Nokia

3Q26 Preview: The quarterly results can be a catalyst if three factors are positive

Overweight

NOKIA.HE, NOKIA FH
Price (29 Sep 26):€9.16
Price Target (Dec-27):€18.00

Overweight

NOK, NOK US
Price (29 Sep 26):$10.36
Price Target (Dec-27):$21.00

European Tech Hardware & Payments

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We expect Nokia to report 3Q sales and EBIT slightly ahead of the Infront consensus(0.5%/4.5%) . However, we highlight that simply beating the expectations is unlikely to be a catalyst for the stock. In our view, investors have moved beyond DC-exposed companies reporting strong orders (though they need to continue reporting robust orders), and we note that they need to do more. In Nokia's case, the focus is on the company executing on supplying more to the market and thus updates on supply both internal, i.e. the new San Jose fab and external will be closely watched. Finally, the market wants the co. to show results i.e. That the very strong order growth is indeed translating into sales. For the stock to really work, more than just beating 3Q results (where we expect a small beat), we expect that the stock will react more to the company raising FY26 guidance. 4Q tends to be the strongest quarter for Nokia and thus the 4Q guidance (or FY26) will be the critical indicator.

- **Market needs to see near term sales upgrades to take stock up significantly:** Nokia has reported very strong AI & Cloud orders in 1Q and 2Q of €1bn and €2.8bn (of which €1.4bn were ongoing orders). Based on indications from peers such as Ciena and Cisco, Nokia is likely to report strong orders in 3Q26 as well, possibly at the same ongoing level (€1.4bn) as 2Q26. However, even if Nokia reports orders that revert to €1bn in 3Q, the co. is still in a position to considerably beat the current consensus revenue in FY27. Three factors will drive the stock, in our view: **1.** Even if AI & Cloud orders are very strong, it is not a sufficient reason for the stock to perform strongly because investors know that market demand is strong, based on peer indications. **2.** The market remains concerned about the ability of Nokia to execute and supply to these orders due to continuing component shortages. So, another key focus for the market would be company commentary on their ability to supply. In particular, progress on the development of their new 6" fab in San Jose is a key factor. If there is an indication that Nokia is going to be able to improve its ability to supply, then the potential for the stock price to perform improves. **3.**Finally, the market wants Nokia to show it the money, i.e. If Nokia can raise near term sales/margin guidance in Network Infrastructure then the stock should perform as it would increase the market's confidence that Nokia can deliver on the strong orders and convert them into sales over the next year and beyond. So, although we remain very bullish on the stock, simply one of the above factors, barring the final factor, would not necessarily cause the stock to perform on results. If all three factors are fulfilled, we believe the upside on the stock could be very strong, even if the majority of the revenue/margin improvements are likely to occur in '27/'28.
- **What do we expect for 3Q26?** Nokia will report 3Q26 results on October 22nd and we expect the company to report sales of €5,078m (0.5% above consensus) up 5.2% YoY driven by the Network Infrastructure division which we expect to grow 16.7% YoY (in line with consensus). On profitability, we expect the company to report gross profit of €2,278m which is 2.4% above consensus. We expect 3Q26 EBIT of €464m (4.5% above consensus).
- **Changes in estimates.** We are raising our 3Q26 estimates as we expect Network Infrastructure revenue to accelerate. Our 3Q26 revenue estimate is 0.3% higher than before and our 3Q26 EBIT estimate is 6.2% higher than

See page 7 for analyst certification and important disclosures, including non-US analyst disclosures.

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before, driven by higher revenue and operating leverage. We have marginally tweaked our FY26/FY27 EBIT estimates by 1.2%/-0.3% and FY26 and FY28 EPS estimates by 1.4% and 0.2%. Our price target remains unchanged.

Table 1: Nokia - 3Q26 Preview

€ million

(EUR m)	JPMe	3Q26 Cons.	Diff(%)	2Q26A	QoQ	3Q25A	YoY
Revenue	**5,078**	**5,051**	**0.5%**	**4,815**	**5.5%**	**4,828**	**5.2%**
Network Infrastructure	2,158	2,160	-0.1%	2,037	5.9%	1,850	16.7%
Mobile Infrastructure	2,814	2,777	1.3%	2,680	5.0%	2,747	2.4%
Portfolio Businesses	110	113	-3.0%	94	17.0%	234	-53.0%
Gross Profit	**2,278**	**2,225**	**2.4%**	**2,216**	**2.8%**	**2,135**	**6.7%**
Gross Margin (%)	**44.9%**	**44.0%**	**+82bps**	**46.0%**	**-116bps**	**44.2%**	**+64bps**
Network Infrastructure	928	933	-0.5%	870	6.7%	791	17.3%
Mobile Infrastructure	1,322	1,268	4.3%	1,320	0.2%	1,300	1.7%
Portfolio Businesses	21	25	-17.5%	27	-23.8%	44	-53.3%
EBIT	**464**	**444**	**4.5%**	**434**	**7.0%**	**435**	**6.7%**
Network Infrastructure	211	210	0.2%	166	26.9%	146	44.2%
Mobile Infrastructure	290	281	3.3%	310	-6.5%	354	-18.1%
Portfolio Businesses	-6	-2	N.M.	0	N.M.	-19	N.M.
Group & Other	-38	-43	N.M.	-42	N.M.	-46	N.M.
EBIT Margin (%)	**9.1%**	**8.8%**	**+35bps**	**9.0%**	**+13bps**	**9.0%**	**+13bps**
Network Infrastructure	9.8%	9.7%	+3bps	8.1%	+161bps	7.9%	+187bps
Mobile Infrastructure	10.3%	10.1%	+19bps	11.6%	-127bps	12.9%	-259bps
Portfolio Businesses	-5.2%	-2.1%	-311bps	0.0%	-522bps	-8.1%	+290bps
EPS diluted (EUR)	**0.06**	**0.06**	**12.8%**	**0.07**	**-9.2%**	**0.06**	**10.1%**

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

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Table 2: Nokia - Changes in estimates

€ million

	2025	Q3'26			Q4'26			2026			2027			2028		
	Actual	JPMe	Old	Change	JPMe	Old	Change	JPMe	Old	Change	JPMe	Old	Change	JPMe	Old	Change
Business Divisions																
Network Infrastructure																
Revenue	7,647	2,158	2,145	+1%	2,808	2,808	+0%	8,833	8,819	+0%	10,329	10,361	-0%	13,344	13,387	-0%
Gross profit	3,281	928	901	+3%	1,291	1,291	+0%	3,883	3,856	+1%	4,576	4,575	+0%	6,005	6,024	-0%
Gross margin	42.9%	43.0%	42.0%	+100 bps	46.0%	46.0%	+0 bps	44.0%	43.7%	+24 bps	44.3%	44.2%	+15 bps	45.0%	45.0%	+0 bps
EBIT	**770**	**211**	**183**	**+15%**	**602**	**602**	**+0%**	**1,104**	**1,076**	**+3%**	**1,635**	**1,634**	**+0%**	**2,911**	**2,912**	**-0%**
EBIT margin	10.1%	9.8%	8.5%	+121 bps	21.4%	21.4%	+0 bps	12.5%	12.2%	+29 bps	15.8%	15.8%	+6 bps	21.8%	21.8%	+6 bps
Mobile Infrastructure																
Revenue	11,409	2,814	2,814	+0%	3,606	3,606	+0%	11,594	11,594	+0%	11,774	11,774	+0%	11,955	11,955	+0%
Gross profit	5,515	1,322	1,322	+0%	1,825	1,825	+0%	5,678	5,678	+0%	5,769	5,769	+0%	5,977	5,977	+0%
Gross margin	48.3%	47.0%	47.0%	+0 bps	50.6%	50.6%	+0 bps	49.0%	49.0%	+0 bps	49.0%	49.0%	+0 bps	50.0%	50.0%	+0 bps
EBIT	**1,525**	**290**	**290**	**+0%**	**755**	**755**	**+0%**	**1,577**	**1,577**	**+0%**	**1,710**	**1,710**	**+0%**	**2,040**	**2,040**	**+0%**
EBIT margin	13.4%	10.3%	10.3%	+0 bps	20.9%	20.9%	+0 bps	13.6%	13.6%	+0 bps	14.5%	14.5%	+0 bps	17.1%	17.1%	+0 bps
Portfolio businesses																
Revenue	845	110	110	+0%	111	111	+0%	488	488	+0%	491	491	+0%	0	0	n.m.
Gross profit	183	21	21	+0%	32	32	+0%	124	124	+0%	108	108	+0%	0	0	n.m.
Gross margin	21.7%	18.7%	18.7%	+0 bps	28.5%	28.5%	+0 bps	25.5%	25.5%	+0 bps	22.0%	22.0%	+0 bps	21.8%	21.8%	+0 bps
EBIT	**-89**	**-6**	**-6**	**n.m.**	**5**	**5**	**+0%**	**-21**	**-20**	**n.m.**	**-38**	**-38**	**n.m.**	**0**	**0**	**n.m.**
EBIT margin	-10.5%	-5.2%	-5.2%	+0 bps	4.5%	4.5%	+0 bps	-4.2%	-4.0%	-20 bps	-7.8%	-7.8%	+0 bps	n.m	n.m	n.m.
Group & Other																
EBIT	-182	-38	-38	+0%	-38	-38	+0%	-162	-162	+0%	-162	-150	+8%	-138	-139	-1%
Group Level																
Revenue	**19,895**	**5,078**	**5,065**	**+0.3%**	**6,521**	**6,521**	**+0.0%**	**20,915**	**20,913**	**+0.0%**	**22,606**	**22,638**	**-0.1%**	**25,311**	**25,354**	**-0.2%**
Gross profit	8,974	2,278	2,251	+1.2%	3,145	3,145	+0.0%	9,688	9,655	+0.3%	10,449	10,448	+0.0%	11,978	11,997	-0.2%
Gross margin	45.1%	44.9%	44.4%	+42 bps	48.2%	48.2%	+0 bps	46.3%	46.2%	+16 bps	46.2%	46.2%	+7 bps	47.3%	47.3%	+0 bps
Opex	-6,949	-1,814	-1,814	+0%	-1,823	-1,823	+0%	-7,187	-7,183	+0%	-7,305	-7,293	+0%	-7,165	-7,184	-0%
EBIT	**2,025**	**464**	**437**	**+6.2%**	**1,322**	**1,322**	**+0.0%**	**2,502**	**2,472**	**+1.2%**	**3,144**	**3,154**	**-0.3%**	**4,813**	**4,813**	**-0.0%**
EBIT margin	10.2%	9.1%	8.6%	+51 bps	20.3%	20.3%	+0 bps	12.0%	11.8%	+14 bps	13.9%	13.9%	-3 bps	19.0%	19.0%	+3 bps
Net income	1,586	376	356	+6%	1,008	1,008	-0%	2,092	2,063	+1%	2,435	2,436	-0%	3,671	3,664	+0%
EPS, diluted	**0.29**	**0.06**	**0.06**	**+5.6%**	**0.17**	**0.17**	**-0.1%**	**0.36**	**0.36**	**+1.4%**	**0.42**	**0.42**	**-0.0%**	**0.63**	**0.63**	**+0.2%**

Source: 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

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Nokia: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E
Revenue	**19,442**	**19,900**	**20,915**	**22,606**
COGS	(9,696)	(9,905)	(10,356)	(11,236)
Gross profit	**9,068**	**8,974**	**9,688**	**10,449**
SG&A	(2,411)	(2,486)	(2,425)	(2,388)
Adj. EBITDA	**3,324**	**3,045**	**3,373**	**4,065**
D&A	(678)	(1,021)	(871)	(921)
Adj. EBIT	**2,646**	**2,024**	**2,502**	**3,144**
Net Interest	133	83	347	150
Adj. PBT	**2,787**	**2,126**	**2,849**	**3,294**
Tax	(603)	(531)	(755)	(856)
Minority Interest	(5)	(9)	(2)	(2)
Adj. Net Income	**2,178**	**1,586**	**2,092**	**2,435**
Reported EPS	0.39	0.29	0.36	0.42
Adj. EPS	**0.39**	**0.29**	**0.36**	**0.42**
DPS	**0.14**	**0.15**	**0.16**	**0.17**
Payout ratio	35.6%	53.6%	44.2%	40.4%
Shares outstanding	5,534	5,521	5,782	5,782

Balance Sheet	FY24A	FY25A	FY26E	FY27E
Cash and cash equivalents	6,623	5,462	5,016	6,144
Accounts receivable	5,248	4,975	5,003	5,450
Inventories	2,163	2,209	2,455	2,533
Other current assets	3,927	3,146	3,033	2,959
Current assets	**17,961**	**15,792**	**15,507**	**17,086**
PP&E	1,362	1,570	1,449	1,326
LT investments	581	548	519	519
Other non current assets	19,245	19,687	20,368	20,368
Total assets	**39,149**	**37,597**	**37,843**	**39,299**
Short term borrowings	969	1,084	478	478
Payables	3,213	2,978	2,590	3,397
Other short term liabilities	7,212	5,942	6,653	6,322
Current liabilities	**11,394**	**10,004**	**9,721**	**10,198**
Long-term debt	2,918	2,329	1,922	1,922
Other long term liabilities	4,090	4,206	4,322	4,246
Total liabilities	**18,402**	**16,539**	**15,966**	**16,366**
Shareholders' equity	20,657	20,967	21,777	22,830
Minority interests	90	91	101	103
Total liabilities & equity	**39,149**	**37,597**	**37,843**	**39,299**
BVPS	**3.73**	**3.80**	**3.77**	**3.95**
y/y Growth	*2.3%*	*1.8%*	*(0.8%)*	*4.8%*
Net debt/(cash)	(4,397)	(3,010)	(3,100)	(4,228)

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E
Cash flow from operating activities	**2,493**	**2,069**	**1,751**	**3,011**
o/w Depreciation & amortization	1,013	1,119	871	921
o/w Changes in working capital	(569)	(215)	(1,123)	(475)
Cash flow from investing activities	**(86)**	**(1,395)**	**(250)**	**(900)**
o/w Capital expenditure	(472)	(605)	(763)	(900)
as % of sales	*2.4%*	*3.0%*	*3.6%*	*4.0%*
Cash flow from financing activities	**(2,004)**	**(1,609)**	**(1,992)**	**(983)**
o/w Dividends paid	(724)	(758)	(832)	(983)
o/w Shares issued/(repurchased)	(680)	(624)	0	0
o/w Net debt issued/(repaid)	(367)	(364)	(1,045)	0
Net change in cash	**419**	**(1,160)**	**(446)**	**1,128**

Ratio Analysis	FY24A	FY25A	FY26E	FY27E
Gross margin	46.6%	45.1%	46.3%	46.2%
EBITDA margin	17.1%	15.3%	16.1%	18.0%
EBIT margin	13.6%	10.2%	12.0%	13.9%
Net profit margin	11.2%	8.0%	10.0%	10.8%
ROE	10.6%	7.6%	9.8%	10.9%
ROA	5.5%	4.1%	5.5%	6.3%
ROCE	8.4%	6.2%	7.6%	9.4%
SG&A/Sales	12.4%	12.5%	11.6%	10.6%
Net debt/Equity	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM
Sales/Assets (x)	0.5	0.5	0.6	0.6
Assets/Equity (x)	1.9	1.8	1.8	1.7
Interest cover (x)	-	-	-	-
Operating leverage	(90.2%)	(998.2%)	462.7%	317.5%
Tax rate	21.7%	25.0%	26.5%	26.0%
Revenue y/y Growth	(12.7%)	2.4%	5.1%	8.1%
EBITDA y/y Growth	6.9%	(8.4%)	10.8%	20.5%
EPS y/y Growth	37.3%	(27.0%)	25.9%	16.4%

Valuation	FY24A	FY25A	FY26E	FY27E
P/E (x)	23.3	31.9	25.3	21.7
P/BV (x)	2.5	2.4	2.4	2.3
EV/EBITDA (x)	14.5	16.3	14.7	11.9
Dividend Yield	1.5%	1.7%	1.7%	1.9%

Source: Company reports and J.P. Morgan estimates.
Note: € in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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Nokia ADR: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E
Revenue	-	-	-	-
COGS	-	-	-	-
Gross profit	-	-	-	-
SG&A	-	-	-	-
Adj. EBITDA	-	-	-	-
D&A	-	-	-	-
Adj. EBIT	-	-	-	-
Net Interest	-	-	-	-
Adj. PBT	-	-	-	-
Tax	-	-	-	-
Minority Interest	-	-	-	-
Adj. Net Income	-	-	-	-
Reported EPS	-	-	-	-
Adj. EPS	-	-	-	-
DPS	-	-	-	-
Payout ratio	-	-	-	-
Shares outstanding	5,638	5,638	5,638	5,638

Balance Sheet	FY24A	FY25A	FY26E	FY27E
Cash and cash equivalents	-	-	-	-
Accounts receivable	-	-	-	-
Inventories	-	-	-	-
Other current assets	-	-	-	-
Current assets	-	-	-	-
PP&E	-	-	-	-
LT investments	-	-	-	-
Other non current assets	-	-	-	-
Total assets	-	-	-	-
Short term borrowings	-	-	-	-
Payables	-	-	-	-
Other short term liabilities	-	-	-	-
Current liabilities	-	-	-	-
Long-term debt	-	-	-	-
Other long term liabilities	-	-	-	-
Total liabilities	-	-	-	-
Shareholders' equity	-	-	-	-
Minority interests	-	-	-	-
Total liabilities & equity	-	-	-	-
BVPS	-	-	-	-
y/y Growth	-	-	-	-
Net debt/(cash)	-	-	-	-

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E
Cash flow from operating activities	-	-	-	-
o/w Depreciation & amortization	-	-	-	-
o/w Changes in working capital	-	-	-	-
Cash flow from investing activities	-	-	-	-
o/w Capital expenditure	-	-	-	-
as % of sales	-	-	-	-
Cash flow from financing activities	-	-	-	-
o/w Dividends paid	-	-	-	-
o/w Shares issued/(repurchased)	-	-	-	-
o/w Net debt issued/(repaid)	-	-	-	-
Net change in cash	-	-	-	-
Adj. Free cash flow to firm	-	-	-	-
y/y Growth	-	-	-	-

Ratio Analysis	FY24A	FY25A	FY26E	FY27E
Gross margin	-	-	-	-
EBITDA margin	-	-	-	-
EBIT margin	-	-	-	-
Net profit margin	-	-	-	-
ROE	-	-	-	-
ROA	-	-	-	-
ROCE	-	-	-	-
SG&A/Sales	-	-	-	-
Net debt/Equity	-	-	-	-
Net debt/EBITDA	-	-	-	-
Sales/Assets (x)	-	-	-	-
Assets/Equity (x)	-	-	-	-
Interest cover (x)	-	-	-	-
Operating leverage	-	-	-	-
Tax rate	-	-	-	-
Revenue y/y Growth	-	-	-	-
EBITDA y/y Growth	-	-	-	-
EPS y/y Growth	-	-	-	-

Valuation	FY24A	FY25A	FY26E	FY27E
P/E (x)	-	-	-	-
P/BV (x)	-	-	-	-
EV/EBITDA (x)	-	-	-	-
Dividend Yield	-	-	-	-

Source: Company reports and J.P. Morgan estimates.
Note: $ in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

