

September 2011 Sales Conference Call

October 03, 2011

September 2011 Sales Conference Call Monday, Oct. 3, 2011

Speaking today will be:

- Bob Carter, Group Vice President and General Manager of the Toyota Division; and
- Mark Templin, Group Vice President and General Manager of Lexus.

Bob Carter:

I'm going to start today's call by saying these words... one... last... time.

Combined Toyota, Scion and Lexus sales were down for the month.

Down 17.5 percent from last September to be exact.

When you consider vehicle availability was down more than 40 percent from last year, it's a tribute to the efficiency of our distribution system and our dealers that we were able to sell the 121,451 vehicles we did in September.

But things are already changing – and in a very big way.

For the first time since the earthquake and tsunami hit Japan on March 11, all Toyota plants in North America and Japan are back at normal production levels, a couple of months earlier than originally expected.

In fact, virtually all plants are working overtime and fourth quarter production will actually exceed our initial plans.

So the flow of vehicles is rapidly increasing and so will inventories.

As a result, we expect TMS to exceed year-ago sales levels beginning in October, and we will continue to do so every month through the fourth quarter and beyond.

The increases are being driven not only by improved availability, but also by an influx of new products.

Camry is a perfect example.

September Camry sales were down 19 percent, as the sell-down of 2011 models exceeded our expectations and drove inventories down to levels we've seldom seen in the past, about a third of what we normally have on hand.

We even started shipping the all-new 2012 model to dealers late in the month, several weeks ahead of our initial plans.

The new Camrys began arriving at dealerships this past week and dealers started selling them as soon as they rolled off the truck.

That trickle of 2012 Camrys will turn into a flood during October as we ship about 35,000 to dealers. And while it's still very early, the initial sales tell an interesting story.

Buyers are attracted by the best-in-class fuel economy and the added value the new Camry offers.

As Edmunds.com noted, 2012 Camry pricing gives it the lowest inflation-adjusted MSRP in the model's 22-year history.

Early customers have responded by buying more Camry for less dollars.

So much so, our sport SE and luxury XLE models are selling at a faster rate than the LE, the traditional Camry leader.

Buyers also are requesting the new Entune multimedia system at a higher rate than we originally anticipated.

Again, it is very early and Camry advertising won't start for a couple of weeks yet, but to say we're ecstatic with this initial reaction is an understatement.

And we're very confident Camry will hold on to its title of America's best-selling car.

That means the current generation Camry will be number one every year it's been on the market, a fitting tribute to the car that defines our brand and continues to exceed customer expectations.

In addition to Camry, the updated 2012 Tacoma went on sale in September.

Pickup truck sales in general are beginning to show some strength and the segment was our best performer when compared to August.

The new Yaris goes on sale later this month and we'll also begin wholesaling the all-new Prius V before the month is out.

That gives us four all-new or significantly updated models in a span of 30 days — to be followed by the Scion iQ before the end of the year.

In addition, Entune, the information and entertainment system that was named best-in-class at this year's Consumer Electronics Show, will expand from our initial three models to a total of 10 over the next few months.

It's already available on Camry, Tacoma and Prius V. Beginning this month, 4Runner will add Entune, and both RAV4 and Corolla will offer the feature later this year.

In 2012, Land Cruiser, Tundra, Sienna and Sequoia will follow suit.

To support the launch of these new 2012 products, we will continue to offer zero percent financing on seven 2011 models, including Camry, Tundra, Corolla, Sienna, RAV4, Venza and Avalon.

And I can also announce today, that as a thank you to early buyers of the new 2012 Camry, they will receive five years of 24/7 roadside assistance, building on the two years that come standard on all Toyota models as part of ToyotaCare.

Finally, I'd like to say a few words about the industry results in September.

With an expected SAAR of 13 million, the industry posted its best month since April.

Despite everything that's been thrown at us this year, auto sales continue to be one of the few economic bright spots.

We believe the industry is on track to hit our initial forecast of 12.5 million vehicles and with a strong fourth quarter push from Toyota, the industry should actually do a little better than that.

Thank you very much.

Now I'd like to turn this over to Mark Templin for a look at Lexus sales.

Mark Templin:

Thank you Bob.

With our model-year changeover and the re-filling of our pipeline, September was a transitional month for Lexus.

Our sales of 14,995 were actually right on plan as our dealers are selling just about every car that arrives on their lots.

The good news is that production continues to increase and each day we have a greater variety of cars to offer customers.

In fact, our overall production for the 4th quarter will now be 22% higher than the 4th quarter of last year.

That's especially good news for customers looking for RX and CT models.

The RX continues to be our best seller. We sold 5,003 RXs last month, and that number will increase each month through the rest of the year.

Our Canadian plant has committed to building 40 percent more RXs than outlined in our pre-earthquake 4th quarter production plan.

Our newest model, the CT 200h, continues to exceed our expectations both in sales and in the younger buyers it is attracting.

We sold 1,444 CTs in September, which is 50 percent higher than we had originally predicted.

We expect to maintain that sales pace for the CT and achieve our yearly sales goal, despite our production challenges.

To add even more excitement for CT buyers, last Friday we announced a CT 200h F Sport Special Edition Model.

This CT F Sport edition has unique interior and exterior components and even comes with customized TUMI luggage.

We also announced special editions of our popular LS and ES models. The LS 460 Sport Special Edition has an exclusive Obsidian black exterior and a distinctive two-tone interior package.

The ES 350 Touring Edition includes new sporty wheels, special interior features and popular options such as Lexus Navigation System.

These special editions will offer customers some fresh options for the Fall.

Other upcoming news for Lexus is the debut of the GS F Sport model at the SEMA show in November.

A hybrid version of the GS was shown at the Frankfurt Auto Show and is a product we're anxious to receive.

We're developing plans now for the launch of our new GS early next year. It marks a bold new expression for Lexus and we're excited with the new direction we're headed.

Now I'll open it up for Q&A ...