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PRESENTATION

Bruno Priuli - *TomTom N.V. - Investor Relations Officer*

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 2017. 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 that safe harbor applies.

We will start today's call with Harold, who will discuss the key operational developments, followed by a more detailed look at the financial results from Taco. We will then take your questions.

And with that, Harold, I would like to hand it over to you.

Harold C. A. Goddijn - *TomTom N.V. - Co-Founder, Chairman of the Management Board and CEO*

Yes, thank you very much, Bruno, and welcome, ladies and gentlemen. Thank you for joining us today. We delivered on our updated 2017 guidance with total revenue of EUR 903 million and adjusted earnings per share of EUR 0.26. Combined revenue from Automotive, Enterprise and Telematics grew by 16% year-on-year. Our business is clearly shifting to a high gross margin business with long-term contracts, better predictability and more upfront cash flow. Over 60% of our revenue mix is now derived from data, software and services, which is now contributing 83% of our total gross profit. Taco will provide further information on the financial highlights and the financial outlook for 2018 later during his presentation.

Our Connected Car products continue to do well, and the order intake for 2017 exceeded EUR 400 million, and that is a new record for our Automotive business. We significantly improved our position in the North American market with important contract wins. We also announced a number of new product introductions during 2017 with PSA, latest [car lines], maps for Daimler North America and a full navigation stack for Alfa Romeo's new SUV, the Stelvio. Also, during 2017 we acquired Autonomos, a Berlin startup that brought us critical expertise in Automated Driving systems and smart camera technology that will form the basis for high-volume, low-cost data acquisition to build and maintain HD Maps. At CES 2018, we launched AutoStream, a new real-time map delivery system that enables vehicles to build a virtual horizon for the road ahead by streaming map content that can be created only seconds ago. We announced a partnership with Baidu, who will use TomTom's mapmaking platform and AutoStream to produce and distribute HD Maps for Automated Driving applications in China. AutoStream will be accessible for developers as part of Baidu's Apollo open source project for self-driving cars in and outside of China.

Moving on to Enterprise. At the end of 2017, we announced that our online APIs are now integrated in the newly launched Microsoft Azure cloud platform. By offering our location technology on Azure, we have access to a broad range of enterprises and developers who can use our APIs to power a variety of applications, including IoT and smart city applications. We've also repositioned our own development portal for



and APIs during the quarter. The portal offerings and [prime] are now geared towards developers, small and medium-size businesses. We also announced new collaborations and contracts with Sony, TripAdvisor, MICHELIN, and MAPI during this year.

Our Telematics business surpassed 809,000 subscribers by the end of the year and this represents a 16% increase year-on-year. During 2017, Telematics was recognized as Europe's largest provider of fleet management solutions by the market research firm, Berg Insight. This is the third year running that we have led the European market.

In the Connected Car service segment, we announced a contract with LeasePlan. This is an important partnership. We're bringing Connected Car services into the mainstream and using Connected Car technology to service a broader range of stakeholders, including drivers, insurance providers, car maintenance companies and more.

Moving to the next slide, I give you a short update on the strategic priorities. We will continue to target growth opportunities with Connected Cars, fleet management and online APIs. In Connected Cars, we aim to grow through technology leadership in real-time mapmaking, traffic services, application software in a right range of location technologies. We'll continue to grow our fleet management business and target new customer segments, such as leasing. We will continue to nurture and grow our partner ecosystem of software developers who help us enter new markets and are adding depth and breadth to our service offerings. We'll capitalize on our scale by investing in our Connected Car platform and to provide new APIs that will form the basis for accelerating product innovation.

In line with the previously announced strategic review, we have reduced the size of the Sports business to align the cost base with the market developments. We will continue to develop PNDs as the drive business will continue to provide a valuable platform for consumer insight and for collecting location data.

To summarize, TomTom is well positioned to capture growth opportunity across our Automotive, Enterprise and Telematics businesses. Many of our growth opportunities are driven by big industry trends, including Connected Car, Autonomous Driving and Smart Cities.

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

Taco J. F. Titulaer - *TomTom N.V. - CFO and Member of Management Board*

Thank you, Harold. Let me make a couple of comments on the financials. In 2017, we reported revenue of EUR 903 million, which is 9% lower compared with last year. Automotive, Enterprise and Telematics delivered a combined year-on-year revenue growth of 16%. Automotive revenue was up with 44% to EUR 191 million. The increase was driven by a combination of higher take rates and more customers versus the previous year. The deferred revenue position of Automotive increased to EUR 113 million at the end of 2017. This is almost doubling year-over-year. This contributed to our strong cash generation during the year. Enterprise revenue was flat year-on-year at EUR 138 million. As a large proportion of revenue is dollar-denominated, we saw the effects of the weakening dollar in the year. Telematics was up with 4% year-on-year to EUR 162 million. The recurring subscription revenue for the year increased at 7%. Consumer revenue decreased with 27% year-on-year to EUR 413 million. Close to 80% of our revenue is PND-related. The remaining revenue is equally split over Sports and Automotive hardware.

The gross margin in 2017 was strong at 62% and that's an increase of 5 percentage points year-over-year. Our EBITDA was flat year-over-year. Our adjusted net results was EUR 61 million, which translates in an adjusted earnings per share of EUR 0.26. This compares to EUR 54 million and an adjusted earnings per share of EUR 0.23 in 2016.

At the end of 2017, we reported the net cash position of EUR 121 million. Our cash flow before financing for the year was EUR 28 million, 12% higher than last year. And if we would correct for the acquisition of Autonomos early 2017, our cash flow before financing doubled year-over-year.

Let me now turn to Slide 5, the Automotive order intake. The graph on Slide 5 shows Automotive order intake versus Automotive recognized revenue and net deferred revenue on an annual basis. What we want to highlight here is the development of the order intake and translation thereof into recognized Automotive IFRS revenue and net deferred revenue on the balance sheet. Operational revenue is the reported revenue plus the net change in the deferred revenue position. As we sell products to Automotive that include multi-year updates and subscriptions, some



of the revenue is deferred. Automotive operational revenue in the year amounted to EUR 245 million. This is an increase of 45% compared to last year. This EUR 245 million is already above the order intake that we saw in 2014 of EUR 220 million and is gradually growing towards the order intake amount we announced in 2015. Order intakes from the past years will continue to contribute to a strong growth of our Automotive business in the coming years. It will deliver growth to our recognized IFRS revenue, but it will also continue to increase the Automotive deferred revenue balance.

Then on Slide 6, I want to make a short comment on the operating cash flows. On the slide, we plot the growth we are experiencing of our operating cash flows. Cash flows from operating activities grew strongly, with 20% in 2017 to EUR 173 million, as you can see in the graph, and this trend is expected to continue in 2018.

Then the new accounting standards. On Slide 7, we discuss the P&L impact of IFRS 15 and IFRS 16. As of the 1st of January, 2018, TomTom adopted IFRS 15 revenue from contracts with customers and IFRS 16 leases accounting standards. The IFRS 16 standard is early adopted in order to have only one transition year. This transition involves making adjustments to the opening balance and providing appropriate forward-looking comments, reflecting the new accounting methodology. We have provided in the press release and also at the end of this presentation, in the appendix, a full disclosure of the restated 2017 P&L and balance sheet.

On Slide 7 and Slide 8, I will discuss the most important changes. Again, for a more detailed overview, I would like to point you at the appendix slides in the deck.

Let's start with P&L. Revenue on group level, total revenue is more or less flat. However, Automotive showed an increase of EUR 5 million compared to our 2017 reported numbers. While consumer revenue is, under the new standard, EUR 6 million lower. The increase in Automotive is mainly driven by changes in our Map revenue recognition and the lower consumer revenue is due to the reclassification of so-called co-op advertising cost from OpEx to revenue. In cost of sales, the impact of the treatment of NRE, nonrecurring engineering work, is visible. The new standard requires that customization work, which is delivered to an OEM at the start of the production, should be amortized at once. The related revenue must be recognized upfront as well if these are considered highly certain. Under the old standard, we amortized the NRE engineering expenses on a per unit basis. As a result, our 2017 restated cost of sales is EUR 6 million lower compared with our reported numbers.

Then OpEx. The restated OpEx is impacted by both IFRS 15 and IFRS 16. The IFRS 15 element is related to consumer marketing already explained before. The IFRS 16 impact is EUR 2.6 million lower OpEx is related to the treatment of our office leases, which is partly offset due an increase in our interest expenses.

And let me briefly touch on the impact on our balance sheet as well, on Slide 8. The impact on IFRS 15 is mainly visible in our other intangible assets and deferred revenue. The decrease in other intangible assets relates to the before mentioned NRE treatment. Deferred revenue was an increase of EUR 18 million. An increase in Telematics is partly offset by decrease in Automotive. For IFRS 16, our office lease commitments are now visible on the balance sheet under other noncurrent assets and noncurrent borrowings.

To summarize, 2017 restated group revenue is unchanged at EUR 903 million; restated gross margin is 1% point higher at 63%; and restated net results is EUR 10 million higher.

Let me now explain the changes in the adjusted earnings per share definition on the next slide. That is Slide 9. Following the implementation of IFRS 15 and 16, combined with the ongoing transition to become a software company, we changed the definition of adjusted earnings per share to better reflect our operational revenue and related cash generation. As you want to contain the number of adjustment, we decided to no longer correct for acquisitions also as the majority of the EUR 60.9 million as shown in the first column on this slide -- or well over 70% is related to the Tele Atlas acquisition of 2008. The new adjusted earnings per share is closer to free cash flow generation in absolute, but specifically the trend highly correlates with the progress that we are making. We expect that EUR 24.1 million, as shown on the second column on this slide, to more than double in 2018. This is leading to our forecast of an adjusted earnings per share of EUR 0.25.



That leads me to the last slide of my prepared remarks, Slide 10. We expect revenue of around EUR 800 million, reflecting the continuous decline in Consumer business, but also the growth that we experienced in Automotive. And as we transition into a more software technology company, we will continue to increase revenues related to data, software and services. Thus, we expect gross margin to approach 70% in 2018.

As already mentioned, the adjusted earnings per share is expected to be around EUR 0.25. This reflects a [40%] increase from a like-for-like basis. We expect the levels of investments, CapEx and OpEx combined, to show a modest decrease compared to 2017, this is excluding potential acquisitions.

Operator, we would now like to start with the Q&A session.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Francois Bouvignies from UBS.

Francois-Xavier Bouvignies - UBS Investment Bank, Research Division - Technology Analyst

The first one -- I have a couple. The first one I had is on your order bookings of above EUR 400 million. Can you tell us a bit, what are the moving parts inside this order bookings? Do you feel that you won market share? How is the ASP trending and the penetration of in-dash maybe -- would be very helpful. On the order bookings as well, you mentioned a U.S. customer win this year. Can you clarify if it's for the Maps? And should we expect this trend to continue this year, meaning winning shares over the U.S. OEMs orders, but just maybe this one first.

Harold C. A. Goddijn - TomTom N.V. - Co-Founder, Chairman of the Management Board and CEO

Yes. Thank you, Francois. So -- yes, we won -- so I think the order book of EUR 400 million-plus was satisfying, and we were happy with that. And we were also happy that we didn't lose any customers, and we added new customers to the order book that we didn't serve before. So I think that was a satisfying year. We significantly strengthened our position in North America, as we said also in the press release. And we won a significant contract with a large North American OE for a full connected car stack. So not only software maps, but also maintenance of the system, map updates, services, et cetera. Last question, do you -- are we thinking that, that can continue in 2018? I can't make any comments on that. I think the momentum we had in 2017 was good and convincing. But at the January 1, we start from 0 again, and we will see what the year will bring. It's not just North America that we're focusing on. There's important business to be done this year in -- also in Europe and in Asia.

Francois-Xavier Bouvignies - UBS Investment Bank, Research Division - Technology Analyst

And on in terms of deals available on the market, how do you see '18 as a global market like as for the deals available versus '17 or '16, how do you...

Harold C. A. Goddijn - TomTom N.V. - Co-Founder, Chairman of the Management Board and CEO

I think the total market available based on what we know today will more resemble 2016 than 2017.

Francois-Xavier Bouvignies - UBS Investment Bank, Research Division - Technology Analyst

So it will be more like '16 than '17, that's what you said? Sorry, I didn't catch it.



Harold C. A. Goddijn - *TomTom N.V. - Co-Founder, Chairman of the Management Board and CEO*

Yes, that's total markets. That doesn't say much about what we think we can win. But we think the total market opportunity will be more the size of 2016 than it was in 2017.

Francois-Xavier Bouvignies - *UBS Investment Bank, Research Division - Technology Analyst*

Okay. A couple of follow-ups. On HD Maps, can you update like how is it going your conversation with your customers? Should we expect some contract this year and the business model for this HD Maps?

Harold C. A. Goddijn - *TomTom N.V. - Co-Founder, Chairman of the Management Board and CEO*

Yes. So we made another -- it was another year of good progress on technology, on improving the technology, proof-of-concept with a number of OEs, proof-of-concept with a number of sensor makers who want to work with us to assemble information, manage information and distribute information. So I think, we've made good progress on technical side and product side. Also, commercially, I think, we're in the right track. And hopefully, in 2018, we can get some significant real opportunities to conclude some of those contracts. What we see for self-driving is that the requirement -- the demands from carmakers are to quote for yearly maintenance fee, and that's what we're doing. So in standard navigation and standard products, it's mostly a one-off payment when the vehicle is shipped. We see a trend in Autonomous Driving that carmakers want to pay an annual fee per car to keep the maps and technology up to date.

Francois-Xavier Bouvignies - *UBS Investment Bank, Research Division - Technology Analyst*

Okay, that's helpful. The other question I had, it's -- I mean, I'm surely it's important about Bosch and Continental, what's going on with your main competitor HERE, Intel as well. I guess, it's something you're looking at. And the question I had is, how do you respond to that as your competitor is getting, I mean, stronger and getting more partners? Bosch is historically a strong partner of yours, Volkswagen as well. So how do you respond to this trend of your competitor getting more and more traction?

Harold C. A. Goddijn - *TomTom N.V. - Co-Founder, Chairman of the Management Board and CEO*

Well, you need to be careful here, and you can't read too much in it. It's -- I think, it's important to realize that both Conti and Bosch bought shares from the owners, so there was no new money invested HERE. It was a transfer of [secondary] shares. And I think the relationships that we have with both Continental and Bosch continue to be very strong and very deep. I think there is a bit of politics going in -- that's going on as well. We're not too worried about it. And we are kind of -- we are satisfied with the progress we're making, and we hear it from our customers as well in terms of the technology and what we have to offer.

Francois-Xavier Bouvignies - *UBS Investment Bank, Research Division - Technology Analyst*

So you don't think you need as well to strengthen from others like what they do to try to -- for the industry to be more collaborative?

Harold C. A. Goddijn - *TomTom N.V. - Co-Founder, Chairman of the Management Board and CEO*

Well, we do a lot of work on collaboration. So there is no question that self-driving technology is complex. There is a lot of plays in the value chain, we recognize that, and you see that also in our announcements. We're working with Baidu. We're working with Zenuity. We're working with Bosch; a number of others where we're working with, but we have not disclosed. And I don't think it's necessary to have for shareholdings to make those partnerships flourish. And I think we are a -- you can see also in the marketplace that we are considered to be a good partner to work with. You can see that also in the progress we're making in the various territories. And I don't think that is actually a position where we can be flexible, agile and respond to customer requirements quickly. And I think that's what our customers really like.

Francois-Xavier Bouvignies - *UBS Investment Bank, Research Division - Technology Analyst*

Okay, that's clear. And maybe 2 quick ones. One is your -- in your 2017 Automotive revenue that you recognized in the P&L, did you recognize already 2015 bookings or it's 2014? Where is the backlog in '17, I mean, and starting in '18? That's my question. On the other one is, given your net cash of EUR 120 million, what are you going to do with that? I'm sure you have a lot of investment to make. So should we think about M&A, Telematics, Automotive? What's the pipeline?

Taco J. F. Titulaer - *TomTom N.V. - CFO and Member of Management Board*

Yes, I can take that one. So -- for Automotive, what -- the revenue that you see reported in 2017 is what we saw on the order intake in '13, '14 and definitely also, '15. But if it's in the later years, then it's more services related. So the time to market is then shorter than if it's contents and software related. So the time to market for service -- pure service contract can be 12 months or even shorter, if you do a full system, meaning the content and the software and services, there tends to be a time lag of at least 24 months.

Francois-Xavier Bouvignies - *UBS Investment Bank, Research Division - Technology Analyst*

And would you be seeing more and more contracts of this kind, no?

Taco J. F. Titulaer - *TomTom N.V. - CFO and Member of Management Board*

Well, we have -- our offering is in models, so we can offer it in a complete stack, but we can also offer it individually. I think the trend in the market is that the bigger OEMs tend to source multiple models from us in one go. So no, I would not say that the trend is that we sell it more separately. So on our cash position, we decided to buy shares in 2017. This was only done to stop further dilution as a result of our employee share option plan and that was the only purpose. As we have now over 5 million treasury shares, we think that will last at least this year, so we don't foresee to buyback any shares this year. We will make that assessment again next year. What we will do with our current cash position and also the cash we will have this year is, indeed, what you said, that we will always assess bolt-on acquisitions, either in the technology area of HD Mapping or what we did with Autonomos, can also be Telematics. But yes, that will be the focus of our cash position.

Operator

Our next question comes from Marc Hesselink from ABN AMRO.

Marc Hesselink - *ABN AMRO Bank N.V., Research Division - Analyst*

And my first question actually a follow up of what you just said, the new pricing for Autonomous Driving functions towards an annual fee. What will it do for your -- I mean, what you're getting out of that? Is that a better pricing, is it better because it's more definition map? How are you going to make that transition towards the new business model going from the license upfront towards the annual fee? And second question is on discussions also you had before with your competitor HERE with the investments from Bosch and Conti and nearly the other ones. Sometimes you read stuff in the market that this would be some kind of winner takes all kind of platform, because one platform will get all the data and therefore will become the best platform. And then as the other discussion that will be whatever happens will be dual sourcing, because the industry wants to have options. What is your feel on that discussion? And the final question is on the guidance that you gave on OpEx plus CapEx to be down. Can you give a bit more detail on that one, because if I'm correct, your OpEx also includes your D&A. So what will be the cash impact? What do you think -- also, in the separate divisions you probably have a lot lower cash out in the Sports and consumer in general. But do you expect to invest more in Automotive and Telematics?



Harold C. A. Goddijn - *TomTom N.V. - Co-Founder, Chairman of the Management Board and CEO*

Yes. Thanks, Marc. I'll take the first 2 questions and then I'll hand over the third one to Taco. So the -- I don't think there's -- so when we spoke about standard maps or HD Maps and the different pricing, I don't see a big transition taking place. I think what we see at the moment is that prices for HD Mapping on a yearly basis are significantly higher than what we pay whether we can invoice for standard definition maps. However, the volumes are very small, certainly at the moment. And we also -- and also, we noticed that carmakers are not sure about the volumes they will produce of cars where they need HD Maps. So the range in the volumes is much wider than for standard definition maps, and that is because of uncertainty, of course, and by the uptake of those new technologies. But the prices are going to be significantly higher and they will repeat every year. So the total amount per car, per contract over the lifetime of the car is a little higher than what we can currently charge for standard definition maps and services. Second question, is this a winner-take-all market? No, it's not. That's not how the world works. And we see from carmakers also that they are influencing the sensor makers to make data available also to TomTom that's coming out of vehicle to have competing technologies in the marketplace, and that is what we're seeing. And as a result of that, we're intensifying also collaboration with sensor makers across the world coming to us to see how they can integrate their data on top of an HD Map. So it's quite an interesting development that we've seen last year. And for the -- and that includes -- and I don't think there's any U.S. sensor maker that we're not talking to in that respect, where we don't have proof-of-concepts or where we have exchanges of technical information and product requirements. And then the third question, I defer that to Taco.

Taco J. F. Titulaer - *TomTom N.V. - CFO and Member of Management Board*

Yes, so our OpEx in 2017 was EUR 595 million, roughly, if you include everything. That is expected to decline with roughly EUR 50 million. More than that amount we will see in consumer, and we will see an increase of our spend in our mapping platform. So we will invest either through CapEx or OpEx more to further develop our mapping platform. Then, if you have EUR 545 million for OpEx, the remainder is CapEx, south -- ending south of EUR 150 million. Do realize that if you want to make like-for-like, that you need to add roughly EUR 20 million in that CapEx number, that's IFRS 16 related. So if you take that out, you end up with, let's say, EUR 125 million of CapEx.

Marc Hesselink - *ABN AMRO Bank N.V., Research Division - Analyst*

Okay. Maybe one follow-up, just to be sure. You said that the annual charge for the high-definition map is higher than the -- like the full lifetime license that you are selling right now, is that correct?

Harold C. A. Goddijn - *TomTom N.V. - Co-Founder, Chairman of the Management Board and CEO*

Yes, that's correct.

Operator

Our next question comes from Martijn den Drijver from NIBC.

Martijn P. den Drijver - *NIBC Bank N.V., Research Division - Head of Research*

Just going back to the order book, I just was wondering if you can provide a little bit more color on. For example, the impact of having a contract from North America. Is that lower ASP, higher ASP corrected for volume? Is there any ADAS content in there? That would be my first question. And the second question relates to Sports. So I know it's been properly downsized, but what was the EBIT loss, if you will, in 2017? That would help a lot in assessing the 2 performance going from 2017 into 2018? That's the second question. And I was also wondering, you've had somewhat longer-term guidance with CAGR of 15% for Enterprise, Automotive and Telematics. Are you still abiding by that guidance? Or do you think it needs some updating?



Taco J. F. Titulaer - *TomTom N.V. - CFO and Member of Management Board*

Yes, if I can take the last 2 questions. To start with the CAGR. So during our Analyst and Investor Meeting at the end of 2016, we said that Automotive, Enterprise and Telematics would see a CAGR of 15% from 2016 up to 2020. Due to the change in accounting, we need more time to update that number. And we want to defer that question to our Q1 results. The thinking with IFRS 15 is that you need to go through all the Automotive contracts one by one, and that is -- we've done that for 2017, and we have done that for 2018, but we still need to do that also for the years to come. So I'd like to defer that answer to April, if you allow me. Then the other question was about Sports. The -- we have not provided even numbers for that business line specifically. We know that the EBIT for consumer as a whole was not profitable in 2017. It is clear that is not acceptable and we estimate and we give a forecast that the -- that there is profit for our segment consumer in 2018. That means that our Sports business line will be breakeven at worst starting the 1st of January this year. And then for the first question about ASPs in Automotive segment, Harold?

Harold C. A. Goddijn - *TomTom N.V. - Co-Founder, Chairman of the Management Board and CEO*

Yes. So the -- you referred to, Martin, specifically to the North American contract. I can't say too much about it. But the ASPs are very much in line with what we have seen, but we need to provide more components for that. So you do the maps, we're doing the map updates, we're doing application, software stack, and we're doing services. So in combination, that is a full package with ASPs that we have seen in the past as well.

Martijn P. den Drijver - *NIBC Bank N.V., Research Division - Head of Research*

Okay. So it would be fair to say that you're not having to go an extra mile in terms of ASPs to get your foot in the door within the North American market, that would be too harsh?

Harold C. A. Goddijn - *TomTom N.V. - Co-Founder, Chairman of the Management Board and CEO*

Well, yes, there's competition, of course, there's competition and we're working hard, and you win it always in a combination of things; price is one. But we're happy with what we achieved. It was a good deal for everyone involved; a good product. We're happy about the product we delivered. We can show off our technology in a mainstream car for the North American market. I think that will help us to further improve our market position in North America. So it was high five all around.

Martijn P. den Drijver - *NIBC Bank N.V., Research Division - Head of Research*

Okay. Then just one question with regards to Q4. Is there any specific reason why the gross margin in the fourth quarter was so low -- relatively low. It was up year-on-year, but relatively low to some of the upticks we've seen in previous quarters, despite having strong growth in Automotive, reasonable growth in Telematics and a decline in the low-margin consumer. I was just wondering if you had a bit more granularity on that, a bit more color?

Taco J. F. Titulaer - *TomTom N.V. - CFO and Member of Management Board*

Yes, the reason for that is consumer Sports. And so we had a very thorough look together with our accountants into our books and what we provided for. And we had to take some additional provisions in Q4 that affected our gross margin. The real focus for gross margin is now in the year that we're in and that is that we will -- we'll grow towards 70%.

Martijn P. den Drijver - *NIBC Bank N.V., Research Division - Head of Research*

Okay. You don't want to quantify the additional provisions that were -- that impacted your gross margin? I know you've given the guidance for 2018, but still, just to get a better understanding?

Taco J. F. Titulaer - *TomTom N.V. - CFO and Member of Management Board*

I would like to quantify, I don't have that in hand. So I will follow-up later.

Operator

We will now take our last question from Marc Zwartsenburg from ING.

Marc Zwartsenburg - *ING Groep N.V., Research Division - Head of Benelux Equity Research*

First of all, Taco or Harold, do you have any idea or can you give an indication of what percentage wins of the RFQs that were in the total market opportunity was in '17. So just to get a feel for how we should interpret the size of the order intake in '17 compared to a bit of market share feel?

Harold C. A. Goddijn - *TomTom N.V. - Co-Founder, Chairman of the Management Board and CEO*

Sorry, Marc, we don't have that number. We haven't worked it out. It is -- and I can't give it to you. Our impression is that we are on the good side of the market share with customers that fall into our camp, where that's never -- with whom we've had never had a relationship. Especially in North America, we had a breakthrough deal. And that -- so our impression is that we are gaining market share. But some of the business that's available is not visible to us, as you can imagine, so will be difficult to give you an overall market size number and our market share in terms of wins.

Marc Zwartsenburg - *ING Groep N.V., Research Division - Head of Benelux Equity Research*

Okay. And then, looking to Automotive, can you give us an indication how we should look to 2018 in terms of phasing-in of former order intake and how that compares to the period after '18? Because I have the indication from the outlook and the top line that your growth in Automotive will be a bit less than what we've seen in '17, but is there a phasing effect? Can you give us a bit of a feel for how this order intake, previous order intake phasing in '18 and then perhaps '19, '20?

Harold C. A. Goddijn - *TomTom N.V. - Co-Founder, Chairman of the Management Board and CEO*

Well, you will see growth in Automotive, of course, in revenue coming through in 2018. And -- but also that we are putting a larger proportion of our income on the balance sheet as deferred income due to the new rules. It's difficult to give you more color than what we've done already. I think the [offering] in the Automotive -- on the Automotive side is going -- it's going well. You can see it in the order intake, you see it in the trends. I think that's what we're looking at.

Marc Zwartsenburg - *ING Groep N.V., Research Division - Head of Benelux Equity Research*

But is it fair to say that you will see is a mid-double digit growth in the Automotive previously more than 40%, and that perhaps an acceleration after '18 again just due to the phasing of these contracts that have previously been signed?

Harold C. A. Goddijn - *TomTom N.V. - Co-Founder, Chairman of the Management Board and CEO*

Well, I wouldn't dare saying that. So we had a -- of course, last year we had a full PSA volume coming onstream that gave us a big kicker. That's not going to repeat itself 2018. And it will take longer for the 2017 kicker will -- that kind of revenue that we booked in 2017 will not materialize before 2019.



Marc Zwartsenburg - *ING Groep N.V., Research Division - Head of Benelux Equity Research*

Okay. And then maybe, I guess, at the beginning of January, it was a bit early. Can you give us an indication of the IFRS 15 impact on '18, whether that is also, say, a small positive or a large positive or maybe negative? Can you give us an indication, maybe Taco?

Taco J. F. Titulaer - *TomTom N.V. - CFO and Member of Management Board*

Well, we hope to provide -- we have provided that the information in the call we organized in January and also the slides that we presented today. What we said, right, consumer is structurally lower because the co-op marketing activities gone -- it can no longer be seen as revenue. Automotive can be higher or lower. It depends. So you can't say it will be structurally higher or lower. And then, there are things happening in the cost of sales line, that normally cost would flow out during the lifetime of the contract and now you need to take them at once. So overall, the effects of IFRS 15 are not necessarily bad, but there are just different than what we've seen before.

Marc Zwartsenburg - *ING Groep N.V., Research Division - Head of Benelux Equity Research*

We can't yet say for 2018, whether there will be positive or whether they will be negative? Is it too early? Is that a good understanding of where we stand at the moment?

Taco J. F. Titulaer - *TomTom N.V. - CFO and Member of Management Board*

Well, the differences in recognizing revenue in Automotive is that you approach the contract from a total value basis instead of a volume approach. And it can be that during the executing that contract, it can be within the first year or second year, you have a different perspective due to tailwinds or headwinds. IFRS 15 will tell you that you need to take that correction at once. So if your assessment says, well, the total value of that contract with hindsight during executing that contract is higher or lower, you can see corrections. And so yes, is '18 higher or lower compared to what? So we have provided the guidance on the basis of IFRS 15.

Marc Zwartsenburg - *ING Groep N.V., Research Division - Head of Benelux Equity Research*

Okay. And then, perhaps a question on the OpEx line. There's quite a surge in the amortization of technology and databases in Q4, and therefore also the cost base with IFRS 15 and 16, everything in there. The cost base is higher than the old -- under the old situation. Is -- should we model going forward the amortization at a level that we've seen in Q4? Is that how we should work?

Taco J. F. Titulaer - *TomTom N.V. - CFO and Member of Management Board*

As we already said, there were some incidentals. So I think that amortization -- the amortization line in the OpEx specifically will not go up in '18. So it was roughly EUR 110 million in 2017 and will go to EUR 100-or-so million in '18. D&A, as a whole, that's a different story. Because there, we had the restated numbers is roughly EUR 180 million. And we think that the decline will be bigger and will go to EUR 155-or-so million.

Marc Zwartsenburg - *ING Groep N.V., Research Division - Head of Benelux Equity Research*

So if I don't look to your statement on the EUR 50 million lower OpEx line, how should I read it then if I exclude only one-offs that we've seen in '17? How would it then develop, 2018 to 2017?

Because you mentioned the EUR 50 million decline, but I'm not sure if that includes a few of these one-offs.

Taco J. F. Titulaer - *TomTom N.V. - CFO and Member of Management Board*

The -- this is what I just gave you, is a like-for-like comparison.

Marc Zwartsenburg - *ING Groep N.V., Research Division - Head of Benelux Equity Research*

So we go to EUR 545 million roughly in OpEx and that is excluding any fuzzy -- [funnies], et cetera?

Taco J. F. Titulaer - *TomTom N.V. - CFO and Member of Management Board*

Yes.

Marc Zwartsenburg - *ING Groep N.V., Research Division - Head of Benelux Equity Research*

Okay. And then, perhaps -- and a final one on the deferred revenue in 2018 or cash flow, because you have said, your free cash flow in '17 of around EUR 50 million, that should go up in '18. But can you also give bit of an indication how much and where it should come from?

Taco J. F. Titulaer - *TomTom N.V. - CFO and Member of Management Board*

Yes. So it will go up with more than 50%. And where it comes from, yes, we already alluded to is that it is mainly due to the increase of our Automotive business. So our free cash flow generation, if you correct for the Autonomos acquisition and if you correct for the share buyback, was close to EUR 50 million. And we foresee that number to go up with, let's say, 50%-or-so this year, and that's also reflected in the adjusted earnings per share guidance that we've given.

Marc Zwartsenburg - *ING Groep N.V., Research Division - Head of Benelux Equity Research*

But that's more than the growth in Automotive. So is it also released in the form of deferred revenues? Or am I missing something?

Harold C. A. Goddijn - *TomTom N.V. - Co-Founder, Chairman of the Management Board and CEO*

No, the opposite. The deferred revenue will increase.

Taco J. F. Titulaer - *TomTom N.V. - CFO and Member of Management Board*

Releasing deferred revenue will not have an effect on our free cash flow.

Bruno Priuli - *TomTom N.V. - Investor Relations Officer*

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?

Operator

This concludes today's call. Thank you for your participation. You may now disconnect.



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