UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 29, 2024

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)	(IRS Employer Identification Number)

1400 Toastmaster Drive, Elgin, Illinois	**60120**
(Address of principal executive offices)	(Zip Code)
Registrant's telephone number, including area code:	**(847) 741-3300**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

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

Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐
Smaller reporting company	☐	Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

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

Title of Each Class	**Trading Symbol(s)**	**Name of Each Exchange on Which Registered**
Common Stock	MIDD	Nasdaq Global Select Market

As of August 2, 2024, there were 53,769,547 shares of the registrant's common stock outstanding.

THE MIDDLEBY CORPORATION

QUARTER ENDED JUNE 29, 2024

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

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

ASSETS	Jun 29, 2024	Dec 30, 2023
Current assets:		
Cash and cash equivalents	$ 459,457	$ 247,496
Accounts receivable, net of reserve for doubtful accounts of $23,125 and $23,464	624,622	644,576
Inventories, net	920,096	935,867
Prepaid expenses and other	125,656	112,690
Prepaid taxes	13,508	25,230
Total current assets	2,143,339	1,965,859
Property, plant and equipment, net of accumulated depreciation of $361,614 and $339,528	504,661	510,898
Goodwill	2,471,721	2,486,310
Other intangibles, net of amortization of $605,458 and $574,079	1,650,965	1,693,076
Long-term deferred tax assets	6,814	7,945
Pension benefits assets	47,343	38,535
Other assets	200,940	204,069
Total assets	$ 7,025,783	$ 6,906,692
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 44,250	$ 44,822
Accounts payable	238,733	227,080
Accrued expenses	573,880	579,192
Total current liabilities	856,863	851,094
Long-term debt	2,359,996	2,380,373
Long-term deferred tax liability	193,512	216,143
Accrued pension benefits	11,841	12,128
Other non-current liabilities	181,660	197,065
Stockholders' equity:		
Preferred stock, $0.01 par value; nonvoting; 2,000,000 shares authorized; none issued	—	—
Common stock, $0.01 par value; 64,223,584 and 63,942,340 shares issued in 2024 and 2023, respectively	148	148
Paid-in capital	500,686	479,216
Treasury stock, at cost; 10,455,077 and 10,338,922 shares in 2024 and 2023, respectively	(924,002)	(906,031)
Retained earnings	4,101,717	3,899,754
Accumulated other comprehensive loss	(256,638)	(223,198)
Total stockholders' equity	3,421,911	3,249,889
Total liabilities and stockholders' equity	$ 7,025,783	$ 6,906,692

See accompanying notes

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

	Three Months Ended		Six Months Ended	
	Jun 29, 2024	**Jul 1, 2023**	**Jun 29, 2024**	**Jul 1, 2023**
Net sales	$ 991,546	$ 1,039,982	$ 1,918,472	$ 2,047,378
Cost of sales	611,904	646,746	1,192,472	1,275,407
Gross profit	379,642	393,236	726,000	771,971
Selling, general and administrative expenses	198,584	203,521	404,632	418,928
Restructuring expenses	5,350	4,944	8,527	7,250
Income from operations	175,708	184,771	312,841	345,793
Interest expense and deferred financing amortization, net	24,566	31,529	50,840	60,991
Net periodic pension benefit (other than service costs)	(3,690)	(2,575)	(7,368)	(4,826)
Other expense (income), net	56	(326)	(244)	1,570
Earnings before income taxes	154,776	156,143	269,613	288,058
Provision for income taxes	39,381	39,293	67,650	72,119
Net earnings	$ 115,395	$ 116,850	$ 201,963	$ 215,939
Net earnings per share:				
Basic	$ 2.15	$ 2.18	$ 3.76	$ 4.03
Diluted	$ 2.13	$ 2.16	$ 3.72	$ 3.98
Weighted average number of shares				
Basic	53,765	53,527	53,710	53,560
Dilutive common stock equivalents	307	515	523	649
Diluted	54,072	54,042	54,233	54,209
Comprehensive income	$ 104,000	$ 125,781	$ 168,523	$ 240,699

See accompanying notes

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

	Common Stock	Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income/(loss)	Total Stockholders' Equity
Balance, March 30, 2024	**$ 148**	**$ 493,038**	**$ (923,026)**	**$ 3,986,322**	**$ (245,243)**	**$ 3,311,239**
Net earnings	—	—	—	115,395	—	115,395
Currency translation adjustments	—	—	—	—	(9,528)	(9,528)
Change in unrecognized pension benefit costs, net of tax of $98	—	—	—	—	524	524
Unrealized loss on interest rate swap, net of tax of $748	—	—	—	—	(2,391)	(2,391)
Stock compensation	—	7,648	—	—	—	7,648
Purchase of treasury stock	—	—	(976)	—	—	(976)
Balance, June 29, 2024	**$ 148**	**$ 500,686**	**$ (924,002)**	**$ 4,101,717**	**$ (256,638)**	**$ 3,421,911**
Balance, December 30, 2023	**$ 148**	**$ 479,216**	**$ (906,031)**	**$ 3,899,754**	**$ (223,198)**	**$ 3,249,889**
Net earnings	—	—	—	201,963	—	201,963
Currency translation adjustments	—	—	—	—	(36,014)	(36,014)
Change in unrecognized pension benefit costs, net of tax of $336	—	—	—	—	1,575	1,575
Unrealized gain on interest rate swap, net of tax of $(856)	—	—	—	—	999	999
Stock compensation	—	21,470	—	—	—	21,470
Purchase of treasury stock	—	—	(17,971)	—	—	(17,971)
Balance, June 29, 2024	**$ 148**	**$ 500,686**	**$ (924,002)**	**$ 4,101,717**	**$ (256,638)**	**$ 3,421,911**

	Common Stock	Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income/(loss)	Total Stockholders' Equity
Balance, April 1, 2023	**$ 147**	**$ 425,781**	**$ (899,047)**	**$ 3,597,961**	**$ (262,643)**	**$ 2,862,199**
Net earnings	—	—	—	116,850	—	116,850
Currency translation adjustments	—	—	—	—	4,892	4,892
Change in unrecognized pension benefit costs, net of tax of $170	—	—	—	—	(2,171)	(2,171)
Unrealized gain on interest rate swap, net of tax of $2,172	—	—	—	—	6,210	6,210
Stock compensation	—	9,898	—	—	—	9,898
Stock issuance	1	8,611	—	—	—	8,612
Purchase of treasury stock	—	—	(6,964)	—	—	(6,964)
Balance, July 1, 2023	**$ 148**	**$ 444,290**	**$ (906,011)**	**$ 3,714,811**	**$ (253,712)**	**$ 2,999,526**
Balance, December 31, 2022	**$ 147**	**$ 408,376**	**$ (831,176)**	**$ 3,498,872**	**$ (278,472)**	**$ 2,797,747**
Net earnings	—	—	—	215,939	—	215,939
Currency translation adjustments	—	—	—	—	31,851	31,851
Change in unrecognized pension benefit costs, net of tax of $94	—	—	—	—	(4,980)	(4,980)
Unrealized loss on interest rate swap, net of tax of $(738)	—	—	—	—	(2,111)	(2,111)
Stock compensation	—	22,130	—	—	—	22,130
Stock issuance	1	13,784	—	—	—	13,785
Purchase of treasury stock	—	—	(74,835)	—	—	(74,835)
Balance, July 1, 2023	**$ 148**	**$ 444,290**	**$ (906,011)**	**$ 3,714,811**	**$ (253,712)**	**$ 2,999,526**

See accompanying notes

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

	Six Months Ended	
	Jun 29, 2024	**Jul 1, 2023**
Cash flows from operating activities--		
Net earnings	$ 201,963	$ 215,939
Adjustments to reconcile net earnings to net cash provided by operating activities--		
Depreciation and amortization	64,056	65,777
Non-cash share-based compensation	21,470	22,130
Deferred income taxes	(18,325)	(6,237)
Net periodic pension benefit (other than service costs)	(7,368)	(4,826)
Other non-cash items	662	4,288
Changes in assets and liabilities, net of acquisitions		
Accounts receivable, net	14,793	(7,829)
Inventories, net	7,687	7,520
Prepaid expenses and other assets	(419)	(12,740)
Accounts payable	13,728	(41,823)
Accrued expenses and other liabilities	(7,830)	(88,249)
Net cash provided by operating activities	290,417	153,950
Cash flows from investing activities--		
Net additions to property, plant and equipment	(24,680)	(48,315)
Purchase of intangible assets	(80)	(1,805)
Acquisitions, net of cash acquired	(5,557)	(35,146)
Net cash used in investing activities	(30,317)	(85,266)
Cash flows from financing activities--		
Proceeds under Credit Facility	—	390,000
Repayments under Credit Facility	(21,875)	(387,312)
Net repayments under foreign bank loan	(1,122)	(218)
Payments of deferred purchase price	(1,597)	(3,056)
Repurchase of treasury stock	(17,971)	(74,544)
Other, net	(110)	(105)
Net cash used in financing activities	(42,675)	(75,235)
Effect of exchange rates on cash and cash equivalents	(5,464)	1,829
Changes in cash and cash equivalents--		
Net increase (decrease) in cash and cash equivalents	211,961	(4,722)
Cash and cash equivalents at beginning of year	247,496	162,001
Cash and cash equivalents at end of period	$ 459,457	$ 157,279
Non-cash investing and financing activities:		
Stock issuance related to acquisition and purchase of intangible assets	$ —	$ 13,785

See accompanying notes

THE MIDDLEBY CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 29, 2024
(Unaudited)

1) Summary of Significant Accounting Policies

a) Basis of Presentation

The condensed consolidated financial statements have been prepared by The Middleby Corporation (the "company" or “Middleby”), pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The financial statements are unaudited and certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations, although the company believes that the disclosures are adequate to make the information not misleading. These financial statements should be read in conjunction with the financial statements and related notes contained in the company's 2023 Form 10-K. The company’s interim results are not necessarily indicative of future full year results for the fiscal year 2024.

In the opinion of management, the financial statements contain all adjustments, which are normal and recurring in nature, necessary to present fairly the financial position of the company as of June 29, 2024 and December 30, 2023, the results of operations for the three and six months ended June 29, 2024 and July 1, 2023, cash flows for the six months ended June 29, 2024 and July 1, 2023 and statement of stockholders' equity for the three and six months ended June 29, 2024 and July 1, 2023.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires the company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses. Significant estimates and assumptions are used for, but are not limited to, allowances for doubtful accounts, reserves for excess and obsolete inventories, long-lived and intangible assets, warranty reserves, insurance reserves, income tax reserves, non-cash share-based compensation and post-retirement obligations. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed in the notes herein.

b) Non-Cash Share-Based Compensation

The company estimates the fair value of market-based stock awards and stock options at the time of grant and recognizes compensation cost over the vesting period of the awards and options. Non-cash share-based compensation expense was $7.6 million and $9.9 million for the three months period ended June 29, 2024 and July 1, 2023, respectively. Non-cash share-based compensation expense was $21.5 million and $22.1 million for the six months period ended June 29, 2024 and July 1, 2023, respectively.

c) Income Taxes

A tax provision of $39.4 million, at an effective rate of 25.4%, was recorded during the three months period ended June 29, 2024, as compared to a $39.3 million tax provision at an effective rate of 25.2% in the prior year period. A tax provision of $67.7 million, at an effective rate of 25.1%, was recorded during the six months period ended June 29, 2024 as compared to a $72.1 million tax provision at an effective rate of 25.0% in the prior year period. The effective tax rate for the three months period ended June 29, 2024 is higher than the U.S. statutory tax rate of 21.0% primarily due to state taxes and foreign tax rate differentials.

d) Fair Value Measures

Accounting Standards Codification ("ASC") 820 "Fair Value Measurements and Disclosures" defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 establishes a fair value hierarchy, which prioritizes the inputs used in measuring fair value into the following levels:

Level 1 – Quoted prices in active markets for identical assets or liabilities.
Level 2 – Inputs, other than quoted prices in active markets, that are observable either directly or indirectly.
Level 3 – Unobservable inputs based the company's own assumptions.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

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

	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Total
As of June 29, 2024				
Financial Assets:				
Interest rate swaps	$ —	$ 42,922	$ —	$ 42,922
Financial Liabilities:				
Contingent consideration	$ —	$ —	$ 47,580	$ 47,580
Foreign exchange derivative contracts	$ —	$ 445	$ —	$ 445
As of December 30, 2023				
Financial Assets:				
Interest rate swaps	$ —	$ 42,779	$ —	$ 42,779
Foreign exchange derivative contracts	$ —	$ 29	$ —	$ 29
Financial Liabilities:				
Contingent consideration	$ —	$ —	$ 51,538	$ 51,538

The contingent consideration as of June 29, 2024 and December 30, 2023, relates to the earnout provisions recorded in conjunction with various purchase agreements.

Earn-out liabilities are classified within Level 3 in the fair value hierarchy, as the methodology used to estimate fair value includes significant unobservable inputs reflecting management's own assumptions. The earnout provisions associated with these acquisitions are based upon performance measurements related to sales and earnings, as defined in the respective purchase agreement. On a quarterly basis, the company assesses the projected results for each of the acquisitions in comparison to the earnout targets and adjusts the liability accordingly. Discount rates for valuing contingent consideration are determined based on the company rates and specific acquisition risk considerations. Changes in fair value associated with the earnout provisions are recognized in Selling, general and administrative expenses within the Condensed Consolidated Statements of Comprehensive Income.

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

	June 29, 2024
Beginning balance	$ 51,538
Payments of contingent consideration	(1,745)
Changes in fair value	(2,213)
Ending balance	$ 47,580

e) Consolidated Statements of Cash Flows

Cash paid for interest was $51.1 million and $62.1 million for the six months ended June 29, 2024 and July 1, 2023, respectively. Cash payments totaling $48.1 million and $90.1 million were made for income taxes for the six months ended June 29, 2024 and July 1, 2023, respectively.

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

f) Earnings Per Share

“Basic earnings per share” is calculated based upon the weighted average number of common shares actually outstanding, and “diluted earnings per share” is calculated based upon the weighted average number of common shares outstanding and other dilutive securities.

The company’s potentially dilutive securities consist of shares issuable on vesting of restricted stock grants computed using the treasury method and amounted to 6,000 and 5,000 for the three months ended June 29, 2024 and July 1, 2023, respectively.

The company’s potentially dilutive securities consist of shares issuable on vesting of restricted stock grants computed using the treasury method and amounted to 4,000 for both the six months ended June 29, 2024 and July 1, 2023, respectively.

For the six months ended June 29, 2024 and July 1, 2023, the average market price of the company's common stock exceeded the exercise price of the Convertible Notes (as defined below) resulting in 519,000 and 645,000 diluted common stock equivalents to be included in the diluted net earnings per share, respectively. There have been no material conversions to date. See Note 12, Financing Arrangements for further details on the Convertible Notes. There were no anti-dilutive restricted stock grants excluded from common stock equivalents in any period presented.

2) Acquisitions and Purchase Accounting

The company accounts for all business combinations using the acquisition method to record a new cost basis for the assets acquired and liabilities assumed. The difference between the purchase price and the fair value of the assets acquired and liabilities assumed has been recorded as goodwill in the financial statements. The company recognizes identifiable intangible assets, primarily trade names and customer relationships, at their fair value using a discounted cash flow model. The significant assumptions used to estimate the value of the intangible assets include revenue growth rates, projected profit margins, discount rates, royalty rates, and customer attrition rates. These significant assumptions are forward-looking and could be affected by future economic and market conditions. The results of operations are reflected in the consolidated financial statements of the company from the dates of acquisition.

2023 Acquisitions

During 2023, the company completed various acquisitions that were not individually material. The final allocation of consideration paid for the 2023 acquisitions is summarized as follows (in thousands):

	Preliminary Opening Balance Sheet	Measurement Period Adjustments	Adjusted Opening Balance Sheet
Cash	$ 3,102	$ —	$ 3,102
Current assets	9,964	11	9,975
Property, plant and equipment	21,954	(214)	21,740
Goodwill	38,422	3,278	41,700
Other intangibles	34,337	(722)	33,615
Other assets	—	5	5
Current liabilities	(3,774)	(1,147)	(4,921)
Long-term deferred tax liability	(958)	23	(935)
Other non-current liabilities	(12,099)	(216)	(12,315)
Consideration paid at closing	$ 90,948	$ 1,018	$ 91,966
Contingent consideration	14,743	216	14,959
Net assets acquired and liabilities assumed	$ 105,691	$ 1,234	$ 106,925

The net long-term deferred tax liability amounted to $0.9 million. The net deferred tax liability is comprised of $0.3 million related to the difference between the book and tax basis of identifiable intangible assets and $0.6 million related to the difference between the book and tax basis on identifiable tangible asset and liability accounts.

The goodwill and $17.9 million of other intangibles associated with the trade names are subject to the non-amortization provisions of ASC 350. Other intangibles also include $7.2 million allocated to customer relationships, $7.9 million allocated to developed technology, and $0.6 million allocated to backlog, which are being amortized over periods of 7 years, 7 to 12 years, and 9 months, respectively. Goodwill of $18.0 million and other intangibles of $7.8 million are allocated to the Food Processing Equipment Group for segment reporting purposes. Goodwill of $9.9 million and other intangibles of $14.1 million are allocated to the Commercial Foodservice Equipment Group for segment reporting purposes. Goodwill of $13.8 million and other intangibles of $11.7 million are allocated to the Residential Kitchen Equipment Group for segment reporting purposes. Of these assets, goodwill of $40.0 million and intangibles of $32.2 million are expected to be deductible for tax purposes.

Four purchase agreements include earnout provisions providing for a contingent payment due to the sellers for the achievement of certain targets. Four earnouts are payable to the extent certain sales and EBITDA targets are met with measurement dates ending between 2024 and 2026. One earnout is payable upon the achievement of certain product rollout targets specific to the year of measurement. The contractual obligation associated with the contingent earnout provisions recognized on the acquisition date amount to $15.0 million.

2024 Acquisitions

During 2024, the company completed various acquisitions that were not individually material. The following estimated fair values of assets acquired and liabilities assumed are based on the information that was available as of the acquisition date for the 2024 acquisitions and are summarized as follows (in thousands):

	Preliminary Opening Balance Sheet
Cash	$ 1
Current assets	1,676
Property, plant and equipment	383
Goodwill	945
Other intangibles	568
Current liabilities	(222)
Consideration paid at closing	3,351
Net assets acquired and liabilities assumed	$ 3,351

The goodwill and $0.3 million of other intangibles associated with the trade name are subject to the non-amortization provisions of ASC 350. Other intangibles also include $0.3 million allocated to customer relationships, which is being amortized over a period of 5 years. Goodwill of $0.9 million and other intangibles of $0.6 million are allocated to the Food Processing Equipment Group for segment reporting purposes. Of these assets, goodwill of $0.5 million and intangibles of $0.6 million are expected to be deductible for tax purposes.

The company believes that information gathered to date provides a reasonable basis for estimating the fair values of assets acquired and liabilities assumed, but the company is waiting for additional information necessary to finalize those fair values for the acquisitions completed during 2024. Certain intangible assets are preliminarily valued using historical information from the Food Processing Equipment Group and qualitative assessment of the business at acquisition date. Specifically, the company estimated the fair values of the intangible assets based on the percentage of purchase price assigned to similar intangible assets in previous acquisitions. Thus, the provisional measurements of fair values set forth above are subject to change. The company expects to complete the purchase price allocation as soon as practicable but no later than one year from the acquisition date.

Pro Forma Financial Information

In accordance with ASC 805 *Business Combinations,* the following unaudited pro forma results of operations for the six months ended June 29, 2024 and July 1, 2023, assumes the 2023 and 2024 acquisitions described above were completed on January 1, 2023 (first day of fiscal year 2023). The following pro forma results include adjustments to reflect amortization of intangibles associated with the acquisitions and the effects of adjustments made to the carrying value of certain assets (in thousands, except per share data):

	Six Months Ended	
	June 29, 2024	July 1, 2023
Net sales	$ 1,918,563	$ 2,061,294
Net earnings	202,196	214,588
Net earnings per share:		
Basic	$ 3.76	$ 4.01
Diluted	$ 3.73	$ 3.96

The historical consolidated financial information of the company and the acquisitions have been adjusted in the pro forma information to give effect to events that are (1) directly attributable to the transactions, (2) factually supportable and (3) expected to have a continuing impact on the combined results. Pro forma data may not be indicative of the results that would have been obtained had these acquisitions occurred at the beginning of the periods presented, nor is it intended to be a projection of future results. Additionally, the pro forma financial information does not reflect the costs which the company has incurred or may incur to integrate the acquired businesses.

3) Litigation Matters

Legal Proceedings and Contingencies.

From time to time, the company is subject to proceedings, lawsuits and other claims related to products, suppliers, employees, customers and competitors. The company maintains insurance to partially cover product liability, workers compensation, property and casualty, and general liability matters. The company is required to assess the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable losses.

A determination of the amount of accrual required, if any, for these contingencies is made after assessment of each matter and the related insurance coverage. The required accrual may change in the future due to new developments or changes in approach, such as a change in settlement strategy in dealing with these matters. The company does not believe that any pending litigation will have a material adverse effect on its financial condition, results of operations or cash flows.

4) Recently Issued Accounting Standards

In November 2023, the FASB issued Accounting Standard Update ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. The amendment requires disclosure of significant segment expenses that are regularly provided to the chief operating decision maker, as well as disclosure of the title and position of the Chief Operating Decision Maker ("CODM"). This guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted and the amendments in this update are required to be applied on a retrospective basis. The company is currently evaluating the impact the adoption of this guidance will have on its Consolidated Financial Statements and disclosures.

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The ASU includes amendments requiring enhanced income tax disclosures, primarily related to standardization and disaggregation of rate reconciliation categories and income taxes paid by jurisdiction. The guidance is effective for fiscal years beginning after December 15, 2024, with early adoption permitted, and should be applied either prospectively or retrospectively. The company is currently evaluating the impact the adoption of this guidance will have on its Consolidated Financial Statements and disclosures.

In March 2024, the Securities and Exchange Commission ("SEC") issued its final climate disclosure rules. The rules require disclosure of climate-related information outside of the audited financial statements and disclosure in the footnotes addressing specified financial statement effects of severe weather events and other natural conditions above certain financial thresholds, certain carbon offsets and renewable energy credits or certificates, if material.

In April 2024, the SEC determined to voluntarily stay the final rules pending certain legal challenges. The company is currently evaluating the impact of adoption for the new rules and intends to include the updated climate-related disclosures in future filings when required.

5) Revenue Recognition

Disaggregation of Revenue

The company disaggregates its net sales by reportable operating segment and geographical location as the company believes it best depicts how the nature, timing and uncertainty of its net sales and cash flows are affected by economic factors. In general, the Commercial Foodservice Equipment and Residential Foodservice Equipment Groups recognize revenue at the point in time control transfers to their customers based on contractual shipping terms. Revenue from equipment sold under the company's long-term contracts within the Food Processing Equipment group is recognized over time as the equipment is manufactured and assembled. The following table summarizes the company's net sales by reportable operating segment and geographical location (in thousands):

	Commercial Foodservice	Food Processing	Residential Kitchen	Total
Three Months Ended June 29, 2024				
United States and Canada	$ 442,395	$ 108,659	$ 124,777	$ 675,831
Asia	55,992	6,951	3,843	66,786
Europe and Middle East	98,266	50,354	61,468	210,088
Latin America	22,726	13,440	2,675	38,841
Total	$ 619,379	$ 179,404	$ 192,763	$ 991,546
Six Months Ended June 29, 2024				
United States and Canada	$ 868,923	$ 211,689	$ 231,818	$ 1,312,430
Asia	107,379	13,319	6,439	127,137
Europe and Middle East	188,731	92,179	123,625	404,535
Latin America	44,690	24,900	4,780	74,370
Total	$ 1,209,723	$ 342,087	$ 366,662	$ 1,918,472
Three Months Ended July 1, 2023				
United States and Canada	$ 474,745	$ 126,953	$ 134,755	$ 736,453
Asia	57,453	15,531	2,092	75,076
Europe and Middle East	94,175	33,499	66,771	194,445
Latin America	19,290	12,765	1,953	34,008
Total	$ 645,663	$ 188,748	$ 205,571	$ 1,039,982
Six Months Ended July 1, 2023				
United States and Canada	$ 927,400	$ 243,853	$ 278,714	$ 1,449,967
Asia	113,979	24,118	5,281	143,378
Europe and Middle East	181,140	67,558	137,157	385,855
Latin America	37,079	26,722	4,377	68,178
Total	$ 1,259,598	$ 362,251	$ 425,529	$ 2,047,378

Contract Balances

Contract assets primarily relate to the company's right to consideration for work completed but not billed at the reporting date and are recorded in prepaid expenses and other in the Condensed Consolidated Balance Sheet. Contract assets are transferred to receivables when the right to consideration becomes unconditional. Accounts receivable are not considered contract assets under the revenue standard as contract assets are conditioned upon the company's future satisfaction of a performance obligation. Accounts receivable, in contracts, are unconditional rights to consideration.

Contract liabilities relate to advance consideration received from customers for which revenue has not been recognized. Current contract liabilities are recorded in accrued expenses in the Condensed Consolidated Balance Sheet. Non-current contract liabilities are recorded in other non-current liabilities in the Condensed Consolidated Balance Sheet. Contract liabilities are reduced when the associated revenue from the contract is recognized.

The following table provides information about contract assets and contract liabilities from contracts with customers (in thousands):

	Jun 29, 2024	Dec 30, 2023
Contract assets	$ 54,968	$ 47,072
Contract liabilities	$ 121,036	$ 118,681
Non-current contract liabilities	$ 14,746	$ 15,721

During the six months period ended June 29, 2024, the company reclassified $30.2 million to receivables, which was included in the contract asset balance at the beginning of the period. During the six months period ended June 29, 2024, the company recognized revenue of $49.9 million which was included in the contract liability balance at the beginning of the period. Additions to contract liabilities representing amounts billed to clients in excess of revenue recognized to date were $84.9 million during the six months period ended June 29, 2024.

Remaining Performance Obligations

Substantially all of the company's outstanding performance obligations will be satisfied within 12 to 36 months. There were no contract asset impairments during the six months period ended June 29, 2024.

6) Other Comprehensive Income

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

	Currency Translation Adjustment	Pension Benefit Costs	Unrealized Gain/(Loss) Interest Rate Swap	Total
Balance as of December 30, 2023	$ (145,490)	$ (109,713)	$ 32,005	$ (223,198)
Other comprehensive income before reclassification	(36,014)	565	15,424	(20,025)
Amounts reclassified from accumulated other comprehensive income	—	1,010	(14,425)	(13,415)
Net current-period other comprehensive income	$ (36,014)	$ 1,575	$ 999	$ (33,440)
Balance as of June 29, 2024	$ (181,504)	$ (108,138)	$ 33,004	$ (256,638)
Balance as of December 31, 2022	$ (205,345)	$ (121,701)	$ 48,574	$ (278,472)
Other comprehensive income before reclassification	31,851	(6,106)	13,173	38,918
Amounts reclassified from accumulated other comprehensive income	—	1,126	(15,284)	(14,158)
Net current-period other comprehensive income	$ 31,851	$ (4,980)	$ (2,111)	$ 24,760
Balance as of July 1, 2023	$ (173,494)	$ (126,681)	$ 46,463	$ (253,712)

(1) As of June 29, 2024, pension and unrealized gain on interest rate swap amounts, net of tax, are $4.3 million and $10.3 million, respectively. During the six months ended June 29, 2024, the adjustments to pension and unrealized gain on interest rate swap amounts, net of tax, are $0.3 million and $(0.9) million, respectively. As of July 1, 2023, pension and unrealized gain on interest rate swap amounts, net of tax, were $(1.9) million and $16.1 million, respectively. During the six months ended July 1, 2023, the adjustments to pension and unrealized gain on interest rate swap amounts, net of tax, were $0.1 million and $(0.7) million, respectively.

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

	Three Months Ended		Six Months Ended	
	Jun 29, 2024	Jul 1, 2023	Jun 29, 2024	Jul 1, 2023
Net earnings	$ 115,395	$ 116,850	$ 201,963	$ 215,939
Currency translation adjustment	(9,528)	4,892	(36,014)	31,851
Pension liability adjustment, net of tax	524	(2,171)	1,575	(4,980)
Unrealized (loss) gain on interest rate swaps, net of tax	(2,391)	6,210	999	(2,111)
Comprehensive income	$ 104,000	$ 125,781	$ 168,523	$ 240,699

7) Inventories

Inventories are composed of material, labor and overhead and are stated at the lower of cost or net realizable value. Costs for inventory have been determined using the first-in, first-out ("FIFO") method. The company estimates reserves for inventory obsolescence and shrinkage based on its judgment of future realization. Inventories at June 29, 2024 and December 30, 2023 are as follows (in thousands):

	Jun 29, 2024	Dec 30, 2023
Raw materials and parts	$ 500,139	$ 495,488
Work-in-process	75,570	80,102
Finished goods	344,387	360,277
	$ 920,096	$ 935,867

8) Goodwill

Changes in the carrying amount of goodwill for the six months ended June 29, 2024 are as follows (in thousands):

	Commercial Foodservice	Food Processing	Residential Kitchen	Total
Balance as of December 30, 2023	$ 1,329,056	$ 375,217	$ 782,037	$ 2,486,310
Goodwill acquired during the year	—	945	—	945
Measurement period adjustments to goodwill acquired in prior year	271	57	224	552
Exchange effect	(6,591)	(5,079)	(4,416)	(16,086)
Balance as of June 29, 2024	$ 1,322,736	$ 371,140	$ 777,845	$ 2,471,721

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

9) Intangibles

Intangible assets consist of the following (in thousands):

	June 29, 2024			December 30, 2023		
	Estimated Weighted Avg Remaining Life	Gross Carrying Amount	Accumulated Amortization	Estimated Weighted Avg Remaining Life	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:						
Customer relationships	6.7	$ 841,979	$ (557,157)	7.0	$ 845,326	$ (529,533)
Developed technology	7.9	98,153	(48,301)	8.3	98,593	(44,546)
		$ 940,132	$ (605,458)		$ 943,919	$ (574,079)
Indefinite-lived assets:						
Trademarks and tradenames		$ 1,316,291			$ 1,323,236	

The aggregate intangible amortization expense was $16.2 million and $16.5 million for the three months period ended June 29, 2024 and July 1, 2023, respectively. The aggregate intangible amortization expense was $33.6 million and $37.7 million for the six months period ended June 29, 2024 and July 1, 2023, respectively. The estimated future amortization expense of intangible assets is as follows (in thousands):

Twelve Month Period coinciding with the end of the company's Fiscal Second Quarter	Amortization Expense
2025	$ 58,733
2026	56,222
2027	49,764
2028	42,061
2029	36,430
Thereafter	91,464
	$ 334,674

10) Accrued Expenses

Accrued expenses consist of the following (in thousands):

	Jun 29, 2024	Dec 30, 2023
Contract liabilities	$ 121,036	$ 118,681
Accrued payroll and related expenses	103,300	121,514
Accrued warranty	93,697	89,039
Accrued customer rebates	42,651	59,267
Accrued short-term leases	25,368	26,417
Accrued contingent consideration	24,373	17,791
Accrued sales and other tax	23,286	24,568
Accrued agent commission	15,383	16,956
Accrued professional fees	13,261	18,461
Accrued product liability and workers compensation	11,202	11,169
Other accrued expenses	100,323	75,329
	$ 573,880	$ 579,192

11) Warranty Costs

In the normal course of business, the company issues product warranties for specific product lines and provides for the estimated future warranty cost in the period in which the sale is recorded. The estimate of warranty cost is based on contract terms and historical warranty loss experience that is periodically adjusted for recent actual experience. Because warranty estimates are forecasts that are based on the best available information, actual claims costs may differ from amounts provided. Adjustments to initial obligations for warranties are made as changes in the obligations become reasonably estimable.

A rollforward of the warranty reserve is as follows (in thousands):

	Six Months Ended Jun 29, 2024
Balance as of December 30, 2023	$ 89,039
Warranty expense	49,471
Warranty claims	(44,813)
Balance as of June 29, 2024	$ 93,697

12) Financing Arrangements

	Jun 29, 2024	Dec 30, 2023
	(in thousands)	
Term loan facility	934,103	945,913
Delayed draw term loan facility	717,188	726,563
Convertible senior notes	743,286	741,501
Foreign loans	9,092	10,531
Other debt arrangement	577	687
Total debt	2,404,246	2,425,195
Less: Current maturities of long-term debt	44,250	44,822
Long-term debt	$ 2,359,996	$ 2,380,373

Credit Facility

As of June 29, 2024, the company had $1.7 billion of borrowings outstanding under its credit facility (the "Credit Facility"), including $937.5 million outstanding under the term loan ($934.1 million, net of unamortized issuance fees) and $717.2 million outstanding under the delayed draw term loan. The company also had $4.9 million in outstanding letters of credit as of June 29, 2024, which reduces the borrowing availability under the Credit Facility. Remaining borrowing capacity under this facility was $2.8 billion at June 29, 2024.

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

At June 29, 2024, borrowings under the Credit Facility accrued interest at a rate of 1.375% above the daily simple or term Secured Overnight Financing Rate ("SOFR") per annum or 0.375% above the highest of the prime rate, the federal funds rate plus 0.50% and one month Term SOFR plus 1.00%. The interest rates on borrowings under the Credit Facility may be adjusted quarterly based on the company's Funded Debt less Unrestricted Cash to Pro Forma EBITDA (the "Leverage Ratio") on a rolling four-quarter basis. Additionally, a commitment fee based upon the Leverage Ratio is charged on the unused portion of the commitments under the Credit Facility. As of June 29, 2024, borrowings under the Credit Facility accrued interest at a minimum of 1.375% above SOFR and the variable unused commitment fee will be at a minimum of 0.20%. Borrowings under the Credit Facility accrue interest at a minimum of 1.375% above the daily simple SOFR or term SOFR for the applicable interest period (each of which includes a spread adjustment of 0.10%). The average interest rate per annum, inclusive of hedging instruments, on the debt under the Credit Facility was equal to 5.18% at the end of the period and the variable commitment fee was equal to 0.20% per annum as of June 29, 2024.

The term loan and delayed draw term loan facilities had an average interest rate per annum, inclusive of hedging instruments, of 5.18% as of June 29, 2024.

In addition, the company has international credit facilities to fund working capital needs outside the United States. At June 29, 2024, these foreign credit facilities amounted to $9.1 million in U.S. Dollars with a weighted average per annum interest rate of approximately 2.41%.

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

	Jun 29, 2024		Dec 30, 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Total debt excluding convertible senior notes	$ 1,660,959	$ 1,664,356	$ 1,683,694	$ 1,687,781

The company uses floating-to-fixed interest rate swap agreements to hedge variable interest rate risk associated with the Credit Facility. At June 29, 2024, the company had outstanding floating-to-fixed interest rate swaps totaling $70.0 million notional amount carrying an average interest rate of 2.19% maturing in less than 12 months and $670.0 million notional amount carrying an average interest rate of 1.64% that mature in more than 12 months but less than 44 months.

At June 29, 2024, the company was in compliance with all covenants pursuant to its borrowing agreements.

Convertible Notes

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

	Jun 29, 2024	Dec 30, 2023
	(in thousands)	
Principal amounts:		
Principal	$ 747,499	$ 747,499
Unamortized issuance costs	(4,213)	(5,998)
Net carrying amount	$ 743,286	$ 741,501

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

	Three Months Ended		Six Months Ended	
	Jun 29, 2024	Jul 1, 2023	Jun 29, 2024	Jul 1, 2023
Contractual interest expense	$ 1,848	$ 1,868	$ 3,716	$ 3,738
Interest cost related to amortization of issuance costs	888	898	1,786	1,796
Total interest expense	$ 2,736	$ 2,766	$ 5,502	$ 5,534

The estimated fair value of the Convertible Notes was $800.0 million as of June 29, 2024 and was determined through consideration of quoted market prices. The fair value is classified as Level 2, as defined in Note 1(d), Fair Value Measurements*,* in these Notes to the Condensed Consolidated Financial Statement*.* The if-converted value of the Convertible Notes did not exceed their respective principal value as of June 29, 2024.

Capped Call Transactions

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

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

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

13) Financial Instruments

Foreign Exchange: The company uses foreign currency forward, foreign exchange swaps and option purchase and sales contracts to hedge its exposure to changes in foreign currency exchange rates. The company's primary hedging activities are to mitigate its exposure to changes in exchange rates on intercompany and third-party trade receivables and payables. The company does not currently enter into derivative financial instruments for speculative purposes. In managing its foreign currency exposures, the company identifies and aggregates naturally occurring offsetting positions and then hedges residual balance sheet exposures. The notional amount of foreign currency contracts outstanding was $242.1 million and $253.1 million as of June 29, 2024 and December 30, 2023, respectively. The fair value of the forward and option contracts was a loss of $0.4 million at the end of the second quarter of 2024.

Interest Rate: The company has entered into interest rate swaps to fix the interest rate applicable to certain of its variable-rate debt. The agreements swapped one-month LIBOR for fixed rates. In February 2022, the company entered into an additional floating-to-fixed interest rate swap agreement that uses a daily SOFR in lieu of LIBOR. In April 2023, all outstanding LIBOR swap agreements were amended to one month term SOFR. The company has designated these swaps as cash flow hedges and all changes in fair value of the swaps are recognized in accumulated other comprehensive income. As of June 29, 2024, the fair value of these instruments was an asset of $42.9 million. The change in fair value of these swap agreements in the first six months of 2024 was a gain of $1.0 million, net of taxes.

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

	Condensed Consolidated Balance Sheet Presentation	Jun 29, 2024	Dec 30, 2023
Fair value	Prepaid expense and other	$ 1,181	$ 2,897
Fair value	Other assets	$ 41,741	$ 39,882

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

		Three Months Ended		Six Months Ended	
	Presentation of Gain/(loss)	Jun 29, 2024	Jul 1, 2023	Jun 29, 2024	Jul 1, 2023
Gain/(loss) recognized in accumulated other comprehensive income	Other comprehensive income	$ 3,721	$ 16,657	$ 14,568	$ 12,435
Gain/(loss) reclassified from accumulated other comprehensive income (effective portion)	Interest expense	$ 6,859	$ 8,275	$ 14,425	$ 15,284

Interest rate swaps are subject to default risk to the extent the counterparties are unable to satisfy their settlement obligations under the interest rate swap agreements. As a result, the company has counterparty credit exposure to large global financial institutions, which the company monitors on a regular basis.

14) Segment Information

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

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

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

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

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The chief operating decision maker evaluates individual segment performance based on operating income.

Net Sales Summary
(dollars in thousands)

	Three Months Ended				Six Months Ended			
	Jun 29, 2024		Jul 1, 2023		Jun 29, 2024		Jul 1, 2023	
	Sales	Percent	Sales	Percent	Sales	Percent	Sales	Percent
Business Segments:								
Commercial Foodservice	$ 619,379	62.5 %	$ 645,663	62.1 %	$ 1,209,723	63.1 %	$ 1,259,598	61.5 %
Food Processing	179,404	18.1	188,748	18.1	342,087	17.8	362,251	17.7
Residential Kitchen	192,763	19.4	205,571	19.8	366,662	19.1	425,529	20.8
Total	$ 991,546	100.0 %	$ 1,039,982	100.0 %	$ 1,918,472	100.0 %	$ 2,047,378	100.0 %

The following table summarizes the results of operations for the company's business segments[1] (dollars in thousands):

	Commercial Foodservice	Food Processing	Residential Kitchen	Corporate and Other[2]	Total
Three Months Ended June 29, 2024					
Net sales	$ 619,379	$ 179,404	$ 192,763	$ —	$ 991,546
Income (loss) from operations [3]	151,713	40,484	10,132	(26,621)	175,708
Depreciation expense [4]	6,906	2,276	3,969	430	13,581
Amortization expense [5]	12,729	1,760	1,799	1,778	18,066
Net capital expenditures	4,206	2,538	3,760	433	10,937
Six Months Ended June 29, 2024					
Net sales	$ 1,209,723	$ 342,087	$ 366,662	$ —	$ 1,918,472
Income (loss) from operations [3]	283,371	72,837	14,669	(58,036)	312,841
Depreciation expense [4]	13,928	4,306	7,774	846	26,854
Amortization expense [5]	26,323	3,714	3,601	3,564	37,202
Net capital expenditures	10,289	4,356	9,019	1,016	24,680
Total assets	$ 3,709,686	$ 980,867	$ 1,939,941	$ 395,289	$ 7,025,783
Three Months Ended July 1, 2023					
Net sales	$ 645,663	$ 188,748	$ 205,571	$ —	$ 1,039,982
Income (loss) from operations [3]	156,969	39,324	19,096	(30,618)	184,771
Depreciation expense [4]	7,011	1,889	3,319	304	12,523
Amortization expense [5]	14,138	132	2,250	1,787	18,307
Net capital expenditures	10,843	2,869	7,540	1,578	22,830
Six Months Ended July 1, 2023					
Net sales	$ 1,259,598	$ 362,251	$ 425,529	$ —	$ 2,047,378
Income (loss) from operations [3]	293,531	74,011	40,282	(62,031)	345,793
Depreciation expense [4]	13,177	3,986	6,766	571	24,500
Amortization expense [5]	28,946	4,269	4,488	3,574	41,277
Net capital expenditures	27,749	5,072	13,754	1,740	48,315
Total assets	$ 3,828,055	$ 1,034,594	$ 1,974,752	$ 147,357	$ 6,984,758

(1) Non-operating expenses are not allocated to the operating segments. Non-operating expenses consist of interest expense and deferred financing amortization, foreign exchange gains and losses and other income and expense items outside of income from operations.
(2) Includes corporate and other general company assets and operations.
(3) Restructuring expenses are allocated in operating income by segment.
(4) Includes depreciation on right of use assets.
(5) Includes amortization of deferred financing costs and Convertible Notes issuance costs.

Geographic Information

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

	Jun 29, 2024	Jul 1, 2023
United States and Canada	$ 497,504	$ 497,064
Asia	39,772	38,105
Europe and Middle East	210,869	156,780
Latin America	11,613	13,968
Total international	$ 262,254	$ 208,853
	$ 759,758	$ 705,917

15) Employee Retirement Plans

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

	Three Months Ended		Six Months Ended	
	Jun 29, 2024	Jul 1, 2023	Jun 29, 2024	Jul 1, 2023
Net Periodic Pension Benefit:				
Interest cost	$ 10,809	$ 11,476	$ 21,589	$ 22,614
Expected return on assets	(15,340)	(14,652)	(30,637)	(28,871)
Amortization of net loss	13	7	26	14
Amortization of prior service cost	660	651	1,319	1,282
	$ (3,858)	$ (2,518)	$ (7,703)	$ (4,961)

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

16) Share Repurchases

In November 2017, the company's Board of Directors approved a stock repurchase program authorizing the company to repurchase in the aggregate up to 2,500,000 shares of its outstanding common stock. In May 2022, the company's Board of Directors approved the repurchase of an additional 2,500,000 shares of its outstanding common stock under the current program. The company did not purchase shares of its common stock under the program during the three months ended June 29, 2024. As of June 29, 2024, 3,116,364 shares had been purchased under the stock repurchase program and 1,883,636 shares remained authorized for repurchase.

Subsequent to the end of the second quarter, in July 2024, the company's Board of Directors approved the repurchase of an additional 2,500,000 shares of its outstanding common stock under the current program, leaving 4,383,636 authorized shares available for repurchase.

The company also treats shares withheld for tax purposes on behalf of employees in connection with the vesting of restricted share grants as common stock repurchases because they reduce the number of shares that would have been issued upon vesting. During the three and six months ended June 29, 2024, the company repurchased 6,296 and 116,155 shares of its common stock that were surrendered to the company for withholding taxes related to restricted stock vestings for $1.0 million and $18.0 million.

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

Special Notes Regarding Forward-Looking Statements

This report contains forward-looking statements subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995. The company cautions readers that these projections are based upon future results or events and are highly dependent upon a variety of important factors which could cause such results or events to differ materially from any forward-looking statements which may be deemed to have been made in this report, or which are otherwise made by or on behalf of the company. Such factors include, but are not limited to, volatility in earnings resulting from goodwill impairment losses which may occur irregularly and in varying amounts; variability in financing costs and interest rates; quarterly variations in operating results; dependence on key customers; international exposure; foreign exchange and political risks affecting international sales; unfavorable tax law changes and tax authority rulings; ability to protect trademarks, copyrights and other intellectual property; cybersecurity attacks and other breaches in security; changing market conditions, including inflation; the impact of competitive products and pricing; the timely development and market acceptance of the company’s products; the availability and cost of raw materials; the company's continued ability to realize profitable growth through the sourcing and completion of strategic acquisitions; and other risks detailed herein and from time-to-time in the company’s SEC filings, including the company’s 2023 Annual Report on Form 10-K. All forward-looking statements are expressly qualified in their entirety by these cautionary statements. The forward-looking statements included in this report are made only as of the date hereof and, except as required by federal securities laws and rules and regulations of the SEC, the company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Current Events

Inflation and Interest Rate Environment

The company has been negatively impacted by inflation in wages, logistics, energy, raw materials and component costs. Price increases and pricing strategies have been implemented to mitigate the impact of cost inflation on margins and the company continues to actively monitor costs. High inflation and uncertainty surrounding the Federal Reserve's interest rate policy decisions led to increased interest rates in 2023 and into the first quarter of 2024, which combined with global macroeconomic uncertainty, has and may continue to impact customer demand. Most notably in our residential segment, we have faced recent demand headwinds due to macroeconomic conditions. Even in light of such headwinds, we remain focused on delivering strong financial results and executing on our long-term strategy and profitability objectives.

Supply Chain, Labor and Logistics Constraints

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

<u>Net Sales Summary</u>
(dollars in thousands)

	Three Months Ended				Six Months Ended			
	Jun 29, 2024		Jul 1, 2023		Jun 29, 2024		Jul 1, 2023	
	Sales	Percent	Sales	Percent	Sales	Percent	Sales	Percent
<u>Business Segments:</u>								
Commercial Foodservice	$ 619,379	62.5 %	$ 645,663	62.1 %	$ 1,209,723	63.1 %	$ 1,259,598	61.5 %
Food Processing	179,404	18.1	188,748	18.1	342,087	17.8	362,251	17.7
Residential Kitchen	192,763	19.4	205,571	19.8	366,662	19.1	425,529	20.8
Total	$ 991,546	100.0 %	$ 1,039,982	100.0 %	$ 1,918,472	100.0 %	$ 2,047,378	100.0 %

Results of Operations

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

	Three Months Ended		Six Months Ended	
	Jun 29, 2024	Jul 1, 2023	Jun 29, 2024	Jul 1, 2023
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	61.7	62.2	62.2	62.3
Gross profit	38.3	37.8	37.8	37.7
Selling, general and administrative expenses	20.0	19.6	21.1	20.5
Restructuring	0.6	0.5	0.4	0.4
Income from operations	17.7	17.8	16.3	16.9
Interest expense and deferred financing amortization, net	2.5	3.0	2.7	3.0
Net periodic pension benefit (other than service costs)	(0.4)	(0.2)	(0.4)	(0.2)
Other expense (income), net	—	—	—	0.1
Earnings before income taxes	15.6	15.0	14.0	14.0
Provision for income taxes	4.0	3.8	3.5	3.5
Net earnings	11.6 %	11.2 %	10.5 %	10.5 %

<u>Three Months Ended June 29, 2024 as compared to Three Months Ended July 1, 2023</u>

NET SALES. Net sales for the three months period ended June 29, 2024 decreased by $48.4 million or 4.7% to $991.6 million as compared to $1,040.0 million in the three months period ended July 1, 2023. Net sales increased by $3.3 million, or 0.3%, from the fiscal 2023 acquisitions of Filtration Automation, Terry, and Trade-Wind and the fiscal 2024 acquisitions of GBT GmbH Bakery and MaxMac. Excluding acquisitions, net sales decreased $51.7 million, or 5.0%, from the prior year period. The impact of foreign exchange rates on foreign sales translated into U.S. Dollars for the three months period ended June 29, 2024 decreased net sales by approximately $2.0 million or 0.2%. Excluding the impact of foreign exchange and acquisitions, sales decreased 4.8% for the three months period ended June 29, 2024 as compared to the prior year period, including a net sales decrease of 3.9% at the Commercial Foodservice Equipment Group, a net sales decrease of 5.7% at the Food Processing Equipment Group and a net sales decrease of 6.7% at the Residential Kitchen Equipment Group.

- Net sales of the Commercial Foodservice Equipment Group decreased by $26.3 million, or 4.1%, to $619.4 million in the three months period ended June 29, 2024, as compared to $645.7 million in the prior year period. Excluding the impact of the acquisition of Terry, acquired July 5, 2023, net sales of the Commercial Foodservice Equipment Group decreased $26.7 million, or 4.1%, as compared to the prior year period. Excluding the impact of foreign exchange and the acquisition, net sales decreased $25.2 million, or 3.9%, at the Commercial Foodservice Equipment Group. Domestically, the company realized a sales decrease of $32.4 million, or 6.8%, to $442.4 million, as compared to $474.8 million in the prior year period. Excluding the acquisition, the net decrease in domestic sales was $32.8 million, or 6.9%. The decrease in domestic sales is related to slow market conditions. International sales increased $6.1 million, or 3.6%, to $177.0 million, as compared to $170.9 million in the prior year period. Excluding the impact of foreign exchange and the acquisition, the net sales increase in international sales was $7.6 million, or 4.4%. The increase in international sales is related to improvements in market conditions, primarily in the European and Latin American markets.
- Net sales of the Food Processing Equipment Group decreased by $9.3 million, or 4.9%, to $179.4 million in the three months period ended June 29, 2024, as compared to $188.7 million in the prior year period. Excluding the impact of the acquisitions of Filtration Automation, GBT GmbH Bakery, and MaxMac acquired June 13, 2023, February 7, 2024, and April 19, 2024, respectfully, net sales of the Food Processing Equipment Group decreased $11.2 million, or 5.9%, as compared to the prior year period. Excluding the impact of foreign exchange and the acquisitions, net sales decreased $10.7 million, or 5.7%, at the Food Processing Equipment Group. Domestically, the company realized a sales decrease of $18.2 million, or 14.3%, to $108.7 million, as compared to $126.9 million in the prior year period. Excluding acquisitions, the net decrease in domestic sales was $19.1 million, or 15.1%. International sales increased $8.9 million, or 14.4%, to $70.7 million, as compared to $61.8 million in the prior year period. Excluding the impact of foreign exchange and acquisitions, the net sales increase in international sales was $8.4 million, or 13.6%. The increase in international sales is primarily related to protein product growth in the European markets.
- Net sales of the Residential Kitchen Equipment Group decreased by $12.8 million, or 6.2%, to $192.8 million in the three months period ended June 29, 2024, as compared to $205.6 million in the prior year period. Excluding the impact of foreign exchange and the acquisition of Trade-Wind, acquired August 1, 2023, net sales decreased $13.8 million, or 6.7% at the Residential Kitchen Equipment Group. Domestically, the company realized a sales decrease of $10.0 million, or 7.4%, to $124.8 million, as compared to $134.8 million in the prior year period. Excluding the acquisition, the net decrease in domestic sales was $11.0 million, or 8.2%. International sales decreased $2.8 million, or 4.0%, to $68.0 million, as compared to $70.8 million in the prior year period. Excluding the impact of foreign exchange, the net sales decrease in international sales was $2.8 million, or 4.0%. The decrease in net sales was primarily driven by challenging market conditions domestically and in the European markets.

GROSS PROFIT. Gross profit decreased to $379.6 million in the three months period ended June 29, 2024, as compared to $393.2 million in the prior year period, primarily driven by lower sales volumes. The impact of foreign exchange rates decreased gross profit by approximately $0.8 million. The gross margin rate was 38.3% in the three months period ended June 29, 2024, as compared to 37.8% in the prior year period primarily reflecting an improved product mix.

- Gross profit at the Commercial Foodservice Equipment Group decreased by $7.9 million, or 3.0%, to $251.4 million in the three months period ended June 29, 2024, as compared to $259.3 million in the prior year period. Excluding the acquisition, gross profit decreased by $8.2 million. The impact of foreign exchange rates decreased gross profit by approximately $0.6 million. The gross margin rate increased to 40.6%, as compared to 40.2% in the prior year period related to product mix. The gross margin rate, excluding the acquisition and the impact of foreign exchange, was 40.6%.

- Gross profit at the Food Processing Equipment Group increased by $5.4 million, or 8.3%, to $70.2 million in the three months period ended June 29, 2024, as compared to $64.8 million in the prior year period. Gross profit from the acquisitions of Filtration Automation, GBT GmbH Bakery, and MaxMac increased gross profit by $1.2 million. The impact of foreign exchange rates decreased gross profit by approximately $0.2 million. Excluding the acquisitions, gross profit increased by $4.2 million. The gross profit margin rate increased to 39.1%, as compared to 34.3% in the prior year period. The gross margin rate, excluding acquisitions and the impact of foreign exchange, was 38.9%.

- Gross profit at the Residential Kitchen Equipment Group decreased by $12.4 million, or 17.9%, to $57.0 million in the three months period ended June 29, 2024, as compared to $69.4 million in the prior year period. Excluding the acquisition, gross profit decreased by $12.8 million related to lower sales volume. The gross margin rate decreased to 29.6%, as compared to 33.8% in the prior year period. The gross margin rate excluding the acquisition and the impact of foreign exchange was 29.5%.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Combined selling, general and administrative expenses decreased to $198.6 million in the three months period ended June 29, 2024, as compared to $203.5 million in the three months period ended July 1, 2023. As a percentage of net sales, selling, general, and administrative expenses were 20.0% in the three months period ended June 29, 2024 as compared to 19.6% in the three months period ended July 1, 2023.

Selling, general and administrative expenses reflect increased costs of $0.9 million associated with acquisitions, including $0.2 million of intangible amortization expense. Selling, general and administrative expenses decreased $2.3 million related to professional fees, $1.4 million related to lower commissions and $1.1 in reduced compensation costs. Foreign exchange rates had a favorable impact of $0.4 million.

RESTRUCTURING EXPENSES. Restructuring expenses increased $0.5 million to $5.4 million for the three months period ended June 29, 2024, as compared to $4.9 million for the three months period ended July 1, 2023. Restructuring expenses in the three months period ended June 29, 2024 related primarily to headcount reductions and facility consolidations within all three segments. Restructuring expenses in the three months period ended July 1, 2023 related primarily to headcount reductions and facility consolidations within the Residential Kitchen Equipment Group and Commercial Foodservice Group.

NON-OPERATING EXPENSES. Interest and deferred financing amortization costs were $24.6 million in the three months period ended June 29, 2024, as compared to $31.5 million in the prior year period primarily reflecting the decrease in debt levels on our current debt structure. Net periodic pension benefit (other than service costs) increased $1.1 million to $3.7 million in the three months period ended June 29, 2024, as compared to $2.6 million in the prior year period related to the slight decrease in discount rate used to calculate the interest cost and increase in expected return on assets as a result of the higher assets value. Other expense was $0.1 million in the three months period ended June 29, 2024, as compared to other income of $0.3 million in the prior year period and consists mainly of foreign exchange gains and losses.

INCOME TAXES. A tax provision of $39.4 million, at an effective rate of 25.4%, was recorded during the three months period ended June 29, 2024, as compared to $39.3 million at an effective rate of 25.2%, in the prior year period. The effective tax rate for the three months period ended June 29, 2024 is higher than the U.S. statutory tax rate of 21% primarily due to state taxes and foreign tax rate differentials.

Six Months Ended June 29, 2024 as compared to Six Months Ended July 1, 2023

NET SALES. Net sales for the six months period ended June 29, 2024 decreased by $128.9 million, or 6.3%, to $1,918.5 million as compared to $2,047.4 million in the six months period ended July 1, 2023. Net sales increased by $7.2 million, or 0.4%, from the fiscal 2023 acquisitions of Flavor Burst, Blue Sparq, Filtration Automation, Terry, and Trade-Wind and the fiscal 2024 acquisitions of GBT GmbH Bakery and MaxMac. Excluding acquisitions, net sales decreased $136.1 million, or 6.6%, from the prior year period. The impact of foreign exchange rates on foreign sales translated into U.S. Dollars for the six months period ended June 29, 2024 increased net sales by approximately $1.6 million. Excluding the impact of foreign exchange and acquisitions, sales decreased 6.7% for the six months period ended June 29, 2024 as compared to the prior year period, including a net sales decrease of 4.0% at the Commercial Foodservice Equipment Group, a net sales decrease of 6.7% at the Food Processing Equipment Group and a net sales decrease of 14.7% at the Residential Kitchen Equipment Group.

- Net sales of the Commercial Foodservice Equipment Group decreased by $49.9 million, or 4.0%, to $1,209.7 million in the six months period ended June 29, 2024, as compared to $1,259.6 million in the prior year period. Net sales from the acquisitions of Flavor Burst, Blue Sparq, and Terry which were acquired on January 24, 2023, April 3, 2023 and July 5, 2023, respectively, accounted for an increase of $1.5 million during the six months period ended June 29, 2024. Excluding the impact of acquisitions, net sales of the Commercial Foodservice Equipment Group decreased $51.4 million, or 4.1%, as compared to the prior year period. Excluding the impact of foreign exchange and acquisitions, net sales decreased $51.0 million, or 4.0%, at the Commercial Foodservice Equipment Group. Domestically, the company realized a sales decrease of $58.5 million, or 6.3%, to $868.9 million, as compared to $927.4 million in the prior year period. This includes an increase of $1.4 million from recent acquisitions. Excluding acquisitions, the net decrease in domestic sales was $59.9 million, or 6.5%, as compared to the prior year period. The decrease in domestic sales is related to slow market conditions. International sales increased $8.6 million, or 2.6%, to $340.8 million, as compared to $332.2 million in the prior year period. Excluding the impact of foreign exchange and acquisitions, the net sales increase in international sales was $8.9 million, or 2.7%. The increase in international revenues is related to improvements in market conditions, primarily in the European and Latin American markets.

- Net sales of the Food Processing Equipment Group decreased by $20.2 million, or 5.6%, to $342.1 million in the six months period ended June 29, 2024, as compared to $362.3 million in the prior year period. Net sales from the acquisitions of Filtration Automation, GBT GmbH Bakery, and MaxMac acquired June 13, 2023, February 7, 2024, and April 19, 2024, respectfully, accounted for an increase of $3.7 million during the six months period ended June 29, 2024. Excluding the impact of acquisitions, net sales of the Food Processing Equipment Group decreased $23.9 million, or 6.6%, as compared to the prior year period. Excluding the impact of foreign exchange and acquisitions, net sales decreased $24.1 million, or 6.7%, at the Food Processing Equipment Group. Domestically, the company realized a sales decrease of $32.2 million, or 13.2%, to $211.7 million, as compared to $243.9 million in the prior year period. This includes an increase of $2.6 million from recent acquisitions. Excluding acquisitions, the net decrease in domestic sales was $34.8 million, or 14.3%, as compared to the prior year period. The decrease in domestic sales is driven primarily by protein products. International sales increased $12.0 million, or 10.1%, to $130.4 million, as compared to $118.4 million in the prior year period. This includes an increase of $1.1 million from the recent acquisitions and an increase of $0.2 million related to the favorable impact of exchange rates. Excluding the impact of foreign exchange and acquisitions, the net sales increase in international sales was $10.7 million, or 9.0%. The increase in international sales reflects growth driven primarily by protein products.

- Net sales of the Residential Kitchen Equipment Group decreased by $58.8 million, or 13.8%, to $366.7 million in the six months period ended June 29, 2024, as compared to $425.5 million in the prior year period. Excluding the impact of the acquisition of Trade-Wind, net sales decreased $60.8 million, or 14.3%. Excluding the impact of foreign exchange, net sales decreased $62.6 million, or 14.7%, at the Residential Kitchen Equipment Group. Domestically, the company realized a sales decrease of $46.9 million, or 16.8%, to $231.8 million, as compared to $278.7 million in the prior year period. Excluding the impact of acquisition, the net sales of the Residential Kitchen Equipment Group decreased $48.9 million, or 17.5%, as compared to the prior year period. International sales decreased $11.9 million, or 8.1%, to $134.9 million, as compared to $146.8 million in the prior year period. This includes an increase of $1.8 million related to the favorable impact of exchange rates. Excluding the impact of foreign exchange and acquisitions, the net sales decrease in international sales was $13.7 million, or 9.3%. The decrease in net sales was primarily driven by challenging market conditions domestically and in the European markets.

GROSS PROFIT. Gross profit decreased to $726.0 million in the six months period ended June 29, 2024 as compared to $772.0 million in the prior year period, primarily driven by lower sales volumes at the Commercial Foodservice Equipment Group and Residential Kitchen Equipment Group. The impact of foreign exchange rates increased gross profit by approximately $0.4 million. The gross margin rate was 37.8% in the six months period ended June 29, 2024 as compared to 37.7% in the six months period ended July 1, 2023 primarily reflecting improved product mix.

- Gross profit at the Commercial Foodservice Equipment Group decreased by $19.0 million, or 3.8%, to $482.4 million in the six months period ended June 29, 2024, as compared to $501.4 million in the prior year period. Gross profit from the acquisitions of Flavor Burst, Blue Sparq, and Terry increased gross profit by $0.8 million. Excluding acquisitions, gross profit decreased by $19.8 million related to lower sales volume. The impact of foreign exchange rates decreased gross profit by approximately $0.3 million. The gross margin rate increased to 39.9%, as compared to 39.8% in the prior year period. The gross margin rate, excluding acquisitions and the impact of foreign exchange, was 39.9%.

- Gross profit at the Food Processing Equipment Group increased by $3.2 million, or 2.5%, to $133.6 million in the six months period ended June 29, 2024, as compared to $130.4 million in the prior year period. Gross profit from the acquisitions of Filtration Automation, GBT GmbH Bakery, and MaxMac increased gross profit by $2.0 million. Excluding acquisitions, gross profit increased by $1.2 million. The impact of foreign exchange rates increased gross profit by approximately $0.2 million. The gross profit margin rate increased to 39.1%, as compared to 36.0% in the prior year period primarily related to improved product mix. The gross margin rate, excluding acquisitions and the impact of foreign exchange, was 38.9%.

- Gross profit at the Residential Kitchen Equipment Group decreased by $31.6 million, or 22.6%, to $108.2 million in the six months period ended June 29, 2024, as compared to $139.8 million in the prior year period. The impact of foreign exchange rates increased gross profit by approximately $0.5 million. The gross margin rate decreased to 29.5%, as compared to 32.9% in the prior year period. The gross margin rate, excluding acquisitions and the impact of foreign exchange, was 29.4%.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Combined selling, general and administrative expenses decreased to $404.6 million in the six months period ended June 29, 2024, as compared to $418.9 million in the six months period ended July 1, 2023. As a percentage of net sales, selling, general, and administrative expenses were 21.1% in the six months period ended June 29, 2024, as compared to 20.5% in the six months period ended July 1, 2023.

Selling, general and administrative expenses reflect increased costs of $3.4 million associated with acquisitions, including $0.5 million of intangible amortization expense. Selling, general and administrative expenses decreased $4.6 million related to intangible amortization expense, $4.1 million related to professional fees and $5.8 million related to reduced compensation costs including commissions. Foreign exchange rates had an unfavorable impact of $0.5 million.

RESTRUCTURING EXPENSES. Restructuring expenses increased $1.2 million to $8.5 million in the six months period ended June 29, 2024 from $7.3 million in the six months period ended July 1, 2023. Restructuring expenses in the six months period ended June 29, 2024 related primarily to headcount reductions and facility consolidations within all three segments. Restructuring expenses in the six months period ended July 1, 2023 related primarily to headcount reductions and facility consolidations within the Residential Kitchen Equipment Group and Commercial Foodservice Equipment Group.

NON-OPERATING EXPENSES. Interest and deferred financing amortization costs were $50.8 million in the six months period ended June 29, 2024, as compared to $61.0 million in the prior year period, reflecting the decrease in debt levels on our current debt structure. Net periodic pension benefit (other than service costs) increased $2.6 million to $7.4 million in the six months period ended June 29, 2024, as compared to $4.8 million in the prior year period related to the decrease in discount rate used to calculate the interest cost and increase in expected return on assets as a result of the higher assets value. Other income was $0.2 million in the six months period ended June 29, 2024, as compared to other expense of $1.6 million in the prior year period and consists mainly of foreign exchange gains and losses.

INCOME TAXES. A tax provision of $67.7 million, at an effective rate of 25.1%, was recorded during the six months period ended June 29, 2024, as compared to $72.1 million at an effective rate of 25.0%, in the prior year period. The effective tax rate for the six months period ended June 29, 2024 is higher than the prior period year rate primarily due to an increase in the UK statutory income tax rate from a 23.5% blended rate in 2023 to 25.0% in 2024.

Financial Condition and Liquidity

Total cash and cash equivalents increased by $212.0 million to $459.5 million at June 29, 2024 from $247.5 million at December 30, 2023. Total debt amounted to $2.4 billion at June 29, 2024 and December 30, 2023.

OPERATING ACTIVITIES. Net cash provided by operating activities after changes in assets and liabilities amounted to $290.4 million as compared to $154.0 million in the prior year.

During the six months period ended June 29, 2024, working capital changes meaningfully impacted operating cash flows primarily driven by a decrease in accounts receivable of $14.8 million due to lower sales levels, decreased inventory levels of $7.7 million and an increase of $13.7 million in accounts payable.

INVESTING ACTIVITIES. During the six months period ended June 29, 2024, net cash used for investing activities amounted to $30.3 million. Cash used to fund acquisitions amounted to $5.6 million. Additionally, $24.7 million was expended, primarily for upgrades of production equipment and manufacturing facilities.

FINANCING ACTIVITIES. Net cash flows used for financing activities amounted to $42.7 million during the six months period ended June 29, 2024. The company's borrowing activities during 2024 included $21.9 million of net repayments under its Credit Facility. Additionally, during 2024, the company used $18.0 million to repurchase 116,155 shares of Middleby common stock that were surrendered to the company for withholding taxes related to restricted stock vestings.

At June 29, 2024, the company was in compliance with all covenants pursuant to its borrowing agreements. The company believes that its current capital resources, including cash and cash equivalents, cash expected to be generated from operations, funds available from its current lenders and access to the credit and capital markets will be sufficient to finance its operations, debt service obligations, capital expenditures, product development and expenditures for the foreseeable future.

Recently Issued Accounting Standards

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

Critical Accounting Policies and Estimates

Management's discussion and analysis of financial condition and results of operations are based upon the company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the company to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses as well as related disclosures. On an ongoing basis, the company evaluates its estimates and judgments based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions and any such differences could be material to the company's consolidated financial statements. There have been no changes in the company's critical accounting policies, which include revenue recognition, inventories, goodwill and indefinite-life intangibles, convertible debt, pensions benefits, and income taxes, as discussed in the company's Annual Report on Form 10-K for the year ended December 30, 2023 (the "2023 Annual Report on Form 10-K").

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

The company is exposed to market risk related to changes in interest rates. The following table summarizes the maturity of the company's debt obligations:

Twelve Month Period coinciding with the end of the company's Fiscal Second Quarter		Variable Rate Debt
2025	$	44,250
2026		787,030
2027		1,567,497
2028		702
2029 and thereafter		4,767
	$	2,404,246

The company is exposed to interest rate risk on its floating-rate debt. The company has entered into interest rate swaps to fix the interest rate applicable to certain of its variable-rate debt. The agreements swapped one-month LIBOR for fixed rates. In February 2022, the company entered into an additional floating-to-fixed interest rate swap agreement that uses a daily SOFR in lieu of LIBOR. In April 2023, all outstanding LIBOR swap agreements were amended to one month term SOFR. The company has designated these swaps as cash flow hedges and all changes in fair value of the swaps are recognized in accumulated other comprehensive income. As of June 29, 2024, the fair value of these instruments was an asset of $42.9 million. The change in fair value of these swap agreements in the first six months of 2024 was a gain of $1.0 million, net of taxes. The potential net loss on fair value for such instruments from a hypothetical 10% adverse change in quoted interest rates would not have a material impact on the company's financial position, results of operations and cash flows.

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

Foreign Exchange Derivative Financial Instruments

The company uses derivative financial instruments, principally foreign currency forward purchase and sale contracts with terms of less than one year, to hedge its exposure to changes in foreign currency exchange rates. The company's primary hedging activities are to mitigate its exposure to changes in exchange rates on intercompany and third-party trade receivables and payables. The company does not currently enter into derivative financial instruments for speculative purposes. In managing its foreign currency exposures, the company identifies and aggregates naturally occurring offsetting positions and then hedges residual balance sheet exposures. The potential net loss on fair value for such instruments from a hypothetical 10% adverse change in quoted foreign exchange rates would not have a material impact on the company's financial position, results of operations and cash flows. The fair value of the forward and option contracts was a loss of $0.4 million at the end of the second quarter of 2024.

Item 4. Controls and Procedures

The company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the company's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of June 29, 2024, the company carried out an evaluation, under the supervision and with the participation of the company's management, including the company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the company's disclosure controls and procedures. Based on the foregoing, the company's Chief Executive Officer and Chief Financial Officer concluded that the company's disclosure controls and procedures were effective as of the end of this period.

During the quarter ended June 29, 2024, there has been no change in the company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting.

PART II. OTHER INFORMATION

The company was not required to report the information pursuant to Items 1 through 6 of Part II of Form 10-Q for the six months ended June 29, 2024, except as follows:

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

c) Issuer Purchases of Equity Securities

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan or Program	Maximum Number of Shares that May Yet be Purchased Under the Plan or Program (1)
March 31, 2024 to April 27, 2024	—	$ —	—	1,883,636
April 28, 2024 to May 25, 2024	—	—	—	1,883,636
May 26, 2024 to June 29, 2024	—	—	—	1,883,636
Quarter ended June 29, 2024	—	$ —	—	1,883,636

(1) On November 7, 2017, the company's Board of Directors resolved to terminate the company's existing share repurchase program, effective as of such date, which was originally adopted in 1998, and approved a new stock repurchase program. This program authorizes the company to repurchase in the aggregate up to 2,500,000 shares of its outstanding common stock. In May 2022, the company's Board of Directors approved the repurchase of an additional 2,500,000 shares of its outstanding common stock under the current program. As of June 29, 2024, the total number of shares authorized for repurchase under the program is 5,000,000 shares. As of June 29, 2024, 3,116,364 shares had been purchased under the stock repurchase program and 1,883,636 shares remained authorized for repurchase.

Subsequent to the end of the second quarter, in July 2024, the company's Board of Directors approved the repurchase of an additional 2,500,000 shares of its outstanding common stock under the current program, leaving 4,383,636 authorized shares available for repurchase.

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

Item 6. Exhibits

Exhibits:	
Exhibit 31.1 –	Rule 13a-14(a)/15d -14(a) Certification of the Chief Executive Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 31.2 –	Rule 13a-14(a)/15d -14(a) Certification of the Chief Financial Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.1 –	Certification by the Principal Executive Officer of The Middleby Corporation Pursuant to Rule 13A-14(b) under the Exchange Act and Section 906 of the Sarbanes-Oxley Act of 2002(18 U.S.C. 1350).
Exhibit 32.2 –	Certification by the Principal Financial Officer of The Middleby Corporation Pursuant to Rule 13A-14(b) under the Exchange Act and Section 906 of the Sarbanes-Oxley Act of 2002(18 U.S.C. 1350).
Exhibit 101 –	Financial statements on Form 10-Q for the quarter ended June 29, 2024, filed on August 8, 2024, formatted in Inline Extensive Business Reporting Language (iXBRL); (i) condensed consolidated balance sheets, (ii) condensed consolidated statements of earnings, (iii) condensed statements of cash flows, (iv) notes to the condensed consolidated financial statements.
Exhibit 104 –	Cover Page Interactive Data File (formatted as Inline Extensive Business Reporting Language (iXBRL) and contained in Exhibit 101).

SIGNATURE

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

THE MIDDLEBY CORPORATION
(Registrant)

Date: August 8, 2024

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

EXHIBIT 31.1

CERTIFICATIONS

I, Timothy J. FitzGerald, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Middleby Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent function):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal controls over financial reporting.

Date: August 8, 2024

/s/ Timothy J. FitzGerald

Timothy J. FitzGerald
Chief Executive Officer of The Middleby Corporation

EXHIBIT 31.2

CERTIFICATIONS

I, Bryan E. Mittelman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Middleby Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: August 8, 2024

/s/ Bryan E. Mittelman

Bryan E. Mittelman

Chief Financial Officer of The Middleby Corporation

EXHIBIT 32.1

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

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

I, Timothy J. FitzGerald, Chief Executive Officer (principal executive officer) of The Middleby Corporation (the “Registrant”), certify, to the best of my knowledge, based upon a review of the Quarterly Report on Form 10-Q for the period ended June 29, 2024 of the Registrant (the “Report”), that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

(2) The information contained in the Report fairly presents, in all material aspects, the financial condition and results of operations of the Registrant.

Date: August 8, 2024

/s/ Timothy J. FitzGerald
Timothy J. FitzGerald

EXHIBIT 32.2

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

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

I, Bryan E. Mittelman, Chief Financial Officer (principal financial officer) of The Middleby Corporation (the “Registrant”), certify, to the best of my knowledge, based upon a review of the Quarterly Report on Form 10-Q for the period ended June 29, 2024 of the Registrant (the “Report”), that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

(2) The information contained in the Report fairly presents, in all material aspects, the financial condition and results of operations of the Registrant.

Date: August 8, 2024

/s/ Bryan E. Mittelman
Bryan E. Mittelman