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TomTom reports first quarter 2011 results

Financial highlights Q1 2011

- Revenue of €265 million compared to €268 million in Q1 2010
- Automotive revenue grew by 53% to €60 million
- Content and services grew to 36% of total revenue
- Gross margin of 53% and EBIT margin of 7%
- Net result of €11 million compared to €3 million in Q1 2010
- New banking facilities in place until 2016

Operational highlights Q1 2011

- LIVE Services announced and new models launched in US
- Nike+ SportWatch GPS well received
- First LIVE Services subscriptions sold by OEM customers
- Blue&Me TomTom LIVE extended to the Lancia Ypsilon
- Traffic Stats portal launched for the GIS market
- 5" (13 cm) PRO range launched for the professional market

Outlook full year 2011[1]

- Revenue guidance reduced to between €1,425 and 1,475 million
- EPS guidance unchanged; broadly flat EPS compared to 2010

Key figures[2]

(in € millions)	Q1 '11	Q1 '10	y.o.y. change	Q4 '10	q.o.q. change
Revenue	265	268	-1%	516	-49%
Gross result	141	144	-2%	237	-40%
Gross margin	*53%*	*54%*		*46%*	
EBITDA	44	44	1%	95	-53%
EBITDA margin	*17%*	*16%*		*18%*	
EBIT result	18	17	7%	65	-72%
EBIT margin	*7%*	*6%*		*13%*	
Net result	11	3	243%	52	-80%
EPS, € diluted	0.05	0.01	240%	0.23	-80%
Adjusted EPS[2], € diluted	0.10	0.07	40%	0.29	-65%

[1] *For the outlook on earnings per share for 2011 we used an estimate of the average diluted share count of 226 million shares*
[2] *Operating expenses include restructuring charges of €0.6 million in Q1 2011, €1.4 million in Q1 2010 and €1.3 million in Q4 2010*

TomTom's Chief Executive Officer, Harold Goddijn

"Our newer revenue lines continue to make good progress; our Automotive unit grew strongly and more than one third of our revenue came from Content & Services. We also shipped our first sports watch, which has been well received.

We are in a phase of transition but the PND market remains important. The European market developed more or less in line with our expectations. The North American market however showed a more negative trend towards the end of the quarter. The new full year revenue guidance reflects lower expectations for PND revenue.

We are executing our strategy as planned and we are investing in our technology platforms to enable us to deliver innovative new products and services, and return to growth in the years to come."

Outlook 2011

Due to recent PND market developments, we now expect PND revenue to be lower than previously assumed. It is unlikely that this decrease can be fully compensated by increased Automotive sales and further growth of Content & Services revenue compared to last year. As a result, we now expect full year revenue of between €1,425 million and €1,475 million.

The increased relative size of Content & Services in our revenue mix will support a strong gross margin. We will continue to invest in our development and commercial activities as we evolve our technologies and capabilities to accelerate our growth in the Automotive and Business Solutions segments. At the same time we will align discretionary spending with revenue development. As a result we maintain our guidance for broadly flat earnings per share compared to 2010.

Operational review

Revenue split

(€ millions *based on non-rounded figures)*	Q1 '11	Q1 '10	y.o.y. change	Q4 '10	q.o.q. change
Consumer	157	186	-16%	406	-61%
Automotive	60	39	53%	55	10%
Licensing	34	31	11%	39	-13%
Business Solutions	14	12	17%	16	-11%
Hardware	169	188	-10%	418	-60%
Content & Services	96	80	20%	98	-2%

The market size in Europe for PNDs was 2.4 million units compared to 2.7 million units in the same quarter of last year. Our market share remained stable year over year at 47%. The North American market size was 2.1 million units compared to 2.6 million units in the same quarter of the prior year. Our market share grew from 22% to 24%. The European and North American markets combined declined by 15% year over year.

In the quarter we announced our premium range connected GO LIVE series and launched the mid range VIA products for the US market. We introduced our live HD Traffic website which enables people to plan their journeys in advance, taking into account current and expected traffic congestion. Just after the quarter end we started shipping our GPS sports watch which we developed with Nike. The watch has been received well by the market because of its innovative design, ease of use and connectivity to Nikeplus.com.

In Automotive we were able to expand sales within all of our existing relationships. In the quarter we announced that our integrated connected navigation solution will now be included in the Lancia Ypsilon. More than half of the products we are selling to Renault are now connected products and dealers have started selling LIVE Services subscriptions.

Licensing announced an agreement to supply Route 66 with maps and enhanced content. We launched Traffic Stats, an online portal for governments and enterprises to access historical travel times and speeds for any given road. We entered into multiple partnership agreements with yellow pages companies across Europe to enrich our business listings content and expand our suite of Points of Interest. We also made our Speed Cameras database available to third parties. The latest map release includes coverage of 34 million kilometres (21 million miles) and 103 countries.

Business Solutions launched new products for the professional market with 5" (13 cm) screen versions of the existing PRO range. In the quarter, the number of WEBFLEET subscriptions grew by 9,000 to 143,000, a year over year increase of 39,000 or 37%.

Financial review

Revenue

The group generated €265 million revenue for the quarter, a decrease of 1% compared to the same quarter last year (Q1 2010: €268 million) and a 49% decrease sequentially (Q4 2010: €516 million). Year on year, revenue for Consumer declined and this decline was almost fully offset by an increase in revenue in the other three business units.

The revenue of the Consumer business unit over the past quarter amounted to €157 million which is a €30 million decrease compared to the same quarter of last year (Q1 2010: €186 million). The year on year decrease is a result of a decline in the PND market, partially compensated by an increase in LIVE Services revenue.

Automotive revenue grew by €21 million or 53% to €60 million compared to the same quarter last year (Q1 2010: €39 million). This growth was driven by increased system sales as our solutions were offered in more models within existing customers, as well as by increased demand for our maps. Sequentially revenue increased by 10% (Q4 2010: €55 million); the first quarter is seasonally a strong one for Automotive.

Licensing revenue grew year on year by €3.4 million or 11% to €34 million and decreased by €5.1 million sequentially (Q1 2010: €31 million, Q4 2010: €39 million). The Q1 result includes a positive correction of €4 million to previously reported royalties. Mix wise we saw a strengthening of our internet and wireless sales which was offset by a decline in revenue in the PND segment.

Business Solutions revenue increased by €2.0 million or 17% year on year to €14 million (Q1 2010: €12 million) driven by new subscriptions revenue. Sequentially revenue decreased by €1.8 million (Q4 2010: €16 million).

Hardware revenue for the quarter was €169 million across the group, a decrease of 10% year on year (Q1 2010: €188 million) and a decrease compared to the fourth quarter of 60% (Q4 2010: €418 million).

Content & Services revenue was €96 million for the quarter compared to €80 million in Q1 2010, an increase of 20%. Consumer and Automotive were the main contributors to the increase. Sequentially, Content & Services revenue for the quarter decreased by 2%, mainly as a result of seasonally lower PND map revenue in Licensing. Content & Services revenue represented 36% of total revenue (Q1 2010: 30%; Q4 2010: 19%).

Gross margin

The gross margin for the group was 53% compared to 54% in the same quarter last year and was up sequentially by 7 percentage points from 46%. The year on year decline partly results from foreign exchange rates. The sequential increase was the result of a change in the product mix of Consumer products sold in the first quarter versus the fourth quarter.

Operating expenses

Total operating expenses for the quarter amounted to €123 million, a decrease of €4.5 million, or 3.5% compared to the same quarter last year (Q1 2010: €127 million). The year on year decrease was mainly the result of lower marketing expenditure. Compared to Q4 2010, operating expenses decreased by €49 million or 29% (Q4 2010: €172 million), mainly in marketing. As a percentage of revenue, operating expenses for the quarter were 46% compared to 47% in Q1 2010 and 33% in Q4 2010.

R&D expenses for the quarter were €42 million, a decrease of €2.4 million compared to the previous quarter (Q4 2010: €44 million) and an increase of €0.7 million year on year (Q1 2010: €41 million). The sequential decrease is mainly the result of the timing of development projects.

Amortisation of technology and databases for the quarter was €19 million (Q1 2010: €17 million, Q4 2010: €23 million). The sequential decrease is mainly attributable to accelerated amortisation of certain redundant intangible assets in Q4 2010.

Marketing expenses decreased by €4.9 million (32%) year on year to €10 million (Q1 2010: €15 million) and by €38 million (79%) sequentially (Q4 2010: €48 million). The sequential decrease mainly reflects seasonality. Total marketing expenses represented 7% of Consumer revenue, a decrease of 5 percentage points sequentially and 1 percentage point year on year (Q4 2010: 12%; Q1 2010: 8%).

Selling, general and administrative (SG&A) expenses for the quarter amounted to €49 million, representing a year on year decrease of 3% and a sequential decrease of 8% (Q4 2010: €54 million; Q1 2010: €51 million). The year on year decrease results from lower professional services expenses. The sequential decrease is explained by some seasonality in our sales expenses. SG&A expenses represented 19% of current quarter group revenue, compared to 10% in the previous quarter and 19% in the same quarter last year.

Stock compensation expenses for the quarter were €2.8 million, which is flat year on year (Q1 2010: €2.8 million) and nearly that sequentially (Q4 2010: €2.9 million).

The operating result for the quarter was €18 million, a year on year increase of 7% (Q1 2010: €17 million) and a sequential decrease of €47 million or 72% (Q4 2010: €65 million). As a percentage of revenue, the operating profit was 7%, an increase of 1 percentage point compared with the same quarter last year (Q1 2010: 6%) and down by 6 percentage points sequentially (Q4 2010: 13%).

Financial results

The total interest charge for the quarter was €6.0 million (Q1 2010: €8.5 million, Q4 2010: €8.1 million). Interest expense on the term loan and revolving credit for the quarter amounted to €5.0 million. The amortisation of the transaction costs related to the facility amounted to €1.6 million. The interest expense was partially offset by an interest income of €0.5 million on cash balances.

The other financial result for the quarter of €1.7 million comprised interest income of €1.2 million as a result of a tax refund and a foreign exchange gain of €0.5 million mainly attributable to the positive effect of the depreciating US dollar on our payable position.

Tax

The income tax charge was €3.0 million in the quarter (Q1 2010: €0.9 million, Q4 2010: €10 million). The effective tax rate in the first quarter was 22.1% (Q1 2010: 22.6%; Q4 2010: 16.5%). The low tax rate in the previous quarter was influenced by the one-off impact of the transfer of a content database from the US to the Netherlands.

Debt financing

On 31 March 2011, the carrying value of our borrowings amounted to €589 million, an increase of €1.4 million compared to the previous quarter which mainly results from our amortised transaction costs which are added back to the borrowings over the life time of the borrowings (Q4 2010: €588 million). Excluding transaction costs, which are netted against the borrowings, our outstanding borrowings amounted to €598 million (Q4 2010: €598 million).

Our net debt as of 31 March 2011 increased slightly to €309 million from €294 million at the end of the previous quarter. Net debt is the sum of the borrowings (€598 million), minus cash and cash equivalents at the end of the period (€289 million) plus our financial lease commitments (€0.8 million).

On 1 April 2011, TomTom signed a forward start facilities agreement comprising of a €250 million term loan facility and a €150 million revolving credit facility that will extend the maturity of the existing bank facilities that the company has in place. The new facilities will provide TomTom with financial resources for ongoing strategic and operational requirements beyond the term of the existing facilities. The facilities agreement start date is 31 December 2012 and it will mature on 31 March 2016. €75 million of the term loan is repayable on each of 31 December 2013 and 31 December 2014, with a final repayment of €100 million payable on 31 March 2016.

Balance sheet

As at the end of Q1 2011, accounts receivable plus other receivables amounted to €177 million. This is a decrease of €26 million year on year and a decrease of €171 million sequentially. The inventory level was €99 million, an increase of €38 million year on year and an increase of €4.8 million in comparison to the previous quarter. Cash and cash equivalents at the end of the quarter were €289 million.

Current liabilities were €635 million compared to €605 million at the end of the same quarter last year and €834 million in the previous quarter. The sequential decrease was mainly caused by a decrease of €98 million in trade payables and €82 million in other liabilities and accruals.

Cash flow

During the quarter, we recorded a cash inflow from operations of €5.5 million which was mainly driven by our EBITDA (€44 million) and changes in working capital (-€36 million).

The cash flow used in investing activities during the quarter increased to €17 million from €15 million in Q1 2010, mainly due to the increased investment in new product development in Automotive.

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Consolidated income statements

(in € thousands)	Q1 '11	Q1 '10
Revenue	265,146	268,356
Cost of sales	124,224	124,105
Gross result	140,922	144,251
Research and development expenses	41,729	40,965
Amortisation of technology & databases	18,620	17,413
Marketing expenses	10,248	15,123
Selling, general and administrative expenses	49,320	50,988
Stock compensation expense	2,847	2,761
Total operating expenses	122,764	127,250
Operating result	18,158	17,001
Interest result	-6,043	-8,486
Other finance result	1,665	-5,655
Result associates	-332	929
Result before tax	13,448	3,789
Income tax	-2,977	-858
Net result	10,471	2,931
Minority interests	-109	-156
Net result attributed to the group	10,580	3,087
Basic number of shares (in millions)	221.8	221.7
Diluted number of shares (in millions)	224.1	222.1
EPS, € basic	0.05	0.01
EPS, € diluted	**0.05**	**0.01**

Consolidated balance sheet

(in € thousands)	**31 March 2011**	**31 Dec 2010**
Goodwill	854,713	854,713
Other intangible assets	937,920	946,263
Property, plant and equipment	37,830	38,977
Deferred tax assets	18,614	22,265
Investments	7,561	7,720
Total non-current assets	**1,856,638**	**1,869,938**
Inventories	98,651	93,822
Trade receivables	129,054	305,821
Other receivables and prepayments	47,696	41,853
Other financial assets	2,461	5,724
Cash and cash equivalents	289,316	305,600
Total current assets	**567,178**	**752,820**
Total assets	**2,423,816**	**2,622,758**
Share capital	44,375	44,362
Share Premium	975,104	974,554
Other reserves	38,359	45,757
Stock compensation reserve	74,348	71,662
Retained earnings/(deficit)	10,389	-222
Minority interests	5,044	5,416
Total equity	**1,147,619**	**1,141,529**
Borrowings	384,853	384,011
Provisions	48,947	51,051
Long-term liability	2,213	926
Deferred tax liability	205,527	211,014
Total non-current liabilities	**641,540**	**647,002**
Trade payables	120,793	218,419
Borrowings	204,139	203,586
Tax and social security	16,471	35,443
Provisions	56,864	58,237
Other liabilities and accruals	236,390	318,542
Total current liabilities	**634,657**	**834,227**
Total equity and liabilities	**2,423,816**	**2,622,758**

Consolidated statements of cash flows

(in € thousands)	Q1 '11	Q1 '10
Operating result	18,158	17,001
Financial losses	-3,194	-10,188
Depreciation of property, plant and equipment	3,514	4,598
Amortisation of intangible assets	22,808	22,268
Change in provisions	-2,818	-5,513
Change in stock compensation reserve	2,685	2,730
Changes in working capital:		
Change in inventories	-5,488	5,632
Change in receivables and prepayments	170,924	117,980
Change in current liabilities	-201,088	-177,249
Cash generated from operations	**5,501**	**-22,741**
Interest received	438	158
Interest paid	-5,063	-5,865
Corporate income taxes received/paid	1,588	-12,747
Net cash flow from operating activities	**2,464**	**-41,195**
Investments in intangible assets	-12,469	-11,304
Investments in property, plant and equipment	-4,367	-3,455
Total cash flow used in investing activities	**-16,836**	**-14,759**
Proceeds on issue of ordinary shares	564	0
Total cash flow from financing activities	**564**	**0**
Net decrease in cash and cash equivalents	**-13,808**	**-55,954**
Cash and cash equivalents at beginning of period	305,600	368,403
Exchange rate effect on cash balances held in foreign currencies	-2,476	1,046
Cash and cash equivalents at end of period	**289,316**	**313,495**

Accounting policies

Basis of accounting

The condensed consolidated financial information for the three-month period ended 31 March 2011 with related comparative information have been prepared using accounting policies which are based on International Financial Reporting Standards (IFRS). Accounting policies and methods of computation followed in the condensed consolidated financial information, for the period ended 31 March 2011, are the same as those followed in the Financial Statements for the year ended 31 December 2010. Further disclosures as required under IFRS for a complete set of consolidated financial statements are not included in the condensed consolidated financial information.

For more information

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Audio webcast first quarter 2011 results

The information for our first quarter results audio webcast is as follows:
Date and time: 27 April 2011 at 14:00 CET
http://corporate.tomtom.com/events.cfm

TomTom is listed at NYSE Euronext Amsterdam in the Netherlands
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About TomTom

Founded in 1991, TomTom (AEX:TOM2) is the world's leading supplier of location and navigation products and services focused on providing all drivers with the world's best navigation experience. Headquartered in Amsterdam, TomTom has over 3,500 employees and sells its products in more than 40 countries.

Our products include portable navigation devices, in-dash infotainment systems, fleet management solutions, maps and real-time services, including the award winning TomTom HD Traffic.

For the world's most up-to-date route planner, including live traffic information please visit www.routes.tomtom.com

For further information, please visit www.tomtom.com

This document contains certain forward-looking statements relating to the business, financial performance and results of the Company and the industry in which it operates. These statements are based on the Company's current plans, estimates and projections, as well as its expectations of external conditions and events. In particular the words "expect", "anticipate", "estimate", "may", "should", "believe" and similar expressions are intended to identify forward-looking statements. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those suggested in the forward-looking statements. These include, but are not limited to: the level of consumer acceptance of existing and new and upgraded products and services; the growth of overall market demand for the Company's products or for personal navigation products generally; the Company's ability to sustain and effectively manage its recent rapid growth and its relations with third party suppliers, and its ability to accurately forecast the volume and timing of sales. Additional presently unknown factors could also cause future results to differ materially from those in the forward-looking statements.