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, 2018

Commission File No. 001-33866

TITAN MACHINERY INC.

(Exact name of registrant as specified in its charter)

Delaware	**No. 45-0357838**
(State or Other Jurisdiction of Incorporation or Organization)	(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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth 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	☐
Emerging growth company	☐			

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of August 31, 2018, 22,218,146 shares of Common Stock, $0.00001 par value, of the registrant were outstanding.

TITAN MACHINERY INC.
QUARTERLY REPORT ON FORM 10-Q

Table of Contents

PART I. — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TITAN MACHINERY INC.
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(in thousands, except per share data)

	July 31, 2018	January 31, 2018
Assets		
Current Assets		
Cash	$ 49,673	$ 53,396
Receivables, net of allowance for doubtful accounts	78,411	60,672
Inventories	547,062	472,467
Prepaid expenses and other	11,149	12,611
Total current assets	686,295	599,146
Noncurrent Assets		
Intangible assets, net of accumulated amortization	5,361	5,193
Property and equipment, net of accumulated depreciation	143,575	151,047
Deferred income taxes	2,785	3,472
Other	1,433	1,450
Total noncurrent assets	153,154	161,162
Total Assets	$ 839,449	$ 760,308
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 18,721	$ 15,136
Floorplan payable	365,634	247,392
Senior convertible notes	44,444	—
Current maturities of long-term debt	1,974	1,574
Deferred revenue	22,731	32,324
Accrued expenses and other	26,811	31,863
Total current liabilities	480,315	328,289
Long-Term Liabilities		
Senior convertible notes	—	62,819
Long-term debt, less current maturities	22,419	34,578
Deferred income taxes	2,492	2,275
Other long-term liabilities	8,268	10,492
Total long-term liabilities	33,179	110,164
Commitments and Contingencies		
Stockholders' Equity		
Common stock, par value $.00001 per share, 45,000 shares authorized; 22,218 shares issued and outstanding at July 31, 2018; 22,102 shares issued and outstanding at January 31, 2018	—	—
Additional paid-in-capital	247,149	246,509
Retained earnings	80,613	77,046
Accumulated other comprehensive loss	(1,807)	(1,700)
Total stockholders' equity	325,955	321,855
Total Liabilities and Stockholders' Equity	$ 839,449	$ 760,308

See Notes to Consolidated Financial Statements

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

	Three Months Ended July 31, 2018	Three Months Ended July 31, 2017	Six Months Ended July 31, 2018	Six Months Ended July 31, 2017
Revenue				
Equipment	$ 192,721	$ 167,881	$ 349,625	$ 335,796
Parts	59,998	55,580	111,533	112,163
Service	31,271	30,509	58,627	59,275
Rental and other	15,901	14,901	25,784	25,755
Total Revenue	299,891	268,871	545,569	532,989
Cost of Revenue				
Equipment	174,472	154,729	316,239	310,246
Parts	42,544	39,103	79,202	79,460
Service	11,432	11,444	22,634	22,238
Rental and other	12,542	10,788	21,035	19,319
Total Cost of Revenue	240,990	216,064	439,110	431,263
Gross Profit	58,901	52,807	106,459	101,726
Operating Expenses	47,633	50,523	94,360	102,510
Impairment of Long-Lived Assets	156	—	156	—
Restructuring Costs	565	5,549	565	7,893
Income (Loss) from Operations	10,547	(3,265)	11,378	(8,677)
Other Income (Expense)				
Interest income and other income	1,462	682	1,846	1,460
Floorplan interest expense	(1,727)	(2,163)	(3,077)	(4,819)
Other interest expense	(2,490)	(2,464)	(4,520)	(4,584)
Income (Loss) Before Income Taxes	7,792	(7,210)	5,627	(16,620)
Provision for (Benefit from) Income Taxes	2,612	(2,024)	2,061	(5,502)
Net Income (Loss)	$ 5,180	$ (5,186)	$ 3,566	$ (11,118)
Earnings (Loss) per Share:				
Basic	$ 0.23	$ (0.24)	$ 0.16	$ (0.51)
Diluted	$ 0.23	$ (0.24)	$ 0.16	$ (0.51)
Weighted Average Common Shares:				
Basic	21,826	21,546	21,781	21,461
Diluted	21,831	21,546	21,788	21,461

See Notes to Consolidated Financial Statements

TITAN MACHINERY INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)
(in thousands)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2018	2017	2018	2017
Net Income (Loss)	$ 5,180	$ (5,186)	$ 3,566	$ (11,118)
Other Comprehensive Income (Loss)				
Foreign currency translation adjustments	(1,408)	930	(107)	1,391
Unrealized gain on interest rate swap cash flow hedge derivative instrument, net of tax expense of $19 for the six months ended July 31, 2017	—	—	—	29
Reclassification of loss on interest rate swap cash flow hedge derivative instrument included in net income (loss), net of tax benefit of $68 for the three months ended July 31, 2017 and $394 for the six months ended July 31, 2017	—	104	—	592
Total Other Comprehensive Income (Loss)	(1,408)	1,034	(107)	2,012
Comprehensive Income (Loss)	3,772	(4,152)	$ 3,459	$ (9,106)

See Notes to Consolidated Financial Statements

TITAN MACHINERY INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in thousands)

	Six Months Ended July 31, 2018	Six Months Ended July 31, 2017
Operating Activities		
Net income (loss)	$ 3,566	$ (11,118)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities		
Depreciation and amortization	11,447	12,268
Impairment	156	—
Deferred income taxes	891	(4,927)
Stock-based compensation expense	1,249	1,732
Noncash interest expense	1,430	2,139
Loss (gain) on repurchase of senior convertible notes	615	(40)
Other, net	837	(1,865)
Changes in assets and liabilities		
Receivables, prepaid expenses and other assets	(16,117)	(2,340)
Inventories	(73,915)	(31,981)
Manufacturer floorplan payable	69,225	107,833
Accounts payable, customer deposits, accrued expenses and other and other long-term liabilities	(13,277)	(4,562)
Income taxes	(194)	(262)
Net Cash Provided by (Used for) Operating Activities	(14,087)	66,877
Investing Activities		
Rental fleet purchases	(3,145)	(10,222)
Property and equipment purchases (excluding rental fleet)	(2,609)	(7,472)
Proceeds from sale of property and equipment	614	2,253
Other, net	(169)	78
Net Cash Used for Investing Activities	(5,309)	(15,363)
Financing Activities		
Net change in non-manufacturer floorplan payable	50,422	(38,030)
Repurchase of senior convertible notes	(20,025)	(19,340)
Proceeds from long-term debt borrowings	—	33,000
Principal payments on long-term debt	(14,062)	(22,722)
Other, net	(618)	(482)
Net Cash Provided by (Used for) Financing Activities	15,717	(47,574)
Effect of Exchange Rate Changes on Cash	(44)	435
Net Change in Cash	(3,723)	4,375
Cash at Beginning of Period	53,396	53,151
Cash at End of Period	$ 49,673	$ 57,526
Supplemental Disclosures of Cash Flow Information		
Cash paid during the period		
Income taxes, net of refunds	$ 1,145	$ 3
Interest	$ 5,442	$ 7,240
Supplemental Disclosures of Noncash Investing and Financing Activities		
Net property and equipment financed with long-term debt, capital leases, accounts payable and accrued expenses and other	$ 2,310	$ 1,262
Net transfer of assets from property and equipment to inventories	$ 2,715	$ 1,905

See Notes to Consolidated Financial Statements

TITAN MACHINERY INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 - BUSINESS ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The unaudited consolidated financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for interim reporting. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America ("GAAP") for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation have been included. The quarterly operating results for Titan Machinery Inc. (the "Company") are subject to fluctuation due to varying weather patterns, which may impact the timing and amount of equipment purchases, rentals, and after-sales parts and service purchases by the Company's Agriculture, Construction and International customers. Therefore, operating results for the six-month period ended July 31, 2018 are not necessarily indicative of the results that may be expected for the fiscal year ending January 31, 2019. The information contained in the consolidated balance sheet as of January 31, 2018 was derived from the audited consolidated financial statements for the Company for the fiscal year then ended. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2018 as filed with the SEC.

Nature of Business

The Company is engaged in the retail sale, service and rental of agricultural and construction machinery through its stores in the United States and Europe. The Company's North American stores are located in Arizona, Colorado, Iowa, Minnesota, Montana, Nebraska, New Mexico, North Dakota, South Dakota, Wisconsin and Wyoming, and its European stores are located in Bulgaria, Romania, Serbia and Ukraine.

Estimates

The preparation of financial statements in conformity with GAAP 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates, particularly related to realization of inventory, impairment of long-lived assets, collectability of receivables, and income taxes.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All material accounts, transactions and profits between the consolidated companies have been eliminated in consolidation.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated statements of cash flows to maintain consistency and comparability between periods presented. These reclassifications had no impact on previously reported cash flows from operating, investing or financing activities.

Earnings (Loss) Per Share ("EPS")

The Company uses the two-class method to calculate basic and diluted EPS. Unvested restricted stock awards are considered participating securities because they entitle holders to non-forfeitable rights to dividends during the vesting term. Under the two-class method, basic EPS was computed by dividing net income (loss) attributable to Titan Machinery Inc. after allocation of net income to participating securities by the weighted-average number of shares of common stock outstanding during the relevant period. In the event of a net loss, no amount of the loss is allocated to the participating securities as they do not share in the losses of the Company.

Diluted EPS was computed by dividing net income (loss) attributable to Titan Machinery Inc. after allocation of net income to participating securities by the weighted-average shares of common stock outstanding after adjusting for potential dilution related to the conversion of all dilutive securities into common stock. All potentially dilutive securities were included in the computation of diluted EPS. All anti-dilutive securities were excluded from the computation of diluted EPS.

The following table sets forth the calculation of basic and diluted EPS:

	Three Months Ended July 31, 2018	Three Months Ended July 31, 2017	Six Months Ended July 31, 2018	Six Months Ended July 31, 2017
	(in thousands, except per share data)			
Numerator:				
Net income (loss)	$ 5,180	$ (5,186)	$ 3,566	$ (11,118)
Income allocated to participating securities	(80)	—	(57)	—
Net income (loss) attributable to Titan Machinery Inc. common stockholders	$ 5,100	$ (5,186)	$ 3,509	$ (11,118)
Denominator:				
Basic weighted-average common shares outstanding	21,826	21,546	21,781	21,461
Plus: incremental shares from assumed exercises of stock options and vesting of restricted stock units	5	—	7	—
Diluted weighted-average common shares outstanding	21,831	21,546	21,788	21,461
Earnings (Loss) Per Share:				
Basic	$ 0.23	$ (0.24)	$ 0.16	$ (0.51)
Diluted	$ 0.23	$ (0.24)	$ 0.16	$ (0.51)
Anti-dilutive shares excluded from diluted weighted-average common shares outstanding:				
Stock options and restricted stock units	53	133	53	143
Shares underlying senior convertible notes	1,057	1,748	1,057	1,748

Recent Accounting Guidance

Accounting guidance adopted

In May 2014, the FASB issued authoritative guidance on accounting for revenue recognition, codified in Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers.* This guidance is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract.

The Company adopted ASC 606 as of February 1, 2018 using the modified retrospective method of adoption. Results for reporting periods beginning after February 1, 2018 are presented under the guidelines of ASC 606, while prior period amounts have not been adjusted and continue to be reported under the accounting standards in effect for those periods. Upon adoption of ASC 606, the Company did not recognize a cumulative effect adjustment of initially applying the standard as no material adjustments to contracts not completed as of the date of adoption were identified. The adoption of ASC 606 did not materially impact the amount of revenue recognized or any other financial statement line item as of and for the three and six months ended July 31, 2018. The Company has included the additional disclosures required under ASC 606 in Notes 2, 3 and 7.

Accounting guidance not yet adopted

In February 2016, the FASB amended authoritative guidance on leases, codified in ASC 842, *Leases*. The amended guidance requires lessees to recognize most leases on their balance sheets related to the rights and obligations created by those leases. The new standard also requires new disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. This guidance is effective for reporting periods beginning after December 15, 2018, with early adoption permitted. In July 2018, the FASB issued additional authoritative guidance providing companies with a new prospective transition method to apply the provisions of this guidance. The Company will elect this transition method applying the new lease standard on a prospective basis at the adoption date and recognize any cumulative-effect adjustments to the opening balance of retained earnings in the period of adoption. Prior period amounts will not be adjusted and will continue to be reported under the accounting standards in effect for those periods. The Company will adopt the new standard on February 1, 2019, and expects to elect the package of practical expedients afforded under the guidance. The practical expedient package applies to leases that commenced prior to adoption of the new standard and permits an entity not to: 1) reassess whether existing or expired contracts are or contain a lease, 2) reassess the lease classification, and 3) reassess any initial direct costs for any existing leases. We continue to evaluate if we will elect the use of hindsight to determine the lease term. Our implementation efforts to date have consisted of identifying the Company's lease population, selecting a lease software to implement that will assist with the reporting and disclosure requirements under the standard and abstracting and validating our lease information.

While we continue to evaluate this standard, we anticipate this standard will have a material impact on our consolidated balance sheets due to the capitalization of a right-of-use asset and lease liability associated with our current operating leases in which we are the lessee, but we do not believe it will have a material impact on our consolidated statements of operations or cash flows. Our rental fleet and equipment inventory rental activities in which we are the lessor in the transaction are also subject to ASC 842. While our evaluation of the impact of this standard on our rental transactions is ongoing, we do not believe the standard will have a material impact on our consolidated balance sheets, statements of operations or cash flows for such transactions.

In August 2017, the FASB amended authoritative guidance on hedge accounting, codified in ASC 815, *Derivatives and Hedging.* The amendments better align the accounting rules with a company's risk management activities, better reflects economic results of hedging in financial statements, and simplifies hedge accounting treatment. The guidance is effective for the Company as of the first quarter of its fiscal year ending January 31, 2020. The Company does not believe the update will have a material impact on its consolidated financial statements.

NOTE 2 - REVENUE

Revenues are recognized when control of the promised goods or services is transferred to the customer, in an amount that reflects the consideration we expect to collect in exchange for those goods or services. Sales, value added and other taxes collected from our customers concurrent with our revenue activities are excluded from revenue.

The following tables presents our revenue disaggregated by revenue source and segment:

	Three Months Ended July 31, 2018			
	Agriculture	Construction	International	Total
	(in thousands)			
Equipment	$ 94,231	$ 42,168	$ 56,322	$ 192,721
Parts	35,796	14,482	9,720	59,998
Service	20,486	9,699	1,086	31,271
Other	1,463	216	74	1,753
Revenue from contracts with customers	151,976	66,565	67,202	285,743
Rental	837	12,680	631	14,148
Total revenues	$ 152,813	$ 79,245	$ 67,833	$ 299,891

	Six Months Ended July 31, 2018			
	Agriculture	Construction	International	Total
	(in thousands)			
Equipment	$ 185,229	$ 74,454	$ 89,942	$ 349,625
Parts	67,979	27,676	15,878	111,533
Service	38,697	18,165	1,765	58,627
Other	2,716	389	108	3,213
Revenue from contracts with customers	294,621	120,684	107,693	522,998
Rental	1,063	20,652	856	22,571
Total revenues	$ 295,684	$ 141,336	$ 108,549	$ 545,569

Equipment Revenue

Equipment revenue transactions include the sale of new and used agricultural and construction equipment. The Company satisfies its performance obligations and recognizes revenue at a point in time, primarily upon the delivery of the product. Once a product is delivered, the customer has physical possession of the asset, can direct the use of the asset, and has the significant risks and rewards of ownership of the asset. Equipment transactions often include both cash and noncash consideration. Cash consideration is paid directly by our customers or by third-party financial institutions financing our customer transactions. Noncash consideration is in the form of trade-in equipment assets. We assign a value to trade-in assets by estimating a future selling price, which we estimate based on relevant internal and third-party data, less a gross profit amount to be realized at the time the trade-in asset is sold and an estimate of any reconditioning work required to ready the asset for sale. Both cash and noncash consideration can be received prior to or after our performance obligation is satisfied. Any consideration received prior to the satisfaction of our performance obligation is recognized as deferred revenue. Receivables recognized for amounts not paid at the time our performance obligation is satisfied, including amounts due from third-party financial institutions, generally do not have established payment terms but are collected in relatively short time periods.

For certain equipment sale transactions, the Company provides a residual value guarantee to CNH Industrial Capital in connection with a customer leasing arrangement in which we sell the equipment to CNH Industrial Capital, who simultaneously executes a leasing arrangement with our end-user customer. The amount of revenue recognized for the sale of the equipment asset is reduced by, and we recognize a corresponding liability equal to, our estimate of the amount that is probable of being paid under the guarantee discounted at a rate of interest to reflect the risk inherent in the liability.

Also included in equipment revenue are net commissions earned for serving as the agent in facilitating sales of equipment assets we hold as consignee on behalf of the consignor, as well as net commissions earned for facilitating the sale of extended warranty protection plans provided by our suppliers or third-party insurance providers.

We have elected, as a practical expedient, to recognize sales commissions earned on the sale of equipment inventory as an expense when incurred because the amortization period of this cost if it was otherwise capitalized would be less than one year. These costs are recorded in operating expenses in our consolidated statements of operations.

Parts Revenue

We sell a broad range of maintenance and replacement parts for both equipment that we sell and other types of equipment. The Company satisfies its performance obligation and recognizes revenue at a point in time, upon delivery of the product to the customer. Once a product is delivered, the Company has a present right to payment, the customer has physical possession of the asset, can direct the use of the asset, and has the significant risks and rewards of ownership of the asset. In many cases, customers tender payment at the time of delivery. Balances not paid at the time of delivery are typically due in full within 30 days. Most parts are sold with a thirty-day right of return or exchange. Historically, parts returns have not been material.

Parts revenue also includes the retail value of parts inventories consumed during the course of customer repair and maintenance services and services provided under manufacturer warranties. As further described below, we recognize revenue from these activities over time.

Service Revenue

We provide repair and maintenance services, including repairs performed under manufacturer warranties, for our customer's equipment. We recognize service and associated parts revenue of our repair and maintenance services over time as we transfer control of these goods and services over time. The Company recognizes revenue over time in the amount to which we have the right to invoice the customer as such an amount corresponds to the value of our performance completed to date. Generally, the Company has the right to invoice the customer for labor hours incurred and parts inventories consumed during the performance of the service arrangement. Customer invoicing most often occurs at the conclusion of our repair and maintenance services. Accordingly, we recognize unbilled receivables for the amount of unbilled labor hours incurred and parts inventories consumed under our repair and maintenance arrangements. Upon customer invoicing, unbilled receivables are reclassified to receivables. In many cases, customers tender payment at the completion of our work and the creation of the invoice. Balances not paid at the time of invoicing are typically due in full within 30 days.

Other Revenue

Other revenues primarily consist of fees charged in connection with short-haul equipment delivery and pick-up services, in which revenue is recognized at a point in time when the service is completed, and Global Positioning System ("GPS") signal subscriptions, in which revenue is recognized on a straight-line basis over the subscription period.

Rental Revenue

We rent equipment to our customers on a short-term basis for periods ranging from a few days to a few months. Rental revenue is recognized on a straight-line basis over the period of the related rental agreement. Revenue from rental equipment delivery and pick-up services is recognized when the service is performed.

Unbilled Receivables and Deferred Revenue

Unbilled receivables amounted to $14.5 million and $11.0 million as of July 31, 2018 and January 31, 2018. The increase in unbilled receivables is primarily the result of a seasonal increase in the volume of our service transactions in which we recognize revenue as our work is performed and prior to customer invoicing.

Deferred revenue from contracts with customers amounted to $21.1 million and $30.1 million as of July 31, 2018 and January 31, 2018. Our deferred revenue most often increases in the fourth quarter of each fiscal year due to a higher level of customer down payments or prepayments and longer time periods between customer payment and delivery of the equipment asset, and the related recognition of equipment revenue, prior to its seasonal use. During the three and six months ended July 31, 2018, the Company recognized $9.8 million and $27.0 million of revenue that was included in the deferred revenue balance as of January 31, 2018.

No material amount of revenue was recognized during the three or six months ended July 31, 2018 from performance obligations satisfied in previous periods. The Company has elected as a practical expedient to not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of service of one year or less and (ii) contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed. The contracts for which the practical expedient has been applied include (i) equipment revenue transactions, which do not have a stated contractual term, but are short-term in nature, and (ii) service revenue transactions, which also do not have a stated contractual term but are generally completed within 30 days and for such contracts we recognize revenue over time at the amount to which we have the right to invoice for services completed to date.

NOTE 3 - RECEIVABLES

	July 31, 2018	January 31, 2018
	(in thousands)	
Trade and unbilled receivables from contracts with customers		
Trade receivables due from customers	$ 35,071	$ 25,396
Trade receivables due from finance companies	13,682	8,901
Unbilled receivables	14,492	10,967
Trade and unbilled receivables from rental contracts		
Trade receivables	7,978	7,571
Unbilled receivables	1,458	847
Other receivables		
Due from manufacturers	8,404	8,805
Other	472	1,136
Total receivables	81,557	63,623
Less allowance for doubtful accounts	(3,146)	(2,951)
Receivables, net of allowance for doubtful accounts	$ 78,411	$ 60,672

The Company recognized impairment losses on receivables arising from contracts with customers for the three and six months ended July 31, 2018 of $0.2 million and $0.3 million. Impairment losses on receivables arising from other contracts amounted to $0.1 million and $0.2 million for the three and six months ended July 31, 2018.

NOTE 4 - INVENTORIES

	July 31, 2018	January 31, 2018
	(in thousands)	
New equipment	$ 346,145	$ 258,559
Used equipment	127,644	141,450
Parts and attachments	71,373	71,110
Work in process	1,900	1,348
	$ 547,062	$ 472,467

NOTE 5 - PROPERTY AND EQUIPMENT

	July 31, 2018	January 31, 2018
	(in thousands)	
Rental fleet equipment	$ 119,065	$ 123,430
Machinery and equipment	22,123	22,025
Vehicles	39,296	37,741
Furniture and fixtures	39,911	39,851
Land, buildings, and leasehold improvements	62,985	62,243
	283,380	285,290
Less accumulated depreciation	(139,805)	(134,243)
	$ 143,575	$ 151,047

During the three months ended July 31, 2018, the Company determined that the current period operating loss combined with historical losses and anticipated future operating losses of a specific store location was an indication that the long-lived assets of this store may not be recoverable. In light of these circumstances, the Company performed step one of the impairment analysis for this long-lived asset group, which has a combined carrying value of $0.4 million. Step one of the impairment analysis indicated that the carrying value of this long-lived asset group was not recoverable. Accordingly, the Company performed step two of the impairment analysis and estimated the fair value of these assets primarily using estimated selling prices of similar assets. Step two of the analysis indicated that an impairment charge in the amount of $0.2 million was necessary. The impairment charge was recognized within the Company's International segment.

NOTE 6 - LINES OF CREDIT / FLOORPLAN PAYABLE

Floorplan Lines of Credit

Floorplan payable balances reflect the amount owed for new equipment inventory purchased from a manufacturer and for used equipment inventory, which is primarily acquired through trade-in on equipment sales. Certain of the manufacturers from which the Company purchases new equipment inventory offer financing on these purchases, either offered directly from the manufacturer or through the manufacturers’ captive finance subsidiaries. CNH Industrial's captive finance subsidiary, CNH Industrial Capital, also provides financing of used equipment inventory. The Company also has floorplan payable balances with non-manufacturer lenders for new and used equipment inventory. Cash flows associated with manufacturer floorplan payables are reported as operating cash flows, while cash flows associated with non-manufacturer floorplan payables are reported as financing cash flows in the Company's consolidated statement of cash flows. The Company has three significant floorplan lines of credit for U.S. operations, floorplan credit facilities for its foreign subsidiaries, and other floorplan payable balances with non-manufacturer lenders and manufacturers.

As of July 31, 2018, the Company had discretionary floorplan lines of credit for equipment inventory purchases totaling $611.8 million, which includes a $140.0 million floorplan payable line of credit under our second amended and restated credit agreement with Wells Fargo (the "Wells Fargo Credit Agreement"), a $320.0 million credit facility with CNH Industrial Capital, a $30.0 million credit facility with DLL Finance and the U.S. dollar equivalent of $121.8 million in credit facilities related to our foreign subsidiaries. Floorplan payables relating to these credit facilities totaled $349.4 million of the total floorplan payable balance of $365.6 million outstanding as of July 31, 2018 and $239.2 million of the total floorplan payable balance of $247.4 million outstanding as of January 31, 2018. The remaining outstanding balances relate to equipment inventory financing from manufacturers and non-manufacturer lenders other than the lines of credit described above. As of

July 31, 2018, the interest-bearing U.S. floorplan payables carried various interest rates primarily ranging from 4.34% to 7.00%, and the foreign floorplan payables carried various interest rates primarily ranging from 0.93% to 8.08%.

As of July 31, 2018, the Company had a compensating balance arrangement under one of its foreign floorplan credit facilities, which requires a minimum cash deposit to be maintained with the lender in the amount of $5.0 million for the term of the credit facility.

Working Capital Line of Credit

As of July 31, 2018, the Company had a $60.0 million working capital line of credit under the Wells Fargo Credit Agreement. The Company had no amount and $13.0 million outstanding on this line of credit as of July 31, 2018 and January 31, 2018. As of July 31, 2018, the working capital line of credit carried an interest rate of 4.34%.

Wells Fargo Credit Agreement

In February 2018, the Wells Fargo Credit Agreement was amended to (i) move the maturity testing date under the Wells Fargo Credit Agreement from November 1, 2018 to February 1, 2019, a date that is three months prior to the scheduled maturity date of the Company's outstanding senior convertible notes, and (ii) modify the maturity test calculation. The maturity date for the Wells Fargo Credit Agreement will remain October 28, 2020 so long as (i) the Company's fixed charge coverage ratio for the 12 month period ending December 31, 2018 is at least 1.1 to 1.0 and (ii) a liquidity test, requiring that the Company have unrestricted cash on hand plus excess borrowing availability under the Wells Fargo Credit Agreement (on a pro-forma basis reflecting the Company's repayment in full of its outstanding senior convertible notes) in an amount that is greater than 20% of the maximum credit amount under the facility, are met on February 1, 2019. If both financial tests are not satisfied on February 1, 2019, the Wells Fargo Credit Agreement will immediately mature and all amounts outstanding become immediately due and payable in full.

CNH Industrial Capital Floorplan Payable Line of Credit

In April 2018, the Company entered into an amendment to the credit facility with CNH Industrial Capital. The amendment decreased available borrowings under this facility from $450.0 million to $350.0 million.

In May 2018, the Company entered into an additional amendment to the credit facility with CNH Industrial Capital. This amendment decreased our U.S. available borrowings under this facility from $350.0 million to $320.0 million. Concurrent with this amendment, CNH Industrial increased the available borrowing capacity of our international subsidiaries from $50.0 million to $80.0 million.

DLL Finance Floorplan Payable Line of Credit

In August 2018, the Company entered into an amendment to the credit facility with DLL Finance. The amendment, among other things, increased the available borrowings under this facility from $30.0 million to $45.0 million and decreased the variable interest rate on outstanding balances from three-month LIBOR plus an applicable margin of 3.5% per annum to three-month LIBOR plus an applicable margin of 3.0% per annum.

NOTE 7 - DEFERRED REVENUE

	July 31, 2018	January 31, 2018
	(in thousands)	
Deferred revenue from contracts with customers	$ 21,126	$ 30,139
Deferred revenue from rental and other contracts	1,605	2,186
	$ 22,731	$ 32,324

NOTE 8 - SENIOR CONVERTIBLE NOTES

The Company's 3.75% senior convertible notes issued on April 24, 2012 ("senior convertible notes") consist of the following:

	July 31, 2018	January 31, 2018
	(in thousands except conversion rate and conversion price)	
Principal value	$ 45,644	$ 65,644
Unamortized debt discount	(1,061)	(2,497)
Unamortized debt issuance costs	(139)	(328)
Carrying value of senior convertible notes	$ 44,444	$ 62,819
Carrying value of equity component, net of deferred taxes	$ 14,923	$ 14,923
Conversion rate (shares of common stock per $1,000 principal amount of notes)	23.1626	
Conversion price (per share of common stock)	$ 43.17	

During the six months ended July 31, 2018, the Company repurchased an aggregate of $20.0 million face value ($19.4 million carrying value) of its senior convertible notes with $20.0 million in cash. All consideration was attributed to the extinguishment of the liability and the Company recognized a pre-tax loss of $0.6 million on the repurchase. For the six months ended July 31, 2017, the Company repurchased an aggregate of $20.3 million face value ($18.8 million carrying value) of its senior convertible notes with $19.3 million in cash. Of the $19.3 million in total cash consideration, $18.7 million was attributed to the extinguishment of the liability and $0.6 million was attributed to the reacquisition of a portion of the equity component of the instrument. The Company recognized an immaterial net pre-tax gain on the extinguishment of the liability and recognized a $0.6 million after tax reduction in additional paid-in capital from the reacquisition of the equity component. In total, the Company has repurchased an aggregate of $104.4 million face value ($96.6 million carrying value) of its senior convertible notes with $95.1 million in cash. Gains and losses on repurchases are included in other interest expense in the Consolidated Statements of Operations.

The Company recognized interest expense associated with its senior convertible notes as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2018	2017	2018	2017
	(in thousands)		(in thousands)	
Cash Interest Expense				
Coupon interest expense	$ 546	$ 708	$ 1,151	$ 1,491
Noncash Interest Expense				
Amortization of debt discount	446	540	915	1,111
Amortization of transaction costs	59	74	123	154
	$ 1,051	$ 1,322	$ 2,189	$ 2,756

The senior convertible notes mature on May 1, 2019, unless purchased earlier by the Company, redeemed or converted. As of July 31, 2018, the unamortized debt discount will be amortized over a remaining period of nine months. As of July 31, 2018 and January 31, 2018, the if-converted value of the senior convertible notes did not exceed the principal balance. The effective interest rate of the liability component was equal to 7.3% for each of the consolidated statements of operations periods presented.

NOTE 9 - DERIVATIVE INSTRUMENTS

The Company holds derivative instruments for the purpose of minimizing exposure to fluctuations in foreign currency exchange rates and benchmark interest rates to which the Company is exposed in the normal course of its operations.

Cash Flow Hedge

On October 9, 2013, the Company entered into a forward-starting interest rate swap instrument, which had a notional amount of $100.0 million, an effective date of September 30, 2014 and a maturity date of September 30, 2018. The objective of the instrument was to, beginning on September 30, 2014, protect the Company from changes in benchmark interest rates to which the Company was exposed through certain of its variable interest rate credit facilities. The instrument provided for a fixed interest rate of 1.901% up to the maturity date. The interest rate swap instrument was designated as a cash flow hedging instrument and accordingly changes in the effective portion of the fair value of the instrument have been recorded in other comprehensive income and only reclassified into earnings in the period(s) in which the related hedged item affects earnings or the anticipated underlying hedged transactions are no longer probable of occurring.

In April 2017, the Company elected to terminate the interest rate swap instrument. The Company paid $0.9 million to terminate the instrument. This cash payment is presented as a financing cash outflow in the consolidated statements of cash flows.

Derivative Instruments Not Designated as Hedging Instruments

The Company uses foreign currency forward contracts to hedge the effects of fluctuations in exchange rates on outstanding intercompany loans. The Company does not formally designate and document such derivative instruments as hedging instruments; however, the instruments are an effective economic hedge of the underlying foreign currency exposure. Both the gain or loss on the derivative instrument and the offsetting gain or loss on the underlying intercompany loan are recognized in earnings immediately, thereby eliminating or reducing the impact of foreign currency exchange rate fluctuations on net income.

The following table sets forth the notional value of the Company's outstanding derivative instruments.

	Notional Amount as of:	
	July 31, 2018	**January 31, 2018**
	(in thousands)	
Cash flow hedges:		
Interest rate swap	$ —	$ —
Derivatives not designated as hedging instruments:		
Foreign currency contracts	24,128	14,368

As of July 31, 2018 and January 31, 2018, the fair value of the Company's outstanding derivative instruments was not material. Derivative instruments recognized as assets are recorded in prepaid expenses and other in the consolidated balance sheet, and derivative instruments recognized as liabilities are recorded in accrued expenses and other in the consolidated balance sheet.

The following table sets forth the gains and losses (before the related income tax effects) recognized in other comprehensive income (loss) ("OCI") and income (loss) related to the Company's derivative instruments for the three and six months ended July 31, 2018 and 2017:

	Three Months Ended July 31,				Six Months Ended July 31,			
	2018		2017		2018		2017	
	OCI	Income (Loss)	OCI	Income (Loss)	OCI	Income (Loss)	OCI	Income (Loss)
	(in thousands)				(in thousands)			
Derivatives Designated as Hedging Instruments:								
Cash flow hedges:								
Interest rate swap [a]	—	—	—	(172)	—	—	48	(986)
Derivatives Not Designated as Hedging Instruments:								
Foreign currency contracts [b]	—	588	—	(988)	—	1,123	—	(1,056)
Total Derivatives	$ —	$ 588	$ —	$ (1,160)	$ —	$ 1,123	$ 48	$ (2,042)

[a] No material hedge ineffectiveness has been recognized. The amounts shown in income (loss) above are reclassification amounts from accumulated other comprehensive income (loss) and are recorded in floorplan interest expense in the consolidated statements of operations.

[b] Amounts are included in interest income and other income in the consolidated statements of operations.

During the three months ended April 30, 2017, the Company reclassified $0.6 million of pre-tax accumulated losses on its interest rate swap instrument from accumulated other comprehensive income (loss) to income as the original forecasted interest payments, which served as the hedged item underlying the interest rate swap instrument, were no longer probable of occurring during the time period over which such transactions were previously anticipated to occur.

NOTE 10 - FAIR VALUE OF FINANCIAL INSTRUMENTS

As of July 31, 2018 and January 31, 2018, the fair value of the Company's foreign currency contracts, which are either assets or liabilities measured at fair value on a recurring basis, was not material. These foreign currency contracts were valued using a discounted cash flow analysis, an income approach, utilizing readily observable market data as inputs, which is classified as a Level 2 fair value measurement.

The Company also valued an immaterial amount of long-lived assets at fair value on a non-recurring basis as of July 31, 2018 as part of its long-lived asset impairment testing. The Company estimated the fair value of these assets based on estimated sales prices of similar assets, which are unobservable Level 3 fair value inputs. In certain instances the Company estimated the fair value of certain long-lived assets to approximate zero as no future cash flows were assumed to be generated from the use of such assets and the expected sales values were deemed to be nominal.

The Company also has financial instruments that are not recorded at fair value in its consolidated financial statements. 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, which are Level 2 fair value inputs. Based upon current borrowing rates for similar instruments with similar maturities, which are Level 2 fair value inputs, the carrying value of long-term debt approximates the fair value as of July 31, 2018 and January 31, 2018. The following table provides details on the senior convertible notes as of July 31, 2018 and January 31, 2018. The difference between the face value and the carrying value of these notes is the result of the allocation between the debt and equity components, and unamortized debt issuance costs. Fair value of the senior convertible notes was estimated based on Level 2 fair value inputs.

	July 31, 2018			January 31, 2018		
	Estimated Fair Value	Carrying Value	Face Value	Estimated Fair Value	Carrying Value	Face Value
	(in thousands)			(in thousands)		
Senior convertible notes	$ 45,644	$ 44,444	$ 45,644	$ 65,000	$ 62,819	$ 65,644

NOTE 11 - SEGMENT INFORMATION AND OPERATING RESULTS

The Company has three reportable segments: Agriculture, Construction and International. Revenue between segments is immaterial. The Company retains various unallocated income/(expense) items and assets at the general corporate level, which the Company refers to as "Shared Resources" in the table below. Shared Resources assets primarily consist of cash and property and equipment.

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

	Three Months Ended July 31,		Six Months Ended July 31,	
	2018	2017	2018	2017
	(in thousands)		(in thousands)	
Revenue				
Agriculture	$ 152,813	$ 138,545	$ 295,684	$ 302,170
Construction	79,245	77,890	141,336	141,310
International	67,833	52,436	108,549	89,509
Total	$ 299,891	$ 268,871	$ 545,569	$ 532,989
Income (Loss) Before Income Taxes				
Agriculture	$ 4,960	$ (6,882)	$ 6,283	$ (10,779)
Construction	(30)	930	(2,927)	(1,703)
International	3,726	283	3,639	878
Segment income (loss) before income taxes	8,656	(5,669)	6,995	(11,604)
Shared Resources	(864)	(1,541)	(1,368)	(5,016)
Total	$ 7,792	$ (7,210)	$ 5,627	$ (16,620)

	July 31, 2018	January 31, 2018
	(in thousands)	
Total Assets		
Agriculture	$ 428,877	$ 400,017
Construction	244,101	211,154
International	172,248	126,251
Segment assets	845,226	737,422
Shared Resources	(5,777)	22,886
Total	$ 839,449	$ 760,308

NOTE 12 - RESTRUCTURING COSTS

In February 2017, to better align the Company's cost structure and business in certain markets, the Company announced a restructuring plan (the "Fiscal 2018 Restructuring Plan") to close one Construction location and 14 Agriculture locations. As of January 31, 2018, the Company had closed and fully exited all of these locations and had completed its Fiscal 2018 Restructuring Plan.

Restructuring costs associated with the Fiscal 2018 Restructuring Plan are summarized in the following table:

	Three Months Ended July 31,		Six Months Ended July 31,		
	2018	2017	2018	2017	Cumulative Amount
			(in thousands)		
Lease accrual and terminations costs	$ 565	$ 4,069	$ 565	$ 4,322	$ 6,246
Termination benefits	—	1,906	—	3,724	5,053
Impairment of fixed assets, net of gains on asset disposition	—	(565)	—	(565)	2,206
Asset relocation and other closing costs	—	139	—	412	516
	$ 565	$ 5,549	$ 565	$ 7,893	$ 14,021

Restructuring charges associated with the Fiscal 2018 Restructuring Plan are summarized by segment in the following table:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2018	2017	2018	2017
	(in thousands)			
Segment				
Agriculture	$ 233	$ 5,194	$ 233	$ 6,672
Construction	332	252	332	338
International	—	—	—	—
Shared Resources	—	103	—	883
Total	$ 565	$ 5,549	$ 565	$ 7,893

A reconciliation of the beginning and ending exit cost liability balance associated with the Fiscal 2018 Restructuring Plan is as follows:

	Lease Accrual & Termination Costs	Termination Benefits	Total
	(in thousands)		
Balance, January 31, 2018	$ 5,393	$ 404	$ 5,797
Exist costs incurred and charged to expense	—	—	$ —
Adjustments	653	(17)	$ 636
Exit costs paid	(3,293)	(387)	$ (3,680)
Balance, July 31, 2018	$ 2,753	$ —	$ 2,753

As of July 31, 2018 and January 31, 2018, $2.5 million and $4.8 million of the exit cost liability is included in other long-term liabilities and $0.3 million and $1.0 million are included in accrued expenses and other in the consolidated balance sheets.

In April 2018, the Company paid $3.0 million to terminate the real estate lease agreement for one of the Company's previously closed stores. The termination payment approximated the recorded lease accrual liability and therefore the impact to the consolidated statement of operations was not material. In July 2018, based on changes in circumstances, the Company revised its assumptions regarding the timing and amount of estimated future cash flows associated with its cease-use lease liabilities for certain of its closed store locations. The cumulative effect of these revised estimates resulted in the recognition of $0.6 million of additional expense, recognized as restructuring costs in the consolidated statement of operations, and a corresponding increase to the cease-use lease liability.

NOTE 13 - INCOME TAXES

Our effective tax rate was 33.5% and 36.6% for the three and six months ended July 31, 2018 compared to an effective tax rate of 28.1% and 33.1% for the three and six months ended July 31, 2017.

Our effective tax rate is impacted by the mix of domestic and foreign income or losses and the impact of the recognition of valuation allowances on our U.S. federal, state and certain of our foreign deferred tax assets, including net operating losses. Our effective tax rate is also impacted by the enactment on December 22, 2017 of the federal tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act makes broad changes to the U.S. tax code, including, among other things, to reduce the U.S. federal corporate tax rate from 35% to 21%, creates a new provision designed to tax global intangible low-taxed income ("GILTI"), creates a new limitation on deductible interest expense, and modifies the rules related to uses and limitations of net operating losses.

The Company has applied the guidance in Accounting Standards Update 2018-05, *Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118,* when accounting for the enactment-date effects of the Tax Act. As of July 31, 2018, the Company has completed its evaluation of the GILTI provisions of the Tax Act. Under U.S. accounting rules, the Company is allowed to make an accounting policy election of either treating taxes due on future U.S. inclusions in taxable income related to GILTI as a current period expense when incurred or factoring such amounts into our measurement of deferred taxes. The Company has elected to treat future GILTI inclusions as a current period expense when incurred. The Company has included the current period estimated tax effects of GILTI within its estimated annual effective tax rate. The estimated impact of GILTI on our annual effective tax rate is based on current GILTI regulations, as regulatory guidance evolves the impact on our effective tax rate may change.

NOTE 14 - RELATED PARTY TRANSACTIONS

Effective February 1, 2017, the Company and Peter Christianson (our former President and former member of our Board of Directors), who is a brother of Tony Christianson (a member of our Board of Directors), agreed to terminate a consulting arrangement between the parties. In connection with the termination, the Company agreed to pay Mr. Peter Christianson the sum of $0.7 million, payable in two equal installments in fiscal 2018 and 2019. All unvested stock options and shares of restricted stock held by Mr. Peter Christianson will continue to vest as scheduled. As a result of the termination agreement, the Company recognized for the six months ended July 31, 2017, a total of $0.8 million in termination costs, consisting of $0.7 million for future cash payments owed to Mr. Peter Christianson and $0.1 million for unvested shares of restricted stock. These termination costs are included in restructuring costs in the consolidated statements of operations. As of July 31, 2018, all amounts owed to Mr. Peter Christianson had been paid in full.

NOTE 15 - CONTINGENCIES

On October 11, 2017, the Romania Competition Council ("RCC") initiated an administrative investigation of the Romanian Association of Manufacturers and Importers of Agricultural Machinery ("APIMAR") and all its members, including Titan Machinery Romania. The RCC's investigation involves whether the APIMAR members engaged in anti-competitive practices in their sales of agricultural machinery not involving European Union ("EU") subvention funding programs, by referring to the published sales prices governing EU subvention funded transactions, which prices are mandatorily disclosed to and published by AFIR, a Romanian government agency that oversees the EU subvention funding programs in Romania. The investigation is in a preliminary stage and the Company is currently unable to predict its outcome or reasonably estimate any potential loss that may result from the investigation.

The Company is engaged in legal proceedings incidental to the normal course of business. Due to their nature, such legal proceedings involve inherent uncertainties, including but not limited to, court rulings, negotiations between affected parties and governmental intervention. Based upon the information available to the Company and discussions with legal counsel, it is the Company's opinion that the outcome of these various legal actions and claims will not have a material impact on the financial position, results of operations or cash flows. Such matters, however, are subject to many uncertainties, and the outcome of any matter is not predictable with assurance.

NOTE 16 - SUBSEQUENT EVENTS

On July 2, 2018, the Company, through a newly created, wholly-owned German subsidiary, acquired all interests of two commonly-controlled companies, AGRAM Landtechnikvertrieb GmbH and AGRAM Landtechnik Rollwitz GmbH (collectively "AGRAM"), for $19.2 million in cash consideration. AGRAM consists of four Case IH agriculture dealership locations in the following cities of Germany: Altranft, Burkau, Gutzkow, and Rollwitz. Founded in 1990, AGRAM has been a successful Case IH and Steyr dealership complex, and our acquisition of these entities provides the Company the opportunity to expand our international presence into the large, well-established German market.

Following the acquisition, the legal name of AGRAM Landtechnikvertrieb GmbH was changed to Titan Machinery Deutschland GmbH ("Titan Deutschland"). The Company has filed with the German Commercial Register to merge the three German legal entities into a single entity, with Titan Deutschland remaining as the surviving entity. The Company expects the merger to be finalized by the end of fiscal 2019.

Each of the Company’s foreign subsidiaries, including its Luxembourg domiciled holding subsidiary, which is the direct owner of the newly created, wholly-owned German subsidiary created to complete the acquisition, have fiscal quarters and a fiscal year-end equal to the calendar quarterly periods and year-end. Titan Deutschland also maintains fiscal quarters and a fiscal year-end equal to the calendar periods. The quarterly and annual financial statements of all of the Company's foreign subsidiaries are consolidated into the Company’s U.S. quarterly and annual fiscal periods that end on April 30th, July 31st, October 31st and January 31st. Accordingly, this July 2, 2018 foreign acquisition is a third-quarter transaction and therefore no amounts were recognized in the consolidated financial statements for the quarter ended July 31, 2018.

The acquisition has been accounted for under the acquisition method of accounting, which requires the Company to estimate the acquisition date fair value of the assets acquired and liabilities assumed. The fair value of the consideration paid exceeded the preliminarily estimated fair value of the assets acquired and liabilities assumed, which resulted in the recognition of $0.8 million of goodwill. The recognition of goodwill arose from the acquisition of an assembled workforce and anticipated synergies within our International segment. The entire goodwill amount will be assigned to the International segment and is not expected to be deductible for income tax purposes. The Company recognized a customer relationship intangible asset in the amount of $0.1 million, which will be amortized over a three-year period, and recognized a distribution rights intangible asset in the amount of $1.8 million that is an indefinite-lived intangible asset not subject to amortization. All acquisition-related costs, which amounted to $0.2 million, have been expensed as incurred and recognized as operating expenses in the consolidated statement of operations.

Due to the limited time since the acquisition, the estimated fair values of acquired assets and assumed liabilities are provisional estimates, but are based on the best information currently available. These provisional estimates are subject to change as the Company completes all remaining steps in finalizing the purchase price allocation. The Company expects to finalize the valuation of all assets and liabilities by January 31, 2019. The preliminary allocation of the purchase price to assets acquired and liabilities assumed is as follows:

(in thousands)

Assets acquired:		
Cash	$	3,857
Receivables		5,341
Inventories		21,725
Prepaid expenses and other		887
Property and equipment		3,512
Intangible assets		1,944
Goodwill		765
Other		61
	$	38,092
Liabilities assumed:		
Accounts payable		1,553
Floorplan payable		13,820
Deferred revenue		85
Accrued expenses and other		1,120
Long-term debt		1,725
Deferred income taxes		632
	$	18,935
Net assets acquired	$	19,157

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our interim unaudited consolidated financial statements and related notes included in Item 1 of Part I of this Quarterly Report, and the audited consolidated financial statements and related 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 fiscal year ended January 31, 2018.

Overview

We own and operate a network of full service agricultural and construction equipment stores in the United States and Europe. Based upon information provided to us by CNH Industrial N.V. or its U.S. subsidiary CNH Industrial America, LLC, we are the largest retail dealer of Case IH Agriculture equipment in the world, the largest retail dealer of Case Construction equipment in North America and a major retail dealer of New Holland Agriculture and New Holland Construction equipment in the U.S. We operate our business through three reportable segments, Agriculture, Construction and International. Within each segment, we have four principal sources of revenue: new and used equipment sales, parts sales, service, and equipment rental and other activities.

The agriculture industry has been experiencing challenging conditions such as low agricultural commodity prices and net farm income, which, among other things, have a negative effect on customer sentiment and our customers' ability to secure financing for their equipment purchases. Changes in actual or anticipated net farm income generally have a direct correlation with agricultural equipment purchases by farmers. In August 2018, the U.S. Department of Agriculture ("USDA") published its U.S. farm sector financial indicators. The USDA projected net farm income for calendar year 2018 to decrease 13.0% as compared to calendar year 2017 and to be approximately 25.0% below the most recent five-year average. These industry conditions have reduced demand for equipment purchases, service work and parts, resulting in decreased same-store sales, equipment revenue and equipment gross profit margin, and have caused an oversupply of equipment inventory in our geographic footprint. In addition, these agriculture industry conditions have also led to a reduction of purchases of construction equipment by customers in the agriculture industry, negatively impacting certain of our Construction stores.

Our net income was $5.2 million, or $0.23 per diluted share, for the second quarter of fiscal 2019, compared to a net loss of $5.2 million, or $0.24 per diluted share, for the second quarter of fiscal 2018. On an adjusted basis, our diluted earnings per share was $0.28 for the second quarter of fiscal 2019, compared to an adjusted diluted loss per share of $0.04 for the second quarter of fiscal 2018. See the Non-GAAP Financial Measures section below for a reconciliation of adjusted diluted earnings per share to the most comparable GAAP measure. Significant factors impacting the quarterly comparisons were:

- Revenue increased 11.5% in the second quarter of fiscal 2019, as compared to the second quarter last year. This revenue increase was primarily the result of higher equipment sales in our Agriculture and International Segments.
- Operating expenses decreased $2.9 million, or 5.7%, in the second quarter of fiscal 2019, as compared to the second quarter of fiscal 2018, primarily as the result of cost savings arising from our Fiscal 2018 Restructuring Plan.
- In the second quarter of fiscal 2019, restructuring and impairment changes decreased $5.0 million, as compared to the second quarter last year, due to restructuring charges associated with our Fiscal 2018 Restructuring Plan primarily being incurred during fiscal 2018. See the Fiscal 2018 Restructuring Plan section below for further details.
- Floorplan interest expense decreased 20.2% in the second quarter of fiscal 2019, as compared to the second quarter last year, primarily due to a decrease in our interest-bearing inventory in the second quarter of fiscal 2019.

Fiscal 2018 Restructuring Plan

In February 2017, to better align the Company's cost structure and business in certain markets, the Company announced a dealership restructuring plan (the "Fiscal 2018 Restructuring Plan") which included the closure of one Construction location and 14 Agriculture locations. As of January 31, 2018, the Company had closed and fully exited all of these locations and had completed its Fiscal 2018 Restructuring Plan. In the second quarter of fiscal 2019, the Company recognized $0.6 million of restructuring costs as the Company revised its assumptions regarding the timing and amount of estimated future cash flows associated with its cease-use lease liabilities for certain of its close store locations. The Company recognized $5.5 million and $7.9 million in restructuring charges for the three and six months ended July 31, 2017 and $10.5 million in restructuring charges during the full fiscal year ended January 31, 2018.

Critical Accounting Policies and Estimates

Our critical accounting policies and estimates are included in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of our Annual Report on Form 10-K for the fiscal year ended January 31, 2018. Other than the adoption of the new revenue recognition guidance described in Note 1, Business Activity and Significant Accounting Policies, and Note 2, Revenue, there have been no other changes in our critical accounting policies since January 31, 2018.

Results of Operations

The results shown below include the operating results of any acquisitions made during these periods and the operating results of any stores closed during these periods up to the date of the store closure. The period-to-period comparisons included below are not necessarily indicative of future results. Segment information is provided later in this discussion and analysis of our results of operations.

Same-store sales for any period represent sales by stores that were part of the Company for the entire comparable periods in the current and preceding fiscal years. We do not distinguish between relocated or newly-expanded stores in this same-store analysis. Closed stores are excluded from the same-store analysis. Stores that do not meet the criteria for same-store classification are described as excluded stores throughout the Results of Operations section in this Quarterly Report on Form 10-Q.

Table of Contents

Comparative financial data for each of our four sources of revenue are expressed below.

	Three Months Ended July 31, 2018	Three Months Ended July 31, 2017	Six Months Ended July 31, 2018	Six Months Ended July 31, 2017
	(dollars in thousands)		(dollars in thousands)	
Equipment				
Revenue	$ 192,721	$ 167,881	$ 349,625	$ 335,796
Cost of revenue	174,472	154,729	316,239	310,246
Gross profit	$ 18,249	$ 13,152	$ 33,386	$ 25,550
Gross profit margin	9.5%	7.8%	9.5%	7.6%
Parts				
Revenue	$ 59,998	$ 55,580	$ 111,533	$ 112,163
Cost of revenue	42,544	39,103	79,202	79,460
Gross profit	$ 17,454	$ 16,477	$ 32,331	$ 32,703
Gross profit margin	29.1%	29.6%	29.0%	29.2%
Service				
Revenue	$ 31,271	$ 30,509	$ 58,627	$ 59,275
Cost of revenue	11,432	11,444	22,634	22,238
Gross profit	$ 19,839	$ 19,065	$ 35,993	$ 37,037
Gross profit margin	63.4%	62.5%	61.4%	62.5%
Rental and other				
Revenue	$ 15,901	$ 14,901	$ 25,784	$ 25,755
Cost of revenue	12,542	10,789	21,034	19,318
Gross profit	$ 3,359	$ 4,112	$ 4,750	$ 6,437
Gross profit margin	21.1%	27.6%	18.4%	25.0%

The following table sets forth our statements of operations data expressed as a percentage of total revenue for the periods indicated:

	Three Months Ended July 31, 2018	Three Months Ended July 31, 2017	Six Months Ended July 31, 2018	Six Months Ended July 31, 2017
Revenue				
Equipment	64.3 %	62.4 %	64.1 %	63.0 %
Parts	20.0 %	20.7 %	20.4 %	21.0 %
Service	10.4 %	11.3 %	10.8 %	11.1 %
Rental and other	5.3 %	5.5 %	4.7 %	4.8 %
Total Revenue	100.0 %	100.0 %	100.0 %	100.0 %
Total Cost of Revenue	80.4 %	80.4 %	80.5 %	80.9 %
Gross Profit Margin	19.6 %	19.6 %	19.5 %	19.1 %
Operating Expenses	15.9 %	18.8 %	17.3 %	19.2 %
Impairment of Intangible and Long-Lived Assets	0.1 %	— %	— %	— %
Restructuring Costs	0.2 %	2.1 %	0.1 %	1.5 %
Income (Loss) from Operations	3.5 %	(1.2)%	2.1 %	(1.6)%
Other Income (Expense)	(0.9)%	(1.5)%	(1.1)%	(1.5)%
Income (Loss) Before Income Taxes	2.6 %	(2.7)%	1.0 %	(3.1)%
Provision for (Benefit from) Income Taxes	0.9 %	(0.8)%	0.4 %	(1.0)%
Net Income (Loss)	1.7 %	(1.9)%	0.7 %	(2.1)%

Three Months Ended July 31, 2018 Compared to Three Months Ended July 31, 2017

Consolidated Results

Revenue

	Three Months Ended July 31, 2018	Three Months Ended July 31, 2017	Increase/ (Decrease)	Percent Change
	(dollars in thousands)			
Equipment	$ 192,721	$ 167,881	$ 24,840	14.8%
Parts	59,998	55,580	4,418	7.9%
Service	31,271	30,509	762	2.5%
Rental and other	15,901	14,901	1,000	6.7%
Total Revenue	$ 299,891	$ 268,871	$ 31,020	11.5%

The increase in revenue for the second quarter of fiscal 2019 compared to the second quarter of fiscal 2018 was the result of increased revenue from all revenue sources. Same-store sales increased 11.4% primarily as a result of an increase in equipment revenue within our Agriculture and International segments plus increased parts and service revenue within these segments resulting from the late spring planting season that shifted parts and service revenue from the first to the second quarter of fiscal 2019.

Gross Profit

	Three Months Ended July 31, 2018	Three Months Ended July 31, 2017	Increase/ (Decrease)	Percent Change
	(dollars in thousands)			
Gross Profit				
Equipment	$ 18,249	$ 13,152	$ 5,097	38.8 %
Parts	17,454	16,477	977	5.9 %
Service	19,839	19,065	774	4.1 %
Rental and other	3,359	4,112	(753)	(18.3)%
Total Gross Profit	$ 58,901	$ 52,806	$ 6,095	11.5 %
Gross Profit Margin				
Equipment	9.5%	7.8%	1.7 %	21.8 %
Parts	29.1%	29.6%	(0.5)%	(1.7)%
Service	63.4%	62.5%	0.9 %	1.4 %
Rental and other	21.1%	27.6%	(6.5)%	(23.6)%
Total Gross Profit Margin	19.6%	19.6%	— %	— %
Gross Profit Mix				
Equipment	31.0%	24.9%	6.1 %	24.5 %
Parts	29.6%	31.2%	(1.6)%	(5.1)%
Service	33.7%	36.1%	(2.4)%	(6.6)%
Rental and other	5.7%	7.8%	(2.1)%	(26.9)%
Total Gross Profit Mix	100.0%	100.0%		

Gross profit for the second quarter of fiscal 2019 increased 11.5% as compared to the same period last year. Gross profit margins remained flat at 19.6% with the comparable period last year. The increase in gross profit was the result of increased revenue. Our gross profit margin remained flat as the effect of higher equipment gross profit margins was offset by lower rental and other gross profit margins and a change in gross profit mix with more revenue resulting from our lower margin equipment sales compared to our parts, service and rental and other revenues.

Our company-wide absorption rate increased to 88.6% for the second quarter of fiscal 2019 compared to 80.1% during the same period last year primarily due to increased gross profit from parts and service and a reduction in our fixed operating costs and floorplan interest expense.

Operating Expenses

	Three Months Ended July 31,		Increase/	Percent
	2018	2017	(Decrease)	Change
	(dollars in thousands)			
Operating Expenses	$ 47,633	$ 50,523	$ (2,890)	5.7%
Operating Expenses as a Percentage of Revenue	15.9%	18.8%	(2.9)%	15.4%

Our operating expenses in the second quarter of fiscal 2019 decreased $2.9 million as compared to the second quarter of fiscal 2018 and operating expenses as a percentage of revenue improved to 15.9% in the second quarter of fiscal 2019 from 18.8% in the second quarter of fiscal 2018. These decreases are primarily the result of cost savings arising from our Fiscal 2018 Restructuring Plan and the impact of operating expense leverage in the quarter resulting from higher second quarter fiscal 2019 sales volumes, partially offset by an increase in our International segment operating expenses resulting from the continued build-out of our footprint and presence in our European markets.

Restructuring Costs

	Three Months Ended July 31,		Increase/	Percent
	2018	2017	(Decrease)	Change
	(dollars in thousands)			
Impairment of Long-Lived Assets	$ 156	$ —	$ 156	n/m
Restructuring Costs	565	5,549	(4,984)	90.0%

Restructuring costs of $0.6 million were recognized in the second quarter of fiscal 2019 related to the Company's revised assumptions, based on changes in circumstances, for our cease-use lease liabilities. Restructuring costs of $5.5 million were recognized in the second quarter of fiscal 2018 relating to charges recognized in connection with our Fiscal 2018 Restructuring Plan and included accrued charges for lease terminations and remaining lease obligations, termination benefits, and the costs associated with relocating certain assets of our closed stores.

Other Income (Expense)

	Three Months Ended July 31,		Increase/	Percent
	2018	2017	(Decrease)	Change
	(dollars in thousands)			
Interest income and other income	$ 1,462	$ 682	$ 780	114.4 %
Floorplan interest expense	(1,727)	(2,163)	(436)	20.2 %
Other interest expense	(2,490)	(2,463)	27	(1.1)%

The decrease in floorplan interest expense for the second quarter of fiscal 2019 as compared to the second quarter of fiscal 2018 was primarily due to a lower level of interest-bearing inventory in the second quarter of fiscal 2019. Interest expense associated with our senior convertible notes, which is reflected in other interest expense, decreased in the second quarter of fiscal 2019 by $0.3 million, as compared to the same period last year, due to our repurchases or our outstanding notes. Other interest expense for the second quarter of fiscal 2019 includes a $0.6 million loss recognized on our senior convertible notes repurchased in the quarter. Other interest expense for the second quarter of fiscal 2018 includes $0.4 million of debt issuance cost write-offs recognized as a result of our election to reduce the maximum available credit under our Wells Fargo Credit Agreement. Interest income and other income increased $0.8 million in the second quarter of fiscal 2019 compared to the second quarter of fiscal 2018 primarily due to foreign currency gains recognized as a result of a strengthening U.S. dollar.

Provision for (Benefit from) Income Taxes

	Three Months Ended July 31,		Increase/	Percent
	2018	2017	(Decrease)	Change
	(dollars in thousands)			
Provision for (Benefit from) Income Taxes	$ 2,612	$ (2,024)	$ 4,636	n/m

Our effective tax rate was 33.5% for the second quarter of fiscal 2019 and 28.1% for the second quarter of fiscal 2018. Our effective tax rate is impacted by the mix of income or losses in our domestic and international jurisdictions as well as the impact of recognizing valuation allowances on our deferred tax assets, including net operating losses. Our effective tax rate is also impacted by the Tax Cuts and Jobs Act (the "Tax Act") enacted in December 2017. The Tax Act, among other things, reduced the U.S. federal corporate tax rate from 35% to 21% and introduced a new provision designed to tax global intangible low-taxed income ("GILTI"). For fiscal 2019, we anticipate that the benefit from the reduced federal corporate tax rate will be partially offset by the impact of GILTI.

Segment Results

Certain financial information for our Agriculture, Construction and International business segments is set forth below. "Shared Resources" in the table below refers to the various unallocated income/(expense) items that we have retained at the general corporate level. Revenue between segments is immaterial.

	Three Months Ended July 31,		Increase/	Percent
	2018	2017	(Decrease)	Change
	(dollars in thousands)			
Revenue				
Agriculture	$ 152,813	$ 138,545	$ 14,268	10.3 %
Construction	79,245	77,890	1,355	1.7 %
International	67,833	52,436	15,398	29.4 %
Total	$ 299,891	$ 268,871	$ 31,021	11.5 %
Income (Loss) Before Income Taxes				
Agriculture	$ 4,960	$ (6,882)	$ 11,842	n/m
Construction	(30)	930	(960)	(103.2)%
International	3,726	283	3,443	n/m
Segment income (loss) before income taxes	8,656	(5,669)	14,325	n/m
Shared Resources	(864)	(1,541)	678	44.0 %
Total	$ 7,792	$ (7,210)	$ 15,003	n/m

Agriculture

Agriculture segment revenue for the second quarter of fiscal 2019 increased 10.3% compared to the second quarter of fiscal 2018. The increase in segment revenue was due to a same-store sales increase of 10.1% compared to the second quarter of fiscal 2018. The increase in same-store sales was primarily the result of increased equipment revenue and increased parts and service revenue resulting from the late spring planting season that shifted parts and service revenue from the first to the second quarter of fiscal 2019.

Agriculture segment income before income taxes was $5.0 million for the second quarter of fiscal 2019 compared to a $6.9 million loss before income taxes for the second quarter of fiscal 2018. The improvement in segment results was the result of increased equipment, parts, and service revenues, increased equipment gross profit margins, operating expense savings as a result of our Fiscal 2018 Restructuring Plan, a lack of restructuring charges recognized in the second quarter of fiscal 2019, as well as a decrease in floorplan interest expense as the result of a decrease in our interest-bearing inventory in the second quarter of fiscal 2019.

Construction

Construction segment revenue for the second quarter of fiscal 2019 increased 1.7% compared to the second quarter of fiscal 2018.

Our Construction segment income before income taxes was break-even for the second quarter of fiscal 2019 compared to $0.9 million of income before income taxes in the second quarter of fiscal 2018. The decrease in segment results was primarily due to lower rental and other gross profit margins primarily due to a changing mix of rental revenue with a higher percentage of revenue arising from lower margin inventory rentals and higher maintenance costs on our dedicated rental fleet in the second quarter of fiscal 2019 as compared to the second quarter of fiscal 2018. The impact of lower rental and other gross profit margins was partially offset by reduced floorplan and other interest expense due to a reduced level of interest-bearing inventory and rental fleet in the second quarter of fiscal 2019 compared to the second quarter of fiscal 2018. The dollar utilization of our rental fleet increased slightly from 24.7% in the second quarter of fiscal 2018 to 25.2% in the second quarter of fiscal 2019.

International

International segment revenue for the second quarter of fiscal 2019 increased 29.4% compared to the second quarter of fiscal 2018 primarily due to increased equipment revenue. Equipment revenue increased in the second quarter of fiscal 2019 due to continued strong demand in certain of our markets, which is aided by the continued availability of subvention funds and strong calendar year 2017 crop yields. In addition, the late spring planting in our European markets also resulted in a shift of parts and service revenue from the first quarter of fiscal 2019 to the second quarter.

Our International segment income before income taxes was $3.7 million for the second quarter of fiscal 2019 compared to $0.3 million for the same period last year. The increase in segment results was primarily due to increased equipment revenues with higher gross profit margins, but partially offset by an increase in operating expenses resulting from the continued build-out of our footprint and presence in our European markets. In addition, foreign currency gains resulting from a strengthening U.S dollar also benefited the second quarter of fiscal 2019.

Shared Resources/Eliminations

We incur centralized expenses/income at our general corporate level, which we refer to as "Shared Resources," and then allocate most of these net expenses to our segments. Since these allocations are set early in the year, and a portion is planned to be unallocated, unallocated balances may occur. Shared Resources loss before income taxes was $0.9 million for the second quarter of fiscal 2019 compared to loss before income taxes of $1.5 million for the same period last year. For the second quarter of fiscal 2019, loss before income taxes included a loss of $0.6 million recognized as a result of our repurchase of $20.0 million face value of senior convertible notes.

Six Months Ended July 31, 2018 Compared to Six Months Ended July 31, 2017

Consolidated Results

Revenue

	Six Months Ended July 31,		Increase/	Percent
	2018	2017	(Decrease)	Change
	(dollars in thousands)			
Equipment	$ 349,625	$ 335,796	$ 13,829	4.1 %
Parts	111,533	112,163	(630)	(0.6)%
Service	58,627	59,275	(648)	(1.1)%
Rental and other	25,784	25,755	29	0.1 %
Total Revenue	$ 545,569	$ 532,989	$ 12,580	2.4 %

The increase in revenue for the first six months of fiscal 2019 was primarily the result of an increase in International segment revenue partially offset by a decrease in revenue in our Agriculture segment. International segment revenue increased over the comparable prior year period primarily due to increased equipment revenue. The Agriculture revenue decrease was primarily the result of our store closings associated with our Fiscal 2018 Restructuring Plan and the challenging industry conditions facing our Agriculture segment discussed in the Overview section above.

Gross Profit

	Six Months Ended July 31, 2018	2017	Increase/ (Decrease)	Percent Change
	(dollars in thousands)			
Gross Profit				
Equipment	$ 33,386	$ 25,550	$ 7,836	30.7 %
Parts	32,331	32,703	(372)	(1.1)%
Service	35,993	37,037	(1,044)	(2.8)%
Rental and other	4,749	6,436	(1,687)	(26.2)%
Total Gross Profit	$ 106,459	$ 101,726	$ 4,733	4.7 %
Gross Profit Margin				
Equipment	9.5%	7.6%	1.9 %	25.0 %
Parts	29.0%	29.2%	(0.2)%	(0.7)%
Service	61.4%	62.5%	(1.1)%	(1.8)%
Rental and other	18.4%	25.0%	(6.6)%	(26.4)%
Total Gross Profit Margin	19.5%	19.1%	0.4 %	2.1 %
Gross Profit Mix				
Equipment	31.3%	25.1%	6.3 %	25.1 %
Parts	30.4%	32.2%	(1.7)%	(5.3)%
Service	33.8%	36.4%	(2.6)%	(7.1)%
Rental and other	4.5%	6.3%	(1.8)%	(28.6)%
Total Gross Profit Mix	100.0%	100.0%		

The $4.7 million increase in gross profit for the first six months of fiscal 2019, as compared to the same period last year, was primarily due to higher revenue for the first six months of fiscal 2019 and improved gross profit margins, from 19.1% for the first six months of fiscal 2018 to 19.5% for the first six months of fiscal 2019. The improvement in gross profit margin was the result of improved equipment margins partially offset by lower gross profit margins from rental and other revenue and a changing mix of revenue, with more revenue being generated from our lower margin equipment sales as compared to our higher margin parts, service and rental businesses.

Our company-wide absorption for the first six months of fiscal 2019 increased to 81.5% as compared to 76.1% during the same period last year, as our decrease in gross profit from parts, service and rental and other in fiscal 2019 was more than offset by a reduction in our fixed operating costs and floorplan interest expense.

Operating Expenses

	Six Months Ended July 31, 2018	2017	Increase/ (Decrease)	Percent Change
	(dollars in thousands)			
Operating Expenses	$ 94,360	$ 102,510	$ (8,150)	8.0%
Operating Expenses as a Percentage of Revenue	17.3%	19.2%	(1.9)%	9.9%

Our operating expenses for the first six months of fiscal 2019 decreased $8.2 million as compared to the first six months of fiscal 2018 and operating expenses as a percentage of revenue improved to 17.3% in the first six months of fiscal 2019 from 19.2% in the second quarter of fiscal 2018. These decreases are primarily the result of cost savings arising from our Fiscal 2018 Restructuring Plan and the impact of operating expense leverage resulting from higher fiscal 2019 sales volumes, partially offset by an increase in our International segment operating expenses resulting from the continued build-out of our footprint and presence in our European markets.

Restructuring Costs

	Six Months Ended July 31, 2018	Six Months Ended July 31, 2017	Increase/ Decrease	Percent Change
	(dollars in thousands)			
Impairment of Long-Lived Assets	$ 156	$ —	$ 156	n/m
Restructuring Costs	565	7,893	(7,328)	93.0%

Restructuring costs of $0.6 million were recognized for the first six months of fiscal 2019 related to the Company's revised assumptions, based on changes in circumstances, for our cease-use lease liabilities. Restructuring costs of $7.9 million were recognized in the first six months of fiscal 2018 relating to charges recognized in connection with our Fiscal 2018 Restructuring Plan and included accrued charges for lease terminations and remaining lease obligations, termination benefits, and the costs associated with relocating certain assets of our closed stores.

Other Income (Expense)

	Six Months Ended July 31, 2018	Six Months Ended July 31, 2017	Increase/ (Decrease)	Percent Change
	(dollars in thousands)			
Interest income and other income	$ 1,846	$ 1,460	$ 386	26.4%
Floorplan interest expense	(3,077)	(4,819)	(1,742)	36.1%
Other interest expense	(4,520)	(4,584)	(64)	1.4%

The decrease in floorplan interest expense for the first six months of fiscal 2019, as compared to the same period last year, was primarily due to a decrease in our interest-bearing inventory in the first six months of fiscal 2019. In addition, floorplan interest expense for the first six months of fiscal 2018 included $0.6 million of expense resulting from the termination and reclassification of accumulated losses on our interest rate swap instrument. Interest expense associated with our senior convertible notes, which is reflected in other interest expense, decreased $0.6 million for the first six months of fiscal 2019, as compared to the same period last year, due to interest expense savings resulting from our repurchases of our outstanding notes, offset by a $0.6 million loss recognized on our most recent repurchase of our senior convertible notes. Other interest expense for the first six months of fiscal 2018 includes $0.4 million of debt issuance cost write-offs recognized as a result of our election to reduce the maximum available credit under our Wells Fargo Credit Agreement.

Provision for (Benefit from) Income Taxes

	Six Months Ended July 31, 2018	Six Months Ended July 31, 2017	Increase/ Decrease	Percent Change
	(dollars in thousands)			
Provision for (Benefit from) Income Taxes	$ 2,061	$ (5,502)	$ 7,563	n/m

Our effective tax rate was 36.6% for the first six months of fiscal 2019 and 33.1% for the same period last year. Our effective tax rate is impacted by the mix of income or losses in our domestic and international jurisdictions as well as the impact of recognizing valuation allowances on our deferred tax assets, including net operating losses. Our effective tax rate is also impacted by the the Tax Act enacted in December 2017. For fiscal 2019, we anticipate that the benefit from the reduced federal corporate tax rate will be partially offset by the new GILTI provisions of the Tax Act.

Segment Results

Certain financial information for our Agriculture, Construction and International business segments is set forth below. "Shared Resources" in the table below refers to the various unallocated income/(expense) items that we have retained at the general corporate level. Revenue between segments is immaterial.

	Six Months Ended July 31, 2018	2017	Increase/ (Decrease)	Percent Change
	(dollars in thousands)			
Revenue				
Agriculture	$ 295,684	$ 302,170	$ (6,486)	(2.1)%
Construction	141,336	141,310	26	— %
International	108,549	89,509	19,042	21.3 %
Total	$ 545,569	$ 532,989	$ 12,582	2.4 %
Income (Loss) Before Income Taxes				
Agriculture	$ 6,283	$ (10,779)	$ 17,062	n/m
Construction	(2,927)	(1,703)	(1,224)	(71.9)%
International	3,639	878	2,761	n/m
Segment income (loss) before income taxes	6,995	(11,604)	18,599	n/m
Shared Resources	(1,368)	(5,016)	3,649	72.7 %
Total	$ 5,627	$ (16,620)	$ 22,248	133.9 %

Agriculture

Agriculture segment revenue for the first six months of fiscal 2019 decreased 2.1% compared to the same period last year. The revenue decrease was primarily due to a decrease in revenue resulting from the impact of our store closings associated with our Fiscal 2018 Restructuring Plan. Agriculture same-store sales remained relatively flat with a 0.6% increase compared to the same period last year.

Agriculture segment income before income taxes was $6.3 million for the first six months of fiscal 2019 compared to a loss before income taxes of $10.8 million over the first six months of fiscal 2018. The improvement in segment results was largely the result of higher gross profit margins on equipment revenue, operating expense savings as a result of our Fiscal 2018 Restructuring Plan and a decrease in floorplan interest expense as the result of a decrease in our interest-bearing inventory in the first six months of fiscal 2019. Also contributing to the improvement in segment results was a decrease in restructuring charges of $6.7 million in the first six months of 2018 to $0.6 million in the first six months of 2019.

Construction

Construction segment revenue for the first six months of fiscal 2019 remained flat compared to the same period last year.

Our Construction segment loss before income taxes was $2.9 million for the first six months of fiscal 2019 compared to $1.7 million for the first six months of fiscal 2018. The decrease in segment results was primarily due to lower rental and other gross profit margins primarily due to a changing mix of rental revenue with a higher percentage of revenue arising from lower margin inventory rentals and higher maintenance costs on our dedicated rental fleet in the first six months of fiscal 2019 as compared to the first six months of fiscal 2018. The impact of lower rental and other gross profit margins was partially offset by reduced floorplan and other interest expense due to a reduced level of interest-bearing inventory and rental fleet in the first six months of fiscal 2019 compared to the first six months of fiscal 2018. The dollar utilization of our rental fleet decreased slightly from 22.0% in the first six months of fiscal 2018 to 21.7% in the first six months of fiscal 2019.

International

International segment revenue for the first six months of fiscal 2019 increased 21.3% compared to the same period last year primarily due to increased equipment revenue. Equipment revenue increased in the first six months of fiscal 2019 primarily due to continued strong demand in certain of our markets, which is aided by the continued availability of subvention funds and strong calendar year 2017 crop yields.

Our International segment income before income taxes was $3.6 million for the first six months of fiscal 2019 compared to income before income taxes of $0.9 million for the same period last year. The increase in segment income before income taxes was primarily due to the increase in segment revenue as noted above, but partially offset by an increase in operating expenses resulting from the continued build-out of our footprint and presence in our European markets.

Shared Resources/Eliminations

We incur centralized expenses/income at our general corporate level, which we refer to as "Shared Resources," and then allocate most of these net expenses to our segments. Since these allocations are set early in the year, and a portion is planned to be unallocated, unallocated balances may occur. Shared Resources loss before income taxes was $1.4 million for the first six months of fiscal 2019 compared to loss before income taxes of $5.0 million for the same period last year. For the first six months of fiscal 2019, loss before income taxes was impacted by a $0.6 million loss recognized as a result of the Company's repurchase of $20.0 million face value of senior convertible notes. For the first six months of fiscal 2018, loss before income taxes was impacted by $0.9 million in restructuring costs related to the Fiscal 2018 Restructuring Plan and $0.6 million in floorplan interest expense related to the interest rate swap termination and reclassification.

Non-GAAP Financial Measures

To supplement net income (loss) and our diluted earnings (loss) per share ("Diluted EPS"), both GAAP measures, we present adjusted net income (loss) and adjusted Diluted EPS, both non-GAAP measures, which exclude gains or losses on repurchases of senior convertible notes, costs associated with our restructuring activities, impairment charges, the write-off of capitalized debt issuance costs and the reclassification of accumulated losses on our interest rate swap. We believe that the presentation of adjusted net income (loss) and adjusted Diluted EPS is relevant and useful to our management and investors because it provides a measurement of earnings on activities that we consider to occur in the ordinary course of our business. Adjusted net income (loss) and adjusted Diluted EPS should be evaluated in addition to, and not considered a substitute for, or superior to, the most comparable GAAP measure. In addition, other companies may calculate these non-GAAP measures in a different manner, which may hinder comparability of our adjusted results with those of other companies.

The following tables reconcile (i) net income (loss), a GAAP measure, to adjusted net income (loss) and (ii) Diluted EPS, a GAAP measure, to adjusted Diluted EPS:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2018	2017	2018	2017
	(dollars in thousands, except per share data)			
Adjusted Net Income (Loss)				
Net Income (Loss)	$ 5,180	$ (5,186)	$ 3,566	$ (11,118)
Adjustments				
(Gain) loss on repurchase of senior convertible notes	615	—	615	(40)
Debt issuance cost write-off	—	416	—	416
Restructuring & impairment charges	721	5,549	721	7,893
Interest rate swap termination & reclassification	—	—	—	631
Total Pre-Tax Adjustments	1,336	5,965	1,336	8,900
Less: Tax Effect of Adjustments (1)	248	1,941	248	3,116
Plus: Income Tax Valuation Allowance	—	200	—	200
Total Adjustments	1,088	4,224	1,088	5,984
Adjusted Net Income (Loss)	$ 6,268	$ (962)	$ 4,654	$ (5,134)
Adjusted Diluted EPS				
Diluted EPS	$ 0.23	$ (0.24)	$ 0.16	$ (0.51)
Adjustments (2)				
(Gain) loss on repurchase of senior convertible notes	0.03	—	0.03	—
Debt issuance cost write-off	—	0.02	—	0.02
Restructuring & impairment charges	0.03	0.25	0.03	0.36
Interest rate swap termination & reclassification	—	—	—	0.03
Total Pre-Tax Adjustments	0.06	0.27	0.06	0.41
Less: Tax Effect of Adjustments (1)	0.01	0.08	0.01	0.14
Plus: Income Tax Valuation Allowance	—	0.01	—	0.01
Total Adjustments	0.05	0.20	0.05	0.28
Adjusted Diluted EPS	$ 0.28	$ (0.04)	$ 0.21	$ (0.23)

(1) The tax effect of adjustments for the three and six months ended July 31, 2018 was calculated using a 21% tax rate for all U.S. related items. This rate was determined based on a 21% federal statutory rate and no impact for state taxes given our valuation allowance against stated deferred tax assets. No tax effect was recognized for foreign related items as all adjustments occurred in a foreign jurisdiction that has a full valuation allowance on its deferred tax assets. The tax effect of adjustments for the three and six months ended July 31, 2017 was calculated using a 35% tax rate. This rate was applied as all adjustments were made to our U.S. operations and was determined based on a 35% federal statutory tax rate and no impact for state taxes given our valuation allowances against state deferred tax assets.

(2) Adjustments are net of amounts allocated to participating securities where applicable.

Liquidity and Capital Resources

Sources of Liquidity

Our primary sources of liquidity are cash reserves, cash generated from operations, and borrowings under our floorplan payable and other credit facilities. We expect these sources of liquidity to be sufficient to fund our working capital requirements, acquisitions, capital expenditures and other investments in our business, service our debt, pay our tax and lease obligations and other commitments and contingencies, and meet any seasonal operating requirements for the foreseeable future, provided, however, that our borrowing capacity under our credit agreements is dependent on compliance with various covenants as further described in the "Risk Factors" section of our Annual Report in Form 10-K.

Equipment Inventory and Floorplan Payable Credit Facilities

As of July 31, 2018, the Company had discretionary floorplan payable lines of credit for equipment purchases totaling $611.8 million, which included a $140.0 million floorplan payable line under the Wells Fargo Credit Agreement, a $320.0 million credit facility with CNH Industrial Capital, a $30.0 million credit facility with DLL Finance and the U.S. dollar equivalent of $121.8 million in credit facilities related to our foreign subsidiaries. Floorplan payables relating to these credit facilities totaled approximately $349.4 million of the total floorplan payable balance of $365.6 million outstanding as of July 31, 2018.

In August 2018, the Company entered into an amendment to the credit facility with DLL Finance. The amendment, among other things, increased the available borrowings under this facility from $30.0 million to $45.0 million, therefore increasing our total discretionary floorplan payable lines of credit from $611.8 to $626.8 million.

Our Wells Fargo Credit Agreement includes a maturity testing date of February 1, 2019, a date that is three months prior to the scheduled maturity date of the Company's outstanding senior convertible notes. The maturity date for the Wells Fargo Credit Agreement will be October 28, 2020 so long as (i) the Company's fixed charge coverage ratio for the 12 month period ending December 31, 2018 is at least 1.1 to 1.0 and (ii) a liquidity test, requiring that the Company have unrestricted cash on hand plus excess borrowing availability under the Wells Fargo Credit Agreement (on a pro-forma basis reflecting the Company's repayment in full of its outstanding senior convertible notes) in an amount that is greater than 20% of the maximum credit amount under the facility, are met on February 1, 2019. If both financial tests are not satisfied on February 1, 2019, the Wells Fargo Credit Agreement will immediately mature and all amounts outstanding become immediately due and payable in full. The Company anticipates, based on our current modeling projections, that these financial tests will be satisfied on February 1, 2019.

Our equipment inventory turnover was 1.7 for the four quarters ended July 31, 2018 compared to 1.6 for the four quarters ended July 31, 2017. The improvement in our equipment inventory turnover was driven by a decrease in our average equipment inventory and an increase in equipment sales volume over the four quarter period ended July 31, 2018 as compared to the four quarter period ended July 31, 2017. Our equity in equipment inventory, which reflects the portion of our equipment inventory balance that is not financed by floorplan payables, decreased to 22.8% as of July 31, 2018 from 38.2% as of January 31, 2018. The decrease in our equity in equipment inventory is primarily due to increased equipment inventory levels as well as using our floorplan lines to reduce long-term debt, including our senior convertible notes.

Senior Convertible Notes

The Company's senior convertible notes mature on May 1, 2019, unless purchased earlier by the Company, redeemed or converted. The outstanding principal balance of senior convertible notes as of July 31, 2018 was $45.6 million. The Company expects to have sufficient available cash and sufficient available borrowing capacity under its various floorplan payable and other credit facilities to satisfy the principal balance of our senior convertible notes on the May 1, 2019 maturity date.

Adequacy of Capital Resources

Our primary uses of cash have been to fund our operating activities, including the purchase of inventories and providing for other working capital needs, meeting our debt service requirements, making payments due under our various leasing arrangements, funding capital expenditures, including rental fleet assets, and, from time to time, opportunistically repurchasing our outstanding senior convertible notes. Based on our current operational performance, we believe our cash flow from operations, available cash and available borrowing capacity under our existing credit facilities will adequately provide our liquidity needs for, at a minimum, the next 12 months. Our main financing arrangements, under which we had discretionary floorplan lines of credit totaling approximately $611.8 million as of July 31, 2018, are described in Note 6 of the notes to our consolidated financial statements. As of July 31, 2018, we were in compliance with the financial covenants under our credit agreements, and we were not subject to the fixed charge coverage ratio covenant under the Wells Fargo Credit Agreement as our adjusted excess availability plus eligible cash collateral (as defined therein) was not less than 15% of the total amount of the credit facility as of July 31, 2018. While not expected to occur, if anticipated operating results create the likelihood of a future covenant violation, we would expect to work with our lenders on an appropriate modification or amendment to our financing arrangements.

Cash Flow

Cash Flow Provided By (Used For) Operating Activities

Net cash used for operating activities was $14.1 million for the first six months of fiscal 2019, compared to net cash provided by operating activities of $66.9 million for the first six months of fiscal 2018. Net cash used for operating activities for the first six months of fiscal 2019 was primarily the result of cash used for seasonal stocking of inventory, net of manufacturer floorplan payable financing, and cash used for other working capital needs. Net cash provided by operating activities for the first six months of fiscal 2018 was primarily attributable to a changing mix of manufacturer versus non-manufacturer floorplan financing.

We evaluate our cash flow from operating activities net of all floorplan activity and maintaining a constant level of equity in our equipment inventory. Taking these adjustments into account, our adjusted cash flow used for operating activities was $36.5 million and $19.3 million for the first six months of fiscal 2019 and fiscal 2018. The additional adjusted cash flow used for operating activities for the first six months of fiscal 2019 is primarily the result of a higher stocking of new equipment inventories in the first six months of fiscal 2019 as compared to the first six months of fiscal 2018. See the Adjusted Cash Flow Reconciliation below for a reconciliation of adjusted cash flow used for operating activities to the GAAP measure of cash flow used for operating activities.

Cash Flow Used For Investing Activities

Net cash used for investing activities was $5.3 million for the first six months of fiscal 2019, compared to $15.4 million for the first six months of fiscal 2018. Cash used for investing activities was primarily for the purchase of rental fleet and property and equipment, net of any proceeds from the sale of property and equipment.

Cash Flow Provided By (Used For) Financing Activities

Net cash provided by financing activities was $15.7 million for the first six months of fiscal 2019 compared to net cash used for financing activities of $47.6 million for the first six months of fiscal 2018. For the first six months of fiscal 2019, net cash provided by financing activities was the result of increased non-manufacturer floorplan payables, the proceeds of which were partially used to repurchase $20.0 million face value of our senior convertible notes using $20.0 million in cash and to repay all amounts outstanding under our working capital line under our Wells Fargo Credit Agreement. For the first six months of fiscal 2018, net cash used for financing activities was the result of paying down our non-manufacturer floorplan payables, increased borrowings under our working capital line under our Wells Fargo Credit Agreement and the $19.3 million of cash used to repurchase senior convertible notes. We may, from time to time, continue to repurchase our senior convertible notes depending on prevailing market conditions, our available liquidity and other factors. These repurchases may be material to our consolidated financial statements.

Adjusted Cash Flow Reconciliation

We consider our cash flow from operating activities to include all equipment inventory financing activity regardless of whether we obtain the financing from a manufacturer or other source. GAAP requires the cash flows associated with non-manufacturer floorplan payables to be recognized as financing cash flows in the consolidated statement of cash flows. We consider equipment inventory financing with both manufacturers and other sources to be part of the normal operations of our business. We also evaluate our cash flow from operating activities by assuming a constant level of equity in our equipment inventory. Our equity in our equipment inventory reflects the portion of our equipment inventory balance that is not financed by floorplan payables. Our adjustment to maintain a constant level of equity in our equipment inventory is equal to the difference between our actual level of equity in equipment inventory at each period-end as presented in the consolidated balance sheets compared to the actual level of equity in equipment inventory at the beginning of the fiscal year. We refer to this measure of cash flow as Adjusted Cash Flow.

Our equity in equipment inventory decreased to 22.8% as of July 31, 2018 from 38.2% as of January 31, 2018, and decreased to 30.1% as of July 31, 2017 from 41.1% as of January 31, 2017.

Adjusted Cash Flow is a non-GAAP financial measure. We believe that the presentation of Adjusted Cash Flow is relevant and useful to our investors because it provides information on activities we consider to be the normal operation of our business, regardless of financing source and level of financing for our equipment inventory. The following table reconciles net cash provided by (used for) operating activities, a GAAP measure, to adjusted net cash provided by (used for) operating activities and net cash provided by (used for) financing activities, a GAAP measure, to adjusted cash flow provided by (used for) financing activities.

	Net Cash Provided by (Used for) Operating Activities		Net Cash Provided by (Used for) Financing Activities	
	Six Months Ended July 31, 2018	Six Months Ended July 31, 2017	Six Months Ended July 31, 2018	Six Months Ended July 31, 2017
	(in thousands)		(in thousands)	
Cash Flow, As Reported	$ (14,087)	$ 66,877	$ 15,717	$ (47,574)
Adjustment for Non-Manufacturer Floorplan Net Payments	50,422	(38,030)	(50,422)	38,030
Adjustment for Constant Equity in Equipment Inventory	(72,833)	(48,157)	—	—
Adjusted Cash Flow	$ (36,498)	$ (19,310)	$ (34,705)	$ (9,544)

Certain Information Concerning Off-Balance Sheet Arrangements

As of July 31, 2018, we did 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, 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 real estate, vehicles and equipment under operating leases.

FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. Forward-looking statements are contained 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, 2018, and in other materials filed or to be filed by the Company with the Securities and Exchange Commission (and included in oral statements or other written statements made or to be made by the Company).

Forward-looking statements are statements based on future expectations and specifically include, among other things, all statements relating to our expectations regarding exchange rate and interest rate impact on our business, the impact of farm income levels on our customers' demand for agricultural equipment and services, the impact of oil prices on market demand for equipment and services, the general market conditions of the agricultural and construction industries, equipment inventory levels, and our primary liquidity sources and adequacy of our capital resources. Any statements that are not based upon historical facts, including the outcome of events that have 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, and those matters identified and discussed under the section titled "Risk Factors" in our Annual Report on Form 10-K and this Quarterly Report on Form 10-Q. Although we are not aware of any other factors, aside from those discussed in our Form 10-K, 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 may materially adversely affect our business, financial condition and/or operating results.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to various market risks, including changes in interest rates and foreign currency exchange rates. Market risk is the potential loss arising from adverse changes in market rates and prices, such as interest rates and foreign currency exchange rates.

Interest Rate Risk

Exposure to changes in interest rates results from borrowing activities used to fund operations. 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 market value but do impact future earnings and cash flows, assuming other factors are held constant. We have both fixed and floating rate financing. Some of our floating rate credit facilities contain minimum rates of interest to be charged. Based upon our interest-bearing balances and interest rates as of July 31, 2018, holding other variables constant, a one percentage point increase in interest rates for the next 12-month period would decrease pre-tax earnings and cash flow by approximately $2.0 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 $2.0 million. At July 31, 2018, we had floorplan payables of $365.6 million, of which approximately $196.5 million was variable-rate floorplan payable and $169.2 million was non-interest bearing. In addition, at July 31, 2018, we had total long-term debt, including our senior convertible notes, of $68.8 million, all of which was fixed rate debt.

Foreign Currency Exchange Rate Risk

Our foreign currency exposures arise as the result of our foreign operations. We are exposed to transactional foreign currency exchange rate risk through our foreign entities' holding assets and liabilities denominated in currencies other than their functional currency. In addition, the Company is exposed to foreign currency transaction risk as a result of certain intercompany financing transactions. The Company attempts to manage its transactional foreign currency exchange rate risk through the use of derivative financial instruments, primarily foreign exchange forward contracts, or through natural hedging instruments. Based upon balances and exchange rates as of July 31, 2018, holding other variables constant, we believe that a hypothetical 10% increase or decrease in all applicable foreign exchange rates would not have a material impact on our results of operations or cash flows. As of July 31, 2018, our Ukrainian subsidiary had $5.2 million of net monetary assets denominated in Ukrainian hryvnia ("UAH"). We have attempted to minimize our net monetary asset position in Ukraine through reducing overall asset levels in Ukraine and through borrowing in UAH which serves as a natural hedging instrument offsetting our net UAH denominated assets. At certain times, currency and payment controls imposed by the National Bank of Ukraine have limited our ability to manage our net monetary asset position. While the UAH remained relatively stable in fiscal 2018 and thus far in fiscal 2019, an escalation of political tensions or economic instability could lead to further, significant UAH devaluations which could have a material impact on our results of operations and cash flows.

In addition to transactional foreign currency exchange rate risk, we are also exposed to translational foreign currency exchange rate risk as we translate the results of operations and assets and liabilities of our foreign operations from their functional currency to the U.S. dollar. As a result, our results of operations, cash flows and net investment in our foreign operations may be adversely impacted by fluctuating foreign currency exchange rates. We believe that a hypothetical 10% increase or decrease in all applicable foreign exchange rates, holding all other variables constant, would not have a material impact on our results of operations or cash flows.

ITEM 4. CONTROLS AND PROCEDURES

(a) *Evaluation of disclosure controls and procedures*. After evaluating the effectiveness of the Company's disclosure controls and procedures pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934 (the "Exchange Act") as of the end of the period covered by this Quarterly Report, the Company's Chief Executive Officer and Chief Financial Officer, with the participation of the Company's management, have concluded that the Company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) are effective.

(b) *Changes in internal controls*. There has not been any change in the Company's internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) during its most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are, from time to time, subject to claims and suits arising in the ordinary course of business. Such claims have, in the past, generally been covered by insurance. There can be no assurance that our insurance will be adequate to cover all liabilities that may arise out of claims brought against us, or that our insurance will cover all claims. We are not currently a party to any material litigation.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this Quarterly Report, including the important information in "Forward-Looking Statements," you should carefully consider the "Risk Factors" discussed in our Form 10-K for the fiscal year ended January 31, 2018, as filed with the Securities and Exchange Commission. Those factors, if they were to occur, could cause our actual results to differ materially from those expressed in our forward-looking statements in this report, and may materially adversely affect our financial condition or future results. Although we are not aware of any other factors, aside from those discussed in our Form 10-K, 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 may materially adversely affect our 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. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

On September 5, 2018, the Company entered into an employment agreement with its Chief Operating Officer, Bryan J. Knutson. Under the terms of the agreement, Mr. Knutson will receive a base salary as determined on an annual basis by the Compensation Committee of the Board of Directors (which is currently $350,000). Mr. Knutson is also eligible for an annual incentive bonus award opportunity pursuant to terms and conditions established by the Compensation Committee and based upon a percentage of his base salary (for the current year, he is eligible to earn an annual incentive bonus award ranging from 0% to 150% of his base salary, with a target of 75% of base salary). Mr. Knutson is also eligible to receive a restricted stock award each fiscal year, the number of shares covered by the award and the risks of forfeiture of which are determined by the Compensation Committee. Mr. Knutson is also entitled to participate in the Company's employee benefit plans and paid time off policy on the same basis as other full-time employees. The term of Mr. Knutson's employment agreement is through January 31, 2021, which end date is automatically extended by one year on each February 1st.

The employment agreement with Mr. Knutson contains a restrictive covenant prohibiting him from owning, operating or being employed by competing agricultural or construction equipment stores during his employment with us and for 24 months following termination of his employment. The agreement is terminable by either us or Mr. Knutson at any time upon 60 days written notice for any reason, or immediately by us for cause. If Mr. Knutson is terminated by us without cause prior to the expiration of the term or if Mr. Knutson resigns for good reason, we are obligated to pay severance in an amount equal to the sum of his annual base salary then in effect, plus the average annual incentive bonus paid in the three years preceding the termination. The severance payment would be made in 12 equal monthly installments. If such termination occurs, we would also be required to allow Mr. Knutson to continue to participate in our group medical and dental plans for a period of 12 months and the Company will contribute to the monthly premiums for such medical and dental insurances at the same rate as was made as of the date of termination. If such termination occurs, Mr. Knutson's non-vested stock options and restricted equity awards that vest with the passage of time will not be forfeited and will be earned under the normal vesting schedule. In order to receive the severance and continued benefits, Mr. Knutson will be required to sign a release of claims against us, fulfill his non-competition obligations, cooperate with transitioning his duties and execute a non-disparagement agreement with us.

If Mr. Knutson's employment is terminated within 12 months following a change in control (as defined in the employment agreement) by him for good reason or by us without cause, we are obligated to pay severance in an amount equal to two times the sum of Mr. Knutson's annual base salary then in effect, plus the average annual incentive bonus paid in the three years preceding the change in control. The severance payment would be made in 24 equal monthly installments. If such termination occurs, we would also be required to allow Mr. Knutson to continue to participate in our group medical and dental plans for a period of 24 months and the Company will contribute to the monthly premiums for such medical and dental insurances at the same rate as was made as of the date of termination. If such termination occurs, Mr. Knutson's non-vested stock options and restricted equity awards shall become fully vested. In order to receive the severance and continued benefits, Mr. Knutson will be required to sign a release of claims against us, fulfill his non-competition obligations, cooperate with transitioning his duties and execute a non-disparagement agreement with us.

The above description of the employment agreement with Mr. Knutson is qualified in its entirety by reference to the complete text of such employment agreement, which employment agreement is attached as exhibit 10.1 to this 10-Q and incorporated herein by reference.

ITEM 6. EXHIBITS

Exhibits - See "Exhibit Index" on page immediately prior to signatures.

EXHIBIT INDEX
TITAN MACHINERY INC.
FORM 10-Q

No.	Description
10.1	Employment Agreement dated September 5, 2018, between Bryan J. Knutson and the registrant.
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	Financial statements from the Quarterly Report on Form 10-Q of the Company for the quarter ended July 31, 2018, formatted in XBRL: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Stockholders' Equity, (iv) the Consolidated Statements of Cash Flows, and (v) the Notes to the Consolidated Financial Statements.

SIGNATURES

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

Dated: September 6, 2018

TITAN MACHINERY INC.

By /s/ Mark Kalvoda

Mark Kalvoda
Chief Financial Officer
(Principal Financial Officer)

EXECUTIVE EMPLOYMENT AGREEMENT

THIS EXECUTIVE EMPLOYMENT AGREEMENT (the "*Agreement*") is made this 5th day of September, 2018, by and between TITAN MACHINERY INC., a Delaware corporation (the "*Company*") and Bryan J. Knutson ("*you*").

NOW, THEREFORE, the parties agree as follows:

1. Employment. The Company agrees to continue to employ you and you agree to continue to be employed as the Chief Operating Officer ("COO") consistent with the terms and conditions set forth in this Agreement.

2. Term. Unless terminated by either party as provided in this Agreement, the term of your employment as COO of the Company under this Agreement shall be for a rolling three-year period (the "*Term*") as follows: the initial term shall commence on the date hereof ("*Effective Date*") and end on January 31, 2021, which end date shall be automatically extended by one year on each February 1st. Thus, for example, on February 1, 2019, the end date shall be extended to January 31, 2022, and on February 1, 2020, the end date shall be extended to January 31, 2023. Such automatic extensions shall continue unless either party provides the other with written notice terminating the automatic extensions prior to August 1 of any year.

3. Responsibilities. During your employment with the Company as COO, you will report to the Chief Executive Officer of the Company (the "*CEO*") and will be responsible for overall operations for the Ag and CE Divisions. You agree to serve the Company faithfully and to the best of your ability, and to devote your full working time, attention and efforts to the business of the Company. You further agree to make yourself available as needed, in a timely manner, to address business issues that may arise. You may, to a reasonable extent, participate in charitable activities, personal investment activities and outside businesses that are not competitive with the business of the Company and serve on boards of directors, so long as such activities and directorships do not interfere with the performance of your duties and responsibilities to the Company; provided, that you shall report on all such activities and directorships to the CEO at least annually.

4. Representations. By signing this Agreement, you represent and confirm that you are under no contractual or legal commitments that would prevent you from fulfilling your duties and responsibilities to the Company as COO.

5. Base Salary. You will be paid a base salary as recommended by the CEO and approved by the Compensation Committee of the Board (the "*Committee*"). Your base salary will be reviewed annually, and may be adjusted upward from time to time but will not be reduced without your consent.

6. Incentive Bonus. For each full fiscal year of the Company that you are employed during the Term, you will be eligible for an incentive award opportunity payable, based upon a target percentage of your annual base salary at the rate in effect at the close of the fiscal year. Performance objectives

will be established by the Committee for each fiscal year. Any annual incentive bonus earned for a fiscal year will be paid to you within two and one-half (2½) months after the end of such fiscal year.

7. Long-Term Equity Incentive. On approximately June 1 of each year that this Agreement is in effect, or such other date as determined by the Committee, you may be entitled to receive an award of restricted stock and/or performance based restricted stock units as approved by the Committee. Each award shall be granted in accordance with the terms of the Company's Equity Grant Policy, and will be subject to such terms (including, without limitation, vesting, risk of forfeiture, or similar terms) as shall be recommended by the CEO and approved by the Committee.

8. Benefits. During your employment with the Company, you will be eligible to participate in the employee benefit plans and programs generally available to other executive officers of the Company, and in such other employee benefit plans and programs to the extent that you meet the eligibility requirements for each individual plan or program and subject to the provisions, rules and regulations applicable to each such plan or program as in effect from time to time. The plans and programs of the Company may be modified or terminated by the Company in its discretion.

9. Paid Time Off. During your employment with the Company, you will receive paid time off ("*PTO*") in accordance with the policies and practices of the Company. PTO shall be taken at such times so as not to unduly disrupt the operations of the Company. While away from the office, you agree that business issues may arise that require your attention, whether remotely or in person.

10. Office Location. Your employment will be based at the Company's headquarters in West Fargo, North Dakota. Regular travel will be required in the course of performing your duties and responsibilities as COO.

11. Termination. You may terminate the employment relationship during the Term with at least 60 days' written notice. The Company may terminate the employment relationship during the Term for Cause at any time with written notice, subject to compliance with the procedures herein, or without Cause with at least 60 days' written notice. Upon termination of your employment by either party for any reason, you will promptly resign any and all positions you then hold as officer or director of the Company and any of its affiliates.

12. Severance.

(a) Qualifying Termination. In case of termination of your employment by the Company without Cause prior to the expiration of the Term or in the case of voluntary resignation of your employment for Good Reason prior to the expiration of the Term (each a "*Qualifying Termination*"), the Company will pay you as severance pay an amount equal to the sum of (a) your annual base salary at the rate in effect on your last day of employment plus (b) the average annual incentive bonus paid to you in the three (3) years preceding the Qualifying Termination. The Company will pay the severance amount in twelve (12) equal monthly installments beginning on the first day of the month coinciding with or immediately following the expiration of the rescission period under the Release as set forth in Section 12(c). In addition, upon a Qualifying Termination the Company will, for a period of 12 months following the effective date of termination of your employment, allow you to continue to participate in the Company's group medical and dental plans on the same basis, and the Company will contribute toward the monthly premium at the same rate, as of your last day of employment, if you timely elect COBRA continuation coverage. Benefits provided by the Company may be reduced if you become eligible for comparable benefits from another employer or third party.

(b) Change in Control Termination. Notwithstanding any other provision contained herein, if your employment is terminated within twelve (12) months following a Change in Control by you for Good Reason or by the Company without Cause ("*Change in Control Termination*"), the Company will pay you as severance an amount equal to two times the sum of (a) your annual base salary at the rate in effect on your last day of employment plus (b) the average annual incentive bonus paid to you in the three (3) years preceding the Change in Control Termination. The Company will pay the severance amount in twenty-four (24) equal monthly installments beginning on the first day of the month coinciding with or immediately following the expiration of the rescission period under the Release as set forth in Section 12(c). In addition, upon a Change in Control Termination the Company will, for a period of 24 months following the effective date of termination of your employment, allow you to continue to participate in the Company's group medical and dental plans on the same basis, and the Company will contribute toward the monthly premium at the same rate, as of your last day of employment, if you timely elect COBRA continuation coverage. Benefits provided by the Company may be reduced if you become eligible for comparable benefits from another employer or third party.

(c) Conditions. Payment by the Company of any severance pay or premium reimbursements under this paragraph will be conditioned upon you (1) signing and not revoking a full release of all claims against the Company, its affiliates, officers, directors, employees, agents and assigns, substantially in the form attached to this Agreement as Exhibit A (the "*Release*"), within 30 days of the Qualifying Termination or Change in Control Termination; (2) complying with your obligations under this Agreement, including the noncompetition covenant herein, or any other agreement continuing between you and the Company then in effect; (3) cooperating with the Company in the transition of your duties; and (4) agreeing not to disparage or defame the Company, its affiliates, officers, directors, employees, agents, assigns, products or services.

(d) Terminations other than Qualifying Terminations and Change in Control Terminations. In the event of termination of your employment by the Company for Cause, or resignation by you other than for Good Reason, the Company's only obligation hereunder shall be to pay such compensation and provide such benefits as are earned by you through the date of termination of employment.

(e) Definitions of Cause, Good Reason and Change in Control. For purposes of this Agreement, "Cause," "Good Reason," and "Change in Control" have the following definitions:

"*Cause*" shall mean the occurrence of any of the following:

i. Material breach of this Agreement;
ii. Willful refusal to perform your duties without justification, or willful misconduct or gross negligence in the performance of your duties under this Agreement;
iii. A material breach by you of the Company's material policies or codes of conduct or of your material obligations under any other agreement between you and the Company;
iv. The willful engagement in dishonesty, fraud, illegal conduct, with respect to or in the course of the business or affairs of the Company, which materially and adversely harms the Company;
v. Conviction of, or a plea of nolo contendere to, a felony or other crime involving moral turpitude; and
vi. Death or permanent disability.

Notwithstanding the foregoing, you shall not be deemed to have been terminated for Cause under any of (i) – (iv) unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Company's Board of Directors at a meeting of the Board called and held for this purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that you have engaged in conduct described in any of (i) – (iv) above specifying the particulars thereof in detail. Except for a failure, breach or refusal which, by its nature, cannot reasonably be expected to be cured, you will have ten (10) business days from the delivery of written notice by the Company within which to cure any acts constituting Cause. Permanent disability shall be determined consistent with the standards of the Company's long-term disability plan or, if the Company does not have a plan, with the standards established by the Social Security Administration.

"*Good Reason*" means any one or more of the following occurring without your consent:

i. The assignment to you of material duties inconsistent with your status or position as COO, or other action that results in a material change in your status, responsibilities, duties, authority, base salary, compensation, position, or change in reporting relationship;
ii. The relocation of your principal office for Company business to a location more than forty (40) miles from the Company's current headquarters;
iii. Material breach by the Company of any terms or conditions of this Agreement; or

iv. The failure of the Company to require a successor to assume the terms of this Agreement.

A condition will not be considered "Good Reason" unless you give the Company written notice of the condition within 30 days after the condition comes into existence and the Company fails to substantially remedy the condition within 30 days after receiving your written notice.

"*Change in Control*" shall mean the occurrence of any of the following:

i. One person (or more than one person acting as a group) acquires ownership of stock of the Company that, together with the stock held by such person or group, constitutes more than 50% of the total voting power of the stock of the Company;

ii. A majority of the members of the Board are replaced during any twelve-month period by directors whose appointment or election is not endorsed by a majority of the Board before the date of appointment or election; or

iii. The sale of all or substantially all of the Company's assets.

13. Vesting of Outstanding Stock Options, Restricted Stock, and Performance Based Awards.

(a) Qualifying Termination. In the event of a Qualifying Termination, and subject to your compliance with the conditions stated below, the Company agrees that (i) your non-vested stock options and restricted equity awards that vest with the passage of time and that are not intended to qualify as performance-based compensation under Section 162(m)(4)(C) of the Code ("*Non-Performance Equity Awards*") will not be forfeited due to your separation of employment and will be earned by you under the normal vesting schedule; and (ii) your non-vested equity-based compensation awards that are intended to constitute performance-based compensation under Section 162(m)(4)(C) of the Code ("*Performance Equity Awards*") shall remain outstanding and shall vest or be forfeited in accordance with the terms of the applicable award agreements.

(b) Change in Control Termination. In the event of a Change in Control Termination, and subject to your compliance with the conditions stated below, the Company agrees that: (a) your Non-Performance Equity Awards shall become fully vested and earned as of the first day following the expiration of the rescission period under the Release; and (b) your Performance Equity Awards shall vest and be earned in accordance with the terms of the applicable award agreement.

(c) Conditions. Your rights to receive the benefits of the vesting of the equity awards described above in subparagraphs (a) and (b) are conditioned upon you:

i. signing and not revoking a full release of all claims against the Company, its affiliates, officers, directors, employees, agents and assigns, substantially in the form attached to this Agreement as Exhibit A, within 30 days of the termination event;

ii. not directly or indirectly, whether on your own behalf or that of a third party (other than the Company), engaging in the business (whether as an owner of, or as employee, director or officer of or consultant to any business, other than the Company, that is engaged in the business), of owning or operating agricultural or construction equipment stores in any state or Canadian province in which the Company or its subsidiaries owns or operates any agricultural or construction equipment stores during the term of your employment;

iii. not directly or indirectly, either for yourself or any other person or entity solicit, inducing, or attempting to induce any employee of the Company to leave the employ of the Company; and

iv. complying with your obligations under the Release.

In the event of any non-compliance with the obligations set forth above, all of your then non-vested equity awards will immediately be forfeited. The parties acknowledge and agree that the effective compliance period applicable to the conditions stated above, based on the vesting schedule of the applicable awards, may be longer than the periods set forth elsewhere for similar covenants in this Agreement and the Release.

(d) Terminations other than Qualifying Terminations and Change in Control Terminations. In the event of termination of your employment by the Company for Cause, or resignation by you other than for Good Reason, your outstanding equity awards shall be forfeited or vested in accordance with the terms of applicable equity award agreements.

14. Noncompetition. In consideration of you and the Company entering into this Agreement, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and to protect the reasonable business interests of the Company, you agree that while you are an employee of the Company, and for a period of 24 months after termination of your employment for any reason, you will not directly or indirectly, whether on your own behalf or that of a third party (other than the Company), engage in the business (whether as an owner of, or as employee, director or officer of or consultant to any business, other than the Company, that is engaged in the business), of owning or operating agricultural or construction equipment stores in any state or Canadian province in which the Company or its subsidiaries owns or operates any agricultural or construction equipment stores during the term of your employment. You agree that the Company will be entitled to equitable relief without the requirement of posting a bond to enforce the terms of such noncompetition restriction, in addition to any other rights or remedies that the Company may have. In the event that any provision of this noncompetition clause (or any other provision contained in this Agreement) shall be determined by any court of competent jurisdiction to be unenforceable, such provision shall be interpreted to extend only over the maximum period of time for which it may be enforceable and/or over the maximum geographical area as to which it may be enforceable and/or to the maximum extent in all other respects as to which they may be enforceable, all as determined by such court in such action so as to be enforceable to the extent consistent with then applicable law. This noncompetition clause shall survive the termination of your employment, and

shall apply whether the termination of your employment is voluntary or involuntary and regardless of the reason for such termination.

15. Non-Solicitation of Employees. You agree that for a period of 24 months following your employment with the Company, you will, not directly or indirectly, either for yourself or any other person or entity solicit, induce, or attempt to induce any employee of the Company to leave the employ of the Company.

16. Confidential Information. You have had and will continue to have access to and familiarity with the confidential and proprietary information of the Company. You agree that all Confidential Information, whether or not in writing, concerning the Company is and shall be the exclusive property of the Company. For purposes of this paragraph, the term "*Confidential Information*" means information that is not generally known and that is proprietary to the Company or that has been made available to the Company in a manner reasonably understood to require confidential treatment, including, without limitation, trade secret information about the Company and its products; information relating to the business of the Company or anticipated to be conducted by the Company; any of the Company's past, current or anticipated products; information about the Company's research, development, manufacturing, purchasing, accounting, engineering, marketing, selling, leasing, servicing, discoveries, improvements, inventions, designs, graphs, drawings, methods, techniques, plans, strategies, customer lists, licensee lists, marketing plans, pricing and other policies, forecasts, budgets, customer information, financial data, personnel data; and any other material relating to Confidential Information, however documented. All information that you have a reasonable basis to consider Confidential Information or that is treated by the Company as being Confidential Information shall be presumed to be Confidential Information, without regard to the manner in which you obtain access to such information.

During the time you are employed with the Company and for a period of ten (10) years following the date your employment with the Company ends for any reason (except with respect to trade secrets, which you agree to keep confidential for so long as such information remains a trade secret), and except (i) in the ordinary course of performing your employment duties for the Company, (ii) as expressly authorized in writing by the Board, or (iii) as compelled to disclose Confidential Information by judicial or governmental authority, you agree not to disclose any Confidential Information to persons or entities outside the Company, or to use any Confidential Information for any other purpose, either during or after your employment, unless and until such Confidential Information has become public knowledge without fault by you. You also agree to deliver all written, electronic, magnetic, computer or other recorded or tangible material and copies thereof containing Confidential Information to the Company upon the earlier of a request by the Company or the date your employment with the Company ends. You further agree to treat all confidential information and know-how of any affiliate, employee, customer, contractor, vendor, or supplier of the Company, as applicable, in the same manner as the Confidential Information.

17. Indemnification. The Company will indemnify you in connection with your duties and responsibilities for the Company in accordance with applicable statutory and common law the Company's bylaws and as set forth in any indemnification agreement between you and the Company from time to time.

18. Taxes. The Company may withhold from any compensation and severance benefits payable to you hereunder such federal, state and local income and employment taxes as the Company shall determine are required to be withheld pursuant to any applicable law or regulation.

19. Remedies. You acknowledge that your covenants and obligations hereunder are of special, unique, and intellectual character, which gives them a peculiar value, the actual or threatened breach of which may result in substantial injuries and damages, for which monetary relief may fail to provide an adequate remedy at law. Accordingly, if the Company institutes any action or proceeding to enforce the provisions hereof, seeking injunctive relief or specific performance, you hereby waive the claim or defense that the Company has an adequate remedy at law, and you will not urge in any such action or proceeding the claim or defense that the Company has an adequate remedy at law. Nothing in this provision limits the parties' rights to seek any and all remedies available under applicable law, including equitable and legal relief, either separately or cumulatively, for breach or threatened breach of contract.

20. Section 409A and Restrictions. Notwithstanding anything to the contrary in this Agreement, and to the maximum extent permitted by law, this Agreement shall be interpreted in such a manner that all payments to you are either exempt from, or comply with, Section 409A of the Code and the regulations and other interpretive guidance issued thereunder (collectively, "*Section 409A*"), including without limitation any such regulations or other guidance that may be issued in the future. It is intended that payments under this Agreement will be exempt from Section 409A, including the exceptions for short-term deferrals, separation pay arrangements, reimbursements, and in-kind distributions, so as not to subject you to payment of interest or any additional tax under Section 409A. To the extent any reimbursements or in-kind benefit payments under this Agreement are subject to Section 409A, such reimbursements and in-kind benefit payments shall be made in accordance with Treasury Regulation §1.409A-3(i)(1)(iv) (or any similar or successor provisions). In furtherance thereof, if the provision of any reimbursement or in-kind benefit payment hereunder that is subject to Section 409A at the time specified herein would subject such amount to any additional tax under Section 409A, the provision of such reimbursement or in-kind benefit payment shall be postponed to the earliest commencement date on which the provision of such amount could be made without incurring such additional tax. Notwithstanding anything in this Agreement to the contrary, if any of the severance payments described in Agreement are subject to the requirements of Section 409A and the Company determines that you are a "specified employee" as defined in Section 409A as of the date of your Qualifying Termination of Change of Control Termination, such payments shall not be paid or commence earlier than the first day of the seventh month following the date of your Qualifying Termination or Change of Control Termination. In addition, to the extent that any regulations or other guidance issued under Section 409A (after application of the previous provisions of this paragraph) would result in you being subject to the payment of interest or any additional tax under Section 409A, the parties agree, to the extent reasonably possible, to amend this Agreement to the extent necessary (including retroactively) in order to avoid the imposition of any such interest or additional tax under Section 409A, which amendment shall have the minimum economic effect necessary and be reasonably determined in good faith by the Company and you. You acknowledge and agree that the Company has made no representation to you as to

the tax treatment of the compensation and benefits provided pursuant to this Agreement and that you are solely responsible for all taxes due with respect to such compensation and benefits.

Notwithstanding anything in this Agreement to the contrary, if the Company determines, in its sole discretion, that the payment of the group medical and dental premiums would result in a violation of the nondiscrimination rules of Section 105(h)(2) of the Internal Revenue Code or any statute or regulation of similar effect (including but not limited to the 2010 Patient Protection and Affordable Care Act, as amended by the 2010 Health Care and Education Reconciliation Act), then, in lieu of providing such premiums, the Company may, in its sole discretion, elect to instead pay you, on the first day of each month, a fully taxable cash payment equal to such premiums for that month, subject to applicable tax withholdings (such amount, the "*Special Severance Payment*"), for the applicable severance period. You may, but are not obligated to, use such Special Severance Payment toward the cost of COBRA premiums.If you participate in another group health or dental plan or otherwise ceases to be eligible for COBRA during the period provided in this clause, you must immediately notify the Company of such event, and all payments and obligations under this clause shall cease.

21. Clawback. The incentive based compensation paid to you under this Agreement is subject to recovery or clawback under applicable laws or regulations and any clawback or recoupment policy adopted by the Company's Board of Directors to comply with applicable legal or stock exchange listing requirements, which such recovery or clawback you agree to pay promptly upon demand.

22. Applicable Law. This Agreement shall be interpreted and construed in accordance with the laws of the State of Delaware.

23. Construction. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Agreement.

24. Entire Agreement. This Agreement and the documents referenced herein constitute the entire agreement between the parties, and supersedes all prior discussions, agreements, and negotiations between us. No amendment or modification of this Agreement will be effective unless made in writing and signed by you and an authorized officer or director of the Company.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year set forth above.

TITAN MACHINERY INC.

By: _/s/_JODY HORNER___________

Jody Horner

Chair of the Compensation Committee

__/s/ BRYAN KNUTSON_______________

Bryan J. Knutson

Exhibit A
FORM OF RELEASE BY BRYAN J. KNUTSON

1. **Definitions.** I intend all words used in this Release to have their plain meanings in ordinary English. Specific terms that I use in this Release have the following meanings:

A. I, me, and my include both me (Bryan J. Knutson) and anyone who has or obtains any legal rights or claims through me.

B. Titan means Titan Machinery Inc., any company related to Titan Machinery Inc. in the present or past (including without limitation, its predecessors, parents, subsidiaries, affiliates, joint venture partners, and divisions), and any successors of Titan Machinery Inc.

C. Company means Titan; the present and past officers, directors, committees, shareholders, and employees of Titan; any company providing insurance to Titan in the present or past; the present and past fiduciaries of any employee benefit plan sponsored or maintained by Titan (other than multiemployer plans); the attorneys for Titan; and anyone who acted on behalf of Titan or on instructions from Titan.

D. Agreement means the employment agreement between me and Titan with an Effective Date of September 5, 2018, including all of the documents attached to such agreement.

E. My Claims mean all of my rights that I now have to any relief of any kind from the Company, whether I now know about such rights or not, including without limitation:

i. all claims arising out of or relating to my employment with Titan or the termination of that employment;

ii. all claims arising out of or relating to the statements, actions, or omissions of the Company;

iii. all claims for any alleged unlawful discrimination, harassment, retaliation or reprisal, or other alleged unlawful practices arising under any federal, state, or local statute, ordinance, or regulation, including without limitation, claims under Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Americans with Disabilities Act, 42 U.S.C. § 1981, the Employee Retirement Income Security Act, the Equal Pay Act, the Worker Adjustment and Retraining Notification Act, the Sarbanes-Oxley Act, the Family and Medical Leave Act, the Fair Credit Reporting Act, the North Dakota Human Rights Act, N.D. Stat. § 14.02-4-01 et seq., the North Dakota Equal Pay Act, N.D. Stat. § 34-06.1-01 et seq., the North Dakota Age Discrimination Act, N.D. Stat. § 34-01-17, and workers' compensation non-interference or non-retaliation statutes;

iv. all claims for alleged wrongful discharge; breach of contract; breach of implied contract; failure to keep any promise; breach of a covenant of good faith and fair dealing; breach of fiduciary duty; estoppel; my activities, if any, as a "whistleblower"; defamation; infliction of emotional distress; fraud; misrepresentation; negligence; harassment; retaliation or reprisal; constructive discharge; assault; battery; false imprisonment; invasion of privacy; interference with contractual or business relationships; any other wrongful employment practices; and violation of any other principle of common law;

v. all claims for compensation of any kind, including without limitation, bonuses, commissions, stock-based compensation or stock options, vacation pay and paid time off, perquisites, and expense reimbursements;

vi. all claims for back pay, front pay, reinstatement, other equitable relief, compensatory damages, damages for alleged personal injury, liquidated damages, and punitive damages; and

vii. all claims for attorneys' fees, costs, and interest.

However, My Claims do not include any claims that the law does not allow to be waived; any claims that may arise after the date on which I sign this Release; any rights I may have to indemnification from Titan as a current or former officer, director or employee of Titan; any claims for payment of severance benefits under the Agreement; any rights I have to severance pay or benefits under the Agreement; or any claims I may have for earned and accrued benefits under any employee benefit plan sponsored by the Company in which I am a participant as of the date of termination of my employment with Titan.

2. **Consideration.** I am entering into this Release in consideration of Titan's obligations to provide me certain severance pay and benefits as specified in the Agreement. I will receive consideration from Titan as set forth in the Agreement if I sign and do not rescind this Release as provided below. I understand and acknowledge that I would not be entitled to the consideration under the Agreement if I did not sign this Release. The consideration is in addition to anything of value that I would be entitled to receive from Titan if I did not sign this Release or if I rescinded this Release. I acknowledge and represent that I have received all payments and benefits that I am entitled to receive (as of the date of this Release) by virtue of any employment by the Company.

3. **Agreement to Release My Claims In exchange for the consideration described in the Agreement, I give up and release all of My Claims. I will not make any demands or claims against the Company for compensation or damages relating to My Claims. The consideration that I am receiving is a fair compromise for the release of My Claims.**

4. **Cooperation.** Upon the reasonable request of the Company, I agree that I will (i) timely execute and deliver such acknowledgements, instruments, certificates, and other ministerial documents (including without limitation, certification as to specific actions performed by me in my

capacity as an officer of the Company) as may be necessary or appropriate to formalize and complete the applicable corporate records; (ii) reasonably consult with the Company regarding business matters that I was involved with while employed by the Company; and (iii) be reasonably available, with or without subpoena, to be interviewed, review documents or things, give depositions, testify, or engage in other reasonable activities in connection with any litigation or investigation, with respect to matters that I may have knowledge of by virtue of my employment by or service to the Company. In performing my obligations under this paragraph to testify or otherwise provide information, I will honestly, truthfully, forthrightly, and completely provide the information requested, volunteer pertinent information and turn over to the Company all relevant documents which are or may come into my possession.

5. **My Continuing Obligations**. I understand and acknowledge that I must comply with all of my post-employment obligations under the Agreement. I will not defame or disparage the reputation, character, image, products, or services of Titan, or the reputation or character of Titan's directors, officers, employees and agents, and I will refrain from making public comment about the Company except upon the express written consent of an officer of Titan.

6. **Additional Agreements and Understandings**. Even though Titan will provide consideration for me to settle and release My Claims, the Company does not admit that it is responsible or legally obligated to me with regard to My Claims. In fact, the Company denies that it is responsible or legally obligated to me for My Claims, denies that it engaged in any unlawful or improper conduct toward me, and denies that it treated me unfairly.

7. **Advice to Consult with an Attorney**. I understand and acknowledge that I am hereby being advised by the Company to consult with an attorney prior to signing this Release and I have done so. My decision whether to sign this Release is my own voluntary decision made with full knowledge that the Company has advised me to consult with an attorney.

8. **Period to Consider the Release.** I understand that I have 21 days from the last day of my employment to consider whether I wish to sign this Release. If I sign this Release before the end of the 21-day period, it will be my voluntary decision to do so because I have decided that I do not need any additional time to decide whether to sign this Release. I understand and agree that if I sign this Release prior to my last day of employment with Titan it will not be valid, and Titan will not be obligated to provide the consideration described in the Release.

9. **My Right to Rescind this Release**. I understand that I may rescind this Release at any time within 7 days after I sign it, not counting the day upon which I sign it. This Release will not become effective or enforceable unless and until the 7-day rescission period has expired without my rescinding it. I understand that if I rescind this Release Titan will not be obligated to provide the consideration described in the Release.

10. **Procedure for Accepting or Rescinding the Release**. To accept the terms of this Release, I must deliver the Release, after I have signed and dated it, to Titan by hand or by mail within the

21-day period that I have to consider this Release. To rescind my acceptance, I must deliver a written, signed statement that I rescind my acceptance to Titan by hand or by mail within the 7-day rescission period. All deliveries must be made to Titan at the following address:

CEO - Titan Machinery Inc.
644 East Beaton Drive
West Fargo, ND 58078

If I choose to deliver my acceptance or the rescission by mail, it must be postmarked within the period stated above and properly addressed to Titan at the address stated above.

11. **<u>Interpretation of the Release</u>.** This Release should be interpreted as broadly as possible to achieve my intention to resolve all of My Claims against the Company. If this Release is held by a court to be inadequate to release a particular claim encompassed within My Claims, this Release will remain in full force and effect with respect to all the rest of My Claims. I agree that the provisions of this Release may not be amended, waived, changed or modified except by an instrument in writing signed by an authorized representative of Titan and by me.

12. **<u>My Representations</u>.** I am legally able and entitled to receive the consideration being provided to me in settlement of My Claims. I have not been involved in any personal bankruptcy or other insolvency proceedings at any time since I began my employment with Titan. No child support orders, garnishment orders, or other orders requiring that money owed to me by Titan be paid to any other person are now in effect.

I have read this Release carefully. I understand all of its terms. In signing this Release, I have not relied on any statements or explanations made by the Company except as specifically set forth in the Agreement. I am voluntarily releasing My Claims against the Company. I intend this Release and the Agreement to be legally binding.

Dated this __ day of _______________, ___.

____
Bryan J. Knutson

EXHIBIT 31.1

CERTIFICATION
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, David J. Meyer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Titan Machinery Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 6, 2018

/s/ David J. Meyer

David J. Meyer
Board Chair and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, Mark Kalvoda, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Titan Machinery Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 6, 2018

/s/ Mark Kalvoda
Mark Kalvoda
Chief Financial Officer

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Titan Machinery Inc. (the "Company") on Form 10-Q for the quarter ended July 31, 2018 as filed with the Securities and Exchange Commission (the "Report"), I, David J. Meyer, Board Chair and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 6, 2018

/s/ David J. Meyer
David J. Meyer
Board Chair and Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Titan Machinery Inc. (the "Company") on Form 10-Q for the quarter ended July 31, 2018 as filed with the Securities and Exchange Commission (the "Report"), I, Mark Kalvoda, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 6, 2018

/s/ Mark Kalvoda

Mark Kalvoda
Chief Financial Officer