

December 2021 and Year-End 2021 Sales Conference Call (Transcript)

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Jack Hollis, Senior Vice President of Automotive Operations, Toyota Motor North America

Thanks for being with us. Toyota Motor North America closed out 2021 as the number one retail brand for the 10th consecutive year. And the number one seller of electrified powered vehicles or EPVs for the 22nd consecutive year and that includes hybrids, plug-ins and fuel cells, and soon pure battery electrics.

In addition to this, our company announced new investments totaling nearly \$3 billion at our manufacturing facilities, including our new battery plant in North Carolina.

Alright, so as we head into 2022, we're optimistic our inventory levels will continue to improve throughout this first quarter, and we have a bunch of new products coming out this year that we're really excited about. David Christ and Andrew Gilleland will touch on those here really soon.

Let's take a look at the industry. We started 2021 with an expectation of a 16 million plus SAAR. Then, as you're obviously aware of the ongoing impacts of COVID and supply chain challenges, that number was adjusted to about 14.6 million. We believe the year is going end at just over 15 million SAAR for 2021. Preliminary December SAAR is at 12.7. And for 2022 we are now looking at a 16.5 million SAAR.

Now listen, there's several headwinds we're still going to work through: COVID uncertainty, supply chain challenges, higher fuel prices, and inflation, will all create headwinds, but we also have a lot of tailwinds, a lot going on for us, like historically low interest rates, resilient stock market performance, disposable income, great new products, including electrified vehicles and dealer innovations, like more digital efforts in both sales and service.

So, let me flip over now to Toyota Motor North America for 2021. We ended 2021 with sales of 2.332 million vehicles in the U.S., up 10%. Which will give us an estimated mid fifteen percent of the market.

Now before I go on, let me address the elephant in this room. Yes, we did surpass General Motors in sales this year. But to be clear, that is not our goal, nor do we see it as sustainable.

Now much of it had to do with inventory and that was a result of the great work of our manufacturing teams, suppliers, vehicle logistics centers and our purchasing department. Their efforts have been vital since the start of the pandemic to help meet the mobility needs of our customers and that is exactly what's most important to us all about our customers and our electrification efforts.

2021, our EPV sales totaled more than 583,000 vehicles, up 73% on a volume basis, representing 25% of our total sales volume. Yeah, that's right. One out of every four vehicles sold was an EPV.

By 2025 globally, our goal is for an electrified option to be available in all Toyota and Lexus models.

Last year we also announced new investments that total nearly \$3 billion at our manufacturing facilities, including our new battery plant in North Carolina that will play a big role in our electrification efforts and goals.

And December 14th, Akio Toyoda, our global president, shared his vision for the future mobility, and we confirmed our commitment to customers. His announcements included several targets. First, our commitment to expand the number of battery electric vehicles, BEVs. Second, by 2030, global sales at BEVs will reach 3.5 million vehicles annually. And third, also by 2030, Toyota will offer 30 BEV models across the Toyota and Lexus brands globally, with more on the way in all segments.

To achieve these targets, Toyota plans to invest approximately \$70 billion globally, electrified vehicles, including hybrids, plug-ins fuel cells and battery electrics. Of that amount, nearly half, \$35 billion will be invested in BEVs starting this year through the end of the decade.

And to keep pace with the changing tastes of luxury, by 2030, Lexus aims to realize a full lineup of BEVs in all vehicle segments and to have BEVs account for 100% of vehicle sales in North America as well as several other regions in the world.

You know, we also had a strong year in the passenger car segment. Total TMNA passenger car sales were up 8%. While it's not final yet, we believe that we will finish number one in the segment for the 10th consecutive year. If this holds, this will mean that TMNA has been the number one manufacturer in the passenger car segment for 18 of the past 19 years.

Camry was America's best-selling passenger car again for the 20th straight year, with sales up nearly 7%. Corolla continues to surpass expectations and finished the year up 5%. Lexus IS, ES, LS and LC all posted gains in 2021.

We remain committed to passenger cars, passenger car customers, and we feel there's more opportunities for us to grow in this segment.

Like I said before, I don't think we can be more excited for 2022. We're going to introduce 21 all-new refreshed or special edition vehicles. Our incentives are among the lowest in the industry, historically low for Toyota Motor North America. Our inventory continues to improve. And online sales through our Toyota SmartPath and Lexus Monogram digital platforms will continue to accelerate in 2022. Last year we sold more than 50,000 new vehicles through these platforms, and right now we have 135 dealers on board and we're planning on adding another 120 in just the next few months, with a total of more than 300 by the middle of the year.

Lastly, what I'm most excited about, is the continued work with our amazing Toyota and Lexus dealers who are, very simply, the world's best and we thank them for their, again, another outstanding performance end year.

With that, there's still so much more to go. I want to turn it over to David Christ for a Toyota brand update.

David Christ, group vice president and general manager of the Toyota Division, Toyota Motor North America

Thanks Jack. Happy New Year everyone. The Toyota Division ended the year on a high note. We finished 2021 with sales topping 2,000,000 vehicles at 2,027,000, which is up 10%.

And despite the challenges, we achieved, a number of milestones in 2021. As Jack mentioned, we were the number one retail brand for the 10th consecutive year. We had a best ever year for the division's electrified powered vehicle sales and light truck sales. We also achieve some series best-ers including Corolla Hybrid, Highlander Hybrid, Mirai, 4Runner, RAV4 Hybrid, RAV4 Prime, Sienna,

Tacoma and Venza. Camry was the number one passenger car for the 20th consecutive year. RAV4 was the number one SUV for the fifth consecutive year. Tacoma was the number one small pickup for the 17th consecutive year. Highlander, the number one mid-size SUV for the sixth consecutive year. Sienna was the

number one small van for the first time ever, and we successfully launched the all-new Corolla Cross that's been crushing expectations.

TCUV remains the best-selling CPO brand in the nation for the 13th consecutive year, with sales topping 396,000 in 2021. The program's second-best year in history. In November, the program sold its seventh millionth vehicle.

On the electrification front, the Toyota division electrified sales were up nearly 81% in 2021, as customers continue to find great value and quality in our lineup. Highlights include Prius, the industry pioneer, finished 2021 with sales up 18%, while Prius Prime sales surged 70%. Sienna with an all-hybrid powertrain, saw sales increase threefold. Camry, Corolla, Avalon and Highlander all saw double digit sales increases in the hybrid powertrains. And the Mirai, RAV4 prime and Venza saw triple digit sales increases.

The Toyota Division will add two electrified vehicles. First, the all-new 2022 Tundra i-Force Max hybrid powertrain, which hits showrooms soon. And second, the all-electric 2023 bZ4X which goes on sale in the middle of the year.

Speaking of the all-new Tundra, it was voted Truck of Texas at the Texas Auto Writers Association Truck Rodeo. This prestigious award is given out by the very respected organization and we expect this to be the first of many awards for the 2022 Tundra. We've seen a very positive reaction from our customers on the '22 tundra, especially existing owners who are driving early sales results. Nearly 70% of sales are 4-wheel drive following the Limited Crew Max. Customers are praising the Tundra's styling, power and quietness, and improved bedliner. Tundra is also getting positive feedback for its new multimedia system, including its new increased screen size. And the hybrid version has been popular as pre-sale customers are willing to wait until it hits showrooms, particularly generating a lot of buzz is the TRD Pro, which will be out soon.

On the online purchasing front, customers demand for online purchasing options rose to record-breaking levels.

Through our SmartPath online tool, we have seen digital sales directly attributed to an online lead increase 80% since the pandemic began. And as Jack mentioned, we will be adding more dealers this year.

We are looking forward to another great year. We will continue our electrification leadership as mentioned, welcoming 2 new electrified vehicles to the lineup Tundra and bZ4X. A total of 18 Toyota products coming to market in 2022. Both new, refreshed and special editions. And as I mentioned, SmartPath digital solutions continues to gain scale.

We are focused on serving our loyal customers and taking care of their needs. Thank you so much for your time.

Now, I'll hand the call over to Andrew to talk about Lexus.

Andrew Gilleland, group vice president and general manager of the Lexus Division, Toyota Motor North America

Well, good morning and happy New Year. Even with uncertainty, 2021 turned out to be a great year for Lexus. And as Jack said, resilience is an understatement. We couldn't have achieved this without the dedication and support of our dealers. And once again we're grateful to be at the top of the NADA dealer attitude survey.

Lexus closed out 2021 with sales of more than 304,000, up 11%. Passenger car sales were up 13% in 2021, and, in fact, IS posted a 62% increase in 2021. All-time best-ers for total light trucks, total EPVs, total RX, total UX, total LC, NX Hybrid and ES all-wheel drive happened in 2021.

Luxury SUVs achieved top market share among the luxury brands and thanks to our lineup of seven hybrid models, Lexus drive towards electrification resulted in more than 55,000 sales of hybrids in 2021, up 25% led by double digit gains for ES, NX, RX and LS.

For the year, hybrids represented 18% of our total sales volume, up 25% over 2020. And, speaking of electrics, in December we revealed some images of our all-new electric vehicle, the Lexus RZ 450e. This is the brand's first dedicated BEV and the brands 8th electrified vehicle. More to come in the first half of this year on this exciting new vehicle.

In total, Lexus will introduce 3 new and refreshed Lexus products in 2022. Today is also the launch of the all-new NX ad campaign. It's one of our largest and most integrated campaigns today. The NX ushers in the next chapter of Lexus innovation, design and performance. Through its technological advancements and multiple powertrain options, the NX empowers consumers who work hard to carve out their own path in life and continue to focus on things that matter. Most of them in fact, we sold 940 new 2022 NX just in December.

As David and Jack alluded to, online purchasing continues to be important to the Lexus brand and as our guests use more online tools, we're prepared for digital transformation to our online sales platform we call Monogram.

In just our first year, we already have more than 10% of our dealer body utilizing Monogram, resulting in more than 2,000 new vehicle sales in 2021 that can be directly attributed to Monogram. And starting this year we will also bring monogram to the service department with the debut of Monogram service.

We're looking forward to 2022. It's been a great year for us for our dealers and for our loyal customers. Please stay tuned as we'll have lots of exciting news this year for all of you. Thank you for your time everybody.