Q4 2024 Investor Video Transcript

30 January 2025

DAVID MULHOLLAND, HEAD OF INVESTOR RELATIONS

Hi everyone, and welcome to this overview of Nokia's fourth quarter 2024 results.

My name is David Mulholland, Head of Investor Relations and joining me here from Espoo is Pekka Lundmark, our President and CEO.

Please note that in this video we will be focusing on discussing our financial performance on a constant currency basis regarding growth rates and on a comparable basis for profit and margins. Full reconciliation tables to our IFRS financials are published in our Q4 financial report.

With that – let's get started.

Pekka – you saw a very strong quarter to end 2024, what were the highlights?

PEKKA LUNDMARK, PRESIDENT AND CEO

Thank you, David. It has indeed been a very strong finish to the year with net sales growing 9% in the quarter. We saw growth in both Network Infrastructure and Cloud and Network Services. Nokia Technologies grew strongly and signed numerous deals in the quarter. In Mobile Networks, after a challenging 12 months, the business is now showing signs of stabilizing. We also delivered an excellent quarter in terms of profitability with a comparable operating margin of 19.1%. This is the highest margin Nokia has achieved in a very long time. This meant we achieved operating profit for the full year of 2.6 billion euro, right at the mid-point of our guidance of 2.3 to 2.9 billion. We also had a strong cash performance, generating 2 billion euro of free cash flow, and finishing the year with a net cash position of 4.9bn euro, even after returning 1.4 billion euro to shareholders through buybacks and dividends. So overall a very positive finish to the year.

DAVID MULHOLLAND, HEAD OF INVESTOR RELATIONS

Given the strong cash performance that you highlighted Pekka, what does Nokia plan to do with the cash?

PEKKA LUNDMARK, PRESIDENT AND CEO

I'm pleased that the strong cash position means that the Board can propose to the Annual General Meeting an increase in the dividend to 14 cents per share in respect of financial year 2024. We also continue to execute on the buyback related to offsetting the dilution of the expected Infinera acquisition. We remain committed to managing our cash position to achieve our target of 10-15% net cash as a proportion of annual net sales, and after the Infinera acquisition closes, we should move closer to that range.

DAVID MULHOLLAND, HEAD OF INVESTOR RELATIONS

And If we now turn to each of the business groups and their performance in the fourth quarter, how did Network Infrastructure do?

PEKKA LUNDMARK, PRESIDENT AND CEO

The improving net sales trend we saw in Q3 further strengthened in Q4. Network Infrastructure net sales grew 17% in the fourth quarter. IP Networks had a standout performance, growing 24%, primarily driven by North America and strong demand from CSPs. Fixed Networks grew by 16% with most regions growing and a notable contribution from India. Optical Networks grew 7% as the improving trends already seen elsewhere also became more visible in Optical. In addition to the strong growth, we saw a record high operating margin in Network Infrastructure of 19.6% in the quarter which is 420 basis points above the prior year.

DAVID MULHOLLAND, HEAD OF INVESTOR RELATIONS

And you already mentioned earlier the Infinera acquisition, how is that progressing?

PEKKA LUNDMARK, PRESIDENT AND CEO

We have been making good progress with the required approvals. You may have seen that we filed with the European Union last week and assuming we achieve the targeted timelines, we now expect the deal to close during the first quarter of 2025.

DAVID MULHOLLAND, HEAD OF INVESTOR RELATIONS

And if we move on to Mobile Networks, how did that business perform in the fourth quarter?

PEKKA LUNDMARK, PRESIDENT AND CEO

Mobile Networks net sales declined by 2% in the quarter. We are now seeing the sales trend stabilize as we have annualized some of the most challenging comparisons in India. In the quarter there was growth in both North America and Europe, while the other regions declined. Gross margin remained strong at 38% and operating margin was 7.7% in the quarter.

It’s also worth mentioning that we had very good commercial momentum in 2024. On a net basis we won deals that represent an increase of 18 thousand base station sites. The strengths of our products are being well recognized in the market and we are winning deals while maintaining our pricing discipline.

DAVID MULHOLLAND, HEAD OF INVESTOR RELATIONS

And if we turn to about Cloud and Network Services, maybe you can comment on how that business did in the quarter and also the Rapid acquisition that was announced?

PEKKA LUNDMARK, PRESIDENT AND CEO

Yes it was great to see Cloud and Network Services deliver 7% net sales growth despite a 4 percentage points headwind from a business disposal earlier in the year. This was driven by a combination of growth in Core Networks along with strong growth in our Enterprise Campus Edge Business. The fourth quarter saw the acquisition of Rapid’s technology assets and this will bolster our R&D capacity in Network as Code and increase our developer access. We already have 48 partners for our Network as Code platform and taken together with our autonomous networks application suite, we are leading the industry in enabling operators fully automate and monetize their networks.

DAVID MULHOLLAND, HEAD OF INVESTOR RELATIONS

And in Nokia Technologies you had very strong growth in the quarter – what drove this?

PEKKA LUNDMARK, PRESIDENT AND CEO

Nokia Technologies had indeed a very strong quarter. We signed several new deals, including with a Mobile Devices vendor Transsion, as well as deals related to our Multimedia portfolio with both HP and Samsung. The run rate for Nokia Technologies has increased from approximately 1.3bn euro and is now between 1.3 and 1.4bn euro. This is a positive step as we progress towards our mid-term target of 1.4 to 1.5bn euro.

DAVID MULHOLLAND, HEAD OF INVESTOR RELATIONS

So we've discussed in detail the financial performance in the fourth quarter, but maybe we can take a step back, are there any strategic highlights you'd like to highlight from the full year 2024?

PEKKA LUNDMARK, PRESIDENT AND CEO

Well yes it has been a pretty eventful year for Nokia and I've been really pleased with the many steps we've taken to further execute against our strategy.

Operationally it has been good to see the demand in most of our end markets stabilize and improve, particularly in Network Infrastructure where we returned to strong growth in the second half. This leaves us much more optimistic as we enter 2025.

We have also taken some important steps with the sale of Submarine Networks and the Infinera acquisition. These steps will reshape our NI portfolio and give us three very strong pillars on which to build in the future.

The other area where we've made significant progress is in diversifying our sales and growth in markets such as data center, defense and private wireless. We are starting to get much stronger recognition and traction in the data center market, with important deals in Q4 with Microsoft and NScale along with go to market partnerships with Kyndryl and Lenovo. Considering the opportunity and momentum we see, we have decided to accelerate our investments into the data center space in IP Networks and we will now spend up to an additional 100 million euro in annual operating expenses with a goal of driving 1 billion euro of incremental sales by 2028.

Also in private wireless we continue to have very good momentum and we now have 850 customers and strong recognition in the market. We start 2025 with increased backlog in this sector and we expect to see strong growth again.

And in defense, we launched our 5G tactical radio solution in Q4 and while this will be a longer-term opportunity, I feel we are extremely well positioned to grow in this segment in the coming years. As previously mentioned, we will talk more about these opportunities at our capital markets day later in the year.

DAVID MULHOLLAND, HEAD OF INVESTOR RELATIONS

So before we turn to Nokia's 2025 financial outlook, can you give us a bit of flavor on how you see the trends you see across different parts of the business?

PEKKA LUNDMARK, PRESIDENT AND CEO

For Network Infrastructure we expect the improving dynamics we've seen in the second half of '24 to sustain into '25 and drive strong growth. The good momentum we have in 5G Core and Enterprise Campus Edge should lead to growth in CNS in 2025 as well. In Mobile Networks, we see a stabilizing environment for 2025. So overall in our Networks businesses we see a positive outlook for top line growth in 2025. And finally, we expect Nokia Technologies to deliver approximately 1.1 billion euros of operating profit.

DAVID MULHOLLAND, HEAD OF INVESTOR RELATIONS

So after two challenging years it's good that you are now looking forward to a year of growth again in 2025. But could you maybe formalize that and give us an update on what Nokia's financial outlook is for the coming year?

PEKKA LUNDMARK, PRESIDENT AND CEO

Sure, we target 1.9 to 2.4 billion euro comparable operating profit and to deliver free cash flow conversion of between 50 and 80%. If you consider we benefited from over 700 million euros of one-time items that won't recur, mostly in the first half of 2024, such as the catch-up element of our Q1 smart-phone renewal deals and the AT&T settlement in Q2, this represents strong progress in our underlying operational performance in '25 despite some increased investments.

DAVID MULHOLLAND, HEAD OF INVESTOR RELATIONS

Thank you Pekka, do you have any final thoughts before we close?

PEKKA LUNDMARK, PRESIDENT AND CEO

Yes, I definitely would like to take this opportunity to thank the Nokia colleagues for their hard work and commitment during this year and we are looking forward to a busy 2025.

DAVID MULHOLLAND, HEAD OF INVESTOR RELATIONS

Thank you Pekka and thank you all for joining us today.

During this video, we have made forward-looking statements, and these statements are predictions that involve risks and uncertainties. Actual results may therefore differ materially from the results we currently expect. Factors that could cause such differences can be both external as well as internal operating factors. We have identified such risks in more detail in the Risk Factors section of our 2023 annual report on Form 20-F.