

Toyota company analysis

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Toyota Motor Company has been a strong competitor in the global automobile market since its inception in 1937. Today Toyota has become a globally recognized brand and has won the coveted spot as the world's top selling auto manufacturer, with 17% total market share. Despite many challenges Toyota has remained relatively financially stable consistent with the S&P 500 and continues to provide low cost high efficiency vehicles appealing to various demographics with the implementation of a high end luxury line (Lexus) as well as a line catering towards the younger market (Scion).

Toyota Motor Company prides itself on the successful implementation of a lean manufacturing system including a one of a kind just in time production system. The success of their inventory management and strong supply chain is apparent through their strong sales to inventory ratio and inventory turnover average between 10 to 15 days. Toyota has also exhibited consistently positive EVA rates which indicates high efficiency and value per capital. Although this practice has cut costs for the company, it has also affected sales in a negative light.

In 2010 and 2011 when natural disasters hit the areas of their suppliers, Toyota did not have enough parts to complete necessary purchase orders and keep up with consumer demand. For this reason the sales figures from those years are lower than what they were anticipated to be. Despite these challenges, investors should maintain confidence in the efficiency of their invested capital in Toyota, represented by a continuously rising ROE in comparison to its competitors.

Toyotas dividend yield ratio is very attractive to investors as well with 1.3% compared to the industry average of 1.1% despite a significant drop in 2008. When looking at the auto industry, investors should take into consideration that Toyota remains competitive despite not receiving the government bailouts provided to the American manufacturers. Toyota features various threats specifically their slow pace in innovation and structure reform.

Another notable area of concern is the diminishing market share of their high end line Lexus. Despite these threats Toyotas earning expansion is at an all time high. A focal point of consideration of many analysts and investors is the volatility of the Yen. When looking at Toyotas 1 year growth of -2.6% which is heavily understated due to the volatility of the Yen, which has effected consumer behavior as well as purchasing power.

With the value of the Yen becoming less powerful, Toyota has the opportunity to leverage this to their advantage through relationships with suppliers and improved export profitability. The future success of Toyota will depend on whether or not they are able to keep up with the fuel economy and safety features of other manufacturers. If they are able to do this effectively while also reducing costs using advantages from the diminishing value of the Yen the outlook for this company looks very positive for potential investors.