

Titan Machinery Inc.
Form 10-Q
September 08, 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 July 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

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West Fargo, ND 58078-2648

(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

Accelerated filer

Non-accelerated filer
(Do not check if smaller reporting company)

Smaller reporting company

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 August 31, 2011 was: Common Stock, \$0.00001 par value, 20,753,333 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)**

| | July 31, 2011 (Unaudited) | January 31, 2011 |
|--|--|-----------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 102,194 | \$ 76,112 |
| Receivables, net | 53,496 | 44,945 |
| Inventories | 622,471 | 429,844 |
| Prepaid expenses and other current assets | 2,291 | 1,003 |
| Deferred income taxes | 3,110 | 3,247 |
| Total current assets | 783,562 | 555,151 |
| INTANGIBLES AND OTHER ASSETS | | |
| Noncurrent parts inventories | 2,850 | 2,405 |
| Goodwill | 21,931 | 18,391 |
| Intangible assets, net of accumulated amortization | 8,153 | 4,734 |
| Other | 2,614 | 2,793 |
| | 35,548 | 28,323 |
| PROPERTY AND EQUIPMENT, net of accumulated depreciation | 98,545 | 65,372 |
| | \$ 917,655 | \$ 648,846 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 24,712 | \$ 15,957 |
| Floorplan notes payable | 494,886 | 320,801 |
| Current maturities of long-term debt and short-term advances | 3,761 | 4,207 |
| Customer deposits | 30,506 | 28,180 |
| Accrued expenses | 14,699 | 16,816 |
| Income taxes payable | 374 | 2,093 |
| Total current liabilities | 568,938 | 388,054 |
| LONG-TERM LIABILITIES | | |
| Long-term debt, less current maturities | 31,933 | 33,409 |
| Deferred income taxes | 9,663 | 9,012 |

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| | | |
|---|------------|------------|
| Other long-term liabilities | 3,010 | 3,814 |
| | 44,606 | 46,235 |
| STOCKHOLDERS' EQUITY | | |
| Common stock, par value \$.00001 per share, authorized - 25,000 shares; issued and outstanding - 20,754 at July 31, 2011 and 17,917 at January 31, 2011 | | |
| Additional paid-in-capital | 216,461 | 140,466 |
| Retained earnings | 87,650 | 74,091 |
| | 304,111 | 214,557 |
| | \$ 917,655 | \$ 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 July 31, | | Six Months Ended July 31, | |
|--|-----------------------------|-----------------|---------------------------|-----------------|
| | 2011 | 2010 | 2011 | 2010 |
| REVENUE | | | | |
| Equipment | \$ 225,283 | \$ 153,131 | \$ 474,512 | \$ 303,491 |
| Parts | 49,292 | 33,947 | 91,202 | 69,010 |
| Service | 25,395 | 17,502 | 46,359 | 34,053 |
| Rental and other | 10,879 | 5,086 | 16,941 | 8,569 |
| TOTAL REVENUE | 310,849 | 209,666 | 629,014 | 415,123 |
| COST OF REVENUE | | | | |
| Equipment | 204,430 | 138,342 | 427,731 | 275,143 |
| Parts | 34,426 | 24,184 | 64,146 | 49,370 |
| Service | 8,963 | 6,970 | 16,871 | 12,941 |
| Rental and other | 7,179 | 4,122 | 11,612 | 7,178 |
| TOTAL COST OF REVENUE | 254,998 | 173,618 | 520,360 | 344,632 |
| GROSS PROFIT | 55,851 | 36,048 | 108,654 | 70,491 |
| OPERATING EXPENSES | 44,060 | 29,212 | 83,496 | 59,008 |
| INCOME FROM OPERATIONS | 11,791 | 6,836 | 25,158 | 11,483 |
| OTHER INCOME (EXPENSE) | | | | |
| Interest and other income | 267 | 34 | 552 | 207 |
| Floorplan interest expense | (1,334) | (1,911) | (2,496) | (3,712) |
| Interest expense other | (341) | (358) | (616) | (735) |
| INCOME BEFORE INCOME TAXES | 10,383 | 4,601 | 22,598 | 7,243 |
| PROVISION FOR INCOME TAXES | (4,092) | (1,887) | (9,039) | (2,970) |
| NET INCOME | \$ 6,291 | \$ 2,714 | \$ 13,559 | \$ 4,273 |
| EARNINGS PER SHARE - NOTE 1 | | | | |
| EARNINGS PER SHARE - BASIC | \$ 0.31 | \$ 0.15 | \$ 0.71 | \$ 0.24 |
| EARNINGS PER SHARE - DILUTED | \$ 0.30 | \$ 0.15 | \$ 0.69 | \$ 0.24 |
| WEIGHTED AVERAGE SHARES - BASIC | 20,237 | 17,635 | 19,009 | 17,626 |
| WEIGHTED AVERAGE SHARES - DILUTED | 20,799 | 18,080 | 19,567 | 18,060 |

See Notes to Consolidated Financial Statements

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TITAN MACHINERY INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY (UNAUDITED)

(in thousands)

| | Common Stock | | Additional Paid-In Capital | Retained Earnings | Total |
|---|-----------------------|--------|----------------------------------|----------------------|------------|
| | Shares Outstanding | Amount | | | |
| 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 | 77 | | 457 | | 457 |
| Stock-based compensation expense | | | 640 | | 640 |
| Net income | | | | 13,559 | 13,559 |
| BALANCE, JULY 31, 2011 | 20,754 | \$ | \$ 216,461 | \$ 87,650 | \$ 304,111 |

See Notes to Consolidated Financial Statements

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

| | Six Months Ended July 31, | |
|---|----------------------------------|------------------|
| | 2011 | 2010 |
| OPERATING ACTIVITIES | | |
| Net income | \$ 13,559 | \$ 4,273 |
| Adjustments to reconcile net income to net cash used for operating activities | | |
| Depreciation and amortization | 6,053 | 4,204 |
| Deferred income taxes | 148 | (353) |
| Stock-based compensation expense | 640 | 564 |
| Other | 168 | (87) |
| Changes in assets and liabilities, net of purchase of equipment dealerships assets and assumption of liabilities | | |
| Receivables, prepaid expenses and other assets | (5,325) | (6,848) |
| Inventories | (99,638) | (28,261) |
| Floorplan notes payable | 3,718 | (818) |
| Accounts payable, customer deposits, accrued expenses and other long-term liabilities | 5,979 | (4,918) |
| Income taxes | (2,167) | 2,084 |
| NET CASH USED FOR OPERATING ACTIVITIES | (76,865) | (30,160) |
| INVESTING ACTIVITIES | | |
| Property and equipment purchases | (8,524) | (6,250) |
| Net proceeds from sale of equipment | 642 | 434 |
| Purchase of equipment dealerships, net of cash purchased | (27,121) | (2,423) |
| Other, net | 6 | (293) |
| NET CASH USED FOR INVESTING ACTIVITIES | (34,997) | (8,532) |
| 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 | 74,217 | 23,444 |
| Short-term advances related to customer contracts in transit, net | (390) | (358) |
| Proceeds from long-term debt borrowings | | 4,671 |
| Principal payments on long-term debt | (11,238) | (3,878) |
| Other | 457 | 89 |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 137,944 | 23,968 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 26,082 | (14,724) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 76,112 | 76,185 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | \$ 102,194 | \$ 61,461 |

See Notes to Consolidated Financial Statements

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

| | Six Months Ended July 31, | |
|---|----------------------------------|-------------|
| | 2011 | 2010 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| Cash paid during the period | | |
| Income taxes, net of refunds | \$ 10,883 | \$ 1,247 |
| Interest | \$ 2,850 | \$ 4,460 |
| SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES | | |
| Property and equipment financed with long-term debt | \$ 2,434 | \$ 3,647 |
| Net transfer of equipment to fixed assets from inventories | \$ 20,335 | \$ 1,744 |
| Net transfer of financing to long-term debt from floorplan notes payable | \$ 1,696 | \$ 2,423 |

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 our Agriculture and Construction customers. Therefore, operating results for the six-month period ended July 31, 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 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 July 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. We record a liability for the net present value of any remaining lease obligations, net of estimated sublease income, at the date we cease 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. We record a liability for employee termination costs at the date the termination benefits were communicated to the employees.

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Upon acquiring ABC Rental & Equipment Sales in the first quarter of fiscal 2012, the Company decided that it would combine its existing location in Belgrade, Montana into its newly-acquired store in nearby Bozeman, Montana. This merger 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 three and six months ended July 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 | | (66) |
| Balance at July 31, 2011 | \$ | 527 |

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.

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 the 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 effective for the interim and annual periods beginning after December 15, 2011, and is applied retrospectively. The Company is in the process of determining the impact that this guidance will have 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 July 31, | | Six Months Ended July 31, | |
|-----------------------------|------|---------------------------|------|
| 2011 | 2010 | 2011 | 2010 |
| (in thousands) | | (in thousands) | |

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| | | | | |
|---|--------|--------|--------|--------|
| Basic weighted-average shares outstanding | 20,237 | 17,635 | 19,009 | 17,626 |
| Plus: Incremental shares from assumed conversions | | | | |
| Restricted Stock | 182 | 187 | 175 | 177 |
| Warrants | 30 | 56 | 30 | 58 |
| Stock Options | 350 | 202 | 353 | 199 |
| Diluted weighted-average shares outstanding | 20,799 | 18,080 | 19,567 | 18,060 |

There were zero and 139,000 stock options outstanding as of July 31, 2011 and 2010, respectively, that were not included in the computation of diluted earnings per share because they were anti-dilutive.

Table of Contents**NOTE 2 - INVENTORIES**

| | July 31, 2011 | (in thousands) | January 31, 2011 |
|-----------------------|------------------|----------------|---------------------|
| New equipment | \$ 396,887 | | \$ 209,871 |
| Used equipment | 153,379 | | 162,254 |
| Parts and attachments | 65,405 | | 52,694 |
| Work in process | 6,800 | | 5,025 |
| | \$ 622,471 | | \$ 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 July 31, 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 July 31, 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 July 31, 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 \$454.3 million of the total floorplan notes payable balance of \$494.9 million outstanding as of July 31, 2011 and \$300.6 million of the total floorplan notes payable balance of \$320.8 million outstanding as of January 31, 2011. As of July 31, 2011, the Company had approximately \$90.0 million in available borrowings remaining under these lines of credit. These floorplan notes carried various interest rates primarily ranging from 2.19% to 7.25% as of July 31, 2011, subject to interest-free periods offered by CNH Capital. As of July 31, 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 six months ended July 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 the 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 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.

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 \$2.9 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 \$17.0 million.

During the six months ended July 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.

| | July 31, 2011 | |
|--|--------------------------|--------|
| | (in thousands) | |
| Cash | \$ | 96 |
| Receivables | | 3,775 |
| Inventories | | 29,525 |
| Prepaid expenses | | 799 |
| Deferred income taxes | | 11 |
| Property and equipment | | 8,291 |
| Intangible assets | | 3,638 |
| Goodwill | | 3,540 |
| | \$ | 49,675 |
| Accounts payable | \$ | 224 |
| Floorplan notes payable | | 13,602 |
| Customer deposits | | 223 |
| Accrued expenses | | 37 |
| Income taxes payable | | 448 |
| Long-term debt | | 442 |
| Deferred income taxes | | 651 |
| | \$ | 15,627 |
| Cash consideration | | 27,217 |
| Non-cash consideration: liabilities incurred | | 6,831 |
| Total consideration | \$ | 34,048 |
| Goodwill related to the Agriculture operating segment | \$ | 2,789 |
| Goodwill related to the Construction operating segment | \$ | 751 |
| Goodwill expected to be deductible for tax purposes | \$ | 2,690 |

Table of Contents**NOTE 5 - SEGMENT INFORMATION AND OPERATING RESULTS**

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.

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

| | Three Months Ended July 31, | | Six Months Ended July 31, | |
|---|-----------------------------|------------|---------------------------|------------|
| | 2011 | 2010 | 2011 | 2010 |
| | (in thousands) | | (in thousands) | |
| Revenue | | | | |
| Agriculture | \$ 266,353 | \$ 181,522 | \$ 553,331 | \$ 362,904 |
| Construction | 59,821 | 36,209 | 103,960 | 68,313 |
| Segment revenue | 326,174 | 217,731 | 657,291 | 431,217 |
| Eliminations | (15,325) | (8,065) | (28,277) | (16,094) |
| Total | \$ 310,849 | \$ 209,666 | \$ 629,014 | \$ 415,123 |
| Income (Loss) Before Income Taxes | | | | |
| Agriculture | \$ 10,937 | \$ 6,246 | \$ 23,896 | \$ 11,038 |
| Construction | 576 | (852) | 1,228 | (2,767) |
| Segment income (loss) before income taxes | 11,513 | 5,394 | 25,124 | 8,271 |
| Shared Resources | (887) | (643) | (2,014) | (634) |
| Eliminations | (243) | (150) | (512) | (394) |
| Income before income taxes | \$ 10,383 | \$ 4,601 | \$ 22,598 | \$ 7,243 |

| | July 31, | January 31, |
|----------------------|----------------|-------------|
| | 2011 | 2011 |
| | (in thousands) | |
| Total Assets | | |
| Agriculture | \$ 619,322 | \$ 514,049 |
| Construction | 178,537 | 98,535 |
| Segment assets | 797,859 | 612,584 |
| Shared Resources (1) | 121,386 | 37,340 |
| Eliminations | (1,590) | (1,078) |
| Total | \$ 917,655 | \$ 648,846 |

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

NOTE 6 - SUBSEQUENT EVENTS

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On September 2, 2011, the Company acquired certain assets of Virgl Implement Inc. and Victor's Inc., expanding the Company's agriculture presence in Nebraska. The acquired entities consisted of two agricultural equipment stores in Wahoo and Fremont, Nebraska. Due to the recent acquisition of these entities, the initial business combination accounting will be performed in the three months ending October 31, 2011. The acquisition-date fair value of the total consideration transferred for the dealerships was approximately \$13.2 million.

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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 \$6.3 million, or \$0.30 per diluted share, for the three months ended July 31, 2011, compared to \$2.7 million, or \$0.15 per diluted share, for the three months ended July 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 and improved construction equipment market in the region in which we do business;
- Increase in gross profit primarily due to increased revenue, and improvement in gross profit margin on service and rental and other;
- Decrease in floorplan interest expense due to our new Credit Agreement entered into on October 31, 2010.

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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.

| | | | | | | | | | | |
|-------------------------|----|---------|----|---------|--------|----|---------|----|---------|--------|
| Equipment | | | | | | | | | | |
| Revenue | \$ | 225,283 | \$ | 153,131 | 47.1% | \$ | 474,512 | \$ | 303,491 | 56.4% |
| Cost of revenue | | 204,430 | | 138,342 | 47.8% | | 427,731 | | 275,143 | 55.5% |
| Gross profit | \$ | 20,853 | \$ | 14,789 | 41.0% | \$ | 46,781 | \$ | 28,348 | 65.0% |
| Gross profit margin | | 9.3% | | 9.7% | (0.4)% | | 9.9% | | 9.3% | 0.6% |
| Parts | | | | | | | | | | |
| Revenue | \$ | 49,292 | \$ | 33,947 | 45.2% | \$ | 91,202 | \$ | 69,010 | 32.2% |
| Cost of revenue | | 34,426 | | 24,184 | 42.4% | | 64,146 | | 49,370 | 29.9% |
| Gross profit | \$ | 14,866 | \$ | 9,763 | 52.3% | \$ | 27,056 | \$ | 19,640 | 37.8% |
| Gross profit margin | | 30.2% | | 28.8% | 1.4% | | 29.7% | | 28.5% | 1.2% |
| Service | | | | | | | | | | |
| Revenue | \$ | 25,395 | \$ | 17,502 | 45.1% | \$ | 46,359 | \$ | 34,053 | 36.1% |
| Cost of revenue | | 8,963 | | 6,970 | 28.6% | | 16,871 | | 12,941 | 30.4% |
| Gross profit | \$ | 16,432 | \$ | 10,532 | 56.0% | \$ | 29,488 | \$ | 21,112 | 39.7% |
| Gross profit margin | | 64.7% | | 60.2% | 4.5% | | 63.6% | | 62.0% | 1.6% |
| Rental and other | | | | | | | | | | |
| Revenue | \$ | 10,879 | \$ | 5,086 | 113.9% | \$ | 16,941 | \$ | 8,569 | 97.7% |
| Cost of revenue | | 7,179 | | 4,122 | 74.2% | | 11,612 | | 7,178 | 61.8% |
| Gross profit | \$ | 3,700 | \$ | 964 | 283.8% | \$ | 5,329 | \$ | 1,391 | 283.1% |
| Gross profit margin | | 34.0% | | 19.0% | 15.0% | | 31.5% | | 16.2% | 15.3% |

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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 July 31, | | Six Months Ended July 31, | |
|----------------------------|------------------------------------|-------------|----------------------------------|-------------|
| | 2011 | 2010 | 2011 | 2010 |
| Revenue | | | | |
| Equipment | 72.5% | 73.0% | 75.4% | 73.1% |
| Parts | 15.9% | 16.2% | 14.5% | 16.6% |
| Service | 8.1% | 8.4% | 7.4% | 8.2% |
| Rental and other | 3.5% | 2.4% | 2.7% | 2.1% |
| Total revenue | 100.0% | 100.0% | 100.0% | 100.0% |
| Total cost of revenue | 82.0% | 82.8% | 82.7% | 83.0% |
| Gross profit | 18.0% | 17.2% | 17.3% | 17.0% |
| Operating expenses | 14.2% | 13.9% | 13.3% | 14.2% |
| Income from operations | 3.8% | 3.3% | 4.0% | 2.8% |
| Other income (expense) | (0.5)% | (1.1)% | (0.4)% | (1.1)% |
| Income before income taxes | 3.3% | 2.2% | 3.6% | 1.7% |
| Provision for income taxes | (1.3)% | (0.9)% | (1.4)% | (0.7)% |
| Net income | 2.0% | 1.3% | 2.2% | 1.0% |

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

Consolidated Results

Revenue

| | Three Months Ended July 31, | | Increase | Percent Change |
|------------------|------------------------------------|-------------|-----------------|-----------------------|
| | 2011 | 2010 | | |
| | (dollars in thousands) | | | |
| Equipment | \$ 225,283 | \$ 153,131 | \$ 72,152 | 47.1% |
| Parts | 49,292 | 33,947 | 15,345 | 45.2% |
| Service | 25,395 | 17,502 | 7,893 | 45.1% |
| Rental and other | 10,879 | 5,086 | 5,793 | 113.9% |
| Total Revenue | \$ 310,849 | \$ 209,666 | \$ 101,183 | 48.3% |

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The increase in revenue for the three months ended July 31, 2011, as compared to the same period last year, was due to acquisitions contributing \$42.4 million and same-store sales growth contributing \$58.8 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 in the region in which we do business.

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Cost of Revenue

| | Three Months Ended July 31, | | Increase | Percent Change |
|-----------------------|-----------------------------|------------|-----------|----------------|
| | 2011 | 2010 | | |
| | (dollars in thousands) | | | |
| Equipment | \$ 204,430 | \$ 138,342 | \$ 66,088 | 47.8% |
| Parts | 34,426 | 24,184 | 10,242 | 42.4% |
| Service | 8,963 | 6,970 | 1,993 | 28.6% |
| Rental and other | 7,179 | 4,122 | 3,057 | 74.2% |
| Total cost of revenue | \$ 254,998 | \$ 173,618 | \$ 81,380 | 46.9% |

The increase in cost of revenue for the three months ended July 31, 2011, as compared to the same period last year, was primarily due to increased revenue. Acquisitions contributed \$33.2 million of the increase in total cost of revenue, while same-store sales growth contributed \$48.2 million of the increase. As a percentage of revenue, cost of revenue was 82.0% compared to 82.8% for the second quarter of fiscal 2011.

Gross Profit

| | Three Months Ended July 31, | | Increase/ (Decrease) | Percent Change |
|----------------------------|-----------------------------|-----------|-------------------------|----------------|
| | 2011 | 2010 | | |
| | (dollars in thousands) | | | |
| Gross Profit | | | | |
| Equipment | \$ 20,853 | \$ 14,789 | \$ 6,064 | 41.0% |
| Parts | 14,866 | 9,763 | 5,103 | 52.3% |
| Service | 16,432 | 10,532 | 5,900 | 56.0% |
| Rental and other | 3,700 | 964 | 2,736 | 283.8% |
| Total Gross Profit | \$ 55,851 | \$ 36,048 | \$ 19,803 | 54.9% |
| Gross Profit Margin | | | | |
| Equipment | 9.3% | 9.7% | (0.4)% | (4.1)% |
| Parts | 30.2% | 28.8% | 1.4% | 4.9% |
| Service | 64.7% | 60.2% | 4.5% | 7.5% |
| Rental and other | 34.0% | 19.0% | 15.0% | 78.9% |
| Total Gross Profit Margin | 18.0% | 17.2% | 0.8% | 4.7% |
| Gross Profit Mix | | | | |
| Equipment | 37.3% | 41.0% | (3.7)% | (9.0)% |
| Parts | 26.6% | 27.1% | (0.5)% | (1.8)% |
| Service | 29.5% | 29.2% | 0.3% | 1.0% |
| Rental and other | 6.6% | 2.7% | 3.9% | 144.4% |
| Total Gross Profit Mix | 100.0% | 100.0% | | |

The \$19.8 million increase in gross profit for the three months ended July 31, 2011, as compared to the same period last year, was primarily due to increased revenue. Acquisitions contributed \$9.2 million to the increase in gross profit for the three months ended July 31, 2011, while

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increases in same-store gross profit contributed the remaining \$10.6 million. The increase in gross profit margin from 17.2% for the three months ended July 31, 2010 to 18.0% for the three months ended July 31, 2011 was primarily due to the increase in gross profit margin for service and rental and other. The increase in gross profit margin on rental and other is due to an increase in utilization of our rental fleet.

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Operating Expenses

| | Three Months Ended July 31, | | | |
|---|------------------------------------|-------------|-----------------|-----------------------|
| | 2011 | 2010 | Increase | Percent Change |
| | (dollars in thousands) | | | |
| Operating expenses | \$ 44,060 | \$ 29,212 | \$ 14,848 | 50.8% |
| Operating expenses as a percentage of revenue | 14.2% | 13.9% | 0.3% | 2.2% |

The \$14.8 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 increased slightly to 14.2% for the three months ended July 31, 2011 compared to 13.9% for the three months ended July 31, 2010, reflecting higher expenses related to the Construction segment.

Other Income (Expense)

| | Three Months Ended July 31, | | | |
|----------------------------|------------------------------------|-------------|---------------------------------|-----------------------|
| | 2011 | 2010 | Increase/ (Decrease) | Percent Change |
| | (dollars in thousands) | | | |
| Interest and other income | \$ 267 | \$ 34 | \$ 233 | 685.3% |
| Floorplan interest expense | (1,334) | (1,911) | (577) | (30.2)% |
| Interest expense other | (341) | (358) | (17) | (4.7)% |

The decrease in floorplan interest expense of \$0.6 million was primarily due to lower interest rates and lower interest-bearing floorplan notes payable balances associated with our new Credit Agreement entered into on October 31, 2010, for the three months ended July 31, 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 the aforementioned Credit Agreement.

Provision for Income Taxes

| | Three Months Ended July 31, | | | |
|----------------------------|------------------------------------|-------------|-----------------|-----------------------|
| | 2011 | 2010 | Increase | Percent Change |
| | (dollars in thousands) | | | |
| Provision for income taxes | \$ 4,092 | \$ 1,887 | \$ 2,205 | 116.9% |

Our effective tax rate decreased from 41.0% for the three months ended July 31, 2010 to 39.4% for the three months ended July 31, 2011. The decrease in our effective tax rate from the comparable period in the prior year primarily reflects a decrease in the effect of permanent differences between financial and income tax reporting, such as incentive stock options.

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 July 31, | | Increase/ (Decrease) | Percent Change |
|---|-----------------------------|------------|-------------------------|-------------------|
| | 2011 | 2010 | | |
| | (dollars in thousands) | | | |
| Revenue | | | | |
| Agriculture | \$ 266,353 | \$ 181,522 | \$ 84,831 | 46.7% |
| Construction | 59,821 | 36,209 | 23,612 | 65.2% |
| Segment revenue | 326,174 | 217,731 | 108,443 | 49.8% |
| Eliminations | (15,325) | (8,065) | (7,260) | (90.0)% |
| Total | \$ 310,849 | \$ 209,666 | \$ 101,183 | 48.3% |
| Income (Loss) Before Income Taxes | | | | |
| Agriculture | \$ 10,937 | \$ 6,246 | \$ 4,691 | 75.1% |
| Construction | 576 | (852) | 1,428 | 167.6% |
| Segment income (loss) before income taxes | 11,513 | 5,394 | 6,119 | 113.4% |
| Shared Resources | (887) | (643) | (244) | (37.9)% |
| Eliminations | (243) | (150) | (93) | (62.0)% |
| Income before income taxes | \$ 10,383 | \$ 4,601 | \$ 5,782 | 125.7% |

Agriculture

Agriculture segment revenue for the three months ended July 31, 2011 increased 46.7% compared to the same period last year. The revenue increase was due to acquisitions and an Agriculture same-store sales increase of 26.9% over the three months ended July 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 July 31, 2011 increased 75.1% compared to the same period last year, primarily due to higher Agriculture segment revenue. Also contributing to the improvement in segment income before income taxes was a decrease in floorplan interest expense. This decrease resulted from our new Credit Agreement entered into on October 31, 2010, and we expect interest expense in fiscal 2012 to continue to be positively impacted by this new Credit Agreement.

Construction

Construction segment revenue for the three months ended July 31, 2011 increased 65.2% compared to the same period last year. The revenue increase was due to acquisitions and a Construction same-store sales increase of 34.6% over the three months ended July 31, 2010. The same-store sales growth was positively impacted by an improved construction equipment market in the region in which we do business and

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results from ongoing operational improvements.

The Construction segment earned segment income before income taxes of \$0.6 million for the three months ended July 31, 2011, compared to a segment loss before income taxes of \$0.9 million in the same period last year. This improvement was primarily caused by an increase in Construction segment revenue and increase in gross profit on rental and other, resulting from increased utilization of our rental fleet. Offsetting the positive effect of increased revenue and gross profit margin was \$0.4 million in exit costs primarily related to the closing of our store in Belgrade, Montana.

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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.

Six Months Ended July 31, 2011 Compared to Six Months Ended July 31, 2010

Consolidated Results

Revenue

| | Six Months Ended July 31, | | | |
|----------------------|---------------------------|-------------------|-------------------|----------------|
| | 2011 | 2010 | Increase | Percent Change |
| | (dollars in thousands) | | | |
| Equipment | \$ 474,512 | \$ 303,491 | \$ 171,021 | 56.4% |
| Parts | 91,202 | 69,010 | 22,192 | 32.2% |
| Service | 46,359 | 34,053 | 12,306 | 36.1% |
| Rental and other | 16,941 | 8,569 | 8,372 | 97.7% |
| Total Revenue | \$ 629,014 | \$ 415,123 | \$ 213,891 | 51.5% |

The increase in revenue for the six months ended July 31, 2011, as compared to the same period last year, was due to acquisitions contributing \$79.4 million and same-store sales growth contributing \$134.5 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 in the region in which we do business.

Cost of Revenue

| | Six Months Ended July 31, | | | |
|-----------|---------------------------|------------|------------|----------------|
| | 2011 | 2010 | Increase | Percent Change |
| | (dollars in thousands) | | | |
| Equipment | \$ 427,731 | \$ 275,143 | \$ 152,588 | 55.5% |
| Parts | 64,146 | 49,370 | 14,776 | 29.9% |
| Service | 16,871 | 12,941 | 3,930 | 30.4% |

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| | | | | | | | |
|-----------------------|----|---------|----|---------|----|---------|-------|
| Rental and other | | 11,612 | | 7,178 | | 4,434 | 61.8% |
| Total cost of revenue | \$ | 520,360 | \$ | 344,632 | \$ | 175,728 | 51.0% |

The increase in cost of revenue for the six months ended July 31, 2011, as compared to the same period last year, was primarily due to increased revenue. Acquisitions contributed \$62.5 million of the increase in total cost of revenue, while same-store sales growth contributed \$113.2 million of the increase. As a percentage of revenue, cost of revenue was 82.7% compared to 83.0% for the same period last year.

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Gross Profit

| | Six Months Ended July 31, | | Increase/ | Percent |
|----------------------------------|---------------------------|------------------|------------------|--------------|
| | 2011 | 2010 | (Decrease) | Change |
| | (dollars in thousands) | | | |
| Gross Profit | | | | |
| Equipment | \$ 46,781 | \$ 28,348 | \$ 18,433 | 65.0% |
| Parts | 27,056 | 19,640 | 7,416 | 37.8% |
| Service | 29,488 | 21,112 | 8,376 | 39.7% |
| Rental and other | 5,329 | 1,391 | 3,938 | 283.1% |
| Total Gross Profit | \$ 108,654 | \$ 70,491 | \$ 38,163 | 54.1% |
| Gross Profit Margin | | | | |
| Equipment | 9.9% | 9.3% | 0.6% | 6.5% |
| Parts | 29.7% | 28.5% | 1.2% | 4.2% |
| Service | 63.6% | 62.0% | 1.6% | 2.6% |
| Rental and other | 31.5% | 16.2% | 15.3% | 94.4% |
| Total Gross Profit Margin | 17.3% | 17.0% | 0.3% | 1.8% |
| Gross Profit Mix | | | | |
| Equipment | 43.1% | 40.2% | 2.9% | 7.2% |
| Parts | 24.9% | 27.9% | (3.0)% | (10.8)% |
| Service | 27.1% | 29.9% | (2.8)% | (9.4)% |
| Rental and other | 4.9% | 2.0% | 2.9% | 145.0% |
| Total Gross Profit Mix | 100.0% | 100.0% | | |

The \$38.2 million increase in gross profit for the six months ended July 31, 2011, as compared to the same period last year, was primarily due to increased revenue. Acquisitions contributed \$16.9 million to the increase in gross profit for the six months ended July 31, 2011, while increases in same-store gross profit contributed the remaining \$21.2 million. Gross profit margin was 17.3% for the six months ended July 31, 2011, as compared to 17.0% for the same period in the prior year. The increase in gross profit margin on rental and other, is due to an increase in utilization of our rental fleet.

Operating Expenses

| | Six Months Ended July 31, | | Increase/ | Percent |
|---|---------------------------|-----------|------------|---------|
| | 2011 | 2010 | (Decrease) | Change |
| | (dollars in thousands) | | | |
| Operating expenses | \$ 83,496 | \$ 59,008 | \$ 24,488 | 41.5% |
| Operating expenses as a percentage of revenue | 13.3% | 14.2% | (0.9)% | (6.3)% |

The \$24.5 million increase in operating expenses for the six months ended July 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 decreased to 13.3% for the six months ended July 31, 2011, compared to 14.2% for the same period in the prior year, due to

improved fixed operating cost leverage resulting from higher revenue.

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Other Income (Expense)

| | Six Months Ended July 31, 2011 | | 2010 (dollars in thousands) | | Increase/ (Decrease) | Percent Change |
|----------------------------|-----------------------------------|---------|--------------------------------|---------|-------------------------|-------------------|
| Interest and other income | \$ | 552 | \$ | 207 | \$ 345 | 166.7% |
| Floorplan interest expense | | (2,496) | | (3,712) | (1,216) | (32.8)% |
| Interest expense other | | (616) | | (735) | (119) | (16.2)% |

The decrease in floorplan interest expense of \$1.2 million was primarily due to lower interest rates and lower interest-bearing floorplan notes payable balances associated with our new Credit Agreement entered into on October 31, 2010, for the six months ended July 31, 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 the aforementioned Credit Agreement.

Provision for Income Taxes

| | Six Months Ended July 31, 2011 | | 2010 (dollars in thousands) | | Increase | Percent Change |
|----------------------------|-----------------------------------|-------|--------------------------------|-------|----------|-------------------|
| Provision for income taxes | \$ | 9,039 | \$ | 2,970 | \$ 6,069 | 204.3% |

Our effective tax rate decreased from 41.0% for the six months ended July 31, 2010 to 40.0% for the six months ended July 31, 2011. The decrease in our effective tax rate from the comparable period in the prior year primarily reflects a decrease in the effect of permanent differences between financial and income tax reporting, such as incentive stock options.

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.

| | Six Months Ended July 31, 2011 | | 2010 (dollars in thousands) | | Increase/ (Decrease) | Percent Change |
|-----------------|-----------------------------------|----------|--------------------------------|----------|-------------------------|-------------------|
| Revenue | | | | | | |
| Agriculture | \$ | 553,331 | \$ | 362,904 | \$ 190,427 | 52.5% |
| Construction | | 103,960 | | 68,313 | 35,647 | 52.2% |
| Segment revenue | | 657,291 | | 431,217 | 226,074 | 52.4% |
| Eliminations | | (28,277) | | (16,094) | (12,183) | (75.7)% |
| Total | \$ | 629,014 | \$ | 415,123 | \$ 213,891 | 51.5% |

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Income (Loss) Before Income Taxes

| | | | | | | | |
|---|----|---------|----|---------|----|---------|----------|
| Agriculture | \$ | 23,896 | \$ | 11,038 | \$ | 12,858 | 116.5% |
| Construction | | 1,228 | | (2,767) | | 3,995 | 144.4% |
| Segment income (loss) before income taxes | | 25,124 | | 8,271 | | 16,853 | 203.8% |
| Shared Resources | | (2,014) | | (634) | | (1,380) | (217.7)% |
| Eliminations | | (512) | | (394) | | (118) | (29.9)% |
| Income before income taxes | \$ | 22,598 | \$ | 7,243 | \$ | 15,355 | 212.0% |

Agriculture segment revenue for the six months ended July 31, 2011 increased 52.5% compared to the same period last year. The revenue increase was due to acquisitions and an Agriculture same-store sales increase of 32.2%, as compared to

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the same period in the prior year. 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 six months ended July 31, 2011 increased 116.5% compared to the same period last year, primarily due to higher Agriculture segment revenue. Also contributing to the improvement in segment income before income taxes was a decrease in floorplan interest expense. This decrease resulted from our new Credit Agreement entered into on October 31, 2010, and we expect interest expense in fiscal 2012 to continue to be positively impacted by this new Credit Agreement.

Construction

Construction segment revenue for the six months ended July 31, 2011 increased 52.2% compared to the same period last year. The revenue increase was due to acquisitions and a Construction same-store sales increase of 33.9%, as compared to the same period in the prior year. 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 Construction segment earned segment income before income taxes of \$1.2 million, compared to a segment loss before income taxes of \$2.8 million in the same period last year. This improvement was primarily caused by an increase in Construction segment revenue and increase in gross profit on rental and other, resulting from increased utilization of our rental fleet. Also contributing to the improvement in segment income before income taxes was a decrease in floorplan interest expense. This decrease resulted from the aforementioned Credit Agreement, and we expect interest expense in fiscal 2012 to continue to be positively impacted by 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 and income before income taxes residing in our segment results.

Liquidity and Capital Resources

Cash Flow from Operating Activities

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For the six months ended July 31, 2011, our cash used for operating activities was \$76.9 million. Our cash used for operating activities was primarily the result of our reported net income of \$13.6 million and an add-back of non-cash depreciation and amortization of \$6.1 million. This amount was principally offset by an increase in net cash for inventories of \$99.6 million. The increase in inventories primarily reflects new equipment stocking to support forecasted higher equipment sales in the second half of our fiscal year. 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 \$3.0 million as of July 31, 2011. For a reconciliation of this non-GAAP financial measure, please see the Non-GAAP Cash Flow Reconciliation section below.

For the six months ended July 31, 2010, our cash used for operating activities was \$30.2 million. Our cash used for operating activities was primarily the result of our reported net income of \$4.3 million and an add-back of non-cash depreciation and amortization of \$4.2 million. This amount was principally offset by an increase in net cash used for inventories of \$28.3 million, a net increase in receivables, prepaid expenses and other assets of \$6.8 million and a net decrease in accounts payable, customer deposits, accrued expenses and other long-term liabilities of \$4.9 million. The increase in inventories primarily reflected new equipment purchases to support future 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 \$7.1 million as of July 31, 2010. For a reconciliation of this non-GAAP financial measure, please see the Non-GAAP Cash Flow Reconciliation section below.

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Cash Flow from Investing Activities

For the six months ended July 31, 2011, cash used for investing activities was \$35.0 million. Our cash used for investing activities primarily consisted of purchases of equipment dealerships (net of cash purchased) of \$27.1 million and purchases of property and equipment of \$8.5 million.

For the six months ended July 31, 2010, cash used for investing activities was \$8.5 million. Our cash used for investing activities primarily consisted of purchases of property and equipment of \$6.3 million and the purchases of equipment dealerships (net of cash purchased) of \$2.4 million.

Cash Flow from Financing Activities

For the six months ended July 31, 2011, cash provided by financing activities was \$137.9 million. Cash provided by financing activities was primarily the result of \$74.9 million in net proceeds from our follow-on offering and an increase in non-manufacturer floorplan notes payable of \$74.2 million. This amount was principally offset by principal payments on our long-term debt of \$11.2 million.

For the six months ended July 31, 2010, cash provided by financing activities was \$24.0 million. Cash provided by financing activities was primarily the result of an increase in non-manufacturer floorplan notes payable of \$23.4 million and proceeds from long-term debt borrowings exceeding principal payments on long-term debt by \$0.8 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 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.

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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 July 31, 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 July 31, 2011 and 2010:

| | Cash Flow As Reported | Adjustment (1) | Adjustment (2) | Non-GAAP Cash Flow |
|--|--------------------------|-------------------|-------------------|-----------------------|
| | (in thousands) | | | |
| Six months ended July 31, 2011 | | | | |
| Net cash provided by (used for) operating activities | \$ (76,865) | \$ 74,217 | \$ (390) | \$ (3,038) |
| Net cash provided by (used for) financing activities | 137,944 | (74,217) | 390 | 64,117 |
| Six months ended July 31, 2010 | | | | |
| Net cash provided by (used for) operating activities | \$ (30,160) | \$ 23,444 | \$ (358) | \$ (7,074) |
| Net cash provided by (used for) financing activities | 23,968 | (23,444) | 358 | 882 |

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

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

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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 the 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 store consolidation, inventory levels, 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

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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 July 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 \$2.5 million. Conversely, a one percentage point decrease in interest rates for the next 12-month period would result in an increase to

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pre-tax earnings and cash flow of approximately \$2.5 million. At July 31, 2011, we had variable rate floorplan notes payable of \$494.9 million, of which approximately \$217.9 million was interest-bearing, variable notes payable and long-term debt of \$28.5 million, and fixed rate notes payable and long-term debt of \$7.2 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. 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)

ITEM 5. OTHER INFORMATION

None.

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: September 8, 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 | Amended and Restated Titan Machinery Inc. 2005 Equity Incentive Plan, incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K filed June 6, 2011. |
| *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 July 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. |

+Indicates management compensatory plan or arrangement

*Filed herewith

** Furnished herewith