David Mulholland, Head of Investor Relations

Hi everyone and welcome to this short introduction to Nokia’s fourth quarter financial results. I’m David Mulholland the Head of Investor Relations here at Nokia and with me today is Pekka Lundmark our President and CEO.

In this video today we will be discussing Nokia’s financial performance and will mostly refer to growth rates on a constant currency basis and margins on a comparable basis. Full explanations of the breakdown between those metrics and our reported IFRS financials can be found in our investor relations website in our financial reports. With that lets get started.

Pekka, can you give us a quick summary of the financial performance for Nokia in both 2021 and the fourth quarter.

Pekka Lundmark, President and CEO
Thanks David. If I start from the fourth quarter it was really a solid ending to a strong year. We have said throughout the year that we were expecting lower seasonality than what has been typical in our history and that is exactly what happened. Q4 topline was driven by Network Infrastructure 10% growth but it was offset by an expected decline in Mobile Networks. Having said that our comparable operating margin of 14.2% was really good for the quarter.

On a full year basis we had 3% topline growth which was driven by a stellar performance in Network Infrastructure 15% growth and within Network Infrastructure Fixed and Submarine Networks had actually more than 30% growth. Then when it comes to profitability we had really nice comparable operating margin expansion by 300bps to 12.5% and yes this is higher than what we expected at the beginning of the year.

David Mulholland, Head of Investor Relations

Nokia also delivered very strong cash performance in 2021 with €2.4bn of free cash flow and ending the year with €4.6bn of net cash. Can you possibly talk Pekka about how you plan to use the cash?

Pekka Lundmark, President and CEO

Well first of all I am really pleased with the substantially improved cash position.

In terms of how we are going to use this, the first priority will always be R&D investments because we do believe that is the best way to deliver shareholder value.

Given the strong balance sheet we have we also look to reinstate shareholder distributions through both a dividend and a share buyback program.

David Mulholland, Head of Investor Relations

If we take a step back Pekka, 2021 was always positioned as a year of reset for Nokia. Can you possibly comment on what you see have been the greatest achievements so far?

Pekka Lundmark, President and CEO

Yes David, it was a truly transformational year and I’m very happy with the execution. The first thing I would like to highlight is our new operational model which we put in place in the beginning of the year with four fully accountable business groups. That has really increased productivity, clarity and very much as I said accountability throughout the organization and the results speak for themselves.
Then, the second thing I would like to highlight is the shift in our spending mindset. I have always talked a lot about the importance of technology leadership and what we did was that we shifted opex spending from SG&A to R&D. We clearly increased R&D spending in 2021 and of course regaining 5G competitiveness is a great achievement. We have now a significantly stronger product position which is now also showing in improved gross margins.

Network Infrastructure had really a fantastic year where we were outperforming markets in pretty much all parts of the business.

Cloud and Network Services had a year of portfolio rebalancing were we chose six focus areas and those chosen areas are actually growing double digit at the moment.

Finally Nokia Technologies also had a strong year and one of the highlights was expansion to new areas – automotive and consumer electronics just to give you two examples.

Overall it was a great year, a year of reset where we have built an excellent foundation to move to the next phase in our strategy – accelerate.

David Mulholland, Head of Investor Relations

So Pekka as you mentioned we are now moving onto the accelerate phase of our strategy. Could you possibly explain what that means and what Nokia’s priorities are as we move into 2022?

Pekka Lundmark, President and CEO

Well, accelerate is actually very simple. It means growth and margin expansion. To achieve that we will continue to capitalize on the strength and technology portfolio that we have in Mobile Networks and Network Infrastructure and the refocused portfolio that we have in Cloud and Network Services. We will continue to prioritise our R&D investment in our core areas. One particular focus area will be enterprise business, we want to grow beyond CSPs. One key example of this is private wireless where we see a lot of momentum at the moment.

We will also continue to focus on R&D efficiency to look for the best possible returns in each business and naturally the business portfolio reviews will continue also in 2022.

Innovation is extremely important. We are developing new business models, we are evolving towards as-a-service type of business models and very importantly we are
developing new types of strategic partnerships, webscalers being one of the key examples.

David Mulholland, Head of Investor Relations

So final question Pekka, can you please give us a bit of colour for how you see the financial outlook for the business for 2022 and the new long-term targets you have announced today?

Pekka Lundmark, President and CEO

Our net sales target for 2022 is between €22.6bn and €23.8bn. Our comparable operating margin target for this year is between 11% and 13.5%. Now of course we want this development to continue also after 2022, so given the excellent pace of our strategy execution, we now feel that it’s the right time to set new long-term targets.

First of all we target to grow revenues faster than the market. Second, we are targeting a comparable operating margin of at least 14% in the next 3-5 years. Now of course the pace of delivery will always depend on the development of the market environment and any R&D decisions that we will make in order to maximise our technology competitiveness.

So overall it was a great year. We made fantastic progress and we have every reason to be optimistic about the future and most importantly I am so proud of the team that has made all this happen.

David Mulholland, Head of Investor Relations

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