BB&T Capital Markets
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Initiation of Coverage
Food & Drug Merchandising

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The Chefs' Warehouse, Inc. (CHEF–$13.56) Buy (1)

Company Statistics

12-month Price Target:	**$20**
52-wk Range:	**$13.56-$18.50**
Market Capitalization (M):	**$280**
Shares Outstanding (M) fd:	**20.7**
Avg. Daily Vol. (000):	**399**
Dividend:	**NA**
Yield:	**NA**
Debt/Total cap:	**79.0%**
Est. 3-yr. EPS Growth:	**20.0%**
Book Value/sh:	**$0.58**

Financials

FYE Dec		2009A	2010A	2011E	2012E	2013E
P/E Ratio:		31.5x	24.2x	17.2x	14.0x	11.8x
Revenue (M):		$271.1	$330.1	$393.7	$433.0	$478.4
EBITDA (M):		$15.2	$22.3	$30.3	$36.4	$42.3
ROE:		NM	NM	NM	60.1%	43.3%
ROA:		13.7%	15.7%	18.0%	19.3%	19.8%
EPS:	Q1	--	$0.07	$0.12A	--	--
	Q2	--	$0.15	$0.20A	--	--
	Q3	--	$0.17	$0.22	--	--
	Q4	--	$0.18	$0.25	--	--
Total		**$0.43**	**$0.56**	**$0.79**	**$0.97**	**$1.15**

NOTE: 2010 and 2011 are estimated pro forma for IPO and other adjustments.

Company Description

Headquartered in Ridgefield, CT, Chefs' Warehouse is the nation's premier distributor of specialty food products. Chefs' services more than 7,000 customers; by sales mix, independent restaurants represent the largest customer segment (65%), followed by hotels and casinos (9%), food retailers (7%), private clubs (6%), caterers (4%) and other (8%). The company sources products from more than 1,000 suppliers in 40 countries around the world and carries 11,500 items (7,000 of which are in stock every day). During 2010, Chefs' reported sales, adjusted EBITDA, and pro forma net earnings of $330.1M, $22.6M, and $11.6M, respectively. Chefs' completed its initial public offering of common stock on August 2, 2011, at $15/sh.

CHEF: BEST-OF-BREED FOOD DISTRIBUTOR POSITIONED FOR STRONG GROWTH; BUY (1)

Key Points

- **Initiating coverage with a Buy (1) rating and $20 price target.** We view The Chefs' Warehouse as a best-of-breed operator that is well positioned to continue to gain market share in the specialty foodservice distribution sector. Thus, we have forecasted strong growth in sales and earnings for the near and long term. With a moderately undervalued equity valuation, CHEF presents a timely investment, in our opinion.

- **Chefs' boasts industry-leading comparative metrics.** Chefs' financial and operating metrics compare favorably to those of Sysco and United Natural. We segmented our comparative analytics into three areas containing 14 specific measures. Chefs' ranked #1 in sales and profitability and #2 in operational metrics. We would argue that of the three names, Chefs' boasts the best comparative metrics—a rare (but not unprecedented) feat for such a relatively small company.

- **Chefs' fast-growing and fragmented specialty niche.** We estimate the addressable market for the high-end specialty food distribution sector at $22B and the long-term annual growth rate at 5%–6%. This market is highly fragmented, and we project Chefs' target market for acquisitions at 1,000 firms totaling $18B in annual sales.

- **Chefs' is positioned to gain market share.** Our industry analysis places Chefs' in a superior competitive position that reflects lower pricing versus smaller specialty distributors combined with better service and assortment. Other key points of differentiation include Chefs' best-in-class sales team, the majority of which have formal culinary training and experience. The typical specialty distributor carries about 1,600 SKUs, which is dwarfed by the 11,500 SKUs that Chefs' can bring to the table.

- **Chefs' has two major avenues of growth.** First, based on a sales productivity gap analysis, we project incremental earnings power at Chefs' less productive non-New York facilities at $0.55. Second, we anticipate that Chefs' should complete on average two acquisitions per year, up from an historical rate of about one. We estimate that an increase in acquisition activity could contribute an incremental 6% to annual sales growth versus the 3% historical average in recent years. Because of management's track record of successfully integrating previous acquisitions, we anticipate that EPS contribution would be meaningfully accretive.

- **Forecast strong top- and bottom-line growth.** For 53-week 2011, we forecast growth in sales of 19.2% to $393.7M, in operating profit of 42% to $28.7M, and in pro forma EPS of 41% to $0.79. For 2012, we forecast growth in sales at 10% to $433M, in operating profit of 20.6% to $34.6M, and in EPS of 23% to $0.97. For 2013, we forecast growth in sales of 10.5% to $478.4M, and in EPS of 19% to $1.15. We project free cash flow/sh at $0.55 for 2012 and $1.00 for 2013.

KEY INVESTMENT CONSIDERATIONS

We have initiated coverage on Chefs' Warehouse with a Buy (1) rating and a price target of $20. We view the specialty foodservice distributor as a best-of-breed operator that is well positioned to continue to gain market share. Thus, we have forecasted strong growth in sales and earnings for the near and long term. With a moderately undervalued equity valuation, CHEF's stock presents a timely investment, in our opinion.

Chefs' boasts industry-leading comparative metrics. Chefs' financial and operating metrics compare favorably to those of **Sysco** (SYY–$27.16–Hold) and **United Natural Foods** (UNFI–$38.27–Buy). We have segmented our comparative analytics into three areas containing 14 specific measures. In sales and profitability Chefs' ranked #1, and in operational metrics the company ranked #2. CHEF's LTM sales grew 21% compared to 7.7% for SYY and 20.3% for UNFI, driven by an 18.1% internal sales growth rate versus 7% for SYY and 13.1% for UNFI. Even more impressive in our view, Chefs' ranked #1 in four of five selected profitability metrics: gross margin, profit margin, ROIC, and GMROI. In terms of operating metrics, Chefs' ranked behind Sysco but above United Natural. Chefs' 99% fill rate is in line with Sysco and above United Natural's 97%. We would argue that Chefs' boasts the best comparative metrics of the three, a rare (but not unprecedented) feat for such a relatively small company.

Chefs' competes in the faster-growing specialty niche of foodservice distribution. We estimate the high-end specialty foodservice distribution addressable market at $22B versus $191B for the entire foodservice distribution industry. We forecast the long-term annual growth rate for specialty foodservice distribution at 5%–6% versus 3%–4% for the broad industry. This market is highly fragmented, and we project Chefs' target market for acquisition at 1,000 firms totaling $18B in annual sales.

Chefs' is positioned to continue to gain market share. During the past four years, CHEF's annual top-line growth has averaged 10%. Our industry analysis places Chefs' in a superior position that reflects moderately lower pricing levels versus smaller specialty distributors, combined with better service and/or assortment levels. This should continue to allow Chefs' to gain market share in specialty distribution going forward.

We view Chefs' culture of excellence as its key competitive advantage based on our extensive channel checks with customers and suppliers. This emanates from a strong management team that combines lengthy experience and a passion for the business. Other key points of competitive differentiation include Chefs' best-in-class sales team, the majority of whose members have formal culinary training, degrees in the culinary arts, or prior experience working in the industry. Lastly, the average specialty distributor carries about 1,600 SKUs, which is dwarfed by the 11,500 SKUs that Chefs' can bring to the table.

Chefs' has two major avenues of growth—organic and via acquisition. First, based on a sales productivity gap analysis, we project incremental earnings power at Chefs' less productive non-New York facilities at $0.55/sh. Second, we anticipate that Chefs' should be able to complete on average two acquisitions per year, up from an historical rate of about one per annum. We estimate that an increase in acquisition activity could contribute an incremental 6% to annual sales growth versus the 3% historical average in recent years. Because of management's track record of successfully integrating previous acquisitions, we anticipate that EPS contribution would be meaningfully accretive.

We forecast strong top- and bottom-line growth. For 53-week 2011, we forecast growth in sales of 19.2% to $393.7M, in operating profit of 42% to $28.7M, and in pro forma EPS of 41% to $0.79. For 2012, we forecast growth in sales at 10% to $433M, in operating profit of 20.6% to $34.6M, and in EPS of 23% to $0.97. For 2013, we forecast growth in sales of 10.5% to $478.4M, and in EPS of 19% to $1.15. We project free cash flow/sh at $0.55 for 2012 and $1.00 for 2013.

We view Chefs' equity as moderately undervalued. CHEF's forward P/E ratio based on estimated calendar 2012 EPS is 14.0x versus 17.0x for the peer group, or a 18% discount; its EV/EBITDA based on forecasted calendar 2012 EBITDA is 8.9x versus the group at 9.1x, or a 2% discount; its EV/sales based on projected calendar 2012 sales is 0.75x versus the group at 0.82x, or a 9% discount. While its valuation metrics are at a moderate discount to its peers, we forecast that Chefs' intermediate-term fundamentals will outperform. Thus, we recommend aggressive accumulation of its shares at current levels.

Chefs' Warehouse is a Best-of-Breed Food Distributor

Below we first analyze Chefs' comparative operating and financial metrics versus two other leading food distributors, Sysco and United Natural Foods. Chefs' ranks at or above the other two distributors in the majority of the metrics we measured. Second, we present results of our proprietary channel checks with Chefs' customers and suppliers. Based on these checks, we conclude that qualitatively as well, Chefs' ranks as a best-of-breed food distributor.

Chefs' Boasts Industry-Leading Comparative Metrics

Compared to Sysco and United Natural, Chefs' ranked #1 in sales and profitability and #2 in operations

As shown in **Figure 1**, Chefs' financial and operating metrics compare very favorably to those of Sysco and United Natural. We segmented our comparative analytics into three areas containing 14 specific measures. In sales and profitability Chefs' ranked first, and in operational metrics the company ranked second. We would argue that Chefs' boasts the best comparative metrics of the three, a rare (but not unprecedented) feat for such a relatively small company.

Based on LTM results, CHEF's total sales grew 21% compared to 7.7% for SYY and 20.3% for UNFI, driven by an 18.1% internal sales growth rate (versus 7% for SYY and 13.1% for UNFI). Even more impressive in our view, Chefs' ranked first in four of five selected profitability metrics; gross margin, profit margin, ROIC and GMROI. CHEF's LTM gross margin of 26.2% exceeded 18.6% for Sysco and 18.2% for United Natural, and despite a 19.6% operating expense ratio (the highest of the three distributors), it generated a 6.6% profit margin versus 5% for SYY and 2.9% for UNFI. CHEF's ROIC of 33% was above 31.6% for SYY and 17% for UNFI as was GMROI at 4.2x versus 3.8x for SYY and 1.8x for UNFI.

For most operating metrics Chefs' ranked behind Sysco but above United Natural. Chefs' 99% fill rate is in line with Sysco and above United Natural's 97%. CHEF's LTM sales and gross profit per square foot of $966 and $253, respectively, compared to $1,628 and $303 for SYY and $574 and $104 for UNFI. Also, Chefs' achieved LTM revenue per sales associate of $2.9M (versus $4.9M for SYY) and gross profit per sales associate of $753K (versus $915K for SYY).

Figure 1: Comparative Financial and Operating Metrics for Selected Food Distributors
(based on last 12 months results)

	CHEF	Rank	SYY	Rank	UNFI	Rank
Sales metrics:						
Total sales growth	21.0%	1	7.7%	3	20.3%	2
Internal sales growth	18.1%	1	7.0%	3	13.1%	2
Acquisition sales growth	2.9%	2	0.7%	3	7.2%	1
Overall sales rank		1		3		2
Profitability metrics:						
Gross margin	26.2%	1	18.6%	2	18.2%	3
Operating expense ratio	19.6%	3	13.6%	1	15.3%	2
Profit margin	6.6%	1	5.0%	2	2.9%	3
ROIC	33.0%	1	31.6%	2	17.0%	3
GMROI (Inv turns X gross margin)	4.2	1	3.8	2	1.8	3
Overall profitability rank		1		2		3
Operating metrics:						
Fill rate	99%	1	99%	1	97%	2
Sales/sq. foot:($)	966	2	1,628	1	574	3
Gross profit/sq. foot:($)	253	2	303	1	104	3
Sales/employee:($)	628,621	3	836,670	1	670,748	2
Sales/sales associate:($)	2,871,539	2	4,915,436	1	NA	NA
Gross profit/sales associate:($)	753,135	2	915,144	1	NA	NA
Overall operational rank		2		1		3

Source: Company reports and BB&TCM estimates

Channel Checks with Customers and Suppliers Uniformly Positive

Our proprietary channel checks with high-end restaurant and hotel chefs and fine-food suppliers were uniformly positive on Chefs' as a critical link for both sides of the supply chain. **Figure 2** presents direct quotes that we believe validate Chefs' top-ranking in our quantitative comparative analysis, and ultimately, our bullish analytic thesis on Chefs'.

The most oft-cited point of differentiation with Chefs' was its absolute commitment to customer service and understanding of the high-end customer's needs

For restaurants, the most oft-cited point of differentiation about Chefs' was its absolute commitment to customer service, followed by its understanding of the high-end customer's needs, and its wide variety of products. For suppliers, Chefs' product knowledge and access to the high-end foodservice market were critical. The phrase that best encapsulated our checks for both the restaurateurs and suppliers we spoke with was, "Chefs' understands us."

Figure 2: Quotes from Channel Checks with Chefs' Customers and Suppliers

Independent restaurants and hotels

- "We've had a successful eight-year relationship starting when we were much smaller"
- "We rely on Chefs' for their distinct products and excellent service"
- "Chefs' delivers up to six days a week and has a smaller minimum drop size than traditional broadline distributors"
- "We buy chocolate, flour, butter and other pastry products. We rely on them. They have the best service at a reasonable price
- "I think what makes Chefs' really special is their understanding of the customer"
- "Chefs provides a good base of products that are necessary—milk, heavy cream, center of plate (chicken/tenderloin), dry goods, dairy, and pastry"
- "Service is really key for us…their sales person has run up to the Bronx when we've run out of supplies"
- "Their sales person is very intelligent, timely, and helps us"
- "It's a growing kind of relationship; we will test it first, look at price, yield, guarantee point of origin, and if it's right, we'll take new products in that way."

Suppliers

- "Chefs' is our most important distribution customer"
- "We need distributors such as Chefs' with expertise in our products"
- "Dairyland (aka Chefs') understands the customer side of the business"
- "Chefs' embraces specialty center of plate versus broadline distributors who want to sell cases of canned goods"
- "We've dedicated people to work closely with them"
- "Their Washington, DC facility is the largest seller of our product in that market"
- "At broadline distributors, only 10% of the sales force understands what we do and can sell our product; everyone at Chefs' gets our product"
- "For our customized specialty private label manufacturing, Chefs' Warehouse is our largest customer"

Source: BB&TCM

Chefs' Competes in Fast-Growth Niche of Foodservice Distribution

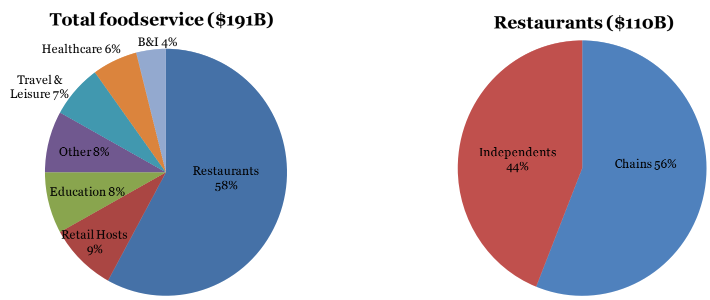
Chefs' Warehouse competes within the $191B domestic foodservice distribution market. But given its high-end specialty focus, its addressable market is far smaller, which we estimate at $22B. We view the specialty foodservice distribution market as faster growing at an estimated secular annual growth rate of 5%–6% versus 3%–4% for all of foodservice distribution. Below we present detailed analysis supporting and amplifying these conclusions.

Addressable Market Size and Growth of Specialty Foodservice Distribution Market

We estimate the addressable market for high-end specialty foodservice distribution at $22B

We estimate the Chefs' Warehouse's addressable market at $22B. Foodservice distribution sales are derived from demand from its customers. The largest customer segment is the restaurant industry, which makes up 58% of foodservice distribution industry volume (see left-hand chart of **Figure 3**). The right-hand chart in **Figure 3** shows that of the $110B in distribution sales to restaurants, 44% or $48.4B is sold into independent restaurants, which as a class represent the primary market for Chefs' Warehouse. Chefs' further distinguishes its target as independent restaurants that offer an average entree price of $15 or greater. We believe this sub-group represents roughly one-third, or about $16B in purchased goods from foodservice distributors. To this we add $6B in estimated potential sales to natural/gourmet retailers such as **Whole Foods** (WFM–$63.11–Hold), as well as to certain caterers, country clubs and other users of high-end foodservice-oriented groceries.

Figure 3: Foodservice Distribution Sales by Major Customer Segments



Source: ID Access; Technomic; BB&TCM

We forecast foodservice establishments' annual secular growth rate at 3%–4%. Since foodservice/restaurants are the largest customer group for distributors, we believe they serve as the best proxy for their derived demand. As shown in **Figure 4**, year-to-date nominal sales growth for foodservice places has risen 5.1% while real growth is up 3%. This is a solid cyclical recovery from the last five-year average growth of 2.9% nominal and 0% real and is closer to the prior ten-year period from 1997–2006 (see "Arithmetic Mean" at bottom of **Figure 4**). We project that secular annual foodservice sector growth is likely to settle at 3%–4% nominal and 0.5%–1% real; our view is consistent with that of industry prognosticator Technomic.

We forecast the long-term annual growth rate for high-end specialty foodservice distribution at 5%–6% versus 3%–4% for the broad industry

We forecast high-end restaurant annual secular growth rate at 5%–6%, which translates to a 5%–6% growth trend for the distributors that supply them. Our view is informed by recent survey work by leading market researcher The NPD Group. In May, NPD released "The Changing Consumer Mindset: What it Means to the Restaurant Industry." In essence, NPD's surveys revealed that 76% of consumers were "cautious" and likely to be "controlled spenders" going forward while 24% were "optimistic" and were not likely to change their restaurant dining habits. The only common demographics among the "optimistic" group were the likelihood of being employed and affluent—i.e., the target customers of high-end restaurants and food retailers. We think these survey results explain the meaningful differential in growth trends among high-end and mid- and low-end restaurant and food retail concepts.

Figure 4: Historical Unadjusted Retail Sales by Selected Class of Trade and Nominal and Real Growth ($ data in Bs)

	Total Retail & Food Services		Real or Inflation Adjusted[2]	Food & Beverage Stores - Nominal		Real or Inflation Adjusted[2]	Food Services / Drink Places - Nom.		Real or Inflation Adjusted[2]	General Merchandise		Real or Inflation Adjusted[2]
	Sales:$	Yr-Yr Chg:%	Yr-Yr Chg:%	Sales:$	Yr-Yr Chg:%	Yr-Yr Chg:%	Sales:$	Yr-Yr Chg:%	Yr-Yr Chg:%	Sales:$	Yr-Yr Chg:%	Yr-Yr Chg:%
2011 Total[1]	2,660	7.9	5.0	352.8	5.3	2.0	284.9	5.1	3.0	346.3	3.2	0.2
Jul 2011	392	6.5	2.9	53.1	6.4	2.2	43.1	5.2	2.6	50.7	3.2	-0.4
Jun 2011	397	8.7	5.2	51.6	7.4	3.6	41.7	5.9	3.5	51.3	5.2	1.6
May 2011	401	7.9	4.4	52.0	4.4	0.6	42.7	4.8	2.6	52.2	2.3	-1.3
Apr 2011	389	7.5	4.3	51.1	6.5	3.0	41.5	5.3	3.1	50.9	5.5	2.3
Mar 2011	395	8.0	5.4	50.2	5.6	2.5	41.8	6.0	4.1	50.1	2.0	-0.7
Feb 2011	344	9.2	7.1	46.0	3.6	1.1	37.2	5.0	3.4	46.3	2.5	0.4
Jan 2011	342	7.4	5.7	48.8	3.4	1.4	36.8	3.3	1.8	44.8	1.3	-0.4
2010 Total	4,355	6.4	4.8	583.3	2.2	1.1	466.0	2.8	1.5	609.8	3.0	1.4
Dec 2010	434	7.5	6.0	54.0	3.2	1.4	39.5	5.0	3.7	72.4	2.8	1.3
Nov 2010	373	8.9	7.7	49.2	3.4	1.7	37.2	4.6	3.3	56.1	4.3	3.1
Oct 2010	362	6.0	4.8	48.9	1.8	0.2	39.9	4.1	2.7	49.6	1.6	0.4
Sep 2010	352	7.6	6.5	47.7	2.8	1.2	38.0	3.6	2.2	46.2	3.8	2.7
Aug 2010	369	3.8	2.6	48.6	1.1	-0.2	40.2	3.1	1.9	49.8	1.5	0.3
Jul 2010	368	5.2	4.0	49.9	1.6	0.4	41.0	4.2	3.1	49.1	3.8	2.5
Jun 2010	365	5.2	4.2	48.0	1.7	0.8	39.4	2.4	1.2	48.8	3.1	2.0
May 2010	372	6.2	4.2	49.8	0.9	-0.1	40.8	1.1	-0.1	51.0	1.3	-0.7
Apr 2010	362	9.2	6.9	47.2	1.4	0.7	39.4	4.0	2.9	48.2	3.1	0.8
Mar 2010	365	10.6	8.3	48.3	5.3	4.4	39.5	2.3	1.1	49.1	5.5	3.2
Feb 2010	315	4.6	2.4	44.4	3.9	3.1	35.4	1.1	-0.3	45.2	4.0	1.8
Jan 2010	319	2.1	-0.5	47.2	0.0	-0.6	35.6	-1.8	-3.4	44.3	1.5	-1.1
2009 Total	4,092	-7.0	-6.6	570.6	0.2	-1.7	453.3	-0.5	-3.9	592.0	-0.5	-0.1
2008 Total	4,398	-1.2	-4.9	569.7	3.8	-1.4	455.3	2.1	-2.2	595.0	2.8	-0.8
2007 Total	4452	3.4	0.6	548.9	4.3	-0.9	445.9	5.2	1.5	578.7	4.4	1.7
2006 Total	4,304	5.1	2.0	526.2	3.4	-0.2	424.0	6.7	3.7	554.4	4.9	1.8
2005 Total	4,094	6.5	3.1	509.0	3.9	1.8	397.4	6.4	3.2	528.5	6.5	3.2
2004 Total	3,845	6.3	3.5	489.7	3.1	0.9	373.6	6.5	3.6	496.3	5.8	3.2
2003 Total	3,619	4.4	2.1	475.2	2.0	-1.0	350.9	5.8	3.6	468.9	5.0	2.7
2002 Total	3,466	2.4	0.8	465.8	0.5	-1.0	331.7	4.4	1.9	446.6	4.5	3.3
2001 Total	3,385	3.0	0.2	463.3	4.2	2.8	317.7	4.3	1.5	427.6	6.0	3.3
2000 Total	3,285	6.2	3.1	444.5	2.3	-0.7	304.6	6.9	4.6	403.4	6.1	2.8
1999 Total	3,094	8.2	6.0	434.6	4.1	1.6	285.0	4.7	2.2	380.3	8.3	6.1
1998 Total	2,859	4.7	3.1	417.4	1.7	-1.6	272.2	5.5	2.9	351.2	6.0	4.5
1997 Total	2,732	5.0	2.7	410.3	2.3	-0.1	258.0	6.5	3.7	331.5	5.3	3.4
Arithmetic Mean												
2007-2011 Averages[1]	--	*1.9*	*-0.2*	--	*3.2*	*-0.2*	--	*2.9*	*0.0*	--	*2.6*	*0.5*
2002-2006 Averages	--	*4.9*	*2.3*	--	*2.6*	*0.1*	--	*5.9*	*3.2*	--	*5.3*	*2.8*
1997-2001 Averages	--	*5.4*	*3.0*	--	*2.9*	*0.4*	--	*5.6*	*3.0*	--	*6.3*	*4.0*

[1] Year to date.

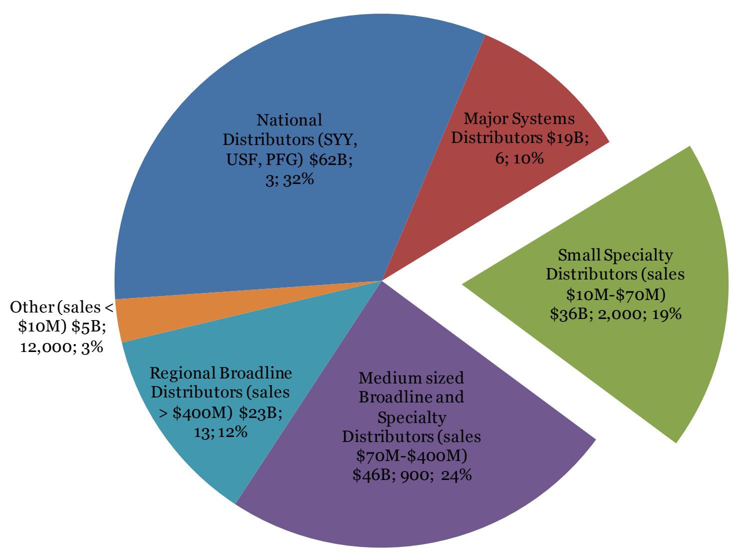
[2] Inflation adjusted or real growth rates derived using nominal growth less BB&T Supermarket, Foodservice and other price indexes.

Source: U.S. Census Bureau; U.S. Department of Labor; BB&TCM estimates

Supply Side of Specialty Foodservice Distribution is Very Fragmented

The U.S. foodservice distribution industry contains some 16,500 firms that generated $191B in revenues in 2009. **Figure 5** presents the market segmentation by type of distributor. The three largest companies (Sysco, US Foodservice, and Performance Food Group) account for 32% of the sales of the market. Of the remaining 68% of the markets, some $36B, or 19% of the total, is transacted by smaller specialty foodservice distributors; this segment best represents Chefs' market niche.

Figure 5: Foodservice Distribution Sales and Market Share by Major Type of Distributor



Source: Company reports; BB&TCM estimates

We project Chefs' target market for acquisition at about 1,000 firms totaling $18B in annual sales

We project Chefs' target market for acquisition at 1,000 firms totaling $18B in annual sales. We believe that the 2,000 specialty distributors in the United States with sales between $10M and $70M are the most suitable acquisition targets for Chefs'. These 2,000 distributors' total sales are $36B, putting the average firm's annual revenue at about $18M. We assume that one-half cater to the high end of the market sufficiently to make them potential acquisition candidates for Chefs'. We estimate this equates to $18B in possible acquisition targets for Chefs' over time; we note this supply-side figure is consistent with our estimate of $22B for the total high-end specialty addressable market, which should be the case in such a fragmented industry niche.

Chefs' Warehouse's Superior Competitive Position

Chefs' is Positioned to Continue to Take Share in Specialty Foodservice Distribution

Industry structural analysis places Chefs' in a superior position. Competition within the foodservice distribution industry is mainly based on the quality of the services and variety of products offered versus the price asked for those. Operational issues such as reliability and timeliness of deliveries also are highly relevant. We reflect these key attributes via a two-dimensional competitive map (see **Figure 6**). The vertical axis represents quality of service and variety of products, while the horizontal axis represents price.

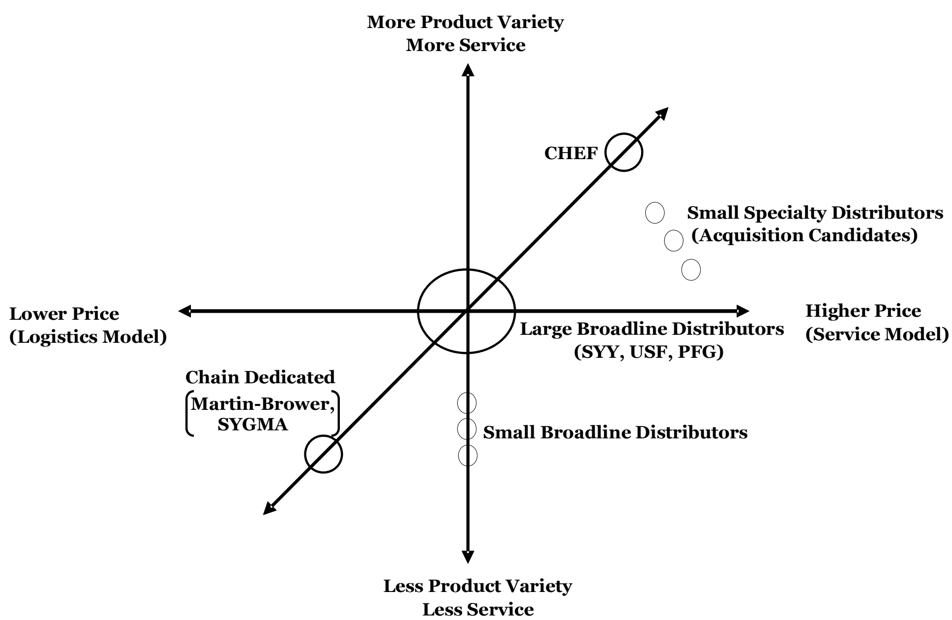
Large broadline distributors such as Sysco, US Foodservice, and Performance Food Group traditionally have focused on providing good customer service and product variety at a market price and therefore are depicted at the center of the two-dimensional competitive positioning map. Chain dedicated distributors such as Martin-Brower (exclusive to McDonald's) are far more price focused, offering fewer services—they are very close to drayage providers and are depicted at the lower left quadrant, which represents low service and low price.

Chefs' is in a superior competitive position that reflects lower pricing versus smaller specialty distributors combined with better service levels and assortment

Many of the smaller players, whether broadline or specialty distributors, focus on customer service (from oftentimes small, less-efficient distribution facilities) and concentrate their efforts on longstanding customer relationships. We have placed the smaller specialty distributors in the upper right hand quadrant of the competitive positioning map since they offer enhanced product variety or services but at a higher price.

We have placed Chefs' Warehouse in a superior competitive position that reflects moderately lower pricing levels versus smaller specialty distributors combined with better service and/or assortment levels. This strong competitive position should continue to allow Chefs' to gain market share in specialty distribution going forward.

Figure 6: Specialty Foodservice Distribution Competitive Positioning Map



Source: BB&TCM estimates

Intra-sector Competitive Analysis Favors Chefs'

Below, we analyze the key attributes that have fostered this competitive advantage and also discuss why large broadline distributors do not pose too great of a competitive threat.

Chefs' offers more than 11,500 products versus some 1,600 for a typical specialty distributor

Greater product variety. In most instances, Chefs' is competing with smaller firms that offer many of the 300–400 top-selling SKUs but lack the assortment that allows Chefs' to position itself as both a deeper specialist and a broadliner of necessary commodity goods such as dairy and flour. According to market research firm Mintel Group, the average specialty distributor offers 1,609 products, which is dwarfed by the 11,500 SKUs that Chefs' can bring to the table. In general, smaller firms are higher priced, but positioned as narrow specialists. Thus, in **Figure 6** they are in an inferior position to the right and below Chefs'. (See pages 14–15 for detailed analysis of Chefs' industry-leading assortment of specialty foodservice products and global sourcing capabilities).

The company's 125 sales professionals represent Chefs' culture of excellence; the majority of them have formal culinary training, degrees in the culinary arts, or direct industry experience

Best-in-class sales team and culture of accountability. As relayed to us during our channel checks, Chefs' sales team forms an integral and collaborative relationship with its customers. The company's 125 sales professionals represent Chefs' culture of excellence; the majority of them have formal culinary training, degrees in the culinary arts, or prior experience working in the industry (mainly as chefs). This service culture is married with a data-driven and goal-oriented organization that is highly focused on increasing the number of unique products and gross profit contribution from each customer. (See pages 15–16 for a detailed analysis of Chefs' sales force and pages 16–17 for a detailed analysis of the IT systems, including sales management software).

Competition from Broadliners is Relatively Benign

Large broadline distributors also present potential competition for Chefs'. But as indicated by our channel checks, large broadliners appear to lack the deep knowledge and/or sourcing capabilities to adequately serve many of the culinary needs of high-end foodservice establishments. In regards to in-stock selection, large broadliners seem to be limited to those specialty SKUs that can sell to their largely family restaurant independent customers.

By way of example, Sysco goes to market in high-end specialty products arena largely through its Internet "Chef Ex" portal that allows for direct ordering from vendors without a marketing associate's involvement. We estimate that Chef Ex carries goods from some 150–160 distinct vendors versus more than 1,000 suppliers at Chefs' Warehouse. Similar to smaller specialty distributors, Sysco's offering appears limited to the most demanded items. For example, we note that both Sysco's Chef Ex and Chefs' Express carry Barry Callebaut's chocolate and cocoa (one of the leading chocolate producers globally). However, Chef Ex does not carry goods from many of the smaller artisanal fine chocolate makers from which Chefs' Warehouse sources products.

Chefs' Warehouse's Robust Growth Outlook

Based on a sales productivity gap analysis, we project incremental earnings power at its non-New York facilities at $0.55/sh

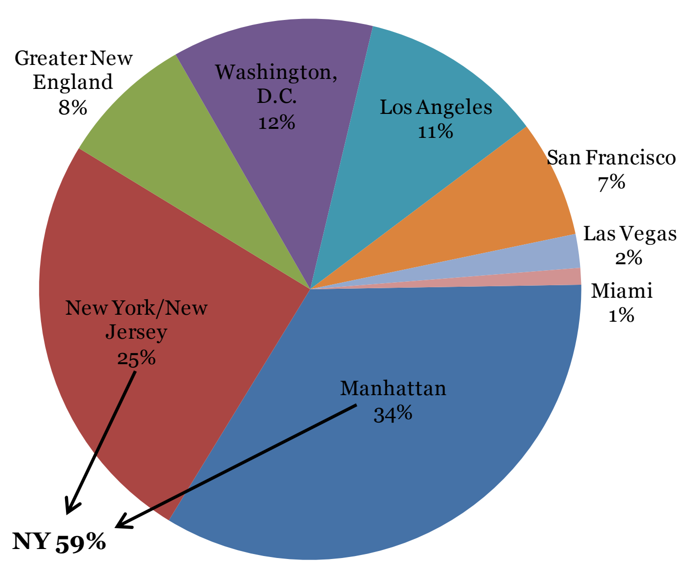
Based on its strong competitive position, Chefs' has two major avenues of growth—organic and via acquisition. Below, we first analyze the strong organic growth potential in optimizing capacity of its current infrastructure. Based on a sales productivity gap analysis, we project incremental earnings power at its non-New York facilities (41% of current sales) at $0.55/sh.

Second, we analyze the outlook for acquisition-driven growth, which we anticipate will be a significant and highly accretive feature of the Chefs' story over time. While we do not build unannounced acquisitions into our financial projections, we anticipate that Chefs' should be able to complete on average two acquisitions per year, up from an historical rate of about one per annum. We estimate that an increase in acquisition activity could contribute an incremental 6% to annual sales growth versus the 3% historical average in recent years. Because of management's track record of successfully integrating previous acquisitions, we anticipate that the EPS contribution would be accretive. As we analyze below, the amount of accretion would vary greatly depending on whether the deal was a fill-in or new market entry.

Maximizing Profits of Current Distribution Infrastructure

In our view, Chefs' major opportunity to maximize earnings of its distribution infrastructure is by growing market share in non-New York regions, which are far less productive than its New York assets. We believe this is understandable given the company has operated in New York for 26 years and in the other markets from 7–12 years. **Figure 7** shows that 59% of the company's revenue was generated in the greater New York market and the remaining 41% at six other regions from five facilities. (New England is currently served from the Bronx, while the other five markets have dedicated distribution centers.)

Figure 7: Net Revenue by Geography (based on LTM sales)



Source: Company reports; BB&TCM estimates

Growing share by penetration of existing customers. By virtue of its far longer market presence in New York, Chefs' boasts far greater share of wallet with customers there. Thus, in newer markets, Chefs' has the opportunity to add SKUs that are already successful in New York to gain penetration. For example, Chefs' offers its New York customers some 160 SKUs of frozen seafood, while in Los Angeles it carries 15 at present. Our channel checks confirm that this process of gaining penetration with existing customers is ongoing, even in its more penetrated New York/New Jersey market that continues to gain share of wallet.

Growing share with new customer wins. Chefs' gains access to new customers based on its industry knowledge and experience and relationships with leading culinary thought leaders. We believe the company's reputation as the leading distributor of specialty food products in key culinary markets is a strong calling card. The markets Chefs' serves and many of the chefs with which it collaborates set culinary trends for the rest of the United States. This provides valuable insights into changing culinary and menu practices that over time have resulted in new customer wins.

Robust gross margins allow for strong operating leverage with increased product offerings. Chefs' has boosted its product offerings to 11,500 currently from 6,000 in 2007. Further some 2,000 to 3,000 new SKUs come in and go out of its system each year as demand and culinary trends change. As shown in **Figure 8**, this has served Chefs' well as we estimate that all of its major categories carry healthy gross margin rates. We anticipate that the company will continue to augment its offerings both by adding depth to existing categories and breadth by entering new categories. Historically, this has occurred organically and via acquisitions, and we would anticipate both to continue going forward.

Figure 8: Estimated Gross Margin and Sales Mix by Product Category and Representative Vendor Relationships

	Gross Margin	Sales Mix	Representative Vendor Relationships
Cheese	26%	15%	Laubscher Cheese Company, Belgioioso
Meat	26%	13%	Strassburger Meats, Copper Ridge Beef
Dairy	22%	9%	Grassland Dairy Products, Marcus Dairy
Seafood (frozen)	20%	4%	Lawrence Street Seafood
Vegetable	25%	4%	Reddy Raw
Beverages	27%	4%	Atlantic Beverage Company
Olive Oil	27%	4%	Sovena, Catania-Spagna
Oils & Shortenings	25%	4%	Supreme Oil Company
Chocolate	28%	3%	Guittard Chocolate, Barry Callebaut
Baking	28%	3%	Quaker Sugar Company, Inc.
Other	28%	37%	White Toque, Mighty Leaf
Total	**26%**	**100%**	

Source: Company reports; BB&TCM estimates

Sales productivity based gap analysis—robust earnings power at non-New York facilities. In **Figure 9**, we present a sales productivity based gap analysis that is intended to demonstrate the robust earnings power of the company's non-New York facilities. Essentially, the analysis projects earnings power if these facilities were to reach the same sales productivity (as measured by sales per square foot) as the New York facilities. Our analytic conclusion is that EPS would increase by $0.55.

Figure 9: Sales and Profit per Square Foot—New York versus Rest of Company

Estimated pro forma EPS contribution greater New York vs rest of company - LTM
(based on last 12 months results)

Location	Sales($M)	Distribution square feet	Sales per sqft.	Operating Profit	Op. Profit per sqft.	Operating Margin	EPS Contribution (1)
NY/NJ	240	175,000	1,374	20.1	114.7	8.3%	0.59
LA/SF/LV/MD/FL	118	196,640	602	3.9	19.9	3.3%	0.11
Total	359	371,640	966	24.0	64.5	6.7%	0.70
Int Expense							-0.03
LTM EPS							0.67

Estimated pro forma EPS contribution greater New York vs rest of company - assuming same sales productivity at all facilities
(based on non-NY facilities reaching NY sales productivity)

Location	Sales($M)	Distribution square feet	Sales per sqft.	Operating Profit	Op. Profit per sqft.	Operating Margin	EPS Contribution (1)
NY/NJ	240	175,000	1,374	20.1	114.7	8.3%	0.59
LA/SF/LV/MD/FL	270	196,640	1,374	22.6	114.7	8.3%	0.66
Total	511	371,640	1,374	42.6	114.7	8.3%	1.25
Int Expense							-0.03
LTM EPS							1.22
EPS gap							**0.55**

(1) Assumes corporate expenses allocated pro rata to sales.

Source: Company reports; BB&TCM estimates

Derivation of $0.55 EPS power gap. Some 67% of CHEF's LTM revenue (of $359M) were generated from the Bronx facilities (59% in greater New York and 8% in New England), which made sales productivity (sales per sq ft) there 2.3x that of the rest of the business. In our experience analyzing retail and distribution food merchants, we have found that EBIT per sq ft has a geometric relationship to sales per sq ft. In other words, food merchandisers with greater sales productivity generate disproportionately greater profit dollars and margins. This is the power of the well-known productivity loop shared by most best-in-class merchants. Lastly, we note that our estimation process includes the conservative assumption that corporate expenses are allocated on a pro rata (with sales) basis. Management believes that only the Los Angeles market presents structural challenges to achieving like profitability on like sales productivity, given the region's inherently greater distribution stem miles.

Acquisition-Driven Growth

We are bullish on Chefs' strategy to ramp up acquisitions. First, the company's reputation for excellence precedes it when it enters new markets; simply put, many potential customers are already eager to do business with Chefs'. Second, the company boasts state-of-the-art information systems that are critical to maximizing operating efficiencies for distributors (see our IT systems analysis on pages 16–17). Third, Chefs' boasts a successful record of accretive acquisitions. We have found that this combination of cultural and systems excellence is the best predictor of success for acquisitions for food merchandisers.

We believe Chefs' has materially improved operations and profitability of its acquisitions by leveraging its superior competitive position and systems

Track record of success. As shown in **Figure 10,** recently Chefs' has consummated acquisitions at about a rate of one per year. These have served three purposes: new market entry, new category entry, and tuck-in deals (consolidate existing markets). We believe Chefs' has materially improved the operations and profitability of its acquisitions by leveraging its superior competitive position and systems capabilities; these include its sourcing capabilities to provide an expanded product offering, sales force training, and installation of its warehouse and other management information systems.

Figure 10: Selected Recent Acquisitions

Company Acquired	Date Completed	Location	Enterprise Value	LTM Sales	Estimated EV/Sales	Strategic Rationale
Harry Wils & Co.	June 24, 2011	New Jersey	$8.9	$22.0	.40x	Increased market share
Monique & Me	June 18, 2010	Miami	$3.7	$7.5	.50x	Entered into south FL market
European Imports, SF, Inc.	August 28,2009	San Francisco	$3.8	$8.4	.45x	Expanded product line, increased market penetration
American Gourmet Foods, Inc.	May 30, 2008	Maryland	$5.1	$11.4	.45x	Increased market share
Northwest Cheese Distributors	October 29, 2007	San Francisco	NA	NA	NA	Added 1,500 SKUs, increased penetration in SF
Van Rex Gourmet Foods, Inc.	2005	California	NA	NA	NA	Expanded product line , increased market footprint
BelCanto Foods	2000	New York	NA	NA	NA	Diversified product mix, added exposure to importers

Source: Company reports; BB&TCM estimates

Chefs' status as a public company with greater financial flexibility should help management to ramp up acquisition-driven growth

Anticipate acceleration in deals. Given Chefs' status as a public company with greater financial flexibility, it has stated that it intends to ramp up acquisition driven growth. Management believes that most major cities in the United States that are able to support major league sports franchises have sufficient market size for Chefs' operations. This is about 30 markets versus the six it currently does business in. **Figure 11** further fleshes out Chefs' acquisition criteria for new market and tuck-in acquisitions.

Figure 11: Acquisition Criteria

New Market Criteria	Tuck-in Criteria
Attractive geographies	Complementary customer base
Established customer relationships	Complementary product offering
Strong competitive position	Solid cultural fit
Solid cultural fit	Attractive purchase price
Opportunity for growth and margin enhancement	Cross-selling or margin enhancement opportunities

Source: Company reports; BB&TCM estimates

Figure 12 summarizes specific tactics Chefs' executes post-acquisition. Chefs' team-based approach to integrating acquisitions spans both new-market and tuck-in acquisitions.

Figure 12: Acquisition Tactics

New Market Criteria	Tuck-in Criteria
Team based approach to rapid integration across IT, sales (retention), operations	
Leverage sourcing relationships to expand product portfolio	Exploit cross-selling opportunities
Provide enhanced sales force training	Expand product offerings
Install warehouse and other systems	Enhance route densities

Source: Company reports; BB&TCM estimates

We estimate an increase in acquisition activity could contribute 6% to annual sales growth versus the 3% average in recent years

Acquisition sales growth could ramp to 6% annually, EPS accretion to vary by type of deal. We estimate an increase in acquisition activity could contribute 6% to annual sales growth versus the 3% average in recent years. We anticipate that EPS contribution would vary by the type of deal with acquisitions in existing markets being more immediately accretive than in new markets. We estimate that a 6% incremental sales growth acquisition could add some $0.08–$0.12 to near-term EPS if it were a tuck in an existing market and $0.02–$0.05 to near-term EPS for new market entry. Over time we would expect the new market acquisition to mature to a similar EPS contribution rate as for tuck-in deals.

On a normalized basis, we project the Harry Wils acquisition will be $0.09/sh–$0.12/sh accretive and view this kind of tuck-in acquisition as the best use of Chefs' capital

Harry Wils deal illustrates accretion of tuck-ins. On June 24, 2011, Chefs' closed its purchase of New Jersey–based Harry Wils. Full integration, including closing the Harry Wils distribution and corporate facilities, was completed in less than a week. Further, most of Wils' $22M in LTM sales was retained. As shown in **Figure 13**, on a normalized basis, we project that this acquisition will be accretive to EPS by $0.09–$0.12 and that pretax ROI will be 33%–45%. We view this kind of tuck-in acquisition as the best use of Chefs' capital going forward as illustrated by our forecast of the returns.

Figure 13: Harry Wils Acquisition—Normalized Return and EPS Accretion

Assumption	Financial Outcome
Incremental EBIT at 15%–20% contribution	$3.3M–$4.4M
Incremental financing charge (debt at 4%)	($0.35M)
EBT	$2.95M–$4.05M
ROI pretax	33.1%–45.5%
EPS accretion	$0.09–$0.12

Source: Company reports; BB&TCM estimates

COMPANY BACKGROUND AND DESCRIPTION

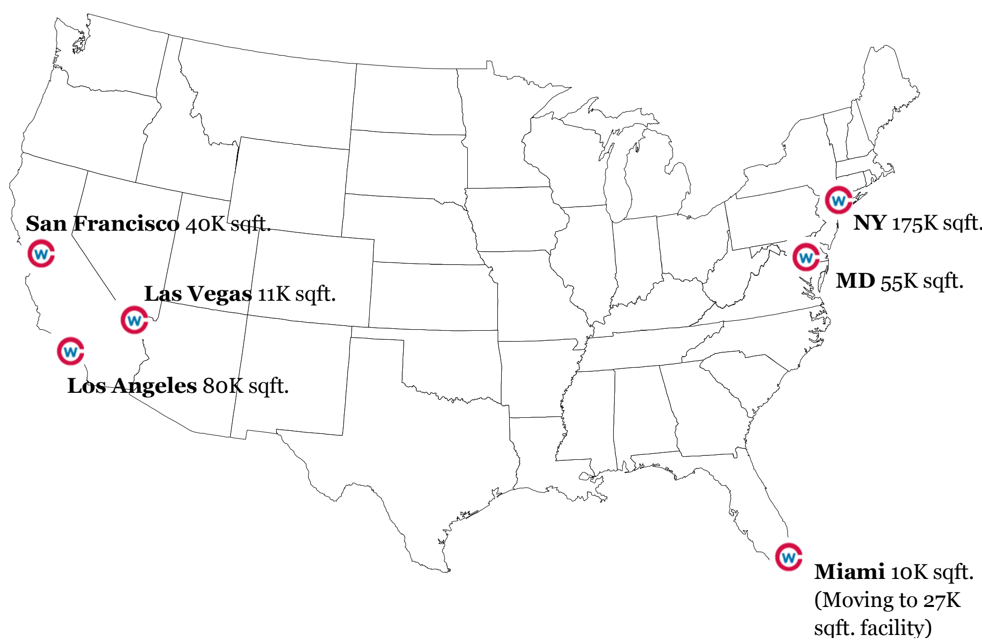
Headquartered in Ridgefield, CT, The Chefs' Warehouse, Inc., is the nation's premier importer and distributor of specialty food products. Chefs' client-base includes more than 7,000 independent restaurants, hotels, casinos, private clubs, caterers, food distributors, culinary schools, and specialty food stores. Because of this diversification, the top ten clients accounted for less than 10% of net revenue totaling $330M in 2010. By sales, independent restaurants are the largest customer segment (65%), followed by hotels and casinos (9%), food retailers (7%), private clubs (6%), and caterers (4%).

On average, Chefs' fills 11,000 orders per week at fill rate of 99%, a result of a first-class logistics platform and nationwide footprint of distribution centers. Chefs' seven distribution centers, fleet of 138 delivery trucks (all leased), and six-day-a-week delivery schedule (in most markets) gives Chefs' the ability to deliver various drop sizes in a timely manner, typically within a two- to three-hour window. Most orders are filled within 12–24 hours. The company employs 571 hourly, salaried, and commissioned employees (which includes 125 sales professionals) with a target sales professional-to-client ratio of 1-to-65.

Strong distribution infrastructure. As detailed in **Figure 14,** Chefs' Warehouse leases seven distribution centers in six markets: New York; Washington, DC; Miami; Las Vegas; Los Angeles; and San Francisco. Chefs' two Bronx-based distribution centers comprise 47% of the company's 372K square footage, followed by an 80K-square-foot facility in Los Angeles. The company anticipates relocating its Miami operations to a 27,000 square foot facility (from 10,000 square feet currently) in Q3'11.

Chefs' is the largest distributor of specialty food products in New York; Washington, DC; San Francisco; and Los Angeles. The company supplies at least one product per week to 60%+ of NYC addressable markets and 20%–30% in the remaining five markets.

Figure 14: Chefs' Geographic Footprint and Capacity (in square feet)



Source: Company reports; BB&TCM estimates

As shown in **Figure 15**, the company was founded as Dairyland USA Corporation in 1985 and has grown from a local New York distributor to the nation's premier importer and distributor of specialty foods. In 1999, Chefs' entered the Washington, DC, market through the Greenfield expansion and has continued to expand to West Coast and south Florida markets via acquisitions. In August 2011, The Chefs' Warehouse completed an initial public offering of 10.35M shares (including overallotment), which raised net proceeds of $63.1M.

Figure 15: Abbreviated History of The Chefs' Warehouse

1985: Christopher Pappas, John Pappas, and Dean Facatselis founded Dairyland USA (now a subsidiary of CHEF), a distributor of butter, eggs, and specialty food products in metro New York.

1999: Entered the Washington, DC, market via Greenfield expansion.

2005: Entered Los Angeles, San Francisco, and Las Vegas markets via acquisitions.

- Acquired Vernon, California–based Van Rex Gourmet Foods, Inc., a specialty foods importer and distributor. This introduced Chefs' to the San Francisco, Los Angeles, Las Vegas, and Phoenix markets (subsequently divested).
- Recapitalization via equity investment from private equity firm BGCP.
- Current COO Jim Wagner hired to manage western operations.

2006: Less than a year after entering the Arizona market, Chefs' Warehouse sold its Arizona division to European Imports in August.

2007: Acquired Northwest Cheese Distributors, adding 1,500 specialty cheese and gourmet product SKUs to Chefs' (at the time) 6,000 SKU count.

- Current CFO Ken Clark joined management team.

2008: The company acquired specialty distributor American Gourmet Foods, Inc., in May for $5.1M.

- American Gourmet's operations were integrated with Chefs' Hanover, MD, operations.

2009: In August, acquired European Imports' San Francisco division for $3.8M. This division was integrated into Chefs' existing San Francisco operations.

2010: In June, entered the Miami market via $3.7M acquisition Monique & Me, Inc. (operating as Culinaire Specialty Foods, Inc.).

- Completed leveraged recapitalization to buyout BGCP minority stake.

2011: On June 24, purchased Harry Wils & Company, a Secaucus, NJ–based specialty foodservice distributor, for $8.9M.

- On August 2, completed the IPO of 10.35M primary and secondary shares (including overallotment) at $15/sh. Transaction raised net proceeds of $63.1M.

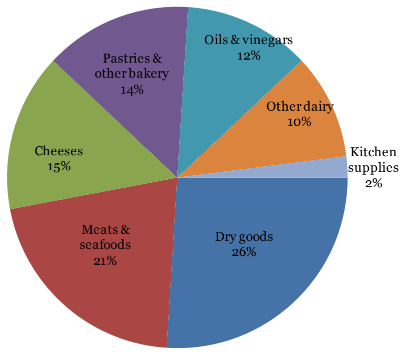
Source: Company reports; BB&TCM estimates

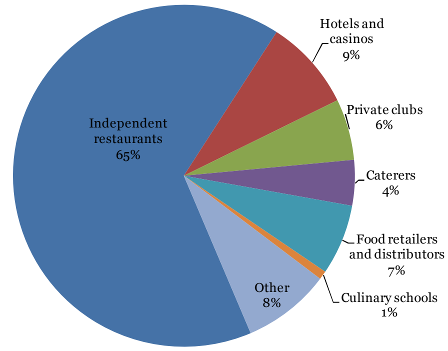
Leading Product Assortment and Renowned Client Base

The company boasts a well-diversified base of more than 7,000 unique relationships with many of the nation's leading menu-driven foodservice operations

Chefs' breadth and depth of product offerings focus on providing ingredients that enhance and differentiate its customers' menus. Coupled with its knowledgeable, customer-centric sales force, this has allowed the company to attract and retain a loyal customer base. The company boasts a well-diversified base of more than 7,000 unique relationships with many of the nation's leading menu-driven independent restaurants, fine dining establishments, country clubs, hotels, caterers, culinary schools, and specialty food stores. As seen in **Figure 16**, independent restaurants comprise 65% of CHEF's customer mix, followed by hotels and casinos (9%), food retailers and distributors (7%), private clubs (6%), caterers (4%), and culinary schools (1%). In 2010, the top ten customers accounted for less than 10% of total net revenue ($330M).

Figure 16: Net Revenue by Product Category and Type of Foodservice Establishment





Source: Company reports; BB&TCM estimates

Chefs' sources products from more than 1,000 suppliers in North America, South America, Europe, and Asia; no single vendor represents more than 5% of total sales

Chefs' superior sourcing capabilities and critical route to market for specialty suppliers is second to none. The company sources product from more than 1,000 suppliers in North America, South America, Europe, and Asia with no single vendor representing more than 5% of total sales. Chefs' Warehouse carries approximately 11,500 SKUs (7,000 in stock every day), which include international and domestic gourmet foods, such as charcuterie, cheeses, oils and vinegars, protein, flour, caviar, truffles, and chocolate. (See **Figure 16** for the mix of net revenue by category).

Chefs' remains at the forefront of the latest culinary and menu trends by constantly introducing new products; 2,000–3,000 SKUs flow in and out of Chefs' inventory each year as product and culinary trends evolve. Chefs' has strong relationships with various broadline commodity suppliers as well as many of the world's premier gourmet brands; vendors include small, family-owned entities and artisanal food producers. Under a proprietary brand offering of staple products that are sourced from various vendors, Chefs' has the ability to offer these products at competitive prices, thus, realizing superior gross margins.

Purveyor to leading high-end food service establishments. As shown in **Figure 17**, Chefs' has established deep relationships with some of the world's best-known chefs and leading culinary schools. Highly regarded restaurant groups such as Jean-Georges and Union Square Hospitality Group (Gramercy Tavern) and premier culinary schools such as The Culinary Institute of America and The French Culinary Institute have been customers for more than five years.

Figure 17: Representative Customers by Segment

Customer Segment	Representative Clients
Independent restaurants	Jean-Georges, Gramercy Tavern, Shake Shack, Can Can Brasserie
Hotels and casinos	The Ritz-Carlton, Four Seasons, Mandarin Oriental, Wynn LV
Private clubs	Winged Foot, Greenwich CC
Caterers	Wolfgang Puck Catering
Food retailers and distributors	Whole Foods Market, FreshDirect, Zabar's, Yummy Food
Culinary schools	The Culinary Institute of America, The French Culinary Institute
Other	Francis Ford Coppola Winery

Source: Company reports; BB&TCM estimates

Best-in-class sales team, more than half with culinary arts background. Chefs' Warehouse differentiates itself from competitors by providing a knowledgeable sales force of 125 professionals; more than half have formal culinary training, a culinary art degree, and/or prior experience in the culinary industry. These professionals have an exclusive focus on serving the needs of chefs at independent restaurants, such as educating customers on the latest products and culinary trends and assisting with menu planning and pricing. The entrepreneurial environment and 1:65 sales professional-to-client ratio enables Chefs' sales professionals the flexibility to meet the needs of customers.

Chefs' employs three levels of sales specialists:

- **Outside sales associates**—Identify sales opportunities, educate customers, and act as Chefs' market place representative.
- **Inside sales associates**—Process customer orders and arrange for delivery and payment.
- **Product specialists**—Maintain specialized product knowledge and educate outside sales associates and customers regarding new products and general developments in specific categories including protein, seafood, pastry, and cheese.

State-of-the-Art Information Systems

Best-in-class systems enable superior customer service, efficient inventory management, and proactive fleet management with real-time visibility

Chefs' Warehouse utilizes a best-in-class IT platform, which enables superior customer service, efficient inventory management, proactive fleet management, and provides management with real-time visibility. Frank O'Dowd, chief information officer, was hired in 2007 to lead the company's technology initiatives, and under his leadership, the company has implemented several key systems that summarized in **Figure 18** and discussed in further detail below.

Figure 18: Technology Infrastructure

Functional IT System	Capabilities
Roadnet logistics	• GPS monitoring system tracks driver performance and provides vehicle-related metrics • Dynamic routing to minimize miles without sacrificing service; increased potential for backhauling
Warehouse management	• Implemented in Bronx #1 facility; currently putting in Washington DC; completion in remaining DCs expected by Q1'12 • Truck builder dimensional-based pallet technology builds pallets based on weights and sizes • Pick-to-voice technology minimizes out of stocks and mispicks and increases worker productivity
Price optimization	• Designed to optimize pricing using algorithms; robust capability of up to 600,000 price segmentations • 50% implemented
Enterprise management	• Centralized application suite of enterprise resource planning software that uses standards-based technology
Sales management	• Internally developed customer relationship management (CRM) tool • Dynamic dashboard real-time sales tracking tool

Source: Company reports; BB&TCM estimates

Chefs' robust technology platform allows the company to better leverage its cost structure. Over the past three years (2007–2010), Chefs' expense ratio improved (contracted) 333 bps, which was significantly better than the 55 bps contraction at SYY and 49 bps contraction at UNFI. These systems have been crucial to Chefs' ability to efficiently integrate acquisitions. Chefs' completed the integration of Harry Wils & Company's inventory and systems in a 48-hour period, a feat few (if any) competitors can duplicate. We believe the company's investment in technology will continue to be a key driver of Chefs' profit growth.

The Chefs' Warehouse uses Roadnet, a UPS-developed routing and logistics planning software program designed to reduce routing time, lower distribution costs, improve resource utilization, and monitor driver and vehicle performance. Roadnet's GPS and vehicle monitoring software tracks driver progress relative to delivery schedules and monitors 500 key vehicle metrics such as hard braking, idling, and fast starts. This system also enables Chefs' to create dynamic routing which minimizes miles driven without sacrificing service.

The company also utilizes a state-of-the-art warehouse management system, currently integrated in the primary Bronx distribution center with full integration in the remaining six distribution centers expected by Q1'12. This system provides real-time inventory visibility and is used in conjunction with advanced forecasting tools to maintain optimal inventory levels. Additionally, the company uses a truck builder dimensional-based pallet technology that builds pallets based on weights and sizes, thus, maximizing delivery efficiency while minimizing excess inventory. According to management, the company has the ability to fill eight trucks in an hour. In July 2010, Chefs' began the implementation of a pick-to-voice technology that enables warehouse employees to fill orders with greater speed and accuracy. As a result, according to management, mispicks have dramatically improved to 1:10,000 from 1:300.

CHEF is in the process of implementing price optimization software as a vehicle to better balance between growth in gross profits and market share. This software uses advanced forecasting algorithms based on historical data, which optimizes pricing and has a robust capacity of up to 600,000 price segmentations. The company is halfway through its rollout and expects to begin utilizing the software in late Q3.

Chefs' centralized enterprise system is an integrated applications suite of comprehensive enterprise resource planning software that combines business value and standards-based technology. Financial processes across applications are integrated into a single database and the information portal provides Chefs' with a single entry point to access documentation, training, and other pertinent information.

Dynamic dashboard implementation completed. This internally developed CRM sales reporting system provides real-time sales and profitability analyses for all products and sales professionals.

Strong and Seasoned Management Team

Chefs' senior management team has more than 60 years of collective experience at the firm

Chefs' Warehouse's management team combines the right blend of entrepreneurial and professional talent. As summarized in **Figure 19,** Chefs' senior management team has more than 60 years of collective experience at Chefs'. Co-founder, chairman, president, and CEO Christopher Pappas has served as the company's CEO since its founding in 1985. Additionally, co-founders John Pappas and Dean Facatselis have been with the company since its formation; Facatselis is not active in day-to-day management.

Figure 19: Senior Management Team

Name	Position/Selected Prior Experience
Christopher Pappas *Co-founder, chairman, president, CEO*	March 1, 2011–present: chairman 1985–2007, April 2009–present: president 1985–present: CEO
John Pappas *Co-founder, vice chairman, director*	March 1, 2011–present: vice chairman 1985–March 1, 2011: chief operating officer
Dean Facatselis *Co-founder, director*	January 2007–present: director 1985–2006: chief financial officer
Kenneth Clark, CPA *Chief financial officer*	March 2009–present: chief financial officer 2007–March 2009: controller; 2005–2007: VP, controller, Credit Suisse Energy, LLC; held finance positions at United Rentals, Inc., Sempra Energy Trading Corporation, and Arthur Anderson, LLC
James Wagner *Chief operating officer*	Chief operating officer, March 1, 2011–present August 2010–February 28, 2011: chief commercial officer; March 2009–August 2010: EVP, marketing, business development, and non-NY market sales; 2006–2009: EVP of marketing and business development; 2005–2006: general manager, Los Angeles market; also co-founded TrueChocolate, Inc., a chocolate processing and manufacturing company, and Jump Communications; held a management position at Clear!Blue Marketing
Frank O'Dowd *Chief information officer*	2007–present: chief information officer 1997–2006: CIO, GAF Material Corporation; also held positions at Reed Elsevier, *Newsweek*, and Wyeth Pharmaceuticals

Source: Company reports; BB&TCM estimates

Christopher Pappas co-founded Dairyland USA Corporation, a subsidiary of Chefs' Warehouse, and has served as the company's CEO since 1985. He has been chairman since March 1, 2011 and president since April 2009 and brings more than 25 years of food distribution experience.

- Pappas oversees all of Chefs' business activities with particular focus on corporate strategy, product procurement, sales, and marketing.

John Pappas, brother of Christopher Pappas, also co-founded Dairyland USA Corporation and has served as vice chairman since March 1, 2011.

- He served as the company's chief operating officer from 1985 until March 2011.
- Pappas has 25 years of experience in facility management, logistics, and global procurement and manages Chefs' Warehouse's distribution center network.

Kenneth Clark, CPA, has served as chief financial officer since March 2009.

- From 2007 to 2009, he was the company's controller.
- He served as VP, controller of Credit Suisse Energy, LLC, from 2005 to 2007.
- Clark previously held financial positions with United Rentals, Inc., Sempra Energy Trading Corporation, and Arthur Anderson, LLC.

James Wagner serves as chief operating officer, a position he has held since March 1, 2011. He has been with the company for six years.

- From August 2010 to February 28, 2011, he was chief commercial officer, and served as EVP of marketing, business development, and non-New York market sales in 2009 and 2010.
- Wagner was EVP of marketing and business development from 2006 to 2009 and the general manager of the company's Los Angeles market from 2005 to 2006.
- He co-founded TrueChocolate, Inc., a chocolate manufacturer and processer, and Jump Communications. He also held a management position with Clear!Blue Marketing.

Frank O'Dowd has served as chief information officer since 2007 and currently manages the company's technology initiatives.

- From 1997 to 2006 he was chief information officer of GAF Materials Corporation and oversaw GAF's IT platform as the company transitioned from a regional supplier to a multinational corporation.
- His prior experience includes positions with Reed Elsevier, Newsweek Magazine, and Wyeth Pharmaceuticals, and he has more than 15 years experience managing IT.

Initial Public Offering and Use of Proceeds

On August 2, 2011, Chefs' Warehouse completed its initial public offering of 10,350,000 shares of common stock at $15/sh. Of the 10,350,000 shares sold, 4,666,667 were sold by the company and 5,683,333 were sold by certain selling shareholders, which includes 1,350,000 shares that were exercised to cover over-allotments. The majority of selling shareholder stock was from prior executive and current director Facatselis.

As shown in **Figure 20**, total net proceeds from the offering, after deducting underwriter discounts and commissions and estimated offering expenses, were $63.1M. Chefs' used proceeds from the offering, along with borrowings totaling $44M under its new senior secured credit facilities ($30M term and $50M revolving), to repay outstanding debt totaling $96.6M. Additionally, Chefs' used $8.9M to purchase Harry Wils.

Figure 20: Chefs' IPO and Recapitalization—Sources and Uses of Cash

Proceeds from IPO after over-allotment exercised	$63.1M
Cash from new term and revolving credit facilities	$44.0M
Available cash proceeds following IPO	$107.1M
Purchase of Harry Wils & Company	$8.9M
Repayment of outstanding debt	$96.6M
Additional cash	$1.6M
Total funds required	$107.1M

Source: Company reports; BB&TCM estimates

As illustrated in **Figure 21**, Chefs' pro forma net debt and shareholders' equity was approximately $44M and $12M, respectively, which equates to a long-term capitalization of $56M. Thus, the company's debt-to-capitalization ratio was 79% while net to LTM EBITDA was 1.6x.

Figure 21: Estimated Pro Forma Capitalization and Leverage Ratio

Debt	$44M
Shareholders' Equity	$12M
Total Capitalization	$56M
Debt/Capital Ratio	**79%**
Debt/LTM EBITDA	**1.6x**

Source: Company reports; BB&TCM estimates

Post IPO—Substantial Insider Ownership Remains

Post-IPO, total insider ownership was 46.8% and free float was 53.2%

Following the company's IPO, Chefs' Warehouse had 20.7M shares of common stock outstanding. As shown in **Figure 22**, management retained a large ownership stake in the company post the IPO. Most notably, the Pappas brothers each own 20.5% of the company, while other members of management and directors own another 5.9%. Post-IPO, total insider ownership was 46.8% and free float was 53.2%.

Figure 22: Director and Executive Insider Ownership

Directors and Executive Officers	Number of Shares[1]	Percentage Ownership [1]
Christopher Pappas	4,229,215	20.5%
John Pappas	4,229,215	20.5%
Dean & Kay Facatselis	570,880	2.8%
James Wagner	245,211	1.2%
Kenneth Clark	152,913	0.7%
Frank O'Dowd	122,605	0.6%
Total Insider Ownership	**9,672,644**	**46.8%**

[1] After offering assuming full exercise of over-allotment option.
Source: Company reports; BB&TCM estimates

RECENT RESULTS AND OUTLOOK

Second-Quarter 2011 Results in Detail

Current and prior-period comparisons are on a pro forma basis to reflect the impact of the recent IPO. Specifics include the following:

- A material adjustment to interest expense assuming post-IPO leverage levels
- Additional costs to operate a public company
- Additional stock compensation charges on vesting equity grants
- Tax adjustment (assuming a 39% tax rate) to normalize the 2010 effective tax rate

EPS. On this basis, Chefs' Q2'11 EPS grew 33% to $0.20 from $0.15 in the prior-year period.

Sales. For Q2'11, sales increased 18.7% to $99.3M from $83.6M in the prior-year period on increased case volume and higher revenue per case. Real internal sales contributed 13.4% (versus 12% in the prior-year period) while sales inflation and mix contributed 3.3% and acquisitions 2%.

Gross Profit. Q2'11 gross margin expanded 21 bps to 26.45% from 26.24% due to improved margin on sales of protein items and the receipt of a multiyear customs rebate (increased 20 bps). Gross profit dollars increased 19.6% to $26.3M from $21.9M in the prior-year period.

SG&A Expense. For Q2'11, operating expenses increased 14.2% yr/yr to $19M while the corresponding ratio contracted 75 bps to 19.11% from 19.86%, driven by improved cost controls and operating leverage from strong sales. Results included $200K of non-recurring costs from the recently closed Harry Wils acquisition.

Operating Profit. Q2'11 operating profit rose 36.5% to $7.3M from $5.3M in the year ago period while the related ratio expanded 95 bps to 7.34% from 6.39%. Adjusted EBITDA was $8.1M versus $6.2M in Q2'10 while the related margin expanded 78 bps yr/yr to 8.19%.

Net Income. Net interest expense fell 18.6% to $0.4M while other income was nil versus a $0.2M loss in the year-ago period. The effective tax rate expanded 10 bps to 39.1%, resulting in net income of $4.2M, up 35.1% from $3.1M in the similar period last year.

Financial Forecasts

Our quarterly and annual income statement projections are presented on pages 25–26, followed by our balance sheets and cash flow estimates on pages 27 and 28, respectively. Below we discuss the assumptions underlying our financial forecasts.

Income Statement, Capital Expenditures, and Free Cash Flow Projections

Our income statement forecasts are predicated on the following general assumptions:

- Strong organic sales growth supplemented by announced acquisitions (we do not model for unannounced acquisitions)
- Stable to slightly rising gross margins
- Contracting expense ratios driven by leveraging fixed costs
- Free cash flow is applied to pay down debt

Company guidance—53-week 2011 and long-term EPS growth
Management recently set 53-week 2011 financial guidance that included:

- Sales of $384M–$392M, up 16.3%–18.7%
- GAAP EPS of $0.41–$0.44
- Pro forma EPS of $0.76–$0.79

The company had previously provided long-term:

- Organic revenue growth of 7%–10% in existing markets
- Consistent gross margins
- Operating and interest expense leverage
- Organic EPS growth of 17.5%

2011 Income Statement, Capital Expenditure, and Free Cash Flow Projections

Income Statement. For 53-week 2011, we forecast sales growth of 19.2% to $393.7M from $330.1M in 2010, driven by internal sales growth of 12.6% yr/yr, 4.2% yr/yr growth from acquisitions and another 2.4% from the 53rd week. We estimate gross profit growth of 20.7% to $103.5M from $85.8M and gross margin expansion of 32 bps to 26.3% from 25.98% in 2010. We project a 14.1% increase in SG&A costs to $74.8M from $65.6M and an 86 bps contraction of the corresponding ratio to 19% from 19.86% in the prior year. Consequently, we forecast 2011 operating profit of $28.7M, up 42.1% from $20.2M in the prior year. As a percent of sales, we project operating margin expansion of 118 bps to 7.3% in 2011 from 6.12% in 2010. We project 2011 EBITDA of $30.3M, up 35.8% from $22.3M in the prior year. We estimate net interest expense of $1.7M and a 10 bps expansion of the tax rate to 39.1% from 39%. Thus, we forecast net income of $16.5M, up 42% from $11.6M in 2010. We estimate diluted shares outstanding at 20.8M; thus, we forecast 53-week core EPS of $0.79. On a calendarized basis (to 52 weeks), our 2011 forecast is $0.77.

Capital Expenditures and Free Cash Flow. We estimate 2011 cash capital expenditures of $1.5M, up 32% from $1.1M in 2010, driven by the relocation in warehouse operations in Miami. We forecast the Harry Wils acquisition and miscellaneous investments will put total capital costs at $10M. We project cash flow from operations at $13.5M in 2011. Thus, free cash flow is projected to total $3.5M, or $0.17/sh.

2012 Income Statement, Capital Expenditure, and Free Cash Flow Projections

Income Statement. For 2012, we forecast sales growth of 10% to $433M, driven by internal sales growth of 9.5% yr/yr, a 2.7% contribution from acquisitions, partly offset by a 2.2% drag from comparing with 53-week 2011. We estimate gross profit gains of 9.8% to $113.7M from $103.5M and gross margin contraction of 5 bps to 26.25%. We project a 5.6% increase in SG&A costs to $79M from $74.8M and a 75 bps contraction of the corresponding ratio to 18.25% from 19% in the prior year. Consequently, we forecast 2012 operating profit of $34.6M, up 20.6% from $28.7M in the prior year. As a percent of sales, we project operating margin expansion of 70 bps to 8% in 2012 from 7.3% in 2011. We forecast 2012 EBITDA of $36.4M, up 20% yr/yr. We estimate a 25.1% decline in net interest expense, to $1.3M and a 10 bps contraction in the tax rate to 39%. Thus, we forecast net income of $20.3M, up 23%

from $16.5M in 2011. Diluted shares outstanding are estimated to total 21M; thus, we forecast 2012 EPS of $0.97.

Capital Expenditures and Free Cash Flow. We estimate 2012 cash capital expenditures of $8.5M, as we anticipate the company will consolidate both NY distribution centers into a larger facility. We project cash flow from operations at $20M in 2012. Thus, free cash flow is projected to total $11.5M, or $0.55/sh.

2013 Income Statement, Capital Expenditure, and Free Cash Flow Projections

Income Statement. For 2013, we forecast sales growth of 10.5% (all internal) to $478.4M. We estimate gross profit growth of 10.7% to $125.8M and gross margin expansion of 5 bps to 26.3%. We project an 8.1% increase in SG&A costs to $85.4M and a 40 bps contraction of the corresponding ratio to 17.85% from 18.25% in the prior year. Consequently, we forecast 2013 operating profit of $40.4M, up 16.7% from $34.6M in the prior year. As a percent of sales, we project operating margin expansion of 45 bps to 8.45% in 2013 from 8% in 2012. We forecast 2013 EBITDA of $42.3M, up 16.3% yr/yr. We estimate a 63% decline in net interest expense to $0.5M. Thus, we forecast net income of $24.4M versus $20.3M in 2012. We estimate diluted shares outstanding at 21.2M; thus, we forecast 2013 core EPS of $1.15.

Capital Expenditures and Free Cash Flow. We project that 2013 cash capital expenditures of $2M on anticipated facility maintenance and $0.7M of miscellaneous investments will put total capital costs at $2.7M. We forecast cash flow from operations at $24M in 2013. Thus, free cash flow is estimated to total $21.3M, or $1/sh.

VALUATION

We View Chefs' Warehouse as Modestly Undervalued

Chefs' Warehouse appears moderately undervalued versus the median valuation for its peer group of leading food merchandisers

As shown in **Figure 23**, based on the primary valuation metrics we normally use, Chefs' Warehouse appears moderately undervalued versus the median valuation for its peer group of leading food merchandisers. Specifically, CHEF's forward P/E ratio based on estimated calendar 2012 EPS is 14.0x versus 17.0x for the group, or a 18% discount; its EV/EBITDA based on forecasted calendar 2012 EBITDA is 8.9x versus the group at 9.1x, or a 2% discount; its EV/sales based on projected calendar 2012 sales is 0.75x versus the group at 0.82x, or a 9% discount.

UNFI is the group member that we think is the best direct comparable for CHEF. CHEF trades at a 23% discount to UNFI on forecasted calendar 2012 P/E and an 8% discount on forecasted calendar 2012 EBITDA, but an 92% premium on forecasted 2012 sales. Given that we forecast CHEF's 2012 EBITDA margin at 8.4% versus 4% for UNFI, we consider CHEF's valuation premium based on EV/sales appropriate.

Intermediate-Term Fundamentals Stronger than Peers

While most of its standard valuation metrics are at a moderate discount to its peers, we forecast that Chefs' intermediate-term fundamentals will outperform. For example, we forecast calendar 2012 yr/yr EPS growth for CHEF of 26% versus 16% for the group median and Chefs' calendar 2012 yr/yr EBITDA growth at 20% versus 15% for the group median.

We Derived Our $20 Price Target Using a Forward P/E Methodology

We generally apply forward P/E valuation methods to growth stocks, and we certainly view Chefs' that way. Based on its strong fundamentals, we believe that CHEF's will ultimately be revalued up to the group median of 17.0x calendar 2012 EPS from 14.0x currently.

Thus, we have applied the group median multiple to derive our $20 price target. Mathematically, we take the 17.0x group multiple and apply it to our calendar 2013 EPS forecast of $1.15 to yield our $20 price target.

Figure 23: Valuation Comparison of Selected Food Merchandisers[1]

BB&T Capital Markets
Valuation Comparison of Selected Leading Food Merchandisers[1]

	Chefs' (CHEF-OTC)	Sysco (SYY-NYSE)	Hain (HAIN-OTC)	Smart Balance (SMBL-OTC)	United Natural (UNFI-OTC)	Whole Foods (WFM-OTC)	Group Median
Stock price $	13.56	27.16	30.37	4.76	38.27	63.11	
Common shares outstanding	20.7	583.5	43.5	58.9	48.4	173.0	
Equity market value:$	280	15,847	1,320	281	1,851	10,915	
Net debt book value:$	44 pf	2,029	203	40.7	202.4	(519)	
Total enterprise value:$	324 pf	17,876	1,522	321	2,053	10,396	
Shareholders' equity:$	12 pf	4,705	867	318	851	2,845	
Total long-term capitalization:$	56 pf	6,734	1,069	359	1,053	2,326	
Net debt/total long-term capitalization:%	*78.6* pf	*30.1*	*19.0*	*11.3*	*19.2*	*(22.3)*	
Calendar 2010 earnings per share:$A	0.56 pf	1.90	1.14	0.11	1.63	1.61	
Calendar 2011 earnings per share:$E	0.77 pf	1.95	1.44	0.23	1.82	2.03	
Calendar 2012 earnings per share:$E	0.97 pf	1.95	1.67	0.30 C	2.10	2.35	
Calendar 2010 price/earnings ratio	24.2	14.3	26.6	43.3	23.5	39.2	25.4
Calendar 2011 price/earnings ratio	17.6	13.9	21.1	20.7	21.0	31.1	20.9
Calendar 2012 price/earnings ratio	14.0	13.9	18.2	15.9	18.3	26.9	17.0
Calendar 2010 EBITDA:$A	22.6 pf	2,309.0	109.2	20.6	152.9	756.0	
Calendar 2010 EBITDA margin:%	*6.84*	*6.13*	*10.98*	*8.52*	*3.69*	*8.07*	
Calendar 2010 EBITDA multiple[2]	14.4	7.7	13.9	15.6	13.4	13.8	13.8
Calendar 2011 EBITDA:$E	30.4 pf	2,406.0	141.8	33.0	183.7	885.1	
Calendar 2011 EBITDA margin:%	*7.86*	*5.89*	*11.86*	*12.32*	*3.86*	*8.46*	
Calendar 2011 EBITDA multiple[2]	10.7	7.4	10.7	9.7	11.2	11.7	10.7
Calendar 2012 EBITDA:$E	36.4 pf	2,456.5	162.2	41.9 C	211.8	1,000.2	
Calendar 2012 EBITDA margin:%	*8.40*	*5.62*	*12.45*	*13.29*	*4.01*	*8.50*	
Calendar 2012 EBITDA multiple[2]	8.9	7.3	9.4	7.7	9.7	10.4	9.1
Calendar 2010 sales:$A	330	37,691	995	242	4,142	9,370	
Calendar 2010 sales multiple[3]	0.98	0.47	1.53	1.33	0.50	1.11	1.05
Calendar 2011 sales:$E	386	40,842	1,196	268	4,763	10,464	
Calendar 2011 sales multiple[3]	0.84	0.44	1.27	1.20	0.43	0.99	0.92
Calendar 2012 sales:$E	433	43,742	1,303	315 C	5,282	11,772	
Calendar 2012 sales multiple[3]	0.75	0.41	1.17	1.02	0.39	0.88	0.82
Book value per share:$	0.58	8.06	19.94	5.40	17.60	16.45	
Price/book value ratio	23.35	3.37	1.52	0.88	2.17	3.84	2.77

A	Actual results from continuing operations before nonrecurring items on a comparable-weeks basis.
E	BB&T Capital Markets estimated results from continuing operations before nonrecurring items.
C	Consensus estimate.
EPS	Fully diluted earnings per share.
PF	Pro forma
[1]	Dollar data in millions, except per-share figures.
[2]	Total enterprise value divided by adjusted EBITDA.
[3]	Total enterprise value divided by sales.

Source: FactSet; company reports; BB&TCM estimates

RISKS

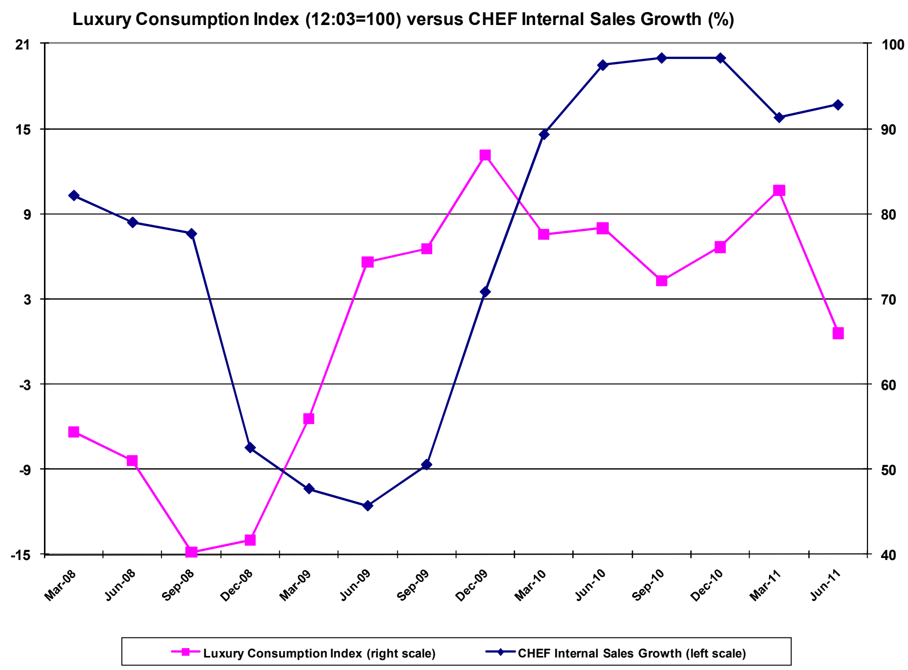
We view the following as important risk factors regarding an investment in CHEF and to achieving our price target.

Cyclicality of Demand Tied to High End Consumer Sentiment

Chefs' revenue is closely correlated to consumer sentiment among high-end consumers. As shown in **Figure 24**, during the 2008/2009 recession, Chefs' experienced four sequential quarters of negative internal sales growth that averaged –9.6%. This was closely linked to a steep decline in the Luxury Consumption Index during that period. Conversely, CHEF's sales rapidly improved (with about a 6 month lag) to the recovery in the Index since then.

Despite the severity of the downturn of 2008/2009, Chefs' earnings rose during that period as it nimbly right-sized the business and completed two accretive acquisitions. Aided by the flexibility of employing a non-union work force, the company eliminated 10% of its fleet with an associated reduction in drivers, warehouse labor, and G&A expenses.

Figure 24: Chefs' Historical Internal Sales Growth Correlation to Luxury Consumption Index



Source: Unity Marketing; company reports; BB&TCM estimates

Concentration of Business in Greater New York

Chefs' greater New York market, which spans from Boston to Atlantic City, accounted for 65% of 2010 sales. Risks associated with this concentration include potential adverse regional economic trends and potential catastrophic events.

Fuel Price Inflation

Year to date, we estimate that Chefs' fuel costs have averaged 70 bps of sales (or 50 bps net of fuel surcharges to customers). As detailed in **Figure 25,** this is similar to 81 bps for UNFI and 60 bps for SYY. We estimate a $0.10/gallon increase in fuel would increase Chefs' pretax fuel expenses by $75K; thus a $1/gal increase would negatively impact EPS by just $0.02.

Figure 25: Estimated Fuel Costs as a Percentage of Sales

Fuel costs	CHEF	UNFI	SYY
Fuel costs as a percentage of sales	70 bps	81 bps	60 bps
Fuel costs as a percentage of sales (net of surcharges)	50 bps	NA	NA

Source: Company reports; BB&TCM estimates

Product Cost Inflation and Relative Pricing Power

Investor concern regarding food merchandisers' ability to pass through inflating product costs is both a perceived and potentially real risk. As shown in **Figure 26**, Chefs' adjusted gross margin expanded 21 bps and 43 bps, respectively, in Q2'11 and Q1'11. This compares favorably to respective contractions 57 bps and 27 bps for SYY. Over the long term, CHEF has normally had stronger pricing power than SYY as well. Only during 2008 did CHEF materially underperform SYY when its margin contracted 55 bps and SYY was flat.

Figure 26: Pricing Power and Product Cost Inflation

Calendar year/quarters	2007	2008	2009	2010	Q1'11*	Q2'11*
CHEF gross margin expansion (contraction)	(24)	(55)	135	(33)	43	21
SYY gross margin expansion (contraction)	(18)	0	(6)	(29)	(27)	(57)
CHEF less SYY differential	(6)	(55)	141	(4)	70	78
PPI–Finished Consumer Food	6.6%	6.8%	(1.5%)	4.1%	5.2%	5.4%

Source: Company reports; BB&TCM estimates **Adjusted to exclude non-operational benefits*

Acquisition-Related Risks

Chefs' strategy to substantially grow via acquisitions entails certain risks. The two generic risks associated with horizontal acquisitions are around execution and asset quality. While Chefs' history of successful acquisitions does not preclude it from these risks in the future, we believe it does suggest a company that is highly capable of navigating potential pitfalls. Based on its strong management team and information systems, we view execution risk as relatively minor in the intermediate term. Risks around asset quality can often, but not always, be dealt with via valuation (i.e., pay more for better companies and less for weaker ones). Regardless, we believe management must remain diligent to avoid acquisitions that could materially dilute Chefs' culture of excellence.

CONCLUSION

We view Chefs' Warehouse as well positioned to continue to gain market share in the specialty foodservice distribution sector. Thus, we have forecasted strong growth in sales and earnings for the near and long term. With a moderately undervalued equity currently, CHEF's stock presents a timely investment, in our opinion.

The Chefs' Warehouse, Inc.
Historical and Forecasted Income Statement - Quarterly
(Dollar data in thousands)[1]

Fiscal year[2]	**2010A[3]**					**2011E[3]**					**2012E**	**2013E**
Period	**Qtr 1**	**Qtr 2**	**Qtr 3**	**Qtr 4**	**Year**	**Qtr 1A**	**Qtr 2A**	**Qtr 3**	**Qtr 4**	**Year**	**Year**	**Year**
Number of weeks	**13**	**13**	**13**	**13**	**52**	**13**	**13**	**13**	**14**	**53**	**52**	**52**
FIFO Income												
Sales:$	70,000	83,613	84,928	91,576	330,118	83,183	99,255	100,229	110,993	393,660	432,953	478,413
Cost of sales:$	52,017	61,670	62,865	67,788	244,340	61,148	73,000	74,019	81,969	290,136	319,303	352,590
Gross profit:$	17,983	21,943	22,063	23,789	85,778	22,035	26,255	26,210	29,025	103,525	113,650	125,823
Gross margin:%	*25.69*	*26.24*	*25.98*	*25.98*	*25.98*	*26.49*	*26.45*	*26.15*	*26.15*	*26.30*	*26.25*	*26.30*
Operating expenses:$	15,216	16,602	16,125	17,622	65,565	17,441	18,966	18,192	20,201	74,799	79,007	85,397
Expense ratio:%	*21.74*	*19.86*	*18.99*	*19.24*	*19.86*	*20.97*	*19.11*	*18.15*	*18.20*	*19.00*	*18.25*	*17.85*
Operating profit:$	2,767	5,341	5,938	6,167	20,213	4,594	7,289	8,018	8,824	28,725	34,643	40,426
Operating margin:%	*3.95*	*6.39*	*6.99*	*6.73*	*6.12*	*5.52*	*7.34*	*8.00*	*7.95*	*7.30*	*8.00*	*8.45*
Operating cash flow:$	3,676	6,353	6,832	7,411	22,316	5,552	8,097	8,418	9,224	30,306	36,382	42,318
Operating cash-flowmargin:%	*5.25*	*7.60*	*8.04*	*8.09*	*6.76*	*6.67*	*8.16*	*8.40*	*8.31*	*7.70*	*8.40*	*8.85*
Adjusted EBITDA:$	3,580	6,194	6,432	6,899	22,579	5,161	8,133	8,418	9,224	30,936	36,382	42,318
Adjusted EBITDA margin:%	*5.11*	*7.41*	*7.57*	*7.53*	*6.84*	*6.20*	*8.19*	*8.40*	*8.31*	*7.86*	*8.40*	*8.85*
Interest expense, net:$	627	512	472	429	2,041	433	417	441	444	1,735	1,299	478
Interest ratio:%	*0.90*	*0.61*	*0.56*	*0.47*	*0.62*	*0.52*	*0.42*	*0.44*	*0.40*	*0.44*	*0.30*	*0.10*
(Gain)/loss on swap/other income:	(183)	(248)	(228)	(252)	(910)	(81)	0	0	0	(81)	0.0	0.0
Pretax income:$	2,323	5,077	5,694	5,990	19,083	4,242	6,872	7,577	8,380	27,071	33,344	39,947
Pretax margin:%	*3.32*	*6.07*	*6.70*	*6.54*	*5.78*	*5.10*	*6.92*	*7.56*	*7.55*	*6.88*	*7.70*	*8.35*
Income taxes:$	905	1,980	2,220	2,337	7,442	1,660	2,687	2,970	3,268	10,586	13,004	15,580
Effective tax rate:%	*38.96*	*39.00*	*38.99*	*39.02*	*39.00*	*39.13*	*39.10*	*39.20*	*39.00*	*39.10*	*39.00*	*39.00*
Net income:$	1,418	3,097	3,474	3,653	11,641	2,582	4,185	4,607	5,112	16,486	20,340	24,368
Net margin:%	*2.03*	*3.70*	*4.09*	*3.99*	*3.53*	*3.10*	*4.22*	*4.60*	*4.61*	*4.19*	*4.70*	*5.09*
Net nonrecurring items:$	0	0	0	0	0	0	0	(7,085)	0	(7,085)	0	0
Reported net income:$	1,418	3,097	3,474	3,653	11,641	2,582	4,185	(2,478)	5,112	9,401	20,340	24,368
Diluted Per-Share Data												
Avg shares outstanding(mil)	20,835	20,835	20,835	20,835	20,835	20,835	20,835	20,835	20,835	20,835	20,960	21,245
Earnings per share:$	0.07	0.15	0.17	0.18	0.56	0.12	0.20	0.22	0.25	0.79	0.97	1.15
Net nonrecurring items:$	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(0.34)	0.00	(0.34)	0.00	0.00
Reported EPS:$	0.07	0.15	0.17	0.18	0.56	0.12	0.20	(0.12)	0.25	0.45	0.97	1.15
Year-to-Year Change:%												
Real internal sales	10.0	12.0	11.0	10.6	10.9	10.9	13.4	8.0	3.5	9.0	6.5	7.5
Sales inflation/mix	4.6	7.5	9.0	9.4	7.8	4.9	3.3	3.5	3.0	3.7	3.0	3.0
Nominal internal sales	14.6	19.5	20.0	20.0	18.7	15.8	16.7	11.5	6.5	12.6	9.5	10.5
Sales	17.7	22.5	23.7	22.6	21.8	18.8	18.7	18.0	21.2	19.2	10.0	10.5
Cost of sales					22.3	17.6	18.4	17.7	20.9	18.7	10.1	10.4
Gross profit					20.3	22.5	19.6	18.8	22.0	20.7	9.8	10.7
Operating expenses					13.1	14.6	14.2	12.8	14.6	14.1	5.6	8.1
Operating profit					51.6	66.0	36.5	35.0	43.1	42.1	20.6	16.7
Operating cash flow					46.4	51.0	27.5	23.2	24.5	35.8	20.0	16.3
Interest expense, net					(27.5)	(31.0)	(18.6)	(6.6)	3.5	(15.0)	(25.1)	(63.2)
Pretax income					70.8	82.6	35.4	33.1	39.9	41.9	23.2	19.8
Net income					29.9	82.1	35.1	32.6	39.9	41.6	23.4	19.8
Earnings per share					29.9	82.1	35.1	32.6	39.9	41.6	22.6	18.2

A Actual results.
E BB&T Capital Markets estimates.
NM Not meaningful.
[1] Except per-share figures.
[2] Fiscal year ends on the fifth Friday of December.
[3] Estimated pro forma for IPO and other adjustments.

The Chefs' Warehouse, Inc.
Historical and Forecasted Income Statement - Annual
(Dollar data in thousands)[1]

Fiscal year[2]	**2006A**	**2007A**	**2008A**	**2009A**	**2010A[3]**	***4-YR***	**2011E[3]**	**2012E**	**2013E**	***3-YR***
Period	**Year**	**Year**	**Year**	**Year**	**Year**	***CAGR***	**Year**	**Year**	**Year**	***CAGR***
Number of weeks	**52**	**52**	**53**	**52**	**52**	***%***	**53**	**52**	**52**	***%***
FIFO Income										
Sales:$	229,803	256,134	281,703	271,072	330,118	*9.5*	393,660	432,953	478,413	*13.2*
Cost of sales:$	170,624	190,787	211,387	199,764	244,340		290,136	319,303	352,590	
Gross profit:$	59,179	65,347	70,316	71,308	85,778	*9.7*	103,525	113,650	125,823	*13.6*
Gross margin:%	*25.75*	*25.51*	*24.96*	*26.31*	*25.98*		*26.30*	*26.25*	*26.30*	
Operating expenses:$	55,181	59,389	60,314	57,977	65,565	*4.4*	74,799	79,007	85,397	*9.2*
Expense ratio:%	*24.01*	*23.19*	*21.41*	*21.39*	*19.86*		*19.00*	*18.25*	*17.85*	
Operating profit:$	3,998	5,958	10,002	13,331	20,213	*50.0*	28,725	34,643	40,426	*26.0*
Operating margin:%	*1.74*	*2.33*	*3.55*	*4.92*	*6.12*		*7.30*	*8.00*	*8.45*	
Operating cash flow:$	5,950 E	7,900	11,912	15,248	22,316	*39.2*	30,306	36,382	42,318	*23.8*
Operating cash-flow margin:%	*2.59*	*3.08*	*4.23*	*5.63*	*6.76*		*7.70*	*8.40*	*8.85*	
Interest expense:$	3,425	3,515	3,238	2,815	2,041	*(12.1)*	1,735	1,299	478	*(38.3)*
Interest ratio:%	*1.49*	*1.37*	*1.15*	*1.04*	*0.62*		*0.44*	*0.30*	*0.10*	
(Gain)/loss on swap/other income:$	0	(479)	1,118	(658)	(910)		(81)	0	0	
Pretax income:$	573	1,964	5,646	11,174	19,083	*140.2*	27,071	33,344	39,947	*27.9*
Pretax margin:%	*0.25*	*0.77*	*2.00*	*4.12*	*5.78*		*6.88*	*7.70*	*8.35*	
Income taxes:$	898	786	3,450	2,213	7,442	*69.7*	10,586	13,004	15,580	*27.9*
Effective tax rate:%	*NM*	*40.02*	*61.11*	*19.81*	*39.00*		*39.10*	*39.00*	*39.00*	
Net income:$	(325)	1,178	2,196	8,961	11,641	*NM*	16,486	20,340	24,368	*27.9*
Net margin:%	*(0)*	*0.46*	*0.78*	*3.31*	*3.53*		*4.19*	*4.70*	*5.09*	
Net nonrecurring items:$	(3,347)	(2,995)	(3,000)	(6,207)	0		(7,085)	0	0	
Reported net income:$	(3,672)	(1,817)	(804)	2,754	11,641		9,401	20,340	24,368	
Diluted Per-Share Data										
Avg shares outstanding(mil)	20,835	20,835	20,835	20,835	20,835.0		20,835	20,960	21,245	
Earnings per share:$	(0.02)	0.06	0.11	0.43	0.56	*NM*	0.79	0.97	1.15	*27.1*
Net nonrecurring items:$	(0.16)	(0.14)	(0.14)	(0.30)	0.00		0.00	0.00	0.00	
Reported EPS:$	(0.18)	(0.09)	(0.04)	0.13	0.56		0.79	0.97	1.15	
Year-to-Year Change:%										
Real internal sales	NA	NA	NA	(6.2)	10.9		9.0	6.5	7.5	
Sales inflation/mix	NA	NA	NA	(0.6)	7.8		3.7	3.0	3.0	
Nominal internal sales	NA	NA	4.2	(6.7)	18.7		12.6	9.5	10.5	
Sales		11.5	10.0	(3.8)	21.8		19.2	10.0	10.5	
Cost of sales		11.8	10.8	(5.5)	22.3		18.7	10.1	10.4	
Gross profit		10.4	7.6	1.4	20.3		20.7	9.8	10.7	
Operating expenses		7.6	1.6	(3.9)	13.1		14.1	5.6	8.1	
Operating profit		49.0	67.9	33.3	51.6		42.1	20.6	16.7	
Operating cash flow		32.8 E	50.8	28.0	46.4		35.8	20.0	16.3	
Interest expense		2.6	(7.9)	(13.1)	(27.5)		(15.0)	(25.1)	(63.2)	
Pretax income		242.8	187.5	97.9	70.8		41.9	23.2	19.8	
Net income		(462.5)	86.4	308.1	29.9		41.6	23.4	19.8	
Earnings per share		(462.5)	86.4	308.1	29.9		41.6	22.6	18.2	

A Actual results.
E BB&T Capital Markets estimates.
NM Not meaningful.
[1] Except per-share figures.
[2] Fiscal year ends on the fifth Friday of December.
[3] Estimated pro forma for IPO and other adjustments

The Chefs' Warehouse, Inc.
Historical and Forecasted Balance Sheets
(Dollar data in thousands)

Fiscal year[1]	2007A Amount:$	Ratio:%	2008A Amount:$	Ratio:%	2009A Amount:$	Ratio:%	2010A Amount:$	Ratio:%	2011E Amount:$	Ratio:%	2012E Amount:$	Ratio:%	2013E Amount:$	Ratio:%
Assets														
Cash and equivalents	2,232	*3.55*	1,591	*2.47*	875	*1.33*	1,978	*2.39*	5,095	*5.08*	595	*0.54*	18,798	*13.90*
Accounts and notes receivable	29,865	*47.47*	28,728	*44.54*	30,977	*46.98*	36,200	*43.79*	42,245	*42.13*	47,416	*42.76*	50,861	*37.61*
Inventories	17,819	*28.32*	16,449	*25.50*	15,289	*23.19*	16,441	*19.89*	18,510	*18.46*	21,156	*19.08*	23,152	*17.12*
Prepaid and other current assets	2,514	*4.00*	2,690	*4.17*	3,568	*5.41*	5,259	*6.36*	4,996	*4.98*	5,496	*4.96*	6,045	*4.47*
Total current assets	52,430	*83.33*	49,458	*76.68*	50,709	*76.91*	59,878	*72.43*	70,847	*70.66*	74,662	*67.33*	98,857	*73.10*
Property and equipment, net	3,869	*6.15*	4,299	*6.66*	4,240	*6.43*	4,228	*5.11*	4,147	*4.14*	10,908	*9.84*	11,016	*8.15*
Goodwill	2,275	*3.62*	6,698	*10.38*	9,359	*14.19*	11,479	*13.88*	19,479	*19.43*	19,229	*17.34*	18,979	*14.03*
Other assets	4,343	*6.90*	4,047	*6.27*	1,629	*2.47*	7,087	*8.57*	5,796	*5.78*	6,085	*5.49*	6,390	*4.72*
Total assets	62,917	*100.00*	64,502	*100.00*	65,937	*100.00*	82,672	*100.00*	100,268	*100.00*	110,885	*100.00*	135,242	*100.00*
Liabilities and Shareholders' Equity														
Short-term and current long-term debt	2,900	*4.61*	2,764	*4.29*	2,794	*4.24*	16,945	*20.50*	0	*0.00*	0	*0.00*	0	*0.00*
Accounts payable	24,412	*38.80*	18,786	*29.12*	19,290	*29.26*	23,563	*28.50*	27,527	*27.45*	30,880	*27.85*	34,109	*25.22*
Accrued compensation	NA	*NA*	NA	*NA*	2,750	*4.17*	3,478	*4.21*	3,994	*3.98*	4,519	*4.08*	4,970	*3.68*
Accrued and other expenses	6,312	*10.03*	5,807	*9.00*	3,396	*5.15*	3,686	*4.46*	4,055	*4.04*	4,460	*4.02*	4,906	*3.63*
Total current liabilities	33,624	*53.44*	27,357	*42.41*	28,230	*42.81*	47,672	*57.66*	35,575	*35.48*	39,859	*35.95*	43,986	*32.52*
Long-term debt	33,082	*52.58*	37,323	*57.86*	29,928	*45.39*	82,580	*99.89*	19,097	*19.05*	3,097	*2.79*	0	*0.00*
Deferred taxes and other	1,625	*2.58*	3,040	*4.71*	2,445	*3.71*	1,232	*1.49*	21,907	*21.85*	23,900	*21.55*	22,860	*16.90*
Shareholders' equity	(5,414)	*(8.60)*	(3,218)	*(4.99)*	5,334	*8.09*	(48,812)	*(59.04)*	23,689	*23.63*	44,029	*39.71*	68,397	*50.57*
Total liabilities and shareholders' equity	62,917	*100.00*	64,502	*100.00*	65,937	*100.00*	82,672	*100.00*	100,268	*100.00*	110,885	*100.00*	135,242	*100.00*

Historical and Forecasted Return on Capital

	2007A	2008A	2009A	2010A	2011E	2012E	2013E
EBITDAR (EBITDA plus operating rent expense)	14,700	19,181	22,314	29,557	37,909	44,366	50,700
EBITDAR to sales ratio	5.74%	6.81%	8.23%	8.95%	9.63%	10.25%	10.60%
Committed capital, avg.	NA	84,566	89,986	96,609	98,878	100,559	109,436
1. EBITDAR to avg. committed capital	**NA**	**22.68%**	**24.80%**	**30.59%**	**38.34%**	**44.12%**	**46.33%**
2. After tax EBITDAR to avg. committed capital	**NA**	**8.82%**	**19.89%**	**18.66%**	**23.35%**	**26.91%**	**28.26%**
3. Net income plus after tax interest and rent expense to avg. committed capital	**NA**	**7.43%**	**18.76%**	**17.91%**	**22.42%**	**25.86%**	**27.21%**
Historical and Forecasted Return on Average Equity	**NA**	**NM**	**NM**	**NM**	**NM**	**60.1%**	**43.3%**
Historical and Forecasted Return on Average Assets	**NA**	**3.4%**	**13.7%**	**15.7%**	**18.0%**	**19.3%**	**19.8%**

Historical and Forecasted Gross Margin Return on Inventory (FIFO basis)

	2007A	2008A	2009A	2010A	2011E	2012E	2013E
Inventory turn (COGS/Avg. Inventory) FIFO basis	NA	12.34	12.59	15.40	16.60	16.10	15.92
X							
FIFO gross margin	25.51%	24.96%	26.31%	25.98%	26.30%	26.25%	26.30%
=							
Gross margin return on inventory (GMROI)	**NA**	**3.08**	**3.31**	**4.00**	**4.37**	**4.23**	**4.19**

A Actual results
E BB&T Capital Markets estimates.
NM Not meaningful.
[1] Fiscal year ends on the fifth Friday of December.

The Chefs' Warehouse, Inc.
Historical and Forecasted Cash Flow Statement
(Dollar data in thousands)

Fiscal year[1]	**2007A**	**2008A**	**2009A**	**2010A**	**2011E**	**2012E**	**2013E**
Cash Flow from Operations							
Net income	2,136	2,196	8,961	15,874	16,486	20,340	24,368
Depreciation and amortization	1,942	1,985	1,520	1,388	1,581	1,739	1,892
Increase in inventories	(1,964)	2,512	1,584	(450)	(2,069)	(2,646)	(1,997)
Increase in accounts payable and accrued liabilities	5,677	(7,794)	813	4,988	3,964	3,353	3,229
Increase in accounts receivable	(1,536)	2,380	(1,577)	(4,601)	(6,045)	(5,171)	(3,445)
Other items, net	(387)	337	584	(3,675)	(416)	2,384	(47)
Total cash provided by operations	5,868	1,616	11,885	13,524	13,500	20,000	24,000
Cash Flow from Investments							
Capital expenditures	(1,049)	(1,848)	(1,061)	(1,133)	(1,500)	(8,500)	(2,000)
Disposals	0	0	0	0	0	0	0
Acquisitions, net of cash acquired	(800)	(4,000)	(3,766)	(3,738)	(7,700)		0
Other items, net	0	0	0	0	(800)	0	(700)
Total cash used for investing activities	(1,849)	(5,848)	(4,827)	(4,871)	(10,000)	(8,500)	(2,700)
Cash Flow from Financing							
Bank & CP borrowings (repayments)	(1,147)	3,772	(4,605)	(8,275)	(16,945)	0	0
Other debt borrowings (repayments)	(1,000)	250	(2,100)	77,100	(46,538)	(16,000)	(3,097)
Cash dividends	0	0	0	(1,597)	0	0	0
Common stock reissued from treasury	0	0	(146)	0	0	0	0
Treasury stock purchases	0	0	(263)	(68,423)	0	0	0
Proceeds from IPO	0	0	0	0	63,100	0	0
Other	(1,130)	(431)	(660)	(6,355)	0	0	0
Total cash used by financing	(3,277)	3,591	(7,774)	(7,550)	(383)	(16,000)	(3,097)
Impact on Cash Holdings							
Total change in cash	742	(641)	(716)	1,103	3,117	(4,500)	18,203
Cash at beginning of fiscal year	1,490	2,232	1,591	875	1,978	5,095	595
Cash at end of fiscal year	2,232	1,591	875	1,978	5,095	595	18,798
Capital expenditures, net to sales	0.4%	0.7%	0.4%	0.3%	0.4%	2.0%	0.4%
CFO to EBITDA	74%	14%	78%	61%	45%	55%	57%
Net debt borrowed (paid down)	(2,147)	4,022	(6,705)	68,825	(63,483)	(16,000)	(3,097)
Free cash flow/share	0.19	(0.20)	0.34	0.42	0.17	0.55	1.00

A Actual results.
E BB&T Capital Markets estimates.
[1] Fiscal year ends on the fifth Friday of December.

IMPORTANT DISCLOSURES
Price Chart

To receive price charts on the companies mentioned in this report, please contact BB&T Capital Markets Research at 800-552-7757 x8785.

BB&T Capital Markets rating distribution by percentage (as of June 30, 2011):

All companies under coverage:	
Buy (1)	54.8%
Hold (2)	44.9%
Underweight/Sell (3)	0.3%
Not Rated (NR)	0.0%
Suspended (SP)	0.0%

All companies under coverage to which it has provided investment banking services in the previous 12 months:	
Buy (1)	15.0%
Hold (2)	6.9%
Underweight/Sell (3)	0.0%
Not Rated (NR)	0.0%
Suspended (SP)	0.0%

BB&T Capital Markets Ratings System:

The BBTCM Equity Research Department Stock Rating System consists of three separate ratings. The appropriate rating is determined by a stock's estimated 12-month total return potential, which consists of the percentage price change to the 12-month price target and the current yield on anticipated dividends. A 12-month price target is the analyst's best estimate of the market price of the stock in 12 months. A 12-month price target is highly subjective and the result of numerous assumptions, including company, industry, and market fundamentals, both on an absolute and relative basis, as well as investor sentiment, which can be highly volatile.

The definition of each rating is as follows:

Buy (1): estimated total return potential greater than or equal to 10%
Hold (2): estimated total return potential greater than or equal to 0% and less than 10%
Underweight (3): estimated total return potential less than 0%

NR: Not Rated
NA: Not Applicable
NM: Not Meaningful
SP: Suspended

Stocks rated Buy (1) are required to have a published 12-month price target, while it is not required on stocks rated Hold (2) and Underweight (3).

BB&T Capital Markets Equity Research Disclosures as of September 6, 2011

Company	Disclosure
SYSCO Corporation (SYY)	1, 6, 9
Smart Balance, Inc. (SMBL)	1, 6, 9
The Chefs' Warehouse, Inc. (CHEF)	1, 4, 5, 6
The Hain Celestial Group, Inc. (HAIN)	1, 6
United Natural Foods, Inc. (UNFI)	1, 4, 5, 6
Whole Foods Market, Inc. (WFM)	1

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

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6. BB&T Capital Markets expects to receive or intends to seek compensation for investment banking services from the subject company in the next three months.
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