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## CORPORATE PARTICIPANTS

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**Harold Goddjin** *TomTom NV - CEO*

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**Andrew Gardiner** *Barclays - Analyst*

**Martijn Drijver** *ESN/SNS Securities - Analyst*

**Marc Hesselink** *ABN AMRO - Analyst*

**Andrew Humphrey** *Morgan Stanley - Analyst*

**Hans Slob** *Rabobank Equity Research - Analyst*

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## PRESENTATION

### Operator

Good day, ladies and gentlemen. Welcome to the TomTom fourth quarter and full year 2015 earnings conference call. (Operator Instructions). Please note that this conference is being recorded.

I will now turn the call over to your hostess for today's conference, Bisera Grubestic, Head of Treasury and Investor Relations. You may begin, madam.

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### **Bisera Grubestic** - *TomTom NV - IR Officer*

Thank you, Hannah. Good afternoon, and welcome to our conference call, during which we will discuss our operational highlights and financial results for the fourth quarter and full year 2015.

With me today are Harold Goddjin, our CEO, and Taco Titulaer, TomTom's CFO. You can also listen to the call on our website and a recording of the call will be available shortly afterwards. And, as usually, I would like to point out that Safe Harbor applies.

We will start today's call with Harold, who will discuss the key operational developments, followed by a more detailed look at the 2015 financial results and the financial outlook for 2016 from Taco. We will then take your questions.

And with that, Harold, I would like to hand over to you.

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### **Harold Goddjin** - *TomTom NV - CEO*

Thank you very much, Bisera. Welcome, ladies and gentlemen, and thank you for joining us today's earnings call.



We delivered top-line growth in 2015 for the first time in five years. All our four business units delivered revenue growth in the fourth quarter. 2015 revenue was over EUR1 billion, which is 6% higher compared with last year.

The weakening of the euro impacted our profitability negatively in 2015. Nevertheless, we delivered on our guidance.

Net result for the year was EUR18 million, which translates to adjusted earnings per share of EUR0.21. Taco will provide further information on the financial highlights and the financial outlook for 2016 later during this presentation.

I will now discuss our key operational highlights per business unit. Let's start with the consumer business.

Our consumer drive products held up well in 2015, thanks to a resilient PND category and the introduction of niche products. Our PND business developed better than the market this year. We maintained our leading market position in Europe, improved our market share in North America, and strengthened our average selling price, which resulted in value share growth.

Our strategy is to continue to extract value from the PND category, which we believe will remain a sizeable category for the foreseeable future.

Our sports product revenue grew strongly this year. We launched its third generation GPS sport watch in Q4, with integrated music player, built-in heart rate monitor and 24/7 activity tracking. We were pleased with the acceptance of those new products, which resulted in a significant year-on-year increase in sales.

We entered the action camera market with the launch of the Bandit. It's the first action camera with the built-in media server. We will continue to bring new innovative products to the market in 2016.

Automotive broke the 2014 record for new bookings, which exceeded EUR300 million in 2015. This, together with orders secured earlier, will deliver revenue growth in our automotive business in the coming years. The level of bookings is substantially higher than in previous years and is a good indication that we're growing faster than the market.

Our renewed product portfolio delivers navigation software to the automotive industry that is easy to integrate and delivers a much improved end user experience.

Our business will continue to require high levels of investments in the near future, and this is needed to support delivery of new business won, and a sustainable future growth of TomTom.

We announced that BMW has chosen our traffic information in Russia, Australia and New Zealand. The service is available cross car-line as part of the connected driver offer on BMW. In addition, Daimler chose our navigation service for its new Mercedes me app.

Our licensing business unit announced a multiyear deal with Uber in the first quarter to provide maps and traffic data for the Uber driver application.

Let me now give you a quick update on our maps. We completed the move to our new map-making platform by the end of 2015. This platform is the first of its kind in the industry and a leap forward in map-making technologies.

With our new platform, our map is updated continuously using transactions with automatic quality checks. An update will become available to consumer application as soon as the transaction was completed.

This dramatically reduces the time between change detection and publishing a new map, which we can also do incrementally to deliver real-time maps. Some customer applications, such as automated driving, place a high premium on being up to date with the latest real world changes.

New technologies are in development that rely on artificial intelligence and deep learning that have the potential to automate image recognition and automated map making. Our map-making platform is designed with the emergence of those technologies in mind.



In combination with existing map-making technologies, this will bring us the scalability that we need to make the maps for autonomous driving in a cost effective way.

Our telematics business continued to perform strongly. The subscriber installed base passed the 600,000 vehicle landmark by the end of the year and delivered a 30% growth, compared to last year. This was achieved through a combination of organic growth and the acquisition of Finder, which is the leading fleet management service provider in Poland.

Today, our telematics business is recognized as the largest and fastest growing telematics provider in Europe. Our established and scalable technology platform, in combination with our ongoing commitment to innovate, sustained investment in R&D and operational leverage, enables us to continue to capitalize on the favorable industry trends. The extensive vehicle-related data telematics technology can deliver is also putting up new opportunities for aftermarket connected car services.

This, ladies and gentlemen, completes my part of the presentation. I'm handing over to Taco now.

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**Taco Titulaer** - *TomTom NV - CFO*

Thank you, Harold. On slide 6, I shall now begin a more detailed look at our financial results.

We generated revenue of EUR282 million in the fourth quarter, an increase of 9% compared with last year. We saw growth coming through across all of our four business units in the quarter. In 2015, we delivered revenue of over EUR1 billion. This is 6% higher compared with last year.

Our licensing, telematics and consumer sports businesses grew strongly to offset the reduction in PND revenue, which remained the biggest revenue contributor for the Group.

Consumer revenue was up 1% year on year, to EUR624 million. This is a result of a resilient PND business, and a 40% growth in our sports activities.

Automotive revenue delivered a modest decline in 2015, due to the phasing out of certain legacy contracts, in combination with a higher share of deferred revenue compared with last year.

Our order book is a good leading indicator for future growth in the segment. As Harold already mentioned earlier, our order book for this year is above EUR300 million. If you compare that with the EUR220 million of 2014, and the EUR130 million of 2013, you can calculate a CAGR of 50% over this period.

Licensing revenue was up by 27% year over year to EUR142 million. This increase throughout the year was driven both by existing accounts as well as new accounts, like Uber.

Telematics revenue was up by 22% year on year to EUR135 million. This increase was driven by strong growth in subscriber installed base.

The weakening of the euro impacted our profitability negatively in 2015.

On a full-year basis our gross margin was 52% compared to 55% last year. FX, and an impairment charge of EUR11 million related to certain automotive customer-specific software, impacted our gross margin negatively. At constant currencies for the US dollar and the GB pound, our gross margin for 2015 would have been 56%.

OpEx for the year amounted to EUR518 million, which is EUR16 million above last year. This increase is driven by the growth of our workforce and higher marketing, which is partly offset by a decrease in D&A and a one-off gain from the settlement of a litigation case in Q2. We expect the run rate for OpEx in 2016 overall to be up to what we have seen in 2015.

We delivered a net result of EUR18 million this year, which translates in adjusted earnings per share of EUR0.21 on a fully diluted basis, in line with our guidance.

If you add the movements in our net deferred revenue and deferred cost of sales year on year, of close to EUR42 million, take off 25% corporate income tax and divide by the total number of shares, it would add EUR0.14 to our bottom line.

We generated EUR119 million cash from operating activities, similar to last year. Capital investment equals to EUR55 million in the quarter, and EUR154 million for the full year 2015. If you strip out for acquisitions, our CapEx would have been EUR107 million in 2015.

The majority of the investments related to the two acquisitions we made this year, as well as investment in our new transactional map-making platform, our navigation software, and some customer-specific investments we had to make in automotive.

We finished the year with a net cash position of EUR98 million, compared to EUR103 million last year.

Let me conclude with slide 7, our full-year outlook. We are committed to deliver revenue and earnings' growth in 2016. We expect revenue of around EUR1,050 million.

The adjusted earnings per share is expected to grow by around 10% to EUR0.23 per share.

And we expect the level of investment both CapEx and OpEx in our core technologies to be higher than what we saw in 2015.

That concludes the formal part of the presentation. Operator, we would now like to start with the Q&A session.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions). Peter Olofsen, Kepler.

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### Peter Olofsen - Kepler Cheuvreux - Analyst

I wanted to ask about the autonomous driving opportunity, and more specifically the announcement earlier this year by Mobileye. In their presentation at the Consumer Electronics Show, they were basically talking about two camps in autonomous driving, with you and HERE in one camp, and them in the other camp. Well, the way I understand it, it seems there are basically two alternatives to get to autonomous driving.

So what I would like to hear is, what do you think? Do you think what they are offering is a substitute, or an alternative, to what you are offering? Or do you think the offerings will be complementary? And then I have a follow-up.

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### Harold Goddjin - TomTom NV - CEO

So it's an interesting question. We're definitely building different products. We have, of course, the street names and the house numbers and the POIs and, on top of that, we're building a layer of lane information. For us, that's an addition; for Mobileye, that seems to be their core product.

Now the way we construct that additional layer is, of course, something that we are fully experimenting with. We see a lot of potential new technologies that do automated recognition, image recognition, video recognition, and find ways to, on a large scale, produce that data as an additional layer on our existing map data. So I think that is the way to look at it.



I think the interesting thing for TomTom is that we already have an awful lot of data, of course, that you can't capture automatically. But also that our map-making platform is designed to ingest and fuse that data that we can collect in a highly automated way in the future as part of our core database.

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**Peter Olofsen** - *Kepler Cheuvreux - Analyst*

But listening to their presentation, I got the impression that, with their approach, you don't need a very sophisticated map. Would you agree with that view, and do you see that as a potential threat to the autonomous driving opportunity for TomTom?

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**Harold Goddjin** - *TomTom NV - CEO*

No, I think it is important -- there are important developments taking place, technological developments, artificial intelligence, deep learning, newer map works, that have the potential to capture the data on a large scale in a very cost-effective way. That's where we're focusing on.

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**Peter Olofsen** - *Kepler Cheuvreux - Analyst*

Okay, maybe follow up on R&D spending. I understand R&D will be up in 2016, but if we look beyond 2016, is there a chance that eventually R&D spending will start to come down, or will you have to keep on investing in R&D to keep your maps up to date and things like that?

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**Harold Goddjin** - *TomTom NV - CEO*

Of course, we see the moment that we get real operational leverage coming through; we see that coming. You have seen that our order intake in the automotive industry has grown significantly. We had higher licensing income that will result in the years to come in higher revenue, and the additional expenditure in maps and technology will be lower than the revenue increase.

So we will see a situation where we do get that operational leverage, and higher levels of profit falling through to the bottom line.

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**Peter Olofsen** - *Kepler Cheuvreux - Analyst*

But that will have to come from top-line growth, not from a drop in R&D.

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**Harold Goddjin** - *TomTom NV - CEO*

Well, it will come predominantly from top-line growth, but also there's a lot happening in the way we make maps. We have an ambition to do that in a more automated way, do it at lower cost and more scalable. We are now in a position where we can actually start to work with those new methodologies. We don't know exactly how fast that will go, but we are planning for significant productivity gains in the future.

I don't think you will see that coming through in 2016, those productivity gains, but certainly in 2017 we should be able to get the full benefits of the deployment of those new technologies.

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**Peter Olofsen** - *Kepler Cheuvreux - Analyst*

Okay, that's helpful. Thank you.

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**Operator**

Andrew Gardiner, Barclays.

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**Andrew Gardiner - Barclays - Analyst**

I've another question on the automotive side. You've seen good growth on the order front this year, and you're giving us an annual or biannual update there. I was just wondering, after what we've seen in 2014 with over EUR220 million that grew to EUR300 million in orders last year, can you give us a better idea as to the timing or phasing of your backlog now? And how much these last two years' worth of orders are going to be contributing to this year's automotive revenue, or next year and the year after, just to try and get a better sense as to the path of growth there?

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**Taco Titulaer - TomTom NV - CFO**

Yes, so let me take that answer. The orders that we take in have a duration of anywhere between three to seven years, I would say, and I think the sweet point is probably somewhere between three to five years. They will start after 18 to 24 months, but before they're properly ramped up, you're looking at 30 to 36 months, so 2.5 to three years before you get the real volume in those contracts. So it's a bit of a puzzle, but that's the way to look at it.

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**Andrew Gardiner - Barclays - Analyst**

So if I ask it another way; since you had refocused the automotive strategy and gone to the more productized or modular offering, we're still, even in 2016, not seeing much of the revenue. That is really going to be 2017 and beyond, from most of the last couple of years of orders.

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**Harold Goddijn - TomTom NV - CEO**

You will see some of it coming through 2016. So the tick-up in Q4 this year in the automotive revenue was a kind of a heads up for that to happen in 2016.

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**Andrew Gardiner - Barclays - Analyst**

Okay. And then just a quick follow-up around automotive; the impairment or write-off that you saw within COGS in fourth quarter, you mentioned it was related to specific customer technology or customer software. Was this a legacy product, or is this one of the newer ones that perhaps hasn't gone as you anticipated?

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**Taco Titulaer - TomTom NV - CFO**

It was mainly legacy automotive related, yes.

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**Andrew Gardiner - Barclays - Analyst**

Okay, right. Thanks very much, guys.

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**Operator**

Martijn Drijver, SNS Securities.

**Martijn Drijver** - ESN/SNS Securities - Analyst

I was wondering if you could elaborate a little bit on the increase in the hardware automotive revenue, because for a couple of years that revenue line has been in decline. It's up this year; I was actually really interested in hearing what has caused the increase.

And the second question that I had, well, let me wait for your answer first.

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**Harold Goddjin** - TomTom NV - CEO

Yes, but I don't think the hardware revenue went up. Maybe there was this dollar effect, product mix, but generally speaking automotive hardware was relatively stable, I think, year on year.

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**Taco Titulaer** - TomTom NV - CFO

Yes, for the full year you saw a bump up in Q4. I think that's more Q4 2014 related than 2015 related. It is on a declining path. There's a bit of a mixed bag of contracts in there as some contracts have a higher ASP than others. And if you add that together, it was, indeed, a strong performance in the fourth quarter but nothing that you should extrapolate.

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**Martijn Drijver** - ESN/SNS Securities - Analyst

So the decline in 2016 will be more in line with what we've seen in previous years, or will it actually accelerate?

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**Harold Goddjin** - TomTom NV - CEO

Yes, it will go down. We haven't seen a decline this year, so it was fairly flat, but for 2016 it will go down, yes.

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**Martijn Drijver** - ESN/SNS Securities - Analyst

And then going back to the deferred revenue component, you've actually mentioned yourself that it was around EUR42 million, the net change. On the PND side, all of the models have lifetime maps, lifetime traffic, so I guess that that will not have such an impact in 2016. Am I right in that understanding?

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**Harold Goddjin** - TomTom NV - CEO

I don't think we are completely over that. All the models have lifetime maps and lifetime traffic, but more and more, indeed, that's true. For 2016, we still expect some deferral of consumer business, but it will, indeed, be lower than what we've seen this year. I think where we expect the most deferral to happen is in automotive line in 2016.

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**Martijn Drijver** - ESN/SNS Securities - Analyst

Would it be possible to give us any indication of what the amount would be, roughly, a ballpark figure? Is it the same type of area or should it be much less? Just to get a better understanding.

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**Harold Goddjin** - *TomTom NV - CEO*

The way to look at it is that the net deferral is likely to be a bit lower than what we have seen this year, and that the main contributor to the deferral will be automotive this year, compared to consumer last year.

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**Martijn Drijver** - *ESN/SNS Securities - Analyst*

Okay, that's it. Thank you very much.

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**Operator**

Marc Hesselink, ABN AMRO.

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**Marc Hesselink** - *ABN AMRO - Analyst*

First question is also on automotive. Remember from the last call you said that you're winning market share, I remember you said it in your introduction. How do you see the market on the take rates of the in-built system? Has that also started to accelerate already?

And the second question is on your incremental investments, partly ahead of the won contracts. Can you talk a bit more about your decision behind it? Is it that you saw the opportunity now to speed up this to make sure that you're ready for the clients? Or is it also that you had to repair your products on some white spots? A bit more on your idea from is this a -- was it an opportunity to grab there?

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**Harold Goddjin** - *TomTom NV - CEO*

You do take rates and I do the investments.

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**Taco Titulaer** - *TomTom NV - CFO*

Yes, so the take rates for the automotive industry are going up. They're still relatively low; I think the industry number is around 27% of take rate for 2015. We continue to see that we expected the take rate will continue to grow in the next three to four years.

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**Harold Goddjin** - *TomTom NV - CEO*

Yes, and on the investments. So if you look at our OpEx, and also CapEx, but let's start with the OpEx, the OpEx was roughly EUR520 million in 2015, regarding to an increase of a high single percentage of, I don't know, 8% or 9%. Where that OpEx increase will come from, on one hand, it is telematics. Telematics is growing as a business unit; it has now more than 600 people on the payroll also, because of the acquisition they did at the end of last year.

So the run rate, of course, in that organization is going up. Not at the expense of margins; as you can see in our press release, the profitability is intact, but the baseline is going up.

Then the other thing that we are doing is that we're investing more than we have in our maps organization. That has to do with deepening, expanding our reach, geographically. We're getting new customers in and, yes, we think now is the right time to further improve the product that we have.

In the CapEx area, you see similar investments. Investments will continue in our platform. We need to harden that further. We went live at the end of last year, and we moved to this new platform early this year, but that will need continued investment.



I think that the pickup that we've seen from 2015 to 2016, I understand that it what it is, but on the other hand, I don't think that it will continue to grow at that level in the years after 2016. So I'm not saying that it will go down, but especially in some areas, we can already see some operational excellence coming through.

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**Marc Hesselink** - *ABN AMRO - Analyst*

Can I maybe ask then a follow-up, on the part of the automotives, the increased investments there, is that something you look at it like also from a payoff perspective? This will start to pay off in the next few years?

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**Harold Goddjin** - *TomTom NV - CEO*

Yes, it will start to pay off in the next few years, yes. Some of these contracts are things that we can sell relatively without any modifications. And some contracts require additional investments from our end, and we're happy to do that. But that will mean that these costs we have to incur up front before we can sell product.

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**Marc Hesselink** - *ABN AMRO - Analyst*

Okay. Thanks.

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**Operator**

Andrew Humphrey, Morgan Stanley.

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**Andrew Humphrey** - *Morgan Stanley - Analyst*

A couple of questions, if I may? One is around, I guess, the automotive product, but more generally on mapping. You obviously have the platform in place now for real time updates, which is clearly something that your partners need from you. Can I ask whether you are starting to see, or are anticipating at any point, a degree of increase in pricing power, resulting from the technology changes that you're making there?

And my second question is around, I guess, the shape of OpEx beyond 2016. Obviously, I'm not expecting you to give guidance beyond then, but if you could give us an idea about whether the 2016 increases in OpEx we'll see are likely to be repeated in 2017. Or whether you believe that that step change is something that will set you up for the next few years, in terms of the amount you'll need to invest in, in your newer businesses?

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**Harold Goddjin** - *TomTom NV - CEO*

Let me first take the question about pricing power, Andrew. So I don't think our pricing power as such, is going up, but we have more to offer in selling a one-off map. We now can sell or license a map, plus an update service, for a number of years. We can also license traffic information. We have a strong product offering there already. We estimate that our market share in Europe is about 80%.

We think that we will be able to increase our market share in North America significantly, in coming years. In fact in 2015, we won an important traffic contract for North American market.

And thirdly, our navigation software is now -- you know we've been in a transition, and we've defined new map formats. We have adopted our navigation software to those new map formats. We have developed incremental map update services. So there is, also on the software side, more that is now really competitive and state of the art. And plus, we can successfully sell what we couldn't sell, let's say, a year or two years ago.

So I'm not saying that the products themselves are getting more expensive, or that the pricing power is increasing, but I think we have a much broader, much more competitive product portfolio and service portfolio than we had, let's say, a year or two years ago. And that eventually will lead to a higher revenue per car, than just, let's say, the standard map that we could sell in the past.

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**Andrew Humphrey** - *Morgan Stanley - Analyst*

And just to kind of follow up on that, your real time update service that you mentioned that you're now able to sell towards those customers, are you able to price that separately from the core map at the moment?

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**Harold Goddjin** - *TomTom NV - CEO*

That comes as a separate component, as an update fee that we typically sell for a period of one year or three years or five years, depending on the requirements of the customer.

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**Andrew Humphrey** - *Morgan Stanley - Analyst*

Okay, thank you. And just on the shape of the OpEx beyond 2016?

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**Taco Titulaer** - *TomTom NV - CFO*

Yes, I touch on that with my previous answer a little bit. We think that the OpEx levels that we're reaching in 2016 is there or thereabout for the midterm as well. So the increase of the high single-digit percentage is not something that we see repeating in the years after.

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**Andrew Humphrey** - *Morgan Stanley - Analyst*

Great. Thank you.

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**Operator**

Hans Slob, Rabobank.

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**Hans Slob** - *Rabobank Equity Research - Analyst*

Two questions. The first is on your automotive business; what kind of sales level would be needed to make the automotive unit break even? And also, based upon your [backlog], which year could we expect EBIT profitability for TomTom automotive? That's the first one.

And second one is on the telematics business; what are the main geographical white spots for the telematics business? And should we continue to expect new bolt-on acquisitions, or will you focus on the integration of past acquisitions in the telematics space?

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**Harold Goddjin** - *TomTom NV - CEO*

Yes, Hans, the profitability for the automotive business, of course, that depends how you look at that. Automotive business itself, of course, is a big contributor to cover our cost base for map making, but so is licensing. So if you look at the combination of licensing, automotive and map making, that is probably a good way to assess how profitable that part of the business is.



At the moment it's not profitable, but we can see that, with the increased order book and resulting increased revenue, based on the bookings, of course, in 2015, we can see that improving quickly.

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**Taco Titulaer** - *TomTom NV - CFO*

Yes, so if you look in the press release as well, if I add to what Harold was just saying, if you take the revenue of automotive and licensing together in 2014, and then look at the combined EBIT of those two, then we see the right trend. The trend is that the top line is growing, but also the EBIT; the combined EBIT, of those two units together is getting less negative.

Where we will break even, I don't want to give hard targets to that. But one thing that we want to achieve is that we need to continue the trend of a better bottom line.

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**Harold Goddjin** - *TomTom NV - CEO*

Then you have questions about telematics, about white spots that we see geographically, I think it's fair to say that our telematics business is predominantly a European business. We try to be a number one or number two in the various markets in terms of market share. We're well on our way to achieve that for most countries in Europe.

Our efforts will be to integrate the acquisitions we've done in the last two or three years, that's going well. I think the Spanish acquisitions are fully integrated. All customers have moved, legacy technology has been put out of operation. There is still work to do for the French and Dutch acquisition that's happening this year and, of course, the Finder acquisition will take some time. It's a relatively big one with 60,000 cars.

So the focus is to keep selling, and with an emphasis on Europe; continue to gain market share; grow faster than the market; and then integrate the back end of all those operations that will take a number of years. If there are opportunities we will look at them, for acquisitions, but it's fair to say it is done on a case-by-case basis.

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**Hans Slob** - *Rabobank Equity Research - Analyst*

Okay. Thanks very much.

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**Operator**

Sander van Oort, Kempen & Company.

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**Sander van Oort** - *Kempen & Co - Analyst*

First of all, maybe you can elaborate a bit on the phasing of OpEx and CapEx throughout the year. So is there any important marketing campaign or R&D plan which we need to take into account when modeling the quarterly numbers?

And secondly, maybe you can help me in better understanding your sales guidance for 2016 because, first of all, Finder already contributes probably around EUR10 million, EUR15 million to sales and implies that the underlying increase is probably only EUR33 million, which is relatively slow growth for the remaining business. So what are the moving parts to get to the EUR45 million, EUR50 million increase for sales for 2016, which implies quite a slowdown versus the growth seen in 2015?

And finally, a question on the working capital; quite a positive contribution in the final quarter of last year. Is it a structural thing, or should we expect it will ease in the coming quarters? Thank you.



**Taco Titulaer** - *TomTom NV - CFO*

Okay, so phasing. CapEx is fairly simple; if we look at the CapEx 2015, if you strip out the acquisitions we made this EUR107 million, the guidance for 2016 is roughly EUR130 million and that is fairly equally divided over the four quarters.

For OpEx, the OpEx is traditionally a bit lower in Q1 and a little bit higher in Q4, so that's the way to think about it.

Then what was your next question? Was the revenue? So revenue of EUR1,050 million divided by four business units we think here is that consumer licensing will stay fairly flat, automotive we'll see in the growth of high teens, and telematics, helped by the acquisition of Finder indeed of roughly EUR10 million of revenue, will add [mid-20s] of revenue growth.

Your last question about working capital, could you repeat that question, sorry?

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**Sander van Oort** - *Kempen & Co - Analyst*

It was quite -- or at least there was a positive contribution from the release of working capital in the fourth quarter. I was wondering, is it a structural thing, is it sticky, or is it likely to release part in the coming quarters?

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**Taco Titulaer** - *TomTom NV - CFO*

A big swing factor for working capital in Q4 is always the time that we sell in and when we collect our money from retailers. So that is not something that we could easily model or repeat for next year.

What I can say is that our aim for 2016 is to generate cash flow to be -- to generate free cash flow. That's the only guidance that I can give.

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**Sander van Oort** - *Kempen & Co - Analyst*

Okay, very helpful. Thank you.

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**Operator**

Francois Bouvignies, UBS.

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**Francois Bouvignies** - *UBS - Analyst*

I have two questions, actually. The first one is, how confident are you that booking will transfer to revenues? I mean, what is the conversion rate directly? And can you give us a split between maps, traffic and navigation by any chance?

And I will have a follow-up, if I may?

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**Harold Goddjin** - *TomTom NV - CEO*

Yes, so your first question is the conversion rate between bookings and revenues, so how confident are we that if we make the booking that the revenue would also come, right?

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**Francois Bouvignies** - UBS - Analyst

Exactly, yes.

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**Harold Goddjin** - TomTom NV - CEO

I haven't seen that many cases that things get cancelled. What you will see is that things might get delayed and that car models go to market a bit later than originally planned, but on the other side, there is also a lot of upside. There is often a lot of conservatism in the volumes that are put in the orders, or the quotations. So I think it will balance each other out and the net effect will be positive, if any.

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**Francois Bouvignies** - UBS - Analyst

Okay. And can you give us the split of maps, traffic and navigation, in the bookings for 2015?

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**Harold Goddjin** - TomTom NV - CEO

No, we can't, but what we can say is that the lion's share is in maps, then probably traffic and then navigation.

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**Francois Bouvignies** - UBS - Analyst

Okay, thanks. And then I have a follow-up on telematics; are you [working] also or looking at new application because you are focused essentially on the fleet management? But are you looking also on the instrument side, for example? Can you update a bit on this, because I believe you have a partnership with Allianz, for example, in France, so would be nice to have an update here?

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**Harold Goddjin** - TomTom NV - CEO

You're absolutely right. So our core priority is fleet management, that is typically sold to fleet owners who want to operate their fleets cost-effectively or to a higher level of quality standards. But new ways of -- new [data tapes] are also interesting, so insurance is a clear one. It is a market that's growing for us; it is lower ASP but potentially higher volumes. We haven't seen massive breakthrough in the deployment of users-based insurance but, at the same time, it's growing steadily. It's happening.

There are other things that we're working on in the context of the connected car. We're working with the large distributor here in the Netherlands who is equipping all their vehicles with a black box and are collecting data and make that data available to their own dealer organization, to the driver, potentially to the lease company. And if the user of the car desires that, the data can also be used to apply for an insurance quote.

So there is a lot of movement there and a lot of new opportunities for new value-added services and we are in the midst of all that. A lot of it is experimentation, but also some real commercial contracts that we are installing at the moment.

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**Francois Bouvignies** - UBS - Analyst

Okay, thank you. And you don't have any timeline about when it will happen, for a new application to come through, for TomTom?

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**Harold Goddjin** - TomTom NV - CEO

Well, some applications are now fully commercialized, so the Dutch VW importer, for instance, that's up and running. That is a commercial product; we expect that it will ramp up in 2016. Contracts with Allianz and others are also real and are growing in significance.

**Francois Bouvignies** - UBS - Analyst

Okay. Thank you very much.

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**Operator**

[Shyam Kumar, TT International].

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**Shyam Kumar** - TT International - Analyst

Just in terms of the auto order backlog, which I know you said has had a 50% CAGR the last two years, given where we are in take rate in terms of new technologies, can we expect similar-ish kind of growth rates going forward, please? First question.

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**Harold Goddjin** - TomTom NV - CEO

It's difficult for me to comment there. We don't give guidance for the order intake. It's also quite difficult to give you good indication. It can be lumpy. We don't know exactly -- we have reasonable visibility which contracts are up for grabs this year, but we don't have the full picture because car makers have made their intentions clear to us. So it's difficult to comment on that.

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**Shyam Kumar** - TT International - Analyst

Okay, fair enough. Moving on, in terms of HERE having gone to the Germans, any thoughts there in terms of how that may [have] positively, or not, affected your competitive landscape, and also in terms of your ability to keep winning contracts with the Germans. Second question.

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**Harold Goddjin** - TomTom NV - CEO

It's clear that we have been able -- on the back of the announcement about HERE, we've been able to renew and intensify our contacts with a lot of car makers who we did have a relationship with but are reinvesting in the relationship, looking at the new technologies that we're deploying, a lot of interaction at engineering level, to look at what we have to offer. I think that will help us to continue to win deals in 2016 and 2017.

The simple fact that HERE is now owned by the Germans is good enough for us to win business. But what we certainly see is that there is a higher level of interest, and also investment on the OE side, to have a look at what's happening at TomTom, and those due diligence exercises are going well.

The engineers are impressed how far we've moved on, the state of our technology, a vision of how this will evolve over time. And I'm very optimistic that that will lead to further deals and further contract wins in 2016 and beyond, especially with car makers where, traditionally, we don't have a very strong relationship with.

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**Shyam Kumar** - TT International - Analyst

Okay, perfect. It's not precluded you from winning contracts with the Germans themselves, because you won that contract with [BM] and Daimler.

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**Harold Goddjin** - *TomTom NV - CEO*

Well, that remains to be seen. We are invited to RFQs. We have our commercial operations with the German car makers on full steam. But how they will develop their relationship with HERE and TomTom remains to be seen, over time.

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**Shyam Kumar** - *TT International - Analyst*

Okay, perfect. Last question, coming back to Peter's original question in terms of Mobileye, and I guess just creating a database space of landmarks using visual technologies, do I understand you correctly and you're saying that stuff is a further layer of complexity on top of the mapping products that you guys deliver?

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**Harold Goddjin** - *TomTom NV - CEO*

Yes, it's an addition. We see that very much as an additional layer.

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**Shyam Kumar** - *TT International - Analyst*

Okay, so it's not really competitive.

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**Harold Goddjin** - *TomTom NV - CEO*

That works seamlessly and is fully connected with, let's say, standard mapping products where you find street names, and house numbers and POIs and all the other attributes that we have.

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**Shyam Kumar** - *TT International - Analyst*

But by itself, it's not enough to deliver an autonomous driving solution without having the underlying mapping platform as well.

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**Harold Goddjin** - *TomTom NV - CEO*

Say it again.

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**Shyam Kumar** - *TT International - Analyst*

But by itself, just a visual product like Mobileye or the like is offering, it's not enough to deliver an automated driving solution, without having the underlying mapping data there. Is that correct?

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**Harold Goddjin** - *TomTom NV - CEO*

Well, that remains to be seen. We are all experimenting. Car makers are experimenting. We are experimenting. We're all looking for the right combination of data, sensors and software. So it's a race for the future. There are various schools of thinking, where things are working well in daily light but then not so good in the dark or when the sun sits low, so there's a lot of work going on.

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**Shyam Kumar** - *TT International - Analyst*

Okay. But I guess it's --



**Harold Goddjin** - *TomTom NV - CEO*

It's not clear what eventually the right solution or right combination of technologies will deliver that autonomously driving come.

**Shyam Kumar** - *TT International - Analyst*

Okay, perfect. Okay, Harold. Thank you.

**Bisera Grubestic** - *TomTom NV - IR Officer*

That was the last question for today. I would like to thank you all for joining us this afternoon. If you have any follow-up questions at a later time, please don't hesitate to give us a call. Thank you very much, and operator, you can close the call.

**Operator**

Ladies and gentlemen, that now concludes today's conference call. Thank you for your participation, you may now disconnect.

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