

September 2017 and Third Quarter Sales Conference Call Notes

October 03, 2017

September, 2017 and Third Quarter Sales Conference Call
Tuesday, Oct. 3, 2017

September 2017 Sales Call Audio

Introduction: Toyota Motor North America Business Communications Senior Analyst, Amanda Roark

Good morning and thank you for joining us to review Toyota and Lexus sales results for September, and the first nine months of 2017.

Joining us and speaking today will be:

- David Christ, Vice President, Sales Operations, Toyota Division

And

- Andrew Gilleland, Vice President, Sales Operations, Lexus Division

A recording of the call will be available at Pressroom.Toyota.com about 24 hours after this call, and our communications team is available to field any additional questions you may have @ (469) 292-5100.

Now, I'd like to turn it over to David for a look at September and the first nine months of the year.

David Christ:

Good morning, everyone, and thanks for joining us today.

2017 looks to still be a solid year for the auto industry:

- As September is the first month this year,
- Where the industry exceeded an 18 million vehicle Seasonally Adjusted Annual Rate sales pace.

True, there has been some recent headwinds such as:

- Tighter financing conditions,
- General economic uncertainty,
- And continued consumer preferences toward more expensive SUVs and Trucks.

However, we are seeing that the economy still has the right support pillars in place

- Sustaining a relatively high volume of auto sales, thanks to
- Strong job growth,
- Solid wage growth,
- Continued low fuel prices,
- And solid housing and consumer confidence.

Additionally, this quarter, significant weather events have impacted the industry.

- At Toyota and Lexus, we continue to work with our team members and dealers in Florida, Puerto Rico and the Texas coastal area,
- To provide support to aid organizations in each area
- To help recover from the storms.
- Our hearts go out to those that are still suffering.
- And to those suffering from the thoughtless acts of one individual in Las Vegas.

We are encouraged by the numbers we are seeing from the industry today, and we anticipate a strong close to the year.

[Pause]

In September, the SAAR for new vehicle sales

- Is anticipated to exceed 18 million.
- with volume of over 1.5 million vehicles,
- Keeping our outlook at or near a 17 million SAAR pace steady for the year.
- If this pace continues, that would make three consecutive years over the 17M mark for the industry.

[Pause]

The combined total sales for Toyota and Lexus in September

- Was 226,632 vehicles,
- This number is up 14.9 percent on a volume, and 10.5 percent on DSR basis.
- As we outpaced the industry
- **And posting our best-ever September sales volume results overall and in light trucks.**

And for the first nine months of 2017, Toyota and Lexus Sales were

- Was 1,831,479 vehicles,
- Up 0.5 percent on a volume and up 0.1 percent on DSR basis.
- We are thrilled to see this number above the record pace we set in 2016.

Andrew will explain Lexus division results later, but first allow me to discuss the Toyota division results.

[Pause]

For the Toyota division,

- Sales in September of 200,436, up 16.9 percent
- The first time this year for the Toyota division to sell more than 200K,
- **And, Toyota is the number one selling retail brand for the month, quarter, and year-to-date.**
- **With the added recognition of outperforming the industry year-over-year for September, third quarter, and year-to-date.**
- **We also set a new record for the month in total Toyota division volume.**

However, the story is still mostly about Light truck sales,

- Toyota division light trucks,
- Posted a new best-ever September, up 31.2 percent,
- Marking a string of eight consecutive best-ever months,
- And an all-time best-ever quarter.
- One of our strongest highlights is the RAV4,
- Which gained 44 percent, with sales of over 42,000 units,
- For a best-ever September.
- Highlander was also up 36.3 percent in September,
- With sales above 20,000 units
- Both RAV and Highlander have had nine consecutive monthly best-ever sales records.
- And, 4Runner, was up more than 25 percent.

Also in September,

- Camry was up double-digits
- Topping 34,000 units in sales,
- With the majority of the volume being the all-new 2018 model
- A significant feat in a segment that has been down this year.
- This gets us off to a great start,
- As one of our goals with the new Camry has been to reignite the mid-size segment.

[Pause]

We look forward to a strong fourth quarter,

- With great inventory availability,
- Particularly in light trucks,
- As we head into the biggest selling seasons of the year,
- This leads to our enthusiasm for a strong finish to the year for the Toyota division.

[Pause]

Thank you.

Now, at this time, I will turn it over to Andrew Gilleland to talk about Lexus.

Andrew Gilleland:

Thank you, David.

We are continuing to see the growth in SUVs for the luxury segment as well.

In general, the Luxury sales have felt slower than the last couple of years, however,

- Luxury is not about volume
- It is about the customer experiences
- Which I will talk about as it relates to our new products in a moment.
- Overall, we at Lexus are having a robust year.

Our Lexus Dealers sold 26,196 vehicles in September

- An increase of 1.5 percent year-over-year

And our Lexus year-to-date sales now total 219,659,

- An overall decrease of 7 percent versus the last year-to-date.
- But, we are not discouraged,
- As we look forward to a strong fourth quarter.

[Pause]

In September, luxury utility vehicles continued to lead the way

- As sales exceeded 17,000 units,
- That is an overall increase of 12.9 percent versus September 2016.
- In a bit, I will talk about specifics to each series.

And for the year-to-date, Lexus Luxury Utility Vehicles

- **Are up 4.2 percent,**
- Marking the 5th consecutive best-ever monthly sales record,
- And a new all-time best-ever for LUV share at 67.7 percent of total overall sales.
- As we have shifted our inventory
- To be better with current customer preferences as we see this trend strengthening.

Specific examples of our LUVs performance in September include,

- GX was up more than 53 percent versus last year
- Marking back-to-back consecutive best-ever months.
- LX, was up 38.6 percent in sales volume for September,
- RX was also up in September,
- Finally, NX, which was up 6.6 percent for the month,
- And more than 10.2 percent year-to-date.
- The NX had its 7th consecutive best-ever monthly total.

[Pause]

We are still excited about the Lexus LC

- It has been well received by our customers
- And garnering good reviews from business, enthusiasts, and industry publications alike,
- They are truly amazed by our performance luxury sports coupe.

Also, we just completed the media launch of the all-new LS,

- which will arrive in February,
- Where the feedback was equally positive,
- With strong reviews and optimism
- Preparing the way for sales launch in February.

[Pause]

As stated earlier, we believe we'll have a strong 4th quarter

- As Lexus is traditionally a strong 4th quarter team
- And we have great availability, and some campaigns,
- Such as our year-end sales event
- To help push volume through the balance of the year.

And, finally, we are excited to show you

- Some new ideas at the upcoming LA Auto show
- At the end of November.
- So, stay tuned.

Thank you for joining us today, and now we'd like to open the call up to any questions you may have.