

Nokia

Company report

10/21/2022



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No miracles required with the low valuation

We reiterate our Accumulate recommendation and lower our target price to EUR 5.3 (was EUR 5.7) reflecting the negative estimate revisions for the coming years. Based on the Q3 report, Nokia's earnings turnaround is progressing well this year, but there is still uncertainty about next year's earnings level. Key concerns relate to the size and timing of Nokia Technologies' patent revenues, which were previously seen as very stable, and a downturn in the hottest 5G cycle in the high-margin North American market. Uncertainty is also reflected in the low valuation of Nokia's share, which we believe has upside potential as more visibility is gained on next year's performance.

No major surprises in the Q3 result

Nokia's comparable Q3 operating profit (658 MEUR) missed consensus expectations (689 MEUR), but slightly exceeded our slightly more cautious estimate (639 MEUR). As expected, a strong quarter in Mobile Networks and good performance in Network Infrastructure compensated for missing patent revenues that are due to ongoing negotiations in Nokia Technologies. With the strong dollar, Nokia revised its net sales guidance (EUR 23.9-25.1 bn) and the operating margin for the current year is still in the middle of the guidance range of 11.0%-13.5%.

Uncertainty over next year's earnings performance

Nokia expects its target markets to continue to grow next year after adjusting for currency exchange rates, but the company was still cautious about profitability. The weak macro situation may affect some customers' investment decisions, but the company expects supply chain constraints to ease properly in H2'23. The company has also so far coped well with the challenges of cost inflation through price increases and particularly by improving its own operational efficiency. After further digesting the Q3 report and Nokia's comments, we decided to lower our earnings estimates for the coming years by 5-8%. In addition to the uncertainty around patent revenues, we revised our assumptions on the turnaround in Cloud and Network Services to be more cautious. We now also forecast that the series of performance improvements in Network Infrastructure will take a breather next year in a weakening macro environment, with the comparison periods also being really strong. In Mobile Networks, we expect revenues to continue to grow with 5G projects in India, although investment in North America seems to be slowing down after a peak year. We estimate that this will make it difficult to improve the unit's operating margin (2023e: 9.0%) from this year.

Better visibility on next year's earnings level could normalize the stock's low valuation

With stable earnings of around EUR 3.0 billion forecast for this year and next, Nokia's share valuation looks low. The adjusted P/E multiples for 2022-2023 are 10x-11x and the corresponding EV/EBIT multiples are 6.4x-6.1x. Based on the sum of the parts and the DCF calculation, there is also a clear upside to the valuation from current levels. In the short term, we see improved visibility on next year's earnings and the resolution of ongoing patent disputes as potential positive drivers for the stock. At the same time, the low valuation of the stock provides some protection in a scenario where next year's earnings level would for some reason turn downwards. Thus, at current valuation, we believe the risk/return ratio of the stock lands on the positive side.

Recommendation

Accumulate

(previous Accumulate)

EUR 5.30

(previous EUR 5.70)

Share price:

4.39



Key figures

	2021	2022e	2023e	2024e
Revenue	22,202	24,967	25,414	25,817
growth-%	2%	12%	2%	2%
EBIT adj.	2,775	3,044	3,004	3,198
EBIT-% adj.	12.5 %	12.2 %	11.8 %	12.4 %
Net Income	1,632	1,814	1,921	2,100
EPS (adj.)	0.37	0.42	0.41	0.43

P/E (adj.)	15.3	10.4	10.7	10.3
P/B	1.8	1.3	1.2	1.2
Dividend yield-%	1.4 %	2.7 %	4.1 %	5.0 %
EV/EBIT (adj.)	9.9	6.4	6.1	5.3
EV/EBITDA	8.5	5.6	5.2	4.5
EV/S	1.2	0.8	0.7	0.7

Source: Inderes

Guidance

(Unchanged)

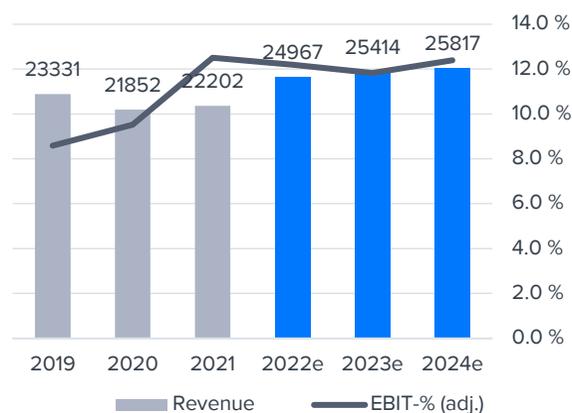
2022: Net sales EUR 23.9-25.1 billion and comparable operating profit 11.0-13.5%

Share price



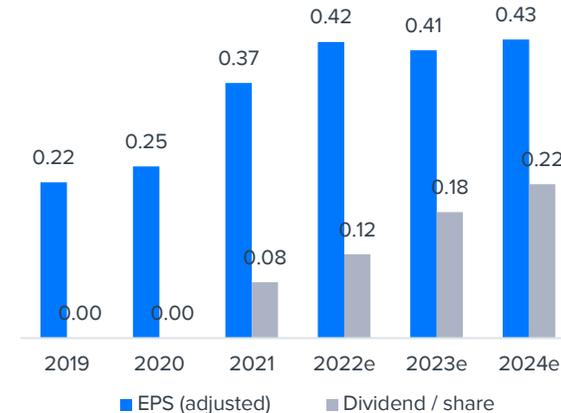
Source: Millstream Market Data AB

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Transforming from a turnaround company into a profitable growth company
- Technology cycle of the market offers a positive boost
- Huawei sanctions open up opportunities
- Strategic value of Nokia's technologies
- Stable cash flows of the Technology unit



Risk factors

- Fierce competitive pressure on the market and price erosion
- Global component shortages and supply chain challenges
- Impact of the worsening economic outlook on operators' investments
- Prolongation of patent disputes and timing of license fees in the Technology Unit

Valuation	2022e	2023e	2024e
Share price	4.39	4.39	4.39
Number of shares, millions	5589.7	5549.7	5549.7
Market cap	24514	24338	24338
EV	19600	18393	16880
P/E (adj.)	10.4	10.7	10.3
P/E	13.2	12.7	11.6
P/FCF	17.9	16.3	9.4
P/B	1.3	1.2	1.2
P/S	1.0	1.0	0.9
EV/Sales	0.8	0.7	0.7
EV/EBITDA	5.6	5.2	4.5
EV/EBIT (adj.)	6.4	6.1	5.3
Payout ratio (%)	36%	52%	58%
Dividend yield-%	2.7%	4.1%	5.0%

Source: Inderes

One step at a time in the right direction 1/2

Net sales grew faster than expected

Nokia's Q3 net sales increased by 16% (by 6% in constant currency) to EUR 6.2 billion, while the consensus expectation was EUR 6.0 billion. Growth in constant currency was driven particularly by Mobile Networks (+12%) and Network Infrastructure also grew by 5% on top of an already good comparison period. Growth in constant currency was still negative in Cloud and Network Services (-3%), which is in the middle of a turnaround. In Nokia Technologies, net sales declined by 19% in constant currency. This was in line with our expectations, due to pending contract disputes with Oppo and Vivo.

Comparable operating profit below consensus forecast

Nokia's comparable operating profit in Q3 was EUR 658 million (Q3'21: 633 MEUR). The result was slightly above our expectations (639 MEUR), but below consensus (689 MEUR). However, thanks to positive financial income (related to the revaluation of derivatives), adjusted EPS (EUR 0.10) exceeded expectations. Comparable operating profit margin (10.5%) weakened in line with our expectations from

the comparison period (Q3'21: 11.7%). However, this can be considered a good performance given the cost inflation and the lack of patent revenues in Nokia Technologies. The good performance was again driven by improved results in Network Infrastructure and Mobile Networks year-on-year.

A good quarter in Mobile Networks

In Mobile Networks, net sales growth accelerated in Q3 to 12% in constant currency. Strong demand and Nokia's improved competitiveness combined with the easing of supply chain bottlenecks propelled the unit to strong growth. Geographically, growth was again particularly strong in North America and the demand outlook in Europe is also good. 2022 has been a very strong year in North America and going forward we are likely to see a downward normalization in operator investment. Looking ahead to next year, this will be offset by the 5G cycle in India, where Nokia is well positioned after winning significant new 5G contracts with Bharti Airtel and Reliance Jio.

Mobile Networks performed better than expected in the quarter, as the unit's operating profit margin

(9.8%) improved year-on-year (Q3'21: 7.3%) through an improvement in the gross margin. Nokia's own operational efficiency improvements supports margins and offsets the impact of cost inflation. At the same time, the regional distribution of sales has strengthened profitability this year, and in our view creates a degree of uncertainty going forward, as softer sales in North America will be offset by lower margin sales in India. Part of the impact of this will already be seen in the Q4 results. However, Nokia still sees room for improvement in the profitability of Mobile Networks through increasing volumes, but the company didn't yet comment on the profitability outlook for next year.

Enterprise networks that have strong growth potential this decade (Q3'22: 7.8% of net sales), saw a 22% growth in Q3. As supply chain constraints have eased, Nokia has been better able to deliver its strong order book in this unit. Nokia now has 515 customers in private wireless solutions and in Q3 the company added a total of 73 new enterprise customers.

Estimates MEUR / EUR	Q3'21	Q3'22	Q3'22e	Q3'22e	Consensus		Difference (%)	2022e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. Inderes	Inderes
Revenue	5399	6242	6129	6037	5843	- 6247	2%	24967
EBIT (adj.)	633	658	639	689	615	- 790	3%	3044
EBIT	503	518	499	577	499	- 748	4%	2386
PTP	447	509	449	532	449	- 706	13%	2241
EPS (adj.)	0.08	0.10	0.08	0.09	0.08	- 0.11	18%	0.42
EPS (reported)	0.06	0.08	0.06	0.08	0.06	- 0.10	19%	0.33
Revenue growth-%	2.0 %	15.6 %	13.5 %	11.8 %	8.2 %	- 15.7 %	2.1 pp	12.5 %
EBIT-% (adj.)	11.7 %	10.5 %	10.4 %	11.4 %	10.5 %	- 12.6 %	0.1 pp	12.2 %

Source: Inderes & Infront (consensus)

One step at a time in the right direction 2/2

Network Infrastructure is performing well

Network Infrastructure continued its strong performance, with net sales (Q3'22: 2,211 MEUR) growing by 5% in constant currency on top of an already good comparison period. Comparable operating profit (10.3%) was also at a very good level, improving by 0.5 percentage points year-on-year. Here, the market outlook remains positive and Nokia's product portfolio is in strong shape. In Optical Networks, as in previous quarters, supply chain bottlenecks continued to be a challenge and are expected to persist in the coming quarters. In IP Networks, order numbers for new FP5-based solutions are growing and deliveries are starting to start properly toward the end of the year. Submarine Networks had another good quarter with net sales up 17%.

In the big picture, Network infrastructure has seen a tremendous growth spurt in recent years, with strong demand and Nokia gaining market share. We forecast the unit's net sales to grow to EUR 8.7 billion this year, up from EUR 6.7 billion in 2020. At the same time, the unit's operating margin has improved from 6.8% to almost 11%. Looking ahead to next year, the unit's earnings growth may be more difficult than before, as it should be able to outperform previous strong comparative periods in a cooling macro environment.

Turnaround in Cloud and Network Services is progressing slowly

In Cloud and Network Services, the turnaround in Q3 progressed slightly slower than expected and the operating margin (2.0%) was still modest. The unit's profitability was partly burdened by increased investments in private wireless networks. At the same

time, however, the gross margin (39.0%) improved by 1.4 percentage points year-on-year, indicating that the direction below the surface is the right one. Net sales decreased by 3% in constant currency as Nokia continues to balance its product and service offering in selected growth areas. Enterprise Solutions showed two-digit growth in the quarter.

Thanks to software-oriented nature of the business, the margins of the unit have clear upside potential if the volumes can be properly grown in the coming years. In the short term, however, the turnaround looks set to take time, and Nokia's 2021 Capital Markets Day target of 8-11% operating profit for the unit in 2023 looks challenging to achieve.

Dark clouds have gathered around the stable cash flows of Nokia Technologies

The year so far in Nokia Technologies has been soft due to timing factors, as certain contracts that expired at the end of 2021 (Oppo and Vivo) have not yet been renewed. In addition, one customer left the cell phone market, which terminated its license agreement. Consequently, the unit's Q3 operating profit decreased by 27% to EUR 207 million year-on-year. At the same time, Nokia has invested in new areas of patent licensing (e.g. automotive and consumer electronics), which have already generated revenues of more than EUR 100 million in the last 12 months.

Nokia remained confident that Nokia Technologies' annual net sales will return to the EUR 1.4-1.5 billion range once the ongoing negotiations are concluded. The contracts are also expected to generate in retroactive payments for unpaid periods. Nokia's outlook expects contracts to be signed during Q4, but the company is prioritizing the value of its IPR

over timing pressures. Thus, there is still uncertainty about the timing of payments at this point. In addition, the visibility of licensing negotiations for the coming years is foggy, which in an uncertain environment will certainly also contribute to investor concerns. Typically, patent agreements are concluded for periods of around 3-7 years, so as such, renewals are a normal part of business.

Uncertainty over next year's earnings performance

Earnings expectations for the current year largely unchanged

Nokia again revised its revenue guidance for the current year upwards due to currency exchange rate effects to EUR 23.9-25.1 billion (was EUR 23.5-24.7 billion). The company also commented that net sales are settling closer to the upper end of the range, although open patent disputes in the Nokia Technologies create uncertainty. In terms of profitability, the comparable operating profit margin range of 11.0%-13.5% was reiterated and is settling in the middle of the guidance range.

We made no material changes to our estimates for the current year and the increase in EPS is mainly explained by positive financial items in Q3. We now expect Nokia's net sales to grow by 12.5% to EUR 25.0 billion this year and comparable operating profit to be 12.2%. Our estimate includes the assumption of patent agreements in Q4 and without these we estimate the adjusted EBIT margin to remain at just over 11%.

More caution in earnings expectations for the coming years

In its investor call, Nokia expects its target markets to continue to grow next year after adjusting for currency exchange rates, but the company was still cautious about profitability. The weak macro situation may affect some customers' investment decisions, but the company expects supply chain constraints to ease properly in H2'23. The company has also so far coped well with the challenges of cost inflation through price increases and particularly by improving its own operational efficiency.

After further digesting the Q3 report and Nokia's comments, we decided to lower our earnings estimates for the coming years by 5-8%. In addition to the uncertainty around patent revenues, we revised our assumptions on the turnaround in Cloud and Network Services to be more cautious. We now also forecast a series of performance improvements in Network Infrastructure to take a breather next year, as the comparison period are very strong. In Mobile

Networks, we expect further net sales growth from 5G projects in India. With the net sales mix shifting from high-margin North America to lower-margin India, we expect the operating margin (9.0%) to decline from the 9.6% we forecast for 2022.

As a result, overall, we now expect Nokia's net sales to grow by 2% next year and its comparable operating profit margin to be 11.8%. With our estimate, Nokia's earnings would therefore remain stable next year at around EUR 3.0 billion.

Estimate revisions	2022e	2022e	Change	2023e	2023e	Change	2024e	2024e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	24595	24967	2%	25039	25414	2%	25547	25817	1%
EBITDA	3451	3508	2%	3795	3568	-6%	3959	3751	-5%
EBIT (exc. NRIs)	3033	3044	0%	3249	3004	-8%	3377	3198	-5%
EBIT	2375	2386	0%	2749	2524	-8%	3027	2848	-6%
PTP	2164	2241	4%	2604	2409	-7%	2882	2733	-5%
EPS (excl. NRIs)	0.40	0.42	5%	0.43	0.41	-4%	0.45	0.43	-5%
DPS	0.12	0.12	0%	0.18	0.18	0%	0.22	0.22	0%

Source: Inderes

Estimate changes

Estimate revisions	2022e	2022e	Change	2023e	2023e	Change	2024e	2024e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	24595	24967	2%	25039	25414	2%	25547	25817	1%
Mobile Networks	10624	11162	5%	10837	11513	6%	11054	11628	5%
Network Infrastructure	8953	8732	-2%	9087	8795	-3%	9269	8971	-3%
Nokia Technologies	1444	1444	0%	1451	1410	-3%	1458	1417	-3%
Cloud and Network Services	3339	3371	1%	3438	3471	1%	3541	3575	1%
Other	272	296	9%	260	260	0%	260	260	0%
One-off items/non-IFRS adjustments	-36.0	-38.0	6%	-35.0	-35.0	0%	-35.0	-35.0	0%
EBITDA	3451	3508	2%	3795	3568	-6%	3959	3751	-5%
EBIT (exc. NRIs)	3033	3044	0%	3249	3004	-8%	3377	3198	-5%
EBIT	2375	2386	0%	2749	2524	-8%	3027	2848	-6%
Mobile Networks	956	1067	12%	1030	1034	0%	1072	1093	2%
Network Infrastructure	982	938	-5%	1027	922	-10%	1066	996	-7%
Nokia Technologies	1134	1073	-5%	1161	1066	-8%	1166	1091	-6%
One-off items/non-IFRS adjustments	165	160	-3%	282	232	-18%	322	268	-17%
Other	-204	-194	-5%	-250	-250	0%	-250	-250	0%
One-off items/non-IFRS adjustments	-658	-658	0%	-500	-480	-4%	-350	-350	0%
PTP	2164	2241	4%	2604	2409	-7%	2882	2733	-5%
EPS (adjusted)	0.40	0.42	5%	0.43	0.41	-4%	0.45	0.43	-5%
Dividend / share	0.12	0.12	0%	0.18	0.18	0%	0.22	0.22	0%

Source: Inderes

Sum of the parts calculation

The sum of the parts decreased, yet the expected return is still at a good level

We approach Nokia's valuation partly through a sum of the parts calculation, as the company can be divided into four independent operations corresponding to the current unit structure. We have priced each unit separately based on our 2023 estimates. We have also considered the cash flow impact of restructuring, net cash and the estimated present value of other businesses and group expenses. We reflect the sum of the parts value that's generated if our forecasts are realized to the current share price to estimate the expected return on the share.

We have reviewed the valuation factors acceptable to Nokia Technologies downwards, reflecting the short-term uncertainty about future patent revenues. We are now valuing the unit at a 7x-9x EV/EBIT multiple (was. 8x-10x). The value of the unit is thus EUR 7.5-9.6 billion. The growth outlook for Nokia Technologies is modest, but in the medium term, stable cash flows support value. Now that the coefficients have been lowered, there could be upside potential as visibility of the unit's cash flows improves again.

We value extremely well-performing Network Infrastructure with an 8.0-9.0x EV/EBIT multiple (was 8-10x). The value of the unit is thus EUR 7.4-8.3 billion. The unit has grown very strongly in recent years and profitability has already reached a very good level. Thus, in the coming years, it will be even more challenging to generate earnings growth on top of strong comparison periods.

Cloud and Network Services, which are currently still underperforming, are valued at an operating margin of 6.0-8.0x (was 7x-9x), resulting in a unit value of EUR 1.4-1.9 billion. In addition to weak profitability, the current sluggish growth argues in favor of slightly more moderate multiples in the calculation.

For Mobile Networks, we have assumed a 7.5-9.5x EV/EBIT multiple, making the unit worth EUR 7.8-9.8 billion. Our 2023 forecast for the unit now expects an operating profit margin of 9.0%. If the unit were to reach its long-term profitability target (>10%), there would be some upside potential in the value. Especially if the improved margin would be achieved through increased net sales.

With these assumptions, the sum of the parts in 2023 will be EUR 30 billion (EUR 5.3 per share), with the range of EUR 26-34 billion (EUR 4.7-6.1 per share). Therefore, if our forecasts materialize and the market's confidence is expected to be reflected positively in Nokia's valuation multiples, there would be clear upside potential in the share over the next 12 months. On top of this, quarterly dividends will provide minor additional support to the expected return.

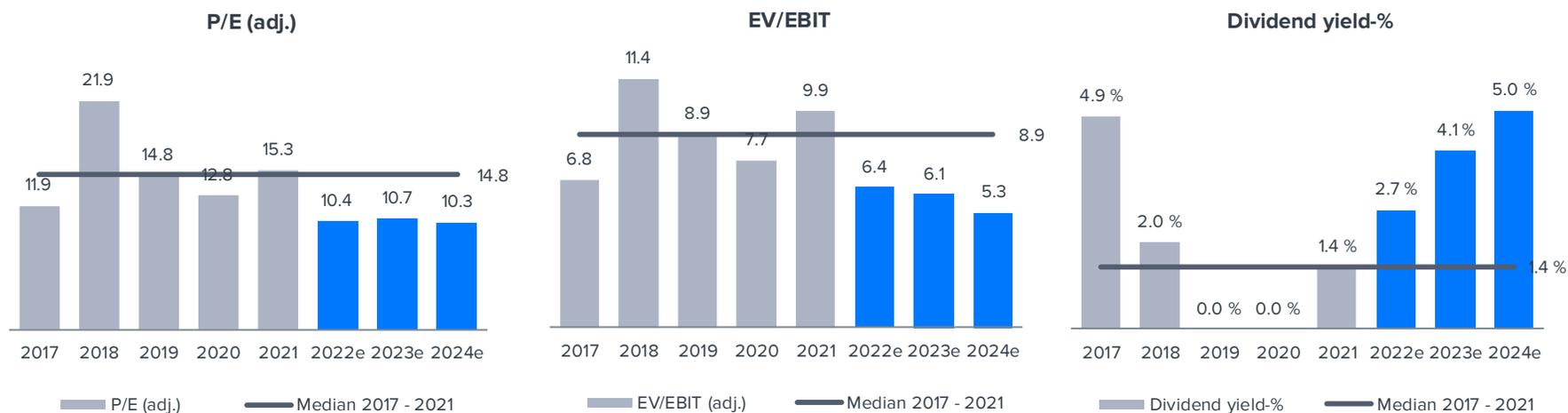
Sum of the parts in 2023

Nokia Technologies	Pessimistic	Neutral	Optimistic
Variable: Adj. EBIT 2023e	1.1	1.1	1.1
X valuation multiple	7.0	8.0	9.0
EV	7.5	8.5	9.6
<i>Per share (EUR)</i>	<i>1.3</i>	<i>1.5</i>	<i>1.7</i>
Network Infrastructure	Pessimistic	Neutral	Optimistic
Variable: Adj. EBIT 2023e	0.9	0.9	0.9
X valuation multiple	8.0	8.5	9.0
EV	7.4	7.8	8.3
<i>Per share (EUR)</i>	<i>1.3</i>	<i>1.4</i>	<i>1.5</i>
Cloud and Network services	Pessimistic	Neutral	Optimistic
Variable: Adj. EBIT 2023e	0.2	0.2	0.2
X valuation multiple	6.0	7.0	8.0
EV	1.4	1.6	1.9
<i>Per share (EUR)</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>
Mobile Networks	Pessimistic	Neutral	Optimistic
Variable: Adj. EBIT 2023e	1.0	1.0	1.0
X valuation multiple	7.5	8.5	9.5
EV	7.8	8.8	9.8
<i>Per share (EUR)</i>	<i>1.4</i>	<i>1.6</i>	<i>1.8</i>
Total	Pessimistic	Neutral	Optimistic
Aggregate EV	24.0	26.8	29.6
Other operating and group costs (NPV)	-3.0	-2.5	-1.5
Net cash and investments 2023e	6.0	6.0	6.0
Costs for restructuring	-1.0	-0.8	-0.5
Sum of the parts total	26	30	34
<i>Per share (EUR)</i>	<i>4.7</i>	<i>5.3</i>	<i>6.1</i>

Valuation table

Valuation	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price	3.89	5.03	3.30	3.15	5.57	4.39	4.39	4.39	4.39
Number of shares, millions	5650	5593	5606	5617	5629	5590	5550	5550	5550
Market cap	21778	28133	18476	17701	31378	24514	24338	24338	24338
EV	17568	24912	17799	15938	27543	19600	18393	16880	15285
P/E (adj.)	11.9	21.9	14.8	12.8	15.3	10.4	10.7	10.3	10.0
P/E	neg.	neg.	>100	neg.	19.3	13.2	12.7	11.6	10.8
P/FCF	8.6	neg.	neg.	11.1	neg.	17.9	16.3	9.4	8.3
P/B	1.3	1.8	1.2	1.4	1.8	1.3	1.2	1.2	1.1
P/S	0.9	1.2	0.8	0.8	1.4	1.0	1.0	0.9	0.9
EV/Sales	0.8	1.1	0.8	0.7	1.2	0.8	0.7	0.7	0.6
EV/EBITDA	10.1	17.9	8.3	7.9	8.5	5.6	5.2	4.5	3.9
EV/EBIT (adj.)	6.8	11.4	8.9	7.7	9.9	6.4	6.1	5.3	4.6
Payout ratio (%)	neg.	neg.	0.0 %	0.0 %	27.7 %	36.1 %	52.0 %	58.1 %	64.3 %
Dividend yield-%	4.9 %	2.0 %	0.0 %	0.0 %	1.4 %	2.7 %	4.1 %	5.0 %	5.9 %

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	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e
Qualcomm	129438	138321	8.0	7.8	7.4	7.3	3.1	2.9	9.0	8.8	2.5	2.7	7.5
Ciena	6208	6098	19.0	11.7	14.7	9.9	1.7	1.5	29.8	16.0			2.3
Cisco	175632	165671	9.4	9.1	8.5	8.3	3.2	3.0	12.5	11.9	3.6	3.7	4.2
Juniper Networks	9018	9625	11.9	10.1	9.4	8.5	1.8	1.7	14.8	12.4	3.2	3.1	2.0
Motorola	38155	43579	19.2	16.9	16.3	14.8	4.8	4.5	22.2	20.0	1.4	1.5	
ZTE	13757	14150	10.6	9.3	7.0	6.7	0.8	0.7	7.4	6.6	2.3	3.1	1.1
Ericsson	22103	16658	5.4	4.8	4.3	4.0	0.7	0.7	10.4	8.9	3.7	4.0	1.9
Amdocs	10076	9867	12.1	11.2	9.5	9.0	2.1	2.0	15.3	13.6	1.9	2.0	2.8
CommScope	2630	13085	12.1	10.3	10.4	8.8	1.4	1.4	7.4	5.5			17.3
Oracle	182575	265071	13.4	12.7	12.1	10.7	6.1	5.3	14.0	13.4	1.7	1.9	
Viavi	3199	3338	11.5	11.4	10.0	9.9	2.6	2.5	14.9	14.6			3.6
Nokia (Inderes)	24514	19600	6.4	6.1	5.6	5.2	0.8	0.7	10.4	10.7	2.7	4.1	1.3
Average			12.0	10.5	10.0	8.9	2.6	2.4	14.3	12.0	2.5	2.7	4.7
Median			11.9	10.3	9.5	8.8	2.1	2.0	14.0	12.4	2.4	2.9	2.8
Diff-% to median			-46%	-40%	-41%	-42%	-63%	-63%	-26%	-14%	14%	43%	-53%

Source: Refinitiv / Inderes. NB: The market cap Inderes uses does not consider own shares held by the company.

Income statement

Income statement	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22	Q3'22	Q4'22e	2022e	2023e	2024e	2025e
Revenue	21852	5076	5313	5399	6414	22202	5348	5872	6242	7505	24967	25414	25817	26184
Mobile Networks	10397	2262	2380	2315	2760	9717	2268	2592	2851	3451	11162	11513	11628	11745
Network Infrastructure	6736	1727	1778	1915	2254	7674	1974	2153	2211	2394	8732	8795	8971	9151
Nokia Technologies	1402	365	401	367	369	1502	306	305	305	528	1444	1410	1417	1417
Cloud and Network Services	3087	674	703	748	964	3089	736	754	801	1080	3371	3471	3575	3646
Other	269	57	62	64	74	257	76	76	84	60	296	260	260	260
One-off items/non-IFRS adjustments	-39	-10	-11	-10	-7	-37	-12	-8	-10	-8	-38	-35	-35	-35
EBITDA	2017	702	758	777	1017	3253	628	847	806	1228	3508	3568	3751	3949
Depreciation	-1132	-271	-273	-274	-277	-1095	-274	-282	-288	-278	-1122	-1044	-903	-883
EBIT (excl. NRI)	2081	551	683	633	909	2775	583	714	658	1090	3044	3004	3198	3316
EBIT	885	431	485	503	740	2158	354	565	518	950	2386	2524	2848	3066
Mobile Networks	818	76	250	169	270	765	171	291	277	328	1067	1034	1093	1127
Network Infrastructure	457	187	162	187	248	784	195	247	228	268	938	922	996	1034
Nokia Technologies	1123	286	332	286	282	1185	220	217	207	429	1073	1066	1091	1105
Cloud and Network Services	-67	-20	10	30	146	166	20	-6	16	130	160	232	268	299
Other	-251	22	-70	-39	-38	-125	-23	-36	-71	-65	-194	-250	-250	-250
One-off items/non-IFRS adjustments	-1196	-120	-198	-131	-168	-617	-229	-149	-140	-140	-658	-480	-350	-250
Net financial items	-164	-56	-68	-50	-68	-241	-72	-18	12	-25	-103	-120	-120	-150
PTP	743	372	416	447	692	1926	256	541	509	935	2241	2409	2733	2921
Taxes	-3255	-99	-67	-96	-11	-272	-79	-74	-93	-168	-414	-482	-627	-671
Minority interest	-7	-3	-7	-9	-4	-22	-7	-3	-1	-2	-13	-6	-6	-6
Net earnings	-2523	263	342	343	676	1623	212	457	427	765	1860	1921	2100	2244
EPS (adj.)	0.25	0.07	0.09	0.08	0.13	0.37	0.07	0.10	0.10	0.16	0.42	0.41	0.43	0.44
EPS (rep.)	-0.45	0.05	0.06	0.06	0.12	0.29	0.04	0.08	0.08	0.14	0.33	0.35	0.38	0.40

Key figures	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22	Q3'22	Q4'22e	2022e	2023e	2024e	2025e
Revenue growth-%	-6.3 %	3.3 %	4.3 %	2.0 %	-2.1 %	1.6 %	5.4 %	10.5 %	15.6 %	17.0 %	12.5 %	1.8 %	1.6 %	1.4 %
Adjusted EBIT growth-%	3.8 %	368.9 %	61.0 %	30.4 %	-13.8 %	33.4 %	5.8 %	4.5 %	3.9 %	19.9 %	9.7 %	-1.3 %	6.5 %	3.7 %
EBITDA-%	9.2 %	13.8 %	14.3 %	14.4 %	15.9 %	14.7 %	11.7 %	14.4 %	12.9 %	16.4 %	14.0 %	14.0 %	14.5 %	15.1 %
Adjusted EBIT-%	9.5 %	10.9 %	12.8 %	11.7 %	14.2 %	12.5 %	10.9 %	12.2 %	10.5 %	14.5 %	12.2 %	11.8 %	12.4 %	12.7 %
Net earnings-%	-11.5 %	5.2 %	6.4 %	6.4 %	10.5 %	7.3 %	4.0 %	7.8 %	6.8 %	10.2 %	7.5 %	7.6 %	8.1 %	8.6 %

Source: Inderes

Balance sheet

Assets	2020	2021	2022e	2023e	2024e
Non-current assets	19307	21250	20726	20149	19444
Goodwill	5074	5431	5431	5431	5431
Intangible assets	3284	2418	2059	1704	1330
Tangible assets	2588	2808	2643	2503	2402
Associated companies	233	243	243	243	243
Other investments	745	758	758	758	758
Other non-current assets	5561	8320	8320	8320	8320
Deferred tax assets	1822	1272	1272	1190	960
Current assets	18215	19597	21172	21602	21867
Inventories	2242	2392	2746	2796	2737
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	7698	7601	8688	8895	9062
Cash and equivalents	8275	9604	9737	9912	10068
Balance sheet total	36191	40049	41102	41006	40738

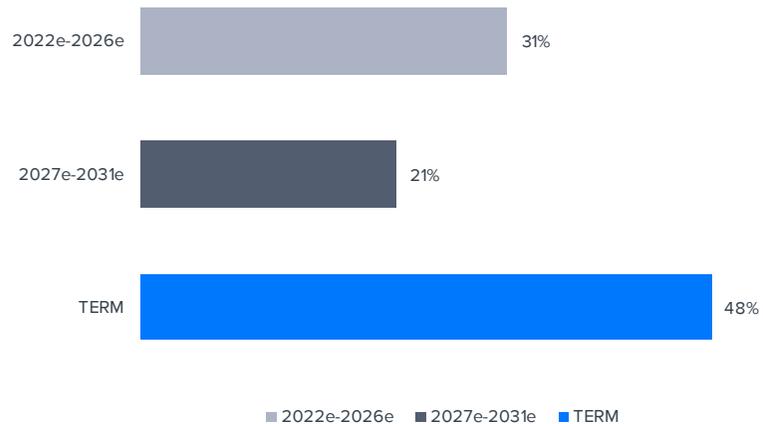
Source: Inderes

Liabilities & equity	2020	2021	2022e	2023e	2024e
Equity	12545	17462	18872	20122	21223
Share capital	246	246	246	246	246
Retained earnings	-4143	-2537	-1127	123	1224
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	1910	4219	4219	4219	4219
Other equity	14452	15432	15432	15432	15432
Minorities	80	102	102	102	102
Non-current liabilities	12681	11410	9541	8706	7493
Deferred tax liabilities	260	282	282	282	282
Provisions	1532	1569	1400	1200	1000
Long term debt	5736	5361	3761	3126	2113
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	5153	4198	4098	4098	4098
Current liabilities	10965	11177	12688	12178	12022
Short term debt	750	301	954	742	404
Payables	10215	10876	11734	11436	11617
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	36191	40049	41102	41006	40738

DCF calculation

DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
Revenue growth-%	1.6 %	12.5 %	1.8 %	1.6 %	1.4 %	1.5 %	1.5 %	1.5 %	1.5 %	1.5 %	1.5 %	1.5 %
EBIT-%	9.7 %	9.6 %	9.9 %	11.0 %	11.7 %	12.0 %	11.5 %	11.0 %	10.5 %	10.0 %	9.5 %	9.5 %
EBIT (operating profit)	2158	2386	2524	2848	3066	3189	3102	3012	2918	2821	2720	
+ Depreciation	1095	1122	1044	903	883	635	625	617	611	607	604	
- Paid taxes	300	-414	-400	-397	-411	-499	-656	-633	-610	-686	-660	
- Tax, financial expenses	-34	-19	-24	-28	-35	-35	-20	-20	-20	-20	-20	
+ Tax, financial income	0	0	0	0	0	0	0	0	0	0	0	
- Change in working capital	608	-583	-554	73	24	24	-29	-30	-31	-32	-61	
Operating cash flow	4127	2492	2590	3399	3527	3315	3022	2946	2869	2691	2583	
+ Change in other long-term liabilities	-918	-269	-200	-200	0	0	0	0	0	0	0	
- Gross CAPEX	-4111	-600	-600	-600	-600	-600	-600	-600	-600	-600	-610	
Free operating cash flow	-902	1623	1790	2599	2927	2715	2422	2346	2269	2091	1973	
+/- Other	-9	-254	-300	0	0	0	0	0	0	0	0	
FCFF	-911	1369	1490	2599	2927	2715	2422	2346	2269	2091	1973	29469
Discounted FCFF		1348	1355	2182	2269	1944	1601	1432	1279	1088	948	14164
Sum of FCFF present value		29611	28263	26908	24726	22456	20512	18911	17479	16200	15112	14164
Enterprise value DCF		29611										
- Interesting bearing debt		-5662										
+ Cash and cash equivalents		9604										
-Minorities		-133										
-Dividend/capital return		-450										
Equity value DCF		32994										
Equity value DCF per share		5.9										

Cash flow distribution



Wacc

Tax-% (WACC)	25.0 %
Target debt ratio (D/(D+E))	0.0 %
Cost of debt	3.5 %
Equity Beta	1.22
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
Cost of equity	8.3 %
Weighted average cost of capital (WACC)	8.3 %

Source: Inderes

Summary

Income statement	2019	2020	2021	2022e	2023e	Per share data	2019	2020	2021	2022e	2023e
Revenue	23331	21852	22202	24967	25414	EPS (reported)	0.00	-0.45	0.29	0.33	0.35
EBITDA	2146	2017	3253	3508	3568	EPS (adj.)	0.22	0.25	0.37	0.42	0.41
EBIT	486	885	2158	2386	2524	OCF / share	0.12	0.38	0.73	0.45	0.47
PTP	157	743	1926	2241	2409	FCF / share	-0.42	0.28	-0.16	0.24	0.27
Net Income	9	-2523	1623	1860	1921	Book value / share	2.73	2.22	3.08	3.36	3.61
Extraordinary items	-1518	-1196	-617	-658	-480	Dividend / share	0.00	0.00	0.08	0.12	0.18
Balance sheet	2019	2020	2021	2022e	2023e	Growth and profitability	2019	2020	2021	2022e	2023e
Balance sheet total	39128	36191	40049	41102	41006	Revenue growth-%	3%	-6%	2%	12%	2%
Equity capital	15401	12545	17462	18872	20122	EBITDA growth-%	54%	-6%	61%	8%	2%
Goodwill	5527	5074	5431	5431	5431	EBIT (adj.) growth-%	-8%	4%	33%	10%	-1%
Net debt	-700	-1789	-3942	-5022	-6044	EPS (adj.) growth-%	-3%	10%	49%	16%	-3%
Cash flow	2019	2020	2021	2022e	2023e	EBITDA-%	9.2 %	9.2 %	14.7 %	14.0 %	14.0 %
EBITDA	2146	2017	3253	3508	3568	EBIT (adj.)-%	8.6 %	9.5 %	12.5 %	12.2 %	11.8 %
Change in working capital	-1055	225	608	-583	-554	EBIT-%	2.1 %	4.0 %	9.7 %	9.6 %	9.9 %
Operating cash flow	694	2118	4127	2492	2590	ROE-%	0.1 %	-18.2 %	10.9 %	10.3 %	9.9 %
CAPEX	-2496	-22	-4111	-600	-600	ROI-%	2.5 %	4.6 %	10.3 %	10.0 %	10.6 %
Free cash flow	-2347	1599	-911	1369	1490	Equity ratio	39.4 %	34.7 %	43.6 %	45.9 %	49.1 %
						Gearing	-4.5 %	-14.3 %	-22.6 %	-26.6 %	-30.0 %
Valuation multiples	2019	2020	2021	2022e	2023e						
EV/S	0.8	0.7	1.2	0.8	0.7						
EV/EBITDA (adj.)	8.3	7.9	8.5	5.6	5.2						
EV/EBIT (adj.)	8.9	7.7	9.9	6.4	6.1						
P/E (adj.)	14.8	12.8	15.3	10.4	10.7						
P/E	1.2	1.4	1.8	1.3	1.2						
Dividend-%	0.0 %	0.0 %	1.4 %	2.7 %	4.1 %						

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

Date	Recommendation	Target price	Share price
12/17/2019	Accumulate	3.60 €	3.26 €
2/7/2020	Reduce	3.60 €	3.70 €
4/8/2020	Reduce	3.00 €	2.95 €
5/1/2020	Reduce	3.20 €	3.32 €
8/1/2020	Reduce	4.00 €	4.06 €
9/28/2020	Accumulate	3.60 €	3.24 €
10/30/2020	Buy	3.40 €	2.81 €
12/17/2020	Accumulate	3.50 €	3.27 €
2/1/2021	Reduce	3.50 €	3.96 €
2/5/2021	Reduce	3.60 €	3.70 €
3/11/2021	Accumulate	3.60 €	3.40 €
3/19/2021	Accumulate	3.60 €	3.37 €
4/30/2021	Accumulate	4.50 €	3.87 €
7/14/2021	Accumulate	5.40 €	4.99 €
	Analyst changed		
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 €



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