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TOM2.AS - Q1 2026 TomTom NV Earnings Call

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PRESENTATION

Operator

Good day, ladies and gentlemen. Welcome to TomTom's first-quarter 2026 results conference call. (Operator Instructions) Please note that this conference is being recorded.

I'll now turn the call over to your host for today's conference, Claudia Janssen, Investor Relations. You may begin.

Claudia Janssen - TomTom NV - Group Controller & Head of Investor Relations

Yes. Thank you. Good afternoon, everyone, and welcome to our conference call. In today's call, we will discuss the Q1 2026 operational highlights and financial results with Harold Goddijn and Taco Titulaer. Harold will begin with an update on strategic developments. Taco will then provide further insight into our financials. After their prepared remarks, we will open the line for your questions.

As always, please note that Safe Harbor applies.

With that, Harold, let me, for the last time, hand it over to you.

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

Yeah. Thank you. Thank you very much, Claudia. And good afternoon, everyone. Thank you for joining us. I will start with a brief update on our strategic and operational progress, and then I'll hand over to Taco for the financials.

The first quarter of 2026, execution was solid, profitability continued to improve. Our core Location Technology business, Automotive and Enterprise, both made good progress, while revenue trends reflect the transition we expected this year.

In Automotive, we see carmakers accelerating their software strategies and taking more control of the in-vehicle stack. And at the same time, the industry continues to move towards higher levels of automation. Our Lane Model Maps are becoming an important differentiator. We're building on that, working closely with OEMs to support advanced driver assistance and autonomous driving.

In Enterprise, we extended both our customer base and our use cases. We strengthened our position in traffic and traffic analytics through new partnerships, including AECOM, Kapsch TrafficCom, and LOCUS. These partnerships extend our real-time traffic data into infrastructure planning, traffic management, location intelligence. We are also underlying the value customer plays in quality and depth of our data and on TomTom as a trusted part.

Overall, we are confident in our progress. The steps we are taking, advancing our Map platform and building strategic partnerships positions well for 2026 and beyond.

Before I hand over, a few words on the leadership transition we announced in March. Following a structured succession process, Mike Schoofs has been appointed CEO in today's general meeting.

Mike has been with TomTom for over 20 years and built our global commercial organization. He knows the company, he knows our customers, and he knows the market inside out. I'm confident he will lead the next phase of our strategy with clarity and momentum. As a co-founder, it's very satisfying to see TomTom moving in this next chapter with strong leadership in place.

And with that, I'll hand over to Taco for the financials.

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

Thank you, Harold. Let me discuss the financials and after that, we can take your questions. In the first quarter of 2026, group revenue was EUR129 million, an 8% decrease from last year's EUR140 million. The decline was in line with the expectations and guidance we provided with our Q4 results.

Let me briefly breakdown our top line performance. Automotive IFRS revenue came in at EUR76 million for the quarter. That's a 5% decrease compared with the same quarter last year. Automotive operational revenue was EUR70 million, which is 16% lower year on year. The decrease in revenue related on the gradual discontinuation of certain customer programs along with the effect of a stronger euro relative to the US dollar.

Enterprise revenue was EUR38 million, down 8% year on year. Adjusted for currency fluctuations, Enterprise revenue showed a slight increase year on year. Taken together, our Location Technology segment generated EUR114 million in revenue, which is 6% lower than Q1 last year. On a constant currency basis, Location Technology revenue increased marginally.

The Consumer segment, as expected, declined versus prior year. Consumer revenue was EUR15 million, down 21% year on year. Q1 2025 was EUR19 million, reflecting the development of the portable navigation device market. Consumer now represents a small part of our total revenue.

Gross margin improved to 90% this quarter, up from 88% in Q1 last year. The two-percentage-point increase was driven by a higher proportion of high-margin Location Technology revenue in our revenue mix.

Operating expenses were EUR103 million, a reduction of EUR15 million compared with the same quarter last year. The decrease is mainly the result of the organizational realignment we carried out last year, which lowered our cost base, combined with the higher capitalization of our investments in Lane Model Maps.

As a result of higher gross margin, lower cost, our operating results were EUR14 million for the quarter, a sharp improvement from EUR6 million in Q1 last year. And our operating margin was 11%, up from 4% in the same quarter last year.

Finally, free cash flow for the quarter improved to a positive inflow of EUR1 million when excluding restructuring payments compared to a EUR3 million outflow in Q1 2025. We continued our share buyback program during the quarter. By the end of Q1, we have completed EUR11 million of EUR15 million announced in December last year. We ended Q1 with a cash position of EUR248 million with no debt on the balance sheet. This cash position provides us sufficient stability and flexibility.

Our first quarter performance confirms that we are on track for 2026. The revenue decline we saw in Q1, as mentioned before, was anticipated, and we managed to improve our profitability despite the lower revenue. Looking ahead, we are reiterating our full year 2026 outlook. We expect group revenue of EUR495 million to EUR555 million in 2026, with Location Technology revenue of EUR435 million to

EUR485 million and an operating margin around 3% for the full year.

As we indicated previously, some transitional headwinds like the phase-out of certain customer programs will weigh on this year's top line. But this impact is temporary. Therefore, we're continuing to invest in our Lane Model Maps, which are critical for a higher level of automated driving.

As a result, free cash flow for 2026 is expected to be negative. As new automotive programs ramp up and the newer products gain traction, we expect higher revenues combined with an ongoing cost discipline to drive a further step-up in operating margin in the long term.

And with that, we are ready to take your questions. Operator, please start the Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Marc Hesselink, ING.

Marc Hesselink - ING Groep NV - Equity Analyst

Yes. I would take the opportunity to also look a little bit for the long term. I think when I started to cover TomTom more than a decade ago, one of the big promises was always autonomous driving and driving the long term. I think if you're looking at the market today, because of all the developments in AI, both on the side of producing the map but also on using it, and now maybe autonomous driving being much nearer than it has ever been.

How do you see that next phase? Do you really see that we are now at the start of the next phase and we are going to see major differences for how the map is going to be used and the opportunities in the map, and how important it is for autonomous driving? Just giving a little bit your long-term view on how this developed over the years and what's coming in the next few years.

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

Yes, Marc, thank you. So you're right, the self-driving technology has been a big problem for a very long time. And it was always, until recently I would say, fail to live up to the expectations. What we now witness is a new approach to self-driving technology, more based on AI and self-learning, which is much more promising. And at least in the laboratory, we can see sophisticated levels of self-driving technology being deployed in real cars.

So I think from a technology perspective, we are closer to solving the problem than ever before. What remains are the economics and also the regulatory framework which will follow the technology. But I think from a technology perspective, we are motoring now, literally.

And we see that also in the demand for our products. Carmakers are now asking for higher levels of accuracy, more dynamic data, lane level information to enable self-driving technology and to provide a powerful additional data set next to the edge-processing that's placed in the car based on sensor information.

We've seen that coming back also in the orders and, first of all, the interest in our products, and the way we would use our products. But we've also seen it coming back in the order book. We had a big win last year with Volkswagen. As you know, it was a significant contract. And that is a product and a contract clearly aimed at higher levels of automation. To what level exactly, remains to be seen. But what we do see is a higher degree of automation than we have seen before. And also the technology will enter into the main stream sooner or later.

And we've seen comparable questions and demands from other OEMs. Some of those demands have translated into contracts, but there's also a healthy pipeline in '26, '27 to go further than that.

Last thing, I think, is another trend that we're witnessing is that carmakers seem to prefer a unified map offering that is both suitable for navigation and display map rendering and, at the same time, can power the robot of the self-driving system. And the reason for that is that the self-driving system is also looking for a way to communicate with the driver what's happening.

And when on the same data set, it's technically an easy problem to solve. So we see a preference developing for unified map that is both the traditional navigation route planning, traffic information as well as being the sensor for the robot for the self-driving part of the vehicle.

Marc Hesselink - ING Groep NV - Equity Analyst

Okay. That is clear. Maybe as a follow-up, I think also the same debate has been for a long period of time, which is if a map layer is needed for this autonomous driving, yes or no? And I think there is still a debate, at least reading to all kinds of articles on that one, I guess there's still the redundancy element of map, anything which you can add with the most recent conversations with your client, why a map would be required for functioning autonomous driving it the right way?

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

Yeah. It's a bit of a marketing story as well, I think from vendors who are offering self-driving technology that is "mapless". We don't know of those systems that are mapless. They do not exist other than in the laboratory and are more battle-hardened.

I think the way to think about it is that it makes self-driving technology easier when you do have a map, and more reliable, and redundant. The big challenge for software developers is not to fix the first 95% of accuracy. That is kind of a solved problem. The real problem is to solve for the last 5%. That is the hardest bit. Solving that last 5% is a whole lot easier if you have a reliable map underpinning your system than doing it without a map.

And we see that also translated in our own interactions with customers, both OEMs but also providers of self-driving systems that we are closely aligned with and talking to, to see how we can collect as we come up as a system that is robust, reliable, but also, I have to say, affordable.

One of the reasons that the old HD Map never took off is cost, and cost was a problem because we were driving those roads ourselves as mapping fans. And that's A, expensive; and B, does not provide regular updates, with too long cycle time. With the new technology, the new approach, we have solved for both those problems, cost as well as cycle time and freshness. So, I think the market opportunity is wide open. And I think that battle will play over the next two, three years, I think, for presence in that self-driving ecosystem.

Marc Hesselink - ING Groep NV - Equity Analyst

Great, thanks. And then a final question from my side is leveraging that one also in the Enterprise segment because I can imagine the point you just mentioned, cost, freshness, cycle time, eventually are also very important beyond Automotive.

I think at the Capital Markets Day, this part was quite promising, then it leveled off a bit. But maybe now with the progress we've made over the last two years, is it time that this one also can see some reignited growth?

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

I think the product challenges on the Enterprise side are slightly different. There is some overlap, but the challenges are not the same. The development of Lane Level Map is predominantly driven by the requirements of carmakers and systems providers of automated driving systems. But I do expect overlap in the Enterprise world. And I think, given sufficient time, it will be harder to start distinguishing between what we call SD Map and a Lane Level Map.

So those worlds will come together. There will be some overlap, but growth in the Enterprise sector will come initially from other initiatives that we are deploying. And I think we are getting on track also a little bit better on the Enterprise side in filling that pipeline better than we have been able to do in 2025. So I think the initial signs in the Enterprise side are encouraging.

Marc Hesselink - ING Groep NV - Equity Analyst

Great. Thanks for all the conversations over the years.

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

Thank you. Thank you for covering us. It was a pleasure.

Operator

(Operator Instructions) Andrew Hayman, Independent Minds.

Andrew Hayman - Independent Minds - Analyst

Yes, Harold, just maybe one clarification. You just mentioned that the old HD Maps never took off because of costs. Does that mean you've changed the pricing on the Lane Level Maps?

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

No, we have not necessarily changed the pricing. But I think everybody understood that scaling that edge level HD Map as we did it 10 years ago was just too expensive and prohibitive.

We have seen traction on the HD Map, and we still have customers driving with that HD Map. But everybody understands that if you want to improve the freshness, and even more importantly if you want to improve the coverage, and when I say coverage, it is basically beyond motorways, then you end up in an unprofitable business case very, very quickly.

So it's not the unit price so much that I'm talking about, but it's more the capabilities of the product, the carmakers as well as systems providers are looking for coverage and accuracy on all roads, not just motorways. And motorways is only, what is it, 5% of the total road network is motorway. The rest is all secondary, tertiary and local roads. And so if you want to do an accurate product on all roads, including freshness, than the old technology could never deliver that.

Andrew Hayman - Independent Minds - Analyst

Okay, thank you. And then maybe if I look at the forecast for 2026, it's quite a large range for revenue overall, it's a span of EUR60 million. And then for the Location Technology component, it's a span of EUR50 million. What's the thought process behind that range? Is it just that there's so much uncertainty at the moment about car production levels?

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

Yes. It's a bit of that, of course. Currency plays a role as well. So for all the three revenue generating units, there is a bell curve of expectations. We do think that the middle of both revenue ranges is the best guidance that we can give.

Andrew Hayman - Independent Minds - Analyst

Okay. And then on the change in management. I mean, there's clearly considerable continuity because Mike has been with TomTom for a long time, and, Harold, you're moving up to the Supervisory Board. But any new CEO is going to want to make adjustments or emphasize different areas or components, what changes do you see happening under Mike going forward?

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

Well, that's for Mike to talk through, and I'm sure he will do that when it's his turn in 3 months from now, he will start to give you some of his ideas.

What I want to say is this, I think we've gone through a major product transition over last years that has led to a competitive product. Based on the product, there is market share to be gained. And I think we're well positioned. That needs to land, and there's also things that can go wrong, obviously. But net-net, I think that gives focus and clarity of what we need to do at least in the next 12 to 24 months. And I think that's good.

But of course, the world is changing rapidly. It's not only what we see geopolitically in terms of tariffs and in terms of energy and what not, but it's also the impact of AI potentially going forward, that will have a significant effect on how we do things, how customers are consuming upward. I think our anchor product the map, is safe, and we will use AI to optimize processes and make it cheaper to maintain it. But that anchor product is good. And the way we deploy AI going forward, and how the world evolves around AI, will affect the company, like any other company in the world. So those are, I think for the moment, the two big axes where we need to follow progress going forward.

Andrew Hayman - Independent Minds - Analyst

And then maybe on a smaller note. On Enterprise, if you adjust for currency, it's growing, but it's not having the easiest time. And if we look back to you joining with OSM, the idea was that you get more detailed maps and that may open up more market opportunities or expand the potential market for your maps, maybe social travel and food delivery. How is that going? I mean, are you making some progress but the clients are quite small in those areas that you're getting through? And how do you see that progressing?

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

Yes, I think it's a good question, Andrew. I think 2025 was slightly disappointing in terms of order intake and traction, right, always in the Enterprise market, but I think we have turned that corner, and we see some early green shoots. I think the central promise of having a better map that's easier to maintain is valid also for the Enterprise world. And we are now pitching for contracts and opportunities that we could not win based on the old technology. So there's tons of examples of that.

So it's slightly disappointing that it's taking longer, but I think the central idea of having a better map, more detail, more freshness, more efficient to maintain is still valid. And I hope that we will see that also being translated into Enterprise growth in 2026 and beyond.

Operator

Wim Gille, ABN AMRO ODDO.

Wim Gille - ABN AMRO - ODDO BHF B.V. - Analyst

This is Wim from ABN AMRO. Apologies for the noise, but I'm in the train. So I hope you can hear me. First, on the rollout of the Lane Level Maps. You started off just in Germany. So can you give a little bit of clarity on where you are in the rollout in terms of number of countries, but also are you still just on the motorways? Or are you basically doing all the other roads as well throughout Germany as well as the other countries that you're rolling out?

The second question would be on capitalized R&D. That seems to suggest you are accelerating the investments that you're doing in rollout. So can you give us a bit more clarity on that decision? Is that based on the demand? Or do you basically just need to address more to get to the same results that you were looking for? And what is the reception of clients since you introduced this concept earlier last year?

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

Yes, you're coming through loud and clear. So no worries on that side. So, the Lane Model product, our goal is to build it completely automated. So expanding coverage is just a matter of compute and electricity, but no other practical limitations on coverage and speed of production. That's where we want to end up. That's not what we are.

There is a certain level of fallout following those automated processes. And that means the manual labor and operator interaction, in some cases, are required to filter out inconsistencies to checks and so on and so forth. And we are in a position now where we are not only producing but we are also making investments to reduce that fallout in order to prevent manual labor and improve the speed of the process and the associated coverage.

The idea is that by the end of the year, we have a full Lane Level Map, both for North America and for Europe. We're producing it now for parts of Germany, whilst improving the process, improving the factory, in the pipelines, if you like, and the aim is to reduce the amount of manual labor we need to produce those maps close to zero. We'll probably never get to zero, but it needs to get close to zero because that gives us not only speed, flexibility and efficiency but also quality.

Wim Gille - ABN AMRO - ODDO BHF B.V. - Analyst

What are clients saying about the product?

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

So, people are excited that it's possible, we are producing a product that could not be produced before. They're excited that it has been developed with a view to serve security and safety critical applications. And so it's an industry strength of product, and also how the quality systems are designed to make sure that we meet those standards.

So yes, both carmakers and systems providers are excited that there is a product that can play an important role, and they're looking at progress with interest. We will start doing test driving with integrated systems now or in the next couple of months or something like that, where we get, for the first time, real-time feedback on how the system – not the map but the system with the map – is behaving in practice and in real life situation. So those are important milestones.

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

Wim, you also had a question about CAPEX. So in the cash flow statement, you see that line investment in intangible assets, that's indeed higher than what it was last year same quarter. I expect that to "normalize" below EUR10 million going forward. So it is more, I wouldn't call one-off, but it's not a clear trend that it now will go up every quarter.

Wim Gille - ABN AMRO - ODDO BHF B.V. - Analyst

Very good. If you are now participating in RFQs, specifically related to HD, I can suspect that most of the RFQs that you're participating in are now HD driven and no longer SD Map driven. How is your product up against the competition? Are you still producing HD Maps in the old way? What does it do to your competitive pricing advantage? Which parties do you actually engage in these RFQs? I can only assume that HERE, and in some cases Google, but do you also see newcomers joining in these RFQs? Thanks.

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

Sorry, Wim, I try to understand your question, it was not entirely clear, to be honest, the first part in particular. So, in terms of market position, I think we are currently leading in specs, in ambition. Of course, we need to deliver all that goodness as well. And our internal target is by the end of this year to have significant coverage on both continents.

And I think that will be a leading and is a leading product, both in terms of what it does and how it is produced, which is not a minor point actually. In this case, it really matters how you produce it because it tells you something about economics, quality, repeatability and so on and so forth.

And there is significant interest, I think, from the industry players in what's going on. And so we feel good about that. I think Google, obviously, is an important competitor, but Google has a tendency to leverage consumer grade products for the automotive world. And this is not typically an area where they're focusing on.

Wim Gille - ABN AMRO - ODDO BHF B.V. - Analyst

And are you encountering any new competition in RFQ processes?

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

No, we do not. It depends how you define competition. But I think there's no one else that I know of with an integrated approach to navigation, self-driving, ADAS, all on one product stack.

Wim Gille - ABN AMRO - ODDO BHF B.V. - Analyst

And with respect to Enterprise, I do have a question on kind of the conversion and basically the acceleration that you are seeing at the moment. Can you give us a bit of a feeling on kind of what type of, let's say, projects you are now converting or are close to converting, are these still the smaller projects? Are we also now looking at the bigger clients and the ones that we really move the needle?

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

Yeah. I wouldn't say acceleration, I used the word green shoots, both contracts and also a pipeline that is building. A couple of areas where we see good traction is InsurTech, Defense, there are significant opportunities opening up, Intelligence, public usage of our data, both

traffic planning, Intelligence. Those are the sectors where we see the order book and the pipeline really filling up. Some of those opportunities are significant as well, multiple millions per annum.

Wim Gille - ABN AMRO - ODDO BHF B.V. - Analyst

Thank you. And that leaves me with basically one last comment. So I would like to thank you for, I think, close to 80 earnings calls that we did together. No doubt we will meet again.

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

That sounds like a lot, Wim. Thank you very much. It's been a privilege and a pleasure.

Operator

(Operator Instructions)

Claudia Janssen - TomTom NV - Group Controller & Head - Investor Relations

As there seem to be no additional questions, I want to thank you all for joining us today. Heidi, you may now close the call.

Operator

Thank you. This concludes today's presentation. Thank you for your participating. You may now disconnect.

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