

June 2016 Sales Conference Notes

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June 2016 Sales Conference Call
Friday, July 1, 2016

June 2016 Sales Conference Call (audio clip)

Toyota Motor Sales Corporate Communications Business Communications Manager Aaron Fowles:

Good morning and thank you for joining us to review Toyota and Lexus sales results for June and the first six months of 2016.

Joining us and speaking today will be:

- Paul Holdridge, Vice President of Sales Operations of the Toyota Division
- Steven Hearne, Vice President of Sales Operations of the Lexus Division

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

Now I'd like to turn it over to Paul for a look at June and the first half results for Toyota division.

Paul Holdridge:

Thank you, Aaron.

Good morning everyone, and thank you for joining us today.

While not all the industry data has been finalized

- We expect the June industry
- To post sales of approximately 1.5 million units.
- Which while slightly down from last year,
- Still show that the market
- Has maintained a solid pace for the first half of 2016.

Even with the Seasonally Adjusted Annual Rate for June

- Tracking at under 17 million
- The year-to-date SAAR for the industry
- Is expected to be above 17 million,
- Indicating one of the strongest first halves
- Since as far back as 2000.

Combined Toyota, Scion, and Lexus new vehicle sales results for June

- Totaled sales of 198,257 units
- Down 5.6 percent on a volume basis,

And after six months of 2016

- Combined Toyota, Lexus and Scion sales of 1,197,800

- Are down 2.7 percent from last year on a volume basis.

In June, the Toyota division recorded new vehicle sales

- 172,478 vehicles
- Down 6.2 percent overall on a volume basis.

Camry continues to lead our passenger cars

- With sales of 32,561
- We expect Camry to remain the #1 selling passenger car through June
- And Corolla with 30,950 units, should remain the number three passenger car on a year-to-date basis

Divisional light truck sales remain steady,

- As we saw best-ever June results for RAV4
- Up 10.2 percent to over 27,000 vehicles
- And our other SUVs, such as 4Runner and Land Cruiser posted strong gains as well.

Combined pickup truck sales

- Topped 25,000 for the 4th straight month
- Evidence that our additional investment and prioritization in production in San Antonio is paying off.

Looking back on the first six months

- Toyota division posted sales of 1,046,236 vehicles down 2.7 percent overall;
- However, our light trucks performed well up 3.7 percent over the same period for best-ever first half.

In fact, we are pacing ahead of what was record light truck year in 2015,

- With the spotlight on RAV4, up 15.5 percent,
- As well as our other SUV and pick-up truck series,
- Such as Highlander (up 4.5 percent), 4Runner (up 17.9 percent), Sequoia (up 3.4 percent), and Tacoma (up 7 percent).

Toyota is expected to be the industry's #1 retail brand after six months

- With vehicles leading the mid-size, compact SUV, and small truck segments
- And not only do we expect Camry to remain the best-selling passenger car in America,
- We are proud of the fact that Camry is the most American-made car available to consumers in a recent Cars.com study.

And Toyota Certified Used Vehicles

- Has had its best ever June, and a best ever six month start to the year,
- And with a record numbers of vehicles are coming off-lease,
- We expect the sales pace to continue throughout the remainder of the year.

Historically, industry trends over the past several years typically show a stronger second half than first half.

And we see this industry trend continuing through the second half of this year.

The same is true for Toyota,

- We'll have over half a million light trucks to be wholesaled in the second half,
- So we're poised to take advantage of the current market demand for SUVs and trucks.

Also in the second half,

- We will be increasing our focus on selling down Scion,
- With June sales of 6,179 units,
- It was our best June in three years.
- As we prepare for the launch of Toyota 86, Yaris iA, and Corolla iM models,
- We expect Scion volume and sell down to proceed on pace into our fall launch of '17 models.

And that's not all –

- We will also introduce an updated model year 17 Highlander and Sienna,
- Plus our new Prius PRIME plug-in hybrid,
- And a 50th anniversary special edition Corolla.

With strong truck and SUV wholesale and new product offerings along with economic fundamentals like:

- Continued growth in GDP,
- Positive labor data,
- Continued growth in household spending,
- Low fuel prices,
- And accessible financing.

We remain optimistic

- That we will see another solid year of new car sales,
- And look forward to the 2nd half of 2016.

Thanks again for joining us today. Now I'd like turn this over to Steve Hearne for a look at the Lexus division results.

Steven Hearne:

Thank you Paul, and good morning everyone.

New Lexus June sales

- Of more than 25,779 vehicles
- Were down just over 1 percent from last year

While year-to-date sales

- Of nearly 151,564
- Are down overall by just under 5 percent on a volume basis

The shift in consumer demand from sedans to light trucks

- Described by Paul for the general market
- Is happening within the luxury market as well.

And Lexus has benefitted as we just posted our best-ever quarter and first half *ever* in light truck sales!

Our fresh Luxury Utility Vehicle lineup

- Was led by the all new redesigned RX, up nearly 12 percent,
- NX, up 16 percent, which is on a record pace,
- recently updated LX, was also up 55 percent for the first half.

Additionally...

- The latest industry registration data for new vehicles through April
- Shows that Lexus is extending our luxury market leadership position we regained in 2015
- And that RX is again the top selling luxury model in the industry.

While our June passenger car sales

- Were down vs. last year by nearly 14 percent
- We were able to post a 7 percent increase in June on ES over 5,000 units,
- And we were proud to be awarded the platinum award
- By JD Power in their IQS study,
- Recognizing our Kentucky ES assembly plant at their highest level in the world for initial quality.

Lexus luxury utility vehicle sales

- Were up double-digits, nearly 11 percent on a volume basis,
- At more than 14,500 units,
- And continue to drive our volume.

- We are only limited by the availability of our LUVs.

Vehicles leading the growth at Lexus are

- The all-new RX,
- With June sales of more than 8,000 vehicles,
- And more than 49,000 sold year-to-date.

And the NX and LX continue to shine...

- With the NX, up 16 percent in June, continuing to bring in a much younger buyer
 - With a median age 15-years younger than the RX...
- And the LX enjoying strong growth with its refreshed design, up nearly 40 percent
- With a limited 20-day supply.

Lexus L/Certified is also breaking records,

- With best ever sales results in June and year-to-date.

Our combined new and L/Certified used car sales

- Have set a record as the best first half year total sales ever
- As our refreshed program adding extended coverage and maintenance,
- Combined with our record number of off-lease vehicle availability,
- Have Lexus L-Certified on a record pace and a luxury leading 19% increase vs. last year.
- This is a trend we expect to build upon.

Looking at the second half of 2016

- We share Paul's optimism for the industry,
- And we see the luxury market continuing to be solid as well
- Especially in the light truck market where we have strength.

Not only are the economic indicators still in place for a good year

- Lexus has historically been a second half team
- Normally posting higher sales volumes during the final six months of the year and peaking in December
- Availability of LUVs will improve

Aaron Fowles:

Thank you for, Paul and Steve, and for those of you joining us today. Now we'd like to open the call up to any questions you may have.

