

December 2011 and Year-End Sales Conference Call

January 04, 2012

December 2011 and Year-End Sales Conference Call Wednesday, January 4, 2012

TMS Vice President of External Communications Mike Michels:

Happy New Year everyone. Thank you for joining us to review December and 2011 sales and to take a look at 2012.

Speaking today will be Jim Lentz, President and Chief Operating Officer of Toyota Motor Sales, U.S.A.

After Jim's remarks, he'll be joined to answer your questions by:

- Don Esmond, Senior Vice President of Automotive Operations
- Bob Carter, Toyota Division Group Vice President and General Manager
- Mark Templin, Lexus Division Group Vice President and General Manager
- And Randy Pflughaupt, TMS group vice president for sales administration, who is responsible for our distribution operations.

Following the call, our communications team will be available to field any additional questions you may have.

Now I'd like to turn it over to Jim.

Jim Lentz:

Thank you Mike, and Happy New Year.

At Toyota Motor Sales, we begin 2012 with high expectations, based on a strengthening economy, inventories that are rapidly approaching normal levels and – most of all – an influx of more new and updated products than at any time in our history.

Today I'm going to take a quick look at December and 2011 sales, then touch on what we see happening in 2012.

December was our best volume month of the year, with sales of 178,131 vehicles, up slightly from strong year ago levels.

The all-new Camry led the way, with sales of more than 33,000, up more than 7 percent.

Prius was close behind, with more than 17,000 sales, up nearly 9 percent.

Tacoma continued its strong run since the launch of the updated model, up nearly 11 percent in December.

And Lexus closed out 2011 on a high note with its best sales month of the year, more than 25,000 units.

The Industry also finished the year strong, with December sales of more than 1.2 million for a SAAR of about 13.5 million, the fourth straight month it has topped 13 million.

Any review of 2011 is dominated by the earthquake and tsunami in Japan, the disruptions in production and their impact on sales.

Looking back, first quarter TMS sales were up 11 percent and running slightly ahead of forecast when the natural disasters struck.

The human tragedy and suffering stunned all of us.

Manufacturer and supplier production in Japan was halted for weeks and disrupted industry production around the world.

At one point it looked as if we would not return to normal production levels before the end of the year.

I can't say enough about the extra efforts of Toyota team members and our business partners who worked around the clock to restore production ahead of schedule.

As a result, Toyota resumed normal North America production levels in September and around the world in October.

And with availability improving, sales began picking up in the fourth quarter.

By the end of the year we had regained four full points of marketshare from our low-point in May.

And I think it's interesting to note that our December sales total and market share are nearly identical to the numbers posted in March, before the impact of the disasters set in.

So for the year, TMS sales topped 1.64 million down 6.7 percent from 2010.

Despite the challenges, there were a number of 2011 highlights I'd like to touch on.

First and foremost is the successful launch of several new models, led by the all-new Camry.

Camry is once again the best-selling car in America, overcoming the production disruptions, and a host of new competitors.

Camry retains its #1 position for the 10th straight year, outselling its closest competitor by 40,000 units.

In addition to Camry, the Corolla repeated as compact sales leader, topping both Cruze and Focus.

Other repeat segment leaders included the Tacoma and Lexus RX.

And for the first time, the Sienna was the best-selling minivan.

The new Camry also continues to attract new and younger buyers.

These new customers are electing to buy more Camry for their money, with the SE sport model accounting for about 40 percent of all Camrys sold since launch.

SE buyers have a median age of 45, bringing the overall Camry median age down to 52 from 60.

Since its introduction, the Camry also has been the most researched model on both Kelly Blue Book and Edmunds.com.

And in case you missed it during the holiday break, last week Consumer Reports awarded Camry a recommended rating and named the Camry Hybrid the best family sedan.

In addition to Camry, 2011 also marked the successful launches of a couple of new hybrids, the Prius v and Lexus CT200h.

Since its introduction, Prius v has been providing incremental sales to the Prius lineup. More than two-thirds of the Prius v buyers are new to hybrids and roughly half have traded in a competitive make.

The CT story is similar, with 70 percent of the buyers new to Lexus, and 35 percent trading in another luxury brand.

And Scion received a big boost during the year from the new tC, which saw sales climb 47 percent.

Scion continues to attract the youngest buyers in the industry with an median age of just 29.

Finally, Toyota and Lexus combined to once again lead the industry in certified used vehicle sales, setting a new record of more than 400,000 vehicles.

For the industry as a whole, 2011 came in about where we expected, at about 12.8 million vehicles, the most since 2008.

With consumer confidence continuing to show significant improvement, we believe this momentum will carry into 2012.

We expect the industry will show steady growth, with sales of about 13.6 million.

And at TMS we expect to outperform the industry and come in at about 1.9 million vehicles, an increase of about 15 percent from last year.

These expectations are fueled by the biggest surge of new and updated products in our history.

Already on sale is the Scion iQ, soon to be joined by the Lexus GS, the Scion FR-S and Prius c.

The GS is the first of nine new or updated Lexus models, along with three F SPORT models, that will be added to the lineup this year.

Those models will be followed by a host of others you'll begin hearing more about next week in Detroit.

In fact, fully 40 percent of the vehicles we sell this year will be all-new or significantly updated models, compared to just 7 percent in 2011.

And if our most recent introductions are any indication, we expect these new models to continue bringing new buyers into the Toyota family.

So you can see why we have high expectations for 2012.

With continued improvements in the economy and consumer confidence, coupled with the most new and updated products in our history, we expect 2012 to be a good year for the industry and a banner year for Toyota, Lexus and Scion.

Now I'd like to ask Don, Bob, Mark and Randy to join me and open the call up for your questions.