FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

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

For the period ended September 30, 1995

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	36-3352497
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
1400 Toastmaster Drive, Elgin, Illinois	60120
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone No., including Area Code (708) 741-3300

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve (12) months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES / X / NO / /

As of September 30, 1995, there were 8,388,363 shares of the registrant's common stock outstanding.

THE MIDDLEBY CORPORATION AND SUBSIDIARIES
QUARTER ENDED SEPTEMBER 30, 1995

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PART I. FINANCIAL INFORMATION

THE MIDDLEBY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	(Unaudited) Sept. 30,1995	Dec. 31, 1994
Cash and Cash Equivalents	$ 955,000	$ 667,000
Accounts Receivable, net	18,981,000	18,064,000
Inventories, net	24,849,000	21,116,000
Prepaid Expenses and Other	1,418,000	1,394,000
Total Current Assets	46,203,000	41,241,000
Property, Plant and Equipment, net of accumulated depreciation of $13,973,000 and $12,310,000	23,329,000	23,260,000
Excess Purchase Price Over Net Assets Acquired, net of accumulated amortization of $3,272,000 and $3,063,000	7,846,000	8,055,000
Other Assets	4,705,000	2,818,000
Investment in Affiliated Companies	-	1,248,000
Total Assets	$ 82,083,000	$ 76,622,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Maturities of Long-Term Debt	$ 2,046,000	$ 1,822,000
Accounts Payable	12,391,000	11,252,000
Accrued Expenses	11,227,000	11,079,000
Total Current Liabilities	25,664,000	24,153,000
Long-Term Debt	42,667,000	42,650,000
Minority Interest and Other Non-current Liabilities	1,967,000	1,782,000
Shareholders' Equity:		
Preferred Stock, $.01 par value; nonvoting; 2,000,000 shares authorized; none issued	-	-
Common Stock, $.01 par value; 20,000,000 shares authorized; 8,388,000 and 8,341,000 issued and outstanding in 1995 and 1994, respectively	84,000	83,000
Paid-in Capital	25,564,000	24,154,000
Cumulative Translation Adjustment	(444,000)	(384,000)
Accumulated Deficit	(13,419,000)	(15,816,000)
Total Shareholders' Equity	11,785,000	8,037,000
Total Liabilities and Shareholders' Equity	$ 82,083,000	$ 76,622,000

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See accompanying notes

THE MIDDLEBY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPT. 30, 1995	OCT. 1, 1994	SEPT. 30, 1995	OCT. 1, 1994
Net Sales	$35,237,000	$32,349,000	$104,790,000	$98,003,000
Cost of Sales	25,100,000	23,328,000	75,468,000	71,572,000
Gross Profit	10,137,000	9,021,000	29,322,000	26,431,000
Selling and Distribution Expenses	4,949,000	4,253,000	14,736,000	13,554,000
General and Administrative Expenses	2,431,000	2,199,000	7,139,000	6,707,000
Income from Operations	2,757,000	2,569,000	7,447,000	6,170,000
Interest Expense	1,173,000	1,075,000	3,628,000	3,026,000
Other Expense, Net	192,000	174,000	263,000	494,000
Income Before Income Taxes	1,392,000	1,320,000	3,556,000	2,650,000
Provision for Income Taxes (See Note 2)	432,000	411,000	1,159,000	802,000
Net Earnings	$ 960,000	$ 909,000	$ 2,397,000	$ 1,848,000
Earnings per Common and Common Equivalent Share	$ .11	$ .11	$ .28	$ .22

See accompanying notes

THE MIDDLEBY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	NINE MONTHS ENDED	
	Sept. 30, 1995	Oct. 1, 1994
Cash Flows From Operating Activities-		
Net earnings	$ 2,397,000	$ 1,848,000
Adjustments to reconcile net earnings to cash provided by operating activities-		
Depreciation and amortization	2,216,000	1,921,000
Utilization of Subsidiary NOL's credited to paid-in capital (See Note 2)	995,000	680,000
Changes in assets and liabilities-		
Accounts receivable	(917,000)	(2,141,000)
Inventories	(3,733,000)	1,423,000
Prepaid expenses and other assets	(299,000)	74,000
Accounts payable and other liabilities	1,287,000	(820,000)
Net Cash Provided by Operating Activities	1,946,000	2,985,000

Cash Flows From Investing Activities-		
Additions to property and equipment....	(1,732,000)	(1,272,000)
Proceeds from sale of investment.......	1,337,000	-
Net Cash Used by Investing Activities..........................	(395,000)	(1,272,000)
Cash Flows From Financing Activities-		
Proceeds from note.....................	15,000,000	-
Proceeds from bank debt................	31,000,000	-
Repayment of debt......................	(44,055,000)	-
Payments of long-term debt.............	(2,027,000)	(1,838,000)
Proceeds from mortgage term loan.......	293,000	457,000
Increase in revolving credit, net......	243,000	-
Cost of financing activities...........	(1,717,000)	-
Net Cash Used by Financing Activities..........................	(1,263,000)	(1,381,000)
Changes in Cash and Cash Equivalents-		
Net increase in cash and cash equivalents.........................	288,000	332,000
Cash and cash equivalents at beginning of year...................	667,000	425,000
Cash and Cash Equivalents at End of Quarter..........................	$ 955,000	$ 757,000
Interest paid..........................	$ 2,938,000	$ 3,034,000
Income taxes paid......................	$ 286,000	$ 121,000

See accompanying notes

THE MIDDLEBY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 1995
(Unaudited)

1) BASIS OF PRESENTATION

The financial statements have been prepared by The Middleby Corporation (the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information not misleading. These financial statements should be read in conjunction with the financial statements and related notes contained in the Company's 1994 Annual Report. Other than as indicated herein, there have been no significant changes from the data presented in said Report.

In the opinion of management, the financial statements contain all adjustments necessary to present fairly the financial position of the Company as of September 30, 1995 and December 31, 1994, and the results of operations for the three and nine months ended September 30, 1995 and October 1, 1994, respectively, and cash flows for the nine months ended September 30, 1995 and October 1, 1994.

2) INCOME TAXES

The Company files a consolidated Federal income tax return. In January, 1993, the Company adopted Statement of Financial Accounting Standards No. 109 ("SFAS 109"), Accounting for Income Taxes. SFAS 109 requires the recognition of deferred tax assets and liabilities for expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. Adoption of SFAS 109 was effected through the cumulative catch-up method.

The Company is not a Federal taxpayer due to its NOL carry-forwards, although a tax provision is still required to be recorded. As a majority of the NOL carry-forwards relate to an old quasi- reorganization, the utilization of such NOL carry-forwards is not recorded as a credit to the tax provision, but

is directly credited to paid-in capital. The utilization of the net operating loss carry-forwards depends on future taxable income during the applicable carry-forward periods. In adopting SFAS 109 in 1993, the Company recorded a valuation allowance equal to the net deferred tax assets to reflect the inherent uncertainty in being able to predict future events. A tax asset of $1,350,000 was established as of December 31, 1994 with a credit to provision for income taxes of $339,000 and a credit directly to paid-in capital of $1,011,000. $995,000 of the fiscal year-to-date tax provision has been credited to paid-in capital. The Company has recorded income tax provisions of $432,000 and $1,159,000 for the fiscal three and nine months ended September 30, 1995, respectively. The reduction in the valuation allowance and increase in shareholders' equity reflects management's judgment as to the Company's ability to generate taxable income during the carry-forward periods. The remaining net operating loss and tax credit carry-forwards available to the Company will be recorded into income and equity at a future date.

3) EARNINGS PER SHARE

Earnings per share of common stock are based upon the weighted average number of outstanding shares of common stock and common stock equivalents. The treasury stock method is used in computing common stock equivalents, which included stock options and a warrant issued in conjunction with the senior secured note. The terms of the warrant provide for the purchase of 250,000 shares at $3 per share, however, under certain conditions, the warrant terms provide for the purchase of 200,000 shares at $.01 per share. Earnings per share were computed based upon the weighted average number of common shares outstanding of 8,680,000 and 8,441,000 for the fiscal quarters ended September 30, 1995 and October 1, 1994, respectively, and 8,679,000 and 8,437,000 for the fiscal year-to-date periods ended September 30, 1995 and October 1, 1994, respectively.

4) SALE OF INVESTMENT IN AFFILIATED COMPANIES

On June 9, 1995, the Company sold its remaining 11.2% interest in the Seco Products Corporation (Seco) for $1,447,000 net of expenses. $110,000 of the proceeds is being held in escrow for one year. $669,000 of the proceeds of the sale were applied to the bank term loan and the remainder reduced the revolving credit balance. No gain or loss was recorded on the sale.

5) INVENTORIES

Inventories are valued using the first-in, first-out method.

Inventories consist of the following:

	SEPT. 30, 1995	DEC. 31,1994
Raw Materials and Parts	$11,919,000	$ 8,404,000
Work in Process	5,151,000	5,866,000
Finished Goods	7,779,000	6,846,000
	$24,849,000	$21,116,000

6) ACCRUED EXPENSES

Accrued expenses consist of the following:

	SEPT. 30, 1995	DEC. 31,1994
Accrued payroll and related expenses.........	$ 4,219,000	$ 4,800,000
Accrued commissions........	2,091,000	2,191,000
Accrued warranty...........	1,372,000	1,365,000
Accrued interest...........	752,000	62,000
Other......................	2,793,000	2,661,000
	$11,227,000	$11,079,000

7) Certain amounts have been reclassified in 1994 to be consistent with the 1995 presentation.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (UNAUDITED).

RESULTS OF OPERATIONS

Net sales for the fiscal quarter ended September 30, 1995 increased by $2,888,000 (8.9%) compared to the prior year. Net sales for the nine month period ended September 30, 1995 increased $6,787,000 (6.9%) compared to the prior year. The increase in sales for the fiscal third quarter compared to the prior year resulted from higher sales of conveyor cooking equipment in global markets and increased penetration into traditional foodservice outlets, as well as successful new product introductions. Cooking and warming manufacturing divisions showed a sales increase of 12%, while the refrigeration segment decreased 15%. Conveyor oven sales, which comprise the Middleby Marshall and CTX lines, increased 25% during the quarter. Counter line cooking and warming equipment increased 7% in the quarter. Within the refrigeration segment, sales in the foodservice market increased in line with the overall increase for the Company while products for the beverage and bottling industry declined significantly. Sales in our core cooking and steaming equipment line also declined in the quarter. International sales increased 25% in the third quarter over the prior year s quarter. International sales represented 28% of total sales for the quarter as compared to 24% in the 1994 quarter.

Gross profit increased $1,116,000 (12.4%) for the quarter compared to the prior year's quarter. Gross profit for the nine-month period increased $2,891,000 (10.9%) compared to the prior year s nine-month period. As a percentage of net sales, gross margin increased 0.9% to 28.8% for the quarter from the prior year s quarter, while year-to-date gross margins have increased 1.0% to 28.0%. Favorable product mix and continued operating efficiency improvement contributed to the increase, along with favorable workers compensation adjustments.

Selling, general and administrative expenses increased $928,000 (14.4%) and $1,614,000 (8.0%) for the three- and nine-month periods, respectively. Increased expenses reflected marketing expenses for new products, trade show expense and expansion of international sales and service capabilities, including the establishment of a sales distribution office in France. As a percentage of sales, selling, general and administrative expenses increased to 20.9% for the fiscal quarter ended September 30, 1995, compared to 19.9% for the prior year's quarter, and increased to 20.9% for the nine-month period ended September 30, 1995 compared to 20.7% for the prior year s nine month period.

Interest expense for the fiscal quarter ended September 30, 1995 increased $98,000 (9.1%) compared to the prior year fiscal quarter, and $602,000 (19.9%) year-to-date. The increase was primarily due to higher prevailing interest rates during 1995 and the higher interest rate of the senior secured note obtained in the January 1995 refinancing in comparison to the then existing bank debt.

The Company recorded net earnings of $960,000 for the fiscal quarter ended September 30, 1995 compared to net earnings of $909,000 for the prior year fiscal quarter. Year-to-date net earnings were

$2,397,000 for the nine-month period ended September 30, 1995 compared to net earnings of $1,848,000 for the nine months ended October 1, 1994.

The third quarter results reflect the increased sales of conveyor cooking equipment and new product introductions, offset in part by higher marketing expenses associated with new product introductions, higher interest expenses and deferred financing cost amortization.

FINANCIAL CONDITION AND LIQUIDITY

For the nine months ended September 30, 1995, net cash provided by operating activities before changes in assets and liabilities was $5,608,000, as compared to $4,449,000 for the nine months ended October 1, 1994. Net cash provided by operating activities after changes in assets and liabilities was $1,946,000 as compared to $2,985,000 in the prior year-to-date period. The increase in inventories of $3,733,000 was due to the introduction of new products, expansion of international manufacturing, and timing of orders with certain large customers. This increase was partly offset by increased accounts payable.

On January 10, 1995, the Company's subsidiaries consummated a $57,500,000 financing package to replace existing bank debt of $44,000,000 and provide working capital for future growth. The financing includes a $42,500,000 senior secured credit facility from a group of lenders led by an affiliate of a major international bank and a $15,000,000 senior secured note placement with a major insurance company. The credit facility includes a $15,000,000 five-year term loan, a $2,500,000 capital expenditure facility, and a $25,000,000 revolving credit line. The senior secured notes have an eight-year term with payments beginning in the sixth year and bear interest at 10.99%. A warrant for the purchase of 250,000 shares of common stock at an exercise price of $3 per share was issued in conjunction with the notes; however, under certain conditions, the terms of the warrant provide for the purchase of 200,000 shares at $.01 per share. The Company incurred financing costs of $1,717,000 which will be amortized over the average life of the note and bank debt's term.

During the fiscal quarter, the Company decreased its borrowings under its credit agreements by $1,292,000 primarily by using cash provided by operations. For the fiscal year-to-date, the Company increased its borrowings under the revolving credit facility by $243,000, principally reflecting the net effect of the payment of the financing costs, the proceeds of the sale of the Seco investment (see Note 4), and cash required for operating activities and property and equipment additions. Also, the cash balance at September 30, 1995 increased $288,000 from the beginning of the year.

Management believes the Company has sufficient financial resources available to meet its anticipated requirements for funds for operations in the current fiscal year and can satisfy the obligations under its credit and note agreements.

PART II. OTHER INFORMATION

The Company was not required to report the information pursuant to Items 1 through 6 of Part II of Form 10-Q for any of the three months ended September 30, 1995, except as follows:

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a) Exhibits - The following Exhibits are filed herewith:

Exhibit (27) - Financial Data Schedules (EDGAR only)

b) One report on Form 8-K dated September 1, 1995 was filed reporting under Item 5 thereto describing and including certain Pro Forma Financial Information under Item 7 thereto.

SIGNATURES

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

THE MIDDLEBY CORPORATION
(Registrant)

Date November 10, 1995

By: /s/ John J. Hastings

John J. Hastings, Executive Vice President, Chief Financial Officer and Secretary
(Principal Financial and Accounting Officer)

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