



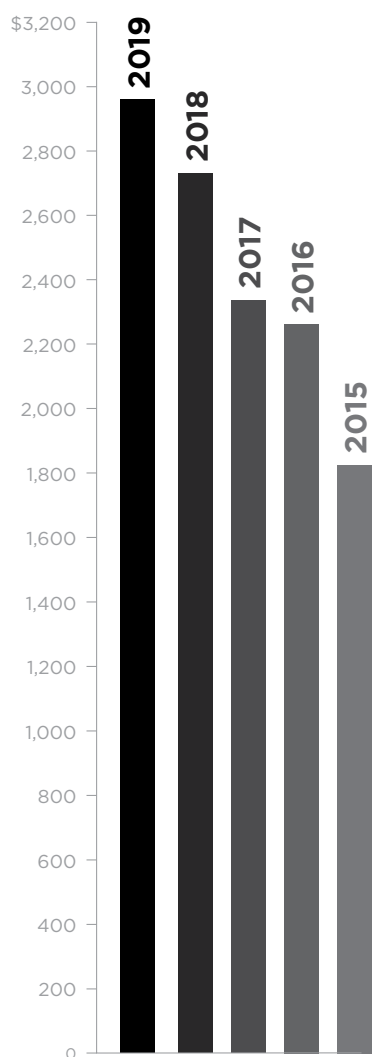
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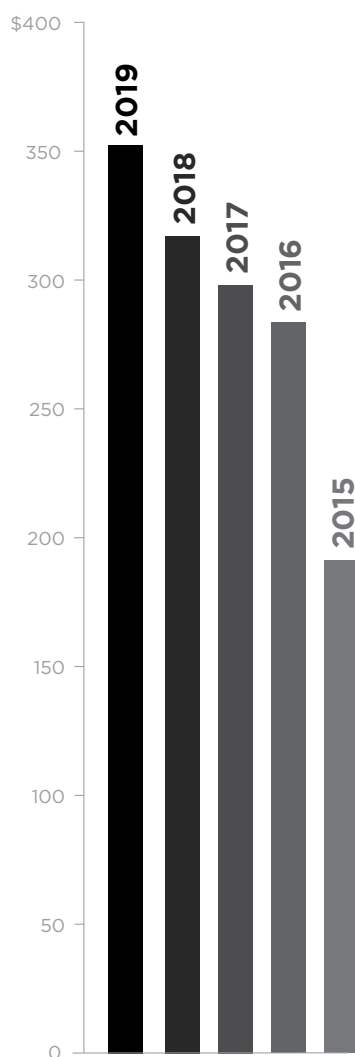
2019 FINANCIAL HIGHLIGHTS

(dollars in thousands)

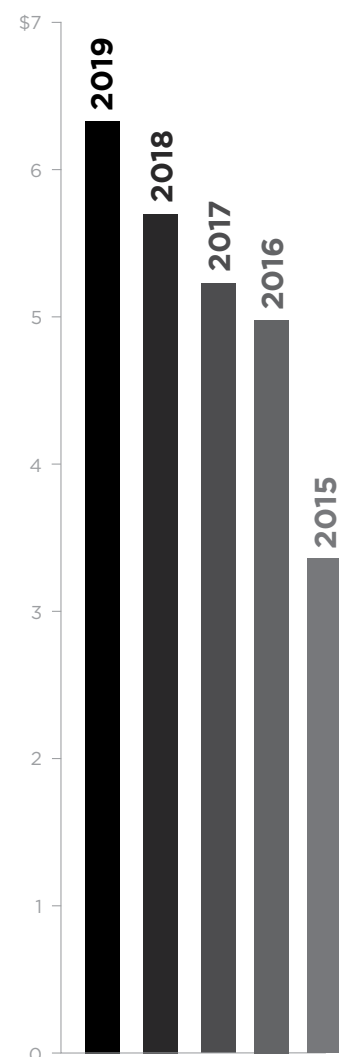
	2019	2018	2017	2016	2015
NET SALES	\$2,959,446	\$2,722,931	\$2,335,542	\$2,267,852	\$1,826,598
GROSS PROFIT	\$1,103,497	\$1,004,140	\$912,741	\$901,180	\$706,505
INCOME FROM OPERATIONS	\$514,043	\$445,966	\$378,613	\$419,018	\$299,385
NET EARNINGS	\$352,240	\$317,152	\$298,128	\$284,216	\$191,610
EPS ON NET EARNINGS	\$6.33	\$5.70	\$5.26	\$4.98	\$3.36
WEIGHTED AVERAGE SHARES	55,656,000	55,604,000	56,719,000	57,085,000	56,973,000
CASHFLOW FROM OPERATIONS	\$377,425	\$368,914	\$304,455	\$294,110	\$249,592
TOTAL ASSETS	\$5,002,143	\$4,549,781	\$3,339,713	\$2,917,136	\$2,761,151
TOTAL DEBT	\$1,873,140	\$1,892,105	\$1,028,881	\$732,126	\$766,061
STOCKHOLDERS' EQUITY	\$1,946,814	\$1,665,203	\$1,361,148	\$1,265,318	\$1,166,830



NET SALES
(dollars in millions)



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 28, 2019

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>
Common stock, par value \$0.01 per share	MIDD	NASDAQ Global Market

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 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 June 29, 2019 was approximately \$7,494,902,608.

The number of shares outstanding of the Registrant's class of common stock, as of February 24, 2020, was 56,189,686 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 2020 annual meeting of stockholders.

THE MIDDLEBY CORPORATION
DECEMBER 28, 2019
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 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 and dishwashers 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 internet website, 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, 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.

This commercial foodservice equipment is marketed under a portfolio of sixty brands, including Anets, APW Wyott, Bakers Pride, Beech, BKI, Blodgett, Blodgett Combi, Blodgett Range, Bloomfield, Britannia, Carter-Hoffmann, Celfrost, Concordia, CookTek, Crown, CTX, Desmon, Doyon, Eswood, EVO, Firex, Follett, Frifri, Giga, Globe, Goldstein, Holman, Houno, IMC, Induc, Jade, JoeTap, Jospier, L2F, Lang, Lincat, MagiKitch'n, Market Forge, Marsal, Middleby Marshall, MPC, Nieco, Nu-Vu, PerfectFry, Pitco, Powerhouse Dynamics, QualServ, Southbend, Ss Brewtech, Star, Starline, Sveba Dahlen, Synesso, Taylor, Toastmaster, TurboChef, Ultrafryer, Varimixer, Wells 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 and IoT solutions.

Food Processing Equipment Group

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, greater throughput and reduced labor costs through automation.

This food processing equipment is marketed under a portfolio of twenty-two brands, including Alkar, Armor Inox, Auto-Bake, Baker Thermal Solutions, Burford, Cozzini, CVP Systems, Danfotech, Drake, Emico, Glimek, Hinds-Bock, Maurer-Atmos, MP Equipment, M-TEK, Pacproinc, RapidPak, Scanico, Spooner Vicars, Stewart Systems, Thurne and Ve.Ma.C.

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 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, 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, ovens, refrigerators, dishwashers, microwaves, cooktops, wine coolers, ice machines, ventilation equipment and outdoor equipment. These products are sold and marketed under a portfolio of nineteen brands, including AGA, AGA Cookshop, Brava, EVO, Fired Earth, Heartland, La Cornue, Leisure Sinks, Lynx, Marvel, Mercury, Rangemaster, Rayburn, Redfyre, Sedona, Stanley, TurboChef, U-Line 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 sixteen acquisitions to add to its portfolio of brands and technologies of the Commercial Foodservice Equipment Group, the Food Processing Equipment Group and the Residential Kitchen Equipment Group. These acquisitions have added nineteen brands to the Middleby portfolio and positioned the company as a leading provider of equipment in each respective industry. Significant acquisitions included Taylor Company, acquired for a purchase price of \$1.0 billion, net of cash acquired, and Cooking Solutions Group Inc., acquired for a purchase price of \$106.1 million, net of cash acquired. All other acquisitions were acquired for an aggregate purchase price totaling \$359.1 million, net of cash acquired.

Commercial Foodservice Equipment Group

- March 2018: The company completed its acquisition of certain assets of JoeTap, a leading innovator of on-demand nitro and cold brew coffee dispensing equipment for the commercial foodservice industry.
- April 2018: The company completed its acquisition of all of the capital stock of Firex S.r.l. ("Firex"), a leading manufacturer of steam cooking equipment for the commercial foodservice industry located in Sedico, Italy.
- May 2018: The company completed its acquisition of all of the issued share capital of Josper S.A. ("Josper"), a leading manufacturer of charcoal grill and oven cooking equipment for commercial foodservice and residential industries located in Pineda de Mar, Spain.
- June 2018: The company completed its acquisition of all of the capital stock of the Taylor Company ("Taylor"), a world leader in beverage solutions, soft serve and ice cream dispensing equipment, frozen drink machines, and automated double-sided grills, for the commercial foodservice industry, located in Rockton, Illinois.

- December 2018: The company completed its acquisition of all of the capital stock of the Crown Food Service Equipment, Ltd. ("Crown"), a leading design and manufacturer of steam cooking equipment for the commercial foodservice industry located in Toronto, Canada.
- December 2018: The company completed its acquisition of all of the capital stock of EVO America, Inc. ("EVO"), a leading design and manufacturer of ventless cooking equipment for the commercial foodservice industry, located near Portland, Oregon.
- April 2019: The company completed its acquisition of all of the capital stock of Cooking Solutions Group, Inc. ("Cooking Solutions Group") from Standex International Corporation, which consists of the brands APW Wyott, Bakers Pride, BKI and Ultrafryer and locations in Texas, South Carolina and Mexico.
- April 2019: The company completed the acquisition of all of the capital stock of Powerhouse Dynamics, Inc. ("Powerhouse"), a leader in cloud-based IoT solutions for the commercial foodservice industry located near Boston.
- April 2019: The company completed the acquisition of all of the assets related to the Starline Product line ("Starline") non-carbonated beverage dispensers for the commercial foodservice industry.
- June 2019: The company completed the acquisition of substantially all of the assets of Ss Brewtech, a market leader in professional craft brewing and beverage equipment based in Santa Ana, California.
- November 2019: The company completed the acquisition of all of the capital stock of Synesso, Inc. ("Synesso"), a designer and manufacturer of semi-automatic espresso machines for the commercial foodservice industry, located in Seattle, Washington.

Food Processing Equipment Group

- February 2018: The company completed its acquisition of all of the capital stock of Hinds-Bock Corporation ("Hinds-Bock"), a leading manufacturer of solutions for filling and depositing bakery and food product located in Bothell, Washington.
- April 2018: The company completed its acquisition of all of the capital stock of Ve.Ma.C S.r.l. ("Ve.Ma.C"), a leading designer and manufacturer of handling, automation and robotics solutions for protein food processing lines located in Castelnuovo Rangone, Italy.
- October 2018: The company completed its acquisition of all of the capital stock of the M-TEK Corporation ("M-TEK"), a leading manufacturer of Modified Atmospheric Packaging (MAP) systems located in Elgin, Illinois.
- July 2019: The company completed the acquisition of all of the capital stock of Packaging Progressions, Inc. ("Pacproinc"), a market leader in automated packaging technologies for customers in the protein and baker segments based in Souderton, Pennsylvania.

Residential Kitchen Equipment Group

- November 2019: The company completed its acquisition of Brava Home, Inc. ("Brava"), a company known for its advanced residential light cooking technology located in Redwood City, California.

The Customers and Market

Commercial Foodservice Equipment Industry

The company's end-user customers include: (i) fast food, fast casual and quick-service restaurants, (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, 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 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 \$20.0 billion. The cooking, warming, refrigeration, freezing and beverage dispensing equipment segment of this market is estimated by management to exceed \$3.0 billion in North America and \$5.0 billion worldwide. 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.

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 pre-cooked meat products such as hot dogs, dinner sausages, poultry, and lunchmeats and producers of baked goods such as muffins, cookies and bread; however, the company believes that it can leverage its expertise and product development capabilities in thermal processing to organically grow into new end markets.

Food processing has quickly become a highly competitive landscape dominated by a few 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 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 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 more strict than government regulations.

A number of factors, including raw material prices, 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 and flexibility.

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 highly fragmented, large and growing. The company estimates demand for food processing equipment is approximately \$5.0 billion in North America and \$40.0 billion worldwide. The company's product offerings compete in a subsegment of the total industry, and the relevant market size for its products is estimated by management to exceed \$3.0 billion in North America and \$5.0 billion worldwide.

Residential Kitchen Equipment Industry

The company's end-users include customers with high-end residential kitchens. The premium segment of the residential kitchen equipment industry is estimated to be in excess of \$1.0 billion annually in North America and \$3.0 billion worldwide. The market potential for such equipment has continued to broaden due to an increase in interest from the consumer to have professional style higher performing appliances in their home. The kitchen has been an area in which consumers have invested 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, home remodels and general macro-economic factors. Macro-economic factors such as GDP growth, employment rates, inflation and consumer confidence, which impact the overall economy, impact the residential kitchen equipment industry and cause variability in the revenues at this segment.

Backlog

Commercial Foodservice Equipment Group

The backlog of orders for the Commercial Foodservice Equipment Group was \$128.7 million at December 28, 2019, most all of which is expected to be filled during 2020. The acquired EVO, Cooking Solutions Group, Powerhouse, Ss Brewtech and Synesso businesses accounted for \$16.3 million of the backlog. The Commercial Foodservice Equipment Group's backlog was \$134.5 million at December 29, 2018. The backlog is not necessarily indicative of the level of business expected for the year, as there is generally a short time between order receipt and shipment for the majority of this segment's products.

Food Processing Equipment Group

The backlog of orders for the Food Processing Equipment Group was \$137.8 million at December 28, 2019, all of which is expected to be filled during 2020. The acquired Pacproinc business accounted for \$5.2 million of the backlog. The Food Processing Equipment Group's backlog was \$103.5 million at December 29, 2018.

Residential Kitchen Equipment Group

The backlog of orders for the Residential Kitchen Equipment Group was \$41.0 million at December 28, 2019, all of which is expected to be filled during 2020. The acquired Brava business accounted for less than \$0.1 million of the backlog. The Residential Kitchen Equipment Group's backlog was \$47.8 million at December 29, 2018. The backlog is not necessarily indicative of the level of business expected for the year, as there is generally a short time between order receipt and shipment for the majority of this segment's products.

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.

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. During a typical sales process, a salesperson makes 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.

Residential Kitchen Equipment Group

The company's products are marketed through a network of distributors, dealers, designers, 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 were established in connection with the Viking and related Viking Distributors' acquisitions and include two primary customer support centers and regional warehouse and logistic operations, which stock products and service parts for the respective region.

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.

It is critical to major foodservice chains that equipment providers be capable of supporting equipment on a worldwide basis. The company's international service network covers over 100 countries with thousands of service technicians trained in the installation and service of the company's products and supported by internationally-based service managers along with the factory-based technical service engineers.

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: Welbilt, Inc.; Vulcan-Hart and Hobart Corporation, subsidiaries of Illinois Tool Works Inc.; Electrolux; Groen, a subsidiary of Dover Corporation; Rational AG; and the Ali Group. 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, Whirlpool Corporation, Electrolux, GE Appliances, LG Corporation, Panasonic Corporation and Samsung Group. However, within the premium segment of this kitchen equipment market, there are fewer competitors and the company's competition includes Wolf and Sub-Zero, subsidiaries of Sub-Zero Group, Inc.; Thermador, Bosch and Gaggenau, subsidiaries of Bosch Siemens; Dacor, subsidiary of Samsung Electronics America; and Miele.

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 domestic and seventeen international production facilities. These production facilities are located in Fort Smith, Arkansas; Brea, California; Vacaville, California; Windsor, California; Elgin, Illinois; Mundelein, Illinois; Rockton, Illinois; Menominee, Michigan; Bow, New Hampshire; Fuquay-Varina, North Carolina; Dayton, Ohio; Tualatin, Oregon; Bethlehem, Pennsylvania; Easton, Pennsylvania; Smithville, Tennessee; Carrollton, Texas; Essex Junction, Vermont (two separate facilities); Redmond, Washington; Seattle, Washington; New South Wales, Australia; Toronto, Canada; Humen, China, Qingdao City, China; Brøndby, Denmark; Randers, Denmark; Viljandi, Estonia; Nusco, Italy; Scandicci, Italy; Sedico, Italy; Nogales, Mexico; Laguna, the Philippines; Wislina, Poland; Pineda de Mar, Spain; Fristad, Sweden; Lincoln, the United Kingdom; and Wrexham, the United Kingdom.

The Food Processing Equipment Group manufactures its products in eleven domestic and six international production facilities. These production facilities are located in Gainesville, Georgia; Elgin, Illinois; Elk Grove, Illinois; Algona, Iowa; Clayton, North Carolina; Maysville, Oklahoma; Souderton, Pennsylvania; Plano, Texas; Waynesboro, Virginia; Bothell, Washington; Lodi, Wisconsin; Aalborg, Denmark; Mauron, France; Reichenau, Germany; Bangalore, India; Castelnuovo Rangone, Italy and Norwich, the United Kingdom.

The Residential Kitchen Equipment Group manufactures its products in six domestic and five international production facilities. These production facilities are located in Greenville, Michigan; Greenwood, Mississippi (four separate facilities); Brown Deer, Wisconsin; Saint Ouen L'aumone, France; Waterford, Ireland; Ketley, the United Kingdom; Leamington Spa, the United Kingdom and Nottingham, the United Kingdom.

Metal fabrication, finishing, sub-assembly and assembly operations are 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 and considers the present sources of supply to be adequate for its present and anticipated future requirements.

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 safety, while maintaining consistency and quality of cooking production and food preparation. 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.

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 provide for a significant competitive advantage due to a long-standing recognition in the marketplace with customers, restaurant operators, distribution partners, sales and service agents, and foodservice consultants that specify foodservice equipment. The company has historically maintained a high level of market share of products sold with these trademarks and trade names.

The company's leading portfolio of trade names of its Commercial Foodservice Equipment Group include Anets, APW Wyott, Bakers Pride, Beech, BKI, Blodgett, Blodgett Combi, Blodgett Range, Bloomfield, Britannia, Carter-Hoffmann, Celfrost, Concordia, CookTek, Crown, CTX, Desmon, Doyon, Eswood, EVO, Firex, Follett, Frifri, Giga, Globe, Goldstein, Holman, Houno, IMC, Induc, Jade, JoeTap, Jospier, L2F, Lang, Lincat, MagiKitch'n, Market Forge, Marsal, Middleby Marshall, MPC, Nieco, Nu-Vu, PerfectFry, Pitco, Powerhouse Dynamics, QualServ, Southbend, Ss Brewtech, Star, Starline, Sveba Dahlen, Synesso, Taylor, Toastmaster, TurboChef, Ultrafryer, Varimixer, Wells 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, Cozzini, CVP Systems, Danfotech, Drake, Emico, Glimek, Hinds-Bock, Maurer-Atmos, MP Equipment, M-TEK, Pacproinc, RapidPak, Scanico, Spooner Vicars, Stewart Systems, Thurne and Ve.Ma.C.

The company's leading portfolio of trade names of its Residential Kitchen Equipment Group include AGA, AGA Cookshop, Brava, EVO, Fired Earth, Heartland, La Cornue, Leisure Sinks, Lynx, Marvel, Mercury, Rangemaster, Rayburn, Redfyre, Sedona, Stanley, TurboChef, U-Line 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.

Employees

As of December 28, 2019, 9,778 persons were employed by the company and its subsidiaries among the various groups as described below.

Commercial Foodservice Equipment Group

As of December 28, 2019, 5,999 persons were employed within the Commercial Foodservice Equipment Group. Of this amount, 2,436 were management, administrative, sales, engineering and supervisory personnel; 3,084 were hourly production non-union workers; and 479 were hourly production union members. Included in these totals were 2,179 individuals employed outside of the United States, of which 1,170 were management, sales, administrative and engineering personnel, 841 were hourly production non-union workers and 168 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 December 31, 2020. At its Elgin, Illinois facility, the company has a union contract with the International Brotherhood of Teamsters that expires on July 31, 2022. 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 May 4, 2023. The company also has a union workforce at its manufacturing facility in the Philippines, under a contract that expires on June 30, 2021. Management believes that the relationships between employees, unions and management are good.

Food Processing Equipment Group

As of December 28, 2019, 1,532 persons were employed within the Food Processing Equipment Group. Of this amount, 776 were management, administrative, sales, engineering and supervisory personnel; 636 were hourly production non-union workers; and 120 were hourly production union members. Included in these totals were 633 individuals employed outside of the United States, of which 368 were management, sales, administrative and engineering personnel and 265 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, 2021. At its Algona, Iowa facility, the company has a union contract with the United Food and Commercial Workers that expires on December 30, 2022. Management believes that the relationships between employees, unions and management are good.

Residential Kitchen Equipment Group

As of December 28, 2019, 2,205 persons were employed within the Residential Kitchen Equipment Group. Of this amount, 1,090 were management, administrative, sales, engineering and supervisory personnel and 1,115 were hourly production workers. Included in these totals were 1,160 individuals employed outside of the United States, of which 665 were management, sales, administrative and engineering personnel and 495 were hourly non-union production workers. Management believes that the relationships between employees and management are good.

Corporate

As of December 28, 2019, 42 persons were employed at the corporate office.

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.

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. If any of the following risks actually occurs, the company's business, results of operations, cash flows and financial condition could be materially adversely affected. 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 conditions may cause a decline in business and consumer spending which could 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 adversely affected by the current and future economic conditions that caused, and may cause in the future, a decline in business and consumer spending, a reduction in the availability of credit and decreased growth by its existing customers, resulting in customers electing to delay the replacement of aging equipment. Higher energy costs, rising interest rates, weakness in the residential construction, housing and home improvement markets, financial market volatility, recession and acts of terrorism may 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.

Uncertainty surrounding the terms of the United Kingdom's withdrawal from the European Union may have a negative effect on global economic conditions, financial markets or the Company's business.

In June 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union in a national referendum. On January 31, 2020, the U.K. officially exited the European Union and entered into a transition period to negotiate the final terms of Brexit. The transition period is expected to end on December 31, 2020. Many potential future impacts of Brexit remain unclear and could adversely impact certain areas of labor and trade in addition to creating further short-term uncertainty and currency volatility. In the absence of a future trade deal, the U.K.'s trade with the European Union and the rest of the world would be subject to tariffs and duties set by the World Trade Organization. Additionally, the movement of goods between the U.K. and the remaining member states of the European Union will be subject to additional inspections and documentation checks, leading to possible delays at ports of entry and departure. These changes to the trading relationship between the U.K. and European Union would likely result in increased cost of goods imported into and exported from the U.K. and may decrease the profitability of the company's U.K. and other operations. Additional currency volatility could drive a weaker British pound, which increases the cost of goods imported into the U.K. operations and may decrease the profitability of the U.K. operations. A weaker British pound versus the U.S. dollar also causes local currency results of U.K. operations to be translated into fewer U.S. dollars during a reporting period. With a range of outcomes still possible, the impact from Brexit remains uncertain and will depend, in part, on the final outcome of tariff, trade, regulatory and other negotiations.

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 28, 2019, the company had \$1,873.1 million of borrowings and \$13.3 million in letters of credit outstanding. 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 adversely affect it in a number of ways, including the following:

- the company may be unable to obtain additional financing for working capital, capital expenditures, 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;
- the company may be disadvantaged competitively by its potential inability to adjust to changing market conditions, as a result of its significant level of indebtedness; 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;
- make capital expenditures and enter into leases; and
- acquire or dispose of 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 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.

Fluctuations in interest rates could adversely affect our results of operations and financial position.

Our profitability may be adversely affected during any periods of unexpected or rapid increases in interest rates. We maintain a revolving credit facility, which, at December 28, 2019, bore interest at either 1.625% above LIBOR per annum or 0.625% above the highest of the prime rate, the federal funds rate plus 0.50% and one month LIBOR plus 1.00%. A significant increase in any of the forgoing rates would significantly increase our 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 our 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 intangibles, which represent approximately 37% and 20%, respectively, of its total assets as of December 28, 2019. 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 can 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. Any such charge 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 financial statements.

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 and changes in discount rates may increase the company's funding obligations and adversely impact our financial statements. In addition, upward pressure on the cost of providing healthcare coverage to current employees and retirees may increase our future funding obligations and adversely affect our financial statements.

Competition in the commercial foodservice, food processing, and residential kitchen equipment industries is intense and 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. The company's ability to compete in the past has depended in part on the company's ability to develop innovative new products and bring them to market more quickly than the company's competitors. The company's ability to compete successfully will depend, in large part, on its ability to enhance and improve its existing products, 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's products, markets and services are not competitive, 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 has depended, and will continue to depend, on key customers for a material portion of its revenues. As a result, changes in the purchasing patterns of such 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 quarter to quarter depending on the company's customers' internal growth plans, construction, seasonality and other factors. In addition, during an economic downturn, key customers could both open fewer facilities and defer purchases of new equipment for existing operations. Either of these conditions could have a material adverse effect on the company's financial condition and results of operations.

Price changes 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 that the company is not able to pass on to its customers would adversely affect the company's operating results. In addition, an unanticipated delay in delivery of raw materials and component inventories by suppliers—including a delay due to capacity constraints, labor disputes, the financial condition of suppliers, weather emergencies, or other natural disasters—may 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'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 and investments or invest in other companies, businesses or technologies. Acquisitions entail numerous risks, including the following:

- difficulties in the assimilation of acquired businesses or technologies;
- inability to operate acquired businesses or utilize acquired technologies profitably;
- diversion of management's attention from other business concerns;
- potential assumption of unknown material liabilities;
- failure to achieve financial or operating objectives;
- unanticipated costs relating to acquisitions or to the integration of the 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.

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

The company has historically followed a strategy of identifying and acquiring businesses with complementary products and services. As part of its growth strategy, the company intends to pursue acquisitions that provide opportunities for profitable growth and which enable it to leverage its competitive strengths. 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 operations internationally 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 operations internationally. The company faces certain risks inherent in doing business in international markets. These risks include:

- extensive regulations and oversight, tariffs, including recently 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;
- effects of the United Kingdom's decision to exit the European Union and related potential disruption to trade;
- recent outbreak of coronavirus in China and other jurisdictions and uncertain impact on operations, suppliers and customers;
- 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;
- 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, management of foreign exchange risk, established domestic markets, language and cultural differences and economic or political instability. 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 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 assurances 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.

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

In December 2019, a strain of coronavirus was identified in Wuhan, China. The spread of this virus and other contagious diseases, or other adverse public health developments, could have a material and adverse effect on our business operations. These could include disruptions or restrictions on our ability to travel, as well as temporary closures of our facilities or the facilities of our suppliers or customers. Any disruption of our suppliers or customers would likely impact our sales and operating results. The extent to which the coronavirus may impact our results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus.

The company may not be able to adequately protect its intellectual property rights, and this inability 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 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 marketing of competing products in violation of our proprietary rights generally. 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 U.S. 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 on patent rights of others could result in litigation and adversely affect its ability to continue 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 were 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 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 manufacture, marketing and sale 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. Some 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, the company cannot assure you that it 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 will be able to obtain insurance on acceptable terms or that its 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 may be subject to litigation, environmental, and other legal compliance risks.

In addition to product liability claims, the company is subject to a variety of litigation, tax, and legal compliance risks. These risks include, among other things, possible liability relating to personal injuries, intellectual property rights, contract-related claims, taxes, environmental matters, 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 is subject to potential liability under environmental laws.

The company's operations are regulated under 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 and give rise to additional environmental liabilities, compliance costs, and penalties that could be material. Environmental laws and regulations are constantly evolving, and it is impossible to predict accurately 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 possible climate change legislation, regulation and international accords.

Government mandates, standards or regulations intended to reduce greenhouse gas emissions or projected climate change impacts have resulted, or are likely to result, in increased energy, manufacturing, transportation and raw material costs. Governmental requirements directed at regulation of 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 to the point that it impacts demand for those products.

Unfavorable tax law changes and tax authority rulings may adversely affect 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.

The company's reputation, ability to do business, and results of operations may be impaired by improper conduct by 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 it from acts committed by its employees, agents, or business partners that would 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 U.S. and in other jurisdictions, could lead to substantial civil or criminal, monetary and non-monetary penalties, and related shareholder lawsuits, could lead to increased costs of compliance and could damage the company's reputation.

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 commercial foodservice equipment, food processing equipment and residential kitchen equipment group;
- 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 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.

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 6% of the company's workforce as of December 28, 2019. 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 December 2020, December 2022, July 2022, May 2023 and December 2021, respectively. The company also has a union workforce at its manufacturing facility in the Philippines under a contract that extends through June 2021. Less than 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, whom 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 this personnel or their services under existing agreements. The incapacity, inability or unwillingness of certain of these people 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.

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, could 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 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 disrupt the company's business, increase costs and/or could 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 increase in terms of sophistication, we may invest additional resources in the security of our systems. Any such increased level of investment could 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, we may face substantial penalties if we fail to comply with regulations and laws regarding data protection.

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, but it may cause substantial fluctuations to the market price. 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 could possibly have an adverse impact upon the market price of the company's common stock.

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 our 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 2. Properties

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

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

Location	Principal Function	Square Footage	Owned/Leased	Lease Expiration
<i>Commercial Foodservice:</i>				
Fort Smith, AR	Manufacturing, Warehousing and Offices	440,200	Leased	Aug-31
Brea, CA	Manufacturing, Warehousing and Offices	80,700	Leased	Sep-20
Vacaville, CA	Manufacturing, Warehousing and Offices	81,200	Leased	May-27
Windsor, CA	Manufacturing, Warehousing and Offices	75,000	Leased	Apr-22
Elgin, IL	Manufacturing, Warehousing and Offices	207,000	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	130,900	Leased	Jun-23
Menominee, MI	Manufacturing, Warehousing and Offices	60,000	Owned	N/A
Fuquay-Varina, NC	Manufacturing, Warehousing and Offices	183,900	Owned	N/A
Bow, NH	Manufacturing, Warehousing and Offices	100,000	Owned	N/A
Concord, NH	Warehousing	39,000	Leased	Mar-20
Pembroke, NH	Warehousing	136,200	Leased	Nov-24
Dayton, OH	Manufacturing, Warehousing and Offices	37,700	Owned	N/A
Tualatin, OR	Manufacturing, Warehousing and Offices	16,500	Leased	Dec-20
Bethlehem, PA	Manufacturing, Warehousing and Offices	72,900	Leased	Dec-24
Easton, PA	Manufacturing, Warehousing and Offices	156,700	Owned	N/A
Smithville, TN	Manufacturing, Warehousing and Offices	268,000	Owned	N/A
Allen, TX	Warehousing	33,100	Leased	Feb-24
Carrollton, TX	Manufacturing, Warehousing and Offices	132,400	Leased	Aug-22
Essex Junction, VT	Manufacturing, Warehousing and Offices *	270,000	Owned	N/A
Redmond, WA	Manufacturing, Warehousing and Offices	42,400	Leased	May-22
Seattle, WA	Manufacturing, Warehousing and Offices	12,200	Leased	Aug-22
New South Wales, Australia	Manufacturing, Warehousing and Offices	204,900	Owned	N/A
Toronto, Canada	Manufacturing, Warehousing and Offices	101,500	Owned	N/A
Humen, China	Manufacturing, Warehousing	10,900	Leased	Mar-20
Qingdao City, China	Manufacturing, Warehousing and Offices	113,500	Leased	Jul-29
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
Nusco, Italy	Manufacturing, Warehousing and Offices	260,600	Owned	N/A
Scandicci, Italy	Manufacturing, Warehousing and Offices	37,600	Leased	Apr-25
Sedico, Italy	Manufacturing, Warehousing and Offices	52,500	Leased	Feb-24
Nogales, Mexico	Manufacturing, Warehousing and Offices	127,000	Owned	N/A
Laguna, the Philippines	Manufacturing, Warehousing and Offices	115,200	Owned	N/A
Wiślina, Poland	Manufacturing, Warehousing and Offices	77,500	Owned	N/A
Pineda de Mar, Spain	Manufacturing, Warehousing and Offices	50,100	Owned	N/A
Fristad, Sweden	Manufacturing, Warehousing and Offices	173,800	Owned	N/A
Lincoln, the United Kingdom	Manufacturing, Warehousing and Offices	100,000	Owned	N/A
Wrexham, the United Kingdom	Manufacturing, Warehousing and Offices	62,600	Owned	N/A

Location	Principal Function	Square Footage	Owned/Leased	Lease Expiration
<i>Food Processing:</i>				
Gainesville, GA	Manufacturing, Warehousing and Offices	107,400	Owned	N/A
Elgin, IL	Manufacturing, Warehousing and Offices	25,000	Owned	N/A
Elk Grove, IL	Manufacturing, Warehousing and Offices	101,500	Leased	Nov-29
Algona, IA	Manufacturing, Warehousing and Offices	70,100	Owned	N/A
Clayton, NC	Manufacturing, Warehousing and Offices	65,000	Leased	Oct-24
Maysville, OK	Manufacturing, Warehousing and Offices	36,700	Owned	N/A
Souderton, PA	Manufacturing, Warehousing and Offices	35,000	Owned	N/A
Plano, TX	Manufacturing, Warehousing and Offices	339,100	Leased	Apr-22
Waynesboro, VA	Manufacturing, Warehousing and Offices	26,400	Owned	N/A
Bothell, WA	Manufacturing, Warehousing and Offices	23,600	Leased	May-25
Lodi, WI	Manufacturing, Warehousing and Offices	114,600	Owned	N/A
Aalborg, Denmark	Manufacturing, Warehousing and Offices	68,300	Leased	Dec-22
Mauron, France	Manufacturing, Warehousing and Offices	112,400	Leased	Dec-22
Reichenau, Germany	Manufacturing, Warehousing and Offices	57,900	Owned	N/A
Bangalore, India	Manufacturing, Warehousing and Offices	75,000	Leased	Mar-24
Castelnuovo Rangone, Italy	Manufacturing, Warehousing and Offices	26,900	Leased	Dec-23
Norwich, the United Kingdom	Manufacturing, Warehousing and Offices	30,000	Owned	N/A
<i>Residential Kitchen:</i>				
Chino, CA	Warehousing and Offices	100,000	Leased	Feb-22
Redwood City, CA	Warehousing and Offices	20,600	Leased	Jan-20
Buford, GA	Warehousing and Offices	178,100	Leased	Feb-23
Greenville, MI	Manufacturing, Warehousing and Offices	225,000	Owned	N/A
Greenwood, MS	Manufacturing, Warehousing and Offices **	738,000	Owned	N/A
Brown Deer, WI	Manufacturing, Warehousing and Offices	165,400	Leased	May-22
Saint Ouen L'aumone, France	Manufacturing, Warehousing	30,400	Owned	N/A
Waterford, Ireland	Manufacturing, Warehousing and Offices	73,000	Leased	Jul-27
Adderbury, the United Kingdom	Warehousing and Offices	82,500	Leased	Aug-20
Ketley, the United Kingdom	Manufacturing and Offices	217,300	Owned	N/A
Leamington Spa, the United Kingdom	Manufacturing and Offices	270,200	Owned	N/A
Leamington Spa, the United Kingdom	Warehousing and Offices	100,300	Leased	Aug-29
Nottingham, the United Kingdom	Manufacturing 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, India, Italy, Mexico, Russia, 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 Market under the symbol "MIDD".

Shareholders

The company estimates there were approximately 60,247 record holders of the company's common stock as of February 24, 2020.

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.”

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)
September 29 to October 26, 2019	—	\$ —	—	2,373,800
October 27 to November 23, 2019	—	—	—	2,373,800
November 24 to December 28, 2019	—	—	—	2,373,800
Quarter ended December 28, 2019	—	\$ —	—	2,373,800

(1) In November 2017, the company's Board of Directors approved a 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 open market purchases or negotiated transactions. As of December 28, 2019, 126,200 shares had been purchased under the 2017 stock repurchase program. At December 28, 2019, the company had a total of 6,940,089 shares in treasury amounting to \$451.3 million.

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. Selected Financial Data

(amounts in thousands, except per share data)
Fiscal Year Ended(1, 2)

	2019	2018	2017	2016	2015
Income Statement Data:					
Net sales	\$2,959,446	\$2,722,931	\$2,335,542	\$2,267,852	\$1,826,598
Cost of sales	1,855,949	1,718,791	1,422,801	1,366,672	1,120,093
Gross profit	1,103,497	1,004,140	912,741	901,180	706,505
Selling, general, and administrative expenses	593,813	538,842	468,219	471,638	378,366
Restructuring expenses	10,480	19,332	19,951	10,524	28,754
Gain on litigation settlement	(14,839)	—	—	—	—
Gain on sale of plant	—	—	(12,042)	—	—
Impairment of intangible asset	—	—	58,000	—	—
Income from operations	514,043	445,966	378,613	419,018	299,385
Interest expense and deferred financing amortization, net	82,609	58,742	25,983	23,880	16,967
Net periodic pension benefit (other than service costs)	(28,857)	(38,114)	(31,728)	(27,207)	(3,218)
Other (income) expense, net	(2,328)	1,825	829	1,040	4,469
Earnings before income taxes	462,619	423,513	383,529	421,305	281,167
Provision for income taxes	110,379	106,361	85,401	137,089	89,557
Net earnings	<u>\$ 352,240</u>	<u>\$ 317,152</u>	<u>\$ 298,128</u>	<u>\$ 284,216</u>	<u>\$ 191,610</u>
Net earnings per share:					
Basic	\$ 6.33	\$ 5.71	\$ 5.26	\$ 4.98	\$ 3.36
Diluted	\$ 6.33	\$ 5.70	\$ 5.26	\$ 4.98	\$ 3.36
Weighted average number of shares outstanding:					
Basic	55,647	55,576	56,715	57,030	56,951
Diluted	55,656	55,604	56,719	57,085	56,973
Balance Sheet Data:					
Working capital	\$ 616,059	\$ 502,642	\$ 458,236	\$ 323,290	\$ 285,191
Total assets	5,002,143	4,549,781	3,339,713	2,917,136	2,761,151
Total debt	1,873,140	1,892,105	1,028,881	732,126	766,061
Stockholders' equity	1,946,814	1,665,203	1,361,148	1,265,318	1,166,830

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

(2) The company has acquired numerous businesses in the periods presented. Please see Note 2 in the Notes to Consolidated Financial Statements for further information.

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;
- the company's ability to maintain and grow the Viking reputation and brand image;
- 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.

NET SALES SUMMARY
(dollars in thousands)

	Fiscal Year Ended(1)					
	2019		2018		2017	
	<u>Sales</u>	<u>Percent</u>	<u>Sales</u>	<u>Percent</u>	<u>Sales</u>	<u>Percent</u>
<u>Business Segments:</u>						
Commercial Foodservice	\$ 1,984,345	67.1%	\$ 1,729,814	63.5%	\$ 1,382,108	59.2%
Food Processing	400,951	13.5	389,594	14.3	352,717	15.1
Residential Kitchen	574,150	19.4	603,523	22.2	600,717	25.7
Total	<u>\$ 2,959,446</u>	<u>100.0%</u>	<u>\$ 2,722,931</u>	<u>100.0%</u>	<u>\$ 2,335,542</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:

	Fiscal Year Ended(1)		
	2019	2018	2017
Net sales	100.0%	100.0%	100.0%
Cost of sales	62.7	63.1	60.9
Gross profit	37.3	36.9	39.1
Selling, general and administrative expenses	20.1	19.8	20.0
Restructuring	0.3	0.7	0.9
Gain on litigation settlement	(0.5)	—	—
Gain on sale of plant	—	—	(0.5)
Impairment of intangible assets	—	—	2.5
Income from operations	17.4	16.4	16.2
Interest expense and deferred financing amortization, net	2.9	2.2	1.1
Net periodic pension benefit (other than service costs)	(1.0)	(1.4)	(1.3)
Other (income) expense, net	(0.1)	0.1	—
Earnings before income taxes	15.6	15.5	16.4
Provision for income taxes	3.7	3.9	3.7
Net earnings	11.9%	11.6%	12.7%

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

Fiscal Year Ended December 28, 2019 as Compared to December 29, 2018

NET SALES. Net sales in fiscal 2019 increased by \$236.5 million, or 8.7%, to \$2,959.4 million as compared to \$2,722.9 million in fiscal 2018. The increase in net sales of \$278.9 million, or 10.2%, was attributable to acquisition growth, resulting from the fiscal 2018 acquisitions of Hinds-Bock, Ve.Ma.C, Firex, Josper, Taylor, M-TEK, and Crown and the fiscal 2019 acquisitions of EVO, Cooking Solutions Group, Powerhouse, Ss Brewtech, Pacproinc, Synesso, and Brava. Excluding acquisitions and closure of a non-core business, net sales decreased \$33.3 million, or 1.2%, from the prior year. The impact of foreign exchange rates on foreign sales translated into U.S. Dollars for fiscal 2019 decreased net sales by approximately \$36.1 million or 1.3%. Excluding the impact of foreign exchange, acquisitions and closure of a non-core business, sales increased 0.1% for the year, including a net sales increase of 1.6% at the Commercial Foodservice Equipment Group, a net sales decrease of 3.3% at the Food Processing Equipment Group and a net sales decrease of 2.0% at the Residential Kitchen Equipment Group.

- Net sales of the Commercial Foodservice Equipment Group increased by \$254.5 million, or 14.7%, to \$1,984.3 million in fiscal 2019 as compared to \$1,729.8 million in fiscal 2018. Net sales from the acquisitions of Firex, Josper, Taylor, Crown, EVO, Cooking Solutions Group, Powerhouse, Ss Brewtech, and Synesso, which were acquired on April 27, 2018, May 10, 2018, June 22, 2018, December 3, 2018, December 31, 2018, April 1, 2019, April 1, 2019, June 15, 2019, and November 27, 2019, respectively, accounted for an increase of \$247.1 million during fiscal 2019. Excluding the impact of acquisitions, net sales of the Commercial Foodservice Equipment Group increased \$7.4 million, or 0.4%, as compared to the prior year. Excluding the impact of foreign exchange and acquisitions, net sales increased \$27.2 million, or 1.6% at the Commercial Foodservice Equipment Group. Domestically, the company realized a sales increase of \$158.8 million, or 13.5%, to \$1,334.8 million, as compared to \$1,176.0 million in the prior year. This includes an increase of \$158.3 million from recent acquisitions. Excluding acquisitions, net sales were relatively flat. International sales increased \$95.7 million, or 17.3%, to \$649.5 million, as compared to \$553.8 million in the prior year. This includes the increase of \$88.8 million from recent acquisitions and a decrease of \$19.8 million related to the unfavorable impact of exchange rates. Excluding acquisitions and foreign exchange, the net sales increase in international sales was \$26.7 million, or 4.8%. The increase in international revenues reflects strengthening of sales in the Asian and Latin American markets.
- Net sales of the Food Processing Equipment Group increased by \$11.4 million, or 2.9%, to \$401.0 million in fiscal 2019, as compared to \$389.6 million in fiscal 2018. Net sales from the acquisitions of Hinds-Bock, Ve.Ma.C, M-TEK and Pacproinc, which were acquired on February 16, 2018, April 3, 2018, October 1, 2018, and July 16, 2019 respectively, accounted for an increase of \$29.3 million. Excluding the impact of acquisitions, net sales of the Food Processing Equipment Group decreased \$17.9 million, or 4.6%. Excluding the impact of foreign exchange and acquisitions net sales decreased \$12.7 million, or 3.3% at the Food Processing Equipment Group. Domestically, the company realized a sales decrease of \$17.1 million, or 6.5%, to \$246.6 million, as compared to \$263.7 million in the prior year. This includes an increase of \$24.1 million from recent acquisitions. Excluding acquisitions, net sales decreased \$41.2 million, or 15.6%. International sales increased \$28.5 million, or 22.6%, to \$154.4 million, as compared to \$125.9 million in the prior year. This includes the increase of \$5.2 million from the recent acquisitions and a decrease of \$5.2 million related to the unfavorable impact of exchange rates. Excluding acquisitions and foreign exchange, the net sales decrease in international sales was \$28.5 million, or 22.6%. Revenues for the Food Processing Equipment Group have been affected by the timing and deferral of certain larger projects.
- Net sales of the Residential Kitchen Equipment Group decreased by \$29.4 million, or 4.9%, to \$574.1 million in fiscal 2019, as compared to \$603.5 million in fiscal 2018. Excluding the impact of foreign exchange, the acquisition of Brava, acquired November, 19, 2019, and closure of a non-core business, net sales decreased \$11.7 million, or 2.0% at the Residential Kitchen Equipment Group. Domestically, the company realized a sales decrease of \$4.0 million, or 1.1%, to \$362.7 million, as compared to \$366.7 million in the prior year. Excluding acquisitions and closure of a non-core business the net sales decrease in domestic sales was \$4.7 million, or 1.3%. International sales decreased \$25.4 million, or 10.7% to \$211.4 million, as compared to \$236.8 million in the prior year. This includes an unfavorable impact of exchange rates of \$11.1 million. Excluding the impact of foreign exchange, acquisition, and closure of a non-core business the net sales decrease in international sales was \$7.0 million, or 3.1%. The decrease in international revenues reflects decline of sales in the European market.

GROSS PROFIT. Gross profit increased by \$99.4 million to \$1,103.5 million in fiscal 2019 from \$1,004.1 million in fiscal 2018, reflecting the impact of increased sales from acquisitions and unfavorable impact of foreign exchange rates of \$12.1 million. The gross margin rate increased from 36.9% in 2018 to 37.3% in 2019. The gross margin rate in fiscal 2019 excluding acquisitions and impact of foreign exchange was 37.9%.

- Gross profit at the Commercial Foodservice Equipment Group increased by \$88.1 million, or 13.4%, to \$746.6 million in fiscal 2019 as compared to \$658.5 million in fiscal 2018. Gross profit from the acquisitions of Firex, Jospet, Taylor, Crown, EVO, Cooking Solutions Group, Powerhouse, Ss Brewtech, and Synesso, accounted for approximately \$73.3 million of the increase in gross profit during fiscal 2019. Excluding acquisitions, the gross profit increased by approximately \$14.8 million largely due to selling prices. The impact of foreign exchange rates decreased gross profit by approximately \$6.1 million. The gross profit margin rate decreased to 37.6% as compared to 38.1% in the prior year, primarily due to lower margins at recent acquisitions. The gross margin rate in fiscal 2019 excluding acquisitions and impact of foreign exchange was 38.7%.
- Gross profit at the Food Processing Equipment Group increased by \$8.6 million, or 6.4%, to \$142.2 million in fiscal 2019 as compared to \$133.6 million in fiscal 2018. Gross profit from the acquisitions of Hinds-Bock, Ve.Ma.C, M-TEK and Pacproinc, accounted for approximately \$12.8 million of the increase in gross profit during fiscal 2019. Excluding acquisitions, the gross profit decreased by approximately \$4.2 million based on lower sales volumes. The impact of foreign exchange rates decreased gross profit by approximately \$2.1 million. The gross profit margin rate increased to 35.5% in fiscal 2019 as compared to 34.3% in the prior year, reflecting the impact of acquisitions. The gross margin rate in fiscal 2019 excluding acquisitions and impact of foreign exchange was 34.9%.
- Gross profit at the Residential Kitchen Equipment Group decreased by \$0.3 million, or 0.1%, to \$216.8 million in fiscal 2019 as compared to \$217.1 million in fiscal 2018. Gross profit was offset by unfavorable foreign exchange rates of \$3.9 million. The gross margin rate increased to 37.8% in fiscal 2019 as compared to 36.0% in the prior year. The gross margin rate in fiscal 2019 excluding acquisitions and impact of foreign exchange was 37.7%.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES. Combined selling, general, and administrative expenses increased by \$55.0 million to \$593.8 million in fiscal 2019 from \$538.8 million in 2018. As a percentage of net sales, selling, general and administrative expenses amounted to 20.1% in fiscal 2019 and 19.8% in fiscal 2018.

Selling, general and administrative expenses reflect increased costs of \$64.3 million associated with the fiscal 2018 acquisitions of Hinds-Bock, Ve.Ma.C, Firex, Jospet, Taylor, M-TEK, and Crown and the fiscal 2019 acquisitions of EVO, Cooking Solutions Group, Powerhouse, Ss Brewtech, Pacproinc, Synesso, and Brava, including \$19.6 million of non-cash intangible amortization expense. Selling, general and administrative expenses increased by \$10.0 million related to transition costs with the former Chairman and CEO upon his retirement in February 2019 and \$5.6 million related to higher non-cash share based compensation. The increase was offset by the favorable impact of foreign exchange rates of \$7.6 million and \$13.6 million related to lower compensation costs.

RESTRUCTURING EXPENSES. Restructuring expenses decreased \$8.8 million to \$10.5 million from \$19.3 million in the prior year period. In fiscal 2019, restructuring charges related primarily to headcount reductions and cost reduction initiatives related to facility consolidations at the Commercial Foodservice Equipment Group and Residential Kitchen Equipment Group. During fiscal 2018, restructuring charges related primarily to exiting operations of a non-core business in the Residential Kitchen Equipment Group, as well as headcount reductions at the Commercial Foodservice Equipment Group and additional cost reduction initiatives related to the AGA Group.

GAIN ON LITIGATION SETTLEMENT. During the fourth quarter, we reached a settlement with respect to a lawsuit filed by the Company arising from a prior acquisition included in the Residential Kitchen Equipment Group. The gain associated with this settlement, which is net of the release of funds in escrow, is reflected in the consolidated statement of earnings.

INCOME FROM OPERATIONS. Income from operations increased \$68.0 million to \$514.0 million in fiscal 2019 from \$446.0 million in fiscal 2018. Operating income as a percentage of net sales amounted to 17.4% in 2019 as compared to 16.4% in 2018. The increase in operating income resulted from the increase in net sales and gross profit, offset partially by increased operating expenses. Operating income in fiscal 2019 included the gain on litigation settlement, offset by the transition costs related to the former Chairman and CEO. Excluding the impact of restructuring expenses and gain on litigation settlement, offset by the transition costs related to the former Chairman and CEO, operating income increased \$54.5 million to \$519.8 million in fiscal 2019 from \$465.3 million in fiscal 2018. Operating income as a percentage of net sales, excluding those items, amounted to 17.6% in 2019 in comparison to 17.1% in 2018.

Income from operations in 2019 included \$110.0 million of non-cash expenses, including \$37.9 million of depreciation expense, \$64.0 million of intangible amortization related to acquisitions and \$8.1 million of stock based compensation. This compares to \$98.3 million of non-cash expenses in the prior year, including \$35.8 million of depreciation expense, \$60.0 million of intangible amortization related to acquisitions and \$2.5 million of stock based compensation costs.

NON-OPERATING EXPENSES. Non-operating expenses increased \$29.0 million to \$51.4 million of expense in fiscal 2019 from \$22.4 million of income in fiscal 2018. Net interest expense and deferred financing increased \$23.9 million to \$82.6 million in fiscal 2019 from \$58.7 million in fiscal 2018 reflecting higher interest rates and higher debt balances related to the funding of acquisitions. Net periodic pension benefit (other than service costs) increased \$9.2 million to \$28.9 million in fiscal 2019 from \$38.1 million in fiscal 2018, related to the increase in discount rate used to calculate the interest cost and lower expected returns on assets driven by lower asset values for fiscal 2019.

INCOME TAXES. A tax provision of \$110.4 million, at an effective rate of 23.9%, was recorded for fiscal 2019 as compared to \$106.4 million at an effective rate of 25.1%, in fiscal 2018. In comparison to the prior year the tax provision reflects favorable tax adjustments for a refund of foreign taxes, enacted tax rate changes in several foreign jurisdictions and adjustments for the finalization of 2018 tax returns. The effective rates in 2019 and 2018 are higher than the federal tax rate of 21% primarily due to state taxes, non-deductible expenses and foreign tax rate differentials.

Fiscal Year Ended December 29, 2018 as Compared to December 30, 2017

NET SALES. Net sales in fiscal 2018 increased by \$387.4 million, or 16.6%, to \$2,722.9 million as compared to \$2,335.5 million in fiscal 2017. The increase in net sales of \$375.2 million, or 16.1%, was attributable to acquisition growth, resulting from the fiscal 2017 acquisitions of Burford, CVP Systems, Sveba Dahlen, QualServ, L2F, Globe, and Scanico and the fiscal 2018 acquisitions of Hinds-Bock, Ve.Ma.C, Firex, Jospser, Taylor, M-TEK, and Crown. Excluding acquisitions, net sales increased \$12.2 million, or 0.5%, from the prior year. The impact of foreign exchange rates on foreign sales translated into U.S. Dollars for fiscal 2018 increased net sales by approximately \$9.4 million or 0.4%. The adoption of ASC 606 increased net sales by approximately \$20.6 million primarily related to previously recognized revenue on long-term equipment sales and contracts at the Food Processing Equipment Group. Excluding the impact of foreign exchange, acquisitions and the adoption of ASC 606, sales decreased 0.8% for the year, including a net sales increase of 3.1% at the Commercial Foodservice Equipment Group, a net sales decrease of 15.7% at the Food Processing Equipment Group and a net sales decrease of 0.9% at the Residential Kitchen Equipment Group.

- Net sales of the Commercial Foodservice Equipment Group increased by \$347.7 million, or 25.2%, to \$1,729.8 million in fiscal 2018 as compared to \$1,382.1 million in fiscal 2017. Net sales from the acquisitions of Sveba Dahlen, QualServ, L2F, Globe, Firex, Jospser, Taylor, and Crown which were acquired on June 30, 2017, August 31, 2017, October 6, 2017, October 17, 2017, April 27, 2018, May 10, 2018, June 22, 2018, and December 3, 2018, respectively, accounted for an increase of \$304.7 million during fiscal 2018. Excluding the impact of acquisitions, net sales of the Commercial Foodservice Equipment Group increased \$43.0 million, or 3.1%, as compared to the prior year. Excluding the impact of foreign exchange and acquisitions, net sales increased \$42.9 million, or 3.1% at the Commercial Foodservice Equipment Group. Domestically, the company realized a sales increase of \$207.5 million, or 21.4%, to \$1,176.0 million, as compared to \$968.5 million in the prior year. This includes an increase of \$166.6 million from recent acquisitions. Excluding acquisitions, net sales increased \$40.9 million, or 4.2%, related to increased sales with major chain restaurants and retail customers. International sales increased \$140.2 million, or 33.9%, to \$553.8 million, as compared to \$413.6 million in the prior year. This includes the increase of \$138.1 million from recent acquisitions and an increase of \$0.1 million related to the favorable impact of exchange rates. Excluding acquisitions and foreign exchange, the net sales increase in international sales was \$2.0 million, or 0.5%.
- Net sales of the Food Processing Equipment Group increased by \$36.9 million, or 10.5%, to \$389.6 million in fiscal 2018, as compared to \$352.7 million in fiscal 2017. Net sales from the acquisitions of Burford, CVP Systems, Scanico, Hinds-Bock, Ve.Ma.C, and M-TEK which were acquired on May 1, 2017, June 30, 2017, December 7, 2017, February 16, 2018, April 3, 2018, and October 1, 2018, respectively, accounted for an increase of \$70.5 million. Excluding the impact of these acquisitions, net sales of the Food Processing Equipment Group decreased \$33.6 million, or 9.5%. The adoption of ASC 606 increased net sales by approximately \$20.6 million. Excluding the impact of foreign exchange, acquisitions, and ASC 606 net sales decreased \$55.4 million, or 15.7% at the Food Processing Equipment Group. Domestically, the company realized a sales increase of \$7.0 million, or 2.7%, to \$263.7 million, as compared to \$256.7 million in the prior year. This includes an increase of \$33.2 million from recent acquisitions. Excluding acquisitions, net sales decreased \$26.2 million, or 10.2%. International sales increased \$29.9 million, or 31.1%, to \$125.9 million, as compared to \$96.0 million in the prior year. This includes the increase of \$37.3 million from the recent acquisitions and an increase of \$1.2 million related to the favorable impact of exchange rates. Excluding acquisitions and foreign exchange, the net sales decrease in international sales was \$8.6 million, or 9.0%. Revenues for the Food Processing Equipment Group have been affected by the timing and deferral of certain larger projects.
- Net sales of the Residential Kitchen Equipment Group increased by \$2.8 million, or 0.5%, to \$603.5 million in fiscal 2018, as compared to \$600.7 million in fiscal 2017. Excluding the impact of foreign exchange, net sales decreased \$5.3 million, or 0.9% at the Residential Kitchen Equipment Group. Domestically, the company realized a sales increase of \$22.5 million, or 6.5%, to \$366.7 million, as compared to \$344.2 million in the prior year. Sales at Viking increased by approximately 15% in fiscal 2018. International sales decreased \$19.7 million, or 7.7% to \$236.8 million, as compared to \$256.5 million in the prior year. This includes a favorable impact of exchange rates of \$8.1 million. Excluding foreign exchange, the net sales decrease in international sales was \$27.8 million, or 10.8%, related to slower conditions in the UK market. In addition, sales decreased at non-core businesses, acquired in connection with AGA, and have been impacted by restructuring initiatives. Restructuring initiatives at Grange, one of the non-core businesses, was substantially completed at the end of fiscal 2018.

GROSS PROFIT. Gross profit increased by \$91.4 million to \$1,004.1 million in fiscal 2018 from \$912.7 million in fiscal 2017, reflecting the impact of increased sales from acquisitions, adoption of ASC 606 and favorable impact of foreign exchange rates of \$3.9 million. The gross margin rate decreased from 39.1% in 2017 to 36.9% in 2018. The gross margin rate in fiscal 2018 excluding acquisitions, adoption of ASC 606 and impact of foreign exchange was 38.4%.

- Gross profit at the Commercial Foodservice Equipment Group increased by \$106.6 million, or 19.3%, to \$658.5 million in fiscal 2018 as compared to \$551.9 million in fiscal 2017. Gross profit from the acquisitions of Sveba Dahlen, QualServ, L2F, Globe, Firex, Jospers, Taylor, and Crown accounted for approximately \$80.5 million of the increase in gross profit during fiscal 2018. Excluding acquisitions, the gross profit increased by approximately \$26.1 million due to higher sales volume. The impact of foreign exchange rates increased gross profit by approximately \$0.6 million. The gross profit margin rate decreased to 38.1% as compared to 39.9% in the prior year, primarily due to lower margins at recent acquisitions. The gross margin rate in fiscal 2018 excluding acquisitions and impact of foreign exchange was 40.5%.
- Gross profit at the Food Processing Equipment Group decreased by \$9.5 million, or 6.6%, to \$133.6 million in fiscal 2018 as compared to \$143.1 million in fiscal 2017. Gross profit from the acquisitions of Burford, CVP Systems, Scanico, Hinds-Bock, Ve.Ma.C, and M-TEK accounted for approximately \$25.1 million of the increase in gross profit during fiscal 2018. The adoption of ASC 606 increased gross profit by approximately \$5.3 million. Excluding the recent acquisitions and adoption of ASC 606, the gross profit decreased by approximately \$39.9 million based on lower sales volumes. The impact of foreign exchange rates increased gross profit by approximately \$0.8 million. The gross profit margin rate decreased to 34.3% in fiscal 2018 as compared to 40.6% in the prior year, reflecting the impact of lower volumes and unfavorable product mix resulting from lesser sales of protein equipment which generally have higher margins. The gross margin rate in fiscal 2018 excluding acquisitions, adoption of ASC 606, and impact of foreign exchange was 34.4%.
- Gross profit at the Residential Kitchen Equipment Group decreased by \$5.8 million, or 2.6%, to \$217.1 million in fiscal 2018 as compared to \$222.9 million in fiscal 2017. The impact of foreign exchange rates increased gross profit by approximately \$2.5 million. The gross margin rate decreased to 36.0% in fiscal 2018 as compared to 37.1% in the prior year, primarily related to the impact of domestic distribution changes and sales incentives for the Viking brand. The gross margin rate in fiscal 2018 excluding the impact of foreign exchange was 36.0%.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES. Combined selling, general, and administrative expenses increased by \$70.6 million to \$538.8 million in fiscal 2018 from \$468.2 million in 2017. As a percentage of net sales, selling, general and administrative expenses amounted to 19.8% in fiscal 2018 and 20.0% in fiscal 2017.

Selling, general and administrative expenses reflect increased costs of \$78.3 million associated with the fiscal 2017 acquisitions of Burford, CVP Systems, Sveba Dahlen, QualServ, L2F, Globe, and Scanico and the fiscal 2018 acquisitions of Hinds-Bock, Ve.Ma.C, Firex, Jospers, Taylor, M-TEK, and Crown, including \$27.1 million of non-cash intangible amortization expense. The unfavorable impact of foreign exchange rates increased selling, general and administrative expenses by approximately \$3.0 million. Additionally, selling, general and administrative expenses decreased by \$3.7 million related to lower non-cash share based compensation and \$5.7 million related to lower intangible amortization expense.

RESTRUCTURING EXPENSES. Restructuring expenses decreased \$0.7 million to \$19.3 million from \$20.0 million in the prior year period. In fiscal 2018, restructuring charges primarily related to exiting operations of a non-core business in the Residential Kitchen Equipment Group, headcount reductions at the Commercial Foodservice Equipment Group and additional cost reduction initiatives related to the AGA Group. Restructuring expenses during fiscal 2017 included cost reduction initiatives primarily related to headcount reductions at all three operating segments.

GAIN ON SALE OF PLANT. In fiscal 2017, the gain on sale of plant in the amount of \$12.0 million was related to the sale of a manufacturing facility, proceeds of which were used to purchase a larger manufacturing facility to gain efficiencies in workflow and allow for future manufacturing consolidation efforts.

IMPAIRMENT OF INTANGIBLE ASSET. In fiscal 2017, the impairment of intangible asset in the amount of \$58.0 million was recognized related to the Viking tradename within the company's annual impairment assessment of goodwill and indefinite-lived assets. The impairment resulted from weaker than expected revenue performance in 2017 and a corresponding reduction in the future revenue expectations. The decline in revenues was attributable, in part, to the product recall announced in 2015 related to products manufactured prior to the acquisition of Viking.

INCOME FROM OPERATIONS. Income from operations increased \$67.4 million to \$446.0 million in fiscal 2018 from \$378.6 million in fiscal 2017. Operating income as a percentage of net sales amounted to 16.4% in 2018 as compared to 16.2% in 2017. The increase in operating income resulted from the increase in net sales and gross profit, offset partially by increased operating expenses. Operating income in fiscal 2017 included the gain on sale of plant and impairment of intangible assets. Excluding the impact of restructuring expenses, gain on sale of plant, and impairment of intangible assets, operating income increased \$20.7 million to \$465.3 million in fiscal 2018 from \$444.6 million in fiscal 2017. Operating income as a percentage of net sales, excluding those items, amounted to 17.1% in 2018 in comparison to 19.0% in 2017, reflecting the impact of acquisitions.

Income from operations in 2018 included \$98.3 million of non-cash expenses, including \$35.8 million of depreciation expense, \$60.0 million of intangible amortization related to acquisitions and \$2.5 million of stock based compensation. This compares to \$132.5 million of non-cash expenses in the prior year, including \$29.7 million of depreciation expense, \$38.6 million of intangible amortization related to acquisitions, \$58.0 million related to the impairment of intangible asset and \$6.2 million of stock based compensation costs.

NON-OPERATING EXPENSES. Non-operating expenses increased \$27.3 million to \$22.4 million of expense in fiscal 2018 from \$4.9 million of income in fiscal 2017. Net interest expense and deferred financing increased \$32.7 million to \$58.7 million in fiscal 2018 from \$26.0 million in fiscal 2017 reflecting higher interest rates and higher debt balances related to the funding of acquisitions. Net periodic pension benefit (other than service costs) increased \$6.4 million to \$38.1 million in fiscal 2018 from \$31.7 million in fiscal 2017.

INCOME TAXES. A tax provision of \$106.4 million, at an effective rate of 25.1%, was recorded for fiscal 2018 as compared to \$85.4 million at an effective rate of 22.3%, in fiscal 2017. In comparison to the prior year period, the tax provision reflects a lower federal tax rate of 21.0% as opposed to 35.0% in 2017, partially offset by additional taxes due under the Tax Cuts and Jobs Act of 2017. The 2017 tax provision was lower than the statutory rate of 35.0% primarily due to deferred tax adjustments resulting from the tax rate reduction to 21% under the Tax Cuts and Job Act of 2017, discrete tax benefit recognized as a result of the adoption of ASU No. 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Accounting" and the reversal of a valuation allowance.

Financial Condition and Liquidity

Total cash and cash equivalents increased by \$22.8 million to \$94.5 million at December 28, 2019 from \$71.7 million at December 29, 2018. Net borrowings decreased to \$1,873.1 million at December 28, 2019, from \$1,892.1 million at December 29, 2018.

OPERATING ACTIVITIES. Net cash provided by operating activities before changes in assets and liabilities amounted to \$457.2 million as compared to \$405.7 million in the prior year. Net cash provided by operating activities after changes in assets and liabilities amounted to \$377.4 million as compared to \$368.9 million in the prior year.

During fiscal 2019, net cash used to fund changes in assets and liabilities amounted to \$79.7 million, primarily related to higher working capital levels. This resulted from the timing of payments and collections and inventory increases largely attributable to mitigating risks around order fulfillment rates managing ongoing facility consolidations efforts.

In connection with the company's acquisition activities during the year, 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 change in working capital.

INVESTING ACTIVITIES. During 2019, net cash used for investing activities amounted to \$327.7 million. This included \$281.3 million of the 2019 acquisitions of EVO, Cooking Solutions Group, Powerhouse, Ss Brewtech, Pacproinc, Brava and Synesso, and \$46.6 million primarily associated with additions and upgrades of production equipment and manufacturing facilities.

FINANCING ACTIVITIES. Net cash flows used for financing activities amounted to \$25.4 million in 2019. The company's borrowing activities included \$17.1 million of net repayments under its \$3.0 billion Credit Facility. Additionally, the company used \$6.1 million to repurchase 50,848 shares of Middleby common stock that were surrendered to the company for withholding taxes related to restricted stock vestings during the quarter. During 2018, financing cash flows were primarily impacted by the purchase of Taylor, which resulted in approximately \$1.0 billion of borrowings, as well as other acquisitions. Subsequent to the end of fiscal year December 28, 2019, the company entered into an amended and restated credit agreement. See Note 14 to the consolidated financial statements for further information.

At December 28, 2019, the company was in compliance with all covenants pursuant to its borrowing agreements. Management believes that future cash flows from operating activities and borrowings from current lenders will provide the company with sufficient financial resources to meet its anticipated requirements for working capital, capital expenditures and debt amortization for the foreseeable future.

Contractual Obligations

The company's contractual cash payment obligations are set forth below (dollars in thousands):

	Amounts Due Sellers From Acquisition	Debt ⁽¹⁾	Estimated Interest on Debt ⁽¹⁾	Operating Leases	Total Contractual Cash Obligations
Less than 1 year	\$ 2,522	\$ 2,894	\$ 72,831	\$ 24,563	\$ 102,810
1-3 years	6,720	680	143,234	39,299	189,933
4-5 years	—	164	140,972	22,876	164,012
After 5 years	—	1,869,402	11,550	25,514	1,906,466
	<u>\$ 9,242</u>	<u>\$ 1,873,140</u>	<u>\$ 368,587</u>	<u>\$ 112,252</u>	<u>\$ 2,363,221</u>

(1) Excludes amortization of the term loan as described in Note 14 to the consolidated financial statements.

The company has obligations to make \$9.2 million of estimated contingent purchase price payments to the sellers that were deferred in conjunction with various acquisitions.

As of December 28, 2019, the company had \$1.9 billion outstanding under its Credit Facility. The average interest rate on this debt amounted to 3.37% at the end of the period. On January 31, 2020, the company entered into an amended and restated five-year, \$3.5 billion multi-currency senior secured credit agreement. This facility replaces the company's pre-existing \$3.0 billion Credit Facility, which had an original maturity of July 2021. The newly amended and restated facility (the "Amended Facility") consists of (i) a \$750.0 million term loan facility and (ii) a \$2.75 billion multi-currency revolving credit facility, with the potential under certain circumstances, to increase the amount of the credit facility to up to a total of \$4.0 billion (plus additional amounts, subject to compliance with a senior secured net leverage ratio). The Amended Facility matures on January 31, 2025. At inception, the Amended Facility bears an interest rate of LIBOR plus a margin of 1.625%, which is adjusted quarterly based upon the company's leverage ratio. The Amended Facility provides the availability to fund working capital, capital expenditures, to support the issuance of letters of credit and other general corporate purposes.

As of December 28, 2019, the company also has \$3.6 million of debt outstanding under various foreign credit facilities. The estimated interest payments reflected in the table above assume that the level of debt and average interest rate on the company's revolving credit line under its Amended Facility does not change until the facility reaches maturity. The estimated payments also assume that relative to the company's foreign borrowings: all scheduled term loan payments are made; the level of borrowings does not change; and the average interest rates remain at their December 28, 2019 rates. Also reflected in the table above is \$4.9 million of payments to be received related to the company's interest rate swap agreements in 2020.

The contractual maturities reflected above give effect to the Amended Facility.

As indicated in Note 11 to the consolidated financial statements, the company's projected benefit obligation under its defined benefit plans exceeded the plans' assets by \$289.1 million at the end of 2019 as compared to \$253.1 million at the end of 2018. The unfunded benefit obligations were comprised of a \$18.7 million underfunding of the company's U.S. Plans and \$270.4 million underfunding of the company's Non-U.S. Plans. The company made minimum contributions required by the Employee Retirement Income Security Act of 1974 ("ERISA") of \$1.2 million and \$0.9 million in 2019 and 2018, respectively, to the company's U.S. Plans. The company expects to continue to make minimum contributions to the U.S. Plans as required by ERISA, of \$1.3 million in 2020. The company expects to contribute \$5.8 million to the Non-U.S. Plans in 2020.

The company places purchase orders with its suppliers in the ordinary course of business. These purchase orders are generally to fulfill short-term manufacturing requirements of less than 90 days and most are cancelable with a restocking penalty. The company has no long-term purchase contracts or minimum purchase obligations with any supplier.

Off-Balance Sheet Arrangements

The company has no activities, obligations or exposures associated with off-balance sheet arrangements.

Related Party Transactions

From December 30, 2018 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

On December 31, 2017, the company adopted the new accounting standard ASU No. 2014-09, *Revenue from Contracts with Customers* (ASC 606) using the modified retrospective method to contracts that were not completed as of December 30, 2017. 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 in ASC 606. 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. The company recognizes goodwill and other intangible assets under the guidance of ASC Topic 350-10, *Intangibles — Goodwill and Other*. 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, we estimate 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, we validate our 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. We consider the implied control premium and conclude whether it is reasonable based on other recent market transactions.

We performed a qualitative assessment as of September 29, 2019 over all three reporting units and 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 our 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 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 September 29, 2019, the company identified several trademarks and trade names with indicators of potential risk for impairment and performed quantitative assessment. 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.

As a result of quantitative testing the company determined there were no impairments of trademarks. The gross value of the trademarks tested was approximately \$75.0 million. The fair values of the trademarks tested exceeded their carrying values by more than 10%. The company believes the assumptions utilized within the quantitative analysis are reasonable.

We performed a qualitative assessment as of September 29, 2019 over all the other trademarks and trade names and determined it is more likely than not that the fair value of our other indefinite-life intangible assets are greater than the carrying amounts.

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.

Pension Benefits

The company provides pension benefits to certain employees and accounts for these benefits in accordance with ASC 715, *Compensation-Retirement Benefits*. For financial reporting purposes, long-term assumptions are developed through consultations with actuaries. Such assumptions include the 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

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, and considers the company's entering into an amended and restated five-year, \$3.5 billion multi-currency senior secured credit agreement described below:

	<u>Variable Rate Debt</u>
2020	\$ 2,894
2021	378
2022	302
2023	82
2024 and thereafter	1,869,484
	<u>\$ 1,873,140</u>

On July 28, 2016, the company entered into an amended and restated five-year \$2.5 billion multi-currency senior secured revolving credit agreement (the "Credit Facility"). On December 18, 2018, the company entered into an amendment to the Credit Facility, increasing the revolving commitments under the Credit Facility by \$500.0 million to a total of \$3.0 billion. Subsequent to the end of fiscal year December 28, 2019, the company entered into an amended and restated credit agreement. See Note 14 to the consolidated Financial Statements for further information on the Amended Facility. As of December 28, 2019, the company had \$1.9 billion of borrowings outstanding under the Credit Facility, including \$1.8 billion of borrowings in U.S. Dollars and \$47.9 million of borrowings denominated in Euros. The company also has \$13.3 million in outstanding letters of credit as of December 28, 2019, which reduces the borrowing availability under the Credit Facility. Remaining borrowing availability under the Credit Facility was \$1.1 billion at December 28, 2019.

At December 28, 2019, borrowings under the Credit Facility accrued interest at a rate of 1.625% above LIBOR per annum or 0.625% above the highest of the prime rate, the federal funds rate plus 0.50% and one month LIBOR plus 1.00%. The average interest rate per annum on the debt under the Credit Facility was equal to 3.37% at the end of the period. 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. This variable commitment fee was equal to 0.25% per annum as of December 28, 2019.

In addition, the company has other international credit facilities to fund working capital needs outside the United States and the United Kingdom. At December 28, 2019, these foreign credit facilities amounted to \$3.6 million in U.S. Dollars with a weighted average per annum interest rate of approximately 5.18%.

The company uses floating-to-fixed interest rate swap agreements to hedge variable interest rate risk associated with the Credit Facility. At December 28, 2019, the company had outstanding floating-to-fixed interest rate swaps totaling \$51.0 million notional amount carrying an average interest rate of 1.27% maturing in less than 12 months and \$897.0 million of notional amount carrying an average interest rate of 2.27% that mature in more than 12 months but less than 72 months.

The Amended Facility matures on January 31, 2025, and accordingly has been classified as a long-term liability on the consolidated balance sheet.

The terms of the Amended Facility 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 Amended Facility) of 3.00 to 1.00 and (ii) a maximum Leverage Ratio of Funded Debt less Unrestricted Cash to Pro Forma EBITDA (each as defined in the Amended Facility) of 4.00 to 1.00, which may be adjusted to 4.50 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 Amended Facility. The Amended 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 Amended 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 28, 2019, the company was in compliance with all covenants pursuant to its borrowing agreements.

Financing Derivative Instruments

The company has entered into interest rate swaps to fix the interest rate applicable to certain of its variable-rate debt. The agreements swap one-month LIBOR for fixed rates. 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 28, 2019, the fair value of these instruments was a liability of \$23.3 million. The change in fair value of these swap agreements in fiscal 2019 was a loss of \$24.1 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.

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.

The company accounts for its derivative financial instruments in accordance with ASC 815, *Derivatives and Hedging*. In accordance with ASC 815, these 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 Shareholders 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 28, 2019, 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 28, 2019, 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 EVO, Cooking Solutions Group, Powerhouse, Ss Brewtech, Pacproinc, Brava and Synesso which are included in the 2019 consolidated financial statements of the Company and constituted 6.4% and (0.3%) of total and net assets, respectively, as of December 28, 2019 and 3.6% and (1.7%) of revenues and net income, 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 EVO, Cooking Solutions Group, Powerhouse, Ss Brewtech, Pacproinc, Brava and Synesso.

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 28, 2019 and December 29, 2018, 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 28, 2019, and the related notes and financial statement schedule listed in the Index at Item 8 and our report dated February 26, 2020 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 Controls 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 26, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders 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 28, 2019 and December 29, 2018, 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 28, 2019, 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 consolidated financial position of the Company at December 28, 2019 and December 29, 2018, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 28, 2019, 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 28, 2019, 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 26, 2020 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.

Acquisition of Taylor Company

Description of the Matter

As described in Note 2 of the consolidated financial statements, the Company completed its acquisition of Taylor Company for net consideration of approximately \$1.0 billion on June 22, 2018. The transaction was accounted for as a business combination.

Auditing the Company's accounting for its acquisition of Taylor Company was complex due to the significant estimation uncertainty in determining the fair value of identified intangible assets of approximately \$604 million, which principally consisted of the Taylor trade name and customer relationships. The significant estimation uncertainty was primarily due to the sensitivity of the respective fair values to underlying assumptions about the future performance of the acquired business. The Company used a discounted cash flow model to measure the trade name and customer relationship intangible assets. The significant assumptions used to estimate the value of the intangible assets include revenue growth rates, projected profit margins, discount rates, royalty rates, and customer attrition rates. These significant assumptions are forward-looking and could be affected by future economic and market conditions.

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 accounting for the acquisition of Taylor Company, including controls over the determination of the fair value of the acquired trade name and customer relationships intangible assets, and management's evaluation of the underlying assumptions described above. We also tested management's controls over the completeness and accuracy of the data used in the valuation models.

To test the estimated fair value of the trade name and customer relationships intangible assets, we performed audit procedures that included, among others, evaluating the Company's selection of the valuation methodology, evaluating the methods and significant assumptions used by the Company's valuation specialist, and evaluating the completeness and accuracy of the underlying data supporting the significant assumptions and estimates. We compared the assumptions related to the revenue growth rate and projected profit margin, to the past performance of Taylor Company, the Company's history related to similar acquisitions, and third party industry data. We tested the assumptions related to discount rates and royalty rates to the Company's history related to similar acquisitions and third-party industry data. We involved a valuation specialist to assist with our evaluation of the methodologies used by the Company and significant assumptions included in the fair value estimates.

Impairment tests of indefinite-lived intangible assets

Description of the Matter

At December 28, 2019, the Company's indefinite-lived intangible assets consist of 69 trademarks and tradenames with an aggregate carrying value of approximately \$997 million and represented 19.9% of total assets. 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.

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 as 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 in reviewing the valuation methodology and testing the discount rates and royalty rates.

/s/ Ernst & Young LLP

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

Chicago, Illinois
February 26, 2020

THE MIDDLEBY CORPORATION
CONSOLIDATED BALANCE SHEETS
DECEMBER 28, 2019 AND DECEMBER 29, 2018
(amounts in thousands, except share data)

	2019	2018
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 94,500	\$ 71,701
Accounts receivable, net of reserve for doubtful accounts of \$14,886 and \$13,608	447,612	398,660
Inventories, net	585,699	521,810
Prepaid expenses and other	61,224	50,940
Prepaid taxes	20,161	18,483
Total current assets	1,209,196	1,061,594
Property, plant and equipment, net of accumulated depreciation of \$197,629 and \$167,737	352,145	314,569
Goodwill	1,849,747	1,743,175
Other intangibles, net of amortization of \$333,507 and \$268,414	1,443,381	1,361,024
Long-term deferred tax assets	36,932	32,188
Other assets	110,742	37,231
Total assets	<u>\$ 5,002,143</u>	<u>\$ 4,549,781</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Current maturities of long-term debt	\$ 2,894	\$ 3,207
Accounts payable	173,693	188,299
Accrued expenses	416,550	367,446
Total current liabilities	593,137	558,952
Long-term debt	1,870,246	1,888,898
Long-term deferred tax liability	133,500	113,896
Accrued pension benefits	289,086	253,119
Other non-current liabilities	169,360	69,713
Stockholders' equity:		
Preferred stock, \$0.01 par value; nonvoting; 2,000,000 shares authorized; none issued	—	—
Common stock, \$0.01 par value; 63,129,775 and 62,592,707 shares issued in 2019 and 2018, respectively	145	145
Paid-in capital	387,402	377,419
Treasury stock, at cost; 6,940,089 and 6,889,241 shares in 2019 and 2018	(451,262)	(445,118)
Retained earnings	2,361,462	2,009,233
Accumulated other comprehensive loss	(350,933)	(276,476)
Total stockholders' equity	1,946,814	1,665,203
Total liabilities and stockholders' equity	<u>\$ 5,002,143</u>	<u>\$ 4,549,781</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 28, 2019, DECEMBER 29, 2018
AND DECEMBER 30, 2017

(amounts in thousands, except per share data)

	2019	2018	2017
Net sales	\$ 2,959,446	\$ 2,722,931	\$ 2,335,542
Cost of sales	1,855,949	1,718,791	1,422,801
Gross profit	<u>1,103,497</u>	<u>1,004,140</u>	<u>912,741</u>
Selling, general, and administrative expenses	593,813	538,842	468,219
Restructuring expenses	10,480	19,332	19,951
Gain on litigation settlement	(14,839)	—	—
Gain on sale of plant	—	—	(12,042)
Impairment of intangible asset	—	—	58,000
Income from operations	<u>514,043</u>	<u>445,966</u>	<u>378,613</u>
Interest expense and deferred financing amortization, net	82,609	58,742	25,983
Net periodic pension benefit (other than service costs)	(28,857)	(38,114)	(31,728)
Other (income) expense, net	(2,328)	1,825	829
Earnings before income taxes	<u>462,619</u>	<u>423,513</u>	<u>383,529</u>
Provision for income taxes	110,379	106,361	85,401
Net earnings	<u><u>\$ 352,240</u></u>	<u><u>\$ 317,152</u></u>	<u><u>\$ 298,128</u></u>
Net earnings per share:			
Basic	<u>\$ 6.33</u>	<u>\$ 5.71</u>	<u>\$ 5.26</u>
Diluted	<u>\$ 6.33</u>	<u>\$ 5.70</u>	<u>\$ 5.26</u>
Weighted average number of shares			
Basic	55,647	55,576	56,715
Dilutive common stock equivalents	9	28	4
Diluted	<u>55,656</u>	<u>55,604</u>	<u>56,719</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 28, 2019, DECEMBER 29, 2018
AND DECEMBER 30, 2017
(amounts in thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net earnings	\$ 352,240	\$ 317,152	\$ 298,128
Other comprehensive (loss) income:			
Foreign currency translation adjustments	7,066	(43,050)	46,690
Pension liability adjustment, net of tax	(57,398)	32,125	(29,669)
Unrealized (loss) gain on interest rate swaps, net of tax	(24,125)	868	883
Other comprehensive (loss) income:	\$ (74,457)	\$ (10,057)	\$ 17,904
Comprehensive income	<u>\$ 277,783</u>	<u>\$ 307,095</u>	<u>\$ 316,032</u>

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 28, 2019, DECEMBER 29, 2018
AND DECEMBER 30, 2017
(amounts in thousands)

	Common Stock	Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income/(loss)	Total Stockholders' Equity
Balance, December 31, 2016	\$ 144	\$ 355,287	\$ (205,280)	\$ 1,399,490	\$ (284,323)	\$ 1,265,318
Net earnings	—	—	—	298,128	—	298,128
Currency translation adjustments	—	—	—	—	46,690	46,690
Change in unrecognized pension benefit costs, net of tax of \$(5,588)	—	—	—	—	(29,669)	(29,669)
Unrealized gain on interest rate swap, net of tax of \$588	—	—	—	—	883	883
Stock compensation	—	6,237	—	—	—	6,237
Stock issuance	1	13,398	—	—	—	13,399
Purchase of treasury stock	—	—	(239,838)	—	—	(239,838)
Balance, December 30, 2017	\$ 145	\$ 374,922	\$ (445,118)	\$ 1,697,618	\$ (266,419)	\$ 1,361,148
Net earnings	—	—	—	317,152	—	317,152
Adoption of ASU 2018-02 ⁽¹⁾	—	—	—	(1,132)	1,132	—
Adoption of ASU 2014-09 ⁽²⁾	—	—	—	(4,405)	—	(4,405)
Currency translation adjustments	—	—	—	—	(43,050)	(43,050)
Change in unrecognized pension benefit costs, net of tax of \$6,386	—	—	—	—	32,612	32,612
Unrealized gain on interest rate swap, net of tax of \$(81)	—	—	—	—	(751)	(751)
Stock compensation	—	2,497	—	—	—	2,497
Balance, December 29, 2018	\$ 145	\$ 377,419	\$ (445,118)	\$ 2,009,233	\$ (276,476)	\$ 1,665,203
Net earnings	—	—	—	352,240	—	352,240
Adoption of ASU 2017-12 ⁽³⁾	—	—	—	(11)	11	—
Currency translation adjustments	—	—	—	—	7,066	7,066
Change in unrecognized pension benefit costs, net of tax of \$(11,914)	—	—	—	—	(57,398)	(57,398)
Unrealized loss on interest rate swap, net of tax of \$(8,516)	—	—	—	—	(24,136)	(24,136)
Stock compensation	—	8,133	—	—	—	8,133
Stock issuance	—	1,850	—	—	—	1,850
Purchase of treasury stock	—	—	(6,144)	—	—	(6,144)
Balance, December 28, 2019	\$ 145	\$ 387,402	\$ (451,262)	\$ 2,361,462	\$ (350,933)	\$ 1,946,814

(1) As of December 31, 2017, the company adopted ASU No. 2018-02, *Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. The adoption of this guidance resulted in the reclassification of \$1.1 million, including \$1.6 million related to interest rate swap and \$(0.5) million related to pensions, of stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017 from accumulated other comprehensive income to retained earnings.

(2) As of December 31, 2017, the company adopted ASU No. 2014-09, *Revenue from Contracts with Customers* (ASC 606) using the modified retrospective method to contracts that were not completed as of December 30, 2017. The adoption of this guidance resulted in the recognition of \$(4.4) million as an adjustment to the opening balance of retained earnings.

(3) As of December 30, 2018, the company adopted ASU No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* using the modified retrospective method. The adoption of this guidance resulted in the recognition of less than \$(0.1) million as an adjustment to the opening balance of retained earnings.

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 28, 2019, DECEMBER 29, 2018
AND DECEMBER 30, 2017
(amounts in thousands)

	2019	2018	2017
Cash flows from operating activities—			
Net earnings	\$ 352,240	\$ 317,152	\$ 298,128
Adjustments to reconcile net earnings to net cash provided by operating activities			
Depreciation and amortization	103,428	97,238	69,774
Non-cash share-based compensation	8,133	2,497	6,237
Deferred income taxes	22,212	20,489	(14,492)
Net periodic pension benefit (other than service costs)	(28,857)	(38,114)	(31,728)
Gain on sale of plant	—	—	(12,042)
Impairment of equipment	—	783	3,114
Impairment of intangible asset	—	—	58,000
Non-cash restructuring	—	5,637	—
Changes in assets and liabilities, net of acquisitions			
Accounts receivable, net	(27,748)	(25,347)	26,180
Inventories, net	(28,288)	(28,378)	(9,744)
Prepaid expenses and other assets	5,067	18,145	(34,122)
Accounts payable	(29,396)	13,611	(21,631)
Accrued expenses and other liabilities	634	(14,799)	(33,219)
Net cash provided by operating activities	<u>377,425</u>	<u>368,914</u>	<u>304,455</u>
Cash flows from investing activities—			
Additions to property and equipment	(46,609)	(36,040)	(54,493)
Proceeds on sale of plant	—	—	14,278
Purchase of tradename	—	(5,399)	—
Acquisitions, net of cash acquired	(281,058)	(1,197,984)	(305,251)
Net cash used in investing activities	<u>(327,667)</u>	<u>(1,239,423)</u>	<u>(345,466)</u>
Cash flows from financing activities—			
Proceeds under Credit Facility	543,294	1,611,110	758,883
Repayments under Credit Facility	(560,363)	(746,281)	(462,112)
Net repayments under foreign bank loan	(405)	(7,088)	(1,062)
Net repayments under other debt arrangement	(179)	(3)	(35)
Payments of deferred purchase price	(1,648)	(1,234)	—
Repurchase of treasury stock	(6,144)	—	(239,838)
Debt issuance costs	—	(375)	—
Net cash (used in) provided by financing activities	<u>(25,445)</u>	<u>856,129</u>	<u>55,836</u>
Effect of exchange rates on cash and cash equivalents	<u>(1,514)</u>	<u>(3,573)</u>	<u>6,344</u>
Changes in cash and cash equivalents—			
Net increase (decrease) in cash and cash equivalents	22,799	(17,953)	21,169
Cash and cash equivalents at beginning of year	71,701	89,654	68,485
Cash and cash equivalents at end of year	<u>\$ 94,500</u>	<u>\$ 71,701</u>	<u>\$ 89,654</u>
Non-cash investing and financing activities:			
Stock issuance related to acquisitions	\$ —	\$ —	\$ 13,399

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 28, 2019, DECEMBER 29, 2018** **AND DECEMBER 30, 2017**

(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 thirty-seven U.S. and twenty-eight 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 and IoT solutions.

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 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, 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, ovens, refrigerators, dishwashers, microwaves, cooktops, wine coolers, ice machines, ventilation equipment and outdoor equipment.

(2) ACQUISITIONS AND PURCHASE ACCOUNTING

The company operates in a highly fragmented industry and has completed numerous acquisitions over the past several years as a component of its growth strategy. The company has acquired industry leading brands and technologies to position itself as a leader in the commercial foodservice equipment, food processing equipment and residential kitchen equipment industries.

The company has accounted for all business combinations using the acquisition method to record a new cost basis for the assets acquired and liabilities assumed. The difference between the purchase price and the fair value of the assets acquired and liabilities assumed has been recorded as goodwill in the financial statements. The company also recognizes identifiable intangible assets, primarily trade names and customer relationships, using a discounted cash flow model. The significant assumptions used to estimate the value of the intangible assets include revenue growth rates, projected profit margins, discount rates, royalty rates, and customer attrition rates. These significant assumptions are forward-looking and could be affected by future economic and market conditions. The results of operations are reflected in the consolidated financial statements of the company from the dates of acquisition.

The following represents the company's significant acquisitions in 2019 and 2018 as well as summarized information on various acquisitions that were not individually material. The company also made smaller acquisitions not presented below which are individually and collectively immaterial.

Taylor

On June 22, 2018, the company completed its acquisition of all of the capital stock of the Taylor Company ("Taylor"), a world leader in beverage solutions, soft serve and ice cream dispensing equipment, frozen drink machines, and automated double-sided grills, located in Rockton, Illinois, for a purchase price of approximately \$1.0 billion, net of cash acquired. During the fourth quarter of 2018, the company finalized the working capital provision provided for by the purchase agreement resulting in a refund from the seller of \$11.5 million.

The final allocation of consideration paid for the Taylor acquisition is summarized as follows (in thousands):

	(as initially reported) June 22, 2018	Measurement Period Adjustments	(as adjusted) June 22, 2018
Cash	\$ 2,551	\$ 64	\$ 2,615
Current assets	71,162	(2,011)	69,151
Property, plant and equipment	21,187	(556)	20,631
Goodwill	491,339	(120,497)	370,842
Other intangibles	484,210	119,550	603,760
Other assets	—	361	361
Long-term deferred tax asset	—	227	227
Current liabilities	(48,417)	(4,099)	(52,516)
Other non-current liabilities	(8,161)	(648)	(8,809)
Net assets acquired and liabilities assumed	\$ 1,013,871	\$ (7,609)	\$ 1,006,262

The goodwill and \$304.7 million of other intangibles associated with the trade name are subject to the non-amortization provisions of ASC 350. Other intangibles also include \$290.9 million allocated to customer relationships, \$1.7 million of existing developed oven technology, \$4.4 million of equipment backlog, and \$2.1 million of deferred service backlog, which are being amortized over periods up to 15 years, 5 years, 3 months, and 3 years, respectively. Goodwill and other intangibles of Taylor are allocated to the Commercial Foodservice Equipment Group for segment reporting purposes. A significant portion of the assets are expected to be deductible for tax purposes.

Cooking Solutions Group

On April 1, 2019, the company completed its acquisition of all of the capital stock of Cooking Solutions Group, Inc. ("Cooking Solutions Group") from Standex International Corporation, which consists of the brands APW Wyott, Bakers Pride, BKI and Ultrafryer with locations in Texas, South Carolina and Mexico for a purchase price of approximately \$106.1 million, net of cash acquired. During the third quarter of 2019, the company finalized the working capital provision provided for by the purchase agreement resulting in a payment due to the sellers of \$0.1 million.

The following estimated fair values of assets acquired and liabilities assumed are provisional and are based on the information that was available as of the acquisition date to estimate the fair value of assets acquired and liabilities assumed (in thousands):

	(as initially reported) April 1, 2019	Preliminary Measurement Period Adjustments	(as adjusted) April 1, 2019
Cash	\$ 843	\$ —	\$ 843
Current assets	33,666	(1,325)	32,341
Property, plant and equipment	15,959	(243)	15,716
Goodwill	31,207	5,327	36,534
Other intangibles	53,450	(5,850)	47,600
Other assets	—	1,470	1,470
Current liabilities	(15,130)	(368)	(15,498)
Long-term deferred tax liability	(13,082)	2,226	(10,856)
Other non-current liabilities	—	(1,163)	(1,163)
Net assets acquired and liabilities assumed	\$ 106,913	\$ 74	\$ 106,987

The long term deferred tax liability amounted to \$10.9 million. The net deferred tax liability is comprised of \$11.6 million of deferred tax liability related to the difference between the book and tax basis on identifiable intangible asset and liability accounts and \$0.7 million of deferred tax asset related to the difference between the book and tax basis on identifiable tangible assets and liability accounts.

The goodwill and \$24.7 million of other intangibles associated with the trade name is subject to the non-amortization provisions of ASC 350. Other intangibles also include \$22.5 million allocated to customer relationships and \$0.4 million allocated to backlog, which are being amortized over periods of 9 years and 3 months, respectively. Goodwill and other intangibles of Cooking Solutions Group are allocated to the Commercial Foodservice Equipment Group for segment reporting purposes. These assets are not expected to be deductible for tax purposes.

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. Thus, the provisional measurements of fair value set forth above are subject to change. The company will complete the purchase price allocation in the first quarter of fiscal 2020.

Other 2018 Acquisitions

During 2018 the company completed various other acquisitions that were not individually material. The final allocation of consideration paid for the other 2018 acquisitions is summarized as follows (in thousands):

	Preliminary Opening Balance Sheet	Measurement Period Adjustments	Adjusted Opening Balance Sheet
Cash	\$ 16,293	\$ (37)	\$ 16,256
Current assets	38,048	115	38,163
Property, plant and equipment	22,340	3,658	25,998
Goodwill	126,647	(14,312)	112,335
Other intangibles	46,902	15,900	62,802
Other assets	14	—	14
Current portion of long term debt	(3,329)	—	(3,329)
Current liabilities	(23,606)	(1,521)	(25,127)
Long term debt	(2,677)	—	(2,677)
Long-term deferred tax liability	(8,937)	(4,923)	(13,860)
Other non-current liabilities	(3,699)	—	(3,699)
Consideration paid at closing	<u>\$ 207,996</u>	<u>\$ (1,120)</u>	<u>\$ 206,876</u>
Contingent consideration	<u>3,454</u>	<u>—</u>	<u>3,454</u>
Net assets acquired and liabilities assumed	<u>\$ 211,450</u>	<u>\$ (1,120)</u>	<u>\$ 210,330</u>

The long term deferred tax liability amounted to \$13.9 million. The net deferred tax liability is comprised of \$13.1 million of deferred tax liability related to the difference between the book and tax basis of identifiable intangible assets and \$0.8 million of deferred tax liability related to the difference between the book and tax basis on identifiable tangible asset and liability accounts.

The goodwill and \$30.7 million of other intangibles associated with the trade names are subject to the non-amortization provisions of ASC 350. Other intangibles also include \$28.6 million allocated to customer relationships, \$0.3 million allocated to developed technology and \$3.3 million allocated to backlog, which are being amortized over periods of 5 to 7 years, 5 years, and 3 months to 1 year, respectively. Goodwill of \$85.4 million and other intangibles of \$42.9 million of the companies are allocated to the Commercial Foodservice Equipment Group. Goodwill of \$26.9 million and other intangibles of \$19.9 million are allocated to the Food Processing Equipment Group for segment reporting purposes. Of these assets, goodwill of \$22.1 million is expected to be deductible for tax purposes.

One purchase agreement includes an earnout provision providing for contingent payments due to the sellers to the extent certain financial targets are exceeded. The earnout is payable between 2020 and 2021, if the company exceeds certain sales and earnings targets. The contractual obligation associated with the contingent earnout provision recognized on the acquisition date is \$3.5 million.

Other 2019 Acquisitions

During 2019 the company completed various other 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 date to estimate the fair value of assets acquired and liabilities assumed (in thousands):

	Preliminary Opening Balance Sheet	Measurement Period Adjustments	Adjusted Opening Balance Sheet
Cash	\$ 2,683	\$ (10)	\$ 2,673
Current assets	21,525	980	22,505
Property, plant and equipment	8,920	18	8,938
Goodwill	99,838	(3,096)	96,742
Other intangibles	64,019	199	64,218
Long-term deferred tax asset	1,288	1,478	2,766
Other assets	137	854	991
Current liabilities	(20,437)	(535)	(20,972)
Other non-current liabilities	(6,170)	(529)	(6,699)
Consideration paid at closing	<u>\$ 171,803</u>	<u>\$ (641)</u>	<u>\$ 171,162</u>
Deferred payments	2,404	—	2,404
Contingent consideration	4,258	—	4,258
Net assets acquired and liabilities assumed	<u>\$ 178,465</u>	<u>\$ (641)</u>	<u>\$ 177,824</u>

The long term deferred tax asset amounted to \$2.8 million. The net deferred tax asset is comprised of \$3.0 million of deferred tax asset related to tax loss carryforwards, \$0.9 million of deferred tax liability related to the difference between the book and tax basis of identifiable intangible assets, and \$0.7 million of deferred tax asset related to the difference between the book and tax basis on other book to tax differences and liability accounts.

The goodwill and \$29.6 million of other intangibles associated with the trade names are subject to the non-amortization provisions of ASC 350. Other intangibles also include \$23.9 million allocated to customer relationships, \$9.2 million allocated to developed technology and \$1.5 million allocated to backlog, which are being amortized over periods of 2 to 10 years, 5 to 7 years, and 3 months, respectively. Goodwill of \$43.6 million and other intangibles of \$35.2 million of the companies are allocated to the Commercial Foodservice Equipment Group. Goodwill of \$43.6 million and other intangibles of \$21.3 million are allocated to the Food Processing Equipment Group. Goodwill of \$9.5 million and other intangibles of \$7.7 million are allocated to the Residential Kitchen Equipment Group for segment reporting purposes. Of these assets, goodwill of \$85.5 million and intangibles of \$54.1 million are expected to be deductible for tax purposes.

One purchase agreement includes deferred payments and earnout provisions providing for contingent payments due to the sellers to the extent certain financial targets are exceeded. The deferred payments are payable between 2020 and 2022. The contractual obligation associated with the deferred payments on the acquisition date is \$2.4 million. The earnout is payable in 2022, if the company exceeds certain sales and earnings targets. The contractual obligation associated with the contingent earnout provision recognized on the acquisition date is \$4.3 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 substantially all 2019 acquisitions. Thus, the provisional measurements of fair value set forth above are subject to change. The company will complete the purchase price allocations during 2020.

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 28, 2019 and December 29, 2018, assumes the 2018 and 2019 acquisitions were completed on December 31, 2017 (first day of fiscal year 2018). The following pro forma results include adjustments to reflect additional interest expense to fund the acquisitions, 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 28, 2019	December 29, 2018
Net sales	\$ 3,022,279	\$ 3,078,487
Net earnings	344,823	285,642
Net earnings per share:		
Basic	\$ 6.20	\$ 5.14
Diluted	\$ 6.20	\$ 5.14

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 2019, 2018, and 2017 ended on December 28, 2019, December 29, 2018 and December 30, 2017, respectively, with each year including 52 weeks.

Certain prior year amounts have been reclassified to be consistent with current year presentation, including the non-operating components of pension benefit previously reported in accrued expenses and other liabilities within the changes in assets and liabilities, net of acquisitions to an individual adjustment to reconcile net earnings to cash provided by operating activities on the Consolidated Statements of Cash Flows.

(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 \$14.9 million and \$13.6 million at December 28, 2019 and December 29, 2018, respectively. At December 28, 2019, 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 28, 2019 and December 29, 2018 are as follows (in thousands):

	2019	2018
Raw materials and parts	\$ 277,394	\$ 245,976
Work in process	58,663	51,164
Finished goods	249,642	224,670
	<u>\$ 585,699</u>	<u>\$ 521,810</u>

(e) *Property, Plant and Equipment*

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

	2019	2018
Land	\$ 43,467	\$ 32,523
Building and improvements	229,025	196,743
Furniture and fixtures	67,992	64,586
Machinery and equipment	209,290	188,454
	549,774	482,306
Less accumulated depreciation	(197,629)	(167,737)
	<u>\$ 352,145</u>	<u>\$ 314,569</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:

Description	Life
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 \$37.9 million, \$35.8 million and \$29.7 million in fiscal 2019, 2018 and 2017, 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.

(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. The company recognizes goodwill and other intangible assets under the guidance of ASC Topic 350-10, *Intangibles - Goodwill and Other*. 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 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 two-step quantitative analysis. First, 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 company performs a hypothetical purchase price allocation based on the reporting unit's fair value to determine the fair value of the reporting unit's goodwill. Any resulting difference will be a charge to impairment of intangible assets 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 completed its annual impairment test for goodwill as of September 29, 2019. The company performed a qualitative assessment to evaluate goodwill for all reporting units. Based on the qualitative assessment it was determined there was no impairment of goodwill. The company has not recognized any goodwill impairments and therefore no accumulated impairment loss.

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

	Commercial Foodservice	Food Processing	Residential Kitchen	Total
Balance as of December 30, 2017	\$ 631,451	\$ 198,278	\$ 435,081	\$ 1,264,810
Goodwill acquired during the year	487,032	30,624	—	517,656
Measurement period adjustments to goodwill acquired in prior year	(1,559)	(5,679)	—	(7,238)
Exchange effect	(14,857)	(4,169)	(13,027)	(32,053)
Balance as of December 29, 2018	\$ 1,102,067	\$ 219,054	\$ 422,054	\$ 1,743,175
Goodwill acquired during the year	81,339	43,613	9,503	134,455
Measurement period adjustments to goodwill acquired in prior year	(27,929)	(3,722)	—	(31,651)
Exchange effect	(1,925)	(1,266)	6,959	3,768
Balance as of December 28, 2019	\$ 1,153,552	\$ 257,679	\$ 438,516	\$ 1,849,747

Intangible assets consist of the following (in thousands):

	December 28, 2019			December 29, 2018		
	Estimated Weighted Avg Remaining Life	Gross Carrying Amount	Accumulated Amortization	Estimated Weighted Avg Remaining Life	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:						
Customer relationships	9.2	\$ 717,397	\$ (283,846)	9.5	\$ 644,145	\$ (222,661)
Backlog	1.3	29,426	(28,283)	2.8	27,065	(24,755)
Developed technology	5.2	32,999	(21,378)	5.9	39,624	(20,998)
		<u>\$ 779,822</u>	<u>\$ (333,507)</u>		<u>\$ 710,834</u>	<u>\$ (268,414)</u>
Indefinite-lived assets:						
Trademarks and tradenames		<u>\$ 997,066</u>			<u>\$ 918,604</u>	

The company completed its annual impairment for other intangibles as of September 29, 2019. We identified indicators of impairment associated with certain tradenames within the Food Processing and Residential Kitchen reporting units based on the qualitative assessment, which required the completion of a quantitative impairment assessment. The primary indicator of impairment was lower than expected revenue performance in the current year. Based on the results of the quantitative assessment, the company determined there was no impairment of any of the indefinite-lived intangible assets.

In performing the quantitative assessment of indefinite-life intangible assets, primarily tradenames, the company estimated the fair value using the relief-from-royalty method which requires assumptions related to projected revenues; assumed royalty rates that could be payable if we did not own the brand; and a market participant discount rate based on a weighted-average cost of capital.

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 carrying value that would require a quantitative impairment assessment.

The estimates of future cash flows used in determining the fair value of goodwill and 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 actual cash flows could differ materially from management's estimates due to changes in business conditions, operating performance and economic conditions.

During 2017 testing, the company determined that the Viking tradename, within the Residential Kitchen Equipment Group, was impaired. The company estimated the fair value of the tradename using a relief from royalty method under the income approach. The decline in fair value of the Viking tradename was primarily the result of weaker than expected revenue performance in 2017 and a corresponding reduction of future revenue expectations. The impairment resulted from the decline in revenues attributable, in part, to the product recall announced in 2015 related to products manufactured prior to the acquisition of Viking. The fair value of the Viking tradename was estimated to be \$93.0 million as compared to the carrying value of \$151.0 million and resulted in a \$58.0 million indefinite-lived intangible asset impairment charge.

The aggregate intangible amortization expense was \$64.0 million, \$60.0 million and \$38.6 million in 2019, 2018 and 2017, respectively. The estimated future amortization expense of intangible assets is as follows (in thousands):

2020	\$ 66,177
2021	62,246
2022	57,921
2023	51,916
2024	40,456
2025 and thereafter	167,599
	<u>\$ 446,315</u>

(g) *Accrued Expenses*

Accrued expenses consist of the following at December 28, 2019 and December 29, 2018, respectively (in thousands):

	2019	2018
Accrued payroll and related expenses	\$ 81,541	\$ 74,952
Contract liabilities	74,511	57,913
Accrued warranty	66,374	59,451
Accrued customer rebates	51,709	45,740
Accrued short-term leases	21,827	—
Accrued sales and other tax	19,862	19,452
Accrued product liability and workers compensation	15,164	16,284
Accrued agent commission	13,816	11,969
Accrued professional fees	13,368	17,313
Other accrued expenses	58,378	64,372
	<u>\$ 416,550</u>	<u>\$ 367,446</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.

During the fourth quarter, we reached a settlement with respect to a lawsuit filed by the company arising from a prior acquisition included our Residential Kitchen Equipment Segment. The gain associated with this settlement, which is net of the release of funds in escrow, is reflected in the consolidated statement of earnings.

(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):

	2019	2018
Unrecognized pension benefit costs, net of tax of (\$48,633) and (\$36,719)	\$ (228,336)	\$ (170,938)
Unrealized gain on interest rate swap, net of tax of (\$5,973) and \$2,543	(16,892)	7,233
Currency translation adjustments	(105,705)	(112,771)
	<u>\$ (350,933)</u>	<u>\$ (276,476)</u>

Changes in accumulated other comprehensive income (loss) ⁽¹⁾ were as follows (in thousands):

	Currency Translation Adjustment	Pension Benefit Costs	Unrealized Gain/(Loss) Interest Rate Swap	Total
Balance as of December 30, 2017	\$ (69,721)	\$ (203,063)	\$ 6,365	\$ (266,419)
Adoption of ASU 2018-02 ⁽²⁾	—	(487)	1,619	1,132
Other comprehensive income before reclassification	(43,050)	29,527	(1,166)	(14,689)
Amounts reclassified from accumulated other comprehensive income	—	3,085	415	3,500
Net current-period other comprehensive income	\$ (43,050)	\$ 32,125	\$ 868	\$ (10,057)
Balance as of December 29, 2018	\$ (112,771)	\$ (170,938)	\$ 7,233	\$ (276,476)
Adoption of ASU 2017-12 ⁽³⁾	—	—	11	11
Other comprehensive income before reclassification	7,066	(59,238)	(25,392)	(77,564)
Amounts reclassified from accumulated other comprehensive income	—	1,840	1,256	3,096
Net current-period other comprehensive income	\$ 7,066	\$ (57,398)	\$ (24,125)	\$ (74,457)
Balance as of December 28, 2019	\$ (105,705)	\$ (228,336)	\$ (16,892)	\$ (350,933)

(1) As of December 28, 2019 pension and interest rate swap amounts are net of tax of \$(48.6) million and \$(6.0) million, respectively. During the twelve months ended December 28, 2019, the adjustments to pension benefit costs and unrealized gain/(loss) interest rate swap were net of tax of \$(11.9) million and \$(8.5) million, respectively.

(2) As of December 31, 2017, the company adopted ASU No. 2018-02, *Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. The adoption of this guidance resulted in the reclassification of \$1.1 million of stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017 from accumulated other comprehensive income to retained earnings.

(3) As of December 30, 2018, the company adopted ASU No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* using the modified retrospective method. The adoption of this guidance resulted in the recognition of less than \$(0.1) million as an adjustment to the opening balance of retained earnings.

(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, that 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 28, 2019 and December 29, 2018 are as follows (in thousands):

	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Total
<u>As of December 28, 2019</u>				
Financial Assets:				
Interest rate swaps	\$ —	\$ 1,830	\$ —	\$ 1,830
Financial Liabilities:				
Interest rate swaps	\$ —	\$ 25,120	\$ —	\$ 25,120
Contingent consideration	\$ —	\$ —	\$ 6,697	\$ 6,697
Foreign exchange derivative contracts	\$ —	\$ 901	\$ —	\$ 901
<u>As of December 29, 2018</u>				
Financial Assets:				
Interest rate swaps	\$ —	\$ 13,487	\$ —	\$ 13,487
Financial Liabilities:				
Interest rate swaps	\$ —	\$ 4,125	\$ —	\$ 4,125
Contingent consideration	\$ —	\$ —	\$ 3,566	\$ 3,566
Foreign exchange derivative contracts	\$ —	\$ 854	\$ —	\$ 854

The contingent consideration, as of December 28, 2019 and December 29, 2018, 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.

(k) *Foreign Currency*

Foreign currency transactions are accounted for in accordance with ASC 830 *Foreign Currency Translation*. 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 gain of \$0.9 million, and loss of \$2.6 million and \$2.4 million in 2019, 2018 and 2017, 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 2019 and 2018 are as follows (in thousands):

	2019	2018
Beginning balance	\$ 59,451	\$ 52,834
Warranty reserve related to acquisitions	7,353	5,884
Warranty expense	68,842	62,314
Warranty claims paid	(69,272)	(61,581)
Ending balance	<u>\$ 66,374</u>	<u>\$ 59,451</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 \$41.2 million, \$35.3 million and \$29.1 million in fiscal 2019, 2018 and 2017, respectively.

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

The company estimates the fair value of restricted share grants and stock options at the time of grant and recognizes compensation costs over the vesting period of the awards and options. Non-cash share-based compensation expense of \$8.1 million, \$2.5 million and \$6.2 million was recognized for fiscal 2019, 2018 and 2017, respectively, associated with restricted share grants. The company recorded a related tax benefit of \$0.5 million, less than \$0.1 million and \$2.4 million in fiscal 2019, 2018 and 2017, respectively.

As of December 28, 2019, there was \$52.3 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 1.65 years.

Share grant awards not subject to market conditions for vesting are valued at the closing share price of the company's stock as of the date of the grant. The company issued 537,059 and 132,038 restricted share grant awards in 2019 and 2018, respectively, with a fair value of \$60.8 million and \$13.3 million, respectively. Share grant awards issued in 2019 and 2018 are generally performance based and were not subject to market conditions. The fair value of \$113.26 and \$100.50 per share for the awards for 2019 and 2018, respectively, represent the closing share price of the company's stock as of the date of grant.

(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 consist of shares issuable on exercise of outstanding options and vesting of restricted stock grants computed using the treasury method and amounted to 9,000, 28,000, and 4,000 for fiscal 2019, 2018 and 2017, respectively. There were no anti-dilutive equity awards excluded from common stock equivalents for 2019, 2018 or 2017.

(q) *Consolidated Statements of Cash Flows*

Cash paid for interest was \$80.9 million, \$55.3 million and \$25.9 million in fiscal 2019, 2018 and 2017, respectively. Cash payments totaling \$91.5 million, \$79.0 million, and \$123.3 million were made for income taxes during fiscal 2019, 2018 and 2017, respectively.

(r) *New Accounting Pronouncements*

Accounting Pronouncements - Recently Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The amendments under this pronouncement change the way all leases with a duration of one year or more are treated. Under this guidance, lessees are required to capitalize virtually all leases on the balance sheet as a right-of-use asset and an associated financing lease liability or operating lease liability. The company adopted this guidance on December 30, 2018 using the modified retrospective method. The company has elected the package of practical expedients to not reassess prior conclusions related to contracts containing leases, lease classification and initial direct costs. The adoption of this guidance increased total assets and liabilities due to the recognition of right-of-use assets and lease liabilities amounting to approximately \$96.8 million. For additional information related to the impact of adopting this guidance, see Note 9 of the Consolidated Financial Statements.

In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities". The amendments in ASU-12 provide new guidance about income statement classification and eliminates the requirement to separately measure and report hedge ineffectiveness. The entire change in fair value for qualifying hedge instruments included in the effectiveness is recorded in other comprehensive income (OCI) and amounts deferred in OCI are reclassified to earnings in the same income statement line item in which the earnings effect of the hedged item is reported. The adoption of this guidance on December 30, 2018 did not have a material impact on the company's Consolidated Financial Statements. For additional information related to the impact of adopting this guidance, see Note of the Consolidated Financial Statements.

In June 2018, the FASB issued ASU 2018-07, "Improvements to Nonemployee Share-Based Payment Accounting". The amendments in ASU-08 simplify several aspects of the accounting for nonemployee share-based payment transactions resulting from expanding the scope of Topic 718, Compensation—Stock Compensation, to include share-based payment transactions for acquiring goods and services from nonemployees. The adoption of this guidance on December 30, 2018 did not have an impact on the company's Consolidated Financial Statements.

In August of 2018, the SEC published Final Rule Release No. 33-10532, "Disclosure Update and Simplification". This guidance streamlines disclosure requirements by removing certain redundant topics and is effective for quarterly and annual reports submitted after November 5, 2018. The adoption of this guidance on December 30, 2018 resulted in the presentation and expansion of the company's Consolidated Statements of Changes in Stockholders' Equity to display quarter-to-quarter details.

Accounting Pronouncements - To be adopted

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", and has since modified the standard with several ASUs (collectively, the "new credit loss standard"). The new credit loss standard requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. The ASU is effective for annual reporting periods, and interim reporting periods, beginning after December 15, 2019. As a result of the company's assessment process on its receivables and contract assets portfolio, which is the only financial instrument in scope of this standard, the company does not expect this ASU to have a material impact on its Consolidated Financial Statements.

In January 2017, the FASB issued ASU 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment". The amendments in ASU-04 simplify the subsequent measurement of goodwill, by removing the second step of the goodwill impairment test. An entity will apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value. The new guidance does not amend the optional qualitative assessment of goodwill impairment. This ASU is effective for annual reporting periods, and interim reporting periods, beginning after December 15, 2019. Early adoption is permitted for testing dates after January 1, 2017. The company is evaluating the application of this ASU on the company's annual impairment test. The company does not expect the adoption of this ASU to have a material impact on its Consolidated Financial Statements.

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement". The amendments in ASU-13 remove, modify and add various disclosure requirements around the topic in order to clarify and improve the cost-benefit nature of disclosures. This ASU is effective for annual reporting periods, and interim periods with those reporting periods, beginning after December 15, 2019 with early adoption permitted. The company does not expect the adoption of this ASU to have a material impact on its Consolidated Financial Statements.

In August 2018, the FASB issued ASU 2018-14, "Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20)". The amendments in ASU-14 remove, modify and add various disclosure requirements around the topic in order to clarify and improve the cost-benefit nature of disclosures. This ASU is effective for annual reporting periods, and interim periods with those reporting periods, beginning after December 15, 2020 with early adoption permitted. The amendments must be applied on a retrospective basis for all periods presented. The company is currently evaluating the impacts the adoption of this ASU will have on its Consolidated Financial Statements.

In August 2018, the FASB issued ASU 2018-15, "Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40)". The amendments in ASU-15 align the requirements for capitalizing implementation costs in a service contract hosting arrangement with those of developing or obtaining internal-use software. This ASU is effective for annual reporting periods, and interim periods with those reporting periods, beginning after December 15, 2019 with early adoption permitted. The company does not expect the adoption of this ASU to have a material impact on its Consolidated Financial Statements.

In December 2019, the FASB issued ASU 2019-12, Simplifying the Accounting for Income Taxes (Topic 740) which removes certain exceptions related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. This guidance also clarifies and simplifies other areas of ASC 740. This ASU is effective for annual reporting periods, and interim periods with those reporting periods, beginning after December 15, 2020 with early adoption permitted. Certain amendments in this update must be applied on a prospective basis, certain amendments must be applied on a retrospective basis, and certain amendments must be applied on a modified retrospective basis through a cumulative-effect adjustment to retained earnings in the period of adoption. The company is currently evaluating the impacts the adoption of this ASU will have on its Consolidated Financial Statements.

(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.

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.

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.

Adoption of ASC 606

On December 31, 2017, we adopted the new accounting standard ASU No. 2014-09, *Revenue from Contracts with Customers* (ASC 606) using the modified retrospective method to contracts that were not completed as of December 30, 2017. We recognized the cumulative effect of initially applying the new revenue standard as an adjustment to the opening balance of retained earnings of \$4.4 million.

As a result of the adoption of ASC 606, the company has changed its accounting policy for revenue recognition as detailed below.

Equipment

Under the company's historical accounting policies, revenue under long-term sales contracts within the Food Processing Equipment Group was recognized using the percentage of completion method. Upon adoption, a number of contracts that were not completed as of December 31, 2017 did not meet the requirements for recognition of revenue over time under ASC 606. As such the revenue was deferred and recognized at a point in time.

Installation Services

Under the company's historical accounting policies, the company used the completed contract method for installation services associated with equipment sold within the Food Processing Equipment Group. Under ASC 606, the Company recognizes revenue from installation services over the period the services are rendered.

Product Maintenance

These services are generally recognized on a straight-line basis, because the customer simultaneously receives and consumes the benefit as we perform the services.

Practical Expedients and Policy Elections

The company has taken advantage of the following practical expedients:

- The company does not disclose information about remaining performance obligations that have original expected durations of one year or less.
- 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.
- 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 has made the following accounting policy elections:

- 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.

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
Twelve Months Ended December 28, 2019				
United States and Canada	\$ 1,334,776	\$ 246,572	\$ 362,753	\$ 1,944,101
Asia	221,422	31,250	5,760	258,432
Europe and Middle East	349,613	98,814	198,672	647,099
Latin America	78,534	24,315	6,965	109,814
Total	<u>\$ 1,984,345</u>	<u>\$ 400,951</u>	<u>\$ 574,150</u>	<u>\$ 2,959,446</u>
Twelve Months Ended December 29, 2018				
United States and Canada	\$ 1,176,006	\$ 263,743	\$ 366,679	\$ 1,806,428
Asia	180,409	36,578	7,155	224,142
Europe and Middle East	315,935	64,666	221,126	601,727
Latin America	57,464	24,607	8,563	90,634
Total	<u>\$ 1,729,814</u>	<u>\$ 389,594</u>	<u>\$ 603,523</u>	<u>\$ 2,722,931</u>
Twelve Months Ended December 30, 2017				
United States and Canada	\$ 968,483	\$ 256,739	\$ 344,204	\$ 1,569,426
Asia	144,702	25,175	8,099	177,976
Europe and Middle East	226,697	42,473	240,456	509,626
Latin America	42,226	28,330	7,958	78,514
Total	<u>\$ 1,382,108</u>	<u>\$ 352,717</u>	<u>\$ 600,717</u>	<u>\$ 2,335,542</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. Accounts receivable are not considered contract assets under the new revenue standard as contract assets are conditioned upon the company's future satisfaction of a performance obligation. Accounts receivable, in contracts, are unconditional rights to consideration.

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 28, 2019	December 29, 2018
Contract assets	\$ 22,675	\$ 14,048
Contract liabilities	\$ 74,511	\$ 57,913
Non-current contract liabilities	\$ 12,870	\$ 12,170

During the twelve months period ended December 28, 2019, the company reclassified \$9.1 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 28, 2019, the company recognized revenue of \$51.8 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 \$71.4 million during the twelve months period ended December 28, 2019. 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 28, 2019.

(5) FINANCING ARRANGEMENTS

The following is a summary of long-term debt at December 28, 2019 and December 29, 2018 (in thousands):

	2019	2018
Senior secured revolving credit line	\$ 1,869,402	\$ 1,887,764
Foreign loans	3,622	4,166
Other debt arrangement	116	175
Total debt	<u>\$ 1,873,140</u>	<u>\$ 1,892,105</u>
Less current maturities of long-term debt	<u>2,894</u>	<u>3,207</u>
Long-term debt	<u>\$ 1,870,246</u>	<u>\$ 1,888,898</u>

On July 28, 2016, the company entered into an amended and restated five year \$2.5 billion multi-currency senior secured revolving credit agreement (the "Credit Facility"). On December 18, 2018, the company entered into an amendment to the Credit Facility, increasing the revolving commitments under the Credit Facility by \$500.0 million to a total of \$3.0 billion. Subsequent to the end of fiscal year December 28, 2019, the company entered into an amended and restated facility ("Amended Facility"). See Note 14 to the consolidated financial statements for further information. As of December 28, 2019, the company had \$1.9 billion of borrowings outstanding under the Credit Facility, including \$1.8 billion of borrowings in U.S. Dollars and \$47.9 million of borrowings denominated in Euro. The company also has \$13.3 million in outstanding letters of credit as of December 28, 2019, which reduces the borrowing availability under the Credit Facility. Remaining borrowing availability under this facility was \$1.1 billion at December 28, 2019.

At December 28, 2019, borrowings under the Credit Facility accrued interest at a rate of 1.625% above LIBOR per annum or 0.625% above the highest of the prime rate, the federal funds rate plus 0.50% and one month LIBOR plus 1.00%. The average interest rate per annum on the debt under the Credit Facility was equal to 3.37% at the end of the period. 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. This variable commitment fee was equal to 0.25% per annum as of December 28, 2019.

In addition, the company has other international credit facilities to fund working capital needs outside the United States and the United Kingdom. At December 28, 2019, these foreign credit facilities amounted to \$3.6 million in U.S. Dollars with a weighted average per annum interest rate of approximately 5.18%.

The company's debt is reflected on the balance sheet at cost. 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 company estimated the fair value of its loans by calculating the upfront cash payment a market participant would require to assume the company's obligations. The upfront cash payment is the amount that a market participant would be able to lend to achieve sufficient cash inflows to cover the cash outflows under the company's senior secured revolving credit facility assuming the facility was outstanding in its entirety until maturity. Since the company maintains its borrowings under a revolving credit facility and there is no predetermined borrowing or repayment schedule, for purposes of this calculation the company calculated the fair value of its obligations assuming the current amount of debt at the end of the period was outstanding until the maturity of the company's Credit Facility in January 2025. Although borrowings could be materially greater or less than the current amount of borrowings outstanding at the end of the period, it is not practical to estimate the amounts that may be outstanding during future periods. The carrying value and estimated aggregate fair value, a level 2 measurement, based primarily on market prices, of debt is as follows (in thousands):

	December 28, 2019		December 29, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Total debt	\$ 1,873,140	\$ 1,873,140	\$ 1,892,105	\$ 1,892,105

The company uses floating-to-fixed interest rate swap agreements to hedge variable interest rate risk associated with the Credit Facility. At December 28, 2019, the company had outstanding floating-to-fixed interest rate swaps totaling \$51.0 million notional amount carrying an average interest rate of 1.27% maturing in less than 12 months and \$897.0 million of notional amount carrying an average interest rate of 2.27% that mature in more than 12 months but less than 72 months.

The terms of the Amended Facility 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 Amended Facility) of 3.00 to 1.00 and (ii) a maximum Leverage Ratio of Funded Debt less Unrestricted Cash to Pro Forma EBITDA (each as defined in the Amended Facility) of 4.00 to 1.00, which may be adjusted to 4.50 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 Amended Facility. The Amended 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 Amended 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 28, 2019, the company was in compliance with all covenants pursuant to its borrowing agreements.

The aggregate amount of debt payable during each of the next five years, which includes the amendment and restatement to our multi-currency senior secured credit agreement disclosed in Note 14 to the consolidated financial statements, is as follows (in thousands):

2020	\$ 2,894
2021	378
2022	302
2023	82
2024 and thereafter	1,869,484
	<u>\$ 1,873,140</u>

(6) COMMON AND PREFERRED STOCK

(a) Shares Authorized

At December 28, 2019 and December 29, 2018, 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. As of December 28, 2019, 126,200 shares had been purchased under the 2017 stock repurchase program and 2,373,800 remain authorized for repurchase.

(c) Share-Based Awards

The company maintains several stock incentive plans under which the company's Board of Directors issues restricted share grants to key employees. Restricted share grants issued to employees are transferable upon certain vesting requirements being met. The 2011 Stock Incentive Plan (the "2011 Plan") was adopted on April 1, 2011, under which the company's Board of Directors issues stock grants to key employees. On July 11, 2017 the company increased the maximum amount of shares reserved for issuance under the 2011 Plan by 1,000,000. A maximum amount of 2,650,000 shares can be issued under the 2011 Plan. Stock grants issued to employees are transferable upon certain vesting requirements. As of December 28, 2019, a total of 1,652,175 share-based awards have been issued under the 2011 Plan. This includes 1,652,175 restricted share grants, of which 527,085 remain outstanding and unvested. For fiscal year ended December 28, 2019, the approximate fair value of shares vested were \$16.5 million.

A summary of the company's nonvested restricted share grant activity for fiscal years ended December 28, 2019 and December 29, 2018 is as follows:

	Shares	Weighted Average Grant-Date Fair Value
Nonvested shares at December 30, 2017	159,203	\$ 104.44
Granted	132,038	100.50
Vested	(6,203)	126.09
Forfeited	(159,196)	100.84
Nonvested shares at December 29, 2018	125,842	\$ 103.29
Granted	537,059	113.26
Vested	(135,816)	105.81
Forfeited	—	—
Nonvested shares at December 28, 2019	527,085	\$ 112.60

(7) INCOME TAXES

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

	2019	2018	2017
Domestic	\$ 336,688	\$ 328,870	\$ 290,866
Foreign	125,931	94,643	92,663
Total	<u>\$ 462,619</u>	<u>\$ 423,513</u>	<u>\$ 383,529</u>

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

	2019	2018	2017
Federal	\$ 69,074	\$ 66,359	\$ 48,688
State and local	16,203	16,035	9,076
Foreign	25,102	23,967	27,637
Total	<u>\$ 110,379</u>	<u>\$ 106,361</u>	<u>\$ 85,401</u>
Current	\$ 88,167	\$ 85,872	\$ 99,893
Deferred	22,212	20,489	(14,492)
Total	<u>\$ 110,379</u>	<u>\$ 106,361</u>	<u>\$ 85,401</u>

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

	2019	2018	2017
U.S. federal statutory tax rate	21.0%	21.0%	35.0%
State taxes, net of federal benefit	3.2	3.0	1.5
U.S. domestic manufacturers deduction	—	—	(2.1)
Permanent differences	0.6	0.2	(0.7)
Foreign income tax rate at rates other than U.S. statutory	0.2	1.3	(1.6)
Tax Cuts and Jobs Act of 2017 deferred tax changes	—	0.2	(10.0)
Tax Cuts and Jobs Act of 2017 transition tax	—	(0.1)	2.0
Change in valuation allowances ⁽¹⁾	0.1	(0.5)	(2.0)
Tax on unremitted earnings	0.3	—	1.5
Other	(1.5)	—	(1.3)
Consolidated effective tax	<u>23.9%</u>	<u>25.1%</u>	<u>22.3%</u>

⁽¹⁾ Net of changes in related tax attributes.

The company's effective tax rate for 2019 was 23.9% as compared to 25.1% in 2018. The effective tax rate for 2019 reflects favorable tax adjustments for a refund of foreign taxes, enacted tax rate changes in several foreign jurisdictions and adjustments for the finalization of 2018 tax returns. The effective tax rate is higher than the federal tax rate of 21.0% primarily due to state taxes, non-deductible expenses and foreign tax rate differentials.

At December 28, 2019 and December 29, 2018, the company had recorded the following deferred tax assets and liabilities (in thousands):

	2019	2018
Deferred tax assets:		
Compensation related	\$ 4,744	\$ 3,776
Pension and post-retirement benefits	48,716	41,502
Inventory reserves	15,166	14,441
Accrued liabilities and reserves	17,321	13,835
Warranty reserves	16,550	10,641
Operating lease liability	17,521	—
Net operating loss carryforwards	17,873	36,629
Other	22,579	10,531
Gross deferred tax assets	160,470	131,355
Valuation allowance	(7,754)	(26,023)
Deferred tax assets	<u>\$ 152,716</u>	<u>\$ 105,332</u>
Deferred tax liabilities:		
Intangible assets	\$ (203,721)	\$ (167,197)
Depreciable assets	(18,020)	(13,617)
Operating lease right-of-use assets	(17,542)	—
Other	(10,001)	(6,226)
Deferred tax liabilities	<u>\$ (249,284)</u>	<u>\$ (187,040)</u>
Net deferred tax assets (liabilities)	<u>\$ (96,568)</u>	<u>\$ (81,708)</u>
Long-term deferred asset	36,932	32,188
Long-term deferred liability	(133,500)	(113,896)
Net deferred tax assets (liabilities)	<u>\$ (96,568)</u>	<u>\$ (81,708)</u>

The company has recorded tax reserves on undistributed foreign earnings not permanently reinvested of \$5.6 million and \$4.1 million at December 28, 2019 and December 29, 2018, 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 \$369.0 million on December 28, 2019. 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 \$17.9 million as of December 28, 2019. These net operating losses are available to reduce future taxable earnings of certain domestic and foreign subsidiaries. United States federal loss carryforwards total \$19.5 million of which \$13.4 million will expire through 2037 and \$6.1 million have no expiration date. State loss carryforwards total \$104.4 million and expire through 2039 and international loss carryforwards total \$38.2 million and expire through 2038; however, some have no expiration date. Of these carryforwards, \$5.2 million are subject to full valuation allowance. During 2019, the company wrote off \$18.4 million of deferred tax assets on foreign loss carryforwards that had full valuation allowances. The deferred tax assets were written off as the entities were dissolved or otherwise disposed of during 2019.

As of December 28, 2019, the total amount of liability for unrecognized tax benefits related to federal, state and foreign taxes was approximately \$31.6 million (of which \$31.2 million would impact the effective tax rate if recognized) plus approximately \$5.5 million of accrued interest and \$7.2 million of penalties. The company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense. Interest recognized in fiscal years 2019, 2018 and 2017 was \$0.4 million, \$0.6 million and \$0.7 million, respectively. Penalties recognized in fiscal years 2019, 2018 and 2017 was \$(0.9) million, \$0.6 million and \$1.3 million, respectively.

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.

The following table summarizes the activity related to the unrecognized tax benefits for the fiscal years ended December 30, 2017, December 29, 2018 and December 28, 2019 (in thousands):

Balance at December 30, 2017	\$ 29,930
Increases to current year tax positions	3,912
Increase to prior year tax positions	2,860
Decrease to prior year tax positions	(569)
Lapse of statute of limitations	(4,221)
Balance at December 29, 2018	\$ 31,912
Increases to current year tax positions	4,216
Increase to prior year tax positions	254
Lapse of statute of limitations	(4,823)
Balance at December 28, 2019	\$ 31,559

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 \$5.3 million of its remaining unrecognized tax benefits may be recognized by the end of 2020 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 2016 through the current year for the United States federal jurisdiction. Income tax years open for our other major jurisdictions range from 2014 through the current year.

(8) FINANCIAL INSTRUMENTS

ASC 815 "Derivatives and Hedging" requires an entity to recognize all derivatives as either assets or liabilities and measure those instruments at fair value. Derivatives that do not qualify as a hedge must be adjusted to fair value in earnings. If a derivative does qualify as a hedge under ASC 815, 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.

On December 30, 2018, the company adopted the new accounting standard ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities" using the modified retrospective method. Prior to the adoption of ASU 2017-12, the ineffective portion of a hedge's change in fair value was recognized in earnings. Upon adoption of ASU 2017-12, the company no longer recognizes hedge ineffectiveness in our Consolidated Statements of Comprehensive Income, but instead recognizes the entire change in the fair value of the hedge contract in other accumulated comprehensive income.

(a) Foreign Exchange

The company periodically enters into derivative instruments, principally forward contracts to reduce exposures pertaining to fluctuations in foreign exchange rates. The fair value of these forward contracts was an unrealized loss of \$0.9 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. The agreements swap one-month LIBOR for fixed rates. 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 a liability of \$23.3 million and an asset of \$9.4 million as of December 28, 2019 and December 29, 2018, respectively. The change in fair value of these swap agreements in 2019 was a loss of \$24.1 million, net of taxes.

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

	Location	Twelve Months Ended	
		Dec 28, 2019	Dec 29, 2018
Fair value	Other assets	\$ 1,830	\$ 13,487
Fair value	Other non-current liabilities	\$ 25,120	\$ 4,125
Amount of gain/(loss) recognized in other comprehensive income	Other comprehensive income	\$ (31,396)	\$ (561)
Gain/(loss) reclassified from accumulated other comprehensive income (effective portion)	Interest expense	\$ 1,256	\$ 415
Gain/(loss) recognized in income (ineffective portion)	Other expense	\$ —	\$ 72

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

On December 30, 2018, the company adopted the new accounting standard ASU No. 2016-02, "Leases" (ASC 842) using the modified retrospective method and elected to use the effective date as the date of initial application on transition. The company has elected the package of practical expedients to not reassess prior conclusions related to contracts containing leases, lease classification and initial direct costs.

The adoption of ASC 842 represents a change in accounting principle that changes the way all leases with a duration of one year or more are treated. Under this guidance, lessees are required to capitalize virtually all leases on the balance sheet as a right-of-use asset and an associated financing lease liability or operating lease liability. The company determines if an arrangement is a lease at inception of a contract. Additionally, the guidance requires additional disclosure to enable users of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases.

The most material impact of the new standard is the recognition of new right-of-use (ROU) assets and lease liabilities on the Consolidated Balance Sheet for operating leases. Operating lease ROU assets are included in other assets and operating lease liabilities are included accrued expenses and other non-current liabilities. The lease liabilities are measured based upon the present value of minimum future payments and the ROU assets to be recognized will be equal to lease liabilities, adjusted for prepaid and accrued rent balances.

Leases

The company leases warehouse space, office facilities and equipment under operating leases. Leases with an initial term of 12 months or less are not recorded on the balance sheet. The company's lease terms include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for these leases is recognized on a straight-line basis over the term of the lease. The company has operating lease costs of \$31.0 million, \$30.2 million and \$27.1 million in fiscal 2019, 2018 and 2017 respectively, including short-term lease expense and variable lease costs, which were immaterial in the year.

Rent expense under the company's operating leases during fiscal 2018 and 2017, prior to the company's adoption of ASC 842, was \$30.2 million and \$27.1 million, respectively. The company's future minimum lease obligations under non-cancelable operating leases as of December 29, 2018 were comparable to those as of December 28, 2019.

Leases (in thousands)	December 28, 2019
Operating lease right-of-use assets	<u>\$ 96,655</u>
Operating Lease Liability:	
Current	21,827
Non-current	<u>75,018</u>
Total Liability	<u>\$ 96,845</u>

Total Lease Commitments (in thousands)	Operating Leases
2020	<u>\$ 24,563</u>
2021	21,424
2022	17,875
2023	12,742
2024	10,134
2025 and thereafter	25,514
Total future lease commitments	<u>112,252</u>
Less imputed interest	15,407
Total	<u>\$ 96,845</u>

Other Lease Information (in thousands, except lease term and discount rate)	<u>Twelve Months Ended December 28, 2019</u>
<u>Supplemental cash flow information</u>	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows for operating leases	\$ 24,794
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	25,306
	<u>December 28, 2019</u>
Weighted-average remaining lease terms leases - Operating	6.3 years
Weighted-average discount rate - Operating	3.4%

(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. This business segment has manufacturing facilities in Arkansas, California, Illinois, Michigan, New Hampshire, North Carolina, Ohio, Pennsylvania, Tennessee, Texas, Vermont, Washington, Australia, China, Denmark, Estonia, Italy, the Philippines, Spain, Poland, Sweden and the United Kingdom. Principal product lines of 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 and IoT solutions. These products are sold and marketed under the brand names: Anets, APW Wyott, Bakers Pride, Beech, BKI, Blodgett, Blodgett Combi, Blodgett Range, Bloomfield, Britannia, Carter-Hoffmann, Celfrost, Concordia, CookTek, Crown, CTX, Desmon, Doyon, Eswood, EVO, Firex, Follett, Frifri, Giga, Globe, Goldstein, Holman, Houno, IMC, Induc, Jade, JoeTap, Jospier, L2F, Lang, Lincat, MagiKitch'n, Market Forge, Marsal, Middleby Marshall, MPC, Nioco, Nu-Vu, PerfectFry, Pitco, Powerhouse Dynamics, QualServ, Southbend, Ss Brewtech, Star, Starline, Sveba Dahlen, Synesso, Taylor, Toastmaster, TurboChef, Ultrafryer, Varimixer, Wells and Wunder-Bar.

The Food Processing Equipment Group manufactures preparation, cooking, packaging food handling and food safety equipment for the food processing industry. This business segment has manufacturing operations in Georgia, Illinois, Iowa, North Carolina, Oklahoma, Texas, Virginia, Washington, Wisconsin, Denmark, France, Germany, India, Italy, and the United Kingdom. Principal product lines of this group include batch ovens, baking ovens, proofing ovens, conveyor belt ovens, continuous processing ovens, frying systems and automated thermal processing systems, 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, forming equipment, automated loading and unloading systems, food safety, food handling, freezing, defrosting and packaging equipment. These products are sold and marketed under the brand names: Alkar, Armor Inox, Auto-Bake, Baker Thermal Solutions, Burford, Cozzini, CVP Systems, Danfotech, Drake, Emico, Glimek, Hinds-Bock, Maurer-Atmos, MP Equipment, M-TEK, Pacproinc, RapidPak, Scanico, Spooner Vicars, Stewart Systems, Thurne and Ve.Ma.C.

The Residential Kitchen Equipment Group manufactures, sells and distributes kitchen equipment for the residential market. This business segment has manufacturing facilities in California, Michigan, Mississippi, Wisconsin, France, Ireland and the United Kingdom. Principal product lines of this group are ranges, cookers, stoves, ovens, refrigerators, dishwashers, microwaves, cooktops, wine coolers, ice machines, ventilation equipment and outdoor equipment. These products are sold and marketed under the brand names: AGA, AGA Cookshop, Brava, EVO, Fired Earth, Heartland, La Cornue, Leisure Sinks, Lynx, Marvel, Mercury, Rangemaster, Rayburn, Redfyre, Sedona, Stanley, TurboChef, U-Line and Viking.

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⁽¹⁾ (dollars in thousands):

	Commercial Foodservice	Food Processing	Residential Kitchen	Corporate and Other ⁽²⁾	Total
2019					
Net sales	\$ 1,984,345	\$ 400,951	\$ 574,150	\$ —	\$ 2,959,446
Operating income ^(3,4)	429,946	68,935	89,312	(74,150)	514,043
Depreciation expense	21,054	4,944	11,742	112	37,852
Amortization expense ⁽⁵⁾	45,906	8,162	9,896	1,612	65,576
Net capital expenditures	29,353	6,683	9,168	1,405	46,609
Total assets	3,188,304	621,619	1,157,211	35,009	5,002,143
Long-lived assets ⁽⁶⁾	261,466	57,403	176,834	4,116	499,819
2018					
Net sales	\$ 1,729,814	\$ 389,594	\$ 603,523	\$ —	\$ 2,722,931
Operating income ⁽³⁾	393,380	62,435	53,959	(63,808)	445,966
Depreciation expense	17,374	5,207	12,838	363	35,782
Amortization expense ⁽⁵⁾	35,224	7,527	17,226	1,479	61,456
Net capital expenditures	17,444	7,373	11,721	(498)	36,040
Total assets	2,906,373	513,189	1,089,103	41,116	4,549,781
Long-lived assets ⁽⁶⁾	181,636	33,127	146,897	22,328	383,988
2017					
Net sales	\$ 1,382,108	\$ 352,717	\$ 600,717	\$ —	\$ 2,335,542
Operating income ^(3,7,8)	357,085	88,121	(377)	(66,216)	378,613
Depreciation expense	12,643	3,677	12,984	406	29,710
Amortization expense ⁽⁵⁾	17,338	3,680	17,567	1,479	40,064
Net capital expenditures	41,457	5,519	7,637	(120)	54,493
Total assets	1,693,820	450,932	1,140,668	54,293	3,339,713
Long-lived assets ⁽⁶⁾	148,565	25,346	167,486	21,191	362,588

(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 are included in operating income of the segment to which they pertain. See note 13 for further details.

(4) Gain on litigation settlement is included in Residential Kitchen.

(5) Includes amortization of deferred financing costs.

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

(7) Gain on sale of plant is included in Commercial Foodservice.

(8) Impairment of intangible assets is included in Residential Kitchen.

Geographic Information

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

	2019	2018	2017
United States and Canada	\$ 305,207	\$ 262,482	\$ 221,479
Asia	22,312	12,136	14,033
Europe and Middle East	165,781	108,001	126,264
Latin America	6,519	1,369	812
Total International	194,612	121,506	141,109
	<u>\$ 499,819</u>	<u>\$ 383,988</u>	<u>\$ 362,588</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, which was acquired as part of the Star acquisition. 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 Chairman's final base salary with no increase in compensation.

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, which covers the majority of employees 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.

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)

	Fiscal 2019		Fiscal 2018	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Net Periodic Pension Cost (Benefit):				
Service cost	\$ —	\$ 2,457	\$ 365	\$ 3,754
Interest cost	1,253	33,490	1,082	32,173
Expected return on assets	(868)	(67,542)	(967)	(75,017)
Amortization of net loss (gain)	664	721	(129)	4,056
Amortization of prior service cost	—	2,560	—	437
Curtailed loss	—	865	—	906
Pension settlement gain	—	—	—	(655)
	<u>\$ 1,049</u>	<u>\$ (27,449)</u>	<u>\$ 351</u>	<u>\$ (34,346)</u>
Change in Benefit Obligation:				
Benefit obligation – beginning of year	\$ 31,559	\$ 1,377,575	\$ 31,908	\$ 1,615,244
Service cost	—	2,457	365	3,754
Prior service cost	—	—	—	53,586
Interest on benefit obligations	1,253	33,490	1,082	32,173
Member contributions	—	313	—	290
Actuarial loss (gain)	4,173	102,377	(850)	(163,746)
Pension settlement gain	—	—	—	(873)
Net benefit payments	(1,590)	(62,355)	(946)	(72,095)
Curtailed loss	—	865	—	906
Exchange effect	—	46,894	—	(91,664)
Benefit obligation – end of year	<u>\$ 35,395</u>	<u>\$ 1,501,616</u>	<u>\$ 31,559</u>	<u>\$ 1,377,575</u>
Change in Plan Assets:				
Plan assets at fair value – beginning of year	\$ 14,634	\$ 1,141,381	\$ 16,102	\$ 1,296,539
Company contributions	1,191	5,934	877	4,889
Investment gain (loss)	2,509	107,368	(1,399)	(12,600)
Member contributions	—	313	—	290
Pension settlement loss	—	—	—	(161)
Benefit payments and plan expenses	(1,590)	(62,355)	(946)	(72,095)
Exchange effect	—	38,540	—	(75,481)
Plan assets at fair value – end of year	<u>\$ 16,744</u>	<u>\$ 1,231,181</u>	<u>\$ 14,634</u>	<u>\$ 1,141,381</u>
Funded Status:				
Unfunded benefit obligation	<u>\$ (18,651)</u>	<u>\$ (270,435)</u>	<u>\$ (16,925)</u>	<u>\$ (236,194)</u>
Amounts recognized in balance sheet at year end:				
Accrued pension benefits	<u>\$ (18,651)</u>	<u>\$ (270,435)</u>	<u>\$ (16,925)</u>	<u>\$ (236,194)</u>

	Fiscal 2019		Fiscal 2018	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Pre-tax components in accumulated other comprehensive income at period end:				
Net actuarial loss	\$ 6,853	\$ 270,116	\$ 4,985	\$ 202,672
Pre-tax components recognized in other comprehensive income for the period:				
Current year actuarial (gain) loss	\$ 2,532	\$ 69,228	\$ 1,516	\$ (88,992)
Actuarial gain (loss) recognized	(664)	(798)	129	(4,741)
Prior service cost	—	—	—	53,586
Prior service cost recognized	—	(986)	—	(437)
Pension settlement gain	—	—	—	(713)
Pension settlement gain recognized	—	—	—	654
Total amount recognized	\$ 1,868	\$ 67,444	\$ 1,645	\$ (40,643)
Accumulated Benefit Obligation	\$ 35,395	\$ 1,501,616	\$ 31,559	\$ 1,377,532
Salary growth rate	n/a	0.8%	n/a	0.8%
Assumed discount rate	3.0%	2.0%	4.1%	2.7%
Expected return on assets	6.0%	6.2%	6.0%	6.2%

On October 26, 2018, in *Lloyds Banking Group Pensions Trustees Limited vs. Lloyds Bank plc and Others*, the High Court of Justice in the United Kingdom issued a ruling ("Court Ruling") requiring Lloyds Bank plc to equalize benefits payable to men and women under its U.K. defined benefit pension plan. The Court Ruling noted that the formulas used to determine guaranteed minimum pension (GMP) benefits violated gender-pay equality laws due to differences in the way benefits were calculated for men and women. As a result of this ruling, the U.K. pension plan was required to amend its benefit formulas and account for the higher pension payments resulting from GMP equalization. In accordance with ASC 715, this Court Ruling represents a change to the company's U.K. pension plans resulting in a retroactive increase in benefit levels for plan participants and has been accounted for as a prior service cost deferred in other comprehensive income, to be amortized as a component of net periodic pension benefit in future periods. The U.K. pension plans projected benefit obligation increased \$53.6 million as a result of the Court Ruling, subject to potential future adjustments as the calculations by participants are finalized.

The company has engaged non-affiliated third party professional investment advisors to assist the company to develop its investment policy and establish 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	
		2019	2018
Equity	48%	51%	42%
Fixed income	40	37	49
Money market	4	2	1
Other (real estate investment trusts & commodities contracts)	8	10	8
	100%	100%	100%

Non-U.S. Plans:

	Target Allocation	Percentage of Plan Assets	
		2019	2018
Equity	17%	22%	23%
Fixed income	38	39	52
Alternatives/Other	32	22	9
Real Estate	13	13	14
Cash and cash equivalents	—	4	2
	100%	100%	100%

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 28, 2019 and December 29, 2018 (in thousands):

U.S. Plans:

Asset Category	Fiscal 2019			Fiscal 2018		
	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)	\$ 347	\$ —	\$ 347	\$ 175	\$ —	\$ 175
Equity Securities:						
Large Cap	3,957	3,957	—	2,615	2,615	—
Mid Cap	417	417	—	329	329	—
Small Cap	418	418	—	326	326	—
International	3,657	3,657	—	2,937	2,937	—
Fixed Income:						
Government/Corporate	4,992	4,992	—	5,994	5,994	—
High Yield	1,260	1,260	—	1,102	1,102	—
Alternative:						
Global Real Estate Investment Trust	1,358	1,358	—	591	591	—
Commodities Contracts	338	338	—	565	565	—
Total	\$ 16,744	\$ 16,397	\$ 347	\$ 14,634	\$ 14,459	\$ 175

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

Non-U.S. Plans:

Asset Category	Fiscal 2019					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	\$ 44,748	\$ 18,142	\$ 2,874	\$ —	\$ 23,732	
Equity Securities:						
UK	101,922	88,830	—	—	13,092	
International:						
Developed	165,709	13,170	—	—	152,539	
Emerging	11,653	650	—	—	11,003	
Unquoted/Private Equity	123	—	—	—	123	
Fixed Income:						
Government/Corporate:						
UK	189,513	14,245	2,867	—	172,401	
International	86,208	—	—	—	86,208	
Index Linked	189,463	2,085	—	—	187,378	
Other	6,367	—	—	—	6,367	
Convertible Bonds	177	—	—	—	177	
Real Estate:						
Direct	154,494	—	154,494	—	—	
Indirect	8,155	137	7,603	—	415	
Hedge Fund Strategy:						
Equity Long/Short	21,683	—	—	—	21,683	
Arbitrage & Event	29,284	—	—	—	29,284	
Directional Trading & Fixed Income	9,361	—	—	—	9,361	
Cash & Other	163,058	—	—	—	163,058	
Direct Sourcing	2,269	—	—	—	2,269	
Leveraged Loans	21,635	—	—	—	21,635	
Alternative/Other	25,359	1	—	—	25,358	
Total	\$ 1,231,181	\$ 137,260	\$ 167,838	\$ —	\$ 926,083	

Fiscal 2018

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	\$ 28,434	\$ 4,325	\$ 2,656	\$ —	\$ 21,453
Equity Securities:					
UK	155,687	78,938	—	—	76,749
International:					
Developed	99,872	14,497	—	—	85,375
Emerging	7,488	591	—	—	6,897
Unquoted/Private Equity	1,752	—	—	—	1,752
Fixed Income:					
Government/Corporate:					
UK	468,608	11,860	6,779	—	449,969
International	75,980	—	—	—	75,980
Index Linked	47,873	3,614	—	—	44,259
Other	650	—	—	—	650
Convertible Bonds	188	—	—	—	188
Real Estate:					
Direct	148,551	—	148,551	—	—
Indirect	10,812	188	9,298	—	1,326
Hedge Fund Strategy:					
Equity Long/Short	73,783	—	—	—	73,783
Arbitrage & Event	73,261	—	—	—	73,261
Directional Trading & Fixed Income	44,091	—	—	—	44,091
Cash & Other	21,719	—	—	—	21,719
Direct Sourcing	2,289	—	—	—	2,289
Leveraged Loans	18,295	—	—	—	18,295
Alternative/Other	(137,952)	5	—	86	(138,043)
Total	\$ 1,141,381	\$ 114,018	\$ 167,284	\$ 86	\$ 859,993

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
2020	\$ 1,738	\$ 63,856
2021	1,763	65,110
2022	1,776	66,177
2023	1,784	66,332
2024 through 2029	11,267	405,088

Expected contributions to the U.S. Plans and Non-U.S. Plans to be made in 2020 are \$1.3 million and \$5.8 million, respectively.

(b) *Defined Contribution Plans*

As of December 28, 2019, 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) QUARTERLY DATA (UNAUDITED)

	1st	2nd	3rd	4th	Total Year
	(dollars in thousands, except per share data)				
2019					
Net sales	\$ 686,802	\$ 761,004	\$ 724,014	\$ 787,626	\$ 2,959,446
Gross profit	257,312	286,479	270,028	289,678	1,103,497
Income from operations	101,061	139,607	121,345	152,030	514,043
Net earnings	<u>\$ 69,013</u>	<u>\$ 92,210</u>	<u>\$ 82,020</u>	<u>\$ 108,997</u>	<u>\$ 352,240</u>
Basic earnings per share (1)	<u>\$ 1.24</u>	<u>\$ 1.66</u>	<u>\$ 1.47</u>	<u>\$ 1.96</u>	<u>\$ 6.33</u>
Diluted earnings per share (1)	<u>\$ 1.24</u>	<u>\$ 1.66</u>	<u>\$ 1.47</u>	<u>\$ 1.96</u>	<u>\$ 6.33</u>
2018					
Net sales	\$ 584,800	\$ 668,128	\$ 713,331	\$ 756,672	\$ 2,722,931
Gross profit	211,633	250,759	261,160	280,588	1,004,140
Income from operations	86,992	111,310	107,677	139,987	445,966
Net earnings	<u>\$ 65,420</u>	<u>\$ 83,988</u>	<u>\$ 72,905</u>	<u>\$ 94,839</u>	<u>\$ 317,152</u>
Basic earnings per share (1)	<u>\$ 1.18</u>	<u>\$ 1.51</u>	<u>\$ 1.31</u>	<u>\$ 1.71</u>	<u>\$ 5.71</u>
Diluted earnings per share (1)	<u>\$ 1.18</u>	<u>\$ 1.51</u>	<u>\$ 1.31</u>	<u>\$ 1.70</u>	<u>\$ 5.70</u>

(1) *Sum of quarters may not equal the total for the year due to changes in the number of shares outstanding during the year.*

(13) RESTRUCTURING AND ACQUISITION INTEGRATION INITIATIVES

Commercial Foodservice Equipment Group:

During the fiscal years 2019 and 2018, the company undertook cost reduction initiatives related to the entire Commercial Foodservice Equipment Group. These actions resulted in a charge of \$6.4 million and \$3.5 million in the twelve months ended December 28, 2019 and December 29, 2018, respectively, primarily for severance related to headcount reductions and facility consolidations. These expenses are reflected in restructuring expenses in the Consolidated Statements of Earnings. The company estimates that these restructuring initiatives will result in future cost savings of approximately \$10.0 million to \$15.0 million annually, beginning in fiscal 2020. At December 28, 2019, the restructuring obligations accrued for these initiatives are immaterial and will be substantially complete by first quarter of fiscal year 2020.

Residential Kitchen Equipment Group:

Since the 2015 acquisition of the AGA Group, the company undertook various acquisition integration initiatives including organizational restructuring, headcount reductions and consolidation and disposition of certain facilities and business operations, including the impairment of equipment and facilities. Most recently during 2018, the company undertook additional restructuring efforts related to Grange, a non-core business within the AGA Group, and elected to cease its operations. This process was largely completed in the fourth quarter of 2018. During fiscal 2019, the initiatives within the AGA Group were primarily related to headcount reductions. The company recorded expense of \$2.3 million, \$15.1 million and \$11.9 million, respectively in the years ended December 28, 2019, December 29, 2018 and December 30, 2017, respectively.

Additionally within the Residential Kitchen Equipment Group, the company incurred restructuring costs, primarily for severance related to headcount reductions and facility consolidations. The company recorded expense of \$1.7 million and \$1.2 million, respectively in the years ended December 28, 2019 and December 30, 2017, respectively.

These expenses are reflected in restructuring expenses in the Consolidated Statements of Earnings. The cumulative expenses incurred to date for these initiatives is approximately \$59.7 million. The primary realization of the cost savings began in 2017 and 2018 related to compensation and facility costs of approximately \$20.0 million annually. The company estimates the 2019 restructuring initiatives will result in future cost savings of approximately \$3.0 million annually. The restructuring obligations accrued for these initiatives are immaterial and will be paid by the end of fiscal of 2020.

The costs and corresponding reserve balances for the Residential Kitchen Equipment Group are summarized as follows (in thousands):

	Severance/ Benefits	Facilities/ Operations	Other	Total
Balance as of December 31, 2016	\$ 5,145	\$ 2,032	\$ 69	\$ 7,246
Expenses	8,662	3,872	601	13,135
Exchange Effect	533	358	11	902
Payments	(10,642)	(4,795)	(524)	(15,961)
Balance as of December 30, 2017	\$ 3,698	\$ 1,467	\$ 157	\$ 5,322
Expenses	6,367	3,771	5,001	15,139
Exchange Effect	(49)	(11)	23	(37)
Payments/Utilization	(9,150)	(5,171)	(4,394)	(18,715)
Balance as of December 29, 2018	\$ 866	\$ 56	\$ 787	\$ 1,709
Expenses	3,766	684	(476)	3,974
Exchange Effect	24	(7)	(55)	(38)
Payments/Utilization	(3,990)	(632)	(256)	(4,878)
Balance as of December 28, 2019	\$ 666	\$ 101	\$ —	\$ 767

(14) SUBSEQUENT EVENT

On January 31, 2020, the company entered into an amended and restated five-year, \$3.5 billion multi-currency senior secured credit agreement. This facility replaces the company's pre-existing \$3.0 billion Credit Facility, which had an original maturity of July 2021. The Amended Facility consists of (i) a \$750.0 million term loan facility and (ii) a \$2.75 billion multi-currency revolving credit facility, with the potential under certain circumstances, to increase the amount of the credit facility to up to a total of \$4.0 billion (plus additional amounts, subject to compliance with a senior secured net leverage ratio). The Amended Facility matures on January 31, 2025. At inception, the Amended Facility bears an interest rate of LIBOR plus a margin of 1.625%, which is adjusted quarterly based upon the company's leverage ratio. The term loan facility will amortize in equal quarterly installments due on the last day of each fiscal quarter, commencing with the first full fiscal quarter after January 31, 2020, in an aggregate annual 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 January 31, 2025. The Amended Facility provides for availability to provide working capital, capital expenditures, to support the issuance of letters of credit and other general corporate purposes.

THE MIDDLEBY CORPORATION

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
FOR THE FISCAL YEARS ENDED DECEMBER 28, 2019, DECEMBER 29, 2018
AND DECEMBER 30, 2017
(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-					
2019	\$ 13,608	\$ 1,941	\$ 2,009	\$ (2,672)	\$ 14,886
2018	\$ 13,182	\$ 3,160	\$ 1,121	\$ (3,855)	\$ 13,608
2017	\$ 12,600	\$ 2,084	\$ 478	\$ (1,979)	\$ 13,182

(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					
2019		\$ 26,023	\$ 129	\$ (18,398)	\$ 7,754
2018		\$ 23,190	\$ 2,833	\$ —	\$ 26,023
2017		\$ 29,893	\$ (6,703)	\$ —	\$ 23,190

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 28, 2019. 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 28, 2019, 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 EVO (acquired December 31, 2018), Cooking Solutions Group (acquired April 1, 2019), Powerhouse (acquired April 1, 2019), Ss Brewtech (acquired June 15, 2019), Pacproinc (acquired July 16, 2019), Brava (acquired November 19, 2019), and Synesso (acquired November 27, 2019).

These acquisitions constitute (0.3)% and 6.4% of net and total assets, respectively, 3.6% of net sales and (1.7)% of net income of the consolidated financial statements of the Company as of and for the year ended December 28, 2019. These acquisitions are included in the consolidated financial statements of the company as of and for the year ended December 28, 2019. 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 28, 2019.

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 an attestation report on the effectiveness of the company's internal control over financial reporting as of December 28, 2019.

The Middleby Corporation
February 26, 2020

Item 9B. Other Information

Not applicable.

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 48 are filed as part of this Form 10-K.

3. Exhibits

- 2.1 [Stock Purchase Agreement by and among The Middleby Corporation, Middleby Marshall Inc., United Technologies Corporation, Carrier Corporation, and Carrier Asia Limited, dated May 18, 2018, incorporated by reference to the company's Form 8-K, Exhibit 2.1 filed on May 24, 2018.](#)
- 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 [Third Amended and Restated Bylaws of The Middleby Corporation \(effective as of May 14, 2013\), incorporated by reference to the company's Form 8-K, Exhibit 3.1, dated May 14, 2013, filed on May 17, 2013.](#)
- 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.
- 10.1 [Seventh Amended and Restated Credit Agreement, dated as of January 31, 2020, 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 Middleby's Form 8-K, Exhibit 10.1, filed on February 3, 2020.](#)
- 10.2 [First Amendment and Tranche Increase Amendment to Sixth Amended and Restated Credit Agreement, dated as of December 18, 2018, among Middleby Marshall Inc., the lenders named therein, and Bank of America, N.A., as administrative agent for the lenders, incorporated by reference to Middleby's Form 8-K, Exhibit 10.1, filed on December 20, 2018.](#)
- 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 of Selim A. Bassoul dated December 23, 2004, incorporated by reference to the company's Form 8-K Exhibit 10.3, dated December 23, 2004, filed on December 28, 2004.](#)
- 10.5* [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, dated March 21, 2013, filed on March 25, 2013.](#)
- 10.6* [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.](#)

- 10.7* [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.](#)
- 10.8* [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.](#)
- 10.9* [Employment Agreement by and between The Middleby Corporation and Selim A. Bassoul, dated as of January 25, 2013, incorporated by reference to the company's Form 8-K Exhibit 10.1, dated January 25, 2013, filed on January 28, 2013.](#)
- 10.10* [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.](#)
- 10.11* [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.](#)
- 10.12* [Form of Restricted Performance Stock Agreement for The Middleby Corporation 2011 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.1 to the company's Form 8-K, dated February 24, 2014, filed on March 3, 2014.](#)
- 10.13* [Amendment to Employment Agreement between The Middleby Corporation, Middleby Marshall Inc. and Selim A. Bassoul, dated February 19, 2018, incorporated by reference to the company's Form 8-K Exhibit 10.1, dated February 19, 2018, filed on February 22, 2018.](#)
- 10.14* [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, dated February 19, 2018, filed on February 22, 2018.](#)
- 10.15* [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, dated February 19, 2018, filed on February 22, 2018.](#)
- 10.16* [Retirement and Consulting Agreement by and among The Middleby Corporation, Middleby Marshall Inc. and Selim A. Bassoul, dated as of February 16, 2019, incorporated by reference to the company's Form 8-K Exhibit 10.1, dated February 16, 2019, filed on February 19, 2019.](#)
- 10.17* [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.](#)
- 10.18* [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.](#)
- 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.](#)

101 Financial statements on Form 10-K for the year ended December 28, 2019, filed on February 26, 2020, formatted in 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 as Inline Extensive Business Reporting Language (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 26th day of February 2020.

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 26, 2020.

<u>Signatures</u>	<u>Title</u>
PRINCIPAL EXECUTIVE OFFICER	
<u>/s/ Timothy J. FitzGerald</u> Timothy J. FitzGerald	Chief Executive Officer and Director
PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER	
<u>/s/ Bryan E. Mittelman</u> Bryan E. Mittelman	Chief Financial Officer, Principal Financial Officer and Principal Accounting Officer
DIRECTORS	
<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/ Nassem Ziyad</u> Nassem Ziyad	Director

Subsidiaries of The Middleby Corporation(1)

<u>Name of Subsidiary</u>	<u>State/Country of Incorporation/Organization</u>
1184111 Ontario Limited	Canada
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.	France
Armor Inox Services S.A.S.	France
Armor Inox UK Ltd	United Kingdom
Armor Inox USA LLC	Delaware
Associated American Industries, LLC	Texas
A/S Wodschow & Co.	Denmark
Auto-Bake Acquisition Pty. Ltd	Australia
Auto-Bake Pty Ltd	Australia
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
BKI Worldwide, Inc.	Delaware
Blodgett Holdings, Inc.	Delaware
Brava Home, Inc.	Delaware
Britannia Kitchen Ventilation	United Kingdom
Burford Bakery Solutions Limited	United Kingdom
Burford Corp	Oklahoma
Carrier Commercial Refrigeration Inc.	Delaware
Carter-Hoffmann LLC	Delaware
Catering Equipment Industry srl	Italy
Cinoxplan, S.L.	Spain
Cloverleaf Properties, Inc.	Vermont
CM Brewing Technologies, LLC	California
Concordia Coffee Company, Inc.	Washington
Cooking Solutions Group, Inc.	Delaware

CookTek Induction Systems, LLC	Delaware
Cozzini do Brasil Ltda	Brazil
Cozzini Middleby de Mexico, S. de R.L.de C.V.	Mexico
Cozzini Middleby Europe, S.r.l.	Italy
Cozzini, LLC	Delaware
Cranmore Property Ltd	United Kingdom
Crown Food Service Equipment Ltd.	Canada
CVP Systems LLC	Illinois
Danfotech Holdings, LLC	Delaware
Danfotech Inc.	Missouri
Desmon S.p.A.	Italy
DMKS Holdings Inc.	Canada
Doyon Acquisition Company, LLC	Delaware
Doyon Equipment Inc.	Canada
Eswood Australia Pty Ltd	Australia
Evo, Inc.	Oregon
F.R. Drake Company	Delaware
Fab-Asia Inc.	Philippines
Field Service Solutions	Arkansas
Fired Earth Ltd	United Kingdom
Firex S.r.l.	Italy
Follett Europe Polska sp. z.o.o.	Poland
Follett International sp. z.o.o.	Poland
Follett LLC	Pennsylvania
G.S. Blodgett Corporation	Vermont
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 Canada (1989) Ltd	Canada
Grange Furniture Inc.	Delaware
Heartland Appliances Inc.	Canada
Hinds-Bock Corporation	Washington
Holman Cooking Equipment Inc.	Delaware
Houno A/S	Denmark
Houno Holdings LLC	Delaware
Imperial Machine Company Ltd	United Kingdom
J. Goldstein & Co. Pty Ltd	Australia
Jade Range LLC	Delaware
J.M. Stritzl Holdings Inc.	Canada
Johs. Lassen Fjellebroen A/S	Denmark
Josper, S.A.	Spain
Keylog S.r.l.	Italy
L2F Inc.	Delaware

LA Cornue SAS	France
Levens Middleby Worldwide B.V.	Netherlands
Lincat Group PLC	United Kingdom
Lincat Limited.	United Kingdom
Lynx Grills Inc.	Delaware
Lynx Holdco Inc.	Delaware
MagiKitch'n Inc.	Pennsylvania
Maurer-Atmos Middleby GmbH	Germany
Middleby Advantage, LLC	Delaware
Middleby Asia Ltd	Hong Kong
Middleby Australia Pty Ltd	Australia
Middleby Canada Company	Canada
Middleby Celfrost Innovations Pvt Ltd	India
Middleby China Corporation	Peoples Republic of China
Middleby Cooking System Manufacturing (Shanghai) Corporation	Peoples Republic of China
Middleby Cozzini Brasil Equipamentos, Ltda	Brazil
Middleby Denmark Holdings ApS	Denmark
Middleby Espana SLU	Spain
Middleby Europe SL	Spain
Middleby Holding UK Ltd	United Kingdom
Middleby India Engineering Pvt Ltd	India
Middleby Induction China Corporation	Peoples Republic of China
Middleby Lux Holdings SCS	Luxembourg
Middleby Luxembourg S.a.r.l.	Luxembourg
Middleby Marshall Holding, LLC	Delaware
Middleby Marshall, Inc.	Delaware
Middleby Nationals Sales LLC	Delaware
Middleby Packaging Solutions, LLC	Delaware
Middleby Philippines Corporation	Philippines
Middleby Sweden Holdings SB	Sweden
Middleby UK Ltd	United Kingdom
Middleby UK Residential Holdings	United Kingdom
Middleby Worldwide Mexico SA de CV	Mexico
Middleby Worldwide Philippines	Philippines
Middleby Worldwide Services SA de CV	Mexico
Middleby Worldwide, Inc.	Florida
Middleby XME S.L.U.	Spain
M.K.D. Corporation Ltd.	Canada
MP Equipment LLC	Delaware
M-TEK Inc.	Illinois
New Star International Holdings, Inc.	Delaware
Nieco Corporation	California
Northland Corporation	Michigan
Packaging Progressions, Inc.	Pennsylvania
Pengyuan Technology (Shenzhen) Co, LTD.	Peoples Republic of China
Perfect Fry LLC	Delaware

Pitco Frialator, Inc.	New Hampshire
Powerhouse Dynamics, Inc.	Delaware
QualServ Solutions LLC	Delaware
Scanico A/S	Denmark
SD Asia Pacific Ltd	Hong Kong
SD Group Intressenter (SDGI)	Sweden
Standex de Mexico S.A. de C.V.	Mexico
Star International Holdings, Inc.	Delaware
Star Manufacturing International Inc.	Delaware
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
Synesso, Inc.	Washington
Taylor Company S.r.l.	Italy
Taylor Food Service Equipment Trading (Shanghai) Co. Ltd	China
The Alluvian Spa, LLC	Mississippi
The Alluvian, LLC	Mississippi
The Piper Doyon Group, Inc.	Wisconsin
Thurne-Middleby Ltd	United Kingdom
TMC Lux Holdings Sarl	Luxembourg
TMC Lux Sarl	Luxembourg
TMC Scots Holdings LP	United Kingdom
TMC Scottish Private Ltd	United Kingdom
TurboChef Technologies Europe, Ltd	United Kingdom
TurboChef Technologies Inc.	Delaware
ULC Holding Company	Delaware
U-Line Corporation	Wisconsin
Ultrafryer Systems, LLC	Delaware
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
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.

**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 28, 2019 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 26, 2020

/s/ Timothy J. FitzGerald

Timothy J. FitzGerald

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 26, 2020

/s/ Bryan E. Mittelman

Bryan E. Mittelman

Chief Financial Officer of The Middleby Corporation

**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 28, 2019 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 26, 2020

/s/ Bryan E. Mittelman

Bryan E. Mittelman

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statement (Form S-8 No. 333-176233) pertaining to the 2011 Long-Term Incentive Plan of The Middleby Corporation, of our reports dated February 26, 2020, 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 on Form 10-K of The Middleby Corporation for the year ended December 28, 2019.

/s/ Ernst & Young LLP

Chicago, Illinois

February 26, 2020

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 26, 2020

/s/ Timothy J. FitzGerald

Timothy J. FitzGerald

Chief Executive Officer of The Middleby Corporation

CORPORATE INFORMATION

BOARD OF DIRECTORS

Gordon O'Brien^{2,4}
Chairman of the Board
Managing Partner
Cannon Capital

Sarah Palisi Chapin^{4,5,6}
Principal
Chapin Creative

Timothy J. FitzGerald
Chief Executive Officer
The Middleby Corporation

Cathy L. McCarthy^{1,2,6}
Chief Executive Officer
CrossTack, Inc.

Robert Nerbonne⁶
Former EVP, Cooper-Atkins
Former CEO, Ali Group North America

John R. Miller III^{3,4,6}
Former President
E.O.P., Inc.

Nassem Ziyad²
Chief Operating Officer
Ziyad Brothers Importing

EXECUTIVE OFFICERS

Timothy J. FitzGerald
Chief Executive Officer

David Brewer
Executive Vice President
& Chief Operating Officer

Bryan Mittelman
Chief Financial Officer

Martin Lindsay
Vice President, Treasurer & Secretary

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."

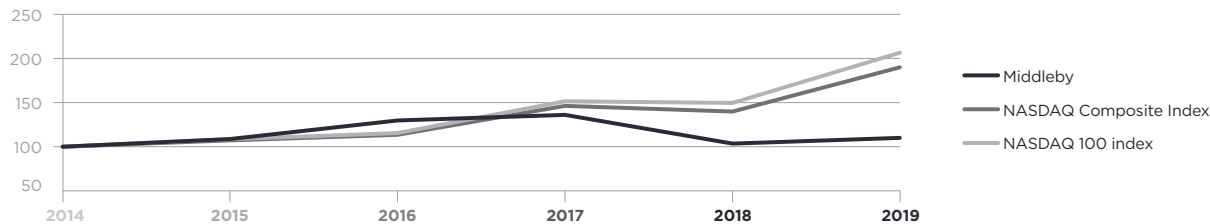
INVESTOR RELATIONS

For additional information:

The Middleby Corporation
1400 Toastmaster Drive
Elgin, IL 60120
investors@middleby.com
847 741 3300
or visit www.middleby.com

- 1 Chair of Audit Committee
- 2 Audit Committee Member
- 3 Chair of Compensation Committee
- 4 Compensation Committee Member
- 5 Chair of Nominating and Governance Committee
- 6 Nominating and Governance Committee Member

STOCK PRICE PERFORMANCE



COMMERCIAL FOODSERVICE EQUIPMENT



FOOD PROCESSING EQUIPMENT



RESIDENTIAL KITCHEN EQUIPMENT





1400 Toastmaster Drive
Elgin, Illinois 60120

www.middleby.com
www.middlebyresidential.com
www.middprocessing.com