

Titan Machinery Inc. Announces Strategic Acquisition of O'Connors

- Australia's leading Case IH dealership group with strong presence in high horsepower equipment -

- Accretive acquisition generated approximately \$0.40 in annual proforma earnings per share -

- Acquisition includes strong management team with track record of solid financial performance through a combination of organic and acquisitive growth -

- Updates fiscal 2024 modeling assumptions for Transaction -

WEST FARGO, N.D., Aug. 30, 2023 (GLOBE NEWSWIRE) -- Titan Machinery Inc. (Nasdaq: TITN) ("Titan" or the "Company"), a leading network of full-service agricultural and construction equipment stores, announced today that it has entered into a definitive purchase agreement to acquire J.J. O'Connor & Sons Pty. Ltd. ("O'Connors"), the largest Case IH dealership group in Australia, for \$63 million in cash, subject to final working capital and other closing adjustments (the "Transaction"). In the unaudited full fiscal year period ended June 30, 2023, O'Connors generated revenue of \$258 million and EBITDA of \$21.4 million, as translated to USD.

O'Connors, founded in 1964, is the largest Case IH dealership group in Australia, and a market leader in high horsepower equipment. O'Connors delivers a wide range of new and used equipment, parts, and services through its 15 dealerships and 1 parts location located in the Australian southeastern grain belt, which includes the regions of Victoria, New South Wales, and South Australia. In addition, O'Connors is a distributor for more than 25 leading short-line equipment brands, providing an impressive range of complementary offerings to its core Case IH line of products, and has a strong parts and service business that provides a reliable recurring revenue stream. On a consolidated basis, O'Connors achieved a gross margin of approximately 18.7% in the full fiscal year 2023, and generated a total pre-tax margin of approximately 7.2%, representing a margin profile that is consistent with Titan's.

David Meyer, Titan Machinery's Chairman and Chief Executive Officer, stated, "We are pleased to announce our definitive agreement to acquire O'Connors, Australia's leading Case IH dealership group. This transaction marks our entry into the Australian agriculture market, as we continue to seek opportunities for Titan to expand its reach, both domestically and abroad. O'Connors' operating metrics, core values, and customer-centric focus align with our own, making them a great partner for our entry into the Australian agriculture market, which is benefiting from strong fundamentals that are being driven by enhanced productivity, economies of scale, and farmer profitability."

Mr. Meyer continued, "We are very impressed with the O'Connors senior management team, led by CEO Gareth Webb, who have been operating the business exceptionally well over the last five years after succeeding the retiring major shareholders Dennis and Mark O'Connor. It's this strong management team, along with their great track record of retailing and supporting the high horsepower Case IH product line up that makes this a very compelling acquisition. O'Connors has established itself as a respected leader in the region, earning a reputation for its deep expertise and employee and customer-centric focus. Their long-term business relationships, built over nearly six decades, demonstrates their commitment to excellence. The O'Connors team has a proven track record of driving organic growth, M&A execution, and profitability, and we believe that there is additional opportunity to build upon their growth formula and capitalize on operational synergies across Titan's global footprint as we integrate the business."

Strategic and Financial Highlights

- Largest Case IH agriculture equipment dealership in Australia with leading market share positions in key offerings - O'Connors is the leading distributor of Case IH agricultural equipment in Australia, with a primary focus on high-horsepower cash crop production equipment. Throughout its 16 locations in the grain belt region in southeastern Australia, O'Connors provides an end-to-end offering to customers including new and used equipment, parts and services, and other value-added service offerings.
- Key similarities to Titan's domestic agriculture business, which will allow for seamless integration and unique synergy opportunities - O'Connors' focus on high-horsepower cash crop production equipment in Australia's grain belt region is being supported by the combination of increasing precision ag technology adoption and farm expansion. These trends are similar to what Titan is experiencing in its domestic agriculture business and coupled with the O'Connors' strong management team, Australia's native English language, and comparable legal system, this transaction is expected to allow for a seamless integration that carries over into our shared values and customer-centric focus. The Company believes it also provides Titan with unique operational synergy opportunities to expand its global customer service capabilities and capacity across the network.
- Titan to enhance and expand upon O'Connors' proven M&A strategy - O'Connors' growth accelerated in 2018 following a focused acquisition strategy that resulted in acquiring nine additional locations in the subsequent five year period. The Australian market is in the early stages of dealer consolidation and through a combined approach - leveraging O'Connors' existing leadership team and Titan's broader capabilities and resources - the Company believes it is well positioned to capitalize on continued acquisition opportunities to unlock network synergies while driving market share gains.
- Immediately accretive transaction with long-term growth opportunities - O'Connors' base unaudited fiscal 2023 business, ended June 30, 2023, produced revenue of \$258 million, pre-tax income of \$18.7 million and EBITDA of \$21.4 million. Adding estimated financing and integration expenses for the first twelve months of ownership to these results provides for run rate pro forma profit before tax of \$13.0 million, or \$0.40 earnings per share. The combined Titan Machinery enterprise, along with the O'Connors proforma run rate results, would equate to approximately \$2.9 billion in revenue, and \$5.20 in diluted earnings per share on an annualized basis, based on the midpoint of Titan's full fiscal year 2024 guidance ending in January 2024. The combined Company exhibits strong pre-tax margins and builds upon Titan's growth strategy.

Additional Transaction Details

The definitive agreement to acquire O'Connors contemplates an acquisition price of \$63 million, subject to final working capital and other closing adjustments, and will be funded with cash and Titan's existing credit facility.

The O'Connors organization is represented by a strong, capable and professional leadership team that spearheaded its growth acceleration over the past five years. It is anticipated that Titan Machinery will retain O'Connors' management team following the integration, who will be responsible for the region's operating performance and report into Titan's executive team.

The Transaction is subject to customary closing conditions and is expected to close in the fourth quarter of calendar 2023.

Fiscal 2024 Modeling Assumptions

Upon closing, the Company expects to add a fourth reporting segment to reflect the acquired Australian business and is providing incremental expectations for that segment for the balance of fiscal 2024. The table below assumes no changes to the Company's outlook or underlying assumptions beyond the expected accretion from the Transaction in fiscal 2024. The Company will provide any further updates to its consolidated guidance when it releases financial results for the fiscal second quarter ended July 31, 2023, tomorrow, Thursday, August 31, 2023.

	Current Assumptions	Previous Assumptions
Segment Revenue		
Agriculture ⁽¹⁾	Up 20-25%	Up 20-25%
Construction	Flat - Up 5%	Flat - Up 5%
Europe (formerly "International") ⁽²⁾	Up 8-13%	Up 8-13%
Australia (O'Connors) ⁽³⁾	\$70-90 million	
Diluted EPS ⁽²⁾⁽⁴⁾	\$4.60 - \$5.25	\$4.50 - \$5.10

(1) Includes the full year impact of the Mark's Machinery acquisition, which closed in April 2022, the Heartland Ag acquisition, which closed in August 2022, the Pioneer Farm Equipment acquisition, which closed in February 2023, and the partial year impact of the Midwest Truck acquisition, which closed in June 2023.

(2) Includes an estimated loss of approximately \$0.07 per share for the Company's Ukrainian subsidiary, which would be similar to actual results for such subsidiary in Fiscal 2023. Includes the partial year impact of the two-store acquisition in Germany, which closed in May 2023.

(3) Represents the anticipated partial year revenue impact for the O'Connors acquisition, assuming an October 2023 closing and a foreign currency translation rate of AUD \$0.67 to USD \$1.00.

(4) Includes the partial year EPS impact in the range of \$0.10-\$0.15 to account for the O'Connors acquisition net of integration and financing costs, assuming an October 2023 closing.

Supplement Presentation Information

The Company has produced a supplemental presentation to accompany this press release, which is available on the Company's website under Investor Relations at www.titanmachinery.com.

Non-GAAP Financial Measures

This press release and the attached financial tables contain disclosure of the Company's EBITDA, which is a non-GAAP financial measure as defined under SEC rules. As required by SEC rules, the Company has provided a reconciliation of this non-GAAP financial measure to the most directly comparable GAAP financial measure in the schedule included in this press release. The Company believes that presentation of this non-GAAP financial measure improves the transparency of the Company's disclosures and provides a meaningful presentation of the Company's results.

About Titan Machinery Inc.

Titan Machinery Inc., founded in 1980 and headquartered in West Fargo, North Dakota, owns and operates a network of full service agricultural and construction equipment dealer locations in North America and Europe, servicing farmers, contractors, ranchers and commercial applicators. The network consists of US locations in Colorado, Idaho, Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, North Dakota, South Dakota, Washington, Wisconsin and Wyoming and its European stores are located in Bulgaria, Germany, Romania, and Ukraine. The Titan Machinery locations represent one or more of the CNH Industrial Brands, including Case IH, New Holland Agriculture, Case Construction, New Holland Construction, and CNH Industrial Capital. Additional information about Titan Machinery Inc. can be found at www.titanmachinery.com.

Forward Looking Statements

Except for historical information contained herein, the statements in this release are forward-looking and made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The words "potential," "believe," "estimate," "expect," "intend," "may," "could," "will," "plan," "anticipate," and similar words and expressions are intended to identify forward-looking statements. These statements are based upon the current beliefs and expectations of our management. Forward-looking statements made in this release, which include statements regarding the expected impact of the O'Connors acquisition and modeling assumptions and expected results of operations for the fiscal year ending January 31, 2024 and may include statements regarding Agriculture, Construction, and International segment initiatives and improvements, segment revenue realization, growth and profitability expectations, the performance of our Ukrainian subsidiary within our International segment, agricultural equipment industry conditions and trends, involve known and unknown risks and uncertainties that may cause Titan Machinery's actual results in future periods to differ materially from the forecasted assumptions and expected results. The Company's risks and uncertainties include, among other things, our ability to successfully integrate and realize growth opportunities and synergies in connection with the O'Connors acquisition, and the risk that we assume unforeseen or other liabilities in connection with the O'Connors acquisition. In addition, risks and uncertainties also include the impact of the Russia-Ukraine conflict on our Ukrainian subsidiary, our substantial dependence on CNH Industrial including CNH Industrial's ability to design, manufacture and allocate inventory to our stores necessary to satisfy our customers' demands, supply chain disruptions impacting our suppliers, including CNH Industrial, the continued availability of organic growth and acquisition opportunities, potential difficulties integrating acquired stores, industry supply levels, fluctuating agriculture and construction industry economic conditions, the success of recently implemented initiatives within the Company's operating segments, the uncertainty and fluctuating conditions in the capital and credit markets, difficulties in conducting international operations, foreign currency risks, governmental agriculture policies, seasonal fluctuations, the ability of the Company to manage inventory levels, weather conditions, disruption in receiving ample inventory financing, and increased competition in the geographic areas served. These and other risks are more fully described in Titan Machinery's filings with the Securities and Exchange Commission, including the Company's most recently filed Annual Report on Form 10-K, as updated in subsequently filed Quarterly Reports on Form 10-Q, as applicable. Titan Machinery conducts its business in a highly competitive and rapidly changing environment. Accordingly, new risks and uncertainties may arise. It is not possible for management to predict all such risks and uncertainties, nor to assess the impact of all such risks and uncertainties on Titan Machinery's business or the extent to which any individual risk or uncertainty, or combination of risks and uncertainties, may cause results to differ materially from those contained in any forward-looking statement. Other than as required by law, Titan Machinery disclaims any obligation to update such risks and uncertainties or to publicly announce results of revisions to any of the forward-looking statements contained in this release to reflect future events or developments.

Investor Relations Contact:

ICR, Inc.

Jeff Sonnek, jeff.sonnek@icrinc.com

646-277-1263

TITAN MACHINERY INC.

Non-GAAP Reconciliation for O'Connors

(in thousands)

(Unaudited)

	Fiscal Year ended	
	June 30, 2023	
Net Income	\$	13,060
Adjustments		
Interest expense, net of interest income		1,417
Taxes		5,592
Depreciation and Amortization		1,299
EBITDA	\$	21,368

8/30/2023 4:05:00 PM