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BUY

CHEF : NASDAQ : US$13.71

TARGET PRICE: US$18.00

Inside

Consumer Products -- Health, Wellness and Lifestyle

The Chefs' Warehouse

Serving up gourmet growth opportunities with a side of superior margins

Initiating coverage with a BUY rating and an $18 price target

We expect that CHEF will deliver an EPS growth CAGR of over 20% over the next few years and has considerable market share and new geographic growth opportunities to deliver years of growth well above the specialty food or foodservice sectors overall.

Investment highlights

- CHEF enjoys significant competitive advantages given a broader and deeper product offering and has proven its ability to dominate in existing markets, yet considerable geographical growth opportunity lies ahead.
- The business model yields higher margins and ROIC vs. other food distributors and should deliver operating leverage while generating double-digit revenue growth.
- A highly fragmented special food distribution industry offers ample consolidation opportunities, and we believe acquisitions should deliver incremental growth and facilitate new market entries.

Valuation

We view valuation as attractive and believe shares deserve a premium valuation relative to the food distribution sector.

Risks

Given a focus on the premium side of food service, CHEF will be economically sensitive. Further, nearly two-thirds of sales were generated in the greater New York market last year, generating a regional sales concentration risk.

Company statistics

Market Cap (M):	US$285.6
52-week Range:	12.98 - 18.5
EV/EBITDA:	11.2

Price chart

Earnings summary

FYE Dec		2010A	2011E	2012E	2013E
P/Sales:		0.9	0.7	0.7	0.6
P/E:		24.9	17.9	14.4	12.6
Revenue (M):	Q1	70.0	83.2A	-	-
	Q2	83.6	99.3A	-	-
	Q3	84.9	99.7	-	-
	Q4	91.6	106.7	-	-
Total		330.1	388.9	437.1	474.3
EPS:	Q1	0.07	0.12A	-	-
	Q2	0.15	0.20A	-	-
	Q3	0.17	0.20	-	-
	Q4	0.17	0.24	-	-
Total		0.55	0.77	0.95	1.08

Company description

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

Investment thesis

We view CHEF as a best-in-class specialty foodservice distributor with a substantial growth opportunity lying ahead. While the company is a recent IPO, we believe it is clearly already proven. If you can achieve the top market share of specialty foods sold into the New York culinary market, in our view you can replicate it anywhere. Period. There is no market in the US with a larger base of menu-driven restaurants, no more diverse culinary offerings, no more challenging logistical environment than Manhattan, and no more demanding consumers or food palates anywhere in the country, if not the world. With an expertise in leveraging its supplier and sourcing relationships throughout the world to ensure a broader, deeper or more readily available list of gourmet foods and ingredients than its competition, and tangible proof that it can dominate the most challenging market in the US, we believe there is ample reason to be comfortable that CHEF can replicate its success in every major culinary market in the US.

EXECUTIVE SUMMARY

We believe CHEF is a premier distributor of specialty food products, but feel the company is best characterized as a best-in-class specialty foodservice distributor with a substantial growth opportunity lying ahead. While the company is a recent IPO, we believe it is clearly already proven. If you can achieve the top market share of specialty foods sold into the New York culinary market, in our view you can replicate it anywhere. Period. There is no market in the US with a larger base of menu-driven restaurants, no more diverse culinary offerings, no more challenging logistical environment than Manhattan, and no more demanding consumers or food palates anywhere in the country, if not the world. With an expertise in leveraging its supplier and sourcing relationships throughout the world to ensure a broader, deeper or more readily available list of gourmet foods and ingredients than its competition, and tangible proof that it can dominate the most challenging market in the US, we believe there is ample reason to be comfortable that CHEF can replicate its success in every major culinary market in the US.

Four key attributes

We are initiating coverage of CHEF with a BUY rating and an $18.00 price target. Our thesis on picking good long-term growth stocks is very simple and consists of the following steps to identify four key attributes:

1. identify a specialty consumer trend that generates consistent annual growth above the broader sector;
2. bet on the players that have a key core competency that will drive market share gains;
3. invest in a good management team with systems that support growth and consistency;
4. ensure that there is an economic model that will deliver good returns to shareholders.

CHEF has each of these attributes covered

1. We believe that specialty foods will continue to outpace the growth of the broader food sector. In simplest terms, food growth equates to population growth plus inflation. CHEF focused on the food service sector and generally toward the higher end of the sector, and as such annual growth will vary with economic activity. But, given a superior growth rate for the sector, we see reduced risk that CHEF delivers growth. If specialty foods can continue to grow in the mid to high single digits this year (gourmet at the lower end and natural/organic at the higher end), CHEF should deliver superior growth. We see no retrenchment in the trend toward a more discerning American consumer that would impact the superior category growth.
2. CHEF has a key advantage over its fragment specialty food distribution peers in that it has a broader and deeper product offering with key producer relationships in the US and abroad. This is not the only advantage, but is the key, in our opinion, to CHEF's market share gains and the major platform to leverage with expansion into new markets. Specialty and gourmet distribution to food service is fragmented with small independent players contributing most of the sales. There simply isn't a comparison to what CHEF brings to bear. As long as CHEF delivers the same level of service (it does, if not better) and delivers on time and often (it does), all the company must do is

establish relationships to gain share, and it is accomplishing this by making acquisitions into most new markets to begin key relationships and adding quality salespeople or in-market acquisitions to expand its relationships within existing markets. The company also enjoys superior systems, and not just because of its greater scale. We have been impressed since day one with the quality of the technology systems at CHEF in all respects as we compared them to similar sized distribution operations which we have encountered in the past. Its physical system strengths are apparent in its asset utilization.

3. While every investment report has some language about the quality of management, almost always positive, we have some historical prospective to offer. We have encountered many businesses that met three of our four key attributes, and nearly every time that quality leadership wasn't one of the four, the idea didn't pan out as we expected. No shock here, but it deserves attention. Historically, when we encounter a family-founded business with the founder still running the company, we rarely find quality outside additions to the management team. It usually takes a challenge for the hiring of key outsiders to occur. This is not the case at CHEF. There is a passionate leader who has built this company from the ground up and augmented his management team with experience and quality. During the company's IPO road show, this was the second most frequently referenced comment we heard following the belief that the company had considerable acquisition growth opportunity. The best way to evaluate management, in our opinion, is usually to evaluate the tools the team has put into place and the diligence behind how decisions are made. Given the quality of systems in place and diligence used for acquisitions and capital expenditures, we believe that CHEF offers investors a quality organization that is already scaled to a level where CHEF can deliver both growth and operating leverage simultaneously.

4. Finally, a great growth sector, core competencies and good systems are only as good as the economic model. While CHEF is a distributor, it isn't a typical distributor model. The company generates 26% gross margins with stable historical trends, turns its inventory rapidly enough to enjoy over 100% vendor financing, turns its fixed assets incredibly quickly and should yield over 30% ROIC and over 40% ROE. This simply isn't the traditional distributor model and thus shouldn't trade like a traditional distributor model. The premium ROE deserves a premium valuation.

INVESTMENT HIGHLIGHTS

- Initiating coverage of The Chefs' Warehouse with a BUY rating and an $18.00 price target, reflecting a premium to the broader food distribution group but a discount to the specialty food peer group.
- Establishing F2011 revenue and pro forma EPS estimates of $389 million and $0.77, respectively. For F2012 we forecast revenue and EPS of $437 million and $0.95 per share, respectively. For F2013 we forecast revenue and EPS of $474 million and $1.08 per share.
- We view The Chefs' Warehouse as an excellent play on the growth of specialty foods through food service locations that should deliver favorable internal earnings growth and a considerable opportunity to expand geographically through acquisition given an inherently fragmented sector due to the focus on specialty foods and ingredients.
- CHEF is as a well managed, high quality growth company that has considerable competitive advantages. The opportunity at The Chefs' Warehouse, in our opinion, is the focus on product catalogue expansion in the specialty food distribution category, executing strategic acquisitions within a highly fragmented industry to obtain greater scale in both existing and new markets, and leveraging a technology and management infrastructure that already has the capacity to support considerable growth.
- We believe the food distribution industry will continue to benefit from strong underlying trends, including an increased focus on the quality of foods we ingest, along with healthier eating trends that feed into Chef's product catalogue, such as natural and/or organic inputs.
- An increasingly bleak economic outlook will likely weigh on all economically sensitive companies. However, we believe CHEF's customers are focused on the appropriate demographic and as such should be somewhat more resilient. We would view any pressure on white tablecloth dining establishments as an opportunity for CHEF to expand its franchise through market share gains and acquisitions. We believe franchise value won't be impacted by any risk of a consumer spending dip in the long run.
- The specialty foods categories offer superior growth to conventional foods, with growth rates approaching the high single digits when natural and hormone-free ingredients are included in the mix. The drivers are numerous, including the aging of the population and an expanding American palate fed by everything from rising international travel over the years and even the exploding popularity of television shows focused on gourmet cooking that have created blockbusters such as Top Chef, Hell's Kitchen, and Iron Chef, just to name a few. More than any time in history, Americans are attracted to specialty and gourmet foods and top chefs have become pop icons. It isn't just the Food Network anymore and it isn't just steak and potatoes anymore either.
- The valuation is highly attractive, in our view, as shares currently trade at a 34% P/E discount relative to specialty foods group peers and a 19% discount to CHEF's closest comparison, United Natural Foods (UNFI : NASDAQ : $39.55 | HOLD).

- Shares trade at 17.9x our F2011 EPS estimate and 11.2x this year's projected EBITDA. The valuation is a discount to the specialty food peer group while a premium to the food distribution segment. If we consider CHEF's best comparable, UNFI, the shares are trading at 19% and 24% discounts on C2011 and C2012 EPS estimates, respectively. However, we forecast 39% pro forma EPS growth this year and 24% growth next year. We expect share price appreciation to exceed earnings growth given that CHEF's attractive relative valuation following the recent market turmoil has been impacted by both declining peer valuations and concerns of economic sensitivity that are likely over done. Further, the company's heavy exposure to the New York market (over 60% of sales) likely drives a modest discounting of the valuation that should decline as geographical growth continues.

INVESTMENT THESIS

The specialty/gourmet end of the foodservice market is a highly fragmented industry where the competition is generally more narrowly focused on specific product categories or geographical exposure. We aren't going to argue that white tablecloth restaurant sales are on the verge of exploding, but we will argue that the utilization of specialty ingredients is rising throughout the food service industry. This growth trend, along with a competitive environment that is highly favorable for CHEF, is where the growth lies. We believe CHEF will expand market share in existing markets, seek acquisitions for the purposes of expansion of distribution into new markets as well as increasing its presence in existing markets and leverage its infrastructure to deliver earnings growth that exceeds revenue growth. Each of these growth drivers is already proven and driving results. We forecast 39% pro forma EPS growth this year and 24% next year. Without acquisitions, we would still be forecasting 20% EPS growth next year. Beyond 2012, we are using a base case revenue growth rate in the high single digits with mid-teens EPS growth prior to any benefit from acquisitions to enter new markets or expand existing markets.

We believe that there are several growth opportunities at CHEF that should deliver revenue growth well ahead of the mid-single-digit-plus growth of specialty foods. Growth opportunities include:

- Specialty focus ensures superior growth versus broader food service industry that might grow 1% ex-inflation
- Growth within existing markets through expanding the customer base as CHEF can leverage a broader and deeper product catalogue to gain share from competitors
- Growth within existing accounts through expansion of the product offering and higher specialty food penetration rates, thus capturing higher share of each account's purchasing
- Considerable geographic growth exists as CHEF still generates 60% of sales in the New York market. The company has considerable opportunity to expand its existing markets outside of the New York area and enter new markets
- Acquisitions can effectively add geographies, customers or product expertise

FOCUS ON SPECIALTY FOODS

In our view, the exposure to premium specialty, gourmet or natural/organic inputs positions CHEF to enjoy a higher inherent growth rate than that which is being observed within the overall $191 billion (of which $100 billion relates to CHEF's addressable restaurant market as of 2009) foodservice distribution industry. Over the years, we have encountered long-term growth estimates anywhere from 5-9% for the specialty food industry, with the variances usually driven by the components in each forecast. According to *The State of the Specialty Food Industry* report published by the National Association for the Specialty Food Trade, specialty food sales rose 7.4% in 2010 after a 4.2% increase in 2009 at retail. While this data is predominantly focused on retail sales rather than foodservice sales, the growth trend is driven by the same consumer preferences. In fact, the foodservice industry is generally the leader in new specialty food trends. Further, according to the data, 76% of specialty food manufacturers (CHEF's suppliers) reported growth in 2010 with 36% reporting growth above 20%. The data is similar for specialty food importers, where 72% of importers reported growth in 2010 and 28% reported growth in excess of 20%. We believe it is clear that the specialty food industry is a growth industry. This data is very applicable to the trends at CHEF. For example, in this research, the largest reported product category of specialty foods was cheese, which is consistent with CHEF's largest single product category in CHEF's offering.

While specialty foods carry higher price points and thus should be more economically sensitive, the history in specialty food categories is that there is more ample growth to accommodate shocks to consumer spending. What is key, however, is that growth of this product category isn't driven by rising employment or incomes, but rather the underlying macro trends that drive consumers to a broader palate and more concern for the quality of the foods they eat. This trend is the key to CHEF's exposure to specialty foods, not whether consumer confidence plunges one month or the next. In the higher end of the food service industry there will of course be economic sensitivity, but as history has indicated, the consumer has always come back and after living through the violent economic impacts of late 2008 and early 2009, the industry should be better equipped than ever to handle sales volatility.

CLIENT GROWTH WITHIN EXISTING MARKETS

Investor growth expectations following the IPO road show were most keenly focused on the geographical growth opportunity and the ability to roll up a fragmented industry, or at least leverage acquisitions to enter new markets. While there is substantial geographic and acquisition growth opportunity, we believe that the opportunity to expand share within existing markets is just as significant, if not more so, to the long-term growth story. Simply put, we believe CHEF has a better offering, better capitalization and better systems than its regional competition. We repeatedly hear of efforts to reduce the number of trucks showing up at the back door each day and thus consolidation of suppliers should naturally play into CHEF's strength. However, the real benefit is simply that CHEF has more of what chefs want, delivers it on time and the chefs can have greater confidence in the consistency of a larger, broader, publically-traded supplier. Leveraging this broader and deeper product offering is an appropriate sales force of approximately 125 professionals, the majority of whom have formal culinary training or the like. A better salesperson with a better product offering usually wins. The sales force, given its experience, has been able to create a strong network of relationships with its customers, many of which often begin at some of the nation's leading culinary schools where enrollment has been on the rise in recent years. As just two examples, the Culinary Art Institute of Virginia has seen applications increase from approximately 50 to over 550 since opening its doors six years ago, and the Culinary Art Institute of America in Hyde Park, New York, has experienced almost a 50% increase in the same time while having to add an additional satellite campus to accommodate more students.. Equipped with advanced culinary and industry knowledge, CHEF's sales professionals seek to establish a rapport with its customers so that they can more fully understand and anticipate their needs and offer cost-effective food product solutions. Such an intimate knowledge of what goes on in the kitchen by a sizable sales force differentiates The Chefs' Warehouse from its broadline competitors as well as the smaller niche specialty distributors that do not have the scale to provide an array of goods as vast as CHEF's. While this is the last analogy a chef or restaurant patron wants to hear us use, it is true that CHEF has a better mouse trap (sorry, we couldn't resist).

GROWTH WITHIN EXISTING ACCOUNTS

First, we must recognize that CHEF's customers do not use a single food service supplier. CHEF doesn't carry every food item that a restaurant uses and certainly not all of the restaurant supplies that a restaurant utilizes. As a result, there is an inherent opportunity to expand the market share of each account in which CHEF sells. This naturally occurs for any new distributor to an account as the account ramps up, but what we are more focused on is expansion of the product offering and the increased penetration of each menu for the specialty food inputs that CHEF markets. Given the data that specialty foods are growing mid-plus single digits while the food service industry isn't, there is a clear trend toward specialty foods accounting for a higher percentage of a specialty foodservice operator's cost of sales. Here lies the opportunity for CHEF to grow its average drop size and allow mix to contribute to revenue growth over and above customer growth. We expect this trend will continue to contribute to the revenue growth rate.

GEOGRAPHIC GROWTH OPPORTUNITIES

The opportunity for geographic growth is obvious at this point. Given that we have highlighted CHEF's superior product offering, a fragmented industry nationwide and now a balance sheet that provides ammunition for acquisitions into new markets, we only need note that CHEF still generates 60% of its sales in New York and has a physical presence in only six major markets, of which Miami is just 12 months old. Given our belief that success in New York implies that success can be had in any market, there is substantial opportunity for growth.

Figure 1: Current market exposure

Source: Company reports

Expansion of the geographical footprint should be able to provide long-term above average growth given the relatively narrow focus today. We also believe it is important to note that CHEF's expansion strategy to date seems appropriately focused on the markets with the largest opportunities, illustrating a targeted strategy of both acquisitions and geographical expansion. Some of the noted potential market and acquisition opportunities are highlighted in the following figure.

Figure 2: Target markets for growth both geographically and via acquisition

Source: Company reports

ACQUISITIONS AND LEVERAGING DISTRIBUTION

We'll start with the very important statement once again that the specialty foodservice distribution sector is highly fragmented. We believe CHEF will seek acquisitions for the purposes of expansion of distribution into new markets as well as increasing its presence in existing markets. The recently completed acquisition of Harry Wils in the New York market is an excellent example of a tuck-in acquisition, while the acquisition of Culinarie Specialty Foods in Miami last year is a perfect example of new market entry through acquisition. Consolidation has been a proven business model in the food distribution industry in all channels as there are clear economies of scale, but it is incrementally attractive in the fragmented specialty category, in our opinion, given that supplier relationships are incrementally important and the breadth of the product offering is a key differentiator given how fragmented the supplier base is as well. In our view, CHEF has a disciplined M&A strategy that is exemplified by its success with its acquisition history to date, the pace at which it has grown through acquisition and the diligence the company utilizes in its evaluation of acquisitions. Future acquisition targets will likely be geared toward expanding the customer base in both new and existing markets, but also the product catalogue by utilizing the acquired firms' existing relationships to obtain access to additional specialty goods or importing relationships, which we view favorably given inherent growth of the segment.

RISKS

There are several aspects of CHEF's business model and competitive position that mitigate risk. Most importantly, the company has no measurable customer or supplier concentration risks to mention given its diversified base of customers and suppliers. Further, the company has minimal debt leverage post IPO and is in a competitive position that should reduce the risk of pricing pressure that could impact margins. Nonetheless, there are several risks to consider.

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

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

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

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

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

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

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

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

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

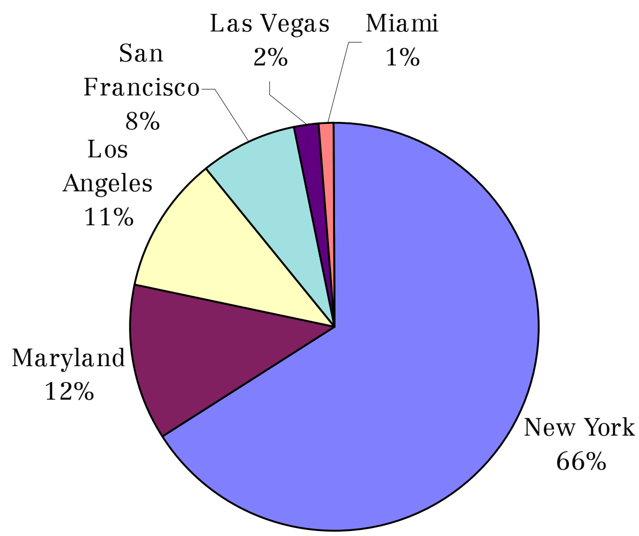
In addition, we strongly urge investors to review the complete set of risk factors that can be found in The Chefs' Warehouse's most recent regulatory filings.

COMPANY OVERVIEW

The Chefs' Warehouse, founded by Christopher and John Pappas in 1985 as Dairyland USA and still recognized under this banner, is a premier distributor of specialty foods in the United States. With its corporate headquarters in Ridgefield, CT, the company focuses its sales efforts on developing relationships with the chefs who own or operate independent restaurants, fine dining establishments, country clubs, hotels, caterers, culinary schools and specialty food stores in six of the nation's leading culinary markets, including New York, Washington, D.C., Los Angeles, San Francisco, Las Vegas and Miami. By leveraging an experienced and sophisticated sales force of approximately 125 sales professionals, CHEF sells to more than 7,000 chefs while also providing the route-to-market for many of its suppliers. Sitting in between a fragmented customer base and a fragmented supplier base, CHEF enjoys a level of market power that is a key advantage.

The company operates out of just seven distribution centers and provides service six days a week in many of its service areas. Its specialty food and ingredient offering, defined as gourmet foods and ingredients that are of the highest grade, quality or style as measured by their uniqueness, exotic origin or particular processing method, is sourced from over 1,000 suppliers throughout North America, South America, Europe and Asia. Its product portfolio includes over 11,500 SKUs comprised primarily of imported and domestic specialty food products, such as artisan charcuterie, specialty cheeses, unique oils and vinegars, hormone-free protein, truffles, caviar and chocolate. CHEF also offers an extensive line of broadline food products; including cooking oils, butter, eggs, milk and flour. No supplier accounts for more than 5% of sales, a broad exposure that is consistent with its diversified customer base as well. CHEF has effectively eliminated its dependence upon any single supplier and also mitigates risks by utilizing sophisticated forecasting and inventory management systems to minimize the carrying time of commodity-oriented products.

Figure 3: 2010 revenue breakdown by market



Source: Company reports

In addition to being the largest specialty foodservice distributor in the key New York market, the company is a leader in Washington, D.C., San Francisco, and Los Angeles as well and is building out Miami and Las Vegas at a rapid clip. While not the focus, The Chefs' Warehouse also makes its product catalogue available online for purchasing. Its website, Chefswarehouse.com, can allow investors to broaden their own palette with exclusive foods or attempt to emulate that special dish at their favorite upscale restaurant.

Beginning in 2005, Chefs' Warehouse embarked upon several acquisitions (about one per year) to facilitate distribution growth within not only new markets, but existing ones as well. The first such purchase was Van Rex Gourmet Foods, which had operations in the Los Angeles, San Francisco and Las Vegas markets. The company completed three additional accretive tuck-in acquisitions (approximately $2 million to $5 million each) in the San Francisco and Maryland markets between 2007 and 2009. New market expansion continued with the purchase of Monique & Me, Inc. in June 2010 for $3.7 million to obtain entrance into the Miami area. Finally in June 2011, Harry Wils & Co. was purchased for $9 million to provide further scaling within the New York market.

PRODUCT OVERVIEW

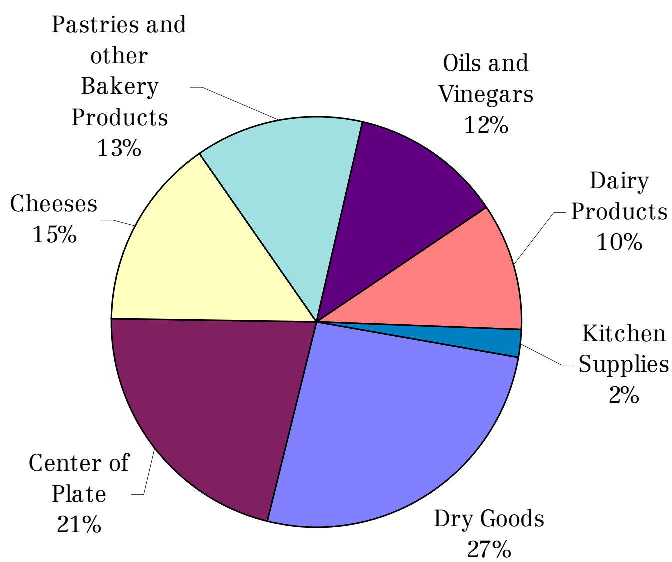
In our view, CHEF's key competitive advantage is its comprehensive product portfolio of over 11,500 specialty and broadline goods, with over 7,000 in stock every day, and its ability to leverage relationships with suppliers to gain access to exclusive products not easily accessible to competitive suppliers. Captive products clearly add to the stickiness of customers and can provide a price advantage to customers while delivering good margin to the company. Additionally, CHEF still has opportunity for product portfolio additions based on both existing and anticipated trends in the culinary industry, which constantly evolve. New product introductions in the specialty food industry are a significant driver of growth. Given that the company is focused on leading chefs and enjoys a specialty ingredient supplier base that often leads trends, CHEF is an excellent position to be at the forefront of new product and ingredient trends.

Figure 4: Product offering

Source: Company reports

The company seeks to differentiate itself from its competitors by offering a more extensive depth and breadth of its specialty food offering. CHEF carries a wide range of high-quality specialty food products including artisan charcuterie, specialty cheeses, unique oils and vinegars, hormone-free proteins, truffles, caviar and chocolate across each of its markets, but also offers a number of items in each of its respective markets that are tailored to meet the unique preferences of the individual chefs in that market. The specialty food industry often has distinct regional characteristics.

Figure 5: 2010 revenue breakdown by product



Source: Company reports

Within CHEF's product offerings, it carries a broad assortment of gourmet brands, but also seeks to maximize product contribution through the offering of proprietary brands, which CHEF offers in a number of categories, including bulk olive oil, Italian grating cheeses and butter. Through its offering of both high-quality specialty foods and ingredients, along with more traditional broadline staple food products, CHEF provides its customers with foodservice distribution solutions that are more efficient, broader and should thus be more cost effective than its competition.

DISTRIBUTION AND CUSTOMERS

The Chefs' Warehouse's current markets and dates of entry are shown in the following figure:

Figure 6: Distribution footprint

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

Source: Company reports

Operating out of seven distribution centers in six markets providing service six days a week in many areas, CHEF utilizes a fleet of delivery trucks to fill an average of 11,000 orders weekly, usually within 12-24 hours of order placement. CHEF's average distribution service level, or the percentage of in-stock items ordered by customers that were delivered by the requested date, was in excess of 99% as of fiscal year end 2010. To achieve these high service levels and proactively seek to improve upon operations, the company has invested significantly in sophisticated warehousing, inventory control and distribution systems.

Examples of such investments are as follows:

- A fully-integrated MIS in CHEF's primary New York City distribution facility which provides real-time inventory visibility and detailed metrics related to inventory turns. Plans are under way to integrate this system into the remaining distribution facilities by the end of 2011.
- Pick-to-voice technology in each of its distribution facilities that enable its warehouse employees to fill orders with greater speed and accuracy.
- Advanced routing and logistics planning software which maximizes the number of daily deliveries that each truck can make while also enabling CHEF to make deliveries within each customer's preferred two- to three-hour time window.
- GPS and vehicle monitoring technology to regularly evaluate the condition of delivery trucks and monitor the performance of drivers by tracking their progress relative to their delivery schedule.

Figure 7: Overview of distribution centers

Name/Location	Owned/Leased	Approximate Size (Sq.ft)
Bronx, New York #1	Leased	120,000
Bronx, New York #2	Leased	55,000
Hanover, Maryland	Leased	55,200
Miami, Florida	Leased	10,000
Los Angeles, California	Leased	80,000
Hayward, California	Leased	40,000
Las Vegas, Nevada	Leased	11,440
Total		**371,640**

Source: Company reports

With its broad distribution solution and focus on menu-driven independent restaurants, fine dining establishments, country clubs, hotels, caterers, culinary schools and specialty food stores, no meaningful customer concentration exists as the company's top 10 customers accounted for less than 10% of total net revenue for 2010. The company distributes one or more products on a weekly basis to more than 60% of its addressable market in the New York metropolitan area (CHEF defines its addressable market as independent restaurants with an average entrée price of greater than $15.00) and between 20%-30% of its addressable market in the other markets that CHEF serves. While The Chefs' Warehouse has successfully managed to penetrate more than half of its addressable New York market, it is still expanding its customer base in New York and increasing the average order size and profitability of its average New York customer.

Figure 8: Fine dining vs. fast food: the simple difference explains the favorable margins

Source: Google.com/images

CHEF extends credit to virtually all of its customers, but does not have the high level of write-offs that might naturally be assumed. CHEF's Credit and Collections Department consists of 11 full-time employees and regularly evaluates credit terms for each customer based upon several factors. The company's historical average write-offs have been below one half of one percent over the past three years.

MANAGEMENT

As we indicated, we believe that The Chefs' Warehouse has assembled a strong management team augmenting passionate founders with experienced executives in key roles such as functional areas, including finance, sales and marketing, information technology and human resources. The management team is effective, successful and capable of driving the company forward through continued growth and market expansion, in our opinion. The senior management has already demonstrated the ability to grow the business, responded effectively to the financial crisis and economic weakness a couple of years ago with prudent actions and put in place the infrastructure to support future profitable growth and operating leverage. Following the recent initial public offering, the management team continues to own half of the outstanding shares.

Christopher Pappas, Chief Executive Officer and Chairman

Mr. Pappas has served as the CEO since founding the company as Dairyland USA in 1985 and has been Chairman since March 1, 2011. Mr. Pappas currently oversees all business activities, with a focus on product procurement, sales, marketing and strategy development. Mr. Pappas's qualifications to serve on the board of directors include his extensive knowledge of the company and the specialty food products distribution business and his years of leadership at the company.

John Pappas, Vice Chairman

Along with his brother, Mr. Pappas co-founded the company under the Dairyland USA name and brings over 25 years of experience in logistics, facilities and global procurement.

Ken Clark, Chief Financial Officer

Mr. Clark joined in 2007 as a controller and obtained the CFO position in March 2009, bringing in experience as a controller at Credit Suisse Energy, as well as various key financial positions at United Rentals, Inc., Sempra Energy Trading Corporation and Arthur Andersen, LLC.

Jim Wagner, Chief Operating Officer

Since joining in 2006, Mr. Wagner has held various management roles within The Chefs' Warehouse. Additionally, he was a co-founder of TrueChocolate, Inc., a chocolate manufacturing and processing start-up. He also held key management positions at Clear!Blue Marketing and was principal and founder of Jump Communications.

Frank O'Dowd, Chief Information Officer

Mr. O'Dowd brings over 15 years of experience in managing information technology. Prior to joining, Mr. O'Dowd was the CIO at GAF Materials Corporation, a North American roofing manufacturer, for nearly 10 years. Mr. O'Dowd's prior professional experience also includes experiences at Reed Elsevier, Newsweek Magazine and Wyeth Pharmaceuticals.

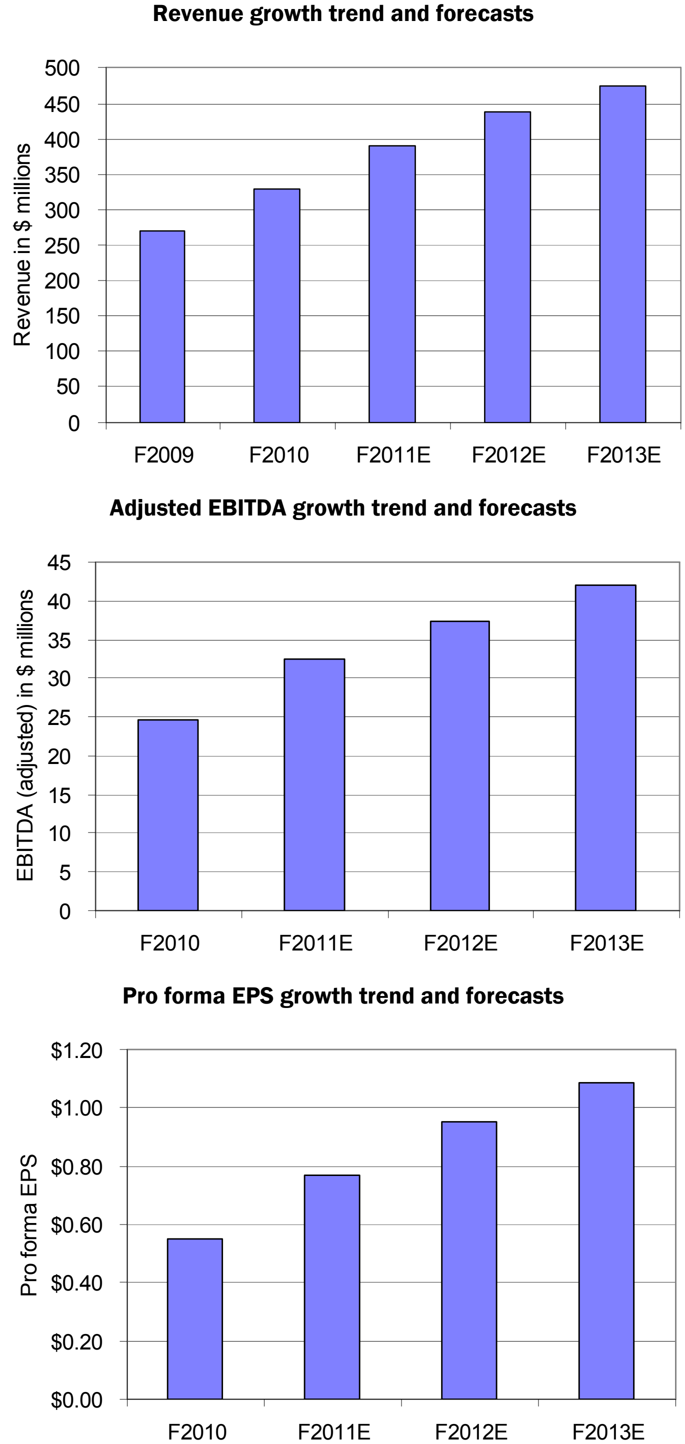
Patricia Lecouras, Executive Vice President, Human Resources

Ms. Lecouras joined Chef's Warehouse in January 2007 from GE Capital Commercial Finance where she was VP, Human Resources from 2001 to 2007. Prior to GE Capital Commercial Finance, Ms. Lecouras was with Nine West Shoes (f/k/a Fischer Camuto Corporation) and Xerox. Ms. Lecouras's professional experience is multi-disciplinary and includes prior experience working in finance and tax-related functions.

FINANCIAL OVERVIEW

CHEF is a well capitalized, highly profitable business that generates free cash flow while enjoying strong internal growth and considerable acquisition opportunities. We view CHEF's economic model as a key facet of the investment thesis and given the fragmentation of both its customer base and supplier base, we see minimal risk to the attractive economic characteristics of the business model. Following the IPO and Q2 results, the company has just $44 million of debt, or just over 1x our forward EBITDA forecast, and ample capacity on its new credit facility. The company turns its assets rapidly, and by our estimates should generate over 30% ROIC and over 40% ROE on a go forward basis after adjusting for the recent recapitalization. These returns, along with a large and fragmented addressable market, should support an above average growth rate.

Figure 9: Key financial metric trends



Source: Canaccord Genuity forecasts and company reports

In establishing our estimates, we have extrapolated recent trends, while moderating the internal growth over the coming quarters as we monitor a tenuous consumer spending environment. For example, in Q3, we forecast relatively flat sales sequentially and flat EPS sequentially despite a measurable acquisition contribution from the Harry Wils acquisition completed at the end of Q2. The conservative forecast should allow for any potential sales disruption from the recent hurricane that impacted the New York market and compensate for the economic environment. Our estimates do not assume rapid growth of the foodservice industry that CHEF addresses, but reflect market share gains, some modest mix/inflation benefit, acquisition contribution and more rapid growth in new markets. In all, we forecast 18% revenue growth in F2011 to $389 million, which compares to guidance of $384 to $392 million. In our F2011 growth forecast, we estimate about 4% growth due to acquisitions and the remainder coming from organic growth driven both by higher case volumes and a modest 3% mix benefit for the full year. For F2012, we forecast 12% revenue growth to $437 million with 2% coming from acquisitions and the 10% organic growth generated mostly by higher case volume. In each year, we forecast operating leverage delivering superior EPS growth, but do not assume gross margin improvement from recent trends. In fact, our gross margin forecast is below the trend in the first half of F2011 as we are extrapolating the average over the last two years.

For F2011, we forecast $0.77 of pro forma EPS, up 39% YOY from $0.55 in F2010. We estimate an adjusted operating margin of 7.1%, up about 100 bp YOY. For F2012, we estimate pro forma EPS of $0.95, reflecting incremental operating margin improvement of 80 basis points to 7.9%. Again, in 2012, the operating margin improvement should be driven by leverage of operating expenses rather than gross margin improvement, according to our forecasts. In F2013, we are utilizing a base case assumption of 9% revenue growth and 14% EPS growth, or $474 million of revenue and $1.08 of EPS.

Figure 10: Initiating F2011, F2012 and F2013 estimates

in $ millions, except EPS	F2010	F2011E	YOY Growth	F2012E	YOY Growth	F2013E	YOY Growth
Revenue	330.1	388.9	17.8%	437.1	12.4%	474.3	8.5%
Adjusted EBITDA	24.6	32.4	32.0%	37.4	15.3%	41.9	12.1%
Pro forma EPS	$0.55	$0.77	39.4%	$0.95	24.3%	$1.08	13.7%

	F2010	F2011E	BP change	F2012E	BP change	F2013E	BP change
Gross margin	26.0%	26.3%	32	26.2%	(8)	26.2%	0
Adjusted EBITDA margin	7.4%	8.3%	90	8.6%	22	8.8%	28
Adjusted net margin	3.4%	4.1%	68	4.6%	49	4.9%	32

Source: Canaccord Genuity forecast and company reports

RECENT RESULTS

Q2 financial reports were published recently with GAAP EPS of $0.17 on $99.3 million of revenue, which represented 19% and 25% YOY increases in the respective figures. Gross profit increased 19.7% to $26.2 million for the second quarter of 2011 from $21.9 million for the prior year period as the gross margin increased to 27 basis points to 26.5%. GAAP operating income increased approximately 37.5% to $7.7 million for the second quarter of 2011 compared to $5.6 million for the second quarter of 2010, while EBITDA increased

31.3% to $8.1 million for the second quarter of 2011 from $6.2 million for the second quarter of 2010. On an adjusted basis, EPS rose 36% to $0.20 from $0.15 a year ago. The quarter delivered a strong gross margin, operating leverage, favorable free cash flow and strong growth in every metric. We believe that the Q2 trends are a good indicator of what should be expected in the back-half of 2011, despite rising economic and consumer concerns facing the food service industry.

Figure 11: Q2/11 quarterly results comparison

Income Statement In $ million, except per share amounts	Actual Q2:11A	Last Year Q2:10A	YOY % Growth
Revenue	**99.3**	**83.6**	18.7%
COGS	(73.0)	(61.7)	18.4%
Gross Profit	26.3	21.9	19.7%
Warehousing and distribution	(9.2)	(8.2)	12.3%
SG&A	(9.0)	(7.5)	20.3%
Depreciation and amortization	(0.4)	(0.5)	(21.6%)
Operating Expenses	(18.6)	(16.1)	15.0%
Operating Income	7.7	5.8	32.7%
EBITDA	**8.1**	**6.3**	28.4%
Net Interest/Other	(3.3)	(0.5)	552.6%
Other expenses	0.0	0.2	(100.0%)
Pretax Income	4.4	5.5	(21.3%)
Income Tax	(1.7)	(1.1)	62.7%
Net income	**2.7**	**4.5**	(40.9%)
Average Shares	16.0	14.9	7.6%
EPS	**$0.17**	**$0.30**	(45.1%)
Pro forma adjustments			
GAAP Pretax income	**4.4**	**5.3**	(18.3%)
SG&A	(0.7)	(0.4)	
D&A			
Interest	2.9		
Adjusted EBITDA	**7.4**	**5.8**	29.4%
Adjusted pre-tax	6.9	5.0	37.5%
Taxes	(2.7)	(1.9)	37.5%
Adjusted net income	4.2	3.0	37.5%
Pro Forma EPS	**$0.20**	**$0.15**	36.4%
Shares outstanding	20.8	20.7	0.8%

	Actual Q2:11A	Last Year Q2:10A	YOY BP Change
Gross Margin	26.5%	26.2%	21
Warehousing and distribution	9.2%		
SG&A	9.1%	9.8%	(69)
Total Operating expenses	18.7%	8.9%	975
Adjusted operating margin	7.1%	6.5%	55
Adjusted EBITDA margin	7.5%	7.5%	(4)
Pretax margin	4.4%	6.6%	(223)
Adjusted net margin	4.2%	3.8%	43
Tax Rate	39.0%	39.0%	0

Source: Company reports

GUIDANCE

Accompanying CHEF's Q2 results, the company also introduced initial financial guidance for full year 2011:

- Revenue between $384 million and $392 million.
- GAAP net income per diluted share between $0.41 and $0.44.
- Modified pro forma net income per diluted share between $0.76 and $0.79.

VALUATION

Valuation is attractive, in our view. Shares trade at 17.9x our 2011 EPS forecast of $0.77, which is below the peer group multiple of 27x for the specialty foods group, while a significant premium to the food distribution peer group multiple of 12.6x. We argue that CHEF should trade at a premium to its distribution peers given its vastly superior margins, growth outlook and higher returns on invested capital. If we use a simple average of these two peer groups, CHEF should trade at 19.8x this year earnings, implying that the shares are 10% undervalued. Shares also trade at just 11.2x this year's projected EBITDA and 8.6x next year's EBITDA forecast.

Compared to its most closely related comparison, UNFI, shares are trading at a roughly 19% discount on a 2011 EPS basis and 24% on F2012 forecasts. We view UNFI as the best comparable for CHEF given it also enjoys a naturally growing market, superior margins relative to most distributors (yet still inferior at 18% to CHEF at 26%) and is the leader in its segment.

Our price target of $18.00 equates to 16.5x our 2013 EPS forecast and 9.5x our EBITDA forecast. Our targeted PE and EBITDA multiple forecasts reflect the premium valuations of the specialty food peer group, reduced by the unattractive comparison to the low valuations afforded the traditional food distribution peer group.

Figure 12: Relative valuation

Food distribution Peer Group Company	Symbol	Rating	Price 9/7/2011	Market Cap ($M)	Enterprise Value	C2011E EPS	C2012E EPS	P/E C2011E	P/E C2012E	Enterprise Value/ EBITDA C2011E	Enterprise Value/ EBITDA C2012E
Core-Mark Holdings	CORE	Not rated	34.42	393	453	2.58	3.23	13.3	10.7	6.0	4.8
Nash Finch	NAFC	Not rated	30.36	368	687	3.62	3.83	8.4	7.9	4.6	4.5
Supervalu	SVU	Not rated	7.81	1,657	8,463	1.24	1.25	6.3	6.2	4.6	4.6
Sysco	SYY	Not rated	27.30	16,181	18,209	2.01	2.14	13.6	12.8	7.5	7.1
United Natural Foods	UNFI	Hold	39.55	1,930	2,132	1.79	2.09	22.1	18.9	11.1	9.8
Average								**12.6x**	**11.5x**	**7.0x**	**6.5x**

Specialty Food Peer Group Company	Symbol	Rating	Price 9/7/2011	Market Cap ($M)	Enterprise Value	C2011E EPS	C2012E EPS	P/E C2011E	P/E C2012E	Enterprise Value/ EBITDA C2011E	Enterprise Value/ EBITDA C2012E
Diamond Foods	DMND	Not rated	76.39	1,682	2,253	2.76	3.32	27.6	23.0	10.8	6.2
Hain Celestial	HAIN	Buy	31.99	1,445	1,420	1.44	1.65	22.2	19.4	10.9	9.2
Lifeway Foods	LWAY	Not rated	10.35	170	177	0.35	0.40	30.0	25.9	13.9	13.1
Peet's Coffee & Tea	PEET	Not rated	56.54	730	687	1.50	1.84	37.8	30.8	14.5	12.6
Smart Balance	SMBL	Hold	5.02	300	341	0.22	0.28	22.4	17.8	8.6	8.3
United Natural Foods	UNFI	Hold	39.55	1,930	2,132	1.79	2.09	22.1	18.9	11.1	9.8
Average								**27.0x**	**22.6x**	**11.6x**	**9.9x**
Chefs' Warehouse	**CHEF**	Buy	**13.71**	**286**	**326**	**0.77**	**0.95**	**17.9**	**14.4**	**11.2**	**8.6**
Relative to conventional group								42.0%	25.7%	59.8%	32.5%
Relative to specialty group								(33.8%)	(36.3%)	(4.1%)	(12.6%)
Relative to UNFI								(19.0%)	(23.8%)	0.0%	(12.1%)

Source: Estimates for UNFI, HAIN, SMBL and CHEF are Canaccord Genuity estimates, all others are Thomson Reuters consensus.

Figure 13: Historical and projected operating results

Fiscal Year End - December	2010	2011E				2011E	2012E	2013E
Income Statement	FY	Q1A	Q2A	Q3	Q4	FY	FY	FY
Revenue	**330.1**	**83.2**	**99.3**	**99.7**	**106.7**	**388.9**	**437.1**	**474.3**
COGS	(244.3)	(61.1)	(73.0)	(73.7)	(78.7)	(286.6)	(322.5)	(349.9)
Gross Profit	85.8	22.0	26.3	26.0	28.0	102.3	114.6	124.4
Operating Expenses	(64.2)	(17.0)	(18.6)	(23.4)	(19.2)	(78.1)	(79.6)	(84.9)
Operating Income	21.6	5.1	7.7	2.6	8.7	24.1	35.0	39.5
EBITDA	**24.6**	**5.6**	**8.1**	**6.0**	**9.1**	**29.4**	**37.7**	**42.2**
Net Interest	(4.0)	(3.5)	(3.3)	(4.7)	(0.4)	(11.9)	(1.4)	(0.9)
Other expenses	0.9	0.1	0.0	0.0	0.0	0.1	0.0	0.0
Pretax Income	18.2	1.7	4.4	(2.1)	8.3	12.3	33.6	38.6
Income Tax	(2.6)	(0.7)	(1.7)	0.8	(3.3)	(4.8)	(13.6)	(15.2)
Net Income	15.7	1.0	2.7	(1.2)	5.0	7.4	20.1	23.3
Average Shares	72.5	16.0	16.0	17.6	20.9	17.6	21.1	21.5
EPS	$0.22	$0.06	$0.17	($0.07)	$0.24	$0.42	$0.95	$1.08
Pro forma adjustments								
GAAP Pretax income	18.2	1.7	4.4	(2.1)	8.3	12.3	33.6	38.6
SG&A	(1.4)	(0.8)	(0.7)	1.8	0.0	0.3	0.0	0.0
D&A	0.0	0.0	0.0	3.0	0.0	3.0	0.0	0.0
Interest	1.8	3.0	2.9	4.3	0.0	10.3	0.0	0.0
Adjusted EBITDA	**24.6**	**4.8**	**7.4**	**7.8**	**9.1**	**29.2**	**37.7**	**42.2**
Adjusted pre-tax	18.6	4.2	6.9	7.0	8.3	26.4	33.6	38.6
Taxes	(7.3)	(1.6)	(2.7)	(2.8)	(3.3)	(10.4)	(13.6)	(15.2)
Adjusted net income	11.4	2.6	4.2	4.3	5.0	16.1	20.1	23.3
Pro Forma EPS	**$0.55**	**$0.12**	**$0.20**	**$0.20**	**$0.24**	**$0.77**	**$0.95**	**$1.08**
Shares outstanding	20.7	20.8	20.8	20.8	20.9	20.9	21.1	21.5
Margin Analysis								
Gross Margin	**26.0 %**	**26.5 %**	**26.5 %**	**26.1 %**	**26.2 %**	**26.3 %**	**26.2 %**	**26.2 %**
Warehousing and distribution	10.3 %	10.3 %	9.2 %	9.6 %	9.7 %	9.7 %	9.3 %	9.1 %
SG&A	8.5 %	9.3 %	9.1 %	10.5 %	7.9 %	9.2 %	8.6 %	8.4 %
Adjusted operating margin	6.1 %	5.2 %	7.1 %	7.5 %	8.2 %	7.1 %	8.0 %	8.3 %
Adjusted EBITDA margin	**7.4 %**	**5.8 %**	**7.5 %**	**7.9 %**	**8.6 %**	**7.5 %**	**8.6 %**	**8.9 %**
Pretax margin	5.5 %	2.0 %	4.4 %	-2.1 %	7.8 %	3.2 %	7.7 %	8.1 %
Adjusted net margin	3.4 %	3.1 %	4.2 %	4.3 %	4.7 %	4.1 %	4.6 %	4.9 %
Tax Rate	39.0%	39.0%	39.0%	39.5%	39.5%	39.3%	40.3%	39.5%
Growth (vs Year Ago)								
Revenue	22 %	19 %	19 %	17 %	17 %	18 %	12 %	9 %
Operating	62 %	67 %	37 %	-58 %	35 %	12 %	45 %	13 %
Pro forma Pre-Tax Income	63 %	89 %	38 %	24 %	45 %	42 %	27 %	15 %
Pro forma Net Income	75 %	89 %	38 %	23 %	43 %	41 %	25 %	16 %
Pro forma EPS	0 %	87 %	36 %	22 %	42 %	39 %	24 %	14 %
Ratio Analysis								
Net debt	97.5	95.7	97.3	37.7	39.2	39.2	20.2	(1.5)
DSOs	38.4	39.6	36.7	38.4	38.4	38.4	38.4	38.4
Days Inventory	24.5	25.7	26.2	26.0	22.1	24.3	23.8	23.8
Inventory Turns	14.9	3.5	3.5	3.5	4.1	15.0	15.4	15.4
ROIC	26.0%	25.2%	35.2%	11.5%	33.9%	23.5%	31.8%	34.7%
Return on Equity	nmf	nmf	nmf	nmf	nmf	nmf	46.0 %	29.9 %
Operating ROA	29.0%	24.9%	33.8%	10.6%	34.1%	26.1%	32.3%	32.6%
Debt/Total Capital	57.9%	85.8%	85.9%	71.5%	67.8%	71.4%	58.7%	42.6%
Cash Flow Analysis								
Operating cash flow	13.5	3.1	1.9	0.5	2.4	8.0	21.3	23.8
Free cash flow	12.4	2.7	1.7	0.2	2.2	6.8	20.3	22.8

(in millions, except per-share data)

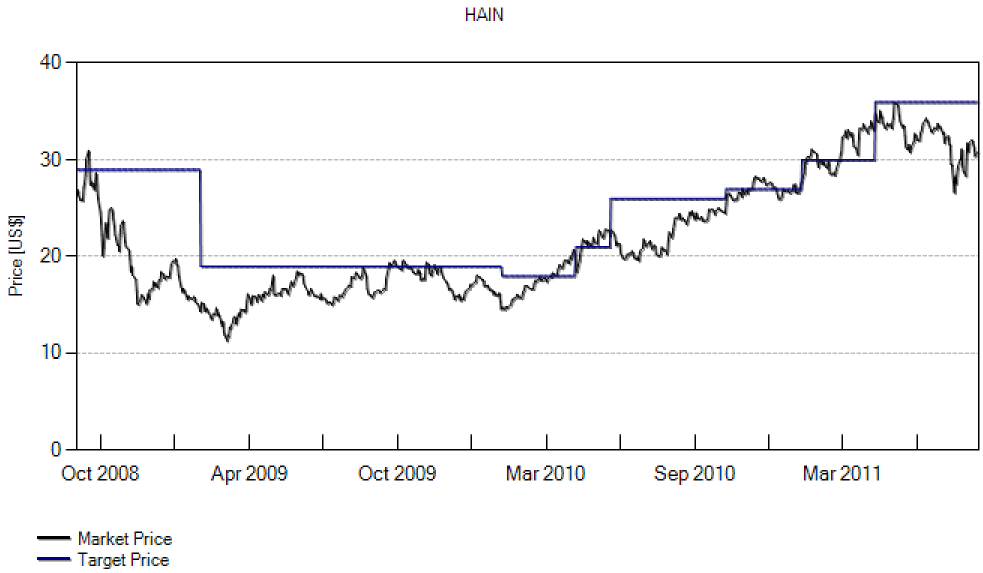
Source: Company reports and Canaccord Genuity estimates

APPENDIX: IMPORTANT DISCLOSURES

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

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

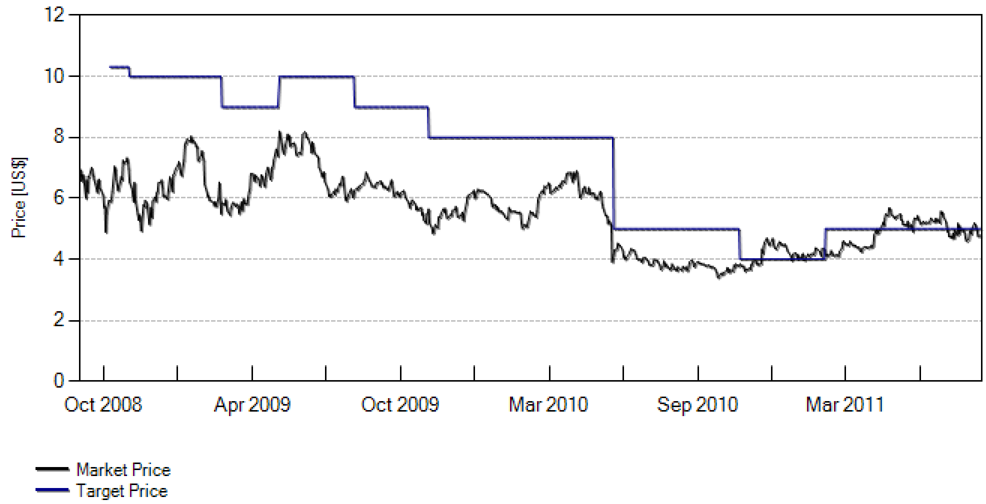
Price Chart:*



	Date	Analyst	Rating	Target Price		Date	Analyst	Rating	Target Price
1)	02/05/2009	Van Winkle	Buy	19.00	5)	06/17/2010	Winkle	Buy	26.00
2)	09/10/2009	Winkle	Buy	19.00	6)	11/04/2010	Winkle	Buy	27.00
3)	02/05/2010	Winkle	Buy	18.00	7)	02/04/2011	Winkle	Buy	30.00
4)	05/06/2010	Winkle	Buy	21.00	8)	05/04/2011	Winkle	Buy	36.00

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

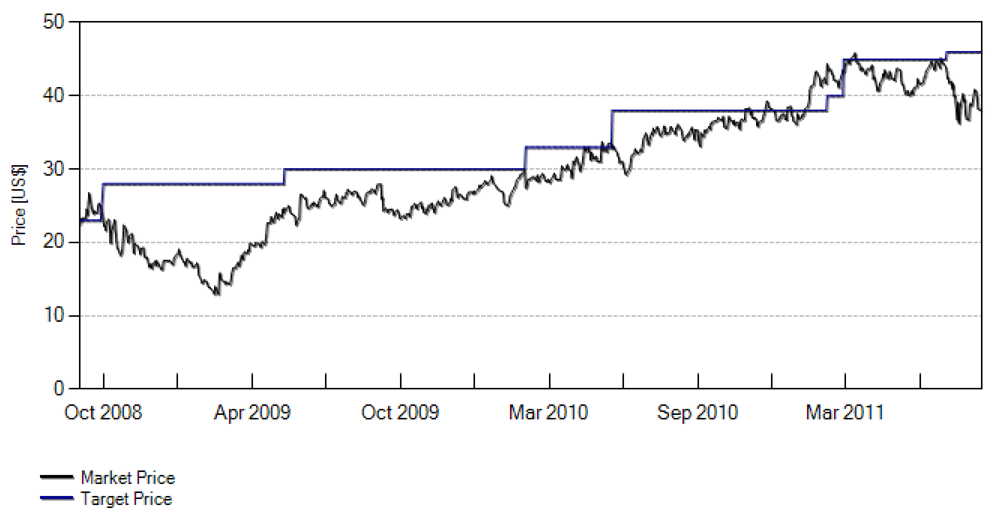
SMBL



	Date	Analyst	Rating	Target Price		Date	Analyst	Rating	Target Price
1)	10/14/2008	Van Winkle	Buy	10.32	6)	08/07/2009	Winkle	Buy	9.00
2)	11/07/2008	Van Winkle	Buy	10.00	7)	11/05/2009	Winkle	Buy	8.00
3)	02/27/2009	Van Winkle	Buy	9.00	8)	06/17/2010	Winkle	Buy	5.00
4)	05/08/2009	Van Winkle	Buy	10.00	9)	11/08/2010	Winkle	Hold	4.00
5)	07/02/2009	Winkle	Buy	10.00	10)	03/01/2011	Winkle	Hold	5.00

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

UNFI



	Date	Analyst	Rating	Target Price		Date	Analyst	Rating	Target Price
1)	10/06/2008	Van Winkle	Buy	28.00	6)	10/25/2010	Winkle	Hold	38.00
2)	05/14/2009	Van Winkle	Buy	30.00	7)	03/03/2011	Winkle	Hold	40.00
3)	09/09/2009	Winkle	Buy	30.00	8)	03/22/2011	Winkle	Hold	45.00
4)	03/02/2010	Winkle	Buy	33.00	9)	07/26/2011	Winkle	Hold	46.00
5)	06/15/2010	Winkle	Buy	38.00					

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

Distribution of Ratings:
Global Stock Ratings
(as of 3 August 2011)

	Coverage Universe		IB Clients
Rating	#	%	%
Buy	478	60%	38.5%
Speculative Buy	79	10%	65.8%

CANACCORD Genuity

Hold	222	28%	18.9%
Sell	12	2%	25.0%
	791	100%	

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HOLD: The stock is expected to generate risk-adjusted returns of 0-10% during the next 12 months.
SELL: The stock is expected to generate negative risk-adjusted returns during the next 12 months.
NOT RATED: Canaccord Genuity does not provide research coverage of the relevant issuer.

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

Risk Qualifier:

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

Canaccord Research Disclosures as of 7 September 2011

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

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