September 6, 2011

WELLS FARGO SECURITIES

Equity Research

The Chefs' Warehouse, Inc.

CHEF: We Initiated Coverage With An Outperform Rating
Leading Specialty Foodservice Distributor In Key Culinary Mkts

Outperform / V

Sector: Restaurants & Foodservice
Market Weight

Initiation of Coverage

- **Summary:** We initiated coverage of CHEF with an Outperform rating on the shares, which reflects current valuation, as well as our favorable view of the company's distinct competitive positioning n the specialty foodservice distribution industry. We initiated with a 2011 pro forma EPS estimate of $0.76 and a 2012 EPS estimate of $0.97. Our valuation range of $19-20 is 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.

- **We Initiated Coverage With An Outperform Rating.** We believe CHEF is well positioned for growth given its presence in key culinary markets, combined with its customer focus on serving the needs of chefs at independent and fine dining restaurants, and its specialty product sourcing capabilities. We also think the company's distinct business model helps drive attractive margin and believe 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. CHEF operates an efficient network of seven distribution centers carrying over 11,500 stock-keeping units (SKUs), including many exclusive specialty food items.
- **Impressive Real Sales Growth And Attractive Margin Profile, In Our View.** 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 margin within the distribution industry, which we attribute in part to both its 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 that have strengthened and expanded CHEF's customer base and distribution network.
- **We Introduced 2011 and 2012 EPS Estimates.** We initiated with a 2011 pro forma EPS estimate of $0.76 and a 2012 EPS estimate of $0.97.

	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	0.18	NC	0.26	NC
Q4 (Dec.)	0.18	0.26	NC	0.30	NC
FY	$0.57	$0.76	NC	$0.97	NC
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

Ticker	CHEF
Price (09/02/2011)	$13.56
52-Week Range:	$12-19
Shares Outstanding: (MM)	20.8
Market Cap.: (MM)	$282.0
S&P 500:	1,188.68
Avg. Daily Vol.:	89,657
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
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 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.

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Please see page 28 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.

Key Investment Points

We initiated coverage with an Outperform rating on the shares. We initiated coverage of The Chefs' Warehouse with an Outperform rating on the 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 its customer focus on serving the needs of chefs at independent restaurants and its 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 12 months, we believe that CHEF shares 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 the company's geographic concentration.

Figure 1. Valuation Table

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 initiated with 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 margin, 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 its Q2 results on August 25. The company expects 2011 revenue to range from $384 million to $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 its earnings conference call, management noted that it does not expect to see the rate of inflation, which is 4.1% year to date, changing in H2. 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. We were encouraged by management's commentary during its Q2 earnings conference call in late August that the business momentum had continued thus far into Q3 despite recent macro events.

Growth strategies. The company's growth strategies are comprised of three key elements: continue to pursue organic growth opportunities, further improve operating margin, 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 that CHEF is the primary distributor of specialty items for the majority of its customers and management is focused on maintaining this position while working to become the primary specialty distributor for a larger portion of its customers. We also think the company has the opportunity to enhance its distribution network by adding new customers in existing markets. In our view, the company's combination of traditional and specialty product offerings, coupled with its ability to cultivate strong customer relationships, should enable The Chefs' Warehouse to continue to expand the base of customers 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 that 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.

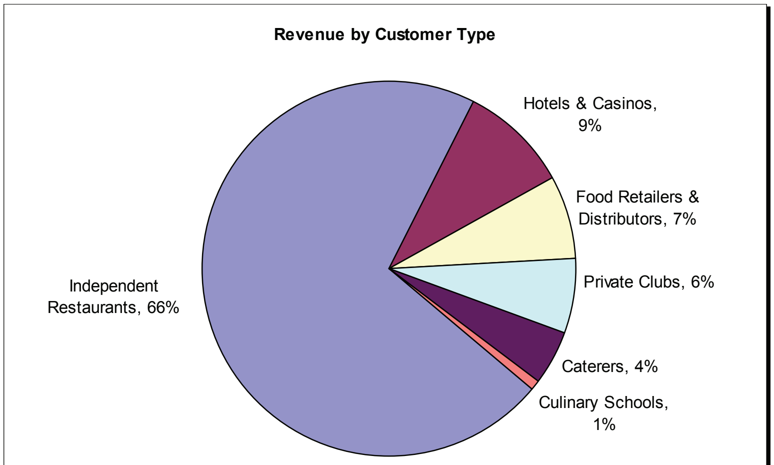
Leading specialty foodservice distributor in key culinary markets. We think The Chefs' Warehouse has cultivated strong relationships with its customers and suppliers, both of which have enabled the company to become a leading specialty foodservice distributor. CHEF's distribution network targets key culinary markets including New York, Washington, D.C., San Francisco, and Los Angeles, where the company believes that it is the largest specialty foodservice distributor (based on net sales). Management believes that these markets, along with other markets it serves, including Las Vegas, Miami, Philadelphia, Boston, and Napa Valley, often shapes the culinary trends for the United States overall. The company also believes that it currently services one or more products to more than 60% of its addressable market in the New York metro area and to 20-30% of its addressable markets in the other geographies it serves on a weekly basis. Management generally defines its addressable or target market as independent restaurants with an average entrée price exceeding $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 it enters new markets.

Figure 2. Geographic Presence

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 its 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 the company's chef-driven customer focus. Most 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 that their needs are met, and educate and collaborate with chefs on broader culinary trends. The Chefs' Warehouse services more than 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 the company's 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 United States based on ReCount data from The NPD Group, Inc., which accounted for approximately 53.5% of total U.S. restaurants.

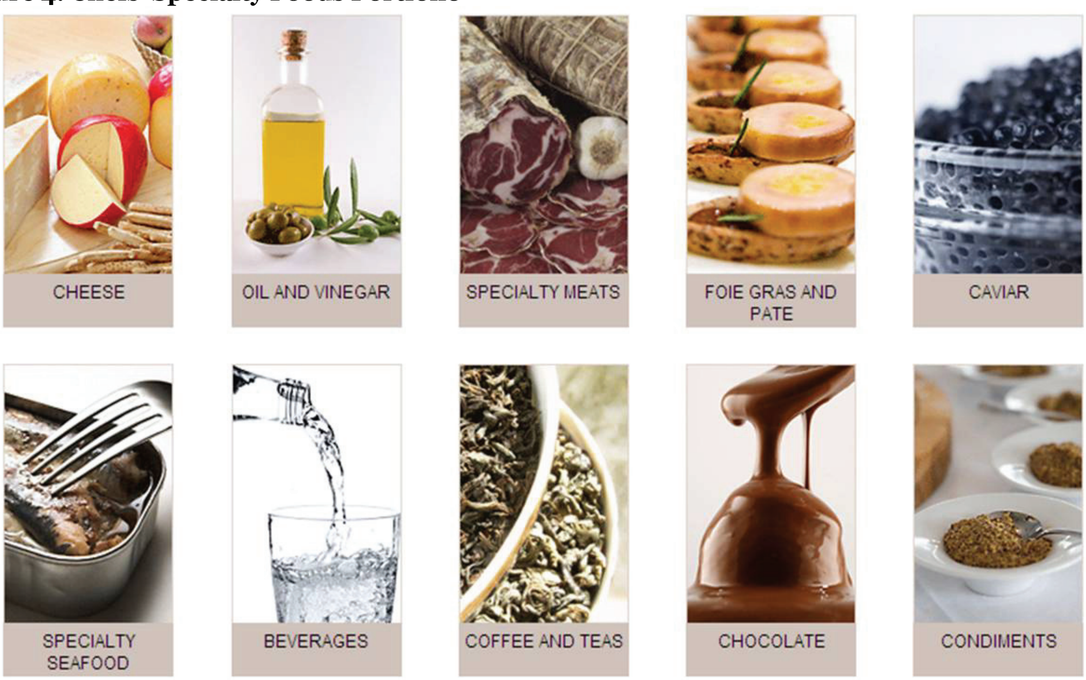
Figure 3. Revenue By Customer Type



Source: Company reports

Low customer and supplier concentration. Since CHEF's 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 ten 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 company's supplier base includes more than 1,000 different suppliers across North America, Europe, Asia, and South America. CHEF's base of suppliers includes many small and family-run businesses for which the company may be the largest customer. Across product categories the company also stocks multiple products from multiple suppliers in order to further reduce its reliance on any single supplier.

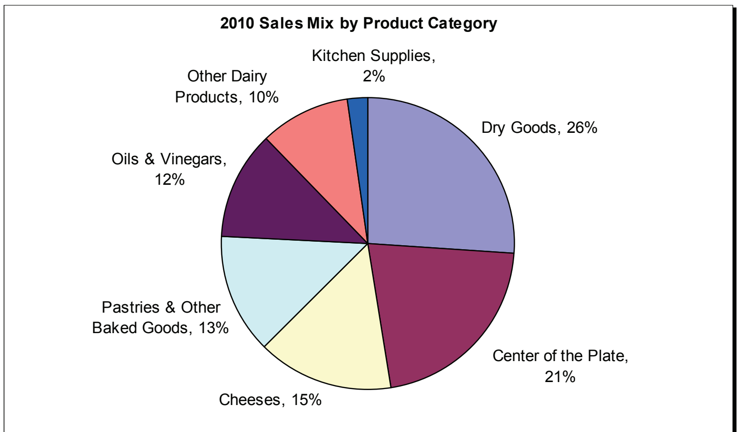
Figure 4. Chefs' Specialty Foods Portfolio



Source: Company reports

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 its 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 that it sources include artisan charcuterie, specialty cheeses, unique oils and vinegars, hormone-free proteins, truffles, caviar, and chocolate. Through its importing division, the company sources items from more than 40 countries including Italy, Spain, France, and other Mediterranean countries. We think that the company's ability to provide its customers with the more exclusive and hard-to-find specialty products is a key point of differentiation for The Chefs' Warehouse, which also helps its customers feature more distinctive menu offerings. The company carries more than 11,500 SKUs in its distribution centers, of which 7,000 are generally in stock every day. In comparison, the average specialty distributor carries approximately 1,609 SKUs in its 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 foodservice distributors. The company often emphasizes this point using olive oil as an example product. 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 its customers. In addition, management continually works with suppliers and importers to update its product portfolio in order to stay current with broader culinary trends.

Figure 5. Sales Mix By Product Category



Source: Company reports

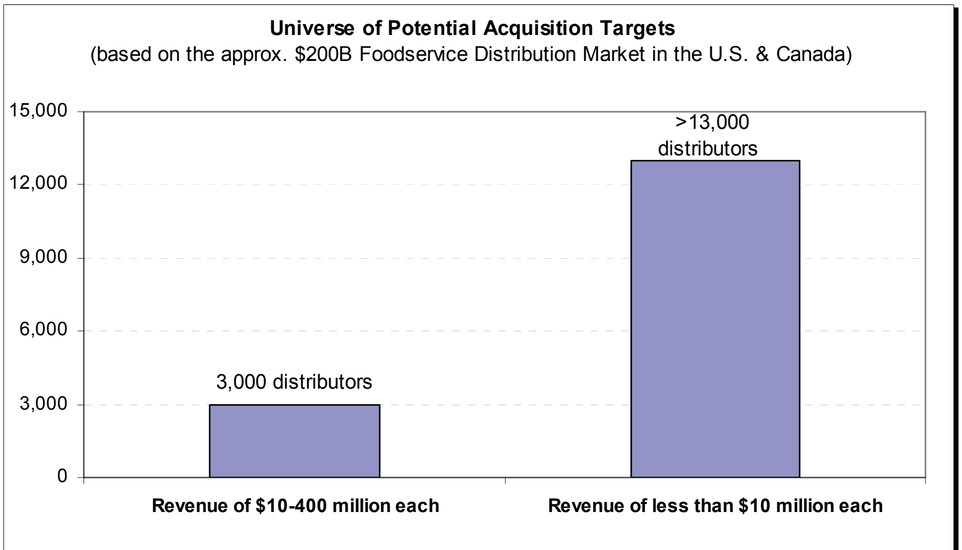
In addition to offering gourmet brands, The Chefs' Warehouse also features proprietary brands, which represent about 15% of sales and generate higher margin for the company. The private brands are available for certain staple products such as bulk olive oil, Italian grating cheeses, and butter.

Figure 6. Selected Proprietary Brands Of The Chefs' Warehouse

Source: Company data

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 its business to grow at a faster clip than it would have been able to on a stand-alone, organic basis. Management believes that it has enhanced the operations and profitability of the companies it has acquired, in part by leveraging 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 (the United States and Canada) is comprised of more than 16,500 distributors, according to Sysco Corporation (per its December 2010 Investor presentation). The market includes 3,000 distributors with revenue 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 its acquisition strategy, which we view favorably.

Figure 7. Universe Of Potential Acquisition Targets



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 its 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. Other potential new markets could include Atlanta, Texas, Denver, and Phoenix.

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 its distribution facility in New York. The acquisition was financed with borrowings under the company's revolving credit agreement. On the company's Q2 earnings call in late August, management commented that it has not seen much customer attrition following the acquisition, and that the business had been tracking very close to management's expectations.

Figure 8. Recently Completed Acquisitions

THE CHEFS' WAREHOUSE, INC.
Recent Acquisitions

Date	Company Acquired	Location/Market	Purchase Price ($MM)	Type
May-08	American Gourmet Foods	Maryland	$5.1	tuck in
Aug-09	San Francisco division of European Imports	San Francisco	$3.8	tuck in
Jun-10	assets of Monique & Me, Inc. doing business as Culinaire Specialty Foods	Miami	$3.7	new market
Jun-11	Harry Wils & Co. (inventory & certain assets)	New York (metro)	$7.7 (for intangible assets) $1.2 (for inventory)	tuck in

Source: Company reports

Distribution platform. Currently, the company's distribution network consists of seven distribution centers, a list of which follows, and a truck fleet that fills an average of 11,000 orders per week. The company provides service six days per week to customers in many markets and leases its truck fleet from both national and regional leasing firms. Products are generally delivered to the company's distribution facilities by its truck fleet, contract carriers, or directly from the supplier. Customer orders come in throughout the day via phone, email, or fax, and are sent to the shipping department. The orders are input into computer programs, which send pick tickets to the warehouse. Warehouse employees then drive around the facility picking the necessary items and placing the products on pallets, which are then loaded onto the trucks based on a pre-determined delivery sequence. The company utilizes routing and logistics planning software, which helps to maximize the number of daily deliveries from each facility, and also enables the company to make those deliveries within each customer's preferred time window. In the company's New York facilities, drivers arrive at the warehouse around 3-4am to pick up the customer invoices before departing in the loaded trucks to begin making customers' deliveries.

Figure 9. Distribution Facility Location And Size

Distribution Facility	Size (square footage)	Owned/Leased
Bronx, NY #1	120,000	Leased
Bronx, NY #2	55,000	Leased
Hanover, MD	55,200	Leased
Hayward, CA	40,000	Leased
Las Vegas, NV	11,440	Leased
Los Angeles, CA	80,000	Leased
Miami, FL	10,000	Leased
Total	361,640	

Note: Expect to move Miami operations to a new facility in Q3 2011.

Source: Company reports

Most of the trucks and trailers used for delivery feature separate temperature-controlled compartments for products' varying refrigeration needs. The company's truck fleet is monitored using GPS and vehicle monitoring systems to continually assess the trucks' conditions and also analyze driver performance. One of the company's main goals is to efficiently fill and deliver a customer's order, typically within 12-24 hours from the time of order placement.

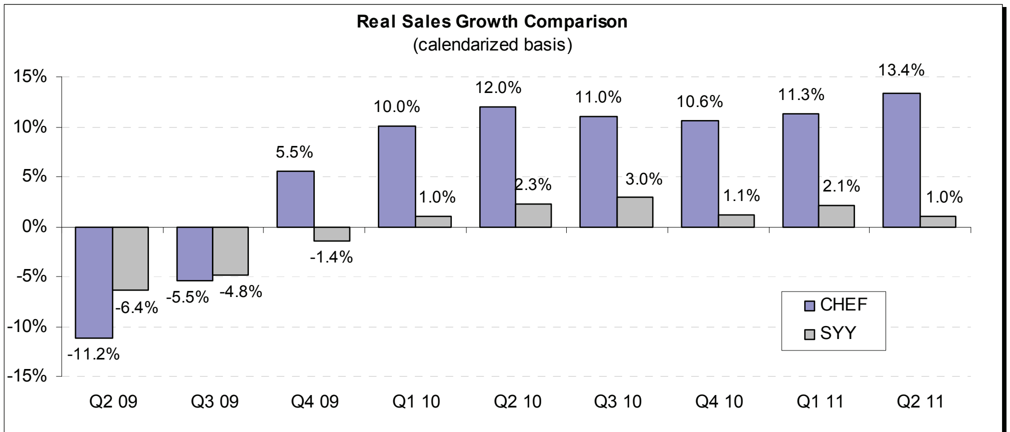
Figure 10. Chefs' Warehouse Truck

Source: Company reports

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 CHEF's main distribution facility in New York, and the company expects to integrate the system into the rest of its 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 its 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 it has made in its current systems are scalable and can support the company's future growth.

Strong real sales growth. One of the metrics used to better analyze top-line performance is real sales growth, which strips out revenue contributions from acquisitions and adjusts for inflation or 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 United States. 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.

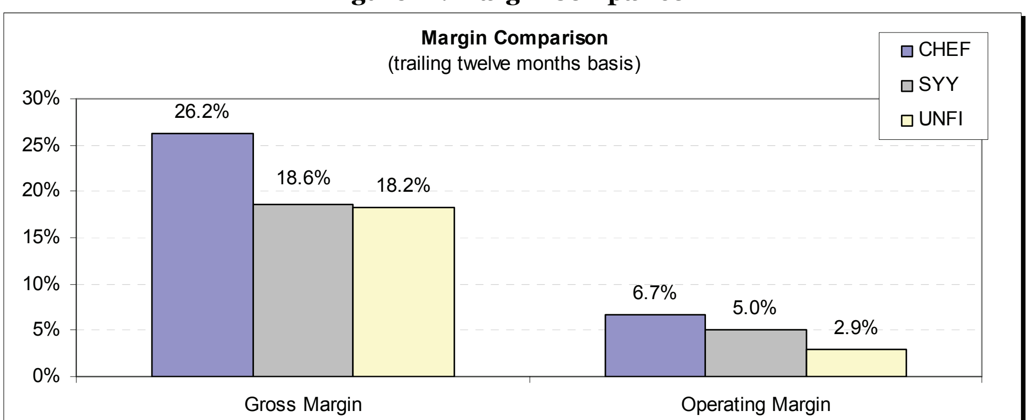
Figure 11. Real Sales Growth Comparison



Source: Company reports and Wells Fargo Securities, LLC estimates

Attractive margin profile. While the distribution industry (foodservice and grocery wholesaling) is generally characterized as being a low-margin business, we think The Chefs' Warehouse is positioned to achieve more attractive margins given its competitive positioning. We attribute the company's distinct competitive position in large part to its customer focus on independent restaurants, combined with its product focus on specialty food offerings. On a trailing-12-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.

Figure 12. Margin Comparison



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. The drivers of the food cost inflation were mainly dairy, oils, and seafood. 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. Management attributed most of the basis-point expansion to higher margins on the sale of protein offerings, driven by customer and product mix shift. Operating expenses as a percentage of sales improved 60 bps year over year, reflecting leverage on higher sales. On a GAAP basis, the company reported EPS of $0.17, versus $0.13 in the prior-year period.

Cash flow and capital expenditure. The company is targeting capital spending in the $1.0-2.0 million range for 2011 and the $7.5-9.0 million range for 2012. Management anticipates funding these expected needs with cash from operations and borrowings under its revolving credit facility. For 2011, the capital spending range includes costs related to additional square footage for the Miami operations buildout in Q3. The significant ramp-up in projected capital spending for 2012 primarily relates to management's plans for a new and expanded distribution facility project in New York. We are targeting for the company to generate positive free cash flow of $16.1 million and $13.7 million in 2011 and 2012, respectively.

Figure 13. Cash Flow Table

THE CHEFS' WAREHOUSE, INC.
Cash Flow Model
(figures in thousands --December fiscal year)

	2010 Pro Forma	2011 Pro Forma	2012 Estimate
Net Income	$11,930	$15,952	$20,414
Depreciation & Amortization	1,500	1,650	1,550
Net Cash Flow	13,430	17,602	21,964
Capital Spending	1,133	1,500	8,250
Free Cash Flow	12,297	16,102	13,714

Source: Company reports and Wells Fargo Securities, LLC estimates

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 overallotments. 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.

Company History

The company was founded in 1985 as Dairyland USA Corporation. At that time, the company was primarily a distributor of butter and eggs, as well as some specialty food products to chefs in the New York metropolitan area. From 1985 to 2000, the company focused on becoming a leading specialty food distributor in the New York market by offering high levels of customer service and providing a differentiated product portfolio. Since 1999, the company has entered five new markets, the first of which was Washington, D.C., through a Greenfield development. In 2005, the acquisition of Van Rex Gourmet Foods gave the company a presence in Los Angeles, San Francisco, and Las Vegas. The company's most recent new market entry was Miami in 2010, with the acquisition of the assets of Monique & Me, Inc. During its 26-year history, The Chefs' Warehouse has grown to become a leading distributor of specialty food products, with a presence in six of the nation's leading culinary markets. By focusing on specialty food products and serving the specific needs of chefs at many leading independent restaurants, we think customers have come to rely on The Chefs' Warehouse as an ingredients company or a "virtual pantry."

Figure 14. Market Presence

Market Name	Geographies Served	Year Entered
New York	Boston to Atlantic City	1985
Washington, D.C.	Philadelphia to Richmond	1999
Los Angeles	Santa Barbara to San Diego	2005
San Francisco	Napa Valley to Monterey Bay	2005
Las Vegas	Las Vegas	2005
Miami	Miami	2010

Source: Company reports

Management Team

Christopher Pappas, founder, chairman, president, and CEO. Christopher Pappas is a founder of the company and has served as CEO since 1985 and as chairman since March 1, 2011. Mr. Pappas has been president of the company since April 11, 2009, and prior to that time, was president from the formation of the company to January 1, 2007. Before founding the company, Mr. Pappas played basketball professionally in Europe for several years after graduating from Adelphi University in 1981 with a Bachelor of Arts degree in Business Administration. Mr. Pappas oversees all business activities for the company and focuses on product procurement, sales, marketing, and strategy development.

James Wagner, COO. James Wagner serves as COO of the company, a position he has held since March 1, 2011. During the past six years, Mr. Wagner has served in a variety of management positions with the company, having most recently held the position of chief commercial officer from August 1, 2010, to February 28, 2011. Prior to this time, he served as EVP of marketing, business development, and, for the company's non-New York markets, sales from March 2009 to August 1, 2010. Mr. Wagner served as EVP of marketing and business development from March 2006 through February 2009. From October 2005 through February 2006, Mr. Wagner was the general manager of the Los Angeles market. Prior to joining the company in 2005, Mr. Wagner was a principal and co-founder of TrueChocolate, Inc., a chocolate manufacturing and processing start-up company. During his career, Mr. Wagner has also held key management positions at Clear!Blue Marketing and was principal and founder of Jump Communications. Mr. Wagner holds a Bachelor of Arts degree from the University of California, Berkeley, where he was member of the school's NCAA National Championship Water Polo teams in 1989, 1990, 1991, and 1992.

Kenneth Clark, CFO. Kenneth Clark serves as CFO of the company, a position he has held since March 6, 2009. Mr. Clark served as controller of the company from July 7, 2007, to March 6, 2009. Prior to joining The Chefs' Warehouse, Mr. Clark was vice president, controller at Credit Suisse Energy, LLC from June 2005 to July 2007. Mr. Clark has also held key financial positions at United Rentals, Inc., Sempra Energy Trading Corporation, and Arthur Andersen, LLC. Mr. Clark is a CPA and holds a Bachelor of Business Administration degree in Accounting from Western Connecticut State University.

Potential Risk Factors

Consumer spending trends. Since the company's target customers are restaurants and other foodservice establishments, its 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 affected by reductions in customer frequency and spending, this can hurt the company's business as its 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 affect the company's business.

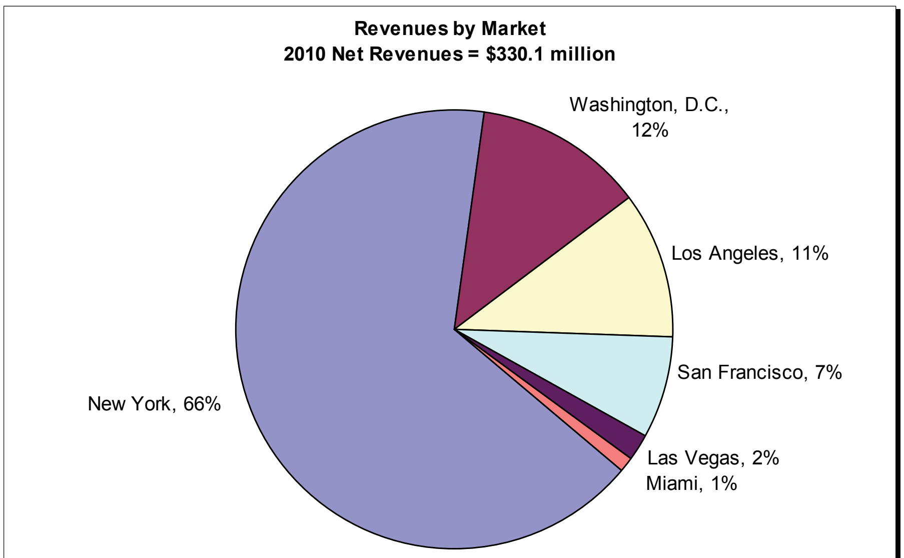
Commodity cost pressures, product sourcing, and labor costs. The company is, in part, dependent on commodities and the ability to respond to changes in food costs, availability, and potential interruptions in its distribution network. The company sources a large portion of its specialty food products from local, regional, national, and international third-party suppliers. Typically the company neither participates in long-term contracts with its suppliers, nor uses financial instruments to hedge its risk exposure to fluctuations in the price of certain food products. Several factors can affect 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 that may be beyond the company's control. If management is unable to react to food cost fluctuations through its 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 affected by cost increases and/or the loss of a customer. The results of operations could also be negatively affected by potential changes in customer perception of the quality or selection of its products. In addition, labor cost fluctuations, such as the increases seen with minimum wage rate hikes and potential changes in labor legislation could also affect the company's results.

Margin and margin sensitivity. While The Chefs' Warehouse generates profit margins that are generally higher than that of a traditional broadline foodservice distributor, it may still be considered low relative to other industries. Most of the company's sales are at prices that 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 affected 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 affected even if the company's gross profit (as a % of sales) remains constant and the company may need to reduce expenses to compensate for the lower gross margin. Therefore, management's inability to respond to cost pressures (both inflationary and deflationary) and respond accordingly could have a negative impact on its business or results of operation.

Potential growth of group purchasing organization. Management has noted that it has 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. In addition, some of the company's customers, including the majority of its 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 revenue 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. In addition, 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 affect the results of operations.

Figure 15. Revenue By Market



Source: Company reports

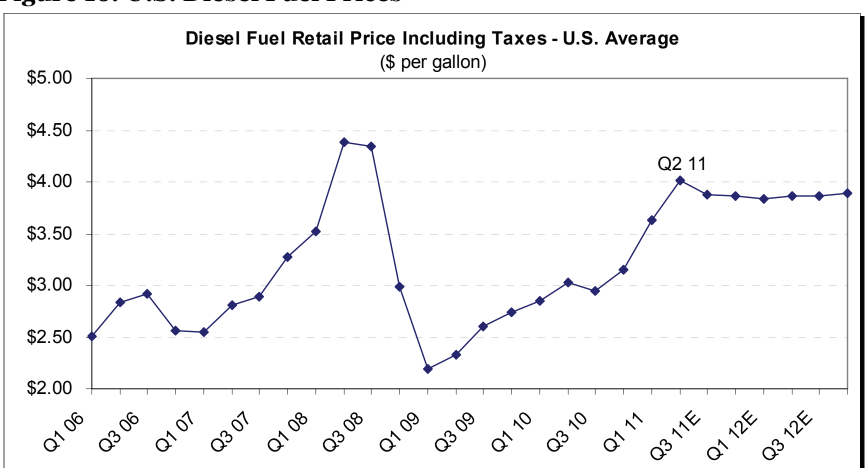
Consumer health concerns, eating habits, and government regulation. As a distributor of food products, The Chefs' Warehouse is susceptible to negative publicity or news regarding food-quality issues, public health concerns, illness, and safety. While management has taken steps to help mitigate such risks, 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 hurt 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 it is required to alter or discontinue the sales of certain items in its portfolio. Consumer preferences can also be affected by negative publicity regarding beef and chicken consumption, particularly as it relates to bovine spongiform encephalopathy (BSE), also known as mad cow disease, and avian influenza, also known as bird flu. In addition, 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 affect 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 it sells cause injury or illness. While the company has liability insurance, it may not be adequate to cover potential claims whether actual or alleged, or the insurance might not 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 on 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 its 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. In addition, the company may experience losses in the event that its customers file for bankruptcy or are unable to make their payments in a timely manner, which could hamper 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 its top ten customers collectively account for less than 10% of net revenue, thus limiting CHEF's 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 on its business. As the price of diesel fuel rises, it can not only increase the price the company pays for a product from its 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 implement fuel surcharges when necessary. Management has indicated that fuel expenses generally represent about 70 bps of operating costs.

Figure 16. U.S. Diesel Fuel Prices



Source: Energy Information Administration

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 its ability to meet its customers' needs for specialty products and ingredients, as well as its 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 that are similar to or better than the company's. The Chefs' Warehouse may face increased competition, which could lead to price reductions, lower gross margin, 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 its future growth, whether through acquisitions or organically, is another factor that could affect 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 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 its employees and the future growth of the business. In addition, 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 its 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. In addition, 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 its new credit facilities as of March 25, 2011, CHEF has approximately $37.2 million in total debt, including $30 million outstanding under its new term loan facility and $7.2 million outstanding under its 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 slightly more than $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 to meet the terms of its debt obligations, which could have a material negative effect on the company's business and financial condition. Based on the company's new credit facilities, management has noted that a 100-basis-point increase in market interest rates would lower after-tax earnings by approximately $300,000, assuming other variables remain constant.

Foodservice Distribution Industry Overview

The foodservice distribution industry is a large and extremely fragmented industry, which serves the restaurant sector. There are two primary types of foodservice distributors: broadline distributors and specialty distributors. The following table lists the top ten broadline foodservice distribution companies, according to ID Report. Sysco Corporation, U.S. Foodservice and Performance Food Group are the three largest broadline distributors in the United States.

Figure 17. Distributor Comparison Table

Top 10 Broadline Foodservice Distributors		2010 Sales (millions)	Number of Distribution Ctrs.	Number of Accounts
1	Sysco Corporation	$38,430	180	400,000
2	U.S. Foodservice	18,862	78	250,000
3	Performance Food Group	10,300	65	100,000+
4	Gordon Food Service	7,700	20	NA
5	Reinhard Foodservice	4,547	24	38,086
6	Maines Paper & Food Service	3,050	11	10,137
7	Services Group of America	2,600	13	NA
8	Ben E. Keith Foods	2,100	7	20000+
9	Shamrock Foods Co.	1,800	4	16000+
10	Labatt Food Service	922	5	10,200

Source: ID Report (www.myidaccess.com)

Select Specialty Foodservice Distributors			
The Chefs' Warehouse	$330	7	7,000+

Source: Company data

Customer base. There are two principal types of restaurant customers that foodservice distributors serve: traditional independent operators and multi-unit chain operators. Traditional operators include independent restaurants, hotels, cafeterias, schools, healthcare facilities, and other institutional operators. Multi-unit chain customers are operators of regional and national quick-service, casual dining, and fine dining restaurant chains. Many broadline distributors service both customer segments, while others focus more on one customer type. Foodservice distributors generally refer to their traditional independent restaurant customers as "street accounts" and multi-unit customers as "chain accounts." Following are some of the key differences between street and chain accounts, and how they are serviced.

- **Street accounts.** These are typically characterized by more frequent and smaller deliveries of products to independents restaurant operators in close proximity to a distribution facility. A company's street business normally has to inventory a much larger number of products (SKUs) than the chain operations. Street accounts are very competitive since one customer may be serviced by multiple distributors versus having one dominant supplier in the chain business. Customer relationships can be very important in the street business, due to the competitive nature of the supplier base.

- **Chain accounts.** These are generally characterized by less frequent, higher-volume deliveries of a narrow range of products. These products are tailored to meet the needs of a whole chain of restaurants in a broad geographic area. Chain accounts require a high level of customer service since they rely on one distributor for nearly all of their food products. Distributors with chain operations often have large trucks dedicated to servicing large, long-distance deliveries to chain accounts. As a result, deliveries to chain accounts are normally more efficient than street accounts and lead to lower operating expenses as a percentage of sales, which offsets lower gross margins for chain accounts.

Figure 18. Street Accounts Versus Chain Accounts

DISTRIBUTION CHANNELS	Street Accounts	Chain Accounts
Customer Type	Single-Unit Operator	Multi-Unit Chain
Average Delivery Size	Smaller	Larger
Delivery Schedule/Distance	More Frequent Less Distant	Less Frequent More Distant
Relationship with Customer	Competitive	Dominant/Sole Supplier
Product Variety	Wide variety (000's SKU's)	Customer-specified Narrow product line

Source: Wells Fargo Securities, LLC

Sales drivers. Foodservice distributors employ a variety of methods to drive sales, including existing account penetration, the addition of new customer accounts, and external growth from acquisitions. While sales growth is mostly driven by changes in volume, it can also be affected by changes in commodity prices from inflation and deflation. For instance, periods of inflation may increase the dollar value of the company's sales. Likewise periods of deflation may lower the dollar value of sales, while the unit sales may remain the same or actually increase. Some companies will break out the components of their sales growth including inflation and acquisitions to provide a clearer picture of the organic growth of the business.

- **Existing account penetration.** By increasing sales to existing customers, distributors can internally drive sales growth and operating margin improvements by leveraging fixed costs. One way distributors penetrate existing accounts is through the introduction of new product categories. Distributors also generate sales growth from existing relationships by capitalizing on the unit growth of multi-unit customers.

- **New customer accounts.** One of the main ways distributors continue to drive their sales is by establishing new customer accounts. Companies often increase their sales force as they obtain new customers to enhance the level of service.

- **External growth.** There are two main types of acquisition strategies distributors use to externally expand their operations: tuck-in and new market. In general, a tuck-in or fold-in strategy is used to describe the acquisition of competing distributors within existing areas of operations or in contiguous regions. These companies may have complementary customer bases or product offerings. With a new market acquisition, a distributor is seeking to expand operations to a new and attractive geographic area and leverage the strengths of the combined companies to improve market share and profitability.

Profitability drivers. Several factors can affect the profitability of distributor sales, including delivery size, delivery frequency, customer mix, product mix, and information systems.

- **Delivery size.** In general, the larger the delivery size, the more profitable the account is since the majority of delivery expenses are fixed. When a delivery size is increased, the fixed costs are then spread over a larger size order and the profitability is improved.

- **Delivery frequency.** The timing of delivery varies for each customer since it largely depends upon a restaurant's inventory base, storage, and refrigeration capacity, and product freshness requirements. In general, fewer, larger size deliveries result in improved truck utilization and lower operating expenses. While decreasing the frequency of each delivery increases the profit per drop, the distributors are limited in their ability to control this factor.

- **Customer mix.** There are two main customer segments that foodservice distributors principally serve: traditional independent operators and multi-unit chains. The traditional independent operators are typically referred to as street accounts, while multi-unit chains are called chain accounts. Chain accounts generally rely on one distribution company for the majority of their purchasing needs. While chain accounts can lead to higher volume, they also result in lower gross margins for the distributors. Higher gross margins can be derived from the street accounts since independent operators do not have the purchasing strength of the larger chains restaurants. Thus, street accounts are generally more profitable on a gross margin basis.

- **Product mix.** Distributors divide their product offerings into two principal categories: private label brands and regional and national brands. Private label products serve as an alternative to the normally higher-priced regional and national brands of comparable quality. Higher gross margins are generated from proprietary label products, and therefore, it is more profitable for distribution companies to increase private label sales as a percentage of overall product mix.

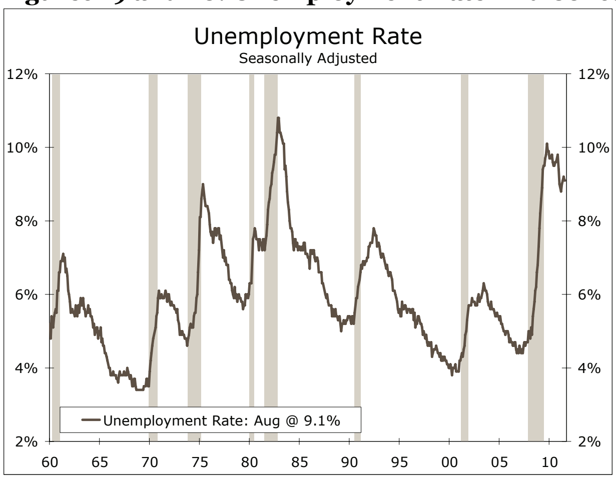
- **Information systems.** The sophistication of a distributor's management information system can also affect a company's margins. A more advanced system can lead to improved margins by enabling a company to operate more efficiently with lower internal costs.

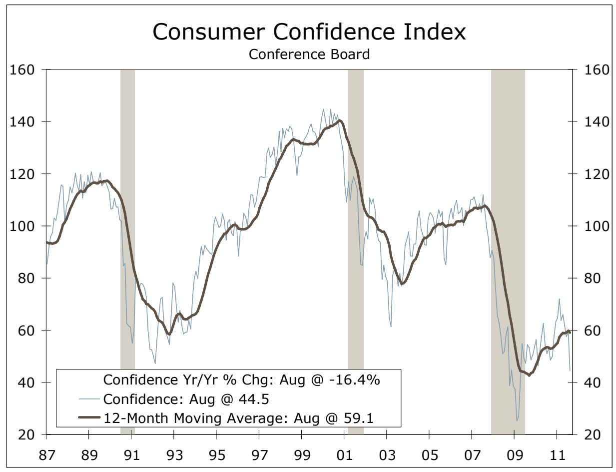
Restaurant Industry Overview

Linked to the restaurant industry. By providing food and food-related products to a variety of restaurant-type establishments, foodservice distributor revenue is tied to food away from home sales growth trends.

Our overall restaurant sector outlook for 2011 has been cautious, as we remain concerned about consumer spending pressures tied to high unemployment and bloated consumer debt levels. We believe that consumer spending pressures will continue to weigh on restaurant traffic trends until we see a significant shift in consumer confidence (which may not happen until the employment situation shows further improvement). The unemployment rate peaked at 10% in Q4 2009 and is forecasted to remain at more than 9% in 2011-13, according to the September 2011 forecast by Wells Fargo's Economics Group.

Figures 19 and 20. Unemployment Rate And Consumer Confidence





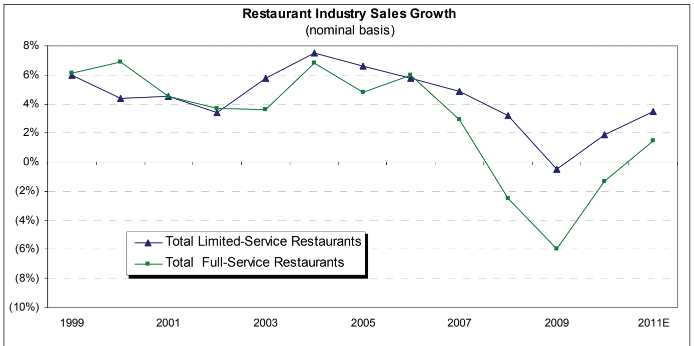
Source: U.S. Department of Labor and Wells Fargo Securities, LLC

From a segment perspective, we think the casual-dining segment could be the most heavily exposed restaurant category to consumer spending headwinds over the next year. In our view, restaurant supply and demand dynamics, while improving, may continue to weigh on a potential recovery for the segment. Casual dining concepts may continue to fight for market share from each other until demand prospects improve. We think the quick-service restaurant (QSR) segment may be better positioned to benefit from some trade-down given the relatively lower menu price points. We also think that significant improvements to food quality and menu breadth over the past few years has increased consumer relevance of the QSR sector and expanded the customer demographic. International expansion opportunities also represent an attractive growth vehicle for many of the leading QSR chains. While some economic headwinds continue to persist, the fine dining group could be positioned to benefit if business-related spending remains fairly resilient. Some fine-dining chains derive a majority of their sales from business-related travel and corporate spending.

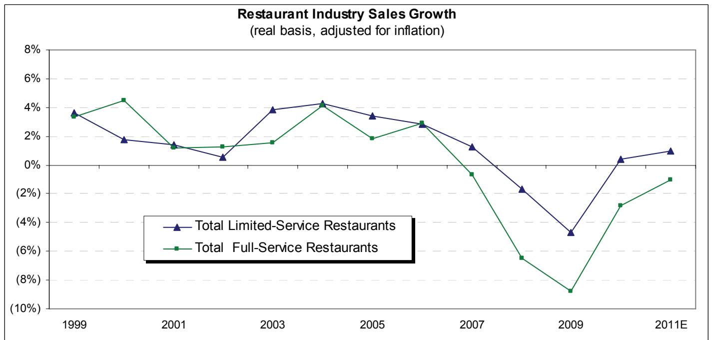
Restaurant Industry Sales Forecasts

Based on the latest forecast (as of May 2011) from Technomic Information Services, total restaurant sales are forecasted to increase 2.6% in 2011 on a nominal basis (versus 2.3% from the January 2011 forecast). For the restaurant industry overall, we are encouraged by Technomic, Inc.'s forecast for continued sales growth in 2011 on a nominal basis, though it is below historical trend levels for both the limited-service and full-service restaurant segments. The 2011 forecast reflects slightly positive nominal sales growth of 3.5% for the limited-service segment (up from 2.5% previously) and 1.5% growth for the full-service segment (down from 2.0% previously). Adjusting for Technomic's assumed inflation rate of 2.5%, the real growth forecast is 1% for limited service and negative 1% for full service.

Figures 21 and 22. Restaurant Sales Forecasts--Nominal And Real Basis



Source: Technomic, Inc.

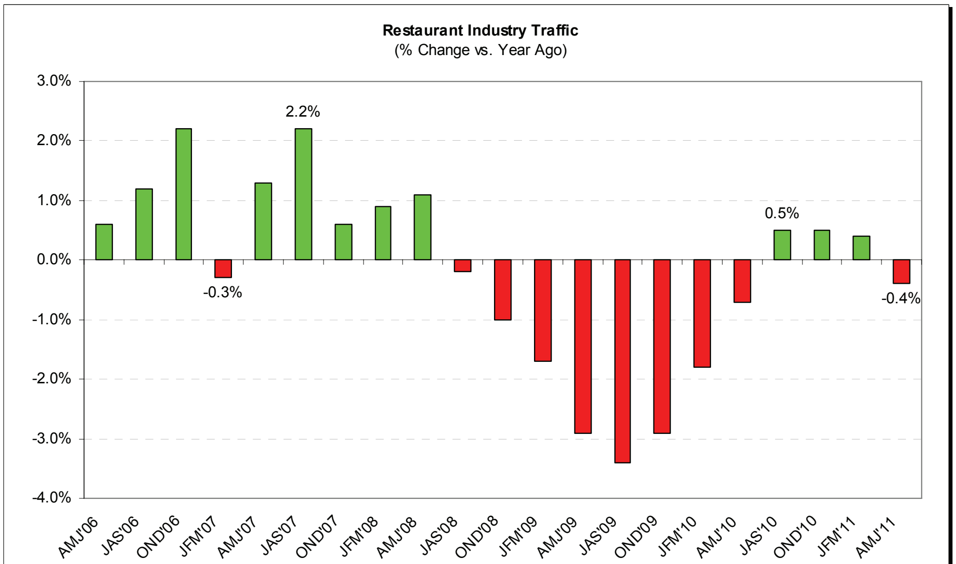


Note: 2011 adjusted for Technomic's assumed inflation rate of 2.5%.
Source: Technomic, Inc., Bureau of Labor Statistics

Restaurant Demand Trends

CREST survey data from The NPD Group shows that restaurant traffic trends have softened, suggesting the environment remains challenging. Overall restaurant traffic trends weakened sequentially and turned slightly negative for the three months ended June 2011, as shown in the following graph. The return to negative traffic reflects more weakness in the full-service segment, while the quick-service segment has held steadier.

Figure 23. Restaurant Industry Traffic

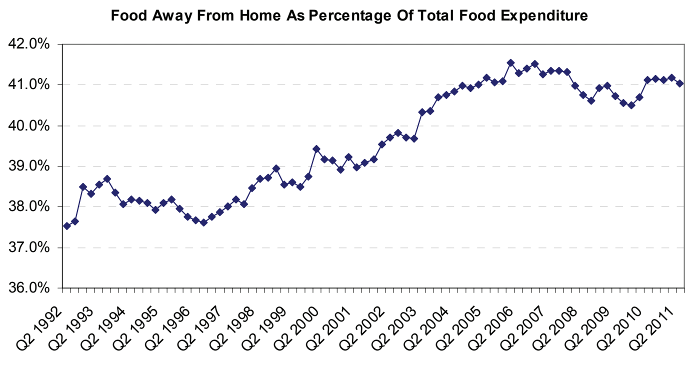


Source: The NPD Group/CREST

Restaurants Versus Grocery Stores

Household spending for food away from home (a proxy for restaurant spending) has been trending close to 41% in recent quarters as a percentage of total food expenditure.

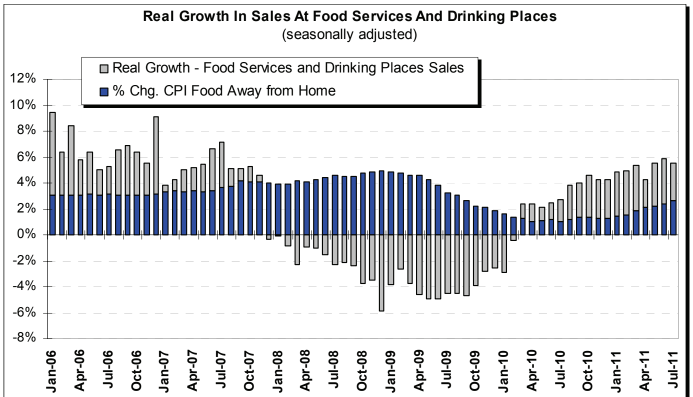
Figure 24. Restaurant Spending Trends



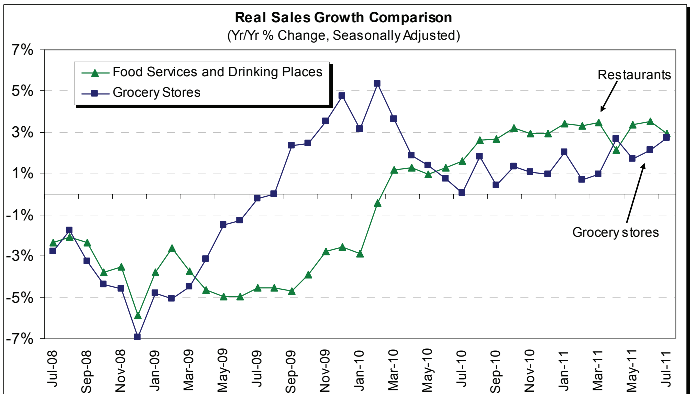
Source: Bureau of Economic Analysis

On a year-over-year basis, monthly sales growth at restaurants has outpaced that of grocery stores for most of the past year.

Figures 25 and 26. Real Growth At Restaurants And Real Growth Sales Comparison



Source: Census Bureau, Bureau of Labor Statistics



Source: U.S. Census Bureau and Bureau of Labor Statistics

More favorable view of restaurant sector pricing power relative to grocery stores. We have greater confidence in restaurant sector pricing power relative to grocery stores in the current environment, based in part on recent inflation data from the Bureau of Labor Statistics. The rate of inflation for food at home has been steadily rising and is tracking higher than the rate of inflation for food away from home, as shown in the following graph. Given this trend, we think restaurant companies may be better positioned to pass along menu price increases to consumers as they compete against grocery stores for consumers' food dollars. The CPI for food at home is forecasted to increase 3.5-4.5% in 2011, versus a 3.0-4.0% expected increase for food away from home based on the July 2011 forecast from the USDA's Economic Research Service. As part of our demand analysis, in our restaurant supply and demand outlook we are using inflation assumptions of 3.0% and 2.5% for food away from home for 2011 and 2012, respectively.

Figures 27. Food Inflation Trends

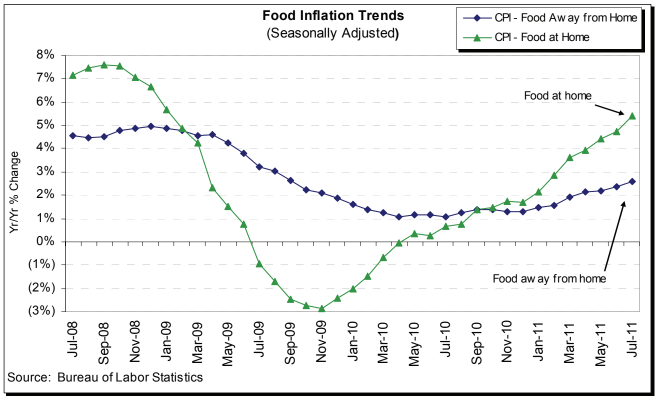


Figure 28. Food Inflation Forecast

Inflation Data (% change)	2007	2008	2009	2010	2011E	2012E
Food away from home	**3.6%**	**4.4%**	**3.5%**	**1.3%**	**3.0-4.0%**	**2.0-3.0%**
Food at home	**4.2%**	**6.4%**	**0.5%**	**0.3%**	**3.5-4.5%**	**3.0-4.0%**

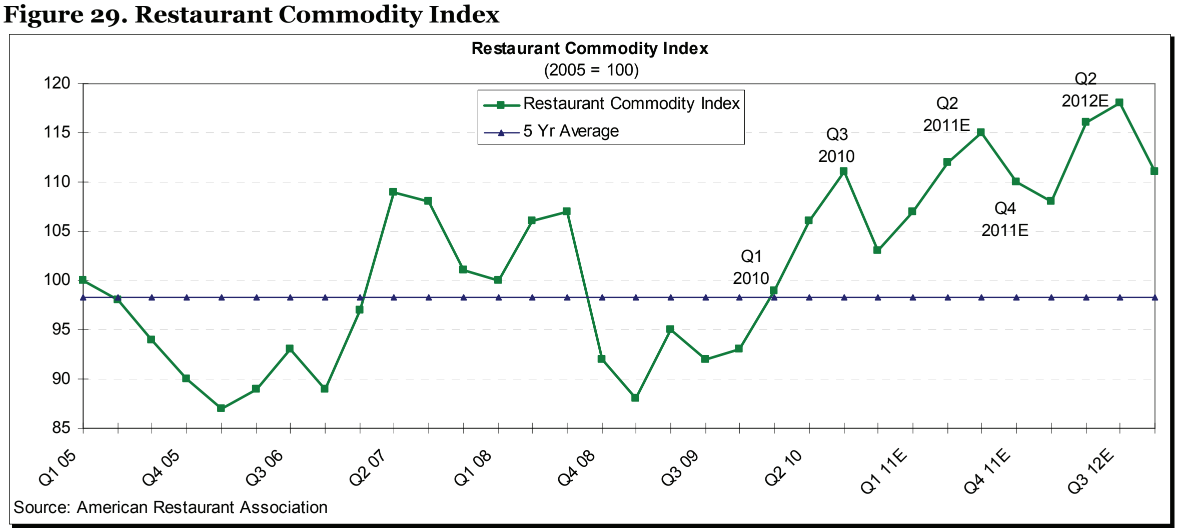
Source: USDA's Economic Research Service

In our view, restaurant companies with the ability to take some menu pricing while still maintaining a compelling price/value offering should be best positioned to compete in 2011. Most restaurant companies we cover have taken some menu pricing this year to help cover at least a portion of the impact from rising commodity pressures. Overall, the approach to pricing appears to be conservative as companies remain focused on balancing price/value in a prolonged weak consumer spending environment.

Commodity Cost Environment

We expect commodity inflation for the restaurant sector to continue this year, but at a moderated pace relative to 2010. The American Restaurant Association (ARA) is forecasting an indexed commodity cost increase of 6% on a full-year basis in 2011, which would come on top of a 14% increase in 2010. For 2012, the ARA is forecasting indexed commodity costs to increase 2% on a full-year basis following two years of significant inflation.

Figure 29. Restaurant Commodity Index



The upward adjustments to the latest 2012 forecast mostly reflect challenging 2011 crop and pasture conditions, which the ARA believes may affect the outlook into 2013, as well. The increased forecast versus last month is across the commodity categories and restaurant types. The upward revision reflects deteriorating projections for corn and soybean crop yields due to poor growing conditions. This is expected to lead to record-high feed costs over the next 12 months, meaning commodity production growth will likely be limited in 2012. Drought conditions in Texas and nearby states have forced producers to bring cattle to market earlier given challenging pasture conditions and feed supplies, which will likely limit 2012 supplies and beef output. If the drought conditions do not improve, the ARA expects winter wheat plantings this fall to be reduced.

The following table shows wholesale inflation and deflation by major restaurant commodity item. For 2011, chicken is forecasted to be down, while most other categories are expected to be up, including beef, cheese, potatoes, grains, and eggs.

Figure 30. Key Commodity Categories

Major Restaurant Commodity Items
Wholesale Inflation (Deflation)
Year/Year % Change

Commodity Item	2009A	2010A	2011E	2012E
Beef Trimmings/Grinds	(12%)	16%	15%	1%
Beef Steaks	(6%)	(2%)	5%	9%
Chicken Breast	3%	18%	(10%)	7%
Chicken Wing	46%	(10%)	(16%)	12%
Cheese	(31%)	16%	19%	(3%)
Potato/French Fry	(9%)	23%	37%	(2%)
Eggs	(48%)	14%	15%	3%
Bread/Pasta	(31%)	(2%)	51%	(0%)
Other	(14%)	29%	20%	(3%)

Source: American Restaurant Association

All major restaurant types (except Wing) are forecasted to see commodity inflation in 2011. Italian concepts are expected to see the most inflation at 15%, followed by Fast Food and Mexican, both at 9%.

Figure 31. Restaurant Commodity Index By Segment

Restaurant Commodity Index
Year/Year % Change by Segment

Segment	2006A	2007A	2008A	2009A	2010A	2011E	2012E
Casual Dining	1%	0%	(3%)	(7%)	2%	8%	4%
Fast Casual	(14%)	23%	(2%)	(12%)	25%	4%	(1%)
Fast Food	(10%)	12%	0%	(14%)	36%	9%	(1%)
Italian	(11%)	26%	7%	(20%)	15%	15%	(0%)
Mexican	(11%)	21%	4%	(15%)	16%	9%	1%
Pizza	(11%)	31%	0%	(10%)	8%	7%	2%
Steakhouse	10%	(3%)	(9%)	(9%)	14%	4%	2%
Wing	(7%)	25%	(12%)	21%	1%	(8%)	8%
Restaurant Commodity Index	**(6%)**	**16%**	**(2%)**	**(9%)**	**14%**	**6%**	**2%**

Source: American Restaurant Association

About The Restaurant Commodity Index. The Restaurant Commodity Index is comprised of eight subindices based on restaurant type and their menu mix across key food categories ranging from ground beef and chicken breasts to cheese, french fries, pasta, and produce. The eight restaurant types include casual dining, fast casual, fast food, Italian, mexican, pizza, steakhouse, and wing restaurants. The indices are based on spot commodity market inflation and do not include any contracting assumptions. The index is updated monthly by the American Restaurant Association.

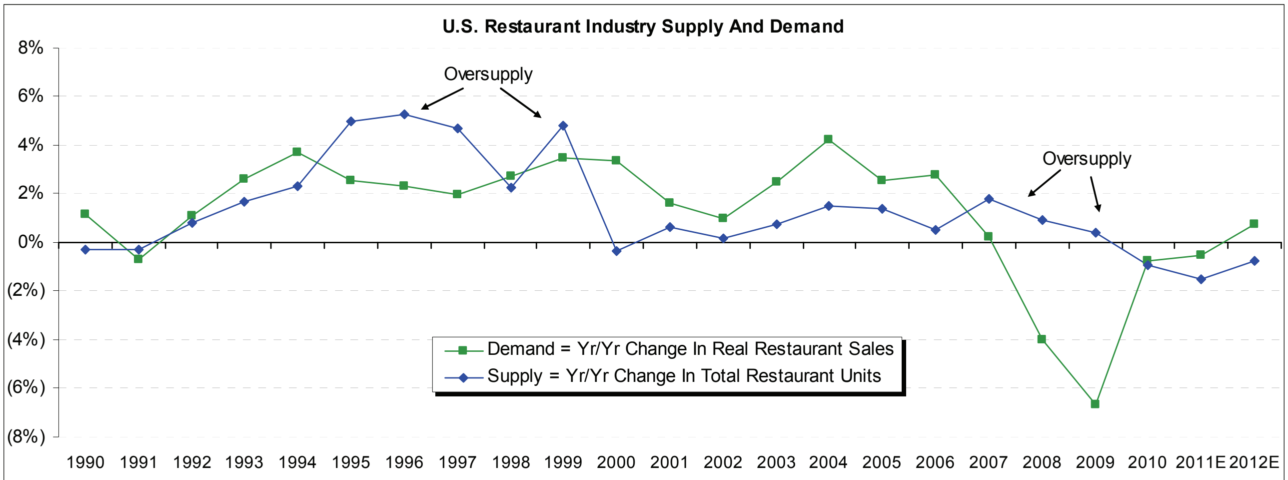
Restaurant Supply And Demand

The number of U.S. restaurants contracted 1.6% yr/yr, or by 9,450 units, according to Spring 2011 ReCount data from the research firm The NPD Group. We attribute the unit contraction to the prolonged weak consumer spending environment and high unemployment rate, which have contributed to sales and traffic challenges for the restaurant sector and to store closures, with the decline coming more from independents.

The NPD Group compiles unit count data for restaurants twice per year. The spring data, as of March 31, 2011, show that the number of independent restaurants declined 2.7% yr/yr, while the number of chain restaurants declined 0.3%. Relative to trends from spring 2010 and fall 2010, the spring 2011 data reflect a greater degree of contraction for independents, as well as a shift to contraction for chains.

We view the directional move in the spring data as an overall positive for the industry, as further contraction should help strengthen the supply and demand balance. We could see the overall supply and demand balance moving further into positive territory by the end of 2011, assuming continued contraction in the supply base and a pickup in demand.

Figure 32. Restaurant Supply And Demand



Source: The NPD Group, Inc. ReCount data, Technomic Information Services, Bureau of Labor Statistics, and Wells Fargo Securities, LLC estimates.
Note: ReCount data is based on September fiscal year-end.

Supply Trends By Major Segment

On a segment basis, supply was down across major segments, including family dining, down 3.4%; casual dining, down 2.0%; fine dining, down 2.0%; and QSR, down 1.1%. Among chains, supply contracted less for QSR, down 0.2%; than casual dining, down 0.9%; family dining, down 0.8%; and fine dining, down 0.6%. Among independents, supply contracted more for family dining, down 4.9% and QSR, down 3.3%; than casual dining, down 2.3% and fine dining, down 2.4%.

Figure 33. Supply Trends By Segment

Restaurant Industry Supply Growth By Segment (Yr/Yr % change in number of units)	Spring 2007	Spring 2008	Spring 2009	Spring 2010	Spring 2011
Full-Service Segment	1.0%	0.3%	-0.1%	-0.2%	-2.2%
Casual Dining	4.5%	1.3%	0.8%	0.2%	-2.0%
Family Dining	0.9%	-2.7%	-0.9%	-0.9%	-3.4%
Fine Dining	-0.6%	-3.9%	-2.7%	-2.8%	-2.0%
Unclassified	-9.6%	0.3%	-2.0%	-0.9%	-1.2%
Quick-Service Segment	1.9%	0.9%	0.8%	-0.3%	-1.1%
Restaurant Industry	1.5%	0.6%	0.4%	-0.3%	-1.6%

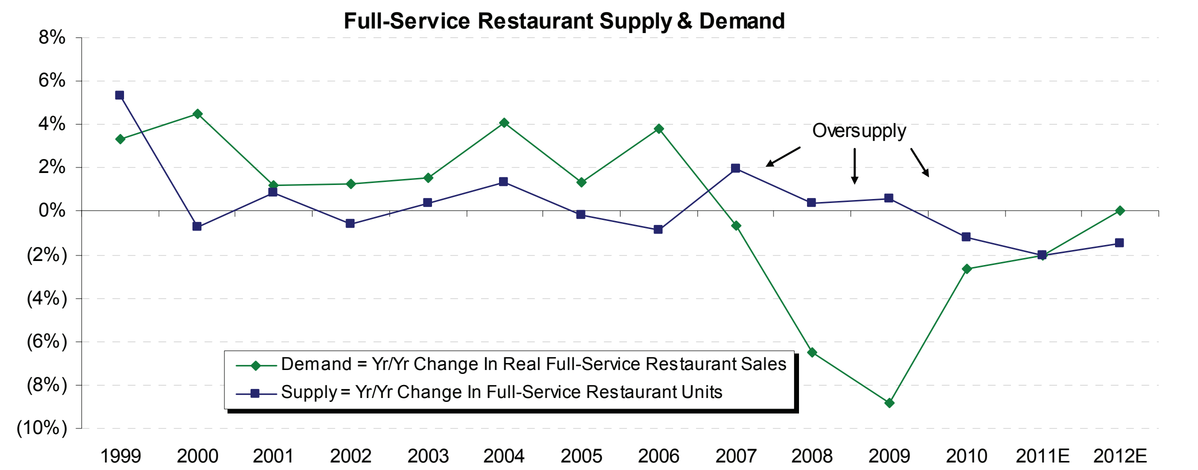
Based on a September fiscal year end.
Source: The NPD Group, Inc. ReCount Data

Supply And Demand By Segment

We have broken down our main restaurant industry supply and demand graph to provide a better picture of restaurant segment trends. The following graphs illustrate supply and demand trends for the full-service and quick-service restaurant segments, with the latter showing a healthier supply and demand balance.

Full-service supply and demand. In 2011, we think the supply and demand balance for the full-service segment has the potential to come into balance and turn positive in 2012; however, this hinges on continued contraction in supply and improvement in demand.

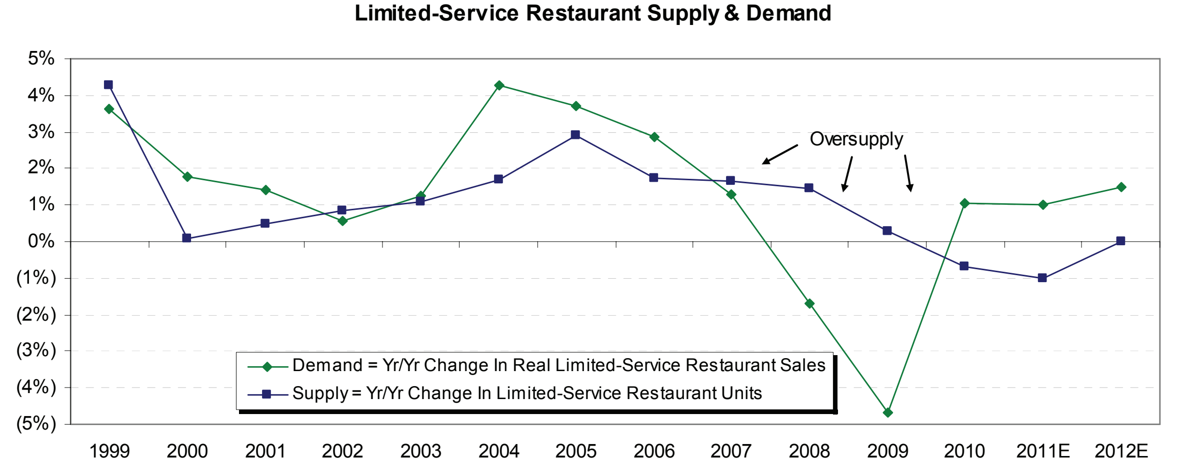
Figure 34. Full-Service Supply And Demand



Note: ReCount supply data is based on September fiscal year-end.
Source: The NPD Group, Inc. ReCount data, Bureau of Labor Statistics, Technomic Information Services, Wells Fargo Securities, LLC estimates

Quick-service supply and demand. We see demand continuing to exceed supply for the limited-service segment in 2011 and 2012, reflecting a continuation of slightly positive real sales growth trends and a slight contraction in the supply base for 2011, followed by flat supply growth in 2012.

Figure 35. Limited-Service Supply And Demand



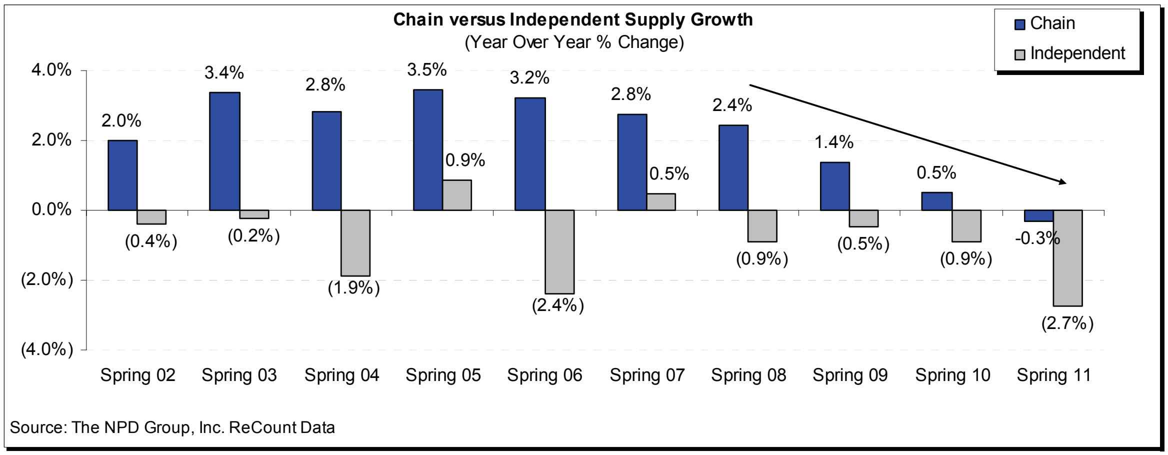
Note: ReCount supply data is based on September fiscal year-end.
Source: The NPD Group, Inc. ReCount data, Bureau of Labor Statistics, Technomic Information Services, Wells Fargo Securities, LLC estimates

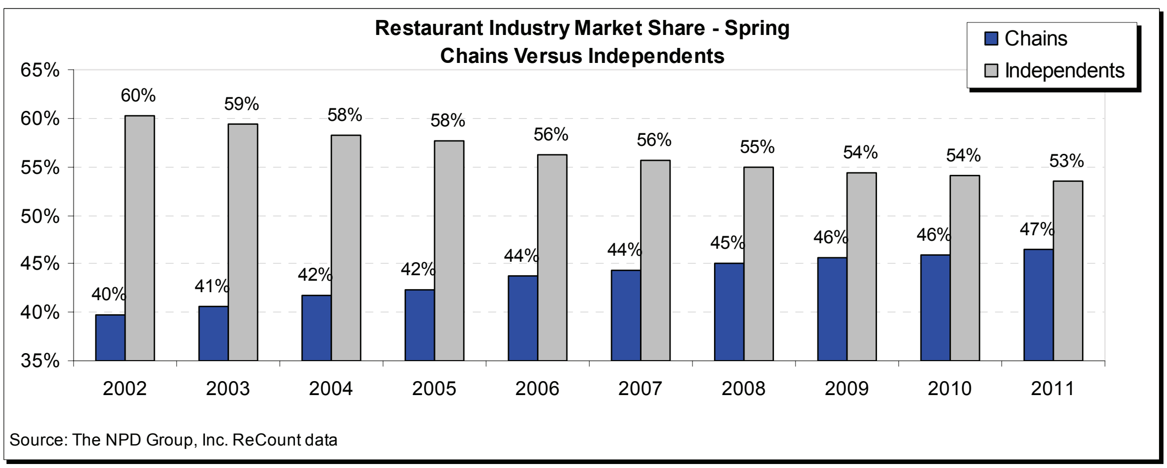
For purposes of our supply and demand analysis, restaurant demand refers to the year-over-year growth in real restaurant sales (nominal sales adjusted for food away from home inflation), while restaurant supply refers to the year-over-year unit growth for restaurants. The spread or balance refers to the difference between the demand and supply growth, with a positive number being favorable (demand exceeding supply) and a negative number being less favorable and indicating a period of oversupply, or imbalance. The restaurant industry supply data are based upon a September fiscal year-end, with a midyear update as of March each year.

Supply Trends -- Chains Versus Independents

While the operating environment remains challenging for chains and independents, chains appear to be managing through it better than independents, with the growth in the supply of chain restaurants declining a slight 0.3% and the supply of independents declining 2.7% as of the Spring 2011. As illustrated in the following figures, supply trends for chain restaurants have outpaced independent restaurants, which have contracted for eight out of the past ten years. We have seen a gradual pullback in overall chain supply over the past several years, with growth slowing to turning slightly negative as of the Spring 2011 from 3.5% in 2005.

Figures 36 And 37. Chain Versus Independent Supply Growth And Market Share





Chain advantages over independents. In our view, chain restaurants possess several competitive advantages relative to their independent counterparts that serve to benefit chains over the long term. We think that these advantages can be seen through greater purchasing power, stronger employee programs, easier access to capital allowing for the purchase of prime real estate and unit expansion, and advertising efficiencies. We also think that casual dining chains may be better positioned to enhance consumer relevance through product and service innovation. In our view, on a combined basis, these factors can make it more difficult for independent restaurants to successfully compete against the larger chains, adding support to our outlook for continued contraction of the independent restaurant base in the United States. That being stated, independent restaurants still account for the majority of restaurants in the United States, with a market share of 53% as of spring 2011. However, as shown, the market share for independent restaurants has gradually decreased from 60% in 2002, which we expect to continue over the long term.

Methodology. Our supply and demand analysis is supported by data that we compiled from Technomic Information Services, The NPD Group, Inc. ReCount data, government statistics, and Wells Fargo's Economics Group. Technomic is a consulting firm providing research and forecasts on the restaurant industry, mostly on a fee basis. ReCount is a census of commercial restaurants in the United States, providing unit count data for more than 570,000 restaurants, including both independent and chain operators on a fee basis. ReCount obtains information on unit location from both primary and secondary sources. Primary sources include direct input from chain headquarters, Internet directories, and telephone contact for confirmation and reconciliation. Secondary sources include financial reports, commercial mailing lists, government information, and telephone directories. ReCount categorizes restaurants by service type and food specialty within the quick-service and full-service restaurant segments. We note that the unclassified category within the full-service segment is a default category for units that are not categorized as casual dining, family dining, or fine dining. Nearly all of the units in the unclassified segment are independents, the majority of which are also low-volume operators.

ReCount releases two updates annually showing restaurant unit counts as of the end of March and September. The Spring 2011 release is based on restaurants open as of March 31, 2011, and includes restated data for the prior-year periods. We note that starting with ReCount's Fall 1998 release, the total number of units being reported is about 4-5% higher than figures reported through ReCount in prior releases, due to a complete refurbishing of the database to increase coverage of the U.S. Restaurant market.

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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

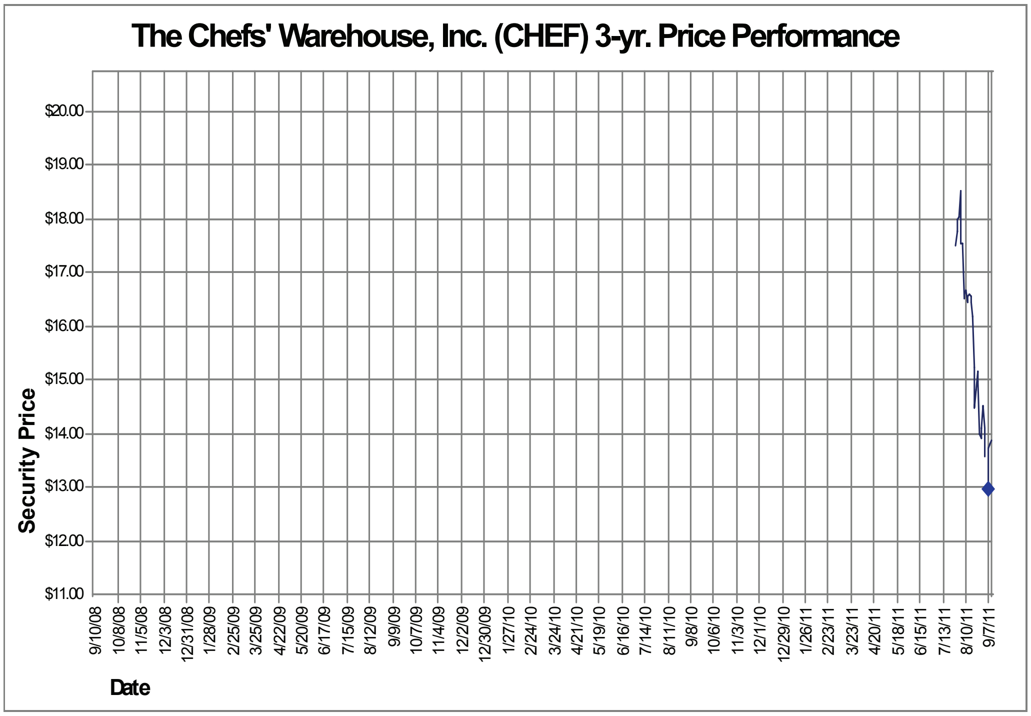
THE CHEFS' WAREHOUSE, INC.
Components of Revenue Growth
(Fiscal year end - December)

	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 ($)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price ($)
	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	◆	Initiation, Resumption, Drop or Suspend
▲	Rating Upgrade	■	Analyst Change
●	Valuation Range Change	❐	Split Adjustment

Rating Code Key

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

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