September 6, 2011

WELLS FARGO SECURITIES

Equity Research

The Chefs' Warehouse, Inc.

CHEF: Initiating Coverage With An Outperform Rating
Leading Specialty Foodservice Distributor in Key Culinary Mkts

Outperform / V

Sector: Restaurants & Foodservice
Market Weight

Initiation of Coverage

	2010A	2011E		2012E	
EPS		**Curr.**	**Prior**	**Curr.**	**Prior**
Q1 (Mar.)	$0.07	$0.12 A	NC	$0.15	NE
Q2 (June)	0.16	0.20 A	NC	0.26	NE
Q3 (Sep.)	0.17	0.18	NE	0.26	NE
Q4 (Dec.)	0.18	0.26	NE	0.30	NE
FY	$0.57	$0.76	NE	$0.97	NE
CY	$0.57	$0.76		$0.97	
FY P/E	23.8x	17.8x		14.0x	
Rev.(MM)	$330	$390		$437	

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters
NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful
V = Volatile, ♦ = Company is on the Priority Stock List

- **Summary**: We are initiating coverage of CHEF with an Outperform rating, which reflects current valuation as well as our favorable view of the company's distinct competitive positioning within the specialty foodservice distribution industry. Initiating a 2011 pro forma EPS estimate of $0.76 and a 2012 EPS estimate of $0.97. Initiating a valuation range of $19-20 based on a multiple of 20-21x our 2012E EPS. Key risk factors that could affect share valuation include the inability to successfully integrate acquisitions, sales and commodity volatility, challenges sourcing products and geographic concentration risks.

- **Initiating Coverage With An Outperform Rating**. We believe CHEF is well-positioned for growth given their presence in key culinary markets combined with their customer focus on serving the needs of chefs at independent and fine dining restaurants and their specialty product sourcing capabilities. We also think the company's distinct business model helps drive attractive margins and think selective acquisitions could further enhance the growth outlook.
- **Leading Specialty Foodservice Distributor in Key Culinary Markets**. CHEF services over 7,000 customer locations in key culinary markets such as New York, Washington, D.C., San Francisco, Los Angeles, and Las Vegas. The company operates an efficient network of seven distribution centers carrying over 11,500 SKUs including many exclusive specialty food items.
- **Impressive Real Sales Growth & Attractive Margin Profile.** We have been impressed by the company's ability to achieve real sales growth in the low double-digits over the past six quarters. We also think CHEF is poised to generate attractive margins within the distribution industry which we attribute in part to both their customer and specialty product niche.
- **Acquisition Opportunities Could Further Enhance Growth.** We think the fragmented and consolidating foodservice distribution industry presents acquisition opportunities which over time may enhance the company's growth potential. CHEF recently completed the acquisition of Harry Wils in New York and has completed numerous tuck-in and new market acquisitions which have strengthened and expanded their customer base and distribution network.
- **Initiating EPS Estimates.** We are initiating a 2011 pro forma EPS estimate of $0.76 and a 2012 EPS estimate of $0.97.

Ticker	CHEF
Price (09/02/2011)	$13.56
52-Week Range:	$13-19
Shares Outstanding: (MM)	20.8
Market Cap.: (MM)	$276.6
S&P 500:	1,175.31
Avg. Daily Vol.:	103,181
Dividend/Yield:	$0.00/0.0%
LT Debt: (MM)	$40.1
LT Debt/Total Cap.:	80.9%
ROE:	NM
3-5 Yr. Est. Growth Rate:	17.0%
CY 2011 Est. P/E-to-Growth:	1.0x
Last Reporting Date:	08/15/2011 After Close

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters

Valuation Range: $19.00 to $20.00 from NA to NA
Over the next 12 months, we believe that CHEF shares may warrant a valuation range of $19-20 based on a multiple of 20-21x our 2012 EPS estimate. Key risk factors that could affect share valuation include inability to successfully integrate acquisitions, sales and commodity volatility, challenges related to sourcing products, and risks related to their geographic concentration.

Investment Thesis:
In our view The Chefs' Warehouse is well-positioned for growth given their presence in key culinary markets, chef-driven customer focus, and specialty food sourcing capabilities. We also think the company's growth potential could be further enhanced through selective acquisition opportunities.

Jeff Omohundro, CFA, Senior Analyst
(804) 697-7354 / jeffrey.omohundro@wellsfargo.com
Katie H. Willett, Associate Analyst
(804) 697-7356 / katie.willett@wellsfargo.com
Jason Belcher, Associate Analyst
(804) 697-7352 / jason.belcher@wellsfargo.com

Please see page 12 for rating definitions, important disclosures and required analyst certifications

Company Description:

The Chefs' Warehouse is a leading distributor of specialty food products in many key culinary markets in the U.S. The company's core customers are chefs at leading independent restaurants and fine-dining establishments as well as country clubs, hotels, caterers, culinary schools, and specialty food stores. The company distributes more than 11,500 food products, including an extensive selection of distinctive and hard-to-find specialty items, to over 7,000 customer locations in the U.S.

Key Investment Points

Initiating coverage with an Outperform rating. We are initiating coverage of The Chefs' Warehouse with an Outperform rating, which reflects current valuation as well as our favorable view of the company's competitive positioning within the foodservice distribution industry. We believe that CHEF is poised for growth given the company's presence in key culinary markets combined with their customer focus on serving the needs of chefs at independent restaurants and their product focus of sourcing specialty food offerings. We also think that the company's growth potential could be further enhanced through selective acquisition opportunities.

Share valuation. CHEF shares are trading at 14.0x our 2012 EPS estimate versus a multiple of 15.8x for the peer group and our estimated 3-5 year growth rate of 17%. On a P/E-to-growth basis, CHEF shares are trading at a multiple of 0.8x versus a peer group PEG ratio of 1.5x. Over the next twelve months, we believe that CHEF shares may warrant a valuation range of $19-20 based on a multiple of 20-21x our 2012 EPS estimate. In our view, key risk factors that could affect share valuation include the inability to successfully integrate acquisitions, sales and commodity volatility, challenges related to sourcing products, and risks related to their geographic concentration.

THE CHEFS' WAREHOUSE, INC.
Valuation Table - calendarized basis

Distribution Company	Ticker	Price 09/02/2011	2010A EPS	2011E EPS	2012E EPS	2010A P/E	2011E P/E	2012E P/E	3-5 Yr. Est. EPS Growth	2012 PEG
Sysco (6)	SYY	$27.16	$1.96	$2.01	$2.13	13.9x	13.5x	12.8x	6%	2.0
United Natural Foods (12)	UNFI	$38.27	$1.61	$1.78	$2.04	23.7x	21.5x	18.7x	14%	1.3
Distributor Average						**18.8x**	**17.5x**	**15.8x**	**10%**	1.5
Chef's Warehouse (12)	**CHEF**	**$13.56**	**$0.57**	**$0.76**	**$0.97**	**23.7x**	**17.7x**	**14.0x**	**17%**	**0.8**

SYY and UNFI from First Call, CHEF from Wells Fargo Securities, LLC estimates
Source: Wells Fargo Securities, LLC estimates and First Call

Earnings estimates and longer term growth outlook. We are initiating a 2011 pro forma EPS estimate of $0.76 and a 2012 EPS estimate of $0.97. We think that The Chefs' Warehouse is well-positioned to generate EPS growth of approximately 17% over the next 3-5 years annually. Our longer-term 3-5 year EPS growth rate is based in part on 7-10% real or organic sales growth, relatively consistent gross margins, and some leverage on the operating expense and interest expense lines. We also think that selective acquisitions could further enhance the company's long-term growth rate.

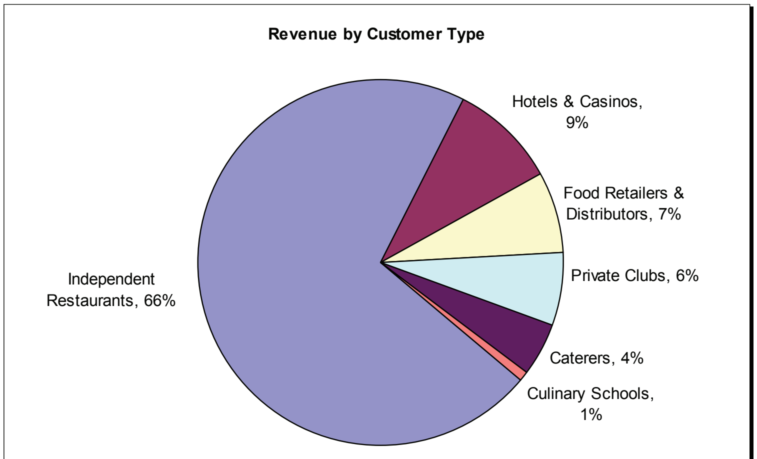
Company guidance. Management provided initial guidance for 2011 with their Q2 results on August 25th. The company expects 2011 revenue to range from $384-392 million. The recent acquisition of Harry Wils is expected to contribute approximately $10-12 million to revenue in H2 2011 which is incorporated into the company's revenue guidance for the year. We also note that Q4 2011 has one extra week in the accounting period. On the earnings conference call management noted they do not expect to see the rate of inflation, which is 4.1% year to date, changing in the back half of the year. The effective tax rate for the year is expected to be 39%. The company is targeting modified pro forma EPS in 2011 of $0.76-0.79 and GAAP EPS of $0.41-0.44.

Growth strategies. The company's growth strategies are comprised of three key elements: continue to pursue organic growth opportunities, further improve operating margins and target selective acquisitions. We think The Chefs' Warehouse has the potential to increase business with existing customers through expanded product selection, particularly the number of unique offerings. Management believes they are the primary distributor of specialty items for the majority of their customers and management is focused on maintaining this position while working to become the primary specialty distributor for a larger portion of their customers. We also think the company has the opportunity to enhance their distribution network by adding new customers in existing markets. We think the company's combination of traditional and specialty product offerings coupled with their ability to cultivate strong customer relationships should enable The Chefs' Warehouse to continue to expand their customer base within existing markets. The organic growth opportunities, if successful, should enhance the operating margin by leveraging economies of scale in purchasing, warehousing, distribution and when combined with fixed cost leverage should result in improved profitability. We also think opportunities exist within the highly fragmented foodservice distribution industry for The Chefs' Warehouse to pursue selective acquisitions which have the potential to expand the breadth of the company's distribution network, and further enhance operating efficiencies as well as product offerings and other capabilities.

Leading specialty foodservice distributor in key culinary markets. We think The Chefs' Warehouse has cultivated strong relationship with their customers and suppliers both of which have enabled the company to become a leading specialty foodservice distributor. CHEF's distribution network targets key culinary markets including New York, Washington, D.C., San Francisco and Los Angeles, where the company believes they are the largest specialty foodservice distributor (based on net sales). Management believes that these markets along with other markets they serve including Las Vegas, Miami, Philadelphia, Boston and Napa Valley often shape the culinary trends for the U.S. overall. The company also believes they currently service one or more products to over 60% of their addressable market in the New York metro area and to 20-30% of their addressable markets in the other geographies they serve on a weekly basis. Management generally defines their addressable or target market as independent restaurants with an average entrée price of over $15. The company services these markets from an efficient network of seven distribution centers, the largest and most profitable of which is in New York. We also think that CHEF's reputation throughout the industry and established relationships with many leading chefs, culinary schools and dining outlets has benefited the company as they enter new markets.

Source: Company data

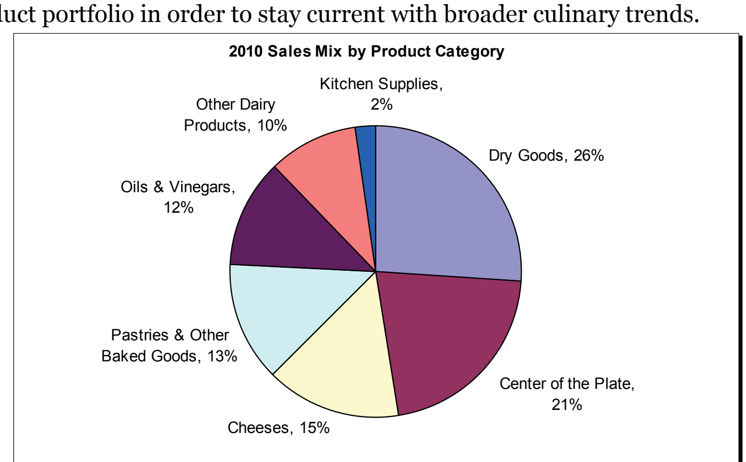
Chef-driven customer focus. The Chefs' Warehouse focuses on serving the specific needs of chefs at leading independent and fine-dining restaurants as opposed to chain restaurants. In our view, the company has built a strong reputation within the specialty foodservice distribution industry through their association with well known independent restaurants, chefs and culinary schools. We think this strategy helps to differentiate the company from many distribution competitors and enables them to fill a rather unique position as a leading provider of specialty food products. We think the team of sales professionals at The Chefs' Warehouse is a key component of their chef-driven customer focus. The majority of sales professionals have received formal culinary training, have degrees in culinary arts and/or have had experience working in the culinary industry. The company's sales force is trained to cultivate relationships with the chefs, ensure their needs are met and educate/collaborate with chefs on broader culinary trends. The Chefs' Warehouse services over 7,000 customer locations, the majority of which are independent restaurant locations accounting for approximately 66% of the company's annual revenue. We note that their customer base represents just a small fraction (around 2%) of all U.S. independent restaurants. As of March 31, 2011, there were approximately 306,892 independent restaurants in the U.S. based on ReCount data from The NPD Group, Inc. which accounted for approximately 53.5% of total U.S. restaurants.



Source: Company reports

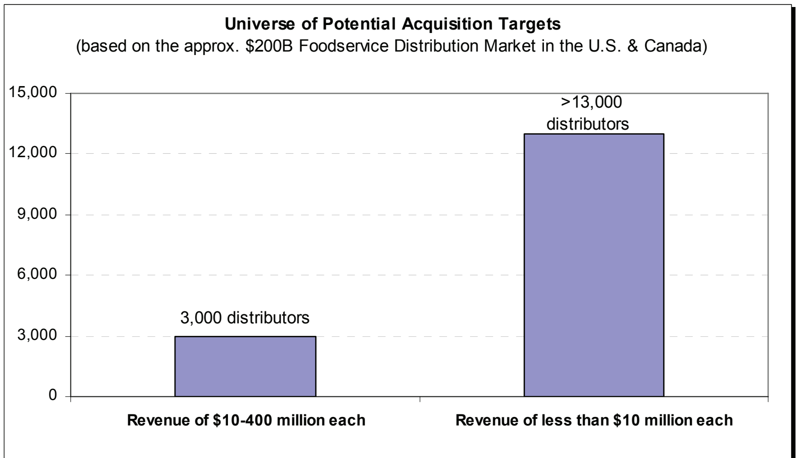
Low customer & supplier concentration. Since the CHEF business model targets independent restaurants we think the company may benefit from less customer concentration than traditional foodservice distributors, particularly those that service chain restaurants. During 2010, the company's top 10 customers collectively accounted for less than 10% of total net revenue. Likewise the company also appears to benefit from a low level of supplier concentration with no single supplier representing more than 5% of disbursements. The supplier base includes over 1,000 different suppliers across North America, Europe, Asia and South America. Their base of suppliers includes many small and family run businesses for which the company may be the largest customer.

Extensive portfolio of specialty food products. We think that The Chefs' Warehouse differentiates itself within the industry by serving as a premier distributor of specialty food products both in terms of breadth and depth. The company offers a wide range of food products in their portfolio which includes basic ingredients such as milk, eggs and flour to more specialty items sourced domestically and through international markets. Some of the specialty items they source include artisan charcuterie, specialty cheeses, unique oils and vinegars, hormone-free proteins, truffles, caviar and chocolate. We think that the company's ability to provide their customers with the more exclusive and hard to find specialty products is a key point of differentiation for The Chefs' Warehouse, which also helps their customers feature more distinctive menu offerings. The company carries over 11,500 SKUs in their distribution centers, of which 7,000 are generally in-stock every day. In comparison, the average specialty distributor carries approximately 1,609 SKUs in their warehouses based on data from the Mintel Group, Ltd. In addition to carrying more SKUs than the average specialty distributor the company also offers greater product selection for certain items relative to the large broadline distributors. The company often emphasizes this point using olive oil as an example. The Chefs' Warehouse carries more than 125 different varieties of olive oil versus the large broadliners which typically carry only 5-10 different types of olive oil. In our view the company's ability to offer an extensive selection of high quality specialty foods coupled with more traditional staple food products enables The Chefs' Warehouse to serve the varying needs and drop sizes of their customers. Additionally, management continually works with suppliers and importers to update their product portfolio in order to stay current with broader culinary trends.



Source: Company reports

Acquisition opportunities could enhance growth potential. We think that the fragmented and consolidating foodservice distribution industry presents The Chefs' Warehouse with acquisition opportunities which over time may enhance the company's growth potential. During the past several years management has pursued and completed tuck-in and new market acquisitions which have enabled their business to grow at a faster clip than they would have been able to on a stand-alone organic basis. Management believes they have enhanced the operations and profitability of the companies they have acquired in part by leveraging CHEF's sourcing capabilities to offer customers an expanded portfolio of products, implementing more effective sales force strategies, and installing enhanced technology systems. We note that the $200 billion foodservice distribution market (U.S. and Canada) is comprised of more than 16,500 distributors according to Sysco Corporation (per their December 2010 Investor presentation). The market includes 3,000 distributors with revenues of $10-400 million and another 13,000 distributors with sales of less than $10 million annually. While not all of these distributors may fit Chefs' acquisition profile, we think the number is still representative of the ample consolidation opportunities within the industry. In our view the management team of The Chefs' Warehouse has taken a prudent and selective approach to their acquisition strategy which we view favorably.



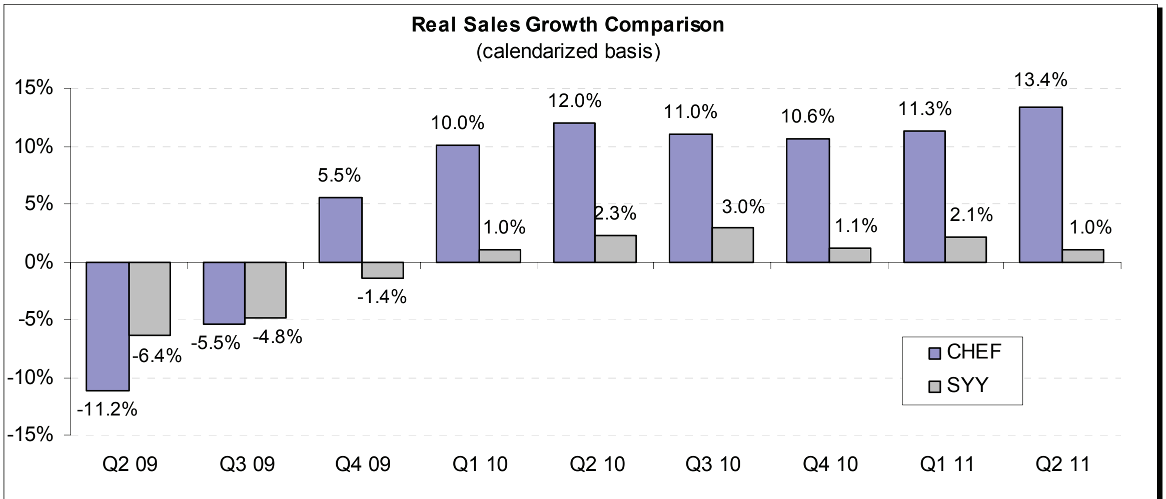
Source: Sysco Corporation Investor Presentation (December 2010)

Based on management's commentary, it appears that Chicago may be one potentially attractive new market to enter as part of their longer-term acquisition strategy. Management believes that the Chicago market offers the most similarity with the New York metro area in terms of customer concentration which we think allows for more efficient customer drops from a distribution and routing perspective.

Recently completed Harry Wils acquisition. On June 24, 2011, the company completed the tuck-in acquisition of Harry Wils & Co. through the purchase of inventory and certain intangible assets including the company's customer list. The purchase price the company paid for Harry Wils & Co. was approximately $7.7 million (for the intangible assets) and $1.2 million for the inventory. Immediately following the close of the transaction, the company relocated the purchased inventory to their distribution facility in New York. The acquisition was financed with borrowings under the company's revolving credit agreement.

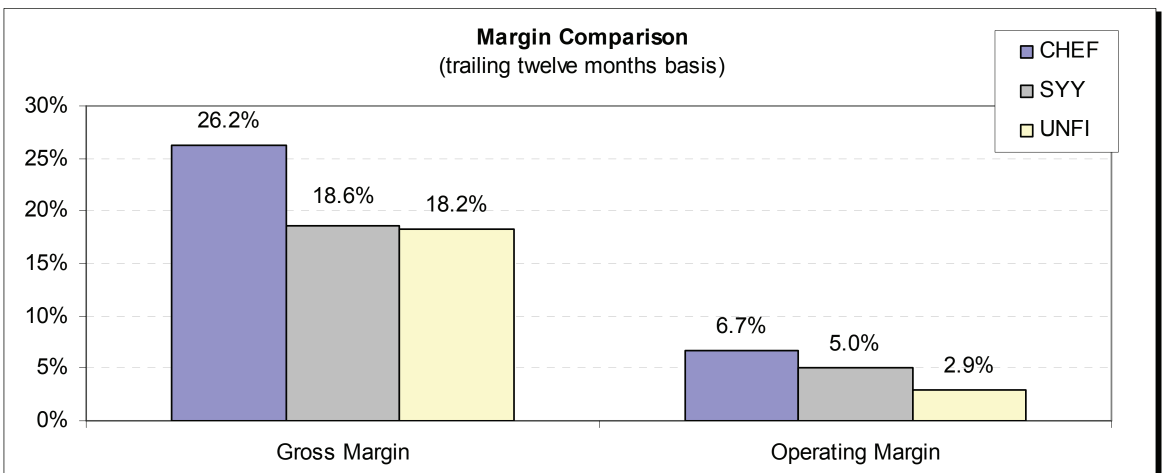
Technology initiatives should improve operating efficiencies. Over the past few years The Chefs' Warehouse has made significant investments in distribution, sales, information and warehouse management systems. The company's warehouse management system has been implemented in their main distribution facility in New York and the company expects to integrate the system into the rest of their distribution network by the end of 2011. The system provides real-time inventory tracking across the distribution center as well as metrics on inventory turns. The company has also begun to roll out pick-to-voice technology for their warehouse employees in the distribution facilities as well as truck builder which have the potential to enhance order fill rates and accuracy. Management believes that the investments they have made in their current systems are scalable and can support the company's future growth.

Strong real sales growth. One of the metrics used to better analyze topline performance is real sales growth which strips out revenue contributions from acquisitions and adjusts for inflation/deflation and other factors like mix resulting in a more clear picture of the core growth of the business. The following chart shows the real or organic sales growth for The Chefs' Warehouse over the past several quarters which has outpaced that of Sysco, the largest broadline foodservice distributor in the U.S. The Chefs' Warehouse has achieved real sales growth in the low double-digits while Sysco's real growth has been in the low single digits.



Source: Company reports and Wells Fargo Securities, LLC estimates

Attractive margin profile. While the distribution industry is generally characterized as being a low margin business, we think The Chefs' Warehouse is positioned to achieve more attractive margins given their competitive positioning. We attribute the company's distinct competitive position in large part to their customer focus on independent restaurants combined with their product focus on specialty food offerings. On a trailing twelve month basis gross margin for The Chefs' Warehouse was 26.2% versus 18.6% for Sysco and 18.2% for United Natural Foods. The operating margin was 6.7% for The Chefs' Warehouse versus 5.0% for Sysco and 2.9% for United Natural Foods on the same basis.



Source: Company reports, FactSet

Recently reported quarterly results. On August 25, The Chefs' Warehouse reported Q2 modified pro forma net income of $4.2 million and modified pro forma EPS of $0.20. The results reflected revenue growth of 18.7% to $99.3 million versus $83.6 million last year. The revenue growth was driven by increased case volume and increased revenue per case. The sales increase also included $1.7 million of net sales (or a 2% benefit to sales growth) for the Florida operations the company acquired in June 2010. Adjusting for the acquisition contribution, internal sales growth was 16.7%. Inflation and mix contributed 3.3% to sales growth. Adjusting for inflation and mix, the company posted strong real or organic sales growth of 13.4% in the quarter. The gross profit margin increased 50 bps year over year to 26.5% of revenue. On a GAAP basis, the company reported EPS of $0.17 versus $0.13 in the prior year period.

Initial public offering (IPO) and use of proceeds. On August 2, 2011, The Chefs' Warehouse announced the completion of its IPO of 10,350,000 shares of common stock at $15.00 per share. The company offered 4.7 million shares and selling shareholders offered 5.7 million shares, including 1.4 million shares sold to underwriters to cover over-allotments. The company received approximately $63.1 million in net proceeds from the sale of primary shares in the offering (after underwriting fees and commissions and estimated offering expenses). Management planned to use the net proceeds to repay indebtedness. Following the IPO, The Chefs' Warehouse entered into a new senior credit facility which includes a $30 million term loan and a $50 million revolving credit facility, both maturing in 2015. At the end of Q1 2011, the company's total debt on an as adjusted basis for the offering, use of proceeds, new credit facilities and Harry Wils acquisition was $46.2 million.

Potential Risk Factors

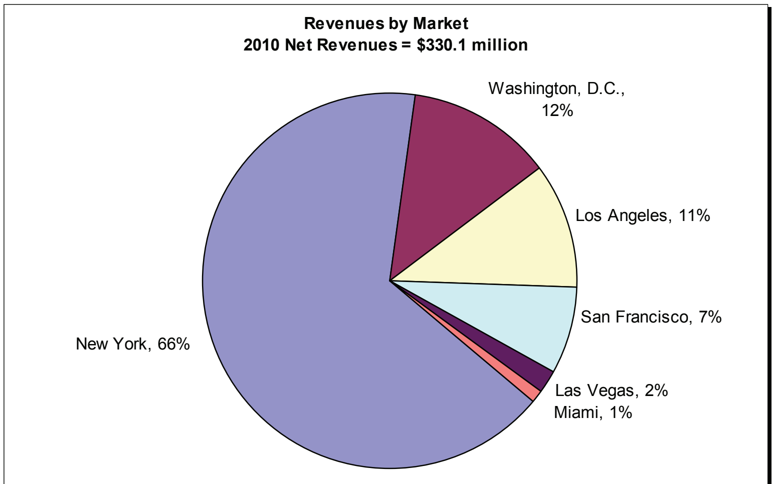
Consumer spending trends. Since the company's target customers are restaurants and other foodservice establishments, their business is exposed to changes in general economic environment and levels of consumer spending. During periods of economic slowdown or weak consumer spending, restaurants may experience weaker sales trends and consumers may choose to spend fewer dollars on discretionary purchases such as food away from home. To the extent that sales for the restaurants the company's serves are impacted by reductions in customer frequency and spending, this can negatively impact the company's business as their fixed costs are then spread over a lower volume of sales. If the current challenging economic environment continues for an extended period of time then consumers may make longer term changes to their spending patterns which could impact the company's business.

Commodity cost pressures, product sourcing and labor costs. The company is in part dependent on commodities and the ability to respond to changes in food costs, availability, and potential interruptions in their distribution network. The company sources a large portion of their specialty food products from local, regional, national and international third-party suppliers. Typically the company does not participate in long-term contracts with their suppliers nor does the company use financial instruments to hedge their risk exposure to fluctuations in the price of certain food products. Several factors can impact food costs and availability including weather, crop conditions, government regulation, changes in fuel costs, natural disasters, food-borne illnesses, seasonality of items, transportation costs and other challenges which may be beyond the company's control. If management is unable to react to food cost fluctuations through their sourcing and purchasing practices or identify alternative sources of supply or similar product to meet customers' needs then the company's business could be negatively impacted by cost increases and/or the loss of a customer. The results of operations could also be negatively impacted by potential changes in customer perception of the quality or selection of their products. In addition, labor cost fluctuations such as the increases seen with minimum wage rate hikes and potential changes in labor legislation could also impact the company's results.

Margins & margin sensitivity. While The Chefs' Warehouse generates profit margins that are generally higher than that of a traditional broadline foodservice distributor they may still be considered low relative to other industries. Most of the company's sales are at prices which are based on a product cost plus a percentage markup. Thus, food cost volatility can have a direct impact on the company's profitability. During extended periods of product cost inflation, profit margins for The Chefs' Warehouse may be negatively impacted to the extent the company is unable to pass along some or all of the cost increases to customers. Conversely, during deflationary cost periods, profit levels can be negatively impacted even if their gross profit (as a % of sales) remains constant and the company may need to reduce expenses to compensate for the lower gross margins. Therefore, management's inability to respond to cost pressures (both inflationary and deflationary) and respond accordingly could have a negative impact on their business or results of operation.

Potential growth of group purchasing organization. Management has noted they have felt some pricing pressure from group purchasing organizations which are targeting smaller, independent restaurants in an effort to offer them lower prices for products by aggregating their purchasing power. To the extent that these organizations are successful in attracting a significant number of the company's customers as members, then management may be forced to lower prices or risk losing business. Additionally, some of the company's customers, including the majority of their hotel customers, purchase their products from The Chefs' Warehouse through group purchasing organizations.

Geographic concentration. The company's foodservice distribution operations are concentrated in six key culinary markets making The Chefs' Warehouse susceptible to changes in economic conditions and other developments or events such as adverse weather conditions within these markets. Their highest concentration of sales is in the New York market which accounted for 66% of net revenues in 2010 making the company particularly exposed to potential changes in this regional economy. A change in the economic conditions or disruption in any of these key culinary markets, especially New York, could have a material adverse impact on CHEF's financial results. Additionally the company's operations and distribution centers in New York and Washington D.C. are at risk for adverse winter weather such as snow and ice, while Miami is susceptible to hurricanes, and Los Angeles and San Francisco are at risk for earthquakes and mudslides. While management has disaster recovery plans in the event of a temporary closure or destruction of the company's distribution facilities, there can be no guarantee that such an event would not significantly impact the results of operations.



Source: Company reports

Consumer health concerns, eating habits and government regulation. As a distributor of food products, The Chefs' Warehouse is susceptible to negative publicity or news regarding food quality issues, public health concerns, illness, and safety. While management has taken steps to help mitigate such risks there can be no guarantee that these types of public driven health concerns can not be entirely eliminated and therefore a potential incident could damage the company's reputation and impact the results of operation. We also think that consumer preferences and eating habits can be affected by changes in health, diet and food regulations which could lead to additional costs for the company if they are required to alter or discontinue the sales of certain items in their portfolio. Consumer preferences can also be impacted by negative publicity regarding beef and chicken consumption, particularly as it relates to bovine spongiform encephalopathy (also known as BSE or mad cow disease) and avian influenza (also known as bird flu). Additionally, a widespread outbreak of a contagious disease or even the threat of a widespread outbreak could have a significant negative effect on the company's customers and the restaurant industry overall. In such a scenario, we think that restaurant traffic may not only suffer from the potentially large number of individuals who are sick but also by a potentially even greater number of otherwise healthy consumers who choose to stay home and avoid public places for fear of being infected themselves. The company's business is also highly regulated at the federal level by the Food & Drug Administration (FDA) and the U.S. Department of Agriculture (USDA) and also at the state and local level. Potential increases in regulation and compliance related costs could negatively impact the company's supplier base as well as the company.

Product liability claims. The Chefs' Warehouse is also at risk of exposure to product liability claims if any products they sell cause injury or illness. While the company has liability insurance it may not be adequate to cover potential claims whether actual or alleged nor may the insurance continue to be available at a reasonable cost or at all. Therefore, product liability claims, product recall costs and related matters could have a material negative impact of the company's business if it does not have enough insurance or contractual indemnification from the manufacturer.

Customer retention and payments. In general the company's restaurant customers are not required to continue to purchase their products from The Chefs' Warehouse since the company does not typically engage in long-term contracts with their customers. Thus, there can be no assurance that the volume or number of customer orders will not change. A significant decrease in the volume or number of purchase orders from existing customers as well as management's inability to attract new business could have a material negative impact on the business. Additionally the company may experience losses in the event their customers file for bankruptcy or are unable to make their payments in a timely manner which could impact the ability to collect their accounts receivable. This could require management to take larger provisions for bad debt expense. The challenging economic environment may also place greater financial strain on smaller companies like many of the company's restaurant and fine dining customers which could negatively affect CHEF's results. However, we point out that the company's business is not reliant on any one customer as their top ten customers collectively account for less than 10% of net revenue thus limiting their customer concentration.

Increases in fuel costs. As a distributor, The Chefs' Warehouse is exposed to increases in fuel costs which can have a negative impact of their business. As the price of diesel fuel rises it can increase the price the company not only pays for a product from their supplier but also the cost incurred to distribute that product to customers. Thus increases in fuel costs can have a negative impact on net sales, margins, operating expenses and results. During periods of increased fuel cost management has typically been able to pass along at least a portion of the higher cost to customers but there can be no guarantee the company will be able to continue to do so when necessary.

Competition. The foodservice distribution industry is highly fragmented. The company competes with smaller distributors on a local and regional level as well as against a few large national broadline distributors such as Sysco and U.S. Foodservice with much greater purchasing power. The company's success is somewhat dependent on their ability to meet their customers' needs for specialty products and ingredients, as well as their desire for high service levels, and timely delivery of products among other factors. There can be no assurance that competitors may not seek to provide specialty products and services which are similar to or better than the company. The Chefs' Warehouse may face increased competition which could lead to price reductions, lower gross margins and a loss of market share which could have a material negative impact on the business.

Managing future growth. The company's ability to manage their future growth, whether through acquisitions or organically, is another factor that could impact the business and results of operations. If The Chefs' Warehouse reaches near maximum capacity at a particular distribution facility the operations of that location may be constrained which could lead to inefficiencies unless the facility is expanded or if volume is shifted elsewhere. Likewise if management were to expand an existing facility or bring on additional facilities, the excess capacity could lead to inefficiencies. There can be no guarantee that the company will be able to implement the necessary systems (operational, financial and technology related) to manage and support their employees and the future growth of the business. Additionally, any damage to existing computer systems or the network infrastructure could cause an operational disruption which could have a negative impact on the business or results of operation.

Acquisition integration. A substantial portion of the company's growth has been achieved through acquisitions of other specialty food products distributors. Management's ability to successfully integrate acquired companies in the future is an important factor in determining the growth potential of the company. The Chefs' Warehouse expects to expand their presence in existing markets through fold-in acquisitions and also enter new markets through new-market acquisitions. However, there can be no assurance that management will be able to successfully identify suitable acquisition targets, consummate acquisitions and integrate the acquired entities into the company. The successful integration of an acquired company has many facets some of which include maintaining the existing customer base, optimizing delivery routes, managing the back office functions and integrating the technology and personnel systems. The integration process has the potential to distract management's attention and any challenges encountered with the transition process could have a negative impact on the company's business particularly in periods immediately following the closing of a transaction. Additionally the company's ability to complete acquisitions in the future may hinge upon management obtaining the necessary financing which can not be guaranteed.

Dependence on senior management. The company's success is somewhat dependent on the expertise of its senior management team, many of whom have extensive experience in the foodservice distribution industry and/or with the company. The loss of services of one or more members of this senior management team or key personnel could have a material negative effect on the company's business operations.

Potential sale of restricted shares. There are about 11.7 million shares of restricted CHEF stock held by founders and executive officers which accounts for about 56% of diluted shares outstanding. The potential sale of these shares, which are restricted from resale for 180 days following the IPO, could have a material impact on the company's stock price.

Financial leverage. The company has a substantial amount of indebtedness. On an as adjusted basis for the offering and use of proceeds and entry into their new credit facilities as of March 25, 2011, CHEF has approximately $37.2 million in total debt including $30 million outstanding under their new term loan facility and $7.2 million outstanding under their new revolving credit facility. Including the Harry Wils acquisition the company has total debt outstanding of $46.2 million, which incorporates an additional $8.9 million outstanding under the revolving credit facility bringing the total outstanding under the revolver to just over $16 million. A dramatic decline in sales or adverse developments in the credit markets could have a significant and detrimental impact on the company's ability meet the terms of its debt obligations which could have a material negative effect on the company's business and financial condition.

THE CHEFS' WAREHOUSE, INC.
Pro Forma Quarterly Earnings Model (Continuing Operations)
(figures in thousands except per share amounts and percentages - December fiscal year)

	2010				Pro Forma	2011				Pro Forma	2012				Estimate
	Q1-A	Q2-A	Q3-A	Q4-A	2010	Q1-A	Q2-A	Q3-E	Q4-E	2011	Q1-E	Q2-E	Q3-E	Q4-E	2012
Net Revenues	$70,000	$83,613	$84,928	$91,576	$330,118	$83,183	$99,255	$98,517	$108,976	$389,930	$93,997	$114,143	$112,309	$116,604	$437,053
Cost of Sales	52,017	61,670	62,865	67,788	244,340	61,148	73,000	72,902	80,533	287,583	69,558	84,466	82,997	86,287	323,307
Gross Profit	17,983	21,943	22,063	23,789	85,778	22,035	26,255	25,614	28,443	102,347	24,439	29,677	29,313	30,317	113,746
Operating Expenses	15,330	16,476	16,243	17,414	65,463	17,428	18,948	18,935	19,180	74,491	18,987	20,317	20,103	19,473	78,881
Operating Income	2,653	5,467	5,820	6,375	20,315	4,607	7,307	6,679	9,263	27,856	5,452	9,360	9,209	10,844	34,865
Pro Forma Interest Expense/(Income)	417	417	417	417	1,668	417	417	500	450	1,784	400	400	300	300	1,400
(Gain)/Loss on Interest Rate Swap	(183)	(248)	(240)	(240)	(910)	(81)	0	0	0	(81)	0	0	0	0	0
Other	0	0	0	0	0	3	0	0	0	3	0	0	0	0	0
Income before Taxes	2,419	5,298	5,643	6,197	19,557	4,268	6,890	6,179	8,813	26,150	5,052	8,960	8,909	10,544	33,465
Taxes, Pro Forma Adjusted	943	2,066	2,201	2,417	7,627	1,665	2,687	2,410	3,437	10,199	1,970	3,494	3,475	4,112	13,051
Net Income, Continuing Operations	1,476	3,232	3,442	3,780	11,930	2,603	4,203	3,769	5,376	15,952	3,082	5,465	5,435	6,432	20,414
Diluted Shares	20,835	20,835	20,835	20,835	20,835	20,835	20,835	20,873	20,923	20,866	20,973	21,023	21,073	21,123	21,048
EPS from Continuing Operations	$0.07	$0.16	$0.17	$0.18	$0.57	$0.12	$0.20	$0.18	$0.26	$0.76	$0.15	$0.26	$0.26	$0.30	$0.97
Depreciation & Amortization	375	375	375	375	1,500	375	375	450	450	1,650	425	400	375	350	1,550
EBITDA	3,028	5,842	6,195	6,750	21,815	4,982	7,682	7,129	9,713	29,506	5,877	9,760	9,584	11,194	36,415
EBITDA margin	4.3%	7.0%	7.3%	7.4%	6.6%	6.0%	7.7%	7.2%	8.9%	7.6%	6.3%	8.6%	8.5%	9.6%	8.3%
As a Percentage of Revenue (Except Tax Rate)															
Cost of Sales	74.3%	73.8%	74.0%	74.0%	74.0%	73.5%	73.5%	74.0%	73.9%	73.8%	74.0%	74.0%	73.9%	74.0%	74.0%
Gross Margin	25.7%	26.2%	26.0%	26.0%	26.0%	26.5%	26.5%	26.0%	26.1%	26.2%	26.0%	26.0%	26.1%	26.0%	26.0%
Operating Expenses	21.9%	19.7%	19.1%	19.0%	19.8%	21.0%	19.1%	19.2%	17.6%	19.1%	20.2%	17.8%	17.9%	16.7%	18.0%
Operating Income	3.8%	6.5%	6.9%	7.0%	6.2%	5.5%	7.4%	6.8%	8.5%	7.1%	5.8%	8.2%	8.2%	9.3%	8.0%
Tax Rate	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%
Net Income	2.1%	3.9%	4.1%	4.1%	3.6%	3.1%	4.2%	3.8%	4.9%	4.1%	3.3%	4.8%	4.8%	5.5%	4.7%
Growth Rates															
Net Revenues	17.7%	22.5%	23.7%	22.6%	21.8%	18.8%	18.7%	16.0%	19.0%	18.1%	13.0%	15.0%	14.0%	7.0%	12.1%
Operating Income	NA	NA	NA	NA	NA	73.6%	33.6%	14.8%	45.3%	37.1%	18.3%	28.1%	37.9%	17.1%	25.2%
Net Income, Continuing Operations	NA	NA	NA	NA	NA	76.4%	30.0%	9.5%	42.2%	33.7%	18.4%	30.0%	44.2%	19.6%	28.0%
EPS from Continuing Operations	NA	NA	NA	NA	NA	76.4%	30.0%	9.3%	41.6%	33.5%	17.6%	28.9%	42.8%	18.5%	26.9%

Note: Quarters may not add due to rounding.
Source: Company reports and Wells Fargo Securities, LLC estimates

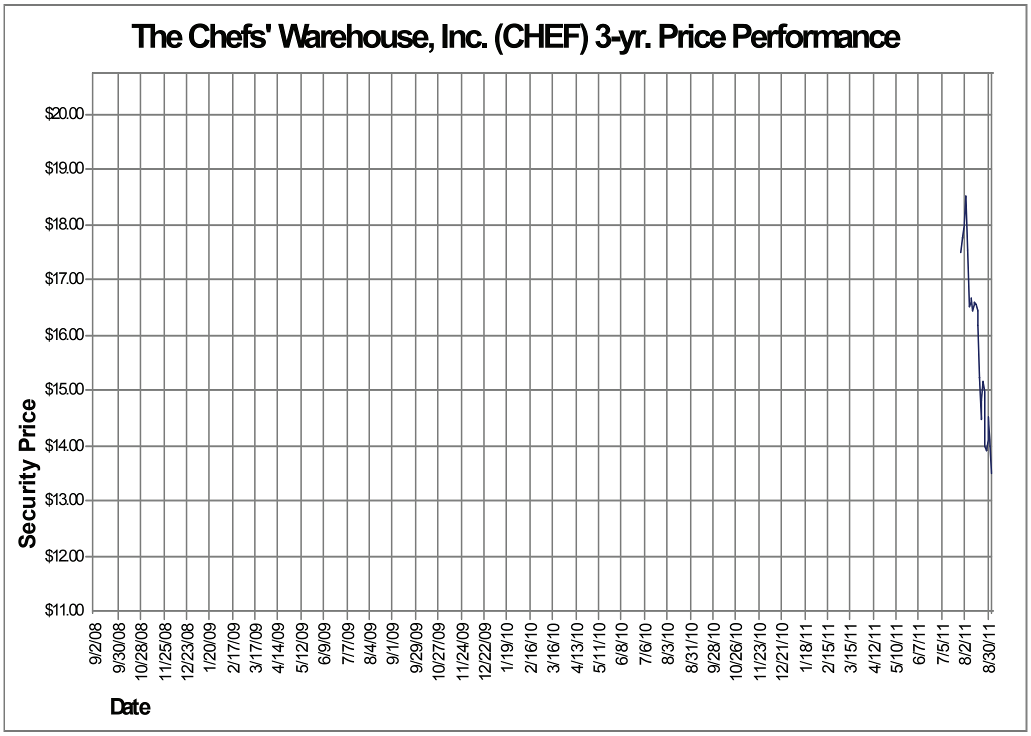
THE CHEFS' WAREHOUSE, INC.
Components of Revenue Growth
(Fiscal year end - December)

	2009A	2010A	2011E	2012E
First Quarter				
Nominal Revenue Growth	-5.5%	17.7%	18.8%	13.0%
Acquistions	4.9%	3.0%	3.0%	4.0%
Internal Growth	-10.4%	14.7%	15.8%	9.0%
Food Inflation (Deflation) and Mix	3.8%	4.6%	4.5%	3.0%
Real Revenue Growth	-14.2%	10.0%	11.3%	6.0%
Second Quarter				
Nominal Revenue Growth	-7.7%	22.5%	18.7%	15.0%
Acquistions	3.8%	3.0%	2.0%	4.0%
Internal Growth	-11.6%	19.5%	16.7%	11.0%
Food Inflation (Deflation) and Mix	-0.4%	7.5%	3.3%	3.0%
Real Revenue Growth	-11.2%	12.0%	13.4%	8.0%
Third Quarter				
Nominal Revenue Growth	-7.9%	23.7%	16.0%	14.0%
Acquistions	0.8%	3.7%	5.0%	0.0%
Internal Growth	-8.6%	20.0%	11.0%	14.0%
Food Inflation (Deflation) and Mix	-3.2%	9.0%	3.5%	3.0%
Real Revenue Growth	-5.5%	11.0%	7.5%	11.0%
Fourth Quarter				
Nominal Revenue Growth	6.3%	22.6%	19.0%	7.0%
Acquistions	2.7%	2.7%	5.0%	0.0%
Internal Growth	3.5%	20.0%	14.0%	7.0%
Food Inflation (Deflation) and Mix	-2.0%	9.4%	3.5%	3.0%
Real Revenue Growth	5.5%	10.6%	10.5%	4.0%
Fiscal Year				
Nominal Revenue Growth	-3.8%	21.8%	18.1%	12.1%
Acquistions	3.0%	3.1%	3.8%	2.0%
Internal Growth	-6.8%	18.7%	14.4%	10.1%
Food Inflation (Deflation) and Mix	-0.6%	7.8%	3.7%	3.0%
Real Revenue Growth	**-6.2%**	**10.9%**	10.7%	7.1%

Note: Q4 2011 contains an extra week

Source: Company reports and Wells Fargo Securities, LLC estimates

Required Disclosures



	Date	Publication Price ($)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price ($)

Source: Wells Fargo Securities, LLC estimates and Reuters data

Symbol Key
- ▼ Rating Downgrade
- ▲ Rating Upgrade
- ● Valuation Range Change
- ◆ Initiation, Resumption, Drop or Suspend
- ■ Analyst Change
- ❐ Split Adjustment

Rating Code Key
- 1 Outperform/Buy
- 2 Market Perform/Hold
- 3 Underperform/Sell
- SR Suspended
- NR Not Rated
- NE No Estimate

Additional Information Available Upon Request

I certify that:
1) All views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers discussed; and
2) No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by me in this research report.

- Wells Fargo Securities, LLC maintains a market in the common stock of The Chefs' Warehouse, Inc.
- Wells Fargo Securities, LLC or its affiliates managed or comanaged a public offering of securities for The Chefs' Warehouse, Inc. within the past 12 months.
- Wells Fargo Securities, LLC or its affiliates intends to seek or expects to receive compensation for investment banking services in the next three months from The Chefs' Warehouse, Inc.
- Wells Fargo Securities, LLC or its affiliates received compensation for investment banking services from The Chefs' Warehouse, Inc. in the past 12 months.
- The Chefs' Warehouse, Inc. currently is, or during the 12-month period preceding the date of distribution of the research report was, a client of Wells Fargo Securities, LLC. Wells Fargo Securities, LLC provided investment banking services to The Chefs' Warehouse, Inc.
- Wells Fargo Securities, LLC or its affiliates may have a significant financial interest in The Chefs' Warehouse, Inc.

CHEF: Key risk factors that could affect share valuation include inability to successfully integrate acquisitions, sales and commodity volatility, challenges related to sourcing products, and risks related to their geographic concentration.

Wells Fargo Securities, LLC does not compensate its research analysts based on specific investment banking transactions. Wells Fargo Securities, LLC's research analysts receive compensation that is based upon and impacted by the overall profitability and revenue of the firm, which includes, but is not limited to investment banking revenue.

STOCK RATING

1=Outperform: The stock appears attractively valued, and we believe the stock's total return will exceed that of the market over the next 12 months. BUY
2=Market Perform: The stock appears appropriately valued, and we believe the stock's total return will be in line with the market over the next 12 months. HOLD
3=Underperform: The stock appears overvalued, and we believe the stock's total return will be below the market over the next 12 months. SELL

SECTOR RATING

O=Overweight: Industry expected to outperform the relevant broad market benchmark over the next 12 months.
M=Market Weight: Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.
U=Underweight: Industry expected to underperform the relevant broad market benchmark over the next 12 months.

VOLATILITY RATING

V = A stock is defined as volatile if the stock price has fluctuated by +/-20% or greater in at least 8 of the past 24 months or if the analyst expects significant volatility. All IPO stocks are automatically rated volatile within the first 24 months of trading.

As of: September 6, 2011

49% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Outperform.	Wells Fargo Securities, LLC has provided investment banking services for 46% of its Equity Research Outperform-rated companies.
48% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Market Perform.	Wells Fargo Securities, LLC has provided investment banking services for 50% of its Equity Research Market Perform-rated companies.
3% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Underperform.	Wells Fargo Securities, LLC has provided investment banking services for 39% of its Equity Research Underperform-rated companies.

Important Disclosure for International Clients

EEA – The securities and related financial instruments described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. For recipients in the EEA, this report is distributed by Wells Fargo Securities International Limited ("WFSIL"). WFSIL is a U.K. incorporated investment firm authorized and regulated by the Financial Services Authority. For the purposes of Section 21 of the UK Financial Services and Markets Act 2000 ("the Act"), the content of this report has been approved by WFSIL a regulated person under the Act. WFSIL does not deal with retail clients as defined in the Markets in Financial Instruments Directive 2007. The FSA rules made under the Financial Services and Markets Act 2000 for the protection of retail clients will therefore not apply, nor will the Financial Services Compensation Scheme be available. This report is not intended for, and should not be relied upon by, retail clients.

Australia – Wells Fargo Securities, LLC is exempt from the requirements to hold an Australian financial services license in respect of the financial services it provides to wholesale clients in Australia. Wells Fargo Securities, LLC is regulated under U.S. laws which differ from Australian laws. Any offer or documentation provided to Australian recipients by Wells Fargo Securities, LLC in the course of providing the financial services will be prepared in accordance with the laws of the United States and not Australian laws.

Hong Kong – This report is issued and distributed in Hong Kong by Wells Fargo Securities Asia Limited ("WFSAL"), a Hong Kong incorporated investment firm licensed and regulated by the Securities and Futures Commission to carry on types 1, 4, 6 and 9 regulated activities (as defined in the Securities and Futures Ordinance, "the SFO"). This report is not intended for, and should not be relied on by, any person other than professional investors (as defined in the SFO). Any securities and related financial instruments described herein are not intended for sale, nor will be sold, to any person other than professional investors (as defined in the SFO).

Japan – This report is distributed in Japan by Wells Fargo Securities (Japan) Co., Ltd, registered with the Kanto Local Finance Bureau to conduct broking and dealing of type 1 and type 2 financial instruments and agency or intermediary service for entry into investment advisory or discretionary investment contracts. This report is intended for distribution only to professional investors (Tokutei Toushika) and is not intended for, and should not be relied upon by, ordinary customers (Ippan Toushika).

The ratings stated on the document are not provided by rating agencies registered with the Financial Services Agency of Japan (JFSA) but by group companies of JFSA-registered rating agencies. These group companies may include Moody's Investors Services Inc, Standard & Poor's Rating Services and/or Fitch Ratings. Any decisions to invest in securities or transactions should be made after reviewing policies and methodologies used for assigning credit ratings and assumptions, significance and limitations of the credit ratings stated on the respective rating agencies' websites.

About Wells Fargo Securities, LLC
Wells Fargo Securities, LLC is a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission and a member of the New York Stock Exchange, the Financial Industry Regulatory Authority and the Securities Investor Protection Corp.

This report is for your information only and is not an offer to sell, or a solicitation of an offer to buy, the securities or instruments named or described in this report. Interested parties are advised to contact the entity with which they deal, or the entity that provided this report to them, if they desire further information. The information in this report has been obtained or derived from sources believed by Wells Fargo Securities, LLC, to be reliable, but Wells Fargo Securities, LLC, does not represent that this information is accurate or complete. Any opinions or estimates contained in this report represent the judgment of Wells Fargo Securities, LLC, at this time, and are subject to change without notice. For the purposes of the U.K. Financial Services Authority's rules, this report constitutes impartial investment research. Each of Wells Fargo Securities, LLC, and Wells Fargo Securities International Limited is a separate legal entity and distinct from affiliated banks.