

## News Releases

NextEra Energy Partners, LP exercises its option to buy out an initial 25% of the outstanding minority equity interest in its Texas Pipelines convertible equity portfolio financing

04/03/2023

JUNO BEACH, Fla., April 3, 2023 /PRNewswire/ -- NextEra Energy Partners, LP (NYSE: NEP) today announced that during the first quarter of 2023 it exercised its option (the buyout right) to purchase 25% of the outstanding minority equity interest in its 2019 STX Midstream convertible equity portfolio financing from a fund managed by EIG, an institutional investor to the global energy sector, subject to post-closing covenants. NextEra Energy Partners provided total cash consideration of approximately \$200 million for the equity interest, which exceeds the minimum buyout that was necessary to have occurred prior to June 2023.



### Transaction details

In December 2019, NextEra Energy Partners entered into a convertible equity portfolio financing with EIG Net Holdings III, LLC. In that financing, EIG paid \$750 million in cash in exchange for a non-controlling equity interest in a NextEra Energy Partners subsidiary that owned a portfolio of seven natural gas pipeline assets, one of which was sold in April 2022. The agreement that was entered into at the time of the financing provides NextEra Energy Partners with the right to repurchase EIG's equity interest subject to certain terms and that would result in a pre-tax return to EIG of 7.8% (inclusive of all prior distributions).

NextEra Energy Partners completed as of March 31, 2023, its first exercise of its buyout right under the agreement for aggregate cash consideration of approximately \$200 million. To pay its purchase price, NextEra Energy Partners used proceeds of approximately \$150 million from its sale of 2.3 million common units under its at-the-market equity issuance program with the balance being funded through a planned draw on the subsidiary's revolving credit facility. The sale of the 2.3 million common units represents less than 3% of NextEra Energy Partners' public float, and less than 5% of the average daily trading volume based on the

## Outlook and financing flexibility

From a base of its fourth-quarter 2022 distribution per common unit at an annualized rate of \$3.25, NextEra Energy Partners continues to see 12% to 15% growth per year in limited partner distributions per unit as being a reasonable range of expectations through at least 2026. NextEra Energy Partners expects the annualized rate of the fourth-quarter 2023 distribution that is payable in February 2024 to be in a range of \$3.64 to \$3.74 per common unit.

NextEra Energy Partners' run-rate expectations for adjusted EBITDA and cash available for distribution (CAFD) at Dec. 31, 2023, remain unchanged. Year-end 2023 run-rate adjusted EBITDA expectations are \$2.22 billion to \$2.42 billion and CAFD of \$770 million to \$860 million, respectively, reflecting calendar-year 2024 contributions expected from the forecasted portfolio at year-end 2023.

NextEra Energy Partners had approximately \$3 billion available liquidity as of Dec. 31, 2022. NextEra Energy Partners expects to continue to have significant financing capacity and ample liquidity for growth. Additionally, NextEra Energy Partners continues to have \$6 billion of forward-starting interest rate swaps, providing significant interest-rate protection on near-term maturities as well as supporting future growth.

Additionally, separate from the at-the-market equity issuance program transaction described above, in March 2023, NextEra Energy Partners initiated the sale of common units under a portion of its recently established \$500 million at-the-market equity issuance program, which is expected to result in proceeds of approximately \$135 million.

The expectations discussed herein are subject to the usual caveats and include the impact of incentive distribution rights (IDR) fees, as these fees are treated as an operating expense.

This news release refers to adjusted EBITDA and CAFD expectations. NextEra Energy Partners' adjusted EBITDA expectations represent projected (a) revenue less (b) fuel expense, less (c) project operating expenses, less (d) corporate G&A, plus (e) other income less (f) other deductions including IDR fees. Projected revenue as used in the calculations of projected EBITDA represents the sum of projected (a) operating revenues plus (b) a pre-tax allocation of production tax credits, plus (c) a pre-tax allocation of investment tax credits plus (d) earnings impact from convertible investment tax credits and plus (e) the reimbursement for lost revenue received pursuant to a contract with NextEra Energy Resources.

CAFD is defined as cash available for distribution and represents adjusted EBITDA less (1) a pre-tax allocation of production tax credits, less (2) a pre-tax allocation of investment tax credits, less (3) earnings impact from convertible investment tax credits, less (4) debt service, less (5) maintenance capital, less (6) income tax payments less, (7) other non-cash items included in adjusted EBITDA if any. CAFD excludes changes in working capital and distributions to preferred equity investors.

Adjusted EBITDA, CAFD and limited partner distributions and other expectations assume, among other things, normal weather and operating conditions; positive macroeconomic conditions in the U.S.; public policy support for wind and solar development and construction; market demand and transmission expansion support for wind and solar development; market demand for pipeline capacity; access to capital at reasonable cost and terms; and no changes to governmental policies or incentives. Please see the accompanying cautionary statements for a list of the risk factors that may affect future results. Adjusted EBITDA and CAFD do not

be determined at this time.

### **NextEra Energy Partners, LP**

NextEra Energy Partners, LP (NYSE: NEP) is a growth-oriented limited partnership formed by NextEra Energy, Inc. (NYSE: NEE). NextEra Energy Partners acquires, manages and owns contracted clean energy projects with stable, long-term cash flows. Headquartered in Juno Beach, Florida, NextEra Energy Partners owns interests in geographically diverse wind, solar and energy storage projects in the U.S. as well as natural gas infrastructure assets in Texas and Pennsylvania.

### **Cautionary Statements and Risk Factors That May Affect Future Results**

This news release contains "forward-looking statements" within the meaning of the federal securities laws. Forward-looking statements are not statements of historical facts, but instead represent the current expectations of NextEra Energy Partners, LP (together with its subsidiaries, NEP) regarding future operating results and other future events, many of which, by their nature, are inherently uncertain and outside of NEP's control. Forward-looking statements in this news release include, among others, statements concerning long-term growth, adjusted EBITDA, cash available for distributions (CAFD) and unit distribution expectations, as well as statements concerning NEP's future operating performance, financing needs and results of acquisitions. In some cases, you can identify the forward-looking statements by words or phrases such as "will," "may result," "expect," "anticipate," "believe," "intend," "plan," "seek," "aim," "potential," "projection," "forecast," "predict," "goals," "target," "outlook," "should," "would" or similar words or expressions. You should not place undue reliance on these forward-looking statements, which are not a guarantee of future performance. The future results of NEP and its business and financial condition are subject to risks and uncertainties that could cause NEP's actual results to differ materially from those expressed or implied in the forward-looking statements. These risks and uncertainties could require NEP to limit or eliminate certain operations. These risks and uncertainties include, but are not limited to, the following: NEP's ability to make cash distributions to its unitholders is affected by the performance of its renewable energy projects which could be impacted by wind and solar conditions and in certain circumstances by market prices; operation and maintenance of renewable energy projects and pipelines involve significant risks that could result in unplanned power outages, reduced output or capacity, personal injury or loss of life; NEP's business, financial condition, results of operations and prospects can be materially adversely affected by weather conditions, including, but not limited to, the impact of severe weather; NEP depends on certain of the renewable energy projects and pipelines in its portfolio for a substantial portion of its anticipated cash flows; NEP may pursue the repowering of renewable energy projects or the expansion of natural gas pipelines that would require up-front capital expenditures and could expose NEP to project development risks; geopolitical factors, terrorist acts, cyberattacks or other similar events could impact NEP's projects, pipelines or surrounding areas and adversely affect its business; The ability of NEP to obtain insurance and the terms of any available insurance coverage could be materially adversely affected by international, national, state or local events and company-specific events, as well as the financial condition of insurers. NEP's insurance coverage does not provide protection against all significant losses; NEP relies on interconnection, transmission and other pipeline facilities of third parties to deliver energy from its renewable energy projects and to transport natural gas to and from its pipelines. If these facilities become unavailable, NEP's projects and pipelines may not be able to operate or deliver energy or may become partially or fully unavailable to transport natural gas; NEP's business is subject to liabilities and operating restrictions arising from environmental, health and safety laws and regulations, compliance with which may require significant capital expenditures, increase NEP's cost of operations and affect or limit its business plans; NEP's renewable

natural gas pipeline assets located in Texas ability to sue or recover from Pemex for breach of contract may be limited and may be exacerbated if there is a deterioration in the economic relationship between the United States of America and Mexico; NEP does not own all of the land on which the projects in its portfolio are located and its use and enjoyment of the property may be adversely affected to the extent that there are any lienholders or land rights holders that have rights that are superior to NEP's rights or the U.S. Bureau of Land Management suspends its federal rights-of-way grants; NEP is subject to risks associated with litigation or administrative proceedings that could materially impact its operations, including, but not limited to, proceedings related to projects it acquires in the future; NEP's operations require NEP to comply with anti-corruption laws and regulations of the U.S. government and Mexico; NEP is subject to risks associated with its ownership interests in projects that are under construction, which could result in its inability to complete construction projects on time or at all, and make projects too expensive to complete or cause the return on an investment to be less than expected; NEP relies on a limited number of customers and is exposed to the risk that they may be unwilling or unable to fulfill their contractual obligations to NEP or that they otherwise terminate their agreements with NEP; NEP may not be able to extend, renew or replace expiring or terminated power purchase agreements (PPA), natural gas transportation agreements or other customer contracts at favorable rates or on a long-term basis; If the energy production by or availability of NEP's renewable energy projects is less than expected, they may not be able to satisfy minimum production or availability obligations under their PPAs; NEP's growth strategy depends on locating and acquiring interests in additional projects consistent with its business strategy at favorable prices; Reductions in demand for natural gas in the United States or Mexico and low market prices of natural gas could materially adversely affect NEP's pipeline operations and cash flows; government laws, regulations and policies providing incentives and subsidies for clean energy could be changed, reduced or eliminated at any time and such changes may negatively impact NEP's growth strategy; NEP's growth strategy depends on the acquisition of projects developed by NextEra Energy, Inc. (NEE) and third parties, which face risks related to project siting, financing, construction, permitting, the environment, governmental approvals and the negotiation of project development agreements; acquisitions of existing clean energy projects involve numerous risks; NEP may continue to acquire other sources of clean energy and may expand to include other types of assets. Any further acquisition of non-renewable energy projects may present unforeseen challenges and result in a competitive disadvantage relative to NEP's more-established competitors; NEP faces substantial competition primarily from regulated utility holding companies, developers, independent power producers, pension funds and private equity funds for opportunities in North America; The natural gas pipeline industry is highly competitive, and increased competitive pressure could adversely affect NEP's business; NEP may not be able to access sources of capital on commercially reasonable terms, which would have a material adverse effect on its ability to consummate future acquisitions and pursue other growth opportunities; restrictions in NEP and its subsidiaries' financing agreements could adversely affect NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders; NEP's cash distributions to its unitholders may be reduced as a result of restrictions on NEP's subsidiaries' cash distributions to NEP under the terms of their indebtedness or other financing agreements; NEP's subsidiaries' substantial amount of indebtedness may adversely affect NEP's ability to operate its business, and its failure to comply with the terms of its subsidiaries' indebtedness could have a material adverse effect on NEP's financial condition; NEP is exposed to risks inherent in its use of interest rate swaps; Widespread public health crises and epidemics or pandemics may have material adverse impacts on NEP's business, financial condition, liquidity, results of operations and ability to make cash distributions to its unitholders; NEE has influence over NEP; Under the cash sweep and credit support agreement, NEP receives credit support from NEE and its affiliates. NEP's subsidiaries may default under contracts or become subject to cash sweeps if credit support is terminated, if NEE or its affiliates fail to honor their obligations under credit support arrangements, or if NEE or another credit support provider ceases to

and is obligated to return these funds only as needed to cover project costs and distributions or as demanded by NEP OpCo. NEP's financial condition and ability to make distributions to its unitholders, as well as its ability to grow distributions in the future, is highly dependent on NEER's performance of its obligations to return all or a portion of these funds; NEER's right of first refusal may adversely affect NEP's ability to consummate future sales or to obtain favorable sale terms; NextEra Energy Partners GP, Inc. (NEP GP) and its affiliates may have conflicts of interest with NEP and have limited duties to NEP and its unitholders; NEP GP and its affiliates and the directors and officers of NEP are not restricted in their ability to compete with NEP, whose business is subject to certain restrictions; NEP may only terminate the Management Services Agreement among, NEP, NextEra Energy Management Partners, LP (NEE Management), NEP OpCo and NextEra Energy Operating Partners GP, LLC under certain limited circumstances; if the agreements with NEE Management or NEER are terminated, NEP may be unable to contract with a substitute service provider on similar terms; NEP's arrangements with NEE limit NEE's potential liability, and NEP has agreed to indemnify NEE against claims that it may face in connection with such arrangements, which may lead NEE to assume greater risks when making decisions relating to NEP than it otherwise would if acting solely for its own account; NEP's ability to make distributions to its unitholders depends on the ability of NEP OpCo to make cash distributions to its limited partners; if NEP incurs material tax liabilities, NEP's distributions to its unitholders may be reduced, without any corresponding reduction in the amount of the IDR fee; Holders of NEP's units may be subject to voting restrictions; NEP's partnership agreement replaces the fiduciary duties that NEP GP and NEP's directors and officers might have to holders of its common units with contractual standards governing their duties and the NYSE does not require a publicly traded limited partnership like NEP to comply with certain of its corporate governance requirements; NEP's partnership agreement restricts the remedies available to holders of NEP's common units for actions taken by NEP's directors or NEP GP that might otherwise constitute breaches of fiduciary duties; Certain of NEP's actions require the consent of NEP GP; Holders of NEP's common units currently cannot remove NEP GP without NEE's consent and provisions in NEP's partnership agreement may discourage or delay an acquisition of NEP that NEP unitholders may consider favorable; NEE's interest in NEP GP and the control of NEP GP may be transferred to a third party without unitholder consent; Reimbursements and fees owed to NEP GP and its affiliates for services provided to NEP or on NEP's behalf will reduce cash distributions from NEP OpCo and from NEP to NEP's unitholders, and there are no limits on the amount that NEP OpCo may be required to pay; increases in interest rates could adversely impact the price of NEP's common units, NEP's ability to issue equity or incur debt for acquisitions or other purposes and NEP's ability to make cash distributions to its unitholders; the liability of holders of NEP's units, which represent limited partnership interests in NEP, may not be limited if a court finds that unitholder action constitutes control of NEP's business; unitholders may have liability to repay distributions that were wrongfully distributed to them; the issuance of common units, or other limited partnership interests, or securities convertible into, or settleable with, common units, and any subsequent conversion or settlement, will dilute common unitholders' ownership in NEP, may decrease the amount of cash available for distribution for each common unit, will impact the relative voting strength of outstanding NEP common units and issuance of such securities, or the possibility of issuance of such securities, as well as the resale, or possible resale following conversion or settlement, may result in a decline in the market price for NEP's common units; NEP's future tax liability may be greater than expected if NEP does not generate net operating losses (NOLs) sufficient to offset taxable income or if tax authorities challenge certain of NEP's tax positions; NEP's ability to use NOLs to offset future income may be limited; NEP will not have complete control over NEP's tax decisions; and, Distributions to unitholders may be taxable as dividends. NEP discusses these and other risks and uncertainties in its annual report on Form 10-K for the year ended December 31, 2022 and other Securities and Exchange Commission (SEC) filings, and this news release should be read in conjunction with such SEC filings made through the date of this news release. The forward-looking statements made in this news release are

C

View original content to download multimedia:<https://www.prnewswire.com/news-releases/nextera-energy-partners-lp-exercises-its-option-to-buy-out-an-initial-25-of-the-outstanding-minority-equity-interest-in-its-texas-pipelines-convertible-equity-portfolio-financing-301788278.html>

SOURCE NextEra Energy Partners, LP