

NOKIA CORPORATION (NOK)

Entry Price: \$16.69

*Position sizing: 10% of AUM***EXECUTIVE SUMMARY**

Nokia is undergoing one of the most misunderstood transformations in large-cap technology. The market continues to value Nokia primarily as a mature telecom infrastructure company tied to carrier spending cycles and a disappointing post-5G environment.

I believe that this perception is incorrect. Nokia is becoming an AI networking infrastructure provider. As artificial intelligence scales globally, demand for networking infrastructure is accelerating alongside demand for GPUs. The larger AI deployments become, the more important networking infrastructure becomes.

Q1 2026 provided evidence that Nokia is already participating in this trend:

Metric	Q1 2026
Net Sales	€4.5B
Comparable Operating Profit	€281M
Free Cash Flow	€0.6B
Net Cash	€3.8B
AI & Cloud Growth	+49%
Optical Networks Growth	+20%
2026 Operating Profit Guide	€2.0B–€2.5B
2028 Operating Profit Target	€2.7B–€3.2B

The market understands NVIDIA. The market understands AI compute. I believe that the market is still underestimating AI networking.

I recommend a LONG position with a 6-month target price of \$20/share (+22%).

INVESTMENT THESIS

1) AI Networking is Becoming a Critical Bottleneck

Most investors focus exclusively on GPUs. The reality is that AI infrastructure requires massive data movement. As AI clusters scale from thousands to hundreds of thousands of GPUs, networking becomes increasingly valuable.

This benefits Nokia directly. The company is already seeing evidence of this trend:

Q1 2026

Segment	Growth
AI & Cloud	+49%
Optical Networks	+20%

These are not telecom growth rates. These are infrastructure growth rates. I believe it should increasingly be valued as an AI networking company.

2) Infinera Improves Nokia's AI Positioning

Nokia completed the acquisition of Infinera in February 2025. This transaction significantly strengthens Nokia's optical networking platform.

The acquisition improves data center connectivity, optical transport, cloud networking exposure and scale in North America. This matters because optical networking sits inside the AI infrastructure value chain. The market appears focused on integration risk. I believe investors are underestimating the long term strategic value of the acquisition.

3) NVIDIA Changes the Narrative

The Nvidia partnership and investment are important because they validate Nokia's role in future network architecture. I believe that AI requires both compute and networking. NVIDIA's partnership effectively acknowledges Nokia's relevance in

- AI
- Next generation wireless networks
- 6G infrastructure

This partnership helps shift Nokia's identity from telecom vendor to Ai infrastructure participant.

4) Earnings Expectations Remain Too Low

The market currently values Nokia largely on:

- Carrier spending
- Legacy telecom demand
- Historical profitability

Managements long term target: €2.7B–€3.2B Operating Profit

I believe investors may be underestimating:

- AI networking demand
- Optical networking growth
- Cloud networking opportunities
- Infinera synergies

RISKS

1. AI Networking Demand Slows

This thesis depends on continued AI infrastructure investment.

2. Infinera Integration Problems

Synergies may take longer than expected

3. Telecom Weakness Offsets AI Growth

Carrier spending remains an important part of Nokia's business

4. Valuation Compression

Nokia has already rerated. If growth disappoints, the multiple could compress.