

July 2011 Sales Conference Call

August 02, 2011

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Tuesday, August 2, 2011

Speaking today will be:

- Jeff Bracken, Vice President of sales for the Toyota Division;
- Brian Smith, Vice President of sales and dealer development for the Lexus Division.

Jeff Bracken:

The momentum that began building for us in June, carried on through July.

TMS posted its second straight month-to-month double digit sales gain, as availability continues to improve faster than expected from the disruptions in production caused by the March 11th earthquake and tsunami in Japan.

And for the first time since the earthquake, TMS market share is expected to increase, picking up almost two points from last month.

Total Toyota, Lexus and Scion sales of 130,802 were up 17.9 percent from June.

Conversely, sales were down 19.7 percent compared to July of last year on a DSR basis when there was one additional selling day.

Retail sales were especially strong, up nearly 23 percent from June.

As you may know, fleet sales accounted for just 1.9 percent of the TMS total, as we have focused on delivering vehicles to retail customers as soon as possible.

July industry sales are up slightly from both last month and last year, with an expected SAAR of about 12.2 million.

And while consumers continue to express concern about the economic recovery, we believe it will maintain its modest pace and that the industry is on track for more than 12.5 million sales this year.

For the Toyota Division, sales of 116,263 were up 16 percent compared to last month.

The increases were across the board, as virtually every model was up from June.

Camry led the way, with sales of more than 27,000. That's up 26 percent from June, as Camry maintains its position as the best-selling car in America.

Prius sales showed a month-to-month increase of more than 80 percent and is perhaps the most encouraging sign that things are continuing to turn around.

Light trucks continued to performed well, up nearly 16 percent from June. Venza sales were up 40 percent,

followed by Highlander up 30 percent and 4Runner up 25 percent.

And certified pre-owned sales also are helping to bridge the gap, with sales of nearly 30,000 during July.

Looking ahead, we expect the momentum of the past two months to pick up steam as dealers see their inventories continue to recover.

July marked the first full month of normal production for eight of 12 North American-built models including Camry, Corolla, Avalon, Highlander, Matrix, Sequoia, Sienna and Venza.

Production in Japan also returned to normal levels in July and all North America production is on track to be fully restored by the end of September.

In addition, our revised production plans now call for more vehicles to be built in the second half of 2011 than last year, and exceed our initial plan for the second half of the year.

As I noted earlier, the Camry sell-down continues to go very well. We're looking forward to our official public unveiling of the all-new 2012 Camry later this month.

Camry will be the first of four all-new models to arrive at dealerships before the end of the year, followed by Prius V, Yaris and Scion iQ.

Finally, to help keep the momentum going, our summer clearance marketing programs started in July will run through Labor Day Weekend.

Advertising for the programs started late last month and created a noticeable increase in dealership traffic and sales.

These programs include zero percent financing for 60 months on both Camry and Tundra, with an additional \$500 available for down payment assistance.

Five other models, Corolla, Sienna, Highlander, Venza and Avalon, offer zero percent financing for 36 months.

Special lease rates will be available as well on most models with Camry leases under \$200 a month.

And Certified Used Vehicles will continue to offer 2.9 percent financing.

Thank you for joining us today. And now I'd like to turn this over to Brian Smith for a look at Lexus sales.

Brian Smith:

Thank you Jeff.

At Lexus, we hit the bottom of the trough in terms of supply availability in June, so I'm happy to report that we're on our way back to building dealer inventory and satisfying pent-up customer demand for our cars and SUVs.

July sales of 14,539 exceeded our plan. With increased availability, we are gearing up for a typical strong 4th quarter for Lexus.

Leading the way is renewed excitement for our fifth hybrid vehicle, the CT 200h. The CT was launched on March 1st, but with the March 11 earthquake and tsunami, we haven't had many on our dealers' lots.

But our partners in Japan made production of that car a priority and now our dealers are working their way through the sold-order bank that has built up over the past few months.

While the earthquake and tsunami were devastating for Japan and provided Lexus with a great challenge, we have used that production lull to take stock of our brand and evaluate how we can continue to take even better care of our customers.

We pride ourselves on having the most knowledgeable and service-oriented dealer staff in the industry and this situation has allowed us to rededicate ourselves to that goal.

So now that we have fresh products coming into our dealers, we have the opportunity to apply fresh skills, as well.

And, with our Golden Opportunity Sales Event, many of our sales staff are getting to do just that as traffic and enthusiasm remain high. In fact, showroom traffic is even higher now than it was at this time last year.

We're also excited about the world premiere of the all-new 2013 Lexus GS on August 18. If you're going to be in Pebble Beach, we hope you'll join us for this reveal. I think you'll be impressed with this bold new product for Lexus.

With our dealership expertise and commitment to customer service, as well as fresh products, the future is very bright for Lexus.

With that, I'd like to open it up for questions. ...