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TOM2.AS - Q1 2025 TomTom NV Earnings Call

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## CORPORATE PARTICIPANTS

**Harold Goddijn** TomTom NV - Chief Executive Officer, Member of the Management Board

**Taco Titulaer** TomTom NV - Chief Financial Officer, Member of the Management Board

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## CONFERENCE CALL PARTICIPANTS

**Marc Hesselink** ING - Analyst

**Wim Gille** ABN AMRO - ODDO BHF - Analyst

**Tim Ehlers** Kepler Cheuvreux - Analyst

**Andrew Hayman** Independent Minds - Analyst

## PRESENTATION

**Freek Borst** - TomTom NV - Investor Relations Officer

Good afternoon everyone. Welcome to our quarterly conference call. Over the course of today's call, we'll be reviewing the key operational highlights and financial results for the first quarter of 2025, together with our CEO, Harold Goddijn, and our CFO, Taco Titulaer.

Harold will begin with an update on our strategic progress, after which Taco will provide an overview of our financial performance and outlook. After their presentations, we will open the line for your questions. As always, please note that Safe Harbor applies. And with that I'd like to pass it over to you, Harold.

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**Harold Goddijn** - TomTom NV - Chief Executive Officer, Member of the Management Board

Thank you very much, Freek, and good afternoon, everyone. Thank you for joining us today. I will provide you with an update on our operational highlights and strategic progress, and then I hand over to Taco for a detailed look at the financials.

We had an encouraging start to the year with growing revenues and solid strategic progress. Benefiting from the investments we've made in our maps, the performance of our Enterprise business was particularly strong.

The broadened capabilities and extended market reach that TomTom Orbis Maps provides have allowed us to build commercial momentum across a variety of sectors, including geospatial analytics, fleet management, and the government sector.

With our detailed fresh maps, customers can make better decisions. For instance, we're helping businesses to identify the best locations for new EV charging stations, we help to accurately assess climate risk and the consequences of that, and we develop mobility plans for large events. And across the Enterprise domain, there are many more use cases that our maps are supporting.

Likewise, our Automotive business is well positioned to meet the evolving needs of carmakers. They are eager to move fast with software. They want to provide enhanced customer value, while achieving a higher level of control over the software stacks. We've been designing software with these exact demands in mind, and are now ready to provide carmakers easy-to-integrate, easy-to-customize products that deliver excellent user experiences.

In parallel, we also see the automotive industry moving towards higher levels of autonomy. Earlier this year, we introduced our 3D map layers. We are combining foundational and internally-developed AI models and bring together different data sources, producing maps that give cars the clear context to navigate complex environments.

Our 3D map layers contain a lane-level representation of the road, including precise geometry and road markings. And on top of that, they provide 3D data on objects, such as traffic lights and poles that are used for precise localization. We provide road-specific and dynamic information about speed restrictions, speed profiles, and much more.

With a strengthened market position, we are now focused on unlocking the opportunities ahead of us.

While current trade tensions and the resulting uncertainty make short-term outlook is less predictable, we remain confident in our long-term trajectory. With that, I'm handing over to Taco for a closer look at the financials.

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**Taco Titulaer** - TomTom NV - Chief Financial Officer, Member of the Management Board

Thank you, Harold. I'll now share some insights into our financials and outlook, and after that, we'll move on to your questions.

In the first quarter of 2025, group revenue was EUR140 million, a marginal increase from last year's EUR139 million. Let me briefly break down our top-line performance by business.

Revenue from our Enterprise segment grew significantly, climbing with 18% to EUR42 million. This growth is the result of the commercial traction we're building and the broadening adoption of our location technology products across various sectors, as Harold already pointed to as well.

We also saw growing adoption of our products within vehicles, which led our Automotive operational revenue to increase by 5% year on year to EUR83 million. However, because some of this growth was driven by products and contracts for which a relatively large portion of revenue is deferred, our Automotive segment showed softer performance on an IFRS basis. Specifically, Automotive IFRS revenue declined by 4% to EUR80 million.

Taking Enterprise and Automotive together, revenues from our Location Technology segment grew by 2% to EUR121 million.

Lastly, the Consumer segment declined by 8% year on year to EUR19 million. As a result of the greater relative contribution of high-margin Location Technology revenue in our mix, our gross margin increased to 88%, from 86% last year.

Operating expenses for the first quarter were EUR117 million, down from EUR125 million in the same quarter last year. This decrease reflects the capitalization of costs related to our automated driving-related map layers.

As Harold explained, we introduced these map layers earlier this year and saw a positive response from the market. Reflecting our confidence that they will support increased levels of vehicle automation over the coming years, we started capitalizing the engineering work associated with these layers as of this quarter. If we normalize for the effects of capitalization and amortization, underlying operating expenses were modestly higher.

Free cash flow was an outflow of EUR3 million, compared with an outflow of EUR9 million last year. This improvement mainly reflects a lower payout of personnel-related accruals, as well as a favorable movement in our receivables position. At the end of the quarter, our net cash position was EUR257 million, compared with EUR264 million at the end of 2024.

With that, let's turn to our outlook. Our first quarter performance was encouraging, with our Enterprise business benefiting from continued commercial momentum and our Automotive business also performing well. Importantly, as a result of our investments, we are well positioned to capitalize on the structural market trends, related to in-vehicle software, electric vehicle adoption and self-driving advancements. We remain optimistic about these trends and our ability to unlock the opportunities associated with them.

That said, it remains uncertain how current trade tensions and resulting market uncertainty will affect car volumes in our key markets. As such, we're navigating a less predictable short-term environment. Nonetheless, our guidance remains unchanged from the start of this year.

We are now ready to take your questions. Operator, please start the Q&A session.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Marc Hesselink, ING.

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### Marc Hesselink - ING - Analyst

Yes, thank you. First question, maybe a bit of a high-level question. There's a lot of things going on in the automotive industry, also in terms of big changes, like towards software-defined vehicles. I'm just trying to understand how this is going to change your business, how it's going to change your go-to-market, the relationship that you that you have with the Automotive clients.

I think a lot's going to change. If you also can explain a bit -- how do you think, and within what kind of timelines, the industry will really be changing from what it used to be?

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### Harold Goddijn - TomTom NV - Chief Executive Officer, Member of the Management Board

Well, that's a good question, Marc. I think it's a process. The software-defined vehicle term has been around for quite some time. Carmakers are trying to achieve it, but it's hard, especially when you have legacy products out there that you need to move to a common architecture. But nevertheless, it's happening.

We see movements in that direction and we can see from the new entrants what it will look like. So, more standardization, better control of the software, over-the-air updates, etcetera.

The requirements that we see from carmakers are for faster development cycles, standard products, less risk, less engineering costs to get those cars on the road. And again, new carmakers are showing the way.

Typically, we can now get a car up and running within three months of signing a contract. So, that's a dramatic improvement from what it used to be in the past. Not everybody is there yet, but the trend is clearly in that direction.

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### Marc Hesselink - ING - Analyst

And how will it change your business model? For a long time you also had the stories about moving away from, let's call it the license fee that you get up front, towards more of a subscription model. Are those things being discussed?

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### Harold Goddijn - TomTom NV - Chief Executive Officer, Member of the Management Board

Well, the most important change is an internal one. So, we have been, for quite some time, a more project-driven organization. That's as a result of the demand from our customers. But we are now moving to a more product-driven organization.

So, the products are leading, not the customer demands are leading anymore. And that gives us great opportunity for standardization, repeatability, time-to-value. So, if you define time-to-value as the time it takes for a line of code to hit an end user, that will be reduced dramatically.

So, it allows for a more efficient operation. And with that we can achieve higher quality, shorter introduction times, and repeatability. So, it is a shift that has been coming. We see standardization of operating systems happening as well.

We see over-the-air update capabilities happening. It's been around for quite a while, but it's kind of starting to work. It's still a challenge for many cars to do it correctly. But all those factors in combination mean that we are rapidly becoming a product-led organization.

And our customers are increasingly now developers who want to get their hands on the technology, and customize and localize. And all that with high efficiency in short periods of time. So, it's a good time for us also to adapt our processes to that new reality, and it will make us a more efficient company going forward.

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**Marc Hesselink** - ING - Analyst

Okay, great. Probably a bit linked to that as well, the second question is, you mentioned in the press release good commercial and product development traction over the quarter, but does that mean that that this trend is accelerating a bit?

So, the success that you've seen after launching the platform a bit more than a year ago and gradually having seen increasing traction, do you see that accelerating a bit now? And so, therefore, what is it then that's expected towards the rest of the year and into the next year? How will this build up?

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**Harold Goddijn** - TomTom NV - Chief Executive Officer, Member of the Management Board

Well, there's a couple of things. So, I think it's easier for us now to address new carmakers. So, we've seen that coming up quite a bit, in Asia predominantly. Smaller series, but demanding on end-user experience and short times of integration. We're well placed to address that market segment.

And so, we built that repeatability and we're training that muscle, as an organization, to get our stuff out there in a short period of time. And we see that the incumbents want to move to a similar model. But because of the legacy, it still takes them more time than the challengers, I would say.

Having said that, the real volume, of course, is still with the incumbents, and not with the challengers. So, winning market share with incumbent carmakers remains a top priority. And I think we are well positioned to achieve that, but I also have to say that the decision timetables have been prolonged and extended because of challenges with planning the business over a longer period of time.

So, it's those two developments that we are seeing. So, some good and some not so good. But I think over the mid-term, we're well positioned.

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**Marc Hesselink** - ING - Analyst

Okay, great. Then, the last question. So, your operational auto revenue was up 5% year over year. Could you maybe share, in the mix of your clients, what the production volume change was, year over year. As in, how much extra growth did you have, above the production levels?

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**Taco Titulaer** - TomTom NV - Chief Financial Officer, Member of the Management Board

Yeah, if we look at the EU and North American markets, the markets that we predominantly operate in, based on the data that we collected, we saw a decline of 5%. Our operational revenue went up with 5%, so there's a bit of a mismatch there.

There was some NRE in there, from a release, but the main the main driving factor is I think that year-over-year year, we saw an increase in average selling prices. Not so much per product, but more in the bundling of products. So, longer terms and a wider combination of products per vehicle.

**Taco Titulaer** - TomTom NV - Chief Financial Officer, Member of the Management Board

[Inaudible] So, it's not so much the take rate, but it is the price per car that we charged.

**Marc Hesselink** - ING - Analyst

Okay, great. So, that went up, by let's say a high single-digit percentage? Next to the NRE that you just mentioned?

**Taco Titulaer** - TomTom NV - Chief Financial Officer, Member of the Management Board

Yes.

**Operator**

Wim Gille, ABN AMRO - ODDO BHF.

**Wim Gille** - ABN AMRO - ODDO BHF - Analyst

I've got a few questions. First is on, the HD or 3D maps. You're doing quite a bit of investments and you are now capitalizing those investments. If we look in the IFRS, there's basically two conditions that need to be met.

A, it needs to be new technology, but also B, there needs to be good visibility on sales. If I remember well from the past, the proportion of SD maps in your mix is extremely high, and the proportion of HD maps is extremely low.

So, can you give us a bit more feeling on what is the visibility that you have on revenues in HD maps? And when should we see that filter through in the modeling?

And then in relation to that, can you give us a bit more granularity and feeling on market shares? So, looking at SD maps, you have about a third of the market, and your competitors are predominantly HERE, and a little bit Google.

How's the competitive field in high-definition? And how is your market's position in this particular field? And also, what's the price differential per car, looking at HD versus SD? Those would be my first questions. Thanks.

**Taco Titulaer** - TomTom NV - Chief Financial Officer, Member of the Management Board

Yeah, let me take the first, question, and then we'll continue with the other questions as well. So, the investments that we're making in our HD platform, or 3D mapping capability, will benefit both the maps that are used by the car as well as the maps that are used by the human.

So, it's a different way of collecting, merging, sanitizing content, and creating map layers. So, on the IFRS capitalization topic, this will both benefit the future revenue as well as short-term revenue coming from the traditional markets.

On the market shares, the market for autonomous driving or highly automated driving is still nascent. So, it is a feature that is deployed on the higher-end cars. There's no reliable, objective data out there to come up with a percentage, but if I had to guess, our market share is quite similar to the market share that we have in SD today. But again, the volumes and the value of that market, today in 2025, are quite small.

**Harold Goddijn** - TomTom NV - Chief Executive Officer, Member of the Management Board

So, I think the way to look at it is that the market is looking now for a new generation of self-driving technology. This is driven by price and performance. So, the performance is going up while the price levels are going down. That means that this technology will be built into more cars, and potentially also the volume segment that we're talking about.

Those cars need different data than what we used to produce as HD. HD was problematic in the sense that it was difficult and expensive to produce. We could only do limited geographical coverage, and the maintenance of that data was expensive.

So, we've moved to a model where we do fusion of a high number of observations from vehicles and satellite imagery, and other data we put together using AI models. And that is producing a quality that is sufficient, with much-improved coverage. So, we can cover all the roads, not just the motorways. And it's providing much-improved freshness, which is obviously important if you use it to drive the computer.

So, I think the opportunities are there are, concrete. They are known. We have good visibility on the requirements and the time schedules, and I think we're competitively well positioned to win a significant proportion of those new maps and new deals.

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**Wim Gille** - ABN AMRO - ODDO BHF - Analyst

And as a bit of a follow up on the market share discussion. In the past you mentioned the number that you are in active dialogue with on HD mapping. And I understand that this new technology is a bit of a, you know, mixture between HD mapping and 3D mapping. But regardless, how many of the OEMs are you discussing this new technology, and are you piloting this new technology with? Is that a similar number as the roughly six or seven of the top ten OEMs that you had in the past?

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**Harold Goddijn** - TomTom NV - Chief Executive Officer, Member of the Management Board

Yeah, I think what is new is that this new product gives us also access to customers that are currently not sourcing from us. They are not sourcing map data from us. That's where the biggest, opportunity is, obviously, in swinging market share. And our 3D product could prove to be instrumental in achieving that.

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**Wim Gille** - ABN AMRO - ODDO BHF - Analyst

Very good. And then, the other question that I have is on the Enterprise segment. Obviously the momentum is quite good, with revenues up 18%.

I understand the weakness of the dollar in recent days is not going to help, in that sense. But can you give us a bit more feeling and granularity on where you are in, let's say, the process of pushing TomTom Orbis Maps and selling the new maps to the new client base. So, in past quarters you were mainly converting OpenStreetMap clients into paid clients for TomTom.

So, what types of clients are you currently in discussions with? Is that still mainly OpenStreetMap, or are you also targeting HERE Technologies and Google Maps users? And can you also give us a bit more insights into the types of clients and the larger clients that were discussed in the past?

So, in the past couple of quarters, you were basically winning a lot of smaller clients and smaller deals. But how are the larger deals in the sales funnel progressing at this point in time? And is there a possibility that we see some action on that front in 2025, 2026?

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**Harold Goddijn** - TomTom NV - Chief Executive Officer, Member of the Management Board

So, the overall picture is that we're gaining traction in the Enterprise segment. And we see that because the pipeline is growing. We see that conversion times, or sales lead times, are shortening. They're still quite long, but it's going faster now. And we see that we can win a combination of large accounts, but are also making progress with smaller accounts. But there, the volume matters, of course.

It's good to have a combination of smaller accounts and bigger accounts. So, a couple of things stand out, I think, and are worth mentioning. The government sector is proving for us a fertile hunting ground. We have not really been present with our TomTom Genesis Maps in that segment, but there are significant opportunities for governments for planning, security, with our maps.

And we have a particularly strong point in that we are based on the specifications of the Overture Maps Foundation. And governments like that. So, they want a quality-controlled product, but also a level of openness that gives them a clear path to integrating other sources of information. An TomTom Orbis Maps does exactly that.

So, you not only have quality-controlled, managed map that is rich and high quality, but there's also a defined way of integrating other information. And for a lot of governments this is a critical element of their needs. So, that is going well and there are quite a few large opportunities, I would say between EUR5 million and EUR15 million in contract value. And then there is a long tail of smaller opportunities in that government segment, as well.

Then, we do well in fleet and logistics. We have a right to play there based on the navigation assets. Ride hailing is also going well. Our Traffic product is selling well. We see good traction there.

So, it's kind of a mixed bag and quite a wide distribution of products and markets that we are now addressing with TomTom Orbis Maps. We've seen Microsoft starting to use it, Esri starting to use it. That makes it also easier for other parties to commit to our platform because those two companies, in particular, know what it is when you talk about maps. They have a lot of experience themselves, and that does give us, kind of, an implicit seal of approval.

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#### **Operator**

Tim Ehlers, Kepler Cheuvreux.

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#### **Tim Ehlers** - Kepler Cheuvreux - Analyst

Thanks for taking my question. So, my first question would be about Automotive.

I think the results were clearly better than people were anticipating, especially given the current atmosphere in the automotive space and the uncertainties, given the tariffs. So, have you spoken to key customers and what's the message there?

So, could there be a potential negative effect coming in the second quarter when automotive volumes are down further, due to all this chaos and nobody really knowing what's happening? Can you maybe give some color there, on what you're currently hearing in the industry?

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#### **Harold Goddijn** - TomTom NV - Chief Executive Officer, Member of the Management Board

Yes, it's a tough one. I don't think anybody has a clear picture. All of our customers are kind of struggling to understand how to react, what to do in the short term, what to do in the medium term, and what to do in the long term. It's very volatile environment.

I think the tariffs we will be able to survive. I don't think that it is going to have a very material impact on our revenue. But there's a whole degree of uncertainty about the wider economy as well. So, we don't know exactly how it's going to play out.

We've done some sensitivity analysis on our customers. I think our exposure is relatively limited. But it is really tough to make predictions of what will happen in Q2, Q3, and Q4. I think we need to wait and see, and accept that we can't influence the things we can't influence.

**Tim Ehlers** - Kepler Cheuvreux - Analyst

Great. But there's nothing you have felt from that in the first quarter?

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**Harold Goddijn** - TomTom NV - Chief Executive Officer, Member of the Management Board

I don't think we have seen anything unusual in Q1. I think nothing that we have seen is related to what's currently going on.

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**Tim Ehlers** - Kepler Cheuvreux - Analyst

Great. That's very helpful. And then, the second question would be about the gross margin. So, you already made quite a step forward with the 88%. How shall we look at that developing further? So, if we look at Enterprise and Automotive gaining more share of the total revenue. So, a positive mix effect. I mean, you already said that you could go to the 90%. Could that happen earlier, rather than later?

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**Taco Titulaer** - TomTom NV - Chief Financial Officer, Member of the Management Board

Automotive and Enterprise together are running on a gross margin that is north of 90%, and Consumer is north of 40%, anywhere between 40% and 45%. So, the smaller the portion of Consumer in the mix, the sooner group-level gross margin will be above 90%. So, will the gross margin be ever over 90%? Yes. When that exactly will happen, I don't know, but it will not be in 2025.

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**Tim Ehlers** - Kepler Cheuvreux - Analyst

Okay. Great. And then one last one, about the R&D capitalization. So, the amount you capitalized in Q1, should we consider that the run rate going forward, at least for this year? Something around EUR7.5 million per quarter?

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**Taco Titulaer** - TomTom NV - Chief Financial Officer, Member of the Management Board

Yes, our advice is to put EUR30 million in the model for a year.

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**Tim Ehlers** - Kepler Cheuvreux - Analyst

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

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**Operator**

Andrew Hayman, Independent Minds.

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**Andrew Hayman** - Independent Minds - Analyst

Yes, just on Enterprise. The comparison basically gets tougher in the second quarter, but, when we look at Q1, is that a base off of which, you think you can build on, going forward?

Then, second, on the Automotive side. It's clearly a difficult environment, but you're quite clear that with the 3D maps you've had an enthusiastic response from the market. Have you actually been signing contracts this quarter, or is it more that you're seeing the interest come through? And then finally on the senior executive team at TomTom. In a lot of ways it's very stable at TomTom, with the four founders, Alain De Taeye, and then the finance team has been consistent.

But if I look at the product side, there's been considerable change from when I look back at the Capital Markets Day in 2022. If I look at eight of the people that presented there, four of them have moved on. And that includes the CTO, the Chief Product Officer, and the VP Product Manager. Is that something that concerns you?

**Taco Titulaer** - TomTom NV - Chief Financial Officer, Member of the Management Board

Let me take the first question and I'll leave the last question to Harold. I think Enterprise has been running at a EUR40 million-plus rate since Q2 last year. I think that is also the trend going forward. Please bear in mind that 75% of our Enterprise revenue is dollar-denominated. So, that will have an effect if the dollar, continues to weaken. But you're right that this is the level that you can model on.

For Automotive, I think the discussions that we're having on 3D maps are very deep. And they're not only with purchasing departments, but also with engineering and with C-level people, and with CTOs, etcetera. And they're very intense. That gives us confidence that we are on the right track with our product development.

Has that led to any significant deal signatures in Q1? The answer is no, but that doesn't mean that we have lost any either. But you can't really put your finger on when deals will happen or not. The discussions are very intense and frequent, and the signals that we're receiving are positive. On the management team, CPO, CTO?

**Harold Goddijn** - TomTom NV - Chief Executive Officer, Member of the Management Board

Yes, perhaps I can give you a bit of a feel for that. So, we have seen considerable change in the last year. We have moved in mapmaking from a heavily manual process to a much more automated process.

We have moved our technology stack from a project organization more toward a product organization, with the considerable changes that that requires. We've gone from on-board to online technologies. So, we've seen a very significant change in the type of people that we need in order to get through those transitions, and I think that is reflected also in the composition of the senior management team, also on the product side.

To give you an example, we've hired a number of executives from large tech companies that are familiar with high-volume transaction services, highly reliable, secure online services. A number of those skill sets have been brought in with the joining of a number of senior executives in the technology team. I'm happy we've been able to do that and I'm happy to see the results from all that. It really makes us now a significantly different company than what we looked like four or five years ago.

**Freek Borst** - TomTom NV - Investor Relations Officer

As there seems to be no additional questions, I want to thank you all for joining us this afternoon. Operator, you may now close the call.

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