



# Q1 2020

May 7, 2020

# COVID-19 Implemented Action



## COVID-19 UPDATE

In response to the COVID-19 pandemic, we implemented swift actions to protect our employees, ensure uninterrupted service to our customers and aggressively adjust our business and cost structure for an expected revenue decline. Our businesses in all three segments support an essential daily requirement, food, and thus have been designated as essential in most global locations. We are proud to continue to support our customers, while adhering to strict employee safety standards at all worldwide operations.

We have implemented the following in response to COVID-19:

- Employee Safety – Implemented companywide procedures including enhanced workplace sanitation, travel discontinuation, social distancing, staggered shifts and work-at-home protocols for most non-production employees.
- Customer Support – Ensured continued access to customer support, technical service and uninterrupted shipping of service parts and finished goods. Production continued to meet customer demand.
- Cost Initiatives – Initiated an aggressive reduction of all controllable and discretionary costs. This included the adjustment of global office and production workforces in response to near-term reduced demand levels and reduced cash compensation to executives.
- Supply Chain – Established a task force to identify and mitigate supply chain disruption and ensure continuity of business operations and customer support.
- Liquidity and Cash Flow – Reduced capital expenditures for the remainder of year, enhanced working capital reduction initiatives, deferred near-term acquisition and business development related investments, and discontinued the Middleby share repurchase program.
- COVID-19 Product Introductions – Developed and launched products addressing COVID-19 needs, including sterilization units for N95 masks, mobile and touchless handwashing stations, plexiglass safety shields for restaurants and retail locations, mobile foodservice stations and hand and cleaning sanitizer produced at our most recent acquired company Deutsche.

# COVID-19 Products



We developed and introduced products addressing needs of the COVID-19 pandemic.

- UV Sterilizer
- Safety Shields
- Sanitizer
- Mobile Hand Washing



## brava

N95 MASK UV  
STERILIZER  
(more sizes available soon)



SAFETY SHIELDS  
(four off-the-shelf versions and custom options readily available)

*Click on logo or image to view more information.*

QUICK BITES | APRIL 2020

**WE ARE IN THIS TOGETHER**  
SANITIZE. STERILIZE. DISTANCE. DELIVERY.

We are in an unprecedented time with the coronavirus affecting every aspect of our lives. We hope everyone in your business and personal life is safe and well, as our top priority continues to be the health and safety of our employees and their families. You won't see us in person, but on Zoom these days. Our factories and offices have implemented rigorous sanitation practices and social distancing. Middleby is considered an essential business, and we are here to serve our customers in restaurants, healthcare, grocery stores or any commercial foodservice arena.

Whether it is sales, technical service or customer service, we are here to serve you.

Visit [middleby.com](http://middleby.com) for brand contact information or to chat.

**CONTENTS**

- 1 We Are in This Together
- 2 Sanitize and Protect
- 3 Mobile Sinks
- 4 Safety Shields
- 5 Delivery and Contact Healthcare Solutions
- 6 Photo Gallery
- 7 Video Library



HAND SANITIZER  
(one, two, and five gallon and up to tanker truckload quantities available)



QUALSERV MOBILE  
SANITARY SINK

*Click to view*

[www.middleby.com](http://www.middleby.com)

# Financial Results



## Q1 2020 FINANCIAL RESULTS

	1Q20	1Q19	Change
Net Sales	\$677.5	\$686.8	-1.4%
Gross Profit	250.2	257.3	-2.8%
% of Sales	36.9%	37.5%	
Operating Income	105.4	101.1	4.3%
Net Earnings	73.8	69.0	7.0%
Adjusted EBITDA	137.8	137.8	0.0%
% of Sales	20.3%	20.1%	
LTM Bank EBITDA as defined in credit agreement	682.6	659.7	3.5%
Operating Cash Flow	87.1	33.9	156.9%

## RESULTS COMMENTARY

- Revenue decline of 5.9% organically
- Organic growth at Food Processing of 6.1% offset by declines in Commercial Foodservice (8.7%) and Residential Kitchen (5.0%)
- Commercial Foodservice impacted by COVID-19, initially on our business in China, but also in North America late in the quarter
- Residential Kitchen reflects weakness in the UK market associated with Brexit and Covid-19 impacts globally
- Strong EBITDA generation and cash flows
- EBITDA margin expansion to 21.3% excluding recent acquisitions
- In spite of challenging market conditions, profitability improvements from integration benefits, cost control, and pricing actions, while continuing to invest in R&D across all segments

# Segment Results



## Commercial Foodservice

	1Q20	1Q19	Change
Revenues	\$443,124	\$457,531	-3.1%
EBITDA	107,784	113,275	-4.8%
EBITDA as % of Revenues	24.3%	24.8%	

## Revenue and Growth

U.S.	\$306.5M	-6.2%
Non-U.S.	\$136.6M	-13.4%

- Asian and European markets declined as a result of the outbreak of COVID-19. USA sales impacted by facility shutdown.
- Despite the increased impact of COVID-19 at the end of the first quarter, organic EBITDA margins expanded.
- Margin improvements achieved through pricing, cost control and integration actions.

## Residential Kitchen Equipment

	1Q20	1Q19	Change
Revenues	\$130,069	\$136,797	-4.9%
EBITDA	18,714	24,265	-22.9%
EBITDA as % of Revenues	14.4%	17.7%	

## Revenue and Growth

U.S.	85.1M	0.8%
Non-U.S.	45.0M	-14.3%

- UK continues to be affected by Brexit and COVID-19.
- Revenues domestically reflect lower sales of undercounter refrigeration.
- Margins impacted by production consolidation of grills during start-up period and Brava acquisition.

## Food Processing

	1Q20	1Q19	Change
Revenues	\$104,266	\$92,474	12.8%
EBITDA	18,394	16,166	13.8%
EBITDA as % of Revenues	17.6%	17.5%	

## Revenue and Growth

U.S.	72.9M	15.2%
Non-U.S.	31.4M	-9.1%

- Strong incoming orders throughout 1st quarter.
- Domestic revenue growth driven by protein equipment.
- Gross margin decline due to lower margins at recent acquisition.

Differentiated and Synergistic Platform, Benefiting from Strong Positions Across all Segments

# Debt and Liquidity



## BANK FACILITY OVERVIEW

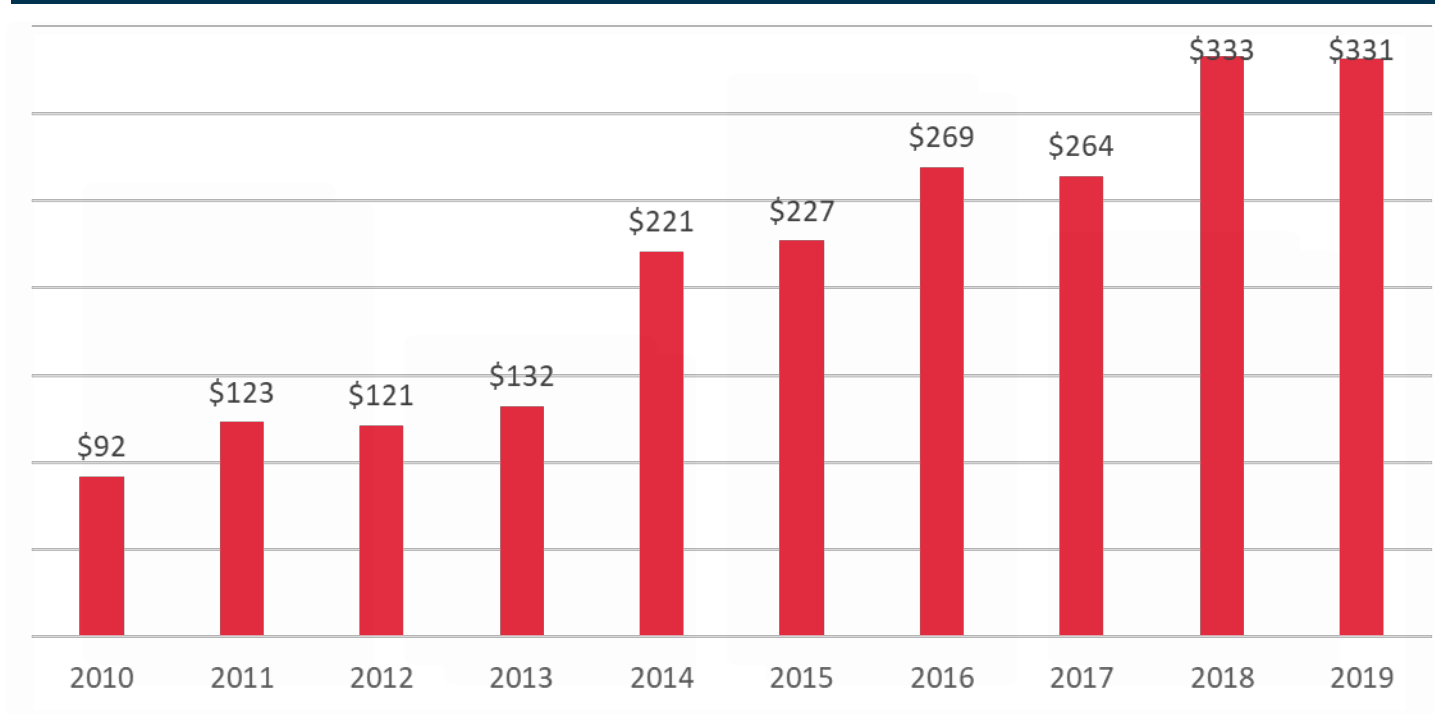
- New credit facility established in January 2020
  - 5-year term
  - \$19M annual principal payments in years 1-4
- \$3.5 billion total availability
  - \$2.75B revolver
  - \$0.75B term loan
- As of Q1 2020
  - Average interest rate 3.3%
  - \$845M of availability
- \$430.6M LTM operating cash flow
- Record operating cash flow for a first quarter at \$87.1M

## Q1 2020 LEVERAGE RATION (IN \$000S)

Cash*	314.0
Debt	2,199.1
Net Debt	1,885.1
LTM EBITDA*	682.1
Leverage	2.76x
Covenant Limit	4.00x

\* As defined in the credit agreement

## 10-YEAR FREE CASH FLOW GROWTH (in 000s)





# Near-term Business Conditions

## APRIL ORDERS



Our foodservice customers are currently focused on delivery, drive-through and carry-out business and the safety of employees and customers. We are able to support these needs with our existing innovative products and new technology solutions to address workplace safety and continued operating essentials. The strategic investments we have made in the past have well-positioned us for current industry trends. We anticipate new restaurant openings will be impacted, but historically the majority of our sales in this segment are equipment replacement and upgrades.



At our residential businesses, in both the US and UK markets, the impact of COVID-19 included the widespread closure of our residential dealers' retail sales locations and reduction in traffic due to shelter-in-place restrictions. Although demand will continue to be adversely impacted and uncertain, we may see a positive benefit as dealer retail locations will begin to re-open in May.



We entered the year with a record backlog of approximately \$138 million, which grew to approximately \$152 million. In April, customers focused on immediate risks to their business and employees thus pulling focus away from new equipment specifications. End-user demand for our food processing customers has shifted from restaurants to retail grocery stores, impacting sales mix. Sales of hot dogs and other meat products in our core equipment markets have experienced recent increased demand. We are well-positioned to support the demand shift and to support large-scale solutions in this industry.

*We have taken swift and aggressive measures to adjust to near-term market conditions, which we anticipate will improve as we progress through the balance of the year. During this time we remain focused on the safety of our employees, supporting our customers and maintaining profitability margins and cash flow. We are confident in our ability to navigate through this period of uncertainty.*

**–Tim FitzGerald  
Middleby CEO**

# COVID-19 Restaurant Impacts



Restaurant sales are sequentially improving week over week since March. According to two independent restaurant data resources:

- Fast-casual and quick-service are outperforming casual dining
- Quick-service and pizza are recovering the fastest
- Casual dining will have longest recovery due to dining restrictions

Restaurants are rapidly adapting to the new the new norm by:

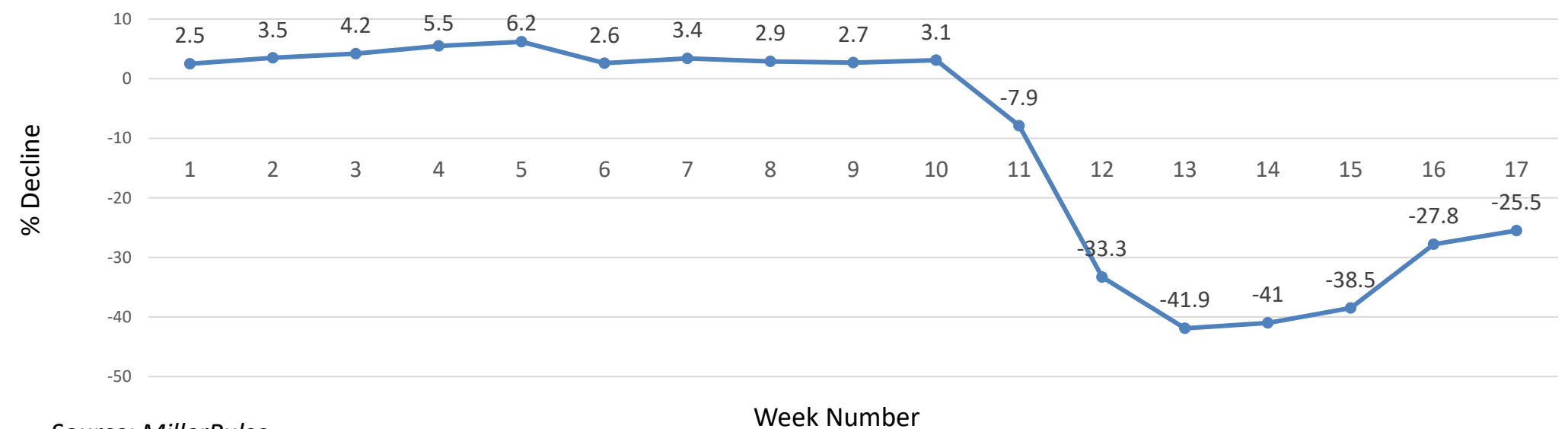
- Expanding delivery options, including expanding curbside pick-up
- Adding or improving mobile ordering capabilities
- Rapidly adapting menus to support limited staffing, dining, and/or carryout options

## BAIRD RESEARCH SALES COMPS BY WEEK

Segment	Q4-19	Jan-20	Feb-20	Mar-20 Week 2	Mar-20 Week 3	Mar-20 Week 4	Apr-20 Week 1	Apr-20 Week 2	Apr-20 Week 3
Overall	4%	5%	4%	-14%	-43%	-43%	-41%	-40%	-25%
Casual Dining	0%	1%	0%	-34%	-79%	-79%	-76%	-71%	-69%
Fast-Casual	6%	6%	4%	-13%	-42%	-39%	-38%	-38%	-22%
Quick-Service	6%	8%	7%	-3%	-22%	-24%	-21%	-23%	-1%
Other	0%	2%	3%	-9%	-40%	-44%	-41%	-40%	-27%
Pizza	-1%	3%	-1%	-2%	-18%	-15%	-8%	-5%	12%

Source: Baird Research Sample Study

## MILLERPULSE WEEKLY INDUSTRY SAME STORE SALES, 2020



Source: MillerPulse



# COVID-19 Restaurant Impacts



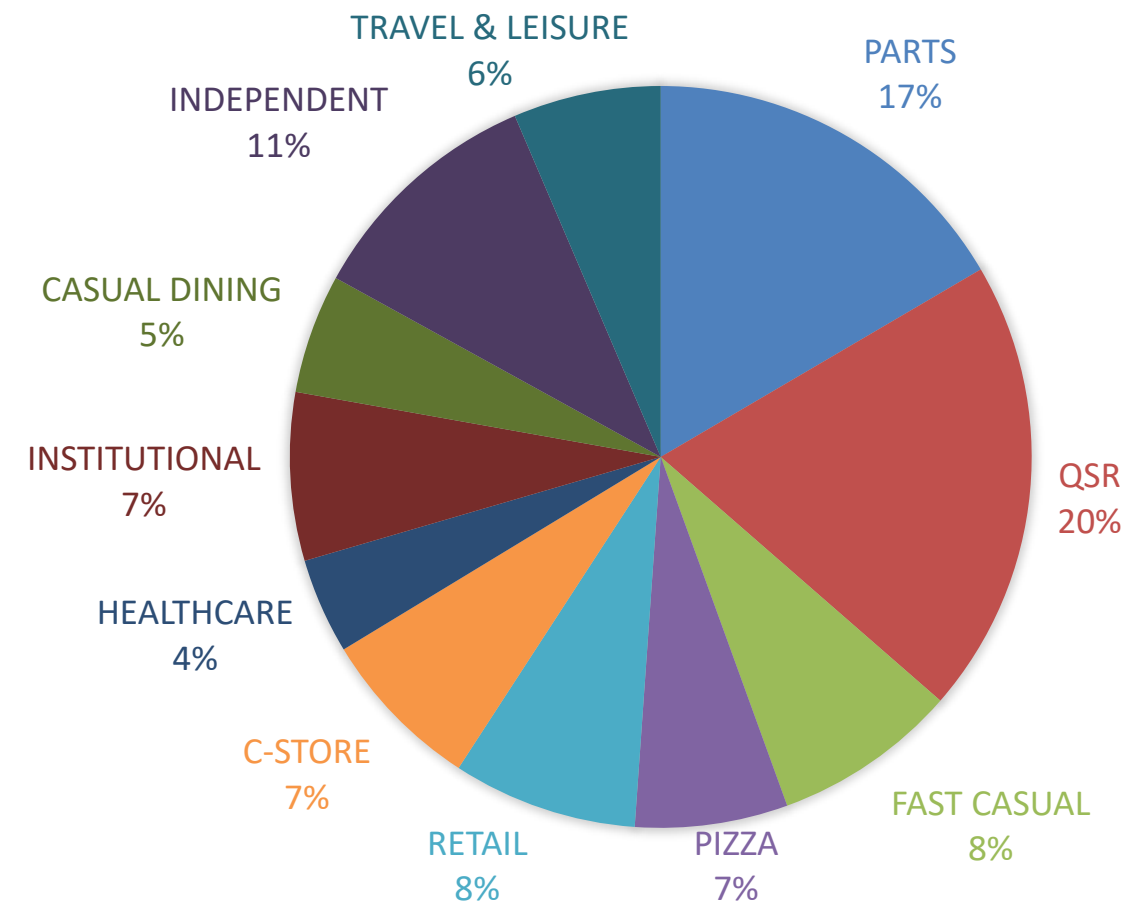
## SEGMENT IMPACT

- Quick serve and fast casual fare better as delivery, drive through and carry out support their business
- Pizza performs well as delivery is core – large chains to hire 50,000 additional employees
- Retail and c-store customers continue to see demand as customers seek alternative foodservice and avoid dine-in
- Institutional Healthcare sectors less impacted
- Casual and fine-dining heavily impacted
- Travel and leisure largely closed

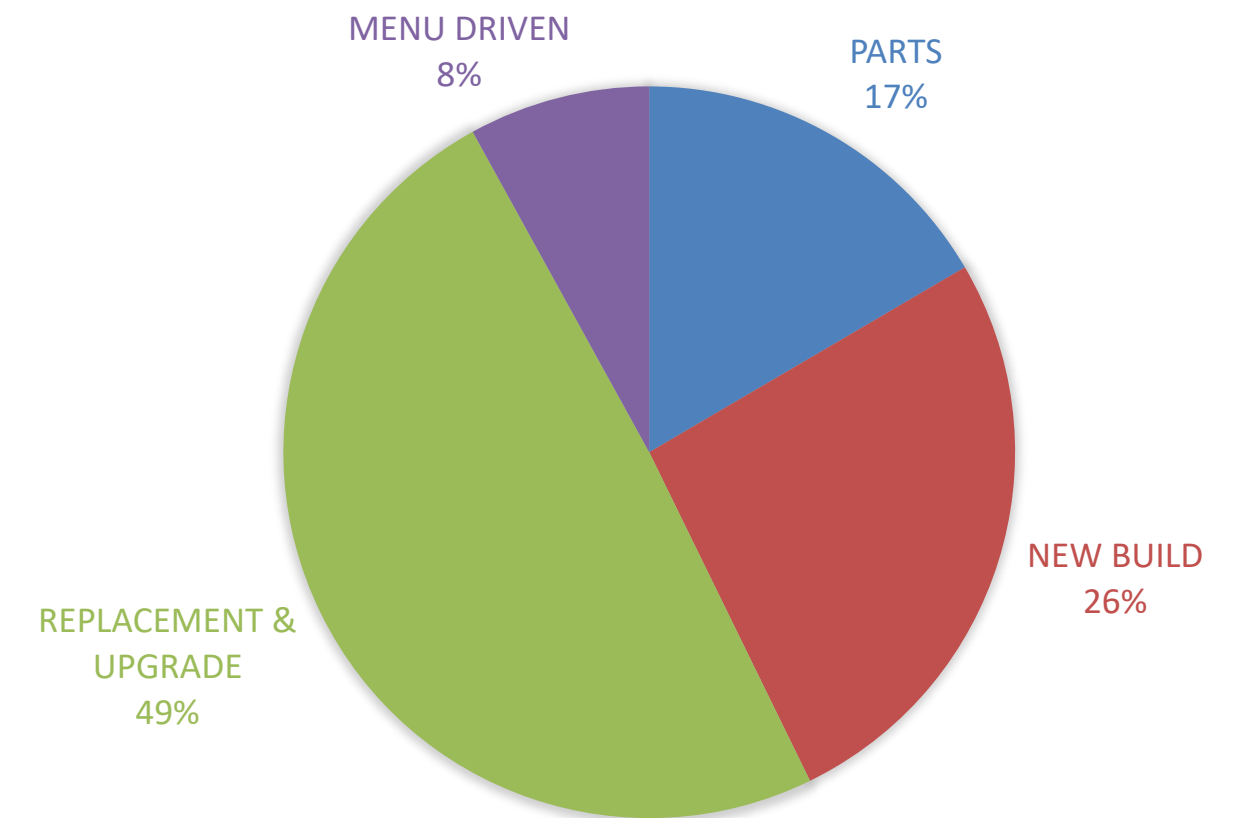
## OPERATOR SPENDING

- Near-term focus on replacement, capacity and maintenance of equipment
- Better performing sectors continuing with menu and operational initiatives
- Anticipated spending on employee and customer safety modifications
- Contract and project activity showing early signs of recovery as expected re-openings occur

REVENUE BY DEMAND REQUIREMENT



REVENUE BY DEMAND REQUIREMENT



Click on logo or image to view more information.

# COVID-19 Trends for Foodservice Industry

## ACCELERATING TRENDS

Within all segments that are driving innovation and new revenue opportunity

- Added focus on off-premise (delivery, carryout and drive-through)
- Focus on menu simplification, throughput and space utilization
- Growth in non-traditional foodservice including retail and c-store
- Labor will continue to be a primary challenge
- New foodservice models will continue including modular, ghost and cloud kitchens
- Remote monitoring and automation
- Safety protocols for employees and customers
- Continued demand trends in healthcare and assisted living

## MIDDLEBY SOLUTIONS

Focus on integrated solutions for targeted segments including retail, c-stores, healthcare, and emerging chains

- Middleby ventless kitchens for non-traditional and space savings
- Middleby touchless and automated Pick-Up Cabinets (PUC)
- Development and launch of Open Kitchen
- Middleby modular and ghost kitchens
- Data intelligence and automation solutions
- Middleby advanced controls

[www.middleby.com](http://www.middleby.com)



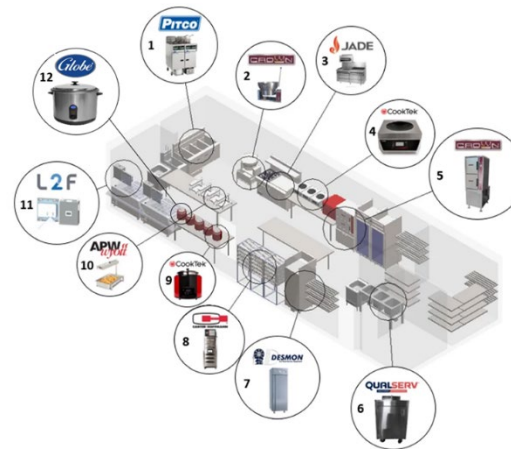
MIDDLEBY VENTLESS SOLUTIONS



MODULAR AUTOMATED PICK-UP CABINETS



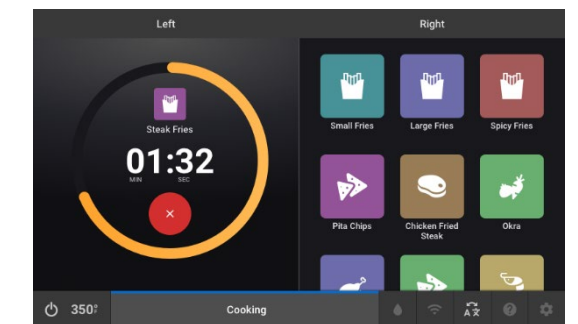
IoT CONNECTED KITCHEN



MIDDLEBY MODULAR AND GHOST KITCHENS



INDUCTION-HEATED DELIVERY SYSTEMS



MIDDLEBY'S NEW HIGH-LEVEL USER INTERFACE

Over the past year Middleby has made significant dedicated investments in R&D to focus on technology initiatives, solutions for industry trends and invested in targeted growth segments. As a result we are well positioned with solutions to address these needs that will accelerate as a result of COVID-19.