CORPORATE PARTICIPANTS

Jacoline Overdevest  TomTom NV - IR Officer
Harold Goddijn      TomTom NV - CEO
Taco Titulaer       TomTom NV - CFO

CONFERENCE CALL PARTICIPANTS

Francois-Xavier Bouvignies  UBS - Analyst
Martijn den Drijver        NIBC Markets - Analyst
Marc Hesselink             ABN AMRO - Analyst
Marc Zwartsenburg          ING - Analyst
Andrew Humphrey            Morgan Stanley - Analyst
Shyam Kumar                Kuvari Partners - Analyst

PRESENTATION

Operator

Good day, ladies and gentlemen. Welcome to the TomTom fourth quarter and full-year 2016 earnings conference call. (Operator Instructions). Please note that this conference call is being recorded.

I will now turn the call over to your hostess for today’s conference, [Jacoline Overdevest], Investor Relations Officer. You may begin.

Jacoline Overdevest - 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 fourth quarter and full year 2016. With me today are Harold Goddijn, our CEO and Taco Titulaer, TomTom’s CFO. You can also listen to the call on our website and a recording of the call will be available shortly afterwards.

As usual, I would like to point out the Safe Harbor slide.

We will start today’s call with Harold, who will discuss the key operational developments, followed by a more detailed look at the 2016 financial results and the financial outlook for 2017 from Taco. 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, Jacqueline and welcome, ladies and gentlemen. Thank you for joining us on today’s earnings call. We delivered on our updated 2016 guidance, with revenue of EUR987 million and adjusted earnings per share of EUR0.23. We are shifting towards a high margin software business which now reflects nearly 50% of our revenue mix and more than 70% of our gross result. As a result, gross result grew strongly this year, with 9% and gross margin grew to 57%.

Taco will provide further information on the financial highlights and the financial outlook for 2017 later during the presentation.
I will now discuss our key operational highlights and strategic priorities. Our automotive products continue to do well and that resulted in order intake for 2016 of more than EUR300 million. Order intake from previous years now is starting to deliver a strong revenue growth in automotive. We're working with the majority of automotive OEMs and tier ones to integrate our high definition map product samples into their self-driving systems.

We acquired earlier this year an autonomous driving start-up with around 35 employees, of which a majority holds a PhD in fields that are key important to autonomous driving, such as artificial intelligence, neural networks, robotics, cognitive location analysis, computer vision algorithms, signal and information processing. We have acquired a vast amount of technical expertise that will be of value in further development of our location technologies.

In the quarter, we partnered with Lucid Motors and entered some smaller contracts with tier one and tier two suppliers, including Digen, through which TomTom maps software and services appeared in models from Mitsubishi. The innovative nature of our products was recognized by Fiat Chrysler, who gave us an award for Innovation Supplier of the Year 2016.

In licensing, we announced a partnership with Microsoft to integrate our API into the Azure platform. Our technology will power the location component of the Azure intelligence cloud and this partnership opens up a large market of enterprises and software developers, who are already using Azure for application development. We also expanded existing agreements with MapQuest, Pitney Bowes and SAP.

Telematics business has continued to grow throughout 2016, reaching nearly 700,000 subscribers by the end of the year. This growth has been realized organically and represents a 15% increase compared to the end of last year.

Our consumer business is transitioning from a decline in PND markets to a growing sports business. In 2016, we shipped over a million sports devices. To confirm our commitment to the sports business, we introduced the TomTom sports brand and advertising campaign to encourage people to get going and live healthier.

Moving to the next slide, let me give you a short update of our strategic priorities. Over the year, we have advanced in maps, online services, including traffic and navigation software. These location-based applications are licensed through our automotive business to automotive customers and to non-automotive customers through our licensing business. But given the similar nature of the products, we have decided to combine automotive and licensing business going forward for strategic and reporting point of view.

In automotive and licensing, we aim to grow through technology leadership in real time mapmaking, traffic services, application software and a wider range of location technologies. New growth opportunities in ADAS and autonomous driving are now materializing.

Within telematics, we continue to grow our fleet management business and new connected car services, such as vehicle leasing, will start to contribute to top-line growth in 2017. We expect to increase our market share as the leader in a fragmented European market. We will capitalize on our scale by continuing to invest in our connected car platform, to provide new APIs that will form the basis for accelerated product innovation. And we will continue to nurture and grow our partner ecosystem software developers, who help us to enter new markets and are adding depth and breadth to our service offerings.

As I mentioned earlier, consumer is transitioning from a declining PND market to a growing sports business. We have established a robust and growing consumer sports category and we will invest for further growth, with the ambition of being the number one sports wearable brand in Europe. As well as having growth potential, the sports category is a good fit with the brand and our capabilities in smart devices with associated cloud-based applications and smartphone applications.

We will exploit niche growth opportunities in the drive sector, such as our bridge driver terminals for businesses, which take advantage of our device platform and capabilities.
To summarize, we feel we're well positioned to capture growth opportunities across our automotive and licensing, telematics and consumer businesses. And many of those growth opportunities are driven by big trends, including connected car, autonomous driving, smart cities and wearables.

This concludes my part of the presentation. I hand over to Taco.

**Taco Titulaer - TomTom NV - CFO**

Thank you, Harold. I shall now begin a more detailed look at our financial results. I will mainly focus on the full-year results 2016.

In 2016, we delivered revenue of EUR987 million, 2% lower compared with last year. Automotive, telematics and consumer sports grew strongly, partly offsetting the reduction in consumer drive revenue. With 40% of the Group total, consumer drive remained the biggest revenue contributor for the Group. The percentage was 48% in 2015.

Automotive revenue was up by 25% to EUR133 million this year. This strong growth reflects increasing revenue from new contracts that started to kick in during 2016, as well as higher revenue on existing contracts. The deferred revenue position of automotive increased to EUR59 million at the end of 2016. This contributed to our strong cash generation during the year.

Licensing revenue decreased 4% year-on-year to EUR136 million and telematics revenue was up by 15% year on year, to EUR155 million.

The recurring subscription revenue for the year increased with 21%, to EUR118 million. Recurring subscription revenue represents 76% of the total telematics revenue and that is up from 72% of the total in 2015.

Consumer products revenue decreased by 9% to roughly EUR0.5 billion in 2016. This decline was driven by lower PND revenue, which was partly offset by strong growth in sports revenue. Sports revenue amounted to more than EUR100 million in 2016 and that represents an increase of 53% compared with last year.

The consumer PND markets were weak during the second half of 2016. The European PND market experienced a faster rate of decline compared with the first half of the year. The market in units was down by almost 20% for the year as a whole.

As Harold already mentioned, despite a modest decline in our Group revenue, we have seen an increase in our gross margin and our gross results this year. High margin software business now reflects nearly 50% of our revenue mix and more than 70% of our gross results mix. As a consequence, our gross results grew strongly this year, with 9% and our gross margin increased to 57% of the total.

Operating expenses for the year were EUR557 million, compared with EUR518 million in 2015. The year-on-year increase was driven by higher amortization cost, which grew with more than 20% to EUR123 million in the OpEx lines.

2016 EBITDA grew by 14% year-on-year to EUR141 million and the EBIT amounted to EUR9 million, versus only EUR1 million in 2015, reflecting the whole higher gross results partly offset by an increase in OpEx.

The net result for the year was EUR12 million, which translated in an adjusted earnings per share of EUR0.23 and on a fully diluted basis. Free cash generations amounted to [EUR35 million] in the year and at the end of 2016, we reported the net cash position of EUR133 million and that is up from EUR98 million at the end of 2015.

The cash flow used in investing activities was EUR120 million in the year. This is a decrease of EUR34 million compared to last year, which includes two acquisitions of a combined EUR42 million. Investments in 2016 related to our transactional mapmaking platform, the map database and automotive customer-specific projects.
Now let me go to the next slide, the automotive order intake. What we show on this graph is the automotive order intake since 2013 in the grey bars and we compare that with the reported automotive revenue and the addition to the deferred revenue on our balance sheet. What I want to highlight here is the development of the order intake and the translation thereof into recognized automotive P&L revenue and the net deferred revenue on the balance sheet.

Recognized revenue, together with the net deferred revenue on the balance sheet, represents the total operational revenue in a year for automotive. For example, adding recognized revenue of EUR133 million and a net deferred revenue of EUR36 million for 2016 totals EUR169 million in 2016. If you compare that with the operational revenue of 2015, of EUR116 million, this represents growth of 46%.

In 2017 we expect to report an automotive growth of more than 20% and together with the addition to deferred revenue on the balance sheet, this will present an operational revenue of above EUR200 million.

Order intakes from 2014, 2015 and 2016 will continue to contribute to strong growth of our automotive business in the coming years. It will deliver growth to our recognized P&L revenue, but also it will continue to increase the automotive deferred revenue balance.

The last slide, the full year outlook of 2017. As already communicated in the press release, we expect revenue of between EUR925 million and EUR950 million. The adjusted earnings per share is expected to grow to around EUR0.25 and we expect a combined revenue of automotive, licensing and telematics businesses to grow above 10% year-on-year in 2017. This is in line with our previous expectation of their combined revenue CAGR of 15% between 2016 and 2020.

In consumer, we expect the PND revenue to continue to decline and this will be only partly offset by a growing sports business. We expect the level of investments, both CapEx and OpEx, to show a modest increase compared with 2016, excluding acquisitions. In particular, we are investing in advanced content and software for the automotive industry and in our mapmaking activities.

This concludes my part of the presentation and operator, we would now like to start with the Q&A session.

**QUESTIONS AND ANSWERS**

**Operator**

(Operator Instructions). We will take our first question from Francois Bouvignies from UBS. Please go ahead.

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

Hello, thank you for taking my questions. I have a couple, if I may. The first one is on your PND performance that you see in 2016, which were lower than expected, at least that's the numbers. Given the outlook in this business, what should we expect in terms of actions in 2017 that you could make? And what is your strategy for this business going forward, given the trajectory of the growth?

The second one is on the M&A strategy, you acquired a new business recently. Do you need to acquire more businesses in 2017 and beyond? That's the second one.

And the last one is on the order intake. Can you give maybe a qualitative comment around your number, like market share, ASPs, how do you see it going forward as well? Thank you very much.
Yes, thank you very much, so first, let's have a look at PND market. So it's still a declining market, it's been a declining market for a long time and we continue to play in the space. We run that -- a profitable operation, we bring and we have brought our costs in 2016 in line with the new market size. We expect that the market will continue to decline in 2017 and beyond and what we will do is we will bring the cost in that segment in line with those new realities.

M&A strategy, nothing planned for 2017 or beyond. There's not something that we want to acquire or where we are for the lookout at this stage. We continue to look at opportunities for telematics. As you know, we've done it in the past, we've acquired four businesses. If and when there are opportunities to make a deal in this space, we will look at that very carefully, but otherwise we don't have anything planned.

And the third question was order intake for automotive?

Yes, maybe your market share, how do you see it evolving and the ASPs and the trend of the market in (technical difficulty), thank you.

Yes, market share I don’t know, to be honest, because we don’t have the full picture. There is nothing that we can -- there is no external party who is charting the size of that market. So it would be highly speculative for me to give you a number there, but I think the trend is that we are increasing our market share. You’ve seen that in 2016, where we continued to grow, so I think we’re on the right track there.

ASPs are -- we see two things in ASPs, we see the prices for maps as standalone products coming down slightly, but we also see increased demand for new services and products and that includes software, mobile phone applications, update services, traffic services, parking services and so on and so forth. So the total available amount of money per car is actually going up. Thank you.

Okay, thank you.

We will now take our next question from Martijn den Drijver from NIBC. Please go ahead.

Yes, good afternoon, gentlemen. With regards to your CapEx, OpEx in 2017, can you share with us if that assumption includes or is based on the current client roster? Or is that already taking into account the assumption of contract wins? That would be question 1A.

And if you look at automotive and your ambitions for market share gains -- and I think that you mentioned, Harold, 45% or 50% long-term target -- how should we then think of CapEx, OpEx going forward? And do you expect it to continue to increase, given that for each large client that you win, which is only logical if you have to get to the 45%, 50% market share, do you expect that then OpEx, CapEx to continue to increase? Or are there some learning effects or other elements that could bring the increase to a lower level? Thank you.
Harold Goddijn - TomTom NV - CEO

Well, let me take the last question first. So if you win an automotive deal, then a couple of things happen. So typically, if you sell the full stack, you sell maps, compiled maps, software applications, services like traffic and that’s it. So then, of course, you need to sell — you need to provide integration services as well to get all that software running on the head unit.

The only variable bit in principle is the integration service, which is a small proportion of the total deal size and the amount of money we need to spend per car to get that software running on that specific head unit is typically coming down. And that’s because the quality of our components is better and we’ve done it before, we have incorporated features and functionalities on demand of our customers and can we sell those. So it is a highly scalable business. The same is true for traffic services and other services.

Now sometimes we need to do something extra in the map, because a customer is selling cars where our coverage is sub-par. That doesn’t happen very often, but it does happen and then we need to additionally make some cost in additional mapmaking or improving certain map elements or attributes. But in principle, the automotive business is highly scalable, except for integration services, but those integration services are a small proportion of the total deal size.

Taco Titulaer - TomTom NV - CFO

And Martijn, to answer your first question, we have an allocated part in our planning for deal wins. That means that if the structure or the size of the deal wins is more complicated, or larger than we had anticipated, then OpEx and CapEx can be higher and the other way around.

Martijn den Drijver - NIBC Markets - Analyst

Okay and to put it differently, if you win Toyota North America, we’re looking at higher CapEx, OpEx. If it’s a contract like Digen, you’ll be fine? That’s the way to look at it?

Taco Titulaer - TomTom NV - CFO

It depends. It’s not always volume-based, it is more what the customer asked for. So is it a standard map, or is it a map plus software or a map plus software -- map update, etc. So the size of the opportunity, there is some form of correlation, but not necessarily.

Martijn den Drijver - NIBC Markets - Analyst

Okay, and then a final question for Harold. At the TomTom tech event, you guys have been very open about the competitive advantage that you have relative to HERE. Alain was saying that you’ve tried a couple of times, but you have it right now. You have a competitive lead, if you will, of around three years. Recently, there have been a number of announcements by HERE with partners like MobileLite. I know that these are just announcements of partnerships, but do you feel that your competitive advantage has slipped or may slip, or do you feel as confident as in November?

Harold Goddijn - TomTom NV - CEO

Yes, I do. No, I don’t think that our competitive advantage is slipping at all. I’m confident that we have that lead and that we continue to build on that, and I don’t think those announcements that you talk about make any difference to that competitive position.

So no, we feel good. We feel good. And I think — and we feel good not because we want to feel good, but that’s also what our customers are telling us. So our customers are giving us strong indications that we have a good grip on [HD] maps, on real-time mapmaking, traffic information, all things that matter. We do have that edge. And I think we will continue to accelerate rather than slow down, because now we have that platform in 2017,
we can start building on top of that, and that will lead to higher degrees of automation, reduced cost, reduced cycle times, that real-time map is becoming a reality.

Martijn den Drijver - NIBC Markets - Analyst
Okay, thank you very much, gentlemen.

Operator
We will now take our next question from Marc Hesselink from ABN AMRO. Please go ahead.

Marc Hesselink - ABN AMRO - Analyst
Yes, thank you. Firstly, on the order pipeline for automotive, you've said in the past that 2016 was a bit more quiet year versus 2015. Are you still signing up a similar amount of orders? What is your feel for this year? Are there a lot of contract awards in the market this year?

Harold Goddijn - TomTom NV - CEO
Yes.

Marc Hesselink - ABN AMRO - Analyst
Yes, sure.

Harold Goddijn - TomTom NV - CEO
Yes, no, that's what we said, 2016 was a small year in terms of available order size. 2017 will be bigger.

Marc Hesselink - ABN AMRO - Analyst
Okay.

Harold Goddijn - TomTom NV - CEO
So the RFPs that are available in 2017 in aggregate are significantly higher than what was available in 2016. It doesn't mean we've won it, but the opportunity is bigger.

Marc Hesselink - ABN AMRO - Analyst
Okay, that's clear. And then secondly, actually a follow up on those partnerships. Like you said, it didn't really impact the competitive advantage at the moment, but this kind of partnership, is that something you're thinking about yourself as well? Or do you think you have an advantage if you stay relatively standalone in developing this?
Harold Goddijn - TomTom NV - CEO

No, we have no desire to be standalone, and we are not standalone. We are part of that ecosystem. We have partnerships with a number of companies in that space. We are expanding those partnerships. It fits in our vision of a more open industry that is driven by standards, and I think we're fully embracing that. So I don't see any strategic shift or any issues.

Marc Hesselink - ABN AMRO - Analyst

Okay, and final question is on more your view on cost in the medium term. You have now -- you had a step up of costs in 2016. Now in 2017, you have the benefit of consumer costs coming down, but the rest is still up. I think there's sometimes a fear in the market that you will continue to have invested quite heavily for all these new functions in automotive. Do you have a bit of a feel on where do you think, if this continues a high-cost growth environment or that it is more modest in the medium term?

Harold Goddijn - TomTom NV - CEO

Well, so you see the order intake in automotive. I think that speaks for itself. You see new partnerships, including the one with Microsoft, which is important. We've indicated that we will grow 15% per annum those business-to-business activities for the next four years. So that means that from a 2016 net revenue was about EUR425 million combined. It will grow by 2020 to about EUR750 million. That will give you that 15% CAGR. And that is very high-margin revenue, with an average gross margin of 85%, 90%.

So that will -- so we see very significant growth there. We will increase over the years some of our OpEx and some of our CapEx, but nowhere near what we're seeing in top-line growth in the next four years.

Marc Hesselink - ABN AMRO - Analyst

Okay, that's clear. Thanks.

Operator

We will now take our next question from Marc Zwartsenburg from ING. Please go ahead.

Marc Zwartsenburg - ING - Analyst

Yes, thank you for taking my questions. First question, could you give us maybe underlying EPS for 2016, if you would have not had deferred revenues or IFRS? Could you give us an indication of the underlying profitability, please? My first question.

Harold Goddijn - TomTom NV - CEO

Yes, can you give also the second question?

Marc Zwartsenburg - ING - Analyst

I've got multiple. Well, maybe the second one, then. If you look to your OpEx and cost of sales, there seems to be a step up in your amortization in there of technology. Could you provide us what the impact was on Q4 but also how you look to 2017? There will be a step up again I presume in the amortization? Can you give us the split, how that phases into both cost of sales or any OpEx?
And maybe comment also then, if you strip it out and just look at OpEx, excluding these non-cash items, what then the direction is of your OpEx? Because I still hear a lot of questions about operational leverage and your OpEx growth versus your top line, but if I'm not mistaken, your outlook, if I strip that out, the OpEx growth is actually quite modest. And maybe also in relation to your EPS guidance, how much was the impact of this amortization on that front? I know you -- I just read that it always has some impact. That's my second question, which is quite complex.

Taco Titulaer - TomTom NV - CFO
Okay, so to the -- yes, so we've broken out the amortization in our press release. I'm sure you've seen that.

Marc Zwartsenburg - ING - Analyst
Yes.

Taco Titulaer - TomTom NV - CFO
The total amortization in 2016 was EUR132 million. If you only look at the OpEx part, that was EUR123 million, and that represented 21% growth. There is nothing in there what we would identify as an extraordinary item, and that makes us feel that we need to highlight it more than we're already doing.

Marc Zwartsenburg - ING - Analyst
No, but there seems to be an acceleration toward the end of the year. Is that correct?

Taco Titulaer - TomTom NV - CFO
Yes, in this case, that is the case indeed, but that is not structural apart from that the underlying amortization will continue to go up also next year. And the guidance for next year is that we will see another EUR10 million to EUR15 million increase of our D&A line, our combined D&A line, for 2017.

So I don't want to go to earmarking all kinds of incidentals in every quarter. It's more the bigger trend that's happening in our D&A line, and that is in continued growth, and that is just following the growth that we have seen in the CapEx line over the last year.

Marc Zwartsenburg - ING - Analyst
And the EUR10 million to EUR15 million is all in D&A. Nothing is in cost of sales?

Taco Titulaer - TomTom NV - CFO
It's all in D&A, but it's not all in OpEx. So the cost of sales part is EUR10 million to EUR15 million max.

Marc Zwartsenburg - ING - Analyst
Okay. Okay. Yes, the first question, could you perhaps answer that one first on EPS adjusted for deferred for 2016? Do you have that number?
Taco Titulaer - TomTom NV - CFO

Yes. I think it's EUR0.04 negative impact for the full year.

Marc Zwartsenburg - ING - Analyst

Okay, so we had to add EUR0.04 is what you're saying, to adjust for the deferred. Sorry? Hello?

Jacoline Overdevest - TomTom NV - IR Officer

Yes, we're there, Marc.

Taco Titulaer - TomTom NV - CFO

We're adding EUR[18] million to the balance, right?

Marc Zwartsenburg - ING - Analyst

Yes.

Taco Titulaer - TomTom NV - CFO

And the EUR[18] million that we're adding to the balance, that's higher-margin business and you need to divide that by the outstanding shares. So that's roughly 240 million shares that represent EUR0.04.

Marc Zwartsenburg - ING - Analyst

Okay, and then a question on deferred revenue, the guidance, because there's a bit of a mismatch now between your P&L numbers and your cash flows, because of all these deferred revenues. Can you give us any indication what will be -- you're already giving some guidance on deferred revenues for automotive for 2017, north of 40 or so. What was the number? Can you give us an indication of the impact you would have on your cash flows next year, from capitalizing on it and reducing it?

Taco Titulaer - TomTom NV - CFO

So if you look at the line by line, I think Telematics is probably more or less [ ] or maybe an increase in the deferred presentation, but that will be single millions. Consumer will start to release on the deferred revenue line, but for automotive, we expect a large increase, and that increase will be -- we expect that will be more than the increase that we saw in 2016.

Marc Zwartsenburg - ING - Analyst

And licensing?

Taco Titulaer - TomTom NV - CFO

Licensing is more triggered by seasonal patterns and customer payments. There is no underlying trend there. It's similar to Telematics.
Marc Zwartsenburg - ING - Analyst

So if we add it all up, it comes down to the automotive part, which we should add to your cash flows?

Taco Titulaer - TomTom NV - CFO

Yes, ballpark numbers, let’s say release in consumer of EUR15 million and an increase of automotive of EUR50 million makes an increase in deferred revenue line of EUR35 million.

Marc Zwartsenburg - ING - Analyst

Okay, that’s clear. On the gross margin, what are your expectations there going forward? Because the mixes improve.

Taco Titulaer - TomTom NV - CFO

Yes, exactly. So it is the clear trend where consumer [PND and PND related] used to be 48% of our Group mix in 2015, we think that will decline to one-third of the Group mix, so that will have an impact on our gross margin, together with the continued increase of especially automotive. So we’re confident that we can pass the 60% for a full-year basis in 2017. The years beyond that, I don’t want to give too much concrete guidance, but the trends are obviously towards a further strengthening of the gross margin.

Marc Zwartsenburg - ING - Analyst

Yes, but would you say for 2017 you can see maybe already a 4% or 5% increase, or is that a bit too wild, given the deferred part of revenues?

Taco Titulaer - TomTom NV - CFO

No, what I said, so we reported a gross margin of 57%, and we’re comfortable enough to say that the gross margin for 2017 will start with a six.

Marc Zwartsenburg - ING - Analyst

Okay. Then I have one more here. Yes, the cash out for acquisitions expected for the first quarter, what should we take into account? That payment is still due.

Taco Titulaer - TomTom NV - CFO

Yes, it’s something like EUR25 million.

Marc Zwartsenburg - ING - Analyst

Okay, and then a last one, coming back to the HERE analysis, teaming up also with NVIDIA, and I think there was some questions on the Capital Market Day in November, where people asked for the exclusivity of that contract, and it wasn’t at that stage. That was the answer, but it also seemed a bit like it was rather exclusive or not going to be as competitive, but then we see the news of here two months later that they’re also teaming up.

How do you see that that also HERE is in there with NVIDIA? How do you look to those kind of news items? How does it impact you?
Harold Goddijn - TomTom NV - CEO

Yes, this is -- as I said, it's a big industry, a lot of players. NVIDIA wants to play an important role as a computing platform in the car of tomorrow. I think what is very interesting for us is that the relationship is very good. We have defined joint research and development programs. The Drive PX 2 platform will come with standard sample maps, high-definition maps of TomTom included, so software developers can start playing with that and see how it all works in practice.

Cooperation is developing nicely, and I'm very happy with that partnership, and we will continue to nurture it.

Marc Zwartsenburg - ING - Analyst

Those were my questions. Thank you very much.

Operator

(Operator Instructions). We will now take our next question from Andrew Humphrey from Morgan Stanley. Please go ahead.

Andrew Humphrey - Morgan Stanley - Analyst

Hi. Good afternoon. Thanks for taking my questions. I have a couple on autos and then one on consumer, if I may. Looking at the profile of the orders you've been announcing over the last few years in autos and the target you've given us there for EUR200 million of revenue, I'd like to understand, could you reach that EUR200 million effectively without signing any additional orders from today? So what scope is there for growth beyond that figure, I guess, is how I'd phrase it.

Secondly, on the autos business, I'm conscious when you announce booked orders, there are a lot of assumptions on pricing, attach rate and the like that go into those order book numbers. Any additional color you could give us around that would be great.

And my third question, with consumer business, is clearly it looks to me from the guidance you've given as though that's where the bulk of the downside is this year. There's clearly also a material decline in the automotive hardware business that goes into the consumer segment factored in there.

My question on that is to what extent are we getting into the territory of the law of small numbers with that automotive hardware business, and how much conservatism is baked into your assumptions about that PND business, which is obviously still somewhat more material?

Harold Goddijn - TomTom NV - CEO

Yes, okay. Thank you. So the first question is can we reach EUR200 million without signing up any orders? The answer is yes, we can.

Then, yes, automotive hardware in consumer, that's a bit of an old one. We did a deal, I think it was back in 2009, if I'm correct, where we started to sell hardware into one of our customers. We have long since decided to stop doing hardware. This is the tail end of the contract. It will run down. It has actually a much longer shelf life than everybody had expected, but it is running down, and that will -- I think that will come down completely in 2019. That is the current planning.

So from 2019 or 2018, even, I think, it will come down completely to zero. But that is automotive hardware, as reported on consumer side, and it carries not a lot of high margin there. That was one of the reasons to stop it in the first place.
When we communicate the order book, and the order intake, we base ourselves on the numbers that are provided by us in the RFQs from the carmakers, and the carmakers obviously give us the numbers, both based on their own planning. Traditionally, those plannings are reasonably accurate, and often somewhat on the conservative side. They're not 100% accurate, but for planning purposes, they are good enough, in our experience. And then the last question --

Andrew Humphrey - Morgan Stanley - Analyst
Just about the prospect of any material difference in the PND business from what you're currently assuming?

Harold Goddijn - TomTom NV - CEO
Yes, at the end of the day, we don't know. So the decline was faster in 2016 than we had anticipated, and what we could anticipate based on historical numbers, so the decline in 2015 was very benign. It was a big more aggressive, and especially in the second half 2016, and we continue to plan based on that more aggressive scenario for 2017 and beyond.

Andrew Humphrey - Morgan Stanley - Analyst
Thanks. That's --

Harold Goddijn - TomTom NV - CEO
Yes, and then within the category, there are some growth areas as well. So we do a motorcycle product. We do a programmable terminal for business-to-business applications. Those are -- in that mix are growing quite nicely, but they don’t represent a very large number, but they are growing. We can play in that space, because most of the technologies we have to develop anyway, we are developing for automotive customers, reporting them on a PND, package them if you like, on a PND for those type of applications and markets.

Andrew Humphrey - Morgan Stanley - Analyst
Great. Thank you very much.

Operator
We will now take our next question from Shyam Kumar from Shyam Kudari Partners. Please go ahead.

Shyam Kumar - Kudari Partners - Analyst
Hi there. Can I just follow up on consumer? I guess given it's obviously -- and PND in particular. Given it's obviously a much less good business than the rest of the Group, it's facing structural headwinds, I don't think it generates much cash, it's been responsible for two revenue downgrades in the last six months, which has seen your stock price fall like today 8% to 10%, and I would argue the reason your company is woefully undervalued at EUR8 versus sum of the parts valuations from the likes of ABN and ING have EUR14 to EUR15 -- is it not obvious that a very strategically positive thing to do for shareholders and for stakeholders is to either dispose of that business or make a more aggressive attempt to shut it down and divert capital and resources for the software and services part, please?
Harold Goddijn - TomTom NV - CEO

Yes, we -- thank you for that comment. I hear your concerns. I don't think it is as dramatic as you just picture that business. It's not that distracting from management.

Shyam Kumar - Kuvari Partners - Analyst

But it certainly is for investors. It certainly is for investors, and they're right to be distracted by it, because many investors say they're not interested in investing in TomTom because of what they consider a bad hardware business. And actually, on two occasions on the last six months, they were right not to have invested on that basis, despite the amazing stuff going on in the software and services part of the business, which is a huge credit to you guys, because of successional revenue downgrades.

The year 2017, and 2017, we're still having a revenue downgrade and disappointment based largely on consumer. And I just feel a more aggressive approach is needed from you guys at this juncture, because it's very obvious that PND is in structural decline. I'm not sure how much cash you realistically think you're going to get out of the business, and I'm just wondering why the steps and the motion isn't in place to get ahead of the obvious decline before it turns into a structural loss-making business to try and salvage it now.

Harold Goddijn - TomTom NV - CEO

Thank you for those comments. I don't want to comment on that right now. We take it into account. Thank you.

Shyam Kumar - Kuvari Partners - Analyst

Okay, fine. And I've got one more question, just on HERE, given the structure of HERE, whereby it's entered, it's had stakeholders take an equity stake in the maps -- sorry, in the company itself -- is there not an industrial logic for that? And what I'm wondering is, is the industrial logic not based around maybe getting guaranteed access to data? If they're doing it, why is it not logical for you to do it? What's their industrial logic that is not what you're sharing?

Harold Goddijn - TomTom NV - CEO

You're referring to the HERE situation?

Shyam Kumar - Kuvari Partners - Analyst

Yes, the HERE structure. They're selling stakes in their map left, right and center, and there must be an industrial logic to that besides just reclaiming some cash, because they're owned by the biggest auto companies in the world. So is there an industrial logic in their thinking which is, hey, we get guaranteed access to data for the rest of our lives, which is maybe a risk point that maybe you should address as well?

Harold Goddijn - TomTom NV - CEO

Yes. Yes, so I think the industrial logic for the general carmakers buying here is not strong, but the -- I think it comes with a lot of negatives as well. But you're right. The access to probe data and sensor data is going to be important, and we're fully aware of that, and our customers with whom we are working on HD maps and those location technologies also understand that that data is important for us.

So I think what we have pulled off in traffic, where we get probe data from all of our customers, is a good model for us to continue, and I don't think you need a -- those carmakers need to participate in the capital. I think that comes with more concerns and more downside than just being a neutral player who is making a mark based on technology and forward-looking technologies.
I don’t see that industrial logic at the moment. Yes, probe data is important, and yes, we are working on that.

**Shyam Kumar** - *Kuvari Partners - Analyst*
Okay, and just one last boring one. As the hardware division (technical difficulty), how much cash can we release from inventory or just low inventory levels going forward, please?

**Harold Goddijn** - *TomTom NV - CEO*
I defer that question to the CFO.

**Taco Titulaer** - *TomTom NV - CFO*
Thank you, Harold. Tens of millions.

**Shyam Kumar** - *Kuvari Partners - Analyst*
Okay. That's everything from me.

**Harold Goddijn** - *TomTom NV - CEO*
Okay.

**Jacoline Overdevest** - *TomTom NV - IR Officer*
If there are no further questions, 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. 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.