar generation and 3.3 GW – 4.3 GW of repowered wind generation. The current backlog of 7.0 GW, including repowering, is the largest for a four year period in Energy Resources' history.

NextEra raised its earnings guidance as a result of tax reform and extended its growth outlook by a year through 2021. NEE believes tax reform could boost earnings by \$0.45 per share annually going forward. This year's guidance has been revised to a range of \$7.45 to \$7.97 per share, up from the previous range of \$6.80 to \$7.30. The company expects a compound annual growth rate in earnings of 6% to 8% through 2021 off the midpoint of new 2018 guidance. In 2019, NextEra now expects adjusted earnings per share to be in the range of \$8.00 to \$8.50. For 2020 and 2021, the company now expects adjusted earnings per share to be in the range of \$8.55 to \$9.05 and \$9.20 to \$9.75, respectively. Management also indicated it expects to earn at or near the top of its guidance range over this period.

**Rating**

We continue our Long-term Buy rating on NextEra Energy and regard NEE as one of the country's premier utilities. We believe this is a well-managed energy company with a strong track record of delivering good returns to shareholders. In addition, we believe the company is well positioned to take advantage of the industry trend toward increased generation from renewables. In our view, NextEra is the industry leader with a large and growing footprint. With an above industry average earnings and dividend growth outlook, we regard NEE as an excellent core holding for utility investors seeking total return. We expect an approximate 13% dividend hike to be announced in February. Management said the board will review its dividend policy in the first quarter. For now, we're assuming a 7% growth rate going forward but believe the tax lift to earnings may allow for more of an increase. While the stock has performed well over the past year, we continue to believe it represents an excellent core holding for long term accounts seeking capital appreciation and rising dividends.

**Valuation**

We are increasing our two year price target to \$175. The stock is currently trading about 20x estimated 2018 earnings. We believe due to its strong fundamental outlook and past consistent financial performance NEE can maintain its premium valuation. Applying a similar multiple on estimated 2020 potential earnings of \$8.75 per share (near the midpoint of company guidance) results in our \$175 price target. Our two year price target implies a potential two year total return of nearly 17%. This price target also assumes the company will increase its dividend by a 12% to 14% annual rate this year and 7% thereafter.

**Suitability**

We assign a 2 suitability rating to NextEra Energy. Both the company's regulated and nonregulated businesses have grown consistently over the years. This has allowed NEE to deliver above industry average earnings and dividend growth to its shareholders. Accordingly, we view NEE as a suitable holding for utility investors seeking growth and income.

**Investment Risks**

There exist a variety of risks that could prevent the stock from attaining our price objective. These would include economic weakness in NEE's service territory, resulting in lower customer growth, demand and usage; new and less favorable tax policies; unfavorable weather; unfavorable natural gas prices, which could potentially impact merchant energy profitability; significant cost increases on existing plant facilities; changing regulatory conditions at the federal or state levels; new potentially onerous legislation; higher interest rates which could raise the cost of capital; and higher oil costs.

*Additional information is available upon request.*

**Analyst Certification**

I, David B. Burks, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

**Important Disclosures**

Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.

**Investment Ratings**

**Buy** - We believe the stock has significant total return potential in the coming 12 months.

**Long-term Buy** - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues, typically 2-3 years.

**Neutral** - We believe the stock is an average holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.

**Underperform** - We believe the stock is vulnerable to a price set back in the next 12 months.

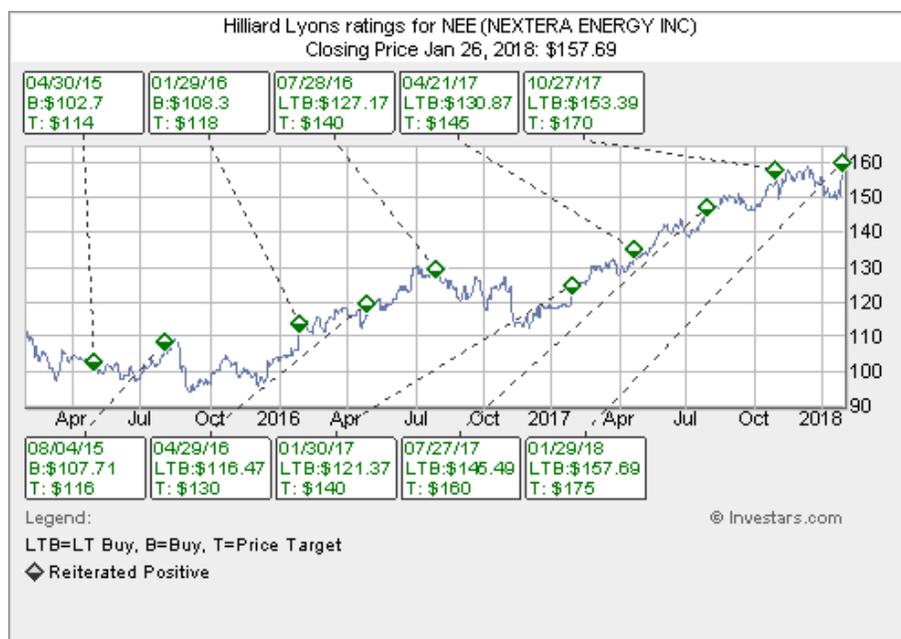
**Suitability Ratings**

**1** - A large cap, core holding with a solid history

**2** - A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks

**3** - An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage

**4** - Speculative, due to small size, inconsistent profitability, erratic revenue, volatility, low trading volume or a narrow customer or product base



Note: Price targets accompanying Buy ratings reflect a one year time period while price targets accompanying Long-term Buy ratings reflect a two to three year time period.

Rating	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	31	28%	10%	90%
Hold/Neutral	75	67%	9%	91%
Sell	6	5%	0%	100%

As of 8 January 2018

### Other Disclosures

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