

Toyota Motor (7203)

Profits a remarkable level in 2Q, astonishingly could go even higher

Reiterate Rating: BUY | PO: 3,300 JPY | Price: 2,712 JPY

Potential for even higher profits from FY3/25

In earnings reported during 1 November afternoon trading, 1H OP topped our ¥2.27tn estimate to reach ¥2.56tn (2.2x YoY), with 2Q OP of ¥1.44tn and OPM of 12.6%. Toyota raised full-year guidance from ¥3.0tn to ¥4.5tn (+65% YoY, ¥141/\$ assumption), above consensus for ¥4.16tn. We lift our OP estimate from ¥4.57tn to ¥4.67tn for FY3/24, and from ¥4.90tn to ¥5.14tn for FY3/25. We raise our price objective from ¥3,200 to ¥3,300, reiterating our Buy rating.

At the briefing, the company pointed to potential FY3/25 profit boosters including (A) improvement in mix and (B) reduction in COGs through its own efforts, along with (C) lower materials costs as an external factor. In regard to (A), we see Toyota as a rare name that can simultaneously satisfy fuel consumption standards and improve its mix driven by expansion in sales of in-demand HEVs and PHEVs. In the long term this offers prospects for bigger profits from maintenance related business (value chain). We appreciate market concerns over macro risk but find it remarkable that Toyota has the potential to drive profits even higher.

2Q strength; brisk US/Euro demand, decent China showing

We see 2Q as a demonstration of Toyota's true strength without one-offs (¥145/\$). Full-year assumptions were kept at initial levels for sales volume and production overall. With brisk demand outside China and the ASEAN region and production on song, the company said 1H was topside full-year plans. By region, US and European sales were on the strong side and the company secured a degree of profit in China on the contribution from high-end models. On financial strategy, Toyota spoke of increasing shareholder returns with cuts in cross-shareholdings and asset rejigging. The company announced share buybacks of ¥100bn.

Estimates (¥)	3/22A	3/23A	3/24E	3/25E	3/26E
	US GAAP	US GAAP	US GAAP	US GAAP	Other GAAP
EPS	205.23	179.47	310.25	334.37	346.95
EPS Change (YoY)	27.7%	-12.6%	72.9%	7.8%	3.8%
Dividend / Share	52	60	93	100	104
BPS	1,889.9	2,074.8	2,282.6	2,500.0	2,727.1
Valuation					
P/E	13.2x	15.1x	8.7x	8.1x	7.8x
Dividend Yield*	1.9%	2.2%	3.4%	3.7%	3.8%
P/B	1.4x	1.3x	1.2x	1.1x	1.0x
EV/ EBITDA*	12.8x	12.9x	9.1x	8.4x	8.2x
Free Cash Flow Yield*	0.6%	-1.0%	3.0%	3.1%	2.2%

* For full definitions of *IQmethod*SM measures, see page 8.

01 November 2023

Equity

Key Changes

(¥)	Previous	Current
Price Obj.	3,200	3,300
2024E Rev (m)	43,648,000	43,282,000
2024E EPS	286.79	310.25
2025E EPS	312.52	334.37
2026E EPS	322.97	346.95
2024E EBITDA (m)	6,697,000	6,795,000
2025E EBITDA (m)	7,071,000	7,319,000
2026E EBITDA (m)	7,269,000	7,541,000
2024E DPS	86	93

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Stock Data

Price (Common / ADR)	2,712 JPY / 175.18 USD
Price Objective	3,300 JPY / 213.16 USD
Date Established	1-Nov-2023/ 1-Nov-2023
Investment Opinion	B-1-7 / A-1-7
52-Week Range	1,764-2,912 JPY
Market Value (mn)	38,944,320 JPY
Market Value (\$mn)	257,152 USD
Shares Outstanding (mn)	14,360.0
Average Daily Value (\$mn)	500.1 USD
Free Float	49.9%
BofA Ticker / Exchange	TOYOF / TYO
BofA Ticker / Exchange	TM / NYS
Bloomberg / Reuters	7203 JP / 7203.T
ROE (2024E)	14.2%
Net Dbt to Eqty (Mar-2023A)	74.7%

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Timestamp: 01 November 2023 07:54AM EDT

iQprofileSM Toyota Motor (7203)

Key Income Statement Data	3/22A	3/23A	3/24E	3/25E	3/26E
(¥ Billions)	US GAAP	US GAAP	US GAAP	US GAAP	Other GAAP
Sales	31,379.5	37,154.3	43,282.0	43,545.0	43,968.0
% Change	15.3%	18.4%	16.5%	0.6%	1.0%
Gross Profit	5,971.7	6,313.0	8,624.5	9,287.5	9,583.1
EBITDA	4,817.6	4,764.9	6,795.0	7,319.0	7,541.0
Operating Profit	2,995.7	2,725.0	4,670.0	5,143.0	5,313.0
% Change	36.3%	-9.0%	71.4%	10.1%	3.3%
Net Interest & Other Income	507.0	378.8	383.0	386.3	386.3
Pretax Income	3,990.5	3,668.7	5,691.1	6,269.5	6,469.2
% Change	36.1%	-8.1%	55.1%	10.2%	3.2%
Net Income	2,850.1	2,451.3	4,196.9	4,498.1	4,641.3

Key Cash Flow Statement Data					
Net Income from Cont Operations (GAAP)	2,850.1	2,451.3	4,196.9	4,498.1	4,641.3
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	40.6	79.3	(356.0)
Capital Expenditure	(3,484.2)	(3,357.6)	(3,775.0)	(3,851.0)	(3,928.0)
Free Cash Flow*	238.5	(402.5)	1,164.7	1,209.6	838.6
Share Issue / (Repurchase)	(404.7)	(431.1)	(200.0)	(200.0)	(200.0)
Cost of Dividends Paid	(761.6)	(813.0)	(1,258.1)	(1,345.2)	(1,391.2)

Key Balance Sheet Data					
Cash & Equivalents	6,113.7	7,517.0	6,487.6	8,662.5	10,480.8
Trade Receivables	10,324.2	11,865.9	11,704.7	11,472.4	11,586.2
Other Current Assets	7,284.5	7,076.9	7,252.5	7,097.1	7,166.1
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	74,056.2	76,624.8	79,422.1
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	11,381.2	11,118.4	10,984.4
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	42,181.7	41,918.9	41,784.9
Total Equity	27,154.8	29,264.2	31,874.4	34,705.9	37,637.2
Total Equity & Liabilities	67,688.8	74,303.2	74,056.2	76,624.8	79,422.1

Key Metrics

iQ_{method}SM – Business Performance*

Return On Capital Employed	4.4%	3.5%	6.1%	6.4%	6.3%
Return On Equity	11.5%	9.0%	14.2%	13.9%	13.2%
Operating Margin	9.5%	7.3%	10.8%	11.8%	12.1%

iQ_{method}SM – Quality of Earnings*

Cash Realization Ratio	1.3x	1.2x	1.2x	1.1x	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%	63.7%	52.2%	43.3%
Interest Cover	68.1x	21.8x	65.7x	75.9x	78.4x

* For full definitions of iQ_{method}SM measures, see page 8.
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.	213.68	213.16
2024E EPS	18.94	20.49
2025E EPS	20.64	22.08
2026E EPS	21.33	22.91
2024E DPS	5.68	6.14

Exhibit 1: Toyota Motor: New vs old BofAe and CoE, valuations

2Q topped high market expectations, FY guidance lifted above consensus

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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	15.1	1.3	9.0%
FY3/24	E New	43,282,000	+16.5%	4,670,000	+71.4%	5,691,100	+55.1%	4,196,900	+71.2%	310.2	8.7	1.2	14.2%
	E Old	43,648,000	+17.5%	4,572,000	+67.8%	5,485,400	+49.5%	3,879,600	+58.3%	286.8	9.5	1.2	13.2%
	IFIS E	42,366,331	+14.0%	4,161,906	+52.7%	5,163,087	+40.7%	3,622,934	+47.8%	259.6	10.4		
	CoE New	43,000,000	+15.7%	4,500,000	+65.1%	5,550,000	+51.3%	3,950,000	+61.1%	292.0	9.3		
	CoE Old	38,000,000	+2.3%	3,000,000	+10.1%	3,690,000	+0.6%	2,580,000	+5.2%	190.2	14.3		
FY3/25	E New	43,545,000	+0.6%	5,143,000	+10.1%	6,269,500	+10.2%	4,498,100	+7.2%	334.4	8.1	1.1	13.9%
	E Old	43,545,000	-0.2%	4,895,000	+7.1%	5,942,900	+8.3%	4,204,100	+8.4%	312.5	8.7	1.1	13.2%
	IFIS E	44,051,267	+4.0%	4,353,180	+4.6%	5,264,564	+2.0%	3,700,410	+2.1%	268.3	10.1		
FY3/26	E New	43,968,000	+1.0%	5,313,000	+3.3%	6,469,200	+3.2%	4,641,300	+3.2%	347.0	7.8	1.0	13.2%
	E Old	43,968,000	+1.0%	5,041,000	+3.0%	6,107,700	+2.8%	4,320,500	+2.8%	323.0	8.4	1.0	12.5%
	IFIS E	45,115,477	+2.4%	4,462,192	+2.5%	5,403,275	+2.6%	3,791,479	+2.5%	275.8	9.8		
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%				
	E Old	21,268,500	+20.1%	2,271,000	+99.0%	2,964,900	+61.6%	2,100,000	+79.3%				
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	21,300,383	+9.5%	2,110,706	+33.3%	2,169,575	+18.3%	1,607,472	+25.6%				
	E Old	22,379,500	+15.1%	2,301,000	+45.3%	2,520,500	+37.4%	1,779,600	+39.0%				
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%				
	E Old	10,721,669	+16.3%	1,150,099	+104.4%	1,244,347	+53.1%	788,628	+81.6%				
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	E New	11,101,000	+13.8%	1,310,000	+36.9%	1,576,400	+52.3%	1,115,000	+53.2%				
	E Old	11,101,000	+13.8%	1,260,000	+31.7%	1,497,400	+44.7%	1,058,800	+45.5%				
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	10,199,383	+5.3%	800,706	+27.7%	593,175	-25.8%	492,472	-10.8%				
	E Old	11,278,500	+16.4%	1,041,000	+66.0%	1,023,100	+28.0%	720,800	+30.5%				

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

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Exhibit 2: Toyota Motor: Earnings at a glance

Prospective profit boosters from FY3/25: mix improvement on HEV/PHEV sales growth as well as cost cuts

¥ bn, ¥, %	2023/3	2024/3E	2025/3E	2026/3E	24/3 CoE		2023/3		2024/3E						
					New	Old	1H	2H	1Q	2Q	1H	3QE	4QE	2HE	2H CoE
Sales	37,154	43,282	43,545	43,968	43,000	38,000	17,709	19,445	10,547	11,435	21,982	11,101	10,199	21,300	21,018
Cost of sales	30,841	34,658	34,258	34,385			14,894	15,947	8,484	9,065	17,549	8,848	8,260	17,109	
Gross profit	6,313	8,624	9,287	9,583			2,815	3,498	2,063	2,370	4,433	2,253	1,939	4,192	
SG&A expenses	3,588	3,954	4,144	4,270			1,673	1,915	942	932	1,874	943	1,138	2,081	
Operating profit	2,725	4,670	5,143	5,313	4,500	3,000	1,141	1,584	1,121	1,438	2,559	1,310	801	2,111	1,941
Equity method income/loss	643	738	740	770	740	690	305	338	193	185	379	195	165	360	361
Pretax profit	3,669	5,691	6,270	6,469	5,550	3,690	1,834	1,834	1,721	1,801	3,522	1,576	593	2,170	2,028
Corporate tax, etc.	1,176	1,423	1,693	1,747			615	561	394	480	874	441	107	549	
Minority shareholder interest	42	71	79	81			48	-7	16	43	58	20	-7	13	
Net profit	2,451	4,197	4,498	4,641	3,950	2,580	1,171	1,280	1,311	1,278	2,589	1,115	492	1,607	1,361
R&D expenses	1,242	1,242	1,267	1,292	1,240	1,240	621	621	295	314	609	299	334	633	1,240
Depreciation & amortization	1,185	1,244	1,269	1,294	1,260	1,250	574	611	298	303	602	313	330	642	1,250
Capex	1,606	1,847	1,884	1,922	1,970	1,860	682	924	367	443	809	413	625	1,038	1,860
Sales ratios															
Gross profit	17.0%	19.9%	21.3%	21.8%			15.9%	18.0%	19.6%	20.7%	20.2%	20.3%	19.0%	19.7%	
Operating profit	7.3%	10.8%	11.8%	12.1%	10.5%	7.9%	6.4%	8.1%	10.6%	12.6%	11.6%	11.8%	7.9%	9.9%	9.2%
Net profit	6.6%	9.7%	10.3%	10.6%	9.2%	6.8%	6.6%	6.6%	12.4%	11.2%	11.8%	10.0%	4.8%	7.5%	6.5%
Tax rate	32.0%	25.0%	27.0%	27.0%			33.5%	30.6%	22.9%	26.7%	24.8%	28.0%	18.1%	25.3%	
YoY change															
Sales	+18.4%	+16.5%	+0.6%	+1.0%	+15.7%	+2.3%	+14.4%	+22.3%	+24.2%	+24.0%	+24.1%	+13.8%	+5.3%	+9.5%	+8.1%
Operating profit	-9.0%	+71.4%	+10.1%	+3.3%	+65.1%	+10.1%	-34.7%	+26.9%	+93.7%	+155.6%	+124.2%	+36.9%	+27.7%	+33.3%	+22.6%
Net profit	-14.0%	+71.2%	+7.2%	+3.2%	+61.1%	+5.2%	-23.2%	-3.4%	+78.0%	+194.3%	+121.1%	+53.2%	-10.8%	+25.6%	+6.3%
Forex assumptions	2023/3	2024/3E	2025/3E	2026/3E	New	Old	1H	2H	1Q	2Q	1H	3QE	4QE	2HE	2H CoE
¥/USD	135.5	143.0	145.0	145.0	141.0	125.0	134.1	136.8	137.5	144.6	141.1	145.0	145.0	145.0	140.0
¥/EUR	140.9	154.2	155.0	155.0	152.0	135.0	138.7	143.1	149.7	157.3	153.5	155.0	155.0	155.0	150.5
OP variance analysis	2023/3	2024/3E	2025/3E	2026/3E	New	Old	1H	2H	1Q	2Q	1H	3QE	4QE	2HE	2H CoE
Sales impact (including finance biz)	+680	+1,656	+241	-23	+1,655	+1,285	+130	+550	+600	+690	+1,290	+433	-67	+366	+365
Measures to reduce input costs	-1,290	-30	+330	+318	-50	-150	-650	-640	-155	+45	-110	+34	+46	+80	+60
Lower input costs	+255	+374	+320	+318	+360	+360	+115	+140	+75	+130	+205	+79	+90	+169	+155
Impact of raw material prices	-1,545	-405	+10	0	-410	-510	-765	-780	-230	-85	-315	-45	-45	-90	-95
Forex impact	+1,280	+461	+93	0	+305	-875	+565	+715	+115	+145	+260	-157	+358	+201	+45
Changes in fixed costs	-525	-367	-190	-126	-370	-260	-310	-215	-70	-150	-220	+34	-181	-147	-150
Other	-416	+225	0	0	+235	+275	-341	-75	+52	+146	+198	+10	+17	+27	+37
Total	-271	+1,945	+473	+170	+1,775	+275	-606	+335	+542	+876	+1,418	+354	+174	+527	+357

Source: Company data, Company, BofA Global Research estimates

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Exhibit 4: Toyota Motor: Consolidated sales volume and Toyota brand retail sales volume

Sales/production assumptions kept at initial level overall; 1H slightly ahead of FY plan pace

							2023/3		2024/3E							
Consolidated sales volume ('000s)	2023/3	2024/3E	2025/3E	2026/3E	New	Old	1H	2H	1Q	2Q	1H	3QE	4QE	2HE	2H CoE	
Japan	2,069	2,363	2,259	2,255	2,320	2,320	869	1,200	532	540	1,072	564	727	1,291	1,248	
Overseas total	6,753	7,259	7,319	7,358	7,280	7,280	3,290	3,463	1,794	1,878	3,672	1,898	1,688	3,587	3,608	
North America	2,407	2,736	2,881	2,923	2,730	2,660	1,245	1,162	682	703	1,385	705	646	1,351	1,345	
Europe	1,030	1,065	1,086	1,108	1,150	1,130	479	551	286	271	557	260	248	508	593	
Asia	1,751	1,787	1,803	1,829	1,760	1,870	817	934	417	478	895	504	388	892	865	
South/Central America	509	514	474	450	480	500	251	258	128	126	254	138	121	260	226	
Oceania	265	299	276	276	310	290	142	123	76	87	163	74	63	136	147	
Africa	226	268	239	239	270	270	97	129	59	62	121	68	79	147	149	
Middle East	559	582	553	525	580	560	256	303	143	149	292	147	143	290	288	
Total (Toyota consolidated)	8,822	9,622	9,578	9,613	9,600	9,600	4,159	4,663	2,326	2,418	4,744	2,463	2,415	4,878	4,856	
Consolidated sales volume (YoY change)	2023/3	2024/3E	2025/3E	2026/3E	New	Old	1H	2H	1Q	2Q	1H	3QE	4QE	2HE	2H CoE	
Japan	+8%	+14%	-4%	-0%	+12%	+12%	-8%	+23%	+32%	+16%	+23%	+6%	+9%	+8%	+4%	
Overseas total	+7%	+7%	+1%	+1%	+8%	+8%	+5%	+10%	+11%	+12%	+12%	+6%	+1%	+4%	+4%	
North America	+1%	+14%	+5%	+1%	+13%	+11%	-3%	+4%	+7%	+15%	+11%	+16%	+16%	+16%	+16%	
Europe	+1%	+3%	+2%	+2%	+12%	+10%	-6%	+9%	+15%	+17%	+16%	-6%	-9%	-8%	+8%	
Asia	+13%	+2%	+1%	+1%	+1%	+7%	+16%	+12%	+16%	+5%	+10%	+6%	-15%	-4%	-7%	
South/Central America	+18%	+1%	-8%	-5%	-6%	-2%	+19%	+17%	+4%	-2%	+1%	-4%	+7%	+1%	-12%	
Oceania	-6%	+13%	-8%	0%	+17%	+9%	-4%	-8%	0%	+32%	+15%	+8%	+14%	+11%	+20%	
Africa	+3%	+19%	-11%	0%	+19%	+19%	+1%	+5%	+64%	+2%	+25%	+0%	+29%	+14%	+16%	
Middle East	+36%	+4%	-5%	-5%	+4%	+0%	+33%	+38%	+10%	+18%	+14%	-6%	-2%	-4%	-5%	
Total	+7%	+9%	-0%	+0%	+9%	+9%	+2%	+13%	+16%	+13%	+14%	+6%	+4%	+5%	+4%	
Toyota brand retail sales ('000s)	2023/3	2024/3E	2025/3E	2026/3E	New	Old	1H	2H	1Q	2Q	1H	3QE	4QE	2HE	2H CoE	
Japan	1,407	1,655	1,596	1,591		1,650	591	816	384	403	787	386	482	868		
Overseas total	8,203	8,700	8,937	9,034		8,750	4,152	4,051	2,154	2,203	4,357	2,230	2,113	4,343		
North America	2,400	2,682	2,881	2,923		2,550	1,236	1,164	665	666	1,331	691	660	1,351		
USA	2,064	2,282	2,479	2,520			1,057	1,006	569	590	1,159	593	530	1,123		
Europe	1,044	1,065	1,086	1,108		1,060	507	537	269	266	535	260	270	530		
Asia	3,276	3,354	3,444	3,527		3,630	1,682	1,593	832	869	1,700	855	798	1,653		
China	1,876	1,838	1,930	1,988		2,140	1,001	875	499	505	1,005	455	379	834		
South/Central America	483	499	474	450		450	241	242	124	123	248	138	113	251		
Oceania	264	291	276	276		280	144	120	70	71	141	74	76	150		
Africa	222	244	239	239		250	99	122	59	64	123	68	53	121		
Middle East	514	565	537	510		530	242	272	134	144	279	143	144	287		
Other regions (adjusted figures)	0	0	0	0		0	0	0	0	0	0	0	0	0		
Total	9,610	10,355	10,533	10,625	10,400	10,400	4,742	4,868	2,538	2,606	5,144	2,616	2,595	5,211	5,256	
Toyota brand retail sales (yoy)	2023/3	2024/3E	2025/3E	2026/3E	New	Old	1H	2H	1Q	2Q	1H	3QE	4QE	2HE	2H CoE	
Japan	+1%	+18%	-4%	-0%		+17%	-21%	+26%	+35%	+31%	+33%	+18%	-1%	+6%		
Overseas total	+1%	+6%	+3%	+1%		+7%	+0%	+2%	+5%	+5%	+5%	+5%	+10%	+7%		
North America	-7%	+12%	+7%	+1%		+6%	-15%	+2%	+5%	+10%	+8%	+12%	+20%	+16%		
Europe	+2%	+2%	+2%	+2%		+2%	-8%	+14%	+1%	+11%	+6%	+2%	-4%	-1%		
Asia	+4%	+2%	+3%	+2%		+11%	+14%	-6%	+5%	-3%	+1%	-1%	+10%	+4%		
South/Central America	+19%	+3%	-5%	-5%		-7%	+22%	+15%	+2%	+3%	+3%	+3%	+4%	+4%		
Oceania	-4%	+10%	-5%	0%		+6%	-1%	-7%	-8%	+5%	-2%	+10%	+42%	+24%		
Africa	-1%	+10%	-2%	0%		+13%	-5%	+3%	+23%	+24%	+23%	+10%	-12%	-1%		
Middle East	+19%	+10%	-5%	-5%		+3%	+11%	+28%	+9%	+21%	+15%	+10%	+1%	+5%		
Other regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	+1%	+8%	+2%	+1%	+8%	+8%	-3%	+5%	+8%	+9%	+8%	+6%	+8%	+7%	+8%	

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 ¥3,300 (ADR: \$213.16). We apply a fair-value EV/EBITDA of 4.3x derived from the average EV/EBITDA (ex financing) of 3.9x for FY3/17-19, a decarbonization premium of 15%, 5% for potential action to address share price weakness, and a topline visibility discount of 10% (net +10%), to our 12-month forward EBITDA (ex financing) estimate of ¥6.7tn to calculate fair-value market cap (ex financing). Then we add back financial services shareholders' equity of ¥5.0tn to obtain companywide 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
	Ashok Leyland	XDBVF	AL IN	Gunjan Prithyani
	Bajaj Auto	XBJBF	BJAUT IN	Gunjan Prithyani
	BYD	BYDDF	1211 HK	Ming Hsun Lee, CFA
	BYD	XYMPF	002594 CH	Ming Hsun Lee, CFA
	BYD	BYDDY	BYDDY US	Ming Hsun Lee, CFA
	CATL	XMOQF	300750 CH	Ming Hsun Lee, CFA
	DENSO	DNZOF	6902 JP	Kei Nihonyanagi
	Desay SV	XGDF	002920 CH	Jessie Lo
	Eicher Motors	XEIMF	EIM IN	Gunjan Prithyani
	EVE	XEVF	300014 CH	Ming Hsun Lee, CFA
	GAC	GNZUF	2238 HK	Ming Hsun Lee, CFA
	Great Wall Motor	GWLLF	2333 HK	Ming Hsun Lee, CFA
	Hankook Tire	XHTRF	161390 KS	KJ Hwang
	Hesai	HSAL	HSAL US	Jessie Lo
	HL Mando	XMADF	204320 KS	KJ Hwang
	Honda Motor	HMC	HMC US	Kei Nihonyanagi
	Honda Motor	HNDAF	7267 JP	Kei Nihonyanagi
	Huayu	XHSF	600741 CH	Jessie Lo
	Hyundai Motor	HYMLF	005380 KS	KJ Hwang
	Isuzu Motors	ISUF	7202 JP	Kei Nihonyanagi
	Leapmotor	XZSF	9863 HK	Ming Hsun Lee, CFA
	Li Auto	LI	LI US	Ming Hsun Lee, CFA
	Li Auto	LAAOF	2015 HK	Ming Hsun Lee, CFA
	Maruti	MUDGF	MSIL IN	Gunjan Prithyani
	Mazda Motor	MZDAF	7261 JP	Kei Nihonyanagi
	Minth	MNTHF	425 HK	Jessie Lo
	NIO	NIO	NIO US	Ming Hsun Lee, CFA

APR - Autos Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	NIO	NIOIF	9866 HK	Ming Hsun Lee, CFA
	NIO	XLTFW	NIO SP	Ming Hsun Lee, 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
	Suzuki Motor	SZKMF	7269 JP	Kei Nihonyanagi
	Tata Motors	XTTSF	TTMT IN	Gunjan Prithyani
	Tinci Materials	XCVHF	002709 CH	Miriam Chan, CFA
	Toyo Tire	TOTTF	5105 JP	Kentaro Hosoda
	Toyota Motor	TOYOF	7203 JP	Kei Nihonyanagi
	Toyota Motor	TM	TM US	Kei Nihonyanagi
	TVS Motors	XFKMF	TVSL IN	Gunjan Prithyani
	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
	Yongda	CYYHF	3669 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
	Bridgestone	BRDCF	5108 JP	Kei Nihonyanagi
	Bridgestone	BRDCY	BRDCY US	Kei Nihonyanagi
	CALB	XCLSIF	3931 HK	Ming Hsun Lee, CFA
	Dong Feng	DNFGF	489 HK	Ming Hsun Lee, CFA
	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
	Mitsubishi Motors	MMTOF	7211 JP	Kei Nihonyanagi
	Motherson Sumi Wiring	XMWDF	MSUMI IN	Gunjan Prithyani
	Shenzhen Senior	XHYRF	300568 CH	Jessie Lo
	Sona Comstar	XBNXF	SONACOMS IN	Gunjan Prithyani
	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
	Wencan	XSCDF	603348 CH	Joey Yang, CFA
	Yokohama Rubber	YORUF	5101 JP	Kentaro Hosoda

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
	Escorts Kubota	XSCOF	ESCORTS IN	Gunjan Prithyani
	Fuyao Glass	XGIF	600660 CH	Edward Leung, CFA
	Fuyao Glass	XFUYF	3606 HK	Edward Leung, CFA
	GAC	XGNHF	601238 CH	Ming Hsun Lee, CFA
	Great Wall Motor	XGWMF	601633 CH	Ming Hsun Lee, CFA
	Hero Motocorp	HRHDF	HMCL IN	Gunjan Prithyani
	Hyundai Wia	XWHYF	011210 KS	KJ Hwang
	Joyson	XQMWF	600699 CH	Jessie Lo
	Nexteer	NTXVF	1316 HK	Jessie Lo
	Putailai	XVHGF	603659 CH	Jessie Lo
	SAIC Motor	XZNF	600104 CH	Ming Hsun Lee, CFA
	Sumitomo Rubber Industries	SMTUF	5110 JP	Kei Nihonyanagi
	Yamaha Motor	YAMHF	7272 JP	Kei Nihonyanagi

RVW

	Geely	GELYF	175 HK	Ming Hsun Lee, CFA
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APR - Autos Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Nextage	XIOIF	3186 JP	Kentaro Hosoda

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

IQmethodSM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and valuations. The key features of *IQmethod* are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

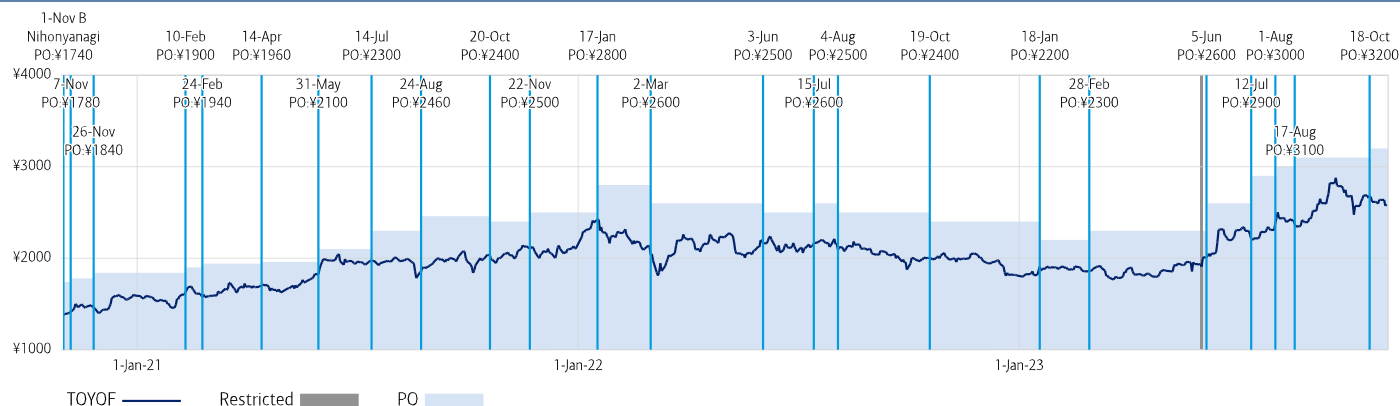
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Disclosures

Important Disclosures

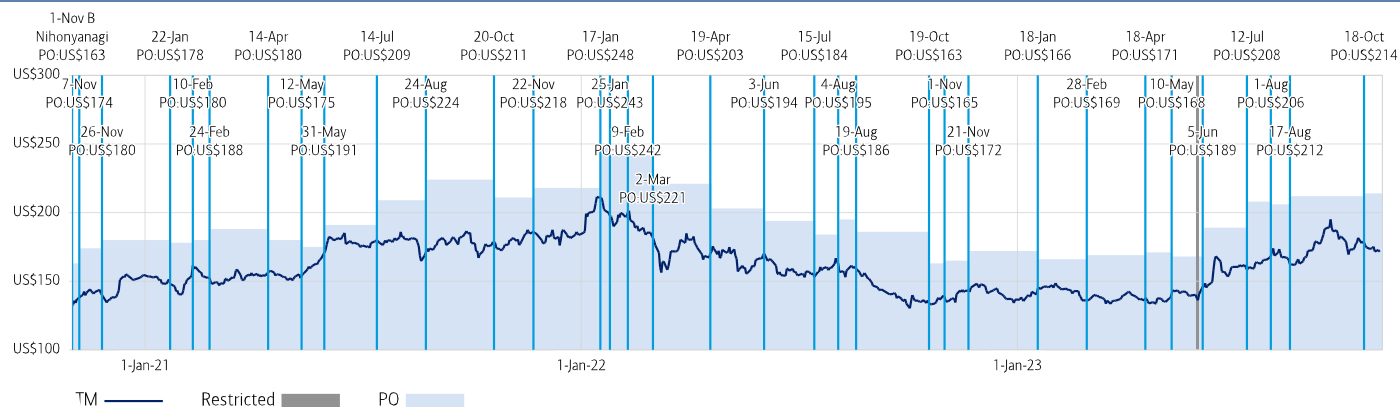
Toyota Motor (TOYOF) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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 30 Sep 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	64	53.78%	Buy	37	57.81%
Hold	31	26.05%	Hold	16	51.61%
Sell	24	20.17%	Sell	11	45.83%

Equity Investment Rating Distribution: Global Group (as of 30 Sep 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1869	53.48%	Buy	1046	55.97%
Hold	828	23.69%	Hold	461	55.68%
Sell	798	22.83%	Sell	370	46.37%

^{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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The issuer is or was, within the last 12 months, a non-securities business client of BofAS and/or one or more of its affiliates: Toyota Motor.

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