
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):

May 25, 2006

The Toro Company

(Exact name of registrant as specified in its charter)

Delaware

1-8649

41-0580470

(State or other jurisdiction
of incorporation)

(Commission
File Number)

(I.R.S. Employer
Identification No.)

8111 Lyndale Avenue South, Bloomington,
Minnesota

55420

(Address of principal executive offices)

(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))
-

Item 2.02 Results of Operations and Financial Condition.

On May 25, 2006, The Toro Company announced its earnings for the three and six months ended May 5, 2006. Attached to this Current Report on Form 8-K as Exhibit 99 is a copy of The Toro Company's press release in connection with the announcement. The information in this report is being furnished 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 liability of that section, and shall not be deemed to be incorporated by reference by any general statements by The Toro Company incorporating by reference this report or future filings into any filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent The Toro Company specifically incorporates the information by reference.

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

May 25, 2006

By: *Stephen P. Wolfe*

Name: Stephen P. Wolfe

Title: Vice President Finance and Chief Financial Officer

Exhibit Index

| Exhibit No. | Description |
|-------------|---|
| 99 | Other - Registrant's Press Release dated May 25, 2006 (furnished herewith). |

TORO REPORTS RECORD SECOND QUARTER SALES AND EARNINGS

Net Earnings Per Share Up 17% On 5% Sales Growth

LIVE CONFERENCE CALL

May 25, 10:00 a.m. CT

www.thetorocompany.com/invest

BLOOMINGTON, Minn. (May 25, 2006) – The Toro Company (NYSE: TTC) today reported record fiscal second quarter net earnings of \$70.1 million, or \$1.56 per diluted share, on record net sales of \$659 million for the quarter ended May 5, 2006. In the comparable fiscal 2005 period, the company reported net earnings of \$62 million, or \$1.33 per diluted share, on net sales of \$628.4 million.

For the six months ended May 5, 2006, Toro reported record net earnings of \$84.4 million, or \$1.87 per diluted share, on record net sales of \$1,028.6 million. In the comparable fiscal 2005 period, the company reported net earnings of \$73.1 million, or \$1.55 per diluted share, on net sales of \$975.4 million.

Michael J. Hoffman, The Toro Company's chairman and chief executive officer, said that growth in world-wide professional segment sales helped offset slower sales in the residential segment, which were particularly strong last year due to early season shipments to retailers. "With our continued focus on improving operating effectiveness and profitability, we increased our second quarter earnings despite challenges posed by lower residential segment volume and increasing commodity costs," said Hoffman.

Segment data are provided in the table following the "Condensed Consolidated Statements of Earnings."

Professional

Professional segment sales for the fiscal 2006 second quarter increased 12.9 percent to \$439.1 million. Sales grew in nearly all product categories due to healthy demand for new products, with particularly strong contributions from landscape contractor equipment and international sales. "Ongoing investments to deliver customer-valued and innovative new products continue to drive strong performance and market share growth in our professional businesses," said Hoffman.

Professional segment earnings for the fiscal 2006 second quarter totaled \$104.2 million, up 23.1 percent from \$84.6 million in the fiscal 2005 second quarter.

For the year to date, professional segment earnings totaled \$145.8 million on a 9.2 percent increase in net sales to \$692.7 million compared with earnings of \$123.5 million on net sales of \$634.3 million in the first half of fiscal 2005.

Residential

Residential segment sales for the fiscal 2006 second quarter totaled \$210.3 million, down 7.7 percent compared with the fiscal 2005 second quarter. Domestic sales of riding mowers increased sharply in the quarter due to strong acceptance of new products. However, the growth in riding mower shipments was more than offset by declines in world-wide sales of walk power mowers, primarily due to a large domestic retailer holding less inventory through the first-half of the fiscal year.

Residential segment earnings for the fiscal 2006 second quarter totaled \$18.1 million compared with \$29 million in the fiscal 2005 second quarter. The decline in residential segment earnings compared to the fiscal 2005 second quarter resulted from lower volumes and the mix of products sold in the 2006 second quarter.

For the year to date, residential segment earnings totaled \$23.3 million on net sales of \$318.5 million compared with earnings of \$33.4 million on net sales of \$323.6 million in the first half of fiscal 2005.

REVIEW OF OPERATIONS

Gross margin for the fiscal 2006 second quarter was 34.9 percent, up from 34.5 percent compared with the fiscal 2005 second quarter, primarily due to product mix and the impact of price increases. For the year to date, gross margin improved to 35.2 percent from 34.7 percent in the same period last year.

Selling, general and administrative (SG&A) expenses as a percentage of net sales showed a slight improvement compared with the prior year's second quarter at 18.9 percent versus 19 percent in the 2005 second quarter. As a result of the company's ongoing initiatives to better leverage expenses, the growth in SG&A was held to less than the rate of revenue growth.

Interest expense for the second quarter totaled \$5.2 million, up from \$4.9 million in the fiscal 2005 second quarter.

The effective tax rate in the 2006 second quarter was 32.1 percent, compared with 33.5 percent in the same period last year, due to tax refunds from prior years' tax returns.

Accounts receivable at quarter end totaled \$546.4 million, up only 1.3 percent on the second quarter's 4.9 percent increase in net sales.

Quarter-ending inventory totaled \$248.1 million, down \$8.8 million or 3.4 percent, compared with the end of the fiscal 2005 second quarter.

BUSINESS OUTLOOK

The company is reaffirming its full year guidance for sales growth of approximately 8 percent for fiscal 2006, assuming the continuation of seasonally normal weather patterns. Despite lower-than-expected sales growth in the first half, Toro is on track to achieve its expectations for earnings growth with a good portion of the retail selling season still ahead.

Given the company's first half performance and current expectations for second half results, Toro now expects fiscal 2006 earnings per share to increase 14 to 17 percent.

The Toro Company is a leading worldwide provider of outdoor maintenance and beautification products for home, recreation and commercial landscapes.

The Toro Company will conduct a conference call and webcast for investors beginning at 10:00 a.m. Central Time (CST) on May 25, 2006. The webcast will be available at www.streetevents.com or at 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. These uncertainties include factors that affect all businesses operating in a global market as well as matters specific to Toro. Particular risks and uncertainties facing the company's overall financial position at the present include the threat of further terrorist acts and war, which may result in contraction of the U.S. and worldwide economies; slow growth rate in global and domestic economies, resulting in rising unemployment and weakened consumer confidence; our ability to achieve the goals for the '6+8' growth and profit improvement initiative which is intended to improve our revenue growth and after-tax return on sales; the company's ability to achieve sales and earnings per share growth in fiscal 2006; our ability to successfully integrate acquisitions and manage alliances; ability of management to manage around unplanned events; unforeseen product quality problems in the development and production of new and existing products; fluctuations in the cost and availability of raw materials, including steel and other commodities; rising cost of transportation; level of growth in the golf market; increased dependence on The Home Depot as a customer for the residential segment; reduced government spending for grounds maintenance equipment due to reduced tax revenue and tighter government budgets; increased competition; elimination of shelf space for our products at retailers; financial viability of distributors and dealers; market acceptance of existing and new products; unforeseen inventory adjustments or changes in purchasing patterns by our customers; the impact of abnormal weather patterns; and the previously disclosed pending litigation against the company and other defendants that challenges the horsepower ratings of lawnmowers, of which the company is currently unable to assess whether the litigation would have a material adverse effect on the company's consolidated operating results or financial condition, although an adverse result might be material to operating results in a particular reporting period. In addition to the factors set forth in this paragraph, market, economic, financial, competitive, 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 statement.

(Financial tables follow)

THE TORO COMPANY AND SUBSIDIARIES

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

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|-------------------|------------------|-------------------|
| | May 5, 2006 | April 29, 2005 | May 5, 2006 | April 29, 2005 |
| Net sales | \$659,004 | \$628,441 | \$1,028,644 | \$975,354 |
| Gross profit | 230,256 | 216,643 | 362,130 | 338,306 |
| Gross profit percent | 34.9% | 34.5% | 35.2% | 34.7% |
| Selling, general, and administrative expense | 124,309 | 119,542 | 231,514 | 221,781 |
| Earnings from operations | 105,947 | 97,101 | 130,616 | 116,525 |
| Interest expense | (5,177) | (4,873) | (9,420) | (8,633) |
| Other income, net | 2,446 | 942 | 3,332 | 2,083 |
| Earnings before income taxes | 103,216 | 93,170 | 124,528 | 109,975 |
| Provision for income taxes | 33,134 | 31,212 | 40,167 | 36,841 |
| Net earnings | \$ 70,082 | \$ 61,958 | \$ 84,361 | \$ 73,134 |
| Basic net earnings per share | \$ 1.62 | \$ 1.38 | \$ 1.94 | \$ 1.61 |
| Diluted net earnings per share | \$ 1.56 | \$ 1.33 | \$ 1.87 | \$ 1.55 |
| Weighted average number of shares of common stock outstanding – Basic | 43,375 | 44,754 | 43,494 | 45,438 |
| Weighted average number of shares of common stock outstanding – Dilutive | 44,957 | 46,592 | 45,000 | 47,210 |

THE TORO COMPANY AND SUBSIDIARIES

Segment Data (Unaudited)
(Dollars in thousands)

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|-------------------|------------------|-------------------|
| | May 5, 2006 | April 29, 2005 | May 5, 2006 | April 29, 2005 |
| Segment Net Sales | | | | |
| Professional | \$439,098 | \$389,052 | \$ 692,703 | \$634,282 |
| Residential | 210,293 | 227,722 | 318,478 | 323,598 |
| Other | 9,613 | 11,667 | 17,463 | 17,474 |
| Total * | \$659,004 | \$628,441 | \$1,028,644 | \$975,354 |
| * Includes international sales of | \$168,290 | \$157,722 | \$ 288,349 | \$247,369 |
| | Three Months Ended | | Six Months Ended | |
| | May 5, 2006 | April 29, 2005 | May 5, 2006 | April 29, 2005 |
| Segment Earnings (Loss) Before Income Taxes | | | | |
| Professional | \$104,177 | \$ 84,623 | \$ 145,837 | \$123,488 |
| Residential | 18,136 | 28,963 | 23,285 | 33,397 |
| Other | (19,097) | (20,416) | (44,594) | (46,910) |
| Total | \$103,216 | \$ 93,170 | \$ 124,528 | \$109,975 |

Condensed Consolidated Balance Sheets (Unaudited)
(Dollars in thousands)

| | May 5, 2006 | April 29, 2005 |
|--|--------------------|--------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 27,240 | \$ 14,449 |
| Receivables, net | 546,413 | 539,633 |
| Inventories, net | 248,134 | 256,926 |
| Prepaid expenses and other current assets | 18,688 | 13,476 |
| Deferred income taxes | 74,556 | 56,265 |
| Total current assets | <u>915,031</u> | <u>880,749</u> |
| Property, plant, and equipment, net | 163,729 | 170,334 |
| Deferred income taxes | — | 39 |
| Goodwill and other assets, net | 94,876 | 105,517 |
| Total assets | <u>\$1,173,636</u> | <u>\$1,156,639</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current portion of long-term debt | \$ 23 | \$ 45 |
| Short-term debt | 121,078 | 151,137 |
| Accounts payable | 126,201 | 114,915 |
| Accrued liabilities | 296,464 | 293,333 |
| Total current liabilities | <u>543,766</u> | <u>559,430</u> |
| Long-term debt, less current portion | 175,000 | 175,024 |
| Long-term deferred income taxes | 872 | 3,837 |
| Deferred revenue and other long-term liabilities | 9,356 | 7,827 |
| Stockholders' equity | 444,642 | 410,521 |
| Total liabilities and stockholders' equity | <u>\$1,173,636</u> | <u>\$1,156,639</u> |

THE TORO COMPANY AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows (Unaudited)

(Dollars in thousands)

| | Six Months Ended | |
|---|------------------|-------------------|
| | May 5, 2006 | April 29, 2005 |
| Cash flows from operating activities: | | |
| Net earnings | \$ 84,361 | \$ 73,134 |
| Adjustments to reconcile net earnings to net cash used in operating activities: | | |
| Equity losses from investments | 839 | 302 |
| Provision for depreciation and amortization | 21,053 | 18,592 |
| Gain on disposal of property, plant, and equipment | (11) | (242) |
| Stock-based compensation expense | 4,465 | 4,819 |
| Increase in deferred income taxes | (15,923) | (3,280) |
| Changes in operating assets and liabilities: | | |
| Receivables | (251,863) | (238,083) |
| Inventories | (10,839) | (20,248) |
| Prepaid expenses and other assets | (809) | 4,189 |
| Accounts payable, accrued expenses, and deferred revenue | 78,028 | 72,409 |
| Net cash used in operating activities | <u>(90,699)</u> | <u>(88,408)</u> |
| Cash flows from investing activities: | | |
| Purchases of property, plant, and equipment | (17,155) | (15,106) |
| Proceeds from asset disposals | 787 | 2,351 |
| Increase in investment in affiliates | (371) | (197) |
| Decrease (increase) in other assets | 6,192 | (538) |
| Proceeds from sale of business | — | 765 |
| Acquisition, net of cash acquired | — | (35,285) |
| Net cash used in investing activities | <u>(10,547)</u> | <u>(48,010)</u> |
| Cash flows from financing activities: | | |
| Increase in short-term debt | 120,722 | 150,007 |
| Repayments of long-term debt | (23) | (22) |
| Excess tax benefits from stock-based awards | 15,625 | 4,015 |
| Proceeds from exercise of stock options | 7,376 | 5,631 |
| Purchases of Toro common stock | (49,286) | (94,029) |
| Dividends paid on Toro common stock | (7,842) | (5,482) |
| Net cash provided by financing activities | <u>86,572</u> | <u>60,120</u> |
| Effect of exchange rates on cash | 512 | (9) |
| Net decrease in cash and cash equivalents | <u>(14,162)</u> | <u>(76,307)</u> |
| Cash and cash equivalents as of the beginning of the period | 41,402 | 90,756 |
| Cash and cash equivalents as of the end of the period | <u>\$ 27,240</u> | <u>\$ 14,449</u> |