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TOM2.AS - Q3 2016 TomTom NV Earnings Call

EVENT DATE/TIME: OCTOBER 21, 2016 / 12:00PM GMT



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PRESENTATION

Operator

Good day, ladies and gentlemen, welcome to the TomTom third quarter 2016 earnings conference call. (Operator Instructions). Please note this conference is being recorded.

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

Bisera Grubestic - *TomTom NV - Head of Treasury & IR*

Thank you, Operator. Good afternoon, ladies and gentlemen, and welcome to our conference call, during which we will discuss our operational highlights and financial results for the third quarter 2016. With me today are Harold Goddijn, our CEO; and Taco Titulaer, our CFO.

You can listen to the call on our website, and the recording of the call will be available shortly afterwards. As usual, I would like to point out that safe harbor applies to today's call.

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

With that, Harold, I would like to hand over to you.

Harold Goddijn - *TomTom NV - CEO*

Thank you, Bisera. Welcome, ladies and gentlemen; thank you for joining us today.

We reported revenue of EUR239 million in the third quarter, which is 6% lower compared to last year. However gross margin was strong with 60%, as we are reducing our dependency on hardware products and growing our high gross margin recurring data, software and services business.



Gross profit for the quarter was up 7%. Taco will provide further information on financial highlights and a financial outlook for 2016 later during the presentation. I will discuss the key operational highlights for the quarter.

Consumer PND markets have been weak over recent period, which caused a decline in our consumer revenue. We saw our sports revenue more than doubling year over year, but this could not offset PND decline we have seen this quarter.

In sports, we introduced a new range of sports watches, including a new GPS watch for outdoor activities, with dedicated sports modes for hiking, trail-running, skiing and snowboarding.

We also introduced the new TomTom TOUCH, our first fitness tracker, that combines body composition analysis with steps, sleeps and all-day heart-rate tracking.

The automotive licensing and telematics businesses are developing in line with our expectations.

In automotive we continue to make good progress in delivering our connected navigation system components to existing and new customers. Peugeot i-Cockpit is enhanced with TomTom navigation, 3D maps and traffic services. The first car model to introduce the new i-Cockpit with our navigation components is the new Peugeot 3008.

TomTom Traffic Service is already available to sister companies Audi, Volkswagen, Porsche and Bentley, will be extended to all Skoda car models across Europe in the course of 2017. We also announced that Subaru's next generation information platform will be equipped with our maps and navigation software. This product will be launched first in North America with the all-new 2017 Subaru Impreza.

Finally, Volvo Trucks selected as a supplier of maps, traffic and navigation software, for their new infotainment system launching first in Europe in 2017.

Order intake for the year so far is above EUR200 million and that's in line with our expectations. We won the largest deal available to the market this year. Together with orders secured earlier, this will support continued growth in our automotive business.

This quarter we announced a partnership with NVIDIA to create a cloud-to-car mapping system for high definition maps for self-driving cars. This collaboration is an important step for TomTom.

In telematics, the installed base reached 671,000 subscribers, or subscribed vehicles by the end of the quarter, and that represented 29% growth compared with the same quarter last year.

Telematics was recognized as Europe's leading and most innovative fleet management service provider by Berg Insight for the second year in a row.

This concludes my part of the presentation; I'm handing over to Taco.

Taco Titulaer - TomTom NV - CFO

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

As already mentioned by Harold, we generated revenue of EUR239 million in the quarter. This is a 6% decrease compared with the same quarter last year. The decline was mainly driven by lower consumer PND revenue, which was only partly offset by revenue growth in consumer, sports, automotive and telematics. Licensing showed relatively flat revenue compared to last year.

Our revenue was impacted by the [GPS] (sic - see slide 3, "GBP") depreciation versus the euro with EUR4 million this quarter.



Let me briefly discuss the business units one by one. In consumer, the PND business declined faster than be expected. In Europe market was down with 21%; and North America, the market was down with 23%. Our market share strengthened in both regions.

The sport category continues to grow with revenue doubling compared to last year, in the quarter. However, it was not enough to offset the decline in PNDs.

Automotive delivered a strong performance with revenue growth of 21% year-on-year, to EUR31 million. The increase is driven by higher revenue on our existing contracts and ramping up new contracts.

Licensing revenue was EUR34 million in the second quarter, flattish compared with the same quarter last year.

Telematics revenue was up by 15% year on year, to EUR37 million. The recurring subscription revenue for the quarter increased by 17% year on year, to EUR29 million. Our monthly subscription ARPU decreased year on year, owing to the impact of the acquisition in Poland.

Gross margin was strong this quarter with 60% and reducing our dependency on hardware products by growing recurring data software and services business.

Total operating expenses for the quarter was EUR144 million, compared with EUR130 million in the same quarter last year. The year-on-year increase was driven by an increase in personnel expenses, partly offset by lower marketing expenses.

We delivered an adjusted net result of EUR12 million this quarter, which translates in an adjusted earnings per share of EUR5 (sic - see slide 3, "EUR0.05") on a fully diluted basis.

At the end of the quarter we reported a net cash position of EUR81 million. Our cash flow from operating activities for the quarter was EUR54 million, EUR7 million higher compared with last year. This was mainly due to lower working capital utilization, partly offset by higher tax payment.

The cash flow used in the investing activities, excluding the effects of acquisitions, increased to EUR32 million in the quarter, similar to last year.

Then let's look at the outlook on slide 4. As previously announced, on October 13, 2016, we're updating our guidance. We now expect full-year Group revenue of around EUR980 million. The outlook for adjusted earnings per share remains at EUR0.23.

We expect the level of investments in both OpEx and CapEx in our core technologies to be higher than last year.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Marc Hesselink, ABN AMRO Bank.

Marc Hesselink - ABN AMRO Bank - Analyst

My first question is on the auto order intake. Do we have a feel on -- if your market share there is similar towards last year, so of the orders that were out there? Did you get a similar or are you winning some market share?

Also, on the request for proposals that are out in the market. Is there visibility going into 2017? Will 2017 -- will there be growth versus this year or will it also be a bit more subdued, like this year is versus last year?



My second question is on your partnership with NVIDIA. What does it exactly mean? Does it mean that NVIDIA, if they use their computing power, that they will use your mapping technology and your localization technology?

And what does it mean for the future for autonomous driving? Will it help you to be available to the market, or it will speed up the process?

Harold Goddijn - TomTom NV - CEO

That's it?

Marc Hesselink - ABN AMRO Bank - Analyst

Yes, those are the questions, yes.

Harold Goddijn - TomTom NV - CEO

Yes, okay. Thank you, Marc; it's Harold, thank you very much.

Our market share, it's difficult to say -- I don't want to give you a number on market share win, because we don't have reliable data, and there's no third parties either collecting reliable data on total availability of deals. But we think we're doing okay, and certainly no worse than last year.

But I think it's also true that the total available -- the total of all the available deals for 2016 was lower than it was in 2015. But I think, on the whole, we are happy with results. It's developing in line with our expectations and it's going according to plan.

I don't want to give you indication for 2017 at this moment, partly because we don't have this visibility completely. And, second, because I want to give guidance when we do the Q4 numbers and not now for 2017.

The NVIDIA partnership, that's really interesting for us. So, it's a partnership that obviously needs to develop. But the idea is that we do map compilation, super real time in the car, based on the processing power that the NVIDIA platform produces.

At the moment, we do a lot, of course, in the cloud. But given the enormous amount of data that sensors are collecting, it will be much more efficient to process that data in the car, and only move the digitized data from the sensors into the cloud.

That is what the NVIDIA partnership is about. That is what we're building. That should then also result in a highly accurate positioning product. In other words, if you use the NVIDIA platform, and our maps and our RoadDNA then the software developer for automated driving has a very good understanding of where exactly the car is. And that is critical to get the whole system to work.

So, an exciting partnership for us that we are developing now. It will involve exchange of technical information, development. So, we are excited about that.

Also, what the technology can offer in terms of map making, it will greatly improve the efficiency of our map making process if we get the technology under control.

Marc Hesselink - ABN AMRO Bank - Analyst

A follow-up, is that deal -- or that partnership with NVIDIA, is it exclusive? And would it imply that if NVIDIA wins an order for autonomous driving, or any development on that, does it mean that indirectly you're connected to that as well?



Harold Goddijn - TomTom NV - CEO

No, I don't think it will go that far as, at the end of the day, the car maker who decides which technology he will use. The partnership with NVIDIA is also not exclusive. That is that will be atypical for the industry.

But the fact that we're working together will help us in our commercial efforts. But, also, it's helping us and we see that already in getting a more granular and deeper understanding of what's going on in the market for autonomous driving, where the issues are, and where we can play a role.

Marc Hesselink - ABN AMRO Bank - Analyst

Okay, thank you.

Operator

Martijn den Drijver, NIBC Markets.

Martijn den Drijver - NIBC Markets - Analyst

Yesterday there was an exciting announcement as well from Tesla stating that its cars will be capable of level 5 autonomy with the updated hardware suite. Just two technical questions if I may. Do you think an HD map can be uploaded to such a vehicle over the air via Wi-Fi? That's question number one.

And the second one is, do you believe it's technologically possible to achieve level 5 autonomous driving with sensors, cameras, and a current automotive grade map? So not an HD map, but a current automotive grade map. Thank you.

Harold Goddijn - TomTom NV - CEO

First, can we load a full HD map on the system? Yes, you can, but there are limitations on the geographical size of course. You can't load probably the whole of the US, but certainly a very significant part of the US is possible to load that and, also, to maintain that. It needs to be done in a clever way, but technically that is possible. It's certainly not an impossibility.

Second question is what is exactly that the second question, can you achieve level 5?

Martijn den Drijver - NIBC Markets - Analyst

Can you achieve level 5 autonomous driving, given that there are so many advances in sensor capabilities, camera capabilities, [lidar] are becoming cheaper, and a current automotive grade map, because the industry seems to assume that you need an HD map?

But I'm always -- I'm a little bit torn between the mobile-eye view and the, let's say, the opposite view.

Harold Goddijn - TomTom NV - CEO

Yes, so I think everybody is coming around that you do need a high definition map, and for the simple reason that the range of the sensors is just limited in distance.



You need some sort of -- you need two things. You need to know where all other objects are relative to the map, also further away, and you need to be able to plan your route further out. For that you need those high definition maps. I don't think, currently, there are many people who don't think you need a digital map for that.

Martijn den Drijver - *NIBC Markets - Analyst*

I just wanted to be absolutely sure. Thank you.

Operator

Francois Bouvignies, UBS.

Francois Bouvignies - *UBS - Analyst*

I have a couple if I may. The first one is on the order intake still. Can you update a bit on the situation on the ASP and also the penetration of in-dash? Do you see still increasing the penetration?

Also, on the HD map, what is the timeline? When do you think you will have contract with HD maps? And how should we think about the pricing?

The last one is on your investment, so in OpEx and CapEx. Can you give us a bit of color if you need to invest more? How do you think about the industry until next year? If you can give some color it would be great. Thank you.

Harold Goddijn - *TomTom NV - CEO*

So ASPs in automotive relatively stable; I think that was your first question. They're actually going up a little bit for us, but we need to do more. So, we need to provide map updates often, software technologies, compilation services. But, on the whole, the price per car sold is stable and firming up a little bit.

Penetration. I think for the moment what we see is higher levels of penetration than before. I think even in mid-range, the attachment rates are going up. We don't see that reversing for the moment. So, that's also a positive.

By the way, the fact that we offer services with our map sales also means that we need to defer a proportion of our income under IFRS rules. So, you need to take that in account when you look at the revenue numbers as well.

HD map. There is demand for the HD map, but not yet for autonomous driving. But there is demand for the HD map for better visualization to be standard in navigation functions, which is quite exciting for us, because it gives us a way also to generate revenue from those early investments.

What you can do with an HD map is give a much more accurate representation -- visual representation, what's going on around a vehicle. That helps with building a clearer user interface that's easier to understand and gives the driver more spatial awareness. So, for those type of applications we see some demand developing already.

And then I hand over to Taco for the last question with respect to expenses.

Taco Titulaer - *TomTom NV - CFO*

Yes, some comments on the OpEx and CapEx. Just to add to Harold's comments on deferral. As we have guided for automotive to grow with roughly 20% this year, so then you end up a bit north of EUR125 million.



I expect the amount of deferral to be north of EUR30 million only this year. So, if you would look at operational revenue for automotive you could add those two together.

For CapEx, we've guided that it will go up this year. If you exclude the acquisition CapEx we saw last year, we had EUR108 million of CapEx last year. The guidance is that it will go up with roughly 15% to a level EUR125 million.

For OpEx we said single-digit increase. I think it's still single digit, but it is probably more in the 67% range for the full year.

Any indication for next year I would like to answer in a couple of months from now when we have seen the full results for 2016, and we have a better view how 2017 will look like.

Francois Bouvignies - UBS - Analyst

Okay, thank you. And just on the HD maps, the timeline, do you think you're going to, from next year or in two years the momentum, the development, will translate into bookings, or how should we think about the timing, just to have an idea?

Harold Goddijn - TomTom NV - CEO

Well, for self-driving you're looking into -- not before, any time before 2020, I don't think, and that's in line with what you read from the car makers when they want to introduce their self-driving technologies.

Francois Bouvignies - UBS - Analyst

Okay, thank you very much.

Harold Goddijn - TomTom NV - CEO

I think we also need to point out in the Tesla case, what has been announced is to equip the car with the hardware, not necessarily with all the software that's needed for level 5 self-driving level. I think that will take some more time.

Francois Bouvignies - UBS - Analyst

Okay, thank you.

Operator

Andrew Humphrey, Morgan Stanley.

Andrew Humphrey - Morgan Stanley - Analyst

Maybe a couple on PNDs if I may and then one on mapping.

On PNDs, obviously, you've seen some (inaudible) this quarter. I wonder if you could give us an idea of how you view shorter term market prospects, by which I mean over the next two to three quarters there.



Are we looking at an issue with product cycle or is it a broader-based market demand? And what should we expect to see, do you think, over coming quarters?

And secondly, whether you can quantify the impact that FX has had on ASPs versus a year ago?

And then finally on mapping and automotive, and the deferred revenues that you're highlighting, it will be useful to get a view of how you see that developing over the next year or two.

Clearly, there's a long lead time on the deals, and the deals that are being signed today you might not start shipping units until 2018-2019. Clearly, we may see a couple of years with deferred revenue going up, if you could give us more detail on the dynamics around that, that would be great.

Harold Goddijn - *TomTom NV - CEO*

Yes, thank you for those questions. PNDs were weak, especially in the last quarter with quite -- a steeper decline than we had anticipated. The market decline in 2015 was actually quite benign. It was single-digit numbers, and that has accelerated the decline in 2016.

We expect, for the lack of further insight, that decline to continue at 20% for the fourth quarter of this year and probably also into the first quarter of next year.

The FX question I defer for Taco, but we've been hit by the pound. Obviously, that has had some effect.

Then automotive revenue, so what you will see over the coming years is that automotive revenue, based on IFRS, will increase and that trend will continue. That's based on the order intake of past years and delivery schedules that we're working towards, that we're confident that that will lead to growth in the automotive revenue in years to come.

When we -- so the deferral of income has nothing to do with the introduction date. But that is when a car leaves the factory with our products we charge a certain amount of money for maps and services and traffic, but only a proportion of that revenue can be recognized in the P&L.

A very significant proportion, I think it is 25% of that income, needs to be deferred in line with IFRS rules and will then come through the P&L typically in a period of three to five years.

Taco Titulaer - *TomTom NV - CFO*

So, if you look at FX, it's mainly the sterling that had an effect. In consumer alone the effect is roughly a bit north of EUR3 million this quarter and the remainder is in telematics, south of EUR1 million. Automotive and licensing are not really impacted by sterling.

ASPs in the PND category year over year were flat or even a bit up, so the volume was the main driver -- or the only driver, actually, of the revenue decline.

Andrew Humphrey - *Morgan Stanley - Analyst*

Thanks very much.

Harold Goddijn - *TomTom NV - CEO*

Okay.



Operator

Marc Zwartsenburg, ING.

Marc Zwartsenburg - *ING Financial Markets - Analyst*

A few questions left. I want to first go back to the order intake. We've seen a number of EUR220 million for 2014, a number of at least EUR300 million for last year and, now, we're above EUR200 million.

What I'm trying to understand a bit is -- of course, I understand that if there's less RFQs in the market that you can have a lower order intake. But I want to get a bit of a feeling what is a normal year on average, say, over an automotive cycle in terms of number of RFQs.

And if you would say we have a stable market share in the RFQs should, at an average, say, the last three years, or is it a totally nonsense way of looking at order intake?

Can you give a bit of feel, because I understand you are not willing to share the pipeline or the expectations in terms of RFQs for next year and wait for the full-year results, but to get a little bit of a sense of how we should look to that towards the future, that will be very helpful? So, if you could help there?

Harold Goddijn - *TomTom NV - CEO*

Marc, yes, so, by the way, the EUR200 million that we published now is for the first three quarters. The EUR300 million you related to was for the year as a whole last year, so there is still a quarter to go, so just to be clear there.

Marc Zwartsenburg - *ING Financial Markets - Analyst*

True.

Harold Goddijn - *TomTom NV - CEO*

Yes, so, it's not that easy to give you a prediction of the size of the available market. Really, we've seen steady increase over the last couple of years in our total bookings. This is in terms of the total demand for our services or the addressable market was not a great year in the sense that there was a lot on offer.

But I think we are doing okay in line with our expectations in terms of what we can win and what we have won so far. I think that's the only thing I can say at this stage.

Marc Zwartsenburg - *ING Financial Markets - Analyst*

Now, of course, I understand. Indeed, it looks from a number of RFQs on the market that the major market share is probably even rising. But I want to get a bit of a feel for what if it remains at this level, what is the market in general over a longer period?

So, if you get your fair share, is it then sustainable to have at least EUR200 million of order intake in a certain year, because your order intake has been rising over the years. But maybe the underlying market was, at that stage, stable that you've been gaining market share.

I just want to get a feel, because we don't have the order books and the RFQs and addressable markets for the past four years, but I want to get a feel for that, whether the market as a whole has remained rather stable and that it's also a good proxy then perhaps for the next four years to come.

Harold Goddijn - *TomTom NV - CEO*

Well, it's definitely true that we have been winning market share in the last three/four years. Our order intake total has nearly trebled in the last three or four years, I think. So, we are getting better; we are winning market share.

What we have seen, of course, is HERE being now owned by the German car makers it will make it more difficult to win business from German car makers, although not impossible. But we expect that the bulk of their orders will not be available to us.

But that also means that there are better opportunities for us to grow outside of that market and we are seeing that at the moment. There was a clear market win with Volvo, for instance, which we have not been serving in the past and was a very significant win, both financially but also strategically an important step for us to be able to get into that account.

I think we will see more of that. We've seen last year [correction: Subaru] coming our way, which was a new one. I think that that will continue; the trend will continue, in 2017 and beyond.

Marc Zwartsenburg - *ING Financial Markets - Analyst*

Is there any indication from larger OEMs, which are either [inclined] or not yet inclined, that are scheduling big model overhauls for next year, because that's been the natural moment that you would also opt for a total overhaul of your mapping and infotainment systems? Is there anything out there that we can already see and that will bring an indication for next year's RFQs, that the year looks promising that you can share?

Harold Goddijn - *TomTom NV - CEO*

Well, we have that internally, but it's -- we have those projections internally, but they're quite wobbly and lumpy, because they're indications, estimates from our side.

We often see that things are not developing exactly in line with our expectations, so I don't think it will be good for us to give you guidance on those internal judgments. I think it's that that wouldn't be good.

But I think, generally speaking, what we're seeing is market share wins in the last couple of years. We've repeated it this year with the specific accounts. We're on the right track to continue to grow.

Marc Zwartsenburg - *ING Financial Markets - Analyst*

Okay, and in terms of your cooperation with NVIDIA would that also -- because they're also in the Tesla, would that strengthen your relationship there? Would it make an inroad with Tesla? Can you give us any feel what the trend and the developments are with Tesla?

Harold Goddijn - *TomTom NV - CEO*

No, I can't give you specifics on Tesla, unfortunately. But I think the fact that we are getting better involved in the North American market is a bonus for us, with significant wins not only with car makers, but also with the tech firms what we showed you last year.



Marc Swartzsburg - *ING Financial Markets - Analyst*

But you do already provide some service to Tesla, is that correct or not?

Harold Goddijn - *TomTom NV - CEO*

I can't comment on that.

Marc Swartzsburg - *ING Financial Markets - Analyst*

Okay. And final one, SG&A. Looking to your consumer segment and the shrinkage there in PNDs. I assume that you will take quite some measure there to take out cost for next year.

Would that imply that for next year we now might end up in a high single-digit OpEx increase, given the current pipeline in automotive and the work you budgeted there? Would it imply that it will for next year at least look a little bit better on the OpEx line, because you can squeeze out some cost from the consumer segment?

Harold Goddijn - *TomTom NV - CEO*

We're not going to comment on that. We want to wait for the end-year results and to have internal planning finalized. We'll give more guidance during our February result.

Marc Swartzsburg - *ING Financial Markets - Analyst*

So we shouldn't extrapolate a Q4 guidance to next year yet?

Harold Goddijn - *TomTom NV - CEO*

I can't give any guidance on that.

Marc Swartzsburg - *ING Financial Markets - Analyst*

Okay, okay. Fair enough. Thank you very much.

Harold Goddijn - *TomTom NV - CEO*

Okay. Welcome. Thank you.

Operator

Andrew Hayman, Independent Minds.

Andrew Hayman - *Independent Minds Limited - Analyst*

In terms of the HD maps, you have 200,000 kilometers mapped now and presumably you've done that to show your automotive clients what you're capable of.

For the next step, you've got obviously a lot of mapping that still needs to be done. Are you planning to do that by yourself? And is that feasible, or are you very much looking for partnerships there?

And then a second question, maybe, on the sport segment. I was wondering how you build or differentiate your products there? In terms of the sport watch, initially you partnered with Nike, and then you went your own route. But if we look at the outdoor watch now, the fitness tracker, and the action camera, you -- there's -- in all three of those markets there's very much an established player there. So how are you building your position in those newer areas for you?

Harold Goddijn - *TomTom NV - CEO*

Okay. Firstly, on the mapping side. Yes, we have done a -- quite a -- good coverage for customers, to show not only our capabilities, but also for our customers to test and give us feedback on that product, so we can work on detail specifications.

At the same time, as we're going on to achieve higher levels of automation, you also need to read partly the partnership with NVIDIA is to achieve those higher levels of automation.

We are hopeful that that map-making process for HD maps can be automated fully, or at least to a very large extent. With the new technologies, including the type of computers that NVIDIA's building: computer vision; artificial intelligence; deep learning; we believe it is possible to achieve much higher levels of automation and, hence, efficiency than what we currently can achieve.

That's ongoing work. We need to do that, of course, because maps are never good enough. Productivity is a key metrics in the map-making business and we're working hard on that.

Does that answer your question, Andrew, on the mapping side?

Andrew Hayman - *Independent Minds Limited - Analyst*

Yes. Just maybe one clarification. With the NVIDIA partnership, at the moment, it's the NVIDIA solution that's going into your own mapping vehicle. Am I correct with that?

Then, obviously, there's much more potential if the NVIDIA solution starts going into cars with some sort of assisted driving. Is that the way to think about it?

Harold Goddijn - *TomTom NV - CEO*

Yes. That's the way to think about it, yes.

Andrew Hayman - *Independent Minds Limited - Analyst*

Okay.

Harold Goddijn - *TomTom NV - CEO*

What we offer the car maker, of course, on the platform is digital maps, high-definition maps, but also accurate positioning, which is a -- technically a problem for the market that needs to be solved.

Andrew Hayman - *Independent Minds Limited - Analyst*

Okay, great. Thank you.

Harold Goddijn - *TomTom NV - CEO*

Okay. Then on sports business, you're right, there is a competition, and we're not the first in the market. But we are quite happy with the progress we're making. I think we're building a nice ecosystem of applications, websites and devices that has great potential, not only for today's type of applications and -- but also there's more to do in that space.

The link from sports to wellbeing, and potentially health, can be further developed. We're happy with the progress. We're happy with the stickiness. We see that customers are actually using our products for a long period of time; interacting frequently.

We're building up a lot of knowledge and statistics and data, that we think will help us to design the next generation of products and services around sports, health and wellbeing.

Andrew Hayman - *Independent Minds Limited - Analyst*

Okay, great. Thank you very much.

Operator

Shyam Kumar, TT International.

Shyam Kumar - *TT International - Analyst*

Can you talk a bit about ADAS, the middle road between maps and navigation, self-driving cars, which you said is a 2020-type phenomenon. When will that stop -- when will ADAS start to impact the business in terms of the size of orders coming through, and in terms of revenues?

And secondly, does the HD map help facilitate more advanced ADAS capabilities as well?

And thirdly, how much more do you make when a car is sold with some -- with ADAS components, please?

Harold Goddijn - *TomTom NV - CEO*

So ADAS is there. ADAS is real, it exists, and we're selling it. ADAS is used in various applications.

So, including motor management, braking, and there is a whole range of applications come electronic horizon, and there's a whole range of applications where ADAS data are used for, and we're selling that already. Typically, that commands a premium over a non-ADAS-enabled map.

The premium, you need to think about 15% to 20%.

Shyam Kumar - *TT International - Analyst*

Okay.



Harold Goddijn - *TomTom NV - CEO*

The way to collect ADAS features is very much in the same way as we get the HD map. So, wherever we have HD coverage, the ADAS attributes that we have are a -- not a free by-product, but a very cheap by-product, over our [HD] mapping efforts, which we have been able to automate to a very high degree at this stage.

Shyam Kumar - *TT International - Analyst*

Okay.

Harold Goddijn - *TomTom NV - CEO*

It's not free, but ADAS and HD are very closely linked; and when you have HD, you also have ADAS attributes.

Shyam Kumar - *TT International - Analyst*

Okay. But in terms -- your current standard map is sufficient to, obviously, delivery ADAS as the technology is at this current level?

Harold Goddijn - *TomTom NV - CEO*

Yes, it is.

Shyam Kumar - *TT International - Analyst*

Okay. And what's the kind of penetration rate of ADAS sales, and how fast is it growing, because I imagine it's quite a low-penetration technology at the moment?

Harold Goddijn - *TomTom NV - CEO*

That's right. It is early days, but it is becoming mainstream. We can see that from the RFQs and the RFIs that we're receiving. You will see a fast uptake of ADAS features in the higher segment, in the midrange segment, in the coming years. That is -- that's going to be mainstream in volume in 2017, maybe 2018/2019.

Shyam Kumar - *TT International - Analyst*

So in terms of when will the benefit of that -- I guess it will first speed through into your order book before it feeds through to your revenue base, so when would the -- that start benefiting the order book, please?

Harold Goddijn - *TomTom NV - CEO*

Well, you can see it already in the -- this year there is not all of those contracts we've done are including ADAS features. But there is some contribution from ADAS features in the order book for this year.

Last year the same thing. Don't know off the top of my mind which percentage, but I do know that we did sell -- or took orders for ADAS features in 2015. Now, again, in 2016, I think the penetration for ADAS will go up in [], and in the years to come.

Shyam Kumar - *TT International - Analyst*

Okay, perfect. And can you talk about -- I'm sorry, when you said the penetration of ADAS goes up, you mean in terms of that coming through the orders, or in terms of the revenues?

Harold Goddijn - *TomTom NV - CEO*

Both.

Shyam Kumar - *TT International - Analyst*

Okay, fine. Okay, perfect. And in terms of licensing and telematics, your licensing's obviously gone flat this year. Any interesting growth drivers on the horizon there?

Also on telematics, if you can just give us some comfort as to why a double-digit growth rate is sustainable going forward, and what are going to be some of the key drivers there, please?

Harold Goddijn - *TomTom NV - CEO*

Yes, I think for licensing we're working on some interesting things, but I think it's too early to give you more indication of what that would mean for P&L, but there are new opportunities opening up.

That's also driven by the fact that a lot of companies who use location-based services don't feel comfortable with the current vendors. So, I think there are opportunities there. It's a bit early to talk about it in more detail than what I can do now.

Shyam Kumar - *TT International - Analyst*

Yes.

Harold Goddijn - *TomTom NV - CEO*

Telematics, I think, is -- there is some exciting stuff going on in telematics. We're working in the last years to kind of explore the world of both UBI, so user-based insurance, but also connected car services for other than fleet management.

I think both those opportunities will start to materialize in 2017. They will start to contribute to growth in a segment that we didn't offer before.

Shyam Kumar - *TT International - Analyst*

Okay, that's great.

Harold Goddijn - *TomTom NV - CEO*

And when I say connected car services, you need to think about leasing companies, dealer organizations, and insurance companies who want -- one way or another, want to get data out of a vehicle to use it for a variety of purposes.



We see that as a trend. Those are typically deals where ASPs are lower than for WEBFLEET, where the value-add is higher; but there's also significant volume involved.

We've learned a lot about that segment, and I think 2017 will give first indications, tangible proof, that we are penetrating that market with our product portfolio.

Shyam Kumar - *TT International - Analyst*

Perfect. And just last one, in terms of the consumer in the hardware business, given the growth in the software and services business, is there any logic to separating out that business and maybe disposing it, or doing a management buyout with the divisional management of that business?

Harold Goddijn - *TomTom NV - CEO*

I don't -- I can't speculate on that, Shyam.

Shyam Kumar - *TT International - Analyst*

Okay, fine. Okay, that's great. Thanks, Harold.

Harold Goddijn - *TomTom NV - CEO*

Yes. Thank you.

Bisera Grubestic - *TomTom NV - Head of Treasury & IR*

Thanks, Shyam. I would like to thank you all for joining us this afternoon. We are closing the call. If you have any questions, please do not hesitate to contact the IR department.

Operator, you can close the call now.

Operator

Thank you. Ladies and gentlemen, just to confirm this now concludes today's conference call. Thank you for your participation. You may now disconnect.

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