

The Chefs' Warehouse (CHEF)

Notes from the Road: Chefs' in Denver/Chicago

Key Takeaway

We believe the opportunity for Chefs' Warehouse remains significant and its operational advantage is growing as the company continues to invest in efficiency-enhancing technology, as well as its differentiated sales force. Indeed, CHEF, we believe, has the potential to see significant growth in sales and EBITDA over the next 12-24 months.

CHEF management in Denver and Chicago. We had the opportunity to host Chefs' Warehouse management, including Chairman and CEO Christopher Pappas, in Denver and Chicago last week.

Technology is driving further distance between CHEF and its "mom and pop" competition. Management continues to invest heavily in efficiency-enhancing technology, such as a warehouse management system, including pick-to-voice and inventory tracking in the warehouse, logistics technology, and CRM and price optimization technology in sales. Many of the warehouse-enhancing capabilities are currently deployed or should be fully deployed over the next 12-18 months. There also appears to be other opportunities for driving further efficiencies in areas such as logistics. Given the significant monetary and intellectual capital required to deploy these technologies, most, if not all, of the company's competitors are not able to invest in these service/efficiency-enhancing projects.

CHEF's differentiated, customer-focused, sales organization creates meaningful advantages relative to the large, broad-line players. The company remains focused on providing a superior experience for its target customers...independent, chef-focused restaurants. These establishments expect a high level of customer service from a knowledgeable counterparty that can deliver differentiated product on short notice. With many of Chefs' Warehouse's sales personnel having "kitchen experience" along with the company's technology prowess and large, unique, product offering, CHEF is able to "spoil" its customers, creating loyalty and lots of referrals. Indeed, the company currently appears to have more accounts than anticipated due to strong word-of-mouth interest, requiring additional investment in sales people to keep up with the business trends.

The acquisition pipeline remains very robust. The company remains dedicated to expanding its presence, with particular attention to opportunities in markets such as Dallas, Houston, Chicago, Boston and Philadelphia. In addition, we expect that the company will work on fold-in opportunities in its current markets which should drive productivity of its current distribution facilities. We also expect that the company will look at acquisitions into adjacent categories such as fresh protein/fish as well as produce to round out its offering to its customers. We continue to expect that the company will acquire at least 3 companies annually, which should meaningfully add to its growth rate. At the same time, capital discipline remains a priority and M&A activity should be accretive to earnings and provide healthy ROIC.

BUY

Price target \$25.00

Price \$24.17

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Company Description

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

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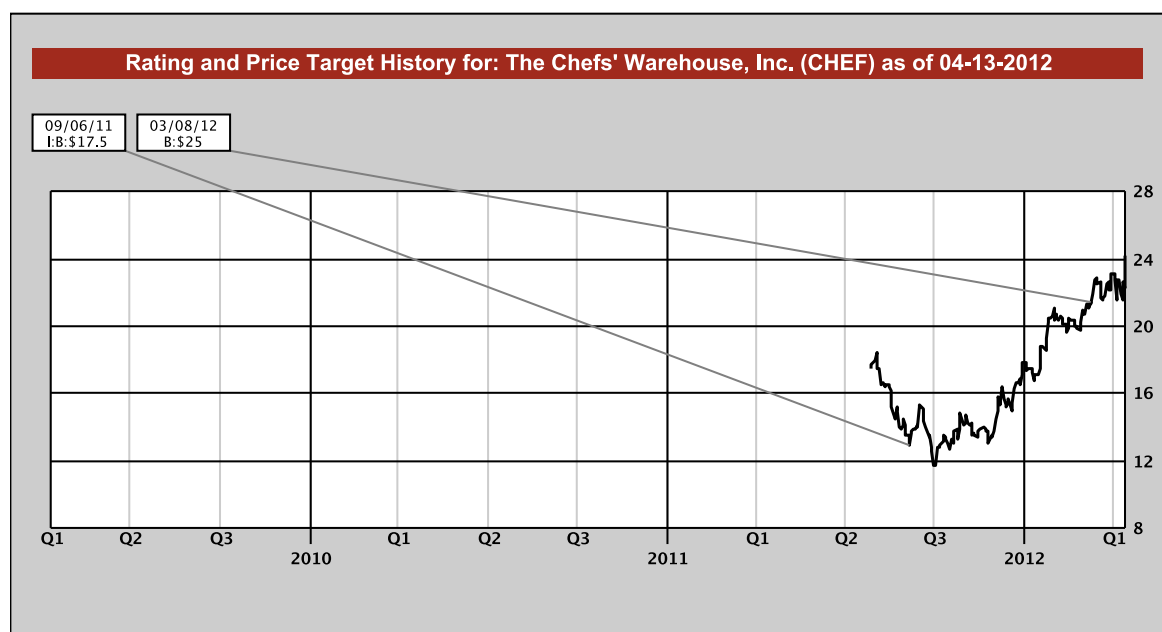
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			Count	Percent
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