FitchRatings

Corporates
Electric-Corporate
United States

NextEra Energy, Inc.; NextEra Energy Capital Holdings, Inc.

Ratings

NextEra Energy, Inc.; NextEra Energy Capital Holdings, Inc.

Long-Term IDR	A-
Short-Term IDR	F2
Long-Term Junior Subordinated	BBB
Long-Term Senior Unsecured	A-
Short-Term Senior Unsecured	F2

Outlook

Long-Term Foreign-Currency IDR	Stable

Click here for the full list of ratings

2035 Climate Vulnerability Signal: 36

Applicable Criteria

Corporate Rating Criteria (November 2023)

Corporates Recovery Ratings and Instrument Ratings Criteria (October 2023)

Sector Navigators – Addendum to the Corporate Rating Criteria (November 2023)

Parent and Subsidiary Linkage Rating Criteria (June 2023)

Related Research

Global Corporates Macro and Sector Forecasts

North American Utilities, Power & Gas Dashboard: Fourth-Quarter 2023 (January 2024)

North American Utilities, Power & Gas Outlook 2024 (December 2023)

Analysts

Shalini Mahajan
+1 212 908 0351
shalini.mahajan@fitchratings.com

Ivana Ergovic
+1 212 908 0354
ivana.ergovic@fitchratings.com

NextEra Energy, Inc's ratings reflect ownership of FPL, a regulated electric utility operating in a constructive regulatory environment, and its strong competitive position as one of the largest renewable generation companies in the U.S. Our forecasts assume a constructive outcome to FPL's next rate case, expected to be filed in 2025, and a balanced funding mix for NextEra's renewable investments.

Due to elevated capex at FPL and Capital Holdings, we expect NextEra's FFO leverage (adjusted for non-recourse debt) to fall to about 4.2x in 2026, providing limited headroom to the downgrade threshold of FFO leverage at 4.3x.

Key Rating Drivers

Exposure to Regulated and Contracted Assets: NextEra's business mix, comprised of primarily regulated investments and long-term contracted non-regulated renewable assets, is supportive of its credit profile. Base rate increases at FPL following a constructive 2021 rate order, planned investments in regulated solar generation projects, focus on Federal Energy Regulatory Commission-regulated transmission investments, and continued growth in contracted, non-regulated renewable investments underpin the favourable cash flow mix.

Fitch calculates the proportion of regulated EBITDA in the overall business mix to be about 75% in 2023 and to remain within 70%-75% range during 2024-2026. Within the non-regulated businesses, management's emphasis remains on long-term contracted renewable generation. Fitch expects the adjusted EBITDA contribution from regulated and contracted businesses to be about 90%-95% over the next few years.

Robust Growth in Renewables: We believe NextEra is strongly positioned to take advantage of the energy transition in the U.S. The enhanced federal tax incentives in the Inflation Reduction Act (IRA) and rising power demand, particularly from data centers, is expected to drive big growth in clean technologies that NextEra is pursuing; namely wind, solar, battery storage, hydrogen and renewable natural gas. Despite recent increases in capital, operating and financing costs, renewables remain competitive with other forms of power generation in most regions of the U.S.

Strong Pipeline: The company's unregulated business has a robust pipeline of projects in various stages of development and management plans to develop 36.5GW-46.5GW of renewable and battery storage projects over 2024-2027, thereby maintaining its leadership in the industry. NextEra has originated about 21.5GW in its backlog of signed contracts. Its generation portfolio is geographically diverse with long-term power purchase agreements with strong creditworthy offtakers.

Strong Competitive Position: NextEra has successfully navigated through recent industry headwinds created by supply chain disruptions, import tariffs on solar panels and grid interconnection issues without big disruptions. It maintains long-term relationships with equipment providers and secures supply well in advance. It has invested in technology for resource assessment, siting decisions and formulating pricing solutions for customers as well as to optimize asset performance, reduce outage times and lower O&M costs.

Elevated Capex: We expect consolidated capex at the upper end of management's prior $65 billion-75 billion guidance over 2024-2026, which is far higher than historical levels. Management is now targeting $97 billion- $107 billion of capex over 2024 -2027. Capex is split roughly 65% at non-regulated business and balance at regulated business; the large skew of capex toward non-regulated businesses is a modest credit concern.

Financial Flexibility: The updated funding plan for NextEra relies on tax transferability provisions of the IRA and renewable asset sales to third parties. It includes build-operate-transfer transactions, in lieu of asset drop-downs to NextEra Energy Partners L.P. (NEP, BB+/Stable). Fitch assumes NextEra's access to capital markets will remain strong, and that it will use bank debt and tax equity to finance its growth. NextEra has substantial interest rate hedges in place that provide near-term protection; however, higher interest expense will be problematic if interest rates increase materially above the current levels.

Weakening of Credit Metrics: Adjusting for non-recourse debt, Fitch expects FFO leverage for NextEra to be approximately 4.2x in 2026, providing limited headroom to our downgrade threshold. To calculated the adjusted FFO leverage, Fitch deconsolidates a majority of the project-financed entities and includes only the upstream distribution from these entities. The off-credit treatment to the limited recourse debt reflects Fitch's assumption that NextEra would walk away from these projects in the event of financial deterioration, including those projects where a differential membership interest has been sold.

NextEra's commitment to not buy the remaining ownership interest in its subsidiary NEP is supportive of this deconsolidated approach. Non-recourse debt associated with entities such as Lone Star Transmission is not deconsolidated. This approach is consistent with Fitch's deconsolidated approach to analyze other renewable generation companies. On a fully consolidated basis (including nonrecourse project debt), Fitch expects NextEra's FFO leverage to remain elevated in 2024 and 2025 and moderate to 4.6x in 2026 reflecting recovery of under-recovered fuel expenses and a constructive outcome to the FPL rate case.

Financial Summary

($ Mil.)	2020	2021	2022	2023	2024F	2025F
Gross revenue	17,997	17,069	20,956	28,114	26,119	26,641
EBITDA	9,062	7,108	8,844	16,356	13,970	14,319
CFO (Fitch-defined)	8,154	7,568	8,245	11,284	13,693	12,913
Capital intensity (capex/revenue) (%)	75.6	89.6	46.5	34.0	—	—
Debt	46,565	53,369	63,551	71,922	75,374	78,514
FFO leverage (x)	4.6	5.8	6.7	4.8	4.8	4.8
FFO interest coverage (x)	6.3	6.3	6.1	5.5	4.8	4.6
EBITDA leverage (x)	4.9	7.0	6.8	4.2	5.2	5.2

Note: Based on consolidated numbers
Source: Fitch Ratings, Fitch Solutions, NextEra

Rating Derivation Relative to Peers

NextEra compares favorably with peer parent holding companies The Southern Company (BBB+/Stable), Sempra (BBB+/Stable) and Dominion Energy, Inc. (BBB+/Stable) given its ownership of a strong regulated utility in Florida, dominant position in contracted renewable business and superior credit metrics, offset by a smaller proportion of regulated utility operations in the overall business mix.

Some of NextEra's peers are facing material project execution risk due to the construction of large projects, which include the large offshore wind project at Dominion and potential LNG projects at Sempra's midstream subsidiary. The corporate debt at NextEra, Sempra and Dominion is structurally subordinated to non-recourse debt at their project subsidiaries. NextEra's ownership interest in NEP adds organizational structure complexity its peers do not have.

NextEra's proportion of consolidated EBITDA generated from regulated utility subsidiaries is approximately 70%-75%, which is less favorable compared with Southern (80%), Sempra (80%) and Dominion (90%). NextEra's projected FFO leverage of 4.3x by 2026 is stronger than projected metrics for Southern (high 4.0x) and Dominion (5.0x), and comparable to that for Sempra (mid 4.0x).

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- Positive rating actions for NextEra appear unlikely at this time.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- After adjusting for non-recourse debt, FFO leverage above 4.3x on a sustainable basis as long as distribution derived from such non-recourse subsidiaries is less than 20% of the consolidated FFO;
- Any deterioration in credit measures that result from higher use of leverage or outsized return of capital to shareholders;
- An aggressive acquisition or financial strategy at NEP, rising conflict of interest between NextEra and NEP, or predominantly shareholder focused use of proceeds from the sale of assets to NEP;
- A change in strategy to invest in non-contracted renewable, pipeline and electric transmission assets, more speculative assets, or a lower proportion of cash flow under long-term contracts;
- Any change in current regulatory policies at Florida Public Service Commission and any weakness in the business climate in Florida;
- Changes in tax rules that reduce NextEra's ability to monetize its accumulated production tax credits, investment tax credits and accumulated tax losses carried forward.

Liquidity and Debt Structure

Strong Liquidity: On a consolidated basis, NextEra had $10.8 billion of net available liquidity as of March 31, 2024, excluding limited recourse or nonrecourse project-financing arrangements. The company's access to the capital markets and banks for both corporate credit and project finance remains strong.

Committed corporate credit facilities for NextEra and FPL aggregated to approximately $20.6 billion as of March 31, 2024. Included in that total is $4.5 billion in unsecured facilities available to FPL as loans, including $450 million available to issue LOCs

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

Climate Vulnerability Considerations

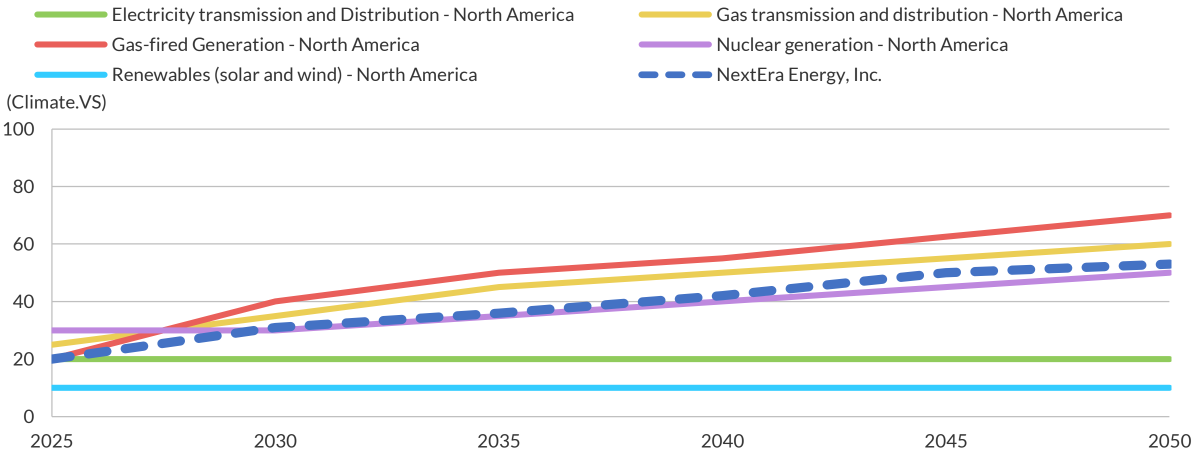
Fitch uses Climate Vulnerability Signals (Climate.VS) as a screening tool to identify sectors and Fitch-rated issuers that are potentially most exposed to credit-relevant climate transition risks and, therefore, require additional consideration of these risks in rating reviews. Climate.VS range from 0 (lowest risk) to 100 (highest risk). For more information on Climate.VS, see Fitch's Corporate Rating Criteria.

The 2022 asset-weighted Climate.VS for NEE for 2035 is 36 out of 100, based on 2022 data, suggesting low exposure to climate-related risks in that year. About 30% of NextEra's earnings and cash flows are derived from renewable generation assets, which includes solar, wind and battery storage, and a small proportion from nuclear generation.

The remaining 70% of business mix comprise of FPL, an integrated utility in Florida, and low risk electrical transmission assets. FPL has exited its exposure to coal plants and is rapidly deploying solar and battery storage across its service territory. As a result, FPL's generation mix will rapidly change to cleaner generation over the next few years. Natural gas' share in total generation mix of FPL is expected to fall from 73% in 2023 to 42% in 2033.

Climate.VS Evolution

As of Dec. 31, 2022



Source: Fitch Ratings

Liquidity and Debt Maturities

NextEra Energy, Inc.
Liquidity analysis

($ Mil.)	2024F	2025F	2026F
Available liquidity			
Beginning cash balance	2,690	-10,983	-30,479
Rating case FCF after acquisitions and divestitures	-9,410	-10,926	-14,714
Total available liquidity (A)	**-6,720**	**-21,909**	**-45,193**
Liquidity uses			
Debt maturities	-4,263	-8,570	-2,733
Total liquidity uses (B)	**-4,263**	**-8,570**	**-2,733**
Liquidity calculation			
Ending cash balance (A+B)	-10,983	-30,479	-47,926
Revolver availability	12,567	1,584	-
Ending liquidity	**1,584**	**-28,895**	**-47,926**
Liquidity score (x)	1.4	-2.4	-16.5

Source: Fitch Ratings, Fitch Solutions, NextEra

Scheduled long-term debt maturities

($ Mil.)	March 31, 2024
2024	4,263
2025	8,570
2026	2,733
2027	8,648
2028	7,829
Thereafter	42,249
Total	**74,292**

Source: Fitch Ratings, Fitch Solutions, NextEra

Key Assumptions

- Weather normalized sales growth of about 1.0% at FPL over 2024-2026;
- Rate increases for FPL per 2021 rate order and constructive outcome in the 2025 rate case with new rates effective Jan. 1, 2026;
- Continued O&M costs control at FPL;
- Interest rate assumptions at FPL and NextEra at 5.5%;
- Capex at regulated and non-regulated businesses toward the upper end of management's $65 billion-75 billion street guidance over 2024-2026, split about 65:35 between the two businesses;
- Balanced funding mix at Capital Holdings including reliance on equity and equity like instruments, tax equity, tax transfers and project debt among other sources; and
- Limited commodity exposure and interest rate exposure based on existing hedge position.

Summary of Financial Adjustments

Fitch allocates 50% equity credit to Capital Holdings' junior subordinated debentures. Fitch has excluded the fuel under-recovery of $2.1 billion and deferred storm costs of $1.3 billion from its calculation of 2022 funds from operations (FFO). Accordingly, the recovery of these costs in 2023 and 2024 are also excluded from the FFO calculation. Finally, as of Dec. 31, 2023, Fitch has excluded $7.2 billion of non-recourse project debt and about $1.1 billion of related EBITDA, while including about $739 million of related cash distribution from NextEra's consolidated metrics to calculate adjusted FFO leverage.

Financial Data

NextEra Energy, Inc.

($ Mil.)	2020	2021	2022	2023	2024F	2025F
Summary income statement						
Gross revenue	17,997	17,069	20,956	28,114	26,119	26,641
Revenue growth (%)	-5.9	-5.2	22.8	34.2	-7.1	2.0
EBITDA before income from associates	9,062	7,108	8,844	16,356	13,970	14,319
EBITDA margin (%)	50.4	41.6	42.2	58.2	53.5	53.7
EBITDA after associates and minorities	9,518	7,634	9,385	17,068	14,620	15,019
EBIT	4,759	2,908	4,071	10,222	8,945	9,049
EBIT margin (%)	26.4	17.0	19.4	36.4	34.2	34.0
Gross interest expense	-2,145	-1,404	-747	-3,619	-3,270	-3,486
Pre-tax income including associate income/loss	2,413	3,175	3,832	7,288	6,589	6,567
Summary balance sheet						
Readily available cash and equivalents	1,105	639	1,601	2,690	192	256
Debt	46,565	53,369	63,551	71,922	75,374	78,514
Net debt	45,460	52,730	61,950	69,232	75,182	78,258
Summary cash flow statement						
EBITDA	9,062	7,108	8,844	16,356	13,970	14,319
Cash interest paid	-1,627	-1,457	-1,537	-2,758	-3,270	-3,486
Cash tax	-235	69	32	-321	667	825
Dividends received less dividends paid to minorities (inflow/outflow)	456	526	541	712	650	700
Other items before FFO	952	1,535	3	-1,654	300	350
FFO	8,645	7,782	7,883	12,335	12,451	12,862
FFO margin (%)	48.0	45.6	37.6	43.9	47.7	48.3
Change in working capital	-491	-214	362	-1,051	1,243	51
Cash flow from operations (CFO) (Fitch-defined)	8,154	7,568	8,245	11,284	13,693	12,913
Total non-operating/non-recurring cash flow	—	—	—	—	—	—
Capex	-13,598	-15,295	-9,742	-9,548	—	—
Capital intensity (capex/revenue) (%)	75.6	89.6	46.5	34.0	—	—
Common dividends	-2,743	-3,024	-3,352	-3,782	—	—
FCF	-8,187	-10,751	-4,849	-2,046	—	—
FCF margin (%)	-45.5	-63.0	-23.1	-7.3	—	—
Net acquisitions and divestitures	-1,012	-782	—	924	—	—
Other investing and financing cash flow items	3,894	5,067	-8,932	-11,600	—	—
Net debt proceeds	5,394	6,663	14,446	8,187	4,453	3,890
Net equity proceeds	-92	14	1,460	4,514	100	4,000
Total change in cash	-3	211	2,125	-21	-2,498	64
Calculations for forecast publication						
Capex, dividends, acquisitions and other items before FCF	-17,353	-19,101	-13,094	-12,406	-23,103	-23,839
FCF after acquisitions and divestitures	-9,199	-11,533	-4,849	-1,122	-9,410	-10,926
FCF margin after net acquisitions (%)	-51.1	-67.6	-23.1	-4.0	-36.0	-41.0
Gross Leverage ratios (x)						
EBITDA leverage	4.9	7.0	6.8	4.2	5.2	5.2
CFO-capex/debt	-11.7	-14.5	-2.4	2.4	-10.4	-13.7
Net Leverage ratios (x)						
EBITDA net leverage	4.8	6.9	6.6	4.1	5.1	5.2
CFO-capex/net debt	-12.0	-14.7	-2.4	2.5	-10.4	-13.7

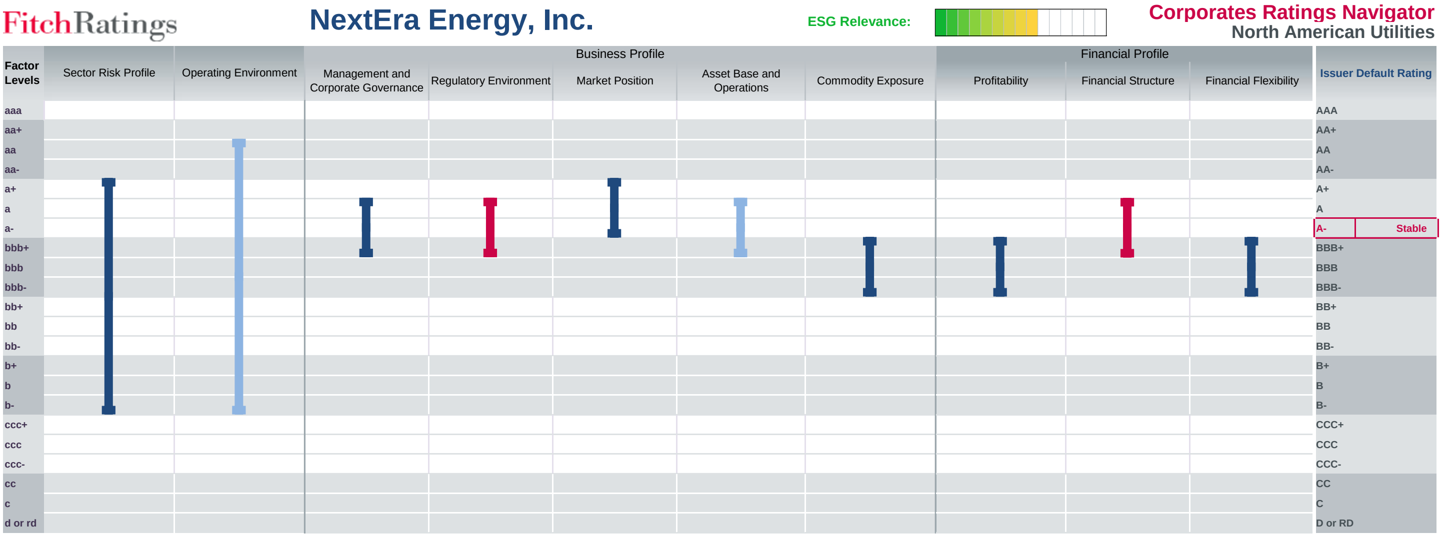
($ Mil.)	2020	2021	2022	2023	2024F	2025F
Coverage ratios (x)						
EBITDA interest coverage	5.8	5.2	6.1	6.2	4.5	4.3

Source: Fitch Ratings, Fitch Solutions, NextEra

How to Interpret the Forecast Presented

The forecast presented above is based on Fitch Ratings' internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch Ratings to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch Ratings' rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch Ratings' forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch Ratings' own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch Ratings' own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch Ratings may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch Ratings' own internal deliberations, where Fitch Ratings, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch Ratings may update the forecast in future reports but assumes no responsibility to do so. Original financial statement data for historical periods is processed by Fitch Solutions on behalf of Fitch Ratings. Key financial adjustments and all financial forecasts credited to Fitch Ratings are generated by rating agency staff.

Ratings Navigator



Bar Chart Legend:

Vertical Bars = Range of Rating Factor	Bar Arrows = Rating Factor Outlook
Bar Colors = Relative Importance	⇧ Positive
Higher Importance	⇩ Negative
Average Importance	⇳ Evolving
Lower Importance	☐ Stable

FitchRatings

NextEra Energy, Inc.

Corporates Ratings Navigator
North American Utilities

Operating Environment

aa+	Economic Environment	aa	Very strong combination of countries where economic value is created and where assets are located.
aa	Financial Access	aa	Very strong combination of issuer specific funding characteristics and of the strength of the relevant local financial market.
	Systemic Governance	aa	Systemic governance (eg rule of law, corruption; government effectiveness) of the issuer's country of incorporation consistent with 'aa'.
b-			
ccc+			

Management and Corporate Governance

a+	Management Strategy	bbb	Strategy may include opportunistic elements but soundly implemented.
a	Governance Structure	a	Experienced board exercising effective check and balances. Ownership can be concentrated among several shareholders.
a-	Group Structure	a	Group structure shows some complexity but mitigated by transparent reporting.
bbb+	Financial Transparency	a	High quality and timely financial reporting.
bbb			

Regulatory Environment

a+	Degree of Transparency and Predictability	bbb	Generally transparent and predictable regulation with limited political interference.
a	Timeliness of Cost Recovery	a	Minimal lag to recover capital and operating costs.
a-	Trend in Authorized ROEs	a	Above-average authorized ROE.
bbb+	Mechanisms Available to Stabilize Cash Flows	bbb	Revenues partially insulated from variability in consumption.
bbb	Mechanisms Supportive of Creditworthiness		n.a.

Market Position

aa-	Market Structure	bbb	Established market structure but some level of uncertainty in price-setting mechanisms.
a+	Consumption Growth Trend	a	Economically vibrant market or service territory with strong sales growth.
a	Customer Mix	a	Favorable customer mix.
a-	Geographic Location	a	Favorable location or high geographic diversity.
bbb+	Supply Demand Dynamics	a	Beneficial outlook for prices/rates.

Asset Base and Operations

a+	Diversity of Assets	a	High-quality and/or large-scale diversified assets.
a	Operations Reliability and Cost Competitiveness	a	Track record of reliable, low-cost operations.
a-	Exposure to Environmental Regulations	a	No exposure to environmental regulations.
bbb+	Capital and Technological Intensity of Capex	bbb	Moderate reinvestments requirements in established technologies.
bbb			

Commodity Exposure

a-	Ability to Pass Through Changes in Fuel	bbb	Limited exposure to changes in commodity costs.
bbb+	Underlying Supply Mix	bbb	Low variable costs and moderate flexibility of supply.
bbb	Hedging Strategy	bbb	Long-term supply and sales contracts with creditworthy counterparties.
bbb-			
bb+			

Profitability

a-	Free Cash Flow	bbb	Structurally neutral to negative FCF across the investment cycle.
bbb+	Volatility of Profitability	bbb	Stability and predictability of profits in line with utility peers.
bbb			
bbb-			
bb+			

Financial Structure

a+	EBITDA Leverage	bbb	3.75x
a	FFO Leverage	bbb	5.0x
a-			
bbb+			
bbb			

Financial Flexibility

a-	Financial Discipline	bbb	Less conservative policy, but generally applied consistently.
bbb+	Liquidity	bb	Liquidity ratio around 1.0x. Less smooth debt maturity or concentrated funding.
bbb	FFO Interest Coverage	bbb	4.5x
bbb-			
bb+			

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

Credit-Relevant ESG Derivation

Overall ESG

NextEra Energy, Inc. has 12 ESG potential rating drivers

- Emissions from operations
- Fuel use to generate energy and serve load
- Impact of waste from operations
- Plants' and networks' exposure to extreme weather
- Product affordability and access
- Quality and safety of products and services; data security

Showing top 6 issues

key driver	0	issues	5
driver	0	issues	4
potential driver	12	issues	3
not a rating driver	2	issues	2
	0	issues	1

For further details on Credit-Relevant ESG scoring, see page 3.

FitchRatings

NextEra Energy, Inc.

Corporates Ratings Navigator
North American Utilities

Credit-Relevant ESG Derivation

NextEra Energy, Inc. has 12 ESG potential rating drivers

- NextEra Energy, Inc. has exposure to emissions regulatory risk but this has very low impact on the rating.
- NextEra Energy, Inc. has exposure to energy productivity risk but this has very low impact on the rating.
- NextEra Energy, Inc. has exposure to waste & impact management risk but this has very low impact on the rating.
- NextEra Energy, Inc. has exposure to extreme weather events but this has very low impact on the rating.
- NextEra Energy, Inc. has exposure to access/affordability risk but this has very low impact on the rating.
- NextEra Energy, Inc. has exposure to customer accountability risk but this has very low impact on the rating.

Showing top 6 issues

			ESG Relevance to Credit Rating
key driver	0	issues	5
driver	0	issues	4
potential driver	12	issues	3
not a rating driver	2	issues	2
	0	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	3	Emissions from operations	Asset Base and Operations; Commodity Exposure; Regulation; Profitability
Energy Management	3	Fuel use to generate energy and serve load	Asset Base and Operations; Commodity Exposure; Profitability
Water & Wastewater Management	2	Water used by hydro plants or by other generation plants, also effluent management	Asset Base and Operations; Regulation; Profitability
Waste & Hazardous Materials Management; Ecological Impacts	3	Impact of waste from operations	Asset Base and Operations; Regulation; Profitability
Exposure to Environmental Impacts	3	Plants' and networks' exposure to extreme weather	Asset Base and Operations; Regulation; Profitability

E Relevance: 5, 4, 3, 2, 1

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	3	Product affordability and access	Asset Base and Operations; Regulation; Profitability; Financial Structure
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Quality and safety of products and services; data security	Regulation; Profitability
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Asset Base and Operations; Profitability
Employee Wellbeing	2	Worker safety and accident prevention	Profitability; Asset Base and Operations
Exposure to Social Impacts	3	Social resistance to major projects that leads to delays and cost increases	Asset Base and Operations; Profitability

S Relevance: 5, 4, 3, 2, 1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance

G Relevance: 5, 4, 3, 2, 1

How to Read This Page
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.
The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.
The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.
Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

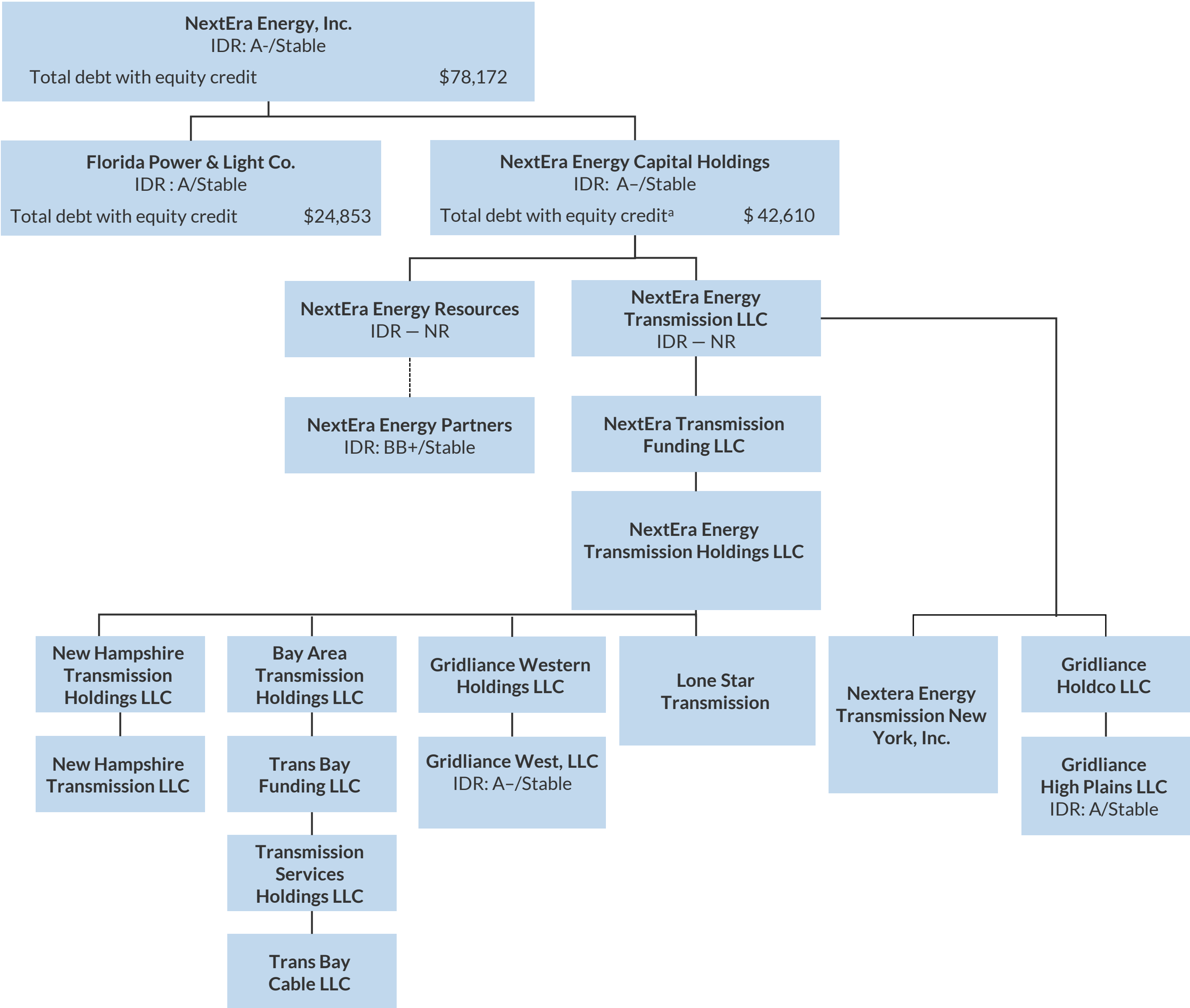
CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Simplified Group Structure Diagram

NextEra Group Organizational Structure
$ mil., as of March 31, 2024



[a]50% equity credit at NextEra Energy Capital Holdings for junior subordinated debt. NR – Not rated. Note: Fitch does not consolidate NextEra Energy Partners (similar to the accounting treatment that NextEra Energy follows). As a result, Nextera Energy Partners debt is not included in NextEra Energy total debt.
Source: Fitch Ratings, Fitch Solutions, NextEra Energy, Inc.

Peer Financial Summary

Company	Issuer Default Rating	Financial statement date	Gross revenue ($ Mil.)	FFO ($ Mil.)	FFO interest coverage (x)	FFO leverage (x)	EBITDA leverage (x)
NextEra Energy, Inc.	A-						
	A-	2023	28,114	12,335	5.5	4.8	4.2
	A-	2022	20,956	7,883	6.1	6.7	6.8
	A-	2021	17,069	7,782	6.3	5.8	7.0
Dominion Energy, Inc.	BBB+						
	BBB+	2023	14,393	5,435	3.5	6.5	7.3
	BBB+	2022	17,174	6,154	5.1	5.7	6.1
	BBB+	2021	13,964	4,816	4.3	6.3	6.7
The Southern Company	BBB+						
	BBB+	2023	25,253	7,430	4.2	6.0	5.5
	BBB+	2022	29,279	5,860	4.2	7.0	5.6
	BBB+	2021	23,113	6,580	4.6	6.0	5.6
Sempra	BBB+						
	BBB+	2023	16,720	5,424	4.7	4.3	5.9
	BBB+	2022	14,439	4,903	5.3	4.6	6.6
	BBB+	2021	12,857	4,227	4.3	4.2	5.1

Source: Fitch Ratings, Fitch Solutions

Fitch Adjusted Financials

($ Mil. as of 31 December, 2023)	Notes and formulas	Standardised values	Fair value and other debt adjustments	Lease treatment	Other adjustments	Adjusted values
Income statement summary						
Revenue		28,114	—	—	—	28,114
EBITDA	(a)	16,388	—	-32	—	16,356
Depreciation and amortization		-6,151	—	17	—	-6,134
EBIT		10,237	—	-15	—	10,222
Balance sheet summary						
Debt	(b)	71,350	572	—	—	71,922
Of which other off-balance sheet debt		—	—	—	—	—
Lease-equivalent debt		—	—	—	—	—
Lease-adjusted debt		71,350	572	—	—	71,922
Readily available cash and equivalents	(c)	2,690	—	—	—	2,690
Not readily available cash and equivalents		730	—	—	—	730
Cash flow summary						
EBITDA	(a)	16,388	—	-32	—	16,356
Dividends received from associates less dividends paid to minorities	(d)	712	—	—	—	712
Interest paid	(e)	-2,463	—	—	-310	-2,773
Interest received	(f)	—	—	—	—	—
Preferred dividends paid	(g)	—	—	—	—	—
Cash tax paid		-321	—	—	—	-321
Other items before FFO		-3,015	—	15	1,361	-1,639
FFO	(h)	11,301	—	-17	1,051	12,335
Change in working capital		—	—	—	-1,051	-1,051
CFO	(i)	11,301	—	-17	—	11,284
Non-operating/non-recurring cash flow		—	—	—	—	—
Capex	(j)	-9,548	—	—	—	-9,548
Common dividends paid		-3,782	—	—	—	-3,782
FCF		-2,029	—	-17	—	-2,046
Gross leverage (x)						
EBITDA leverage	b/(a+d)	4.2	—	—	—	4.2
(CFO-capex)/debt (%)	(i+j)/b	2.4	—	—	—	2.4
Net leverage (x)						
EBITDA net leverage	(b-c)/(a+d)	4.0	—	—	—	4.1
(CFO-capex)/net debt (%)	(i+j)/(b-c)	2.5	—	—	—	2.5
Coverage (x)						
EBITDA interest coverage	(a+d)/(-e)	6.9	—	—	—	6.2

Note: The standardised items presented above are based on Fitch's taxonomy for the given sector and region.
Reported items may not match the Fitch taxonomy, but they are captured into corresponding lines accordingly.
Debt includes other off-balance sheet debt.
Source: Fitch Ratings, Fitch Solutions, NextEra

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