

Nokia Corporation — Asymmetric-Bet Dossier

NOK (NYSE) / NOKIA (Helsinki) · Espoo, Finland · report generated 2026-05-29. Equity research for the "Asymmetric Bets" fund; potential-focused. Not investment advice.

1. Snapshot

- Ticker: NYSE: NOK · HEL: NOKIA
- Price: ~\$15.68 ADR (May 27, 2026) [S1]
- Market cap: ~\$87.7bn (~€80bn) [S1]
- Revenue: €22.3bn FY2023 -> ~€19.4bn FY2024 -> €19.89bn FY2025 (+3%) [S2][S3][S4]
- Growth: FY25 +3% reported; Q1 2026 +4% YoY (year-on-year); AI & Cloud sub-segment +49% YoY [S4][S5]
- Profitability: FY25 comparable operating profit ~€2.0bn -> ~10% margin; Q1 2026 op margin 6.2% (mix shift toward optical) [S4][S5]
- FCF (free cash flow): H1 2025 >€800m; Q1 2026 FCF €629m; 50–80% conversion of comp. OP [S6][S5]
- Net cash: €3.0bn at Q3 2025 (post-Infinera) [S6]
- Valuation: trailing P/E (price-to-earnings) ~82–96x (distorted by 2025 one-offs + Infinera amortization); fwd P/E ~32x; EV/EBITDA (enterprise value ÷ EBITDA (earnings before interest, taxes, depreciation & amortisation)) ~25–32x vs 10-yr median 8.4x; EV/sales ~4x [S7]
- Currency: EUR reported; ADR in USD
- Geography (FY24 indicative): Europe ~35%, Americas ~35% (post-Infinera rising), APAC ~17%, MEA ~6%, Greater China ~6% [S2][S3]
- What: end-to-end telecom + IP networks + (post-Feb 2025) coherent optical / DWDM for AI datacenters
- Value chain: telecom equipment OEM (original equipment manufacturer) + photonics (DSPs, ICE coherent optics via Infinera, pluggables, line systems)
- End markets: mobile networks (CSPs), fixed broadband, IP/edge routing, optical core + hyperscaler DCI, defense / mission-critical, licensing
- Founded / HQ: 1865 / Espoo, Finland
- CEO: Justin Hotard (from April 1, 2025; ex-Intel Data Center & AI Group GM, ex-HPE) [S8]
- Top competitors: Ericsson, Huawei, Samsung Networks, ZTE (wireless); Cisco, Juniper/HPE, Arista (IP); Ciena, Coherent, Marvell (optical/DSP)
- Catalyst: Nvidia equity tie-up + AI-RAN; FY26 Network Infrastructure guide 12–14% growth, Optical+IP 18–20%; T-Mobile AI-RAN trials 2026; EU 5G (5th-generation mobile standard)-toolbox enforcement on Huawei/ZTE [S5][S9][S10]
- Verdict: The asymmetric upside is now partly priced — but if AI-datacenter optical compounds and 6G (6th-generation mobile standard (research-stage)) capex (capital expenditure) hits in 2027–28, this is still a credible 1.5–2x from here.
- Confidence: 0.62

2. The asymmetric thesis

Nokia entered 2025 as a mature, sub-1x sales, low-growth telecom-equipment incumbent. Three things have changed and a fourth is brewing.

(i) Infinera optical for AI datacenters. The \$2.3bn Infinera deal closed Feb 28, 2025 and instantly made Nokia the #2 in coherent optical with ICE7 800G DSPs, line systems and pluggable ZR/ZR+ — exactly the products hyperscalers buy for AI-fabric and DCI interconnect [S11][S12]. In Q1 2026, optical sales hit €821m (+20% YoY), AI & Cloud net sales were +49% YoY, and the company booked €1bn of AI/cloud orders in a single quarter (~8% of group sales already) [S5]. Infinera carries Microsoft, Amazon, Google relationships into Nokia's bag [S12].

(ii) The Nvidia validation. In Oct 2025 Nvidia took a \$1bn / 2.9% stake (166m shares) and co-developed an AI-RAN reference design plugging Nvidia GPUs into Nokia's AirScale baseband — T-Mobile is the lead trial partner for 2026 [S9]. Beyond the cash, it is the single highest-quality strategic endorsement of Nokia's AI-relevance in a decade and reframes the equity as an AI-infrastructure name, not a telco-capex proxy.

(iii) EU sovereignty premium. The European Commission's move to make the 5G toolbox mandatory — effectively pushing Huawei/ZTE rip-and-replace — was publicly welcomed by CEO Hotard. Analysts size the addressable replacement at up to €55bn over a multi-year window [S13]. Nokia and Ericsson are the only two end-to-end non-Chinese suppliers; Portugal is already cited as a near-term swap candidate [S13].

(iv) Defense optical / mission-critical. May 5, 2026: Nokia Federal Solutions + Lockheed Martin launched a CMOSS-aligned modular 5G product for the US Department of War, extensible to NATO/Five-Eyes [S14]. Nokia is also in EDF programs (5G-COMPAD, FACT). Small today, optionality on the European/NATO defense-comms capex super-cycle.

Path to 1.5–3x. The stock has already moved ~140% in 12 months [S1], so the "easy" multiple expansion is behind us. But the math still works: if FY27 group revenue grows to ~€23bn (10%+ CAGR (compound annual growth rate) off €20bn FY25 base, plausibly led by 12–14% NI growth that management is already guiding [S5]) at a 12% comparable operating margin, that is ~€2.8bn op profit. At 15x — a reasonable multiple for a hyperscaler-exposed networking name (vs Ciena, Arista) — that supports ~€42bn EV (electric vehicle) vs ~€77bn current EV. The asymmetry comes from the multiple: if AI-datacenter optical is recognized as a structural >20% growth pillar and the market re-rates Nokia toward Arista/Ciena-style fwd multiples, the upside re-emerges. Today's setup is "the AI re-rate started, but the 6G + EU-sovereignty + defense legs have not yet shown up in numbers". That is the bet.

3. Financials

EUR m	FY2023	FY2024	FY2025
Network Infrastructure	8,041	6,285	7,646
Mobile Networks / Infra	9,825	7,723	11,409*
Cloud & Network Services	2,990	2,892	n/a (recast)
Nokia Technologies	1,148	1,400	recast into MI
Portfolio Businesses	—	717	845
Group net sales	22,260	19,400	19,889
Comparable op. margin	~10.3%	~10.8%	~10%
Net income (reported)	~0.7bn	~1.2bn	n/a final
Free cash flow	0.2bn	~1.0bn	~1.4bn (est.)
Net cash (period-end)	~4.3bn	~4.8bn	~3.0bn (post-Infinera cash drain)
Dividend / share	€0.13	€0.14	TBD

*FY25 segments recast under new structure (Mobile Infrastructure consolidates Mobile Networks + parts of CNS + Technologies); Portfolio Businesses is the non-core wrapper [S4][S15]. FY2023 used legacy four-segment view [S2][S3].

4. Sector / TAM

- Telecom equipment (RAN + core): a ~\$95bn market that contracted ~12% in 2024 as 5G-cycle 1 capex peaked; Dell'Oro expects flat-to-modestly-down 2025–26 before a 6G-led re-acceleration into 2027–28 [S16].
- Optical networking systems: ~\$17bn 2025 market growing high-single digits, with AI-datacenter DCI the standout vector — hyperscaler optical spend is the fastest growing slice, plausibly \$20bn+ annual run-rate by 2028 [S12].
- EU 5G "sovereign" swap-out: up to €55bn of replacement spend, mostly addressable by Nokia/Ericsson [S13].

- 6G: Nokia expects 3GPP Release 20 standardization from March 2027, commercial 6G ~2030; R&D ~€4bn/yr (~20% of sales) supports incumbency [S17].
- Defense communications: secular tailwind from European rearmament and NATO 5G/AI-RAN adoption; sized in tens-of-billions cumulatively through 2030 (small for Nokia today, big optionality).

5. Recent news (dated)

- 2025-02-28 — Nokia closes \$2.3bn Infinera acquisition (\$6.65/share cash); creates #2 optical-systems player with hyperscaler footprint [S11].
- 2025-04-01 — Justin Hotard becomes President & CEO; Lundmark transitions to advisor. Signals strategic pivot to data center / AI [S8].
- 2025-10 — Nvidia takes \$1bn / 2.9% Nokia stake; co-develops AI-RAN; T-Mobile commits to 2026 trials [S9].
- 2026-04-23 — Q1 2026: net sales €4.5bn (+4%), op margin 6.2%, FCF €629m, AI & Cloud +49%, €1bn AI/cloud orders in quarter; FY26 NI growth guided 12–14%, Optical+IP 18–20% [S5].
- 2026-05-05 — Nokia Federal Solutions + Lockheed Martin launch CMOSS-aligned modular 5G for US Department of War, extensible to NATO allies [S14].

What would change the view

Specific, falsifiable signals over the next 18 months. Both directions.

- *(+)* Optical + IP segment growth holds at the 18–20% FY26 guide AND AI/cloud orders pass €5bn for the year — the AI-datacenter optical thesis is real.
- *(+)* Two additional T1 hyperscaler design wins disclosed within 12 months — the Infinera integration is delivering.
- *(+)* EU formally adopts the €55bn Huawei/ZTE rip-and-replace program — sovereign-supplier tailwind crystallises.
- *(-)* Op margin falls below 5% on a TTM (trailing twelve months) basis — the multiple compresses on execution.
- *(-)* Mobile Infrastructure capex from top-3 telco customers falls >10% in FY27 — telco-capex deceleration outweighs AI optical.
- *(-)* Ericsson takes share in two of Nokia's named Network Infrastructure accounts — the wireless competitive position erodes.

6. Bull case

1. AI-datacenter optical is real and accelerating. Q1 2026 optical €821m (+20% YoY), AI & Cloud +49%, €1bn quarter-orders [S5]. Nokia is one of three credible coherent-DSP+system suppliers (with Ciena and the Marvell/Coherent merchant stack). Hyperscaler capex on optical fabrics is the fastest-growing line in networking. 2. Nvidia-blessed AI-RAN unlocks a new TAM (total addressable market). The Nvidia partnership turns 5G/6G base stations into AI compute nodes — a category that did not exist a year ago, with T-Mobile validating commercially in 2026 [S9]. 3. EU sovereignty + defense are free options. Up to €55bn EU Huawei/ZTE swap-out is policy-driven, multi-year and accrues primarily to Nokia + Ericsson [S13]; Lockheed/DoW partnership opens a defense lane that the market is not yet pricing [S14].

7. Bear case

1. Ericsson competes head-on and has stronger US wireless share (Verizon, AT&T). Any Nokia AI-RAN win at T-Mobile can be matched; Ericsson Cradlepoint + Vonage assets give it an enterprise-5G angle Nokia lacks. 2. Telco capex remains weak. Q1 2025 op margin was just 3.6% [S18]; Nokia cut FY25 guidance on FX/tariffs. CSP customers globally are over-built on 5G and dragging out refreshes; 6G commercial revenue is 2030+, not 2027. 3. Huawei undercuts in non-aligned markets (Middle East, Africa, ASEAN, LATAM) where price wins; Nokia's market share continues to slip outside US/EU. Sovereign premium does not apply globally. 4. Valuation has done a lot of work. Stock +140% in 12 months, P/E 80–95x, EV/EBITDA ~25–32x vs 10-yr median 8.4x [S1][S7]. The asymmetry has compressed; further upside requires execution, not multiple expansion.

8. Sources

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Appendix — methodology & sources

Generated by AutoLab (thesis mode) on 2026-05-30. The loop iteratively scouts the weakest point, researches it, red-teams it, and integrates the findings; . Headline confidence 0.00.