

# Nokia

Company report

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This report is a summary translation of the report “Loppuvuodesta pitää parantaa reippaasti” published on 4/19/2024 at 7:45 am EEST.

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# Significant improvements needed for the rest of the year

We reiterate our Reduce recommendation and EUR 3.1 target price for Nokia. Nokia's network businesses declined more than expected in Q1, but thanks to one-off patent income, profit and cash flow were at a good level in absolute terms. Nokia continues to expect a significant recovery in the network businesses towards the end of the year, which is already reflected in a strengthening order book for Network Infrastructure. We see even more uncertainty around the development of Mobile Networks, and the unit's weak earnings outlook for the coming years will, in our view, slow the correction of Nokia's low valuation.

## Network businesses dive even deeper than expected in Q1, patent revenues support cash flow and profit

Nokia's Q1 revenue fell 20% to 4.7 BNEUR, below expectations of around 5.0 BNEUR, due to a slump in Mobile Networks (-39%). Comparable EBIT was 597 MEUR (consensus 639 MEUR), significantly supported by one-time patent income from Nokia Technologies. Together with the release of working capital, this resulted in a very strong Q1 free cash flow (955 MEUR) and increased Nokia's excess net cash to 5.1 BNEUR. Looking at the network businesses alone, Q1 was bleak, with total revenues down 30% and the comparable EBIT margin deteriorating to 0.3% (Q1'23): 8.3%).

## Outlook for strong turnaround in H2

In its outlook, Nokia still 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%. With the Q1 earnings miss, we expect the consensus forecast (2.6 BNEUR) to be slightly revised downwards, and our slightly lowered forecast is now rounded to 2.4 BNEUR (52% cash flow ratio). Nokia's outlook calls for a significant improvement in market conditions in H2, particularly in Network Infrastructure, where a stronger order book and government-funded projects in North America should start to support development. Mobile Networks is also expected to recover significantly after a difficult start to the year, although continued market uncertainty and the loss of AT&T are likely to weigh on the rest of the year. Fortunately, this is against weaker comparison periods. In our view, in light of Nokia's and Ericsson's comments, the prospect of operators opening the investment taps is still unclear, and the market recovery and sustainability of Nokia's guidance remain to be seen. On the positive side, the outlook for Technology is now stable following the smartphone license renewal cycle, with annual revenue now at 1.3 BNEUR (target 1.4-1.5 BNEUR).

## Valuation is low on adjusted earnings, but not particularly attractive relative to cash flow

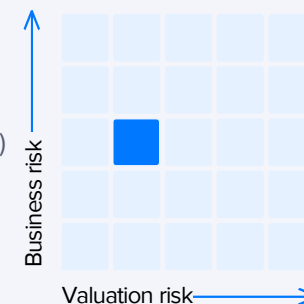
Nokia's adjusted earnings multiples look moderate for the coming years, with EV/EBIT multiples for 2024-2025 at around 6.2x and P/E multiples at around 9-10x. However, due to significant restructuring charges and other one-time items in the coming years, reported earnings and free cash flow are significantly below the adjusted figures. Based on reported earnings, the P/E multiples are 13x-14x, which is not a particularly attractive level. Based on our projections, Nokia will generate around 1.2-1.3 BNEUR in FCF per annum between 2024 and 2026, which implies a moderate cash flow yield of around 6.5-7.4% at the current share price. The weak performance of Mobile Networks weighs on Nokia's return on equity (2025e: ROE 5.9%) 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 3.10)

**Share price:**  
3.23



## Key figures

	2023	2024e	2025e	2026e
<b>Revenue</b>	22,279	21,389	21,574	21,873
<b>growth-%</b>	-11%	-4%	1%	1%
<b>EBIT adj.</b>	2,375	2,432	2,347	2,561
<b>EBIT-% adj.</b>	10.7 %	11.4 %	10.9 %	11.7 %
<b>Net Income</b>	660	1,386	1,272	1,545
<b>EPS (adj.)</b>	0.29	0.34	0.32	0.34
<b>P/E (adj.)</b>	10.6	9.4	10.1	9.5
<b>P/B</b>	0.8	0.8	0.8	0.8
<b>Dividend yield-%</b>	4.3 %	4.3 %	5.0 %	6.2 %
<b>EV/EBIT (adj.)</b>	6.2	6.2	6.2	5.6
<b>EV/EBITDA</b>	5.3	5.7	5.6	5.1
<b>EV/S</b>	0.7	0.7	0.7	0.7

Source: Inderes

## Guidance

(Unchanged)

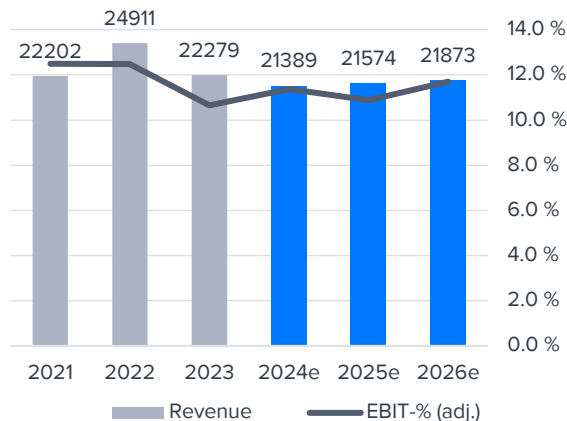
2024 Comparable operating profit 2.3-2.9 BNEUR. Free cash flow 30-60% of comparable EBIT.

### Share price



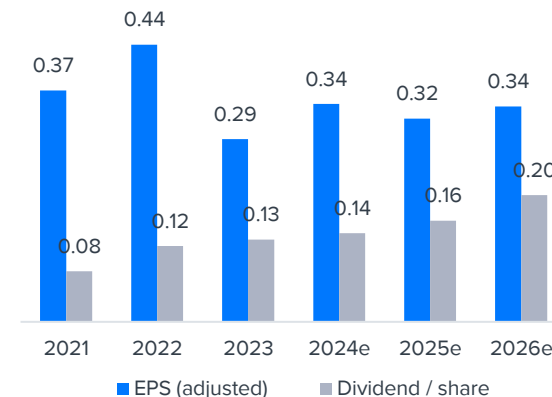
Source: Millstream Market Data AB

### 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
- Impact of weak economic environment and rising interest rates on operator investments
- Declining market share in the important North American market
- 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	3.23	3.23	3.23
Number of shares, millions	5525.6	5525.6	5565.6
Market cap	17839	17839	17969
EV	15040	14662	14380
P/E (adj.)	9.4	10.1	9.5
P/E	12.9	14.0	11.6
P/B	0.8	0.8	0.8
P/S	0.8	0.8	0.8
EV/Sales	0.7	0.7	0.7
EV/EBITDA	5.7	5.6	5.1
EV/EBIT (adj.)	6.2	6.2	5.6
Payout ratio (%)	56%	70%	72%
Dividend yield-%	4.3 %	5.0 %	6.2 %

Source: Inderes

# The start of the year was even bleaker than expected for network businesses

## Deeper-than-expected decline in network businesses in Q1

Nokia's Q1 revenue fell 20% to 4.7 BNEUR, below expectations of around 5.0 BNEUR. In Mobile Networks, the weak market and the loss of AT&T had a negative impact on revenue of -39%, which was still well above our expectations (-27%). However, Nokia expects Q1 to be a low point in both North America and India, with volumes improving towards the end of the year.

Network Infrastructure revenue declined 26%, broadly in line with our forecast (-24%). Nokia again commented on the strong development of the unit's order intake, which should support the growth turnaround that the company's outlook paints for H2. Cloud and Network Services saw a 14% decrease from the comparison period, compared to our expectation of 10%. Here too, order intake is on an upward trend.

In Nokia Technologies (Q1'24: 757 MEUR, +213%), Q1 was very strong, exactly in line with our expectations, with over 400 MEUR of retained earnings for Q1 from

licensing agreements with Chinese smartphone manufacturers.

## Patent income rescues Q1 results, expectations still missed by a wide margin

Nokia's comparable EBIT improved in Q1 to 597 MEUR (Q1'23: 479 MEUR), driven by patent revenues. This was below our (617 MEUR) and consensus (639 MEUR) expectations. Comparable EBIT margin also improved to 12.8% (Q1'23: 8.2%), but excluding one-time patent income, we estimate that profitability would have been only around 3%. The biggest disappointment against expectations was the deterioration in the Network Infrastructure EBIT margin to 4.9% from 15.3% in the comparison period. Mobile Networks' EBIT of -42 MEUR and margin of -2.7% were also a notch below consensus expectations. In Mobile Networks, the gross margin (42.4%) improved significantly year-on-year (33.8%), half of which is due to the favorable regional and product mix of sales. The second half reflects exceptionally low product costs at the beginning of the year, which will normalize going forward.

On the lower lines of the income statement, taxes

and financial income were more favorable than expected, resulting in both comparable (EUR 0.09) and reported (EUR 0.08) EPS exceeding forecasts.

## Balance sheet clearly overcapitalized

Cash flow (955 MEUR) in the first quarter was at a very good level thanks to patent income and the release of working capital, but given the unchanged cash flow guidance, the situation for the rest of the year will not be as rosy.

With strong cash flow, Nokia's net cash position strengthened to 5.1 BNEUR at the end of Q1, representing approximately 24% of the 2024 revenue forecast (target 10-15% of revenue). The balance sheet is therefore clearly overcapitalized, and we believe that excess capital should be returned to shareholders at a faster pace. The company has a two-year 600 MEUR share buyback program underway but given the strong cash position and the further improvement in cash flow towards the company's targets, this is far from sufficient to restore net cash to the target level.

Estimates MEUR / EUR	Q1'23	Q1'24	Q1'24e	Q1'24e	Consensus		Difference (%)	2024e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	5859	4667	5049	4962	4529	- 5163	-8%	21389
EBIT (adj.)	479	597	617	639	369	- 765	-3%	2432
EBIT	426	400	417	490	179	- 690	-4%	1635
PTP	401	451	392	471	154	- 674	15%	1726
EPS (adj.)	0.06	0.09	0.08	0.08	0.05	- 0.10	8%	0.34
EPS (reported)	0.05	0.08	0.05	0.06	0.02	- 0.09	53%	0.25
Revenue growth-%	9.6 %	-20.3 %	-13.8 %	-15.3 %	-22.7 %	- -11.9 %	-6.5 pp	-4.0 %
EBIT-% (adj.)	8.2 %	12.8 %	12.2 %	12.9 %	8.1 %	- 14.8 %	0.6 pp	11.4 %

Source: Inderes & Infront (consensus)

# Only minor negative revisions to estimates

## Outlook unchanged as expected at this point in the year; significant improvement needed towards the end of the year

In its outlook, Nokia still 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%. With the Q1 earnings miss, we expect the consensus forecast (2.6 BNEUR) to be slightly revised downwards, and our slightly lowered forecast is now rounded to 2.4 BNEUR.

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's outlook calls for a significant improvement in market conditions in H2, particularly in Network Infrastructure, where a stronger order book and government-funded projects in North America should start to support development. However, their impact will only be stronger in 2025-2026. Operator inventory levels are also beginning to normalize. In particular, the outlook for Fixed Networks was said to have improved, but this was offset by more cautious comments on the recovery in Optical Networks. At Submarine Networks, the slow start to the year was more timing-related and the order book is strong, according to the company.

Mobile Networks is also expected to recover significantly after a difficult start to the year, although continued market uncertainty and the loss of AT&T are likely to weigh on the rest of the year. Fortunately,

this is against weaker comparison periods. In our view, given the comments from Nokia and Ericsson, the prospect of operators opening the investment taps is still unclear, and there is still some excitement about the market recovery.

In Nokia Technologies, the outlook is stable following the completion of the smartphone license renewal cycle. Nokia Technologies' annual revenue is currently around 1.3 BNEUR, compared to Nokia's medium-term target of 1.4-1.5 BNEUR.

Nokia commented that cost savings are progressing according to plan and the target for this year is still 500 MEUR of savings. The company said its headcount fell by more than 2,000 in Q1. With business volumes declining, significant cost reductions are necessary to maintain profitability.

Estimate revisions MEUR / EUR	2024e	2024e	Change %	2025e	2025e	Change %	2026e	2026e	Change %
	Old	New		Old	New		Old	New	
Revenue	21711	21389	-1%	21889	21574	-1%	22458	21873	-3%
EBITDA	2677	2636	-2%	2735	2636	-4%	2878	2826	-2%
EBIT (exc. NRIs)	2490	2432	-2%	2420	2347	-3%	2610	2561	-2%
EBIT	1690	1635	-3%	1770	1697	-4%	2160	2111	-2%
PTP	1590	1726	9%	1700	1702	0%	2115	2066	-2%
EPS (excl. NRIs)	0.33	0.34	5%	0.32	0.32	0%	0.35	0.34	-2%
DPS	0.14	0.14	0%	0.16	0.16	0%	0.20	0.20	0%

Source: Inderes

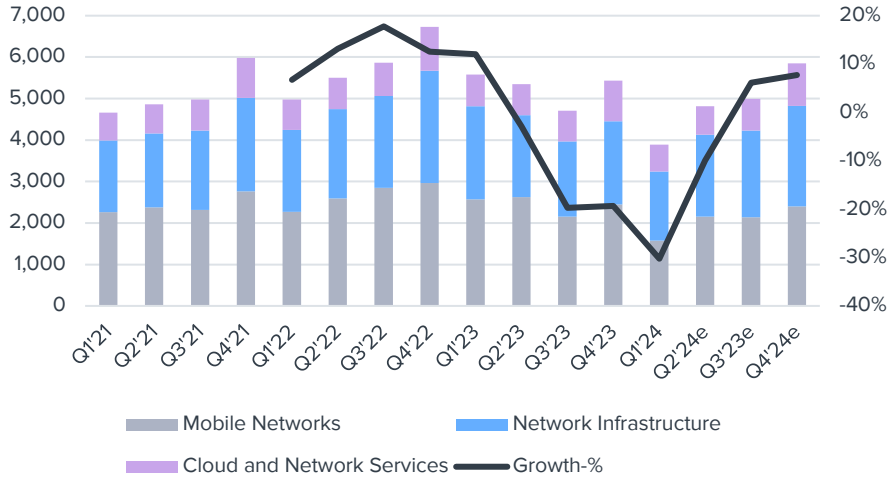
# Estimate changes by division

Estimate revisions	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
<b>Revenue</b>	<b>21711</b>	<b>21389</b>	<b>-1%</b>	<b>21889</b>	<b>21574</b>	<b>-1%</b>	<b>22458</b>	<b>21873</b>	<b>-3%</b>
Mobile Networks	8586	8264	-4%	8929	8561	-4%	9286	8647	-7%
Network Infrastructure	8168	8160	0%	8331	8385	1%	8498	8553	1%
Nokia Technologies	1770	1752	-1%	1410	1380	-2%	1424	1394	-2%
Cloud and Network Services	3095	3125	1%	3126	3156	1%	3158	3188	1%
Other	100	98	-2%	100	100	0%	100	100	0%
NRIs/non-IFRS adjustments	-8	-10	25%	-8	-8	0%	-8	-8	0%
<b>EBITDA</b>	<b>2677</b>	<b>2636</b>	<b>-2%</b>	<b>2735</b>	<b>2636</b>	<b>-4%</b>	<b>2878</b>	<b>2826</b>	<b>-2%</b>
<b>EBIT (exc. NRIs)</b>	<b>2490</b>	<b>2432</b>	<b>-2%</b>	<b>2420</b>	<b>2347</b>	<b>-3%</b>	<b>2610</b>	<b>2561</b>	<b>-2%</b>
<b>EBIT</b>	<b>1690</b>	<b>1635</b>	<b>-3%</b>	<b>1770</b>	<b>1697</b>	<b>-4%</b>	<b>2160</b>	<b>2111</b>	<b>-2%</b>
Mobile Networks	207	214	3%	431	339	-21%	532	463	-13%
Network Infrastructure	1003	955	-5%	1039	1059	2%	1090	1110	2%
Nokia Technologies	1408	1397	-1%	1039	1029	-1%	1053	1042	-1%
Cloud and Network Services	231	211	-9%	261	260	0%	286	285	0%
Other	-360	-345	-4%	-350	-340	-3%	-350	-340	-3%
NRIs/non-IFRS adjustments	-800	-797	0%	-650	-650	0%	-450	-450	0%
<b>PTP</b>	<b>1590</b>	<b>1726</b>	<b>9%</b>	<b>1700</b>	<b>1702</b>	<b>0%</b>	<b>2115</b>	<b>2066</b>	<b>-2%</b>
<b>EPS (adjusted)</b>	<b>0.33</b>	<b>0.34</b>	<b>5%</b>	<b>0.32</b>	<b>0.32</b>	<b>0%</b>	<b>0.35</b>	<b>0.34</b>	<b>-2%</b>
Dividend / share	0.14	0.14	0%	0.16	0.16	0%	0.20	0.20	0%

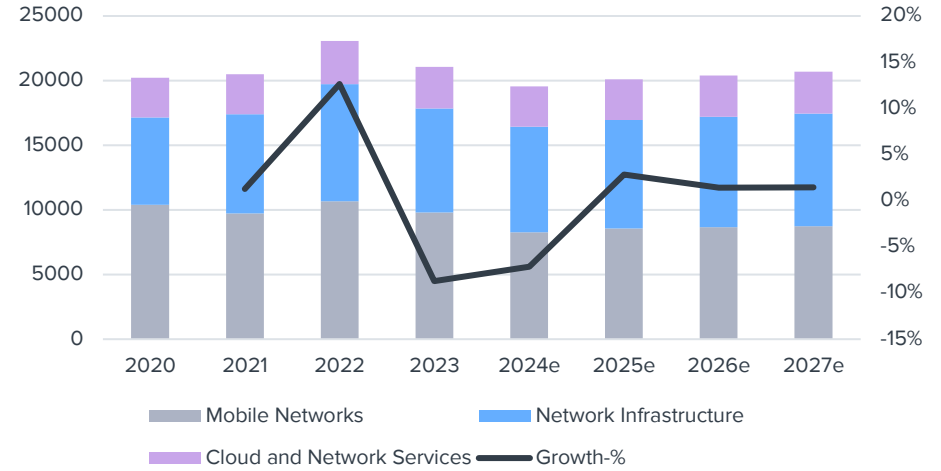
Source: Inderes

# Outlook calls for significant recovery in network businesses in H2

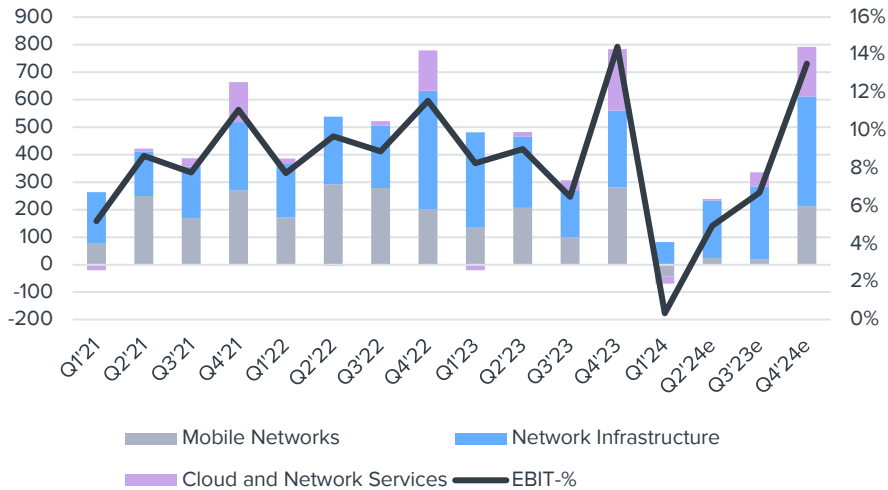
## Quarterly revenue development in Network business areas



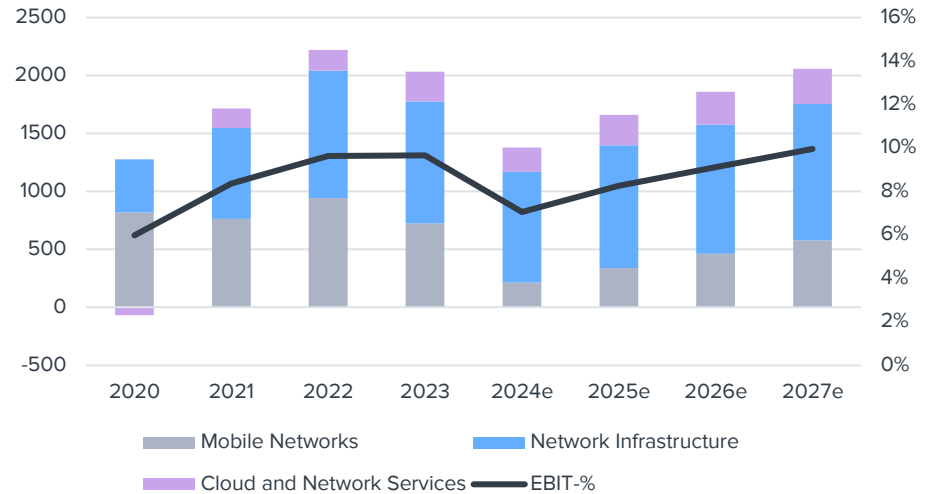
## Annual revenue development in Network business areas



## Quarterly EBIT development in Network business areas



## Annual EBIT development in Network business areas

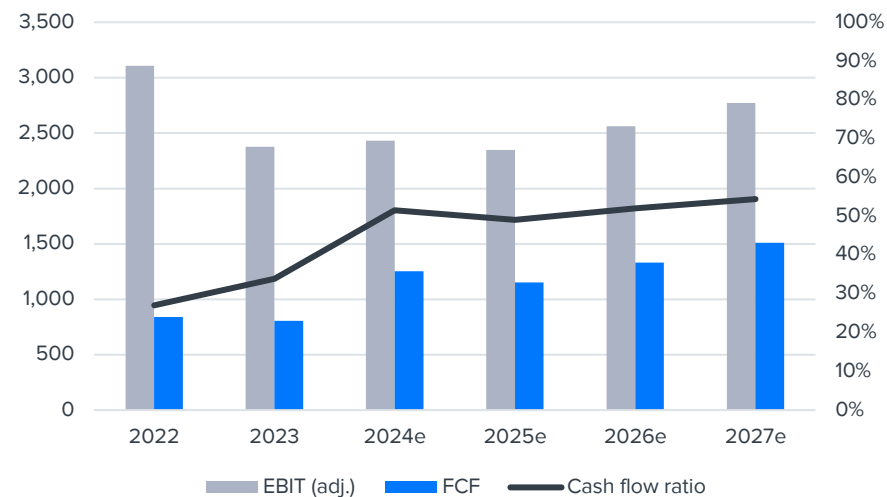


# Summary of estimates

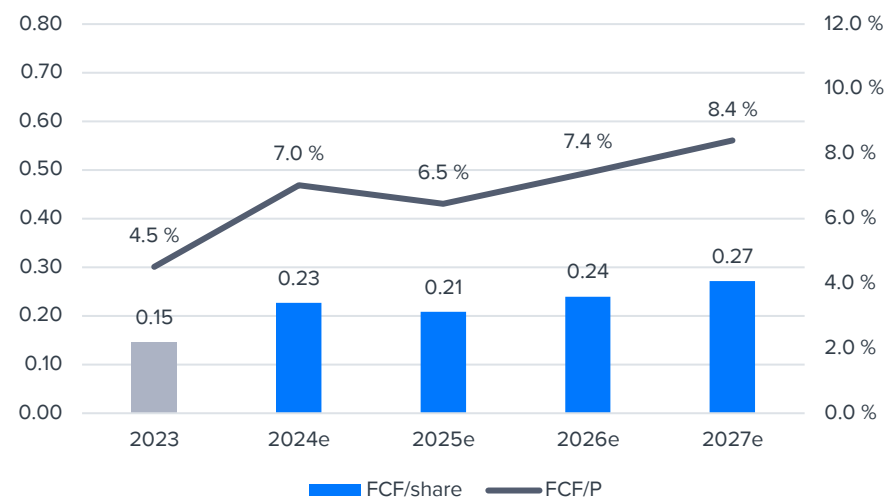
Mobile Networks	2022	2023	2024e	2025e	2026e	2027e
Revenue	10672	9797	8264	8561	8647	8733
Growth-%	9.8 %	-8.2 %	-15.6 %	3.6 %	1.0 %	1.0 %
Gross margin	4095	3433	2989	3039	3113	3179
Gross margin-%	38.4 %	35.0 %	36.2 %	35.5 %	36.0 %	36.4 %
EBIT	941	723	213	339	463	579
EBIT-%	8.8 %	7.4 %	2.6 %	4.0 %	5.4 %	6.6 %
Network Infrastructure	2022	2023	2024e	2025e	2026e	2027e
Revenue	9047	8036	8160	8385	8553	8724
Growth-%	17.9 %	-11.2 %	1.5 %	2.8 %	2.0 %	2.0 %
Gross margin	3309	3050	3041	3119	3190	3254
Gross margin-%	36.6 %	38.0 %	37.3 %	37.2 %	37.3 %	37.3 %
EBIT	1101	1054	955	1059	1110	1174
EBIT-%	12.2 %	13.1 %	11.7 %	12.6 %	13.0 %	13.5 %
Cloud and Network Services	2022	2023	2024e	2025e	2026e	2027e
Revenue	3350	3221	3125	3156	3188	3219
Growth-%	8.4 %	-3.9 %	-3.0 %	1.0 %	1.0 %	1.0 %
Gross margin	1340	1276	1217	1240	1265	1294
Gross margin-%	40.0 %	39.6 %	38.9 %	39.3 %	39.7 %	40.2 %
EBIT	178	255	211	260	285	304
EBIT-%	5.3 %	7.9 %	6.8 %	8.2 %	9.0 %	9.4 %
Technology	2022	2023	2024e	2025e	2026e	2027e
Revenue	1595	1085	1752	1380	1394	1408
Growth-%	6.3 %	-32.0 %	61.5 %	-21.2 %	1.0 %	1.0 %
EBIT	1208	735	1397	1029	1042	1056
EBIT-%	75.7 %	67.7 %	79.7 %	74.5 %	74.8 %	75.0 %
Group common and Other	2022	2023	2024e	2025e	2026e	2027e
Revenue	296	130	98	100	100	100
Growth-%	15.2 %	-56.1 %	-24.6 %	2.0 %	0.0 %	0.0 %
EBIT	-318	-391	-345	-340	-340	-340

Source: Inderes

## Development of comparable EBIT and FCF



## FCF/share and FCF/P





# Valuation

## Valuation is low on adjusted earnings, but not particularly attractive relative to cash flow

Nokia's adjusted earnings multiples look moderate for the coming years, with EV/EBIT multiples for 2024-2025 at around 6.2x and P/E multiples at around 9-10x. Our sum-of-the-parts calculation based on adjusted earnings figures also suggests that the share price could justify a significant upside next year under optimistic assumptions.

However, due to significant restructuring charges and other one-time items in the coming years, Nokia's reported earnings and free cash flow are significantly below the adjusted figures. Based on reported earnings, the P/E multiples for the next few years are 13x-14x, which is not a particularly attractive level. Based on our projections, Nokia will generate around 1.2-1.3 BNEUR in FCF per annum between 2024 and 2026, which implies a moderate cash flow yield of around 6.5-7.4% at the current share price. Given these figures, we find it difficult to justify a material upside in the stock.

Our current forecasts are clearly more cautious than Nokia's long-term targets, and if market conditions were to recover faster than expected, 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. Thus, 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 5.9%). In view of this, too, we do not think that it is justified to price the share at particularly high multiples. Ericsson

is also valued at a low P/E of 9.2x for next year, against which Nokia's valuation is very similar.

## 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
<b>EV</b>	<b>6.2</b>	<b>7.2</b>	<b>8.2</b>
<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	1.1	1.1	1.1
X valuation multiple	7.0	8.0	9.0
<b>EV</b>	<b>7.4</b>	<b>8.5</b>	<b>9.5</b>
<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
<b>EV</b>	<b>1.6</b>	<b>1.7</b>	<b>1.8</b>
<i>Per share (EUR)</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>

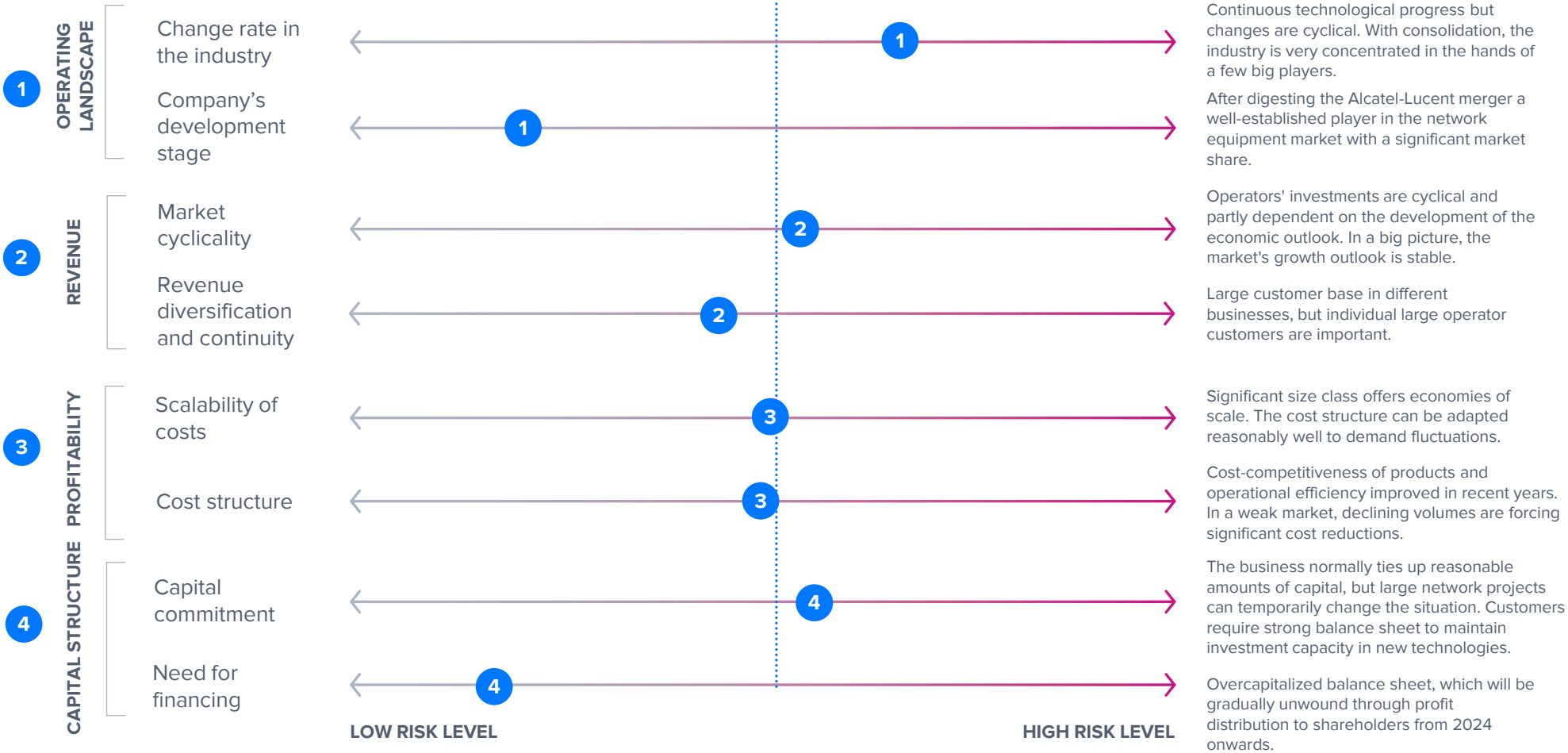
Mobile Networks	Lower end	Neutral	Upper end
Variable: Adj. EBIT 2025e	0.3	0.3	0.3
X valuation multiple	5.0	6.0	7.0
<b>EV</b>	<b>1.7</b>	<b>2.0</b>	<b>2.4</b>
<i>Per share (EUR)</i>	<i>0.3</i>	<i>0.4</i>	<i>0.4</i>

Total	Lower end	Neutral	Upper end
Aggregate EV	16.8	19.4	22.0
Group expenses (NPV)	-3.0	-2.5	-2.0
Net cash at the end of Q1'24	5.1	5.1	5.1
Costs for restructuring	-1.4	-1.2	-1.0
SOTP total	18	21	24
<i>Per share (EUR)</i>	<i>3.2</i>	<i>3.8</i>	<i>4.4</i>

# Risk profile of the business model

Assessment of Nokia's overall business risk

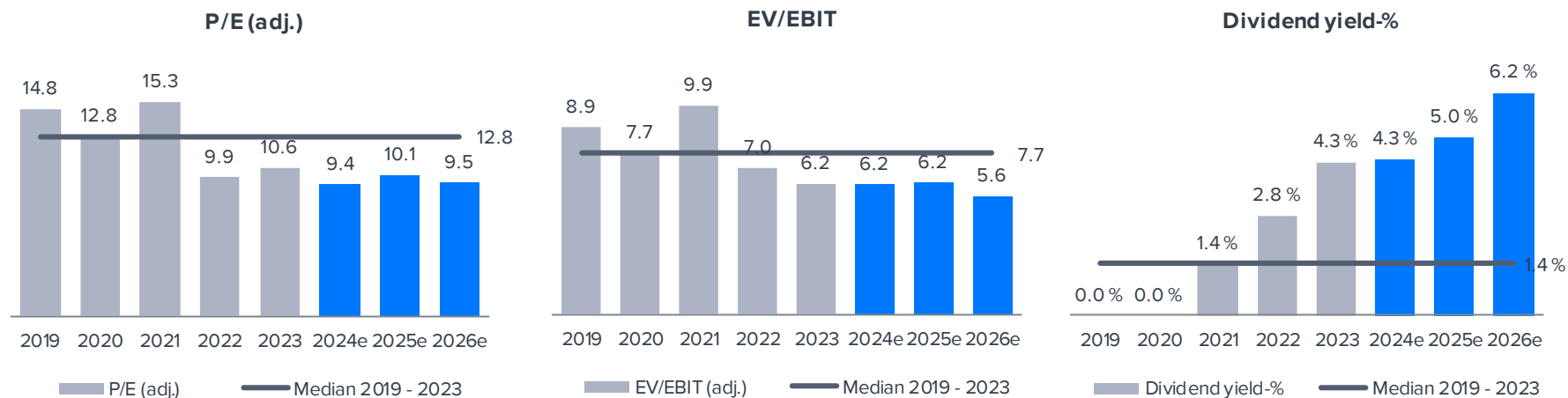


Source: Inderes

# Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	3.30	3.15	5.57	4.33	3.05	<b>3.23</b>	<b>3.23</b>	<b>3.23</b>	<b>3.23</b>
Number of shares, millions	5606	5617	5629	5590	5526	<b>5526</b>	<b>5526</b>	<b>5566</b>	<b>5566</b>
Market cap	18476	17701	31378	24189	16864	<b>17839</b>	<b>17839</b>	<b>17969</b>	<b>17969</b>
EV	17799	15938	27543	21648	14698	<b>15040</b>	<b>14662</b>	<b>14380</b>	<b>14020</b>
P/E (adj.)	14.8	12.8	15.3	9.9	10.6	<b>9.4</b>	<b>10.1</b>	<b>9.5</b>	<b>8.8</b>
P/E	>100	neg.	19.3	5.7	25.4	<b>12.9</b>	<b>14.0</b>	<b>11.6</b>	<b>10.3</b>
P/B	1.2	1.4	1.8	1.1	0.8	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>
P/S	0.8	0.8	1.4	1.0	0.8	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>
EV/Sales	0.8	0.7	1.2	0.9	0.7	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>	<b>0.6</b>
EV/EBITDA	8.3	7.9	8.5	6.3	5.3	<b>5.7</b>	<b>5.6</b>	<b>5.1</b>	<b>4.6</b>
EV/EBIT (adj.)	8.9	7.7	9.9	7.0	6.2	<b>6.2</b>	<b>6.2</b>	<b>5.6</b>	<b>5.1</b>
Payout ratio (%)	0.0 %	0.0 %	27.7 %	15.8 %	108.0 %	<b>55.8 %</b>	<b>69.5 %</b>	<b>72.1 %</b>	<b>63.9 %</b>
Dividend yield-%	0.0 %	0.0 %	1.4 %	2.8 %	4.3 %	<b>4.3 %</b>	<b>5.0 %</b>	<b>6.2 %</b>	<b>6.2 %</b>

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	172411	175632	14.6	13.4	13.2	12.4	4.9	4.5	16.8	15.2	2.0	2.1	7.2
Ciena	6091	6264	14.0	10.7	11.5	9.2	1.6	1.5	19.6	14.2			2.2
Cisco	181935	168179	10.2	9.8	9.2	8.9	3.4	3.3	13.0	12.7	3.3	3.4	4.1
Juniper Networks	11126	11497	13.2	11.9	11.0	10.3	2.3	2.2	16.4	14.9	2.4	2.5	2.5
Motorola	53183	57251	20.9	19.2	18.5	17.1	5.7	5.4	26.7	24.6	1.1	1.1	39.8
ZTE	16617	15225	11.1	10.1	7.9	7.8	0.9	0.9	7.1	6.5	5.0	5.3	1.0
Ericsson	15718	16281	8.3	7.6	5.9	5.2	0.8	0.7	11.2	9.2	4.9	5.4	1.8
Amdocs	9335	9418	10.9	10.3	9.2	8.7	2.0	1.9	13.1	11.9	2.1	2.2	2.6
CommScope	198	9462	21.2	16.3	15.2	11.4	2.2	1.9		2.7			
Oracle	306655	380513	17.6	16.0	14.4	13.1	7.6	7.0	21.2	19.1	1.3	1.3	36.4
Viavi	1710	1867	15.0	11.2	12.1	9.3	2.0	1.8	21.7	14.3			2.3
<b>Nokia (Inderes)</b>	<b>17839</b>	<b>15040</b>	<b>6.2</b>	<b>6.2</b>	<b>5.7</b>	<b>5.6</b>	<b>0.7</b>	<b>0.7</b>	<b>9.4</b>	<b>10.1</b>	<b>4.3</b>	<b>5.0</b>	<b>0.8</b>
<b>Average</b>			<b>14.3</b>	<b>12.4</b>	<b>11.7</b>	<b>10.3</b>	<b>3.0</b>	<b>2.8</b>	<b>16.7</b>	<b>13.2</b>	<b>2.8</b>	<b>2.9</b>	<b>10.0</b>
<b>Median</b>			<b>14.0</b>	<b>11.2</b>	<b>11.5</b>	<b>9.3</b>	<b>2.2</b>	<b>1.9</b>	<b>16.6</b>	<b>14.2</b>	<b>2.3</b>	<b>2.4</b>	<b>2.6</b>
<b>Diff-% to median</b>			<b>-56%</b>	<b>-44%</b>	<b>-50%</b>	<b>-40%</b>	<b>-67%</b>	<b>-65%</b>	<b>-43%</b>	<b>-29%</b>	<b>91%</b>	<b>109%</b>	<b>-67%</b>

Source: Refinitiv / Inderes

# Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
<b>Revenue</b>	<b>24911</b>	<b>5859</b>	<b>5710</b>	<b>4982</b>	<b>5728</b>	<b>22279</b>	<b>4667</b>	<b>5165</b>	<b>5349</b>	<b>6208</b>	<b>21389</b>	<b>21574</b>	<b>21873</b>	<b>22176</b>
Mobile Networks	10671	2567	2623	2157	2450	9797	1577	2151	2135	2401	8264	8561	8647	8733
Network Infrastructure	9047	2248	1979	1807	2003	8037	1662	1978	2096	2424	8160	8385	8553	8724
Nokia Technologies	1595	242	334	258	260	1094	757	330	330	335	1752	1380	1394	1408
Cloud and Network Services	3351	760	741	742	977	3220	652	683	764	1026	3125	3156	3188	3219
Other	295	48	36	22	40	146	23	25	25	25	98	100	100	100
NRIs/non-IFRS adjustments	-48	-6	-3	-4	-2	-15	-4	-2	-2	-2	-10	-8	-8	-8
<b>EBITDA</b>	<b>3458</b>	<b>692</b>	<b>746</b>	<b>508</b>	<b>829</b>	<b>2775</b>	<b>661</b>	<b>440</b>	<b>537</b>	<b>998</b>	<b>2636</b>	<b>2636</b>	<b>2826</b>	<b>3070</b>
Depreciation	-1140	-266	-272	-267	-282	-1087	-261	-247	-247	-247	-1001	-938	-715	-697
<b>EBIT (excl. NRI)</b>	<b>3109</b>	<b>479</b>	<b>626</b>	<b>424</b>	<b>846</b>	<b>2375</b>	<b>597</b>	<b>393</b>	<b>490</b>	<b>951</b>	<b>2432</b>	<b>2347</b>	<b>2561</b>	<b>2773</b>
<b>EBIT</b>	<b>2318</b>	<b>426</b>	<b>474</b>	<b>241</b>	<b>547</b>	<b>1688</b>	<b>400</b>	<b>193</b>	<b>290</b>	<b>751</b>	<b>1635</b>	<b>1697</b>	<b>2111</b>	<b>2373</b>
Mobile Networks	940	137	205	99	282	723	-42	23	20	212	214	339	463	579
Network Infrastructure	1102	344	260	171	279	1054	82	209	265	398	955	1059	1110	1174
Nokia Technologies	1208	149	236	180	169	734	658	245	245	250	1397	1029	1042	1056
Cloud and Network Services	177	-20	16	36	223	255	-27	6	51	181	211	260	285	304
Other	-318	-131	-91	-63	-107	-391	-75	-90	-90	-90	-345	-340	-340	-340
NRIs/non-IFRS adjustments	-791	-53	-153	-183	-299	-687	-197	-200	-200	-200	-797	-650	-450	-400
Net financial items	-108	-19	-55	-38	-39	-150	51	15	15	10	91	0	-50	-50
<b>PTP</b>	<b>2184</b>	<b>401</b>	<b>407</b>	<b>179</b>	<b>512</b>	<b>1499</b>	<b>451</b>	<b>208</b>	<b>305</b>	<b>761</b>	<b>1726</b>	<b>1702</b>	<b>2066</b>	<b>2328</b>
Taxes	2026	-111	-116	-45	-552	-825	-12	-52	-76	-190	-331	-424	-515	-581
Minority interest	-9	-10	1	5	-10	-14	-4	-2	-2	-2	-9	-6	-6	-6
<b>Net earnings</b>	<b>4250</b>	<b>279</b>	<b>290</b>	<b>139</b>	<b>-43</b>	<b>665</b>	<b>434</b>	<b>155</b>	<b>227</b>	<b>570</b>	<b>1386</b>	<b>1272</b>	<b>1545</b>	<b>1742</b>
<b>EPS (adj.)</b>	<b>0.44</b>	<b>0.06</b>	<b>0.07</b>	<b>0.05</b>	<b>0.10</b>	<b>0.29</b>	<b>0.088</b>	<b>0.06</b>	<b>0.07</b>	<b>0.13</b>	<b>0.34</b>	<b>0.32</b>	<b>0.34</b>	<b>0.37</b>
<b>EPS (rep.)</b>	<b>0.76</b>	<b>0.05</b>	<b>0.05</b>	<b>0.03</b>	<b>-0.01</b>	<b>0.12</b>	<b>0.08</b>	<b>0.03</b>	<b>0.04</b>	<b>0.10</b>	<b>0.25</b>	<b>0.23</b>	<b>0.28</b>	<b>0.31</b>

Key figures	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
<b>Revenue growth-%</b>	12.2 %	9.6 %	-2.8 %	-20.2 %	-23.1%	-10.6 %	-20.3 %	-9.6 %	7.4 %	8.4 %	-4.0 %	0.9 %	1.4 %	1.4 %
<b>Adjusted EBIT growth-%</b>	12.0 %	-17.8 %	-12.2 %	-35.5 %	-26.8 %	-23.6 %	24.6 %	-37.2 %	15.7 %	12.5 %	2.4 %	-3.5 %	9.1 %	8.3 %
<b>EBITDA-%</b>	13.9 %	11.8 %	13.1 %	10.2 %	14.5 %	12.5 %	14.2 %	8.5 %	10.0 %	16.1%	12.3 %	12.2 %	12.9 %	13.8 %
<b>Adjusted EBIT-%</b>	12.5 %	8.2 %	11.0 %	8.5 %	14.8 %	10.7 %	12.8 %	7.6 %	9.2 %	15.3 %	11.4 %	10.9 %	11.7 %	12.5 %
<b>Net earnings-%</b>	17.1%	4.8 %	5.1 %	2.8 %	-0.7 %	3.0 %	9.3 %	3.0 %	4.3 %	9.2 %	6.5 %	5.9 %	7.1 %	7.9 %

Source: Inderes

# Balance sheet

Assets	2022	2023	2024e	2025e	2026e
<b>Non-current assets</b>	<b>24810</b>	<b>23255</b>	<b>22721</b>	<b>22241</b>	<b>21765</b>
Goodwill	5667	5504	5504	5504	5504
Intangible assets	3396	2647	2292	1930	1543
Tangible assets	2944	2857	2678	2560	2471
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
<b>Current assets</b>	<b>20266</b>	<b>18131</b>	<b>17218</b>	<b>17151</b>	<b>17389</b>
Inventories	3265	2684	2674	2697	2734
Other current assets	0.0	79.0	0.0	0.0	0.0
Receivables	7839	7128	6844	6904	6999
Cash and equivalents	9162	8240	7700	7551	7656
<b>Balance sheet total</b>	<b>42943</b>	<b>39825</b>	<b>38536</b>	<b>38181</b>	<b>38354</b>

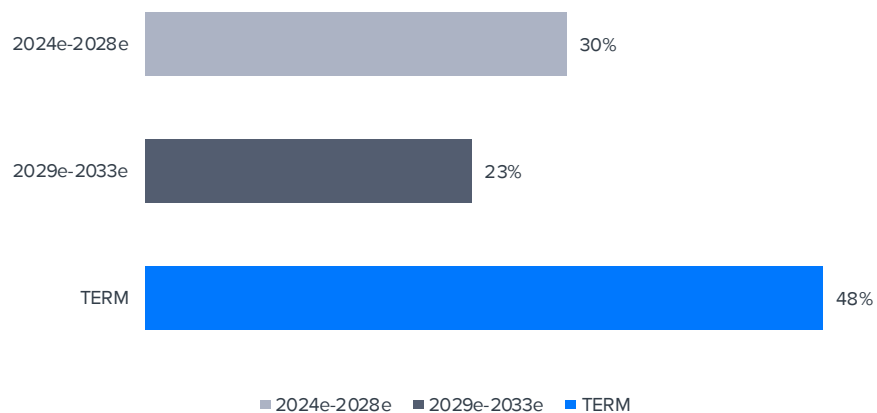
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
<b>Equity</b>	<b>21426</b>	<b>20628</b>	<b>21295</b>	<b>21794</b>	<b>22454</b>
Share capital	246	246	246	246	246
Retained earnings	1375	1404	2071	2570	3230
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
<b>Non-current liabilities</b>	<b>9556</b>	<b>9043</b>	<b>7904</b>	<b>7110</b>	<b>6582</b>
Deferred tax liabilities	332	725	600	500	500
Provisions	1435	1262	900	700	500
Interest bearing debt	5107	4436	3884	3490	3262
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	2682	2620	2520	2420	2320
<b>Current liabilities</b>	<b>11961</b>	<b>10154</b>	<b>9336</b>	<b>9277</b>	<b>9318</b>
Interest bearing debt	1450	1582	995	863	787
Payables	10511	8572	8342	8414	8530
Other current liabilities	0.0	0.0	0.0	0.0	0.0
<b>Balance sheet total</b>	<b>42943</b>	<b>39825</b>	<b>38536</b>	<b>38181</b>	<b>38354</b>

# DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	-10.6 %	-4.0 %	0.9 %	1.4 %	1.4 %	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %
EBIT-%	7.6 %	7.6 %	7.9 %	9.7 %	10.7 %	9.0 %	8.9 %	8.8 %	8.7 %	8.7 %	8.5 %	8.5 %
<b>EBIT (operating profit)</b>	<b>1688</b>	<b>1635</b>	<b>1697</b>	<b>2111</b>	<b>2373</b>	<b>2016</b>	<b>2013</b>	<b>2011</b>	<b>2008</b>	<b>2028</b>	<b>2001</b>	
+ Depreciation	1087	1001	938	715	697	684	674	666	661	657	655	
- Paid taxes	-471	-456	-524	-515	-581	-491	-445	-446	-449	-459	-456	
- Tax, financial expenses	-38	17	0	-13	-13	-13	-58	-57	-53	-48	-44	
+ Tax, financial income	0	0	0	0	0	0	0	0	0	0	0	
- Change in working capital	-726	143	-10	-16	-17	-12	-12	-12	-13	-13	-13	
<b>Operating cash flow</b>	<b>1541</b>	<b>2340</b>	<b>2101</b>	<b>2282</b>	<b>2460</b>	<b>2183</b>	<b>2171</b>	<b>2162</b>	<b>2154</b>	<b>2165</b>	<b>2142</b>	
+ Change in other long-term liabilities	-235	-462	-300	-300	-300	-300	-200	-100	-100	-100	-100	
- Gross CAPEX	-176	-625	-650	-650	-650	-650	-650	-650	-650	-650	-650	
<b>Free operating cash flow</b>	<b>1130</b>	<b>1253</b>	<b>1151</b>	<b>1332</b>	<b>1510</b>	<b>1233</b>	<b>1321</b>	<b>1412</b>	<b>1404</b>	<b>1415</b>	<b>1392</b>	
+/- Other	-295	-300	-300	0	0	0	0	0	0	0	0	
FCFF	835	953	851	1332	1510	1233	1321	1412	1404	1415	1392	17257
<b>Discounted FCFF</b>		<b>896</b>	<b>733</b>	<b>1051</b>	<b>1092</b>	<b>817</b>	<b>802</b>	<b>785</b>	<b>716</b>	<b>661</b>	<b>596</b>	<b>7381</b>
Sum of FCFF present value		15531	14634	13901	12850	11757	10940	10138	9353	8637	7976	7381
<b>Enterprise value DCF</b>		<b>15531</b>										
- Interest bearing debt		-6018										
+ Cash and cash equivalents		8240										
-Minorities		-77										
-Dividend/capital return		0										
<b>Equity value DCF</b>		<b>17731</b>										
<b>Equity value DCF per share</b>		<b>3.2</b>										

Cash flow distribution



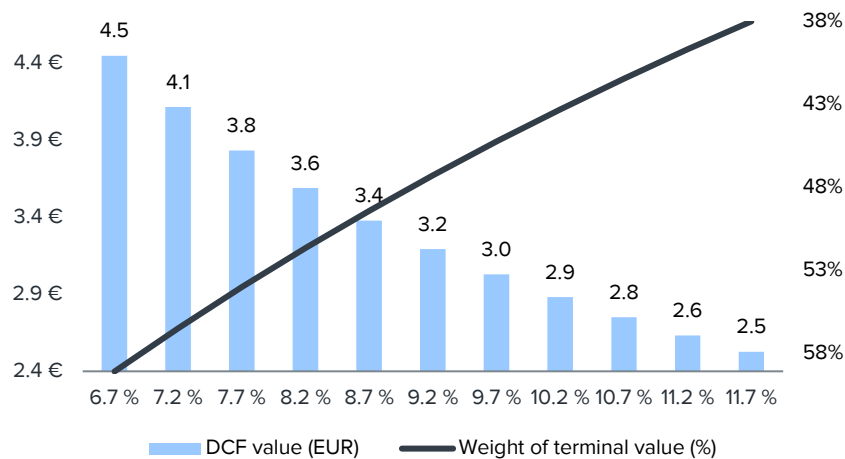
## WACC

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 %
<b>Cost of equity</b>	<b>9.2 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>9.2 %</b>

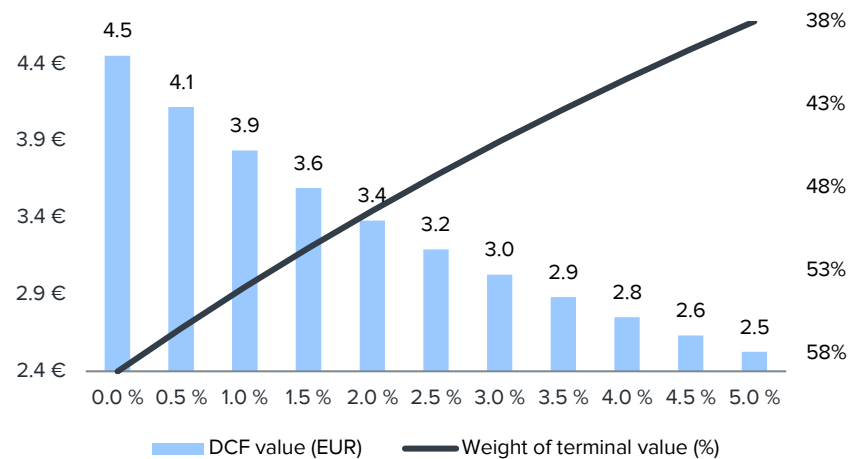
Source: Inderes

# DCF sensitivity calculations and key assumptions in graphs

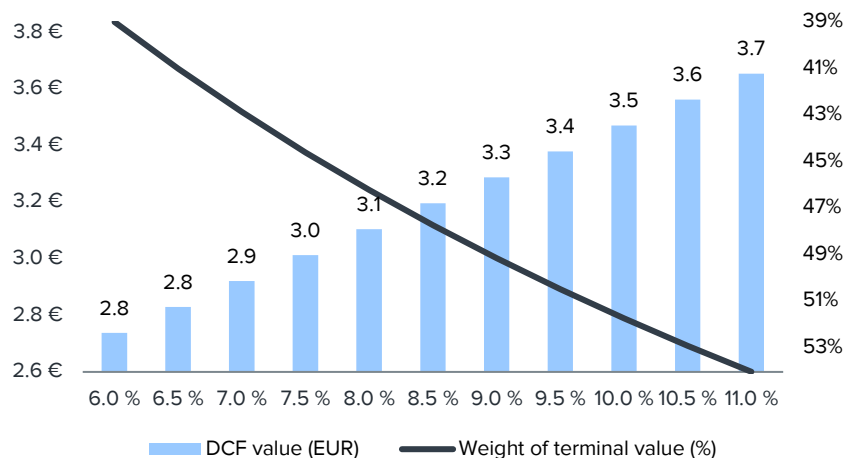
Sensitivity of DCF to changes in the WACC-%



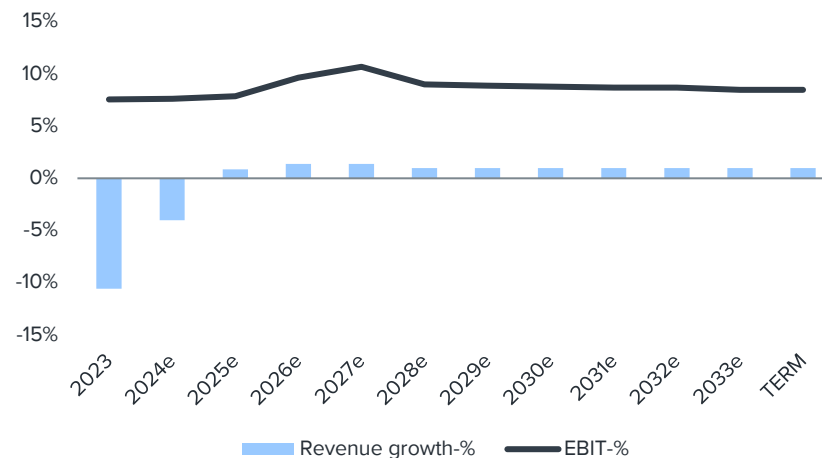
Sensitivity of DCF to changes in the risk-free rate



Sensitivity of DCF to changes in the terminal EBIT margin



Growth and profitability assumptions in the DCF calculation



Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.



# Summary

Income statement	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	22202	24911	22279	<b>21389</b>	<b>21574</b>	EPS (reported)	0.29	0.76	0.12	<b>0.25</b>	<b>0.23</b>
EBITDA	3253	3458	2775	<b>2636</b>	<b>2636</b>	EPS (adj.)	0.37	0.44	0.29	<b>0.34</b>	<b>0.32</b>
EBIT	2158	2318	1688	<b>1635</b>	<b>1697</b>	OCF / share	0.73	0.26	0.28	<b>0.42</b>	<b>0.38</b>
PTP	1926	2184	1499	<b>1726</b>	<b>1702</b>	FCF / share	-0.16	-0.18	0.15	<b>0.17</b>	<b>0.15</b>
Net Income	1623	4250	665	<b>1386</b>	<b>1272</b>	Book value / share	3.08	3.82	3.72	<b>3.84</b>	<b>3.93</b>
Extraordinary items	-617	-791	-687	<b>-797</b>	<b>-650</b>	Dividend / share	0.08	0.12	0.13	<b>0.14</b>	<b>0.16</b>
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	40049	42943	39825	<b>38536</b>	<b>38181</b>	Revenue growth-%	2%	12%	-11%	<b>-4%</b>	<b>1%</b>
Equity capital	17462	21426	20628	<b>21295</b>	<b>21794</b>	EBITDA growth-%	61%	6%	-20%	<b>-5%</b>	<b>0%</b>
Goodwill	5431	5667	5504	<b>5504</b>	<b>5504</b>	EBIT (adj.) growth-%	33%	12%	-24%	<b>2%</b>	<b>-3%</b>
Net debt	-3942	-2605	-2222	<b>-2821</b>	<b>-3198</b>	EPS (adj.) growth-%	49%	20%	-34%	<b>19%</b>	<b>-7%</b>
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	14.7 %	13.9 %	12.5 %	<b>12.3 %</b>	<b>12.2 %</b>
EBITDA	3253	3458	2775	<b>2636</b>	<b>2636</b>	EBIT (adj.)-%	12.5 %	12.5 %	10.7 %	<b>11.4 %</b>	<b>10.9 %</b>
Change in working capital	608	-1476	-726	<b>143</b>	<b>-10</b>	EBIT-%	9.7 %	9.3 %	7.6 %	<b>7.6 %</b>	<b>7.9 %</b>
Operating cash flow	4127	1469	1541	<b>2340</b>	<b>2101</b>	ROE-%	10.9 %	22.0 %	3.2 %	<b>6.6 %</b>	<b>5.9 %</b>
CAPEX	-4111	-847	-176	<b>-625</b>	<b>-650</b>	ROI-%	10.3 %	9.0 %	6.0 %	<b>6.2 %</b>	<b>6.5 %</b>
Free cash flow	-911	-979	835	<b>953</b>	<b>851</b>	Equity ratio	43.6 %	49.9 %	51.8 %	<b>55.3 %</b>	<b>57.1 %</b>
Valuation multiples	2021	2022	2023	2024e	2025e	Gearing	-22.6 %	-12.2 %	-10.8 %	<b>-13.2 %</b>	<b>-14.7 %</b>
EV/S	1.2	0.9	0.7	<b>0.7</b>	<b>0.7</b>						
EV/EBITDA (adj.)	8.5	6.3	5.3	<b>5.7</b>	<b>5.6</b>						
EV/EBIT (adj.)	9.9	7.0	6.2	<b>6.2</b>	<b>6.2</b>						
P/E (adj.)	15.3	9.9	10.6	<b>9.4</b>	<b>10.1</b>						
P/B	1.8	1.1	0.8	<b>0.8</b>	<b>0.8</b>						
Dividend-%	1.4 %	2.8 %	4.3 %	<b>4.3 %</b>	<b>5.0 %</b>						

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# ESG

## Taxonomy eligibility

The EU taxonomy and its technical evaluation criteria have changed in 2023. Not all sectors or economic activities are yet included in the taxonomy and its criteria. The telecommunications sector is one of the sectors that has not yet been included as a whole in the sectors or economic activities identified by the EU taxonomy. Nevertheless, the taxonomy regulation includes economic activities appropriate to Nokia's business under Objective 1 (climate change mitigation), Objective 4 (transition to a circular economy) and Objective 5 (prevention and reduction of pollution).

There is currently no legal requirement to report on taxonomy compliance other than for the climate change objective. Thus, Nokia has only reported taxonomy eligibility at this stage. Nokia estimates that 61% of its revenue is eligible for the taxonomy's circular economy objective.

Capital expenditures (CAPEX) also include tax-eligible capital expenditures related to the climate change objective, but primarily tax-eligible capital expenditures related to the circular economy objective.

Taxonomy legislation is evolving, which is reflected in the evolution of Nokia's taxonomy figure. We will continue to monitor developments and it is not yet clear whether the taxonomy will have an impact on the cost of financing a business.

## Climate targets

Of the 6 climate targets set by Nokia, 5 have already been achieved or are developing in the right direction. However, in 2020-2023, 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	2022*	2023
Revenue	0 %	61 %
OPEX	0 %	52 %
CAPEX	2 %	66 %

Taxonomy alignment	2022*	2023
Revenue	0 %	0 %
OPEX	0 %	0 %
CAPEX	0 %	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 €
12/13/2023	Reduce	2.90 €	3.01 €
1/18/2024	Reduce	2.90 €	3.18 €
1/26/2024	Reduce	3.10 €	3.50 €
4/19/2024	Reduce	3.10 €	3.23 €



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