Electric Utilities
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COMPANY UPDATE / PRICE TARGET CHANGE / ESTIMATE CHANGE

Key Metrics

NEE - NYSE (4/20/17)		$130.87
Price Target		$145.00
52-Week Range		$133.28 - $110.49
Shares Outstanding (mm)		470.0
Market Cap. ($mm)		$61,508
3-Mo. Average Daily Volume		1,825,000
Institutional Ownership		74.0%
Debt/Total Capital (3/31)		52.0%
ROE (ttm)		13.6%
Book Value/Share (est.)		$42.21
Price/Book Value		3.1x
Indicated Dividend / Yield	$3.93	3.0%
Dividend Cycle		March, June, Sept., Dec.

EPS FY 12/31

	2016A	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q		--		--	--
2Q		--		--	--
3Q		--		--	--
4Q		--		--	--
Year	$6.19	$6.60	$6.70	$7.05	$7.15
P/E	21.1x		19.5x		18.3x
Payout	56%		59%		55%

Note: Figures exclude non-recurring items

Revenue ($mm)

	2016A	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q		--		--	--
2Q		--		--	--
3Q		--		--	--
4Q		--		--	--
Year	$16,155	--	$17,250	--	$18,175

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 posts strong 1Q results; maintain Long-term Buy and raise price target to $145

Investment Highlights

- **NextEra Energy reported higher and better than expected first quarter earnings.** Adjusted first quarter earnings were $1.75 per share versus $1.59 per share in the first quarter of 2016, an increase of 10% and above the consensus estimate of $1.56 per share. Both of NextEra's primary businesses contributed higher earnings during the quarter. Florida Power & Light posted earnings of $0.95 per share compared to $0.85 per share a year ago. Results were helped by continued investments in its regulated utility operations. Energy Resources, the competitive energy business of NextEra Energy, had earnings of $0.76 per share versus $0.66 per share in 2016's first quarter. This segment benefitted from strong contributions from new investments.
- **Management reaffirms guidance.** NextEra expects this year's earnings to be in a range of $6.35 to $6.85 per share and 2018 earnings in a range of $6.80 to $7.30 per share. NextEra expects a compound annual growth rate of 6% to 8% through 2020, off a 2016 base.
- **The company's proposed acquisition of Oncor, representing large utility operations in Texas, hit a setback recently.** The Public Utility Commission of Texas is opposing the deal because they do not believe it is in the public best interest. NextEra plans to file for a rehearing in the near future. While the acquisition now appears in question, NEE believes it can grow earnings near the top end of guidance even without Oncor.
- **We maintain our Long-term Buy rating and are raising our two-year price target to $145 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 long-term growth. In our view, NEE represents a strong core holding for utility investors looking for long-term capital appreciation and rising dividends. The company recently raised its dividend by 13%.

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

Outlook

We continue to believe the company has a positive long-term fundamental outlook. The strong first quarter results only reinforce how well positioned we believe the company is. Both its primary segments, Florida Power & Light and NextEra Energy Resources, continue to generate steady earnings growth and we expect this trend to continue. Florida Power & Light should benefit from continued spending on capital projects, customer growth and a favorable Florida economy. We expect Energy Resources could continue to benefit from the strength in the demand for renewables. This business continues to add new wind and solar projects at a significant pace. NEE continues to expect to add 2,800 to 5,400 MW of wind and solar capacity in the 2017-2018 period, which follows a strong period in 2015-2016. In addition, NEE announced 621 MW of renewables projects added to its backlog with the release of first quarter results.

While we believe NextEra will continue to deliver consistentlyp good results, there is increased uncertainty associated with the company's proposed acquisition of Oncor, a large Texas utility. The Public Utility Commission of Texas (PUCT) recently announced its opposition to the transaction on the basis that it was not in the public interest. However, the PUCT did acknowledge that NextEra is considered to be one of the best utilities in the country. NextEra intends to file for a rehearing in the near future. While the acquisition appears more unlikely at this point, NEE management indicated during its earnings call that it expects to earn at or near the top of its 6% to 8% earnings guidance range even without the Oncor acquisition. Moreover, the company does not feel the need to pursue additional merger or acquisition activity.

NextEra continues to expect earnings to be in a range of $6.35 to $6.85 per share in 2017 and a range of $6.80 to $7.30 for 2018, which implies a compound annual growth rate of 6% to 8% per year through 2020. We have raised both 2017 and 2018 EPS by $0.10 to $6.70 and $7.15, respectively. The company also anticipates raising its dividend by a 12% to 14% rate again early next year.

Rating

We continue our Long-term Buy rating on NextEra Energy 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. 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 are comfortable initiating or adding to long-term positions at current levels. We might consider a further upgrade on a price pullback without a change in fundamentals.

Valuation

We are increasing our two year price target to $145. The stock is currently trading about 19.5x estimated 2017 earnings. We believe that due to its strong fundamental outlook that NEE can maintain its premium valuation. Applying a similar multiple on estimated 2019 earnings of $7.50 per share results in our $145 price target. Our two year price target implies a potential two year total return of approximately 22%. This price target also assumes the company will increase its dividend by a 12% to 14% annual rate next 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 continued 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

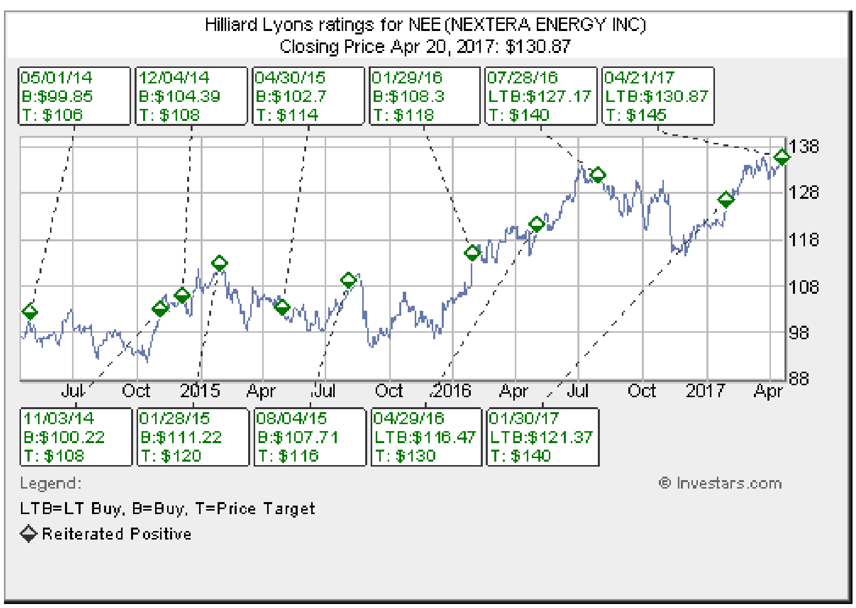
I, David B. Burks, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing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

	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
Rating	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	36	30%	14%	86%
Hold/Neutral	71	58%	6%	94%
Sell	15	12%	7%	93%

As of 5 April 2017

Other Disclosures

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