

FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

(Mark One)

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

FOR THE PERIOD ENDED MARCH 29, 1997

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

36-3352497

(State or Other Jurisdiction of (I.R.S. Employer Identification No.)
Incorporation or Organization)

1400 TOASTMASTER DRIVE, ELGIN, ILLINOIS

60120

(Address of Principal Executive Offices)

(Zip Code)

Registrant's Telephone No., including Area Code (847) 741-3300

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 twelve (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

As of March 29, 1997, there were 8,470,938 shares of the registrant's common stock outstanding.

THE MIDDLEBY CORPORATION AND SUBSIDIARIES

QUARTER ENDED MARCH 29, 1997

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PART I. FINANCIAL INFORMATION

THE MIDDLEBY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

ASSETS	(UNAUDITED) MARCH 29, 1997	DEC. 28, 1996
Cash and Cash Equivalents.....	\$ 1,685	\$ 1,410
Accounts Receivable, net.....	22,665	19,859
Inventories, net.....	23,997	20,956
Prepaid Expenses and Other.....	922	939
Net Assets of Discontinued Operations.	2,291	4,082
Current Deferred Taxes.....	2,099	2,086
	-----	-----
Total Current Assets.....	53,659	49,332
Property, Plant and Equipment, net of accumulated depreciation of \$12,221,000 and \$11,741,000.....	19,059	18,843
Excess Purchase Price Over Net Assets Acquired, net of accumulated amortization of \$4,328,000 and \$4,216,000.....	13,227	13,339
Deferred Taxes.....	2,318	2,950
Other Assets.....	1,541	1,504
	-----	-----
Total Assets.....	\$89,804	\$85,968
	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Maturities of Long-Term Debt..	\$ 2,805	\$ 3,916
Accounts Payable.....	13,142	10,369
Accrued Expenses.....	9,775	10,001
	-----	-----
Total Current Liabilities.....	25,722	24,286
Long-Term Debt.....	38,051	37,352
Minority Interest and Other		
Non-current Liabilities.....	2,297	1,880
Shareholders' Equity:		
Preferred Stock, \$.01 par value; nonvoting; 2,000,000 shares authorized; none issued.....	-	-
Common Stock, \$.01 par value; 20,000,000 shares authorized; 8,471,000 and 8,468,000 issued and outstanding in 1997 and 1996, respectively.....	85	85
Paid-in Capital.....	28,157	28,108
Cumulative Translation Adjustment...	(335)	(184)
Accumulated Deficit.....	(4,173)	(5,559)

Total Shareholders' Equity.....	23,734	22,450
Total Liabilities and Shareholders' Equity....	\$89,804	\$85,968

See accompanying notes

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THE MIDDLEBY CORPORATION AND SUBSIDIARIES
STATEMENTS OF EARNINGS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	THREE MONTHS ENDED	
	MARCH 29, 1997	RESTATED MARCH 30, 1996
Net Sales.....	\$32,698	\$29,510
Cost of Sales.....	22,224	20,943
Gross Margin.....	10,474	8,567
Selling and Distribution Expenses....	4,681	4,010
General and Administrative Expenses..	2,675	2,269
Income from Operations.....	3,118	2,288
Interest Expense and Deferred Financing Amortization.....	1,081	1,057
Other (Income) Expense, net.....	(38)	18
Earnings Before Income Taxes.....	2,075	1,213
Provision for Income Taxes.....	689	447
Earnings from Continuing Operations.....	\$ 1,386	\$ 766
Loss from Discontinued Operations, Net of Tax.....	-	(80)
Net Earnings.....	\$ 1,386	\$ 686
Earnings Per Share from Continuing Operations.....	\$.16	\$.09
Loss Per Share from Discontinued Operations.....	-	(.01)
Net Earnings Per Share.....	\$.16	\$.08

See accompanying notes

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THE MIDDLEBY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

(UNAUDITED)

THREE MONTHS ENDED

	MARCH 29, 1997	RESTATED MARCH 30, 1996
Cash Flows From Operating Activities-		
Net Earnings.....	\$ 1,386	\$ 686
Adjustments to reconcile Net Earnings to cash provided by continuing operating activities-		
Depreciation and amortization.....	656	623
Utilization of NOL's.....	620	338
Discontinued operations.....	-	80
Changes in assets and liabilities-		
Accounts receivable.....	(2,806)	(2,883)
Inventories.....	(3,041)	(639)
Prepaid expenses and other assets....	231	(808)
Accounts payable and other liabilities.....	2,547	(169)
Net Cash Used in Continuing Operating Activities.....	(407)	(2,772)
Net Cash Used in Discontinued Operations.....	(3,290)	(1,086)
Net Cash Used in Operating Activities.....	(3,697)	(3,858)
Cash Flows From Investing Activities-		
Proceeds from Sale of Discontinued Operations.....	\$ 5,081	\$ -
Additions to Property and Equipment....	(697)	(1,302)
Net Cash Provided By (Used in) Investing Activities.....	4,384	(1,302)
Cash Flows From Financing Activities-		
Increase in revolving credit line, net.	\$ 307	\$ 3,139
Reduction in term loans.....	(2,020)	-
Proceeds from capital expenditure loan.	-	500
Increase in foreign bank debt.....	1,304	-
Other financing activities, net.....	(3)	1,760
Net Cash (Used in) Provided by Financing Activities.....	(412)	5,399
Changes in Cash and Cash Equivalents-		
Net increase in cash and cash equivalents.....	275	239
Cash and cash equivalents at beginning of year.....	1,410	972
Cash and Cash Equivalents at end of quarter.....	\$ 1,685	\$ 1,211
Interest paid.....	\$ 964	\$ 1,111
Income taxes paid.....	\$ 37	\$ 5

See accompanying notes

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

MARCH 29, 1997
(UNAUDITED)

1) BASIS OF PRESENTATION

The financial statements have been prepared by The Middleby Corporation (the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information not misleading. These financial statements should be read in conjunction with the financial statements and related notes contained in the Company's 1996 Annual Report. Other than as indicated herein, there have been no significant changes from the data presented in said Report.

In the opinion of management, the financial statements contain all adjustments necessary to present fairly the financial position of the Company as of March 29, 1997 and December 28, 1996, and the results of operations and cash flows for the three months ended March 29, 1997 and March 30, 1996.

2) DISCONTINUED OPERATION

On January 23, 1997, the Company completed the sale of substantially all of the assets of its Victory Refrigeration Company ("Victory") subsidiary to an investor group led by local management at Victory. Gross proceeds from the sale are expected to amount to approximately \$7,300,000, less amounts for retained liabilities and transaction costs aggregating approximately \$2,600,000. The proceeds are subject to post-closing adjustments. The terms of the sale were the results of arms-length negotiations. This sale was announced on November 1, 1996, concluding the sale of all of the assets of Victory. The sale and leaseback of the Victory facility to an unrelated third party had previously been completed on December 27, 1996 for net proceeds of approximately \$4,556,000. Proceeds from these transactions were used to pay down debt.

The results of the Victory Refrigeration Company subsidiary have been reported separately as a discontinued operation in the consolidated financial statements for all periods presented. The results of the discontinued operations are

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not necessarily indicative of the results which may have been obtained had the continuing and discontinuing operations been operating independently. Summarized results of the Victory Refrigeration Company for the quarter ended March 30, 1996 are as follows:

(In Thousands)	March 30, 1996
-----	-----
Net Sales	\$9,036
Operating Income	121
(Loss) Earnings Before Taxes	(120)
Provision for Taxes	(40)
(Loss) Earnings from	
Discontinued Operations	(80)

Interest expense of \$241,000 for the first quarter of 1996 has been allocated based upon the ratio of the net assets of the discontinued operations to the consolidated capitalization of the Company.

Continuing operations and discontinued operations reflect the net tax expense or tax benefit generated by the respective operations, limited, however, by the income tax benefit recognized in the Company's historical financial statements. No general corporate expenses have been allocated to the discontinued operations.

The net assets of discontinued operations included in the Consolidated Balance Sheets at March 29, 1997 and December 28, 1996 amounted to \$2,291,000 and \$4,082,000, respectively. The March 29, 1997 amount represents the remaining amount due from the buyers. The December 30, 1996 amount consists primarily of receivables, inventory and equipment related to the discontinued operations, net of accounts payable, accrued liabilities and closing costs associated with the sale.

3) INCOME TAXES

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109 ("SFAS 109"), Accounting for Income Taxes.

The Company has recorded an income tax provision of \$689,000 for the fiscal three months ended March 29, 1997. The Company has significant tax loss carry-forwards, and although a tax provision is recorded, the Company makes no payment of federal tax other than AMT amounts.

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The utilization of the net operating loss and credit carry-forwards depend on future taxable income during the applicable carry-forward periods. Management evaluates and adjusts the valuation allowance, based on the Company's expected taxable income as part of the annual budgeting process. These adjustments reflect management's judgment as to the Company's ability to generate taxable income which will, more likely than not, be sufficient to recognize these tax assets.

4) EARNINGS PER SHARE

Earnings per share of common stock are based upon the weighted average number of outstanding shares of common stock and common stock equivalents. The treasury stock method is used in computing common stock equivalents, which included stock options and a warrant issued in conjunction with the senior secured note. The terms of the warrant provide for the purchase of 250,000 shares at \$3 per share. Alternatively, under certain conditions, which have been met, the warrant terms provide for the purchase of 200,000 shares at \$.01 per share. Earnings per share were computed based upon the weighted average number of common shares outstanding of 8,723,000 and 8,700,000 for the fiscal quarters ended March 29, 1997 and March 30, 1996, respectively.

The Company is required to adopt "FAS 128: Earnings Per Share" during the fourth quarter of 1997. Under this method, average shares outstanding would have been 8,470,000 and 8,397,000 for the fiscal quarters ended March 29, 1997 and March 30, 1996, respectively. The adoption of this accounting method would not affect earnings per share for the quarters ended March 29, 1997 and March 30, 1996.

5) INVENTORIES

Inventories are valued using the first-in, first-out method.

Inventories consist of the following:

	(In Thousands)	
	March 29, 1997	Dec. 28, 1996
	-----	-----
Raw Materials and Parts	\$ 6,018	\$ 6,492
Work-in-Process	3,843	4,621
Finished Goods	14,136	9,843

-----	-----
\$23,997	\$20,956
-----	-----
-----	-----

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6) ACCRUED EXPENSES

Accrued expenses consist of the following:

	(In Thousands)	
	March 29, 1997	Dec. 28, 1996
	-----	-----
Accrued payroll and related expenses.....	\$2,930	\$ 3,567
Accrued commissions.....	1,405	1,392
Accrued warranty.....	1,277	1,252
Other accrued expenses.....	4,163	3,790
	-----	-----
	\$9,775	\$10,001
	-----	-----
	-----	-----

7) RECLASSIFICATIONS AND RESTATEMENT

Sale of Discontinued Operations:

The financial statements exclude Victory Refrigeration Company which has been accounted for as a discontinued operation (see Note 2 to the Financial Statements).

Litigation Settlement Accounting:

During 1996, the Company restated its accounting for the proceeds from the September, 1993 litigation settlement with the Hussmann Corporation in accordance with generally accepted accounting principles (GAAP). The effect of this accounting change was to record a greater gain from the litigation settlement. Certain assets related to the 1989 acquisition that were written-off as a result of the Company's original accounting for the settlement in 1993, were restored in the historical financial statements or written-off in periods prior to 1993. The effect on the financial statements for the periods ended March 29, 1997 and March 30, 1996 was to increase non-cash amortization charges by \$49,000 or \$.01 per share and \$69,000, or \$.01 per share, respectively.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (UNAUDITED).

INFORMATIONAL NOTE

This report contains forward-looking statements subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995. The Company cautions readers that these statements are based upon future results or events and are highly dependent upon a variety of important factors which could cause such results or events to differ materially from such statements. Such factors include, but are not limited to, changing market conditions; the availability and cost of raw materials; the impact of competitive products and pricing; the timely development and market acceptance of the Company's products; foreign exchange risks affecting international sales; and other risks detailed herein and from time-to-time in the Company's Securities and Exchange commission filings.

RESULTS OF OPERATIONS

Net sales for the fiscal quarter ended March 29, 1997 were \$32,698,000, an increase of \$3,188,000 (10.8%) as compared to \$29,510,000 in the prior fiscal quarter. The increase was primarily driven by strong conveyor oven sales which increased 18% over sales for the same period in 1996. The overall sales increase was largely due to unit volume increases. Cooking and warming equipment manufacturing divisions showed a sales increase of 14%. Sales in the core cooking and steaming equipment line increased 3% in the quarter. Sales of the Company's international-based fabricated equipment division increased by 28%. International sales represented 35% of total sales for the quarter as compared to 38% in the 1996 fiscal first quarter.

Gross margin increased \$1,907,000 (22.3%) for the quarter to \$10,474,000, as compared to \$8,567,000 in the prior year's quarter. As a percentage of net sales, gross margin increased 3.0% to 32% for the quarter from 29.0% in the prior year's quarter. The increase in gross margin percent was primarily due to higher capacity utilization, improved manufacturing efficiencies and favorable product mix.

Selling, general and administrative expenses increased \$1,077,000 (17.2%) to \$7,356,000 as compared to \$6,279,000 in the first quarter of 1996. Increased selling, general and administrative expenses were primarily due to the continued expansion of the Company's international sales and service capabilities, including the establishment of sales and distribution offices in Taiwan, Mexico, Japan and Korea during the past year, and variable costs associated with the higher sales volume during the quarter. As a percentage of sales, selling, general and administrative expenses increased to 22.5% for the fiscal quarter ended March 29, 1997, compared to 21.3% for the prior year's quarter.

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Interest expense and deferred financing costs for the fiscal quarter ended March 29, 1997 increased \$24,000 (2.3%) to \$1,081,000 as compared to \$1,057,000 in the prior year fiscal quarter.

The Company recorded net earnings from continuing operations of \$1,386,000 for the fiscal quarter ended March 29, 1997 compared to earnings from continuing operations of \$766,000 for the prior year fiscal quarter. The Company recorded net earnings of \$1,386,000 for the fiscal quarter ended March 29, 1997 as compared to net earnings of \$686,000 for the prior year fiscal quarter.

FINANCIAL CONDITION AND LIQUIDITY

For the three months ended March 29, 1997, net cash provided by operating activities before changes in assets and liabilities was \$2,662,000, as compared to \$1,727,000 for the three months ended March 30, 1996. Net cash used by continuing operating activities after changes in assets and liabilities was \$407,000 as compared to net cash used of \$2,772,000 in the prior year's quarter. Accounts receivable increased \$2,806,000, and inventories increased \$3,041,000. These increases were partially offset by increased accounts payable and other liabilities. The increase in accounts receivable was largely due to the sales increase and timing of shipments to certain large domestic customers. Inventories increased due to increased international distribution centers and timing of orders and shipments.

During the first quarter of 1997, the Company decreased its overall outstanding debt by \$412,000 under various facilities. During this period the Company increased its borrowings on its revolving credit line by \$307,000, repaid \$2,020,000 on its term loans and increased its borrowings with a foreign lending institution by \$1,304,000 primarily to finance the Company's international expansion.

The Company maintains a revolving credit facility which, as of March 29, 1997, provided \$22,617,000 of total borrowing availability. There was \$14,882,000 outstanding under this facility at March 29, 1997. The Company has executed letters of credit of \$991,000 against this facility, leaving an available line of credit of \$6,744,000 at March 29, 1997. The Company believes that its cash flow from operations, together with available financing and cash on hand, will be sufficient to fund its working capital

needs, capital expenditure program, and debt amortization.

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PART II. OTHER INFORMATION

The Company was not required to report the information pursuant to Items 1 through 6 of Part II of Form 10-Q for the three months ended March 29, 1997, except as follows:

ITEM 2. CHANGES IN SECURITIES

c) During the first quarter of fiscal 1997, the Company issued 3,000 shares of the Company's common stock to a director, pursuant to the exercise of stock options, for \$5,625. Such options were granted at an exercise price of \$1.875 per share. The issuance of such shares was exempt under the Securities Act of 1933, as amended, pursuant to Section 4(2) thereof, as transactions by an issuer not involving a public offering.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a) Exhibits - The following Exhibits are filed herewith:

Exhibit (27) - Financial Data Schedules (EDGAR only)

b) Reports on Form 8-K - On February 10, 1997, the Company filed a Form 8-K report to announce the completion of its sale of the Victory Refrigeration Company subsidiary.

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SIGNATURES

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

THE MIDDLEBY CORPORATION

(Registrant)

Date May 13, 1997

By: /s/ John J. Hastings

John J. Hastings, Executive
Vice President, Chief
Financial Officer and
Secretary
(Principal Financial and
Accounting Officer)

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