

Nokia

Company report

1/18/2024



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This report is a summary translation of the report “Nokia Q4 torstaina: Patenttituotot siirtyivät vuodelle 2024” published on 1/18/2024 at 7:55 am EET.

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Nokia Q4 on Thursday: Patent revenues postponed to 2024

We have updated our forecasts to take into account the extension of patent negotiations in Nokia Technologies into this year and the divestment to be made in Cloud and Network Services. For other areas, we will review our forecasts in the context of the Q4 report. At this point, we reiterate our Reduce recommendation and target price of EUR 2.9.

Revenue under pressure against strong comparison period

Nokia will report its Q4 results on Thursday at 8.00 am EET. Live coverage of the result will start at 7.55 am on inderes.fi and on our YouTube channel (in Finnish). We forecast that the company's revenue lands at 6.1 BEUR, down 17.5% year-on-year. The strong comparison period was also supported by one-off revenues from the Microsoft contract in Nokia Technologies. In the 2023 year-end [profit warning](#), Nokia commented that Q4 revenue for its network businesses would improve significantly from the previous quarter, which was fully expected given the seasonality of the business. However, the weaker demand environment in H2'23 and the loss of AT&T in Mobile Networks will be reflected in the performance for the rest of the year, and we expect Mobile Networks (-12%) and Network Infrastructure (-17.5%) revenues to decline significantly from the excellent levels of the previous year. In Nokia Technologies (Q4'23e: 260 MEUR, -62%) we expect the patent agreement with Oppo and Vivo to be concluded now in Q2'24.

Earnings fall with revenue

In line with the revenue development, we expect Nokia's comparable EBIT to be clearly down year-on-year at 734 MEUR (Q4'22: 1155 MEUR). For the full year, we forecast a comparable operating result of 2,263 MEUR, which would imply an operating margin of 10.0% (Nokia's previous guidance was 11.5-13.0%). In Mobile Networks and Cloud and Network Services, we expect Q4 results to improve year-on-year due to the more normal seasonality in 2023 but missing one-off revenues in Nokia Technologies and weaker results in Network Infrastructure to weigh on group results well below the 2022 level.

Outlook and profit distribution proposal are of particular interest

Nokia announced general-level assumptions for its different business groups for 2024 at the investor meeting on December 12, 2023, and kept these assumptions unchanged in the profit warning. In 2024, our updated forecast expects Nokia to generate revenue of 22.5 BEUR (-1%) and an adjusted EBIT of 11.1%. Adjusted for our assumption of one-off gains related to the patent agreement, the EBIT margin will be around 8.9%, reflecting a particularly challenging year in Mobile Networks, where Nokia expects declining revenues and a low single-digit EBIT margin. In Network Infrastructure, Nokia has seen signs of recovering demand in Q4 and expects FX-adjusted growth rate to be in the mid-single digit range (our interpretation 3-5%) and profitability to remain stable. Cloud and Network Services are expected to show moderate FX-adjusted growth and stable or slightly improving profitability this year.

Given Nokia's current net cash position and its target level (10-15%), the company should start distributing most of its earnings back to shareholders if free cash flow starts to improve from 2024 onwards. The weakened market situation has contributed to the uncertainty in this regard and the company's profit distribution proposal will be an interesting morsel of information in the Q4 report. We forecast the dividend to rise to EUR 0.14 (2022: 0.12 EUR).

Recommendation

Reduce

(previous Reduce)

EUR 2.90

(previous EUR 2.90)

Share price:

3.18



Key figures

	2022	2023e	2024e	2025e
Revenue	24,911	22,696	22,461	22,326
growth-%	12%	-9%	-1%	-1%
EBIT adj.	3,109	2,263	2,504	2,401
EBIT-% adj.	12.5 %	10.0 %	11.1 %	10.8 %
Net Income	4,201	1,110	1,202	1,256
EPS (adj.)	0.44	0.28	0.33	0.32

P/E (adj.)	9.9	11.2	9.7	10.0
P/B	1.1	0.8	0.8	0.8
Dividend yield-%	2.8 %	4.4 %	5.0 %	6.3 %
EV/EBIT (adj.)	7.0	6.8	5.9	6.0
EV/EBITDA	6.3	5.6	5.5	5.3
EV/S	0.9	0.7	0.7	0.6

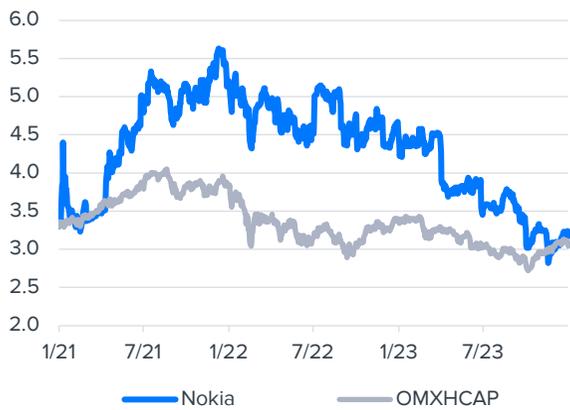
Source: Inderes

Guidance

(Downgraded)

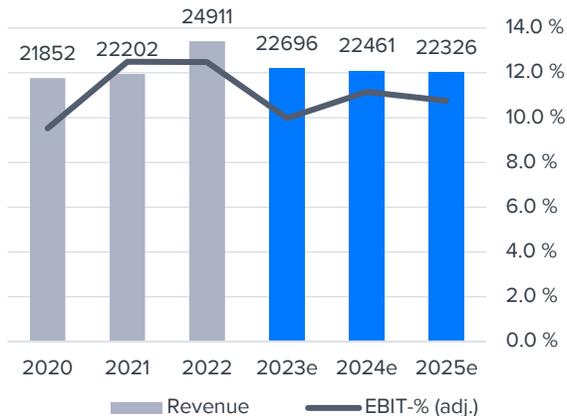
Nokia no longer expects to meet its financial guidance for 2023 in terms of revenue, comparable operating margin, and free cash flow.

Share price



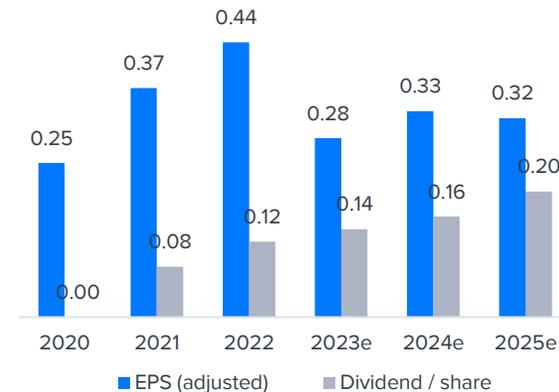
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Carrying out cost savings measures to defend profitability in a declining market
- Normalization of difficult market conditions
- Strong net cash position and improving cash flow allow for increased profit distribution
- Huawei sanctions open up opportunities
- Strategic value of Nokia's technologies



Risk factors

- Fierce competitive pressure on the market and price erosion
- The impact of the worsening economic outlook and rising interest rates on operators' investments
- Declining market share in the important North American market
- Prolongation of patent disputes and timing of license fees in Nokia Technologies
- The size of Nokia's target market has remained relatively stable over the long term, limiting earnings growth potential

Valuation	2023e	2024e	2025e
Share price	3.18	3.18	3.18
Number of shares, millions	5540.3	5540.3	5540.3
Market cap	17629	17629	17629
EV	15380	14675	14310
P/E (adj.)	11.2	9.7	10.0
P/E	15.9	14.7	14.0
P/B	0.8	0.8	0.8
P/S	0.8	0.8	0.8
EV/Sales	0.7	0.7	0.6
EV/EBITDA	5.6	5.5	5.3
EV/EBIT (adj.)	6.8	5.9	6.0
Payout ratio (%)	70%	74%	88%
Dividend yield-%	4.4 %	5.0 %	6.3 %

Source: Inderes

Q4 estimates

Estimates MEUR / EUR	Q4'22	Q4'23	Q4'23e	Q4'23e	Consensus		2023e
	Comparison	Actualized	Inderes	Consensus	High	Low	Inderes
Revenue	7449		6145				22696
EBIT (adj.)	1155		734				2263
EBIT	882		554				1695
PTP	878		535				1522
EPS (adj.)	0.17		0.10				0.28
EPS (reported)	0.56		0.07				0.20
Dividend/share	0.12		0.14				0.14
Revenue growth %	16.1%		-17.5%				-8.9%
EBIT % (adj.)	15.5%		11.9%				10.0%

Source: Inderes

An updated consensus forecast after the profit warning was not yet available from Infront at the time of this update.

Estimate changes by division

Estimate revisions	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	23215	22696	-2%	22436	22461	0%	22655	22326	-1%
Mobile Networks	10041	9952	-1%	9474	9386	-1%	9455	9386	-1%
Network Infrastructure	8269	8269	0%	8239	8239	0%	8403	8403	0%
Nokia Technologies	1524	1094	-28%	1360	1700	25%	1401	1370	-2%
Cloud and Network Services	3250	3250	0%	3238	3011	-7%	3271	3042	-7%
Others	146	146	0%	140	140	0%	140	140	0%
NRIs/non-IFRS adjustments	-15.0	-15.0	0%	-15.0	-15.0	0%	-15.0	-15.0	0%
EBITDA	3222	2761	-14%	2379	2691	13%	2781	2712	-2%
EBIT excluding NRIs	2724	2263	-17%	2192	2504	14%	2476	2401	-3%
EBIT	2156	1695	-21%	1392	1704	22%	1826	1751	-4%
Mobile Networks	701	670	-4%	324	312	-4%	489	466	-5%
Network Infrastructure	1062	1062	0%	998	998	0%	1041	1041	0%
Nokia Technologies	1154	725	-37%	997	1337	34%	1028	997	-3%
Cloud and Network Services	205	205	0%	233	217	-7%	268	247	-8%
Others	-399	-399	0%	-360	-360	0%	-350	-350	0%
NRIs/non-IFRS adjustments	-568	-568	0%	-800	-800	0%	-650	-650	0%
PTP	1983	1522	-23%	1297	1609	24%	1756	1681	-4%
EPS (adjusted)	0.35	0.28	-18%	0.29	0.33	15%	0.33	0.32	-3%
DPS	0.15	0.14	-7%	0.17	0.16	-6%	0.20	0.20	0%

Source: Inderes

Summary of estimates

Mobile Networks	2021	2022	2023e	2024e	2025e	2026e
Revenue	9718	10672	9952	9386	9386	9480
Growth-%	-6.5 %	9.8 %	-6.7 %	-5.7 %	0.0 %	1.0 %
Gross margin	3638	4095	3409	2982	3126	3233
Gross margin-%	37.4 %	38.4 %	34.3 %	31.8 %	33.3 %	34.1 %
EBIT	764	941	671	312	466	553
EBIT-%	7.9 %	8.8 %	6.7 %	3.3 %	5.0 %	5.8 %

Network Infrastructure	2021	2022	2023e	2024e	2025e	2026e
Revenue	7674	9047	8268	8239	8403	8572
Growth-%	13.9 %	17.9 %	-8.6 %	-0.4 %	2.0 %	2.0 %
Gross margin	2684	3309	3072	3043	3101	3154
Gross margin-%	35.0 %	36.6 %	37.2 %	36.9 %	36.9 %	36.8 %
EBIT	784	1101	1062	998	1041	1074
EBIT-%	10.2 %	12.2 %	12.8 %	12.1 %	12.4 %	12.5 %

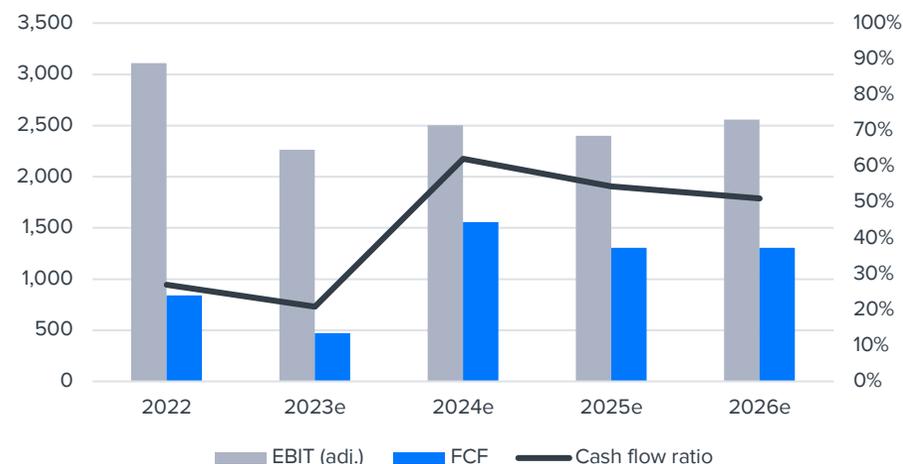
Cloud and Network Services	2021	2022	2023e	2024e	2025e	2026e
Revenue	3089	3350	3251	3011	3042	3072
Growth-%	0.1 %	8.4 %	-3.0 %	-7.4 %	1.0 %	1.0 %
Gross margin	1160	1340	1254	1172	1207	1232
Gross margin-%	37.6 %	40.0 %	38.6 %	38.9 %	39.7 %	40.1 %
EBIT	166	178	205	217	247	272
EBIT-%	5.4 %	5.3 %	6.3 %	7.2 %	8.1 %	8.8 %

Nokia Technologies	2021	2022	2023e	2024e	2025e	2026e
Revenue	1501	1595	1094	1700	1370	1384
Growth-%	7.1 %	6.3 %	-31.4 %	55.4 %	10.0 %	1.0 %
EBIT	1185	1208	726	1337	997	1011
EBIT-%	78.9 %	75.7 %	66.3 %	78.6 %	72.8 %	73.1 %

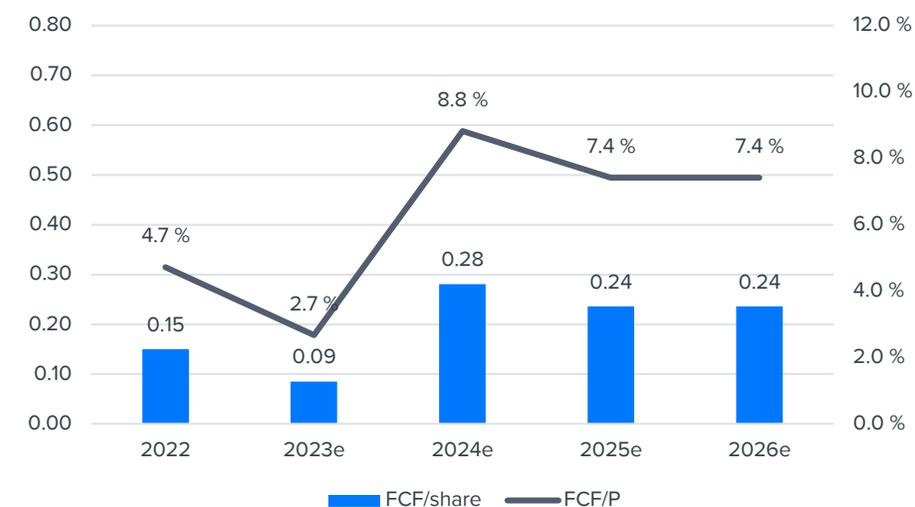
Group common and Other	2021	2022	2023e	2024e	2025e	2026e
Revenue	257	296	145	140	140	140
Growth-%	-4.3 %	15.2 %	-51.0 %	-3.4 %	0.0 %	0.0 %
EBIT	-124	-318	-400	-360	-350	-350

Source: Inderes

Development of comparable EBIT and FCF

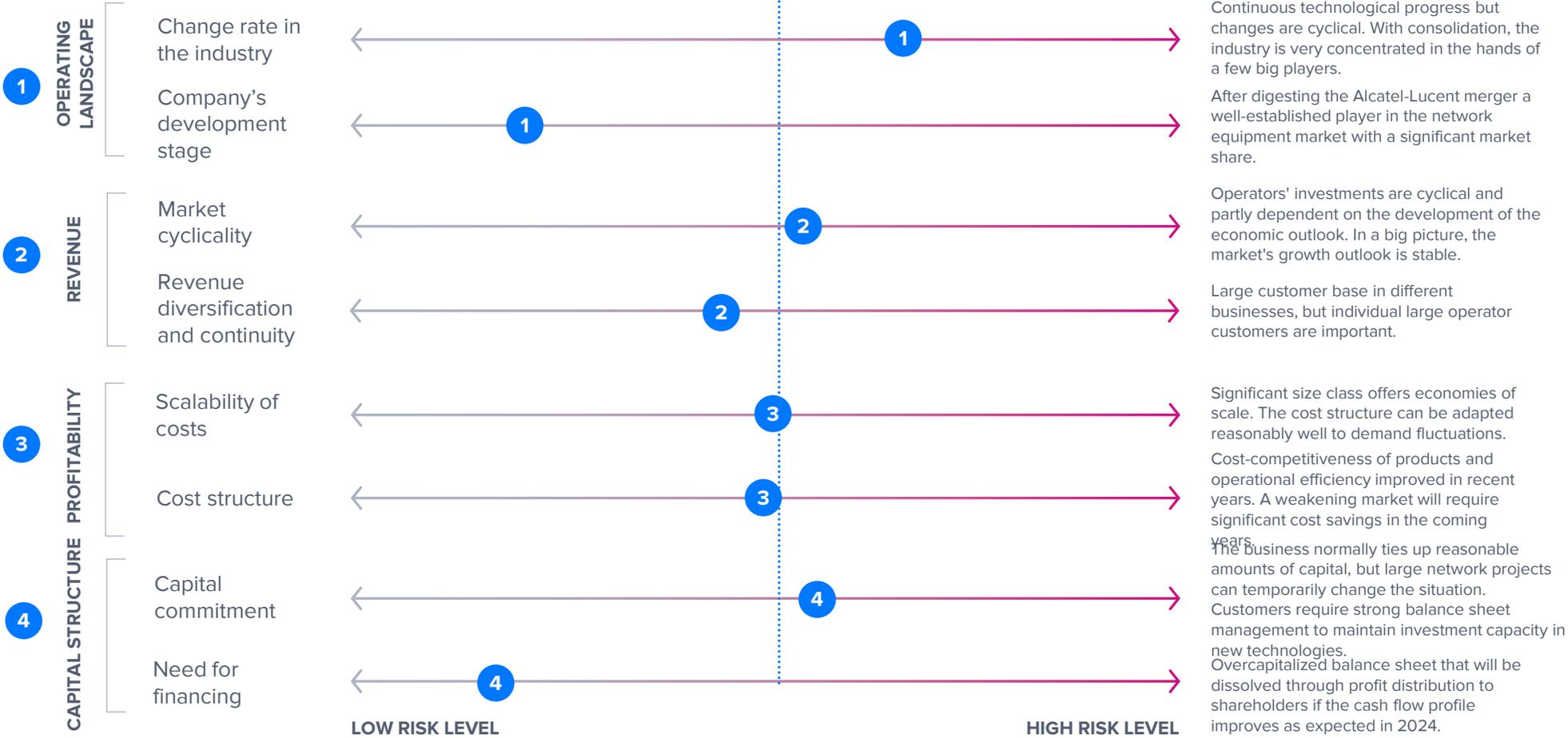


FCF/share and FCF/P



Risk profile of the business model

Assessment of Nokia's overall business risk

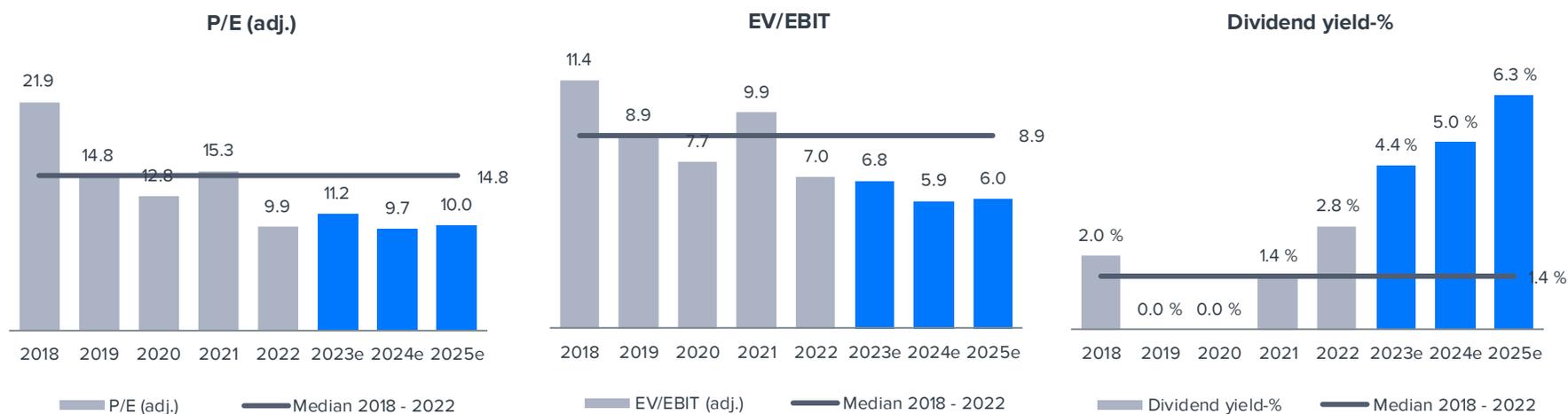


Source: Inderes

Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	5.03	3.30	3.15	5.57	4.33	3.18	3.18	3.18	3.18
Number of shares, millions	5593	5606	5617	5629	5590	5540	5540	5540	5540
Market cap	28133	18476	17701	31378	24189	17629	17629	17629	17629
EV	24912	17799	15938	27543	21648	15380	14675	14310	14148
P/E (adj.)	21.9	14.8	12.8	15.3	9.9	11.2	9.7	10.0	9.3
P/E	neg.	>100	neg.	19.3	5.7	15.9	14.7	14.0	11.4
P/B	1.8	1.2	1.4	1.8	1.1	0.8	0.8	0.8	0.8
P/S	1.2	0.8	0.8	1.4	1.0	0.8	0.8	0.8	0.8
EV/Sales	1.1	0.8	0.7	1.2	0.9	0.7	0.7	0.6	0.6
EV/EBITDA	17.9	8.3	7.9	8.5	6.3	5.6	5.5	5.3	5.0
EV/EBIT (adj.)	11.4	8.9	7.7	9.9	7.0	6.8	5.9	6.0	5.5
Payout ratio (%)	neg.	0.0 %	0.0 %	27.7 %	15.8 %	70.1 %	73.7 %	88.2 %	71.8 %
Dividend yield-%	2.0 %	0.0 %	0.0 %	1.4 %	2.8 %	4.4 %	5.0 %	6.3 %	6.3 %

Source: Inderes



Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	MEUR	MEUR	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e
Qualcomm	144406	148151	14.6	13.2	12.3	11.8	4.5	4.2	17.0	15.1	2.2	2.3	7.6
Ciena	6735	7186	14.0	13.1	11.8	11.0	1.8	1.7	19.0	17.4			2.6
Cisco	189001	174060	10.1	10.5	9.3	9.3	3.3	3.5	13.3	13.1	3.0	3.1	4.7
Juniper Networks	10998	11178	13.2	13.1	10.7	10.7	2.2	2.2	16.3	16.1	2.3	2.4	2.7
Motorola	48165	52860	21.9	20.4	18.9	17.7	5.8	5.5	26.9	24.9	1.1	1.1	92.3
ZTE	13765	13322	9.5	8.1	6.9	6.3	0.8	0.8	6.9	6.3	4.0	4.3	1.0
Ericsson	18909	19849	247.2	8.9	8.7	6.4	0.8	0.8	17.9	11.4	4.3	4.3	2.0
Amdocs	9714	9670	12.2	11.5	10.1	9.6	2.2	2.1	15.3	13.9	1.9	2.0	3.0
CommScope	772	8923	14.0	11.5	9.3	8.1	1.4	1.5	3.3	3.0			
Oracle	269339	343434	17.9	16.3	14.6	13.4	7.5	7.0	21.1	19.2	1.2	1.4	
Viavi	2073	2254	14.4	18.8	10.8	14.3	2.2	2.4	19.1	26.4			3.1
Nokia (Inderes)	17629	15380	6.8	5.9	5.6	5.5	0.7	0.7	11.2	9.7	4.4	5.0	0.8
Average			35.4	13.2	11.2	10.8	3.0	2.9	16.0	15.2	2.5	2.6	13.2
Median			14.0	13.1	10.7	10.7	2.2	2.2	17.0	15.1	2.3	2.4	3.0
Diff-% to median			-51%	-55%	-48%	-49%	-69%	-71%	-34%	-36%	95%	113%	-73%

Source: Refinitiv / Inderes

Income statement

Income statement	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	2024e	2025e	2026e
Revenue	22202	5348	5872	6242	7449	24911	5859	5710	4982	6145	22696	22461	22326	22632
Mobile Networks	9717	2268	2592	2851	2960	10671	2567	2623	2157	2605	9952	9386	9386	9480
Network Infrastructure	7674	1974	2153	2211	2709	9047	2248	1979	1807	2235	8269	8239	8403	8572
Nokia Technologies	1502	306	305	305	679	1595	242	334	258	260	1094	1700	1370	1384
Cloud and Network Services	3089	736	754	801	1060	3351	760	741	742	1007	3250	3011	3042	3072
Other	257	76	76	84	59	295	48	36	22	40	146	140	140	140
NRIs/non-IFRS adjustments	-37	-12	-8	-10	-18	-48	-6	-3	-4	-2	-15	-15	-15	-15
EBITDA	3253	628	847	806	1178	3458	692	746	508	815	2761	2691	2712	2826
Depreciation	-1095	-274	-282	-288	-296	-1140	-266	-272	-267	-261	-1066	-987	-961	-717
EBIT (excl. NRI)	2775	583	714	658	1155	3109	479	626	424	734	2263	2504	2401	2560
EBIT	2158	354	565	518	882	2318	426	474	241	554	1695	1704	1751	2110
Mobile Networks	765	171	291	277	201	940	137	205	99	229	670	312	466	553
Network Infrastructure	784	195	247	228	432	1102	344	260	171	287	1062	998	1041	1074
Nokia Technologies	1185	220	217	207	564	1208	149	236	180	160	725	1337	997	1011
Cloud and Network Services	166	20	-6	16	147	177	-20	16	36	173	205	217	247	272
Other	-125	-23	-36	-71	-189	-318	-131	-91	-63	-115	-399	-360	-350	-350
NRIs/non-IFRS adjustments	-617	-229	-149	-140	-273	-791	-53	-153	-183	-180	-568	-800	-650	-450
Net financial items	-241	-72	-18	12	-30	-108	-19	-55	-38	-20	-131	-100	-75	-50
PTP	1926	256	541	509	878	2184	401	407	179	535	1522	1609	1681	2065
Taxes	-272	-79	-74	-93	2271	2026	-111	-116	-45	-134	-406	-401	-419	-515
Minority interest	-22	-7	-3	-1	2	-9	-10	1	5	-2	-6	-6	-6	-6
Net earnings	1623	212	457	427	3154	4250	279	290	139	399	1107	1202	1256	1544
EPS (adj.)	0.37	0.07	0.10	0.10	0.17	0.44	0.06	0.07	0.05	0.10	0.28	0.33	0.32	0.34
EPS (rep.)	0.29	0.04	0.08	0.08	0.56	0.76	0.05	0.05	0.02	0.07	0.20	0.22	0.23	0.28

Key figures	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	1.6 %	5.4 %	10.5 %	15.6 %	16.1 %	12.2 %	9.6 %	-2.8 %	-20.2 %	-17.5 %	-8.9 %	-1.0 %	-0.6 %	1.4 %
Adjusted EBIT growth-%	33.4 %	5.8 %	4.5 %	3.9 %	27.1 %	12.0 %	-17.8 %	-12.2 %	-35.5 %	-36.4 %	-27.2 %	10.6 %	-4.1 %	6.6 %
EBITDA-%	14.7 %	11.7 %	14.4 %	12.9 %	15.8 %	13.9 %	11.8 %	13.1 %	10.2 %	13.3 %	12.2 %	12.0 %	12.1 %	12.5 %
Adjusted EBIT-%	12.5 %	10.9 %	12.2 %	10.5 %	15.5 %	12.5 %	8.2 %	11.0 %	8.5 %	11.9 %	10.0 %	11.1 %	10.8 %	11.3 %
Net earnings-%	7.3 %	4.0 %	7.8 %	6.8 %	42.3 %	17.1 %	4.8 %	5.1 %	2.8 %	6.5 %	4.9 %	5.4 %	5.6 %	6.8 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	22174	23886	23503	22841	22369
Goodwill	5431	5667	5667	5482	5482
Intangible assets	3342	2472	2123	1784	1418
Tangible assets	2808	2944	2869	2730	2625
Associated companies	243	199	150	150	150
Other investments	758	828	802	802	802
Other non-current assets	8320	7942	7942	7942	7942
Deferred tax assets	1272	3834	3950	3950	3950
Current assets	19597	20266	19246	18980	18620
Inventories	2392	3265	3132	3010	2947
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	7601	7839	7944	7884	7859
Cash and equivalents	9604	9162	8170	8086	7814
Balance sheet total	40049	42943	41598	40835	40189

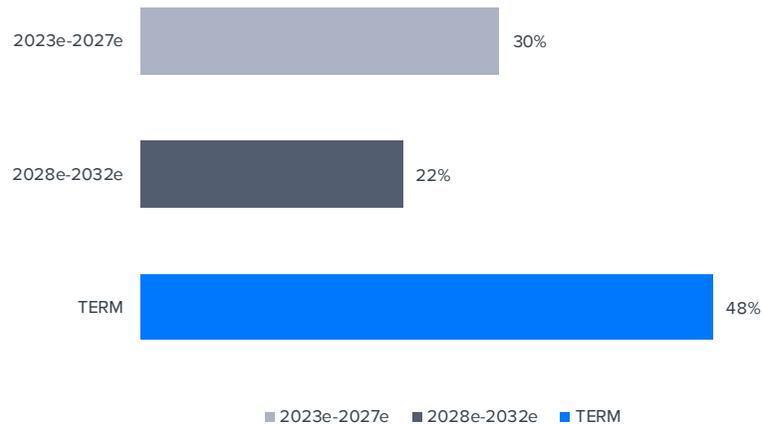
Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	17462	21426	21862	22288	22658
Share capital	246	246	246	246	246
Retained earnings	-2537	1375	1811	2237	2607
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	4219	3905	3905	3905	3905
Other equity	15432	15807	15807	15807	15807
Minorities	102	93	93	93	93
Non-current liabilities	11410	9556	8736	7845	7068
Deferred tax liabilities	282	332	332	332	332
Provisions	1569	1435	1200	1000	800
Interest bearing debt	5361	5107	4622	4031	3554
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	4198	2682	2582	2482	2382
Current liabilities	11177	11961	11000	10702	10463
Interest bearing debt	301	1450	1241	1044	885
Payables	10876	10511	9759	9658	9578
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	40049	42943	41598	40835	40189

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	12.2 %	-8.9 %	-1.0 %	-0.6 %	1.4 %	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %
EBIT-%	9.3 %	7.5 %	7.6 %	7.8 %	9.3 %	9.2 %	9.0 %	8.9 %	8.8 %	8.7 %	8.5 %	8.5 %
EBIT (operating profit)	2318	1695	1704	1751	2110	2103	2078	2075	2073	2069	2042	
+ Depreciation	1140	1066	987	961	717	703	693	686	681	677	675	
- Paid taxes	-486	-522	-401	-419	-515	-513	-507	-451	-449	-452	-449	
- Tax, financial expenses	-27	-34	-25	-19	-13	-13	-13	-68	-69	-65	-62	
+ Tax, financial income	0	0	0	0	0	0	0	0	0	0	0	
- Change in working capital	-1476	-723	81	7	-17	-58	-59	-60	-61	-39	-39	
Operating cash flow	1469	1481	2346	2282	2282	2222	2192	2182	2174	2191	2167	
+ Change in other long-term liabilities	-1650	-335	-300	-300	-300	-300	-300	-300	-100	-100	-100	
- Gross CAPEX	-847	-674	-490	-675	-675	-675	-675	-675	-675	-675	-675	
Free operating cash flow	-1028	472	1556	1307	1307	1247	1217	1207	1399	1416	1392	
+/- Other	49	33	0	0	0	0	0	0	0	0	0	
FCFF	-979	505	1556	1307	1307	1247	1217	1207	1399	1416	1392	17253
Discounted FCFF		507	1431	1102	1009	882	789	717	761	706	636	7878
Sum of FCFF present value		16418	15911	14479	13378	12368	11486	10697	9981	9220	8514	7878
Enterprise value DCF		16418										
- Interest bearing debt		-6557										
+ Cash and cash equivalents		9162										
-Minorities		-75										
-Dividend/capital return		-671										
Equity value DCF		18293										
Equity value DCF per share		3.3										

Cash flow distribution



WACC

Tax-% (WACC)	25.0 %
Target debt ratio (D/(D+E))	0.0 %
Cost of debt	4.0 %
Equity Beta	1.4
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
Cost of equity	9.2 %
Weighted average cost of capital (WACC)	9.2 %

Source: Inderes

Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	21852	22202	24911	22696	22461	EPS (reported)	-0.45	0.29	0.76	0.20	0.22
EBITDA	2017	3253	3458	2761	2691	EPS (adj.)	0.25	0.37	0.44	0.28	0.33
EBIT	885	2158	2318	1695	1704	OCF / share	0.38	0.73	0.26	0.27	0.42
PTP	743	1926	2184	1522	1609	FCF / share	0.28	-0.16	-0.18	0.09	0.28
Net Income	-2523	1623	4250	1107	1202	Book value / share	2.22	3.08	3.82	3.93	4.01
Extraordinary items	-1196	-617	-791	-568	-800	Dividend / share	0.00	0.08	0.12	0.14	0.16
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	36191	40049	42943	41598	40835	Revenue growth-%	-6%	2%	12%	-9%	-1%
Equity capital	12545	17462	21426	21862	22288	EBITDA growth-%	-6%	61%	6%	-20%	-3%
Goodwill	5074	5431	5667	5667	5482	EBIT (adj.) growth-%	4%	33%	12%	-27%	11%
Net debt	-1789	-3942	-2605	-2308	-3012	EPS (adj.) growth-%	10%	49%	20%	-35%	15%
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	9.2 %	14.7 %	13.9 %	12.2 %	12.0 %
EBITDA	2017	3253	3458	2761	2691	EBIT (adj.)-%	9.5 %	12.5 %	12.5 %	10.0 %	11.1 %
Change in working capital	225	608	-1476	-723	81	EBIT-%	4.0 %	9.7 %	9.3 %	7.5 %	7.6 %
Operating cash flow	2118	4127	1469	1481	2346	ROE-%	-18.2 %	10.9 %	22.0 %	5.1 %	5.5 %
CAPEX	-22	-4111	-847	-674	-490	ROI-%	4.6 %	10.3 %	9.0 %	5.9 %	6.2 %
Free cash flow	1599	-911	-979	505	1556	Equity ratio	34.7 %	43.6 %	49.9 %	52.6 %	54.6 %
						Gearing	-14.3 %	-22.6 %	-12.2 %	-10.6 %	-13.5 %
Valuation multiples	2020	2021	2022	2023e	2024e						
EV/S	0.7	1.2	0.9	0.7	0.7						
EV/EBITDA (adj.)	7.9	8.5	6.3	5.6	5.5						
EV/EBIT (adj.)	7.7	9.9	7.0	6.8	5.9						
P/E (adj.)	12.8	15.3	9.9	11.2	9.7						
P/B	1.4	1.8	1.1	0.8	0.8						
Dividend-%	0.0 %	1.4 %	2.8 %	4.4 %	5.0 %						

Lähde: Inderes

ESG

Taxonomy eligibility

Nokia estimates that its products are not generally included in taxonomy industries as of yet. As the taxonomy legislation is assumed to expand to cover new industries in the future, we will wait for the possible impact this will have on Nokia's taxonomy eligibility.

When determining the taxonomy eligibility, Nokia reports that it has followed strict interpretations regarding eligibility. This means, e.g., that in case of activities related to climate change mitigation, Nokia has only accepted solutions that are designed primarily to reduce greenhouse gas emissions.

Because taxonomy is still in its early stages, we do not see the low taxonomy eligibility percentages to have any direct short-term economic impact on, e.g., the availability of Nokia's financing or financing costs.

Climate targets

Of the 6 climate targets set by Nokia, 5 have already been achieved or are developing in the right direction. However, in 2020-2022, the target of halving emissions throughout the value chain in scope 1, scope 2 and scope 3 emissions during 2019-2030 has not developed along the expected paths in linear terms. According to Nokia, there is no reason to expect linear development in reducing emissions, which is also justified in our view. As a whole, Nokia still considers achieving this target by 2030 possible.

Nokia's connectivity and digitalization solutions enable increased efficiency in other industries, which supports the reduction of emissions. At the same time, the company's own products have features that enable energy saving, e.g., for operators. Thus, in our view, the company's current business supports the

achievement of set climate targets. We do, however, consider the reduction of scope 3 emissions challenging if the green transition in the energy sector is not achieved in line with underlying assumptions.

Taxonomy eligibility	2021*	2022
Revenue	-	0%
OPEX	-	0%
CAPEX	-	2%

Taxonomy alignment	2021*	2022
Revenue	-	0%
OPEX	-	0%
CAPEX	-	0%

Climate

Climate target	Yes	Yes
Target according to Paris agreement (1.5°C warming scenario)	Yes	Yes

*the figures are not comparable due to taxonomy development

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Accumulate	The 12-month risk-adjusted expected shareholder return of the share is attractive
Reduce	The 12-month risk-adjusted expected shareholder return of the share is weak
Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak
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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
7/29/2021	Accumulate	5.80 €	5.18 €
10/29/2021	Accumulate	5.90 €	5.02 €
1/12/2022	Accumulate	6.20 €	5.44 €
2/4/2022	Accumulate	6.00 €	5.17 €
3/8/2022	Buy	5.20 €	4.33 €
4/29/2022	Accumulate	5.40 €	4.66 €
7/22/2022	Accumulate	5.70 €	5.01 €
10/21/2022	Accumulate	5.30 €	4.39 €
1/11/2023	Accumulate	5.30 €	4.56 €
1/27/2023	Accumulate	5.30 €	4.38 €
4/21/2023	Buy	4.80 €	3.90 €
7/5/2023	Buy	4.80 €	3.91 €
7/17/2023	Accumulate	4.10 €	3.54 €
7/21/2023	Accumulate	4.00 €	3.53 €
10/20/2023	Reduce	3.20 €	3.05 €
12/7/2023	Reduce	2.90 €	2.82 €
12/13/2023	Reduce	2.90 €	3.01 €
1/18/2024	Reduce	2.90 €	3.18 €



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