Toyota Motor Corporation (TM)

Updated February 22nd, 2024 by Jonathan Weber

Key Metrics

Current Price:	$227	**5 Year CAGR Estimate:**	3.8%	**Market Cap:**	$313B
Fair Value Price:	$225	**5 Year Growth Estimate:**	2.0%	**Ex-Dividend Date:**	03/27/24[1]
% Fair Value:	101%	**5 Year Valuation Multiple Estimate:**	-0.2%	**Dividend Payment Date:**	04/06/24[2]
Dividend Yield:	2.0%	**5 Year Price Target**	$248	**Years Of Dividend Growth:**	1
Dividend Risk Score:	C	**Retirement Suitability Score:**	D	**Rating:**	Hold

Overview & Current Events

Toyota Motor Corporation is a multinational automotive conglomerate and Japan's largest manufacturer of automobiles. The company was founded in 1933 and has grown to be a leader in the automotive industry, manufacturing well-known vehicles such as the Camry, Corolla, Highlander, Sienna, Yaris, Prius, and RAV4. United States investors can invest in Toyota through American Depository Receipts (ADRs) listed on the New York Stock Exchange. Toyota is headquartered in Toyota, Japan. All numbers in this report are in US$ unless noted otherwise.

Toyota Motor Corporation reported its fiscal 2024 third quarter earnings results on February 8. The company generated revenues of 34 trillion Yen during the first three quarters, which equates to revenues of ~$230 billion. This was 24% more than the revenues that Toyota was able to generate during the previous year's period when denominated in Yen. Toyota generated operating profits of 4.24 trillion Yen, which was up by a compelling 102% versus the previous year's period, which mostly was the result of lower input costs that allowed Toyota to grow its margins.

Toyota's net profits grew a lot as well versus the previous year's period, and earnings-per-share totaled $19.40 during the first three quarters, up 110% year over year in Yen. Since the Yen has moved versus the USD over the last year, the growth rate in US Dollars was somewhat different. For this year, fiscal 2024, Toyota is forecasted to see a big earnings increase, as operating profits are expected to come in above the prior year's level, while earnings-per-share are expected at $22.50, which would be up nicely versus the earnings-per-share that Toyota has generated during 2023.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	$11.8	$12.3	$12.4	$10.7	$13.9	$15.3	$16.8	$17.25	$15.90	$12.80	***$22.50***	***$24.84***
DPS	$3.23	$3.28	$3.79	$3.77	$3.95	$4.04	$4.02	$4.40	$4.55	$4.26	***$4.50***	***$5.22***
Shares[3]	1580	1570	1520	1490	1450	1425	1425	1400	1390	1380	***1380***	***1350***

Toyota Motor Corporation's earnings-per-share history is not very smooth, due to its poor performance during the financial crisis. The global economic downturn between 2007 and 2009 hurt all automobile manufacturers, even causing the bankruptcy of General Motors. Since fiscal 2014, when Toyota's earnings stabilized, the company has grown its earnings-per-share at 4% per year. Currency rates can impact Toyota's results when its results are converted to US$, as Toyota generates a large amount of its earnings in Japan and other overseas markets.

While Toyota was an early mover in the hybrid vehicle market thanks to the introduction of the Toyota Prius in 1997, the company has yet to introduce a range of fully electric vehicle, outside of the all-electric Prius, that has gained widespread consumer popularity. We believe Toyota's reputation gives it the capability to capture meaningful market share once it introduces a range of fully electric vehicles. Toyota's strong operating efficiency, which is centered around a focus on lean operations and fast throughput, allows for above-average margins relative to most of the company's peers. This, coupled with new cost-saving initiatives that aim to reduce the automobile company's fixed costs, will be

---

[1] Estimated date
[2] Estimated date
[3] In Millions

another positive for Toyota's earnings growth. Toyota saw its sales decline during the pandemic, but profitability remained healthy. With inflationary pressures coming down, this year's profits should grow meaningfully.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	10.3	9.8	10.0	10.5	8.6	7.9	6.8	9.0	11.4	11.1	***10.1***	***10.0***
Avg. Yld.	2.7%	2.7%	2.9%	3.4%	3.5%	3.7%	3.5%	2.6%	2.5%	3.0%	***2.0%***	***2.1%***

Toyota has been valued at 8 to 12 times earnings since 2013, when its profits hit pre-crisis levels again. Right now, shares trade for just above 10 times this year's earnings-per-share estimate. This represents a relatively moderate valuation compared to how Toyota's shares were valued in the past. Due to the issues in the industry, such as the need for heavy electrification investments and supply chain issues, we believe that future fair value is at around 10 times annual net profits. We thus believe that shares trade very close to fair value at current prices.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	27.4%	26.6%	29.4%	35.1%	29.9%	28.8%	23.9%	23.3%	28.6%	33.3%	***20.0%***	***21.0%***

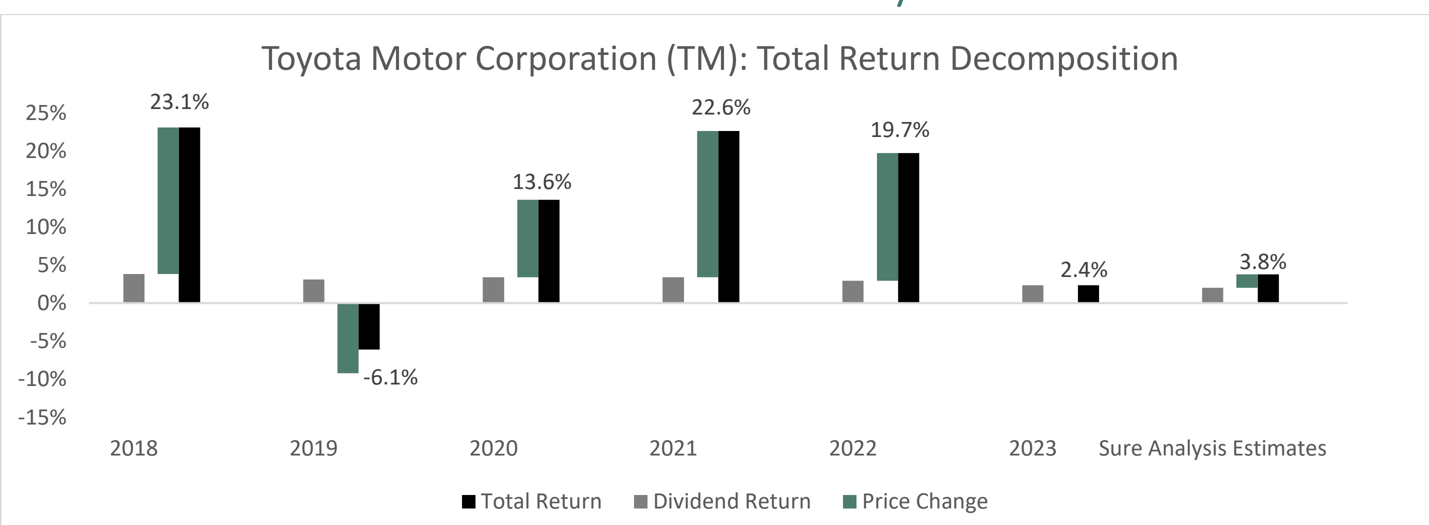
Toyota's dividend payout ratio declined substantially following the last financial crisis, when earnings started to rise again. We believe that dividends will remain flat for the foreseeable future, but there are no guarantees for that.

Toyota was hit hard during the last financial crisis, like all of its peers. During other global downturns, such as the current pandemic crisis, the company will suffer from substantial sales declines as well. Toyota's major scale, and its operating efficiency provide competitive advantages over its peers. Its leadership role regarding hybrid vehicles has resulted in a positive reputation, on which Toyota could capitalize with electric vehicles in the future.

Final Thoughts & Recommendation

Toyota is, by vehicle sales, profits, and market capitalization, a leading automobile producer. While the company battled some cost headwinds last year, this year should be better again. Toyota is famous for its operating efficiency, but due to massive industry changes, the future is still somewhat uncertain. Based on current estimates, Toyota trades at fair value right now. Due to solid but not great expected returns, we rate Toyota a hold right here.

Total Return Breakdown by Year



Click here to rate and review this research report. Your feedback is important to us.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

Toyota Motor Corporation (TM)

Updated February 22nd, 2024 by Jonathan Weber

Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue ($B)	257	249	237	255	265	273	275	257	280	275
Gross Profit	48,831	49,315	48,314	44,967	49,553	49,105	49,511	45,585	53,193	46,752
Gross Margin	19.0%	19.8%	20.4%	17.6%	18.7%	18.0%	18.0%	17.8%	19.0%	17.0%
SG&A Exp.	25,946	24,162	24,531	26,525	27,893	26,847	27,436	24,853	26,509	26,571
D&A Exp.	12,489	12,885	13,549	14,897	15,650	16,167	14,678	15,511	16,229	15,107
Operating Profit	22,885	25,153	23,783	18,442	21,660	22,258	22,075	20,732	26,685	20,180
Op. Margin	8.9%	10.1%	10.0%	7.2%	8.2%	8.2%	8.0%	8.1%	9.5%	7.3%
Net Profit	18,202	19,874	19,273	16,932	22,509	16,984	18,734	21,180	25,388	18,153
Net Margin	7.1%	8.0%	8.1%	6.6%	8.5%	6.2%	6.8%	8.3%	9.1%	6.6%
Free Cash Flow	9,658	3,001	3,347	250	5,636	250	(12,403)	(9,818)	(959)	(5,560)
Income Tax	7,666	8,170	7,319	5,816	4,552	5,953	6,273	6,131	9,940	8,707

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets ($B)	403	398	422	436	473	482	499	564	555	558
Cash & Equivalents	19,834	19,033	26,152	26,788	28,722	32,494	37,923	46,239	50,089	56,415
Acc. Receivable	74,482	69,801	70,400	74,348	80,624	81,701	80,813	82,112	79,044	82,834
Inventories	18,411	17,808	18,341	21,364	23,899	24,631	23,446	26,180	31,308	31,938
Total Liab. ($B)	255	251	265	273	291	295	302	344	332	338
Accounts Payable	21,506	20,083	21,260	22,954	24,340	24,121	21,785	26,775	35,165	37,422
LT Debt ($B)	159	158	163	171	182	186	195	229	214	217
Total Equity ($B)	141	140	149	157	176	180	191	212	215	213
LTD/E Ratio	1.13	1.13	1.09	1.09	1.03	1.04	1.02	1.08	0.99	1.02

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	4.7%	5.0%	4.7%	3.9%	5.0%	3.6%	3.8%	4.0%	4.5%	3.3%
Return on Equity	12.8%	13.5%	12.7%	10.6%	13.0%	9.2%	9.8%	10.1%	11.5%	8.2%
ROIC	6.1%	6.5%	6.2%	5.2%	6.4%	4.6%	4.9%	5.0%	5.7%	4.2%
Shares Out.	1580	1570	1520	1490	1450	1425	1425	1400	1390	1380
Revenue/Share	161.79	157.60	150.52	167.02	177.08	186.82	193.11	180.71	201.27	201.45
FCF/Share	6.09	1.90	2.13	0.16	3.76	0.17	(8.72)	(6.91)	(0.69)	(4.07)

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.