

# The Best Small Cap for 2007: Middleby

By Katrina Chan  
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Our society is obsessed with food. From the Food Network, to the excess of websites offering recipes and food-sharing tips, to fine dining, we have no problem devoting a good amount of our budgets to filling our stomachs. Whether this is good or bad, we have companies like food-service equipment maker **Middleby** ([Nasdaq: MIDD](#)) to thank.

Middleby specializes in cooking and food preparation for restaurants, institutional kitchens, and food-processing operations. At first glance, ovens may not seem revolutionary or innovative. They don't catch the media's attention the way **Google** or **Apple** do. But the demand for ovens is ever-present, and the company benefits from a growing consumer trend: the steady growth of dining establishments. And while ovens and warming equipment may not have you excited just yet, Middleby's growth and financials will.

Middleby's most recent quarter marked its 19th consecutive quarter-over-quarter record net earnings, with earnings per share shooting up to \$1.48, versus \$1.19 a year ago. Total revenue increased 27.6%, with the recent Alkar Holdings and Houno acquisitions contributing 20.3% of the sales growth. The company has maintained healthy margins and impressive return on equity -- its ROE is more than 60% - - demonstrating its robust profitability. And with high growth expected for the company for the next five years, Middleby isn't cooling off any time soon.

An important component of Middleby's growth is its international presence. With one of its segments devoted solely to international distribution, it dedicates a significant amount of money to its international infrastructure compared with its competitors. This helps drive growth in emerging markets such as Latin America, where growth increased 20% this past quarter thanks to expanding restaurant chains.

Our own [CAPS](#) community has often cited Middleby's solid management in its commentaries about the company, and rightfully so. Middleby's CEO, Selim Bassoul, has had a noteworthy impact on the company since taking the reins in 2000, revitalizing a company that had fallen into unprofitable waters. Under his watch, sales have grown more than 200% and margins, particularly operating and net income, have grown considerably. Within his first three months at Middleby, he cut half of the company's 10,000 products and reduced the workforce by 200. His strategy? Focus on the cooking, and improve the products by incorporating customer feedback. Other companies should take notice, because this is the type of CEO you want behind a company.

So stick a fork in it -- we're done for this round. And while Middleby is currently considered a small cap, it has all the fixings to make it big (examine the core traits that make small caps successful investments [here](#)). Middleby has smokin' financials and sizzling growth prospects, with great management baked right in. If this isn't a recipe for a great company, then I don't know what is!

Now here's the one time where it doesn't hurt to have too many cooks in the kitchen -- in [CAPS](#). An overwhelming 98% of the 815 community members who have rated Middleby think it will roast the S&P 500 -- securing the company a top five-star rating. But now it's your turn to add some flavor to CAPS. If you, too, think Middleby will outperform the S&P 500 (or even if you don't!), you can voice your opinion [here](#).

*Seen our other contenders for best small cap? If not, [click here](#).*

*Middleby is a three-time recommendation and top performer for the [Motley Fool Hidden Gems](#) newsletter, returning more than 450% since its first recommendation. To get the full scoop, try a [free 30-day trial of the newsletter](#).*

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