

November 2012 Sales Conference Call Transcript

December 04, 2012

[November 2012 Sales Conference Call \(Audio Clip\)](#)

Monday, Dec. 3, 2012

Mike Michels: VP of Corporate Communications:

Thank you, well hello everyone and thank you for joining us today we review November sales results. We hope everyone had a very Happy Thanksgiving and we wish everyone and happy and safe holiday season coming up.

Reviewing sales today will be Bill Fay, Group Vice President and General Manager of Toyota Division and Tim Morrison, Vice President of Sales for Lexus.

The audio transcript for the call will be available approximately an hour and a half afterward and a written transcript will be posted on our pressroom Web site tomorrow.

As always our communication staff is here through the rest of the day and if you need to reach someone, our media line is 310-468-5297. Now I'd like to turn it over to Bill to talk about Toyota's November sales.

Bill Fay:

Thanks Mike and good morning everybody and thanks for joining us here this morning. The industry had really an excellent month in November, looks like it will be a million one hundred forty thousand sales, that's up about 14.4 percent from last year and really there was a lot of consistency throughout the month week to week.

Looks like the SAAR will come in at about 15.4 for the month, which will easily be the highest SAAR of the year and in fact that's probably going to be the highest SAAR since February 2008.

At Toyota, we continue to outperform the industry, you know, really continuing to ride the crest of the 19 new and updated products that we launched throughout this year.

That probably accounted for close to 40 percent of our vehicles that we sold in November. The Toyota Lexus and Scion sales totaled 161, 695 and that's a 17.2 percent increase from last year. Toyota was also the number one retail manufacturer for the month.

So part of the industry increase in November was due to people beginning to replace their damaged vehicles caused by Hurricane Sandy back East. We estimate about 25,000 vehicles industry-wide were replaced from the storm in November.

That recovery process will likely take several months into the first quarter of next year and when that's all said and done we expect about 100,000 new vehicle – new replacement vehicles in the industry in total.

But that really only accounts for part of the November story, as you know, it's typically a little bit of a slower month in the industry. But we see kind of three key factors that were driving growth in the market in November.

First is pent up demand, as everybody's been talking about the average age of cars on the road is now

approaching a record 11 years old and actually 20 percent more are 16 years old. So there's really some aging vehicles out there, so there's plenty of people out there needing to replace vehicles.

Second there's excellent financing available, in fact rates are at a record low level right now. So if you combine the oldest fleet with some of the lowest finance rates on record you really have a great opportunity for buyers. And the industry almost kind of look at it that need is intersecting with affordability here driving the market.

And third we're starting to see a surge of young buyers starting to come back to the market. Gen-Y is returning at a higher rate than any other age group and that's happening in part because of these low finance rates.

So we expect this market driven growth to continue into December and through next year. At the Toyota division we sold 138,976 in November, that was up more than 17 percent year over year and it's our best November since 2007.

Some of the Hurricane Sandy recovery efforts were really I think monumental, we had several dealerships that were really hard hit back in the New York area and we heard stories of, you know, dealers sharing their inventory with them and really working together to try and get everybody back up and running.

And we really had all dealerships back up and operating within five days of the storm, many still on generators and using their ingenuity to try and get open to help address their customer needs whether it be repair or replacement of vehicles.

Our port operation in North New Jersey was back processing vehicles within two weeks despite having a significant amount of damage down there. And TFS, our credit company popped in very quickly with deferred payments and enhanced leased programs that really helped out in the market place.

So really can't say enough about the team effort and everybody really trying to get our owners and our customers back on their feet to address many of their needs from the storm.

So as a result our New York region that covers Connecticut, New York and New Jersey had a record November. Sales were up 35 percent from a year ago, that pretty much doubled our national increase. We figured about 3000 hurricane replacement sales occurred there and that payment deferral and special lease programs will continue through December to help with our customers back there.

I think we should also point out that our results in the State of California have really been supporting our sales efforts all year and they continue to be very strong. You know, are year-over-year results in California are up 30 to 40 percent, which continued into November.

That was really one of the first markets that went into a recession and it really seems that it's starting to really finally come out of that. And as you all know that's a key market for us, we get over 20 percent market share there, so it's nice to see California continuing to recover also.

From a product standpoint Camry led the way nationally with nearly 29,000 sales, up 23 percent from last year and it was our best Camry November since 2007. Corolla was up 40 percent with sales of 22,000 and that was our best November since 2006.

And Scion was up about 58 percent, again benefiting from some of those returning young buyers and new products like FR-S and new products like iQ, which accounted for a lot of the Scion growth.

And it continues, our hybrid sales continue to do very well, our Toyota division hybrid sales were up nearly 30 percent from last year at over 21,000 sales. Light trucks also rebounded very well as gas prices fell in many part of the company.

Our pickup sales were very strong, Tundra was up over 30 percent and Tacoma was up 26 percent. Combined we sold 27,000 trucks for the seventh straight month and SUV's also bounced back real nice.

Even in build out our Rav4 posted it's best November sales ever while Highlander and 4Runner, Sienna and Venza all had double digit gains from prior year led by Venza up over 40 percent.

Used vehicles were also very good, we had our best November Toyota Certified Used Vehicle Month, the sales nearly at 28,000 units and that was up 12 percent from last year.

And our used car sales were supported by some good news this week. The Kelley Blue Book released their study on resale values, Toyota and Lexus were recognized for best overall resale value for volume and luxury brands by Kelley Blue Book. And Toyota, Scion and Lexus accounted for six of the top ten models there.

So as we look ahead to December, we have a lot of optimism. It's traditionally a very good month for the industry, especially from that Christmas to New Years selling period.

Our Toyotathon is now in full swing, 34th Annual Toyotathon so it's a great selling time for us. We've got probably some of our best offers of the year with low interest rates and low lease rates around the country so we're very optimistic that between Toyotathon and our offers in the market place we will continue our momentum.

Also in December we've got the all new Avalon arriving at dealerships, it's the first Toyota completely designed, engineered and assembled here in North America and it's not only a great looking car, many of you have seen it but it really is a great value story for us.

So we're very optimistic, we add a hybrid model that gets 40 miles per gallon in the city and our – as we turn the calendar into next year we are looking to sell about 70,000 Avalon's next year, so we're very optimistic with that.

Avalon kind of completes the run of our new products this year. It's – we had more than at any time in our history but it really doesn't mean that we're slowing down, we just unveiled at the LA Auto Show our brand new Rav4, which will go on sale in January and we'll have some more new model information to talk about early next year.

We expect the industry to close the year strong, especially if an early agreement is reached in Washington but even with the momentum we think that the markets strong enough to hold up even if the debate goes on for a while.

The industry looks like it should top our forecast of 14.3 for the year slightly, probably closer at 14.4 or so and we expect that recovery to flow right into next year.

So we appreciate your time and attention today, at this point I'd like to turn it over for the Lexus review from Tim Morrison.

Tim Morrison:

Thanks Bill and more good news at Lexus. Thanks to nine new or redesigned models we had our best November in five years, in fact sales of 22,719 were our strongest since the pre-recession days of November 2007.

Compared to last November sales increased 16.8 percent on both DSR and end volume basis. Leading the way was RX with sales of 8871, up 17 percent from a year ago and our new stands are going gangbusters as well.

GS was up over last November 786 percent, ES debuted in August, it was up 28 percent and then LS, which is just hitting dealership showrooms now was up 37 percent versus last November.

So while sales were strong across the U.S. we did get some extra activity in the Northeast due to Sandy that played in well and tied in with the rest of the increases we had for the month.

Last week was banner week for Lexus, in the brand Lexus earned the top spot in J.D. Power Sales Satisfaction Index, it completes our 2012 grand slam of J.D. Power studies with initial quality, customer satisfaction, vehicle dependability and now sales satisfaction all finishing number one for the brand.

Our Kelley Blue Book named Lexus the top luxury brand as Bill mentioned for resale but we also had four of our vehicles honored as well and then Lexus received two ALG rewards for high residual values as well last week.

Headed into the final months of the year for us the dealers are really well stocked with plenty of inventory of all our new models. Our December sales event is in full gear, our TV spots, we're encouraging in a really clever way to get away – customers to get away from their social channels and celebrate the holidays beginning out in – in fact we've added some special charity events that are planned during the month so it's going to be a lot of fun for us.

And then stay tuned as we do have some more exciting news that we will announce fairly soon. Other than that we've got everything in line to make this truly a December to remember for Lexus in closeout 2012.

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