

# **Yamaha Motor Co., Ltd. (YAMHF) Q2 2024 Earnings Call Transcript**

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**Body**

Yamaha Motor Co., Ltd. (YAMHF)

Q2 2024 Earnings Conference Call

August 06, 2024 02:05 AM ET

Company Participants

Yuuko Kurabe - Corporate Communications

Yoshihiro Hidaka - President, Chief Executive Officer & Representative Director

Motofumi Shitara - Director & Senior Executive Officer

Conference Call Participants

Presentation

Yuuko Kurabe

Hello, everyone. Thank you for making time in your busy schedules to join us for Yamaha Motor Company's Fiscal Year 2024 First Half Year Earnings Presentation. I will be facilitating today. My name is Kurabe from the Corporate Communications Division.

Before we begin, I'd like to introduce today's attendees; President, CEO and Representative Director, Hidaka Yoshihiro and Director, Shitara Motofumi. Today after Hidaka presents an overview of the earnings, Shitara will present details by business segment. After the presentation, a Zoom Q&A will be held for the media and analysts. The earnings presentation deck is available on Yamaha Motors website. We will now begin the earnings presentation.

Yoshihiro Hidaka

I am Hidaka. And thank you very much for attending this presentation on Yamaha's business results. Thank you very much indeed. First, about the announcement that was made earlier concerning inappropriate handling of the application for model designation of our MCs. We offer our deepest apologies to our customers, shareholders and other stakeholders for causing concerns and inconveniences.

Concerning the model in question from the Ministry of Transport, already we have received confirmation that it is now in compliance with standards and we have restarted shipment of one model, where the shipment was suspended. In order to regain your trust and also in order to prevent a recurrence, the management as well as each individual employee will make efforts to strengthen compliance and governance.

Now I would like to go into the presentation for business results. First, our first half key points. Please refer to Page 4. So year-on-year, we have seen an increase in revenue and profit. For motorcycles in developing countries the premium model shipment increased and we have seen an increase in both revenue and profit and an improvement in OI ratio.

For Marine business, we are adjusting production to bring inventory to an appropriate level. And for outboard motors, shipment decreased and therefore we had a decrease in revenue and profit. In Robotics, demand increased for generative AI, but there was a decrease in CapEx demand in Europe and also an increase in SG&A, and therefore a reduction in revenue and profit.

Looking at the future outlook, the business environment we see rises in prices in interest rates which is affecting demand. And also there is this feeling that there may be an interest rate cut in the US and also the ForEx situation is quite fluctuant and we see uncertainty.

By segment the situation differs but in our company as well and in other companies we see supply is improving while demand is going down and therefore we see a continuing tough competitive environment. Ocean freight is on an upward trend and material cost excluding ForEx impact is in line with our plan.

Concerning our business, for motorcycle, we will continue to see a strong market but for RV and SPV inventory adjustment has led to production cutbacks, which will continue. For Marine business a new model has been introduced this season and we are seeing strong inquiries and in Europe and the US, however, we are seeing a decline in demand. So we will be monitoring the demand and sales situation. We will continue with our adjustments of production to optimize the inventory levels.

For Robotics, in the second half we are expecting a recovery in demand. In order to strengthen profitability, we will control expenses and improve productivity and we will steadily implement our premium strategy. And for loss-incurring businesses we will continue with our structural improvements.

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Next, looking at unit sales and inventory. Please refer to Page 5. On the left-hand side by major products, we are looking at the sales unit and the comparison with the actual for 2023. Strong demand continues in Brazil and India, while the premium model supply has stabilized in Indonesia and in these areas, the shipment units have increased. Also in Vietnam, last year a new model was introduced and centering around that we are seeing an increase in shipment.

Outboard motors in developed countries prices and interest rates are going up and the demand is decreasing. But through optimizing – we are optimizing inventory but the unit shipment is going down. ATV/ROV demand is slowing down and competition is intensifying. SPV, the bicycle market itself is in an inventory adjustment and therefore shipment has gone down.

Surface mounters, the Chinese market is slowly recovering and it is on par with the previous year. On the right-hand side, we are looking at the market inventory versus the appropriate inventory level in China. Thailand and China demand is low, and including ATV and ROV, with the presidential election and heatwave hitting India, we see that inventory is above the appropriate level. Meanwhile, for outboard motors, we are moving towards the appropriate level, and inventory is being cut down steadily.

Now, the business results for the first half. Please refer to Page 6. For the first half, revenue against the previous year was 110% at ¥1,348.4 billion. Operating income was 109% against the previous year at ¥154.4 billion. The operating income ratio was minus 0.1 point from the previous year at 11.4%.

Net income attributable to owners of parent was 109% against the previous year at ¥113.1 billion. EPS was 113% against the previous year at ¥114.85. The exchange rates used were ¥152 against the dollar and ¥165 against the euro. For the first half, we have marked record-high revenue, operating income, and net income.

Next, looking at some factors affecting the operating income. Please refer to Page 7. As you can see here, for sales effects, a negative ¥16.2 billion. The breakdown: unrealized profit impact was a positive ¥21.2 billion, financial services positive ¥3.7 billion, price increase and rebates, which is pricing, a positive ¥2.5 billion, scale effects negative ¥500 million, and others negative ¥43.2 billion.

Net cost impact had a positive ¥4.4 billion effect, and the breakdown is cost reductions at ¥7.9 billion and the positive cost increase, a negative ¥3.5 billion. Growth strategy expenses grew; this was a negative ¥2.2 billion. SG&A increased, a negative ¥16.9 billion. Equity method inventory, profit and loss, and others plus ¥5.1 billion. ForEx impact was a positive ¥38.7 million.

Now, the return to shareholders. Please refer to Page 8. Concerning dividends, the outlook for business performance and investment for future growth will be considered while we aim for consistent and ongoing dividend payment. Based on the scale of cash flow, we will distribute returns to shareholders in a flexible manner.

So, for the total payout ratio for a cumulative total of the MTP period, it is in the 40% range. For 2024, as we originally planned, the interim dividend will be ¥25 per share, and the annual dividend is ¥50 per share.

Next, the mid-to-long-term measures and the progress. Please refer to Page 9. This year, in June, in Yokohama, the showroom Yamaha E-Ride Base was opened. Through exchanges with visitors, we hope to increase our recognition, and also, we will communicate our brand values. Also, within this facility, we have now set up a new hub to secure human resources in the Tokyo metropolitan area, accelerate the development of advanced technologies, and explore new business opportunities.

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Concerning carbon neutrality, a verification facility with a melting furnace and heat treatment furnace, using hydrogen gas, has been established in the Morimachi factory. So, among the CO2 emissions throughout the life cycle of a product, we will be aiming to minimize the Scope 1 emissions.

Also, in Indonesia, we have a service agreement concluded with YL Forest, a proprietary mangrove planting project, which carries out a proprietary mangrove planting project. In South Sulawesi, we have already started a mangrove planting project. Through this project, we want to contribute to biodiversity and carbon neutrality while also trying to prevent marine pollution.

Next, Director Shitara will present the next portion.

Motofumi Shitara

This is Shitara. I will be presenting the business segment details. First, the first half-year revenue and operating income by business segment. Please see Page 11. In Land Mobility businesses -- Motorcycle, Financial Services, and other products -- there was an increase in both revenue and profit. Marine and Robotics businesses' revenue was the same as the prior year, but operating income decreased.

Land Mobility business' RV and SPV business segments saw a reduction in revenue and profit. I'll explain each business segment in more detail. Please see Page 12. First, our core, Motorcycles. The upper left graph shows main regions' total demand against the prior year. The graph on the right shows revenue and profit by region.

In terms of markets, demand rose in Brazil, India and Indonesia where domestic economies are good and are forecasted to continue to grow in the second half year. Next looking at Yamaha Motor. In Thailand and China and elsewhere with softening demand there are some regions where shipments are decreasing. But among developed countries the US and among emerging countries Brazil, India and Indonesia in particular have seen a rise in shipments against prior year. Also the benefits of price increases as well as improved premium model supply are helping to increase our operating profit margins.

In the second half year, Brazil and India with continued strong demand and Indonesia with stable demand for drivers to a predicted annual sales that is higher than original forecast.

I'd like to introduce a new motorcycle product to you. Please see page 13. In June 2024, the new model NMAX went on sale in Indonesia. This new model has been eagerly awaited generating buzz on social media before its launch. With black as the base with gold at the wheel color, its luxurious coloring is exclusive to Indonesia. It inherits the DNA of the elegant and modern MAXi series. The launch of the new model will continue to drive the motorcycle business in the second half year and beyond. Please do look forward to our continued performance.

Next, the Marine business. Please see page 14. The upper left graph shows the US market outboard motor registrations against prior year. The graph on the right shows revenue and profit by product type. In the US market with consumer prices and rising interest rates, our outboard motor demand decreased more than we had expected. In the second half year onward demand is forecast to reduce mainly in the US and Europe. On the other hand, 350 brake horsepower plus large outboard motors are predicted to have stable high demand.

Next, Yamaha Motor. We have strong inquiries for the 350 brake horsepower new model introduced last year, and although water vehicle sales units have increased the large impact of overall outboard motor demand reduction resulted in reduced revenue and profit. Also operating income margin worsened due to production reductions for inventory adjustment. And from quarter two, Torqeedo has become a consolidated subsidiary. Annual sales are predicted to be lower than original forecast due to overall demand reduction. We will closely monitor future demand trends and adjust production as well as working to expand our share mainly on new models where there is stable demand.

Next, the RV and Financial Services businesses. Please see page 15. On the left is the RV business. Continuing on from quarter one as demand normalizes, market inventory is rising as each company's supply recovers and price competition is becoming more intense.

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For Yamaha Motor, worsening model mix and an increase in expenses such as sales promotion resulted in low revenue and profit. The tough situation and loss-making is forecasted to continue in the second half year onwards.

Next, on the right is the Financial Services business. With the increase in unit sales, our sales finance receivables have increased mainly in the US. Additionally with increased interest income and improved spread, we saw an increase in revenue and profit. The second half year onwards we should see the same trends continue and the annual revenue and profit are expected to exceed original forecast.

Finally, the growth businesses of SPV and Robotics. Please see page 16. On the left is the SPV business, domestic power-assisted bicycle sales exceeded prior year. On the other hand in the main market of Europe, inventory adjustments are ongoing. Yamaha Motor will also continue to address production and work to reduce inventory. However, with reduced unit sales, revenue and profit decreased. In the second half year onwards, no major demand trend changes are expected. Adjustments will continue with a loss forecasted for the year.

On the right is the Robotics business. For semiconductor secondary processing devices since last year there's continued increase in generative AI-related inquiries and production is at full utilization. For the entire business segment in addition to a reduction in sales of mounters and industrial robots and increase in SG&A expenses such as manufacturing expenses and development costs resulted in reduced revenue and profit. In the second half year in addition to increased shipments due to recovery demand, we expect to be back in the black by reducing SG&A and other costs.

That brings to an end the earnings presentation for the first half year of fiscal year 2024. Thank you for your attention.

Yuuko Kurabe

That concludes Yamaha Motors fiscal year 2024 first half year earnings presentation. For those of you who are watching YouTube Live, thank you for joining us. For those members of the media and press, we will now move on to the Q&A session. Please remain connected as you are.

Question-and-Answer Session

End of Q&A

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