

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2023

or

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

Commission File No. 1-9973

THE MIDDLEBY CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

36-3352497

(IRS Employer Identification Number)

1400 Toastmaster Drive, Elgin, Illinois

(Address of principal executive offices)

60120

(Zip Code)

Registrant's telephone number, including area code:

(847) 741-3300

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 the definitions 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

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

Title of Each Class

Common Stock

Trading Symbol(s)

MIDD

Name of Each Exchange on Which Registered

Nasdaq Global Select Market

As of November 6, 2023, there were 53,603,195 shares of the registrant's common stock outstanding.

THE MIDDLEBY CORPORATION

QUARTER ENDED SEPTEMBER 30, 2023

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PART I. FINANCIAL INFORMATION**Item 1. Condensed Consolidated Financial Statements**

THE MIDDLEBY CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Share Data)
(Unaudited)

ASSETS	Sep 30, 2023	Dec 31, 2022
Current assets:		
Cash and cash equivalents	\$ 167,189	\$ 162,001
Accounts receivable, net of reserve for doubtful accounts of \$23,578 and \$20,295	633,169	631,134
Inventories, net	1,015,047	1,077,729
Prepaid expenses and other	131,287	125,640
Prepaid taxes	14,165	9,492
Total current assets	1,960,857	2,005,996
Property, plant and equipment, net of accumulated depreciation of \$326,916 and \$299,572	498,871	443,528
Goodwill	2,452,419	2,411,834
Other intangibles, net of amortization of \$559,186 and \$503,034	1,775,546	1,794,232
Long-term deferred tax assets	8,877	6,738
Other assets	226,038	212,538
Total assets	<u>\$ 6,922,608</u>	<u>\$ 6,874,866</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 44,330	\$ 45,583
Accounts payable	224,375	271,374
Accrued expenses	595,542	671,327
Total current liabilities	864,247	988,284
Long-term debt	2,535,896	2,676,741
Long-term deferred tax liability	214,021	220,204
Accrued pension benefits	5,420	14,948
Other non-current liabilities	207,809	176,942
Stockholders' equity:		
Preferred stock, \$0.01 par value; nonvoting; 2,000,000 shares authorized; none issued	—	—
Common stock, \$0.01 par value; 63,941,790 and 63,508,855 shares issued in 2023 and 2022, respectively	148	147
Paid-in capital	463,475	408,376
Treasury stock, at cost; 10,338,764 and 9,814,480 shares in 2023 and 2022	(906,011)	(831,176)
Retained earnings	3,823,461	3,498,872
Accumulated other comprehensive loss	(285,858)	(278,472)
Total stockholders' equity	3,095,215	2,797,747
Total liabilities and stockholders' equity	<u>\$ 6,922,608</u>	<u>\$ 6,874,866</u>

See accompanying notes

THE MIDDLEBY CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands, Except Per Share Data)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	Sep 30, 2023	Oct 1, 2022	Sep 30, 2023	Oct 1, 2022
Net sales	\$ 980,651	\$ 992,871	\$ 3,028,029	\$ 3,001,148
Cost of sales	605,329	627,639	1,880,736	1,944,664
Gross profit	375,322	365,232	1,147,293	1,056,484
Selling, general and administrative expenses	196,433	201,200	615,361	596,757
Restructuring expenses	4,448	2,327	11,698	8,231
Income from operations	174,441	161,705	520,234	451,496
Interest expense and deferred financing amortization, net	31,080	24,067	92,071	62,563
Net periodic pension benefit (other than service costs)	(2,103)	(9,944)	(6,929)	(32,244)
Other expense, net	1,072	8,529	2,642	18,478
Earnings before income taxes	144,392	139,053	432,450	402,699
Provision for income taxes	35,742	34,684	107,861	99,327
Net earnings	\$ 108,650	\$ 104,369	\$ 324,589	\$ 303,372
Net earnings per share:				
Basic	\$ 2.03	\$ 1.94	\$ 6.06	\$ 5.60
Diluted	\$ 2.01	\$ 1.92	\$ 5.99	\$ 5.50
Weighted average number of shares				
Basic	53,588	53,867	53,569	54,190
Dilutive common stock equivalents	569	517	623	944
Diluted	54,157	54,384	54,192	55,134
Comprehensive income	\$ 76,504	\$ 64,883	\$ 317,203	\$ 208,597

See accompanying notes

THE MIDDLEBY CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(amounts in thousands)
(Unaudited)

	Common Stock	Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income/(loss)	Total Stockholders' Equity
Balance, July 1, 2023	\$ 148	\$ 444,290	\$ (906,011)	\$ 3,714,811	\$ (253,712)	\$ 2,999,526
Net earnings	—	—	—	108,650	—	108,650
Currency translation adjustments	—	—	—	—	(36,602)	(36,602)
Change in unrecognized pension benefit costs, net of tax of \$367	—	—	—	—	4,436	4,436
Unrealized gain on interest rate swap, net of tax of \$7	—	—	—	—	20	20
Stock compensation	—	13,175	—	—	—	13,175
Stock issuance	—	6,010	—	—	—	6,010
Balance, September 30, 2023	\$ 148	\$ 463,475	\$ (906,011)	\$ 3,823,461	\$ (285,858)	\$ 3,095,215
Balance, December 31, 2022	\$ 147	\$ 408,376	\$ (831,176)	\$ 3,498,872	\$ (278,472)	\$ 2,797,747
Net earnings	—	—	—	324,589	—	324,589
Currency translation adjustments	—	—	—	—	(4,751)	(4,751)
Change in unrecognized pension benefit costs, net of tax of \$461	—	—	—	—	(544)	(544)
Unrealized loss on interest rate swap, net of tax of \$(731)	—	—	—	—	(2,091)	(2,091)
Stock compensation	—	35,305	—	—	—	35,305
Stock issuance	1	19,794	—	—	—	19,795
Purchase of treasury stock	—	—	(74,835)	—	—	(74,835)
Balance, September 30, 2023	\$ 148	\$ 463,475	\$ (906,011)	\$ 3,823,461	\$ (285,858)	\$ 3,095,215

	Common Stock	Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income/(loss)	Total Stockholders' Equity
Balance, July 2, 2022	\$ 147	\$ 376,898	\$ (806,008)	\$ 3,261,306	\$ (414,373)	\$ 2,417,970
Net earnings	—	—	—	104,369	—	104,369
Currency translation adjustments	—	—	—	—	(81,774)	(81,774)
Change in unrecognized pension benefit costs, net of tax of \$2,775	—	—	—	—	17,928	17,928
Unrealized gain on interest rate swap, net of tax of \$8,574	—	—	—	—	24,360	24,360
Stock compensation	—	15,761	—	—	—	15,761
Purchase of treasury stock	—	—	(71)	—	—	(71)
Balance, October 1, 2022	\$ 147	\$ 392,659	\$ (806,079)	\$ 3,365,675	\$ (453,859)	\$ 2,498,543
Balance, January 1, 2022	\$ 147	\$ 357,309	\$ (566,399)	\$ 3,062,303	\$ (359,084)	\$ 2,494,276
Net earnings	—	—	—	303,372	—	303,372
Currency translation adjustments	—	—	—	—	(201,176)	(201,176)
Change in unrecognized pension benefit costs, net of tax of \$6,850	—	—	—	—	44,127	44,127
Unrealized gain on interest rate swap, net of tax of \$22,389	—	—	—	—	63,604	63,604
Unrealized loss on certain investments, net of tax of \$(443)	—	—	—	—	(1,330)	(1,330)
Stock compensation	—	42,641	—	—	—	42,641
Purchase of treasury stock	—	—	(239,680)	—	—	(239,680)
Purchase of capped calls, net of tax of \$(2,364)	—	(7,291)	—	—	—	(7,291)
Balance, October 1, 2022	\$ 147	\$ 392,659	\$ (806,079)	\$ 3,365,675	\$ (453,859)	\$ 2,498,543

See accompanying notes

THE MIDDLEBY CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Unaudited)

	Nine Months Ended	
	Sep 30, 2023	Oct 1, 2022
Cash flows from operating activities--		
Net earnings	\$ 324,589	\$ 303,372
Adjustments to reconcile net earnings to net cash provided by operating activities--		
Depreciation and amortization	99,058	106,917
Non-cash share-based compensation	35,305	42,641
Deferred income taxes	(6,553)	17,657
Net periodic pension benefit (other than service costs)	(6,929)	(32,244)
Other non-cash items	(684)	(32,455)
Changes in assets and liabilities, net of acquisitions		
Accounts receivable, net	(430)	(11,174)
Inventories, net	66,973	(214,017)
Prepaid expenses and other assets	(2,481)	(30,832)
Accounts payable	(49,188)	(47,262)
Accrued expenses and other liabilities	(86,557)	70,846
Net cash provided by operating activities	<u>373,103</u>	<u>173,449</u>
Cash flows from investing activities--		
Net additions to property, plant and equipment	(69,645)	(50,914)
Purchase of intangible assets	(1,805)	(701)
Acquisitions, net of cash acquired	(67,774)	(206,253)
Net cash used in investing activities	<u>(139,224)</u>	<u>(257,868)</u>
Cash flows from financing activities--		
Proceeds under Credit Facility	565,200	1,715,000
Repayments under Credit Facility	(711,692)	(1,360,750)
Premiums paid for capped call	—	(9,655)
Net repayments under international credit facilities	(495)	(24,156)
Payments of deferred purchase price	(4,079)	(7,930)
Repurchase of treasury stock	(74,544)	(239,680)
Other, net	(158)	(235)
Net cash (used in) provided by financing activities	<u>(225,768)</u>	<u>72,594</u>
Effect of exchange rates on cash and cash equivalents	<u>(2,923)</u>	<u>(23,619)</u>
Changes in cash and cash equivalents--		
Net increase (decrease) in cash and cash equivalents	5,188	(35,444)
Cash and cash equivalents at beginning of year	162,001	180,362
Cash and cash equivalents at end of period	<u>\$ 167,189</u>	<u>\$ 144,918</u>
Non-cash investing and financing activities:		
Stock issuance related to acquisition and purchase of intangible assets	\$ 19,795	\$ —

See accompanying notes

THE MIDDLEBY CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023
(Unaudited)

1) Summary of Significant Accounting Policies

a) Basis of Presentation

The condensed consolidated financial statements have been prepared by The Middleby Corporation (the "company" or "Middleby"), pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The financial statements are unaudited and certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations, although the company believes that the disclosures are adequate to make the information not misleading. These financial statements should be read in conjunction with the financial statements and related notes contained in the company's 2022 Form 10-K. The company's interim results are not necessarily indicative of future full year results for the fiscal year 2023. Certain reclassifications of prior year data have been made to conform with current year reporting.

In the opinion of management, the financial statements contain all adjustments, which are normal and recurring in nature, necessary to present fairly the financial position of the company as of September 30, 2023 and December 31, 2022, the results of operations for the three and nine months ended September 30, 2023 and October 1, 2022, cash flows for the nine months ended September 30, 2023 and October 1, 2022 and statement of stockholders' equity for the three and nine months ended September 30, 2023 and October 1, 2022.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses. Significant estimates and assumptions are used for, but are not limited to, allowances for doubtful accounts, reserves for excess and obsolete inventories, long-lived and intangible assets, warranty reserves, insurance reserves, income tax reserves, non-cash share-based compensation and post-retirement obligations. Actual results could differ from the company's estimates.

b) Non-Cash Share-Based Compensation

The company estimates the fair value of market-based stock awards and stock options at the time of grant and recognizes compensation cost over the vesting period of the awards and options. Non-cash share-based compensation expense was \$13.2 million and \$15.7 million for the three months period ended September 30, 2023 and October 1, 2022, respectively. Non-cash share-based compensation expense was \$35.3 million and \$42.6 million for the nine months period ended September 30, 2023 and October 1, 2022, respectively.

c) Income Taxes

A tax provision of \$35.7 million, at an effective rate of 24.8%, was recorded during the three months period ended September 30, 2023, as compared to a \$34.7 million tax provision at an effective rate of 24.9% in the prior year period. A tax provision of \$107.9 million, at an effective rate of 24.9%, was recorded during the nine months period ended September 30, 2023, as compared to a \$99.3 million tax provision at a 24.7% effective rate in the prior year period. The effective tax rate for the nine months period ended September 30, 2023 is higher than the comparable year rate primarily due to an increase in the UK statutory income tax rate from 19% in 2022 to a 23.5% blended rate in 2023.

d) Fair Value Measures

Accounting Standards Codification ("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 the company's own assumptions.

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

	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Total
As of September 30, 2023				
Financial Assets:				
Interest rate swaps	\$ —	\$ 62,163	\$ —	\$ 62,163
Financial Liabilities:				
Contingent consideration	\$ —	\$ —	\$ 60,789	\$ 60,789
Foreign exchange derivative contracts	\$ —	\$ 558	\$ —	\$ 558
As of December 31, 2022				
Financial Assets:				
Interest rate swaps	\$ —	\$ 64,985	\$ —	\$ 64,985
Financial Liabilities:				
Contingent consideration	\$ —	\$ —	\$ 47,242	\$ 47,242
Foreign exchange derivative contracts	\$ —	\$ 474	\$ —	\$ 474

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

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

The following table represents changes in the fair value of the contingent consideration liabilities:

	September 30, 2023
Beginning balance	\$ 47,242
Payments of contingent consideration	(4,117)
New contingent consideration	15,318
Changes in fair value	2,346
Ending balance	\$ 60,789

e) Consolidated Statements of Cash Flows

Cash paid for interest was \$93.4 million and \$57.0 million for the nine months ended September 30, 2023 and October 1, 2022, respectively. Cash payments totaling \$119.4 million and \$84.2 million were made for income taxes for the nine months ended September 30, 2023 and October 1, 2022, respectively.

Other non-cash items in the adjustments to reconcile net earnings to net cash provided by operating activities consists primarily of unrealized foreign exchange on non-functional currency third party debt.

f) 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 vesting of restricted stock grants computed using the treasury method and amounted to 19,000 and 23,000 for the three months ended September 30, 2023, and October 1, 2022, respectively. The company’s potentially dilutive securities consist of shares issuable on vesting of restricted stock grants computed using the treasury method and amounted to 9,000 and 12,000 for the nine months ended September 30, 2023 and October 1, 2022, respectively. For the nine months ended September 30, 2023 and October 1, 2022, the average market price of the company’s common stock exceeded the exercise price of the Convertible Notes (as defined below) resulting in 614,000 and 932,000 diluted common stock equivalents to be included in the diluted net earnings per share, respectively. There have been no material conversions to date. See Note 12, Financing Arrangements for further details on the Convertible Notes. There were no anti-dilutive restricted stock grants excluded from common stock equivalents in any period presented.

2) Acquisitions and Purchase Accounting

The company accounts 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 recognizes identifiable intangible assets, primarily trade names and customer relationships, at their fair value 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 company completed no material acquisitions during the nine months ended September 30, 2023.

Other 2022 Acquisitions

During 2022, the company completed various acquisitions that were not individually material. The following estimated fair values of assets acquired and liabilities assumed are based on the information that was available as of the acquisition dates for the other 2022 acquisitions and are summarized as follows (in thousands):

	Preliminary Opening Balance Sheet	Preliminary Measurement Period Adjustments	Adjusted Opening Balance Sheet
Cash	\$ 25,860	\$ 159	\$ 26,019
Current assets	115,264	(8,653)	106,611
Property, plant and equipment	44,598	615	45,213
Goodwill	139,633	8,945	148,578
Other intangibles	93,147	7,018	100,165
Long-term deferred tax asset	426	635	1,061
Other assets	1,420	3,209	4,629
Current portion of long-term debt	(22,841)	2,043	(20,798)
Current liabilities	(57,158)	(2,611)	(59,769)
Long term debt	(5,646)	(3,995)	(9,641)
Long-term deferred tax liability	(23,137)	1,994	(21,143)
Other non-current liabilities	(19,061)	(7,022)	(26,083)
Consideration paid at closing	\$ 292,505	\$ 2,337	\$ 294,842
Contingent consideration	19,105	3,969	23,074
Net assets acquired and liabilities assumed	\$ 311,610	\$ 6,306	\$ 317,916

The net long-term deferred tax liability amounted to \$20.1 million. The net deferred tax liability is comprised of \$20.9 million related to the difference between the book and tax basis of identifiable intangible assets and \$0.8 million net deferred tax asset related to the difference between the book and tax basis on identifiable tangible asset and liability accounts.

The goodwill and \$46.0 million of other intangibles associated with the trade names are subject to the non-amortization provisions of ASC 350. Other intangibles also include \$31.5 million allocated to customer relationships, \$16.0 million allocated to developed technology, and \$6.7 million allocated to backlog, which are being amortized over periods of 7 to 9 years, 5 to 11 years, and 3 to 12 months, respectively. Goodwill of \$113.8 million and other intangibles of \$63.8 million are allocated to the Food Processing Equipment Group for segment reporting purposes. Goodwill of \$32.5 million and other intangibles of \$35.6 million are allocated to the Commercial Foodservice Equipment Group for segment reporting purposes. Goodwill of \$2.3 million and other intangibles of \$0.8 million are allocated to the Residential Kitchen Equipment Group for segment reporting purposes. Of these assets, goodwill of \$21.5 million and intangibles of \$11.9 million are expected to be deductible for tax purposes.

Four purchase agreements include earnout provisions providing for a contingent payment due to the sellers for the achievement of certain targets. Three earnouts are payable to the extent certain EBITDA targets are met with measurement dates ending between 2022 and 2025. One of these three earnouts is also payable yearly through 2026 based on product sales. One earnout is payable yearly through 2027 based on product sales. The contractual obligation associated with the contingent earnout provisions recognized on the acquisition date amount to \$23.1 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 certain acquisitions completed during 2022. Certain intangible assets are preliminarily valued using historical information from the Commercial Foodservice Equipment Group, Food Processing Equipment Group and Residential Kitchen Equipment Group and qualitative assessments of the individual businesses at acquisition date. Specifically, the company estimated the fair values of the intangible assets based on the percentage of purchase price assigned to similar intangible assets in previous acquisitions. Thus, the provisional measurements of fair values set forth above are subject to change. The company expects to complete the purchase price allocation as soon as practicable but no later than one year from the acquisition date.

Other 2023 Acquisitions

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

	Preliminary Opening Balance Sheet	Preliminary Measurement Period Adjustments	Adjusted Opening Balance Sheet
Cash	\$ 3,102	\$ —	\$ 3,102
Current assets	9,964	542	10,506
Property, plant and equipment	21,954	—	21,954
Goodwill	38,422	1,089	39,511
Other intangibles	34,337	(713)	33,624
Current liabilities	(3,774)	(1,091)	(4,865)
Long-term deferred tax liability	(958)	—	(958)
Other non-current liabilities	(12,099)	—	(12,099)
Consideration paid at closing	\$ 90,948	\$ (173)	\$ 90,775
Contingent consideration	14,743	—	14,743
Net assets acquired and liabilities assumed	\$ 105,691	\$ (173)	\$ 105,518

The net long-term deferred tax liability amounted to \$1.0 million. The net deferred tax liability is comprised of \$0.4 million related to the difference between the book and tax basis of identifiable intangible assets and \$0.6 million related to the difference between the book and tax basis on identifiable tangible asset and liability accounts.

The goodwill and \$17.9 million of other intangibles associated with the trade names are subject to the non-amortization provisions of ASC 350. Other intangibles also include \$7.2 million allocated to customer relationships, and \$7.9 million allocated to developed technology, and \$0.6 million allocated to backlog, which are being amortized over periods of 7 years, 7 to 12 years, and 9 months, respectively. Goodwill of \$17.9 million and other intangibles of \$7.8 million are allocated to the Food Processing Equipment Group for segment reporting purposes. Goodwill of \$8.3 million and other intangibles of \$14.1 million are allocated to the Commercial Foodservice Equipment Group for segment reporting purposes. Goodwill of \$13.3 million and other intangibles of \$11.7 million are allocated to the Residential Kitchen Equipment Group for segment reporting purposes. Of these assets, goodwill of \$37.9 million and intangibles of \$32.2 million are expected to be deductible for tax purposes.

Four purchase agreements include earnout provisions providing for a contingent payment due to the sellers for the achievement of certain targets. Four earnouts are payable to the extent certain sales and EBITDA targets are met with measurement dates ending between 2024 and 2026. One earnout is payable upon the achievement of certain product rollout targets specific to the year of measurement. The contractual obligation associated with the contingent earnout provisions recognized on the acquisition date amount to \$14.7 million.

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

Pro Forma Financial Information

In accordance with ASC 805 *Business Combinations*, the following unaudited pro forma results of operations for the nine months ended September 30, 2023 and October 1, 2022, assumes the 2022 and 2023 acquisitions described above were completed on January 2, 2022 (first day of fiscal year 2022). The following pro forma results include adjustments to reflect amortization of intangibles associated with the acquisition and the effects of adjustments made to the carrying value of certain assets (in thousands, except per share data):

	Nine Months Ended	
	September 30, 2023	October 1, 2022
Net sales	\$ 3,037,755	\$ 3,115,311
Net earnings	327,032	294,878
Net earnings per share:		
Basic	\$ 6.10	\$ 5.44
Diluted	\$ 6.03	\$ 5.35

The historical consolidated financial information of the company and the acquisitions have been adjusted in the pro forma information to give effect to 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) **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 pending litigation will have a material effect on its financial condition, results of operations or cash flows.

4) Recently Issued Accounting Standards

Accounting Pronouncements - Recently Adopted

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

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

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

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

Accounting Pronouncements - To be adopted

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

5) Revenue Recognition

Disaggregation of Revenue

The company disaggregates its net sales by reportable operating segment and geographical location as the company believes it best depicts how the nature, timing and uncertainty of its 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 the company's long-term contracts within the Food Processing Equipment group is recognized over time as the equipment is manufactured and assembled. The following table summarizes the company's net sales by reportable operating segment and geographical location (in thousands):

	Commercial Foodservice	Food Processing	Residential Kitchen	Total
Three Months Ended September 30, 2023				
United States and Canada	\$ 458,529	\$ 111,092	\$ 116,522	\$ 686,143
Asia	59,922	6,389	3,371	69,682
Europe and Middle East	91,112	34,250	57,474	182,836
Latin America	24,446	14,936	2,608	41,990
Total	<u>\$ 634,009</u>	<u>\$ 166,667</u>	<u>\$ 179,975</u>	<u>\$ 980,651</u>
Nine Months Ended September 30, 2023				
United States and Canada	\$ 1,385,929	\$ 354,945	\$ 395,236	\$ 2,136,110
Asia	173,901	30,507	8,652	213,060
Europe and Middle East	272,252	101,808	194,631	568,691
Latin America	61,525	41,658	6,985	110,168
Total	<u>\$ 1,893,607</u>	<u>\$ 528,918</u>	<u>\$ 605,504</u>	<u>\$ 3,028,029</u>
Three Months Ended October 1, 2022				
United States and Canada	\$ 459,971	\$ 108,449	\$ 145,757	\$ 714,177
Asia	55,243	7,805	11,647	74,695
Europe and Middle East	86,963	24,263	60,200	171,426
Latin America	17,380	11,832	3,361	32,573
Total	<u>\$ 619,557</u>	<u>\$ 152,349</u>	<u>\$ 220,965</u>	<u>\$ 992,871</u>
Nine Months Ended October 1, 2022				
United States and Canada	\$ 1,302,591	\$ 297,778	\$ 563,047	\$ 2,163,416
Asia	148,419	15,673	27,724	191,816
Europe and Middle East	267,558	58,931	234,203	560,692
Latin America	47,281	30,863	7,080	85,224
Total	<u>\$ 1,765,849</u>	<u>\$ 403,245</u>	<u>\$ 832,054</u>	<u>\$ 3,001,148</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 Condensed 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 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 Condensed Consolidated Balance Sheet. Non-current contract liabilities are recorded in other non-current liabilities in the Condensed 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):

	Sep 30, 2023		Dec 31, 2022	
Contract assets	\$	59,129	\$	40,438
Contract liabilities	\$	141,388	\$	185,824
Non-current contract liabilities	\$	15,328	\$	12,495

During the nine months period ended September 30, 2023, the company reclassified \$32.2 million to receivables, which was included in the contract asset balance at the beginning of the period. During the nine months period ended September 30, 2023, the company recognized revenue of \$99.4 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 \$88.3 million during the nine months period ended September 30, 2023. In addition, contract liabilities increased due to the acquisitions during the nine months ended September 30, 2023. Substantially all of the company's outstanding performance obligations will be satisfied within 12 to 36 months. There were no contract asset impairments during the nine months period ended September 30, 2023.

6) Other Comprehensive Income

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

	Currency Translation Adjustment	Pension Benefit Costs	Unrealized Gain/(Loss) Interest Rate Swap	Unrealized Loss Certain Investments	Total
Balance as of December 31, 2022	\$ (205,345)	\$ (121,701)	\$ 48,574	\$ —	\$ (278,472)
Other comprehensive income before reclassification	(4,751)	(2,131)	21,872	—	14,990
Amounts reclassified from accumulated other comprehensive income	—	1,587	(23,963)	—	(22,376)
Net current-period other comprehensive income	\$ (4,751)	\$ (544)	\$ (2,091)	\$ —	\$ (7,386)
Balance as of September 30, 2023	\$ (210,096)	\$ (122,245)	\$ 46,483	\$ —	\$ (285,858)
Balance as of January 1, 2022	\$ (97,654)	\$ (249,696)	\$ (13,064)	\$ 1,330	\$ (359,084)
Other comprehensive income before reclassification	(201,176)	44,127	55,958	(1,330)	(102,421)
Amounts reclassified from accumulated other comprehensive income	—	—	7,646	—	7,646
Net current-period other comprehensive income	\$ (201,176)	\$ 44,127	\$ 63,604	\$ (1,330)	\$ (94,775)
Balance as of October 1, 2022	\$ (298,830)	\$ (205,569)	\$ 50,540	\$ —	\$ (453,859)

(1) As of September 30, 2023, pension and interest rate swap are net of tax of \$(1.5) million and \$16.1 million, respectively. During the nine months ended September 30, 2023, the adjustments to pension and interest rate swap were net of tax of \$0.5 million and \$(0.7) million, respectively. As of October 1, 2022, pension, interest rate swap, and gain on investment amounts are net of tax of \$(32.6) million and \$17.9 million, respectively. During the nine months ended October 1, 2022, the adjustments to pension, unrealized gain/(loss) interest rate swap, and loss on investments were net of tax of \$6.9 million, \$22.4 million, and \$(0.4) million, respectively.

Components of other comprehensive income were as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	Sep 30, 2023	Oct 1, 2022	Sep 30, 2023	Oct 1, 2022
Net earnings	\$ 108,650	\$ 104,369	\$ 324,589	\$ 303,372
Currency translation adjustment	(36,602)	(81,774)	(4,751)	(201,176)
Pension liability adjustment, net of tax	4,436	17,928	(544)	44,127
Unrealized gain (loss) on interest rate swaps, net of tax	20	24,360	(2,091)	63,604
Unrealized loss on certain investments, net of tax	—	—	—	(1,330)
Comprehensive income	\$ 76,504	\$ 64,883	\$ 317,203	\$ 208,597

7) 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 September 30, 2023 and December 31, 2022 are as follows (in thousands):

	Sep 30, 2023	Dec 31, 2022
Raw materials and parts	\$ 529,698	\$ 595,325
Work-in-process	94,057	86,083
Finished goods	391,292	396,321
	\$ 1,015,047	\$ 1,077,729

8) Goodwill

Changes in the carrying amount of goodwill for the nine months ended September 30, 2023 are as follows (in thousands):

	Commercial Foodservice	Food Processing	Residential Kitchen	Total
Balance as of December 31, 2022	\$ 1,309,776	\$ 350,303	\$ 751,755	\$ 2,411,834
Goodwill acquired during the year	8,256	17,923	13,332	39,511
Measurement period adjustments to goodwill acquired in prior year	2,412	1,540	—	3,952
Exchange effect	(4,573)	(1,591)	3,286	(2,878)
Balance as of September 30, 2023	\$ 1,315,871	\$ 368,175	\$ 768,373	\$ 2,452,419

The annual impairment assessment for goodwill and indefinite-lived intangible assets is performed as of the first day of the fourth quarter and since that assessment, the company does not believe there are any indicators of impairment requiring subsequent analysis. This is supported by the review of order rates, backlog levels and financial performance across business segments.

9) Intangibles

Intangible assets consist of the following (in thousands):

	September 30, 2023			December 31, 2022		
	Estimated Weighted Avg Remaining Life	Gross Carrying Amount	Accumulated Amortization	Estimated Weighted Avg Remaining Life	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:						
Customer lists	7.2	\$ 839,507	\$ (509,610)	7.6	\$ 839,811	\$ (460,885)
Backlog	0.0	7,496	(7,286)	0.1	8,301	(6,352)
Developed technology	8.4	97,886	(42,290)	8.3	79,763	(35,797)
		\$ 944,889	\$ (559,186)		\$ 927,875	\$ (503,034)
Indefinite-lived assets:						
Trademarks and tradenames		\$ 1,389,843			\$ 1,369,391	

The aggregate intangible amortization expense was \$18.9 million and \$19.8 million for the three months period ended September 30, 2023 and October 1, 2022, respectively. The aggregate intangible amortization expense was \$56.6 million and \$69.9 million for the nine months period ended September 30, 2023 and October 1, 2022, respectively. The estimated future amortization expense of intangible assets is as follows (in thousands):

Twelve Month Period coinciding with the end of the company's Fiscal Third Quarter	Amortization Expense
2024	\$ 66,884
2025	57,668
2026	55,416
2027	47,063
2028	40,934
Thereafter	117,738
	\$ 385,703

10) Accrued Expenses

Accrued expenses consist of the following (in thousands):

	Sep 30, 2023	Dec 31, 2022
Contract liabilities	\$ 141,388	\$ 185,824
Accrued payroll and related expenses	115,363	122,861
Accrued warranty	87,327	82,096
Accrued customer rebates	56,357	70,706
Accrued short-term leases	26,634	25,250
Accrued sales and other tax	24,889	24,044
Accrued contingent consideration	19,720	20,529
Accrued professional fees	18,442	19,541
Accrued agent commission	16,788	17,381
Accrued product liability and workers compensation	11,150	11,326
Other accrued expenses	77,484	91,769
	<u>\$ 595,542</u>	<u>\$ 671,327</u>

11) 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, actual 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 is as follows (in thousands):

	Nine Months Ended Sep 30, 2023
Balance as of December 31, 2022	\$ 82,096
Warranty reserve related to acquisitions	290
Warranty expense	67,892
Warranty claims	(62,951)
Balance as of September 30, 2023	<u>\$ 87,327</u>

12) Financing Arrangements

	Sep 30, 2023	Dec 31, 2022
	(in thousands)	
Senior secured revolving credit line	\$ 148,645	\$ 251,805
Term loan facility	951,819	975,785
Delayed draw term loan facility	731,250	750,000
Convertible senior notes	740,602	737,918
Foreign loans	7,169	5,917
Other debt arrangement	741	899
Total debt	2,580,226	2,722,324
Less: Current maturities of long-term debt	44,330	45,583
Long-term debt	\$ 2,535,896	\$ 2,676,741

Credit Facility

As of September 30, 2023, the company had \$1.8 billion of borrowings outstanding under its credit facility (the "Credit Facility"), including \$956.3 million outstanding under the term loan (\$951.8 million, net of unamortized issuance fees) and \$731.3 million outstanding under the delayed draw term loan. The company also had \$1.6 million in outstanding letters of credit as of September 30, 2023, which reduces the borrowing availability under the Credit Facility. Remaining borrowing capacity under this facility was \$2.6 billion at September 30, 2023.

On August 11, 2022, the company borrowed \$750.0 million against the delayed draw term facility as provided under the Credit Agreement. The funds were used to reduce outstanding borrowings under the revolver. The delayed draw term loan amortizes in quarterly installments due on the last day of each fiscal quarter, and commenced on December 31, 2022, in an amount equal to 0.625% of the principal drawn, with the balance, plus any accrued interest payable by October 21, 2026.

At September 30, 2023, borrowings under the Credit Facility accrued interest at a rate of 1.625% above the daily simple or term Secured Overnight Financing Rate ("SOFR") per annum or 0.625% above the highest of the prime rate, the federal funds rate plus 0.50% and one month Term SOFR plus 1.00%. The interest rates on borrowings under the Credit Facility may be adjusted quarterly based on the company's Funded Debt less Unrestricted Cash to Pro Forma EBITDA (the "Leverage Ratio") on a rolling four-quarter basis. Additionally, a commitment fee based upon the Leverage Ratio is charged on the unused portion of the commitments under the Credit Facility. As of September 30, 2023, borrowings under the Credit Facility accrued interest at a minimum of 1.625% above SOFR and the variable unused commitment fee will be at a minimum of 0.25%. Borrowings under the Credit Facility accrue interest at a minimum of 1.625% above the daily simple SOFR or term SOFR for the applicable interest period (each of which includes a spread adjustment of 0.10%). The average interest rate per annum, inclusive of hedging instruments, on the debt under the Credit Facility was equal to 5.11% at the end of the period and the variable commitment fee was equal to 0.25% per annum as of September 30, 2023.

The term loan and delayed draw term loan facilities had an average interest rate per annum, inclusive of hedging instruments, of 4.94% as of September 30, 2023.

In addition, the company has international credit facilities to fund working capital needs outside the United States. At September 30, 2023, these foreign credit facilities amounted to \$7.2 million in U.S. Dollars with a weighted average per annum interest rate of approximately 1.56%.

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

	Sep 30, 2023		Dec 31, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Total debt excluding convertible senior notes	\$ 1,839,624	\$ 1,844,055	\$ 1,984,406	\$ 1,989,871

The company uses floating-to-fixed interest rate swap agreements to hedge variable interest rate risk associated with the Credit Facility. At September 30, 2023, the company had outstanding floating-to-fixed interest rate swaps totaling \$208.0 million notional amount carrying an average interest rate of 1.55% maturing in less than 12 months and \$740.0 million notional amount carrying an average interest rate of 1.69% that mature in more than 12 months but less than 53 months.

At September 30, 2023, the company was in compliance with all covenants pursuant to its borrowing agreements.

Convertible Notes

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

	Sep 30, 2023	Dec 31, 2022
	(in thousands)	
Principal amounts:		
Principal	\$ 747,499	\$ 747,499
Unamortized issuance costs	(6,897)	(9,581)
Net carrying amount	<u>\$ 740,602</u>	<u>\$ 737,918</u>

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

	Three Months Ended		Nine Months Ended	
	Sep 30, 2023	Oct 1, 2022	Sep 30, 2023	Oct 1, 2022
Contractual interest expense	\$ 1,847	\$ 1,848	\$ 5,585	\$ 5,606
Interest cost related to amortization of issuance costs	889	888	2,685	2,688
Total interest expense	<u>\$ 2,736</u>	<u>\$ 2,736</u>	<u>\$ 8,270</u>	<u>\$ 8,294</u>

The estimated fair value of the Convertible Notes was \$837.8 million as of September 30, 2023 and was determined through consideration of quoted market prices. The fair value is classified as Level 2, as defined in Note 1(d), Fair Value Measurements, in these Notes to the Condensed Consolidated Financial Statement. The if-converted value of the Convertible Notes did not exceed their respective principal value as of September 30, 2023.

Capped Call Transactions

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

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

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

13) Financial Instruments

Foreign Exchange: The company uses foreign currency forward, foreign exchange swaps and option purchase and sales contracts 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 notional amount of foreign currency contracts outstanding was \$224.6 million and \$562.5 million as of September 30, 2023 and December 31, 2022, respectively. The fair value of the forward and option contracts was a loss of \$0.6 million at the end of the third quarter of 2023.

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 swapped one-month LIBOR for fixed rates. In February 2022, the company entered into an additional floating-to-fixed interest rate swap agreement that uses a daily SOFR in lieu of LIBOR. In April 2023, all outstanding LIBOR swap agreements were amended to one month term SOFR. 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 September 30, 2023, the fair value of these instruments was an asset of \$62.2 million. The change in fair value of these swap agreements in the first nine months of 2023 was a loss of \$2.1 million, net of taxes.

The following table summarizes the company's fair value of interest rate swaps (in thousands):

	Condensed Consolidated Balance Sheet Presentation		Sep 30, 2023	Dec 31, 2022
Fair value	Prepaid expense and other		\$ 3,288	\$ 6,805
Fair value	Other assets		\$ 58,875	\$ 58,180

The impact on earnings from interest rate swaps was as follows (in thousands):

	Presentation of Gain/(loss)	Three Months Ended		Nine Months Ended	
		Sep 30, 2023	Oct 1, 2022	Sep 30, 2023	Oct 1, 2022
Gain/(loss) recognized in accumulated other comprehensive income	Other comprehensive income	\$ 8,706	\$ 33,105	\$ 21,141	\$ 78,347
Gain/(loss) reclassified from accumulated other comprehensive income (effective portion)	Interest expense	\$ 8,679	\$ 171	\$ 23,963	\$ (7,646)

Interest rate swaps are subject to default risk to the extent the counterparties are unable to satisfy their 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 agreements.

14) Segment Information

The company operates in three reportable operating segments defined by management reporting structure and operating activities.

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

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

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

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.

Net Sales Summary
(dollars in thousands)

	Three Months Ended				Nine Months Ended			
	Sep 30, 2023		Oct 1, 2022		Sep 30, 2023		Oct 1, 2022	
	Sales	Percent	Sales	Percent	Sales	Percent	Sales	Percent
<u>Business Segments:</u>								
Commercial Foodservice	\$ 634,009	64.7 %	\$ 619,557	62.4 %	\$ 1,893,607	62.5 %	\$ 1,765,849	58.8 %
Food Processing	166,667	17.0	152,349	15.3	528,918	17.5	403,245	13.5
Residential Kitchen	179,975	18.3	220,965	22.3	605,504	20.0	832,054	27.7
Total	<u>\$ 980,651</u>	<u>100.0 %</u>	<u>\$ 992,871</u>	<u>100.0 %</u>	<u>\$ 3,028,029</u>	<u>100.0 %</u>	<u>\$ 3,001,148</u>	<u>100.0 %</u>

The following table summarizes the results of operations for the company's business segments (in thousands):

	Commercial Foodservice	Food Processing	Residential Kitchen	Corporate and Other ⁽¹⁾	Total
Three Months Ended September 30, 2023					
Net sales	\$ 634,009	\$ 166,667	\$ 179,975	\$ —	\$ 980,651
Income (loss) from operations ^(2, 3)	158,582	37,472	10,915	(32,528)	174,441
Depreciation expense ⁽⁴⁾	6,957	1,924	3,304	403	12,588
Amortization expense ⁽⁵⁾	13,959	2,677	2,280	1,777	20,693
Net capital expenditures	7,056	6,672	6,825	777	21,330
Nine Months Ended September 30, 2023					
Net sales	\$ 1,893,607	\$ 528,918	\$ 605,504	\$ —	\$ 3,028,029
Income (loss) from operations ^(2, 3)	452,113	111,483	51,197	(94,559)	520,234
Depreciation expense ⁽⁴⁾	20,134	5,910	10,070	974	37,088
Amortization expense ⁽⁵⁾	42,905	6,946	6,768	5,351	61,970
Net capital expenditures	34,805	11,744	20,579	2,517	69,645
Total assets	\$ 3,775,421	\$ 1,030,366	\$ 1,976,071	\$ 140,750	\$ 6,922,608
Three Months Ended October 1, 2022					
Net sales	\$ 619,557	\$ 152,349	\$ 220,965	\$ —	\$ 992,871
Income (loss) from operations ^(2, 3)	142,999	27,661	29,788	(38,743)	161,705
Depreciation expense ⁽⁴⁾	5,822	1,591	1,861	205	9,479
Amortization expense ⁽⁵⁾	14,124	4,470	1,289	1,778	21,661
Net capital expenditures	10,235	2,959	5,211	376	18,781
Nine Months Ended October 1, 2022					
Net sales	\$ 1,765,849	\$ 403,245	\$ 832,054	\$ —	\$ 3,001,148
Income (loss) from operations ^(2, 3)	390,218	66,164	100,811	(105,697)	451,496
Depreciation expense ⁽⁴⁾	17,478	4,281	9,271	578	31,608
Amortization expense ⁽⁵⁾	41,169	8,319	20,448	5,373	75,309
Net capital expenditures	23,165	10,121	16,457	1,171	50,914
Total assets	\$ 3,716,686	\$ 857,891	\$ 1,949,883	\$ 147,401	\$ 6,671,861

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

(2) Non-operating expenses are not allocated to the operating 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.

(3) Restructuring expenses are allocated in operating income by segment.

(4) Includes depreciation on right of use assets.

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

Geographic Information

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

	Sep 30, 2023	Oct 1, 2022
United States and Canada	\$ 525,347	\$ 470,952
Asia	39,294	33,432
Europe and Middle East	154,794	135,341
Latin America	14,351	12,377
Total international	\$ 208,439	\$ 181,150
	<u>\$ 733,786</u>	<u>\$ 652,102</u>

15) Employee Retirement Plans

The following table summarizes the company's net periodic pension benefit related to the AGA Group pension plans (in thousands):

	Three Months Ended		Nine Months Ended	
	Sep 30, 2023	Oct 1, 2022	Sep 30, 2023	Oct 1, 2022
Net Periodic Pension Benefit:				
Interest cost	11,606	5,881	\$ 34,220	\$ 18,867
Expected return on assets	(14,816)	(17,505)	(43,687)	(56,155)
Amortization of net loss	7	847	21	2,716
Amortization of prior service cost	657	611	1,939	1,960
	<u>\$ (2,546)</u>	<u>\$ (10,166)</u>	<u>\$ (7,507)</u>	<u>\$ (32,612)</u>

The pension costs for all other plans of the company were not material during the period. The service cost component is recognized within Selling, general and administrative expenses and the non-operating components of pension benefit are included within Net periodic pension benefit (other than service cost) in the Condensed Consolidated Statements of Comprehensive Income.

16) Share Repurchases

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

The company also treats shares withheld for tax purposes on behalf of employees in connection with the vesting of restricted share grants as common stock repurchases because they reduce the number of shares that would have been issued upon vesting. During the nine months ended September 30, 2023, the company repurchased 126,550 shares of its common stock that were surrendered to the company for withholding taxes related to restricted stock vestings for \$19.7 million.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Special Notes Regarding Forward-Looking Statements

This report contains forward-looking statements subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995. The company cautions readers that these projections are based upon future results or events and are highly dependent upon a variety of important factors which could cause such results or events to differ materially from any forward-looking statements which may be deemed to have been made in this report, or which are otherwise made by or on behalf of the company. Such factors include, but are not limited to, volatility in earnings resulting from goodwill impairment losses which may occur irregularly and in varying amounts; variability in financing costs and interest rates; quarterly variations in operating results; dependence on key customers; international exposure; foreign exchange and political risks affecting international sales; unfavorable tax law changes and tax authority rulings; ability to protect trademarks, copyrights and other intellectual property; cybersecurity attacks and other breaches in security; changing market conditions, including inflation; the impact of competitive products and pricing; the timely development and market acceptance of the company's products; the availability and cost of raw materials; the company's continued ability to realize profitable growth through the sourcing and completion of strategic acquisitions; and other risks detailed herein and from time-to-time in the company's SEC filings, including the company's 2022 Annual Report on Form 10-K. All forward-looking statements are expressly qualified in their entirety by these cautionary statements. The forward-looking statements included in this report are made only as of the date hereof and, except as required by federal securities laws and rules and regulations of the SEC, the company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Current Events

Inflation and Interest Rate Environment

The company has been negatively impacted by inflation in wages, logistics, energy, raw materials and component costs. Price increases and pricing strategies have been implemented to mitigate the impact of cost inflation on margins and the company continues to actively monitor costs. There is a delay, however, in the realization of pricing due to lead times of orders in the backlog and global supply chain and logistics constraints. High inflation has led to increased interest rates throughout 2022 and through the first six months of 2023, which combined with global macroeconomic uncertainty can impact customer demand. Most notably in our residential segment, we have faced recent demand headwinds. We remain focused on delivering strong financial results and executing on our long-term strategy and profitability objectives.

Supply Chain, Labor and Logistics Constraints

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

Net Sales Summary
(dollars in thousands)

	Three Months Ended				Nine Months Ended			
	Sep 30, 2023		Oct 1, 2022		Sep 30, 2023		Oct 1, 2022	
	Sales	Percent	Sales	Percent	Sales	Percent	Sales	Percent
Business Segments:								
Commercial Foodservice	\$ 634,009	64.7 %	\$ 619,557	62.4 %	\$ 1,893,607	62.5 %	\$ 1,765,849	58.8 %
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Residential Kitchen	179,975	18.3	220,965	22.3	605,504	20.0	832,054	27.7
Total	<u>\$ 980,651</u>	<u>100.0 %</u>	<u>\$ 992,871</u>	<u>100.0 %</u>	<u>\$ 3,028,029</u>	<u>100.0 %</u>	<u>\$ 3,001,148</u>	<u>100.0 %</u>

Results of Operations

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

	Three Months Ended		Nine Months Ended	
	Sep 30, 2023	Oct 1, 2022	Sep 30, 2023	Oct 1, 2022
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	61.7	63.2	62.1	64.8
Gross profit	38.3	36.8	37.9	35.2
Selling, general and administrative expenses	20.0	20.3	20.3	19.9
Restructuring	0.5	0.2	0.4	0.3
Income from operations	17.8	16.3	17.2	15.0
Interest expense and deferred financing amortization, net	3.2	2.4	3.0	2.1
Net periodic pension benefit (other than service costs)	(0.2)	(1.0)	(0.2)	(1.1)
Other expense, net	0.1	0.9	0.1	0.6
Earnings before income taxes	14.7	14.0	14.3	13.4
Provision for income taxes	3.6	3.5	3.6	3.3
Net earnings	11.1 %	10.5 %	10.7 %	10.1 %

Three Months Ended September 30, 2023 as compared to Three Months Ended October 1, 2022

NET SALES. Net sales for the three months period ended September 30, 2023 decreased by \$12.2 million or 1.2% to \$980.7 million as compared to \$992.9 million in the three months period ended October 1, 2022. Net sales increased by \$18.0 million, or 1.8%, from the fiscal 2022 acquisitions of CP Packaging, Colussi Ermes, Escher, Marco, and the fiscal 2023 acquisitions of Flavor Burst, Blue Sparq, Filtration Automation, Terry, and Trade-Wind. Excluding acquisitions, net sales decreased \$30.2 million, or 3.0%, from the prior year period. The impact of foreign exchange rates on foreign sales translated into U.S. Dollars for the three months period ended September 30, 2023 increased net sales by approximately \$13.2 million or 1.3%. Excluding the impact of foreign exchange and acquisitions, sales decreased 4.4% for the three months period ended September 30, 2023 as compared to the prior year period, including a net sales increase of 0.2% at the Commercial Foodservice Equipment Group, a net sales increase of 1.2% at the Food Processing Equipment Group and a net sales decrease of 21.0% at the Residential Kitchen Equipment Group.

- Net sales of the Commercial Foodservice Equipment Group increased by \$14.4 million, or 2.3%, to \$634.0 million in the three months period ended September 30, 2023, as compared to \$619.6 million in the prior year period. Net sales from the acquisitions of Marco, Flavor Burst, Blue Sparq, and Terry, which were acquired on December 20, 2022, January 24, 2023, April 3, 2023 and July 5, 2023, respectively, accounted for an increase of \$8.0 million during the three months period ended September 30, 2023. Excluding the impact of acquisitions, net sales of the Commercial Foodservice Equipment Group increased \$6.4 million, or 1.0%, as compared to the prior year period. Excluding the impact of foreign exchange and acquisitions, net sales increased \$1.1 million, or 0.2%, at the Commercial Foodservice Equipment Group. Domestically, the company realized a sales decrease of \$1.5 million, or 0.3%, to \$458.5 million, as compared to \$460.0 million in the prior year period. This includes an increase of \$3.7 million from the recent acquisitions. Excluding the acquisitions, the net decrease in domestic sales was \$5.2 million, or 1.1%. The decrease in domestic sales is related to slow market conditions. International sales increased \$15.9 million, or 10.0%, to \$175.5 million, as compared to \$159.6 million in the prior year period. This includes an increase of \$4.3 million from the recent acquisitions and an increase of \$5.3 million related to the favorable impact of exchange rates. Excluding the impact of foreign exchange and acquisitions, the net sales increase in international sales was \$6.3 million, or 3.9%. The increase in international sales is related to improvements in market conditions, primarily in the Asia and Latin American markets.
- Net sales of the Food Processing Equipment Group increased by \$14.4 million, or 9.5%, to \$166.7 million in the three months period ended September 30, 2023, as compared to \$152.3 million in the prior year period. Net sales from the acquisitions of CP Packaging, Colussi Ermes, Escher, and Filtration Automation, which were acquired on July 12, 2022, July 27, 2022, November 10, 2022, and June 13, 2023, respectively, accounted for an increase of \$9.2 million during the three months period ended September 30, 2023. Excluding the impact of acquisitions, net sales of the Food Processing Equipment Group increased \$5.2 million, or 3.4%, as compared to the prior year period. Excluding the impact of foreign exchange and acquisitions, net sales increased \$1.9 million, or 1.2%, at the Food Processing Equipment Group. Domestically, the company realized a sales increase of \$2.7 million, or 2.5%, to \$111.1 million, as compared to \$108.4 million in the prior year period. This includes an increase of \$4.5 million from the recent acquisitions. Excluding the acquisitions, the net decrease in domestic sales was \$1.8 million, or 1.7%. International sales increased \$11.7 million, or 26.7%, to \$55.6 million, as compared to \$43.9 million in the prior year period. This includes an increase of \$4.7 million from the recent acquisitions and an increase of \$3.3 million related to the favorable impact of exchange rates. Excluding the impact of foreign exchange and acquisitions, the net sales increase in international sales was \$3.7 million, or 8.4%. The increase in international sales is primarily related to bakery products.
- Net sales of the Residential Kitchen Equipment Group decreased by \$41.0 million, or 18.6%, to \$180.0 million in the three months period ended September 30, 2023, as compared to \$221.0 million in the prior year period. Excluding the impact of the acquisition of Trade-Wind, acquired August 1, 2023, net sales decreased \$41.8 million, or 18.9%. Excluding the impact of foreign exchange and the acquisition, net sales decreased \$46.4 million, or 21.0% at the Residential Kitchen Equipment Group. Domestically, the company realized a sales decrease of \$29.3 million, or 20.1%, to \$116.5 million, as compared to \$145.8 million in the prior year period. Excluding the acquisitions, the net decrease in domestic sales was \$30.1 million, or 20.6%. International sales decreased \$11.7 million, or 15.6%, to \$63.5 million, as compared to \$75.2 million in the prior year period. This includes an increase of \$4.6 million related to the favorable impact of exchange rates. Excluding the impact of foreign exchange, the net sales decrease in international sales was \$16.3 million, or 21.7%. The decrease in domestic and international sales was primarily driven by challenging market conditions and higher inventory levels in the channel.

GROSS PROFIT. Gross profit increased to \$375.3 million in the three months period ended September 30, 2023, as compared to \$365.2 million in the prior year period, primarily reflecting higher sales volumes at the Commercial Foodservice Equipment Group and Food Processing Equipment Group. The impact of foreign exchange rates increased gross profit by approximately \$4.6 million. The gross margin rate was 38.3% in the three months period ended September 30, 2023, as compared to 36.8% in the prior year period, primarily driven by higher sales volumes and improvements in product mix.

- Gross profit at the Commercial Foodservice Equipment Group increased by \$20.0 million, or 8.5%, to \$255.3 million in the three months period ended September 30, 2023, as compared to \$235.3 million in the prior year period. Gross profit from the acquisitions of Marco, Flavor Burst, Blue Sparq, and Terry increased gross profit by \$3.5 million. Excluding acquisitions, gross profit increased by \$16.5 million. The impact of foreign exchange rates increased gross profit by approximately \$1.7 million. The gross margin rate increased to 40.3%, as compared to 38.0% in the prior year period related to higher sales volumes and improved product mix. The gross margin rate, excluding acquisitions and the impact of foreign exchange, was 40.3%.
- Gross profit at the Food Processing Equipment Group increased by \$11.1 million, or 20.1%, to \$66.4 million in the three months period ended September 30, 2023, as compared to \$55.3 million in the prior year period. Gross profit from the acquisitions of CP Packaging, Colussi Ermes, Escher, and Filtration Automation increased gross profit by \$3.4 million. Excluding acquisitions, gross profit increased by \$7.7 million related to higher sales volumes. The impact of foreign exchange rates increased gross profit by approximately \$1.3 million. The gross profit margin rate increased to 39.8%, as compared to 36.3% in the prior year period. The gross margin rate, excluding acquisitions and the impact of foreign exchange, was 40.0%.
- Gross profit at the Residential Kitchen Equipment Group decreased by \$20.4 million, or 27.2%, to \$54.5 million in the three months period ended September 30, 2023, as compared to \$74.9 million in the prior year period. The impact of foreign exchange rates increased gross profit by approximately \$1.6 million. Excluding the acquisition, gross profit decreased by \$20.7 million. The gross margin rate decreased to 30.3%, as compared to 33.9% in the prior year period. The gross margin rate excluding the acquisition and the impact of foreign exchange was 30.1%.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Combined selling, general and administrative expenses decreased to \$196.4 million in the three months period ended September 30, 2023, as compared to \$201.2 million in the three months period ended October 1, 2022. As a percentage of net sales, selling, general, and administrative expenses were 20.0% in the three months period ended September 30, 2023 as compared to 20.3% in the three months period ended October 1, 2022.

Selling, general and administrative expenses reflect increased costs of \$6.4 million associated with acquisitions, including \$1.5 million of intangible amortization expense. Selling, general and administrative expenses decreased primarily due to lower compensation costs, selling and marketing expenses and intangible amortization expense. Foreign exchange rates had an unfavorable impact of \$2.5 million.

RESTRUCTURING EXPENSES. Restructuring expenses increased \$2.1 million to \$4.4 million for the three months period ended September 30, 2023, as compared to \$2.3 million for the three months period ended October 1, 2022. Restructuring expenses in the three months period ended September 30, 2023 related primarily to headcount reductions and facility consolidations within the Residential Kitchen Equipment Group and Commercial Foodservice Group. Restructuring expenses in the three months period ended October 1, 2022 related primarily to headcount reductions and facility consolidations within the Residential Kitchen Equipment Group.

NON-OPERATING EXPENSES. Interest and deferred financing amortization costs were \$31.1 million in the three months period ended September 30, 2023, as compared to \$24.1 million in the prior year period primarily reflecting higher interest rates and borrowings levels on our current debt structure. Net periodic pension benefit (other than service costs) decreased \$7.8 million to \$2.1 million in the three months period ended September 30, 2023, as compared to \$9.9 million in the prior year period related to the increase in discount rate used to calculate the interest cost. Other expense was \$1.1 million in the three months period ended September 30, 2023, as compared to \$8.5 million in the prior year period and consists mainly of foreign exchange gains and losses.

INCOME TAXES. A tax provision of \$35.7 million, at an effective rate of 24.8%, was recorded during the three months period ended September 30, 2023, as compared to \$34.7 million at an effective rate of 24.9%, in the prior year period. The effective tax rate for the three months period ended September 30, 2023 is lower than the comparable year rate primarily due to tax refunds, partially offset by an increase in the UK statutory income tax rate from 19% in 2022 to a 23.5% blended rate in 2023.

Nine Months Ended September 30, 2023 as compared to Nine Months Ended October 1, 2022

NET SALES. Net sales for the nine months period ended September 30, 2023 increased by \$26.8 million, or 0.9%, to \$3,028.0 million as compared to \$3,001.2 million in the nine months period ended October 1, 2022. Net sales increased by \$107.8 million, or 3.6%, from the fiscal 2022 acquisitions of Kloppenberg, Proxaut, Icetro, CP Packaging, Colussi Ermes, Escher, Marco, and the fiscal 2023 acquisitions of Flavor Burst, Blue Sparq, Filtration Automation, Terry, and Trade-Wind. Excluding acquisitions, net sales decreased \$81.0 million, or 2.7%, from the prior year period. The impact of foreign exchange rates on foreign sales translated into U.S. Dollars for the nine months period ended September 30, 2023 increased net sales by approximately \$0.2 million. Excluding the impact of foreign exchange and acquisitions, sales decreased 2.7% for the nine months period ended September 30, 2023 as compared to the prior year period, including a net sales increase of 4.6% at the Commercial Foodservice Equipment Group, a net sales increase of 16.3% at the Food Processing Equipment Group and a net sales decrease of 27.4% at the Residential Kitchen Equipment Group.

- Net sales of the Commercial Foodservice Equipment Group increased by \$127.7 million, or 7.2%, to \$1,893.6 million in the nine months period ended September 30, 2023, as compared to \$1,765.9 million in the prior year period. Net sales from the acquisitions of Kloppenberg, Icetro, Marco, Flavor Burst, Blue Sparq, and Terry, which were acquired on April 25, 2022, June 30, 2022, December 20, 2022, January 24, 2023, April 3, 2023 and July 5, 2023, respectively, accounted for an increase of \$49.2 million during the nine months period ended September 30, 2023. Excluding the impact of acquisitions, net sales of the Commercial Foodservice Equipment Group increased \$78.5 million, or 4.4%, as compared to the prior year period. Excluding the impact of foreign exchange and acquisitions, net sales increased \$80.6 million, or 4.6%, at the Commercial Foodservice Equipment Group. Domestically, the company realized a sales increase of \$83.3 million, or 6.4%, to \$1,385.9 million, as compared to \$1,302.6 million in the prior year period. This includes an increase of \$20.7 million from recent acquisitions. Excluding acquisitions, the net increase in domestic sales was \$62.6 million, or 4.8%. The increase in domestic sales is related to higher shipments, product mix impacts, and price increases. International sales increased \$44.4 million, or 9.6%, to \$507.7 million, as compared to \$463.3 million in the prior year period. This includes an increase of \$28.5 million from the recent acquisitions and a decrease of \$2.1 million related to the unfavorable impact of exchange rates. Excluding the impact of foreign exchange and acquisitions, the net sales increase in international sales was \$18.0 million, or 3.9%. The increase in international revenues is related to improvements in market conditions, primarily in the Asia and Latin American markets.
- Net sales of the Food Processing Equipment Group increased by \$125.7 million, or 31.2%, to \$528.9 million in the nine months period ended September 30, 2023, as compared to \$403.2 million in the prior year period. Net sales from the acquisitions of Proxaut, CP Packaging, Colussi Ermes, Escher, and Filtration Automation, which were acquired on June 29, 2022, July 12, 2022, July 27, 2022, November 10, 2022, and June 13, 2023, respectively, accounted for an increase of \$57.2 million during the nine months period ended September 30, 2023. Excluding the impact of acquisitions, net sales of the Food Processing Equipment Group increased \$68.5 million, or 17.0%, as compared to the prior year period. Excluding the impact of foreign exchange and acquisitions, net sales increased \$65.9 million, or 16.3%, at the Food Processing Equipment Group. Domestically, the company realized a sales increase of \$57.1 million, or 19.2%, to \$354.9 million, as compared to \$297.8 million in the prior year period. This includes an increase of \$21.3 million from recent acquisitions. International sales increased \$68.6 million, or 65.1%, to \$174.0 million, as compared to \$105.4 million in the prior year period. This includes an increase of \$35.9 million from the recent acquisitions and an increase of \$2.6 million related to the favorable impact of exchange rates. Excluding the impact of foreign exchange and acquisitions, the net sales increase in international sales was \$30.1 million, or 28.6%. The increase in domestic and international sales reflects growth driven by both bakery and protein products.
- Net sales of the Residential Kitchen Equipment Group decreased by \$226.6 million, or 27.2%, to \$605.5 million in the nine months period ended September 30, 2023, as compared to \$832.1 million in the prior year period. Excluding the impact of the acquisition of Trade-Wind, net sales decreased \$228.0 million, or 27.4%. Excluding the impact of foreign exchange, net sales decreased \$227.7 million, or 27.4%, at the Residential Kitchen Equipment Group. Domestically, the company realized a sales decrease of \$167.9 million, or 29.8%, to \$395.2 million, as compared to \$563.1 million in the prior year period. Excluding the impact of acquisition, net sales of the Residential Kitchen Equipment Group decreased \$168.7 million, or 30.0%, as compared to the prior year period. International sales decreased \$58.7 million, or 21.8%, to \$210.3 million, as compared to \$269.0 million in the prior year period. This includes a decrease of \$0.3 million related to the unfavorable impact of exchange rates. Excluding the impact of foreign exchange and acquisition, the net sales decrease in international sales was \$59.0 million, or 21.9%. The decrease in domestic and international sales was primarily driven by challenging market conditions and higher inventory levels in the channel.

GROSS PROFIT. Gross profit increased to \$1,147.3 million in the nine months period ended September 30, 2023 as compared to \$1,056.5 million in the prior year period, primarily reflecting higher sales volumes at the Commercial Foodservice Equipment Group and Food Processing Equipment Group. The impact of foreign exchange rates decreased gross profit by approximately \$1.1 million. The gross margin rate was 37.9% in the nine months period ended September 30, 2023 as compared to 35.2% in the nine months period ended October 1, 2022 primarily reflecting higher sales volumes and improved product mix.

- Gross profit at the Commercial Foodservice Equipment Group increased by \$98.6 million, or 15.0%, to \$756.7 million in the nine months period ended September 30, 2023, as compared to \$658.1 million in the prior year period. Gross profit from the acquisitions of Kloppenberg, Icetro, Marco, Flavor Burst, Blue Sparq, and Terry increased gross profit by \$17.7 million. Excluding acquisitions, gross profit increased by \$80.9 million. The impact of foreign exchange rates decreased gross profit by approximately \$1.4 million. The gross margin rate increased to 40.0%, as compared to 37.3% in the prior year period related to higher sales volumes and improved product mix. The gross margin rate, excluding acquisitions and the impact of foreign exchange, was 40.1%.
- Gross profit at the Food Processing Equipment Group increased by \$57.0 million, or 40.8%, to \$196.8 million in the nine months period ended September 30, 2023, as compared to \$139.8 million in the prior year period. Gross profit from the acquisitions of Proxaut, CP Packaging, Colussi Ermes, Escher, and Filtration Automation increased gross profit by \$21.9 million. Excluding acquisitions, gross profit increased by \$35.1 million. The impact of foreign exchange rates increased gross profit by approximately \$0.4 million. The gross profit margin rate increased to 37.2%, as compared to 34.7% in the prior year period primarily related to improved product mix and acquisitions. The gross margin rate, excluding acquisitions and the impact of foreign exchange, was 37.2%.
- Gross profit at the Residential Kitchen Equipment Group decreased by \$65.5 million, or 25.2%, to \$194.4 million in the nine months period ended September 30, 2023, as compared to \$259.9 million in the prior year period. The impact of foreign exchange rates decreased gross profit by approximately \$0.1 million. The gross margin rate increased to 32.1%, as compared to 31.2% in the prior year period. The gross margin rate, excluding acquisitions and the impact of foreign exchange, was 32.1%. Gross profit margins in the prior year were negatively impacted by acquisitions, including \$15.1 million of acquisition related inventory step-up charges.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Combined selling, general and administrative expenses increased to \$615.4 million in the nine months period ended September 30, 2023, as compared to \$596.8 million in the nine months period ended October 1, 2022. As a percentage of net sales, selling, general, and administrative expenses were 20.3% in the nine months period ended September 30, 2023, as compared to 19.9% in the nine months period ended October 1, 2022.

Selling, general and administrative expenses reflect increased costs of \$28.1 million associated with acquisitions, including \$4.7 million of intangible amortization expense. Selling, general and administrative expenses decreased related to lower intangible amortization expense, partially offset by higher compensation costs and selling and marketing expenses. Foreign exchange rates had a favorable impact of \$0.4 million.

RESTRUCTURING EXPENSES. Restructuring expenses increased \$3.5 million to \$11.7 million in the nine months period ended September 30, 2023 from \$8.2 million in the nine months period ended October 1, 2022. Restructuring expenses in the nine months period ended September 30, 2023 related primarily to headcount reductions and facility consolidations within the Commercial Foodservice Equipment Group and Residential Kitchen Equipment Group. Restructuring expenses in the nine months period ended October 1, 2022 related primarily to non-cash restructuring valuation allowances on balances associated with activities in Russia and headcount reductions and facility consolidations within the Commercial Foodservice Equipment Group and Residential Kitchen Equipment Group.

NON-OPERATING EXPENSES. Interest and deferred financing amortization costs were \$92.1 million in the nine months period ended September 30, 2023, as compared to \$62.6 million in the prior year period, reflecting the increase in interest rates and borrowing levels under our current credit facility. Net periodic pension benefit (other than service costs) decreased \$25.3 million to \$6.9 million in the nine months period ended September 30, 2023, as compared to \$32.2 million in the prior year period related to the increase in discount rate used to calculate the interest cost. Other expense was \$2.6 million in the nine months period ended September 30, 2023, as compared to \$18.5 million in the prior year period and consists mainly of foreign exchange gains and losses.

INCOME TAXES. A tax provision of \$107.9 million, at an effective rate of 24.9%, was recorded during the nine months period ended September 30, 2023, as compared to \$99.3 million at an effective rate of 24.7%, in the prior year period. The effective tax rate for the nine months period ended September 30, 2023 is higher than the comparable year rate primarily due to an increase in the UK statutory income tax rate from 19% in 2022 to a 23.5% blended rate in 2023.

Financial Condition and Liquidity

Total cash and cash equivalents increased by \$5.2 million to \$167.2 million at September 30, 2023 from \$162.0 million at October 1, 2022. Total debt decreased to \$2.6 billion at September 30, 2023 from \$2.7 billion at December 31, 2022.

OPERATING ACTIVITIES. Net cash provided by operating activities after changes in assets and liabilities amounted to \$373.1 million as compared to \$173.4 million in the prior year.

During the nine months period ended September 30, 2023, working capital changes meaningfully impacted operating cash flows primarily driven by decreased inventory levels of \$67.0 million, a decrease of \$86.6 million in accrued expenses and other liabilities including impacts from the timing of payments made for taxes, various customer programs and incentive programs and a decrease in accounts payable of \$49.2 million.

INVESTING ACTIVITIES. During the nine months period ended September 30, 2023, net cash used for investing activities amounted to \$139.2 million. Cash used to fund acquisitions and investments amounted to \$67.8 million. Additionally, \$69.6 million was expended, primarily for upgrades of production equipment and manufacturing facilities.

FINANCING ACTIVITIES. Net cash flows used for financing activities amounted to \$225.8 million during the nine months period ended September 30, 2023. The company's borrowing activities during 2023 included \$146.5 million of net proceeds under its Credit Facility. Additionally, the company repurchased \$74.5 million of Middleby common shares during 2023. This was comprised of \$19.5 million to repurchase 126,550 shares of Middleby common stock that were surrendered to the company for withholding taxes related to restricted stock vestings and \$55.0 million used to repurchase 397,738 shares of its common stock under a repurchase program.

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

Recently Issued Accounting Standards

See Part I, Item 1, Notes to Condensed Consolidated Financial Statements, Note 4 - Recently Issued Accounting Standards, of this Quarterly Report on Form 10-Q.

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 the company's consolidated financial statements. There have been no changes in the company's critical accounting policies, which include revenue recognition, inventories, goodwill and indefinite-life intangibles, convertible debt, pensions benefits, and income taxes, as discussed in the company's Annual Report on Form 10-K for the year ended December 31, 2022 (the "2022 Annual Report on Form 10-K").

Item 3. Quantitative and Qualitative Disclosures 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:

Twelve Month Period coinciding with the end of the company's Fiscal Third Quarter	Variable Rate Debt
2024	\$ 44,330
2025	784,303
2026	43,388
2027	1,705,112
2028 and thereafter	3,093
	<u>\$ 2,580,226</u>

The company is exposed to interest rate risk on its floating-rate debt. The company has entered into interest rate swaps to fix the interest rate applicable to certain of its variable-rate debt. The agreements swapped one-month LIBOR for fixed rates. In February 2022, the company entered into an additional floating-to-fixed interest rate swap agreement that uses a daily SOFR in lieu of LIBOR. In April 2023, all outstanding LIBOR swap agreements were amended to one month term SOFR. 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 September 30, 2023, the fair value of these instruments was an asset of \$62.2 million. The change in fair value of these swap agreements in the first nine months of 2023 was a loss of \$2.1 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.

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

Foreign Exchange Derivative Financial Instruments

The company uses foreign currency forward, foreign exchange swaps and option purchase and sales contracts 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 net 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 fair value of the forward and option contracts was a loss of \$0.6 million at the end of the third quarter of 2023.

Item 4. Controls and Procedures

The company maintains disclosure controls and procedures 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.

As of September 30, 2023, 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 company's disclosure controls and procedures. 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.

During the quarter ended September 30, 2023, there has been no change in the company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting.

PART II. OTHER INFORMATION

The company was not required to report the information pursuant to Items 1 through 6 of Part II of Form 10-Q for the nine months ended September 30, 2023, except as follows:

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

c) 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⁾
July 2, 2023 to July 29, 2023	—	\$ —	—	1,883,636
July 30, 2023 to August 26, 2023	—	—	—	1,883,636
August 27, 2023 to September 30, 2023	—	—	—	1,883,636
Quarter ended September 30, 2023	—	\$ —	—	1,883,636

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

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

Item 6. Exhibits

Exhibits:

- Exhibit 31.1 – [Rule 13a-14\(a\)/15d -14\(a\) Certification of the Chief Executive Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- Exhibit 31.2 – [Rule 13a-14\(a\)/15d -14\(a\) Certification of the Chief Financial Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- Exhibit 32.1 – [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\(18 U.S.C. 1350\).](#)
- Exhibit 32.2 – [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\(18 U.S.C. 1350\).](#)
- Exhibit 101 – Financial statements on Form 10-Q for the quarter ended September 30, 2023, filed on November 9, 2023, formatted in Inline Extensive Business Reporting Language (iXBRL); (i) condensed consolidated balance sheets, (ii) condensed consolidated statements of earnings, (iii) condensed statements of cash flows, (iv) notes to the condensed consolidated financial statements.
- Exhibit 104 – Cover Page Interactive Data File (formatted as Inline Extensive Business Reporting Language (iXBRL) and contained in Exhibit 101).

SIGNATURE

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

THE MIDDLEBY CORPORATION
(Registrant)

Date: November 9, 2023

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

CERTIFICATIONS

I, Timothy J. FitzGerald, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: November 9, 2023

/s/ Timothy J. FitzGerald

Timothy J. FitzGerald

Chief Executive Officer of The Middleby Corporation

CERTIFICATIONS

I, Bryan E. Mittelman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: November 9, 2023

/s/ Bryan E. Mittelman

Bryan E. Mittelman

Chief Financial Officer of The Middleby Corporation

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

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

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

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

Date: November 9, 2023

/s/ Timothy J. FitzGerald

Timothy J. FitzGerald

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

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

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

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

Date: November 9, 2023

/s/ Bryan E. Mittelman

Bryan E. Mittelman