

**10TH  
DEC  
2021**

# Stock Report

TOYOTA MOTOR  
CORPORATION  
TICKER: 7203



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A REPORT BY AP  
CAPITAL RESEARCH  
Toyota Motor Corporation

# Business model and overview

## TOYOTA

Toyota Motor Corporation is a Japanese multinational automotive manufacturer headquartered in Toyota City, Japan. The company was founded on August 28, 1937, by Kiichiro Toyoda. Its main business activities include motor vehicle production and sales. Toyota is one of the largest automakers in the world. Its brands include Toyota, Lexus, Daihatsu, and truck maker Hino; the market share in Japan is about 52%, while the U.S. share is over 15%. The company also has a financing division and manufactures houses and boats.

### Products & Services:

Automobile segment (design, manufacturing, and sales):

- Sedans
- Minivans
- 2box
- Sports utility vehicles
- Trucks
- Related vehicles
- Electric vehicles

Finance segment:

- Finance
- Vehicle leasing

Other:

- Design, manufacturing, and sale of houses.
- Information communication



# 12.6%

Return on Equity

# ¥28.64T

Market Cap

# 2.34%

Dividend Yield



# Management Team

TOYOTA

## Akio Toyoda – President



- Masters – Business administration (Babson college USA)
- Undergraduate – Law (Keio University)

Mr Toyoda is the grandson of the founder of TMC, Kiichiro Toyoda. He currently serves as the president of TMC. Akio joined TMC in 1984 and has had postings in every phase of the motor industry operations from production to marketing and product development. Before 2000, Akio worked as a vice president for TMC joint ventures. He returned in 2000 to Japan and was named TMC board of directors. In 2009, Mr Toyoda was named president of TMC.

Mr Toyoda has often been considered an avid racer and racing fan. In 2012 he was named Autocar's man of the year.

## Takeshi Uchiyamada – Chairman of board of directors



- Bachelors – Applied physics (Nagoya University)

Mr Uchiyamada currently serves as the chairman of the board directors. Takeshi joined TMC in 1969 as an engineer. In 1994 Mr Uchiyamada became project general manager of vehicle development, and by 1996, he became chief engineer of the centre that developed the Prius – the world's first mass-produced gasoline-electric hybrid car.

As such he became known as the “father of the Prius” – the world's bestselling electric hybrid vehicle. His efforts have named him to the board of directors in 1998 and soon by 2013, he was appointed as chairman.

## Koji Kobayashi – Exec. Vice president, CFO, CRO



- Bachelors – Economics (Shiga University)

Mr Kobayashi currently serves as the Exec. Vice president, CRO and CFO. Koji joined the TMC finance division in 1972. By 1997 Koji was appointed as general manager of the third sales department. Soon he became the general manager in the finance division in 2000

His reputation over the years has earned him the nickname “Destroyer” and “idea man” – one who does not fear demotion and gives 370,000 employees fears. By 2019 he had earned the titles he currently holds today.

**212.4K**

TWITTER  
FOLLOWERS

**3.1M**

INSTAGRAM  
FOLLOWERS

**1.59M**

LINKEDIN  
FOLLOWERS

# Financials + Institutions

## TOYOTA

Toyota motor corporation revenue streams come from two primary sources: Automotive production and financial services. The last 2 FY's saw financial services make up around 7% of the total revenue share, however, this has been outpacing the growth in revenue of automotive manufacturing and related activities. Currently, Toyota is the provider of the most in-demand road cars, the Toyota Corolla and Prius.

Toyota revenue for the last 5 years saw steady growth before the onset of the pandemic however it has remained strong relative to the automotive industry. Some notable years include the 2018 6.07% YoY increase, which was largely driven by strong global demand for electric vehicles. As expected, 2021 saw a 9.74% YoY decrease and Q3 2021 saw further declines with total revenues falling by ¥3,441 billion, a 15% decrease YoY. Toyota's revenue decline was primarily driven by supply parts shortages and continuing disruptions of the pandemic. Net income looks promising, also being significantly higher than its main competitors. On average, this has increased over the last 5 years indicated by the net profit margin. The Net Profit margin was 8.39% as of 2021 FY. The significant jump is mainly driven by lower COGS and SG&A, which Toyota is making significant efforts to reduce.

D/E over the last 5 years indicated the company to be relatively leveraged with an average D/E ratio of 1.57. However, this remains in line with the industry standard. For the 2021 FY, Short term debt had increased by 18.8% YoY possibly to cover short term costs because of sales drop. However, Shareholder equity had also increased to reduce any excess leverage. Long term debt is also up 17% YoY as of 2021 FY. Inventory turnover rate dropped by 14% YoY as of FY 2021 due to low sales indicating increased inventory. However, as demand, inflation and energy prices increases, it may be beneficial to have excess stock for the next few years.

While performance has been relatively stagnant, however in line with the industry, there is an indication that shareholders may be rewarded as the company aims to revamp its internal workings. As per the latest shareholder meeting, TMC aims to maintain and improve its dividend payout ratio to 30%. It also seeks to increase buybacks and announced to purchase 41 million common shares as of 31st March 2021. It aims to use its internal funds mainly for investment growth and improve its cash reserves – in line with its cash & equivalents and DPS, which has been increasing annually and EPS, which have beaten estimations by 50% for Q1 – Q3 2021.

\*Figures in ¥ (millions)  
exc. DPS. FY 31st March.

	2021	2020	2019	2018	2017
Revenue	27,214,594	29,866,547	30,225,681	29,379,510	27,597,234
COGS	21,199,890	23,103,596	23,389,495	22,600,474	21,543,035
Gross profit	6,014,704	6,762,951	6,836,186	6,779,036	6,054,199
SG&A	2,634,625	2,981,966	2,976,351	3,090,495	2,868,485
Operating income	2,197,748	2,399,232	2,467,545	2,399,862	1,994,372
EBT	2,932,354	2,792,942	2,285,465	2,620,429	2,193,825
Net income	2,282,378	2,111,125	1,882,873	2,493,983	1,831,109
Revenue YoY	-9.74%	-1.20%	2.80%	6.07%	-2.92%
SG&A/Revenue	9.68%	9.98%	9.85%	10.52%	10.39%
Gross profit margin	22.10%	22.64%	22.62%	23.07%	21.94%
Operating margin	8.08%	8.03%	8.16%	8.17%	7.23%
Net profit margin	8.39%	7.07%	6.23%	8.49%	6.63%
Debt to equity ratio	1.56	1.53	1.59	1.56	1.65
Return on equity	10.39%	10.45%	9.81%	13.70%	10.63%
Inventory turnover	8.41	9.63	9.54	9.69	10.22
DPS USD\$	\$4.55	\$4.25	\$1.83	\$3.95	\$3.76
Cash and equivalents	5,100,857	4,098,450	3,706,515	3,219,639	2,995,075
Cash ratio	0.24	0.23	0.20	0.18	0.17

### Top 5 Shareholders

Top 5 shareholders	# shares held
Fisher Asset Management, LLC	4,799,418
Parametric Portfolio Associates	1,081,228
Bank of America Corporation	1,015,917
Goldman Sachs Group, Inc.	740,382
Blackrock Inc.	736,583

¥223

Q3 EPS

¥1090BN

R&D Expenditure  
2021

9.18

P/E

# Competitors

TOYOTA



## Volkswagen Group : Revenue 2020 :\$254.1bn

Volkswagen AG is a multinational German automotive manufacturing corporation. The group's brands include Volkswagen, ŠKODA, SEAT, CUPRA, Audi, Lamborghini, Bentley, Porsche, and Ducati. The group also further offers a wide range of brands and business entities, including financial services. The company is the largest car brand in Europe by sales with Toyota in third place. It generated the highest revenue of all automakers in 2020, with Toyota in second place. It competes with Toyota in every vehicle category except luxury and sports cars, in which it is a global leader. In 2020, the Volkswagen brand had the second-largest global automotive market share, just under Toyota.



## Daimler - Revenue (2020): \$175.9bn

Daimler AG is a multinational German automotive manufacturing corporation. It is one of the world's leading car, truck, and van manufacturers, with its Mercedes-Benz Cars & Vans and Daimler Mobility divisions. Daimler Mobility offers financing, leasing, car subscription, car rental and other services. By brand, Mercedes has the ninth-largest global automotive market share, compared to Toyota in the first place. Daimler generated the third most revenue amongst automakers in 2020, just under Toyota. The group is a strong competitor to Toyota in the vans and truck space.

DAIMLER



## Ford Motor Company - Revenue (2020): \$127.1bn

Ford Motor Company is an American multinational automobile manufacturer headquartered in Dearborn, United States. Ford engages in the manufacturing, distribution, and sale of automobiles. It operates in three segments: Automotive, Mobility and Ford credit. Ford generated the fourth most revenue amongst automakers in 2020 and is the fourth largest brand by global automotive market share. In 2020, the Ford brand sold the most units in the US, closely followed by Toyota. However, as of Q1 2021, Toyota Motor Corp. occupied the second largest market share, followed by Ford Motor Co. in third place.

10.1

Japan Auto Industry  
average P/E

¥27.21T

Revenue FY 2021

8.5%

Toyota's Global Automotive  
market share (2020)

# SWOT Analysis

## TOYOTA

### Strengths

- Toyota culture and production system have always been viewed as one of the main reasons for the companies leading position in the automobile industry. TMC currently operates under what it describes as the “lean manufacturing system” or a “just in time (JIT) System”. This approach has allowed the company to have a more interactive touch with its customers which has made vehicle ordering quicker and more efficient. As a result, they operate under a continuous flow – producing what is needed. Overall, these strategies have been beneficial to customer satisfaction and cost reduction.
- Toyotas global presence is also another strength it holds. It currently operates, produces, and distributes its vehicles globally, with its predominant markets being Japan, the USA, Europe and China. As of FY 21, Toyota manufactures around 50% of its vehicles in Japan, with the remaining 50% is produced overseas. It is advantageous to have factories overseas, given that more than 70% of its sales are overseas, significantly reducing transport costs and improving delivery time.
- Toyota is also aiming to continuously increase its investment in R&D. As the company continues to improve its quality and innovation by proportionally investing more into R&D, which has increased by 5% in the last 5 years, it is anticipated their production capacity and capabilities will improve.

### Weaknesses

- One of the main weaknesses of Toyota as of recent years is its ability to maintain its recognition as being the leader in electric and hybrid vehicles. Most recently, as the importance of clean energy use is increasing and developers are rushing to transform their products, Toyota has not appeared in the spotlight with the likes of new competitors such as Tesla and Porsche. The company has acknowledged the lack of effective marketing is having on their brand and how much this is eating into retained income. Overall, Tesla has significantly outperformed Toyota from a valuation point and brand awareness.

### Opportunities

- Toyota to this day remains the leader in automobile production and has been producing around 10 million units per year for the last 10 years; as such, it's one of the leading leaders in technology related to electric and hybrid production vehicles. It has produced almost 20 million electric vehicles to date. Given its vast capacity and ability, it has recently made a vow to sell only zero-emission cars in Europe by 2035. This places Toyota, as the worlds largest automaker, in the centre of Europe's most ambitious climate plan announced in July – the green deal. Such cases may be expanded more globally with opportunities in the USA, paving the way for Toyota to be at the forefront of the global transition to electric and hybrid vehicles.

### Threats

- The most striking long-term threat is rising competition. Notable competitors such as Volkswagen, Mercedes and BMW are all increasing their focus on the production of cheaper and more efficient electric cars. Moreover, while Toyota continues to expand its investment into R&D, the technology gap between some notable competitors such as Tesla and Toyota remain wide. An estimate was made that Tesla's technology is 6 years ahead of Toyota. Given the vast popularity of Tesla and its quickly rising valuation, this may compete away some of Toyota's current value.

# 15.4M

Japanese Motor Vehicle  
Production Overseas 2020

# 14.6K

BEV units sold in Japan 2020

# 8.1M

Motor Vehicle production  
in Japan 2021



# Technical Analysis

## TOYOTA



Since the beginning of 2021, Toyota's share price has seen a significant upside of 30.64% and is up 44.76% from the same time last year. From a six-month perspective, the stock has sustained its upside from the surge in the first half of the year and is trading at an upside of 4.48%. The key levels identified in black indicate that the stock has been mainly trading within a channel between JPY 2084.0 and JPY 1919.0, with two downtrend breakouts and one uptrend breakout. These key levels can be considered as long-term resistance and support. In terms of moving averages, the stock has generally traded above its 50-day moving average. The resistance at JPY 2084.0 has been tested five times in six months, having been breached once. Whereas, the support at JPY 1919.0 has been tested nine times over the same period, having been breached twice. Given this long-term trend, the share price can be expected to remain within this channel in light of current macro trends in supply chain issues and input shortages. During October 2021, there was the formation of a pennant pattern, which, as expected, was followed by an upside in its share price. Yet, it failed to break the resistance level at JPY 2084.0. The most recent pattern identified is the head and shoulders, the first shoulder with an initial peak at JPY 2090.5, a second larger one at JPY 2186.5, a third one mimicking the first at JPY 2083.5. Given that this pattern followed an uptrend, the stock may see a trend reversal into a downtrend from the current price of JPY 2079.0 (03.12.2021). Additionally, the MACD is currently below the signal line although, there has been no crossover between the 20 and 50-day moving averages.

The company's earnings reports have shown impressive results. The initial surge in May seems to be supported by an outstanding earnings report that beat estimated and surprised the market by +37.8%. The following reports in August and November also surprised the market by +30.2% and +41.8% respectively. However, the market did not react positively, as shares fell following the reports.

# 49.22

RSI

# ¥2026

50-day Moving  
Average

# 0.82

Beta

# Final Thoughts

## TOYOTA

### Manav Chenganda

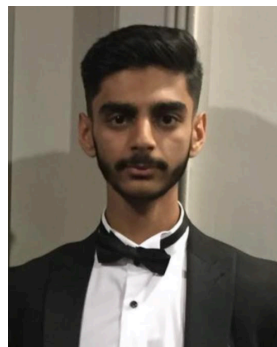
Toyota Motor Corporation has cemented its position in the Asian market, especially in Japan. In 2020, Toyota Motor was the largest automobile manufacturer in Asia, with sales of over \$249 billion, double that of Honda Motor, the second largest. The company is also a leader in sales and manufacturing in key markets and developing markets. The US constituted the second-largest revenue source for the company. The company's global outreach will support its bottom line by making it more resilient to isolated shocks in a market. Earnings performance has been increasingly better during 2021, aligned with the momentum from global post-lockdown economic recovery. Moreover, the company is making headway in its EV offerings. Present barriers to sales growth include disruptions in supply chains, chip shortages and high inflation in Europe and America. However, as central banks recalibrate their policies and inputs eventually become cheaper, there is a strong potential for upside in Toyota's share price. In all, the recommendation for Toyota is a Strong Buy. The 12-month price target is JPY 2557.17 (+23%).

### Mantas Klungys

Overall, while the impacts of the supply shortage and the pandemic have placed a great burden on Toyota, it has proved to be quite resilient relative to the industry and fared better than others. The company has proven and continues to reduce its costs and increase efficiency through increased investment. Even at its current size, further productivity improvements can have vast benefits. Forecasts from Toyota indicate a strong recovery in terms of sales for the next FY. Together with its large global presence, a depreciating YEN of 7.69% over the last 12 months, global economic recovery and as further interest in hybrid/electric vehicles continues, this may prove high upside potential. As such, 12-month forecasts estimate a median price of \$213.94, up 17.2% and a low of \$167.20, down 8.4% as of 3/12/21. Therefore, I recommend Toyota a Strong BUY.



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## TOYOTA

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