

Titan Machinery Inc.  
Form 10-Q  
December 10, 2009  
Table of Contents

**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 October 31, 2009**

**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.)

**4876 Rocking Horse Circle  
Fargo, ND 58104-6049**

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(Address of Principal Executive Offices)

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 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

Smaller reporting company

(Do not check if 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 December 1, 2009 was: Common Stock, \$0.00001 par value, 17,773,534 shares.

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Table of Contents

**TITAN MACHINERY INC.**  
**QUARTERLY REPORT ON FORM 10-Q**

**Table of Contents**

	<b>Page No.</b>
<b><u>PART I.</u></b>	
<b><u>FINANCIAL INFORMATION</u></b>	<b>1</b>
<b><u>ITEM 1.</u></b>	<b><u>FINANCIAL STATEMENTS</u></b>
	<b>1</b>
	<b><u>Consolidated Balance Sheets as of October 31, 2009 and January 31, 2009</u></b>
	<b>1</b>
	<b><u>Consolidated Statements of Operations for the three and nine months ended October 31, 2009 and 2008</u></b>
	<b>2</b>
	<b><u>Consolidated Statements of Cash Flows for the nine months ended October 31, 2009 and 2008</u></b>
	<b>3</b>
	<b><u>Notes to Consolidated Financial Statements</u></b>
	<b>5</b>
<b><u>ITEM 2.</u></b>	<b><u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u></b>
	<b>13</b>
<b><u>ITEM 3.</u></b>	<b><u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u></b>
	<b>21</b>
<b><u>ITEM 4.</u></b>	<b><u>CONTROLS AND PROCEDURES</u></b>
	<b>21</b>
<b><u>PART II.</u></b>	<b><u>OTHER INFORMATION</u></b>
	<b>22</b>
<b><u>ITEM 1.</u></b>	<b><u>LEGAL PROCEEDINGS</u></b>
	<b>22</b>
<b><u>ITEM 1A.</u></b>	<b><u>RISK FACTORS</u></b>
	<b>22</b>
<b><u>ITEM 2.</u></b>	<b><u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u></b>
	<b>22</b>
<b><u>ITEM 3.</u></b>	<b><u>DEFAULTS UPON SENIOR SECURITIES</u></b>
	<b>22</b>
<b><u>ITEM 4.</u></b>	<b><u>SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS</u></b>
	<b>22</b>
<b><u>ITEM 5.</u></b>	<b><u>OTHER INFORMATION</u></b>
	<b>22</b>
<b><u>ITEM 6.</u></b>	<b><u>EXHIBITS</u></b>
	<b>22</b>
<b><u>Signatures</u></b>	<b>23</b>
<b><u>Exhibit Index</u></b>	<b>24</b>
<b>UNITED STATES</b>	<b>3</b>



Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****TITAN MACHINERY INC.****CONSOLIDATED BALANCE SHEETS**

(in thousands, except share data)

	October 31, 2009 (Unaudited)	January 31, 2009
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 82,376	\$ 41,047
U.S. treasury bills		44,994
Total cash, cash equivalents and U.S. treasury bills	82,376	86,041
Receivables, net	23,593	19,627
Inventories	355,196	241,094
Prepaid expenses	927	532
Income taxes receivable		1,433
Deferred income taxes	2,154	1,426
Total current assets	464,246	350,153
<b>INTANGIBLES AND OTHER ASSETS</b>		
Noncurrent parts inventories	1,946	1,509
Goodwill	13,679	12,464
Intangible assets, net of accumulated amortization	312	366
Other	563	487
	16,500	14,826
PROPERTY AND EQUIPMENT, net of accumulated depreciation	45,741	45,269
	\$ 526,487	\$ 410,248
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 14,596	\$ 18,652
Floorplan notes payable	261,905	166,481
Current maturities of long-term debt and short-term advances	9,865	7,623
Customer deposits	9,937	15,158
Accrued expenses	10,373	8,308
Income taxes payable	1,584	
Total current liabilities	308,260	216,222
<b>LONG-TERM LIABILITIES</b>		
Long-term debt, less current maturities	23,192	14,810
Deferred income taxes	4,917	3,503

UNITED STATES

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Other long-term liabilities	3,214	1,946
	31,323	20,259
<b>STOCKHOLDERS EQUITY</b>		
Common stock, par value \$.00001 per share, authorized - 25,000 shares; issued and outstanding - 17,770 at October 31, 2009 and 17,657 at January 31, 2009		
Additional paid-in-capital	138,518	137,755
Retained earnings	48,386	36,012
	186,904	173,767
	\$ 526,487	\$ 410,248

See Notes to Consolidated Financial Statements

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

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2009	2008	2009	2008
<b>REVENUE</b>				
Equipment	\$ 173,367	\$ 167,950	\$ 439,374	\$ 386,705
Parts	32,961	29,794	91,813	74,910
Service	15,854	12,894	44,036	32,626
Other, including trucking and rental	4,836	3,322	11,288	7,207
<b>TOTAL REVENUE</b>	<b>227,018</b>	<b>213,960</b>	<b>586,511</b>	<b>501,448</b>
<b>COST OF REVENUE</b>				
Equipment	155,653	148,678	393,405	343,582
Parts	22,291	20,638	63,767	53,121
Service	5,658	5,019	15,844	12,344
Other, including trucking and rental	3,833	2,279	9,388	5,027
<b>TOTAL COST OF REVENUE</b>	<b>187,435</b>	<b>176,614</b>	<b>482,404</b>	<b>414,074</b>
<b>GROSS PROFIT</b>	<b>39,583</b>	<b>37,346</b>	<b>104,107</b>	<b>87,374</b>
<b>OPERATING EXPENSES</b>	<b>27,792</b>	<b>23,153</b>	<b>79,159</b>	<b>60,805</b>
<b>INCOME FROM OPERATIONS</b>	<b>11,791</b>	<b>14,193</b>	<b>24,948</b>	<b>26,569</b>
<b>OTHER INCOME (EXPENSE)</b>				
Interest and other income	180	496	531	1,257
Floorplan interest expense	(1,798)	(783)	(3,461)	(2,082)
Interest expense other	(454)	(46)	(1,045)	(589)
<b>INCOME BEFORE INCOME TAXES</b>	<b>9,719</b>	<b>13,860</b>	<b>20,973</b>	<b>25,155</b>
<b>PROVISION FOR INCOME TAXES</b>	<b>(3,986)</b>	<b>(5,675)</b>	<b>(8,599)</b>	<b>(10,250)</b>
<b>NET INCOME</b>	<b>\$ 5,733</b>	<b>\$ 8,185</b>	<b>\$ 12,374</b>	<b>\$ 14,905</b>
<b>EARNINGS PER SHARE - NOTE 1</b>				
<b>EARNINGS PER SHARE - BASIC</b>	<b>\$ 0.33</b>	<b>\$ 0.47</b>	<b>\$ 0.70</b>	<b>\$ 0.94</b>
<b>EARNINGS PER SHARE - DILUTED</b>	<b>\$ 0.32</b>	<b>\$ 0.45</b>	<b>\$ 0.69</b>	<b>\$ 0.91</b>
<b>WEIGHTED AVERAGE SHARES - BASIC</b>	<b>17,604</b>	<b>17,553</b>	<b>17,586</b>	<b>15,864</b>
<b>WEIGHTED AVERAGE SHARES - DILUTED</b>	<b>18,013</b>	<b>18,041</b>	<b>17,958</b>	<b>16,374</b>

See Notes to Consolidated Financial Statements





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

(in thousands)

	<b>Nine Months Ended October 31,</b>	
	<b>2009</b>	<b>2008</b>
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 12,374	\$ 14,905
Adjustments to reconcile net income to net cash from operations		
Depreciation and amortization	5,888	2,939
Deferred income taxes	680	68
Stock-based compensation expense	720	488
Other	(28)	(92)
Changes in assets and liabilities, net of purchase of equipment dealerships assets and assumption of liabilities		
Receivables, prepaid expenses and other assets	(4,122)	2,451
Inventories	(49,981)	(14,066)
Floorplan notes payable	5,144	4,637
Accounts payable, customer deposits, accrued expenses and other long-term liabilities	(6,764)	(1,303)
Income taxes	3,017	3,761
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<b>(33,072)</b>	<b>13,788</b>
<b>INVESTING ACTIVITIES</b>		
Net change in U.S. treasury bills	44,994	(49,904)
Property and equipment purchases	(11,066)	(6,072)
Net proceeds from sale of equipment	338	288
Purchase of equipment dealerships, net of cash purchased	(3,737)	(24,275)
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	<b>30,529</b>	<b>(79,963)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from follow-on offering of common stock net of underwriting discount of \$4,389 and other direct costs of \$396		78,815
Net change in non-manufacturer floorplan notes payable	33,664	3,603
Short-term advances related to customer contracts in transit	1,329	
Proceeds from long-term debt borrowings	20,570	691
Principal payments on long-term debt and subordinated debentures	(11,734)	(17,916)
Other	43	40
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>43,872</b>	<b>65,233</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>41,329</b>	<b>(942)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>41,047</b>	<b>42,803</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 82,376</b>	<b>\$ 41,861</b>

See Notes to Consolidated Financial Statements



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

	<b>Nine Months Ended October 31,</b>	
	<b>2009</b>	<b>2008</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the period		
Income taxes, net of refunds	\$ 5,710	\$ 6,178
Interest	\$ 3,763	\$ 2,763
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Property and equipment purchased with long-term debt	\$ 1,772	\$
Net transfer of equipment from fixed assets to inventories	\$ 7,684	\$
Net transfer of financing from long-term debt to floorplan notes payable	\$ 3,180	\$
Acquisition of equipment dealership assets in exchange for cash and assumption of liabilities including purchase accounting adjustments on prior acquisitions		
Receivables	\$ (239)	\$ (1,255)
Inventories	(6,391)	(25,644)
Deferred income taxes, net	133	328
Property and equipment	(851)	(6,917)
Intangible assets		(250)
Goodwill	(1,215)	(1,895)
Accounts payable	(247)	350
Floorplan notes payable	2,443	7,476
Customer deposits	205	391
Accrued expenses	188	43
Income taxes payable	(127)	242
Long-term debt	1,867	735
Non-cash consideration: other long-term liabilities	497	2,121
Cash paid for dealerships, net of cash purchased and adjustments on prior acquisitions	\$ (3,737)	\$ (24,275)

See Notes to Consolidated Financial Statements

Table of Contents

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 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 nine-month period ended October 31, 2009 are not necessarily indicative of the results that may be expected for the year ending January 31, 2010. The information contained in the balance sheet as of January 31, 2009 was derived from the Company's audited financial statements 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 our Form 10-K for the fiscal year ended January 31, 2009 as filed with the SEC.

*Nature of Business*

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

*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 October 31, 2009 and January 31, 2009.

### *Recent Accounting Guidance*

In June 2009, the FASB issued authoritative guidance on the FASB Accounting Standards Codification ( ASC or Codification ) and the hierarchy of generally accepted accounting principles, codified in ASC 105, *Generally Accepted Accounting Principles*. This guidance established the Codification as the single source of authoritative nongovernmental GAAP. All existing accounting standard documents, excluding guidance from the SEC, was superseded by the Codification. All other non-grandfathered, non-SEC accounting literature not included in the Codification became nonauthoritative. The Codification does not change GAAP, but instead introduced a new structure that combined all authoritative standards into a comprehensive, topically organized online database. The Codification was effective for interim or annual periods ending after September 15, 2009, and impacted the Company's financial statement disclosures beginning with the quarter ending October 31, 2009 as all future references to authoritative accounting literature will be referenced in accordance with the Codification.

Table of Contents

There will be no changes to the content of the Company's consolidated financial statements or disclosures as a result of implementing the Codification.

In October 2009, the Financial Accounting Standards Board ( 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. This guidance is effective for fiscal years beginning on or after June 15, 2010, with early adoption permitted. The Company is in the process of determining the impact that this guidance will have on the Company's consolidated financial statements.

In June 2009, the FASB issued authoritative guidance on the consolidation of variable interest entities ( VIEs ), codified in ASC 810, *Consolidation*. This guidance eliminates the exemption for qualifying special-purpose entities, amends the approach companies use to identify the VIEs for which they are deemed to be the primary beneficiary and are required to consolidate, and requires additional disclosure of an entity's involvement with a VIE. The guidance requires companies to perform ongoing reassessments of whether it is the primary beneficiary of a VIE. This assessment no longer includes the quantitative-based assessment, and instead requires a qualitative assessment of whether a company has the power to direct the VIE's activities that most significantly impact the company's economic performance and whether the entity has the obligation to absorb losses or the right to receive benefits that could be significant to the VIE. This guidance is effective for fiscal years beginning after November 15, 2009. The Company is in the process of determining the impact it will have on the Company's consolidated financial statements.

In May 2009, the FASB issued authoritative guidance on subsequent events, codified in ASC 855, *Subsequent Events*. This guidance established general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Company adopted the guidance as of July 31, 2009. Its adoption did not have a material effect on the Company's consolidated financial statements.

In April 2009, the FASB issued authoritative guidance on the accounting and disclosure of assets acquired and liabilities assumed in a business combination that arise from contingencies, and subsequent accounting for these contingencies. This guidance was codified in ASC 805, *Business Combinations*, and will be effective for the Company on February 1, 2010. Its adoption is not expected to have a material effect on the Company's consolidated financial statements based on the nature of the assets acquired and liabilities assumed in our business combinations.

In April 2009, the FASB issued authoritative guidance that required disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies, in addition to inclusion in annual financial statements. This guidance was codified in ASC 820, *Fair Value Measurements and Disclosures*. The Company adopted this FSP as of July 31, 2009. Its adoption did not have a material effect on the Company's consolidated financial statements.

In February 2008, the FASB issued authoritative guidance on fair value measurements, codified in ASC 820, *Fair Value Measurements and Disclosures*. This guidance permitted a one year deferral of the application of fair value measurements for all non-financial assets and non-financial liabilities, except those recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The Company adopted fair value measurements for non-financial assets and non-financial liabilities on February 1, 2009. Its adoption did not have a material effect on the Company's results of operations, financial position or cash flows.

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In December 2007, the FASB issued authoritative guidance on business combinations which provided additional guidance on improving the relevance, representational faithfulness, and comparability of the financial information that a reporting entity provides in its financial reports about a business combination and its effects. This guidance was codified in ASC 805, *Business Combinations*, and applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company adopted SFAS 141R effective February 1, 2009. Its adoption did not have a material effect on the Company's consolidated financial statements. Any acquisition made in fiscal 2010 and future periods are subject to this new accounting guidance.

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## Table of Contents

In December 2007, the FASB issued authoritative guidance on accounting and reporting for non-controlling interests in a subsidiary and for the deconsolidation of a subsidiary, codified in ASC 810, *Consolidation*. This guidance applied to all entities that prepare consolidated financial statements and have an outstanding noncontrolling interest in one or more subsidiaries. The Company adopted this guidance on February 1, 2009. 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:

(in thousands)	Three Months Ended October 31,		Nine Months Ended October 31,	
	2009	2008	2009	2008
Basic weighted-average shares outstanding	17,604	17,553	17,586	15,864
Plus: Incremental shares from assumed conversions				
Restricted Stock	161	86	132	86
Warrants	62	111	74	112
Stock Options	186	291	166	312
Diluted weighted-average shares outstanding	18,013	18,041	17,958	16,374

There were 148,500 and 78,500 stock options outstanding as of October 31, 2009 and 2008, respectively, that were not included in the computation of diluted earnings per share because they were anti-dilutive.

## **NOTE 2 - INVENTORIES**

	October 31, 2009	(in thousands)	January 31, 2009
New equipment	\$ 207,766		\$ 132,502
Used equipment	103,633		68,333
Parts, tires and attachments	40,259		37,314
Work in process	3,538		2,945
	\$ 355,196		\$ 241,094

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*

On July 15, 2009, the Company entered into a Loan Agreement (the *Loan Agreement*) with Bremer Bank National Association ( *Bremer Bank* ) which provides for a \$25.0 million revolving operating line of credit ( *Revolving Loan* ) and a \$15.0 million term loan ( *Term Loan* ). The *Revolving Loan* may be used to fund short term working capital requirements of the Company, and replaces the Company's previous \$25.0 million operating line of credit with Bremer Bank. The *Revolving Loan* has a variable interest rate of 0.25% per annum below a Bremer Bank reference rate (subject to a minimum interest rate floor of 4.5%), requires monthly payments of accrued interest commencing August 1, 2009, and has a maturity date of July 14, 2010. Advances under the *Loan Agreement* are secured by substantially all of the Company's assets. See discussion of the *Term Loan* in Note 4.

Table of Contents

The Company had no amount outstanding on the Revolving Loan at October 31, 2009. The Loan Agreement contains certain financial covenants which impose minimum levels of current ratio, debt service coverage, and inventory turnover ratio and a maximum level of debt to tangible net worth ratio. As of October 31, 2009, the Company was in compliance with all of these financial covenants.

*Floorplan Lines of Credit*

The Company has discretionary floorplan lines of credit for equipment purchases totaling approximately \$365.0 million with various lending institutions, including a \$300.0 million Wholesale Floorplan Credit Facility with CNH Capital America LLC ( CNH ). The available borrowings under the CNH credit facility are reduced by outstanding floorplan notes payable, rental fleet financing and other acquisition-related financing arrangements with CNH. Prior to September 1, 2009, the interest rate for new borrowings under the CNH Capital floorplan line of credit was equal to the prime rate plus 0.3% per annum for most purposes, subject to any interest-free periods offered by CNH. From September 1, 2009 through January 31, 2010, interest rates range from the prime rate plus 4% to the prime rate plus 6% on new borrowings under the CNH Capital floorplan line of credit, subject to any interest-free periods offered by CNH. The CNH Capital credit facility automatically renews on August 31 of each year through August 31, 2012, unless earlier terminated by either party. Under covenants of the CNH credit facility, the Company has agreed, among other things, to maintain various financial ratio levels and to submit certain financial information. As of October 31, 2009, the Company was in compliance with all floorplan financial covenants.

Floorplan notes payable relating to these credit facilities totaled approximately \$252.9 million of the total floorplan notes payable balance of \$261.9 million outstanding as of October 31, 2009 and \$153.8 million of the total floorplan notes payable balance of \$166.5 million outstanding as of January 31, 2009. As of October 31, 2009, the Company had approximately \$96.9 million in available borrowings remaining under these lines of credit. These floorplan notes carried various interest rates primarily ranging from 3.25 to 9.25% as of October 31, 2009 and January 31, 2009, and are secured by the related inventory. Repayment terms vary by individual notes, but generally payments are made from sales proceeds or rental revenue from the related inventories.

**NOTE 4 - LONG-TERM DEBT**

As discussed in Note 3, on July 15, 2009 the Company entered into a Loan Agreement with Bremer Bank that provides for a \$25.0 million Revolving Loan and a \$15.0 million Term Loan. The Term Loan will be used for the long term working capital requirements of the Company. The Term Loan has a fixed interest rate of 5.9%, requires monthly payments of principal and interest commencing August 1, 2009, and has a maturity date of July 1, 2014. Advances under the Loan Agreement are secured by substantially all of the Company's assets. The Loan Agreement contains certain financial covenants that impose minimum levels of current ratio, debt service coverage, and inventory turnover ratio and a maximum level of debt to tangible net worth ratio. As of October 31, 2009, the Company was in compliance with all of these financial covenants. See discussion of the Revolving Loan in Note 3.

There was \$14.3 million outstanding on this Term Loan as of October 31, 2009. Future maturities on this Term Loan are as follows:

12 Months Ending October 31,	Amount
	(in thousands)
2010	\$ 2,688

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2011	2,853
2012	3,027
2013	3,215
2014	2,535
Thereafter	\$ 14,318

Table of Contents**NOTE 5 - INCOME TAXES**

In August 2009, the Internal Revenue Service ( IRS ) completed its audit of the Company, including the uncertain tax position taken during fiscal 2008. All amounts owed to state and federal taxing authorities were paid prior to October 31, 2009. A reconciliation of the beginning and ending amount of unrecognized tax benefits for the nine months ended October 31, 2009 follows (in thousands):

Balance at January 31, 2009	\$	446
Additions for tax positions related to current year		
Additions/reductions for tax positions taken in prior years:		
Accrued interest expense		9
Reduction due to final IRS settlement		(14)
Reductions for tax positions as a result of:		
Settlements		(441)
Lapse of statute of limitations		
Balance at October 31, 2009	\$	

The Company is no longer subject to U.S. federal income tax examinations for fiscal years ending prior to January 31, 2007.

**NOTE 6 - STOCK WARRANTS, STOCK OPTIONS AND RESTRICTED STOCK***Common Stock Warrants*

The following table summarizes stock warrant activity for the nine months ended October 31, 2009:

*(number of warrants and aggregate intrinsic value in thousands)*

	Number of Warrants	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Life (Years)
Outstanding and exercisable at January 31, 2009	123	\$ 3.45		
Granted				
Exercised	(38)	3.50		
Forfeited				
Outstanding and exercisable at October 31, 2009	85	\$ 3.43	\$ 624	2.6



Table of Contents*Stock Options*

The following table summarizes stock option activity for the nine months ended October 31, 2009:

(number of stock options and aggregate intrinsic value in thousands)

	Number of Options	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Life (Years)
Outstanding at January 31, 2009	646	\$ 10.91		
Granted	5	11.16		
Exercised	(8)	5.32		
Forfeited				
Outstanding at October 31, 2009	643	\$ 10.98	\$ 1,472	7.3
Exercisable at October 31, 2009	178	\$ 8.72	\$ 627	6.9

*Restricted Stock*

The following table summarizes restricted stock activity for the nine months ended October 31, 2009:

(number of restricted shares in thousands)

	Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term
Nonvested at January 31, 2009	92	\$ 10.18	2.1
Granted	84	13.05	
Forfeited	(4)	10.90	
Vested	(11)	12.78	
Nonvested at October 31, 2009	161	\$ 11.48	2.7

The weighted average grant date fair value of restricted stock granted was \$13.05 and \$20.40 per share for the nine months ended October 31, 2009 and 2008, respectively. The total fair value of restricted stock vested was \$133,000 and \$13,000 for the nine months ended October 31, 2009 and 2008, respectively. As of October 31, 2009, there was approximately \$707,000 of unrecognized compensation cost on non-vested

restricted stock that is expected to be recognized over a weighted-average period of 2.7 years.

**NOTE 7 - BUSINESS COMBINATIONS**

On May 1, 2009, the Company acquired 100% of the outstanding stock of Winger Implement, Inc. The acquired entity consisted of one agricultural equipment store located in Winger, Minnesota and expands the Company's presence in the Red River Valley. The acquisition-date fair value of the total consideration transferred for the dealership was \$1,450,000. The Company expects the allocation of the purchase price to be finalized within one year of the acquisition date.

On May 28, 2009, the Company acquired certain assets of Arthur Mercantile, Co. The acquired entity consisted of one agricultural equipment store located in Arthur, North Dakota and expands the Company's presence in the Red River Valley. The acquisition-date fair value of the total consideration transferred for the dealership was \$831,697. The Company

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### Table of Contents

expects the allocation of the purchase price to be finalized within one year of the acquisition date. James L. Williams, Arthur Mercantile, Co. s President and Treasurer, is a Titan Machinery director.

On June 30, 2009, the Company acquired certain assets of Valley Equipment, Inc. in Mayville, North Dakota. The acquired entity consisted of one agricultural equipment store and expands the Company s presence in the Red River Valley. The acquisition-date fair value of the total consideration transferred for the dealership was \$753,404. The Company expects the allocation of the purchase price to be finalized within one year of the acquisition date.

On August 14, 2009, the Company acquired certain assets of Lickness Bros. Implement Co. The acquired entity consisted of one agricultural equipment store located in Britton, South Dakota and is contiguous to existing markets in Northeast South Dakota and Southeast North Dakota. The acquisition-date fair value of the total consideration transferred for the dealership was \$209,551. The Company expects the allocation of the purchase price to be finalized within one year of the acquisition date.

During the nine months ended October 31, 2009 adjustments were recorded to finalize the purchase price allocations of prior acquisitions and for additional consideration of \$1,063,000 earned and paid under agreements disclosed in our Form 10-K for the fiscal year ended January 31, 2009 as filed with the SEC. These adjustments and additional consideration resulted in a net increase in goodwill of \$862,000.

The results of operations have been included in the Company s consolidated results of operations since the date of each respective business combination. The fair value of assets acquired and liabilities assumed in the above business combinations and adjustments on prior acquisitions are presented in the following table:

(in thousands)	
Cash	73
Receivables	239
Inventories	6,391
Deferred income taxes	8
Property and equipment	851
Goodwill	1,215
	\$ 8,777
Accounts payable	\$ (247)
Floorplan notes payable	2,443
Customer deposits	205
Accrued expenses	188
Income taxes payable	(127)
Long-term debt	1,867
Deferred income taxes	141
	\$ 4,470
Cash consideration	3,810
Non-cash consideration: other long-term liabilities	497
Total consideration	\$ 4,307



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Goodwill of \$1,068,000 recorded in the acquisition transactions during the nine months ended October, 31, 2009 is expected to be deductible for tax purposes.

Table of Contents

**NOTE 8 - SUBSEQUENT EVENTS**

On November 2, 2009, the Company closed on the acquisition of certain assets of Oskaloosa Implement Co., for approximately \$2,559,000. The acquired entity consisted of two agricultural equipment stores located in Pella and Oskaloosa, Iowa and expands the Company's presence in Iowa. Used equipment inventory of approximately \$1,752,000, and the related floorplan notes payable and accounts payable, were purchased in October 2009 and are included in the Company's balance sheet as of October 31, 2009.

On November 2, 2009, the Company acquired 100% of the outstanding stock of Valley Farm Equipment, Inc. in Milbank, South Dakota, for approximately \$1,860,000. The acquired entity consisted of one agricultural equipment store and is strategically located in the Whetstone Valley in Eastern South Dakota, between Titan Machinery's existing dealerships in Graceville, Minnesota, Watertown, South Dakota, and Aberdeen, South Dakota.

The Company evaluated for the occurrence of subsequent events through December 10, 2009, the issuance date of the Company's financial statements. No recognized or non-recognized subsequent events occurred except as noted above.

Table of Contents

**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 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, 2009.

**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, 2009.

**Overview**

We own and operate one of the largest networks of full service agricultural and construction equipment stores in North America. 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 sell and rent agricultural and construction equipment, sell parts, and service the equipment operating in the areas surrounding our stores.

Our net income was \$5.7 million, or \$0.32 per diluted share, for the three months ended October 31, 2009, compared to \$8.2 million, or \$0.45 per diluted share, for the three months ended October 31, 2008. Significant factors impacting the quarter were:

- Overall revenue growth was due to acquisitions and was partially offset by declines in same-store sales resulting from a particularly strong agriculture equipment market in the third quarter of fiscal 2009 and a challenging construction market, as compared to the third quarter of fiscal 2008;
- Increase in gross profits primarily due to increased revenues;
- Increase in operating expenses as a percent of revenue primarily due to an increased concentration of construction stores in our overall store composition, as well as lower revenues due to the challenging construction market; and

- Increase in inventories reflecting historical stocking levels to support future sales.

Table of Contents

**Results of Operations**

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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:

	Three Months Ended October 31,			Nine Months Ended October 31,		
	2009	2008	Percent Change	2009	2008	Percent Change
	(dollars in thousands)			(dollars in thousands)		
<b>Equipment</b>						
Revenue	\$ 173,367	\$ 167,950	3.2%	\$ 439,374	\$ 386,705	13.6%
Cost of revenue	155,653	148,678	4.7%	393,405	343,582	14.5%
Gross profit	\$ 17,714	\$ 19,272	(8.1)%	\$ 45,969	\$ 43,123	6.6%
<b>Parts</b>						
Revenue	\$ 32,961	\$ 29,794	10.6%	\$ 91,813	\$ 74,910	22.6%
Cost of revenue	22,291	20,638	8.0%	63,767	53,121	20.0%
Gross profit	\$ 10,670	\$ 9,156	16.5%	\$ 28,046	\$ 21,789	28.7%
<b>Service</b>						
Revenue	\$ 15,854	\$ 12,894	23.0%	\$ 44,036	\$ 32,626	35.0%
Cost of revenue	5,658	5,019	12.7%	15,844	12,344	28.4%
Gross profit	\$ 10,196	\$ 7,875	29.5%	\$ 28,192	\$ 20,282	39.0%
<b>Other, including trucking and rental</b>						
Revenue	\$ 4,836	\$ 3,322	45.6%	\$ 11,288	\$ 7,207	56.6%
Cost of revenue	3,833	2,279	68.2%	9,388	5,027	86.8%
Gross profit	\$ 1,003	\$ 1,043	(3.8)%	\$ 1,900	\$ 2,180	(12.8)%

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:

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2009	2008	2009	2008
<b>Revenue</b>				
Equipment	76.4%	78.5%	74.9%	77.1%
Parts	14.5%	13.9%	15.7%	15.0%
Service	7.0%	6.0%	7.5%	6.5%
Other, including trucking and rental	2.1%	1.6%	1.9%	1.4%
Total revenue	100.0%	100.0%	100.0%	100.0%
<b>Cost of revenue</b>				
Equipment	68.6%	69.5%	67.1%	68.5%
Parts	9.8%	9.6%	10.9%	10.6%
Service	2.5%	2.3%	2.7%	2.5%
Other, including trucking and rental	1.7%	1.1%	1.5%	1.0%
Total cost of revenue	82.6%	82.5%	82.2%	82.6%
Gross profit	17.4%	17.5%	17.8%	17.4%
Operating expenses	12.2%	10.8%	13.5%	12.1%
Income from operations	5.2%	6.7%	4.3%	5.3%



Table of Contents

*Three Months Ended October 31, 2009 Compared to Three Months Ended October 31, 2008*





*Revenue*

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	Three months ended October 31, 2009	Three months ended October 31, 2008 (dollars in thousands)	Increase	Percent Change
Equipment	\$ 173,367	\$ 167,950	\$ 5,417	3.2%
Parts	32,961	29,794	3,167	10.6%
Service	15,854	12,894	2,960	23.0%
Other, including trucking and rental	4,836	3,322	1,514	45.6%
Total Revenue	\$ 227,018	\$ 213,960	\$ 13,058	6.1%

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The increase in revenue for the three months ended October 31, 2009, as compared to the same period last year, was due to acquisitions contributing to current period revenue, offset by a decline in same-store sales. Acquisitions contributed \$25.1 million of the increase in total revenue, while same-store sales declined by \$12.0 million. Revenue from acquisitions was negatively impacted by the slow construction market we are currently experiencing and the large number of construction stores acquired in the prior year. Same-store sales decreased 5.7% over the same period of the prior year, resulting from a particularly strong equipment market in the third quarter of fiscal 2009 that did not recur in the third quarter of fiscal 2010.

### *Cost of Revenue*

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	<b>Three months ended October 31, 2009</b>	<b>Three months ended October 31, 2008 (dollars in thousands)</b>	<b>Increase</b>	<b>Percent Change</b>
Equipment	\$ 155,653	\$ 148,678	\$ 6,975	4.7%
Parts	22,291	20,638	1,653	8.0%
Service	5,658	5,019	639	12.7%
Other, including trucking and rental	3,833	2,279	1,554	68.2%
<b>Total cost of revenue</b>	<b>\$ 187,435</b>	<b>\$ 176,614</b>	<b>\$ 10,821</b>	<b>6.1%</b>

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The increase in cost of revenue for the three months ended October 31, 2009, as compared to the same period last year, was primarily due to increased revenue. Acquisitions contributed \$20.6 million of the increase in total cost of revenue, while the decline in same-store sales resulted in a decrease in cost of revenue of \$9.8 million. As a percentage of revenue, cost of revenue was 82.6% compared to 82.5% for the third quarter of fiscal 2009.

Table of Contents

*Gross Profit*

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	Three months ended October 31, 2009	Three months ended October 31, 2008 (dollars in thousands)	Increase/ (Decrease)	Percent Change
Equipment	\$ 17,714	\$ 19,272	\$ (1,558)	(8.1)%
Parts	10,670	9,156	1,514	16.5%
Service	10,196	7,875	2,321	29.5%
Other, including trucking and rental	1,003	1,043	(40)	(3.8)%
<b>Total Gross Profit</b>	<b>\$ 39,583</b>	<b>\$ 37,346</b>	<b>\$ 2,237</b>	<b>6.0%</b>

The \$2.2 million increase in gross profit for the three months ended October 31, 2009, as compared to the same period last year, was primarily due to increased revenue. Acquisitions contributed \$4.5 million to the increase in gross profit for the three months ended October 31, 2009, offset by a decrease in same-store gross profits of \$2.3 million from the three months ended October 31, 2008. Gross profit margins were 17.4% for the third quarter of fiscal 2010, compared to 17.5% for the third quarter of fiscal 2009. The gross profit margin on equipment revenues for the third quarter of fiscal 2010 declined compared to the same period last year due to a particularly strong equipment market in the third quarter of fiscal 2009 that did not recur in the third quarter of fiscal 2010, but was enhanced by a manufacturer incentive program. The gross profit margin on parts revenues for the third quarter of fiscal 2010, as compared to the same period last year, was enhanced by a parts incentive program.

*Operating Expenses*



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	<b>Three months ended October 31, 2009</b>	<b>Three months ended October 31, 2008 (dollars in thousands)</b>	<b>Increase</b>	<b>Percent Change</b>
Operating Expenses	\$ 27,792	\$ 23,153	\$ 4,639	20.0%

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The \$4.6 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 increased to 12.2% for the third quarter of fiscal 2010 compared to 10.8% for the third quarter of fiscal 2009. This increase from the prior year was due to the increased number of construction stores, which have higher operating expenses as a percent of revenue, as well as lower revenues due to the challenging construction market, as compared to the same period of fiscal 2009. In addition, the strong prior year sales resulted in improved fixed operating expense utilization as a percentage of sales in the third quarter of fiscal 2009.

*Other Income (Expense)*

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	Three months ended October 31, 2009	Three months ended October 31, 2008 (dollars in thousands)	Increase/ (Decrease)	Percent Change
Interest and other income	\$ 180	\$ 496	\$ (316)	(63.7)%
Floorplan interest expense	(1,798)	(783)	1,015	129.6%
Interest expense	(454)	(46)	408	887.0%

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Interest and other income decreased \$0.3 million for the three months ended October 31, 2009, as compared to the same period last year, as we invested our cash balances in highly secure investments that carried lower interest rates than those earned in the three months ended October 31, 2008. The increase in floorplan interest expense was due to the increase in

Table of Contents

floorplan notes payable balances and higher interest rates for the three months ended October 31, 2009, as compared to the same period in the prior year. The increase in interest expense resulted from higher long-term debt balances.

*Provision for Income Taxes*

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	<b>Three months ended October 31, 2009</b>	<b>Three months ended October 31, 2008 (dollars in thousands)</b>	<b>Decrease</b>	<b>Percent Change</b>
Provision for income taxes	\$ 3,986	\$ 5,675	\$ (1,689)	(29.8)%

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The effective tax rate was 41.0% for the three months ended October 31, 2009 and 2008, respectively.

*Nine Months Ended October 31, 2009 Compared to Nine Months Ended October 31, 2008*





*Revenue*

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	Nine Months Ended October 31, 2009	Nine Months Ended October 31, 2008 (dollars in thousands)	Increase	Percent Change
Equipment	\$ 439,374	\$ 386,705	\$ 52,669	13.6%
Parts	91,813	74,910	16,903	22.6%
Service	44,036	32,626	11,410	35.0%
Other, including trucking and rental	11,288	7,207	4,081	56.6%
<b>Total Revenue</b>	<b>\$ 586,511</b>	<b>\$ 501,448</b>	<b>\$ 85,063</b>	<b>17.0%</b>

The increase in revenue for the nine months ended October 31, 2009, as compared to the same period last year, was due to acquisitions contributing to current period revenue, offset by a decline in same-store sales. Acquisitions contributed \$86.4 million of the increase in total revenue, while same-store sales declined by \$1.3 million, a decrease of 0.3% over the same period of the prior year. Revenue from acquisitions was negatively impacted by the slow construction market we are currently experiencing and the large number of construction stores acquired in the prior year.

*Cost of Revenue*

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	Nine Months Ended October 31, 2009	Nine Months Ended October 31, 2008 (dollars in thousands)	Increase	Percent Change
Equipment	\$ 393,405	\$ 343,582	\$ 49,823	14.5%
Parts	63,767	53,121	10,646	20.0%
Service	15,844	12,344	3,500	28.4%
Other, including trucking and rental	9,388	5,027	4,361	86.8%
Total cost of revenue	\$ 482,404	\$ 414,074	\$ 68,330	16.5%

The increase in cost of revenue for the nine months ended October 31, 2009, as compared to the same period last year, was primarily due to increased revenue. Acquisitions contributed \$70.8 million of the increase in total cost of revenue, while the decline in same-store sales resulted in a decrease in cost of revenue of \$2.5 million. As a percentage of revenue, cost of revenue was 82.2% for the nine months ended October 31, 2009 compared to 82.6% for the nine months ended October 31, 2008.

Table of Contents

*Gross Profit*

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	Nine Months Ended October 31, 2009		Nine Months Ended October 31, 2008 (dollars in thousands)		Increase/ (Decrease)	Percent Change
Equipment	\$ 45,969	\$	43,123	\$	2,846	6.6%
Parts	28,046		21,789		6,257	28.7%
Service	28,192		20,282		7,910	39.0%
Other, including trucking and rental	1,900		2,180		(280)	(12.8)%
<b>Total Gross Profit</b>	<b>\$ 104,107</b>	<b>\$</b>	<b>87,374</b>	<b>\$</b>	<b>16,733</b>	<b>19.2%</b>

The \$16.7 million increase in gross profit for the nine months ended October 31, 2009, as compared to the same period last year, was primarily due to increased revenue. Acquisitions contributed \$15.6 million to the increase in gross profit for the nine months ended October 31, 2009, while increases in same-store gross profits provided the remaining \$1.1 million of the gross profit improvement. Gross profit margins were 17.8% for the nine months ended October 31, 2009, compared to 17.4% for the nine months ended October 31, 2008. The gross profit margin on equipment revenues for the nine months ended October 31, 2009 declined compared to the same period in fiscal 2009 due to a particularly strong equipment market in the third quarter of fiscal 2009 that did not recur in the third quarter of fiscal 2010, but was enhanced by a manufacturer incentive program. The gross profit margin on parts revenues for the third quarter of fiscal 2010, as compared to the same period last year, was enhanced by a parts incentive program. The decrease in gross profit margins on other, including trucking and rental, was due to a lower utilization of our rental fleet.

*Operating Expenses*

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	Nine Months Ended October 31, 2009	Nine Months Ended October 31, 2008 (dollars in thousands)	Increase	Percent Change
Operating Expenses	\$ 79,159	\$ 60,805	\$ 18,354	30.2%

The \$18.3 million increase in operating expenses for the nine months ended October 31, 2009, as compared to the same period last year, was primarily due to the additional costs associated with acquisitions such as compensation, rent and depreciation. As a percentage of total revenue, operating expenses increased to 13.5% for the nine months ended October 31, 2009, compared to 12.1% for the nine months ended October 31, 2008. This increase from the prior year is due to the increased number of construction stores, which have higher operating expenses as a percent of revenue, as well as lower revenues due to the challenging construction market, as compared to the same period of fiscal 2009.

*Other Income (Expense)*

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	Nine Months Ended October 31, 2009	Nine Months Ended October 31, 2008 (dollars in thousands)	Increase/ (Decrease)	Percent Change
Interest and other income	\$ 531	\$ 1,257	\$ (726)	(57.8)%
Floorplan interest expense	(3,461)	(2,082)	1,379	66.2%
Interest expense	(1,045)	(589)	456	77.4%

Interest and other income decreased \$0.7 million for the nine months ended October 31, 2009 as we invested our cash balances in highly secure investments that carried lower interest rates than those earned in the nine months ended October 31, 2008. The increase in floorplan interest expense was primarily due to the increase in floorplan notes payable balances for the nine months ended October 31, 2009 compared to the same period in the prior year. The increase in interest expense resulted from higher long-term debt balances.

Table of Contents

*Provision for Income Taxes*



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	<b>Nine Months Ended October 31, 2009</b>	<b>Nine Months Ended October 31, 2008</b>	<b>Decrease</b>	<b>Percent Change</b>
Provision for income taxes	\$ 8,599	\$ 10,250 (dollars in thousands)	\$ (1,651)	(16.1)%

The effective tax rate was 41.0% for the nine months ended October 31, 2009 and 2008, respectively.

**Liquidity and Capital Resources**

*Cash Flow from Operating Activities*



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For the nine months ended October 31, 2009, our cash flow used in operating activities was \$33.1 million. Our cash flow from operations was primarily the result of our reported net income of \$12.4 million, an increase in floorplan notes payable of \$5.1 million and an add-back of non-cash depreciation and amortization of \$5.9 million. This amount was principally offset by an increase in inventories of \$50.0 million and a net decrease in accounts payable, customer deposits, accrued expenses and other long-term liabilities of \$6.8 million. The increase in inventories reflects historical stocking levels to support future sales.

For the nine months ended October 31, 2008, our cash flow provided by operating activities was \$13.8 million. Our cash flow from operations was primarily the result of our reported net income of \$14.9 million, a net decrease in receivables, prepaid expenses and other assets of \$2.5 million, a net increase in floorplan notes payable of \$4.6 million, an increase in income taxes of \$3.8 million, and an add-back of non-cash depreciation and amortization of \$2.9 million. This amount was principally offset by an increase in inventories of \$14.0 million and a net decrease in accounts payable, customer deposits, accrued expenses and other long-term liabilities of \$1.3 million. The increase in inventory was primarily the result of a build-up of new equipment inventory for the fourth quarter.

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 as of October 31, 2009 was \$1.9 million. For a reconciliation of this non-GAAP financial measure, please see the Non-GAAP Cash Flow Reconciliation below.

### *Cash Flow from Investing Activities*



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For the nine months ended October 31, 2009, cash provided by investing activities was \$30.5 million. Our cash provided by investing activities primarily consisted of the sale of U.S. treasury bills of \$45.0 million, offset by purchases of property and equipment for \$11.1 million, and purchases of equipment dealerships of \$3.7 million. We are now investing our excess cash balances in investments that are classified as cash equivalents.

For the nine months ended October 31, 2008, cash used for investing activities was \$80.0 million. Our cash used for investing activities primarily consisted of the purchase of U.S. treasury bills of \$49.9 million, equipment dealership purchases of \$24.3 million and purchases of property and equipment for \$6.1 million. We began purchasing U.S. treasury bills in the third quarter of the current year to safely invest our cash reserves. The second quarter \$14.4 million purchase of the Mid-Land Equipment Company was the most significant cash acquisition during the nine months ended October 31, 2008.

### *Cash Flow from Financing Activities*



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For the nine months ended October 31, 2009, cash provided by financing activities was \$43.9 million. Cash provided by financing activities was primarily the result of an increase in non-manufacturer floorplan notes payable of \$33.7 million and proceeds from long-term debt and short-term advances exceeding principal payments on long-term debt by \$10.2 million.

For the nine months ended October 31, 2008, cash provided from financing activities was \$65.2 million. Cash provided by financing activities was primarily the result of \$78.8 million in net proceeds from our second quarter follow-on offering and an increase in non-manufacturer floorplan payable of \$3.6 million. Partially offsetting these proceeds were principal payments on long-term debt and subordinated debentures of \$17.9 million.



Table of Contents

*Non-GAAP Cash Flow Reconciliation*



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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 Statement 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 operating activities as of October 31, 2009 and net cash provided by financing activities, a GAAP measure, to non-GAAP cash flow provided by financing activities as of October 31, 2009 (in thousands):

	<b>As Reported</b>	<b>Adjustment (1)</b>	<b>Adjustment (2)</b>	<b>Non-GAAP Measures</b>
Net cash provided by (used for) operating activities	\$ (33,072)	\$ 33,664	\$ 1,329	\$ 1,921
Net cash provided by financing activities	43,872	(33,664)	(1,329)	8,879

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(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 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





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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**



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We do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose 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,

Table of Contents

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**



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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, 2009 that was filed with the Securities and Exchange Commission, 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 (i) our expectations regarding parts inventory sales, (ii) our expectations regarding our primary liquidity sources, and (iii) our expectations and beliefs with respect to the uses 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.

Based upon balances and interest rates as of October 31, 2009, 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 \$1.2 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 \$1.2 million. At October 31, 2009, we had variable rate floorplan notes payable of \$261.9 million, of which approximately \$108.8 million was interest-bearing, variable notes payable and long-term debt of \$12.7 million, and fixed rate notes payable and long-term debt of \$20.4 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 to ensure that information that is required to be disclosed by the Company in reports that it files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules of the Securities and Exchange Commission. Our Chief Executive Officer and Chief Financial Officer, with the participation of the Company's management, have also concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosures.



Table of Contents

(b) *Changes in internal controls.* The Company is in the process of converting to a new enterprise resource planning (ERP) system, which is scheduled to be implemented in phases. During the fiscal quarter ended October 31, 2009, the Company went live on its initial phase of the new ERP system implementation, which included the financial reporting and shared resource center functions. The Company believes that the new ERP system and related changes to internal controls will enhance the Company's internal controls over financial reporting. The Company has taken the necessary steps to monitor and maintain appropriate internal controls during this period of change and will continue to evaluate the operating effectiveness of related key controls during subsequent periods.

Other than the implementation of the new ERP system discussed above, 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, 2009 as filed with the United States 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. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

None.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

(a) Exhibits - See Exhibit Index on page following signatures.

Table of Contents

**SIGNATURES**

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

Dated: December 10, 2009

**TITAN MACHINERY INC.**

By /s/ Peter J. Christianson  
Peter J. Christianson  
President and Chief Financial Officer  
(Principal Financial Officer)

Table of Contents

EXHIBIT INDEX

TITAN MACHINERY INCORPORATED

FORM 10-Q

<b>Exhibit No.</b>	<b>Description</b>
*10.1	Letter Agreement with CNH Capital America, LLC dated November 25, 2009
*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