

Titan Machinery Inc.
Form 10-Q
September 09, 2014
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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, 2014

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)

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

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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, 2014 was: Common Stock, \$0.00001 par value, 21,413,205 shares.

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 QUARTERLY REPORT ON FORM 10-Q

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PART I. — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TITAN MACHINERY INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except per share data)

	July 31, 2014 (Unaudited)	January 31, 2014
Assets		
Current Assets		
Cash	\$89,713	\$74,242
Receivables, net	86,305	97,894
Inventories	1,137,700	1,075,978
Prepaid expenses and other	12,461	24,740
Income taxes receivable	3,755	851
Deferred income taxes	13,274	13,678
Total current assets	1,343,208	1,287,383
Intangibles and Other Assets		
Noncurrent parts inventories	4,903	5,098
Goodwill	24,751	24,751
Intangible assets, net of accumulated amortization	11,422	11,750
Other	7,617	7,666
Total intangibles and other assets	48,693	49,265
Property and Equipment, net of accumulated depreciation	233,055	228,000
Total Assets	\$1,624,956	\$1,564,648
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$23,182	\$23,714
Floorplan payable	850,347	750,533
Current maturities of long-term debt	35,731	2,192
Customer deposits	21,055	61,286
Accrued expenses	42,648	36,968
Income taxes payable	—	344
Total current liabilities	972,963	875,037
Long-Term Liabilities		
Senior convertible notes	130,592	128,893
Long-term debt, less current maturities	66,609	95,532
Deferred income taxes	47,357	47,329
Other long-term liabilities	2,824	6,515
Total long-term liabilities	247,382	278,269
Commitments and Contingencies		
Stockholders' Equity		
Common stock, par value \$.00001 per share, 45,000 shares authorized; 21,413 shares issued and outstanding at July 31, 2014; 21,261 shares issued and outstanding at January 31, 2014	—	—
Additional paid-in-capital	239,383	238,857

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Retained earnings	162,412	169,575
Accumulated other comprehensive income	262	339
Total Titan Machinery Inc. stockholders' equity	402,057	408,771
Noncontrolling interest	2,554	2,571
Total stockholders' equity	404,611	411,342
Total Liabilities and Stockholders' Equity	\$1,624,956	\$1,564,648
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 July 31,		Six Months Ended July 31,	
	2014	2013	2014	2013
Revenue				
Equipment	\$ 320,087	\$ 358,388	\$ 665,132	\$ 693,133
Parts	70,526	70,633	138,905	133,470
Service	38,447	39,872	75,531	71,870
Rental and other	21,930	19,287	36,885	31,381
Total Revenue	450,990	488,180	916,453	929,854
Cost of Revenue				
Equipment	292,879	329,083	609,161	632,906
Parts	49,730	48,022	97,744	92,733
Service	13,529	14,383	27,932	25,746
Rental and other	15,199	13,150	26,024	20,979
Total Cost of Revenue	371,337	404,638	760,861	772,364
Gross Profit	79,653	83,542	155,592	157,490
Operating Expenses	67,795	70,145	138,947	139,078
Realignment Costs	151	—	2,952	—
Income from Operations	11,707	13,397	13,693	18,412
Other Income (Expense)				
Interest income and other income (expense)	(1,028)	) 337	(3,606)	) 934
Floorplan interest expense	(5,308)	) (3,723)	) (9,901)	) (7,165)
Other interest expense	(3,559)	) (3,455)	) (7,000)	) (6,622)
Income (Loss) Before Income Taxes	1,812	6,556	(6,814)	) 5,559
Provision for Income Taxes	(2,587)	) (2,589)	) (854)	) (2,195)
Net Income (Loss) Including Noncontrolling Interest	\$(775)	) \$3,967	\$(7,668)	) \$3,364
Less: Net Income (Loss) Attributable to Noncontrolling Interest	(161)	) 134	(505)	) (55)
Net Income (Loss) Attributable to Titan Machinery Inc.	\$(614)	) \$3,833	\$(7,163)	) \$3,419
Earnings (Loss) per Share - Note 1				
Earnings (Loss) per Share - Basic	\$(0.03)	) \$0.18	\$(0.34)	) \$0.16
Earnings (Loss) per Share - Diluted	\$(0.03)	) \$0.18	\$(0.34)	) \$0.16
Weighted Average Common Shares - Basic	20,986	20,882	20,969	20,868
Weighted Average Common Shares - Diluted	20,986	21,029	20,969	21,027

See Notes to Consolidated Financial Statements

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TITAN MACHINERY INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(in thousands)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2014	2013	2014	2013
Net Income (Loss) Including Noncontrolling Interest	\$(775	) \$3,967	\$(7,668	) \$3,364
Other Comprehensive Income (Loss)				
Foreign currency translation adjustments	1,066	(30	) (154	) (827
Unrealized gain (loss) on net investment hedge derivative instruments, net of tax expense (benefit) of \$528 and (\$122) for the three months ended July 31, 2014 and 2013, respectively, and \$30 and \$192 for the six months ended July 31, 2014 and 2013, respectively	793	(182	) 46	289
Unrealized loss on interest rate swap cash flow hedge derivative instruments, net of tax benefit of (\$34) for the three months ended July 31, 2014 and (\$32) for the six months ended July 31, 2014	(49	) —	(46) —
Unrealized gain on foreign currency contract cash flow hedge derivative instruments, net of tax expense of \$8 for the three months ended July 31, 2014 and \$29 for the six months ended July 31, 2014	12	—	44	—
Reclassification of gain on foreign currency contract cash flow hedge derivative instruments included in net loss, net of tax expense of \$8 for the three months ended July 31, 2014 and \$14 for the six months ended July 31, 2014	11	—	20	—
Total Other Comprehensive Income (Loss)	1,833	(212	) (90	) (538
Comprehensive Income (Loss)	1,058	3,755	(7,758	) 2,826
Comprehensive Income (Loss) Attributable to Noncontrolling Interest	132	71	(518	) (253
Comprehensive Income (Loss) Attributable To Titan Machinery Inc.	\$926	\$3,684	\$(7,240) \$3,079

See Notes to Consolidated Financial Statements

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TITAN MACHINERY INC.
 CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)
 (in thousands)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Foreign Currency Translation Adjustment	Accumulated Other Comprehensive Income (Loss)	Unrealized Gains	Unrealized Losses	Foreign Currency Contract Hedges	Total Titan Machinery Inc. Stockholders' Equity	Noncontrolling Interest	Total Stockholders' Equity
Balance, January 31, 2013	21,092	\$—	\$236,521	\$160,724	\$(226)	\$(509)	\$—	\$(735)	\$396,510	\$3,409	\$399,919
Common stock issued on grant of restricted stock (net of forfeitures), exercise of stock options and warrants, and tax benefits of equity awards	147	—	259	—	—	—	—	—	259	—	259
Other Stock-based compensation expense	—	—	—	—	—	—	—	—	—	(339)	(339)