

Titan Machinery Inc.
Form 10-Q
December 05, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended October 31, 2013

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

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

The number of shares outstanding of the registrant's common stock as of November 30, 2013 was: Common Stock, \$0.00001 par value, 21,263,137 shares.

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(in thousands, except per share data)

	October 31, 2013	January 31, 2013
ASSETS		
CURRENT ASSETS		
Cash	\$ 113,368	\$ 124,360
Receivables, net	110,981	121,786
Inventories	1,175,665	929,216
Prepaid expenses and other	25,893	8,178
Income taxes receivable	2,859	503
Deferred income taxes	8,611	8,357
Total current assets	1,437,377	1,192,400
INTANGIBLES AND OTHER ASSETS		
Noncurrent inventories	5,871	3,507
Goodwill	30,997	30,903
Intangible assets, net of accumulated amortization	13,873	14,089
Other	6,960	8,534
Total intangibles and other assets	57,701	57,033
PROPERTY AND EQUIPMENT, net of accumulated depreciation	235,852	194,641
TOTAL ASSETS	\$ 1,730,930	\$ 1,444,074
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 34,289	\$ 28,282
Floorplan notes payable	937,218	689,410
Current maturities of long-term debt	9,926	10,568
Customer deposits	27,991	46,775
Accrued expenses	44,036	29,590
Income taxes payable	153	310
Total current liabilities	1,053,613	804,935
LONG-TERM LIABILITIES		
Senior convertible notes	128,059	125,666

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Long-term debt, less current maturities	85,658	56,592
Deferred income taxes	46,909	47,411
Other long-term liabilities	6,445	9,551
Total long-term liabilities	267,071	239,220
STOCKHOLDERS EQUITY		
Common stock, par value \$.00001 per share, 45,000 shares authorized; 21,263 shares issued and outstanding at October 31, 2013; 21,092 shares issued and outstanding at January 31, 2013		
Additional paid-in-capital	238,331	236,521
Retained earnings	169,968	160,724
Accumulated other comprehensive loss	(915)	(735)
Total Titan Machinery Inc. stockholders equity	407,384	396,510
Noncontrolling interest	2,862	3,409
Total stockholders equity	410,246	399,919
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 1,730,930	\$ 1,444,074

See Notes to Consolidated Financial Statements

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TITAN MACHINERY INC.

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(in thousands, except per share data)

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2013	2012	2013	2012
REVENUE				
Equipment	\$ 441,752	\$ 456,168	\$ 1,134,885	\$ 1,084,866
Parts	80,903	72,101	214,373	188,840
Service	40,646	33,365	112,516	93,583
Rental and other	24,660	20,478	56,041	46,617
TOTAL REVENUE	587,961	582,112	1,517,815	1,413,906
COST OF REVENUE				
Equipment	406,867	414,028	1,039,773	985,397
Parts	55,419	49,266	148,152	130,276
Service	14,453	11,611	40,199	32,448
Rental and other	17,616	13,148	38,595	30,953
TOTAL COST OF REVENUE	494,355	488,053	1,266,719	1,179,074
GROSS PROFIT	93,606	94,059	251,096	234,832
OPERATING EXPENSES	75,005	63,950	214,083	175,313
INCOME FROM OPERATIONS	18,601	30,109	37,013	59,519
OTHER INCOME (EXPENSE)				
Interest income and other income (expense)	(260)	258	674	865
Floorplan interest expense	(4,779)	(3,704)	(11,944)	(9,022)
Other interest expense	(3,493)	(2,886)	(10,115)	(6,453)
INCOME BEFORE INCOME TAXES	10,069	23,777	15,628	44,909
PROVISION FOR INCOME TAXES	(4,311)	(9,418)	(6,506)	(17,786)
NET INCOME INCLUDING NONCONTROLLING INTEREST	\$ 5,758	\$ 14,359	\$ 9,122	\$ 27,123
LESS: NET INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTEREST	(67)	298	(122)	256
NET INCOME ATTRIBUTABLE TO TITAN MACHINERY INC.	\$ 5,825	\$ 14,061	\$ 9,244	\$ 26,867
EARNINGS PER SHARE - NOTE 1				
EARNINGS PER SHARE - BASIC	\$ 0.27	\$ 0.67	\$ 0.44	\$ 1.28
EARNINGS PER SHARE - DILUTED	\$ 0.27	\$ 0.66	\$ 0.43	\$ 1.27
WEIGHTED AVERAGE COMMON SHARES - BASIC	20,901	20,814	20,879	20,773

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WEIGHTED AVERAGE COMMON SHARES - DILUTED	21,031	20,988	21,029	20,982
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See Notes to Consolidated Financial Statements

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	Three Months Ended October 31,		Nine Months Ended October 31,	
	2013	2012	2013	2012
NET INCOME INCLUDING NONCONTROLLING INTEREST	\$ 5,758	\$ 14,359	\$ 9,122	\$ 27,123
OTHER COMPREHENSIVE INCOME (LOSS)				
Foreign currency translation adjustments	1,618	403	791	(533)
Unrealized loss on interest rate hedge derivative instruments (net of tax of (\$519) for the three and nine months ended October 31, 2013)	(780)		(780)	
Unrealized gain (loss) on net investment hedge derivative instruments (net of tax of (\$177) and (\$82) for the three months ended October 31, 2013 and 2012, respectively, and \$15 and (\$82) for the nine months ended October 31, 2013 and 2012, respectively)	(266)	(129)	23	(129)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	572	274	34	(662)
COMPREHENSIVE INCOME	6,330	14,633	9,156	26,461
LESS: COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST	345	309	92	155
COMPREHENSIVE INCOME ATTRIBUTABLE TO TITAN MACHINERY INC.	\$ 5,985	\$ 14,324	\$ 9,064	\$ 26,306

See Notes to Consolidated Financial Statements

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

	Common Stock Shares Outstanding	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss Unrealized			Total	Total Titan Machinery Inc. Stockholder Equity	Noncontrolling Interest	Total Stockholders Equity
				Foreign Currency Adjustments	Gains (Losses) on Net Investment Hedges	Losses on Cash Flow Hedges				
BALANCE, JANUARY 31, 2012	20,911	\$ 218,156	\$ 118,251	\$ (70)	\$	\$ (70)	\$ 336,337	\$ 1,002	\$ 337,339	
Senior convertible notes offering		15,501					15,501		15,501	
Common stock issued on grant of restricted stock, exercise of stock options and warrants, and tax benefits of equity awards	136	1,055					1,055		1,055	
Issuance of subsidiary shares to noncontrolling interest holders								2,464	2,464	
Stock-based compensation expense		1,180					1,180		1,180	
Comprehensive income (loss):										
Net income										