Morgan Stanley | RESEARCH

UPDATE

October 28, 2026 02:00 AM GMT

Nokia Oyj | Europe

Strong fundamentals ignored given wider AI indigestion

We stay bullish on the fundamentals and the long-term opportunity, but the wider AI stock market backdrop is extremely volatile. Overweight, Top Pick.

Key Takeaways

- Despite the significant pullback in the shares, it is tough to say that AI nervousness has fully washed out.
- Nokia's fundamentals (sales, profits) has been stronger than expected …
- … and we remain confident that the mid-term pivot towards AI / cloud is underappreciated.
- Post Q3 results, we raise our estimates by LSD / MSD and reiterate our €14 price target.
- On our estimates, shares trade on 17x '27 PE and 14x '28 PE. Good value for a stock in transformation.

Challenging stock market backdrop … Nokia shares have traded as if they were in the centre of the AI debate given that they are a key beneficiary of hyperscaler and neocloud capex on datacenters. The shares are still up around 40% YTD, but >40% down from their highs in June. The shares appear to be more affected by AI nervousness than European peers (most recently on datacenter capex durability, neocloud funding), but has actually been trading fairly similar to its closest US optical peer Ciena (covered by Meta Marshall).

… whilst fundamentals remain strong with guidance raised and more raises potentially to come: The unexpected announcement of 2027 guidance for optical and IP revenue growth of 25-30% was meaningfully higher than consensus estimates at around 20%. 2026 EBIT guidance was also modestly raised to "somewhat above" to "above" the mid-point of the €2.1-2.6bn range. Looking ahead, we are increasingly confident of a mid-term guidance raise at the FY results in early 2027. In particular, Nokia's 2025-28 targets set in Nov 2025 look too conservative. The company targets include 6–8% Network Infrastructure revenue CAGR and a 13–17% operating margin by 2028. Market growth has seen significant upwards revisions since the Nokia targets were published and we forecast revenue growth CAGR of 16% and margins of 19%.

Raised forecasts, €14/ share price target: We raise our revenues and EBIT forecasts by low to mid single digit over 2026-2028. However, our 2026 EPS falls by 12% to reflect higher restructuring charges announced at the Q3 results. Excluding restructuring, our 2026 EPS goes up by LSD. Our 2026 EBIT of €2.45bn sits higher than the mid-point of the guidance range €2.1-2.6bn and our 2028 EBIT of €3.8bn is

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Nokia Oyj (NOKIA.HE, NOKIA FH)
Top Pick

Technology - Telecoms Equipment | Finland

Stock Rating	**Overweight**
Industry View	**In-Line**
Price target	**€14.00**
Shr price, close (Oct 26, 2026)	€7.77
52-Week Range	€15.00-5.07
Mkt cap, curr (mn)	€41,403
Net debt (12/26e) (mn)*	€(3,575)
EV, curr (mn)*	€38,484

* = GAAP or approximated based on GAAP

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
Sales / Revenue (€mn)**	19,464	20,624	22,439	24,683
EBIT (€mn)**	2,201	2,450	3,046	3,776
EPS (€)**	0.15	0.24	0.43	0.54
ModelWare EPS (€)	0.15	0.24	0.43	0.54
Prior EPS (€)**	-	0.27	0.42	0.53
EPS (€)§	0.26	0.35	0.42	0.51
P/E**	37.0	32.2	18.3	14.3
DPS (€)	0.14	0.15	0.17	0.19
Div yld (%)	2.5	1.9	2.2	2.4
Net debt/EBITDA**	(0.9)	(1.0)	(1.4)	(1.8)

framework
§ = Consensus data is provided by Refinitiv Estimates
** = Based on consensus methodology

investors should be aware that the firm may have a conflict of

Research as only a single factor in making their investment decision.

For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.

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18% higher than the top-end of the guidance range of €2.7-3.2bn. We leave our (rounded) €14/ share price target unchanged.

Where we could be wrong: The biggest risk concerns general market nervousness around AI stocks regarding their valuation and future capex plans given uncertain returns. For Nokia specifically, execution of capacity expansion is key. In this regard, we are closely following Nokia's execution of its fab capacity expansion (new fab in San Jose) and delivery of 4 DSPs (digital signal processors) in 2027. The new San Jose fab is expected to begin operations full-time from Oct and ramp up completely by the end of 2027.

Exhibit 1: Nokia's consensus P/E has significantly derated from its peak ...



Exhibit 2: ... despite consensus EPS revisions trending upwards



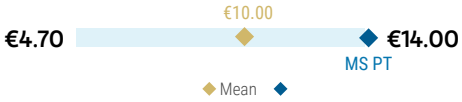
Risk Reward – Nokia Oyj (NOKIA.HE) Top Pick

Unique exposure to data centers infra supporting AI expansion

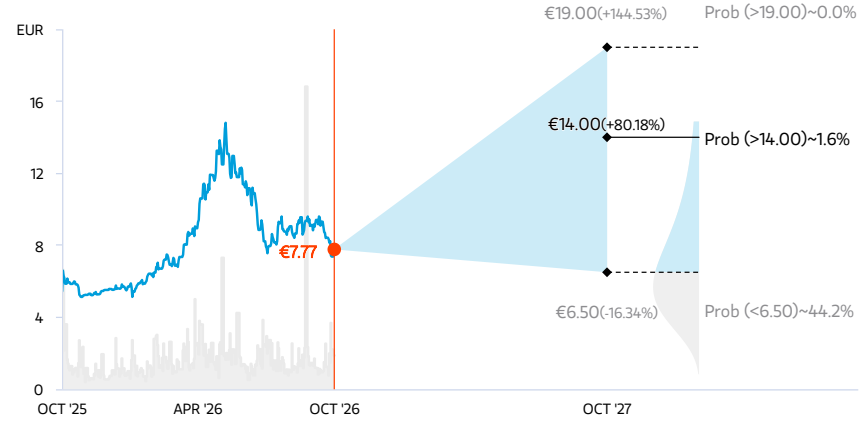
PRICE TARGET €14.00

We derive our price target using a standard DCF based on a WACC of 9% and long term growth of 3%.

Consensus Price Target Distribution



RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



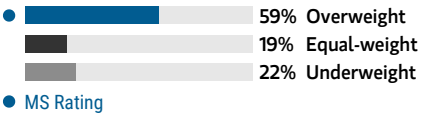
Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 26 Oct 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology here

OVERWEIGHT THESIS

- **Network infrastructure growing significantly, fueled by DC growth**: The acquisition of Infinera increases Nokia's exposure to hyperscaler customers and the optical market, which is growing rapidly.
- **Mobile Networks division remains challenging** but should begin to stabilise following the loss of business from AT&T.
- **NVIDIA has a 3% equity stake** and is partnering with Nokia on opportunities in datacenters and AI RAN.
- **High exposure to North America** so impacted by FX and tariffs.
- **New CEO joined in April 2025** and there have been other changes in the leadership team. A more streamlined Nokia is emerging.
- General market bullishness / bearish on AI names affects sentiment in the shares.
- **Top Pick**.

Consensus Rating Distribution



Risk Reward Themes

New Data Era:	*Positive*
Self-help:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE €19.00

Delivering ahead of guidance

37x P/E 2028e

Our bull case forecasts are materially ahead of the 2028 guidance for operating profit to reflect outsized growth in its NI unit. Assumes market share wins in North America and Europe.

BASE CASE €14.00

Optical growth faster than guided

27x P/E 2028e

Our base case forecasts are slightly ahead of the 2028 guidance for operating profit at >€4bn.

BEAR CASE €6.50

Hardware issues cause market share decline

13x P/E 2028e

Our bear case forecasts are below the 2028 guidance for operating profit to reflect disappointing product launches and below market growth.

Risk Reward – Nokia Oyj (NOKIA.HE)

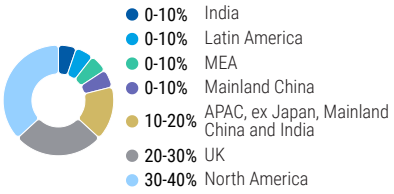
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Revenue Growth YoY (%)	5.2	6.0	8.8	10.0
Gross Margin (%)	45.7	46.3	46.0	45.6
Adjusted Operating Margin (%)	11.3	11.9	13.6	15.3

INVESTMENT DRIVERS

- 5G rollout; APAC & USA as earlier adopters
- Market share across RAN, optical and routing businesses. ±1% in RAN market share drives ± 1.5% on group revenue, we estimate
- Focus on end-to-end product portfolio

GLOBAL REVENUE EXPOSURE



View explanation of regional hierarchies here

MS ALPHA MODELS

1/5 MOST — 3 Month Horizon

the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Significant growth in network infrastructure
- Extended 5G cycle driven by growth in Enterprise
- Further market share gains in Europe and RoW

RISKS TO DOWNSIDE

- Telco spending decelerating faster than expected
- Slower recovery in network infrastructure
- Cost inflation not being mitigated

OWNERSHIP POSITIONING

Inst. Owners, % Active	60.8%
HF Sector Long/Short Ratio	2.2x
HF Sector Net Exposure	10.7%

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2027e

Sales / Revenue (€, mn)	21,623	22,439 / 22,403	23,186
EBIT (€, mn)	1,713	3,046 / 2,834	3,617
EPS (€)	0.37	0.43 / 0.42	0.53

◆ Mean ◆

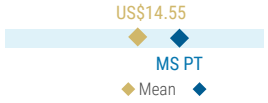
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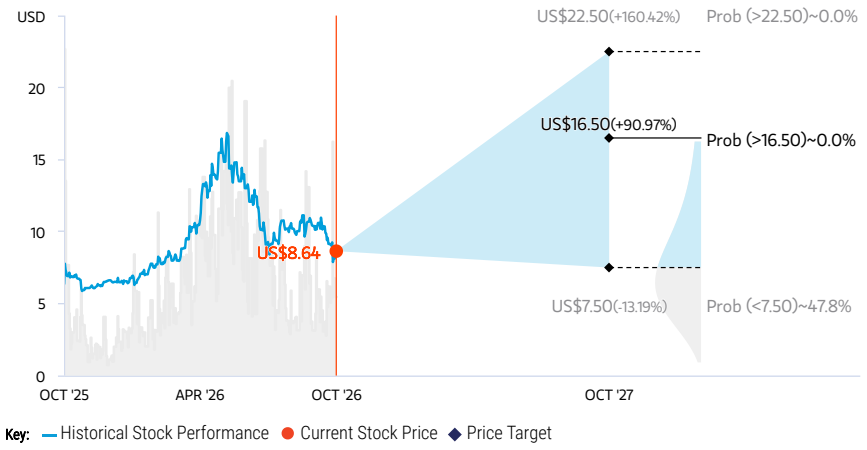
PRICE TARGET US$16.50

1 ADR reflects 1 NOKIA.HE share. We convert our PT on the underlying security to USD and multiply it by 1 to set our price target for NOK.N. Our PT, bull, bear cases are rounded to the nearest US$0.5.

We derive our price target using a standard DCF based on a WACC of 9% and long term growth of 3%.

Consensus Price Target Distribution US$8.61  US$20.50

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



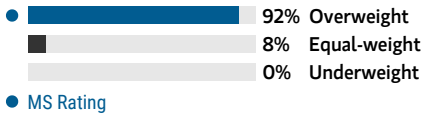
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GLOBAL REVENUE EXPOSURE



- 0-10% India
- 0-10% Latin America
- 0-10% MEA
- 0-10% Mainland China
- 10-20% APAC, ex Japan, Mainland China and India
- 20-30% UK
- 30-40% North America

View explanation of regional hierarchies here

RISKS TO PT/RATING

RISKS TO UPSIDE

- Significant growth in network infrastructure
- Extended 5G cycle driven by growth in Enterprise
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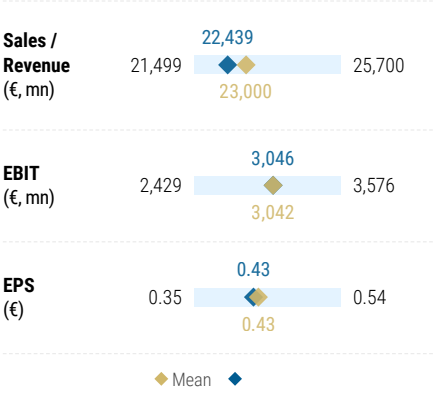
OWNERSHIP POSITIONING

Inst. Owners, % Active	72.9%
HF Sector Long/Short Ratio	2.2x
HF Sector Net Exposure	30.6%

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MS ESTIMATES VS. CONSENSUS

FY Dec 2027e



Changes to forecasts and DCF valuation

We adjust our model following Q3 results with guidance higher than expected. However, restructuring charges for 2026 were also higher than expected which means that 2026 reported EPS falls by just over 10%.

Exhibit 3: Model changes post Q3

€mn	New			Old			Diff		
	2026e	2027e	2028e	2026e	2027e	2028e	2026e	2027e	2028e
Network Infrastructure	8,717	10,632	12,876	8,607	10,033	11,739			
Mobile Infrastructure	11,507	11,407	11,407	11,284	11,234	11,234			
Group Common and Other	400	400	400	385	385	385			
Net sales	**20,624**	**22,439**	**24,683**	**20,276**	**21,652**	**23,358**	**1.7%**	**3.6%**	**5.7%**
Network Infrastructure	1,027	1,672	2,459	998	1,483	2,152			
Mobile Infrastructure	1,573	1,524	1,467	1,574	1,644	1,644			
Group Common and Other	(150)	(150)	(150)	(150)	(150)	(125)			
Operating profit/(loss), comparable	**2,450**	**3,046**	**3,776**	**2,422**	**2,977**	**3,671**	**1.2%**	**2.3%**	**2.9%**
% margin	11.9%	13.6%	15.3%	11.9%	13.7%	15.7%			
EPS, diluted	**0.24**	**0.43**	**0.54**	**0.27**	**0.42**	**0.53**	**-12.2%**	**2.5%**	**3.0%**

Quarterly Financial Forecasts

Exhibit 4: 2025 and 2026 quarterly selected financials

Summary	Q1 25	Q2 25	Q3 25	Q4 25	Q1 26	Q2 26	Q3 26	Q4 26
Network Infrastructure	1,639	1,825	1,850	2,332	1,830	2,037	2,158	2,692
Mobile Infrastructure	2,579	2,531	2,755	3,580	2,503	2,680	2,902	3,422
Group Common and Other	82	87	95	109	101	98	96	105
Total revenues	**4,300**	**4,443**	**4,700**	**6,021**	**4,434**	**4,815**	**5,156**	**6,219**
% QoQ	-34.7%	3.3%	5.8%	28.1%	-26.4%	8.6%	7.1%	20.6%
Network Infrastructure	686	736	790	1,066	792	870	889	1,241
Mobile Infrastructure	1,140	1,266	1,302	1,817	1,213	1,320	1,379	1,726
Group Common and Other	16	15	17	38	33	26	30	21
Gross profit, comparable	**1,842**	**2,017**	**2,109**	**2,921**	**2,038**	**2,216**	**2,298**	**2,988**
Eliminations and unallocated items	(33)	(64)	(24)	(181)	(61)	(70)	(123)	(6)
Gross profit, reported	**1,809**	**1,953**	**2,085**	**2,740**	**1,977**	**2,146**	**2,175**	**2,982**
Network Infrastructure	41.9%	40.3%	42.7%	45.7%	43.3%	42.7%	41.2%	46.1%
Mobile Infrastructure	44.2%	50.0%	47.3%	50.8%	48.5%	49.3%	47.5%	50.5%
Gross profit %, comparable	**42.8%**	**45.4%**	**44.9%**	**48.5%**	**46.0%**	**46.0%**	**44.6%**	**48.1%**
Gross profit %, reported	42.1%	44.0%	44.4%	45.5%	44.6%	44.6%	42.2%	48.0%
Network Infrastructure	112	117	143	387	121	166	215	525
Mobile Infrastructure	134	311	355	731	222	310	419	622
Group Common and Other	(38)	(60)	(50)	(51)	(42)	(42)	(29)	(37)
Operating profit/(loss), comparable	**208**	**368**	**448**	**1,067**	**301**	**434**	**605**	**1,110**
Eliminations and unallocated items	(205)	(220)	(196)	(494)	(218)	(484)	(409)	11
Operating profit/(loss), reported	**3**	**148**	**252**	**573**	**83**	**(50)**	**196**	**1,121**

Annual Financial Forecasts

Exhibit 5: Divisional forecasts: 2024-28e

Divisional Financials	2024 A	2025 A	2026e	2027e	2028e
Mobile Infrastructure	12,191	11,445	11,507	11,407	11,407
Network Infrastructure	6,285	7,646	8,717	10,632	12,876
Group Common and Other	34	373	400	400	400
Net sales	**18,510**	**19,464**	**20,624**	**22,439**	**24,683**
Mobile Infrastructure	2,112	1,531	1,573	1,524	1,467
Network Infrastructure	717	759	1,027	1,672	2,459
Group Common and Other	(174)	(199)	(150)	(150)	(150)
Operating profit/(loss), comparable	**2,655**	**2,091**	**2,450**	**3,046**	**3,776**
Mobile Infrastructure	17.3%	13.4%	13.7%	13.4%	12.9%
Network Infrastructure	11.4%	9.9%	11.8%	15.7%	19.1%
Operating profit/(loss) %, comparable	**14.3%**	**10.7%**	**11.9%**	**13.6%**	**15.3%**

Exhibit 6: Summary income statement: 2024-28e

Income Statement	2024 A	2025 A	2026e	2027e	2028e
Revenues	**18,510**	**19,464**	**20,624**	**22,439**	**24,683**
Cost of goods Sold	(9,656)	(10,575)	(11,083)	(12,115)	(13,440)
Gross profit	8,854	8,889	9,540	10,325	11,244
Gross Profit - Adjusted	8,854	8,889	9,540	10,325	11,244
R&D	(4,152)	(4,475)	(4,600)	(4,716)	(4,821)
SG&A	(2,280)	(2,358)	(2,475)	(2,563)	(2,646)
Other income/(expenses)	234	145	(15)	-	-
EBIT (reported)	2,043	1,081	1,355	2,651	3,431
Adjusted EBIT	**2,656**	**2,201**	**2,450**	**3,046**	**3,776**
Adjusted EBITDA	3,677	3,339	3,455	4,051	4,381
Net Financials	85	11	225	150	150
PBT (reported)	2,128	1,092	1,580	2,801	3,581
Adjusted PBT	**2,748**	**2,231**	**2,680**	**3,201**	**3,931**
Income Tax	(380)	(277)	(308)	(546)	(698)
Net Income (reported)	1,321	837	1,294	2,277	2,905
Adjusted Net Income	**1,321**	**837**	**1,294**	**2,277**	**2,905**
EPS (€) - Basic	0.24	0.15	0.24	0.43	0.55
EPS (€) - Diluted	0.24	0.15	0.24	0.43	0.54
Adjusted EPS (€) - Diluted	**0.24**	**0.15**	**0.24**	**0.43**	**0.54**
DPS (€)	**0.14**	**0.14**	**0.15**	**0.17**	**0.19**

Exhibit 7: Key operational metrics: 2024-28e

Metrics	2024 A	2025 A	2026e	2027e	2028e
Sales growth - yy	0%	5%	6%	9%	10%
Gross margin - Adjusted	48%	46%	46%	46%	46%
EBIT margin (reported)	11%	6%	7%	12%	14%
EBIT margin - Adjusted	11%	6%	7%	12%	14%
EBITDA margin	20%	17%	17%	18%	18%
PBT margin - Adjusted	15%	11%	13%	14%	16%
Net margin (reported)	7%	4%	6%	10%	12%
Net margin - Adjusted	7%	4%	6%	10%	12%
Effective tax rate	18%	25%	20%	20%	20%

Exhibit 8: Summary cash flow statement: 2024-28e

Annual Cash Flow Statement	2024 A	2025 A	2026e	2027e	2028e
Net Income	1,321	837	1,294	2,277	2,905
Net income (discontinued ops)	(427)	22	22	22	22
Depreciation & amortisation	1,014	1,119	1,000	1,000	600
Other expenses/(income)	1,143	1,163	933	596	748
Change in (assets)/liabilities	(569)	(209)	(700)	-	-
Net interest received/(paid)	(37)	(49)	275	200	200
Income tax received/(paid)	(342)	(396)	(308)	(546)	(698)
Net cash from operating activities	**2,530**	**2,465**	**2,494**	**3,527**	**3,755**
Proceeds/(purchase) - investments	(25)	874	(100)	-	-
Acquisitions of subsidiaries, net	(37)	(1,730)	-	-	-
Purchase of other intangibles, etc.					
Capital expenditure	(472)	(606)	(850)	(750)	(600)
Other investing activities	417	66	-	-	-
Net cash used in investing activities	**(117)**	**(1,396)**	**(950)**	**(750)**	**(600)**
Raise/(Repay) debt	(367)	(364)	(15)	(15)	(15)
Proceeds from share issuance	(680)	(266)	-	-	-
Dividend payments	(723)	(759)	(758)	(788)	(893)
Other financing activities	(233)	(221)	(221)	-	-
Net cash from financing activities	**(2,003)**	**(1,610)**	**(994)**	**(803)**	**(908)**
Net change in cash	**410**	**(541)**	**550**	**1,974**	**2,247**
F/x effect	16	(226)	-	-	-
Cash & CE - BoP	**(1,731)**	**(1,305)**	**5,462**	**6,012**	**7,986**
Cash & CE - EoP	**(1,305)**	**(2,072)**	**6,012**	**7,986**	**10,232**
Free cash flow:					
Net cash from operating activities	2,530	2,465	2,494	3,527	3,755
Purchase of PPE	(472)	(606)	(850)	(750)	(600)
Proceeds from the sale of PPE	97	28	-	-	-
Purchase of non-current financial investments	(280)	(117)	-	-	-
Proceeds from the sale of investments	70	186	(100)	-	-
Free cash flow	**1,945**	**1,956**	**1,544**	**2,777**	**3,155**

Exhibit 9: Summary balance sheet: 2024-28e

Balance Sheet	2024 A	2025 A	2026e	2027e	2028e
Cash & cash equivalents	6,623	5,462	6,012	7,986	10,232
Financial investments	603	961	961	961	961
Trade receivables	5,248	4,975	5,625	5,575	5,575
Inventories	2,163	2,209	2,209	2,209	2,209
Income tax receivable	767	256	256	256	256
Other current assets (incl held for sale)	2,557	1,929	1,929	1,929	1,929
Total current assets	**17,961**	**15,792**	**16,992**	**18,916**	**21,162**
PP&E	1,362	1,570	1,020	770	770
Goodwill & Other Intagibles	7,296	8,315	8,315	8,315	8,315
Investments	581	548	648	648	648
Non-Current tax receivables					
Deferred tax assets	1,208	3,643	3,643	3,643	3,643
Other non-current assets	10,741	7,729	7,729	7,729	7,729
Total non-current assets	**21,188**	**21,805**	**21,355**	**21,105**	**21,105**
Total assets	**39,149**	**37,597**	**38,347**	**40,021**	**42,267**
Short-term debt	969	1,084	1,084	1,084	1,084
Trade payables	207	344	294	244	244
Short-term provisions	749	779	779	779	779
Income tax payable	1,506	1,562	1,562	1,562	1,562
Other current liabilities	7,963	6,235	6,235	6,235	6,235
Total current liabilities	**11,394**	**10,004**	**9,954**	**9,904**	**9,904**
Long-term debt	2,918	2,329	2,314	2,299	2,284
Pensions and commitments	562	392	392	392	392
Deferred tax liabilities	2,083	1,947	1,947	1,947	1,947
Long-term provisions	479	637	1,137	1,387	1,637
Other non-current liabilities	966	1,230	1,009	1,009	1,009
Total non-current liabilities	**7,008**	**6,535**	**6,799**	**7,034**	**7,269**
Total liabilities	18,402	16,539	16,753	16,938	17,173
Total net assets	20,747	21,058	21,594	23,083	25,094
Total equity	**20,747**	**21,058**	**21,594**	**23,083**	**25,094**
Net debt:					
Net debt/(cash)	(3,339)	(3,010)	(3,575)	(5,564)	(7,825)

Risk Reward Reference links

1. View explanation of Options Probabilities methodology - Options_Probabilities_Exhibit_Link.pdf

2. View descriptions of Risk Rewards Themes - RR_Themes_Exhibit_Link.pdf

3. View explanation of regional hierarchies - GEG_Exhibit_Link.pdf

4. View explanation of Theme/Exposure methodology - ESG_Sustainable_Solutions_External_Link.pdf

5. View explanation of HERS methodology - ESG_HERS_External_Link.pdf

