

March 2016 Sales Conference Notes

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March 2016 Sales Conference Call
Friday, April 1, 2016

[March 2016 Sales Conference Call \(audio clip\)](#)

Toyota Motor Sales Corporate Communications Vice President Steve Curtis:

Good morning, everyone!

Thank you for joining us as we review Toyota and Lexus sales results for March and the first quarter of 2016.

Joining us and speaking today will be:

- Bill Fay, Group Vice President and General Manager of the Toyota Division
- 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 March and the first quarter's sales results.

Toyota Division Group Vice President and General Manager Bill Fay:

Thank you, Steve.

Good morning, and thank you for joining us today.

While 2016 has had a healthy start

- And while January and February keeping pace from 2015,
- March has shown some softening,
- Due to consumers being more cautious about spending –
- But they are still spending.
- The economy still feels stable,
- And fundamentals for consumer spending remain strong.
- The unemployment rate is expected to continue to decline,
- And, given the state of the economy, the Fed chose not to raise rates again in the first quarter.
- So we remain optimistic about the industry in 2016,
- As we prepare to head into the spring and summer selling season.

And while all the numbers for the industry are not fully in for March,

- The industry is expected to post sales of around 1.6 million vehicles
- Resulting in the best March the industry has seen in over a decade,
- And the year-to-date SAAR after the first three months will land above 17 million, probably in the range of around 17.4 million.
- That is the best first quarter start since at least 2001.

Light trucks in the industry

- Continued to dominate the mix at more than 58 percent of the total
- And the entry-level and small-SUV segments when combined are outselling all other segments,

- Including standard midsize passenger cars

For March, total Toyota and Lexus combined sales

- Came in at 219,842
- A 2.7 percent decrease in volume from last year
- While total TMS year-to-date sales of 569,079 vehicles
- Are running nearly flat to last year

The Toyota division in March,

- Remained the #1 retail brand
- With total sales of 189,644,
- A decrease of 2.7 percent in volume from last year.
- However, Light Trucks recorded increases,
- As RAV4 and Highlander had their best-ever March,
- And Sequoia, 4Runner, and Land Cruiser all saw double-digit gains as well.

After the first three months,

- Toyota Division sales remained relatively flat to last year,
- While Toyota remained the #1 retail brand for the quarter
- And we expect Camry to again be the #1 selling passenger car.
- And both RAV4 and Highlander set new records for the first three months
- Resulting in their best first quarter ever.
- With these results, Toyota set a new first quarter record in Light Trucks.
- And we are selling them virtually as fast as we can build them.
- And light trucks averaged around 51% of TMS sales over the quarter.

In other news:

- In 2016, the industry overall expects to see a large number of lease returns,
- Which marks another opportunity for the industry,
- In the area of certified pre-owned vehicles,
- Which really helps our dealers and increases customer retention.
- Toyota Certified Used Vehicle is well positioned to take advantage of this,
- Our TCUV sales recorded not only a best-ever March,
- Of 38,559, up 23%
- Which made it an all-time best ever month,
- As well as a best first quarter.

And, as you know, we just wrapped up the auto show season last week in New York

- Where we introduced the Toyota 86,

- A bona-fide sports car for the Toyota brand.
- Which I am real excited about.
- Also at the show, we launched the Highlander for 2017
- With an array of new and updated equipment and technology,
- Including a new Direct Shift 8-speed automatic transmission.
- The show was also the perfect stage to roll-out the new Prius PRIME
- An ultra-efficient vehicle with a plug-in hybrid powertrain.
- Prime has a manufacturer-estimated 120 miles per gallon equivalent
- Thanks to greater battery capacity and an improved hybrid system.

In addition, at the show,

- The game-changing Mirai, our first commercially available hydrogen fuel cell vehicle,
- Received the World Green Car Award for 2016,
- A real testament to the efforts we have made in having the first commercially available fuel-cell vehicle in the market.

And, finally, we launched the global celebration for Corolla,

- Which is celebrating its 50th Anniversary this year.
- Just in time for the anniversary celebration,
- The 2017 Corolla will receive a refreshed look and new features
- Including available Toyota Safety Sense-P technology and a standard back-up camera on all models.
- With more than 43 million vehicles sold over the last 50 years,
- The Toyota Corolla has been a big part of more people's lives than any car ever manufactured.
- We will celebrate the 50th anniversary through a year-long, global campaign.

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

Lexus Division Group Vice President and General Manager Jeff Bracken:

Thank you, Bill, and good day everyone.

Our Lexus March Sales

- Of 30,198 new vehicles
- Resulted in a 2.8 percent decline on a volume basis

After the first quarter

- Our year-to-date volume totals just over 74,000
- Down 3.8 percent

However, we're pleased

- To report our retail market share within the luxury industry is up to 18.4 percent

- And keeps Lexus in the luxury leadership position to start the year from where we left off at the conclusion of last year.
- The combination of our dealer strength,
- Benchmark customer loyalty,
- And great product
- Put us in a very healthy & competitive position as we move through the 2016 calendar year
- While 18.4 percent market share is up nearly a full percentage point year-over-year
- It is only January's retail registration data.
- Only one month under our belt.
- As a result, we're anxious to see more retail registration data moving through 2016.

Much like the general market, the luxury segment

- Has seen a slowdown in passenger cars
- While so many of the luxury car segments are down,
- We were pleased to see our Lexus dealers retail nearly 5,800 ES sedans & ES hybrids
- Resulting in a slight net gain for the month of March.
- On the other hand, luxury utility vehicles have benefitted by large gains.

Lexus SUV's continue to outpace our passenger cars,

- We sold more than 16,000,
- A new record for Lexus light trucks for both the month and quarter
- With the quarter up more than 11 percent for light trucks.
- This is supported by a fresh line-up of luxury utility vehicles.
- The LX was up double digits in March, a 45.7 percent increase in volume
- RX sales of 9,648,
- Up 5.1 percent for the month, 7 percent for the quarter
- And our best month since the launch of our 4th generation RX & RX hybrid.
- And with more than 4,500 NX sales, NX set a new best over month,
- Up more than 24.8 percent for the month

Our dealers continue to do a great job

- With L-certified, or pre-owned sales
- March volume of 1,618 set a new monthly record for our Lexus Dealers.
- They're optimizing L-Certified business with the increase of off-lease vehicle volume,
- A likely sign of steady increases of L-Certified volume throughout this calendar year.

We're pleased to report the first quarter brought some very positive product news to Lexus

- As J.D. Power recognized Lexus with the #1 rank for "vehicle dependability" among all nameplates for a fifth consecutive year.
- And the NX, one of the hottest vehicles in our line-up, was honored with the "Best Cars for the Money Award" from U.S. News for the "Luxury Compact SUVs" segment.

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