December 2016 Sales Conference Notes

January 04, 2017

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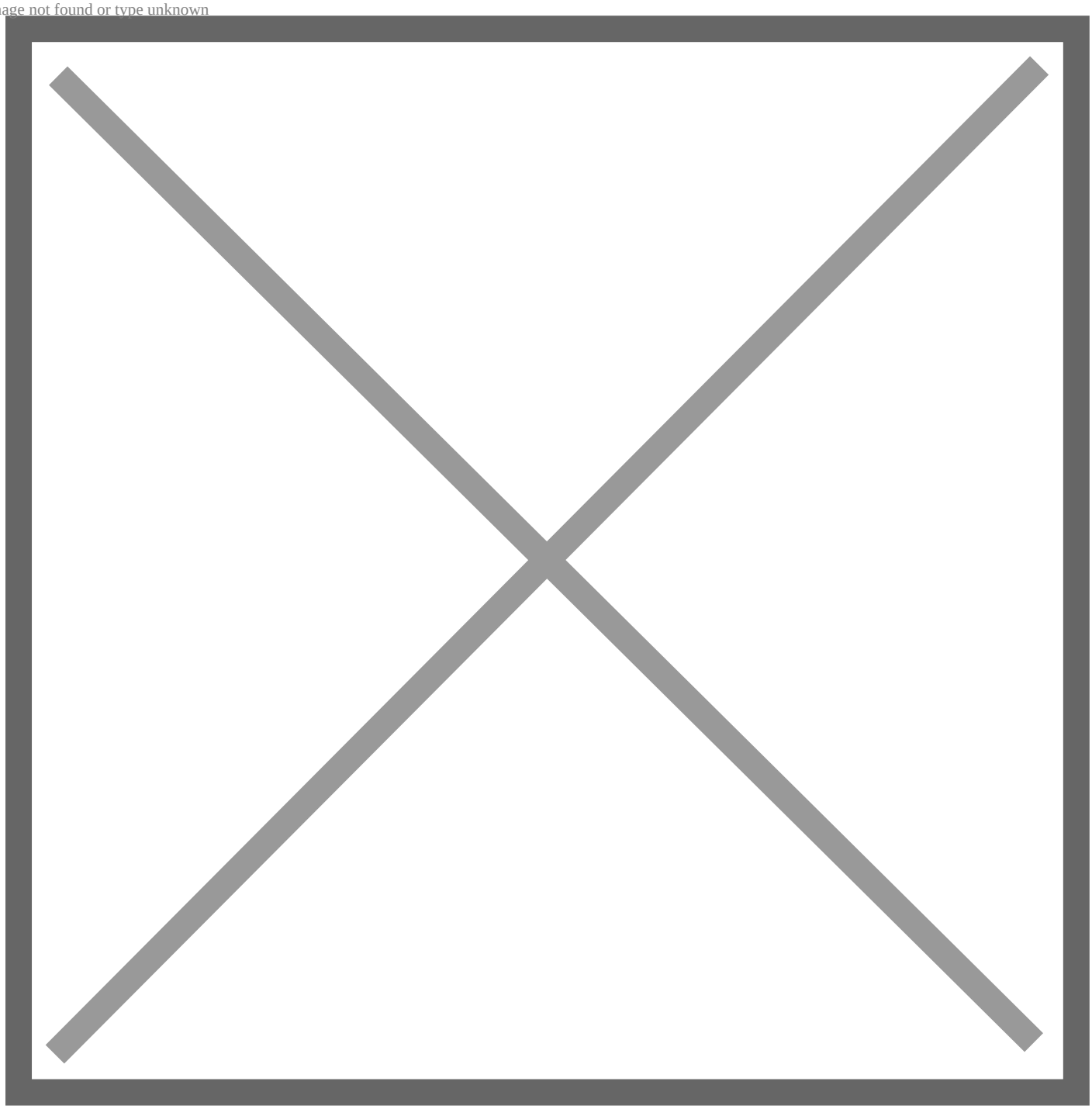

December 2016 Sales Conference Call
Wednesday, January 4, 2017

December 2016 Sales Conference Call (audio clip)

Toyota Motor Sales Corporate Communications Manager Aaron Fowles:

Happy New Year, everyone! Thank you for joining us to review Toyota and Lexus year-end sales results for 2016.

Joining us and speaking today will be:

- Bill Fay, Group Vice President and General Manager of the Toyota Division,
- And Jeff Bracken, Group Vice President and General Manager of the Lexus Division.

A recording of the call will be available at pressroom.Toyota.com about one hour after this call and our communications team is available to field any additional questions you may have @ (310) 468-5297.

Now I'd like to turn it over to Bill Fay for a look at the 2016 sales results.

Bill Fay:
Thank you. Good morning and Happy New Year, everyone.

2016 looks like it will turn out to be a record year, surpassing expectations

- With the biggest driver the consumer shift to SUVs and trucks.
- Three years ago, light truck sales represented 50 percent of the market,
- And this year, the light truck share will be more than 60 percent.
- Over the last couple months, that number has grown to nearly 63 percent,
- Marking one of the biggest shifts in consumer preference we've ever seen in the industry.

This shift has led to our record results, along with,

- An overall stronger economy,
- An increase in new housing starts,
- Continued low fuel costs and interests rates,
- And the highest levels of consumer confidence since 2007.
- Resulting in an eighth year of growth for the industry in 2016!

To briefly recap December-

- With five weekends,
- The month had 27 selling days, one less than 2015,
- And we expect industry sales of more than 1.675 million vehicles
- A level higher than last year,
- For an estimated Seasonally Adjusted Annual Rate of 18.3 million,
- The first time December has ever gone above 18 million.

With these strong results for December,

- 2016 will exceed last year's high of 17.47 million,
- To surpass 17.5 million,
- For back-to-back record years.

Toyota Motor North America ended the final month of the year with

- Combined Toyota and Lexus sales
  - Of 243,229
  - Up 2 percent in volume, compared to last December.

Toyota division sales, for the first time since May 2015,

- Surpassed 200,000 vehicles, of 202,047,
- Up 2.6 percent year-over-year.
- We had our best ever December sales,
- And our best volume month of the year,
- Led by our all-time best-ever month in light trucks,
- Over 15,000 units above our December 2015 results,
- Ending at more than 116,000 SUVs and trucks.
- Highlander, RAV4 also set new records with all-time best-ever month.

Jeff will review the Lexus division results for the month and year in a few minutes.

Combined Toyota, Lexus, and Scion sales in 2016

- Were 2,449,630,
- A decrease of approximately 2.0 percent from last year.
- While passenger cars dipped,
- We had back-to-back record-breaking years in light trucks.

Now, some Toyota division highlights for the year:

- Toyota remained the No. 1 retail brand,
- For the fifth consecutive year,
- And Camry reached a new milestone –
- Its 15th year as the best-selling car in America.
- Cars.com also brought further attention to Camry,
- As it was named the "Most American-Made Car."
- Some of the real stars this year were the RAV4 and Highlander,
- Which shattered their previous annual records
- As they recorded incredible double-digit growth.

But that's not all:

- Prius maintained its leadership position among alternative powertrain cars for the year.
- And though consumers are shifting their taste to light trucks,
- They appear to agree that there remains a place for hybrids with an increase in demand for vehicles like the all-new RAV4 Hybrid,
- Which accounted for nearly 13 percent of our overall RAV4 sales,
- And Highlander's hybrid powertrain is also doing well,
- As its sales increased almost 50 percent for the year.
- Toyota hybrid sales lead the market,
- In fact, in 2016, Toyota hit its 9 millionth sale globally for hybrid vehicles,
- And with the launch of the Prius PRIME,
- We are very optimistic that Toyota will continue to lead in alternative powertrains sales.

We are also happy to report that Toyota Certified Used Vehicle

- Had another record-breaking year,
- Celebrating the 5 millionth certified unit sold in July,
- And ending the year with sales of more than 417,000 vehicles,
- Up 12 percent on a volume basis from last year,
- Toyota is the first manufacturer to achieve over 400,000 certified used vehicles sales in a year.

We had a few big changes last year,

- Such as the sunset of the Scion nameplate,
- The sell-down and transition was smooth and completed on schedule.
- We will remember how the brand was able to achieve its goals,
- Which included developing new products and act as a laboratory to create a stronger Toyota.
- Scion's rebranded products, Corolla iM, Yaris iA, and Toyota 86 will continue to be a part of our lineup.

And in 2016, we made progress in bringing our light truck production in better alignment with consumer demand,

- As we added production more capacity for Highlander and Tacomas,
- Thanks to increased output from our plants.
- We have even more to look forward to later this year,
- When we'll see even more Tacoma production,
- With an additional capacity of 60,000 trucks annually.

With a strong industry forecast for 2017,

- Expecting a third consecutive industry year above the 17 million mark,
- We are very optimistic for this year.
- Toyota will have a better mix to meet changing consumer demand,
- As the small/midsize SUV and pickup truck segments continue to grow.
- We are thrilled to launch the all-new Camry in Detroit next week,
- Where everyone will see what we've done with America's favorite car,
- Which is sure to turn heads and bring some excitement to the mid-size segment.
- And, with the new C-HR, our new compact SUV, getting ready to launch into the hottest part of the market,
- We are ready to get 2017 started.

Now I'd like to turn it over to Jeff Bracken for a look at Lexus results.

Jeff Bracken:
Thank you, Bill and congratulations on another year of industry retail leadership for Toyota.

As for us at Lexus, our close last night was a blast

- Our dealers finished out the year with another successful "December to Remember" event.
- In fact, the last weekend was our all-time-best-ever weekend,
- With over 11,000 new Lexus vehicles sold –
- Ultimately leading to our 2nd best year in total vehicle sales volume.

Like much of the industry, the story for Lexus last year was about luxury utility vehicles.

- Our LUVs were up double-digits, 12.5 percent,
- Shifting from about 50 percent of our overall sales mix in 2015,
- To make up nearly 60 percent of Lexus sales in 2016.
- This was one of the largest single year shifts we have seen –
- In fact, the contribution of Lexus utility vehicle sales to our overall volume shifted
- By more than 15 percentage points just in the last two years.

Despite starting the year with a sedan versus utility vehicle inventory mix that was less than ideal,

- We were able to match inventory with market demand by the end of the summer.
- All four of our luxury utility vehicles were highly competitive,
- Three of which were virtually brand new – the NX, RX, and LX.
- All with strong gains in 2016, and GX remained flat,
- Due to limited availability.

Specifically, NX sales reported through November,

- Had already exceeded its full 2015 sales number of 44,000,
- And with December's best-ever monthly results included,
- NX set a new annual record with nearly 55,000 sold in the 2016 calendar year.

We've also seen good results with the all-new '16 model year RX,

- Sales volume improved by nearly 9 percent, totaling 109,435,
- Exceeding the previous all-time-best-ever year set more than a decade ago, in 2005 –
- Not too bad for the no. 1 volume utility vehicle in the luxury industry.
- Additionally, our most prestigious LUV, the LX was up more than 47 percent for the year.

For the month of December, new Lexus

- Sales totaled 41,182, down by just 198 vehicles from our all-time-best-ever, any month in December 2015.
- 26,567 was a best-ever month in luxury utility vehicles for us, and
- Our Lexus Dealers also established a best-ever, any month, for L/Certified pre-owned –
- Selling 10,632 vehicles in the month of December –
- Bringing the annual L/Certified total to 101,781

And for the 2016 reporting year, Lexus

- New vehicle sales totaled 331,228 – second only to 2015.
- As a result, our Lexus Dealers begin the new year with a 44 day supply of luxury sedans,
- A 24 day supply of luxury utility vehicles,
- Equaling a 31 day supply in total availability.

When you add together our new & L/Certified sales results:

- The total Lexus Dealer throughput in 2016 was the largest in our history,
- Totaling over 430,000.
- So on average, each of our dealers sold over 1,800 vehicles in 2016.
- To take this one step further,
- The total dealership volume of all new & used vehicles,
- Including non-Lexus pre-owned sold,

- Takes that average to 2,300 sales per Lexus dealership.

Perhaps like each of you, we closely track our retail volume through Polk registration data,

- As it is a true report of actual customer new vehicle purchases and leases, sold one at a time.
- Following last year's leadership position,
- And through the latest October 2016 year-to-date registration data,
- Lexus Dealers lead all luxury competitors in retail registrations,
- Ahead of the nearest competitor by nearly 6,000 –
- And ahead of the third place contender by over 10,000.
- And, as you would imagine, we can't wait to receive the 2016 year-end results from Polk to confirm the 2016 luxury leader.

To conclude, we were honored in 2016 to be named

- By Kelley Blue Book as the top overall and most trusted Luxury Brand,
- Named to "Ward's 10 Best UX" list, a new award for user experience in new models,
- We received the inaugural award for "most wanted" for the RX and the ES from Edmunds,
- And Forester rated Lexus #1 in overall customer experience.

We look forward to seeing all of you next week in Detroit

- During the World Premiere reveal
- Of our all-new, fifth-generation LS flagship sedan
- We're one of the 1st reveals on Monday's schedule at 8:30 AM –
- We promise to make your time well spent.

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