

MIDDLEBY CORP
Form 10-Q
November 12, 2015

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 October 3, 2015

or

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

Commission File No. 1-9973

THE MIDDLEBY CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

36-3352497

(I.R.S. Employer Identification No.)

1400 Toastmaster Drive, Elgin, Illinois

(Address of Principal Executive Offices)

Registrant's Telephone No., including Area Code

60120

(Zip 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes

No

As of November 6, 2015 there were 57,317,332 shares of the registrant's common stock outstanding.

THE MIDDLEBY CORPORATION AND SUBSIDIARIES

QUARTER ENDED OCTOBER 3, 2015

INDEX

DESCRIPTION

PAGE

PART I. FINANCIAL INFORMATION

Item 1.	<u>Condensed Consolidated Financial Statements (unaudited)</u>	
	CONDENSED CONSOLIDATED BALANCE SHEETS OCTOBER 3, 2015 and JANUARY 3, 2015	<u>1</u>
	CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OCTOBER 3, 2015 and SEPTEMBER 27, 2014	<u>2</u>
	CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS OCTOBER 3, 2015 and SEPTEMBER 27, 2014	<u>3</u>
	<u>NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</u>	<u>4</u>
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>35</u>
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>43</u>
Item 4.	<u>Controls and Procedures</u>	<u>47</u>
PART II. OTHER INFORMATION		
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>48</u>
Item 6.	<u>Exhibits</u>	<u>49</u>

PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

THE MIDDLEBY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In Thousands, Except Share Data)

(Unaudited)

ASSETS	Oct 3, 2015	Jan 3, 2015
Current assets:		
Cash and cash equivalents	\$55,062	\$43,945
Accounts receivable, net of reserve for doubtful accounts of \$8,611 and \$9,091	296,611	229,875
Inventories, net	373,846	255,776
Prepaid expenses and other	35,944	27,980
Prepaid taxes	7,820	5,538
Current deferred taxes	54,433	51,017
Total current assets	823,716	614,131
Property, plant and equipment, net of accumulated depreciation of \$99,469 and \$82,998	209,889	129,697
Goodwill	977,247	808,491
Other intangibles, net of amortization of \$131,127 and \$111,846	669,700	492,031
Long-term deferred tax assets	8,768	2,925
Other assets	21,459	18,856
Total assets	\$2,710,779	\$2,066,131
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$37,195	\$9,402
Accounts payable	181,768	98,327
Accrued expenses	300,737	220,585
Total current liabilities	519,700	328,314
Long-term debt	717,704	588,765
Long-term deferred tax liability	84,799	88,800
Other non-current liabilities	254,262	53,492
Stockholders' equity:		
Preferred stock, \$0.01 par value; nonvoting; 2,000,000 shares authorized; none issued	—	—
Common stock, \$0.01 par value; 95,000,000 shares authorized; 62,179,596 and 62,088,592 shares issued in 2015 and 2014, respectively	144	144
Paid-in capital	324,491	310,409
Treasury stock, at cost; 4,862,264 and 4,816,912 shares in 2015 and 2014, respectively	(200,862)	(196,026)
Retained earnings	1,064,987	923,664
Accumulated other comprehensive loss	(54,446)	(31,431)
Total stockholders' equity	1,134,314	1,006,760
Total liabilities and stockholders' equity	\$2,710,779	\$2,066,131

See accompanying notes

1

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

	Three Months Ended		Nine Months Ended	
	Oct 3, 2015	Sep 27, 2014	Oct 3, 2015	Sep 27, 2014
Net sales	\$449,004	\$404,289	\$1,291,891	\$1,201,543
Cost of sales	271,822	241,909	784,258	730,013
Gross profit	177,182	162,380	507,633	471,530
Selling and distribution expenses	44,477	42,006	136,918	137,078
General and administrative expenses	52,675	40,428	140,745	122,834
Gain on litigation settlement	—	(6,519)	) —	(6,519)
Income from operations	80,030	86,465	229,970	218,137
Interest expense and deferred financing amortization, net	4,224	3,895	12,021	12,051
Other expense, net	1,941	993	6,136	2,053
Earnings before income taxes	73,865	81,577	211,813	204,033
Provision for income taxes	25,040	21,864	70,490	62,470
Net earnings	\$48,825	\$59,713	\$141,323	\$141,563
Net earnings per share:				
Basic	\$0.86	\$1.05	\$2.48	\$2.50
Diluted	\$0.86	\$1.05	\$2.48	\$2.50
Weighted average number of shares				
Basic	56,963	56,866	56,948	56,729
Dilutive common stock equivalents ¹	3	2	2	2
Diluted	56,966	56,868	56,950	56,731
Comprehensive income	\$35,077	\$47,108	\$118,308	\$132,372

¹ There were no anti-dilutive equity awards excluded from common stock equivalents for any period presented.

See accompanying notes

2

THE MIDDLEBY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

(Unaudited)

	Nine Months Ended	
	Oct 3, 2015	Sep 27, 2014
Cash flows from operating activities--		
Net earnings	\$ 141,323	\$ 141,563
Adjustments to reconcile net earnings to net cash provided by operating activities--		
Depreciation and amortization	33,983	31,934
Non-cash share-based compensation	11,686	11,635
Deferred taxes	(1,536	) 13,647
Changes in assets and liabilities, net of acquisitions		
Accounts receivable, net	4,502	(20,786
Inventories, net	(25,596	) (10,458
Prepaid expenses and other assets	3,800	6,660
Accounts payable	6,534	(151
Accrued expenses and other liabilities	(7,120	) (9,662
Net cash provided by operating activities	167,576	164,382
Cash flows from investing activities--		
Additions to property and equipment	(17,992	) (10,107
Purchase of trade name	(1,000) —
Acquisition of Stewart	(2,500) —
Acquisition of Nieco	(4,200) —
Acquisition of Viking Distributors 2014	—	(38,485
Acquisition of Wunder-Bar, net of cash acquired	—	(445
Acquisition of Market Forge	(1,500	) (10,240
Acquisition of PES	—	(15,000
Acquisition of Concordia, net of cash acquired	80	(12,515
Acquisition of U-Line, net of cash acquired	275	—
Acquisition of Desmon, net of cash acquired	(13,947) —
Acquisition of Goldstein Eswood	(27,406) —
Acquisition of Marsal	(5,500) —
Acquisition of Thurne	(9,872) —
Acquisition of Induc	(10,622) —
Acquisition of AGA, net of cash acquired	(185,731) —
Net cash used in investing activities	(279,915	) (86,792
Cash flows from financing activities--		
Net proceeds (repayments) under current revolving credit facilities	129,000	(63,400
Net proceeds under foreign bank loan	(1,385	) 7,481
Net repayments under other debt arrangement	(26	) (26
Repurchase of treasury stock	(4,836	) (44,283
Excess tax benefit related to share-based compensation	2,396	24,947
Net cash provided by (used in) financing activities	125,149	(75,281
Effect of exchange rates on cash and cash equivalents	(1,693	) (1,051
Changes in cash and cash equivalents--		
Net increase in cash and cash equivalents	11,117	1,258
Cash and cash equivalents at beginning of year	43,945	36,894
Cash and cash equivalents at end of period	\$ 55,062	\$ 38,152

See accompanying notes

3

THE MIDDLEBY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 3, 2015
(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. 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 2014 Form 10-K. The company's interim results are not necessarily indicative of future full year results for the fiscal year 2015.

In the opinion of management, the financial statements contain all adjustments necessary to present fairly the financial position of the company as of October 3, 2015 and January 3, 2015, the results of operations for the three and nine months ended October 3, 2015 and September 27, 2014 and cash flows for the nine months ended October 3, 2015 and September 27, 2014.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 and post-retirement obligations. Actual results could differ from the company's estimates.

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 \$4.3 million and \$4.9 million for the third quarter periods ended October 3, 2015 and September 27, 2014, respectively. Non-cash share-based compensation expense was \$11.7 million and \$11.6 million for the nine months ended October 3, 2015 and September 27, 2014, respectively.

During the first quarter ended April 4, 2015, the company issued 100,704 restricted shares under its 2011 Stock Incentive Plan. These amounts are contingent on the attainment of certain performance objectives. The aggregate grant-date fair value of these awards was \$10.9 million, based on the closing share price of the company's stock at the date of the grant.

C) Income Taxes

As of January 3, 2015, the total amount of liability for unrecognized tax benefits related to federal, state and foreign taxes was approximately \$12.5 million (of which \$12.2 million would impact the effective tax rate if recognized) plus approximately \$1.7 million of accrued interest and \$3.0 million of penalties. The company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense. As of October 3, 2015, the company recognized a tax expense of \$2.6 million for unrecognized tax benefits related to current year tax exposures.

It is reasonably possible that the amounts of unrecognized tax benefits associated with state, federal and foreign tax positions may decrease over the next twelve months due to expiration of a statute or completion of an audit. The company believes that it is reasonably possible that approximately \$1.3 million of its currently remaining unrecognized tax benefits may be recognized over the next twelve months as a result of lapses of statutes of

limitations.

4

A summary of the tax years that remain subject to examination in the company's major tax jurisdictions are:

United States - federal	2012 – 2014
United States - states	2005 – 2014
Australia	2011 – 2014
Brazil	2010 – 2014
Canada	2009 – 2014
China	2005 – 2014
Czech Republic	2013 – 2014
Denmark	2012 – 2014
France	2011 – 2014
Germany	2012 – 2014
India	2013 – 2014
Ireland	2009 – 2014
Italy	2010 – 2014
Luxembourg	2011 – 2014
Mexico	2010 – 2014
Netherlands	2000 – 2014
Philippines	2012 – 2014
Romania	2005 – 2014
Scotland	2011 – 2014
South Korea	2010 – 2011
Spain	2011 – 2014
Sweden	2008 – 2014
Switzerland	2008 – 2014
Taiwan	2010 – 2012
United Kingdom	2011 – 2014

D) Fair Value Measures

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 on our own assumptions.

The company's financial 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 October 3, 2015				
Financial Liabilities:				
Interest rate swaps	\$—	\$1,436	\$—	\$1,436
Contingent consideration	\$—	\$—	\$12,289	\$12,289
As of January 3, 2015				
Financial Liabilities:				
Interest rate swaps	\$—	\$810	\$—	\$810
Contingent consideration	\$—	\$—	\$14,558	\$14,558

The contingent consideration as of October 3, 2015 relates to the earnout provisions recorded in conjunction with the acquisitions of Spooner Vicars, PES, Concordia, Desmon, Goldstein Eswood and Induc.

The contingent consideration as of January 3, 2015 relates to the earnout provisions recorded in conjunction with the acquisitions of Stewart, Nieco, Spooner Vicars, Market Forge, PES and Concordia.

The earnout provisions associated with these acquisitions are based upon performance measurements related to sales and earnings of the acquired businesses, as defined in the respective purchase agreements. On a quarterly basis the company assesses the projected results for each of the acquired businesses in comparison to the earnout targets and adjusts the liability accordingly.

E) Consolidated Statements of Cash Flows

Cash paid for interest was \$11.0 million and \$11.1 million for the nine months ended October 3, 2015 and September 27, 2014, respectively. Cash payments totaling \$64.7 million and \$20.2 million were made for income taxes for the nine months ended October 3, 2015 and September 27, 2014, respectively.

2) Acquisitions and Purchase Accounting

The company operates in a highly fragmented industry and has completed numerous acquisitions over the past several years as a component of its growth strategy. The company has acquired industry leading brands and technologies to position itself as a leader in the commercial foodservice equipment, food processing equipment and residential kitchen equipment industries.

The company has accounted for all business combinations using the acquisition method to record a new cost basis for the identifiable assets acquired and liabilities assumed. The difference between the purchase price and the fair value of the identifiable assets acquired and liabilities assumed has been recorded as goodwill in the financial statements. The results of operations are reflected in the consolidated financial statements of the company from the dates of acquisition.

Viking

On December 31, 2012 (subsequent to the 2012 fiscal year end), the company completed its acquisition of all of the capital stock of Viking Range Corporation, ("Viking"), a leading manufacturer of kitchen equipment for the residential market, for a purchase price of approximately \$361.7 million, net of cash acquired. During the third quarter of 2013, the company finalized the working capital provision provided by the purchase agreement resulting in a return from the seller of \$11.2 million.

The final allocation of cash paid for the Viking acquisition is summarized as follows (in thousands):

	(as initially reported) Dec 31, 2012	Measurement Period Adjustments	(as adjusted) Dec 31, 2012	
Cash	\$6,900	\$(121	)	\$6,779
Current assets	40,794	(2,385	)	38,409
Property, plant and equipment	76,693	(20,446	)	56,247
Goodwill	144,833	(32,752	)	112,081
Other intangibles	152,500	44,500		197,000
Other assets	12,604	865		13,469
Current liabilities	(52,202	) (886	)	(53,088
Other non-current liabilities	(2,386	) (1	)	(2,387
Net assets acquired and liabilities assumed	\$379,736	\$(11,226	)	\$368,510

The goodwill and \$151.0 million of other intangibles associated with the trade name are subject to the non-amortization provisions of ASC 350 "Intangibles - Goodwill and Other." Other intangibles also includes \$44.0 million allocated to customer relationships and \$2.0 million allocated to backlog which are being amortized over periods of 6 years and 3 months, respectively. Goodwill and other intangibles of Viking are allocated to the Residential Kitchen Equipment Group for segment reporting purposes. These assets are expected to be deductible for tax purposes. Certain acquired assets included in other assets were classified as held for sale at the date of acquisition and were sold during the second quarter of 2013.

Viking Distributors 2013

Subsequent to the acquisition of Viking, the company, through Viking, purchased certain assets of four of Viking's former distributors ("Viking Distributors 2013"). The aggregate purchase price of these transactions as of June 29, 2013 was approximately \$23.6 million. This included \$8.7 million in forgiveness of liabilities owed to Viking resulting from pre-existing relationships with Viking.

The final allocation of cash paid for the Viking Distributors 2013 is summarized as follows (in thousands):

	(as initially reported) Jun 29, 2013	Measurement Period Adjustments	(as adjusted) Jun 29, 2013	
Current assets	\$21,390	\$(3,599	) \$17,791
Property, plant and equipment	1,318	—	1,318	
Goodwill	1,709	3,599	5,308	
Current liabilities	(804) —	(804)
Net assets acquired and liabilities assumed	\$23,613	\$—	\$23,613	
Forgiveness of liabilities owed to Viking	(8,697) —	(8,697)
Consideration paid at closing	\$14,916	\$—	\$14,916	

The goodwill is subject to the non-amortization provisions of ASC 350 and is allocated to the Residential Kitchen Equipment Group for segment reporting purposes. These assets are expected to be deductible for tax purposes.

Celfrost

On October 15, 2013, the company completed its acquisition of substantially all of the assets of Celfrost Innovations Pvt. Ltd. ("Celfrost"), a preferred commercial foodservice equipment supplier in India with a broad line of cold side products such as professional refrigerators, coldrooms, ice machines and freezers marketed under the Celfrost brand for a purchase price of approximately \$11.2 million. An additional deferred payment of \$0.4 million was made in the fourth quarter of 2014 as provided for in the purchase agreement. Additional deferred payments of approximately \$0.7 million in aggregate are also due to the seller in equal installments on the second and third anniversary of the acquisition.

The final allocation of cash paid for the Celfrost acquisition is summarized as follows (in thousands):

	(as initially reported) Oct 15, 2013	Measurement Period Adjustments	(as adjusted) Oct 15, 2013	
Current assets	\$5,638	\$(124	)	\$5,514
Property, plant and equipment	182	—		182
Goodwill	5,943	1,718		7,661
Other intangibles	4,333	—		4,333
Other assets	4	—		4
Current liabilities	(3,979	)	(1,594	) (5,573
Other non-current liabilities	(875	)	—	(875
Consideration paid at closing	\$11,246	\$—		\$11,246
Deferred payments	1,067	—		1,067
Net assets acquired and liabilities assumed	\$12,313	\$—		\$12,313

The goodwill and \$2.3 million of other intangibles associated with the trade name are subject to the non-amortization provisions of ASC 350. Other intangibles also includes \$1.9 million allocated to customer relationships and \$0.1 million allocated to backlog which are being amortized over periods of 7 years and 3 months, respectively. Goodwill and other intangibles of Celfrost are allocated to the Commercial Foodservice Equipment Group for segment reporting purposes. These assets are expected to be deductible for tax purposes.

Wunder-Bar

On December 17, 2013, the company completed its acquisition of all of the capital stock of Automatic Bar Controls, Inc. ("Wunder-Bar"), a leading manufacturer of beverage dispensing systems for the commercial foodservice industry, for a purchase price of approximately \$74.1 million, net of cash acquired. During the third quarter of 2014, the company finalized the working capital provision provided by the purchase agreement resulting in a return from the seller of \$0.1 million. In July 2014, the company purchased additional assets related to Wunder-Bar for approximately \$0.8 million. An additional deferred payment of approximately \$0.6 million is also payable to the seller pursuant to the purchase agreement.

The final allocation of cash paid for the Wunder-Bar acquisition is summarized as follows (in thousands):

	(as initially reported) Dec 17, 2013	Measurement Period Adjustments	(as adjusted) Dec 17, 2013	
Cash	\$857	\$—	\$857	
Current deferred tax asset	50	188	238	
Current assets	13,127	656	13,783	
Property, plant and equipment	1,735	(312	1,423)
Goodwill	45,056	(3,251	41,805)
Other intangibles	30,000	3,060	33,060	
Other assets	—	290	290	
Current liabilities	(5,013	) 865	(4,148)
Long-term deferred tax liability	(10,811	) (1,280	(12,091)
Other non-current liabilities	(1	) (365	(366)
Consideration paid at closing	\$75,000	\$(149	\$74,851)
Additional assets acquired post closing	—	848	848	
Deferred payments	—	586	586	
Net assets acquired and liabilities assumed	\$75,000	\$1,285	\$76,285	

The current deferred tax assets and long term deferred tax liabilities amounted to \$0.2 million and \$12.1 million, respectively. These net assets are comprised of \$0.2 million of assets arising from the difference between the book and tax basis of tangible asset and liability accounts, net of \$12.1 million of deferred tax liabilities related to the difference between the book and tax basis of identifiable intangible assets.

The goodwill and \$12.7 million of other intangibles associated with the trade name are subject to the non-amortization provisions of ASC 350. Other intangibles also includes \$20.2 million allocated to customer relationships and \$0.2 million allocated to backlog which are to be amortized over a period of 14 years and 3 months, respectively. Goodwill and other intangibles of Wunder-Bar are allocated to the Commercial Foodservice Equipment Group for segment reporting purposes. These assets are not expected to be deductible for tax purposes.

Market Forge

On January 7, 2014, the company completed its acquisition of certain assets of Market Forge Industries, Inc. (“Market Forge”), a leading manufacturer of steam cooking equipment for the commercial foodservice industry, for a purchase price of approximately \$7.0 million. During the first quarter of 2014, the company finalized the working capital provision provided for by the purchase agreement resulting in an additional payment to the seller of \$0.2 million. Additional deferred payments of \$3.0 million in aggregate were paid to the seller during the second and third quarters of 2014. An additional contingent payment of \$1.5 million was paid to the seller during the first quarter of 2015 upon the achievement of certain financial targets for the fiscal year 2014.

The final allocation of cash paid for the Market Forge acquisition is summarized as follows (in thousands):

	(as initially reported) Jan 7, 2014	Measurement Period Adjustments	(as adjusted) Jan 7, 2014
Current assets	\$2,051	\$(100	) \$1,951
Property, plant and equipment	120	—	120
Goodwill	5,252	654	5,906
Other intangibles	4,191	—	4,191
Current liabilities	(4,374	) (554	) (4,928
Consideration paid at closing	\$7,240	\$—	\$7,240
Deferred payments	3,000	—	3,000
Contingent consideration	1,374	126	1,500
Net assets acquired and liabilities assumed	\$11,614	\$126	\$11,740

The goodwill and \$2.9 million of other intangibles associated with the trade name are subject to the non-amortization provisions of ASC 350. Other intangibles also includes \$1.1 million allocated to customer relationships, \$0.2 million allocated to developed technology and less than \$0.1 million allocated to backlog, which are to be amortized over periods of 4 years, 5 years and 3 months, respectively. Goodwill and other intangibles of Market Forge are allocated to the Commercial Foodservice Equipment Group for segment reporting purposes. These assets are expected to be deductible for tax purposes.

Viking Distributors 2014

The company, through Viking, purchased certain assets of two of Viking's former distributors ("Viking Distributors 2014"). The aggregate purchase price of these transactions as of January 31, 2014 was approximately \$44.5 million. This included \$6.0 million in forgiveness of liabilities owed to Viking resulting from pre-existing relationships with Viking.

The final allocation of cash paid for the Viking Distributors 2014 acquisition is summarized as follows (in thousands):

	(as initially reported) Jan 31, 2014	Measurement Period Adjustments	(as adjusted) Jan 31, 2014	
Current assets	\$35,909	\$(8,101	)	\$27,808
Property, plant and equipment	2,000	(291	)	1,709
Goodwill	7,552	8,647		16,199
Current liabilities	(1,005	) (255	)	(1,260
)
Net assets acquired and liabilities assumed	\$44,456	\$—		\$44,456
Forgiveness of liabilities owed to Viking	(5,971	) —		(5,971
)
Consideration paid at closing	\$38,485	\$—		\$38,485

The goodwill is subject to the non-amortization provisions of ASC 350 and is allocated to the Residential Kitchen Equipment Group for segment reporting purposes. These assets are expected to be deductible for tax purposes.

Process Equipment Solutions

On March 31, 2014, the company completed its acquisition of substantially all of the assets of Processing Equipment Solutions, Inc. ("PES"), a leading manufacturer of water jet cutting equipment for the food processing industry, for a purchase price of approximately \$15.0 million. An additional payment is also due upon the achievement of certain financial targets. During the third quarter of 2014, the company finalized the working capital provision provided by the purchase agreement resulting in no adjustment to the original purchase price.

The final allocation of cash paid for the PES acquisition is summarized as follows (in thousands):

	(as initially reported) Mar 31, 2014	Measurement Period Adjustments	(as adjusted) Mar 31, 2014
Current assets	\$2,211	\$(153)	\$2,058
Property, plant and equipment	3,493	—	3,493
Goodwill	10,792	332	11,124
Other intangibles	1,600	18	1,618
Other assets	21	(21)	—
Current liabilities	(816)	—	(816)
Other non-current liabilities	(2,301)	(176)	(2,477)
Consideration paid at closing	\$15,000	\$—	\$15,000
Contingent consideration	2,301	176	2,477
Net assets acquired and liabilities assumed	\$17,301	\$176	\$17,477

The goodwill is subject to the non-amortization provisions of ASC 350. Other intangibles includes \$1.0 million allocated to customer relationships, \$0.6 million allocated to developed technology and less than \$0.1 million allocated to backlog, which are being amortized over periods of 5 years, 5 years and 3 months, respectively. Goodwill and other intangibles of PES are allocated to the Food Processing Equipment Group for segment reporting purposes. These assets are expected to be deductible for tax purposes.

The PES purchase agreement includes an earnout provision providing for a contingent payment due to the sellers to the extent certain financial targets are exceeded. This earnout is payable within the first quarter of 2017, if PES exceeds certain sales targets for fiscal 2014, 2015 and 2016. The contractual obligation associated with the contingent earnout provision recognized on the acquisition date is \$2.5 million.

Concordia

On September 8, 2014, the company completed its acquisition of all of the capital stock of Concordia Coffee Company, Inc. ("Concordia"), a leading manufacturer of automated and self-service coffee and espresso machines for the commercial foodservice industry, for a purchase price of approximately \$12.5 million, net of cash acquired. An additional payment is also due upon the achievement of certain financial targets. During the first quarter of 2015, the company finalized the working capital provision provided by the purchase agreement resulting in a return from the seller of \$0.1 million.

The final allocation of cash paid for the Concordia acquisition is summarized as follows (in thousands):

	(as initially reported) Sep 8, 2014	Measurement Period Adjustments	(as adjusted) Sep 8, 2014	
Cash	\$345	\$—	\$345	
Current deferred tax asset	—	726	726	
Current assets	3,767	(497	) 3,270	
Goodwill	11,255	(5,720	) 5,535	
Other intangibles	4,500	(1,200	) 3,300	
Long-term deferred tax asset	—	3,264	3,264	
Current liabilities	(2,296	) (842	) (3,138)
Other non-current liabilities	(4,710	) 4,189	(521)
Consideration paid at closing	\$12,861	\$(80	) \$12,781	
Contingent consideration	4,710	(4,189	) 521	
Net assets acquired and liabilities assumed	\$17,571	\$(4,269	) \$13,302	

The current and long term deferred tax assets amounted to \$0.7 million and \$3.3 million, respectively. These net assets are comprised of \$4.1 million related to federal net operating loss carry forwards, \$1.1 million of assets arising from the difference between the book and tax basis of tangible asset and liability accounts, net of \$1.2 million of deferred tax liabilities related to the difference between the book and tax basis of identifiable intangible assets. Federal net operating loss carry forwards are subject to carry forward limitations for income tax purposes.

The goodwill and \$1.1 million of other intangibles associated with the trade name are subject to the non-amortization provisions of ASC 350. Other intangibles include \$2.2 million allocated to customer relationships, which is being amortized over a period of 10 years. Goodwill and other intangibles of Concordia are allocated to the Commercial Foodservice Equipment Group for segment reporting purposes. These assets are not expected to be deductible for tax purposes.

The Concordia purchase agreement includes an earnout provision providing for a contingent payment due to the sellers to the extent certain financial targets are exceeded. This earnout is payable within the first quarter of 2017 if Concordia exceeds certain sales targets for fiscal years 2015 and 2016. The contractual obligation associated with the contingent earnout provision recognized on the acquisition date is \$0.5 million.

U-Line

On November 5, 2014, the company completed its acquisition of all of the capital stock of U-Line Corporation ("U-Line"), a leading manufacturer of premium residential built-in modular ice making, refrigeration and wine preservation products for the residential industry, for a purchase price of approximately \$142.0 million, net of cash acquired. During the first quarter of 2015, the company finalized the working capital provision provided by the purchase agreement resulting in a return from the seller of \$0.3 million.

The following estimated fair values of assets acquired and liabilities assumed are provisional and are based on the information that was available as of the acquisition date to estimate the fair value of assets acquired and liabilities assumed (in thousands):

	(as initially reported) Nov 5, 2014	Preliminary Measurement Period Adjustments	(as adjusted) Nov 5, 2014	
Cash	\$12,764	\$—	\$12,764	
Current deferred tax asset	657	114	771	
Current assets	12,237	—	12,237	
Property, plant and equipment	3,376	—	3,376	
Goodwill	89,501	7,170	96,671	
Other intangibles	57,500	(6,800	) 50,700	
Current liabilities	(6,032	) (1,973	) (8,005)
Long-term deferred tax liability	(13,095	) 4,673	(8,422)
Other non-current liabilities	(2,111	) (3,459	) (5,570)
Net assets acquired and liabilities assumed	\$154,797	\$(275	) \$154,522	

The current deferred tax assets and long term deferred tax liabilities amounted to \$0.8 million and \$8.4 million, respectively. These net assets are comprised of \$5.7 million related to federal and state net operating loss carry forwards, \$1.6 million of assets arising from the difference between the book and tax basis of tangible asset and liability accounts, net of \$14.9 million of deferred tax liabilities related to the difference between the book and tax basis of identifiable intangible assets. Federal and state net operating loss carry forwards are subject to carry forward limitations for income tax purposes.

The goodwill and \$35.1 million of other intangibles associated with the trade name are subject to the non-amortization provisions of ASC 350. Other intangibles includes \$12.7 million allocated to customer relationships and \$2.9 million allocated to backlog, which are being amortized over a period of 9 years and 5 months, respectively. Goodwill and other intangibles of U-Line are allocated to the Residential Kitchen Equipment Group for segment reporting purposes. These assets are not 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. Thus, the provisional measurements of fair value 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.

Desmon

On January 7, 2015, the company completed its acquisition of all of the capital stock of Desmon Food Service Equipment Company ("Desmon"), a leading manufacturer of blast chillers and refrigeration for the commercial foodservice industry located in Nusco, Italy, for a purchase price of approximately \$14.4 million, net of cash acquired. An additional payment is also due upon the achievement of certain financial targets. The purchase price is subject to adjustment based upon a working capital provision provided by the purchase agreement. The company expects to finalize this in the fourth quarter of 2015.

The following estimated fair values of assets acquired and liabilities assumed are provisional and are based on the information that was available as of the acquisition date to estimate the fair value of assets acquired and liabilities assumed (in thousands):

	(as initially reported) Jan 7, 2015	Preliminary Measurement Period Adjustments	(as adjusted) Jan 7, 2015	
Cash	\$441	\$—	\$441	
Current deferred tax asset	535	—	535	
Current assets	8,639	(418	) 8,221)
Property, plant and equipment	7,989	—	7,989	
Goodwill	7,175	676	7,851	
Other intangibles	3,129	—	3,129	
Current liabilities	(8,668	) (46	) (8,714)
Long-term deferred tax liability	(2,389	) —	(2,389)
Other non-current liabilities	(2,463	) (212	) (2,675)
Consideration paid at closing	\$14,388	\$—	\$14,388	
Contingent consideration	2,416	212	2,628	
Net assets acquired and liabilities assumed	\$16,804	\$212	\$17,016	

The current deferred tax assets and long term deferred tax liabilities amounted to \$0.5 million and \$2.4 million, respectively. These net liabilities are comprised of \$1.0 million of deferred tax liabilities related to the difference between the book and tax basis of identifiable intangible assets, \$1.1 million of liabilities arising from the difference between the book and tax basis of tangible asset and liability accounts, net of \$0.2 million of assets related to foreign net operating loss carry forwards.

The goodwill and \$2.2 million of other intangibles associated with the trade name are subject to the non-amortization provisions of ASC 350. Other intangibles also includes \$0.7 million allocated to customer relationships, \$0.1 million allocated to developed technology and \$0.1 million allocated to backlog, which are to be amortized over periods of 4 years, 5 years and 3 months, respectively. Goodwill and other intangibles of Desmon are allocated to the Commercial Foodservice Equipment Group for segment reporting purposes. These assets are not expected to be deductible for tax purposes.

The Desmon purchase agreement includes an earnout provision providing for a contingent payment due to the sellers to the extent certain financial targets are exceeded. This earnout is payable within the second quarter of each of the fiscal years 2016, 2017 and 2018, respectively, if Desmon exceeds certain sales targets for fiscal 2015, 2016 and 2017, respectively. The contractual obligation associated with the contingent earnout provision recognized on the acquisition date is \$2.6 million.

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. Thus, the provisional measurements of fair value 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.

Goldstein Eswood

On January 30, 2015, the company completed its acquisition of substantially all of the assets of J. Goldstein & Co. Pty. Ltd. ("Goldstein") and Eswood Australia Pty. Ltd. ("Eswood" and together with Goldstein, "Goldstein Eswood") for a purchase price of approximately \$27.4 million. Goldstein is a leading manufacturer of cooking equipment including ranges, ovens, griddles, fryers and warming equipment and Eswood is a leading manufacturer of dishwashing equipment, both for the commercial foodservice industry and located in Smithfield, Australia. An additional payment is also due upon the achievement of certain financial targets. During the third quarter of 2015, the company finalized the working capital provision provided by the purchase agreement resulting in no adjustment to the original purchase price.

The following estimated fair values of assets acquired and liabilities assumed are provisional and are based on the information that was available as of the acquisition date to estimate the fair value of assets acquired and liabilities assumed (in thousands):

	(as initially reported) Jan 30, 2015	Preliminary Measurement Period Adjustments	(as adjusted) Jan 30, 2015
Current assets	\$8,036	\$—	\$8,036
Property, plant and equipment	8,690	—	8,690
Goodwill	8,493	133	8,626
Other intangibles	5,648	—	5,648
Current liabilities	(1,806)	) —	(1,806)
Other non-current liabilities	(1,655)	) (133)	(1,788)
Consideration paid at closing	\$27,406	\$—	\$27,406
Contingent consideration	1,655	133	1,788
Net assets acquired and liabilities assumed	\$29,061	\$133	\$29,194

The goodwill and \$4.0 million of other intangibles associated with the trade name are subject to the non-amortization provisions of ASC 350. Other intangibles also includes \$1.4 million allocated to customer relationships, \$0.1 million allocated to developed technology and less than \$0.1 million allocated to backlog, which are to be amortized over periods of 4 years, 5 years and 3 months, respectively. Goodwill and other intangibles of Goldstein Eswood are allocated to the Commercial Foodservice Equipment Group for segment reporting purposes. These assets are expected to be deductible for tax purposes.

The Goldstein Eswood purchase agreement includes an earnout provision providing for a contingent payment due to the sellers to the extent certain financial targets are exceeded. This earnout is payable within the second quarter of each of the fiscal years 2016 and 2017, respectively, if Goldstein Eswood exceeds certain sales targets for fiscal 2015 and 2016, respectively. The contractual obligation associated with the contingent earnout provision recognized on the acquisition date is \$1.8 million.

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. Thus, the provisional measurements of fair value 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.

Marsal

On February 10, 2015, the company completed its acquisition of certain assets of Marsal & Sons, Inc. ("Marsal"), a leading manufacturer of deck ovens for the commercial foodservice industry, for a purchase price of approximately \$5.5 million. The purchase price is subject to adjustment based upon a working capital provision provided by the purchase agreement. During the second quarter of 2015, the company finalized the working capital provision provided by the purchase agreement resulting in no adjustment to the purchase price.

The following estimated fair values of assets acquired and liabilities assumed are provisional and are based on the information that was available as of the acquisition date to estimate the fair value of assets acquired and liabilities assumed (in thousands):

	(as initially reported) Feb 10, 2015	Preliminary Measurement Period Adjustments	(as adjusted) Feb 10, 2015	
Current assets	\$455	\$—	\$455	
Property, plant and equipment	201	(6	) 195
Goodwill	3,012	6	3,018	
Other intangibles	2,027	—	2,027	
Current liabilities	(195) —	(195)
Net assets acquired and liabilities assumed	\$5,500	\$—	\$5,500	

The goodwill and \$1.3 million of other intangibles associated with the trade name are subject to the non-amortization provisions of ASC 350. Other intangibles also includes \$0.5 million allocated to customer relationships, \$0.1 million allocated to developed technology and less than \$0.1 million allocated to backlog, which are to be amortized over periods of 4 years, 5 years and 3 months, respectively. Goodwill and other intangibles of Marsal are allocated to the Commercial Foodservice Equipment Group for segment reporting purposes. These assets 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. Thus, the provisional measurements of fair value 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.

Thurne

On April 7, 2015, the company completed its acquisition of certain assets of the High Speed Slicing business unit of Marel ("Thurne"), a leading manufacturer of slicing equipment for the food processing industry located in Norwich, United Kingdom, for a purchase price of approximately \$12.7 million. During the second quarter of 2015, the company finalized the working capital provision provided for by the purchase agreement resulting in a refund from the seller of \$2.8 million.

The following estimated fair values of assets acquired and liabilities assumed are provisional and are based on the information that was available as of the acquisition date to estimate the fair value of assets acquired and liabilities assumed (in thousands):

	(as initially reported) Apr 7, 2015	Preliminary Measurement Period Adjustments	(as adjusted) Apr 7, 2015
Current assets	\$3,419	\$—	\$3,419
Property, plant and equipment	3,334	—	3,334
Goodwill	609	—	609
Other intangibles	3,625	—	3,625
Current liabilities	(1,115	) —	(1,115
Net assets acquired and liabilities assumed	\$9,872	\$—	\$9,872

The goodwill and \$2.0 million of other intangibles associated with the trade name are subject to the non-amortization provisions of ASC 350. Other intangibles also includes \$0.9 million allocated to customer relationships, \$0.2 million allocated to developed technology and \$0.6 million allocated to backlog, which are to be amortized over periods of 5 years, 5 years, and 6 months, respectively. Goodwill and other intangibles of Thurne are allocated to the Food Processing Equipment Group for segment reporting purposes. These assets 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. Thus, the provisional measurements of fair value 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.

Induc

On May 30, 2015, the company completed its acquisition of certain assets of the Induc Commercial Electronics Co. Ltd. ("Induc"), a leading manufacturer of induction cooking equipment for the commercial foodservice industry located in Qingdao, China, for a purchase price of approximately \$10.6 million. An additional deferred payment of approximately \$1.4 million is also due to the seller on the second anniversary of the acquisition. An additional payment is also due upon the achievement of certain financial targets. The purchase price is subject to adjustment based upon a working capital provision provided by the purchase agreement. The company expects to finalize this in the fourth quarter of 2015.

The following estimated fair values of assets acquired and liabilities assumed are provisional and are based on the information that was available as of the acquisition date to estimate the fair value of assets acquired and liabilities assumed (in thousands):

	(as initially reported) May 30, 2015	Preliminary Measurement Period Adjustments	(as adjusted) May 30, 2015
Current assets	\$ 1,705	\$(342)	) \$ 1,363
Property, plant and equipment	536	255	) 791
Goodwill	13,496	(2,590)	) 10,906
Other intangibles	1,500	812	) 2,312
Other assets	32	(32)) —
Current liabilities	(854)	) 854	—
Other non-current liabilities	(5,793)	) 1,043	(4,750)
Consideration paid at closing	\$ 10,622	\$—	) \$ 10,622
Deferred payment	1,516	(165)	) 1,351
Contingent consideration	4,276	(878)	) 3,398
Net assets acquired and liabilities assumed	\$ 16,414	\$(1,043)	) \$ 15,371

The goodwill and \$1.5 million of other intangibles associated with the trade name are subject to the non-amortization provisions of ASC 350. Other intangibles also includes \$0.8 million allocated to customer relationships, which is to be amortized over a period of 5 years, Goodwill and other intangibles of Induc are allocated to the Commercial Foodservice Equipment Group for segment reporting purposes. These assets are expected to be deductible for tax purposes.

The Induc purchase agreement includes an earnout provision providing for a contingent payment due to the sellers to the extent certain financial targets are exceeded. This earnout is payable within the first quarter of each of the fiscal years 2018, 2019 and 2020, respectively, if Induc exceeds certain sales and earnings targets for fiscal 2017, 2018 and 2019, respectively. The contractual obligation associated with the contingent earnout provision recognized on the acquisition date is \$3.4 million.

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. Thus, the provisional measurements of fair value 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.

AGA

On September 23, 2015, the company completed its acquisition of all of the capital stock of AGA Rangemaster Group plc ("AGA") a leading manufacturer of residential kitchen equipment including ranges, ovens and refrigeration for a purchase price of approximately \$185.7 million, net of cash acquired. AGA is headquartered in Leamington Spa, United Kingdom. Additionally, the company incurred \$7.3 million of transaction expenses, which are reflected in the general and administrative expenses in the consolidated statements of earnings for such period.

The following estimated fair values of assets acquired and liabilities assumed are provisional and are based on the information that was available as of the acquisition date to estimate the fair value of assets acquired and liabilities assumed (in thousands):

	(as initially reported) Sep 23, 2015	
Cash	\$15,316	
Current assets	163,216	
Property, plant and equipment	61,423	
Goodwill	144,645	
Other intangibles	190,000	
Long-term deferred tax asset	5,306	
Other assets	1,573	
Current maturities of long-term debt	(30,703)
Current liabilities	(147,279)
Long-term debt	(138)
Other non-current liabilities	(202,312)
Net assets acquired and liabilities assumed	\$201,047	

The long-term deferred tax asset amounted to \$5.3 million. These net assets are comprised of \$39.7 million of assets related to pension liabilities, \$3.7 million of assets related to foreign net operating loss, net of \$38.0 million of deferred tax liabilities related to the difference between the book and tax basis of identifiable intangible assets and \$0.1 million of deferred tax liabilities related to the difference between the book and tax basis of tangible asset and liability accounts.

The goodwill and \$130.0 million of other intangibles associated with the trade name are subject to the non-amortization provisions of ASC 350. Other intangibles also includes \$60.0 million allocated to customer relationships, which is to be amortized over a period of 8 years. Goodwill and other intangibles of AGA are allocated to the Residential Kitchen Equipment Group for segment reporting purposes. These assets are not expected to be deductible for tax purposes.

The company estimated the fair value of the assets and liabilities of AGA on a preliminary basis at the time of acquisition based on third-party appraisals used to assist in determining the fair market value for acquired tangible and intangible assets. Changes to these allocations will occur as additional information becomes available. The company is in the process of obtaining third-party valuations related to the fair value of tangible and intangible assets, in addition to determining and recording the tax effects of the transaction to include all assets/liabilities since those are recorded at fair value. Acquired goodwill represents the premium paid over the fair value of assets acquired and liabilities assumed.

Pro Forma Financial Information

In accordance with ASC 805 “Business Combinations”, the following unaudited pro forma results of operations for the years ended October 3, 2015 and September 27, 2014, assumes the 2015 acquisitions of Desmon, Goldstein Eswood, Marsal, Thurne, Induc and AGA and the 2014 acquisitions of Market Forge, PES, Concordia and U-Line were completed on December 29, 2013 (first day of fiscal year 2014). The following pro forma results include adjustments to reflect additional interest expense to fund the acquisition, amortization of intangibles associated with the acquisition, and the effects of adjustments made to the carrying value of certain assets (in thousands, except per share data):

	October 3, 2015	September 27, 2014
Net sales	\$1,578,911	\$1,270,340
Net earnings	133,919	148,114
Net earnings per share:		
Basic	2.35	2.60
Diluted	2.35	2.60

The supplemental pro forma financial information presented above has been prepared for comparative purposes and is not necessarily indicative of either the results of operations that would have occurred had the acquisitions of these companies been effective on December 29, 2013 nor are they indicative of any future results. Also, the pro forma financial information does not reflect the costs which the company has incurred or may incur to integrate PES, Concordia, U-Line, Desmon, Goldstein Eswood, Marsal, Thurne, Induc and AGA.

3) Stock Split

In June 2014, the company’s Board of Directors approved a three-for-one split of the company’s common stock in the form of a stock dividend. The stock dividend was paid on June 27, 2014 to shareholders of record as of June 16, 2014. The company’s stock began trading on a split-adjusted basis on June 27, 2014. The stock split effectively tripled the number of shares outstanding at June 27, 2014.

4) Litigation Matters

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 effect on its financial condition, results of operations or cash flows.

5) Recently Issued Accounting Standards

In May 2014, the FASB issued ASU No. 2014-08, “Presentation of Financial Statements and Property, Plant and Equipment: Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity”. This update changes the criteria for determining which disposals can be presented as discontinued operations and requires expanded disclosures. Under ASU No. 2014-08, a disposal of a component of an entity or group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on the entity’s operations and financial results. This update is effective for annual and corresponding interim reporting periods beginning on or after December 15, 2014. The adoption of this guidance did not have an impact on the company's financial position, results of operations or cash flows.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers". This update amends the current guidance on revenue recognition related to contracts with customers. Under ASU No. 2014-09, an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU No. 2014-09 also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In July 2015 the FASB decided to delay the effective date of the new revenue standard to be effective for interim and annual periods beginning on or after December 15, 2017 for public companies and December 15, 2018 for private companies. Companies may elect to adopt the standard at the original effective date for public entities, that is, for interim and annual periods beginning on or after December 15, 2016, but not earlier. The guidance can be applied using one of two retrospective application methods. The company is evaluating the impact of adopting this new standard on the consolidated financial statements.

In June 2014, the FASB issued ASU No. 2014-12, "Compensation - Stock Compensation". This update requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant date fair value of the award. This update is effective for annual and corresponding interim reporting periods beginning on or after December 15, 2015. Early adoption is permitted. The company is evaluating the impact the application of this ASU will have, if any, on the company's financial position, results of operations and cash flows.

In January 2015, the FASB issued ASU No. 2015-01, "Income Statement - Extraordinary and Unusual Items". This update eliminates the concept of extraordinary items from the current guidance. This update is effective for annual and corresponding interim reporting periods beginning after December 15, 2015. Early adoption is permitted provided the guidance is applied from the beginning of the fiscal year of adoption. Retrospective application is encouraged for all prior periods presented in the financial statements. The company is evaluating the impact the application of this ASU will have, if any, on the company's financial position, results of operations and cash flows.

In April 2015, the FASB issued ASU 2015-03, "Interest - Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs", which requires debt issuance costs to be recorded as a direct reduction of the debt liability on the balance sheet rather than as an asset. The standard is effective for fiscal years beginning after December 15, 2015 and early adoption is permitted. The new guidance will be applied retrospectively to each prior period presented. The company does not expect the adoption of this standard to have a material impact on its consolidated balance sheets.

In April 2015, the FASB issued ASU 2015-04, "Practical Expedient for the Measurement Date of an Employer's Defined Benefit Obligation and Plan Assets". This ASU is intended to provide a practical expedient for the measurement date of defined benefit plan assets and obligations. The practical expedient allows employers with fiscal year-end dates that do not fall on a calendar month-end (e.g., companies with a 52/53-week fiscal year) to measure pension and post-retirement benefit plan assets and obligations as of the calendar month-end date closest to the fiscal year-end. The FASB also provided a similar practical expedient for interim remeasurements for significant events. This ASU requires perspective application and is effective for annual reporting periods beginning after December 15, 2015 and interim periods within those fiscal years. Early adoption is permitted. The company is evaluating the impact the application of this ASU will have, if any, on the company's financial position, results of operations and cash flows.

In September 2015, the FASB issued ASU 2015-16, "Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments", which eliminates the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively. Instead, acquirers must recognize measurement-period adjustments during the period in which they determine the amounts, including the effect on earnings of any amounts they would have recorded in previous periods if the accounting had been completed at the acquisition date. The ASU is effective for public business entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted. The company does not expect the adoption of this standard to have a material impact on its financial condition, results of operations or cash flows.

6) Other Comprehensive Income

The company reports changes in equity during a period, except those resulting from investments by owners and distributions to owners, in accordance with ASC 220, "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 January 3, 2015	\$(24,655)	\$(6,540)	\$(236)	\$(31,431)
Other comprehensive income before reclassification	(22,686)	42	404	(22,240)
Amounts reclassified from accumulated other comprehensive income	—	—	(775)	(775)
Net current-period other comprehensive income	\$(22,686)	\$42	\$(371)	\$(23,015)
Balance as of October 3, 2015	\$(47,341)	\$(6,498)	\$(607)	\$(54,446)

(1) All amounts are net of tax.

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

	Three Months Ended		Nine Months Ended	
	Oct 3, 2015	Sep 27, 2014	Oct 3, 2015	Sep 27, 2014
Net earnings	\$48,825	\$59,713	\$141,323	\$141,563
Currency translation adjustment	(13,564)	(13,167)	(22,686)	(9,737)
Pension liability adjustment, net of tax	17	33	42	14
Unrealized gain on interest rate swaps, net of tax (201)	529	529	(371)	532
Comprehensive income	\$35,077	\$47,108	\$118,308	\$132,372

7) Inventories

Inventories are composed of material, labor and overhead and are stated at the lower of cost or market. Costs for inventories at two of the company's manufacturing facilities have been determined using the last-in, first-out ("LIFO") method. These inventories under the LIFO method amounted to \$35.0 million at October 3, 2015 and \$30.2 million at January 3, 2015 and represented approximately 9.4% and 11.8% of the total inventory at each respective period. The amount of LIFO reserve at October 3, 2015 and January 3, 2015 was not material. Costs for all other 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 October 3, 2015 and January 3, 2015 are as follows:

	Oct 3, 2015 (in thousands)	Jan 3, 2015
Raw materials and parts	\$148,272	\$126,121
Work-in-process	37,724	17,828
Finished goods	187,850	111,827
	\$373,846	\$255,776

8) Goodwill

Changes in the carrying amount of goodwill for the nine months ended October 3, 2015 are as follows (in thousands):

	Commercial Foodservice	Food Processing	Residential Kitchen	Total
Balance as of January 3, 2015	\$450,890	\$134,512	\$223,089	\$808,491
Goodwill acquired during the year	30,401	609	144,645	175,655
Measurement period adjustments to goodwill acquired in prior year	(1,126	) 63	7,170	6,107
Exchange effect	(4,971	) (3,139	) (4,896	) (13,006
Balance as of October 3, 2015	\$475,194	\$132,045	\$370,008	\$977,247

9) Accrued Expenses

Accrued expenses consist of the following:

	Oct 3, 2015 (in thousands)	Jan 3, 2015
Accrued payroll and related expenses	\$60,770	\$50,844
Advanced customer deposits	57,835	20,367
Accrued warranty	36,437	28,786
Accrued customer rebates	35,458	32,357
Accrued product liability and workers compensation	14,332	14,582
Accrued professional services	11,706	7,053
Accrued agent commission	11,285	11,207
Accrued sales and other tax	11,272	7,660
Product recall	10,028	12,125
Other accrued expenses	51,614	35,604
	\$300,737	\$220,585

10) 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:

	Nine Months Ended Oct 3, 2015 (in thousands)
Balance as of January 3, 2015	\$28,786
Warranty reserve related to acquisitions	4,398
Warranty expense	33,217
Warranty claims	(29,964
Balance as of October 3, 2015	\$36,437

11) Financing Arrangements

	Oct 3, 2015 (in thousands)	Jan 3, 2015
Senior secured revolving credit line	\$716,500	\$587,500
Foreign loans	37,915	10,384
Other debt arrangement	484	283
Total debt	\$754,899	\$598,167
Less: Current maturities of long-term debt	37,195	9,402
Long-term debt	\$717,704	\$588,765

On August 7, 2012, the company entered into a new senior secured multi-currency credit facility. Terms of the company's senior credit agreement provide for \$1.0 billion of availability under a revolving credit line. As of October 3, 2015, the company had \$716.5 million of borrowings outstanding under this facility. The company also had \$6.9 million in outstanding letters of credit as of October 3, 2015, which reduces the borrowing availability under the revolving credit line. Remaining borrowing availability under this facility was \$276.6 million at October 3, 2015. At October 3, 2015, borrowings under the senior secured credit facility were assessed at an interest rate of 1.25% above LIBOR for long-term borrowings or at the higher of the Prime rate and the Federal Funds Rate. At October 3, 2015 the average interest rate on the senior debt amounted to 1.43%. The interest rates on borrowings under the senior secured credit facility may be adjusted quarterly based on the company's indebtedness ratio on a rolling four-quarter basis. Additionally, a commitment fee based upon the indebtedness ratio is charged on the unused portion of the revolving credit line. This variable commitment fee amounted to 0.23% as of October 3, 2015.

In August 2006, the company completed its acquisition of Houno A/S in Denmark. This acquisition was funded in part with locally established debt facilities with borrowings in Danish Krone. These facilities included a revolving credit facility and term loan. At October 3, 2015, these facilities amounted to \$3.7 million in U.S. dollars, including \$2.7 million outstanding under a revolving credit facility and \$1.0 million under a term loan. The interest rate on the revolving credit facility is assessed at 1.25% above Euro LIBOR, which amounted to 1.55% on October 3, 2015. At October 3, 2015, the interest rate assessed on the term loan was 4.55%. The term loan matures in 2022.

In April 2008, the company completed its acquisition of Giga Grandi Cucine S.r.l in Italy. This acquisition was funded in part with locally established debt facilities with borrowings denominated in Euro. At October 3, 2015, these facilities amounted to \$1.0 million in U.S. dollars. The interest rate on the credit facilities is variable based on the three-month Euro LIBOR. At October 3, 2015, the average interest rate on these facilities was approximately 2.83%. The facilities are secured by outstanding accounts receivable collectible within six months.

In October 2013, the company completed its acquisition of substantially all of the assets of Celfrost Innovations Pvt. Ltd. in India. At the time of the acquisition a local credit facility, denominated in Indian Rupee, was established to fund local working capital needs. At October 3, 2015, the facility amounted to \$2.5 million in U.S. dollars. At October 3, 2015, borrowings under the facility were assessed at an interest rate at 1.25% above the Reserve Bank of India's base rate for long-term borrowings. At October 3, 2015, the average interest rate on this facility was approximately 10.25%.

In March 2014, Cozzini do Brazil LTDA entered into a local credit facility, denominated in Brazilian Real, to fund local working capital needs. At October 3, 2015, the facility amounted to \$2.4 million in U.S. dollars and was assessed an interest rate of 1.50% above the Brazilian central bank CDI Rate. At October 3, 2015, the interest rate assessed on this facility was 12.58%. This local credit facility matures on March 28, 2016.

In January 2015, the company completed its acquisition of Desmon Food Service Equipment Company in Italy. This acquisition was funded in part with locally established debt facilities with borrowings denominated in Euro. At October 3, 2015, these facilities amounted to \$0.1 million in U.S. dollars, including \$0.1 million outstanding on a local working capital loan and less than \$0.1 million outstanding under a term loan. The interest rate on the working capital loan was 1.63% and the interest rate on the term loan was 0.50%. Both the working capital loan and the term loan mature on December 31, 2016.

In September 2015, the company completed its acquisition of AGA Rangemaster Group plc in the United Kingdom. At the time of acquisition, local credit facilities with borrowings, denominated in Euro and USD, were established to fund local working capital needs. At October 3, 2015, these facilities amounted to \$28.2 million in U.S. Dollars, including \$27.6 million outstanding on local working capital loans and \$0.6 million outstanding under the term loan. At October 3, 2015, the average interest rate was approximately 1.98% on the working capital loans and 0.76% on the term loan.

The company's debt is reflected on the balance sheet at cost. Based on current market conditions, the company believes its interest rate margins on its existing debt are consistent with current market conditions and therefore the carrying value of debt approximates fair value. However, as the interest rate margin is based upon numerous factors, including but not limited to the credit rating of the borrower, the duration of the loan, the structure and restrictions under the debt agreement, current lending policies of the counterparty, and the company's relationships with its lenders, there is no readily available market data to ascertain the current market rate for an equivalent debt instrument. As a result, the current interest rate margin is based upon the company's best estimate based upon discussions with its lenders.

The company estimated the fair value of its loans by calculating the upfront cash payment a market participant would require to assume the company's obligations. The upfront cash payment is the amount that a market participant would be able to lend at October 3, 2015 to achieve sufficient cash inflows to cover the cash outflows under the company's senior revolving credit facility assuming the facility was outstanding in its entirety until maturity. Since the company maintains its borrowings under a revolving credit facility and there is no predetermined borrowing or repayment schedule, for purposes of this calculation the company calculated the fair value of its obligations assuming the current amount of debt at the end of the period was outstanding until the maturity of the company's senior revolving credit facility in August 2017. Although borrowings could be materially greater or less than the current amount of borrowings outstanding at the end of the period, it is not practical to estimate the amounts that may be outstanding during future periods. The carrying value and estimated aggregate fair value, a level 2 measurement, based primarily on market prices, of debt is as follows (in thousands):

	Oct 3, 2015		Jan 3, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Total debt	\$754,899	\$754,899	\$598,167	\$598,167

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.

The company has historically entered into interest rate swap agreements to effectively fix the interest rate on a portion of its outstanding debt. The agreements swap one-month LIBOR for fixed rates. As of October 3, 2015, the company had the following interest rate swaps in effect:

Notional Amount	Fixed Interest Rate	Effective Date	Maturity Date
\$25,000,000	2.520%	2/23/2011	2/23/2016
\$15,000,000	1.185%	9/12/2011	9/12/2016
\$15,000,000	0.458%	2/11/2013	10/11/2015
\$25,000,000	0.635%	2/11/2013	8/11/2016
\$25,000,000	0.789%	2/11/2013	3/11/2017
\$25,000,000	0.803%	2/11/2013	5/11/2017
\$35,000,000	0.880%	2/11/2013	7/11/2017
\$10,000,000	1.480%	9/11/2013	7/11/2017
\$15,000,000	0.920%	3/11/2014	7/11/2017
\$25,000,000	0.950%	3/11/2014	7/11/2017

The terms of the senior secured credit facility limit the ability of the company and its subsidiaries to, with certain exceptions: incur indebtedness; grant liens; engage in certain mergers, consolidations, acquisitions and dispositions; make restricted payments; enter into certain transactions with affiliates; and require, among other things, a maximum ratio of indebtedness to EBITDA of 3.5 and a fixed charge coverage ratio (as defined in the senior secured credit facility) of 1.25. The senior secured credit facility is secured by substantially all of the assets of Middleby Marshall, the company and the company's domestic subsidiaries and is unconditionally guaranteed by, subject to certain exceptions, the company and certain of the company's direct and indirect material domestic subsidiaries. The senior secured credit facility contains certain customary events of default, including, but not limited to, the failure to make required payments; bankruptcy and other insolvency events; the failure to perform certain covenants; the material breach of a representation or warranty; non-payment of certain other indebtedness; the entry of undischarged judgments against the company or any subsidiary for the payment of material uninsured amounts; the invalidity of the company guarantee or any subsidiary guaranty; and a change of control of the company. The credit agreement also provides that if a material adverse change in the company's business operations or conditions occurs, the lender could declare an event of default. Under terms of the agreement, a material adverse effect is defined as (a) a material adverse change in, or a material adverse effect upon, the operations, business properties, condition (financial and otherwise) or prospects of the company and its subsidiaries taken as a whole; (b) a material impairment of the ability of the company to perform under the loan agreements and to avoid any event of default; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against the company of any loan document. A material adverse effect is determined on a subjective basis by the company's creditors. At October 3, 2015, the company was in compliance with all covenants pursuant to its borrowing agreements.

12) Financial Instruments

ASC 815 "Derivatives and Hedging" requires an entity to recognize all derivatives as either assets or liabilities and measure those instruments at fair value. Derivatives that do not qualify as a hedge must be adjusted to fair value in earnings. If a derivative does qualify as a hedge under ASC 815, changes in the fair value will either be offset against the change in the fair value of the hedged assets, liabilities or firm commitments or recognized in other accumulated comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a hedge's change in fair value will be immediately recognized in earnings.

Foreign Exchange: The company uses foreign currency forward and option 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 following table summarizes the forward and option contracts outstanding at October 3, 2015. The fair value of the forward and option contracts was a gain of \$0.8 million at the end of the third quarter of 2015.

Sell		Purchase		Maturity
5,000,000	Euro Dollars	5,599,700	US Dollars	December 30, 2015
5,000,000	Euro Dollars	5,595,750	US Dollars	December 30, 2015
5,000,000	Euro Dollars	5,601,000	US Dollars	December 30, 2015
5,300,000	Euro Dollars	5,937,060	US Dollars	December 30, 2015
3,500,000	British Pounds	4,729,538	Euro Dollars	December 30, 2015
4,000,000	British Pounds	5,407,415	Euro Dollars	December 30, 2015
5,000,000	British Pounds	6,754,931	Euro Dollars	December 30, 2015
3,796,697	Euro Dollars	2,805,000	British Pounds	December 30, 2015
7,500,000	Australian Dollars	5,241,750	US Dollars	December 30, 2015
12,900,000	Australian Dollars	9,024,518	US Dollars	December 30, 2015
12,500,000	Australian Dollars	8,737,500	US Dollars	December 30, 2015
11,500,000	Canadian Dollars	8,685,801	US Dollars	December 30, 2015
2,300,000	Australian Dollars	1,608,505	US Dollars	December 30, 2015

Edgar Filing: MIDDLEBY CORP - Form 10-Q

10,000,000	Brazilian Reais	2,748,763	US Dollars	December 17, 2015
20,167,500	Brazilian Reais	5,000,000	US Dollars	August 23, 2016

28

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 swap one-month LIBOR for fixed rates. 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 October 3, 2015, the fair value of these instruments was a liability of \$1.4 million. The change in fair value of these swap agreements in the first nine months of 2015 was a loss of \$0.4 million, net of taxes.

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

	Condensed Consolidated Balance Sheet Presentation	Oct 3, 2015	Jan 3, 2015
Fair value	Other non-current liabilities	\$(1,436	) \$(810

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

	Presentation of Gain/(loss)	Three Months Ended		Nine Months Ended	
		Oct 3, 2015	Sep 27, 2014	Oct 3, 2015	Sep 27, 2014
Gain/(loss) recognized in accumulated other comprehensive income	Other comprehensive income	\$(768	) \$343	\$(2,069	) \$(768
Gain/(loss) reclassified from accumulated other comprehensive income (effective portion)	Interest expense	\$(477	) \$(538	) \$(1,451	) \$(1,653
Gain/(loss) recognized in income (ineffective portion)	Other expense	\$(23	) \$25	\$(8	) \$8

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. The company reviews the credit profile of the financial institutions and assesses its creditworthiness prior to entering into the interest rate swap agreements. The interest rate swap agreements typically contain provisions that allow the counterparty to require early settlement in the event that the company becomes insolvent or is unable to maintain compliance with its covenants under its existing debt agreements.

13) Segment Information

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

The Commercial Foodservice Equipment Group manufactures, sells, and distributes cooking equipment for the restaurant and institutional kitchen industry. This business segment has manufacturing facilities in California, Illinois, Michigan, New Hampshire, North Carolina, Tennessee, Texas, Vermont, Washington, Australia, China, Denmark, Italy, the Philippines and the United Kingdom. Principal product lines of this group include conveyor ovens, ranges, steamers, convection ovens, combi-ovens, broilers and steam cooking equipment, induction cooking systems, baking and proofing ovens, charbroilers, catering equipment, fryers, toasters, hot food servers, food warming equipment, griddles, coffee and beverage dispensing equipment, professional refrigerators, coldrooms, ice machines, freezers and kitchen processing and ventilation equipment. These products are sold and marketed under the brand names: Anets, Beech, Blodgett, Blodgett Combi, Blodgett Range, Bloomfield, Britannia, CTX, Carter-Hoffmann, Celfrost, Concordia, CookTek, Desmon, Doyon, Eswood, Frifri, Giga, Goldstein, Holman, Houno, IMC, Induc, Jade, Lang, Lincat, MagiKitch'n, Market Forge, Marsal, Middleby Marshall, MPC, Nieco, Nu-Vu, PerfectFry, Pitco, Southbend, Star, Toastmaster, TurboChef, Viking, Wells and Wunder-Bar.

The Food Processing Equipment Group manufactures preparation, cooking, packaging, food handling and food safety equipment for the food processing industry. This business segment has manufacturing operations in Georgia, Illinois, Iowa, North Carolina, Texas, Virginia, Wisconsin, Australia, France, Germany and the United Kingdom. Principal product lines of this group include batch ovens, belt ovens, continuous processing ovens, frying systems, automated thermal processing systems, automated loading and unloading systems, meat presses, breadng, battering, mixing, water cutting systems, forming, grinding and slicing equipment, food suspension, reduction and emulsion systems, defrosting equipment, packaging and food safety equipment. These products are sold and marketed under the brand names: Alkar, Armor Inox, Auto-Bake, Baker Thermal Solutions, Cozzini, Danfotech, Drake, Maurer-Atmos, MP Equipment, RapidPak, Spooner Vicars, Stewart Systems and Thurne.

The Residential Kitchen Equipment Group manufactures, sells and distributes kitchen equipment for the residential market. This business segment has manufacturing facilities in Michigan, Mississippi, Wisconsin, France, Ireland, Romania, and the United Kingdom. Principal product lines of this group are ranges, cookers, ovens, refrigerators, dishwashers, microwaves, cooktops and outdoor equipment. These products are sold and marketed under the brand names of AGA, AGA Cookshop, Brigade, Divertimenti, Falcon, Fired Earth, Grange, Heartland, Jade, La Cornue, Leisure Sinks, Marvel, Mercury, Rangemaster, Rayburn, Redfyre, Stanley, TurboChef, U-Line and Viking.

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)

Business Segments:	Three Months Ended				Nine Months Ended			
	Oct 3, 2015		Sep 27, 2014		Oct 3, 2015		Sep 27, 2014	
	Sales	Percent	Sales	Percent	Sales	Percent	Sales	Percent
Commercial Foodservice	\$290,885	64.8 %	\$262,805	65.0 %	\$841,932	65.2 %	\$760,754	63.3 %
Food Processing	74,178	16.5	75,219	18.6	215,910	16.7	240,748	20.0
Residential Kitchen	83,941	18.7	66,265	16.4	234,049	18.1	200,041	16.7
Total	\$449,004	100.0 %	\$404,289	100.0 %	\$1,291,891	100.0 %	\$1,201,543	100.0 %

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

	Commercial Foodservice	Food Processing	Residential Kitchen	Corporate and Other(2)	Total
Three Months Ended October 3, 2015					
Net sales	\$290,885	\$74,178	\$83,941	\$—	\$449,004
Income (loss) from operations	77,245	14,048	6,404	(17,667)	) 80,030
Depreciation and amortization expense	2,414	24	8,677	708	11,823
Net capital expenditures	2,801	(607)	) 4,231	(117)	) 6,308
Nine Months Ended October 3, 2015					
Net sales	\$841,932	\$215,910	\$234,049	\$—	\$1,291,891
Income (loss) from operations	218,587	41,534	20,446	(50,597)	) 229,970
Depreciation and amortization expense	12,707	5,006	15,066	1,204	33,983
Net capital expenditures	10,721	1,530	5,600	141	17,992
Total assets	\$1,114,479	\$313,109	\$1,192,147	\$91,044	\$2,710,779
Three Months Ended September 27, 2014					
Net sales	\$262,805	\$75,219	\$66,265	\$—	\$404,289
Income (loss) from operations	71,775	15,485	6,624	(7,419)	) 86,465
Depreciation and amortization expense	4,928	2,091	3,201	400	10,620
Net capital expenditures	1,616	944	506	55	3,121
Nine Months Ended September 27, 2014					
Net sales	\$760,754	\$240,748	\$200,041	\$—	\$1,201,543
Income (loss) from operations	196,480	44,595	11,618	(34,556)	) 218,137
Depreciation and amortization expense	14,715	6,461	9,524	1,234	31,934
Net capital expenditures	6,082	2,745	1,225	55	10,107
Total assets	\$1,040,061	\$305,585	\$494,661	\$73,610	\$1,913,917

(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.

Geographic Information

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

	Oct 3, 2015	Sep 27, 2014
United States and Canada	\$149,260	\$126,995
Asia	16,188	5,436
Europe and Middle East	73,636	16,208
Latin America	1,032	1,771
Total international	\$90,856	\$23,415
	\$240,116	\$150,410

Net sales (in thousands):

	Three Months Ended		Nine Months Ended	
	Oct 3, 2015	Sep 27, 2014	Oct 3, 2015	Sep 27, 2014
United States and Canada	\$329,357	\$279,241	\$953,380	\$833,715
Asia	34,900	36,753	119,812	116,836
Europe and Middle East	68,734	59,697	168,858	174,938
Latin America	16,013	28,598	49,841	76,054
Total international	\$119,647	\$125,048	\$338,511	\$367,828
	\$449,004	\$404,289	\$1,291,891	\$1,201,543

14) Employee Retirement Plans

(a) Pension Plans

The company maintains a non-contributory defined benefit plan for its union employees at the Elgin, Illinois facility. Benefits are determined based upon retirement age and years of service with the company. This defined benefit plan was frozen on April 30, 2002, and no further benefits accrue to the participants beyond this date. Plan participants will receive or continue to receive payments for benefits earned on or prior to April 30, 2002 upon reaching retirement age. The employees participating in the defined benefit plan were enrolled in a newly established 401K savings plan on July 1, 2002, further described below.

The company maintains a non-contributory defined benefit plan for its employees at the Smithville, Tennessee facility, which was acquired as part of the Star acquisition. Benefits are determined based upon retirement age and years of service with the company. This defined benefit plan was frozen on April 1, 2008, and no further benefits accrue to the participants beyond this date. Plan participants will receive or continue to receive payments for benefits earned on or prior to April 1, 2008 upon reaching retirement age.

The company maintains a defined benefit plan for its employees at the Wrexham, United Kingdom facility, which was acquired as part of the Lincat acquisition. Benefits are determined based upon retirement age and years of service with the company. This defined benefit plan was frozen on April 30, 2010 prior to Middleby's acquisition of the company. No further benefits accrue to the participants beyond this date. Plan participants will receive or continue to receive payments for benefits earned on or prior to April 30, 2010 upon reaching retirement age.

The company maintains several pension plans related to AGA and its subsidiaries (collectively, the "AGA Group"), the most significant being the Aga Rangemaster Group Pension Scheme, which covers the majority of employees in the United Kingdom. Membership in the plan on a defined benefit basis of pension provision was closed to new entrants in 2001. The plan became open to new entrants on a defined contribution basis of pension provision in 2002, but was generally closed to new entrants on this basis during 2014.

The other, much smaller, defined benefit pension plans operating within the AGA Group cover employees in France, Ireland, the United Kingdom and the United States. All pension plan assets are held in separate trust funds although the net defined benefit pension obligations are included in the company's consolidated balance sheet.

The company also maintains a retirement benefit agreement with its Chairman. The retirement benefits are based upon a percentage of the Chairman's final base salary.

(b)401K Savings Plans

The company maintains two separate defined contribution 401K savings plans covering all employees in the United States. These two plans separately cover the union employees at the Elgin, Illinois facility and all other remaining union and non-union employees in the United States. The company makes profit sharing contributions to the various plans in accordance with the requirements of the plan. Profit sharing contributions for the Elgin Union 401K savings plans are made in accordance with the agreement.

15)Restructuring

The company has taken actions to improve the operations of Viking and distribution operations of Viking within the Residential Kitchen Equipment Group. These combined initiatives included organizational restructuring and headcount reductions, consolidation and disposition of certain facilities and business operations and discontinuation of certain products. Additionally, during the third quarter of 2015, within the Food Processing Equipment Group and Commercial Foodservice Equipment Group the company made the decision and took action to close two manufacturing facilities and transfer production to other manufacturing facilities within the company. During the nine months ended October 3, 2015, the company recorded expense in the amount of \$11.8 million for these initiatives, which is reflected in the general and administrative expenses and cost of goods sold in the consolidated statements of earnings for such period. The costs and corresponding reserve balances are summarized as follows (in thousands):

Commercial Foodservice Equipment Group:

	Severance/Benefits	Inventory/Product	Facilities/Operations	Other	Total
Balance as of January 3, 2015	\$ —	\$ —	\$ —	\$—	\$—
Expenses	394	73	388	—	855
Payments	—	—	—	—	—
Balance as of October 3, 2015	\$ 394	\$ 73	\$ 388	\$—	\$855

Food Processing Equipment Group:

	Severance/Benefits	Inventory/Product	Facilities/Operations	Other	Total
Balance as of January 3, 2015	\$ —	\$ —	\$ —	\$—	\$—
Expenses	998	305	1,007	229	2,539
Payments	—	—	—	—	—
Balance as of October 3, 2015	\$ 998	\$ 305	\$ 1,007	\$229	\$2,539

Residential Kitchen Equipment Group:

	Severance/Benefits	Inventory/Product	Facilities/Operations	Other	Total
Balance as of January 3, 2015	\$ 147	\$ —	\$ —	\$37	\$184
Expenses	3,160	—	5,298	(29	) 8,429
Payments	(2,090	) —	(1,641	) (10	) (3,741
Balance as of October 3, 2015	\$ 1,217	\$ —	\$ 3,657	\$(2	) \$4,872

The company anticipates that all restructuring actions for the Food Processing Equipment Group and Commercial Foodservice Group will be completed by the end of fiscal 2016. The severance costs for the Residential Kitchen Equipment Group will be completed by the end of fiscal 2016; while the lease costs will extend until 2018.

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

Informational Notes

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; quarterly variations in operating results; dependence on key customers; international exposure; foreign exchange and political risks affecting international sales; ability to protect trademarks, copyrights and other intellectual property; changing market conditions; 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; and other risks detailed herein and from time-to-time in the company's Securities and Exchange Commission ("SEC") filings, including the company's 2014 Annual Report on Form 10-K.

Net Sales Summary

(dollars in thousands)

	Three Months Ended				Nine Months Ended			
	Oct 3, 2015		Sep 27, 2014		Oct 3, 2015		Sep 27, 2014	
	Sales	Percent	Sales	Percent	Sales	Percent	Sales	Percent
Business Segments:								
Commercial	\$290,885	64.8 %	\$262,805	65.0 %	\$841,932	65.2 %	\$760,754	63.3 %
Foodservice								
Food Processing	74,178	16.5	75,219	18.6	215,910	16.7	240,748	20.0
Residential Kitchen	83,941	18.7	66,265	16.4	234,049	18.1	200,041	16.7
Total	\$449,004	100.0 %	\$404,289	100.0 %	\$1,291,891	100.0 %	\$1,201,543	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				Nine Months Ended			
	Oct 3, 2015		Sep 27, 2014		Oct 3, 2015		Sep 27, 2014	
		%		%		%		%
Net sales	100.0		100.0		100.0		100.0	
Cost of sales	60.5		59.8		60.7		60.8	
Gross profit	39.5		40.2		39.3		39.2	
Selling, general and administrative expenses	21.6		20.4		21.5		21.6	
Gain on litigation settlement	—		(1.6	)	—		(0.6)
Income from operations	17.9		21.4		17.8		18.2	
Interest expense and deferred financing amortization, net	0.9		1.0		0.9		1.0	
Other expense, net	0.4		0.2		0.5		0.2	
Earnings before income taxes	16.6		20.2		16.4		17.0	
Provision for income taxes	5.6		5.4		5.5		5.2	

Edgar Filing: MIDDLEBY CORP - Form 10-Q

Net earnings	11.0	% 14.8	% 10.9	% 11.8	%
--------------	------	--------	--------	--------	---

35

Three Months Ended October 3, 2015 as compared to Three Months Ended September 27, 2014

NET SALES. Net sales for the third quarter of fiscal 2015 were \$449.0 million as compared to \$404.3 million in the third quarter of 2014. Of the \$44.7 million increase in net sales, \$46.3 million, or 11.5%, was attributable to acquisition growth, resulting from the fiscal 2014 acquisitions of Concordia and U-Line and the fiscal 2015 acquisitions of Desmon, Goldstein Eswood, Marsal, Induc, Thurne and AGA. Excluding acquisitions, net sales decreased \$1.6 million, or 0.4%, from the prior year. The impact of foreign exchange rates on foreign sales translated into U.S. Dollars for the third quarter reduced net sales by approximately \$12.4 million or 3.1%. On a constant currency basis, organic sales increased by 2.7% for the quarter, reflecting a net sales increase of 9.7% at the Commercial Foodservice Group, 4.4% decrease at the Food Processing Group and a 17.0% decrease at the Residential Equipment Group.

Net sales of the Commercial Foodservice Equipment Group increased by \$28.1 million, or 10.7%, to \$290.9 million in the third quarter of 2015, as compared to \$262.8 million in the prior year quarter. Net sales resulting from the acquisitions of Concordia, Desmon, Goldstein Eswood, Marsal and Induc, which were acquired on September 8, 2014, January 7, 2015, January 30, 2015, February 10, 2015, and May 30, 2015, respectively, accounted for an increase of \$10.9 million during the third quarter of 2015. Excluding the impact of these acquisitions, net sales of the Commercial Foodservice Equipment Group increased \$17.2 million, or 6.5%, as compared to the prior year quarter. On a constant currency basis, organic net sales increased 9.7% at the Commercial Foodservice Group. Domestically, the company realized a sales increase of \$24.1 million, or 13.3%, to \$205.1 million, as compared to \$181.0 million in the prior year quarter. This includes an increase of \$2.7 million from the recent acquisitions. Excluding the acquisitions, the net increase of \$21.4 million, or 11.8%, in domestic sales includes continued growth with customer initiatives to improve efficiencies in restaurant operations by adopting new cooking and warming technologies. International sales increased \$4.0 million, or 4.9%, to \$85.8 million, as compared to \$81.8 million in the prior year quarter. This includes an increase of \$8.2 million from the recent acquisitions offset by a reduction of \$10.0 million due to the unfavorable impact of exchange rates.

Net sales of the Food Processing Equipment Group decreased by \$1.0 million, or 1.3%, to \$74.2 million in the third quarter of 2015, as compared to \$75.2 million in the prior year quarter. Net sales resulting from the acquisition of Thurne, which was acquired on April 7, 2015, accounted for an increase of \$5.7 million during the third quarter of 2015. Excluding the impact of this acquisition, net sales of the Food Processing Equipment Group decreased \$6.7 million, or 8.9%, as compared to the prior year quarter. On a constant currency basis, organic net sales decreased 4.4% at the Food Processing Equipment Group. Domestically, the company realized a sales increase of \$17.6 million, or 50.0%, to \$52.8 million, as compared to \$35.2 million in the prior year quarter. This includes an increase of \$5.4 million from the recent acquisitions. International sales decreased \$18.5 million, or 46.3%, to \$21.5 million, as compared to \$40.0 million in the prior year quarter. This includes an increase of \$0.3 million from the recent acquisitions offset by a reduction of \$3.2 million due to the unfavorable impact of exchange rates. Additionally, international sales were impacted by the nature and timing of large orders associated with this business, impacting the growth in comparative periods.

Net sales of the Residential Kitchen Equipment Group increased by \$17.6 million, or 26.5%, to \$83.9 million in the third quarter of 2015, as compared to \$66.3 million in the prior year quarter. Net sales resulting from the acquisitions of U-Line and AGA, which were acquired on November 5, 2014, and September 23, 2015 respectively, accounted for an increase of \$29.7 million during the third quarter of 2015. Excluding the impact of acquisitions, net sales of the Residential Kitchen Equipment Group decreased \$12.1 million, or 18.3%, as compared to the prior year quarter. On a constant currency basis, organic net sales decreased 17.0% at the Residential Kitchen Equipment Group.

Domestically, the company realized a sales increase of \$8.5 million, or 13.5%, to \$71.5 million, as compared to \$63.0 million in the prior year quarter. This includes an increase of \$19.3 million from the recent acquisitions. International sales increased \$9.2 million, or 278.8%, to \$12.5 million, as compared to \$3.3 million in the prior year quarter. This includes an increase of \$10.4 million from the recent acquisitions. Organic sales growth for the quarter was impacted by the discontinuation in 2014 of certain other non-Viking manufactured products sold by the Viking Distributors 2014, resulting in comparatively lower sales in 2015. Additionally, sales in the third quarter were impacted by

disruption related to the initial production startup for a new line of Viking refrigeration in the first half of 2015.

GROSS PROFIT. Gross profit increased to \$177.2 million in the third quarter of 2015 from \$162.4 million in the prior year period, reflecting the impact of higher sales volumes. The gross margin rate decreased from 40.2% in the third quarter of 2014 to 39.5% in the third quarter of 2015.

Gross profit at the Commercial Foodservice Equipment Group increased by \$5.6 million, or 5.0%, to \$116.7 million in the third quarter of 2015, as compared to \$111.1 million in the prior year quarter. The gross margin rate amounted to 40.1% as compared to 42.3% in the prior year quarter. The reduction in the gross margin rate reflects the impact of sales mix, including lower margins at recent acquisitions.

Gross profit at the Food Processing Equipment Group increased by \$1.0 million, or 3.4%, to \$30.0 million in the third quarter of 2015, as compared to \$29.0 million in the prior year quarter. The gross margin rate increased to 40.4% as compared to 38.6% in the prior year quarter. The increase in the gross margin rate reflects the benefit of acquisition integration initiatives.

Gross profit at the Residential Kitchen Equipment Group increased by \$6.6 million, or 29.6%, to \$28.9 million in the third quarter of 2015, as compared to \$22.3 million in the prior year quarter. Gross profit from the acquisition of U-Line and AGA accounted for approximately \$10.2 million of the increase in gross profit during the period. The gross margin rate increased to 34.4% as compared to 33.6% in the prior year quarter. This increase in the gross margin rate reflects the benefit of cost savings initiatives and lower warranty costs on new product sales.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Combined selling, general and administrative expenses increased from \$75.9 million in the third quarter of 2014 to \$97.2 million in the third quarter of 2015. As a percentage of net sales, operating expenses were 18.8% in the third quarter of 2014, as compared to 21.6% in the third quarter of 2015. Selling expenses increased from \$42.0 million in the third quarter of 2014 to \$44.5 million in the third quarter of 2015.

Selling expenses reflect increased costs of \$4.9 million associated with the Concordia, U-Line, Desmon, Goldstein Eswood, Thurne, Induc and AGA acquisitions. These increases were offset by a decrease of \$1.1 million related to trade advertising and \$0.6 million related to compensation. The impact of foreign exchange rates had a favorable impact, reducing selling expenses by approximately \$1.9 million.

General and administrative expenses increased from \$40.4 million in the third quarter of 2014 to \$52.7 million in the third quarter of 2015. General and administrative expenses reflect \$8.6 million of increased costs associated with the Concordia, U-Line, Desmon, Goldstein Eswood, Thurne, Induc and AGA acquisitions, including \$3.1 million of non-cash intangible amortization expense. Additionally, general and administrative expenses increased \$7.3 million, reflecting transaction expenses related to the AGA acquisition. General and administrative expenses for the quarter also included \$5.7 million in restructuring charges, including \$2.3 million associated with the closure of facilities and warehouse consolidations of the Residential Kitchen Equipment Group and \$3.4 million related to the consolidation of production facilities at the Food Processing and Commercial Foodservice Equipment Groups. These increases were offset by a decrease of \$3.5 million related to non-cash amortization expense, \$1.6 million related to reduced wages and incentive compensation, resulting in part from cost reduction initiatives, and \$0.6 million related to reduced non-cash share based compensation. The impact of foreign exchange rates had a favorable impact, reducing general and administrative expenses by approximately \$1.5 million. In the prior year, the gain on patent litigation consisted of \$6.5 million of proceeds from a settlement related to a patent infringement matter.

NON-OPERATING EXPENSES. Interest and deferred financing amortization costs increased to \$4.2 million in the third quarter of 2015 as compared to \$3.9 million in the third quarter of 2014 due to increased debt levels as a result of acquisition activities. Other expense was \$1.9 million in the third quarter of 2015, as compared to other expense of \$1.0 million in the prior year third quarter and consists mainly of foreign exchange losses.

INCOME TAXES. A tax provision of \$25.0 million, at an effective rate of 33.9%, was recorded during the third quarter of 2015, as compared to a \$21.9 million provision at a 26.8% effective rate in the prior year quarter. In comparison to the prior year, the tax provision reflects a higher effective tax rate on increased earnings in higher state taxed jurisdictions, a decrease in permanent tax benefits and an increase in tax reserves.

Nine Months Ended October 3, 2015 as compared to Nine Months Ended September 27, 2014

NET SALES. Net sales for the nine months period ended October 3, 2015 were \$1,291.9 million as compared to \$1,201.5 million in the nine months period ended September 27, 2014. Of the \$90.4 million increase in net sales, \$107.4 million, or 8.9%, was attributable to acquisition growth, resulting from the fiscal 2014 acquisitions of PES, Concordia and U-Line and the fiscal 2015 acquisitions of Desmon, Goldstein Eswood, Marsal, Induc, Thurne and AGA. Excluding acquisitions, net sales decreased \$17.0 million, or 1.4%, from the prior year. The impact of foreign exchange rates on foreign sales translated into U.S. Dollars for the nine months period ended October 3, 2015 reduced net sales by approximately \$35.6 million or 3.0%. On a constant currency basis, organic sales growth amounted to 1.5% for the year, including a net sales increase of 9.2% at the Commercial Foodservice Equipment Group, a net sales decrease of 11.4% at the Food Processing Equipment Group and a net sales decrease of 11.9% at the Residential Kitchen Equipment Group.

Net sales of the Commercial Foodservice Equipment Group increased by \$81.1 million or 10.7%, to \$841.9 million in the nine months period ended October 3, 2015, as compared to \$760.8 million in the prior year period. Net sales resulting from the acquisitions of Concordia, Desmon, Goldstein Eswood, Marsal and Induc which were acquired on September 8, 2014, January 7, 2015, January 30, 2015 and February 10, 2015, and May 30, 2015, respectively, accounted for an increase of \$31.3 million during the nine months period ended October 3, 2015. Excluding the impact of acquisitions, net sales of the Commercial Foodservice Equipment Group increased \$49.8 million, or 6.5%, as compared to the prior year period. On a constant currency basis, organic net sales increased 9.2% at the Commercial Foodservice Group. Domestically, the company realized a sales increase of \$67.3 million, or 12.7%, to \$596.7 million, as compared to \$529.4 million in the prior year period. This includes an increase of \$10.0 million from recent acquisitions. Excluding the acquisitions, the net increase of \$57.3 million, or 10.8%, in domestic sales includes continued growth with customer initiatives to improve efficiencies in restaurant operations by adopting new cooking and warming technologies. International sales increased \$13.8 million, or 6.0%, to \$245.2 million, as compared to \$231.4 million in the prior year period. This includes an increase of \$21.3 million from the recent acquisitions, offset by \$24.4 million related to the unfavorable impact of exchange rates.

Net sales of the Food Processing Equipment Group decreased by \$24.8 million or 10.3%, to \$215.9 million in the nine months period ended October 3, 2015, as compared to \$240.7 million in the prior year period. Net sales from the acquisitions of PES and Thurne, which were acquired on March 31, 2014, and April 7, 2015, respectively, accounted for an increase of \$16.2 million during the nine months period ended October 3, 2015. Excluding the impact of these acquisitions, net sales of the Food Processing Equipment Group decreased \$41.0 million, or 17.0%. On a constant currency basis, organic net sales decreased 11.4% at the Food Processing Equipment Group. Domestically, the company realized a sales increase of \$27.4 million, or 24.1%, to \$140.9 million, as compared to \$113.5 million in the prior year quarter. This includes an increase of \$15.7 million from the recent acquisitions. International sales decreased \$52.2 million, or 41.0%, to \$75.0 million, as compared to \$127.2 million in the prior year quarter. This includes of \$0.5 million from the recent acquisitions. The decrease in sales reflects the impact of foreign exchange rates of approximately \$14.0 million and the nature and timing of large orders associated with this business, impacting the growth in comparative periods.

Net sales of the Residential Kitchen Equipment Group increased by \$34.0 million or 17.0%, to \$234.0 million in the nine months period ended October 3, 2015, as compared to \$200.0 million in the prior year period. Net sales from the acquisitions of U-Line and AGA, which were acquired on November 5, 2014, and September 23, 2015, respectively, accounted for an increase of \$59.9 million. Excluding the impact of these acquisitions, net sales of the Residential Kitchen Equipment Group decreased \$25.9 million. On a constant currency basis, organic net sales decreased 11.9% at the Residential Kitchen Equipment Group. Domestically, the company realized a sales increase of \$25.1 million, or 13.2%, to \$215.8 million, as compared to \$190.7 million in the prior year quarter. This includes an increase of \$49.0 million from the recent acquisitions. International sales increased \$8.9 million, or 95.7%, to \$18.2 million, as

compared to \$9.3 million in the prior year quarter, including a reduction of \$3.3 million related to the impact of unfavorable exchange rates. Organic sales growth for the year was impacted by the discontinuation in 2014 of certain other non-Viking manufactured products sold by the Viking Distributors 2014, resulting in comparatively lower sales in 2015. Additionally, sales were impacted by product unavailability and disruption related to the initial production startup for a new line of Viking refrigeration in the first half of 2015.

GROSS PROFIT. Gross profit increased to \$507.6 million in the nine months period ended October 3, 2015 from \$471.5 million in the prior year period. The increase in the gross profit reflects the impact of increased sales, offset by the impact of foreign exchange rates, which reduced gross profit by \$12.6 million. The gross margin rate was 39.2% in the nine months period ended September 27, 2014 as compared to 39.3% in the current year period.

Gross profit at the Commercial Foodservice Equipment Group increased by \$25.8 million, or 8.2%, to \$341.1 million in the nine months period ended October 3, 2015, as compared to \$315.3 million in the prior year period. Gross profit from the acquisitions of Concordia, Desmon, Goldstein Eswood, Marsal and Induc accounted for approximately \$11.3 million of the increase in gross profit during the period. Excluding the recent acquisitions, gross profit increased by approximately \$14.5 million on higher sales volumes. The impact of foreign exchange rates reduced gross profit by approximately \$7.0 million. The gross margin rate declined to 40.5%, as compared to 41.4% in the prior year period, due primarily to changes in sales mix, as compared to the prior year period.

Gross profit at the Food Processing Equipment Group decreased by \$5.8 million, or 6.5%, to \$83.1 million in the nine months period ended October 3, 2015, as compared to \$88.9 million in the prior year period. Gross profit from the acquisition of PES and Thurne accounted for approximately \$4.8 million of the increase in gross profit during the period. The impact of foreign exchange rates reduced gross profit by approximately \$4.6 million. The gross profit margin rate increased to 38.5%, as compared to 36.9% in the prior year period. The increase in the gross margin rate reflects the favorable impact of acquisition integration initiatives.

Gross profit at the Residential Kitchen Equipment Group increased by \$16.7 million, or 24.9%, to \$83.8 million in the nine months period ended October 3, 2015, as compared to \$67.1 million in the prior year period. Gross profit from the acquisition of U-Line and AGA accounted for approximately \$22.5 million of the increase in gross profit during the period. The gross margin rate increased to 35.8%, as compared to 33.6% in the prior year period. The gross margin rate improvement reflects the impact of acquisition integration and cost reduction initiatives.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Combined selling, general and administrative expenses increased from \$253.4 million in the nine months period ended September 27, 2014 to \$277.6 million in the nine months period ended October 3, 2015. As a percentage of net sales, operating expenses were 21.0% in the nine months period ended September 27, 2014, as compared to 21.5% in the nine months period ended October 3, 2015.

Selling expenses decreased from \$137.1 million in the nine months period ended September 27, 2014 to \$136.9 million in the nine months period ended October 3, 2015. Selling expenses reflected increased costs of \$12.5 million associated with the Concordia, U-Line, Desmon, Goldstein Eswood, Thurne, Induc and AGA acquisitions. These expenses were offset by a decrease of \$4.2 million related to commissions, \$3.1 million related to trade advertising and \$2.4 million related to compensation. The impact of foreign exchange rates had a favorable impact, reducing selling expenses by approximately \$5.0 million.

General and administrative expenses increased from \$122.8 million in the nine months period ended September 27, 2014 to \$140.7 million in the nine months period ended October 3, 2015. General and administrative expenses reflect \$14.6 million of increased costs associated with the Concordia, U-Line, Desmon, Goldstein Eswood, Thurne, Induc and AGA acquisitions, including \$5.4 million of non-cash intangible amortization expense. Additionally, general and administrative expenses increased \$7.8 million, reflecting professional fees primarily for acquisition activities. General and administrative expenses for the year also included non-recurring charges of \$13.0 million, including \$8.4 million associated with the closure of facilities and warehouse consolidations at the Residential Kitchen Equipment Group, \$3.4 million related to the consolidation of production facilities at the Food Processing and Commercial Foodservice Equipment Groups and \$1.2 million related to settlement costs related to earnout provisions for the Celfrost acquisition. In the prior year period, non-recurring charges of \$4.1 million were incurred associated with the reorganization of the Residential Kitchen Equipment Group. These expense increases were offset by a decrease of

\$5.8 million related to non-cash intangible amortization expense and a \$3.5 million reduction in wages and incentive compensation. The impact of foreign exchange rates had a favorable impact, reducing general and administrative expenses by approximately \$3.7 million. In the prior year, the gain on patent litigation consisted of \$6.5 million of proceeds from a settlement related to a patent infringement matter.

NON-OPERATING EXPENSES. Interest and deferred financing amortization costs were \$12.0 million in the nine months period ended October 3, 2015, as compared to \$12.1 million in the prior year period. Other expense was \$6.1 million in the nine months period ended October 3, 2015, as compared to \$2.1 million in the prior year period, and consists mainly of foreign exchange losses. The increase in foreign exchange losses during the quarter is attributable to the strengthening of the U.S. Dollar in the quarter, as compared to the Euro, Brazilian Real, Australian Dollar and Canadian Dollar.

INCOME TAXES. A tax provision of \$70.5 million, at an effective rate of 33.3%, was recorded during the nine months period ended October 3, 2015, as compared to \$62.5 million at an effective rate of 30.6%, in the prior year period. In comparison to the prior year, the tax provision reflects a higher effective tax rate on increased earnings in higher state taxed jurisdictions and an increase in tax reserves.

Financial Condition and Liquidity

During the nine months ended October 3, 2015, cash and cash equivalents increased by \$11.2 million to \$55.1 million at October 3, 2015 from \$43.9 million at January 3, 2015. Net borrowings increased from \$598.2 million at January 3, 2015 to \$754.9 million at October 3, 2015.

OPERATING ACTIVITIES. Net cash provided by operating activities was \$167.6 million for the nine months ended October 3, 2015, compared to net cash provided by operating activities of \$164.4 million for the nine months ended September 27, 2014.

During the nine months ended October 3, 2015, increased working capital levels reduced operating cash flows by \$17.9 million. These changes in working capital levels included a \$4.5 million decrease in accounts receivable. Inventory increased \$25.6 million due to several factors including increased incoming order rates and the timing of large orders for the Food Processing Equipment Group, investments in inventories in growing international markets, and investments in inventories at the Residential Kitchen Equipment Group in connection with new product introduction. Prepaid expenses and other assets decreased \$3.8 million primarily related to the timing of orders at the Food Processing Equipment Group. Changes in working capital also included a \$7.1 million decrease in accrued expenses and other non-current liabilities primarily related to the payment of 2014 annual rebate programs and incentive obligations.

INVESTING ACTIVITIES. During the nine months ended October 3, 2015, net cash used in investing activities included \$253.0 million related to the acquisitions of Desmon, Goldstein Eswood, Marsal, Thurne, Induc and AGA, \$9.2 million related to contingent consideration payments from previous years' acquisitions and \$18.0 million of additions and upgrades of production equipment and manufacturing facilities.

FINANCING ACTIVITIES. Net cash flows provided by financing activities were \$125.1 million during the nine months ended October 3, 2015. The company's borrowing activities included \$129.0 million of net proceeds under its \$1.0 billion revolving credit facility and \$1.4 million of net borrowings under its foreign banking facilities. The company used \$4.8 million to repurchase 45,352 shares of its common stock that were surrendered to the company by employees in lieu of cash for payment for withholding taxes related to restricted stock vestings that occurred during the nine months ended October 3, 2015.

Financing activities also included \$2.4 million of excess tax benefits associated with the vesting of restricted stock grants.

At October 3, 2015, 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 generated from operations, funds available from its revolving credit facility and access to the credit and capital markets will be sufficient to finance its operations, debt service obligations, capital expenditures, acquisitions, product development and integration expenditures for the foreseeable future.

Recently Issued Accounting Standards

In May 2014, the FASB issued ASU No. 2014-08, "Presentation of Financial Statements and Property, Plant and Equipment: Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity". This update changes the criteria for determining which disposals can be presented as discontinued operations and requires expanded disclosures. Under ASU No. 2014-08, a disposal of a component of an entity or group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on the entity's operations and financial results. This update is effective for annual and corresponding interim reporting periods beginning on or after December 15, 2014. The adoption of this guidance did not have an impact on the company's financial position, results of operations or cash flows.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers". This update amends the current guidance on revenue recognition related to contracts with customers. Under ASU No. 2014-09, an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU No. 2014-09 also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In July 2015, the FASB decided to delay the effective date of the new revenue standard to be effective for interim and annual periods beginning on or after December 15, 2017 for public companies and December 15, 2018 for private companies. Companies may elect to adopt the standard at the original effective date for public entities, that is, for interim and annual periods beginning on or after December 15, 2016, but not earlier. The guidance can be applied using one of two retrospective application methods. The company is evaluating the impact of adopting this new standard on the consolidated financial statements.

In June 2014, the FASB issued ASU No. 2014-12, "Compensation - Stock Compensation". This update requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant date fair value of the award. This update is effective for annual and corresponding interim reporting periods beginning on or after December 15, 2015. Early adoption is permitted. The company is evaluating the impact the application of this ASU will have, if any, on the company's financial position, results of operations and cash flows.

In January 2015, the FASB issued ASU No. 2015-01, "Income Statement - Extraordinary and Unusual Items". This update eliminates the concept of extraordinary items from the current guidance. This update is effective for annual and corresponding interim reporting periods beginning after December 15, 2015. Early adoption is permitted provided the guidance is applied from the beginning of the fiscal year of adoption. Retrospective application is encouraged for all prior periods presented in the financial statements. The company is evaluating the impact the application of this ASU will have, if any, on the company's financial position, results of operations and cash flows.

In April 2015, the FASB issued ASU 2015-03, "Interest - Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs", which requires debt issuance costs to be recorded as a direct reduction of the debt liability on the balance sheet rather than as an asset. The standard is effective for fiscal years beginning after December 15, 2015 and early adoption is permitted. The new guidance will be applied retrospectively to each prior period presented. The company does not expect the adoption of this standard to have a material impact on its consolidated balance sheets.

In April 2015, the FASB issued ASU 2015-04, "Practical Expedient for the Measurement Date of an Employer's Defined Benefit Obligation and Plan Assets". This ASU is intended to provide a practical expedient for the measurement date of defined benefit plan assets and obligations. The practical expedient allows employers with fiscal year-end dates that do not fall on a calendar month-end (e.g., companies with a 52/53-week fiscal year) to measure pension and post-retirement benefit plan assets and obligations as of the calendar month-end date closest to the fiscal year-end. The FASB also provided a similar practical expedient for interim remeasurements for significant events. This ASU requires perspective application and is effective for annual reporting periods beginning after December 15, 2015 and interim periods within those fiscal years. Early adoption is permitted. The company is evaluating the impact the application of this ASU will have, if any, on the company's financial position, results of operations and cash flows.

In September 2015, the FASB issued ASU 2015-16, "Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments", which eliminates the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively. Instead, acquirers must recognize measurement-period adjustments during the period in which they determine the amounts, including the effect on earnings of any amounts they would have recorded in previous periods if the accounting had been completed at the acquisition date. The ASU is effective for public business entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted. The company does not expect the adoption of this standard to have a material impact on its financial condition, results of operations or cash flows.

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 our consolidated financial statements.

Revenue Recognition. At the Commercial Foodservice Group and the Residential Kitchen Equipment Group, the company recognizes revenue on the sale of its products when risk of loss has passed to the customer, which occurs at the time of shipment, and collectability is reasonably assured. The sale prices of the products sold are fixed and determinable at the time of shipment. Sales are reported net of sales returns, sales incentives and cash discounts based on prior experience and other quantitative and qualitative factors.

At the Food Processing Equipment Group, the company enters into long-term sales contracts for certain products that are often significant relative to the business. Revenue under these long-term sales contracts is recognized using the percentage of completion method defined within ASC 605-35 “Construction-Type and Production-Type Contracts” due to the length of time to fully manufacture and assemble the equipment. The company measures revenue recognized based on the ratio of actual labor hours incurred in relation to the total estimated labor hours to be incurred related to the contract. Because estimated labor hours to complete a project are based upon forecasts using the best available information, the actual hours may differ from original estimates. The percentage of completion method of accounting for these contracts most accurately reflects the status of these uncompleted contracts in the company's financial statements and most accurately measures the matching of revenues with expenses. At the time a loss on a contract becomes known, the amount of the estimated loss is recognized in the consolidated financial statements. Revenue for sales of products and services not covered by long-term sales contracts is recognized when risk of loss has passed to the customer, which occurs at the time of shipment or when service is completed, and collectability is reasonably assured. The sale prices of the products sold are fixed and determinable at the time of shipment. Sales are reported net of sales returns, sales incentives and cash discounts based on prior experience and other quantitative and qualitative factors.

Inventories. Inventories are stated at the lower of cost or market using the first-in, first-out method for the majority of the company's inventories. The company evaluates the need to record valuation adjustments for inventory on a regular basis. The company's policy is to evaluate all inventories including raw material, work-in-process, finished goods, and spare parts. Inventory in excess of estimated usage requirements is written down to its estimated net realizable value. Inherent in the estimates of net realizable value are estimates related to our future manufacturing schedules, customer demand, possible alternative uses, and ultimate realization of potentially excess inventory.

Goodwill and Other Intangibles. The company's business acquisitions result in the recognition of goodwill and other intangible assets, which are a significant portion of the company's total assets. The company recognizes goodwill and other intangible assets under the guidance of ASC Topic 350-10, “Intangibles — Goodwill and Other”. Goodwill represents the excess of acquisition costs over the fair value of the net tangible assets and identifiable intangible assets acquired in a business combination. Identifiable intangible assets are recognized separately from goodwill and include trademarks and trade names, technology, customer relationships and other specifically identifiable assets. Trademarks and trade names are deemed to be indefinite-lived. Goodwill and indefinite-lived intangible assets are not amortized, but are subject to impairment testing. On an annual basis, or more frequently if triggering events occur, the company compares the estimated fair value to the carrying value to determine if a potential goodwill impairment exists. If the fair value is less than its carrying value, an impairment loss, if any, is recorded for the difference between the implied fair value and the carrying value of goodwill. In estimating the fair value of specific intangible assets, management relies on a number of factors, including operating results, business plans, economic projections, anticipated future cash flows, comparable transactions and other market data. There are inherent uncertainties related to these factors and management's judgment in applying them in the impairment tests of goodwill and other intangible assets.

Income Taxes. The company provides deferred income tax assets and liabilities based on the estimated future tax effects of differences between the financial and tax bases of assets and liabilities based on currently enacted tax laws. The company's deferred and other tax balances are based on management's interpretation of the tax regulations and rulings in numerous taxing jurisdictions. Income tax expense and liabilities recognized by the company also reflect its best estimates and assumptions regarding, among other things, the level of future taxable income, the effect of the company's various tax planning strategies and uncertain tax positions. Future tax authority rulings and changes in tax laws, changes in projected levels of taxable income and future tax planning strategies could affect the actual effective tax rate and tax balances recorded by the company. The company follows the provisions under ASC 740-10-25 that provides a recognition threshold and measurement criteria for the financial statement recognition of a tax benefit taken

or expected to be taken in a tax return. Tax benefits are recognized only when it is more likely than not, based on the technical merits, that the benefits will be sustained on examination. Tax benefits that meet the more-likely-than-not recognition threshold are measured using a probability weighting of the largest amount of tax benefit that has greater than 50% likelihood of being realized upon settlement. Whether the more-likely-than-not recognition threshold is met for a particular tax benefit is a matter of judgment based on the individual facts and circumstances evaluated in light of all available evidence as of the balance sheet date.

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 Ending	Variable Rate Debt
October 3, 2016	\$37,195
October 3, 2017	716,965
October 3, 2018	105
October 3, 2019	105
October 3, 2020 and thereafter	529
	\$754,899

On August 7, 2012, the company entered into a new senior secured multi-currency credit facility. Terms of the company's senior credit agreement provide for \$1.0 billion of availability under a revolving credit line. As of October 3, 2015, the company had \$716.5 million of borrowings outstanding under this facility. The company also has \$6.9 million in outstanding letters of credit as of October 3, 2015, which reduces the borrowing availability under the revolving credit line. Remaining borrowing availability under this facility was \$276.6 million at October 3, 2015.

At October 3, 2015, borrowings under the senior secured credit facility were assessed at an interest rate 1.25% above LIBOR for long-term borrowings or at the higher of the Prime rate and the Federal Funds Rate. At October 3, 2015, the average interest rate on the senior debt amounted to 1.43%. The interest rates on borrowings under the senior secured credit facility may be adjusted quarterly based on the company's indebtedness ratio on a rolling four-quarter basis. Additionally, a commitment fee, based upon the indebtedness ratio is charged on the unused portion of the revolving credit line. This variable commitment fee amounted to 0.23% as of October 3, 2015.

In August 2006, the company completed its acquisition of Houno A/S in Denmark. This acquisition was funded in part with locally established debt facilities with borrowings in Danish Krone. These facilities included a revolving credit facility and term loan. At October 3, 2015, these facilities amounted to \$3.7 million in U.S. dollars, including \$2.7 million outstanding under a revolving credit facility and \$1.0 million under a term loan. The interest rate on the revolving credit facility is assessed at 1.25% above Euro LIBOR, which amounted to 1.55% on October 3, 2015. At October 3, 2015, the interest rate assessed on the term loan was 4.55%. The term loan matures in 2022.

In April 2008, the company completed its acquisition of Giga Grandi Cucine S.r.l in Italy. This acquisition was funded in part with locally established debt facilities with borrowings denominated in Euro. At October 3, 2015, these facilities amounted to \$1.0 million in U.S. dollars. The interest rate on the credit facilities is variable based on the three-month Euro LIBOR. At October 3, 2015, the average interest rate on these facilities was approximately 2.83%. The facilities are secured by outstanding accounts receivable collectible within six months.

In October 2013, the company completed its acquisition of substantially all of the assets of Celfrost Innovations Pvt. Ltd. in India. At the time of the acquisition a local credit facility, denominated in Indian Rupee, was established to fund local working capital needs. At October 3, 2015, the facility amounted to \$2.5 million in U.S. dollars. At October 3, 2015, borrowings under the facility were assessed at an interest rate at 1.25% above the Reserve Bank of India's base rate for long-term borrowings. At October 3, 2015, the average interest rate on this facility was approximately 10.25%.

In March 2014, Cozzini do Brazil LTDA entered into a local credit facility, denominated in Brazilian Real, to fund local working capital needs. At October 3, 2015, the facility amounted to \$2.4 million in U.S. dollars and was assessed an interest rate of 1.50% above the Brazilian central bank CDI Rate. At October 3, 2015, the interest rate assessed on this facility was 12.58%. This local credit facility matures on March 28, 2016.

In January 2015, the company completed its acquisition of Desmon Food Service Equipment Company in Italy. This acquisition was funded in part with locally established debt facilities with borrowings denominated in Euro. At October 3, 2015, these facilities amounted to \$0.1 million in U.S. dollars, including \$0.1 million outstanding on a local working capital loan and less than \$0.1 million outstanding under a term loan. The interest rate on the working capital loan was 1.63% and the interest rate on the term loan was 0.50%. Both the working capital loan and the term loan mature on December 31, 2016.

In September 2015, the company completed its acquisition of AGA Rangemaster Group plc in the United Kingdom. At the time of acquisition, local credit facilities with borrowings, denominated in Euro and USD, were established to fund local working capital needs. At October 3, 2015, these facilities amounted to \$28.2 million in U.S. Dollars, including \$27.6 million outstanding on local working capital loans and \$0.6 million outstanding under the term loan. At October 3, 2015, the average interest rate was approximately 1.98% on the working capital loans and 0.76% on the term loan.

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.

The company has historically entered into interest rate swap agreements to effectively fix the interest rate on a portion of its outstanding debt. The agreements swap one-month LIBOR for fixed rates. As of October 3, 2015, the company had the following interest rate swaps in effect:

Notional Amount	Fixed Interest Rate	Effective Date	Maturity Date
\$25,000,000	2.520%	2/23/2011	2/23/2016
\$15,000,000	1.185%	9/12/2011	9/12/2016
\$15,000,000	0.458%	2/11/2013	10/11/2015
\$25,000,000	0.635%	2/11/2013	8/11/2016
\$25,000,000	0.789%	2/11/2013	3/11/2017
\$25,000,000	0.803%	2/11/2013	5/11/2017
\$35,000,000	0.880%	2/11/2013	7/11/2017
\$10,000,000	1.480%	9/11/2013	7/11/2017
\$15,000,000	0.920%	3/11/2014	7/11/2017
\$25,000,000	0.950%	3/11/2014	7/11/2017

The terms of the senior secured credit facility limit the ability of the company and its subsidiaries to, with certain exceptions: incur indebtedness; grant liens; engage in certain mergers, consolidations, acquisitions and dispositions; make restricted payments; enter into certain transactions with affiliates; and require, among other things, a maximum ratio of indebtedness to EBITDA of 3.5 and a fixed charge coverage ratio (as defined in the senior secured credit facility) of 1.25. The senior secured credit facility is secured by substantially all of the assets of Middleby Marshall, the company and the company's domestic subsidiaries and is unconditionally guaranteed by, subject to certain exceptions, the company and certain of the company's direct and indirect material domestic subsidiaries. The senior secured credit facility contains certain customary events of default, including, but not limited to, the failure to make required payments; bankruptcy and other insolvency events; the failure to perform certain covenants; the material breach of a representation or warranty; non-payment of certain other indebtedness; the entry of undischarged judgments against the company or any subsidiary for the payment of material uninsured amounts; the invalidity of the company guarantee or any subsidiary guaranty; and a change of control of the company. The credit agreement also provides that if a material adverse change in the company's business operations or conditions occurs, the lender could declare an event of default. Under terms of the agreement, a material adverse effect is defined as (a) a material adverse change in, or a material adverse effect upon, the operations, business properties, condition (financial and otherwise) or prospects of the company and its subsidiaries taken as a whole; (b) a material impairment of the ability of the company to perform under the loan agreements and to avoid any event of default; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against the company of any loan document. A material adverse effect is determined on a subjective basis by the company's creditors. The potential loss on fair value for the company's debt obligations 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. At October 3, 2015, the company was in compliance with all covenants pursuant to its borrowing agreements.

Financing Derivative Instruments

The company has entered into interest rate swaps to fix the interest rate applicable to certain of its variable-rate debt. The agreements swap one-month LIBOR for fixed rates. 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 October 3, 2015, the fair value of these instruments was a liability of \$1.4 million. The change in fair value of these swap agreements in the first nine months of 2015 was a loss of \$0.4 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.

Foreign Exchange Derivative Financial Instruments

The company uses foreign currency forward and option 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 following table summarizes the forward and option contracts outstanding at October 3, 2015. The fair value of the forward and option contracts was a gain of \$0.8 million at the end of the third quarter of 2015.

Sell		Purchase		Maturity
5,000,000	Euro Dollars	5,599,700	US Dollars	December 30, 2015
5,000,000	Euro Dollars	5,595,750	US Dollars	December 30, 2015
5,000,000	Euro Dollars	5,601,000	US Dollars	December 30, 2015
5,300,000	Euro Dollars	5,937,060	US Dollars	December 30, 2015
3,500,000	British Pounds	4,729,538	Euro Dollars	December 30, 2015
4,000,000	British Pounds	5,407,415	Euro Dollars	December 30, 2015
5,000,000	British Pounds	6,754,931	Euro Dollars	December 30, 2015
3,796,697	Euro Dollars	2,805,000	British Pounds	December 30, 2015
7,500,000	Australian Dollars	5,241,750	US Dollars	December 30, 2015
12,900,000	Australian Dollars	9,024,518	US Dollars	December 30, 2015
12,500,000	Australian Dollars	8,737,500	US Dollars	December 30, 2015
11,500,000	Canadian Dollars	8,685,801	US Dollars	December 30, 2015
2,300,000	Australian Dollars	1,608,505	US Dollars	December 30, 2015
10,000,000	Brazilian Reais	2,748,763	US Dollars	December 17, 2015
20,167,500	Brazilian Reais	5,000,000	US Dollars	August 23, 2016

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 October 3, 2015, 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 October 3, 2015, 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 nine months ended October 3, 2015, 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
July 5 to August 1, 2015	—	\$—	—	2,610,047
August 2 to August 29, 2015	—	—	—	2,610,047
August 30 to October 3, 2015	—	—	—	2,610,047
Quarter ended October 3, 2015	—	\$—	—	2,610,047

In June 2014, the company's Board of Directors approved a three-for-one split of the company's common stock in the form of a stock dividend. The stock dividend was paid on June 27, 2014 to shareholders of record as of June 16, 2014. The company's stock began trading on a split-adjusted basis on June 27, 2014. The stock split effectively tripled the number of shares outstanding at June 27, 2014.

In July 1998, the company's Board of Directors adopted a stock repurchase program and subsequently authorized the purchase of common shares in open market purchases. During 2013, the company's Board of Directors authorized the purchase of additional common shares in open market purchases. As of October 3, 2015, the total number of shares authorized for repurchase under the program is 4,570,266. As of October 3, 2015, 1,960,219 shares had been purchased under the 1998 stock repurchase program.

Item 6. Exhibits

Exhibits – The following exhibits are filed herewith:

- Exhibit 2.1 – Rule 2.7 Announcement, dated July 15, 2015, incorporated by reference to the company's Form 8-K, Exhibit 2.1, filed on July 15, 2015.
- 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 October 3, 2015, filed on November 12, 2015, formatted in Extensive Business Reporting Language (XBRL); (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.

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: November 12, 2015

By: /s/ Timothy J. FitzGerald
Timothy J. FitzGerald
Vice President,
Chief Financial Officer