

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

Washington, DC 20549

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**FORM 10-Q**

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

For the quarterly period ended April 30, 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**

(Address of Principal Executive Offices)

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Registrant's telephone number (701) 356-0130

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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"/><br>(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 May 31, 2011 was: Common Stock, \$0.00001 par value, 20,681,468 shares.

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**TITAN MACHINERY INC.**  
**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)**

|  | <b>April 30,<br/>2011<br/>(Unaudited)</b> | <b>January 31,<br/>2011</b> |
|--|---|-----------------------------|
| <b>ASSETS</b>  |   |                             |
| <b>CURRENT ASSETS</b>  |   |                             |
| Cash and cash equivalents                                    | \$ 81,607                                 | \$ 76,112                   |
| Receivables, net   | 51,474                                    | 44,945                      |
| Inventories  | 463,506                                   | 429,844                     |
| Prepaid expenses   | 939                                       | 1,003                       |
| Deferred income taxes  | 3,238                                     | 3,247                       |
| Total current assets   | 600,764                                   | 555,151                     |
| <b>INTANGIBLES AND OTHER ASSETS</b>                          |   |                             |
| Noncurrent parts inventories                                 | 2,606                                     | 2,405                       |
| Goodwill   | 19,285                                    | 18,391                      |
| Intangible assets, net of accumulated amortization           | 6,676                                     | 4,734                       |
| Other  | 2,691                                     | 2,793                       |
|  | 31,258                                    | 28,323                      |
| PROPERTY AND EQUIPMENT, net of accumulated depreciation      | 79,434                                    | 65,372                      |
|  | \$ 711,456                                | \$ 648,846                  |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>                   |   |                             |
| <b>CURRENT LIABILITIES</b>                                   |   |                             |
| Accounts payable   | \$ 26,731                                 | \$ 15,957                   |
| Floorplan notes payable                                      | 354,396                                   | 320,801                     |
| Current maturities of long-term debt and short-term advances | 8,088                                     | 4,207                       |
| Customer deposits  | 37,072                                    | 28,180                      |
| Accrued expenses   | 15,460                                    | 16,816                      |
| Income taxes payable   | 2,292                                     | 2,093                       |
| Total current liabilities                                    | 444,039                                   | 388,054                     |
| <b>LONG-TERM LIABILITIES</b>                                 |   |                             |
| Long-term debt, less current maturities                      | 33,092                                    | 33,409                      |
| Deferred income taxes  | 9,663                                     | 9,012                       |
| Other long-term liabilities                                  | 2,530                                     | 3,814                       |

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|  |            |            |
|--|------------|------------|
|  | 45,285     | 46,235     |
| <b>STOCKHOLDERS EQUITY</b>   |            |            |
| Common stock, par value \$.00001 per share, authorized - 25,000 shares; issued and outstanding - 17,922 at April 30, 2011 and 17,917 at January 31, 2011 |            |            |
| Additional paid-in-capital   | 140,773    | 140,466    |
| Retained earnings  | 81,359     | 74,091     |
|  | 222,132    | 214,557    |
|  | \$ 711,456 | \$ 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)**

|  | <b>Three Months Ended</b> |                 |
|--|---------------------------|-----------------|
|  | <b>April 30,</b>          |                 |
|  | <b>2011</b>               | <b>2010</b>     |
| <b>REVENUE</b>                           |                           |                 |
| Equipment                                | \$ 249,229                | \$ 150,360      |
| Parts                                    | 41,910                    | 35,063          |
| Service                                  | 20,964                    | 16,551          |
| Other, including trucking and rental     | 6,062                     | 3,483           |
| <b>TOTAL REVENUE</b>                     | <b>318,165</b>            | <b>205,457</b>  |
| <b>COST OF REVENUE</b>                   |                           |                 |
| Equipment                                | 223,301                   | 136,801         |
| Parts                                    | 29,720                    | 25,186          |
| Service                                  | 7,908                     | 5,971           |
| Other, including trucking and rental     | 4,433                     | 3,056           |
| <b>TOTAL COST OF REVENUE</b>             | <b>265,362</b>            | <b>171,014</b>  |
| <b>GROSS PROFIT</b>                      | <b>52,803</b>             | <b>34,443</b>   |
| <b>OPERATING EXPENSES</b>                | <b>39,436</b>             | <b>29,796</b>   |
| <b>INCOME FROM OPERATIONS</b>            | <b>13,367</b>             | <b>4,647</b>    |
| <b>OTHER INCOME (EXPENSE)</b>            |                           |                 |
| Interest and other income                | 285                       | 173             |
| Floorplan interest expense               | (1,162)                   | (1,801)         |
| Interest expense other                   | (275)                     | (377)           |
| <b>INCOME BEFORE INCOME TAXES</b>        | <b>12,215</b>             | <b>2,642</b>    |
| <b>PROVISION FOR INCOME TAXES</b>        | <b>(4,947)</b>            | <b>(1,083)</b>  |
| <b>NET INCOME</b>                        | <b>\$ 7,268</b>           | <b>\$ 1,559</b> |
| <b>EARNINGS PER SHARE - NOTE 1</b>       |                           |                 |
| <b>EARNINGS PER SHARE - BASIC</b>        | <b>\$ 0.41</b>            | <b>\$ 0.09</b>  |
| <b>EARNINGS PER SHARE - DILUTED</b>      | <b>\$ 0.40</b>            | <b>\$ 0.09</b>  |
| <b>WEIGHTED AVERAGE SHARES - BASIC</b>   | <b>17,754</b>             | <b>17,617</b>   |
| <b>WEIGHTED AVERAGE SHARES - DILUTED</b> | <b>18,309</b>             | <b>18,040</b>   |

See Notes to Consolidated Financial Statements





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

|  | <b>Three Months Ended April 30,</b> |                  |
|--|-------------------------------------|------------------|
|  | <b>2011</b>                         | <b>2010</b>      |
| <b>OPERATING ACTIVITIES</b>  |                                     |                  |
| Net income   | \$ 7,268                            | \$ 1,559         |
| Adjustments to reconcile net income to net cash provided by (used for) operating activities                      |                                     |                  |
| Depreciation and amortization  | 2,642                               | 2,078            |
| Deferred income taxes  | 20                                  | (376)            |
| Stock-based compensation expense   | 301                                 | 275              |
| Other  | 4                                   | 24               |
| Changes in assets and liabilities, net of purchase of equipment dealerships assets and assumption of liabilities |                                     |                  |
| Receivables, prepaid expenses and other assets   | (6,011)                             | (1,900)          |
| Inventories  | (29,542)                            | 6,771            |
| Floorplan notes payable  | 4,253                               | (905)            |
| Accounts payable, customer deposits, accrued expenses and other long-term liabilities                            | 16,383                              | 190              |
| Income taxes   | (249)                               | 604              |
| <b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>  | <b>(4,931)</b>                      | <b>8,320</b>     |
| <b>INVESTING ACTIVITIES</b>  |                                     |                  |
| Property and equipment purchases   | (2,286)                             | (2,166)          |
| Net proceeds from sale of equipment  | 647                                 | 119              |
| Purchase of equipment dealerships, net of cash purchased   | (7,039)                             |                  |
| Other, net   | 4                                   | (150)            |
| <b>NET CASH USED FOR INVESTING ACTIVITIES</b>  | <b>(8,674)</b>                      | <b>(2,197)</b>   |
| <b>FINANCING ACTIVITIES</b>  |                                     |                  |
| Net change in non-manufacturer floorplan notes payable   | 22,731                              | 704              |
| Short-term advances related to customer contracts in transit, net  | 356                                 | (598)            |
| Proceeds from long-term debt borrowings  |                                     | 257              |
| Principal payments on long-term debt   | (3,993)                             | (1,346)          |
| Other  | 6                                   | 9                |
| <b>NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES</b>  | <b>19,100</b>                       | <b>(974)</b>     |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>   | <b>5,495</b>                        | <b>5,149</b>     |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>  | <b>76,112</b>                       | <b>76,185</b>    |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>  | <b>\$ 81,607</b>                    | <b>\$ 81,334</b> |

See Notes to Consolidated Financial Statements



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**CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) Page 2**

(in thousands)

|  | <b>Three Months Ended April 30,</b> |             |
|--|-------------------------------------|-------------|
|  | <b>2011</b>                         | <b>2010</b> |
| <b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>                             |                                     |             |
| Cash paid during the period  |                                     |             |
| Income taxes, net of refunds   | \$ 5,171                            | \$ 863      |
| Interest   | \$ 1,252                            | \$ 2,166    |
| <b>SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>        |                                     |             |
| Property and equipment purchased with long-term debt                                 | \$ 251                              | \$ 798      |
| Net transfer of equipment from (to) fixed assets to (from) inventories               | \$ (8,097)                          | \$ (1,104)  |
| Net transfer of financing from (to) long-term debt to (from) floorplan notes payable | \$ (1,696)                          | \$          |

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. Operating results for the three-month period ended April 30, 2011 are not necessarily indicative of the results that may be expected for the 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 Titan Machinery Inc. (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 accounting principles generally accepted in the United States of America 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 April 30, 2011 and January 31, 2011.

### *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 U.S. GAAP or International Financial Reporting Standards ( IFRS ). 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.

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In December 2010, the FASB amended authoritative guidance on business combinations, codified in ASC 805, *Business Combinations*. This guidance clarifies that, when presenting comparative financial statements, registrants should disclose revenue and earnings of the combined entity as though the current period business combinations had occurred as of the beginning of the comparable prior annual reporting period. The guidance also expands the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The guidance is effective prospectively for material (either on an individual or aggregate basis) business combinations entered into in fiscal years beginning on or after December 15, 2010 with early adoption permitted. The Company adopted this guidance on February 1, 2011. Its adoption did not have a material effect on the Company's consolidated financial statements.

In December 2010, the FASB amended authoritative guidance on goodwill impairment testing, codified in ASC 305, *Intangibles - Goodwill and Other*. This guidance modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts, and requires performance of Step 2 of the goodwill impairment test for such reporting units if it is more likely than not that, when considering qualitative factors, an impairment exists. The Company adopted this guidance on February 1, 2011. Its adoption did not have a material effect on the Company's consolidated financial statements.

In January 2010, the FASB updated authoritative guidance on fair value measurements, codified in ASC 820, *Fair Value Measurements and Disclosures*. This guidance required additional disclosure of significant transfers in and out of Level 1 and Level 2 fair value measurements and activity in Level 3 fair value measurements. It also clarified existing disclosure requirements regarding level of disaggregation and valuation inputs and techniques. The guidance is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosure of the Level 3 activity, which is effective for interim and fiscal years beginning after December 15, 2010. The Company adopted these provisions on February 1, 2010, except for the Level 3 activity disclosures, which the Company adopted on February 1, 2011. Its adoption did not have a material effect on the Company's consolidated financial statements.

In October 2009, the FASB issued authoritative guidance on revenue recognition, codified in ASC 605-25, *Revenue Recognition*. This guidance modifies the fair value requirements of revenue recognition on multiple element arrangements by allowing the use of the best estimate of selling price in addition to vendor specific objective evidence and third-party evidence for determining the selling price of a deliverable. This guidance establishes a selling price hierarchy for determining the selling price of a deliverable, which is based on: (a) vendor-specific objective evidence, (b) third-party evidence, or (c) estimates. In addition, the guidance eliminates the residual method of allocation and significantly expands the disclosure requirements for such arrangements. The Company adopted this guidance on February 1, 2011. Its adoption did not have a material effect on the Company's consolidated financial statements.

### *Earnings Per Share*

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

|   | Three Months Ended April 30, |        |
|---|------------------------------|--------|
|   | 2011                         | 2010   |
|   | (in thousands)               |        |
| Basic weighted-average shares outstanding         | 17,754                       | 17,617 |
| Plus: Incremental shares from assumed conversions |                              |        |
| Restricted Stock                                  | 168                          | 167    |

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|   |        |        |
|---|--------|--------|
| Warrants                                    | 30     | 59     |
| Stock Options                               | 357    | 197    |
| Diluted weighted-average shares outstanding | 18,309 | 18,040 |

There were 138,500 stock options outstanding as of April 30, 2010, that were not included in the computation of diluted earnings per share because they were anti-dilutive. There were no stock options outstanding as of April 30, 2011 that were anti-dilutive.

Table of Contents**NOTE 2 - INVENTORIES**

|                       | April 30,<br>2011 | (in thousands) | January 31,<br>2011 |
|-----------------------|-------------------|----------------|---------------------|
| New equipment         | \$ 247,350        |                | \$ 209,871          |
| Used equipment        | 149,929           |                | 162,254             |
| Parts and attachments | 60,564            |                | 52,694              |
| Work in process       | 5,663             |                | 5,025               |
|                       | \$ 463,506        |                | \$ 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*

As of April 30, 2011, the Company had a \$50.0 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 \$26.4 million outstanding on its operating lines of credit as of April 30, 2011 and January 31, 2011. 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 April 30, 2011, the Company had discretionary floorplan lines of credit for equipment purchases totaling approximately \$550.0 million with various lending institutions, including \$175.0 million under the aforementioned Credit Agreement, a \$300.0 million Wholesale Floorplan Credit Facility with CNH Capital America LLC (CNH Capital) and a \$75.0 million Wholesale Financing Plan with Rental Agreement with Agricredit Acceptance LLC. Floorplan notes payable relating to these credit facilities totaled approximately \$329.1 million of the total floorplan notes payable balance of \$354.4 million outstanding as of April 30, 2011 and \$300.6 million of the total floorplan notes payable balance of \$320.8 million outstanding as of January 31, 2011. As of April 30, 2011, the Company had approximately \$213.8 million in available borrowings remaining under these lines of credit. These floorplan notes carried various interest rates primarily ranging from 2.21% to 7.25% as of April 30, 2011, subject to interest-free periods offered by CNH Capital. As of April 30, 2011, the Company was in compliance with all floorplan financial covenants.

**NOTE 4 - BUSINESS COMBINATIONS**



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The Company continued to implement its strategy of consolidating dealerships in desired market areas. Below is a summary of the acquisitions completed for the three months ended April 30, 2011. In certain of the business combination transactions the Company recognized goodwill. Factors contributing to the recognition of goodwill include an evaluation of enterprise value, historical financial performance, and proximity to other existing and future planned Company locations. 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 results 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 acquired entity 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 dealership was \$1.0 million.

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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 and is contiguous to the Company's existing location in Marshall, Minnesota. The acquisition-date fair value of the total consideration transferred for the dealership was \$5.8 million.

On April 1, 2011, the Company acquired certain assets of ABC Rental & Equipment Sales. The acquired entity 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 dealerships was \$5.4 million.

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

|  | <b>April 30,<br/>2011<br/>(in thousands)</b> |
|--|--|
| Cash   | \$ 94  |
| Receivables  | 199  |
| Inventories  | 5,883  |
| Prepaid expenses                                       | 255  |
| Deferred income taxes                                  | 11   |
| Property and equipment                                 | 6,534  |
| Intangible assets                                      | 2,031  |
| Goodwill   | 894  |
|  | \$ 15,901                                    |
| Accounts payable                                       | \$ 224                                       |
| Floorplan notes payable                                | 1,772  |
| Customer deposits                                      | 131  |
| Accrued expenses                                       | 15   |
| Income taxes payable                                   | 448  |
| Long-term debt   | 442  |
| Deferred income taxes                                  | 651  |
|  | \$ 3,683                                     |
| Cash consideration                                     | 7,133  |
| Non-cash consideration: liabilities incurred           | 5,085  |
| Total consideration                                    | \$ 12,218                                    |
| Goodwill related to the Agriculture operating segment  | \$ 894                                       |
| Goodwill related to the Construction operating segment | \$   |
| Goodwill expected to be deductible for tax purposes    | \$ 16  |

### **NOTE 5 - SEGMENT INFORMATION AND OPERATING RESULTS**

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Revenue, income before income tax 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.

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

|   | <b>Three Months Ended April 30,</b> |             |
|---|-------------------------------------|-------------|
|   | <b>2011</b>                         | <b>2010</b> |
|   | <b>(in thousands)</b>               |             |
| <b>Revenue</b>                            |                                     |             |
| Agriculture                               | \$ 286,978                          | \$ 181,382  |
| Construction                              | 44,139                              | 32,104      |
| Segment revenues                          | 331,117                             | 213,486     |
| Eliminations                              | (12,952)                            | (8,029)     |
| Total                                     | \$ 318,165                          | \$ 205,457  |
| <b>Income (Loss) Before Income Taxes</b>  |                                     |             |
| Agriculture                               | \$ 12,959                           | \$ 4,792    |
| Construction                              | 652                                 | (1,915)     |
| Segment income (loss) before income taxes | 13,611                              | 2,877       |
| Shared Resources                          | (1,127)                             | 9           |
| Eliminations                              | (269)                               | (244)       |
| Income before income taxes                | \$ 12,215                           | \$ 2,642    |

|                     | <b>April 30,</b>      | <b>January 31,</b> |
|---------------------|-----------------------|--------------------|
|                     | <b>2011</b>           | <b>2011</b>        |
|                     | <b>(in thousands)</b> |                    |
| <b>Total Assets</b> |                       |                    |
| Agriculture         | \$ 526,517            | \$ 514,049         |
| Construction        | 119,507               | 98,535             |
| Segment assets      | 646,024               | 612,584            |
| Shared Resources    | 66,778                | 37,340             |
| Eliminations        | (1,346)               | (1,078)            |
| Total               | \$ 711,456            | \$ 648,846         |

### **NOTE 6 - SUBSEQUENT EVENTS**

On May 11, 2011, the Company received approximately \$75.0 million (net of underwriter fees of \$4.2 million and estimated offering expenses of approximately \$0.2 million) as a result of its public offering of 2.76 million shares of common stock, priced at \$28.75 per share.

On May 13, 2011, the Company acquired certain assets of Carlson Tractor & Equipment, Inc. The acquired entity 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 dealerships was \$3.0 million.

On May 31, 2011, the Company acquired certain assets of St. Joseph Equipment Inc. The acquired entity consisted of four construction equipment locations 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 dealerships was \$1.0 million.

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During the second quarter of fiscal year 2012, the Company established plans to consolidate the operations of its Belgrade, Montana store with the recently acquired store in Bozeman, Montana. The Company expects to close the Belgrade store by July 31, 2011, and will account for all exit costs related to this closure in accordance with ASC 420, *Exit or Disposal Cost Obligations*. The Company expects the primary costs to relate to terminating our lease agreement, which has average monthly minimum lease payments of approximately \$7,500 and expires on December 31, 2018. The Company will record 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, in accordance with ASC 420. The Company expects the closing costs of the Belgrade store to be approximately \$0.01 per diluted share and will be realized in the second quarter of fiscal 2012.

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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 Form 10-K 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 \$7.3 million, or \$0.40 per diluted share, for the three months ended April 30, 2011, compared to \$1.6 million, or \$0.09 per diluted share, for the three months ended April 30, 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 and improved construction equipment market;
- Increase in gross profit primarily due to increased revenue, and improvement in gross profit margin on equipment and other, including trucking and rental;
- Operating expenses as a percentage of total revenue decreased to 12.4% for the three months ended April 30, 2011 compared to 14.5% for the three months ended April 30, 2010, due to improved fixed operating cost leverage resulting from higher revenue; and

- Decrease in floorplan interest expense due to lower interest rates associated with our new Credit Agreement entered into on October 31, 2010.

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 April 30, |            | Percent<br>Change |
|---|------------------------------|------------|-------------------|
|   | 2011                         | 2010       |                   |
| (dollars in thousands)                      |                              |            |                   |
| <b>Equipment</b>                            |                              |            |                   |
| Revenue                                     | \$ 249,229                   | \$ 150,360 | 65.8%             |
| Cost of revenue                             | 223,301                      | 136,801    | 63.2%             |
| Gross profit                                | \$ 25,928                    | \$ 13,559  | 91.2%             |
| Gross profit margin                         | 10.4%                        | 9.0%       | 1.4%              |
| <b>Parts</b>                                |                              |            |                   |
| Revenue                                     | \$ 41,910                    | \$ 35,063  | 19.5%             |
| Cost of revenue                             | 29,720                       | 25,186     | 18.0%             |
| Gross profit                                | \$ 12,190                    | \$ 9,877   | 23.4%             |
| Gross profit margin                         | 29.1%                        | 28.2%      | 0.9%              |
| <b>Service</b>                              |                              |            |                   |
| Revenue                                     | \$ 20,964                    | \$ 16,551  | 26.7%             |
| Cost of revenue                             | 7,908                        | 5,971      | 32.4%             |
| Gross profit                                | \$ 13,056                    | \$ 10,580  | 23.4%             |
| Gross profit margin                         | 62.3%                        | 63.9%      | (1.6)%            |
| <b>Other, including trucking and rental</b> |                              |            |                   |
| Revenue                                     | \$ 6,062                     | \$ 3,483   | 74.0%             |
| Cost of revenue                             | 4,433                        | 3,056      | 45.1%             |
| Gross profit                                | \$ 1,629                     | \$ 427     | 281.5%            |
| Gross profit margin                         | 26.9%                        | 12.3%      | 14.6%             |



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

|                                      | <b>Three Months Ended April 30,</b> |             |
|--------------------------------------|-------------------------------------|-------------|
|                                      | <b>2011</b>                         | <b>2010</b> |
| Revenue                              |                                     |             |
| Equipment                            | 78.3%                               | 73.2%       |
| Parts                                | 13.2%                               | 17.1%       |
| Service                              | 6.6%                                | 8.0%        |
| Other, including trucking and rental | 1.9%                                | 1.7%        |
| Total revenue                        | 100.0%                              | 100.0%      |
| Total cost of revenue                | 83.4%                               | 83.2%       |
| Gross profit                         | 16.6%                               | 16.8%       |
| Operating expenses                   | 12.4%                               | 14.5%       |
| Income from operations               | 4.2%                                | 2.3%        |
| Other income (expense)               | (0.4)%                              | (1.0)%      |
| Income before income taxes           | 3.8%                                | 1.3%        |
| Provision for income taxes           | (1.5)%                              | (0.5)%      |
| Net income                           | 2.3%                                | 0.8%        |

### *Three Months Ended April 30, 2011 Compared to Three Months Ended April 30, 2010*

#### **Consolidated Results**

##### *Revenue*

|                                      | <b>Three Months Ended April 30,</b> |             |                 | <b>Percent</b> |
|--------------------------------------|-------------------------------------|-------------|-----------------|----------------|
|                                      | <b>2011</b>                         | <b>2010</b> | <b>Increase</b> | <b>Change</b>  |
|                                      | <b>(dollars in thousands)</b>       |             |                 |                |
| Equipment                            | \$ 249,229                          | \$ 150,360  | \$ 98,869       | 65.8%          |
| Parts                                | 41,910                              | 35,063      | 6,847           | 19.5%          |
| Service                              | 20,964                              | 16,551      | 4,413           | 26.7%          |
| Other, including trucking and rental | 6,062                               | 3,483       | 2,579           | 74.0%          |
| Total Revenue                        | \$ 318,165                          | \$ 205,457  | \$ 112,708      | 54.9%          |

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The increase in revenue for the three months ended April 30, 2011, as compared to the same period last year, was due to acquisitions contributing \$37.0 million and same-store sales growth contributing \$75.7 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 and improved construction equipment market.

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*Cost of Revenue*

|                                      | Three Months Ended April 30, |            |           |                |
|--------------------------------------|------------------------------|------------|-----------|----------------|
|                                      | 2011                         | 2010       | Increase  | Percent Change |
|                                      | (dollars in thousands)       |            |           |                |
| Equipment                            | \$ 223,301                   | \$ 136,801 | \$ 86,500 | 63.2%          |
| Parts                                | 29,720                       | 25,186     | 4,534     | 18.0%          |
| Service                              | 7,908                        | 5,971      | 1,937     | 32.4%          |
| Other, including trucking and rental | 4,433                        | 3,056      | 1,377     | 45.1%          |
| Total cost of revenue                | \$ 265,362                   | \$ 171,014 | \$ 94,348 | 55.2%          |

The increase in cost of revenue for the three months ended April 30, 2011, as compared to the same period last year, was primarily due to increased revenue. Acquisitions contributed \$29.3 million of the increase in total cost of revenue, while same-store sales growth contributed \$65.0 million of the increase. As a percentage of revenue, cost of revenue was 83.4% compared to 83.2% for the first quarter of fiscal 2011.

*Gross Profit*

|                                      | Three Months Ended April 30, |           |                         |                |
|--------------------------------------|------------------------------|-----------|-------------------------|----------------|
|                                      | 2011                         | 2010      | Increase/<br>(Decrease) | Percent Change |
|                                      | (dollars in thousands)       |           |                         |                |
| <b>Gross Profit</b>                  |                              |           |                         |                |
| Equipment                            | \$ 25,928                    | \$ 13,559 | \$ 12,369               | 91.2%          |
| Parts                                | 12,190                       | 9,877     | 2,313                   | 23.4%          |
| Service                              | 13,056                       | 10,580    | 2,476                   | 23.4%          |
| Other, including trucking and rental | 1,629                        | 427       | 1,202                   | 281.5%         |
| Total Gross Profit                   | \$ 52,803                    | \$ 34,443 | \$ 18,360               | 53.3%          |
| <b>Gross Profit Margin</b>           |                              |           |                         |                |
| Equipment                            | 10.4%                        | 9.0%      | 1.4%                    | 15.6%          |
| Parts                                | 29.1%                        | 28.2%     | 0.9%                    | 3.2%           |
| Service                              | 62.3%                        | 63.9%     | (1.6)%                  | (2.5)%         |
| Other, including trucking and rental | 26.9%                        | 12.3%     | 14.6%                   | 118.7%         |
| Total Gross Profit Margin            | 16.6%                        | 16.8%     | (0.2)%                  | (1.2)%         |
| <b>Gross Profit Mix</b>              |                              |           |                         |                |
| Equipment                            | 49.1%                        | 39.4%     | 9.7%                    | 24.6%          |
| Parts                                | 23.1%                        | 28.7%     | (5.6)%                  | (19.5)%        |
| Service                              | 24.7%                        | 30.7%     | (6.0)%                  | (19.5)%        |
| Other, including trucking and rental | 3.1%                         | 1.2%      | 1.9%                    | 158.3%         |
| Total Gross Profit Mix               | 100.0%                       | 100.0%    | 0.0%                    | 0.0%           |

The \$18.4 million increase in gross profit for the three months ended April 30, 2011, as compared to the same period last year, was primarily due to increased revenue. Acquisitions contributed \$7.8 million to the increase in gross profit for the three months ended April 30, 2011, while increases in same-store gross profits contributed the remaining \$10.6 million. Gross profit margin was 16.6% for the first quarter of fiscal 2012, compared to 16.8% for the first quarter of fiscal 2011. The increase in equipment gross profit margin from 9.0% for the first quarter of fiscal 2011 to 10.4% for the first quarter of fiscal 2012 is reflective of increased market demand compared to the same period last year. The increase

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in gross profit margin on other, including trucking and rental, is due to an increase in utilization of our rental fleet. The decrease in our overall gross profit margin is due to the change in the gross profit mix, in which our equipment business made up a larger percentage of our total gross profit for the three months ended April 30, 2011, as compared to the same period last year.

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*Operating Expenses*

|   | Three Months Ended April 30,<br>2011 |        | 2010<br>(dollars in thousands) |        | Increase/<br>(Decrease) | Percent<br>Change |
|---|--------------------------------------|--------|--------------------------------|--------|-------------------------|-------------------|
| Operating Expenses                            | \$                                   | 39,436 | \$                             | 29,796 | \$ 9,640                | 32.4%             |
| Operating expenses as a percentage of revenue |                                      | 12.4%  |                                | 14.5%  | (2.1)%                  | (14.5)%           |

The \$9.6 million increase in operating expenses, 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 decreased to 12.4% for the first quarter of fiscal 2012 compared to 14.5% for the first quarter of fiscal 2011 due to improved fixed operating cost leverage resulting from higher revenue.

*Other Income (Expense)*

|                            | Three Months Ended April 30,<br>2011 |         | 2010<br>(dollars in thousands) |         | Increase/<br>(Decrease) | Percent<br>Change |
|----------------------------|--------------------------------------|---------|--------------------------------|---------|-------------------------|-------------------|
| Interest and other income  | \$                                   | 285     | \$                             | 173     | \$ 112                  | 64.7%             |
| Floorplan interest expense |                                      | (1,162) |                                | (1,801) | (639)                   | (35.5)%           |
| Interest expense other     |                                      | (275)   |                                | (377)   | (102)                   | (27.1)%           |

The decrease in floorplan interest expense of \$0.6 million was primarily due to the lower interest rates for the three months ended April 30, 2011, as compared to the same period in the prior year. We expect floorplan interest expense and interest expense other in fiscal 2012 to continue to be positively impacted by lower interest rates associated with our new Credit Agreement entered into on October 31, 2010.

*Provision for Income Taxes*

|                            | Three Months Ended April 30,<br>2011 |       | 2010<br>(dollars in thousands) |       | Increase | Percent<br>Change |
|----------------------------|--------------------------------------|-------|--------------------------------|-------|----------|-------------------|
| Provision for income taxes | \$                                   | 4,947 | \$                             | 1,083 | \$ 3,864 | 356.8%            |

Our effective tax rate decreased slightly from 41.0% for the three months ended April 30, 2010 to 40.5% for the three months ended April 30, 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. The percentage change in Shared Resources is not provided in the table below because such percentage change is not meaningful given minimal Shared Resources amounts in the first quarter of fiscal 2011.

|   | Three Months Ended April 30, |            | Increase/<br>(Decrease) | Percent<br>Change |
|---|------------------------------|------------|-------------------------|-------------------|
|   | 2011                         | 2010       |                         |                   |
|   | (dollars in thousands)       |            |                         |                   |
| <b>Revenue</b>                            |                              |            |                         |                   |
| Agriculture                               | \$ 286,978                   | \$ 181,382 | \$ 105,596              | 58.2%             |
| Construction                              | 44,139                       | 32,104     | 12,035                  | 37.5%             |
| Segment revenues                          | 331,117                      | 213,486    | 117,631                 | 55.1%             |
| Eliminations                              | (12,952)                     | (8,029)    | (4,923)                 | (61.3)%           |
| Total                                     | \$ 318,165                   | \$ 205,457 | \$ 112,708              | 54.9%             |
| <b>Income (Loss) Before Income Taxes</b>  |                              |            |                         |                   |
| Agriculture                               | \$ 12,959                    | \$ 4,792   | \$ 8,167                | 170.4%            |
| Construction                              | 652                          | (1,915)    | 2,567                   | 134.0%            |
| Segment income (loss) before income taxes | 13,611                       | 2,877      | 10,734                  | 373.1%            |
| Shared Resources                          | (1,127)                      | 9          | (1,136)                 |                   |
| Eliminations                              | (269)                        | (244)      | (25)                    | (10.2)%           |
| Income before income taxes                | \$ 12,215                    | \$ 2,642   | \$ 9,573                | 362.3%            |

*Agriculture*

Agriculture segment revenue for the three months ended April 30, 2011 increased 58.2% compared to the same period last year. The revenue increase was due to acquisitions and an Agriculture same-store sales increase of 37.6% over the first quarter of fiscal 2011. 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.

Segment income before income taxes for the three months ended April 30, 2011 increased 170.4% compared to the same period last year, primarily due to higher Agriculture segment revenue and equipment margin resulting from increased market demand. Also contributing to the improvement in segment income before income taxes was a decrease in interest expense. This decrease resulted from lower rates associated with our new Credit Agreement entered into on October 31, 2010, and we expect interest expense in 2012 to continue to be positively impacted by the lower rates associated with this new Credit Agreement.

*Construction*

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Construction segment revenue for the three months ended April 30, 2011 increased 37.5% compared to the same period last year. The revenue increase was due to acquisitions and a Construction same-store sales increase of 33.1% over the first quarter of fiscal 2011. The same-store sales growth was positively impacted by an improved construction equipment market and results from ongoing operational improvements.

The Construction segment earned segment income before income taxes of \$0.7 million, compared to a segment loss before income taxes of \$1.9 million in the same period last year. This improvement was primarily caused by an increase in Construction segment revenue and increase in gross profit margin on equipment and other, including trucking and rental, resulting from an increase in market demand for equipment and increased utilization of our rental fleet. Also contributing to the improvement in segment income before income taxes was a decrease in interest expense. This decrease resulted from lower

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rates associated with the aforementioned Credit Agreement, and we expect interest expense in 2012 to continue to be positively impacted by the lower rates associated with this new Credit Agreement.

*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 or income before income taxes residing in our segment results.

**Liquidity and Capital Resources**

*Cash Flow from Operating Activities*

For the three months ended April 30, 2011, our cash flow used for operating activities was \$4.9 million. Our cash flow from operations was primarily the result of our reported net income of \$7.3 million, an add-back of non-cash depreciation and amortization of \$2.6 million, an increase in accounts payable, customer deposits, accrued expenses and other long-term liabilities of \$16.4 million, and an increase in floorplan notes payable of \$4.3 million. This amount was principally offset by an increase in net cash from inventories of \$29.5 million and a net increase in receivables, prepaid expenses and other assets of \$6.0 million.

For the three months ended April 30, 2010, our cash flow provided by operating activities was \$8.3 million. Our cash flow from operations was primarily the result of our reported net income of \$1.6 million, an add-back of non-cash depreciation and amortization of \$2.1 million and a decrease in net cash used for inventories of \$6.8 million. This amount was principally offset by a net increase in receivables, prepaid expenses and other assets of \$1.9 million.

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 provided by operating activities was \$18.2 million and \$4.0 million as of April 30, 2011 and 2010, respectively. For a reconciliation of this non-GAAP financial measure, please see the Non-GAAP Cash Flow Reconciliation section below.

*Cash Flow from Investing Activities*



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For the three months ended April 30, 2011, cash used for investing activities was \$8.7 million. Our cash flow from investing activities primarily consisted of purchases of equipment dealerships (net of cash purchased) of \$7.0 million and purchases of property and equipment for \$2.3 million.

For the three months ended April 30, 2010, cash used for investing activities was \$2.2 million. Our cash flow from investing activities primarily consisted of purchases of property and equipment for \$2.2 million.

### *Cash Flow from Financing Activities*

For the three months ended April 30, 2011, cash provided by financing activities was \$19.1 million. Cash flow from financing activities was primarily the result of an increase in non-manufacturer floorplan notes payable of \$22.7 million and principal payments on long-term debt and short-term advances exceeding proceeds from long-term debt by \$4.0 million.

For the three months ended April 30, 2010, cash used for financing activities was \$1.0 million. Cash flow from financing activities was primarily the result of an increase in non-manufacturer floorplan notes payable of \$0.7 million and principal payments on long-term debt and net short-term advances exceeding proceeds from long-term debt by \$1.7 million.

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*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 payable as financing activities in the consolidated statements of cash flows.
- **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 April 30, 2011 and 2010 and net cash provided by (used for) financing activities, a GAAP measure, to non-GAAP cash flow provided by (used for) financing activities as of April 30, 2011 and 2010:

|  | As Reported    | Adjustment<br>(1) | Adjustment<br>(2) | Non-GAAP<br>Measures |
|--|----------------|-------------------|-------------------|----------------------|
|  | (in thousands) |                   |                   |                      |
| <b>Three months ended April 30, 2011</b>             |                |                   |                   |                      |
| Net cash provided by (used for) operating activities | \$ (4,931)     | \$ 22,731         | \$ 356            | \$ 18,156            |
| Net cash provided by (used for) financing activities | 19,100         | (22,731)          | (356)             | (3,987)              |
| <b>Three months ended April 30, 2010</b>             |                |                   |                   |                      |
| Net cash provided by (used for) operating activities | \$ 8,320       | \$ 704            | \$ (598)          | \$ 8,426             |
| Net cash provided by (used for) financing activities | (974)          | (704)             | 598               | (1,080)              |

(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.

Subsequent to the end of our first quarter, we received approximately \$75.0 million (net of underwriter fees of \$4.2 million and estimated offering expenses of approximately \$0.2 million) as a result of our public offering of 2.76 million shares of common stock, priced at \$28.75 per share.

### **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 the existing credit facilities will adequately provide our liquidity needs for, at a minimum, the next 12 months.

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**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 store consolidation, interest expense, 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. Such statements are based upon the current 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 and those matters identified and discussed in our Annual Report on Form 10-K under the section titled Risk Factors.

**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 April 30, 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 \$2.3 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 \$2.3 million. At April 30, 2011, we had variable rate floorplan notes payable of \$354.4 million, of which approximately \$193.9 million was interest-bearing, variable notes payable and long-term debt of \$32.5 million, and fixed rate notes payable and long-term debt of \$8.7 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, our 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

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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. Although we are not aware of any other factors that we currently anticipate will cause our forward-looking statements to differ materially from our future actual results, or materially affect the Company's 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.

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

None.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. (REMOVED AND RESERVED)**

None.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

Exhibits - See Exhibit Index on page following signatures.





Table of Contents

EXHIBIT INDEX

TITAN MACHINERY INC.

FORM 10-Q

| <b>Exhibit No.</b> | <b>Description</b>   |
|--------------------|--|
| *10.1              | First Amendment dated May 31, 2011 to Credit Agreement by and among the Company, Wells Fargo Bank, National Association and the Financial Institutions 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   |

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\*Filed herewith