

Titan Machinery Inc.
Form 10-Q
December 09, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 31, 2011

Commission File No. 001-33866

TITAN MACHINERY INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

No. 45-0357838
(IRS Employer
Identification No.)

644 East Beaton Drive
West Fargo, ND 58078-2648

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(Address of Principal Executive Offices)

Registrant's telephone number (701) 356-0130

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

| | |
|---|---|
| Large accelerated filer <input type="checkbox"/> | Accelerated filer <input checked="" type="checkbox"/> |
| Non-accelerated filer <input type="checkbox"/> (Do not check if smaller reporting company) | Smaller reporting company <input type="checkbox"/> |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

The number of shares outstanding of the registrant's common stock as of November 30, 2011 was: Common Stock, \$0.00001 par value, 20,785,215 shares.

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QUARTERLY REPORT ON FORM 10-Q

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****TITAN MACHINERY INC.****CONSOLIDATED BALANCE SHEETS****(in thousands, except per share data)**

| | October 31, 2011 (Unaudited) | January 31, 2011 |
|--|---|-----------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 97,890 | \$ 76,112 |
| Receivables, net | 52,952 | 44,945 |
| Inventories | 738,345 | 429,844 |
| Prepaid expenses and other current assets | 2,176 | 1,003 |
| Deferred income taxes | 2,880 | 3,247 |
| Total current assets | 894,243 | 555,151 |
| INTANGIBLES AND OTHER ASSETS | | |
| Noncurrent parts inventories | 3,136 | 2,405 |
| Goodwill | 23,164 | 18,391 |
| Intangible assets, net of accumulated amortization | 9,758 | 4,734 |
| Other | 2,787 | 2,793 |
| | 38,845 | 28,323 |
| PROPERTY AND EQUIPMENT, net of accumulated depreciation | 118,329 | 65,372 |
| | \$ 1,051,417 | \$ 648,846 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 39,091 | \$ 15,957 |
| Floorplan notes payable | 576,763 | 320,801 |
| Current maturities of long-term debt and short-term advances | 1,925 | 4,207 |
| Customer deposits | 19,237 | 28,180 |
| Accrued expenses | 22,387 | 16,816 |
| Income taxes payable | 1,471 | 2,093 |
| Total current liabilities | 660,874 | 388,054 |
| LONG-TERM LIABILITIES | | |
| Long-term debt, less current maturities | 59,544 | 33,409 |
| Deferred income taxes | 10,249 | 9,012 |

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| | | |
|--|--------------|------------|
| Other long-term liabilities | 3,419 | 3,814 |
| | 73,212 | 46,235 |
| STOCKHOLDERS EQUITY | | |
| Common stock, par value \$.00001 per share, authorized - 25,000 shares; issued and outstanding - 20,756 at October 31, 2011 and 17,917 at January 31, 2011 | | |
| Additional paid-in-capital | 216,881 | 140,466 |
| Retained earnings | 100,450 | 74,091 |
| | 317,331 | 214,557 |
| | \$ 1,051,417 | \$ 648,846 |

See Notes to Consolidated Financial Statements

Table of Contents**TITAN MACHINERY INC.****CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)****(in thousands, except per share data)**

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|--|--------------------------------|-----------------|-------------------------------|------------------|
| | 2011 | 2010 | 2011 | 2010 |
| REVENUE | | | | |
| Equipment | \$ 312,304 | \$ 241,096 | \$ 786,816 | \$ 544,587 |
| Parts | 64,468 | 42,028 | 155,670 | 111,038 |
| Service | 29,843 | 20,832 | 76,202 | 54,885 |
| Rental and other | 16,345 | 7,351 | 33,286 | 15,920 |
| TOTAL REVENUE | 422,960 | 311,307 | 1,051,974 | 726,430 |
| COST OF REVENUE | | | | |
| Equipment | 283,690 | 221,163 | 711,421 | 496,306 |
| Parts | 44,389 | 29,296 | 108,535 | 78,666 |
| Service | 10,304 | 7,435 | 27,175 | 20,376 |
| Rental and other | 10,580 | 5,435 | 22,192 | 12,613 |
| TOTAL COST OF REVENUE | 348,963 | 263,329 | 869,323 | 607,961 |
| GROSS PROFIT | 73,997 | 47,978 | 182,651 | 118,469 |
| OPERATING EXPENSES | 50,060 | 32,849 | 133,556 | 91,857 |
| INCOME FROM OPERATIONS | 23,937 | 15,129 | 49,095 | 26,612 |
| OTHER INCOME (EXPENSE) | | | | |
| Interest and other income | 307 | 207 | 859 | 414 |
| Floorplan interest expense | (2,625) | (2,138) | (5,121) | (5,850) |
| Interest expense other | (283) | (394) | (899) | (1,129) |
| INCOME BEFORE INCOME TAXES | 21,336 | 12,804 | 43,934 | 20,047 |
| PROVISION FOR INCOME TAXES | (8,536) | (5,098) | (17,575) | (8,068) |
| NET INCOME | \$ 12,800 | \$ 7,706 | \$ 26,359 | \$ 11,979 |
| EARNINGS PER SHARE - NOTE 1 | | | | |
| EARNINGS PER SHARE - BASIC | \$ 0.62 | \$ 0.44 | \$ 1.35 | \$ 0.68 |
| EARNINGS PER SHARE - DILUTED | \$ 0.61 | \$ 0.42 | \$ 1.31 | \$ 0.66 |
| WEIGHTED AVERAGE SHARES - BASIC | 20,572 | 17,661 | 19,538 | 17,638 |
| WEIGHTED AVERAGE SHARES - DILUTED | 21,073 | 18,161 | 20,081 | 18,100 |

See Notes to Consolidated Financial Statements

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TITAN MACHINERY INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY (UNAUDITED)

(in thousands)

| | Common Stock | | Additional | Retained | Total |
|---|--------------|--------|------------|------------|------------|
| | Shares | Amount | Paid-In | Earnings | |
| | Outstanding | | Capital | | |
| BALANCE, JANUARY 31, 2011 | 17,917 | \$ | \$ 140,466 | \$ 74,091 | \$ 214,557 |
| Common stock issued in follow-on offering | 2,760 | | 74,898 | | 74,898 |
| Common stock issued on grant of restricted stock and exercise of stock options and warrants and tax benefits of equity awards | 79 | | 530 | | 530 |
| Stock-based compensation expense | | | 987 | | 987 |
| Net income | | | | 26,359 | 26,359 |
| BALANCE, OCTOBER 31, 2011 | 20,756 | \$ | \$ 216,881 | \$ 100,450 | \$ 317,331 |

See Notes to Consolidated Financial Statements

Table of Contents**TITAN MACHINERY INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)****(in thousands)**

| | Nine Months Ended October 31, | |
|---|--------------------------------------|------------------|
| | 2011 | 2010 |
| OPERATING ACTIVITIES | | |
| Net income | \$ 26,359 | \$ 11,979 |
| Adjustments to reconcile net income to net cash used for operating activities | | |
| Depreciation and amortization | 10,172 | 6,443 |
| Deferred income taxes | 184 | (19) |
| Stock-based compensation expense | 987 | 860 |
| Other | 249 | (199) |
| Changes in assets and liabilities, net of purchase of equipment dealerships assets and assumption of liabilities | | |
| Receivables, prepaid expenses and other assets | (4,117) | (12,580) |
| Inventories | (232,519) | (57,119) |
| Floorplan notes payable | 8,217 | 2,893 |
| Accounts payable, customer deposits, accrued expenses and other long-term liabilities | 14,638 | 1,724 |
| Income taxes | (1,012) | 4,707 |
| NET CASH USED FOR OPERATING ACTIVITIES | (176,842) | (41,311) |
| INVESTING ACTIVITIES | | |
| Property and equipment purchases | (11,702) | (11,210) |
| Net proceeds from sale of equipment | 3,244 | 719 |
| Purchase of equipment dealerships, net of cash purchased | (38,607) | (2,423) |
| Other, net | (99) | (293) |
| NET CASH USED FOR INVESTING ACTIVITIES | (47,164) | (13,207) |
| FINANCING ACTIVITIES | | |
| Proceeds from follow-on offering of common stock, net of underwriting discount of \$4,166 and other direct costs of \$286 | 74,898 | |
| Net change in non-manufacturer floorplan notes payable | 162,698 | 45,179 |
| Short-term advances related to customer contracts in transit, net | (388) | (104) |
| Proceeds from long-term debt borrowings | 20,000 | 6,441 |
| Principal payments on long-term debt | (11,751) | (7,318) |
| Debt issuance costs | (203) | |
| Other | 530 | 137 |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 245,784 | 44,335 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 21,778 | (10,183) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 76,112 | 76,185 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | \$ 97,890 | \$ 66,002 |

See Notes to Consolidated Financial Statements

Table of Contents**CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) Page 2****(in thousands)**

| | Nine Months Ended October 31, | |
|---|--------------------------------------|-------------|
| | 2011 | 2010 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| Cash paid during the period | | |
| Income taxes, net of refunds | \$ 18,191 | \$ 3,388 |
| Interest | \$ 5,390 | \$ 6,965 |
| SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES | | |
| Property and equipment financed with long-term debt | \$ 8,720 | \$ 2,504 |
| Net transfer of equipment to fixed assets from inventories | \$ 35,721 | \$ 2,357 |
| Net transfer of financing to long-term debt from floorplan notes payable | \$ 1,696 | \$ 1,625 |

See Notes to Consolidated Financial Statements

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TITAN MACHINERY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

NOTE 1 - BUSINESS ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The unaudited consolidated financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) for interim reporting. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America (GAAP) for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The quarterly operating results for Titan Machinery Inc. (the Company) are subject to fluctuation due to varying weather patterns, which may impact the timing and amount of equipment purchases, rentals, and after-sales parts and service purchases by the Company s Agriculture and Construction customers. Therefore, operating results for the nine-month period ended October 31, 2011 are not necessarily indicative of the results that may be expected for the fiscal year ending January 31, 2012. The information contained in the balance sheet as of January 31, 2011 was derived from the audited financial statements for the Company for the year then ended. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company s Form 10-K for the fiscal year ended January 31, 2011 as filed with the SEC.

Nature of Business

Titan Machinery Inc. is engaged in the retail sale, service and rental of agricultural and construction equipment through stores in North Dakota, South Dakota, Minnesota, Iowa, Nebraska, Montana, Wyoming and Wisconsin.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation

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The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Transportation Solutions, LLC. All significant accounts, transactions and profits between the consolidated companies have been eliminated in consolidation.

Fair Value of Financial Instruments

The carrying amount of cash, receivables, payables, short-term debt and other current liabilities approximates fair value because of the short maturity and/or frequent repricing of those instruments. Based upon current borrowing rates with similar maturities, the carrying value of the long-term debt approximates the fair value as of October 31, 2011 and January 31, 2011.

Exit and Disposal Costs

The Company accounts for exit or disposal activities, including store closures, in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 420, *Exit or Disposal Cost Obligations*. Such costs mainly include lease termination costs and employee termination costs. The Company records a liability for the net present value of any remaining lease obligations, net of estimated sublease income, at the date it ceases using the property. Any subsequent adjustments to that liability as a result of lease termination or changes in estimates of sublease income are recorded in the period incurred. The Company records a liability for employee termination costs at the date the termination benefits were first communicated to the employees.

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Upon acquiring ABC Rental & Equipment Sales in the first quarter of fiscal 2012, the Company combined its existing location in Belgrade, Montana into its newly-acquired store in nearby Bozeman, Montana. This was completed in July 2011, with all of the Belgrade operations and employees moving to the Bozeman store location. Thus, the Belgrade store was closed as of July 31, 2011. The exit costs relate to lease termination. Estimated lease termination costs totaling \$0.4 million for the Belgrade store and adjustments for a previously closed store are included in operating expenses on the consolidated statements of operations for the nine months ended October 31, 2011.

A reconciliation of the beginning and ending liability balance follows:

| | (in thousands) | |
|--|----------------|-------|
| Balance at January 31, 2011 | \$ | 207 |
| Exit costs incurred and charged to expense | | 386 |
| Exit costs paid | | (105) |
| Balance at October 31, 2011 | \$ | 488 |

Recent Accounting Guidance

In May 2011, the FASB amended authoritative guidance on fair value measurements, codified in ASC 820, *Fair Value Measurements and Disclosures*. The amended guidance results in common fair value measurements and disclosure requirements for financial statements reported under GAAP or International Financial Reporting Standards. These amendments clarify the FASB's intent about the application of existing fair value measurement requirements and change particular principles or requirements for measuring fair value and disclosing information about fair value measurements. The guidance is effective for interim and annual periods beginning after December 15, 2011, and is applied prospectively. The Company is in the process of determining the impact that this guidance will have on the Company's consolidated financial statements.

In June 2011, the FASB amended authoritative guidance on the presentation of comprehensive income, codified in ASC 220, *Comprehensive Income*. The amended guidance requires the presentation of total comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The guidance is applied retrospectively and is effective for interim and annual periods beginning after December 15, 2011, with early adoption permitted. The Company is in the process of determining the impact that this guidance will have on the Company's consolidated financial statements.

In September 2011, the FASB amended authoritative guidance on goodwill impairment testing, codified in ASC 350, *Intangibles - Goodwill and Other*. The amended guidance provides an entity the option to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If an entity determines that the fair value of the reporting unit is more likely than not greater than the carrying amount, then the entity is not required to perform a quantitative assessment. However, if an entity concludes that the fair value of a reporting unit is more likely than not less than its carrying amount, it is required to perform the two-step impairment test. The guidance is effective for the interim and annual periods beginning after December 15, 2011, with early adoption permitted. The Company is in the process of determining the impact that this guidance will have on the Company's consolidated financial statements.

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Earnings Per Share

The following table sets forth the denominator for the computation of basic and diluted earnings per share:

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|---|---------------------------------------|-------------|--------------------------------------|-------------|
| | 2011 | 2010 | 2011 | 2010 |
| | <i>(in thousands)</i> | | <i>(in thousands)</i> | |
| Basic weighted-average shares outstanding | 20,572 | 17,661 | 19,538 | 17,638 |
| Plus: Incremental shares from assumed conversions | | | | |
| Restricted Stock | 183 | 197 | 178 | 184 |
| Warrants | 29 | 53 | 30 | 57 |
| Stock Options | 289 | 250 | 335 | 221 |
| Diluted weighted-average shares outstanding | 21,073 | 18,161 | 20,081 | 18,100 |

There were 72,000 and 10,000 stock options outstanding that were excluded from the computation of diluted earnings per share for the three and nine months ended October 31, 2011, respectively, and 134,000 and 139,000 stock options outstanding that were excluded from the computation of diluted earnings per share for the three and nine months ended October 31, 2010, respectively, because they were anti-dilutive.

NOTE 2 - INVENTORIES

| | October 31, | January 31, |
|-----------------------|-----------------------|--------------------|
| | 2011 | 2011 |
| | <i>(in thousands)</i> | |
| New equipment | \$ 499,916 | \$ 209,871 |
| Used equipment | 159,288 | 162,254 |
| Parts and attachments | 70,756 | 52,694 |
| Work in process | 8,385 | 5,025 |
| | \$ 738,345 | \$ 429,844 |

In addition to the above amounts, the Company has estimated that a portion of its parts inventory will not be sold in the next year. Accordingly, these balances have been classified as noncurrent assets.

NOTE 3 - LINES OF CREDIT / FLOORPLAN NOTES PAYABLE

Operating Line of Credit

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As of October 31, 2011, the Company had a \$75.0 million working capital line of credit under a Senior Secured Credit Facility (the Credit Agreement) with a group of banks led by Wells Fargo Bank, National Association. The Company had \$50.8 million and \$26.4 million outstanding on its operating line of credit as of October 31, 2011 and January 31, 2011, respectively. Amounts outstanding are recorded as long-term debt, within long-term liabilities on the consolidated balance sheets, as the Company does not have the intention or obligation to repay amounts borrowed within one year.

Floorplan Lines of Credit

As of October 31, 2011, the Company had discretionary floorplan lines of credit for equipment purchases totaling approximately \$650.0 million with various lending institutions, including \$200.0 million under the aforementioned Credit Agreement, a \$350.0 million Wholesale Floorplan Credit Facility with CNH Capital America LLC (CNH Capital) and a \$100.0 million Wholesale Financing Plan with Rental Agreement with Agricredit Acceptance LLC. Floorplan notes payable relating to these credit facilities totaled approximately \$537.6 million of the total floorplan notes payable balance of \$576.8 million outstanding as of October 31, 2011 and \$300.6 million of the total floorplan notes payable balance of

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\$320.8 million outstanding as of January 31, 2011. As of October 31, 2011, the Company had approximately \$106.3 million in available borrowings remaining under these lines of credit. These floorplan notes carried various interest rates primarily ranging from 2.24% to 7.25% as of October 31, 2011, subject to interest-free periods offered by CNH Capital. As of October 31, 2011, the Company was in compliance with all floorplan financial covenants.

NOTE 4 - BUSINESS COMBINATIONS

The Company continued to implement its strategy of consolidating dealerships in desired market areas. Below is a summary of the acquisitions completed for the nine months ended October 31, 2011. In certain of the business combination transactions the Company recognized goodwill and separately identifiable intangible assets. Factors contributing to the recognition of goodwill and intangible assets include an evaluation of future and historical financial performance, proximity to other existing and future planned Company locations, customer relationships and distribution territory. Pro forma results are not presented as the acquisitions are not considered material, individually or in aggregate, to the Company. The results of operations have been included in the Company's consolidated statements of operations since the date of each respective business combination.

On February 28, 2011, the Company acquired certain assets of Tri-State Implement, Inc. The acquisition consisted of one agricultural equipment store located in Sioux Falls, South Dakota which is contiguous to the Company's existing construction equipment location in Sioux Falls. The acquisition-date fair value of the total consideration transferred for the store was \$1.0 million.

On March 31, 2011, the Company acquired 100% of the outstanding stock of Schoffman's Inc., which included the real estate of this entity, and subsequently merged the acquired entity into the Company. The acquisition consisted of one agricultural equipment store in Redwood Falls, Minnesota which is contiguous to the Company's existing location in Marshall, Minnesota. The acquisition-date fair value of the total consideration transferred for the store was \$5.8 million.

On April 1, 2011, the Company acquired certain assets of ABC Rental & Equipment Sales. The acquisition consisted of four construction equipment rental stores located in Williston, North Dakota, and Bozeman, Missoula, and Big Sky, Montana. This acquisition expands the Company's opportunity to capitalize on increased rental activity of the surrounding oil, coal and natural gas exploration and extraction areas in North Dakota and Montana. The acquisition-date fair value of the total consideration transferred for the stores was \$5.4 million.

On May 13, 2011, the Company acquired certain assets of Carlson Tractor & Equipment, Inc. The acquisition consisted of two construction equipment stores in Rogers and Rosemount, Minnesota and expands the Company's construction presence in Minnesota. The acquisition-date fair value of the total consideration transferred for the stores was \$2.9 million.

On May 31, 2011, the Company acquired certain assets of St. Joseph Equipment Inc. The acquisition consisted of four construction equipment stores in Shakopee, Hermantown and Elk River, Minnesota, and La Crosse, Wisconsin. The acquisition establishes the Company's first construction equipment store in Wisconsin and allows the Company to have the exclusive Case Construction contract for the entire state of Minnesota and 11 counties in western Wisconsin. The acquisition-date fair value of the total consideration transferred for the stores was \$17.0 million.

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On September 2, 2011, the Company acquired certain assets of Virgl Implement Inc. The acquisition consisted of one agricultural equipment store in Wahoo, Nebraska. The acquisition expands the Company's agriculture presence in Nebraska. The acquisition-date fair value of the total consideration transferred for the store was approximately \$5.7 million.

On September 2, 2011, the Company acquired certain assets of Victors Inc. The acquisition consisted of one agricultural equipment store in Fremont, Nebraska. The acquisition expands the Company's agriculture presence in Nebraska. The acquisition-date fair value of the total consideration transferred for the store was approximately \$7.5 million.

During the nine months ended October 31, 2011, adjustments were recorded for additional consideration of \$1.9 million earned and paid under agreements disclosed in the Company's Form 10-K for the fiscal year ended January 31, 2010 as filed with the SEC. This additional consideration resulted in a net increase in goodwill for the Agriculture segment of \$1.9 million.

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The allocations of the purchase prices in the above business combinations are presented in the following table.

| | | October 31, 2011 (in thousands) |
|--|----|--|
| Cash | \$ | 98 |
| Receivables | | 4,435 |
| Inventories | | 39,898 |
| Prepaid expenses | | 688 |
| Deferred income taxes | | 13 |
| Property and equipment | | 9,735 |
| Intangible assets | | 5,400 |
| Goodwill | | 4,773 |
| | \$ | 65,040 |
| Accounts payable | \$ | 224 |
| Floorplan notes payable | | 14,207 |
| Customer deposits | | 1,048 |
| Accrued expenses | | 37 |
| Income taxes payable | | 390 |
| Long-term debt | | 442 |
| Deferred income taxes | | 1,433 |
| | \$ | 17,781 |
| Cash consideration | | 38,705 |
| Non-cash consideration: liabilities incurred | | 8,554 |
| Total consideration | \$ | 47,259 |
| Goodwill related to the Agriculture operating segment | \$ | 3,883 |
| Goodwill related to the Construction operating segment | \$ | 890 |
| Goodwill expected to be deductible for tax purposes | \$ | 3,482 |

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Revenue, income before income taxes and total assets at the segment level are reported before eliminations. The Company retains various unallocated income/(expense) items and assets at the general corporate level, which the Company refers to as Shared Resources in the table below. Shared Resources assets primarily consist of cash and property and equipment. Intersegment revenue is immaterial.

Certain financial information for each of the Company's business segments is set forth below.

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|---|--------------------------------|------------|-------------------------------|------------|
| | 2011 | 2010 | 2011 | 2010 |
| | (in thousands) | | (in thousands) | |
| Revenue | | | | |
| Agriculture | \$ 361,601 | \$ 282,365 | \$ 914,932 | \$ 645,269 |
| Construction | 77,435 | 39,827 | 181,395 | 108,140 |
| Segment revenue | 439,036 | 322,192 | 1,096,327 | 753,409 |
| Eliminations | (16,076) | (10,885) | (44,353) | (26,979) |
| Total | \$ 422,960 | \$ 311,307 | \$ 1,051,974 | \$ 726,430 |
| Income (Loss) Before Income Taxes | | | | |
| Agriculture | \$ 20,068 | \$ 14,420 | \$ 43,964 | \$ 25,458 |
| Construction | 3,254 | (169) | 4,482 | (2,936) |
| Segment income (loss) before income taxes | 23,322 | 14,251 | 48,446 | 22,522 |
| Shared Resources | (1,772) | (1,343) | (3,786) | (1,977) |
| Eliminations | (214) | (104) | (726) | (498) |
| Total | \$ 21,336 | \$ 12,804 | \$ 43,934 | \$ 20,047 |

| | October 31, | January 31, |
|----------------------|----------------|-------------|
| | 2011 | 2011 |
| | (in thousands) | |
| Total Assets | | |
| Agriculture | \$ 730,680 | \$ 514,049 |
| Construction | 198,680 | 98,535 |
| Segment assets | 929,360 | 612,584 |
| Shared Resources (1) | 123,861 | 37,340 |
| Eliminations | (1,804) | (1,078) |
| Total | \$ 1,051,417 | \$ 648,846 |

(1) The balance as of October 31, 2011 includes the cash proceeds from the Company's follow-on offering completed in May 2011.

NOTE 6 - SUBSEQUENT EVENTS

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On November 1, 2011, the Company acquired certain assets of Van Der Werff Implement, Inc., an agriculture equipment store located in Platte, South Dakota. The store is contiguous to the Company's existing locations in Sioux Falls, Huron, Miller, Highmore and Pierre, South Dakota. Due to the recent nature of this acquisition, the initial business combination accounting will be performed in the three months ending January 31, 2012. The acquisition-date fair value of the total consideration transferred for the store was approximately \$3.9 million.

On December 1, 2011, the Company acquired certain assets of Jewell Implement Company, Inc., an agriculture equipment store located in Jewell, Iowa. The store is contiguous to the Company's existing location in Iowa Falls, Iowa. Due to the recent nature of this acquisition, the initial business combination accounting will be performed in the three months ending January 31, 2012. The acquisition-date fair value of the total consideration transferred for the store was approximately \$1.3 million.

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On November 11, 2011, the Company entered into a definitive agreement to acquire the business of AgroExpert, S.R.L., which consists of two agriculture equipment dealerships, located in Bucharest and Timisoara, Romania. The entity's existing management will retain a minority interest in the entity. The acquisition establishes the Company's first international operations and is expected to close on or around December 31, 2011.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our interim unaudited consolidated financial statements and related notes included in Item 1 of Part 1 of this Quarterly Report, and the audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended January 31, 2011.

Critical Accounting Policies

There have been no material changes in our Critical Accounting Policies, as disclosed in our Annual Report on Form 10-K for the year ended January 31, 2011.

Overview

We own and operate a network of full service agricultural and construction equipment stores in the United States. Based upon information provided to us by CNH Global N.V. or its U.S. subsidiary CNH America LLC, collectively referred to in this Quarterly Report as CNH, we are the world's largest retail dealer of Case IH Agriculture equipment and a major retail dealer of New Holland Agriculture, Case Construction and New Holland Construction equipment in the U.S. We have two primary business segments, Agriculture and Construction, within each of which we sell and rent new and used equipment, sell parts, and service the equipment in the areas surrounding our stores.

Our net income was \$12.8 million, or \$0.61 per diluted share, for the three months ended October 31, 2011, compared to \$7.7 million, or \$0.42 per diluted share, for the three months ended October 31, 2010. Significant factors impacting the quarterly comparisons were:

- Increase in revenue due to acquisitions and same-store sales growth in both our Agriculture and Construction segments primarily resulting from the continuation of a strong agriculture equipment market, improved construction equipment market in the region in which we do business, and growth in the rental business in our Construction segment, reflecting our initiative to expand this growth platform;
- Increase in gross profit primarily due to increased revenue and improvement in gross profit margin on equipment and rental and other; and
- Operating expenses as a percentage of total revenue increased to 11.8% for the three months ended October 31, 2011, compared to 10.5% for the three months ended October 31, 2010, primarily reflecting higher operating expenses related to our Construction segment, which includes additional expenses associated with growing the rental business, and an increase in the Company's compensation expenses such as sales commissions.

Table of Contents**Results of Operations**

Comparative financial data for each of our four sources of revenue are expressed below. The results for these periods include the operating results of the acquisitions made during these periods. The period-to-period comparisons included below are not necessarily indicative of future results. Segment information is provided later in this discussion and analysis of our results of operations.

| | Three Months Ended October 31, | | | Percent | Nine Months Ended October 31, | | | Percent |
|-------------------------|--------------------------------|------------|--|---------|-------------------------------|------------|--|---------|
| | 2011 | 2010 | | Change | 2011 | 2010 | | Change |
| | (dollars in thousands) | | | | (dollars in thousands) | | | |
| Equipment | | | | | | | | |
| Revenue | \$ 312,304 | \$ 241,096 | | 29.5% | \$ 786,816 | \$ 544,587 | | 44.5% |
| Cost of revenue | 283,690 | 221,163 | | 28.3% | 711,421 | 496,306 | | 43.3% |
| Gross profit | \$ 28,614 | \$ 19,933 | | 43.6% | \$ 75,395 | \$ 48,281 | | 56.2% |
| Gross profit margin | 9.2% | 8.3% | | 0.9% | 9.6% | 8.9% | | 0.7% |
| Parts | | | | | | | | |
| Revenue | \$ 64,468 | \$ 42,028 | | 53.4% | \$ 155,670 | \$ 111,038 | | 40.2% |
| Cost of revenue | 44,389 | 29,296 | | 51.5% | 108,535 | 78,666 | | 38.0% |
| Gross profit | \$ 20,079 | \$ 12,732 | | 57.7% | \$ 47,135 | \$ 32,372 | | 45.6% |
| Gross profit margin | 31.1% | 30.3% | | 0.8% | 30.3% | 29.2% | | 1.1% |
| Service | | | | | | | | |
| Revenue | \$ 29,843 | \$ 20,832 | | 43.3% | \$ 76,202 | \$ 54,885 | | 38.8% |
| Cost of revenue | 10,304 | 7,435 | | 38.6% | 27,175 | 20,376 | | 33.4% |
| Gross profit | \$ 19,539 | \$ 13,397 | | 45.8% | \$ 49,027 | \$ 34,509 | | 42.1% |
| Gross profit margin | 65.5% | 64.3% | | 1.2% | 64.3% | 62.9% | | 1.4% |
| Rental and other | | | | | | | | |
| Revenue | \$ 16,345 | \$ 7,351 | | 122.4% | \$ 33,286 | \$ 15,920 | | 109.1% |
| Cost of revenue | 10,580 | 5,435 | | 94.7% | 22,192 | 12,613 | | 75.9% |
| Gross profit | \$ 5,765 | \$ 1,916 | | 200.9% | \$ 11,094 | \$ 3,307 | | 235.5% |
| Gross profit margin | 35.3% | 26.1% | | 9.2% | 33.3% | 20.8% | | 12.5% |

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The following table sets forth our statements of operations data expressed as a percentage of total revenue for the periods indicated:

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|----------------------------|---------------------------------------|-------------|--------------------------------------|-------------|
| | 2011 | 2010 | 2011 | 2010 |
| Revenue | | | | |
| Equipment | 73.8% | 77.4% | 74.8% | 75.0% |
| Parts | 15.2% | 13.5% | 14.8% | 15.3% |
| Service | 7.1% | 6.7% | 7.2% | 7.5% |
| Rental and other | 3.9% | 2.4% | 3.2% | 2.2% |
| Total revenue | 100.0% | 100.0% | 100.0% | 100.0% |
| Total cost of revenue | 82.5% | 84.6% | 82.6% | 83.7% |
| Gross profit | 17.5% | 15.4% | 17.4% | 16.3% |
| Operating expenses | 11.8% | 10.5% | 12.7% | 12.6% |
| Income from operations | 5.7% | 4.9% | 4.7% | 3.7% |
| Other income (expense) | (0.7)% | (0.8)% | (0.5)% | (0.9)% |
| Income before income taxes | 5.0% | 4.1% | 4.2% | 2.8% |
| Provision for income taxes | (2.0)% | (1.6)% | (1.7)% | (1.2)% |
| Net income | 3.0% | 2.5% | 2.5% | 1.6% |

Three Months Ended October 31, 2011 Compared to Three Months Ended October 31, 2010

Consolidated Results

Revenue

| | Three Months Ended October 31, | | | Percent |
|------------------|---------------------------------------|-------------|-----------------|----------------|
| | 2011 | 2010 | Increase | Change |
| | (dollars in thousands) | | | |
| Equipment | \$ 312,304 | \$ 241,096 | \$ 71,208 | 29.5% |
| Parts | 64,468 | 42,028 | 22,440 | 53.4% |
| Service | 29,843 | 20,832 | 9,011 | 43.3% |
| Rental and other | 16,345 | 7,351 | 8,994 | 122.4% |
| Total Revenue | \$ 422,960 | \$ 311,307 | \$ 111,653 | 35.9% |

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The increase in revenue for the three months ended October 31, 2011, as compared to the same period last year, was due to acquisitions contributing \$71.8 million and same-store sales growth contributing \$39.9 million to current period revenue. This revenue growth was in both our Agriculture and Construction segments and resulted from the continuation of a strong agriculture equipment market, an improved construction equipment market in the region in which we do business, and growth in the rental business in our Construction segment. This growth in the rental business reflects our initiative to expand this growth platform through strategic acquisitions, including the purchase of ABC Rental & Equipment Sales in the first quarter of fiscal 2012, new store openings, and an increase in the size of our designated rental fleet.

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Cost of Revenue

| | Three Months Ended October 31, | | | |
|------------------------------|--------------------------------|-------------------|------------------|----------------|
| | 2011 | 2010 | Increase | Percent Change |
| | (dollars in thousands) | | | |
| Equipment | \$ 283,690 | \$ 221,163 | \$ 62,527 | 28.3% |
| Parts | 44,389 | 29,296 | 15,093 | 51.5% |
| Service | 10,304 | 7,435 | 2,869 | 38.6% |
| Rental and other | 10,580 | 5,435 | 5,145 | 94.7% |
| Total Cost of Revenue | \$ 348,963 | \$ 263,329 | \$ 85,634 | 32.5% |

The increase in cost of revenue for the three months ended October 31, 2011, as compared to the same period last year, was primarily due to increased revenue. Acquisitions contributed \$57.4 million of the increase in total cost of revenue, while same-store sales growth contributed \$28.2 million of the increase. As a percentage of revenue, cost of revenue was 82.5% compared to 84.6% for the third quarter of fiscal 2011.

Gross Profit

| | Three Months Ended October 31, | | | |
|----------------------------------|--------------------------------|------------------|-------------------------|----------------|
| | 2011 | 2010 | Increase/ (Decrease) | Percent Change |
| | (dollars in thousands) | | | |
| Gross Profit | | | | |
| Equipment | \$ 28,614 | \$ 19,933 | \$ 8,681 | 43.6% |
| Parts | 20,079 | 12,732 | 7,347 | 57.7% |
| Service | 19,539 | 13,397 | 6,142 | 45.8% |
| Rental and other | 5,765 | 1,916 | 3,849 | 200.9% |
| Total Gross Profit | \$ 73,997 | \$ 47,978 | \$ 26,019 | 54.2% |
| Gross Profit Margin | | | | |
| Equipment | 9.2% | 8.3% | 0.9% | 10.8% |
| Parts | 31.1% | 30.3% | 0.8% | 2.6% |
| Service | 65.5% | 64.3% | 1.2% | 1.9% |
| Rental and other | 35.3% | 26.1% | 9.2% | 35.2% |
| Total Gross Profit Margin | 17.5% | 15.4% | 2.1% | 13.6% |
| Gross Profit Mix | | | | |
| Equipment | 38.7% | 41.5% | (2.8)% | (6.7)% |
| Parts | 27.1% | 26.5% | 0.6% | 2.3% |
| Service | 26.4% | 28.0% | (1.6)% | (5.7)% |
| Rental and other | 7.8% | 4.0% | 3.8% | 95.0% |
| Total Gross Profit Mix | 100.0% | 100.0% | | |

The \$26.0 million increase in gross profit for the three months ended October 31, 2011, as compared to the same period last year, was primarily due to increased revenue. Acquisitions contributed \$14.3 million to the increase in gross profit for the three months ended October 31, 2011,

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while increases in same-store gross profit contributed the remaining \$11.7 million. The increase in gross profit margin from 15.4% for the three months ended October 31, 2010 to 17.5% for the three months ended October 31, 2011 was primarily due to the increase in gross profit margin for equipment and rental and other, and changes in the sales mix. The increase in equipment gross profit margin was primarily reflective of an improved construction equipment market in the region in which we do business. Improvement in the gross profit margin for rental and other is primarily due to increased utilization of our rental fleet. While equipment revenue increased by 29.5% over the comparable period last year, the 53.4% increase in parts revenue, 43.3% increase in service revenue, and 122.4% increase in rental and other revenue caused a change in the sales mix that was more heavily weighted towards these higher-margin revenue sources, contributing to the increase in the overall gross profit margin.

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Operating Expenses

| | Three Months Ended October 31, | | | |
|---|---------------------------------------|-------------|-----------------|-----------------------|
| | 2011 | 2010 | Increase | Percent Change |
| | (dollars in thousands) | | | |
| Operating expenses | \$ 50,060 | \$ 32,849 | \$ 17,211 | 52.4% |
| Operating expenses as a percentage of revenue | 11.8% | 10.5% | 1.3% | 12.4% |

The \$17.2 million increase in operating expenses for the three months ended October 31, 2011, as compared to the same period last year, was primarily due to the additional costs associated with acquisitions such as compensation, rent and depreciation. As a percentage of total revenue, operating expenses increased to 11.8% for the three months ended October 31, 2011 compared to 10.5% for the three months ended October 31, 2010, reflecting higher operating expenses related to our Construction segment, which includes additional expenses associated with growing the rental business, and an increase in the Company's compensation expenses as a percentage of revenue. The increase in compensation expenses was impacted by sales commissions, which are calculated based on equipment gross profits rather than revenues.

Other Income (Expense)

| | Three Months Ended October 31, | | | |
|----------------------------|---------------------------------------|-------------|---------------------------------|-----------------------|
| | 2011 | 2010 | Increase/ (Decrease) | Percent Change |
| | (dollars in thousands) | | | |
| Interest and other income | \$ 307 | \$ 207 | \$ 100 | 48.3% |
| Floorplan interest expense | (2,625) | (2,138) | 487 | 22.8% |
| Interest expense other | (283) | (394) | (111) | (28.2)% |

The increase in floorplan interest expense of \$0.5 million for the three months ended October 31, 2011, as compared to the same period in the prior year, was primarily due to an increase in new equipment inventories to support forecasted equipment sales, resulting in an increase in the related interest-bearing floorplan notes payable balance. This was partially offset by lower interest rates associated with our Credit Agreement entered into on October 31, 2010.

Provision for Income Taxes

| | Three Months Ended October 31, | | | |
|----------------------------|---------------------------------------|-------------|-----------------|-----------------------|
| | 2011 | 2010 | Increase | Percent Change |
| | (dollars in thousands) | | | |
| Provision for income taxes | \$ 8,536 | \$ 5,098 | \$ 3,438 | 67.4% |

Our effective tax rate increased slightly from 39.8% for the three months ended October 31, 2010 to 40.0% for the three months ended October 31, 2011.

Table of Contents**Segment Results**

Certain financial information for our Agriculture and Construction business segments is set forth below. Revenue and income (loss) before income taxes at the segment level are reported before eliminations. Shared Resources in the table below refers to the various unallocated income/(expense) items that we have retained at the general corporate level. Intersegment revenue is immaterial.

| | Three Months Ended October 31, | | Increase/ (Decrease) | Percent Change |
|---|--------------------------------|------------|-------------------------|-------------------|
| | 2011 | 2010 | | |
| | (dollars in thousands) | | | |
| Revenue | | | | |
| Agriculture | \$ 361,601 | \$ 282,365 | \$ 79,236 | 28.1% |
| Construction | 77,435 | 39,827 | 37,608 | 94.4% |
| Segment revenue | 439,036 | 322,192 | 116,844 | 36.3% |
| Eliminations | (16,076) | (10,885) | (5,191) | (47.7)% |
| Total | \$ 422,960 | \$ 311,307 | \$ 111,653 | 35.9% |
| Income (Loss) Before Income Taxes | | | | |
| Agriculture | \$ 20,068 | \$ 14,420 | \$ 5,648 | 39.2% |
| Construction | 3,254 | (169) | 3,423 | 2025.4% |
| Segment income (loss) before income taxes | 23,322 | 14,251 | 9,071 | 63.7% |
| Shared Resources | (1,772) | (1,343) | (429) | (31.9)% |
| Eliminations | (214) | (104) | (110) | (105.8)% |
| Total | \$ 21,336 | \$ 12,804 | \$ 8,532 | 66.6% |

Agriculture

Agriculture segment revenue for the three months ended October 31, 2011 increased 28.1% compared to the same period last year. The revenue increase was due to acquisitions and an Agriculture same-store sales increase of 9.9% compared to the three months ended October 31, 2010. The same-store sales growth was positively impacted by a strong equipment market primarily caused by increased farm cash receipts for calendar year 2010 and anticipated strong farm cash receipts for calendar year 2011.

Agriculture segment income before income taxes for the three months ended October 31, 2011 increased 39.2% compared to the same period last year, primarily due to higher Agriculture segment revenue.

Construction

Construction segment revenue for the three months ended October 31, 2011 increased 94.4% compared to the same period last year. The revenue increase was due to acquisitions, a Construction same-store sales increase of 34.3% compared to the three months ended October 31, 2010, and growth in the rental business. The same-store sales growth was positively impacted by an improved construction equipment market in the region in which we do business and results from ongoing operational improvements. The growth in the rental business reflects our initiative to expand this growth platform through strategic acquisitions, including the purchase of ABC Rental & Equipment Sales in the first quarter of fiscal 2012,

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new store openings, and an increase in the size of our designated rental fleet.

The Construction segment earned segment income before income taxes of \$3.3 million for the three months ended October 31, 2011, compared to a segment loss before income taxes of \$0.2 million in the same period last year. This improvement was primarily caused by increases in Construction segment revenue and equipment gross profit margin, resulting from the aforementioned improvements in market conditions, and an increase in gross profit margin on rental and other, resulting from increased utilization of our rental fleet.

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Shared Resources/Eliminations

We incur centralized expenses/income at our general corporate level, which we refer to as Shared Resources, and then allocate these net expenses to our segments. Since these allocations are set early in the year, unallocated balances may occur.

Eliminations remove any inter-company revenue and income before income taxes residing in our segment results.

Nine Months Ended October 31, 2011 Compared to Nine Months Ended October 31, 2010

Consolidated Results

Revenue

| | Nine Months Ended October 31, 2011 | | 2010 (dollars in thousands) | | Increase | Percent Change |
|----------------------|---------------------------------------|------------------|--------------------------------|----------------|-------------------|-------------------|
| Equipment | \$ | 786,816 | \$ | 544,587 | \$ 242,229 | 44.5% |
| Parts | | 155,670 | | 111,038 | 44,632 | 40.2% |
| Service | | 76,202 | | 54,885 | 21,317 | 38.8% |
| Rental and other | | 33,286 | | 15,920 | 17,366 | 109.1% |
| Total Revenue | \$ | 1,051,974 | \$ | 726,430 | \$ 325,544 | 44.8% |

The increase in revenue for the nine months ended October 31, 2011, as compared to the same period last year, was due to acquisitions contributing \$157.3 million and same-store sales growth contributing \$168.2 million to current period revenue. This revenue growth was in both our Agriculture and Construction segments and resulted from the continuation of a strong agriculture equipment market, an improved construction equipment market in the region in which we do business, and growth in the rental business in our Construction segment. This growth in the rental business reflects our initiative to expand this growth platform through strategic acquisitions, including the purchase of ABC Rental & Equipment Sales in the first quarter of fiscal 2012, new store openings, and an increase in the size of our designated rental fleet.

Cost of Revenue

| | Nine Months Ended October 31, 2011 | | 2010 (dollars in thousands) | | Increase | Percent Change |
|-----------|---------------------------------------|---------|--------------------------------|---------|------------|-------------------|
| Equipment | \$ | 711,421 | \$ | 496,306 | \$ 215,115 | 43.3% |

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| | | | | |
|-----------------------|------------|------------|------------|-------|
| Parts | 108,535 | 78,666 | 29,869 | 38.0% |
| Service | 27,175 | 20,376 | 6,799 | 33.4% |
| Rental and other | 22,192 | 12,613 | 9,579 | 75.9% |
| Total Cost of Revenue | \$ 869,323 | \$ 607,961 | \$ 261,362 | 43.0% |

The increase in cost of revenue for the nine months ended October 31, 2011, as compared to the same period last year, was primarily due to increased revenue. Acquisitions contributed \$125.6 million of the increase in total cost of revenue, while same-store sales growth contributed \$135.8 million of the increase. As a percentage of revenue, cost of revenue was 82.6% compared to 83.7% for the same period last year.

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Gross Profit

| | Nine Months Ended October 31, | | Increase/ | Percent |
|----------------------------------|-------------------------------|-------------------|------------------|--------------|
| | 2011 | 2010 | (Decrease) | Change |
| | (dollars in thousands) | | | |
| Gross Profit | | | | |
| Equipment | \$ 75,395 | \$ 48,281 | \$ 27,114 | 56.2% |
| Parts | 47,135 | 32,372 | 14,763 | 45.6% |
| Service | 49,027 | 34,509 | 14,518 | 42.1% |
| Rental and other | 11,094 | 3,307 | 7,787 | 235.5% |
| Total Gross Profit | \$ 182,651 | \$ 118,469 | \$ 64,182 | 54.2% |
| Gross Profit Margin | | | | |
| Equipment | 9.6% | 8.9% | 0.7% | 7.9% |
| Parts | 30.3% | 29.2% | 1.1% | 3.8% |
| Service | 64.3% | 62.9% | 1.4% | 2.2% |
| Rental and other | 33.3% | 20.8% | 12.5% | 60.1% |
| Total Gross Profit Margin | 17.4% | 16.3% | 1.1% | 6.7% |
| Gross Profit Mix | | | | |
| Equipment | 41.3% | 40.8% | 0.5% | 1.2% |
| Parts | 25.8% | 27.3% | (1.5)% | (5.5)% |
| Service | 26.8% | 29.1% | (2.3)% | (7.9)% |
| Rental and other | 6.1% | 2.8% | 3.3% | 117.9% |
| Total Gross Profit Mix | 100.0% | 100.0% | | |

The \$64.2 million increase in gross profit for the nine months ended October 31, 2011, as compared to the same period last year, was primarily due to increased revenue. Acquisitions contributed \$31.7 million to the increase in gross profit for the nine months ended October 31, 2011, while increases in same-store gross profit contributed the remaining \$32.5 million. The increase in gross profit margin from 16.3% for the nine months ended October 31, 2010 to 17.4% for the nine months ended October 31, 2011 was primarily due to the increase in gross profit margin for equipment and rental and other. The increase in equipment gross profit margin was primarily reflective of an improved construction equipment market in the region in which we do business. The increase in gross profit margin on rental and other is due to an increase in utilization of our rental fleet.

Operating Expenses

| | Nine Months Ended October 31, | | Increase | Percent |
|---|-------------------------------|-----------|-----------|---------|
| | 2011 | 2010 | | Change |
| | (dollars in thousands) | | | |
| Operating expenses | \$ 133,556 | \$ 91,857 | \$ 41,699 | 45.4% |
| Operating expenses as a percentage of revenue | 12.7% | 12.6% | 0.1% | 0.8% |

The \$41.7 million increase in operating expenses for the nine months ended October 31, 2011, as compared to the same period last year, was primarily due to additional costs associated with acquisitions such as compensation, rent and depreciation. As a percentage of total revenue,

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operating expenses increased slightly to 12.7% for the nine months ended October 31, 2011, compared to 12.6% for the same period in the prior year. Higher operating expenses related to our Construction segment, which includes additional expenses associated with growing the rental business, and an increase in the Company's compensation expenses as a percentage of revenue offset our ability to leverage fixed operating costs over higher revenues. The increase in compensation expenses was impacted by sales commissions, which are calculated based on equipment gross profits rather than revenues.

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Other Income (Expense)

| | Nine Months Ended October 31, | | | |
|----------------------------|-------------------------------|---------|-------------------------|-------------------|
| | 2011 | 2010 | Increase/ (Decrease) | Percent Change |
| | (dollars in thousands) | | | |
| Interest and other income | \$ 859 | \$ 414 | \$ 445 | 107.5% |
| Floorplan interest expense | (5,121) | (5,850) | (729) | (12.5)% |
| Interest expense other | (899) | (1,129) | (230) | (20.4)% |

The decrease in floorplan interest expense of \$0.7 million for the nine months ended October 31, 2011, as compared to the same period in the prior year, was primarily due to lower interest rates associated with our Credit Agreement entered into on October 31, 2010. This was partially offset by an increase in new equipment inventories to support forecasted equipment sales, resulting in an increase in the related interest-bearing floorplan notes payable balance.

Provision for Income Taxes

| | Nine Months Ended October 31, | | | |
|----------------------------|-------------------------------|----------|----------|-------------------|
| | 2011 | 2010 | Increase | Percent Change |
| | (dollars in thousands) | | | |
| Provision for income taxes | \$ 17,575 | \$ 8,068 | \$ 9,507 | 117.8% |

Our effective tax rate decreased slightly from 40.2% for the nine months ended October 31, 2010 to 40.0% for the nine months ended October 31, 2011.

Segment Results

Certain financial information for our Agriculture and Construction business segments is set forth below. Revenue and income (loss) before income taxes at the segment level are reported before eliminations. Shared Resources in the table below refers to the various unallocated income/(expense) items that we have retained at the general corporate level. Intersegment revenue is immaterial.

| | Nine Months Ended October 31, | | | |
|-----------------|-------------------------------|------------|-------------------------|-------------------|
| | 2011 | 2010 | Increase/ (Decrease) | Percent Change |
| | (dollars in thousands) | | | |
| Revenue | | | | |
| Agriculture | \$ 914,932 | \$ 645,269 | \$ 269,663 | 41.8% |
| Construction | 181,395 | 108,140 | 73,255 | 67.7% |
| Segment revenue | 1,096,327 | 753,409 | 342,918 | 45.5% |
| Eliminations | (44,353) | (26,979) | (17,374) | (64.4)% |
| Total | \$ 1,051,974 | \$ 726,430 | \$ 325,544 | 44.8% |

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Income (Loss) Before Income Taxes

| | | | | | | | |
|---|----|---------|----|---------|----|---------|---------|
| Agriculture | \$ | 43,964 | \$ | 25,458 | \$ | 18,506 | 72.7% |
| Construction | | 4,482 | | (2,936) | | 7,418 | 252.7% |
| Segment income (loss) before income taxes | | 48,446 | | 22,522 | | 25,924 | 115.1% |
| Shared Resources | | (3,786) | | (1,977) | | (1,809) | (91.5)% |
| Eliminations | | (726) | | (498) | | (228) | (45.8)% |
| Total | \$ | 43,934 | \$ | 20,047 | \$ | 23,887 | 119.2% |

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Agriculture

Agriculture segment revenue for the nine months ended October 31, 2011 increased 41.8% compared to the same period last year. The revenue increase was due to acquisitions and an Agriculture same-store sales increase of 21.6% over the nine months ended October 31, 2010. The same-store sales growth was positively impacted by a strong equipment market primarily caused by increased farm cash receipts for calendar year 2010 and anticipated strong farm cash receipts for calendar year 2011.

Agriculture segment income before income taxes for the nine months ended October 31, 2011 increased 72.7% compared to the same period last year, primarily due to higher Agriculture segment revenue.

Construction

Construction segment revenue for the nine months ended October 31, 2011 increased 67.7% compared to the same period last year. The revenue increase was due to acquisitions, a Construction same-store sales increase of 33.8% over the nine month ended October 31, 2010, and growth in the rental business. The same-store sales growth was positively impacted by an improved construction equipment market in the region in which we do business and results from ongoing operational improvements. The growth in the rental business reflects our initiative to expand this growth platform through strategic acquisitions, including the purchase of ABC Rental & Equipment Sales in the first quarter of fiscal 2012, new store openings, and an increase in the size of our designated rental fleet.

The Construction segment earned segment income before income taxes of \$4.5 million, compared to a segment loss before income taxes of \$2.9 million in the same period last year. This improvement was primarily caused by increases in Construction segment revenue and equipment gross profit margin, resulting from the aforementioned improvements in market conditions, and an increase in gross profit margin on rental and other, resulting from increased utilization of our rental fleet.

Shared Resources/Eliminations

We incur centralized expenses/income at our general corporate level, which we refer to as Shared Resources, and then allocate these net expenses to our segments. Since these allocations are set early in the year, unallocated balances may occur.

Eliminations remove any inter-company revenue and income before income taxes residing in our segment results.

Liquidity and Capital Resources

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Cash Flow from Operating Activities

For the nine months ended October 31, 2011, cash used for operating activities was \$176.8 million. Our cash used for operating activities was primarily the result of an increase in net cash for inventories of \$232.5 million. This amount was principally offset by our reported net income of \$26.4 million, an add-back of non-cash depreciation and amortization of \$10.2 million, and an increase in accounts payable, customer deposits, accrued expenses and other long-term liabilities of \$14.6 million. The increase in inventories primarily reflects new equipment stocking to support forecasted equipment sales. We evaluate our cash flow from operating activities net of all floorplan activity and short-term advances related to customer contracts in transit. Taking these adjustments into account, our non-GAAP cash flow used for operating activities was \$14.5 million as of October 31, 2011. For a reconciliation of this non-GAAP financial measure, please see the Non-GAAP Cash Flow Reconciliation section below.

For the nine months ended October 31, 2010, cash used for operating activities was \$41.3 million. Our cash used for operations was primarily the result of an increase in net cash used for inventories of \$57.1 million and a net increase in receivables, prepaid expenses and other assets of \$12.6 million. This amount was offset primarily by our reported net income of \$12.0 million, an add-back of non-cash depreciation and amortization of \$6.4 million, an increase in income taxes payable of

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\$4.7 million and an increase in manufacturer floorplan notes payable of \$2.9 million. The increase in inventories primarily reflected new equipment purchases to support future sales.

Cash Flow from Investing Activities

For the nine months ended October 31, 2011, cash used for investing activities was \$47.2 million. Our cash used for investing activities primarily consisted of purchases of equipment dealerships (net of cash purchased) of \$38.6 million and purchases of property and equipment of \$11.7 million.

For the nine months ended October 31, 2010, cash used for investing activities was \$13.2 million. Our cash used for investing activities primarily consisted of purchases of property and equipment of \$11.2 million and the purchases of equipment dealerships (net of cash purchased) of \$2.4 million.

Cash Flow from Financing Activities

For the nine months ended October 31, 2011, cash provided by financing activities was \$245.8 million. Cash provided by financing activities was primarily the result of an increase in non-manufacturer floorplan notes payable of \$162.7 million, \$74.9 million in net proceeds from our follow-on offering, and proceeds from long-term debt borrowings exceeding principal payments on long-term debt by \$8.2 million.

For the nine months ended October 31, 2010, cash provided by financing activities was \$44.3 million. Cash provided by financing activities was primarily the result of an increase in non-manufacturer floorplan notes payable of \$45.2 million, offset by principal payments on long-term debt exceeding proceeds from long-term debt borrowings by \$0.9 million.

Non-GAAP Cash Flow Reconciliation

Non-GAAP cash flow provided by (used for) operating activities is a non-GAAP financial measure which is adjusted for the following:

- Non-manufacturer floorplan notes payable: We review our cash flow from operating activities to include all floorplan notes payable activity regardless of whether we obtain the financing from a manufacturer or a non-manufacturer. We consider inventory financing with both manufacturers and non-manufacturers to be part of the normal operations of our business and use the adjusted cash flow analysis in the evaluation of our inventory and inventory flooring needs. GAAP categorizes non-manufacturer floorplan notes payable as financing activities in the consolidated statements of cash flows.

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- Short-term advances related to customer contracts in transit: We review our cash flow from operating activities to include short-term advances related to customer contracts in transit. These advances are directly related to our contracts in transit and are considered part of our working capital. GAAP categorizes short-term advances related to customer contracts in transit as financing activities in the consolidated statements of cash flows.

The following table reconciles net cash provided by (used for) operating activities, a GAAP measure, to non-GAAP cash flow provided by (used for) operating activities as of October 31, 2011 and 2010 and net cash provided by (used for)

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financing activities, a GAAP measure, to non-GAAP cash flow provided by (used for) financing activities as of October 31, 2011 and 2010:

| | Cash Flow As Reported | Adjustment (1) | Adjustment (2) | | Non-GAAP Cash Flow |
|--|--------------------------|-------------------|-------------------|--|-----------------------|
| | (in thousands) | | | | |
| Nine months ended October 31, 2011 | | | | | |
| Net cash provided by (used for) operating activities | \$ (176,842) | \$ 162,698 | \$ (388) | | \$ (14,532) |
| Net cash provided by (used for) financing activities | 245,784 | (162,698) | 388 | | 83,474 |
| Nine months ended October 31, 2010 | | | | | |
| Net cash provided by (used for) operating activities | \$ (41,311) | \$ 45,179 | \$ (104) | | \$ 3,764 |
| Net cash provided by (used for) financing activities | 44,335 | (45,179) | 104 | | (740) |

(1) - Net change in non-manufacturer floorplan notes payable

(2) - Net change in short-term advances related to customer contracts in transit

Non-GAAP cash flow provided by (used for) operating activities should be evaluated in addition to, and not considered a substitute for, or superior to, other GAAP measures such as net cash provided by (used for) operating activities.

Sources of Liquidity

Our primary sources of liquidity are cash reserves, cash flow from operations, proceeds from the issuance of debt and equity, and borrowings under our credit facilities. We expect that ongoing requirements for debt service and capital expenditures will be funded from these sources.

Adequacy of Capital Resources

Our primary uses of cash have been to fund our strategic acquisitions, finance the purchase of inventory, meet debt service requirements and fund operating activities, working capital, payments due under building space operating leases and manufacturer floorplan notes payable. Based on our current operational performance, we believe our cash flow from operations, available cash and available borrowings under our existing credit facilities will adequately provide our liquidity needs for, at a minimum, the next 12 months.

Certain Information Concerning Off-Balance Sheet Arrangements

We do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance, special purpose entities or variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. We are, therefore, not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in these relationships. In the normal course of our business activities, we lease rental equipment and buildings under operating leases.

PRIVATE SECURITIES LITIGATION REFORM ACT

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. Such forward-looking information is included in this Quarterly Report on Form 10-Q, including in Management's Discussion And Analysis Of Financial Condition And Results Of Operations, as well as in our Annual Report on Form 10-K for the year ended January 31, 2011, and in other materials filed or to be filed by the Company with the Securities and Exchange Commission (as well as information included in oral statements or other written statements made or to be made by the Company).

Forward-looking statements include all statements based on future expectations and specifically include, among other things, all statements relating to our expectations regarding inventory levels, interest expense, line of credit repayment, agriculture market conditions, our primary liquidity sources and adequacy of our capital resources. Any statements that are not based upon historical facts, including the outcome of events that have not yet occurred and our expectations for future performance, are forward-looking statements. The words potential, believe, estimate, expect, intend, may, could, will, plan, anticipate, and similar words and expressions are intended to identify forward-looking statements. Statements are based upon the current

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beliefs and expectations of our management. Such forward-looking information involves important risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, such results may differ from those expressed in any forward-looking statements made by or on behalf of the Company. These risks and uncertainties include, but are not limited to, adverse market conditions in the agricultural and construction equipment industries, the continuation of unfavorable conditions in the credit markets, difficulties in conducting international operations and those matters identified and discussed in our most recent Annual Report on Form 10-K under the section titled "Risk Factors," as updated in our subsequent periodic reports.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in interest rates. Market risk is the potential loss arising from adverse changes in market rates and prices such as interest rates. For fixed rate debt, interest rate changes affect the fair value of financial instruments but do not impact earnings or cash flows. Conversely, for floating rate debt, interest rate changes generally do not affect the fair value but do impact future earnings and cash flows, assuming other factors are held constant. We have both fixed and floating rate financing.

Based upon balances and interest rates as of October 31, 2011, holding other variables constant, a one percentage point increase in interest rates for the next 12-month period would decrease pre-tax earnings and cash flow by approximately \$3.6 million. Conversely, a one percentage point decrease in interest rates for the next 12-month period would result in an increase to pre-tax earnings and cash flow of approximately \$3.6 million. At October 31, 2011, we had variable rate floorplan notes payable of \$576.8 million, of which approximately \$310.3 million was interest-bearing, variable notes payable and long-term debt of \$50.8 million, and fixed rate notes payable and long-term debt of \$10.7 million.

Our policy is not to enter into derivatives or other financial instruments for trading or speculative purposes.

ITEM 4. CONTROLS AND PROCEDURES

(a) *Evaluation of disclosure controls and procedures.* After evaluating the effectiveness of the Company's disclosure controls and procedures pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934 (the "Exchange Act") as of the end of the period covered by this Quarterly Report, the Company's Chief Executive Officer and Chief Financial Officer, with the participation of the Company's management, have concluded that the Company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) are effective.

(b) *Changes in internal controls.* There has not been any change in the Company's internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) during its most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are currently not a party to any material pending legal proceedings.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, including the important information in Private Securities Litigation Reform Act, you should carefully consider the Risk Factors discussed in our Form 10-K for the year ended January 31, 2011 as filed with the Securities and Exchange Commission. Those factors, if they were to occur, could cause our actual results to differ materially from those expressed in our forward-looking statements in this report, and materially adversely affect our financial condition or future results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial might materially adversely affect our actual business, financial condition and/or operating results. In addition, you should consider the following risk factor:

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International operations expose us to additional risks.

Operations in countries outside the U.S. are accompanied by certain risks and potential costs, including:

- difficulties implementing our business model in foreign markets;
- costs and diversion of management attention related to oversight of international operations;
- fluctuations in foreign currency exchange rates;
- tariffs, quotas, and other regulations of international trade;
- import and export licensing requirements;
- compliance with multiple, and potentially conflicting, foreign laws, regulations and policies that are subject to change;
- compliance with the Foreign Corrupt Practices Act and other U.S. laws that apply to the international operations of U.S. companies;
- lesser intellectual property protection in some foreign countries than exists in the U.S.;
- changing economic conditions in the international markets in which we operate;
- labor practices that differ from those in the U.S.; and
- political and economic instability, including occasional disruption in foreign financial markets.

These factors, in addition to others that we have not anticipated, may negatively impact our business, results of operations and financial condition.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. (REMOVED AND RESERVED)

ITEM 5. OTHER INFORMATION

On October 19, 2011, we entered into a Credit Commitment Increase Agreement (the *Increase Agreement*) with a syndicated group of lenders comprised of Wells Fargo Bank, National Association, CoBank, ACB, Bank of America, N.A., U.S. Bank National Association, and Bank of the West (collectively, and including Bremer Bank, the *Lenders*). The *Increase Agreement* raised aggregate commitment amounts by \$50 million under our Credit Agreement with the *Lenders* dated October 31, 2010, as amended (the *Credit Agreement*). Specifically, the *Increase Agreement* increased *Lenders* aggregate working capital commitment under the *Credit Agreement* by \$25 million, to \$75 million, and *Lenders* aggregate floorplan financing commitment by \$25 million, to \$200 million. Individual Lender commitment amounts and percentage share amounts were also revised. All other material provisions of the *Credit Agreement* remained unchanged.

On October 27, 2011, we entered into an amendment (the *CNH Amendment*) to our Amended and Restated Wholesale Floor Plan Credit Facility and Security Agreement dated November 13, 2007 with CNH Capital America LLC, as amended (the *CNH Facility*), which *CNH Amendment* increased our total wholesale floor plan credit limit under the *CNH Facility* by \$50 million to \$350 million. All other material provisions of the *Credit Agreement* remained unchanged.

The foregoing descriptions of the material terms of the *Increase Agreement* and *CNH Amendment* do not purport to be complete and are qualified in their entirety by reference to the full text of the *Increase Agreement* and *CNH Amendment*, which are filed as Exhibit 10.1 and Exhibit 10.2, respectively, to this Quarterly Report.

ITEM 6. EXHIBITS

Exhibits - See Exhibit Index on page following signature page.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: December 9, 2011

TITAN MACHINERY INC.

By

/s/ Mark P. Kalvoda
Mark P. Kalvoda
Chief Financial Officer
(Principal Financial Officer)

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EXHIBIT INDEX

TITAN MACHINERY INC.

FORM 10-Q

| Exhibit No. | Description |
|--------------------|--|
| *10.1 | Credit Commitment Increase Agreement dated October 19, 2011 by and among the Company and the Lenders party thereto. |
| *10.2 | Amendment dated October 27, 2011 to Amended and Restated Wholesale Floor Plan Credit Facility and Security Agreement, by and between the Company and CNH Capital America LLC. |
| *10.3 | Letter Agreement with CNH Capital America, LLC dated September 30, 2011. |
| *10.4 | Second Amendment to Credit Agreement dated as of December 1, 2011 by and among the Company and the Lenders party thereto. |
| *31.1 | Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| *31.2 | Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| *32.1 | Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| *32.2 | Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| **101 | Financial statements from the Quarterly Report on Form 10-Q of the Company for the quarter ended October 31, 2011, formatted in XBRL: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statement of Stockholders Equity, (iv) the Consolidated Statements of Cash Flows, and (v) the Notes to the Consolidated Financial Statements tagged as blocks of text. |

*Filed herewith

** Furnished herewith