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TomTom NV Earnings Call

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CORPORATE PARTICIPANTS

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

Mike Schoofs TomTom NV - Chief Executive Officer

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

CONFERENCE CALL PARTICIPANTS

Andrew Hayman Independent Minds - Analyst

Marc Hesselink ING Groep NV - Equity Analyst

PRESENTATION

Operator

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

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

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

Thank you, operator. Good afternoon, everyone, and welcome to our conference call. On today's call, we will discuss the operational highlights and financial results for the second quarter and first half of 2026, together with Mike Schoofs and Taco Titulaer.

Mike will begin with an update on our strategic and operational developments, and Taco will then provide further insight into our financials. After their prepared remarks, we will open the line for your questions. And as always, please note that Safe Harbor applies.

With that, Mike, let me hand it over to you.

Mike Schoofs - TomTom NV - Chief Executive Officer

Thank you, Claudia, and good afternoon, everyone, and thank you for joining our call. I'll begin with an update on our strategic and operational progress for the quarter before handing over later to Taco for the financials.

So during the quarter, we continued to make progress across both Automotive and Enterprise, strengthening our position as a provider of high-quality, scalable location technology.

In Automotive, we see investments in automated driving where we act as a critical safety component in a growing industry. We're engaging globally with key players in the ecosystem and with the OEMs. And our location data and our dynamic services like

Traffic, Speeds, and Hazards play a key role to get to zero accidents together and fewer disengagements of the automated driving systems. And quality and freshness at scale for our data are clear differentiators in those conversations.

In Enterprise, we continue to broaden our customer base and expand the range of use cases we support. So growth across more customers with new logos is helping us to further diversify our revenue base and reduce customer concentration, which is quite important in a good trend.

So we see the need for high-quality, continuously updated location data that can be seamlessly consumed by AI systems. And to support this as an example, we introduced the TomTom Agent Toolkit through our Maps SDK, enabling developers to build AI-powered applications that interact more intelligently with maps and location data. We also have a sharp focus on growth industries like Government and Defense, Public Sector, and Geospatial Analytics, of which Insurtech is a big market, enables us to increase our opportunity pipeline in terms of new logos and the size of individual deals.

Overall, the progress we are making reflects disciplined execution, continued product innovation, and strengthening commercial traction across our core markets.

Looking ahead, we remain focused on execution in 2026 while positioning the company for future growth. And we see our customer programs expanding into 2027, especially in Automotive, notably through China overseas wins, and a further rollout and expansion within the VW Group.

We see clear opportunities in Location Intelligence, which is predominantly Enterprise. Our data and dynamic services are the key components to increase adoption within workflows of our target industries. Making our data AI-consumable also unlocks new use cases and expands our addressable markets.

We are confident that the steps we are taking today will support the return to revenue growth from 2027 onwards, and continued improvement in profitability over time. And with that, I'll hand over to Taco, who will take you through the financial results in more detail.

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

Thank you, Mike. I'll cover our financial performance and our outlook, after which we'll take your questions.

In the second quarter of 2026, group revenue was EUR135 million, an 8% decrease from last year's EUR146 million. Decline was in line with expectations, and revenue remains on track for the full year. Let me briefly break down our top-line performance.

Starting with Automotive revenue. It came in at EUR81 million for the quarter, a 6% decrease year-on-year. Automotive operational revenue was EUR76 million, down 2% year-on-year. Excluding currency effects, revenue was more or less stable, with higher production volumes at certain customers offsetting the ramp-down of some vehicle programs.

Enterprise revenue was EUR38 million, down 4% year-on-year. On a constant currency basis, revenue was stable year-on-year.

Taken together, our Location Technology segment generated EUR119 million, which is 5% lower than last year.

Finally, the Consumer segment declined as expected. Consumer revenue was EUR15 million, down 24% year-on-year, reflecting the continued contraction of the PND market and also memory supply constraints. Gross margin improved to 90%, up from 88% last year. This increase was driven by a higher proportion of high-margin Location Technology revenue in our mix.

Operating expenses were EUR113 million, a reduction of EUR35 million compared with the same period last year. Excluding the restructuring charge in the prior year, underlying operating expenses decreased, mainly reflecting lower personnel costs following the organizational realignment and one-off items in the prior years.

As a result, our operating result was EUR9 million compared with the loss of EUR20 million in the same quarter last year. Our operating margin was 6%, a sharp improvement year-on-year. Free cash flow for the quarter was an outflow of EUR8 million, compared with an inflow of EUR14 million last year. During the quarter, we completed our EUR15 million share buyback program. We ended the quarter with a net cash position of EUR234 million, with no outstanding bank borrowings.

Then on to the outlook, we are on track for 2026. Revenue development is progressing as expected and we are delivering improvements in profitability driven by strong gross margins and disciplined cost control. Looking ahead, we are reiterating our full-year 2026 outlook: we expect group revenue of EUR495 million to EUR555 million, with Location Technology revenue of EUR435 million to EUR485 million, and an operating margin of around 3% for the full year.

As already mentioned by Mike, we see a path towards revenue growth next year for total revenue excluding Consumer. We also expect a further strengthening of both our gross and operating margins. And with that, we are ready to take your questions. Operator, please start the Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Andrew Heyman, Independent Minds.

Andrew Hayman - Independent Minds - Analyst

Thank you. Maybe just a broad question for Mike to start with, since it's your first call. There's clearly going to be considerable continuity at TomTom, given your appointment and the length of time you've been with the company. But I could imagine that there's some adjustments that you want to make. Is there anything you could outline on shifts that you're looking to implement within the company?

Mike Schoofs - TomTom NV - Chief Executive Officer

Thank you, Andrew, for that question. So as you say, we want to see continuity as well. We have a strong foundation with a backlog in both Automotive and Enterprise. But what I already said in my opening, you see strong growth segments in both Automotive and in Location Intelligence. And we want to concentrate also in those growth markets. So if you look at automated driving, there's clearly investments happening from the industry and there's margin and value in those.

And for us, we see a clear product market fit and we have an edge there. So we're investing and we already have two points with a strong deal with the VW Group. So we want to double down. That's an important topic. In order to do that, you need to make choices and to say that you go after those markets.

The other part, and by the way, before I move to Location Intelligence and Enterprise, is also that you see a shift from purely navigation into automated driving where it gets visualized into the infotainment system of a car. So it's not just navigation anymore, it all comes together, that technology, which is a very strong momentum where we want to play a key role. So that's quite important for us to have the right positioning with our data and our services.

Outside of Automotive, that Location Intelligence part is also fast-growing, but it's a vast landscape. So also there you need to pick your battles, and what we can see is with the whole shift of AI consumable data, the data is a fuel, and it's very strong. And people look for fresh, wide coverage, qualitative data, which is rich in features and attributes, and we have that. That's our fuel and our baseline. Now we're investing into making that AI consumable, which is accelerating the adoption in our existing segments, but also opening new use cases.

And in order to grow there, you need to be more relevant in those industries with that interface you build on top of your data, which we're doing, and also moving higher up the stack in terms of location analytics, making, enabling decisions from your customers instead of just the pure raw data.

So there's a shift happening there, which we see in terms of how we invest in our product stack as well to accelerate in growth markets. And that's more the concentration where we see the landscape moving, where we see growth in the industry with high margin, strong value and a competitive edge, and we go more in those directions in terms of investment and concentrating go-to-market.

Andrew Hayman - Independent Minds - Analyst

Okay, interesting. And then you did specifically mention VW. I mean, obviously in the news at the moment, there's a lot of news about cuts that they're planning to make. Are you seeing that impact you at all, or are you finding that actually the potential business there is just as interesting, because levels of automation look like they'll be higher than maybe you once thought?

Mike Schoofs - TomTom NV - Chief Executive Officer

So, if you look at across the board in the car industry, there's a lot of turmoil in that industry. We see a lot of things happening because big decisions on EVs, software, AI, automated driving, so there's almost no exceptions there across the board globally. And VW is one of them, arguably a little bit closer to our doorstep in Europe, and there's a lot of things going on.

But what we see is that there is that requirement and that push across the globe to invest in automated driving capabilities of L2+ that's happening everywhere. So there's no slowing down there regardless of reorganizations in the automotive industry and decisions they need to take. We see those programs have high intensity and high pressure, and they need to be delivered for competitive business as well, especially what you see coming overseas from China.

So all that to say, I don't see an impact. The solutions need to be driven to the market to be competitive across the board. And we are working very closely with our partners to bring those solutions to the market. So it's not changing.

Andrew Hayman - Independent Minds – Analyst

And then just specifically on this quarter, I mean, the free cash flow was quite soft. And you already said that for the year, free cash flow will be negative as you invest in Lane Level Maps. But any detail on that would be helpful. I mean, what do you expect for the full year for free cash flow? Would there be some reversal from Q2?

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

I think for the full year, free cash flow will be negative. It will continue to be negative. I think it will gradually slow down, which will have seasonal patterns or working capital that we don't want to influence. That said, we are on track to reverse that trend for next year, but for this year, the free cash flow will continue to be negative.

Andrew Hayman - Independent Minds - Analyst

Okay. And then one other number question. The operating expenses decreased EUR10 million year-over-year if you strip out the restructuring. But there's also mention of a one-off reversal of previously capitalized contract costs booked in Q2'25. Do you have any details on that, for example, of the size of it and why was it reversed?

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

Well, I need to look up what we exactly said last year and during the Q2 press release of 2025, but it was certain the costs that we put on the balance sheet. It was a change of plan of the customers and then we take those costs via the OpEx line. So that's a one-off that occurred 12 months ago.

Andrew Hayman - Independent Minds - Analyst

Okay, okay. Yes, I'll hand it over to somebody else. Thank you very much.

Operator

Marc Hesselink, ING.

Marc Hesselink - ING Groep NV - Equity Analyst

Yes, thank you. The first thing I want to discuss with you, next year we should see a growth year, backed by your current backlog.

How do you see that trajectory? Is that something that we will see already in the second-half of the year, some clear improvements in the trading conditions? And then accelerating pace over the course of '27, or are there any really step changes going into that growth trajectory because of new models coming online, new contracts getting ready, that kind of stuff?

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

Yeah, it is the latter. So we expect revenue to start growing as of next year, not in the second-half.

Marc Hesselink - ING Groep NV - Equity Analyst

Okay, that's clear. Then, maybe zooming back a little bit on the operating expenses. I think you've highlighted that in the second-half of the year there will be a little bit less capitalization, but in the first half of the year, clearly, we're running ahead of your guidance. I mean, if you get to the real guidance, it means that you have close to 0% margin in the second-half of the year. That seems also a bit harsh, looking at all the trends and maybe all the moving parts into the second-half relative to the first half to get to that 3% level.

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

Yeah, so I expect that operating margin will continue to be positive, although maybe not the percentages that we saw in the previous quarter. So overall, indeed, we are very comfortable with the guidance of 3%, meaning that it might be a little bit higher than that. But that said, the 6% will not be repeated in the second-half of the year, also due to less capitalization.

Marc Hesselink - ING Groep NV - Equity Analyst

Thanks. And finally on EVs, the narrative is changing a bit, maybe not yet really visible in the numbers. But if you have the discussion with your clients, I mean, do they expect to significantly see the proportion of EVs continue to rise into next year? And if that's the case, how positive will that be for you given the typically higher attachment rates to EVs?

Mike Schoofs - TomTom NV - Chief Executive Officer

Yeah. So I think we've seen in the industry over the past 24 months shifts in both directions, shifting upwards in terms of EV adoption and down. Also, the latest developments geopolitically has had an influence over EV adoption with fuel prices. But it's hard to really define a forecast and a pattern to say this is going to continue. We see the move into hybrid again. We see more different powertrains running in parallel, which complicates the landscape for carmakers.

I would say the most important development we're seeing is the acceleration in automated driving, which I said before. So there's clear investment choices that carmakers need to make on top of everything else next to EV. And that's where the value lies and the growth lies as well in the industry and where we want to play a key role, which we're already doing with the big deal in the win with VW. But also expanding that with the ecosystem players in automated driving and with the car makers across the globe. So that's the common denominator. We're engaging quite deeply with our data in our dynamic services.

And that's where you see that we expect adoption to increase and also value and value add in terms of services and solutions in the car combined also with what's happening from automated driving and what happens in the, let's say, deeper in the vehicle being translated into the infotainment system with visualization and rendering of those ADAS systems.

There's a lot of push in added value towards the end-user experience of those technologies being adopted and coming together. And that's why I see the biggest movement in the industry right now.

Marc Hesselink - ING Groep NV - Equity Analyst

Okay, great. Thank you.

Operator

(Operator Instructions)

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

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

Operator

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

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