

9 February 2012

Today's Changes	Annual EPS	Annual Revenue	Target
	No changes	No changes	\$24.00 from \$18.00

The Chefs' Warehouse

CHEF : NASDAQ : US\$20.59

BUY**Target: US\$24.00 ↑**

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COMPANY STATISTICS:

Shares Out diluted: 20.8
 Market Cap (M): US\$429.0
 52-week Range: 11.32 - 21.32
 Avg. Daily Vol. (000s): 109.1
 EV/EBITDA: 16.3

EARNINGS SUMMARY:

FYE Dec	2010A	2011E	2012E	2013E
P/Sales:	1.3	1.1	1.0	0.9
P/E:	37.4	27.2	21.8	19.1

Revenue (M):	Q1	70.0	83.2A	-	-
	Q2	83.6	99.3A	-	-
	Q3	84.9	101.7A	-	-
	Q4	91.6	107.8	-	-
Total		330.1	391.9	442.0	479.5
EPS:	Q1	0.07	0.12A	-	-
	Q2	0.15	0.20A	-	-
	Q3	0.17	0.19A	-	-
	Q4	0.17	0.24	-	-
Total		0.55	0.76	0.95	1.08

SHARE PRICE PERFORMANCE:



Source: Interactive Data Corporation

COMPANY DESCRIPTION:

The Chefs' Warehouse was founded in 1985 and is a premier distributor of specialty food products with a focus on serving the specific needs of chefs who own and/or operate some of the nation's leading menu-driven independent restaurants, fine dining establishments, country clubs, hotels, caterers, culinary schools and specialty food stores in the United States.

All amounts in US\$ unless otherwise noted.

Consumer & Retail -- Health, Wellness and Lifestyle

RAISING TARGET TO \$24 FROM \$18 AND EXPECT MOMENTUM TO CONTINUE; REITERATE BUY

Investment recommendation

We expect that CHEF will deliver an EPS growth CAGR of over 20% over the next few years and believe the company has considerable geographic growth opportunities to deliver years of growth well above the specialty food sector overall.

Investment highlights

- Anticipate strong Q4 earnings will be reported over the coming month and reiterate our \$0.24 EPS estimate on what we expect should be upside to our \$108M revenue forecast.
- Suspect that the pipeline of potential acquisitions is as robust as ever, which when combined with strong internal growth adds considerable confidence to our long-term growth forecasts.
- Raising price target to \$24 from \$18, assuming that continued top line momentum will justify a valuation equivalent to the specialty food group against which CHEF's growth rate is most comparable.

Valuation

At 22x forward earnings and 10.6x EBITDA, we view valuation as appropriate relative to peers and growth. We continue to believe that consistent outperformance relative to the distribution sector can expand the valuation. Increasing our target to \$24 from \$18, which is based on an increased multiple of 11x our F2013 EBITDA forecast.

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The recommendations and opinions expressed in this Investment Research accurately reflect the Investment Analyst's personal, independent and objective views about any and all the Designated Investments and Relevant Issuers discussed herein. For important information, please see the Important Disclosures section in the appendix of this document or visit Canaccord Genuity's [Online Disclosure Database](#).

INVESTMENT THESIS

We believe CHEF is a best-in-class specialty foodservice distributor with a substantial growth opportunity lying ahead through a combination of internal growth and acquisitions as its segment of the industry is highly fragmented and scale undoubtedly offers advantages. While the company is still a relatively recent IPO and still establishing a reputation with investors, we believe it is already proven in its industry and has already proven investor concerns of cyclicalities unwarranted. We simply believe that if CHEF can achieve the top market share of specialty foods sold into the New York culinary market, it can replicate this success in any major market. There is no market in the US with a larger base of menu-driven restaurants, no more diverse culinary offerings, no more challenging logistical environment than Manhattan, and no more demanding consumers or food palates anywhere in the country. With an expertise in leveraging its supplier and sourcing relationships throughout the world to ensure a broader, deeper or more readily available list of gourmet foods and ingredients than its competition, and tangible proof that it can dominate the most challenging market in the US, we believe there is ample reason to be comfortable that CHEF can replicate its success into a geographical growth opportunity that should ensure ample opportunity for consistent long-term growth.

Q4 PREVIEW

Fourth quarter financial results should be published over the coming month, and we expect that the results will mirror the recent trends of strong internal growth, gross margin consistency and operating leverage that delivers strong pro forma EPS growth. Our forecasts assume about 6 points of growth from acquisitions and thus about 12% internal growth. Both of these assumptions look conservative given the recent trends and acquisition in the Pacific Northwest. We forecast a 26.3% gross margin, right in line with recent trends, and see little chance for any material variation given the track record of gross margin consistency. We assume that expenses are better leveraged this quarter than in Q3, where the company had made some investments behind its Harry Wils acquisition. We thus assume higher sequential operating and EBITDA margins than in Q3. Our \$0.24 EPS estimate looks like a base case scenario, and we believe that the consensus forecast of \$0.25 is very achievable. We are making no changes to our revenue or earnings forecasts but see a bias toward positive revisions post Q4 results.

Thus far in the specialty and healthy food sector, Q4 earnings reports have been positive with consistent growth and positive share price movements off the quarterly prints. The specialty sector has strong outperformed the traditional food sector. As such, valuations have expanded across the group and we anticipate that the business momentum will continue with upcoming earnings reports.

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Figure 1: Q4 preview

Income Statement In \$ million, except per share amounts	Estimate Q4:11E	Last Year Q4:10A	YOY % Growth	Consensus Forecast Q4:11E
Revenue	107.8	91.6	17.8%	113.2
COGS	(79.5)	(67.8)	17.2%	
Gross Profit	28.4	23.8	19.2%	
Operating Expenses	(19.6)	(17.3)	13.5%	
Operating Income	8.7	6.5	34.5%	
EBITDA	9.1	7.2	26.4%	
Net Interest	(0.4)	(2.4)	(82.7%)	
Other expenses	0.0	0.3	(100.0%)	
Pretax Income	8.3	4.3	92.7%	
Income Tax	(3.2)	1.1	(385.6%)	
Net income	5.1	5.4	(6.9%)	
Average Shares	20.9	16.0	30.8%	
EPS	\$0.24	\$0.34	(28.9%)	
Pro forma adjustments				
GAAP Pretax income	8.3	4.3	92.7%	
SG&A		(0.4)	(100.0%)	
D&A				
Interest	0.0	1.8		
Adjusted EBITDA	9.1	6.9	32.8%	9.4
Adjusted pre-tax	8.3	5.8	44.5%	
Taxes	(3.2)	(2.2)	44.5%	
Adjusted net income	5.1	3.5	44.5%	
Pro Forma EPS	\$0.24	\$0.17	42.6%	\$0.25
Shares outstanding	20.9	20.7	1.3%	
Margin Analysis				
	Q4:11E	Q4:10A	BP Difference	
Gross Margin	26.3%	26.0%	32	
Total Operating expenses	18.2%	18.9%	(68)	
Adjusted operating margin	8.1%	6.7%	139	
Adjusted EBITDA margin	8.5%	7.5%	96	
Pretax margin	7.7%	4.7%	299	
Adjusted net margin	4.7%	3.8%	87	
Tax Rate	39.0%	39.0%	0	

Source: Company reports and Canaccord Genuity forecasts

VALUATION

Valuation is appropriate, in our view. Shares trade at 21.8x our 2012 EPS forecast of \$0.95 and 10.7x forecasted EBITDA. While the valuation represents a significant premium to the food distribution peer group multiples of 13x earnings and 7x EBITDA, the valuation is attractive relative to its best and only real comparable peer from a standpoint of growth United Natural Foods (UNFI : NASDAQ : \$47.63 | Buy). We view UNFI as the best comparable for CHEF given it also enjoys a naturally growing market, superior margins relative to most distributors (yet at 18% its gross margins are inferior to CHEF at 26%) and is the leader in its segment as if CHEF. We continue to argue that CHEF should trade at a premium to its distribution peers (as UNFI does) given its vastly superior margins, growth outlook and higher returns on invested capital.

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Our price target of \$24 is increased from \$18 and reflects the expanding peer valuations. Our target equates to 11x our 2013 EBITDA forecast. Our targeted PE and EBITDA multiple forecasts reflect the premium valuations of the specialty food peer group (twice the valuation of the distribution group), reduced by the unattractive comparison to the low valuations afforded the traditional food distribution peer group.

Figure 2: Relative valuation

Food distribution Peer Group			Price	Market	Enterprise	C2011E	C2012E	P/E	P/E	Enterprise Value/ EBITDA	Enterprise Value/ EBITDA
Company	Symbol	Rating	2/8/2012	Cap (\$M)	Value	EPS	EPS	C2011E	C2012E	C2011E	C2012E
Core-Mark Holdings	CORE	Not rated	41.18	467	478	2.64	3.38	15.6	12.2	6.4	4.9
Nash Finch	NAFC	Not rated	30.01	364	673	3.85	3.63	7.8	8.3	4.5	4.4
Supervalu	SVU	Not rated	6.79	1,441	7,844	1.24	1.23	5.5	5.5	4.3	4.4
Sysco	SYU	Not rated	29.45	17,259	19,571	1.96	2.04	15.0	14.5	8.2	7.9
United Natural Foods	UNFI	Buy	47.63	2,324	2,526	1.75	2.05	27.2	23.2	13.2	11.6
Average								13.9x	12.9x	7.5x	7.1x
Specialty Food Peer Group			Price	Market	Enterprise	C2011E	C2012E	P/E	P/E	Enterprise Value/ EBITDA	Enterprise Value/ EBITDA
Company	Symbol	Rating	2/8/2012	Cap (\$M)	Value	EPS	EPS	C2011E	C2012E	C2011E	C2012E
Diamond Foods	DMND	Not rated	36.66	809	1,337	2.70	3.19	13.6	11.5	8.3	4.7
Hain Celestial	HAIN	Buy	40.90	1,848	1,823	1.51	1.92	27.1	21.3	13.9	11.3
Lifeway Foods	LWAY	Not rated	9.47	156	161	0.30	0.36	32.1	26.7	16.6	14.8
Peet's Coffee & Tea	PEET	Not rated	69.02	892	880	1.50	1.78	46.0	38.8	18.3	16.1
Smart Balance	SMBL	Hold	5.34	319	360	0.23	0.29	23.3	18.7	9.0	8.4
United Natural Foods	UNFI	Buy	47.63	2,324	2,526	1.75	2.05	27.2	23.2	13.2	11.6
Average								28.2x	23.4x	13.2x	11.1x
Chefs' Warehouse	CHEF	Buy	20.59	429	473	0.76	0.95	27.2x	21.8x	16.5x	10.7x
Relative to conventional group								96.4%	69.1%	118.2%	51.0%
Relative to specialty group								(3.5%)	(6.8%)	24.3%	(4.0%)
Relative to UNFI								0.1%	(6.3%)	25.1%	(8.0%)

Source: Canaccord Genuity, Capital IQ and Thomson First Call consensus estimates

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Figure 3: Historical and projected operating results

Fiscal Year End - December

(in millions, except per-share data)

	2010	2011E				2011E	2012E	2013E
	FY	Q1A	Q2A	Q3A	Q4	FY	FY	FY
Income Statement								
Revenue	330.1	83.2	99.3	101.7	107.8	391.9	442.0	479.5
COGS	(244.3)	(61.1)	(73.0)	(75.1)	(79.5)	(288.7)	(326.1)	(353.8)
Gross Profit	85.8	22.0	26.3	26.6	28.4	103.3	115.9	125.8
Operating Expenses	(64.2)	(17.0)	(18.6)	(21.3)	(19.6)	(76.5)	(81.1)	(86.5)
Operating Income	21.6	5.1	7.7	5.3	8.7	26.8	34.8	39.3
EBITDA	24.6	5.6	8.0	5.8	9.1	29.1	37.5	42.0
Net Interest	(4.0)	(3.5)	(3.3)	(7.2)	(0.4)	(14.5)	(1.4)	(0.9)
Other expenses	0.9	0.1	0.0	0.0	0.0	0.1	0.0	0.0
Pretax Income	18.2	1.7	4.4	(1.9)	8.3	12.4	33.5	38.4
Income Tax	(2.6)	(0.7)	(1.7)	0.7	(3.2)	(4.9)	(13.5)	(15.2)
Net Income	15.7	1.0	2.7	(1.2)	5.1	7.5	19.9	23.2
Average Shares	72.5	16.0	16.0	18.7	20.9	17.9	21.1	21.5
EPS	\$0.22	\$0.06	\$0.17	(\$0.06)	\$0.24	\$0.42	\$0.95	\$1.08
Pro forma adjustments								
GAAP Pretax income	18.2	1.7	4.4	(1.9)	8.3	12.4	33.5	38.4
SG&A	(1.4)	(0.8)	(0.7)	1.7	0.0	0.3	0.0	0.0
D&A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest	1.8	3.0	2.9	6.7	0.0	12.7	0.0	0.0
Adjusted EBITDA	24.6	4.8	7.3	7.5	9.1	28.7	37.5	42.0
Adjusted pre-tax	18.6	4.2	6.9	6.6	8.3	26.0	33.5	38.4
Taxes	(7.3)	(1.6)	(2.7)	(2.6)	(3.2)	(10.1)	(13.5)	(15.2)
Adjusted net income	11.4	2.6	4.2	4.0	5.1	15.8	19.9	23.2
Pro Forma EPS	\$0.55	\$0.12	\$0.20	\$0.19	\$0.24	\$0.76	\$0.95	\$1.08
Shares outstanding	20.7	20.8	20.8	20.8	20.9	20.9	21.1	21.5
Margin Analysis								
Gross Margin	26.0 %	26.5 %	26.5 %	26.2 %	26.3 %	26.4 %	26.2 %	26.2 %
Warehousing and distribution	10.3 %	10.3 %	9.2 %	10.4 %	9.9 %	10.0 %	9.5 %	9.4 %
SG&A	8.5 %	9.3 %	9.1 %	10.1 %	7.9 %	9.1 %	8.5 %	8.3 %
Adjusted operating margin	6.1 %	5.2 %	7.1 %	6.9 %	8.1 %	6.9 %	7.9 %	8.2 %
Adjusted EBITDA margin	7.4 %	5.8 %	7.4 %	7.4 %	8.5 %	7.3 %	8.5 %	8.8 %
Pretax margin	5.5 %	2.0 %	4.4 %	-1.9 %	7.7 %	3.2 %	7.6 %	8.0 %
Adjusted net margin	3.4 %	3.1 %	4.2 %	3.9 %	4.7 %	4.0 %	4.5 %	4.8 %
Tax Rate	39.0 %	39.0 %	39.0 %	39.0 %	39.0 %	39.0 %	40.4 %	39.5 %
Growth (vs Year Ago)								
Revenue	22 %	19 %	19 %	20 %	18 %	19 %	13 %	9 %
Operating	62 %	67 %	37 %	-15 %	34 %	24 %	30 %	13 %
Pro forma Pre-Tax Income	63 %	89 %	38 %	16 %	44 %	39 %	29 %	15 %
Pro forma Net Income	75 %	89 %	38 %	16 %	44 %	39 %	26 %	17 %
Pro forma EPS	0 %	87 %	36 %	15 %	43 %	37 %	25 %	14 %
Ratio Analysis								
Net debt	97.5	95.7	100.9	39.6	35.2	35.2	16.5	(4.6)
DSOs	38.4	39.6	37.1	38.4	38.4	38.4	38.4	38.4
Days Inventory	24.5	25.7	24.1	26.0	22.1	24.4	23.7	23.7
Inventory Turns	14.9	3.5	3.8	3.5	4.1	15.0	15.4	15.4
ROIC	26.0%	25.2%	33.1%	22.7%	36.6%	28.1%	33.5%	36.3%
Return on Equity	nmf	nmf	nmf	nmf	nmf	nmf	45.6 %	29.7 %
Operating ROA	29.0%	24.9%	32.2%	20.6%	33.0%	28.5%	31.2%	31.5%
Debt/Total Capital	57.9%	85.8%	86.5%	70.2%	67.8%	71.1%	58.7%	42.6%
Cash Flow Analysis								
Operating cash flow	13.5	3.1	5.3	(0.9)	2.9	10.5	21.5	24.0
Free cash flow	12.4	2.7	4.8	(1.3)	2.5	8.8	19.8	22.3

Source: Company reports and Canaccord Genuity estimates

Investment risks

Key risks that may impede the achievement of our forecasts and/or price target include the following:

A rise in commodity prices: While normally beneficial for food distributors, excessive commodity costs, which have been volatile over the last several years, could alter consumption behavior and lower consumer demand. Major products sold that have had their inputs fluctuate greatly are dairy, wheat, flour, and cooking oils. Additionally, rises in fuel costs could negatively impact CHEF's operations.

Economic sensitivity: Given CHEF's focus on higher end food service establishments, the company is exposures to potential sales volatility as consumer confidence and spending fluctuation. Recent concerns surrounding incremental economic weakness have impacted the performance of the shares.

Competitive activity: Despite its favorable positioning in specialty foods, competition in the food distribution industry is fierce and CHEF competes with larger food companies with greater resources. Market leaders include Sysco, U.S. Foodservices, Inc and United Natural Foods.

Market concentration: CHEF operations are concentrated in six markets, leaving the Company susceptible to economic downturns. As of the end of 2010, 66% of CHEF's total sales originated from the New York market.

Acquisition and integration risk: CHEF has made several acquisitions over its history and it remains a key growth initiative. The specialty foods distribution industry is highly fragmented and the Company has indicated plans for future acquisitions. Future acquisitions could strain management resources; result in sales disruptions or loss of key personnel and the company may not achieve expected cost reductions or distribution gains.

Product recalls and/or food safety concerns: CHEF products are ingested and any concern about food safety or quality can impair consumer confidence in the brands sold through CHEF. The risk of adverse health impacts is always present.

Industry regulation: CHEF's line of business is highly regulated at the federal, state and local levels, and its specialty food products and distribution operations require various licenses, permits and approvals. Suppliers are also subject to similar regulatory requirements and oversight. In addition, as a distributor of specialty food products, CHEF is subject to increasing governmental scrutiny of and public awareness regarding food safety and the sale, packaging and marketing of natural and organic products

Weather: Adverse weather conditions can significantly impact CHEF's ability to profitably and efficiently conduct its operations and, in severe cases, could result in its trucks being unable to make deliveries or cause the temporary closure or the destruction of one or more of its distribution centers.

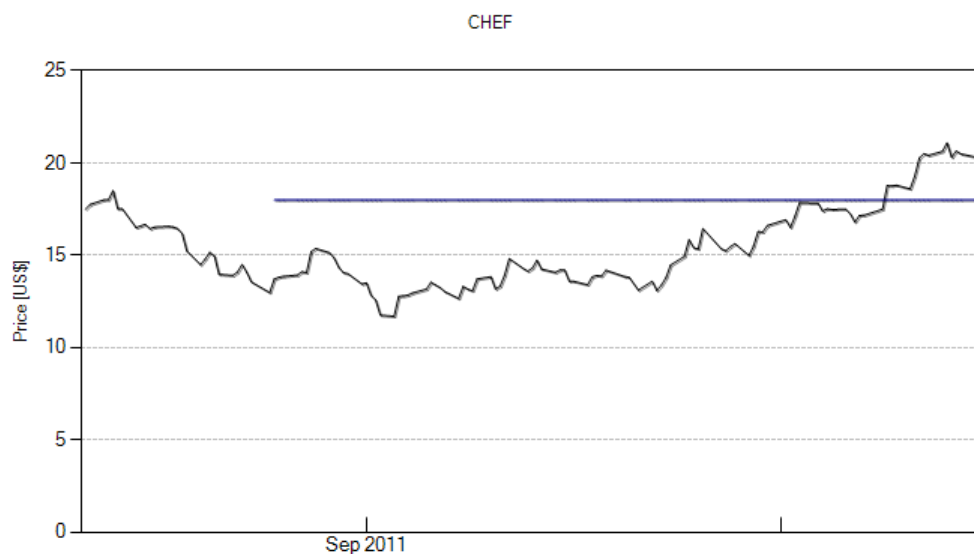
In addition, we strongly urge investors to review the complete set of risk factors that can be found in The Chefs' Warehouse's most recent regulatory filing.

APPENDIX: IMPORTANT DISCLOSURES**Analyst Certification:**

Each authoring analyst of Canaccord Genuity whose name appears on the front page of this investment research hereby certifies that (i) the recommendations and opinions expressed in this investment research accurately reflect the authoring analyst's personal, independent and objective views about any and all of the designated investments or relevant issuers discussed herein that are within such authoring analyst's coverage universe and (ii) no part of the authoring analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the authoring analyst in the investment research.

Site Visit:

An analyst has visited the issuer's material operations in Ridgefield, Connecticut. No payment or reimbursement was received from the issuer for the related travel costs.

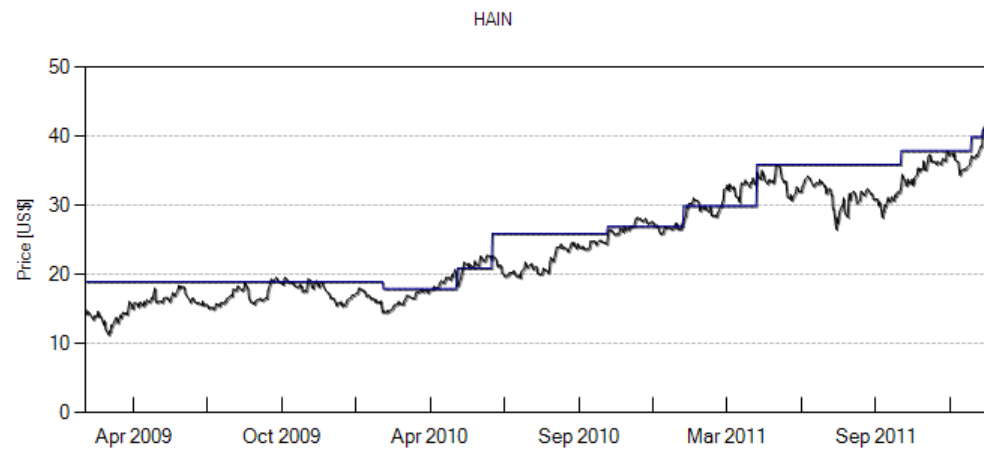
Price Chart:*

— Market Price
— Target Price

Date	Analyst	Rating	Target Price	Date	Analyst	Rating	Target Price
1) 09/07/2011	Winkle	Buy	18.00				

*Price charts assume event 1 indicates initiation of coverage or the beginning of the measurement period.

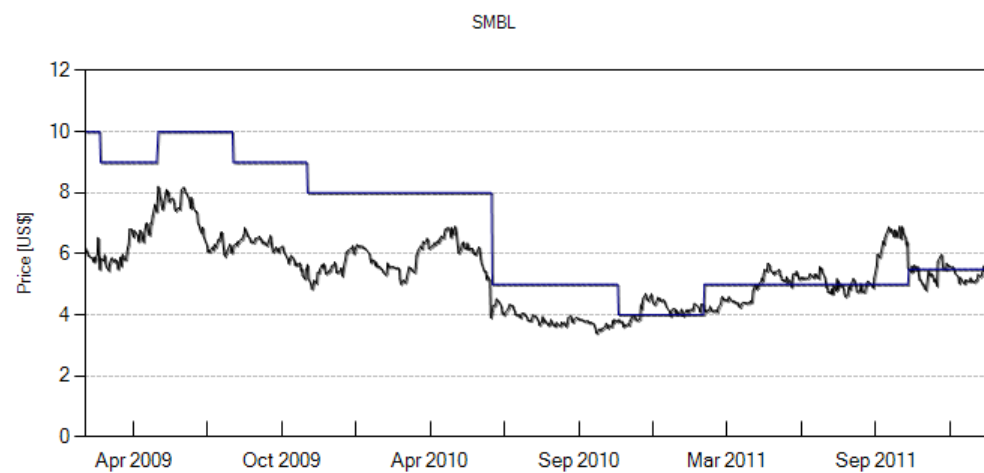
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— Market Price
— Target Price

Date	Analyst	Rating	Target Price	Date	Analyst	Rating	Target Price
1) 09/10/2009	Winkle	Buy	19.00	7) 05/04/2011	Winkle	Buy	36.00
2) 02/05/2010	Winkle	Buy	18.00	8) 10/26/2011	Winkle	Buy	38.00
3) 05/06/2010	Winkle	Buy	21.00	9) 01/19/2012	Winkle	Buy	40.00
4) 06/17/2010	Winkle	Buy	26.00	10) 02/02/2012	Winkle	Buy	41.00
5) 11/04/2010	Winkle	Buy	27.00	11) 02/07/2012	Winkle	Buy	45.00
6) 02/04/2011	Winkle	Buy	30.00				

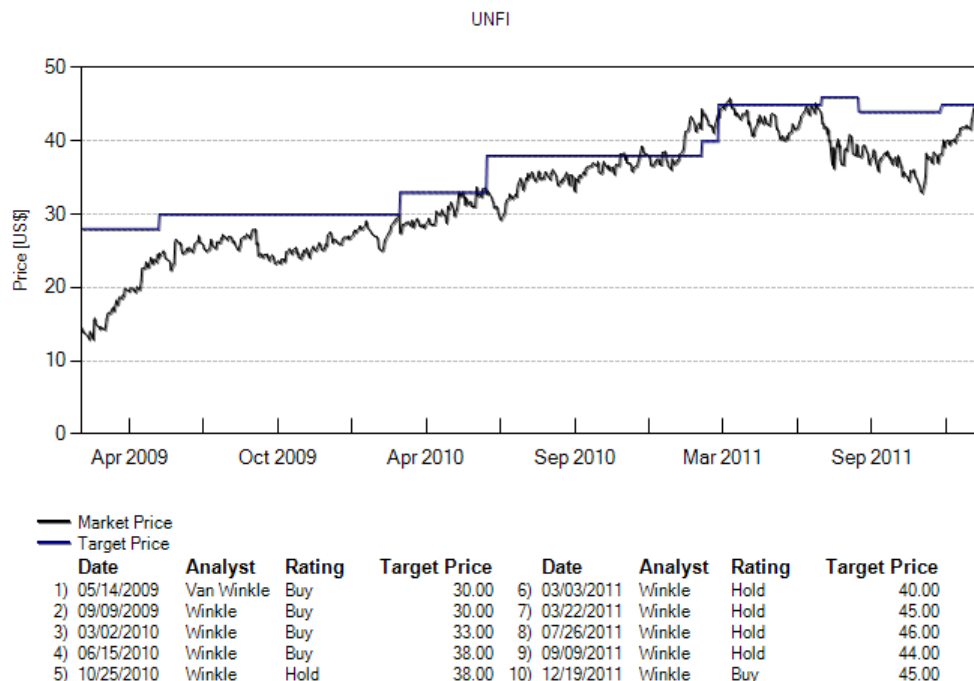
*Price charts assume event 1 indicates initiation of coverage or the beginning of the measurement period.



— Market Price
— Target Price

Date	Analyst	Rating	Target Price	Date	Analyst	Rating	Target Price
1) 02/27/2009	Van Winkle	Buy	9.00	6) 06/17/2010	Winkle	Buy	5.00
2) 05/08/2009	Van Winkle	Buy	10.00	7) 11/08/2010	Winkle	Hold	4.00
3) 07/02/2009	Winkle	Buy	10.00	8) 03/01/2011	Winkle	Hold	5.00
4) 08/07/2009	Winkle	Buy	9.00	9) 11/04/2011	Winkle	Hold	5.50
5) 11/05/2009	Winkle	Buy	8.00				

*Price charts assume event 1 indicates initiation of coverage or the beginning of the measurement period.



*Price charts assume event 1 indicates initiation of coverage or the beginning of the measurement period.

Distribution of Ratings:
Global Stock Ratings
(as of 2 February 2012)

Rating	Coverage Universe			IB Clients
	#	%		
Buy	481	60.2%		34.9%
Speculative Buy	87	10.9%		73.6%
Hold	215	26.9%		20.9%
Sell	16	2.0%		25.0%
	799	100%		

Canaccord Ratings System:

BUY: The stock is expected to generate risk-adjusted returns of over 10% during the next 12 months.

HOLD: The stock is expected to generate risk-adjusted returns of 0-10% during the next 12 months.

SELL: The stock is expected to generate negative risk-adjusted returns during the next 12 months.

NOT RATED: Canaccord Genuity does not provide research coverage of the relevant issuer.

"Risk-adjusted return" refers to the expected return in relation to the amount of risk associated with the designated investment or the relevant issuer.

Risk Qualifier:

SPECULATIVE: Stocks bear significantly higher risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in material loss.

Canaccord Research Disclosures as of 9 February 2012

Company	Disclosure
The Chefs' Warehouse	1A, 2, 3, 5, 7
United Natural Foods	5, 7
Hain Celestial Group	5, 7
Smart Balance, Inc.	5, 7

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- 9 The authoring analyst, a member of the authoring analyst's household, or any individual directly involved in the preparation of this investment research, has a short position in the shares or derivatives, or has any other financial interest in the relevant issuer, the value of which increases as the value of the underlying equity decreases.
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- 12 As of the month end immediately preceding the date of publication of this investment research, or the prior month end if publication is within 10 days following a month end, Canaccord Genuity or its affiliate companies, in the aggregate, beneficially owned 1% or more of any class of the total issued share capital or other common equity securities of the relevant issuer or held any other financial interests in the relevant issuer which are significant in relation to the investment research (as disclosed above).
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