



Toyota Motor Corporation (TM)

Updated November 18th, 2024 by Jonathan Weber

Key Metrics

Current Price:	\$175	5 Year CAGR Estimate:	11.2%	Market Cap:	\$232B
Fair Value Price:	\$229	5 Year Growth Estimate:	3.0%	Ex-Dividend Date:	03/27/25 ¹
% Fair Value:	76%	5 Year Valuation Multiple Estimate:	5.5%	Dividend Payment Date:	04/06/25 ²
Dividend Yield:	3.3%	5 Year Price Target	\$265	Years Of Dividend Growth:	3
Dividend Risk Score:	C	Retirement Suitability Score:	C	Rating:	Buy

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 Depositary 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 2025 second quarter earnings results on November 6. The company generated revenues of 23.3 trillion Yen during the first half, which equates to revenues of ~\$150 billion. This was 6% 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 2.46 trillion Yen, equal to \$16 billion, which was down by 4% versus the previous year's period, which was the result of lower margins that offset tailwinds from higher revenues.

Toyota's net profits declined as well versus the previous year's period, and earnings-per-ADR (which are equal to 10 shares) totaled \$9.20 during the first half of the year. Since the Yen has moved versus the USD over the last year, the result in US Dollars was weaker than the performance in Yen. While 2024 was an excellent year for the company, profits are forecasted to decline slightly this year, to around \$22.90 per share. Toyota guides for dividends of around 90 Yen per share, or around \$5.80 per ADR at current exchange rates, which would be up nicely versus the previous year.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$12.3	\$12.4	\$10.7	\$13.9	\$15.3	\$16.8	\$17.25	\$15.90	\$12.80	\$23.40	\$22.90	\$26.55
DPS	\$3.28	\$3.79	\$3.77	\$3.95	\$4.04	\$4.02	\$4.40	\$4.55	\$4.26	\$4.50	\$5.80	\$7.06
Shares³	1570	1520	1490	1450	1425	1425	1400	1390	1380	1350	1320	1300

Toyota Motor Corporation's earnings-per-share history is not very smooth, due to the cyclicity of the industry it is active in. The company experienced a steep profit decline during the Great Recession, as did many other automobile companies. Over the last decade, the company was profitable during every year, with the company delivering a steep profit improvement in fiscal 2024 that looks like it will mostly hold in 2025.

While Toyota was an early mover in the hybrid vehicle market thanks to the introduction of the Toyota Prius in 1997, the company has not put a lot of resources into its electric vehicle fleet so far. Instead, the company believes that hybrids are a more opportune technology, which could be advantageous for the company due to its strong brand and first-mover advantage in that market. Toyota's strong operating efficiency, which is centered around a focus on lean operations and fast throughput, allows for very solid margins relative to many of the company's peers. Between growth in the hybrid space and an ongoing focus on reducing costs as much as possible, we believe that there is a good chance that Toyota will deliver at least some profit growth in the long run.

¹ Estimated date

² Estimated date

³ In Millions

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	9.8	10.0	10.5	8.6	7.9	6.8	9.0	11.4	11.1	10.3	7.6	10.0
Avg. Yld.	2.7%	2.9%	3.4%	3.5%	3.7%	3.5%	2.6%	2.5%	3.0%	1.9%	3.3%	2.7%

Toyota has been valued at 7 to 12 times earnings since 2015. Right now, shares trade for less than 8 times this year's earnings-per-share estimate, which represents a very undemanding valuation compared to how Toyota's shares were valued in the past, we believe. Due to the issues in the industry, such as the need for heavy electrification/hybridization investments, we believe valuations will not rise above 10x earnings, but that would still leave significant upside potential for Toyota's shares from the current level.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	26.6%	29.4%	35.1%	29.9%	28.8%	23.9%	23.3%	28.6%	33.3%	19.2%	25.3%	26.6%

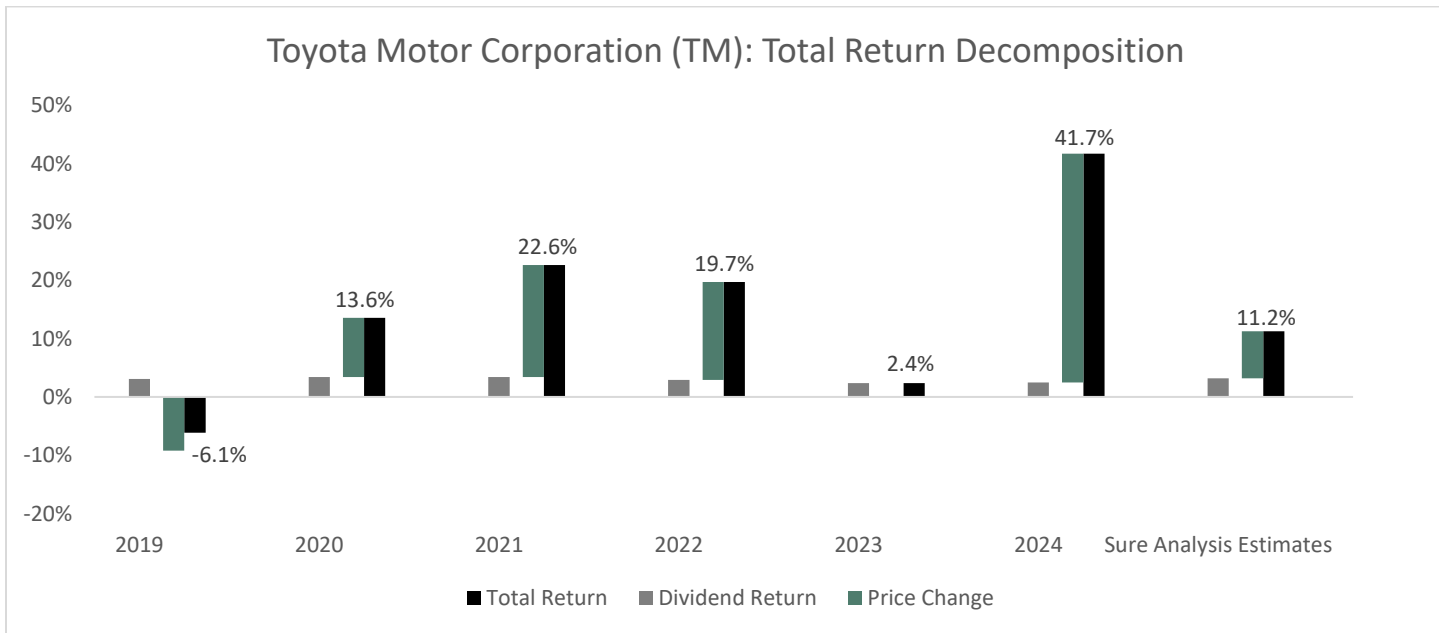
Toyota's dividend payout ratio looks very reasonable both right now and when we look at the last decade. Due to the cyclicity of the industry Toyota is active in, there is still some risk of a dividend cut – if earnings were to take a big hit during a future recession, the company might decide to reduce its dividend.

Toyota was hit hard during the Great Recession, like all of its peers. During other global downturns, such as the COVID pandemic, the company suffered from less pronounced sales declines. 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 in the future, too.

Final Thoughts & Recommendation

Toyota is, by vehicle sales, profits, and market capitalization, a leading automobile producer. While the company battled some cost headwinds in the recent past, fiscal 2024 was a very strong year. 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 well below fair value and should provide attractive total returns, which is why we rate Toyota a buy today.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue (\$B)	249	237	255	265	273	275	257	280	275	313
Gross Profit	49,315	48,314	44,967	49,553	49,105	49,511	45,585	53,193	46,752	64,921
Gross Margin	19.8%	20.4%	17.6%	18.7%	18.0%	18.0%	17.8%	19.0%	17.0%	20.8%
SG&A Exp.	24,162	24,531	26,525	27,893	26,847	27,436	24,853	26,509	26,571	27,826
D&A Exp.	12,885	13,549	14,897	15,650	16,167	14,678	15,511	16,229	15,107	14,463
Operating Profit	25,153	23,783	18,442	21,660	22,258	22,075	20,732	26,685	20,180	37,095
Op. Margin	10.1%	10.0%	7.2%	8.2%	8.2%	8.0%	8.1%	9.5%	7.3%	11.9%
Net Profit	19,874	19,273	16,932	22,509	16,984	18,734	21,180	25,388	18,153	34,268
Net Margin	8.0%	8.1%	6.6%	8.5%	6.2%	6.8%	8.3%	9.1%	6.6%	11.0%
Free Cash Flow	3,001	3,347	250	5,636	250	(12,403)	(9,818)	(959)	(5,560)	(5,835)
Income Tax	8,170	7,319	5,816	4,552	5,953	6,273	6,131	9,940	8,707	13,123

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets (\$B)	397.64	421.96	436.02	473.40	481.76	499.41	564.45	554.57	557.65	595.39
Cash & Equivalents	19,033	26,152	26,788	28,722	32,494	37,923	46,239	50,089	56,415	62,185
Acc. Receivable	69,801	70,400	74,348	80,624	81,701	80,813	82,112	79,044	82,834	98,092
Inventories	17,808	18,341	21,364	23,899	24,631	23,446	26,180	31,308	31,938	30,428
Total Liab. (\$B)	250.62	265.30	273.39	290.56	295.47	301.96	344.28	332.09	338.02	362.56
Accounts Payable	20,083	21,260	22,954	24,340	24,121	21,785	26,775	25,956	28,664	34,696
LT Debt (\$B)	158.10	162.75	171.33	182.06	186.25	194.61	229.33	213.64	217.08	241.56
Total Equity (\$B)	139.86	149.00	156.65	176.31	179.54	190.79	212.16	215.03	212.68	226.10
LTD/E Ratio	1.13	1.09	1.09	1.03	1.04	1.02	1.08	0.99	1.02	1.07

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	5.0%	4.7%	3.9%	5.0%	3.6%	3.8%	4.0%	4.5%	3.3%	5.9%
Return on Equity	13.5%	12.7%	10.6%	13.0%	9.2%	9.8%	10.1%	11.5%	8.2%	15.1%
ROIC	6.5%	6.2%	5.2%	6.4%	4.6%	4.9%	5.0%	5.7%	4.2%	7.5%
Shares Out.	1570	1520	1490	1450	1425	1425	1400	1390	1380	1350
Revenue/Share	157.60	150.52	167.02	177.08	186.82	193.11	180.71	201.27	201.45	231.27
FCF/Share	1.90	2.13	0.16	3.76	0.17	(8.72)	(6.91)	(0.69)	(4.07)	(4.32)

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

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