J.P.Morgan

Europe Equity Research
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Nokia

Order book points to 2027-2028 earnings estimates that consensus is not modelling

We believe that the market consensus has been too slow to react to the company's revenue potential in AI and Cloud based on the order intake and indications on the strength in the market indicated by optical peers. We would also highlight that Nokia has gained share in IP Networks and the co. indicated that a large part ~40%+ (€1.1bn+) of the orders taken in 2Q26 were IP Networks related driving another leg of the Nokia Infrastructure business growth apart from the already known Optical Networks growth. Though supply constraints remain, we believe that Nokia will be able to line up component supply to ramp up much more significantly in '27 and in '28. Nokia (OW) remains a top pick with a target price of €18/$21 (~100% potential upside) with JPMe '28 EPS 34.5% ahead of Infront consensus.

- **Market seems too bearish on Nokia Infrastructure business unit sales in 2027 and 2028:** Current Infront consensus estimates have Nokia Infrastructure (NI) business unit sales increasing year-on-year by €1.37bn in 2027 and by €1.28bn in 2028. It would be fair to assume that all the NI sales growth is from the AI-exposed Optical and IP Networks businesses. In FY25, Nokia reported AI and Cloud orders of €2.4bn and sales of €1.13bn. Consensus currently expects FY26 sales increase in NI of ~€1.1bn and thus AI and Cloud revenue of ~€2.23bn. We believe Nokia can achieve as much as €2.4bn in FY26, which is higher than current consensus. More importantly, however, in the last 2 quarters, Nokia has taken AI and cloud orders or €3.8bn of which €2.4bn has been described as ongoing orders that can ship in 12 months. If Nokia can report similar ongoing orders through 3Q and 4Q, which is entirely possible given the strength seen at peers such as Lumentum, Coherent and Cisco, they could report FY26 ongoing orders of €5.2bn in which case they would have similar sales in FY27 - this implies FY27 NI sales growth of €2.8bn, which is >100% more than what the market is forecasting today. Even if one assumes that Nokia's AI & Cloud orders in 3Q26 and 4Q26 are only €900m, i.e. at the level seen in 4Q25 - which in our view is unlikely - Nokia would be able to report FY27 AI & Cloud sales of ~17% ahead of current consensus estimates, allowing the co. to beat expectations.
- **Scenarios point to considerable upgrades to 2027 and 2028 earnings:** In this note, we examine different scenarios for AI and Cloud orders and thus the resultant sales in the NI business unit of Nokia. In the 'Low' case for 2026, we assume orders of €900m in 3Q and 4Q, which would result in ongoing orders of €4.2bn in 2026. Under the 'Low' order scenario, Nokia would still beat FY27 EBIT by 7.7% and 2028 by over 24%. (2Q contained orders that had longer lead times than 12 months which are thus likely to be recognized in 2028). If Nokia can increase the orders from the €1.4bn of ongoing orders reported in 2Q (we assume €1.5bn/€1.6bn in 3Q/4Q) - in the 'High' scenario, the co. could report FY26 ongoing orders of €5.5bn, in which case the co. could beat FY27 EBIT by >28% and FY28 EBIT by >46%. Thus, both the Low and High scenarios result in considerable upgrades vs. current consensus in our opinion. The 'Low' scenario seems unlikely in our opinion given that it assumes a significant decline in 3Q and 4Q orders (35% decline from ongoing orders in 2Q26) and a further decline in FY27 - given the strength in the orders and sales currently seen at peers and suppliers (see peer comments in report).

Overweight

NOKIA.HE, NOKIA FH
Price (18 Aug 26):€8.90
Price Target (Dec-27):€18.00

Overweight

NOK, NOK US
Price (18 Aug 26):$10.39
Price Target (Dec-27):$21.00

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AI & Cloud revenue - Scenario Analysis

Some key points:

1. Nokia reported AI and Cloud (AI) orders of €2.4bn in 2025. Based on current indications the co. is likely to convert those 2025 orders to 2026 sales i.e. ~€2.4bn of AI revenue in 2026 (our estimates).
2. Nokia has reported €900m, €1bn and €2.8bn in AI orders in 4Q25, 1Q26 and 2Q26. Of the very strong 2Q26 orders, the co. has specifically indicated that only €1.4bn of these orders are ongoing orders. We note that they had previously indicated that all of the €1bn of 1Q26 orders were ongoing orders. Thus it is possible that Nokia could report €1-1.6bn in orders in 3Q and 4Q 2026.

Based on the above, we have created Low, Mid and High scenarios for Nokia's 2027 and 2028 Network Infrastructure sales and thus Nokia's EPS. As shown in Table 1, we have created order scenarios for the remainder of 2026 for the High to Low scenarios, followed by 2026 orders translating into 2027 sales and similar low to high forecasts for 2027 and 2028 orders and sales.

Table 1: Scenarios on Nokia AI & Cloud order and revenue

€ million

(€ million)	High orders	Mid orders	Low orders
2026			
Q1A	1,000	1,000	1,000
Q2A	2,800	2,800	2,800
Q3E	1,500	1,100	900
Q4E	1,600	1,100	900
Total orders	6,900	6,000	5,600
Ongoing orders	**5,500**	**4,600**	**4,200**

Source: J.P. Morgan estimates.

Table 2: Scenarios on Nokia 2026 AI orders that feed into the 3 earnings scenarios

€ million

(€ million)		2026E	2027E	2028E
Low	Orders	5,600	5,000	5,800
	Sales		3,800	5,500
Mid	Orders	6,000	5,600	6,600
	Sales		4,400	6,100
High	Orders	6,900	6,700	7,900
	Sales		5,200	7,200

Source: J.P. Morgan estimates, company data for reported figures

Using the orders and thus the resultant AI sales in Tables 1 and 2, we calculate High to Low earnings scenarios for Nokia in 2028. We show that Nokia can beat 2027 and 2028 estimates on EBIT in the 'Low' scenario, given that the sell-side consensus is too low. We are on the bullish end of the scale and our estimates are more in-line with the High Scenario which would see the company with the potential to beat EBIT consensus that year by ~46%. Even in the 'Low' scenario, we believe that Nokia can beat 2028 EBIT by 24.5%, while beating 2027 estimates by 7.7% (note there were orders in 2Q26 that were beyond the 12 month lead time meaning that they will aid 2028 sales).

We highlight the problems with the consensus estimates in Table 6 below. Infront consensus has 2027 sales in Network Infrastructure increasing by €1.37bn. Assuming that all this increase is AI related, it would mean that Nokia AI orders in FY26 i.e. the current year would increase by a similar amount vs. 2025 given that t
achieve sales in the following year based on orders in the previous.
that Nokia AI orders in FY26 would be €3.77bn (€2.4bn +€1.37bn).
achieved ongoing orders in 1H26 of €2.4bn and thus this implies AI
implies orders of €1.37bn in 2H, or only €685m per quarter. *This wo*
order decline of ~52% from ongoing orders of €1.4bn in 2Q26, whic
indications from Lumentum, Coherent and Cisco seems very unlike
fact, 2Q26 also included €1.4bn of orders that ship beyond 12 mont

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orders would thus ship in 2H27 meaning that the consensus sales expectations are substantially incorrect unless Nokia is completely unable to source supply of components.

Second, the market is incredibly bearish on margins as Table 6 also shows; the market is assuming incremental margins of 2027 and 2028 in the NI business of 35.5% and 34.6% despite the considerable revenue growth. This does not make sense to us. Although Nokia will spend some incremental opex, it is unlikely that operational gearing will be so low. The significant revenue growth seen in Optical and IP businesses should result in much higher NI margins - in our view much higher than the margin targets proffered by the company at their CMD in 2025 before the huge order increases were seen. Thus, we believe that Nokia is on track to beat margins even more significantly than the revenue beat vs. the consensus expectations.

Table 3: Scenario 1 (High case) - P&L forecast

€ million

	2025	2026E	2027E	2028E
AI and Cloud orders	2,400	6,900	6,700	7,900
AI and Cloud revenue	**1,128**	**2,396**	**5,200**	**7,200**
Non AI and Cloud Optical + IP revenue	4,713	4,482	4,713	4,867
Fixed revenue	2,033	1,942	1,980	2,020
Total NI revenue	7,873	8,819	11,893	14,087
NI gross margin	**42.9%**	**43.7%**	**44.2%**	**45.0%**
NI gross profit	3,378	3,856	5,251	6,339
Opex	(2,511)	(2,780)	(2,941)	(3,112)
Operating income	867	1,076	2,310	3,227
Operating margin	**11.0%**	**12.2%**	**19.4%**	**22.9%**
Total Nokia Operating income	2,122	2,472	3,831	5,128
Nokia below line items	2,224	2,819	3,981	5,278
Tax	(531)	(747)	(1,035)	(1,372)
Minorities	(9)	(9)	(9)	(9)
Net income	1,684	2,063	2,937	3,897
EPS	**0.31**	**0.36**	**0.51**	**0.67**
Difference vs. Infront (EBIT)		**3.0%**	**28.4%**	**46.3%**

Source: Company reports, J.P. Morgan estimates.

Table 4: Scenario 2 (Low case) - P&L forecast

€ million

	2025	2026E	2027E	2028E
AI and Cloud orders	2,400	5,600	5,000	5,800
AI and Cloud revenue	**1,128**	**2,396**	**3,800**	**5,500**
Non AI and Cloud Optical + IP revenue	4,713	4,482	4,713	4,867
Fixed revenue	2,033	1,942	1,980	2,020
Total NI revenue	7,873	8,819	10,493	12,387
NI gross margin	**42.9%**	**43.7%**	**44.2%**	**45.0%**
NI gross profit	3,378	3,856	4,633	5,574
Opex	(2,511)	(2,780)	(2,941)	(3,112)
Operating income	867	1,076	1,692	2,462
Operating margin	**11.0%**	**12.2%**	**16.1%**	**19.9%**
Total Nokia Operating income	2,122	2,472	3,213	4,363
Nokia below line items	2,224	2,819	3,363	4,513
Tax	(531)	(747)	(874)	(1,173)
Minorities	(9)	(9)	(9)	(9)
Net income	1,684	2,063	2,479	3,331
EPS	**0.31**	**0.36**	**0.43**	**0.58**
Difference vs. Infront (EBIT)		**3.0%**	**7.7%**	**24.5%**

Source: Company reports, J.P. Morgan estimates.

Table 5: Scenario 3 (Mid case) - P&L forecast

€ million

	2025	2026E	2027E	2028E
AI and Cloud orders	2,400	6,000	5,600	6,600
AI and Cloud revenue	**1,128**	**2,396**	**4,400**	**6,100**
Non AI and Cloud Optical + IP revenue	4,713	4,482	4,713	4,867
Fixed revenue	2,033	1,942	1,980	2,020
Total NI revenue	7,873	8,819	11,093	12,987
NI gross margin	**42.9%**	**43.7%**	**44.2%**	**45.0%**
NI gross profit	3,378	3,856	4,898	5,844
Opex	(2,511)	(2,780)	(2,941)	(3,112)
Operating income	867	1,076	1,957	2,732
Operating margin	**11.0%**	**12.2%**	**17.6%**	**21.0%**
Total Nokia Operating income	2,122	2,472	3,478	4,633
Nokia below line items	2,224	2,819	3,628	4,783
Tax	(531)	(747)	(943)	(1,244)
Minorities	(9)	(9)	(9)	(9)
Net income	1,684	2,063	2,675	3,530
EPS	**0.31**	**0.36**	**0.46**	**0.61**
Difference vs. Infront (EBIT)		**3.0%**	**16.6%**	**32.2%**

Source: Company reports, J.P. Morgan estimates.

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Table 6: Incremental NI margin implied by Infront consensus expectations

€ million

vs. 2025	2026	2027	2028
Additional Network Infrastructure sales	1,093	1,372	1,280
Additional Network Infrastructure Gross profit	573	710	683
Incremental operating profit	272	487	443
Incremental margin	24.9%	35.5%	34.6%

Source: Infront consensus.

Peer indications of a strong optical networking market

Lumentum confirms explosive component-level demand and secular architectural shift

- **Secular industry shift to optical:** Management described a "secular industry shift," with data center architects increasingly turning to optical links because of AI compute workloads and bandwidth needs.
- **DCI demand is staggering:** For one major hyperscaler, the capacity connecting just two AI data centers could double the total global backbone capacity built over the last decade.
- **800G record / 1.6T ramp:** Record 800G cloud transceiver shipments in Q4 and started shipping 1.6T modules, with 1.6T uptake intensifying in Q1 2027 and sustaining through 2027.

Coherent sees "an extraordinary expansion in optical networking infrastructure"

- **Structural expansion thesis:** Coherent positioned itself "at the center of an extraordinary expansion in optical networking infrastructure driven by rapid growth of AI, the transition from copper to optical connectivity, and increasing need for bandwidth and energy efficiency"
- **Direct DCI / ZR / ZR+ read:** Strong demand for DCI solutions, including ZR and ZR+ transceivers, pump lasers, and high-end optical subsystems
- **CPO/NPO market sizing:** CPO and NPO seen as a >$15B incremental addressable market over coming years
- **800G/1.6T trajectory:** 800G revenue expected to keep growing YoY in calendar 2026 while 1.6T ramps rapidly through 2026 into 2027

Cisco is the most direct read across confirming AI-driven optical super cycle

- **"Networking super cycle" thesis:** Cisco framed the environment as a networking super cycle driven by agentic AI, fueling massive demand for networking and optical solutions, especially from hyperscalers
- **Strong optics AI orders:** Cisco took $4B of AI infrastructure orders in Q4 and $9.3B for FY26 (~4.5x FY25), of which 40% were optics
- **Coherent pluggables ramping:** Acacia booked >$1B of orders in Q4, shipping 850k 400G and 75k 800G coherent pluggables
- **Scale-across/DCI is the new growth vector**: New hyperscaler design wins for scale-across (multi-DC interconnect) using digital coherent optics, with AI scale-across traffic estimated 14x traditional DCI
- **Cisco noted increasing strength in telcos in Q4** (orders up +30% YoY) and the co. indicated that telcos are building to get ready for AI technologies like scale across

(telcos are spending because cloud providers are sending them inbounds about bandwidth needs) - this means the demand is hyperscaler-derived and most likely related to long-haul/metro optical and IP transport.

Fabrinet indicates Nokia is a significant customer and Fabrinet's engagement in several multi-rail projects means the opportunity is real

- Fabrinet confirmed multi-rail / scale-across DCI is now real and funded manufacturing-intensive product category and said it is heavily engaged in multiple multi-rail programs.
- Nokia (and Cisco) were cited as a 10%+ revenue customer. As a result it is possible (though not confirmed) that Nokia is one multi-rail customer which would support Nokia's first multi-rail ILA design win in 2Q 2026.

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Financials

Table 7: Nokia - Network Infrastructure P&L

€ million

Network Infrastructure (recast)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E	2024	2025	2026E	2027E	2028E
Net sales	**1,639**	**1,825**	**1,850**	**2,333**	**1,830**	**2,037**	**2,145**	**2,808**	**6,286**	**7,647**	**8,819**	**10,361**	**13,387**
QoQ	0.0%	11.3%	1.4%	77.0%	-21.6%	11.3%	5.3%	87.4%					
YoY	0.0%	0.0%	0.0%	0.0%	11.7%	11.6%	15.9%	20.3%	0.0%	21.7%	15.3%	17.5%	29.2%
Optical Networks	**525**	**730**	**782**	**982**	**821**	**868**	**962**	**1,286**	**1,636**	**3,019**	**3,937**	**4,823**	**6,849**
QoQ	0.8%	39.0%	7.1%	25.6%	-16.4%	5.7%	10.8%	33.7%					
YoY	52.6%	80.2%	113.7%	88.5%	56.4%	18.9%	23.0%	31.0%	-15.8%	84.5%	30.4%	22.5%	42.0%
IP Networks	**646**	**588**	**578**	**783**	**626**	**679**	**688**	**947**	**2,583**	**2,595**	**2,940**	**3,558**	**4,518**
QoQ	-21.4%	-9.0%	-1.7%	35.5%	-20.1%	8.5%	1.3%	37.7%					
YoY	8.8%	0.3%	-0.5%	-4.7%	-3.1%	15.5%	19.0%	21.0%	-0.9%	0.5%	13.3%	21.0%	27.0%
Fixed Networks	**468**	**507**	**490**	**568**	**383**	**490**	**495**	**574**	**2,067**	**2,033**	**1,942**	**1,980**	**2,020**
QoQ	0.0%	8.3%	-3.4%	15.9%	-32.6%	27.9%	1.0%	15.9%					
YoY	0.0%	0.0%	0.0%	0.0%	-18.2%	-3.4%	1.0%	1.0%	0.0%	-1.6%	-4.5%	2.0%	2.0%
Gross profit	**687**	**736**	**791**	**1,067**	**794**	**870**	**901**	**1,291**	**2,713**	**3,281**	**3,856**	**4,575**	**6,024**
as % of net sales	41.9%	40.3%	42.8%	45.7%	43.4%	42.7%	42.0%	46.0%	43.2%	42.9%	43.7%	44.2%	45.0%
Research & Development Expenses	**-343**	**-374**	**-392**	**-409**	**-396**	**-428**	**-439**	**-426**	**-1,195**	**-1,518**	**-1,688**	**-1,806**	**-1,933**
Selling, General & Adminsitrative Expenses	**-228**	**-251**	**-254**	**-274**	**-267**	**-272**	**-275**	**-264**	**-845**	**-1,007**	**-1,077**	**-1,121**	**-1,165**
Other operating income / expense	**-1**	**8**	**1**	**6**	**-6**	**-4**	**-4**	**0**	**44**	**14**	**-14**	**-14**	**-14**
Operating Profit	**115**	**119**	**146**	**390**	**123**	**166**	**183**	**602**	**717**	**770**	**1,076**	**1,634**	**2,912**
as % of net sales	7.0%	6.5%	7.9%	16.7%	6.7%	8.1%	8.5%	21.4%	11.4%	10.1%	12.2%	15.8%	21.8%
QoQ	0.0%	3.5%	22.7%	167.1%	-68.5%	35.0%	10.4%	228.5%					
YoY	0.0%	0.0%	0.0%	0.0%	7.0%	39.5%	25.6%	54.4%	0.0%	7.4%	39.8%	51.7%	78.3%

Source: Company reports and J.P. Morgan estimates.

Table 8: Nokia - Mobile Infrastructure P&L

€ million

Mobile Infrastructure (recast)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E	2024	2025	2026E	2027E	2028E
Net sales	**2,573**	**2,526**	**2,747**	**3,563**	**2,495**	**2,680**	**2,814**	**3,606**	**12,191**	**11,409**	**11,594**	**11,774**	**11,955**
QoQ	0.0%	-1.8%	8.7%	64.1%	-30.0%	7.4%	5.0%	60.0%					
YoY	0.0%	0.0%	0.0%	0.0%	-3.0%	6.1%	2.4%	1.2%	0.0%	-6.4%	1.6%	1.6%	1.5%
Core Software	**535**	**507**	**593**	**765**	**530**	**507**	**617**	**773**	**2,411**	**2,400**	**2,426**	**2,499**	**2,587**
QoQ	0.0%	-5.2%	17.0%	29.0%	-30.7%	-4.3%	21.6%	25.3%					
YoY	0.0%	0.0%	0.0%	0.0%	-0.9%	0.0%	4.0%	1.0%		-0.5%	1.1%	3.0%	3.5%
Radio Networks	**1,669**	**1,662**	**1,763**	**2,414**	**1,580**	**1,765**	**1,798**	**2,438**	**7,852**	**7,508**	**7,581**	**7,657**	**7,734**
QoQ	0.0%	-0.4%	6.1%	36.9%	-34.5%	11.7%	1.9%	35.6%					
YoY	0.0%	0.0%	0.0%	0.0%	-5.3%	6.2%	2.0%	1.0%		-4.4%	1.0%	1.0%	1.0%
Technology Standards	**369**	**357**	**391**	**384**	**385**	**407**	**399**	**396**	**1,928**	**1,501**	**1,586**	**1,618**	**1,634**
QoQ	-20.3%	-3.3%	9.5%	-1.8%	0.3%	5.7%	-2.0%	-0.8%					
YoY	-51.3%	0.3%	11.1%	-17.1%	4.3%	14.0%	2.0%	3.0%	0.0%	-22.1%	5.7%	2.0%	1.0%
Gross profit	**1,137**	**1,264**	**1,300**	**1,814**	**1,211**	**1,320**	**1,322**	**1,825**	**6,137**	**5,515**	**5,678**	**5,769**	**5,977**
as % of net sales	44.2%	50.0%	47.3%	50.9%	48.5%	49.3%	47.0%	50.6%	50.3%	48.3%	49.0%	49.0%	50.0%
Research & Development Expenses	**-720**	**-701**	**-683**	**-785**	**-707**	**-735**	**-753**	**-776**	**-2,894**	**-2,889**	**-2,971**	**-2,942**	**-2,853**
Selling, General & Adminsitrative Expenses	**-309**	**-292**	**-294**	**-338**	**-282**	**-283**	**-287**	**-302**	**-1,320**	**-1,233**	**-1,154**	**-1,142**	**-1,108**
Other operating income / expense	**24**	**39**	**31**	**38**	**0**	**8**	**8**	**8**	**189**	**132**	**24**	**24**	**24**
Operating Profit	**132**	**310**	**354**	**729**	**222**	**310**	**290**	**755**	**2,112**	**1,525**	**1,577**	**1,710**	**2,040**
as % of net sales	5.1%	12.3%	12.9%	20.5%	8.9%	11.6%	10.3%	20.9%	17.3%	13.4%	13.6%	14.5%	17.1%
QoQ	0.0%	134.8%	14.2%	105.9%	-69.5%	39.6%	-6.5%	160.5%					
YoY	0.0%	0.0%	0.0%	0.0%	68.2%	0.0%	-18.1%	3.6%	0.0%	-27.8%	3.4%	8.4%	19.3%

Source: Company reports and J.P. Morgan estimates.

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Table 9: Nokia - Portfolio Business P&L

€ million

Portfolio Businesses (recast)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E	2024	2025	2026E	2027E	2028E
Net sales	**176**	**199**	**234**	**236**	**173**	**94**	**110**	**111**	**717**	**845**	**488**	**491**	**0**
QoQ	0.0%	13.1%	17.6%	0.9%	-26.7%	-45.7%	17.0%	1.0%					
YoY	0.0%	0.0%	0.0%	0.0%	-1.7%	-52.8%	-53.0%	-52.9%	0.0%	17.9%	-42.2%	0.5%	0.0%
Gross profit	**39**	**35**	**44**	**65**	**45**	**27**	**21**	**32**	**190**	**183**	**124**	**108**	**0**
as % of net sales	22.2%	17.6%	18.8%	27.5%	26.0%	28.7%	18.7%	28.5%	26.5%	21.7%	25.5%	22.0%	21.8%
Research & Development Expenses	**-35**	**-36**	**-32**	**-38**	**-35**	**-19**	**-18**	**-19**	**-146**	**-141**	**-91**	**-92**	**-92**
Selling, General & Adminsitrative Expenses	**-36**	**-32**	**-32**	**-35**	**-26**	**-8**	**-8**	**-8**	**-125**	**-135**	**-50**	**-52**	**-51**
Other operating income / expense	**0**	**1**	**1**	**2**	**-3**	**0**	**0**	**0**	**9**	**4**	**-3**	**-3**	**-3**
Operating Profit	**-32**	**-32**	**-19**	**-6**	**-20**	**0**	**-6**	**5**	**-72**	**-89**	**-20**	**-38**	**0**
as % of net sales	-18.2%	-16.1%	-8.1%	-2.5%	-11.6%	0.0%	-5.2%	4.5%	-10.0%	-10.5%	-4.0%	-7.8%	
QoQ	0.0%	0.0%	-40.6%	-68.4%									

Source: Company reports and J.P. Morgan estimates.

Table 10: Nokia - Group Common & Other P&L

€ million

Group Common & Other (recast)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E	2024	2025	2026E	2027E	2028E
Net sales	**4**	**3**	**4**	**6**	**3**	**3**	**3**	**3**	**34**	**17**	**12**	**12**	**12**
QoQ	0.0%	-25.0%	33.3%	19.6%	-50.0%	0.0%	0.0%	-44.2%					
YoY	0.0%	0.0%	0.0%	0.0%	-25.0%	0.0%	-25.0%	-50.0%	0.0%	-50.0%	-29.4%	0.0%	0.0%
Gross profit	**-6**	**0**	**-1**	**1**	**-1**	**-1**	**-1**	**-1**	**4**	**-6**	**-4**	**-4**	**-4**
as % of net sales	-150.0%	0.0%	-25.0%	16.7%	-33.3%	-33.3%	-33.3%	-33.3%	11.8%	-35.3%	-33.3%	-35.0%	-35.0%
Research & Development Expenses	**-16**	**-16**	**-16**	**-18**	**-15**	**-16**	**-16**	**-16**	**-63**	**-66**	**-63**	**-62**	**-61**
Selling, General & Adminsitrative Expenses	**-10**	**-33**	**-29**	**-38**	**-28**	**-26**	**-22**	**-22**	**-116**	**-110**	**-98**	**-87**	**-77**
Other operating income / expense	**0**	**0**	**0**	**0**	**0**	**1**	**1**	**1**	**1**	**0**	**3**	**3**	**3**
Operating Profit	**-32**	**-49**	**-46**	**-55**	**-44**	**-42**	**-38**	**-38**	**-174**	**-182**	**-162**	**-150**	**-139**
as % of net sales	-800.0%	-1633.3%	-1150.0%	-916.7%	-1466.7%	-1400.0%	-1272.7%	-1257.9%	-511.8%	-1070.6%	-1349.3%	-1252.3%	-1157.1%
QoQ	0.0%	53.1%	-6.1%	19.6%	-20.0%	-4.5%	-9.1%	-1.2%					
YoY	0.0%	0.0%	0.0%	0.0%	37.5%	-14.3%	-17.0%	-31.4%	0.0%	4.6%	-11.0%	-7.2%	-7.6%

Source: Company reports and J.P. Morgan estimates.

Table 11: Nokia - Group P&L

€ million

Group Level	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E	2024	2025	2026E	2027E	2028E
Net sales	**4,390**	**4,551**	**4,828**	**6,131**	**4,500**	**4,815**	**5,065**	**6,521**	**19,442**	**19,900**	**20,913**	**22,638**	**25,354**
QoQ	-26.6%	3.7%	6.1%	27.0%	-26.6%	7.0%	5.2%	28.8%					
YoY	-5.9%	1.9%	11.6%	2.5%	2.5%	5.8%	4.9%	6.4%	-12.7%	2.4%	5.1%	8.2%	12.0%
Gross Profit	1,857	2,035	2,135	2,948	2,049	2,216	2,251	3,145	9,068	8,974	9,655	10,448	11,997
as % of net sales	42.3%	44.7%	44.2%	48.1%	45.5%	46.0%	44.4%	48.2%	46.6%	45.1%	46.2%	46.2%	47.3%
Opex	1,674	1,687	1,700	1,890	1,768	1,782	1,814	1,823	6,429	6,949	7,183	7,293	7,184
EBIT	**183**	**348**	**435**	**1,058**	**281**	**434**	**437**	**1,322**	**2,645**	**2,024**	**2,472**	**3,154**	**4,813**
EBIT margin	4.2%	7.6%	9.0%	17.3%	6.2%	9.0%	8.6%	20.3%	13.6%	10.2%	11.8%	13.9%	19.0%
Income from associates	1	8	5	5	0	0	0	0	8	19	0	0	0
Financial income	33	-27	38	39	126	121	50	50	133	83	347	150	150
Tax	64	92	156	219	112	144	129	362	603	531	747	859	1,290
Minority Interest	0	-6	-1	-2	-1	3	-2	-2	-5	-9	-9	-9	-9
Net income from continued operations	153	231	323	880	294	414	356	1,008	2,176	1,586	2,063	2,436	3,664
EPS (basic), cont ops (€)	0.03	0.04	0.06	0.16	0.05	0.07	0.06	0.18	0.40	0.29	0.37	0.44	0.65
EPS (diluted), cont ops (€)	**0.03**	**0.04**	**0.06**	**0.16**	**0.05**	**0.07**	**0.06**	**0.17**	**0.39**	**0.29**	**0.36**	**0.42**	**0.63**
Shares Outstanding (Basic)	5,380	5,378	5,401	5,504	5,590	5,599	5,599	5,599	5,476	5,416	5,596	5,596	5,596
Shares Outstanding (Diluted)	5,487	5,492	5,489	5,616	5,723	5,802	5,802	5,802	5,534	5,521	5,782	5,782	5,782

Source: Company reports and J.P. Morgan estimates.

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Investment Thesis, Valuation and Risks

Nokia *(Overweight; Price Target: €18.00)*

Investment Thesis

With ~30% of its revenue coming from the Optical Networks and IP Networks business units, which are exposed to AI infrastructure, and which are guided to grow 10-12%, we believe that Nokia can grow sales slightly short of mid-single digit to '28. At the same time, due to operational gearing in the NI business unit, coupled with synergies from the Infinera deal, the earnings of the co. could grow ~14%. If Nokia can deliver on this earnings growth, we believe that the stock could re-rate with its earnings multiple rising to the high teens, which would make the stock a multi-year compounder. We maintain our OW rating on the stock.

Valuation

Our Dec-27 price target is €18.00, which applies a 28.5x multiple to our estimated 2028 Adj. EPS of €0.63. The basis of using 28.5x is because our 3-year earnings growth CAGR for the co. is 30% from 2025 to 2028 and given that the company's growth profile has changed completely, we believe that a PEG of ~1 should be an appropriate metric to value the stock. For the ADR, our Dec-27 price target is $21. We recognise that the applied multiple looks rich versus Nokia's own history, but the stock's exposure to AI networking has fundamentally changed the growth outlook and earnings potential, thereby justifying a higher multiple.

Risks to Rating and Price Target
Downside:

- Weaker-than-expected TelCo capex spending, which would result in downside to our estimates
- Market share loss and competitive pressure in Nokia's networks division
- Deterioration in FCF and net cash position