

2023

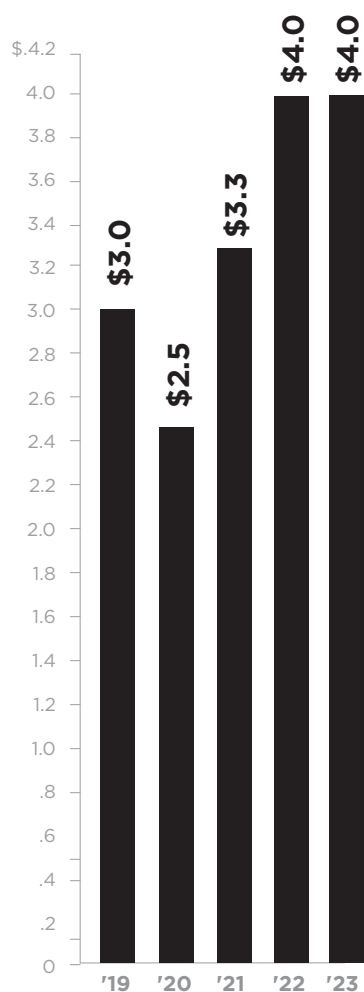
 **MIDDLEBY**  
ANNUAL REPORT

T H I S   I S   M I D D L E B Y

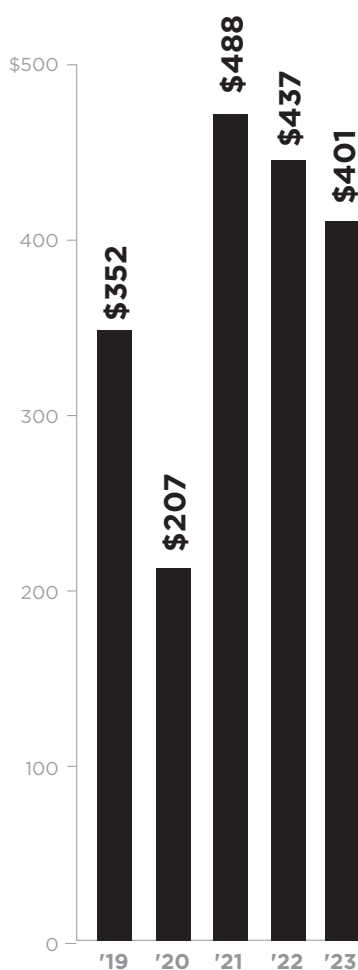
## 2023 FINANCIAL HIGHLIGHTS

(dollars in thousands)

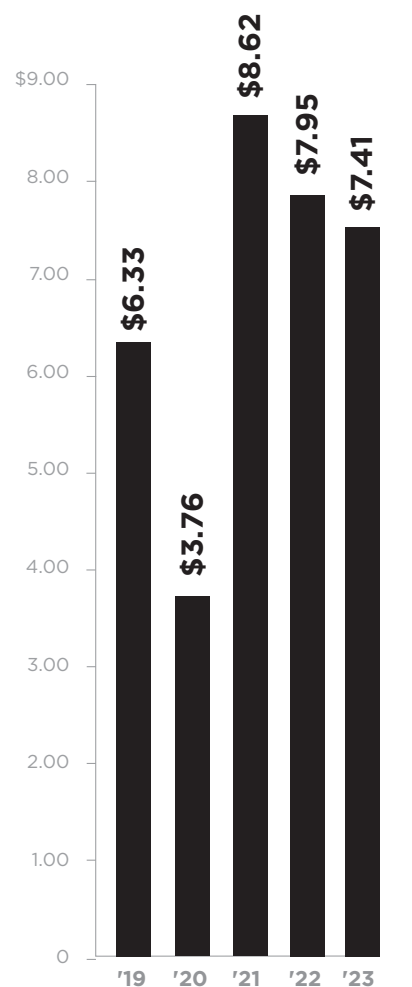
	2023	2022	2021	2020	2019
<b>NET SALES</b>	\$4,036,605	\$4,032,853	\$3,250,792	\$2,513,257	\$2,959,446
<b>GROSS PROFIT</b>	\$1,543,062	\$1,446,554	\$1,194,860	\$882,048	\$1,103,497
<b>INCOME FROM OPERATIONS</b>	\$634,868	\$639,604	\$629,992	\$324,431	\$514,043
<b>NET EARNINGS</b>	\$400,882	\$436,569	\$488,492	\$207,294	\$352,240
<b>EPS ON NET EARNINGS</b>	\$7.41	\$7.95	\$8.62	\$3.76	\$6.33
<b>WEIGHTED AVERAGE SHARES</b>	54,086,000	54,947,000	56,665,000	55,136,000	55,656,000
<b>CASHFLOW FROM OPERATIONS</b>	\$628,790	\$332,552	\$423,399	\$524,785	\$377,425
<b>TOTAL ASSETS</b>	\$6,906,692	\$6,874,866	\$6,383,598	\$5,202,474	\$5,002,143
<b>TOTAL DEBT</b>	\$2,425,195	\$2,722,324	\$2,414,294	\$1,729,596	\$1,873,140



**NET SALES**  
(dollars in billions)



**NET EARNINGS**  
(dollars in millions)



**EPS ON NET EARNINGS**

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 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 December 30, 2023**

or

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

Commission File No. 1-9973

**THE MIDDLEBY CORPORATION**

(Exact name of Registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**36-3352497**

(IRS Employer Identification Number)

**1400 Toastmaster Drive, Elgin, Illinois**

(Address of principal executive offices)

**60120**

(Zip Code)

Registrant's telephone number, including area code:

**(847) 741-3300**

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading symbol(s)</u>	<u>Name of each exchange on which registered</u>
<b>Common stock, par value \$0.01 per share</b>	<b>MIDD</b>	<b>NASDAQ Global Select Market</b>

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.  
Yes  No

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  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition of "accelerated filer," "large accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b).

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

The aggregate market value of the voting stock held by nonaffiliates of the Registrant as of July 1, 2023 was approximately \$7,832,982,469.

The number of shares outstanding of the Registrant's class of common stock, as of February 26, 2024, was 53,603,418 shares.

**Documents Incorporated by Reference**

Part III of Form 10-K incorporates by reference the Registrant's definitive proxy statement to be filed pursuant to Regulation 14A in connection with the 2024 annual meeting of stockholders.

**THE MIDDLEBY CORPORATION**  
**DECEMBER 30, 2023**  
**FORM 10-K ANNUAL REPORT**

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## **PART I**

### **Item 1. Business**

#### **General**

The Middleby Corporation, a Delaware corporation (“Middleby” or the “company”), through its operating subsidiary Middleby Marshall Inc., a Delaware corporation (“Middleby Marshall”) and its subsidiaries, is a leader in the design, manufacture, marketing, distribution, and service of a broad line of (i) foodservice equipment, integrated IoT solutions and universal controllers used in all types of commercial restaurants and institutional kitchens, (ii) food preparation, cooking, baking, chilling and packaging equipment for food processing operations, and (iii) premium kitchen equipment including ranges, ovens, refrigerators, ventilation, dishwashers and outdoor cooking equipment primarily used in the residential market.

Founded in 1888 as a manufacturer of baking ovens, Middleby Marshall Oven Company was acquired in 1983 by TMC Industries Ltd., a publicly traded company that changed its name in 1985 to The Middleby Corporation. The company has established itself as a leading provider of (i) commercial restaurant equipment, (ii) food processing equipment and (iii) residential kitchen equipment as a result of its acquisition of industry leading brands and through the introduction of innovative products within each of these segments.

The company's annual reports on Form 10-K, including this Form 10-K, as well as the company's quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to such reports are available, free of charge, on the company's website, [www.middleby.com](http://www.middleby.com). These reports are available as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission (“SEC”).

#### **Business Segments and Products**

The company conducts its business through three principal business segments: the Commercial Foodservice Equipment Group, the Food Processing Equipment Group and the Residential Kitchen Equipment Group. See Note 10 to the Consolidated Financial Statements for further information on the company's business segments.

#### **Commercial Foodservice Equipment Group**

The Commercial Foodservice Equipment Group has a broad portfolio of foodservice equipment, which enable it to serve virtually any cooking, warming, holding, refrigeration, freezing and beverage application within a commercial kitchen or foodservice operation. This equipment is used across all types of foodservice operations, including quick-service restaurants, full-service restaurants, ghost kitchens, convenience stores, supermarkets, retail outlets, hotels and other institutions.

This commercial foodservice equipment is marketed under a portfolio of seventy-three brands, including Anets, APW Wyott, Bakers Pride, Beech Ovens, BKI, Blodgett, Blodgett Combi, Bloomfield, Blue Sparq, Britannia, Carter-Hoffmann, Celfrost, Concordia, CookTek, Crown, CTX, Desmon, Deutsche Beverage, Doyon, Eswood, EVO, Firex, Flavor Burst, Follett, Frifri, Globe, Goldstein, Holman, Houno, Hydra Rinse, Icetro, IMC, Imperial, Induc, Jade, JoeTap, Jospers, Kloppenberg, L2F, Lang, Lincat, Marco, MagiKitch'n, Market Forge, Marsal, Marvel Scientific, Middleby Marshall, Newton CFV, Nieco, Nu-Vu, Perfect Fry, Pitco, Powerhouse Dynamics, QualServ, RAM, Southbend, Ss Brewtech, Star, Starline, Sveba Dahlen, Synesso, Tank, Taylor, Terry, Thor, Toastmaster, TurboChef, U-Line Commercial, Ultrafryer, Varimixer, Wells, Wild Goose Filling and Wunder-Bar.

The products offered by this group include conveyor ovens, combi-ovens, convection ovens, baking ovens, proofing ovens, deck ovens, speed cooking ovens, hydrovection ovens, ranges, fryers, rethermalizers, steam cooking equipment, food warming equipment, catering equipment, heated cabinets, charbroilers, ventless cooking systems, kitchen ventilation, induction cooking equipment, countertop cooking equipment, toasters, griddles, charcoal grills, professional mixers, stainless steel fabrication, custom millwork, professional refrigerators, blast chillers, coldrooms, ice machines, freezers, soft serve ice cream equipment, coffee and beverage dispensing equipment, home and professional craft brewing equipment, fry dispensers, bottle filling and canning equipment, IoT solutions and controls development and manufacturing.

### **Food Processing Equipment Group**

The Food Processing Equipment Group offers a broad portfolio of processing solutions for customers producing protein products, such as bacon, salami, hot dogs, dinner sausages, poultry and lunchmeats and bakery products, such as muffins, cookies, crackers, pastries, bread and buns. Through its broad line of products, the company is able to deliver a wide array of food preparation, thermal processing, slicing/packaging, facility automation and equipment sanitation solutions to service a variety of food processing requirements demanded by its customers. The company can offer highly integrated full processing line solutions that provide a food processing operation with a uniquely integrated solution ensuring the highest level of food quality, product consistency, and reduced operating costs resulting from increased product yields, increased capacity, greater throughput and reduced labor costs through automation.

This food processing equipment is marketed under a portfolio of twenty-eight brands, including Alkar, Armor Inox, Auto-Bake, Baker Thermal Solutions, Burford, Colussi Ermes, Cozzini, CV-Tek, Danfotech, Drake, Escher, Filtration Automation, Glimek, Hinds-Bock, Inline Filling Systems, Key-Log, Maurer-Atmos, MP Equipment, Pacproinc, Proxaut, RapidPak, Scanico, Spooner Vicars, Stewart Systems, Sveba Dahlen, Thurne, Vemac, and VisionPak.

The products offered by this group include a wide array of cooking and baking solutions, including batch ovens, baking ovens, proofing ovens, conveyor belt ovens, continuous processing ovens, frying systems and automated thermal processing systems. The company also provides a comprehensive portfolio of complementary food preparation equipment such as tumblers, massagers, grinders, slicers, reduction and emulsion systems, mixers, blenders, battering equipment, breading equipment, seeding equipment, water cutting systems, food presses, food suspension equipment, filling and depositing solutions and forming equipment, as well as a variety of automated loading and unloading systems, automated washing systems, auto-guided vehicles, food safety, food handling, freezing, defrosting and packaging equipment. This portfolio of equipment can be integrated to provide customers a highly efficient and customized solution.

### **Residential Kitchen Equipment Group**

The Residential Kitchen Equipment Group manufactures, sells and distributes kitchen equipment for the residential market. Principal product lines of this group are ranges, cookers, stoves, cooktops, microwaves, ovens, refrigerators, dishwashers, undercounter refrigeration, wine cellars, ice machines, beer dispensers, ventilation equipment, mixers, rotisseries and outdoor cooking equipment. These products are sold and marketed under a portfolio of twenty-four brands, including AGA, AGA Cookshop, Brava, Char-Griller, EVO, Kamado Joe, La Cornue, Leisure Sinks, Lynx, Marvel, Masterbuilt, Mercury, Novy, Rangemaster, Rayburn, Sedona, Ss Brewtech, Stanley, Synesso, Trade-Wind, TurboChef, U-Line, Varimixer and Viking.

### **Acquisition Strategy**

The company has pursued a strategy to acquire and assemble a leading portfolio of brands and technologies for each of its three business segments. Over the past two years, the company has completed eighteen acquisitions to add to its portfolio of brands and technologies of the Commercial Foodservice Equipment Group, Food Processing Equipment Group, and the Residential Kitchen Equipment Group. These acquisitions have added thirteen brands to the Middleby portfolio and positioned the company as a leading provider of equipment in each respective industry. These acquisitions were not individually material and were acquired for an aggregate purchase price totaling \$397.5 million, net of cash acquired.

### **Commercial Foodservice Equipment Group**

- April 2022: The company completed its acquisition of all of the assets of Kloppenberg LLC ("Kloppenberg"), a manufacturer of ice bins, dispensers, carts, and ice transportation systems, located in Englewood, Colorado.
- June 2022: The company completed its acquisition of all of the capital stock of Icetro Co., Ltd. ("Icetro"), a manufacturer of ice, soft serve and slush machines, located in South Korea.
- December 2022: The company completed its acquisition of all the capital stock of Marco Beverage Systems ("Marco"), a leading designer and manufacturer of innovative and energy-efficient beverage dispense solutions, located in Ireland.
- January 2023: The company completed its acquisition of all of the outstanding equity securities of Flavor Burst Co., LLP ("Flavor Burst"), an innovative technology used in a variety of flavored beverage and soft serve products, located in Danville, Indiana.

- April 2023: The company completed its acquisition of all of the capital stock of Blue Sparq, Inc. ("Blue Sparq"), a custom hardware and software development company also offering manufacturing services, located in Cape Coral, Florida.
- July 2023: The company completed its acquisition of all of the capital stock of Systems IV and its subsidiary Terry, LLC ("Systems IV" or "Terry"), a leader in environmentally friendly solutions to eliminate and prevent scale build up associated with water usage in commercial foodservice equipment including steam, ice and beverage products, located in Chandler, Arizona.

### **Food Processing Equipment Group**

- June 2022: The company completed its acquisition of all of the capital stock of Proxaut S.r.l. ("Proxaut"), a leader in auto guided vehicles for the food and industrial processing companies, located in Italy.
- July 2022: The company completed its acquisition of all of the capital stock of CP Packaging, LLC ("CP Packaging"), a leading manufacturer of advanced high-speed vacuum packaging equipment, located in Appleton, Wisconsin.
- July 2022: The company completed its acquisition of all of the capital stock of Colussi Ermes S.r.l. ("Colussi"), a leading manufacturer of automated washing solutions, located in Italy.
- November 2022: The company completed its acquisition of all of the capital stock of Escher Mixers S.r.l. ("Escher"), a leading manufacturer of highly engineered spiral and planetary mixers for the industrial baking industry, located in Italy.
- June 2023: The company completed its acquisition of all of the capital stock of Filtration Automation, Inc. ("Filtration Automation"), a leading manufacturer of industrial cooking oil filtration machines for the protein, snack, and fish industries, located in Mansfield, Texas.

### **Residential Kitchen Equipment Group**

- July 2023: The company completed its acquisition of all of the capital stock of Trade-Wind Manufacturing, LLC ("Trade-Wind"), a premier manufacturer of ventilation innovation for indoor and outdoor residential use, located in Phoenix, Arizona.

### **The Customers and Market**

#### **Commercial Foodservice Equipment Industry**

The company's end-user customers include: (i) fast food, fast casual and quick-service restaurants, including ghost kitchens, (ii) full-service restaurants, including casual-theme restaurants, (iii) retail outlets, such as convenience stores, supermarkets and department stores and (iv) public and private institutions, such as hotels, resorts, schools, hospitals, long-term care facilities, correctional facilities, stadiums, airports, corporate cafeterias, college and universities, military facilities and government agencies. The company's domestic sales are primarily through independent dealers and distributors and are marketed by the company's sales personnel and network of independent manufacturers' representatives. Many of the dealers in the U.S. belong to buying groups that negotiate sales terms with the company. Certain large multi-national restaurant and hotel chain customers have purchasing organizations that manage product procurement for their systems. Included in these customers are several large multi-national restaurant chains, which account for a meaningful portion of the company's business, although no single customer accounts for more than 10% of net sales.

Over the past several decades, the commercial foodservice equipment industry has enjoyed steady growth in the United States due to the development of new quick-service and casual-theme restaurant chain concepts, the expansion of foodservice into nontraditional locations such as convenience stores and retail outlets, as well as store equipment modernization driven by efforts to improve efficiencies within foodservice operations. In the international markets, foodservice equipment manufacturers have been experiencing growth due to expanding international economies and increased opportunity for expansion by U.S. chains into developing regions.

The company believes that the worldwide commercial foodservice equipment market has sales in excess of \$35.0 billion. The company believes that continuing growth in demand for foodservice equipment will result from the development of new restaurant concepts in the U.S. and the expansion of U.S. and foreign chains into international markets, the replacement and upgrade of existing equipment and new equipment requirements resulting from menu changes, menu diversity and consumer food trends.

The company is developing innovations to solve the challenges within our customers' operations. We believe automated equipment that addresses labor issues will provide our customers a meaningful return on their investment. Innovative equipment solutions, including integrated IoT platforms and universal controllers, will allow restaurateurs to scale their operations quickly and leverage data to make operational decisions.

### ***Food Processing Equipment Industry***

The company's customers include a diversified base of leading food processors. Customers include several large international food processing companies, which account for a significant portion of the revenues of this business segment, although none of which is greater than 10% of net sales. A large portion of the company's revenues have been generated from producers of protein products such as bacon, salami, hot dogs, dinner sausages, poultry, lunchmeats, sous vide prepared meals and plant based/alternative protein and producers of bakery products, such as muffins, cookies, crackers, pies, bread and buns; however, the company believes that it can leverage its expertise and product development capabilities in thermal processing to organically grow into new end markets and offers unique, automated full processing line solutions.

Food processing historically was highly fragmented; however has quickly become a highly competitive landscape with the emergence of large conglomerates that possess a variety of food brands. The consolidation of food processing plants associated with industry consolidation drives a need for more flexible and efficient equipment that is capable of processing large volumes of consistent quality products in quicker cycle times. In recent years, food processors have had to conform to the demands of "big box" retailers and the restaurant industry, including, most importantly, greater product consistency and exact package weights. Food processors are beginning to realize that their old equipment is no longer capable of efficiently producing adequate uniformity in the large product volumes required, and they are turning to equipment manufacturers that offer better process control for proven product consistency, innovative packaging designs and other solutions. To protect their own brands and reputations, retailers and large restaurant chains are also dictating food safety standards that are often stricter than government regulations.

A number of factors, including raw material prices, cost of ownership of their equipment, labor and health care costs, are driving food processors to focus on ways to improve their generally thin profitability margins. In order to increase the profitability and efficiency in processing plants, food processors pay increasingly more attention to the performance of their machinery and the flexibility in the functionality of the equipment. Food processors are continuously looking for ways to make their plants safer and reduce labor-intensive activities. Food processors have begun to recognize the value of new technology as an important vehicle to drive productivity and profitability in their plants. Due to customer requirements, food processors are expected to continue to demand new and innovative equipment that addresses food safety, food quality, automation, flexibility and sustainability.

Improving living standards in developing countries is spurring increased worldwide demand for pre-cooked and convenience food products. As industrializing countries create more jobs, consumers in these countries will have the means to buy pre-cooked food products. In industrialized regions, such as Western Europe and the U.S., consumers are demanding more pre-cooked and convenience food products, such as deli tray variety packs, frozen food products and ready-to-eat varieties of ethnic foods.

The global food processing equipment industry is large and growing. The company estimates demand for food processing equipment is in excess of \$50.0 billion worldwide.



### **Residential Kitchen Equipment Industry**

The company's end-users include customers with high-end residential kitchens as well as retail dealers of residential cooking equipment. The market potential for such equipment has continued to broaden due to an increase in interest from the consumer to have professionally styled appliances with commercial inspired, higher performing features in their home as well as their outdoor entertaining space. The kitchen, both indoors and out, has been the main area in which consumers have invested the most money over the past several decades to increase the personal satisfaction and the value of their home. Other important factors which affect the market size and growth include the level of new home starts, increase in home renovations and general macro-economic factors. Macro-economic factors such as GDP growth, employment rates, inflation, interest rates and consumer confidence, which impact the overall economy, impact the residential kitchen equipment industry and cause variability in the revenues at this segment. The residential kitchen appliance industry is estimated to be in excess of \$250.0 billion worldwide.

### **Backlog**

#### **Commercial Foodservice Equipment Group**

The backlog of orders for the Commercial Foodservice Equipment Group was \$395.2 million at December 30, 2023, most all of which is expected to be filled during 2024. The Commercial Foodservice Equipment Group's backlog was \$750.9 million at December 31, 2022. The acquired Flavor Burst and Systems IV businesses accounted for \$0.2 million of the backlog. The backlog is not necessarily indicative of the level of business expected for the year.

#### **Food Processing Equipment Group**

The backlog of orders for the Food Processing Equipment Group was \$250.4 million at December 30, 2023, which is expected to be filled by the end of fiscal 2025. The Food Processing Equipment Group's backlog was \$317.1 million at December 31, 2022. The acquired Filtration Automation business accounted for less than \$0.1 million of the backlog.

#### **Residential Kitchen Equipment Group**

The backlog of orders for the Residential Kitchen Equipment Group was \$112.1 million at December 30, 2023, all of which is expected to be filled during 2024. The Residential Kitchen Equipment Group's backlog was \$175.0 million at December 31, 2022. The acquired Trade-Wind business accounted for \$1.1 million of the backlog.

### **Marketing and Distribution**

#### **Commercial Foodservice Equipment Group**

Middleby's products and services are marketed in the U.S. and in over 100 countries through a combination of the company's sales and marketing personnel, together with an extensive network of independent dealers, distributors, consultants, sales representatives and agents.

In the United States, the company distributes its products to independent end-users primarily through a network of non-exclusive dealers nationwide, who are supported by manufacturers' marketing representatives. Sales are made direct to certain large restaurant chains that have established their own procurement and distribution organization for their franchise system. The company's relationships with major restaurant chains are primarily handled through an integrated effort of top-level executive and sales management at the corporate and business division levels to best serve each customer's needs. International sales are primarily made through a network of company owned and local independent distributors and dealers. To supplement the sales strategy, the company has invested in opening Middleby Innovation Kitchens (the MIK) in Dallas and Spain, which provide chef-driven demonstration and live cooking on over 150 pieces of live Middleby commercial kitchen innovation.

#### **Food Processing Equipment Group**

The company maintains a direct sales force to market the brands and maintain direct relationships with each of its customers. In North America, the company employs regional sales managers, each with responsibility for a group of customers and a particular region. This sales force is complimented with involvement of executive management to maintain relationships with customer executives and facilitate coordination amongst the brands for the key global accounts. Internationally, the company maintains sales and distribution offices along with global sales managers supported by a network of independent sales representatives.

The company's sale process is highly consultative due to the highly technical nature of the equipment, especially in the case of the full processing line solutions. During a typical sales process, salespeople make several visits to the customer's facility to conceptually discuss the production requirements, footprint and configuration of the proposed equipment. The company employs a technically proficient sales force, many of whom have previous technical experience with the company as well as education backgrounds in food science. The sales strategy of the company is fostered by its own food technologists and with Protein and Bakery Innovation Centers in Chicago, Dallas and India, which are available for development with technical performance and product testing for customers.

### **Residential Kitchen Equipment Group**

The company's products are marketed through a network of distributors, dealers, designers, select online retailers and home builders to the residential customers. The company markets and sells its products to these channels through a company-employed sales force. The company's products are distributed through a combination of an independent network of distributors and its wholly owned distribution operations. The company's wholly owned distribution operations include two primary customer support centers and regional logistic warehouse operations, which stock products and service parts for the respective region. To supplement the sales and distribution network, the company has invested in Middleby branded residential showrooms in Chicago, New York City, Orange County, California and Dallas.

Marketing support is provided to and coordinated with its network of dealers, designers, and home builders' sales partners to allow for coordinated efforts to market jointly to the end-user customers. The company in certain cases offers incentive based financial programs to invest in local marketing activities with these sales partners.

### **Services and Product Warranty**

The company is an industry leader in equipment installation programs and after-sales support and service. The company provides a warranty on its products typically for a one-year period and in certain instances greater periods. The emphasis on global service increases the likelihood of repeat business and enhances Middleby's image as a partner and provider of quality products and services.

### **Commercial Foodservice Equipment Group**

The company's domestic service network consists of over 100 authorized service parts distributors and 3,000 independent certified technicians who have been formally trained and certified by the company through its factory training school and on-site installation training programs. Technicians work through service parts distributors, which are required to provide around-the-clock service. The company provides real-time technical support to the technicians in the field through factory-based technical service engineers. The company maintains sufficient service parts inventory to ensure short lead times for service calls.

### **Food Processing Equipment Group**

The company maintains a technical service group of employees that oversees and performs installation and startup of equipment and completes warranty and repair work. This technical service group provides services for customers both domestically and internationally. Service technicians are trained regularly on new equipment to ensure the customer receives a high level of customer service. From time to time the company utilizes trained third-party technicians supervised by company employees to supplement company employees on large projects.

### **Residential Kitchen Equipment Group**

The company maintains a network of independent authorized service agents throughout North America. Authorized service agents are supported and trained by regional factory-support centers of the company. Trained technical support personnel are available to support independent service agents with technical information and assist in repair issues. The factory-support centers also dispatch service technicians to the customer and provide follow-up and monitoring to ensure field issues are resolved. The company's independent service agents maintain a stock of factory-supplied parts to allow for a high first-call completion rate for service and warranty repairs. The company maintains a substantial amount of service parts at each of its manufacturing operations and distribution operations to provide for quick ship of parts to service agents and end-user customers when necessary.

Internationally, the company has a network of company owned and independent distributors that provide sales and technical service support in their respective markets. These distributors are required to have a team of factory-trained service technicians and maintain a required stock of service parts to support the equipment in the market. The factory supports the international distributors with technical trainers which travel to the various markets to provide on-hands training and monitoring of the distributor service operations.

### **Competition**

The commercial foodservice, food processing and residential kitchen equipment industries are highly competitive and fragmented. Within a given product line the company may compete with a variety of companies, including companies that manufacture a broad line of products and those that specialize in a particular product category. Competition is based upon many factors, including brand recognition, product features, reliability, quality, price, delivery lead times, serviceability and after-sale service. The company believes that its ability to compete depends on strong brand equity, exceptional product performance, short lead-times and timely delivery, competitive pricing and superior customer service support. In the international markets, the company competes with U.S. manufacturers and numerous global and local competitors.

The company believes that it is one of the largest multiple-line manufacturers of commercial kitchen, food processing and residential kitchen equipment in the U.S. and worldwide although some of its competitors are units of operations that are larger than the company and possess greater financial and personnel resources. Among the company's major competitors to the Commercial Foodservice Equipment Group are the Ali Group S.r.l.; Duke Manufacturing; AB Electrolux; Haier Group; Hoshizaki America, Inc.; Hobart Corporation and Vulcan-Hart, subsidiaries of Illinois Tool Works Inc.; Marmon Foodservice Technologies, a Berkshire Hathaway Company; Midea Group; Panasonic Corporation; Rational AG; SMEG S.p.A.; and Welbilt, Inc. Major competitors to the Food Processing Equipment Group include AMF Bakery Systems, The GEA Group, JBT Technologies, Marel, and Provisur. The residential kitchen appliance sector is highly competitive and includes a number of large global competitors including, AB Electrolux, GE Appliances, LG Corporation, Panasonic Corporation, Samsung Group, Weber Inc., and Whirlpool Corporation. However, within the premium segment of this kitchen equipment market, there are fewer full line competitors and the company's competition includes Bertazzoni; Bosch, Gaggenau, and Thermador, subsidiaries of Bosch Siemens; Dacor, subsidiary of Samsung Electronics America; Haier Group; Midea Group; Miele; SMEG S.p.A.; and Sub-Zero and Wolf, subsidiaries of Sub-Zero Group, Inc.

### **Manufacturing and Quality Control**

The company's manufacturing operations provide for an expertise in the design and production of specific products for each of the three business segments. The company has from time to time either consolidated manufacturing facilities producing similar product or transferred production of certain products to another existing operation with a higher level of expertise or efficiency.

The Commercial Foodservice Equipment Group manufactures its products in twenty-four domestic and twenty international production facilities. The Food Processing Equipment Group manufactures its products in thirteen domestic and ten international production facilities. The Residential Kitchen Equipment Group manufactures its products in seven domestic and five international production facilities. See Item 2. Properties for a list of the principal domestic and international manufacturing facilities by segment.

Metal fabrication, finishing, sub-assembly and assembly operations are typically conducted at each manufacturing facility. Equipment installed at individual manufacturing facilities includes numerically controlled turret presses and machine centers, shears, press brakes, welding equipment, polishing equipment, CAD/CAM systems and product testing and quality assurance measurement devices. The company's CAD/CAM systems enable virtual electronic prototypes to be created, reviewed and refined before the first physical prototype is built.

Detailed manufacturing drawings are quickly and accurately derived from the model and passed electronically to manufacturing for programming and optimal parts nesting on various numerically controlled punching cells. The company believes that this integrated product development and manufacturing process is critical to assuring product performance, customer service and competitive pricing.

The company has established comprehensive programs to ensure the quality of products, to analyze potential product failures and to certify vendors for continuous improvement. Products manufactured by the company are tested prior to shipment to ensure compliance with company standards.

## **Sources of Supply**

The company purchases its raw materials and component parts from a number of suppliers. The majority of the company's material purchases are standard commodity-type materials, such as stainless steel, electrical components and hardware. These materials and parts generally are available in adequate quantities from numerous suppliers. Some component parts are obtained from sole sources of supply. In such instances, management believes it can substitute other suppliers as required. The majority of fabrication is done internally through the use of automated equipment. Certain equipment and accessories are manufactured by other suppliers for sale by the company. The company believes it enjoys good relationships with its suppliers.

## **Research and Development**

The company believes its future success will depend in part on its ability to develop new products and to improve existing products. Much of the company's research and development efforts at the Commercial Foodservice Equipment Group, the Food Processing Equipment Group and the Residential Kitchen Equipment Group are directed to the development and improvement of products designed to reduce cooking and processing time, increase capacity or throughput, reduce energy consumption, minimize labor costs, improve product yield and improve customer, employee and environmental safety, while maintaining consistency and quality of cooking production and food preparation. The company's efforts have also been focused on IoT solutions which allow customers to connect, analyze and control equipment, while delivering operational efficiencies. The company has identified these issues as key concerns for most of its customers. The company often identifies product improvement opportunities by working closely with customers on specific applications. Most research and development activities are performed by the company's technical service and engineering staff located at each manufacturing location. On occasion, the company will contract outside engineering firms to assist with the development of certain technical concepts and applications. See Note 3(n) to the Consolidated Financial Statements for further information on the company's research and development activities.

## **Seasonality**

The company's revenues at the Commercial Foodservice Equipment Group historically have been slightly stronger in the second and third quarters due to increased purchases from customers involved with the catering business and institutional customers, particularly schools, during the summer months. Revenues at the Residential Kitchen Equipment Group are historically stronger in the second and third quarters, due to increased purchases of outdoor cooking equipment and greater new home construction and remodels during the summer months, and the fourth quarter, due to increased holiday purchases in the European markets.

## **Trademarks, Patents and Licenses**

The company has developed, acquired and assembled a leading portfolio of trademarks and trade names. The company believes that these trademarks and trade names help the company compete in the marketplace due to their recognition with customers, restaurant operators, distribution partners, sales and service agents, and foodservice consultants that specify foodservice equipment.

The company's leading portfolio of trade names of its Commercial Foodservice Equipment Group include Anets, APW Wyott, Bakers Pride, Beech Ovens, BKI, Blodgett, Blodgett Combi, Bloomfield, Blue Sparq, Britannia, Carter-Hoffmann, Celfrost, Concordia, CookTek, Crown, CTX, Desmon, Deutsche Beverage, Doyon, Eswood, EVO, Firex, Flavor Burst, Follett, Frifri, Globe, Goldstein, Holman, Houno, Hydra Rinse, Icetro, IMC, Imperial, Induc, Jade, JoeTap, Jospier, Kloppenberg, L2F, Lang, Lincat, Marco, MagiKitch'n, Market Forge, Marsal, Marvel Scientific, Middleby Marshall, Newton CFV, Nieco, Nu-Vu, Perfect Fry, Pitco, Powerhouse Dynamics, QualServ, RAM, Southbend, Ss Brewtech, Star, Starline, Sveba Dahlen, Synesso, Tank, Taylor, Terry, Thor, Toastmaster, TurboChef, U-Line Commercial, Ultrafryer, Varimixer, Wells, Wild Goose Filling and Wunder-Bar.

The company's leading portfolio of trade names of its Food Processing Equipment Group include Alkar, Armor Inox, Auto-Bake, Baker Thermal Solutions, Burford, Colussi Ermes, Cozzini, CV-Tek, Danfotech, Drake, Escher, Filtration Automation, Glimek, Hinds-Bock, Inline Filling Systems, Key-Log, Maurer-Atmos, MP Equipment, Pacproinc, Proxaut, RapidPak, Scanico, Spooner Vicars, Stewart Systems, Sveba Dahlen, Thurne, Vemac, and VisionPak.

The company's leading portfolio of trade names of its Residential Kitchen Equipment Group include AGA, AGA Cookshop, Brava, Char-Griller, EVO, Kamado Joe, La Cornue, Leisure Sinks, Lynx, Marvel, Masterbuilt, Mercury, Novy, Rangemaster, Rayburn, Sedona, Ss Brewtech, Stanley, Synesso, Trade-Wind, TurboChef, U-Line, Varimixer and Viking.

The company holds a broad portfolio of patents and licenses covering technology and applications related to various products, equipment and systems. Management believes the expiration of any one of these patents would not have a material adverse effect on the overall operations or profitability of the company.

### **Human Capital**

As of December 30, 2023, 10,722 persons were employed by the company and its subsidiaries among the various groups as described below. 5,918 employees are located in the United States and the remaining employees are located outside of the United States. Unionized employees accounted for approximately 5% of the company's workforce as of December 30, 2023. Management believes that the relationships between employees and management are good.

The company believes its success is a direct result of the people employed around the world. The company strives to create a culture that encourages and celebrates collaboration, creativity and confidence while maintaining an environment based on ethical values. The goal is to create a workplace that enables employees to develop their individual paths toward their career goals and encourages a long-term working relationship with the company.

#### **Commercial Foodservice Equipment Group**

As of December 30, 2023, 6,276 persons were employed within the Commercial Foodservice Equipment Group. Of this amount, 2,695 were management, administrative, sales, engineering and supervisory personnel; 3,173 were hourly production non-union workers; and 408 were hourly production union members. Included in these totals were 2,651 individuals employed outside of the United States, of which 1,405 were management, sales, administrative and engineering personnel, 1,108 were hourly production non-union workers and 138 were hourly production union workers, who participate in an employee cooperative. At its Windsor, California facility, the company has a union contract with the Sheet Metal Workers International Association that expires on February 26, 2027. At its Elgin, Illinois facility, the company has a union contract with the International Brotherhood of Teamsters that expires on July 31, 2025. At its Easton, Pennsylvania facility, the company has a union contract with the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union that expires on June 15, 2027. The company also has a union workforce at its manufacturing facility in the Philippines, under a contract that expires on June 30, 2026. Management believes that the relationships between employees, unions and management are good.

#### **Food Processing Equipment Group**

As of December 30, 2023, 2,130 persons were employed within the Food Processing Equipment Group. Of this amount, 1,174 were management, administrative, sales, engineering and supervisory personnel; 842 were hourly production non-union workers; and 114 were hourly production union members. Included in these totals were 1,094 individuals employed outside of the United States, of which 652 were management, sales, administrative and engineering personnel and 442 were hourly production non-union workers. At its Lodi, Wisconsin facility, the company has a contract with the International Association of Bridge, Structural, Ornamental and Reinforcing Ironworkers that expires on December 31, 2024. At its Algona, Iowa facility, the company has a union contract with the United Food and Commercial Workers that expires on December 31, 2026. Management believes that the relationships between employees, unions and management are good.

#### **Residential Kitchen Equipment Group**

As of December 30, 2023, 2,245 persons were employed within the Residential Kitchen Equipment Group. Of this amount, 1,107 were management, administrative, sales, engineering and supervisory personnel and 1,138 were hourly production workers. Included in these totals were 1,059 individuals employed outside of the United States, of which 549 were management, sales, administrative and engineering personnel and 510 were hourly non-union production workers. Management believes that the relationships between employees and management are good.

#### **Corporate**

As of December 30, 2023, 71 persons were employed at the corporate office.

### Employee Advancement

The company believes offering opportunities for career development within the company is integral to building and retaining an outstanding workforce. The company is dedicated to the professional development of all employees. Through a commitment to a diverse and engaging culture, the company is able to build a platform that promotes equal opportunities for advancement for everyone.

### Employee Safety

The company is dedicated to providing a safe and healthy workplace by operating in accordance with established health and safety protocols. The company encourages a culture of safety due to the fact it reduces the risk of injury to employees, decreases expenses, and increases production. Each of our manufacturing locations maintains active safety committees that frequently review and assess the safety condition of their local work environment. The company invests in safety training, shares best practices, and reviews claim activity to continually review our progress in minimizing employee injury incidents in the workplace.

### Diversity

Fostering a culture that supports diversity among employees as well as professional growth and advancement is an integral part of the company's identity. The company has a commitment to build its workforce from diverse backgrounds, experiences and talents among race, religion, language, nationality, disability, age and gender. Through our diverse workforce, the company is well-positioned to attract the best talent, which allows better alignment with customers and creative and efficient development of new products for the marketplace. As a global corporation, the company embraces and celebrates differences among our employees and endeavors to cultivate an environment where diversity and inclusion are core values of the organization.

### A Focus on Ethics

The company is dedicated to promoting integrity, honesty, and professionalism in all of the business activities within the company. The company strongly believes that business success is a direct correlation of its reputation for fairness and integrity. Accordingly, it is essential that the company's board members and employees practice the highest standards of conduct and professionalism in any interactions with stakeholders including customers, creditors, stockholders, suppliers and other employees.

## **Item 1A. Risk Factors**

The company's business, results of operations, cash flows and financial condition are subject to various risks including, but not limited to, those set forth below. Any of these risks, as well as risks not currently known to the company or that are currently deemed to be immaterial, may adversely affect the company's business, results of operations, cash flows and financial condition. These risk factors should be carefully considered together with the other information in this Annual Report on Form 10-K, including the risks and uncertainties described under the heading *Special Note Regarding Forward-Looking Statements*.

### **Economic Risks**

#### **Current and future economic conditions could materially adversely affect the company's business and financial performance.**

The company's operating results are impacted by the health of the North American, European, Asian and Latin American economies. The company's business and financial performance, including collection of its accounts receivable, may be materially adversely affected by current and future economic conditions that may cause a decline in business and consumer spending, a reduction in the availability of credit and decreased growth of its existing customers, resulting in customers electing to delay the replacement of aging equipment. Higher energy costs, fluctuating interest rates, weakness in the residential construction, housing and home improvement markets, financial market volatility, inflation, recession, global hostilities and acts of terrorism have and may in the future also adversely affect the company's business and financial performance. Additionally, the company may experience difficulties in scaling its operations due to economic pressures in the U.S. and international markets.

#### **The company is subject to currency fluctuations and other risks from its operations outside the United States.**

The company has manufacturing and distribution operations located in Asia, Europe and Latin America. The company's operations are subject to the impact of economic downturns, political instability and foreign trade restrictions, which may adversely affect the company's business, financial condition and operating results. The company anticipates that international sales will continue to account for a significant portion of consolidated net sales in the foreseeable future. Some sales and operating costs of the company's foreign operations are realized in local currencies, and an increase in the relative value of the U.S. dollar against such currencies would lead to a reduction in consolidated sales and earnings. Additionally, foreign currency exposures are not fully hedged, and there can be no assurance that the company's future results of operations will not be adversely affected by currency fluctuations. Furthermore, currency fluctuations may affect the prices paid to the company's suppliers for materials the company uses in production. As a result, operating margins may also be negatively impacted by worldwide currency fluctuations that result in higher costs for certain cross-border transactions.

### **Business and Operational Risks**

#### **The company's level of indebtedness could adversely affect its business, results of operations and growth strategy.**

The company now has and may continue to have a significant amount of indebtedness. At December 30, 2023, the company had \$2.4 billion of borrowings and \$1.6 million in letters of credit outstanding. In August 2020, the company issued \$747.5 million aggregate principal amount of 1.00% Convertible Senior Notes due 2025 (the "Convertible Notes"), which bear interest semi-annually in arrears and mature on September 1, 2025, unless they are redeemed, repurchased or converted prior to such date in accordance with their terms. Upon conversion, the company can elect to pay or deliver, cash, shares of common stock or a combination of cash and shares of common stock, in respect of the remainder, if any, of the company's conversion obligation in excess of the aggregate principal amount of the Convertible Notes being converted. Under certain circumstances, the holders of the Convertible Notes may require the company to repay all or a portion of the principal and interest outstanding under the Convertible Notes in cash prior to the maturity date, which could have an adverse effect on the company's financial results.

To the extent the company requires additional capital resources, there can be no assurance that such funds will be available on favorable terms, or at all. The unavailability of funds could have a material adverse effect on the company's financial condition, results of operations and ability to expand the company's operations.

The company's level of indebtedness could have adverse consequences to its business and operations, including the following:

- the company may be unable to obtain additional financing for working capital, capital expenditures, product development, acquisitions and other general corporate purposes;

- a significant portion of the company's cash flow from operations must be dedicated to debt service, which reduces the amount of cash the company has available for other purposes;
- the company may be more vulnerable in the event of a downturn in the company's business or general economic and industry conditions and have limited flexibility in planning for, or reacting to, changes in its business and/or industry;
- the company may be disadvantaged compared to its competitors that are less leveraged and thereby have greater financial flexibility; and
- the company may be restricted in its ability to make strategic acquisitions and to pursue new business opportunities.

**The company's current credit agreement limits its ability to conduct business, which could negatively affect the company's ability to finance future capital needs and engage in other business activities.**

The covenants in the company's existing credit agreement contain a number of significant limitations on its ability to, among other things:

- pay dividends;
- incur additional indebtedness;
- create liens on the company's assets;
- engage in new lines of business;
- make investments;
- merge or consolidate; and
- acquire, dispose of, or lease assets.

These restrictive covenants, among others, could negatively affect the company's ability to finance its future capital needs, engage in other business activities or withstand a future downturn in the company's business or the economy.

Under the company's current credit agreement, the company is required to maintain certain specified financial ratios and meet financial tests, including certain ratios of secured leverage and interest coverage. The company's ability to comply with these requirements may be affected by matters beyond its control, and, as a result, there can be no assurance that the company will be able to meet these ratios and tests. A breach of any of these covenants would prevent the company from being able to draw under the company's revolver and would result in a default under the company's current credit agreement. In the event of a default under the company's current credit agreement, the lenders could terminate their commitments and declare all amounts borrowed, together with accrued interest and other fees, to be immediately due and payable. Borrowings under other debt instruments that contain cross-acceleration or cross-default provisions may also be accelerated and become due and payable at such time. The company may be unable to pay these debts in these circumstances.

**The conditional conversion feature of the Convertible Notes, if triggered, may adversely affect the company's financial condition and operating results.**

In the event the conditional conversion feature of the Convertible Notes is triggered, holders of the Convertible Notes will be entitled to convert their Convertible Notes at any time during specified periods at their option. If one or more holders elect to convert their Convertible Notes, unless the company elects to satisfy the conversion obligation by delivering solely shares of its common stock (other than paying cash in lieu of delivering any fractional share), the company would be required to settle any converted principal through the payment of cash, which could adversely affect the company's liquidity. To the extent the company satisfies the conversion obligation by delivering shares of common stock, the company would be required to deliver a significant number of shares, which would cause dilution to its existing stockholders. In addition, even if holders do not elect to convert their Convertible Notes in such circumstances, the company could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Convertible Notes as a current rather than long-term liability, which would result in a material reduction in net working capital.



**The capped call transactions expose the company to counterparty risk and may affect the value of the company's common stock.**

In connection with the Convertible Notes, the company has entered into and may in the future enter into, capped call transactions with certain financial institutions, referred to as the capped call counterparties. The capped call transactions are expected generally to reduce or offset the potential dilution upon conversion of the Convertible Notes and/or offset any cash payments the company is required to make in excess of the principal amount of the Convertible Notes, as the case may be, with such reduction and/or offset subject to a cap. From time to time, the capped call counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding various derivative transactions with respect to the company's common stock and/or purchasing or selling the company's common stock in secondary market transactions prior to the maturity of the Convertible Notes. Any such activity could cause a decrease in the market price of the company's common stock.

In addition, the capped call counterparties are financial institutions, and the company is subject to the risk that one or more of the capped call counterparties may default or otherwise fail to perform, or may exercise certain rights to terminate, their obligations under the capped call transactions. The company's exposure to the credit risk of the capped call counterparties is not secured by any collateral. If a capped call counterparty becomes subject to insolvency proceedings, the company will become an unsecured creditor in those proceedings with a claim equal to the exposure at the time under such transaction. The company's exposure will depend on many factors but, generally, the exposure will increase if the market price or the volatility of the company's common stock increases. In addition, upon a default or other failure to perform, or a termination of obligations, by a capped call counterparty, the company may suffer more dilution than currently anticipated with respect to the company's common stock. The company can provide no assurances as to the financial stability or viability of the capped call counterparties.

**Fluctuations in interest rates could adversely affect the company's results of operations and financial position.**

The company's profitability has been and may continue to be adversely affected during any periods of unexpected or rapid increases in interest rates. The company maintains a revolving credit facility, which, at December 30, 2023, bore interest at 1.625% above Secured Overnight Financing Rate ("SOFR") plus a spread adjustment of 0.10% per annum. A significant increase in any of the forgoing rates would significantly increase the company's cost of borrowings, reduce the availability and increase the cost of obtaining new debt and refinancing existing indebtedness and/or negatively impact the market price of the company's common stock. For additional detail related to this risk, see Part II, Item 7A, "Quantitative and Qualitative Disclosure About Market Risk."

**The company has a significant amount of goodwill and indefinite life intangibles could suffer losses due to asset impairment charges.**

The company's balance sheet includes a significant amount of goodwill and indefinite life intangible assets, which represent approximately 36% and 19%, respectively, of its total assets as of December 30, 2023. The excess of the purchase price over the fair value of assets acquired, including identifiable intangible assets, and liabilities assumed in conjunction with acquisitions is recorded as goodwill. In accordance with Accounting Standards Codification ("ASC") 350 *Intangibles-Goodwill and Other*, the company's long-lived assets (including goodwill and other intangibles) are reviewed for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In assessing the recoverability of long-lived assets, the company considers changes in economic conditions and makes assumptions regarding estimated future cash flows and other factors. Various uncertainties, including continued adverse conditions in the capital markets or changes in general economic conditions, could impact the future operating performance at one or more of the company's businesses, which could significantly affect the company's valuations and could result in additional future impairments. Also, estimates of future cash flows are judgments based on the company's experience and knowledge of operations. These estimates could be significantly impacted by many factors, including changes in global and local business and economic conditions, operating costs, inflation, competition, and consumer and demographic trends. If the company's estimates or the underlying assumptions change in the future, the company may be required to record impairment charges that, if incurred, could have a material adverse effect on the company's reported net earnings.

**The company's defined benefit pension plans are subject to financial market risks that could adversely affect the company's results of operations and cash flows.**

The performance of the financial markets and interest rates impact our defined benefit pension plan expenses and funding obligations. Significant changes in market interest rates, decreases in fair value of plan assets, investment losses on plan assets, relevant legislative and regulatory changes relating to defined benefit plan funding and changes in interest rates may increase the company's funding obligations and adversely impact its results of operations and cash flows. In addition, upward pressure on the cost of providing healthcare coverage to current employees and retirees may increase the company's future funding obligations and adversely affect its results of operations and cash flows.

**The company faces intense competition in the commercial foodservice, food processing, and residential kitchen equipment industries and failure to successfully compete could impact the company's results of operations and cash flows.**

The company operates in highly competitive industries. In each of the company's three business segments, competition is based on a variety of factors including product features and design, brand recognition, reliability, durability, technology, energy efficiency, breadth of product offerings, price, customer relationships, delivery lead-times, serviceability and after-sale service. The company has numerous competitors in each business segment. Many of the company's competitors are substantially larger and enjoy substantially greater financial, marketing, technological and personnel resources. These factors may enable them to develop similar or superior products, to provide lower cost products and to carry out their business strategies more quickly and efficiently than the company can. In addition, some competitors focus on particular product lines or geographic regions or emphasize their local manufacturing presence or local market knowledge. Some competitors have different pricing structures and may be able to deliver their products at lower prices. Although the company believes that the performance and price characteristics of its products will provide competitive solutions for its customers' needs, there can be no assurance that the company's customers will continue to choose the company's products over products offered by its competitors.

Further, the markets for the company's products are characterized by changing technology and evolving industry standards, including a focus on developing and manufacturing energy efficient products in a sustainable way. The company's ability to compete successfully will depend, in large part, on its ability to enhance and improve its existing products, including its energy efficient products and products manufactured through a process designed to reduce emissions, to continue to bring innovative products to market in a timely fashion, to adapt the company's products to the needs and standards of its current and potential customers and to continue to improve operating efficiencies and lower manufacturing costs. Moreover, competitors may develop technologies or products that render the company's products obsolete or less marketable. If the company is unable to successfully compete in this highly competitive environment, the company's business, financial condition and operating results will be materially harmed.

**The company is subject to risks associated with developing products and technologies, which could delay product introductions and result in significant expenditures.**

The product, program and service needs of the company's customers change and evolve regularly, and the company invests substantial amounts in research and development efforts to pursue advancements in a wide range of technologies, products and services. Also, the company continually seeks to refine and improve upon the performance, utility and physical attributes of its existing products and to develop new products. As a result, the company's business is subject to risks associated with new product and technological development, including unanticipated technical or other problems, meeting development, production, certification and regulatory approval schedules, execution of internal and external performance plans, availability of supplier- and internally-produced parts and materials, performance of suppliers and subcontractors, hiring and training of qualified personnel, achieving cost and production efficiencies, identification of emerging technological trends in the company's target end-markets, validation of innovative technologies, the level of customer interest in new technologies and products, and customer acceptance of the company's products and products that incorporate technologies that the company develops. These factors involve significant risks and uncertainties. Also, any development efforts divert resources from other potential investments in the company's businesses, and these efforts may not lead to the development of new technologies or products on a timely basis or meet the needs of the company's customers as fully as competitive offerings. In addition, the markets for the company's products or products that incorporate the company's technologies may not develop or grow as the company anticipates. The company or its suppliers and subcontractors may encounter difficulties in developing and producing these new products and services, and may not realize the degree or timing of benefits initially anticipated. Due to the design complexity of the company's products, the company may in the future experience delays in completing the development and introduction of new products. Any delays could result in increased development costs or deflect resources from other projects. The occurrence of any of these risks could cause a substantial change in the design, delay in the development, or abandonment of new technologies and products. Consequently, there can be no assurance that the company will develop new technologies superior to the company's current technologies or successfully bring new products to market.

Additionally, there can be no assurance that new technologies or products, if developed, will meet the company's current price or performance objectives, be developed on a timely basis, or prove to be as effective as products based on other technologies. The inability to successfully complete the development of a product, or a determination by the company, for financial, technical or other reasons, not to complete development of a product, particularly in instances in which the company has made significant expenditures, could have a material adverse effect on the company's financial condition and operating results.

**The company depends on key customers for a material portion of its revenues. As a result, changes in the purchasing patterns or loss of one or more key customers could adversely impact the company's operating results.**

Many of the company's key customers are large restaurant chains and major food processing companies. The demand for the company's equipment can vary from period to period depending on the company's customers' internal growth plans, construction, seasonality and other factors. In addition, an adverse change to the financial condition of key customers could cause such key customers to open fewer facilities and defer purchases of new equipment for existing operations or otherwise change the purchasing patterns of such key customers. Any of these conditions or the loss of key customers could have a material adverse effect on the company's financial condition and results of operations.

**Price increases in some materials and disruptions in supply could affect the company's profitability.**

The company uses large amounts of stainless steel, aluminized steel and other commodities in the manufacture of its products. A significant increase in the price of steel or any other commodity, due to tariffs or otherwise, has and may continue to adversely affect the company's operating results. In addition, we have experienced and continue to experience disruptions to parts of our supply chain. Unanticipated delays in delivery of raw materials and component inventories by suppliers—including delays due to capacity constraints, labor disputes, impaired financial condition of suppliers, natural disasters, extreme weather patterns and climate change, pandemics or other events outside our control—have and may continue to increase the company's production costs, cause delays in the shipment of products or impair the ability of the company to satisfy customer demand. An interruption in or the cessation of an important supply by any third party and the company's inability to make alternative arrangements in a timely manner, or at all, could have a material adverse effect on the company's business, financial condition and operating results.

**The company faces risks related to health epidemics and other widespread outbreaks of contagious disease, which could significantly disrupt its operations and impact its operating results.**

The spread of contagious diseases or other adverse public health developments, has had a material and adverse effect on our business operations. These effects have included and may in the future include disruptions or restrictions on our ability to travel, temporary closures of our or our customers' facilities and disruptions to our supply chain. Any disruption of our, our suppliers' or our customers' businesses due to adverse public health developments could have a material impact on our sales and operating results.

**The company may be the subject of product liability claims or product recalls, and it may be unable to obtain or maintain insurance adequate to cover potential liabilities.**

Product liability is a significant commercial risk to the company. The company's business exposes it to potential liability risks that arise from the manufacturing, marketing and selling of the company's products. In addition to direct expenditures for damages, settlement and defense costs, there is a possibility of adverse publicity as a result of product liability claims. Plaintiffs in some jurisdictions have received substantial damage awards against companies based upon claims for injuries allegedly caused by the use of their products. In addition, it may be necessary for the company to recall products that do not meet approved specifications, which could result in adverse publicity as well as costs connected to the recall and loss of revenue.

The company cannot be certain that a product liability claim or series of claims brought against it would not have an adverse effect on the company's business, financial condition or results of operations. If any claim is brought against the company, regardless of the success or failure of the claim, there can be no assurance that the company will be able to obtain or maintain product liability insurance in the future on acceptable terms or with adequate coverage against potential liabilities or the cost of a recall. The company currently maintains insurance programs consisting of self-insurance up to certain limits and excess insurance coverage for claims over established limits. There can be no assurance that the company's insurance programs will provide adequate protection against actual losses. In addition, the company is subject to the risk that one or more of its insurers may become insolvent or become unable to pay claims that may be made in the future.

**An increase in warranty expenses could adversely affect the company's financial performance.**

The company offers purchasers of its products warranties covering workmanship and materials typically for one year and, in certain circumstances, for periods of up to ten years, during which periods the company or an authorized service representative will make repairs and replace parts that have become defective in the course of normal use. The company estimates and records its future warranty costs based upon past experience. These warranty expenses may increase in the future and may exceed the company's warranty reserves, which, in turn, could adversely affect the company's financial performance.

**The company's financial performance is subject to significant fluctuations.**

The company's financial performance is subject to quarterly and annual fluctuations due to a number of factors, including:

- general economic conditions;
- the lengthy, unpredictable sales cycle for the commercial foodservice equipment, food processing equipment and residential kitchen equipment groups;
- the gain or loss of significant customers;
- unexpected delays in new product introductions;
- the level of market acceptance of new or enhanced versions of the company's products;
- unexpected changes in the levels of the company's operating expenses; and
- competitive product offerings and pricing actions.

Each of these factors could result in a material and adverse change in the company's business, financial condition and results of operations.

**The company may be unable to manage its growth.**

The company has recently experienced rapid growth in its business. Continued growth could place a strain on the company's management, operations and financial resources. There also will be additional demands on the company's sales, marketing and information systems and on the company's administrative infrastructure as it develops and offers additional products and enters new markets. The company cannot be certain that the company's operating and financial control systems, administrative infrastructure, outsourced and internal production capacity, facilities and personnel will be adequate to support the company's future operations or to effectively adapt to future growth. If the company cannot manage the company's growth effectively, the company's business may be harmed.

**Strategic and Organizational Risks**

**The company's acquisition, investment and alliance strategy involves risks. If the company is unable to effectively manage these risks, its business will be materially harmed.**

To achieve the company's strategic objectives, the company has pursued and may continue to pursue strategic acquisitions of and investments in other companies, businesses or technologies. Acquisitions and investments entail numerous risks, including, among others:

- difficulties in the assimilation of acquired businesses or technologies and the inability to fully realize some of the expected synergies or otherwise achieve anticipated revenues and profits;
- inability to operate acquired businesses or utilize acquired technologies profitably;
- the significant amount of management time and attention needed to identify, execute and integrate any acquired businesses;
- potential assumption of unknown material liabilities;
- failure to achieve financial or operating objectives;
- unanticipated costs relating to acquisitions or to the integration of acquired businesses;
- loss of customers, suppliers, or key employees; and
- the impact on the company's internal controls and compliance with the regulatory requirements under the Sarbanes-Oxley Act of 2002.

The company may not be able to successfully integrate any operations, personnel, services or products that it has acquired or may acquire in the future.

The company may seek to expand or enhance some of its operations by forming joint ventures or alliances with various strategic partners throughout the world. Entering into joint ventures and alliances also entails risks, including difficulties in developing and expanding the businesses of newly formed joint ventures, exercising influence over the activities of joint ventures in which the company does not have a controlling interest and potential conflicts with the company's joint venture or alliance partners. The company cannot assure that any joint venture or alliance entered into or that may be entered into in the future will be successful.

**An inability to identify or complete future acquisitions could adversely affect future growth.**

The company intends to continue its growth strategy of identifying and acquiring businesses with complementary products and services by pursuing acquisitions that provide opportunities for profitable growth. While the company continues to evaluate potential acquisitions, it may not be able to identify and successfully negotiate suitable acquisitions, obtain financing for future acquisitions on satisfactory terms, obtain regulatory approval for certain acquisitions, or otherwise complete acquisitions in the future. An inability to identify or complete future acquisitions could limit the company's growth.

**Expansion of the company's international operations involves special challenges that it may not be able to meet. The company's failure to meet these challenges could adversely affect its business, financial condition and operating results.**

The company plans to continue to expand its international operations. The company faces certain risks inherent in doing business in international markets. These risks include:

- extensive regulations and oversight, tariffs, including with respect to certain products imported from China or exported to China, retaliatory tariffs by China and certain other countries in response to tariffs implemented by the United States, and other trade barriers;
- withdrawal from or renegotiation of international trade agreements and other restrictions on trade between the United States and China, the European Union, Canada, Mexico and other countries;
- uncertain impact on operations, suppliers and customers related to business disruptions in international jurisdictions;
- reduced protection for intellectual property rights;
- difficulties in staffing and managing foreign operations;
- potentially adverse tax consequences;
- limitations on ownership and on repatriation of earnings;
- transportation delays and interruptions;
- political, social, and economic instability and disruptions;
- labor unrests or shortages;
- potential for nationalization of enterprises; and
- limitations on the company's ability to enforce legal rights and remedies.

In addition, the company is and will be required to comply with the laws and regulations of foreign governmental and regulatory authorities of each country in which the company conducts business.

There can be no assurance that the company will be able to succeed in marketing its products and services in international markets. The company may also experience difficulty in managing its international operations because of, among other things, competitive conditions overseas, geopolitical threats or hostilities, management of foreign exchange risk, established domestic markets, and language and cultural differences. Any of these factors could have a material adverse effect on the success of the company's international operations and, consequently, on the company's business, financial condition and operating results.

**The impact of future transactions on the company's common stock is uncertain.**

The company periodically reviews potential transactions related to products or product rights and businesses complementary to the company's business. Such transactions could include mergers, acquisitions, joint ventures, alliances or licensing agreements. In the future, the company may choose to enter into such transactions at any time. The impact of transactions on the market price of a company's stock is often uncertain and may include substantial fluctuations. Consequently, any announcement of any such transaction could have a material adverse effect upon the market price of the company's common stock. Moreover, depending upon the nature of any transaction, the company may experience a charge to earnings, which could be material and have an adverse impact upon the market price of the company's common stock.

**The company's business could suffer in the event of a work stoppage by its unionized labor force.**

Because the company has a significant number of workers whose employment is subject to collective bargaining agreements and labor union representation, the company is vulnerable to possible organized work stoppages and similar actions. Unionized employees accounted for approximately 5% of the company's workforce as of December 30, 2023. The company has union contracts with employees at its facilities in Windsor, California; Algona, Iowa; Elgin, Illinois; Easton, Pennsylvania and Lodi, Wisconsin that extend through February 2027, December 2026, July 2025, June 2027 and December 2024, respectively. The company also has a union workforce at its manufacturing facility in the Philippines under a contract that extends through June 2026. Approximately 1% of the company's workforce is covered by collective bargaining agreements that expire within one year. Any future strikes, employee slowdowns or similar actions by one or more unions, in connection with labor contract negotiations or otherwise, could have a material adverse effect on the company's ability to operate the company's business.

**The company depends significantly on its key personnel.**

The company depends significantly on the company's executive officers and certain other key personnel, who could be difficult to replace. While the company has employment agreements with certain key executives, the company cannot be certain that it will succeed in retaining key personnel or their services under existing agreements. The incapacity, inability or unwillingness of certain personnel to perform their services may have a material adverse effect on the company. There is intense competition for qualified personnel within the company's industry, and there can be no assurance that the company will be able to continue to attract, motivate and retain personnel with the skills and experience needed to successfully manage the company's business and operations.

**Technology and Cybersecurity Risks**

**The company may not be able to adequately protect its intellectual property rights, which may materially harm its business.**

The company relies primarily on trade secret, copyright, service mark, trademark and patent law and contractual protections to protect the company's proprietary technology and other proprietary rights. The company has filed numerous patent applications covering the company's proprietary technology. Notwithstanding the precautions the company takes to protect its intellectual property rights, it is possible that third parties may copy or otherwise obtain and use the company's proprietary technology without authorization or may otherwise infringe on the company's rights. In some cases, including with respect to a number of the company's most important products, there may be no effective legal recourse against duplication by competitors as the legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents and other intellectual property protection. This could make it difficult for us to stop the infringement of our patents and future patents we may own, or, generally, prevent the marketing of competing products in violation of our proprietary rights. Further, the laws of some foreign countries do not protect proprietary rights to the same extent or in the same manner as the laws of the United States. In the future, the company may have to rely on litigation to enforce its intellectual property rights, protect its trade secrets, determine the validity and scope of the proprietary rights of others or defend against claims of infringement or invalidity. Any such litigation, whether successful or unsuccessful, could result in substantial costs to the company and diversions of the company's resources, either of which could adversely affect the company's business.

**Any infringement by the company of a third party's patent rights could result in litigation and adversely affect its ability to provide, or could increase the cost of providing, the company's products and services.**

Patents of third parties may have an important bearing on the company's ability to offer some of its products and services. The company's competitors, as well as other companies and individuals, may obtain patents related to the types of products and services the company offers or plans to offer. There can be no assurance that the company is or will be aware of all patents containing claims that may pose a risk of infringement by its products and services. In addition, some patent applications in the United States are confidential until a patent is issued and, therefore, the company cannot evaluate the extent to which its products and services may be covered or asserted to be covered by claims contained in pending patent applications. In general, if one or more of the company's products or services were to infringe patents held by others, the company may be required to stop developing or marketing the products or services, to obtain licenses from the holders of the patents to develop and market the services, or to redesign the products or services in such a way as to avoid infringing on the patent claims. The company cannot assess the extent to which it may be required in the future to obtain licenses with respect to patents held by others, whether such licenses would be available or, if available, whether it would be able to obtain such licenses on commercially reasonable terms. If the company is unable to obtain such licenses, it also may not be able to redesign the company's products or services to avoid infringement, which could materially adversely affect the company's business, financial condition and operating results.

**The company may be subject to information technology system failures, network disruptions, cybersecurity attacks and breaches in data security, which may materially adversely affect the company's operations, financial condition and operating results.**

The company depends on information technology as an enabler to improve the effectiveness of its operations and to interface with its customers, as well as to maintain financial accuracy and efficiency. Information technology system failures, including suppliers' or vendors' system failures, have and could in the future disrupt the company's operations by causing transaction errors, processing inefficiencies, delays or cancellation of customer orders, the loss of customers, impediments to the manufacture or shipment of products, other business disruptions, or the loss of or damage to intellectual property through a security breach.

The company's information systems, or those of its third-party service providers, could also be penetrated by outside parties intent on extracting information, corrupting information or disrupting business processes. Such unauthorized access could materially disrupt the company's business, increase costs and/or result in the loss of assets. Cybersecurity attacks are becoming more sophisticated and include, but are not limited to, malicious software, attempts to gain unauthorized access to data, and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information, corruption or destruction of data and other manipulation or improper use of systems or networks. These events could negatively impact the company's customers and/or reputation and lead to financial losses from remediation actions, loss of business, production downtimes, operational delays or potential liability, penalties, fines or other increases in expense, all of which may have a material adverse effect on the company's business. In addition, as security threats and cybersecurity and data privacy and protection laws and regulations, including those related to the collection, storage, handling, use, disclosure, transfer, and security of personally identifiable information, continue to evolve and become more sophisticated, we may invest additional resources in the security of our systems. Any such increased investment could materially increase our costs and adversely affect our financial condition or results of operations. Further, as governmental authorities around the world continue to consider legislative and regulatory proposals concerning data protection in addition to those already in place, we are and may continue to be subject to substantial penalties if we fail to comply with data protection laws and regulations.

### **Tax, Legal and Regulatory Risks**

**The company may be subject to litigation, tax, and other legal compliance risks.**

In addition to product liability claims, the company is subject to a variety of litigation, tax, and other legal compliance risks. These risks include, among other things, possible liability relating to personal injuries, intellectual property rights, contract-related claims, taxes and compliance with U.S. and foreign export laws, competition laws, and laws governing improper business practices. The company or one of its business units could be charged with wrongdoing as a result of such matters. If convicted or found liable, the company could be subject to significant fines, penalties, repayments or other damages.

**The company's reputation, ability to do business, and results of operations may be impaired by the improper conduct of any of its employees, agents, or business partners.**

While the company strives to maintain high standards, the company cannot provide assurance that its internal controls and compliance systems will always protect the company from acts committed by its employees, agents, or business partners that violate U.S. and/or foreign laws or fail to protect the company's confidential information, including the laws governing payments to government officials, bribery, fraud, anti-kickback and false claims rules, competition, export and import compliance, money laundering, and data privacy laws, as well as the improper use of proprietary information or social media. Any such violations of law or improper actions could subject the company to civil or criminal investigations in the United States and in other jurisdictions, lead to substantial civil or criminal, monetary and non-monetary penalties, and related shareholder lawsuits, lead to increased costs of compliance and damage the company's reputation.



**The company is subject to potential liability under environmental laws.**

The company's operations are regulated by a number of federal, state and local environmental laws and regulations that govern, among other things, the discharge of hazardous materials into the air and water as well as the handling, storage and disposal of these materials. Compliance with these environmental laws and regulations is a significant consideration for the company because it uses hazardous materials in its manufacturing processes. In addition, because the company is a generator of hazardous wastes, even if it fully complies with applicable environmental laws, it may be subject to financial exposure for costs associated with an investigation and remediation of sites at which it has arranged for the disposal of hazardous wastes if these sites become contaminated. In the event of a violation of environmental laws, the company could be held liable for damages and for the costs of remedial actions. Environmental laws could also become more stringent over time, imposing greater compliance costs and increasing risks and penalties associated with any violation, which could negatively affect the company's operating results. There can be no assurance that identification of presently unidentified environmental conditions, more vigorous enforcement by regulatory authorities or other unanticipated events will not arise in the future resulting in additional environmental liabilities, compliance costs and penalties that could be material. Environmental laws and regulations are constantly evolving, and it is impossible to accurately predict the effect they may have upon the financial condition, results of operations, or cash flows of the company.

**We are subject to risks associated with climate change legislation, regulation and international accords. In addition, failure to achieve or demonstrate progress towards our climate goals may expose us to liability and reputational harm.**

Government mandates, standards or regulations intended to reduce greenhouse gas emissions or projected climate change impacts have resulted in, and are likely to continue resulting in, increased energy, manufacturing, transportation and raw material costs. Governmental requirements directed at regulating greenhouse gas emissions could cause us to incur expenses that we cannot recover or that will require us to increase the price of products we sell, which could impact the demand for those products.

Additionally, as discussed further in our 2023 Sustainability Report, accessible at [www.middleby.com/sustainability](http://www.middleby.com/sustainability), we have made commitments to reduce the environmental impact of our operations and provide sustainable solutions to our customers, including setting targets for reducing our Greenhouse Gas ("GHG") emission and consumption of non-renewable resources. There can be no assurance that we will achieve our climate-related goals on the timeline anticipated or at all. Further, future events or circumstances could lead us to prioritize other business interests over progressing toward our current climate goals due to factors such as business strategy, economic conditions, regulatory changes or pressure from stakeholders. If we fail or are perceived to fail to progress toward achieving our climate-related goals and commitments or if our investors, customers or other stakeholders become dissatisfied with the level of GHG emissions produced by our production process or our products, we could face adverse publicity, which could have a material adverse impact on our business, financial condition and results of operations

**Unfavorable tax law changes and tax authority rulings may adversely affect financial results.**

The company is subject to income taxes in the United States and in various foreign jurisdictions. Domestic and international tax liabilities are based on the income and expenses in various tax jurisdictions. The amount of the company's income and other tax liability is subject to ongoing audits by U.S. federal, state and local tax authorities and by non-U.S. authorities. If these audits result in assessments different from amounts recorded, future financial results may include unfavorable tax adjustments.

In December 2021, The Organisation for Economic Co-operation and Development ("OECD") issued Pillar II model rules which would establish a global per-country minimum tax of 15%. The directive requires the rules to initially become effective for fiscal years starting on or after December 31, 2023. While it is uncertain whether the United States will enact legislation to adopt Pillar II, numerous countries have enacted legislation, or have indicated their intent to adopt legislation, to implement certain aspects of Pillar II effective January 1, 2024, and the remaining global minimum tax rules by January 1, 2025. The OECD and implementing countries are expected to continue to make further revisions to their legislation and release additional guidance.

**The trading price of the company's common stock has been volatile, and investors in the company's common stock may experience substantial losses.**

The trading price of the company's common stock has been volatile and may become volatile again in the future. The trading price of the company's common stock could decline or fluctuate in response to a variety of factors, including:

- the company's failure to meet the performance estimates of securities analysts;
- changes in buy/sell recommendations by securities analysts;
- fluctuations in the company's operating results;
- substantial sales of the company's common stock;
- general stock market conditions; or
- other economic or external factors.

**Item 1B. Unresolved Staff Comments**

Not applicable.

**Item 1C. Cybersecurity**

**Risk Management and Strategy**

The company maintains a cybersecurity risk management program as part of its overall risk management framework and regularly assesses risks from cybersecurity threats, monitors its information systems for potential vulnerabilities and tests those systems pursuant to the company's cybersecurity standards, processes, and practices. To protect the company's information systems from cybersecurity threats, the company uses various security tools that help the company identify, escalate, investigate, resolve, and recover from security incidents in a timely manner. These efforts include but are not limited to, internal reporting, engaging third-party service providers to actively monitor information systems, performing vulnerability testing using external third-party tools and techniques to test security controls, conducting employee training, monitoring emerging trends and regulations related to information security, and implementing appropriate changes, as needed, to our cybersecurity risk management program.

The company partners with third parties to assess the effectiveness of our cybersecurity prevention and response systems and processes. These assessments include penetration testing, vulnerability assessments, tabletop exercises, and reviews of incident response protocols that are designed to ensure robust protections against evolving threats.

The company has processes that aim to validate security controls and engages third parties to design or assess security architecture, and certifications. This includes assessing the potential fourth-party risks related to employee, business, and customer data. During the third-party procurement and contracting process, the company incorporates contract provisions that are designed to align with applicable regulations and industry benchmarks.

To date, the Company is not aware of cybersecurity threats, including as a result of any previous cybersecurity incidents, that have materially affected or are reasonably likely to affect the Company, including its business strategy, results of operations or financial condition. Refer to the risk factor captioned "The Company may be subject to information technology system failures, network disruptions, cybersecurity attacks and breaches in data security, which may materially adversely affect the Company's operations, financial condition and operating results" in Part I, Item 1A. "Risk Factors" for additional description of cybersecurity risks and potential related impacts on the Company.

## Governance

The company takes a risk-based approach to cybersecurity and has implemented cybersecurity policies throughout its operations that are designed to address cybersecurity threats and incidents. In particular, the company dedicates significant resources in an effort to secure its confidential information as well as the data and any personal information the Company receives and stores about its customers and employees. The company has systems in place designed to securely receive and store that information and to detect, contain, and respond to data security incidents.

The company has a robust information security training and compliance program for all new and existing employees. Training is provided at least annually, with a formal communication cadence of additional components of training being provided throughout the year. Employee cybersecurity proficiency is assessed quarterly, with supplementary training programs tailored to individual needs based on these evaluations. The company has not experienced a material cybersecurity or information security breach in the last three years.

The company maintains a program, run by the company's Director of Information Technology, overseen by the company's Chief Financial Officer, that is designed to protect and preserve the confidentiality, integrity and continued availability of all information owned by or in the care of the company. The company has implemented a cybersecurity incident response plan that provides controls and procedures to facilitate timely and accurate reporting of any material cybersecurity incident. The initial impact of each cybersecurity event is evaluated by a designated cybersecurity team using established risk criteria. If a cybersecurity event meets certain of these criteria, it is escalated to an internal cross-functional Cyber Incident Response Team and external incident responders. The company has a cyber incident disclosure committee that evaluates and considers whether public disclosure of an event is required. The plan also contains procedures for escalating cybersecurity incidents to the Board of Directors.

The company's Director of Global Information Technology is responsible for leading the assessment and management of cybersecurity risks. The current Director of Global Information Technology has over 10 years of experience in information security and holds CISSP and GIAC credentials. The Director of Global Information Technology reports to the Audit Committee and management on cybersecurity threats on a regular basis.

Oversight responsibility for information security matters is shared by the Board (primarily through the Audit Committee) and senior management. The Audit Committee oversees the company's cybersecurity and information security program and receives periodic updates from senior management on cybersecurity and information security matters. The Director of Global Information Technology or key members of the executive leadership team update the Audit Committee periodically on the cybersecurity landscape, including the status of ongoing threats and company initiatives.

## Item 2. Properties

The company's principal executive offices are located in Elgin, Illinois. The company operates forty-four manufacturing facilities in the U.S. and thirty-five manufacturing facilities internationally.

The principal properties of the company used to conduct business operations are listed below:

<b>Location</b>	<b>Principal Function</b>	<b>Square Footage</b>	<b>Owned/Leased</b>	<b>Lease Expiration</b>
<i>Commercial Foodservice:</i>				
Fort Smith, AR	Manufacturing, Warehousing and Offices	712,600	Leased	Jan-26
Chandler, AZ	Manufacturing and Offices	14,400	Owned	N/A
Brea, CA	Manufacturing, Warehousing and Offices	86,600	Leased	Sep-26
Corona, CA	Manufacturing and Offices	86,000	Owned	N/A
Vacaville, CA	Manufacturing, Warehousing and Offices	128,800	Leased	Nov-29
Windsor, CA	Manufacturing, Warehousing and Offices	75,000	Leased	Apr-32
Englewood, CO	Manufacturing, Warehousing and Offices	105,000	Owned	N/A
Louisville, CO	Manufacturing, Warehousing and Offices	37,700	Leased	Jul-28
Cape Coral, FL	Warehousing and Offices	16,000	Owned	N/A
Elgin, IL	Manufacturing, Warehousing and Offices	191,200	Owned	N/A
Mundelein, IL	Manufacturing, Warehousing and Offices	70,000	Owned	N/A
Rockton, IL	Manufacturing, Warehousing and Offices	339,400	Owned	N/A
South Beloit, IL	Warehousing	171,700	Leased	Mar-24
Danville, IN	Manufacturing and Offices	32,500	Owned	N/A
Menominee, MI	Manufacturing, Warehousing and Offices	60,000	Owned	N/A
Charlotte, NC	Manufacturing, Warehousing and Offices	44,000	Leased	Feb-24
Fuquay-Varina, NC	Manufacturing, Warehousing and Offices	183,900	Owned	N/A
Bow, NH	Manufacturing, Warehousing and Offices	100,000	Owned	N/A
Pembroke, NH	Warehousing	171,300	Leased	Jul-24
Dayton, OH	Manufacturing, Warehousing and Offices	37,700	Owned	N/A
Moraine, OH	Warehousing	38,300	Leased	Jun-27
Tualatin, OR	Manufacturing, Warehousing and Offices	29,500	Leased	May-28
Easton, PA	Manufacturing, Warehousing and Offices	246,700	Owned	N/A
Smithville, TN	Manufacturing, Warehousing and Offices	268,000	Owned	N/A
Carrollton, TX	Manufacturing, Warehousing and Offices	148,500	Leased	Aug-32
Essex Junction, VT*	Manufacturing, Warehousing and Offices	372,500	Owned	N/A
Renton, WA	Manufacturing, Warehousing and Offices	72,400	Leased	Sep-28
New South Wales, Australia	Manufacturing, Warehousing and Offices	204,900	Owned	N/A
Toronto, Canada*	Manufacturing, Warehousing and Offices	87,700	Owned	N/A
Humen, China	Manufacturing, Warehousing	10,900	Leased	Mar-24
Ningbo, China	Manufacturing, Warehousing and Offices	64,300	Leased	Oct-25
Qingdao City, China	Manufacturing, Warehousing and Offices	113,500	Leased	Jul-29
Zhuhai City, China	Manufacturing, Warehousing and Offices	134,900	Leased	Dec-25
Brøndby, Denmark	Manufacturing, Warehousing and Offices	50,900	Owned	N/A
Randers, Denmark	Manufacturing, Warehousing and Offices	50,100	Owned	N/A
Viljandi, Estonia	Manufacturing and Offices	47,000	Owned	N/A
Dublin, Ireland	Manufacturing, Warehousing and Offices	17,100	Owned	N/A
Nusco, Italy	Manufacturing, Warehousing and Offices	260,600	Owned	N/A
Sedico, Italy	Manufacturing, Warehousing and Offices	52,500	Owned	N/A
Nogales, Mexico	Manufacturing, Warehousing and Offices	129,000	Owned	N/A
Wiślina, Poland	Manufacturing, Warehousing and Offices	77,500	Owned	N/A
Incheon, South Korea	Manufacturing, Warehousing and Offices	227,400	Owned	N/A
Pineda de Mar, Spain	Manufacturing, Warehousing and Offices	69,200	Owned	N/A
Arenys, Spain	Warehousing and Offices	63,500	Leased	Dec-41
Fristad, Sweden	Manufacturing, Warehousing and Offices	173,800	Owned	N/A
Laguna, the Philippines	Manufacturing, Warehousing and Offices	115,200	Owned	N/A
Lincoln, the United Kingdom	Manufacturing, Warehousing and Offices	100,000	Owned	N/A

<b>Location</b>	<b>Principal Function</b>	<b>Square Footage</b>	<b>Owned/Leased</b>	<b>Lease Expiration</b>
<b><u>Food Processing:</u></b>				
Venice, FL	Manufacturing, Warehousing and Offices	23,300	Leased	Jun-24
Gainesville, GA	Manufacturing, Warehousing and Offices	107,400	Owned	N/A
Algona, IA	Manufacturing, Warehousing and Offices	70,100	Owned	N/A
Elgin, IL	Manufacturing, Warehousing and Offices	75,000	Owned	N/A
Elk Grove, IL	Manufacturing, Warehousing and Offices	101,500	Leased	Nov-29
Clayton, NC	Manufacturing, Warehousing and Offices	65,000	Leased	Oct-24
Maysville, OK	Manufacturing, Warehousing and Offices	36,300	Owned	N/A
Souderton, PA	Manufacturing, Warehousing and Offices	50,000	Owned	N/A
Mansfield, TX	Manufacturing, Warehousing and Offices	46,200	Owned	N/A
Plano, TX	Manufacturing, Warehousing and Offices	339,100	Leased	Apr-25
Waynesboro, VA	Manufacturing, Warehousing and Offices	24,700	Owned	N/A
Appleton, WI	Manufacturing, Warehousing and Offices	20,000	Owned	N/A
Lodi, WI	Manufacturing, Warehousing and Offices	114,600	Owned	N/A
Aalborg, Denmark	Manufacturing, Warehousing and Offices	68,300	Leased	Jan-26
Mauron, France	Manufacturing, Warehousing and Offices	107,200	Owned	N/A
Reichenau, Germany	Manufacturing, Warehousing and Offices	57,900	Owned	N/A
Bangalore, India	Manufacturing, Warehousing and Offices	141,100	Leased	Jul-30
Casarsa della Delizia, Italy	Manufacturing, Warehousing and Offices	130,700	Owned	N/A
Casarsa della Delizia, Italy	Manufacturing, Warehousing and Offices	83,300	Leased	May-33
Castelnuovo Rangone, Italy	Manufacturing, Warehousing and Offices	26,800	Leased	Dec-26
Piumazzo, Italy	Manufacturing, Warehousing and Offices	32,900	Leased	Mar-30
Vicenza, Italy	Manufacturing, Warehousing and Offices	53,500	Leased	Sep-32
Norwich, the United Kingdom	Manufacturing, Warehousing and Offices	30,000	Owned	N/A
<b><u>Residential Kitchen:</u></b>				
Phenix City, AL	Warehousing and Offices	335,000	Leased	Dec-30
Phoenix, AZ	Manufacturing, Warehousing and Offices	65,400	Owned	N/A
Chino, CA	Warehousing and Offices	100,000	Leased	Apr-27
Redwood City, CA	Warehousing and Offices	20,600	Leased	Jul-24
Buford, GA	Warehousing and Offices	178,100	Leased	Jun-28
Greenville, MI	Manufacturing, Warehousing and Offices	225,000	Owned	N/A
Greenwood, MS**	Manufacturing, Warehousing and Offices	738,300	Owned	N/A
York, PA	Warehousing and Offices	204,300	Leased	Jun-30
Brown Deer, WI	Manufacturing, Warehousing and Offices	165,600	Leased	Nov-26
Kuurne, Belgium	Manufacturing, Warehousing and Offices	242,300	Owned	N/A
Saint Ouen L'aumone, France	Manufacturing and Warehousing	30,400	Owned	N/A
Waterford, Ireland	Warehousing and Offices	73,000	Leased	Jul-27
Ketley, the United Kingdom	Manufacturing and Offices	217,300	Owned	N/A
Kingdom	Manufacturing and Offices	270,200	Owned	N/A
Kingdom	Manufacturing and Offices	100,300	Leased	Aug-29
Nottingham, the United Kingdom	Warehousing and Offices	153,100	Owned	N/A

\* Contains two separate manufacturing facilities.

\*\* Contains four separate manufacturing facilities.

At various other locations the company leases small amounts of space for administrative, manufacturing, distribution and sales functions, and in certain instances limited short-term inventory storage. These locations are in Australia, Brazil, Canada, China, Czech Republic, Denmark, Dubai, France, Germany, India, Italy, Mexico, Netherlands, Philippines, Spain, the United Kingdom and various locations in the United States.

Management believes that these facilities are adequate for the operation of the company's business as presently conducted.

**Item 3. Legal Proceedings**

The company is routinely involved in litigation incidental to its business, including product liability claims, which are partially covered by insurance or in certain cases by indemnification provisions under purchase agreements for recently acquired companies. Such routine claims are vigorously contested and management does not believe that the outcome of any such pending litigation will have a material effect upon the financial condition, results of operations or cash flows of the company.

**Item 4. Mine Safety Issues**

Not applicable.

## **PART II**

### **Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

#### **Principal Market**

The company's Common Stock trades on the Nasdaq Global Select Market under the symbol "MIDD".

#### **Stockholders**

The company estimates there were approximately 78,823 record holders of the company's common stock as of February 26, 2024.

#### **Dividends**

The company does not currently pay cash dividends on its common stock. Any future payment of cash dividends on the company's common stock will be at the discretion of the company's Board of Directors and will depend upon the company's results of operations, earnings, capital requirements, contractual restrictions and other factors deemed relevant by the Board of Directors. The company's Board of Directors currently intends to retain any future earnings to support its operations and to finance the growth and development of the company's business and does not intend to declare or pay cash dividends on its common stock for the foreseeable future. In addition, the company's revolving credit facility limits its ability to declare or pay dividends on its common stock.

#### **Securities Authorized for Issuance under Equity Compensation Plans**

For information pertaining to securities authorized for issuance under equity compensation plans and the related weighted average exercise price, see Part III, Item 12, "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters."

#### **Unregistered Sales of Equity Securities in connection with Strategic Transactions**

On January 24, 2023, in connection with the company's purchase of all of the capital stock of Flavor Burst Co., LLP ("Flavor Burst"), the company issued 6,956 unregistered shares of the company's common stock to Flavor Burst. The shares of company common stock were issued in reliance on the exemption from registration under Section 4(a)(2) of the Securities Act. The company relied on such exemption based in part upon representations made by Flavor Burst, including its status as an accredited investor, as such term is defined in Rule 501 of the Securities Act.

On January 26, 2023, in connection with the company's purchase of assets from Appliance Innovation, Inc ("Appliance"), the company issued 27,395 unregistered shares of the company's common stock to Appliance. The shares of company common stock were issued in reliance on the exemption from registration under Section 4(a)(2) of the Securities Act. The company relied on such exemption based in part upon representations made by API, including its status as an accredited investor, as such term is defined in Rule 501 of the Securities Act.

On April 3, 2023, in connection with the company's purchase of all of the capital stock of Blue Sparq, Inc. ("Blue Sparq"), the company issued 10,231 unregistered shares of the company's common stock to Blue Sparq. The shares of company common stock were issued in reliance on the exemption from registration under Section 4(a)(2) of the Securities Act. The company relied on such exemption based in part upon representations made by Blue Sparq, including its status as an accredited investor, as such term is defined in Rule 501 of the Securities Act.

On June 13, 2023, in connection with the company's purchase of all of the capital stock of Filtration Automation, Inc. ("Filtration Automation"), the company issued 49,916 unregistered shares of the company's common stock to Filtration Automation. The shares of company common stock were issued in reliance on the exemption from registration under Section 4(a)(2) of the Securities Act. The company relied on such exemption based in part upon representations made by Filtration Automation, including its status as an accredited investor, as such term is defined in Rule 501 of the Securities Act.

On July 31, 2023, in connection with the company's purchase of all of the capital stock of Trade-Wind Manufacturing, LLC ("Trade-Wind"), the company issued 39,573 unregistered shares of the company's common stock to Trade-Wind. The shares of company common stock were issued in reliance on the exemption from registration under Section 4(a)(2) of the Securities Act. The company relied on such exemption based in part upon representations made by Trade-Wind, including its status as an accredited investor, as such term is defined in Rule 501 of the Securities Act.

*Issuer Purchases of Equity Securities*

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan or Program	Maximum Number of Shares that May Yet be Purchased Under the Plan or Program (1)
October 1, 2023 to October 28, 2023	—	\$ —	—	1,883,636
October 29, 2023 to November 25, 2023	—	—	—	1,883,636
November 26, 2023 to December 30, 2023	—	—	—	1,883,636
Quarter ended December 30, 2023	—	\$ —	—	1,883,636

(1) On November 7, 2017, the company's Board of Directors resolved to terminate the company's existing share repurchase program, effective as of such date, which was originally adopted in 1998, and approved a new stock repurchase program. This program authorizes the company to repurchase in the aggregate up to 2,500,000 shares of its outstanding common stock. In May 2022, the company's Board of Directors approved the company to repurchase an additional 2,500,000 shares of its outstanding common stock under the current program. As of December 30, 2023, the total number of shares authorized for repurchase under the program is 5,000,000. As of December 30, 2023, 3,116,364 shares had been purchased under the stock repurchase program and 1,883,636 shares remained authorized for repurchase.

In the Consolidated Financial Statements, the company also treats shares withheld for tax purposes on behalf of employees in connection with the vesting of restricted share grants as common stock repurchases because they reduce the number of shares that would have been issued upon vesting. These withheld shares are not considered common stock repurchases under the authorized common stock repurchase plan and accordingly are not included in the common stock repurchase totals in the preceding table.

**Item 6. [Reserved]**



## **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **Special Note Regarding Forward-Looking Statements**

This report contains "forward-looking statements" subject to the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which could cause the company's actual results, performance or outcomes to differ materially from those expressed or implied in the forward-looking statements. The following are some of the important factors that could cause the company's actual results, performance or outcomes to differ materially from those discussed in the forward-looking statements:

- changing market conditions;
- volatility in earnings resulting from goodwill impairment losses, which may occur irregularly and in varying amounts;
- variability in financing costs;
- quarterly variations in operating results;
- dependence on key customers;
- risks associated with the company's foreign operations, including market acceptance and demand for the company's products and the company's ability to manage the risk associated with the exposure to foreign currency exchange rate fluctuations;
- the company's ability to protect its trademarks, copyrights and other intellectual property;
- the impact of competitive products and pricing;
- the impact of announced management and organizational changes;
- the state of the residential construction, housing and home improvement markets;
- the state of the credit markets, including mortgages, home equity loans and consumer credit;
- intense competition in the company's business segments including the impact of both new and established global competitors;
- unfavorable tax law changes and tax authority rulings;
- cybersecurity attacks and other breaches in security;
- the continued ability to realize profitable growth through the sourcing and completion of strategic acquisitions;
- the timely development and market acceptance of the company's products; and
- the availability and cost of raw materials.

The company cautions readers to carefully consider the statements set forth in the section entitled "Item 1A. Risk Factors" of this filing and discussion of risks included in the company's SEC filings.

## Current Events

### *Inflation and Interest Rate Environment*

The company has been negatively impacted by inflation in wages, logistics, energy, raw materials and component costs. Price increases and pricing strategies have been implemented to mitigate the impact of cost inflation on margins and the company continues to actively monitor costs. High inflation led to increased interest rates throughout 2022 and through the first six months of 2023, which combined with global macroeconomic uncertainty has and may continue to impact customer demand. Most notably in our residential segment, we have faced recent demand headwinds due to macroeconomic conditions. Even in light of such headwinds, we remain focused on delivering strong financial results and executing on our long-term strategy and profitability objectives.

### *Supply Chain, Labor and Logistics Constraints*

The company continues to actively monitor global supply chain, labor and logistics constraints, which have had a negative impact on the company's ability to source parts and complete and ship units. While the company is seeing improvement on certain supply chain and logistics constraints, supply chains for certain key components remain distressed. The decreased availability of resources and inflationary costs have resulted in heightened inventory levels. To combat these pressures, the company has evaluated alternative sourcing, dual sourcing and collaborated across the organization, where appropriate, without materially presenting new risks or increasing current risks around quality and reliability. Our capital resources have been and the company expects they will continue to be sufficient to address these challenges.

### **NET SALES SUMMARY** **(dollars in thousands)**

#### **Fiscal Year Ended(1)**

	2023		2022		2021	
	Sales	Percent	Sales	Percent	Sales	Percent
<b>Business Segments:</b>						
Commercial Foodservice	\$ 2,521,471	62.5 %	\$ 2,394,763	59.4 %	\$ 2,014,372	62.0 %
Food Processing	720,618	17.8	589,968	14.6	499,135	15.3
Residential Kitchen	794,516	19.7	1,048,122	26.0	737,285	22.7
Total	<u>\$ 4,036,605</u>	<u>100.0 %</u>	<u>\$ 4,032,853</u>	<u>100.0 %</u>	<u>\$ 3,250,792</u>	<u>100.0 %</u>

(1) The company's fiscal year ends on the Saturday nearest to December 31.

## **Results of Operations**

The following table sets forth certain items in the consolidated statements of earnings as a percentage of net sales for the periods presented:

	<b>Fiscal Year Ended(1)</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
Net sales	100.0 %	100.0 %	100.0 %
Cost of sales	62.0	64.1	63.2
Gross profit	38.0	35.9	36.8
Selling, general and administrative expenses	20.0	19.8	20.5
Restructuring	0.4	0.2	0.3
Impairments	1.9	—	—
Merger termination fee	—	—	(3.4)
Income from operations	15.7	15.9	19.4
Interest expense and deferred financing amortization, net	3.0	2.2	1.8
Net periodic pension benefit (other than service cost & curtailment)	(0.2)	(1.0)	(1.4)
Other expense (income), net	0.1	0.7	—
Earnings before income taxes	12.8	14.0	19.0
Provision for income taxes	2.9	3.2	4.0
Net earnings	<u>9.9 %</u>	<u>10.8 %</u>	<u>15.0 %</u>

(1) The company's fiscal year ends on the Saturday nearest to December 31.

## **Fiscal Year Ended December 30, 2023 as Compared to December 31, 2022**

**NET SALES.** Net sales in fiscal 2023 increased by \$3.7 million, or 0.1%, to \$4,036.6 million as compared to \$4,032.9 million in fiscal 2022. Net sales increased by \$121.3 million, or 3.0%, from the fiscal 2022 acquisitions of Kloppenberg, Proxaut, Icetro, CP Packaging, Colussi Ermes, Escher, Marco, and the fiscal 2023 acquisitions of Flavor Burst, Blue Sparq, Filtration Automation, Terry, and Trade-Wind. Excluding acquisitions, net sales decreased \$117.6 million, or 2.9%, from the prior year. The impact of foreign exchange rates on foreign sales translated into U.S. Dollars for fiscal 2023 increased net sales by approximately \$12.3 million. Excluding the impact of foreign exchange and acquisitions, sales decreased 3.2% for the year, including a net sales increase of 2.7% at the Commercial Foodservice Equipment Group, a net sales increase of 10.7% at the Food Processing Equipment Group and a net sales decrease of 24.7% at the Residential Kitchen Equipment Group.

- Net sales of the Commercial Foodservice Equipment Group increased by \$126.7 million, or 5.3%, to \$2,521.5 million in fiscal 2023 as compared to \$2,394.8 million in fiscal 2022. Net sales from the acquisitions of Kloppenberg, Icetro, Marco, Flavor Burst, Blue Sparq, and Terry, which were acquired on April 25, 2022, June 30, 2022, December 20, 2022, January 24, 2023, April 3, 2023 and July 5, 2023, respectively, accounted for an increase of \$57.8 million during fiscal 2023. Excluding the impact of acquisitions, net sales of the Commercial Foodservice Equipment Group increased \$68.9 million, or 2.9%, as compared to the prior year. Excluding the impact of foreign exchange and acquisitions, net sales increased \$65.8 million, or 2.7% at the Commercial Foodservice Equipment Group. Domestically, the company realized a sales increase of \$77.4 million, or 4.4%, to \$1,828.4 million, as compared to \$1,751.0 million in the prior year. This includes an increase of \$24.9 million from recent acquisitions. Excluding acquisitions, the net increase in domestic sales was \$52.5 million, or 3.0%. The increase in domestic sales is related to higher shipments, improved product mix and pricing increases. International sales increased \$49.3 million, or 7.7%, to \$693.1 million, as compared to \$643.8 million in the prior year. This includes the increase of \$32.9 million from recent acquisitions and an increase of \$3.1 million related to the favorable impact of exchange rates. Excluding acquisitions and foreign exchange, the net sales increase in international sales was \$13.3 million, or 2.1%. The increase in international sales is related to improvements in market conditions, primarily in the Asia and Latin American markets.
- Net sales of the Food Processing Equipment Group increased by \$130.6 million, or 22.1%, to \$720.6 million in fiscal 2023, as compared to \$590.0 million in fiscal 2022. Net sales from the acquisitions of CP Packaging, Colussi Ermes, Escher, and Filtration Automation, which were acquired on July 12, 2022, July 27, 2022, November 10, 2022, and June 13, 2023, respectively, accounted for an increase of \$61.5 million during fiscal 2022. Excluding the impact of acquisitions, net sales of the Food processing Equipment Group increased \$69.1 million, or 11.7%, as compared to the prior year. Excluding the impact of foreign exchange and acquisitions, net sales increased \$63.4 million, or 10.7% at the Food Processing Equipment Group. Domestically, the company realized a sales increase of \$53.1 million, or 12.5%, to \$479.3 million, as compared to \$426.2 million in the prior year. This includes an increase of \$23.7 million from recent acquisitions. Excluding acquisitions, the net increase in domestic sales was \$29.4 million, or 6.9%. The increase in domestic sales reflects growth primarily driven by protein products. International sales increased \$77.5 million, or 47.3%, to \$241.3 million, as compared to \$163.8 million in the prior year. This includes the increase of \$37.8 million from recent acquisitions and an increase of \$5.7 million related to the favorable impact of exchange rates. Excluding acquisitions and foreign exchange, the net sales increase in international sales was \$34.0 million, or 20.8%. The increase in international sales reflects growth primarily driven by bakery products.
- Net sales of the Residential Kitchen Equipment Group decreased by \$253.6 million, or 24.2%, to \$794.5 million in fiscal 2023, as compared to \$1,048.1 million in fiscal 2022. Excluding the impact of the acquisition of Trade-Wind, acquired July 31, 2023, net sales decreased \$255.6 million, or 24.4%, as compared to the prior year. Excluding the impact of foreign exchange and the acquisition, net sales decreased \$259.1 million, or 24.7% at the Residential Kitchen Equipment Group. Domestically, the company realized a sales decrease of \$188.6 million, or 26.9%, to \$513.3 million, as compared to \$701.9 million in the prior year. Excluding the acquisition, the net decrease in domestic sales was \$190.0 million, or 27.1%. International sales decreased \$65.0 million, or 18.8% to \$281.2 million, as compared to \$346.2 million in the prior year. This includes an increase of \$3.5 million related to the favorable impact of exchange rates. Excluding the acquisition and foreign exchange, the net sales decrease in international sales was \$69.1 million, or 20.0%. The decrease in domestic and international sales was driven by challenging market conditions and higher inventory levels in various channels.

**GROSS PROFIT.** Gross profit increased by \$87.5 million to \$1,534.1 million in fiscal 2023 from \$1,446.6 million in fiscal 2022, primarily reflecting higher sales volumes at the Commercial Foodservice Equipment Group and Food Processing Equipment Group. The impact of foreign exchange rates increased gross profit by \$3.9 million. The gross profit margin rate increased to 38.0% in 2023 as compared to 35.9% in 2022. The gross margin in fiscal 2022 was negatively impacted by inventory step-up charges associated with acquisitions. In addition, higher sales volumes and improved product mix have contributed to the expansion of the gross margin rate. The gross margin rate in fiscal 2023 excluding acquisitions and impact of foreign exchange was 38.1%.

- Gross profit at the Commercial Foodservice Equipment Group increased by \$101.2 million, or 11.1%, to \$1,010.6 million in fiscal 2023 as compared to \$909.4 million in fiscal 2022. Gross profit from acquisitions increased gross profit by \$20.8 million. Excluding acquisitions, gross profit increased by \$80.4 million. The impact of foreign exchange rates increased gross profit by approximately \$0.4 million. The gross profit margin rate increased to 40.1% in fiscal 2023 as compared to 38.0% in the prior year related to higher sales volumes and improved product mix. The gross profit margin rate in fiscal 2023 excluding acquisitions and the impact of foreign exchange was 40.2%.
- Gross profit at the Food Processing Equipment Group increased by \$61.8 million, or 29.1%, to \$274.4 million in fiscal 2023 as compared to \$212.6 million in fiscal 2022. Gross profit from acquisitions increased gross profit by \$23.1 million. Excluding acquisitions, gross profit increased by \$38.7 million. The impact of foreign exchange rates increased gross profit by approximately \$2.3 million. The gross profit margin rate increased to 38.1% in fiscal 2023 as compared to 36.0% in the prior year related to higher sales volumes, improved product mix and acquisition integration benefits. The gross profit margin rate in fiscal 2023 excluding the impact of foreign exchange was 38.1%.
- Gross profit at the Residential Kitchen Equipment Group decreased by \$75.8 million, or 23.3%, to \$250.0 million in fiscal 2023 as compared to \$325.8 million in fiscal 2022. The impact of foreign exchange rates increased gross profit by approximately \$1.2 million. The gross margin rate increased to 31.5% in fiscal 2023 as compared to 31.1% in the prior year. Gross profit margins in the prior year were negatively impacted by acquisitions, including \$15.1 million of acquisition related inventory step-up charges. The gross profit margin rate in fiscal 2023 excluding the acquisition and the impact of foreign exchange was 31.4%.

**SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES.** Combined selling, general, and administrative expenses increased by \$9.7 million to \$806.9 million in fiscal 2023 from \$797.2 million in 2022. As a percentage of net sales, selling, general and administrative expenses amounted to 20.0% in fiscal 2023 and 19.8% in fiscal 2022.

Selling, general and administrative expenses reflect increased costs of \$33.6 million associated with acquisitions, including \$5.6 million of non-cash intangible amortization expense. Selling, general and administrative expenses decreased from lower compensation costs, professional fees, and intangible amortization expense, partially offset by higher selling and marketing expenses. Foreign exchange rates had an unfavorable impact of \$2.2 million.

**RESTRUCTURING EXPENSES.** Restructuring expenses increased \$4.4 million to \$14.1 million from \$9.7 million in the prior year period. In fiscal 2023, restructuring expenses related primarily to headcount reductions and facility consolidations within the Commercial Foodservice Equipment Group and Residential Kitchen Equipment Group. During fiscal 2022, restructuring charges related primarily to non-cash restructuring valuation allowances on balances associated with activities in Russia and headcount reductions and facility consolidations within the Commercial Foodservice Equipment Group and Residential Kitchen Equipment Group.

**IMPAIRMENTS.** In fiscal 2023, the company recognized non-cash impairment of \$78.1 million primarily associated with several trademarks in the Residential Kitchen Equipment Group in conjunction with diminution of values as we assessed recent market conditions and future business plans. See note 3 (f) to the Consolidated Financial Statements for further information on the annual impairment testing.

**INCOME FROM OPERATIONS.** Income from operations decreased \$4.7 million to \$634.9 million in fiscal 2023 from \$639.6 million in fiscal 2022. Operating income as a percentage of net sales amounted to 15.7% in 2023 as compared to 15.9% in 2022. During fiscal 2023, operating income included the impairment of intangible assets. Excluding the impairment, the increase in operating income resulted from increased profitability driven by product mix and execution of strategic cost initiatives.

Income from operations in 2023 included \$254.5 million of non-cash expenses, including \$50.4 million of depreciation expense, \$75.0 million of intangible amortization related to acquisitions, \$78.1 million of impairments of trademarks and \$51.0 million of stock based compensation. This compares to \$189.3 million of non-cash expenses in the prior year, including \$44.6 million of depreciation expense, \$86.3 million of intangible amortization related to acquisitions and \$58.4 million of stock based compensation costs.

**NON-OPERATING EXPENSES.** Non-operating expenses increased \$40.2 million to \$115.4 million of expense in fiscal 2023 from \$75.2 million of expense in fiscal 2022. Net interest expense and deferred financing increased \$31.3 million to \$120.3 million in fiscal 2023 from \$89.0 million in fiscal 2022 reflecting the increase in interest rates under our current credit facility. Net periodic pension benefit (other than service costs and curtailment) decreased \$33.6 million to \$9.1 million in fiscal 2023 from \$42.7 million in fiscal 2022 related to the increase in discount rate used to calculate the interest cost. Other expense was \$4.2 million during fiscal 2023 as compared to other expense of \$28.9 million during fiscal 2022, consisting mainly of foreign exchange losses and gains.

**INCOME TAXES.** A tax provision of \$118.5 million, at an effective rate of 22.8%, was recorded for fiscal 2023 as compared to \$127.8 million at an effective rate of 22.7%, in fiscal 2022. The fiscal 2023 tax provision includes a \$7.0 million tax benefit for the finalization of the 2022 tax returns. The fiscal 2022 tax provision included a deferred tax benefit of approximately \$13 million associated with legal entity restructuring the company undertook to integrate and simplify the company's business operations. The effective rates in 2023 and 2022 were higher than the federal tax rate of 21% primarily due to state taxes and foreign tax rate differentials.

## **Fiscal Year Ended December 31, 2022 as Compared to January 1, 2022**

**NET SALES.** Net sales in fiscal 2022 increased by \$782.1 million, or 24.1%, to \$4,032.9 million as compared to \$3,250.8 million in fiscal 2021. Net sales increased by \$433.6 million, or 13.3%, from the fiscal 2021 acquisitions of Novy, Imperial, Newton CFV, Char-Griller, Kamado Joe and Masterbuilt and the fiscal 2022 acquisitions of Kloppenberg, Proxaut, Icetro, CP Packaging, Colussi, Escher, and Marco. Excluding acquisitions, net sales increased \$348.5 million, or 10.7%, from the prior year. The impact of foreign exchange rates on foreign sales translated into U.S. Dollars for fiscal 2022 decreased net sales by approximately \$85.0 million. Excluding the impact of foreign exchange and acquisitions, sales increased 13.3% for the year, including a net sales increase of 16.7% at the Commercial Foodservice Equipment Group, a net sales increase of 13.2% at the Food Processing Equipment Group and a net sales increase of 4.3% at the Residential Kitchen Equipment Group.

- Net sales of the Commercial Foodservice Equipment Group increased by \$380.4 million, or 18.9%, to \$2,394.8 million in fiscal 2022 as compared to \$2,014.4 million in fiscal 2021. Net sales from the acquisitions of Imperial, Newton CFV, Kloppenberg, Icetro, and Marco, which were acquired on September 24, 2021, November 16, 2021, April 25, 2022, June 30, 2022, and December 20, 2022, respectively, accounted for an increase of \$84.6 million during fiscal 2022. Excluding the impact of acquisitions, net sales of the Commercial Foodservice Equipment Group increased \$295.8 million, or 14.7%, as compared to the prior year. Excluding the impact of foreign exchange and acquisitions, net sales increased \$336.1 million, or 16.7% at the Commercial Foodservice Equipment Group. Domestically, the company realized a sales increase of \$333.4 million, or 23.5%, to \$1,751.0 million, as compared to \$1,417.6 million in the prior year. This includes an increase of \$70.7 million from recent acquisitions. Excluding acquisitions, the net increase in domestic sales was \$262.7 million, or 18.5%. The increase in domestic sales is related to improvements in market conditions, consumer demand, and pricing increases. International sales increased \$47.0 million, or 7.9%, to \$643.8 million, as compared to \$596.8 million in the prior year. This includes the increase of \$13.9 million from recent acquisitions and a decrease of \$40.3 million related to the unfavorable impact of exchange rates. Excluding acquisitions and foreign exchange, the net sales increase in international sales was \$73.4 million, or 12.3%. The increase in international sales is related to improvements in market conditions, primarily in the European and Latin American markets.
- Net sales of the Food Processing Equipment Group increased by \$90.9 million, or 18.2%, to \$590.0 million in fiscal 2022, as compared to \$499.1 million in fiscal 2021. Net sales from the acquisitions of Proxaut, CP Packaging, Colussi, and Escher, which were acquired on June 29, 2022, July 12, 2022, July 27, 2022, and November 10, 2022, respectively, accounted for an increase of \$41.3 million during fiscal 2022. Excluding the impact of acquisitions, net sales of the Food processing Equipment Group increased \$49.6 million, or 9.9%, as compared to the prior year. Excluding the impact of foreign exchange and acquisitions, net sales increased \$65.8 million, or 13.2% at the Food Processing Equipment Group. Domestically, the company realized a sales increase of \$61.4 million, or 16.8%, to \$426.2 million, as compared to \$364.8 million in the prior year. This includes an increase of \$11.3 million from recent acquisitions. Excluding acquisitions, the net increase in domestic sales was \$50.1 million, or 13.7%. The increase in domestic sales reflects growth primarily driven by protein products. International sales increased \$29.5 million, or 22.0%, to \$163.8 million, as compared to \$134.3 million in the prior year. This includes the increase of \$30.0 million from recent acquisitions and a decrease of \$16.2 million related to the unfavorable impact of exchange rates. Excluding acquisitions and foreign exchange, the net sales increase in international sales was \$15.7 million, or 11.7%. The increase in international sales reflects growth primarily driven by protein products.
- Net sales of the Residential Kitchen Equipment Group increased by \$310.8 million, or 42.2%, to \$1,048.1 million in fiscal 2022, as compared to \$737.3 million in fiscal 2021. Net sales from the acquisitions of Novy, Char-Griller, and Kamado Joe and Masterbuilt, which were acquired on July 12, 2021, December 27, 2021, and December 27, 2021, respectively, accounted for an increase of \$307.7 million during fiscal 2022. Excluding the impact of acquisitions, net sales of the Residential Kitchen Equipment Group increased \$3.1 million, or 0.4%, as compared to the prior year. Excluding the impact of foreign exchange and acquisitions, net sales increased \$31.6 million, or 4.3% at the Residential Kitchen Equipment Group. Domestically, the company realized a sales increase of \$247.5 million, or 54.5%, to \$701.9 million, as compared to \$454.4 million in the prior year. This includes an increase of \$204.2 million from recent acquisitions. Excluding acquisitions, the net increase in domestic sales was \$43.3 million, or 9.5%. The increase in domestic sales reflects the strong demand for our premium appliance brands. International sales increased \$63.3 million, or 22.4% to \$346.2 million, as compared to \$282.9 million in the prior year. This includes an increase of \$103.5 million from recent acquisitions and a decrease of \$28.5 million related to the unfavorable impact of exchange rates. Excluding acquisitions and foreign exchange, the net sales decrease in international sales was \$11.7 million, or 4.1%. The decrease in international sales was primarily driven by challenging market conditions in the European market.

**GROSS PROFIT.** Gross profit increased by \$251.7 million to \$1,446.6 million in fiscal 2022 from \$1,194.9 million in fiscal 2021, primarily reflecting higher sales volumes related to improvements in market conditions and consumer demand, partially offset by the unfavorable impact of foreign exchange rates of \$33.1 million. The gross profit margin rate decreased to 35.9% in 2022 as compared to 36.8% in 2021. The gross margin rate in fiscal 2022 excluding acquisitions and impact of foreign exchange was 37.5%. Gross profit margins have been negatively impacted by acquisitions, including \$17.4 million of acquisition related inventory step-up charges, along with rising costs of many raw materials and inputs, higher labor rates, and logistics costs.

- Gross profit at the Commercial Foodservice Equipment Group increased by \$164.1 million, or 22.0%, to \$909.4 million in fiscal 2022 as compared to \$745.3 million in fiscal 2021. Gross profit from acquisitions increased gross profit by \$29.8 million. Excluding acquisitions, gross profit increased by \$134.3 million related to higher sales volumes. The impact of foreign exchange rates decreased gross profit by approximately \$15.2 million. The gross profit margin rate increased to 38.0% in fiscal 2022 as compared to 37.0% in the prior year. The gross profit margin rate in fiscal 2022 excluding acquisitions and the impact of foreign exchange was 38.1%.
- Gross profit at the Food Processing Equipment Group increased by \$30.8 million, or 16.9%, to \$212.6 million in fiscal 2022 as compared to \$181.8 million in fiscal 2021. Gross profit from acquisitions increased gross profit by \$12.2 million. Excluding acquisitions, gross profit increased by \$18.6 million related to higher sales volumes. The impact of foreign exchange rates decreased gross profit by approximately \$7.3 million. The gross profit margin rate decreased to 36.0% in fiscal 2022 as compared to 36.4% in the prior year. The gross profit margin rate in fiscal 2022 excluding the impact of foreign exchange was 36.8%.
- Gross profit at the Residential Kitchen Equipment Group increased by \$57.2 million, or 21.3%, to \$325.8 million in fiscal 2022 as compared to \$268.6 million in fiscal 2021. Gross profit from acquisitions increased gross profit by \$54.8 million. Excluding acquisitions, gross profit increased by \$2.4 million. The impact of foreign exchange rates decreased gross profit by approximately \$10.6 million. The gross margin rate decreased to 31.1% in fiscal 2022 as compared to 36.4% in the prior year. Gross profit margins have been negatively impacted by acquisitions, including \$15.1 million of acquisition related inventory step-up charges. The gross profit margin rate in fiscal 2022 excluding acquisitions and the impact of foreign exchange was 36.6%.

**SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES.** Combined selling, general, and administrative expenses increased by \$129.2 million to \$797.2 million in fiscal 2022 from \$668.0 million in 2021. As a percentage of net sales, selling, general and administrative expenses amounted to 19.8% in fiscal 2022 and 20.5% in fiscal 2021.

Selling, general and administrative expenses reflect increased costs of \$88.1 million associated with acquisitions, including \$22.7 million of non-cash intangible amortization expense. Selling, general and administrative expenses increased from compensation, selling and commissions expenses, partially offset by lower professional fees and intangible amortization expense. Foreign exchange rates had a favorable impact of \$15.1 million.

**RESTRUCTURING EXPENSES.** Restructuring expenses increased \$2.0 million to \$9.7 million from \$7.7 million in the prior year period. In fiscal 2022, restructuring expenses related primarily to headcount reductions and facility consolidations within the Commercial Foodservice Equipment Group and Residential Kitchen Equipment Group and non-cash restructuring valuation allowances on balances associated with activities in Russia. During fiscal 2021, restructuring charges related primarily to headcount reductions and facility consolidations within the Commercial Foodservice Equipment Group.

**INCOME FROM OPERATIONS.** Income from operations increased \$9.6 million to \$639.6 million in fiscal 2022 from \$630.0 million in fiscal 2021. Operating income as a percentage of net sales amounted to 15.9% in 2022 as compared to 19.4% in 2021. During fiscal 2021, the company received approximately \$67.7 million in a termination fee, net of deal costs and taxes. The increase in operating income resulted from increased sales volumes driven by acquisitions and improved market conditions.

Income from operations in 2022 included \$189.3 million of non-cash expenses, including \$44.6 million of depreciation expense, \$86.3 million of intangible amortization related to acquisitions and \$58.4 million of stock based compensation. This compares to \$160.8 million of non-cash expenses in the prior year, including \$42.7 million of depreciation expense, \$75.8 million of intangible amortization related to acquisitions and \$42.3 million of stock based compensation costs.



**NON-OPERATING EXPENSES.** Non-operating expenses increased \$64.7 million to \$75.2 million of expense in fiscal 2022 from \$10.5 million of expense in fiscal 2021. Net interest expense and deferred financing increased \$31.8 million to \$89.0 million in fiscal 2022 from \$57.2 million in fiscal 2021 reflecting the increase in interest rates and borrowing levels under our current credit facility. Net periodic pension benefit (other than service costs and curtailment) decreased \$2.4 million to \$42.7 million in fiscal 2022 from \$45.1 million in fiscal 2021. Other expense was \$28.9 million during fiscal 2022 as compared to other income of \$1.6 million during fiscal 2021, consisting mainly of foreign exchange losses and gains.

**INCOME TAXES.** A tax provision of \$127.8 million, at an effective rate of 22.7%, was recorded for fiscal 2022 as compared to \$131.0 million at an effective rate of 21.1%, in fiscal 2021. The fiscal 2022 tax provision includes a deferred tax benefit of approximately \$13 million associated with legal entity restructuring the company undertook to integrate and simplify the company's business operations. The fiscal 2022 tax provision also reflects higher non-deductible stock compensation expense, where the prior year included favorable impacts from tax rate changes, tax refunds and adjustments for the finalization of 2020 tax returns. The effective rates in 2022 and 2021 were higher than the federal tax rate of 21% primarily due to state taxes and foreign tax rate differentials.

### **Termination of Welbilt Merger**

As previously disclosed, on April 20, 2021, Middleby entered into a Merger Agreement with Welbilt, Inc. Following Welbilt's receipt of an alternative acquisition proposal, on July 13, 2021, Middleby announced that, under the terms of the Merger Agreement, it would not exercise its right to propose any modifications to the terms of the Merger Agreement and would allow the match period to expire. Accordingly, on July 14, 2021, Welbilt delivered to Middleby a written notice terminating the Merger Agreement and, concurrently with Middleby's receipt of the termination fee of \$110.0 million in cash from Welbilt, the Merger Agreement was terminated on July 14, 2021.

The termination fee received is reflected in the Condensed Consolidated Statements of Comprehensive Income as the "merger termination fee" and \$19.7 million of deal costs associated with the transaction are reflected in selling, general and administrative expenses in the Condensed Consolidated Statements of Comprehensive Income.

## **Financial Condition and Liquidity**

Total cash and cash equivalents increased by \$85.5 million to \$247.5 million at December 30, 2023 from \$162.0 million at December 31, 2022. Total debt decreased to \$2.4 billion at December 30, 2023 from \$2.7 billion December 31, 2022, respectively.

**OPERATING ACTIVITIES.** Net cash provided by operating activities after changes in assets and liabilities amounted to \$628.8 million as compared to \$332.6 million in the prior year.

During fiscal 2023, working capital changes meaningfully impacted operating cash flows primarily driven by decreased inventory levels of \$157.9 million, a decrease of \$110.7 million in accrued expenses and other liabilities, including impacts from the timing of payments and status of over-time revenue contracts, various customer programs and incentive programs and a decrease in accounts payable of \$49.4 million.

In connection with the company's acquisition activities, the company added assets and liabilities from the opening balance sheets of the acquired businesses in its consolidated balance sheets and accordingly these amounts are not reflected in the net changes in working capital.

**INVESTING ACTIVITIES.** During 2023, net cash used for investing activities amounted to \$155.7 million. Cash used to fund acquisitions and investments amounted to \$68.8 million. Additionally, \$85.2 million was expended, primarily for upgrades of production equipment and manufacturing facilities.

**FINANCING ACTIVITIES.** Net cash flows used for financing activities amounted to \$390.9 million in 2023. The company's borrowing activities during 2023 included \$308.3 million of net repayments under its Credit Facility. Additionally, the company repurchased \$74.6 million of Middleby common shares during 2023. This was comprised of \$19.6 million to repurchase 126,704 shares of Middleby common stock that were surrendered to the company for withholding taxes related to restricted stock vestings and \$55.0 million used to repurchase 397,738 shares of its common stock under a repurchase program.

At December 30, 2023, the company was in compliance with all covenants pursuant to its borrowing agreements. The company believes that its current capital resources, including cash and cash equivalents, cash expected to be generated from operations, funds available from its current lenders and access to the credit and capital markets will be sufficient to finance its operations, debt service obligations, capital expenditures, product development and expenditures for the foreseeable future.

## **Material Cash Requirements**

The company's material cash requirements from contractual obligations primarily consist of long-term debt obligations, operating lease obligations, tax obligations and contingent purchase price payments to the sellers that were deferred in conjunction with various acquisitions. See Notes 3, 5 and 7 to the Consolidated Financial Statements for further information.

## **Related Party Transactions**

From January 1, 2023, through the date hereof, there were no transactions between the company, its directors and executive officers that are required to be disclosed pursuant to Item 404 of Regulation S-K, promulgated under the Securities and Exchange Act of 1934, as amended.

## **Critical Accounting Policies and Estimates**

Management's discussion and analysis of financial condition and results of operations are based upon the company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the company to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses as well as related disclosures. On an ongoing basis, the company evaluates its estimates and judgments based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions and any such differences could be material to our consolidated financial statements.

### ***Revenue Recognition***

Revenue is recognized when the control of the promised goods or services are transferred to our customers, in an amount that reflects the consideration that we expect to receive in exchange for those goods or services.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and represents the unit of account. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The company's contracts can have multiple performance obligations or just a single performance obligation. For contracts with multiple performance obligations, the contract's transaction price is allocated to each performance obligation using the company's best estimate of the standalone selling price of each distinct good or service in the contract.

Within the Commercial Foodservice Equipment and Residential Foodservice Equipment Groups, the estimated standalone selling price of equipment is based on observable prices. Within the Food Processing Equipment Group, the company estimates the standalone selling price based on expected cost to manufacture the good or complete the service plus an appropriate profit margin.

Control may pass to the customer over time or at a point in time. In general, the Commercial Foodservice Equipment and Residential Foodservice Equipment Groups recognize revenue at the point in time control transfers to their customers based on contractual shipping terms. Revenue from equipment sold under our long-term contracts within the Food Processing Equipment group is recognized over time as the equipment is manufactured and assembled. Installation services provided in connection with the delivery of the equipment are also generally recognized as those services are rendered. Over time transfer of control is measured using an appropriate input measure (e.g., costs incurred or direct labor hours incurred in relation to total estimate). These measures include forecasts based on the best information available and therefore reflect the company's judgment to faithfully depict the transfer of the goods.

### ***Inventories***

Inventories are stated at the lower of cost or net realizable value using the first-in, first-out method for the majority of the company's inventories. The company evaluates the need to record valuation adjustments for inventory on a regular basis. The company's policy is to evaluate all inventories including raw material, work-in-process, finished goods, and spare parts. Inventory in excess of estimated usage requirements is written down to its estimated net realizable value. Inherent in the estimates of net realizable value are estimates related to our future manufacturing schedules, customer demand, possible alternative uses, and ultimate realization of potentially excess inventory.

### ***Goodwill and Indefinite-Life Intangibles***

The company's business acquisitions result in the recognition of goodwill and other intangible assets, which are a significant portion of the company's total assets. Goodwill represents the excess of acquisition costs over the fair value of the net tangible assets and identifiable intangible assets acquired in a business combination. Identifiable intangible assets are recognized separately from goodwill and include trademarks and trade names, technology, customer relationships and other specifically identifiable assets. Trademarks and trade names are deemed to be indefinite-lived. Goodwill and indefinite-lived intangible assets are not amortized but are subject to impairment testing.

On an annual basis on the first day of the fourth quarter, or more frequently if triggering events occur, the company performs an impairment assessment for goodwill and indefinite-lived intangible assets. The company considers qualitative factors to assess if it is more likely than not that the fair value of goodwill and indefinite-lived intangible assets is below the carrying value.

In conducting a qualitative assessment, the company analyzes a variety of events or factors that may influence the fair value of the reporting unit including, but not limited to: the results of prior quantitative assessments performed; changes in the carrying amount of the reporting unit; actual and projected revenue and operating margin; relevant market data for both the company and its peer companies; industry outlooks; macroeconomic conditions; liquidity; changes in key personnel; and the company's competitive position. Significant judgment is used to evaluate the totality of these events and factors to make the determination of whether it is more likely than not that the fair value of the reporting unit or indefinite-life intangible is less than its carrying value.

### ***Goodwill Valuations***

The reporting units at which we test goodwill for impairment are our operating segments. These consist of the Commercial Foodservice Equipment Group, the Food Processing Equipment Group and the Residential Kitchen Equipment Group. If the fair value is less than its carrying value, an impairment loss, if any, is recorded for the difference between the implied fair value and the carrying value of goodwill.

In performing a quantitative assessment, if required, the company estimates each reporting unit's fair value under an income approach using a discounted cash flow model. The income approach uses each reporting unit's projection of estimated operating results and cash flows that are discounted using a market participant discount rate based on a weighted-average cost of capital. The financial projections reflect management's best estimate of economic and market conditions over the projected period including forecasted revenue growth, operating margins, tax rate, capital expenditures, depreciation, amortization and changes in working capital requirements. Other assumptions include discount rate and terminal growth rate. The estimated fair value of each reporting unit is compared to their respective carrying values. Additionally, the company validates the estimates of fair value under the income approach by comparing the fair value estimate using a market approach. A market approach estimates fair value by applying cash flow multiples to the reporting unit's operating performance. The multiples are derived from comparable publicly traded companies with similar operating and investment characteristics of the reporting units. The company considers the implied control premium and conclude whether it is reasonable based on other recent market transactions.

As a result of the financial performance indicators for the Residential Kitchen reporting unit, the company deemed it necessary to complete a quantitative analysis. The fair value of the reporting unit exceeded its carrying value by more than 10%, thus no impairment of goodwill was recognized. The company believes the assumptions utilized within the quantitative analysis are reasonable and consistent with assumptions that would be used by other marketplace participants. Such assumptions are, however inherently uncertain, and different assumptions could lead to a different assessment for the reporting unit that could result in a material impairment that would adversely affect our results of operations.

As a result of the qualitative assessment for the other two reporting units, the company determined it is more likely than not that the fair value of our reporting units are greater than the carrying amounts.

In estimating the fair value of its reporting units, management relies on a number of factors, including operating results, business plans, economic projections, anticipated future cash flows, comparable transactions and other market data. There are inherent uncertainties related to these factors and management's judgment in applying them in the impairment tests of goodwill. If actual results are not consistent with management's estimate and assumptions, a material impairment could have an adverse effect on the company's financial condition and results of operations.

### ***Indefinite-Life Intangible Valuations***

In performing a quantitative assessment of indefinite-life intangible assets other than goodwill, primarily trademarks and trade names, we analyze the variety of events or factors that may impact the fair value of the indefinite-life intangible, including, but not limited to: macroeconomic conditions, industry and market considerations, cost factors, overall financial performance and other relevant factors. We estimate the fair value of these intangible assets using the relief-from-royalty method which requires assumptions related to projected revenues from our long-range plans; assumed royalty rates that could be payable if we did not own the trademark; and a discount rate using a market based weighted-average cost of capital. If the estimated fair value of the indefinite-life intangible asset is less than its carrying value, we would recognize an impairment loss.

Based on the qualitative assessment as of October 1, 2023, the company identified several trademarks and trade names with indicators of potential risk for impairment and performed quantitative assessments. In performing the quantitative analysis on these trademark assets, significant assumptions used in our relief-from-royalty model included revenue growth rates, assumed royalty rates and the discount rate, which are discussed further below.

- Revenue growth rates relate to projected revenues from our long-range plans and vary from brand to brand. Adverse changes in the operating environment or our inability to grow revenues at the forecasted rates may result in a material impairment charge.
- In determining royalty rates for the valuation of our trademarks, we considered factors that affect the assumed royalty rates that would hypothetically be paid for the use of the trademarks. The most significant factors in determining the assumed royalty rates include the overall role and importance of the trademarks in the particular industry, the profitability of the products utilizing the trademarks, and the position of the trademarked products in the given market segment.
- In developing discount rates for the valuation of our trademarks, we used the market based weighted average cost of capital, adjusted for higher relative level of risks associated with doing business in other countries, as applicable, as well as the higher relative levels of risks associated with intangible assets.

The gross value of all trademarks tested was approximately \$246.2 million, including the impaired trademarks. As a result of the quantitative testing the company recognized \$78.1 million of impairment charges primarily associated with the Kamado Joe, Masterbuilt and Char-Griller trademarks. For further details associated with the company's trademarks impairment testing, see Note 3 (f) to the Consolidated Financial Statements. The fair values of the trademarks tested with no impairment and exceeded their carrying values by 10% or more. The company believes the assumptions utilized within the quantitative analyses are reasonable and consistent with assumptions that would be used by other marketplace participants.

The company continues to monitor global and regional economic market conditions, channel inventory levels, and the underlying demand for its products to assess the impact on its business and financial performance. If actual results are not consistent with management's estimate and assumptions, a material impairment charge of our trademarks and trade names could occur, which could have an adverse effect on the company's financial condition and results of operations.

### ***Convertible Debt***

The company issued convertible debt with debt and equity components. The company evaluated the different components and features of the hybrid instrument and determined whether certain elements were embedded derivative instruments which require bifurcation. Components of convertible debt instruments that upon conversion may be settled fully in cash or partly in cash based on a net-share settlement basis are accounted for separately as long-term debt and equity when the conversion feature of the convertible bonds constitute an embedded equity instrument. When an equity instrument is identified, proceeds from issuance are allocated between debt and equity by measuring first the liability component and then determining the equity component as a residual amount. Prior to January 3, 2021, the liability component was measured as the fair value of a similar nonconvertible debt, which results in the recognition of a debt discount. The debt discount amortizes to interest expense, net within the Consolidated Statements of Earnings, using the effective interest method based on the expected maturity of the debt. The equity component is reported in additional paid-in capital within the Consolidated Statement of Changes in Stockholders' Equity and is not remeasured as long as it continues to meet the conditions for equity classification.

The company allocated transaction costs related to the issuance of convertible debt using the same proportions as the proceeds from the convertible debt. Transaction costs attributable to the liability component are recorded as a direct deduction from the related debt liability in the Consolidated Balance Sheets and are amortized to interest expense, net within the Consolidated Statements of Earnings over the term of the convertible debt using the effective interest rate method. Transaction costs attributable to the equity component are netted within additional paid-in capital within the Consolidated Statement of Stockholders' Equity.

Effective January 3, 2021, the company early adopted ASU 2020-06 using the modified retrospective approach. The convertible debt is now accounted for as a single liability and therefore the company no longer recognized any amortization of debt discounts as non-cash interest expense.

For additional information regarding the company's convertible debt, see Note 5, Financing Arrangements, in the Notes to the Consolidated Financial Statements.

### ***Pension Benefits***

The company sponsors pension benefits to certain employees. The accounting for these plans depends on assumptions made by management, which are used by actuaries the company engages to calculate the projected and accumulated obligations and the annual expense recognized for these plans. These assumptions include expected long-term rate of return on plan assets and discount rates.

The amount of unrecognized actuarial gains and losses recognized in the current year's operations is based on amortizing the unrecognized gains or losses for each plan that exceed the larger of 10% of the projected benefit obligation or the fair value of plan assets, also known as the corridor. The amount of unrecognized gain or loss that exceeds the corridor is amortized over the average future service of the plan participants or the average life expectancy of inactive plan participants for plans where all or almost all of the plan participants are inactive. While we believe that our assumptions are appropriate, significant differences in our actual experience or significant changes in our assumptions may materially affect our pension obligations and our future expense.

### ***Income taxes***

The company provides deferred income tax assets and liabilities based on the estimated future tax effects of differences between the financial and tax bases of assets and liabilities based on currently enacted tax laws. The company's deferred and other tax balances are based on management's interpretation of the tax regulations and rulings in numerous taxing jurisdictions. Income tax expense and liabilities recognized by the company also reflect its best estimates and assumptions regarding, among other things, the level of future taxable income, the effect of the company's various tax planning strategies and uncertain tax positions. Future tax authority rulings and changes in tax laws, changes in projected levels of taxable income and future tax planning strategies could affect the actual effective tax rate and tax balances recorded by the company. The company follows the provisions under ASC 740-10-25 that provides a recognition threshold and measurement criteria for the financial statement recognition of a tax benefit taken or expected to be taken in a tax return. Tax benefits are recognized only when it is more likely than not, based on the technical merits, that the benefits will be sustained on examination. Tax benefits that meet the more-likely-than-not recognition threshold are measured using a probability weighting of the largest amount of tax benefit that has greater than 50% likelihood of being realized upon settlement. Whether the more-likely-than-not recognition threshold is met for a particular tax benefit is a matter of judgment based on the individual facts and circumstances evaluated in light of all available evidence as of the balance sheet date.

### **New Accounting Pronouncements**

See Note 3(r) to the Consolidated Financial Statements for further information on the new accounting pronouncements.

### **Certain Risk Factors That May Affect Future Results**

An investment in shares of the company's common stock involves risks. The company believes the risks and uncertainties described in "Item 1A. Risk Factors" and in "Special Note Regarding Forward-Looking Statements" are the material risks it faces. Additional risks and uncertainties not currently known to the company or that it currently deems immaterial may impair its business operations. If any of the risks identified in "Item 1A. Risk Factors" actually occurs, the company's business, results of operations and financial condition could be materially adversely affected, and the trading price of the company's common stock could decline.

## **Item 7A. Quantitative and Qualitative Disclosure about Market Risk**

The company is exposed to certain market risks that exist as part of its ongoing business operations, including fluctuations in changes in interest rates, foreign currency exchange rates and price volatility for certain commodities. The company does not hold or issue derivative financial instruments for trading or speculative purposes.

### **Interest Rate Risk**

The company is exposed to market risk related to changes in interest rates. The following table summarizes the maturity of the company's debt obligations:

	<u>Variable Rate Debt</u>
2024	\$ 44,822
2025	785,304
2026	1,589,014
2027	755
2028 and thereafter	5,300
	<u>\$ 2,425,195</u>

The company is exposed to interest rate risk on its floating-rate debt. The company has entered into interest rate swaps to fix the interest rate applicable to certain of its variable-rate debt. Prior to July 1, 2023, the company amended its Credit Facility and the existing interest rate swap agreements to transition the interest reference rate from one-month LIBOR to one-month Secured Overnight Financing Rate ("SOFR"). There were no other changes to the company's Credit Facility or timing of cash flows. The amendment was entered into because the LIBOR rate historically used was no longer published after June 30, 2023. The company utilized expedients within ASC 848 to conclude that this amendment should be treated as a non-substantial modification of the existing contract, resulting in no impact to the company's consolidated financial statements. The company has designated these swaps as cash flow hedges and all changes in fair value of the swaps are recognized in accumulated other comprehensive income. As of December 30, 2023, the fair value of these instruments was an asset of \$42.8 million. The change in fair value of these swap agreements in the first twelve months of 2023 was a loss of \$16.5 million, net of taxes. The potential net loss on fair value for such instruments from a hypothetical 10% adverse change in quoted interest rates would not have a material impact on the company's financial position, results of operations and cash flows.

The company has Convertible Notes that were issued in August 2020, which carry a fixed annual interest rate of 1.00%. As such, the company does not have economic interest rate exposure on the Convertible Notes. The fair value of the Convertible Notes is subject to interest rate risk, market risk and other factors due to its conversion feature. The fair value of the Convertible Notes is also affected by the price and volatility of the company's common stock and will generally increase or decrease as the market price of our common stock changes. The interest and market value changes affect the fair value of the Convertible Notes but do not impact the company's financial position, cash flows or results of operations due to the fixed nature of the debt obligation. Additionally, the company carries the Convertible Notes at face value, less any unamortized discount on the balance sheet and presents the fair value for disclosure purposes only.

### **Foreign Exchange Derivative Financial Instruments**

The company uses derivative financial instruments, principally foreign currency forward purchase and sale contracts with terms of less than one year, to hedge its exposure to changes in foreign currency exchange rates. The company's primary hedging activities are to mitigate its exposure to changes in exchange rates on intercompany and third-party trade receivables and payables. The company does not currently enter into derivative financial instruments for speculative purposes. In managing its foreign currency exposures, the company identifies and aggregates naturally occurring offsetting positions and then hedges residual balance sheet exposures. The potential loss on fair value for such instruments from a hypothetical 10% adverse change in quoted foreign exchange rates would not have a material impact on the company's financial position, results of operations and cash flows.

Derivative financial instruments are recognized on the balance sheet as either an asset or a liability measured at fair value. Changes in the market value and the related foreign exchange gains and losses are recorded in the statement of earnings.



**Item 8. Financial Statements and Supplementary Data**

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All other schedules for which provision is made to applicable regulation of the Securities and Exchange Commission are not required under the related instruction or are inapplicable and, therefore, have been omitted.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of The Middleby Corporation

### **Opinion on Internal Control over Financial Reporting**

We have audited The Middleby Corporation's internal control over financial reporting as of December 30, 2023, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework), (the COSO criteria). In our opinion, The Middleby Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 30, 2023, based on the COSO criteria.

As indicated in the accompanying Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Flavor Burst, Blue Sparq, Filtration Automation, Systems IV and Trade-Wind which are included in the 2023 consolidated financial statements of the Company and constituted 1.5% and 0.0% of total and net assets, respectively, as of December 30, 2023 and 0.3% and 0.0% of net sales and net earnings, respectively, for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of Flavor Burst, Blue Sparq, Filtration Automation, Systems IV and Trade-Wind.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 30, 2023 and December 31, 2022, the related consolidated statements of earnings, comprehensive income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 30, 2023, and the related notes and financial statement schedule listed in the Index at Item 8 and our report dated February 28, 2024 expressed an unqualified opinion thereon.

### **Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### **Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Chicago, Illinois  
February 28, 2024

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of The Middleby Corporation

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of The Middleby Corporation (the Company) as of December 30, 2023 and December 31, 2022, the related consolidated statements of earnings, comprehensive income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 30, 2023, and the related notes and financial statement schedule listed in the Index at Item 8 (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 30, 2023 and December 31, 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 30, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 30, 2023, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 28, 2024, expressed an unqualified opinion thereon.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

### ***Indefinite-Lived Intangible Assets Impairment Assessments***

#### *Description of the Matter*

At December 30, 2023, the Company's indefinite-lived intangible assets consist of trademarks and tradenames with an aggregate carrying value of approximately \$1.3 billion. As described in Note 3 of the consolidated financial statements, trademarks and tradenames with indefinite lives are tested by the Company's management for impairment at least annually, in the fiscal fourth quarter, unless there are indications of impairment at other points throughout the year. If the fair value of the intangible asset is less than its carrying amount, an impairment loss is recognized in an amount equal to the difference. Management recognized non-cash indefinite-lived intangible asset impairment losses of \$78.1 million for the year ended December 30, 2023. As disclosed by management, management utilizes the relief from royalty method to estimate the fair value of its trademarks and tradenames.

Auditing the impairment tests of indefinite-lived intangible assets is complex due to the significant management judgments and estimates required to determine the fair value of the trademarks and tradenames, including assumptions related to forecasted net sales, discount rates and royalty rates, all of which are sensitive to and affected by economic, industry and company-specific qualitative factors.

#### *How We Addressed the Matter in Our Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company's controls over the impairment tests of indefinite-lived intangible assets. This included evaluating controls over the Company's process used to develop the forecasts of future net sales and the selection of royalty rates and discount rates used in estimating the fair value of the trademarks and tradenames with indefinite lives. We also tested controls over management's review of the completeness and accuracy of data used in their valuation models.

To test the estimated fair value of the Company's trademarks and tradenames, we performed audit procedures that included, among others, assessing the methodologies, testing the significant assumptions discussed above and testing the completeness and accuracy of the underlying data. We compared the significant assumptions used by management to current industry and economic trends, the Company's historical results and other guideline companies within the same industry and evaluated whether changes in the Company's business would affect the significant assumptions. We assessed the historical accuracy of management's estimates by comparing them to actual operating results and performed sensitivity analyses of significant assumptions to evaluate the change in the fair value of the trademarks and tradenames with indefinite lives resulting from changes in these assumptions. We involved our valuation specialists to assist with our evaluation of the methodology and auditing certain significant assumptions included in the fair value estimates.

### ***Goodwill Impairment Assessment***

#### *Description of the Matter*

At December 30, 2023, the Company had goodwill of \$2.5 billion on its consolidated balance sheet. As discussed in Note 3 to the consolidated financial statements, goodwill is assessed for impairment on an annual basis or more frequently if indicators of potential impairment exist. If the fair value of the reporting units (for goodwill) is less than its respective carrying value, an impairment loss is recognized in an amount equal to the difference.

Auditing the Company's quantitative goodwill impairment assessment is complex because the estimation of fair values involves complex valuation methodologies and subjective management assumptions. These assumptions for the goodwill assessment include the net sales growth, EBITDA margin, discount rate, and market multiples. These significant assumptions used in the Company's valuation model are forward looking and changes in these assumptions can have a material effect on the determination of fair values.

*How We Addressed  
the Matter in Our  
Audit*

We obtained an understanding, evaluated the design, and tested the operating effectiveness of the Company's controls over its impairment assessment for the Residential Kitchen reporting unit, including management's review of the methods and significant assumptions described above.

Our audit procedures to test the annual impairment assessment for the Residential Kitchen reporting unit included, among others, assessing the valuation methodologies and assumptions described above, and the underlying data used to support such assumptions. For example, we compared certain assumptions to industry, market and economic trends. Where appropriate, we evaluated whether changes to the Company's business and other factors would affect the assumption. We also assessed the historical accuracy of management's estimates and performed sensitivity analyses. We involved our valuation specialists to assist with our evaluation of the methodology and auditing certain significant assumptions included in the fair value estimates.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2012.

Chicago, Illinois  
February 28, 2024

**THE MIDDLEBY CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 30, 2023 AND DECEMBER 31, 2022**  
(amounts in thousands, except share data)

	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 247,496	\$ 162,001
Accounts receivable, net of reserve for doubtful accounts of \$23,464 and \$20,295	644,576	631,134
Inventories, net	935,867	1,077,729
Prepaid expenses and other	112,690	125,640
Prepaid taxes	25,230	9,492
Total current assets	1,965,859	2,005,996
Property, plant and equipment, net of accumulated depreciation of \$339,528 and \$299,572	510,898	443,528
Goodwill	2,486,310	2,411,834
Other intangibles, net of amortization of \$574,079 and \$503,034	1,693,076	1,794,232
Long-term deferred tax assets	7,945	6,738
Pension benefits assets	38,535	—
Other assets	204,069	212,538
Total assets	<u>\$ 6,906,692</u>	<u>\$ 6,874,866</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current maturities of long-term debt	\$ 44,822	\$ 45,583
Accounts payable	227,080	271,374
Accrued expenses	579,192	671,327
Total current liabilities	851,094	988,284
Long-term debt	2,380,373	2,676,741
Long-term deferred tax liability	216,143	220,204
Accrued pension benefits	12,128	14,948
Other non-current liabilities	197,065	176,942
Stockholders' equity:		
Preferred stock, \$0.01 par value; nonvoting; 2,000,000 shares authorized; none issued	—	—
Common stock, \$0.01 par value; 63,942,340 and 63,508,855 shares issued in 2023 and 2022, respectively	148	147
Paid-in capital	479,216	408,376
Treasury stock, at cost; 10,338,922 and 9,814,480 shares in 2023 and 2022	(906,031)	(831,176)
Retained earnings	3,899,754	3,498,872
Accumulated other comprehensive loss	(223,198)	(278,472)
Total stockholders' equity	<u>3,249,889</u>	<u>2,797,747</u>
Total liabilities and stockholders' equity	<u>\$ 6,906,692</u>	<u>\$ 6,874,866</u>

The accompanying Notes to Consolidated Financial Statements  
are an integral part of these consolidated financial statements.

**THE MIDDLEBY CORPORATION**

**CONSOLIDATED STATEMENTS OF EARNINGS**  
**FOR THE FISCAL YEARS ENDED DECEMBER 30, 2023, DECEMBER 31, 2022**  
**AND JANUARY 1, 2022**

(amounts in thousands, except per share data)

	<b>2023</b>	<b>2022</b>	<b>2021</b>
Net sales	\$ 4,036,605	\$ 4,032,853	\$ 3,250,792
Cost of sales	2,502,543	2,586,299	2,055,932
Gross profit	1,534,062	1,446,554	1,194,860
Selling, general, and administrative expenses	806,946	797,234	667,976
Restructuring expenses	14,134	9,716	7,655
Impairments	78,114	—	—
Merger termination fee	—	—	(110,000)
Gain on sale of plant	—	—	(763)
Income from operations	634,868	639,604	629,992
Interest expense and deferred financing amortization, net	120,348	88,977	57,157
Net periodic pension benefit (other than service cost & curtailment)	(9,071)	(42,681)	(45,066)
Other expense (income), net	4,213	28,893	(1,603)
Earnings before income taxes	519,378	564,415	619,504
Provision for income taxes	118,496	127,846	131,012
Net earnings	<u>\$ 400,882</u>	<u>\$ 436,569</u>	<u>\$ 488,492</u>
Net earnings per share:			
Basic	<u>\$ 7.48</u>	<u>\$ 8.07</u>	<u>\$ 8.85</u>
Diluted	<u>\$ 7.41</u>	<u>\$ 7.95</u>	<u>\$ 8.62</u>
Weighted average number of shares			
Basic	53,577	54,095	55,216
Dilutive common stock equivalents	509	852	1,449
Diluted	<u>54,086</u>	<u>54,947</u>	<u>56,665</u>

The accompanying Notes to Consolidated Financial Statements  
are an integral part of these consolidated financial statements.

**THE MIDDLEBY CORPORATION**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FISCAL YEARS ENDED DECEMBER 30, 2023, DECEMBER 31, 2022**  
**AND JANUARY 1, 2022**  
**(amounts in thousands)**

	<b>2023</b>	<b>2022</b>	<b>2021</b>
Net earnings	\$ 400,882	\$ 436,569	\$ 488,492
<b>Other comprehensive income (loss):</b>			
Foreign currency translation adjustments	59,855	(107,691)	(47,693)
Pension liability adjustment, net of tax	11,988	127,995	151,223
Unrealized gain (loss) on interest rate swaps, net of tax	(16,569)	61,638	24,484
Unrealized (loss) gain on certain investments, net of tax	—	(1,330)	1,330
Other comprehensive income (loss):	\$ 55,274	\$ 80,612	\$ 129,344
Comprehensive income	\$ 456,156	\$ 517,181	\$ 617,836

The accompanying Notes to Consolidated Financial Statements  
are an integral part of these consolidated financial statements.



**THE MIDDLEBY CORPORATION**

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE FISCAL YEARS ENDED DECEMBER 30, 2023, DECEMBER 31, 2022  
AND JANUARY 1, 2022  
(amounts in thousands)**

	Common Stock	Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income/(loss)	Total Stockholders' Equity
<b>Balance, January 2, 2021</b>	\$ 147	\$ 433,308	\$(537,134)	\$2,568,756	\$ (488,428)	\$ 1,976,649
Net earnings	—	—	—	488,492	—	488,492
Adoption of ASU 2020-06 <sup>(1)</sup>	—	(79,430)	—	5,055	—	(74,375)
Currency translation adjustments	—	—	—	—	(47,693)	(47,693)
Change in unrecognized pension benefit costs, net of tax of \$49,589	—	—	—	—	151,223	151,223
Unrealized gain on interest rate swap, net of tax of \$8,619	—	—	—	—	24,484	24,484
Unrealized gain on certain investments, net of tax of \$443	—	—	—	—	1,330	1,330
Stock compensation	—	42,330	—	—	—	42,330
Stock issuance	—	2,522	—	—	—	2,522
Purchase of treasury stock	—	—	(29,265)	—	—	(29,265)
Purchase of capped calls, net of tax of \$(13,132)	—	(41,421)	—	—	—	(41,421)
<b>Balance, January 1, 2022</b>	\$ 147	\$ 357,309	\$(566,399)	\$3,062,303	\$ (359,084)	\$ 2,494,276
Net earnings	—	—	—	436,569	—	436,569
Currency translation adjustments	—	—	—	—	(107,691)	(107,691)
Change in unrecognized pension benefit costs, net of tax of \$37,475	—	—	—	—	127,995	127,995
Unrealized gain on interest rate swap, net of tax of \$21,337	—	—	—	—	61,638	61,638
Unrealized loss on certain investments, net of tax of \$(443)	—	—	—	—	(1,330)	(1,330)
Stock compensation	—	58,368	—	—	—	58,368
Purchase of treasury stock	—	—	(264,777)	—	—	(264,777)
Purchase of capped calls, net of tax of \$(2,354)	—	(7,301)	—	—	—	(7,301)
<b>Balance, December 31, 2022</b>	\$ 147	\$ 408,376	\$(831,176)	\$3,498,872	\$ (278,472)	\$ 2,797,747
Net earnings	—	—	—	400,882	—	400,882
Currency translation adjustments	—	—	—	—	59,855	59,855
Change in unrecognized pension benefit costs, net of tax of \$5,993	—	—	—	—	11,988	11,988
Unrealized gain on interest rate swap, net of tax of \$(5,637)	—	—	—	—	(16,569)	(16,569)
Stock compensation	—	51,047	—	—	—	51,047
Stock issuance	1	19,793	—	—	—	19,794
Purchase of treasury stock	—	—	(74,855)	—	—	(74,855)
<b>Balance, December 30, 2023</b>	\$ 148	\$ 479,216	\$(906,031)	\$3,899,754	\$ (223,198)	\$ 3,249,889

(1) As of January 3, 2021 the company adopted ASU No. 2020-06, *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity* using the modified retrospective method. The adoption of this guidance resulted in a \$79.4 million reduction to paid-in capital, net of tax of \$25.5 million, and the recognition of \$5.1 million as an adjustment to the opening balance of retained earnings, net of tax of \$1.6 million.

The accompanying Notes to Consolidated Financial Statements  
are an integral part of these consolidated financial statements.

**THE MIDDLEBY CORPORATION**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE FISCAL YEARS ENDED DECEMBER 30, 2023, DECEMBER 31, 2022**  
**AND JANUARY 1, 2022**  
(amounts in thousands)

	2023	2022	2021
<b>Cash flows from operating activities—</b>			
Net earnings	\$ 400,882	\$ 436,569	\$ 488,492
Adjustments to reconcile net earnings to net cash provided by operating activities			
Depreciation and amortization	132,604	138,061	125,243
Non-cash share-based compensation	51,047	58,368	42,330
Deferred income taxes	(2,405)	(6,642)	6,863
Net periodic pension benefit (other than service costs)	(9,071)	(42,681)	(45,066)
Gain on sale of plant	—	—	(763)
Impairments	78,114	—	—
Non-cash restructuring	—	—	1,924
Other non-cash items	1,529	(12,127)	(11,805)
Changes in assets and liabilities, net of acquisitions			
Accounts receivable, net	(4,624)	(28,392)	(93,988)
Inventories, net	157,868	(196,313)	(198,264)
Prepaid expenses and other assets	(17,081)	(5,201)	10,853
Accounts payable	(49,369)	(47,742)	61,336
Accrued expenses and other liabilities	(110,704)	38,652	36,244
Net cash provided by operating activities	<u>628,790</u>	<u>332,552</u>	<u>423,399</u>
<b>Cash flows from investing activities—</b>			
Net additions to property, plant and equipment	(85,179)	(67,289)	(46,551)
Proceeds from sale of property, plant and equipment	—	—	6,290
Purchase of intangible assets	(1,805)	(2,233)	(5,000)
Acquisitions, net of cash acquired	(68,758)	(278,797)	(963,600)
Net cash used in investing activities	<u>(155,742)</u>	<u>(348,319)</u>	<u>(1,008,861)</u>
<b>Cash flows from financing activities—</b>			
Proceeds under Credit Facility	640,200	1,870,000	1,739,101
Repayments under Credit Facility	(948,496)	(1,555,250)	(1,135,058)
Premiums paid for capped call	—	(9,655)	(54,553)
Net (repayments) proceeds under foreign bank loan	(166)	(24,470)	(2,030)
Payments of deferred purchase price	(7,701)	(7,930)	(5,861)
Repurchase of treasury stock	(74,565)	(264,777)	(29,265)
Debt issuance costs	—	—	(9,242)
Other, net	(211)	(287)	(303)
Net cash (used in) provided by financing activities	<u>(390,939)</u>	<u>7,631</u>	<u>502,789</u>
<b>Effect of exchange rates on cash and cash equivalents</b>	<u>3,386</u>	<u>(10,225)</u>	<u>(5,068)</u>
<b>Changes in cash and cash equivalents—</b>			
Net increase (decrease) in cash and cash equivalents	85,495	(18,361)	(87,741)
Cash and cash equivalents at beginning of year	162,001	180,362	268,103
Cash and cash equivalents at end of year	<u>\$ 247,496</u>	<u>\$ 162,001</u>	<u>\$ 180,362</u>
Non-cash investing and financing activities:			
Stock issuance related to acquisition and purchase of intangible assets	19,794	—	2,522

The accompanying Notes to Consolidated Financial Statements  
are an integral part of these consolidated financial statements.

## **THE MIDDLEBY CORPORATION**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** **FOR THE FISCAL YEARS ENDED DECEMBER 30, 2023, DECEMBER 31, 2022** **AND JANUARY 1, 2022**

#### **(1) NATURE OF OPERATIONS**

The Middleby Corporation (the "company") is engaged in the design, manufacture and sale of commercial foodservice, food processing equipment and residential kitchen equipment. The company manufactures and assembles this equipment at forty-four U.S. and thirty-five international manufacturing facilities. The company operates in three business segments: 1) the Commercial Foodservice Equipment Group, 2) the Food Processing Equipment Group and 3) the Residential Kitchen Equipment Group.

The Commercial Foodservice Equipment Group has a broad portfolio of foodservice equipment, which enable it to serve virtually any cooking, warming, refrigeration, freezing and beverage application within a commercial kitchen or foodservice operation. This equipment is used across all types of foodservice operations, including quick-service restaurants, full-service restaurants, convenience stores, retail outlets, hotels and other institutions. The products offered by this group include conveyor ovens, combi-ovens, convection ovens, baking ovens, proofing ovens, deck ovens, speed cooking ovens, hydrovection ovens, ranges, fryers, rethermalizers, steam cooking equipment, food warming equipment, catering equipment, heated cabinets, charbroilers, ventless cooking systems, kitchen ventilation, induction cooking equipment, countertop cooking equipment, toasters, griddles, charcoal grills, professional mixers, stainless steel fabrication, custom millwork, professional refrigerators, blast chillers, coldrooms, ice machines, freezers, soft serve ice cream equipment, coffee and beverage dispensing equipment, home and professional craft brewing equipment, fry dispensers, bottle filling and canning equipment, IoT solutions and controls development and manufacturing.

The Food Processing Equipment Group offers a broad portfolio of processing solutions for customers producing pre-cooked meat products, such as hot dogs, dinner sausages, poultry and lunchmeats and baked goods such as muffins, cookies and bread. Through its broad line of products, the company is able to deliver a wide array of cooking solutions to service a variety of food processing requirements demanded by its customers. The company can offer highly integrated solutions that provide a food processing operation a uniquely integrated solution providing for the highest level of food quality, product consistency, and reduced operating costs resulting from increased product yields, increased capacity and greater throughput and reduced labor costs through automation. The products offered by this group include a wide array of cooking and baking solutions, including batch ovens, baking ovens, proofing ovens, conveyor belt ovens, continuous processing ovens, frying systems and automated thermal processing systems. The company also provides a comprehensive portfolio of complementary food preparation equipment such as tumblers, massagers, grinders, slicers, reduction and emulsion systems, mixers, blenders, battering equipment, breading equipment, seeding equipment, water cutting systems, food presses, food suspension equipment, filling and depositing solutions, and forming equipment, as well as a variety of automated loading and unloading systems, automated washing systems, auto-guided vehicles, food safety, food handling, freezing, defrosting and packaging equipment. This portfolio of equipment can be integrated to provide customers a highly efficient and customized solution.

The Residential Kitchen Equipment Group has a broad portfolio of innovative and professional-style residential kitchen equipment. The products offered by this group include ranges, cookers, stoves, cooktops, microwaves, ovens, refrigerators, dishwashers, undercounter refrigeration, wine cellars, ice machines, beer dispensers, ventilation equipment, mixers, rotisseries and outdoor cooking equipment.

## (2) ACQUISITIONS AND PURCHASE ACCOUNTING

The following represents the company's significant acquisitions in 2023 and 2022, the termination of a Merger Agreement, as well as summarized information on various acquisitions that were not individually material.

### Termination of Welbilt Merger

On April 20, 2021, Middleby entered into a Merger Agreement with Welbilt, Inc. Following Welbilt's receipt of an alternative acquisition proposal, on July 13, 2021, Middleby announced that, under the terms of the Merger Agreement, it would not exercise its right to propose any modifications to the terms of the Merger Agreement and would allow the match period to expire. Accordingly, on July 14, 2021, Welbilt delivered to Middleby a written notice terminating the Merger Agreement and, concurrently with Middleby's receipt of the termination fee of \$110.0 million in cash from Welbilt, the Merger Agreement was terminated on July 14, 2021.

The termination fee received is reflected in the Consolidated Statements of Comprehensive Earnings as the "merger termination fee" and \$19.7 million of deal costs associated with the transaction are reflected in selling, general and administrative expenses in the Consolidated Statements of Comprehensive Earnings.

### 2022 Acquisitions

During 2022, the company completed various acquisitions that were not individually material. The final allocation of consideration paid for the other 2022 acquisitions is summarized as follows (in thousands):

	Preliminary Opening Balance Sheet	Measurement Period Adjustments	Adjusted Opening Balance Sheet
Cash	\$ 25,860	\$ 159	\$ 26,019
Current assets	115,264	(8,911)	106,353
Property, plant and equipment	44,598	615	45,213
Goodwill	139,633	11,358	150,991
Other intangibles	93,147	7,018	100,165
Long-term deferred tax asset	426	635	1,061
Other assets	1,420	3,414	4,834
Current portion of long-term debt	(22,841)	2,043	(20,798)
Current liabilities	(57,158)	(4,029)	(61,187)
Long term debt	(5,646)	(3,995)	(9,641)
Long-term deferred tax liability	(23,137)	2,049	(21,088)
Other non-current liabilities	(19,061)	(8,019)	(27,080)
Consideration paid at closing	<u>\$ 292,505</u>	<u>\$ 2,337</u>	<u>\$ 294,842</u>
Deferred payments	—	1,970	1,970
Contingent consideration	<u>19,105</u>	<u>3,969</u>	<u>23,074</u>
Net assets acquired and liabilities assumed	<u>\$ 311,610</u>	<u>\$ 8,276</u>	<u>\$ 319,886</u>

The net long-term deferred tax liability amounted to \$20.0 million. The net deferred tax liability is comprised of \$20.8 million related to the difference between the book and tax basis of identifiable intangible assets and \$0.8 million net deferred tax asset related to the difference between the book and tax basis on identifiable tangible asset and liability accounts.

The goodwill and \$46.0 million of other intangibles associated with the trade names are subject to the non-amortization provisions of ASC 350. Other intangibles also include \$31.5 million allocated to customer relationships, \$16.0 million allocated to developed technology, and \$6.7 million allocated to backlog, which are being amortized over periods of 7 to 9 years, 5 to 11 years, and 3 to 12 months, respectively. Goodwill of \$113.8 million and other intangibles of \$63.8 million are allocated to the Food Processing Equipment Group for segment reporting purposes. Goodwill of \$34.9 million and other intangibles of \$35.6 million are allocated to the Commercial Foodservice Equipment Group for segment reporting purposes. Goodwill of \$2.3 million and other intangibles of \$0.8 million are allocated to the Residential Kitchen Equipment Group for segment reporting purposes. Of these assets, goodwill of \$21.5 million and intangibles of \$11.9 million are expected to be deductible for tax purposes.

Several purchase agreements include deferred payment and earnout provisions providing for a contingent payment due to the sellers for the achievement of certain targets. The deferred payments are payable between 2023 and 2024. The contractual obligations associated with the deferred payments on the acquisition date amounts to \$2.0 million. Three earnouts are payable to the extent certain EBITDA targets are met with measurement dates ending between 2022 and 2025. One of these three earnouts is also payable yearly through 2027 based on product sales. One earnout is payable yearly through 2028 based on product sales. The contractual obligation associated with the contingent earnout provisions recognized on the acquisition date amount to \$23.1 million.

### 2023 Acquisitions

During 2023, the company completed various acquisitions that were not individually material. The following estimated fair values of assets acquired and liabilities assumed are based on the information that was available as of the acquisition dates for the other 2023 acquisitions and are summarized as follows (in thousands):

	Preliminary Opening Balance Sheet	Preliminary Measurement Period Adjustments	Adjusted Opening Balance Sheet
Cash	\$ 3,102	\$ —	\$ 3,102
Current assets	9,964	188	10,152
Property, plant and equipment	21,954	(39)	21,915
Goodwill	38,422	2,726	41,148
Other intangibles	34,337	(722)	33,615
Other assets	—	5	5
Current liabilities	(3,774)	(1,147)	(4,921)
Long-term deferred tax liability	(958)	16	(942)
Other non-current liabilities	(12,099)	(216)	(12,315)
Consideration paid at closing	<u>\$ 90,948</u>	<u>\$ 811</u>	<u>\$ 91,759</u>
Contingent consideration	<u>14,743</u>	<u>216</u>	<u>14,959</u>
Net assets acquired and liabilities assumed	<u>\$ 105,691</u>	<u>\$ 1,027</u>	<u>\$ 106,718</u>

The net long-term deferred tax liability amounted to \$0.9 million. The net deferred tax liability is comprised of \$0.3 million related to the difference between the book and tax basis of identifiable intangible assets and \$0.6 million related to the difference between the book and tax basis on identifiable tangible asset and liability accounts.

The goodwill and \$17.9 million of other intangibles associated with the trade names are subject to the non-amortization provisions of ASC 350. Other intangibles also include \$7.2 million allocated to customer relationships, \$7.9 million allocated to developed technology, and \$0.6 million allocated to backlog, which are being amortized over periods of 7 years, 7 to 12 years, and 9 months, respectively. Goodwill of \$17.9 million and other intangibles of \$7.8 million are allocated to the Food Processing Equipment Group for segment reporting purposes. Goodwill of \$9.6 million and other intangibles of \$14.1 million are allocated to the Commercial Foodservice Equipment Group for segment reporting purposes. Goodwill of \$13.6 million and other intangibles of \$11.7 million are allocated to the Residential Kitchen Equipment Group for segment reporting purposes. Of these assets, goodwill of \$39.5 million and intangibles of \$32.2 million are expected to be deductible for tax purposes.

Four purchase agreements include earnout provisions providing for a contingent payment due to the sellers for the achievement of certain targets. Four earnouts are payable to the extent certain sales and EBITDA targets are met with measurement dates ending between 2024 and 2026. One earnout is payable upon the achievement of certain product rollout targets specific to the year of measurement. The contractual obligation associated with the contingent earnout provisions recognized on the acquisition date amount to \$15.0 million.

The company believes that information gathered to date provides a reasonable basis for estimating the fair values of assets acquired and liabilities assumed, but the company is waiting for additional information necessary to finalize those fair values for all acquisitions completed during 2023. Certain intangible assets are preliminarily valued using historical information from the Commercial Foodservice Equipment Group, Food Processing Equipment Group, and Residential Kitchen Equipment Group and qualitative assessments of the individual businesses at acquisition date. Specifically, the company estimated the fair values of the intangible assets based on the percentage of purchase price assigned to similar intangible assets in previous acquisitions. Thus, the provisional measurements of fair values set forth above are subject to change. The company expects to complete the purchase price allocation as soon as practicable but no later than one year from the acquisition date.

### Pro Forma Financial Information

In accordance with ASC 805 *Business Combinations*, the following unaudited pro forma results of operations for the twelve months ended December 30, 2023 and December 31, 2022, assumes the 2022 and 2023 acquisitions described above were completed on January 2, 2022 (first day of fiscal year 2022). The following pro forma results include adjustments to reflect amortization of intangibles associated with the acquisitions and the effects of adjustments made to the carrying value of certain assets (in thousands, except per share data):

	Twelve Months Ended	
	December 30, 2023	December 31, 2022
Net sales	\$ 4,046,332	\$ 4,160,826
Net earnings	403,484	426,167
Net earnings per share:		
Basic	\$ 7.53	\$ 7.88
Diluted	\$ 7.46	\$ 7.76

The historical consolidated financial information of the company and the acquisitions have been adjusted in the pro forma information to give effect to pro forma events that are (1) directly attributable to the transactions, (2) factually supportable and (3) expected to have a continuing impact on the combined results. Pro forma data may not be indicative of the results that would have been obtained had these acquisitions occurred at the beginning of the periods presented, nor is it intended to be a projection of future results. Additionally, the pro forma financial information does not reflect the costs which the company has incurred or may incur to integrate the acquired businesses.

### **(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### *(a) Basis of Presentation*

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses as well as related disclosures. Significant items that are subject to such estimates and judgments include allowances for doubtful accounts, reserves for excess and obsolete inventories, long-lived and intangible assets, warranty reserves, insurance reserves, income tax reserves and post-retirement obligations. On an ongoing basis, the company evaluates its estimates and assumptions based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

The company's fiscal year ends on the Saturday nearest December 31. Fiscal years 2023, 2022, and 2021 ended on December 30, 2023, December 31, 2022 and January 1, 2022, respectively, with each year including 52 weeks.

Certain prior year amounts have been reclassified to be consistent with current year presentation.

#### *(b) Cash and Cash Equivalents*

The company considers all short-term investments with original maturities of three months or less when acquired to be cash equivalents. The company's policy is to invest its excess cash in interest-bearing deposits with major banks that are subject to minimal credit and market risk.

(c) *Accounts Receivable*

Accounts receivable, as shown in the consolidated balance sheets, are net of allowances for doubtful accounts of \$23.5 million and \$20.3 million at December 30, 2023 and December 31, 2022, respectively. At December 30, 2023, all accounts receivable are expected to be collected within one year.

(d) *Inventories*

Inventories are composed of material, labor and overhead and are stated at the lower of cost or net realizable value. Costs for inventory have been determined using the first-in, first-out ("FIFO") method. The company estimates reserves for inventory obsolescence and shrinkage based on its judgment of future realization. Inventories at December 30, 2023 and December 31, 2022 are as follows (in thousands):

	2023	2022
Raw materials and parts	\$ 495,488	\$ 595,325
Work in process	80,102	86,083
Finished goods	360,277	396,321
	<u>\$ 935,867</u>	<u>\$ 1,077,729</u>

(e) *Property, Plant and Equipment*

Property, plant and equipment are carried at cost as follows (in thousands):

	2023	2022
Land	\$ 73,060	\$ 65,794
Building and improvements	346,527	306,004
Furniture and fixtures	69,438	59,438
Machinery and equipment	361,401	311,864
	850,426	743,100
Less accumulated depreciation	<u>(339,528)</u>	<u>(299,572)</u>
	<u>\$ 510,898</u>	<u>\$ 443,528</u>

Property, plant and equipment are depreciated or amortized on a straight-line basis over their useful lives based on management's estimates of the period over which the assets will be utilized to benefit the operations of the company. The useful lives are estimated based on historical experience with similar assets, taking into account anticipated technological or other changes. The company periodically reviews these lives relative to physical factors, economic factors and industry trends. If there are changes in the planned use of property and equipment or if technological changes were to occur more rapidly than anticipated, the useful lives assigned to these assets may need to be shortened, resulting in the recognition of increased depreciation and amortization expense in future periods.

Following is a summary of the estimated useful lives:

<b>Description</b>	<b>Life</b>
Building and improvements	20 to 40 years
Furniture and fixtures	3 to 7 years
Machinery and equipment	3 to 10 years

Depreciation expense amounted to \$50.4 million, \$44.2 million and \$42.7 million in fiscal 2023, 2022 and 2021, respectively.

Expenditures which significantly extend useful lives are capitalized. Maintenance and repairs are charged to expense as incurred. Asset impairments are recorded whenever events or changes in circumstances indicate that the recorded value of an asset is greater than the sum of its expected future undiscounted cash flows. Asset impairments are recorded at the amount by which the recorded value of an asset exceeds its fair value.



(f) *Goodwill and Other Intangibles*

The company's business acquisitions result in the recognition of goodwill and other intangible assets, which are a significant portion of the company's total assets. Goodwill represents the excess of acquisition costs over the fair value of the net tangible assets and identifiable intangible assets acquired in a business combination. Identifiable intangible assets are recognized separately from goodwill and include trademarks and trade names, technology, customer relationships and other specifically identifiable assets. Trademarks and trade names are deemed to be indefinite-lived. Goodwill and indefinite-lived intangible assets are not amortized but are subject to impairment testing.

The company performs the annual impairment assessment for goodwill and indefinite-lived intangible assets as of first day of the fourth quarter of the fiscal year and more frequently if indicators of impairment exist. The goodwill impairment test is performed at the reporting unit level. The company initially performs a qualitative analysis to determine if it is more likely than not that the goodwill balance or indefinite-life intangible asset is impaired. In conducting a qualitative assessment, the company analyzes a variety of events or factors that may influence the fair value of the reporting unit or indefinite-life intangible, including, but not limited to: macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, share price and other relevant factors.

If an indicator of impairment is determined from the qualitative analysis, then the company will perform a quantitative analysis. The fair value of each reporting unit is compared to its carrying value. If the fair value of the reporting unit is less than its carrying value, the resulting difference will be a charge to impairment of goodwill in the Consolidated Statements of Earnings in the period in which the determination is made. Fair value is determined using a combination of present value techniques and market prices of comparable businesses.

The company performed a qualitative assessment as of October 1, 2023 over all three reporting units. As a result of the financial performance for the Residential Kitchen reporting unit, the company completed a quantitative analysis. The primary indicator of impairment was market conditions resulting in lower than expected revenue performance in the current year and forecasted revenues for future periods. The fair value of the reporting unit exceeded its carrying unit by more than 10% and no impairment of goodwill was recognized. The company believes the assumptions utilized within the qualitative analysis are reasonable and consistent with assumptions that would be used by other marketplace participants.

Based on the qualitative assessment for all other reporting units it was determined there was no impairment of goodwill. The company has not recognized any goodwill impairments and therefore there are no accumulated impairment losses.

Goodwill is allocated to the business segments as follows (in thousands):

	Commercial Foodservice	Food Processing	Residential Kitchen	Total
Balance as of January 1, 2022	<u>\$ 1,298,369</u>	<u>\$ 237,433</u>	<u>\$ 707,667</u>	<u>\$ 2,243,469</u>
Goodwill acquired during the year	30,107	112,254	2,266	144,627
Measurement period adjustments to goodwill acquired in prior year	923	—	75,344	76,267
Exchange effect	<u>(19,623)</u>	<u>616</u>	<u>(33,522)</u>	<u>(52,529)</u>
Balance as of December 31, 2022	<u>\$ 1,309,776</u>	<u>\$ 350,303</u>	<u>\$ 751,755</u>	<u>\$ 2,411,834</u>
Goodwill acquired during the year	9,640	17,922	13,586	41,148
Measurement period adjustments to goodwill acquired in prior year	4,825	1,540		6,365
Exchange effect	<u>4,815</u>	<u>5,452</u>	<u>16,696</u>	<u>26,963</u>
Balance as of December 30, 2023	<u>\$ 1,329,056</u>	<u>\$ 375,217</u>	<u>\$ 782,037</u>	<u>\$ 2,486,310</u>

Intangible assets consist of the following (in thousands):

	December 30, 2023			December 31, 2022		
	Estimated Weighted Avg Remaining Life	Gross Carrying Amount	Accumulated Amortization	Estimated Weighted Avg Remaining Life	Gross Carrying Amount	Accumulated Amortization
<b>Amortized intangible assets:</b>						
Customer relationships	7.0	\$ 845,326	\$ (529,533)	7.6	\$ 839,811	\$ (460,885)
Backlog	0.0	—	—	0.1	8,301	(6,352)
Developed technology	8.3	98,593	(44,546)	8.3	79,763	(35,797)
		<u>\$ 943,919</u>	<u>\$ (574,079)</u>		<u>\$ 927,875</u>	<u>\$ (503,034)</u>
<b>Indefinite-lived intangible assets:</b>						
Trademarks and trade names		<u>\$1,323,236</u>			<u>\$1,369,391</u>	

The company completed its annual impairment assessment for indefinite-lived intangible assets as of October 1, 2023. We identified indicators of impairment with certain trademarks within the each of its reporting units based on the qualitative assessment. The primary indicator of impairment was market conditions resulting in lower than expected revenue performance in the current year and forecasted revenues for future periods.

Based on the results of the quantitative assessments, the company recorded impairment charges of \$78.1 million associated with several trademarks, of which \$76.1 million was associated with the Residential Kitchen Equipment Group and \$2.0 million with the Commercial Foodservice Equipment Group. The gross value of all trademarks tested was approximately \$246.2 million, including the impaired trademarks. The fair values of the other trademarks tested with no impairment per the analyses, exceeded their carrying values by 10% or more.

The Kamado Joe, Masterbuilt and Char-Griller trademarks within the Residential Kitchen Equipment Group were impaired based on the quantitative assessments. The fair value of trademarks were estimated to be \$122.3 million as compared to the carrying value of \$198.4 million and resulted in a \$76.1 million indefinite-lived intangible asset impairment charge. The diminution in fair value for the trademarks was macroeconomic conditions such as higher inventory levels in the channel following periods of disruption in supply chain and inflationary pressures on the carrying costs of inventory levels in the retail industry. This led to lower than expected revenue in the current year and corresponding reductions of future revenue due to expectations for recovery in demand. The company estimated the fair value of the trademarks using a relief from royalty method under the income approach. In performing the quantitative analyses on these trademark, significant assumptions include revenue growth rates, assumed royalty rates and the discount rate. The company believes the assumptions utilized within the quantitative analysis are reasonable and consistent with assumptions that would be used by other marketplace participants.

Collectively, for the Kamado Joe, Masterbuilt and Char-Griller trademarks, a 10.0% reduction in revenues would result in an impairment charge of approximately \$11.3 million. A 50 basis point reduction of the royalty rates would result in an impairment charge of approximately \$13.4 million. A 50 basis point increase in the discount rates would result in an impairment charge of approximately \$7.5 million.

The company performed a qualitative assessment as of October 1, 2023 for all other trademarks and trade names and determined it is more like than not that the fair value of its other indefinite-life intangible assets are greater than the carrying amounts.

The company elected to perform a qualitative assessment on the other indefinite-life intangible assets noting no events that indicated that the fair value was less than the carrying value that would require a quantitative impairment assessment.

The estimates of future cash flows used in determining the fair value of goodwill and indefinite-lived intangible assets involve significant management judgment and are based upon assumptions about expected future operating performance, economic conditions, market conditions and cost of capital. Inherent in estimating the future cash flows are uncertainties beyond our control, such as changes in capital markets. The company continues to monitor global and regional economic market conditions, channel inventory levels, and the underlying demand for its products to assess the impact on its business and financial performance. The actual cash flows could differ materially from management's estimates due to changes in business conditions, operating performance and economic conditions.

Definite-lived intangible assets are amortized over their estimated useful lives and tested for impairment in accordance with the methodology discussed above under "Property, Plant and Equipment."

The aggregate intangible amortization expense was \$75.0 million, \$86.3 million and \$75.8 million in 2023, 2022 and 2021, respectively. The estimated future amortization expense of intangible assets is as follows (in thousands):

2024	\$ 63,606
2025	57,400
2026	54,208
2027	45,687
2028	39,380
2029 and thereafter	109,559
	<u>\$ 369,840</u>

(g) *Accrued Expenses*

Accrued expenses consist of the following at December 30, 2023 and December 31, 2022, respectively (in thousands):

	2023	2022
Contract liabilities	\$ 118,681	\$ 185,824
Accrued payroll and related expenses	121,514	122,861
Accrued warranty	89,039	82,096
Accrued customer rebates	59,267	70,706
Accrued short-term leases	26,417	25,250
Accrued sales and other tax	24,568	24,044
Accrued professional fees	18,461	19,541
Accrued contingent consideration	17,791	20,529
Accrued agent commission	16,956	17,381
Accrued product liability and workers compensation	11,169	11,326
Other accrued expenses	75,329	91,769
	<u>\$ 579,192</u>	<u>\$ 671,327</u>

(h) *Litigation Matters*

From time to time, the company is subject to proceedings, lawsuits and other claims related to products, suppliers, employees, customers and competitors. The company maintains insurance to partially cover product liability, workers compensation, property and casualty, and general liability matters. The company is required to assess the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable losses. A determination of the amount of accrual required, if any, for these contingencies is made after assessment of each matter and the related insurance coverage. The required accrual may change in the future due to new developments or changes in approach such as a change in settlement strategy in dealing with these matters. The company does not believe that any such matter will have a material adverse effect on its financial condition, results of operations or cash flows of the company.

(i) *Accumulated Other Comprehensive Income (Loss)*

The following table summarizes the components of accumulated other comprehensive income (loss) as reported in the consolidated balance sheets (in thousands):

	2023	2022
Unrecognized pension benefit costs, net of tax of \$3,998 and \$(1,995)	\$ (109,713)	\$ (121,701)
Unrealized gain on interest rate swap, net of tax of \$11,198 and \$16,836	32,005	48,574
Currency translation adjustments	(145,490)	(205,345)
	<u>\$ (223,198)</u>	<u>\$ (278,472)</u>

Changes in accumulated other comprehensive income (loss) <sup>(1)</sup> were as follows (in thousands):

	Currency Translation Adjustment	Pension Benefit Costs	Unrealized Gain/(Loss) Interest Rate Swap	Unrealized Loss Certain Investments	Total
Balance as of January 1, 2022	\$ (97,654)	\$ (249,696)	\$ (13,064)	1,330	\$ (359,084)
Other comprehensive income before reclassification	(107,691)	117,840	58,135	(1,330)	66,954
Amounts reclassified from accumulated other comprehensive income	—	10,155	3,503	—	13,658
Net current-period other comprehensive income	\$ (107,691)	\$ 127,995	\$ 61,638	(1,330)	\$ 80,612
Balance as of December 31, 2022	\$ (205,345)	\$ (121,701)	\$ 48,574	\$ —	\$ (278,472)
Other comprehensive income before reclassification	59,855	11,392	15,652	—	86,899
Amounts reclassified from accumulated other comprehensive income	—	596	(32,221)	—	(31,625)
Net current-period other comprehensive income	\$ 59,855	\$ 11,988	\$ (16,569)	\$ —	\$ 55,274
Balance as of December 30, 2023	\$ (145,490)	\$ (109,713)	\$ 32,005	\$ —	\$ (223,198)

(1) As of December 30, 2023 pension and unrealized gain/(loss) interest rate swap amounts are net of tax of \$4.0 million, and \$11.2 million, respectively. During the twelve months ended December 30, 2023, the adjustments to pension benefit costs and unrealized gain/(loss) interest rate swap were net of tax of \$6.0 million and \$(5.6) million, respectively.

(j) *Fair Value Measures*

ASC 820 *Fair Value Measurements and Disclosures* defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 establishes a fair value hierarchy, which prioritizes the inputs used in measuring fair value into the following levels:

- Level 1 – Quoted prices in active markets for identical assets or liabilities
- Level 2 – Inputs, other than quoted prices in active markets, which are observable either directly or indirectly
- Level 3 – Unobservable inputs based on our own assumptions

The company's financial assets and liabilities that are measured at fair value are categorized using the fair value hierarchy at December 30, 2023 and December 31, 2022 are as follows (in thousands):

	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Total
<u>As of December 30, 2023</u>				
Financial Assets:				
Interest rate swaps	\$ —	\$ 42,779	\$ —	\$ 42,779
Foreign exchange derivative contracts	\$ —	\$ 29	\$ —	\$ 29
Financial Liabilities:				
Contingent consideration	\$ —	\$ —	\$ 51,538	\$ 51,538
<u>As of December 31, 2022</u>				
Financial Assets:				
Interest rate swaps	\$ —	\$ 64,985	\$ —	\$ 64,985
Financial Liabilities:				
Contingent consideration	\$ —	\$ —	\$ 47,242	\$ 47,242
Foreign exchange derivative contracts	\$ —	\$ 474	\$ —	\$ 474

The contingent consideration, as of December 30, 2023 and December 31, 2022, relates to the earnout provisions recorded in conjunction with various purchase agreements.

The earnout provisions associated with these acquisitions are based upon performance measurements related to sales and earnings, as defined in the respective purchase agreements. On a quarterly basis, the company assesses the projected results for each of the acquisitions in comparison to the earnout targets and adjusts the liability accordingly. Discount rates for valuing contingent consideration are determined based on the company rates and specific acquisition risk considerations. Changes in fair value associated with the earnout provisions are recognized in Selling, general and administrative expenses within the Consolidated Statements of Earnings.

The following table represents changes in the fair value of the contingent consideration liabilities for the fiscal years 2023 and 2022:

	December 30, 2023	December 31, 2022
Beginning balance	\$ 47,242	\$ 34,983
Payments of contingent consideration	(6,871)	(5,103)
New contingent consideration	15,534	22,299
Changes in fair value	(4,367)	(4,937)
Ending balance	\$ 51,538	\$ 47,242

(k) *Foreign Currency*

The income statements of the company's foreign operations are translated at the monthly average rates. Assets and liabilities of the company's foreign operations are translated at exchange rates at the balance sheet date. These translation adjustments are not included in determining net income for the period but are disclosed and accumulated in a separate component of stockholders' equity. Exchange gains and losses on foreign currency transactions are included in determining net income for the period in which they occur. These transactions amounted to a loss of \$8.7 million, loss of \$28.1 million and a gain of \$0.3 million in 2023, 2022 and 2021, respectively, and are included in other expense on the statements of earnings.

(l) *Shipping and Handling Costs*

Fees billed to the customer for shipping and handling are classified as a component of net revenues. Shipping and handling costs are included in cost of products sold.

(m) *Warranty Costs*

In the normal course of business, the company issues product warranties for specific product lines and provides for the estimated future warranty cost in the period in which the sale is recorded. The estimate of warranty cost is based on contract terms and historical warranty loss experience that is periodically adjusted for recent actual experience. Because warranty estimates are forecasts that are based on the best available information, claims costs may differ from amounts provided. Adjustments to initial obligations for warranties are made as changes in the obligations become reasonably estimable.

A rollforward of the warranty reserve for the fiscal years 2023 and 2022 are as follows (in thousands):

	2023	2022
Beginning balance	\$ 82,096	\$ 80,215
Warranty reserve related to acquisitions	595	3,607
Warranty expense	89,122	70,774
Warranty claims paid	(82,774)	(72,500)
Ending balance	<u>\$ 89,039</u>	<u>\$ 82,096</u>

(n) *Research and Development Costs*

Research and development costs, included in cost of sales in the consolidated statements of earnings, are charged to expense when incurred. These costs were \$53.1 million, \$48.9 million and \$41.8 million in fiscal 2023, 2022 and 2021, respectively.

(o) *Non-Cash Share-Based Compensation*

The company's 2021 Stock Incentive Plan (the "2021 Plan"), allows for the granting of stock options, stock appreciation rights, restricted stock and restricted stock units, performance stock, phantom units and other equity-based awards. The company estimates the fair value of restricted stock grants, restricted stock units and performance stock units at the time of grant and recognizes compensation costs over the vesting period of the grants. The expense, net of forfeitures, is recognized using the straight-line method. Non-cash share-based compensation expense is only recognized for those grants expected to vest. See Note 6, "Common and Preferred Stock," for further information on the company's share-based incentive plans.

(p) *Earnings Per Share*

“Basic earnings per share” is calculated based upon the weighted average number of common shares actually outstanding, and “diluted earnings per share” is calculated based upon the weighted average number of common shares outstanding and other dilutive securities.

The company’s potentially dilutive securities amounted to 509,000, 852,000 and 1,449,000 for fiscal 2023, 2022 and 2021, respectively. The company's potentially dilutive securities consist of shares issuable on vesting of restricted stock units computed using the treasury method and amounted to approximately 67,000, 73,000 and 56,000 for fiscal 2023, 2022 and 2021, respectively. During fiscal 2023 2022 and 2021, the average market price of the company's common stock exceeded the exercise price of the Convertible Notes (as defined below) resulting in approximately 442,000, 779,000 and 1,393,000 diluted common stock equivalents to be included in the diluted net earnings per share, respectively. There have been no material conversions to date. See Note 5, Financing Arrangements, in these Notes to the Consolidated Financial Statements for further details on the Convertible Notes. There were no anti-dilutive equity awards excluded from common stock equivalents for 2023, 2022 or 2021.

(q) *Consolidated Statements of Cash Flows*

Cash paid for interest was \$119.2 million, \$77.2 million and \$50.6 million in fiscal 2023, 2022 and 2021, respectively. Cash payments totaling \$139.7 million, \$114.0 million, and \$125.8 million were made for income taxes during fiscal 2023, 2022 and 2021, respectively.

(r) *New Accounting Pronouncements*

*Accounting Pronouncements - Recently Adopted*

In March 2020, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting. In January 2021, the FASB issued ASU 2021-01, Reference Rate Reform (Topic 848): Scope, which amends ASU 2020-04 and clarifies the scope and guidance of Topic 848 to allow for derivatives impacted by the rate reform to qualify for certain optional expedients and exceptions for contract modifications and hedge accounting. The guidance is optional and is effective for a limited period of time. In December 2022, the FASB also issued ASU 2022-06, Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848, to defer the sunset date of ASC 848 from December 31, 2022, to December 31, 2024. These new standards were effective upon issuance and generally can be applied to applicable contract modifications. All of the company's agreements previously utilizing LIBOR have transitioned to Secured Overnight Financing Rate ("SOFR") on or before July 1, 2023. These changes did not have a material impact on its Consolidated Financial Statements and disclosures.

In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. The new accounting rules require entities to apply “Revenue from Contracts with Customers (Topic 606)” to recognize and measure contract assets and contract liabilities in a business combination. The new accounting rules were effective for the Company in the first quarter of 2023. The company adopted this standard in the first quarter of 2023 and it did not have a material impact on its Consolidated Financial Statements and disclosures.

In November 2021, the FASB issued ASU 2021-10, Government Assistance (Topic 832), Disclosures by Business Entities About Government Assistance, which requires entities to provide disclosures on material government assistance transactions for annual reporting periods. The disclosures include information around the nature of the assistance, the related accounting policies used to account for government assistance, the effect of government assistance on the entity’s financial statements, and any significant terms and conditions of the agreements, including commitments and contingencies. The new standard is effective for the company as of January 1, 2023 and only impacts annual financial statement footnote disclosures. The company adopted this standard in the first quarter of 2023 and it did not have a material impact on its Consolidated Financial Statements and disclosures.

In March 2022, the FASB issued ASU 2022-02, Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures. The amendments in this update eliminate the accounting guidance for troubled debt restructurings by creditors while enhancing disclosure requirements for certain loan refinancing and restructurings by creditors made to borrowers experiencing financial difficulty. The amendments also require disclosure of current-period gross write-offs by year of origination for financing receivables. The amendments in this update are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The standard should be applied prospectively, and it allows for a modified retrospective transition method resulting in a cumulative-effect adjustment to retained earnings in the period of adoption. The company adopted this standard in the first quarter of 2023 and it did not have a material impact on its Consolidated Financial Statements and disclosures.

In March 2022, the FASB issued ASU 2022-01, Derivatives and Hedging (Topic 815): Fair Value Hedging—Portfolio Layer Method. The new standard expands and clarifies the use of the portfolio layer method for fair value hedges of interest rate risk. The new standard allows non-prepayable financial assets to also be included in a closed portfolio hedged using the portfolio layer method. The standard is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The new guidance on hedging multiple layers in a closed portfolio should be applied prospectively and the guidance on the accounting for fair value basis adjustments should be applied on a modified retrospective basis. The company adopted this standard in the first quarter of 2023 and it did not have a material impact on its Consolidated Financial Statements and disclosures.

#### *Accounting Pronouncements - To be adopted*

In March 2023, the FASB issued Accounting Standards Update ASU 2023-01, Leases (Topic 842): Common Control Arrangements. This ASU clarified the accounting for leasehold improvements for leases under common control. The guidance is effective for the company beginning on January 1, 2024. The company is currently evaluating the impact the adoption of this guidance will have on its Consolidated Financial Statements and disclosures.

In November 2023, the FASB issued Accounting Standard Update ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. The amendment requires disclosure of significant segment expenses that are regularly provided to the chief operating decision maker, as well as disclosure of the title and position of the Chief Operating Decision Maker (“CODM”). The guidance is effective for the company beginning on January 1, 2024. Early adoption is permitted. The company is currently evaluating the impact the adoption of this guidance will have on its Consolidated Financial Statements and disclosures.

In December 2023, the FASB issued Accounting Standard Update ASU No. 2023-09 Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which expands the disclosures required in an entity’s income tax rate reconciliation table. This ASU requires consistent categories and greater disaggregation of information presented in the effective tax rate reconciliation and requires disclosure of income taxes paid both domestic and foreign jurisdictions. The guidance is effective for the company beginning on January 1, 2025 and is required to be applied prospectively, with retrospective application to prior periods allowed. Early adoption is permitted. The company is currently evaluating the impact the adoption of this guidance will have on its Consolidated Financial Statements and disclosures.

#### **(4) REVENUE RECOGNITION**

Revenue is recognized when the control of the promised goods or services are transferred to our customers, in an amount that reflects the consideration that we expect to receive in exchange for those goods or services.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and represents the unit of account. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The company’s contracts can have multiple performance obligations or just a single performance obligation.

For contracts with multiple performance obligations, the contracts transaction price is allocated to each performance obligation using the company’s best estimate of the standalone selling price of each distinct good or service in the contract. As the company’s standard payment terms are less than one year, the company does not assess whether a contract has a significant financing component. The company treats shipping and handling activities performed after the customer obtains control of the good as a contract fulfillment activity. Sales, use and value added taxes assessed by governmental authorities are excluded from the measurement of the transaction price within the company’s contracts with its customers. The company generally expenses sales commissions when incurred because the amortization period would have been less than one year. These costs are recorded within selling, general and administrative expenses.



Within the Commercial Foodservice Equipment and Residential Foodservice Equipment Groups, the estimated standalone selling price of equipment is based on observable prices. Within the Food Processing Equipment Group, the company estimates the standalone selling price based on expected cost to manufacture the good or complete the service plus an appropriate profit margin.

Control may pass to the customer over time or at a point in time. In general, the Commercial Foodservice Equipment and Residential Foodservice Equipment Groups recognize revenue at the point in time control transfers to their customers based on contractual shipping terms. Revenue from equipment sold under our long-term contracts within the Food Processing Equipment group is recognized over time as the equipment is manufactured and assembled. Installation services provided in connection with the delivery of the equipment are also generally recognized as those services are rendered. Over time transfer of control is measured using an appropriate input measure (e.g., costs incurred or direct labor hours incurred in relation to total estimate). These measures include forecasts based on the best information available and therefore reflect the company's judgment to faithfully depict the transfer of the goods.

#### *Contract Estimates*

Accounting for long-term contracts within the Food Processing Equipment group involves the use of various techniques to estimate total contract revenue and costs. For the company's long-term contracts, estimated profit for the equipment performance obligations is recognized as the equipment is manufactured and assembled. Profit on the equipment performance obligations is estimated as the difference between the total estimated revenue and expected costs to complete a contract. Contract cost estimates are based on labor productivity and availability, the complexity of the work to be performed, the cost and availability of materials and labor, and the performance of subcontractors. The company does not disclose information about remaining performance obligations that have original expected durations of one year or less.

Contracts within the Commercial Foodservice and Residential Foodservice Equipment groups may contain variable consideration in the form of volume rebate programs. The company's estimate of variable consideration is based on its experience with similarly situated customers using the portfolio approach.

## Disaggregation of Revenue

We disaggregate our net sales by reportable operating segment and geographical location as we believe it best depicts how the nature, timing and uncertainty of our net sales and cash flows are affected by economic factors. In general, the Commercial Foodservice Equipment and Residential Foodservice Equipment Groups recognize revenue at the point in time control transfers to their customers based on contractual shipping terms. Revenue from equipment sold under our long-term contracts within the Food Processing Equipment group is recognized over time as the equipment is manufactured and assembled. The following table summarizes our net sales by reportable operating segment and geographical location (in thousands):

	Commercial Foodservice	Food Processing	Residential Kitchen	Total
<b>Twelve Months Ended December 30, 2023</b>				
United States and Canada	\$ 1,828,416	\$ 479,312	\$ 513,333	\$ 2,821,061
Asia	233,039	40,208	12,611	285,858
Europe and Middle East	369,823	145,293	258,201	773,317
Latin America	90,193	55,805	10,371	156,369
Total	<u>\$ 2,521,471</u>	<u>\$ 720,618</u>	<u>\$ 794,516</u>	<u>\$ 4,036,605</u>
<b>Twelve Months Ended December 31, 2022</b>				
United States and Canada	\$ 1,750,986	\$ 426,124	\$ 701,909	\$ 2,879,019
Asia	212,182	20,306	32,121	264,609
Europe and Middle East	364,120	100,239	303,840	768,199
Latin America	67,474	43,300	10,252	121,026
Total	<u>\$ 2,394,762</u>	<u>\$ 589,969</u>	<u>\$ 1,048,122</u>	<u>\$ 4,032,853</u>
<b>Twelve Months Ended January 1, 2022</b>				
United States and Canada	\$ 1,417,506	\$ 364,894	\$ 454,375	\$ 2,236,775
Asia	204,380	17,693	11,154	233,227
Europe and Middle East	344,242	77,702	265,508	687,452
Latin America	48,244	38,846	6,248	93,338
Total	<u>\$ 2,014,372</u>	<u>\$ 499,135</u>	<u>\$ 737,285</u>	<u>\$ 3,250,792</u>

## Contract Balances

Contract assets primarily relate to the company's right to consideration for work completed but not billed at the reporting date and are recorded in prepaid expenses and other in the Consolidated Balance Sheet. Contract assets are transferred to receivables when the right to consideration becomes unconditional.

Contract liabilities relate to advance consideration received from customers for which revenue has not been recognized. Current contract liabilities are recorded in accrued expenses in the Consolidated Balance Sheet. Non-current contract liabilities are recorded in other non-current liabilities in the Consolidated Balance Sheet. Contract liabilities are reduced when the associated revenue from the contract is recognized.

The following table provides information about contract assets and contract liabilities from contracts with customers (in thousands):

	December 30, 2023	December 31, 2022
Contract assets	\$ 47,072	\$ 40,438
Contract liabilities	\$ 118,681	\$ 185,824
Non-current contract liabilities	\$ 15,721	\$ 12,495

During the twelve months period ended December 30, 2023, the company reclassified \$29.6 million to accounts receivable which was included in the contract asset balance at the beginning of the period. During the twelve months period ended December 30, 2023, the company recognized revenue of \$161.7 million which was included in the contract liability balance at the beginning of the period. Additions to contract liabilities representing amounts billed to clients in excess of revenue recognized to date were \$121.8 million during the twelve months period ended December 30, 2023. Substantially all of the company's outstanding performance obligations will be satisfied within 12 to 36 months. There were no contract asset impairments during twelve months period ended December 30, 2023.

## (5) FINANCING ARRANGEMENTS

	2023	2022
	(in thousands)	
Senior secured revolving credit line	\$ —	\$ 251,805
Term loan facility	945,913	975,785
Delayed draw term loan facility	726,563	750,000
Convertible senior notes	741,501	737,918
Foreign loans	10,531	5,917
Other debt arrangement	687	899
Total debt	2,425,195	2,722,324
Less: Current maturities of long-term debt	44,822	45,583
Long-term debt	<u>\$ 2,380,373</u>	<u>\$ 2,676,741</u>

### *Credit Facility*

On October 21, 2021, the company entered into an amended and restated five-year, \$4.5 billion multi-currency senior secured credit agreement (the "Credit Facility") that amends and restates the company's pre-existing \$3.1 billion credit facility which had an original maturity of January 31, 2025. The Credit Facility consists of (i) a \$1 billion term loan facility, (ii) a \$750 million delayed draw term loan facility, and (iii) a \$2.75 billion multi-currency revolving credit facility, with the potential under certain circumstances, to increase the amount of the credit facility by the greater of \$625 million and 100% of consolidated EBITDA for the most recently ended period of consecutive fiscal quarters (plus additional amounts, subject to compliance with a senior secured net leverage ratio), either by increasing the revolving commitment or by adding one or more revolver or term loan tranches. The Credit Facility matures on October 21, 2026, with the potential to extend the maturity date in one-year increments with the consent of the extending lenders. The term facility will amortize in equal quarterly installments due on the last day of each fiscal quarter, commencing with the first full fiscal quarter after October 21, 2021, in an aggregate amount equal to 2.50% of the original aggregate principal amount of the term loan facility, with the balance, plus any accrued interest, due and payable on October 21, 2026. The delayed draw term loan facility is available for borrowing within one year and will amortize in quarterly installments due on the last day of each fiscal quarter, commencing with the first full fiscal quarter after each delayed draw term loan borrowing in an amount equal to 0.625% of the original aggregate principal amount of such borrowing, with the balance, plus any accrued interest, due and payable on October 21, 2026. Fees associated with the amendment of the term loan facilities are recorded as a direct deduction from the related debt liability in the Consolidated Balance Sheets and amortized to interest expense over the term of the Credit Facility.

On August 11, 2022, the company borrowed \$750 million against the delayed draw term facility as provided under the Credit Agreement. The funds were used to reduce outstanding borrowings under the revolver. The delayed draw term loan amortizes in quarterly installments due on the last day of each fiscal quarter, commencing on December 30, 2023, in an amount equal to 0.625% of the principal drawn, with the balance, plus any accrued interest payable by October 21, 2026.

As of December 30, 2023, the company had \$1.7 billion of borrowings outstanding under the Credit Facility, including \$950 million outstanding under the term loan (\$946 million, net of unamortized issuance fees) and \$727 million outstanding under the delayed draw term loan. The company also had \$1.6 million in outstanding letters of credit as of December 30, 2023, which reduces the borrowing availability under the Credit Facility. Remaining borrowing capacity under this facility was \$2.8 billion at December 30, 2023.

At December 30, 2023, borrowings under the Credit Facility accrued interest at a rate of 1.625% above the daily simple or term Secured Overnight Financing Rate (“SOFR”) per annum or 0.625% above the highest of the prime rate, the federal funds rate plus 0.50% and one month Term SOFR plus 1.00%. The interest rates on borrowings under the Credit Facility may be adjusted quarterly based on the company’s Funded Debt less Unrestricted Cash to Pro Forma EBITDA (the “Leverage Ratio”) on a rolling four-quarter basis. Additionally, a commitment fee based upon the Leverage Ratio is charged on the unused portion of the commitments under the Credit Facility. As of December 30, 2023, borrowings under the Credit Facility accrued interest at a minimum of 1.625% above SOFR and the variable unused commitment fee will be at a minimum of 0.25%. Borrowings under the Credit Facility accrue interest at a minimum of 1.625% above the daily simple SOFR or term SOFR for the applicable interest period (each of which includes a spread adjustment of 0.10%). The average interest rate per annum, inclusive of hedging instruments, on the debt under the Credit Facility was equal to 5.22% at the end of the period and the variable commitment fee was equal to 0.25% per annum as of December 30, 2023.

The term loan and delayed draw term loan facilities had an average interest rate per annum, inclusive of hedging instruments, of 5.22% as of December 30, 2023.

In addition, the company has international credit facilities to fund working capital needs outside the United States. At December 30, 2023, these foreign credit facilities amounted to \$10.5 million in U.S. Dollars with a weighted average per annum interest rate of approximately 2.31%.

The company’s debt is reflected on the balance sheet at cost. The fair values of the Credit Facility, term debt and foreign and other debt is based on the amount of future cash flows associated with each instrument discounted using the company’s incremental borrowing rate. The company believes its interest rate margins on its existing debt are consistent with current market conditions and therefore the carrying value of debt reflects the fair value. The interest rate margin is based on the company’s Leverage Ratio. The carrying value and estimated aggregate fair value, a level 2 measurement, based primarily on market prices, of debt excluding the Convertible Notes is as follows (in thousands):

	Dec 30, 2023		Dec 31, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Total debt excluding convertible senior notes	\$ 1,683,694	\$ 1,687,781	\$ 1,984,406	\$ 1,989,871

The company uses floating-to-fixed interest rate swap agreements to hedge variable interest rate risk associated with the Credit Facility. At December 30, 2023, the company had outstanding floating-to-fixed interest rate swaps totaling \$155.0 million notional amount carrying an average interest rate of 1.81% maturing in less than 12 months and \$695.0 million notional amount carrying an average interest rate of 1.66% that mature in more than 12 months but less than 50 months.

The terms of the Credit Facility, as amended, limit the ability of the company and its subsidiaries to, with certain exceptions: incur indebtedness; grant liens; engage in certain mergers, consolidations, acquisitions and dispositions; make restricted payments; enter into certain transactions with affiliates; and requires, among other things, the company to satisfy certain financial covenants: (i) a minimum Interest Coverage Ratio (as defined in the Credit Facility) of 3.00 to 1.00, (ii) a maximum Secured Leverage Ratio (as defined in the Credit Facility) of Funded Debt less Unrestricted Cash to Pro Forma EBITDA (each as defined in the Credit Facility) of 3.75 to 1.00, which may be adjusted to 4.25 to 1.00 for a four consecutive fiscal quarter period in connection with certain qualified acquisitions, subject to the terms and conditions contained in the Credit Facility. The Credit Facility is secured by substantially all of the assets of Middleby Marshall, the company and the company’s domestic subsidiaries and is unconditionally guaranteed by, subject to certain exceptions, the company and certain of the company’s direct and indirect material foreign and domestic subsidiaries. The Credit Facility contains certain customary events of default, including, but not limited to, the failure to make required payments; bankruptcy and other insolvency events; the failure to perform certain covenants; the material breach of a representation or warranty; non-payment of certain other indebtedness; the entry of undischarged judgments against the company or any subsidiary for the payment of material uninsured amounts; the invalidity of the company guarantee or any subsidiary guaranty; and a change of control of the company. At December 30, 2023, the company was in compliance with all covenants pursuant to its borrowing agreements.

## Convertible Notes

The following table summarizes the outstanding principal amount and carrying value of the Convertible Notes:

	Dec 30, 2023	Dec 31, 2022
	(in thousands)	
<b>Principal amounts:</b>		
Principal	\$ 747,499	\$ 747,499
Unamortized issuance costs	(5,998)	(9,581)
Net carrying amount	<u>\$ 741,501</u>	<u>\$ 737,918</u>

The following table summarizes total interest expense recognized related to the Convertible Notes:

	Twelve Months Ended		
	Dec 30, 2023	Dec 31, 2022	Jan 1, 2022
Contractual interest expense	\$ 7,454	\$ 7,475	\$ 7,454
Interest cost related to amortization of debt issuance costs	3,583	3,587	3,484
Total interest expense	<u>\$ 11,037</u>	<u>\$ 11,062</u>	<u>\$ 10,938</u>

On August 21, 2020, the company issued \$747.5 million aggregate principal amount of 1.00% Convertible Senior Notes due 2025 in a private offering pursuant to an indenture, dated August 21, 2020 (the "Indenture"), between the company and U.S. Bank National Association, as trustee. The net proceeds from the sale of the Convertible Notes were approximately \$729.9 million after deducting the initial purchasers' discounts and the offering expenses payable by the company. In connection with the pricing of the Convertible Notes, the company entered into privately negotiated Capped Call Transactions (the "2020 Capped Call Transactions") and the company used the net proceeds of the offering of the Convertible Notes to pay the aggregate amount of \$104.7 million for them.

The estimated fair value of the Convertible Notes was \$914.0 million as of December 30, 2023 and was determined through consideration of quoted market prices. The fair value is classified as Level 2, as defined in Note 3 (j), Fair Value Measurements, in these Notes to the Consolidated Financial Statements included in this Part II, Item 8 of this Annual Report on Form 10-K. The if-converted value of the Convertible Notes exceeded their respective principal value by \$107.8 million as of December 30, 2023.

The Convertible Notes are general unsecured obligations of the company. The Convertible Notes rank senior in right of payment to any of the company's future indebtedness that is expressly subordinated in right of payment to the Convertible Notes; rank equal in right of payment to the company's existing and future unsecured indebtedness that is not so subordinated; are effectively subordinated in right of payment to any of the company's secured indebtedness to the extent of the value of the assets securing such indebtedness; and are structurally subordinated to all existing and future indebtedness and liabilities of the company's subsidiaries.

The company initially separated the Convertible Notes into liability and equity components. The equity component of the Convertible Notes of approximately \$105.0 million was included in the additional paid-in capital and the resulting debt discount was being amortized to interest expense at an effective interest rate of 1.5%. In fiscal 2021, upon adoption of ASU 2020-06, Debt-Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging- Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity, the equity component was essentially reversed, increasing the liability and no longer requiring the company to recognize non-cash interest expense associated with the amortization of the debt discount.

The Convertible Notes were issued pursuant to the Indenture and bear interest semi-annually in arrears at a rate of 1.00% per annum on March 1 and September 1 of each year. The Convertible Notes are convertible based upon an initial conversion rate of 7.7746 shares of the company's common stock per \$1,000 principal amount of the Convertible Notes, which is equivalent to an initial conversion price of approximately \$128.62 per share of the company's common stock. The conversion rate will be subject to adjustment upon occurrence of certain specified events in accordance with the Indenture but will not be adjusted for accrued and unpaid interest. Additionally, in the event of a Fundamental Change (as defined in the Indenture), holders of the Convertible Notes may require the company to repurchase all or a portion of their Convertible Notes at a price equal to 100.0% of the principal amount of Convertible Notes, plus any accrued and unpaid interest to, but excluding, the repurchase date. Upon conversion, the company will pay cash up to the aggregate principal amount of the Convertible Notes to be converted and pay or deliver, as the case may be, cash, shares of common stock or a combination of cash and shares of common stock, at the company's election, in respect of the remainder, if any, of the company's conversion obligation in excess of the aggregate principal amount of the notes being converted. At December 30, 2023, none of these conditions existed.

The Convertible Notes will mature on September 1, 2025 unless they are redeemed, repurchased or converted prior to such date in accordance with their terms. Prior to the close of business on the business day immediately preceding June 1, 2025, the notes will be convertible at the option of the holders only under the following circumstances: (1) during any fiscal quarter commencing after the fiscal quarter ending on January 2, 2021 (and only during such fiscal quarter), if the last reported sale price of the company's common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130.0% of the conversion price for the Convertible Notes on each applicable trading day; (2) during the five business day period after any ten consecutive trading day period in which the trading price per \$1,000 principal amount of the Convertible Notes for each trading day of that ten consecutive trading day period was less than 98.0% of the product of the last reported sale price of the company's common stock and the conversion rate of the Convertible Notes on each such trading day; (3) if the company calls such Convertible Notes for redemption; or (4) upon the occurrence of specified corporate events. On or after June 1, 2025, the notes will be convertible at the option of the holders at any time until the close of business on the second scheduled trading day immediately preceding the maturity date. Holders of the Convertible Notes who convert in connection with a Make-Whole Fundamental Change or during a Redemption Period (each as defined in the Indenture) will be, under certain circumstances, entitled to an increase in the conversion rate.

The company may settle the conversions of the Convertible Notes in cash, shares of the company's common stock or any combination thereof at its election. The number of shares of the company's common stock issuable at the conversion price of \$128.62 per share is expected to be 5.8 million shares. However, the Capped Call Transactions are expected generally to reduce the potential dilution of the company's common stock upon any conversion of Convertible Notes and/or offset the cash payments the company is required to make in excess of the principal amount of the Notes. Under the 2020 Capped Call Transactions, the number of shares of common stock issuable at the conversion price of \$207.93 is expected to be 3.6 million shares. Under the 2021 Capped Call Transactions, the number of shares of common stock issuable at the conversion prices of \$216.50 and \$225.00 is expected to be 3.5 million shares and 3.3 million shares, respectively. Under the 2022 Capped Call Transactions, the number of shares of common stock issuable at the conversion price of \$229.00 is expected to be 3.3 million shares. As of December 30, 2023, one Convertible Note has been converted to date.

The company may redeem all or any portion of the Convertible Notes, at its option, on or after September 5, 2023 and prior to the 41st scheduled trading day immediately preceding the maturity date, at a redemption price equal to 100.0% of the principal amount of the Convertible Notes to be redeemed, plus accrued and unpaid interest thereon, if the last reported sales price of the company's common stock has been at least 130.0% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which the company provides written notice of redemption.

The Indenture includes customary terms and covenants, including certain events of default after which the Convertible Notes may become due and payable immediately.

### *Capped Call Transactions*

In connection with the pricing of the Convertible Notes, the company entered into privately negotiated Capped Call Transactions (the "2020 Capped Call Transactions") and the company used the net proceeds of the offering of the Convertible Notes to pay the aggregate amount of \$104.7 million for them. The company entered into two tranches of privately negotiated Capped Call Transactions in December 2021 (the "2021 Capped Call Transactions") in the aggregate amount of \$54.6 million. On March 15, 2022, the company entered into an additional tranche of privately negotiated Capped Call Transactions (the "2022 Capped Call Transactions") in the amount of \$9.7 million.

The 2020, 2021, and 2022 Capped Call Transactions (collectively, the "Capped Call Transactions") are expected generally to reduce the potential dilution and/or offset the cash payments the company is required to make in excess of the principal amount of the Convertible Notes upon conversion of the Convertible Notes in the event that the market price per share of the company's common stock is greater than the strike price of the Capped Call Transactions (which initially corresponds to the initial conversion price of the Convertible Notes and is subject to certain adjustments under the terms of the Capped Call Transactions), with such reduction and/or offset subject to a cap based on the cap price of the Capped Call Transactions. The 2020 Capped Call Transactions have an initial cap price of \$207.93 per share of the company's common stock. The 2021 Capped Call Transactions have initial cap prices of \$216.50 and \$225.00 per share of the company's common stock. The 2022 Capped Call Transactions have an initial cap price of \$229.00 per share of the company's common stock. The Capped Call Transactions cover, initially, the number of shares of the company's common stock underlying the Convertible Notes, subject to anti-dilution adjustments substantially similar to those applicable to the Convertible Notes.

The Capped Call Transactions are separate transactions entered into by the company with the capped call counterparties and are not part of the terms of the Convertible Notes and will not affect any holder's right under the Convertible Notes. Holders of the Convertible Notes will not have any rights with respect to the Capped Call Transactions. The Capped Call Transactions do not meet the criteria for separate accounting as a derivative as they are indexed to the company's stock. The premiums paid of the Capped Call Transactions have been included as a net reduction to additional paid-in capital with stockholders' equity.

The aggregate amount of debt payable during each of the next five years is as follows (in thousands):

2024	\$	44,822
2025		785,304
2026		1,589,014
2027		755
2028 and thereafter		5,300
	\$	<u>2,425,195</u>

## **(6) COMMON AND PREFERRED STOCK**

### *(a) Shares Authorized*

At December 30, 2023 and December 31, 2022, the company had 95,000,000 authorized shares of common stock and 2,000,000 authorized shares of non-voting preferred stock.

### *(b) Treasury Stock*

In November 2017, the company's Board of Directors approved a stock repurchase program authorizing the company to repurchase in the aggregate up to 2,500,000 shares of its outstanding common stock. In May 2022, the company's Board of Directors approved the company to repurchase an additional 2,500,000 shares of its outstanding common stock under the current program. During 2022, the company repurchased 1,553,961 shares of its common stock under the program for \$249.0 million, including applicable commissions, which represented an average price of \$160.27. During 2023, the company repurchased 397,738 shares of its common stock under the program for \$55.6 million, including applicable commissions and excise tax, which represented an average price of \$139.68. As of December 30, 2023, 3,116,364 shares had been purchased under the 2017 stock repurchase program and 1,883,636 remain authorized for repurchase.

The company also treats shares withheld for tax purposes on behalf of employees in connection with the vesting of restricted share grants as common stock repurchases because they reduce the number of shares that would have been issued upon vesting. During 2022, the company repurchased 90,243 shares of its common stock that were surrendered to the company for withholding taxes related to restricted stock vestings for \$15.8 million. During 2023, the company repurchased 126,704 shares of its common stock that were surrendered to the company for withholding taxes related to restricted stock vestings for \$19.8 million.

### *(c) Share-Based Awards*

The company maintains an incentive plan under which the company's Board of Directors grants share-based awards to key employees. On May 10, 2021, the 2021 Stock Incentive Plan (the "2021 Plan") was approved, which included a maximum amount of 1,350,000 shares allowed to be awarded plus the shares remaining for future grants under the 2011 Stock Incentive Plan (the "2011 Plan") as of the approval date and any shares outstanding that are subsequently forfeited or expired. Thus, no further shares are available to grant under the 2011 Plan and the maximum amount of shares available for future grants under the 2021 Plan as of December 30, 2023 is 987,922.

Non-cash share-based compensation of \$51.0 million, \$58.4 million and \$42.3 million was recognized for fiscal 2023, 2022 and 2021, respectively, associated with restricted share grants and restricted stock units. The company recorded a related tax benefit of \$0.8 million, \$1.3 million and less than \$0.4 million in fiscal 2023, 2022 and 2021, respectively.

### Restricted share grants:

The company has issued restricted share grant awards, which are generally time and performance based and were not subject to market conditions. The fair value of restricted share grants represents the closing share price of the company's stock as of the date of the grant and is recognized over the vesting period of the awards. The weighted average grant date fair value was \$136.13, \$188.31 and \$181.31 per share for restricted share grants in fiscal 2023, 2022 and 2021 respectively, which represents the closing share price of the company's stock as of the date of grant. The approximate fair value of restricted shares vested were \$0.6 million, \$29.1 million, \$7.3 million for fiscal 2023, 2022 and 2021, respectively.



A summary of the company's nonvested restricted share grant activity and their corresponding fair value on the date of grant for fiscal year ended December 30, 2023 is as follows:

	Shares	Weighted Average Grant-Date Fair Value
Nonvested shares at December 31, 2022	14,356	\$ 134.43
Granted	2,080	136.13
Vested	(3,840)	188.31
Forfeited	(10,516)	114.34
Nonvested shares at December 30, 2023	2,080	\$ 136.13

As of December 30, 2023, there was \$0.1 million of total unrecognized compensation cost related to nonvested restricted share grant compensation arrangements, if all performance conditions are fully achieved. The remaining weighted average life is 0.3 years.

Restricted stock units:

During 2020, the company began granting restricted stock units, which entitle the holder to shares of common stock subject to time vesting and the achievement of certain market and performance goals. The fair value for time-based units are valued at the closing share price of the company's stock as of the date of the grant and the fair value for performance units are based upon valuations using the Monte Carlo Methodology. Compensation expense is recognized over the performance measurement period of the units in accordance with ASC 718 *Stock Compensation* for awards with market and performance vesting conditions.

Time vesting units vest equally over two or three years and performance units vest based on achievement of certain company performance criteria over the two or three year period, as set forth in the grant agreement ranging from 0 to 200% of the target shares granted. The weighted average grant date fair value was \$147.13, \$150.07 and \$166.41 per share for restricted stock units in fiscal 2023, 2022 and 2021, respectively. The approximate fair value of restricted stock units vested were \$30.1 million for fiscal 2023.

A summary of the company's nonvested restricted stock unit activity at target shares and their corresponding fair value on the date of grant for fiscal year ended December 30, 2023 is as follows:

	Units	Weighted Average Grant-Date Fair Value
Nonvested shares at December 31, 2022	521,455	\$ 157.55
Granted	333,031	147.13
Vested	(194,690)	144.11
Forfeited	(8,065)	158.33
Nonvested shares at December 30, 2023	651,731	\$ 160.15

As of December 30, 2023, there was \$70.8 million of total unrecognized compensation cost related to nonvested restricted stock unit compensation arrangements, if all performance conditions are fully achieved. The remaining weighted average life is 1.76 years.

## (7) INCOME TAXES

Earnings before taxes is summarized as follows (in thousands):

	2023	2022	2021
Domestic	\$ 346,815	\$ 383,813	\$ 453,357
Foreign	172,563	180,602	166,147
Total	<u>\$ 519,378</u>	<u>\$ 564,415</u>	<u>\$ 619,504</u>

The provision for income taxes is summarized as follows (in thousands):

	2023	2022	2021
Federal	\$ 67,023	\$ 62,416	\$ 84,689
State and local	15,934	23,892	24,363
Foreign	35,539	41,538	21,960
Total	<u>\$ 118,496</u>	<u>\$ 127,846</u>	<u>\$ 131,012</u>
Current	\$ 120,901	\$ 134,488	\$ 124,149
Deferred	(2,405)	(6,642)	6,863
Total	<u>\$ 118,496</u>	<u>\$ 127,846</u>	<u>\$ 131,012</u>

Reconciliation of the differences between income taxes computed at the federal statutory rate to the effective rate are as follows:

	2023	2022	2021
U.S. federal statutory tax rate	21.0 %	21.0 %	21.0 %
State taxes, net of federal benefit	3.1	3.3	3.1
Permanent differences	0.6	0.9	0.5
Foreign income tax rate at rates other than U.S. statutory	0.2	0.2	0.2
Deferred tax changes	—	—	(2.2)
Change in valuation allowances	—	—	0.4
Tax on unremitted earnings	0.4	0.3	0.4
Federal Refund	—	—	(0.7)
Internal restructuring	—	(2.3)	—
Other	(2.5)	(0.7)	(1.6)
Consolidated effective tax	<u>22.8 %</u>	<u>22.7 %</u>	<u>21.1 %</u>

<sup>(1)</sup> Net of changes in related tax attributes.

A tax provision of \$118.5 million, at an effective rate of 22.8%, was recorded for fiscal 2023 as compared to \$127.8 million at an effective rate of 22.7%, in fiscal 2022. The fiscal 2023 tax provision includes a \$7.0 million tax benefit for the finalization of the 2022 tax returns. The fiscal 2022 tax provision includes a deferred tax benefit of approximately \$13 million associated with legal entity restructuring the company undertook to integrate and simplify the company's business operations. The effective rates in 2023 and 2022 were higher than the federal tax rate of 21.0% primarily due to state taxes and foreign tax rate differentials.

At December 30, 2023 and December 31, 2022, the company had recorded the following deferred tax assets and liabilities (in thousands):

	2023	2022
Deferred tax assets:		
Compensation related	\$ 29,135	\$ 26,273
Pension and post-retirement benefits	1,435	1,640
Inventory reserves	27,311	26,134
Accrued liabilities and reserves	22,017	21,743
Warranty reserves	20,956	17,593
Operating lease liability	22,096	19,890
Basis difference on affiliates	12,099	14,473
Capitalized R&D costs	39,585	19,381
Convertible debt	15,860	25,637
Net operating loss carryforwards	12,989	12,964
Other	22,871	14,879
Gross deferred tax assets	226,354	200,607
Valuation allowance	(15,749)	(11,599)
Deferred tax assets	<u>\$ 210,605</u>	<u>\$ 189,008</u>
Deferred tax liabilities:		
Intangible assets	\$ (310,847)	\$ (306,814)
Depreciable assets	(40,036)	(32,267)
Operating lease right-of-use assets	(21,139)	(19,240)
Interest rate swaps	(10,927)	(16,836)
Pension and post-retirement benefits	(9,719)	—
Other	(26,135)	(27,317)
Deferred tax liabilities	<u>\$ (418,803)</u>	<u>\$ (402,474)</u>
Net deferred tax assets (liabilities)	<u>\$ (208,198)</u>	<u>\$ (213,466)</u>
Long-term deferred asset	7,945	6,738
Long-term deferred liability	(216,143)	(220,204)
Net deferred tax assets (liabilities)	<u>\$ (208,198)</u>	<u>\$ (213,466)</u>

The company has recorded tax reserves on undistributed foreign earnings not permanently reinvested of \$12.0 million and \$10 million at December 30, 2023 and December 31, 2022, respectively. No further provisions were made for income taxes that may result from future remittances of undistributed earnings of foreign subsidiaries that are determined to be permanently reinvested, which were \$757.0 million on December 30, 2023. Determination of the total amount of unrecognized deferred income taxes on undistributed earnings net of foreign subsidiaries is not practicable.

The company has a deferred tax asset on net operating loss carryforwards totaling \$13.0 million as of December 30, 2023. These net operating losses are available to reduce future taxable earnings of certain domestic and foreign subsidiaries. United States federal loss carryforwards total \$9.6 million of which \$3.1 million will expire through 2036 and \$6.5 million have no expiration date. State loss carryforwards total \$12.5 million and expire through 2038 and international loss carryforwards total \$47.8 million that can be carried forward indefinitely. Of these carryforwards, \$38.4 million are subject to full valuation allowance.

As of December 30, 2023, the total amount of liability for unrecognized tax benefits related to federal, state and foreign taxes was approximately \$33.9 million (of which \$33.9 million would impact the effective tax rate if recognized) plus approximately \$9.4 million of accrued interest and \$7.0 million of penalties. The company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense. Interest recognized in fiscal years 2023, 2022 and 2021 was \$1.4 million, \$0.6 million and \$0.9 million, respectively. Penalties recognized in fiscal years 2023, 2022 and 2021 was \$0.0 million, \$0.2 million and \$(1.0) million, respectively.

The following table summarizes the activity related to the unrecognized tax benefits for the fiscal years ended January 1, 2022, December 31, 2022 and December 30, 2023 (in thousands):

Balance at January 1, 2022	<u>\$ 36,209</u>
Increases to current year tax positions	2,195
Increase to prior year tax positions	534
Decrease to prior year tax positions	(1,709)
Settlements	(1,974)
Lapse of statute of limitations	<u>(1,607)</u>
Balance at December 31, 2022	<u>\$ 33,648</u>
Increases to current year tax positions	2,126
Lapse of statute of limitations	<u>(1,852)</u>
Balance as of December 30, 2023	<u>\$ 33,922</u>

It is reasonably possible that the amounts of unrecognized tax benefits associated with state, federal and foreign tax positions may decrease over the next twelve months due to expiration of a statute or completion of an audit. The company believes that it is reasonably possible that \$4.9 million of its remaining unrecognized tax benefits may be recognized by the end of 2024 as a result of settlements with taxing authorities or lapses of statutes of limitations.

In the normal course of business, income tax authorities in various income tax jurisdictions both in the United States and internationally conduct routine audits of our income tax returns filed in prior years. These audits are generally designed to determine if individual income tax authorities are in agreement with our interpretations of complex tax regulations regarding the allocation of income to the various income tax jurisdictions. Income tax years are open from 2017 through the current year for the United States federal jurisdiction. Income tax years open for our other major jurisdictions range from 2016 through the current year. Although the company believes its tax returns are correct, the final determination of tax examinations may be different than what was reported on the tax returns. In the opinion of management, adequate tax provisions have been made for the years subject to examination.

## (8) FINANCIAL INSTRUMENTS

Derivatives are measured at fair value and recognized as either assets or liabilities. Derivatives that do not qualify as a hedge must be adjusted to fair value in earnings. If a derivative does qualify, changes in the fair value will either be offset against the change in the fair value of the hedged assets, liabilities or firm commitments or recognized in other accumulated comprehensive income until the hedged item is recognized in earnings.

### (a) Foreign Exchange

The company periodically enters into derivative instruments, principally forward contracts to reduce exposures pertaining to fluctuations in foreign exchange rates. The notional amount of foreign currency contracts outstanding was \$253.1 million and \$562.5 million as of December 30, 2023 and December 31, 2022, respectively. The fair value of these forward contracts was an unrealized gain of less than \$0.1 million at the end of the year.

### (b) Interest Rate

The company has entered into interest rate swaps to fix the interest rate applicable to certain of its variable-rate debt. Prior to July 1, 2023, the company amended its Credit Facility and the existing interest rate swap agreements to transition the interest reference rate from one-month LIBOR to one-month SOFR. There were no other changes to the company's Credit Facility or timing of cash flows. The amendment was entered into because the LIBOR rate historically used was no longer published after June 30, 2023. The company utilized expedients within ASC 848 to conclude that this amendment should be treated as a non-substantial modification of the existing contract, resulting in no impact to the company's consolidated financial statements. The company has designated these swaps as cash flow hedges and all changes in fair value of the swaps are recognized in accumulated other comprehensive income. The fair value of these instruments was an asset of \$42.8 million and an asset of \$65.0 million as of December 30, 2023 and December 31, 2022, respectively. The change in fair value of these swap agreements in 2023 was a loss of \$16.5 million, net of taxes.

A summary of the company's interest rate swaps is as follows (in thousands):

	Location	Twelve Months Ended	
		Dec 30, 2023	Dec 31, 2022
Fair value	Prepaid expenses	\$ 2,897	\$ 6,805
Fair value	Other assets	\$ 39,882	\$ 58,180
Amount of gain/(loss) recognized in other comprehensive income	Other comprehensive income	\$ 10,015	\$ 79,472
Gain/(loss) reclassified from accumulated other comprehensive income (effective portion)	Interest expense	\$ 32,221	\$ (3,503)

Interest rate swaps are subject to default risk to the extent the counterparty is unable to satisfy its settlement obligations under the interest rate swap agreements. The company reviews the credit profile of the financial institutions that are counterparties to such swap agreements and assesses their creditworthiness prior to entering into the interest rate swap agreements and throughout the term. The interest rate swap agreements typically contain provisions that allow the counterparty to require early settlement in the event that the company becomes insolvent or is unable to maintain compliance with its covenants under its existing debt agreement.

## (9) LEASE COMMITMENTS

### *Accounting Policy*

At the commencement date of a lease, the company recognizes a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The lease liability is measured at the present value of lease payments over the lease term, including variable fees that are known or subject to a minimum floor. The lease liability includes lease component fees, while non-lease component fees are expensed as incurred for all asset classes. The company's lease terms include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. When a contract excludes an implicit rate, the company utilizes an incremental borrowing rate based on information available at the lease commencement date including lease term and geographic region. The initial valuation of the right-of-use ("ROU") asset includes the initial measurement of the lease liability, lease payments made in advance of the lease commencement date and initial direct costs incurred by the company and excludes lease incentives. Operating lease ROU assets are included in other assets and operating lease liabilities are included in accrued expenses and other non-current liabilities.

Leases with an initial term of 12 months or less are classified as short-term leases and are not recorded on the Consolidated Balance Sheets. The lease expense for short-term leases is recognized on a straight-line basis over the lease term.

### *Leases*

The company leases warehouse space, office facilities and equipment under operating leases. The company has operating lease costs of \$39.6 million, \$35.7 million and \$31.5 million in fiscal 2023, 2022 and 2021 respectively, including short-term lease expense and variable lease costs, which were immaterial in the year.

<b>Leases (in thousands)</b>	<b>December 30, 2023</b>	<b>December 31, 2022</b>
Operating lease right-of-use assets:		
Other assets	\$ 109,373	\$ 102,314
Operating lease liabilities:		
Accrued expenses	26,417	25,250
Other non-current liabilities	87,550	80,242
<b>Total Liability</b>	<b>\$ 113,967</b>	<b>\$ 105,492</b>

<b>Total Lease Commitments (in thousands)</b>	<b>Operating Leases</b>
2024	\$ 29,818
2025	25,794
2026	22,028
2027	16,381
2028	12,432
2029 and thereafter	19,028
<b>Total future lease commitments</b>	<b>125,481</b>
Less imputed interest	11,514
<b>Total</b>	<b>\$ 113,967</b>

<b>Other Lease Information (in thousands, except lease term and discount rate)</b>	<u>Twelve Months Ended December 30, 2023</u>	<u>Twelve Months Ended December 31, 2022</u>
<u>Supplemental cash flow information</u>		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	\$ 30,117	\$ 28,104
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	28,524	20,725
	<u>December 30, 2023</u>	<u>December 31, 2022</u>
Weighted-average remaining lease terms - Operating	5.2 years	5.5 years
Weighted-average discount rate - Operating	3.6 %	2.9 %

## (10) SEGMENT INFORMATION

The company operates in three reportable operating segments defined by management reporting structure and operating activities. The Commercial Foodservice Equipment Group manufactures, sells, and distributes foodservice equipment for the restaurant and institutional kitchen industry. The Food Processing Equipment Group manufactures preparation, cooking, packaging food handling and food safety equipment for the food processing industry. The Residential Kitchen Equipment Group manufactures, sells and distributes kitchen equipment for the residential market.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The chief operating decision maker evaluates individual segment performance based on operating income. Management believes that intersegment sales are made at established arm's length transfer prices.

The following table summarizes the results of operations for the company's business segments<sup>(1)</sup> (dollars in thousands):

	Commercial Foodservice	Food Processing	Residential Kitchen	Corporate and Other <sup>(2)</sup>	Total
<b>2023</b>					
Net sales	\$ 2,521,471	\$ 720,618	\$ 794,516	\$ —	\$ 4,036,605
Income (loss) from operations <sup>(3)</sup>	616,224	158,469	(12,450)	(127,375)	634,868
Depreciation expense <sup>(4)</sup>	27,323	7,949	13,637	1,507	50,416
Amortization expense <sup>(5)</sup>	56,728	9,271	9,052	7,137	82,188
Net capital expenditures	39,272	14,999	25,960	4,948	85,179
Total assets	3,751,746	1,009,857	1,941,204	203,885	6,906,692
Long-lived assets <sup>(6)</sup>	340,375	98,920	227,131	95,021	761,447
<b>2022</b>					
Net sales	\$ 2,394,762	\$ 589,969	\$ 1,048,122	\$ —	\$ 4,032,853
Income (loss) from operations <sup>(3)</sup>	548,536	107,459	127,948	(144,339)	639,604
Depreciation expense <sup>(4)</sup>	24,299	6,045	13,596	679	44,619
Amortization expense <sup>(5)</sup>	54,872	14,034	17,376	7,159	93,441
Net capital expenditures	28,718	13,957	20,604	4,010	67,289
Total assets	3,788,245	983,797	1,972,351	130,473	6,874,866
Long-lived assets <sup>(6)</sup>	318,457	84,370	151,499	108,478	662,804
<b>2021</b>					
Net sales	\$ 2,014,372	\$ 499,135	\$ 737,285	\$ —	\$ 3,250,792
Income (loss) from operations <sup>(3,7,8)</sup>	421,717	95,818	124,701	(12,244)	629,992
Depreciation expense <sup>(4)</sup>	23,742	5,673	12,655	611	42,681
Amortization expense <sup>(5)</sup>	54,461	9,696	11,628	6,777	82,562
Net capital expenditures	26,022	9,596	9,232	1,701	46,551
Total assets	3,520,821	639,061	2,153,758	69,958	6,383,598
Long-lived assets <sup>(6)</sup>	291,320	56,207	169,028	41,112	557,667

(1) Non-operating expenses are not allocated to the reportable segments. Non-operating expenses consist of interest expense and deferred financing amortization, foreign exchange gains and losses and other income and expense items outside of income from operations.

(2) Includes corporate and other general company assets and operations.

(3) Restructuring expenses and impairments are included in operating income of the segment to which they pertain. See note 3(f) and 12 for further details.

(4) Includes depreciation on right of use assets.

(5) Includes amortization of deferred financing costs and Convertible Notes issuance costs.

(6) Long-lived assets consist of property, plant and equipment, long-term deferred tax assets and other assets.

(7) Termination fee from Welbilt merger is included in Corporate and Other.

(8) Gain on sale of plant is included in Commercial Foodservice and Residential Kitchen for 2021.



## Geographic Information

Long-lived assets, not including goodwill and other intangibles (in thousands):

	2023	2022	2021
United States and Canada	\$ 502,479	\$ 471,375	\$ 379,431
Asia	40,849	35,965	17,818
Europe and Middle East	205,621	142,326	152,384
Latin America	12,498	13,138	8,034
Total International	258,968	191,429	178,236
	<u>\$ 761,447</u>	<u>\$ 662,804</u>	<u>\$ 557,667</u>

### **(11) EMPLOYEE RETIREMENT PLANS**

#### *(a) Pension Plans*

##### U.S. Plans:

The company maintains a non-contributory defined benefit plan for its union employees at the Elgin, Illinois facility. Benefits are determined based upon retirement age and years of service with the company. This defined benefit plan was frozen on April 30, 2002, and no further benefits accrue to the participants beyond this date. Plan participants will receive or continue to receive payments for benefits earned on or prior to April 30, 2002 upon reaching retirement age.

The company maintains a non-contributory defined benefit plan for its employees at the Smithville, Tennessee facility. Benefits are determined based upon retirement age and years of service with the company. This defined benefit plan was frozen on April 1, 2008, and no further benefits accrue to the participants beyond this date. Plan participants will receive or continue to receive payments for benefits earned on or prior to April 1, 2008 upon reaching retirement age.

The company also maintains a retirement benefit agreement with its former Chairman ("Chairman Plan"). The retirement benefits are based upon a percentage of the former Chairman's final base salary.

##### Non-U.S. Plans:

The company maintains a defined benefit plan for its employees at the Wrexham, the United Kingdom facility. Benefits are determined based upon retirement age and years of service with the company. This defined benefit plan was frozen on April 30, 2010 and no further benefits accrue to the participants beyond this date. Plan participants will receive or continue to receive payments for benefits earned on or prior to April 30, 2010 upon reaching retirement age.

The company maintains several pension plans related to AGA and its subsidiaries (collectively, the "AGA Group"), the most significant being the Aga Rangemaster Group Pension Scheme in the United Kingdom. Membership in the plan on a defined benefit basis of pension provision was closed to new entrants in 2001. The plan became open to new entrants on a defined contribution basis of pension provision in 2002 but was generally closed to new entrants on this basis during 2014. In December 2020, it was agreed that the Group Pension Scheme will be closed to future pension accruals effective April 5, 2021.

The other, much smaller, defined benefit pension plans operating within the AGA Group cover employees in France and the United Kingdom. All pension plan assets are held in separate trust funds although the net defined benefit pension obligations are included in the company's consolidated balance sheet.

A summary of the plans' net periodic pension cost, benefit obligations, funded status, and net balance sheet position is as follows (dollars in thousands)

	<b>Fiscal 2023</b>		<b>Fiscal 2022</b>	
	<u>U.S. Plans</u>	<u>Non-U.S. Plans</u>	<u>U.S. Plans</u>	<u>Non-U.S. Plans</u>
<b>Net Periodic Pension Cost (Benefit):</b>				
Interest cost	1,315	46,046	923	25,032
Expected return on assets	(873)	(58,766)	(1,073)	(74,581)
Amortization of net loss	420	186	758	3,671
Amortization of prior service cost	—	2,601	—	2,589
	<u>\$ 862</u>	<u>\$ (9,933)</u>	<u>\$ 608</u>	<u>\$ (43,289)</u>
<b>Change in Benefit Obligation:</b>				
Benefit obligation – beginning of year	\$ 27,550	\$ 946,153	\$ 36,423	\$ 1,544,147
Interest on benefit obligations	1,315	46,046	923	25,032
Actuarial loss (gain)	539	1,970	(8,060)	(409,462)
Net benefit payments	(1,745)	(59,018)	(1,736)	(59,682)
Exchange effect	—	53,955	—	(153,882)
Benefit obligation – end of year	<u>\$ 27,659</u>	<u>\$ 989,106</u>	<u>\$ 27,550</u>	<u>\$ 946,153</u>
<b>Change in Plan Assets:</b>				
Plan assets at fair value – beginning of year	\$ 14,998	\$ 943,757	\$ 18,289	\$ 1,342,601
Company contributions	1,114	6,012	1,173	5,442
Investment gain (loss)	1,384	81,945	(2,728)	(207,270)
Benefit payments and plan expenses	(1,745)	(59,018)	(1,736)	(59,682)
Exchange effect	—	54,725	—	(137,334)
Plan assets at fair value – end of year	<u>\$ 15,751</u>	<u>\$ 1,027,421</u>	<u>\$ 14,998</u>	<u>\$ 943,757</u>
<b>Funded Status:</b>				
Unfunded benefit obligation	<u>\$ (11,908)</u>	<u>\$ 38,315</u>	<u>\$ (12,552)</u>	<u>\$ (2,396)</u>
<b>Amounts recognized in balance sheet at year end:</b>				
Accrued pension benefits	<u>\$ (11,908)</u>	<u>\$ 38,315</u>	<u>\$ (12,552)</u>	<u>\$ (2,396)</u>

	Fiscal 2023		Fiscal 2022	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
<b>Pre-tax components in accumulated other comprehensive income at period end:</b>				
Net actuarial loss	\$ 2,011	\$ 103,705	\$ 2,402	\$ 121,292
<b>Pre-tax components recognized in other comprehensive income for the period:</b>				
Current year actuarial gain	\$ 28	\$ (17,079)	\$ (4,259)	\$ (148,515)
Actuarial loss recognized	(420)	(150)	(758)	(4,272)
Prior service cost recognized	—	(360)	—	(7,666)
Total amount recognized	<u>\$ (392)</u>	<u>\$ (17,589)</u>	<u>\$ (5,017)</u>	<u>\$ (160,453)</u>
<b>Accumulated Benefit Obligation</b>	<u>\$ 27,659</u>	<u>\$ 989,081</u>	<u>\$ 27,550</u>	<u>\$ 946,136</u>
Salary growth rate	n/a	0.8 %	n/a	0.8 %
Assumed discount rate	4.8 %	4.6 %	4.9 %	4.8 %
Expected return on assets	6.0 %	6.2 %	6.0 %	6.2 %

The company has engaged non-affiliated third-party professional investment advisors to assist the company in developing its investment policy and establishing asset allocations. The company's overall investment objective is to provide a return, that along with company contributions, is expected to meet future benefit payments. Investment policy is established in consideration of anticipated future timing of benefit payments under the plans. The anticipated duration of the investment and the potential for investment losses during that period are carefully weighed against the potential for appreciation when making investment decisions. The company routinely monitors the performance of investments made under the plans and reviews investment policy in consideration of changes made to the plans or expected changes in the timing of future benefit payments.

The assets of the plans were invested in the following classes of securities (none of which were securities of the company):

U.S. Plans:

	Target Allocation	Percentage of Plan Assets	
		2023	2022
Equity	48 %	43 %	45 %
Fixed income	40	42	40
Money market	4	6	5
Other (real estate investment trusts & commodities contracts)	8	9	10
	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

Non-U.S. Plans:

	Target Allocation	Percentage of Plan Assets	
		2023	2022
Equity	17 %	11 %	10 %
Fixed income	38	69	55
Alternatives/Other	32	5	19
Real Estate	13	9	10
Cash and cash equivalents	—	6	6
	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

In accordance with ASC 820 *Fair Value Measurements and Disclosures*, the company has measured its defined benefit pension plans at fair value. In accordance with ASU 2015-04, "Practical Expedient for the Measurement Date of an Employer's Defined Benefit Obligation and Plan Assets", the company has elected to measure the pension plan assets and obligations as of the calendar month end closest to the fiscal year end. The following tables summarize the basis used to measure the pension plans' assets at fair value as of December 30, 2023 and December 31, 2022 (in thousands):

U.S. Plans:

Asset Category	Fiscal 2023			Fiscal 2022		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Net Asset Value	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Net Asset Value
Short Term Investment Fund (a)	\$ 920	\$ —	\$ 920	\$ 771	\$ —	\$ 771
<b>Equity Securities:</b>						
Large Cap	2,862	2,862	—	2,818	2,818	—
Mid Cap	373	373	—	555	555	—
Small Cap	388	388	—	329	329	—
International	3,218	3,218	—	3,002	3,002	—
<b>Fixed Income:</b>						
Government/Corporate	4,776	4,776	—	4,973	4,973	—
High Yield	1,063	1,063	—	1,041	1,041	—
Other	705	705	—	—	—	—
<b>Alternative:</b>						
Global Real Estate Investment Trust	663	663	—	602	602	—
Commodities Contracts	783	783	—	907	907	—
<b>Total</b>	<b>\$ 15,751</b>	<b>\$ 14,831</b>	<b>\$ 920</b>	<b>\$ 14,998</b>	<b>\$ 14,227</b>	<b>\$ 771</b>

(a) Represents collective short term investment fund, composed of high-grade money market instruments with short maturities.

*Non-U.S. Plans:*

Asset Category	Fiscal 2023					Net Asset Value
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Cash and cash equivalents	\$ 64,285	\$ 10,175	\$ 25,777	\$ —	\$	28,333
Equity Securities:						
UK	3,665	45	—	—		3,620
International:						
Developed	89,498	1,738	—	—		87,760
Emerging	20,698	168	—	—		20,530
Unquoted/Private Equity	282	—	—	—		282
Fixed Income:						
Government/Corporate:						
UK	247,618	11,049	—	—		236,569
International	133,279	—	—	—		133,279
Index Linked	322,408	2,088	—	—		320,320
Other	3,222	—	—	—		3,222
Real Estate:						
Direct	91,993	—	91,993	—		—
Indirect	1,768	37	—	—		1,731
Hedge Fund Strategy:						
Equity Long/Short	8,361	—	—	—		8,361
Arbitrage & Event	10,731	—	—	—		10,731
Directional Trading & Fixed Income	315	—	—	—		315
Cash & Other	162,812	—	—	—		162,812
Direct Sourcing	913	—	—	—		913
Leveraged Loans	14,475	—	—	—		14,475
Alternative/Other	(148,902)	1,060	—	—		(149,962)
Total	\$ 1,027,421	\$ 26,360	\$ 117,770	\$ —	\$	883,291

**Fiscal 2022**

Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value
Cash and cash equivalents	\$ 52,041	\$ 5,372	\$ 7,372	\$ —	\$ 39,297
<b>Equity Securities:</b>					
UK	3,677	68	—	—	3,609
<b>International:</b>					
Developed	70,611	2,634	—	—	67,977
Emerging	18,642	298	—	—	18,344
Unquoted/Private Equity	2,083	—	—	—	2,083
<b>Fixed Income:</b>					
<b>Government/Corporate:</b>					
UK	191,868	8,933	—	—	182,935
International	127,485	—	—	—	127,485
Index Linked	199,220	1,433	—	—	197,787
Other	1,806	—	—	—	1,806
<b>Real Estate:</b>					
Direct	83,280	—	83,280	—	—
Indirect	5,073	58	—	—	5,015
<b>Hedge Fund Strategy:</b>					
Equity Long/Short	30,266	—	—	—	30,266
Arbitrage & Event	22,398	—	—	—	22,398
Directional Trading & Fixed Income	6,099	—	—	—	6,099
Cash & Other	169,504	—	—	—	169,504
Direct Sourcing	4,014	—	—	—	4,014
Leveraged Loans	8,539	—	—	—	8,539
Alternative/Other	(52,849)	1,583	—	—	(54,432)
<b>Total</b>	<b>\$ 943,757</b>	<b>\$ 20,379</b>	<b>\$ 90,652</b>	<b>\$ —</b>	<b>\$ 832,726</b>

The fair value of the Level 1 assets is based on observable, quoted market prices of the identical underlying security in an active market. The fair value of the Level 2 assets is primarily based on market observable inputs to quoted market prices, benchmark yields and broker/dealer quotes. Level 3 inputs, as applicable, represent unobservable inputs that reflect assumptions developed by management to measure assets at fair value.

The expected return on assets is developed in consideration of the anticipated duration of investment period for assets held by the plan, the allocation of assets in the plan, and the historical returns for plan assets.

Estimated future benefit payments under the plans are as follows (dollars in thousands):

	U.S. Plans	Non-U.S. Plans
2024	\$ 1,849	\$ 58,680
2025	1,867	59,708
2026	1,906	59,409
2027	1,944	59,459
2028 through 2033	11,534	356,302

Expected contributions to the U.S. Plans and Non-U.S. Plans to be made in 2024 are \$0.6 million and \$5.8 million, respectively.

*(b) Defined Contribution Plans*

As of December 30, 2023, the company maintained two separate defined contribution 401(k) savings plans covering all employees in the United States. These two plans separately cover the union employees at the Elgin, Illinois facility and all other remaining union and non-union employees in the United States. The company also maintained defined contribution plans for its UK based employees.

## **(12) RESTRUCTURING AND ACQUISITION INTEGRATION INITIATIVES**

### *Residential Kitchen Equipment Group:*

During fiscal years 2023 and 2022, the company initiated cost reduction initiatives related to the Residential Kitchen Equipment Group including headcount reductions and facility consolidations. These actions resulted in expenses of \$9.4 million and \$5.1 million, in the twelve months ended December 30, 2023 and December 31, 2022, respectively. These actions are reflected in the restructuring expenses in the Consolidated Statements of Earnings. The primary realization of cost savings from the restructuring initiatives began in 2023 with expected annual savings of approximately \$12.0 million. At December 30, 2023, the restructuring obligations accrued for these initiatives are immaterial and will be substantially complete by the end of fiscal year 2024.

The restructuring expenses for the other segments of the company were not material during fiscal years 2023, 2022 and 2021.



**THE MIDDLEBY CORPORATION**

**SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES  
FOR THE FISCAL YEARS ENDED DECEMBER 30, 2023, DECEMBER 31, 2022  
AND January 1, 2022  
(amounts in thousands)**

	Balance Beginning Of Period	Additions/ (Recoveries) Charged to Expense	Other Adjustments (1)	Write-Offs During the Period	Balance At End Of Period
Allowance for doubtful accounts; deducted from accounts receivable on the balance sheets-					
2023	\$ 20,295	\$ 5,886	\$ 973	\$ (3,690)	\$ 23,464
2022	\$ 18,770	\$ 4,311	\$ 776	\$ (3,562)	\$ 20,295
2021	\$ 19,225	\$ 809	\$ 554	\$ (1,818)	\$ 18,770

(1) Amounts consist primarily of valuation allowances assumed from acquired companies.

	Balance Beginning Of Period	Additions/ (Recoveries) Charged to Expense	Write-Offs During the Period	Balance At End Of Period
Valuation allowance - Deferred tax assets				
2023	\$ 11,599	\$ 4,150	\$ —	\$ 15,749
2022	\$ 10,222	\$ 1,377	\$ —	\$ 11,599
2021	\$ 11,731	\$ 1,138	\$ (2,647)	\$ 10,222

## **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None

### **Item 9A. Controls and Procedures**

#### *Disclosure Controls and Procedures*

The company maintains disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this report that are designed to ensure that information required to be disclosed in the company's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the company's management, including its Chief Executive Officer and Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure.

The company carried out an evaluation, under the supervision and with the participation of the company's management, including the company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the company's disclosure controls and procedures as of December 30, 2023. Based on the foregoing, the company's Chief Executive Officer and Chief Financial Officer concluded that the company's disclosure controls and procedures were effective as of the end of this period.

#### *Changes in Internal Control Over Financial Reporting*

During the quarter ended December 30, 2023, there have been no changes in the company's internal controls over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, the company's internal control over financial reporting.

## Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of our management and directors; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (COSO). Our assessment of the internal control structure excluded Flavor Burst (acquired January 24, 2023), Blue Sparq (acquired April 3, 2023), Filtration Automation (acquired June 13, 2023), Systems IV (acquired July 5, 2023) and Trade-Wind (acquired July 31, 2023).

These acquisitions constitute 0.0% and 1.5% of net and total assets, respectively, 0.3% of net sales and 0.0% of net income of the consolidated financial statements of the company as of and for the year ended December 30, 2023. These acquisitions are included in the consolidated financial statements of the company as of and for the year ended December 30, 2023. Under guidelines established by the Securities Exchange Commission, companies are allowed to exclude acquisitions from their assessment of internal control over financial reporting during the first year of an acquisition while integrating the acquired companies.

Based on our evaluation under the framework in Internal Control - Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 30, 2023.

Ernst & Young LLP, independent registered public accounting firm, who audited and reported on the consolidated financial statements of the company included in this report, has issued a report on the effectiveness of the company's internal control over financial reporting as of December 30, 2023.

The Middleby Corporation  
February 28, 2024

**Item 9B. Other Information**

None.

**Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

None.

**PART III**

Pursuant to General Instruction G (3), of Form 10-K, the information called for by Part III Item 10 (Directors, Executive Officers and Corporate Governance), Item 11 (Executive Compensation), Item 12 (Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters), Item 13 (Certain Relationships and Related Transactions, and Director Independence) and Item 14 (Principal Accountant Fees and Services), is incorporated herein by reference from the registrant's definitive proxy statement filed with the Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Form 10-K.

## PART IV

### Item 15. Exhibits and Financial Statement Schedules

- (a) 1. Financial Statements
- The financial statements listed on Page 51 are filed as part of this Form 10-K.
3. Exhibits
- 3.1 Restated Certificate of Incorporation of The Middleby Corporation (effective as of May 13, 2005), incorporated by reference to the company's Form 8-K, Exhibit 3.1, dated April 29, 2005, filed on May 17, 2005.
- 3.2 Fourth Amended and Restated Bylaws of The Middleby Corporation (effective as of February 26, 2021), filed on March 3, 2021.
- 3.3 Certificate of Amendment to the Restated Certificate of Incorporation of The Middleby Corporation (effective as of May 3, 2007), incorporated by reference to the company's Form 8-K, Exhibit 3.1, dated May 3, 2007, filed on May 3, 2007.
- 3.4 Certificate of Amendment to the Restated Certificate of Incorporation of The Middleby Corporation (effective as of May 8, 2014), incorporated by reference to the company's Form 8-K, Exhibit 3.1, dated May 6, 2014, filed on May 8, 2014.
- 4.1 Certificate of Designations dated October 30, 1987, and specimen stock certificate relating to the company Preferred Stock, incorporated by reference from the company's Form 10-K, Exhibit (4), for the fiscal year ended December 31, 1988, filed on March 15, 1989.
- 4.2 Indenture (including form of Global Note) with respect to The Middleby Corporation's 1.00% Convertible Senior Notes due 2025, dated as of August 21, 2020, between The Middleby Corporation and U.S. Bank National Association, as trustee, incorporated by reference to the company's Form 8-K Exhibit 4.1 filed on August 21, 2020.
- 4.3 Form of Global Note for the 1.00% Convertible Senior Notes due 2025 incorporated by reference to the company's Form 8-K Exhibit 4.1 filed on August 21, 2020.
- 4.4 Description of the Company's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934, incorporated by reference to the company's Form 10-K Exhibit 4.4 for the fiscal year ended January 2, 2021, filed on March 3, 2021.
- 10.1 Voting and Support Agreement, dated as of April 20, 2021, by and among The Middleby Corporation and the Welbilt Significant Stockholders named therein, incorporated by reference to the company's Form 8-K Exhibit 10.1 filed on April 21, 2021.
- 10.2 Eighth Amended and Restated Credit Agreement, dated as of October 21, 2021, among Middleby Marshall Inc., The Middleby Corporation, the Subsidiary Borrowers named therein, the lenders named therein and Bank of America, N.A., as administrative agent for the lenders, incorporated by reference to the company's Form 8-K Exhibit 10.1 filed on October 21, 2021.
- 10.3\* Amended 1998 Stock Incentive Plan, dated December 15, 2003, incorporated by reference to the company's Form 10-K, Exhibit 10.21, for the fiscal year ended January 3, 2004, filed on April 2, 2004.
- 10.4\* Employment Agreement by and between The Middleby Corporation and Timothy J. FitzGerald, dated March 21, 2013, incorporated by reference to the company's Form 8-K Exhibit 10.1, filed on March 25, 2013.
- 10.5\* Form of The Middleby Corporation 1998 Stock Incentive Plan Restricted Stock Agreement, incorporated by reference to the company's Form 8-K Exhibit 10.2, dated March 7, 2005, filed on March 8, 2005.
- 10.6\* Amendment to The Middleby Corporation 1998 Stock Incentive Plan, effective as of January 1, 2005, incorporated by reference to the company's Form 8-K Exhibit 10.2, dated April 29, 2005, filed on May 17, 2005.
- 10.7\* Revised Form of Restricted Stock Agreement for The Middleby Corporation 1998 Stock Incentive Plan, incorporated by reference to the company's Form 8-K, Exhibit 10.1, dated March 8, 2007, filed on March 14, 2007.

10.8*	The Middleby Corporation 2011 Long-Term Incentive Plan, incorporated by reference to Appendix A to the company's definitive proxy statement filed with the Securities and Exchange Commission on April 1, 2011.
10.9*	The Middleby Corporation Value Creation Incentive Plan, incorporated by reference to Appendix B to the company's definitive proxy statement filed with the Securities and Exchange Commission on April 1, 2011.
10.10*	Form of Restricted Performance Stock Agreement for The Middleby Corporation 2011 Long-Term Incentive Plan, incorporated by reference the company's to Form 8-K Exhibit 10.1, dated February 24, 2014, filed on March 3, 2014.
10.11*	Amendment to Employment Agreement between The Middleby Corporation, Middleby Marshall Inc. and Timothy J. FitzGerald, dated February 19, 2018, incorporated by reference to the company's Form 8-K Exhibit 10.2, filed on February 22, 2018.
10.12*	Employment Agreement between The Middleby Corporation, Middleby Marshall Inc. and David Brewer, dated February 19, 2018, incorporated by reference to the company's Form 8-K Exhibit 10.3, filed on February 22, 2018.
10.13*	Form of Stock Award Agreement for The Middleby Corporation 2011 Long-Term Incentive Plan, incorporated by reference to the company's Form 8-K, Exhibit 10.1, dated April 11, 2019, filed on April 16, 2019.
10.14*	Form of Restricted Stock Award Agreement for The Middleby Corporation 2011 Long-Term Incentive Plan, incorporated by reference to the company's Form 8-K, Exhibit 10.2, dated April 11, 2019, filed on April 16, 2019.
10.15*	Form of Restricted Stock Unit Award Agreement for The Middleby Corporation 2011 Long-Term Incentive Plan, incorporated by reference to the company's Form 8-K Exhibit 10.1, dated December 31, 2020, filed on January 5, 2021.
10.16*	Form of Restricted Stock Unit Award Agreement for Non-Employee Directors for The Middleby Corporation 2011 Long-Term Incentive Plan, incorporated by reference to the company's Form 10-Q Exhibit 10.2 filed on May 13, 2021.
10.17*	Employment Agreement, dated as of March 10, 2022, by and among The Middleby Corporation, Middleby Marshall Inc. and Timothy J. FitzGerald incorporated by reference to the company's Form 8-K Exhibit 10.1, filed on March 14, 2022.
21	List of subsidiaries.
23.1	Consent of Ernst & Young LLP.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
97*	Clawback Policy
101	Financial statements on Form 10-K for the year ended December 30, 2023, filed on February 28, 2024, formatted in Inline Extensive Business Reporting Language (XBRL); (i) consolidated balance sheets, (ii) consolidated statements of earnings, (iii) consolidated statements of cash flows, (iv) notes to the consolidated financial statements.
104	Cover Page Interactive Data File (formatted in iXBRL) and contained in Exhibit 101).

\* Designates management contract or compensation plan.

(c) See the financial statement schedule included under Item 8.

**Item 16. Form 10-K Summary**

None

## SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 28th day of February 2024.

### THE MIDDLEBY CORPORATION

BY:           /s/ Bryan E. Mittelman            
Bryan E. Mittelman  
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on February 28, 2024.

<u>Signatures</u>	<u>Title</u>
<b>PRINCIPAL EXECUTIVE OFFICER</b>	
<u>          /s/ Timothy J. FitzGerald          </u> Timothy J. FitzGerald	Chief Executive Officer and Director
<b>PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER</b>	
<u>          /s/ Bryan E. Mittelman          </u> Bryan E. Mittelman	Chief Financial Officer, Principal Financial Officer and Principal Accounting Officer
<b>DIRECTORS</b>	
<u>          /s/ Gordon O'Brien          </u> Gordon O'Brien	Chairman of the Board, Director
<u>          /s/ Sarah Palisi Chapin          </u> Sarah Palisi Chapin	Director
<u>          /s/ Cathy L. McCarthy          </u> Cathy L. McCarthy	Director
<u>          /s/ John R. Miller, III          </u> John R. Miller, III	Director
<u>          /s/ Robert Nerbonne          </u> Robert Nerbonne	Director
<u>          /s/ Nasseem Ziyad          </u> Nasseem Ziyad	Director
<u>          /s/ Stephen R. Scherger          </u> Stephen R. Scherger	Director
<u>          /s/ Tejas P. Shah          </u> Tejas P. Shah	Director



Subsidiaries of The Middleby Corporation(1)

<u>Name of Subsidiary</u>	<u>State/Country of Incorporation/Organization</u>
AGA Home, Inc.	Delaware
AGA Rangemaster Group Ltd	United Kingdom
AGA Rangemaster Ltd	United Kingdom
AGA Rangemaster Properties Ltd	United Kingdom
AGA Rayburn Ltd	United Kingdom
Alkar Holdings, Inc.	Wisconsin
Alkar-RapidPak, Inc.	Wisconsin
American Permanent Ware Company, LLC	Delaware
Anetsberger, LLC	Delaware
ARG Corporate Services Ltd	United Kingdom
Armor Inox Holding France S.A.S.	France
Armor Inox Production S.a.r.l.	France
Armor Inox S.A.S.	France
Armor Inox Services S.A.S.	France
Armor Inox USA LLC	Delaware
Associated American Industries, LLC	Texas
Auto-Bake Acquisition Pty. Ltd	Australia
Auto-Bake Pty Ltd	Australia
Automation Tech, LLC	Delaware
Automatic Bar Controls, Inc.	Delaware
Bakers Pride Oven Company, LLC	Delaware
Baker Thermal Solutions LLC	Delaware
Beech Ovens LLC	Delaware
Beech Ovens Pty Ltd	Australia
Blue Sparq, Inc.	Florida
Brava Home, Inc.	Delaware
Britannia Kitchen Ventilation	United Kingdom
Burford Bakery Solutions Limited	United Kingdom
Burford Corp	Oklahoma
Carter-Hoffmann LLC	Delaware
Catering Equipment Industry srl	Italy
Cinoxplan, S.L.U.	Spain
Cloverleaf AM Essex, LLC	Delaware
CM Brewing Technologies, LLC	California
Cooking Solutions Group, LLC	Delaware
CookTek Induction Systems, LLC	Delaware
Colussi AWS, Inc.	Delaware
Colussi Ermes CH Sagl	Switzerland
Colussi Ermes S.r.l.	Italy
Cozzini Middleby de Mexico, S. de R.L.de C.V.	Mexico

Cozzini, LLC	Delaware
CP Packaging, LLC	Wisconsin
Danfotech Holdings, LLC	Delaware
Danfotech Inc.	Missouri
DBT Holdings LLC	Delaware
Desmon S.p.A.	Italy
Escher Mixers S.r.l.	Italy
Evo America, LLC	Delaware
F.R. Drake Company	Delaware
Fab-Asia Inc.	Philippines
Field Service Solutions	Arkansas
Filling Machines & Systems, Inc.	Delaware
Filtration Automation, LLC	Texas
Firex S.r.l.	Italy
Flavor Burst, LLC	Delaware
Follett Europe Polska sp. z.o.o.	Poland
Follett International sp. z.o.o.	Poland
Follett Products, LLC	Delaware
GateNext, LLC	Florida
G.S. Blodgett, LLC	Delaware
Giga Grandi Cucine S.r.l.	Italy
Globe Food Equipment Company	Ohio
Globe Food Equipment Holding Company	Delaware
Goldstein Eswood Commercial Cooking Pty Ltd	Australia
Goldstein Properties Pty Ltd	Australia
Grand Rise International Limited	Hong Kong
Grange Furniture Inc.	Delaware
Guangzhou Masterbuilt Co. Limited	Peoples Republic of China
Hinds-Bock Corporation	Washington
Holman Cooking Equipment Inc.	Delaware
Houno A/S	Denmark
Houno Holdings LLC	Delaware
Icetro America, Inc.	California
Icetro Co. Ltd.	Korea
IMA Co. Ltd.	Korea
Imperial Machine Company Ltd	United Kingdom
Inline Filling Systems, LLC	Florida
Jade Range LLC	Delaware
Johs. Lassen Fjellebroen A/S	Denmark
Josper, S.A.	Spain
Keylog S.r.l.	Italy
Kamado Joe Deutschland GmbH	Germany
Kamado Joe Europe BV	Netherlands
Kamado Joe UK Limited	United Kingdom
KJ UK Holdings Limited	United Kingdom
Kloppenbergs Products, LLC	Delaware
Lab2Fab, LLC	Delaware

LA Cornue SAS	France
Levens Middleby Worldwide B.V.	Netherlands
Lincat Group Ltd.	United Kingdom
Lincat Limited.	United Kingdom
Marco Catering Equipment (Ningbo) Co. Ltd.	China
Marco Beverage System Limited	Ireland
Marco Beverage System US Inc.	Washington
Masterbuilt II, Inc.	Delaware
Masterbuilt Holdings, LLC	Delaware
Masterbuilt Outdoor IP Holdings, Inc.	Delaware
Maurer-Atmos Middleby GmbH	Germany
Meheen Manufacturing, Inc.	Washington
MEP FMS Holdings, LLC	Delaware
Middleby Advantage, LLC	Delaware
Middleby Asia Ltd	Hong Kong
Middleby Canada Company, Inc.	Canada
Middleby Celfrost Innovations Pvt Ltd	India
Middleby China Corporation	Peoples Republic of China
Middleby Coffee Solutions Group, LLC	Delaware
Middleby Cozzini Brasil Equipamentos, Ltda	Brazil
Middleby Denmark Holdings ApS	Denmark
Middleby Deutschland GmbH	Germany
Middleby do Brasil Ltda	Brazil
Middleby Espana SLU	Spain
Middleby Europe SL	Spain
Middleby Foodservice Equipment Corporation	Peoples Republic of China
Middleby Food Processing Europe S.r.l.	Italy
Middleby Food Service Equipment Co., Ltd	Peoples Republic of China
Middleby FZ, LLC	Dubai
Middleby Holding UK Ltd	United Kingdom
Middleby India Engineering Pvt Ltd	India
Middleby Lux Holdings SCS	Luxembourg
Middleby Luxembourg S.a.r.l.	Luxembourg
Middleby Marshall Holding, LLC	Delaware
Middleby Marshall, Inc.	Delaware
Middleby Middle East Trading, LLC	Dubai
Middleby Nationals Sales LLC	Delaware
Middleby Packaging Solutions, LLC	Delaware
Middleby Philippines Corporation	Philippines
Middleby Sweden Holdings AB	Sweden
Middleby UK Ltd	United Kingdom
Middleby UK Residential Holdings	United Kingdom
Middleby Worldwide Australia Pty Ltd	Australia
Middleby Worldwide Mexico SA de CV	Mexico
Middleby Worldwide Middle East FZE	Dubai
Middleby Worldwide Philippines	Philippines
Middleby Worldwide, Inc.	Florida

Middleby XME S.L.U.	Spain
MP Equipment, LLC	Delaware
MWW Food Processing USA LLC	Delaware
New Star International Holdings, Inc.	Delaware
Newton CFV, LLC	Delaware
Newton CFV, Inc.	Delaware
Nieco, LLC	Delaware
Northland Corporation	Michigan
Pacproinc, LLC	Delaware
Novy GmbH	Germany
Novy Invest NV	Belgium
Novy Ltd	United Kingdom
Novy Nederland BV	Netherlands
Novy NV	Belgium
Novy SAS	Belgium
Pengyuan Technology (Shenzhen) Co, LTD.	Peoples Republic of China
Pitco Frialator, LLC	Delaware
Premier Specialty Brands, LLC	Delaware
Proxaut S.r.l.	Italy
Powerhouse Dynamics, LLC	Delaware
QualServ Solutions LLC	Delaware
Scanico A/S	Denmark
SD Group Intressenter (SDGI)	Sweden
Spenuzza, Inc.	California
Spooner Vicars Bakery Systems	United Kingdom
Standex de Mexico S.A. de C.V.	Mexico
Star International Holdings, Inc.	Delaware
Star Manufacturing International Inc.	Delaware
Steel Union S.r.l.	Italy
Stewart Systems Baking, LLC	Delaware
Sveba Dahlen Rus. Ltd.	Russia
Sveba-Dahlen Aktiebolag	Sweden
Sveba Dahlen Baltic OÜ	Estonia
Sveba-Dahlen España	Spain
Sveba-Dahlen Group AB	Sweden
Systems IV, Inc.	California
Taylor Company S.r.l.	Italy
Taylor Commercial Foodservice, LLC	Delaware
Taylor Food Service Equipment Trading (Shanghai) Co. Ltd	China
The Alluvian Spa, LLC	Mississippi
The Alluvian, LLC	Mississippi
Thurne-Middleby Ltd	United Kingdom
TMC Lux Holdings Sarl	Luxembourg
TMC Lux Sarl	Luxembourg
TMC Scots Holdings LP	United Kingdom
Trade-Wind Manufacturing, LLC	Arizona
TurboChef Technologies, LLC	Delaware

ULC Holding Company	Delaware
U-Line Corporation	Wisconsin
Varimixer A/S	Denmark
Ve.Ma.C. S.r.l.	Italy
Viking Cooking Schools, LLC	Mississippi
Viking Culinary Group, LLC	Mississippi
Viking Range Brasil Participacoes Ltda	Brazil
Viking Range Corporation do Brasil Importacao e Comercio Ltda	Brazil
Viking Range, LLC	Delaware
Waterford Stanley Ltd	Ireland
Wells Bloomfield LLC	Delaware
Wild Goose Canning Technologies, LLC	Colorado
Wunder-Bar Europe S.r.o.	Czech Republic
Wunder-Bar Dispensing UK Ltd	United Kingdom
Wunder-Bar Holdings, Inc.	Delaware
Wunder-Bar International, Inc.	California

*(1) Certain subsidiaries have been omitted as allowed.*

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-259055) pertaining to The Middleby Corporation 2021 Long-Term Incentive Plan, of our reports dated February 28, 2024, with respect to the consolidated financial statements and schedule listed in the Index at Item 8 of The Middleby Corporation and the effectiveness of internal control over financial reporting of The Middleby Corporation, included in this Annual Report (Form 10-K) for the year ended December 30, 2023.

/s/ Ernst & Young LLP

Chicago, Illinois

February 28, 2024

**CERTIFICATIONS**

I, Timothy J. FitzGerald, certify that:

1. I have reviewed this Annual Report on Form 10-K of The Middleby Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: February 28, 2024

/s/ Timothy J. FitzGerald

Timothy J. FitzGerald

Chief Executive Officer of The Middleby Corporation

**CERTIFICATIONS**

I, Bryan E. Mittelman, certify that:

1. I have reviewed this Annual Report on Form 10-K of The Middleby Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: February 28, 2024

/s/ Bryan E. Mittelman

Bryan E. Mittelman

Chief Financial Officer of The Middleby Corporation



**CERTIFICATION BY THE PRINCIPAL EXECUTIVE OFFICER OF  
THE MIDDLEBY CORPORATION  
PURSUANT TO RULE 13A-14(b) UNDER THE EXCHANGE ACT AND  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. 1350)**

This certification is being furnished pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

I, Timothy J. FitzGerald, Chief Executive Officer (principal executive officer) of The Middleby Corporation (the "Registrant"), certify, to the best of my knowledge, based upon a review of the Annual Report on Form 10-K for the period ended December 30, 2023 of the Registrant (the "Report"), that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
- (2) The information contained in the Report fairly presents, in all material aspects, the financial condition and results of operations of the Registrant.

Date: February 28, 2024

/s/ Timothy J. FitzGerald

Timothy J. FitzGerald

**CERTIFICATION BY THE PRINCIPAL FINANCIAL OFFICER OF  
THE MIDDLEBY CORPORATION  
PURSUANT TO RULE 13A-14(b) UNDER THE EXCHANGE ACT AND  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. 1350)**

This certification is being furnished pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

I, Bryan E. Mittelman, Chief Financial Officer (principal financial officer) of The Middleby Corporation (the "Registrant"), certify, to the best of my knowledge, based upon a review of the Annual Report on Form 10-K for the period ended December 30, 2023 of the Registrant (the "Report"), that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
- (2) The information contained in the Report fairly presents, in all material aspects, the financial condition and results of operations of the Registrant.

Date: February 28, 2024

/s/ Bryan E. Mittelman

\_\_\_\_\_  
Bryan E. Mittelman

## Clawback Policy

### Introduction

The Board of Directors (the “**Board**”) of The Middleby Corporation (the “**Company**”) believes that it is in the best interests of the Company and its shareholders to create and maintain a culture that emphasizes integrity and accountability and that reinforces the Company’s pay-for-performance compensation philosophy. The Board has therefore adopted this policy which provides for the recoupment of certain executive compensation in the event of an accounting restatement resulting from material noncompliance with financial reporting requirements under the federal securities laws (the “**Policy**”). This Policy is designed to comply with Section 10D of the Securities Exchange Act of 1934 (the “**Exchange Act**”).

### Administration

This Policy shall be administered by the Board or, if so designated by the Board, the Compensation Committee, in which case references herein to the Board shall be deemed references to the Compensation Committee. Any determinations made by the Board shall be final and binding on all affected individuals.

### Covered Executives

This Policy applies to the Company’s current and former executive officers, as determined by the Board in accordance with Section 10D of the Exchange Act and the listing standards of the national securities exchange on which the Company’s securities are listed, and such other senior executives who may from time to time be deemed subject to the Policy by the Board (“**Covered Executives**”).

### Recoupment; Accounting Restatement

In the event the Company is required to prepare an accounting restatement of its financial statements due to the Company’s material noncompliance with any financial reporting requirement under the securities laws, the Board will require reimbursement or forfeiture of any excess Incentive Compensation received by any Covered Executive during the three (3) completed fiscal years immediately preceding the date on which the Company is required to prepare an accounting restatement.

### Incentive Compensation

For purposes of this Policy, Incentive Compensation means any of the following; provided that, such compensation is granted, earned, or vested based wholly or in part on the attainment of a financial reporting measure:

- a. Annual bonuses and other short- and long-term cash incentives
- b. Stock options
- c. Stock appreciation rights
- d. Restricted stock
- e. Restricted stock units
- f. Performance shares
- g. Performance units

### Excess Incentive Compensation: Amount Subject to Recovery

The amount to be recovered will be the excess of the Incentive Compensation paid to the Covered Executive based on the erroneous data over the Incentive Compensation that would have been paid to the Covered Executive had it been based on the restated results, as determined by the Board.

If the Board cannot determine the amount of excess Incentive Compensation received by the Covered Executive directly from the information in the accounting restatement, then it will make its determination based on a reasonable estimate of the effect of the accounting restatement.

### Method of Recoupment

The Board will determine, in its sole discretion, the method for recouping Incentive Compensation hereunder which may include, without limitation:

- a. requiring reimbursement of cash Incentive Compensation previously paid;

- a. seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer, or other disposition of any equity-based awards;
- a. offsetting the recouped amount from any compensation otherwise owed by the Company to the Covered Executive;
- a. cancelling outstanding vested or unvested equity awards; and/or
- a. taking any other remedial and recovery action permitted by law, as determined by the Board.

### **No Indemnification**

The Company shall not indemnify any Covered Executives against the loss of any incorrectly awarded Incentive Compensation.

### **Interpretation**

The Board is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy. It is intended that this Policy be interpreted in a manner that is consistent with the requirements of Section 10D of the Exchange Act and any applicable rules or standards adopted by the Securities and Exchange Commission or any national securities exchange on which the Company's securities are listed.

### **Effective Date**

This Policy shall be effective as of the date it is adopted by the Board (the "**Effective Date**") and shall apply to Incentive Compensation that is approved, awarded or granted to Covered Executives on or after that date, and shall apply to any Incentive Compensation that previously was approved, awarded or granted to Covered Executives that was made subject to any recoupment or other similar policies adopted by the Board from time to time.

### **Amendment; Termination**

The Board may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary to reflect final regulations adopted by the Securities and Exchange Commission under Section 10D of the Exchange Act and to comply with any rules or standards adopted by a national securities exchange on which the Company's securities are listed. The Board may terminate this Policy at any time.

### **Other Recoupment Rights**

The Board intends that this Policy will be applied to the fullest extent of the law. The Board may require that any employment agreement, equity award agreement, or similar agreement entered into on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require a Covered Executive to agree to abide by the terms of this Policy. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company.

### **Impracticability**

The Board shall recover any excess Incentive Compensation in accordance with this Policy unless such recovery would be impracticable, as determined by the Board in accordance with Rule 10D-1 of the Exchange Act and the listing standards of the national securities exchange on which the Company's securities are listed.

### **Successors**

This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

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## COMMERCIAL FOODSERVICE EQUIPMENT

### COOKING AND FOOD PREPARATION



### BEVERAGE AND ICE



### AUTOMATION AND IoT



### FOOD PROCESSING



### RESIDENTIAL KITCHEN



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Gordon O'Brien** <sup>4,7</sup>  
Managing Partner  
Cannon Capital

**Sarah Palisi Chapin** <sup>4,5,6</sup>  
Principal  
Chapin Creative, LLC

**Timothy J. FitzGerald**  
Chief Executive Officer  
The Middleby Corporation

**Cathy L. McCarthy** <sup>1,2,6</sup>  
Chief Executive Officer  
Cross Tack, Inc.

**John R. Miller III** <sup>3,4,6</sup>  
Retired, Chairman and  
Chief Executive Officer  
EOP, Inc.

**Robert Nerbonne** <sup>6</sup>  
Retired, Executive Vice President  
Cooper-Atkins, Corporation

**Stephen Scherger** <sup>2,4</sup>  
Executive Vice President and  
Chief Financial Officer  
Graphic Packaging Holding Co.

**Tejas Shah** <sup>2</sup>  
Global CIO  
Fluence Energy

**Nassem Ziyad** <sup>2</sup>  
Executive Chairman  
Ziyad Brothers Importing

## EXECUTIVE OFFICERS

**Timothy J. FitzGerald**  
Chief Executive Officer

**Bryan E. Mittelman**  
Chief Financial Officer

**Brittany C. Cerwin**  
Chief Accounting Officer

**Matthew R. Fuchsen**  
Chief Development Officer

**James K. Pool III**  
Chief Technology and  
Operations Officer

**Steven P. Spittle**  
Chief Commercial Officer

## TRANSFER AGENT AND REGISTRAR

**Computershare Trust Company, N.A.**  
250 Royall Street  
Canton, MA 02021

## CORPORATE HEADQUARTERS

**The Middleby Corporation**  
1400 Toastmaster Drive  
Elgin, Illinois 60120  
847 741 3300  
FAX 847 741 0015

## INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

**Ernst & Young LLP**  
Chicago, Illinois

## STOCK MARKET INFORMATION

The Middleby Corporation is traded on the NASDAQ Stock Market LLC under the symbol "MIDD."

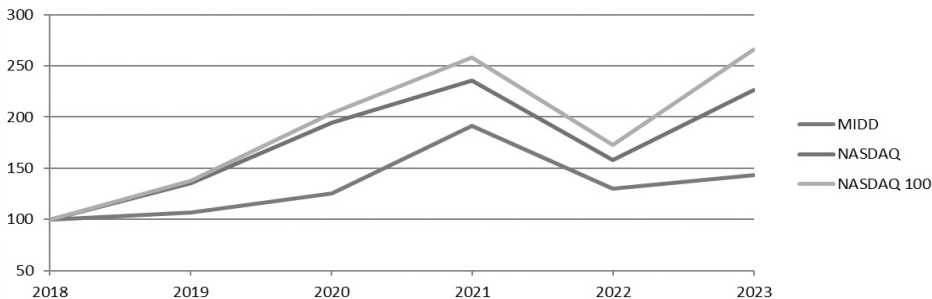
## INVESTOR RELATIONS

### For additional information:

The Middleby Corporation  
1400 Toastmaster Drive  
Elgin, IL 60120  
investors@middleby.com  
847 741 3300  
or visit [www.middleby.com](http://www.middleby.com)

- 1 Chair of Audit Committee
- 2 Audit Committee Member
- 3 Chair of Compensation Committee
- 4 Compensation Committee Member
- 5 Chair of Nominating and Corporate Governance Committee
- 6 Nominating and Corporate Governance Committee Member
- 7 Non-executive Chairman of the Board

## STOCK PRICE PERFORMANCE



1400 Toastmaster Drive  
Elgin, Illinois 60120

**[www.middleby.com](http://www.middleby.com)**  
[www.middlebyresidential.com](http://www.middlebyresidential.com)  
[www.middprocessing.com](http://www.middprocessing.com)