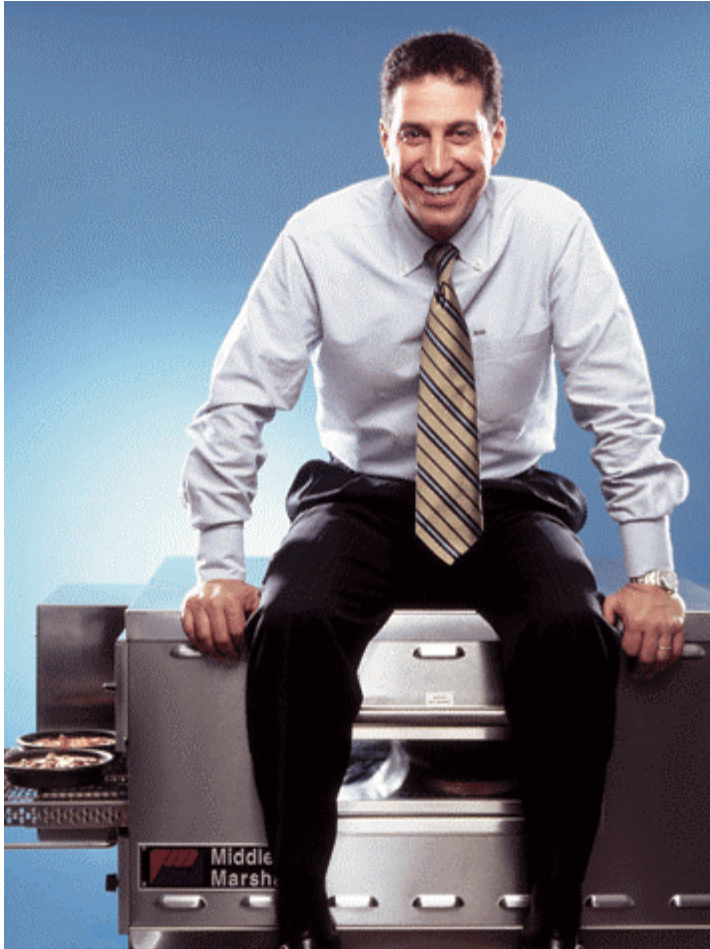


Middleby CEO lays it all on the line

By Bob Tita
Aug. 14, 2006

Selim Bassoul has an appetite for taking big risks.



After a bidding war of more than three months, the CEO and 12% owner of Elgin-based commercial kitchen equipment maker Middleby Corp. is still trying to acquire U.K.-based Enodis PLC, a rival more than twice the size of Mr. Bassoul's company.

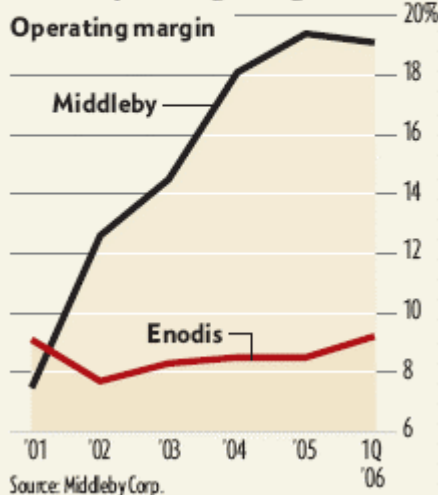
It's a huge bet and one not made lightly by the Lebanese-born and -educated exec.

"Other than my house, the only thing I own is Middleby shares," Mr. Bassoul told investors after making his initial bid of about \$1.5 billion for Enodis in May. "My wife said, 'Selim, do you really want to do this? The stock is doing well and you've worked very hard.'"

But Mr. Bassoul is plowing ahead, even though, as his wife forewarned, Middleby's shares are down 17% in the past three months after leading all Chicago-area companies for stock performance over the past five years.

SAFE BET

Enodis, more than twice the size of Middleby, has a much lower operating margin.



But for Mr. Bassoul, 49, Enodis is a risk worth taking. The company, which was also coveted by Wisconsin-

based industrial conglomerate Manitowoc Co., makes top-selling ice makers, beverage dispensers and refrigerators for McDonald's Corp. and other major restaurant chains. The products fit perfectly with Middleby's line of Toastmaster and other brand-name ovens, toasters and fryers, Mr. Bassoul reasons.

"We've looked at it and we've looked at it again," he said in May. "They have great brands. I personally believe this transaction is compelling." He declines to comment for this article.

Manitowoc, which had bid \$1.7 billion for Enodis, dropped out of the race last week. Enodis expects Middleby to increase its original offer this week. As of Friday, Middleby hadn't made a new bid.

'MOST EFFICIENT OPERATOR'

Industry analysts have speculated that Enodis could fetch as much as \$2 billion. Such a sum would require every ounce of salesmanship and debt-leveraging Mr. Bassoul can muster. To finance Middleby's \$1.48-billion offer, the company would be left with an estimated debt of \$1.81 billion, nearly nine times the \$205 million in operating income that Middleby and Enodis combined would generate.

"It becomes a question of how much more do you want to leverage the company," says Mark Grzymiski, an analyst with New York-based Needham & Co.

But another analyst says Mr. Bassoul's track record of success with other high-risk deals has earned him the benefit of the doubt — at least for now.

"We certainly hold him in high regard," says James Clement, an analyst with Sidoti & Co. in New York. "Middleby is the best, most efficient operator in this industry."

That wasn't always the case. For much of the 1990s, Middleby struggled against declining sales and income. The company had spent years acquiring equipment brands to offer customers a more complete range of kitchen equipment. Mr. Bassoul, who was hired in 1996 as president of its Southbend division, saw that much of what the company had were second-tier brands whose low margins and low sales volumes bogged down its performance.

After being promoted to chief operating officer in 2000, Mr. Bassoul slashed Middleby's product lines, cutting thousands of items from its catalogs. The move lowered Middleby's total sales by 20% in 2001 to \$101.6 million.

To demonstrate his confidence in the strategy, Mr. Bassoul loaded up on Middleby stock and is now the single biggest owner, with 980,655 shares and options. He argued that Middleby shouldn't abandon acquisitions, just make better ones.

In late 2001, Middleby bought equipment maker Blodgett — the No. 1 supplier of convection ovens and grills — from Maytag Corp. for \$95 million. The purchase more than doubled Middleby's sales, but at the time the restaurant industry was mired in a recession that would only get worse in the aftermath of the Sept. 11 attacks.

After having to beg banks to loan money for the purchase, Mr. Bassoul surprised skeptics with the speed at which he maximized the income potential from Blodgett. Middleby managed to lower its production costs while improving customer service and offering a steady stream of new products that reduced cooking times and energy usage.

WOULD BE 'PRE-EMINENT PLAYER'

By 2005 Middleby's net income had risen to \$32 million, or \$3.98 a share, from \$1.6 million, or 18 cents a share, in 2001. Sales during that time shot up 212% to \$316.7 million.

Middleby's stock price is up about 1,200% since 2001, giving it the best growth rate of any public company in the Chicago area. The stock reached a five-year high of \$97.80 a share on March 2, but has tumbled 22% since then to \$76.09 a share.

From an industry standpoint, the Enodis deal would take Middleby to a new level.

"Enodis would make Middleby the pre-eminent player in the equipment category," says David Henkes, senior principal at Technomic Inc., a food industry consultancy in Chicago.

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