

December 2019 and Year-End 2019 Sales Conference Notes

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December 2019 and Year-End 2019 Sales Conference Call (Transcript)

Introduction: Toyota Motor North America Manager, External Communications, Carley Hummel

Carley Hummel:

Good morning. Thank you for joining us to review Toyota and Lexus year-end sales results. We've put all callers on mute to avoid background noise and we'll open it up to questions after we hear sales highlights. With us today to report sales are Jack Hollis, group vice president and general manager of the Toyota division, and David Christ, group vice president and group manager of the Lexus division. A transcript and recording will be available later today on our press room. In the meantime, our communications team is available to assist with any additional questions at (469)292-5100.

Carley Hummel:

A quick reminder and disclaimer to everyone on the phone, this meeting is being recorded. By staying on the call, you consent to being recorded.

Carley Hummel:

Great. Thank you. Before we begin, we have a quick message from our chief communications officer, Scott Vazin.

Scott Vazin:

As you may recall, we polled you guys last summer, polled you on what you felt about press releases related to sales reporting every month. And we took that data in, we took your input and we've decided, moving forward with this year, what we want to do is a quarterly call, as we have been doing, but on a monthly basis we will no longer issue a press release on sales reporting. Now some of you, it was a minority, not a majority, still asked, can we get the data? The answer is absolutely yes. You're our customer, so we're trying to please everybody and in this case we think one size can fit all.

Scott Vazin:

So again, we'll shift to the quarterly call and quarterly release only. If you still want the monthly data, we can get it to you but it's going to be a pull, not a push. In other words, again, we're not going to be issuing a press release on a monthly basis. So really no change. The transparency's there, the access to the data is there. We're just trying to make it a little more efficient. 85% of the people that we polled requested no more monthly sales, so we're trying to make it easier on everybody. So, I just wanted to remind you that's our plan for the year. And with that said, I want to turn it over to Jack Hollis to kick off Toyota sales. Thank you.

Jack Hollis:

Thanks, Scott. Good morning and a Happy New Year, everyone. We're glad you could join us today and hope you had a fantastic holiday season. So, listen, we're hitting the ground running hard already in 2020 and are thrilled to update you on our sales progress, as we did close out another great year. And without going too far down memory lane, I do want to take a moment to fully highlight the progress we made in 2019. We've had an outstanding year for new product. I think back and look at from the launch of the Supra to the Corolla, Corolla Hybrid, RAV4 Hybrid, all-wheel drive Prius, and the fresh off the press Highlander, which just went on sale last week, and its hybrid counterpart will follow later this year. We have introduced eight new or updated models over this past year. And not to get ahead of myself, but 2020 will be even better as we debut nine new or refreshed vehicles.

Jack Hollis:

Now from an industry standpoint, in 2019 we exceeded expectations. Rounding out the year at above 17 million SAAR, again for the fifth year in a row. And exceeding expectations, I think, should always be our collective goal. You're not going to catch me making unrealistic predictions on this call, but I also won't talk us into selling ourselves short. For this year, just like last year, we're going to look to keep our outlook for the SAAR in the mid to high 16s.

Jack Hollis:

But to close out 2019 for Toyota Motor North America, we ended the year at 2.4 million sales in the U.S., And for the Toyota division we rounded out the year with a strong 2.1 million in sales. We're proud of the work we've done in 2019 with the strength of our incredible dealer partners. Dealers continue to rank Toyota and Lexus at the top of the NADA dealer attitude survey, and we're just as confident in them as they are in us. And we're growing as a mobility company, and our dealers are growing with us and they've helped us achieve a record breaking 2019.

Jack Hollis:

So now, indulge me a little bit, I'm proud to share some highlights for the Toyota Division. We did retain our title as the number one retail brand for the eighth year in a row, as well as being the number one certified pre-owned brand for 11 years in a row. The Camry remained the number one passenger car for its 18th year. Our Texas-built Tacoma is the number one small pickup for 15 years in a row. And finally, the RAV4 is the number one SUV in the land for the third year in a row. In fact, RAV4 sales have more than doubled since 2013. And here's what I'm most proud of, 2019 RAV4 sales marked the single best-selling SUV ever in the industry for a single year. And on top of that, 92,000 of those were hybrid. So obviously a lot to be proud of.

Jack Hollis:

And we talked about a hybrid. On our last call, I focused on our continued hybrid leadership. Toyota is proud of our consistency in maintaining our strategy to reduce our carbon footprint, which is why we've been the number one in hybrid sales for 20 years in a row, or two full decades. I want to emphasize this again, and I'm calling it right now. 2020 will be like the space race for hybrid and electric leadership in the automotive industry. Without getting into too many space metaphors though, let me just say we are leading this mission. We started 2019 with a 5% hybrid mix, and looking now at December we are now over 13%. Our hybrid sales are up 26% year over year, and we're not stopping there. We are introducing a hybrid or electrified option for every single one of our vehicles by 2025.

Jack Hollis:

Now in addition, beyond selling cars, we're doing our part to educate our guests and dealers about the incredible benefits hybrid and electrification ownership can bring, because our hybrid vehicles today are a completely different breed. They're some of the quickest and most powerful vehicles we have in our lineup, and they're only getting better. Now looking to the future, we are excited about the technology and innovation we're going to be bringing into the mobility space in 2020.

Jack Hollis:

This summer, and I've been talking about this all year, you know how excited I am for the Olympic and Paralympic games in Tokyo. You can expect to see more advanced technology that will change the way the world views mobility, but you won't have to wait that long to see our mobility strategy in action. In fact, it all begins Monday at CES where we will be introducing an ecosystem strategy that will enhance mobility and benefit society. So we're going to have... We're going to give you a lot talk about this year, and we can't wait to kick it off in Vegas. I do want to thank you for your time on this call and every quarter, And thank you also for another great year. But with that I want to hand this call over to Dave who led Lexis to another fantastic December to remember and a full 2019.

David Christ:

Thank you, Jack. Good morning, everyone. 2019 was a great year for the Lexus brand. The brand celebrated its 30th anniversary in 2019, and it was a great opportunity to reflect on our accomplishments over the last three decades. And more importantly, we set a clear direction for our future. Lexus closed out another successful year with 298,114 sales. We've seen great overall growth. Some highlights from the year include light trucks are up 6%, representing a best ever fourth quarter and best every year. ES was up 6%, which was notable in this segment, and RC was up 37%. Our hybrid portfolio ran the show this year, which is a direct reflection of the investment we've made in the Lexus electrified strategy. Since 2005, with the introduction of the first hybrid luxury vehicle, the Lexus RXH, we've remained consistent in our hybrid leadership, and this year was no different. 2019 was a best every year for Lexus hybrids with sales nearly doubling since 2017, which help us to earn our spot as the number one selling luxury hybrid brand and the number one selling hybrid SUV.

David Christ:

Another key player this year was our luxury SUV portfolio. The RX, GX, LX and NX exceeded expectations this year, and a full year of UX sales expanded our SUV portfolio. In fact, more than 16,000 new UXs were sold in 2019. And when you pay pair that UX figure with NX sales, Lexis has achieved 22% of the market share in the important compact luxury crossover segment. The special edition vehicles, Blackline and Inspiration series, are giving our guests and dealers what they asked for, plus a little something extra, and we'll continue to do that in 2020.

David Christ:

We couldn't wrap up 2019 without mentioning our dealer partners. They are truly the best in the business and are the direct line to our guests. We're honored that dealers ranked us number one in the NADA dealer attitude survey and number one in the NADA overall score. And we are continually working to retain that title and build on our strong partnership with our dealer partners.

David Christ:

Looking forward into 2020, we have some exciting things coming this year. Later this summer, you'll be able to buy the unforgettable LC 500 convertible that was launched at the LA Auto Show in November. But if you can't wait and you want the very first, one of one, VIN Number 001, a true collector's car with structural blue paint

and unique equipment, you're going to want to be at the Barrett Jackson Auction in Scottsdale on January 17th. The very first LC convertible will be on the auction block with 100% of the hammer price benefiting two wonderful charities, the Bob Woodruff Foundation that supports veterans, and the Boys and Girls Club of America. And finally, make sure you're at the New York Auto Show, you will see something special.

David Christ:

As always, we're as determined as ever to stay true to our roots and provide a world-class guest experience and continue to push the envelope on innovation, technology, and lifestyle products while continuing our hybrid leadership into 2020 and beyond. Thanks for your time everyone. Carley, back to you.

Carley Hummel:

Thank you, Jack and David.

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