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Titan Machinery Lays a Rotten Egg

Michael Markowski Follow | *Thursday, 17 March 2016 23:31 (EST)*

Titan Machinery was one of "Two Ripe Perfect Shorts" last week.

A week ago I reiterated my recommendations to sell the shares of both **Titan Machinery (TITN)** and **Conn's (CONN)** in my "Two Ripe Perfect Shorts" report. Titan Machinery laid a rotten egg when it reported it preliminary earnings last night after the close. Share price decline today will likely put Titan at top of leader board.

Titan Machinery reported net losses of $1.25 per share as compared to its year earlier net loss of $0.09 per share for its fiscal year ended January 31, 2016. For its fourth quarter Titan Machinery's net loss was $1.31 per share. This compared to a net loss 0.20 per share for its fourth quarter ended January 31, 2015. The consensus analyst estimates were for a loss of $0.10 for its fourth quarter and a loss of $0.06 for its fiscal year ended January 31, 2016.

For the full year ended January 31, 2016, Titan is expecting its revenue to be approximately $1.37 billion compared to $1.90 billion for its last fiscal year ended January 31, 2015. The consensus analyst revenue estimate for fiscal 2016 is $1.4 billion. Fiscal 2016 is the second consecutive year that Titan's Revenue has declined after revenue hit an all-time high for the fiscal year ending January 31, 2014. The company is forecasting that for its fiscal year ending 2017 its revenue will decline for its third consecutive year.

Titan Machinery attributed $27 million of its $37 million of losses or $0.77 per diluted share to an inventory impairment charge due to its having to market "certain aged equipment inventory through alternative channels rather than its normal retail channels". The company's taking a charge for an inventory impairment charge confirms what I said below in yesterday's report:

"Since Titan's portion or ratio of used equipment to new equipment has been increasing, they soon will have no choice but to begin selling the used equipment in their inventories. As soon as this happens, which will likely be in 2016, Titan's losses will become much more pronounced."

I predict that Titan Machinery's reporting of losses from inventory markdowns have only just begun. Based on the company's total net inventory of $689 million at the end of 2016 as compared to $813 million at the end of its third fiscal quarter ended October 31, 2015, its impairment charge of $27 million is equivalent to a 20% haircut. Since Titan had $689 million in remaining inventory at January 31, 2016, it could easily generate an additional $50 million to $100 million of losses from the sales of its inventory at discounts or take additional impairment charges during fiscal 2017. Titan does not disclose a breakdown or mix for its new and used equipment inventories in its SEC filings. This makes it very difficult to analyze what percentage of the company's inventory is subject to a haircut.

The reporting of large unexpected losses by Titan Machinery are normal for a perfect short before it makes its descent into oblivion. Finally, the upgrade by a Robert W. Baird analyst on March 4, 2016 to "outperform" is par for the course and is a must for a company to be deemed a "perfect short".

My March 2016 report, "Ridding World of Negative Rates May Require Meltdown of Income-Producing Assets", provides the rational or math which supports a decline of the S&P 500 by more than 50% to 925 by the end of 2017 or early 2018 as compared to the index's May 2015 all-time high of 2,130. I believe that such a decline could be possible if the world's negative interest rates are not exterminated. Should such a decline unfold, it would be almost impossible for Titan or Conn's to survive since both are highly dependent on having access to capital to survive.

The video "Titan Machinery is a Perfect Short" explains why negative operating cash flow and record earnings are the root of a perfect short is recommended:

Titan Machinery (TITN), a Perfect Short

My predictions are frequently ahead of the curve. The September 2007 predictions in my column stated that share-price collapses of the five major brokers, including Lehman and Bear Stearns, were imminent. While accurate, they proved to be premature. That is the reason I advised readers to get out a second time in my January 2008 column entitled, "Brokerages and the Sub-Prime Crash". My third and final warning to get out, and stay out, occurred in October of 2008 after Lehman had filed for bankruptcy. For my article "The Carnage for Financials Isn't Over" I reiterated that share prices for the two remaining public companies continued to be too high. By the end of November 2008 share prices of both Goldman and Morgan Stanley had fallen by an additional 60% and 70%, respectively — new all-time lows.

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AMZN Amazon.com Inc.	$3,162.24	▲$81.57	▲2.65%
HD Home Depot Inc. (The)	$281.58	▲$6.66	▲2.42%
JPM JP Morgan Chase & Co.	$102.94	▼$0.88	▼-0.85%

nemesis. Since they leverage hype to the hilt, they reel in many unsuspecting investors who drink their cool-aid. Their sudden share price crashes and bankruptcies produce catastrophic financial consequences that undermine the confidence investors have in the stock market. Please see "The Discovery and Defining of a 'Perfect Short'".

About Dynasty Wealth Investing

Dynasty Wealth Investing is an exclusive investing community, which was co-founded by Michael Markowski. He is predicting that the decade ending 2020 will be recorded by historians as having been the best ever for investors to build dynasty wealth of 10- to 100-times investment from a diversified portfolio. The 6-minute video below about Dynasty Wealth provides details about Dynasty Wealth's investment philosophy and its analysts. It also covers the industries and companies that have the potential to increase by 100% per year and by 10- to 100-times in value within five years.

Additional videos about producing dynasty wealth are available at http://www.dynastywealth.com/video.php. In-depth information about Michael Markowski and his past and current predictions is available at www.michaelmarkowski.net.

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The Boeing Company

Symbol	Price	Change	% Change
WMT Walmart Inc.	$131.89	▲$1.69	▲1.30%
DIS The Walt Disney Company	$131.79	▲$1.30	▲1.00%
GOOG Alphabet Inc.	$1,506.62	▲$26.30	▲1.78%
XOM Exxon Mobil Corporation	$44.09	▼$0.01	▼-0.02%
BRK.A Berkshire Hathaway Inc.	$319,999.99	▲$620.00	▲0.19%
FB Facebook Inc.	$259.89	▲$3.76	▲1.47%
JNJ Johnson & Johnson	$149.66	▲$2.69	▲1.83%
WFC Wells Fargo & Company	$25.19	▼$0.13	▼-0.51%
T AT&T Inc.	$30.18	▼$0.02	▼-0.07%
NFLX Netflix Inc.	$475.47	▲$8.54	▲1.83%
TSLA Tesla Inc.	$1,554.76	▲$180.37	▲13.12%
V Visa Inc.	$198.74	▲$0.97	▲0.49%
UNH UnitedHealth Group Incorporated (DE)	$322.27	▲$6.72	▲2.13%
PG Procter & Gamble Company (The)	$135.46	▲$2.23	▲1.67%