October 27, 2011

WELLS FARGO SECURITIES

Equity Research

The Chefs' Warehouse, Inc.

CHEF: Reported Q3 Modified Pro Forma EPS Above Our Target
Encouraged By Acquisition Update--Maintaining Outperform Rating

Outperform / V

Sector: Restaurants & Foodservice
Market Weight

- **Summary:** Posted Q3 pro forma EPS above our target. Encouraged by integration update on Harry Wils acquisition. Recent business trends appear favorable. Raising our 2011 EPS estimate to $0.77 from $0.76 and our 2012 EPS estimate to $0.98 from $0.97.

- **Q3 EPS Above Target.** CHEF posted modified pro forma EPS of $0.19, which was above our estimate of $0.18 and versus $0.17 last year. Relative to our target, the earnings upside reflected higher than expected sales growth. On a GAAP basis, CHEF reported a Q3 loss per share of $0.06, which included financing, transaction, and other costs related to the company's initial public offering

- **Encouraged By Harry Wils Acquisition Update.** We were encouraged to hear that the Harry Wils acquisition appears to be performing well. Management decided to increase fleet and staff support in Q3 to ensure customer service was maintained to standard during the integration process. The company gained over 500 new customers in New York over a short period of time with the acquisition and thought that it was a good investment to increase fleet capacity by 30% to ensure customer satisfaction. Management has since begun to pare back on the fleet additions and hopes to reduce the recent fleet additions by about half to a more normalized level.

- **Recent Business Trends Appear Favorable.** In terms of recent trends, management noted on the earnings conference call that the company's key metrics, such as new customers and product placements, continue to reach all-time highs. Management also indicated that their high-end restaurant customers appear to be holding up well in the current environment.

- **Raising EPS Estimates.** We are raising our 2011 EPS estimate to $0.77 from $0.76 and our 2012 EPS estimate to $0.98 from $0.97, both of which reflect the Q3 2011 earnings upside.

Earnings Estimates Revised Up

	2010A	2011E		2012E	
EPS		**Curr.**	**Prior**	**Curr.**	**Prior**
Q1 (Mar.)	$0.07	$0.12 A	NC	$0.15	NC
Q2 (June)	0.16	0.20 A	NC	0.26	NC
Q3 (Sep.)	0.17	**0.19 A**	**0.18**	**0.27**	**0.26**
Q4 (Dec.)	0.18	0.26	NC	0.30	NC
FY	$0.57	**$0.77**	**0.76**	**$0.98**	**0.97**
CY	$0.57	$0.77		$0.98	
FY P/E	24.4x	18.1x		14.2x	
Rev.(MM)	$330	$393		$441	

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

Ticker	CHEF
Price (10/27/2011)	$13.93
52-Week Range:	$11-19
Shares Outstanding: (MM)	20.8
Market Cap.: (MM)	$289.7
S&P 500:	1,284.59
Avg. Daily Vol.:	88,359
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:	1.1x
Last Reporting Date:	10/27/2011 After Close

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

Valuation Range: $19.00 to $20.00
Over the next 12 months, we believe that CHEF shares may warrant a valuation range of $19-20 based on a multiple of 19-20x 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 its 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 6 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 United States. 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 United States.

Discussion

On October 27, The Chef's Warehouse posted Q3 2011 modified pro forma EPS of $0.19, which was above our estimate of $0.18 and versus $0.17 last year. Relative to our target, the earnings upside mainly reflected higher than expected sales growth in the period. On a GAAP basis, the company reported a Q3 loss per share of $0.06, which included financing, transaction, and other costs related to the company's initial public offering completed in the quarter. Management also noted that Hurricane Irene negatively impacted EPS by $0.01 in the quarter.

Revenue increased 19.7% to $101.7 million versus our $98.5 million target and $84.9 million last year. Of the 19.7% in revenue growth, 6.4% was from the Harry Wils acquisition, and 2.7% was from product mix and inflation, leaving real (organic) growth of 10.6%. ***We are particularly impressed by these topline results, as we had been targeting organic growth of 7.5%.*** Gross Profit margin was 26.2% versus our 26.0% estimate and 26.0% last year, while operating income margin came in at 6.9% versus our 6.8% estimate and 6.9% last year.

In terms of recent trends, management noted on the earnings conference call that the company's key metrics, such as new customers and product placements, continue to reach all-time highs. Management also indicated that their high-end restaurant customers appear to be holding up well in the current environment.

We were encouraged to hear that the Harry Wils acquisition appears to be performing well. Management decided to increase fleet and staff support in Q3 to ensure customer service was maintained to standard during the integration process. The company gained over 500 new customers in New York over a short period of time with the acquisition and thought that it was a good investment to increase fleet capacity by 30% to ensure customer satisfaction. Management has since begun to pare back on the fleet additions and hopes to reduce the recent fleet additions by about half to a more normalized level.

Key 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.

Company guidance. Management reiterated FY2011 guidance of modified pro forma EPS of $0.76-0.79, based in part on revenue of $384-$392 million. *Management also noted that their guidance range now includes a $0.01 negative impact from Hurricane Irene and a $0.01 negative impact from the Harry Wils transition, neither of which it included previously.* On a reported basis, 2011 EPS is expected to be $0.41-0.42. In addition, the effective tax rate for the year is expected to be 39%, and diluted shares outstanding are expected to be 20.8 million.

Raising EPS Estimates. We are raising our 2011 EPS estimate to $0.77 from $0.76 and our 2012 EPS estimate to $0.98 from $0.97, both of which reflect the Q3 2011 earnings upside. We note that with the Q3 revenue upside, our 2011 revenue target is above management's guidance range.

We continue to 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.

Rating & Valuation. We are maintaining our Outperform rating on CHEF shares, 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. CHEF shares are trading at 14.2x our 2012 EPS estimate versus a multiple of 16.0x 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 1.6x. Over the next twelve months, we believe that CHEF shares may warrant a valuation range of $19-20 based on a multiple of 19-20x our FY2012 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 10/27/2011	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	$27.63	$1.96	$2.00	$2.11	14.1x	13.8x	13.1x	7%	1.9
United Natural Foods (12)	UNFI	$38.00	$1.62	$1.77	$2.01	23.5x	21.5x	18.9x	13%	1.5
Distributor Average						**18.8x**	**17.6x**	**16.0x**	**10%**	1.6
Chef's Warehouse (12)	**CHEF**	**$13.93**	**$0.57**	**$0.77**	**$0.98**	**24.3x**	**18.0x**	**14.2x**	**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

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-A	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	$101,681	$108,976	$393,095	$93,997	$114,143	$115,916	$116,604	$440,660
Cost of Sales	52,017	61,670	62,865	67,788	244,340	61,148	73,000	75,051	80,533	289,732	69,558	84,466	85,662	86,287	325,973
Gross Profit	17,983	21,943	22,063	23,789	85,778	22,035	26,255	26,630	28,443	103,363	24,439	29,677	30,254	30,317	114,688
Operating Expenses	15,330	16,476	16,243	17,414	65,463	17,428	18,948	19,568	19,180	75,124	18,987	20,317	20,749	19,473	79,527
Operating Income	2,653	5,467	5,820	6,375	20,315	4,607	7,307	7,062	9,263	28,239	5,452	9,360	9,505	10,844	35,161
Pro Forma Interest Expense/(Income)	417	417	417	417	1,668	417	417	505	485	1,824	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	6,557	8,778	26,493	5,052	8,960	9,205	10,544	33,761
Taxes, Pro Forma Adjusted	943	2,066	2,201	2,417	7,627	1,665	2,687	2,557	3,423	10,332	1,970	3,494	3,590	4,112	13,167
Net Income, Continuing Operations	1,476	3,232	3,442	3,780	11,930	2,603	4,203	4,000	5,355	16,161	3,082	5,465	5,615	6,432	20,594
Diluted Shares	20,835	20,835	20,835	20,835	20,835	20,835	20,835	20,835	20,923	20,857	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	$0.19	$0.26	$0.77	$0.15	$0.26	$0.27	$0.30	$0.98
Depreciation & Amortization	375	375	375	375	1,500	375	375	429	450	1,629	425	400	375	350	1,550
EBITDA	3,028	5,842	6,195	6,750	21,815	4,982	7,682	7,491	9,713	29,868	5,877	9,760	9,880	11,194	36,711
EBITDA margin	4.3%	7.0%	7.3%	7.4%	6.6%	6.0%	7.7%	7.4%	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%	73.8%	73.9%	73.7%	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%	26.2%	26.1%	26.3%	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%	6.9%	8.5%	7.2%	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%	3.9%	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%	19.7%	19.0%	19.1%	13.0%	15.0%	14.0%	7.0%	12.1%
Operating Income	NA	NA	NA	NA	NA	73.6%	33.6%	21.3%	45.3%	39.0%	18.3%	28.1%	34.6%	17.1%	24.5%
Net Income, Continuing Operations	NA	NA	NA	NA	NA	76.4%	30.0%	16.2%	41.6%	35.5%	18.4%	30.0%	40.4%	20.1%	27.4%
EPS from Continuing Operations	NA	NA	NA	NA	NA	76.4%	30.0%	16.2%	41.0%	35.3%	17.6%	28.9%	38.8%	19.0%	26.3%

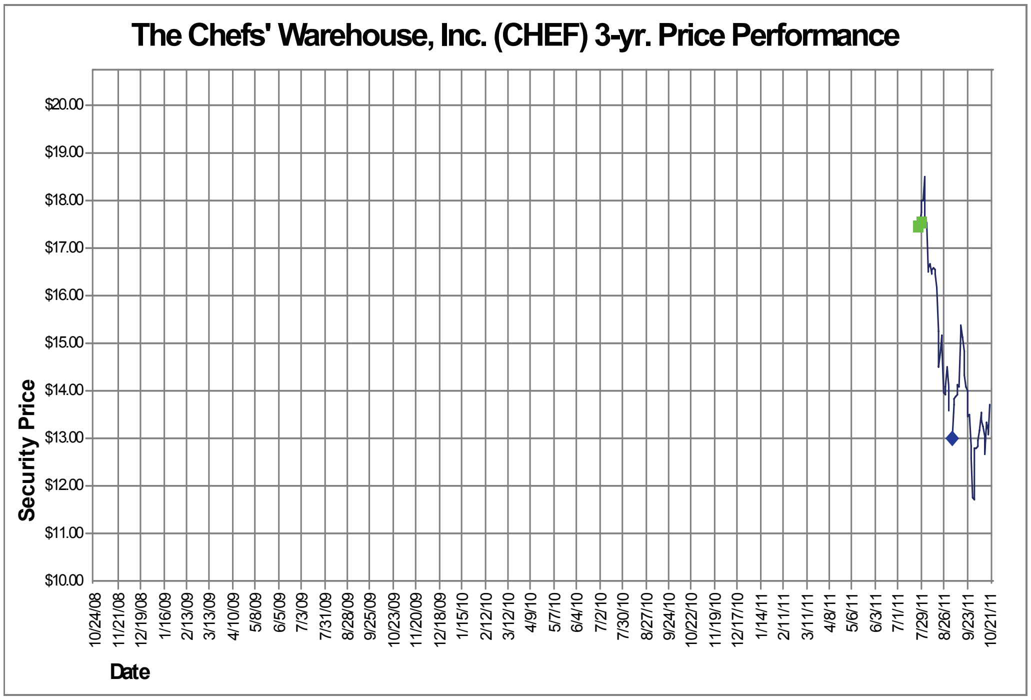
Note: Quarters may not add due to rounding.
Source: Company reports and Wells Fargo Securities, LLC estimates

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%	5.0%
Internal Growth	-10.4%	14.7%	15.8%	8.0%
Food Inflation (Deflation) and Mix	3.8%	4.6%	4.5%	3.0%
Real Revenue Growth	-14.2%	10.0%	11.3%	5.0%
Second Quarter				
Nominal Revenue Growth	-7.7%	22.5%	18.7%	15.0%
Acquistions	3.8%	3.0%	2.0%	5.0%
Internal Growth	-11.6%	19.5%	16.7%	10.0%
Food Inflation (Deflation) and Mix	-0.4%	7.5%	3.3%	3.0%
Real Revenue Growth	-11.2%	12.0%	13.4%	7.0%
Third Quarter				
Nominal Revenue Growth	-7.9%	23.7%	19.7%	14.0%
Acquistions	0.8%	3.7%	6.4%	0.0%
Internal Growth	-8.6%	20.0%	13.3%	14.0%
Food Inflation (Deflation) and Mix	-3.2%	9.0%	2.7%	3.0%
Real Revenue Growth	-5.5%	11.0%	10.6%	11.0%
Fourth Quarter				
Nominal Revenue Growth	6.3%	22.6%	19.0%	7.0%
Acquistions	2.7%	2.7%	5.5%	0.0%
Internal Growth	3.5%	20.0%	13.5%	7.0%
Food Inflation (Deflation) and Mix	-2.0%	9.4%	3.0%	3.0%
Real Revenue Growth	5.5%	10.6%	10.5%	4.0%
Fiscal Year				
Nominal Revenue Growth	-3.8%	21.8%	19.1%	12.1%
Acquistions	3.0%	3.1%	4.2%	2.5%
Internal Growth	-6.8%	18.7%	14.9%	9.6%
Food Inflation (Deflation) and Mix	-0.6%	7.8%	3.4%	3.0%
Real Revenue Growth	**-6.2%**	**10.9%**	11.5%	6.6%

Note: Q4 2011 contains an extra week
Source: Company reports and Wells Fargo Securities, LLC estimates

Required Disclosures



	Date	Publication Price ($)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price ($)
❐	7/28/2011		IPO at $15.00			
	9/2/2011		Omohundro			
◆	9/6/2011	13.56	1	19.00	20.00	12.98

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	SR	Suspended
2	Market Perform/Hold	NR	Not Rated
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As of: October 27, 2011

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