

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 10-Q

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

**For the quarterly period ended October 31, 2023
OR**

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

For the transition period from ____ to ____

Commission File No. 001-33866

TITAN MACHINERY INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

45-0357838
(IRS Employer
Identification No.)

**644 East Beaton Drive
West Fargo, ND 58078-2648**
(Address of Principal Executive Offices)

Registrant's telephone number **(701) 356-0130**

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|-------------------|---|
| Common Stock, \$0.00001 par value per share | TITN | The Nasdaq Stock Market LLC |

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 every Interactive Data File required to be submitted 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 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 | <input type="checkbox"/> | Accelerated filer | <input checked="" type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | Smaller reporting company | <input type="checkbox"/> |
| | | Emerging growth company | <input type="checkbox"/> |

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 December 1, 2023, 22,849,387 shares of Common Stock, \$0.00001 par value, of the registrant were outstanding.

TITAN MACHINERY INC.
QUARTERLY REPORT ON FORM 10-Q

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PART I FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

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

| | October 31, 2023 | January 31, 2023 |
|--|---------------------|---------------------|
| Assets | | |
| Current Assets | | |
| Cash | \$ 69,981 | \$ 43,913 |
| Receivables, net of allowance for expected credit losses | 129,399 | 95,844 |
| Inventories, net | 1,071,088 | 703,939 |
| Prepaid expenses and other | 15,080 | 25,554 |
| Total current assets | 1,285,548 | 869,250 |
| Noncurrent Assets | | |
| Property and equipment, net of accumulated depreciation | 267,155 | 217,782 |
| Operating lease assets | 40,835 | 50,206 |
| Deferred income taxes | 4,969 | 1,246 |
| Goodwill | 31,144 | 30,622 |
| Intangible assets, net of accumulated amortization | 18,266 | 18,411 |
| Other | 1,821 | 1,178 |
| Total noncurrent assets | 364,190 | 319,445 |
| Total Assets | \$ 1,649,738 | \$ 1,188,695 |
| Liabilities and Stockholders' Equity | | |
| Current Liabilities | | |
| Accounts payable | \$ 38,016 | \$ 40,834 |
| Floorplan payable | 705,610 | 258,372 |
| Current maturities of long-term debt | 11,586 | 7,241 |
| Current operating lease liabilities | 9,395 | 9,855 |
| Deferred revenue | 43,964 | 119,845 |
| Accrued expenses and other | 71,211 | 58,159 |
| Income taxes payable | 5,622 | 3,845 |
| Total current liabilities | 885,404 | 498,151 |
| Long-Term Liabilities | | |
| Long-term debt, less current maturities | 87,591 | 89,950 |
| Operating lease liabilities | 38,688 | 48,513 |
| Deferred income taxes | 9,561 | 9,563 |
| Other long-term liabilities | 2,661 | 6,212 |
| Total long-term liabilities | 138,501 | 154,238 |
| Commitments and Contingencies | | |
| Stockholders' Equity | | |
| Common stock, par value \$.00001 per share, 45,000,000 shares authorized; 22,862,706 shares issued and outstanding at October 31, 2023; 22,697,761 shares issued and outstanding at January 31, 2023 | — | — |
| Additional paid-in-capital | 257,881 | 256,541 |
| Retained earnings | 373,263 | 284,784 |
| Accumulated other comprehensive loss | (5,311) | (5,019) |
| Total stockholders' equity | 625,833 | 536,306 |
| Total Liabilities and Stockholders' Equity | \$ 1,649,738 | \$ 1,188,695 |

See Notes to Condensed Consolidated Financial Statements

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

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|-------------------------------------|--------------------------------|------------|-------------------------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| Revenue | | | | |
| Equipment | \$ 521,775 | \$ 508,996 | \$ 1,431,272 | \$ 1,240,579 |
| Parts | 114,962 | 108,719 | 320,077 | 254,974 |
| Service | 44,767 | 38,960 | 122,178 | 101,847 |
| Rental and other | 12,611 | 12,098 | 32,785 | 28,923 |
| Total Revenue | 694,115 | 668,773 | 1,906,312 | 1,626,323 |
| Cost of Revenue | | | | |
| Equipment | 454,598 | 436,156 | 1,237,660 | 1,070,378 |
| Parts | 78,585 | 72,146 | 216,775 | 172,162 |
| Service | 14,393 | 13,456 | 41,010 | 35,288 |
| Rental and other | 8,198 | 7,435 | 20,549 | 17,522 |
| Total Cost of Revenue | 555,774 | 529,193 | 1,515,994 | 1,295,350 |
| Gross Profit | 138,341 | 139,580 | 390,318 | 330,973 |
| Operating Expenses | 92,115 | 84,861 | 262,182 | 217,841 |
| Income from Operations | 46,226 | 54,719 | 128,136 | 113,132 |
| Other Income (Expense) | | | | |
| Interest and other income (expense) | (235) | 1,804 | 1,129 | 3,169 |
| Floorplan interest expense | (4,045) | (588) | (7,774) | (1,087) |
| Other interest expense | (1,494) | (1,257) | (4,008) | (3,802) |
| Income Before Income Taxes | 40,452 | 54,678 | 117,483 | 111,412 |
| Provision for Income Taxes | 10,259 | 13,421 | 29,004 | 27,656 |
| Net Income | \$ 30,193 | \$ 41,257 | \$ 88,479 | \$ 83,756 |
| Earnings per Share: | | | | |
| Basic | \$ 1.32 | \$ 1.82 | \$ 3.88 | \$ 3.70 |
| Diluted | \$ 1.32 | \$ 1.82 | \$ 3.88 | \$ 3.70 |
| Weighted Average Common Shares: | | | | |
| Basic | 22,512 | 22,393 | 22,487 | 22,365 |
| Diluted | 22,517 | 22,399 | 22,493 | 22,372 |

See Notes to Condensed Consolidated Financial Statements

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

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|--|---------------------------------------|------------------|--------------------------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Net Income | \$ 30,193 | \$ 41,257 | \$ 88,479 | \$ 83,756 |
| Other Comprehensive Income (Loss) | | | | |
| Foreign currency translation adjustments | (1,938) | (5,132) | (292) | (9,285) |
| Comprehensive Income | <u>\$ 28,255</u> | <u>\$ 36,125</u> | <u>\$ 88,187</u> | <u>\$ 74,471</u> |

See Notes to Condensed Consolidated Financial Statements

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

| | Common Stock | | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total Stockholders' Equity |
|--|--------------------|--------|----------------------------------|----------------------|---|-------------------------------|
| | Shares Outstanding | Amount | | | | |
| Balance at January 31, 2023 | 22,698 | \$ — | \$ 256,541 | \$ 284,784 | \$ (5,019) | \$ 536,306 |
| Common stock issued on grant of restricted stock, net of restricted stock forfeitures and restricted stock withheld for employee withholding tax | (29) | — | (993) | — | — | (993) |
| Stock-based compensation expense | — | — | 659 | — | — | 659 |
| Net income | — | — | — | 26,965 | — | 26,965 |
| Other comprehensive income | — | — | — | — | 1,096 | 1,096 |
| Balance at April 30, 2023 | 22,669 | \$ — | \$ 256,207 | \$ 311,749 | \$ (3,923) | \$ 564,033 |
| Common stock issued on grant of restricted stock, net of restricted stock forfeitures and restricted stock withheld for employee withholding tax | 195 | — | (7) | — | — | (7) |
| Stock-based compensation expense | — | — | 784 | — | — | 784 |
| Net income | — | — | — | 31,321 | — | 31,321 |
| Other comprehensive income | — | — | — | — | 550 | 550 |
| Balance at July 31, 2023 | 22,864 | \$ — | \$ 256,984 | \$ 343,070 | \$ (3,373) | \$ 596,681 |
| Common stock issued on grant of restricted stock, net of restricted stock forfeitures and restricted stock withheld for employee withholding tax | (1) | — | 1 | — | — | 1 |
| Stock-based compensation expense | — | — | 896 | — | — | 896 |
| Net income | — | — | — | 30,193 | — | 30,193 |
| Other comprehensive loss | — | — | — | — | (1,938) | (1,938) |
| Balance at October 31, 2023 | 22,863 | \$ — | \$ 257,881 | \$ 373,263 | \$ (5,311) | \$ 625,833 |

| | Common Stock | | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total Stockholders' Equity |
|--|--------------------|--------|----------------------------------|----------------------|---|-------------------------------|
| | Shares Outstanding | Amount | | | | |
| Balance at January 31, 2022 | 22,588 | \$ — | \$ 254,455 | \$ 182,916 | \$ (2,172) | \$ 435,199 |
| Common stock issued on grant of restricted stock and exercise of stock options, net of restricted stock forfeitures and restricted stock withheld for employee withholding tax | (19) | — | (685) | — | — | (685) |
| Stock-based compensation expense | — | — | 620 | — | — | 620 |
| Net income | — | — | — | 17,540 | — | 17,540 |
| Other comprehensive loss | — | — | — | — | (1,191) | (1,191) |
| Balance at April 30, 2022 | 22,569 | \$ — | \$ 254,390 | \$ 200,456 | \$ (3,363) | \$ 451,483 |
| Common stock issued on grant of restricted stock and exercise of stock options, net of restricted stock forfeitures and restricted stock withheld for employee withholding tax | 126 | — | (5) | — | — | (5) |
| Stock-based compensation expense | — | — | 803 | — | — | 803 |
| Net income | — | — | — | 24,959 | — | 24,959 |
| Other comprehensive loss | — | — | — | — | (2,963) | (2,963) |
| Balance at July 31, 2022 | 22,695 | \$ — | \$ 255,188 | \$ 225,415 | \$ (6,326) | \$ 474,277 |
| Common stock issued on grant of restricted stock and exercise of stock options, net of restricted stock forfeitures and restricted stock withheld for employee withholding tax | 12 | — | — | — | — | — |
| Stock-based compensation expense | — | — | 885 | — | — | 885 |
| Net income | — | — | — | 41,257 | — | 41,257 |
| Other comprehensive loss | — | — | — | — | (5,132) | (5,132) |
| Balance at October 31, 2022 | 22,707 | \$ — | \$ 256,073 | \$ 266,672 | \$ (11,458) | \$ 511,287 |

See Notes to Condensed Consolidated Financial Statements

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

| | Nine Months Ended October 31, | |
|---|--------------------------------------|------------------|
| | 2023 | 2022 |
| Operating Activities | | |
| Net income | \$ 88,479 | \$ 83,756 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation and amortization | 22,871 | 18,356 |
| Deferred income taxes | (3,731) | (1,835) |
| Stock-based compensation expense | 2,339 | 2,308 |
| Noncash interest expense | 206 | 182 |
| Other, net | 5,628 | 7,072 |
| Changes in assets and liabilities, net of effects of acquisitions | | |
| Receivables | (31,947) | (10,507) |
| Prepaid expenses and other assets | 5,774 | 10,675 |
| Inventories | (358,837) | (115,734) |
| Manufacturer floorplan payable | 274,968 | 78,972 |
| Deferred revenue | (77,425) | (83,029) |
| Accounts payable, accrued expenses and other and other long-term liabilities | (10,386) | 2,650 |
| Net Cash Used for Operating Activities | (82,061) | (7,134) |
| Investing Activities | | |
| Rental fleet purchases | (5,154) | (8,601) |
| Property and equipment purchases (excluding rental fleet) | (36,770) | (16,829) |
| Proceeds from sale of property and equipment | 6,451 | 2,110 |
| Acquisition consideration, net of cash acquired | (27,935) | (100,471) |
| Other, net | (643) | (176) |
| Net Cash Used for Investing Activities | (64,051) | (123,967) |
| Financing Activities | | |
| Net change in non-manufacturer floorplan payable | 174,353 | 32,212 |
| Proceeds from long-term debt borrowings | 7,721 | 8,415 |
| Principal payments on long-term debt and finance leases | (10,685) | (5,596) |
| Other, net | (1,121) | (698) |
| Net Cash Provided by Financing Activities | 170,268 | 34,333 |
| Effect of Exchange Rate Changes on Cash | 1,912 | (3,529) |
| Net Change in Cash | 26,068 | (100,297) |
| Cash at Beginning of Period | 43,913 | 146,149 |
| Cash at End of Period | \$ 69,981 | \$ 45,852 |
| Supplemental Disclosures of Cash Flow Information | | |
| Cash paid during the period | | |
| Income taxes, net of refunds | \$ 28,890 | \$ 15,711 |
| Interest | \$ 10,480 | \$ 4,595 |
| Supplemental Disclosures of Noncash Investing and Financing Activities | | |
| Net property and equipment financed with long-term debt, finance leases, accounts payable and accrued liabilities | \$ 5,479 | \$ 5,436 |
| Long-term debt to acquire finance leases | \$ — | \$ 7,119 |
| Net transfer of assets to property and equipment from inventories | \$ (400) | \$ (4,686) |

See Notes to Condensed Consolidated Financial Statements

TITAN MACHINERY INC.
NOTES TO CONDENSED 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 nine-months ended October 31, 2023 are not necessarily indicative of the results that may be expected for the fiscal year ending January 31, 2024. The segment formerly known as "International" has been updated to "Europe" as of October 31, 2023 and a fourth segment "Australia" will be added starting in the fourth quarter fiscal 2024 reporting, as a result of the Company's acquisition of J.J. O'Connor & Sons Pty. Ltd. ("O'Connors"), refer to Note 18 - Subsequent Event for further details. The information contained in the consolidated balance sheet as of January 31, 2023 was derived from the audited consolidated financial statements of the Company for the fiscal year then ended. These condensed 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, 2023 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, Europe, and Australia. The Company's North American stores are located in Colorado, Idaho, Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, North Dakota, South Dakota, Washington, Wisconsin, and Wyoming. Internationally, the Company's European stores are located in Bulgaria, Germany, Romania, and Ukraine and the Company's Australian stores are located in New South Wales, South Australia, and Victoria in Southeastern Australia.

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, goodwill, or indefinite lived intangible 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.

Recently issued accounting pronouncements not yet adopted

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which updates reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. The amendments are effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The amendments should be applied retrospectively to all prior periods presented in the financial statements. The Company is currently evaluating the provisions of the amendments and the impact on its future consolidated statements.

Recently Adopted Accounting Guidance

In September 2022, FASB issued ASU No. 2022-04, Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations. This new standard requires that the buyer in a supplier finance program discloses information about the key terms of the program, outstanding confirmed amounts as of the end of the period, a rollforward of such amounts during each annual period, and a description of where in the financial statements outstanding amounts are presented. This ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, except for the disclosure of rollforward information, which is effective for fiscal years beginning after December 15, 2023. Early adoption of this ASU is permitted. Entities must apply the amendments of this ASU retrospectively to all periods in which a balance sheet is presented, with the exception of the amendment on disclosure of rollforward information, which entities only need to apply prospectively. On February 1, 2023, the Company adopted ASU No. 2022-04 to our consolidated financial statements.

The Company has agreements with financial institutions to facilitate the purchase of inventory from designated suppliers under certain terms and conditions. Under these agreements, the Company receives extended payment terms and agrees to pay the financial institution a stated amount of confirmed invoices from its designated suppliers. The Company may incur interest in accordance with the terms of the agreements. Additionally, the Company has no involvement in establishing the terms or conditions of the arrangements between its suppliers and the financial institution.

The amounts outstanding under these agreements as of October 31, 2023 and January 31, 2023 were \$42.1 million and \$13.0 million, respectively, and are presented as Floorplan payable on the Company's condensed consolidated balance sheet.

NOTE 2 - EARNINGS PER SHARE

The following table sets forth the calculation of basic and diluted earnings per share (EPS):

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|---|--------------------------------|-----------|-------------------------------|------|
| | 2023 | 2022 | 2023 | 2022 |
| (in thousands, except per share data) | | | | |
| Numerator: | | | | |
| Net income | \$ 30,193 | \$ 41,257 | \$ 88,479 | \$ 8 |
| Allocation to participating securities | (465) | (563) | (1,153) | (|
| Net income attributable to Titan Machinery Inc. common stockholders | \$ 29,728 | \$ 40,694 | \$ 87,326 | \$ 8 |
| Denominator: | | | | |
| Basic weighted-average common shares outstanding | 22,512 | 22,393 | 22,487 | 2 |
| Plus: incremental shares from vesting of restricted stock units | 5 | 6 | 6 | |
| Diluted weighted-average common shares outstanding | 22,517 | 22,399 | 22,493 | 2 |
| Earnings Per Share: | | | | |
| Basic | \$ 1.32 | \$ 1.82 | \$ 3.88 | \$ |
| Diluted | \$ 1.32 | \$ 1.82 | \$ 3.88 | \$ |

NOTE 3 - REVENUE

Revenue is 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 present our revenue disaggregated by revenue source and segment:

| Three Months Ended October 31, 2023 | | | | | Nine Months Ended October 31, 2023 | | | | |
|---------------------------------------|-------------------|------------------|------------------|-------------------|------------------------------------|-------------------|-------------------|---------------------|-------|
| | Agriculture | Construction | Europe | Total | | Agriculture | Construction | Europe | Total |
| | (in thousands) | | | | | (in thousands) | | | |
| Equipment | \$ 408,648 | \$ 47,364 | \$ 65,763 | \$ 521,775 | \$ 1,086,840 | \$ 146,519 | \$ 197,913 | \$ 1,431,272 | |
| Parts | 86,173 | 12,943 | 15,846 | 114,962 | 237,966 | 39,144 | 42,967 | 320,077 | |
| Service | 34,718 | 7,084 | 2,965 | 44,767 | 93,510 | 20,767 | 7,901 | 122,178 | |
| Other | 1,333 | 547 | 318 | 2,198 | 3,735 | 1,496 | 869 | 6,100 | |
| Revenue from contracts with customers | 530,872 | 67,938 | 84,892 | 683,702 | 1,422,051 | 207,926 | 249,650 | 1,879,627 | |
| Rental | 532 | 9,570 | 311 | 10,413 | 1,618 | 24,442 | 625 | 26,685 | |
| Total revenue | <u>\$ 531,404</u> | <u>\$ 77,508</u> | <u>\$ 85,203</u> | <u>\$ 694,115</u> | <u>\$ 1,423,669</u> | <u>\$ 232,368</u> | <u>\$ 250,275</u> | <u>\$ 1,906,312</u> | |

| Three Months Ended October 31, 2022 | | | | | Nine Months Ended October 31, 2022 | | | | |
|---------------------------------------|-------------------|------------------|------------------|-------------------|------------------------------------|-------------------|-------------------|---------------------|-------|
| | Agriculture | Construction | Europe | Total | | Agriculture | Construction | Europe | Total |
| | (in thousands) | | | | | (in thousands) | | | |
| Equipment | \$ 380,007 | \$ 56,534 | \$ 72,455 | \$ 508,996 | \$ 901,574 | \$ 143,536 | \$ 195,469 | \$ 1,240,579 | |
| Parts | 81,420 | 13,350 | 13,949 | 108,719 | 178,474 | 37,229 | 39,271 | 254,974 | |
| Service | 29,831 | 6,807 | 2,322 | 38,960 | 76,514 | 18,932 | 6,401 | 101,847 | |
| Other | 1,201 | 639 | 89 | 1,929 | 2,881 | 1,441 | 540 | 4,862 | |
| Revenue from contracts with customers | 492,459 | 77,330 | 88,815 | 658,604 | 1,159,443 | 201,138 | 241,681 | 1,602,262 | |
| Rental | 865 | 9,073 | 231 | 10,169 | 1,386 | 22,251 | 424 | 24,061 | |
| Total revenue | <u>\$ 493,324</u> | <u>\$ 86,403</u> | <u>\$ 89,046</u> | <u>\$ 668,773</u> | <u>\$ 1,160,829</u> | <u>\$ 223,389</u> | <u>\$ 242,105</u> | <u>\$ 1,626,323</u> | |

Unbilled Receivables and Deferred Revenue

Unbilled receivables from contracts with customers amounted to \$33.0 million and \$19.8 million as of October 31, 2023 and January 31, 2023, respectively. This 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 \$43.2 million and \$118.1 million as of October 31, 2023 and January 31, 2023, respectively. 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 nine months ended October 31, 2023 and 2022, the Company recognized \$118.0 million and \$126.3 million, respectively, of revenue that was included in the deferred revenue balance as of January 31, 2023 and January 31, 2022, respectively. No material amount of revenue was recognized during the nine months ended October 31, 2023 or 2022 from performance obligations satisfied in previous periods.

NOTE 4 - RECEIVABLES

The Company provides an allowance for expected credit losses on its nonrental receivables. To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics as shown in the table below.

Trade and unbilled receivables from contracts with customers have credit risk and the allowance is determined by applying expected credit loss percentages to aging categories based on historical experience that are updated each quarter. The rates may also be adjusted to the extent future events are expected to differ from historical results. In addition, the allowance is adjusted based on information obtained by continued monitoring of individual customer credit.

Short-term receivables from finance companies, other receivables due from manufacturers, and other receivables have not historically resulted in any credit losses to the Company. These receivables are short-term in nature and deemed to be of good credit quality and have no need for any allowance for expected credit losses. Management continually monitors these receivables and should information be obtained that identifies potential credit risk, an adjustment to the allowance would be made if deemed appropriate.

Trade and unbilled receivables from rental contracts are primarily in the United States and are specifically excluded from the accounting guidance in determining an allowance for expected losses. The Company provides an allowance for these receivables based on historical experience and using credit information obtained from continued monitoring of customer accounts.

| | October 31, 2023 | January 31, 2023 |
|--|-------------------|------------------|
| | (in thousands) | |
| Trade and unbilled receivables from contracts with customers | | |
| Trade receivables due from customers | \$ 60,385 | \$ 47,298 |
| Unbilled receivables | 32,985 | 19,764 |
| Less allowance for expected credit losses | 3,515 | 3,080 |
| | <u>89,855</u> | <u>63,982</u> |
| Short-term receivables due from finance companies | 22,513 | 11,212 |
| Trade and unbilled receivables from rental contracts | | |
| Trade receivables | 3,614 | 3,629 |
| Unbilled receivables | 1,060 | 776 |
| Less allowance for expected credit losses | 399 | 360 |
| | <u>4,275</u> | <u>4,045</u> |
| Other receivables | | |
| Due from manufacturers | 11,781 | 15,007 |
| Other | 975 | 1,598 |
| | <u>12,756</u> | <u>16,605</u> |
| Receivables, net of allowance for expected credit losses | <u>\$ 129,399</u> | <u>\$ 95,844</u> |

Following is a summary of allowance for credit losses on trade and unbilled accounts receivable by segment:

| | Agriculture | Construction | Europe | Total |
|--|----------------|---------------|-----------------|-----------------|
| | (in thousands) | | | |
| Balance at January 31, 2023 | \$ 367 | \$ 124 | \$ 2,589 | \$ 3,080 |
| Current expected credit loss provision | 64 | 155 | 495 | 714 |
| Write-offs charged against allowance | 191 | 95 | 56 | 342 |
| Credit loss recoveries collected | 15 | 7 | 52 | 74 |
| Foreign exchange impact | — | — | (11) | (11) |
| Balance at October 31, 2023 | <u>\$ 255</u> | <u>\$ 191</u> | <u>\$ 3,069</u> | <u>\$ 3,515</u> |
| | Agriculture | Construction | Europe | Total |
| | (in thousands) | | | |
| Balance at January 31, 2022 | \$ 244 | \$ 193 | \$ 1,542 | \$ 1,979 |
| Current expected credit loss provision | 47 | 74 | 1,036 | 1,157 |
| Write-offs charged against allowance | 41 | 147 | 148 | 336 |
| Credit loss recoveries collected | 24 | 9 | — | 33 |
| Acquisition | 94 | — | — | 94 |
| Foreign exchange impact | — | — | (113) | (113) |
| Balance at October 31, 2022 | <u>\$ 368</u> | <u>\$ 129</u> | <u>\$ 2,317</u> | <u>\$ 2,814</u> |

| The following table presents impairment losses on receivables arising from sales contracts with customers and receivables arising from rental contracts reflected in Operating Expenses in the Condensed Consolidated Statements of Operations: | | | | |
|---|--------------------------------|---------------|-------------------------------|-----------------|
| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
| | 2023 | 2022 | 2023 | 2022 |
| (in thousands) | | | | |
| Impairment losses on: | | | | |
| Receivables from sales contracts | \$ 362 | \$ 197 | \$ 714 | \$ 1,196 |
| Receivables from rental contracts | 19 | 49 | 141 | 81 |
| | <u>\$ 381</u> | <u>\$ 246</u> | <u>\$ 855</u> | <u>\$ 1,277</u> |

NOTE 5 - INVENTORIES

| | October 31, 2023 | January 31, 2023 |
|-----------------------|---------------------|-------------------|
| | (in thousands) | |
| New equipment | \$ 675,547 | \$ 369,828 |
| Used equipment | 216,947 | 164,761 |
| Parts and attachments | 171,586 | 164,553 |
| Work in process | 7,008 | 4,797 |
| | <u>\$ 1,071,088</u> | <u>\$ 703,939</u> |

NOTE 6 - PROPERTY AND EQUIPMENT

| | October 31, 2023 | January 31, 2023 |
|---|-------------------|-------------------|
| | (in thousands) | |
| Rental fleet equipment | \$ 77,231 | \$ 75,386 |
| Machinery and equipment | 31,601 | 27,220 |
| Vehicles | 89,870 | 80,122 |
| Furniture and fixtures | 57,062 | 53,937 |
| Land, buildings, and leasehold improvements | 185,991 | 140,773 |
| | <u>441,755</u> | <u>377,438</u> |
| Less accumulated depreciation | <u>174,600</u> | <u>159,656</u> |
| | <u>\$ 267,155</u> | <u>\$ 217,782</u> |

The Company includes depreciation expense related to its rental fleet and its trucking fleet, for hauling equipment, in Cost of Revenue, which was \$2.5 million and \$2.6 million for the three months ended October 31, 2023 and 2022, respectively, and \$6.5 million and \$6.0 million for the nine months ended October 31, 2023 and 2022, respectively. All other depreciation expense is included in Operating Expenses, which was \$5.3 million and \$4.2 million for the three months ended October 31, 2023 and 2022, respectively, and \$15.3 million and \$11.3 million for the nine months ended October 31, 2023 and 2022, respectively.

The Company reviews its long-lived assets for potential impairment whenever events or circumstances indicate that the carrying value of the long-lived asset (or asset group) may not be recoverable. Due to the results of the analyses, the Company concluded no impairments were necessary, thus no impairment was recognized for the three and nine months ended October 31, 2023 and 2022.

NOTE 7 - INTANGIBLE ASSETS AND GOODWILL

Finite-Lived Intangible Assets

The Company's finite-lived intangible assets consist of customer relationships and covenants not to compete. The following is a summary of intangible assets with finite lives as of October 31, 2023 and January 31, 2023:

| | October 31, 2023 | | | January 31, 2023 | | |
|--------------------------|------------------|--------------------------|-----------------|------------------|--------------------------|-----------------|
| | Cost | Accumulated Amortization | Net | Cost | Accumulated Amortization | Net |
| | (in thousands) | | | (in thousands) | | |
| Customer relationships | \$ 538 | \$ (261) | \$ 277 | \$ 538 | \$ (180) | \$ 358 |
| Covenants not to compete | 1,131 | (392) | 739 | 1,025 | (222) | 803 |
| | <u>\$ 1,669</u> | <u>\$ (653)</u> | <u>\$ 1,016</u> | <u>\$ 1,563</u> | <u>\$ (402)</u> | <u>\$ 1,161</u> |

Future amortization expense, as of October 31, 2023, is expected to be as follows:

Fiscal Year Ended January 31,

| | Amount |
|------------------|-----------------|
| | (in thousands) |
| 2024 (remainder) | \$ 86 |
| 2025 | 325 |
| 2026 | 282 |
| 2027 | 232 |
| 2028 | 91 |
| Thereafter | — |
| | <u>\$ 1,016</u> |

Indefinite-Lived Intangible Assets

The Company's indefinite-lived intangible assets consist of distribution rights assets. The following is a summary of the changes in indefinite-lived intangible assets, by segment, for the nine months ended October 31, 2023:

| | Agriculture | Construction | Total |
|------------------|------------------|--------------|------------------|
| | (in thousands) | | |
| January 31, 2023 | \$ 17,178 | \$ 72 | \$ 17,250 |
| October 31, 2023 | <u>\$ 17,178</u> | <u>\$ 72</u> | <u>\$ 17,250</u> |

Goodwill

The following presents changes in the carrying amount of goodwill, by segment, for the nine months ended October 31, 2023:

| | Agriculture | Europe | Total |
|------------------------------------|------------------|---------------|------------------|
| | (in thousands) | | |
| January 31, 2023 | \$ 30,622 | \$ — | \$ 30,622 |
| Arising from business combinations | 69 | 471 | 540 |
| Foreign currency translation | — | (18) | (18) |
| October 31, 2023 | <u>\$ 30,691</u> | <u>\$ 453</u> | <u>\$ 31,144</u> |

NOTE 8 - FLOORPLAN PAYABLE/LINES OF CREDIT

As of October 31, 2023, the Company had floorplan and working capital lines of credit totaling \$923.0 million, which is primarily comprised of three floorplan lines of credit: (i) a \$500.0 million credit facility with CNH Industrial (amended as of December 6, 2023, to increase the total available domestic limit to \$640 million, which includes \$590 million for floorplan financing and a \$50 million revolver for working capital, and an overall global limit to \$875 million), (ii) a \$250.0 million floorplan line of credit and a \$75 million working capital line of credit under the Third Amended and Restated Credit Agreement (the "Bank Syndicate Agreement"), and (iii) a \$50.0 million credit facility with DLL Finance LLC.

The Company's outstanding balances of floorplan lines of credit as of October 31, 2023 and January 31, 2023, consisted of the following:

| | October 31, 2023 | January 31, 2023 |
|---|-------------------|-------------------|
| | (in thousands) | |
| CNH Industrial | \$ 421,305 | \$ 177,337 |
| Bank Syndicate Agreement Floorplan Loan | 152,410 | 35,550 |
| DLL Finance | 38,110 | 9,914 |
| Other outstanding balances with manufacturers and non-manufacturers | 93,785 | 35,571 |
| | <u>\$ 705,610</u> | <u>\$ 258,372</u> |

As of October 31, 2023, the interest-bearing U.S. floorplan payables carried a variable interest rate with a range of 7.18% to 8.37% compared to a range of 5.94% to 10.25% as of January 31, 2023. As of October 31, 2023, foreign floorplan payables carried a variable interest rate with a range of 5.51% to 6.38%, compared to a range of 4.16% to 4.96% as of January 31, 2023, on multiple lines of credit. The Company had non-interest-bearing floorplan payables of \$399.7 million and \$213.0 million, as of October 31, 2023 and January 31, 2023, respectively.

On September 1, 2023, the Company entered into Amendment No. 3 ("Amendment No. 3") to the Bank Syndicate Agreement. Among other items, Amendment No. 3 (i) increased the Bank Syndicate Agreement lenders' aggregate floorplan loan commitments under the Bank Syndicate Agreement from \$185.0 million to \$250.0 million and the Bank Syndicate Agreement lenders' aggregate revolving loan commitments under the Bank Syndicate Agreement from \$65.0 million to \$75.0 million and (ii) amended the terms of the Bank Syndicate Agreement to permit the Company's acquisition of O'Connors.

NOTE 9 - LONG TERM DEBT

The following is a summary of the Company's long-term debt as of October 31, 2023 and January 31, 2023:

| Description | Maturity Dates | Interest Rates | October 31, 2023 | January 31, 2023 |
|--------------------------------------|--------------------------------|----------------|------------------|------------------|
| | | | (in thousands) | |
| Mortgage loans, secured | Various through May 2039 | 2.1% to 7.3% | \$ 70,221 | \$ 68,689 |
| Sale-leaseback financing obligations | Various through December 2030 | 3.4% to 10.3% | 10,353 | 11,252 |
| Vehicle loans, secured | Various through September 2029 | 2.1% to 6.8% | 14,012 | 12,659 |
| Other | Various through July 2039 | 3.6% | 4,591 | 4,591 |
| Total debt | | | 99,177 | 97,191 |
| Less: current maturities | | | 11,586 | 7,241 |
| Long-term debt, net | | | <u>\$ 87,591</u> | <u>\$ 89,950</u> |

NOTE 10 - DERIVATIVE INSTRUMENTS

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

From time to time, 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 Company's foreign currency forward contracts generally have three-month maturities, maturing on the last day of each fiscal quarter. The notional value of outstanding foreign currency contracts as of October 31, 2023 was \$4.0 million. There were no outstanding foreign currency contracts as of January 31, 2023.

As of October 31, 2023 and January 31, 2023, 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 condensed consolidated balance sheets, and derivative instruments recognized as liabilities are recorded in accrued expenses and other in the condensed consolidated balance sheets.

The following table sets forth the gains and losses recognized in income from the Company's derivative instruments for the three and nine months ended October 31, 2023 and 2022. Gains and losses are recognized in Interest and other income (expense) in the condensed consolidated statements of operations:

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|---------------------------------------|--------------------------------|----------|-------------------------------|----------|
| | 2023 | 2022 | 2023 | 2022 |
| | (in thousands) | | | |
| Foreign currency contract gain (loss) | \$ (1,006) | \$ 1,058 | \$ (1,104) | \$ 1,058 |

NOTE 11 - ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following is a summary of the changes in accumulated other comprehensive income (loss), by component, for the nine month periods ended October 31, 2023 and 2022:

| | Foreign Currency Translation Adjustment | Net Investment Hedging Gain | Total Accumulated Other Comprehensive Income (Loss) |
|-----------------------------------|---|--------------------------------|--|
| | (in thousands) | | |
| Balance, January 31, 2023 | \$ (7,730) | \$ 2,711 | \$ (5,019) |
| Other comprehensive income (loss) | 1,096 | — | 1,096 |
| Balance, April 30, 2023 | (6,634) | 2,711 | (3,923) |
| Other comprehensive income (loss) | 550 | — | 550 |
| Balance, July 31, 2023 | (6,084) | 2,711 | (3,373) |
| Other comprehensive income (loss) | (1,938) | — | (1,938) |
| Balance, October 31, 2023 | <u>\$ (8,022)</u> | <u>\$ 2,711</u> | <u>\$ (5,311)</u> |

| | Foreign Currency Translation Adjustment | Net Investment Hedging Gain | Total Accumulated Other Comprehensive Income (Loss) |
|-----------------------------------|---|--------------------------------|--|
| | (in thousands) | | |
| Balance, January 31, 2022 | \$ (4,883) | \$ 2,711 | \$ (2,172) |
| Other comprehensive income (loss) | (1,191) | — | (1,191) |
| Balance, April 30, 2022 | (6,074) | 2,711 | (3,363) |
| Other comprehensive income (loss) | (2,963) | — | (2,963) |
| Balance, July 31, 2022 | (9,037) | 2,711 | (6,326) |
| Other comprehensive income (loss) | (5,132) | — | (5,132) |
| Balance, October 31, 2022 | <u>\$ (14,169)</u> | <u>\$ 2,711</u> | <u>\$ (11,458)</u> |

NOTE 12 - LEASES

As Lessor

Revenue generated from leasing activities is disclosed, by segment, in Note 3 - Revenue. The following is the balance of our dedicated rental fleet assets, included in Property and equipment, net of accumulated depreciation in the condensed consolidated balance sheet, of our Construction segment as of October 31, 2023 and January 31, 2023:

| | October 31, 2023 | January 31, 2023 |
|-------------------------------|------------------|------------------|
| | (in thousands) | |
| Rental fleet equipment | \$ 77,231 | \$ 75,386 |
| Less accumulated depreciation | (28,969) | (26,959) |
| | <u>\$ 48,262</u> | <u>\$ 48,427</u> |

NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS

As of October 31, 2023, 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, which is an income approach, utilizing readily observable market data as inputs, which is classified as a Level 2 fair value measurement.

The Company also has financial instruments that are not recorded at fair value in the consolidated balance sheets, including cash, receivables, payables and long-term debt. The carrying amounts of these financial instruments approximated their fair values as of October 31, 2023 and January 31, 2023. The fair value of these financial instruments was estimated based on Level 2 fair value inputs. The estimated fair value of the Company's Level 2 long-term debt, which is provided for disclosure purposes only, is as follows:

| | October 31, 2023 | January 31, 2023 |
|-----------------|------------------|------------------|
| | (in thousands) | |
| Carrying amount | \$ 84,233 | \$ 81,349 |
| Fair value | \$ 73,487 | \$ 70,434 |

NOTE 14 - INCOME TAXES

Our effective tax rate was 25.4% and 24.5% for each of the three months ended October 31, 2023 and 2022, respectively, and was 24.7% and 24.8% for the nine months ended October 31, 2023 and 2022, respectively. The effective tax rate for the three and nine months ended October 31, 2023 and 2022 were subject to various other factors such as the impact of certain discrete items, mainly the vesting of share-based compensation, the mix of domestic and foreign income, and the change of valuation allowances in certain foreign jurisdictions.

NOTE 15 - BUSINESS COMBINATIONS

Fiscal 2024

On June 1, 2023, the Company acquired certain assets of Midwest Truck Parts Inc. ("Midwest Truck"). The acquired business consists of one location in Dawson, Minnesota. This location is included in the Company's Agriculture segment. The total consideration transferred for the acquired business was \$4.0 million paid in cash, which includes the purchase of the real estate.

On May 1, 2023, the Company, through its German subsidiary, Titan Machinery Deutschland GmbH, acquired certain assets of MAREP GmbH ("MAREP") related to its full-service agriculture dealership business located in Mühlengiez and Radelübbe, Germany. Our acquisition of these assets from MAREP further expands our presence in the German market. The total consideration transferred for the acquired business was \$4.4 million paid in cash, which includes the real estate of the Mühlengiez location. These locations are included in the Company's Europe segment.

On February 1, 2023, the Company acquired certain assets of Pioneer Farm Equipment Co., ("Pioneer Farm Equipment"). The acquired business consists of five agriculture equipment stores in American Falls, Blackfoot, Idaho Falls, Rexburg, and Rupert, Idaho. These locations are included in the Company's Agriculture segment. The total consideration transferred for the acquired business was \$19.5 million paid in cash, which includes \$9.4 million for the purchase of the real estate.

In connection with the acquisition of Pioneer Farm Equipment, the Company acquired from CNH Industrial and certain other manufacturers equipment and parts inventory previously owned by Pioneer Farm Equipment Co. Upon acquiring these inventories, the Company was offered floorplan financing by the manufacturer. In total, the Company acquired inventory and recognized a corresponding liability of \$12.7 million. The recognition of these inventories and associated financing liabilities are not included as part of the accounting for the business combination.

Fiscal 2023

On August 1, 2022, the Company acquired all outstanding equity interests of three entities, Heartland Agriculture, LLC, Heartland Solutions, LLC, and Heartland Leveraged Lender, LLC, (collectively referred to as "Heartland Companies") for \$94.4 million in cash consideration. The Heartland Companies consist of 12 CaseIH commercial application agriculture locations in the states of Idaho, Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, North Dakota, South Dakota, Washington, and Wisconsin. The Heartland Companies have been a successful CaseIH commercial application dealer group and our acquisition of these entities provides the Company the opportunity for synergies due to the overlap of our footprints, as it allow us to package deals that include both commercial application equipment as well as other agricultural and construction equipment to commercial customers within our core footprint. These locations are included in the Company's Agriculture segment. In the most recently completed fiscal year prior to the acquisition, the Heartland Companies generated revenue of approximately \$214 million. The Company incurred \$1.1 million in acquisition-related expenses in connection with this acquisition, which are included in operating expenses in the condensed consolidated statement of operations.

On April 1, 2022, the Company acquired certain assets of Mark's Machinery, Inc. The acquired business consisted of two agricultural equipment stores in Wagner and Yankton, South Dakota. These locations are included in the Company's Agriculture segment. The total cash consideration transferred for the acquired business was \$7.7 million.

In connection with the acquisition of Mark's Machinery, Inc, the Company acquired from CNH Industrial and certain other manufacturers equipment and parts inventory previously owned by Mark's Machinery, Inc. Upon acquiring these inventories, the Company was offered floorplan financing by the respective manufacturers. In total, the Company acquired inventory and recognized a corresponding financing liability of \$3.2 million. The recognition of these inventories and the associated financing liabilities are not included as part of the accounting for the business combination.

Purchase Price Allocation

Each of the above acquisitions have 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 purchase price allocation for all business combinations completed in fiscal year 2023 and the nine months ended October 31, 2023. The purchase price allocation for the O'Connors acquisition, which is still preliminary, is not included in these numbers as the acquisition will be accounted for based on a calendar year end and will be reflected in the fourth quarter fiscal 2024 financials, refer to Note 18 - Subsequent Event for further details. The following table presents the purchase price allocations for all acquisitions completed during the fiscal year ended January 31, 2023 and the nine months ended October 31, 2023:

| | October 31, 2023 | | January 31, 2023 | |
|---|------------------|--------|------------------|---------|
| | (in thousands) | | | |
| Assets acquired: | | | | |
| Cash | \$ | 4 | \$ | 1,584 |
| Receivables | | 885 | | 9,485 |
| Inventories | | 11,237 | | 106,890 |
| Prepaid expenses and other | | — | | 668 |
| Property and equipment | | 16,659 | | 24,292 |
| Operating lease assets | | 148 | | 3,928 |
| Intangible assets | | — | | 8,017 |
| Goodwill | | 540 | | 21,670 |
| Other | | 110 | | — |
| | | 29,583 | | 176,534 |
| Liabilities assumed: | | | | |
| Accounts payable | | — | | 18,547 |
| Floorplan payable | | — | | 31,699 |
| Current operating lease liabilities | | 58 | | 541 |
| Deferred revenue | | 1,499 | | 7,039 |
| Accrued expenses and other | | — | | 3,523 |
| Long-term debt | | — | | 4,591 |
| Operating lease liabilities | | 91 | | 3,387 |
| Other long-term liabilities | | — | | 5,152 |
| | | 1,648 | | 74,479 |
| Net assets acquired | \$ | 27,935 | \$ | 102,055 |
| Goodwill recognized by segment: | | | | |
| Agriculture | \$ | 69 | \$ | 21,670 |
| Europe | \$ | 471 | \$ | — |
| Goodwill expected to be deductible for tax purposes | \$ | 540 | \$ | 21,670 |

The recognition of goodwill in the above business combinations arose from the acquisition of an assembled workforce and anticipated synergies expected to be realized. For the business combinations completed during the nine months ended October 31, 2023, the Company recognized a non-competition intangible asset of \$0.1 million in its Europe segment, which will be amortized over a three year period. For the business combinations completed during the fiscal year ended January 31, 2023, the Company recognized a non-competition intangible asset of \$0.8 million and a customer relationship intangible asset of \$0.2 million. The distribution rights assets are indefinite-lived intangible assets not subject to amortization. The Company estimated the fair value of the intangible assets using a multi-period excess earnings model, which is an income approach. Acquisition related costs for the three and nine month period ended October 31, 2023 amounted to \$0.6 million and \$1.1 million, respectively, primarily related to the O'Connors acquisition, refer to Note 18 - Subsequent Event for additional details. Acquisition related costs amounted to \$1.1 million during the fiscal year ended January 31, 2023. All acquisition-related costs have been expensed as incurred and recognized as operating expenses in the condensed consolidated statements of operations.

NOTE 16 - CONTINGENCIES

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 its financial position, results of operations or cash flows. These matters, however, are subject to many uncertainties, and the outcome of any matter is not predictable.

NOTE 17 - SEGMENT INFORMATION

The Company has three reportable segments: Agriculture, Construction and Europe. Starting in the fourth quarter of fiscal 2024, our fourth segment will be Australia, see Note 1 - Business Activity and Significant Accounting Policies for further details. 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 October 31, | | Nine Months Ended October 31, | |
|--|---------------------------------------|-------------------|--------------------------------------|-------------------------|
| | 2023 | 2022 | 2023 | 2022 |
| | (in thousands) | | (in thousands) | |
| Revenue | | | | |
| Agriculture | \$ 531,404 | \$ 493,324 | \$ 1,423,669 | \$ 1,160,829 |
| Construction | 77,508 | 86,403 | 232,368 | 223,389 |
| Europe | 85,203 | 89,046 | 250,275 | 242,105 |
| Total | \$ 694,115 | \$ 668,773 | \$ 1,906,312 | \$ 1,626,323 |
| Income (Loss) Before Income Taxes | | | | |
| Agriculture | \$ 35,130 | \$ 42,044 | \$ 92,311 | \$ 83,387 |
| Construction | 4,057 | 6,065 | 13,746 | 13,197 |
| Europe | 5,146 | 8,488 | 17,097 | 18,683 |
| Segment income before income taxes | 44,333 | 56,597 | 123,154 | 115,267 |
| Shared Resources | (3,881) | (1,919) | (5,671) | (3,855) |
| Total | \$ 40,452 | \$ 54,678 | \$ 117,483 | \$ 111,412 |
| | | | | |
| | | | October 31, 2023 | January 31, 2023 |
| | | | (in thousands) | |
| Total Assets | | | | |
| Agriculture | | | \$ 1,069,180 | \$ 788,265 |
| Construction | | | 239,516 | 187,739 |
| Europe | | | 322,559 | 170,647 |
| Segment assets | | | 1,631,255 | 1,146,651 |
| Shared Resources | | | 18,483 | 42,044 |
| Total | | | \$ 1,649,738 | \$ 1,188,695 |

NOTE 18 - SUBSEQUENT EVENTS

On October 2, 2023, the Company, through a newly organized, wholly-owned Australian subsidiary, Titan Machinery Holdings Australia Pty Ltd., ("Titan Australia") acquired all outstanding equity interests of O'Connors, for cash consideration of \$62 million net of cash acquired. O'Connors consists of 15 CaseIH dealership locations and one parts center in the states of New South Wales, South Australia, and Victoria in Southeastern Australia. Founded in 1964, O'Connors has been a successful CaseIH complex, and our acquisition of O'Connors provides the Company the opportunity to expand our international presence into the large, well-established Australian market.

Each of the Company's foreign subsidiaries has fiscal quarters and a fiscal year-end that align with the calendar quarterly periods and year-end. Titan Australia also maintains fiscal quarters and a fiscal year-end that aligns with 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, the October 2, 2023 foreign acquisition of O'Connors is a fourth quarter of fiscal 2024 transaction, and therefore no amounts were recognized in the consolidated financial statements of the Company for the quarter ended October 31, 2023.

The acquisition of O'Connors 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 \$48.5 million of intangible assets. The Company is in the process of completing an intangible asset valuation and is expected to have goodwill, distribution rights, and customer relationships as the primarily intangible assets. The valuation is expected to be completed by January 31, 2024. The entire goodwill amount will be assigned to the Australia segment and is not expected to be deductible for income tax purposes. All acquisition-related costs, which amounted to \$1.1 million during the nine months ended October 31, 2023, have been expensed as incurred and recognized as operating expenses in the condensed consolidated statement of operations.

Due to the limited time since the acquisition of O'Connors, 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, 2024. The preliminary allocation of the purchase price to assets acquired and liabilities assumed is as follows:

(in thousands)

| | |
|---|------------------|
| Assets acquired: | |
| Cash | \$ 4,333 |
| Receivables | 5,741 |
| Inventories | 97,832 |
| Prepaid expenses and other | 296 |
| Property and equipment | 11,063 |
| Operating lease assets | 14,496 |
| Intangible assets | 48,520 |
| Other assets | 7 |
| | \$ 182,288 |
| Liabilities assumed: | |
| Accounts payable | \$ 4,191 |
| Floorplan payable | 74,843 |
| Current maturities of long-term debt | 294 |
| Current operating lease liabilities | 1,039 |
| Deferred revenue | 12,066 |
| Accrued expenses and other | 7,204 |
| Long-term debt, less current maturities | 2,077 |
| Operating lease liabilities | 13,457 |
| Deferred income taxes | 965 |
| | \$ 116,136 |
| Net assets acquired | \$ 66,152 |

Pro Forma Information

The following summarized unaudited pro forma condensed statement of operations information for the three and nine months ended October 31, 2023 and 2022, assumes that the Heartland Companies and O'Connors acquisitions occurred as of February 1, 2022. The Company prepared the following summarized unaudited pro forma condensed statement of operations information for comparative purposes only. The summarized unaudited pro forma condensed statement of operations information may not be indicative of the results that would have occurred had the Company completed the acquisitions as of February 1, 2022 or that will be attained in the future.

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|----------------|--------------------------------|------------|-------------------------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| | (in thousands) | | | |
| Total Revenues | \$ 757,223 | \$ 724,416 | \$ 2,098,124 | \$ 1,959,048 |
| Net Income | \$ 34,027 | \$ 44,390 | \$ 99,302 | \$ 100,913 |

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 condensed 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, 2023.

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 CaseIH Agriculture equipment in the world, one of the largest retail dealers of Case Construction equipment in North America and one of the largest retail dealers of New Holland Agriculture and New Holland Construction equipment in the United States. We operate our business through three reportable segments: Agriculture, Construction and Europe, formerly International. Starting in the fourth quarter fiscal 2024, our fourth segment will be Australia, see Note 1 - Business Activity and Significant Accounting Policies for further details. Within each segment, we have four principal sources of revenue: new and used equipment sales, parts sales, service, and equipment rental and other activities.

Demand for agricultural equipment and, to a lesser extent, parts and service support, is impacted by agricultural commodity prices and net farm income. Based on August 2023 U.S. Department of Agriculture publications, the estimate of net farm income for calendar year 2023 indicated an approximate 22.8% decrease as compared to calendar year 2022, and an approximate 30.7% increase in net farm income for calendar year 2022 as compared to calendar year 2021.

For the third quarter of fiscal 2024, our net income was \$30.2 million, or \$1.32 per diluted share, compared to a fiscal 2023 third quarter net income of \$41.3 million, or \$1.82 per diluted share. Significant factors impacting the quarterly comparisons were:

- Revenue in the third quarter of fiscal 2024 increased by 3.8% compared to the third quarter of fiscal 2023. The revenue increase was led by additional revenue resulting from the acquisition of Pioneer Farm Equipment, in February 2023. Same-store sales remained stable, on top of the record performance from prior year which saw same-store growth of 34%.
- Gross profit margin decreased to 19.9% for third quarter of fiscal 2024, as compared to 20.9% for the third quarter of fiscal 2023. The decrease in gross profit margin is primarily the result of a partial normalization of equipment gross profit margin as supply of many product categories has caught up with demand. Another factor is the prior year equipment gross profit benefited from the recognition of a \$2.0 million accrual on the expected achievement of annual manufacturer incentive programs, which is not included in the results for the third quarter of fiscal 2024.
- Floorplan interest expense increased by \$3.5 million in the third quarter of fiscal 2024 as compared to the same period in fiscal 2023, due to an increase in interest bearing inventory and higher interest rates.

Supply Chain

While we continue to experience less than desired shipments of certain product categories, primarily high-horsepower tractors, self-propelled sprayers and wheel loaders, for most other product categories we have been able to receive enough inventory to meet demand and also have stock available for sale.

Russian-Ukrainian Conflict

In February 2022, Russian military forces invaded Ukraine, and although the length, impact, and outcome of the ongoing conflict in Ukraine is highly unpredictable, this conflict has led, and could continue to lead, to significant market and other disruptions, including instability in financial markets, supply chain interruptions, political and social instability, and increases in cyberattacks. We are actively monitoring the situation in Ukraine and assessing its impact on our business. For the nine months ended October 31, 2023, Titan Machinery Ukraine's revenues are down approximately 10.3% from the prior year period.

As of October 31, 2023, the Company had total assets of \$32.3 million in Ukraine. The physical assets (e.g. inventory and fixed assets) are almost exclusively located in central and western areas of the country. Total assets in Ukraine, as of January 31, 2023, were \$27.4 million.

If the Company cannot provide efficient and uninterrupted services to its customers, this could worsen the conflict's adverse effect on the Company's operations and business in Ukraine. In addition, the Company's ability to maintain adequate liquidity for our operations in Ukraine is dependent on a number of factors, including Titan Machinery Ukraine's revenue and earnings, which have been and could continue to be significantly impacted by the conflict. Further, any major breakdown or closure of utility services, any major threat to civilians in our footprint, disruption of commodity exports from Ukraine, or international banking disruption could materially impact the operations and liquidity of Titan Machinery Ukraine.

Acquisitions

Fiscal 2024

On August 29, 2023, the Company entered into a definitive purchase agreement to acquire J.J. O'Connor & Sons Pty. Ltd. ("O'Connors"), which operates 15 CaseIH dealership locations and one parts center in the states of New South Wales, South Australia, and Victoria in Southeastern Australia. In its most recently completed fiscal year ended June 30, 2023, O'Connors generated revenue of approximately \$258 million. The Company closed on the acquisition on October 2, 2023, see Note 18 - Subsequent Event for further details. The consideration paid is approximately \$62 million, subject to final working capital and other purchase price closing adjustments. The acquisition will be accounted for in accordance with Accounting Standards Codification ("ASC") Topic 805, "Business Combinations". The Company funded the acquisition with cash on hand and using the proceeds of additional indebtedness incurred under the floorplan and working capital loans of the Bank Syndicate Agreement.

On June 1, 2023, the Company acquired certain assets of Midwest Truck. The acquired business consists of one location in Dawson, Minnesota. This location is included in the Company's Agriculture segment. The total consideration transferred for the acquired business was \$4.0 million paid in cash, which includes the purchase of the real estate.

On May 1, 2023, the Company, through its German Subsidiary, Titan Machinery Deutschland GmbH, acquired certain assets of MAREP related to its full-service agriculture dealership businesses located in Mühlengiez and Radelübbe, Germany. Our acquisition of these assets from MAREP further expands our presence in the German market. The total consideration transferred for the acquired business was \$4.4 million paid in cash, which includes the real estate of the Mühlengiez location. These locations are included in the Company's Europe segment.

On February 1, 2023, the Company acquired certain assets of Pioneer Farm Equipment. The acquired business consists of five agriculture equipment stores in American Falls, Blackfoot, Idaho Falls, Rexburg, and Rupert, Idaho. These locations are included in the Company's Agriculture segment. The total consideration transferred for the acquired business was \$19.5 million paid in cash, which includes \$9.4 million for the purchase of the real estate.

In connection with the acquisition, the Company acquired from CNH Industrial and certain other manufacturers equipment and parts inventory previously owned by Pioneer Farm Equipment. Upon acquiring these inventories, the Company was offered floorplan financing by the manufacturer. In total, the Company acquired inventory and recognized a corresponding liability of \$12.7 million. The recognition of these inventories and associated financing liabilities are not included as part of the accounting for the business combination.

Fiscal 2023

On August 1, 2022, the Company acquired all outstanding equity interests of three entities, Heartland Agriculture, LLC, Heartland Solutions, LLC, and Heartland Leveraged Lender, LLC, (collectively referred to as "Heartland Companies") for \$94.4 million in cash consideration. The Heartland Companies consist of twelve CaseIH commercial application agriculture locations, in Idaho, Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, North Dakota, South Dakota, Washington, and Wisconsin. The Heartland Companies have been a successful CaseIH commercial application dealer group and our acquisition of these entities provides the Company the opportunity for synergies due to the overlap of our footprints, as it allow us to package deals that include both commercial application equipment as well as other agricultural and construction equipment to commercial customers within our core footprint. The Heartland Companies are included in the Agriculture segment. In the most recent completed fiscal year prior to the acquisition, the Heartland Companies generated revenue of approximately \$214 million.

On April 1, 2022, the Company acquired certain assets of Mark's Machinery, Inc. The acquired business consisted of two agricultural equipment stores in Wagner and Yankton, South Dakota. These locations are included in the Company's Agriculture segment. In its most recent fiscal year prior to the acquisition, Mark's Machinery, Inc. generated revenue of approximately \$34.0 million. The total cash consideration paid for the acquired business was \$7.7 million.

ERP Transition

The Company is in the process of converting to a new Enterprise Resource Planning ("ERP") application. The new ERP application is expected to provide data-driven and mobile-enabled sales and support tools to improve employee efficiency and deliver an enhanced customer experience. The Company has implemented a phased roll-out plan to integrate all of its domestic stores to the new ERP. We will continue the phased rollout until all remaining domestic locations have been transitioned to the new ERP.

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, 2023. There have been no changes in our critical accounting policies and estimates since January 31, 2023.

Results of Operations

The results presented below include the operating results of any acquisition made during these periods, from the date of acquisition, as well as the operating results of any stores closed or divested 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 the 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 period in the current and preceding fiscal years. We do not distinguish between relocated or recently 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 this Results of Operations section.

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

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|---------------------|--------------------------------|------------|-------------------------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| | (dollars in thousands) | | (dollars in thousands) | |
| Equipment | | | | |
| Revenue | \$ 521,775 | \$ 508,996 | \$ 1,431,272 | \$ 1,240,579 |
| Cost of revenue | 454,598 | 436,156 | 1,237,660 | 1,070,378 |
| Gross profit | \$ 67,177 | \$ 72,840 | \$ 193,612 | \$ 170,201 |
| Gross profit margin | 12.9 % | 14.3 % | 13.5 % | 13.7 % |
| Parts | | | | |
| Revenue | \$ 114,962 | \$ 108,719 | \$ 320,077 | \$ 254,974 |
| Cost of revenue | 78,585 | 72,146 | 216,775 | 172,162 |
| Gross profit | \$ 36,377 | \$ 36,573 | \$ 103,302 | \$ 82,812 |
| Gross profit margin | 31.6 % | 33.6 % | 32.3 % | 32.5 % |
| Service | | | | |
| Revenue | \$ 44,767 | \$ 38,960 | \$ 122,178 | \$ 101,847 |
| Cost of revenue | 14,393 | 13,456 | 41,010 | 35,288 |
| Gross profit | \$ 30,374 | \$ 25,504 | \$ 81,168 | \$ 66,559 |
| Gross profit margin | 67.8 % | 65.5 % | 66.4 % | 65.4 % |
| Rental and other | | | | |
| Revenue | \$ 12,611 | \$ 12,098 | \$ 32,785 | \$ 28,923 |
| Cost of revenue | 8,198 | 7,435 | 20,549 | 17,522 |
| Gross profit | \$ 4,413 | \$ 4,663 | \$ 12,236 | \$ 11,401 |
| Gross profit margin | 35.0 % | 38.5 % | 37.3 % | 39.4 % |

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

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|----------------------------|--------------------------------|---------|-------------------------------|---------|
| | 2023 | 2022 | 2023 | 2022 |
| Revenue | | | | |
| Equipment | 75.2 % | 76.1 % | 75.1 % | 76.2 % |
| Parts | 16.6 % | 16.3 % | 16.8 % | 15.7 % |
| Service | 6.4 % | 5.8 % | 6.4 % | 6.3 % |
| Rental and other | 1.8 % | 1.8 % | 1.7 % | 1.8 % |
| Total Revenue | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| Total Cost of Revenue | 80.1 % | 79.1 % | 79.5 % | 79.6 % |
| Gross Profit Margin | 19.9 % | 20.9 % | 20.5 % | 20.4 % |
| Operating Expenses | 13.3 % | 12.7 % | 13.8 % | 13.4 % |
| Income from Operations | 6.7 % | 8.2 % | 6.7 % | 7.0 % |
| Other Expense | (0.8)% | — % | (0.6)% | (0.1)% |
| Income Before Income Taxes | 5.8 % | 8.2 % | 6.2 % | 6.9 % |
| Provision for Income Taxes | 1.5 % | 2.0 % | 1.5 % | 1.7 % |
| Net Income | 4.3 % | 6.2 % | 4.6 % | 5.2 % |

Three Months Ended October 31, 2023 Compared to Three Months Ended October 31, 2022

Consolidated Results

Revenue

| | Three Months Ended October 31, | | Increase/ (Decrease) | Percent Change |
|------------------|--------------------------------|------------|-------------------------|-------------------|
| | 2023 | 2022 | | |
| | (dollars in thousands) | | | |
| Equipment | \$ 521,775 | \$ 508,996 | \$ 12,779 | 2.5 % |
| Parts | 114,962 | 108,719 | 6,243 | 5.7 % |
| Service | 44,767 | 38,960 | 5,807 | 14.9 % |
| Rental and other | 12,611 | 12,098 | 513 | 4.2 % |
| Total Revenue | \$ 694,115 | \$ 668,773 | \$ 25,342 | 3.8 % |

Total revenue for the third quarter of fiscal 2024 was 3.8% or \$25.3 million higher than the third quarter of fiscal 2023 driven primarily by our acquisition of Pioneer Farm Equipment completed in February 2023.

| | Three Months Ended October 31, | | Increase/ (Decrease) | Percent Change |
|----------------------------|--------------------------------|-------------------|-------------------------|-------------------|
| | 2023 | 2022 | | |
| | (dollars in thousands) | | | |
| Gross Profit | | | | |
| Equipment | \$ 67,177 | \$ 72,840 | \$ (5,663) | (7.8) % |
| Parts | 36,377 | 36,573 | (196) | (0.5) % |
| Service | 30,374 | 25,504 | 4,870 | 19.1 % |
| Rental and other | 4,413 | 4,663 | (250) | (5.4) % |
| Total Gross Profit | <u>\$ 138,341</u> | <u>\$ 139,580</u> | <u>\$ (1,239)</u> | (0.9) % |
| Gross Profit Margin | | | | |
| Equipment | 12.9 % | 14.3 % | (1.4)% | (9.8) % |
| Parts | 31.6 % | 33.6 % | (2.0)% | (6.0) % |
| Service | 67.8 % | 65.5 % | 2.3 % | 3.5 % |
| Rental and other | 35.0 % | 38.5 % | (3.5)% | (9.1) % |
| Total Gross Profit Margin | 19.9 % | 20.9 % | (1.0)% | (4.8) % |
| Gross Profit Mix | | | | |
| Equipment | 48.6 % | 52.2 % | (3.6)% | (6.9) % |
| Parts | 26.3 % | 26.2 % | 0.1 % | 0.4 % |
| Service | 22.0 % | 18.3 % | 3.7 % | 20.2 % |
| Rental and other | 3.1 % | 3.3 % | (0.2)% | (6.1) % |
| Total Gross Profit Mix | <u>100.0 %</u> | <u>100.0 %</u> | | |

Gross profit for the third quarter of fiscal 2024 decreased 0.9% or \$1.2 million, as compared to the same period last year. Gross profit margin also declined to 19.9% in the current quarter from 20.9% in the prior year quarter. The decrease in gross profit margin is primarily the result of a partial normalization of equipment gross profit margin as supply of many product categories has caught up with demand. Another factor is the prior year equipment gross profit benefited from the recognition of a \$2.0 million accrual on the expected achievement of annual manufacturer incentive programs, which is not included in the results for the third quarter of fiscal 2024.

Our Company-wide absorption rate — which is calculated by dividing our gross profit from sales of parts, service and rental fleet by our operating expenses, less commission expense on equipment sales, plus interest expense on floorplan payables and rental fleet debt — decreased to 87.4% for the third quarter of fiscal 2024 compared to 95.9% during the same period last year, led by increased floorplan interest expense in the third quarter of fiscal 2024 compared to the same period last year.

| | Three Months Ended October 31, | | Increase/ (Decrease) | Percent Change |
|---|--------------------------------|-----------|-------------------------|-------------------|
| | 2023 | 2022 | | |
| | (dollars in thousands) | | | |
| Operating Expenses | \$ 92,115 | \$ 84,861 | \$ 7,254 | 8.5 % |
| Operating Expenses as a Percentage of Revenue | 13.3 % | 12.7 % | 0.6 % | 4.7 % |

Our operating expenses in the third quarter of fiscal 2024 increased 8.5% as compared to the third quarter of fiscal 2023. The increase in operating expenses was primarily the result of the additional operating expenses due to acquisitions that have taken place in the past year as well as an increase in variable expenses associated with increased sales. Operating expenses as a percentage of revenue increased to 13.3% in the third quarter of fiscal 2024 from 12.7% in the third quarter of fiscal 2023.

| | Three Months Ended October 31, | | Increase/ (Decrease) | Percent Change |
|-------------------------------------|--------------------------------|----------|-------------------------|-------------------|
| | 2023 | 2022 | | |
| | (dollars in thousands) | | | |
| Interest and other income (expense) | \$ (235) | \$ 1,804 | \$ (2,039) | (113.0)% |
| Floorplan interest expense | (4,045) | (588) | 3,457 | 587.9 % |
| Other interest expense | (1,494) | (1,257) | 237 | 18.9 % |

The change in interest and other income (expense) compared to fiscal 2023 was primarily the result of foreign currency fluctuations in the quarter, creating foreign currency losses in fiscal 2024. The increase in floorplan interest expense for the third quarter of fiscal 2024 as compared to the third quarter of fiscal 2023 was primarily due to a higher level of interest-bearing inventory and a higher interest rate in the third quarter of fiscal 2024.

Provision for Income Taxes

| | Three Months Ended October 31, | | Increase/ (Decrease) | Percent Change |
|----------------------------|--------------------------------|-----------|-------------------------|-------------------|
| | 2023 | 2022 | | |
| | (dollars in thousands) | | | |
| Provision for Income Taxes | \$ 10,259 | \$ 13,421 | \$ (3,162) | (23.6)% |

Our effective tax rate was 25.4% and 24.5% for each of the three months ended October 31, 2023 and October 31, 2022, respectively. The effective tax rates for the three months ended October 31, 2023 and 2022 were subject to various factors such as the impact of certain discrete items, mainly the vesting of share-based compensation and the mix of domestic and foreign income.

Segment Results

Certain financial information for our Agriculture, Construction and Europe business segments is presented 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 October 31, | | Increase/ (Decrease) | Percent Change |
|------------------------------------|--------------------------------|-------------------|-------------------------|-------------------|
| | 2023 | 2022 | | |
| | (dollars in thousands) | | | |
| Revenue | | | | |
| Agriculture | \$ 531,404 | \$ 493,324 | \$ 38,080 | 7.7 % |
| Construction | 77,508 | 86,403 | (8,895) | (10.3)% |
| Europe | 85,203 | 89,046 | (3,843) | (4.3)% |
| Total | <u>\$ 694,115</u> | <u>\$ 668,773</u> | <u>\$ 25,342</u> | <u>3.8 %</u> |
| Income Before Income Taxes | | | | |
| Agriculture | \$ 35,130 | \$ 42,044 | \$ (6,914) | (16.4)% |
| Construction | 4,057 | 6,065 | (2,008) | (33.1)% |
| Europe | 5,146 | 8,488 | (3,342) | (39.4)% |
| Segment Income Before Income Taxes | 44,333 | 56,597 | (12,264) | (21.7)% |
| Shared Resources | (3,881) | (1,919) | 1,962 | 102.2 % |
| Total | <u>\$ 40,452</u> | <u>\$ 54,678</u> | <u>\$ (14,226)</u> | <u>(26.0)%</u> |

Agriculture

Agriculture segment revenue for the third quarter of fiscal 2024 increased 7.7% compared to the third quarter of fiscal 2023. The higher revenue was driven primarily by the recent acquisition of Pioneer Farm Equipment, completed in February 2023, as well as an increase in same-store sales in our Agriculture segment of 3.5% on top of last year's record performance. Same-store sales was constrained by delayed OEM deliveries and capacity constraints on our service department as we

prioritized supporting our customers through harvest which limited our ability to process and deliver pre-sold units to customers.

Agriculture segment income before income taxes for the third quarter of fiscal 2024 was \$35.1 million compared to \$42.0 million for the third quarter of fiscal 2023. The decrease in gross profit is primarily the result of a partial normalization of equipment gross profit margin as supply of many product categories has caught up with demand. Another factor is the prior year equipment gross profit benefited from the recognition of a \$2.0 million accrual on the expected achievement of annual manufacturer incentive programs, which is not included in the results for the third quarter of fiscal 2024.

Construction

Construction segment revenue for the third quarter of fiscal 2024 decreased 10.3% compared to the third quarter of fiscal 2023. The year-over-year decrease in revenue was primarily driven by the timing of equipment deliveries which shifted some revenue into the fourth quarter of this year as compared to the third and fourth quarters of the prior year.

Our Construction segment income before taxes was \$4.1 million for the third quarter of fiscal 2024 compared to \$6.1 million in the third quarter of fiscal 2023. The decrease in segment results was primarily due to a decrease in revenue. The dollar utilization, which is calculated by dividing the rental revenue earned on our rental fleet by the average gross carrying value of our rental fleet (comprised of original equipment costs plus additional capitalized costs) for that period, of our rental fleet decreased slightly from 34.3% in the third quarter of fiscal 2023 to 33.2% in the third quarter of fiscal 2024.

Europe

Europe segment revenue was \$85.2 million for the third quarter of fiscal 2024 compared to \$89.0 million in the third quarter of fiscal 2023. The decrease in revenue was impacted by a softening demand which was negatively impacted by dry conditions in the region as well as being negatively impacted by a 4.2% decrease in total revenue from our Ukrainian subsidiary due to the Russia-Ukraine conflict, compared to the third quarter of fiscal 2023.

Our Europe segment income before income taxes was \$5.1 million for the third quarter of fiscal 2024 compared to segment income before income taxes of \$8.5 million for the same period last year. The decrease in segment pre-tax income was primarily the result of increased operating expenses.

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, unallocated balances may occur. Shared Resources loss before income taxes was \$3.9 million for the third quarter of fiscal 2024 compared to a loss before income taxes of \$1.9 million for the same period last year. The lower shared resources results were primarily from increase in floorplan interest expense as well as \$0.6 million of acquisition related expenses incurred for the O'Connors acquisition.

Nine Months Ended October 31, 2023 Compared to Nine Months Ended October 31, 2022

Consolidated Results

Revenue

| | Nine Months Ended October 31, | | Increase/ (Decrease) | Percent Change |
|------------------|-------------------------------|---------------------|-------------------------|-------------------|
| | 2023 | 2022 | | |
| | (dollars in thousands) | | | |
| Equipment | \$ 1,431,272 | \$ 1,240,579 | \$ 190,693 | 15.4 % |
| Parts | 320,077 | 254,974 | 65,103 | 25.5 % |
| Service | 122,178 | 101,847 | 20,331 | 20.0 % |
| Rental and other | 32,785 | 28,923 | 3,862 | 13.4 % |
| Total Revenue | <u>\$ 1,906,312</u> | <u>\$ 1,626,323</u> | <u>\$ 279,989</u> | <u>17.2 %</u> |

Total revenue for the first nine months of fiscal 2024 was up 17.2% or \$280.0 million compared to the first nine months of fiscal 2023, driven primarily by our acquisitions of Mark's Machinery, the Heartland Companies, and Pioneer Farm Equipment completed in April 2022, August 2022, and February 2023, respectively as well as an increase in Company-wide same-store sales of 4.3%. The same-store sales increase was primarily driven by equipment sales, which benefited from improved availability of inventory in certain product categories and the sustained high demand of both agriculture and construction equipment.

Gross Profit

| | Nine Months Ended October 31, | | Increase/ (Decrease) | Percent Change |
|---------------------------|-------------------------------|-------------------|-------------------------|-------------------|
| | 2023 | 2022 | | |
| | (dollars in thousands) | | | |
| Gross Profit | | | | |
| Equipment | \$ 193,612 | \$ 170,201 | \$ 23,411 | 13.8 % |
| Parts | 103,302 | 82,812 | 20,490 | 24.7 % |
| Service | 81,168 | 66,559 | 14,609 | 21.9 % |
| Rental and other | 12,236 | 11,401 | 835 | 7.3 % |
| Total Gross Profit | <u>\$ 390,318</u> | <u>\$ 330,973</u> | <u>\$ 59,345</u> | <u>17.9 %</u> |
| Gross Profit Margin | | | | |
| Equipment | 13.5 % | 13.7 % | (0.2)% | (1.5) % |
| Parts | 32.3 % | 32.5 % | (0.2)% | (0.6) % |
| Service | 66.4 % | 65.4 % | 1.0 % | 1.5 % |
| Rental and other | 37.3 % | 39.4 % | (2.1)% | (5.3) % |
| Total Gross Profit Margin | <u>20.5 %</u> | <u>20.4 %</u> | <u>0.1 %</u> | <u>0.5 %</u> |
| Gross Profit Mix | | | | |
| Equipment | 49.6 % | 51.5 % | (1.9)% | (3.7) % |
| Parts | 26.5 % | 25.0 % | 1.5 % | 6.0 % |
| Service | 20.8 % | 20.1 % | 0.7 % | 3.5 % |
| Rental and other | <u>3.1 %</u> | <u>3.4 %</u> | <u>(0.3)%</u> | <u>(8.8) %</u> |
| Total Gross Profit Mix | <u>100.0 %</u> | <u>100.0 %</u> | | |

Gross profit increased 17.9% or \$59.3 million for the first nine months of fiscal 2024, as compared to the same period last year. Gross profit margin also improved to 20.5% in the first nine months of fiscal 2024 from 20.4% in the same period last year. The increase in gross profit margin was primarily due to gross profit mix shift, to higher margin parts sales relative to equipment sales.

Our Company-wide absorption rate for the first nine months of fiscal 2024 increased to 95.9%, as compared to 89.6% during the same period last year, as the increase in gross profit from parts, rental, and service more than offset the increase in operating expenses and interest expense on floorplan payables, during the nine-month period compared to that of the prior year nine-month period.

Operating Expenses

| | Nine Months Ended October 31, | | Increase/ (Decrease) | Percent Change |
|---|-------------------------------|------------|-------------------------|-------------------|
| | 2023 | 2022 | | |
| | (dollars in thousands) | | | |
| Operating Expenses | \$ 262,182 | \$ 217,841 | \$ 44,341 | 20.4 % |
| Operating Expenses as a Percentage of Revenue | 13.8 % | 13.4 % | 0.4 % | 3.0 % |

Our operating expenses for the first nine months of fiscal 2024 increased \$44.3 million as compared to the first nine months of fiscal 2023. The increase in operating expenses was a result of an increase in variable expenses associated with increased sales as well as acquisitions that have occurred in the last twelve months. Operating expenses as a percentage of revenue increased slightly to 13.8% in the first nine months of fiscal 2024 from 13.4% in the first nine months of fiscal 2023.

Other Income (Expense)

| | Nine Months Ended October 31, | | Increase/ (Decrease) | Percent Change |
|-------------------------------------|-------------------------------|----------|-------------------------|-------------------|
| | 2023 | 2022 | | |
| | (dollars in thousands) | | | |
| Interest and other income (expense) | \$ 1,129 | \$ 3,169 | \$ (2,040) | (64.4)% |
| Floorplan interest expense | (7,774) | (1,087) | 6,687 | 615.2 % |
| Other interest expense | (4,008) | (3,802) | 206 | 5.4 % |

The change in interest and other income (expense) compared to fiscal 2023 was primarily the result of foreign currency fluctuations in the nine months period, creating foreign currency losses in fiscal 2024. Floorplan interest expense increased \$6.7 million for the first nine months of fiscal 2024, as compared to the same period last year, primarily due to increased interest bearing borrowings, resulting from higher inventory levels, as well as a higher interest rate environment.

Provision for Income Taxes

| | Nine Months Ended October 31, | | Increase/ Decrease | Percent Change |
|----------------------------|-------------------------------|-----------|-----------------------|-------------------|
| | 2023 | 2022 | | |
| | (dollars in thousands) | | | |
| Provision for Income Taxes | \$ 29,004 | \$ 27,656 | \$ 1,348 | 4.9 % |

Our effective tax rate was 24.7% for the first nine months of fiscal 2024 and 24.8% for the same period last year. The effective tax rate for the nine months ended October 31, 2023 and 2022 was subject to variation due to factors such as the impact of certain discrete items, mainly the vesting of share-based compensation and the mix of domestic and foreign income.

Segment Results

Certain financial information for our Agriculture, Construction and Europe business segments is presented 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.

| | Nine Months Ended October 31, | | Increase/ (Decrease) | Percent Change |
|------------------------------------|-------------------------------|---------------------|-------------------------|-------------------|
| | 2023 | 2022 | | |
| | (dollars in thousands) | | | |
| Revenue | | | | |
| Agriculture | \$ 1,423,669 | \$ 1,160,829 | \$ 262,840 | 22.6 % |
| Construction | 232,368 | 223,389 | 8,979 | 4.0 % |
| Europe | 250,275 | 242,105 | 8,170 | 3.4 % |
| Total | \$ 1,906,312 | \$ 1,626,323 | \$ 279,989 | 17.2 % |
| Income Before Income Taxes | | | | |
| Agriculture | \$ 92,311 | \$ 83,387 | \$ 8,924 | 10.7 % |
| Construction | 13,746 | 13,197 | 549 | 4.2 % |
| Europe | 17,097 | 18,683 | (1,586) | (8.5) % |
| Segment Income Before Income Taxes | 123,154 | 115,267 | 7,887 | 6.8 % |
| Shared Resources | (5,671) | (3,855) | 1,816 | 47.1 % |
| Total | \$ 117,483 | \$ 111,412 | \$ 6,071 | 5.4 % |

Agriculture

Agriculture segment revenue for the first nine months of fiscal 2024 increased 22.6% compared to the same period last year. The higher revenue was driven primarily by the acquisitions of Mark's Machinery, the Heartland Companies, and Pioneer Farm Equipment in April 2022, August 2022, and February 2023, respectively, as well as an increase in same-store sales of 4.7% for the first nine months of fiscal 2024, as compared to the same period last year. The same-store sales increase was primarily driven by equipment sales, which benefited from improved availability of inventory in certain product categories and the sustained high demand for new and used equipment.

Agriculture segment income before income taxes was \$92.3 million for the first nine months of fiscal 2024 compared to \$83.4 million over the first nine months of fiscal 2023. The improvement in segment results was primarily the result of higher equipment revenue.

Construction

Construction segment revenue for the first nine months of fiscal 2024 increased 4.0% compared to the same period last year. When accounting for the divestitures of the North Dakota consumer products store in March 2022, same-store sales increased 4.8%. Construction activity in our footprint sustained at healthy levels, which was the primary factor in the same-store sales growth.

Our Construction segment income before income taxes was \$13.7 million for the first nine months of fiscal 2024 compared to \$13.2 million for the first nine months of fiscal 2023. The increase in segment results was primarily due to an increase in same-store sales, as described above. The dollar utilization of our rental fleet decreased from 30.7% in the first nine months of fiscal 2023 to 30.1% in the first nine months of fiscal 2024.

Europe

Europe segment revenue for the first nine months of fiscal 2024 increased 3.4% compared to the same period last year. The increase in segment revenues benefited from improved availability of inventory in certain product categories and the sustained high demand of equipment in the first nine months of fiscal 2024, which more than offset a 10.3% decrease in revenues from our Ukrainian subsidiary due to the Russia-Ukraine conflict compared to the first nine months of fiscal 2023.

Our Europe segment income before income taxes was \$17.1 million for the first nine months of fiscal 2024 compared to \$18.7 million for the same period last year. The decrease in segment pre-tax income was primarily the result of increased operating expenses.

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 \$5.7 million for the first nine months of fiscal 2024, which included \$1.1 million of acquisition related expenses incurred for the O'Connors acquisition, compared to a loss before income taxes of \$3.9 million for the same period last year.

Liquidity and Capital Resources

Sources of Liquidity

Our primary sources of liquidity are cash reserves, cash generated from operations, and borrowings under our floorplan 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 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 on Form 10-K.

Equipment Inventory and Floorplan and Working Capital Payable Credit Facilities

As of October 31, 2023, the Company had floorplan payable lines of credit for equipment purchases totaling \$923.0 million, which is primarily comprised of a \$500.0 million credit facility with CNH Industrial, a \$250.0 million floorplan payable line and a \$75.0 million working capital line of credit under the Bank Syndicate Agreement, and a \$50.0 million credit facility with DLL Finance.

Our equipment inventory turnover decreased from 3.6 times for the rolling 12 month period ended October 31, 2022 to 2.4 times for the rolling 12 month period ended October 31, 2023. The decrease in equipment turnover was attributable to an increase in equipment inventory over the rolling 12 month period ended October 31, 2023 as compared to the same period ended October 31, 2022. Our equity in equipment inventory, which reflects the portion of our equipment inventory balance that is not financed by floorplan payables, decreased to 20.9% as of October 31, 2023 from 51.7% as of January 31, 2023. The decrease in our equity in equipment inventory is primarily due to the stocking of new equipment inventories as availability has improved, as well as drawing on our floorplan loan with the Bank Syndicate in conjunction with the O'Connor acquisition.

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, and funding capital expenditures, including rental fleet assets, and funding acquisitions. 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 for our liquidity needs for, at a minimum, the next 12 months.

As of October 31, 2023, we were in compliance with the financial covenants under our CNH Industrial and DLL Finance credit agreements and we were not subject to the fixed charge coverage ratio covenant under the Bank Syndicate Agreement as our adjusted excess availability plus eligible cash collateral (as defined therein) was not less than 15% of the lesser of (i) aggregate borrowing base and (ii) maximum credit amount as of October 31, 2023. While not expected to occur, if anticipated operating results were to 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 Used for Operating Activities

Net cash used for operating activities was \$82.1 million for the first nine months of fiscal 2024, compared to net cash used for operating activities of \$7.1 million for the first nine months of fiscal 2023. The change in net cash used for operating activities is primarily the result of an increase in inventories and a decrease in deferred revenue, which were partially offset by an increase in non-interest bearing floorplan lines of credit from manufacturers and higher net income for the first nine months of fiscal 2024.

Cash Flow Used for Investing Activities

Net cash used for investing activities was \$64.1 million for the first nine months of fiscal 2024, compared to \$124.0 million for the first nine months of fiscal 2023. The decrease in cash used for investing activities was primarily the result of the acquisition of Mark's Machinery and the Heartland Companies in the first nine months of fiscal 2023 which was partially offset by the acquisitions of Pioneer Farm Equipment, MAREP, and Midwest Truck in the first nine months of fiscal 2024.

Cash Flow Provided by Financing Activities

Net cash provided by financing activities was \$170.3 million for the first nine months of fiscal 2024 compared to \$34.3 million for the first nine months of fiscal 2023. The increase in cash provided by financing activities was primarily the result of increased non-manufacturer floorplan payables in the first nine months of fiscal 2024, as the Company drew on its Bank Syndicate Agreement floorplan loan in fiscal 2024, to finance higher inventory levels.

Information Concerning Off-Balance Sheet Arrangements

As of October 31, 2023, 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. Therefore, we are not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in these relationships.

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, 2023, and in other materials filed by the Company with the Securities and Exchange Commission (and included in oral statements or other written statements made by the Company).

Forward-looking statements are statements based on future expectations and specifically may include, among other things, the impact of farm income levels on customer demand for agricultural equipment and services, the effectiveness and expected benefits of our new ERP system and the timing of the phased roll-out of the ERP system to the Company's domestic locations, the general market conditions of the agricultural and construction industries, equipment inventory levels, and our primary liquidity sources, and the adequacy of our capital resources and sources of liquidity. 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. These statements are based upon the current beliefs and expectations of our management. These forward-looking statements involve important risks and uncertainties that could significantly affect anticipated results or outcomes in the future and, accordingly, actual results or outcomes 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, the impact of the Russia - Ukraine conflict on our Ukrainian subsidiary, our ability to successfully integrate and realize growth opportunities and synergies in connection with the O'Connors acquisition, the risk that we have assumed unforeseen or other liabilities in connection with the O'Connors acquisition and the impact of those conditions and obligations imposed on us under the CaseIH dealer agreements entered into in connection with the Heartland Companies acquisition for the commercial application equipment business, our substantial dependence on CNH Industrial, including CNH Industrial's ability to design, manufacture and allocate inventory to our stores in quantities necessary to satisfy our customer's demands, disruptions of supply chains and associated impacts on the Company's supply vendors and their ability to provide the Company with sufficient and timely inventory to meet customer demand, 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. In addition to those matters, there may exist additional risks and uncertainties not currently known to us or that we currently deem to be immaterial that may materially adversely affect our business, financial condition or results of operations and may cause results to differ materially from those contained in any forward-looking statement. Other than as required by law, we disclaim any obligation to update such risks and uncertainties or to publicly announce results of revisions to any of the forward-looking statements contained in this Quarterly Report on Form 10-Q to reflect future events or developments.

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 October 31, 2023, 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 \$3.1 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 \$3.1 million. At October 31, 2023, we had floorplan payables of \$705.6 million, of which approximately \$305.9 million was variable-rate floorplan payable and \$399.7 million was non-interest bearing. In addition, at October 31, 2023, we had total long-term debt, including finance lease obligations, of \$112.5 million, primarily 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 October 31, 2023, 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 October 31, 2023, our Ukrainian subsidiary had \$0.1 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 at times through borrowing in UAH which serves as a natural hedging instrument offsetting our net UAH denominated assets. Many of the currency and payment controls the National Bank of Ukraine imposed in February 2022, have been relaxed, making it more practicable to manage our UAH exposure. However, the continuation of the Russia/Ukraine conflict could lead to more significant UAH devaluations, similar to the 24% devaluation that occurred in July 2022, or more stringent payment controls in the future. The inability to fully manage our net monetary asset position and continued UAH devaluations for an extended period of time, could have a significant adverse 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 on Form 10-Q, 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, 2023, as filed with the Securities and Exchange Commission. Among other things, 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 business, financial condition, or results of operations. In addition to those factors, 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 or results of operations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES, USE OF PROCEEDS AND ISSUER PURCHASES OF EQUITY SECURITIES

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

(a) On December 6, 2023, the Company entered into a letter agreement with CNH Industrial Capital America LLC (the "Letter Agreement") to increase the credit limits under the terms of the Company's Amended and Restated Wholesale Floor Plan Credit Facility and Security Agreement dated November 13, 2007, between CNH Industrial Capital America LLC and the Company, as amended, and the Inventory Finance Agreement dated December 17, 2018, between CNH Industrial Capital Australia PTY Limited and J.J. O'Connor & Sons Pty Ltd. The Letter Agreement increases (i) the Company's total U.S. wholesale floor plan credit limit to USD \$590.0 million; and (ii) the Company's total Australian floor plan credit limit to USD \$140.0 million. The foregoing description of the Letter Agreement is qualified in its entirety by reference to the complete text of the Letter Agreement, a copy of which is filed as Exhibit 10.4 hereto and is incorporated herein by reference.

(c) During the fiscal quarter ended October 31, 2023, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

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 | Amendment dated October 17, 2023, to the Amended and Restated Employment Agreement, between David Meyer and the Company. |
| 10.2 | Executive Employment Agreement, dated October 17, 2023, by and between Bryan J. Knutson and the Company. |
| 10.3 | Inventory Finance Agreement, dated December 17, 2018, between CNH Industrial Capital Australia Pty Limited and J.J. O'Connor & Sons Pty Ltd. |
| 10.4 | Letter Agreement regarding Wholesale Floor Plan Credit Facilities, dated December 6, 2023, between CNH Industrial Capital America LLC and the Company. |
| 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 October 31, 2023, formatted in XBRL: (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Comprehensive Income, (iv) the Condensed Consolidated Statements of Stockholders' Equity, (v) the Condensed Consolidated Statements of Cash Flows, and (vi) the Notes to the Condensed Consolidated Financial Statements. |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) |

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: December 7, 2023

TITAN MACHINERY INC.

By /s/ Robert Larsen
Robert Larsen
Chief Financial Officer
(Principal Financial Officer)

644 East Beaton Drive
West Fargo, North Dakota
58078
Phone: (701) 356-0130
Fax: (701) 356-0139



October 17, 2023

David J. Meyer
c/o Titan Machinery Inc.
644 East Beaton Drive
West Fargo, ND 58078-2648

Dear David:

This letter agreement amends, effective February 1, 2024, the letter agreement dated March 6, 2013, as amended to date (the "Employment Letter") between you and Titan Machinery Inc. (the "Company").

The paragraphs entitled "Title", "Term", "Responsibilities" and "Representations" are amended as follows:

Title: You will serve as the Executive Chairman of the Company ("Executive Chairman").

Term: Unless terminated by either party as provided in the Employment Letter, the term of your employment as Executive Chairman shall be for a twelve-month period (the "Term") commencing on February 1, 2024 ("Effective Date") and ending on January 31, 2025.

Responsibilities: During your employment with the Company as Executive Chairman, you will report to the Board of Directors of the Company (the "Board") and will be responsible for such executive duties as reasonably assigned to you by the Board including consultation with and transition assistance to the Company's Chief Executive Officer. You agree to serve the Company faithfully and to the best of your ability, and to devote your 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 Board at least annually.

Representations: By signing below, 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 Executive Chairman.

The paragraphs entitled "Incentive Bonus", "Long-Term Equity" and "Severance" are hereby deleted.

By your acceptance of this amendment you agree that (1) you shall continue to serve as the Company's Chief Executive Officer under the terms of the Employment Letter until February 1, 2024, (2) your employment as Chief Executive Officer of the Company will cease on the Effective Date, and (3) the Company's appointment of a new Chief Executive Officer (and any actions of the Company taken in furtherance of that appointment) and, from and after February 1, 2024, the assignment of duties to you that are inconsistent with the status of Chief Executive Officer, will not constitute "Good Reason" or give rise to other rights in your favor under the Employment Letter or otherwise.

All other terms and provisions of the Employment Letter not specifically modified or altered or not specifically deleted in this amendment are hereby ratified and confirmed and shall remain in full force and effect.

Sincerely,

TITAN MACHINERY INC.

By: /s/ Jody Horner
Jody Horner, Chair of the Compensation Committee

I accept and agree to the amendment to the Employment Letter as set forth above.

/s/ David J. Meyer

David J. Meyer

October 17, 2023

Date

EXECUTIVE EMPLOYMENT AGREEMENT

THIS EXECUTIVE EMPLOYMENT AGREEMENT (Agreement) is made this 17th day of October, 2023, by and between TITAN MACHINER INC., a Delaware corporation (the "Company") and Bryan J. Knutson ("you").

WHEREAS, the Company desires to employ you as its President and Chief Executive Officer ("CEO") on the terms and conditions set forth herein; and

WHEREAS, you desire to be employed by the Company as its CEO on such terms and conditions.

NOW, THEREFORE, the parties agree as follows:

1. Employment. The Company agrees to employ you, and you agree to be employed, as CEO of the Company, consistent with the terms and conditions set forth in this Agreement, such employment as CEO to commence on the Effective Date (as defined below). Until the Effective Date, you will continue your employment as the Company's President and Chief Operating Officer under the terms and conditions set forth in your employment agreement with the Company dated September 5, 2018, as amended (the "COO Agreement").
2. Term. Unless terminated earlier as provided in this Agreement, the term of your employment as CEO shall be for a period (the "Term") as follows: the initial term shall commence on February 1, 2024 (the "Effective Date") and shall continue until the third anniversary thereof; provided that, on such third anniversary of the Effective Date and each annual anniversary thereafter (such date and each annual anniversary thereof, a "Renewal Date"), the Agreement shall be deemed to be automatically extended, upon the same terms and conditions, for successive periods of one year, unless either party provides written notice of its intention not to extend the term of the Agreement at least ninety (90) days prior to the applicable Renewal Date.
3. Responsibilities. During your employment with the Company as CEO, you will report to the Company's Board of Directors (the "Board of Directors") and will be responsible for the overall operations and direction of the Company. 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, however, that you shall report on all such activities and directorships to the Company's Board of Directors at least annually. Executive agrees, if requested, to serve as a member of the Board of Directors or as a director or officer of any affiliate of the Company for no additional compensation.
4. Base Salary. As of the Effective Date, your base salary will be \$575,000. Your base salary will be reviewed annually (with the first such review to occur on or about June 1, 2025), and may be adjusted upward from time to time, as approved by the Compensation Committee of the Company's Board of Directors (the "Committee"), but will not be reduced during the Term without your consent.
5. 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 in an amount equal to 0% to 200% of your base salary pursuant to terms and conditions approved by the Committee, based

upon a target equal to 100% of your base salary. 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.

6. Long-Term Equity Incentive. On or about June 1 of each year during the Term, or such other date as determined by the Committee, you may be entitled to receive an award of restricted stock and/or restricted stock units. The number of shares and/or units under each award shall be determined by dividing your base salary in effect on the date of grant by the closing sale price of the Company's stock on the date of grant. 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 approved by the Committee.

7. 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.

8. 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.

9. 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 CEO.

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

11. Severance.

(a) Qualifying Termination. In case of termination of your employment by the Company without Cause or in the case of voluntary resignation of your employment for Good Reason (each a "Qualifying Termination"), the Company will pay you as severance pay an amount equal to the sum of (i) your annual base salary at the rate in effect on your last day of employment plus (ii) the average annual incentive bonus paid to you under this Agreement in the three (3) years preceding the Qualifying Termination (or such fewer number of years during which you have been employed hereunder); provided that, in the event such Qualifying Termination occurs prior to any annual incentive bonus having been paid to you under this Agreement, the amount used for purposes of this clause (ii) shall be the amount of your target annual incentive bonus for the year in which such Qualifying Termination occurs. Subject to Section 19 of this Agreement, 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 11(c) of this Agreement. In addition, upon a Qualifying Termination, the Company will, for a period of twelve (12) months following the effective date of termination of your employment (or, if shorter, the period during which you remain eligible for COBRA continuation coverage), 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 (i) your annual base salary at the rate in effect on your last day of employment plus (ii) the average annual incentive bonus paid to you in the three (3) years preceding the Change in Control Termination (or such fewer number of years during which you have been employed hereunder); provided that, in the event such Change in Control Termination occurs prior to any annual incentive bonus having been paid to you under this Agreement, the amount used for purposes of this clause (ii) shall be the amount of your target annual incentive bonus for the year in which such Change in Control Termination occurs. Subject to Section 19 of this Agreement, 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 11(c) of this Agreement. In addition, upon a Change in Control Termination the Company will, for a period of twenty-four (24) months following the effective date of termination of your employment (or, if shorter, the period during which you remain eligible for COBRA continuation coverage), 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 Section 11 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 thirty (30) days of the Qualifying Termination or Change in Control Termination; (2) complying with your obligations under the Release and this Agreement, including the noncompetition and nonsolicitation covenants herein, and under any other agreement between you and the Company then in effect; (3) cooperating with the Company in the transition of your duties; and (4) not disparaging or defaming 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; or
- 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 CEO, 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 first comes into existence, the Company fails to substantially remedy the condition within 30 days after receiving your written notice, and you resign within 30 days after the expiration of the period in which the Company may remedy the condition without the condition having been substantially remedied.

"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.

12. 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 equity-based awards that remain subject to vesting based solely on your continued employment with the Company ("Non-Performance Equity Awards") will become immediately vested and exercisable as of the first day following the Release having become effective; and (ii) your non-vested equity-based compensation awards that remain subject to vesting based all or in part on the satisfaction of one or more performance goals ("Performance Equity Awards") shall remain outstanding and shall vest or be forfeited in accordance with the terms of the applicable award agreements, except that any requirement under the applicable award agreement to remain employed through one or more dates following the date of your Qualifying Termination will be deemed satisfied.

(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: (i) your Non-Performance Based Equity Awards shall become fully vested and exercisable as of the first day following the Release having become effective; and (ii) your Performance Based Equity Awards shall vest and be earned in accordance with the terms of the applicable award agreement, except that any requirement under the applicable award agreement to remain employed through one or more dates following the date of your Change in Control Termination will be deemed satisfied.

(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 the Release within thirty (30) days of the date of termination of employment;
- ii. complying with your obligations under the Release and this Agreement, including the noncompetition and nonsolicitation covenants herein, and under any other agreement between you and the Company;
- iii. cooperating with the Company in the transition of your duties; and
- iv. not disparaging or defaming the Company, its affiliates, officers, directors, employees, agents, assigns, products or services.

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.

13. 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 twenty-four (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 U.S. state or foreign country 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.

14. Non-Solicitation of Employees You agree that for a period of twenty-four (24) months following termination of 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.

15. 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 to the public 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 of Directors of the Company, 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.

Notwithstanding the foregoing, nothing contained in this Agreement limits your ability to (i) file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission ("Government Agencies"), or (ii) communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. Further, nothing in this Agreement limits your right to receive an award for information provided to any Government Agencies.

Notwithstanding anything to the contrary in this Agreement, under the federal Defend Trade Secrets Act of 2016, you will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (i) is made (a) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (b) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made to your attorney in relation to a lawsuit against the Company for retaliation against you for reporting a suspected violation of law; or (iii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

16. 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.

17. 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.

18. 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.

19. 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 Internal Revenue Code of 1986, as amended (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. To the maximum extent permissible under Section 409A, 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. Where a payment date for nonqualified deferred compensation subject to Section 409A could occur in more than one calendar year under this Agreement, in no event will you be permitted to directly or indirectly designate the calendar year of the payment date for such nonqualified deferred compensation. Accordingly, if any amounts or benefits that are conditioned on your signing and not revoking the Release represent nonqualified deferred compensation subject to Section 409A, and the period in which you may review and revoke the release of claims begins in one calendar year and ends in a second calendar year, then payment of such amounts or provision of such benefits will commence no earlier than the first regularly scheduled payroll date in the second calendar year. 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 or 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 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 payment and obligations under this clause shall cease.

20. 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.

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

22. 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.

23. 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, including, effective as of the Effective Date, the COO Agreement. 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.

[SIGNATURE PAGE FOLLOWS]

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

COMPANY:

TITAN MACHINERY INC.

By:

/s/ Jody Horner

Jody Horner

Chair of the Compensation Committee

EXECUTIVE:

/s/ Bryan J. 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 Executive Employment Agreement between Titan and me dated October __, 2023 with an effective date of February 1, 2024, including all of the documents attached to such agreements.
- 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, such as claims for unemployment insurance or workers' compensation benefits; 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. Notwithstanding any other provision of this Release, nothing in this Release alters your protected rights under Section 15 of the Agreement.

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:

General Counsel
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. **Interpretation of the Release.** This Release should be interpreted as broadly as possible to achieve my intention to resolve all of My Claim 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. **My Representations.** 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 further represent and warrant that I have returned all Company property to the Company, including keys, credit cards, security access cards, codes, persona computers, cell phones, devices, memoranda, data, records, notes and other information that was in my possession or under my control in any form and did not retain any copies thereof.

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 October day of 17, 2023.

/s/ Bryan J. Knutson

Bryan J. Knutson

INVENTORY FINANCE AGREEMENT

DATED 17. 12. 2018

BETWEEN

CNH INDUSTRIAL CAPITAL AUSTRALIA PTY LIMITED
(A.C.N. 069 132 396)
("CNH Industrial Capital")

AND

J.J. O' CONNOR & SONS PTY LTD (ACN 005 242 142)
("Dealer")

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THIS AGREEMENT is made on the

17th

day of

December 2018

BETWEEN

CNH Industrial Capital Australia Pty Limited (A.C.N. 069 132 396) of 31-53 Kurrajong Road, St Marys, New South Wales 2760 ("CNH Industrial Capital")

AND

J.J. O' Connor & Sons Pty Ltd (A.C.N. 005 242 142) of Lots 20 & 22 Henty Highway WARRACKNABEAL Victoria 3393 ("Dealer")

RECITALS

- A. The Dealer is in the business of selling Goods to customers.
- B. The Dealer has asked CNH Industrial Capital to provide it with a facility by which CNH Industrial Capital purchases certain Goods and bails the Goods to the Dealer for display at the Premises and on-sale to customers.
- C. CNH Industrial Capital agrees to provide the facility to the Dealer on the terms and conditions set out in this Agreement.

IT IS AGREED:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement, unless the context of a word or phrase suggests a different meaning:

'Agreement' means this Inventory Finance Agreement and includes the Schedule.

'Amount You Owe Us' means:

- (a) the Purchase Price for each item of Goods;
 - (b) accrued but unpaid Bailment Fees;
 - (c) the amount of any costs, charges, expenses and Taxes incurred or paid by CNH Industrial Capital in connection with this Agreement or the Goods; and
 - (d) any other amount payable by the Dealer to CNH Industrial Capital pursuant to this or any other Collateral Agreement;
- less:
- (e) any amount which the Dealer has paid towards the Purchase Price of an item of Goods;
 - (f) in respect of any Goods which are returned to or repossessed by CNH Industrial Capital, the lower of:
 - (i) the Purchase Price in respect of those Goods; or
 - (ii) if CNH Industrial Capital sells the Goods to a third party, the sale proceeds (less selling expenses) of those Goods;
 - (g) in respect of Taxes, any amount which has been reimbursed to CNH Industrial Capital by a government agency; and
 - (h) any other amounts which have been paid by the Dealer.

'Associate' means either or both CNH Industrial Australia Pty Limited ACN 000 031 130 and Iveco Trucks Australia Ltd ACN 004 065 061 as applicable.

'Authorised Officer' means any officer of CNH Industrial Capital and any person employed by CNH Industrial Capital whose title includes the word "manager" or "executive".

'Bailment Fees' means the fee payable to CNH Industrial Capital by the Dealer in respect of Goods bailed to the Dealer and calculated as set out in the Facility Agreement or other Facility Documents.

'Bailment Advice' means the acknowledgement issued to the Dealer by CNH Industrial Capital or its Associate in respect of the bailment of each item of Goods.

'Bailment Term' means the bailment period for each item of Goods set out in the Facility Agreement or as extended by agreement between the parties.

'Collateral Agreement' means this Agreement, the Facility Agreement, or any Security or other document at any time entered into with CNH Industrial Capital or the Associate, and includes the documents set out in the Schedule.

'Curtailment' means an amount determined by CNH Industrial Capital and payable by the Dealer to CNH Industrial Capital in the following circumstances:

- (a) when there is a decrease in the market value of the Goods as a result of depreciation, deterioration of, or change to the Goods;
- (b) when the CNH Industrial Capital agrees to bail used Goods to the Dealer;
- (c) when CNH Industrial Capital consents to the Dealer using Goods for demonstration or 'rent to buy' purposes;
- (d) when CNH Industrial Capital agrees that specific Goods can be bailed for a period in excess of the initial Bailment Term;

or as otherwise reasonably and properly required by CNH Industrial Capital.

'Dealer', 'you' or 'your' means the person giving this Agreement to CNH Industrial Capital.

'Dealer Manual' means the Dealer Operating Policies & Procedures Manual provided to the Dealer by CNH Industrial Capital as amended from time to time.

'Default Rate' means the interest rate set out in the Facility Agreement.

'Event of Default' means the events set out in clause 16.

'Facility Agreement' means the agreement formed upon the Dealer's acceptance of CNH Industrial Capital's facility offer.

'Facility Documents' means this Agreement, the Bailment Advice, the Dealer Manual, the Facility Agreement, and Monthly Finance Statement.

'GST' and 'GST Law' have the meanings given in *A New Tax System (Goods & Services Tax) Act 1999*. Any other words defined in the GST Law have the same meaning in this Agreement unless otherwise indicated.

'Goods' means any new or used equipment which is bailed to the Dealer under this Agreement (including all replacement parts, additions and inclusions).

'Insolvency Event' occurs if any of the following happens:

- (a) in respect of a natural person, if:
 - (i) the person dies or becomes mentally or physically incapable of managing their affairs;
 - (ii) the person commits an act of bankruptcy or assigns their estate to the benefit of creditors;
 - (iii) a trustee in bankruptcy is appointed to the person's estate;

- (b) in respect of a company, if:
- (i) an order or an application for an order is made for the winding up of the company;
 - (ii) a liquidator, provisional liquidator, trustee, administrator receiver or controller is appointed to the company or any of its assets or an action is taken for the appointment of such a person;
 - (iii) the company enters, or resolves to enter, into a scheme of arrangement or composition with, or assignment for the benefit of, its creditors;
 - (iv) the company is deemed or presumed to be insolvent or unable to pay its debts pursuant to the *Corporations Act 2001 (Cth)*;

or, in respect of any person or company, they are otherwise unable to pay their debts as and when they fall due.

'Monthly Finance Statement' means the periodic statement containing details of the Dealer's bailment account balance and Bailment Fees.

'PPSA' means the *Personal Property Securities Act 2009 (Cth)*.

'Premises' means the business premises set out in the Schedule.

'Purchase Price' means:

- (a) for new Goods and Parts, the purchase price to be paid by CNH Industrial Capital to the Supplier (inclusive of GST); and
- (b) for used Goods, the purchase price paid by the Dealer for the Goods (inclusive of GST) (or, where purchased by you as a trade in, the amount of the trade allowance inclusive of any GST on that trade allowance).

'Relevant Party' means a person (other than the Dealer or CNH Industrial Capital) who is a party to a Collateral Agreement.

'Rent to Buy' means an arrangement entered into between the Dealer and a prospective customer to hire the Goods with a view to the customer purchasing the same, with the prior agreement of and in accordance with the prescribed terms of CNH Industrial Capital

'Schedule' means the schedule to this Agreement and as amended or substituted by CNH Industrial Capital.

'Security' means a Security Interest, or any other mortgage, charge, guarantee, indemnity or security agreement of any kind now or in the future comprised in a Collateral Agreement.

'Security Interest' means a *security interest* for the purposes of the PPSA.

'Supplier' means a supplier that has been approved by CNH Industrial Capital and from whom the Dealer acquires Goods.

'Taxes' mean any present or future tax, levy, impost, deduction, charge, duty, compulsory loan or withholding together with any related interest, penalty, fine or expense levied or imposed by any government agency including GST but excluding income tax.

'Trust' means the trust, if any, the details of which are set out in the Schedule.

'we', 'us' and 'our' means CNH Industrial Capital Australia Pty Limited.

1.2 Interpretation

- (a) A reference to:
- (i) a person includes the person's successors and assigns;
 - (ii) a thing includes all or part of that thing;

- (iii) a document includes that document as changed or replaced from time to time;
- (iv) a statute or law includes that statute or law as amended or replaced from time to time; and
- (v) a person includes a corporation.
- (b) Headings are for reference purposes only and must not be used for interpretation.
- (c) The use of the word 'may' about a right, power or remedy means the right, power or remedy may or may not be exercised, at the discretion of the person on whom the right, power or remedy is conferred.
- (d) The singular includes the plural and vice versa.
- (e) If you agree not to do something, you will also not attempt to, permit, cause or allow that thing to be done.
- (f) If two or more people are named as Dealer:
 - (i) 'you', 'your' and 'Dealer' refers to each of them alone and any two or more of them jointly; and
 - (ii) their promises bind each of them alone and any two or more of them jointly; and
 - (iii) the release of one of them from their promises does not mean that any of the others are also released.

2. BAILMENT

2.1 Acquiring Goods

You may, from time to time, request our approval to acquire new Goods or used Goods on our behalf. The request for approval must be in a form or manner approved by us. We may accept or reject your request for approval at our discretion. We may also impose conditions on the approval or withdraw or suspend any approval that we have given.

2.2 New Goods

If we consent to you acquiring new Goods pursuant to clause 2.1, you must acquire the new Goods as our agent from a Supplier or Associate. We will pay the Purchase Price for the new Goods to the Supplier. You must ensure a tax invoice is issued to us in respect of the new Goods.

2.3 Used Goods

If we consent to you acquiring used Goods pursuant to clause 2.1, you must first acquire the used Goods on your own account and not as our agent. We may then, subject to your payment of any Curtailment we require, agree to purchase the used Goods from you for the Purchase Price.

2.4 Investigation of Title

Before ordering any new Goods or purchasing any used Goods, you must ensure that legal and beneficial ownership of the Goods is capable of being transferred to us. This requirement will be waived where the vendor of the Goods is the Associate.

2.5 Bailment Advice

If we agree to bail Goods to you, we will issue you a Bailment Advice.

2.6 Delivery

- (a) You must obtain the Goods and have them delivered to the Premises at your own cost. If we pay any freight, delivery or associated charges on your behalf, you must reimburse us.

- (b) We will be deemed to have acquired the Goods and you will be deemed to have accepted the Goods as bailee when they are delivered to the Premises. We may require you to sign an acknowledgement of delivery in a form approved by us.

2.7 Bailment of Goods

- (a) You hold Goods acquired pursuant to this clause as bailee and must display the Goods at the Premises for sale to customers on the terms contained in the Facility Documents.
- (b) You hold the Goods as bailee from the time we pay the Purchase Price until the earliest of the following:
 - (i) we sell the Goods to you;
 - (ii) the Bailment Term expires;
 - (iii) we take or demand possession of the Goods;
 - (iv) the Agreement is terminated pursuant to clause 18.

2.8 Expiry of Bailment Term

- (a) If the Bailment Term expires and we have not sold the Goods to you, we may agree to extend the Bailment Term in which case you will continue to hold the Goods as bailee until the expiry of any extended Bailment Term.
- (b) If we do not agree to extend the Bailment Term, you must purchase the Goods from us by paying their Purchase Price less any Curtailments already paid in respect of the Goods.

3. OWNERSHIP OF GOODS

3.1 Ownership

The Goods remain our property whilst they are bailed under this Agreement. You do not have any interest in the Goods and are not permitted to use the Goods in any way other than as set out in this Agreement. We may take possession of the Goods at any time. Unless you are in default of any of your obligations under this Agreement, we will give you reasonable prior notice before exercising our rights under this clause.

3.2 Risk

Notwithstanding that we own the Goods, you bear the entire risk of loss of the Goods from the time you obtain them until they are no longer bailed to you under this Agreement. This includes loss arising in connection with possession, use, storage, maintenance, repair, theft, destruction, damage and/or injury caused by or relating to the Goods.

4. SALE OF GOODS

4.1 Seeking Offers to Purchase Goods

Whilst the Goods are bailed to you, you may seek to obtain offers from customers to purchase the Goods. You do so on your own account and not as our agent.

4.2 Acceptance of Offers

- (a) You may not sell or otherwise dispose of the Goods except in the ordinary course of business to a bona fides purchaser on an arm's length basis;
- (b) Upon the sale or other disposal of any Goods by You in the ordinary course, You are deemed to have purchased those Goods immediately prior to the sale or disposal.
- (c) Upon a deemed purchase pursuant to clause 4.2(b) above the Amount You Owe us with respect to such Goods shall become immediately due and payable by You and You will

immediately remit to CNH Industrial Capital that Amount You Owe within 48 hours of releasing the Goods to a purchaser.

5. PAYMENTS

5.1 Bailment Fees

You must pay us the Bailment Fees (plus applicable GST) at the times and in the manner set out in the Facility Agreement or other Facility Documents.

5.2 Monthly Finance Statement

We will prepare and forward to you a Monthly Finance Statement.

5.3 Amount You Owe Us

You must pay us the Amount You Owe Us as and when they fall due.

5.4 Payable on Demand

Unless otherwise specified to the contrary, all amounts payable by you are payable on demand.

5.5 Default Fee

- (a) You must pay a fee for any amount which is overdue under this Agreement. The fee will be calculated on a daily basis for the period the amount remains overdue.
- (b) If any liability you incur under this Agreement becomes merged in a judgment or order or exists after you are wound up, you must, as an independent obligation, pay interest on the amount of that liability from the date the liability becomes payable until it is paid.
- (c) Any fee or interest payable pursuant to this clause is calculated by reference to the Default Rate or the maximum rate allowed by law, whichever is the lower.

6. REPRESENTATIONS AND WARRANTIES

6.1 Your Representations and Warranties

By signing this Agreement, you represent and warrant that:

- (a) you carry on the business of dealing in, distributing and selling goods of the same kind as the Goods;
- (b) you are not a consumer in connection with the supply of any Goods;
- (c) we are not a manufacturer of the Goods or a dealer in goods of that kind;
- (d) you have disclosed to us in writing any connection you have with any Supplier;
- (e) you have obtained all consents that are required to allow you to operate your business at the Premises, to sell the Goods and to enter into this Agreement;
- (f) any sale of used Goods to us will be for an amount no higher than their true wholesale value;
- (g) this Agreement is binding on you and enforceable by us;
- (h) you have not withheld any information which might have caused us not to enter into this or any other Collateral Agreement;
- (i) your entry into this Agreement does not contravene any law or regulation or any of your existing obligations;

- (j) no circumstances exist which constitute or would be likely to give rise to an Event of Default;
- (k) there are no actions pending against you before any court, government agency, commission or arbitrator;
- (l) if you are a company:
 - (i) you are duly incorporated and validly existing at law and have the power to enter into this and any other Collateral Agreement to which you are a party;
 - (ii) neither this nor any other Collateral Agreement contravenes your constitution;
 - (iii) your most recent audited accounts represent a fair and accurate statement of your financial position as at the date they were prepared and there has been no adverse change in your financial position since that date; and
 - (iv) you have filed all corporate notices and effected all registrations required by law; and
 - (v) You will disclose all natural persons who are beneficial owners of the company
- (m) if you are a trustee:
 - (i) this Agreement is for the benefit of the Trust;
 - (ii) you are the sole trustee of the Trust;
 - (iii) you have the authority to enter into this and any other Collateral Agreement to which you are a party;
 - (iv) you have the right to be fully indemnified out of the Trust assets for obligations incurred under this Agreement;
 - (v) no action has been taken or proposed to terminate the Trust;
 - (vi) true copies of the trust deed and other documents relating to the Trust have been provided to us and disclose the terms of the Trust; and
 - (vii) you have not delegated any of your powers as trustee or exercised any power of appointment.
 - (viii) You will disclose any named beneficiaries of the Trust

6.2 Collateral Agreements

You also give the representations and warranties set out in any other Collateral Agreement to which you are a party.

6.3 Reliance

You acknowledge that we have agreed to enter into this Agreement with you because of these representations and warranties. If you know of anything which changes any of those representations and warranties, or if you become aware of anything which changes any of those representations and warranties during the term of this Agreement, you must tell us immediately.

7. YOUR OBLIGATIONS

7.1 Positive Obligations

You must:

- (a) comply with the terms of the Facility Documents and any other Collateral Agreement to which you are a party at your own expense;
- (b) keep the Goods in your possession at the Premises;

- (c) keep the Goods in good working order and repair and in a condition which is at least as good as when they were delivered to you;
- (d) attend to any servicing or repairs necessary to put the Goods into saleable condition and to comply with the Supplier's and manufacturer's specifications or our or any insurer's reasonable requirements;
- (e) protect the Goods from theft, loss or damage;
- (f) ensure that the Goods comply with applicable consumer product safety and information standards;
- (g) comply with all laws affecting or concerning the Goods, the Premises, your business and your obligations under this Agreement (including laws relating to licensing and registration and, where applicable, franchises);
- (h) protect our interest in the Goods and make clear to others that we own them including, if we ask, placing plates on them that state that we own them and registering our interest in the Goods with an applicable authority;
- (i) give us a copy of any order or notice from any authority concerning the use or condition of the Goods or the operation of your business immediately following receipt;
- (j) do anything we ask to enable us to exercise our rights in connection with the Goods including obtaining consents, signing and producing documents, producing receipts and having documents completed and signed;
- (k) give us if we ask you:
 - (i) information about you, the Goods, your business, your compliance with this Agreement, your financial position or the financial position of any Relevant Party;
 - (ii) proof that you have kept to your obligations in this and any other Collateral Agreement or Financial Covenant(s) to which you are a party;
- (l) if we ask, sign and do everything necessary to ensure that this and any other Collateral Agreement is binding on you and, if necessary, can be stamped and registered;
- (m) deposit with us any documents of title in relation to the Goods and any other documents requested by us relating to the Goods; and
- (n) pay all rent or outgoings in respect of the Premises.

7.2 Negative Obligations

You must not:

- (a) allow the Goods to be used, driven or operated other than in accordance with this Agreement or as reasonably necessary to service or repair the Goods or to relocate the Goods within the Premises;
- (b) do anything, or allow anything to happen, which would reduce the value of the Goods or affect our rights in respect of the Goods or this Agreement;
- (c) place, or allow to be placed, on the Goods any plates or marks that are inconsistent with our ownership; or
- (d) remove any identification marks from the Goods or change the speedometer or odometer of the Goods.

8. OUR RIGHTS

8.1 Our Rights

We may, at any time, do any of the following:

- (a) provide you with a substitute Schedule containing updated details of Collateral Agreements;
- (b) enter the Premises, your place or places of business, your registered office or any other place owned or occupied by you or where the Goods are located to:
 - (i) inspect and test the Goods;
 - (ii) take possession of the Goods;
 - (iii) exercise our rights under this Agreement;
 - (iv) inspect and copy records relating to you or the Goods;
 - (v) determine whether the terms of this or any other Collateral Agreement are being complied with; and
 - (vi) do anything which you or any Relevant Party should do but have not done pursuant to this or any other Collateral Agreement;

Unless we consider there is an emergency or it is necessary to protect our rights under this Agreement we will give you reasonable notice before entering any place pursuant to this clause.

9. BAILMENT TRANSFERS

9.1 Dealer to Dealer Transfers

You may request us to remove bailed Goods from bailment under this Agreement for the purpose of being bailed to another dealer for or being sold to another dealer's financier. You may also request us to purchase new Goods from another dealer or their financier for the purpose of being bailed to you under this Agreement or add to the new bailed Goods new Goods which are under bailment by us to another dealer. Any such removals, additions, sales or purchases must be on terms we require.

10. DEMONSTRATION GOODS

10.1 Use of Goods for Demonstration Purposes or Rent to Buy

You must obtain our consent before you use any Goods for demonstration or Rent to Buy purposes and we may impose conditions on such use as we consider appropriate. You must request for our consent in writing by completing the approved form in full. You must limit your use of the Goods as demonstration or Rent to Buy Goods to a reasonable extent and must cease using them as demonstration or Rent to Buy Goods if we instruct you to do so.

11. MODIFICATIONS

11.1 Carrying out Modifications to the Goods

You may carry out modifications to the Goods provided:

- (a) the modifications do not lower the value of the Goods or avoid the Supplier's or original manufacturer's warranty;
- (b) the modifications do not have the effect of reducing the ability of the Goods to be sold to customers;
- (c) you ensure that any replacement part, addition or inclusion which is added to the Goods becomes our property; and
- (d) once attached to the Goods, you do not remove any replacement part, addition or inclusion.

11.2 Cost of Modifications

You must pay for any modifications made to the Goods.

12. CURTAILMENTS

12.1 Payment of Curtailment

You must pay us on demand any amount specified by us in the bailment note as a Curtailment.

12.2 Application of Curtailment

We may apply Curtailments paid by you against any Amount You Owe Us.

12.3 No right or Interest

You do not acquire any right or interest in the Goods by payment of any Curtailment.

13. SECURITY DEPOSITS

13.1 Payment of Security Deposit

We may require you to lodge with us on demand or we may retain from any amount payable by us to you under this Agreement an amount specified by us which we will retain as a security deposit.

13.2 Application of Security Deposits

We may apply security deposits against any Amount You Owe Us. We may do this at any time and without giving you advance notice.

13.3 Repayment of Security Deposit

If:

- (a) you have paid us the Amount You Owe Us; and
- (b) we are satisfied that we will not be asked to refund any money you have paid us to a trustee in bankruptcy, a liquidator or any other person, (acting reasonably)

we may refund the security deposit to you.

14. INSURANCE

14.1 Insurance Obligations

You must:

- (a) take out and keep current insurances against:
 - (i) loss or damage to the Goods caused by fire, theft or accident for at least the greater of the then market value or replacement cost of the Goods (or such other amount agreed by us);
 - (ii) public liability and other liability (including compulsory third party personal insurance if the Goods are a motor vehicle) for bodily injury or damage to property arising in connection with the Goods for no less than \$10,000,000 or any other amount notified by us;
 - (iii) any other risk that we may reasonably require and in the amount we require;
- (b) punctually pay all insurance premiums and other moneys necessary to effect and maintain the insurances;
- (c) not do or omit to do anything which could prejudice or void any insurance policy or insurance claim;
- (d) notify us if any insurance claim is refused either in part or in full;
- (e) give us evidence that the insurances are current whenever we ask for it; and

- (f) give us copies of all insurance policies and certificates of insurance whenever we ask for them.

14.2 Insurance Requirements

All insurances must:

- (a) be with an insurance company acceptable to us (acting reasonably);
- (b) be on conditions and in amounts approved by us from time to time; and
- (c) note our interest as owner of the Goods.

14.3 Insurance Claims

You authorise us to control any insurance claim or possible claim and, in particular, to compromise or settle all claims under a policy and to conduct legal proceedings against the insurer in respect of any claim. We may exercise these rights in any manner we choose and you must comply with any directions we give you in connection with insurance claims.

14.4 Proceeds of Claims

You agree (up to the Amount You Owe us in respect of the Goods the subject of an insurance claim):

- (a) to direct the insurer to pay the proceeds of any insurance claim directly to us;
- (b) to pay any money you receive under an insurance claim to us; and
- (c) that any money we receive from the insurance may be used at our discretion.

14.5 Claims Against Us

You agree that you have no right to any claim against us in relation to any insurance claim or in relation to insurance of the Goods generally.

14.6 Carrying Out Your Insurance Obligations

We may elect to carry out any of your obligations pursuant to this clause on your behalf in which case the provisions of clauses 14.1 and 14.2 shall not apply. If we do so, you must reimburse us for any costs, charges, expenses or Taxes we incur.

15. RESTRICTIONS ON DEALINGS

15.1 Consent to Deal

Except as expressly provided in clause 4, You must obtain our consent before doing or agreeing to do any of the following:

- (a) selling or disposing of the Goods;
- (b) parting with possession of the Goods;
- (c) leasing or licensing the Goods or their use;
- (d) waiving any of your rights or releasing any person from its obligations in connection with the Goods;
- (e) creating or allowing to create any Security Interest over the Goods;
- (f) dealing in any other way with the Goods or any interest in them or this Agreement, or allowing any interest in the Goods or this Agreement to arise or be varied.

16. DEFAULT

16.1 Events of Default

An Event of Default occurs if:

- (a) you do not pay the whole or any part of the Bailment Fees or Amount You Owe Us when it falls due;
- (b) you or a Relevant Party do not comply with an obligation under any Collateral Agreement (other than this Agreement);
- (c) an Insolvency Event occurs in respect of you or a Relevant Party;
- (d) any information given to us about you, a Relevant Party or any Collateral Agreement proves to be incorrect or misleading in any way which we consider to be material;
- (e) any of the representations or warranties you gave pursuant to clause 6 prove to have been or become incorrect or misleading;
- (f) you fail to comply with your insurance obligations pursuant to clause 14;
- (g) anything happens which in our opinion (acting reasonably) adversely affects our interest in this Agreement, the value of the Goods, our ability to recover amounts owing under this or any other Collateral Agreement or your ability to comply with this or any other Collateral Agreement;
- (h) you fail to comply with any law, complete any documents or pay any costs, charges, expenses or Taxes associated with the Goods;
- (i) all or any part of this or any Collateral Agreement is, becomes or is claimed to be void or unenforceable; or
- (j) you fail after fourteen (14) days notice to rectify a breach of any other provision of this Agreement.

16.2 Collateral Agreements

A default under any Collateral Agreement is a default under all other Collateral Agreements.

17. CONSEQUENCES OF DEFAULT

17.1 What we may do after an Event of Default

If an Event of Default occurs:

- (a) the Amount You Owe Us becomes immediately due and payable; and
- (b) we may do any of the following:
 - (i) require that you immediately pay the Amount You Owe Us;
 - (ii) take possession of any or all of the Goods;
 - (iii) deal with the Goods in any way we see fit and to the extent permitted by law (which includes selling the Goods);
 - (iv) make good any default and recover from you our costs, expenses and charges of doing so;
 - (v) enforce any of our rights under any Collateral Agreement in any order we choose and without any obligation to enforce any other right;
 - (vi) exercise other rights powers and remedies we have at law; and/or
 - (vii) terminate this Agreement pursuant to clause 18.

17.2 Exercising Our Rights

We may exercise our rights and powers pursuant to this clause without notice and on such terms as we think fit.

18. TERMINATION

18.1 Termination on Default

If an Event of Default occurs, we may terminate this Agreement immediately by providing you with notice in writing.

18.2 Termination Without Cause

Either party may terminate this Agreement without cause by giving the other party one (1) month's notice in writing.

18.3 Consequences of Termination

Upon termination of this Agreement pursuant to this clause, you must:

- (a) immediately pay the Amount You Owe Us; and
- (b) at your own cost, arrange for the Goods to be delivered to a place nominated by us if you do not comply with clause 18.3 (a).

19. APPLICATION OF PAYMENTS AND SET OFF

19.1 Order of Payments

We can apply payments received under this Agreement in any order we choose but if obliged to by law to pay the money in a particular way, then we will do so.

19.2 Crediting of Amounts

An amount paid will not be credited until it is actually received by us in cleared funds and there is no obligation on us to refund it unless requested by you and accepted by us.

19.3 Payment in Full

You must pay all money that you owe to us in full. You must not deduct from any payment any amount including amounts you claim we, Associates, or Suppliers, owe you.

20. LIMITATIONS

20.1 Acceptance of Goods

You are responsible for examining the Goods and any operations manual relating to the Goods before accepting them and satisfying yourself that:

- (a) the Goods accord with their description;
- (b) the Goods are of merchantable quality;
- (c) the Goods are suitable and fit for their designated purpose; and
- (d) any manufacturer's, dealer's or Supplier's warranties are valid and can be passed on to customers.

We have not made any representation, warranty or undertaking about the condition or quality of the Goods or their suitability or fitness for purpose except those warranties which are implied by law to the extent they apply and cannot be excluded.

20.2 Exclusion of Liability

You agree that to the extent permitted by law:

- (a) we are not liable for any injury to any person or loss or damage to any property arising from the possession, operation or use of the Goods or in connection with the Goods.
- (b) any laws which change your obligations, rights or powers or our obligations, rights or powers under this Agreement do not apply;
- (c) except as expressly provided herein we are not liable to you or anyone else for our actions, or the actions of people for whom we are responsible and any law which would make us liable does not apply.

20.3 Limitation of Liability

To the extent that we are liable and can limit our liability, our liability is limited at our discretion to:

- (a) replacing the Goods with the same or equivalent Goods;
- (b) repairing the Goods; or
- (c) paying for the cost of replacement or repair of the Goods.

20.4 Rights are Additional

Our rights under this Agreement are in addition to any other rights we have at law or otherwise.

21. INDEMNITY

21.1 General

You agree to indemnify us, any attorney appointed pursuant to this Agreement and any of our employees, officers, agents or contractors against liability, loss or costs (including consequential or economic loss) suffered or incurred in connection with:

- (a) you committing an Event of Default under this Agreement;
- (b) our doing anything which you or any Relevant Party should have done but did not do pursuant to this or any other Collateral Agreement;
- (c) our exercising any of our rights under this any other Collateral Agreement including taking possession of and storing any Goods;
- (d) loss or damage to the Goods;
- (e) any claim being made against us by any person in connection with the Goods;

You must pay us, the attorney or the employee, officer, agent or contractor the amount of any liability, loss or costs on demand.

21.2 Obligations Continuing

Your obligations under this indemnity continue after the termination of any particular bailment or of this Agreement.

22. POWER OF ATTORNEY

22.1 Appointment of Attorney

For valuable consideration you irrevocably appoint CNH Industrial Capital and any Authorised Officer as your attorney to do the following on your behalf and in the attorney's name or in your name:

- (a) anything which you may do or which you should have done of an administrative nature under this or any other Collateral Agreement;
- (b) everything which the attorney considers necessary or desirable to enable us to exercise our rights in relation to this or any other Collateral Agreement or the Goods;

and you agree to ratify anything done by an attorney under this power of attorney.

22.2 Registration

You acknowledge that CNH Industrial Capital and/or any attorney appointed pursuant to this clause may register this power of attorney so as to give full force and effect to the attorney's exercise of its powers.

23. TRUSTS

23.1 Acknowledgements

If you are the trustee of the Trust, you acknowledge that:

- (a) the Trust details are correctly set out in the Schedule;
- (b) you are liable under this Agreement both personally and as trustee; and
- (c) you must cause any successor to you as trustee of the Trust to execute any documents we may require to ensure that this Agreement is binding on each successor.

23.2 Obligations as Trustee

Unless we otherwise agree in writing, you must not:

- (a) cease being trustee of the Trust or allow anyone else to be appointed trustee;
- (b) deal with any property of the Trust;
- (c) change the terms of the Trust;
- (d) end the Trust or do anything which could lead to it being ended before the time stated in the trust deed;
- (e) distribute any capital of the Trust;
- (f) distribute any income of the Trust if doing so affects your ability to pay the Amount You Owe Us;
- (g) do anything else in connection with the Trust which adversely affects our interest in the Goods or your ability to pay the Amount You Owe Us.

24. COSTS AND CHARGES

24.1 Reimbursement of Costs

You agree to pay or reimburse us on demand the amount of:

- (a) any costs, charges, expenses, Taxes and liabilities of any kind (including legal costs on a full indemnity basis) incurred by us:
 - (i) in negotiating, preparing, executing, stamping or administering this Agreement;
 - (ii) in exercising or enforcing or attempting to exercise or enforce any right under this Agreement;
 - (iii) in connection with any documents, notices, matters or transactions which are issued, given or arise from time to time in relation to this Agreement.

25. CERTIFICATES

25.1 Certificate as Proof

A certificate signed by us is conclusive proof of the facts stated in it unless it is proved by you to be false.

26. ASSIGNMENT

26.1 We May Assign

We may at any time assign, transfer or otherwise deal with or dispose of our interest in this Agreement (including our interest in the Goods, any individual bailment of Goods and the right to Bailment Fees payable pursuant to this Agreement) and any other Collateral Agreement without your consent and without giving notice to you.

26.2 You May Not Assign

You may not assign, transfer or dispose of or grant any Security Interest over any of your rights and obligations under this Agreement without our prior written consent. Our consent may be granted absolutely or conditionally or withheld in our absolute discretion.

27. PPSA

27.1 You agree to immediately notify us in writing if you change your name or address or if there are any changes to any of the data relevant to a financing statement under the PPSA in respect of this Agreement, including (but not restricted to), any of the information in the Schedule.

27.2 We may register any Security Interest which we consider arises out of this Agreement (even before that Security Interest starts).

27.3 You agree that we have a Security Interest in the Goods, securing the amount owing by you to CNH Industrial Capital under this Agreement and that the Security Interest extends to any *proceeds* (as defined in the PPSA) of the Goods.

27.4 You agree to promptly do anything (for example obtaining consents, signing documents, having others sign documents, supplying information, and entering into a subordination or priority agreement with any other secured party) which we ask to:

- (a) ensure that the Security Interest created under this Agreement is perfected and otherwise effective;
- (b) assist CNH Industrial Capital to exercise any right in connection with the Security Interest.

27.5 If you also acquire a Security Interest in the Goods (for example, if you sublease them, even without consent), you must take all steps necessary to:

- (a) obtain the highest ranking priority possible in respect of that Security Interest (such as duly perfecting a purchase money security interest); and
- (b) reduce as far as possible the risk of a third party acquiring an interest in the Goods free of CNH Industrial Capital's Security Interest or your Security Interest.

27.6 You agree that any exercise by us of our rights to enforce any Security Interest in the Goods necessarily also involves an exercise of all intellectual property rights relating to the Goods.

27.7 You certify that the Goods will be held by you in the furtherance of an enterprise to which an Australian business number has been allocated.

27.8 You waive any right you may have at any time (including under s157 of the PPSA) to receive a copy of a verification statement or other notice contemplated in the PPSA.

27.9 You waive your right to receive anything from us under s275 of the PPSA, and agree not to make any request of us under that section. You agree with us for the purposes of s275(6)(a) of the PPSA

that neither we nor you will disclose any information of the kind mentioned in s275(1) of the PPSA (except as provided for in s275(7)).

- 27.10 You authorise and request us pursuant to s275(7)(c) of the PPSA to obtain from the holder of any other Security Interest in the Goods any of the information referred to in s275(1) of the PPSA relevant to that Security Interest.
- 27.11 Pursuant to s115 of the PPSA, we and you contract out of each provision of the PPSA which s115 permits, except sections 123, 126, 128, 134(1) and 135. (However, sections 123, 128 and 134(1) do not apply to the extent that they would derogate a right provided for in this Inventory Finance Agreement on the part of CNH Industrial Capital)
- 27.12 To the extent permitted by law, you agree that we own, and you waive any rights you may have to, anything installed in or affixed to the Goods, including any rights you might otherwise have under Part 3.3 of the PPSA.
- 27.13 In this clause:

PPSA means the *Personal Property Securities Act 2009 (Cth)* and all regulations and other subordinate legislation pursuant to it;

Security Interest means a *security interest* for the purposes of the PPSA.

28. SERVICE OF NOTICES AND DOCUMENTS

28.1 Giving Notices

A notice or other document may be given by:

- (a) delivering it personally;
- (b) leaving at the party's address set out herein or at its registered office;
- (c) leaving it at the address a party has notified the other party is their address for service; or
- (d) sending it by post, facsimile or other form of electronic transmission to any of those addresses.

A notice or other document may also be given in any other way authorised by law.

28.2 Delivery of Notices

A notice or other document is taken to be given:

- (a) if the notice or other document is given personally – on the date it is received;
- (b) if the notice or other demand is sent by post – on the date it would ordinarily be delivered by post;
- (c) if the notice or other document is sent by electronic transmission (including facsimile transmission) – on the date shown on it or the date when the sending machine produces a report indicating that the notice or other document was sent, whichever is the later.

28.3 Change of Address

If you change your address, you must promptly tell us in writing.

29. INFORMATION

29.1 Exchange of Information

You acknowledge and agree that CNH Industrial Capital and any supplier of Goods may provide and receive information about you and your arrangements with the other, including without limitation:

- (a) details of your Facility Agreement with us, including your available credit limit; and
- (b) amounts outstanding by you to us in respect of the Goods.

You consent to the exchange of information between the supplier and us.

30. GENERAL PROVISIONS

30.1 Annual Review

We may review this Agreement and the Facility Agreement annually. Following an annual review, we may vary the terms of this Agreement or the Facility Agreement (including the Bailment Fee and/or the Default Rate) by giving you fourteen (14) days written notice.

30.2 Reinstatement of Rights

If an Insolvency Event occurs a person may claim that a transaction under this Agreement (including a payment to us) is void or voidable. If a claim is made and upheld, conceded or compromised, then:

- (a) we are immediately entitled, as against you, to the rights in respect of the Amount You Owe Us to which we were entitled immediately before the transaction; and
- (b) on request from us, you agree to do anything to restore to us any Security Interest we held from you immediately before the transaction.

30.3 Waiver

We may exercise all our rights under this Agreement even if:

- (a) we could have done so before but did not or delayed in doing so;
- (b) we have exercised the right before (in whole or in part);
- (c) we have exercised another right under this or a Collateral Agreement before; or
- (d) we hold Securities to secure your obligations under this Agreement.

30.4 Unenforceable Provisions

Any word, phrase or provision of this Agreement that is illegal, void or unenforceable or results in this Agreement being illegal, void or unenforceable is severed to the extent necessary to ensure this Agreement is valid, legal and enforceable.

30.5 Governing Law

This Agreement is governed by the laws of New South Wales and you agree to submit to the non-exclusive jurisdiction of the courts of that state or territory unless this causes undue hardship.

30.6 Consents

A consent or approval given by us is not effective unless it is in writing. We may impose reasonable conditions on any consent or approval we give.

30.7 GST

(a) Amounts specifically described as GST inclusive

The following provisions of this clause do not apply if the consideration for a supply is specifically described as GST inclusive under another provision of this Agreement.

(b) Amounts are GST exclusive

The parties agree that, unless otherwise specified, the consideration required by any other clause of this Agreement to be paid or provided for a supply does not include any amount for GST.

(c) Gross up of consideration for GST

If anyone makes a taxable supply under this Agreement the consideration for that taxable supply (but for the application of this clause) ("GST exclusive amount") is to be increased by the GST payable by the supplier on that supply ("GST charge"). The recipient of a taxable supply in addition to and at the same time as it is required to pay or provide the GST exclusive amount must also pay to the supplier an amount equal to the GST charge.

The recipient must pay the GST charge for a taxable supply without any deduction or set off.

(d) **Tax invoice**

However, despite the previous paragraph, a recipient is not required to pay any part of the GST charge for a supply until it has been given a tax invoice or an adjustment note for the supply.

(e) **Reimbursements**

Where an amount payable under this Agreement is a reimbursement or indemnification worked out by reference to a cost or expense incurred or loss or damage suffered by the person entitled to the payment (payee), then the amount to be paid must be reduced by the amount of any input tax credit to which the payee is entitled for that cost, expense, loss or damage and if the payment is consideration for a taxable supply by the payee is to be increased by the amount of GST which the payee must pay in relation to that taxable supply.

(f) **Adjustments**

If an adjustment event happens in relation to any taxable supply which is made under or in connection with this Agreement then the consideration for that supply is to be changed as follows:

- (i) if the adjustment event results in the supplier of that supply having an increasing adjustment the recipient of the supply must pay to the supplier an amount equal to that increasing adjustment; and
- (ii) if the adjustment event results in the supplier of that supply having a decreasing adjustment the supplier of the supply must pay to the recipient an amount equal to that decreasing adjustment.

(g) **Groups**

References to GST payable by a person for a supply made by them include GST payable by a representative member for a GST group in relation to the relevant supply and input tax credits to which a person is entitled in relation to a supply include input tax credits to which a representative member for a GST group is entitled in relation to the that supply.

31. PRIVACY MATTERS

(For the purposes of this clause 31 only, a reference to "you" or "your" is also a reference to the directors of the Dealer Borrower and/or any Guarantor of the Dealer and, where the Dealer is one or more individuals or a partnership, each and every individual or partner.)

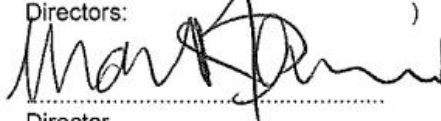
- 31.1 We may collect personal information from you either directly or indirectly. We will use, disclose and make accessible your personal information in accordance with its Privacy Policy, the Privacy Act 1988 and the Australian Privacy Principles.
- 31.2 We are also required to collect personal information about you in order to comply with our obligations as a reporting entity under the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth).
- 31.3 You authorise us to give to and seek personal information about your credit arrangements or obtain a consumer or commercial credit report containing information about you from any credit reporting agency.
- 31.4 The personal information which we may give or seek includes (where applicable):
- (a) your name, sex, date of birth, current address and last two addresses, current or last known employer and driver's licence number;
 - (b) Inventory Finance Agreement and propose to enter into an Inventory Finance Agreement, the value of the Goods purchased or proposed to be purchased under this Inventory Finance Agreement, and any obligations you may have under this Agreement;
 - (c) that you have drawn cheques for \$150 or more which have been dishonoured more than once; and
 - (d) that court judgments and/or bankruptcy orders have been made against you.
- 31.5 You authorise us to use the credit report, or obtain a further credit report, for the purposes of collecting overdue payments relating to credit owed by you.
- 31.6 You authorise us to give to and seek credit reports and other information about your credit arrangements from:
- (a) any credit providers named in any application or Schedule between you or a company of which you are a director or shareholder and us ;and
 - (b) any credit providers that may be named in a credit report issued by a credit reporting agency.
- 31.7 Your authorisation entitles us to exchange information about your credit worthiness, credit standing, credit history and credit capacity.
- 31.8 Your authorisation also entitles us to give the following information to a credit reporting agency (where applicable):
- (a) that you are sixty (60) days or more overdue in making a payment to us and that steps have been taken to recover all or any part of the amount which you owe; and
 - (b) that in our opinion you have committed a serious credit infringement.
- 31.9 Credit reports and other personal information we obtains about your credit arrangements from a credit reporting agency or a credit provider may be used by CNH Industrial Capital for the following purposes:
- (a) to assess any application or Schedule submitted by you or that of a company of which you are a director or shareholder;
 - (b) to assess whether to accept you as a guarantor in respect of an application or Schedule for consumer or commercial credit;
 - (c) to collect payments that are overdue;
 - (d) to notify a credit provider if you breach any obligations you may have under this Agreement or any other agreement with us;

- (e) to exchange personal information with other credit providers as to the status of your account where you are in breach of a contract with a credit provider;
 - (f) to assess your credit worthiness or that of a company of which you are a director or shareholder;
 - (g) to allow a credit reporting agency to create a file about you;
 - (h) to administer your account;
 - (i) to monitor your performance or compliance or that of a company of which you are a director or shareholder under any agreement for sale or supply of goods or services connected to provision of credit by us; and
 - (j) any other purpose permitted or required by law.
- 31.10 You authorise us to exchange personal information about you with:
- (a) any person or organisation named by you in an application or a Schedule submitted by you or provided from time to time;
 - (b) your proposed guarantor(s), mortgage insurer(s), introducers, consultants, brokers or any authorised dealer, supplier of goods and services;
 - (c) Our collection agents or unrelated debt recovery organisation if you are in breach of this Agreement or any agreement you have with us; or
 - (d) Our related companies, organisations and authorised dealers, within and outside Australia which service your account and this Agreement or any agreement you have with us.
- 31.11 You also authorise your accountant to release and disclose your financial information to us or its agents and you authorise government authorities which hold your driver's licence and/or motor vehicle registration information to confirm your address details to us or our authorised agents.
- 31.12 You authorise us and our Related Entities, agents, dealers, contractors and authorised suppliers to disclose and use your personal information for marketing, planning and product development purposes by us or our Related Entities, agents, dealers, contractors and authorised suppliers. You can request not to receive direct marketing communications.
- 31.13 You can request a copy of our Privacy Policy or obtain access to or update your personal information by writing to "The Privacy Officer" at CNH Industrial Capital's address in this Agreement.
- 31.14 If you provide personal information about another individual you agree that you will inform the individual that personal information about them has been supplied to us, why it has been provided and that they can contact us to obtain access to or update their personal information or get a copy of our Privacy Policy.
- 31.15 If you do not provide the information requested or do not give your authority for the use of the information we may decline any application or Schedule submitted by you.
- 31.16 We may use or disclose this information before, during or after the term of this Agreement or any agreement you have with us.

EXECUTED AS AN AGREEMENT

SIGNED for and on behalf of)
J.J. O' Connor & Sons Pty Ltd)
(A.C.N. 005 242 142))


by authority of the Board of)
Directors:)



Director

Mark O'Connor

Name (printed)



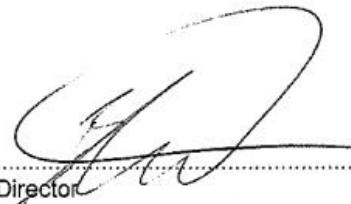
Director/Secretary

Dennis O'Connor

Name (printed)

SIGNED for and on behalf of CNH Industrial)
Capital Australia Pty Limited (A.C.N. 069 132)
396) by authority of the Board of Directors)

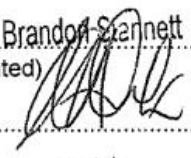
Director



Brandon Stannett

Name (printed)

Director



Cindy Quirk

Name (printed)

December 6, 2023

Titan Machinery, Inc.
644 E Beaton Dr.
West Fargo, ND 58078

Attn: Bo Larsen
Chief Financial Officer
via electronic mail

Re: Wholesale Floor Plan Credit Facilities

Dear Mr. Larsen,

Titan Machinery Inc. ("Titan") and CNH Industrial Capital America LLC ("CNHI") are parties to that Amended and Restated Wholesale Floor Plan Credit Facility and Security Agreement dated November 13, 2007, as amended from time to time (the "Agreement"). This letter will confirm that, effective as of the date hereof, the total wholesale floor plan credit limit for Titan under the Agreement has been increased to US\$640,000,000.00 in accordance with the terms and conditions therein.

Titan's second tier wholly owned Australian subsidiary (J.J. O'Connor & Sons Pty Ltd) and CNH Industrial Capital Australia Pty Limited are parties to that Inventory Finance Agreement dated December 17, 2018, as amended from time to time (the "Australian Facility"). This letter will confirm that, effective as of the date hereof, the total wholesale floor plan credit limit for J.J. O'Connors under the Australian Facility has been increased to US\$140,000,000 in accordance with the terms and conditions therein.

Best Regards,

CNH Industrial Capital America LLC
/s/ Jeff Schmidt
Jeff Schmidt
Director of Commercial Lending

Titan acknowledges and agrees to the above referenced credit facilities.

Titan Machinery Inc.
/s/ Bo Larsen
Bo Larsen
Chief Financial Officer, Titan Machinery Inc.
Director, J.J. O'Connor & Sons Pty Ltd

CNH Industrial Capital America LLC
5729 Washington Ave
Racine WI 53406

**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: December 7, 2023

/s/ David J. Meyer

David J. Meyer

Board Chair and Chief Executive Officer

**CERTIFICATION
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT**

I, Robert Larsen, 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: December 7, 2023

/s/ Robert Larsen

Robert Larsen

Chief Financial Officer

**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 October 31, 2023 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: December 7, 2023

/s/ David J. Meyer

David J. Meyer

Board Chair and Chief Executive Officer

**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 October 31, 2023 as filed with the Securities and Exchange Commission (the "Report"), I, Robert Larsen, 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: December 7, 2023

/s/ Robert Larsen

Robert Larsen

Chief Financial Officer