

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **August 23, 2012**

**THE TORO COMPANY**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State of Incorporation)

**1-8649**  
(Commission File Number)

**41-0580470**  
(I.R.S. Employer Identification Number)

**8111 Lyndale Avenue South**  
**Bloomington, Minnesota**  
(Address of principal executive offices)

**55420**  
(Zip Code)

Registrant's telephone number, including area code: **(952) 888-8801**

**Not Applicable**

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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**Section 2 — Financial Information**

**Item 2.02 Results of Operations and Financial Condition.**

On August 23, 2012, The Toro Company announced its earnings for the three and nine months ended August 3, 2012.

Attached to this Current Report on Form 8-K as Exhibit 99.1 is a copy of the Company's press release in connection with this announcement. The information in this Item 2.02, including the exhibit attached hereto, is furnished pursuant to Item 2.02 and shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except as shall be expressly set forth by specific reference in such filing.

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**Section 9 — Financial Statements and Exhibits**

**Item 9.01 Financial Statements and Exhibits**

(d) Exhibits.

| <u>Exhibit No.</u> | <u>Description</u>  |
|--------------------|---|
| 99.1               | Press release dated August 23, 2012 (furnished herewith). |

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

THE TORO COMPANY  
(Registrant)

Date: August 23, 2012

By /s/ Renee J. Peterson  
Renee J. Peterson  
Vice President, Finance and  
Chief Financial Officer

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EXHIBIT INDEX

| <u>EXHIBIT NUMBER</u> | <u>DESCRIPTION</u>  |
|-----------------------|---|
| 99.1                  | Press release dated August 23, 2012 (furnished herewith). |

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### Investor Relations

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*For Immediate Release*

## The Toro Company Reports Record 2012 Third Quarter Results

- Third quarter sales increase to \$504 million; Year-to-date sales growth nearly 7 percent
- Net earnings per share for the quarter up 22 percent to a record \$0.67
- Company now expects EPS for the year to be about \$2.10, up 14 percent from last year

BLOOMINGTON, Minn. (August 23, 2012) — The Toro Company (NYSE: TTC) today reported net earnings of \$40.5 million, or \$0.67 per share, on a net sales increase of 0.6 percent to \$504.1 million for its fiscal third quarter ended August 3, 2012. In the comparable fiscal 2011 period, the company delivered net earnings of \$35.1 million, or \$0.55 per share, on net sales of \$501 million.

For the first nine months, Toro reported net earnings of \$129.3 million, or \$2.13 per share, on a net sales increase of 6.8 percent to \$1,619.4 million. In the comparable fiscal 2011 period, the company posted net earnings of \$112.6 million, or \$1.76 per share, on net sales of \$1,515.9 million.

Earnings per share figures for all periods reported have been adjusted to reflect the effects of a 2-for-1 stock split effective June 29, 2012.

“In May, we anticipated a slowdown in the second half of our fiscal year due to a more challenging economic environment and the impact the early start to spring had on the business. What we didn’t predict was the worst drought in over 50 years,” said Michael J. Hoffman, Toro’s chairman and chief executive officer. “We were still able to deliver favorable third quarter results in comparison to last year, but the combined impact of economic and weather conditions resulted in additional slowing of retail momentum and an increase in field inventory.”

“Despite the recent drought conditions, there continues to be many positives in our businesses. Our market positions remain strong, benefitting from a strong portfolio of new products. Year-to-date retail continues to be ahead of last year for many of our businesses including golf and micro irrigation. Even walk power mower sales are ahead of last year. And our internal focus on quality, cost and productivity helped deliver improved operating performance.”

“Given the effects of recent weather conditions, the ongoing economic struggles in Europe, and the desire to right size field inventory levels, we are adjusting our fourth quarter guidance as we prepare the company for a successful 2013.”

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The company now expects revenue growth for fiscal 2012 to be about 4 to 5 percent and net earnings to be about \$2.10 per share, which continues to include the \$0.08 negative earnings per share impact for investments related to the Astec and Stone product-line acquisitions.

### SEGMENT RESULTS

#### Professional

- Professional segment net sales for the third quarter totaled \$361.1 million, up 4.4 percent from the prior year period. Sales of landscape maintenance equipment increased on the strength of new products and continued demand in markets not impacted by drought. Domestic sales of golf equipment and irrigation were up on new products and continued golf industry confidence. Micro irrigation sales increased domestically as demand continues for better solutions for agricultural irrigation. Recent acquisitions - including Astec Underground, Stone Construction Equipment and Unique Lighting Systems - also contributed to sales. International economic issues and unfavorable currency exchange negatively impacted the sales of all professional businesses. For the first nine months, professional segment net sales were \$1,100.9 million, up 7.7 percent from the comparable fiscal 2011 period
- Professional segment earnings for the third quarter totaled \$70.5 million, up 9.6 percent from the prior year period. For the first nine months, professional segment earnings were \$211.3 million, up 12.5 percent from the comparable fiscal 2011 period.

#### Residential

- Residential segment net sales for the third quarter totaled \$135.9 million, down 7.9 percent from the prior year period. As expected, snow blower sales were lower for the quarter due to anticipated soft preseason demand. Shipments of walk power mowers were up slightly for the quarter, while sales of residential riding products were down. Sales of Toro’s new string and hedge trimmers also contributed incrementally to the quarter. For the first nine months, residential segment net sales were \$505.4 million, up 5.2 percent from the comparable fiscal 2011 period.

Residential segment earnings for the third quarter totaled \$10 million, up 116.6 percent from our fiscal 2011 third quarter, when a pre-tax charge of \$4.5 million to account for one-time costs associated with a rework issue affecting a large number of walk power mowers resulted in a decline in earnings. For the first nine months, residential segment earnings were \$51.2 million, up 20.3 percent from the comparable fiscal 2011 period.

## **OPERATING RESULTS**

Gross margin for the quarter improved 180 basis points to 35.3 percent due to realized pricing offsetting higher materials costs, a stronger professional/residential mix, and the absence of last year's walk power mower rework impact. For the first nine months, gross margin was up 40 basis points to 34.6 percent.

Selling, general and administrative (SG&A) expense as a percent of sales increased 60 basis points for the third quarter to 23.2 percent. For the first nine months, SG&A expense improved 50 basis points as a percent of sales to 22.1 percent.

Operating earnings as a percent of sales increased 120 basis points to 12.1 percent for the third quarter, and was up 90 basis points to 12.5 percent for the year to date.

Interest expense for the third quarter was \$4.2 million, down 2.2 percent compared to the prior year period. For the first nine months, interest expense totaled \$12.8 million, up 1.5 percent from the same period last year.

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The effective tax rate for the third quarter was 31.8 percent compared with 32.9 percent in the same period last year. Year to date, the tax rate increased to 33.3 percent from 32.8 percent due to the expiration of the Federal Research and Engineering Tax Credit.

Accounts receivable at the end of the third quarter totaled \$197 million, down 1 percent from the prior year period, on a sales increase of nearly 1 percent. Net inventories were \$234.8 million, up 1 percent from last year's third quarter. Trade payables were \$124.2 million, down 2 percent compared with last year.

### **About The Toro Company**

The Toro Company is a leading worldwide provider of turf and landscape maintenance equipment, and irrigation solutions, to help customers care for golf courses, sports fields, public green spaces, commercial and residential properties, and agricultural fields.

### **LIVE CONFERENCE CALL**

**August 23, 10:00 a.m. CDT**

[www.thetorocompany.com/invest](http://www.thetorocompany.com/invest)

*The Toro Company will conduct its earnings call and webcast for investors beginning at 10:00 a.m. CDT on August 23, 2012. The webcast will be available at [www.streetevents.com](http://www.streetevents.com) or at [www.thetorocompany.com/invest](http://www.thetorocompany.com/invest). Webcast participants will need to complete a brief registration form and should allocate extra time before the webcast begins to register and, if necessary, download and install audio software.*

### **Safe Harbor**

Statements made in this news release, which are forward-looking, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected or implied. These uncertainties include factors that affect all businesses operating in a global market as well as matters specific to Toro. Particular risks and uncertainties that may affect the company's operating results or overall financial position at the present include: slow or negative growth rates in global and domestic economies, resulting in rising or persistent unemployment and weakened consumer confidence; the threat of terrorist acts and war, which may result in contraction of the U.S. and worldwide economies; drug cartel-related violence, which may disrupt our production activities and maquiladora operations based in Juarez, Mexico; fluctuations in the cost and availability of raw materials and components, including steel, engines, hydraulics, resins and other commodities and components; fluctuating fuel and other costs of transportation; the impact of abnormal weather patterns, natural disasters and global pandemics; the level of growth or contraction in our key markets; government and municipal revenue, budget and spending levels, which may negatively impact our grounds maintenance equipment business in the event of reduced tax revenues and tighter government budgets; dependence on The Home Depot as a customer for the residential segment; elimination of shelf space for our products at retailers; inventory adjustments or changes in purchasing patterns by our customers; market acceptance of existing and new products; increased competition; our ability to achieve the revenue growth, operating earnings and employee engagement goals of our multi-year employee initiative called "Destination 2014"; our increased dependence on international sales and the risks attendant to international operations and markets, including political, economic and/or social instability in the countries in which we manufacture or sell our products resulting in contraction or disruption of such markets; credit availability and terms, interest rates and currency movements including, in particular, our exposure to foreign currency risk; our relationships with our distribution channel partners, including the financial viability of distributors and dealers; our ability to successfully achieve our plans for and integrate acquisitions and manage alliances or joint ventures, including Red Iron Acceptance, LLC; the costs and effects of changes in tax, fiscal, government and other regulatory policies, including rules relating to environmental, health and safety matters, and Tier 4 emissions requirements; unforeseen product quality or other problems in the development, production and usage of new and existing products; loss of or changes in executive management or key employees; ability of management to manage around unplanned events; our reliance on our intellectual property rights and the absence of infringement of the intellectual property rights of others; and the occurrence of litigation or claims. In addition to the factors set forth in this paragraph, market, economic, financial, competitive, legislative, governmental, weather, production and other factors identified in Toro's quarterly and annual reports filed with the Securities and Exchange Commission, could affect the forward-looking statements in this press release. Toro undertakes no obligation to update forward-looking statements made in this release to reflect events or circumstances after the date of this release.

**(Financial tables follow)**

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**Condensed Consolidated Statements of Earnings (Unaudited)**  
(Dollars and shares in thousands, except per-share data)

|   | Three Months Ended |                  | Nine Months Ended |                  |
|---|--------------------|------------------|-------------------|------------------|
|   | August 3,<br>2012  | July 29,<br>2011 | August 3,<br>2012 | July 29,<br>2011 |
| Net sales   | \$ 504,076         | \$ 501,045       | \$ 1,619,396      | \$ 1,515,858     |
| Gross profit  | 178,122            | 167,661          | 560,195           | 517,860          |
| Gross profit percent  | 35.3%              | 33.5%            | 34.6%             | 34.2%            |
| Selling, general, and administrative expense                            | 117,137            | 112,937          | 358,689           | 342,580          |
| Operating earnings  | 60,985             | 54,724           | 201,506           | 175,280          |
| Interest expense  | (4,198)            | (4,294)          | (12,791)          | (12,596)         |
| Other income, net   | 2,681              | 1,861            | 5,231             | 4,560            |
| Earnings before income taxes  | 59,468             | 52,291           | 193,946           | 167,244          |
| Provision for income taxes  | 18,919             | 17,200           | 64,656            | 54,621           |
| Net earnings  | \$ 40,549          | \$ 35,091        | \$ 129,290        | \$ 112,623       |
| Basic net earnings per share  | \$ 0.69            | \$ 0.56          | \$ 2.17           | \$ 1.79          |
| Diluted net earnings per share  | \$ 0.67            | \$ 0.55          | \$ 2.13           | \$ 1.76          |
| Weighted average number of shares of common stock outstanding — Basic   | 59,045             | 62,353           | 59,642            | 62,982           |
| Weighted average number of shares of common stock outstanding — Diluted | 60,336             | 63,479           | 60,829            | 64,125           |

Shares and per share data have been adjusted for all periods presented to reflect a two-for-one stock split effective June 29, 2012.

**Segment Data (Unaudited)**  
(Dollars in thousands)

| Segment Net Sales | Three Months Ended |                  | Nine Months Ended |                  |
|-------------------|--------------------|------------------|-------------------|------------------|
|                   | August 3,<br>2012  | July 29,<br>2011 | August 3,<br>2012 | July 29,<br>2011 |
| Professional      | \$ 361,120         | \$ 345,972       | \$ 1,100,899      | \$ 1,022,536     |
| Residential       | 135,894            | 147,479          | 505,399           | 480,404          |
| Other             | 7,062              | 7,594            | 13,098            | 12,918           |
| Total *           | \$ 504,076         | \$ 501,045       | \$ 1,619,396      | \$ 1,515,858     |

|                                   |            |            |            |            |
|-----------------------------------|------------|------------|------------|------------|
| * Includes international sales of | \$ 133,120 | \$ 146,678 | \$ 479,790 | \$ 487,325 |
|-----------------------------------|------------|------------|------------|------------|

| Segment Earnings (Loss) Before Income Taxes | Three Months Ended |                  | Nine Months Ended |                  |
|---|--------------------|------------------|-------------------|------------------|
|   | August 3,<br>2012  | July 29,<br>2011 | August 3,<br>2012 | July 29,<br>2011 |
| Professional                                | \$ 70,537          | \$ 64,344        | \$ 211,329        | \$ 187,869       |
| Residential                                 | 10,048             | 4,638            | 51,174            | 42,545           |
| Other                                       | (21,117)           | (16,691)         | (68,557)          | (63,170)         |
| Total                                       | \$ 59,468          | \$ 52,291        | \$ 193,946        | \$ 167,244       |

**THE TORO COMPANY AND SUBSIDIARIES**  
**Condensed Consolidated Balance Sheets (Unaudited)**  
(Dollars in thousands)

|   | August 3,<br>2012 | July 29,<br>2011 |
|---|-------------------|------------------|
| <b>ASSETS</b>                               |                   |                  |
| Cash and cash equivalents                   | \$ 143,058        | \$ 118,113       |
| Receivables, net                            | 197,023           | 199,012          |
| Inventories, net                            | 234,790           | 232,362          |
| Prepaid expenses and other current assets   | 24,436            | 20,256           |
| Deferred income taxes                       | 62,368            | 59,908           |
| Total current assets                        | 661,675           | 629,651          |
| Property, plant, and equipment, net         | 177,723           | 187,648          |
| Deferred income taxes                       | 76                | 965              |
| Goodwill and other assets, net              | 147,054           | 149,283          |
| Total assets                                | \$ 986,528        | \$ 967,547       |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b> |                   |                  |
| Current portion of long-term debt           | \$ 1,858          | \$ 2,728         |
| Short-term debt                             | —                 | 53               |
| Accounts payable                            | 124,168           | 126,688          |

|  |                   |                   |
|--|-------------------|-------------------|
| Accrued liabilities                        | 278,797           | 268,200           |
| Total current liabilities                  | <u>404,823</u>    | <u>397,669</u>    |
| Long-term debt, less current portion       | 223,467           | 225,162           |
| Deferred revenue                           | 11,289            | 10,776            |
| Deferred income taxes                      | 1,380             | —                 |
| Other long-term liabilities                | 7,822             | 7,560             |
| Stockholders' equity                       | 337,747           | 326,380           |
| Total liabilities and stockholders' equity | <u>\$ 986,528</u> | <u>\$ 967,547</u> |

**THE TORO COMPANY AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Cash Flows (Unaudited)**  
(Dollars in thousands)

|  | Nine Months Ended |                   |
|--|-------------------|-------------------|
|  | August 3,<br>2012 | July 29,<br>2011  |
| Cash flows from operating activities:  |                   |                   |
| Net earnings   | \$ 129,290        | \$ 112,623        |
| Adjustments to reconcile net earnings to net cash provided by operating activities:      |                   |                   |
| Noncash income from affiliates   | (4,521)           | (4,433)           |
| Provision for depreciation, amortization, and impairment losses                          | 37,929            | 34,251            |
| Stock-based compensation expense   | 7,465             | 6,094             |
| Increase in deferred income taxes  | (443)             | (930)             |
| Other  | (117)             | (653)             |
| Changes in operating assets and liabilities, net of effect of acquisitions:              |                   |                   |
| Receivables, net   | (51,640)          | (53,335)          |
| Inventories, net   | (6,428)           | (33,975)          |
| Prepaid expenses and other assets  | (6,114)           | (8,994)           |
| Accounts payable, accrued liabilities, deferred revenue, and other long-term liabilities | 59,986            | 21,190            |
| Net cash provided by operating activities  | <u>165,407</u>    | <u>71,838</u>     |
| Cash flows from investing activities:  |                   |                   |
| Purchases of property, plant, and equipment, net   | (28,158)          | (43,269)          |
| Proceeds from asset disposals  | 114               | 109               |
| Distributions from finance affiliate, net  | 1,777             | 959               |
| Acquisitions, net of cash acquired   | (9,663)           | (14,060)          |
| Net cash used in investing activities  | <u>(35,930)</u>   | <u>(56,261)</u>   |
| Cash flows from financing activities:  |                   |                   |
| Decrease in short-term debt  | (922)             | (776)             |
| Repayments of long-term debt   | (1,892)           | (1,134)           |
| Excess tax benefits from stock-based awards  | 8,080             | 2,444             |
| Proceeds from exercise of stock options  | 17,337            | 12,309            |
| Purchases of Toro common stock   | (67,354)          | (71,216)          |
| Dividends paid on Toro common stock  | (19,748)          | (18,894)          |
| Net cash used in financing activities  | <u>(64,499)</u>   | <u>(77,267)</u>   |
| Effect of exchange rates on cash   | (2,806)           | 2,437             |
| Net increase (decrease) in cash and cash equivalents                                     | 62,172            | (59,253)          |
| Cash and cash equivalents as of the beginning of the period                              | 80,886            | 177,366           |
| Cash and cash equivalents as of the end of the period                                    | <u>\$ 143,058</u> | <u>\$ 118,113</u> |

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