

December 2020 and Year-End 2020 Sales Conference Call (Transcript)

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Toyota Motor North America Reports December 2020, Year-End Sales

Introduction: Toyota Motor North America Group Vice President, Chief Communications Officer, Scott Vazin

Scott Vazin:

Good afternoon and thank you for joining our call to recap the year and give you a few highlights of what's to come for the coming year. In the room with me, I have a number of folks starting with Bob Carter, our executive vice president of sales, Jack Hollis, senior vice president sales your auto operations, David Christ vice president general manager of the Toyota division and last, but certainly not least Andrew Gilleland, group vice president general manager of the Lexus division. I'm also joined by a couple of my colleagues from communications, Victor Vanov and Eric Booth. Feels like a NBA round out. Doesn't it?

So, that said a pretty straightforward agenda. Jack is going to give us the overall highlights for the brands and certainly the industry, followed by David then Andrew for Lexus. And after that, we'll open it up for questions. So, we again have Bob Carter here as well, if you want to ask him questions. So that said, I'm going to go ahead and turn it over to Jack. Thank you.

Jack Hollis:

Thanks Scott and happy new year to all of you. I'm probably most excited about turning this microphone over to David Christ and Andrew Gilleland to give you the specifics of each division as they just had just some outstanding results. But let me give you some overall highlights because we closed out 2020, really strong in the retail space and remained really extremely optimistic about what's happening in 2021. Let me go through the industry standpoint; kind of an interesting year, if you think about it... We started the year with expectations of about 17 million SAAR, and obviously in March that halted and I think collectively everyone's revisions took us under a 9 million SAAR in April. So, from that point to see where we ended, it looks like the year is going to end at a 14.5, potentially with some final numbers, maybe goes to a 14.6 SAAR.

And that's based on this preliminary December SAAR of 16.4. I know there'll be some more reporting later today and into tomorrow, but we look at that as 16.4, and that gives us a lot of encouragement. Like I said before, this optimism going into 2021, looking at a 16 million SAAR, and there's reasons for that, right? There's always these headwinds and tailwinds that I want to go over. We should discuss the headwinds we see as the COVID uncertainty, still so many issues with COVID and how that's affecting every part of our business. Another headwind is inventory on certain models throughout the industry, as well as high unemployment. On the other side, and for most of you know that I like the tailwinds a lot more. The tailwinds are the distribution of COVID vaccines and how that will change the industry. Historically low interest rates, stock markets near record level, incredible new products, especially hear from us from Toyota and Lexus and then really good dealer innovation.

I think there's a tailwind here about their digital efforts and the ability to, and the acceptance of retail online. So

as we looked at Toyota motor North America for 2020 this past year, we ended the year with total sales of 2,112,941 vehicles sold in the US. I'm really proud of the kind of the resiliency of the entire team. Toyota will be the number one retail brand for the ninth consecutive year and is outperforming the market. In fact, we will pick up about a half a point of market share, and we should end right around 14.4% of the market. And I guess what it is that I'm really proud to, to jump on here is hybrids and more hybrids and more hybrids with really strong closing out to both the month, the quarter and the year. And as promised we continue to build on this hybrid leadership, right?

This is part of our mobility strategy. We have 14 current hybrids, plug-in hybrids or fuel cells, and we remain the number one manufacturer of alternative vehicles sales in the US for the 21st year in a row. Our 2020 hybrid sales totaled more than 337,000, which again is up 23% on a volume basis and hybrids makeup nearly 16% of our total sales now. Up from just two years ago at 9%. So we continue to grow that and we're sticking to our promise and we remain committed to very simply to hybrid or electrified option in every single vehicle by 2025, again, the strategic piece to our mobility strategy. So, why do we remain so optimistic? For 2021 we're already starting there with 25 all new or refreshed vehicles over a 16-month period, that's starting this April. Our incentives were the lowest in the industry for most of this past year.

And inventory continues to improve, even as we continue to sell in increasing sales year over year. We have the greatest partner in TFS and LFS as our lending partner and our online sales. What I talked about a little earlier with online sales, rounding out with more than 12,000 vehicles sold in 2020. And that's just with a couple of handfuls of our dealers there. But we're growing that every day. So, I'm especially enthusiastic about what our hybrid and our passenger car story. Listen in 2020, you all know it. We know it. Many of our friends in the industry have decided to abandon the customers who want to buy cars and that's just a fact. They've abandoned them and we will take that up. We actually increased our market share by over a percent to near record levels. And we are going to continue to stay committed to the car segments.

In fact, this past year, these were the car introductions and all new Lexus IS, and LC and LC convertible, GS and NX blackline, and all-wheel drive for Avalon and Camry. Right? Just go back to that. Camry was America's bestselling passenger car for the 19th straight year. Prius celebrated its 20th anniversary in the US last year. And great new products like Corolla and its hybrid variant as Lexus ES and the four cylinder Supra. We continue to look at what has happened with cars and we remain committed to that. There're more opportunities still there.

So listen, before I turn it over to David Christ to go into some more detail on Toyota, I would just like to express publicly here, my deep gratitude to our plant employees, to our suppliers, our supplier employees, our teammates here at headquarters and every single one of our dealers and their associates outstanding commitment during what looked like the most horrible year in the industry that turned out really strong because of their commitments. And I especially want to honor their commitments to the community. Their volunteer work, their monitoring in kind donations and everything to continue to help others. And for that, we just thank them. Thank them for everything they do. Thank you for all that you're doing.

And now I get a chance to turn it over to David Christ, the captain of the Toyota division. Thanks.

David Christ:

Thanks Jack. Hello everyone. I hope you all had a wonderful holiday and Happy New Year. The Toyota division ended off the year on a high note selling 211,378 vehicles, which was up 10% on a DSR basis. We rounded out the year with 1.8 million 37,900 sales, really strong, close to a difficult year. With uncertainty in the marketplace, we still achieved a number of great accomplishments in 2020. As Jack mentioned, we were the number one retail brand for the ninth consecutive year, Camry number one passenger car for the 19th

consecutive year. RAV the number one SUV for the fourth consecutive year and Tacoma the number one small pickup for the 16th consecutive year. TCUV remains the best-selling CPO brand in the nation for the 12th consecutive year and we tallied 349,549 units in 2020, strong showing.

We have several all-time best-ever December records I'd like to rattle off here. The Toyota division had all-time best-ever Decembers in light vehicle sales, hybrid sales and light truck sales. We also tallied best ever Decembers for Highlander, Toyota RAV, Highlander hybrid, Corolla hybrid, Tacoma and 4Runner. And as you can see, there's some big volume car lines in there. We're very proud of those accomplishments.

How about hybrids? Well, the Toyota division hybrid sales doubled in December and we're up 27% for the year on a volume basis. We have a really strong start to Venza and Sienna, both of which are new vehicles and 100% hybrid powertrains. We've also put a lot of time and effort into online purchasing. And we know during the pandemic online purchasing options rose as consumers looked for digital solutions and they were record-breaking levels. We are now positioned to meet our customer's demand with our SmartPath online tool, and it continues to be a great success.

We're going to be aggressively launching even more dealers this year in order to meet overall dealer and guests demand for this dealer and guest friendly technology. For online sales for Toyota via SmartPath, we've seen digital sales directly attributable to an online lead, increase 50% since the pandemic began. And we will continue this focused effort to give our customers options to purchase online. Looking forward to this year, what a great year is in store, we have 13 new Toyota products coming to market. Our investment in the Olympics continue with the 2020 Tokyo Olympics and Paralympics beginning in June and preparing for the 2021 Beijing Olympics and Paralympic games, which will begin in February of '21. So thank you for your time. We're proud of our accomplishments. We had a great close to a tough year. We're ready to rock 2021! With that, I'll hand it over to Andrew.

Andrew Gilleland:

Thanks, David. Appreciate it. And as the other said, happy new year to everybody. For Lexus in December, we sold 38,056 units, which represented our fourth best December on record. It's an increase of 8.4% on a raw volume basis. Our December to remember delivered a strong retail message to our customers. And we even got a shout out on Saturday Night Live. So many in our campaign is a December stalwart. Lexus finished the year at 273,719 units represent our 11th best year in the division's history. And while 2020 was certainly challenging, our dealers and teams pulled together to allow us to end the year down only 7.7% versus 2019. As I said, December closed out a very challenging year for Lexus in the industry as well. Some highlights, our luxury utility vehicle sales led the way again in December representing 77% of our sales. Our best ever LUV performance also was in December of this year.

RX led the way with 13,386 sales in December up 3.7% versus last December. And we sold over 101,000 RX hybrids in 2020. NX, we sold 7,962 units, that was up 5.6%. GX sold 4,062 units. That was up 28.2%. UX, we sold 1,761 units up 1.1%, but of note 1,315 units of that total were hybrids worth 75% of our mix. And our flagship LX sold 816 units, which was up an amazing 45% versus December last year. LUV dealer stock ended December at 16,404 units, or a 17.2 day supply. On the passenger car side, similar to Toyota division, we were up 14% in December, and it was our best month of the year. ES sales totaled 4,840, which was up 3.5%. And as Jack mentioned, our all new IS is off to a great start. And with better dealer stock and availability in December IS sales came in at 2,227 units, an amazing 99% increase over December of last year.

Even our LC coupe saw a large increases in sales on a percentage basis, up 99.1% in December. LC convertible led the way, and who says you can't sell a convertible in winter? With our strong sales performance in December total Lexus day supply at the end of the month was 17.4 day supply. Our lowest stocking levels in

2020 and our second lowest all time. While 2020 was a tough year for Lexus, we worked through those challenges. Lexus focus in 2021 and beyond is our initial sales plan of around 280,000 units and up to also take the processes and learnings from 2020 and apply them in 2021. Why we certainly like to forget 2020. We believe customers taught us quite a bit, as both Jack and David mentioned foremost is their desire to handle a large portion of their new car transactions digitally.

It's no secret that both the dealers and manufacturers are looking for better ways to meet consumers demands in this area. Our unique relationship with both our dealers and customers will allow us to accelerate our efforts and bring to market digital solutions that will add value to the customer and give us a competitive advantage in the extremely competitive luxury automotive space. We'll have great news in this space later in 2021. Also, as we move through 2021, we'll be sharing with all of you some very exciting new products. While we have great products today, these new vehicles will add excitement to our lineup and improve our ability to capture new younger buyers who are entering the luxury automotive space, while still retaining our valued loyal customer base. Again, I want to thank everybody for being on the call. I appreciate it.

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