

# Q1 2024 Investor Video Transcript

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David Mulholland, Head of Investor Relations

Hi everyone, and welcome to this short introduction to Nokia's first quarter 2024 results.

My name is David Mulholland, I'm Head of Investor Relations here at Nokia and with me today in Espoo is Pekka Lundmark, our President and CEO.

Please note that during this discussion as we discuss Nokia's financial performance, we will refer to growth rates that will be on a constant currency basis and where we refer to margins or profitability it's related to our comparable reporting. You can find full reconciliation tables between the comparable reporting and our IFRS results on our financial report on Nokia's Investor Relations website.

With that – let's get started.

Pekka – could you maybe give us a quick overview of Nokia's Q1 results?

Pekka Lundmark – President and CEO

Thanks David. As we expected, the first quarter saw a continuation of the market weakness that started in Q2 last year. The challenging environment led to a 19% year-on-year decline in net sales. Our operating margin came in at 12.8% which was supported by a number of patent licensing deals signed in Nokia Technologies during the quarter and by the ongoing cost reductions.

The high point of the quarter was undoubtedly our cash performance as we generated free cash flow of almost EUR 1 billion and ended the quarter with a net cash position of EUR 5.1 billion.

David Mulholland, Head of Investor Relations

If we dig a bit deeper into each of the business groups – how did Network Infrastructure do in Q1?

Pekka Lundmark – President and CEO

Network Infrastructure net sales declined by 26% when compared to an exceptionally strong year-ago quarter. All business units in NI declined reflecting the challenging market conditions but it's also worth remembering that last year we had unusual seasonality as the year ago quarter benefited from additional shipments as we recovered from the supply chain disruptions of 2022.

Gross margin declined slightly as a result of product mix and lower net sales while operating margin declined to 4.9% mainly because of lower net sales coverage of our operating expenses.

David Mulholland, Head of Investor Relations

In Q4 you talked about some improvements in the order intake trends you were seeing, particularly in Network Infrastructure – how did that progress as we started 2024?

Pekka Lundmark – President and CEO

That's right David - we said in Q4 that we saw improving order intake trends, particularly in Network Infrastructure. This trend continued in Q1 with year-on-year growth in Network Infrastructure's order intake which drove an increase in our order backlog.

If we look at the Network Infrastructure business units, positively, the outlook for Fixed Networks for the year has improved which is an important signal as this market often recovers first. However, we do believe the recovery in Optical Networks might take somewhat longer.

Given the strength in orders, we continue to expect that Network Infrastructure will return to net sales growth for the full year with a stronger second half performance.

David Mulholland, Head of Investor Relations

Turning to Mobile Networks – you were clearly expecting a challenging environment through 2024 – how did that progress in the first quarter?

Pekka Lundmark – President and CEO

Well as expected, Mobile Networks saw a weak start to the year with a net sales decline of 37% in Q1. This decline was driven by very low demand from both North America and India. A slower pace of spending in India was anticipated following the rapid 5G deployment seen in the first half of last year. Globally, we expect that Q1 will mark the low point in demand with activity progressively picking up through the remainder of 2024.

I was pleased to see a strong gross margin performance of 42% benefiting from improving regional and product mix. However, I would note that approximately half of this improvement was due to exceptionally low indirect cost of sales. Operating margin was negative 2.7% reflecting the reduced top line.

David Mulholland, Head of Investor Relations

Could you also provide a few comments on the progress you're seeing in Cloud and Network Services?

Pekka Lundmark – President and CEO

Cloud and Network Services also saw a soft start to the year but we are seeing improving order intake and pipeline momentum also in this business, and our full year assumptions remain unchanged.

We also continue to make good progress with our Network as Code platform and have now signed a total of 11 agreements with operators. This remains an important strategic investment area for us as we work to empower operators to enable advanced API access to their networks and better monetize their 5G investments.

David Mulholland, Head of Investor Relations

There were also a number of partnerships announced in the quarter – could maybe highlight a little bit about each of those and why you see them as important?

Pekka Lundmark – President and CEO

That's right David – it was a busy quarter in terms of partnerships.

We announced a strategic partnership with Dell. On the Nokia side we will now adopt Dell as our preferred infrastructure partner for existing Nokia AirFrame customers which will enable us to refocus our R&D efforts into areas where we can really differentiate as Nokia. Secondly our private wireless solution NDAC or Nokia Digital Automation Cloud will become Dell's preferred private wireless platform for enterprise customers, and we can see this becoming a very powerful channel to further drive growth in private wireless.

We also announced a partnership with NVIDIA that will help us to broaden the compute platforms we support with our anyRAN solution for CloudRAN deployments. This will help us to accelerate the opportunities to bring AI capabilities into the RAN network. We will also partner with NVIDIA on some elements of 6G research.

David Mulholland, Head of Investor Relations

Nokia Technologies had an extremely strong quarter – what was it that really drove this?

Pekka Lundmark – President and CEO

We were pleased to conclude the smartphone renewal cycle this quarter with the completion of a number of outstanding deals. This increases our run-rate from just under EUR 1.0 billion in Q4 to EUR 1.3 billion in Q1 and in addition to this we benefited from more than EUR 400 million of catch-up net sales in the quarter.

This means Nokia Technologies has now entered a period of stability. The business will focus its resources on expanding in new growth areas with the next goal to increase our licensing net sales run-rate to EUR 1.4 to 1.5 billion in the mid-term.

David Mulholland, Head of Investor Relations

During the quarter we had a very strong cash flow performance as well – what drove this?

Pekka Lundmark – President and CEO

Yes that's correct, we generated nearly EUR 1 billion of free cash flow in Q1 to end the quarter with EUR 5.1 billion of net cash. This was driven by two main factors - firstly the Nokia Technologies catch-up payments and secondly the reduction in receivables as we start to see an unwind of the working capital investment we made in 2022 and 2023.

This gives us further confidence in our cash conversion target for the year of between 30 and 60%.

David Mulholland, Head of Investor Relations

If we then look forward how has your outlook for 2024 evolved?

Pekka Lundmark – President and CEO

While Q1 was a challenging quarter for the networks businesses, we are seeing some improving trends in order intake and the progress in Nokia Technologies also helps to solidify our outlook.

As we look forward through the rest of the year, I believe we remain solidly on track to achieve the guidance that we have laid out for 2024. We continue to expect comparable operating profit of between EUR 2.3 and 2.9 billion and free cash flow conversion between 30 and 60%.

David Mulholland, Head of Investor Relations

And before we conclude Pekka do you have any final thoughts you want to leave with the audience?

Pekka Lundmark – President and CEO

One other thing I wanted to mention is that we are making good progress on the initiatives we announced back in October. From January 1st onwards, we have been working in the new model where sales and other go-to-market teams are embedded in the business groups and I believe this will help us to accelerate our strategy execution this year.

We have also been moving quickly on our cost reduction program and we remain well on track to achieve EUR 500 million of in-year savings in total in 2024.

And finally, I want to say a big thank you to the entire Nokia team for their resilience and determination which enabled us to navigate in a highly challenging environment.

David Mulholland, Head of Investor Relations

Thank you Pekka for these comments and thank you to our audience 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.