

Toyota Motor (7203)

“To strengthen our foothold” for further growth, but sizeable profit upside; Buy

Reiterate Rating: BUY | PO: 3,600 JPY | Price: 3,135 JPY

Raise PO to ¥3,600, reiterate Buy

We raise our estimates, reiterating our Buy rating. We lift our price objective from ¥3,400 to ¥3,600 (base year shifted to FY3/25). OPM reached an astonishing 14% in 3Q (2Q: 12.6%). We assume low volume growth in FY3/25 in part owing to company restraint in production, but see good visibility on continued profit growth given (A) improvement in mix (sales growth for HEVs, which have very low incentives), (B) repricing boosts, (C) a lift from normal cost reductions, and (D) normalization in Daihatsu's operations. We raise our OP estimate from ¥4.79tn to ¥5.02tn for FY3/24 (+84% YoY, revised guidance ¥4.9tn), and from ¥5.33tn to ¥5.90tn for FY3/25 (+17%).

FY3/25: “To strengthen our foothold”, but profit growth driver from brisk HEV demand

We see expansion in HEV sales driving growth in earnings per vehicle in FY3/25. HEV base earnings/vehicle are already on par with ICEVs' and with incentives being held at very low levels amid current buoyant demand, recent OP/vehicle is well above ICEVs.' Toyota says it will be working on “To strengthen our foothold” in response to group company misconduct. At the briefing it signaled optimization in production levels and extra support for suppliers, including with labor cost. We note that revised FY3/24 guidance reflects compensation to customers and suppliers for Daihatsu irregularities. Toyota said it is not disclosing the assumptions but we have the impression that they are quite conservative.

Few clear answers on unwinding group crossholdings

Clear-cut comments on the unwinding of group crossholdings were limited at the briefing. In regard to the 20% benchmark for the Denso holding ratio in share sales, Toyota said this does not apply to all group companies.

Estimates (¥)	3/22A	3/23A	3/24E	3/25E	3/26E
	IFRS	IFRS	IFRS	IFRS	IFRS
EPS	205.23	179.47	332.79	370.92	385.56
EPS Change (YoY)	27.7%	-12.6%	85.4%	11.5%	3.9%
Dividend / Share	52	60	100	111	116
BPS	1,889.9	2,074.8	2,298.1	2,541.1	2,795.1
Valuation					
P/E	15.3x	17.5x	9.4x	8.5x	8.1x
Dividend Yield*	1.7%	1.9%	3.2%	3.5%	3.7%
P/B	1.7x	1.5x	1.4x	1.2x	1.1x
EV/ EBITDA*	14.0x	14.2x	9.5x	8.4x	8.1x
Free Cash Flow Yield*	0.5%	-0.9%	3.0%	2.2%	2.5%

* For full definitions of *IQmethod*SM measures, see page 9.

06 February 2024

Equity

Key Changes

(¥)	Previous	Current
Price Obj.	3,400	3,600
2024E Rev (m)	42,818,000	43,367,000
2025E Rev (m)	43,125,000	43,129,000
2026E Rev (m)	43,784,000	43,788,000
2024E EPS	311.79	332.79
2025E EPS	339.78	370.92
2026E EPS	350.02	385.56
2024E EBITDA (m)	6,913,000	7,146,000
2025E EBITDA (m)	7,506,000	8,071,000
2026E EBITDA (m)	7,685,000	8,326,000
2024E DPS	94	100

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Stock Data

Price (Common / ADR)	3,135 JPY / 203.03 USD
Price Objective	3,600 JPY / 233.14 USD
Date Established	6-Feb-2024/ 6-Feb-2024
Investment Opinion	B-1-7 / A-1-7
52-Week Range	1,764-3,148 JPY
Market Value (mn)	45,018,600 JPY
Market Value (\$mn)	302,392 USD
Shares Outstanding (mn)	14,360.0
Average Daily Value (\$mn)	669.6 USD
Free Float	49.9%
BofA Ticker / Exchange	TOYOF / TYO
BofA Ticker / Exchange	TM / NYS
Bloomberg / Reuters	7203 JP / 7203.T
ROE (2024E)	15.2%
Net Dbt to Eqty (Mar-2023A)	74.7%

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Refer to important disclosures on page 10 to 13. Analyst Certification on page 7. Price Objective Basis/Risk on page 7.

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Timestamp: 06 February 2024 09:57AM EST

iQprofileSM Toyota Motor (7203)

Key Income Statement Data	3/22A	3/23A	3/24E	3/25E	3/26E
(¥ Billions)	IFRS	IFRS	IFRS	IFRS	IFRS
Sales	31,379.5	37,154.3	43,367.0	43,129.0	43,788.0
% Change	15.3%	18.4%	16.7%	-0.5%	1.5%
Gross Profit	5,971.7	6,313.0	8,961.9	10,199.1	10,611.8
EBITDA	4,817.6	4,764.9	7,146.0	8,071.0	8,326.0
Operating Profit	2,995.7	2,725.0	5,021.0	5,895.0	6,098.0
% Change	36.3%	-9.0%	84.3%	17.4%	3.4%
Net Interest & Other Income	507.0	378.8	277.3	282.9	282.9
Pretax Income	3,990.5	3,668.7	6,104.8	6,958.8	7,193.1
% Change	36.1%	-8.1%	66.4%	14.0%	3.4%
Net Income	2,850.1	2,451.3	4,501.9	4,989.8	5,157.8

Key Cash Flow Statement Data					
Net Income from Cont Operations (GAAP)	2,850.1	2,451.3	4,501.9	4,989.8	5,157.8
Depreciation & Amortization	1,821.9	2,039.9	2,125.0	2,176.0	2,228.0
Change in Working Capital	22.1	236.6	38.4	(440.4)	(368.2)
Capital Expenditure	(3,484.2)	(3,357.6)	(3,775.0)	(3,851.0)	(3,928.0)
Free Cash Flow*	238.5	(402.5)	1,364.1	995.5	1,147.5
Share Issue / (Repurchase)	(404.7)	(431.1)	(200.0)	(200.0)	(200.0)
Cost of Dividends Paid	(761.6)	(813.0)	(1,352.8)	(1,493.2)	(1,551.8)

Key Balance Sheet Data					
Cash & Equivalents	6,113.7	7,517.0	6,698.0	8,726.0	10,891.8
Trade Receivables	10,324.2	11,865.9	11,711.2	11,776.5	11,911.8
Other Current Assets	7,284.5	7,076.9	7,266.8	7,226.9	7,337.3
Property, Plant & Equipment	12,326.6	12,634.0	13,237.0	13,852.0	14,480.0
Other Non-Current Assets	31,639.8	35,209.4	35,374.3	35,540.9	35,709.1
Total Assets	67,688.8	74,303.2	74,287.4	77,122.2	80,330.0
Short-Term Debt	11,187.8	12,305.6	9,721.3	9,721.3	9,721.3
Other Current Liabilities	10,654.3	11,654.1	11,396.8	11,044.9	10,953.4
Long-Term Debt	15,308.5	17,074.6	17,074.6	17,074.6	17,074.6
Other Non-Current Liabilities	3,383.3	4,004.6	4,004.6	4,004.6	4,004.6
Total Liabilities	40,534.0	45,039.0	42,197.3	41,845.5	41,754.0
Total Equity	27,154.8	29,264.2	32,090.1	35,276.7	38,576.0
Total Equity & Liabilities	67,688.8	74,303.2	74,287.4	77,122.2	80,330.0

Key Metrics

iQmethodSM – Business Performance*

Return On Capital Employed	4.4%	3.5%	6.5%	7.1%	7.0%
Return On Equity	11.5%	9.0%	15.2%	15.3%	14.4%
Operating Margin	9.5%	7.3%	11.6%	13.7%	13.9%

iQmethodSM – Quality of Earnings*

Cash Realization Ratio	1.3x	1.2x	1.1x	1.0x	1.0x
Asset Replacement Ratio	1.9x	1.6x	1.8x	1.8x	1.8x
Tax Rate (Reported)	28.0%	32.0%	25.0%	27.0%	27.0%
Net Debt-to-Equity Ratio	75.1%	74.7%	62.6%	51.2%	41.2%
Interest Cover	68.1x	21.8x	41.8x	51.5x	53.3x

* For full definitions of iQmethodSM measures, see page 9.
Other GAAP denotes Japanese Accounting Standards.

Company Sector

Autos/Car Manufacturers

Company Description

One of the world's largest automakers. Contends with global leaders VW Group and GM in sales volume. Following 2008 financial crisis, has struggled with quality issues in the US and production cutbacks due to Japan's earthquake, but regained top global market share in 2012. US market is its traditional earnings driver, but recently starting to tap into emerging markets such as ASEAN and India. Highest domestic production rates of Japan's big three (Toyota, Nissan, Honda). Established in 1937.

Investment Rationale

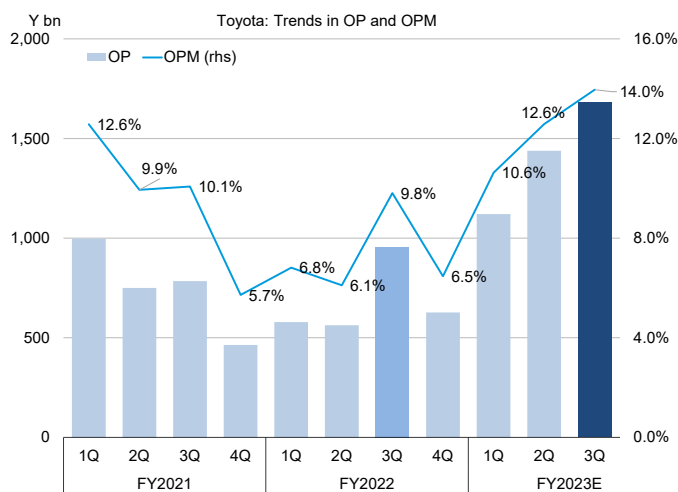
We rate Toyota Buy. We have high confidence in near-term earnings as the company has been able to minimize the impact of semiconductor shortages. We expect it to continue to post record-high profits from FY3/22 onwards. In the long term, amid calls for initiatives to promote decarbonization, we see Toyota as one of the rare companies that can contribute to decarbonization without relying solely on BEVs by utilizing its abundant technological capabilities.

Key Changes

(US\$)	Previous	Current
Price Obj.	228.96	233.14
2024E EPS	20.94	22.35
2025E EPS	22.82	24.91
2026E EPS	23.51	25.90
2024E DPS	6.31	6.72

Exhibit 1: Toyota: Quarterly OP and OPM

OPM reached astonishing 14% in 3Q



Source: Company data, Company, BofA Global Research estimates

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3Q earnings: OPM reached astonishing 14%

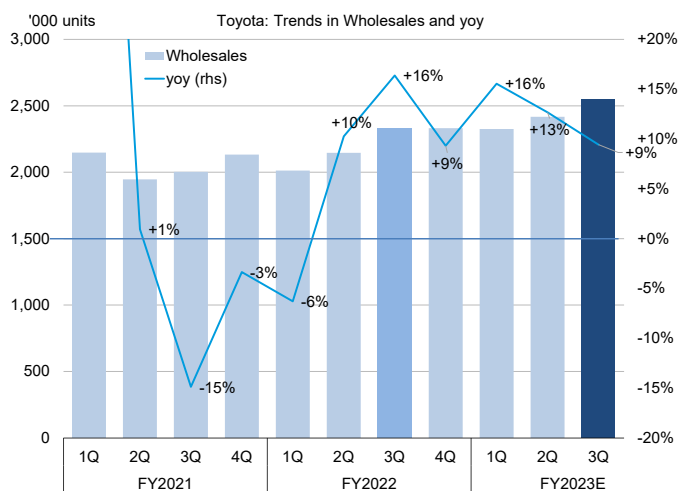
Toyota posted 3Q OP of ¥1.68tn (+76% YoY), well above our estimate (¥1.26tn) and the Bloomberg consensus (¥1.33tn). Given no one-offs were booked, this was an astonishing level. In addition to volume growth and forex, there were large contributions from improvement in mix on HEV sales growth, and repricing. The company said incentives were kept low in North America in particular.

However, the company was dubious about sustainability, noting that in 3Q the impact from chip shortages had dropped out and, with production at very high levels, the mix boost from rising HEV demand was a significant factor. Now, with the added factor of group company misconduct, optimum production levels require careful examination.

There was a decent performance in China in 3Q. China equity-method income increased 46% YoY to ¥97.1bn as Toyota maintained market share on the back of healthier HEV demand than for other OEMs.

Exhibit 2: Toyota: Quarterly wholesale sales volume and YoY chg

Full production fueled very high sales in 3Q assisted by buoyant HEV demand



Source: Company data, Company, BofA Global Research estimates

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3Q shipments: Very high, boosted by full production

Wholesale sales reached 2.55mn units in 3Q (+9% YoY) with a quarterly record for shipments. We estimate that Toyota/Lexus retail sales including those of the China joint venture amounted to 2.74mn units (+11%).

Toyota commented that HEV demand was buoyant globally. In addition to North America and Europe, growing HEV demand in India has been a driver for company sales recently. The company's overall HEV sales ratio reached 35% in 3Q and FY3/24 sales volume is seen as 3.6mn units (+33% YoY). Toyota said it expects HEV sales to reach 5mn units in CY25.

However, the company said it intends to review its sustainable production and sales levels from 4Q onward in light of factors including group company misconduct. We think FY3/25 production could be up only slightly YoY.

Exhibit 3: Toyota Motor: New vs old BofAe and CoE, valuations

Revised guidance seems to be quite conservative on Daihatsu misconduct costs

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		Sales		OP		Net Profit Before Tax		Net Profit		EPS	P/E	P/B	ROE
		JPY mn	yoy %	JPY mn	yoy %	JPY mn	yoy %	JPY mn	yoy %	JPY	x	x	%
Fiscal Year													
FY3/23	Actual	37,154,298	+18.4%	2,725,025	-9.0%	3,668,733	-8.1%	2,451,318	-14.0%	179.5	17.5	1.5	9.0%
FY3/24	E New	43,367,000	+16.7%	5,021,000	+84.3%	6,104,800	+66.4%	4,501,900	+83.7%	332.8	9.4	1.4	15.2%
	E Old	42,818,000	+15.2%	4,788,000	+75.7%	5,721,400	+56.0%	4,217,800	+72.1%	311.8	10.1	1.4	14.2%
	IFIS E	44,019,764	+18.5%	4,703,440	+72.6%	5,911,800	+61.1%	4,212,520	+71.8%	305.5	10.3		
	CoE New	43,500,000	+17.1%	4,900,000	+79.8%	6,200,000	+69.0%	4,500,000	+83.6%	333.0	9.4		
	CoE Old	43,000,000	+15.7%	4,500,000	+65.1%	5,550,000	+51.3%	3,950,000	+61.1%	292.0	10.7		
FY3/25	E New	43,129,000	-0.5%	5,895,000	+17.4%	6,958,800	+14.0%	4,989,800	+10.8%	370.9	8.5	1.2	15.3%
	E Old	43,125,000	+0.7%	5,330,000	+11.3%	6,373,200	+11.4%	4,570,900	+8.4%	339.8	9.2	1.3	14.2%
	IFIS E	45,482,000	+3.3%	4,881,153	+3.8%	5,889,564	-0.4%	4,159,796	-1.3%	307.2	10.2		
FY3/26	E New	43,788,000	+1.5%	6,098,000	+3.4%	7,193,100	+3.4%	5,157,800	+3.4%	385.6	8.1	1.1	14.4%
	E Old	43,784,000	+1.5%	5,457,000	+2.4%	6,528,400	+2.4%	4,682,300	+2.4%	350.0	9.0	1.1	13.3%
	IFIS E	46,908,514	+3.1%	5,003,936	+2.5%	6,048,950	+2.7%	4,251,814	+2.2%	317.9	9.9		
First Half (Apr-Sep)													
FY3/23	Actual	17,709,348	+14.4%	1,141,444	-34.7%	1,834,276	-14.4%	1,171,084	-23.2%				
FY3/24	Actual	21,981,617	+24.1%	2,559,294	+124.2%	3,521,525	+92.0%	2,589,428	+121.1%				
Second Half (Oct-Mar)													
FY3/23	Actual	19,444,950	+22.3%	1,583,581	+26.9%	1,834,457	-0.7%	1,280,234	-3.4%				
FY3/24	E New	21,385,383	+10.0%	2,461,706	+55.5%	2,583,275	+40.8%	1,912,472	+49.4%				
	E Old	20,836,383	+7.2%	2,228,706	+40.7%	2,199,875	+19.9%	1,628,372	+27.2%				
First Quarter (Apr-Jun)													
FY3/23	Actual	8,491,116	+7.0%	578,655	-42.0%	1,021,748	-18.7%	736,820	-17.9%				
FY3/24	Actual	10,546,831	+24.2%	1,120,900	+93.7%	1,720,553	+68.4%	1,311,372	+78.0%				
Second Quarter (Jul-Sep)													
FY3/23	Actual	9,218,232	+22.2%	562,789	-25.0%	812,528	-8.4%	434,264	-30.7%				
FY3/24	Actual	11,434,786	+24.0%	1,438,394	+155.6%	1,800,972	+121.7%	1,278,056	+194.3%				
Third Quarter (Oct-Dec)													
FY3/23	Actual	9,754,685	+25.3%	956,652	+22.0%	1,034,998	-5.4%	727,942	-8.1%				
FY3/24	Actual	12,041,103	+23.4%	1,680,944	+75.7%	1,835,540	+77.3%	1,357,814	+86.5%				
	E Old	11,404,000	+16.9%	1,264,000	+32.1%	1,509,600	+45.9%	1,067,600	+46.7%				
Fourth Quarter (Jan-Mar)													
FY3/23	Actual	9,690,265	+19.4%	626,929	+35.2%	799,459	+6.2%	552,292	+3.4%				
FY3/24	E New	9,344,280	-3.6%	780,762	+24.5%	747,735	-6.5%	554,658	+0.4%				
	E Old	9,432,383	-2.7%	964,706	+53.9%	690,275	-13.7%	560,772	+1.5%				

Source: Company data, IFIS consensus, company and BofA Global Research estimates

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Exhibit 4: Toyota Motor: Earnings at a glance

Assume continued profit growth on mix improvement and cost cuts in FY23/25

	2023/3	2024/3E	2025/3E	2026/3E	24/3 CoE		2023/3		2024/3E							
					New	Old	1H	2H	1Q	2Q	1H	3Q	4QE	2HE	4Q CoE	
¥ bn, ¥, %																
Sales	37,154	43,367	43,129	43,788	43,500	43,000	17,709	19,445	10,547	11,435	21,982	12,041	9,344	21,385	9,477	
Cost of sales	30,841	34,405	32,930	33,176			14,894	15,947	8,484	9,065	17,549	9,356	7,501	16,856		
Gross profit	6,313	8,962	10,199	10,612			2,815	3,498	2,063	2,370	4,433	2,685	1,844	4,529		
SG&A expenses	3,588	3,941	4,304	4,514			1,673	1,915	942	932	1,874	1,004	1,063	2,067		
Operating profit	2,725	5,021	5,895	6,098	4,900	4,500	1,141	1,584	1,121	1,438	2,559	1,681	781	2,462	660	
Equity method income/loss	643	807	781	812	740	740	305	338	193	185	379	218	210	428	144	
Pretax profit	3,669	6,105	6,959	7,193	6,200	5,550	1,834	1,834	1,721	1,801	3,522	1,836	748	2,583	843	
Corporate tax, etc.	1,176	1,526	1,879	1,942			615	561	394	480	874	451	201	652		
Minority shareholder interest	42	77	90	93			48	-7	16	43	58	26	-8	19		
Net profit	2,451	4,502	4,990	5,158	4,500	3,950	1,171	1,280	1,311	1,278	2,589	1,358	555	1,912	553	
R&D expenses	1,242	1,242	1,267	1,292	1,240	1,240	621	621	295	314	609	299	334	633	332	
Depreciation & amortization	1,185	1,244	1,269	1,294	1,260	1,260	574	611	298	303	602	313	330	642	346	
Capex	1,606	1,847	1,884	1,922	1,970	1,970	682	924	367	443	809	413	625	1,038	748	
Sales ratios																
Gross profit	17.0%	20.7%	23.6%	24.2%			15.9%	18.0%	19.6%	20.7%	20.2%	22.3%	19.7%	21.2%		
Operating profit	7.3%	11.6%	13.7%	13.9%	11.3%	10.5%	6.4%	8.1%	10.6%	12.6%	11.6%	14.0%	8.4%	11.5%	7.0%	
Net profit	6.6%	10.4%	11.6%	11.8%	10.3%	9.2%	6.6%	6.6%	12.4%	11.2%	11.8%	11.3%	5.9%	8.9%	5.8%	
Tax rate	32.0%	25.0%	27.0%	27.0%			33.5%	30.6%	22.9%	26.7%	24.8%	24.6%	26.8%	25.2%		
YoY change																
Sales	+18.4%	+16.7%	-0.5%	+1.5%	+17.1%	+15.7%	+14.4%	+22.3%	+24.2%	+24.0%	+24.1%	+23.4%	-3.6%	+10.0%	-2.2%	
Operating profit	-9.0%	+84.3%	+17.4%	+3.4%	+79.8%	+65.1%	-34.7%	+26.9%	+93.7%	+155.6%	+124.2%	+75.7%	+24.5%	+55.5%	+5.2%	
Net profit	-14.0%	+83.7%	+10.8%	+3.4%	+83.6%	+61.1%	-23.2%	-3.4%	+78.0%	+194.3%	+121.1%	+86.5%	+0.4%	+49.4%	+0.1%	
Forex assumptions	2023/3	2024/3E	2025/3E	2026/3E	New	Old	1H	2H	1Q	2Q	1H	3Q	4QE	2HE	4Q CoE	
¥/USD	135.5	143.7	145.0	145.0	143.0	141.0	134.1	136.8	137.5	144.6	141.1	147.8	145.0	146.4	142.1	
¥/EUR	140.9	155.3	155.0	155.0	154.0	152.0	138.7	143.1	149.7	157.3	153.5	159.1	155.0	157.0	150.0	
OP variance analysis	2023/3	2024/3E	2025/3E	2026/3E	New	Old	1H	2H	1Q	2Q	1H	3Q	4QE	2HE	4Q CoE	
Sales impact (including finance biz)	+680	+1,927	+385	+100	+1,935	+1,655	+130	+550	+600	+690	+1,290	+700	-63	+637	-55	
Measures to reduce input costs	-1,290	-44	+387	+313	-50	-50	-650	-640	-155	+45	-110	+45	+21	+66	+15	
Lower input costs	+255	+361	+309	+313	+360	+360	+115	+140	+75	+130	+205	+100	+56	+156	+55	
Impact of raw material prices	-1,545	-405	+78	0	-260	-410	-765	-780	-230	-85	-315	-55	-35	-90	+110	
Forex impact	+1,280	+541	+115	0	+540	+305	+565	+715	+115	+145	+260	+120	+161	+281	+160	
Changes in fixed costs	-525	-353	-363	-210	-445	-370	-310	-215	-70	-150	-220	-80	-53	-133	-145	
Other	-416	+225	+350	0	+45	+235	-341	-75	+52	+146	+198	-61	+88	+27	-92	
Total	-271	+2,296	+874	+203	+2,025	+1,775	-606	+335	+542	+876	+1,418	+724	+154	+878	-117	

Source: Company data, Company, BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 5: Toyota Motor: Consolidated sales volume and Toyota brand retail sales volume

Strengthening foothold is priority from 4Q in light of group company irregularities

Consolidated sales volume ('000s)	2023/3	2024/3E	2025/3E	2026/3E	New	Old	1H	2H	1Q	2Q	1H	3Q	4QE	2HE	4Q CoE
Japan	2,069	2,115	2,211	2,237	2,120	2,320	869	1,200	532	540	1,072	558	485	1,043	490
Overseas total	6,753	7,364	7,253	7,328	7,330	7,280	3,290	3,463	1,794	1,878	3,672	1,993	1,699	3,692	1,665
North America	2,407	2,763	2,881	2,923	2,760	2,730	1,245	1,162	682	703	1,385	776	602	1,378	599
Europe	1,030	1,184	1,118	1,141	1,170	1,150	479	551	286	271	557	327	300	627	286
Asia	1,751	1,760	1,694	1,757	1,760	1,760	817	934	417	478	895	480	385	865	385
South/Central America	509	489	474	450	480	480	251	258	128	126	254	120	115	235	106
Oceania	265	299	276	276	310	310	142	123	76	87	163	80	56	136	67
Africa	226	268	239	239	270	270	97	129	59	62	121	55	92	147	94
Middle East	559	593	563	535	580	580	256	303	143	149	292	151	150	301	137
Total (Toyota consolidated)	8,822	9,479	9,464	9,565	9,450	9,600	4,159	4,663	2,326	2,418	4,744	2,551	2,184	4,735	2,155
Consolidated sales volume (YoY change)	2023/3	2024/3E	2025/3E	2026/3E	New	Old	1H	2H	1Q	2Q	1H	3Q	4QE	2HE	4Q CoE
Japan	+8%	+2%	+5%	+1%	+2%	+12%	-8%	+23%	+32%	+16%	+23%	+5%	-27%	-13%	-27%
Overseas total	+7%	+9%	-2%	+1%	+9%	+8%	+5%	+10%	+11%	+12%	+12%	+11%	+2%	+7%	+0%
North America	+1%	+15%	+4%	+1%	+15%	+13%	-3%	+4%	+7%	+15%	+11%	+28%	+8%	+19%	+8%
Europe	+1%	+15%	-6%	+2%	+14%	+12%	-6%	+9%	+15%	+17%	+16%	+18%	+10%	+14%	+4%
Asia	+13%	+1%	-4%	+4%	+1%	+1%	+16%	+12%	+16%	+5%	+10%	+1%	-16%	-7%	-16%
South/Central America	+18%	-4%	-3%	-5%	-6%	-6%	+19%	+17%	+4%	-2%	+1%	-17%	+1%	-9%	-7%
Oceania	-6%	+13%	-8%	0%	+17%	+17%	-4%	-8%	0%	+32%	+15%	+18%	+2%	+11%	+22%
Africa	+3%	+19%	-11%	0%	+19%	+19%	+1%	+5%	+64%	+2%	+25%	-19%	+51%	+14%	+54%
Middle East	+36%	+6%	-5%	-5%	+4%	+4%	+33%	+38%	+10%	+18%	+14%	-4%	+3%	-1%	-6%
Total	+7%	+7%	-0%	+1%	+7%	+9%	+2%	+13%	+16%	+13%	+14%	+9%	-6%	+2%	-8%
Toyota brand retail sales ('000s)	2023/3	2024/3E	2025/3E	2026/3E	New	Old	1H	2H	1Q	2Q	1H	3Q	4QE	2HE	4Q CoE
Japan	1,407	1,605	1,596	1,591			591	816	384	406	790	389	426	815	
Overseas total	8,203	8,786	9,031	9,166			4,152	4,051	2,154	2,228	4,382	2,347	2,057	4,404	
North America	2,400	2,682	2,881	2,923			1,236	1,164	665	687	1,353	720	610	1,330	
USA	2,064	2,282	2,479	2,520			1,057	1,006	569	590	1,159	620	503	1,123	
Europe	1,044	1,097	1,118	1,141			507	537	269	274	543	305	249	554	
Asia	3,276	3,399	3,496	3,618			1,682	1,593	832	857	1,688	904	807	1,710	
China	1,876	1,951	2,048	2,110			1,001	875	499	505	1,005	523	423	946	
South/Central America	483	499	474	450			241	242	124	123	247	123	128	251	
Oceania	264	291	276	276			144	120	70	77	147	77	66	143	
Africa	222	244	239	239			99	122	59	62	121	66	57	123	
Middle East	514	575	547	519			242	272	134	149	283	152	140	293	
Other regions (adjusted figures)	0	0	0	0			0	0	0	0	0	0	0	0	
Total	9,610	10,391	10,627	10,757	10,400	10,400	4,742	4,868	2,538	2,634	5,172	2,736	2,483	5,219	2,492
Toyota brand retail sales (yoy)	2023/3	2024/3E	2025/3E	2026/3E	New	Old	1H	2H	1Q	2Q	1H	3Q	4QE	2HE	4Q CoE
Japan	+1%	+14%	-1%	-0%			-21%	+26%	+35%	+32%	+34%	+19%	-13%	-0%	
Overseas total	+1%	+7%	+3%	+2%			+0%	+2%	+5%	+6%	+6%	+10%	+7%	+9%	
North America	-7%	+12%	+7%	+1%			-15%	+2%	+5%	+14%	+9%	+17%	+11%	+14%	
Europe	+2%	+5%	+2%	+2%			-8%	+14%	+1%	+14%	+7%	+19%	-12%	+3%	
Asia	+4%	+4%	+3%	+4%			+14%	-6%	+5%	-4%	+0%	+4%	+11%	+7%	
South/Central America	+19%	+3%	-5%	-5%			+22%	+15%	+2%	+3%	+2%	-8%	+18%	+4%	
Oceania	-4%	+10%	-5%	0%			-1%	-7%	-8%	+14%	+2%	+15%	+24%	+19%	
Africa	-1%	+10%	-2%	0%			-5%	+3%	+23%	+21%	+22%	+6%	-5%	+1%	
Middle East	+19%	+12%	-5%	-5%			+11%	+28%	+9%	+25%	+17%	+17%	-1%	+8%	
Other regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	+1%	+8%	+2%	+1%	+8%	+8%	-3%	+5%	+8%	+10%	+9%	+11%	+3%	+7%	+3%

Source: Company data, Company, BofA Global Research estimates

BofA GLOBAL RESEARCH



Price objective basis & risk

Toyota Motor (7203 / TOYOF / TM)

Our 12-month PO for Toyota is ¥3,600 (ADR: \$233.14). We calculate a fair-value EV/EBITDA multiple of 3.9x by taking the FY3/17-3/19 average EV/EBITDA of 3.9x (ex finco), applying a 15% decarbonization premium, 5% for potential action in response to share price weakness, and a 10% top-line visibility discount (net +10%). We calculate fair-value market cap (ex finco) by applying this to our FY3/25 EBITDA estimate of ¥7.6tn (ex finco). We then add back ¥5.0tn in financial services shareholders' equity to derive total market cap. Risks are forex swings, a prolonged semiconductor shortage, and an increase in material costs.

Analyst Certification

I, Kei Nihonyanagi, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Special Disclosures

BofA Securities is currently acting as financial advisor to Daimler Truck Holding AG in connection with the proposed business combination between its subsidiary Mitsubishi Fuso Truck and Bus Corporation and Hino Motors, Ltd., a subsidiary of Toyota Motor Corporation, which was announced on May 30, 2023. The proposed transaction is subject to approval by shareholders of Hino Motors, Ltd. This research report is not intended to (1) provide voting advice, (2) serve as an endorsement of the proposed transaction, or (3) result in the procurement, withholding or revocation of a proxy.

APR - Autos Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Aima Technology	XIHF	603529 CH	Joey Yang, CFA
	Bajaj Auto	XBJF	BJAUT IN	Gunjan Prithyani
	BYD	BYDD	1211 HK	Ming Hsun Lee, CFA
	BYD	XYMP	002594 CH	Ming Hsun Lee, CFA
	BYD	BYDD	BYDDY US	Ming Hsun Lee, CFA
	CATL	XMOQ	300750 CH	Ming Hsun Lee, CFA
	DENSO	DNZO	6902 JP	Kei Nihonyanagi
	EVE	XEVF	300014 CH	Ming Hsun Lee, CFA
	Fuyao Glass	XFGI	600660 CH	Edward Leung, CFA
	Fuyao Glass	FIGI	3606 HK	Edward Leung, CFA
	Great Wall Motor	GWLL	2333 HK	Ming Hsun Lee, CFA
	GS Yuasa	GYUA	6674 JP	Kentaro Hosoda
	Guangzhou Automobile Group	GNZU	2238 HK	Ming Hsun Lee, CFA
	Hankook Tire	XHTR	161390 KS	KJ Hwang
	Hero Motocorp	HRHD	HMCL IN	Gunjan Prithyani
	Hesai	HSAL	HSAL US	Jessie Lo
	HL Mando	XMAD	204320 KS	KJ Hwang
	Honda Motor	HMC	HMC US	Kei Nihonyanagi
	Honda Motor	HNDAL	7267 JP	Kei Nihonyanagi
	Huayu	XHAS	600741 CH	Jessie Lo
	Hyundai Motor	HYML	005380 KS	KJ Hwang
	Isuzu Motors	ISUZ	7202 JP	Kei Nihonyanagi
	Joyson	XQMW	600699 CH	Jessie Lo
	Leapmotor	XZSS	9863 HK	Ming Hsun Lee, CFA
	Li Auto	LI	LI US	Ming Hsun Lee, CFA
	Li Auto	LAAO	2015 HK	Ming Hsun Lee, CFA
	Maruti	MUDG	MSIL IN	Gunjan Prithyani
	Mazda Motor	MZDA	7261 JP	Kei Nihonyanagi



APR - Autos Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Minth	MNTHF	425 HK	Jessie Lo
	Ningbo Tuopu	XNCGF	601689 CH	Joey Yang, CFA
	Nissan Motor	NSANF	7201 JP	Kei Nihonyanagi
	Nissan Motor	NSANY	NSANY US	Kei Nihonyanagi
	PARK24	PKCOF	4666 JP	Kei Nihonyanagi
	SAMIL (Motherson International)	XMSUF	MOTHERSO IN	Gunjan Prithyani
	Shenzhen Kedali	XWCSF	002850 CH	Jessie Lo
	Shuanghuan Driveline	XZSHF	002472 CH	Jessie Lo
	Sumitomo Rubber Industries	SMTUF	5110 JP	Kentaro Hosoda
	Suzuki Motor	SZKMF	7269 JP	Kei Nihonyanagi
	Tata Motors	XTTSF	TTMT IN	Gunjan Prithyani
	Toyo Tire	TOTTF	5105 JP	Kentaro Hosoda
	Toyota Motor	TOYOF	7203 JP	Kei Nihonyanagi
	Toyota Motor	TM	TM US	Kei Nihonyanagi
	Wencan	XSCDF	603348 CH	Joey Yang, CFA
	Wuxi Lead	XZSRF	300450 CH	Ming Hsun Lee, CFA
	XPeng Inc	XPEV	XPEV US	Ming Hsun Lee, CFA
	XPeng Inc.	XPNGF	9868 HK	Ming Hsun Lee, CFA
	Yadea	YADGF	1585 HK	Joey Yang, CFA
	Yunnan Energy	XLGFF	002812 CH	Jessie Lo
	Zhejiang Sanhua	XZSIF	002050 CH	Jessie Lo
	Zhongsheng Auto	ZHSHF	881 HK	Joey Yang, CFA

NEUTRAL

	Aisin	ASEKF	7259 JP	Kei Nihonyanagi
	Ashok Leyland	XDBVF	AL IN	Gunjan Prithyani
	Bridgestone	BRDCF	5108 JP	Kei Nihonyanagi
	Bridgestone	BRDCY	BRDCY US	Kei Nihonyanagi
	CALB	XCLSF	3931 HK	Ming Hsun Lee, CFA
	Dong Feng	DNFGF	489 HK	Ming Hsun Lee, CFA
	Eicher Motors	XEIMF	EIM IN	Gunjan Prithyani
	Hino Motors	HINOF	7205 JP	Kei Nihonyanagi
	Hyundai Mobis	HYPLF	012330 KS	KJ Hwang
	Kia Corp	KIMTF	000270 KS	KJ Hwang
	Mahindra & Mahindra (M&M)	XKQRF	MM IN	Gunjan Prithyani
	MeiDong Auto	CMEIF	1268 HK	Joey Yang, CFA
	Motherson Sumi Wiring	XMWDF	MSUMI IN	Gunjan Prithyani
	NIO	NIO	NIO US	Ming Hsun Lee, CFA
	NIO	NIOIF	9866 HK	Ming Hsun Lee, CFA
	NIO	XLTWF	NIO SP	Ming Hsun Lee, CFA
	Shenzhen Senior	XHYRF	300568 CH	Jessie Lo
	Subaru Corp	FUJHF	7270 JP	Kei Nihonyanagi
	Subaru Corp	FUJHY	FUJHY US	Kei Nihonyanagi
	Toyota Industries Corporation	TYIDF	6201 JP	Kentaro Hosoda
	Toyota Industries Corporation	TYIDY	TYIDY US	Kentaro Hosoda
	TVS Motors	XFKMF	TVSL IN	Gunjan Prithyani
	Yokohama Rubber	YORUF	5101 JP	Kentaro Hosoda
	Yongda	CYYHF	3669 HK	Joey Yang, CFA

UNDERPERFORM

	Astra International	PTAIF	ASII IJ	Paul Dewberry
	BAIC Motor	BMCLF	1958 HK	Ming Hsun Lee, CFA
	Bharat Forge	XUUVF	BHFC IN	Gunjan Prithyani
	China Grand Auto	XMURF	600297 CH	Joey Yang, CFA
	Desay SV	XGDFF	002920 CH	Jessie Lo
	Escorts Kubota	XSCOF	ESCORTS IN	Gunjan Prithyani
	GAC	XGNHF	601238 CH	Ming Hsun Lee, CFA
	Great Wall Motor	XGWMF	601633 CH	Ming Hsun Lee, CFA
	Hyundai Wia	XWHYF	011210 KS	KJ Hwang
	Mitsubishi Motors	MMTOF	7211 JP	Kei Nihonyanagi
	Nextage	NXAGF	3186 JP	Kentaro Hosoda
	Nexteer	NTXVF	1316 HK	Jessie Lo
	Putailai	XVHGF	603659 CH	Jessie Lo
	SAIC Motor	XZNFJ	600104 CH	Ming Hsun Lee, CFA
	Sona Comstar	XBNXF	SONACOMS IN	Gunjan Prithyani
	Tinci Materials	XCVHF	002709 CH	Miriam Chan, CFA

APR - Autos Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Yamaha Motor	YAMHF	7272 JP	Kei Nihonyanagi
RVW	Geely	GELYF	175 HK	Ming Hsun Lee, CFA

iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity
Operating Margin
Earnings Growth
Free Cash Flow

Quality of Earnings

Cash Realization Ratio
Asset Replacement Ratio
Tax Rate
Net Debt-To-Equity Ratio
Interest Cover

Valuation Toolkit

Price / Earnings Ratio
Price / Book Value
Dividend Yield
Free Cash Flow Yield
Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income
Operating Profit
Expected 5 Year CAGR From Latest Actual
Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations
Capex
Tax Charge
Net Debt = Total Debt – Cash & Equivalents
EBIT

Numerator

Current Share Price
Current Share Price
Annualised Declared Cash Dividend
Cash Flow From Operations – Total Capex
EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities
Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Amortization
Shareholders' Equity
Sales
N/A
N/A

Denominator

Net Income
Depreciation
Pre-Tax Income
Total Equity
Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)
Shareholders' Equity / Current Basic Shares
Current Share Price
Market Cap = Current Share Price × Current Basic Shares
Sales

Basic EBIT + Depreciation + Amortization

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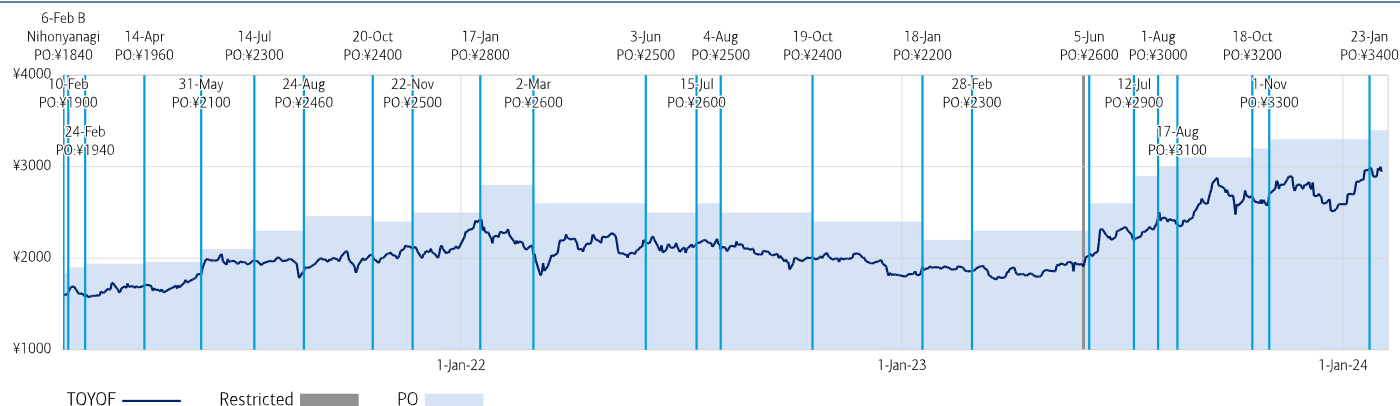
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Disclosures

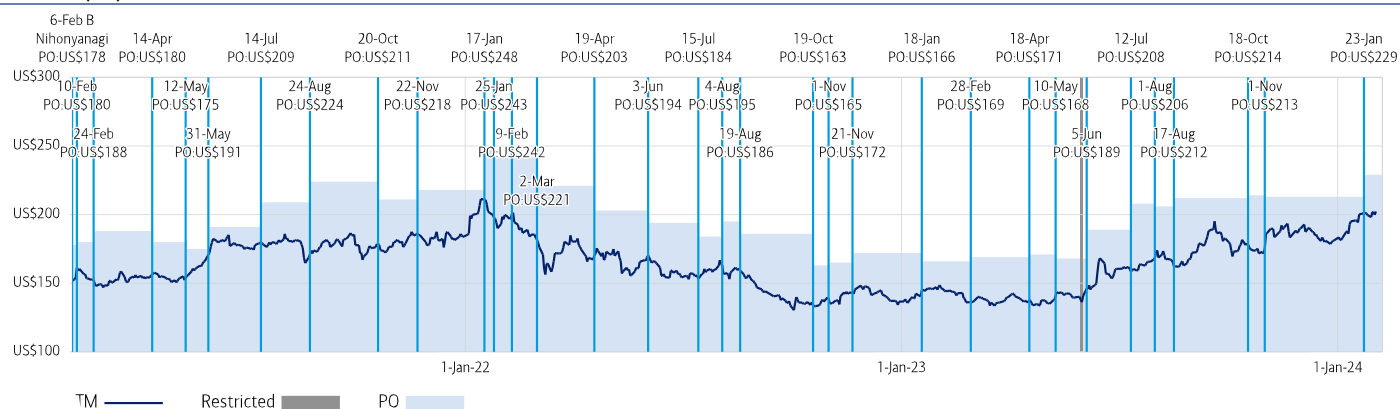
Important Disclosures

Toyota Motor (TOYOF) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Toyota Motor (TM) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Autos Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	67	55.83%	Buy	39	58.21%
Hold	30	25.00%	Hold	15	50.00%
Sell	23	19.17%	Sell	12	52.17%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.



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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2}Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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