



Seaport Global

August 26, 2020

COVID-19 Implemented Actions



COVID-19 UPDATE

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

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

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

Financial Results



Q2 2020 FINANCIAL RESULTS

	2Q20	2Q19	Change
Net Sales	\$472.0	\$761.0	-38.0%
Gross Profit	153.1	286.5	-46.6%
% of Sales	32.4%	37.6%	
Operating Income	39.1	139.6	-72.0%
Net Earnings	21.2	92.2	-77.0%
Adjusted EBITDA	85.0	172.5	-50.7%
% of Sales	18.0%	22.7%	
LTM Bank EBITDA as defined in credit agreement	597.1	671.6	-11.1%
Operating Cash Flow	77.6	67.6	14.8%

RESULTS COMMENTARY

- Revenue decline of 40% organically
- Organic growth declines in all segments due to COVID-19 impacts. Commercial Foodservice (49%) and Residential Kitchen (32%) and Food Processing (1%)
- In spite of challenging market conditions, given our industry-leading margins and focus on cost control, while ensuring sufficient continuity of operations, we generated strong levels of profitability.
- We continue to generate strong Adjusted EBITDA across all segments:
 - Commercial Foodservice 17.9%
 - Food Processing 22.6%
 - Residential Kitchen 12.2%
- Q2 2020 operating cash flow increased over the prior year and included the benefit of reduced working capital.
- Our LTM cash flows were a record high at \$440.6 million.
- We expect positive cash flows for the remainder of 2020.

Segment Results



Commercial Foodservice

	2Q20	2Q19	Change
Revenues	267,500	513,279	-47.9%
EBITDA	47,864	129,785	-63.1%
EBITDA as % of Revenues	17.9%	25.3%	

Revenue and Growth

U.S.	195,900	-45.2%
Non-U.S.	71,600	-54.0%

Domestic and international revenue decline as a result of COVID-19; however order rates showed improvement throughout the quarter. Several market sectors with stronger demand include QSR, pizza, healthcare and c-stores. Focused efforts on providing solutions for customers to meet current safety and operational needs.

Residential Kitchen Equipment

	2Q20	2Q19	Change
Revenues	102,914	149,872	-31.3%
EBITDA	12,589	27,476	-54.2%
EBITDA as % of Revenues	12.2%	18.3%	

Revenue and Growth

U.S.	81,700	-18.7%
Non-U.S.	21,200	-57.1%

Organic EBITDA for 2Q20 was 14.0%. Domestic and international revenue declined as a result of COVID-19, in addition to the lingering impacts of Brexit in the U.K. Demand growth during the quarter given the rise in home improvement projects and new home sales. Housing market remains resilient during this challenging time.

Food Processing

	2Q20	2Q19	Change
Revenues	101,563	97,853	3.8%
EBITDA	22,983	20,965	9.6%
EBITDA as % of Revenues	22.6%	21.4%	

Revenue and Growth

U.S.	72,800	25.3%
Non-U.S.	28,800	-27.5%

Domestic revenue growth was driven by protein equipment and offset by international revenue declines due to COVID-19. Volatile order rates during quarter, while maintaining a solid backlog going into the second half of 2020.

Debt and Liquidity

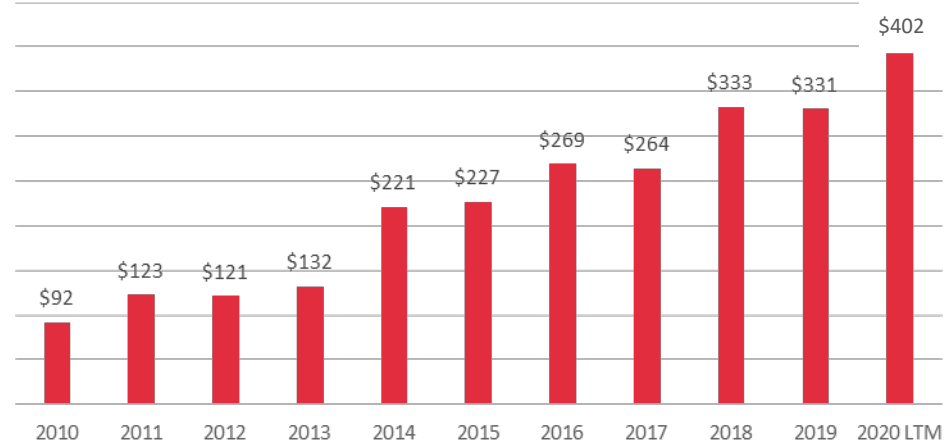


Q2 2020 LEVERAGE RATIO (IN \$000S)

Cash*	610.2
Debt	2,396.9
Net Debt	1,786.7
LTM EBITDA*	597.1
Leverage	2.99x
Covenant Limit	4.00x

* As defined in the credit agreement

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



LIQUIDITY COMMENTARY

- Record LTM operating cash flow of \$440.6 million as of Q2 2020
- In Q1 2020, Middleby entered into an amended and restated five-year, \$3.5 billion multi-currency senior secured credit agreement providing it with additional liquidity and financial flexibility
- Last week Middleby completed a convertible notes sale and amended the senior secured credit agreement
 - Issued \$747.5 million of five-year convertible notes, with a 1% interest coupon and 33% conversion premium
 - Purchased a capped call to effectively increase the conversion price from \$128.62 to \$207.93 which greatly reduces dilution risk (less than 2% dilution projected at \$250 share price)
 - Notes proceeds of \$400 million were used to pay down outstanding borrowings and the bank credit facility will decrease by the same size
 - Total leverage (incurrence) covenant will expand to 5.5x, allowing the company flexibility to continue operational and strategic investments
 - At leverage ratios of below 4x, the borrowing cost to the company remains unchanged by the amendment. Borrowing rates increase at higher leverage levels up to LIBOR plus 250 basis points at the highest allowable borrowing levels
 - On a pro forma basis, borrowing capacity would have been approximately \$1.6 billion as of Q2 2020
 - Pro forma secured leverage ratio of 1.94x and total leverage ratio of 3.20x

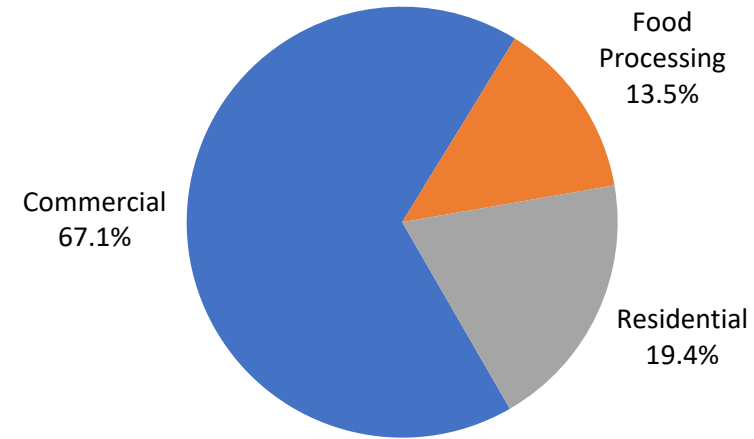
Middleby Segment Summary



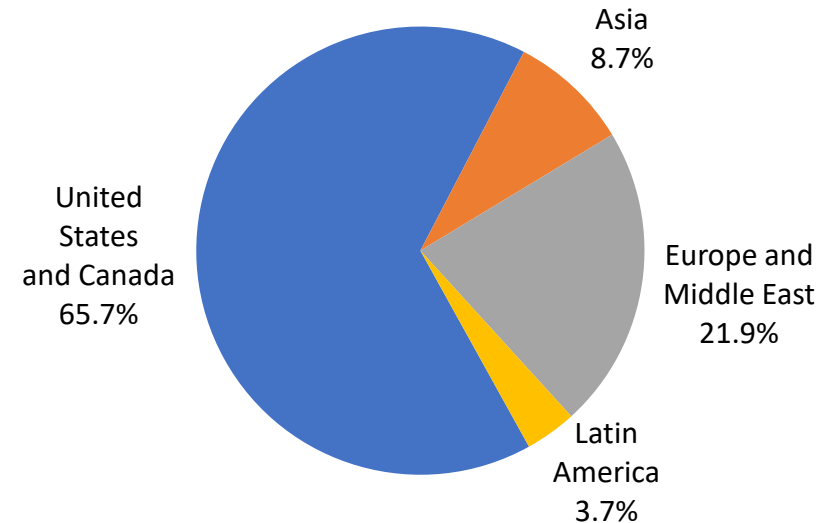
THREE INDUSTRY-LEADING FOODSERVICE PLATFORMS

- 100+ highly-respected, leading brands
- Global business infrastructure
- Highly synergistic business segments
- Technology and innovation leader
- Strong track record of profitability and cash flow
- Well positioned for existing and new market trends

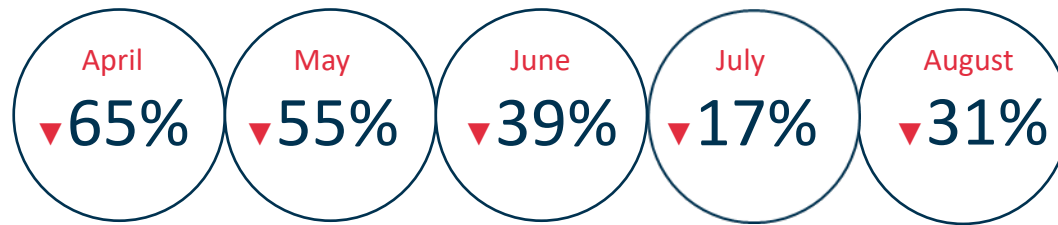
SEGMENT REVENUES



SALES BY GEOGRAPHIC REGION

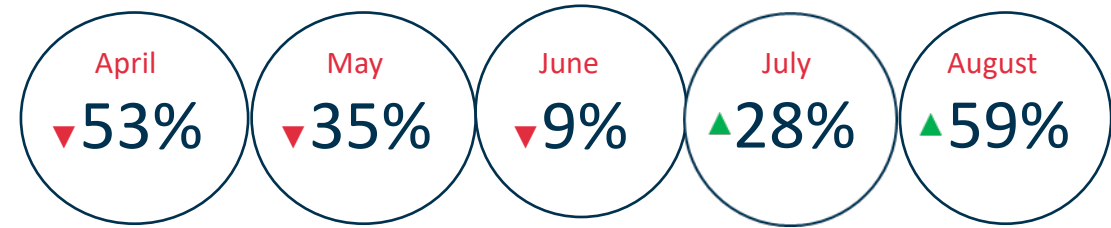


Near-Term Business Conditions—Recent Order Trends



Commercial Food Service

Business in quick-serve, pizza, retail, c-store and healthcare continue to be resilient with increased demand for delivery, drive-through and carry-out. Although significant challenges remain, conditions have improved for casual dining restaurants with outdoor dining available and dine-in also open in most states. Bars and nightclubs along with travel and leisure remain significantly impacted. In the marketplace there continues to be a heightened focus on employee and customer safety and related solutions. Middleby is well positioned to support new and accelerating trends with innovative products and technology to address workplace safety, enhanced delivery solutions, restaurant automation and ongoing essential operating needs.



Residential Kitchen

At our residential businesses in both the US and UK markets, the impact of COVID-19 resulted in the widespread temporary closure of our residential dealers' retail sales locations due to shelter-in-place restrictions. Substantial order improvement has occurred as dealer and retail locations have re-opened. Additionally, the increase of working, staying and eating at home has given rise to a demand for both indoor and outdoor residential cooking and refrigeration equipment. Home sales have proven to be resilient, while new home starts in the US in recent weeks are near prior year levels.

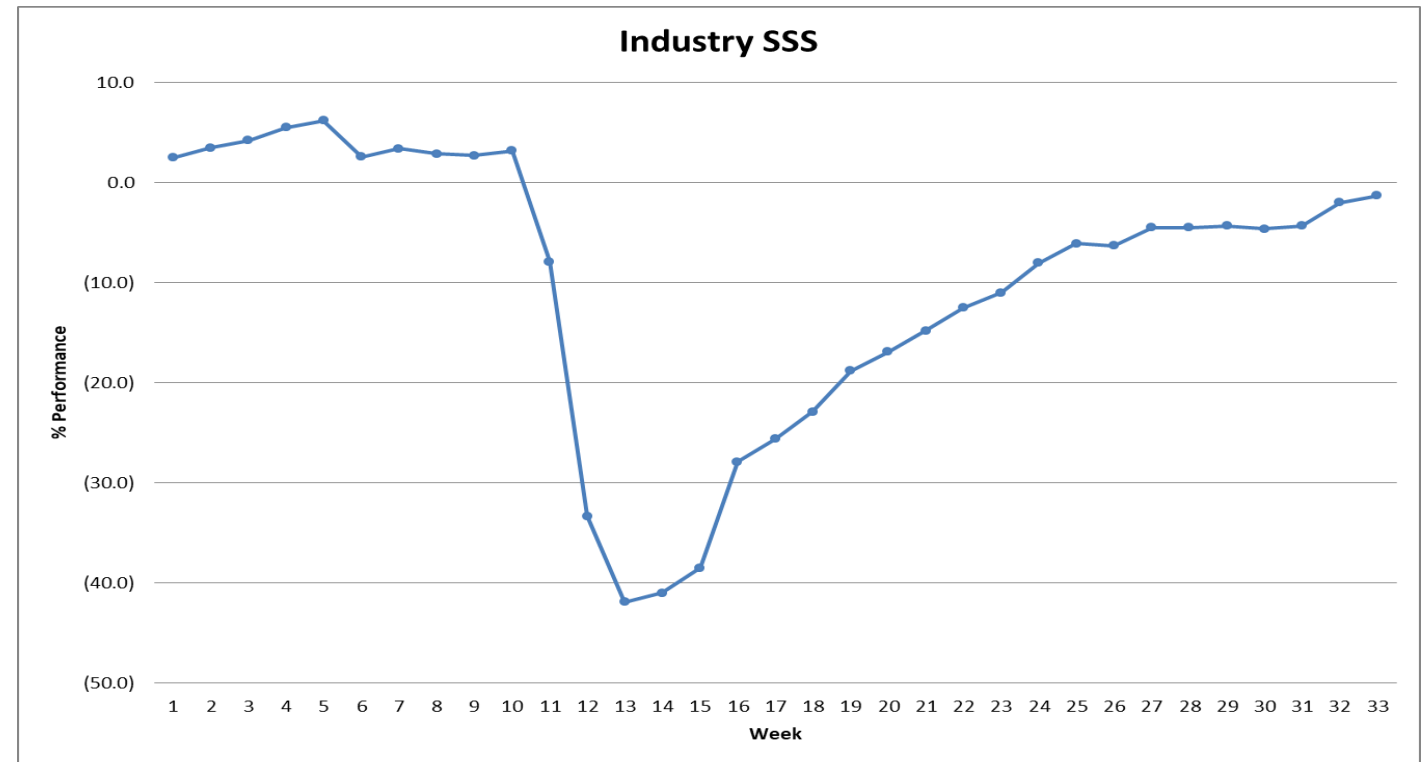
COVID-19 Restaurant Impacts

Domestic restaurant same store sales have consistently improved since the March decline according to multiple restaurant data resources.

Restaurants are rapidly adapting to the new the new normal:

- Expanding to-go options, with curbside pick-up and third-party delivery
- Adding or improving mobile and online customer ordering capabilities
- Rapidly adapting menus to best support limited staffing, unpredictable dine-in and/or carryout options
- Restaurants in all states offer delivery and carry out, with most states open for dine-in with restrictions
- According to Technomic August data, 10% of restaurants will close in 2020.
- Restaurant sales are projected to be up 18.3% in 2021 over 2020, according to Technomic.

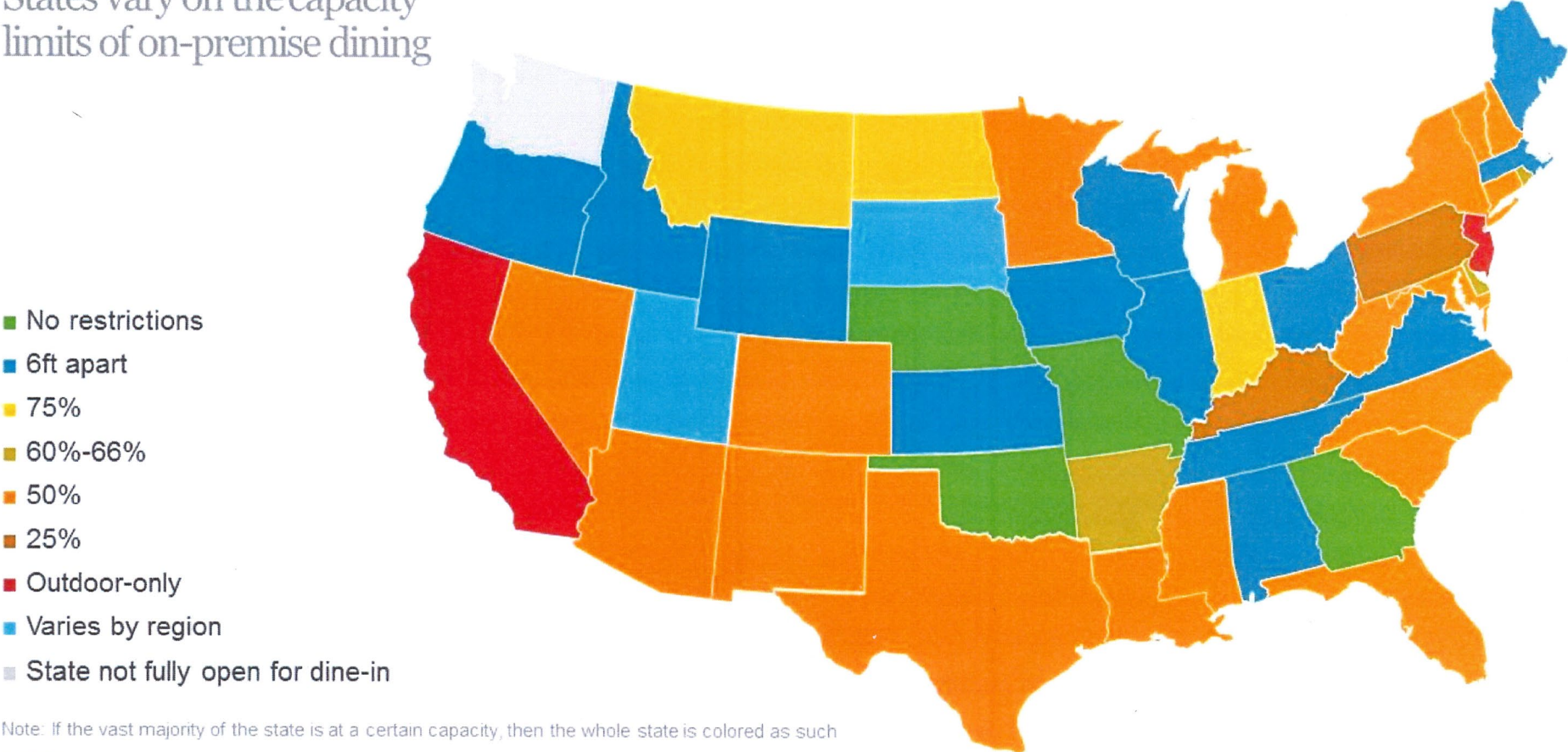
MILLERPULSE WEEKLY INDUSTRY SAME STORE SALES, 2020



Source: MillerPulse
Week 33 ended
8/17/2020

Restaurant Dine-In Capacity

States vary on the capacity limits of on-premise dining



Note: If the vast majority of the state is at a certain capacity, then the whole state is colored as such

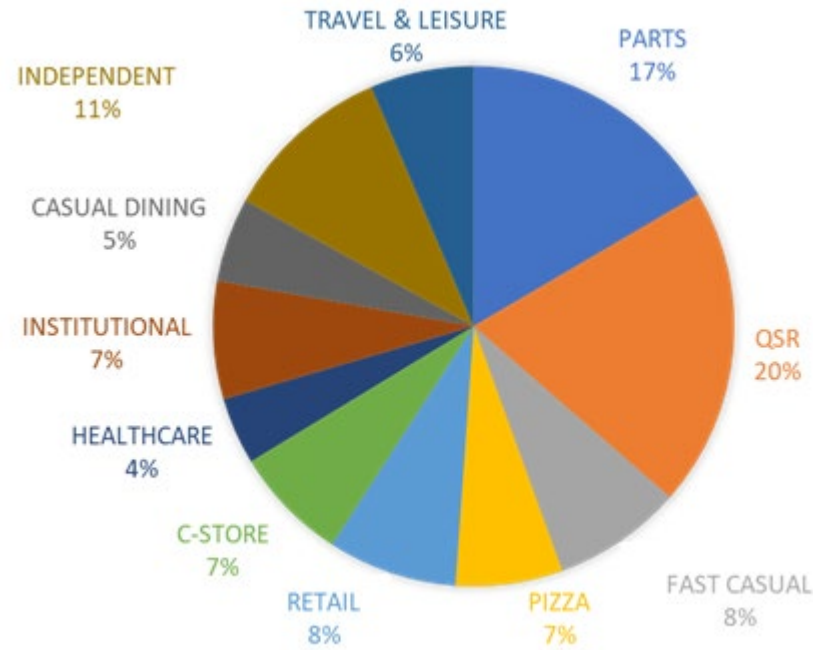
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Middleby Revenue Composition – Commercial Foodservice



SEGMENT IMPACT

- Quick serve and fast casual fare better due to delivery, drive through and carry out support. Same store sales trend ahead of prior year in recent weeks
- Pizza performs well as delivery is their core and large chains aim to hire 60,000 additional employees
- Fast casual demand remains and restaurants have adjusted, requiring improved delivery and take-out services
- Retail and c-stores continue to see demand as their customers pursue alternative foodservice options that are not dine-in
- Healthcare and assisted living sectors continue to perform well
- Casual and fine-dining heavily impacted
- Travel and leisure market is challenged as air travel is significantly impaired. Hotel occupancy is down ~50%



Week 33 Sales	Ended 8/17/20
Industry	(1.3)
QSR	3.4
Fast Casual	(7.9)
Casual Dining	(24.6)

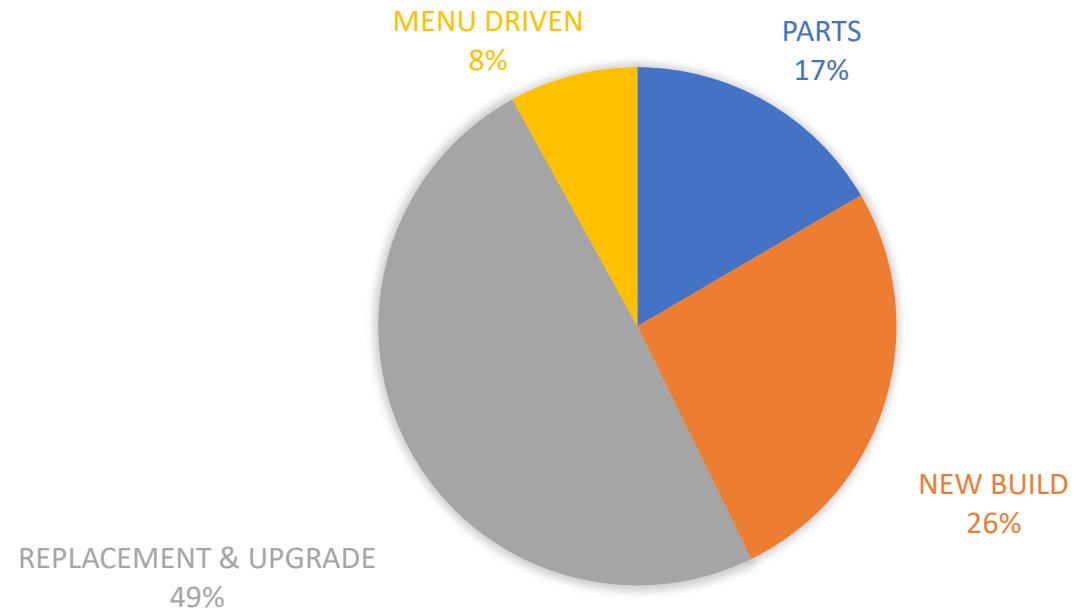
Miller Pulse Data
Week ended 8/17/2020

Middleby Revenue Composition – Commercial Foodservice



OPERATOR SPENDING

- Near-term focus on replacement, capacity and maintenance of equipment
- Better performing sectors and concepts continuing with enhanced menu and operational initiatives
- Spending anticipated to be on employee and customer safety modifications
- Initial declines in service revenues are recovering as restaurant restart and traffic improves



Trends in the Foodservice Industry

ACCELERATING TRENDS

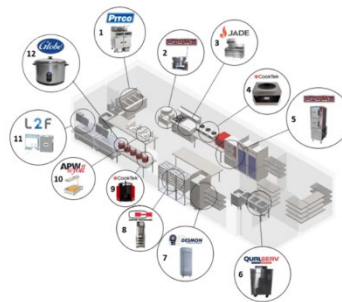
- Added focus on off-premise (delivery, carry out and drive-through)
- Focus on menu simplification, throughput and space utilization
- Growth in non-traditional foodservice like retail and c-store
- Labor will continue to be a primary challenge
- New foodservice models will continue including modular,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

MIDDLEBY SOLUTIONS

- Middleby ventless kitchens for non-traditional and space savings
- Development and launch of Open Kitchen
- Middleby modular and ghost kitchens
- Data intelligence and automation solutions
- Middleby advanced controls
- Middleby touchless and automated Pick-Up Cabinets (PUC)
- Focus on integrated solutions for targeted segments including retail, c-stores, healthcare and emerging chains



MIDDLEBY VENTLESS SOLUTIONS



MIDDLEBY MODULAR AND GHOST KITCHENS



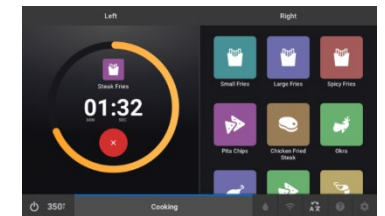
MODULAR AUTOMATED PICK UP CABINETS



INDUCTION-HEATED DELIVERY SYSTEMS



IOT CONNECTED KITCHEN



MIDDLEBY'S NEW HIGH-LEVEL USER INTERFACE

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

COVID-19 Residential Impacts – Appliance Sales



Residential sales are sequentially improving week over week since the April lows and are expected to recover in second half.

Residential sales are quickly returning to pre-COVID levels:

- On-line dealers performed well during Q2
- Traditional dealer and retail showrooms began to re-open in June further bolstering business and improving the outlook for Q3
- Outdoor segment experiencing growth with consumers staying home and cooking outside
- Home sales have remained resilient and consumer investments in home improvement projects continue to gain momentum
- The UK market is more heavily impacted than the USA, but is demonstrating significant improvement in July

AHAM 2020 FULL YEAR INDUSTRY FORECAST OF UNIT SHIPMENTS

Product	2019	2020	% Change
All Cooking Products	21,922	20,930	-4.5%
Electric Cooking Products	4,922	4,772	-3.0%
Gas Cooking Products	3,592	3,376	-6.0%
Microwave Ovens	12,530	11,969	-4.5%
Home Laundry	17,514	16,543	-5.5%
Top Load Washers	7,162	6,811	-4.9%
Front Load Washers	2,566	2,404	-6.3%
Clothes Dryers	7,786	7,328	-5.9%
Dishwashers	8,048	7,530	-6.4%
Refrigerators (all types)	11,052	10,410	-5.8%
Freezers	1,530	1,958	28.0%
AHAM 6	46,731	44,652	-4.4%

Numbers in thousands

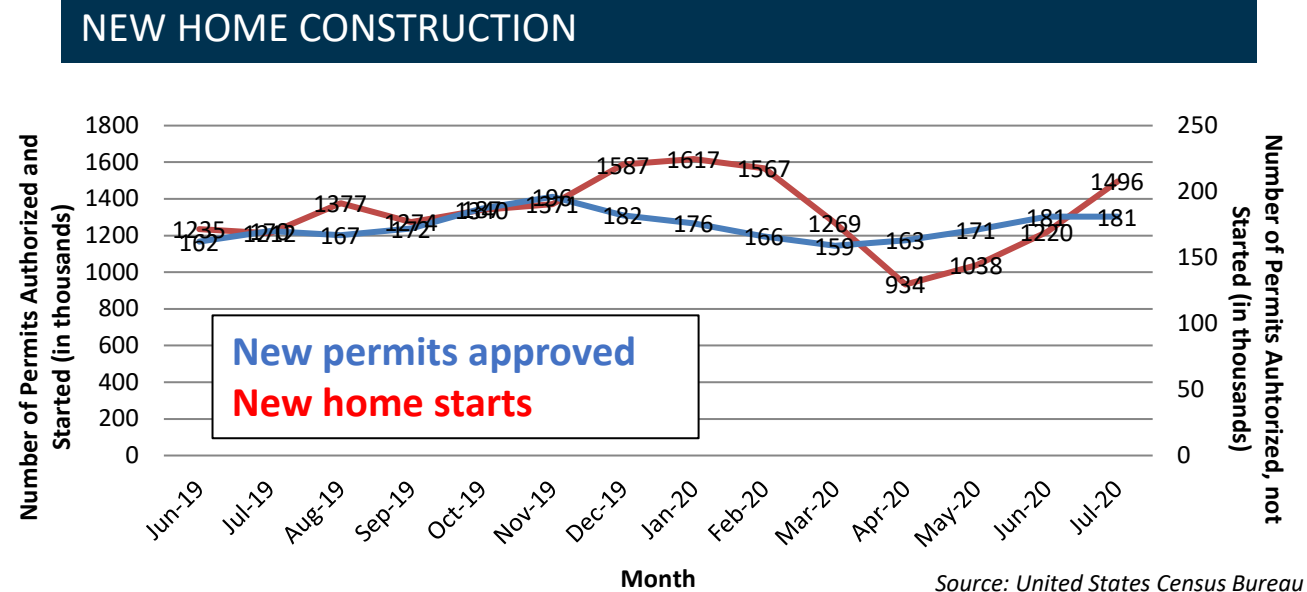
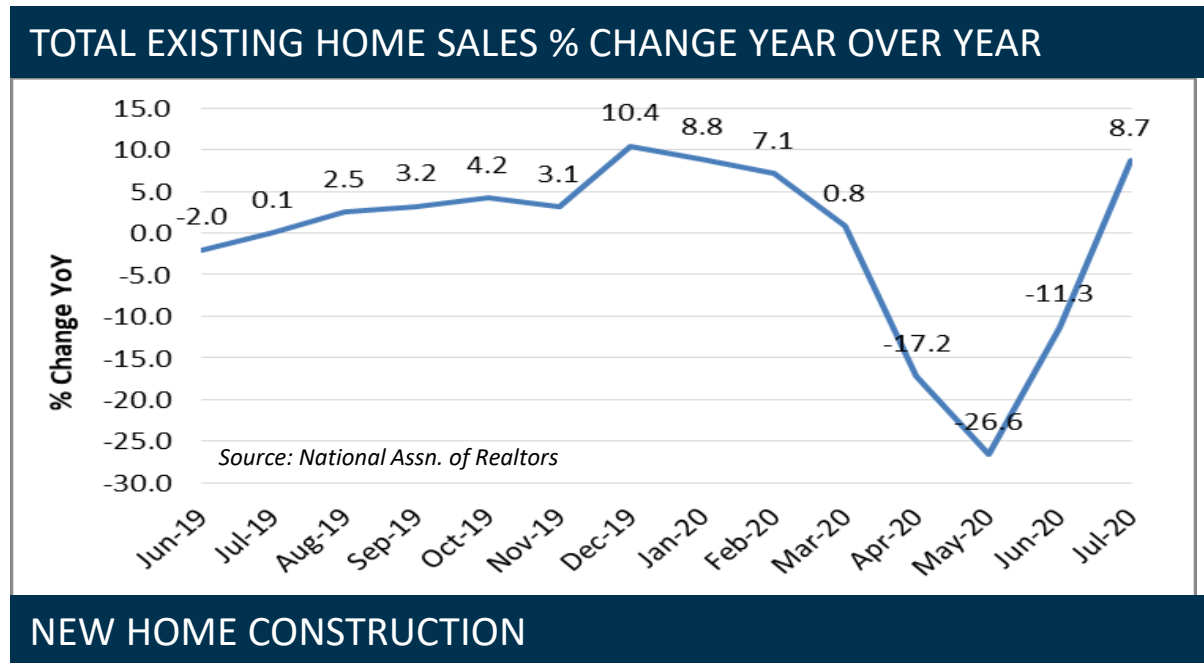
Source: Association of Home Appliance Manufacturers

COVID-19 Residential Impacts – Home Sales



Domestic home sales and new home starts have steadily improved over the recent months since the onset of COVID.

- Existing-home sales continued on a strong, upward trajectory in July, marking two consecutive months of significant sales gains, according to the National Association of Realtors®.
- Home sales as a whole rose year-over-year, up 8.7% from July 2019.
- Building permits rose 9.4% over July 2019 and posted a 19% increase over June, 2020.
- New home starts rose 23.4% over July 2019, and reported a 22% increase over June 2020.



Middleby Revenue Composition – Residential Trends



CONSUMER SPENDING

- Growing trend of outdoor cooking and family entertaining during COVID
- Heightened interest and demand for new appliances due to meals prepared at home and consumers with time to review products online
- Order-in, pick-up and food delivery trends resulting in more warming at home. Trends evolving around meals prepared with food items prepared both inside and outside the home brought together
- Launching new home projects and remodels due to continuing work-at-home and school-at-home trends
- Increasing demand for new refrigeration to fill the consumer need for larger capacity units
- Rising demand for appliance service due to greater residential equipment utilization

Residential Sales

