Titan Machinery Inc.
Form 10-K
April 11, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED JANUARY 31, 2014
Commission File No. 001-33866

TITAN MACHINERY INC.
(Exact name of registrant as specified in its charter)

Delaware	No. 45-0357838
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)

644 East Beaton Drive
West Fargo, ND 58078-2648
(Address of Principal Executive Offices)
(701) 356-0130
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:
Title of each class: Common Stock, $0.00001 Par Value
Name of each exchange on which registered: The NASDAQ Stock Market LLC
Securities registered pursuant to Section 12(g) of the Act: None

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x
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 x No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer x	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

The aggregate market value of our common stock held by non-affiliates as of July 31, 2013 was approximately $330.7 million (based on the last sale price of $19.09 per share on such date as reported on The NASDAQ Global Select Market).

The number of shares outstanding of the registrant's common stock as of March 31, 2014 was 21,256,281 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement for the registrant's 2014 Annual Meeting of Stockholders are incorporated by reference into Items 10, 11, 12, 13 and 14 of Part III of this report.

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We make available, free of charge, copies of our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act on our web site, http://www.titanmachinery.com, as soon as reasonably practicable after filing such material electronically or otherwise furnishing it to the SEC. We are not including the information on our web site as a part of, or incorporating it by reference into, our Form 10-K.

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ITEM 1. BUSINESS

Our Company

Overview

We own and operate a network of full service agricultural and construction equipment stores in the United States ("U.S.") and Europe. Based upon information provided to us by CNH Industrial N.V. or its U.S. subsidiary CNH America, LLC, collectively referred to in this Form 10-K as CNH, we are the largest retail dealer of Case IH Agriculture equipment in the world, the largest retail dealer of Case Construction equipment in North America and a major retail dealer of New Holland Agriculture and New Holland Construction equipment in the U.S. We have three primary business segments, Agriculture, Construction and International, within which we sell and rent new and used equipment, sell parts, and service equipment.

The agricultural equipment we sell and service includes machinery and attachments for uses ranging from large-scale farming to home and garden purposes. The construction equipment we sell and service includes heavy construction and light industrial machinery for commercial and residential construction, road and highway construction, and mining operations. Within our operating segments, we engage in four principal business activities:

- new and used equipment sales;
- parts sales;
- repair and maintenance services; and
- equipment rental and other activities.

The new equipment and parts we sell are supplied primarily by CNH. CNH is a leading manufacturer and supplier of agricultural and construction equipment, primarily through the Case IH Agriculture, New Holland Agriculture, Case Construction and New Holland Construction brands. We acquire used equipment for resale through trade-ins from our customers and selective purchases. We also sell parts and provide in-store and on-site repair and maintenance services. We also rent equipment and provide ancillary services such as equipment transportation, Global Positioning System ("GPS") signal subscriptions, and finance and insurance products.

We offer our customers a one-stop solution by providing equipment and parts sales, repair and maintenance services, and rental functions in each store. Our full service approach provides us with multiple points of customer contact and substantial cross-selling opportunities. We believe our mix of equipment and recurring parts and service sales enables us to operate effectively throughout economic cycles. We also believe our significant scale, superior customer service, diverse and stable customer base, management reporting system and experienced management team provide us with a competitive advantage in many of our local markets.

Throughout our 34-year operating history we have built an extensive, geographically contiguous network of 96 stores in the U.S., including three outlet stores, and 16 stores in Europe. Our Agriculture stores in the U.S. are located in highly productive farming regions, including the Red River Valley in eastern North Dakota and northwestern Minnesota, certain portions of the corn belt in Iowa, eastern South Dakota and southern Minnesota, and along the Interstate-80 corridor in Nebraska, which sits on top of the Ogallala Aquifer. Our Construction stores are located in Arizona, Colorado, Iowa, Minnesota, Montana, Nebraska, New Mexico, North Dakota, South Dakota, Wisconsin and Wyoming. Our International stores are located in the European countries of Bulgaria, Romania, Serbia and Ukraine.

Our executives have extensive industry experience. David Meyer, our Board Chair and Chief Executive Officer, founded our company in 1980. In 2002, we acquired two stores owned by C.I. Farm Power, Inc., a business owned by our President and Director, Peter Christianson, which he co-founded in 1988. Based on our collective industry experience, we developed the Titan Operating Model, which combines management accountability and decision-making at the store level with centralized, back-office support and expertise. Our executives work closely with our store managers to develop the managers' industry knowledge and ensure these managers achieve operational excellence consistent with our management philosophy.

We have a history of growth through acquisitions. Since January 1, 2003, we have completed 51 acquisitions consisting of 109 stores operating in 11 states and three European countries, including 36 acquisitions consisting of 78 stores completed since our initial public offering on December 11, 2007. We have a well-established track record of integrating acquired stores through the Titan Operating Model, retaining acquired-store employees and maintaining acquired-store customer relationships. We expect that acquisitions will continue to be an important component of our consolidated and segment growth.

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Industry Overview

We believe Caterpillar, Inc., Deere & Company ("Deere"), CNH, Komatsu Ltd., Agco Corporation ("AGCO"), the Volvo Group, Terex Corporation and Ingersoll-Rand Co. Ltd. are the largest global manufacturers of agricultural and construction equipment. These companies generated revenue from their equipment operations of $52.7 billion for Caterpillar Inc., $35.0 billion for Deere, $21.3 billion for CNH, $20.1 billion for Komatsu Ltd., 10.8 billion for AGCO, $8.2 billion for Volvo Group and $7.1 billion for Terex Corporation, for the most recent fiscal year-ends for which information is currently available.

Agricultural Equipment Industry

Agricultural equipment is purchased primarily for the production of food, fiber, feed grain and feedstock for renewable energy. Certain equipment is also purchased for home and garden applications, and maintenance of commercial, residential and government properties. Deere, CNH and AGCO are the largest global manufacturers of agricultural equipment and supply a full line of equipment and parts that address the primary machinery requirements of farmers. In addition to the major manufacturers, several short-line manufacturers produce specialized equipment that addresses regional and niche requirements of farmers. Agricultural equipment manufacturers typically grant dealers in the U.S. authorized store locations, not exclusive territories, to distribute their products.

We believe there are many factors that influence demand for agricultural equipment, parts and repair and maintenance services, including commodity markets, interest rates, government policies, tax policies, weather and general economic conditions. Any of these conditions can change materially in a short time period, creating volatility in demand for our products and services at any point in time. Federal legislation, such as the recently enacted Farm Bill, attempts to stabilize the agriculture industry through various policies including (i) commodity programs consisting of direct, counter-cyclical and price support payments to farmers; (ii) conservation programs; (iii) crop insurance programs; and (iv) disaster relief programs. We believe that these various federal policies reduce financial volatility and help ensure that farmers operate their farms and equipment during economic down cycles, thus stabilizing demand for equipment, replacement parts, and repair and maintenance services.

Construction Equipment Industry

Construction equipment is purchased primarily for commercial, residential and infrastructure construction, as well as for demolition, maintenance, mining, energy production and forestry operations. The market for construction equipment is segmented across multiple categories including earth moving, lifting, light industrial, asphalt and paving, and concrete and aggregate equipment. As in the agricultural equipment market, distribution of construction equipment in the U.S. is executed primarily by manufacturer authorized dealers; however, manufacturers' dealership agreements in the construction industry typically assign exclusive distribution territories.

Construction machinery is generally divided into "heavy" and "light" subgroups. Heavy machinery includes large wheel loaders, large tracked excavators, cranes, crawler dozers, motor graders and articulated haul trucks. Light machinery includes backhoe landscape tractors, forklifts, compact excavators and skid steers. Heavy machinery is generally purchased by construction companies, municipalities, local governments, rental fleet owners, quarrying and mining companies, waste management companies and forestry-related organizations. Typically, light machinery is purchased by contractors, rental fleet owners, landscapers, logistics companies, farmers and recreational users. Although demand for construction equipment is affected by weather and seasonal factors, it is usually less susceptible to seasonal changes than the agricultural equipment industry.

CNH and industry reports show that demand for construction equipment in our markets is driven by several factors, including (i) public spending on roads, highways, sewer and water projects, and other public works projects; (ii) public and private expenditures for the energy and mining industries, which is driven in part by demand for fossil fuels, metals and other commodities; and (iii) general economic and market conditions of the construction sector for residential and commercial buildings. We expect to benefit from the need for equipment to establish the infrastructure necessary to extract natural resources, particularly in North Dakota, as consumer and wholesale consumption accelerates.

Titan Operating Model

We believe the Titan Operating Model is a key element to our continued success. Through the Titan Operating Model, we empower leadership and share best practices at the store level while realizing efficiencies and utilizing certain controls at the corporate level. We believe exceptional customer service is most effectively attained through accountable store employees who are supported by centralized administrative, finance and marketing functions. By managing our business as a network of independent stores supported by a centralized, shared resources group, we ensure coordination of the entire enterprise while promoting the development of local business and customer relationships at the store level. We have implemented the Titan Operating Model in our North American stores within our Agriculture and Construction reporting segments.

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Strong Store Model

Each of our stores is run by a store manager who is reviewed and compensated based on the store's achievement of revenue, profitability, market share and balance sheet objectives. Also, each store is typically staffed by a parts manager, a service manager and field marketers, and certain of our Construction stores are staffed with rental account managers, all of whom report directly to the store manager. Under our operating model, decision-making for customer-related issues is decentralized, with each store manager responsible for matters such as the type of equipment to stock, equipment pricing, staffing levels and customer satisfaction. This operating model enables each store manager to concentrate on customers' equipment, parts, service and rental needs, while our shared resources group manages the administrative functions of the store. We believe customers in our industry view store managers and sales and service personnel as important partners in operating their businesses. Therefore, we believe developing and supporting strong store managers enables us to grow same-store sales through fostering new customer relationships and further developing existing customer relationships.

Shared Resources

Our shared resources group provides a range of services to support our stores, including warranty and service administration, information technology support, administration, marketing campaigns, human resources management, finance and insurance, central purchasing, accounting, legal, data administration and cash management. We believe these functions can be run more efficiently when combined and can provide more sophisticated tools to our store managers than an independent dealership could support alone. We maintain accountability through our management reporting systems, which provide data on certain key operational and financial metrics on a daily basis, as well as a comprehensive review of financial performance on a monthly basis. We believe the services provided by our shared resources group enables our stores to achieve a higher level of customer service by freeing them from certain general and administrative functions and enables a more competitive market presence at a lower cost than if our stores operated independently. Furthermore, as we acquire new stores, we believe the shared services required to support these stores will grow at a lower rate than our overall growth in store count.

Management Development and Succession Planning

Our executives work closely with our regional and store managers and mid-level corporate managers to ensure the managers benefit from our executives' industry knowledge and execute operational excellence in line with our management philosophy. We also conduct formal meetings on a monthly basis with our store managers and regional managers to assess operational and financial objectives, develop near-term strategies and share best practices across the organization. We believe the relationships among our executives, segment vice presidents, regional managers, store managers and mid-level corporate managers will sustain our financial success through continued implementation of our effective operating model, as well as provide a strong pool of capable successors to our current team of executives, regional managers and store managers. Further, we seek to staff our stores with entrepreneurial individuals trained, including through our programs, and motivated to progress to higher level management positions.

Business Strengths

In addition to the Titan Operating Model, we believe the following attributes of our business model and market position are important factors in our ability to compete effectively and achieve our long-term financial objectives:

Leading North American Equipment Provider with Significant Scale

According to CNH, we are the largest retail dealer of Case IH Agriculture equipment in the world, the largest retail dealer of Case Construction equipment in North America and a major retail dealer of New Holland Agriculture and New Holland Construction equipment in the U.S. We believe our size and large, contiguous geographic market provide us with several competitive advantages including:

- our ability to manage inventory through our centralized inventory management system, thus allowing inventory exchanges among the stores, which permits us to maintain only the inventory deemed needed by each store while providing significant breadth of parts and equipment to our customers;
- our ability to use expanded sales channels, including used equipment listings hosted on our website, which enables us to offer our customers alternative purchasing options; and
- our ability to sell inventory to customers in a large geographic area covering Arizona, Colorado, Iowa, Minnesota, Montana, Nebraska, New Mexico, North Dakota, South Dakota, Wisconsin and Wyoming, which enables us to

capitalize on crop diversification and disparate weather throughout this area, as well as local trends in residential, infrastructure and commercial construction.

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Customer Focus at the Local Level

As part of the Titan Operating Model, we centralize general and administrative functions and finance resources. This strategy enables our store employees to focus exclusively on customers and eliminates redundant operating expenses. We also centralize our marketing resources to offer our stores and field marketers professional marketing support that includes targeted direct mailings, advertising with targeted local media outlets, participation in and sponsorship of trade shows and industry events, our Titan Trader monthly magazine, and our hosting of open houses, service clinics, equipment demonstrations, product showcases and customer appreciation outings. We believe this operating structure, which focuses on serving our customers on a local level, will allow us to increase market share.

Superior Customer Service to Attract and Retain Customers

We believe our ability to respond quickly to our customers' demands is key to profitable growth. Our executives are committed to maintaining a customer-focused culture. We spend significant time and resources training our employees to effectively service our customers in each of our local markets, which we believe will increase our revenue. Our training program involves active participation in all manufacturer-sponsored training programs and the use of industry experts as consultants for customized training programs and a training team to assist in the integration of newly-acquired operations. We also partner with several technical colleges to sponsor students who we plan to eventually employ. In particular, the following capabilities enable us to better service our customers:

- our ability to staff a large number of highly-trained service technicians across our network of stores, which makes it possible to schedule repair services on short notice without affecting our technician utilization rates;
- our ability to staff and leverage product and application specialists across our network of stores, which makes it possible to offer valuable pre-sale and aftermarket services, including equipment training, best practices education and precision farming technology support; and
- our ability to innovate and lead our industry through initiatives such as Rural Tower Network, our joint venture with certain local Caterpillar and Deere dealerships to deploy a GPS guidance system in support of precision farming in our core geographic market, which provides our customers with the latest advances in technology and operating practices.

Unique Entrepreneurial Culture to Attract and Retain Superior Employees

We strive to maintain an entrepreneurial culture that empowers our employees to make decisions and act within the parameters of a proven operating process and system. We believe this culture and our size gives us a competitive advantage in attracting and retaining the best employees in our industry. We developed an operating system and process that provides our employees with defined objectives and frequent feedback of results within an entrepreneurial environment that allows them to work independently yet consistently throughout our company. Through this operating system and process we have established defined financial metrics on a balanced scorecard, which is used monthly with each store manager to assess performance. Each store manager is empowered to operate the individual store as appropriate within the guidelines set by the operating system and process. This balanced management philosophy enables our employees to understand clearly how they succeed in our organization and how to interact with customers who expect a level of autonomy from our employees. Our compensation system focuses on rewarding our employees for high performance, thus enabling us to retain most of those employees who perform at or above expectations. This system also enables us to attract talented individuals outside of our industry and train them to perform at a high level within a relatively short period of time.

Diverse and Stable Customer Base to Avoid Market Volatility

We believe our large and diverse customer base limits our exposure to risks associated with customer concentration and fluctuations in local market conditions. We have long and stable relationships with many of our customers. During fiscal 2014, none of our customers accounted for more than 1.0% of our total revenue. Revenue from external customers located outside of the United States is primarily included in our International segment, which totaled approximately 6.6% and 3.3% of total revenue during fiscal 2014 and 2013, respectively.

Information Technology Systems

Our management reporting systems provide the data and reports that facilitate our ability to make informed financial and inventory level decisions. We use these systems to actively manage our business and enable each store to access the available inventory of our other stores before ordering additional parts or equipment from our suppliers. As a result, we manage our investment in inventory while promptly satisfying our customers' parts and equipment needs. Our customer relationship management system provides sales, available wholegoods, and customer information and other organizational tools to our field marketers, store managers and regional managers. In addition, utilizing the information provided by the systems assists in the training and development of management personnel.

Experienced Management Team to Implement our Growth Strategy

Our executive team is led by David Meyer, our Board Chair and Chief Executive Officer, and Peter Christianson, our President and Director, who have approximately 39 and 35 years, respectively, of industry experience. Our segment vice presidents, regional managers, store managers and field marketers also have extensive knowledge and experience in our industry. In addition, we compensate, develop and review our regional managers and store managers based on an approach that aligns their incentives with the goals and objectives of our company, including achievement of revenue, profitability, market share and balance sheet objectives. We believe the strength of our management team will help our success in the marketplace.

Growth Strategy

We pursue the following growth strategies:

Increase Market Share and Same-Store Sales

We focus on increasing our share of the equipment sold in our markets because our market share impacts current period revenue and compounds our revenue over the life of the equipment sold through recurring parts and service business. We seek to generate same-store growth and increase market share through:

- employing significant marketing and advertising programs, including targeted direct mailings, advertising with targeted local media outlets, participation in and sponsorship of trade shows and industry events, our Titan Trader monthly magazine, and by hosting open houses, service clinics, equipment demonstrations, product showcases and customer appreciation outings;
- supporting and providing customers with training for evolving technologies, such as precision farming, that are difficult for single-store operators to support;
- maintaining state-of-the-art service facilities, mobile service trucks and trained service technicians to maximize our customers' equipment uptime through preventative maintenance programs and seasonal 24/7 service support; and
- utilizing our inventory system to maximize parts and equipment availability for our customers.

Pursue Strategic Acquisitions

The agricultural and construction equipment industries are fragmented and consist of many relatively small, independent businesses servicing discrete local markets. We believe a favorable climate for dealership consolidation exists due to several factors, including the competitiveness of our industry, growing dealer capitalization requirements and the lack of succession alternatives for current owners. We intend to continue to evaluate and pursue acquisitions with the objectives of entering new markets, consolidating distribution within our established network and strengthening our competitive position.

We have a track record of completing and integrating acquisitions and have successfully used acquisitions to enter new markets. We look to add stores through acquisitions that offer attractive growth opportunities, high demand for the equipment we sell and services we offer, management strength, and contiguity with our existing geography. These factors have guided us to successful acquisition candidates.

We believe that we are effectively able to identify attractive acquisition candidates due to our leadership position in the industry, our track record of completing and integrating acquisitions, and our contacts in and knowledge of our industry and geographic region. We regularly assess the acquisition landscape, evaluating potential acquisition candidates in terms of their availability and desirability to our long-term growth strategy. In addition, we believe acquisition economics in our industry have been and will continue to be conducive to executing our long-term growth strategy. Typically, we acquire only the working capital and fixed assets we believe are necessary to run an efficient store and assume only the liabilities related to financing the inventory and working capital acquired, although we sometimes acquire all the equity of a company. We, therefore, typically calculate our net purchase price of an acquisition as the value paid for the assets acquired, including intangible assets, less the amount of any liabilities assumed. Upon completion of an acquisition we generally re-finance the equipment inventory acquired through our existing floorplan payable financing options.

The consent of CNH is required to acquire any CNH dealership. The consent of the group of banks led by Wells Fargo Bank, National Association (the "Wells Fargo Bank Syndicate") is required for the acquisition of dealerships meeting certain thresholds or other criteria defined in our Senior Secured Credit Facility, as amended and restated (the "Credit Agreement").

We have completed the acquisition of 51 dealers, totaling 109 stores, since January 1, 2003. Of these acquisitions, 35 dealers consisting of 59 stores are included in the Agriculture segment, 13 dealers consisting of 40 stores are included in the Construction segment, and 3 dealers consisting of 10 stores are included in the International segment. Certain stores are included in the Agriculture segment but also sell some construction equipment. See Item 2 for more information about our current store locations.

Integrate New Dealers into the Titan Operating Model

Upon consummation of each North American acquisition, we integrate acquired stores into our operations by implementing the Titan Operating Model to enhance each acquired store's performance within its target market. We generally complete integration of a store within 18 months, although it may take longer for acquired stores to fully realize the benefits of the Titan Operating Model. We believe the Titan Operating Model provides us with multiple points of customer contact, creates cross-selling opportunities, fosters strong customer relationships and supports a culture of individual accountability that increases our revenue and provides a strong platform for future growth.

Suppliers

CNH—Case IH Agriculture, Case Construction, New Holland Agriculture and New Holland Construction

We have a longstanding relationship with CNH and, according to CNH, we are the largest retail dealer of Case IH Agriculture equipment in the world and the largest retail dealer of Case Construction equipment in North America, and a major retail dealer of New Holland Agriculture and New Holland Construction equipment in the U.S. Thus, our relationship with CNH is more than a typical supply relationship; it is strategic for both our company and CNH. In that regard, it is in our mutual interests to maintain the longstanding strong relationship we share.

We have been an authorized dealer of Case agricultural equipment since our inception in 1980. We added the other CNH brands as Case grew, acquired other brands and merged with New Holland in 1999. In fiscal 2014, CNH supplied approximately 79% of the new equipment sold in our Agriculture segment, 73% of the new equipment sold in our Construction segment, and 71% of the new equipment sold in our International segment.

CNH is a global leader in the agricultural and construction equipment industries based on the number of units sold. In 2013, CNH generated $21.3 billion in revenue from their equipment operations. In addition, CNH provides financing and insurance products and services to its end-user customers and authorized dealers through its CNH Capital America, LLC ("CNH Capital") business unit. CNH is a publicly-traded company.

CNH is the world's second largest manufacturer of agricultural equipment. CNH owns and operates the Case IH Agriculture and New Holland Agriculture brands. Case IH Agriculture, recognized by the red color of its equipment, possesses over 170 years of farm equipment heritage. New Holland Agriculture, recognized by the blue color of its tractors and the yellow color of its harvesting and hay equipment, has over 110 years of farm equipment industry experience. CNH's agricultural equipment dealers are assigned authorized store locations but do not have exclusive territories.

CNH is one of the world's largest manufacturers of construction equipment in terms of market share, owning and operating the Case Construction and New Holland Construction brands. CNH's construction equipment dealers are assigned a specific geographic area of responsibility within which the dealers have the right to sell new Case Construction and New Holland Construction equipment.

Dealership Agreements

We have entered into separate dealership agreements with certain CNH entities to sell the Case IH Agriculture, New Holland Agriculture, Case Construction and New Holland Construction brands (collectively the “CNH Dealer Agreements”), as required to serve as a distributor for such entities.

The CNH Dealer Agreements assign to us a geographically defined area of principal responsibility, providing us with distribution and product support rights within the identified territory for specific equipment products of the manufacturer. Although the dealer appointment is non-exclusive, in each territory there is typically only one dealership responsible for retail sales to end-users, as well as after-sales product support of the equipment. If we sell certain Case construction equipment outside of our designated sales and service areas and do not perform the warranty work on such equipment, CNH has the right to require that we pay sales and service fees for purposes of compensating the dealer assigned to such territory. We are authorized to display and use CNH trademarks and trade names at our stores, with certain restrictions.

Under our CNH Dealer Agreements, we have both the right and obligation to sell the manufacturer’s equipment and related parts and products and provide customers with services. The CNH Dealer Agreements impose various requirements on us regarding the location and appearance of facilities, satisfactory levels of new equipment and parts inventories, the training of personnel, adequate business enterprise and information technology system, adequate working capital, maximum adjusted debt to tangible net worth ratio, development of annual sales and marketing goals, and furnishing of monthly and annual financial information. We must obtain the approval or consent of CNH in the event of proposed fundamental changes to our ownership,

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governance or business structure (defined as "change in control" events) including among other things (i) a merger, consolidation or reorganization; (ii) a sale of all or substantially all of our assets; (iii) any transaction or series of transactions resulting in a person or affiliated group acquiring 20% or more of the combined voting power of our securities; (v) a substantial disposition of common shares by certain named executives; (vii) certain significant changes in the composition of the Board of Directors; (vi) replacement of certain named executive officers; and (vii) engaging in material business activities outside of the equipment sales and service industry. The CNH Dealer Agreements do not establish mandatory minimum or maximum retail pricing for our equipment sales or service/parts. The CNH Dealer Agreements do not have a fixed term and remain in effect until either party exercises its termination rights under the agreement. The CNH entities have the right to terminate their dealer agreements with us immediately in certain circumstances, including in the event of our insolvency, bankruptcy or our material breach of provisions of the agreement, if a direct competitor of CNH (or an affiliated group of such competitor) acquires 20% or more of the combined voting power of our securities, the failure to secure the consent of CNH for change in control events, and in some cases, for any reason following 90 days written notice. In the event of termination of any of the CNH Dealer Agreements, CNH is obligated to repurchase the inventory of the CNH brand applicable to the agreement being terminated. The CNH Dealer Agreements generally do not include specific non-compete provisions that apply during or after the term of such agreements, although our form agreement with Case Construction does include limitations on our ability to sell competing products during the term of such agreement.

The dealership agreements and industry practices generally provide that payment on equipment and parts purchased from CNH entities is due within 30 days and is typically subject to floorplan payable financing. With respect to sales of equipment, payments from customers, which are typically financed by a third party, are due upon sale. Payments from customers for parts and services are due within 30 days. CNH makes available to us any floorplans, parts return programs, sales or incentive programs or similar plans or programs it offers to other dealers, and provides us with promotional items and marketing materials.

Other Suppliers

In addition to products supplied by CNH, we sell a variety of new equipment, parts and attachments supplied by other manufacturers. These products tend to address specialized niche markets and to complement the CNH products we sell by filling gaps in the CNH line of products. We believe our offering of products for specialized niche markets supports our goal of being a one-stop solution for equipment needs at each of our stores. Approximately 22% of our total new equipment sales in fiscal 2014 resulted from sales of products manufactured by companies other than CNH, with our single largest manufacturer other than CNH representing approximately 2% of our total new equipment sales. The terms of our arrangements with these other suppliers vary, but most of the dealership agreements contain termination provisions allowing the supplier to terminate the agreement after a specified notice period, which is typically 30 days. Payment and financing practices with these other suppliers are similar to those practices described above with respect to CNH entities.

Operating Segments, Products and Services

We operate our business in three reportable segments, Agriculture, Construction and International. Within each of our segments, we have four principal sources of revenue: new and used equipment sales, parts sales, repair and maintenance service, and equipment rental and other business activities. See Note 19 to our consolidated financial statements included elsewhere in this annual report for additional information regarding our segments.

Equipment Sales

We sell new agricultural and construction equipment manufactured under the CNH family of brands as well as equipment from a variety of other manufacturers. The used equipment we sell is primarily from inventory acquired through trade-ins from our customers and selective purchases. The agricultural equipment we sell and service includes application equipment and sprayers, combines and attachments, hay and forage equipment, planting and seeding equipment, precision farming technology, tillage equipment, and tractors. The construction equipment we sell and service includes articulated trucks, compact track loaders, compaction equipment, cranes, crawler dozers, excavators, forklifts, loader/backhoes, loader/tool carriers, motor graders, skid steer loaders, telehandlers and wheel loaders. We sell new and used equipment through our in-house retail sales force, which is organized by geography and operating segment. We also sell used equipment through our three outlet stores, which specialize in the sale of aged used equipment. We believe this organizational structure improves the effectiveness of our sales force, better serves our customers and helps us negotiate advantageous trade-in purchase terms. Equipment sales generate cross-selling opportunities for us by populating our markets with equipment we repair and maintain and for which we sell parts. For the year ended January 31, 2014, equipment revenue was $1.7 billion, representing 77.4% of total revenue for the period.

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Parts Sales

We sell a broad range of maintenance and replacement parts on equipment that we sell, as well as other types of equipment. We maintain an extensive in-house parts inventory to provide timely parts and repair and maintenance support to our customers. We generally are able to acquire out-of-stock parts directly from manufacturers within two business days. Our parts sales provide us with a relatively stable revenue stream that is less sensitive to economic cycles than our equipment sales. For the year ended January 31, 2014, parts revenue was $275.8 million, representing 12.4% of total revenue for the period.

Repair and Maintenance Services

We provide repair and maintenance services, including warranty repairs, for our customers' equipment. Each of our stores includes service bays staffed by trained service technicians. Our technicians are also available to make off-site repairs at the customers' locations. In addition, we provide proactive and comprehensive customer service by maintaining service histories for each piece of equipment owned by our customers, maintaining 24/7 service hours in times of peak service usage, providing on-site repair services, scheduling off-season maintenance activities with customers, notifying customers of periodic service requirements and providing training programs to customers to educate them as to standard maintenance requirements. At the time equipment is purchased, we also offer customers the option of purchasing extended warranty protection provided by our suppliers. Our after-market services have historically provided us with a high-margin, relatively stable source of revenue through changing economic cycles. For the year ended January 31, 2014, service revenue was $149.1 million, representing 6.7% of total revenue for the period.

Equipment Rental and Other Business Activities

We rent equipment to our customers, primarily in the Construction segment, on a short-term basis for periods ranging from a few days to a few months. We actively manage the size, quality, age and composition of our rental fleet and use our information technology systems to closely monitor and analyze customer demand and rate trends. We maintain the quality of our fleet through our on-site parts and services support and dispose of rental equipment through our retail sales force. Our rental activities create cross-selling opportunities for us in equipment sales. In addition, we provide ancillary equipment support activities such as equipment transportation, GPS signal subscriptions in connection with precision farming and reselling CNH Capital finance and insurance products. For the year ended January 31, 2014, rental and other revenue was $78.9 million, representing 3.5% of total revenue for the period.

Geographic Information

Revenue generated from sales to customers outside of the United States was $145.9 million, $72.5 million and $5.9 million for the years ended January 31, 2014, 2013 and 2012, respectively. As of January 31, 2014 and 2013, $7.3 million and $5.4 million of our long-lived assets were held in our European subsidiaries, respectively.

Customers

Our Agriculture customers vary from small, single machine owners to large farming operations, primarily in the states of Iowa, Minnesota, Nebraska, North Dakota and South Dakota. In fiscal 2014, no single customer accounted for more than 1.0% of our Agriculture revenue.

Our Construction customers include a wide range of construction contractors, public utilities, mining and energy companies, municipalities and maintenance contractors, primarily in the states of Arizona, Colorado, Iowa, Minnesota, Montana, Nebraska, New Mexico, North Dakota, South Dakota, Wisconsin and Wyoming. They vary from small, single machine owners to large firms. In fiscal 2014, no single customer accounted for more than 1.0% of our Construction revenue.

Our International customers vary from small, single machine owners to large farming operations, primarily in the European countries of Bulgaria, Romania, Serbia and Ukraine. In fiscal 2014, there was no single customer for which the loss of such customer would have a significant impact on our International revenue.

Our stores enable us to closely service local and regional customers. We believe the Titan Operating Model enables us to satisfy customer requirements and increase revenue through cross-selling opportunities presented by the various products and services that we offer. A significant portion of our U.S. customers finance their equipment purchases through CNH Capital.

Floorplan Payable Financing

We attempt to maintain at each store, or have readily available at other stores in our network, sufficient inventory to satisfy customer needs. Inventory levels fluctuate throughout the year and tend to increase before the primary sales seasons for agricultural equipment. The cost of financing our inventory is an important factor affecting our financial results.

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CNH Capital

CNH Capital offers floorplan payable financing to CNH dealers to finance the purchase of inventory from CNH and for used equipment inventory purchased on trade-ins from our customers. CNH Capital provides this financing in part to enable dealers to carry representative inventories of equipment and encourage the purchase of goods by dealers in advance of seasonal retail demand. CNH Capital charges variable market rates of interest based on the prime rate on balances outstanding after any interest-free periods and receives a security interest in inventory and other assets. The interest-free periods, which CNH offers periodically in the form of additional incentives or special offers, typically average four months for new and used agriculture equipment and new construction equipment. CNH Capital also provides financing for used equipment accepted in trade, repossessed equipment and approved equipment from other suppliers, and receives a security interest in such equipment. As of January 31, 2014, we had a $450.0 million floorplan payable credit facility with CNH Capital.

Other Financing Sources for Equipment

We have a Credit Agreement with the Wells Fargo Bank Syndicate, which includes a $350.0 million wholesale floorplan payable line of credit, and a $225.0 million credit facility with Agricredit Acceptance LLC ("Agricredit"), to finance equipment inventory purchases.

In addition, financing also may be available through floorplan payable financing programs offered by other manufacturers and other suppliers from which we purchase equipment inventory, which may be financed by such suppliers themselves or through third party lenders.

Sales and Marketing

As part of the Titan Operating Model, we have centralized sales support and marketing management. All of our stores benefit from our centralized media buys, strategic planning, sales support and training. At the same time, however, we provide our store managers and their sales teams with flexibility to localize sales and marketing.

We currently market our products and services through:

- field marketers, our direct sales representatives who operate out of our network of local stores and call on customers in the markets surrounding each store;
- parts and service managers, who provide our customers with comprehensive after-market support;
- local and national advertising efforts, including broadcast, cable, print and web-based media; and
- our remarketing division, which trades and sells used equipment through our outlet store and website.

Field Marketers

Our field marketers perform a variety of functions, such as servicing customers at our stores, calling on existing customers and soliciting new business at farming, construction and industrial sites. These field marketers target customers in specific areas, and we develop customized marketing programs for our sales force by analyzing each customer group for profitability, buying behavior and product selection. All members of our sales force are required to attend frequent in-house training sessions to develop product and application knowledge, sales techniques and financial acumen. Our sales force is supported by our corporate marketing department.

Parts and Service Managers

Our parts and service managers are involved in our uptime service efforts, taking advantage of our seasonal marketing campaigns in parts and service sales. As a group, they have won multiple awards from our suppliers for their efforts benefiting both our customers and our key strategic partners.

Print, Broadcast and Web-Based Advertising Campaigns

Each year we initiate several targeted direct mail, print and broadcast advertising and marketing campaigns. CNH and other suppliers periodically provide us with advertising funds, which we primarily use to promote new equipment, parts and financing programs. We will continue to explore and launch additional sales channels as appropriate, including, for example, new internet-based efforts.

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Remarketing Division

Our remarketing division capitalizes on sales opportunities for aged used equipment transferred out of our retail stores. We have opened three outlet stores that sell used equipment. In addition, we are actively engaged in marketing equipment through our website.

Competition

The agricultural and construction equipment sales and distribution industries are highly competitive and fragmented, with large numbers of companies operating on a regional or local scale. Our competitors range from multi-location, regional operators to single-location, local dealers and include dealers and distributors of competing equipment brands, including Deere, Caterpillar and the AGCO brands, as well as other dealers and distributors of the CNH family of brands. Competition among equipment dealers, whether they offer agricultural or construction products or both, is primarily based on the price, value, reputation, quality and design of the products offered by the dealer, the customer service and repair and maintenance service provided by the dealer, the availability of equipment and parts, and the accessibility of stores. While we believe we compete favorably on each of the identified competitive factors, our sales and margins may be impacted depending on (i) the extent of aggressive pricing competition through manufacturer discount programs or other competitive pricing tactics, (ii) our ability to obtain higher service gross margins based on our service quality and reputation and (iii) our ability to attract new and maintain existing customers based on the availability and quality of the products we offer and our local relationships and reputation.

The number of agricultural and construction equipment dealers operating on a regional scale is limited and we are one of the principal regional-scale agricultural and construction equipment dealers in the U.S. The primary regional-scale equipment dealers with whom we compete in the U.S. include RDO Equipment Co., Butler Machinery, Ziegler Inc. and Brandt Holdings Co. RDO Equipment Co. is a Deere and Vermeer agricultural and construction equipment dealer with more than 60 dealerships in nine states, including North Dakota, South Dakota, Minnesota, Arizona and Montana. Butler Machinery is a Caterpillar construction and AGCO agriculture equipment dealer with 16 locations in North Dakota, South Dakota and Nebraska. Ziegler Inc. is a Caterpillar construction and AGCO agriculture equipment dealer with 26 locations in four states, including Minnesota, Iowa and Wisconsin. Brandt Holdings owns Deere, Vermeer and Bobcat construction and agricultural equipment dealers with 29 locations in eight states including Iowa, Minnesota, Nebraska, North Dakota, and South Dakota.

Information Technology Systems

We recently finished implementing a new enterprise resource planning ("ERP") system based on Oracle's JD Edwards software which replaced our previous management reporting system, which was developed and supported by Dealer Information Systems Corporation. Our ERP system enables us to closely monitor our performance and actively manage our business on a consolidated and segment basis and includes features that were enhanced to support the Titan Operating Model, including detailed store-based financial reporting, inventory management and customer relationship management.

Through our ERP system we maintain a complete database of parts and equipment inventory and a centralized inventory control system for each segment. Our ERP system enables each store to access the available inventory of our other stores before ordering additional parts or equipment from our suppliers. We are also able to monitor inventory levels and mix at each store and make adjustments in accordance with our operating plan. Finally, our ERP system is externally connected to CNH, enabling us to locate CNH equipment and parts from various CNH depots.

Our customer relationship management ("CRM") system provides sales and customer information and other organizational tools to assist our sales force. We maintain an extensive customer database that allows us to monitor the status and maintenance history of our customers' equipment and enables us to more effectively provide parts and services to meet their needs. We also use our CRM system and customer database to monitor sales information and customer demand.

The data we store in our ERP and CRM systems is backed-up on a daily basis and stored at an off-site location. Thus, if these systems were to become inoperable, we would be able to continue operations through an off-site data center. Further, we own the software and hardware necessary to operate the ERP system and have employees trained to manage and maintain the software without reliance on external support.

Corporate Information

We are incorporated as a Delaware corporation. Our executive offices are located at 644 East Beaton Drive, West Fargo, ND 58078-2648. Our telephone number is (701) 356-0130. We maintain a web site at www.titanmachinery.com.

Intellectual Property

We have registered trademarks for certain names and designs used in our business and have trademark applications pending for certain others. We generally operate each of our stores under the Titan Machinery name. Case IH, Case and New

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Holland are registered trademarks of CNH, which we use in connection with advertisements and sales as authorized under our dealership agreements. We license trademarks and trade names of new equipment from other suppliers of equipment to us.

Product Warranties

Product warranties for new equipment and parts are provided by our suppliers. The term and scope of these warranties vary greatly by supplier and by product. At the time equipment is purchased, we also offer customers the option of purchasing extended warranty protection provided by our suppliers. Suppliers pay us for repairs we perform to equipment under warranty. We generally sell used equipment "as is" and without manufacturer's warranty, although manufacturers sometimes provide limited warranties if the supplier's original warranty is transferable and has not expired. Typically, we provide no additional warranties on used equipment.

Seasonality & Weather

The agricultural and construction equipment businesses are highly seasonal, which causes our quarterly results and our available cash flow to fluctuate during the year. Farmers generally purchase agricultural equipment in preparation for, or in conjunction with, the spring planting and fall harvesting seasons. In addition, the fourth quarter typically is a significant period for equipment sales in the U.S. because of our customers' year-end tax planning considerations, the timing of dealer incentives and the increase in availability of funds from completed harvests.

Seasonal weather trends, particularly severe wet or dry conditions, can have a significant impact on regional agricultural and construction market performance by affecting crop production and the ability to undertake construction projects. Weather conditions that adversely affect the agricultural or construction markets would have a negative effect on the demand for our products and services.

Employees

As of April 1, 2014, we employed 2,497 full-time and 326 part-time employees. Our employees are not covered by a collective bargaining agreement. We believe our relations with our employees are good.

Governmental Regulation

We are subject to numerous federal, state, and local rules and regulations, including regulations promulgated by the Environmental Protection Agency and similar state agencies, with respect to storing, shipping, disposing, discharging and manufacturing hazardous materials and hazardous and non-hazardous waste. These activities are associated with the repair and maintenance of equipment at our stores. Currently, none of our stores or operations exceeds small quantity generation status. Compliance with these rules and regulations has not had any material effect on our operations, nor do we expect it to in the future. Further, we have not made, and do not anticipate making, any material capital expenditures related to compliance with environmental regulations. However, there can be no assurance that these expectations are accurate, particularly if regulations change, unforeseen incidents occur or unknown past contamination or non-compliance is discovered, among other similar events.

ITEM 1A. RISK FACTORS

We are substantially dependent upon CNH, our primary supplier of equipment and parts inventory.

The majority of our business involves the distribution and servicing of equipment manufactured by CNH. In fiscal 2014, CNH supplied approximately 79% of the new equipment sold in our Agriculture segment, 73% of the new equipment sold in our Construction segment, and 71% of the new equipment sold in our International segment, and represented a significant portion of our parts revenue. Therefore, our success depends, in significant part, on the overall reputation and success of CNH in the agricultural and construction equipment manufacturing industries. We depend on CNH's ongoing commitment to, and support of, its distribution system that relies on a dealer network. In the event that CNH or any of its equipment manufacturing segments were reduced or sold, or if CNH would change its distribution system to our detriment, there could be a material adverse effect on our financial condition and results of operations.

CNH's ability to match new product offerings to diverse customers' anticipated preferences for different types and sizes of equipment and various equipment features and functionality, at affordable prices, is important to our continued success in the agricultural and construction equipment distributor markets. While we believe that CNH has, and will continue to have, excellent brand recognition, product innovation, and customer support, there can be no assurance that CNH will be able to maintain its reputation and market positions in the future.

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We depend on CNH or its affiliated entities for other programs and support including the following:

- CNH Capital provides floorplan payable financing for the purchase of a substantial portion of our inventory.
- CNH Capital provides a significant percentage of the financing used by our customers to purchase CNH equipment from us.
- CNH provides incentive programs and discount programs from time to time that enable us to price our products more competitively.
- CNH conducts promotional and marketing activities on national, regional and local levels.

There can be no assurances that CNH will continue to offer these programs in the future.

Our acquisition strategy contemplates the acquisition of additional CNH geographic areas of responsibility and store locations in each of our Agriculture, Construction and International segments, which acquisitions require the consent of CNH under our current dealer agreements. There can be no assurance that CNH will consent to any or all of the acquisitions of dealerships that we may propose in the future.

Our dealer agreements with CNH impose numerous obligations on us and grant to CNH certain rights to terminate or change the terms of the dealer agreements.

Our dealer agreements with CNH impose a number of obligations on us with respect to our operations, including our obligations to actively promote the sale of CNH equipment within our designated geographic areas of responsibility, fulfill the warranty obligations of CNH, provide services to our customers, maintain sufficient parts inventory to service the needs of our customers, maintain inventory in proportion to the sales potential in each sales and service geographic area of responsibility, maintain adequate working capital and maintain stores only in authorized locations. Subject to applicable state statutes that govern the dealer-manufacturer legal relationship, CNH has the right under our dealer agreements to terminate these agreements upon the occurrence of certain events, and to change the terms of the agreements. CNH may terminate the agreements immediately in certain circumstances and, in some cases, for any reason 90 days following written notice. If CNH were to terminate all or any of its dealer agreements with us, our business would be severely harmed. Furthermore, CNH may change the terms of their agreements with us to, among other things, change our sales and service areas, the product offerings, pricing or delivery terms. Moreover, CNH may increase or decrease the monetary rewards to dealers, or limit or expand the availability of financing, warranty reimbursements or other marketing incentives. If CNH were to change the terms of any or all of these agreements or its operating policies in a manner that adversely affects us, our business would be harmed.

Consent of CNH is required for the acquisition by another party of 20% or more of our outstanding stock; otherwise, CNH may terminate our dealer agreements. This requirement may have the effect of discouraging transactions involving a change in our control, including transactions that our stockholders might deem to be in their best interests. There can be no assurances that CNH will give its consent for any such proposed change of ownership.

Our operating results will be adversely impacted if our suppliers are unable to provide us with a reliable supply of equipment to satisfy the needs of our customers, or in the event of industry "over-supply" inventory situations.

If our suppliers (principally CNH) cannot continue to provide us a reliable supply of new equipment, we may not be able to meet our customers' demand and our operating results could be negatively impacted.

In times of heightened global demand for equipment, which is often driven by numerous external factors (e.g., net farm income often drives demand for agricultural equipment and infrastructure development/construction activities often drives construction equipment demand), equipment suppliers may experience difficulty providing all dealerships a reliable supply of new equipment, which could adversely impact our results of operations. Further, an under-supply of our suppliers' equipment may cause prices for such equipment to increase. To the extent we cannot pass on any increased costs of equipment to our customers, based on current market conditions for our various stores, our operating results may suffer. Conversely, an industry over-supply of equipment would be an indicator of general weakness in market demand for our products, and a cause for concern for both distributors and manufacturers. Though manufacturers typically manage production of new equipment in response to demand, there may be short-term under-supplies or over-supplies of new equipment as manufacturers adjust to industry demand fluctuations.

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Our financial performance is substantially dependent on our ability to effectively manage new and used equipment inventory.

The sale of agricultural and construction equipment requires substantial inventories of equipment and parts to be maintained at each store to facilitate sales to customers on a timely basis. Our equipment inventory has traditionally represented 50% or more of our total assets. We are dependent upon the ability of our management to maintain a proper balance of new and used equipment to assure satisfactory inventory turnover and to reduce floorplan payable financing costs. A prolonged period where we have an over-supply of inventory could materially adversely affect our results of operations.

Our purchases of parts and new equipment are based in large part on projected market demand. If actual sales are materially less than our forecasts, we would experience an over-supply of inventory. An over-supply of new equipment inventory may cause downward pressure on our product sale prices and margins, and increases to our floorplan payable financing expenses.

Most of our used equipment is acquired as "trade-ins" in connection with new equipment transactions. Our used equipment inventory is valued at the lower of cost or market. This valuation process involves subjective analyses of market data, on an ongoing basis. There can be no assurances that our book values will prove to be accurate, given the potential for sudden change in market conditions and other factors beyond our control. Moreover, pricing for, and sales of, used equipment can be significantly affected by the limited market for certain equipment.

In a down market, our used equipment may not have the value that we attributed to it at the time of the trade. We are constantly evaluating and, as appropriate, adjusting our used inventory values based on the market conditions. However, there can be no assurances that our initial valuations of trade-ins or our periodic inventory adjustments will be accurate.

Competitive lease programs offered by our competitors affect the residual value of our rental equipment and our used equipment in general.

For used and rental equipment, short-term lease programs and commercial rental agencies for construction and agricultural equipment have expanded significantly in North America. Nationwide rental conglomerates have become sizeable purchasers of new equipment and can have a significant impact on industry sales and margins. When equipment comes off of lease or is replaced with newer equipment by rental agencies, there may be a significant increase in the availability of late-model used equipment. An over-supply of used equipment could adversely affect demand for, or the market prices of, new and used equipment. In addition, a decline in used equipment prices could have an adverse effect on residual values for rental equipment, which could adversely affect our financial performance.

Floorplan payable financing for the equipment we sell may not be available, which could adversely affect our growth and results of operations.

We generally purchase our equipment with the assistance of floorplan payable financing programs through CNH Capital and other lenders. In the event that our available financing sources are not maintained or are insufficient to satisfy our future requirements, we would be required to obtain financing from other sources. There can be no assurance that additional or alternative financing could be obtained or obtained on commercially reasonable terms. To the extent additional financing cannot be obtained or obtained on commercially reasonable terms, our growth and results of operations could be adversely affected.

Variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

Much of our borrowings, including the credit facilities with CNH Capital, Wells Fargo and Agricredit, are at variable rates of interest and expose us to interest rate risk. As such, our results of operations are sensitive to movements in interest rates. There are many economic factors outside our control that have in the past and may, in the future, impact rates of interest including publicly announced indices that underlie the interest obligations related to a certain portion of our debt. Factors that impact interest rates include governmental monetary policies, inflation, recession, changes in unemployment, the money supply, international disorder and instability in domestic and foreign financial markets. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our results of operations would be adversely impacted. Such increases in interest rates could have a material adverse effect on our financial conditions and results of operations.

The agricultural and construction equipment industries are highly seasonal, and seasonal fluctuations significantly impact results of operations and cash flow.

The agricultural and construction equipment businesses are highly seasonal, which causes our quarterly results and our available cash flow to fluctuate during the year. Farmers generally purchase agricultural equipment in preparation for, or in conjunction with, the spring planting and fall harvesting seasons. In addition, the fourth quarter typically is a significant period for equipment sales in the U.S. because of our customers' year-end tax planning considerations, the timing of dealer incentives and the increase in availability of funds from completed harvests.

Seasonal weather trends, particularly severe wet or dry conditions, can have a significant impact on regional agricultural and construction market performance by affecting crop production and the ability to undertake construction projects. Weather conditions that adversely affect the agricultural or construction markets have negative effect on the demand for our products and services.

In addition, numerous external factors such as credit markets, commodity prices, and other circumstances may disrupt normal purchasing practices and buyer sentiment, further contributing to the seasonal fluctuations.

Adverse changes in the agricultural industries could result in decreased demand for agricultural equipment and harm our revenue and profitability.

Our business depends to a great extent upon general activity levels in the agricultural industries. Changes in net farm income and farmland value, the level of worldwide farm output and demand for farm products, commodity prices, animal diseases and crop pests, limits on agricultural exports/imports, and legislative changes, including changes to government regulations and programs promoting the ethanol and biofuels industries, are all material factors that could adversely affect the agricultural industries and result in a decrease in the amount of agricultural equipment that our customers purchase. The nature of the agricultural equipment industries is such that a downturn in demand can occur suddenly, resulting in excess equipment inventories, un-utilized production capacity and reduced prices for new and used equipment. Such downturns may be prolonged and our revenue and profitability could be harmed.

Adverse changes in the construction industry could result in decreased demand for construction equipment and harm our revenue and profitability.

Our construction customers generally operate in the mining, natural resource development, construction, transportation, manufacturing, industrial processing and utilities industries. Those industries generally are capital intensive and cyclical in nature. As a result, customer demand for our products and services may be affected by economic conditions at both a global and a local level. Economic conditions that negatively affect the construction industry, such as the tightening of credit standards that affect the ability of consumers to obtain financing, could reduce our customers' demand for our construction equipment. The construction industry in certain of our geographical areas has experienced a prolonged economic down cycle as a result of the macroeconomic environment, which negatively impacts sales of construction equipment. Reduced demand for our construction equipment could negatively affect our financial performance and cash flow.

General economic conditions, particularly in the credit markets, may adversely affect our business.

The agricultural and construction equipment industries are affected by macroeconomic factors, including changes in international, national, regional, and local economic conditions.

Our business is particularly dependent on our access to the capital and credit markets to finance acquisitions and manage inventory. Tight credit markets, a low level of liquidity in many financial markets, and extreme volatility in fixed income, credit, currency and equity markets have the potential to adversely affect our business. Such disruptions in the overall economy and financial markets and the related reduction in consumer confidence in the economy, slow activity in the capital markets, negatively affect access to credit on commercially acceptable terms, and may adversely impact the access of us or our customers to credit and the terms of any such credit.

The ability to finance affordable purchases, of which the interest rate charged is a significant component, is an important part of a customer's decision to purchase agricultural or construction equipment. Interest rate increases may make equipment purchases less affordable for customers and, as a result, our revenue and profitability may decrease as we manage excess inventory and reduce prices for equipment. Conversely, any decrease in interest rates may positively affect a customer's decision to purchase agricultural or construction equipment. We are unable to anticipate the timing and impact of interest rate adjustments.

An adverse change in commodity prices could adversely affect our results of operations and profitability.

Many of our customers are directly and indirectly affected by fluctuations in commodity prices in the agriculture, forestry, metals and minerals, petroleum and natural gas industries and, as a result, we are also indirectly affected by fluctuations in those prices. An adverse change in commodity prices may adversely affect the demand for the products we sell and negatively impact our results of operation.

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Changes in tax incentives may reduce demand for agricultural and construction equipment and cause our revenue to decline.

Our customers in the agriculture and construction segments have benefited in recent years from Section 168(k) accelerated depreciation, known as “bonus depreciation”, and enhanced Section 179 expensing rules. Absent new federal legislation, these tax incentives have been curtailed or eliminated for calendar year 2014 . There can be no assurances whether our customers' future purchasing decisions will be affected by these tax law changes.

Adverse changes in governmental policies may reduce demand for agricultural and construction equipment and cause our revenue to decline.

Changes in governmental agricultural policy could adversely affect sales of agricultural equipment. Government programs and subsidies that reduce economic volatility and enhance farm income, positively influence farmers' demand for agricultural equipment. Future farm bills and U.S. Department of Agriculture ("USDA") budgets may reduce the benefit of these programs. We cannot predict the outcome of such changes to agricultural policies and to the extent that future funding or farm programs available to individual farmers are reduced, these changes could reduce demand for agricultural equipment and we could experience a decline in revenue. Changes in government spending on infrastructure projects could adversely affect the demand for construction equipment and we could experience a decline in revenue.

Our sales and margins may be negatively affected by the final Tier 4B clean diesel emissions standards, which are now in effect. Tier 4 refers to a generation of federal air emissions standards established by the U.S. Environmental Protection Agency (“EPA”) that apply to new diesel engines used in off-road equipment. To satisfy these standards, manufacturers must introduce new cleaner diesel engines which will increase the manufacturing costs of the equipment. To the extent that our suppliers pass on these additional costs to its dealers, as expected, we will pay more for our inventory. There can be no assurances that we will be able to pass on these price increases to our customers as necessary for us to maintain our desired margins.

Weather conditions may negatively impact the agricultural and construction equipment markets and harm our sales.

Weather conditions, particularly severe floods and droughts, can have a significant impact on the success of regional agricultural and construction markets. Accordingly, our financial condition and results of operations may be materially and adversely affected by any adverse cyclical trends or weather conditions. Our quarterly operating results are subject to fluctuation due to varying weather patterns, which may impact the timing and amount of equipment, as well as parts and service purchases by our customers.

Our rental operations subjects us to risks including increased maintenance costs if our rental fleet ages, increased costs of new replacement equipment we use in our fleet, and losses upon disposition of rental fleet units.

If our rental equipment ages, the costs of maintaining such equipment, if not replaced within a certain period of time, will likely increase. The costs of maintenance may materially increase in the future and could lead to material adverse effects on our results of operations.

The cost of new equipment for use in our rental fleet could also increase due to increased material costs for our suppliers or other factors beyond our control. Such increases could materially adversely impact our financial condition and results of operations in future periods. Furthermore, changes in customer demand could cause certain of our existing equipment to become obsolete and require us to purchase new equipment at increased costs.

We include in operating income the difference between the sales price and the depreciated value of an item of equipment sold. The value of any given piece of rental equipment could be less than its depreciated value at the time it is sold. The market value of used rental equipment depends on several factors, including:

- market prices for like new equipment;
- wear and tear on the equipment;
- time of year that the equipment is sold;
- the supply used equipment on the market; and
- general economic conditions.

Any significant decline in the selling prices for used rental equipment could have a material adverse effect on our business, results of operation, and cash flow.

Our business is highly competitive.

The agricultural and construction equipment distribution and rental industries are highly competitive and fragmented, with large numbers of companies operating on a regional or local scale. Historically, our competitors have competed

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aggressively on the basis of pricing or inventory availability, resulting in decreased margins on our sales to the extent we choose to match our competitors' downward pricing. To the extent we choose not to match or remain within a reasonable competitive distance from our competitors' pricing, it could also have an adverse impact on our results of operations, as we may lose sales volume. In addition, to the extent CNH's competitors provide their dealers with more innovative or higher quality products, better customer financing, or have more effective marketing efforts, our ability to compete and our results of operations could be adversely affected.

If our acquisition plans are unsuccessful, we may not achieve our planned revenue growth.

We believe a significant portion of our future growth will depend on our ability to acquire additional dealerships. Our ability to continue to grow through the acquisition of additional CNH geographic areas of responsibility and store locations or other businesses will be dependent upon the availability of suitable acquisition candidates at acceptable costs, our ability to compete effectively for available acquisition candidates and the availability of capital to complete the acquisitions. We may not successfully identify suitable targets, or if we do, we may not be able to close the transactions, or if we close the transactions, they may not be profitable. In addition, CNH's consent is required for the acquisition of any CNH dealership, and the consent of our lenders may be required for certain acquisitions. CNH typically evaluates management, performance and capitalization of a prospective acquirer in determining whether to consent to the sale of a CNH dealership. There can be no assurance that CNH or our lenders will consent to any or all acquisitions of dealerships that we may propose.

If we are not able to successfully integrate newly-acquired dealerships, our financial performance may be adversely affected.

Once an acquisition is completed, we face many other risks commonly encountered with growth through acquisitions. These risks include incurring significantly higher than anticipated capital expenditures and operating expenses; failing to assimilate the operations and personnel of the acquired dealerships; disrupting our ongoing business; dissipating our management resources; failing to maintain uniform standards, controls and policies; and impairing relationships with employees and customers as a result of changes in management. To the extent we do not successfully avoid or overcome the risks or problems related to acquisitions, our results of operations and financial condition could be adversely affected. Future acquisitions also will have a significant impact on our financial position and capital needs, and could cause substantial fluctuations in our quarterly and yearly results of operations. Acquisitions could include significant goodwill and intangible assets, which may result in future impairment charges that would reduce our stated earnings.

Our international operations expose us to additional risks.

We are currently operating dealership locations in Bulgaria, Romania, Serbia and the Ukraine, and also engage in export business to other countries. In 2014, total International segment revenues were approximately 6.6% of our consolidated total revenue. As of January 31, 2014, total International segment assets were approximately 12.5% of our consolidated total assets.

Our ability to achieve and maintain profitable growth in international markets is subject to risks related to the differing legal, political, social and regulatory environments and economic conditions present in the countries in which we operate. Risks inherent in international operations include:

- difficulties in implementing our business model in foreign markets;
- costs and diversion of management attention related to oversight of international operations;
- unexpected adverse changes may occur in export duties, quotas and tariffs and difficulties in obtaining import licenses;
- unexpected adverse changes in foreign laws or regulatory requirements may occur;
- compliance with a variety of foreign laws and regulations may be burdensome;
- compliance with the Foreign Corrupt Practices Act and other U.S. laws that apply to the international operations of U.S. companies may be difficult and costly to implement and monitor;
- fluctuations in foreign currency exchange rates to which we are exposed may adversely affect the results of our operations, the value of our foreign assets and liabilities and our cash flows;
- our operations and profitability in any particular country in which we operate could be affected by political or economic changes or instability

These factors, in addition to others that we have not anticipated, may negatively impact our financial condition or results of operations.

The current political and economic instability in Ukraine could create short-term and long-term disruption in our Ukrainian operations. The current instability could cause liquidity problems for our customers which may result in credit losses of our outstanding receivable balances or cause our customers to delay or reduce their purchases of our products and services resulting in lower revenues and profitability for our operations. Such reduced purchasing by our customers could also cause our inventory levels to be higher than expected, contributing to increased carrying costs and reducing our return on assets. In

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addition, the current instability may affect our ability to secure new, or to continue existing, working capital loans at desired levels or cause such indebtedness to become more expensive. A reduction in borrowing capacity, absent associated reductions in inventory, could require us to make additional capital contributions to our Ukraine operations. The political and economic instability could also cause the Ukrainian government to impose currency exchange controls or to otherwise restrict our ability to recover our investments in our Ukrainian subsidiary. The stabilization of Ukraine's economy and political structure will depend in large part on the assistance of the international community, which cannot be assured. Absent such stabilization, our long-term ability to profitably transact business in Ukraine could be adversely affected.

We are exposed to customer credit risks.

We extend credit to our customers, generally on an unsecured basis. Although we are not substantially dependent on any one customer and we have a system of credit management in place, the failure to collect a large receivable would have an adverse effect on our profitability. If we are unable to manage credit risk issues adequately, or if a large number of customers should have financial difficulties at the same time, our credit losses could increase above historical levels and our operating results would be adversely affected. Delinquencies and credit losses generally would be expected to increase if there was a slowdown in the economic recovery or worsening of economic conditions.

Our business success depends on attracting and retaining qualified personnel.

Our success depends in part on the efforts and abilities of our management team and key employees, including the managers of our stores. Their skills, experience and industry knowledge significantly benefit our operations and performance. The failure to attract and retain members of our management team and key employees could have a negative effect on our operating results and financial condition.

We believe our success will depend to a significant extent upon the efforts and abilities of David Meyer, our Board Chair and Chief Executive Officer, and Peter Christianson, our President and Director. The employment relationships with both Mr. Meyer and Mr. Christianson are terminable by us or each of them at any time for any reason. The loss of the services of one or both of these persons and other key employees could have a material adverse effect on our operating results.

Our outstanding Senior Convertible Notes may cause dilution to our existing stockholders and may negatively affect our financial position and liquidity.

On April 24, 2012, we issued $150 million aggregate principal amount of 3.75% Senior Convertible Notes due 2019 (the "Senior Convertible Notes") pursuant to an indenture between the Company and Wells Fargo Bank, National Association (the "Indenture"). The Senior Convertible Notes are convertible into common stock at the option of the holders under certain conditions. Upon conversion, we will pay cash up to the aggregate principal amount of converted notes and pay or deliver, as the case may be, cash, shares of our common stock or a combination thereof, at our election, for any conversion obligation in excess thereof. Additionally, in the event of a fundamental change, as defined in the Indenture, the holders of the Senior Convertible Notes may require us to purchase all or a portion of their notes for cash at a purchase price equal to 100% of the principal amount of notes to be purchased, plus accrued and unpaid interest.

The Indenture provides for customary events of default, including, but not limited to, cross acceleration to certain other indebtedness of us and our subsidiaries. In the case of an event of default, all outstanding Senior Convertible Notes may become due and payable immediately without further action or notice.

If we issue shares of our common stock to satisfy conversion obligations under the Senior Convertible Notes, our existing stockholders will experience dilution of their holdings of our stock. Repayment of the principal amount of the Senior Convertible Notes in cash and, if applicable, satisfaction of our conversion obligations in cash may have a significant negative effect on our available capital resources and liquidity which may require us to borrow additional amounts pursuant to terms that are not favorable to us.

In addition, even if holders do not elect to convert their Senior Convertible Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal balance of the Senior Convertible Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

Selling and renting agricultural and construction equipment and selling parts subjects us to liability risks that could adversely affect our financial condition and reputation.

Products sold, rented or serviced by us may expose us to potential liabilities for personal injury or property damage claims relating to the use of such products. Our product liability insurance may not be adequate to cover product liability claims. Such insurance may not continue to be available on economically reasonable terms. An uninsured or partially insured claim for which indemnification is not provided could have a material adverse effect on our financial condition. Furthermore, if

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any significant claims are made against us or against CNH or any of our other suppliers, our business may be adversely affected by any resulting negative publicity.

Our internal control over financial reporting may not be effective and our independent registered public accounting firm may not be able to certify as to its effectiveness, which could have a significant and adverse effect on our business and reputation.

We are required to comply with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and rules and regulations of the SEC thereunder. If we fail to maintain the adequacy of our internal control over financial reporting, as such standards are modified, supplemented or amended from time to time we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404. We cannot be certain as to the timing of completion of our evaluation, testing and any remedial actions or their impact on our operations. If we are not able to comply with the requirements of Section 404, our independent registered public accounting firm may not be able to certify as to the effectiveness of our internal control over financial reporting, we may be unable to report our financial results accurately or in a timely manner and we may be subject to sanctions or investigation by regulatory authorities, such as the SEC. As a result, there could be a negative reaction in the financial markets due to a loss of confidence in the reliability of our financial statements.

Any disruption to or failure of our information systems may negatively affect our ability to monitor and control our operations.

Our business processes, including marketing of equipment and support services, inventory and logistics, and finance largely depend upon the integrity of our information systems. We use an integrated business system for dealers in the construction or agriculture equipment business. Any disruptions to our information systems or the failure of such systems to operate as expected may adversely affect our operating results by limiting our ability to effectively monitor and control our operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Equipment Stores

We currently operate 112 agricultural and construction equipment stores in the United States and Europe, including three outlet stores, in the following locations. Certain stores (those designated with an *) are included in the Agriculture segment but also sell some construction equipment.

Agriculture Segment (67 in United States)

North Dakota (14 stores)		Minnesota (14 stores, including 1 outlet)	
Arthur	Lidgerwood	Ada	Moorhead
Casselton	Lisbon	Albert Lea*	Moorhead (outlet)
Grand Forks*	Mandan*	Crookston*	Pipestone
Jamestown	Mayville	Elbow Lake	Redwood Falls
Kintyre	Wahpeton (2 stores)	Fergus Falls	Roseau
Kulm	Wishek	Graceville	Thief River Falls
Lamoure		Marshall*	Winger
Nebraska (13 stores)		South Dakota (13 stores)	
Broken Bow	Kearney*	Aberdeen (2 stores)*	Miller
Fremont	Lexington*	Bowdle	Pierre*
Grand Island (2 stores)*	McCook	Britton	Platte
Hastings	North Platte*	Highmore	Redfield
Holdrege	Ord	Huron	Sioux Falls*
Imperial	Wahoo	Milbank	Watertown

Iowa (13 stores, including 1 outlet)

Anthon	Kingsley
Avoca	Le Mars
Blairstown	Pella
Center Point*	Sioux City (outlet)
Cherokee	Waverly
Greenfield	Williams
Grundy Center	

Construction Segment (29 in United States)

North Dakota (6 stores)

Bismarck	Minot
Dickinson	Williston
Fargo (2 stores)	

Minnesota (3 stores)

Duluth	Shakopee
Rogers	

Colorado (4 stores)

Colorado Springs	Fort Collins
Denver	Windsor

Arizona (2 stores)

Phoenix	Tucson

South Dakota (2 stores)

Rapid City	Sioux Falls

New Mexico (1 store)

Albuquerque

Montana (3 stores)

Billings	Missoula
Great Falls	

Iowa (3 stores)

Davenport	Sioux City
Des Moines	

Wyoming (2 stores)

Casper	Gillette

Nebraska (2 stores)

Lincoln	Omaha

Wisconsin (1 store)

La Crosse

International Segment (16 in Europe)

Europe (16 stores)

Burgas, Bulgaria	Cluj Napoca, Romania
Dobrich, Bulgaria	Constanta, Romania
Montana, Bulgaria	Oradea, Romania
Pleven, Bulgaria	Roman, Romania
Ruse, Bulgaria	Timisoara, Romania
Sofia, Bulgaria	Novi Sad, Serbia
Stara Zagora, Bulgaria	Kiev, Ukraine
Bucharest, Romania	Vinnitsa, Ukraine

Our Agriculture stores are generally located in rural areas on property zoned for commercial use and typically range from 10,000 to 60,000 square feet with three to 20 acres of land. Our Construction stores are generally located within city limits in designated industrial parks or areas of similar use and typically range from 10,000 to 25,000 square feet with three to ten acres of land. Our International stores generally range from 2,000 to 20,000 square feet with 1 to 15 acres of land. We fully utilize the leased space for each of our stores and believe the respective square footage and related acreage is adequate to meet our current and anticipated needs.

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Store Lease Arrangements

As of January 31, 2014, we leased 143 properties for stores and storage facilities under operating lease agreements which expire at various dates through January 2029. We do not intend to own significant amounts of real estate. Therefore, we anticipate that when we need real estate, including as part of acquiring dealerships, we will lease such real estate from third parties, which may include affiliates of our investors, directors or management. We intend for the terms of all of our leases to be commercially reasonable.

Our store lease agreements contain lease periods primarily ranging from automatically renewable month-to-month terms to 15 years in length. Certain of the lease agreements contain terms such as an option to purchase the property at fair value, renew or extend the lease for an additional period at the conclusion of the original lease term or automatically renew the lease term at the conclusion of the original lease period on a month-to-month or year-to-year basis. A majority of the leases provide for fixed monthly rental payments and require us to pay the real estate taxes on the properties for the lease periods. All of the leases require that we maintain public liability and personal property insurance on each of the leased premises, and a majority of the leases require us to indemnify the lessor in connection with any claims arising from the leased premises during our occupation of the property. Most of the leases prohibit us from assigning the lease agreements or subletting the leased premises without the prior written consent of the lessor. In most of our leases, we have been granted a right of first refusal or other options to purchase the property.

As part of our due diligence review prior to a dealership acquisition, we evaluate the adequacy, suitability and condition of the related real estate. Our evaluation typically includes a Phase I environmental study, and if deemed necessary, a Phase II environmental study, of the real property to determine whether there are any environmental concerns. If any environmental concerns exist, we generally require that such concerns be addressed prior to acquisition of the dealership.

We leased one store property pursuant to an operating lease from C.I. Farm Power, Inc., a company affiliated with Peter Christianson, our President and Director, during each of the years ended January 31, 2014, 2013 and 2012. The lease expires on July 31, 2018, subject to the right of either party to terminate upon 60 days' written notice, We also lease buildings from Dealer Sites, LLC ("Dealer Sites"), an entity in which a minority position is owned by an entity affiliated with David Meyer, the Company's Board Chair and Chief Executive Officer, Peter Christianson, the Company's President and a director, and certain other Christianson family members. An entity affiliated with Tony Christianson, one of the Company's directors, formerly held a minority interest in Dealer Sites, LLC until December, 2012. During the years ended January 31, 2013 and 2012, Dealer Sites was deemed to be a related party, however, as of January 31, 2013 and throughout the year ended January 31, 2014, Dealer Sites was not deemed to be a related party as total related party ownership in the entity was less than 10%. The Company leased 48 buildings pursuant to different operating lease agreements with Dealer Sites, LLC ("Dealer Sites") as of January 31, 2013. We do not believe the terms of our leases with entities affiliated with Mr. Meyer and Mr. Peter Christianson are any less favorable to us than could be obtained in an arm's length transaction with an unrelated party.

Headquarters

We currently lease and occupy approximately 48,000 square feet in West Fargo, North Dakota for our headquarters, which lease expires on January 31, 2028. We continually review our location needs, including the adequacy of our headquarters space, to ensure our space is sufficient to support our operations. We believe there is ample opportunity for expansion in the West Fargo area if necessary.

ITEM 3. 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. Management believes the resolution of other legal matters will not have a material effect on our financial condition or results of operation, although no assurance can be given with respect to the ultimate outcome of any such actions. Furthermore, there can be no assurance that our insurance will be adequate to cover all liabilities that may arise out of claims brought against us. We are not currently a party to any material litigation.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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EXECUTIVE OFFICERS OF THE REGISTRANT

The names, ages and positions of our executive officers are as follows:

Name	Age	Position
David Meyer	60	Board Chair and Chief Executive Officer
Peter Christianson	57	President and Director
Mark Kalvoda	42	Chief Financial Officer

David Meyer is our Board Chair and Chief Executive Officer. Mr. Meyer was a founder of our Company in 1980 and has been a director and officer of our Company since its creation. From 1976 to 1980, Mr. Meyer was a partner in a Case and New Holland dealership with locations in Lisbon and Wahpeton, North Dakota.

Peter Christianson has been our President and a director since January 2003. He was also our Chief Operating Officer from April 2011 to July 2013, and was our Chief Financial Officer from August 2007 to April 2011. Prior to joining us and since 1988, he was a partner and owner of C.I. Farm Power, Inc., the operator of two of the dealership locations acquired by Titan Machinery LLC in 2002. Peter Christianson and Tony Christianson, one of our directors, are brothers.

Mark Kalvoda became our Chief Financial Officer in April 2011 and previously served as our Chief Accounting Officer since September 2007. Prior to joining us, he held various positions between 2004 and 2007 at American Crystal Sugar Co., including Corporate Controller, Assistant Secretary and Assistant Treasurer. Prior to working for American Crystal Sugar Co., he served in various financial positions within Hormel Foods Corporation.

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PART II
ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES
Market Information
Our common stock began trading on December 6, 2007 on the Nasdaq Global Market under the symbol "TITN" in connection with our initial public offering and began trading on the Nasdaq Global Select Market in January 2009. The following table sets forth, for the periods indicated, the high and low sale prices of our common stock as reported by the Nasdaq Global Select Market.

	High	Low
Fiscal 2014		
First Quarter	$32.00	$20.60
Second Quarter	24.00	18.68
Third Quarter	19.64	15.75
Fourth Quarter	18.96	14.19
Fiscal 2013		
First Quarter	$36.92	$23.58
Second Quarter	36.70	25.01
Third Quarter	30.32	19.07
Fourth Quarter	29.87	19.77

As of April 4, 2014, there were approximately 817 record holders of our common stock, excluding holders whose stock is held either in nominee name and/or street name brokerage accounts.
DIVIDENDS
We have not historically paid any dividends on our common stock and do not expect to pay cash dividends on our common stock in the foreseeable future. Payment of future cash dividends, if any, will be at the discretion of our board of directors after taking into account various factors, including our financial condition, operating results, current and anticipated cash needs, outstanding indebtedness and plans for expansion and restrictions imposed by lenders, if any. Currently, our Credit Agreement with the Wells Fargo Bank Syndicate restricts our ability to make certain cash payments, including cash dividends, except that we are permitted to pay cash dividends in an amount not to exceed 50% of consolidated net income for the then trailing four quarters, so long as no default or event of default exists prior to or immediately following such action or otherwise results from such action.
UNREGISTERED SALES OF EQUITY SECURITIES
We did not have any unregistered sales of equity securities during the fiscal quarter ended January 31, 2014.
SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS
For information on our equity compensation plans, refer to Item 12, "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters."
REPURCHASES
We did not engage in any repurchases of our Common Stock during the fiscal quarter ended January 31, 2014.

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STOCK PERFORMANCE GRAPH

The following graph compares the cumulative total return for the last trading day of our last five fiscal years on a $100 investment (assuming dividend reinvestment) on January 31, 2008, the last trading day before our fifth preceding fiscal year, in each of our Common Stock, the Russell 2000 Stock Index and the S&P Retailing Group Index.

	January 31,						
	2008	2009	2010	2011	2012	2013	2014
Titan Machinery Inc.	$100.00	$61.59	$66.87	$147.03	$150.12	$175.42	$98.91
Russell 2000 Index	100.00	62.18	84.40	109.53	111.15	126.47	158.54
S&P 500 Retail Index	100.00	61.37	93.86	117.60	130.94	164.86	204.89

ITEM 6. SELECTED FINANCIAL DATA

The data given below as of and for each of the five years in the period ended January 31, 2014, has been derived from our Audited Consolidated Financial Statements. In order to understand the effect of accounting policies and material uncertainties that could affect our presentation of financial information, such data should be read in conjunction with our Consolidated Financial Statements and Notes thereto included under Item 8 to this Form 10-K and in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operation included under Item 7 to this Form 10-K.

We have a history of growth through acquisitions, which have had a significant impact on the comparability of our statement of operations and balance sheet information. In addition to acquisitions, our store count is also impacted by new store openings and store closings. The table below summarizes the net change in our store count and ending store count for each fiscal year presented.

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	Year Ended January 31,				
	2014	2013	2012	2011	2010
	(in thousands, except per share data)				
Statement of Operations Data:					
Revenue					
Equipment	$1,722,738	$1,763,877	$1,303,900	$855,443	$643,186
Parts	275,750	242,368	201,404	140,982	119,509
Service	149,082	127,779	103,474	74,506	58,983
Rental and other	78,876	64,396	50,214	23,558	17,103
Total Revenue	2,226,446	2,198,420	1,658,992	1,094,489	838,781
Cost of Revenue					
Equipment	1,576,246	1,600,233	1,171,618	773,060	578,411
Parts	192,199	169,164	140,096	100,281	83,219
Service	54,608	45,748	37,236	27,767	21,615
Rental and other	55,319	43,914	34,581	18,813	14,441
Total Cost of Revenue	1,878,372	1,859,059	1,383,531	919,921	697,686
Gross Profit	348,074	339,361	275,461	174,568	141,095
Operating Expenses	291,202	247,557	193,860	130,541	108,998
Impairment	9,997	—	—	—	—
Income from Operations	46,875	91,804	81,601	44,027	32,097
Other Income (Expense)					
Interest and other income	2,109	1,654	1,643	1,794	1,843
Interest expense	(30,555)	(22,762)	(9,670)	(8,584)	(6,948)
Income Before Income Taxes	18,429	70,696	73,574	37,237	26,992
Provision for Income Taxes	(10,325)	(28,137)	(29,429)	(14,895)	(11,255)
Net Income Including Noncontrolling Interest	8,104	42,559	44,145	22,342	15,737
Less: Net Income (Loss) Attributable to Noncontrolling Interest	(747)	86	(15)	—	—
Net Income Attributable to Titan Machinery Inc.	$8,851	$42,473	$44,160	$22,342	$15,737
Net Income Attributable to Titan Machinery Inc. Common Stockholders	$8,722	$42,030	$43,751	$22,110	$15,613
Earnings per Share					
Basic	$0.42	$2.02	$2.21	$1.25	$0.89
Diluted	$0.41	$2.00	$2.18	$1.23	$0.88
Weighted average shares outstanding					
Basic	20,894	20,787	19,809	17,658	17,593
Diluted	21,040	20,987	20,110	17,961	17,828

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	January 31, 2014 (in thousands)	2013	2012	2011	2010
Balance Sheet Data:					
Cash	$74,242	$124,360	$79,842	$76,112	$76,185
Receivables	97,894	121,786	82,518	44,945	22,254
Inventories	1,075,978	929,216	748,047	429,844	347,580
Prepaid expense	24,740	8,178	2,108	1,003	1,009
Income tax receivable	851	503	3,140	—	1,595
Deferred income taxes	13,678	8,357	5,370	3,247	2,266
Total current assets	1,287,383	1,192,400	921,025	555,151	450,889
Goodwill and intangibles, net	36,501	44,992	35,197	23,125	15,057
Property and equipment	228,000	194,641	126,282	65,372	46,604
Other assets	12,764	12,041	5,568	5,198	2,262
Total Assets	$1,564,648	$1,444,074	$1,088,072	$648,846	$514,812
Accounts payable	$23,714	$28,282	$28,424	$15,957	$12,352
Floorplan payable (1)	750,533	689,410	552,428	320,801	249,872
Current maturities of long-term debt	2,192	10,568	4,755	4,207	7,218
Customer deposits	61,286	46,775	49,540	28,180	12,974
Accrued expenses	36,968	29,590	26,735	16,816	9,870
Income taxes payable	344	310	—	2,093	—
Total current liabilities	875,037	804,935	661,882	388,054	292,286
Senior convertible notes	128,893	125,666	—	—	—
Long-term debt, less current maturities	95,532	56,592	57,405	33,409	21,852
Deferred income taxes	47,329	47,411	28,592	9,012	6,356
Other long-term liabilities	6,515	9,551	2,854	3,814	3,794
Total stockholders' equity (2)	411,342	399,919	337,339	214,557	190,524
	$1,564,648	$1,444,074	$1,088,072	$648,846	$514,812
(1) Portion of floorplan payable balance which is interest-bearing as of January 31	56 %	61 %	52 %	52 %	51 %

(2) Company's follow-on offering resulted in an increase in total stockholders' equity of $74,898 in fiscal 2012.

	2014	2013	2012	2011	2010
Acquisition and Store Count Data					
Net change in store count during fiscal year	2	24	15	6	9
Store count at end of fiscal year	119	117	93	78	72

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and the related notes appearing under Item 8. Some of the information contained in this discussion and analysis or set forth elsewhere in this annual report, including information with respect to our plans and strategy for our business and expected financial results, includes forward-looking statements that involve risks and uncertainties. You should review the "Risk Factors" under Item 1A for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

BUSINESS DESCRIPTION

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 America, LLC, collectively referred to in this annual report as CNH, we are the largest retail dealer of Case IH Agriculture equipment in the world, the largest retail dealer of Case Construction equipment in North America and a major retail dealer of New Holland Agriculture and New Holland Construction equipment in the U.S. We operate our business through three reportable segments, Agriculture, Construction and International. Within each segment, we have four principal sources of revenue, new and used equipment sales, parts sales, service, and equipment rental and other activities.

The agricultural equipment we sell and service includes machinery and attachments for uses ranging from large-scale farming to home and garden use. The construction equipment we sell and service includes heavy construction and light industrial machinery for commercial and residential construction, road and highway construction and mining applications. We offer our customers a one-stop solution for their equipment needs through:

- new and used equipment sales;
- parts sales;
- repair and maintenance services; and
- equipment rental and other activities.

The new equipment and parts we sell are supplied primarily by CNH. According to public reports filed by CNH, CNH is a leading manufacturer and supplier of agricultural and construction equipment based on the number of units sold, primarily through the Case IH Agriculture, New Holland Agriculture, Case Construction and New Holland Construction brands. Sales of new CNH products accounted for approximately 78% of our new equipment revenue in fiscal 2014, with our single largest manufacturer other than CNH representing approximately 2% of our total new equipment sales. We acquire used equipment for resale through trade-ins from our customers and selective purchases. We sell parts and provide in-store and on-site repair and maintenance services. We rent equipment and provide other ancillary services such as equipment transportation, GPS signal subscriptions and finance and insurance products.

Throughout our 34-year operating history we have built an extensive, geographically contiguous network of 96 stores, including three outlet stores, located in the United States and 16 stores in Europe. We have a history of growth through acquisitions, including 51 acquisitions consisting of 109 stores operating in 11 states and three European countries since January 31, 2014. We expect that acquisitions will continue to be an important component of our growth.

Realignment in Fiscal 2015

To better align our Construction business in certain markets, in April 2014, we reduced our Construction-related headcount by approximately 12% primarily through the closing of seven underperforming Construction stores, staff reductions at other dealerships and reductions in support staff at our Shared Resource Center. The closed stores were located in Bozeman, Big Sky and Helena, Montana; Cheyenne, Wyoming; Clear Lake, Iowa; Flagstaff, Arizona; and Rosemount, Minnesota. The Company also closed our Agriculture store in Oskaloosa, Iowa and merged it with the nearby Agriculture store in Pella, Iowa. Our remaining stores in each of the respective areas will take over the distribution rights for the CNH brand previously held by the stores which have closed. We will transfer the majority of the assets of the closed stores to other stores, and will account for all exit costs related to these store closings in accordance with ASC 420, Exit or Disposal Cost Obligations. We estimate the total cost of these activities is anticipated to total approximately $4.2 million, comprised of an accrual for the net present value of remaining lease obligations, employee severance costs, impairment of certain immovable fixed assets and costs associated

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with relocation of assets from the closed stores. These expenses are expected to be recognized in the three months ended April 30, 2014.

Certain External Factors Affecting our Business

We are subject to a number of factors that affect our business as discussed in the sections entitled "Risk Factors" and "Information Regarding Forward- Looking Statements." Certain of the external factors include, but are not limited to, the following:

Industry Factors

Our Agriculture business is primarily driven by the demand for agricultural equipment for use in the production of food, fiber, feed grain and renewable energy; home and garden applications; and the maintenance of commercial, residential and government properties. Based on USDA data, we believe farmers have recently experienced historically strong economic fundamentals, driven by growing global demand for agricultural commodities in part due to growth in renewable energy and the economies of developing countries. This strong farm economy contributed significantly to our results of operations in fiscal 2014, 2013 and 2012. We believe our large and diverse customer base within our geographic footprint of five states and four European countries limits our exposure to negative events that may occur in a particular area or crop. Additionally, we believe that acquisition opportunities will continue to be strong.

Our Construction business is primarily impacted by the demand for construction equipment for use in private and government commercial, residential and infrastructure construction; demolition; maintenance; mining; energy and forestry operations. CNH and industry reports show that demand for construction equipment in our markets is driven by several factors, one of which is public infrastructure spending, including roads and highways, sewer and water. Any growth in federal allocations to public infrastructure spending over the next few years should positively impact our future results of operations. Likewise, any decline in federal allocations to public infrastructure spending over the next few years should negatively impact our future results of operations. To address the uncertainty of the construction industry, we expect to continue our focus on the agriculture industry and acquisition opportunities to establish additional locations in the markets where we believe the local construction industry will maintain its current level or grow.

Seasonality & Weather

The agricultural and construction equipment businesses are highly seasonal, which causes our quarterly results and our available cash flow to fluctuate during the year. Farmers generally purchase agricultural equipment in preparation for, or in conjunction with, the spring planting and fall harvesting seasons. In addition, the fourth quarter typically is a significant period for equipment sales in the U.S. because of our customers’ year-end tax planning considerations, the timing of dealer incentives and the increase in availability of funds from completed harvests.

Seasonal weather trends, particularly severe wet or dry conditions, can have a significant impact on regional agricultural and construction market performance by affecting crop production and the ability to undertake construction projects. Weather conditions that adversely affect the agricultural or construction markets have negative effect on the demand for our products and services.

In addition, numerous external factors such as credit markets, commodity prices, and other circumstances may disrupt normal purchasing practices and buyer sentiment, further contributing to the seasonal fluctuations.

Macroeconomic Conditions

Sales of agricultural equipment historically have fluctuated with general farm economic trends, primarily driven by net farm income. Significant factors that affect net farm income include demand for farm products, commodity and livestock prices, crop yields, crop stock levels, and production costs. We use the USDA’s periodic reports of actual and projected net farm income, as well as information on commodity prices and crop yields in the U.S. and worldwide, to analyze and anticipate the impact of our customers’ sentiment on their purchasing trends. Decreases in actual or anticipated net farm income, or in any of the significant components of net farm income, generally cause decreases in equipment revenue. Net farm income has been strong and increasing in many of the recent years, however, in February 2014, the U.S. Department of Agriculture published its projection of a decrease in net farm income from calendar year 2013 to 2014, which may have a negative impact on our equipment revenue in fiscal 2015.

Sales of construction equipment historically have fluctuated with general economic cycles. During economic downturns, construction equipment retailers tend to experience similar periods of decline and recession as the general economy. The U.S. Bureau of the Census publishes periodic reports of new residential construction by region in the U.S., which we use to analyze general economic trends in the regions in which we operate and anticipate our customers' purchasing and rental trends. Decreases in new residential construction generally cause decreases in our equipment revenue.

During economic downturns, and especially in the agriculture industry, equipment revenue generally decreases but parts and service revenue tend to be stable or even increase as the amount of land in production is unchanged because farmers may use existing equipment rather than purchasing new equipment. Gross profit margins on equipment are lower than gross profits on parts and service. As a result, this change in mix may cause our gross profit margin to increase even though our overall gross profit dollars may decrease along with the decrease in equipment revenue. Our operating expenses are largely fixed expenses, other than commissions which generally fluctuate with gross profit. When equipment revenue decreases, it may have a negative impact on our ability to leverage these fixed costs, and, as a result, may reduce our operating income.

In addition, oversupply of equipment inventory in the industry, caused by either depressed equipment sales or over-production by suppliers, may have a negative impact on our operating results, particularly equipment gross profit margin.

Dependence on our Primary Supplier

The majority of our business involves the distribution and servicing of equipment manufactured by CNH. In fiscal 2014, CNH supplied approximately 79% of the new equipment sold in our Agriculture segment, 73% of the new equipment sold in our Construction segment, and 71% of the new equipment sold in our International segment, and represented a significant portion of our parts revenue. Thus, we believe the following factors have a significant impact on our operating results:

- CNH's product offerings, reputation and market share
- CNH's product prices and incentive and discount programs
- Supply of inventory from CNH
- CNH provides floorplan payable financing for the purchase of a substantial portion of our inventory
- CNH provides a significant percentage of the financing used by our customers to purchase CNH equipment from us.

Credit Market Changes

Changes in credit markets can affect our customers' ability and willingness to make capital expenditures, including purchasing our equipment. Tight credit markets, a low level of liquidity in many financial markets, and extreme volatility in fixed income, credit, currency and equity markets have the potential to adversely affect our business. Such disruptions in the overall economy and financial markets and the related reduction in consumer confidence in the economy, slow activity in the capital markets, negatively affect access to credit on commercially acceptable terms, and may adversely impact the access of us or our customers to credit and the terms of any such credit. However, if retail interest rates remain low, our business may be positively affected by customers who find financing purchases of our equipment more attractive due to lower borrowing costs.

Our business is also particularly dependent on our access to credit markets to finance acquisitions and manage inventory. Continued tightened lending standards may make it more difficult for us to obtain financing on commercially reasonable terms. We cannot predict what future changes will occur in credit markets or how these changes will impact our business.

Inflation

Inflation has not had a material impact upon operating results and we do not expect it to have such an impact in the future. To date, in those instances in which we have experienced cost increases, we have been able to increase selling prices to offset such increases. However, our business may be affected by inflation and we may not be able to continue to increase our selling prices to offset increased costs and remain competitive.

Acquisitions

Since January 1, 2003, we have completed 51 acquisitions consisting of 109 stores operating in 11 states and three European countries, which includes two stores in fiscal 2014, 24 stores in fiscal 2013 and 15 stores in fiscal 2012. These acquisitions have been the most significant factor affecting our results of operations and liquidity over the last several years, as noted in the period-to-period comparisons below. We expect that acquisitions will continue to be an important component of our growth. Acquisitions are typically financed with floorplan payables, long-term debt and available cash balances. Although we cannot quantify the impact of any such potential acquisitions, we believe the nature of their impact on our financial statements to be similar to that experienced with our prior acquisitions as noted in our discussions of period comparisons.

Critical Accounting Policies and Estimates

During the preparation of our financial statements, we are required to make estimates, assumptions and judgments that affect reported amounts. These estimates, assumptions and judgments include those related to realization of inventory, initial valuation and impairment analyses of goodwill and other intangible assets, collectability of receivables and income taxes. We

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update these estimates, assumptions and judgments as appropriate, which in most cases is at least quarterly. We use our technical accounting knowledge, cumulative business experience, judgment and other factors in the selection and application of our accounting policies. While we believe the estimates, assumptions and judgments we use in preparing our financial statements are appropriate, they are subject to factors and uncertainties regarding their outcome and therefore, actual results may materially differ from these estimates. We believe the following are our primary critical accounting policies and estimates.

Revenue Recognition

Equipment revenue generally is recognized upon receipt of a signed contract and delivery of product to customers. However, in certain circumstances customers request a bill and hold arrangement, in which case equipment revenue is recognized before delivery occurs. Under these bill and hold arrangements, the equipment is available for shipment, the Company has fulfilled all of its pre-delivery performance obligations and received a signed sales contract, and the customer has completed and signed a bill and hold agreement. Credit terms on bill and hold arrangements are consistent with credit terms on all other equipment sales. Parts revenue is recognized upon delivery of product to customers. Service revenue is recognized at the time the related services are provided. Rental revenue is recognized over the period of the related rental agreement. In addition to outright sales of new and used equipment, certain rental agreements may include rent-to-purchase options. Under these agreements, customers are given a period of time to exercise an option to purchase the related equipment, with a portion of the rental payments being applied to reduce the purchase price. Payments received during the rental period are recorded as rental revenue. Any such equipment is included in inventory until the purchase option is exercised, and the carrying value of the equipment is reduced in accordance with our Inventories policies. Equipment revenue is recognized upon the exercise of the purchase option.

Inventories

New and used equipment are stated at the lower of cost (specific identification) or market value with adjustments for decreases in market value on inventory rented but available for sale, estimated as a percentage of the rental income received on such inventory. All new and used equipment inventories, including that which has been rented, are subject to periodic lower of cost or market evaluation that considers various factors including aging of equipment and market conditions. Equipment inventory values are adjusted whenever the carrying amount exceeds the estimated market value. Parts inventories are valued at the lower of average cost or market value. An estimate of parts inventories not expected to be sold in the next year has been reported separately, which is based on historical sales of parts on hand. We estimate a reserve on our parts inventories based on various factors including aging and sales of each type of parts inventory. Work in process is valued at the retail rates of labor incurred and retail parts inventories used on service work in process at year end.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets, including identifiable intangible assets, of the businesses acquired. Goodwill is not amortized, but is tested for impairment annually, or more frequently upon the occurrence of certain events or when circumstances indicate that impairment may be present. We perform our annual impairment test as of the end of our fiscal year.

Goodwill is tested for impairment at the reporting unit level. A reporting unit is defined as an operating segment or one level below an operating segment (referred to as a component). A component of an operating segment is a reporting unit if the component constitutes a business for which discrete financial information is available and segment management regularly reviews the operating results of that component. We identified four reporting units which carried a goodwill balance prior to impairment recorded in the current year: the Agriculture operating segment, the Construction operating segment, and the Romanian and Serbian components within the International operating segment. The carrying value of goodwill within our Serbian reporting unit is not material to our financial statements.

The goodwill impairment analysis is performed under a two-step impairment model. Step one of the analysis compares the estimated fair value of a reporting unit to its carrying value. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired and the second step of the impairment test is unnecessary. However, if the carrying amount of a reporting unit exceeds its fair value, the second step of the impairment test is performed to measure the amount of impairment, if any. The second step measures the amount of impairment loss, if any, by comparing the implied fair value of goodwill, which is estimated by comparing the

estimated fair value of the reporting unit to the fair value of the underlying assets and liabilities of the reporting unit. An impairment charge is recognized for any excess of the carrying value of goodwill over the implied fair value.
We estimate the fair value of our reporting units using both a market approach in which we apply multiples of earnings before interest, taxes, depreciation and amortization of comparable guideline public companies to that of our reporting units, and an income approach in which we utilize a discounted cash flow analysis which includes a five-year forecast of future operating performance for each of the reporting units and a terminal value which estimates sustained long-term growth. The

discount rate applied to the estimated future cash flows reflects our estimate of the weighted-average cost of capital of comparable companies.

We performed our annual impairment test as of the end of our fiscal year and concluded that no impairment was present for our Agriculture reporting unit. The estimated fair value of this reporting unit substantially exceeded the carrying value. Step one of our analysis for our Construction and Romanian reporting units indicated that the estimated fair value of the reporting unit was less than the carrying value, and thus we performed step two of the impairment test. The results of step two of the impairment analysis indicated that a full impairment charge of the goodwill value for each reporting unit was necessary. As a result, we recognized an impairment charge in the fourth quarter of fiscal 2014 of $5.3 million and $0.9 million of the goodwill associated with the Construction and Romanian reporting units, respectively.

Our estimates of the fair value of our reporting units incorporated certain key assumptions, including estimated revenue growth, gross margin and operating expense levels, working capital investments required to support anticipated revenue growth, capital spending trends, our estimate of long-term sustained growth, and the discount rate applied to the estimated future cash flows.

The impairment charges recognized in the fourth quarter of fiscal 2014 within our Construction and Romanian reporting units arose as the result of lowered expectations of future financial performance of these reporting units and a lower market capitalization for our company as a whole. Our assumptions about future financial performance was impacted by the current year operating performance and by the anticipated impact that challenging industry conditions existing as of the assessment date and anticipated to be present over the near-term may have on the future financial performance of these reporting units.

Indefinite-Lived Intangible Assets

Intangible assets with an indefinite life consist of distribution rights with manufacturers. We classify distribution rights as an indefinite-lived intangible asset because our distribution agreements continue indefinitely by their terms, or are routinely awarded or renewed without substantial cost to us or material modifications to the underlying agreements. As such, we believe that our distribution rights intangible assets will contribute to our cash flows for an indefinite period; therefore, the carrying amount of distribution rights is not amortized, but is tested for impairment annually, or more frequently upon the occurrence of certain events or when circumstances indicate that impairment may be present. We perform our annual impairment test as of December 31st of each year. The impairment test is performed by comparing the carrying value of the distribution right asset to its estimated fair value.

Indefinite-lived intangible assets are tested for impairment at the lowest level in which identifiable cash flows can be attributed to the asset. For our distribution rights intangible assets, we have determined that the lowest level of cash flows which can be attributed to the asset is equal to the store, or complex of stores, acquired in the business combination which resulted in the initial recognition of the intangible asset, plus any additional store locations operating within the geographical area of the distribution rights.

Under the impairment test, we estimate the fair value of our distribution rights intangible assets based on a multi-period excess earnings model, an income approach. This model allocates future estimated earnings of the store (complex) amongst working capital, fixed assets and other intangible assets of store (complex) and any remaining earnings (the “excess earnings”) are allocated to the distribution rights intangible assets. The earnings allocated to the distribution rights are then discounted to arrive at the present value of the future estimated excess earnings, which represents the estimated fair value of the distribution rights intangible asset. The discount rate applied reflects our estimate of the weighted-average cost of capital of comparable companies plus an additional risk premium to reflect the additional risk inherent in the distribution right asset.

We performed our annual impairment testing as of December 31, 2013. The results of this testing indicated that the estimated fair value of certain distribution rights assets approximated zero, thus requiring a full impairment charge. In total, we recognized an impairment charge of $1.9 million, of which $1.1 million arose from stores (complexes) within our Construction segment and $0.8 million arose from stores (complexes) within our International segment. The impairment charges recognized within our Construction and International segments arose as the result lowered expectations of the future financial performance of these stores (complexes). Our assumptions about future financial performance were impacted by the current year operating performance of these stores (complexes) and by the anticipated impact that challenging industry conditions may have on the future financial performance of these stores (complexes).

In addition, for certain other distribution rights assets, with a combined carrying value of $5.0 million, the estimated fair value did not substantially exceed the carrying value. The percentage by which the estimated fair value exceeded the carrying value for these assets averaged approximately 6.0%.

Our estimates of the fair values of these distribution rights assets incorporated certain key assumptions, including estimated revenue growth, gross margin and operating expense levels, and the discount rate applied to the estimated future earnings.

Our key assumptions were developed for each store (complex) tested for impairment and thus varied for each store (complex). We estimated compound average revenue growth over the five-year forecast period in the range of approximately 6.0% to 19.0% depending on the store (complex). Our estimate of revenue growth was developed based on our assumptions about overall industry growth in the regions in which these stores (complexes) operate as well as an estimate of market share growth expected for a store (complex). We estimated gross margin levels to be within the range of 14.0% to 20.0% depending upon the store (complex). These estimates were developed based on historical gross margin levels and our expectation of changes from such levels. We estimated operating expenses to increase in the range of 1.0% to 6.0% over the forecast period depending upon the store (complex) and the related anticipated revenue growth. The discount rate included in our analysis was approximately 23.0% and was developed based on our estimate of the weighted-average cost of capital of comparable companies plus an additional risk premium associated with the risk inherent in the distribution right asset.

Our estimates inherently include a degree of uncertainty, and these estimates could be significantly impacted by factors such as general macroeconomic or industry conditions, conditions specific to the store (complex) supporting the distribution right assets including prolonged negative weather patterns and changes in the competitive environment.

We believe that our estimates and assumptions used in deriving the fair value of each of the distribution rights assets are reasonable and based on the best information available. However, adverse changes in macroeconomic or industry conditions or adverse changes in our expectations about the future operating performance of the store (complex) supporting the distribution rights assets could result in an impairment charge in a future period which could materially impact our results of operations and financial position.

Impairment of Long-Lived Assets

Our long-lived assets consist of our property and equipment and intangible assets. We review these assets for potential impairment whenever events or circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by comparing the estimated future undiscounted cash flows of such assets to their carrying values. If the estimated undiscounted cash flows exceed the carrying value, the carrying value is considered recoverable and no impairment recognition is required. However, if the sum of the undiscounted cash flows is less than the carrying value of the asset, the second step of the impairment analysis must be performed to measure the amount of the impairment, if any. The second step of the impairment analysis compares the estimated fair value of the long-lived asset to its carrying value and any amount by which the carrying value exceeds the fair value is recognized as an impairment charge.

As of the end of our 2014 fiscal year we determined that the current period operating loss combined with historical losses and anticipated future operating losses within certain of our stores in our Construction segment was an indication that certain long-lived assets of these stores may not be recoverable. The asset types included in our assessment included immovable long-lived assets (e.g., leasehold improvements) and other assets in which it would be impracticable for us to redeploy the assets to other locations (e.g., furniture and fixtures). We performed the impairment analyses for these assets and determined that the carrying values are not recoverable based on our estimates of future undiscounted cash flows under step one of the impairment analysis. Based on this conclusion we performed step two of the impairment analysis and estimated the fair value of these assets using a discounted cash flow model. The results of our analyses indicated that a full impairment charge was necessary, and thus we recognized an impairment loss of $1.5 million, all of which impacted our Construction segment.

Income Taxes

In determining taxable income for financial statement purposes, we must make certain judgments and estimates, including an assessment of the realizability of our deferred tax assets. In evaluating our ability to realize the benefit of our deferred tax assets we consider all available positive and negative evidence, including our historical operating results and our expectation of future taxable income, the availability to implement prudent tax-planning strategies, and the carryback, if any, and carryforward periods over which the assets may be realized. These assumptions require significant judgment and estimation.

In reviewing our deferred tax assets as of the end of fiscal 2014, we concluded that a full valuation allowance for the deferred tax assets in certain of our foreign jurisdictions was warranted. In total, we recognized a valuation allowance of $1.9 million which was recorded as an additional provision for income taxes and negatively impacted our effective tax rate. This conclusion was principally based on the presence of historical losses and the anticipated time period over which we may generate taxable income in excess of these historical losses.

Our assessment of the need for and magnitude of the recognized valuation allowances may be impacted by changes in tax laws, our assumptions regarding the ability to generate future taxable income and the availability of tax-planning strategies.

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Changes in any of these factors could lead to a change in the recognized valuation allowance which may impact our future results of operations and financial position.

Business Combinations

The accounting for business combinations requires the purchase price to be allocated amongst the assets acquired, including identifiable intangible assets, and liabilities assumed based on the fair values of the acquired assets and assumed liabilities. Estimating the fair value of certain assets and liabilities requires extensive use of estimates and assumptions, including estimates of future cash flows to be generated by the acquired assets, the expected useful life of the acquired assets and the discount rate applied to the future cash flow streams. The accounting for business combinations allows the acquirer to finalize the acquisition accounting during the measurement period, which may not exceed one year from the date of acquisition. During the measurement period, the accounting for the business combination transactions may be based on estimates due to various unknown factors present at the date of acquisition.

Key Financial Metrics

In addition to tracking our sales and expenses to evaluate our operational performance, we also monitor certain key financial metrics, including dollar utilization, absorption, same-store sales and inventory turnover.

Dollar Utilization

Dollar utilization is a measurement of asset performance and profitability used in the rental industry. We calculate the dollar utilization of our rental fleet equipment by dividing the rental revenue earned on our rental fleet by the average gross carrying value of our rental fleet for that period. Our dollar utilization rate was 30.3%, 31.5% and 42.5% for fiscal years 2014, 2013 and 2012, respectively. While our rental fleet has variable expenses related to repairs and maintenance, its primary expense for depreciation is fixed. Low utilization of our rental fleet has a negative impact on gross profit margin and gross profit dollars due to the fixed depreciation component. However, high utilization of our rental fleet has a positive impact on gross profit margin and gross profit dollars.

Absorption

Absorption is an industry term that refers to the percentage of an equipment dealer's fixed operating expense covered by the combined gross margin from our parts and service and rental fleet activity. Absorption in a given period is calculated by dividing our gross profit from sales of parts, service and rental fleet activity in the period by the difference between (i) our operating expenses (including interest on floorplan payable and rental fleet debt balances) and (ii) our variable expense of sales commissions on equipment sales and incentive compensation in the same period. We believe that absorption is an important management metric because during economic down cycles our customers tend to postpone new and used equipment purchases while continuing to run, maintain and repair their existing equipment. Thus, operating at a high absorption rate enables us to operate profitably throughout economic down cycles. We measure and track absorption on a company-wide basis as well as on a per store basis. Our company-wide absorption rate was 71.2%, 77.3% and 83.5% for fiscal years 2014, 2013 and 2012, respectively.

Same-Store Results

Same-store results for any period represent results of operations by stores that were part of our company for the entire comparable period in the preceding fiscal year. We do not distinguish relocated or newly-expanded stores in this same-store analysis. Closed stores are excluded from the same-store analysis. Stores that do not meet the criteria for same-store classification are described as acquisition stores throughout the Results of Operations section in this Annual Report on Form 10-K. We believe that tracking this metric is important to evaluating the success of the Titan Operating Model on a comparable basis.

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Inventory Turnover

Inventory turnover measures the rate at which inventory is sold during the year. We calculate it by dividing cost of sales on equipment and parts for the last twelve months divided by the average of the month-end balances of our equipment and parts inventories for the same twelve-month period. Our equipment inventory turnover was 1.6, 1.9 and 2.2 for fiscal years 2014, 2013 and 2012, respectively.

Key Financial Statement Components

Revenue

Equipment. We derive equipment revenue from the sale of new and used agricultural and construction equipment.

Parts. We derive parts revenue from the sale of parts for equipment that we sell, as well as for other equipment makes. Our parts sales provide us with a relatively stable revenue stream that is less sensitive to the economic cycles that affect our equipment sales.

Service. We derive services revenue from repair and maintenance services to our customers' equipment. Our repair and maintenance services provide a high-margin, relatively stable source of revenue through changing economic cycles.

Rental and other. We derive other revenue from equipment rentals and ancillary equipment support activities such as equipment transportation, GPS signal subscriptions and reselling finance and insurance products.

Cost of Revenue

Equipment. Cost of equipment revenue is the lower of the acquired cost or the market value of the specific piece of equipment sold.

Parts. Cost of parts revenue is the lower of the acquired cost or the market value of the parts sold, based on average costing.

Service. Cost of service revenue represents costs attributable to services provided for the maintenance and repair of customer-owned equipment and equipment then on-rent by customers.

Rental and other. Costs of other revenue represent costs associated with equipment rental, such as depreciation, maintenance and repairs, as well as costs associated providing transportation, hauling, parts freight, GPS subscriptions and damage waivers, including, among other items, drivers' wages, fuel costs, shipping costs and our costs related to damage waiver policies.

Operating Expenses

Our operating expenses include sales and marketing expenses, sales commissions (which generally are based upon equipment gross profit margins), payroll and related benefit costs, insurance expenses, professional fees, property rental and related costs, property and other taxes, administrative overhead, and depreciation associated with property and equipment (other than rental equipment).

Floorplan Interest

The cost of financing inventory is an important factor affecting our results of operations. Floorplan payable financing from CNH Capital and our Credit Agreement represent the primary sources of financing for equipment inventories. CNH regularly offers interest-free periods as well as additional incentives and special offers. As of January 31, 2014, approximately 44% of our floorplan payable was non-interest bearing.

Other Interest Expense

Interest expense represents the interest on our outstanding debt instruments, including our Senior Convertible Notes issued in April 2012, other than floorplan payable financing facilities.

Results of Operations

Comparative financial data for each of our four sources of revenue for fiscal 2014, 2013, and 2012 are expressed below. The results of these periods include the operating results of the acquisitions made during these periods. The period-to-period comparisons included below are not necessarily indicative of future results. Information regarding segment revenue and income (loss) before income taxes is presented for each period following our discussion of the consolidated results of operations. During the year ended January 31, 2014, the Company determined that its International operations were a separate reportable segment. Thus, the financial information for the years ended January 31, 2013 and 2012 has been reclassified for comparability with current year presentation. Additional information regarding our segments is included in Note 19 of our audited financial statements.

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	Year Ended January 31,		
	2014	2013	2012
	(dollars in thousands)		
Equipment			
Revenue	$1,722,738	$1,763,877	$1,303,900
Cost of revenue	1,576,246	1,600,233	1,171,618
Gross profit	$146,492	$163,644	$132,282
Gross profit margin	8.5 %	9.3 %	10.1 %
Parts			
Revenue	$275,750	$242,368	$201,404
Cost of revenue	192,199	169,164	140,096
Gross profit	$83,551	$73,204	$61,308
Gross profit margin	30.3 %	30.2 %	30.4 %
Service			
Revenue	$149,082	$127,779	$103,474
Cost of revenue	54,608		