

MIDDLEBY CORP  
Form 10-K  
February 26, 2014

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

FORM 10-K

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

For the Fiscal Year Ended December 28, 2013

or

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

Commission File No. 1-9973

THE MIDDLEBY CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

1400 Toastmaster Drive, Elgin, Illinois

(Address of principal executive offices)

36-3352497

(IRS Employer Identification Number)

60120

(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 ý No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes ¨ No ý

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

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 ý No ¨

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

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.

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  Accelerated filer  Non-accelerated filer  Smaller reporting company

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

The aggregate market value of the voting stock held by nonaffiliates of the Registrant as of June 30, 2013 was approximately \$3,219,400,371.

The number of shares outstanding of the Registrant's class of common stock, as of February 24, 2014, was 19,124,502 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 2014 annual meeting of stockholders.

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THE MIDDLEBY CORPORATION AND SUBSIDIARIES  
 DECEMBER 28, 2013  
 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, (ii) food preparation, cooking, baking, chilling and packaging equipment for food processing operations, and (iii) premium kitchen equipment including ranges, ovens, refrigerators, ventilation and dishwashers primarily used in the residential market.

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

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

#### Business Segments and Products

The company conducts its business through three principal business segments: the Commercial Foodservice Equipment Group, the Food Processing Equipment Group and the Residential Kitchen Equipment Group. See Note 9 to the Consolidated Financial Statements for further information on the company's business segments.

#### Commercial Foodservice Equipment Group

The Commercial Foodservice Equipment Group has a broad portfolio of cooking and warming equipment, which enable it to serve virtually any cooking or warming application within a commercial kitchen or foodservice operation. 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.

This commercial foodservice equipment is marketed under a portfolio of thirty four brands, including Anets®, Beech®, Blodgett®, Blodgett Combi®, Blodgett Range®, Bloomfield®, Britannia®, CTX®, Carter-Hoffmann®, Celfrost®, CookTek®, Doyon®, frifri®, Giga®, Holman®, Houno®, IMC®, Jade®, Lang®, Lincat®, MagiKitch'n®, Middleby Marshall®, MPC®, Nieco®, Nu-Vu®, PerfectFry®, Pitco Frialator®, Southbend®, Star®, Toastmaster®, TurboChef®, Viking®, Wells® and Wunder-Bar®.

The products offered by this group include conveyor ovens, combi-ovens, convection ovens, baking ovens, proofing ovens, deck ovens, speed cooking ovens, hydrovection ovens, ranges, fryers, rethermalizers, steam cooking equipment, warming equipment, heated cabinets, charbroilers, ventless cooking systems, kitchen ventilation, induction cooking equipment, countertop cooking equipment, toasters, professional refrigerators, coldrooms, ice machines, freezers and beverage dispensing equipment.

Food Processing Equipment Group

The Food Processing Equipment Group offers a broad portfolio of processing solutions for customers producing pre-cooked meat products, such as hot dogs, dinner sausages, poultry and lunchmeats and baked goods such as muffins, cookies and bread. Through its broad line of products, the company is able to deliver a wide array of cooking solutions to service a variety of food processing requirements demanded by its customers. The company can offer highly integrated solutions that provide a food processing operation a uniquely integrated solution providing for the highest level of food quality, product consistency, and reduced operating costs resulting from increased product yields, increased capacity, greater throughput and reduced labor costs through automation.

This food processing equipment is marketed under a portfolio of twelve brands, including Alkar®, Armor Inox®, Auto-Bake®, Baker Thermal Solutions®, Cozzini®, Danfotech®, Drake®, Maurer-Atmos®, MP Equipment®, RapidPak®, Spooner Vicars® and Stewart Systems®.

The products offered by this group include a wide array of cooking and baking solutions including, batch ovens, baking ovens, proofing ovens, conveyor ovens, continuous processing ovens, frying systems and automated thermal processing systems. The company also provides a comprehensive portfolio of complementary food preparation equipment such as grinders, slicers, emulsifiers, mixers, blenders, battering equipment, breading equipment, food presses, and forming equipment, as well as a variety of food safety, food handling, freezing and packaging equipment. This portfolio of equipment can be integrated to provide customers a highly efficient and customized solution.

#### Residential Kitchen Equipment Group

The Residential Kitchen Equipment Group manufactures, sells and distributes kitchen equipment for the residential market. This business segment has manufacturing facilities in Greenwood, Mississippi. Principal product lines of this group are ranges, ovens, refrigerators, dishwashers, microwaves, cooktops and outdoor equipment. These products are sold and marketed under four brand names, including Brigade®, Jade®, TurboChef® and Viking®.

#### Acquisition Strategy

The company has pursued a strategy to acquire and assemble a leading portfolio of brands and technologies for each of its three business segments. Over the past three years, the company has completed fourteen acquisitions to add to its portfolio of brands and technologies of the Commercial Foodservice Equipment Group, the Food Processing Equipment Group and the Residential Kitchen Equipment Group. These acquisitions have added sixteen brands to the Middleby portfolio and positioned the company as a leading provider of equipment in both industries.

In April 2011, the company acquired all of the capital stock of J.W. Beech Pty. Ltd., together with its subsidiary, Beech Ovens Pty. Ltd. (“Beech”), a leading manufacturer of stone hearth ovens for the commercial foodservice industry for a purchase price of approximately \$13.0 million. The acquisition of Beech continues to expand Middleby’s portfolio of leading brands in the cooking and warming segments and reinforce its position as a leading manufacturer of commercial ovens.

In May 2011, the company acquired all of the capital stock of Lincat Group PLC (“Lincat”), a leading manufacturer of ranges, ovens, and counterline equipment for the commercial foodservice industry for a purchase price of approximately \$82.1 million. The acquisition of Lincat not only expands its portfolio of leading brands but also increases its presence in European markets.

In July 2011, the company acquired all of the capital stock of Danfotech Inc. (“Danfotech”), a leading manufacturer of meat presses and defrosting equipment for the food processing industry for a purchase price of approximately \$6.1 million and \$1.5 million in contingent payments. The acquisition of Danfotech further complements Middleby’s existing food processing brands.

In July 2011, the company acquired the assets of Maurer-Atmos GmbH (“Maurer”), a leading manufacturer of thermal processing systems for the food processing industry based in Germany for a purchase price of approximately \$3.3 million. The addition of this brand complements and further strengthens Middleby’s food processing equipment platform.

In August 2011, the company acquired all of the capital stock of Auto-Bake Pty. Ltd., (“Auto-Bake”) a leading manufacturer of automated baking systems for the food processing industry for a purchase price of approximately

\$22.5 million. The acquisition of Auto-Bake allows further expansion of product offerings in food processing equipment.

In December 2011, the company acquired all of the capital stock of F.R. Drake Company (“Drake”), a leading manufacturer of automated loading systems for the food processing industry for approximately \$21.7 million. The acquisition of Drake further complements the Middleby’s existing food processing brands.

In December 2011, the company acquired all of the capital stock of Armor Inox, S.A. together with its subsidiaries Armor Inox Production S.a.r.l. and Armor Inox UK Ltd. (collectively “Armor Inox”), a leading manufacturer of thermal processing systems for the food processing industry for approximately \$28.7 million.

In March 2012, the company acquired certain assets of Turkington USA, LLC (now known as Baker Thermal Solutions "Baker"), a manufacturer of automated baking ovens for the food processing industry for approximately \$10.3 million.



In September 2012, the company acquired certain assets of Stewart Systems Global, LLC ("Stewart"), a manufacturer of automated proofing and oven baking systems for the food processing industry for approximately \$27.8 million.

In October 2012, the company acquired all of the capital stock of Nieco Corporation ("Nieco"), a leading manufacturer of automatic broilers for the commercial foodservice industry for approximately \$23.9 million.

In December 2012, subsequent to the end of the company's 2012 fiscal year, the company acquired all of the capital stock of Viking Range Corporation ("Viking"), a leading manufacturer of premium residential cooking ranges, ovens and kitchen appliances, for approximately \$361.7 million.

Subsequent to the acquisition of Viking, the company, through Viking, purchased certain assets of four of Viking's former distributors ("Distributors"). The aggregate purchase price of these transactions was approximately \$23.6 million.

In October 2013, the company acquired substantially all of the assets of Celfrost Innovations Pvt. Ltd. ("Celfrost"), a preferred commercial foodservice equipment supplier in India with a broad line of cold side products such as professional refrigerators, coldrooms, ice machines and freezers marketed under the Celfrost brand for a purchase price of approximately \$11.2 million. Celfrost is a leading supplier of equipment to many of the fast growing restaurant chains and hotel groups.

In December 2013, the company acquired all of the capital stock of Automatic Bar Controls, Inc. ("Wunder-Bar"), a leading manufacturer of beverage dispensing systems for the foodservice industry for approximately \$74.1 million.

## 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 multi-national restaurant chains, which account for a meaningful portion of the company's business, although no single customer accounts for more than 10% of net sales.

Over the past several decades, the commercial foodservice equipment industry has enjoyed steady growth in the United States due to the development of new quick-service and casual-theme restaurant chain concepts, the expansion 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 \$20.0 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. and foreign chains into international markets, the replacement and upgrade of existing equipment and new equipment requirements resulting from menu changes.

#### Food Processing Equipment Industry

The company's customers include a diversified base of leading food processors. Customers include several large international food processing companies, which account for a significant portion of the revenues of this business segment, although none of which is greater than 10% of net sales. A large portion of the company's revenues have been generated from producers of pre-cooked meat products such as hot dogs, dinner sausages, poultry, and lunchmeats and producers of baked goods such as muffins, cookies and bread; however, the company believes that it can leverage its expertise and product development capabilities in thermal processing to organically grow into new end markets.

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

A number of factors, including 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 performance of their machinery and the flexibility in the functionality of the equipment. Food processors are continuously looking for ways to make their plants safer and reduce labor-intensive activities. Food processors have begun to recognize the value of new technology as an important vehicle to drive productivity and profitability in their plants. Due to customer requirements, food processors are expected to continue to demand new and innovative equipment that addresses food safety, food quality, automation and flexibility.

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

The global food processing equipment industry is highly fragmented, large and growing. The company estimates demand for food processing equipment is approximately \$5.0 billion in North America and \$40.0 billion worldwide. The company’s product offerings compete in a subsegment of the total industry, and the relevant market size for its products is estimated by management to exceed \$1.0 billion in North America and \$4.0 billion worldwide.

#### Residential Kitchen Equipment Industry

The company’s end-user customers include the high-end residential kitchens. The premium segment of the residential kitchen equipment industry is estimated to be approximately \$1.0 billion annually in North America. This segment has grown over the past several decades after the original introduction premium cooking range. Viking was first manufacturer to introduce the premium cooking equipment to the North American market, providing equipment that was comparable to a commercial grade range and oven for home chefs and culinarians. The market potential for such equipment has continued to broaden due to an increase in interest from the consumer to have high-end and luxury appliances in their home. Other important factors which affect the market size and growth include the level of new home starts, home remodels and general macro-economic factors. Macro-economic factors such as GDP growth, employment rates, inflation and consumer confidence, which impact the overall economy, have had a more significant impact to the recent market conditions and had caused a significant downturn during the most recent recession period. These factors have a greater impact on the residential kitchen equipment industry and cause greater variability in the revenues at this segment than the other business segments the company operates in.

#### Backlog

#### Commercial Foodservice Equipment Group

The backlog of orders for the Commercial Foodservice Equipment Group was \$51.0 million at December 28, 2013, all of which is expected to be filled during 2014. The acquired Celfrost and Wunder-Bar businesses accounted for \$4.3 million of the backlog. The Commercial Foodservice Equipment Group's backlog was \$43.2 million at December 29, 2012. The backlog is not necessarily indicative of the level of business expected for the year, as there is generally a short time between order receipt and shipment for the majority of this segment's products.

#### Food Processing Equipment Group

The backlog of orders for the Food Processing Equipment Group was \$103.1 million at December 28, 2013, all of which is expected to be filled during 2014. The Food Processing Equipment Group's backlog was \$107.2 million at December 29, 2012.

### Residential Kitchen Equipment Group

The backlog of orders for the Residential Kitchen Equipment Group was \$11.0 million at December 28, 2013, all of which is expected to be filled during 2014. The backlog is not necessarily indicative of the level of business expected for the year, as there is generally a short time between order receipt and shipment for the majority of this segment's products.

### Marketing and Distribution

#### Commercial Foodservice Equipment Group

Middleby's products and services are marketed in the U.S. and in over 100 countries through a combination of the company's sales and marketing personnel, together with an extensive network of independent dealers, distributors, consultants, sales representatives and agents. 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 a network of 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 brands and maintain 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 sales and distribution offices in Australia, Brazil, Denmark, France, Italy, Germany and Mexico along with global sales managers supported by a network of independent sales representatives.

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

### Residential Kitchen Equipment Group

The company's products are marketed through a network of dealers, designers, and home builders to the residential customers. The company markets and sells its products to these channels through a company-employed sales force. The company's products are distributed to these dealers through its wholly owned distribution operations, which includes two primary customer support centers and over a dozen regional warehouse and logistic operations, which stock products and service parts for the respective region. Prior to 2013 and the acquisition of Viking, the sales and distribution services of Viking were supported by independent distribution partners. During fiscal 2013 and early 2014, the company integrated these operations within the Viking business through a series of acquisitions and distributor cancellations in an effort to improve sales processes, customer support, technical service and realize cost efficiencies within the distribution process.

The company performs marketing functions at its headquarters in Greenwood, Mississippi. This includes the development of marketing brochures, print and media advertising, web-based marketing, coordination of trade shows and other various marketing activities. Marketing support is also provided to and coordinated with its network of dealers, designers, and home builders sales partners to allow for coordinated efforts to market jointly to the end-user customers. The company in certain cases offers incentive based financial programs to invest in local marketing activities with these sales partners.

### Services and Product Warranty

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

### Commercial Foodservice Equipment Group

The company's domestic service network consists of over 100 authorized service parts distributors and 3,000 independent certified technicians who have been formally trained and certified by the company through its factory training school and on-site installation training programs. Technicians work through service parts distributors, which are required to provide around-the-clock service. The company provides 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 thousands of service technicians trained in the installation and service of the company's products and supported by internationally-based service managers along with the factory-based technical service engineers. 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.

### Residential Kitchen Equipment Group

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

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

### Competition

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



The company believes that it is one of the largest multiple-line manufacturers of 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: Manitowoc Company, Inc.; Vulcan-Hart and Hobart Corporation, subsidiaries of Illinois Tool Works Inc.; Electrolux AB; Groen, a subsidiary of Dover Corporation; Rational AG; and the Ali Group. Major competitors to the Food Processing Equipment Group include AMF Bakery Systems, Convenience Food Systems, FMC Technologies, Multivac, Marel, Formax, and Heat and Control. The residential kitchen appliance sector is highly competitive and includes a number of large global competitors including, Whirlpool Corporation, AB Electrolux, GE Appliances, LG Corporation, Panasonic Corporation and Samsung Group. However, within the premium segment of this kitchen equipment market there are fewer competitors and the company's primary competition includes Wolf and Subzero, subsidiaries of Sub-Zero Group, Inc.; Thermador, Bosch and Gaggenau, subsidiaries of Bosch Siemens; Dacor and Miele.

### Manufacturing and Quality Control

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

The Commercial Foodservice Equipment Group manufactures its products in thirteen domestic and seven international production facilities. These production facilities are located in Brea, California; Vacaville, California; Windsor, California; Chicago, Illinois; Elgin, Illinois; Mundelein, Illinois; Menominee, Michigan; Bow, New Hampshire; Fuquay-Varina, North Carolina; Cookville, Tennessee; Smithville, Tennessee; Carrollton, Texas; Burlington, Vermont; Randers, Denmark; Scandicci, Italy; Shanghai, China; Laguna, the Philippines; Lincoln, the United Kingdom; Wrexham, the United Kingdom; and Warwickshire, the United Kingdom.

The Food Processing Equipment Group manufactures its products in seven domestic and four international production facilities. These production facilities are located in Buford, Georgia; Algona, Iowa; Chicago, Illinois; Clayton, North Carolina; Plano, TX; Waynesboro, Virginia; Lodi, Wisconsin; New South Wales, Australia; Mauron, France; Guadalupe, Mexico; and Reichenau, Germany.

The Residential Kitchen Equipment Group manufactures its products in four domestic production facilities located in Greenwood, Mississippi.

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

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

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

## Sources of Supply

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

## Research and Development

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

## Trademarks, Patents and Licenses

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

The company's leading portfolio of tradenames of its Commercial Foodservice Equipment Group include Anets®, Blodgett®, Blodgett Combi®, Blodgett Range®, Beech®, Bloomfield®, Britannia®, Carter-Hoffmann®, Celfrost®, CookTek®, CTX®, Doyon®, friFri®, Giga®, Holman®, Houno®, IMC®, Jade®, Lang®, Lincat®, MagiKitch'n®, Middleby Marshall®, MPC®, Nieco®, Nu-Vu®, PerfectFry®, Pitco Frialator®, Southbend®, Star®, Toastmaster®, Turbochef®, Viking®, Wells® and Wunder-Bar®.

The company's leading portfolio of tradenames of its Food Processing Equipment Group include Alkar®, Armor Inox®, Auto-Bake®, Baker Thermal Solutions®, Cozzini®, Danfotech®, Drake®, Maurer-Atmos®, MP Equipment®, RapidPak®, Spooner Vicars® and Stewart Systems®.

The company's leading portfolio of tradenames of its Residential Kitchen Equipment Group include Brigade®, Jade®, TurboChef® and Viking®.

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

## Employees

### Commercial Foodservice Equipment Group

As of December 28, 2013, 2,707 persons were employed within the Commercial Foodservice Equipment Group. Of this amount, 1,156 were management, administrative, sales, engineering and supervisory personnel; 1,343 were hourly production non-union workers; and 208 were hourly production union members. Included in these totals were 937 individuals employed outside of the United States, of which 566 were management, sales, administrative and

engineering personnel, 297 were hourly production non-union workers and 74 were hourly production union workers, who participate in an employee cooperative. At its Windsor, CA facility, the company has a union contract with the Sheet Metal Workers International Association that expires on December 31, 2016. At its Elgin, Illinois facility, the company has a union contract with the International Brotherhood of Teamsters that expires on July 31, 2017. The company also has a union workforce at its manufacturing facility in the Philippines, under a contract that extends through June 2015. Management believes that the relationships between employees, unions and management are good.

#### Food Processing Equipment Group

As of December 28, 2013, 963 persons were employed within the Food Processing Equipment Group. Of this amount, 472 were management, administrative, sales, engineering and supervisory personnel; 355 were hourly production non-union workers; and 136 were hourly production union members. Included in these totals were 408 individuals employed outside of the United States, of which 226 were management, sales, administrative and engineering personnel, 182 were hourly production non-union workers. At its Lodi, Wisconsin facility, the company has a contract with the International Association of Bridge, Structural, Ornamental and Reinforcing Ironworkers that expires on December 31, 2014. At its Algona, Iowa facility, the company has a union contract within the United Food and Commercial Workers that expires on December 31, 2014. Management believes that the relationships between employees, unions and management are good.

#### Residential Kitchen Equipment Group

As of December 28, 2013, 796 persons were employed within the Residential Kitchen Equipment Group. Of this amount, 392 were management, administrative, sales, engineering and supervisory personnel and 404 were hourly production workers. Included in these totals were 42 individuals employed outside of the United States, all of which were management, sales, administrative and engineering personnel. Management believes that the relationships between employees and management are good.

#### Corporate

As of December 28, 2013, 25 persons were employed at the corporate office.

#### Seasonality

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

Item 1A. Risk Factors

The company's business, results of operations, cash flows and financial condition are subject to various risks, including, but not limited to those set forth below. If any of the following risks actually occurs, the company's business, results of operations, cash flows and financial condition could be materially adversely affected. These risk factors should be carefully considered together with the other information in this Annual Report on Form 10-K, including the risks and uncertainties described under the heading "Special Note Regarding Forward-Looking Statements."

Economic conditions may cause a decline in business and consumer spending which could adversely affect the company's business and financial performance.

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

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

The company now has and may continue to have a significant amount of indebtedness. At December 28, 2013, the company had \$571.6 million of borrowings and \$12.8 million in letters of credit outstanding. To the extent the company requires additional capital resources, there can be no assurance that such funds will be available on favorable terms, or at all. The unavailability of funds could have a material adverse effect on the company's financial condition, results of operations and ability to expand the company's operations.

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

- the company may be unable to obtain additional financing for working capital, capital expenditures, acquisitions and other general corporate purposes;
- a significant portion of the company's cash flow from operations must be dedicated to debt service, which reduces the amount of cash the company has available for other purposes;
- the company may be more vulnerable in the event of a downturn in the company's business or general economic and industry conditions;
- the company may be disadvantaged competitively by its potential inability to adjust to changing market conditions, as a result of its significant level of indebtedness; and
- the company may be restricted in its ability to make strategic acquisitions and to pursue new business opportunities.



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

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

- pay dividends;
- incur additional indebtedness;
- create liens on the company's assets;
- engage in new lines of business;
- make investments;
- make capital expenditures and enter into leases; and
- acquire or dispose of assets.

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

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

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

The company's balance sheet includes a significant amount of goodwill, which represents approximately 38% of its total assets as of December 28, 2013. The excess of the purchase price over the fair value of assets acquired, including identifiable intangible assets, and liabilities assumed in conjunction with acquisitions is recorded as goodwill. In accordance with Accounting Standards Codification ("ASC") 350 "Intangibles-Goodwill and Other", the company's long-lived assets (including goodwill and other intangibles) are reviewed for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In assessing the recoverability of long-lived assets, the company considers changes in economic conditions and makes assumptions regarding estimated future cash flows and other factors. Various uncertainties, including continued adverse conditions in the capital markets or changes in general economic conditions, could impact the future operating performance at one or more of the company's businesses, which could significantly affect the company's valuations and could result in additional future impairments. Also, estimates of future cash flows are judgments based on the company's experience and knowledge of operations. These estimates can be significantly impacted by many factors, including changes in global and local business and economic conditions, operating costs, inflation, competition, and consumer and demographic trends. If the company's estimates or the underlying assumptions change in the future, the company may be required to record impairment charges. Any such charge could have a material adverse effect on the company's reported net earnings.





Competition in the commercial foodservice, food processing, and residential kitchen equipment industries is intense and could impact the company's results of operations and cash flows.

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

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

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

The product, program and service needs of the company's customers change and evolve regularly, and the company invests substantial amounts in research and development efforts to pursue advancements in a wide range of technologies, products and services. Also, the company continually seeks to refine and improve upon the performance, utility and physical attributes of its existing products and to develop new products. As a result, the company's business is subject to risks associated with new product and technological development, including unanticipated technical or other problems, meeting development, production, certification and regulatory approval schedules, execution of internal and external performance plans, availability of supplier- and internally-produced parts and materials, performance of suppliers and subcontractors, hiring and training of qualified personnel, achieving cost and production efficiencies, identification of emerging technological trends in the company's target end-markets, validation of innovative technologies, the level of customer interest in new technologies and products, and customer acceptance of the company's products and products that incorporate technologies that the company develops. These factors involve significant risks and uncertainties. Also, any development efforts divert resources from other potential investments in the company's businesses, and these efforts may not lead to the development of new technologies or products on a timely basis or meet the needs of the company's customers as fully as competitive offerings. In addition, the markets for the company's products or products that incorporate the company's technologies may not develop or grow as the company anticipates. The company or its suppliers and subcontractors may encounter difficulties in developing and producing these new products and services, and may not realize the degree or timing of benefits initially anticipated. Due to the design complexity of the company's products, the company may in the future experience delays in completing the development and introduction of new products. Any delays could result in increased development costs or deflect resources from other projects. The occurrence of any of these risks could cause a substantial change in

the design, delay in the development, or abandonment of new technologies and products. Consequently, there can be no assurance that the company will develop new technologies superior to the company's current technologies or successfully bring new products to market.

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

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

Many of the company's key customers are large restaurant chains and major food processing companies. The demand for the company's equipment can vary from quarter to quarter depending on the company's customers' internal growth plans, construction, seasonality and other factors. In addition, during an economic downturn, key customers could both open fewer facilities and defer purchases of new equipment for existing operations. Either of these conditions could have a material adverse effect on the company's financial condition and results of operations.

Price changes in some materials and 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. A significant increase in the price of steel or any other commodity that the company is not able to pass on to its customers would adversely affect the company's operating results. In addition, an unanticipated delay in delivery of raw materials and component inventories by suppliers—including a delay due to capacity constraints, labor disputes, the financial condition of suppliers, weather emergencies, or other natural disasters—may impair the ability of the company to satisfy customer demand. An interruption in or the cessation of an important supply by any third party and the company's inability to make alternative arrangements in a timely manner, or at all, could have a material adverse effect on the company's business, financial condition and operating results.

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

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

- difficulties in the assimilation of acquired businesses or technologies;
- inability to operate acquired businesses or utilize acquired technologies profitably;
- diversion of management's attention from other business concerns;
- potential assumption of unknown material liabilities;
- failure to achieve financial or operating objectives;
- unanticipated costs relating to acquisitions or to the integration of the acquired businesses;
- loss of customers, suppliers, or key employees; and
- the impact on our internal controls and compliance with the regulatory requirements under the Sarbanes-Oxley Act of 2002.

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

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

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

The company has historically followed a strategy of identifying and acquiring businesses with complementary products and services. As part of its growth strategy, the company intends to pursue acquisitions that provide opportunities for profitable growth and which enable it to leverage its competitive strengths. While the company continues to evaluate potential acquisitions, it may not be able to identify and successfully negotiate suitable acquisitions, obtain financing for future acquisitions on satisfactory terms, obtain regulatory approval for certain acquisitions, or otherwise complete acquisitions in the future. An inability to identify or complete future acquisitions could limit the company's growth.

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

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

• extensive regulations and oversight, tariffs and other trade barriers;

• reduced protection for intellectual property rights;

• difficulties in staffing and managing foreign operations;

• potentially adverse tax consequences;

• limitations on ownership and on repatriation of earnings;

• transportation delays and interruptions;

• political, social, and economic instability and disruptions;

• labor unrests;

• potential for nationalization of enterprises; and

• limitations on the company's ability to enforce legal rights and remedies.

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

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

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

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

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

The company relies primarily on trade secret, copyright, service mark, trademark and patent law and contractual protections to protect the company's proprietary technology and other proprietary rights. The company has filed numerous patent applications covering the company's technology. Notwithstanding the precautions the company takes to protect its intellectual property rights, it is possible that third parties may copy or otherwise obtain and use the company's proprietary technology without authorization or may otherwise infringe on the company's rights. In some cases, including 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 services the company offers or plans to offer. There can be no assurance that the company is or will be aware of all patents containing claims that may pose a risk of infringement by its products and services. In addition, some patent applications in the United States are confidential until a patent is issued and, therefore, the company cannot evaluate the extent to which its products and services may be covered or asserted to be covered by claims contained in pending patent applications. In general, if one or more of the company's products or services were to infringe patents held by others, the company may be required to stop developing or marketing the products or services, to obtain licenses from the holders of the patents to develop and market the services, or to redesign the products or services in such a way as to avoid infringing on the patent claims. The company cannot assess the extent to which it may be required in the future to obtain licenses with respect to patents held by others, whether such licenses would be available or, if available, whether it would be able to obtain such licenses on commercially reasonable terms. If the company were unable to obtain such licenses, it also may not be able to redesign the company's products or services to avoid infringement, which could materially adversely affect the company's business, financial condition and operating results.

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

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

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



potential liabilities or the cost of a recall. The company currently maintains insurance programs consisting of self insurance up to certain limits and excess insurance coverage for claims over established limits. There can be no assurance that the company will be able to obtain insurance on acceptable terms or that its insurance programs will provide adequate protection against actual losses. In addition, the company is subject to the risk that one or more of its insurers may become insolvent or become unable to pay claims that may be made in the future.

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

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

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 potential liability under environmental laws.

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

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

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

- general economic conditions;
- the lengthy, unpredictable sales cycle for commercial foodservice equipment, food processing equipment and residential kitchen equipment group;
- the gain or loss of significant customers;
- unexpected delays in new product introductions;

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

- unexpected changes in the levels of the company's operating expenses; and
- competitive product offerings and pricing actions.

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

The company may be unable to manage its growth.

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

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

Because the company has a significant number of workers whose employment is subject to collective bargaining agreements and labor union representation, the company is vulnerable to possible organized work stoppages and similar actions. Unionized employees accounted for approximately 8% of the company's workforce as of December 28, 2013. The company has union contracts with employees at its facilities in Windsor, California; Algona, Iowa; Elgin, Illinois and Lodi, Wisconsin that extend through December 2016, December 2014, July 2017 and December 2014, respectively. The company also has a union workforce at its manufacturing facility in the Philippines under a contract that extends through June 2015. Approximately 3% of the company's workforce is covered by collective bargaining agreements that expire within one year. Any future strikes, employee slowdowns or similar actions by one or more unions, in connection with labor contract negotiations or otherwise, could have a material adverse effect on the company's ability to operate the company's business.

The company depends significantly on its key personnel.

The company depends significantly on 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 there can be no assurance that the company will be able to continue to attract, motivate and retain personnel with the skills and experience needed to successfully manage the company 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.

#### Item 1B. Unresolved Staff Comments

Not applicable.



## Item 2. Properties

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

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

Location	Principal Function	Square Footage	Owned/ Leased	Lease Expiration
Commercial Foodservice:				
Brea, CA	Manufacturing, Warehousing and Offices	74,800	Leased	June 2016
Vacaville, CA	Manufacturing, Warehousing and Offices	39,800	Leased	April 2016
Windsor, CA	Manufacturing, Warehousing and Offices	75,000	Leased	October 2017
Chicago, IL	Manufacturing, Warehousing and Offices	30,800	Leased	March 2014
Elgin, IL	Manufacturing, Warehousing and Offices	207,000	Owned	N/A
Mundelein, IL	Manufacturing, Warehousing and Offices	70,000	Owned	N/A
Menominee, MI	Manufacturing, Warehousing and Offices	60,000	Owned	N/A
St. Louis, MO	Offices	46,900	Leased	August 2017
Bow, NH	Manufacturing, Warehousing and Offices	100,000	Owned	N/A
		57,400	Leased	March 2015
Fuquay-Varina, NC	Manufacturing, Warehousing and Offices	138,900	Owned	N/A
Cookville, TN	Manufacturing, Warehousing and Offices	90,000	Leased	February 2015
Smithville, TN	Manufacturing, Warehousing and Offices	190,000	Owned	N/A
Carrollton, TX	Manufacturing, Warehousing and Offices	132	Leased	August 2022
Burlington, VT	Manufacturing, Warehousing and Offices	135,400	Owned	N/A
		11,100	Leased	September 2014
Shanghai, China	Manufacturing, Warehousing and Offices	74,000	Leased	April 2016
Randers, Denmark	Manufacturing, Warehousing and Offices	79,400	Owned	N/A
Scandicco, Italy	Manufacturing, Warehousing and Offices	41,400	Leased	April 2025
Laguna, the Philippines	Manufacturing, Warehousing and Offices	83,100	Owned	N/A
Lincoln, the United Kingdom	Manufacturing, Warehousing and Offices	100,000	Owned	N/A

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Warwickshire, the United Kingdom	Manufacturing, Warehousing and Offices	12,000	Owned	N/A
Wrexham, the United Kingdom	Manufacturing, Warehousing and Offices	68,000	Owned	N/A
Food Processing:				
Buford, GA	Manufacturing, Warehousing and Offices	50,000	Leased	December 2014
Chicago, IL	Manufacturing, Warehousing and Offices	64,400	Leased	December 2016
Algona, IA	Manufacturing, Warehousing and Offices	70,100	Owned	N/A
Clayton, NC	Manufacturing, Warehousing and Offices	65,300	Leased	October 2019
Plano, TX	Manufacturing, Warehousing and Offices	133,300	Leased	December 2015
Waynesboro, VA	Manufacturing, Warehousing and Offices	25,600	Owned	N/A
		14,400	Leased	August 2014
Lodi, WI	Manufacturing, Warehousing and Offices	114,600	Owned	N/A
New South Wales, Australia	Manufacturing, Warehousing and Offices	50,500	Leased	September 2015
Mauron, France	Manufacturing, Warehousing and Offices	75,300	Leased	April 2016
Reichenau, Germany	Manufacturing, Warehousing and Offices	57,900	Leased	June 2016
Guadalupe, Mexico	Manufacturing, Warehousing and Offices	117,600	Leased	December 2014
Residential Kitchen:				
Greenwood, MS	Manufacturing, Warehousing and Offices *	738,000	Owned	N/A

\* Contains four separate manufacturing facilities.

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

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

Item 3. Legal Proceedings

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

Item 4. Mine Safety Issues

Not Applicable



## PART II

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

## Principal Market

The company's Common Stock trades on the Nasdaq Global Market under the symbol "MIDD". 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	
	High	Low
Fiscal 2013		
First quarter	\$ 154.74	\$ 125.25
Second quarter	174.62	140.51
Third quarter	220.01	168.29
Fourth quarter	248.54	201.31
Fiscal 2012		
First quarter	\$ 103.75	\$ 91.81
Second quarter	104.82	93.48
Third quarter	122.57	94.03
Fourth quarter	134.51	115.61

## Shareholders

The company estimates there were approximately 34,000 record holders of the company's common stock as of February 24, 2012.

## 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 (1)
September 29 to October 26, 2013	—	\$—	—	1,039,204

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October 27 to November 23, 2013	—	—	—	1,039,204
November 24 to December 28, 2013	3,660	219.76	3,660	1,035,544
Quarter ended December 28, 2013	3,660	\$219.76	3,660	1,035,544

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. During 2013, the company's Board of Directors authorized the purchase of an additional 1,000,000 common shares in open market purchases. As of December 28, 2013, the total number of shares authorized for repurchase under the program is 2,800,000. As of December 28, 2013, 1,764,456 shares had been purchased under the 1998 stock repurchase program.

At December 28, 2013, the company had a total of 4,661,701 shares in treasury amounting to \$151.7 million.

## Item 6. Selected Financial Data

(amounts in thousands, except per share data)

Fiscal Year Ended(1, 2)

	2013	2012	2011	2010	2009
<b>Income Statement Data:</b>					
Net sales	1,428,685	\$1,038,174	\$855,907	\$719,121	\$646,629
Cost of sales	878,674	635,185	511,770	432,444	396,001
Gross profit	550,011	402,989	344,137	286,677	250,628
Selling and distribution expenses	155,639	106,129	91,113	75,772	64,239
General and administrative expenses	149,910	108,776	104,314	88,117	74,948
Income from operations	244,462	188,084	148,710	122,788	111,441
Net interest expense and deferred financing amortization, net	15,901	9,238	8,503	8,592	11,594
Other expense (income), net	2,780	4,406	(241	) (40	) 121
Earnings before income taxes	225,781	174,440	140,448	114,236	99,726