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PRESENTATION

Operator

Good day, ladies and gentlemen. Welcome to the TomTom first quarter 2015 earnings conference call. (Operator Instructions).

I will now turn the call over to your host for today's conference, Bisera Grubestic, Investor Relations Officer. You may begin.

Bisera Grubestic - *TomTom NV - IR Officer*

Thank you, operator. Good afternoon and welcome to our conference call, during which we will discuss our operational highlights and financial results for the first quarter of 2015.

With me today are Harold Goddijn, our CEO; and Marina Wyatt, our CFO. Or 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 quarterly financial results from Marina. We will then take your questions.

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

Harold Goddijn - *TomTom NV - CEO*

Thank you, Bisera. So welcome, ladies and gentlemen. Thank you for joining us on today's earnings call.

We have started the year in line with our expectations. We generated Group revenue of EUR205 million in the quarter, which is flat year on year.



We reported a gross margin of 54%, which is 3 percentage points below last year. The weakening of the euro adversely impacted our first quarter results. At constant currency rates for the US dollar and the British pound our gross margin and operating result were relatively flat year on year.

Marina will provide information on the financial highlights and the financial outlook for 2015 later during this presentation.

I would now like to discuss the key operational highlights per business unit.

The consumer activities held well in the first quarter through a combination of resilient PND market and strong growth in sports products. We saw a unit decline of 8% in the European PND market, whilst the North American market declined by 17%. Market share in Europe remained broadly flat, whilst we continued to strengthen our ASP. We saw market share improvements at the end of the quarter in both regions.

We continued to see strong growth in our sport business and we doubled the number of outlets in Q1 globally. We also added Nike+ to the list of platforms available to the TomTom GPS sports watch, enabling our users to track their progress and share their information with the Nike+ community.

Our fleet management business grew strongly in the first quarter. At the end of the quarter Telematics reported an installed base of 482,000 active subscribers, which is a 39% increase year on year.

Our automotive business contracted, as anticipated, and newly booked business continued at levels which will support a growing business.

In the quarter we announced an agreement to deliver maps to Volkswagen in North America. We also continued to expand our position as a premium traffic service provider in the automotive market. We announced that we will deliver our real-time traffic services to Volkswagen, Hyundai and Kia in Europe.

We extended our global partnership with Fiat to deliver maps and navigation in Latin America and we also announced a new deal with South Korea's SsangYong Motor Company. Our maps and navigation software will be included in the all-new Tivoli model throughout Europe in the beginning of May 2015.

Good progress is being made with migrating our databases, our country databases, to our new mapmaking platform.

This new platform technology is fundamental to our future and will transform our digital map process from a quarterly batch process to one in which our map is continuously releasable and that can swiftly and automatically process sensor and crowd-sourced data.

The new platform allows us to process a variety of external sources, proprietary and from our strategic partners, at low cost in near real time. We are well on track to fully replace the mapmaking platform in the second half of this year.

This concludes my part of the presentation. I'm handing over to Marina now.

Marina Wyatt - TomTom NV - CFO

Thanks, Harold. I'll now go through our quarterly financial results.

So we generated revenue of EUR205 million in the first quarter, which was flat compared to the last quarter last year. Our telematics, licensing and sport businesses grew strongly and they broadly counterbalanced the reduction in PND and automotive revenue.



Consumer revenue was EUR122 million, which was 3% down compared to last year. And this was caused by lower PND and related content and services revenue, which was partly offset by strong growth in sport.

Our automotive business generated EUR24 million in the quarter; down from EUR29 million in the same quarter of last year. And this decline was caused by the phasing out of certain older contracts.

Our licensing revenue was EUR29 million in the quarter, which was a 12% growth compared to the same quarter of last year. And the year-on-year increase was mainly caused by higher traffic revenue and, to a lesser extent, by FX.

Telematics revenue for the quarter was EUR31 million, which was a 24% increase compared to last year.

The recurring subscription revenue for the quarter increased by 32% year on year to EUR23 million.

Our monthly subscription ARPU decreased slightly year on year, owing to the impact of acquisitions, product mix changes and regional mix changes.

The strengthening of the dollar adversely impacted our first quarter results. This is reflected in the lower profitability levels, which we have reported. The gross margin was 54%, which is 3 percentage points lower compared to 57% in Q1 2014. And this is basically caused by the FX movements.

At constant currency for the US dollar and British Pound our gross margin and operating results were relatively flat year on year and revenue was slightly down.

Operating expenses for the quarter were EUR115 million, which was slightly below the same quarter of last year. And this was mainly driven by lower charges for amortization of technology and databases. And that was partially offset by slightly higher SG&A expenses. And the increase in SG&A partly reflects the amortization of acquired customer contracts following our recent acquisitions in telematics.

Marketing expenses were relatively flat year on year.

The other financial result for the quarter was a charge of EUR2.6 million, which mainly reflects the impact of losses resulting from the revaluation of foreign currency-denominated monetary balance sheet items, which were not fully offset by the positive hedging results.

The result for the quarter was a loss of EUR6.9 million. The adjusted net result on a post-tax basis was EUR2.4 million and this translates into adjusted earnings per share of EUR0.01 for the first quarter.

At the end of the quarter we report a net cash position of EUR77 million. Cash flow from operating activities for the quarter was EUR13 million, which was slightly below last year's. And the cash flow used in investing activities was stable at EUR24 million compared to last year.

If we now turn to the outlook for 2015 as a whole, so we're reiterating our guidance for the full year, we expect revenue to grow to around EUR1 billion. This revenue growth will be weighted towards the second half of the year and we're expecting to see growth in three out of the four of our business units this year. Not in automotive, where, as we've already flagged, we expect a modest decline, but the others will grow.

We're maintaining the level of investment both in terms of CapEx and OpEx in our core technologies at similar levels to last year and, despite the currency situation, we expect adjusted earnings per share to be maintained at around EUR0.20.

So that concludes the formal part of the earnings call. Operator, we'd now like to start with the Q&A session, please.



QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Stuart Jeffrey, Nomura.

Stuart Jeffrey - Nomura - Analyst

A question on mapping industry. Now that Nokia's announced they're looking to sell HERE, is there any scope for you to be a bit disruptive in the intervening period and perhaps gain share? Or are the sale cycles just too long to have any significant impact?

And then perhaps more broadly, could you just talk about how you see the industry in terms of the benefits of vertical integration versus being somewhat independent and whether you have any particular concerns about one of the major players getting involved to vertically integrate the HERE business? Thank you.

Harold Goddijn - TomTom NV - CEO

It's difficult to anticipate what will happen. We're at the beginning of this process. I don't want to speculate what it will mean at this stage for the industry or whether that presents additional opportunities for us. But needless to say that we follow the developments very closely of what's going on in the industry.

In terms of being disruptive, I think what we hear from our customers is that they like what we're doing in terms of technology. I think the ability to make maps in real time, to connect all sorts of sensors, Cloud-sourced information to our platform and our ability to process that in a highly automated way is seen as fundamental to future use cases.

I would also like to point out that we do have a very cost-effective way of making maps and publishing those maps. And I think the combination of having that real-time platform, the ability to process sensor data and other data from external parties and from our customers, indeed, in combination with a low-cost platform gives us a good position going forward.

We feel good about that. And I think the recent successes we've had in automotive and the wins we had in 2014 are proof of that and we don't see that slowing down in 2015.

So, as far as I'm concerned, we are planning for growth in automotive, substantial growth in automotive in 2016. We have our technology sorted out. We're running a tight ship. We can make maps and content at much lower cost than anyone else. And I think those are very sound foundations to further win market share and deliver the products that the market is asking for.

Stuart Jeffrey - Nomura - Analyst

Can I just add as an add-on? When you say you can make maps at a much lower cost than anyone else, how do you benchmark that and what is the enabler of that?

Harold Goddijn - TomTom NV - CEO

Well, we don't have the exact numbers but we know how much we spend, of course, internally. We have a good estimate of what others are spending. And then if you look at the end result then I think it's safe to say for us that we are a lot more efficient. We get a lot more bang for buck than some of the other mapmakers in the industry.

Stuart Jeffrey - *Nomura - Analyst*

Great. Thank you.

Operator

Andrew Humphrey, Morgan Stanley.

Andrew Humphrey - *Morgan Stanley - Analyst*

I just wanted to drill down a bit more on the mix in the consumer business. Clearly you're seeing some strength in ASPs there, which is leading to overall growth in spite of a flattish market share. How should we think about that over the remainder of the year? Are you seeing those trends lasting for a period of time? Could we see even more upside in terms of mix on pricing?

And also maybe on the sports side there, is the growth you've seen there in Q1 consistent with your aims of significantly increasing revenue that you've seen?

Harold Goddijn - *TomTom NV - CEO*

So ASPs are on an upward trend. I think that's partly an effect of the strengthening dollar, which means there is less opportunity for cost reduction, price reduction. All of our competitors and similar products are all calculated and priced in dollars. So we would expect that, over time, prices for consumer [deployment] goods that are manufactured in dollar-denominated components will trend upwards as a result of the weakening euro.

And, indeed, we hope that that will take place throughout the year and that by the end of 2015, if we don't see big currency movements again, we would be trending towards normal gross margin levels that we have been enjoying in the past.

If I look at sports, yes, it's going well. I think we are on track to deliver substantial growth. We want to double our revenue in the sports sector in 2015. We are on track to deliver that in Q1.

Andrew Humphrey - *Morgan Stanley - Analyst*

Great. Thank you very much.

Operator

Marc Hesselink, ABN AMRO.

Marc Hesselink - *ABN AMRO Bank - Analyst*

Also on the automotive. Firstly, on the comment you just made that you expect substantial growth as of 2016, to me that sounds a bit more enthusiastic than before. I think earlier you talked about growth as of 2016. Did that really change or is that just wording for now?

Then secondly on some more fundamentals behind it, what are you seeing at take rates in automotive? I heard some positive comments from the Tier 1s that take rates are increasing more than on average. What's your view there?

And then on the pricing that you see in automotive, is it stable, going up, going down? What do you see there?



Harold Goddijn - TomTom NV - CEO

So revenue in the automotive sector for 2016 will be substantially higher than what we do in 2015. There has to be. 2015 is lower than 2014. 2014 was also not a great year but we started to recover ground in 2014 by booking EUR220 million in orders. If you project that against the scheduled deliveries for 2016, then we can be quite confident that revenue will go up substantially in 2016 in the automotive segment.

On your other question, take rates are indeed on the up. It's still surprisingly low. It's below 30%, but it's on an upward trend. That creates a larger market that's partially offset by price pressure on maps itself.

But if I look at our mix, is what we sell to the automotive industry, that mix is now improving. It's not just maps but it's also services, including traffic information, navigation software, server-based applications and services, for which we see increased levels of demand. And that will also give us protection for price decrease and compensates for price decrease as a whole.

So if I look at the amount of money we make per car, then that looks good.

As I said, order intake in 2014 will translate into sales in 2016. 2015 will be lower but we expect, as of Q4 this year, the trend to reverse and sales volumes to go up.

Marc Hesselink - ABN AMRO Bank - Analyst

One follow up on [took level]. Is that -- does that mean there the feedback that you're receiving so far, now that you're started replacing with the new map platform, make that you more confident that you have a strong position? Or is that the same as, let's say, a quarter ago?

Harold Goddijn - TomTom NV - CEO

No. I think that the outlook has not changed, but we continue to deliver against our plans. Q1 bookings were in line with expectations, supportive of further growth. So I think we're doing okay. We're doing well and that will result in growth. And it's going well in that part of our business.

It has to go well, as well. Let's not underestimate that our market share is not where it should be. But we're claiming some of that. There are ample opportunities for -- there are a lot of opportunities for growth in the automotive segment. So we're investing heavily and I'm pleased to see that the returns now start to come in.

Marc Hesselink - ABN AMRO Bank - Analyst

That's clear. Thanks.

Operator

Gareth Jenkins, UBS.

Gareth Jenkins - UBS - Analyst

Just a follow up on that last question. I wonder if you could talk -- you've talked helpfully about the order bookings in automotive in the past. I just wondered if you could give us a sense of how the order pipeline is shaping there.



Secondly, just on sports revenues, you mentioned the doubling this year. Could you talk about the margin profile thereon and whether there's any other verticals that you're interested in addressing? I'm noticing, obviously, one of your competitors addresses things like aviation and marine. I just wondered if that's something that you'd be interested in over time. Thanks.

Harold Goddijn - *TomTom NV - CEO*

So I think the margin profile on -- your first question was on margin profile on sports watches, I think.

Marina Wyatt - *TomTom NV - CFO*

Auto pipeline.

Harold Goddijn - *TomTom NV - CEO*

The auto pipeline. So when we book an order, a contract -- when we win a contract in automotive, the typical profile of such a contract win is that you start shipping about, on average, two years after you have won the deal. And the total lifetime of those deals is approximately four years, give or take. That is the average.

As in last year, we booked EUR220 million in orders. If they were all of that profile, then you start seeing one-fourth of EUR220 million coming through the P&L in 2016 for a period of four years. So that's the way to look at it. It's not all the same; there's a bit of variation. Some contracts have a longer lifetime, others a slightly shorter lifetime, but that is more or less the profile.

What you can say is that, if you continue to book EUR220 million in orders for a number of years, your revenue will trend to that EUR220 million on an annual basis over time. So that's how to look at it.

Now order intake in 2014 was EUR220 million. Expectation for this year is to exceed that number. It's not always that easy to plan and to say so. It can be quite jittery; big deals in one quarter or they can be postponed. It's not a continuous order intake but it can be dependent on quite substantial programs.

But what we see in the market is high levels of quoting activities, good percentage of wins. And I think, all in all, we're on the right track and we're gaining momentum in that part of the business. So there's not a lot more I can say at this stage but I think you get the picture.

Gareth Jenkins - *UBS - Analyst*

Thank you. (multiple speakers).

Harold Goddijn - *TomTom NV - CEO*

Then sports. So margins on sports products are slightly higher than they are in the PND sector. That's okay. Growth is happening there. As we had anticipated last year, we shipped 500,000 sports watches. Our aim is to double that this year.

Last question, other verticals. We don't give guidance for product introductions. We keep that, for commercial reasons, under the -- we don't disclose that.

But if you look at aviation, I can safely say it's not an area we're interested in. And I think for boating, this is also a very specific market. There are no immediate plans to enter those verticals, if you like. Other than that on those, I can't say much.



Gareth Jenkins - UBS - Analyst

Thanks.

Operator

Martijn den Drijver, SNS Securities.

Martijn den Drijver - SNS Securities - Analyst

Can you provide us a little bit more granularity about the performance of the acquired telematics companies, in terms of client attrition and growth? That would be the first question.

The second question relates to GO Mobile. I know it's very, very early days, it's a global launch, it's not even been a month, but can you update us a little bit about your experience so far with this pricing model, the 75 kilometers and the freemium or the upgrades?

And then the final one. Can you update us a little bit more about how the partnerships with Bosch SoftTec and VW Research are progressing in terms of cooperation between the two companies' initial product developments. Any information there would be useful. Thank you.

Marina Wyatt - TomTom NV - CFO

Let me take the first question about the performance of the acquired businesses of telematics. So we've made three and each time we took on subscriber databases of around, I think, 27,000 each time.

And the way we run these acquisitions is that the management teams of the acquired companies are put on to earn outs, which all geared around converting the installed bases that we -- the subscriber bases that we acquire on to our WEBFLEET platform over a period that takes about 18 months.

So the first acquisition we made, Coordina, has gone through right through the earn-out period now and that finished at the end of December.

And, in terms of the attrition level, so the level of the installed subscriber base that was lost in terms of how the earn out was put together, I think it was a very low percentage of subscribers were lost from that. So I think, having gone through that, we're pleased with where we got to in the end. A few percent, sub 5%. I don't know the exact number.

Then the second acquisition, DAMS, we're still going through the earn-out phase at the moment. And so progress is okay at the moment but we won't know until we get right through to the end. And Fleetlogic hasn't started yet.

I think so far so good. We learn more each time we do an acquisition and try to do it better next time. But I think we can conclude that, so far, pretty successful.

Martijn den Drijver - SNS Securities - Analyst

And just a follow up on that. The growth profile of these three, has that been similar? And has that -- and, if so -- similar to TomTom's? And, if so, has that continued at the same rate after the acquisition?



Marina Wyatt - *TomTom NV - CFO*

Well, what happens is, if you like, we merge it all together. So after a period of time, it's just part of the sales process for the individual countries. And are we selling at the same level that we should be, whether it's organic or acquired? And I haven't seen anything that says that's gone off track, no. I think it's fine.

Martijn den Drijver - *SNS Securities - Analyst*

Okay, all right.

Marina Wyatt - *TomTom NV - CFO*

Okay? And your second question I think was around the downloads.

Martijn den Drijver - *SNS Securities - Analyst*

Yes, the GO Mobile and --

Marina Wyatt - *TomTom NV - CFO*

GO Mobile. (multiple speakers)

Martijn den Drijver - *SNS Securities - Analyst*

The global launch.

Marina Wyatt - *TomTom NV - CFO*

I'll probably refer to Harold on this one.

Harold Goddijn - *TomTom NV - CEO*

So we adopted our pricing for the [end-road] market, so we made a freemium application available. That is still early days but the initial experience is positive. So we had about 750,000 downloads for that application but it's too early to tell you what conversion there is.

What we can say now is that it's, in any case, no worse than the fully paid upfront application that we saw previously.

So we expect an upturn in revenue for those applications but also a large number of downloads and a big installed base.

Martijn den Drijver - *SNS Securities - Analyst*

What was the conversion rates of similar types of applications previously?



Harold Goddijn - *TomTom NV - CEO*

Well, previously you had to pay for the applications, so there was no conversion at all. You just paid, you got it and then you could use it indefinitely. Now you get it free as a download and then after 75 kilometers of usage you need to pay a usage fee. So that's the way it works.

Martijn den Drijver - *SNS Securities - Analyst*

And the final question was about the update on the partnerships with Bosch SoftTec and VW Research?

Harold Goddijn - *TomTom NV - CEO*

So all that is going according to plan. So close cooperation.

In the VW case it's research and development oriented, very much focusing on highly automated driving and the technology you need for that. So there's a number of trials, there's a number of tests that are being performed. We're learning from that. VW is learning from that.

And we're close to taking what we call 3D maps. So the map that you need for highly automated driving, very close to making the first production samples of that product as a result of that partnership. So that's going in line with expectation.

With Bosch, we're also working closely together with NDS maps, linking, in terms of data, from the car to our mapmaking platform and move to automated mapmaking. A number of trials and developments are underway there, which are also very encouraging.

So I would describe those partnerships as healthy, inspiring and also, for us, essential to have a good understanding of future needs for our products and our technologies.

Martijn den Drijver - *SNS Securities - Analyst*

Great. Thank you.

Operator

Alexandre Peterc, Exane.

Alexandre Peterc - *Exane BNP Paribas - Analyst*

I would like you to dwell a little bit on the licensing bit of the business, which actually showed good growth this quarter. If you could tell us what was -- is that tracking ahead of your plans? I understand that traffic is a big part of that. Could you maybe tell us how much of licensing is down to traffic licenses to non-auto clients?

And then the second question would be on automotive. How well will that business scale as you move into the [area] of high growth? In other words, are you going to have to ramp up to any extent in automotive when you switch into higher gears in growth there? Thanks.

Marina Wyatt - *TomTom NV - CFO*

If I talk first of all about licensing and how it's performed in the first quarter of the year, it's tracking a little bit ahead of our expectations. We're pleased with that performance.



And, if you look at it, we had a growth of EUR3 million year on year. EUR0.5 million of that came from FX, leaving EUR2.5 million that comes, in the main part, from traffic. And that's a number of deals that have come in.

It isn't one specifically. It is deals across both sales into governments and regional bodies and that type of thing, but also from agreements with companies like Clear Channel as well, which is one of our customers in that space. So there are a number of different ones.

Licensing income today is still much more about maps than it is about traffic, but traffic is growing faster than maps.

Alexandre Peterc - *Exane BNP Paribas - Analyst*

Okay.

Harold Goddijn - *TomTom NV - CEO*

And then your question about automotive and our bid to scale that business, I think it's important to understand that we are building platform products. So components that are used, software components, technology components that are used by third-party developers, which can be Tier 1s or OEs themselves sales or independent software developers, who can use those components to quickly build good-quality navigation solutions for connected cars.

So, in that respect, the business scales infinitely now.

At the same time, we have more customers, we have more customer demands for specifics, for specials and what have you. So it's not linear, it's not completely scalable but this business can grow very substantially without us having to add a lot of overhead. That is the whole principle of how we build this business and how we structure it and that seems to work.

Alexandre Peterc - *Exane BNP Paribas - Analyst*

And just a quick follow up, if I may, on automotive revenue growth. You now seem to be saying it's going to be from Q4 onwards. So that's where the inflection point is happening. Has anything new happened there? Or do you have just better visibility as it progresses over time? Thanks.

Marina Wyatt - *TomTom NV - CFO*

I think what we're trying to say is that, by Q4 of this year, the decline that we see year on year going on at the moment in automotive will stop. So I think that's just parting the way for growth to come through in 2016. So that's the way to look at it; stop the decline and start to grow.

Alexandre Peterc - *Exane BNP Paribas - Analyst*

Thank you very much.

Operator

Hans Slob, Rabobank.

Hans Slob - Rabobank Equity Research - Analyst

Question on the outlook for TomTom consumer. So 6% underlying sales decline in Q1 but you expect growth for 2015 for the full year. Will this only be driven by growth for your sports watch business or do you also expect a further improvement for PND as well throughout the year?

And my second question is also related to TomTom traffic. Can you indicate the growth and the bookings for TomTom traffic and how large that revenue stream is as a percentage of your total sales now? Thanks.

Marina Wyatt - TomTom NV - CFO

Let me talk about the consumer side. So overall for the year, what we aim with the PND side of the business, we've got an underlying market that is declining, albeit at a lower rate, pricing is good. But I would -- my best guess at this point in time would be that, or best estimate at this point in time would be that we'll see a slight decline overall for the year.

Sport will grow strongly and so overall that should put consumer into a growth overall for the year.

Hans Slob - Rabobank Equity Research - Analyst

Okay.

Marina Wyatt - TomTom NV - CFO

Roughly that's how it should shape.

Hans Slob - Rabobank Equity Research - Analyst

And on TomTom traffic?

Marina Wyatt - TomTom NV - CFO

And your question was how much overall of our revenue comes from traffic today.

Hans Slob - Rabobank Equity Research - Analyst

Yes, and how fast is the growth for TomTom traffic in its sales or in bookings?

Marina Wyatt - TomTom NV - CFO

I mean the thing about how we report our business at the moment is it's geared around the four business units, so I can't give you an answer for that straight off the bat because some of it's in each of the businesses and I'd need to come back to you on that one, I'm afraid, at the moment.

But, clearly, in terms of growth, we're seeing growth in a number of different areas. So it's good. It's at a strong level. But I think we need to come back to you overall on how much revenue is coming from traffic as a whole at the moment.



Hans Slob - *Rabobank Equity Research - Analyst*

Yes, that would be much appreciated. And maybe a final one. When do you expect the impact from the phasing out of the older automotive contracts to disappear? Is this also Q4?

Marina Wyatt - *TomTom NV - CFO*

It's back to the previous question actually. In Q4 what we expect is that automotive revenue will stop declining and then we kick into growth in 2016. So that's how that will come out.

Hans Slob - *Rabobank Equity Research - Analyst*

Okay. Thanks very much.

Operator

Vikram Kumar, TT International.

Shyam Kumar - *TT International - Analyst*

Can I just follow up on the first question regarding Nokia HERE and the strategic elements in the industry? How should I think about, I guess, your asset base, your maps, your navigation, your traffic versus HERE's in terms of the size, the scale, the quality?

They've obviously got a bigger business in terms of their licensing and their auto revenue. But I'm just trying to ascertain if it is a strategic buyer, one of the big tech giants who actually takes hold of HERE, I'm just trying to think how we think about valuation read acrosses and similarities in your assets.

Harold Goddijn - *TomTom NV - CEO*

That's a broad question. I'm not so sure how I can best address that. I think we're both in a mapping business. I think I cannot talk for HERE's strategy and how they do things. I think where we differ mostly -- so the similarities are obviously the type of products you're selling and licensing to the industry.

I think what we have been focusing on, as TomTom, is to create a really cost-effective business, highly automated; provide tools to our customers to use that data in a cost-effective way. So run-time maps, the navigation software, ease to integrate traffic. But that we stop short of taking on ourselves big integration jobs or what have you.

So we really take a platform approach, providing the core components that our customers need and focusing on doing that as best as we can and as cost effective as we can.

And I think we are now seeing some real traction of that strategy coming through with higher levels of income that we can generate on those assets. And that will give us four further opportunities to grow and do what we are already doing.

And there is for us, I think, because we're the smaller player, quite a bit to gain there as well, in terms of market share. And, obviously, that's one of our core objectives to actually do that and deliver that growth.

Shyam Kumar - *TT International - Analyst*

Okay. But I guess in terms of the underlying asset, the database, the scale, the number of countries covered, you guys are quite similar.

Harold Goddijn - *TomTom NV - CEO*

There's a high level of similarity. (multiple speakers) I wouldn't say it's exactly the same, but it's a high level of similarity.

I think the thing that we are really trying to get across is that mapmaking in the old way is not going to work; it's too expensive. We need to find more effective ways of doing that and more effective platforms to deliver those maps and maintain those maps and do that to a high degree of automation. That's where we've been focusing on. (multiple speakers) And that gives us, in our view, an edge over anyone else in the industry.

Shyam Kumar - *TT International - Analyst*

Perfect. Thank you.

Operator

(Operator Instructions). Marc Zwartsenburg, ING.

Marc Zwartsenburg - *ING Financial Markets - Analyst*

My first question is on the outlook statement to maintain the level of investments on the OpEx side. Q1 was more or less in line with last year. Should we take that outlook statement as being the coming quarters the OpEx roughly in line with last year? That's my first question.

My second question is on the gross margin. In think, Harold, I heard you mention that you expect the gross margin, give and take the ForEx remaining at current levels, that the gross margin will get back to normal levels again later this year. But can you perhaps give me a bit of color how that should migrate back, because the ForEx impact is ForEx impact? So how do you see that trending back?

And then a final one. I think, Harold, I also heard you talk about revenue for automotive in the longer term to trend towards EUR220 million revenues. Is that -- did I hear that correctly or am I mistaken here? Thank you.

Marina Wyatt - *TomTom NV - CFO*

Let me take the question about OpEx, then. What we've said, overall for the year our OpEx will be flat to up a little bit on last year.

What we have to deal with is that we have got portions of our employees who are outside the eurozone and that puts some upwards pressure with ForEx on the run rate for OpEx. But we're managing that as carefully as we can.

But I think, overall, as I say, we'll be flat, but maybe up a bit on last year. So that's pretty consistent with what we've said since we gave our guidance.

In terms of the quarterly variation on that, you may see variations year on year in the quarters. We've been very flat in Q1 but, to some extent, it will be dependent on the timing, for example, of marketing campaigns and when they actually happen, because those investments are lumpy and if they fall in a different quarter one year to another that can cause quarterly variations.



Marc Swartzsenburg - *ING Financial Markets - Analyst*

And is there already some visibility on the timing of that?

Marina Wyatt - *TomTom NV - CFO*

We have some plans internally. They're still fluid. They're not cast in stone yet. So I'd rather not be prescriptive about that at this stage. It wouldn't be right.

Marc Swartzsenburg - *ING Financial Markets - Analyst*

Okay. Thank you.

Marina Wyatt - *TomTom NV - CFO*

So your second question I think was around gross margins and what's happening on gross margins.

So the point we're making is that, over time, businesses need to adapt to the new realities with the exchange rate and adjust their businesses, which will happen as new products come in, through actions in the supply chain. And, over time, the industry will adjust and gross margins will move back in the direction that they started off in.

Again, exact timing on that, we work at it as fast as we can, clearly, because it's having an impact on our results. But I can't commit that we'll be back at the same levels by the end of this year. We will report on progress on that as things become clearer.

Marc Swartzsenburg - *ING Financial Markets - Analyst*

Okay. And the last one on automotive.

Harold Goddijn - *TomTom NV - CEO*

I think you need to be careful. This was by way of example and a pure mathematical explanation. If you book a certain level of order intake per year and you do that for a long time, then your actual revenue will trend to that same number. But it's not indicative for our order intake what we expect in 2015 or 2016 and beyond. That is too early to comment on that.

Other than what we've said so far is that order intake on automotive was EUR220 million in 2014 and we expect a similar or higher level of order intake in 2015.

Marc Swartzsenburg - *ING Financial Markets - Analyst*

Okay. That's very clear. Thank you very much.

Operator

As there are no further questions in the queue that will conclude today's questions-and-answer session. I would now like to turn you back to the host for any additional or closing remarks.

Bisera Grubestic - *TomTom NV - IR Officer*

Thank you, operator. 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 all very much and, operator, you can close the call.

Operator

That will conclude today's conference call. Thank you for your participation, ladies and gentlemen. You may now disconnect.

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