MIDDLEBY CORP
Form 10-K
February 27, 2008

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

FORM 10-K

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

For the Fiscal Year Ended December 29, 2007

or

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

Commission File No. 1-9973

THE MIDDLEBY CORPORATION
(Exact name of Registrant as specified in its charter)

Delaware	**36-3352497**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)
1400 Toastmaster Drive, Elgin, Illinois	**60120**
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code: **847-741-3300**

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

Title of each class	Name of each exchange on which registered
Common stock, par value $0.01 per share	**The NASDAQ Stock Market LLC**

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

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

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

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 x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

Large accelerated filer x Accelerated filer o Non-accelerated filer o Smaller reporting company o

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

The aggregate market value of the voting stock held by nonaffiliates of the Registrant as of June 30, 2007 was approximately $914,534,501.

The number of shares outstanding of the Registrant's class of common stock, as of February 22, 2008, was 16,875,475 shares.

Documents Incorporated by Reference

Part III of Form 10-K incorporates by reference the Registrant's definitive proxy statement to be filed pursuant to Regulation 14A in connection with the 2008 annual meeting of stockholders.

THE MIDDLEBY CORPORATION AND SUBSIDIARIES
DECEMBER 29, 2007
FORM 10-K ANNUAL REPORT
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PART I

Item 1. Business

General

The Middleby Corporation ("Middleby" or the "company"), through its operating subsidiary Middleby Marshall Inc. ("Middleby Marshall") and its subsidiaries, is a leader in the design, manufacture, marketing, distribution, and service of a broad line of (i) cooking and warming equipment used in all types of commercial restaurants and institutional kitchens and (ii) food preparation, cooking, and packaging equipment for food processing operations.

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

Over the past three years the company has completed eight acquisitions in the commercial foodservice equipment and food processing equipment industries. These acquisitions have added twelve brands to the Middleby portfolio and positioned the company as a leading supplier of equipment in both industries.

In January 2005, the company acquired the net assets of Nu-Vu Foodservice Systems for $11.4 million in cash, including post-closing purchase price adjustments. This acquisition allowed Middleby to become a leading manufacturer of baking ovens and proofers. Ovens manufactured by Nu-Vu Foodservice Systems are supplied to some of the leading sandwich chains.

In December 2005, the company acquired the stock of Alkar Holdings Inc. for $29.7 million in cash, including post-closing purchase price adjustments. Alkar Holdings Inc. provides batch ovens, belt ovens, and conveyorized cooking systems under the Alkar brand name and food packaging and food safety equipment under the Rapidpak brand name. This acquisition allowed the company to enter the food processing industry through the acquisition of two industry leading brands.

In August 2006, the company acquired the stock of Houno A/S ("Houno") for $8.8 million in cash and assumed debt including post-closing purchase price adjustments. Houno, located in Denmark, is a leading manufacturer of combination steam ovens in Europe. The Houno oven is recognized for its unique design, advanced programmable controls, and low utilization of energy and water. This acquisition allowed Middleby to further penetrate the fast growing combination steam oven market with leading technology.

In April 2007, the company acquired the assets of Jade Products Company ("Jade") for $7.8 million in cash. Jade is a leading manufacturer of premium commercial and residential ranges and ovens used by many of the top chefs and upscale restaurant chains. Jade is also known for its ability to provide unique customized cooking suites designed to suit the needs of the most demanding restaurant operators. This acquisition allowed Middleby to expand its product offerings in the commercial foodservice segment with a leading industry brand.

In June 2007, the company acquired the assets Carter-Hoffmann for $16.2 million in cash. Carter-Hoffmann is a leading brand and supplier of heated cabinets and food holding equipment for the commercial restaurant industry. This acquisition was complimentary to Middleby's existing cooking products and allowed the company to provide a more complete offering on the "hot-side" of the kitchen.

In July 2007, the company acquired the assets of MP Equipment ("MP Equipment") for $15.3 million in cash and $2.0 million in deferred payments due to the sellers. A contingent payment of $1.0 million is also payable if the business reaches certain defined profitability targets. MP Equipment further strengthened Middleby's position in the food processing equipment industry by adding a portfolio of complimentary products to the Alkar and Rapidpak brands. The products of MP Equipment include breading machines, battering machines, mixers, forming equipment, and slicing machines. These products are used by numerous suppliers of food product to the major restaurant chains.

In August 2007, the company acquired the assets of Wells Bloomfield for $28.9 million in cash. Wells is a leading brand of cooking and warming equipment for the commercial restaurant industry, complimenting Middleby's other products in this category. Wells also offers a unique ventless hood system, which is increasing in demand as more and more food operations are opening in unconventional locations where it is difficult to install ventilation systems, such as shopping malls, airports and stadiums. Bloomfield is a leading provider of coffee brewers, tea brewers and beverage dispensing equipment. The addition of Bloomfield to Middleby's portfolio of brands allows Middleby to benefit in the fast growing beverage segment as the company's restaurant chain customers increase their offerings of coffee and specialty drinks.

In December 2007, subsequent to the company's fiscal 2007 year end, the company acquired New Star International Holdings, Inc. for $188.4 million in cash. This acquisition added three leading brands to Middleby's portfolio of brands in the commercial restaurant industry, including Star, a leader in light duty cooking and concession equipment, Holman, a leader in conveyor and pop-up toasters, and Lang, a leading oven and range line. The transaction positions Middleby as a leading supplier to convenience chains and fast casual restaurant chains.

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

Business Divisions and Products

The company conducts its business through three principal business divisions: the Commercial Foodservice Equipment Group; the Food Processing Equipment Group; and the International Distribution Division. See Note 10 to the Consolidated Financial Statements for further information on the company's business divisions.

Commercial Foodservice Equipment Group

The Commercial Foodservice Equipment Group has a broad portfolio of leading brands and cooking and warming equipment which enable it to serve virtually any cooking or warming application within a commercial restaurant or institutional kitchen. This cooking and warming equipment is used across all types of foodservice operations, including quick-service restaurants, full-service restaurants, convenience stores, retail outlets, hotels and other institutions. The company offers a broad line of cooking equipment marketed under a portfolio of fifteen brands, including, Blodgett®, Blodgett Combi®, Blodgett Range®, Bloomfield®, CTX®, Carter-Hoffmann®, Houno®, Jade®, MagiKitch'n®, Middleby Marshall®, NuVu®, Pitco®, Southbend®, Toastmaster®, and Wells®. These products are manufactured at the company's U.S. facilities in California, Illinois, Michigan, Nevada, New Hampshire, North Carolina, and Vermont. The company also has international manufacturing facilities located in China, Denmark and the Philippines.

The products offered by this group include ranges, convection ovens, conveyor ovens, baking ovens, proofers, broilers, fryers, combi-ovens, charbroilers, steam equipment, pop-up and conveyor toasters, steam cooking equipment, food warming equipment, griddles, ventless cooking systems, coffee brewers, tea brewers, and beverage dispensing equipment.

This group is represented by the following product brands:

- Blodgett®, known for its durability and craftsmanship, is the leading brand of convection and combi-ovens. In demand since the late 1800's, the Blodgett oven has stood the test of time and set the industry standard.

- Pitco Frialator® offers a broad line of gas and electric equipment combining reliability with efficiency in simple-to-operate professional frying equipment. Since 1918, Pitco fryers have captured a major market share by offering simple, reliable equipment for cooking menu items such as french fries, onion rings, chicken, donuts, and seafood.

- For over 100 years, Southbend® has produced a broad array of heavy-duty, gas-fired equipment, including ranges, convection ovens, broilers, and steam cooking equipment. Southbend has dedicated significant resources to developing and introducing innovative product features resulting in a premier cooking line.

- For more than 60 years, MagiKitch’n® has focused on manufacturing charbroiling products that deliver quality construction, high performance and flexible operation.

- For more than 30 years, Houno® has manufactured quality combi-ovens and baking ovens. Houno ovens are recognized for their superior design, energy and water saving features and reliability.

- Conveyor oven equipment products are marketed under the Middleby Marshall®, Blodgett® and CTX® brands. Conveyor oven equipment allows for simplification of the food preparation process, which in turn provides for labor savings opportunities and a greater consistency of the final product. Conveyor oven customers include many of the leading pizza restaurant chains and sandwich chains.

- Toastmaster® manufactures light and medium-duty electric equipment, including pop-up and conveyor toasters, hot food servers, foodwarmers and griddles to commercial restaurants and institutional kitchens.

- Carter-Hoffmann® has been a leading provider of heated cabinets, rethermalizing equipment, and food serving equipment for over 60 years. Carter-Hoffmann is known for providing innovative and energy saving equipment that allow a foodservice operation to save on food costs by holding food in its heated cabinets and holding stations for an extended period of time, while maintaining the quality of the product.

- Jade® designs and manufactures premium and customized cooking suites which can be found in the restaurants of many leading chefs. Jade is renowned for its offering of specialty cooking equipment and its ability to customize products to meet the specialized requests of a restaurant operator.

- Wells® is a leader in countertop and drop in warmers. It is also one of only a few companies to offer ventless cooking systems. Its patented technology allows a food service operator to utilize cooking equipment in locations where external ventilation may not be possible, such as shopping malls, airports, and sports arenas.

- Bloomfield® is one of the leading brands providing coffee brewers, tea brewers, and beverage dispensing equipment. Bloomfield has a reputation of durability and dependability.

Food Processing Equipment Group

The Food Processing Equipment Group provides a broad array of innovative products designed for the food processing industry. These products include:

- Food preparation equipment, such as breading, battering, mixing, forming and slicing machines, marketed under the MP Equipment® brand.

- Cooking equipment, including batch ovens, belt ovens and conveyorized cooking systems marketed under the Alkar® brand.

- Packaging and food safety equipment marketed under the Rapidpak® brand.

Customers include large international food processing companies throughout the world. The company is recognized as a market leader in the manufacturing of equipment for producing pre-cooked meat products such as hot dogs, dinner sausages, poultry and lunchmeats. Through its broad line of products, the company is able to deliver a wide array of cooking solutions to service a variety of food processing requirements demanded by its customers. The Food Processing Equipment Group has manufacturing facilities in Georgia and Wisconsin.

International Distribution Division

The company has identified the international markets as an area of growth. Middleby's International Distribution Division provides integrated export management and distribution services, enabling the company to offer equipment to be delivered and supported virtually anywhere in the world. The company believes that its global network provides it with a competitive advantage that positions the company as a preferred foodservice equipment supplier to major restaurant chains expanding globally. The company offers customers a complete package of kitchen equipment, delivered and installed in over 100 countries. For a local country distributor or dealer, the division provides centralized sourcing of a broad line of equipment with complete export management services, including export documentation, freight forwarding, equipment warehousing and consolidation, installation, warranty service and parts support. The International Distribution Division has regional export management companies in Asia, Europe and Latin America complemented by sales and distribution offices located in China, India, Lebanon, Mexico, the Philippines, Russia, South Korea, Spain, Sweden, Taiwan and the United Kingdom.

The Customers and Market

Commercial Foodservice Equipment Industry

The company's end-user customers include: (i) fast food or quick-service restaurants, (ii) full-service restaurants, including casual-theme restaurants, (iii) retail outlets, such as convenience stores, supermarkets and department stores and (iv) public and private institutions, such as hotels, resorts, schools, hospitals, long-term care facilities, correctional facilities, stadiums, airports, corporate cafeterias, military facilities and government agencies. The company's domestic sales are primarily through independent dealers and distributors and are marketed by the company's sales personnel and network of independent manufacturers' representatives. Many of the dealers in the U.S. belong to buying groups that negotiate sales terms with the company. Certain large multi-national restaurant and hotel chain customers have purchasing organizations that manage product procurement for their systems. Included in these customers are several large restaurant chains, which account for a meaningful portion of the company's business. The company’s international sales are through a combined network of independent and company-owned distributors. The company maintains sales and distribution offices in China, India, Lebanon, Mexico, the Philippines, Russia, South Korea, Spain, Sweden, Taiwan and the United Kingdom.

During the past several decades, growth in the U.S. foodservice industry has been driven primarily by population growth, economic growth and demographic changes, including the emergence of families with multiple wage-earners and growth in the number of higher-income households. These factors have led to a demand for convenience and speed in food preparation and consumption. As a result, U.S. foodservice sales grew for the sixteenth consecutive year to approximately $534 billion in 2007 as reported by The National Restaurant Association. Sales in 2008 are projected to increase to $558 billion, an increase of 4.4% over 2007, according to The National Restaurant Association. The quick-service restaurant segment within the foodservice industry has been the fastest growing segment since the mid '80's. Total quick-service sales amounted to $150 billion in 2007 and are projected to increase 4.4% to $157 billion in 2008, as reported by The National Restaurant Association. The full-service restaurants represent the largest portion of the foodservice industry and represented $179 billion in sales in 2007 and are projected to increase 4.3% to $187 billion in 2008, as reported by The National Restaurant Association. This segment has seen increased chain concepts and penetration in recent years driven by the aging of the baby boom generation.

Over the past several decades, the foodservice equipment industry has enjoyed steady growth in the United States due to the development of new quick-service and casual-theme restaurant chain concepts, the expansion into nontraditional locations by quick-service restaurants and store equipment modernization. In the international markets, foodservice equipment manufacturers have been experiencing stronger growth than the U.S. market due to rapidly expanding international economies and increased opportunity for expansion by U.S. chains into developing regions.

The company believes that the worldwide commercial foodservice equipment market has sales in excess of $20 billion. The cooking and warming equipment segment of this market is estimated by management to exceed $1.5 billion in North America and $3.0 billion worldwide. The company believes that continuing growth in demand for foodservice equipment will result from the development of new restaurant concepts in the U.S. and the expansion of U.S. chains into international markets, the replacement and upgrade of existing equipment and new equipment requirements resulting from menu changes.

Food Processing Equipment Industry

The company's customers include a diversified base of leading food processors. A large portion of the company's revenues have been generated from producers of pre-cooked meat products such as hot dogs, dinner susages, poultry, and lunchmeats, however, the company believes that it can leverage its expertise and product development capabilities in thermal processing to organically grow into new end markets.

Food processing has quickly become a highly competitive landscape dominated by a few large conglomerates that possess a variety of food brands. The consolidation of food processing plants associated with industry consolidation drives a need for more flexible and efficient equipment that is capable of processing large volumes in quicker cycle times. In recent years, food processors have had to conform to the demands of “big-box” retailers, including, most importantly, greater product consistency and exact package weights. Food processors are beginning to realize that their old equipment is no longer capable of efficiently producing adequate uniformity in the large product volumes required, and they are turning to equipment manufacturers that offer product consistency, innovative packaging designs and other solutions. To protect their own brands and reputations, big-box retailers are also dictating food safety standards that are actually stricter than government regulations.

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

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

The global food processing equipment industry is highly fragmented, large and growing. The company estimates demand for food equipment is approximately $3 billion in the U.S and $20 billion worldwide. The company's product offerings are estimated to compete in a subsegment of total industry, and the relevant market size for its products are estimated by management to exceed $0.5 billion in the U.S. and $1.5 billion worldwide.

Backlog

The company's backlog of orders was $60,175,000 at December 29, 2007, all of which is expected to be filled during 2008. The acquired Jade, Carter-Hoffmann, Wells Bloomfield and MP Equipment businesses accounted for $17,479,000 of the backlog. The company's backlog was $47,017,000 at December 30, 2006. The backlog is not necessarily indicative of the level of business expected for the year, as there is generally a short time between order receipt and shipment for the majority of the company's products.

Marketing and Distribution

Commercial Foodservice Equipment Group

Middleby's products and services are marketed in the U.S. and in over 100 countries through a combination of the company's sales personnel and international marketing divisions and subsidiaries, together with an extensive network of independent dealers, distributors, consultants, sales representatives and agents. The company's relationships with major restaurant chains are primarily handled through an integrated effort of top-level executive and sales management at the corporate and business division levels to best serve each customer's needs.

In the United States, the company distributes its products to independent end-users primarily through a network of non-exclusive dealers nationwide, who are supported by manufacturers' marketing representatives. Sales are made direct to certain large restaurant chains that have established their own procurement and distribution organization for their franchise system.

International sales are primarily made through the International Distribution Division network to independent local country stocking and servicing distributors and dealers and, at times, directly to major chains, hotels and other large end-users.

Food Processing Equipment Group

The company maintains a direct sales force to market the Alkar, Rapidpak and MP Equipment brands and maintains direct relationships with each of its customers. The company also involves division management in the relationships with large global accounts. In North America, the company employs regional sales managers, each with responsibility for a group of customers and a particular region. Internationally, the company maintains global sales managers supported by a network of independent sales representatives.

The company’s sale process is highly consultative due to the highly technical nature of the equipment. During a typical sales process, a salesperson makes several visits to the customer’s facility to conceptually discuss the production requirements, footprint and configuration of the proposed equipment. The company employs a technically proficient sales force, many of whom have previous technical experience with the company as well as education backgrounds in food science.

Services and Product Warranty

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

Commercial Foodservice Equipment Group

The company's domestic service network consists of over 100 authorized service parts distributors and 3,000 independent certified technicians who have been formally trained and certified by the company through its factory training school and on-site installation training programs. Technicians work through service parts distributors, which are required to provide around-the-clock service via a toll-free paging number. The company provides substantial technical support to the technicians in the field through factory-based technical service engineers. The company has stringent parts stocking requirements for these agencies, leading to a high first-call completion rate for service and warranty repairs.

It is critical to major foodservice chains that equipment providers be capable of supporting equipment on a worldwide basis. The company's international service network covers over 100 countries with more than 1,000 service technicians trained in the installation and service of the company's products and supported by internationally-based service managers along with the factory-based technical service engineers. As with its domestic service network, the company maintains stringent parts stocking requirements for its international distributors.

Food Processing Equipment Group

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

Competition

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

The company believes that it is one of the largest multiple-line manufacturers of food production equipment in the U.S. and worldwide, although some of its competitors are units of operations that are larger than the company and possess greater financial and personnel resources. Among the company's major competitors to the Commercial Foodservice Equipment Group are Enodis plc; Vulcan-Hart and Hobart Corporation, subsidiaries of Illinois Tool Works Inc.; Zanussi, a subsidiary of Electrolux AB; Groen, a subsidiary of Dover Corporation; Rational AG, and the Ali Group. Major competitors to the Food Processing Equipment Group include Convenience Food Systems, FMC Technologies, Multivac, Marel, Formax, and Heat and Control.

Manufacturing and Quality Control

The company manufactures product in ten domestic and three international production facilities. In Elgin, Illinois, the company manufactures conveyor ovens. In Burlington, Vermont the company manufactures its combi-oven, convection oven and deck oven product lines. In Fuquay-Varina, North Carolina, the company manufactures ranges, steamers, combi-ovens, convection ovens and broiling equipment. In Bow, New Hampshire, the company manufactures fryers, charbroilers and catering equipment products. In Menominee, Michigan the company manufactures baking ovens, proofers and counterline equipment. In Lodi, Wisconsin the company manufactures cooking systems and packaging equipment that serves customers in the food processing industry. In Brea, California, the company manufactures cooking ranges. In Mundelein, Illinois, the company manufactures warming equipment and heated food cabinets. In Buford, Georgia, the company manufactures breading, battering, mixing, forming, and slicing equipment. In Verdi, Nevada, the company manufactures warming systems, fryers, convection ovens, counterline cooking equipment and ventless cooking systems. In Shanghai, China, the company manufactures frying systems. In Randers, Denmark, the company manufactures combi-ovens and baking ovens. In Laguna, the Philippines, the company manufactures fryers, counterline equipment and component parts for the U.S. manufacturing facilities.

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

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

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

Sources of Supply

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

Research and Development

The company believes its future success will depend in part on its ability to develop new products and to improve existing products. Much of the company's research and development efforts are directed to the development and improvement of products designed to reduce cooking time, increase cooking capacity or throughput, reduce energy consumption, minimize labor costs, improve product yield, and improve safety, while maintaining consistency and quality of cooking production and food preparation. The company has identified these issues as key concerns for most of its customers. The company often identifies product improvement opportunities by working closely with customers on specific applications. Most research and development activities are performed by the company's technical service and engineering staff located at each manufacturing location. On occasion, the company will contract outside engineering firms to assist with the development of certain technical concepts and applications. See Note 4(n) to the Consolidated Financial Statements for further information on the company's research and development activities.

Licenses, Patents, and Trademarks

The company owns numerous trademarks and trade names; among them, Alkarâ, Blodgettâ, Blodgett Combiâ, Blodgett Rangeâ, Bloomfieldâ, CTXâ, Carter-Hoffmannâ, Hounoâ, Jadeâ, MP Equipmentâ, MagiKitch'nâ, Middleby Marshallâ, Nu-Vuâ, Pitco Frialatorâ, RapidPakâ, Southbendâ, Toastmasterâ and Wellsâ are registered with the U.S. Patent and Trademark Office and in various foreign countries.

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

Employees

As of December 29, 2007, the company employed 1,681 persons. Of this amount, 662 were management, administrative, sales, engineering and supervisory personnel; 716 were hourly production non-union workers; and 303 were hourly production union members. Included in these totals were 316 individuals employed outside of the United States, of which 211 were management, sales, administrative and engineering personnel, 50 were hourly production non-union workers and 55 were hourly production workers, who participate in an employee cooperative. At its Lodi, Wisconsin facility, the company has a contract with the International Association of Bridge, Structural, Ornamental and Reinforcing Ironworkers that expires on February 1, 2010. At its Elgin, Illinois facility, the company has a union contract with the International Brotherhood of Teamsters that expires on April 30, 2012. At its Verdi, Nevada facility, the company has a union contract with the Sheet Metal Workers International Association that expires on August 7, 2010. The company also has a union workforce at its manufacturing facility in the Philippines, under a contract that extends through June 2011. Management believes that the relationships between employees, union and management are good.

Seasonality

The company's revenues historically have been stronger in the second and third quarters due to increased purchases from customers involved with the catering business and institutional customers, particularly schools, during the summer months.

Item 1A. Risk Factors

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

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

The company now has and may continue to have a significant amount of debt. At December 29, 2007, the company had $96.2 million of borrowings and $5.1 million in letters of credit outstanding. On December 31, 2007, subsequent to the fiscal 2007 year end, the company further increased it indebtedness by $188.4 million to fund the acquisition of New Star International Holdings, Inc. To the extent the company requires capital resources, there can be no assurance that such funds will be available on favorable terms, or at all. The unavailability of funds could have a material adverse effect on the company's financial condition, results of operations and ability to expand the company's operations.

The company's level of indebtedness could adversely affect it in a number of ways, including the following:

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

- a significant portion of the company's cash flow from operations must be dedicated to debt service, which reduces the amount of cash the company has available for other purposes;

- the company may be more vulnerable to a downturn in the company business or economic and industry conditions;

- the company may be disadvantaged as compared to its competitors, such as in the ability to adjust to changing market conditions, as a result of the significant amount of debt the company owes; and

- the company may be restricted in its ability to make strategic acquisitions and to pursue business opportunities.

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

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

· pay dividends;

· incur additional indebtedness;

· create liens on the company's assets;

· engage in new lines of business;

· make investments;

· make capital expenditures and enter into leases; and

· acquire or dispose of assets.

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

Under the company's current credit agreement, the company is required to maintain certain specified financial ratios and meet financial tests, including certain ratios of leverage and fixed charge coverage. The company's ability to comply with these requirements may be affected by matters beyond its control, and, as a result, the company cannot assure you that it will be able to meet these ratios and tests. A breach of any of these covenants would prevent the company from being able to draw under the company revolver and would result in a default under the company's credit agreement. In the event of a default under the company's current credit agreement, the lenders could terminate their commitments and declare all amounts borrowed, together with accrued interest and other fees, to be due and payable. Borrowings under other debt instruments that contain cross-acceleration or cross-default provisions may also be accelerated and become due and payable. The company may be unable to pay these debts in these circumstances.

Competition in the foodservice equipment industry is intense and could impact the company results of operations and cash flows.

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

Further, the market for the company's products is characterized by changing technology and evolving industry standards. The company's ability to compete in the past has depended in part on the company's ability to develop innovative new products and bring them to market more quickly than the company's competitors. The company's ability to compete successfully will depend, in large part, on its ability to enhance and improve its existing products, to continue to bring innovative products to market in a timely fashion, to adapt the company's products to the needs and standards of the company customers and potential customers and to continue to improve operating efficiencies and lower manufacturing costs. Moreover, competitors may develop technologies or products that render the company's products obsolete or less marketable. If the company's products, markets and services are not competitive, the company's business, financial condition and operating results will be materially harmed.

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

The company continually seeks to refine and improve upon the performance, utility and physical attributes of its existing products and to develop new products. As a result, the company's business is subject to risks associated with new product and technological development, including unanticipated technical or other problems. The occurrence of any of these risks could cause a substantial change in the design, delay in the development, or abandonment of new technologies and products. Consequently, there can be no assurance that the company will develop new technologies superior to the company's current technologies or successfully bring new products to market.

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

The company's revenues and profits will be adversely affected if it is unable to expand its product offerings, retain its current customers, or attract new customers.

The success of the company's business depends, in part, on its ability to maintain and expand the company's product offerings and the company's customer base. The company's success also depends on its ability to offer competitive prices and services in a price sensitive business. Many of the company's larger restaurant chain customers have multiple sources of supply for their equipment purchases and periodically approve new competitive equipment as an alternative to the company's products for use within their restaurants. The company cannot assure you that it will be able to continue to expand the company product lines, or that it will be able to retain the company's current customers or attract new customers. The company also cannot assure you that it will not lose customers to low-cost competitors with comparable or superior products and services. If the company fails to expand its product offerings, or lose a substantial number of the company's current customers or substantial business from current customers, or are unable to attract new customers, the company's business, financial condition and results of operations will be adversely affected.

The company has depended, and will continue to depend, on key customers for a material portion of its revenues. As a result, changes in the purchasing patterns of such key customers could adversely impact the company's operating results.

Many of the company's key customers are large restaurant chains. The number of new store openings by these chains can vary from quarter to quarter depending on internal growth plans, construction, seasonality and other factors. If these chains were to conclude that the market for their type of restaurant has become saturated, they could open fewer restaurants. In addition, during an economic downturn, key customers could both open fewer restaurants and defer purchases of new equipment for existing restaurants. Either of these conditions could have a material adverse effect on the company's financial condition and results of operations.

Price changes in some materials and sources of supply could affect the company's profitability.

The company uses large amounts of stainless steel, aluminized steel and other commodities in the manufacture of its products. The price of steel has increased significantly over the past several years. The significant increase in the price of steel or any other commodity that the company is not able to pass on to its customers would adversely affect the company's operating results. In addition, an interruption in or the cessation of an important supply by any third party and the company's inability to make alternative arrangements in a timely manner, or at all, could have a material adverse effect on the company's business, financial condition and operating results.

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

To achieve the company's strategic objectives, it may in the future seek to acquire or invest in other companies, businesses or technologies. Acquisitions entail numerous risks, including the following:

· difficulties in the assimilation of acquired businesses or technologies;

· diversion of management's attention from other business concerns;

· potential assumption of unknown material liabilities;

· failure to achieve financial or operating objectives; and

· loss of customers or key employees.

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

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

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

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

· becoming subject to extensive regulations and oversight, tariffs and other trade barriers;

· reduced protection for intellectual property rights;

· difficulties in staffing and managing foreign operations; and

· potentially adverse tax consequences.

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

The company cannot assure you that it will be able to succeed in marketing the company products and services in international markets. The company may also experience difficulty in managing the company's international operations because of, among other things, competitive conditions overseas, management of foreign exchange risk, established domestic markets, language and cultural differences and economic or political instability. Any of these factors could have a material adverse effect on the success of the company's international operations and, consequently, on the company's business, financial condition and operating results.

The company may not be able to adequately protect its intellectual property rights, and this inability may materially harm its business.

The company relies primarily on trade secret, copyright, service mark, trademark and patent law and contractual protections to protect the company proprietary technology and other proprietary rights. The company has filed numerous patent applications covering the company technology. Notwithstanding the precautions the company takes to protect the company intellectual property rights, it is possible that third parties may copy or otherwise obtain and use the company's proprietary technology without authorization or may otherwise infringe on the company's rights. In some cases, including a number of the company's most important products, there may be no effective legal recourse against duplication by competitors. In the future, the company may have to rely on litigation to enforce its intellectual property rights, protect its trade secrets, determine the validity and scope of the proprietary rights of others or defend against claims of infringement or invalidity. Any such litigation, whether successful or unsuccessful, could result in substantial costs to the company and diversions of the company's resources, either of which could adversely affect the company's business.

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

Patents of third parties may have an important bearing on the company's ability to offer some of its products and services. The company's competitors, as well as other companies and individuals, may obtain, and may be expected to obtain in the future, patents related to the types of products and service the company offers or plan to offer. The company cannot assure you that it is or will be aware of all patents containing claims that may pose a risk of infringement by the company's products and services. In addition, some patent applications in the United States are confidential until a patent is issued and, therefore, the company cannot evaluate the extent to which its products and services may be covered or asserted to be covered by claims contained in pending patent applications. In general, if one or more of the company's products or services were to infringe patents held by others, the company may be required to stop developing or marketing the products or services, to obtain licenses from the holders of the patents to develop and market the services, or to redesign the products or services in such a way as to avoid infringing on the patent claims. The company cannot assess the extent to which it may be required in the future to obtain licenses with respect to patents held by others, whether such licenses would be available or, if available, whether it would be able to obtain such licenses on commercially reasonable terms. If the company were unable to obtain such licenses, it also may not be able to redesign the company's products or services to avoid infringement, which could materially adversely affect the company's business, financial condition and operating results.

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

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

The company cannot be certain that a product liability claim or series of claims brought against it would not have an adverse effect on the company's business, financial condition or results of operations. If any claim is brought against the company, regardless of the success or failure of the claim, the company cannot assure you that it will be able to obtain or maintain product liability insurance in the future on acceptable terms or with adequate coverage against potential liabilities or the cost of a recall.

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

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

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

The company has manufacturing operations located in Asia and Europe and distribution operations in Asia, Europe and Latin America. The company's operations are subject to the impact of economic downturns, political instability and foreign trade restrictions, which may adversely affect the company's business, financial condition and operating results. The company anticipates that international sales will continue to account for a significant portion of consolidated net sales in the foreseeable future. Some sales by the company's foreign operations are in local currency, and an increase in the relative value of the U.S. dollar against such currencies would lead to a reduction in consolidated sales and earnings. Additionally, foreign currency exposures are not fully hedged, and there can be no assurances that the company's future results of operations will not be adversely affected by currency fluctuations.

The company is subject to potential liability under environmental laws.

The company's operations are regulated under a number of federal, state and local environmental laws and regulations that govern, among other things, the discharge of hazardous materials into the air and water as well as the handling, storage and disposal of these materials. Compliance with these environmental laws and regulations is a significant consideration for the company because it uses hazardous materials in the company manufacturing processes. In addition, because the company is a generator of hazardous wastes, even if it fully complies with applicable environmental laws, it may be subject to financial exposure for costs associated with an investigation and remediation of sites at which it has arranged for the disposal of hazardous wastes if these sites become contaminated. In the event of a violation of environmental laws, the company could be held liable for damages and for the costs of remedial actions. Environmental laws could also become more stringent over time, imposing greater compliance costs and increasing risks and penalties associated with any violation, which could negatively affect the company's operating results.

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

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

· the lengthy, unpredictable sales cycle for commercial foodservice equipment;

· the gain or loss of significant customers;

· unexpected delays in new product introductions;

· the level of market acceptance of new or enhanced versions of the company's products;

· unexpected changes in the levels of the company's operating expenses;

· competitive product offerings and pricing actions; and

· general economic conditions.

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

The company may be unable to manage its growth.

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

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

Because the company has a significant number of workers whose employment is subject to collective bargaining agreements and labor union representation, the company is vulnerable to possible organized work stoppages and similar actions. Unionized employees accounted for approximately 18% of the company's workforce as of December 29, 2007. At the company's Lodi, Wisconsin facility it has a union contract with the International Association of Bridge, Structural, Ornamental and Reinforcing Iron Workers that extends through January 2010. At the company's Elgin, Illinois facility, it has a union contract with the International Brotherhood of Teamsters that extends through April 2012. At the company’s Verdi, Nevada facility, it has a union contract with Sheet Metal Workers International Association that extends through August 2010. The company also has a union workforce at its manufacturing facility in the Philippines under a contract that extends through June 2011. Any future strikes, employee slowdowns or similar actions by one or more unions, in connection with labor contract negotiations or otherwise, could have a material adverse effect on the company's ability to operate the company's business.

The company depends significantly on its key personnel.

The company depends significantly on certain of the company's executive officers and certain other key personnel, many of whom could be difficult to replace. While the company has employment agreements with certain key executives, the company cannot be certain that it will succeed in retaining this personnel or their services under existing agreements. The incapacity, inability or unwillingness of certain of these people to perform their services may have a material adverse effect on the company. There is intense competition for qualified personnel within the company's industry, and the company cannot assure you that it will be able to continue to attract, motivate and retain personnel with the skills and experience needed to successfully manage the company business and operations.

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

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

Future sales or issuances of equity or convertible securities could depress the market price of the company's common stock and be dilutive and affect the company's ability to raise funds through equity issuances.

If the company's stockholders sell substantial amounts of the company's common stock or the company issues substantial additional amounts of the company's equity securities, or there is a belief that such sales or issuances could occur, the market price of the company's common stock could fall. These factors could also make it more difficult for the company to raise funds through future offerings of equity securities.

The market price of the company's common stock may be subject to significant volatility.

The market price of the company's common stock may be highly volatile because of a number of factors, including the following:

- actual or anticipated fluctuations in the company's operating results;
- changes in expectations as to the company's future financial performance, including financial estimates by securities analysts and investors;
- the operating performance and stock price of other companies in the company's industry;
- announcements by the company or the company's competitors of new products or significant contracts, acquisitions, joint ventures or capital commitments;
- changes in interest rates;
- additions or departures of key personnel; and
- future sales or issuances of the company's common stock.

In addition, the stock markets from time to time experience price and volume fluctuations that may be unrelated or disproportionate to the operating performance of particular companies. These broad fluctuations may adversely affect the trading price of the company's common stock, regardless of the company's operating performance.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

The company's principal executive offices are located in Elgin, Illinois. The company operates ten manufacturing facilities in the U.S., one manufacturing facility in China, one manufacturing facility in the Philippines and one manufacturing facility in Denmark.

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

Location	Principal Function	Square Footage	Owned/ Leased	Lease Expiration
Brea, CA	Manufacturing, Warehousing and Offices	120,700	Leased	June 2010
Buford, GA	Manufacturing, Warehousing and Offices	47,350	Leased	May 2009 December 2014
Elgin, IL	Manufacturing, Warehousing and Offices	207,000	Owned	N/A
Mundelein, IL	Manufacturing, Warehousing and Offices	55,000 33,000	Owned Leased	N/A Monthly
Menominee, MI	Manufacturing, Warehousing and Offices	46,000	Owned	N/A
Verdi, NV	Manufacturing, Warehousing and Offices	42,300 89,000	Owned Leased	N/A June 2012
Bow, NH	Manufacturing, Warehousing and Offices	102,000 34,000	Owned Leased	N/A March 2010
Fuquay-Varina, NC	Manufacturing, Warehousing and Offices	131,000	Owned	N/A
Burlington, VT	Manufacturing, Warehousing and Offices	140,000	Owned	N/A
Lodi, WI	Manufacturing, Warehousing and Offices	112,000	Owned	N/A
Shanghai, China	Manufacturing, Warehousing and Offices	37,500	Leased	July 2009
Randers, Denmark	Manufacturing, Warehousing	50,095	Owned	N/A

	and Offices			
Laguna, the Philippines	Manufacturing, Warehousing and Offices	54,000	Owned	N/A

At various other locations the company leases small amounts of office space for administrative and sales functions, and in certain instances limited short-term inventory storage. These locations are in China, Mexico, South Korea, Spain, Sweden, Taiwan and the United Kingdom.

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

The company also has a leased manufacturing facility in Quakertown, Pennsylvania, which was exited as part of the company's manufacturing consolidation efforts. This lease extends through June 2015. This facility is currently subleased.

Item 3. Legal Proceedings

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

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of the security holders in the fourth quarter of the year ended December 29, 2007.

PART II

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

Principal Market

The company's Common Stock trades on the Nasdaq Global Market under the symbol "MIDD". The following table sets forth, for the periods indicated, the high and low closing sale prices per share of Common Stock, as reported by the Nasdaq Global Market.

	Closing Share Price[(1)]	
	High	**Low**
Fiscal 2007		
First quarter	66.58	50.95
Second quarter	71.37	57.40
Third quarter	74.99	58.69
Fourth quarter	77.20	59.41
Fiscal 2006		
First quarter	48.90	40.50
Second quarter	47.13	39.92
Third quarter	44.15	36.80
Fourth quarter	52.70	37.58

(1) Closing share prices for periods prior to June 15, 2007 adjusted for stock split (see below for further information).

Shareholders

The company estimates there were approximately 33,707 record holders of the company's common stock as of February 22, 2008.

Dividends

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

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
September 30, 2007 to October 27, 2007	—	—	—	847,001
October 28, 2007 to November 24, 2007	—	—	—	847,001
November 25, 2007 to December 29, 2007	—	—	—	847,001
Quarter ended December 29, 2007	—	—	—	847,001

In July 1998, the company's Board of Directors adopted a stock repurchase program and subsequently authorized the purchase of up to 1,800,000 common shares in open market purchases. As of December 29, 2007, 952,999 shares had been purchased under the 1998 stock repurchase program.

In May 2007, the company’s Board of Directors approved a two-for-one stock split of the company’s common stock in the form of a stock dividend. The stock split was paid to shareholders of record as of June 1, 2007. The company’s stock began trading on a stock-adjusted basis on June 18, 2007. The stock split effectively doubled the number of shares outstanding at June 15, 2007. All references in the accompanying condensed consolidated financial statements and notes thereto to net earnings per share and the number of shares have been adjusted to reflect this stock split. See Note 3 of the Notes to the Consolidated Financial Statements for further detail.

At December 29, 2007, the company had a total of 3,855,044 shares in treasury amounting to $89.6 million.

PART II

Item 6. Selected Financial Data

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

	2007	2006	2005	2004	2003
Income Statement Data:					
Net sales	$ 500,472	$ 403,131	$ 316,668	$ 271,115	$ 242,200
Cost of sales	308,107	246,254	195,015	168,487	156,347
Gross profit	192,365	156,877	121,653	102,628	85,853
Selling and distribution expenses	50,769	40,371	33,772	30,496	29,609
General and administrative expenses	48,663	39,605	29,909	23,113	21,228
Stock repurchase transaction expenses	—	—	—	12,647	—
Lease reserve adjustments	—	—	—	(1,887)	—
Income from operations	92,933	76,901	57,972	38,259	35,016
Interest expense and deferred financing amortization, net	5,855	6,932	6,437	3,004	5,891
Debt extinguishment expenses	481	—	—	1,154	—
Loss (gain) on financing derivatives	314	—	—	(265)	(62)
Other (income) expense, net	(1,696)	161	137	522	366
Earnings before income taxes	87,979	69,808	51,398	33,844	28,821
Provision for income taxes	35,365	27,431	19,220	10,256	10,123
Net earnings	$ 52,614	$ 42,377	$ 32,178	$ 23,588	$ 18,698
Net earnings per share:					
Basic	$ 3.35	$ 2.77	$ 2.14	$ 1.28	$ 1.03
Diluted	$ 3.11	$ 2.57	$ 1.99	$ 1.19	$ 1.00
Weighted average number of shares outstanding:					
Basic	15,694	15,286	15,028	18,400	18,130
Diluted	16,938	16,518	16,186	19,862	18,784
Cash dividends declared per common share	$ —	$ —	$ —	$ 0.20	$ 0.13
Balance Sheet Data:					
Working capital	$ 67,121	$ 11,512	$ 7,590	$ 10,923	$ 3,490
Total assets	411,079	285,022	263,918	209,675	194,620
Total debt	96,197	82,802	121,595	123,723	56,500
Stockholders' equity	182,912	100,573	48,500	7,215	62,090

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

(2) The prior years’ net earnings per share, the number of shares and cash dividends declared have been adjusted to reflect the company’s stock split that occurred on June 15, 2007. See Note 3 to The Notes to Consolidated Financial

Statements for further detail.

Item7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Special Note Regarding Forward-Looking Statements

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

- volatility in earnings resulting from goodwill impairment losses, which may occur irregularly and in varying amounts;
- variability in financing costs;
- quarterly variations in operating results;
- dependence on key customers;
- risks associated with the company's foreign operations, including market acceptance and demand for the company's products and the company's ability to manage the risk associated with the exposure to foreign currency exchange rate fluctuations;
- the company's ability to protect its trademarks, copyrights and other intellectual property;
- changing market conditions;
- the impact of competitive products and pricing;
- the timely development and market acceptance of the company's products; and
- the availability and cost of raw materials.

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

NET SALES SUMMARY
(dollars in thousands)

	Fiscal Year Ended[1]					
	2007		2006		2005	
	Sales	Percent	Sales	Percent	Sales	Percent
Business Divisions:						
Commercial Foodservice	403,735	80.7	324,206	80.4	294,067	92.9
Food Processing	70,467	14.1	55,153	13.7	2,837	0.9
International Distribution Division (2)	62,476	12.5	56,496	14.0	53,989	17.0
Intercompany sales (3)	(36,206)	(7.3)	(32,724)	(8.1)	(34,225)	(10.8)
Total	$ 500,472	100.0%	$ 403,131	100.0%	$ 316,668	100.0%

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

(2) Consists of sales of products manufactured by Middleby and products manufactured by third parties.

(3) Represents the elimination of sales from the Commercial Foodservice Equipment Group to the International Distribution Division.

Results of Operations

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

	Fiscal Year Ended[1]		
	2007	**2006**	**2005**
Net sales	100.0%	100.0%	100.0%
Cost of sales	61.6	61.1	61.6
Gross profit	38.4	38.9	38.4
Selling, general and administrative expenses	19.8	19.8	20.1
Income from operations	18.6	19.1	18.3
Interest expense and deferred financing amortization, net	1.2	1.7	2.0
Debt extinguishment expenses	0.1	—	—
Loss on financing derivatives	—	—	—
Other (income) expense, net	(0.3)	—	—
Earnings before income taxes	17.6	17.4	16.3
Provision for income taxes	7.1	6.9	6.1
Net earnings	10.5%	10.5%	10.2%

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

Fiscal Year Ended December 29, 2007 as Compared to December 30, 2006

Net sales. Net sales in fiscal 2007 increased by $97.3 million or 24.1% to $500.5 million as compared to $403.1 million in fiscal 2006. The net sales increase included $74.4 million or 18.5% attributable to acquisition growth, resulting from the August 2006 acquisition of Houno and the 2007 acquisitions of Jade Range, Carter-Hoffmann, MP Equipment and Wells Bloomfield. Excluding acquisitions, net sales increased $23.0 million or 5.7% from the prior year, as a result of growth in restaurant chain business and increased sales of new products.

Net sales of the Commercial Foodservice Equipment Group increased by $79.5 million or 24.5% to $403.7 million in 2007 as compared to $324.2 million in fiscal 2006.

Net sales from the acquisitions of Houno, Jade, Carter-Hoffmann and Wells Bloomfield which were acquired on August 31, 2006, April 1, 2007, June 29, 2007 and August 3, 2007, respectively, accounted for an increase of $58.2 million during the fiscal year 2007.

Net sales of conveyor ovens were $4.6 million lower than the prior year due to a work stoppage that occurred at the Elgin, Illinois production facility that began on May 17, 2007 after the unionized workforce failed to ratify a final contract proposal of an expired collective bargaining agreement. On July 30, 2007, the company announced it had entered into a new collective bargaining agreement with its Elgin, Illinois unionized workforce bringing an end to the work stoppage.

Excluding the impact of acquisitions and the sales of conveyor ovens impacted by the work stoppage, net sales of commercial foodservice equipment increased $28.1 million or 10.9% driven by increased sales of combi-ovens, convection ovens, and ranges, reflecting the impact of new product introductions and price increases.

Net sales for the Food Processing Equipment Group were $70.5 million as compared to $55.2 million in fiscal 2006. Net Sales of MP Equipment, which was acquired on July 2, 2007, accounted for an increase of $16.2 million. Excluding the impact of acquisitions, net sales of food processing equipment decreased $0.9 million or 1.6% due to acquisition integration initiatives put in place to eliminate low margin and unprofitable sales.

Net sales for the International Distribution Division increased $6.0 million or 10.6% to $62.5 million, as compared to $56.5 million in the prior year. The net sales increase reflects a $3.7 million increase in Europe, a $1.7 million increase in Asia and a $0.6 million increase in Latin America resulting from expansion of the U.S. chains and increased business with local restaurant chains in the region.

The company records an elimination of its sales from the Commercial Foodservice Group to the International Distribution Division. This sales elimination increased by $3.5 million to $36.2 million reflecting the increase in purchases of equipment by the International Distribution Division from the Commercial Foodservice Equipment Group due to increased sales volumes.

Gross profit. Gross profit increased by $35.5 million to $192.4 million in fiscal 2007 from $156.9 million in 2006, reflecting the impact of higher sales volumes. The gross margin rate decreased from 38.9% in 2006 to 38.4% in 2007. The net decrease in the gross margin rate reflects:

- Lower margins at the newly acquired Jade, Carter-Hoffmann, MP Equipment and Wells Bloomfield operations which are in the process of being integrated within the company.
- Lower margins at the Elgin, Illinois manufacturing facility which was adversely impacted by the work stoppage.
- The adverse impact of steel costs which have risen from the prior year.

Selling, general and administrative expenses. Combined selling, general and administrative expenses increased by $19.4 million to $99.4 million in 2007 from $80.0 million in 2006. As a percentage of net sales, operating expenses amounted to 19.8% in 2007 and 2006.

Selling expenses increased $10.4 million to $50.8 million from $40.4 million, reflecting an increase of $8.0 million associated with the newly acquired Houno, Jade, Carter-Hoffmann, MP Equipment and Wells Bloomfield operations and $1.6 million of higher commission costs associated with increased sales volumes.

General and administrative expenses increased $9.1 million to $48.7 million from $39.6 million, reflecting an increase of $5.4 million associated with the newly acquired Houno, Jade, Carter-Hoffmann, MP Equipment and Wells Bloomfield operations. General and administrative expenses also includes $3.4 million in increased expense associated with non-cash share-based compensation recorded in accordance with Statement of Financial Accounting Standard No. 123R on January 1, 2006.

Income from operations. Income from operations increased $16.0 million to $92.9 million in fiscal 2007 from $76.9 million in fiscal 2006. The increase in operating income resulted from the increase in net sales and gross profit. Operating income as a percentage of net sales declined from 19.1% in 2006 to 18.6% in 2007. The reduction in operating income percentage reflects lower profitability of the newly acquired business operations, which are anticipated to increase as these operations are integrated within the company.

Non-operating expenses. Non-operating expenses decreased $2.1 million to $5.0 million in 2007 from $7.1 million in 2006. Net interest expense decreased $1.0 million from $6.9 million in 2006 to $5.9 million in 2007 as a result of lower average debt balances. Additionally, in conjunction with the company's refinancing of its senior debt facility, the company recorded $0.5 million of expense to write-off unamortized deferred financing costs associated with the prior credit facility. During the fourth quarter the company also recorded $0.3 million of losses on interest rate swap derivatives as these contracts were closed in connection with the refinancing of the credit facility. No such expense was recorded in 2006. The company recorded $1.7 million of other income in 2007, which included foreign exchange gains of $1.2 million that resulted from the weakening of the U.S. Dollar against currencies at most of the company's foreign operations.

Income taxes. A tax provision of $35.4 million, at an effective rate of 40.2%, was recorded for 2007 as compared to $27.4 million at a 39.3% effective rate in 2006. The increase in the effective tax rate reflects increased reserves recorded in conjunction with the adoption of Financial Interpretation No. 48, which was adopted during 2007.

Fiscal Year Ended December 30, 2006 as Compared to December 31, 2005

Net sales. Net sales in fiscal 2006 increased by $86.5 million or 27.3% to $403.1 million as compared to $316.7 million in fiscal 2005. A net sales increase of $56.4 million or 17.8% was attributable to acquisition growth, including the December 2005 acquisition of Alkar and the August 2006 acquisition of Houno A/S. Excluding acquisitions, net sales increased $30.1 million or 9.5% from the prior year, as a result of growth in restaurant chain business and increased sales of new products.

Net sales of the Commercial Foodservice Equipment Group increased by $30.1 million or 10.2% to $324.2 million in 2006 as compared to $294.1 million in fiscal 2005. Net sales from the acquisition of Houno on August 31, 2006 accounted for $4.1 of the increase from the prior year. Excluding the Houno acquisition, net sales of the Commercial Foodservice Equipment Group increased $26.0 million or 8.8%, resulting from new product introductions including $8.8 million of increased conveyor oven sales over the prior year resulting from the newly introduced WOW conveyor oven. Net sales also rose due to increased purchases from international and regional restaurant chain customers resulting from new store openings and increased replacement business.

Net sales for the Food Processing Equipment Group were $55.2 million as compared to $2.8 million in fiscal 2005. The prior year revenues reflect sales for a four week period subsequent to the acquisition of Alkar, which was acquired in December 2005.

Net sales for the International Distribution Division increased $2.5 million or 4.6% to $56.5 million, as compared to $54.0 million in the prior year. The net sales increase reflects a $3.4 million increase in Latin America resulting from expansion of the U.S. chains and increased business with local restaurant chains in the region. This increase was offset in part by a $0.5 million sales decline in Asia and a $0.4 million decline in Europe. The prior year sales in Asia and Europe benefited from product rollouts with certain restaurant chain customers which did not recur in 2006.

Intercompany sales eliminations represent sales of product amongst the Commercial Foodservice Equipment Group operations and from the Commercial Foodservice Equipment Group operations to the International Distribution Division. The sales elimination decreased by $1.5 million to $32.7 million reflecting the decrease in purchases of equipment by the International Distribution Division from the Commercial Foodservice Equipment Group.

Gross profit. Gross profit increased by $35.2 million to $156.9 million in fiscal 2006 from $121.7 million in 2005, reflecting the impact of higher sales volumes. The gross margin rate also increased to 38.9% in 2006 as compared to 38.4% in 2005. The net increase in the gross margin rate reflects:

- Increased sales volumes that benefited manufacturing efficiencies and provided for greater leverage of fixed manufacturing costs.
- Higher margins associated with new product sales.
- Improved margins at Nu-Vu, which was acquired in January 2005. The margin improvement at this operation reflects the benefits of successful integration efforts.

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- The adverse impact of lower margins at the newly acquired Alkar operations.
- The adverse impact increased steel and other material costs.

Selling, general and administrative expenses. Combined selling, general and administrative expenses increased by $16.3 million to $80.0 million in 2006 from $63.7 million in 2005. As a percentage of net sales, operating expenses amounted to 19.8% in 2006, as compared to 20.1% in 2005 reflecting greater leverage on higher sales volumes.

Selling expenses increased $6.6 million to $40.4 million from $33.8 million, reflecting an increase of $4.5 million associated with the newly acquired Alkar and Houno operations and $2.1 million of higher commission costs associated with the increased sales volumes.

General and administrative expenses increased $9.7 million to $39.6 million in 2006 from $29.9 million, reflecting an increase of $4.3 million associated with the newly acquired Alkar and Houno operations. General and administrative expenses also included $1.1 million of stock option compensation expensed as a result of the adoption of Statement of Financial Accounting Standard No. 123R on January 1, 2006. Increased general and administrative expense also reflected increased incentive compensation expense resulting from improved financial performance of the company, increased legal and professional fees associated with acquisition related initiatives and other increased costs associated with general increases in business scope and volumes.

Income from operations. Income from operations increased $18.9 million to $76.9 million in fiscal 2006 from $58.0 million in fiscal 2005. The increase in operating income resulted from the increase in net sales and gross profit.

Non-operating expenses. Non-operating expenses increased $0.5 million to $7.1 million in 2006 from $6.6 million in 2005, and are comprised primarily of interest expense. Interest and deferred financing amortization costs increased $0.5 million in 2006 as compared to 2005, due to higher interest rates, which more than offset the benefit of lower average debt balances.

Income taxes. A tax provision of $27.4 million, at an effective rate of 39.3%, was recorded for 2006 as compared to $19.2 million at a 37.4% effective rate in 2005. The 2005 provision reflected a favorable adjustment to tax reserves associated with closed tax periods, which amounted to $1.3 million.

Financial Condition and Liquidity

Total cash and cash equivalents increased by $4.0 million to $7.5 million at December 29, 2007 from $3.5 million at December 30, 2006. Net borrowings increased to $96.2 million at December 29, 2007 from $82.8 million at December 30, 2006.

Operating activities. Net cash provided by operating activities after changes in assets and liabilities amounted to $59.5 million as compared to $50.1 million in the prior year.

Adjustments to reconcile 2007 net earnings to operating cash flows included $6.4 million of depreciation and amortization, $7.8 million of non-cash stock compensation expense, $4.6 million of deferred tax expense and $0.5 million of debt extinguishment expense.

During 2007, working capital levels increased due to an increase in sales volumes. The changes in working capital included a $9.0 million increase in accounts receivable, a $1.2 million increase in inventories and a $1.2 million increase in accounts payable. Prepaid and other assets increased $15.6 million due to an increase in the prepaid tax balance. Accrued expenses and other liabilities increased by $12.2 million as a result of increased accruals for operating liabilities associated with higher business volumes, including accruals associated with customer rebate programs, commission programs, insurance liabilities and incentive compensation.

Investing activities. During 2007, net cash used for investing activities amounted to $71.7 million. This included $0.2 million paid in connection with the acquisition of Houno, $7.8 million paid in connection with the acquisition of Jade, $16.2 million paid in connection with the acquisition of Carter-Hoffmann, $15.3 million paid in connection with the acquisition of MP Equipment, $28.9 million paid in connection with the acquisition of Wells Bloomfield and $3.3 million of additions and upgrades of production equipment, manufacturing facilities and training equipment.

Financing activities. Net cash flows from financing activities amounted to $16.0 million in 2007. On December 28, 2007, the company fully repaid borrowings under its previous senior credit facility. Repayments on this facility, including the final payoff, amounted to $77.6 million and included repayments of $30.1 million of revolver borrowings and $47.5 million of a term loan. The company funded the repayment with proceeds from its new senior revolving credit facility that was established on December 28, 2007. The newly established credit facility provides for $450.0 million of borrowing availability and expires on December 28, 2012. The company incurred $1.3 million of debt issuance costs associated with the establishment of this new facility. The company had borrowings of $91.4 million under this facility at year end.

The company also made $1.0 million of repayments on its foreign bank loans. As of December 28, 2008, total foreign bank loans amounted to $4.8 million.

Financing activities also included $4.5 million in proceeds in connection with the exercise and issuance of employee stock options.

On December 31, 2007, subsequent to the fiscal 2007 year-end, the company entered into a transaction to acquire the net assets of New Star Holdings International, Inc. for $188.4 million in cash. This acquisition was funded through borrowings under the company's newly established $450 million senior revolving credit facility.

At December 29, 2007, the company was in compliance with all covenants pursuant to its borrowing agreements. Management believes that future cash flows from operating activities and borrowing availability under the revolving credit facility will provide the company with sufficient financial resources to meet its anticipated requirements for working capital, capital expenditures and debt amortization for the foreseeable future.

Contractual Obligations

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

	Long-term Debt	Operating Leases	Idle Facility Lease	Deferred Acquisition Payments	Total Contractual Cash Obligations
Less than 1 year	$ 2,683	$ 2,790	$ 342	$ —	$ 5,815
1-3 years	449	3,735	773	2,000	6,957
4-5 years	91,799	1,105	866	—	93,770
After 5 years	1,266	58	1,143	—	2,467
	$ 96,197	$ 7,688	$ 3,124	$ 2,000	$ 109,009

Idle facility lease consists of an obligation for a manufacturing location that was exited in conjunction with the company's manufacturing consolidation efforts. This lease obligation continues through June 2015. This facility has been subleased. The obligation presented above does not reflect any anticipated sublease income from the facilities.

As indicated in Note 11 to the consolidated financial statements, the company's projected benefit obligation under its defined benefit plans exceeded the plans' assets by $4.6 million at the end of 2007 as compared to $3.5 million at the end of 2006. The unfunded benefit obligations were comprised of a $0.6 million underfunding of the company's union plan and $4.0 million underfunding of the company's director plans. The company does not expect to contribute to the director plans in 2008. The company made minimum contributions required by the Employee Retirement Income Security Act of 1974 ("ERISA") of $0.1 million in 2007 and $0.2 million in 2006 to the company's union plan. The company expects to continue to make minimum contributions to the union plan as required by ERISA, which are expected to be $0.1 million in 2008.

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

The company has contractual obligations under its various debt agreements to make interest payments. These amounts are subject to the level of borrowings in future periods and the interest rate for the applicable periods, and therefore the amounts of these payments is not determinable.

The company has an obligation to make $2.0 million of purchase price payments to the sellers of MP Equipment that were deferred in conjunction with the acquisition.

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

Related Party Transactions

From December 31, 2006 through the date hereof, there were no transactions between the company, its directors and executive officers that are required to be disclosed pursuant to Item 404 of Regulation S-K, promulgated under the Securities and Exchange Act of 1934, as amended.

Critical Accounting Policies and Estimates

Management's discussion and analysis of financial condition and results of operations are based upon the company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the company to make 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.

Revenue Recognition. The company recognizes revenue on the sale of its products when risk of loss has passed to the customer, which occurs at the time of shipment, and collectibility is reasonably assured. The sale prices of the products sold are fixed and determinable at the time of shipment. Sales are reported net of sales returns, sales incentives and cash discounts based on prior experience and other quantitative and qualitative factors.

At the food processing equipment group, the company enters into long-term sales contracts for certain products. Revenue under these long-term sales contracts is recognized using the percentage of completion method prescribed by Statement of Position No. 81-1 due to the length of time to fully manufacture and assemble the equipment. The company measures revenue recognized based on the ratio of actual labor hours incurred in relation to the total estimated labor hours to be incurred related to the contract. Because estimated labor hours to complete a project are based upon forecasts using the best available information, the actual hours may differ from original estimates. The percentage of completion method of accounting for these contracts most accurately reflects the status of these uncompleted contracts in the company's financial statements and most accurately measures the matching of revenues with expenses. At the time a loss on a contract becomes known, the amount of the estimated loss is recognized in the consolidated financial statements.

Property and equipment. Property and equipment are depreciated or amortized on a straight-line basis over their useful lives based on management's estimates of the period over which the assets will be utilized to benefit the operations of the company. The useful lives are estimated based on historical experience with similar assets, taking into account anticipated technological or other changes. The co