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PRESENTATION

Operator

Good day, ladies and gentlemen. Welcome to TomTom's fourth-quarter and full year 2025 results conference call. (Operator Instructions) Please note that this conference is being recorded.

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

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

Thank you. Good afternoon everyone, and welcome to our conference call. In today's call, we will discuss the fourth quarter and full year 2025 operational highlights and financial results with CEO, Harold Goddijn, and CFO, Taco Titulaer.

Harold will begin with an update on strategic developments. Taco will then provide further insight into our financial results, our Automotive backlog and our outlook.

After the prepared remarks, we will open the line for your questions. As always, please note that safe harbor applies. And with that, Harold, let me hand it over to you.

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

Yeah. Thank you very much, Claudia, and good morning and good afternoon everybody. 2025 was an important year for TomTom as our product strategy clearly matured, and we gained commercial traction. We introduced several new products, with our Lane Model Maps standing out as a major milestone.

Orbis Lane Model Maps provide lane level intelligence, including geometry and lane markings, but at a true urban scale, and by leveraging our AI powered map factory, we can now produce lane accurate maps with exceptional efficiency and freshness, and this has proven to be a differentiating capability.

A strong validation is that we secured a record amount of new business, and that includes a collaboration with CARIAD, where TomTom Orbis Lane Model Maps were selected as a core component of the automated driving system supporting the Volkswagen Group brands.

In Enterprise, Orbis maps broadened and diversified our customer base. In the beginning of 2025, we announced a new cooperation with Esri through which we provide maps and traffic data to support businesses and governments with location intelligence, addressing various use cases for maintaining critical infrastructure to analyzing traffic flows.

And more recently we deepened our global partnership with Uber, expanding our collaboration to enhance on-demand travel experiences worldwide.

Looking ahead to 2026, I'm confident that continued advancements in our product portfolio will further strengthen our commercial traction across both our Automotive and Enterprise business, supporting top-line growth over time.

We will continue to expand and enhance our product offering, and we will make it easier for developers and for businesses to access our data, which will support future growth. We see meaningful commercial opportunities emerging in Automated Driving and Infotainment, as well as in high potential verticals such as Insurtech and State and Local Government.

Thank you very much. This is my part of the presentation, I'm handing over to Taco.

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

Thank you, Harold. I will cover our financial performance, the key trends we're seeing, an update on our Automotive backlog, and our outlook, after which we'll take your questions.

Automotive IFRS revenue for the fourth quarter amounted to EUR77 million, down 3% year-on-year. Automotive operational revenue was 12% lower compared to Q4 last year.

The Enterprise business delivered EUR39 million, a 10% decline versus the same quarter last year. Approximately half of this decline is explained by the weaker US dollar versus the EUR year-on-year, as around three-quarters of our Enterprise revenue are US dollar denominated.

The remainder of the decline reflects a continued phase out of a large customer, partly offset by a broadening of our customer base over the course of the year.

Gross margin was 89% in the fourth quarter, a two-percentage-point improvement compared with Q4 2024, mainly driven by a lower proportion of hardware in our revenue mix.

Operating expenses were EUR110 million, a reduction of EUR21 million compared with the same period last year, reflecting the combined effect of capitalizing development costs associated with our Lane Model Maps and disciplined cost management.

For the full year 2025, we recorded group revenue of EUR555 million, 3% lower than in 2024. Automotive IFRS revenue was EUR323 million, down 2% from last year due to lower car volumes at some customers and the phase out of certain car lines, partly balanced by new models starting production.

Operational revenue in Automotive dropped 1%, staying largely stable versus 2024.

Our Enterprise revenue for the year was EUR159 million, 2% lower year-on-year. For the full year, the picture is similar as in the quarter, normalized for the currency fluctuations, Enterprise revenue showed a marginal increase compared with last year.

For the full year gross margin was 88%, an improvement compared with 2024. This continued shift away from consumer hardware structurally strengthens our gross margin from 85% in 2024 to 88% in 2025, and we expect it to move north of 90% in 2026.

Operating expenses decreased to EUR489 million, a EUR19 million reduction, same as for the Q4 trend. This reduction was due to capitalization of our map investment, lower amortization charges, and reduced personnel costs from the second half of 2025, partly offset by the reorganization charges booked in Q2 2025.

Looking ahead, the quarterly OPEX run-rate entering in 2026 will likely be a few million euros higher than what we saw in Q4, but for the year as a whole, we expect the total operating expenses to remain below 2025 in 2026.

Free cash flow, excluding the cost for the reorganization we announced halfway in the year of EUR19 million, was an inflow of EUR32 million compared with EUR4 million outflow last year.

Having covered our results, let's move on to the Automotive backlog. Our Automotive backlog at the end of the year reached EUR2.4 billion, a net increase of EUR300 million compared with the end of 2024.

Our Automotive backlog represents the expected IFRS revenue from all awarded deals. Accordingly, the backlog decreases as revenue is recognized and increases when new deals are won. Its value can also fluctuate when customers revise their vehicle production forecasts and with FX revaluations.

The increase in backlog this year was driven by a record level of new deals. Our book-to-bill ratio was well above two last year, partly offset by negative impact from FX revaluation, which has a more pronounced-than-usual effect on the backlog valuation.

A large portion of the Automotive revenue we expect to report in 2026 to 2027 is already covered by the backlog generated from prior years' order intake. The majority of the value from 2025 order intake is expected to start being recognized from 2028 onwards.

From a product perspective, we see Automotive RFQs increasingly gravitating towards Lane Model Maps, the maps that enable autonomous driving functionality and support a growing range of advanced safety features. This product accounted for approximately half of last year's order intake. We expect this year to continue to grow. OEMs are clearly increasing their product and engineering focus in this area as Lane Model Maps enable both improve vehicle performance and meaningful differentiation. Our strong positioning in this area reflects a decade of sustained investment in these capabilities, and we're now seeing those investments translate into tangible commercial results. An additional benefit is that securing Lane Model Maps deals opens the door to Road Model Map awards for the navigation use cases, supporting further market share gains.

Now let's move to the 2026 outlook. Looking ahead to 2026, our revenue will reflect the transition of some customers, however, this impact is temporary. 2026 group revenue is projected to be between EUR495 million and EUR555 million with location technology contributing EUR435 million to EUR485 million.

We expect our operating result to improve year-on-year while free cash flow is expected to turn temporarily negative due to the sustained investment in our Lane Model Maps. Operating margin is expected to be around 3% of group revenue.

A return to top-line growth is foreseen in 2027. Higher revenues combined with disciplined cost control are set to drive a further step up in operating margin as well.

To conclude, let me summarize our prepared remarks. We closed 2025 with a strong strategic momentum marked by a record Automotive order intake and an expansion into automated driving. Despite modest topline declines driven by market conditions and transitions, EBIT and cash generation improved meaningfully. With an expanded 2.4 billion Automotive backlog, new product launches, and strengthening commercial partnerships, TomTom enters 2026 well positioned for a return to growth in 2027.

And with that, we're ready to take your questions. Please, operator, start the Q&A session.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Marc Hesselink, ING.

Marc Hesselink - ING Groep NV - Equity Analyst

Yes, thanks. I have a couple of questions on the Lane Model. I think this new product versus the HD maps that you previously had, but I think under the hood a lot changed, as in the way you build your process, you build your map, how you can integrate with the client. Just if you can explain how this product currently looks like.

And also, how your clients going to integrate it, and you can also talk about what your competitive position is there. Is this something that is really unique for TomTom that none of the competition has something like this? And if you then compare it, there's sometimes still the debate between for this kind of functionality, do you need a map, yes or no?

What's the status there also with things like the redundancy of the safety features?

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

Yeah, Marc, thank you. Yeah, so the Lane Model is fundamentally different from a Road Model Map because it is a representation of the actual road and all the lines on that road and the dividers and what not. So you get a replica encoded of what is the road surface, what the road surface looks like.

And the problem with building that map is that it's always been very expensive and didn't scale very well. But with new advances in technology and new data that are becoming available, we can now produce those maps to a high degree of automation, not completely automated, but there's a high degree of automation as possible now.

And that means that it's becoming economically viable to do this on all roads, not just the motorways. And it also means that you have a process for upgrading and change detection so you can build maps that are fresher. All those capabilities are critical for self-driving and automated driving.

We see that those maps are used in those systems as not only as a backup but also as a sensor. The challenge for self-driving technologies is to reduce the number of interventions of the driver of the vehicle, and maps data play a very critical role in reaching that objective.

Marc Hesselink - ING Groep NV - Equity Analyst

Yes, and the competition at this stage?

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

Well. So, we don't have full visibility, but we believe that the method that we are deploying is novel, differentiating, leads to better results, scales better than what our competitors are capable of producing.

Marc Hesselink - ING Groep NV - Equity Analyst

Okay, and if we look at the client side, you obviously have a big success with the CARIAD, but what about the discussions with other OEMs? Do you speak to many other guys including also the Chinese OEMs?

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

Yeah, so the interest is coming from a broad range of car brands. People of carmakers want this. They can see the value of having that data set available for the self-driving function, and that is broadly shared amongst all our customers and also potentially new customers.

So we see a profound deep interest in understanding what's going on and how this technology can help them to make those cars and bring the level of automation to the next level.

And next to that, we also see interest from software developers who are developing the self-driving software stack. There are a number of independent software developers who are doing this, mostly based in China, and they also show strong interest in understanding what this technology can bring and how it can help them to mature their own technology stack.

Marc Hesselink - ING Groep NV - Equity Analyst

Okay, clear. Thank you.

Operator

I have a question that's come through now from Andrew Hayman, Independent Minds.

Andrew Hayman - Independent Minds - Analyst

Yes, could you maybe give some guidance to how negative you think the free cash flow will be in 2026?

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

Thank you, Andrew. So, there are two things I want to say about it. The second thing is to answer your question, but the first thing is that we introduced new guidance metrics in 2020, so we give guidance on the topline and on the bottom line. The topline was the group revenue and the location technology revenue, and the bottom line we chose free cash flow because free cash flow, at that time, was the best tracker of our profitability. That had to do with the difference between operational and reported revenue in Automotive and the big delta between amortization and CAPEX that we saw in the OPEX line resulting from the acquisition of Tele Atlas.

Now both effects are kind of gone, so you also saw last year that reported revenue and operational revenue in Automotive is at parity, they're kind of almost the same. And also, we don't have any amortization left that's related to the Tele Atlas acquisition. So we want to normalize our guidance towards a revenue and an EBIT forecast.

And then coming into your second or your primary question. Due to the fact that Automotive is declining next year temporarily, and we sustain our investment at the same level as we had last year, we will see free cash flow being negative in this year. How large it will be, I don't know exactly, but I expect it will be above EUR10 million, but not much more than that.

And then if our revenue, our topline is recovering in 2027, I expect that free cash flow will be positive again as of 2027 onwards, but official guidance will follow in 12 months from now about that.

So we'll continue to provide direction about free cash flow, but the primary guider or primary KPI for profitability will be EBIT.

Andrew Hayman - Independent Minds - Analyst

Okay, thank you. And then, in terms of the bookings that came in, how much of that is new customers and how much is just more business from existing customers and then maybe just tied in with that? How does the funnel of business look for 2026? Is it a bit quieter after so much activity in 2025?

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

So if you look at the order intake, you can make a 2 by 2 matrix. In the horizontal you say existing customers and new customers. On the vertical you say Lane Model or Road Model, where Lane Model is the automated driving and safety use cases, and where Road Model is more for the driver itself to navigate from A to B.

What I already mentioned in my prepared remarks is that what we've seen is that if you break down the order intake of last year, that roughly half of that order intake is related to Lane Model. And that percentage will only grow further. So also, for 2026 we think that the proportion of Lane Model RFQs and potential wins will be tilted towards lane and not so much road. Road Models can be a tag-on deal. Increasingly OEMs want to focus on securing the right quality and the right vendor of Lane Models, and also that gives us opportunities to also secure extra deals in Road Model.

Cariad is an existing customer of course, because we already do software with them. So in that sense, the majority of the order intake was with existing customers.

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

But I want to add that this is the first time that we deliver map data at scale to the VW Group.

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

Yeah, that's different. Before it was navigation, software and traffic, etc., but now it is also including mapping.

Andrew Hayman - Independent Minds - Analyst

Okay, and how does the funnel of potential sales look for this year?

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

There's a broad and deep book of opportunities out there, not dissimilar from 2025. So the activity is really there from what we can see now. But what we also have seen in 2025 is that timing is very difficult to predict.

Also, because of ambiguity in product planning in all sorts of market conditions. But I think the way we look at it now, there's substantial opportunity available again in 2026 for further building of the backlog, and there are also opportunities available to us for extending and growing market share.

Operator

Marc Hesselink, ING.

Marc Hesselink - ING Groep NV - Equity Analyst

Yes, thanks. Follow-up on the Enterprise segment. I think in previous calls we've discussed a lot about the momentum for the small clients being quite good, but then for the bigger, longer sales cycles is that still ongoing? Are you still talking to these bigger potential clients and would we expect something beyond '26 in the '27 period? Is that likely?

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

We don't anticipate a big shift in market opportunities in 2026, no extraordinary, but we think that the momentum we have to an extent in the long tail of opportunities that will continue throughout 2026. There's a lot to go after in, also in the Enterprise sector.

Marc Hesselink - ING Groep NV - Equity Analyst

Okay, and the big clients, they sort of stick to their own products?

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

Well, we have a good market share with the big tech companies already. There are not that many of them, that the market share there and a representation with big tech is significant.

So the growth and the expansion needs to come from companies below that tier. There are a lot of them in the 10 million kind of category. There are a lot of them in the between EUR1 million and EUR10 million category that are available to us to win.

Marc Hesselink - ING Groep NV - Equity Analyst

Okay, that's clear. And then the second follow-up, you mentioned also for next year, '27, to be cautious on the cost side. And I just want to understand that a bit because I think that you say you're moving towards the more automated process. It's almost now fully automated.

Is that something that you can still take a bit of steps there to further automate it and at that stage decrease the cost a bit?

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

Yeah, well, so there's a number of things that we can achieve through on the cost side. I think the most important one is that our product portfolio is maturing and coming together. We're more product driven than in the past, and that means that we can do things more effectively, better, at higher quality, and we can leverage that software much better than we've ever been able to do in the past.

We see also opportunities to further leverage the power of AI, especially in the engineering side. We're making some meaningful progress in that area.

So, the combination of a simpler product portfolio and high-quality that are reaching completeness now, after a long period of transition, those are all indicators that we can do things faster at higher quality, but that allows us also to keep a lid on the cost and don't let that grow.

There will be additional costs in maturing the lane level product as Taco already indicated. But all in all, I think we are in a good position not to let the cost and the OPEX run away from us, but rather contain it and manage it carefully without that giving strong limitation on our ability to get things done.

Marc Hesselink - ING Groep NV - Equity Analyst

Okay, great, thanks.

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

Okay, with that, I want to thank you all for joining us today, and, operator, now you can close the call. Thank you.

Operator

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