

# Toyota hikes annual profit forecast after Q3 beats expectations

Japan's Toyota Motor raised its full-year operating profit forecast by nearly 9% on Tuesday, after its third-quarter earnings raced past analysts' estimates thanks to a weaker yen and strong sales of high-margin cars and hybrid vehicles.



Toyota Motor Corp.'s new Land Cruiser is pictured at its unveiling event in Tokyo, Japan on 2 August 2023, in this photo taken by Kyodo via Reuters/File Photo

Toyota shares surged after the announcement early losses, and closed 4.8% higher - the biggest one-day gain in nearly eight months.

The improved outlook from the world's best-selling automaker contrasts with a downbeat forecast from many rivals that have warned of tepid sales growth and announced output cuts amid high-interest rates and slowing demand for electric vehicles.

The Japanese automaker, a laggard in battery-powered EVs, is expected to outperform competitors this year, helped by robust demand for hybrid vehicles, which it pioneered more than a quarter century ago with the Prius model.

Toyota is likely to benefit from relatively higher margins on hybrids and the fact that some models tend to be costlier, said



## Toyota puts a pause on Hilux, Land Cruiser shipments amid engine concerns

Imran Salie 30 Jan 2024



Also selling prices are going up in the absence of discounts, he added.

Earlier, Toyota CFO Yoichi Miyazaki said that efforts to adjust production to better respond to demand for popular models had helped the automaker sell vehicles without resorting to the usual discounts and incentives.

The Japanese firm raised its profit forecast for the year ending March to 4.9 trillion yen (\$33 billion) from 4.5 trillion expected previously. That is well above an average analyst forecast of 4.6 trillion yen, according to LSEG data.

Toyota's operating profit for the third quarter ended Dec. 31 was 1.68 trillion yen, beating the average 1.3 trillion yen profit estimate in a poll of nine analysts by LSEG.

Hybrid sales soared 46%, contributing to an 11% rise in overall vehicle sales. Hybrids accounted for around a third of the total sales of more than 10 million vehicles of its Toyota and luxury Lexus brands last year.

A weaker yen currency, which has tumbled around 10% against the dollar since end-2022, bolstered the impact of Toyota's robust global sales.

### Strong North America sales

By geography, North America, Toyota's biggest market by volume, reported the strongest growth with a 28% sales surge.

Sales of hybrid vehicles have been rising in the U.S. as consumers balk at high EV prices and are anxious about the range of electric cars.

Demand for hybrids is so strong that buyers have to wait for about a year to get deliveries of some models such as the Toyota Sienna multi-purpose vehicle, according to some U.S. dealers.

CFO Miyazaki said the share of hybrids in sales improved across all markets including China, where Toyota and many other foreign automakers are struggling due to growing competition from local EV makers, but warned that Toyota was not optimistic about conditions in the world's biggest auto market.

Its home market Japan saw sales grow just 5% but reported the highest earnings and margin among its major markets.

Japan contributed two thirds of Toyota's quarterly profit and generated a 20% operating margin, well above the company's overall margin of 14% and North America's 3.4%.

Toyota's profit margin of 14% is far ahead of Tesla's 8.2% as the U.S. automaker has been slashing vehicle prices in major markets including the U.S. and China to shore up demand.

However, with the operating profit margin at a considerable 14%, sales may become tougher from now as competition among automakers heats up, analyst Sugiura said.

"Another factor is that the (economic) outlook for the United States, China and Southeast Asia is not so good," he said, adding that Toyota was also facing rising labour costs especially in the United States and Japan.

Toyota retained its crown as the world's top-selling automaker for the fourth consecutive year in 2023 after posting record annual sales of 11.2 million vehicles.

But the firm is grappling with a series of scandals at its group companies over product certification test procedures that threaten to hurt its reputation for quality and safety.

Toyota's chairman apologised last week for the inconvenience and concern caused by misconduct at two subsidiaries and an affiliate.

The company on Tuesday slashed its annual vehicle sales target by 150,000 units to 9.45 million vehicles to reflect the suspension of shipments from its small-car unit Daihatsu Motor due to an ongoing safety certification scandal investigation.

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