10-K – YE 1/31/2024

Notes

* USDA numbers most recent numbers estimate net farm income for 2023 to be decreased 16% from 2022.
  + 2024 estimates from USDA for calendar year 2024 show additional 25.5% decrease, but inline for average inflation adjusted net income for previous 20 years.
* Inflation: leading to rising inventory, supply and labor costs.
* 47.9% of floorplan payable financing is non-interest bearing.
* Key Financial Metrics:
  + Inventory Turnover: 2.20, down from 3.3x in fiscal 2023. Driven mainly by 2023 being low-inventory from allocation restrictions from suppliers.
  + Same-store results: 10.1% increase, driven by equipment sales from improved availability of inventory. Parts increase as well.
  + Absorption: 79.2% (82.7% prior), impacted by rise in floorplan interest expenses (2023).
  + Dollar utilization: 29.3% (down from 30.2%)
* Ag Revenue:
  + Increase 27.6%, driven mainly by acquisitions of Heartland Companies (8/22) and Pioneer (2/23).
* Construction Revenue:
  + Increase 7.8%.
  + Income before taxes was down $0.3M to $18.3M – decline from $1.4M gain on consumer products store in 2023 which inflated that years results.
  + Dollar utilization Decreased to 29.3%.
* Nothing significant from Australia/Europe.
* Liquidity
  + Cash reserves, cash from operations, borrowings on floorplan and other facilities.
    - Equipment purchase floorplan: $1.4B
      * $875M: CNH Ind. Capital
      * $275M: Bank Syndicate
      * $80M: DLL Finance
  + Inventory Turnover 2.2x
    - Inventory balance increased 104.4%
    - Equity in inventory decreased – mainly stocking new equipment as availability has improved as well as drawing on Bank Syndication note for O’Connors acquisition.
  + Capital Resources
    - 2025 Cash uses Expectations:
      * $10.0 million in cash for rental fleet purchases.
      * $50.0 million for property and equipment, exclusive of rental fleet purchases cash expenditures for our rental fleet for fiscal 2025 to be approximately $10.0 million.
    - 2024 Cash uses:
      * $10.8 million in cash for rental fleet purchases.
      * $51.5 million in cash for property and equipment purchases
        + primarily related to improvements to, or purchases of, real estate assets and the purchase of vehicles.
      * Financed $17.9 million in property and equipment purchases with long-term debt and finance leases.
    - 2023 Cash uses:
      * $10.0 million in cash for rental fleet purchases
      * $27.2 million in cash for property and equipment purchases
        + primarily related to the purchase of vehicles, trucks and real estate.
      * Financed $6.4 million in property and equipment purchases with long-term debt.
* Notes to consolidated statements:
  + Advertising Costs:
    - 24: $3.1M
    - 23: $2.9M
    - 22: $2.5M