

The Chefs' Warehouse (CHEF)

Notes from the Road: Something's Cookin'

BUY

Price target \$17.50

Price \$15.47

Key Takeaway

We had the pleasure of hosting Chefs' Warehouse' management on the road in Boston last week and visiting their distribution center in Los Angeles on Wednesday. Both served to further illustrate the opportunity CHEF has to build a world class specialty distribution business in the food service industry. Indeed, recent technology rollouts and acquisitions appear to be on plan, putting even more distance between CHEF and its competition.

Steady growth is the focus. Indeed, Chris Pappas, CHEF's Chairman and CEO, is laser focused on methodically growing Chefs' Warehouse into a specialty distribution powerhouse by growing both organically and through acquisitions. He showed a clear desire to reinvest significant excess earnings back into the business, in part through expansion of the sales force to drive deeper market penetration. He also indicated that recent acquisition integration was on plan and appeared particularly excited about the company's entrance into the Pacific Northwest. Finally, it seems that the company will likely move its Bronx DC in early 2013, although we suspect that the company will begin leasing the property sooner and will start transferring some functions over to the facility in 2012. This could cause some expense duplication, although we would view this as one time in nature.

LA...the land of opportunity. Jim Wagner, COO and Tyler Hawes, VP Sales, provided a tour of the company's 80,000 sq. ft. Los Angeles facility. The facility currently runs at about 50% capacity, which should be further added to by the warehouse management systems that will be deployed over the next few months. So far, the rollout to additional facilities is going well and management believes, and we concur, that this should boost the company's competitive advantage over its mom and pop rivals. It also will help reduce expense growth in FY12. In addition to the warehouse systems, the company is now far along in its CRM update and appears very encouraged with the early results. Management anticipates that this tech tool will help increase its placements per customer which should help both sales and margins going forward.

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Company Description

The Chefs' Warehouse, Inc. is one of the largest specialty food distributors in the U.S., largely serving upscale independent menu restaurants, fine hotels and clubs.

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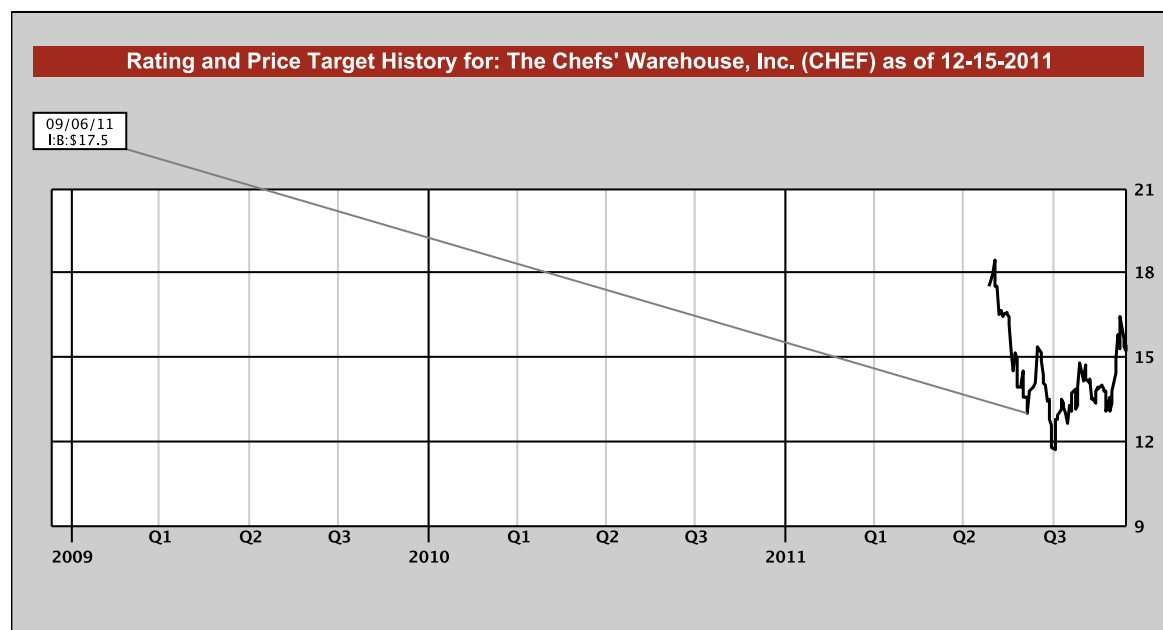
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			Count	Percent
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