

Nokia

Company report

1/26/2024



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This report is a summary translation of the report “Kassavirtapohjainen arvostus ei houkuttele” published on 1/26/2024 at 8:00 am EET.

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Cash flow-based valuation is not attractive

Overall, Nokia's Q4 results and outlook for 2024 were broadly in line with expectations. We saw no need for significant changes to our earnings forecasts at the group level, and which is why we found the share price reaction (+11%) on earnings day surprising. The valuation of the stock still looks moderate on adjusted earnings, but not particularly attractive in light of the free cash flow burdened by restructuring costs in the coming years. We reiterate our Reduce recommendation and revise our target price to EUR 3.1 (was 2.9 EUR).

Comparable results above expectations, Q4's cash flow at a very good level

Despite a sharp drop in revenue (-23%), Nokia's Q4 comparable EBIT (846 MEUR) landed above our and consensus expectations (765 MEUR). Free cash flow for the quarter (1.7 BNEUR) was very strong, supported by working capital release and advance payments. Given the strengthened net cash position (Q4'23: 4.3 BNEUR), Nokia's Board of Directors proposes an expected increase in the dividend payout to shareholders (EUR 0.13 dividend/share + 600 share buybacks). Relative to the target level of net cash (10-15% of revenue), the payout proposal could also have been more generous, but the uncertain market situation partly justifies a more cautious approach.

Outlook broadly in line with expectations, Mobile Networks faces very challenging year ahead

In its outlook, Nokia expects 2024 comparable EBIT to be in the range of 2.3-2.9 BNEUR, with free cash flow in the range of 30-60%. The revenue guidance was well in line with the previous forecast of 2.5 BNEUR and we only fine-tuned our cash flow forecast from the upper end of the guidance range to 47%. In Mobile Networks (2024e growth -12%, EBIT 2.4%), the year still looks somewhat more challenging than our previous assumptions, but raised forecast in Nokia Technologies and Cloud and Network Services compensate for this. In Mobile Networks, the early part of the year will be weak due to the difficult market situation and the loss of AT&T. The visibility to operators' investment taps opening is still unclear, and no quick relief is in sight. In Network Infrastructure, order intake developed favorably in Q4 in all regions. This together with easier comparison periods sets the stage for accelerating growth in H2, when publicly funded projects in North America will also start to support development. In Nokia Technologies, the recently concluded and long-delayed patent agreement with Oppo reduced uncertainty over the unit's medium-term cash flows, and we also believe that an agreement with Vivo is likely to be reached in Q1. The one-off income from these will support profitability in the current year and adjusted for these, we estimate Nokia's comparable EBIT to land around 2.0 BNEUR.

Valuation at adjusted earnings is moderate, but relative to cash flow not so much

Nokia's adjusted earnings multiples look moderate for the coming years, with EV/EBIT multiples for 2024-2025 at 6.7x-6.8x and P/E multiples at around 11x. However, due to significant restructuring costs and other one-off items in the coming years, Nokia's reported earnings figures and free cash flow are well below the adjusted figures. Based on reported earnings, the P/E multiples for the next few years are 16x-15x, which is not a particularly attractive level. Based on our projections, Nokia will generate around 1.2-1.4 BNEUR in FCF per annum between 2024 and 2026, which implies a moderate cash flow yield of around 6-7% at the current share price. The weak performance of Mobile Networks weighs on Nokia's return on equity (2025e: ROE 6.0%) to a weak level, which in our view does not justify pricing the stock at particularly high multiples, given the modest growth outlook for the network equipment market.

Recommendation

Reduce

(previous Reduce)

EUR 3.10

(previous EUR 2.90)

Share price:

3.50



Key figures

	2023	2024e	2025e	2026e
Revenue	22,279	21,711	21,889	22,458
growth-%	-11%	-3%	1%	3%
EBIT adj.	2,375	2,490	2,420	2,610
EBIT-% adj.	10.7 %	11.5 %	11.1 %	11.6 %
Net Income	660	1,187	1,270	1,582
EPS (adj.)	0.29	0.33	0.32	0.35

P/E (adj.)	10.6	10.7	10.9	10.1
P/B	0.8	0.9	0.9	0.9
Dividend yield-%	4.3 %	4.0 %	4.6 %	5.7 %
EV/EBIT (adj.)	6.2	6.7	6.8	6.2
EV/EBITDA	5.3	6.3	6.0	5.6
EV/S	0.7	0.8	0.7	0.7

Source: Inderes

Guidance

(New guidance)

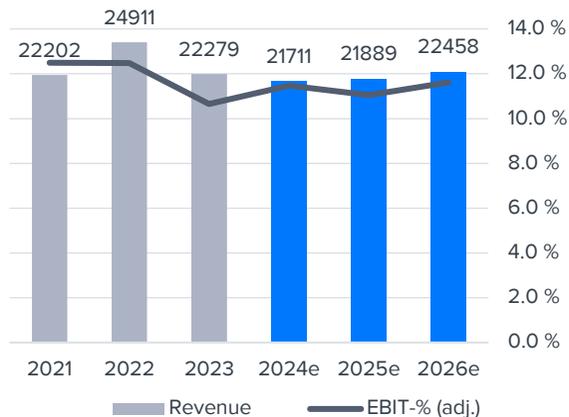
2024 Comparable operating profit 2.3-2.9 BNEUR. Free cash flow 30-60% of comparable EBIT.

Share price



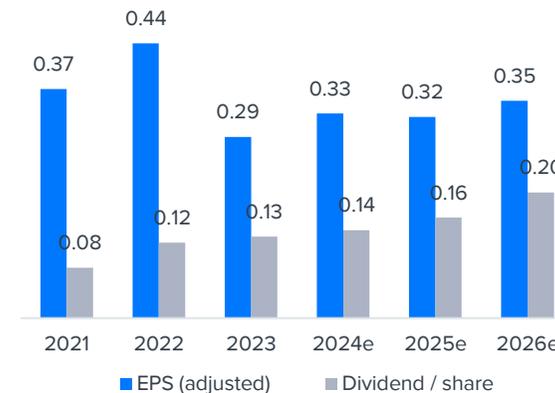
Source: Millstream Market Data AB

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	2024e	2025e	2026e
Share price	3.50	3.50	3.50
Number of shares, millions	5525.6	5525.6	5565.6
Market cap	19353	19353	19494
EV	16794	16390	16093
P/E (adj.)	10.7	10.9	10.1
P/E	16.3	15.2	12.3
P/B	0.9	0.9	0.9
P/S	0.9	0.9	0.9
EV/Sales	0.8	0.7	0.7
EV/EBITDA	6.3	6.0	5.6
EV/EBIT (adj.)	6.7	6.8	6.2
Payout ratio (%)	65%	70%	70%
Dividend yield-%	4.0%	4.6%	5.7%

Source: Inderes

Comparable results above expectations, Q4's cash flow at a very good level

Revenue fell more sharply than expected

Nokia Q4 revenue fell 23% to 5.7 BNEUR, below our and the consensus forecast of 6.1 BNEUR. In constant currency, revenue fell by 21%.

As expected, a decline was seen in Nokia Technologies (Q4'23: 251 MEUR, -63%), where the comparison period was supported by one-off income from the Microsoft contract.

In Mobile Networks, the weak market situation, particularly in North America, and the loss of AT&T led to a sharper-than-expected 17% decline in revenue. Similarly, 5G investment in India has started to normalize from previous high levels, which were still offset by a slowdown in North America at the beginning of the year. In Europe, operators were also cautious due to the weak macro-environment.

In Network Infrastructure, revenue (-26%) was under pressure against a strong comparison period as expected, but the decline was even steeper than we had forecast (-17.5%). However, Nokia commented that order intake increased significantly quarter-on-

quarter in all businesses in Q4, setting the stage for accelerating growth in H2'24. Comparison periods will then also be easier.

The reported revenue development in Cloud and Network Services (-8%) was slightly below our forecast.

Profitability held up better than expected

Reflecting the absence of patent income and other year-on-year revenue declines, Nokia's comparable EBIT (Q4'23: 846 MEUR vs. Q4'22: 1,155 MEUR) was clearly down as expected. However, compared to the consensus expectation (765 MEUR), the result was better than expected. In Mobile Networks in particular, the result was better than expected, driven by the gross margin, which was supported by a favorable regional and product mix. In addition, lower pay accruals and other positive revenues reduced the operating cost structure more than expected.

Reported EBIT (547 MEUR) was below consensus expectations (609 MEUR). Thus, the outperformance is explained by higher NRIs, which in our view dilutes

the value of the achievement. Reported EPS (Q4'23: EUR -0.01) was also impacted by the reclassification of deferred tax assets, although this has no direct impact on tax-related cash flows.

Strong balance sheet allows for increasing profit distribution

Free cash flow in Q4 was a very strong at 1.7 BNEUR, which also brought the full-year free cash flow (0.8 MEUR) to a reasonable level. As a result, Nokia's net cash increased to 4.3 BNEUR by the end of the year (Q3'23: 3.0 BNEUR). With the improved cash flow, Nokia's Board of Directors proposes a dividend of EUR 0.13 per share, compared to our forecast of EUR 0.14. At the same time, Nokia will launch a new two-year 600 MEUR share buyback program, representing a total payout of almost EUR 0.11 per share. The size of the buyback program is quite small and in practice only roughly offsets the impact of stock-based compensation for the coming years. Overall, the proposed payout was well in line with expectations.

Estimates MEUR / EUR	Q4'22	Q4'23	Q4'23e	Q4'23e	Consensus		Difference (%)	2023
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Actualized
Revenue	7449	5707	6145	6124	5821	- 6518	-7%	22279
EBIT (adj.)	1155	846	734	765	648	- 889	15%	2375
EBIT	882	547	554	609	438	- 780	-1%	1688
PTP	878	512	535	597	419	- 762	-4%	1499
EPS (adj.)	0.16	0.10	0.10	0.10	0.08	- 0.15	1%	0.29
EPS (reported)	0.56	-0.01	0.07	0.08	0.06	- 0.13	-114%	0.12
DPS	0.12	0.13	0.14	0.13	0.11	- 0.15	-7%	0.13
Revenue growth-%	16.1 %	-23.4 %	-17.5 %	-17.8 %	-21.9 %	- 12.5 %	-5.9 pp	-10.6 %
EBIT-% (adj.)	15.5 %	14.8 %	11.9 %	12.5 %	11.1 %	- 13.6 %	2.9 pp	10.7 %

Source: Inderes & Infront (consensus)

Mobile Networks are facing a very challenging year

Outlook broadly in line with expectations

In its outlook, Nokia expects 2024 comparable EBIT to be in the range of 2.3-2.9 BNEUR, with free cash flow in the range of 30-60%. For earnings, the guidance was well in line with our (2.5 BNEUR) and consensus (2.6 BNEUR) forecasts, but the cash flow the guidance was somewhat softer. However, this was offset by advance payments scheduled for 2023, which meant that cash flows for 2024 were already received in the middle of last year. This year's result is supported by the one-off income from the long-drawn-out patent agreement signed with Oppo on Wednesday. The outlook also assumes that an agreement with Vivo will be reached this year (we expect this to happen in Q1).

By business group, the underlying assumptions for Nokia's outlook are as follows for currency-adjusted growth and operating EBIT:

Mobile Networks: growth -15% to -10%, EBIT margin 1.0% to 4.0%

Network Infrastructure: growth 2% to 8%, EBIT margin 11.5% to 14.5%

Cloud and Network Services: growth -2% to 3%, EBIT margin 6% to 9%

For **Nokia Technologies**, Nokia expects EBIT to be at least 1.4 BNEUR, but cash flow to be around 700 MEUR lower than EBIT due to advance payments received.

Nokia commented that the seasonality of its network businesses this year is broadly in line with historical trends (Q1 revenue down around 23% from the previous quarter). The market situation is also expected to improve in H2, especially in Network Infrastructure, where publicly funded projects in North America among other factors are starting to support development. In Mobile Networks, the early part of the year will be weak due to the difficult market situation and the loss of AT&T. The visibility to operators' investment taps opening is still unclear, and no quick relief is in sight. In our view, this is also reflected in the modest EBIT margin target of 6-9%

for 2026. Reaching the targeted double-digit margins will require volume growth back to revenue levels of 10 BNEUR (2024e: 8.6 BNEUR) and the successful implementation of significant cost savings.

At group level, there were no material changes in our earnings forecasts for the coming years, as the forecast downgrades in Mobile Networks were offset by higher forecasts in Nokia Technologies and Cloud and Network Services.

We revised our expectations for Nokia's base dividend level for the coming years to a more moderate level, although in light of the company's balance sheet and cash flow projections, our previous assumptions could also hold. At least this spring, the company took a rather cautious approach to increasing its dividend, justified by the uncertainty surrounding the market situation.

Estimate revisions	2023	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	22696	22279	-2%	22461	21711	-3%	22326	21889	-2%
EBITDA	2761	2775	1%	2691	2677	-1%	2712	2735	1%
EBIT (exc. NRIs)	2263	2375	5%	2504	2490	-1%	2401	2420	1%
EBIT	1695	1688	0%	1704	1690	-1%	1751	1770	1%
PTP	1522	1499	-2%	1609	1590	-1%	1681	1700	1%
EPS (excl. NRIs)	0.28	0.29	1%	0.33	0.33	-1%	0.32	0.32	1%
DPS	0.14	0.13	-7%	0.16	0.14	-13%	0.20	0.16	-20%

Source: Inderes

Estimate changes by division

Estimate revisions	2023e	2023	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Old	Actual	%	Old	New	%	Old	New	%
Revenue	22696	22279	-2%	22461	21711	-3%	22326	21889	-2%
Mobile Networks	9952	9797	-2%	9386	8586	-9%	9386	8929	-5%
Network Infrastructure	8269	8037	-3%	8239	8168	-1%	8403	8331	-1%
Nokia Technologies	1094	1094	0%	1700	1770	4%	1370	1410	3%
Cloud and Network Services	3250	3220	-1%	3011	3095	3%	3042	3126	3%
Other	146	146	0%	140	100.0	-29%	140	100.0	-29%
NRIs/non-IFRS adjustments	-15.0	-15.0	0%	-15.0	-8.0	-47%	-15.0	-8.0	-47%
EBITDA	2761	2775	1%	2691	2677	-1%	2712	2735	1%
EBIT (exc. NRIs)	2263	2375	5%	2504	2490	-1%	2401	2420	1%
EBIT	1695	1688	0%	1704	1690	-1%	1751	1770	1%
Mobile Networks	670	723	8%	312	207	-33%	466	431	-8%
Network Infrastructure	1062	1054	-1%	998	1003	0%	1041	1039	0%
Nokia Technologies	725	734	1%	1337	1408	5%	997	1039	4%
Cloud and Network Services	205	255	24%	217	231	6%	247	261	6%
Other	-399	-391	-2%	-360	-360	0%	-350	-350	0%
NRIs/non-IFRS adjustments	-568	-687	21%	-800	-800	0%	-650	-650	0%
PTP	1522	1499	-2%	1609	1590	-1%	1681	1700	1%
EPS (adjusted)	0.28	0.29	1%	0.33	0.33	-1%	0.32	0.32	1%
Dividend / share	0.14	0.13	-7%	0.16	0.14	-13%	0.20	0.16	-20%

Source: Inderes

Summary of estimates

Mobile Networks	2022	2023	2024e	2025e	2026e	2027e
Revenue	10672	9797	8586	8929	9286	9472
Growth-%	9.8 %	-8.2 %	-12.4 %	4.0 %	4.0 %	2.0 %
Gross margin	4095	3433	2917	3081	3232	3344
Gross margin-%	38.4 %	35.0 %	34.0 %	34.5 %	34.8 %	35.3 %
EBIT	941	723	207	431	532	624
EBIT-%	8.8 %	7.4 %	2.4 %	4.8 %	5.7 %	6.6 %

Network Infrastructure	2022	2023	2024e	2025e	2026e	2027e
Revenue	9047	8036	8168	8331	8498	8668
Growth-%	17.9 %	-11.2 %	1.6 %	2.0 %	2.0 %	2.0 %
Gross margin	3309	3050	3048	3099	3170	3233
Gross margin-%	36.6 %	38.0 %	37.3 %	37.2 %	37.3 %	37.3 %
EBIT	1101	1054	1003	1039	1090	1153
EBIT-%	12.2 %	13.1 %	12.3 %	12.5 %	12.8 %	13.3 %

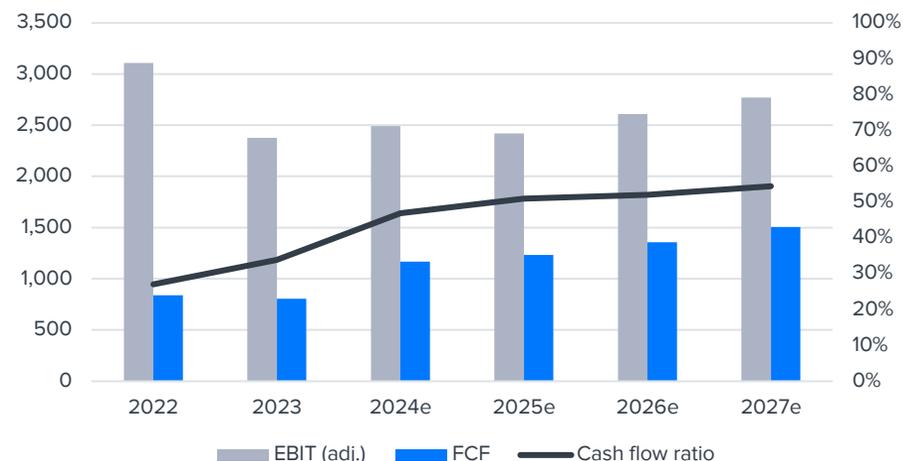
Cloud and Network Services	2022	2023	2024e	2025e	2026e	2027e
Revenue	3350	3221	3095	3126	3158	3189
Growth-%	8.4 %	-3.9 %	-3.9 %	1.0 %	1.0 %	1.0 %
Gross margin	1340	1276	1211	1241	1266	1282
Gross margin-%	40.0 %	39.6 %	39.1 %	39.7 %	40.1 %	40.2 %
EBIT	178	255	231	261	286	292
EBIT-%	5.3 %	7.9 %	7.5 %	8.4 %	9.1 %	9.2 %

Nokia Technologies	2022	2023	2024e	2025e	2026e	2027e
Revenue	1595	1085	1770	1410	1424	1424
Growth-%	6.3 %	-32.0 %	63.1 %	-20.3 %	1.0 %	0.0 %
EBIT	1208	735	1408	1039	1053	1053
EBIT-%	75.7 %	67.7 %	79.6 %	73.7 %	73.9 %	73.9 %

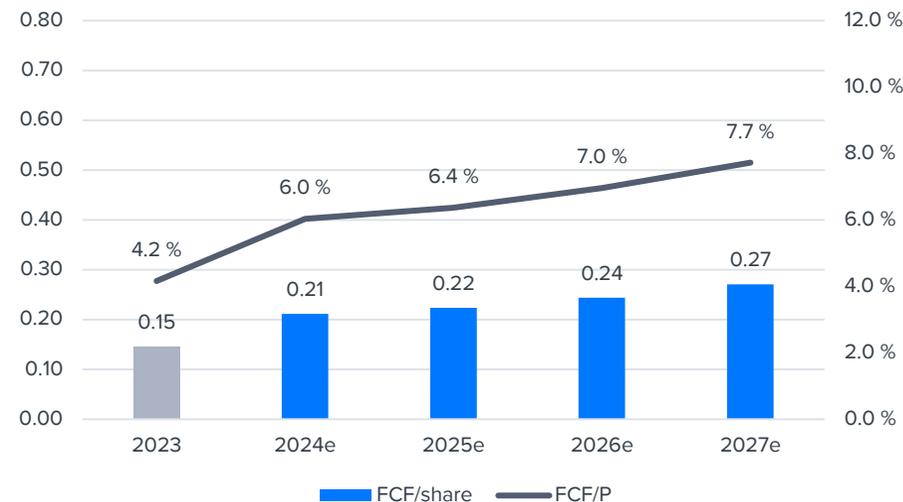
Group common and Other	2022	2023	2024e	2025e	2026e	2027e
Revenue	296	130	100	100	100	100
Growth-%	15.2 %	-56.1 %	-23.1 %	0.0 %	0.0 %	0.0 %
EBIT	-318	-391	-360	-350	-350	-350

Source: Inderes

Development of comparable EBIT and FCF



FCF and FCF/share



Valuation

Share valuation is twofold

Nokia's adjusted earnings multiples look moderate for the coming years, with EV/EBIT multiples for 2024-2025 at 6.7x-6.8x and P/E multiples at around 11x. Our sum-of-the-parts calculation based on adjusted earnings figures could also justify an upside in the stock looking ahead to next year.

However, due to significant restructuring costs and other one-off items in the coming years, Nokia's reported earnings figures and free cash flow are well below the adjusted figures. Based on reported earnings, the P/E multiples for the next few years are 16x-15x, which is not a particularly attractive level. Based on our projections, Nokia will generate around 1.2-1.4 BNEUR in FCF per annum between 2024 and 2026, which implies a moderate cash flow yield of around 6-7% at the current share price. Given these figures, we find it difficult to justify an upside in the stock. The recent dividend proposal (EUR 0.13/share) offers a dividend yield of around 3.7% at the current share price, which is also not a particular valuation driver on its own.

Our current forecasts are clearly more cautious than Nokia's long-term targets, and if market conditions were to recover faster than expected this year, they could come under upward pressure. However, we do not believe that the current fundamentals of the mobile network market are a reason for optimism at this stage. As a result, we see the modest performance of Mobile Networks in the coming years as a drag on Nokia's valuation that will be difficult to offset by the performance of other units. The weak performance of Mobile Networks is also reflected in our forecasts in the form of poor ROE figures (2025e ROE 6.0%). In view of this, too, we do not think that it

is justified to price the share at particularly high multiples.

Sum-of-the-parts calculation

Nokia Technologies	Lower end	Neutral	Upper end
Variable: Adj. EBIT 2025e	1.0	1.0	1.0
X valuation multiple	6.0	7.0	8.0
EV	6.2	7.3	8.3
<i>Per share (EUR)</i>	<i>1.1</i>	<i>1.3</i>	<i>1.5</i>

Network Infrastructure	Lower end	Neutral	Upper end
Variable: Adj. EBIT 2025e	1.0	1.0	1.0
X valuation multiple	7.0	8.0	9.0
EV	7.3	8.3	9.4
<i>Per share (EUR)</i>	<i>1.3</i>	<i>1.5</i>	<i>1.7</i>

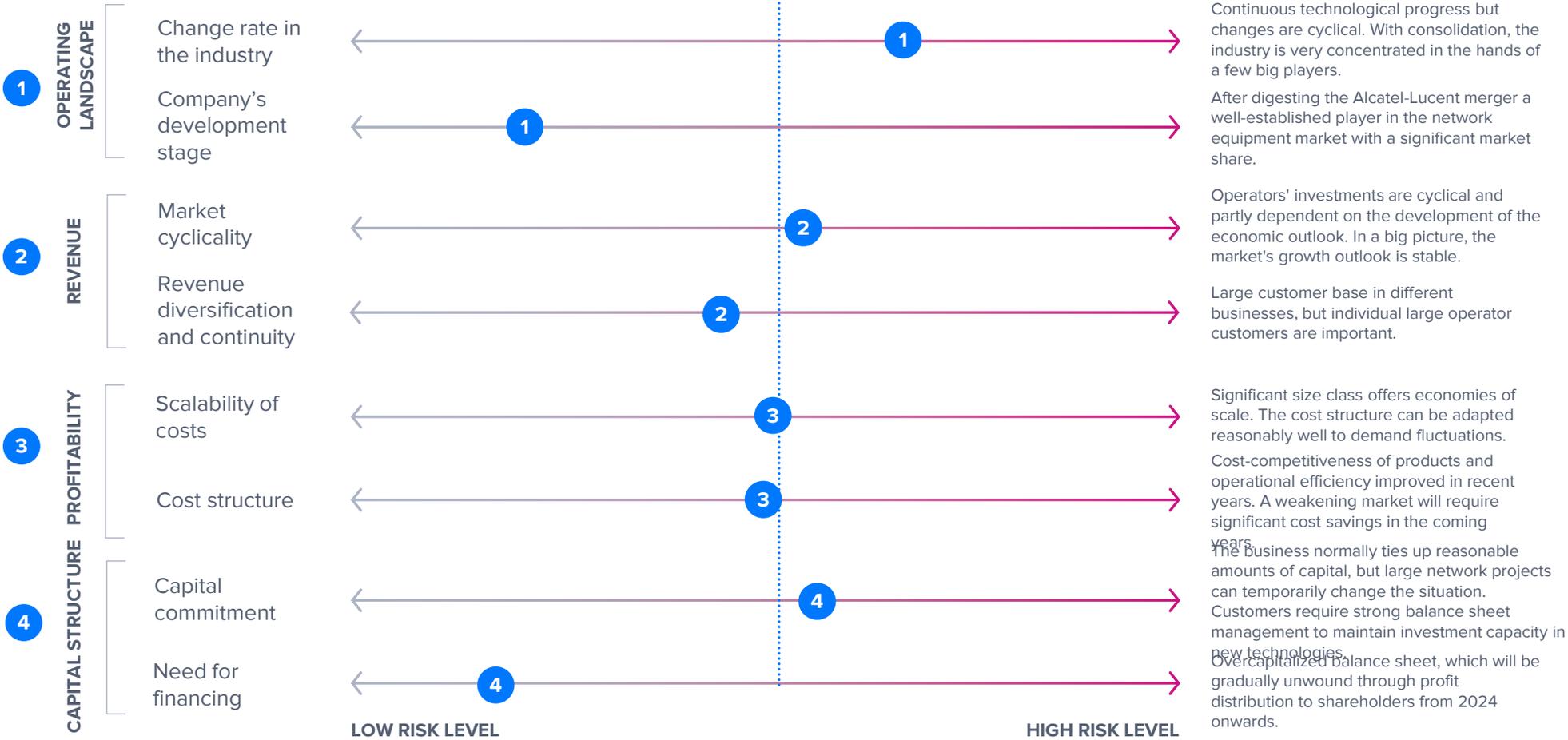
Cloud and Network Services	Lower end	Neutral	Upper end
Variable: Adj. EBIT 2025e	0.3	0.3	0.3
X valuation multiple	6.0	6.5	7.0
EV	1.6	1.7	1.8
<i>Per share (EUR)</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>

Mobile Networks	Lower end	Neutral	Upper end
Variable: Adj. EBIT 2025e	0.4	0.4	0.4
X valuation multiple	5.0	6.0	7.0
EV	2.2	2.6	3.0
<i>Per share (EUR)</i>	<i>0.4</i>	<i>0.5</i>	<i>0.5</i>

Total	Lower end	Neutral	Upper end
Aggregate EV	17.2	19.9	22.5
Other operating and group costs (NPV)	-3.0	-2.5	-2.0
Net cash at the end of Q4'23	4.3	4.3	4.3
Costs for restructuring	-1.4	-1.2	-1.0
SOTP total	17	20	24
<i>Per share (EUR)</i>	<i>3.1</i>	<i>3.7</i>	<i>4.3</i>

Risk profile of the business model

Assessment of Nokia's overall business risk

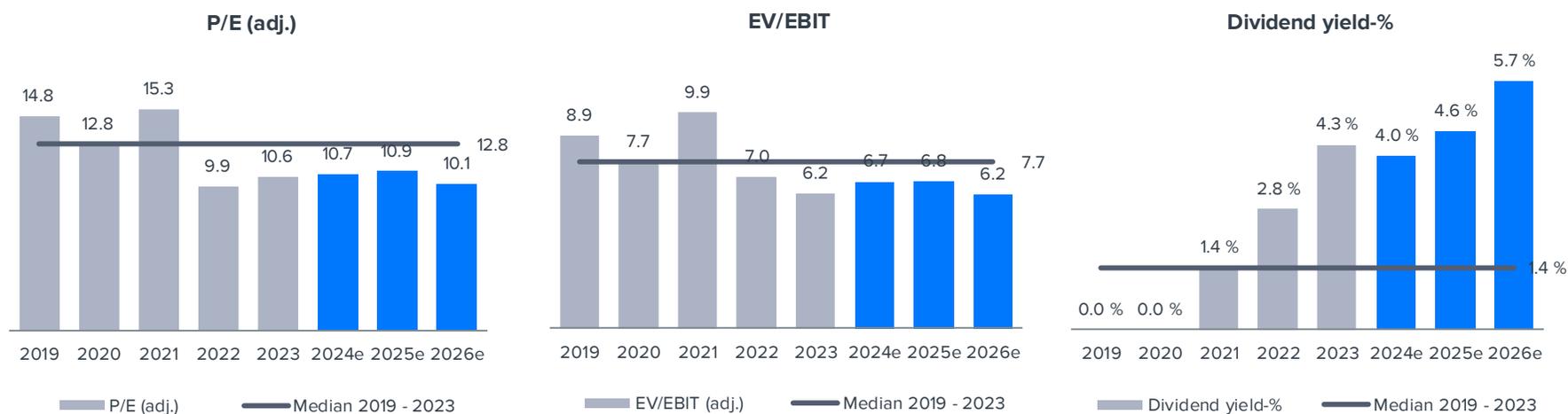


Source: Inderes

Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	3.30	3.15	5.57	4.33	3.05	3.50	3.50	3.50	3.50
Number of shares, millions	5606	5617	5629	5590	5526	5526	5526	5566	5566
Market cap	18476	17701	31378	24189	16864	19353	19353	19494	19494
EV	17799	15938	27543	21648	14698	16794	16390	16093	15736
P/E (adj.)	14.8	12.8	15.3	9.9	10.6	10.7	10.9	10.1	9.5
P/E	>100	neg.	19.3	5.7	25.4	16.3	15.2	12.3	11.2
P/B	1.2	1.4	1.8	1.1	0.8	0.9	0.9	0.9	0.9
P/S	0.8	0.8	1.4	1.0	0.8	0.9	0.9	0.9	0.9
EV/Sales	0.8	0.7	1.2	0.9	0.7	0.8	0.7	0.7	0.7
EV/EBITDA	8.3	7.9	8.5	6.3	5.3	6.3	6.0	5.6	5.1
EV/EBIT (adj.)	8.9	7.7	9.9	7.0	6.2	6.7	6.8	6.2	5.7
Payout ratio (%)	0.0 %	0.0 %	27.7 %	15.8 %	108.0 %	65.2 %	69.6 %	70.4 %	64.0 %
Dividend yield-%	0.0 %	0.0 %	1.4 %	2.8 %	4.3 %	4.0 %	4.6 %	5.7 %	5.7 %

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	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e
Qualcomm	158155	161892	14.3	12.8	12.9	11.6	4.6	4.3	16.5	14.6	2.1	2.2	6.8
Ciena	6833	7283	13.3	10.8	11.1	9.2	1.8	1.6	17.7	14.2			2.5
Cisco	191259	176352	10.6	10.3	9.5	9.3	3.5	3.4	13.3	12.8	3.1	3.2	4.4
Juniper Networks	10926	11106	13.1	11.9	10.7	10.0	2.2	2.1	16.1	14.5	2.4	2.5	2.6
Motorola	49990	54675	21.1	19.3	18.4	17.2	5.7	5.4	25.9	23.5	1.1	1.2	53.2
ZTE	13709	13266	8.1	8.3	6.3	6.3	0.8	0.7	6.1	5.6	4.4	4.5	0.9
Ericsson	17793	18521	8.7	7.3	6.2	5.4	0.8	0.8	11.6	9.6	4.5	4.9	1.8
Amdocs	9938	9895	11.8	11.1	9.8	9.4	2.1	2.0	14.2	13.0	1.9	2.0	2.9
CommScope	767	8900	11.5	10.1	8.1	8.1	1.5	1.5	3.0	2.0			
Oracle	288250	362180	17.3	15.6	14.2	12.9	7.4	6.8	20.6	18.4	1.3	1.3	31.6
Viavi	2063	2243	18.8	13.4	14.3	10.5	2.4	2.2	26.3	17.3			3.1
Nokia (Inderes)	19353	16794	6.7	6.8	6.3	6.0	0.8	0.7	10.7	10.9	4.0	4.6	0.9
Average			13.5	11.9	11.0	10.0	3.0	2.8	15.6	13.2	2.6	2.7	11.0
Median			13.1	11.1	10.7	9.4	2.2	2.1	16.1	14.2	2.3	2.3	3.0
Diff-% to median			-48%	-39%	-41%	-36%	-65%	-64%	-33%	-23%	76%	95%	-69%

Source: Refinitiv / Inderes

Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	24911	5859	5710	4982	5728	22279	5049	5157	5326	6179	21711	21889	22458	22845
Mobile Networks	10671	2567	2623	2157	2450	9797	1874	2151	2135	2426	8586	8929	9286	9472
Network Infrastructure	9047	2248	1979	1807	2003	8037	1708	1978	2078	2404	8168	8331	8498	8668
Nokia Technologies	1595	242	334	258	260	1094	760	330	340	340	1770	1410	1424	1424
Cloud and Network Services	3351	760	741	742	977	3220	684	675	749	987	3095	3126	3158	3189
Other	295	48	36	22	40	146	25	25	25	25	100	100	100	100
NRIs/non-IFRS adjustments	-48	-6	-3	-4	-2	-15	-2	-2	-2	-2	-8	-8	-8	-8
EBITDA	3458	692	746	508	829	2775	663	436	575	1003	2677	2735	2878	3071
Depreciation	-1140	-266	-272	-267	-282	-1087	-247	-247	-247	-247	-987	-966	-718	-699
EBIT (excl. NRI)	3109	479	626	424	846	2375	617	389	528	957	2490	2420	2610	2772
EBIT	2318	426	474	241	547	1688	417	189	328	757	1690	1770	2160	2372
Mobile Networks	940	137	205	99	282	723	-71	2	45	232	207	431	532	624
Network Infrastructure	1102	344	260	171	279	1054	120	224	268	391	1003	1039	1090	1153
Nokia Technologies	1208	149	236	180	169	734	669	240	250	250	1408	1039	1053	1053
Cloud and Network Services	177	-20	16	36	223	255	-11	13	55	174	231	261	286	292
Other	-318	-131	-91	-63	-107	-391	-90	-90	-90	-90	-360	-350	-350	-350
NRIs/non-IFRS adjustments	-791	-53	-153	-183	-299	-687	-200	-200	-200	-200	-800	-650	-450	-400
Net financial items	-108	-19	-55	-38	-39	-150	-25	-25	-25	-25	-100	-75	-50	-50
PTP	2184	401	407	179	512	1499	392	164	303	732	1590	1700	2115	2327
Taxes	2026	-111	-116	-45	-552	-825	-98	-41	-76	-183	-398	-424	-528	-580
Minority interest	-9	-10	1	5	-10	-14	-2	-2	-2	-2	-6	-6	-6	-6
Net earnings	4250	279	290	139	-43	665	292	122	226	547	1187	1270	1582	1740
EPS (adj.)	0.44	0.06	0.07	0.05	0.10	0.29	0.08	0.05	0.07	0.13	0.33	0.32	0.35	0.37
EPS (rep.)	0.76	0.05	0.05	0.03	-0.01	0.12	0.05	0.02	0.04	0.10	0.21	0.23	0.28	0.31

Key figures	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	12.2 %	9.6 %	-2.8 %	-20.2 %	-23.1 %	-10.6 %	-13.8 %	-9.7 %	6.9 %	7.9 %	-2.5 %	0.8 %	2.6 %	1.7 %
Adjusted EBIT growth-%	12.0 %	-17.8 %	-12.2 %	-35.5 %	-26.8 %	-23.6 %	28.7 %	-37.9 %	24.5 %	13.1 %	4.9 %	-2.8 %	7.9 %	6.2 %
EBITDA-%	13.9 %	11.8 %	13.1 %	10.2 %	14.5 %	12.5 %	13.1 %	8.5 %	10.8 %	16.2 %	12.3 %	12.5 %	12.8 %	13.4 %
Adjusted EBIT-%	12.5 %	8.2 %	11.0 %	8.5 %	14.8 %	10.7 %	12.2 %	7.5 %	9.9 %	15.5 %	11.5 %	11.1 %	11.6 %	12.1 %
Net earnings-%	17.1 %	4.8 %	5.1 %	2.8 %	-0.7 %	3.0 %	5.8 %	2.4 %	4.2 %	8.9 %	5.5 %	5.8 %	7.0 %	7.6 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	24810	23255	22737	22252	21774
Goodwill	5667	5504	5504	5504	5504
Intangible assets	3396	2647	2292	1929	1543
Tangible assets	2944	2857	2693	2572	2480
Associated companies	199	88.0	88.0	88.0	88.0
Other investments	828	715	715	715	715
Other non-current assets	7942	7571	7571	7571	7571
Deferred tax assets	3834	3873	3873	3873	3873
Current assets	20266	18131	17478	17402	17854
Inventories	3265	2684	2714	2736	2807
Other current assets	0.0	79.0	0.0	0.0	0.0
Receivables	7839	7128	6948	7004	7187
Cash and equivalents	9162	8240	7816	7661	7860
Balance sheet total	42943	39825	38835	38443	38828

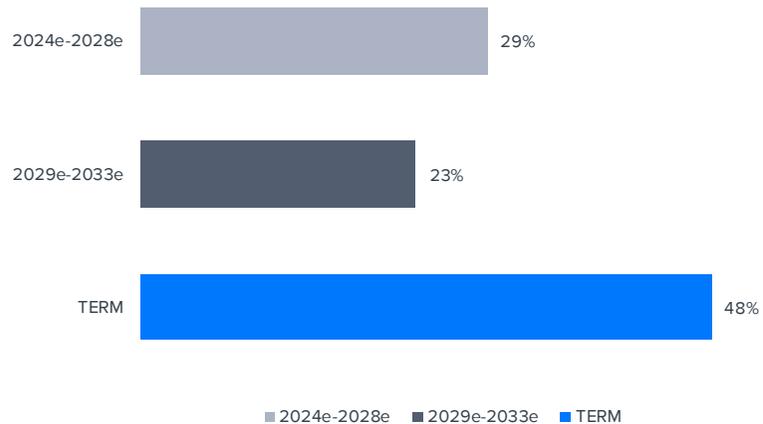
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	21426	20628	21096	21593	22290
Share capital	246	246	246	246	246
Retained earnings	1375	1404	1872	2369	3066
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	3905	3605	3605	3605	3605
Other equity	15807	15282	15282	15282	15282
Minorities	93	91	91	91	91
Non-current liabilities	9556	9043	8189	7372	6895
Deferred tax liabilities	332	725	625	525	525
Provisions	1435	1262	900	700	500
Interest bearing debt	5107	4436	4144	3727	3550
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	2682	2620	2520	2420	2320
Current liabilities	11961	10154	9549	9479	9642
Interest bearing debt	1450	1582	1081	942	883
Payables	10511	8572	8467	8537	8759
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	42943	39825	38835	38443	38828

DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	-10.6 %	-2.5 %	0.8 %	2.6 %	1.7 %	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %
EBIT-%	7.6 %	7.8 %	8.1 %	9.6 %	10.4 %	9.0 %	8.9 %	8.8 %	8.7 %	8.7 %	8.5 %	8.5 %
EBIT (operating profit)	1688	1690	1770	2160	2372	2077	2074	2071	2068	2089	2061	
+ Depreciation	1087	987	966	718	699	685	675	667	662	658	655	
- Paid taxes	-471	-498	-524	-528	-580	-507	-455	-455	-459	-469	-466	
- Tax, financial expenses	-38	-25	-19	-13	-13	-13	-64	-62	-58	-54	-49	
+ Tax, financial income	0	0	0	0	0	0	0	0	0	0	0	
- Change in working capital	-726	125	-10	-31	-21	-13	-13	-13	-13	-13	-13	
Operating cash flow	1541	2280	2183	2307	2457	2230	2218	2208	2200	2212	2188	
+ Change in other long-term liabilities	-235	-462	-300	-300	-300	-300	-200	-100	-100	-100	-100	
- Gross CAPEX	-176	-650	-650	-650	-650	-650	-650	-650	-650	-650	-650	
Free operating cash flow	1130	1168	1233	1357	1507	1280	1368	1458	1450	1462	1438	
+/- Other	-295	-300	-300	0	0	0	0	0	0	0	0	
FCFF	835	868	933	1357	1507	1280	1368	1458	1450	1462	1438	17818
Discounted FCFF		800	788	1050	1068	831	814	795	724	669	603	7469
Sum of FCFF present value		15610	14810	14022	12972	11904	11073	10259	9464	8740	8072	7469
Enterprise value DCF		15610										
- Interest bearing debt		-6018										
+ Cash and cash equivalents		8240										
-Minorities		-84										
-Dividend/capital return		0										
Equity value DCF		17801										
Equity value DCF per share		3.2										

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	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	22202	24911	22279	21711	21889	EPS (reported)	0.29	0.76	0.12	0.21	0.23
EBITDA	3253	3458	2775	2677	2735	EPS (adj.)	0.37	0.44	0.29	0.33	0.32
EBIT	2158	2318	1688	1690	1770	OCF / share	0.73	0.26	0.28	0.41	0.40
PTP	1926	2184	1499	1590	1700	FCF / share	-0.16	-0.18	0.15	0.16	0.17
Net Income	1623	4250	665	1187	1270	Book value / share	3.08	3.82	3.72	3.80	3.89
Extraordinary items	-617	-791	-687	-800	-650	Dividend / share	0.08	0.12	0.13	0.14	0.16
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	40049	42943	39825	38835	38443	Revenue growth-%	2%	12%	-11%	-3%	1%
Equity capital	17462	21426	20628	21096	21593	EBITDA growth-%	61%	6%	-20%	-4%	2%
Goodwill	5431	5667	5504	5504	5504	EBIT (adj.) growth-%	33%	12%	-24%	5%	-3%
Net debt	-3942	-2605	-2222	-2590	-2992	EPS (adj.) growth-%	49%	20%	-34%	13%	-2%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	14.7 %	13.9 %	12.5 %	12.3 %	12.5 %
EBITDA	3253	3458	2775	2677	2735	EBIT (adj.)-%	12.5 %	12.5 %	10.7 %	11.5 %	11.1 %
Change in working capital	608	-1476	-726	125	-10	EBIT-%	9.7 %	9.3 %	7.6 %	7.8 %	8.1 %
Operating cash flow	4127	1469	1541	2280	2183	ROE-%	10.9 %	22.0 %	3.2 %	5.7 %	6.0 %
CAPEX	-4111	-847	-176	-650	-650	ROI-%	10.3 %	9.0 %	6.0 %	6.4 %	6.7 %
Free cash flow	-911	-979	835	868	933	Equity ratio	43.6 %	49.9 %	51.8 %	54.3 %	56.2 %
						Gearing	-22.6 %	-12.2 %	-10.8 %	-12.3 %	-13.9 %
Valuation multiples	2021	2022	2023	2024e	2025e						
EV/S	1.2	0.9	0.7	0.8	0.7						
EV/EBITDA (adj.)	8.5	6.3	5.3	6.3	6.0						
EV/EBIT (adj.)	9.9	7.0	6.2	6.7	6.8						
P/E (adj.)	15.3	9.9	10.6	10.7	10.9						
P/B	1.8	1.1	0.8	0.9	0.9						
Dividend-%	1.4 %	2.8 %	4.3 %	4.0 %	4.6 %						

Source: 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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Buy	The 12-month risk-adjusted expected shareholder return of the share is very attractive
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 €
1/26/2024	Reduce	3.10 €	3.50 €



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