Nokia

Company report

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This report is a summary translation of the report "Matkapuhelinverkot alkaa näyttää taas riippakiveltä" published on 12/7/2023 at 8:05 am EET.

Mobile Networks starting to look like dead weight again

We reiterate our Reduce recommendation for Nokia and lower our target price to EUR 2.9 (was 3.2 EUR). Nokia losing AT&T's radio networks is a major setback for the company in the North American market - the market crucial to the company's profitability. In addition to the already weak market situation, this will hamper the turnaround of Mobile Networks, which will play an essential role in Nokia's overall medium-term earnings improvement. Without a turnaround in the earnings trend or restructuring of the business, we find it difficult to justify material upside to the low valuation over the next 12 months.

Hard to do good business in Mobile Networks - divesting the business would solve many problems

Nokia dropping out of AT&T radio network supplier list is yet another example of the fierce competitive pressure in the network equipment market under the squeeze of operator juggernauts. According to AT&T, Ericsson was prepared to lower its prices in a challenging market as part of a major deal. In this light, price competition may continue to erode the typically better margins for network equipment suppliers in the North American market. In the big picture, the size of the RAN market has not grown substantially in the long term and the now apparently accelerating shift to Open RAN technologies is bringing new players into the market to compete for the same pie. Looking to the end of the decade, this will make it more difficult to achieve significant improvements in profitability, while at the same time there will be a constant need to invest heavily in product development to keep pace with technological developments. This equation makes it difficult to achieve a good return on capital in the business, and in our view, Nokia should carefully consider whether staying in this business makes sense in terms of long-term shareholder value creation.

Medium-term earnings forecasts fell by around 10-11%

The loss of a major customer in the company's most important market will weigh on Nokia's profitability in the coming years, and the company's comment "Mobile Networks will remain profitable" does not yet paint a terribly encouraging picture of the outlook for the coming years. Competitive pressure from Open RAN technology is also a medium-term threat in terms of both market share losses and margins. We now expect Mobile Networks' EBIT to remain at a modest 5.6%-6.0% between 2024-2026 (was 7.8-8.7%). We expect Nokia to be able to offset to some extent the pressure on declining revenues and gross margin with the already announced efficiency program targeting annual savings of EUR 800-1,200 million. We believe it is possible that the company will have to make further savings in the coming years to defend its profitability. Our forecast still expects the patent disputes in Nokia Technologies to be resolved during Q4, but there is still a risk of a profit warning for the rest of the year.

Without a turnaround in the earnings trend, we do not see material upside to the low multiples

Nokia's adjusted earnings multiples (2024e P/E 9.5x, EV/EBIT 5.6x) look low, but we believe the drivers for a valuation increase are currently missing. Nokia's short-term demand outlook was already soft as operators put the brakes on their investments, and now the loss of AT&T is clouding the medium-term earnings growth outlook for Mobile Networks. Provided these challenges do not materially erode Nokia's current strong net cash position, the company should be able to distribute virtually all free cash flow back to shareholders from next year. Based on our projections, Nokia will generate around EUR 1.3 billion of FCF per annum between 2024 and 2026, representing a FCF yield of just over 8%. Without earnings growth and rising multiples, the expected return on the stock also relies heavily on the capital returned to owners.

Recommendation

Reduce
(previous Reduce)

EUR 2.90
(previous EUR 3.20

Share price:
2.82

Key figures

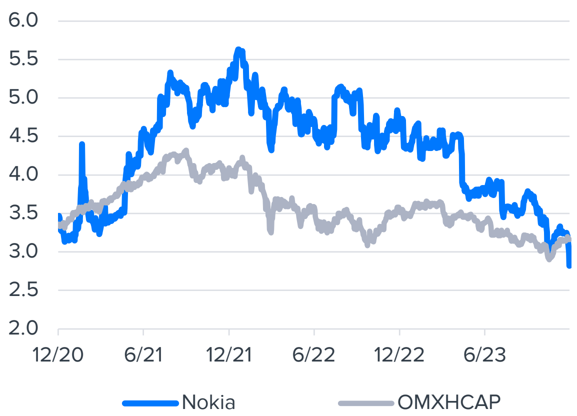
	2022	2023e	2024e	2025e
Revenue	24,911	23,215	22,116	22,304
growth-%	12%	-7%	-5%	1%
EBIT adj.	3,109	2,724	2,264	2,432
EBIT-% adj.	12.5 %	11.7 %	10.2 %	10.9 %
Net Income	4,201	1,455	1,022	1,279
EPS (adj.)	0.44	0.35	0.30	0.32
P/E (adj.)	9.9	8.1	9.5	8.8
P/B	1.1	0.7	0.7	0.7
Dividend yield-%	2.8 %	5.3 %	6.0 %	7.1 %
EV/EBIT (adj.)	7.0	4.8	5.6	5.1
EV/EBITDA	6.3	4.1	5.2	4.5
EV/S	0.9	0.6	0.6	0.6

Source: Inderes

Guidance (Unchanged)

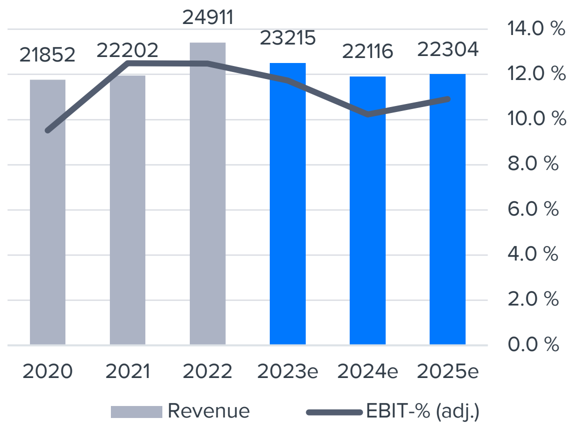
2023 Net sales EUR 23.2-24.6 billion and comparable operating profit 11.5-13.0%

Share price



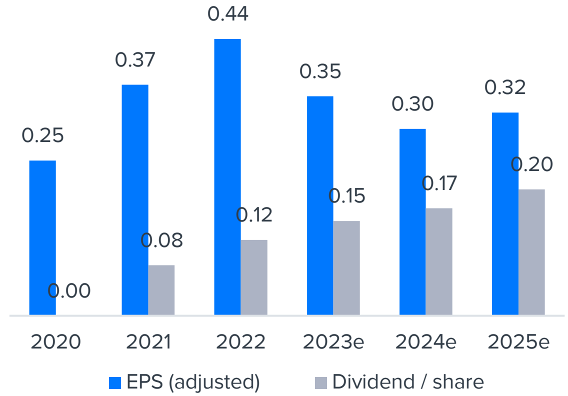
Source: Millistream Market Data AB

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	2.82	2.82	2.82
Number of shares, millions	5540.3	5540.3	5540.3
Market cap	15624	15624	15624
EV	13050	12692	12359
P/E (adj.)	8.1	9.5	8.8
P/E	10.8	15.3	12.2
P/B	0.7	0.7	0.7
P/S	0.7	0.7	0.7
EV/Sales	0.6	0.6	0.6
EV/EBITDA	4.1	5.2	4.5
EV/EBIT (adj.)	4.8	5.6	5.1
Payout ratio (%)	57%	92%	87%
Dividend yield-%	5.3 %	6.0 %	7.1 %

Source: Inderes

Loss of AT&T will weigh on the profitability of Mobile Networks in the coming years

Medium-term earnings forecasts slashed by around 10-11%

- According to Nokia, AT&T's share of the Mobile Networks business group's revenues has been around 5-8% from the beginning of 2023 until now. For the full year 2023, this means around EUR 500-800 million in revenue on our forecasts. It is worth remembering that this year Mobile Network revenues in H2 are under significant pressure, especially as North American operators slow down their investments and digest their inventory levels. Thus, in previous better years, we estimate AT&T's share to have been around one billion.
- We expect the network equipment market to start recovering in H2'24, partially offsetting the revenue loss from AT&T. Overall, we expect Mobile Networks' revenue to remain stable in 2024-2026 at around EUR 9.5 billion (2023e: 10.0 BEUR).
- We expect the loss of AT&T and increased competitive pressure to be particularly reflected in the profitability of Mobile Networks. We now expect Mobile Networks' EBIT to remain at a modest 5.6%-6.0% between 2024-2026 (was 7.8-8.7%).
- We slightly lowered our forecasts for Network Infrastructure for the coming years, reflecting the continued challenging and the still somewhat deteriorating market conditions after the Q3 report

Estimate revisions	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	23215	23215	0%	22403	22116	-1%	22603	22304	-1%
EBITDA	3222	3222	0%	2710	2451	-10%	3043	2737	-10%
EBIT (exc. NRIs)	2724	2724	0%	2523	2264	-10%	2738	2432	-11%
EBIT	2156	2156	0%	1723	1464	-15%	2088	1782	-15%
PTP	1983	1983	0%	1628	1369	-16%	2018	1712	-15%
EPS (excl. NRIs)	0.35	0.35	0%	0.33	0.30	-11%	0.36	0.32	-11%
DPS	0.16	0.15	-6%	0.18	0.17	-6%	0.22	0.20	-9%

Source: Inderes

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**	**23215**	**0%**	**22403**	**22116**	**-1%**	**22603**	**22304**	**-1%**
Mobile Networks	10041	10041	0%	9645	9474	-2%	9636	9455	-2%
Network Infrastructure	8269	8269	0%	8175	8059	-1%	8339	8220	-1%
Nokia Technologies	1524	1524	0%	1290	1290	0%	1367	1367	0%
Cloud and Network Services	3250	3250	0%	3168	3168	0%	3136	3136	0%
Other	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**	**3222**	**0%**	**2710**	**2451**	**-10%**	**3043**	**2737**	**-10%**
EBIT (exc. NRIs)	**2724**	**2724**	**0%**	**2523**	**2264**	**-10%**	**2738**	**2432**	**-11%**
EBIT	**2156**	**2156**	**0%**	**1723**	**1464**	**-15%**	**2088**	**1782**	**-15%**
Network Infrastructure	701	701	0%	748	531	-29%	817	555	-32%
Network Infrastructure	1062	1062	0%	975	932	-4%	1017	973	-4%
Nokia Technologies	1154	1154	0%	927	927	0%	995	995	0%
NRIs/non-IFRS adjustments	205	205	0%	243	243	0%	259	259	0%
Other	-399	-399	0%	-370	-370	0%	-350	-350	0%
NRIs/non-IFRS adjustments	-568	-568	0%	-800	-800	0%	-650	-650	0%
PTP	**1983**	**1983**	**0%**	**1628**	**1369**	**-16%**	**2018**	**1712**	**-15%**
EPS (adjusted)	**0.35**	**0.35**	**0%**	**0.33**	**0.30**	**-11%**	**0.36**	**0.32**	**-11%**
Dividend / share	0.16	0.15	-6%	0.18	0.17	-6%	0.22	0.20	-9%

Source: Inderes

Summary of estimates

Mobile Networks	2021	2022	2023e	2024e	2025e	2026e
Revenue	**9718**	**10672**	**10041**	**9474**	**9455**	**9550**
growth %	*-6.5%*	*9.8%*	*-5.9%*	*-5.6%*	*-0.2%*	*1.0%*
Gross margin	**3638**	**4095**	**3440**	**3216**	**3215**	**3256**
Gross margin	37.4%	38.4%	34.3%	33.9%	34.0%	34.1%
EBIT	**764**	**941**	**702**	**531**	**555**	**576**
EBIT-%	7.9%	8.8%	7.0%	5.6%	5.9%	6.0%

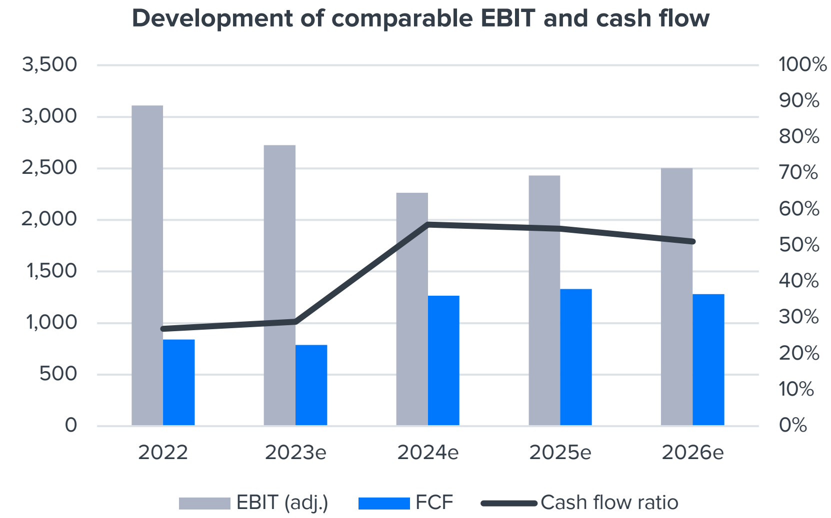
Network Infrastructure	2021	2022	2023e	2024e	2025e	2026e
Revenue	**7674**	**9047**	**8268**	**8059**	**8220**	**8385**
growth %	*13.9%*	*17.9%*	*-8.6%*	*-2.5%*	*2.0%*	*2.0%*
Gross margin	**2684**	**3309**	**3072**	**2977**	**3033**	**3086**
Gross margin	*35.0%*	*36.6%*	*37.2%*	*36.9%*	*36.9%*	*36.8%*
EBIT	**784**	**1101**	**1062**	**932**	**973**	**1006**
EBIT-%	*10.2%*	*12.2%*	*12.8%*	*11.6%*	*11.8%*	*12.0%*

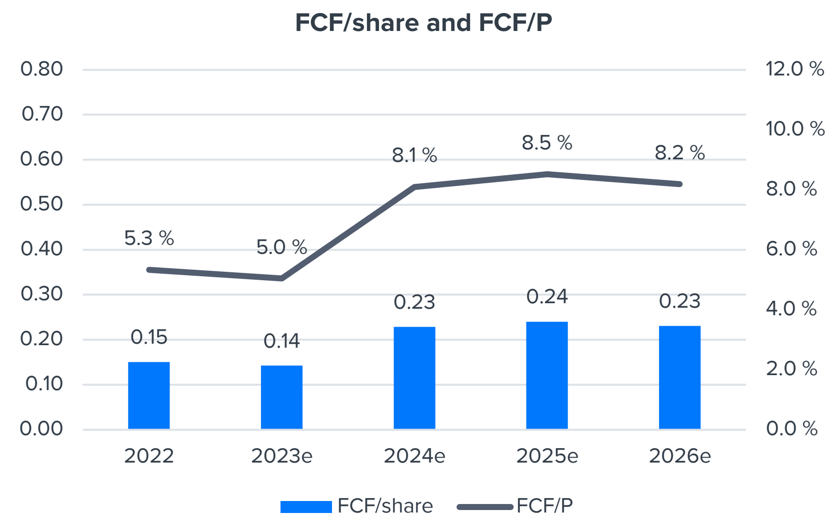
Cloud and Network Services	2021	2022	2023e	2024e	2025e	2026e
Revenue	**3089**	**3350**	**3251**	**3168**	**3136**	**3136**
growth %	*0.1%*	*8.4%*	*-3.0%*	*-2.5%*	*-1.0%*	*0.0%*
Gross margin	**1160**	**1340**	**1254**	**1263**	**1289**	**1292**
Gross margin	*37.6%*	*40.0%*	*38.6%*	*39.9%*	*41.1%*	*41.2%*
EBIT	**166**	**178**	**205**	**243**	**259**	**261**
EBIT-%	*5.4%*	*5.3%*	*6.3%*	*7.7%*	*8.3%*	*8.3%*

Nokia Technologies	2021	2022	2023e	2024e	2025e	2026e
Revenue	**1501**	**1595**	**1524**	**1290**	**1367**	**1381**
growth %	*7.1%*	*6.3%*	*-4.5%*	*-15.4%*	*6.0%*	*1.0%*
EBIT	**1185**	**1208**	**1155**	**927**	**995**	**1008**
EBIT-%	*78.9%*	*75.7%*	*75.8%*	*71.9%*	*72.7%*	*73.0%*

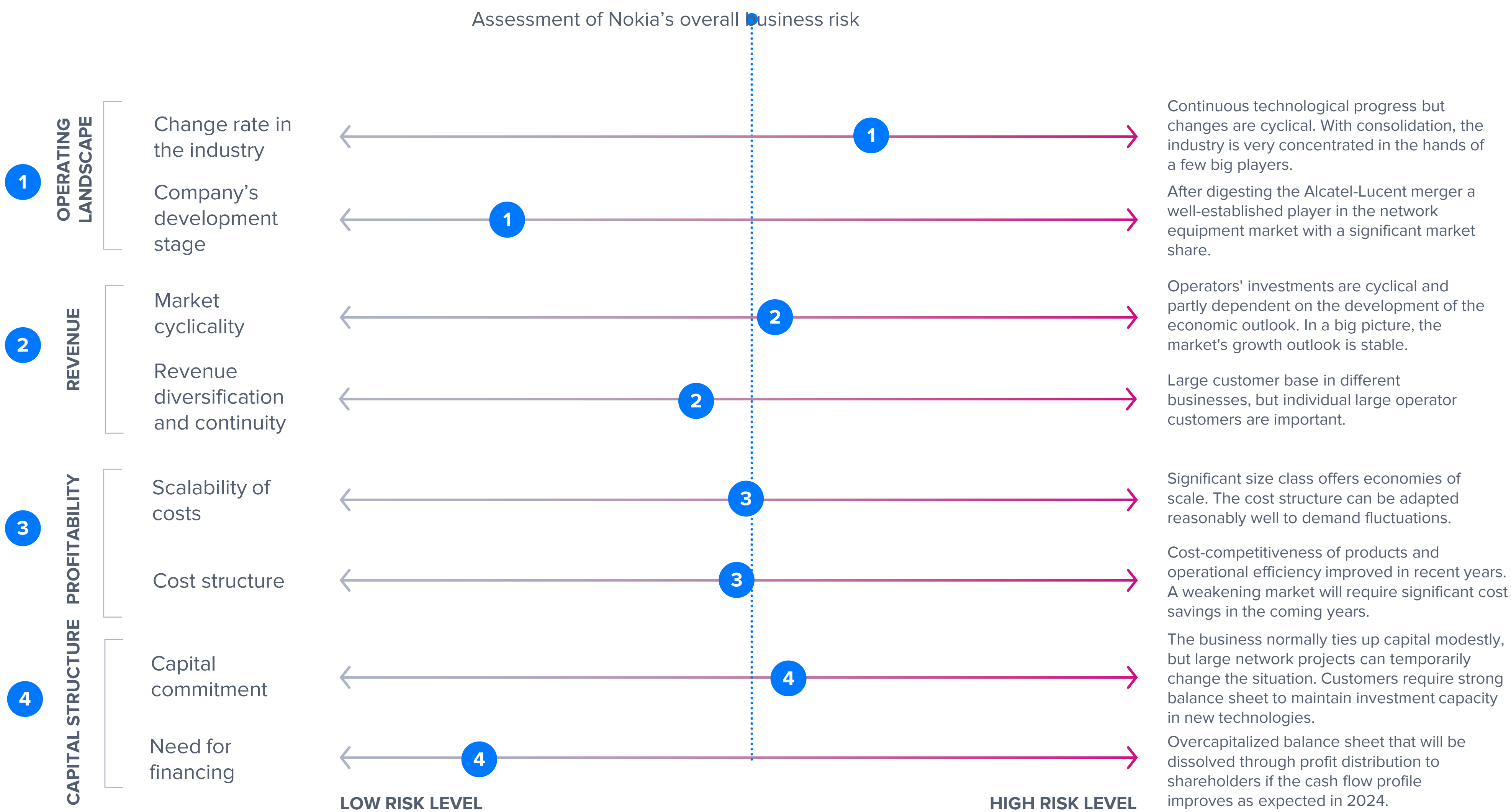
Shared group functions and other	2021	2022	2023e	2024e	2025e	2026e
Revenue	**257**	**296**	**145**	**140**	**140**	**140**
growth %	*-4.3%*	*15.2%*	*-51.0%*	*-3.4%*	*0.0%*	*0.0%*
EBIT	**-124**	**-318**	**-400**	**-370**	**-350**	**-350**

Source: Inderes





Risk profile of the business model



Source: Inderes

Valuation

SOTP indicates upside, but in a weak market the drivers are missing

We approach the valuation of Nokia partly through SOTP. We price each company's business unit separately based on our 2024 estimates. In addition, we have tried to take into account the cash flow impact of restructuring, net cash and the estimated present value of other businesses and group expenses.

We value Nokia Technologies at 6x-8x EV/EBIT. The value of the unit is thus EUR 5.6-7.4 billion. The growth outlook for Nokia Technologies is modest, but in the medium term, stable cash flows support value.

We price Network Infrastructure, which is performing very well, at an earnings multiple of 7x-9x and expect the unit to deliver a solid good performance in the medium term. The value of the unit is thus EUR 6.5-8.4 billion. The unit has grown very strongly in recent years and profitability has already reached a very good level. Thus, it will be challenging to generate earnings growth in a declining market.

Cloud and Network Services, which is currently still underperforming, are valued at an EV/EBIT multiple of 6x-7x, resulting in a unit value of EUR 1.5-1.7 billion. In addition to weak profitability, the current sluggish growth supports moderate multiples.

For mobile networks, we have now assumed 5x-7x (was 6x-8x) EBIT multiples, resulting in a unit value of EUR 2.7-3.7 billion. The value is already getting very low, and we could see that a strategic buyer might be willing to pay more for the business. Assuming, for example, EV/S multiple of around 0.5x, the value of the transaction would rise to around EUR 5 billion.

Under the above assumptions, the total amount of the SOTP is EUR 18 billion (EUR 3.3/share) with a range of EUR 15-21 billion (EUR 2.7-3.8/share). Thus, the SOTP indicates that the stock would have upside, although we do not see the multiples recovering to the level of the neutral scenario in a weakening market. Thus, we do not see SOTP as a driver of valuation in the short term. However, it is partly a reminder of Nokia's latent potential, should uncertainty about the company's earnings growth prospects dissipate or in a possible restructuring scenario.

Cash flow yield at a reasonable level

In light of Nokia's current net cash position and its target level (10-15%), the company should start distributing most of its earnings back to shareholders in the future if free cash flow starts to improve in line with the company's targets from next year. The weakened market situation has contributed to the uncertainty in this respect. This means that the additional dividend we had estimated the company could pay in the spring may also remain a pipe dream. If Nokia were to decide to distribute its entire free cash flow back to shareholders, this would mean a dividend yield of just over 8% in our 2024-2026 projections. It is likely that some of the profits would be returned through share buybacks, so the dividend yield would not be quite so high. The company may also make smaller complementary acquisitions, in which case part of the capital would be allocated to these. With our current forecasts, cash flow yields are still at a reasonably good level, but their relative attractiveness has weakened as interest rates have risen. In addition, we believe there are many other stocks with a better risk/return ratio in the declined stock market.

Sum-of-the-parts calculation

Nokia Technologies	Lower end	Neutral	Upper end
Variable: Adj. EBIT 2024e	0.9	0.9	0.9
X valuation multiple	6.0	7.0	8.0
EV	**5.6**	**6.5**	**7.4**
Per share (EUR)	*1.0*	*1.2*	*1.3*

Network Infrastructure	Lower end	Neutral	Upper end
Variable: Adj. EBIT 2024e	0.9	0.9	0.9
X valuation multiple	7.0	8.0	9.0
EV	**6.5**	**7.5**	**8.4**
Per share (EUR)	*1.2*	*1.3*	*1.5*

Cloud and Network Services	Lower end	Neutral	Upper end
Variable: Adj. EBIT 2024e	0.2	0.2	0.2
X valuation multiple	6.0	6.5	7.0
EV	**1.5**	**1.6**	**1.7**
Per share (EUR)	*0.3*	*0.3*	*0.3*

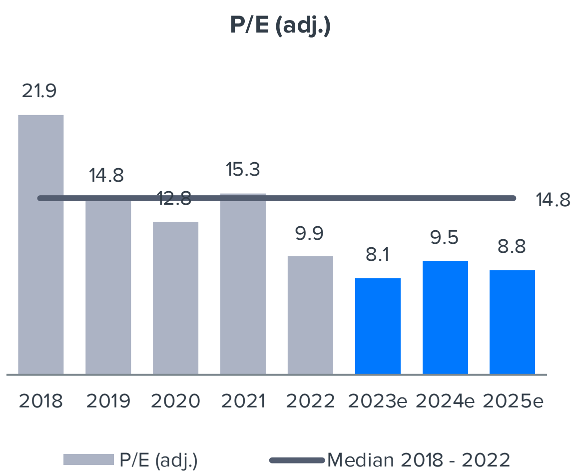
Mobile Networks	Lower end	Neutral	Upper end
Variable: Adj. EBIT 2024e	0.5	0.5	0.5
X valuation multiple	5.0	6.0	7.0
EV	**2.7**	**3.2**	**3.7**
Per share (EUR)	*0.5*	*0.6*	*0.7*

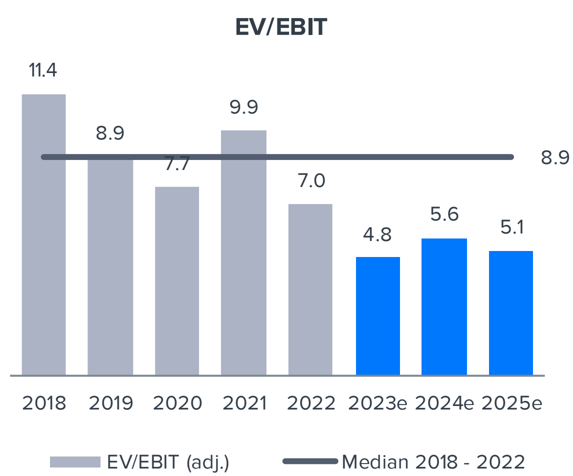
Total	Lower end	Neutral	Upper end
Aggregate EV	16.2	18.7	21.2
Other operating and group costs (NPV)	-3.0	-2.5	-2.0
Net cash at the end of Q3'23	3.0	3.0	3.0
Costs for restructuring	-1.4	-1.2	-1.0
SOTP total	15	18	21
Per share (EUR)	*2.7*	*3.3*	*3.8*

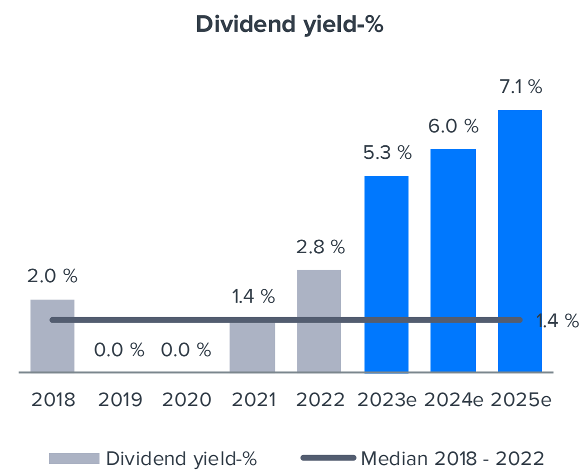
Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	5.03	3.30	3.15	5.57	4.33	**2.82**	**2.82**	**2.82**	**2.82**
Number of shares, millions	5593	5606	5617	5629	5590	**5540**	**5540**	**5540**	**5540**
Market cap	28133	18476	17701	31378	24189	**15624**	**15624**	**15624**	**15624**
EV	24912	17799	15938	27543	21648	**13050**	**12692**	**12359**	**12225**
P/E (adj.)	21.9	14.8	12.8	15.3	9.9	**8.1**	**9.5**	**8.8**	**8.5**
P/E	neg.	>100	neg.	19.3	5.7	**10.8**	**15.3**	**12.2**	**10.4**
P/B	1.8	1.2	1.4	1.8	1.1	**0.7**	**0.7**	**0.7**	**0.7**
P/S	1.2	0.8	0.8	1.4	1.0	**0.7**	**0.7**	**0.7**	**0.7**
EV/Sales	1.1	0.8	0.7	1.2	0.9	**0.6**	**0.6**	**0.6**	**0.5**
EV/EBITDA	17.9	8.3	7.9	8.5	6.3	**4.1**	**5.2**	**4.5**	**4.4**
EV/EBIT (adj.)	11.4	8.9	7.7	9.9	7.0	**4.8**	**5.6**	**5.1**	**4.9**
Payout ratio (%)	neg.	0.0 %	0.0 %	27.7 %	15.8 %	**57.2 %**	**92.2 %**	**86.6 %**	**73.9 %**
Dividend yield-%	2.0 %	0.0 %	0.0 %	1.4 %	2.8 %	**5.3 %**	**6.0 %**	**7.1 %**	**7.1 %**

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	133730	137497	13.5	12.2	11.3	11.0	4.2	3.9	15.6	14.0	2.4	2.5	7.0
Ciena	6418	6693	12.9	10.9	11.0	9.3	1.7	1.6	17.7	14.4			2.4
Cisco	180530	165504	9.6	9.8	8.8	8.8	3.2	3.3	12.6	12.4	3.2	3.3	4.5
Juniper Networks	8518	8699	10.2	10.1	8.3	8.3	1.7	1.7	12.6	12.4	3.0	3.1	2.1
Motorola	49668	54404	22.4	20.9	19.4	18.1	5.9	5.6	27.6	25.6	1.1	1.1	94.6
ZTE	14940	14614	10.3	8.8	7.6	6.9	0.9	0.8	7.5	6.8	3.7	4.0	1.1
Ericsson	16087	16893		7.8	7.7	5.5	0.7	0.7	14.8	9.9	5.0	5.0	1.7
Amdocs	9394	9345	11.8	11.0	9.7	9.2	2.1	2.0	14.4	13.1	2.0	2.1	2.8
CommScope	371	9599	14.9	12.2	9.9	8.6	1.5	1.6	2.6	2.4			
Oracle	293253	364770	18.9	17.1	15.4	14.0	7.9	7.4	23.0	20.9	1.1	1.3	
Viavi	1760	1942	12.4	15.9	9.3	12.3	1.9	2.1	16.2	21.8			2.6
Nokia (Inderes)	**15624**	**13050**	**4.8**	**5.6**	**4.1**	**5.2**	**0.6**	**0.6**	**8.1**	**9.5**	**5.3**	**6.0**	**0.7**
Average			**13.7**	**12.4**	**10.8**	**10.2**	**2.9**	**2.8**	**15.0**	**14.0**	**2.7**	**2.8**	**13.2**
Median			**12.6**	**11.0**	**9.7**	**9.2**	**1.9**	**2.0**	**14.8**	**13.1**	**2.7**	**2.8**	**2.6**
Diff-% to median			***-62%***	***-49%***	***-58%***	***-44%***	***-70%***	***-71%***	***-45%***	***-27%***	***97%***	***115%***	***-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**	**6664**	**23215**	**22116**	**22304**	**22577**
Mobile Networks	9717	2268	2592	2851	2960	10671	2567	2623	2157	2694	10041	9474	9455	9550
Network Infrastructure	7674	1974	2153	2211	2709	9047	2248	1979	1807	2235	8269	8059	8220	8385
Nokia Technologies	1502	306	305	305	679	1595	242	334	258	690	1524	1290	1367	1381
Cloud and Network Services	3089	736	754	801	1060	3351	760	741	742	1007	3250	3168	3136	3136
Muut	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**	**1276**	**3222**	**2451**	**2737**	**2757**
Depreciation	-1095	-274	-282	-288	-296	-1140	-266	-272	-267	-261	-1066	-987	-955	-706
EBIT (excl. NRI)	**2775**	**583**	**714**	**658**	**1155**	**3109**	**479**	**626**	**424**	**1195**	**2724**	**2264**	**2432**	**2502**
EBIT	**2158**	**354**	**565**	**518**	**882**	**2318**	**426**	**474**	**241**	**1015**	**2156**	**1464**	**1782**	**2052**
Mobile Networks	765	171	291	277	201	940	137	205	99	260	701	531	555	576
Network Infrastructure	784	195	247	228	432	1102	344	260	171	287	1062	932	973	1006
Nokia Technologies	1185	220	217	207	564	1208	149	236	180	589	1154	927	995	1008
Cloud and Network Services	166	20	-6	16	147	177	-20	16	36	173	205	243	259	261
Other	-125	-23	-36	-71	-189	-318	-131	-91	-63	-115	-399	-370	-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**	**996**	**1983**	**1369**	**1712**	**2007**
Taxes	-272	-79	-74	-93	2271	2026	-111	-116	-45	-249	-522	-341	-427	-500
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**	**745**	**1453**	**1022**	**1279**	**1500**
EPS (adj.)	**0.37**	**0.07**	**0.10**	**0.10**	**0.17**	**0.44**	**0.06**	**0.07**	**0.05**	**0.16**	**0.35**	**0.30**	**0.32**	**0.33**
EPS (rep.)	**0.29**	**0.04**	**0.08**	**0.08**	**0.56**	**0.76**	**0.05**	**0.05**	**0.02**	**0.13**	**0.26**	**0.18**	**0.23**	**0.27**

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 %	-10.5 %	-6.8 %	-4.7 %	0.8 %	1.2 %
Adjusted EBIT growth-%	33.4 %	5.8 %	4.5 %	3.9 %	27.1 %	12.0 %	-17.8 %	-12.2 %	-35.5 %	3.4 %	-12.4 %	-16.9 %	7.4 %	2.9 %
EBITDA-%	14.7 %	11.7 %	14.4 %	12.9 %	15.8 %	13.9 %	11.8 %	13.1 %	10.2 %	19.1 %	13.9 %	11.1 %	12.3 %	12.2 %
Adjusted EBIT-%	12.5 %	10.9 %	12.2 %	10.5 %	15.5 %	12.5 %	8.2 %	11.0 %	8.5 %	17.9 %	11.7 %	10.2 %	10.9 %	11.1 %
Net earnings-%	7.3 %	4.0 %	7.8 %	6.8 %	42.3 %	17.1 %	4.8 %	5.1 %	2.8 %	11.2 %	6.3 %	4.6 %	5.7 %	6.6 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	**22174**	**23886**	**23503**	**23001**	**22510**
Goodwill	5431	5667	5667	5667	5667
Intangible assets	3342	2472	2123	1784	1418
Tangible assets	2808	2944	2869	2705	2581
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**	**19686**	**18688**	**18602**
Inventories	2392	3265	3204	2964	2944
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	7601	7839	8125	7763	7851
Cash and equivalents	9604	9162	8357	7962	7806
Balance sheet total	**40049**	**42943**	**42038**	**40703**	**40312**

Source: Inderes

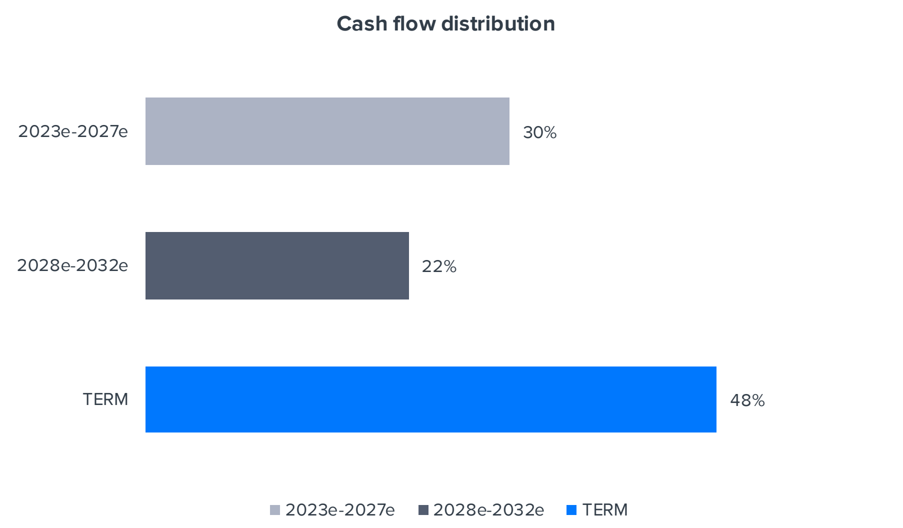
Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	**17462**	**21426**	**22208**	**22398**	**22736**
Share capital	246	246	246	246	246
Retained earnings	-2537	1375	2157	2347	2685
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	4219	3905	3905	3905	3905
Other equity	15432	15807	15807	15807	15807
Minorities	102	93	93	93	93
Non-current liabilities	**11410**	**9556**	**8639**	**7775**	**7109**
Deferred tax liabilities	282	332	332	332	332
Provisions	1569	1435	1200	1000	800
Interest bearing debt	5361	5107	4525	3961	3595
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	4198	2682	2582	2482	2382
Current liabilities	**11177**	**11961**	**11191**	**10530**	**10467**
Interest bearing debt	301	1450	1208	1020	898
Payables	10876	10511	9982	9510	9569
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	**40049**	**42943**	**42038**	**40703**	**40312**

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	12.2 %	-6.8 %	-4.7 %	0.8 %	1.2 %	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %
EBIT-%	9.3 %	9.3 %	6.6 %	8.0 %	9.1 %	9.2 %	9.0 %	8.9 %	8.8 %	8.7 %	8.5 %	8.5 %
EBIT (operating profit)	**2318**	**2156**	**1464**	**1782**	**2052**	**2098**	**2073**	**2070**	**2067**	**2064**	**2037**	
+ Depreciation	1140	1066	987	955	706	689	676	667	660	656	653	
- Paid taxes	-486	-638	-341	-427	-500	-512	-506	-449	-447	-450	-447	
- Tax, financial expenses	-27	-34	-25	-19	-13	-13	-13	-69	-70	-66	-63	
+ Tax, financial income	0	0	0	0	0	0	0	0	0	0	0	
- Change in working capital	-1476	-753	130	-10	-15	-58	-59	-60	-61	-39	-39	
Operating cash flow	**1469**	**1797**	**2215**	**2281**	**2230**	**2204**	**2172**	**2160**	**2150**	**2166**	**2141**	
+ Change in other long-term liabilities	-1650	-335	-300	-300	-300	-300	-300	-300	-100	-100	-100	
- Gross CAPEX	-847	-674	-650	-650	-650	-650	-650	-650	-650	-650	-655	
Free operating cash flow	**-1028**	**788**	**1265**	**1331**	**1280**	**1254**	**1222**	**1210**	**1400**	**1416**	**1386**	
+/- Other	49	33	0	0	0	0	0	0	0	0	0	
FCFF	-979	821	1265	1331	1280	1254	1222	1210	1400	1416	1386	17180
Discounted FCFF		**816**	**1152**	**1111**	**978**	**878**	**784**	**711**	**754**	**699**	**627**	**7767**
Sum of FCFF present value		16276	15460	14308	13197	12219	11341	10557	9846	9092	8393	7767
Enterprise value DCF		**16276**										
- Interest bearing debt		-6557										
+ Cash and cash equivalents		9162										
-Minorities		-66										
-Dividend/capital return		-671										
Equity value DCF		**18160**										
Equity value DCF per share		**3.3**										

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
Revenue	21852	22202	24911	**23215**	**22116**
EBITDA	2017	3253	3458	**3222**	**2451**
EBIT	885	2158	2318	**2156**	**1464**
PTP	743	1926	2184	**1983**	**1369**
Net Income	-2523	1623	4250	**1453**	**1022**
Extraordinary items	-1196	-617	-791	**-568**	**-800**

Balance sheet	2020	2021	2022	2023e	2024e
Balance sheet total	36191	40049	42943	**42038**	**40703**
Equity capital	12545	17462	21426	**22208**	**22398**
Goodwill	5074	5431	5667	**5667**	**5667**
Net debt	-1789	-3942	-2605	**-2623**	**-2981**

Cash flow	2020	2021	2022	2023e	2024e
EBITDA	2017	3253	3458	**3222**	**2451**
Change in working capital	225	608	-1476	**-753**	**130**
Operating cash flow	2118	4127	1469	**1797**	**2215**
CAPEX	-22	-4111	-847	**-674**	**-650**
Free cash flow	1599	-911	-979	**821**	**1265**

Valuation multiples	2020	2021	2022	2023e	2024e
EV/S	0.7	1.2	0.9	**0.6**	**0.6**
EV/EBITDA (adj.)	7.9	8.5	6.3	**4.1**	**5.2**
EV/EBIT (adj.)	7.7	9.9	7.0	**4.8**	**5.6**
P/E (adj.)	12.8	15.3	9.9	**8.1**	**9.5**
P/B	1.4	1.8	1.1	**0.7**	**0.7**
Dividend-%	0.0 %	1.4 %	2.8 %	**5.3 %**	**6.0 %**

Lähde: Inderes

Per share data	2020	2021	2022	2023e	2024e
EPS (reported)	-0.45	0.29	0.76	**0.26**	**0.18**
EPS (adj.)	0.25	0.37	0.44	**0.35**	**0.30**
OCF / share	0.38	0.73	0.26	**0.32**	**0.40**
FCF / share	0.28	-0.16	-0.18	**0.15**	**0.23**
Book value / share	2.22	3.08	3.82	**3.99**	**4.03**
Dividend / share	0.00	0.08	0.12	**0.15**	**0.17**

Growth and profitability	2020	2021	2022	2023e	2024e
Revenue growth-%	-6%	2%	12%	**-7%**	**-5%**
EBITDA growth-%	-6%	61%	6%	**-7%**	**-24%**
EBIT (adj.) growth-%	4%	33%	12%	**-12%**	**-17%**
EPS (adj.) growth-%	10%	49%	20%	**-21%**	**-15%**
EBITDA-%	9.2 %	14.7 %	13.9 %	**13.9 %**	**11.1 %**
EBIT (adj.)-%	9.5 %	12.5 %	12.5 %	**11.7 %**	**10.2 %**
EBIT-%	4.0 %	9.7 %	9.3 %	**9.3 %**	**6.6 %**
ROE-%	-18.2 %	10.9 %	22.0 %	**6.7 %**	**4.6 %**
ROI-%	4.6 %	10.3 %	9.0 %	**7.6 %**	**5.3 %**
Equity ratio	34.7 %	43.6 %	49.9 %	**52.8 %**	**55.0 %**
Gearing	-14.3 %	-22.6 %	-12.2 %	**-11.8 %**	**-13.3 %**

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

The assessment of the 12-month risk-adjusted expected total shareholder return based on the above-mentioned definitions is company-specific and subjective. Consequently, similar 12-month expected total shareholder returns between different shares may result in different recommendations, and the recommendations and 12-month expected total shareholder returns between different shares should not be compared with each other. The counterpart of the expected total shareholder return is Inderes' view of the risk taken by the investor, which varies considerably between companies and scenarios. Thus, a high expected total shareholder return does not necessarily lead to positive performance when the risks are exceptionally high and, correspondingly, a low expected total shareholder return does not necessarily lead to a negative recommendation if Inderes considers the risks to be moderate.

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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 €

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