THOMSON REUTERS

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July 26, 2012

Chefs' Warehouse

(CHEF-NASDAQ)

Stock Rating: **Outperform**
Industry Rating: **Market Perform**

Food Retail

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Higher-End Customers Should Insulate CHEF From Broader Restaurant Industry Woes

Event

Chef will report 2Q12 on July 31 with a call at 5 p.m. ET. Our $0.23 EPS is slightly less than consensus of $0.24. We are forecasting sales growth of 19%, EBIT growth of 20.3%, and EPS growth of 18.4%. Although restaurant data points have been mixed, we believe CHEF is – for the most part – insulated from the recent negative industry data points because the company focuses on the higher-end segment. As evidenced by WFM's results last night, the higher-end consumer has proven to be fairly resilient.

Impact

CHEF's recent weakness reflects: 1) shaky industry data points, 2) fears that the new CFO might reduce guidance, and exacerbated by 3) low trading volume. Given the recent weakness, CHEF is now trading at 7.8x our FY13 EV/EBITDAR – in line with SYY and at a steep discount to UNFI. We have always maintained CHEF should trade in between the two. As a result, we believe the current level presents new investors with an attractive entry point because we believe the stock has significant long-term upside given the company's industry-leading position in a very fragmented market, strong (and recently strengthened) management team, sustainable organic top line, extremely attractive ROIC, and long-term potential EPS growth.

Forecasts

Our 2Q12 and FY12 EPS estimates are $0.23 and $0.91, respectively. Consensus is $0.24 and $0.91. Guidance is $0.91-$0.94, with revenues of $452-$462m. Guidance reflects a deflationary environment in dairy – and while the category could remain deflationary for the year – we believe it is likely to be less deflationary than (previously) expected.

Valuation

CHEF is trading at a FY13 EV/EBITDAR of 7.8x and a P/E of 14.2x.

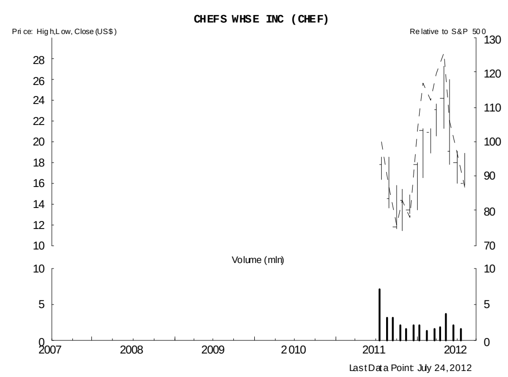
Recommendation

We maintain our **OUTPERFORM** rating on CHEF.

Securities Info

Price (25-Jul)	**$16.14**	**Target Price**	**$26**
52-Wk High/Low	$27/$11	Dividend	--
Mkt Cap (mm)	$338	Yield	--
Shs O/S (mm, BASIC)	20.9	Float O/S (mm)	10.8
Options O/S (mm)	41.6	ADVol (30-day, 000s)	109

Price Performance



Valuation/Financial Data

(FY-Dec.)	2010A	2011A	2012E	2013E
EPS Pro Forma	$0.76	$0.77	$0.91	$1.14
P/E			17.7x	14.2x
First Call Cons.			*$0.91*	*$1.10*
EPS GAAP	$0.76	$0.77	$0.91	$1.14
FCF	na	na	na	na
P/FCF			na	na
EBITDA ($mm)	$24	$30	$37	$44
EV/EBITDA			10.2x	8.4x
Rev. ($mm)	$330	$400	$461	$512
EV/Rev			0.8x	0.7x
Quarterly EPS	**1Q**	**2Q**	**3Q**	**4Q**
2011A	$0.13	$0.20	$0.19	$0.26
2012E	$0.13A	$0.23	$0.23	$0.32
Quarterly EBITDA	**1Q**	**2Q**	**3Q**	**4Q**
2011A	$4.7	$7.6	$7.5	$10.2
2012E	$5.7A	$9.3	$9.1	$12.5

Balance Sheet Data (30-Mar)

Net Debt ($mm)	$35	Total Debt/EBITDA	1.1x
Total Debt ($mm)	$42	EBITDA/IntExp	na
Net Debt/Cap.	51.4%	Price/Book	12.8x

Notes: All values in US$.

Source: BMO Capital Markets estimates, Bloomberg, Thomson Reuters, and IHS Global Insight.

Key Points

Exhibit 1. CHEF Current Valuation

Chefs' Warehouse Current Valuation		
	2012E	2013E
Net Income	$19.07	$23.85
EPS	$0.91	$1.14
EBITDA	$37	$44
EBITDAR	$46	$54
Net Forward Debt	$26	$7
# Shares	21	21
Current Stock Price	$16.14	$16.14
Market Cap	$338	$338
EV	$363	$345
P/E	17.7x	14.2x
EV/EBITDA	9.9x	7.8x
EPS Growth	17.7%	25.0%

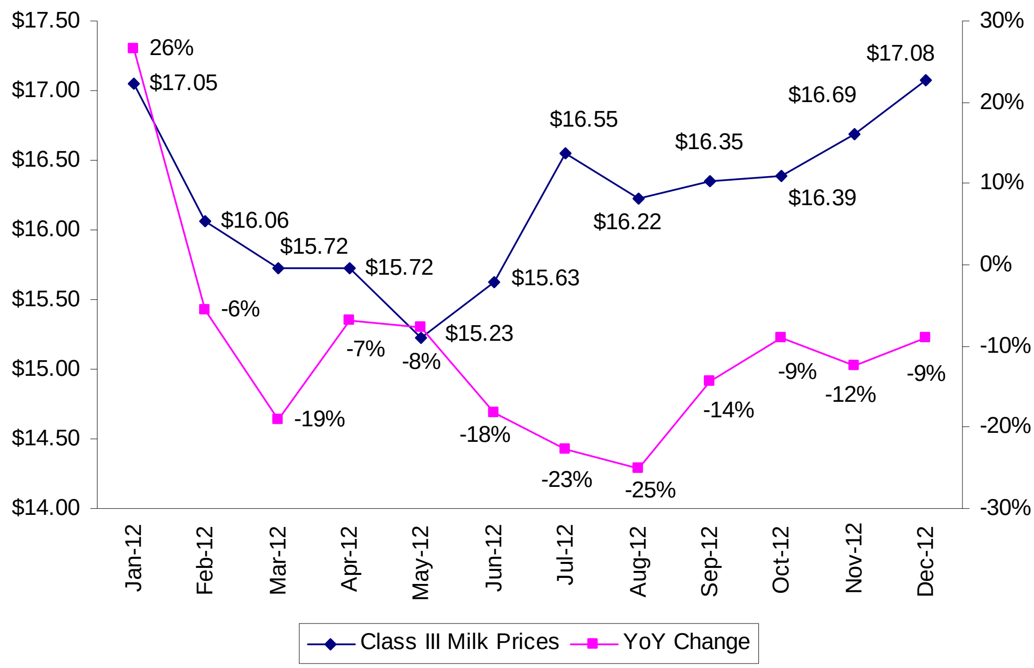
Source: Company reports, BMO Capital Markets estimates.

Areas of focus for the conference call:

- Cadence of sales throughout 2Q, and sales trends into 3Q12.
- Updated guidance for FY12.
- The breakdown of total sales growth into organic growth, and the impact due to acquisitions and inflation. Additionally, some color on trends on unique customers.
- Progress on transitioning to the new facility in the Bronx and to the Praml facility in Las Vegas.
- Some color on the state of the consumer and, as a result, the health of the restaurant operators that Chef serves.
- Some color on inflation trends and the company's ability to pass on cost increases to its customers. Additionally, management's outlook for inflation especially in dairy.
- Trends in case volumes and revenues per case.
- Management's thoughts on the opportunity for new market entries – specifically, how many markets the company can ultimately enter and an outline of the criteria management uses to evaluate potential markets.
- An update on the quality of the acquisition pipeline, and on the company's sense of urgency to enter new categories such as meat, seafood, produce, direct ship pastry and supplies.
- Some color on the competitive environment.
- Now that the company has acquired three companies over the last 13 months – some commentary on the stickiness of the acquired customers, including: how retention levels change as the transaction ages, a typical percentage of customers CHEF expects to retain one year post acquisition, and how order sizes progress.

Dairy trends in 2Q12 and projections for the remainder of 2012. Exhibit 2 details dairy prices in FY12 to date, year-over-year price comparisons, as well as forecasts for the remainder of the year. While dairy could remain deflationary for the rest of FY12 – the magnitude abates materially – as a result, we believe the dairy headwind could be slightly lower than previously discussed and guided. We will ask for an update on dairy on next week's call.

Exhibit 2. Historical and Projected Class III Milk Prices



Source: Bloomberg, Company reports, BMO Capital Markets estimates.

Our 2Q12 EPS estimate is $0.23 vs. consensus of $0.24. Our EBITDA estimate is $9.3 million. Our estimate assumes total sales increase 19.0% to $118.1 million – driven by 9.0% organic sales growth, and we assume gross margins expand 75 bp to 27.2%. We forecast operating expenses (excluding D&A) grow 22.5% to $22.9 million, or a 55 bp increase as a percentage of sales to 19.3% – leading to an 8 bp improvement in operating margins to 7.3%, or $8.7 million. This gets us to EBITDA of $9.3 million, a 20 bp expansion in margin to 7.9%. We assume interest expense of $0.4 million, a 41.0% tax rate, and 20.9 million shares outstanding, which gets us to EPS of $0.23 – an 18.4% increase from 2Q11.

In FY2012, our estimate is $0.91 vs. consensus of $0.91. Our EBITDA estimate is $36.6 million. Our estimate assumes total sales increase 15.2% to $461.0 million (vs. consensus of $463.1 million), with gross margins improving 67 bp to 27.0%. We forecast operating expenses (excluding D&A) grow 16.6% to $87.8 million, a 24 bp year-over-year deterioration in margin – leading to a 39 bp improvement in operating margins to 7.4%, or $34.1 million. This gets us to EBITDA of $36.6 million, a 44 bp improvement in margin to 7.9%. We assume interest expense of $1.8 million, a 41.1% tax rate, and 20.9 million shares outstanding, which gets us to EPS of $0.91.

Other companies mentioned (priced as of the close on July 25, 2012):

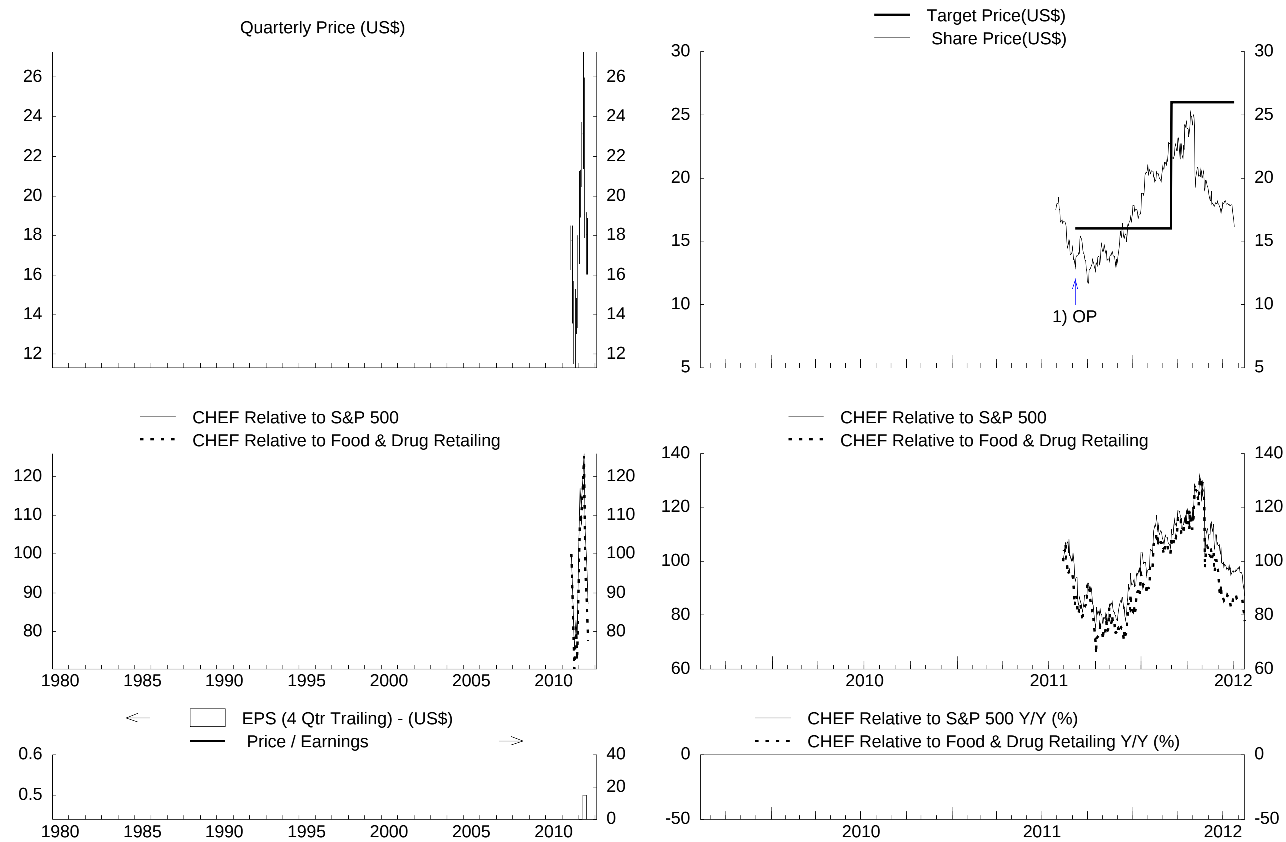
Whole Foods (WFM, $84.53, **OUTPERFORM**)
Sysco (SYY, $28.31, **MARKET PERFORM**)
United Natural Foods (UNFI, $51.53, **OUTPERFORM**)

Chefs' Warehouse Income Statement

	52 weeks 12/28/2007 2007	52 weeks 12/26/2008 2008	52 weeks 12/25/2009 2009	52 weeks 12/24/2010 2010	3/25/2011 1Q11	6/24/2011 2Q11	3Q11	4Q11	53 weeks 12/30/2011 2011	1Q12	2Q12E	3Q12E	4Q12E	2012E	2013E
Revenues	**$256.13**	**$281.70**	**$271.07**	**$330.12**	**$82.90**	**$99.26**	**$101.68**	**$116.51**	**$400.35**	**$98.07**	**$118.11**	**$117.95**	**$126.91**	**$461.04**	**$511.76**
Cost of Goods	$190.79	$211.39	$199.76	$244.34	$61.50	$73.00	$75.05	$85.50	$295.05	$72.02	$85.98	$86.17	$92.49	$336.67	$372.43
Gross Profit	**$65.35**	**$70.32**	**$71.31**	**$85.78**	**$21.40**	**$26.26**	**$26.63**	**$31.01**	**$105.30**	**$26.05**	**$32.13**	**$31.78**	**$34.42**	**$124.37**	**$139.33**
D&A	$1.94	$1.99	$1.92	$2.10	$0.60	$0.39	$0.43	$0.51	$1.93	$0.61	$0.61	$0.61	$0.61	$2.44	$2.44
Total Operating Expenses (Incl. D&A)	**$59.39**	**$60.31**	**$57.98**	**$64.21**	**$17.30**	**$19.05**	**$19.57**	**$21.32**	**$77.24**	**$20.99**	**$23.46**	**$23.28**	**$22.51**	**$90.25**	**$97.35**
Total Operating Expenses (Ex. D&A)	$57.45	$58.33	$56.06	$62.10	$16.70	$18.66	$19.14	$20.81	$75.31	$20.39	$22.85	$22.67	$21.90	$87.81	$94.91
Operating Income	**$5.96**	**$10.00**	**$13.33**	**$21.57**	**$4.10**	**$7.20**	**$7.06**	**$9.70**	**$28.06**	**$5.06**	**$8.67**	**$8.49**	**$11.90**	**$34.12**	**$41.98**
EBITDA	**$7.90**	**$11.99**	**$15.25**	**$23.68**	**$4.70**	**$7.60**	**$7.491**	**$10.207**	**$29.99**	**$5.66**	**$9.28**	**$9.10**	**$12.51**	**$36.56**	**$44.41**
Interest	$3.52	$3.24	$2.82	$4.04	$0.40	$0.42	$0.51	$0.53	$1.85	$0.55	$0.40	$0.40	$0.40	$1.75	$1.63
Gain on Settlement	$1.10														
Gain/Loss on Interest Rate Swap	-$0.62	-$1.12	$0.66	$0.91	$0.40	$0.00	$0.00	$0.00	$0.40	$0.00	$0.00	$0.00	$0.00	$0.00	$0.07
Other					$0.00			$0.00							
Income Before Tax	**$2.92**	**$5.65**	**$11.17**	**$18.44**	**$4.10**	**$6.79**	**$6.56**	**$9.17**	**$26.61**	**$4.51**	**$8.27**	**$8.09**	**$11.50**	**$32.37**	**$40.42**
Taxes	$0.79	$3.45	$2.21	$2.57	$1.50	$2.69	$2.56	$3.76	$10.50	$1.88	$3.39	$3.32	$4.72	$13.30	$16.57
Net Income	**$2.14**	**$2.20**	**$8.96**	**$15.87**	**$2.60**	**$4.10**	**$4.00**	**$5.41**	**$16.11**	**$2.63**	**$4.88**	**$4.77**	**$6.79**	**$19.07**	**$23.85**
Tax Rate	26.9%	61.1%	19.8%	13.9%	36.6%	39.6%	39.0%	41.0%	39.5%	41.6%	41.0%	41.0%	41.0%	41.1%	41.0%
Diluted EPS	**$0.10**	**$0.11**	**$0.43**	**$0.76**	**$0.13**	**$0.20**	**$0.19**	**$0.26**	**$0.77**	**$0.13**	**$0.23**	**$0.23**	**$0.32**	**$0.91**	**$1.14**
Diluted	20.77	20.77	20.77	20.77	20.67	20.83	20.83	20.84	20.79	20.90	20.93	20.93	20.93	20.92	20.92
Consensus EPS								$0.25	$0.77	$0.16	$0.26	$0.25	$0.30	$0.95	$1.13
Growth															
Sales		10.0%	-3.8%	21.8%	18.4%	18.7%	19.7%	27.2%	21.3%	18.3%	19.0%	16.0%	18.0%	15.2%	11.0%
Organic Sales growth		4.2%	-6.2%	10.9%	10.9%	13.0%	10.6%	8.8%	11.4%	7%	9%	9%	9%		8%
Inflation - contribution to sales		n/a	-0.6%	7.8%	4.9%	3.3%	2.7%	1.1%	2.2%	-1.7%	-2.0%	-2.0%	0.0%		3%
Acquisitions - contribution to sales		5.8%	3.0%	3.1%	3.0%	2.0%	6.4%	10.0%	5.7%	11%	12%	9%	9%		0%
Impact of extra week - contribution to sales								7.2%	2.0%						
Operating Expenses (Ex. D&A)		1.5%	-3.9%	10.8%	15.3%	19.3%	24.3%	25.5%	21.3%	22.1%	22.5%	18.5%	5.3%	16.6%	8.1%
Operating Expenses (Incl. D&A)		1.6%	-3.9%	10.7%	15.7%	18.1%	23.8%	23.2%	20.3%	21.3%	23.2%	19.0%	5.6%	16.8%	7.9%
Operating Income		67.9%	33.3%	61.8%	35.3%	24.1%	12.9%	49.6%	30.1%	23.4%	20.3%	20.3%	22.8%	21.6%	23.0%
EBITDA		51.7%	27.2%	55.3%	34.5%	20.4%	12.5%	41.5%	26.7%	20.5%	22.1%	21.5%	22.6%	21.9%	21.5%
Net Income		2.8%	308.1%	77.1%	69.0%	-8.7%	-9.3%	-0.6%	1.5%	1.4%	19.0%	19.4%	25.5%	18.4%	25.0%
EPS			308.1%	77.1%					1.4%					17.7%	25.0%
Margins															
Gross	25.5%	25.0%	26.3%	26.0%	25.8%	26.45%	26.19%	26.62%	26.30%	26.56%	27.20%	26.94%	27.12%	26.98%	27.2%
D&A	0.8%	0.7%	0.7%	0.6%	0.7%	0.4%	0.4%	0.4%	0.5%	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%
Operating Expenses (Ex. D&A)				18.8%	20.1%	18.8%	18.8%	17.9%	18.8%	20.8%	19.3%	19.2%	17.3%	19.0%	18.5%
Operating Expenses (Incl. D&A)	23.2%	21.4%	21.4%	19.4%	20.9%	19.2%	19.2%	18.3%	19.3%	21.4%	19.9%	19.7%	17.7%	19.6%	19.0%
Operating Income	2.3%	3.6%	4.9%	6.5%	4.9%	7.3%	6.9%	8.3%	7.0%	5.2%	7.3%	7.2%	9.4%	7.4%	8.2%
EBITDA	3.1%	4.3%	5.6%	7.2%	5.7%	7.7%	7.4%	8.8%	7.5%	5.8%	7.9%	7.7%	9.9%	7.9%	8.7%
Tax	26.9%	61.1%	19.8%	13.9%	36.6%	39.6%	39.0%	41.0%	39.5%	41.6%	41.0%	41.0%	41.0%	41.1%	41.0%
Net	0.8%	0.8%	3.3%	4.8%	3.1%	4.1%	3.9%	4.6%	4.0%	2.7%	4.1%	4.0%	5.3%	4.1%	4.7%
Change in Margins															
Gross		-55bp	134bp	-32bp	12bp	21bp	21bp	64bp	32bp	75bp	75bp	75bp	50bp	67bp	25bp
D&A		-5bp	0bp	-7bp	6bp	-20bp	-6bp	-36bp	-15bp	-11bp	12bp	10bp	4bp	5bp	-5bp
Operating Expenses (Ex. D&A)					-55bp	10bp	69bp	-24bp	0bp	64bp	55bp	40bp	-60bp	24bp	-50bp
Operating Expenses (Incl. D&A)		-178bp	-2bp	-194bp	-49bp	-11bp	63bp	-60bp	-16bp	54bp	67bp	50bp	-56bp	28bp	-55bp
Operating Income		122bp	137bp	162bp	62bp	31bp	-42bp	124bp	47bp	21bp	8bp	25bp	106bp	39bp	80bp
EBITDA		117bp	137bp	155bp	68bp	11bp	-47bp	88bp	32bp	11bp	20bp	35bp	110bp	44bp	75bp
Net		-5bp	253bp	150bp	94bp	-124bp	-126bp	-130bp	-78bp	-45bp	0bp	11bp	71bp	11bp	52bp

Source: Company reports, BMO Capital Markets estimates.

CHEFS WHSE INC (CHEF)

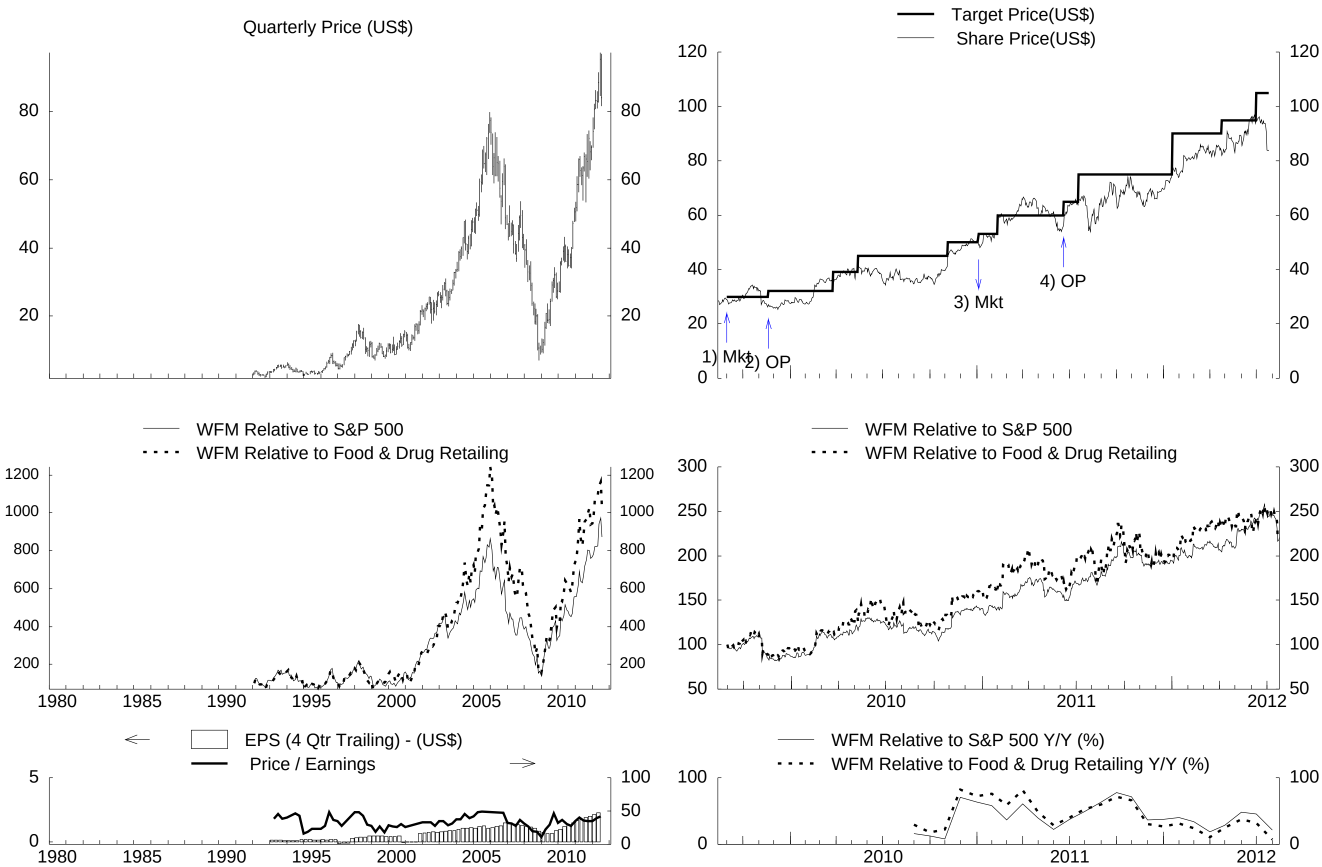


CHEF - Rating as of 28-Jul-11 = NR

	Date	Rating Change	Share Price
1	6-Sep-11	NR to OP	$13.56

Last Daily Data Point: July 23, 2012

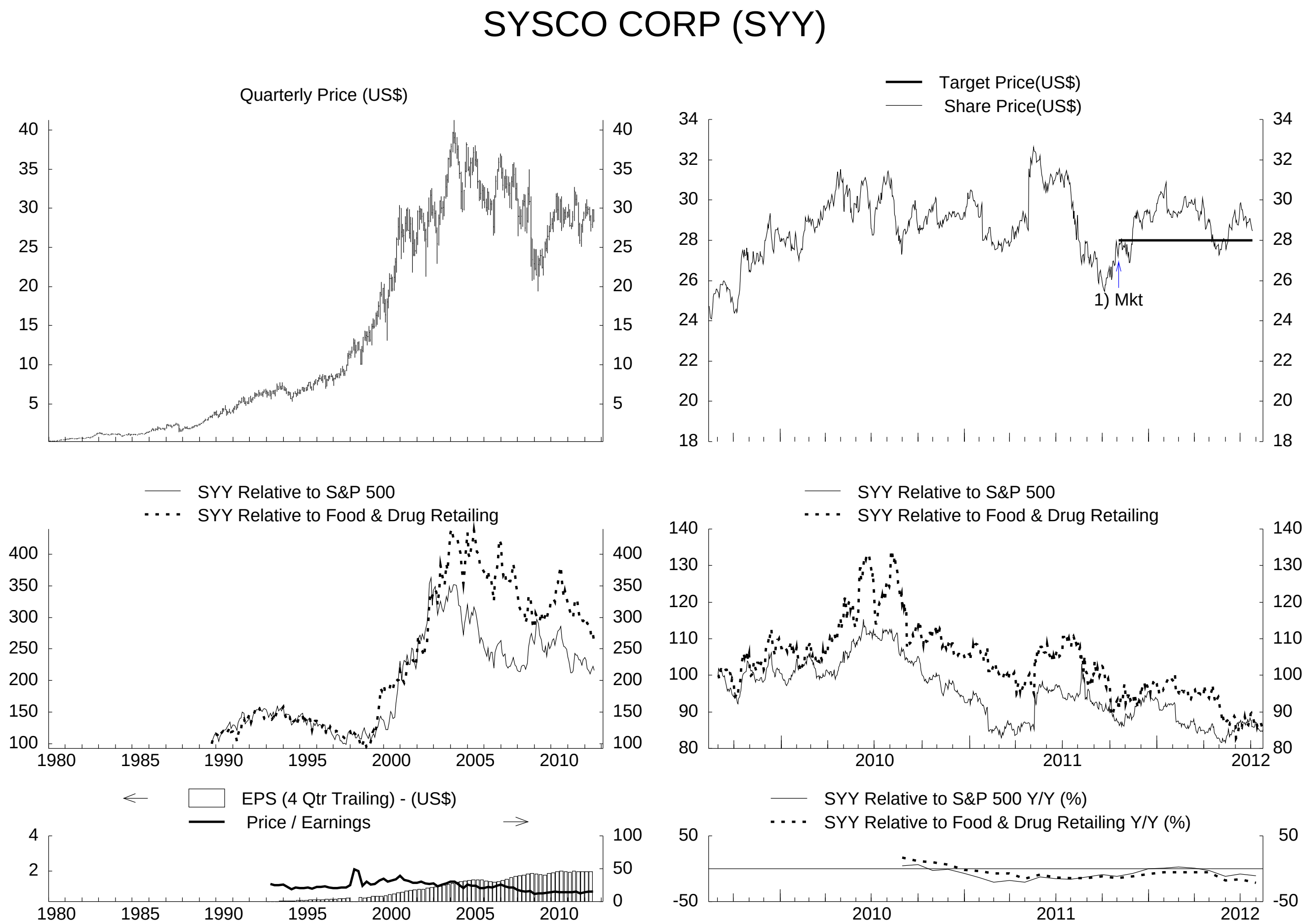
WHOLE FOODS MKT INC (WFM)



WFM - Rating as of 13-Aug-09 = NR

	Date	Rating Change	Share Price
1	31-Aug-09	NR to Mkt	$29.11
2	19-Nov-09	Mkt to OP	$26.21
3	4-Jan-11	OP to Mkt	$50.75
4	20-Jun-11	Mkt to OP	$55.69

Last Daily Data Point: July 24, 2012

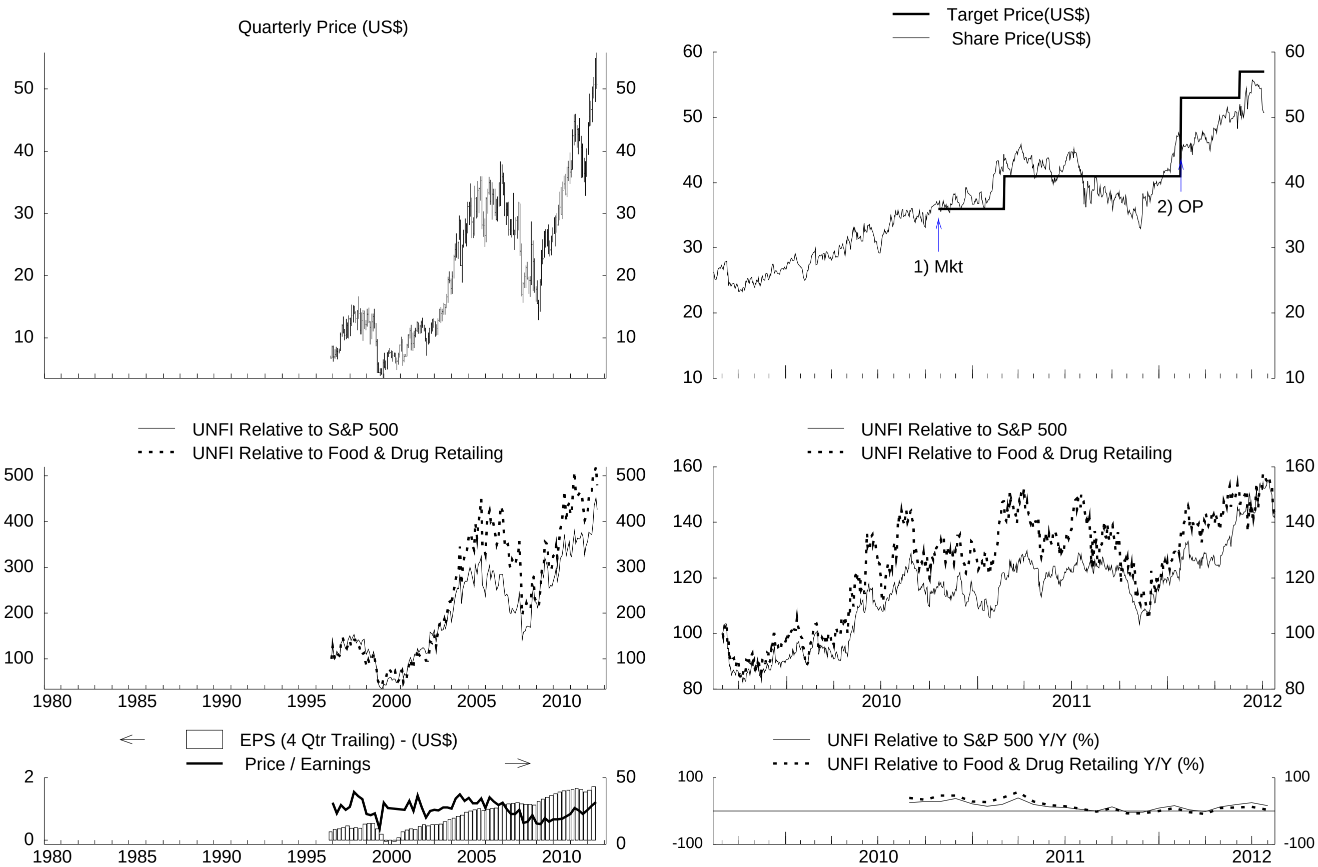


SYY - Rating as of 13-Aug-09 = NR

	Date	Rating Change	Share Price
1	2-Nov-11	NR to Mkt	$27.20

Last Daily Data Point: July 24, 2012

UNITED NAT FOODS INC (UNFI)



UNFI - Rating as of 13-Aug-09 = NR

	Date	Rating Change	Share Price
1	27-Oct-10	NR to Mkt	$36.61
2	13-Feb-12	Mkt to OP	$45.26

Last Daily Data Point: July 24, 2012

Important Disclosures

Analyst's Certification

I, Karen Short, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities or issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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Company Specific Disclosure for CHEF

Disclosure 1: BMO Capital Markets has undertaken an underwriting liability with respect to this issuer within the past 12 months.
Disclosure 2: BMO Capital Markets has provided investment banking services with respect to this issuer within the past 12 months.
Disclosure 3: BMO Capital Markets has managed or co-managed a public offering of securities with respect to this issuer within the past 12 months.
Disclosure 4: BMO Capital Markets or an affiliate has received compensation for investment banking services from this issuer within the past 12 months.
Disclosure 6: This issuer is a client (or was a client) of BMO Nesbitt Burns Inc., BMO Capital Markets Corp., BMO CM Ltd. or an affiliate within the past 12 months: Investment Banking Services.
Disclosure 9: BMO Capital Markets makes a market in this security.

Methodology and Risks to Our Price Target/Valuation for CHEF

Methodology: Our target price values CHEF at a FY2013 EV/EBITDA of 11.7x and P/E of 22.8x

Risks: Key risks to our CHEF price target include increased competition from traditional broadline operators or consolidation among other regional specialty distributors, deterioration in the national or New York economy as it relates to discretionary spending at restaurants, the success and completion of future acquisitions at fair prices, significant increases in raw material costs, and tainted product or product recall which could tarnish the company's image.

Company Specific Disclosures for WFM

5 - BMO Capital Markets or an affiliate received compensation for products or services other than investment banking services within the past 12 months.
6C - This issuer is a client (or was a client) of BMO Capital Markets or an affiliate within the past 12 months: Non-Securities Related Services
9 - BMO Capital Markets makes a market in this security.

Methodology and Risks to Our Price Target/Valuation

Methodology: Our target price values WFMI at a P/E of 26.9x and an EV/EBITDA of 8.0x.

Risks: Key risks to our price target include further expansion into the natural and organics space by conventional retailers, a decline in consumer spend levels, trade down activity both within the store and to other retailers or discount operators, an increase in unemployment and an increase in labor costs.

Company Specific Disclosures for SYY

9 - BMO Capital Markets makes a market in this security.

Methodology and Risks to Our Price Target/Valuation

Methodology: Our target price values SYY at an FY13 EV/EBITDAR of 7.4x and P/E of 14.6x.

Risks: Key risks to our SYY price target include increased competition from other broadline operators or consolidation among regional distributors, deterioration in the national economy as it relates to discretionary spending at restaurants, the success and completion of future acquisitions at fair prices, the success and on time completion of the Business Transformation Project, restaurant unit growth rates, and the rate of inflation.

Company Specific Disclosures for UNFI

5 - BMO Capital Markets or an affiliate received compensation for products or services other than investment banking services within the past 12 months.
6C - This issuer is a client (or was a client) of BMO Capital Markets or an affiliate within the past 12 months: Non-Securities Related Services
9 - BMO Capital Markets makes a market in this security.

Methodology and Risks to Our Price Target/Valuation

Methodology: Our target price values UNFI at a FY11 EV/EBITDA of 11.0x.

Risks: The risks to UNFI's target price include the loss of the Whole Foods Market business (35% of FY10 sales) as well as a weakening in Whole Foods sales trends, a significant economic downturn, a decline in consumer spending, grocery industry consolidation, integration risks associated with the implementation of a new IT platform and high fuel prices.

Distribution of Ratings (June 30, 2012)

Rating Category	BMO Rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	Starmine Universe
Buy	Outperform	39.2%	14.2%	66.0%	39.7%	49.1%	55.7%

Hold	Market Perform	58.8%	4.6%	31.9%	57.1%	48.6%	39.3%
Sell	Underperform	2.0%	9.1%	2.1%	3.2%	2.3%	5.0%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

** Reflects rating distribution of all companies from which BMO Capital Markets Corp. has received compensation for Investment Banking services as percentage within ratings category.

*** Reflects rating distribution of all companies from which BMO Capital Markets Corp. has received compensation for Investment Banking services as percentage of Investment Banking clients.

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The Chefs' Warehouse (CHEF)
Jefferies 2012 Global Consumer Conference Takeaways

BUY
Price target $25.00
Price $18.18

Key Takeaway

Christopher Pappas, Chairman and CEO of Chefs' Warehouse, presented at the Jefferies Global Consumer Conference.

CHEF's growing competitive advantage looks to be increasing as the company deploys technology. Indeed, the company's systems both on the sales-side of the business as well as those such as the warehouse management system, pick-to-voice, and other logistics technology are driving increased efficiencies and allowing the company to be more flexible, distancing Chefs' Warehouse from other of its "mom and pop" competitors which don't have similar capabilities. Mr. Pappas noted the success the company had using its technological advantage to pressure competitors when it entered the San Francisco market, something he hopes will be repeated.

Differentiated sales force creates additional advantages. The company's sales force, more than 50% of which have experience in the culinary industry, are also a significant advantage. In fact, the company indicated that its high-touch service model provides a meaningful competitive advantage over larger broadline distributors. The company revels in doing the hard things, such as finding a very specialized product on short notice, that larger, less flexible companies simply have a difficult time doing. We believe this high service model in concert with its technology creates a recipe for lasting partnerships with its customers.

Growth opportunities coming from a number of different fronts. Mr. Pappas suggested that Chefs' Warehouse has significant opportunity to consolidate its fragmented industry over time through a combination of increased customer penetration, on-boarding of additional unique customers, and the potential for 2-4 accretive tuck-in acquisitions per year. Indeed, along with continued growth outside of the company's current geographies, we also expect Chefs' Warehouse to enter into adjacent product categories over time, something which should enhance the company's ability to sell more to existing customers as well as win new business.

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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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7. Performance is calculated in US dollars on an equally weighted basis and is compared to MSCI World AC US$.
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9. Transaction fees are not included.
10. All corporate actions are taken into account.

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The Chefs' Warehouse

CHEF : NASDAQ : US$19.28

BUY

Target: US$24.00

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COMPANY STATISTICS:

Shares Out diluted:	20.8
Market Cap (M):	US$401.8
52-week Range:	11.32 - 23.75
Avg. Daily Vol. (000s):	91.5
EV/EBITDA:	11.6

EARNINGS SUMMARY:

FYE Dec		2010A	2011A	2012E	2013E
P/Sales:		1.2	1.0	0.9	0.8
P/E:		35.0	24.8	21.3	18.3
Revenue (M):	Q1	70.0	83.2	98.1A	-
	Q2	83.6	99.3	115.2	-
	Q3	84.9	101.7	116.2	-
	Q4	91.6	116.5	131.7	-
Total		330.1	400.6	461.1	514.3
EPS:	Q1	0.07	0.12	0.13A	-
	Q2	0.15	0.20	0.24	-
	Q3	0.17	0.19	0.23	-
	Q4	0.17	0.26	0.31	-
Total		0.55	0.78	0.91	1.05

SHARE PRICE PERFORMANCE:

Source: Interactive Data Corporation

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 in the United States.

All amounts in US$ unless otherwise noted.

Consumer & Retail -- Health, Wellness and Lifestyle

EXPERIENCE ADDED TO THE CFO POSITION; MAINTAIN BUY AND $24 TARGET

Investment recommendation

We expect that CHEF will deliver an EPS CAGR approaching 20% over the next few years, and believe the company has considerable geographic growth and consolidation opportunities to enhance strong organic growth within its existing markets.

Investment highlights

- CHEF announces appointment of John Austin as CFO. Notably, Mr. Austin was previously CFO of Performance Food Group, which was acquired by Blackstone in 2008.
- Mr. Austin had joined the Board prior to the IPO to lend his public company CFO experience to CHEF, and that experience will now be more fully utilized in the CFO slot. Mr. Austin has been replaced on the Board by Dominick Cerbone.
- We view the change as a natural maturation of the company as Mr. Austin has experience as a CFO of a larger former public food service distribution company with considerable M&A experience as well.

Valuation

No change to our $24 price target. The shares look attractive relative to its appropriate peers at 18x next year’s EPS estimate and about 10x next year’s EBITDA forecast.

VALUATION

Valuation is appropriate, in our view. Shares trade at 18x our 2013 EPS forecast and 10x our forecasted EBITDA. While the valuation represents a significant premium to the traditional food distribution peer group multiples generally in the low teens on forward earnings and 7 to 8x EBITDA, the valuation is at a discount to its best and only real comparable peer from a standpoint of growth, United Natural Foods (UNFI : NASDAQ : $50.81 | BUY). We view UNFI as the best comparison for CHEF given it also enjoys a naturally growing market, superior margins relative to most distributors (yet at 18% UNFI's gross margins are inferior to CHEF at 26%) and is the leader in its segment as is CHEF. We continue to argue that CHEF should trade at a premium to its distribution peers (as UNFI does) given its vastly superior margins, growth outlook and higher returns on invested capital.

We maintain our price target of $24.00, reflecting 11x our 2013 EBITDA forecast and 22x our 2013 EPS estimate and the premium valuations of the specialty food peer group.

Figure 1: Historical and projected operating results

Fiscal Year End - December (in millions, except per-share data)

	2011				2011	2012E				2012E	2013E
Income Statement	Q1	Q2	Q3	Q4	FY	Q1A	Q2	Q3	Q4	FY	FY
Revenue	**83.2**	**99.3**	**101.7**	**116.5**	**400.6**	**98.1**	**115.2**	**116.2**	**131.7**	**461.1**	**514.3**
COGS	(61.1)	(73.0)	(75.1)	(85.5)	(294.7)	(72.0)	(84.6)	(85.3)	(96.6)	(338.5)	(377.6)
Gross Profit	22.0	26.3	26.6	31.0	105.9	26.0	30.6	30.9	35.0	122.6	136.8
Operating Expenses	(17.0)	(18.6)	(21.3)	(21.3)	(78.1)	(21.0)	(21.6)	(22.2)	(23.8)	(88.5)	(97.7)
Operating Income	5.1	7.7	5.3	9.7	27.8	5.1	9.0	8.8	11.3	34.1	39.1
EBITDA	**5.6**	**8.0**	**5.8**	**10.1**	**33.3**	**5.7**	**9.6**	**9.3**	**11.8**	**44.1**	**49.0**
Net Interest	(3.5)	(3.3)	(7.2)	(0.5)	(14.6)	(0.5)	(1.7)	(0.6)	(0.6)	(3.4)	(2.0)
Other expenses	0.1	0.0	0.0	(0.0)	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Pretax Income	1.7	4.4	(1.9)	9.2	13.3	4.5	7.3	8.2	10.7	30.7	37.1
Income Tax	(0.7)	(1.7)	0.7	(4.0)	(5.6)	(1.9)	(3.0)	(3.3)	(4.4)	(12.6)	(15.2)
Net Income	1.0	2.7	(1.2)	5.2	7.7	2.6	4.3	4.8	6.3	18.1	21.9
Average Shares	16.0	16.0	18.7	20.8	17.9	20.9	20.9	21.0	21.1	21.0	21.2
EPS	$0.06	$0.17	($0.06)	$0.25	$0.43	$0.13	$0.21	$0.23	$0.30	$0.86	$1.03
Pro forma adjustments											
GAAP Pretax income	1.7	4.4	(1.9)	9.2	13.3	4.5	7.3	8.2	10.7	30.7	37.1
SG&A	(0.8)	(0.7)	1.7	0.2	0.5	0.0	0.2	0.2	0.2	0.6	0.7
D&A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest	3.0	2.9	6.7	0.0	12.7	0.0	1.0	0.0	0.0	1.0	0.0
Adjusted EBITDA	**4.8**	**7.3**	**7.5**	**10.3**	**29.9**	**5.7**	**9.8**	**9.5**	**12.0**	**44.7**	**49.7**
Adjusted pre-tax	4.2	6.9	6.6	9.4	27.0	4.5	8.5	8.3	10.9	32.3	37.7
Taxes	(1.6)	(2.7)	(2.6)	(3.9)	(10.8)	(1.9)	(3.5)	(3.4)	(4.5)	(13.3)	(15.5)
Adjusted net income	2.6	4.2	4.0	5.5	16.2	2.6	5.0	4.9	6.4	19.0	22.3
Pro Forma EPS	**$0.12**	**$0.20**	**$0.19**	**$0.26**	**$0.78**	**$0.13**	**$0.24**	**$0.23**	**$0.31**	**$0.91**	**$1.05**
Shares outstanding	20.8	20.8	20.8	20.8	20.8	20.9	20.9	21.0	21.1	21.0	21.2
Margin Analysis											
Gross Margin	**26.5 %**	**26.5 %**	**26.2 %**	**26.6 %**	**26.4 %**	**26.6 %**	**26.6 %**	**26.6 %**	**26.6 %**	**26.6 %**	**26.6 %**
Warehousing and distribution	10.3 %	9.2 %	10.4 %	10.0 %	10.0 %	11.4 %	8.9 %	9.8 %	9.5 %	9.9 %	9.7 %
SG&A	9.3 %	9.1 %	10.1 %	7.9 %	9.0 %	9.3 %	8.8 %	8.2 %	7.7 %	8.4 %	8.3 %
Adjusted operating margin	5.2 %	7.1 %	6.9 %	8.5 %	7.1 %	5.2 %	8.0 %	7.7 %	8.7 %	7.5 %	7.7 %
Adjusted EBITDA margin	**5.8 %**	**7.4 %**	**7.4 %**	**8.8 %**	**7.5 %**	**5.8 %**	**8.5 %**	**8.2 %**	**9.1 %**	**9.7 %**	**9.7 %**
Pretax margin	2.0 %	4.4 %	-1.9 %	7.9 %	3.3 %	4.6 %	6.4 %	7.0 %	8.1 %	6.7 %	7.2 %
Adjusted net margin	3.1 %	4.2 %	3.9 %	4.7 %	4.1 %	2.7 %	4.4 %	4.2 %	4.9 %	4.1 %	4.3 %
Tax Rate	39.0%	39.0%	39.0%	41.5%	39.9%	41.6%	41.0%	41.0%	41.0%	41.1%	41.0%
Growth (vs Year Ago)											
Revenue	19 %	19 %	20 %	27 %	21 %	18 %	16 %	14 %	13 %	15 %	12 %
Operating	67 %	37 %	-15 %	50 %	29 %	0 %	17 %	64 %	16 %	23 %	15 %
Pro forma Pre-Tax Income	89 %	38 %	16 %	62 %	45 %	7 %	24 %	27 %	17 %	20 %	21 %
Pro forma Net Income	89 %	38 %	16 %	56 %	43 %	2 %	20 %	23 %	18 %	17 %	21 %
Pro forma EPS	87 %	36 %	15 %	55 %	42 %	2 %	19 %	22 %	16 %	16 %	16 %
Ratio Analysis											
Net debt	95.7	100.9	43.8	45.5	45.5	32.9	32.7	27.1	25.9	25.9	2.1
DSOs	39.6	37.1	37.6	38.4	38.4	39.9	37.1	37.6	38.4	38.4	38.4
Days Inventory	25.7	24.1	23.4	22.1	25.7	25.7	24.1	23.4	22.1	25.3	25.1
Inventory Turns	3.5	3.8	3.9	4.1	14.2	3.5	3.8	3.9	4.1	14.4	14.5
ROIC	25.2%	33.1%	20.6%	32.3%	23.8%	19.0%	31.2%	29.7%	34.7%	26.2%	27.9%
Return on Equity	nmf	nmf	nmf	nmf	nmf	74.7 %	38.1 %	35.0 %	38.3 %	37.4 %	24.6 %
Operating ROA	24.9%	32.2%	22.0%	37.0%	29.7%	19.3%	32.7%	31.0%	37.1%	30.2%	30.4%
Debt/Total Capital	85.8%	86.5%	70.8%	68.5%	71.7%	65.9%	64.1%	62.0%	59.8%	59.9%	34.8%
Cash Flow Analysis											
Operating cash flow	3.1	5.3	(1.9)	1.3	7.7	13.8	4.3	3.4	2.7	24.1	28.2
Free cash flow	2.7	4.8	(2.6)	0.6	5.6	13.1	3.6	2.7	2.0	21.5	25.6
EBITDA	5.6	8.0	7.7	12.0	33.3	7.6	11.5	11.2	13.8	44.1	49.0

Source: Company reports and Canaccord Genuity forecasts

Investment risks

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 exposures to potential sales volatility as consumer confidence and spending fluctuation. 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 it remains 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; 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 filing.

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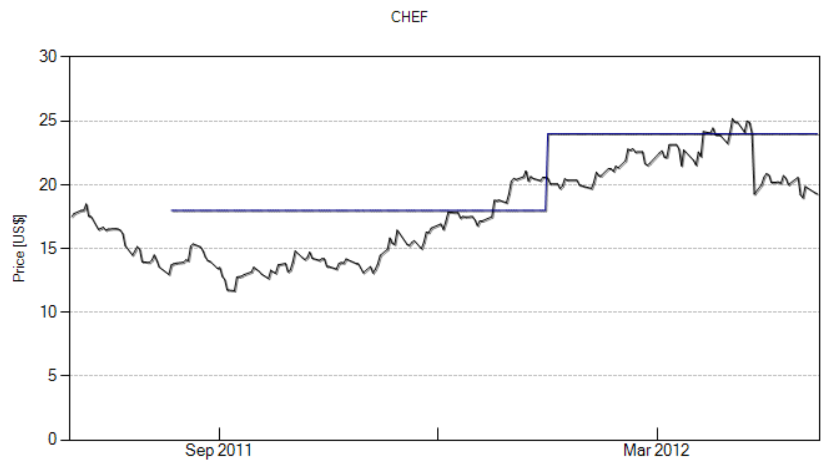
Site Visit: An analyst has visited the issuer's material operations in Ridgefield, Connecticut. No payment or reimbursement was received from the issuer for the related travel costs.

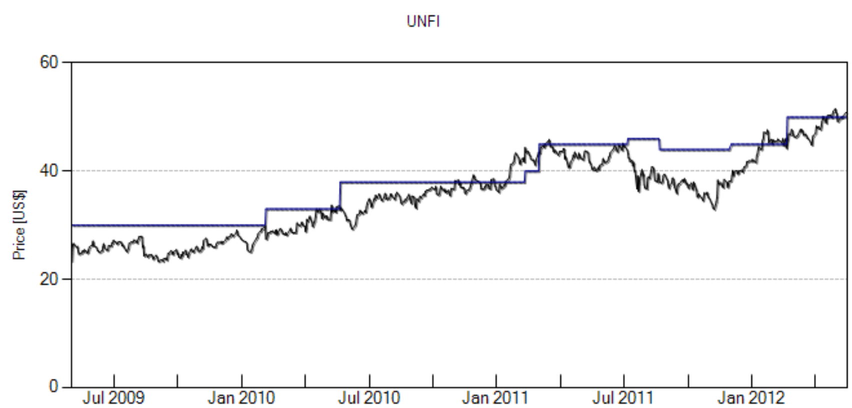
Price Chart:*



Market Price
Target Price

	Date	Analyst	Rating	Target Price		Date	Analyst	Rating	Target Price
1)	09/07/2011	Winkle	Buy	18.00	2)	02/09/2012	Winkle	Buy	24.00

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



Market Price
Target Price

	Date	Analyst	Rating	Target Price		Date	Analyst	Rating	Target Price
1)	09/09/2009	Winkle	Buy	30.00	6)	03/22/2011	Winkle	Hold	45.00
2)	03/02/2010	Winkle	Buy	33.00	7)	07/26/2011	Winkle	Hold	46.00
3)	06/15/2010	Winkle	Buy	38.00	8)	09/09/2011	Winkle	Hold	44.00
4)	10/25/2010	Winkle	Hold	38.00	9)	12/19/2011	Winkle	Buy	45.00
5)	03/03/2011	Winkle	Hold	40.00	10)	03/07/2012	Winkle	Buy	50.00

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

Distribution of Ratings:
Global Stock Ratings
(as of 2 April 2012)

	Coverage Universe		IB Clients
Rating	#	%	%
Buy	503	59.3%	31.0%
Speculative Buy	91	10.7%	73.6%
Hold	232	27.4%	18.5%
Sell	22	2.6%	9.1%
	848	100%	

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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.

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Canaccord Genuity Research Disclosures as of 31 May 2012

Company	Disclosure
The Chefs' Warehouse	1A, 2, 3, 5, 7
United Natural Foods	5, 7

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Additional information is available on request.

Wednesday, May 30, 2012

Chefs' Warehouse (Outperform)

(CHEF-NASDAQ)

Positioning for Growth

Flash:

Today, CHEF announced that Ken Clark is resigning effective June 30, 2012, from his role as CFO and assistant secretary. He will remain with the company through March 6, 2013, as a special advisor to the new CFO. Replacing Ken Clark is former board director John Austin, who resigned from CHEF's board on May 24, 2012, to accept the new CFO position. Dominick Cerbone replaced Mr. Austin as the new board director.

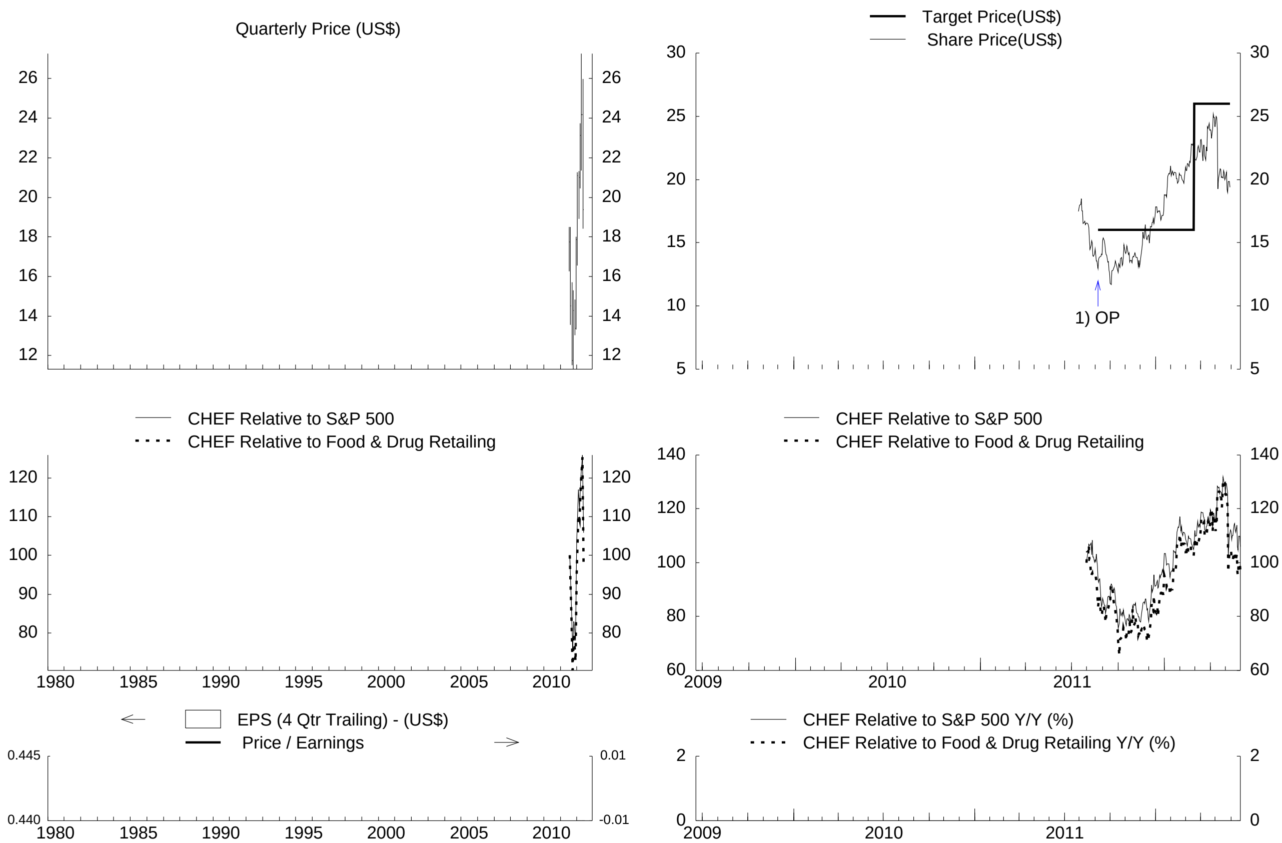
Our View:

* We believe these personnel changes are a net positive for CHEF.
* We believe John Austin (50 years old) will bring significantly more experience to the management team given his prior role as CFO of Performance Food Group (PFG), a position he held from 2003 to 2009. PFG publicly traded until 2008 when it was acquired by Blackstone.
* During his tenure at PFG, revenues grew from ~$800 million to ~$6 billion – with acquisitions accounting for approximately 50% of the growth.
* Given CHEF's long-term vision (to be a much larger, national, specialty distributor), we believe CHEF will significantly benefit from both Mr. Austin's extensive deal experience – as well as his experience in the CFO role at a publicly traded company.
* Replacing Mr. Austin on the board of directors is Dominick Cerbone, who will lead the board's audit committee. Mr. Cerbone previously was a senior partner at accounting firm Ernst & Young as a part of its transaction practice where he was responsible for structuring, negotiating, facilitating and integrating over 500 transactions.

Company:	Chefs' Warehouse (CHEF)
Price/Rating/Target:	$19.38/Outperform/$26.00
Sector Name:	Food Retail
Analyst:	Karen Short 212-885-4123
Email:	karen.short@bmo.com
Associate:	Ryan J. Gilligan, CFA 212-885-4124
Email:	ryan.gilligan@bmo.com

Please refer to pages 2 to 5 for Disclosure Statements, including the Analyst's Certification.

CHEFS WHSE INC (CHEF)



CHEF - Rating as of 28-Jul-11 = NR

	Date	Rating Change	Share Price
1	6-Sep-11	NR to OP	$13.56

Last Daily Data Point: May 29, 2012

Important Disclosures

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Methodology and Risks to Our Price Target

Methodology: Our target price values CHEF at an FY2013 EV/EBITDA of 11.7x and P/E of 22.8x.

Risks: Key risks to our CHEF price target include increased competition from traditional broadline operators or consolidation among other regional specialty distributors, deterioration in the national or New York economy as it relates to discretionary spending at restaurants, the success and completion of future acquisitions at fair prices, significant increases in raw material costs, and tainted product or product recall which could tarnish the company's image.

Distribution of Ratings (March 31, 2012)

Rating Category	BMO Rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	Starmine Universe
Buy	Outperform	37.7%	12.1%	52.1%	39.2%	48.3%	54.6%
Hold	Market Perform	60.0%	7.0%	47.9%	57.6%	51.0%	40.1%
Sell	Underperform	2.4%	0.0%	0.0%	3.2%	0.7%	5.3%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.
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Mkt = Market Perform - Forecast to perform roughly in line with the market;
Und = Underperform - Forecast to underperform the market;
(S) = speculative investment;
NR = No rating at this time;
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Flash BMO Capital Markets

Thursday, May 17, 2012

Chefs' Warehouse (Outperform)

(CHEF-NASDAQ)

Presents at BMO Capital Markets' 2012 Farm to Market Conference

Flash:

Yesterday, CEO Christopher Pappas, CFO Kenneth Clark and COO James Wagner presented at our Farm to Market Conference in New York City. We believe the story remains intact and believe the company can continue to gain share in an extremely fragmented market through select acquisitions, increasing penetration with new customers and existing customers.

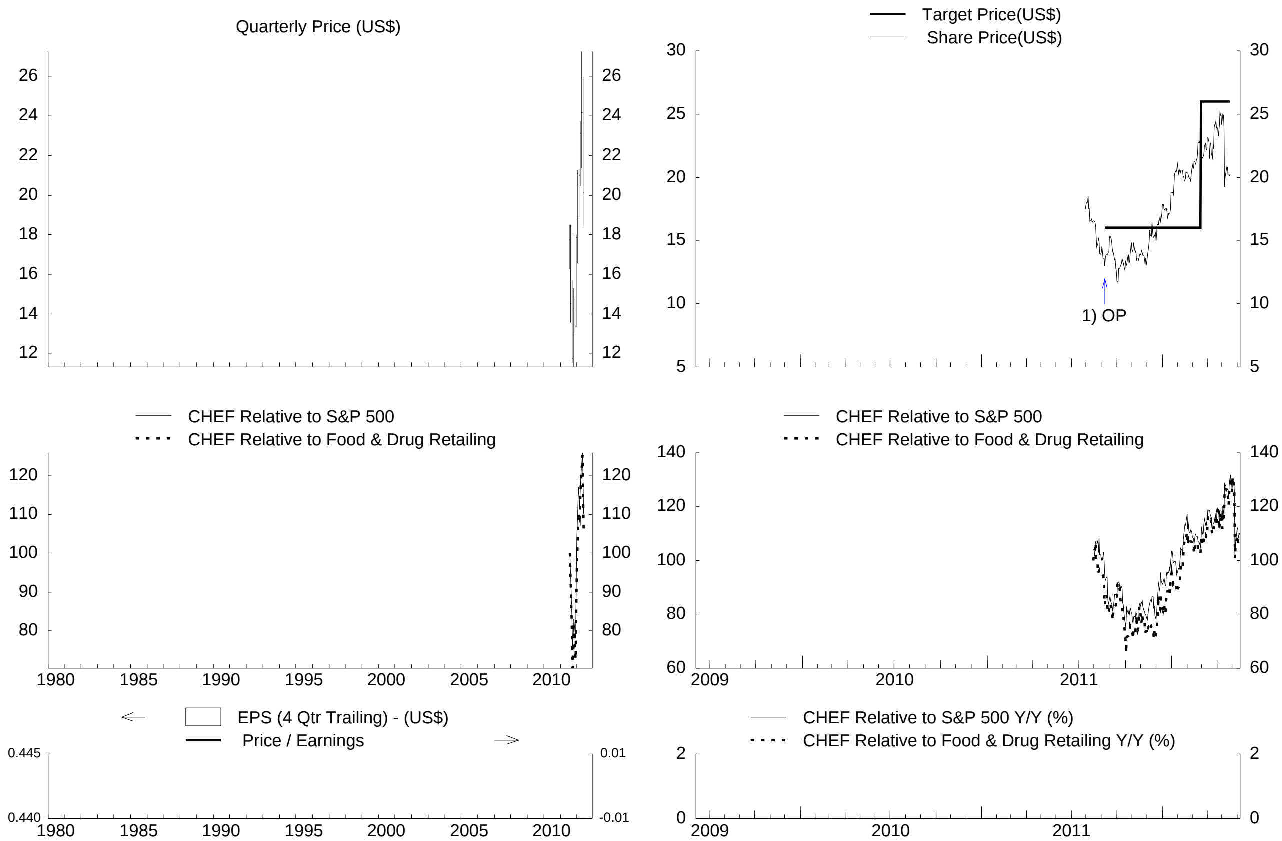
Our View:

* We believe the recent pullback presents investors with a compelling entry point because we believe CHEF's long-term prospects remain robust. Our $26 price target reflects 25% upside from yesterday's closing price.
* The acquisition pipeline remains strong.
* The company continues to search for three types of acquisitions: new market, tuck-in and strategic acquisition opportunities. Strategic acquisitions would likely involve acquiring a company with a specialty in meat, seafood, produce, direct ship pastry, or supplies given CHEF's limited current exposure to those categories. Strategic acquisitions are more accretive than new market acquisitions, so purchase multiples could also be higher (on a multiple of sales). This was the case with the most recent – Praml – acquisition.
* Execution risk on the Bronx facility transition is very low – mostly because CHEF's employee base will remain consistent. Employee turnover is generally the greatest risk in facility transitions.

Company:	Chefs' Warehouse (CHEF)
Price/Rating/Target:	$20.73/Outperform/$26.00
Sector Name:	Food Retail
Analyst:	Karen Short 212-885-4123
Email:	karen.short@bmo.com
Associate:	Ryan J. Gilligan, CFA 212-885-4124
Email:	ryan.gilligan@bmo.com

Please refer to pages 2 to 5 for Disclosure Statements, including the Analyst's Certification.

CHEFS WHSE INC (CHEF)



CHEF - Rating as of 28-Jul-11 = NR

	Date	Rating Change	Share Price
1	6-Sep-11	NR to OP	$13.56

Last Daily Data Point: May 15, 2012

Important Disclosures

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Methodology and Risks to Our Price Target

Methodology: Our target price values CHEF at an FY12 EV/EBITDA of xx and P/E of xx.

Risks: Key risks to our CHEF price target include increased competition from traditional broadline operators or consolidation among other regional specialty distributors, deterioration in the national or New York economy as it relates to discretionary spending at restaurants, the success and completion of future acquisitions at fair prices, significant increases in raw material costs, and tainted product or product recall which could tarnish the company's image.

Distribution of Ratings (March 31, 2012)

Rating Category	BMO Rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	Starmine Universe
Buy	Outperform	37.7%	12.1%	52.1%	39.2%	48.3%	54.6%
Hold	Market Perform	60.0%	7.0%	47.9%	57.6%	51.0%	40.1%
Sell	Underperform	2.4%	0.0%	0.0%	3.2%	0.7%	5.3%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

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Mkt = Market Perform - Forecast to perform roughly in line with the market;
Und = Underperform - Forecast to underperform the market;
(S) = speculative investment;
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May 7, 2012

Food Retail

Chefs' Warehouse

(CHEF-NASDAQ)

Stock Rating: Outperform
Industry Rating: Market Perform

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Management Expectations Differ From Investor Expectations

Event

And this disconnect resulted in a ~20% sell-off on Friday. So while a downgrade was tempting, the sell-off keeps us at **OUTPERFORM**. ***Our*** reality: we are less concerned with the loss of a drayage customer (~$0.02 in FY2012) and the potential for dairy deflation to negatively impact the top line for 2Q12-4Q12, both headwinds are more or less beyond management's control. Our concerns: CHEF – now armed with ~$180m of liquidity to pursue acquisitions must 1) demonstrate spending discipline, and 2) be willing to provide investors with details on the rationale for acquisitions – the "trust us" approach won't work for a company with a 9-month track record as a public entity. Investors need hand-holding, like it or not. Given the apparent lofty multiple of the Praml acquisition, somewhat vague responses to inquiries regarding the purchase, as well as the fact that the asset was based in a geography where CHEF already had a presence, our communication requirements were not met on Thursday's call. Lastly, we believe legal may be having an increasing influence on CHEF's reporting and communication practices with the Street – and not in a positive light.

Impact

Despite these concerns – we like the long term prospects for CHEF. So we will give CHEF a pass and think the pull-back presents investors with a compelling entry point, keeping in mind CHEF could remain range-bound until management regains credibility.

Forecasts

Our 2Q12 and FY2012 EPS are revised downward to $0.23 and $0.91, respectively. Consensus is $0.26 and $0.95.

Valuation

CHEF is trading at a FY2013 EV/EBITDAR of 9.0x and a P/E of 16.9x.

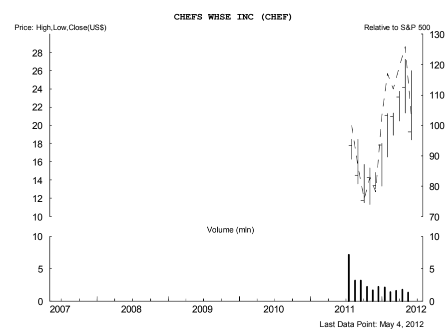
Recommendation

We maintain our **OUTPERFORM** rating.

Securities Info

Price (4-May)	**$19.27**	**Target Price**	**$26**
52-Wk High/Low	$27/$11	Dividend	--
Mkt Cap (mm)	$403	Yield	--
Shs O/S (mm, BASIC)	20.9	Float O/S (mm)	10.8
Options O/S (mm)	45.7	ADVol (30-day, 000s)	88

Price Performance



Valuation/Financial Data

(FY-Dec.)	2010A	2011A	2012E	2013E
EPS Pro Forma	$0.76	$0.77	$0.91↓	$1.14↓
P/E			21.2x	16.9x
First Call Cons.			*$0.95*	*$1.13*
EPS GAAP	$0.76	$0.77	$0.91	$1.14
FCF	na	na	na	na
P/FCF			na	na
EBITDA ($mm)	$24	$30	$37	$44
EV/EBITDA			12.0x	9.9x
Rev. ($mm)	$330	$400	$461	$512
EV/Rev			1.0x	0.9x

Quarterly EPS	1Q	2Q	3Q	4Q
2011A	$0.13	$0.20	$0.19	$0.26
2012E	$0.13A	$0.23↓	$0.23↓	$0.32↑

Quarterly EBITDA	1Q	2Q	3Q	4Q
2011A	$4.7	$7.6	$7.5	$10.2
2012E	$5.7A	$9.3	$9.1	$12.5

Balance Sheet Data (30-Dec)

Net Debt ($mm)	$35	TotalDebt/EBITDA	1.2x
Total Debt ($mm)	$46	EBITDA/IntExp	na
Net Debt/Cap.	50.5%	Price/Book	17.0x

Notes: All values in US$.

Source: BMO Capital Markets estimates, Bloomberg, Thomson Reuters, and IHS Global Insight.

Changes	Annual EPS	Quarterly EPS
	2012E $0.96 to $0.91	Q2/12E $0.26 to $0.23
	2013E $1.17 to $1.14	Q3/12E $0.25 to $0.23
		Q4/12E $0.31 to $0.32

Please refer to pages 6 to 8 for Important Disclosures, including the Analyst's Certification.

Key Points

Exhibit 1. CHEF Current Valuation

Chefs' Warehouse Current Valuation		
	2012E	2013E
Net Income	$19.07	$23.85
EPS	$0.91	$1.14
EBITDA	$37	$44
EBITDAR	$46	$54
Net Forward Debt	$26	$7
# Shares	21	21
Current Stock Price	$19.27	$19.27
Market Cap	$403	$403
EV	$429	$411
P/E	21.1x	16.9x
EV/EBITDA	11.7x	9.2x
EPS Growth	17.7%	25.0%

Source: Company reports, BMO Capital Markets estimates.

Exhibit 2. Change in Guidance

FY12 Guidance	at 4Q11	at 1Q12
Revenue	$450-$460 million	$452-$462 million
Adjusted EPS	**$0.91-$0.96**	**$0.91-$0.94**
Duplicate Rent	($0.03)	($0.02)
Write-off of Deferred Financing Fees	na	($0.03)
Loss of Drayage Contract	na	($0.02)
Praml Acquisition (est.)	na	$0.02
Reported EPS	$0.88-$0.93	$0.86-$0.89

Source: Company reports, BMO Capital Markets estimates.

On April 30, 2012, CHEF announced that it is purchasing Praml International for $19.5 million. Our view:

1. If we assume the $12 million impact to FY2012 revenues (as stated on the call) is based on an 8-month time frame (because the deal has already closed), this actually implies a ~1.1x sales multiple – too rich in our view. **If acquisitions are to play a meaningful role in the company's future growth (which we assume to be the case), multiples need to remain in the 0.3x-0.5x range. If they don't, ROIC will deteriorate and so will CHEF's valuation.**

2. EBITDA multiples are meaningless in our view because expenses at small, family-run operations are usually out of whack.

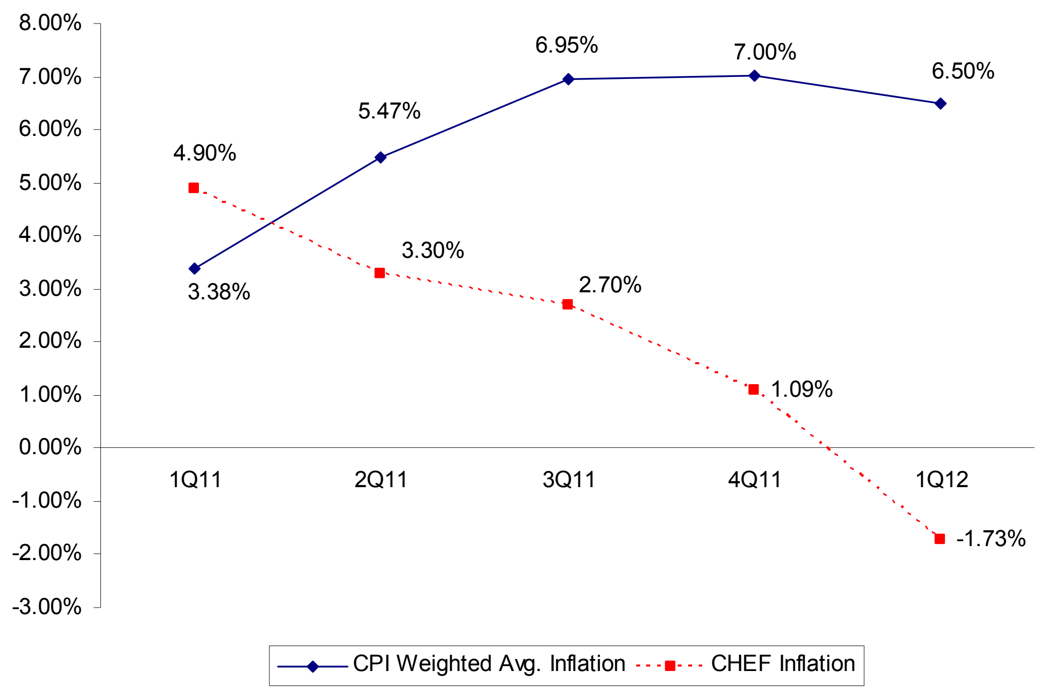
3. Given Praml's expertise – a dominant provider of French cuisine products while CHEF is known for its Italian cuisine products – we understand why this acquisition makes sense strategically, and the customer base should serve to expand CHEF's market share in an extremely robust region of the country.

4. In addition, CHEF will move its existing operations in Las Vegas (~11,440 sq. ft) to the Praml facility (>30,000 sq. ft.).

5. We would have preferred to see CHEF make an acquisition in a new market – Dallas, Boston, Chicago – to name a few. While we do trust management's ability to execute on integration of the Praml acquisition to ensure the acquisition is accretive, we are still perplexed as to why Las Vegas was a focus when the company already has a presence in the Las Vegas market.

In 1Q12, CHEF's sales growth was negatively impacted by deflation of 1.7%, largely due to deflation in the dairy category, which represents ~26% of sales at Chefs' Warehouse. In Exhibit 3 below, we compare the inflation rate provided by CHEF each quarter with a weighted average CPI inflation rate (using CHEF's category sales as weights). We acknowledge that this is not a perfect comparison, but it does appear to indicate that deflation is unique to CHEF given its specific product mix.

Exhibit 3. CHEF Inflation vs. CPI Inflation



Source: Company reports, BLS, BMO Capital Markets estimates.

We are decreasing our 2Q12 EPS estimate to $0.23 from $0.26 vs. consensus of $0.26. Our EBITDA estimate is $9.3 million. Our estimate assumes total sales increase 19.0% to $118.1 million, driven by 9.0% organic sales growth, and we assume gross margins expand 75 bp to 27.2%. We forecast operating expenses (excluding D&A) grow 22.5% to $22.9 million, or a 55-bp increase as a percentage of sales to 19.3%, leading to an 8-bp improvement in operating margins to 7.3%, or $8.7 million. This gets us to EBITDA of $9.3 million, a 20-bp expansion in margin to 7.9%. We assume interest expense of $0.4 million, a 41.0% tax rate and 20.9 million shares outstanding, which gets us to EPS of $0.23, a 18.4% increase from 2Q11.

In FY2012, we estimate EPS decreases to $0.91 from $0.96. Consensus EPS is $0.95. Our EBITDA estimate is $36.6 million. Our estimate assumes total sales increase 15.2% to $461.0 million (vs. consensus of $459.0 million), with gross margins improving 67 bp to 27.0%. We forecast operating expenses (excluding D&A) grow 16.6% to $87.8 million, a 24-bp year-over-year deterioration in margin, leading to a 39-bp improvement in operating margins to 7.4%, or $34.1 million. This gets us to EBITDA of $36.6 million, a 44-bp improvement in margin to 7.9%. We assume interest expense of $1.8 million, a 41.1% tax rate and 20.9 million shares outstanding, which gets us to EPS of $0.91.

In 1Q12, CHEF reported EPS of $0.13, which missed our $0.14 estimate and consensus of $0.16. Total sales increased 18.3% to $98.1 million. Gross margins improved 75 bp to 25.6%. Operating expenses (excluding D&A) grew 22.1% to $20.4 million. Operating margins expanded 21 bp to 5.2%, or $5.1 million, while EBITDA margins expanded 11 bp to 5.8%, or $5.7 million. Interest expense came in at $0.6 million. Using a 41.6% tax rate and 20.9 million shares outstanding gets us to EPS of $0.13.

Additional Takeaways

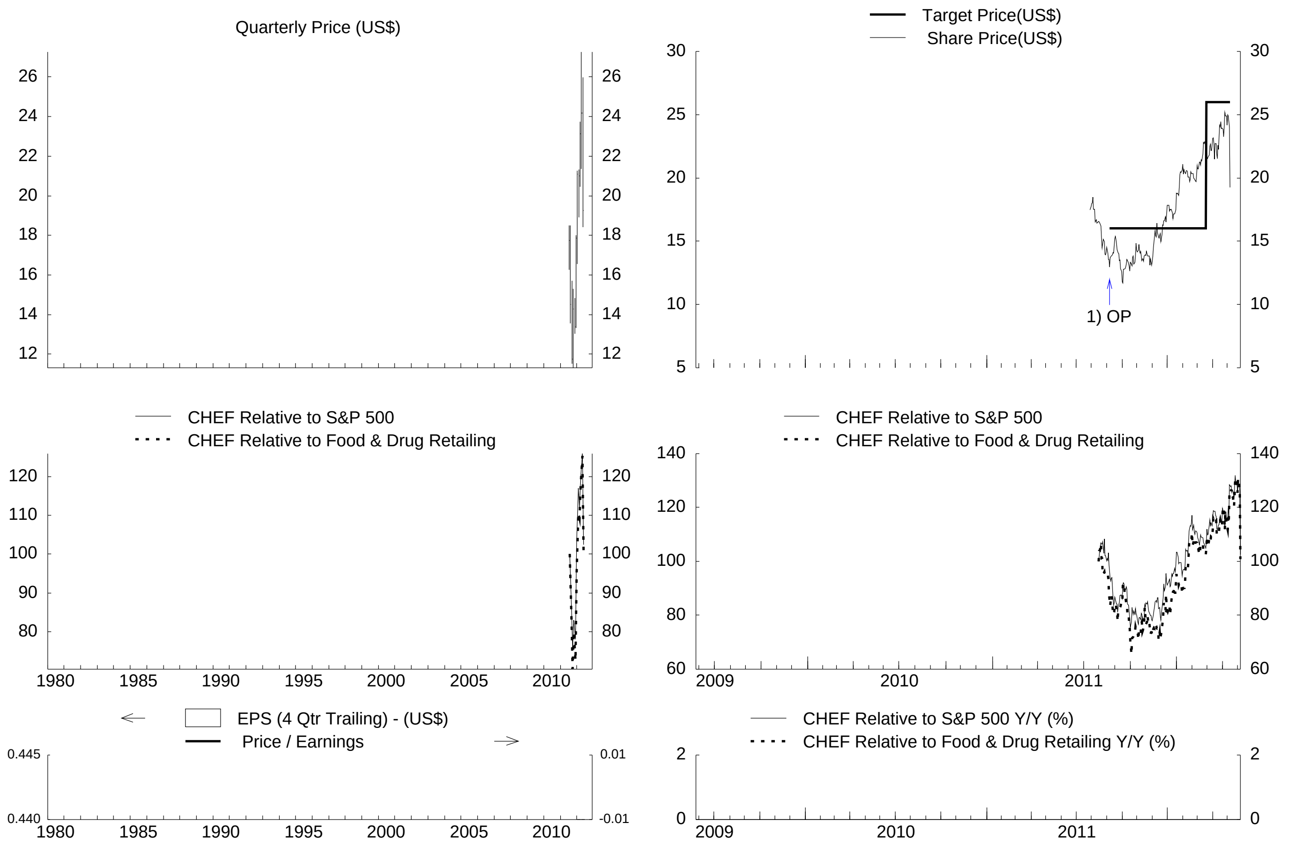
- Management updated its FY2012 guidance to reflect EPS of $0.91-$0.94 and revenues of $452-$462 million.
- In 1Q12, organic sales slowed sequentially from 4Q; however, similar to last quarter we believe this is a function of the Harry Wils and Provvista acquisitions since CHEF was taking share from these companies before they bought them. Additionally sales was also negatively impacted by deflation in the dairy category, which began to occur in January and persisted throughout the quarter, and the loss of a drayage contract. The drayage contract was a one-off contract to accommodate a customer, and we are not surprised the company discontinued this service since it does not fit within CHEF's current business model.
- On acquisitions, the integration of the Harry Wils and Provvista Specialty Food acquisitions remains on track.
- In contrast to the casual dining segment, which saw sales deteriorate in March and further into April, sales trends at fine dining restaurants (CHEF's core customer) held steady throughout the entire quarter.
- During 1Q, the company saw product placement and unique customer growth at levels similar to FY2011. The company saw increased case volumes in all categories, but particularly in dairy (which when combined with deflation caused some of the lighter than expected sales growth).
- On real estate, CHEF transitioned to a new, larger facility in Miami during 1Q, and recently signed a lease for its new facility in the Bronx that will replace the two existing facilities.
- In April, the company entered into a new credit facility that provides $180 million in additional liquidity, comprising a $100-million cash flow revolver, $40-million term note and $40-million accordion feature.
- The loss of the drayage contract will cost the company $4 million in FY2012 revenues and $0.02 in FY2012 EPS. Management expected to discontinue the contract in FY2013, and was caught slightly off guard that it ended in FY2012.

Chefs' Warehouse Income Statement

	52 weeks 12/28/2007 2007	52 weeks 12/26/2008 2008	52 weeks 12/25/2009 2009	52 weeks 12/24/2010 2010	3/25/2011 1Q11	6/24/2011 2Q11	3Q11	4Q11	53 weeks 12/30/2011 2011	1Q12	2Q12E	3Q12E	4Q12E	2012E	2013E
Revenues	**$256.13**	**$281.70**	**$271.07**	**$330.12**	**$82.90**	**$99.26**	**$101.68**	**$116.51**	**$400.35**	**$98.07**	**$118.11**	**$117.95**	**$126.91**	**$461.04**	**$511.76**
Cost of Goods	$190.79	$211.39	$199.76	$244.34	$61.50	$73.00	$75.05	$85.50	$295.05	$72.02	$85.98	$86.17	$92.49	$336.67	$372.43
Gross Profit	**$65.35**	**$70.32**	**$71.31**	**$85.78**	**$21.40**	**$26.26**	**$26.63**	**$31.01**	**$105.30**	**$26.05**	**$32.13**	**$31.78**	**$34.42**	**$124.37**	**$139.33**
D&A	$1.94	$1.99	$1.92	$2.10	$0.60	$0.39	$0.43	$0.51	$1.93	$0.61	$0.61	$0.61	$0.61	$2.44	$2.44
Total Operating Expenses (Incl. D&A)	**$59.39**	**$60.31**	**$57.98**	**$64.21**	**$17.30**	**$19.05**	**$19.57**	**$21.32**	**$77.24**	**$20.99**	**$23.46**	**$23.28**	**$22.51**	**$90.25**	**$97.35**
Total Operating Expenses (Ex. D&A)	$57.45	$58.33	$56.06	$62.10	$16.70	$18.66	$19.14	$20.81	$75.31	$20.39	$22.85	$22.67	$21.90	$87.81	$94.91
Operating Income	**$5.96**	**$10.00**	**$13.33**	**$21.57**	**$4.10**	**$7.20**	**$7.06**	**$9.70**	**$28.06**	**$5.06**	**$8.67**	**$8.49**	**$11.90**	**$34.12**	**$41.98**
EBITDA	**$7.90**	**$11.99**	**$15.25**	**$23.68**	**$4.70**	**$7.60**	**$7.491**	**$10.207**	**$29.99**	**$5.66**	**$9.28**	**$9.10**	**$12.51**	**$36.56**	**$44.41**
Interest	$3.52	$3.24	$2.82	$4.04	$0.40	$0.42	$0.51	$0.53	$1.85	$0.55	$0.40	$0.40	$0.40	$1.75	$1.63
Gain on Settlement	$1.10														
Gain/Loss on Interest Rate Swap	-$0.62	-$1.12	$0.66	$0.91	$0.40	$0.00	$0.00	$0.00	$0.40	$0.00	$0.00	$0.00	$0.00	$0.00	$0.07
Other					$0.00			$0.00							
Income Before Tax	**$2.92**	**$5.65**	**$11.17**	**$18.44**	**$4.10**	**$6.79**	**$6.56**	**$9.17**	**$26.61**	**$4.51**	**$8.27**	**$8.09**	**$11.50**	**$32.37**	**$40.42**
Taxes	$0.79	$3.45	$2.21	$2.57	$1.50	$2.69	$2.56	$3.76	$10.50	$1.88	$3.39	$3.32	$4.72	$13.30	$16.57
Net Income	**$2.14**	**$2.20**	**$8.96**	**$15.87**	**$2.60**	**$4.10**	**$4.00**	**$5.41**	**$16.11**	**$2.63**	**$4.88**	**$4.77**	**$6.79**	**$19.07**	**$23.85**
Tax Rate	26.9%	61.1%	19.8%	13.9%	36.6%	39.6%	39.0%	41.0%	39.5%	41.6%	41.0%	41.0%	41.0%	41.1%	41.0%
Diluted EPS	**$0.10**	**$0.11**	**$0.43**	**$0.76**	**$0.13**	**$0.20**	**$0.19**	**$0.26**	**$0.77**	**$0.13**	**$0.23**	**$0.23**	**$0.32**	**$0.91**	**$1.14**
Diluted	20.77	20.77	20.77	20.77	20.67	20.83	20.83	20.84	20.79	20.90	20.93	20.93	20.93	20.92	20.92
Consensus EPS								$0.25	$0.77	$0.16	$0.26	$0.25	$0.30	$0.95	$1.13
Growth															
Sales		10.0%	-3.8%	21.8%	18.4%	18.7%	19.7%	27.2%	21.3%	18.3%	19.0%	16.0%	18.0%	15.2%	11.0%
Organic Sales growth		4.2%	-6.2%	10.9%	10.9%	13.0%	10.6%	8.8%	11.4%	7%	9%	9%	9%		8%
Inflation - contribution to sales		n/a	-0.6%	7.8%	4.9%	3.3%	2.7%	1.1%	2.2%	-1.7%	-2.0%	-2.0%	0.0%		3%
Acquisitions - contribution to sales		5.8%	3.0%	3.1%	3.0%	2.0%	6.4%	4.0%	5.7%	11%	12%	9%	9%		0%
Impact of extra week - contribution to sales								7.2%	2.0%						
Operating Expenses (Ex. D&A)		1.5%	-3.9%	10.8%	15.3%	19.3%	24.3%	25.5%	21.3%	22.1%	22.5%	18.5%	5.3%	16.6%	8.1%
Operating Expenses (Incl. D&A)		1.6%	-3.9%	10.7%	15.7%	18.1%	23.8%	23.2%	20.3%	21.3%	23.2%	19.0%	5.6%	16.8%	7.9%
Operating Income		67.9%	33.3%	61.8%	35.3%	24.1%	12.9%	49.6%	30.1%	23.4%	20.3%	20.3%	22.8%	21.6%	23.0%
EBITDA		51.7%	27.2%	55.3%	34.5%	20.4%	12.5%	41.5%	26.7%	20.5%	22.1%	21.5%	22.6%	21.9%	21.5%
Net Income		2.8%	308.1%	77.1%	69.0%	-8.7%	-9.3%	-0.6%	1.5%	1.4%	19.0%	19.4%	25.5%	18.4%	25.0%
EPS			308.1%	77.1%					1.4%					17.7%	25.0%
Margins															
Gross	25.5%	25.0%	26.3%	26.0%	25.8%	26.45%	26.19%	26.62%	26.30%	26.56%	27.20%	26.94%	27.12%	26.98%	27.2%
D&A	0.8%	0.7%	0.7%	0.6%	0.7%	0.4%	0.4%	0.4%	0.5%	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%
Operating Expenses (Ex. D&A)				18.8%	20.1%	18.8%	18.8%	17.9%	18.8%	20.8%	19.3%	19.2%	17.3%	19.0%	18.5%
Operating Expenses (Incl. D&A)	23.2%	21.4%	21.4%	19.4%	20.9%	19.2%	19.2%	18.3%	19.3%	21.4%	19.9%	19.7%	17.7%	19.6%	19.0%
Operating Income	2.3%	3.6%	4.9%	6.5%	4.9%	7.3%	6.9%	8.3%	7.0%	5.2%	7.3%	7.2%	9.4%	7.4%	8.2%
EBITDA	3.1%	4.3%	5.6%	7.2%	5.7%	7.7%	7.4%	8.8%	7.5%	5.8%	7.9%	7.7%	9.9%	7.9%	8.7%
Tax	26.9%	61.1%	19.8%	13.9%	36.6%	39.6%	39.0%	41.0%	39.5%	41.6%	41.0%	41.0%	41.0%	41.1%	41.0%
Net	0.8%	0.8%	3.3%	4.8%	3.1%	4.1%	3.9%	4.6%	4.0%	2.7%	4.1%	4.0%	5.3%	4.1%	4.7%
Change in Margins															
Gross		-55bp	134bp	-32bp	12bp	21bp	21bp	64bp	32bp	75bp	75bp	75bp	50bp	67bp	25bp
D&A		-5bp	0bp	-7bp	6bp	-20bp	-6bp	-36bp	-15bp	-11bp	12bp	10bp	4bp	5bp	-5bp
Operating Expenses (Ex. D&A)					-55bp	10bp	69bp	-24bp	0bp	64bp	55bp	40bp	-60bp	24bp	-50bp
Operating Expenses (Incl. D&A)		-178bp	-2bp	-194bp	-49bp	-11bp	63bp	-60bp	-16bp	54bp	67bp	50bp	-56bp	28bp	-55bp
Operating Income		122bp	137bp	162bp	62bp	31bp	-42bp	124bp	47bp	21bp	8bp	25bp	106bp	39bp	80bp
EBITDA		117bp	137bp	155bp	68bp	11bp	-47bp	88bp	32bp	11bp	20bp	35bp	110bp	44bp	75bp
Net		-5bp	253bp	150bp	94bp	-124bp	-126bp	-130bp	-78bp	-45bp	0bp	11bp	71bp	11bp	52bp

Source: Company reports, BMO Capital Markets estimates.

CHEFS WHSE INC (CHEF)



CHEF - Rating as of 28-Jul-11 = NR

	Date	Rating Change	Share Price
1	6-Sep-11	NR to OP	$13.56

Last Daily Data Point: May 4, 2012

Important Disclosures

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Disclosure 9: BMO Capital Markets makes a market in this security.

Methodology and Risks to Our Price Target/Valuation

Methodology: Our target price values CHEF at an FY2013 EV/EBITDA of 11.7x and P/E of 22.8x.
Risks: Key risks to our CHEF price target include increased competition from traditional broadline operators or consolidation among other regional specialty distributors, deterioration in the national or New York economy as it relates to discretionary spending at restaurants, the success and completion of future acquisitions at fair prices, significant increases in raw material costs, and tainted product or product recall which could tarnish the company's image.

Distribution of Ratings (March 31, 2012)

Rating Category	BMO Rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	Starmine Universe
Buy	Outperform	37.2%	12.1%	52.1%	39.2%	48.3%	54.6%
Hold	Market Perform	60.0%	7.0%	47.9%	57.6%	51.0%	40.1%
Sell	Underperform	2.4%	0.0%	0.0%	3.2%	0.7%	5.3%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.
** Reflects rating distribution of all companies from which BMO Capital Markets Corp. has received compensation for Investment Banking services as percentage within ratings category.
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Ratings and Sector Key

We use the following ratings system definitions:
OP = Outperform - Forecast to outperform the market;
Mkt = Market Perform - Forecast to perform roughly in line with the market;
Und = Underperform - Forecast to underperform the market;
(S) = speculative investment;
NR = No rating at this time;
R = Restricted – Dissemination of research is currently restricted.

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The Chefs' Warehouse

CHEF : NASDAQ : US$24.05

Buy | US$24.00 Target

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SOFTER Q1 AND TEMPERED GUIDANCE, MAINTAIN BUY AND $24 TARGET

Investment recommendation

We expect that CHEF will deliver an EPS growth CAGR of over 20% over the next few years and has considerable geographic growth and consolidation opportunities to enhance strong organic growth within its existing markets.

Investment highlights

- CHEF reported Q1 results below consensus forecasts as volume softened later in the quarter and dairy deflation tempered revenue growth. Guidance was moderated for F2012 to reflect the Q1 and a customer loss, offset by the benefits of the acquisition of Praml in the Las Vegas market.
- EPS was $0.13 vs. consensus of $0.15 and revenue was $98.1M vs. consensus of $93.3M. On top of the softer trends in March and dairy deflation challenges, Q1 is a seasonally soft quarter.
- While March tends softened, internal growth was 7% and would have been modestly higher if not for deflationary pricing in dairy as the quarter progressed.
- Margins remained strong despite the softening with gross margin up 10 bp to 26.6% and about 50 basis point of leverage was experienced.
- Recently acquired Praml appears to be more profitable than we expected as the implied EBITDA is in line with our expectations while revenue is lower than our initial guess.
- Revenue guidance was increased to a range of $452M-$462M from $450M-$460M, but including the Praml acquisition, the guidance range is down about $10M. EPS guidance is tempered by $0.02 to $0.91-$0.94 from $0.91-$0.96 previously. We will adjust our forecasts for the Q1 trends and acquisition after further follow-up on the quarter and trends.

Valuation

Shares trade at 22x F2013E EPS and about 11x EBITDA forecast, in line with its specialty and natural peers, but the valuation will likely lead to a correction on the softer revenue trends experienced in March, which could be exacerbated by recent insider selling. We maintain our $24 target and expect a correction off of this level today.

VALUATION

Valuation is appropriate, in our view. Shares trade at 22x our 2012 EPS forecast and 11x our forecasted EBITDA. While the valuation represents a significant premium to the traditional food distribution peer group multiples generally in the low teens on forward earnings and 7-8x EBITDA, the valuation is at a slight discount to its best and only real comparable peer from a standpoint of growth, United Natural Foods (UNFI : NASDAQ : $50.30 | Buy). We view UNFI as the best comparison for CHEF given it also enjoys a naturally growing market, superior margins relative to most distributors (yet at 18% UNFI's gross margins are inferior to CHEF at 26%) and is the leader in its segment as is CHEF. We continue to argue that CHEF should trade at a premium to its distribution peers (as UNFI does) given its vastly superior margins, growth outlook and higher returns on invested capital.

We maintain our price target of $24.00, which reflects 11x our 2013 EBITDA forecast and 22x our 2013 EPS estimate, which is consistent with where CHEF currently trades prior to expected share price weakness today and reflect the premium valuations of the specialty food peer group.

Investment risks

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 exposures to potential sales volatility as consumer confidence and spending fluctuation. 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 it remains 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; 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 filing.

APPENDIX: IMPORTANT DISCLOSURES

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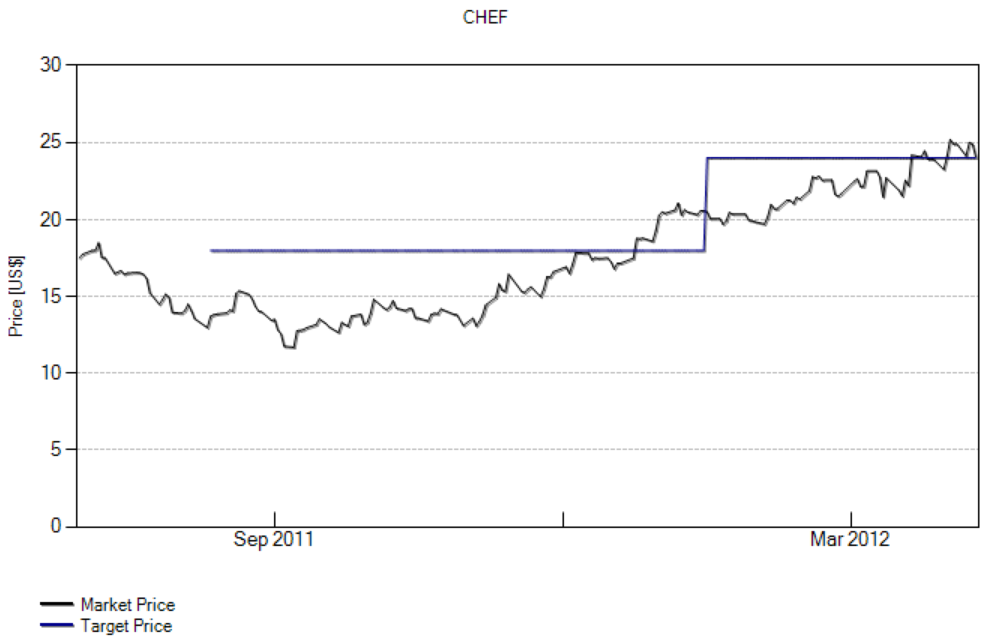
Price Chart:*



	Date	Analyst	Rating	Target Price		Date	Analyst	Rating	Target Price
1)	09/07/2011	Winkle	Buy	18.00	2)	02/09/2012	Winkle	Buy	24.00

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

Distribution of Ratings:
Global Stock Ratings
(as of 2 April 2012)

	Coverage Universe		IB Clients
Rating	#	%	%
Buy	503	59.3%	31.0%
Speculative Buy	91	10.7%	73.6%
Hold	232	27.4%	18.5%
Sell	22	2.6%	9.1%
	848	100%	

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Company	Disclosure
The Chefs' Warehouse	1A, 2, 3, 5, 7

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BB&T Capital Markets

May 4, 2012

Estimate Change

Food & Drug Merchandising

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The Chefs' Warehouse, Inc. (CHEF–$24.05) — Buy (1)

Company Statistics

12-month Price Target:	**$29**
52-wk Range:	**$11.32-$27.26**
Market Capitalization (M):	**$502**
Shares Outstanding (M) fd:	**20.9**
Avg. Daily Vol. (000):	**88**
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	2011A	2012E	2013E
P/E Ratio:		55.9x	42.2x	30.8x	26.1x	21.5x
Revenue (M):		$271.1	$330.1	$400.6	$463.0	$517.6
EBITDA (M):		$15.2	$22.5	$30.5	$37.3	$44.1
ROE:		NM	NM	NM	56.6%	42.9%
ROA:		13.7%	15.9%	17.7%	18.2%	19.0%
EPS:	Q1	–	$0.07	$0.12	$0.13A	–
	Q2	–	$0.15	$0.20	$0.24	–
	Q3	–	$0.17	$0.19	$0.24	–
	Q4	–	$0.18	$0.26	$0.31	–
Total		**$0.43**	**$0.57**	**$0.78**	**$0.92**	**$1.12**
Prior EPS:	Q1	–	–	–	–	–
	Q2	–	–	–	$0.25	–
	Q3	–	–	–	$0.24	–
	Q4	–	–	–	$0.30	–
Total		**–**	**–**	**–**	**$0.95**	**$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 foods. It services more than 9,800 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%). Chefs' sources products from some 1,000 suppliers in 40 countries globally and carries 16,700 items. During 2011, Chefs' reported sales, adjusted EBITDA, and pro forma net earnings of $400.6M, $31.2M, and $16.2M, respectively. Chefs' completed its initial public offering of common stock on August 2, 2011, at $15/sh.

CHEF: Q1 EPS MISS ON DAIRY DEFLATION; TRIMMING EPS FORECASTS, RAISING SALES; RETAIN BUY (1)

Key Points

- **EPS miss driven by a higher-than-forecasted expense ratio.** Chefs' Warehouse reported that Q1'12 pro forma core (before nonrecurring items) EPS rose 8% to $0.13 from $0.12 in the year-ago period; this was below our and the consensus $0.16 forecast. Adjusted EBITDA gained 15.3% to $5.9M from $5.1M which missed consensus of $6.5M. Relative to our model, the miss resulted from higher-than-forecasted expense ratio of 21.4% versus our 20.5% estimate. Sales grew 17.9% yr/yr to $98.1M and beat our 16.1% growth projection but missed consensus at up 19.3%.

- **Unanticipated dairy deflation hurt sales and earnings.** Real internal sales gained an estimated 9%, which topped our 7.5% forecast, but unanticipated deflation in dairy items caused price/mix to turn negative at (1.7%). Hence nominal internal sales rose 7.3% and missed our 9.5% forecast.Deflation, particularly in commoditized categories such as dairy, is a drag on distributors earnings as lower prices are immediately passed on.

- **2012 sales guidance boosted; high-end of EPS trimmed.** Chefs' adjusted 2012 pro forma core EPS guidance to $0.91-$0.94 from $0.91-$0.96 but boosted total sales guidance to $452M-$462M (up 12.8%-15.3% yr/yr) versus prior guidance of $450M-$460M.

- **Recent acquisitions performing very well; more to come.** Based on information provided in its press release, CHEF's two acquisitions that affected Q2 (Hary Wils and Provvista) contributed $0.9M in profit on $8.8M in sales for an approximate 10% contribution margin.

- **Lowering EPS forecasts $0.03 (for Q1 miss).** For 2012, we forecast growth in sales of 15.6% (17.8% on an equal-weeks basis) to $463M (up from our prior $455.3M projection), in adjusted EBITDA of 19.3% to $37.3M (up from our prior $37.1M projection), and in pro forma EPS of 18% to $0.92 (trimmed by $0.03 from our prior $0.95 estimate). For 2013, we forecast growth in sales at 11.8% to $517.6M (versus our prior $503.1M forecast), in adjusted EBITDA of 18.5% to $44.1M (in line with our prior $44M estimate), and in EPS of 22% to $1.12.

- **Maintain Buy (1) rating and price target of $29.** We view Chefs' as a compelling small cap growth investment. While its valuation has expanded, we still view it as reasonable. Specifically, Chefs' forward P/E ratio based on estimated calendar 2012 EPS at 26.1x is valued at a 7% discount to the BB&T Natural and Functional Food Merchandisers Index at 28x. Based on its favorable long-term growth outlook (see our April 17 note, "CEO Meetings Bolster Investment Case"), we would particularly use any weakness to accumulate CHEF stock.

Additional Discussion

EPS miss driven by a higher-than-forecasted expense ratio. After the close on Thursday, May 3, Chefs' Warehouse reported that Q1'12 pro forma core (before nonrecurring items) EPS rose 8% to $0.13 from $0.12 in the year-ago period; this was below our and the consensus $0.16 forecast. Adjusted EBITDA gained 15.3% to $5.9M from $5.1M which missed consensus of $6.5M. Relative to our model, the miss resulted from higher-than-forecasted expense ratio of 21.4% versus our 20.5% estimate. Sales grew 17.9% yr/yr to $98.1M and beat our 16.1% growth projection but missed consensus at up 19.3%.

Unanticipated dairy deflation impacted sales and earnings. Real internal sales gained an estimated 9%, which topped our 7.5% forecast, but unanticipated deflation in dairy items (about 10% of total sales), caused price/mix to turn negative at (1.7%). Hence nominal internal sales rose 7.3% and missed our 9.5% forecast. Deflation, particularly in commoditized categories such as dairy, is a drag on distributors sales and earnings as lower prices are nearly immediately passed on to customers.

2012 sales guidance boosted; high-end of EPS trimmed. Chefs' adjusted 2012 pro forma core (before nonrecurring items) EPS guidance to $0.91-$0.94 (up 17%-21% yr/yr) from prior guidance of $0.91-$0.96 but boosted total sales guidance to $452M-$462M (up 12.8%-15.3% yr/yr) versus prior guidance of $450M-$460M.

Understanding EPS and sales guidance updates. Our take on reconciling the change in guidance is as follows:

- The unanticipated deflation in dairy items trimmed an estimated $0.01-$0.02 from EPS in the quarter.
- The loss of drayage customer will trim $0.02 to EPS for the year.
- The recent acquisition of Praml will be accretive to EPS this year by about $0.01-$0.02.
- These three items net to a ($0.02) swing; thus the high end of the EPS guidance range was brought down $0.02.

- Praml adds $12M to sales for the eight months of this year.
- Lower-than anticipated sales on dairy deflation annualizes to about $6M versus prior expectations
- The loss of the drayage customer trims $4M sales
- These three items net to a positive $2M swing; hence the $2M raise in sales guidance.

Recent acquisitions performing very well; more to come. Based on information provided in its press release, CHEF's two acquisitions that affected Q2 (Hary Wils and Provvista) contributed $0.9M in profit on $8.8M in sales for an approximate 10% contribution margin.

Lowering EPS forecasts $0.03 (for Q1 miss). For 2012, we forecast growth in sales of 15.6% (17.8% on an equal-weeks basis) to $463M (up from our prior $455.3M projection), in adjusted EBITDA of 19.3% to $37.3M (up from our prior $37.1M projection), and in pro forma EPS of 18% to $0.92 (trimmed by $0.03 from our prior $0.95 estimate). For 2013, we forecast growth in sales at 11.8% to $517.6M (versus our prior $503.1M forecast), in adjusted EBITDA of 18.5% to $44.1M (in line with our prior $44M estimate), and in EPS of 22% to $1.12. We project free cash flow/share at $0.45 for 2012 and $1.00 for 2013.

Maintain Buy (1) rating and price target of $29. We view Chefs' as a compelling small cap growth investment. While its valuation has expanded, we still view it as reasonable. Specifically, Chefs' forward P/E ratio based on estimated calendar 2012 EPS at 26.1x is valued at a 7% discount to the BB&T Natural and Functional Food Merchandisers Index at 28x. Based on its favorable long-term growth outlook (see our April 17 note, "CEO Meetings Bolster Investment Case"), we would use any weakness to accumulate CHEF stock.

Results in Detail

Below we analyze Q1'12 versus Q1'11 on a pro forma basis to reflect the impact of Chefs' IPO. Specific adjustments include the following:

- Material adjustments to year-ago interest expense assuming post-IPO financial leverage and excluding debt refinancing costs
- Tax adjustment (assuming a 41% tax rate) to normalize the Q1'11 effective tax rate

Q1'12 sales grew 17.9% yr/yr to $98.1M on increased case volume and $8.8M of revenue related to acquisitions. Nominal internal sales rose 7.3% on real internal growth of 9% and inflation/mix of -1.7% while acquisitions contributed growth of 10.6%.

Gross margin expanded 7 bps yr/yr to 26.56% versus our 26 bps forecast. Operating expenses increased 20.4% yr/yr while the corresponding ratio expanded 43 bps to 21.4% (versus our 47 bps contraction forecast), driven largely by an increase in warehouse, distribution, and selling costs ($1.4M related to acquisitions). Operating margin thus contracted 36 bps yr/yr to 5.16% while the related profit dollars grew 10.1% to $5.1M. Adjusted EBITDA gained 15.3% to $5.9M from $5.1M.

Net interest expense increased to $0.5M from $0.4M in the prior year period while other income was nil versus a gain of $0.1M in Q1'11. The effective tax rate expanded 120 bps to 41.61%, resulting in net income of $2.6M, up 4.2% yr/yr.

Valuation Methodology & Risk Considerations

Based on its strong fundamentals, we believe that CHEF's could be revalued closer to the group average of 28x calendar 2012 EPS from 26.1x currently. However, we have retained our forward P/E valuation assumption at 25.3x, which we apply to our calendar 2013 EPS forecast of $1.12 to yield our $29 price target. We believe general risks to achieving our price target include lower-than-forecasted sales and/or earnings. Specific risks relevant to Chefs' Warehouse include cyclicality of demand tied to high end consumer sentiment, concentration of business in greater New York, fuel price inflation, product cost inflation, and acquisition related risks.

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

Fiscal year[2]	**2010A[3]**			**2011A[3]**					**2012E**			**2013E**
Period	**Year**	**Qtr 1**	**Qtr 2**	**Qtr 3**	**Qtr 4**	**Year**	**Qtr 1A**	**Qtr 2**	**Qtr 3**	**Qtr 4**	**Year**	**Year**
Number of weeks	**52**	**13**	**13**	**13**	**14**	**53**	**13**	**13**	**13**	**13**	**52**	**52**
FIFO Income												
Sales:$	330,118	83,183	99,255	101,681	116,513	400,632	98,069	119,203	118,807	126,921	463,000	517,615
Cost of sales:$	244,340	61,148	73,000	75,051	85,499	294,698	72,020	87,256	87,323	92,532	339,131	377,859
Gross profit:$	85,778	22,035	26,255	26,630	31,014	105,934	26,049	31,946	31,484	34,389	123,868	139,756
Gross margin:%	*25.98*	*26.49*	*26.45*	*26.19*	*26.62*	*26.44*	*26.56*	*26.80*	*26.50*	*27.10*	*26.75*	*27.00*
Operating expenses:$	65,353	17,441	18,966	19,568	21,132	77,107	20,991	22,768	22,519	22,851	89,128	98,347
Expense ratio:%	*19.80*	*20.97*	*19.11*	*19.24*	*18.14*	*19.25*	*21.40*	*19.10*	*18.95*	*18.00*	*19.25*	*19.00*
Operating profit:$	20,425	4,594	7,289	7,062	9,882	28,827	5,058	9,179	8,965	11,538	34,740	41,409
Operating margin:%	*6.19*	*5.52*	*7.34*	*6.95*	*8.48*	*7.20*	*5.16*	*7.70*	*7.55*	*9.09*	*7.50*	*8.00*
Operating cash flow:$	22,528	5,525	8,097	7,491	10,204	30,548	5,664	9,807	9,609	12,177	37,257	44,148
Operating cash-flow margin:%	*6.82*	*6.64*	*8.16*	*7.37*	*8.76*	*7.62*	*5.78*	*8.23*	*8.09*	*9.59*	*8.05*	*8.53*
Adjusted EBITDA:$	22,790	5,134	8,133	7,697	10,272	31,236	5,922	9,807	9,609	12,177	37,257	44,148
Adjusted EBITDA margin:%	*6.90*	*6.17*	*8.19*	*7.57*	*8.82*	*7.80*	*6.04*	*8.23*	*8.09*	*9.59*	*8.05*	*8.53*
Interest expense, net:$	1,776	433	417	505	528	1,883	549	536	475	508	2,068	1,553
Interest ratio:%	*0.54*	*0.52*	*0.42*	*0.50*	*0.45*	*0.47*	*0.56*	*0.45*	*0.40*	*0.40*	*0.45*	*0.30*
(Gain)/loss on swap/other income:$	(910)	(78)	0	0	3	(75)	0	0	0	0	0	0
Pretax income:$	19,559	4,239	6,872	6,557	9,351	27,019	4,509	8,642	8,490	11,031	32,672	39,856
Pretax margin:%	*5.92*	*5.10*	*6.92*	*6.45*	*8.03*	*6.74*	*4.60*	*7.25*	*7.15*	*8.69*	*7.06*	*7.70*
Income taxes:$	7,756	1,713	2,687	2,557	3,881	10,838	1,876	3,543	3,447	4,528	13,394	16,341
Effective tax rate:%	*39.65*	*40.41*	*39.10*	*39.00*	*41.50*	*40.11*	*41.61*	*41.00*	*40.60*	*41.05*	*41.00*	*41.00*
Net income:$	11,803	2,526	4,185	4,000	5,470	16,181	2,633	5,099	5,043	6,503	19,278	23,515
Net margin:%	*3.58*	*3.04*	*4.22*	*3.93*	*4.69*	*4.04*	*2.68*	*4.28*	*4.24*	*5.12*	*4.16*	*4.54*
Net nonrecurring items:$	(22,870)	0	0	(5,185)	(260)	(5,445)	0	0	(1,000)	(250)	(1,250)	0
Reported net income:$	(11,067)	2,526	4,185	(1,185)	5,210	10,736	2,633	5,099	4,043	6,253	18,028	23,515
Diluted Per-Share Data												
Avg shares outstanding(mil)	20,835	20,835	20,835	20,835	20,835	20,835	20,896	20,896	20,896	20,896	20,896	21,000
Earnings per share:$	0.57	0.12	0.20	0.19	0.26	0.78	0.13	0.24	0.24	0.31	0.92	1.12
Net nonrecurring items:$	(1.10)	0.00	0.00	(0.25)	(0.01)	(0.26)	0.00	0.00	(0.05)	(0.01)	(0.06)	0.00
Reported EPS:$	(0.53)	0.12	0.20	(0.06)	0.25	0.52	0.13	0.24	0.19	0.30	0.86	1.12
Real internal sales	10.9	10.9	13.4	10.7	8.9	11.0	9.0	9.0	8.5	7.5	8.5	7.5
Sales inflation/mix	7.8	4.9	3.3	2.7	1.1	3.0	(1.7)	(2.0)	(1.0)	2.5	(0.5)	3.0
Nominal internal sales	18.7	15.8	16.7	13.4	10.0	13.9	7.3	7.0	7.5	10.0	8.0	10.5
Sales	21.8	18.8	18.7	19.7	27.2	21.4	17.9	20.1	16.8	8.9	15.6	11.8
Cost of sales	22.3	17.6	18.4	19.4	26.1	20.6	17.8	19.5	16.4	8.2	15.1	11.4
Gross profit	20.3	22.5	19.6	20.7	30.4	23.5	18.2	21.7	18.2	10.9	16.9	12.8
Operating expenses	12.7	14.6	14.2	21.4	21.4	18.0	20.4	20.0	15.1	8.1	15.6	10.3
Operating profit	53.2	66.0	36.5	18.9	54.9	41.1	10.1	25.9	26.9	16.8	20.5	19.2
Operating cash flow	47.7	50.3	27.5	9.6	33.1	35.6	2.5	21.1	28.3	19.3	22.0	18.5
Interest expense, net	(36.9)	(31.0)	(18.6)	7.0	222.1	6.0	26.8	28.6	(5.9)	(3.8)	9.8	(24.9)
Pretax income	75.0	82.5	35.4	15.2	44.6	38.1	6.4	25.8	29.5	18.0	20.9	22.0
Net income	31.7	78.2	35.1	15.1	43.4	37.1	4.2	21.8	26.1	18.9	19.1	22.0
Earnings per share	31.7	78.2	35.1	15.1	43.4	37.1	3.9	21.5	25.7	18.5	18.8	21.4

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.

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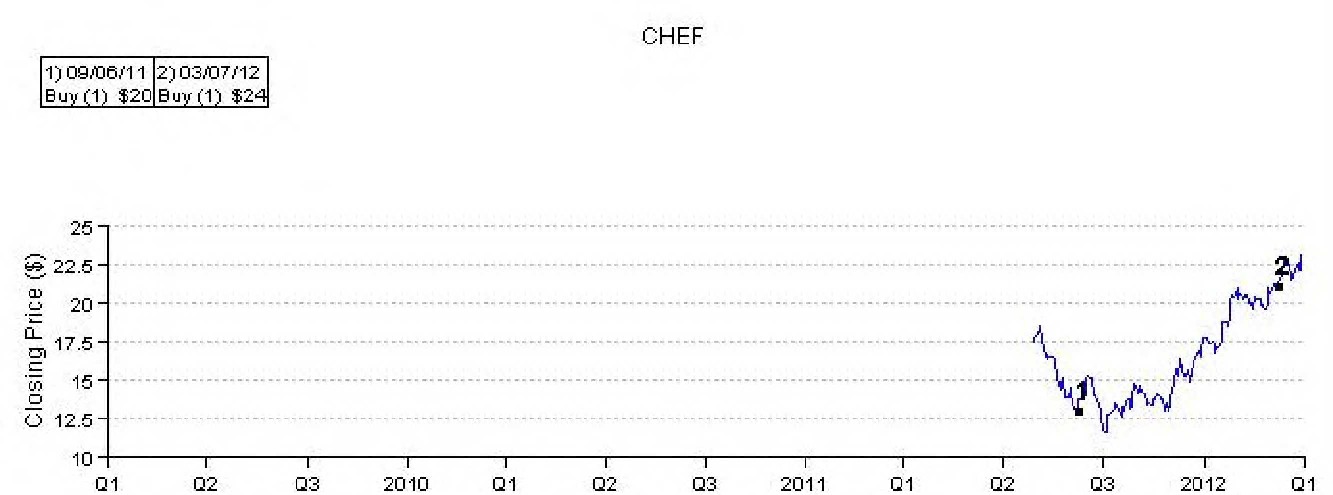
Price Chart



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All companies under coverage:		All companies under coverage to which it has provided investment banking services in the previous 12 months:	
Buy (1)	53.0%	Buy (1)	11.5%
Hold (2)	46.0%	Hold (2)	3.5%
Underweight/Sell (3)	1.0%	Underweight/Sell (3)	0.0%
Not Rated (NR)	0.0%	Not Rated (NR)	0.0%
Suspended (SP)	0.0%	Suspended (SP)	0.0%

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Underweight (3): estimated total return potential less than 0%

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BB&T Capital Markets Equity Research Disclosures as of May 4, 2012

COMPANY	DISCLOSURE
The Chefs' Warehouse, Inc. (CHEF)	1, 4, 5, 6

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Today's Changes	Annual EPS	Annual Revenue	Rating/Target
	2012E \$0.91 from \$0.95	2012E \$461.1M from \$456.3M	No changes
	2013E \$1.05 from \$1.08	2013E \$514.3M from \$504.2M	

The Chefs' Warehouse

CHEF : NASDAQ : US\$19.89

BUY

Target: US\$24.00

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COMPANY STATISTICS:

Shares Out diluted:	20.8
Market Cap (M):	US\$414.5
52-week Range:	11.32 - 23.75
Avg. Daily Vol. (000s):	91.5
EV/EBITDA:	10.2

EARNINGS SUMMARY:

FYE Dec		2010A	2011A	2012E	2013E
P/Sales:		1.3	1.0	0.9	0.8
P/E:		36.2	25.5	21.9	18.9
Revenue (M):	Q1	70.0	83.2	98.1A	-
	Q2	83.6	99.3	115.2	-
	Q3	84.9	101.7	116.2	-
	Q4	91.6	116.5	131.7	-
Total		330.1	400.6	461.1	514.3
EPS:	Q1	0.07	0.12	0.13A	-
	Q2	0.15	0.20	0.24	-
	Q3	0.17	0.19	0.23	-
	Q4	0.17	0.26	0.31	-
Total		0.55	0.78	0.91	1.05

SHARE PRICE PERFORMANCE:

Source: Interactive Data Corporation

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 in the United States.

All amounts in US\$ unless otherwise noted.

Consumer & Retail -- Health, Wellness and Lifestyle

GUIDANCE CHANGE CREATES A BUYING OPPORTUNITY; MAINTAIN BUY AND \$24 PRICE TARGET

Investment recommendation

We expect that CHEF will deliver an EPS growth CAGR approaching 20% over the next few years and has considerable geographic growth and consolidation opportunities to enhance strong organic growth within its existing markets.

Investment highlights

- We recommend using today's correction as a buying opportunity as a negative guidance revision has simply hit the share price momentum while the growth remains robust.
- Lowering F2012 EPS estimate to \$0.91 from \$0.95 and our F2013 EPS estimate to \$1.05 from \$1.08. The change reflects lower revenue before adding in the acquisition of Praml given dairy deflation and a customer loss, partially offset by potential acquisition accretion.
- The softer Q1 revenue than expected was not driven by a change in case volume growth, but rather inflation and mix, which we view as a more favorable outcome and demonstrates continued demand health.

Valuation

No change to our \$24 price target. The shares look attractive at 19x next year's EPS and 9x next year's EBITDA.

INVESTMENT CONCLUSION

CHEF reported another quarter of strong growth in both revenue and earnings, but it was below consensus. The stock is understandably under pressure on the results and trading lower at a higher rate than the reduction in the earnings outlook given the momentum that was present in the shares and the premium valuation. We view the correction as a healthy one as it reflects the stock, the valuation and short-term investor reactions rather than any material fundamental change. As such, it provides another opportunity to buy the shares at a discount to its best peer and with more modest expectations. Not only is the consensus EPS forecast moderating, but likely so is the expectation for upside that was present in the shares. We reiterate our BUY rating and recommend investors capitalize on what we believe is an attractive buying opportunity.

THE RESULTS

CHEF reported EPS of $0.13, compared to the consensus EPS estimate of $0.15. Revenue of $98.1M was about $1M below the forecast and was driven by both 7.3% internal growth and the benefit of three acquisitions over the last 12 months. Given the shortfall, even as modest as it was, our initial conclusion was that sales simply softened in March as one would understand given how the landscape has progressed this year. However, it appears that case volume did not indicate any change in the growth rate. The shortfall vs. expectations, and likely to management's expectations entering the year, was driven by rapid deflation of dairy pricing during the quarter that should have led to slower revenue growth later in the quarter than at the onset. While the company held gross margin percentage at 26.6%, this of course implies lower gross margin dollar contribution. Given we must assume dairy pricing remains at the lower level, we are flowing this lower contribution into our remaining F2012 estimates. Additionally, the decision to not pursue an existing customer with less favorable pricing impacts the forward guidance. As a result of about a $0.02 impact from the lower dairy pricing and a $0.02 impact from the customer loss, the company lowered the high end of its EPS guidance range to $0.94 from $0.96. The guidance change is more modest than the called-out items, and likely benefits from a modest offset from the acquisition of Praml in Las Vegas. We are reducing our F2012 EPS estimate to $0.91 from $0.95 and our F2013 EPS estimate to $1.05 from $1.08 as a result of the recent revenue trends. Our revenue forecast, however, is increased to $461.1 million from $456.3 million in F2012 and to $514.3 million from $504.2 million in F2013. Our revenue forecast increase reflects the acquisition of Praml, which we haven't forecasted adding to EPS yet.

Figure 1: Estimate revision

in $ millions, except EPS	Actual F2011	New F2012E	Prior F2012E	New F2013E	Prior F2013E
Revenue	400.6	461.1	456.3	514.3	504.2
Adjusted EBITDA	29.9	44.7	45.3	49.7	50.3
Pro forma EPS	$0.78	$0.91	$0.95	$1.05	$1.08
Gross margin	26.4%	26.6%	26.6%	26.6%	26.7%
Adjusted EBITDA margin	7.5%	9.7%	9.9%	9.7%	10.0%
Adjusted net margin	4.1%	4.1%	4.4%	4.3%	4.6%

Source: Company reports and Canaccord Genuity forecasts

VALUATION

Valuation is appropriate, in our view. Shares trade at 19x our 2013 EPS forecast and 9x our forecasted EBITDA. While the valuation represents a significant premium to the traditional food distribution peer group multiples generally in the low teens on forward earnings and 7 to 8x EBITDA, the valuation is at a discount to its best and only real comparable peer from a standpoint of growth, United Natural Foods. We view UNFI as the best comparison for CHEF given it also enjoys a naturally growing market, superior margins relative to most distributors (yet at 18% UNFI's gross margins are inferior to CHEF at 26%) and is the leader in its segment as is CHEF. We continue to argue that CHEF should trade at a premium to its distribution peers (as UNFI does) given its vastly superior margins, growth outlook and higher returns on invested capital.

We maintain our price target of $24.00, which reflects 11x our 2013 EBITDA forecast and 22x our 2013 EPS estimate, which is consistent with where CHEF currently trades prior to expected share price weakness today and reflects the premium valuations of the specialty food peer group.

Figure 2: Relative valuation

Food distribution Peer Group Company	Symbol	Rating	Price 5/4/2012	Market Cap ($M)	Enterprise Value	C2012E EPS	C2013E EPS	P/E C2012E	P/E C2013E	Enterprise Value/ EBITDA C2012E	Enterprise Value/ EBITDA C2013E
Core-Mark Holdings	CORE	Not rated	37.69	430	492	3.59	4.10	10.5	9.2	5.0	NA
Nash Finch	NAFC	Not rated	23.52	287	584	2.72	3.00	8.7	7.8	4.6	4.4
Supervalu	SVU	Not rated	5.57	1,182	7,281	1.28	1.35	4.3	4.1	4.1	4.1
Sysco	SYY	Not rated	27.97	16,350	18,872	1.98	2.13	14.1	13.1	7.8	7.3
United Natural Foods	UNFI	Buy	50.32	2,467	2,676	2.07	2.27	24.3	22.2	12.1	11.2
Average								**12.9x**	**11.8x**	**7.2x**	**6.7x**

Specialty Food Peer Group Company	Symbol	Rating	Price 5/4/2012	Market Cap ($M)	Enterprise Value	C2012E EPS	C2013E EPS	P/E C2012E	P/E C2013E	Enterprise Value/ EBITDA C2012E	Enterprise Value/ EBITDA C2013E
Diamond Foods	DMND	Not rated	20.82	459	988	2.72	3.44	7.6	6.1	4.4	2.6
Hain Celestial	HAIN	Buy	51.59	2,373	2,762	1.51	1.99	34.1	25.9	21.1	13.5
Lifeway Foods	LWAY	Not rated	8.18	134	139	0.26	0.30	31.5	27.3	14.0	NA
Peet's Coffee & Tea	PEET	Not rated	62.93	832	797	1.76	2.28	35.8	27.6	14.9	NA
Smart Balance	SMBL	Hold	5.37	319	413	0.24	0.31	22.6	17.6	10.3	8.8
United Natural Foods	UNFI	Buy	50.32	2,467	2,676	2.07	2.27	24.3	22.2	12.1	11.2
Average								**26.0x**	**21.1x**	**12.8x**	**9.0x**
Chefs' Warehouse	**CHEF**	Buy	**19.89**	**414**	**460**	**0.91**	**1.05**	**21.9x**	**18.9x**	**10.3x**	**9.4x**
Relative to conventional group								70.6%	60.0%	43.9%	39.3%
Relative to specialty group								(15.6%)	(10.3%)	(19.6%)	4.0%
Relative to UNFI								(9.8%)	(14.8%)	(15.0%)	(16.2%)

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

Figure 3: Historical and projected operating results

Fiscal Year End - December (in millions, except per-share data)

	2011				2011	2012E				2012E	2013E
Income Statement	Q1	Q2	Q3	Q4	FY	Q1A	Q2	Q3	Q4	FY	FY
Revenue	**83.2**	**99.3**	**101.7**	**116.5**	**400.6**	**98.1**	**115.2**	**116.2**	**131.7**	**461.1**	**514.3**
COGS	(61.1)	(73.0)	(75.1)	(85.5)	(294.7)	(72.0)	(84.6)	(85.3)	(96.6)	(338.5)	(377.6)
Gross Profit	22.0	26.3	26.6	31.0	105.9	26.0	30.6	30.9	35.0	122.6	136.8
Operating Expenses	(17.0)	(18.6)	(21.3)	(21.3)	(78.1)	(21.0)	(21.6)	(22.2)	(23.8)	(88.5)	(97.7)
Operating Income	5.1	7.7	5.3	9.7	27.8	5.1	9.0	8.8	11.3	34.1	39.1
EBITDA	**5.6**	**8.0**	**5.8**	**10.1**	**33.3**	**5.7**	**9.6**	**9.3**	**11.8**	**44.1**	**49.0**
Net Interest	(3.5)	(3.3)	(7.2)	(0.5)	(14.6)	(0.5)	(1.7)	(0.6)	(0.6)	(3.4)	(2.0)
Other expenses	0.1	0.0	0.0	(0.0)	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Pretax Income	1.7	4.4	(1.9)	9.2	13.3	4.5	7.3	8.2	10.7	30.7	37.1
Income Tax	(0.7)	(1.7)	0.7	(4.0)	(5.6)	(1.9)	(3.0)	(3.3)	(4.4)	(12.6)	(15.2)
Net Income	1.0	2.7	(1.2)	5.2	7.7	2.6	4.3	4.8	6.3	18.1	21.9
Average Shares	16.0	16.0	18.7	20.8	17.9	20.9	20.9	21.0	21.1	21.0	21.2
EPS	$0.06	$0.17	($0.06)	$0.25	$0.43	$0.13	$0.21	$0.23	$0.30	$0.86	$1.03
Pro forma adjustments											
GAAP Pretax income	1.7	4.4	(1.9)	9.2	13.3	4.5	7.3	8.2	10.7	30.7	37.1
SG&A	(0.8)	(0.7)	1.7	0.2	0.5	0.0	0.2	0.2	0.2	0.6	0.7
D&A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest	3.0	2.9	6.7	0.0	12.7	0.0	1.0	0.0	0.0	1.0	0.0
Adjusted EBITDA	**4.8**	**7.3**	**7.5**	**10.3**	**29.9**	**5.7**	**9.8**	**9.5**	**12.0**	**44.7**	**49.7**
Adjusted pre-tax	4.2	6.9	6.6	9.4	27.0	4.5	8.5	8.3	10.9	32.3	37.7
Taxes	(1.6)	(2.7)	(2.6)	(3.9)	(10.8)	(1.9)	(3.5)	(3.4)	(4.5)	(13.3)	(15.5)
Adjusted net income	2.6	4.2	4.0	5.5	16.2	2.6	5.0	4.9	6.4	19.0	22.3
Pro Forma EPS	**$0.12**	**$0.20**	**$0.19**	**$0.26**	**$0.78**	**$0.13**	**$0.24**	**$0.23**	**$0.31**	**$0.91**	**$1.05**
Shares outstanding	20.8	20.8	20.8	20.8	20.8	20.9	20.9	21.0	21.1	21.0	21.2
Margin Analysis											
Gross Margin	**26.5 %**	**26.5 %**	**26.2 %**	**26.6 %**	**26.4 %**	**26.6 %**	**26.6 %**	**26.6 %**	**26.6 %**	**26.6 %**	**26.6 %**
Warehousing and distribution	10.3 %	9.2 %	10.4 %	10.0 %	10.0 %	11.4 %	8.9 %	9.8 %	9.5 %	9.9 %	9.7 %
SG&A	9.3 %	9.1 %	10.1 %	7.9 %	9.0 %	9.3 %	8.8 %	8.2 %	7.7 %	8.4 %	8.3 %
Adjusted operating margin	5.2 %	7.1 %	6.9 %	8.5 %	7.1 %	5.2 %	8.0 %	7.7 %	8.7 %	7.5 %	7.7 %
Adjusted EBITDA margin	**5.8 %**	**7.4 %**	**7.4 %**	**8.8 %**	**7.5 %**	**5.8 %**	**8.5 %**	**8.2 %**	**9.1 %**	**9.7 %**	**9.7 %**
Pretax margin	2.0 %	4.4 %	-1.9 %	7.9 %	3.3 %	4.6 %	6.4 %	7.0 %	8.1 %	6.7 %	7.2 %
Adjusted net margin	3.1 %	4.2 %	3.9 %	4.7 %	4.1 %	2.7 %	4.4 %	4.2 %	4.9 %	4.1 %	4.3 %
Tax Rate	39.0%	39.0%	39.0%	41.5%	39.9%	41.6%	41.0%	41.0%	41.0%	41.1%	41.0%
Growth (vs Year Ago)											
Revenue	19 %	19 %	20 %	27 %	21 %	18 %	16 %	14 %	13 %	15 %	12 %
Operating	67 %	37 %	-15 %	50 %	29 %	0 %	17 %	64 %	16 %	23 %	15 %
Pro forma Pre-Tax Income	89 %	38 %	16 %	62 %	45 %	7 %	24 %	27 %	17 %	20 %	21 %
Pro forma Net Income	89 %	38 %	16 %	56 %	43 %	2 %	20 %	23 %	18 %	17 %	21 %
Pro forma EPS	87 %	36 %	15 %	55 %	42 %	2 %	19 %	22 %	16 %	16 %	16 %
Ratio Analysis											
Net debt	95.7	100.9	43.8	45.5	45.5	32.9	32.7	27.1	25.9	25.9	2.1
DSOs	39.6	37.1	37.6	38.4	38.4	39.9	37.1	37.6	38.4	38.4	38.4
Days Inventory	25.7	24.1	23.4	22.1	25.7	25.7	24.1	23.4	22.1	25.3	25.1
Inventory Turns	3.5	3.8	3.9	4.1	14.2	3.5	3.8	3.9	4.1	14.4	14.5
ROIC	25.2%	33.1%	20.6%	32.3%	23.8%	19.0%	31.2%	29.7%	34.7%	26.2%	27.9%
Return on Equity	nmf	nmf	nmf	nmf	nmf	74.7 %	38.1 %	35.0 %	38.3 %	37.4 %	24.6 %
Operating ROA	24.9%	32.2%	22.0%	37.0%	29.7%	19.3%	32.7%	31.0%	37.1%	30.2%	30.4%
Debt/Total Capital	85.8%	86.5%	70.8%	68.5%	71.7%	65.9%	64.1%	62.0%	59.8%	59.9%	34.8%
Cash Flow Analysis											
Operating cash flow	3.1	5.3	(1.9)	1.3	7.7	13.8	4.3	3.4	2.7	24.1	28.2
Free cash flow	2.7	4.8	(2.6)	0.6	5.6	13.1	3.6	2.7	2.0	21.5	25.6
EBITDA	5.6	8.0	7.7	12.0	33.3	7.6	11.5	11.2	13.8	44.1	49.0

Source: Company reports and Canaccord Genuity forecasts

Investment risks

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 exposures to potential sales volatility as consumer confidence and spending fluctuation. 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 it remains 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; 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 filing.

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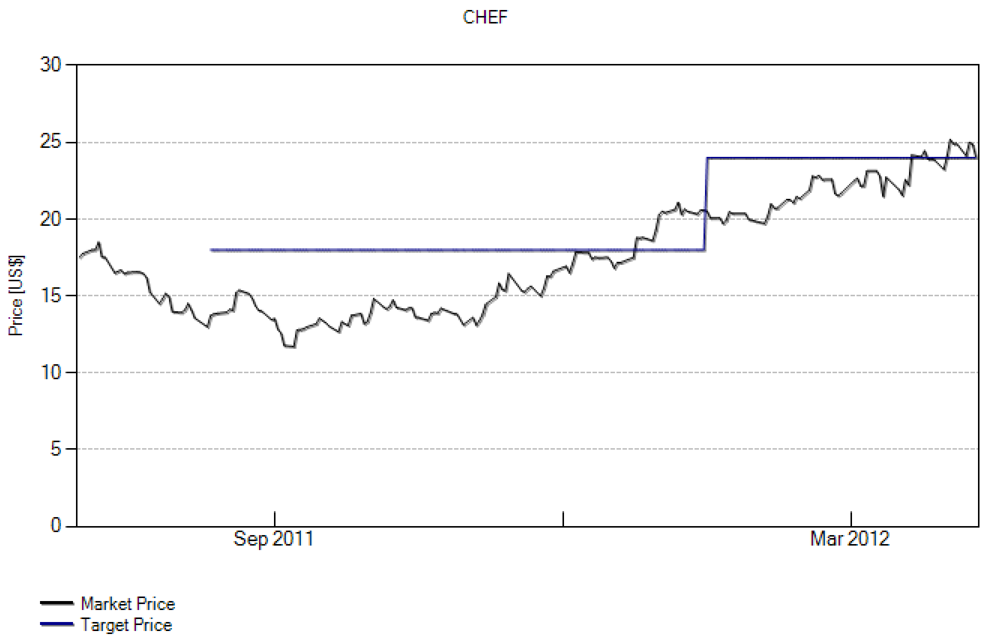
Price Chart:*



	Date	Analyst	Rating	Target Price		Date	Analyst	Rating	Target Price
1)	09/07/2011	Winkle	Buy	18.00	2)	02/09/2012	Winkle	Buy	24.00

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

Distribution of Ratings:
Global Stock Ratings
(as of 2 April 2012)

	Coverage Universe		IB Clients
Rating	#	%	%
Buy	503	59.3%	31.0%
Speculative Buy	91	10.7%	73.6%
Hold	232	27.4%	18.5%
Sell	22	2.6%	9.1%
	848	100%	

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

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Company	Disclosure
The Chefs' Warehouse	1A, 2, 3, 5, 7

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Additional information is available on request.

The Chefs' Warehouse (CHEF)
Deflation Nibbles at 1Q Profits

BUY
Price target $25.00
Price $19.42

EQUITY RESEARCH AMERICAS

Key Takeaway

Sharp and sudden deflation in dairy took a small bite out of expected 1Q profits. Nevertheless, we believe the opportunity for Chefs' 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.

Sharp dairy deflation takes a bite out of 1Q. The company indicated that dairy deflation cost it in excess of $1mm in top line revenues, putting pressure on bottom line results. Indeed, CHEF reported in-line expenses even though they moved more boxes than expected during the quarter. This, in combination with the decision to end a customer relationship a year early, caused CHEF to reduce the top end of its expectations for FY12.

We are reducing 2Q12 to $0.24, and FY12 to $0.91, as we expect deflation in dairy will persist and that the company will continue to invest heavily in its business. Our decision to go to the lower end of guidance is driven by our belief management will focus on running the company to maximize growth over multiple years. Our research suggests that the current climate is presenting them with additional opportunities to capture customers and market share. As such, we believe that there is a chance that expenses will be higher as the company spends slightly in front of this growth on things like sales personnel. If we are indeed right about the potential, we view a decision to invest in the business as wise.

The acquisition pipeline remains very robust and the latest tuck-in in Las Vegas, Praml, should be nicely accretive. The company indicated that it intends to fold its current operations into the Praml facility and then bring in its warehouse management system. This will likely improve profitability significantly in the market and be nicely accretive by FY13 ($0.05). Going forward, the company remains dedicated to expanding its presence, with particular attention to opportunities in markets such as, Dallas, Houston, Chicago, Boston and Philadelphia.

Valuation/Risks

Our PT of $25 is approx. 23x our FY13 EPS estimate of $1.07. Our DCF also places the value of the equity at about $26. **Risks:** Near-term: economic downturn resulting in meaningful contraction in wealth, acquisition-related integration or technology/systems implementation and geographic concentration risk. Longer-term: Group purchasing organizations.

USD	*Prev.*	2010A	*Prev.*	2011A	*Prev.*	2012E	*Prev.*	2013E
Rev. (MM)	--	330.1	--	400.6	*467.2*	467.3	*523.3*	528.4
EV/Rev		1.4x		1.1x		1.0x		0.9x
EBITDA (MM)	--	22.5	--	31.0	*37.5*	37.3	*43.3*	43.5
EV/EBITDA		20.0x		14.5x		12.1x		10.3x
EPS								
Mar	--	--	--	0.12	*0.15*	0.13A	--	--
Jun	--	--	--	0.21	*0.26*	0.24	--	--
Sep	--	--	--	0.20	--	0.25	--	--
Dec	--	--	--	0.26	--	0.30	--	--
FY Dec	--	0.57	--	0.79	*0.95*	0.91	*1.12*	1.07
FY P/E		34.1x		24.6x		21.3x		18.1x

EPS: 2010 and 2011 reflect pro forma adjustments.

Financial Summary

Net Debt (MM):	$43.7

Market Data

52 Week Range:	$27.26 - $11.32
Total Entprs. Value (MM):	$449.6
Market Cap. (MM):	$405.9
Shares Out. (MM):	20.9
Float (MM):	10.8
Avg. Daily Vol.:	89,058

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Price Performance

The Chefs' Warehouse

Buy: $25 Price Target

Scenarios

Target Investment Thesis

- Sales growth of 16% and 13% in FY12 and '13, from strong organic growth and acquisitions, but one less wk in '12.
- Slight gross margin expansion on mix and better gross margin management, offset by elevated input costs.
- Moderate operating expense leverage on higher sales and improving cost efficiencies, offset by increased investment.
- FY13 EPS: $1.07; Target Multiple: ~23x; Target Price: $25

Upside Scenario

- Stronger-than-expected organic sales as the company benefits from its IT initiatives; coupled with favorable macros.
- Better-than-expected gross profit as Chefs' is better able to manage account profitability; improving mix.
- Better-than-expected expense leverage on stronger sales and larger benefits from the warehouse management system rollout.
- FY13 EPS: $1.15; Target Multiple: 25x; Target Price: $29

Downside Scenario

- Deteriorating macros and contracting wealth lead to sales slowdown.
- Gross margin pressured by trade down and mix shift; competitor or industry pressure lowering pricing capabilities.
- Less operating expense leverage on lower sales; more limited benefits from warehouse and distribution initiatives.
- FY13 EPS: $1.00; Target Multiple: 18x; Target Price: $18

Long Term Analysis and Overview

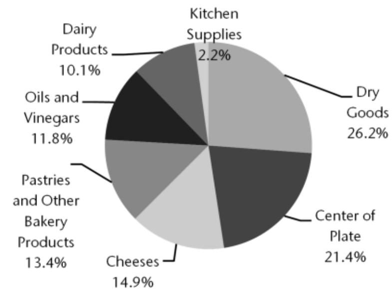
Chefs' Current Footprint

Source: Company Data
*Excludes Portland/Seattle market entered in Nov 2011

Long Term Financial Model Drivers

Organic Net Revenue Growth	**10-12%**
Gross Margin	**26.7%**
EBIT Margin	**7.5-8.5%**
Tax Rate	**41%**

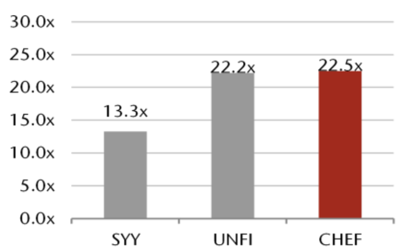
FY10 Net Revenue By Product Category



Source: Company Data

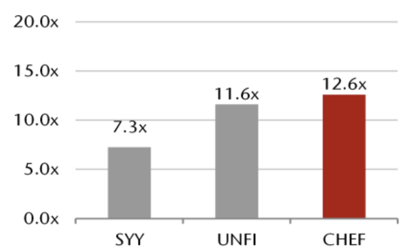
Peer Group

Forward P/E (CY12)



Source: Thomson, CapitalIQ

EV/ EBITDA (CY12)



Source: Thomson, CapitalIQ

Recommendation / Price Target

Ticker	Rec.	PT
CHEF	**Buy**	**$25**
UNFI	Buy	$53
SYY	NC	NC

Catalysts

- Better-than-expected organic sales driven by increased placements/customer and new customers.
- Better-than-expected benefits from the rollout of the company's warehouse management system to its other DCs.

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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Quarter in Review

Chart 1: CHEF 1Q12 Review

Earnings Table	Y-O-Y Quarter Q1:11PF	Current Quarter Q1:12A	Jefferies Estimate Q1:12E	Y-O-Y % Change	Actual vs. Estimated % Diff
Net Revenues	$83,183	$98,069	$101,501	17.9%	-3.4%
Cost of Sales	$61,148	$72,020	$74,614	17.8%	-3.5%
Gross Profit	$22,035	$26,049	$26,887	18.2%	-3.1%
Operating Expenses	$17,444	$20,991	$21,032	20.3%	-0.2%
EBIT (Operating)	$4,591	$5,058	$5,856	10.2%	-13.6%
Non-Recurring Items	-	-	-	NM	NM
EBIT (Reported)	$4,591	$5,058	$5,856	10.2%	-13.6%
EBIT (Operating)	$4,591	$5,058	$5,856	10.2%	-13.6%
Plus: Depreciation & Amortization	$322	$606	$354	88.2%	71.1%
EBITDA	$4,913	$5,664	$6,210	15.3%	-8.8%
Interest Expense, Net	$433	$549	$475	26.8%	15.6%
(Gain) / Loss on Fluctuation of Interest Rate Swap	($81)	-	-	NM	NM
Other	$3	-	-	NM	NM
EBT	$4,236	$4,509	$5,381	6.4%	-16.2%
Income Taxes	$1,710	$1,876	$2,206	9.7%	-15.0%
Net Income (Loss) (Operating)	$2,526	$2,633	$3,175	4.2%	-17.1%
Non-Recurring Items (Net of Taxes)	-	-	-	NM	NM
Net Income (Loss) Reported	$2,526	$2,633	$3,175	4.2%	-17.1%
Disc Operations, Net of Taxes	-	-	-	NM	NM
Net Income (Reported) After Disc. Ops	$2,526	$2,633	$3,175	4.2%	-17.1%
Diluted EPS (Operating)	$0.12	$0.13	$0.15	3.9%	-17.3%
Diluted EPS (Reported)	$0.12	$0.13	$0.15	3.9%	-17.3%
First Call Consensus	-	$0.16	$0.16	NM	-
Weighted Avg. Diluted Shares Outstanding	20,835	20,896	20,841	0.3%	0.3%
Growth Rates					
Net Revenues	18.8%	17.9%	22.0%		
Gross Profit	22.5%	18.2%	22.0%		
Operating Expenses	15.8%	20.3%	20.6%		
EBIT (Operating)	57.5%	10.2%	27.5%		
EBIT (Reported)	57.5%	10.2%	27.5%		
Depreciation & Amortization	1.9%	88.2%	10.0%		
EBITDA	52.1%	15.3%	26.4%		
Net Income (Operating)	78.1%	4.2%	23.2%		
Net Income (Reported)	78.1%	4.2%	23.2%		
Diluted EPS (Operating)	78.1%	3.9%	23.2%		
Diluted EPS (Reported)	78.1%	3.9%	23.2%		
Margin					
Gross Profit	26.5%	26.6%	26.5%	7 bp	7 bp
Operating Expenses (As % of Net Revenues)	21.0%	21.4%	20.7%	43 bp	68 bp
EBIT (Operating)	5.5%	5.2%	5.8%	-36 bp	-61 bp
EBIT (Reported)	5.5%	5.2%	5.8%	-36 bp	-61 bp
EBITDA	5.9%	5.8%	6.1%	-13 bp	-34 bp
Net Income (Operating)	3.0%	2.7%	3.1%	-35 bp	-44 bp
Net Income (Reported)	3.0%	2.7%	3.1%	-35 bp	-44 bp

Source: Jefferies, company data

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Chart 2: CHEF Income Statement ($ thousands, except per share data)

	2009A	2010PF					2011PF					2012E	2013E
		Pro Forma	*Pro Forma*	*Pro Forma*	*Pro Forma*	*Pro Forma*	*Pro Forma*						
	52 weeks	52 weeks	Q1:11PF	Q2:11PF	Q3:11PF	Q4:11PF	53 weeks	Q1:12A	Q2:12E	Q3:12E	Q4:12E	52 weeks	52 weeks
	Dec-09	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Dec-12	Dec-13
	364	364	91	91	91	98	371	91	91	91	91	364	364
Net Revenues	$271,072	$330,118	$83,183	$99,255	$101,681	$116,513	$400,632	$98,069	$119,695	$120,582	$128,992	$467,339	$528,419
Cost of Sales	$199,764	$244,340	$61,148	$73,000	$74,651	$85,499	$294,298	$72,020	$87,914	$88,528	$94,527	$342,989	$387,553
Gross Profit	$71,308	$85,778	$22,035	$26,255	$27,030	$31,014	$106,334	$26,049	$31,782	$32,055	$34,465	$124,350	$140,866
Operating Expenses	$57,580	$64,628	$17,444	$18,766	$19,568	$21,318	$77,096	$20,991	$22,631	$22,603	$23,214	$89,438	$100,071
EBIT (Operating)	$13,728	$21,150	$4,591	$7,489	$7,462	$9,696	$29,238	$5,058	$9,151	$9,452	$11,250	$34,911	$40,795
Non-Recurring Items	-	-	-	$200	$400	-	$600	-	-	-	-	-	-
EBIT (Reported)	$13,728	$21,150	$4,591	$7,289	$7,062	$9,696	$28,638	$5,058	$9,151	$9,452	$11,250	$34,911	$40,795
EBIT (Operating)	$13,728	$21,150	$4,591	$7,489	$7,462	$9,696	$29,238	$5,058	$9,151	$9,452	$11,250	$34,911	$40,795
Plus: Depreciation & Amortization	$1,520	$1,388	$322	$460	$429	$511	$1,722	$606	$600	$600	$575	$2,381	$2,667
EBITDA	$15,248	$22,538	$4,913	$7,949	$7,891	$10,207	$30,960	$5,664	$9,751	$10,052	$11,825	$37,292	$43,462
Interest Expense, Net	$3,212	$2,490	$433	$417	$505	$528	$1,883	$549	$600	$700	$700	$2,549	$2,600
(Gain) / Loss on Fluctuation of Interest Rate Swap	($658)	($910)	($81)	-	-	-	($81)	-	-	-	-	-	-
Other	-	-	$3	-	-	$3	$6	-	-	-	-	-	-
EBT	$11,174	$19,570	$4,236	$7,072	$6,957	$9,165	$27,430	$4,509	$8,551	$8,752	$10,550	$32,362	$38,195
Income Taxes	$2,213	$7,777	$1,710	$2,765	$2,713	$3,805	$10,993	$1,876	$3,506	$3,588	$4,326	$13,296	$15,660
Net Income (Loss) (Operating)	$8,961	$11,793	$2,526	$4,307	$4,244	$5,360	$16,437	$2,633	$5,045	$5,164	$6,225	$19,067	$22,535
Non-Recurring Items (Net of Taxes)	-	-	-	($122)	($5,429)	($150)	($5,701)	-	-	-	-	-	-
Net Income (Loss) Reported	$8,961	$11,793	$2,526	$4,185	($1,185)	$5,210	$10,736	$2,633	$5,045	$5,164	$6,225	$19,067	$22,535
Disc Operations, Net of Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income (Reported) After Disc. Ops	$8,961	$11,793	$2,526	$4,185	($1,185)	$5,210	$10,736	$2,633	$5,045	$5,164	$6,225	$19,067	$22,535
Deemed Dividend Accretion on Class A Units	($6,207)												
Deemed Dividend Paid to Class A Units	-												
Net Income (Loss) to Common Stockholders	$2,754												
Diluted EPS (Operating)	NA	$0.57	$0.12	$0.21	$0.20	$0.26	$0.79	$0.13	$0.24	$0.25	$0.30	$0.91	$1.07
Diluted EPS (Reported)	NA	$0.57	$0.12	$0.20	($0.06)	$0.25	$0.52	$0.13	$0.24	$0.25	$0.30	$0.91	$1.07
First Call Consensus					$0.19	$0.25	$0.77	$0.16	$0.26	$0.25	$0.30	$0.95	$1.13
Weighted Avg. Diluted Shares Outstanding	NA	20,835	20,835	20,835	20,835	20,835	20,835	20,896	20,917	20,917	20,917	20,912	21,017
Growth Rates													
Net Revenues	-3.8%	NA	18.8%	18.7%	19.7%	27.2%	21.4%	17.9%	20.6%	18.6%	10.7%	16.7%	13.1%
Gross Profit	1.4%	NA	22.5%	19.7%	22.5%	30.4%	24.0%	18.2%	21.0%	18.6%	11.1%	16.9%	13.3%
Operating Expenses	-4.0%	NA	15.8%	13.4%	22.0%	25.6%	19.3%	20.3%	20.6%	15.5%	8.9%	16.0%	11.9%
EBIT (Operating)	32.5%	NA	57.5%	38.7%	24.0%	42.3%	38.2%	10.2%	22.2%	26.7%	16.0%	19.4%	16.9%
EBIT (Reported)	32.5%	NA	57.5%	35.0%	17.3%	42.3%	35.4%	10.2%	25.5%	33.8%	16.0%	21.9%	16.9%
Depreciation & Amortization	-6.5%	NA	1.9%	3.8%	13.5%	103.6%	24.1%	88.2%	30.4%	39.9%	12.5%	38.3%	12.0%
EBITDA	27.2%	NA	52.1%	36.0%	23.4%	44.4%	37.4%	15.3%	22.7%	27.4%	15.9%	20.5%	16.5%
Net Income (Operating)	308.1%	NA	78.1%	39.1%	21.0%	42.1%	39.4%	4.2%	17.1%	21.7%	16.1%	16.0%	18.2%
Net Income (Reported)	NM	NA	78.1%	35.1%	NM	38.2%	-9.0%	4.2%	20.6%	NM	19.5%	77.6%	18.2%
Diluted EPS (Operating)	NA	NA	78.1%	39.1%	21.0%	42.1%	39.4%	3.9%	16.7%	21.2%	15.7%	15.6%	17.6%
Diluted EPS (Reported)	NA	NA	78.1%	35.1%	NM	38.2%	-9.0%	3.9%	20.1%	NM	19.0%	76.9%	17.6%
Margin													
Gross Profit	26.3%	26.0%	26.5%	26.5%	26.6%	26.6%	26.5%	26.6%	26.6%	26.6%	26.7%	26.6%	26.7%
Operating Expenses (As % of Net Revenues)	21.2%	19.6%	21.0%	18.9%	19.2%	18.3%	19.2%	21.4%	18.9%	18.7%	18.0%	19.1%	18.9%
EBIT (Operating)	5.1%	6.4%	5.5%	7.5%	7.3%	8.3%	7.3%	5.2%	7.6%	7.8%	8.7%	7.5%	7.7%
EBIT (Reported)	5.1%	6.4%	5.5%	7.3%	6.9%	8.3%	7.1%	5.2%	7.6%	7.8%	8.7%	7.5%	7.7%
EBITDA	5.6%	6.8%	5.9%	8.0%	7.8%	8.8%	7.7%	5.8%	8.1%	8.3%	9.2%	8.0%	8.2%
Net Income (Operating)	3.3%	3.6%	3.0%	4.3%	4.2%	4.6%	4.1%	2.7%	4.2%	4.3%	4.8%	4.1%	4.3%
Net Income (Reported)	1.0%	3.6%	3.0%	4.2%	-1.2%	4.5%	2.7%	2.7%	4.2%	4.3%	4.8%	4.1%	4.3%
Change in Margin													
Change in Gross Profit Margin	1.34%	NA	0.80%	0.21%	0.60%	0.64%	0.56%	0.07%	0.10%	-	0.10%	0.07%	0.05%
Change in Operating Expenses (As % of Net Revenue)	-0.04%	NA	-0.56%	-0.88%	0.35%	-0.24%	-0.33%	0.43%	-	-0.50%	-0.30%	-0.11%	-0.20%
Change in EBIT (Operating) Margin	1.39%	NA	1.36%	1.09%	0.25%	0.88%	0.89%	-0.36%	0.10%	0.50%	0.40%	0.17%	0.25%
Change in EBIT (Reported) Margin	1.39%	NA	1.36%	0.89%	-0.14%	0.88%	0.74%	-0.36%	0.30%	0.89%	0.40%	0.32%	0.25%
Change in EBITDA Margin	1.37%	NA	1.29%	1.02%	0.23%	1.04%	0.90%	-0.13%	0.14%	0.58%	0.41%	0.25%	0.25%
Effective Tax Rate	19.8%	39.7%	40.4%	39.1%	39.0%	41.5%	40.1%	41.6%	41.0%	41.0%	41.0%	41.1%	41.0%

Source: Jefferies, company data

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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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3. Stocks are screened for minimum market capitalisation and adequate daily turnover. Furthermore, a valuation, correlation and style screen is used to ensure a well-diversified portfolio.
4. Stocks are sorted to a maximum of 30 stocks with the maximum country exposure at around 50%. Limits are also imposed on a sector basis.
5. Once a month, analysts are invited to recommend their best ideas. Analysts' stock selection can be based on one or more of the following: non-Consensus investment view, difference in earnings relative to Consensus, valuation methodology, target upside/downside % relative to the current stock price. These are then assessed against existing holdings to ensure consistency. Stocks that have either reached their target price, been downgraded over the course of the month or where a more suitable candidate has been found are removed.
6. All stocks are inserted at the last closing price and removed at the last closing price. There are no changes to the conviction list during the month.
7. Performance is calculated in US dollars on an equally weighted basis and is compared to MSCI World AC US$.
8. The conviction list is published once a month whilst global equity markets are closed.
9. Transaction fees are not included.
10. All corporate actions are taken into account.

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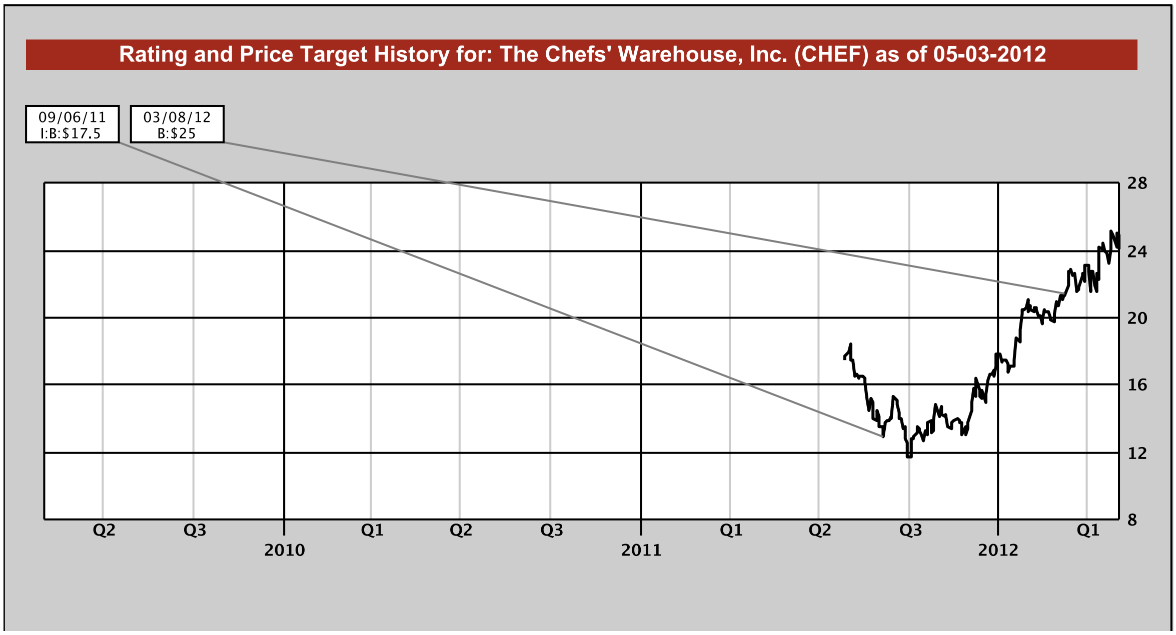

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Rating	Count	Percent	IB Serv./Past 12 Mos. Count	IB Serv./Past 12 Mos. Percent
BUY	800	52.88%	113	14.12%
HOLD	615	40.65%	69	11.22%
UNDERPERFORM	98	6.48%	1	1.02%

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The Chefs' Warehouse

CHEF : NASDAQ : US$24.18

BUY

Target: US$24.00

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COMPANY STATISTICS:

Shares Out diluted:	20.8
Market Cap (M):	US$503.9
52-week Range:	11.32 - 23.75
Avg. Daily Vol. (000s):	91.5
EV/EBITDA:	12.0

EARNINGS SUMMARY:

FYE Dec		2010A	2011A	2012E	2013E
P/Sales:		1.5	1.3	1.1	1.0
P/E:		44.0	31.0	25.6	22.4
Revenue (M):	Q1	70.0	83.2	99.8	-
	Q2	83.6	99.3	119.1	-
	Q3	84.9	101.7	115.9	-
	Q4	91.6	116.5	121.4	-
Total		330.1	400.6	456.3	504.2
EPS:	Q1	0.07	0.12	0.18	-
	Q2	0.15	0.20	0.26	-
	Q3	0.17	0.19	0.24	-
	Q4	0.17	0.26	0.27	-
Total		0.55	0.78	0.95	1.08

SHARE PRICE PERFORMANCE:

Source: Interactive Data Corporation

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 in the United States.

All amounts in US$ unless otherwise noted.

Consumer & Retail -- Health, Wellness and Lifestyle

VIVA LAS VEGAS: ACQUISITION EXPANDS SOUTHWEST PRESENCE; MAINTAIN BUY ,$24 TARGET

Investment recommendation

We expect that CHEF will deliver an EPS growth CAGR of over 20% during the next few years, and believe the company has considerable geographic growth and consolidation opportunities to enhance strong organic growth within its existing markets.

Investment highlights

- Announces acquisition of privately held Las Vegas-based specialty food products distributor Praml International for $19.5 million in cash.
- The deal is larger than recent acquisitions and should immediate provide scale in Las Vegas.
- While no financial details on Praml are available (likely forthcoming on the May 3 Q1 call) we suspect this transaction expands CHEF's Las Vegas footprint by at least fourfold with the potential to add to earnings immediately.
- The company also disclosed its new facility lease in New York and we expect discussion of the new facility on the Q1 call.

Valuation

At 22x earnings and 11.0x EBITDA on next year's estimates, we view valuation as appropriate relative to peers and growth.

INVESTMENT THESIS

We believe CHEF is a best-in-class specialty foodservice distributor with a substantial growth opportunity lying ahead through a combination of internal growth and acquisitions, as its segment of the industry is highly fragmented and scale undoubtedly offers advantages. While the current momentum is obvious in the financial results and the geographical growth opportunity has been illustrated with strategic acquisitions over the last several years into new markets, we believe that the expansion opportunities in existing markets are not fully appreciated. We suspect that the catalyst for new product categories will occur in early 2013 when the company opens a new distribution center in New York. The facility will provide immediate efficiencies for CHEF's largest market, but should also provide the capacity for expansion into large new categories, such as produce, seafood and cut meats. The category expansion opportunities could double the market opportunity for CHEF.

The geographical growth opportunity is clear with CHEF operating in just seven markets today. However, the magnitude of the opportunity is larger than we had anticipated with the company targeting more major markets as viable entries than we'd assumed. Essentially every NFL city with the exception of Green Bay (although nearby Milwaukee would be served out of a Chicago entry) is a target that could support a Chef's Warehouse entry. This implies more than a quadrupling of the current market presence (CHEF already operates in two non-NFL cities: Los Angeles and Las Vegas). With acquisition opportunities in numerous new markets, yet still opportunities for tuck-ins to existing markets (as illustrated by the Las Vegas acquisition), the opportunity for growth through industry consolidation is significant. Beyond the simple math of new market opportunities, the benefits of scale from a true national presence have yet to even be realized and CHEF is already delivering strong gross and EBITDA margins.

Given the inherent growth of specialty foods in all channels of distribution, CHEF's ability to grow market share in existing markets through a superior offering and infrastructure, along with growth opportunities through both geographic and category expansion, should deliver a long-term double-digit growth opportunity that is measured in decades. We reiterate our BUY rating and $24 price target and confidently foresee an above-average growth rate that justifies the current valuation.

VALUATION

Valuation is appropriate, in our view. Shares trade at 22x our 2013 EPS forecast and 11x our forecasted EBITDA. While the valuation represents a significant premium to the traditional food distribution peer group multiples (generally in the low teens on forward earnings and 7-8x EBITDA), the valuation is essentially in-line with its best and only real comparable peer from a standpoint of growth, United Natural Foods (UNFI : NASDAQ : $49.29). We view UNFI as the best comparison for CHEF given it also enjoys a naturally growing market, superior margins relative to most distributors (yet at 18%, UNFI's gross margins are inferior to CHEF at 26%) and is the leader in its segment as is CHEF. We continue to argue that CHEF should trade at a premium to its distribution peers (as UNFI does) given its vastly superior margins, growth outlook and higher returns on invested capital.

The shares are trading in line with our $24 price target, which is predicated on the shares trading at about 11x F2013 EBITDA and is thus a near-term target. We anticipate that share price appreciation should at least keep pace with earnings and cash flow growth given our comfort with the current valuation on the out year.

Figure 1: Relative valuation

Food distribution Peer Group			Price	Market	Enterprise	C2012E	C2013E	P/E	P/E	Enterprise Value/ EBITDA	Enterprise Value/ EBITDA
Company	Symbol	Rating	4/30/2012	Cap ($M)	Value	EPS	EPS	C2012E	C2013E	C2012E	C2013E
Core-Mark Holdings	CORE	Not rated	38.60	440	502	3.59	4.10	10.8	9.4	5.1	NA
Nash Finch	NAFC	Not rated	25.10	306	603	2.97	3.19	8.5	7.9	4.8	4.5
Supervalu	SVU	Not rated	5.94	1,261	7,360	1.29	1.34	4.6	4.4	4.1	4.1
Sysco	SYY	Not rated	28.90	16,894	19,415	1.98	2.14	14.6	13.5	8.0	7.5
United Natural Foods	UNFI	Buy	49.29	2,416	2,625	2.07	2.27	23.8	21.8	11.9	11.0
Average								**12.9x**	**11.9x**	**7.2x**	**6.8x**

Specialty Food Peer Group			Price	Market	Enterprise	C2012E	C2013E	P/E	P/E	Enterprise Value/ EBITDA	Enterprise Value/ EBITDA
Company	Symbol	Rating	4/30/2012	Cap ($M)	Value	EPS	EPS	C2012E	C2013E	C2012E	C2013E
Diamond Foods	DMND	Not rated	20.90	461	990	2.81	3.49	7.4	6.0	4.2	2.5
Hain Celestial	HAIN	Buy	47.30	2,159	2,586	1.51	1.92	31.3	24.6	19.8	12.8
Lifeway Foods	LWAY	Not rated	8.34	137	142	0.26	0.30	32.1	27.8	14.3	NA
Peet's Coffee & Tea	PEET	Not rated	76.82	1,016	981	1.78	2.30	43.2	33.4	18.1	NA
Smart Balance	SMBL	Hold	5.90	349	435	0.23	0.31	25.3	19.3	11.4	9.6
United Natural Foods	UNFI	Buy	49.29	2,416	2,625	2.07	2.27	23.8	21.8	11.9	11.0
Average								**27.2x**	**22.1x**	**13.3x**	**9.0x**
Chefs' Warehouse	**CHEF**	Buy	**24.18**	**504**	**549**	**0.95**	**1.08**	**25.6x**	**22.4x**	**12.1x**	**10.9x**
Relative to conventional group								98.7%	88.3%	68.5%	61.1%
Relative to specialty group								(6.0%)	1.1%	(8.7%)	21.8%
Relative to UNFI								7.3%	3.0%	2.1%	(0.7%)

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

Figure 2: Historical and projected operating results

Fiscal Year End - December (in millions, except per-share data)

	2011				2011	2012E				2012E	2013E
Income Statement	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	FY
Revenue	**83.2**	**99.3**	**101.7**	**116.5**	**400.6**	**99.8**	**119.1**	**115.9**	**121.4**	**456.3**	**504.2**
COGS	(61.1)	(73.0)	(75.1)	(85.5)	(294.7)	(73.4)	(87.3)	(85.1)	(88.9)	(334.7)	(369.7)
Gross Profit	22.0	26.3	26.6	31.0	105.9	26.5	31.8	30.8	32.5	121.6	134.4
Operating Expenses	(17.0)	(18.6)	(21.3)	(21.3)	(78.1)	(19.5)	(22.4)	(22.3)	(22.9)	(87.0)	(93.9)
Operating Income	5.1	7.7	5.3	9.7	27.8	7.0	9.4	8.5	9.6	34.5	40.6
EBITDA	**5.6**	**8.0**	**5.8**	**10.1**	**33.3**	**7.5**	**9.9**	**9.0**	**10.1**	**44.3**	**50.3**
Net Interest	(3.5)	(3.3)	(7.2)	(0.5)	(14.6)	(0.5)	(0.5)	(0.4)	(0.4)	(1.9)	(1.4)
Other expenses	0.1	0.0	0.0	(0.0)	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Pretax Income	1.7	4.4	(1.9)	9.2	13.3	6.4	9.0	8.1	9.2	32.7	39.2
Income Tax	(0.7)	(1.7)	0.7	(4.0)	(5.6)	(2.6)	(3.7)	(3.3)	(3.8)	(13.4)	(16.1)
Net Income	1.0	2.7	(1.2)	5.2	7.7	3.8	5.3	4.8	5.4	19.3	23.1
Average Shares	16.0	16.0	18.7	20.8	17.9	20.8	20.9	21.0	21.2	21.0	21.4
EPS	$0.06	$0.17	($0.06)	$0.25	$0.43	$0.18	$0.25	$0.23	$0.26	$0.92	$1.08
Pro forma adjustments											
GAAP Pretax income	1.7	4.4	(1.9)	9.2	13.3	6.4	9.0	8.1	9.2	32.7	39.2
SG&A	(0.8)	(0.7)	1.7	0.2	0.5	0.0	0.2	0.4	0.4	1.0	0.0
D&A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest	3.0	2.9	6.7	0.0	12.7	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted EBITDA	**4.8**	**7.3**	**7.5**	**10.3**	**29.9**	**7.5**	**10.1**	**9.4**	**10.5**	**45.3**	**50.3**
Adjusted pre-tax	4.2	6.9	6.6	9.4	27.0	6.4	9.2	8.5	9.6	33.7	39.2
Taxes	(1.6)	(2.7)	(2.6)	(3.9)	(10.8)	(2.6)	(3.8)	(3.5)	(3.9)	(13.8)	(16.1)
Adjusted net income	2.6	4.2	4.0	5.5	16.2	3.8	5.4	5.0	5.7	19.9	23.1
Pro Forma EPS	**$0.12**	**$0.20**	**$0.19**	**$0.26**	**$0.78**	**$0.18**	**$0.26**	**$0.24**	**$0.27**	**$0.95**	**$1.08**
Shares outstanding	20.8	20.8	20.8	20.8	20.8	20.8	20.9	21.0	21.2	21.0	21.4
Margin Analysis											
Gross Margin	**26.5 %**	**26.5 %**	**26.2 %**	**26.6 %**	**26.4 %**	**26.5 %**	**26.7 %**	**26.6 %**	**26.8 %**	**26.6 %**	**26.7 %**
Warehousing and distribution	10.3 %	9.2 %	10.4 %	10.0 %	10.0 %	10.0 %	8.9 %	9.8 %	9.5 %	9.5 %	9.4 %
SG&A	9.3 %	9.1 %	10.1 %	7.9 %	9.0 %	9.4 %	8.8 %	8.2 %	7.7 %	8.5 %	8.3 %
Adjusted operating margin	5.2 %	7.1 %	6.9 %	8.5 %	7.1 %	7.0 %	8.1 %	7.7 %	8.3 %	7.8 %	8.0 %
Adjusted EBITDA margin	**5.8 %**	**7.4 %**	**7.4 %**	**8.8 %**	**7.5 %**	**7.5 %**	**8.5 %**	**8.1 %**	**8.7 %**	**9.9 %**	**10.0 %**
Pretax margin	2.0 %	4.4 %	-1.9 %	7.9 %	3.3 %	6.4 %	7.5 %	7.0 %	7.6 %	7.2 %	7.8 %
Adjusted net margin	3.1 %	4.2 %	3.9 %	4.7 %	4.1 %	3.8 %	4.5 %	4.3 %	4.7 %	4.4 %	4.6 %
Tax Rate	39.0%	39.0%	39.0%	41.5%	39.9%	41.0%	41.0%	41.0%	41.0%	41.0%	41.0%
Growth (vs Year Ago)											
Revenue	19 %	19 %	20 %	27 %	21 %	20 %	20 %	14 %	4 %	14 %	11 %
Operating	67 %	37 %	-15 %	50 %	29 %	37 %	23 %	60 %	-1 %	24 %	17 %
Pro forma Pre-Tax Income	89 %	38 %	16 %	62 %	45 %	52 %	34 %	29 %	3 %	25 %	20 %
Pro forma Net Income	89 %	38 %	16 %	56 %	43 %	47 %	29 %	25 %	4 %	22 %	20 %
Pro forma EPS	87 %	36 %	15 %	55 %	42 %	47 %	28 %	24 %	2 %	21 %	14 %
Ratio Analysis											
Net debt	95.7	100.9	43.8	45.5	45.5	32.3	32.2	25.0	20.5	20.5	(4.8)
DSOs	39.6	37.1	37.6	38.4	38.4	39.2	37.1	37.6	38.4	38.4	38.4
Days Inventory	25.7	24.1	23.4	22.1	25.7	25.7	24.1	23.4	22.1	23.5	23.5
Inventory Turns	3.5	3.8	3.9	4.1	14.2	3.5	3.8	3.9	4.1	15.5	15.5
ROIC	25.2%	33.1%	20.6%	32.3%	23.8%	26.2%	31.9%	28.9%	31.3%	28.1%	30.5%
Return on Equity	nmf	nmf	nmf	nmf	nmf	103.4 %	44.4 %	32.8 %	31.7 %	39.4 %	25.3 %
Operating ROA	24.9%	32.2%	22.0%	37.0%	29.7%	26.3%	33.2%	29.7%	32.1%	30.8%	31.9%
Debt/Total Capital	85.8%	86.5%	70.8%	68.5%	71.7%	65.9%	64.1%	62.0%	59.7%	59.9%	34.6%
Cash Flow Analysis											
Operating cash flow	3.1	5.3	(1.9)	1.3	7.7	14.3	4.5	4.7	5.6	29.0	29.6
Free cash flow	2.7	4.8	(2.6)	0.6	5.6	13.7	3.8	4.0	4.9	26.4	27.0
EBITDA	5.6	8.0	7.7	12.0	33.3	9.4	11.9	11.0	12.1	44.3	50.3

Source: Company reports and Canaccord Genuity estimates

Investment risks

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 exposures to potential sales volatility as consumer confidence and spending fluctuation. 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 it remains 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; 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 filing.

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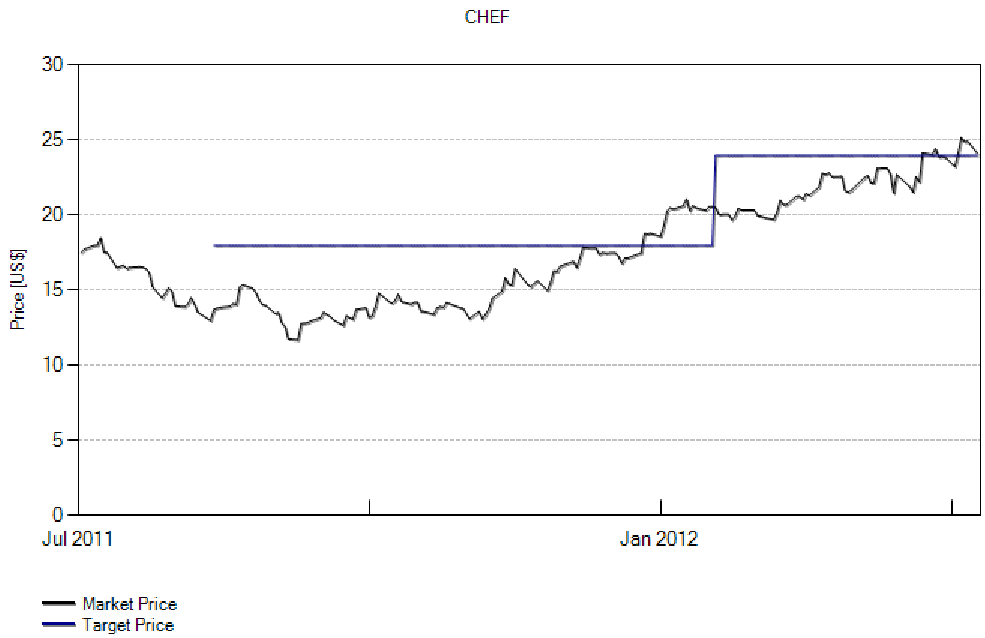
Site Visit: An analyst has visited the issuer's material operations in Ridgefield, Connecticut. No payment or reimbursement was received from the issuer for the related travel costs.

Price Chart:*



	Date	Analyst	Rating	Target Price		Date	Analyst	Rating	Target Price
1)	09/07/2011	Winkle	Buy	18.00	2)	02/09/2012	Winkle	Buy	24.00

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

Distribution of Ratings:
Global Stock Ratings
(as of 2 April 2012)

	Coverage Universe		IB Clients
Rating	#	%	%
Buy	503	59.3%	31.0%
Speculative Buy	91	10.7%	73.6%
Hold	232	27.4%	18.5%
Sell	22	2.6%	9.1%
	848	100%	

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Company	Disclosure
The Chefs' Warehouse	1A, 2, 3, 5, 7

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Additional information is available on request.

April 24, 2012

Chefs' Warehouse

(CHEF-NASDAQ)

Stock Rating: **Outperform**
Industry Rating: **Market Perform**

Food Retail

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1Q12 Preview: Strong January and February Industry Data Should Support 1Q – Even If Trends Weakened in March

Event

CHEF reports its 1Q12 earnings on May 3 after the market closes with a call at 5 p.m. ET. Our $0.14 EPS estimate is $0.02 less than consensus. We believe the company will continue to see momentum on the top line as the core strength of the business remains unchanged and is likely helped by the nicer-than-expected weather. FY2012 is somewhat of a transitory year (with one-time cost pressures related to diesel, SOX compliance and a higher tax rate) so we prefer to value CHEF on our F20Y13 estimates. Our $26 estimate values CHEF at a FY2013 EV/EBITDAR of 11.4x, which we believe is fair given the strong top-line growth, leading market share in a fragmented industry, and strong ROIC. On the call, we will be looking for color on case volume trends, unique customer counts, the cadence of sales throughout the quarter and into 2Q – given some noise that sales weakened in March and further weakened into April - and an update on the move to the new Bronx facility.

Impact

Neutral.

Forecasts

Our 1Q12 and FY2012 EPS estimates remain at $0.14 and $0.96, respectively. Consensus is $0.16 and $0.95.

Valuation

CHEF is trading at a FY2013 EV/EBITDAR of 10.4x and a P/E of 19.9x.

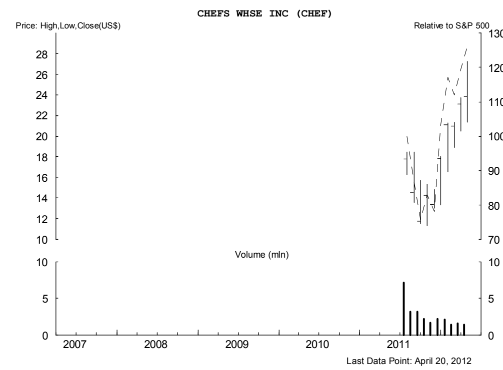
Recommendation

We maintain our **OUTPERFORM** rating.

Securities Info

Price (23-Apr)	$23.25	Target Price	$26
52-Wk High/Low	$27/$11	Dividend	--
Mkt Cap (mm)	$486	Yield	--
Shs O/S (mm, BASIC)	20.9	Float O/S (mm)	10.8
Options O/S (mm)	45.7	ADVol (30-day, 000s)	85

Price Performance



Valuation/Financial Data

(FY-Dec.)	2010A	2011A	2012E	2013E
EPS Pro Forma	$0.76	$0.77	$0.96	$1.17
P/E			24.2x	19.9x
First Call Cons.			*$0.95*	*$1.13*
EPS GAAP	$0.76	$0.77	$0.96	$1.17
FCF	na	na	na	na
P/FCF			na	na
EBITDA ($mm)	$24	$30	$38	$45
EV/EBITDA			13.8x	11.6x
Rev. ($mm)	$330	$400	$457	$507
EV/Rev			1.1x	1.0x
Quarterly EPS	**1Q**	**2Q**	**3Q**	**4Q**
2011A	$0.13	$0.20	$0.19	$0.26
2012E	$0.14	$0.26	$0.25	$0.31
Quarterly EBITDA	**1Q**	**2Q**	**3Q**	**4Q**
2011A	$4.7	$7.6	$7.5	$10.2
2012E	$5.9	$10.1	$9.8	$12.1

Balance Sheet Data (30-Dec)

Net Debt ($mm)	$35	TotalDebt/EBITDA	1.2x
Total Debt ($mm)	$46	EBITDA/IntExp	na
Net Debt/Cap.	50.5%	Price/Book	20.6x

Notes: All values in US$.

Source: BMO Capital Markets estimates, Bloomberg, Thomson Reuters, and IHS Global Insight.

Please refer to pages 5 to 7 for Important Disclosures, including the Analyst's Certification.

Key Points

Exhibit 1. CHEF Current Valuation

Chefs' Warehouse Current Valuation		
	2012E	**2013E**
Net Income	$19.98	$24.35
EPS	$0.96	$1.17
EBITDA	$38	$45
EBITDAR	$47	$54
Net Forward Debt	$25	$6
# Shares	21	21
Current Stock Price	$23.25	$23.25
Market Cap	$485	$485
EV	$509	$491
P/E	24.2x	19.9x
EV/EBITDA	13.4x	10.9x
EPS Growth	23.8%	21.9%

Source: Company reports, BMO Capital Markets estimates.

Areas of focus for the conference call:

- Cadence of sales throughout 1Q in light of some industry data pointing to weakening sales in March.
- Sales trends into 2Q12.
- Updated guidance for FY2012.
- The breakdown of total sales growth into organic growth, and the impact due to acquisitions and inflation. In addition, some color on trends on unique customers.
- FY2012 capex allocation – the company's 10-K indicated capex would be in the $12.2 million range in FY2012.
- Update on the new facility that is expected to replace the two existing Bronx facilities.
- Some color on the state of the consumer and, as a result, the health of the restaurant operators that CHEF serves.
- Color on top-line trends and the correlation with rising and falling gas prices.
- Some thoughts on how the changing dynamics of the restaurant industry (smaller plate sizes, high growth in tapas-style restaurants, as an example) affect CHEF's approach to increasing market share.
- Update on the rollout of engineered labor standards to the company's facilities. Previously, management indicated that the rollout would be complete for all facilities except Miami and Portland by the conclusion of 1Q12.

- Some color on inflation trends and the company's ability to pass on cost increases to its customers.
- Trends in case volumes and revenues per case.
- Management's thoughts on the opportunity for new market entries – specifically, how many markets can the company ultimately enter and an outline of the criteria management uses to evaluate potential markets.

Our 1Q12 EPS estimate remains at $0.14 vs. consensus of $0.16. Our estimate assumes total sales increase 19.0% to $98.7 million, driven by 9% organic sales growth, and we assume gross margins expand 50bp to 26.3%. We forecast operating expenses (excluding D&A) grow 20.8% to $20.2 million, or a 30bp increase as a percentage of sales to 20.4%, leading to a 31bp improvement in operating margins to 5.3%, or $5.2 million. This gets us to EBITDA of $5.9 million, a 20bp expansion in margin to 5.9%. We assume interest expense of $0.2 million, a 41.0% tax rate and 20.8 million shares outstanding, which gets us to EPS of $0.14 – a 12.2% increase from 1Q11.

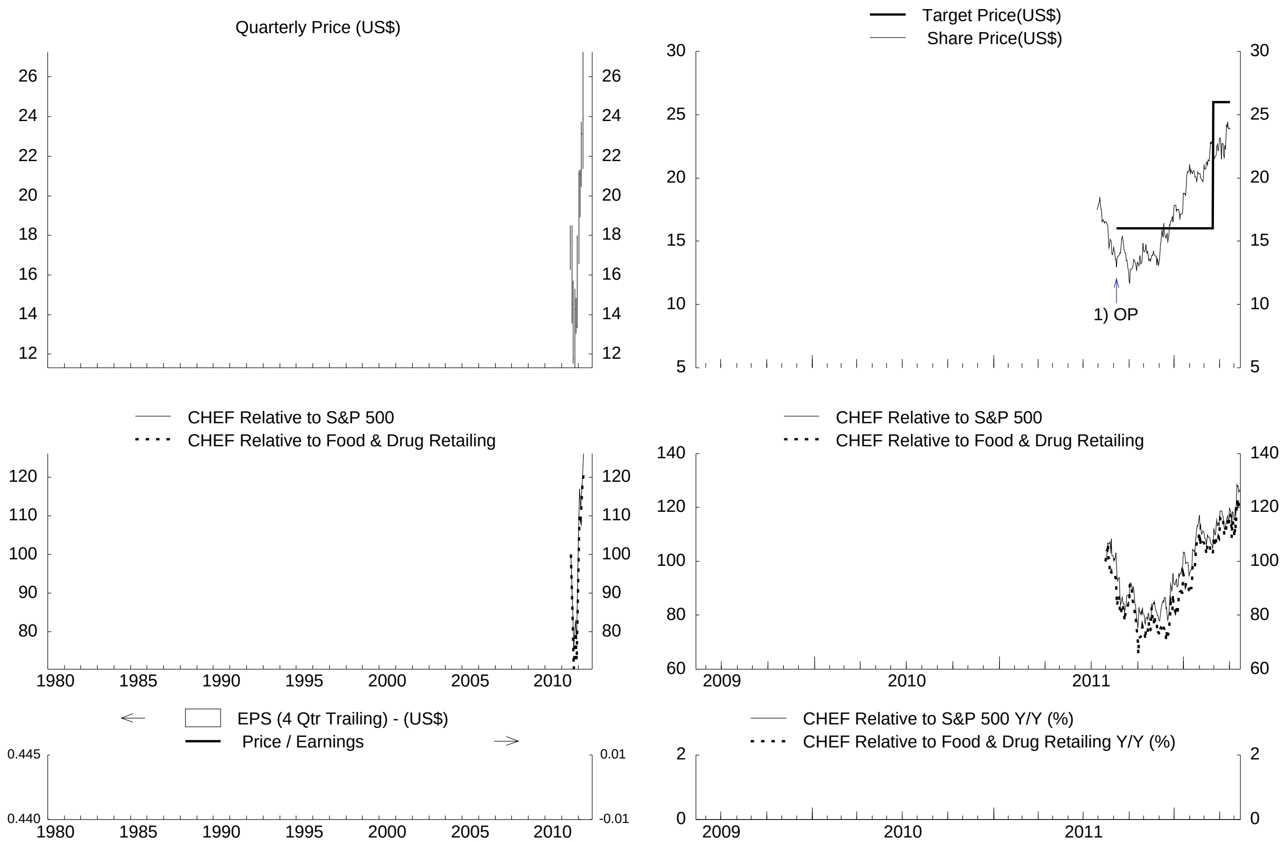
In FY2012, our estimate for EPS is $0.96. Consensus EPS is $0.95. Our EBITDA estimate is $38 million. Our estimate assumes total sales increase 13.2% to $453.2 million (vs. consensus of $459.0 million), with gross margins improving 49bp to 26.8%. We forecast operating expenses (excluding D&A) grow 11.9% to $84.3 million, a 21bp year over year improvement in margin – leading to a 65bp improvement in operating margins to 7.7%, or $34.7 million. This gets us to EBITDA of $38 million, a 70bp improvement in margin to 8.2%. We assume interest expense of $0.8 million, a 41.0% tax rate and 20.8 million shares outstanding, which gets us to EPS of $0.96.

Chefs' Warehouse Income Statement

	52 weeks 12/28/2007 2007	52 weeks 12/26/2008 2008	52 weeks 12/25/2009 2009	52 weeks 12/24/2010 2010	3/25/2011 1Q11	6/24/2011 2Q11	3Q11	4Q11	53 weeks 12/30/2011 2011E	1Q12E	2Q12E	3Q12E	4Q12E	2012E	2013E
Revenues	**$256.13**	**$281.70**	**$271.07**	**$330.12**	**$82.90**	**$99.26**	**$101.68**	**$116.51**	**$400.35**	**$99.48**	**$119.11**	**$115.92**	**$122.61**	**$457.11**	**$507.39**
Cost of Goods	$190.79	$211.39	$199.76	$244.34	$61.50	$73.00	$75.05	$85.50	$295.05	$73.20	$86.89	$84.86	$89.24	$334.19	$369.68
Gross Profit	**$65.35**	**$70.32**	**$71.31**	**$85.78**	**$21.40**	**$26.26**	**$26.63**	**$31.01**	**$105.30**	**$26.28**	**$32.22**	**$31.05**	**$33.37**	**$122.92**	**$137.71**
D&A	$1.94	$1.99	$1.92	$2.10	$0.60	$0.39	$0.43	$0.51	$1.93	$0.61	$0.61	$0.61	$0.61	$2.44	$2.44
Total Operating Expenses (Ex. D&A)	$57.45	$58.33	$56.06	$62.10	$16.70	$18.66	$19.14	$20.81	$75.31	$20.34	$22.15	$21.24	$21.28	$85.01	$92.59
Total Operating Expenses (Incl. D&A)	**$59.39**	**$60.31**	**$57.98**	**$64.21**	**$17.30**	**$19.05**	**$19.57**	**$21.32**	**$77.24**	**$20.95**	**$22.76**	**$21.85**	**$21.89**	**$87.45**	**$95.03**
Operating Income	**$5.96**	**$10.00**	**$13.33**	**$21.57**	**$4.10**	**$7.20**	**$7.06**	**$9.70**	**$28.06**	**$5.33**	**$9.46**	**$9.20**	**$11.48**	**$35.47**	**$42.69**
EBITDA	**$7.90**	**$11.99**	**$15.25**	**$23.68**	**$4.70**	**$7.60**	**$7.491**	**$10.207**	**$29.99**	**$5.94**	**$10.07**	**$9.81**	**$12.09**	**$37.91**	**$45.13**
Interest	$3.52	$3.24	$2.82	$4.04	$0.40	$0.42	$0.51	$0.53	$1.85	$0.40	$0.40	$0.40	$0.40	$1.60	$1.48
Gain on Settlement	$1.10														
Gain/Loss on Interest Rate Swap	-$0.62	-$1.12	$0.66	$0.91	$0.40	$0.00	$0.00	$0.00	$0.40	$0.00	$0.00	$0.00	$0.00	$0.00	$0.07
Other					$0.00			$0.00							
Income Before Tax	**$2.92**	**$5.65**	**$11.17**	**$18.44**	**$4.10**	**$6.79**	**$6.56**	**$9.17**	**$26.61**	**$4.93**	**$9.06**	**$8.80**	**$11.08**	**$33.87**	**$41.28**
Taxes	$0.79	$3.45	$2.21	$2.57	$1.50	$2.69	$2.56	$3.76	$10.50	$2.02	$3.71	$3.61	$4.54	$13.89	$16.92
Net Income	**$2.14**	**$2.20**	**$8.96**	**$15.87**	**$2.60**	**$4.10**	**$4.00**	**$5.41**	**$16.11**	**$2.91**	**$5.34**	**$5.19**	**$6.54**	**$19.98**	**$24.35**
Tax Rate	26.9%	61.1%	19.8%	13.9%	36.6%	39.6%	39.0%	41.0%	39.5%	41.0%	41.0%	41.0%	41.0%	41.0%	41.0%
Diluted EPS	**$0.10**	**$0.11**	**$0.43**	**$0.76**	**$0.13**	**$0.20**	**$0.19**	**$0.26**	**$0.77**	**$0.14**	**$0.26**	**$0.25**	**$0.31**	**$0.96**	**$1.17**
Diluted	20.77	20.77	20.77	20.77	20.67	20.83	20.83	20.84	20.79	20.84	20.84	20.84	20.84	20.84	20.84
Consensus EPS								$0.25	$0.77	$0.16	$0.26	$0.25	$0.30	$0.95	$1.12
Growth															
Sales		10.0%	-3.8%	21.8%	18.4%	18.7%	19.7%	27.2%	21.3%	20.0%	20.0%	14.0%	14.0%	14.2%	11.0%
Organic Sales growth		4.2%	-6.2%	10.9%	10.9%	13.0%	10.6%	8.8%	11.4%	9%	9%	9%	9%		8%
Inflation - contribution to sales		n/a	-0.6%	7.8%	4.9%	3.3%	2.7%	1.1%	2.2%	1%	1%	1%	1%		3%
Acquisitions - contribution to sales		5.8%	3.0%	3.1%	3.0%	2.0%	6.4%	10.0%	5.7%	10%	10%	4%	4%		0%
Impact of extra week - contribution to sales								7.2%	2.0%						
Operating Expenses (Ex. D&A)		1.5%	-3.9%	10.8%	15.3%	19.3%	24.3%	25.5%	21.3%	21.8%	18.7%	11.0%	2.3%	12.9%	8.9%
Operating Expenses (Incl. D&A)		1.6%	-3.9%	10.7%	15.7%	18.1%	23.8%	23.2%	20.3%	21.1%	19.5%	11.7%	2.7%	13.2%	8.7%
Operating Income		67.9%	33.3%	61.8%	35.3%	24.1%	12.9%	49.6%	30.1%	30.0%	31.3%	30.3%	18.4%	26.4%	20.3%
EBITDA		51.7%	27.2%	55.3%	34.5%	20.4%	12.5%	41.5%	26.7%	26.3%	32.5%	31.0%	18.4%	26.4%	19.0%
Net Income		2.8%	308.1%	77.1%	69.0%	-8.7%	-9.3%	-0.6%	1.5%	12.0%	30.4%	29.9%	20.9%	24.1%	21.9%
EPS			308.1%	77.1%					1.4%					23.8%	21.9%
Margins															
Gross	25.5%	25.0%	26.3%	26.0%	25.8%	26.45%	26.19%	26.62%	26.30%	26.41%	27.05%	26.79%	27.22%	26.89%	27.1%
D&A	0.8%	0.7%	0.7%	0.6%	0.7%	0.4%	0.4%	0.4%	0.5%	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%
Operating Expenses (Ex. D&A)				18.8%	20.1%	18.8%	18.8%	17.9%	18.8%	20.4%	18.6%	18.3%	17.4%	18.6%	18.2%
Operating Expenses (Incl. D&A)	23.2%	21.4%	21.4%	19.4%	20.9%	19.2%	19.2%	18.3%	19.3%	21.1%	19.1%	18.8%	17.9%	19.1%	18.7%
Operating Income	2.3%	3.6%	4.9%	6.5%	4.9%	7.3%	6.9%	8.3%	7.0%	5.4%	7.9%	7.9%	9.4%	7.8%	8.4%
EBITDA	3.1%	4.3%	5.6%	7.2%	5.7%	7.7%	7.4%	8.8%	7.5%	6.0%	8.5%	8.5%	9.9%	8.3%	8.9%
Tax	26.9%	61.1%	19.8%	13.9%	36.6%	39.6%	39.0%	41.0%	39.5%	41.0%	41.0%	41.0%	41.0%	41.0%	41.0%
Net	0.8%	0.8%	3.3%	4.8%	3.1%	4.1%	3.9%	4.6%	4.0%	2.9%	4.5%	4.5%	5.3%	4.4%	4.8%
Change in Margins															
Gross		-55bp	134bp	-32bp	12bp	21bp	21bp	64bp	32bp	60bp	60bp	60bp	60bp	59bp	25bp
D&A		-5bp	0bp	-7bp	6bp	-20bp	-6bp	-36bp	-15bp	-11bp	12bp	10bp	6bp	5bp	-5bp
Operating Expenses (Ex. D&A)					-55bp	10bp	69bp	-24bp	0bp	30bp	-20bp	-50bp	-50bp	-21bp	-35bp
Operating Expenses (Incl. D&A)		-178bp	-2bp	-194bp	-49bp	-11bp	63bp	-60bp	-16bp	19bp	-8bp	-40bp	-44bp	-16bp	-40bp
Operating Income		122bp	137bp	162bp	62bp	31bp	-42bp	124bp	47bp	41bp	68bp	100bp	104bp	75bp	65bp
EBITDA		117bp	137bp	155bp	68bp	11bp	-47bp	88bp	32bp	30bp	80bp	110bp	110bp	80bp	60bp
Net		-5bp	253bp	150bp	94bp	-124bp	-126bp	-130bp	-78bp	-21bp	36bp	55bp	69bp	35bp	43bp

Source: Company reports, BMO Capital Markets estimates.

CHEFS WHSE INC (CHEF)



CHEF - Rating as of 28-Jul-11 = NR

	Date	Rating Change	Share Price
1	6-Sep-11	NR to OP	$13.56

Last Daily Data Point: April 20, 2012

Important Disclosures

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Methodology: Our target price values CHEF at an FY13 EV/EBITDAR of 11.4x.
Risks: Key risks to our CHEF price target include increased competition from traditional broadline operators or consolidation among other regional specialty distributors, deterioration in the national or New York economy as it relates to discretionary spending at restaurants, the success and completion of future acquisitions at fair prices, significant increases in raw material costs, and tainted product or product recall which could tarnish the company's image.

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Buy	Outperform	37.2%	12.1%	52.1%	39.2%	48.3%	54.6%
Hold	Market Perform	60.0%	7.0%	47.9%	57.6%	51.0%	40.1%
Sell	Underperform	2.4%	0.0%	0.0%	3.2%	0.7%	5.3%

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BB&T Capital Markets

April 17, 2012

Raising Price Target

Food & Drug Merchandising

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The Chefs' Warehouse, Inc. (CHEF–$24.06) Buy (1)

Company Statistics

12-month Price Target:	**$29**
52-wk Range:	**$11.32-$27.26**
Market Capitalization (M):	**$502**
Shares Outstanding (M) fd:	**20.9**
Avg. Daily Vol. (000):	**81**
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	2011A	2012E	2013E
P/E Ratio:		56.0x	42.2x	30.8x	25.3x	20.9x
Revenue (M):		$271.1	$330.1	$400.6	$455.3	$503.1
EBITDA (M):		$15.2	$22.5	$30.5	$37.1	$44.0
ROE:		NM	NM	NM	57.0%	43.0%
ROA:		13.7%	15.9%	17.7%	18.6%	19.5%
EPS:	Q1	–	$0.07	$0.12	$0.16	–
	Q2	–	$0.15	$0.20	$0.25	–
	Q3	–	$0.17	$0.19	$0.24	–
	Q4	–	$0.18	$0.26	$0.30	–
Total		**$0.43**	**$0.57**	**$0.78**	**$0.95**	**$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 foods. It services more than 9,800 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%). Chefs' sources products from some 1,000 suppliers in 40 countries globally and carries 16,700 items . During 2011, Chefs' reported sales, adjusted EBITDA, and pro forma net earnings of $400.6M, $31.3M, and $16.2M, respectively. Chefs' completed its initial public offering of common stock on August 2, 2011, at $15/sh.

CHEF: CEO MEETINGS BOLSTER NEAR AND LONG TERM INVESTMENT CASE; RAISING PRICE TARGET TO $29

Key Points

- We recently hosted investor meetings with CEO Christopher Pappas on the west coast. Our key takeaways as detailed in this note have bullish implications for both the near- and long- term, in our view. First, Chefs' near-term organic growth should remain strong based on significant penetration opportunities with existing customers and healthy new customer demand. Second, the acquisition outlook appears robust in Chefs' sweet spot of distributors with $10M-$40M in annual revenues, of which there are some 2,000 in the U.S. Third, Chefs' margins should remain stable, even as it acquires lower volume operators (with lower operating margins), as we anticipate significant synergies will be achieved in both operations and sales productivity.

- Overall, our critical takeaway is that Chefs' is well positioned to accelerate growth through acquisition due to the convergence of scalability (e.g., best-of-breed I/T and management) with opportunity (e.g., interested sellers and capital access).

- We present a scenario analysis which assumes that during the next three years CHEF consummates 10 acquisitions that average $25M in revenue and can reach profitability about in line with profit center average (i.e., pre-corporate expenses). Under these assumptions, sales and EBITDA can more than double in that time frame from calendarized 2011 results. Based on valuations that imbed 10% to 20% discounts to the current EV/EBITDA multiple, CHEF's stock price at the end of 2014 would be in a range of $45-$52, up 87% to 116% in total if this scenario were to occur. Clearly, we believe, this scenario would take longer to play out if Chefs' did not accelerate its acquisition activity at the pace we have assumed.

- We have not changed our sales and earnings estimates at this time since we do not model for unannounced acquisitions. But we view this analysis as indicative of the potential upside to long-term fundamentals for CHEF if its acquisition driven growth component accelerates meaningfully. Thus, we have raised our 12-month price target to $29 from $24, which retains the current forward P/E multiple (previously we had contracted the multiple for the sake of conservatism).

Additional Discussion

We recently hosted investor meetings with CEO Christopher Pappas on the west coast. This note contains two analytic sections with bullish implications for both the near- and long- term, in our view. First, we present meeting takeaways organized around three key fundamentals; organic growth, acquisitions and margin management largely focused on the near term. Second, from a longer term perspective, we analyze what Chefs' Warehouse might look like in three years time under the assumption of a meaningful acceleration in the historical rate of acquisitions.

Overall, our critical takeaway is that Chefs' is well positioned to accelerate growth through acquisition due to the convergence of scalability (e.g., best-of-breed I/T and management) with opportunity (e.g., interested sellers and capital access). As more fully detailed below, we present a scenario analysis which assumes that during the next three years CHEF consummates 10 acquisitions that average $25M in revenue and can reach profitability about in line with profit center average (i.e., pre-corporate expenses). Under these assumptions, sales and EBITDA can more than double in that time frame from calendarized 2011 results. Based on valuations that imbed 10% to 20% discounts to the current EV/EBITDA multiple CHEF's stock price at the end of 2014 would be in a range of $45-$52, up 87% to 116% in total if this scenario were to occur. Clearly, we believe, this scenario would take longer to play out if Chefs' did not accelerate its acquisition activity at the pace we have assumed.

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Near Term Outlook Remains Strong

Below we present details of key fundamental takeaways. First, Chefs' organic growth remains strong based on significant penetration opportunities with existing customers and healthy new customer demand. Second, the acquisition outlook appears robust in Chefs' sweet spot of distributors with $10M-$40M in annual revenues, of which there are some 2,000 in the U.S. Third, Chefs' margins should remain stable, even as it acquires lower volume operators (with lower operating margins), as we anticipate significant synergies will be achieved in both operations and sales productivity.

Meeting takeaway #1: Organic growth outlook remains strong

- From a facilities standpoint, once the Bronx distribution center is completed next year, CHEF will have capacity to double sales from the current infrastructure.
- Chefs' faces normal sales volume attrition of about 7% annually due to leases expiring and customer credit issues that must be overcome with unique placement gains (i.e., penetration) and new customer wins.
- Increased sales penetration and new customers are driven by superior selection with over 10,000 items versus 1,000 to 1,500 for a typical competitor. Examples of category dominance include some 120 olive oils ranging from $30 per liter to $3 per liter, and 800 cheeses at $30 per pound for artisanal Sonomas to commodity parmesans at $5 per pound.
- In New York the average customer purchases 21 line items while in less mature markets the average customer purchases 11 line items.
- In terms of new customers, Chefs' has received more than 2,000 credit applications suggesting its flow of interest remains strong.
- Currently, the total sales force is about 150 but Chefs' needs more street reps to boost penetration. The goal is to add up to 30 additional sales associates to fully cover the current customer base.
- While the higher end restaurant environment is not back to the boom times a la 1999, a decent recovery has taken hold. In particular, corporate spending has not fully recovered.

Meeting takeaway #2: Acquisition driven growth appears set to accelerate

- Chefs' sweet spot for acquisitions is revenues in the $10M-$40M range, of which there are some 2,000 foodservice distributors in the U.S. CHEF generally pays 3x-5x EV/EBITDA (post cost synergies as purchasing, human resources, payroll, IT, and finance are centralized). A 20%-30% sales loss is budgeted but Provvista in Portland, OR, had none while Harry Wils was in line with expectations.

- Acquired distributors typically stock 1,000 to 1,500 SKUs; Chefs' adds 20%-30% a year and trains the sales force to dramatically increase penetration at acquired businesses.
- The current potential interest pipeline is fuller than expected at initial public offering due to a combination of fear of Chefs' potential entry and previous relationships with entrepreneurs now in their fifties and sixties, who often have no succession plans.
- Major targeted markets for geographic expansion include Boston, Chicago, Denver, Philadelphia, Phoenix, Seattle and Texas. Management is very opportunistic in its execution making it nearly impossible to predict which market(s) it will enter in the near term.
- Targeted categories for product expansion include proteins (hormone and antibiotic free meat and seafood), produce and pastry. Gross margin in produce is near corporate average while proteins are below at about 20% but contribution dollars per case is greater than corporate average.
- Chefs' has passed on deals in new markets in particular due to bad management and for those firms that may operate in a grey area (e.g., mixing purity levels of olive oil without proper label disclosure).

Meeting takeaway #3: Margins should be stable

- Chefs' approach to vendor relations is more about building relationships than squeezing the lowest price since product supply is the ultimate differentiation.
- Centralized procurement produces better inventory control and scalable efficiencies.
- Roadnet has increased delivery windows and on-time accuracy, while voice picking has reduced mis-labels and shortages.
- Chefs' price optimization software allows its sales reps to dynamically price orders by comparing prices to similar restaurants in a particular market.
- Fuel surcharges force order consolidation by customers which hurts smaller firms but benefits Chefs'.
- Investment that will partly offset scale efficiencies include hiring additional sales associates, expanding and retrofitting warehouses, and investment needs of acquisitions.

Long Term Could be Stronger Yet

We believe that Chefs' is well positioned to accelerate growth through acquisition due to the convergence of scalability with opportunity. **Figure 1** shows our three year sales build. We assume Chefs' completes ten acquisitions over the next three years that average $25M in sales per acquisition. Based on these acquisitions and organic growth, we forecast revenue growth of 104% to $800M in 2014, or 27% annually compounded during the next three years.

Figure 1: Chefs' 3-Year Sales Build (2012-2014)

Acquired sales	$228M
Sales from current assets	$138M
Growth of acquired assets	$42M
Calendar 2011 sales (actual)	$392M
Total 2014 sales	$800M
3-year growth	104% total/27% annual

Source: Company reports; BB&T Capital Markets estimates

Figure 2 details our three year EBITDA build. We assume that Chefs' finances ten acquisitions at an average of 0.44x EV/sales, equating to $110M net new debt (we assume all debt financing). Based on a 9% EBITDA margin (our current 2013 forecast is 8.75%) we project EBITDA growth of 135% to $72M in 2014, or 33% annually compounded during the next three years.

Figure 2: Chefs' 3-Year EBITDA Build (2012-2014)

Acquisition financing	$250M x 0.44 EV/sales = $110M net new debt
2014 EBITDA estimate	2014 sales of $800M x 9% = $72M
2011 calendar EBITDA	$31M
3-year growth	135% total/33% annual

Source: Company reports; BB&T Capital Markets estimates

Figure 3 shows our three year cumulative free cash flow projection. We forecast that Chefs' will generate cumulative free cash flow of $50M from current assets and $20M from acquired assets and assume the company will use its free cash flow to pay down debt.

Figure 3: Chefs' 3-Year Cumulative Free Cash Flow (2012-2014)

Free cash flow on current asset base	$50M
Free cash flow on acquired assets	$20M
Total cumulative free cash flow	$70M

Source: Company reports; BB&T Capital Markets estimates

Figure 4 shows our three year net debt build. We assume Chefs' will use $110M to finance the acquisitions and $70M of free cash flow to pay down debt. Based on these assumptions, we forecast Chefs' net debt of $88M at the end of 2014.

Figure 4: Chefs' 3-Year Net Debt Build (2012-2014)

Current net debt	$48M
Acquisitions (cash)	$110M
Free cash flow to pay down debt	($70M)
Net debt at end of 2014	$88M

Source: Company reports; BB&T Capital Markets estimates

In **Figure 5** we derive hypothetical price targets based on the above three-year fundamental projections and assumed valuation levels. Our key assumptions are that valuation levels will contract (based on EV/LTM EBITDA) from 10% to 20% from the current 18x EV/LTM EBITDA. If the EV/LTM EBITDA valuation contracted 10% to 16.25x then we estimate CHEF's share price would climb to $52 by the end of 2014 for a total return of 116%. If EV/LTM EBITDA contracted 20% to 14.25x (which is UNFI's current EV/LTM EBITDA multiple) then we believe CHEF's stock price would advance 87% to $45 by the end of 2014.

Figure 5: Chefs' Share Price Derivation – End of 2014

EV/EBITDA – LTM (current valuation)	18.0x
EV/EBITDA at end of 2014 at 16.25x (10% discount to current valuation)	$1,170M
Net debt at end of 2014	($88M)
Equity value at end of 2014	$1,082M
Stock price	$52
3-year stock price growth	116% total/29% annual
EV/EBITDA – LTM of UNFI (current valuation)	14.25x
EV/EBITDA at end of 2014 at 14.25x (20% discount to current valuation)	$1,026M
Net debt at end of 2014	($88M)
Equity	$938M
Stock price	$45
3-year stock price growth	87% total/23% annual

Source: Company reports; BB&T Capital Markets estimates

Valuation Methodology & Risk Considerations

Based on its strong fundamentals, we believe that CHEF's could be revalued closer to the group average of 27x calendar 2012 EPS from 25.3x currently. However, for the sake of conservatism, we have retained our forward P/E valuation assumption at 25.3x, which we apply to our calendar 2013 EPS forecast of $1.15 to yield our $29 price target. We believe general risks to achieving our price target include lower-than-forecasted sales and/or earnings. Specific risks relevant to Chefs' Warehouse include cyclicality of demand tied to high end consumer sentiment, concentration of business in greater New York, fuel price inflation, product cost inflation, and acquisition related risks.

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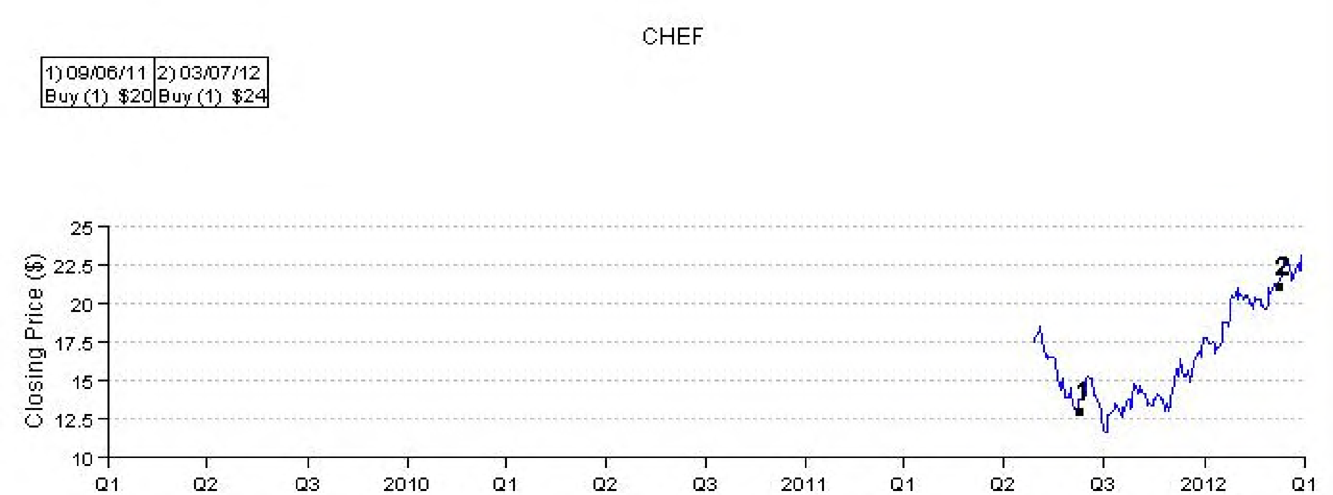
Price Chart



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All companies under coverage:		All companies under coverage to which it has provided investment banking services in the previous 12 months:	
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The Chefs' Warehouse (CHEF)

Notes from the Road: Chefs' in Denver/ Chicago

BUY

Price target $25.00

Price $24.17

EQUITY RESEARCH AMERICAS

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.

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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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10. All corporate actions are taken into account.

Risk which may impede the achievement of our Price Target

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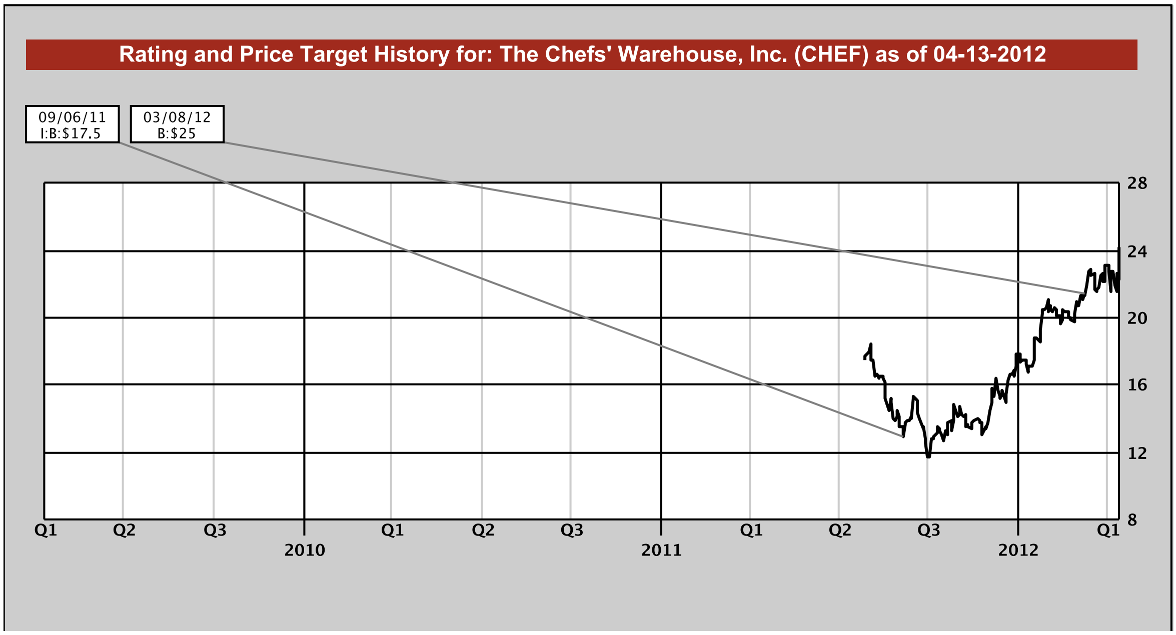

Distribution of Ratings

Rating	Count	Percent	IB Serv./Past 12 Mos. Count	IB Serv./Past 12 Mos. Percent
BUY	791	52.28%	111	14.03%
HOLD	620	40.98%	68	10.97%
UNDERPERFORM	102	6.74%	1	0.98%

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The Chefs' Warehouse

CHEF : NASDAQ : US$21.83

BUY

Target: US$24.00

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COMPANY STATISTICS:

Shares Out diluted:	20.8
Market Cap (M):	US$454.9
52-week Range:	11.32 - 23.75
Avg. Daily Vol. (000s):	91.5
EV/EBITDA:	10.9

EARNINGS SUMMARY:

FYE Dec		2010A	2011A	2012E	2013E
P/Sales:		1.4	1.1	1.0	0.9
P/E:		39.7	28.0	23.1	20.2
Revenue (M):	Q1	70.0	83.2	99.8	-
	Q2	83.6	99.3	119.1	-
	Q3	84.9	101.7	115.9	-
	Q4	91.6	116.5	121.4	-
Total		330.1	400.6	456.3	504.2
EPS:	Q1	0.07	0.12	0.18	-
	Q2	0.15	0.20	0.26	-
	Q3	0.17	0.19	0.24	-
	Q4	0.17	0.26	0.27	-
Total		0.55	0.78	0.95	1.08

SHARE PRICE PERFORMANCE:

Source: Interactive Data Corporation

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 in the United States.

All amounts in US$ unless otherwise noted.

Consumer & Retail -- Health, Wellness and Lifestyle

A LONG-TERM GROWTH STORY, REITERATE BUY, $24 PRICE TARGET

Investment recommendation

We expect that CHEF will deliver an EPS CAGR of over 20% during the next few years, and believe the company has considerable geographic growth and consolidation opportunities to enhance strong organic growth within its existing markets.

Investment highlights

- We hosted CHEF management for investor meetings that enhanced our expectations for significant long-term revenue and earnings growth.
- Geographical growth remains in its infancy as CHEF operates in just seven primary markets, which could quadruple over the long term through acquisitions in a highly fragmented sector.
- Next year's opening of a new distribution center in New York should create incremental category expansion opportunities in existing markets including produce, seafood and cut meats; while providing efficiencies that immediately generate a return on the investment.

Valuation

At 23x forward earnings and 11x forward EBITDA estimates, we view valuation as appropriate relative to peers and growth. Maintain $24 price target on a multiple of 11x our F2013 EBITDA forecast.

INVESTMENT THESIS

We believe CHEF is a best-in-class specialty foodservice distributor with a substantial growth opportunity lying ahead through a combination of internal growth and acquisitions as its segment of the industry is highly fragmented and scale undoubtedly offers advantages. Our thesis was further supported last week as we hosted the company for two days of investor meetings. While the current momentum is obvious in the financial results and the geographical growth opportunity has been illustrated with strategic acquisitions over the last several years into new markets, we believe that the expansion opportunities in existing markets are not fully appreciated. We suspect that the catalyst for new product categories will occur in early 2013 when the company opens a new distribution center in New York. The facility will provide immediate efficiencies for CHEF's largest market, but should also provide the capacity for expansion into large new categories, such as produce, seafood and cut meats. The category expansion opportunities could double the market opportunity for CHEF.

The geographical growth opportunity is clear with CHEF operating in just seven markets today. However, the magnitude of the opportunity is larger than we had anticipated with the company targeting more major markets as viable entries than we'd assumed. Essentially every NFL city with the exception of Green Bay (although nearby Milwaukee would be served out of a Chicago entry) is a target that could support a Chef's Warehouse entry. This implies more than a quadrupling of the current market presence (CHEF already operates in two non-NFL cities: Los Angeles and Las Vegas). With acquisition opportunities in numerous new markets, yet still opportunities for tuck-ins to existing markets, the opportunity for growth through industry consolidation is significant. Beyond the simple math of new market opportunities, the benefits of scale from a true national presence have yet to even be realized and CHEF is already delivering strong gross and EBITDA margins.

Given the inherent growth of specialty foods in all channels of distribution, CHEF's ability to grow market share in existing markets through a superior offering and infrastructure, along with growth opportunities through both geographic and category expansion, should deliver a long-term double-digit growth opportunity that is measured in decades. We reiterate our BUY rating and $24 price target and confidently foresee an above-average growth rate that justifies the current valuation.

VALUATION

Valuation is appropriate, in our view. Shares trade at 23x our 2012 EPS forecast and 11x our forecasted EBITDA. While the valuation represents a significant premium to the traditional food distribution peer group multiples (generally in the low teens on forward earnings and 7-8x EBITDA), the valuation is at a slight discount to its best and only real comparable peer from a standpoint of growth, United Natural Foods (UNFI : NASDAQ : $47.12). We view UNFI as the best comparison for CHEF given it also enjoys a naturally growing market, superior margins relative to most distributors (yet at 18%, UNFI's gross margins are inferior to CHEF at 26%) and is the leader in its segment as is CHEF. We continue to argue that CHEF should trade at a premium to its distribution peers (as UNFI does) given its vastly superior margins, growth outlook and higher returns on invested capital.

We maintain our price target of $24.00, which reflects 11x our 2013 EBITDA forecast and 22x our 2013 EPS estimate, which is consistent with where CHEF currently trades on forward EBITDA and reflects the premium valuations of the specialty food peer group.

Investment risks

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 exposures to potential sales volatility as consumer confidence and spending fluctuation. 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 it remains 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; 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 filing.

Figure 1: Historical and projected operating results

Fiscal Year End - December (in millions, except per-share data)

	2011				2011	2012E				2012E	2013E
Income Statement	**Q1**	**Q2**	**Q3**	**Q4**	**FY**	**Q1**	**Q2**	**Q3**	**Q4**	**FY**	**FY**
Revenue	**83.2**	**99.3**	**101.7**	**116.5**	**400.6**	**99.8**	**119.1**	**115.9**	**121.4**	**456.3**	**504.2**
COGS	(61.1)	(73.0)	(75.1)	(85.5)	(294.7)	(73.4)	(87.3)	(85.1)	(88.9)	(334.7)	(369.7)
Gross Profit	22.0	26.3	26.6	31.0	105.9	26.5	31.8	30.8	32.5	121.6	134.4
Operating Expenses	(17.0)	(18.6)	(21.3)	(21.3)	(78.1)	(19.5)	(22.4)	(22.3)	(22.9)	(87.0)	(93.9)
Operating Income	5.1	7.7	5.3	9.7	27.8	7.0	9.4	8.5	9.6	34.5	40.6
EBITDA	**5.6**	**8.0**	**5.8**	**10.1**	**33.4**	**7.5**	**9.9**	**9.0**	**10.1**	**44.3**	**50.3**
Net Interest	(3.5)	(3.3)	(7.2)	(0.5)	(14.6)	(0.5)	(0.5)	(0.4)	(0.4)	(1.9)	(1.4)
Other expenses	0.1	0.0	0.0	(0.0)	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Pretax Income	1.7	4.4	(1.9)	9.2	13.3	6.4	9.0	8.1	9.2	32.7	39.2
Income Tax	(0.7)	(1.7)	0.7	(4.0)	(5.6)	(2.6)	(3.7)	(3.3)	(3.8)	(13.4)	(16.1)
Net Income	1.0	2.7	(1.2)	5.2	7.7	3.8	5.3	4.8	5.4	19.3	23.1
Average Shares	16.0	16.0	18.7	20.8	17.9	20.8	20.9	21.0	21.2	21.0	21.4
EPS	$0.06	$0.17	($0.06)	$0.25	$0.43	$0.18	$0.25	$0.23	$0.26	$0.92	$1.08
Pro forma adjustments											
GAAP Pretax income	1.7	4.4	(1.9)	9.2	13.3	6.4	9.0	8.1	9.2	32.7	39.2
SG&A	(0.8)	(0.7)	1.7	0.2	0.5	0.0	0.2	0.4	0.4	1.0	0.0
D&A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest	3.0	2.9	6.7	0.0	12.7	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted EBITDA	**4.8**	**7.3**	**7.5**	**10.3**	**29.9**	**7.5**	**10.1**	**9.4**	**10.5**	**45.3**	**50.3**
Adjusted pre-tax	4.2	6.9	6.6	9.4	27.0	6.4	9.2	8.5	9.6	33.7	39.2
Taxes	(1.6)	(2.7)	(2.6)	(3.9)	(10.8)	(2.6)	(3.8)	(3.5)	(3.9)	(13.8)	(16.1)
Adjusted net income	2.6	4.2	4.0	5.5	16.2	3.8	5.4	5.0	5.7	19.9	23.1
Pro Forma EPS	**$0.12**	**$0.20**	**$0.19**	**$0.26**	**$0.78**	**$0.18**	**$0.26**	**$0.24**	**$0.27**	**$0.95**	**$1.08**
Shares outstanding	20.8	20.8	20.8	20.8	20.8	20.8	20.9	21.0	21.2	21.0	21.4
Margin Analysis											
Gross Margin	**26.5 %**	**26.5 %**	**26.2 %**	**26.6 %**	**26.4 %**	**26.5 %**	**26.7 %**	**26.6 %**	**26.8 %**	**26.6 %**	**26.7 %**
Warehousing and distribution	10.3 %	9.2 %	10.4 %	10.0 %	10.0 %	10.0 %	8.9 %	9.8 %	9.5 %	9.5 %	9.4 %
SG&A	9.3 %	9.1 %	10.1 %	7.9 %	9.0 %	9.4 %	8.8 %	8.2 %	7.7 %	8.5 %	8.3 %
Adjusted operating margin	5.2 %	7.1 %	6.9 %	8.5 %	7.1 %	7.0 %	8.1 %	7.7 %	8.3 %	7.8 %	8.0 %
Adjusted EBITDA margin	**5.8 %**	**7.4 %**	**7.4 %**	**8.8 %**	**7.5 %**	**7.5 %**	**8.5 %**	**8.1 %**	**8.7 %**	**9.9 %**	**10.0 %**
Pretax margin	2.0 %	4.4 %	-1.9 %	7.9 %	3.3 %	6.4 %	7.5 %	7.0 %	7.6 %	7.2 %	7.8 %
Adjusted net margin	3.1 %	4.2 %	3.9 %	4.7 %	4.1 %	3.8 %	4.5 %	4.3 %	4.7 %	4.4 %	4.6 %
Tax Rate	39.0%	39.0%	39.0%	41.5%	39.9%	41.0%	41.0%	41.0%	41.0%	41.0%	41.0%
Growth (vs Year Ago)											
Revenue	19 %	19 %	20 %	27 %	21 %	20 %	20 %	14 %	4 %	14 %	11 %
Operating	67 %	37 %	-15 %	50 %	29 %	37 %	23 %	60 %	-1 %	24 %	17 %
Pro forma Pre-Tax Income	89 %	38 %	16 %	62 %	45 %	52 %	34 %	29 %	3 %	25 %	20 %
Pro forma Net Income	89 %	38 %	16 %	56 %	43 %	47 %	29 %	25 %	4 %	22 %	20 %
Pro forma EPS	87 %	36 %	15 %	55 %	42 %	47 %	28 %	24 %	2 %	21 %	14 %
Ratio Analysis											
Net debt	95.7	100.9	43.8	45.5	45.5	32.3	32.2	25.0	20.5	20.5	(4.8)
DSOs	39.6	37.1	37.6	38.4	38.4	39.2	37.1	37.6	38.4	38.4	38.4
Days Inventory	25.7	24.1	23.4	22.1	25.7	25.7	24.1	23.4	22.1	23.5	23.5
Inventory Turns	3.5	3.8	3.9	4.1	14.2	3.5	3.8	3.9	4.1	15.5	15.5
ROIC	25.2%	33.1%	20.6%	32.3%	23.8%	26.2%	31.9%	28.9%	31.3%	28.1%	30.5%
Return on Equity	nmf	nmf	nmf	nmf	nmf	103.4 %	44.4 %	32.8 %	31.7 %	39.4 %	25.3 %
Operating ROA	24.9%	32.2%	22.0%	37.0%	29.7%	26.3%	33.2%	29.7%	32.1%	30.8%	31.9%
Debt/Total Capital	85.8%	86.5%	70.8%	68.5%	71.7%	65.9%	64.1%	62.0%	59.7%	59.9%	34.6%
Cash Flow Analysis											
Operating cash flow	3.1	5.3	(1.9)	1.3	7.7	14.3	4.5	4.7	5.6	29.0	29.6
Free cash flow	2.7	4.8	(2.6)	0.6	5.6	13.7	3.8	4.0	4.9	26.4	27.0
EBITDA	5.6	8.0	5.8	10.1	33.4	7.5	9.9	9.0	10.1	44.3	50.3

Source: Company reports and Canaccord Genuity estimates

APPENDIX: IMPORTANT DISCLOSURES

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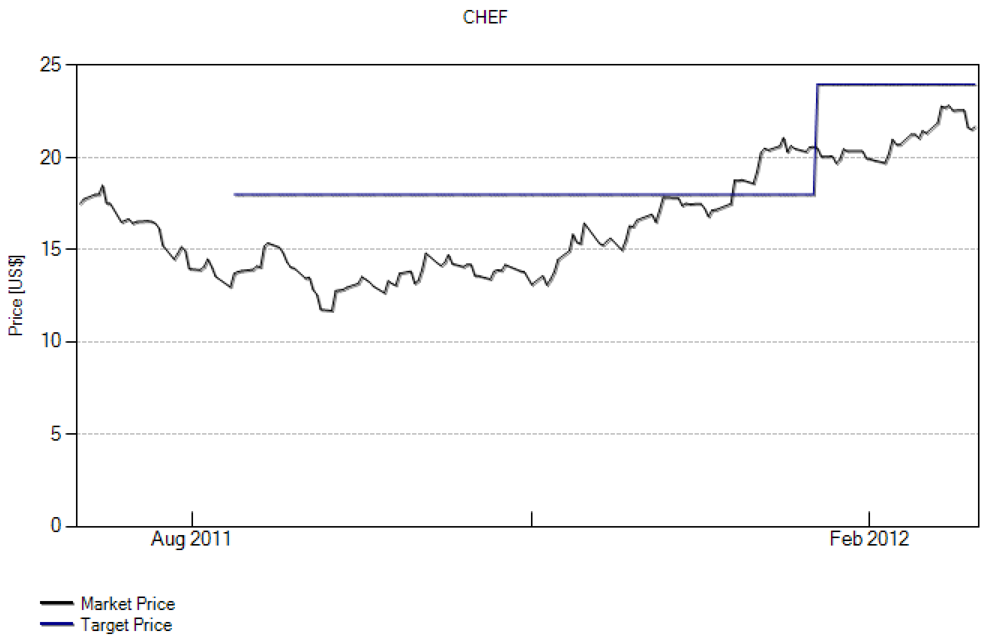
Price Chart:*



	Date	Analyst	Rating	Target Price		Date	Analyst	Rating	Target Price
1)	09/07/2011	Winkle	Buy	18.00	2)	02/09/2012	Winkle	Buy	24.00

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

Distribution of Ratings:
Global Stock Ratings
(as of 2 March 2012)

	Coverage Universe		IB Clients
Rating	#	%	%
Buy	478	59.4%	33.7%
Speculative Buy	92	11.4%	70.7%
Hold	217	27.0%	18.4%
Sell	18	2.2%	16.7%
	805	100%	

Canaccord Ratings System:

BUY: The stock is expected to generate risk-adjusted returns of over 10% during the next 12 months.
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Company	Disclosure
The Chefs' Warehouse	1A, 2, 3, 5, 7

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March 19, 2012

Chefs' Warehouse

(CHEF-NASDAQ)

Stock Rating: **Outperform**
Industry Rating: **Market Perform**

Food Retail

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Dreaming Big: Maintain Our OUTPERFORM Rating

Event

We are raising our price target to $26 and maintaining our **OUTPERFORM** rating on Chefs' Warehouse following our recent meetings with management. Our revised price target values CHEF on a FY13 EV/EBITDA of 12.0x on our upwardly revised FY13 EBITDA. Our rating is based on the following: 1) we view FY12 as somewhat of a transitory year (for EPS) given several one-time cost pressures so prefer to value CHEF on FY13; 2) we had previously published an industry ranking based on a wide range of metrics – and CHEF ranks #2 in our universe due to the strong balance sheet, high ROIC, strong top-line growth and respectable free cash flow yield; 3) we see continued top line momentum in FY12 and beyond as CHEF continues to grow both organically and through acquisitions; 4) we believe CHEF has a significant competitive advantage in the specialty space and believe the lead will only widen – leading to sustainable top-line growth for the foreseeable future; and 5) we believe management's longer-term vision for Chefs' Warehouse is to build a brand – stretching well beyond the current specialty distribution model – and we believe this vision is attainable.

Impact

Themes from the meetings included growth and acquisition opportunities, initiatives to drive greater efficiencies, the transition to the new facility in New York, fuel surcharges, and cost pressures in FY12.

Forecasts

We are raising our FY13 EPS to $1.17 from $1.13 and our EBITDA to $45.1 million from $43 million. Consensus is at $1.12 and $45.1 million, respectively. Our FY12 estimates are unchanged.

Valuation

CHEF is trading at a FY13 EV/EBITDA of 10.5x and a P/E of 19.3x.

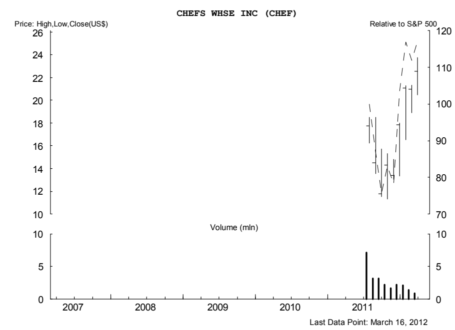
Recommendation

We maintain our **OUTPERFORM** rating.

Securities Info

Price (16-Mar)	**$22.57**	**Target Price**	**$26 ↑**
52-Wk High/Low	$24/$11	Dividend	--
Mkt Cap (mm)	$470	Yield	--
Shs O/S (mm, BASIC)	20.8	Float O/S (mm)	10.0
Options O/S (mm)	na	ADVol (30-day, 000s)	69

Price Performance



Valuation/Financial Data

(FY-Dec.)	2010A	2011A	2012E	2013E
EPS Pro Forma	$0.76	$0.77	$0.96	$1.17↑
P/E			23.5x	19.3x
First Call Cons.			*$0.95*	*$1.12*
EPS GAAP	$0.76	$0.77	$0.96	$1.17
FCF	na	na	na	na
P/FCF			na	na
EBITDA ($mm)	$24	$30	$38	$45
EV/EBITDA			13.3x	11.2x
Rev. ($mm)	$330	$400	$457	$507
EV/Rev			1.1x	1.0x

Quarterly EPS	**1Q**	**2Q**	**3Q**	**4Q**
2011A	$0.13	$0.20	$0.19	$0.26
2012E	$0.14	$0.26	$0.25	$0.31

Quarterly EBITDA	**1Q**	**2Q**	**3Q**	**4Q**
2011A	$4.7	$7.6	$7.5	$10.2
2012E	$5.9	$10.1	$9.8	$12.1

Balance Sheet Data (31-Dec)

Net Debt ($mm)	$35	TotalDebt/EBITDA	na
Total Debt ($mm)	na	EBITDA/IntExp	na
Net Debt/Cap.	na	Price/Book	25.6x

Notes: All values in US$.

Source: BMO Capital Markets estimates, Bloomberg, FactSet, Global Insight, Reuters, and Thomson Financial.

Changes	**Annual EPS**	**Target**
	2013E $1.13 to $1.17	$16.00 to $26.00

Please refer to pages 7 to 9 for Important Disclosures, including the Analyst's Certification.

Valuation

We are raising our price target to $26, 15% upside from Friday's close. Our new price target values CHEF on a FY13 EV/EBITDA of 12.0x. We believe valuing CHEF on FY13 is more appropriate given several one-time cost headwinds in FY12. The FY13 multiple may appear generous on the surface, but given the significant opportunities to continue growing share, gain efficiencies, and grow earnings, we believe the multiple is warranted.

Exhibit 1. CHEF Current Valuation

Chefs' Warehouse Price Target Valuation				
	2012E	2013E	2014E	2015E
Net Income	$19.98	$24.35	[redacted]	[redacted]
EPS	$0.96	$1.17	[redacted]	[redacted]
EBITDA	$38	$45	[redacted]	[redacted]
EBITDAR	$47	$54	$64	$74
Net Forward Debt	$21	$2	-$23	-$53
Price Target	$26.00	$26.00	$26.00	$26.00
Market Cap	$542	$542	$542	$542
EV	$562	$544	$519	$489
P/E	27.1x	22.2x	17.9x	14.9x
EV/EBITDA	14.8x	12.0x	9.5x	7.5x
EV/EBITDAR	13.5x	11.4x	9.3x	7.6x
EPS Growth	23.8%	21.9%	24.1%	20.4%

Source: Company reports, BMO Capital Markets estimates.

I. Several headwinds should abate in FY13 – leading us to raise our EPS estimate by $0.04. In FY12, we are looking for a 24% increase in EPS despite approximately $0.09 in incremental costs associated with 1) an estimated 20% increase in diesel costs ($0.02 with diesel remaining at current levels), 2) incremental costs associated with SOX compliance ($0.05), and 3) a 41% tax rate versus the 39.5% reported in FY11 ($0.02). (The company will also incur costs associated with duplicate rent with no corresponding revenue at the second facility of $0.03 but these costs are excluded from our FY12 EPS.) Excluding these "one-times," we would have been looking for a 36% increase in EPS. In FY13, while diesel costs are likely to remain high, it seems unlikely diesel will increase as much as the increase experienced in the first part of this year, costs associated with SOX compliance are likely to linger but not increase, the second facility in New York will come on line and will generate incremental revenues and efficiency savings, and the tax rate will remain flat at 41% – so EPS will no longer be pressured by these headwinds. As a result, our upwardly revised EPS of $1.17 – up 22% from FY12 – appears conservative relative to the company's core EPS growth in FY12.

II. In our industry ranking report – most recently published in January 2012, CHEF – although excluded from the published report (because we were restricted on the name at the time) – ranked #2 in our coverage universe. Our rankings looked at a wide range of metrics including Debt/EBITDAR, top-line growth, EBITDA margins, ROIC, valuation and free cash flow yield. The company with the best metric in each category received 14 points, the worst received one point and the results were tallied. CHEF received a total of 57 points, and ranked #2 behind Sysco (60 points). CHEF's top-line and margin structure are superior to SYY, but on ROIC, leverage, and free cash flow yield, CHEF ranked slightly below SYY. CHEF's valuation is also richer than SYY and this metric hurt CHEF's ranking.

Exhibit 2. Universe Ranking

Rank	Ticker	Debt/ EBITDAR	Total Sales (ex Fuel)	EBITDA Margins	ROIC	CY2013 EV/EBITDAR	FCF Yield Before Div.	Final Score
1	SYY	14	6	9	14	8	9	60
2	CHEF	12	9	12	13	3	8	57
3	TFM	9	14	13	12	1	3	52
4	VSI	5	11	14	9	5	7	51
4	WFM	13	12	11	8	2	5	51
6	CASY	10	13	6	11	6	2	48
7	SPTN	7	3	5	6	13	11	45
8	SWY	4	5	8	3	12	12	44
9	RDK	8	8	10	4	9	4	43
10	KR	6	4	4	7	11	10	42
11	SVU	3	1	7	2	14	14	41
12	UNFI	11	10	3	5	4	6	39
13	PTRY	1	2	2	1	10	13	29
14	SUSS	2	7	1	10	7	1	28

Source: Company reports, BMO Capital Markets estimates.

Exhibit 3. Metrics

Ticker	Debt/ EBITDAR	Total Sales (ex Fuel)	EBITDA Margins	ROIC	CY2013 EV/EBITDAR	FCF Yield Before Div.
CASY	1.8x	11.7%	4.4%	12.4%	7.1x	0.2%
CHEF	1.4x	9.0%	9.1%	17.6%	10.2x	4.6%
KR	3.1x	3.2%	4.0%	10.1%	5.5x	7.4%
PTRY	4.7x	0.4%	2.8%	6.6%	5.6x	28.7%
RDK	2.1x	7.6%	8.1%	9.2%	6.0x	2.7%
SPTN	2.3x	1.6%	4.3%	9.8%	4.7x	8.8%
SUSS	4.5x	7.5%	2.4%	11.0%	7.1x	n/a
SVU	4.0x	0.2%	5.1%	8.0%	4.2x	37.3%
SWY	3.2x	4.0%	5.5%	8.1%	4.8x	10.6%
SYY	0.7x	5.0%	6.0%	19.8%	7.0x	6.5%
TFM	1.8x	14.9%	11.4%	15.1%	12.5x	1.5%
UNFI	1.5x	10.0%	3.9%	9.3%	8.8x	4.0%
VSI	3.2x	10.5%	12.1%	10.8%	8.7x	4.3%
WFM	1.2x	10.6%	8.9%	10.2%	11.6x	2.8%

Source: Company reports, BMO Capital Markets estimates.

Themes from the meetings included: top-line growth both organically and through acquisitions, initiatives to drive greater efficiencies, the transition to the new facility in New York, fuel surcharges, and cost pressures in FY12.

I. Top-line growth both organically and through acquisitions: we continue to see significant areas of opportunity to gain share both organically and through acquisitions.

a) **Several initiatives are underway to continue to gain share organically**. These initiatives include expanding the sales force, targeting a wider range of restaurant formats, and partnering with vendors to increase product penetration in specific categories. As indicated on the 4Q call, the company is currently focused on expanding the sales force (a 15% increase in FY12) in order to increase penetration with existing accounts (penetration of 1,000 SKUs per customer is considered underpenetrated) as well as gain traction with new accounts. In addition, the company's goal is to assign each sales person 65 accounts. Today, the number skews considerably higher – leading to a less effective selling effort. With the expanded sales force, the company should gain more traction on gaining a greater share of wallet with both new and existing customers. In addition, we believe CHEF will continue to evolve and refine its definition of the "target market" as the industry evolves. As an example, the company had previously focused primarily on the $15 or higher "plate" – but the trend to offer smaller plates (or Tappas) has recently accelerated (in part due to persistent inflation in protein) and CHEF recognizes that this format represents a significant growth opportunity. Lastly, more recently, the company began partnering with select (smaller) specialty vendors to meet with existing customers in an effort to increase penetration of a particular product category. These vendors lack the ability to scale up to sell their product with an internally developed sales force (i.e., small producers in Europe), so by partnering with CHEF, the vendor is introduced to a national customer base through CHEF relationships. In exchange for the "introduction," the vendor provides (and pays for) both a representative and the inventory – and both the vendor representative and the CHEF sales representative will meet with a wide range of accounts to introduce the product. This initiative (while in the early stages) has been extremely successful so far because the vendor specialist provides more immediate credibility on the quality of a particular product, as a result, the effort has, so far, resulted in both an uptick in initial sales as well as higher order retention.

b) Acquisitions remain a significant area of focus (although our FY13 estimates do not reflect incremental revenues associated with acquisitions) – and we continue to see significant opportunities to gain share through select, accretive acquisitions of specialty distributors in both existing and new geographies (e.g., Boston, Chicago, Dallas, Atlanta). We also believe product line extensions (focusing initially on protein, followed by produce) represent a significant area of opportunity once the company gains excess capacity at the new facility in New York. We believe management is generally agnostic on product category versus geographic expansion – as long as both are accretive. The goal is to build the brand and gain share.

c) Longer term, we believe the "CW" brand could ultimately encompasses a: "Chefs' Warehouse Protein" division (with separate invoices and credit terms), a Chef "Direct" division for online purchases, a Chef "Outlet" – similar to the Restaurant Depot concept – but with CHEF's emphasis on specialty, gourmet and import (Restaurant Depot tends to skew more towards basic food products as well as sundry and equipment), and even the potential to develop product line extensions for some of the company's more established restaurant chains (and chefs). Some of these goals are clearly long term in nature but they all speak to management's commitment to build a brand and become a dominant force in the specialty distribution space.

II. Initiatives to drive greater efficiencies include the following:

a) Transitioning to the new facility in New York. This will drive significant cost savings because under the current configuration the company operates two facilities. The existing facilities are extremely inefficient due to capacity constraints and both facilities incur rent and general overhead expenses. With the new facility, total rent expense should remain more or less unchanged (because the new facility is larger, and lease rates will likely be higher), utility expenses should decline, but the company should gain significant cost savings due to improved efficiency.

b) Once the transition is complete, the company should be able to implement more effective labor management tools at the new facility. The current facility is too antiquated and strained to fully utilize the tools associated with the roll-out of the system.

c) In 3Q11, the company introduced a price optimization tool to the sales force – this should help improve the company's selling efforts and also preserve (or improve) product margins.

III. The transition to the new facility in New York should be completed by mid 2013. The company then plans to sublease the current, larger facility for the duration of the lease (expiring in 2014). The lease on CHEF's smaller facility expires mid 2013. Higher depreciation associated with the facility could impact EPS by $0.02-$0.035 ($~12 million depreciated over the initial life of the lease – excluding renewal options) – but the new facility will dramatically improve efficiencies and reduce significant duplicate costs (largely rent and utilities) – more than offsetting the negative earnings impact from higher depreciation. Execution risk with the transition will be low, in our view, given the new facility's proximity to the existing facilities – and this proximity (resulting in ease of transition) was one of the company's primary considerations in remaining in New York.

IV. Higher fuel costs will likely impact EPS by $0.02 in FY12 assuming fuel remains near current levels. The negative impact to EPS reflects a slight delay in passing on fuel surcharges in the early part of the fiscal year. Inbound freight costs should also increase but will likely have no impact to earnings because product costs are "fully landed" – so inventory costs already reflect inbound transportation costs. Going forward, if fuel continues to rise, we believe management will be more proactive on immediately increasing the surcharge in order to mitigate an additional impact to EPS.

Food Retail	Rating	16-Mar Price	Target	EPS 2011E	EPS 2012E	EPS 2013E	P/E 2011E	P/E 2012E	P/E 2013E	Div	Yld	Book	Mkt Cap ($mm)
Casey's General Store (CASY)	Market Perform	$52.20	$55	$2.65	$3.16	$3.43	19.7	16.5	15.2	$0.60	1.1%	$12.43	1,987
Chefs' Warehouse (CHEF)	Outperform	$22.57	$26	$0.77	$0.96	$1.17	29.3	23.5	19.3	$0.00	0.0%	$0.88	470
GNC Holdings (GNC)	Restricted	$33.71	na	$1.50	na	na	22.5	na	na	$0.00	0.0%	$9.26	3,593
Kroger (KR)	Market Perform	$24.37	$25	$2.01	$2.31	$2.39	12.1	10.5	10.2	$0.46	1.9%	$8.58	14,007
Pantry (PTRY)	Market Perform	$12.44	$12	$0.75	$0.43	$0.70	16.6	28.9	17.8	$0.00	0.0%	$14.06	280
Ruddick (RDK)	Outperform	$41.30	$50	$2.33	$2.40	$2.84	17.7	17.2	14.5	$0.52	1.3%	$19.72	2,035
Safeway (SWY)	Market Perform	$22.17	$25	$1.80	$2.01	$2.31	12.3	11.0	9.6	$0.58	2.6%	$12.42	7,536
Spartan Stores (SPTN)	Outperform	$17.64	$20	$1.36	$1.40	$1.45	13.0	12.6	12.2	$0.26	1.5%	$14.06	403
SUPERVALU (SVU)	Market Perform	$6.33	$8	$1.36	$1.29	$1.30	4.7	4.9	4.9	$0.35	5.5%	$7.07	1,343
Susser Holdings (SUSS)	Market Perform	$25.21	$25	$2.75	$1.42	$1.83	9.2	17.8	13.8	$0.00	0.0%	$14.80	524
Sysco (SYY)	Market Perform	$29.63	$28	$1.96	$1.87	$2.07	15.1	15.8	14.3	$1.08	3.6%	$7.92	17,364
The Fresh Market (TFM)	Market Perform	$48.35	$46	$1.06	$1.27	$1.56	45.6	38.1	31.0	$0.00	0.0%	$2.23	2,322
United Natural Foods (UNFI)	Outperform	$46.45	$53	$1.68	$1.91	$2.24	27.6	24.3	20.7	$0.00	0.0%	$18.20	2,265
Vitamin Shoppe (VSI)	Market Perform	$42.39	$45	$1.61	$1.80	$2.08	26.3	23.6	20.4	$0.00	0.0%	$11.82	1,238
Whole Foods Market (WFM)	Outperform	$85.15	$90	$1.93	$2.33	$2.63	44.1	36.5	32.4	$0.56	0.7%	$16.72	15,284

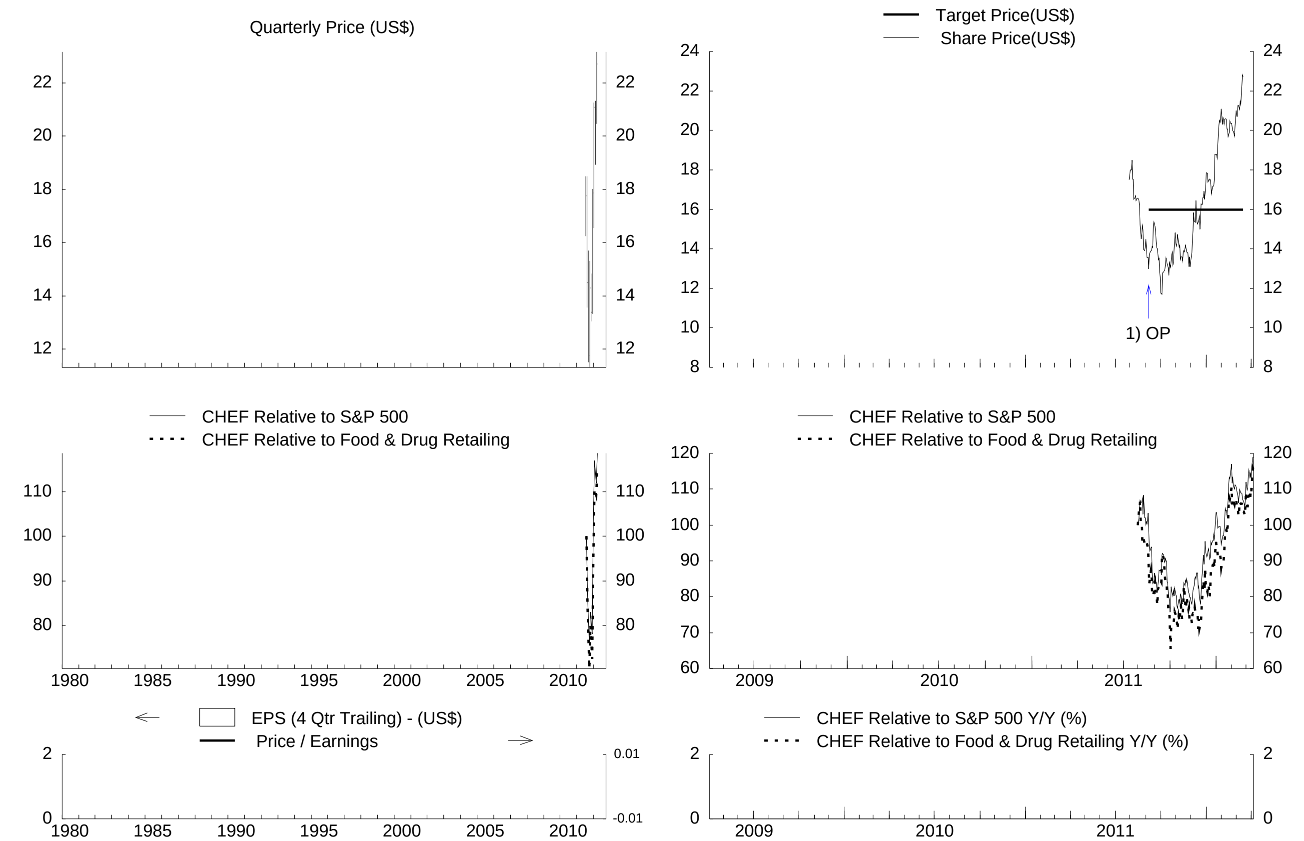
Source: BMO Capital Markets estimates and company reports.

Chefs' Warehouse Income Statement

	52 weeks 12/28/2007 2007	52 weeks 12/26/2008 2008	52 weeks 12/25/2009 2009	52 weeks 12/24/2010 2010	3/25/2011 1Q11	6/24/2011 2Q11	3Q11	4Q11	53 weeks 12/30/2011 2011E	1Q12E	2Q12E	3Q12E	4Q12E	2012E	2013E
Revenues	**$256.13**	**$281.70**	**$271.07**	**$330.12**	**$82.90**	**$99.26**	**$101.68**	**$116.51**	**$400.35**	**$99.48**	**$119.11**	**$115.92**	**$122.61**	**$457.11**	**$507.39**
Cost of Goods	$190.79	$211.39	$199.76	$244.34	$61.50	$73.00	$75.05	$85.50	$295.05	$73.20	$86.89	$84.86	$89.24	$334.19	$369.68
Gross Profit	**$65.35**	**$70.32**	**$71.31**	**$85.78**	**$21.40**	**$26.26**	**$26.63**	**$31.01**	**$105.30**	**$26.28**	**$32.22**	**$31.05**	**$33.37**	**$122.92**	**$137.71**
D&A	$1.94	$1.99	$1.92	$2.10	$0.60	$0.39	$0.43	$0.51	$1.93	$0.61	$0.61	$0.61	$0.61	$2.44	$2.44
Total Operating Expenses (Ex. D&A)	$57.45	$58.33	$56.06	$62.10	$16.70	$18.66	$19.14	$20.81	$75.31	$20.34	$22.15	$21.24	$21.28	$85.01	$92.59
Total Operating Expenses (Incl. D&A)	**$59.39**	**$60.31**	**$57.98**	**$64.21**	**$17.30**	**$19.05**	**$19.57**	**$21.32**	**$77.24**	**$20.95**	**$22.76**	**$21.85**	**$21.89**	**$87.45**	**$95.03**
Operating Income	**$5.96**	**$10.00**	**$13.33**	**$21.57**	**$4.10**	**$7.20**	**$7.06**	**$9.70**	**$28.06**	**$5.33**	**$9.46**	**$9.20**	**$11.48**	**$35.47**	**$42.69**
EBITDA	**$7.90**	**$11.99**	**$15.25**	**$23.68**	**$4.70**	**$7.60**	**$7.491**	**$10.207**	**$29.99**	**$5.94**	**$10.07**	**$9.81**	**$12.09**	**$37.91**	**$45.13**
Interest	$3.52	$3.24	$2.82	$4.04	$0.40	$0.42	$0.51	$0.53	$1.85	$0.40	$0.40	$0.40	$0.40	$1.60	$1.48
Gain on Settlement	$1.10														
Gain/Loss on Interest Rate Swap	-$0.62	-$1.12	$0.66	$0.91	$0.40	$0.00	$0.00	$0.00	$0.40	$0.00	$0.00	$0.00	$0.00	$0.00	$0.07
Other					$0.00			$0.00							
Income Before Tax	**$2.92**	**$5.65**	**$11.17**	**$18.44**	**$4.10**	**$6.79**	**$6.56**	**$9.17**	**$26.61**	**$4.93**	**$9.06**	**$8.80**	**$11.08**	**$33.87**	**$41.28**
Taxes	$0.79	$3.45	$2.21	$2.57	$1.50	$2.69	$2.56	$3.76	$10.50	$2.02	$3.71	$3.61	$4.54	$13.89	$16.92
Net Income	**$2.14**	**$2.20**	**$8.96**	**$15.87**	**$2.60**	**$4.10**	**$4.00**	**$5.41**	**$16.11**	**$2.91**	**$5.34**	**$5.19**	**$6.54**	**$19.98**	**$24.35**
Tax Rate	26.9%	61.1%	19.8%	13.9%	36.6%	39.6%	39.0%	41.0%	39.5%	41.0%	41.0%	41.0%	41.0%	41.0%	41.0%
Diluted EPS	**$0.10**	**$0.11**	**$0.43**	**$0.76**	**$0.13**	**$0.20**	**$0.19**	**$0.26**	**$0.77**	**$0.14**	**$0.26**	**$0.25**	**$0.31**	**$0.96**	**$1.17**
Diluted	20.77	20.77	20.77	20.77	20.67	20.83	20.83	20.84	20.79	20.84	20.84	20.84	20.84	20.84	20.84
Consensus EPS								$0.25	$0.77	$0.16	$0.26	$0.25	$0.30	$0.95	$1.12
Growth															
Sales		10.0%	-3.8%	21.8%	18.4%	18.7%	19.7%	27.2%	21.3%	20.0%	20.0%	14.0%	14.0%	14.2%	11.0%
Organic Sales growth		4.2%	-6.2%	10.9%	10.9%	13.0%	10.6%	8.8%	11.4%	9%	9%	9%	9%		8%
Inflation - contribution to sales		n/a	-0.6%	7.8%	4.9%	3.3%	2.7%	1.1%	2.2%	1%	1%	1%	1%		3%
Acquisitions - contribution to sales		5.8%	3.0%	3.1%	3.0%	2.0%	6.4%	10.0%	5.7%	10%	10%	4%	4%		0%
Impact of extra week - contribution to sales								7.2%	2.0%						
Operating Expenses (Ex. D&A)		1.5%	-3.9%	10.8%	15.3%	19.3%	24.3%	25.5%	21.3%	21.8%	18.7%	11.0%	2.3%	12.9%	8.9%
Operating Expenses (Incl. D&A)		1.6%	-3.9%	10.7%	15.7%	18.1%	23.8%	23.2%	20.3%	21.1%	19.5%	11.7%	2.7%	13.2%	8.7%
Operating Income		67.9%	33.3%	61.8%	35.3%	24.1%	12.9%	49.6%	30.1%	30.0%	31.3%	30.3%	18.4%	26.4%	20.3%
EBITDA		51.7%	27.2%	55.3%	34.5%	20.4%	12.5%	41.5%	26.7%	26.3%	32.5%	31.0%	18.4%	26.4%	19.0%
Net Income		2.8%	308.1%	77.1%	69.0%	-8.7%	-9.3%	-0.6%	1.5%	12.0%	30.4%	29.9%	20.9%	24.1%	21.9%
EPS			308.1%	77.1%					1.4%					23.8%	21.9%
Margins															
Gross	25.5%	25.0%	26.3%	26.0%	25.8%	26.45%	26.19%	26.62%	26.30%	26.41%	27.05%	26.79%	27.22%	26.89%	27.1%
D&A	0.8%	0.7%	0.7%	0.6%	0.7%	0.4%	0.4%	0.4%	0.5%	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%
Operating Expenses (Ex. D&A)				18.8%	20.1%	18.8%	18.8%	17.9%	18.8%	20.4%	18.6%	18.3%	17.4%	18.6%	18.2%
Operating Expenses (Incl. D&A)	23.2%	21.4%	21.4%	19.4%	20.9%	19.2%	19.2%	18.3%	19.3%	21.1%	19.1%	18.8%	17.9%	19.1%	18.7%
Operating Income	2.3%	3.6%	4.9%	6.5%	4.9%	7.3%	6.9%	8.3%	7.0%	5.4%	7.9%	7.9%	9.4%	7.8%	8.4%
EBITDA	3.1%	4.3%	5.6%	7.2%	5.7%	7.7%	7.4%	8.8%	7.5%	6.0%	8.5%	8.5%	9.9%	8.3%	8.9%
Tax	26.9%	61.1%	19.8%	13.9%	36.6%	39.6%	39.0%	41.0%	39.5%	41.0%	41.0%	41.0%	41.0%	41.0%	41.0%
Net	0.8%	0.8%	3.3%	4.8%	3.1%	4.1%	3.9%	4.6%	4.0%	2.9%	4.5%	4.5%	5.3%	4.4%	4.8%
Change in Margins															
Gross		-55bp	134bp	-32bp	12bp	21bp	21bp	64bp	32bp	60bp	60bp	60bp	60bp	59bp	25bp
D&A		-5bp	0bp	-7bp	6bp	-20bp	-6bp	-36bp	-15bp	-11bp	12bp	10bp	6bp	5bp	-5bp
Operating Expenses (Ex. D&A)					-55bp	10bp	69bp	-24bp	0bp	30bp	-20bp	-50bp	-50bp	-21bp	-35bp
Operating Expenses (Incl. D&A)		-178bp	-2bp	-194bp	-49bp	-11bp	63bp	-60bp	-16bp	19bp	-8bp	-40bp	-44bp	-16bp	-40bp
Operating Income		122bp	137bp	162bp	62bp	31bp	-42bp	124bp	47bp	41bp	68bp	100bp	104bp	75bp	65bp
EBITDA		117bp	137bp	155bp	68bp	11bp	-47bp	88bp	32bp	30bp	80bp	110bp	110bp	80bp	60bp
Net		-5bp	253bp	150bp	94bp	-124bp	-126bp	-130bp	-78bp	-21bp	36bp	55bp	69bp	35bp	43bp

Source: Company reports, BMO Capital Markets estimates.

CHEFS WHSE INC (CHEF)



CHEF - Rating as of 28-Jul-11 = NR

	Date	Rating Change	Share Price
1	6-Sep-11	NR to OP	$13.56

Last Daily Data Point: March 14, 2012

Important Disclosures

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Disclosure 9: BMO Capital Markets makes a market in this security.

Methodology and Risks to Our Price Target/Valuation

Methodology: Our target price values CHEF at an FY13 EV/EBITDA of 12.0x and P/E of 22.2x.
Risks: Key risks to our CHEF price target include increased competition from traditional broadline operators or consolidation among other regional specialty distributors, deterioration in the national or New York economy as it relates to discretionary spending at restaurants, the success and completion of future acquisitions at fair prices, significant increases in raw material costs, and tainted product or product recall which could tarnish the company's image.

Distribution of Ratings (December 30, 2011)

Rating Category	BMO Rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	Starmine Universe
Buy	Outperform	38.0%	10.3%	40.4%	40.7%	46.2%	56.2%
Hold	Market Perform	60.3%	9.6%	59.6%	56.3%	52.2%	39.4%
Sell	Underperform	1.7%	0.0%	0.0%	3.0%	1.6%	4.4%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.
** Reflects rating distribution of all companies from which BMO Capital Markets Corp. has received compensation for Investment Banking services as percentage within ratings category.
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Ratings and Sector Key

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OP = Outperform - Forecast to outperform the market;
Mkt = Market Perform - Forecast to perform roughly in line with the market;
Und = Underperform - Forecast to underperform the market;
(S) = speculative investment;
NR = No rating at this time;
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COMPANY NOTE

Target | Estimate Change

USA | Consumer | Retailing/Food & Drug Chains

March 8, 2012

Jefferies

EQUITY RESEARCH AMERICAS

The Chefs' Warehouse (CHEF)

Under the Hood – Lookin' Quite Good

BUY
Price target $25.00
(from $17.50)
Price $21.05

Key Takeaway

Chefs' Warehouse continues to post very strong sales, ending fiscal 2011 on a high note as the company's efforts to invest in its business and focus on driving placements/customer and new customers are clearly paying off. Indeed, we expect that continued leverage of technology should help drive strong sales and reduce costs, both in FY12 and over the next few years as CHEF looks to consolidate a fragmented industry.

A look under the hood suggests continued strong business trends at CHEF. Indeed, 4Q revealed another solid quarter for the company, characterized by favorable top-line and profitability, trends which we expect to continue. Recent acquisitions are on track and despite a difficult macro climate, CHEF's business remains on solid footing. Turning to guidance for FY12, revenue appears strong, while adjusted earnings guidance came in somewhat below expectations. However, on closer inspection, there are a number of additional costs that are impacting the $0.91-$0.96 range, and are not indicative of a slowdown in the core business. These include a higher tax rate of 41% (vs. our previous 39% estimate) which reduces EPS by $0.03, an increase in non-cash amortization, which we estimate impacts EPS by another few cents, as well as management's decision to invest more in its business (roughly $0.02-$0.03), the latter reflecting the company's confidence in its market share potential, which is well founded, in our opinion.

Strong sales drive another quality quarter. CHEF reported 4Q11 EPS (ex. items) of $0.26 vs. our $0.25 estimate as solid sales and profitability were partially offset by higher op. expenses relative to our expectations. Indeed, net rev. grew 27% y/y (~20% ex. the extra week), as CHEF posted organic growth of approx. 10% (incl. ~1% inflation) and roughly 10% from acquisitions. Reported EBIT $'s of $9.7mm was above our $9.0mm estimate.

We are establishing 1Q12 and FY13 EPS of $0.15 and $1.12, respectively. Our FY12 estimate of $0.95 reflects stronger revenue growth, offset by less expense leverage, largely due to increased business investment/additional costs as noted above, as well as a slight tempering of gross margin improvement given the fuel environment, plus a higher tax rate.

Valuation/Risks

Our PT of $25 (from $17.50) is approx. 22x our FY13 EPS estimate of $1.12. Our DCF also places the value of the equity at about $27. **Risks:** Near-term: economic downturn resulting in meaningful contraction in wealth, acquisition-related integration or technology/systems implementation and geographic concentration risk. Longer-term: Group purchasing organizations.

USD	*Prev.*	2010A	*Prev.*	2011A	*Prev.*	2012E	*Prev.*	2013E
Rev. (MM)	--	330.1	*395.8*	400.6	*441.7*	467.2	--	523.3
EV/Rev		1.5x		1.2x		1.0x		0.9x
EBITDA (MM)	*20.2*	22.5	*30.2*	31.0	*37.2*	37.5	--	43.3
EV/EBITDA		21.4x		15.5x		12.8x		11.1x
EPS								
Mar	--	--	--	0.12	--	0.15	--	--
Jun	--	--	--	0.21	--	0.26	--	--
Sep	--	--	--	0.20	--	0.25	--	--
Dec	--	--	*0.25*	0.26	--	0.30	--	--
FY Dec	*0.54*	0.57	--	0.79	*0.98*	0.95	--	1.12
FY P/E		36.9x		26.6x		22.2x		18.8x

EPS: 2010 and 2011 reflect pro forma adjustments.

Financial Summary

Net Debt (MM):	$43.1

Market Data

52 Week Range:	$22.19 - $11.32
Total Entprs. Value (MM):	$480.9
Market Cap. (MM):	$437.8
Shares Out. (MM):	20.8
Float (MM):	10.0
Avg. Daily Vol.:	92,990

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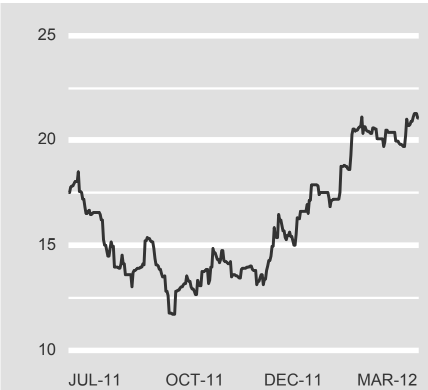
Price Performance



The Chefs' Warehouse

Buy: $25.00 Price Target

Scenarios

Target Investment Thesis

- Sales growth of 17% and 12% in FY12 and '13, from strong organic growth and acquisitions, but one less wk in '12.
- Slight gross margin expansion on mix and better gross margin management, offset by elevated input costs.
- Moderate operating expense leverage on higher sales and improving cost efficiencies, offset by increased investment.
- FY13 EPS: $1.12; Target Multiple: ~22x; Target Price: $25.

Upside Scenario

- Stronger-than-expected organic sales as the company benefits from its IT initiatives; coupled with favorable macros.
- Better-than-expected gross profit as Chefs' is better able to manage account profitability; improving mix.
- Better-than-expected expense leverage on stronger sales and larger benefits from the warehouse management system rollout.
- FY13 EPS: $1.25; Target Multiple: 25x; Target Price: $31.

Downside Scenario

- Deteriorating macros and contracting wealth lead to sales slowdown.
- Gross margin pressured by trade down and mix shift; competitor or industry pressure lowering pricing capabilities.
- Less operating expense leverage on lower sales; more limited benefits from warehouse and distribution initiatives.
- FY13 EPS: $0.90; Target Multiple: 18x; Target Price: $16.

Long Term Analysis and Overview

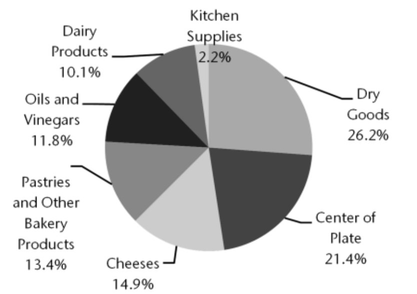
Chefs' Current Footprint

Source: Company Data
*Excludes Portland/Seattle market entered in Nov 2011

Long Term Financial Model Drivers

Organic Net Revenue Growth	**10-12%**
Gross Margin	**26.5-26.7%**
EBIT Margin	**7.5-8.5%**
Tax Rate	**41%**

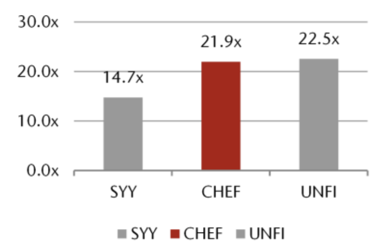
FY10 Net Revenue By Product Category



Source: Company Data

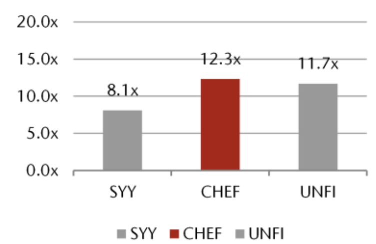
Peer Group

Forward P/E (CY12)



Source: Thomson, CapitalIQ

EV/ EBITDA (CY12)



Source: Thomson, CapitalIQ

Recommendation / Price Target

Ticker	Rec.	PT
CHEF	**Buy**	**$25**
UNFI	Buy	$44
SYY	NC	NC

Catalysts

- Better-than-expected organic sales driven by increased placements/customer and new customers.
- Better-than-expected benefits from the rollout of the company's warehouse management system to its other DCs.

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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Near-term Outlook

Chart 1: Near-term Outlook ($ thousands, except per share data)

Earnings Table	Q1:12E	2012E	2013E
Net Revenues	$101,501	$467,221	$523,288
Gross Profit	$26,887	$124,235	$139,404
EBIT	$5,856	$35,650	$41,236
EBITDA	$6,210	$37,518	$43,328
EBT	$5,381	$33,725	$39,839
Taxes	$2,206	$13,827	$16,334
Net Income (Operating)	$3,175	$19,898	$23,505
Diluted EPS (Operating)	$0.15	$0.95	$1.12
Consensus EPS	$0.16	$0.96	$1.12
Diluted Shares Outstanding	20,841	20,841	20,941

Source: Jefferies

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Chart 2: CHEF Income Statement ($ thousands, except per share data)

	2009A	2010PF					2011PF					2012E	2013E
		Pro Forma	*Pro Forma*	*Pro Forma*	*Pro Forma*	*Pro Forma*	*Pro Forma*						
	52 weeks	52 weeks	Q1:11PF	Q2:11PF	Q3:11PF	Q4:11PF	53 weeks	Q1:12E	Q2:12E	Q3:12E	Q4:12E	52 weeks	52 weeks
	Dec-09	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Dec-12	Dec-13
	364	364	91	91	91	98	371	91	91	91	91	364	364
Net Revenues	$271,072	$330,118	$83,183	$99,255	$101,681	$116,513	$400,632	$101,501	$119,181	$118,866	$127,674	$467,221	$523,288
Cost of Sales	$199,764	$244,340	$61,148	$73,000	$74,651	$85,499	$294,298	$74,614	$87,416	$87,268	$93,689	$342,987	$383,883
Gross Profit	$71,308	$85,778	$22,035	$26,255	$27,030	$31,014	$106,334	$26,887	$31,764	$31,598	$33,985	$124,235	$139,404
Operating Expenses	$57,580	$64,628	$17,444	$18,766	$19,568	$21,318	$77,096	$21,032	$22,295	$22,281	$22,977	$88,584	$98,168
EBIT (Operating)	$13,728	$21,150	$4,591	$7,489	$7,462	$9,696	$29,238	$5,856	$9,469	$9,317	$11,008	$35,650	$41,236
Non-Recurring Items	-	-	-	$200	$400	-	$600	-	-	-	-	-	-
EBIT (Reported)	$13,728	$21,150	$4,591	$7,289	$7,062	$9,696	$28,638	$5,856	$9,469	$9,317	$11,008	$35,650	$41,236
EBIT (Operating)	$13,728	$21,150	$4,591	$7,489	$7,462	$9,696	$29,238	$5,856	$9,469	$9,317	$11,008	$35,650	$41,236
Plus: Depreciation & Amortization	$1,520	$1,388	$322	$460	$429	$511	$1,722	$354	$506	$476	$531	$1,868	$2,092
EBITDA	$15,248	$22,538	$4,913	$7,949	$7,891	$10,207	$30,960	$6,210	$9,975	$9,794	$11,539	$37,518	$43,328
Interest Expense, Net	$3,212	$2,490	$433	$417	$505	$528	$1,883	$475	$450	$500	$500	$1,925	$1,397
(Gain) / Loss on Fluctuation of Interest Rate Swap	($658)	($910)	($81)	-	-	-	($81)	-	-	-	-	-	-
Other	-	-	$3	-	-	$3	$6	-	-	-	-	-	-
EBT	$11,174	$19,570	$4,236	$7,072	$6,957	$9,165	$27,430	$5,381	$9,019	$8,817	$10,508	$33,725	$39,839
Income Taxes	$2,213	$7,777	$1,660	$2,765	$2,713	$3,805	$10,943	$2,206	$3,698	$3,615	$4,308	$13,827	$16,334
Net Income (Loss) (Operating)	$8,961	$11,793	$2,576	$4,307	$4,244	$5,360	$16,487	$3,175	$5,321	$5,202	$6,200	$19,898	$23,505
Non-Recurring Items (Net of Taxes)	-	-	-	($122)	($5,429)	($150)	($5,701)	-	-	-	-	-	-
Net Income (Loss) Reported	$8,961	$11,793	$2,576	$4,185	($1,185)	$5,210	$10,786	$3,175	$5,321	$5,202	$6,200	$19,898	$23,505
Disc Operations, Net of Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income (Reported) After Disc. Ops	$8,961	$11,793	$2,576	$4,185	($1,185)	$5,210	$10,786	$3,175	$5,321	$5,202	$6,200	$19,898	$23,505
Deemed Dividend Accretion on Class A Units	($6,207)												
Deemed Dividend Paid to Class A Units	-												
Net Income (Loss) to Common Stockholders	$2,754												
Diluted EPS (Operating)	NA	$0.57	$0.12	$0.21	$0.20	$0.26	$0.79	$0.15	$0.26	$0.25	$0.30	$0.95	$1.12
Diluted EPS (Reported)	NA	$0.57	$0.12	$0.20	($0.06)	$0.25	$0.52	$0.15	$0.26	$0.25	$0.30	$0.95	$1.12
First Call Consensus					$0.19	$0.25	$0.77	$0.16	$0.26	$0.24	$0.29	$0.96	$1.12
Weighted Avg. Diluted Shares Outstanding	NA	20,835	20,835	20,835	20,835	20,835	20,835	20,841	20,841	20,841	20,841	20,841	20,941
Growth Rates													
Net Revenues	-3.8%	NA	18.8%	18.7%	19.7%	27.2%	21.4%	22.0%	20.1%	16.9%	9.6%	16.6%	12.0%
Gross Profit	1.4%	NA	22.5%	19.7%	22.5%	30.4%	24.0%	22.0%	21.0%	16.9%	9.6%	16.8%	12.2%
Operating Expenses	-4.0%	NA	15.8%	13.4%	22.0%	25.6%	19.3%	20.6%	18.8%	13.9%	7.8%	14.9%	10.8%
EBIT (Operating)	32.5%	NA	57.5%	38.7%	24.0%	42.3%	38.2%	27.5%	26.4%	24.9%	13.5%	21.9%	15.7%
EBIT (Reported)	32.5%	NA	57.5%	35.0%	17.3%	42.3%	35.4%	27.5%	29.9%	31.9%	13.5%	24.5%	15.7%
Depreciation & Amortization	-6.5%	NA	1.9%	3.8%	13.5%	103.6%	24.1%	10.0%	10.0%	11.0%	4.0%	8.5%	12.0%
EBITDA	27.2%	NA	52.1%	36.0%	23.4%	44.4%	37.4%	26.4%	25.5%	24.1%	13.1%	21.2%	15.5%
Net Income (Operating)	308.1%	NA	81.7%	39.1%	21.0%	42.1%	39.8%	23.2%	23.5%	22.6%	15.7%	20.7%	18.1%
Net Income (Reported)	NM	NA	81.7%	35.1%	NM	38.2%	-8.5%	23.2%	27.2%	NM	19.0%	84.5%	18.1%
Diluted EPS (Operating)	NA	NA	81.7%	39.1%	21.0%	42.1%	39.8%	23.2%	23.5%	22.5%	15.6%	20.7%	17.6%
Diluted EPS (Reported)	NA	NA	81.7%	35.1%	NM	38.2%	-8.5%	23.2%	27.1%	NM	19.0%	84.4%	17.6%
Margin													
Gross Profit	26.3%	26.0%	26.5%	26.5%	26.6%	26.6%	26.5%	26.5%	26.7%	26.6%	26.6%	26.6%	26.6%
Operating Expenses (As % of Net Revenues)	21.2%	19.6%	21.0%	18.9%	19.2%	18.3%	19.2%	20.7%	18.7%	18.7%	18.0%	19.0%	18.8%
EBIT (Operating)	5.1%	6.4%	5.5%	7.5%	7.3%	8.3%	7.3%	5.8%	7.9%	7.8%	8.6%	7.6%	7.9%
EBIT (Reported)	5.1%	6.4%	5.5%	7.3%	6.9%	8.3%	7.1%	5.8%	7.9%	7.8%	8.6%	7.6%	7.9%
EBITDA	5.6%	6.8%	5.9%	8.0%	7.8%	8.8%	7.7%	6.1%	8.4%	8.2%	9.0%	8.0%	8.3%
Net Income (Operating)	3.3%	3.6%	3.1%	4.3%	4.2%	4.6%	4.1%	3.1%	4.5%	4.4%	4.9%	4.3%	4.5%
Net Income (Reported)	1.0%	3.6%	3.1%	4.2%	-1.2%	4.5%	2.7%	3.1%	4.5%	4.4%	4.9%	4.3%	4.5%
Change in Margin													
Change in Gross Profit Margin	1.34%	NA	0.80%	0.21%	0.60%	0.64%	0.56%	-	0.20%	-	-	0.05%	0.05%
Change in Operating Expenses (As % of Net Revenue)	-0.04%	NA	-0.56%	-0.88%	0.35%	-0.24%	-0.33%	-0.25%	-0.20%	-0.50%	-0.30%	-0.28%	-0.20%
Change in EBIT (Operating) Margin	1.39%	NA	1.36%	1.09%	0.25%	0.88%	0.89%	0.25%	0.40%	0.50%	0.30%	0.33%	0.25%
Change in EBIT (Reported) Margin	1.39%	NA	1.36%	0.89%	-0.14%	0.88%	0.74%	0.25%	0.60%	0.89%	0.30%	0.48%	0.25%
Change in EBITDA Margin	1.37%	NA	1.29%	1.02%	0.23%	1.04%	0.90%	0.21%	0.36%	0.48%	0.28%	0.30%	0.25%
Effective Tax Rate	19.8%	39.7%	39.2%	39.1%	39.0%	41.5%	39.9%	41.0%	41.0%	41.0%	41.0%	41.0%	41.0%

Source: Jefferies, company data

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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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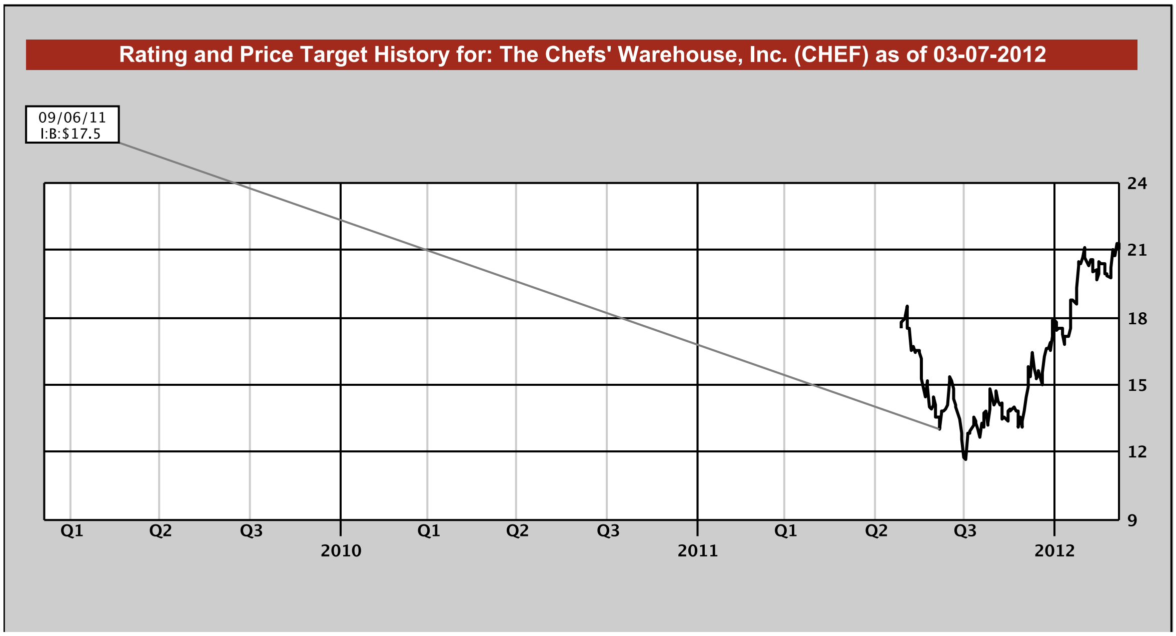

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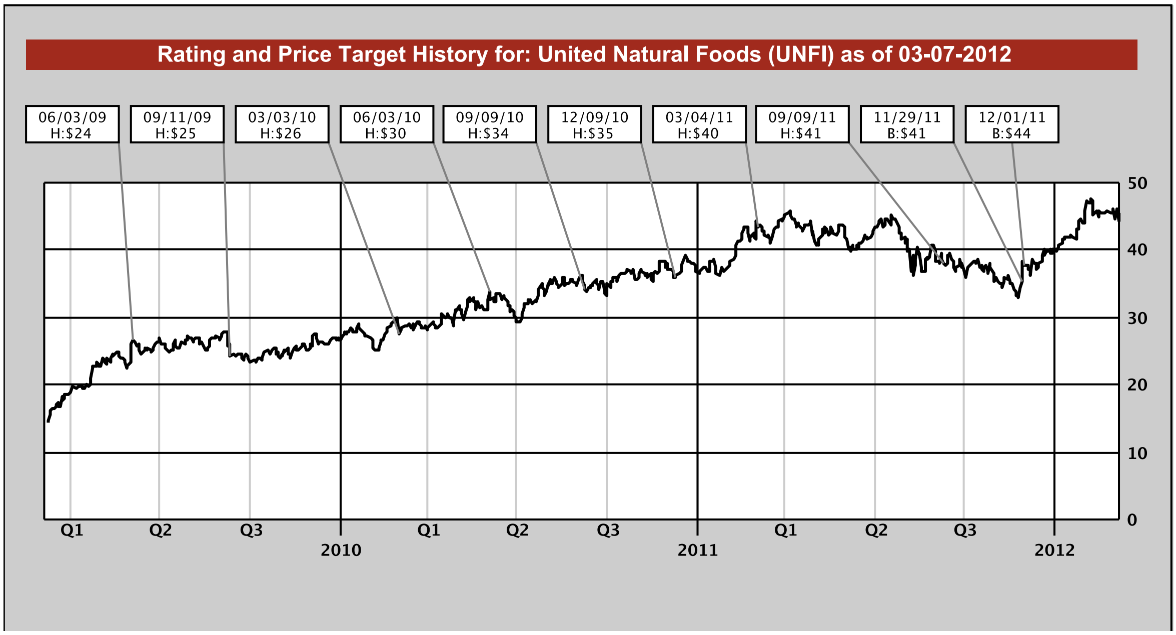

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Chefs' Warehouse

(CHEF-NASDAQ)

Stock Rating: **Outperform**
Industry Rating: **Market Perform**

Food Retail

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Conservative Guidance Excludes Additional Acquisitions

Event

Last night, Chefs' Warehouse reported 4Q11 EPS of $0.26 and total sales of $116.5 million versus our EPS of $0.26 and sales of $117.1 million. The company also provided FY2012 guidance of: EPS (excluding duplicate rent, but factoring in a higher-than-expected tax rate) of $0.91-$0.96 (we are at $0.96), and revenues of $450-$460 million – in line with our $453 million estimate. Guidance does not reflect additional acquisitions and, as a result, is conservative, in our view. We therefore maintain our **OUTPERFORM** rating because we see upside to revenues and EPS and we continue to believe the company is well positioned to continue gaining share.

Impact

Neutral.

Forecasts

We introduce our 1Q12 EPS at $0.14 and slightly lower our FY2012 estimate to $0.96 from $0.99. Consensus EPS for FY2012 is $0.97.

Valuation

CHEF is trading at a FY2012 EV/EBITDA of 12.5x and a P/E of 22.2x.

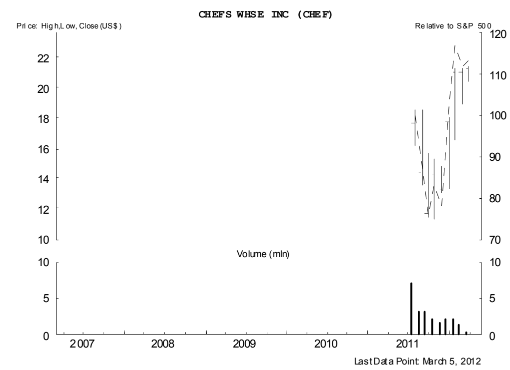
Recommendation

We maintain our **OUTPERFORM** rating.

Securities Info

Price (6-Mar)	**$21.28**	**Target Price**	**$16**
52-Wk High/Low	$21/$11	Dividend	--
Mkt Cap (mm)	$443	Yield	--
Shs O/S (mm, BASIC)	20.8	Float O/S (mm)	10.0
Options O/S (mm)	45.3	ADVol (30-day, 000s)	74

Price Performance



Valuation/Financial Data

(FY-Dec.)	2010A	2011A	2012E	2013E
EPS Pro Forma	$0.76	$0.77	$0.96↓	$1.13↓
P/E			22.2x	18.8x
First Call Cons.		*$0.77*	*$0.97*	*$1.13*
EPS GAAP	$0.76	$0.77	$0.96	$1.13
FCF	na	na	na	na
P/FCF			na	na
EBITDA ($mm)	$24	$30	$37	$43
EV/EBITDA			12.9x	11.2x
Rev. ($mm)	$330	$400	$453	$494
EV/Rev			1.1x	1.0x
Quarterly EPS	**1Q**	**2Q**	**3Q**	**4Q**
2011A	$0.13	$0.20	$0.19	$0.26
2012E	$0.14	$0.26	$0.25	$0.31
Quarterly EBITDA	**1Q**	**2Q**	**3Q**	**4Q**
2011A	$4.7	$7.6	$7.5	$10.2
2012E	$5.8	$9.9	$9.6	$11.9

Balance Sheet Data (23-Sep)

Net Debt ($mm)	$35	Total Debt/EBITDA	1.2x
Total Debt ($mm)	$45	EBITDA/IntExp	na
Net Debt/Cap.	54.9%	Price/Book	24.1x

Notes: All values in US$.

Source: BMO Capital Markets estimates, Bloomberg, FactSet, Global Insight, Reuters, and Thomson Financial.

Changes	Annual EPS	Quarterly EPS
	2012E $0.99 to $0.96	Q1/12E na to $0.14
	2013E $1.16 to $1.13	Q2/12E na to $0.26
		Q3/12E na to $0.25
		Q4/12E na to $0.31

Please refer to pages 6 to 8 for Important Disclosures, including the Analyst's Certification.

Key Points

Exhibit 1. CHEF Current Valuation

Chefs' Warehouse Current Valuation		
	2012E	2013E
Net Income	$20.00	$23.51
EPS	$0.96	$1.13
EBITDA	$37	$43
EBITDAR	$46	$52
Net Forward Debt	$21	$0
# Shares	21	21
Current Stock Price	$21.28	$21.28
Market Cap	$443	$443
EV	$464	$443
P/E	22.2x	18.9x
EV/EBITDA	12.5x	10.3x
EPS Growth	23.9%	17.6%

Source: Company reports, BMO Capital Markets estimates.

We introduce our 1Q12 estimate at EPS of $0.14 and EBITDA of $5.8 million. Our estimate assumes total sales increase 19.0% to $98.7 million – driven by 9% organic sales growth, and we assume gross margins expand 50bp to 26.3%. We forecast operating expenses (excluding D&A) grow 20.8% to $20.2 million, or a 30bp increase as a percentage of sales to 20.4% – leading to a 31bp improvement in operating margins to 5.3%, or $5.2 million. This gets us to EBITDA of $5.8 million, a 20bp expansion in margin to 5.9%. We assume interest expense of $0.2 million, a 41.0% tax rate and 20.8 million shares outstanding, which gets us to EPS of $0.14 – a 12.2% increase from 1Q11.

In FY2012, our estimate for EPS decreases to $0.96 from $0.99. Consensus EPS is $0.97. Our EBITDA estimate is $37.1 million. Our estimate assumes total sales increase 13.2% to $453.2 million (vs. consensus of $441.7 million), with gross margins improving 49bp to 26.8%. We forecast operating expenses (excluding D&A) grow 11.9% to $84.3 million, a 21bp year over year improvement in margin – leading to a 65bp improvement in operating margins to 7.7%, or $34.7 million. This gets us to EBITDA of $37.1 million, a 70bp improvement in margin to 8.2%. We assume interest expense of $0.8 million, a 41.0% tax rate and 20.8 million shares outstanding, which gets us to EPS of $0.96.

In 4Q11, CHEF reported an EPS of $0.25, or $0.26 when using a tax rate of 41.0%. Adjusted EPS was in line with our $0.26 estimate and slightly higher than consensus of $0.25. Total sales increased 27.2% to $116.5 million. Gross margins improved 64bp to 26.6%. Operating expenses (excluding D&A) grew 25.5% to $20.8 million. Operating margins expanded 124bp to 8.3%, or $9.7 million, while EBITDA margins expanded 88bp to 8.8%, or $10.2 million. Interest expense came in at $0.5 million. Using a 41% tax rate and 20.8 million shares outstanding gets us to EPS of $0.26.

Additional Takeaways

- In 4Q11, the organic growth rate optically appeared to have slowed sequentially – but we believe the deceleration was primarily a function of an ongoing shift in the composition of the top line. Specifically, the acquisition component of the 4Q top-line accelerated to reflect share gains within the Harry Wils acquisition as well as the more recent Provvista Specialty Foods acquisition. Organic case volume trends remain robust.
- Acquisitions and organic growth are expected to account for ~8% and ~9% of top-line growth respectively, while inflation is expected to remain flat.
- Operating expense margins should remain in the 19% range excluding duplicate rent.
- Product cost inflation was in the ~4.3% range in 4Q11, but after factoring in the mix shift (due to much stronger sales in dairy – a deflationary category in 4Q11) it was only 1.1%.
- FY2012 guidance reflects flat inflation.
- FY2012 guidance reflects \$4.40-\$4.50 fuel costs and the higher year-over-year fuel prices negatively impact EPS by \$0.02.
- If fuel costs were to climb to the \$5 range – EPS would be affected by an additional \$0.02.
- Engineered labor standards will be implemented at all facilities by 1Q12 with the exception of the new Miami facility. The company intends to implement engineered labor standards at Miami after 1Q12, with a Portland implementation scheduled shortly thereafter.

Chefs' Warehouse Income Statement															
	52 weeks	52 weeks	52 weeks	52 weeks					53 weeks						
	12/28/2007	12/26/2008	12/25/2009	12/24/2010	3/25/2011	6/24/2011			12/30/2011						
	2007	**2008**	**2009**	**2010**	**1Q11**	**2Q11**	**3Q11**	**4Q11**	**2011E**	**1Q12E**	**2Q12E**	**3Q12E**	**4Q12E**	**2012E**	**2013E**
Revenues	**$256.13**	**$281.70**	**$271.07**	**$330.12**	**$82.90**	**$99.26**	**$101.68**	**$116.51**	**$400.35**	**$98.65**	**$118.11**	**$114.90**	**$121.53**	**$453.20**	**$493.98**
Cost of Goods	$190.79	$211.39	$199.76	$244.34	$61.50	$73.00	$75.05	$85.50	$295.05	$72.69	$86.28	$84.23	$88.57	$331.78	$360.40
Gross Profit	**$65.35**	**$70.32**	**$71.31**	**$85.78**	**$21.40**	**$26.26**	**$26.63**	**$31.01**	**$105.30**	**$25.96**	**$31.83**	**$30.67**	**$32.96**	**$121.42**	**$133.58**
D&A	$1.94	$1.99	$1.92	$2.10	$0.60	$0.39	$0.43	$0.51	$1.93	$0.61	$0.61	$0.61	$0.61	$2.44	$2.44
Total Operating Expenses (Ex. D&A)	$57.45	$58.33	$56.06	$62.10	$16.70	$18.66	$19.14	$20.81	$75.31	$20.17	$21.97	$21.05	$21.10	$84.29	$90.69
Total Operating Expenses (Incl. D&A)	**$59.39**	**$60.31**	**$57.98**	**$64.21**	**$17.30**	**$19.05**	**$19.57**	**$21.32**	**$77.24**	**$20.78**	**$22.58**	**$21.66**	**$21.71**	**$86.73**	**$93.13**
Operating Income	**$5.96**	**$10.00**	**$13.33**	**$21.57**	**$4.10**	**$7.20**	**$7.06**	**$9.70**	**$28.06**	**$5.18**	**$9.26**	**$9.00**	**$11.25**	**$34.69**	**$40.45**
EBITDA	**$7.90**	**$11.99**	**$15.25**	**$23.68**	**$4.70**	**$7.60**	**$7.491**	**$10.207**	**$29.99**	**$5.79**	**$9.87**	**$9.61**	**$11.86**	**$37.13**	**$42.89**
Interest	$3.52	$3.24	$2.82	$4.04	$0.40	$0.42	$0.51	$0.53	$1.85	$0.20	$0.20	$0.20	$0.20	$0.80	$0.68
Gain on Settlement	$1.10														
Gain/Loss on Interest Rate Swap	-$0.62	-$1.12	$0.66	$0.91	$0.40	$0.00	$0.00	$0.00	$0.40	$0.00	$0.00	$0.00	$0.00	$0.00	$0.07
Other					$0.00			$0.00							
Income Before Tax	**$2.92**	**$5.65**	**$11.17**	**$18.44**	**$4.10**	**$6.79**	**$6.56**	**$9.17**	**$26.61**	**$4.98**	**$9.06**	**$8.80**	**$11.05**	**$33.89**	**$39.84**
Taxes	$0.79	$3.45	$2.21	$2.57	$1.50	$2.69	$2.56	$3.76	$10.50	$2.04	$3.71	$3.61	$4.53	$13.90	$16.34
Net Income	**$2.14**	**$2.20**	**$8.96**	**$15.87**	**$2.60**	**$4.10**	**$4.00**	**$5.41**	**$16.11**	**$2.94**	**$5.34**	**$5.19**	**$6.52**	**$20.00**	**$23.51**
Tax Rate	26.9%	61.1%	19.8%	13.9%	36.6%	39.6%	39.0%	41.0%	39.5%	41.0%	41.0%	41.0%	41.0%	41.0%	41.0%
Diluted EPS	**$0.10**	**$0.11**	**$0.43**	**$0.76**	**$0.13**	**$0.20**	**$0.19**	**$0.26**	**$0.77**	**$0.14**	**$0.26**	**$0.25**	**$0.31**	**$0.96**	**$1.13**
Diluted	20.77	20.77	20.77	20.77	20.67	20.83	20.83	20.84	20.79	20.84	20.84	20.84	20.84	20.84	20.84
Growth															
Sales		10.0%	-3.8%	21.8%	18.4%	18.7%	19.7%	27.2%	21.3%	19.0%	19.0%	13.0%	13.0%	13.2%	9.0%
Organic Sales growth		4.2%	-6.2%	10.9%	10.9%	13.0%	10.6%	8.8%	11.4%	9%	9%	9%	9%		3%
Inflation - contribution to sales		n/a	-0.6%	7.8%	4.9%	3.3%	2.7%	1.1%	2.2%	0%	0%	0%	0%		3%
Acquisitions - contribution to sales		5.8%	3.0%	3.1%	3.0%	2.0%	6.4%	10.0%	5.7%	10%	10%	4%	4%		3%
Impact of extra week - contribution to sales								7.2%	2.0%						
Operating Expenses (Ex. D&A)		1.5%	-3.9%	10.8%	15.3%	19.3%	24.3%	25.5%	21.3%	20.8%	17.7%	10.0%	1.4%	11.9%	7.6%
Operating Expenses (Incl. D&A)		1.6%	-3.9%	10.7%	15.7%	18.1%	23.8%	23.2%	20.3%	20.1%	18.5%	10.7%	1.8%	12.3%	7.4%
Operating Income		67.9%	33.3%	61.8%	35.3%	24.1%	12.9%	49.6%	30.1%	26.3%	28.5%	27.5%	16.0%	23.6%	16.6%
EBITDA		51.7%	27.2%	55.3%	34.5%	20.4%	12.5%	41.5%	26.7%	23.2%	29.9%	28.3%	16.2%	23.8%	15.5%
Net Income		2.8%	308.1%	77.1%	69.0%	-8.7%	-9.3%	-0.6%	1.5%	13.1%	30.4%	29.9%	20.6%	24.1%	17.6%
EPS			308.1%	77.1%					1.4%					23.9%	17.6%
Margins															
Gross	25.5%	25.0%	26.3%	26.0%	25.8%	26.45%	26.19%	26.62%	26.30%	26.31%	26.95%	26.69%	27.12%	26.79%	27.0%
D&A	0.8%	0.7%	0.7%	0.6%	0.7%	0.4%	0.4%	0.4%	0.5%	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%
Operating Expenses (Ex. D&A)				18.8%	20.1%	18.8%	18.8%	17.9%	18.8%	20.4%	18.6%	18.3%	17.4%	18.6%	18.4%
Operating Expenses (Incl. D&A)	23.2%	21.4%	21.4%	19.4%	20.9%	19.2%	19.2%	18.3%	19.3%	21.1%	19.1%	18.9%	17.9%	19.1%	18.9%
Operating Income	2.3%	3.6%	4.9%	6.5%	4.9%	7.3%	6.9%	8.3%	7.0%	5.3%	7.8%	7.8%	9.3%	7.7%	8.2%
EBITDA	3.1%	4.3%	5.6%	7.2%	5.7%	7.7%	7.4%	8.8%	7.5%	5.9%	8.4%	8.4%	9.8%	8.2%	8.7%
Tax	26.9%	61.1%	19.8%	13.9%	36.6%	39.6%	39.0%	41.0%	39.5%	41.0%	41.0%	41.0%	41.0%	41.0%	41.0%
Net	0.8%	0.8%	3.3%	4.8%	3.1%	4.1%	3.9%	4.6%	4.0%	3.0%	4.5%	4.5%	5.4%	4.4%	4.8%
Change in Margins															
Gross		-55bp	134bp	-32bp	12bp	21bp	21bp	64bp	32bp	50bp	50bp	50bp	50bp	49bp	25bp
D&A		-5bp	0bp	-7bp	6bp	-20bp	-6bp	-36bp	-15bp	-11bp	12bp	11bp	6bp	6bp	-4bp
Operating Expenses (Ex. D&A)					-55bp	10bp	69bp	-24bp	0bp	30bp	-20bp	-50bp	-50bp	-21bp	-24bp
Operating Expenses (Incl. D&A)		-178bp	-2bp	-194bp	-49bp	-11bp	63bp	-60bp	-16bp	19bp	-8bp	-39bp	-44bp	-16bp	-28bp
Operating Income		122bp	137bp	162bp	62bp	31bp	-42bp	124bp	47bp	31bp	58bp	89bp	94bp	65bp	53bp
EBITDA		117bp	137bp	155bp	68bp	11bp	-47bp	88bp	32bp	20bp	70bp	100bp	100bp	70bp	49bp
Net		-5bp	253bp	150bp	94bp	-124bp	-126bp	-130bp	-78bp	-15bp	39bp	59bp	72bp	39bp	35bp

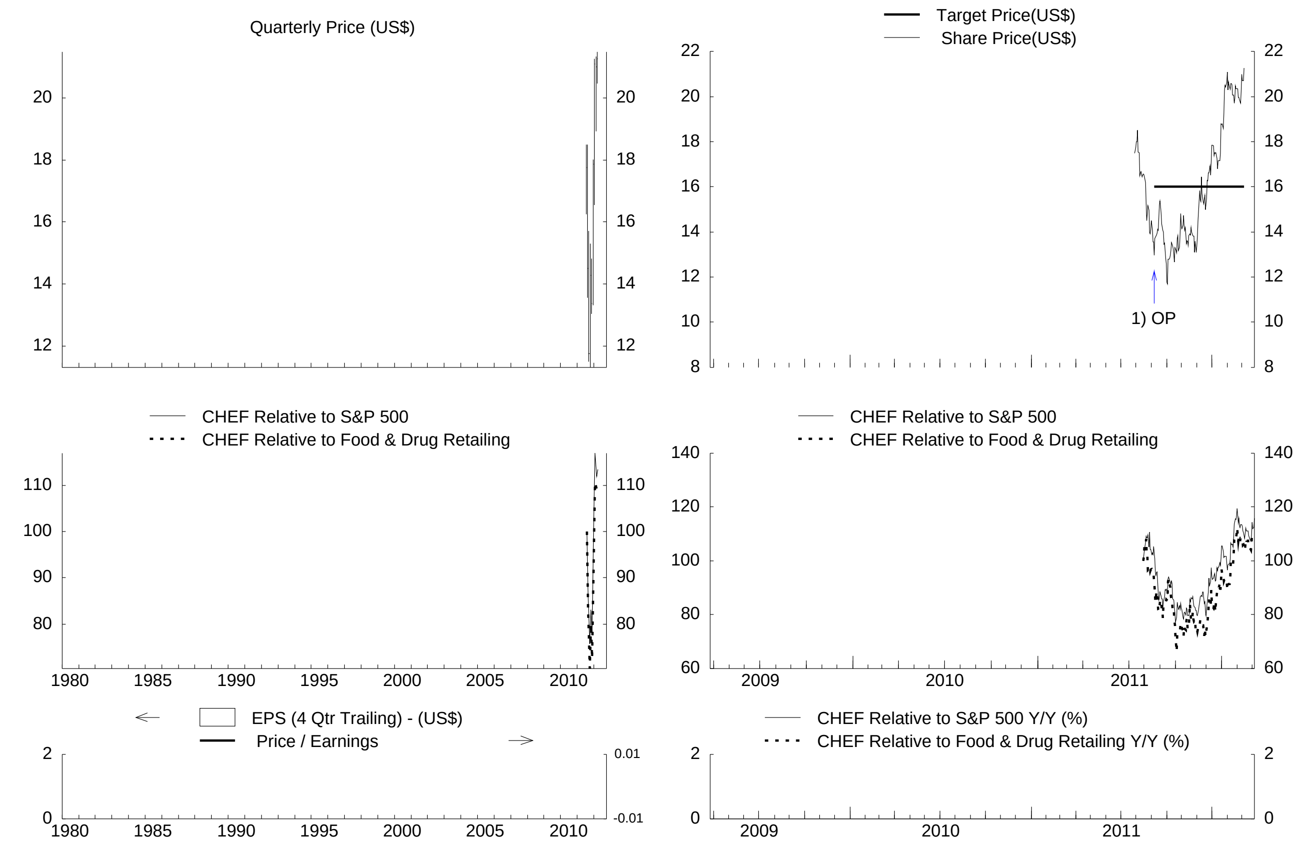
Source: Company reports, BMO Capital Markets estimates.

Chefs' Warehouse Holdings Balance Sheet

	12/28/07	12/26/08	12/25/09	12/24/10
	FY2007	**FY2008**	**FY2009**	**FY2010**
Cash & Equivalents	2.232	1.591	0.88	1.98
Accounts Receivable (net)	29.865	28.728	30.98	36.20
Inventory - Net of Reserve	17.819	16.449	15.29	16.44
Deferred Income Taxes	0.947	1.026	1.48	1.65
Other Current Assets & Prepaid Expenses	1.567	1.664	2.09	3.61
Total Current Assets	52.43	49.46	50.71	59.88
Net Property, Plant & Equipment	3.87	4.30	4.24	4.23
Deferred Income Taxes				
Capitalized Financing Fees				
Intangible Assets	2.33	6.80	9.47	12.11
Deferred Costs	0.35	0.89	0.06	2.36
Other LT Assets	3.94	3.06	1.45	4.09
Total Non-current Assets	10.49	15.04	15.23	22.79
TOTAL ASSETS	62.92	64.50	65.94	82.67
Current Debt	2.90	2.76	2.79	16.95
Original issue Discount				
Accounts Payable	24.41	18.79	19.29	23.56
Advances, Accrued Expenses	6.31	5.81	6.15	7.16
Taxes Payable other than Income				
Income Taxes Payable				
Total Current Liabilities	33.62	27.36	28.23	47.67
Long Term Debt, Net of Current Portion	33.082	37.323	29.928	82.58
Revolver				
Mezz Debt				
Term Note				
Original issue Discount				
Other (Deferred Rent)	1.63	3.04	2.45	1.23
Total Non-current Liabilities	34.71	40.36	32.37	83.81
TOTAL LIABILITIES	68.33	67.72	60.60	131.48
SHAREHOLDERS' EQUITY	(5.41)	(3.22)	5.33	(48.81)
TOTAL LIABILITIES & EQUITY	62.92	64.50	65.94	82.67

Source: Company reports, BMO Capital Markets estimates.

CHEFS WHSE INC (CHEF)



CHEF - Rating as of 28-Jul-11 = NR

	Date	Rating Change	Share Price
1	6-Sep-11	NR to OP	$13.56

Last Daily Data Point: March 5, 2012

Important Disclosures

Analyst's Certification

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Company Specific Disclosure

Disclosure 1: BMO Capital Markets has undertaken an underwriting liability with respect to this issuer within the past 12 months.
Disclosure 2: BMO Capital Markets has provided investment banking services with respect to this issuer within the past 12 months.
Disclosure 3: BMO Capital Markets has managed or co-managed a public offering of securities with respect to this issuer within the past 12 months.
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Disclosure 6: This issuer is a client (or was a client) of BMO Nesbitt Burns Inc., BMO Capital Markets Corp., BMO CM Ltd. or an affiliate within the past 12 months: Investment Banking Services.
Disclosure 9: BMO Capital Markets makes a market in this security.

Methodology and Risks to Our Price Target/Valuation

Methodology: Our target price values CHEF at an FY12 EV/EBITDA of 9.5x and P/E of 16.7x.
Risks: Key risks to our CHEF price target include increased competition from traditional broadline operators or consolidation among other regional specialty distributors, deterioration in the national or New York economy as it relates to discretionary spending at restaurants, the success and completion of future acquisitions at fair prices, significant increases in raw material costs, and tainted product or product recall which could tarnish the company's image.

Distribution of Ratings (December 30, 2011)

Rating Category	BMO Rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	Starmine Universe
Buy	Outperform	38.0%	10.3%	40.4%	40.7%	46.2%	56.2%
Hold	Market Perform	60.3%	9.6%	59.6%	56.3%	52.2%	39.4%
Sell	Underperform	1.7%	0.0%	0.0%	3.0%	1.6%	4.4%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.
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Mkt = Market Perform - Forecast to perform roughly in line with the market;
Und = Underperform - Forecast to underperform the market;
(S) = speculative investment;
NR = No rating at this time;
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BB&T Capital Markets

March 7, 2012

Raising Price Target

Food & Drug Merchandising

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The Chefs' Warehouse, Inc. (CHEF–$21.28) **Buy (1)**

Company Statistics

12-month Price Target:	**$24**
52-wk Range:	**$11.32-$21.48**
Market Capitalization (M):	**$442**
Shares Outstanding (M) fd:	**20.8**
Avg. Daily Vol. (000):	**74**
Dividend:	**$0.00**
Yield:	**0.00%**
Debt/Total cap:	**79.0%**
Est. 3-yr. EPS Growth:	**20.0%**
Book Value/sh:	**$0.58**

Financials

FYE Dec		**2009A**	**2010A**	**2011A**	**2012E**	**2013E**
P/E Ratio:		49.5x	37.3x	27.3x	22.4x	18.5x
Revenue (M):		$271.1	$330.1	$400.6	$455.3	$503.1
EBITDA (M):		$15.2	$22.5	$30.5	$37.1	$44.0
ROE:		NM	NM	NM	57.0%	43.0%
ROA:		13.7%	15.9%	17.7%	18.6%	19.5%
EPS:	Q1	–	$0.07	$0.12	$0.16	–
	Q2	–	$0.15	$0.20	$0.25	–
	Q3	–	$0.17	$0.19	$0.24	–
	Q4	–	$0.18	$0.26	$0.30	–
Total		**$0.43**	**$0.57**	**$0.78**	**$0.95**	**$1.15**
Prior EPS:	Q1	–	–	–	–	–
	Q2	–	–	–	–	–
	Q3	–	–	–	–	–
	Q4	–	–	–	–	–
Total		**–**	**–**	**–**	**$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 foods. It services more than 9,800 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%). Chefs' sources products from some 1,000 suppliers in 40 countries globally and carries 16,700 items . During 2011, Chefs' reported sales, adjusted EBITDA, and pro forma net earnings of $400.6M, $31.3M, and $16.2M, respectively. Chefs' completed its initial public offering of common stock on August 2, 2011, at $15/sh.

CHEF: Q4 EPS UPSIDE PROFITABILITY BEAT; SALES REMAIN ROBUST; RAISING PT TO $24

Key Points

- **EPS beat driven by higher-than-forecasted operating margin.** After the close on Tuesday, March 6, Chefs' Warehouse reported that 14-week Q4'11 pro forma core (before nonrecurring items) EPS climbed 44% to $0.26 from $0.18 in the 13-week year-ago period; this beat our and the consensus' $0.25 forecast (on an equal-weeks basis EPS were $0.24, up 33%). Relative to our model, the upside resulted from higher-than-forecasted operating margin of 8.48% versus our 7.64% estimate, as both gross margin and operating expenses were much better than forecasted. The tax rate at 41.5% exceeded our 39% forecast, and trimmed a penny from EPS.

- **Top-line growth remained strong.** Sales grew 27.2% yr/yr to $116.5M in Q4, driven by 10% internal sales gains (8.9% from volume and 1.1% from price/mix), 10% from acquisitions and 7.2% from the extra week. Chefs' top-line growth matched our $116.4M estimate and beat the consensus' 23.6% forecast. On an equal-weeks basis, Q4'11 sales increased 20%.

- **Recent acquisitions performing very well; more to come.** Recent acquisitions contributed $1.1M in profit on $9.2M in sales for an approximate 12% contribution margin. Management noted that the formerly New Jersey-based Harry Wils has met expectations and the recent investments in fleet and extra routes are driving business. In addition, Portland, OR-based Provvista Specialty Foods customer retention has exceeded expectations. Chefs' plans to grow sales at Provvista via customer penetration as it brings in its fuller lines of product and by winning new customers. Chefs' has boosted its technology capital spending to more efficiently and effectively integrate recent and future acquisitions.

- **2012 guidance introduced.** Chefs' established 2012 pro forma core (before nonrecurring items) EPS guidance at $0.91-$0.96 (up 17%-23% yr/yr) on total sales of $450M-$460M (up 12.3%-14.8% yr/yr). This includes a tax rate of 41% (we were using 39%) that negatively impacts EPS by some $0.03.

- **Boosting sales and adjusted EBITDA estimates; trimming 2012 EPS forecast for tax rate.** For 2012, we forecast growth in sales of 13.7% (16.1% on an equal-weeks basis) to $455.3M (up from our prior $440.5M projection), in adjusted EBITDA of 18.8% to $37.1M (up from our prior $36.1M projection), and in pro forma EPS of 22% to $0.95 (versus our prior $0.97 estimate). For 2013, we forecast growth in sales at 10.5% to $503.1M (versus our prior $486.8M forecast), in adjusted EBITDA of 18.5% to $44M (up from our prior $42.3M estimate), and in EPS of 21% to $1.15. We project free cash flow/share at $0.50 for 2012 and $1.00 for 2013.

- **Maintain Buy (1) rating and boosting price target to $24.** We continue to view Chefs' as a compelling small cap growth equity investment and have thus retained our Buy (1) rating on its shares.

Additional Discussion

EPS beat driven by higher-than-forecasted operating margin. After the close on Tuesday, March 6, Chefs' Warehouse reported that 14-week Q4'11 pro forma core (before nonrecurring items) EPS climbed 44% to $0.26 from $0.18 in the 13-week year-ago period; this beat our and the consensus' $0.25 forecast (on an equal-weeks basis EPS were $0.24, up 33%). Relative to our model, the upside resulted from higher-than-forecasted operating margin of 8.48% versus our 7.64% estimate, as both gross margin and operating expenses were much better than forecasted. The tax rate at 41.5% exceeded our 39% forecast, and trimmed a penny from EPS.

Top-line growth remained strong. Sales grew 27.2% yr/yr to $116.5M in Q4, driven by 10% internal sales gains (8.9% from volume and 1.1% from price/mix), 10% from acquisitions and 7.2% from the extra week. Chefs' top-line growth matched our $116.4M estimate and beat the consensus' 23.6% forecast. On an equal-weeks basis, Q4'11 sales increased 20%.

Recent acquisitions performing very well; more to come. Based on information provided in its press release, these two acquisitions contributed $1.1M in profit on $9.2M in sales for an approximate 12% contribution margin. Management noted that the formerly New Jersey-based Harry Wils has met expectations and the recent investments in fleet and extra routes are driving business. In addition, Portland, OR-based Provvista Specialty Foods customer retention has exceeded expectations. Chefs' plans to grow sales at Provvista via customer penetration as it brings in its fuller lines of product and by winning new customers. Chefs' has boosted its technology capital spending to more efficiently and effectively integrate recent and future acquisitions.

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Boosting sales and adjusted EBITDA estimates; trimming 2012 EPS forecast for tax rate. For 2012, we forecast growth in sales of 13.7% (16.1% on an equal-weeks basis) to $455.3M (up from our prior $440.5M projection), in adjusted EBITDA of 18.8% to $37.1M (up from our prior $36.1M projection), and in pro forma EPS of 22% to $0.95 (trimmed by $0.02 from our prior $0.97 estimate). For 2013, we forecast growth in sales at 10.5% to $503.1M (versus our prior $486.8M forecast), in adjusted EBITDA of 18.5% to $44M (up from our prior $42.3M estimate), and in EPS of 21% to $1.15. We project free cash flow/share at $0.50 for 2012 and $1.00 for 2013.

Maintain Buy (1) rating and boosting price target to $24. We continue to view Chefs' as a compelling small cap growth equity investment. While its valuation has expanded, we still view it as reasonable. Specifically, Chefs' forward P/E ratio based on estimated calendar 2012 EPS at 22.4x is valued at an 11% discount to the BB&T Natural and Functional Food Merchandisers Index at 25.2x. Further, its forward PEG (P/E to long-term growth rate) at 1.12x is currently at a 15% discount to the group median of 1.31x.

Results in Detail

Below we analyze Q4'11 versus the Q4'10 on a pro forma basis to reflect the impact of Chefs' recent IPO. Specific adjustments include the following:

- Material adjustments to interest expense assuming post-IPO financial leverage and excluding debt refinancing costs (applied to Q4'10 only)
- Tax adjustment (assuming a 41% tax rate) to normalize the Q4'10 effective tax rate

Q4'11 sales grew 27.2% yr/yr to $116.5M on increased case volume, higher revenue per case, and $9.2M of revenue related to acquisitions; excluding the additional week, sales climbed 20%. Nominal internal sales rose 10% on real internal growth of 8.9% and inflation/mix of 1.1% while acquisitions contributed 10% growth on an equal-weeks basis.

Gross margin expanded 64 bps yr/yr to 26.62% versus our 16 bps forecast. Operating expenses increased 21.4% yr/yr while the corresponding ratio contracted 87 bps to 18.14% (versus our 51 bps forecast), driven by leveraging strong sales growth. Operating margin thus expanded 152 bps yr/yr to 8.48% while the related profit dollars soared 55% to $9.9M. Net interest expense increased to $0.5M from $0.2M while other income was nil versus a loss of $0.3M in Q4'10. The effective tax rate expanded 50 bps to 41.5%, resulting in net income of $5.5M, up 43% yr/yr.

Valuation Methodology & Risk Considerations

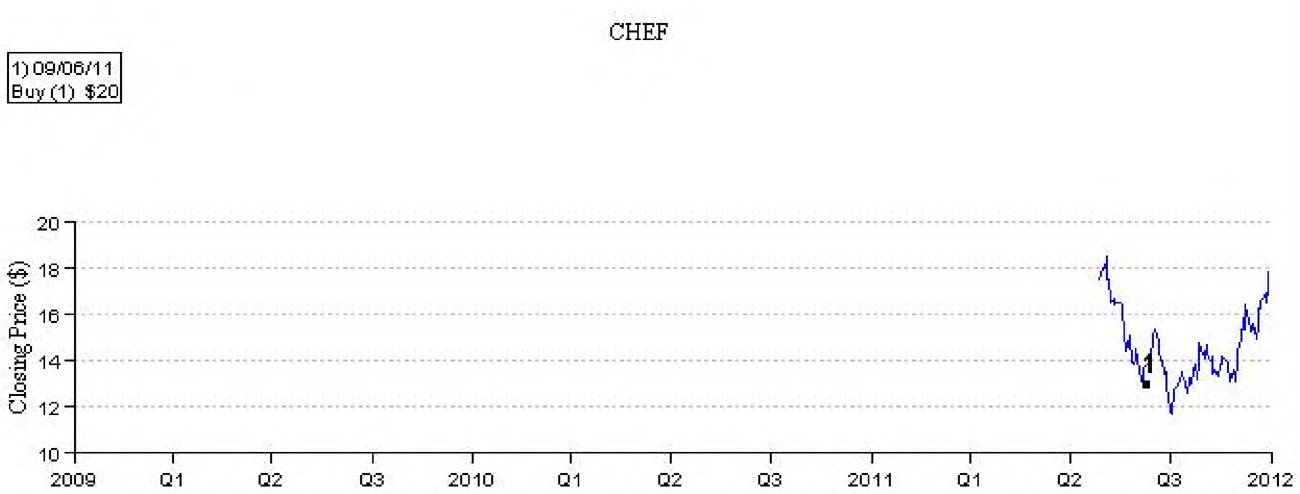
We generally apply forward P/E valuation methods to growth stocks, and we certainly view Chefs' that way. Based on its strong fundamentals, we believe that CHEF's could be revalued closer to the group average of 25.2x calendar 2012 EPS from 22.4x currently. However, for the sake of conservatism, we have contracted our forward P/E valuation assumption by 1.4x to 21x, which we apply it to our calendar 2013 EPS forecast of $1.15 to yield our $24 price target. We believe general risks to achieving our price target include lower-than-forecasted sales and/or earnings. Specific risks relevant to Chefs' Warehouse include cyclicality of demand tied to high end consumer sentiment, concentration of business in greater New York, fuel price inflation, product cost inflation, and acquisition related risks.

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

Fiscal year[2]	2010A[3]	2011A[3]					2012E					2013E
Period	Year	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Year	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Year	Year
Number of weeks	52	13	13	13	14	53	13	13	13	13	52	52
FIFO Income												
Sales:$	330,118	83,183	99,255	101,681	116,513	400,632	96,585	119,684	116,941	122,127	455,338	503,148
Cost of sales:$	244,340	61,148	73,000	75,051	85,499	294,698	70,749	87,729	86,068	89,214	333,760	368,053
Gross profit:$	85,778	22,035	26,255	26,630	31,014	105,934	25,837	31,956	30,872	32,913	121,578	135,095
Gross margin:%	*25.98*	*26.49*	*26.45*	*26.19*	*26.62*	*26.44*	*26.75*	*26.70*	*26.40*	*26.95*	*26.70*	*26.85*
Operating expenses:$	65,353	17,441	18,966	19,568	21,132	77,107	19,800	22,501	22,219	21,983	86,502	93,334
Expense ratio:%	*19.80*	*20.97*	*19.11*	*19.24*	*18.14*	*19.25*	*20.50*	*18.80*	*19.00*	*18.00*	*19.00*	*18.55*
Operating profit:$	20,425	4,594	7,289	7,062	9,882	28,827	6,037	9,455	8,654	10,930	35,076	41,761
Operating margin:%	*6.19*	*5.52*	*7.34*	*6.95*	*8.48*	*7.20*	*6.25*	*7.90*	*7.40*	*8.95*	*7.70*	*8.30*
Operating cash flow:$	22,528	5,552	8,097	7,491	10,204	30,548	6,541	9,966	9,168	11,467	37,142	44,009
Operating cash-flow margin:%	*6.82*	*6.67*	*8.16*	*7.37*	*8.76*	*7.62*	*6.77*	*8.33*	*7.84*	*9.39*	*8.16*	*8.75*
Adjusted EBITDA:$	22,790	5,161	8,133	7,697	10,272	31,263	6,541	9,966	9,168	11,467	37,142	44,009
Adjusted EBITDA margin:%	*6.90*	*6.20*	*8.19*	*7.57*	*8.82*	*7.80*	*6.77*	*8.33*	*7.84*	*9.39*	*8.16*	*8.75*
Interest expense, net:$	1,776	433	417	505	528	1,883	435	479	351	366	1,631	755
Interest ratio:%	*0.54*	*0.52*	*0.42*	*0.50*	*0.45*	*0.47*	*0.45*	*0.40*	*0.30*	*0.30*	*0.36*	*0.15*
(Gain)/loss on swap/other income:$	(910)	(81)	0	0	3	(78)	0	0	0	0	0	0
Pretax income:$	19,559	4,242	6,872	6,557	9,351	27,022	5,602	8,976	8,303	10,564	33,445	41,007
Pretax margin:%	*5.92*	*5.10*	*6.92*	*6.45*	*8.03*	*6.74*	*5.80*	*7.50*	*7.10*	*8.65*	*7.35*	*8.15*
Income taxes:$	7,756	1,660	2,687	2,557	3,881	10,785	2,297	3,680	3,404	4,331	13,712	16,813
Effective tax rate:%	*39.65*	*39.13*	*39.10*	*39.00*	*41.50*	*39.91*	*41.00*	*41.00*	*41.00*	*41.00*	*41.00*	*41.00*
Net income:$	11,803	2,582	4,185	4,000	5,470	16,237	3,305	5,296	4,899	6,233	19,733	24,194
Net margin:%	*3.58*	*3.10*	*4.22*	*3.93*	*4.69*	*4.05*	*3.42*	*4.43*	*4.19*	*5.10*	*4.33*	*4.81*
Net nonrecurring items:$	(22,870)	0	0	(5,185)	(260)	(5,445)	0	0	(250)	(400)	(650)	0
Reported net income:$	(11,067)	2,582	4,185	(1,185)	5,210	10,792	3,305	5,296	4,649	5,833	19,083	24,194
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	20,835	21,045
Earnings per share:$	0.57	0.12	0.20	0.19	0.26	0.78	0.16	0.25	0.24	0.30	0.95	1.15
Net nonrecurring items:$	(1.10)	0.00	0.00	(0.25)	(0.01)	(0.26)	0.00	0.00	(0.01)	(0.02)	(0.03)	0.00
Reported EPS:$	(0.53)	0.12	0.20	(0.06)	0.25	0.52	0.16	0.25	0.22	0.28	0.92	1.15
Real internal sales	10.9	10.9	13.4	10.7	8.9	11.0	7.5	7.5	7.5	7.5	7.5	7.5
Sales inflation/mix	7.8	4.9	3.3	2.7	1.1	3.0	2.0	2.0	2.0	2.0	2.0	3.0
Nominal internal sales	18.7	15.8	16.7	13.4	10.0	13.9	9.5	9.5	9.5	9.5	9.5	10.5
Sales	21.8	18.8	18.7	19.7	27.2	21.4	16.1	20.6	15.0	4.8	13.7	10.5
Cost of sales	22.3	17.6	18.4	19.4	26.1	20.6	15.7	20.2	14.7	4.3	13.3	10.3
Gross profit	20.3	22.5	19.6	20.7	30.4	23.5	17.3	21.7	15.9	6.1	14.8	11.1
Operating expenses	12.7	14.6	14.2	21.4	21.4	18.0	13.5	18.6	13.5	4.0	12.2	7.9
Operating profit	53.2	66.0	36.5	18.9	54.9	41.1	31.4	29.7	22.5	10.6	21.7	19.1
Operating cash flow	47.7	51.0	27.5	9.6	33.1	35.6	17.8	23.1	22.4	12.4	21.6	18.5
Interest expense, net	(36.9)	(31.0)	(18.6)	7.0	222.1	6.0	0.4	14.8	(30.5)	(30.6)	(13.4)	(53.7)
Pretax income	75.0	82.6	35.4	15.2	44.6	38.2	32.1	30.6	26.6	13.0	23.8	22.6
Net income	31.7	82.1	35.1	15.1	43.4	37.6	28.0	26.5	22.5	13.9	21.5	22.6
Earnings per share	31.7	82.1	35.1	15.1	43.4	37.6	28.0	26.5	22.5	13.9	21.5	21.4

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.

IMPORTANT DISCLOSURES
Price Chart



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All companies under coverage:		All companies under coverage to which it has provided investment banking services in the previous 12 months:	
Buy (1)	55.2%	Buy (1)	10.6%
Hold (2)	43.6%	Hold (2)	4.2%
Underweight/Sell (3)	1.2%	Underweight/Sell (3)	0.0%
Not Rated (NR)	0.0%	Not Rated (NR)	0.0%
Suspended (SP)	0.0%	Suspended (SP)	0.0%

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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).

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COMPANY	DISCLOSURE
The Chefs' Warehouse, Inc. (CHEF)	1, 4, 5, 6

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Today's Changes	Annual EPS	Annual Revenue	Rating/Target
	2012E No change	2012E $456.3M from $442.0M	No change
	2013E No change	2013E $504.2M from $479.5M	

The Chefs' Warehouse

CHEF : NASDAQ : US$21.28

BUY

Target: US$24.00

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Consumer & Retail -- Health, Wellness and Lifestyle

DELIVERING GROWTH AND STRONG GROSS MARGINS; REITERATE BUY AND $24 PRICE TARGET

Investment recommendation

We expect that CHEF will deliver an EPS growth CAGR of over 20% over the next few years and has considerable geographic growth and consolidation opportunities to enhance strong organic growth within its existing markets.

Investment highlights

- Q4 EPS of $0.26 beat our and consensus estimates of $0.24 and $0.25, respectively, on stronger sales and margins. F2012 EPS guidance was in line with our forecast while below consensus on stronger sales but a higher tax rate.
- Revenue was $116.5M vs. our $107.8M on strong base organic case growth of 9% vs. our expectation of 7%. Acquired businesses also outperformed our forecast.
- Increasing F2012 revenue estimate to $456M from $442M, and F2013E to $504M from $480M. No changes to our EPS estimates as our new forecasts assume reinvestment of the stronger sales into the sales force and a higher tax rate.

Valuation

At 22.5x forward earnings and 10.8x EBITDA estimates, we view valuation as appropriate relative to peers and growth. Maintain $24 price target on a multiple of 11x our F2013 EBITDA forecast.

COMPANY STATISTICS:

Shares Out diluted:	20.8
Market Cap (M):	US$443.4
52-week Range:	11.32 - 21.48
Avg. Daily Vol. (000s):	91.5
EV/EBITDA:	10.7

EARNINGS SUMMARY:

FYE Dec		2010A	2011A	2012E	2013E
P/Sales:		1.3	1.1	1.0	0.9
P/E:		38.7	27.3	22.5	19.7
Revenue (M):	Q1	70.0	83.2	99.8	-
	Q2	83.6	99.3	119.1	-
	Q3	84.9	101.7	115.9	-
	Q4	91.6	116.5	121.4	-
Total		330.1	400.6	456.3	504.2
EPS:	Q1	0.07	0.12	0.18	-
	Q2	0.15	0.20	0.26	-
	Q3	0.17	0.19	0.24	-
	Q4	0.17	0.26	0.27	-
Total		0.55	0.78	0.95	1.08

SHARE PRICE PERFORMANCE:

Source: Interactive Data Corporation

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 in the United States.

All amounts in US$ unless otherwise noted.

INVESTMENT THESIS

We believe CHEF is a best-in-class specialty foodservice distributor with a substantial growth opportunity lying ahead through a combination of internal growth and acquisitions as its segment of the industry is highly fragmented and scale undoubtedly offers advantages. While the company is a relatively recent IPO and still establishing a reputation with investors, we believe it is already proven in its industry and already proven investor concerns of cyclicality are unwarranted. We simply believe that if CHEF can achieve the top market share of specialty foods sold into the New York culinary market, it can replicate this success in any major market. 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. 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 into a geographical growth opportunity that should ensure ample opportunity for consistent long-term growth.

Q4 RESULTS

CHEF reported Q4 results last night that exceeded both our and consensus expectations. Revenues increased 27.2% to $116.5 million vs. our and consensus estimates of $107.8 million and $113.2 million, respectively, as higher-than-forecast organic growth along with stronger sales performance from recent acquisitions of Provvista and Harry Wils delivered upside. Excluding these two acquisitions, which added $9.2 million, as well as a fourteenth week in the quarter that contributed $6.6 million, CHEF posted a 9% organic growth rate vs. our 7% estimate.

Gross margin continued to expand YOY, coming in at 26.6% vs. our 26.3% estimate, and we think the stronger margins are likely to continue. Given CHEF's performance with optimizing pricing and delivering margin enhancement, we have increased our forward estimates for gross margin to the mid-26% range. Pro forma operating margin for the quarter was also quite strong, having posted a 180 basis point YOY increase to 8.5%, which was above our forecast of 8.1% given the aforementioned gross margin performance, and the higher sales volumes aided expense leverage. On a GAAP basis, earnings for the quarter came in at $0.25. On an adjusted basis, EPS were $0.26, which was ahead of the consensus forecast of $0.25 and our $0.24 estimate. The Q4 results were strong across the board and add to our confidence in our F2012 forecasts for growth and margin performance.

Figure 1: Q4 results comparison

Income Statement In $ million, except per share ar	Actual Q4:11A	Last Year Q4:10A	YOY % Growth	Canaccord Estimate Q4:11E	% Difference	Consensus Forecast Q4:11E
Revenue	**116.5**	**91.6**	27.2%	**107.8**	8.1%	**113.2**
COGS	(85.5)	(67.8)	26.1%	(79.5)	7.6%	
Gross Profit	31.0	23.8	30.4%	28.4	9.4%	
Operating Expenses	(21.3)	(17.3)	23.2%	(19.6)	8.5%	
Operating Income	9.7	6.5	49.6%	8.7	11.2%	
EBITDA	**10.1**	**7.2**	39.9%	**9.1**	10.7%	
Net Interest/Other	(0.5)	(2.4)	nmf	(0.4)	25.7%	
Other expenses	(0.0)	0.3		0.0		
Pretax Income	9.2	4.3	nmf	8.3	10.5%	
Income Tax	(4.0)	1.1	nmf	(3.2)	22.2%	
Net income	**5.2**	**5.4**	nmf	**5.1**	2.9%	
Average Shares	20.8	16.0	30.2%	20.9	(0.5%)	
EPS	**$0.25**	**$0.34**	nmf	**$0.24**	3.4%	
Pro forma adjustments						
GAAP Pretax income	**9.2**	**6.0**	52.5%	**8.3**	10.5%	
SG&A	0.2	(0.4)	nmf	0.0	nmf	
D&A						
Interest						
Adjusted EBITDA	**10.3**	**6.3**	62.9%	**9.1**	12.8%	**9.4**
Adjusted pre-tax	9.4	5.7	65.2%	8.3	12.4%	
Taxes	(3.9)	(2.2)	75.8%	(3.2)	19.7%	
Adjusted net income	5.5	3.5	58.4%	5.1	7.8%	
Pro Forma EPS	**$0.26**	**$0.17**	57.1%	**$0.24**	8.3%	**$0.25**
Shares outstanding	20.8	20.7	0.8%	20.9	(0.5%)	

	Actual Q4:11A	Last Year Q4:10A	YOY BP Change	Estimate Q4:11E	BP Difference
Gross Margin	26.6%	26.0%	64	26.3%	32
Total Operating expenses	18.3%	18.9%	(60)	18.2%	8
Adjusted operating margin	8.5%	6.7%	179	8.1%	40
Adjusted EBITDA margin	8.8%	7.5%	133	8.5%	37
Pretax margin	7.9%	4.7%	316	7.7%	17
Adjusted net margin	4.7%	3.8%	86	4.7%	(1)
Tax Rate	41.5%	39.0%	250	39.0%	250

Source: Company reports and Canaccord Genuity forecasts

For F2012, initial guidance was given with revenues in the range of $450 million to $460 million and GAAP EPS of $0.88 to $0.93. Within the 16%-18% implied revenue increase, it is expected that roughly 8% come through acquisition and there is no adjustment for inflation, which is likely to add to sales growth. The pro forma EPS range given was for between $0.91 and $0.96, and the $0.03 differential between the two guidance ranges reflect an anticipated impact from duplicate rent and lease fees for a new NYC distribution center that should be announced over the next quarter and placed into service in F2013. We added in these non-recurring costs beginning in Q2.

ESTIMATE REVISIONS

Following Q4 financial results, we are updating our forecasts for the upside and momentum heading into F2012. We are making no change to F2012 EPS estimate of $0.95 as a 15 basis point impact from higher fuel costs and an increased effective tax rate assumption of 41% from 39% (trims $0.03 of EPS) offset our increased revenue forecasts. The company is also targeting higher operating expenses than we had forecasted, but this reinvestment is mostly offset by a stronger gross margin assumption. Our F2012 revenue forecast is increasing by approximately $14 million to $456 million to account for the stronger-than-expected internal growth rate and better performance from recently acquired businesses. For F2013, we are again maintaining our EPS estimates while increasing revenue to $504.2 million from $479.5 million.

Figure 2: Estimate revision

in $ millions, except EPS	Actual F2011	New F2012E	Prior F2012E	New F2013E	Prior F2013E
Revenue	400.6	456.3	442.0	504.2	479.5
Adjusted EBITDA	30.0	45.3	44.2	50.3	48.7
Pro forma EPS	$0.78	$0.95	$0.95	$1.08	$1.08
Gross margin	26.4%	26.6%	26.2%	26.7%	26.2%
Adjusted EBITDA margin	7.5%	9.9%	10.0%	10.0%	10.1%
Adjusted net margin	4.1%	4.4%	4.5%	4.6%	4.8%

Source: Company reports and Canaccord Genuity forecasts

VALUATION

Valuation is appropriate, in our view. Shares trade at 22.5x our 2012 EPS forecast and 10.8x our forecasted EBITDA. While the valuation represents a significant premium to the food distribution peer group multiples of 12.4x earnings and 7.0x EBITDA, the valuation is comparable to its best and only real comparable peer from a standpoint of growth, United Natural Foods (UNFI : NASDAQ : $44.24 | Buy). We view UNFI as the best comparison for CHEF given it also enjoys a naturally growing market, superior margins relative to most distributors (yet at 18%, its gross margins are inferior to CHEF at 26%) and is the leader in its segment as is CHEF. We continue to argue that CHEF should trade at a premium to its distribution peers (as UNFI does) given its vastly superior margins, growth outlook and higher returns on invested capital.

We maintain our price target of $24.00 as this reflects 11x our 2013 EBITDA forecast. Our targeted PE and EBITDA multiple forecasts reflect the premium valuations of the specialty food peer group (twice the valuation of the distribution group), reduced by the unattractive comparison to the low valuations afforded the traditional food distribution peer group.

Figure 3: Relative valuation

Food distribution Peer Group Company	Symbol	Rating	Price 3/6/2012	Market Cap ($M)	Enterprise Value	C2012E EPS	C2013E EPS	P/E C2012E	P/E C2013E	Enterprise Value/ EBITDA C2012E	Enterprise Value/ EBITDA C2013E
Core-Mark Holdings	CORE	Not rated	39.46	447	458	3.38	3.94	11.7	10.0	4.7	NA
Nash Finch	NAFC	Not rated	27.34	334	643	3.18	3.27	8.6	8.4	4.8	4.7
Supervalu	SVU	Not rated	6.32	1,342	7,745	1.23	1.31	5.1	4.8	4.3	4.3
Sysco	SYY	Not rated	29.39	17,180	19,702	2.00	2.18	14.7	13.5	8.1	7.5
United Natural Foods	UNFI	Buy	44.24	2,169	2,378	2.07	2.27	21.4	19.5	10.8	10.0
Average								**12.4x**	**11.6x**	**7.0x**	**6.6x**

Specialty Food Peer Group Company	Symbol	Rating	Price 3/6/2012	Market Cap ($M)	Enterprise Value	C2012E EPS	C2013E EPS	P/E C2012E	P/E C2013E	Enterprise Value/ EBITDA C2012E	Enterprise Value/ EBITDA C2013E
Diamond Foods	DMND	Not rated	24.68	544	1,073	3.05	3.61	8.1	6.8	4.1	2.5
Hain Celestial	HAIN	Buy	40.01	1,827	1,803	1.51	1.92	26.5	20.8	13.8	11.1
Lifeway Foods	LWAY	Not rated	8.95	147	153	0.29	0.47	30.9	19.0	14.1	NA
Peet's Coffee & Tea	PEET	Not rated	64.33	832	797	1.78	2.23	36.1	28.9	14.8	NA
Smart Balance	SMBL	Hold	6.01	355	441	0.23	0.31	25.8	19.7	11.6	9.7
United Natural Foods	UNFI	Buy	44.24	2,169	2,378	2.07	2.27	21.4	19.5	10.8	10.0
Average								**24.8x**	**19.1x**	**11.5x**	**8.3x**
Chefs' Warehouse	**CHEF**	Buy	**21.28**	**443**	**489**	**0.95**	**1.08**	**22.5x**	**19.7x**	**10.8x**	**9.7x**
Relative to conventional group								80.7%	70.6%	54.1%	46.8%
Relative to specialty group								(9.3%)	3.0%	(6.3%)	16.6%
Relative to UNFI								5.2%	1.0%	0.3%	(2.4%)

Source: Canaccord Genuity, Capital IQ and Thomson First Call consensus estimates

Figure 4: Historical and projected operating results

Fiscal Year End - December (in millions, except per-share data)

	2011				2011	2012E				2012E	2013E
Income Statement	**Q1**	**Q2**	**Q3**	**Q4**	**FY**	**Q1**	**Q2**	**Q3**	**Q4**	**FY**	**FY**
Revenue	**83.2**	**99.3**	**101.7**	**116.5**	**400.6**	**99.8**	**119.1**	**115.9**	**121.4**	**456.3**	**504.2**
COGS	(61.1)	(73.0)	(75.1)	(85.5)	(294.7)	(73.4)	(87.3)	(85.1)	(88.9)	(334.7)	(369.7)
Gross Profit	22.0	26.3	26.6	31.0	105.9	26.5	31.8	30.8	32.5	121.6	134.4
Operating Expenses	(17.0)	(18.6)	(21.3)	(21.3)	(78.1)	(19.5)	(22.4)	(22.3)	(22.9)	(87.0)	(93.9)
Operating Income	5.1	7.7	5.3	9.7	27.8	7.0	9.4	8.5	9.6	34.5	40.6
EBITDA	**5.6**	**8.0**	**5.8**	**10.1**	**33.4**	**7.5**	**9.9**	**9.0**	**10.1**	**44.3**	**50.3**
Net Interest	(3.5)	(3.3)	(7.2)	(0.5)	(14.6)	(0.5)	(0.5)	(0.4)	(0.4)	(1.9)	(1.4)
Other expenses	0.1	0.0	0.0	(0.0)	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Pretax Income	1.7	4.4	(1.9)	9.2	13.3	6.4	9.0	8.1	9.2	32.7	39.2
Income Tax	(0.7)	(1.7)	0.7	(4.0)	(5.6)	(2.6)	(3.7)	(3.3)	(3.8)	(13.4)	(16.1)
Net Income	1.0	2.7	(1.2)	5.2	7.7	3.8	5.3	4.8	5.4	19.3	23.1
Average Shares	16.0	16.0	18.7	20.8	17.9	20.8	20.9	21.0	21.2	21.0	21.4
EPS	$0.06	$0.17	($0.06)	$0.25	$0.43	$0.18	$0.25	$0.23	$0.26	$0.92	$1.08
Pro forma adjustments											
GAAP Pretax income	1.7	4.4	(1.9)	9.2	13.3	6.4	9.0	8.1	9.2	32.7	39.2
SG&A	(0.8)	(0.7)	1.7	0.2	0.5	0.0	0.2	0.4	0.4	1.0	0.0
D&A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest	3.0	2.9	6.7	0.0	12.7	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted EBITDA	**4.8**	**7.3**	**7.5**	**10.3**	**29.9**	**7.5**	**10.1**	**9.4**	**10.5**	**45.3**	**50.3**
Adjusted pre-tax	4.2	6.9	6.6	9.4	27.0	6.4	9.2	8.5	9.6	33.7	39.2
Taxes	(1.6)	(2.7)	(2.6)	(3.9)	(10.8)	(2.6)	(3.8)	(3.5)	(3.9)	(13.8)	(16.1)
Adjusted net income	2.6	4.2	4.0	5.5	16.2	3.8	5.4	5.0	5.7	19.9	23.1
Pro Forma EPS	**$0.12**	**$0.20**	**$0.19**	**$0.26**	**$0.78**	**$0.18**	**$0.26**	**$0.24**	**$0.27**	**$0.95**	**$1.08**
Shares outstanding	20.8	20.8	20.8	20.8	20.8	20.8	20.9	21.0	21.2	21.0	21.4
Margin Analysis											
Gross Margin	**26.5 %**	**26.5 %**	**26.2 %**	**26.6 %**	**26.4 %**	**26.5 %**	**26.7 %**	**26.6 %**	**26.8 %**	**26.6 %**	**26.7 %**
Warehousing and distribution	10.3 %	9.2 %	10.4 %	10.0 %	10.0 %	10.0 %	8.9 %	9.8 %	9.5 %	9.5 %	9.4 %
SG&A	9.3 %	9.1 %	10.1 %	7.9 %	9.0 %	9.4 %	8.8 %	8.2 %	7.7 %	8.5 %	8.3 %
Adjusted operating margin	5.2 %	7.1 %	6.9 %	8.5 %	7.1 %	7.0 %	8.1 %	7.7 %	8.3 %	7.8 %	8.0 %
Adjusted EBITDA margin	**5.8 %**	**7.4 %**	**7.4 %**	**8.8 %**	**7.5 %**	**7.5 %**	**8.5 %**	**8.1 %**	**8.7 %**	**9.9 %**	**10.0 %**
Pretax margin	2.0 %	4.4 %	-1.9 %	7.9 %	3.3 %	6.4 %	7.5 %	7.0 %	7.6 %	7.2 %	7.8 %
Adjusted net margin	3.1 %	4.2 %	3.9 %	4.7 %	4.1 %	3.8 %	4.5 %	4.3 %	4.7 %	4.4 %	4.6 %
Tax Rate	39.0%	39.0%	39.0%	41.5%	39.9%	41.0%	41.0%	41.0%	41.0%	41.0%	41.0%
Growth (vs Year Ago)											
Revenue	19 %	19 %	20 %	27 %	21 %	20 %	20 %	14 %	4 %	14 %	11 %
Operating	67 %	37 %	-15 %	50 %	29 %	37 %	23 %	60 %	-1 %	24 %	17 %
Pro forma Pre-Tax Income	89 %	38 %	16 %	62 %	45 %	52 %	34 %	29 %	3 %	25 %	20 %
Pro forma Net Income	89 %	38 %	16 %	56 %	43 %	47 %	29 %	25 %	4 %	22 %	20 %
Pro forma EPS	87 %	36 %	15 %	55 %	42 %	47 %	28 %	24 %	2 %	21 %	14 %
Ratio Analysis											
Net debt	95.7	100.9	43.8	45.5	45.5	32.3	32.2	25.0	20.5	20.5	(4.8)
DSOs	39.6	37.1	37.6	38.4	38.4	39.2	37.1	37.6	38.4	38.4	38.4
Days Inventory	25.7	24.1	23.4	22.1	25.7	25.7	24.1	23.4	22.1	23.5	23.5
Inventory Turns	3.5	3.8	3.9	4.1	14.2	3.5	3.8	3.9	4.1	15.5	15.5
ROIC	25.2%	33.1%	20.6%	32.3%	23.8%	26.2%	31.9%	28.9%	31.3%	28.1%	30.5%
Return on Equity	nmf	nmf	nmf	nmf	nmf	103.4 %	44.4 %	32.8 %	31.7 %	39.4 %	25.3 %
Operating ROA	24.9%	32.2%	22.0%	37.0%	29.7%	26.3%	33.2%	29.7%	32.1%	30.8%	31.9%
Debt/Total Capital	85.8%	86.5%	70.8%	68.5%	71.7%	65.9%	64.1%	62.0%	59.7%	59.9%	34.6%
Cash Flow Analysis											
Operating cash flow	3.1	5.3	(1.9)	1.3	7.7	14.3	4.5	4.7	5.6	29.0	29.6
Free cash flow	2.7	4.8	(2.6)	0.6	5.6	13.7	3.8	4.0	4.9	26.4	27.0
EBITDA	5.6	8.0	5.8	10.1	33.4	7.5	9.9	9.0	10.1	44.3	50.3

Source: Company reports and Canaccord Genuity estimates

Investment risks

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 exposures to potential sales volatility as consumer confidence and spending fluctuation. 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 it remains 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; 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 filing.

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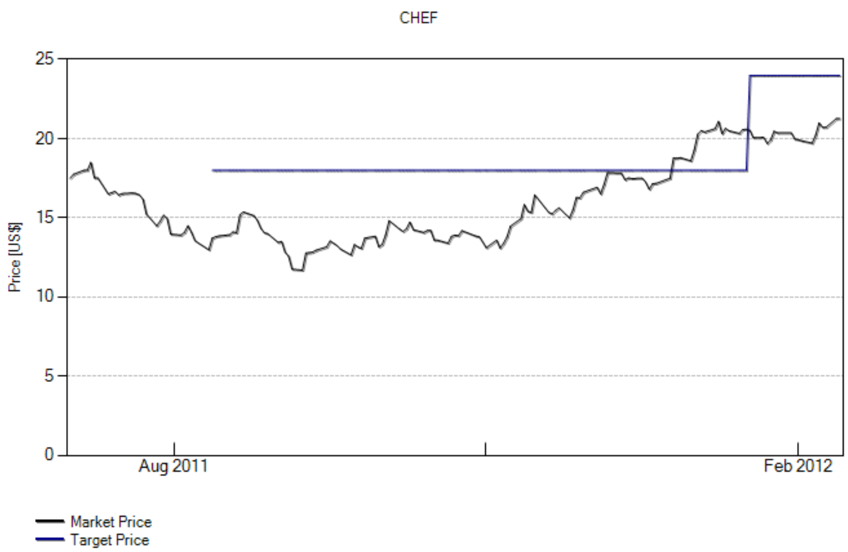
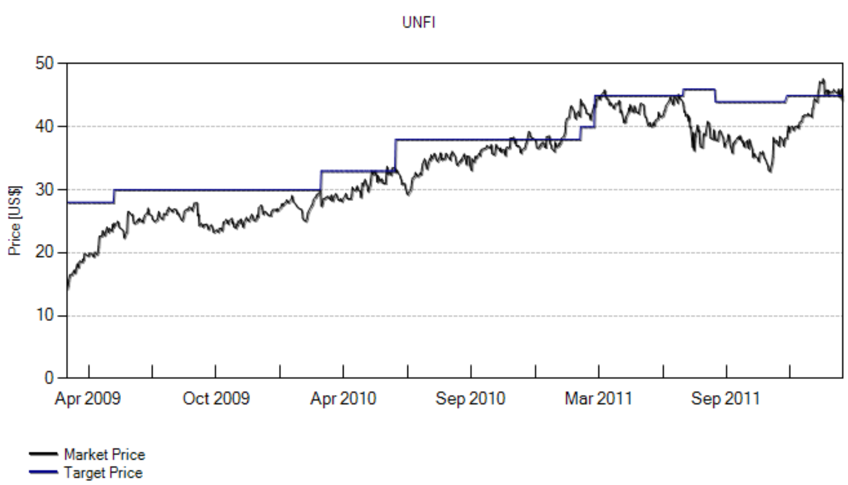
Site Visit: An analyst has visited the issuer's material operations in Ridgefield, Connecticut. No payment or reimbursement was received from the issuer for the related travel costs.

Price Chart:*



	Date	Analyst	Rating	Target Price		Date	Analyst	Rating	Target Price
1)	09/07/2011	Winkle	Buy	18.00	2)	02/09/2012	Winkle	Buy	24.00

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



	Date	Analyst	Rating	Target Price		Date	Analyst	Rating	Target Price
1)	05/14/2009	Van Winkle	Buy	30.00	6)	03/03/2011	Winkle	Hold	40.00
2)	09/09/2009	Winkle	Buy	30.00	7)	03/22/2011	Winkle	Hold	45.00
3)	03/02/2010	Winkle	Buy	33.00	8)	07/26/2011	Winkle	Hold	46.00
4)	06/15/2010	Winkle	Buy	38.00	9)	09/09/2011	Winkle	Hold	44.00
5)	10/25/2010	Winkle	Hold	38.00	10)	12/19/2011	Winkle	Buy	45.00

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

Distribution of Ratings:
Global Stock Ratings
(as of 2 March 2012)

	Coverage Universe		IB Clients
Rating	#	%	%
Buy	478	59.4%	33.7%
Speculative Buy	92	11.4%	70.7%
Hold	217	27.0%	18.4%
Sell	18	2.2%	16.7%
	805	100%	

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

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Canaccord Research Disclosures as of 7 March 2012

Company	Disclosure
The Chefs' Warehouse	1A, 2, 3, 5, 7
United Natural Foods	5, 7

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Additional information is available on request.

February 29, 2012

Chefs' Warehouse

(CHEF-NASDAQ)

Food Retail

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Stock Rating: **Outperform**
Industry Rating: **Market Perform**

Warm Weather and Favorable Trends Bode Well for 4Q11

Event

Chefs' Warehouse will report 4Q11 results on March 6, with a call A.M.C. Based on the unusually warm weather during 4Q, extremely favorable restaurant industry data points, and a positive presentation at the 14th Annual ICR XChange in January, we believe results this quarter will surprise to the upside and believe the favorable trends have likely continued into 1Q12. We are looking for 4Q11 EPS of $0.26, $0.01 above consensus. In FY2012, we are looking for EPS of $0.99 versus consensus of $0.97. On the call, we will look for 1) comments on consumer behavior in light of the recent increase in gas prices, 2) color on whether or not 4Q was affected by any lingering costs associated with the Harry Wils integration, 3) color on incremental costs associated with the Provvista Specialty Foods acquisition, 4) the components of top-line growth in 4Q and expectations on the components of growth in FY12, 5) additional details on the potential margin opportunity associated with the implementation of engineered labor standards at the company's facilities, and 6) an update on the transition to the larger facility in the Bronx.

Impact

Neutral.

Forecasts

Our 4Q11 EPS is $0.26. For FY2012, our EPS estimate is $0.99. Consensus is $0.25 and $0.97, respectively.

Valuation

CHEF is trading at an FY2012 and FY2013 EV/EBITDA of 11.8x and 9.6x, respectively.

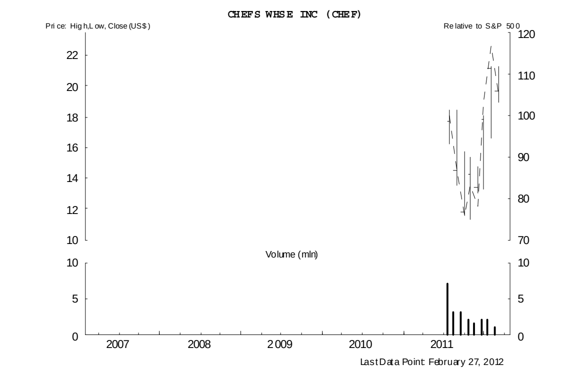
Recommendation

We maintain our **OUTPERFORM** rating.

Securities Info

Price (28-Feb)	**$20.22**	**Target Price**	**$16**
52-Wk High/Low	$21/$11	Dividend	--
Mkt Cap (mm)	$421	Yield	--
Shs O/S (mm, BASIC)	20.8	Float O/S (mm)	9.2
Options O/S (mm)	45.3	ADVol (30-day, 000s)	78

Price Performance



Valuation/Financial Data

(FY-Dec.)	2010A	2011E	2012E	2013E
EPS Pro Forma	$0.76	$0.77	$0.99	$1.16
P/E		26.3x	20.4x	17.4x
First Call Cons.		*$0.77*	*$0.97*	*$1.12*
EPS GAAP	$0.76	$0.77	$0.99	$1.16
FCF	na	na	na	na
P/FCF		na	na	na
EBITDA ($mm)	$24	$30	$38	$44
EV/EBITDA		15.4x	12.0x	10.4x
Rev. ($mm)	$330	$401	$443	$482
EV/Rev		1.1x	1.0x	0.9x
Quarterly EPS	**1Q**	**2Q**	**3Q**	**4Q**
2010A	$0.07	$0.22	$0.21	$0.26
2011E	$0.13A	$0.20A	$0.19A	$0.26
Quarterly EBITDA	**1Q**	**2Q**	**3Q**	**4Q**
2010A	$3.5	$6.3	$6.7	$7.2
2011E	$4.7A	$7.6A	$7.5A	$9.8

Balance Sheet Data (23-Sep)

Net Debt ($mm)	$35	Total Debt/EBITDA	1.5x
Total Debt ($mm)	$45	EBITDA/IntExp	na
Net Debt/Cap.	54.9%	Price/Book	22.9x

Notes: All values in US$.

Source: BMO Capital Markets estimates, Bloomberg, FactSet, Global Insight, Reuters, and Thomson Financial.

Please refer to pages 6 to 8 for Important Disclosures, including the Analyst's Certification.

Key Points

Exhibit 1. CHEF Current Valuation

Chefs' Warehouse Current Valuation		
	2012E	**2013E**
EPS	$0.99	$1.16
EBITDA	$38	$44
EBITDAR	$47	$53
Net Forward Debt	$20	-$3
# Shares	21	21
Current Stock Price	$20.22	$20.22
Market Cap	$427	$427
EV	$447	$424
P/E	20.4x	17.4x
EV/EBITDA	11.8x	9.6x
EPS Growth	27.9%	17.2%

Source: Company reports, BMO Capital Markets estimates.

Areas of focus for the conference call:

- Initial guidance for FY2012.
- The breakdown of total sales growth into organic growth, and the impact owing to acquisitions and inflation. Additionally, some color on trends in unique customers.
- Some color on the state of the consumer and, as a result, the health of the restaurant operators that CHEF serves.
- Sales trends into 1Q12.
- Some color on inflation trends and the company's ability to pass on cost increases to its customers.
- An update on the competitive environment.
- Trends in case volumes and revenues per case.
- Update on the roll-out of the warehouse management system to the remaining facilities.
- Management's thoughts on the opportunity for new market entries – specifically, how many markets can the company ultimately enter and an outline of the criteria management uses to evaluate potential markets.

In 4Q11, our estimates remain at EPS of $0.26 and EBITDA of $9.8 million. Consensus EPS is $0.25. Our estimate assumes total sales increase 18.0% to $117.1 million – driven by 9% organic sales growth, and we assume gross margins expand 50bp to 26.5%. We forecast operating expenses (excluding D&A) grow 27.8% to $21.2 million, no change from last year's margin of 18.1% – leading to a 78bp improvement in operating margins to 7.9%, or $9.2 million. This gets us to EBITDA of $9.8 million, a 50bp expansion in margin to 8.4%. We assume interest expense of $0.2 million, a 39.5% tax rate and 21.1 million shares outstanding, which gets us to EPS of $0.26.

In FY2012, our estimate for EPS remains at $0.99. Consensus EPS is $0.97. Our EBITDA estimate is $38.0 million. Our estimate assumes total sales increase 12.5% to $442.5 million (vs. consensus of $441.7 million), with gross margins improving 30bp to 26.6%. We forecast operating expenses (excluding D&A) grow 5.1% to $79.6 million, a 90bp year-over-year improvement in margin – leading to an 116bp improvement in operating margins to 8.0%, or $35.5 million. This gets us to EBITDA of $38.0 million, a 120bp improvement in margin to 8.6%. We assume interest expense of $1.2 million, a 39.5% tax rate and 21.0 million shares outstanding, which gets us to EPS of $0.99.

Chefs' Warehouse Income Statement

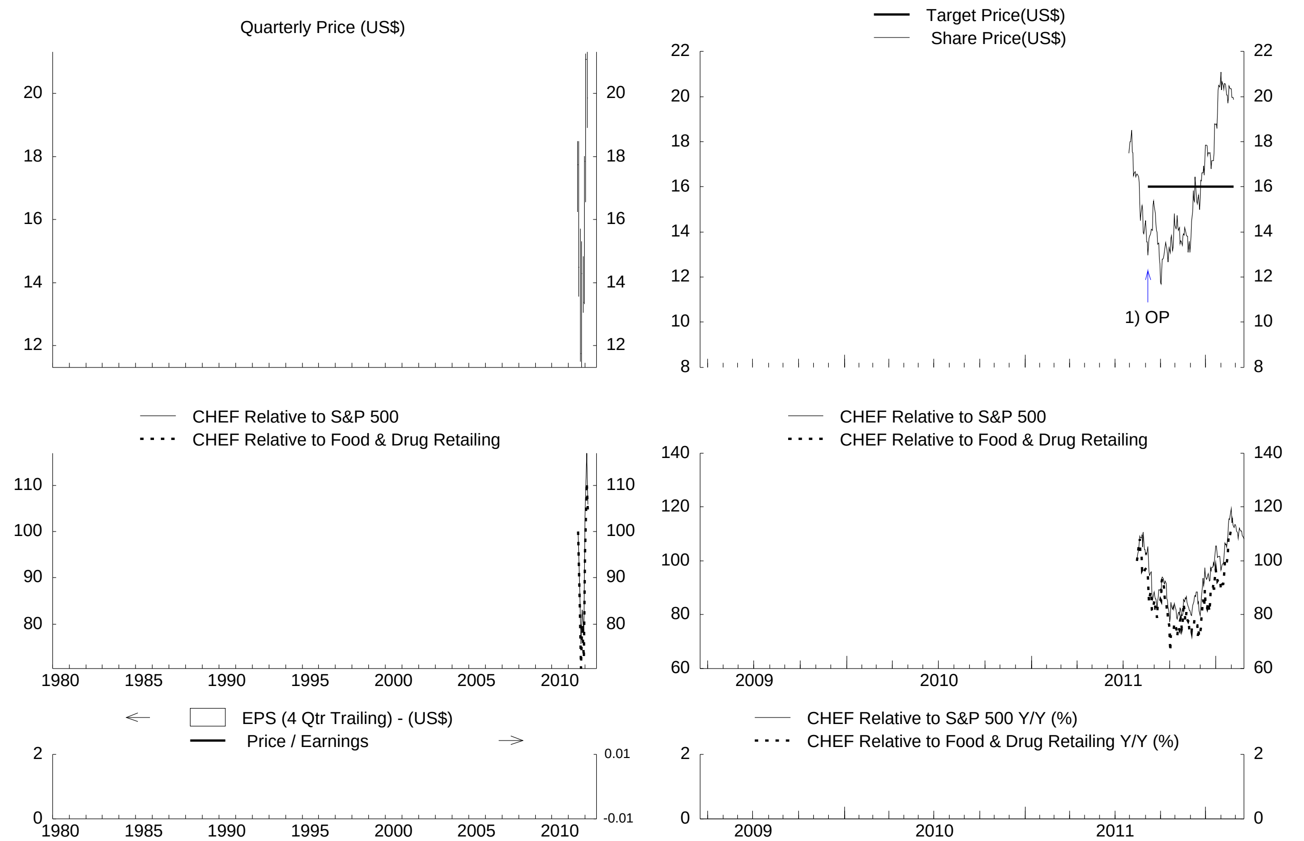
	52 weeks	52 weeks	52 weeks					52 weeks					53 weeks	
	12/28/2007	12/26/2008	12/25/2009	3/26/2010	6/25/2010			12/24/2010	3/25/2011	6/24/2011			12/30/2011	
	2007	**2008**	**2009**					**2010**					**2011E**	**2012E**
				1Q10	**2Q10**	**3Q10**	**4Q10**		**1Q11**	**2Q11**	**3Q11**	**4Q11E**		
Revenues	**$256.13**	**$281.70**	**$271.07**	**$70.00**	**$83.61**	**$84.93**	**$91.58**	**$330.12**	**$82.90**	**$99.26**	**$101.68**	**$117.06**	**$400.90**	**$442.50**
Cost of Goods	$190.79	$211.39	$199.76	$52.02	$61.67	$62.86	$67.79	$244.34	$61.50	$73.00	$75.05	$86.07	$295.62	$324.97
Gross Profit	**$65.35**	**$70.32**	**$71.31**	**$17.98**	**$21.94**	**$22.06**	**$23.79**	**$85.78**	**$21.40**	**$26.26**	**$26.63**	**$31.00**	**$105.28**	**$117.53**
D&A	$1.94	$1.99	$1.92	$0.46	$0.50	$0.41	$0.73	$2.10	$0.60	$0.39	$0.43	$0.61	$2.03	$2.44
Total Operating Expenses (Ex. D&A)	$57.45	$58.33	$56.06	$14.49	$15.64	$15.40	$16.57	$62.10	$16.70	$18.66	$19.14	$21.19	$75.69	$79.56
Total Operating Expenses (Incl. D&A)	**$59.39**	**$60.31**	**$57.98**	**$14.953**	**$16.14**	**$15.81**	**$17.31**	**$64.21**	**$17.30**	**$19.05**	**$19.57**	**$21.80**	**$77.72**	**$82.00**
Operating Income	**$5.96**	**$10.00**	**$13.33**	**$3.03**	**$5.80**	**$6.25**	**$6.48**	**$21.57**	**$4.10**	**$7.20**	**$7.06**	**$9.20**	**$27.56**	**$35.54**
EBITDA	**$7.90**	**$11.99**	**$15.25**	**$3.49**	**$6.31**	**$6.66**	**$7.21**	**$23.68**	**$4.70**	**$7.60**	**$7.491**	**$9.81**	**$29.60**	**$37.98**
Interest	$3.52	$3.24	$2.82	$0.63	$0.51	$0.47	$2.43	$4.04	$0.40	$0.42	$0.51	$0.20	$1.52	$1.18
Gain on Settlement	$1.10													
Gain/Loss on Interest Rate Swap	-$0.62	-$1.12	$0.66	$0.18	$0.25	$0.23	$0.25	$0.91	$0.40	$0.00	$0.00	$0.00	$0.40	$0.00
Other									$0.00					
Income Before Tax	**$2.92**	**$5.65**	**$11.17**	**$2.59**	**$5.54**	**$6.01**	**$4.31**	**$18.44**	**$4.10**	**$6.79**	**$6.56**	**$9.00**	**$26.44**	**$34.35**
Taxes	$0.79	$3.45	$2.21	$1.05	$1.05	$1.60	-$1.13	$2.57	$1.50	$2.69	$2.56	$3.55	$10.30	$13.57
Net Income	**$2.14**	**$2.20**	**$8.96**	**$1.54**	**$4.49**	**$4.41**	**$5.44**	**$15.87**	**$2.60**	**$4.10**	**$4.00**	**$5.44**	**$16.14**	**$20.78**
Tax Rate	26.9%	61.1%	19.8%	40.6%	19.0%	26.6%	-26.3%	13.9%	36.6%	39.6%	39.0%	39.5%	38.9%	39.5%
Diluted EPS	**$0.10**	**$0.11**	**$0.43**	**$0.07**	**$0.22**	**$0.21**	**$0.26**	**$0.76**	**$0.13**	**$0.20**	**$0.19**	**$0.26**	**$0.77**	**$0.99**
Basic	20.32	20.32	20.32	20.12	20.16	20.45	20.54	20.32	20.12	20.12	20.45	20.54	20.31	20.80
Diluted	20.77	20.77	20.77	20.67	20.67	20.87	20.87	20.77	20.67	20.83	20.83	21.10	20.86	21.00
Consensus EBITDA													$390.86	$434.97
Consensus Sales													$29.73	$36.88
Consensus EPS													$0.77	$0.97
Growth														
Sales		10.0%	-3.8%	17.7%	22.5%	23.7%	22.6%	21.8%	18.4%	18.7%	19.7%	18.0%	21.4%	12.5%
Organic Sales growth		4.2%	-6.2%	10.0%	12.0%	11.0%	10.6%	10.9%	10.9%	13.0%	10.6%	9%		6%
Inflation - contribution to sales		n/a	-0.6%	4.6%	7.5%	9.0%	9.4%	7.8%	4.9%	3.3%	2.7%	3%		4%
Acquisitions - contribution to sales		5.8%	3.0%	3.0%	3.0%	3.7%	2.7%	3.1%	3.0%	2.0%	6.4%	6%		3%
Operating Expenses (Ex. D&A)		1.5%	-3.9%					10.8%	15.3%	19.3%	24.3%	27.8%	21.9%	5.1%
Operating Expenses (Incl. D&A)		1.6%	-3.9%					10.7%	15.7%	18.1%	23.8%	25.9%	21.0%	5.5%
Operating Income		67.9%	33.3%					61.8%	35.3%	24.1%	12.9%	41.9%	27.8%	28.9%
EBITDA		51.7%	27.2%					55.3%	34.5%	20.4%	12.5%	35.9%	25.0%	28.3%
Net Income		2.8%	308.1%					77.1%	69.0%	-8.7%	-9.3%	0.1%	1.7%	28.8%
EPS			308.1%					77.1%					1.3%	27.9%
Margins														
Gross	25.5%	25.0%	26.3%	25.7%	26.24%	25.98%	25.98%	26.0%	25.8%	26.45%	26.19%	26.48%	26.26%	26.56%
D&A	0.8%	0.7%	0.7%	0.7%	0.6%	0.5%	0.8%	0.6%	0.7%	0.4%	0.4%	0.5%	0.5%	0.6%
Operating Expenses (Ex. D&A)				20.7%	18.7%	18.1%	18.1%	18.8%	20.1%	18.8%	18.8%	18.1%	18.9%	18.0%
Operating Expenses (Incl. D&A)	23.2%	21.4%	21.4%	21.4%	19.3%	18.6%	18.9%	19.4%	20.9%	19.2%	19.2%	18.6%	19.4%	18.5%
Operating Income	2.3%	3.6%	4.9%	4.3%	6.9%	7.4%	7.1%	6.5%	4.9%	7.3%	6.9%	7.9%	6.9%	8.0%
EBITDA	3.1%	4.3%	5.6%	5.0%	7.5%	7.8%	7.9%	7.2%	5.7%	7.7%	7.4%	8.4%	7.4%	8.6%
Tax	26.9%	61.1%	19.8%	40.6%	19.0%	26.6%	-26.3%	13.9%	36.6%	39.6%	39.0%	39.5%	38.9%	39.5%
Net	0.8%	0.8%	3.3%	2.2%	5.4%	5.2%	5.9%	4.8%	3.1%	4.1%	3.9%	4.7%	4.0%	4.7%
Change in Margins														
Gross		-55bp	134bp					-32bp	12bp	21bp	21bp	50bp	28bp	30bp
D&A		-5bp	0bp					-7bp	6bp	-20bp	-6bp	-28bp	-13bp	4bp
Operating Expenses (Ex. D&A)									-55bp	10bp	69bp	0bp	7bp	-90bp
Operating Expenses (Incl. D&A)		-178bp	-2bp					-194bp	-49bp	-11bp	63bp	-28bp	-6bp	-86bp
Operating Income		122bp	137bp					162bp	62bp	31bp	-42bp	78bp	34bp	116bp
EBITDA		117bp	137bp					155bp	68bp	11bp	-47bp	50bp	21bp	120bp
Net		-5bp	253bp					150bp	94bp	-124bp	-126bp	-129bp	-78bp	67bp

Source: Company reports, BMO Capital Markets estimates.

Chefs' Warehouse Holdings Balance Sheet				
	12/28/07	12/26/08	12/25/09	12/24/10
	FY2007	**FY2008**	**FY2009**	**FY2010**
Cash & Equivalents	2.232	1.591	0.88	1.98
Accounts Receivable (net)	29.865	28.728	30.98	36.20
Inventory - Net of Reserve	17.819	16.449	15.29	16.44
Deferred Income Taxes	0.947	1.026	1.48	1.65
Other Current Assets & Prepaid Expenses	1.567	1.664	2.09	3.61
Total Current Assets	52.43	49.46	50.71	59.88
Net Property, Plant & Equipment	3.87	4.30	4.24	4.23
Deferred Income Taxes				
Capitalized Financing Fees				
Intangible Assets	2.33	6.80	9.47	12.11
Deferred Costs	0.35	0.89	0.06	2.36
Other LT Assets	3.94	3.06	1.45	4.09
Total Non-current Assets	10.49	15.04	15.23	22.79
TOTAL ASSETS	62.92	64.50	65.94	82.67
Current Debt	2.90	2.76	2.79	16.95
Original issue Discount				
Accounts Payable	24.41	18.79	19.29	23.56
Advances, Accrued Expenses	6.31	5.81	6.15	7.16
Taxes Payable other than Income				
Income Taxes Payable				
Total Current Liabilities	33.62	27.36	28.23	47.67
Long Term Debt, Net of Current Portion	33.082	37.323	29.928	82.58
Revolver				
Mezz Debt				
Term Note				
Original issue Discount				
Other (Deferred Rent)	1.63	3.04	2.45	1.23
Total Non-current Liabilities	34.71	40.36	32.37	83.81
TOTAL LIABILITIES	68.33	67.72	60.60	131.48
SHAREHOLDERS' EQUITY	(5.41)	(3.22)	5.33	(48.81)
TOTAL LIABILITIES & EQUITY	62.92	64.50	65.94	82.67

Source: Company reports, BMO Capital Markets estimates.

CHEFS WHSE INC (CHEF)



CHEF - Rating as of 28-Jul-11 = NR

	Date	Rating Change	Share Price
1	6-Sep-11	NR to OP	$13.56

Last Daily Data Point: February 24, 2012

Important Disclosures

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Disclosure 9: BMO Capital Markets makes a market in this security.

Methodology and Risks to Our Price Target/Valuation

Methodology: Our target price values CHEF at an FY12 EV/EBITDA of 9.4x and P/E of 16.2x.

Risks: Key risks to our CHEF price target include increased competition from traditional broadline operators or consolidation among other regional specialty distributors, deterioration in the national or New York economy as it relates to discretionary spending at restaurants, the success and completion of future acquisitions at fair prices, significant increases in raw material costs, and tainted product or product recall which could tarnish the company's image.

Distribution of Ratings (December 30, 2011)

Rating Category	BMO Rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	Starmine Universe
Buy	Outperform	38.0%	10.3%	40.4%	40.7%	46.2%	56.2%
Hold	Market Perform	60.3%	9.6%	59.6%	56.3%	52.2%	39.4%
Sell	Underperform	1.7%	0.0%	0.0%	3.0%	1.6%	4.4%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.
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Today's Changes	Annual EPS	Annual Revenue	Target
	No changes	No changes	$24.00 from $18.00

The Chefs' Warehouse

CHEF : NASDAQ : US$20.59

BUY

Target: US$24.00 ↑

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COMPANY STATISTICS:

Shares Out diluted:	20.8
Market Cap (M):	US$429.0
52-week Range:	11.32 - 21.32
Avg. Daily Vol. (000s):	109.1
EV/EBITDA:	16.3

EARNINGS SUMMARY:

FYE Dec		2010A	2011E	2012E	2013E
P/Sales:		1.3	1.1	1.0	0.9
P/E:		37.4	27.2	21.8	19.1
Revenue (M):	Q1	70.0	83.2A	-	-
	Q2	83.6	99.3A	-	-
	Q3	84.9	101.7A	-	-
	Q4	91.6	107.8	-	-
Total		330.1	391.9	442.0	479.5
EPS:	Q1	0.07	0.12A	-	-
	Q2	0.15	0.20A	-	-
	Q3	0.17	0.19A	-	-
	Q4	0.17	0.24	-	-
Total		0.55	0.76	0.95	1.08

SHARE PRICE PERFORMANCE:

Source: Interactive Data Corporation

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 in the United States.

All amounts in US$ unless otherwise noted.

Consumer & Retail -- Health, Wellness and Lifestyle

RAISING TARGET TO $24 FROM $18 AND EXPECT MOMENTUM TO CONTINUE; REITERATE BUY

Investment recommendation

We expect that CHEF will deliver an EPS growth CAGR of over 20% over the next few years and believe the company has considerable geographic growth opportunities to deliver years of growth well above the specialty food sector overall.

Investment highlights

- Anticipate strong Q4 earnings will be reported over the coming month and reiterate our $0.24 EPS estimate on what we expect should be upside to our $108M revenue forecast.
- Suspect that the pipeline of potential acquisitions is as robust as ever, which when combined with strong internal growth adds considerable confidence to our long-term growth forecasts.
- Raising price target to $24 from $18, assuming that continued top line momentum will justify a valuation equivalent to the specialty food group against which CHEF's growth rate is most comparable.

Valuation

At 22x forward earnings and 10.6x EBITDA, we view valuation as appropriate relative to peers and growth. We continue to believe that consistent outperformance relative to the distribution sector can expand the valuation. Increasing our target to $24 from $18, which is based on an increased multiple of 11x our F2013 EBITDA forecast.

INVESTMENT THESIS

We believe CHEF is a best-in-class specialty foodservice distributor with a substantial growth opportunity lying ahead through a combination of internal growth and acquisitions as its segment of the industry is highly fragmented and scale undoubtedly offers advantages. While the company is still a relatively recent IPO and still establishing a reputation with investors, we believe it is already proven in its industry and has already proven investor concerns of cyclicality unwarranted. We simply believe that if CHEF can achieve the top market share of specialty foods sold into the New York culinary market, it can replicate this success in any major market. 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. 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 into a geographical growth opportunity that should ensure ample opportunity for consistent long-term growth.

Q4 PREVIEW

Fourth quarter financial results should be published over the coming month, and we expect that the results will mirror the recent trends of strong internal growth, gross margin consistency and operating leverage that delivers strong pro forma EPS growth. Our forecasts assume about 6 points of growth from acquisitions and thus about 12% internal growth. Both of these assumptions look conservative given the recent trends and acquisition in the Pacific Northwest. We forecast a 26.3% gross margin, right in line with recent trends, and see little chance for any material variation given the track record of gross margin consistency. We assume that expenses are better leveraged this quarter than in Q3, where the company had made some investments behind its Harry Wils acquisition. We thus assume higher sequential operating and EBITDA margins than in Q3. Our $0.24 EPS estimate looks like a base case scenario, and we believe that the consensus forecast of $0.25 is very achievable. We are making no changes to our revenue or earnings forecasts but see a bias toward positive revisions post Q4 results.

Thus far in the specialty and healthy food sector, Q4 earnings reports have been positive with consistent growth and positive share price movements off the quarterly prints. The specialty sector has strong outperformed the traditional food sector. As such, valuations have expanded across the group and we anticipate that the business momentum will continue with upcoming earnings reports.

Figure 1: Q4 preview

Income Statement In $ million, except per share amounts	Estimate Q4:11E	Last Year Q4:10A	YOY % Growth	Consensus Forecast Q4:11E
Revenue	**107.8**	**91.6**	17.8%	**113.2**
COGS	(79.5)	(67.8)	17.2%	
Gross Profit	28.4	23.8	19.2%	
Operating Expenses	(19.6)	(17.3)	13.5%	
Operating Income	8.7	6.5	34.5%	
EBITDA	**9.1**	**7.2**	26.4%	
Net Interest	(0.4)	(2.4)	(82.7%)	
Other expenses	0.0	0.3	(100.0%)	
Pretax Income	8.3	4.3	92.7%	
Income Tax	(3.2)	1.1	(385.6%)	
Net income	**5.1**	**5.4**	(6.9%)	
Average Shares	20.9	16.0	30.8%	
EPS	**$0.24**	**$0.34**	(28.9%)	
Pro forma adjustments				
GAAP Pretax income	**8.3**	**4.3**	92.7%	
SG&A		(0.4)	(100.0%)	
D&A				
Interest	0.0	1.8		
Adjusted EBITDA	**9.1**	**6.9**	32.8%	**9.4**
Adjusted pre-tax	8.3	5.8	44.5%	
Taxes	(3.2)	(2.2)	44.5%	
Adjusted net income	5.1	3.5	44.5%	
Pro Forma EPS	**$0.24**	**$0.17**	42.6%	**$0.25**
Shares outstanding	20.9	20.7	1.3%	

Margin Analysis	Q4:11E	Q4:10A	BP Difference
Gross Margin	26.3%	26.0%	32
Total Operating expenses	18.2%	18.9%	(68)
Adjusted operating margin	8.1%	6.7%	139
Adjusted EBITDA margin	8.5%	7.5%	96
Pretax margin	7.7%	4.7%	299
Adjusted net margin	4.7%	3.8%	87
Tax Rate	39.0%	39.0%	0

Source: Company reports and Canaccord Genuity forecasts

VALUATION

Valuation is appropriate, in our view. Shares trade at 21.8x our 2012 EPS forecast of $0.95 and 10.7x forecasted EBITDA. While the valuation represents a significant premium to the food distribution peer group multiples of 13x earnings and 7x EBITDA, the valuation is attractive relative to its best and only real comparable peer from a standpoint of growth United Natural Foods (UNFI : NASDAQ : $47.63 | Buy). We view UNFI as the best comparable for CHEF given it also enjoys a naturally growing market, superior margins relative to most distributors (yet at 18% its gross margins are inferior to CHEF at 26%) and is the leader in its segment as if CHEF. We continue to argue that CHEF should trade at a premium to its distribution peers (as UNFI does) given its vastly superior margins, growth outlook and higher returns on invested capital.

Our price target of $24 is increased from $18 and reflects the expanding peer valuations. Our target equates to 11x our 2013 EBITDA forecast. Our targeted PE and EBITDA multiple forecasts reflect the premium valuations of the specialty food peer group (twice the valuation of the distribution group), reduced by the unattractive comparison to the low valuations afforded the traditional food distribution peer group.

Figure 2: Relative valuation

Food distribution Peer Group			Price	Market	Enterprise	C2011E	C2012E	P/E	P/E	Enterprise Value/ EBITDA	Enterprise Value/ EBITDA
Company	Symbol	Rating	2/8/2012	Cap ($M)	Value	EPS	EPS	C2011E	C2012E	C2011E	C2012E
Core-Mark Holdings	CORE	Not rated	41.18	467	478	2.64	3.38	15.6	12.2	6.4	4.9
Nash Finch	NAFC	Not rated	30.01	364	673	3.85	3.63	7.8	8.3	4.5	4.4
Supervalu	SVU	Not rated	6.79	1,441	7,844	1.24	1.23	5.5	5.5	4.3	4.4
Sysco	SYY	Not rated	29.45	17,259	19,571	1.96	2.04	15.0	14.5	8.2	7.9
United Natural Foods	UNFI	Buy	47.63	2,324	2,526	1.75	2.05	27.2	23.2	13.2	11.6
Average								**13.9x**	**12.9x**	**7.5x**	**7.1x**
Specialty Food Peer Group			Price	Market	Enterprise	C2011E	C2012E	P/E	P/E	Enterprise Value/ EBITDA	Enterprise Value/ EBITDA
Company	Symbol	Rating	2/8/2012	Cap ($M)	Value	EPS	EPS	C2011E	C2012E	C2011E	C2012E
Diamond Foods	DMND	Not rated	36.66	809	1,337	2.70	3.19	13.6	11.5	8.3	4.7
Hain Celestial	HAIN	Buy	40.90	1,848	1,823	1.51	1.92	27.1	21.3	13.9	11.3
Lifeway Foods	LWAY	Not rated	9.47	156	161	0.30	0.36	32.1	26.7	16.6	14.8
Peet's Coffee & Tea	PEET	Not rated	69.02	892	880	1.50	1.78	46.0	38.8	18.3	16.1
Smart Balance	SMBL	Hold	5.34	319	360	0.23	0.29	23.3	18.7	9.0	8.4
United Natural Foods	UNFI	Buy	47.63	2,324	2,526	1.75	2.05	27.2	23.2	13.2	11.6
Average								**28.2x**	**23.4x**	**13.2x**	**11.1x**
Chefs' Warehouse	**CHEF**	Buy	**20.59**	**429**	**473**	**0.76**	**0.95**	**27.2x**	**21.8x**	**16.5x**	**10.7x**
Relative to conventional group								96.4%	69.1%	118.2%	51.0%
Relative to specialty group								(3.5%)	(6.8%)	24.3%	(4.0%)
Relative to UNFI								0.1%	(6.3%)	25.1%	(8.0%)

Source: Canaccord Genuity, Capital IQ and Thomson First Call consensus estimates

Figure 3: Historical and projected operating results

Fiscal Year End - December (in millions, except per-share data)

	2010	2011E				2011E	2012E	2013E
Income Statement	FY	Q1A	Q2A	Q3A	Q4	FY	FY	FY
Revenue	**330.1**	**83.2**	**99.3**	**101.7**	**107.8**	**391.9**	**442.0**	**479.5**
COGS	(244.3)	(61.1)	(73.0)	(75.1)	(79.5)	(288.7)	(326.1)	(353.8)
Gross Profit	85.8	22.0	26.3	26.6	28.4	103.3	115.9	125.8
Operating Expenses	(64.2)	(17.0)	(18.6)	(21.3)	(19.6)	(76.5)	(81.1)	(86.5)
Operating Income	21.6	5.1	7.7	5.3	8.7	26.8	34.8	39.3
EBITDA	**24.6**	**5.6**	**8.0**	**5.8**	**9.1**	**29.1**	**37.5**	**42.0**
Net Interest	(4.0)	(3.5)	(3.3)	(7.2)	(0.4)	(14.5)	(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	(1.9)	8.3	12.4	33.5	38.4
Income Tax	(2.6)	(0.7)	(1.7)	0.7	(3.2)	(4.9)	(13.5)	(15.2)
Net Income	15.7	1.0	2.7	(1.2)	5.1	7.5	19.9	23.2
Average Shares	72.5	16.0	16.0	18.7	20.9	17.9	21.1	21.5
EPS	$0.22	$0.06	$0.17	($0.06)	$0.24	$0.42	$0.95	$1.08
Pro forma adjustments								
GAAP Pretax income	18.2	1.7	4.4	(1.9)	8.3	12.4	33.5	38.4
SG&A	(1.4)	(0.8)	(0.7)	1.7	0.0	0.3	0.0	0.0
D&A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest	1.8	3.0	2.9	6.7	0.0	12.7	0.0	0.0
Adjusted EBITDA	**24.6**	**4.8**	**7.3**	**7.5**	**9.1**	**28.7**	**37.5**	**42.0**
Adjusted pre-tax	18.6	4.2	6.9	6.6	8.3	26.0	33.5	38.4
Taxes	(7.3)	(1.6)	(2.7)	(2.6)	(3.2)	(10.1)	(13.5)	(15.2)
Adjusted net income	11.4	2.6	4.2	4.0	5.1	15.8	19.9	23.2
Pro Forma EPS	**$0.55**	**$0.12**	**$0.20**	**$0.19**	**$0.24**	**$0.76**	**$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 %**	**26.2 %**	**26.3 %**	**26.4 %**	**26.2 %**	**26.2 %**
Warehousing and distribution	10.3 %	10.3 %	9.2 %	10.4 %	9.9 %	10.0 %	9.5 %	9.4 %
SG&A	8.5 %	9.3 %	9.1 %	10.1 %	7.9 %	9.1 %	8.5 %	8.3 %
Adjusted operating margin	6.1 %	5.2 %	7.1 %	6.9 %	8.1 %	6.9 %	7.9 %	8.2 %
Adjusted EBITDA margin	**7.4 %**	**5.8 %**	**7.4 %**	**7.4 %**	**8.5 %**	**7.3 %**	**8.5 %**	**8.8 %**
Pretax margin	5.5 %	2.0 %	4.4 %	-1.9 %	7.7 %	3.2 %	7.6 %	8.0 %
Adjusted net margin	3.4 %	3.1 %	4.2 %	3.9 %	4.7 %	4.0 %	4.5 %	4.8 %
Tax Rate	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	40.4%	39.5%
Growth (vs Year Ago)								
Revenue	22 %	19 %	19 %	20 %	18 %	19 %	13 %	9 %
Operating	62 %	67 %	37 %	-15 %	34 %	24 %	30 %	13 %
Pro forma Pre-Tax Income	63 %	89 %	38 %	16 %	44 %	39 %	29 %	15 %
Pro forma Net Income	75 %	89 %	38 %	16 %	44 %	39 %	26 %	17 %
Pro forma EPS	0 %	87 %	36 %	15 %	43 %	37 %	25 %	14 %
Ratio Analysis								
Net debt	97.5	95.7	100.9	39.6	35.2	35.2	16.5	(4.6)
DSOs	38.4	39.6	37.1	38.4	38.4	38.4	38.4	38.4
Days Inventory	24.5	25.7	24.1	26.0	22.1	24.4	23.7	23.7
Inventory Turns	14.9	3.5	3.8	3.5	4.1	15.0	15.4	15.4
ROIC	26.0%	25.2%	33.1%	22.7%	36.6%	28.1%	33.5%	36.3%
Return on Equity	nmf	nmf	nmf	nmf	nmf	nmf	45.6 %	29.7 %
Operating ROA	29.0%	24.9%	32.2%	20.6%	33.0%	28.5%	31.2%	31.5%
Debt/Total Capital	57.9%	85.8%	86.5%	70.2%	67.8%	71.1%	58.7%	42.6%
Cash Flow Analysis								
Operating cash flow	13.5	3.1	5.3	(0.9)	2.9	10.5	21.5	24.0
Free cash flow	12.4	2.7	4.8	(1.3)	2.5	8.8	19.8	22.3

Source: Company reports and Canaccord Genuity estimates

Investment risks

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 exposures to potential sales volatility as consumer confidence and spending fluctuation. 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 it remains 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; 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 filing.

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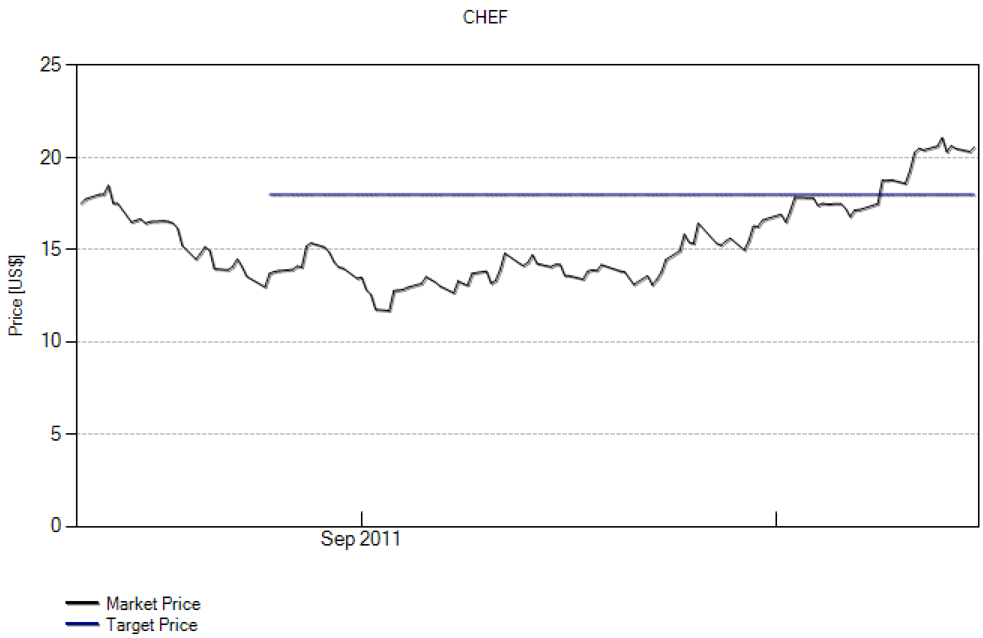
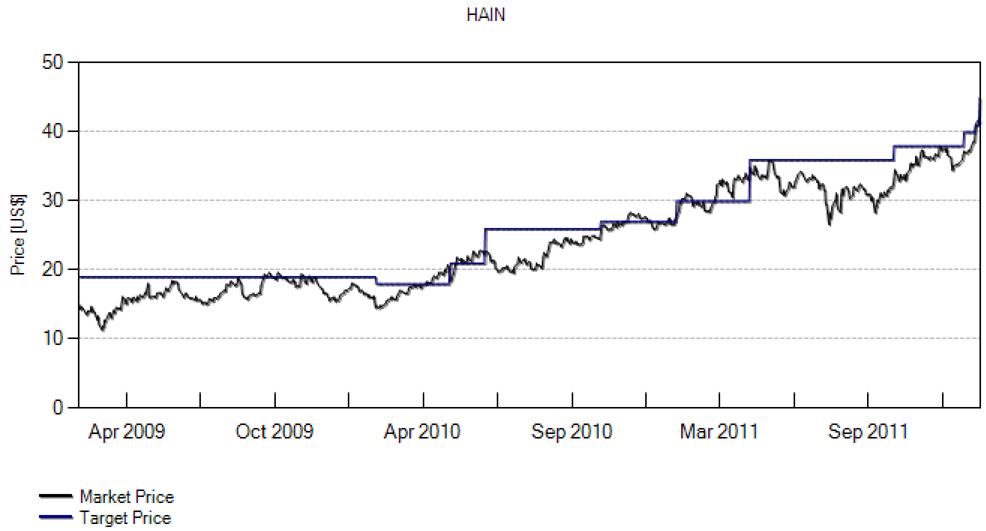
Site Visit: An analyst has visited the issuer's material operations in Ridgefield, Connecticut. No payment or reimbursement was received from the issuer for the related travel costs.

Price Chart:*



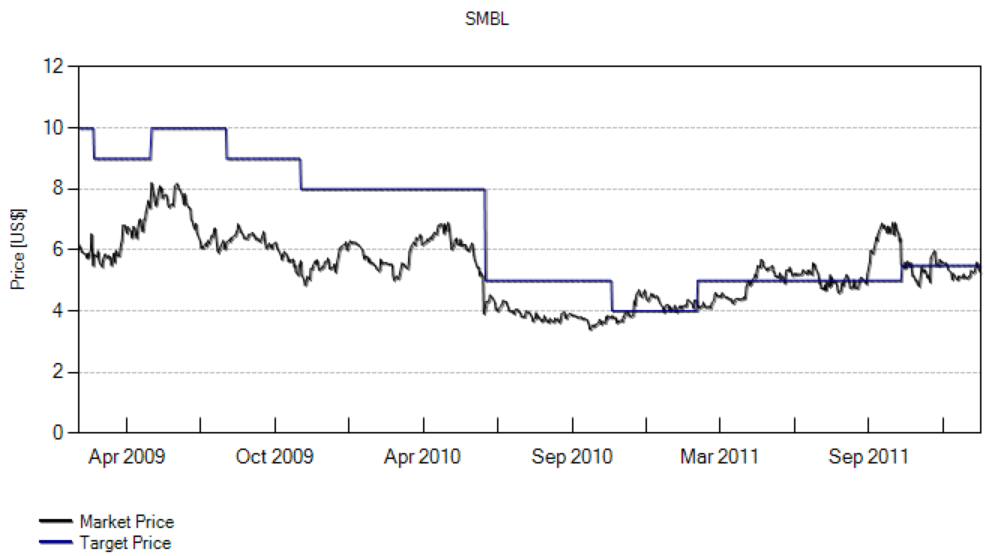
	Date	Analyst	Rating	Target Price	Date	Analyst	Rating	Target Price
1)	09/07/2011	Winkle	Buy	18.00				

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



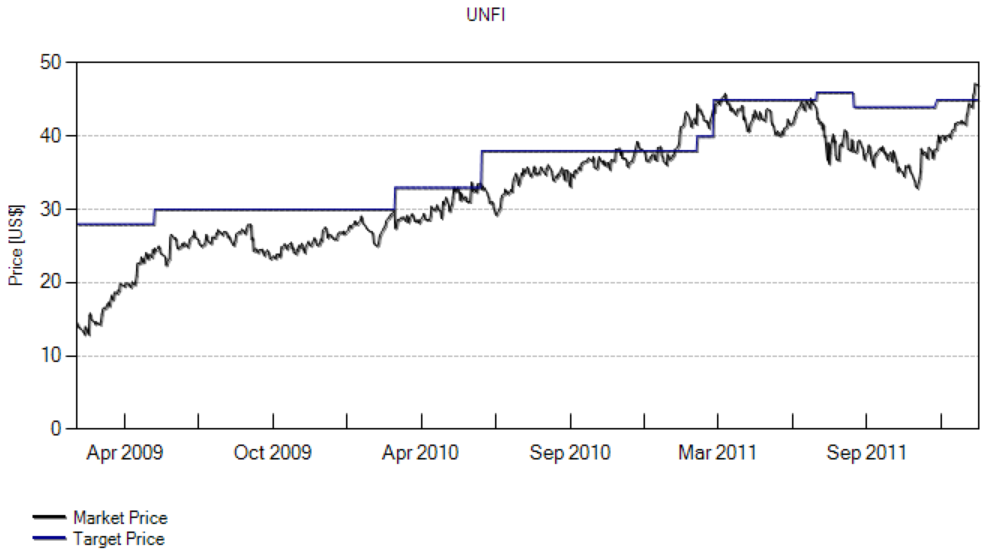
	Date	Analyst	Rating	Target Price		Date	Analyst	Rating	Target Price
1)	09/10/2009	Winkle	Buy	19.00	7)	05/04/2011	Winkle	Buy	36.00
2)	02/05/2010	Winkle	Buy	18.00	8)	10/26/2011	Winkle	Buy	38.00
3)	05/06/2010	Winkle	Buy	21.00	9)	01/19/2012	Winkle	Buy	40.00
4)	06/17/2010	Winkle	Buy	26.00	10)	02/02/2012	Winkle	Buy	41.00
5)	11/04/2010	Winkle	Buy	27.00	11)	02/07/2012	Winkle	Buy	45.00
6)	02/04/2011	Winkle	Buy	30.00					

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



	Date	Analyst	Rating	Target Price		Date	Analyst	Rating	Target Price
1)	02/27/2009	Van Winkle	Buy	9.00	6)	06/17/2010	Winkle	Buy	5.00
2)	05/08/2009	Van Winkle	Buy	10.00	7)	11/08/2010	Winkle	Hold	4.00
3)	07/02/2009	Winkle	Buy	10.00	8)	03/01/2011	Winkle	Hold	5.00
4)	08/07/2009	Winkle	Buy	9.00	9)	11/04/2011	Winkle	Hold	5.50
5)	11/05/2009	Winkle	Buy	8.00					

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



	Date	Analyst	Rating	Target Price		Date	Analyst	Rating	Target Price
1)	05/14/2009	Van Winkle	Buy	30.00	6)	03/03/2011	Winkle	Hold	40.00
2)	09/09/2009	Winkle	Buy	30.00	7)	03/22/2011	Winkle	Hold	45.00
3)	03/02/2010	Winkle	Buy	33.00	8)	07/26/2011	Winkle	Hold	46.00
4)	06/15/2010	Winkle	Buy	38.00	9)	09/09/2011	Winkle	Hold	44.00
5)	10/25/2010	Winkle	Hold	38.00	10)	12/19/2011	Winkle	Buy	45.00

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

Distribution of Ratings:
Global Stock Ratings
(as of 2 February 2012)

	Coverage Universe		IB Clients
Rating	#	%	%
Buy	481	60.2%	34.9%
Speculative Buy	87	10.9%	73.6%
Hold	215	26.9%	20.9%
Sell	16	2.0%	25.0%
	799	100%	

Canaccord Ratings System:

BUY: The stock is expected to generate risk-adjusted returns of over 10% during the next 12 months.
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 9 February 2012

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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Jefferies

The Chefs' Warehouse (CHEF)
Notes from the Road: Something's Cookin'

BUY
Price target $17.50
Price $15.47

EQUITY RESEARCH AMERICAS

Key Takeaway

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

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

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

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Company Description

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

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The expected total return (price appreciation plus yield) for Buy rated stocks with an average stock price consistently below $10 is 20% or more within a 12-month period as these companies are typically more volatile than the overall stock market. For Hold rated stocks with an average stock price consistently below $10, the expected total return (price appreciation plus yield) is plus or minus 20% within a 12-month period. For Underperform rated stocks with an average stock price consistently below $10, the expected total return (price appreciation plus yield) is minus 20% within a 12-month period.
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Risk which may impede the achievement of our Price Target

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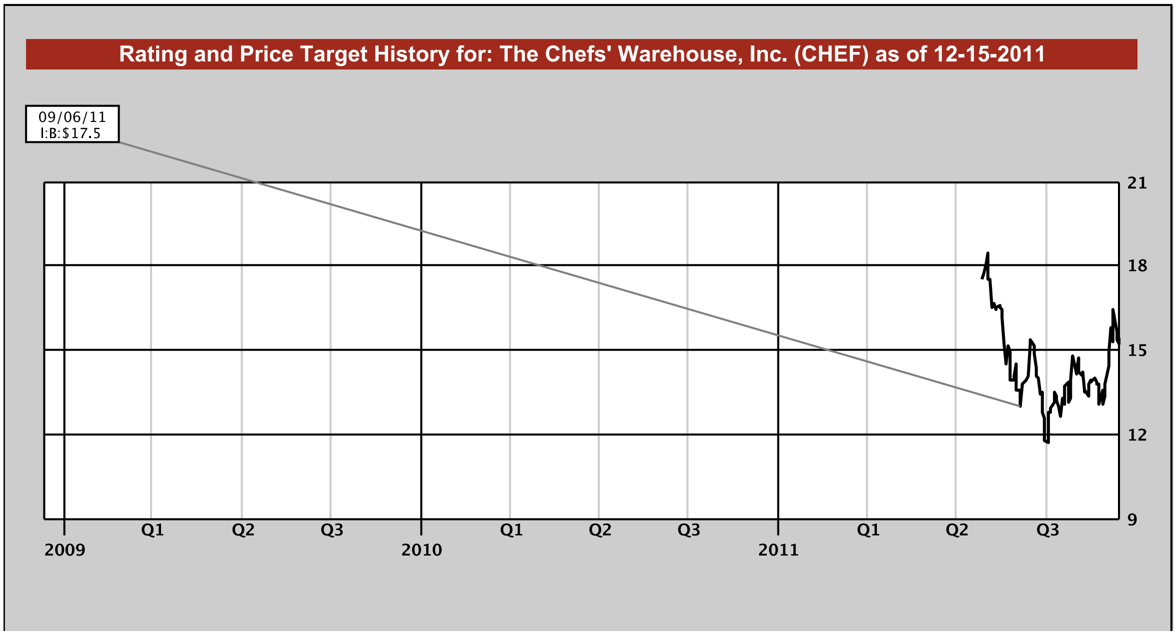

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Rating	Count	Percent	IB Serv./Past 12 Mos. Count	IB Serv./Past 12 Mos. Percent
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HOLD	615	41.10%	62	10.08%
UNDERPERFORM	98	6.50%	2	2.04%

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November 9, 2011

Jefferies

The Chefs' Warehouse (CHEF)
Heading West

BUY
Price target $17.50
Price $14.20

EQUITY RESEARCH AMERICAS

Key Takeaway

CHEF's acquisition of Portland-based distributor Provvista Specialty Foods looks to be a smart one indeed, as it allows CHEF the opportunity to expand into the Pacific Northwest. As part of the company's acquisition strategy, CHEF is using bolt-on transactions to establish a presence in new markets, where the company can subsequently leverage the strength of its model to increase new customers and placements per customer.

CHEF is heading west. On November 7th, The Chefs' Warehouse announced the acquisition of Provvista Specialty Foods, Inc., a leading Portland, OR based importer and wholesale distributor of specialty food products. The company, similar to The Chefs' Warehouse with its long-standing culinary history, was founded in 1993 by a Portland chef. Provvista, with roughly $17mm in annual revenue in 2010, services greater than 500 customer locations in the Portland, OR and Seattle, WA markets.

This transaction fits nicely with CHEF's acquisition strategy. Over the years, Chefs' Warehouse has used bolt-on transactions both to enter new markets, as is the case with Provvista Specialty Foods, as well as increase its presence in existing markets, such as the company's June 2011 acquisition of Harry Wils & Co. in New York metro. These acquisitions generally tend to be smaller in size, largely purchases of customer lists, and nicely accretive. With Provvista, CHEF is able to move into its seventh regional market and establish a beachhead in the Pacific Northwest by acquiring a strong operator in the region. Our initial analysis suggests a purchase price range of roughly $5-$8mm and the potential for the transaction to be slightly accretive to EPS in FY12, by perhaps $0.01 to $0.02. Going forward, Chefs' Warehouse is likely to begin to accelerate unique customer growth and to drive placements/customer higher in that market relying on CHEF's expansive product offering, unique sales force and by flexing its technology platforms. There is likely also the opportunity for CHEF to leverage its warehouse management system technology over time to lower costs and drive productivity improvements as it relates to the acquired business.

We continue to believe CHEF should be a core small cap holding for investors. Our research suggests significant opportunity exists for The Chefs' Warehouse to drive higher sales and earnings as the company leverages the benefits of technology and its superior business model and works to consolidate the fragmented industry.

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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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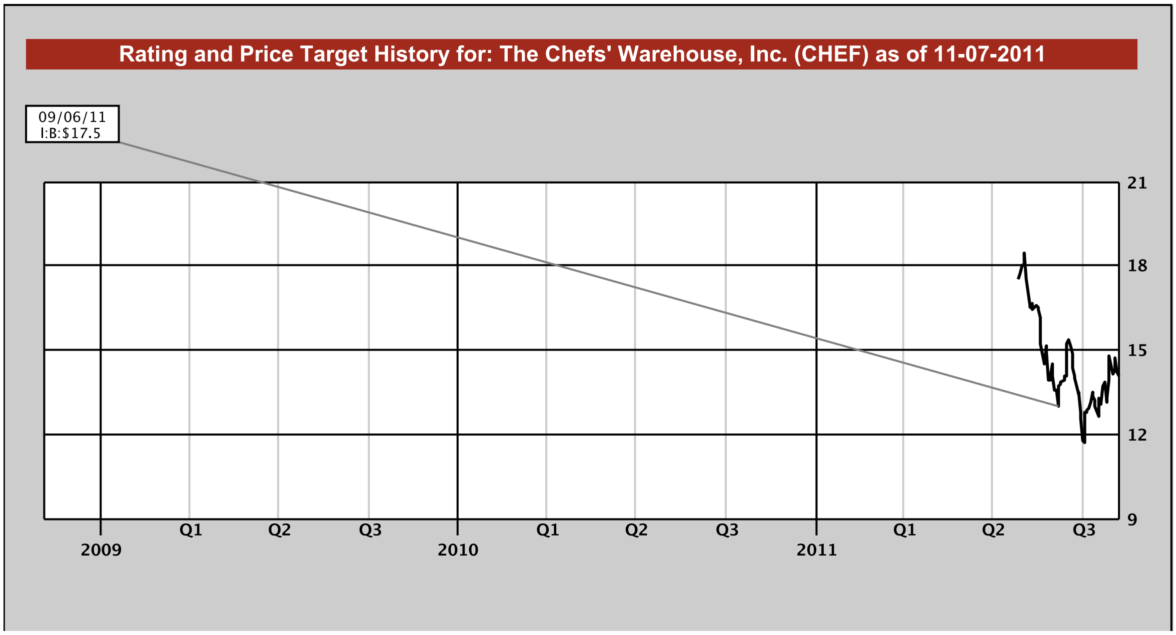

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HOLD	568	41.00%	55	9.68%
UNDERPERFORM	74	5.30%	2	2.70%

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Equity Research

Flash Comment

November 8, 2011

CHEF-NASDAQ--Outperform (1) / V

Restaurants & Foodservice

CHEF: Announced Acquisition Of Specialty Foods Company In Pacific Northwest

Jeff Omohundro, CFA, Senior Analyst (804) 697-7354

The Chefs' Warehouse, Inc.
Price as of 11/7/2011: $14.08

Sector Rating: Restaurants & Foodservice, Market Weight

- On November 7, CHEF announced that it has acquired substantially all of the assets of Provvista Specialty Foods, which is a specialty foods importer and wholesale distributor located in Portland, OR. Terms of the transaction were not disclosed.
- Provvista was founded in 1993 and had 2010 annual revenue of approximately $17 million. The acquired company services over 500 customer locations in the Portland, OR and Seattle, WA metropolitan areas.
- We think that acquisitions can represent an important opportunity for CHEF, and we have been impressed by the recent completion and integration of the Harry Wils acquisition so far in 2011. We are initially encouraged by this latest acquisition announcement.
- CHEF shares are trading at 14.4x our 2012 EPS estimate versus a multiple of 15.4x for the peer group and our estimated 3-5 year growth rate of 17%. On a P/E-to-growth basis, CHEF shares are trading at a multiple of 0.8x versus a peer group PEG ratio of 1.6x.

FY 11 EPS: $0.77
FY 12 EPS: $0.98
Shares Out.: 20.8 MM
Market Cap.: $292.86 MM

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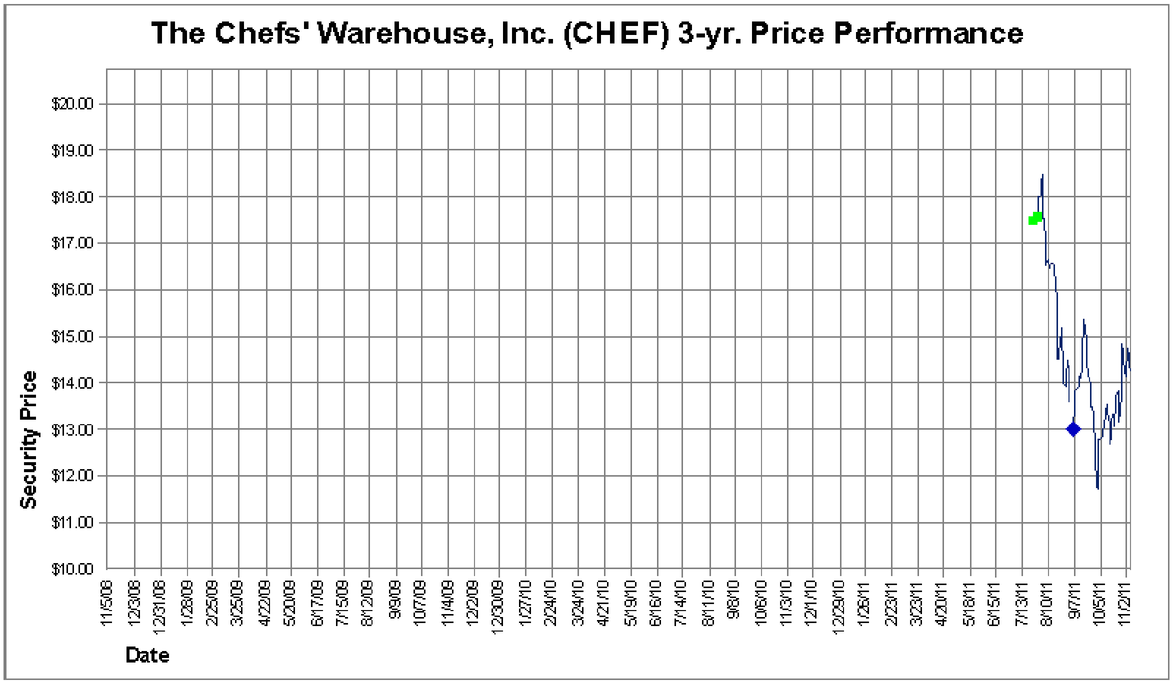
Required Disclosures



	Date	Publication Price ($)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price ($)
□	7/28/2011	IPO at $15.00				
	9/2/2011	Omohundro				
◆	9/6/2011	13.56	1	19.00	20.00	12.98

Source: Wells Fargo Securities, LLC estimates and Reuters data

Symbol Key

▼	Rating Downgrade	◆	Initiation, Resumption, Drop or Suspend
▲	Rating Upgrade	■	Analyst Change
●	Valuation Range Change	□	Split Adjustment

Rating Code Key

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2	Market Perform/Hold	NR	Not Rated
3	Underperform/Sell	NE	No Estimate

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As of: November 8, 2011

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The Chefs' Warehouse
CHEF : NASDAQ : US$14.08
Buy | US$18.00 Target

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DELIVERING PORTLAND AND SEATTLE; REITERATE BUY AND $18 TARGET

Investment recommendation

We expect that CHEF will deliver an EPS growth CAGR of over 20% over the next few years and believe the company has considerable geographic growth opportunities to deliver years of growth well above the specialty food sector overall.

Investment highlights

- CHEF announces acquisition of Provvista Specialty Foods, providing entry into the Portland and Seattle markets.
- Provvista generated $17M of sales last year, servicing over 500 customers with a broad specialty food offering that should be further enhanced under CHEF's ownership.
- No financial terms were disclosed in the announcement, but the acquisition price was likely $5+ million and easily supported by the capital structure.
- The deal should certainly add to earnings in 2012, but we will await greater detail before adjusting our forecasts.
- We view the acquisition as a validation of the geographical growth strategy that is ideally accomplished through the acquisition of a quality local operator, thus providing the relationships, infrastructure and regional knowledge off which to build.
- We reiterate our BUY rating.

Valuation

At 15x F2012E EPS and 7.5x EBITDA forecast, we view the valuation as appropriate relative to peers and attractive relative to growth prospects. We continue to believe that consistent outperformance relative to the distribution sector can expand the valuation. We maintain our target of $18, which is based on a multiple of 9.5x F2013E EBITDA.

Investment risks

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 exposures to potential sales volatility as consumer confidence and spending fluctuation. 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 it remains 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; 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 filing.

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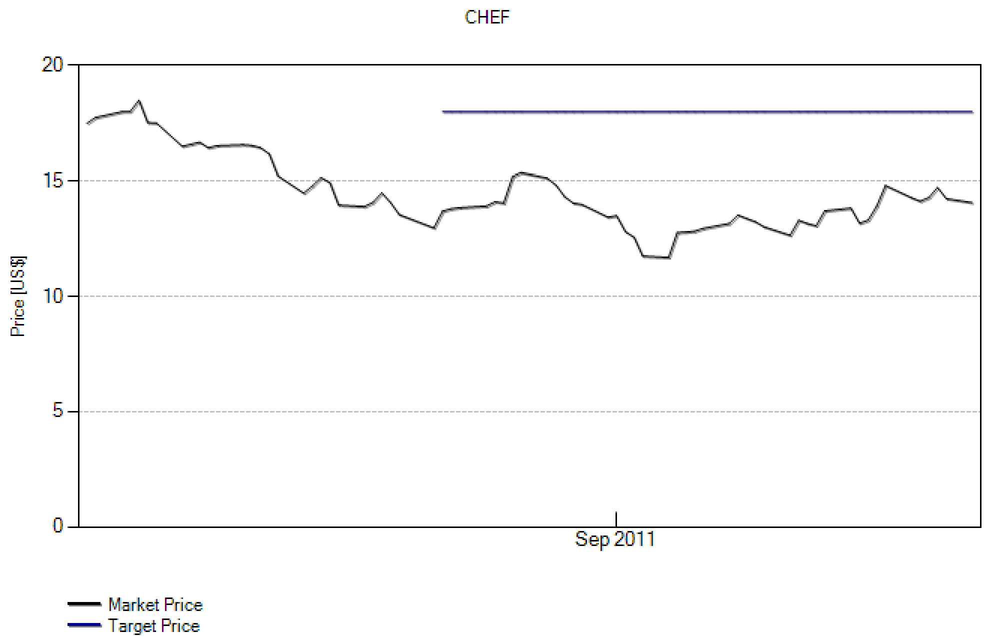
Price Chart:*



	Date	Analyst	Rating	Target Price	Date	Analyst	Rating	Target Price
1)	09/07/2011	Winkle	Buy	18.00				

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

Distribution of Ratings:
Global Stock Ratings
(as of 4 November 2011)

Rating	Coverage Universe #	%	IB Clients %
Buy	494	63.3%	36.4%
Speculative Buy	83	10.6%	68.7%
Hold	192	24.6%	18.2%
Sell	12	1.5%	16.7%
	781	100%	

Canaccord Ratings System:

BUY: The stock is expected to generate risk-adjusted returns of over 10% during the next 12 months.
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SELL: The stock is expected to generate negative risk-adjusted returns during the next 12 months.
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Company	Disclosure
The Chefs' Warehouse	1A, 2, 3, 5, 7

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Flash

BMO Capital Markets

Monday, November 7, 2011

Chefs' Warehouse (Outperform)

(CHEF-NASDAQ)

Enters Portland and Seattle Markets Through Acquisition

Flash:

Tonight, CHEF announced that it had acquired the assets of Provvista Specialty Foods, Inc., a specialty foods importer and distributor that serves the Portland, Oregon, and Seattle, Washington, markets.

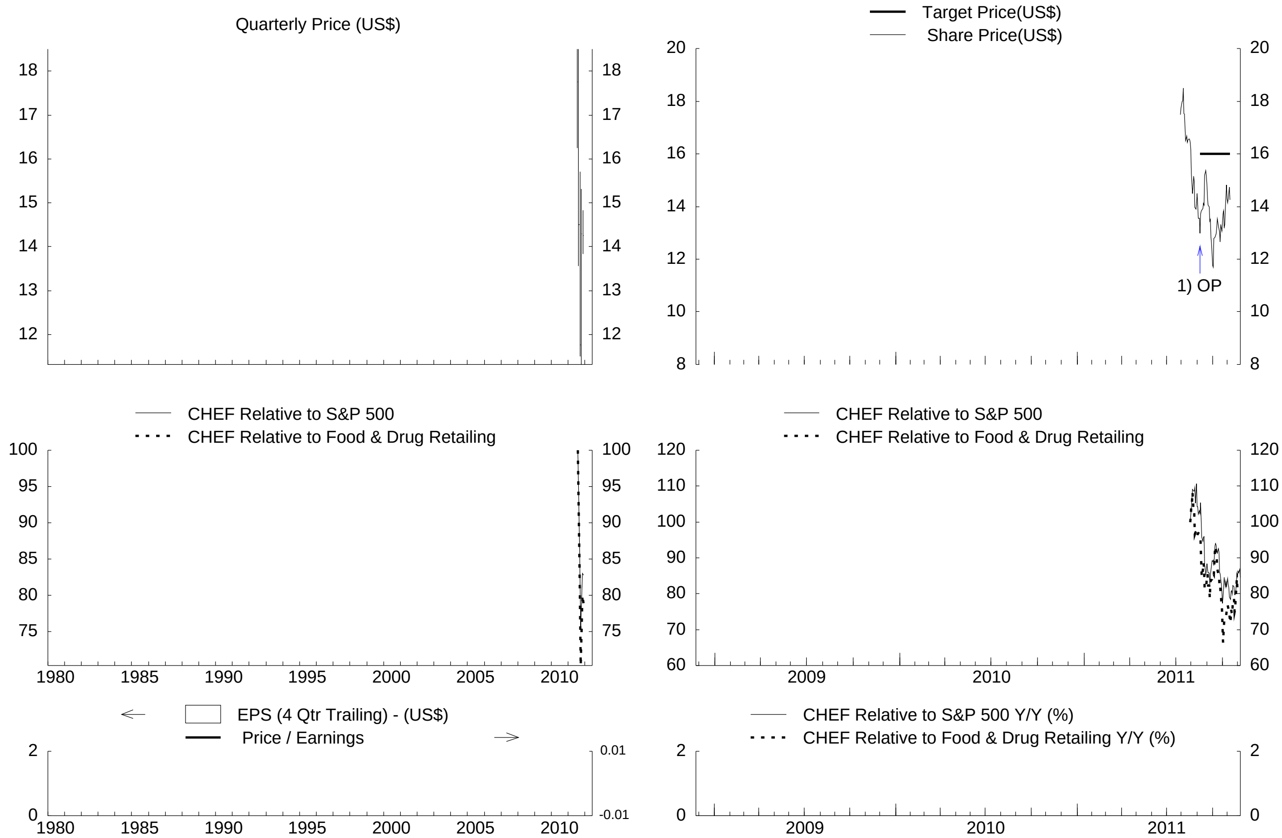
Our View:

* The acquisition represents a new market opportunity for CHEF and will be the seventh market that the company serves. Sales at Provvista were $17 million in CY2010, making it almost double the size of CHEF's two smallest existing markets, Las Vegas and Miami.
* We view this acquisition favorably – it supports our thesis that CHEF is well positioned to play a significant role in industry consolidation. We maintain our **OUTPERFORM** rating and will update our estimates as more information becomes available.

Company:	Chefs' Warehouse (CHEF)
Price/Rating/Target:	$14.08/Outperform/$16.00
Sector Name:	Food Retail
Analyst:	Karen Short 212-885-4123
Email:	karen.short@bmo.com
Associate:	Ryan J. Gilligan 212-885-4124
Email:	ryan.gilligan@bmo.com

Please refer to pages 2 to 5 for Disclosure Statements, including the Analyst's Certification.

CHEFS WHSE INC (CHEF)



CHEF - Rating as of 28-Jul-11 = NR

	Date	Rating Change	Share Price
1	6-Sep-11	NR to OP	$13.56

Last Daily Data Point: November 4, 2011

Important Disclosures

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Methodology and Risks to Our Price Target

Methodology: Our target price values CHEF at an FY12 EV/EBITDA of xx and P/E of xx.

Risks: Key risks to our CHEF price target include increased competition from traditional broadline operators or consolidation among other regional specialty distributors, deterioration in the national or New York economy as it relates to discretionary spending at restaurants, the success and completion of future acquisitions at fair prices, significant increases in raw material costs, and tainted product or product recall which could tarnish the company's image.

Distribution of Ratings (September 30, 2011)

Rating Category	BMO Rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	Starmine Universe
Buy	Outperform	39.2%	12.6%	38.8%	42.5%	48.1%	57.2%
Hold	Market Perform	58.9%	13.2%	61.2%	54.6%	50.9%	38.5%
Sell	Underperform	1.9%	0.0%	0.0%	2.9%	0.9%	4.3%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

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Und = Underperform - Forecast to underperform the market;
(S) = speculative investment;
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CANACCORD Genuity

31 October 2011

Today's Changes	Annual EPS	Annual Revenue	Rating/Target
	2011E $0.76 from $0.77	2011E $391.9M from $388.9M	No change
	2012E $0.95 (no change)	2012E $442.0M from $437.1M	

The Chefs' Warehouse

CHEF : NASDAQ : US$14.34

BUY

Target: US$18.00

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COMPANY STATISTICS:

Shares Out diluted:	20.8
Market Cap (M):	US$298.8
52-week Range:	11.32 - 18.5
Avg. Daily Vol. (000s):	236.8
EV/EBITDA:	11.8

EARNINGS SUMMARY:

FYE Dec		2010A	2011E	2012E	2013E
P/Sales:		0.9	0.8	0.7	0.6
P/E:		26.1	19.0	15.2	13.3
Revenue (M):	Q1	70.0A	83.2A	-	-
	Q2	83.6A	99.3A	-	-
	Q3	84.9A	101.7A	-	-
	Q4	91.6A	107.8E	-	-
Total		330.1	391.9	442.0	479.5
EPS:	Q1	0.07A	0.12A	-	-
	Q2	0.15A	0.20A	-	-
	Q3	0.17A	0.19A	-	-
	Q4	0.17A	0.24E	-	-
Total		0.55	0.76	0.95	1.08

SHARE PRICE PERFORMANCE:

Source: Interactive Data Corporation

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 in the United States.

All amounts in US$ unless otherwise noted.

Consumer & Retail -- Health, Wellness and Lifestyle

OUTPACING THE SECTOR; REITERATE BUY AND $18 TARGET

Investment recommendation

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

Investment highlights

- Confidence further increased after a deeper review of last week's Q3 result, where revenue upside and in-line earnings dispelled concerns of discretionary spending exposure.
- Internal growth continues to post strong results, above 13%, and we've increased our contribution forecast from the Harry Wils acquisition given stronger retention post-deal.
- Adjusting estimates for the Q3 results. Raising F2011 revenue to $392M from $389M, while lowering EPS to $0.76 from $0.77 to reflect Q3 variance due to Hurricane Irene. Raising F2012 revenue to $442M from $437M while maintaining $0.95 EPS estimate.

Valuation

At 15x our F2012 EPS estimate and 9x our EBITDA forecast, we view valuation as appropriate relative to peers and attractive relative to projected growth. We continue to believe that consistent outperformance relative to the distribution sector can expand the valuation. We maintain our target of $18, which is based on a multiple of 9.5x F2013E EBITDA.

INVESTMENT THESIS

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 and still establishing a reputation with investors, we believe it is already proven in its industry. 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.

Q3 RESULTS

Third quarter financial results were published last week that met consensus expectations. Revenue growth remained robust, with sales rising 20% to $101.7 million. The internal growth was 13.3%, down from 17% in Q2, but in line with the year-to-date trend and above our forecast of 11.5%. As expected, the Q3 IPO and refinancing led to a GAAP loss in the quarter. The loss was $(0.06) vs. our $(0.07) loss forecast, but the key figure was pro forma EPS of $0.19, which was in line with consensus while a penny below our $0.20 forecast. The impact of Hurricane Irene, which impacted over two-thirds of CHEF’s sales base during the quarter, was a penny impact to EPS, while higher integration costs associated with the Harry Wils acquisition trimmed another penny off the results. The quarter was essentially a little stronger than billed, despite broad investor concerns that exposure to discretionary restaurant spending and leverage to Wall Street could impair results. Coming out of the quarter, we have higher confidence in our growth forecasts, a higher expectation of acquisition contribution given the greater retention of Harry Wils customers that was achieved by the company boosting spending against the acquisition integration, and further confidence in the consistency of gross margins.

Gross margin continued to expand YOY and run above our long-term based expectation of at least 26% margins, coming in at 26.2%. The pro forma operating margin of 6.9% was below our forecast of 7.5% given the boosted spending on customer service and incremental distribution assets to support the Harry Wils integration. The added routes/drivers will normalize during Q4, but we expect the incremental contribution of the acquisition to remain. We estimated about $18M of annualized contribution from this most recent acquisition, while the actual annualized contribution is running just over $20 million. We expect operating margins will revert to the trend of YOY expansion in Q4.

We believe that the Q3 trends are a reflection of a competitive position that should continue to deliver market share gains and growth well in excess of the broader food service industry. Given higher acquisition integration costs and a hurricane that eliminated sales for a short period in its two largest markets, we view the Q3 results very favorably.

Figure 1: Quarterly results comparison

Income Statement In $ million, except per share amounts	Actual Q3:11A	Last Year Q3:10A	YOY % Growth	Canaccord Estimate Q3:11E	% Difference
Revenue	**101.7**	**84.9**	19.7%	**99.7**	2.0%
COGS	(75.1)	(62.9)	19.4%	(73.7)	1.8%
Gross Profit	26.6	22.1	20.7%	26.0	2.3%
Warehousing and distribution	(10.6)	(8.6)	24.0%	(9.6)	11.1%
SG&A	(10.3)	(6.8)	49.7%	(10.4)	(1.8%)
Depreciation and amortization	(0.4)	(0.4)	5.6%	(3.4)	(87.4%)
Operating Expenses	(21.3)	(15.8)	34.7%	(23.4)	(9.0%)
Operating Income	5.3	6.3	(14.6%)	2.6	102.4%
EBITDA	**5.8**	**6.7**	(13.4%)	**6.0**	(4.5%)
Net Interest/Other	(7.2)	(0.5)	nmf	(4.7)	54.2%
Other expenses	0.0	0.2		0.0	
Pretax Income	(1.9)	6.0	nmf	(2.1)	(7.4%)
Income Tax	0.7	(1.6)	nmf	0.8	(11.1%)
Net income	**(1.2)**	**4.4**	nmf	**(1.2)**	(5.0%)
Average Shares	18.7	16.0	16.9%	17.6	6.4%
EPS	**($0.06)**	**$0.28**	nmf	**($0.07)**	(10.8%)
Pro forma adjustments					
GAAP Pretax income	**(1.9)**	**6.0**	(131.8%)	**(2.1)**	(7.4%)
SG&A	1.7	(0.4)		1.8	(4.3%)
D&A				3.0	(100.0%)
Interest	6.7			4.3	56.8%
Adjusted EBITDA	**7.5**	**6.3**	18.7%	**7.8**	(4.4%)
Adjusted pre-tax	6.6	5.7	15.9%	7.0	(6.8%)
Taxes	(2.6)	(2.2)	15.9%	(2.8)	(8.0%)
Adjusted net income	4.0	3.5	15.9%	4.3	(6.1%)
Pro Forma EPS	**$0.19**	**$0.17**	14.9%	**$0.20**	(6.1%)
Shares outstanding	20.8	20.7	0.8%	20.8	0.0%

	Actual Q3:11A	Last Year Q3:10A	YOY BP Change	Estimate Q3:11E	BP Difference
Gross Margin	26.2%	26.0%	21	26.1%	9
Total Operating expenses	20.9%	18.6%	232	23.5%	(252)
Adjusted operating margin	6.9%	7.0%	(1)	7.5%	(51)
Adjusted EBITDA margin	7.4%	7.4%	(6)	7.9%	(49)
Pretax margin	(1.9%)	7.1%	(895)	(2.1%)	19
Adjusted net margin	3.9%	4.1%	(13)	4.3%	(34)
Tax Rate	39.0%	39.0%	(0)	39.5%	(50)

Source: Company reports and Canaccord Genuity forecasts

Now that we have had an opportunity to more thoroughly review the Q3 financial results, we are updating our forecasts for the Q3 actuals and trends exiting the quarter. We are making no change to our forward EPS estimates, while modestly increasing our forward revenue projections. Our F2011 EPS estimate falls by a penny to $0.76 from $0.77 to reflect the Q3 variance driven by Hurricane Irene impact, while we maintain our F2012 and F2013 EPS estimates of $0.95 and $1.08, respectively. We are increasing our F2011 revenue forecast to $392 million from $389 million, mostly due to the Q3 variance, compounded by a modest increase to our Q4 estimate. For F2012 and F2013, we are increasing our revenue forecasts by just over 1%, to $442 million and $480 million from $437 million and $474 million, respectively. Our new forecasts continue to reflect internal growth in the low teens this year and a more conservative forecast of high single digits in F2012 and beyond. We have increased our Harry Wils contribution to just over $20 million annualized from $18 million previously and continue to forecast no future acquisitions in our model, despite the near certainty that additional consolidation of the highly fragmented specialty food distribution will occur.

On the margins, we have modestly boosted our gross margin forecast for Q4, while increasing our operating expense forecast by a like amount. For the full year of 2011, our margin forecasts were reduced by the Q3 results. Beyond this year, our margin expectations have not been materially changed, other than building off a new base in F2011.

Figure 2: Estimate revision

in $ millions, except EPS	F2010	New F2011E	Prior F2011E	New F2012E	Prior F2012E	New F2013E	Prior F2013E
Revenue	330.1	391.9	388.9	442.0	437.1	479.5	474.3
Adjusted EBITDA	24.6	28.7	29.1	37.5	37.7	42.0	42.2
Pro forma EPS	$0.55	$0.76	$0.77	$0.95	$0.95	$1.08	$1.08
Gross margin	26.0%	26.4%	26.3%	26.2%	26.2%	26.2%	26.2%
Adjusted EBITDA margin	7.4%	7.3%	7.5%	8.5%	8.6%	8.8%	8.9%
Adjusted net margin	3.4%	4.0%	4.1%	4.5%	4.6%	4.8%	4.9%

Source: Company reports and Canaccord Genuity forecasts

VALUATION

Valuation is attractive, in our view. Shares trade at 15x 2012 our EPS forecast of $0.95 and 9x forecasted EBITDA. While the valuation represents a significant premium to the food distribution peer group multiple of 11-12x earnings and 6-7x EBITDA, the valuation is attractive relative to its best and only real comparable peer from a standpoint of growth United Natural Foods (UNFI : NASDAQ : $37.00 | HOLD). We view UNFI as the best comparable for CHEF given it also enjoys a naturally growing market, superior margins relative to most distributors (yet at 18% its gross margins are still inferior to CHEF at 26%) and is the leader in its segment. The shares trade at a 10%-15% discount to UNFI.

We continue to 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. 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 (twice the valuation of the distribution group), reduced by the unattractive comparison to the low valuations afforded the traditional food distribution peer group.

Figure 3: Relative valuation

Food distribution Peer Group			Price	Market	Enterprise	C2011E	C2012E	P/E	P/E	Enterprise Value/ EBITDA	Enterprise Value/ EBITDA
Company	Symbol	Rating	10/31/2011	Cap ($M)	Value	EPS	EPS	C2011E	C2012E	C2011E	C2012E
Core-Mark Holdings	CORE	Not rated	33.60	383	443	2.58	3.23	13.0	10.4	5.9	4.7
Nash Finch	NAFC	Not rated	26.60	323	642	3.67	3.72	7.2	7.2	4.3	4.2
Supervalu	SVU	Not rated	8.08	1,715	7,959	1.26	1.26	6.4	6.4	4.3	4.4
Sysco	SYY	Not rated	27.90	16,458	18,487	1.99	2.10	14.0	13.3	7.7	7.4
United Natural Foods	UNFI	Hold	37.00	1,805	2,008	1.75	2.07	21.1	17.9	10.5	9.6
Average								**12.2x**	**11.2x**	**6.7x**	**6.4x**

Specialty Food Peer Group			Price	Market	Enterprise	C2011E	C2012E	P/E	P/E	Enterprise Value/ EBITDA	Enterprise Value/ EBITDA
Company	Symbol	Rating	10/31/2011	Cap ($M)	Value	EPS	EPS	C2011E	C2012E	C2011E	C2012E
Diamond Foods	DMND	Not rated	66.10	1,455	1,984	2.79	3.38	23.7	19.6	9.6	5.6
Hain Celestial	HAIN	Buy	33.87	1,530	1,505	1.46	1.83	23.3	18.5	11.5	8.7
Lifeway Foods	LWAY	Not rated	10.92	179	186	0.30	0.36	37.0	30.3	19.2	17.1
Peet's Coffee & Tea	PEET	Not rated	64.35	831	802	1.50	1.79	43.0	35.9	16.9	14.7
Smart Balance	SMBL	Hold	6.60	394	435	0.22	0.28	29.5	23.4	11.0	10.6
United Natural Foods	UNFI	Hold	37.00	1,805	2,008	1.75	2.07	21.1	17.9	10.5	9.6
Average								**29.6x**	**24.3x**	**13.1x**	**11.1x**
Chefs' Warehouse	**CHEF**	Buy	**14.34**	**299**	**339**	**0.76**	**0.95**	**19.0**	**15.2**	**11.8**	**9.0**
Relative to conventional group								55.4%	35.7%	75.6%	41.0%
Relative to specialty group								(35.9%)	(37.5%)	(10.2%)	(18.5%)
Relative to UNFI								(10.3%)	(15.2%)	11.8%	(6.4%)

Source: Canaccord Genuity, Capital IQ and Thomson First Call consensus estimates

Figure 4: Historical and projected operating results

Fiscal Year End - December (in millions, except per-share data)

	2010	2011E				2011E	2012E	2013E
Income Statement	**FY**	**Q1A**	**Q2A**	**Q3A**	**Q4**	**FY**	**FY**	**FY**
Revenue	**330.1**	**83.2**	**99.3**	**101.7**	**107.8**	**391.9**	**442.0**	**479.5**
COGS	(244.3)	(61.1)	(73.0)	(75.1)	(79.5)	(288.7)	(326.1)	(353.8)
Gross Profit	85.8	22.0	26.3	26.6	28.4	103.3	115.9	125.8
Operating Expenses	(64.2)	(17.0)	(18.6)	(21.3)	(19.6)	(76.5)	(81.1)	(86.5)
Operating Income	21.6	5.1	7.7	5.3	8.7	26.8	34.8	39.3
EBITDA	**24.6**	**5.6**	**8.0**	**5.8**	**9.1**	**29.1**	**37.5**	**42.0**
Net Interest	(4.0)	(3.5)	(3.3)	(7.2)	(0.4)	(14.5)	(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	(1.9)	8.3	12.4	33.5	38.4
Income Tax	(2.6)	(0.7)	(1.7)	0.7	(3.2)	(4.9)	(13.5)	(15.2)
Net Income	15.7	1.0	2.7	(1.2)	5.1	7.5	19.9	23.2
Average Shares	72.5	16.0	16.0	18.7	20.9	17.9	21.1	21.5
EPS	$0.22	$0.06	$0.17	($0.06)	$0.24	$0.42	$0.95	$1.08
Pro forma adjustments								
GAAP Pretax income	18.2	1.7	4.4	(1.9)	8.3	12.4	33.5	38.4
SG&A	(1.4)	(0.8)	(0.7)	1.7	0.0	0.3	0.0	0.0
D&A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest	1.8	3.0	2.9	6.7	0.0	12.7	0.0	0.0
Adjusted EBITDA	**24.6**	**4.8**	**7.3**	**7.5**	**9.1**	**28.7**	**37.5**	**42.0**
Adjusted pre-tax	18.6	4.2	6.9	6.6	8.3	26.0	33.5	38.4
Taxes	(7.3)	(1.6)	(2.7)	(2.6)	(3.2)	(10.1)	(13.5)	(15.2)
Adjusted net income	11.4	2.6	4.2	4.0	5.1	15.8	19.9	23.2
Pro Forma EPS	**$0.55**	**$0.12**	**$0.20**	**$0.19**	**$0.24**	**$0.76**	**$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 %**	**26.2 %**	**26.3 %**	**26.4 %**	**26.2 %**	**26.2 %**
Warehousing and distribution	10.3 %	10.3 %	9.2 %	10.4 %	9.9 %	10.0 %	9.5 %	9.4 %
SG&A	8.5 %	9.3 %	9.1 %	10.1 %	7.9 %	9.1 %	8.5 %	8.3 %
Adjusted operating margin	6.1 %	5.2 %	7.1 %	6.9 %	8.1 %	6.9 %	7.9 %	8.2 %
Adjusted EBITDA margin	**7.4 %**	**5.8 %**	**7.4 %**	**7.4 %**	**8.5 %**	**7.3 %**	**8.5 %**	**8.8 %**
Pretax margin	5.5 %	2.0 %	4.4 %	-1.9 %	7.7 %	3.2 %	7.6 %	8.0 %
Adjusted net margin	3.4 %	3.1 %	4.2 %	3.9 %	4.7 %	4.0 %	4.5 %	4.8 %
Tax Rate	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	40.4%	39.5%
Growth (vs Year Ago)								
Revenue	22 %	19 %	19 %	20 %	18 %	19 %	13 %	9 %
Operating	62 %	67 %	37 %	-15 %	34 %	24 %	30 %	13 %
Pro forma Pre-Tax Income	63 %	89 %	38 %	16 %	44 %	39 %	29 %	15 %
Pro forma Net Income	75 %	89 %	38 %	16 %	44 %	39 %	26 %	17 %
Pro forma EPS	0 %	87 %	36 %	15 %	43 %	37 %	25 %	14 %
Ratio Analysis								
Net debt	97.5	95.7	100.9	39.6	35.2	35.2	16.5	(4.6)
DSOs	38.4	39.6	37.1	38.4	38.4	38.4	38.4	38.4
Days Inventory	24.5	25.7	24.1	26.0	22.1	24.4	23.7	23.7
Inventory Turns	14.9	3.5	3.8	3.5	4.1	15.0	15.4	15.4
ROIC	26.0%	25.2%	33.1%	22.7%	36.6%	28.1%	33.5%	36.3%
Return on Equity	nmf	nmf	nmf	nmf	nmf	nmf	45.6 %	29.7 %
Operating ROA	29.0%	24.9%	32.2%	20.6%	33.0%	28.5%	31.2%	31.5%
Debt/Total Capital	57.9%	85.8%	86.5%	70.2%	67.8%	71.1%	58.7%	42.6%
Cash Flow Analysis								
Operating cash flow	13.5	3.1	5.3	(0.9)	2.9	10.5	21.5	24.0
Free cash flow	12.4	2.7	4.8	(1.3)	2.5	8.8	19.8	22.3

Source: Company reports and Canaccord Genuity estimates

Investment risks

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 exposures to potential sales volatility as consumer confidence and spending fluctuation. 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 it remains 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; 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.

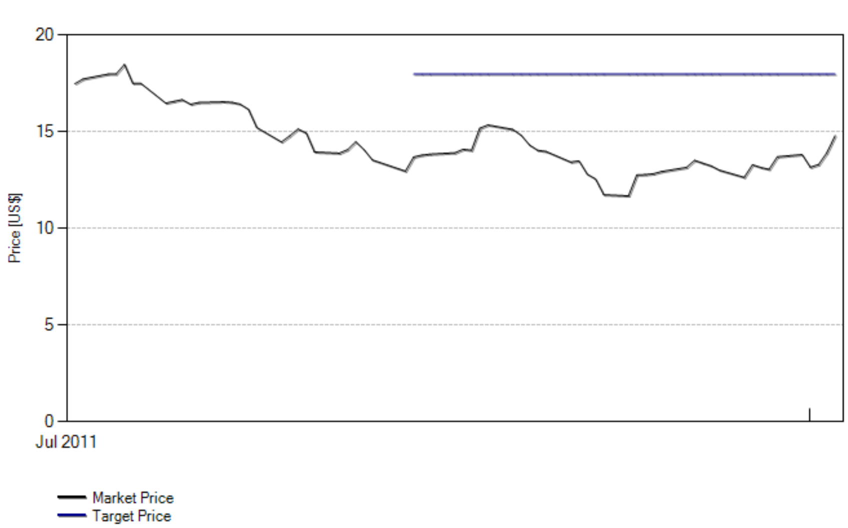
In addition, we strongly urge investors to review the complete set of risk factors that can be found in The Chefs' Warehouse's most recent regulatory filing.

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.

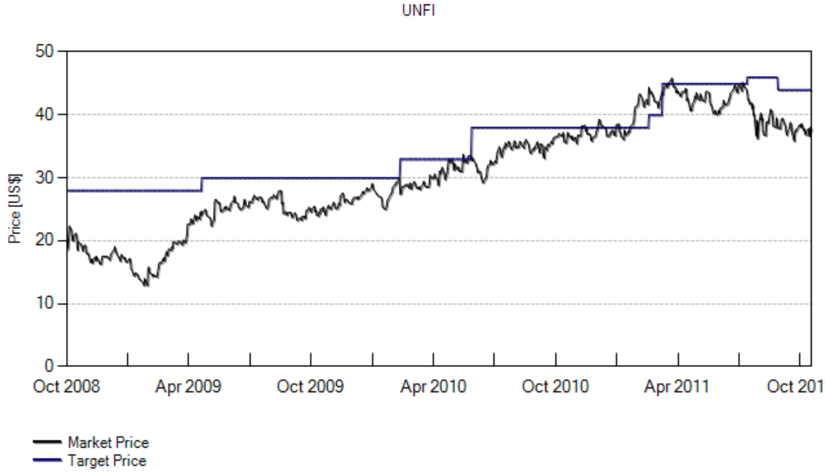
Site Visit: An analyst has visited the issuer's material operations in Ridgefield, Connecticut. No payment or reimbursement was received from the issuer for the related travel costs.

Price Chart:*



	Date	Analyst	Rating	Target Price	Date	Analyst	Rating	Target Price
1)	09/07/2011	Winkle	Buy	18.00				

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



	Date	Analyst	Rating	Target Price		Date	Analyst	Rating	Target Price
1)	05/14/2009	Van Winkle	Buy	30.00	6)	03/03/2011	Winkle	Hold	40.00
2)	09/09/2009	Winkle	Buy	30.00	7)	03/22/2011	Winkle	Hold	45.00
3)	03/02/2010	Winkle	Buy	33.00	8)	07/26/2011	Winkle	Hold	46.00
4)	06/15/2010	Winkle	Buy	38.00	9)	09/09/2011	Winkle	Hold	44.00
5)	10/25/2010	Winkle	Hold	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 October 2011)

	Coverage Universe		IB Clients
Rating	#	%	%
Buy	509	63.5%	35.6%
Speculative Buy	86	10.7%	64.0%
Hold	194	24.2%	17.0%
Sell	12	1.5%	25.0%
	801	100%	

Canaccord Ratings System:

BUY: The stock is expected to generate risk-adjusted returns of over 10% during the next 12 months.
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 31 October 2011

Company	Disclosure
The Chefs' Warehouse	1A, 2, 3, 5, 7
United Natural Foods	5, 7

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CANACCORD Genuity

31 October 2011

Today's Changes	Annual EPS	Annual Revenue	Rating/Target
	2011E $0.76 from $0.77	2011E $391.9M from $388.9M	No change
	2012E $0.95 (no change)	2012E $442.0M from $437.1M	

The Chefs' Warehouse

CHEF : NASDAQ : US$14.34

BUY

Target: US$18.00

Scott Van Winkle, CFA 1.617.371.3759
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COMPANY STATISTICS:

Shares Out diluted:	20.8
Market Cap (M):	US$298.8
52-week Range:	11.32 - 18.5
Avg. Daily Vol. (000s):	236.8
EV/EBITDA:	11.8

EARNINGS SUMMARY:

FYE Dec		2010A	2011E	2012E	2013E
P/Sales:		0.9	0.8	0.7	0.6
P/E:		26.1	19.0	15.2	13.3
Revenue (M):	Q1	70.0A	83.2A	-	-
	Q2	83.6A	99.3A	-	-
	Q3	84.9A	101.7A	-	-
	Q4	91.6A	107.8E	-	-
Total		330.1	391.9	442.0	479.5
EPS:	Q1	0.07A	0.12A	-	-
	Q2	0.15A	0.20A	-	-
	Q3	0.17A	0.19A	-	-
	Q4	0.17A	0.24E	-	-
Total		0.55	0.76	0.95	1.08

SHARE PRICE PERFORMANCE:

Source: Interactive Data Corporation

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 in the United States.

All amounts in US$ unless otherwise noted.

Consumer & Retail -- Health, Wellness and Lifestyle

OUTPACING THE SECTOR; REITERATE BUY AND $18 TARGET

Investment recommendation

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

Investment highlights

- Confidence further increased after a deeper review of last week's Q3 result, where revenue upside and in-line earnings dispelled concerns of discretionary spending exposure.
- Internal growth continues to post strong results, above 13%, and we've increased our contribution forecast from the Harry Wils acquisition given stronger retention post-deal.
- Adjusting estimates for the Q3 results. Raising F2011 revenue to $392M from $389M, while lowering EPS to $0.76 from $0.77 to reflect Q3 variance due to Hurricane Irene. Raising F2012 revenue to $442M from $437M while maintaining $0.95 EPS estimate.

Valuation

At 15x our F2012 EPS estimate and 9x our EBITDA forecast, we view valuation as appropriate relative to peers and attractive relative to projected growth. We continue to believe that consistent outperformance relative to the distribution sector can expand the valuation. We maintain our target of $18, which is based on a multiple of 9.5x F2013E EBITDA.

INVESTMENT THESIS

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 and still establishing a reputation with investors, we believe it is already proven in its industry. 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.

Q3 RESULTS

Third quarter financial results were published last week that met consensus expectations. Revenue growth remained robust, with sales rising 20% to $101.7 million. The internal growth was 13.3%, down from 17% in Q2, but in line with the year-to-date trend and above our forecast of 11.5%. As expected, the Q3 IPO and refinancing led to a GAAP loss in the quarter. The loss was $(0.06) vs. our $(0.07) loss forecast, but the key figure was pro forma EPS of $0.19, which was in line with consensus while a penny below our $0.20 forecast. The impact of Hurricane Irene, which impacted over two-thirds of CHEF's sales base during the quarter, was a penny impact to EPS, while higher integration costs associated with the Harry Wils acquisition trimmed another penny off the results. The quarter was essentially a little stronger than billed, despite broad investor concerns that exposure to discretionary restaurant spending and leverage to Wall Street could impair results. Coming out of the quarter, we have higher confidence in our growth forecasts, a higher expectation of acquisition contribution given the greater retention of Harry Wils customers that was achieved by the company boosting spending against the acquisition integration, and further confidence in the consistency of gross margins.

Gross margin continued to expand YOY and run above our long-term based expectation of at least 26% margins, coming in at 26.2%. The pro forma operating margin of 6.9% was below our forecast of 7.5% given the boosted spending on customer service and incremental distribution assets to support the Harry Wils integration. The added routes/drivers will normalize during Q4, but we expect the incremental contribution of the acquisition to remain. We estimated about $18M of annualized contribution from this most recent acquisition, while the actual annualized contribution is running just over $20 million. We expect operating margins will revert to the trend of YOY expansion in Q4.

We believe that the Q3 trends are a reflection of a competitive position that should continue to deliver market share gains and growth well in excess of the broader food service industry. Given higher acquisition integration costs and a hurricane that eliminated sales for a short period in its two largest markets, we view the Q3 results very favorably.

Figure 1: Quarterly results comparison

Income Statement In $ million, except per share amounts	**Actual** **Q3:11A**	**Last Year** **Q3:10A**	**YOY** **% Growth**	**Canaccord** **Estimate** **Q3:11E**	**% Difference**
Revenue	**101.7**	**84.9**	19.7%	**99.7**	2.0%
COGS	(75.1)	(62.9)	19.4%	(73.7)	1.8%
Gross Profit	26.6	22.1	20.7%	26.0	2.3%
Warehousing and distribution	(10.6)	(8.6)	24.0%	(9.6)	11.1%
SG&A	(10.3)	(6.8)	49.7%	(10.4)	(1.8%)
Depreciation and amortization	(0.4)	(0.4)	5.6%	(3.4)	(87.4%)
Operating Expenses	(21.3)	(15.8)	34.7%	(23.4)	(9.0%)
Operating Income	5.3	6.3	(14.6%)	2.6	102.4%
EBITDA	**5.8**	**6.7**	(13.4%)	**6.0**	(4.5%)
Net Interest/Other	(7.2)	(0.5)	nmf	(4.7)	54.2%
Other expenses	0.0	0.2		0.0	
Pretax Income	(1.9)	6.0	nmf	(2.1)	(7.4%)
Income Tax	0.7	(1.6)	nmf	0.8	(11.1%)
Net income	**(1.2)**	**4.4**	nmf	**(1.2)**	(5.0%)
Average Shares	18.7	16.0	16.9%	17.6	6.4%
EPS	**($0.06)**	**$0.28**	nmf	**($0.07)**	(10.8%)
Pro forma adjustments					
GAAP Pretax income	**(1.9)**	**6.0**	(131.8%)	**(2.1)**	(7.4%)
SG&A	1.7	(0.4)		1.8	(4.3%)
D&A				3.0	(100.0%)
Interest	6.7			4.3	56.8%
Adjusted EBITDA	**7.5**	**6.3**	18.7%	**7.8**	(4.4%)
Adjusted pre-tax	6.6	5.7	15.9%	7.0	(6.8%)
Taxes	(2.6)	(2.2)	15.9%	(2.8)	(8.0%)
Adjusted net income	4.0	3.5	15.9%	4.3	(6.1%)
Pro Forma EPS	**$0.19**	**$0.17**	14.9%	**$0.20**	(6.1%)
Shares outstanding	20.8	20.7	0.8%	20.8	0.0%
	Actual **Q3:11A**	**Last Year** **Q3:10A**	**YOY** **BP Change**	**Estimate** **Q3:11E**	**BP Difference**
Gross Margin	26.2%	26.0%	21	26.1%	9
Total Operating expenses	20.9%	18.6%	232	23.5%	(252)
Adjusted operating margin	6.9%	7.0%	(1)	7.5%	(51)
Adjusted EBITDA margin	7.4%	7.4%	(6)	7.9%	(49)
Pretax margin	(1.9%)	7.1%	(895)	(2.1%)	19
Adjusted net margin	3.9%	4.1%	(13)	4.3%	(34)
Tax Rate	39.0%	39.0%	(0)	39.5%	(50)

Source: Company reports and Canaccord Genuity forecasts

Now that we have had an opportunity to more thoroughly review the Q3 financial results, we are updating our forecasts for the Q3 actuals and trends exiting the quarter. We are making no change to our forward EPS estimates, while modestly increasing our forward revenue projections. Our F2011 EPS estimate falls by a penny to $0.76 from $0.77 to reflect the Q3 variance driven by Hurricane Irene impact, while we maintain our F2012 and F2013 EPS estimates of $0.95 and $1.08, respectively. We are increasing our F2011 revenue forecast to $392 million from $389 million, mostly due to the Q3 variance, compounded by a modest increase to our Q4 estimate. For F2012 and F2013, we are increasing our revenue forecasts by just over 1%, to $442 million and $480 million from $437 million and $474 million, respectively. Our new forecasts continue to reflect internal growth in the low teens this year and a more conservative forecast of high single digits in F2012 and beyond. We have increased our Harry Wils contribution to just over $20 million annualized from $18 million previously and continue to forecast no future acquisitions in our model, despite the near certainty that additional consolidation of the highly fragmented specialty food distribution will occur.

On the margins, we have modestly boosted our gross margin forecast for Q4, while increasing our operating expense forecast by a like amount. For the full year of 2011, our margin forecasts were reduced by the Q3 results. Beyond this year, our margin expectations have not been materially changed, other than building off a new base in F2011.

Figure 2: Estimate revision

in $ millions, except EPS	F2010	New F2011E	Prior F2011E	New F2012E	Prior F2012E	New F2013E	Prior F2013E
Revenue	330.1	391.9	388.9	442.0	437.1	479.5	474.3
Adjusted EBITDA	24.6	28.7	29.1	37.5	37.7	42.0	42.2
Pro forma EPS	$0.55	$0.76	$0.77	$0.95	$0.95	$1.08	$1.08
Gross margin	26.0%	26.4%	26.3%	26.2%	26.2%	26.2%	26.2%
Adjusted EBITDA margin	7.4%	7.3%	7.5%	8.5%	8.6%	8.8%	8.9%
Adjusted net margin	3.4%	4.0%	4.1%	4.5%	4.6%	4.8%	4.9%

Source: Company reports and Canaccord Genuity forecasts

VALUATION

Valuation is attractive, in our view. Shares trade at 15x 2012 our EPS forecast of $0.95 and 9x forecasted EBITDA. While the valuation represents a significant premium to the food distribution peer group multiple of 11-12x earnings and 6-7x EBITDA, the valuation is attractive relative to its best and only real comparable peer from a standpoint of growth United Natural Foods (UNFI : NASDAQ : $37.00 | HOLD). We view UNFI as the best comparable for CHEF given it also enjoys a naturally growing market, superior margins relative to most distributors (yet at 18% its gross margins are still inferior to CHEF at 26%) and is the leader in its segment. The shares trade at a 10%-15% discount to UNFI.

We continue to 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. 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 (twice the valuation of the distribution group), reduced by the unattractive comparison to the low valuations afforded the traditional food distribution peer group.

Figure 3: Relative valuation

Food distribution Peer Group Company	Symbol	Rating	Price 10/31/2011	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	33.60	383	443	2.58	3.23	13.0	10.4	5.9	4.7
Nash Finch	NAFC	Not rated	26.60	323	642	3.67	3.72	7.2	7.2	4.3	4.2
Supervalu	SVU	Not rated	8.08	1,715	7,959	1.26	1.26	6.4	6.4	4.3	4.4
Sysco	SYY	Not rated	27.90	16,458	18,487	1.99	2.10	14.0	13.3	7.7	7.4
United Natural Foods	UNFI	Hold	37.00	1,805	2,008	1.75	2.07	21.1	17.9	10.5	9.6
Average								**12.2x**	**11.2x**	**6.7x**	**6.4x**

Specialty Food Peer Group Company	Symbol	Rating	Price 10/31/2011	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	66.10	1,455	1,984	2.79	3.38	23.7	19.6	9.6	5.6
Hain Celestial	HAIN	Buy	33.87	1,530	1,505	1.46	1.83	23.3	18.5	11.5	8.7
Lifeway Foods	LWAY	Not rated	10.92	179	186	0.30	0.36	37.0	30.3	19.2	17.1
Peet's Coffee & Tea	PEET	Not rated	64.35	831	802	1.50	1.79	43.0	35.9	16.9	14.7
Smart Balance	SMBL	Hold	6.60	394	435	0.22	0.28	29.5	23.4	11.0	10.6
United Natural Foods	UNFI	Hold	37.00	1,805	2,008	1.75	2.07	21.1	17.9	10.5	9.6
Average								**29.6x**	**24.3x**	**13.1x**	**11.1x**
Chefs' Warehouse	**CHEF**	Buy	**14.34**	**299**	**339**	**0.76**	**0.95**	**19.0**	**15.2**	**11.8**	**9.0**
Relative to conventional group								55.4%	35.7%	75.6%	41.0%
Relative to specialty group								(35.9%)	(37.5%)	(10.2%)	(18.5%)
Relative to UNFI								(10.3%)	(15.2%)	11.8%	(6.4%)

Source: Canaccord Genuity, Capital IQ and Thomson First Call consensus estimates

Figure 4: Historical and projected operating results

Fiscal Year End - December (in millions, except per-share data)

	2010	2011E				2011E	2012E	2013E
Income Statement	FY	Q1A	Q2A	Q3A	Q4	FY	FY	FY
Revenue	**330.1**	**83.2**	**99.3**	**101.7**	**107.8**	**391.9**	**442.0**	**479.5**
COGS	(244.3)	(61.1)	(73.0)	(75.1)	(79.5)	(288.7)	(326.1)	(353.8)
Gross Profit	85.8	22.0	26.3	26.6	28.4	103.3	115.9	125.8
Operating Expenses	(64.2)	(17.0)	(18.6)	(21.3)	(19.6)	(76.5)	(81.1)	(86.5)
Operating Income	21.6	5.1	7.7	5.3	8.7	26.8	34.8	39.3
EBITDA	**24.6**	**5.6**	**8.0**	**5.8**	**9.1**	**29.1**	**37.5**	**42.0**
Net Interest	(4.0)	(3.5)	(3.3)	(7.2)	(0.4)	(14.5)	(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	(1.9)	8.3	12.4	33.5	38.4
Income Tax	(2.6)	(0.7)	(1.7)	0.7	(3.2)	(4.9)	(13.5)	(15.2)
Net Income	15.7	1.0	2.7	(1.2)	5.1	7.5	19.9	23.2
Average Shares	72.5	16.0	16.0	18.7	20.9	17.9	21.1	21.5
EPS	$0.22	$0.06	$0.17	($0.06)	$0.24	$0.42	$0.95	$1.08
Pro forma adjustments								
GAAP Pretax income	18.2	1.7	4.4	(1.9)	8.3	12.4	33.5	38.4
SG&A	(1.4)	(0.8)	(0.7)	1.7	0.0	0.3	0.0	0.0
D&A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest	1.8	3.0	2.9	6.7	0.0	12.7	0.0	0.0
Adjusted EBITDA	**24.6**	**4.8**	**7.3**	**7.5**	**9.1**	**28.7**	**37.5**	**42.0**
Adjusted pre-tax	18.6	4.2	6.9	6.6	8.3	26.0	33.5	38.4
Taxes	(7.3)	(1.6)	(2.7)	(2.6)	(3.2)	(10.1)	(13.5)	(15.2)
Adjusted net income	11.4	2.6	4.2	4.0	5.1	15.8	19.9	23.2
Pro Forma EPS	**$0.55**	**$0.12**	**$0.20**	**$0.19**	**$0.24**	**$0.76**	**$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 %**	**26.2 %**	**26.3 %**	**26.4 %**	**26.2 %**	**26.2 %**
Warehousing and distribution	10.3 %	10.3 %	9.2 %	10.4 %	9.9 %	10.0 %	9.5 %	9.4 %
SG&A	8.5 %	9.3 %	9.1 %	10.1 %	7.9 %	9.1 %	8.5 %	8.3 %
Adjusted operating margin	6.1 %	5.2 %	7.1 %	6.9 %	8.1 %	6.9 %	7.9 %	8.2 %
Adjusted EBITDA margin	**7.4 %**	**5.8 %**	**7.4 %**	**7.4 %**	**8.5 %**	**7.3 %**	**8.5 %**	**8.8 %**
Pretax margin	5.5 %	2.0 %	4.4 %	-1.9 %	7.7 %	3.2 %	7.6 %	8.0 %
Adjusted net margin	3.4 %	3.1 %	4.2 %	3.9 %	4.7 %	4.0 %	4.5 %	4.8 %
Tax Rate	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	40.4%	39.5%
Growth (vs Year Ago)								
Revenue	22 %	19 %	19 %	20 %	18 %	19 %	13 %	9 %
Operating	62 %	67 %	37 %	-15 %	34 %	24 %	30 %	13 %
Pro forma Pre-Tax Income	63 %	89 %	38 %	16 %	44 %	39 %	29 %	15 %
Pro forma Net Income	75 %	89 %	38 %	16 %	44 %	39 %	26 %	17 %
Pro forma EPS	0 %	87 %	36 %	15 %	43 %	37 %	25 %	14 %
Ratio Analysis								
Net debt	97.5	95.7	100.9	39.6	35.2	35.2	16.5	(4.6)
DSOs	38.4	39.6	37.1	38.4	38.4	38.4	38.4	38.4
Days Inventory	24.5	25.7	24.1	26.0	22.1	24.4	23.7	23.7
Inventory Turns	14.9	3.5	3.8	3.5	4.1	15.0	15.4	15.4
ROIC	26.0%	25.2%	33.1%	22.7%	36.6%	28.1%	33.5%	36.3%
Return on Equity	nmf	nmf	nmf	nmf	nmf	nmf	45.6 %	29.7 %
Operating ROA	29.0%	24.9%	32.2%	20.6%	33.0%	28.5%	31.2%	31.5%
Debt/Total Capital	57.9%	85.8%	86.5%	70.2%	67.8%	71.1%	58.7%	42.6%
Cash Flow Analysis								
Operating cash flow	13.5	3.1	5.3	(0.9)	2.9	10.5	21.5	24.0
Free cash flow	12.4	2.7	4.8	(1.3)	2.5	8.8	19.8	22.3

Source: Company reports and Canaccord Genuity estimates

Investment risks

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 exposures to potential sales volatility as consumer confidence and spending fluctuation. 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 it remains 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; 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.

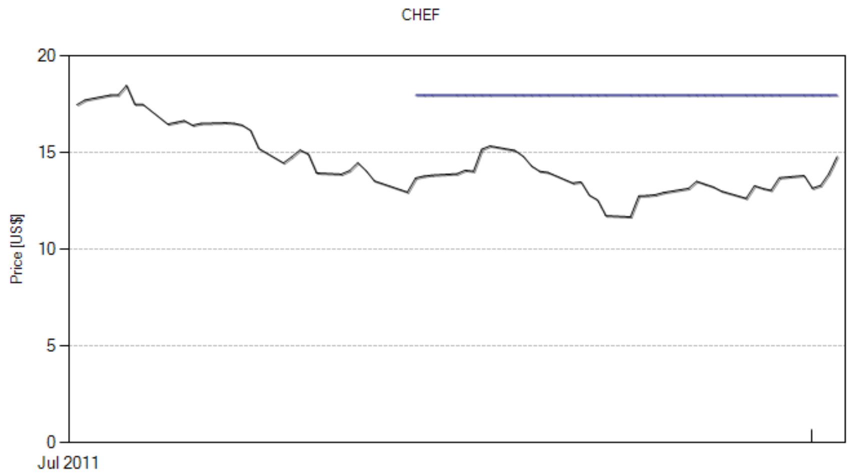
In addition, we strongly urge investors to review the complete set of risk factors that can be found in The Chefs' Warehouse's most recent regulatory filing.

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.

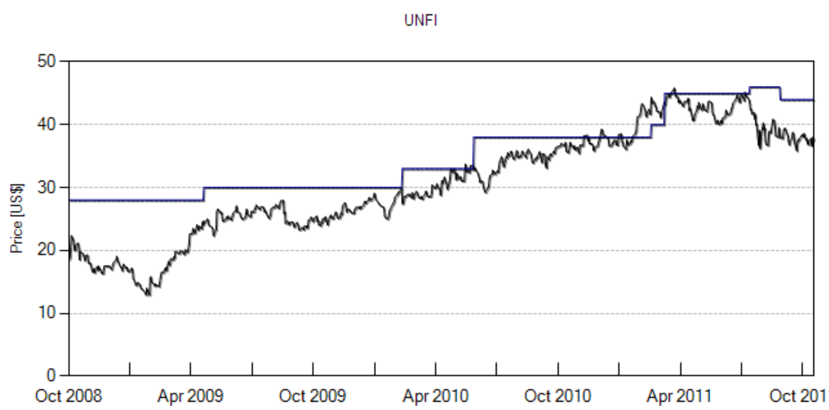
Price Chart:*



Market Price
Target Price

	Date	Analyst	Rating	Target Price	Date	Analyst	Rating	Target Price
1)	09/07/2011	Winkle	Buy	18.00				

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



Market Price
Target Price

	Date	Analyst	Rating	Target Price		Date	Analyst	Rating	Target Price
1)	05/14/2009	Van Winkle	Buy	30.00	6)	03/03/2011	Winkle	Hold	40.00
2)	09/09/2009	Winkle	Buy	30.00	7)	03/22/2011	Winkle	Hold	45.00
3)	03/02/2010	Winkle	Buy	33.00	8)	07/26/2011	Winkle	Hold	46.00
4)	06/15/2010	Winkle	Buy	38.00	9)	09/09/2011	Winkle	Hold	44.00
5)	10/25/2010	Winkle	Hold	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 October 2011)

Rating	Coverage Universe #	%	IB Clients %
Buy	509	63.5%	35.6%
Speculative Buy	86	10.7%	64.0%
Hold	194	24.2%	17.0%
Sell	12	1.5%	25.0%
	801	100%	

Canaccord Ratings System:

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

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Canaccord Research Disclosures as of 31 October 2011

Company	Disclosure
The Chefs' Warehouse	1A, 2, 3, 5, 7
United Natural Foods	5, 7

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BMO Capital Markets

October 28, 2011

Chefs' Warehouse

(CHEF-NASDAQ)

Stock Rating: Outperform
Industry Rating: Market Perform

Food Retail

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Still Cooking – Strong Top Line and In-Line EPS Despite Unanticipated Headwinds

Event

Chefs' Warehouse reported an in-line 3Q of $0.19 despite a $0.01 impact from Hurricane Irene and a $0.01 impact from a temporary increase in transportation costs associated with the Harry Wils acquisition. What we liked: 1) the company is seeing no change in customer behavior, 2) organic sales trends remained robust in 3Q and have remained more or less unchanged in 4Q to date, 3) the company has successfully and seamlessly integrated it's largest acquisition to date, 4) inflation came in at 2.7% in 3Q – down sequentially as a result of slightly lower inflation – mix remained unchanged, 5) the unchanged mix (sequentially) – indicates the company is not seeing an incremental trade down from their customers (or from the end-use consumer), and 6) FY11 top and bottom line guidance was maintained despite Hurricane Irene and higher-than-expected integration expenses. We maintain our **OUTPERFORM** rating and $16 price target.

Impact

Neutral.

Forecasts

Our 4Q11 EPS estimate is $0.26. For 2012, our EPS estimate is $0.99. The consensus estimates are $0.25 and $0.97, respectively.

Valuation

CHEF is trading at an 2011 and 2012 EV/EBITDA of 11.0x and 8.2x, respectively.

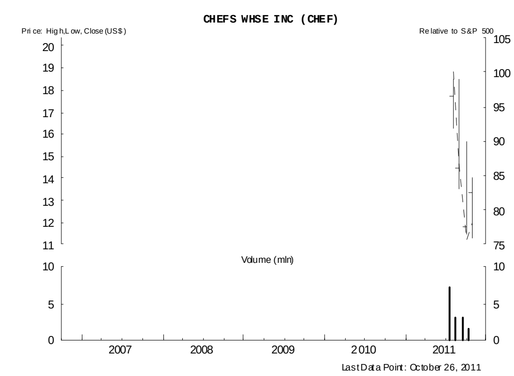
Recommendation

We maintain our **OUTPERFORM** rating.

Securities Info

Price (27-Oct)	**$13.93**	**Target Price**	**$16**
52-Wk High/Low	$19/$11	Dividend	--
Mkt Cap (mm)	$290	Yield	--
Shs O/S (mm, BASIC)	20.8	Float O/S (mm)	9.2
Options O/S (mm)	na	ADVol (30-day, 000s)	137

Price Performance



Valuation/Financial Data

(FY-Dec.)	2009A	2010A	2011E	2012E
EPS Pro Forma	$0.43	$0.76	$0.77	$0.99
P/E			18.1x	14.1x
First Call Cons.			*$0.77*	*$0.97*
EPS GAAP	$0.43	$0.76	$0.77	$0.99
FCF	na	na	na	na
P/FCF			na	na
EBITDA ($mm)	$15	$24	$30	$38
EV/EBITDA			11.0x	8.6x
Rev. ($mm)	$271	$330	$401	$443
EV/Rev			0.8x	0.7x

Quarterly EPS	**1Q**	**2Q**	**3Q**	**4Q**
2010A	$0.07	$0.22	$0.21	$0.26
2011E	$0.13A	$0.20A	$0.19A	$0.26

Quarterly EBITDA	**1Q**	**2Q**	**3Q**	**4Q**
2010A	$3.5	$6.3	$6.7	$7.2
2011E	$4.7A	$7.6A	$7.5A	$9.8

Balance Sheet Data (na)

Net Debt ($mm)	$35	Total Debt/EBITDA	na
Total Debt ($mm)	na	EBITDA/IntExp	na
Net Debt/Cap.	na	Price/Book	#DIV/0!

Notes: All values in US$.

Source: BMO Capital Markets estimates, Bloomberg, FactSet, Global Insight, Reuters, and Thomson Financial.

Please refer to pages 6 to 8 for Important Disclosures, including the Analyst's Certification.

Key Points

Exhibit 1. CHEF Current Valuation

Chefs' Warehouse Current Valuation					
	2011E	**2012E**	**2013E**	**2014E**	**2015E**
Net Income	$16.14	$20.78	[redacted]		
EPS	$0.77	$0.99			
EBITDA	$30	$38			
EBITDAR	$38	$47			
Net Forward Debt	$35.00	$20			
# Shares	21	21	21	21	21
Current Stock Price	$13.93	$13.93	$13.93	$13.93	$13.93
Market Cap	$291	$293	$293	$293	$293
EV	$326	$312	$291	$266	$238
P/E	18.0x	14.1x	12.0x	10.2x	8.9x
EV/EBITDA	11.0x	8.2x	6.6x	5.2x	4.1x
EPS Growth	1.3%	27.9%	17.4%	18.1%	14.8%

Source: Company reports, BMO Capital Markets estimates.

In 4Q11, we are looking for EPS of $0.26 and EBITDA of $9.8 million. The consensus estimate is $0.25. Our estimate assumes total sales increase 18.0% to $117.1 million – driven by 9% organic sales growth, and we assume gross margins expand 50 bp to 26.5%. We forecast operating expenses (excluding D&A) grow 27.8% to $21.2 million, no change from last year's margin of 18.1% – leading to a 78-bp improvement in operating margins to 7.9%, or $9.2 million. This gets us to EBITDA of $9.8 million, a 50-bp expansion in margin to 8.4%. We assume interest expense of $0.2 million, a 39.5% tax rate and 21.1 million shares outstanding, which gets us to EPS of $0.26.

In 2012, our EPS estimate remains at $0.99. Consensus EPS is $0.97. Our EBITDA estimate is $38.0 million. Our estimate assumes total sales increase 12.5% to $442.5 million (vs. consensus of $435.0 million), with gross margins improving 30 bp to 26.6%. We forecast operating expenses (excluding D&A) grow 5.1% to $79.6 million, a 90-bp year-over-year improvement in margin – leading to a 116-bp improvement in operating margins to 8.0%, or $35.5 million. This gets us to EBITDA of $38.0 million, a 120-bp improvement in margin to 8.6%. We assume interest expense of $1.2 million, a 39.5% tax rate and 21.0 million shares outstanding, which gets us to EPS of $0.99.

In 3Q11, CHEF reported a LPS of $0.06, or an EPS of $0.19 when adjusting for several one-time items. Adjusted EPS was in line with both our estimate and consensus of $0.19. Total sales increased 19.7% to $101.7 million – versus our estimate for 13.5% growth. Gross margins improved 21 bp to 26.2%, which was better than our estimate for 75-bp deterioration. Operating expenses (excluding D&A) grew 24.3% to $19.1 million when we exclude a one-time stock compensation expense and add expected incremental public company costs. We were looking for growth in operating expenses (excluding D&A) of 9.1%. Operating margins deteriorated 42 bp to 6.9%, or $7.1 million, while EBITDA margins deteriorated 47 bp to 7.4%, or $7.5 million. We were looking for operating margin deterioration of 20 bp and EBITDA margin deterioration of 5 bp. Interest expense came in at $0.5 million after adjusting for the post IPO capital structure and one time charges related to debt repayments in connection with the IPO. Using a normalized 39% tax rate and pro forma 20.8 million shares outstanding gets us to EPS of $0.19.

Additional Takeaways

- The company has seen no change in customer behavior;
- Both case volumes and revenues per case increased in 3Q;
- The company's unique customer growth was in line with trends seen in 1H11;
- The company temporarily increased transportation infrastructure (fleet capacity increased 30% in 3Q) and labor infrastructure in order to maintain high service levels with the recently acquired Harry Wils customer base – this was a conscious decision made to minimize rates of (unwanted) attrition – and maximize retention;
- The decision to increase fleet capacity was largely a function of adjusting to new delivery windows for the acquired customer base. With time, the company will optimize routes and change delivery windows to minimize incremental expense;
- With the Harry Wils acquisition – one of CHEF's largest competitors, the split between organic growth and acquisitions will shift slightly to higher acquisition growth. This is not an indication that organic growth is slowing – it is merely a function of the fact that CHEF acquired a competitor that it had previously been gaining share from;
- Mix remained unchanged sequentially, while inflation abated slightly – largely a function of lower rates of inflation in dairy; and
- The improved gross margin was a function of a mix shift within the protein category to higher margin items.

Chefs' Warehouse Income Statement

	2007	2008	2009	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11	3Q11	4Q11E	2011E	2012E
	52 weeks	52 weeks	52 weeks					52 weeks					53 weeks	
	12/28/2007	12/26/2008	12/25/2009	3/26/2010	6/25/2010			12/24/2010	3/25/2011	6/24/2011			12/30/2011	
Revenues	**$256.13**	**$281.70**	**$271.07**	**$70.00**	**$83.61**	**$84.93**	**$91.58**	**$330.12**	**$82.90**	**$99.26**	**$101.68**	**$117.06**	**$400.90**	**$442.50**
Cost of Goods	$190.79	$211.39	$199.76	$52.02	$61.67	$62.86	$67.79	$244.34	$61.50	$73.00	$75.05	$86.07	$295.62	$324.97
Gross Profit	**$65.35**	**$70.32**	**$71.31**	**$17.98**	**$21.94**	**$22.06**	**$23.79**	**$85.78**	**$21.40**	**$26.26**	**$26.63**	**$31.00**	**$105.28**	**$117.53**
D&A	$1.94	$1.99	$1.92	$0.46	$0.50	$0.41	$0.73	$2.10	$0.60	$0.39	$0.43	$0.61	$2.03	$2.44
Total Operating Expenses (Ex. D&A)	$57.45	$58.33	$56.06	$14.49	$15.64	$15.40	$16.57	$62.10	$16.70	$18.66	$19.14	$21.19	$75.69	$79.56
Total Operating Expenses (Incl. D&A)	**$59.39**	**$60.31**	**$57.98**	**$14.953**	**$16.14**	**$15.81**	**$17.31**	**$64.21**	**$17.30**	**$19.05**	**$19.57**	**$21.80**	**$77.72**	**$82.00**
Operating Income	**$5.96**	**$10.00**	**$13.33**	**$3.03**	**$5.80**	**$6.25**	**$6.48**	**$21.57**	**$4.10**	**$7.20**	**$7.06**	**$9.20**	**$27.56**	**$35.54**
EBITDA	**$7.90**	**$11.99**	**$15.25**	**$3.49**	**$6.31**	**$6.66**	**$7.21**	**$23.68**	**$4.70**	**$7.60**	**$7.491**	**$9.81**	**$29.60**	**$37.98**
Interest	$3.52	$3.24	$2.82	$0.63	$0.51	$0.47	$2.43	$4.04	$0.40	$0.42	$0.51	$0.20	$1.52	$1.18
Gain on Settlement	$1.10													
Gain/Loss on Interest Rate Swap	-$0.62	-$1.12	$0.66	$0.18	$0.25	$0.23	$0.25	$0.91	$0.40	$0.00	$0.00	$0.00	$0.40	$0.00
Other									$0.00					
Income Before Tax	**$2.92**	**$5.65**	**$11.17**	**$2.59**	**$5.54**	**$6.01**	**$4.31**	**$18.44**	**$4.10**	**$6.79**	**$6.56**	**$9.00**	**$26.44**	**$34.35**
Taxes	$0.79	$3.45	$2.21	$1.05	$1.05	$1.60	-$1.13	$2.57	$1.50	$2.69	$2.56	$3.55	$10.30	$13.57
Net Income	**$2.14**	**$2.20**	**$8.96**	**$1.54**	**$4.49**	**$4.41**	**$5.44**	**$15.87**	**$2.60**	**$4.10**	**$4.00**	**$5.44**	**$16.14**	**$20.78**
Tax Rate	26.9%	61.1%	19.8%	40.6%	19.0%	26.6%	-26.3%	13.9%	36.6%	39.6%	39.0%	39.5%	38.9%	39.5%
Diluted EPS	**$0.10**	**$0.11**	**$0.43**	**$0.07**	**$0.22**	**$0.21**	**$0.26**	**$0.76**	**$0.13**	**$0.20**	**$0.19**	**$0.26**	**$0.77**	**$0.99**
Basic	20.32	20.32	20.32	20.12	20.16	20.45	20.54	20.32	20.12	20.12	20.45	20.54	20.31	20.80
Diluted	20.77	20.77	20.77	20.67	20.67	20.87	20.87	20.77	20.67	20.83	20.83	21.10	20.86	21.00
Consensus EBITDA													$390.86	$434.97
Consensus Sales													$29.73	$36.88
Consensus EPS													$0.77	$0.97
Growth														
Sales		10.0%	-3.8%	17.7%	22.5%	23.7%	22.6%	21.8%	18.4%	18.7%	19.7%	18.0%	21.4%	12.5%
Organic Sales growth		4.2%	-6.2%	10.0%	12.0%	11.0%	10.6%	10.9%	10.9%	13.0%	10.6%	9%		6%
Inflation - contribution to sales		n/a	-0.6%	4.6%	7.5%	9.0%	9.4%	7.8%	4.9%	3.3%	2.7%	3%		4%
Acquisitions - contribution to sales		5.8%	3.0%	3.0%	3.0%	3.7%	2.7%	3.1%	3.0%	2.0%	6.4%	6%		3%
Operating Expenses (Ex. D&A)		1.5%	-3.9%					10.8%	15.3%	19.3%	24.3%	27.8%	21.9%	5.1%
Operating Expenses (Incl. D&A)		1.6%	-3.9%					10.7%	15.7%	18.1%	23.8%	25.9%	21.0%	5.5%
Operating Income		67.9%	33.3%					61.8%	35.3%	24.1%	12.9%	41.9%	27.8%	28.9%
EBITDA		51.7%	27.2%					55.3%	34.5%	20.4%	12.5%	35.9%	25.0%	28.3%
Net Income		2.8%	308.1%					77.1%	69.0%	-8.7%	-9.3%	0.1%	1.7%	28.8%
EPS			308.1%					77.1%					1.3%	27.9%
Margins														
Gross	25.5%	25.0%	26.3%	25.7%	26.24%	25.98%	25.98%	26.0%	25.8%	26.45%	26.19%	26.48%	26.26%	26.56%
D&A	0.8%	0.7%	0.7%	0.7%	0.6%	0.5%	0.8%	0.6%	0.7%	0.4%	0.4%	0.5%	0.5%	0.6%
Operating Expenses (Ex. D&A)				20.7%	18.7%	18.1%	18.1%	18.8%	20.1%	18.8%	18.8%	18.1%	18.9%	18.0%
Operating Expenses (Incl. D&A)	23.2%	21.4%	21.4%	21.4%	19.3%	18.6%	18.9%	19.4%	20.9%	19.2%	19.2%	18.6%	19.4%	18.5%
Operating Income	2.3%	3.6%	4.9%	4.3%	6.9%	7.4%	7.1%	6.5%	4.9%	7.3%	6.9%	7.9%	6.9%	8.0%
EBITDA	3.1%	4.3%	5.6%	5.0%	7.5%	7.8%	7.9%	7.2%	5.7%	7.7%	7.4%	8.4%	7.4%	8.6%
Tax	26.9%	61.1%	19.8%	40.6%	19.0%	26.6%	-26.3%	13.9%	36.6%	39.6%	39.0%	39.5%	38.9%	39.5%
Net	0.8%	0.8%	3.3%	2.2%	5.4%	5.2%	5.9%	4.8%	3.1%	4.1%	3.9%	4.7%	4.0%	4.7%
Change in Margins														
Gross		-55bp	134bp					-32bp	12bp	21bp	21bp	50bp	28bp	30bp
D&A		-5bp	0bp					-7bp	6bp	-20bp	-6bp	-28bp	-13bp	4bp
Operating Expenses (Ex. D&A)									-55bp	10bp	69bp	0bp	7bp	-90bp
Operating Expenses (Incl. D&A)		-178bp	-2bp					-194bp	-49bp	-11bp	63bp	-28bp	-6bp	-86bp
Operating Income		122bp	137bp					162bp	62bp	31bp	-42bp	78bp	34bp	116bp
EBITDA		117bp	137bp					155bp	68bp	11bp	-47bp	50bp	21bp	120bp
Net		-5bp	253bp					150bp	94bp	-124bp	-126bp	-129bp	-78bp	67bp

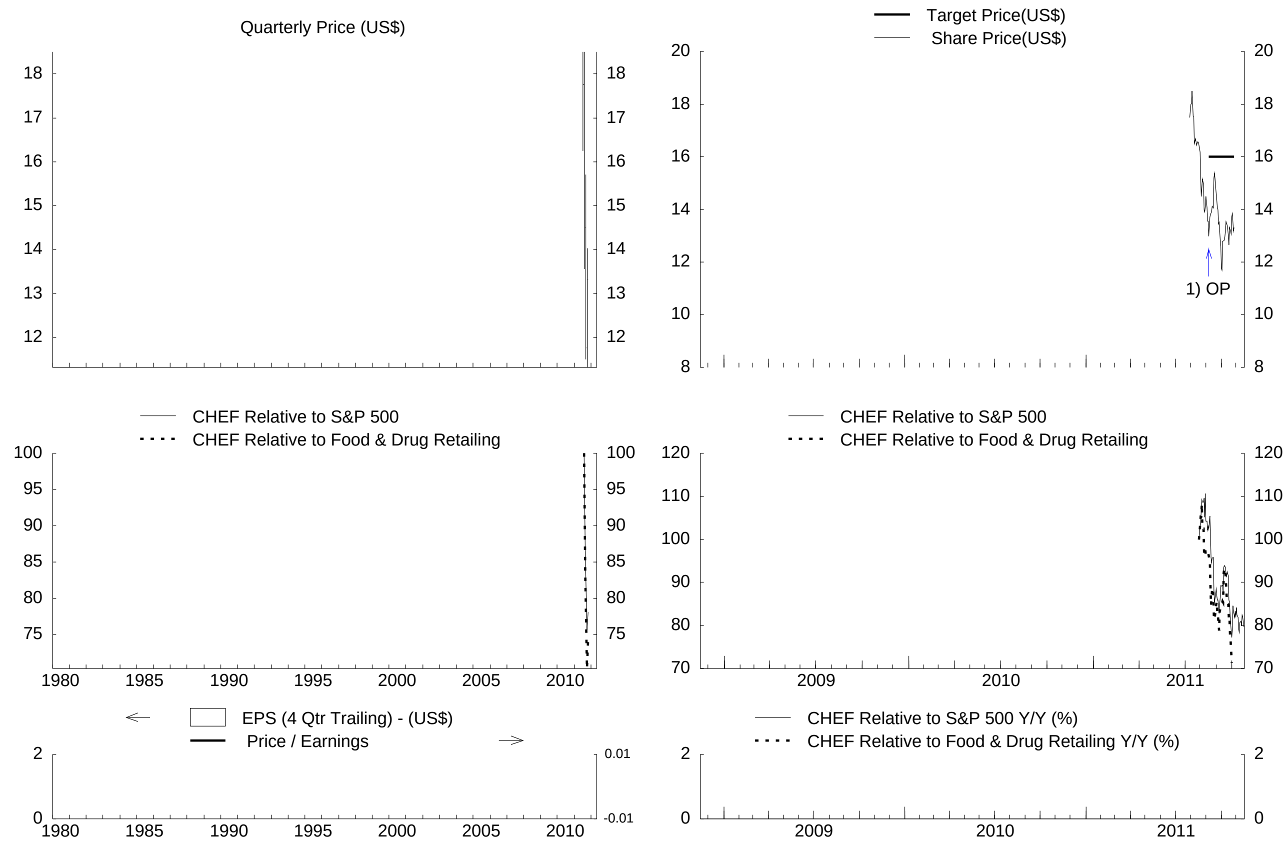
Source: Company reports, BMO Capital Markets estimates.

Chefs' Warehouse Holdings Balance Sheet

	12/28/07 **FY2007**	12/26/08 **FY2008**	12/25/09 **FY2009**	12/24/10 **FY2010**
Cash & Equivalents	2.232	1.591	0.88	1.98
Accounts Receivable (net)	29.865	28.728	30.98	36.20
Inventory - Net of Reserve	17.819	16.449	15.29	16.44
Deferred Income Taxes	0.947	1.026	1.48	1.65
Other Current Assets & Prepaid Expenses	1.567	1.664	2.09	3.61
Total Current Assets	52.43	49.46	50.71	59.88
Net Property, Plant & Equipment	3.87	4.30	4.24	4.23
Deferred Income Taxes				
Capitalized Financing Fees				
Intangible Assets	2.33	6.80	9.47	12.11
Deferred Costs	0.35	0.89	0.06	2.36
Other LT Assets	3.94	3.06	1.45	4.09
Total Non-current Assets	10.49	15.04	15.23	22.79
TOTAL ASSETS	62.92	64.50	65.94	82.67
Current Debt	2.90	2.76	2.79	16.95
Original issue Discount				
Accounts Payable	24.41	18.79	19.29	23.56
Advances, Accrued Expenses	6.31	5.81	6.15	7.16
Taxes Payable other than Income				
Income Taxes Payable				
Total Current Liabilities	33.62	27.36	28.23	47.67
Long Term Debt, Net of Current Portion	33.082	37.323	29.928	82.58
Revolver				
Mezz Debt				
Term Note				
Original issue Discount				
Other (Deferred Rent)	1.63	3.04	2.45	1.23
Total Non-current Liabilities	34.71	40.36	32.37	83.81
TOTAL LIABILITIES	68.33	67.72	60.60	131.48
SHAREHOLDERS' EQUITY	(5.41)	(3.22)	5.33	(48.81)
TOTAL LIABILITIES & EQUITY	62.92	64.50	65.94	82.67

Source: Company reports, BMO Capital Markets estimates.

CHEFS WHSE INC (CHEF)



CHEF - Rating as of 28-Jul-11 = NR

	Date	Rating Change	Share Price
1	6-Sep-11	NR to OP	$13.56

Last Daily Data Point: October 26, 2011

Important Disclosures

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Disclosure 9: BMO Capital Markets makes a market in this security.

Methodology and Risks to Our Price Target/Valuation

Methodology: Our target price values CHEF at an FY12 EV/EBITDA of 9.4x and P/E of 16.2x.
Risks: Key risks to our CHEF price target include increased competition from traditional broadline operators or consolidation among other regional specialty distributors, deterioration in the national or New York economy as it relates to discretionary spending at restaurants, the success and completion of future acquisitions at fair prices, significant increases in raw material costs, and tainted product or product recall which could tarnish the company's image.

Distribution of Ratings (September 30, 2011)

Rating Category	BMO Rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	Starmine Universe
Buy	Outperform	39.2%	12.6%	38.8%	42.5%	48.1%	57.2%
Hold	Market Perform	58.9%	13.2%	61.2%	54.6%	50.9%	38.5%
Sell	Underperform	1.9%	0.0%	0.0%	2.9%	0.9%	4.3%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.
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Mkt = Market Perform - Forecast to perform roughly in line with the market;
Und = Underperform - Forecast to underperform the market;
(S) = speculative investment;
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BB&T Capital Markets

October 28, 2011

Estimate Change

Food & Drug Merchandising

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The Chefs' Warehouse, Inc. (CHEF–$13.93) **Buy (1)**

Company Statistics

12-month Price Target:	**$20**
52-wk Range:	**$11.32-$18.50**
Market Capitalization (M):	**$288**
Shares Outstanding (M) fd:	**20.7**
Avg. Daily Vol. (000):	**137**
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:		32.4x	24.9x	18.3x	14.4x	12.1x
Revenue (M):		$271.1	$330.1	$400.5	$440.5	$486.8
EBITDA (M):		$15.2	$22.3	$29.4	$36.1	$42.3
ROE:		NM	NM	NM	57.4%	42.5%
ROA:		13.7%	15.7%	17.4%	19.1%	19.8%
EPS:	Q1	–	$0.07	$0.12A	–	–
	Q2	–	$0.15	$0.20A	–	–
	Q3	–	$0.17	$0.19A	–	–
	Q4	–	$0.18	$0.25	–	–
Total		**$0.43**	**$0.56**	**$0.76**	**$0.97**	**$1.15**
Prior EPS:	Q1	–	–	–	–	–
	Q2	–	–	–	–	–
	Q3	–	–	–	–	–
	Q4	–	–	$0.25	–	–
Total		**–**	**–**	**$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 foods. It 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%). Chefs' sources products from some 1,000 suppliers in 40 countries globally and carries 11,500 items (7,000 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: EPS IN LINE WITH CONSENSUS DESPITE $0.02 HEADWIND FROM HURRICANE AND ACQUISITION; REITERATE BUY (1)

Key Points

- **EPS in line with consensus but miss us on quasi one-time events; sales beat.** After the close, on Thursday, October 27, Chefs' Warehouse reported Q3'11 pro forma core (before nonrecurring items) EPS of $0.19 versus $0.17 in the similar year-ago period; this was in line with consensus but $0.03 below our $0.22 estimate. However, Hurricane Irene trimmed a penny from EPS as did unanticipated integration expenses from the recent Harry Wils acquisition in metro New York; excluding these quasi one-time events, EPS would have been $0.21.

- **Top-line growth remained strong.** Sales grew 19.7% yr/yr to $101.7M in Q3, driven by 13.4% internal sales gains (10.7% from volume and 2.7% from price/mix) and 6.3% from Harry Wils. This beat our estimate of top-line growth of 18% and consensus at 16%. Adding back $1.6M in lost business due to Hurricane Irene, sales gains would have registered 21.6% and internal sales would have risen 15.3%; this compares well to Q2 internal sales growth 16.7% and gives us confidence that sales momentum will remain robust in the intermediate term.

- **Tweaking earnings model to adjust for Q3 miss; 2012 and 2013 EPS estimates unchanged.** For 53-week 2011, we forecast growth in sales of 21.3% to $400.5M, in operating profit of 38% to $27.8M, and in pro forma EPS of 37% to $0.76 (this is down from our prior $0.79 forecast based on the $0.03 miss). We have maintained our $0.25 Q4 EPS projection. For 2012, we forecast growth in sales at 10% to $440.5M, in operating profit of 23.4% to $34.4M, and in EPS of 27% to $0.97. For 2013, we forecast growth in sales of 10.5% to $486.8M, and in EPS of 19% to $1.15. We project free cash flow/sh at $0.50 for 2012 and $1.00 for 2013.

- **Maintain Buy (1) rating and $20 price target.** We continue to view Chefs' equity as undervalued given its strong fundamental growth outlook and relative valuation discount. Specifically, Chefs' forward P/E ratio based on estimated calendar 2012 EPS at 14.4x is valued at a 23% discount to the median of its peer group. Further, its forward PEG (P/E to long-term growth rate) at 0.72x is currently at a 38% discount to the group median of 1.17x.

Additional Discussion

EPS in line with consensus but miss us on quasi one-time events; sales beat. After the close, on Thursday, October 27, Chefs' Warehouse reported Q3'11 pro forma core (before nonrecurring items) EPS of $0.19 versus $0.17 in the similar year-ago period; this was in line with consensus but $0.03 below our $0.22 estimate. However, Hurricane Irene trimmed a penny from EPS as did unanticipated integration expenses from the recent Harry Wils acquisition in metro New York; excluding these quasi one-time events, EPS would have been $0.21.

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Results in Detail

Below we present and analyze current and prior-periods on a pro forma basis to reflect the impact of Chefs' recent IPO. Specific adjustments include the following:

- Material adjustments to interest expense assuming post-IPO financial leverage and excluding debt refinancing costs
- Modest additional costs to operate a public company
- Exclude one-time stock compensation accelerated vesting charge
- Tax adjustment (assuming a 39% tax rate) to normalize the 2010 effective tax rate

Q3'11 sales grew 19.7% yr/yr to $101.7M on increased case volume, higher revenue per case, and $5.4M of revenue related to Harry Wils; excluding lost sales due to Hurricane Irene, sales climbed 21.6%. Nominal internal sales rose 13.4% on real internal growth of 10.7% and inflation/mix of 2.7% while Harry Wils contributed 6.3%.

Gross margin expanded 21 bps yr/yr to 26.19% mainly due to a mix shift to higher margin protein products. Operating expenses increased 21% yr/yr while the corresponding ratio expanded 25 bps yr/yr to 19.24%, driven primarily by higher labor and fleet expenses related to Harry Wils. Operating margin thus contracted 4 bps yr/yr to 6.95% while the related profit dollars grew 18.9% to $7.1M. Net interest expense gained 7% to $0.5M while other income was nil versus a loss of $0.2M in Q3'10. The effective tax rate was relatively flat at 39%, resulting in net income of $4M, up 15.1% from the similar period last year.

Valuation Methodology & Risk Considerations

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 18.6x calendar 2012 EPS from 14.4x currently.

For the sake of conservatism, we have applied an 8% discount to the group median multiple to derive our $20 price target. Mathematically, we take the 18.4x group multiple, multiply that by 0.92 to yield a target valuation of 17x and apply it to our calendar 2013 EPS forecast of $1.15 to yield our $20 price target.

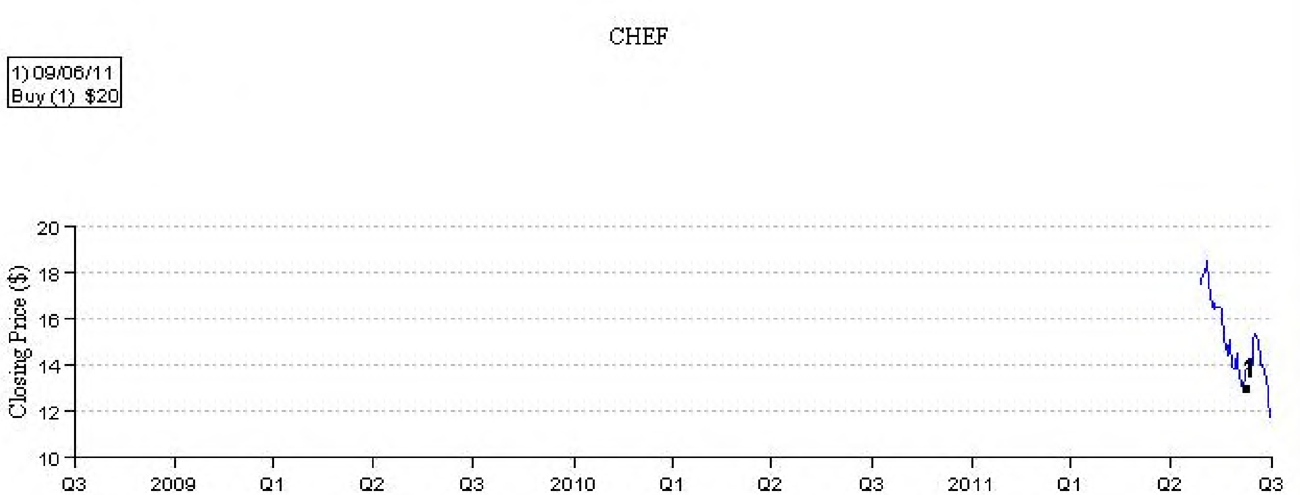
We believe general risks to achieving our price target include lower-than-forecasted sales and/or earnings. Specific risks relevant to Chefs' Warehouse include cyclicality of demand tied to high end consumer sentiment, concentration of business in greater New York, fuel price inflation, product cost inflation, and acquisition related risks.

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 3A**	**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	101,681	116,378	400,497	440,514	486,768
Cost of sales:$	52,017	61,670	62,865	67,788	244,340	61,148	73,000	75,051	85,957	295,156	324,659	358,748
Gross profit:$	17,983	21,943	22,063	23,789	85,778	22,035	26,255	26,630	30,421	105,341	115,855	128,020
Gross margin:%	*25.69*	*26.24*	*25.98*	*25.98*	*25.98*	*26.49*	*26.45*	*26.19*	*26.14*	*26.30*	*26.30*	*26.30*
Operating expenses:$	15,216	16,602	16,125	17,622	65,565	17,441	18,966	19,568	21,530	77,505	81,495	87,618
Expense ratio:%	*21.74*	*19.86*	*18.99*	*19.24*	*19.86*	*20.97*	*19.11*	*19.24*	*18.50*	*19.35*	*18.50*	*18.00*
Operating profit:$	2,767	5,341	5,938	6,167	20,213	4,594	7,289	7,062	8,891	27,836	34,360	40,402
Operating margin:%	*3.95*	*6.39*	*6.99*	*6.73*	*6.12*	*5.52*	*7.34*	*6.95*	*7.64*	*6.95*	*7.80*	*8.30*
Operating cash flow:$	3,676	6,353	6,832	7,411	22,316	5,552	8,097	7,491	9,291	29,446	36,131	42,329
Operating cash-flow margin:%	*5.25*	*7.60*	*8.04*	*8.09*	*6.76*	*6.67*	*8.16*	*7.37*	*7.98*	*7.35*	*8.20*	*8.70*
Adjusted EBITDA:$	3,580	6,194	6,432	6,899	22,579	5,161	8,133	7,697	9,291	30,282	36,131	42,329
Adjusted EBITDA margin:%	*5.11*	*7.41*	*7.57*	*7.53*	*6.84*	*6.20*	*8.19*	*7.57*	*7.98*	*7.56*	*8.20*	*8.70*
Interest expense, net:$	627	512	472	429	2,041	433	417	505	466	1,821	1,322	487
Interest ratio:%	*0.90*	*0.61*	*0.56*	*0.47*	*0.62*	*0.52*	*0.42*	*0.50*	*0.40*	*0.45*	*0.30*	*0.10*
(Gain)/loss on swap/other income:$	(183)	(248)	(228)	(252)	(910)	(81)	0	0	0	(81)	0	0
Pretax income:$	2,323	5,077	5,694	5,990	19,083	4,242	6,872	6,557	8,426	26,097	33,039	39,915
Pretax margin:%	*3.32*	*6.07*	*6.70*	*6.54*	*5.78*	*5.10*	*6.92*	*6.45*	*7.24*	*6.52*	*7.50*	*8.20*
Income taxes:$	905	1,980	2,220	2,337	7,442	1,660	2,687	2,557	3,286	10,190	12,885	15,567
Effective tax rate:%	*38.96*	*39.00*	*38.99*	*39.02*	*39.00*	*39.13*	*39.10*	*39.00*	*39.00*	*39.05*	*39.00*	*39.00*
Net income:$	1,418	3,097	3,474	3,653	11,641	2,582	4,185	4,000	5,140	15,907	20,154	24,348
Net margin:%	*2.03*	*3.70*	*4.09*	*3.99*	*3.53*	*3.10*	*4.22*	*3.93*	*4.42*	*3.97*	*4.58*	*5.00*
Net nonrecurring items:$	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(5185.0)	0.0	(5185.0)	0.0	0.0
Reported net income:$	1418	3097	3474	3653	11641	2582	4185	(1185)	5140	10722	20154	24348
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	20,875	21,155
Earnings per share:$	0.07	0.15	0.17	0.18	0.56	0.12	0.20	0.19	0.25	0.76	0.97	1.15
Net nonrecurring items:$	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(0.25)	0.00	(0.25)	0.00	0.00
Reported EPS:$	0.07	0.15	0.17	0.18	0.56	0.12	0.20	(0.06)	0.25	0.51	0.97	1.15
Real internal sales	10.0	12.0	11.0	10.6	10.9	10.9	13.4	10.7	9.0	11.0	6.5	7.5
Sales inflation/mix	4.6	7.5	9.0	9.4	7.8	4.9	3.3	2.7	3.0	3.5	3.0	3.0
Nominal internal sales	14.6	19.5	20.0	20.0	18.7	15.8	16.7	13.4	12.0	14.4	9.5	10.5
Sales	17.7	22.5	23.7	22.6	21.8	18.8	18.7	19.7	27.1	21.3	10.0	10.5
Cost of sales					22.3	17.6	18.4	19.4	26.8	20.8	10.0	10.5
Gross profit					20.3	22.5	19.6	20.7	27.9	22.8	10.0	10.5
Operating expenses					13.1	14.6	14.2	21.4	22.2	18.2	5.1	7.5
Operating profit					51.6	66.0	36.5	18.9	44.2	37.7	23.4	17.6
Operating cash flow					46.4	51.0	27.5	9.6	25.4	31.9	22.7	17.2
Interest expense, net					(27.5)	(31.0)	(18.6)	7.0	8.5	(10.8)	(27.4)	(63.2)
Pretax income					70.8	82.6	35.4	15.2	40.7	36.8	26.6	20.8
Net income					29.9	82.1	35.1	15.1	40.7	36.6	26.7	20.8
Earnings per share					29.9	82.1	35.1	15.1	40.7	36.6	26.5	19.2

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.

IMPORTANT DISCLOSURES
Price Chart



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All companies under coverage:		All companies under coverage to which it has provided investment banking services in the previous 12 months:	
Buy (1)	58.7%	Buy (1)	14.0%
Hold (2)	41.0%	Hold (2)	7.7%
Underweight/Sell (3)	0.3%	Underweight/Sell (3)	0.0%
Not Rated (NR)	0.0%	Not Rated (NR)	0.0%
Suspended (SP)	0.0%	Suspended (SP)	0.0%

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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 October 28, 2011

COMPANY	DISCLOSURE
The Chefs' Warehouse, Inc. (CHEF)	1, 4, 5, 6

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The Chefs' Warehouse

CHEF : NASDAQ : US$13.93

Buy | US$18.00 Target

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GROWTH KEEPS COOKING; REITERATE BUY AND $18 TARGET

Investment recommendation

We expect that CHEF will deliver an EPS growth CAGR of over 20% over the next few years and believe the company has considerable geographic growth opportunities to deliver years of growth well above the specialty food sector overall.

Investment highlights

- CHEF delivers a strong Q3 with EPS of $0.19 on an adjusted basis vs. $0.17 last year, meeting consensus despite a $0.01 impact from Hurricane Irene and higher spending integrating the Harry Wils acquisition. The business is clearly trending ahead of Street expectations.
- Revenue was up 20% to $102M vs. consensus of $98M as internal growth remained strong near 14% and acquisition contribution was a little ahead of our forecast. We expect the sales momentum to continue with incremental earnings leverage vs. Q3.
- Concerns over CHEF's exposure to discretionary spending and its concentration in New York with a volatile Wall Street outlook are obviously overblown, in our view, and we believe that investors will begin to recognize that the company can grow through today's environment. We expect the valuation to re-expand as the consistency of revenue growth is further illustrated despite the economic backdrop.
- Guidance for both revenue and EPS was maintained, with the high end of the revenue guidance the right place to be. We have not had an opportunity to yet reflect the Q3 revenue upside in our forecasts.
- We reiterate our BUY rating and $18 price target. Our investment thesis is incrementally validated as CHEF's robust growth continues and its integration of Harry Wils, while a little more costly in its first quarter, is tracking 10-20% above our revenue contribution forecast. The growth of specialty foods, market share gains and acquisition opportunities are the foundation of our expectation that CHEF can be a consistent double-digit grower, and each was evident in the Q3 results.

Valuation

At 14.8x F2012 P/E and 8.9x F2012 EBITDA, we view valuation as attractive and believe shares deserve a premium valuation relative to the food distribution sector (average of 11.5x F2012 P/E and 6.5x F2012 EBITDA) given the superior growth and margins. We maintain our target of $18, which is based on a multiple of 9.5x F2013 EBITDA.

Investment risks

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 exposures to potential sales volatility as consumer confidence and spending fluctuation. 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 it remains 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; 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 filing.

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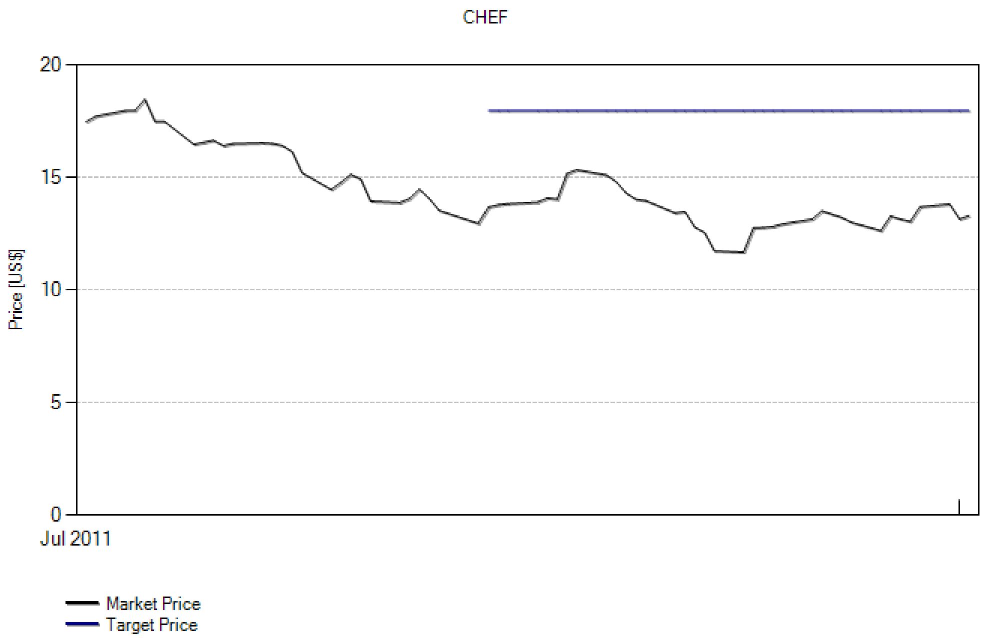
Price Chart:*



	Date	Analyst	Rating	Target Price	Date	Analyst	Rating	Target Price
1)	09/07/2011	Winkle	Buy	18.00				

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

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Global Stock Ratings
(as of 3 October 2011)

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Rating	#	%	%
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Hold	194	24.2%	17.0%
Sell	12	1.5%	25.0%
	801	100%	

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Company	Disclosure
The Chefs' Warehouse	1A, 2, 3, 5, 7

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EQUITY RESEARCH AMERICAS

The Chefs' Warehouse (CHEF)

A Strong Showing Indeed

BUY
Price target $17.50
Price $13.93

Key Takeaway

CHEF's 3Q results highlighted the strength in the company's business as management's continued efforts to drive organic growth and hold the line on costs are being met by a favorable macro backdrop for the high-end consumer. While the full benefit of these efforts was somewhat offset by higher costs from its recent acquisition, the near and long-term outlook for CHEF remains quite strong indeed.

3Q marked another quarter of solid top-line momentum. CHEF reported 3Q11 EPS (ex. items) of $0.20 vs. our $0.18 and the Street's $0.19. Approx. $0.01 of the beat reflects the exclusion of one-time costs related to Hurricane Irene. Total net sales growth of roughly 20% was particularly strong and came in nicely above our 14%, driven by solid organic growth of approximately 13.3% (including 2.7% from inflation/mix). Adjusting for the roughly 1.9% sales impact from Irene, organic sales ran over 15%. EBIT $'s of $7.5mm (ex. items) came in above our $6.7mm as better gross profit was partly offset by higher operating expenses.
A stellar quarter in the company's core business. CHEF saw solid growth in placements/customer and new customers and while the net sales contribution from the recent acquisition fell slightly short of our expectations, due mostly to seasonality and the hurricane, we do believe the company's efforts to maintain business continuity and higher service levels will enable CHEF to retain a higher-than-normal revenue run-rate going forward. In the short-term however, these efforts did contribute to higher-than-expected costs, which prevented the quarter from being even better.
Due to the strong third quarter we are increasing our FY11 and FY12 EPS estimates by $0.02, respectively. Aside from the flow through of the better 3Q results, we have left our estimates unchanged, but believe there does remain upside to revenue and EPS if current trends continue. We continue to view CHEF as a core small cap growth holding for investors as the company works to consolidate the fragmented marketplace and benefits from the positive secular spending trends in the wealthy/educated class.

Valuation/Risks

Our PT of $17.50 is approx. 18x our FY12 EPS estimate of $0.98. This is below UNFI's (UNFI, $38.00, Hold) multiple of 19x. Our DCF also places the value the equity at about $21. **Risks:** Near-term: economic downturn resulting in meaningful contraction in wealth, acquisition-related integration or technology/systems implementation and geographic concentration risk. Longer-term: Group purchasing organizations.

USD	*Prev.*	2009A	*Prev.*	2010A	*Prev.*	2011E	*Prev.*	2012E
Rev. (MM)	--	271.1	--	330.1	*391.2*	395.8	*436.5*	441.7
EV/Rev		1.2x		1.0x		0.8x		0.8x
EBITDA (MM)	--	15.2	--	20.2	*29.3*	30.2	*36.2*	37.2
EV/EBITDA		21.9x		16.5x		11.0x		8.9x
EPS								
Mar	--	--	--	--	--	0.12A	--	--
Jun	--	--	--	--	--	0.21A	--	--
Sep	--	--	--	--	*0.18*	0.20A	--	--
Dec	--	--	--	--	--	0.25	--	--
FY Dec	--	NA	--	0.54	*0.77*	0.79	*0.96*	0.98
FY P/E				25.8x		17.6x		14.2x

EPS: 2010 and 2011 reflect pro forma adjustments.

Financial Summary

Net Debt (MM):	$43.1

Market Data

52 Week Range:	$18.50 - $11.32
Total Entprs. Value (MM):	$332.8
Market Cap. (MM):	$289.7
Shares Out. (MM):	20.8
Float (MM):	9.2
Avg. Daily Vol.:	235,042

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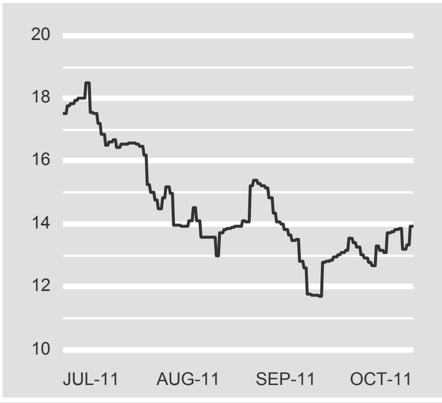
Price Performance



The Chefs' Warehouse

Buy: $17.50 Price Target

Scenarios

Target Investment Thesis

- Total sales growth of 19.9% and 11.6% in FY11 and '12, driven by strong organic growth, aided by acquisitions and a 53rd week in FY11.
- Some gross margin expansion on improved mix in FY11 and better gross margin management in FY12.
- Operating expense leverage on higher sales and improving cost efficiencies.
- FY12 EPS: $0.98; Target Multiple: ~18x; Target Price: $17.50.

Upside Scenario

- Stronger-than-expected organic sales as the company benefits from its IT initiatives; coupled with favorable macros.
- Better-than-expected gross profit as Chefs' is better able to manage account profitability; improving mix.
- Better-than-expected expense leverage on stronger sales and larger benefits from the warehouse management system rollout.
- FY12 EPS: $1.05; Target Multiple: 20x; Target Price: $21.

Downside Scenario

- Deteriorating macros and contracting wealth lead to sales slowdown.
- Gross margin pressured by trade down and mix shift; competitor or industry pressure lowering pricing capabilities.
- Less operating expense leverage on lower sales; more limited benefits from warehouse and distribution initiatives.
- FY12 EPS: $0.80; Target Multiple: 14x; Target Price: $11.

Long Term Analysis and Overview

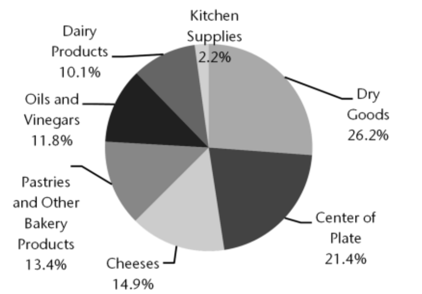
Chefs' Current Footprint

Source: Company Data

Long Term Financial Model Drivers

Organic Net Revenue Growth	**9-10%**
Gross Margin	**26-26.5%**
EBIT Margin	**8-9%**
Tax Rate	**39%**
3 Year EPS CAGR	**18%**

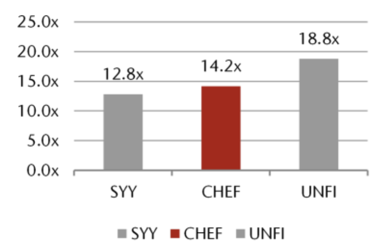
FY10 Net Revenue By Product Category



Source: Company Data

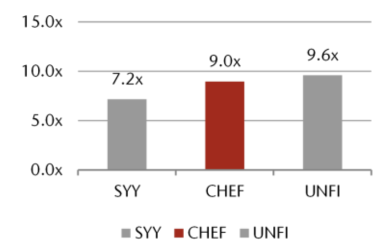
Peer Group

Forward P/E (CY12)



Source: Jefferies estimates, Thomson

EV/ EBITDA (CY12)



Source: Jefferies estimates, Thomson

Recommendation / Price Target

Ticker	Rec.	PT
CHEF	**Buy**	**$17.50**
UNFI	Hold	$41
SYY	NC	NC

Catalysts

- Better-than-expected organic sales driven by increased placements/customer and new customers.
- Better-than-expected benefits from the rollout of the company's warehouse management system to its other DCs.

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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Please see important disclosure information on pages 5 - 8 of this report.

Chart 1: 3Q11 Review

Earnings Table	Y-O-Y Quarter Q3:10PF	Current Quarter Q3:11PF	Jefferies Estimate Q3:11PF	Y-O-Y % Change	Actual vs. Estimated % Diff
Net Revenues	$84,928	$101,681	$97,031	19.7%	4.8%
Cost of Sales	$62,865	$74,651	$71,823	18.7%	3.9%
Gross Profit	$22,063	$27,030	$25,207	22.5%	7.2%
Operating Expenses	$16,005	$19,568	$18,492	22.3%	5.8%
EBIT (Operating)	$6,058	$7,462	$6,716	23.2%	11.1%
Non-Recurring Items	-	$400	-	NM	NM
EBIT (Reported)	$6,058	$7,062	$6,716	16.6%	5.2%
EBIT (Operating)	$6,058	$7,462	$6,716	23.2%	11.1%
Plus: Depreciation & Amortization	$340	$429	$400	26.2%	7.3%
EBITDA	$6,398	$7,891	$7,116	23.3%	10.9%
Interest Expense, Net	$538	$505	$426	-6.1%	18.7%
(Gain) / Loss on Fluctuation of Interest Rate Swap	($228)	-	-	NM	NM
Other	-	-	-	NM	NM
EBT	$5,748	$6,957	$6,290	21.0%	10.6%
Income Taxes	$2,241	$2,713	$2,453	21.1%	10.6%
Net Income (Loss) (Operating)	$3,507	$4,244	$3,837	21.0%	10.6%
Non-Recurring Items (Net of Taxes)	-	($5,429)	-	NM	NM
Net Income (Loss) Reported	$3,507	($1,185)	$3,837	NM	NM
Disc Operations, Net of Taxes	-	-	-	NM	NM
Net Income (Reported) After Disc. Ops	$3,507	($1,185)	$3,837	NM	NM
Diluted EPS (Operating)	$0.17	$0.20	$0.18	21.0%	10.6%
Diluted EPS (Reported)	$0.17	($0.06)	$0.18	NM	NM
First Call Consensus	-	$0.19	$0.19	NM	-
Weighted Avg. Diluted Shares Outstanding	20,835	20,835	20,835	-	-
Margin					
Gross Profit	26.0%	26.6%	26.0%	60 bp	60 bp
Operating Expenses (As % of Net Revenues)	18.8%	19.2%	19.1%	40 bp	19 bp
EBIT (Operating)	7.1%	7.3%	6.9%	21 bp	42 bp
EBIT (Reported)	7.1%	6.9%	6.9%	-19 bp	2 bp
EBITDA	7.5%	7.8%	7.3%	23 bp	43 bp
Net Income (Operating)	4.1%	4.2%	4.0%	4 bp	22 bp
Net Income (Reported)	4.1%	-1.2%	4.0%	NM	NM

Source: Jefferies, company data

Chart 2: Near-term Outlook

Earnings Table	Q4:11PFE	2011PFE	2012E
Net Revenues	$111,688	$395,807	$441,735
Gross Profit	$29,013	$104,333	$116,881
EBIT	$9,021	$28,566	$35,415
EBITDA	$9,436	$30,192	$37,178
EBT	$8,612	$26,880	$33,719
Taxes	$3,359	$10,500	$13,150
Net Income (Operating)	$5,253	$16,380	$20,568
Diluted EPS (Operating)	$0.25	$0.79	$0.98
Consensus EPS	$0.25	$0.77	$0.97
Diluted Shares Outstanding	20,835	20,835	20,935

Source: Jefferies

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Chart 3: CHEF Income Statement ($ thousands, except per share data)

	2008A	2009A	2010A	2010PF					2011E					2011PFE	2012E
				Pro Forma						*Pro Forma*	*Pro Forma*	*Pro Forma*	*Pro Forma*	*Pro Forma*	
	52 weeks	52 weeks	52 weeks	52 weeks	Q1:11A	Q2:11A	Q3:11A	Q4:11E	53 weeks	Q1:11PF	Q2:11PF	Q3:11PF	Q4:11PFE	53 weeks	52 weeks
	Dec-08	Dec-09	Dec-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Dec-11	Mar-11	Jun-11	Sep-11	Dec-11	Dec-11	Dec-12
	364	364	364	364	91	91	91	98	371	91	91	91	98	371	364
Net Revenues	$281,703	$271,072	$330,118	$330,118	$83,183	$99,255	$101,681	$111,688	$395,807	$83,183	$99,255	$101,681	$111,688	$395,807	$441,735
Cost of Sales	$211,387	$199,764	$244,340	$244,340	$61,148	$73,000	$74,651	$82,675	$291,474	$61,148	$73,000	$74,651	$82,675	$291,474	$324,854
Gross Profit	$70,316	$71,308	$85,778	$85,778	$22,035	$26,255	$27,030	$29,013	$104,333	$22,035	$26,255	$27,030	$29,013	$104,333	$116,881
Operating Expenses	$59,955	$57,580	$63,491	$66,965	$16,976	$18,351	$21,290	$19,877	$76,494	$17,441	$18,766	$19,568	$19,992	$75,767	$81,466
EBIT (Operating)	$10,361	$13,728	$22,287	$18,813	$5,059	$7,904	$5,740	$9,136	$27,839	$4,594	$7,489	$7,462	$9,021	$28,566	$35,415
Non-Recurring Items	-	-	-	-	-	$200	$400	-	$600	-	$200	$400	-	$600	-
EBIT (Reported)	$10,361	$13,728	$22,287	$18,813	$5,059	$7,704	$5,340	$9,136	$27,239	$4,594	$7,289	$7,062	$9,021	$27,966	$35,415
EBIT (Operating)	$10,361	$13,728	$22,287	$18,813	$5,059	$7,904	$5,740	$9,136	$27,839	$4,594	$7,489	$7,462	$9,021	$28,566	$35,415
Plus: Depreciation & Amortization	$1,626	$1,520	$1,388	$1,388	$322	$460	$429	$415	$1,626	$322	$460	$429	$415	$1,626	$1,763
EBITDA	$11,987	$15,248	$23,675	$20,201	$5,381	$8,364	$6,169	$9,551	$29,465	$4,916	$7,949	$7,891	$9,436	$30,192	$37,178
Interest Expense, Net	$3,597	$3,212	$4,756	$1,397	$3,450	$3,343	$7,249	$450	$14,492	$433	$417	$505	$409	$1,764	$1,696
(Gain) / Loss on Fluctuation of Interest Rate Swap	$1,118	($658)	($910)	($910)	($81)	-	-	-	($81)	($81)	-	-	-	($81)	-
Other	-	-	-	-	$3	-	-	-	$3	$3	-	-	-	$3	-
EBT	$5,646	$11,174	$18,441	$18,326	$1,687	$4,561	($1,509)	$8,686	$13,425	$4,239	$7,072	$6,957	$8,612	$26,880	$33,719
Income Taxes	$3,450	$2,213	$2,567	$7,147	$667	$1,786	($568)	$3,388	$5,273	$1,663	$2,765	$2,713	$3,359	$10,500	$13,150
Net Income (Loss) (Operating)	$2,196	$8,961	$15,874	$11,179	$1,020	$2,775	($941)	$5,299	$8,153	$2,576	$4,307	$4,244	$5,253	$16,380	$20,568
Non-Recurring Items (Net of Taxes)	-	-	-	$854	-	($122)	($244)	-	($366)	-	($122)	($5,429)	-	($5,551)	-
Net Income (Loss) Reported	$2,196	$8,961	$15,874	$12,033	$1,020	$2,653	($1,185)	$5,299	$7,787	$2,576	$4,185	($1,185)	$5,253	$10,830	$20,568
Disc Operations, Net of Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income (Reported) After Disc. Ops	$2,196	$8,961	$15,874	$12,033	$1,020	$2,653	($1,185)	$5,299	$7,787	$2,576	$4,185	($1,185)	$5,253	$10,830	$20,568
Deemed Dividend Accretion on Class A Units	($3,000)	($6,207)	($4,123)		-	-	-	-	-						
Deemed Dividend Paid to Class A Units	-	-	($22,429)		-	-	-	-	-						
Net Income (Loss) to Common Stockholders	($804)	$2,754	($10,678)		$1,020	$2,653	($1,185)	$5,299	$7,787						
Diluted EPS (Operating)	NA	NA	NA	$0.54	$0.06	$0.17	($0.05)	$0.25	$0.46	$0.12	$0.21	$0.20	$0.25	$0.79	$0.98
Diluted EPS (Reported)	NA	NA	NA	$0.58	$0.06	$0.17	($0.06)	$0.25	$0.44	$0.12	$0.20	($0.06)	$0.25	$0.52	$0.98
First Call Consensus												$0.19	$0.25	$0.77	$0.97
Weighted Avg. Diluted Shares Outstanding	NA	NA	NA	20,835	16,000	16,000	18,696	20,835	17,883	20,835	20,835	20,835	20,835	20,835	20,935
Growth Rates															
Net Revenues	10.0%	-3.8%	21.8%	NA	18.8%	18.7%	19.7%	NA	19.9%	18.8%	18.7%	19.7%	NA	19.9%	11.6%
Gross Profit	7.6%	1.4%	20.3%	NA	22.5%	19.7%	22.5%	NA	21.6%	22.5%	19.7%	22.5%	NA	21.6%	12.0%
Operating Expenses	1.0%	-4.0%	10.3%	NA	14.7%	12.7%	35.2%	NA	20.5%	15.7%	13.4%	22.3%	NA	13.1%	7.5%
EBIT (Operating)	73.9%	32.5%	62.3%	NA	59.2%	39.6%	-9.2%	NA	24.9%	57.7%	38.7%	23.2%	NA	51.8%	24.0%
EBIT (Reported)	73.9%	32.5%	62.3%	NA	59.2%	36.1%	-15.5%	NA	22.2%	57.7%	35.0%	16.6%	NA	48.7%	26.6%
Depreciation & Amortization	NM	-6.5%	-8.7%	NA	1.9%	3.8%	26.2%	NA	17.1%	1.9%	3.8%	26.2%	NA	17.1%	8.4%
EBITDA	NM	27.2%	55.3%	NA	54.1%	37.0%	-7.4%	NA	24.5%	52.2%	36.0%	23.3%	NA	49.5%	23.1%
Net Income (Operating)	64.9%	308.1%	77.1%	NA	-33.6%	-35.3%	NM	NA	-48.6%	81.7%	39.1%	21.0%	NA	46.5%	25.6%
Net Income (Reported)	NM	NM	NM	NA	186.5%	-14.7%	NM	NA	NM	81.7%	35.1%	NM	NA	-10.0%	89.9%
Diluted EPS (Operating)	NA	NA	NA	NA	319.0%	30.3%	NM	NA	NA	81.7%	39.1%	21.0%	NA	46.5%	25.0%
Diluted EPS (Reported)	NA	NA	NA	NA	319.0%	24.6%	NM	NA	NA	81.7%	35.1%	NM	NA	-10.0%	89.0%
Margin															
Gross Profit	25.0%	26.3%	26.0%	26.0%	26.5%	26.5%	26.6%	26.0%	26.4%	26.5%	26.5%	26.6%	26.0%	26.4%	26.5%
Operating Expenses (As % of Net Revenues)	21.3%	21.2%	19.2%	20.3%	20.4%	18.5%	20.9%	17.8%	19.3%	21.0%	18.9%	19.2%	17.9%	19.1%	18.4%
EBIT (Operating)	3.7%	5.1%	6.8%	5.7%	6.1%	8.0%	5.6%	8.2%	7.0%	5.5%	7.5%	7.3%	8.1%	7.2%	8.0%
EBIT (Reported)	3.7%	5.1%	6.8%	5.7%	6.1%	7.8%	5.3%	8.2%	6.9%	5.5%	7.3%	6.9%	8.1%	7.1%	8.0%
EBITDA	4.3%	5.6%	7.2%	6.1%	6.5%	8.4%	6.1%	8.6%	7.4%	5.9%	8.0%	7.8%	8.4%	7.6%	8.4%
Net Income (Operating)	0.8%	3.3%	4.8%	3.4%	1.2%	2.8%	-0.9%	4.7%	2.1%	3.1%	4.3%	4.2%	4.7%	4.1%	4.7%
Net Income (Reported)	-0.3%	1.0%	-3.2%	3.6%	1.2%	2.7%	-1.2%	4.7%	2.0%	3.1%	4.2%	-1.2%	4.7%	2.7%	4.7%
Change in Margin															
Change in Gross Profit Margin	-0.55%	1.34%	-0.32%	NA	0.80%	0.21%	0.60%	NA	0.38%	0.80%	0.21%	0.60%	NA	0.38%	0.10%
Change in Operating Expenses (As % of Net Revenue	-1.90%	-0.04%	-2.01%	NA	-0.74%	-0.98%	2.40%	NA	0.09%	-0.56%	-0.88%	0.40%	NA	-1.14%	-0.70%
Change in EBIT (Operating) Margin	1.35%	1.39%	1.69%	NA	1.54%	1.19%	-1.80%	NA	0.28%	1.36%	1.09%	0.21%	NA	1.52%	0.80%
Change in EBIT (Reported) Margin	1.35%	1.39%	1.69%	NA	1.54%	0.99%	-2.19%	NA	0.13%	1.36%	0.89%	-0.19%	NA	1.37%	0.95%
Change in EBITDA Margin	NA	1.37%	1.55%	NA	1.48%	1.13%	-1.77%	NA	0.27%	1.30%	1.02%	0.23%	NA	1.51%	0.79%
Effective Tax Rate	61.1%	19.8%	13.9%	39.0%	39.5%	39.2%	37.6%	39.0%	39.3%	39.2%	39.1%	39.0%	39.0%	39.1%	39.0%

Source: Jefferies, company data

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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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Risk which may impede the achievement of our Price Target

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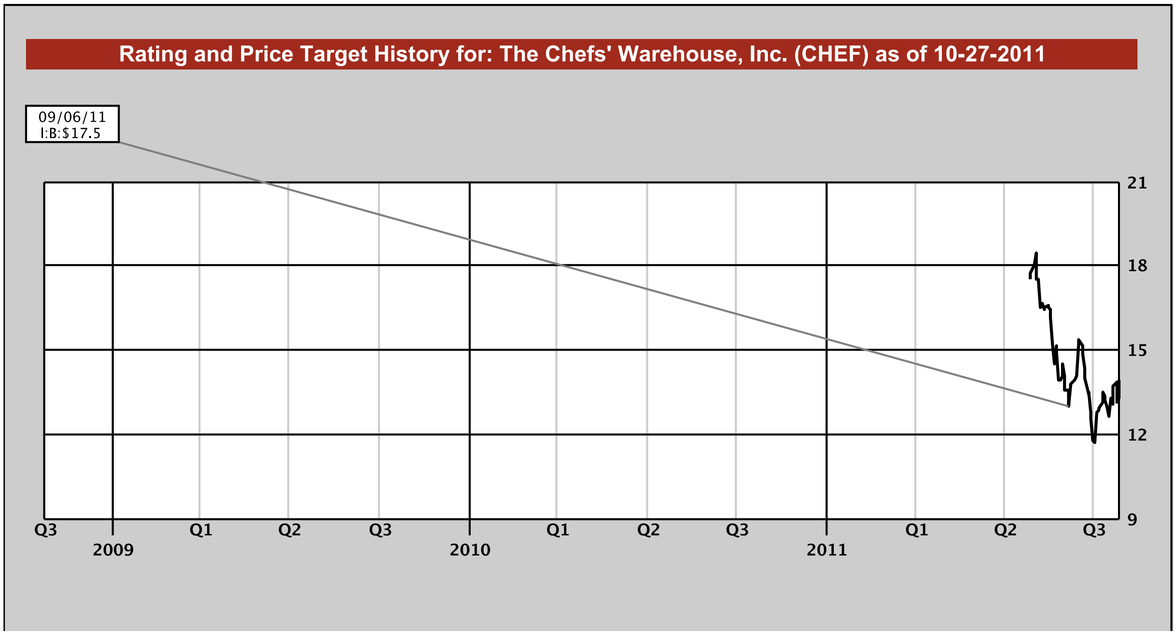

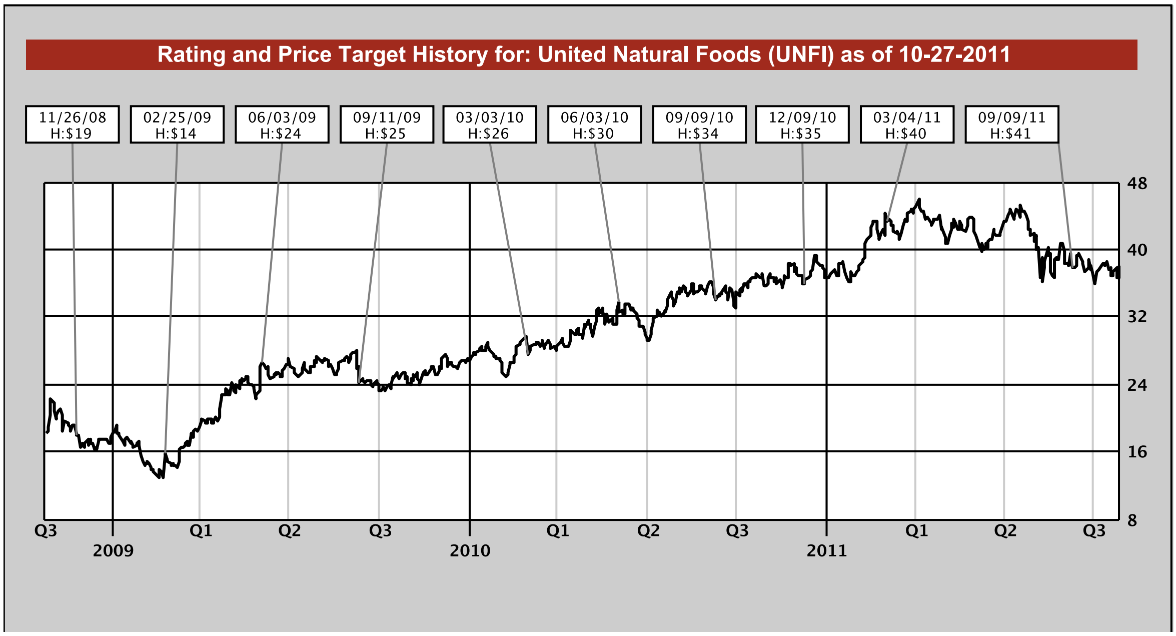

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HOLD	562	40.40%	53	9.43%
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October 27, 2011

WELLS FARGO SECURITIES

Equity Research

The Chefs' Warehouse, Inc.

CHEF: Reported Q3 Modified Pro Forma EPS Above Our Target
Encouraged By Acquisition Update--Maintaining Outperform Rating

Outperform / V

Sector: Restaurants & Foodservice
Market Weight

- **Summary:** Posted Q3 pro forma EPS above our target. Encouraged by integration update on Harry Wils acquisition. Recent business trends appear favorable. Raising our 2011 EPS estimate to $0.77 from $0.76 and our 2012 EPS estimate to $0.98 from $0.97.

- **Q3 EPS Above Target.** CHEF posted modified pro forma EPS of $0.19, which was above our estimate of $0.18 and versus $0.17 last year. Relative to our target, the earnings upside reflected higher than expected sales growth. On a GAAP basis, CHEF reported a Q3 loss per share of $0.06, which included financing, transaction, and other costs related to the company's initial public offering

- **Encouraged By Harry Wils Acquisition Update.** We were encouraged to hear that the Harry Wils acquisition appears to be performing well. Management decided to increase fleet and staff support in Q3 to ensure customer service was maintained to standard during the integration process. The company gained over 500 new customers in New York over a short period of time with the acquisition and thought that it was a good investment to increase fleet capacity by 30% to ensure customer satisfaction. Management has since begun to pare back on the fleet additions and hopes to reduce the recent fleet additions by about half to a more normalized level.

- **Recent Business Trends Appear Favorable.** In terms of recent trends, management noted on the earnings conference call that the company's key metrics, such as new customers and product placements, continue to reach all-time highs. Management also indicated that their high-end restaurant customers appear to be holding up well in the current environment.

- **Raising EPS Estimates.** We are raising our 2011 EPS estimate to $0.77 from $0.76 and our 2012 EPS estimate to $0.98 from $0.97, both of which reflect the Q3 2011 earnings upside.

Valuation Range: $19.00 to $20.00
Over the next 12 months, we believe that CHEF shares may warrant a valuation range of $19-20 based on a multiple of 19-20x our 2012 EPS estimate. Key risk factors that could affect share valuation include inability to successfully integrate acquisitions, sales and commodity volatility, challenges related to sourcing products, and risks related to their geographic concentration.

Investment Thesis:
In our view The Chefs' Warehouse is well positioned for growth given its presence in key culinary markets, chef-driven customer focus, and specialty food sourcing capabilities. We also think the company's growth potential could be further enhanced through selective acquisition opportunities.

Earnings Estimates Revised Up

	2010A	2011E		2012E	
EPS		**Curr.**	**Prior**	**Curr.**	**Prior**
Q1 (Mar.)	$0.07	$0.12 A	NC	$0.15	NC
Q2 (June)	0.16	0.20 A	NC	0.26	NC
Q3 (Sep.)	0.17	**0.19 A**	**0.18**	**0.27**	**0.26**
Q4 (Dec.)	0.18	0.26	NC	0.30	NC
FY	$0.57	**$0.77**	**0.76**	**$0.98**	**0.97**
CY	$0.57	$0.77		$0.98	
FY P/E	24.4x	18.1x		14.2x	
Rev.(MM)	$330	$393		$441	

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters
NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful
V = Volatile, = Company is on the Priority Stock List

Ticker	CHEF
Price (10/27/2011)	$13.93
52-Week Range:	$11-19
Shares Outstanding: (MM)	20.8
Market Cap.: (MM)	$289.7
S&P 500:	1,284.59
Avg. Daily Vol.:	88,359
Dividend/Yield:	$0.00/0.0%
LT Debt: (MM)	$40.1
LT Debt/Total Cap.:	80.9%
ROE:	NM
3-5 Yr. Est. Growth Rate:	17.0%
CY 2011 Est. P/E-to-Growth:	1.1x
Last Reporting Date:	10/27/2011 After Close

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters

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Company Description:

The Chefs' Warehouse is a leading distributor of specialty food products in many key culinary markets in the United States. The company's core customers are chefs at leading independent restaurants and fine-dining establishments, as well as country clubs, hotels, caterers, culinary schools, and specialty food stores. The company distributes more than 11,500 food products, including an extensive selection of distinctive and hard-to-find specialty items, to over 7,000 customer locations in the United States.

Discussion

On October 27, The Chef's Warehouse posted Q3 2011 modified pro forma EPS of $0.19, which was above our estimate of $0.18 and versus $0.17 last year. Relative to our target, the earnings upside mainly reflected higher than expected sales growth in the period. On a GAAP basis, the company reported a Q3 loss per share of $0.06, which included financing, transaction, and other costs related to the company's initial public offering completed in the quarter. Management also noted that Hurricane Irene negatively impacted EPS by $0.01 in the quarter.

Revenue increased 19.7% to $101.7 million versus our $98.5 million target and $84.9 million last year. Of the 19.7% in revenue growth, 6.4% was from the Harry Wils acquisition, and 2.7% was from product mix and inflation, leaving real (organic) growth of 10.6%. ***We are particularly impressed by these topline results, as we had been targeting organic growth of 7.5%.*** Gross Profit margin was 26.2% versus our 26.0% estimate and 26.0% last year, while operating income margin came in at 6.9% versus our 6.8% estimate and 6.9% last year.

In terms of recent trends, management noted on the earnings conference call that the company's key metrics, such as new customers and product placements, continue to reach all-time highs. Management also indicated that their high-end restaurant customers appear to be holding up well in the current environment.

We were encouraged to hear that the Harry Wils acquisition appears to be performing well. Management decided to increase fleet and staff support in Q3 to ensure customer service was maintained to standard during the integration process. The company gained over 500 new customers in New York over a short period of time with the acquisition and thought that it was a good investment to increase fleet capacity by 30% to ensure customer satisfaction. Management has since begun to pare back on the fleet additions and hopes to reduce the recent fleet additions by about half to a more normalized level.

Key Growth Strategies. The company's growth strategies are comprised of three key elements: continue to pursue organic growth opportunities, further improve operating margins and target selective acquisitions. We think The Chefs' Warehouse has the potential to increase business with existing customers through expanded product selection, particularly the number of unique offerings. Management believes they are the primary distributor of specialty items for the majority of their customers and management is focused on maintaining this position while working to become the primary specialty distributor for a larger portion of their customers. We also think the company has the opportunity to enhance their distribution network by adding new customers in existing markets. We think the company's combination of traditional and specialty product offerings coupled with their ability to cultivate strong customer relationships should enable The Chefs' Warehouse to continue to expand their customer base within existing markets. The organic growth opportunities, if successful, should enhance the operating margin by leveraging economies of scale in purchasing, warehousing, distribution and when combined with fixed cost leverage should result in improved profitability. We also think opportunities exist within the highly fragmented foodservice distribution industry for The Chefs' Warehouse to pursue selective acquisitions which have the potential to expand the breadth of the company's distribution network, and further enhance operating efficiencies as well as product offerings and other capabilities.

Company guidance. Management reiterated FY2011 guidance of modified pro forma EPS of $0.76-0.79, based in part on revenue of $384-$392 million. *Management also noted that their guidance range now includes a $0.01 negative impact from Hurricane Irene and a $0.01 negative impact from the Harry Wils transition, neither of which it included previously.* On a reported basis, 2011 EPS is expected to be $0.41-0.42. In addition, the effective tax rate for the year is expected to be 39%, and diluted shares outstanding are expected to be 20.8 million.

Raising EPS Estimates. We are raising our 2011 EPS estimate to $0.77 from $0.76 and our 2012 EPS estimate to $0.98 from $0.97, both of which reflect the Q3 2011 earnings upside. We note that with the Q3 revenue upside, our 2011 revenue target is above management's guidance range.

We continue to think that The Chefs' Warehouse is well-positioned to generate EPS growth of approximately 17% over the next 3-5 years annually. Our longer-term 3-5 year EPS growth rate is based in part on 7-10% real or organic sales growth, relatively consistent gross margins, and some leverage on the operating expense and interest expense lines. We also think that selective acquisitions could further enhance the company's long-term growth rate.

Rating & Valuation. We are maintaining our Outperform rating on CHEF shares, which reflects current valuation as well as our favorable view of the company's competitive positioning within the foodservice distribution industry. We believe that CHEF is poised for growth given the company's presence in key culinary markets combined with their customer focus on serving the needs of chefs at independent restaurants and their product focus of sourcing specialty food offerings. We also think that the company's growth potential could be further enhanced through selective acquisition opportunities. CHEF shares are trading at 14.2x our 2012 EPS estimate versus a multiple of 16.0x for the peer group and our estimated 3-5 year growth rate of 17%. On a P/E-to-growth basis, CHEF shares are trading at a multiple of 0.8x versus a peer group PEG ratio of 1.6x. Over the next twelve months, we believe that CHEF shares may warrant a valuation range of $19-20 based on a multiple of 19-20x our FY2012 EPS estimate. In our view, key risk factors that could affect share valuation include the inability to successfully integrate acquisitions, sales and commodity volatility, challenges related to sourcing products, and risks related to their geographic concentration.

THE CHEFS' WAREHOUSE, INC.
Valuation Table - calendarized basis

Distribution Company	Ticker	Price 10/27/2011	2010A EPS	2011E EPS	2012E EPS	2010A P/E	2011E P/E	2012E P/E	3-5 Yr. Est. EPS Growth	2012 PEG
Sysco (6)	SYY	$27.63	$1.96	$2.00	$2.11	14.1x	13.8x	13.1x	7%	1.9
United Natural Foods (12)	UNFI	$38.00	$1.62	$1.77	$2.01	23.5x	21.5x	18.9x	13%	1.5
Distributor Average						**18.8x**	**17.6x**	**16.0x**	**10%**	1.6
Chef's Warehouse (12)	**CHEF**	**$13.93**	**$0.57**	**$0.77**	**$0.98**	**24.3x**	**18.0x**	**14.2x**	**17%**	**0.8**

SYY and UNFI from First Call, CHEF from Wells Fargo Securities, LLC estimates
Source: Wells Fargo Securities, LLC estimates and First Call

THE CHEFS' WAREHOUSE, INC.
Pro Forma Quarterly Earnings Model (Continuing Operations)
(figures in thousands except per share amounts and percentages - December fiscal year)

	2010				Pro Forma	2011				Pro Forma	2012				Estimate
	Q1-A	Q2-A	Q3-A	Q4-A	2010	Q1-A	Q2-A	Q3-A	Q4-E	2011	Q1-E	Q2-E	Q3-E	Q4-E	2012
Net Revenues	$70,000	$83,613	$84,928	$91,576	$330,118	$83,183	$99,255	$101,681	$108,976	$393,095	$93,997	$114,143	$115,916	$116,604	$440,660
Cost of Sales	52,017	61,670	62,865	67,788	244,340	61,148	73,000	75,051	80,533	289,732	69,558	84,466	85,662	86,287	325,973
Gross Profit	17,983	21,943	22,063	23,789	85,778	22,035	26,255	26,630	28,443	103,363	24,439	29,677	30,254	30,317	114,688
Operating Expenses	15,330	16,476	16,243	17,414	65,463	17,428	18,948	19,568	19,180	75,124	18,987	20,317	20,749	19,473	79,527
Operating Income	2,653	5,467	5,820	6,375	20,315	4,607	7,307	7,062	9,263	28,239	5,452	9,360	9,505	10,844	35,161
Pro Forma Interest Expense/(Income)	417	417	417	417	1,668	417	417	505	485	1,824	400	400	300	300	1,400
(Gain)/Loss on Interest Rate Swap	(183)	(248)	(240)	(240)	(910)	(81)	0	0	0	(81)	0	0	0	0	0
Other	0	0	0	0	0	3	0	0	0	3	0	0	0	0	0
Income before Taxes	2,419	5,298	5,643	6,197	19,557	4,268	6,890	6,557	8,778	26,493	5,052	8,960	9,205	10,544	33,761
Taxes, Pro Forma Adjusted	943	2,066	2,201	2,417	7,627	1,665	2,687	2,557	3,423	10,332	1,970	3,494	3,590	4,112	13,167
Net Income, Continuing Operations	1,476	3,232	3,442	3,780	11,930	2,603	4,203	4,000	5,355	16,161	3,082	5,465	5,615	6,432	20,594
Diluted Shares	20,835	20,835	20,835	20,835	20,835	20,835	20,835	20,835	20,923	20,857	20,973	21,023	21,073	21,123	21,048
EPS from Continuing Operations	$0.07	$0.16	$0.17	$0.18	$0.57	$0.12	$0.20	$0.19	$0.26	$0.77	$0.15	$0.26	$0.27	$0.30	$0.98
Depreciation & Amortization	375	375	375	375	1,500	375	375	429	450	1,629	425	400	375	350	1,550
EBITDA	3,028	5,842	6,195	6,750	21,815	4,982	7,682	7,491	9,713	29,868	5,877	9,760	9,880	11,194	36,711
EBITDA margin	4.3%	7.0%	7.3%	7.4%	6.6%	6.0%	7.7%	7.4%	8.9%	7.6%	6.3%	8.6%	8.5%	9.6%	8.3%
As a Percentage of Revenue (Except Tax Rate)															
Cost of Sales	74.3%	73.8%	74.0%	74.0%	74.0%	73.5%	73.5%	73.8%	73.9%	73.7%	74.0%	74.0%	73.9%	74.0%	74.0%
Gross Margin	25.7%	26.2%	26.0%	26.0%	26.0%	26.5%	26.5%	26.2%	26.1%	26.3%	26.0%	26.0%	26.1%	26.0%	26.0%
Operating Expenses	21.9%	19.7%	19.1%	19.0%	19.8%	21.0%	19.1%	19.2%	17.6%	19.1%	20.2%	17.8%	17.9%	16.7%	18.0%
Operating Income	3.8%	6.5%	6.9%	7.0%	6.2%	5.5%	7.4%	6.9%	8.5%	7.2%	5.8%	8.2%	8.2%	9.3%	8.0%
Tax Rate	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%
Net Income	2.1%	3.9%	4.1%	4.1%	3.6%	3.1%	4.2%	3.9%	4.9%	4.1%	3.3%	4.8%	4.8%	5.5%	4.7%
Growth Rates															
Net Revenues	17.7%	22.5%	23.7%	22.6%	21.8%	18.8%	18.7%	19.7%	19.0%	19.1%	13.0%	15.0%	14.0%	7.0%	12.1%
Operating Income	NA	NA	NA	NA	NA	73.6%	33.6%	21.3%	45.3%	39.0%	18.3%	28.1%	34.6%	17.1%	24.5%
Net Income, Continuing Operations	NA	NA	NA	NA	NA	76.4%	30.0%	16.2%	41.6%	35.5%	18.4%	30.0%	40.4%	20.1%	27.4%
EPS from Continuing Operations	NA	NA	NA	NA	NA	76.4%	30.0%	16.2%	41.0%	35.3%	17.6%	28.9%	38.8%	19.0%	26.3%

Note: Quarters may not add due to rounding.
Source: Company reports and Wells Fargo Securities, LLC estimates

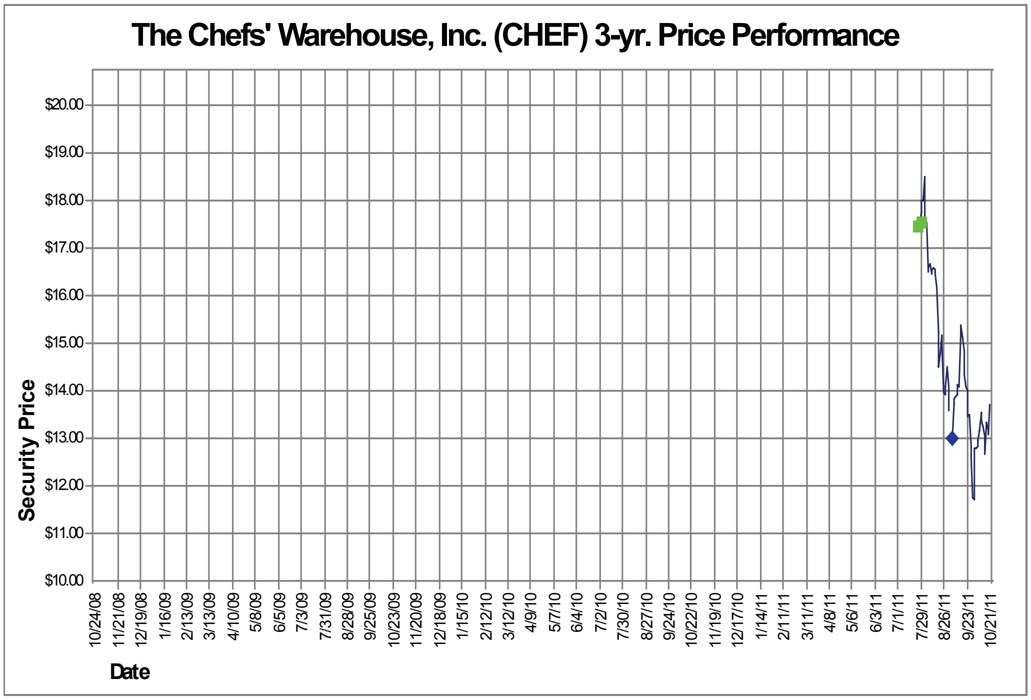
THE CHEFS' WAREHOUSE, INC.
Components of Revenue Growth
(Fiscal year end - December)

	2009A	2010A	2011E	2012E
First Quarter				
Nominal Revenue Growth	-5.5%	17.7%	18.8%	13.0%
Acquistions	4.9%	3.0%	3.0%	5.0%
Internal Growth	-10.4%	14.7%	15.8%	8.0%
Food Inflation (Deflation) and Mix	3.8%	4.6%	4.5%	3.0%
Real Revenue Growth	-14.2%	10.0%	11.3%	5.0%
Second Quarter				
Nominal Revenue Growth	-7.7%	22.5%	18.7%	15.0%
Acquistions	3.8%	3.0%	2.0%	5.0%
Internal Growth	-11.6%	19.5%	16.7%	10.0%
Food Inflation (Deflation) and Mix	-0.4%	7.5%	3.3%	3.0%
Real Revenue Growth	-11.2%	12.0%	13.4%	7.0%
Third Quarter				
Nominal Revenue Growth	-7.9%	23.7%	19.7%	14.0%
Acquistions	0.8%	3.7%	6.4%	0.0%
Internal Growth	-8.6%	20.0%	13.3%	14.0%
Food Inflation (Deflation) and Mix	-3.2%	9.0%	2.7%	3.0%
Real Revenue Growth	-5.5%	11.0%	10.6%	11.0%
Fourth Quarter				
Nominal Revenue Growth	6.3%	22.6%	19.0%	7.0%
Acquistions	2.7%	2.7%	5.5%	0.0%
Internal Growth	3.5%	20.0%	13.5%	7.0%
Food Inflation (Deflation) and Mix	-2.0%	9.4%	3.0%	3.0%
Real Revenue Growth	5.5%	10.6%	10.5%	4.0%
Fiscal Year				
Nominal Revenue Growth	-3.8%	21.8%	19.1%	12.1%
Acquistions	3.0%	3.1%	4.2%	2.5%
Internal Growth	-6.8%	18.7%	14.9%	9.6%
Food Inflation (Deflation) and Mix	-0.6%	7.8%	3.4%	3.0%
Real Revenue Growth	**-6.2%**	**10.9%**	11.5%	6.6%

Note: Q4 2011 contains an extra week

Source: Company reports and Wells Fargo Securities, LLC estimates

Required Disclosures



	Date	Publication Price ($)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price ($)
❐	7/28/2011		IPO at $15.00			
	9/2/2011		Omohundro			
◆	9/6/2011	13.56	1	19.00	20.00	12.98

Source: Wells Fargo Securities, LLC estimates and Reuters data

Symbol Key
- ▼ Rating Downgrade
- ▲ Rating Upgrade
- ● Valuation Range Change
- ◆ Initiation, Resumption, Drop or Suspend
- ■ Analyst Change
- ❐ Split Adjustment

Rating Code Key

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

Additional Information Available Upon Request

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As of: October 27, 2011

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October 25, 2011

Chefs' Warehouse

(CHEF-NASDAQ)

Stock Rating: **Outperform**
Industry Rating: **Market Perform**

Food Retail

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Looking Forward to a Long-Anticipated 3Q Update

Event

Chefs' Warehouse is schedule to release its 3Q11 results after the market close on October 27, with a call at 5pm EDT to discuss results. Since July 28 – the company's first day of trading – the stock has been fairly volatile. At one point (August 3) the stock was up 23% from the IPO but, given market malaise and an uncertain economic environment (and, possibly, one large seller) the stock subsequently dropped 37% from its high to reach a low of $11.70 on October 3. The stock has now rebounded slightly and is just above the price at our initiation. We believe the volatility in the stock can (and should be) expected, given the lack of liquidity, but also believe fears of a slowdown are unfounded and believe expectations are reasonable for FY11 and beyond. During the call, we will be paying particular attention to the breakdown between inflation/mix, acquisitions, and organic growth. As a reminder, in 2Q, inflation/mix decelerated sequentially – largely a function of changes in mix – but these mix changes were largely driven by high inflation in specific categories. We will also look for an update on potential acquisition opportunities in new and existing markets.

Impact

Neutral.

Forecasts

Our 3Q11EPS estimate is $0.19. For FY2011 and FY2012, our EPS estimates are $0.77 and $0.99, respectively.

Valuation

CHEF is trading at FY2011 and FY2012 EV/EBITDA of 10.9x and 8.2x, respectively.

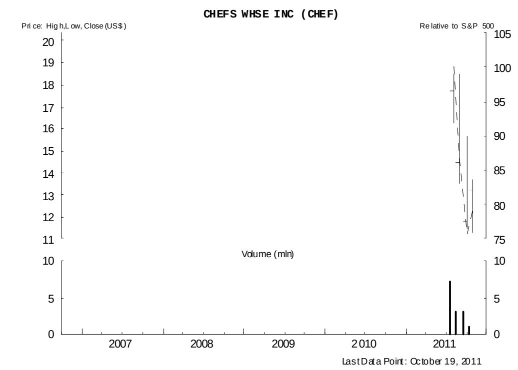
Recommendation

We maintain our **OUTPERFORM** rating.

Securities Info

Price (24-Oct)	**$13.84**	**Target Price**	**$16**
52-Wk High/Low	$19/$11	Dividend	--
Mkt Cap (mm)	$288	Yield	--
Shs O/S (mm, BASIC)	20.8	Float O/S (mm)	9.2
Options O/S (mm)	na	ADVol (30-day, 000s)	134

Price Performance



Valuation/Financial Data

(FY-Dec.)	2009A	2010A	2011E	2012E
EPS Pro Forma	$0.43	$0.76	$0.77	$0.99
P/E			18.0x	14.0x
First Call Cons.			*$0.77*	*$0.97*
EPS GAAP	$0.43	$0.76	$0.77	$0.99
FCF	na	na	na	na
P/FCF			na	na
EBITDA ($mm)	$15	$24	$30	$38
EV/EBITDA			10.9x	8.6x
Rev. ($mm)	$271	$330	$391	$431
EV/Rev			0.8x	0.7x
Quarterly EPS	**1Q**	**2Q**	**3Q**	**4Q**
2010A	$0.07	$0.22	$0.21	$0.26
2011E	$0.13A	$0.20A	$0.19	$0.26
Quarterly EBITDA	**1Q**	**2Q**	**3Q**	**4Q**
2010A	$3.5	$6.3	$6.7	$7.2
2011E	$4.7A	$7.6A	$7.5	$9.8

Balance Sheet Data (na)

Net Debt ($mm)	$35	Total Debt/EBITDA	na
Total Debt ($mm)	na	EBITDA/IntExp	na
Net Debt/Cap.	na	Price/Book	#DIV/0!

Notes: All values in US$.

Source: BMO Capital Markets estimates, Bloomberg, FactSet, Global Insight, Reuters, and Thomson Financial.

Please refer to pages 6 to 8 for Important Disclosures, including the Analyst's Certification.

Key Points

Exhibit 1. CHEF Current Valuation

Chefs' Warehouse Current Valuation					
	2011E	**2012E**	**2013E**	**2014E**	**2015E**
Net Income	$16.22	$20.79	[redacted]	[redacted]	[redacted]
EPS	$0.77	$0.99	[redacted]	[redacted]	[redacted]
EBITDA	$30	$38	[redacted]	[redacted]	[redacted]
EBITDAR	$38	$47	[redacted]	[redacted]	[redacted]
Net Forward Debt	$35.00	$20	[redacted]	[redacted]	[redacted]
# Shares	21	21	21	21	21
Current Stock Price	$13.84	$13.84	$13.84	$13.84	$13.84
Market Cap	$290	$291	$291	$291	$291
EV	$325	$310	$289	$264	$236
P/E	17.9x	14.0x	11.9x	10.1x	8.8x
EV/EBITDA	10.9x	8.2x	6.7x	5.3x	4.2x
EPS Growth	1.4%	27.8%	17.1%	17.8%	14.6%

Source: Company reports, BMO Capital Markets estimates.

Areas of focus for the conference call:

- Updated guidance for FY11.
- The breakdown of total sales growth into organic growth, and the impact of acquisitions and inflation.
- Some color on the state of the consumer and, as a result, the health of the restaurant operators that CHEF serves.
- Given the current economic situation, an update on the trends management is seeing in the collection of its receivables.
- Sales trends into 4Q11.
- Some color on inflation trends and the company's ability to pass on cost increases to its customers.
- An update on the progress of the rollout of the warehouse management system to the Washington, DC facility, and how the company is progressing against its timeline to complete all rollouts by 1Q12.
- An update on the competitive environment.

In 3Q11, we are looking for EPS of $0.19 and EBITDA of $7.5 million. Consensus EPS is $0.19. Our estimate assumes total sales increase 13.5% to $96.4 million, with gross margins declining 75 bp to 25.2%. We forecast operating expenses (excluding D&A) grow 9.1% to $16.8 million, a 70 bp year-over-year improvement in margin – leading to a 20 bp deterioration in operating margins to 7.2%, or $6.9 million. This gets us to EBITDA of $7.5 million, a 5 bp deterioration in margin to 7.8%. We assume interest expense of $0.2 million, a 39.5% tax rate and 21.1 million shares outstanding, which gets us to EPS of $0.19.

In FY2011, our estimates for EPS and EBITDA are $0.77 and $29.7 million, respectively. Consensus EPS is $0.77. Our estimate assumes total sales increase 18.3% to $390.7 million, with gross margins improving 2 bp to 26.0%. We forecast operating expenses (excluding D&A) grow 15.9% to $72.0 million, a 39 bp year-over-year improvement in margin – leading to a 49 bp improvement in operating margins to 7.0%, or $27.4 million. This gets us to EBITDA of $29.7 million, a 42 bp improvement in margin to 7.6%. We assume interest expense of $1.2 million, a 39.1% tax rate and 20.9 million shares outstanding, which gets us to EPS of $0.77.

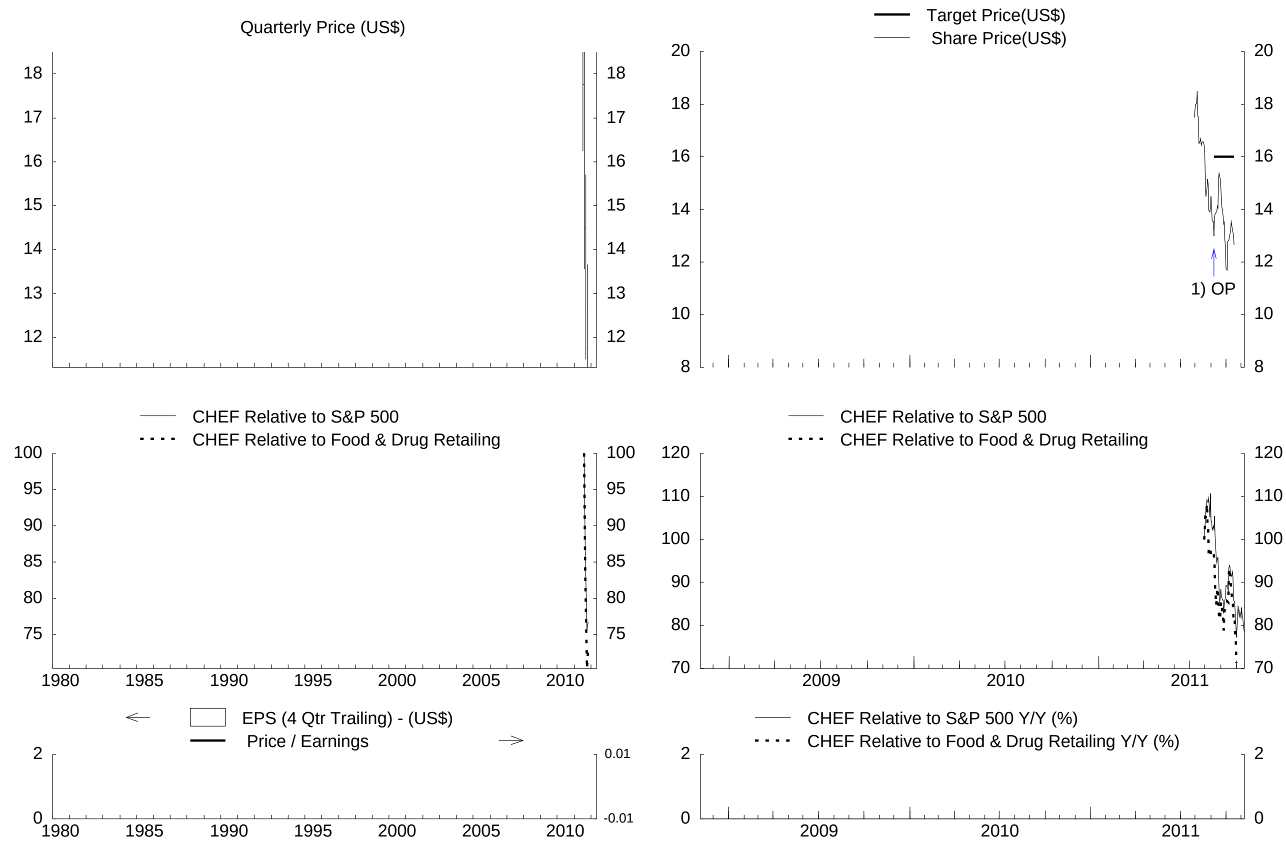
Chefs' Warehouse Income Statement														
	52 weeks	52 weeks	52 weeks					52 weeks					53 weeks	
	12/28/2007	12/26/2008	12/25/2009	3/26/2010	6/25/2010			12/24/2010	3/25/2011	6/24/2011			12/30/2011	
	2007	**2008**	**2009**	**1Q10**	**2Q10**	**3Q10**	**4Q10**	**2010**	**1Q11**	**2Q11**	**3Q11E**	**4Q11E**	**2011E**	**2012E**
Revenues	**$256.13**	**$281.70**	**$271.07**	**$70.00**	**$83.61**	**$84.93**	**$91.58**	**$330.12**	**$82.90**	**$99.26**	**$96.39**	**$112.10**	**$390.65**	**$431.19**
Cost of Goods	$190.79	$211.39	$199.76	$52.02	$61.67	$62.86	$67.79	$244.34	$61.50	$73.00	$72.07	$82.48	$289.05	$317.76
Gross Profit	**$65.35**	**$70.32**	**$71.31**	**$17.98**	**$21.94**	**$22.06**	**$23.79**	**$85.78**	**$21.40**	**$26.26**	**$24.32**	**$29.63**	**$101.60**	**$113.44**
D&A	$1.94	$1.99	$1.92	$0.46	$0.50	$0.41	$0.73	$2.10	$0.60	$0.39	$0.61	$0.61	$2.21	$2.44
Total Operating Expenses (Ex. D&A)	$57.45	$58.33	$56.06	$14.49	$15.64	$15.40	$16.57	$62.10	$16.70	$18.66	$16.81	$19.78	$71.95	$75.75
Total Operating Expenses (Incl. D&A)	**$59.39**	**$60.31**	**$57.98**	**$14.953**	**$16.14**	**$15.81**	**$17.31**	**$64.21**	**$17.30**	**$19.05**	**$17.42**	**$20.39**	**$74.16**	**$78.19**
Operating Income	**$5.96**	**$10.00**	**$13.33**	**$3.03**	**$5.80**	**$6.25**	**$6.48**	**$21.57**	**$4.10**	**$7.20**	**$6.90**	**$9.23**	**$27.43**	**$35.24**
EBITDA	**$7.90**	**$11.99**	**$15.25**	**$3.49**	**$6.31**	**$6.66**	**$7.21**	**$23.68**	**$4.70**	**$7.60**	**$7.51**	**$9.84**	**$29.65**	**$37.68**
Interest	$3.52	$3.24	$2.82	$0.63	$0.51	$0.47	$2.43	$4.04	$0.40	$0.42	$0.20	$0.20	$1.22	$0.88
Gain on Settlement	$1.10													
Gain/Loss on Interest Rate Swap	-$0.62	-$1.12	$0.66	$0.18	$0.25	$0.23	$0.25	$0.91	$0.40	$0.00	$0.00	$0.00	$0.40	$0.00
Other									$0.00					
Income Before Tax	**$2.92**	**$5.65**	**$11.17**	**$2.59**	**$5.54**	**$6.01**	**$4.31**	**$18.44**	**$4.10**	**$6.79**	**$6.70**	**$9.03**	**$26.62**	**$34.37**
Taxes	$0.79	$3.45	$2.21	$1.05	$1.05	$1.60	-$1.13	$2.57	$1.50	$2.69	$2.65	$3.57	$10.40	$13.57
Net Income	**$2.14**	**$2.20**	**$8.96**	**$1.54**	**$4.49**	**$4.41**	**$5.44**	**$15.87**	**$2.60**	**$4.10**	**$4.05**	**$5.46**	**$16.22**	**$20.79**
Tax Rate	26.9%	61.1%	19.8%	40.6%	19.0%	26.6%	-26.3%	13.9%	36.6%	39.6%	39.5%	39.5%	39.1%	39.5%
Basic EPS	**$0.11**	**$0.11**	**$0.44**	**$0.08**	**$0.22**	**$0.22**	**$0.26**	**$0.78**	**$0.13**	**$0.20**	**$0.20**	**$0.27**	**$0.80**	**$1.00**
Diluted EPS	**$0.10**	**$0.11**	**$0.43**	**$0.07**	**$0.22**	**$0.21**	**$0.26**	**$0.76**	**$0.13**	**$0.20**	**$0.19**	**$0.26**	**$0.77**	**$0.99**
Basic	20.32	20.32	20.32	20.12	20.16	20.45	20.54	20.32	20.12	20.12	20.45	20.54	20.31	20.80
Diluted	20.77	20.77	20.77	20.67	20.67	20.87	20.87	20.77	20.67	20.83	21.10	21.10	20.93	21.00
Growth														
Sales		10.0%	-3.8%	17.7%	22.5%	23.7%	22.6%	21.8%	18.4%	18.7%	13.5%	13.0%	18.3%	12.5%
Organic Sales growth		4.2%	-6.2%	10.0%	12.0%	11.0%	10.6%	10.9%	10.9%	13.0%	8%	7%		6%
Inflation - contribution to sales		n/a	-0.6%	4.6%	7.5%	9.0%	9.4%	7.8%	4.9%	3.3%	3%	3%		4%
Acquisitions - contribution to sales		5.8%	3.0%	3.0%	3.0%	3.7%	2.7%	3.1%	3.0%	2.0%	3%	3%		3%
Operating Expenses (Ex. D&A)		1.5%	-3.9%					10.8%	15.3%	19.3%	9.1%	19.4%	15.9%	5.3%
Operating Expenses (Incl. D&A)		1.6%	-3.9%					10.7%	15.7%	18.1%	10.2%	17.8%	15.5%	5.4%
Operating Income		67.9%	33.3%					61.8%	35.3%	24.1%	10.3%	42.4%	27.2%	28.5%
EBITDA		51.7%	27.2%					55.3%	34.5%	20.4%	12.8%	36.4%	25.2%	27.1%
Net Income		2.8%	308.1%					77.1%	69.0%	-8.7%	-8.1%	0.5%	2.2%	28.2%
EPS			308.1%					77.1%					1.4%	27.8%
Margins														
Gross	25.5%	25.0%	26.3%	25.7%	26.24%	25.98%	25.98%	26.0%	25.8%	26.45%	25.23%	26.43%	26.01%	26.31%
D&A	0.8%	0.7%	0.7%	0.7%	0.6%	0.5%	0.8%	0.6%	0.7%	0.4%	0.6%	0.5%	0.6%	0.6%
Operating Expenses (Ex. D&A)				20.7%	18.7%	18.1%	18.1%	18.8%	20.1%	18.8%	17.4%	17.6%	18.4%	17.6%
Operating Expenses (Incl. D&A)	23.2%	21.4%	21.4%	21.4%	19.3%	18.6%	18.9%	19.4%	20.9%	19.2%	18.1%	18.2%	19.0%	18.1%
Operating Income	2.3%	3.6%	4.9%	4.3%	6.9%	7.4%	7.1%	6.5%	4.9%	7.3%	7.2%	8.2%	7.0%	8.2%
EBITDA	3.1%	4.3%	5.6%	5.0%	7.5%	7.8%	7.9%	7.2%	5.7%	7.7%	7.8%	8.8%	7.6%	8.7%
Tax	26.9%	61.1%	19.8%	40.6%	19.0%	26.6%	-26.3%	13.9%	36.6%	39.6%	39.5%	39.5%	39.1%	39.5%
Net	0.8%	0.8%	3.3%	2.2%	5.4%	5.2%	5.9%	4.8%	3.1%	4.1%	4.2%	4.9%	4.2%	4.8%
Change in Margins														
Gross		-55bp	134bp					-32bp	12bp	21bp	-75bp	45bp	2bp	30bp
D&A		-5bp	0bp					-7bp	6bp	-20bp	15bp	-26bp	-7bp	0bp
Operating Expenses (Ex. D&A)									-55bp	10bp	-70bp	-45bp	-39bp	-85bp
Operating Expenses (Incl. D&A)		-178bp	-2bp					-194bp	-49bp	-11bp	-55bp	-71bp	-46bp	-85bp
Operating Income		122bp	137bp					162bp	62bp	31bp	-20bp	116bp	49bp	115bp
EBITDA		117bp	137bp					155bp	68bp	11bp	-5bp	90bp	42bp	115bp
Net		-5bp	253bp					150bp	94bp	-124bp	-99bp	-106bp	-66bp	67bp

Source: Company reports, BMO Capital Markets estimates.

Chefs' Warehouse Holdings Balance Sheet				
	12/28/07	12/26/08	12/25/09	12/24/10
	FY2007	**FY2008**	**FY2009**	**FY2010**
Cash & Equivalents	2.232	1.591	0.88	1.98
Accounts Receivable (net)	29.865	28.728	30.98	36.20
Inventory - Net of Reserve	17.819	16.449	15.29	16.44
Deferred Income Taxes	0.947	1.026	1.48	1.65
Other Current Assets & Prepaid Expenses	1.567	1.664	2.09	3.61
Total Current Assets	52.43	49.46	50.71	59.88
Net Property, Plant & Equipment	3.87	4.30	4.24	4.23
Deferred Income Taxes				
Capitalized Financing Fees				
Intangible Assets	2.33	6.80	9.47	12.11
Deferred Costs	0.35	0.89	0.06	2.36
Other LT Assets	3.94	3.06	1.45	4.09
Total Non-current Assets	10.49	15.04	15.23	22.79
TOTAL ASSETS	62.92	64.50	65.94	82.67
Current Debt	2.90	2.76	2.79	16.95
Original issue Discount				
Accounts Payable	24.41	18.79	19.29	23.56
Advances, Accrued Expenses	6.31	5.81	6.15	7.16
Taxes Payable other than Income				
Income Taxes Payable				
Total Current Liabilities	33.62	27.36	28.23	47.67
Long Term Debt, Net of Current Portion	33.082	37.323	29.928	82.58
Revolver				
Mezz Debt				
Term Note				
Original issue Discount				
Other (Deferred Rent)	1.63	3.04	2.45	1.23
Total Non-current Liabilities	34.71	40.36	32.37	83.81
TOTAL LIABILITIES	68.33	67.72	60.60	131.48
SHAREHOLDERS' EQUITY	(5.41)	(3.22)	5.33	(48.81)
TOTAL LIABILITIES & EQUITY	62.92	64.50	65.94	82.67

Source: Company reports, BMO Capital Markets estimates.

CHEFS WHSE INC (CHEF)



CHEF - Rating as of 28-Jul-11 = NR

	Date	Rating Change	Share Price
1	6-Sep-11	NR to OP	$13.56

Last Daily Data Point: October 17, 2011

Important Disclosures

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Methodology and Risks to Our Price Target/Valuation

Methodology: Our target price values CHEF at an FY12 EV/EBITDA of 9.4x and P/E of 16.2x.
Risks: Key risks to our CHEF price target include increased competition from traditional broadline operators or consolidation among other regional specialty distributors, deterioration in the national or New York economy as it relates to discretionary spending at restaurants, the success and completion of future acquisitions at fair prices, significant increases in raw material costs, and tainted product or product recall which could tarnish the company's image.

Distribution of Ratings (September 30, 2011)

Rating Category	BMO Rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	Starmine Universe
Buy	Outperform	39.2%	12.6%	38.8%	42.5%	48.1%	57.2%
Hold	Market Perform	58.9%	13.2%	61.2%	54.6%	50.9%	38.5%
Sell	Underperform	1.9%	0.0%	0.0%	2.9%	0.9%	4.3%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.
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Mkt = Market Perform - Forecast to perform roughly in line with the market;
Und = Underperform - Forecast to underperform the market;
(S) = speculative investment;
NR = No rating at this time;
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The Chefs' Warehouse

CHEF : NASDAQ : US$12.98

BUY

Target: US$18.00

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Chris Mandeville 1.617.371.3728
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COMPANY STATISTICS:

Market Cap (M):	US$270.4
52-week Range:	12.98 - 18.5
EV/EBITDA:	9.6

EARNINGS SUMMARY:

FYE Dec		2010A	2011E	2012E	2013E
P/Sales:		0.8	0.7	0.6	0.6
P/E:		23.6	16.9	13.6	12.0
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

SHARE PRICE PERFORMANCE:

Source: Interactive Data Corporation

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 in the United States.

All amounts in US$ unless otherwise noted.

Consumer Products -- Health, Wellness and Lifestyle

SERVING UP GOURMET GROWTH OPPORTUNITIES WITH A SIDE OF SUPERIOR MARGINS; INITIATING COVERAGE WITH BUY RATING AND $18 PRICE TARGET

Investment recommendation

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 geographic growth opportunities to deliver years of growth well above the specialty food sector overall.

Investment highlights

- CHEF is a quality operator with significant competitive advantages given a broader and deeper product offering and has proven its ability to dominate in its existing markets with considerable geographical growth opportunity ahead.
- The business model yields higher margins and ROIC vs. other food distributors and should deliver operating leverage and double-digit revenue growth.
- A highly fragmented specialty 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.

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 36% P/E discount relative to specialty foods group peers and a 19% discount to CHEF's closest comparison, United Natural Foods (UNFI : NASDAQ : $38.01 | HOLD).

- Shares trade at 16.9x our F2011 EPS estimate and 9.6x 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 25% 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

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.

GROWTH OPPORTUNITIES

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. 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 product exposure.

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. 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.

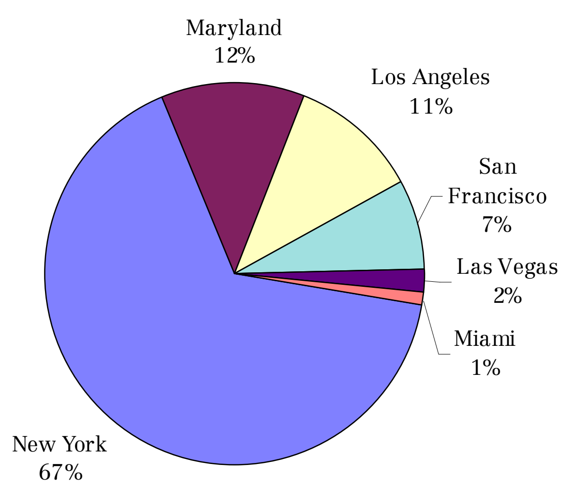
In addition, we strongly urge investors to review the complete set of risk factors that can be found in The Chefs’ Warehouse’s most recent regulatory filings.

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.

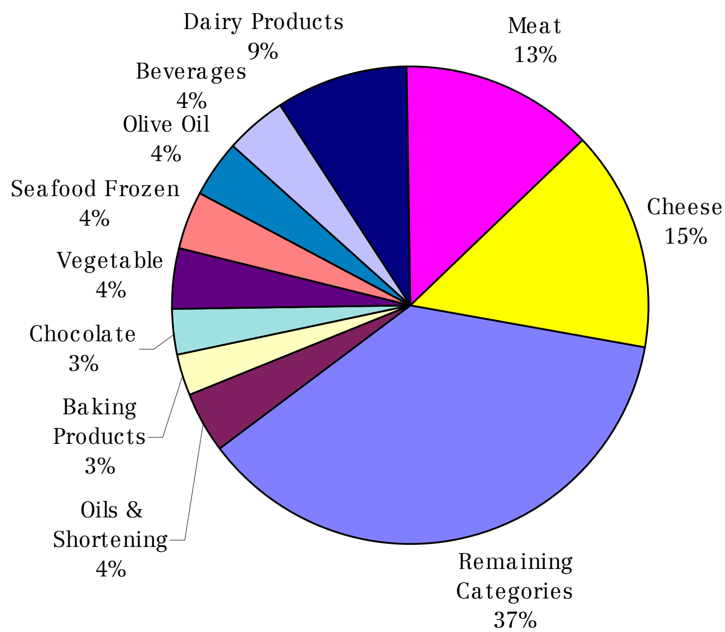
Beginning in 2005, Chefs' Warehouse embarked upon several acquisitions (about one per year) to facilitate distribution growth within not only new markets, but existing ones as well. The first such purchase was Van Rex Gourmet Foods, which had operations in the Los Angeles, San Francisco and Las Vegas markets. The company completed three additional accretive tuck-in acquisitions (approximately $4 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.

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 4: 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 chart:

Figure 5: 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 6: 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 7: 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.

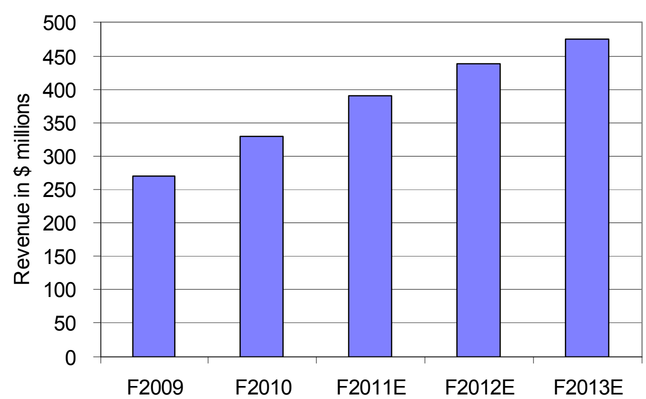
Jim Wagner, Chief Operating Officer. Since joining in 2006, Mr. Wagner has held various management roles within The Chefs' Warehouse. Additionally, he was a co-founder of TrueChocolate, Inc., a chocolate manufacturing and processing start-up. He also held key management positions at Clear!Blue Marketing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

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 8: Revenue growth trend and forecasts



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 9: 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.

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 16.9x our 2011 EPS forecast of $0.77, which is below the peer group multiple of 26.4x for the specialty foods group, while a significant premium to the food distribution peer group multiple of 12.2x. 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 19.3x this year earnings, implying that the shares are 12% undervalued. Shares also trade at just 9.6x this year's projected EBITDA and 8.3x 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 10: Relative valuation

Food distribution Peer Group			Price	Market	Enterprise	C2011E	C2012E	P/E	P/E	Enterprise Value/ EBITDA	Enterprise Value/ EBITDA
Company	Symbol	Rating	9/6/2011	Cap ($M)	Value	EPS	EPS	C2011E	C2012E	C2011E	C2012E
Core-Mark Holdings	CORE	Not rated	33.74	385	445	2.58	3.23	13.1	10.4	5.9	4.7
Nash Finch	NAFC	Not rated	29.30	356	674	3.62	3.83	8.1	7.7	4.6	4.4
Supervalu	SVU	Not rated	7.65	1,623	8,429	1.24	1.25	6.2	6.1	4.6	4.6
Sysco	SYY	Not rated	26.87	15,926	17,955	2.01	2.14	13.4	12.6	7.4	7.0
United Natural Foods	UNFI	Hold	37.55	1,832	2,035	1.79	2.09	21.0	18.0	10.6	9.4
Average								**12.2x**	**11.1x**	**6.8x**	**6.4x**
Specialty Food Peer Group			Price	Market	Enterprise	C2011E	C2012E	P/E	P/E	Enterprise Value/ EBITDA	Enterprise Value/ EBITDA
Company	Symbol	Rating	9/6/2011	Cap ($M)	Value	EPS	EPS	C2011E	C2012E	C2011E	C2012E
Diamond Foods	DMND	Not rated	75.40	1,660	2,231	2.76	3.32	27.3	22.7	10.7	6.2
Hain Celestial	HAIN	Buy	30.85	1,394	1,369	1.44	1.65	21.4	18.7	10.5	8.9
Lifeway Foods	LWAY	Not rated	10.29	169	176	0.35	0.40	29.8	25.7	13.8	13.1
Peet's Coffee & Tea	PEET	Not rated	56.00	723	680	1.50	1.84	37.4	30.5	14.3	12.5
Smart Balance	SMBL	Hold	4.77	285	326	0.22	0.28	21.3	16.9	8.2	7.9
United Natural Foods	UNFI	Hold	37.55	1,832	2,035	1.79	2.09	21.0	18.0	10.6	9.4
Average								**26.4x**	**22.1x**	**11.4x**	**9.7x**
Chefs' Warehouse	**CHEF**	Buy	**12.98**	**270**	**310**	**0.77**	**0.95**	**16.9**	**13.6**	**9.6**	**8.3**
Relative to conventional group								39.3%	23.0%	40.7%	30.4%
Relative to specialty group								(35.8%)	(38.3%)	(15.8%)	(14.1%)
Relative to UNFI								(19.2%)	(24.2%)	(10.1%)	(11.6%)

Source: Canaccord Genuity, Capital IQ and Thomson First Call consensus estimates

Figure 11: Historical and projected operating results

Fiscal Year End - December (in millions, except per-share data)

	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)	(79.9)	(85.1)
Operating Income	21.6	5.1	7.7	2.6	8.7	24.1	34.7	39.2
EBITDA	**24.6**	**5.6**	**8.1**	**6.0**	**9.1**	**29.4**	**37.4**	**41.9**
Net Interest	(4.0)	(3.5)	(3.3)	(4.7)	(0.4)	(11.9)	(1.6)	(0.8)
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	33.1	38.4
Income Tax	(2.6)	(0.7)	(1.7)	0.8	(3.3)	(4.8)	(13.5)	(15.2)
Net Income	15.7	1.0	2.7	(1.2)	5.0	7.4	19.6	23.3
Average Shares	72.5	16.0	16.0	17.6	20.9	17.6	21.2	21.6
EPS	$0.22	$0.06	$0.17	($0.07)	$0.24	$0.42	$0.92	$1.08
Pro forma adjustments								
GAAP Pretax income	18.2	1.7	4.4	(2.1)	8.3	12.3	33.1	38.4
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**	**32.4**	**37.4**	**41.9**
Adjusted pre-tax	18.6	4.2	6.9	7.0	8.3	26.4	33.1	38.4
Taxes	(7.3)	(1.6)	(2.7)	(2.8)	(3.3)	(10.4)	(12.9)	(15.0)
Adjusted net income	11.4	2.6	4.2	4.3	5.0	16.1	20.2	23.4
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	21.2	21.6
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 %	8.5 %
Adjusted operating margin	6.1 %	5.2 %	7.1 %	7.5 %	8.2 %	7.1 %	7.9 %	8.3 %
Adjusted EBITDA margin	**7.4 %**	**5.8 %**	**7.5 %**	**7.9 %**	**8.6 %**	**8.3 %**	**8.6 %**	**8.8 %**
Pretax margin	5.5 %	2.0 %	4.4 %	-2.1 %	7.8 %	3.2 %	7.6 %	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%	39.0%	39.0%
Growth (vs Year Ago)								
Revenue	22 %	19 %	19 %	17 %	17 %	18 %	12 %	9 %
Operating	62 %	67 %	37 %	-58 %	35 %	12 %	44 %	13 %
Pro forma Pre-Tax Income	63 %	89 %	38 %	24 %	45 %	42 %	25 %	16 %
Pro forma Net Income	75 %	89 %	38 %	23 %	43 %	41 %	26 %	19 %
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	20.6	(0.9)
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%	32.2%	34.7%
Return on Equity	nmf	nmf	nmf	nmf	nmf	nmf	45.2 %	30.1 %
Operating ROA	29.0%	24.9%	33.8%	10.6%	34.1%	26.1%	32.1%	32.5%
Debt/Total Capital	57.9%	85.8%	85.9%	71.5%	67.8%	71.4%	58.6%	42.5%
Cash Flow Analysis								
Operating cash flow	13.5	3.1	1.9	0.5	2.4	8.0	20.8	23.7
Free cash flow	12.4	2.7	1.7	0.2	2.2	6.8	19.8	22.7

Source: Company reports and Canaccord Genuity estimates

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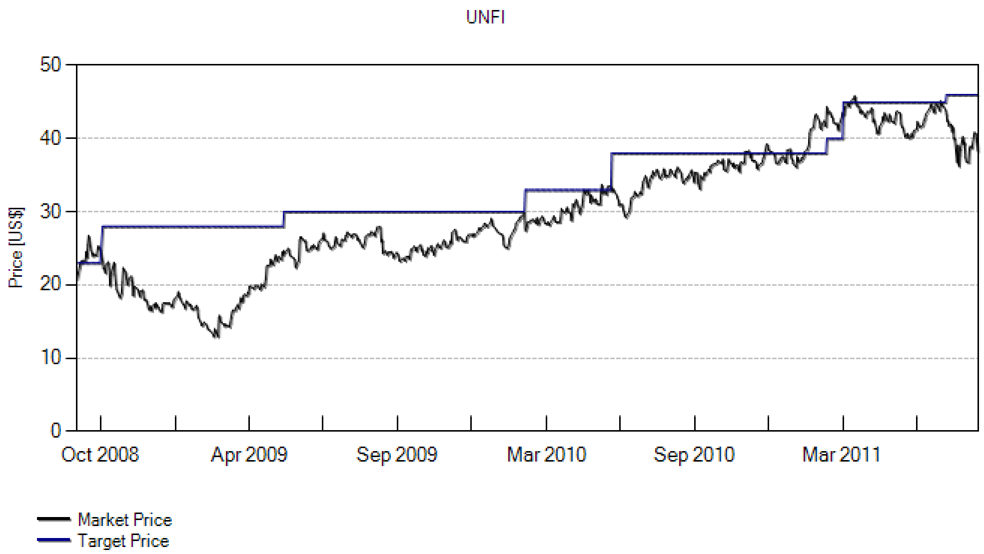
Price Chart:*



	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.

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Global Stock Ratings
(as of 3 August 2011)

	Coverage Universe		IB Clients
Rating	#	%	%
Buy	478	60%	38.5%
Speculative Buy	79	10%	65.8%
Hold	222	28%	18.9%
Sell	12	2%	25.0%
	791	100%	

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Canaccord Research Disclosures as of 7 September 2011

Company	Disclosure
The Chefs' Warehouse	1A, 2, 3, 5, 7
United Natural Foods	5, 7

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Equity Research

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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.

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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.

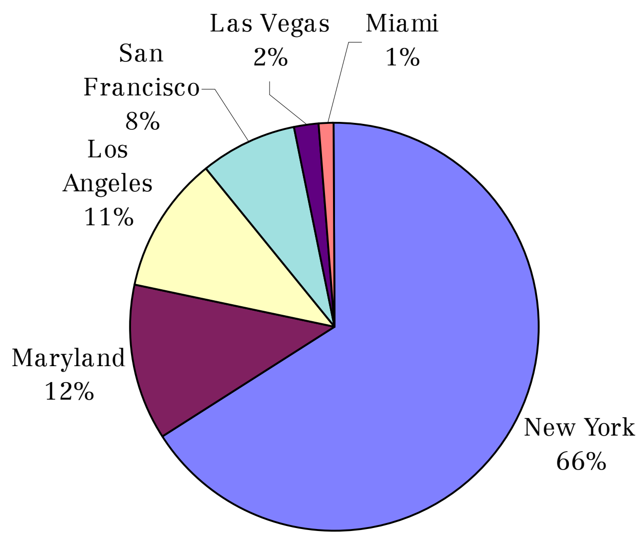
In addition, we strongly urge investors to review the complete set of risk factors that can be found in The Chefs' Warehouse's most recent regulatory filings.

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

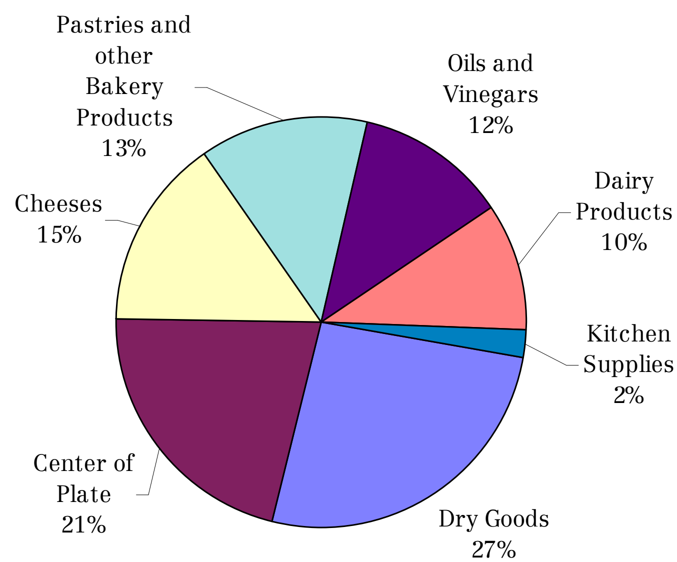
In our view, CHEF's key competitive advantage is its comprehensive product portfolio of over 11,500 specialty and broadline goods, with over 7,000 in stock every day, and its ability to leverage relationships with suppliers to gain access to exclusive products not easily accessible to competitive suppliers. 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.

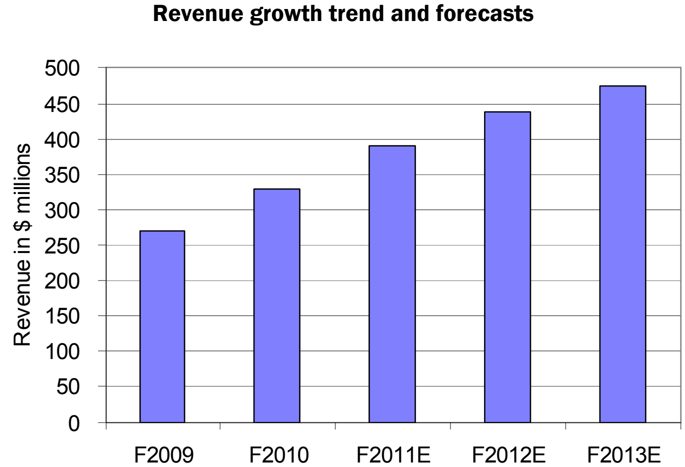
Patricia Lecouras, Executive Vice President, Human Resources

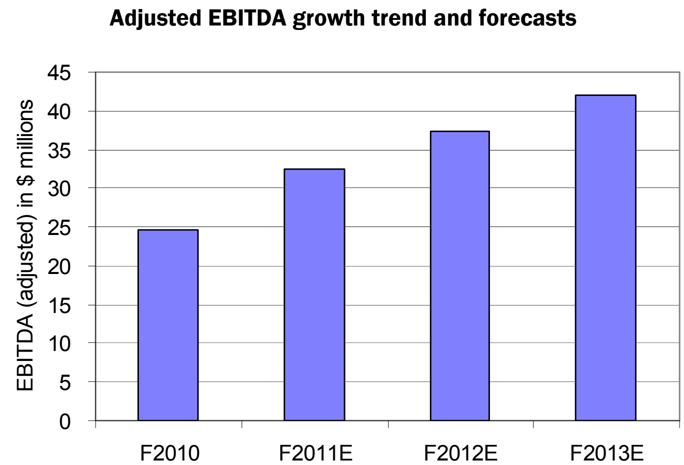
Ms. Lecouras joined Chef's Warehouse in January 2007 from GE Capital Commercial Finance where she was VP, Human Resources from 2001 to 2007. Prior to GE Capital Commercial Finance, Ms. Lecouras was with Nine West Shoes (f/k/a Fischer Camuto Corporation) and Xerox. Ms. Lecouras's professional experience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

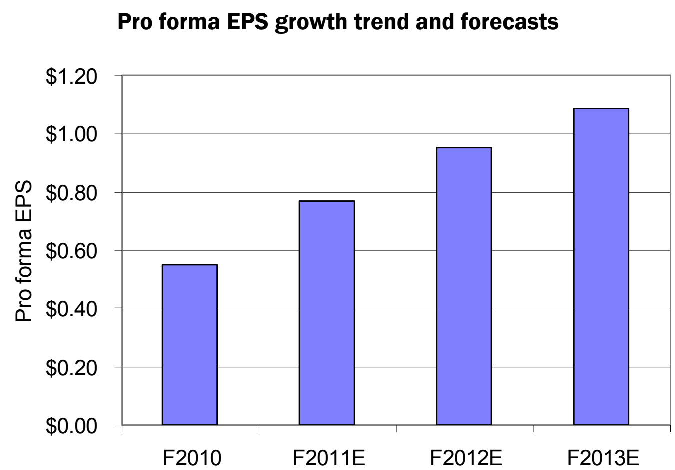
FINANCIAL OVERVIEW

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

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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.

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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

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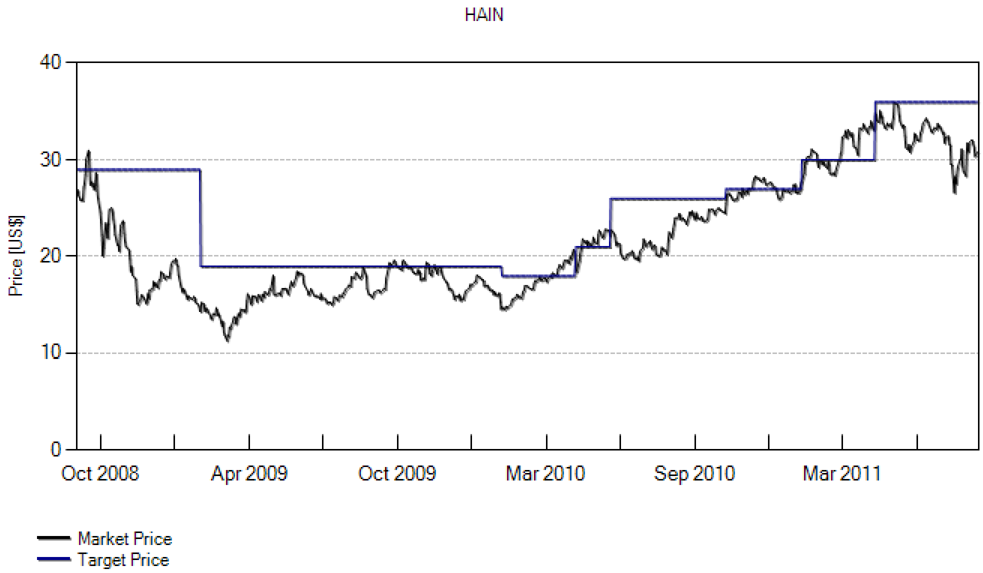
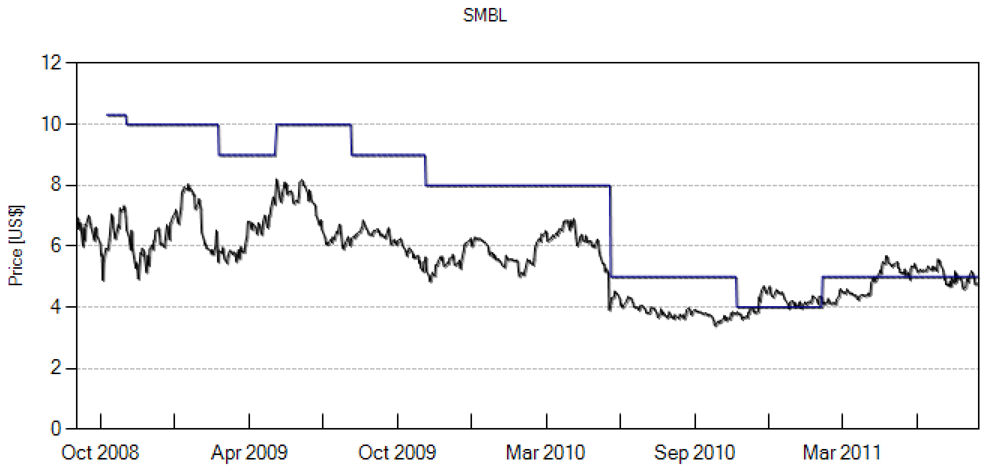
Price Chart:*



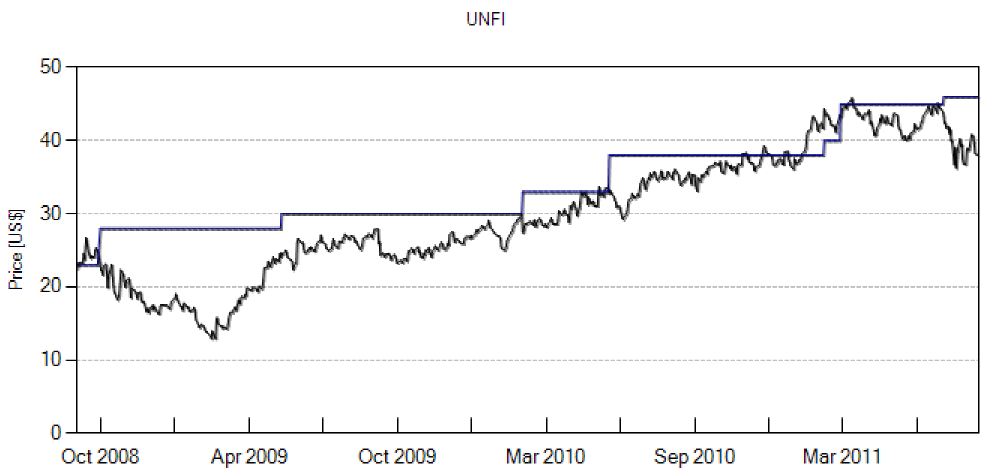
	Date	Analyst	Rating	Target Price		Date	Analyst	Rating	Target Price
1)	02/05/2009	Van Winkle	Buy	19.00	5)	06/17/2010	Winkle	Buy	26.00
2)	09/10/2009	Winkle	Buy	19.00	6)	11/04/2010	Winkle	Buy	27.00
3)	02/05/2010	Winkle	Buy	18.00	7)	02/04/2011	Winkle	Buy	30.00
4)	05/06/2010	Winkle	Buy	21.00	8)	05/04/2011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

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



	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.



	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%

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

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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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September 6, 2011

Equity Research

The Chefs' Warehouse, Inc.

CHEF: Initiating Coverage With An Outperform Rating
Leading Specialty Foodservice Distributor in Key Culinary Mkts

Outperform / V

Sector: Restaurants & Foodservice
Market Weight

Initiation of Coverage

- **Summary**: We are initiating coverage of CHEF with an Outperform rating, which reflects current valuation as well as our favorable view of the company's distinct competitive positioning within the specialty foodservice distribution industry. Initiating a 2011 pro forma EPS estimate of $0.76 and a 2012 EPS estimate of $0.97. Initiating a valuation range of $19-20 based on a multiple of 20-21x our 2012E EPS. Key risk factors that could affect share valuation include the inability to successfully integrate acquisitions, sales and commodity volatility, challenges sourcing products and geographic concentration risks.

- **Initiating Coverage With An Outperform Rating**. We believe CHEF is well-positioned for growth given their presence in key culinary markets combined with their customer focus on serving the needs of chefs at independent and fine dining restaurants and their specialty product sourcing capabilities. We also think the company's distinct business model helps drive attractive margins and think selective acquisitions could further enhance the growth outlook.

- **Leading Specialty Foodservice Distributor in Key Culinary Markets**. CHEF services over 7,000 customer locations in key culinary markets such as New York, Washington, D.C., San Francisco, Los Angeles, and Las Vegas. The company operates an efficient network of seven distribution centers carrying over 11,500 SKUs including many exclusive specialty food items.

- **Impressive Real Sales Growth & Attractive Margin Profile.** We have been impressed by the company's ability to achieve real sales growth in the low double-digits over the past six quarters. We also think CHEF is poised to generate attractive margins within the distribution industry which we attribute in part to both their customer and specialty product niche.

- **Acquisition Opportunities Could Further Enhance Growth.** We think the fragmented and consolidating foodservice distribution industry presents acquisition opportunities which over time may enhance the company's growth potential. CHEF recently completed the acquisition of Harry Wils in New York and has completed numerous tuck-in and new market acquisitions which have strengthened and expanded their customer base and distribution network.

- **Initiating EPS Estimates.** We are initiating a 2011 pro forma EPS estimate of $0.76 and a 2012 EPS estimate of $0.97.

	2010A	2011E		2012E	
EPS		**Curr.**	**Prior**	**Curr.**	**Prior**
Q1 (Mar.)	$0.07	$0.12 A	NC	$0.15	NE
Q2 (June)	0.16	0.20 A	NC	0.26	NE
Q3 (Sep.)	0.17	0.18	NE	0.26	NE
Q4 (Dec.)	0.18	0.26	NE	0.30	NE
FY	$0.57	$0.76	NE	$0.97	NE
CY	$0.57	$0.76		$0.97	
FY P/E	23.8x	17.8x		14.0x	
Rev.(MM)	$330	$390		$437	

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters
NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful
V = Volatile, = Company is on the Priority Stock List

Ticker	CHEF
Price (09/02/2011)	$13.56
52-Week Range:	$13-19
Shares Outstanding: (MM)	20.8
Market Cap.: (MM)	$276.6
S&P 500:	1,175.31
Avg. Daily Vol.:	103,181
Dividend/Yield:	$0.00/0.0%
LT Debt: (MM)	$40.1
LT Debt/Total Cap.:	80.9%
ROE:	NM
3-5 Yr. Est. Growth Rate:	17.0%
CY 2011 Est. P/E-to-Growth:	1.0x
Last Reporting Date:	08/15/2011 After Close

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters

Valuation Range: $19.00 to $20.00 **from NA to NA**
Over the next 12 months, we believe that CHEF shares may warrant a valuation range of $19-20 based on a multiple of 20-21x our 2012 EPS estimate. Key risk factors that could affect share valuation include inability to successfully integrate acquisitions, sales and commodity volatility, challenges related to sourcing products, and risks related to their geographic concentration.

Investment Thesis:
In our view The Chefs' Warehouse is well-positioned for growth given their presence in key culinary markets, chef-driven customer focus, and specialty food sourcing capabilities. We also think the company's growth potential could be further enhanced through selective acquisition opportunities.

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Please see page 12 for rating definitions, important disclosures and required analyst certifications

Company Description:

The Chefs' Warehouse is a leading distributor of specialty food products in many key culinary markets in the U.S. The company's core customers are chefs at leading independent restaurants and fine-dining establishments as well as country clubs, hotels, caterers, culinary schools, and specialty food stores. The company distributes more than 11,500 food products, including an extensive selection of distinctive and hard-to-find specialty items, to over 7,000 customer locations in the U.S.

Key Investment Points

Initiating coverage with an Outperform rating. We are initiating coverage of The Chefs' Warehouse with an Outperform rating, which reflects current valuation as well as our favorable view of the company's competitive positioning within the foodservice distribution industry. We believe that CHEF is poised for growth given the company's presence in key culinary markets combined with their customer focus on serving the needs of chefs at independent restaurants and their product focus of sourcing specialty food offerings. We also think that the company's growth potential could be further enhanced through selective acquisition opportunities.

Share valuation. CHEF shares are trading at 14.0x our 2012 EPS estimate versus a multiple of 15.8x for the peer group and our estimated 3-5 year growth rate of 17%. On a P/E-to-growth basis, CHEF shares are trading at a multiple of 0.8x versus a peer group PEG ratio of 1.5x. Over the next twelve months, we believe that CHEF shares may warrant a valuation range of $19-20 based on a multiple of 20-21x our 2012 EPS estimate. In our view, key risk factors that could affect share valuation include the inability to successfully integrate acquisitions, sales and commodity volatility, challenges related to sourcing products, and risks related to their geographic concentration.

THE CHEFS' WAREHOUSE, INC.
Valuation Table - calendarized basis

Distribution Company	Ticker	Price 09/02/2011	2010A EPS	2011E EPS	2012E EPS	2010A P/E	2011E P/E	2012E P/E	3-5 Yr. Est. EPS Growth	2012 PEG
Sysco (6)	SYY	$27.16	$1.96	$2.01	$2.13	13.9x	13.5x	12.8x	6%	2.0
United Natural Foods (12)	UNFI	$38.27	$1.61	$1.78	$2.04	23.7x	21.5x	18.7x	14%	1.3
Distributor Average						**18.8x**	**17.5x**	**15.8x**	**10%**	1.5
Chef's Warehouse (12)	**CHEF**	**$13.56**	**$0.57**	**$0.76**	**$0.97**	**23.7x**	**17.7x**	**14.0x**	**17%**	**0.8**

SYY and UNFI from First Call, CHEF from Wells Fargo Securities, LLC estimates
Source: Wells Fargo Securities, LLC estimates and First Call

Earnings estimates and longer term growth outlook. We are initiating a 2011 pro forma EPS estimate of $0.76 and a 2012 EPS estimate of $0.97. We think that The Chefs' Warehouse is well-positioned to generate EPS growth of approximately 17% over the next 3-5 years annually. Our longer-term 3-5 year EPS growth rate is based in part on 7-10% real or organic sales growth, relatively consistent gross margins, and some leverage on the operating expense and interest expense lines. We also think that selective acquisitions could further enhance the company's long-term growth rate.

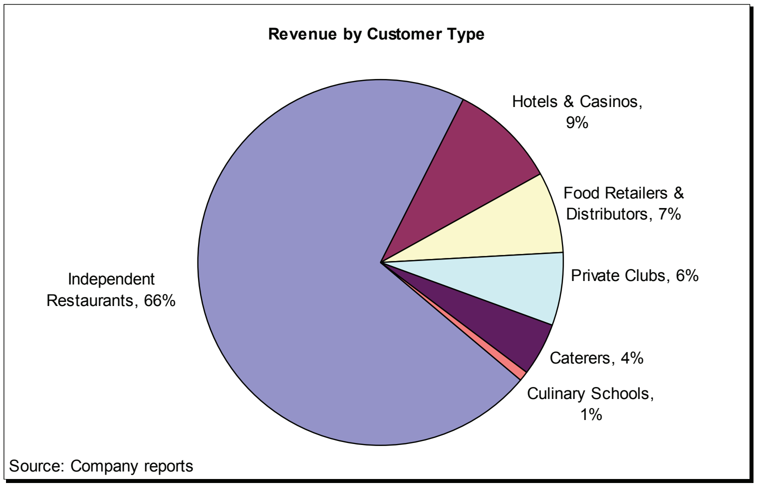
Company guidance. Management provided initial guidance for 2011 with their Q2 results on August 25th. The company expects 2011 revenue to range from $384-392 million. The recent acquisition of Harry Wils is expected to contribute approximately $10-12 million to revenue in H2 2011 which is incorporated into the company's revenue guidance for the year. We also note that Q4 2011 has one extra week in the accounting period. On the earnings conference call management noted they do not expect to see the rate of inflation, which is 4.1% year to date, changing in the back half of the year. The effective tax rate for the year is expected to be 39%. The company is targeting modified pro forma EPS in 2011 of $0.76-0.79 and GAAP EPS of $0.41-0.44.

Growth strategies. The company's growth strategies are comprised of three key elements: continue to pursue organic growth opportunities, further improve operating margins and target selective acquisitions. We think The Chefs' Warehouse has the potential to increase business with existing customers through expanded product selection, particularly the number of unique offerings. Management believes they are the primary distributor of specialty items for the majority of their customers and management is focused on maintaining this position while working to become the primary specialty distributor for a larger portion of their customers. We also think the company has the opportunity to enhance their distribution network by adding new customers in existing markets. We think the company's combination of traditional and specialty product offerings coupled with their ability to cultivate strong customer relationships should enable The Chefs' Warehouse to continue to expand their customer base within existing markets. The organic growth opportunities, if successful, should enhance the operating margin by leveraging economies of scale in purchasing, warehousing, distribution and when combined with fixed cost leverage should result in improved profitability. We also think opportunities exist within the highly fragmented foodservice distribution industry for The Chefs' Warehouse to pursue selective acquisitions which have the potential to expand the breadth of the company's distribution network, and further enhance operating efficiencies as well as product offerings and other capabilities.

Leading specialty foodservice distributor in key culinary markets. We think The Chefs' Warehouse has cultivated strong relationship with their customers and suppliers both of which have enabled the company to become a leading specialty foodservice distributor. CHEF's distribution network targets key culinary markets including New York, Washington, D.C., San Francisco and Los Angeles, where the company believes they are the largest specialty foodservice distributor (based on net sales). Management believes that these markets along with other markets they serve including Las Vegas, Miami, Philadelphia, Boston and Napa Valley often shape the culinary trends for the U.S. overall. The company also believes they currently service one or more products to over 60% of their addressable market in the New York metro area and to 20-30% of their addressable markets in the other geographies they serve on a weekly basis. Management generally defines their addressable or target market as independent restaurants with an average entrée price of over $15. The company services these markets from an efficient network of seven distribution centers, the largest and most profitable of which is in New York. We also think that CHEF's reputation throughout the industry and established relationships with many leading chefs, culinary schools and dining outlets has benefited the company as they enter new markets.

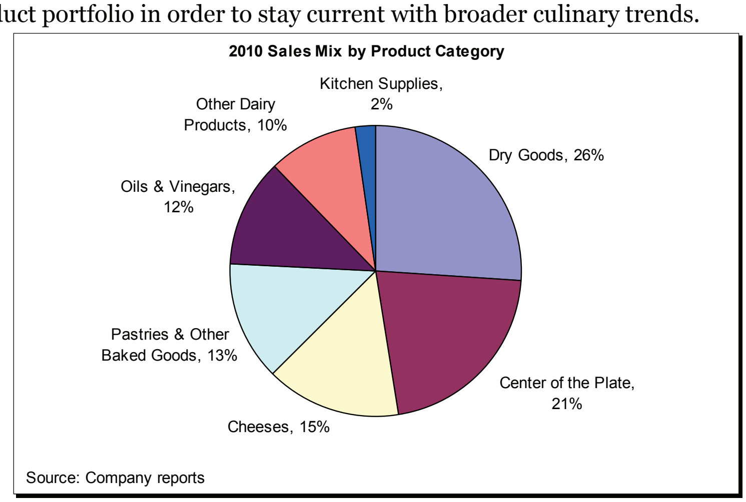
Source: Company data

Chef-driven customer focus. The Chefs' Warehouse focuses on serving the specific needs of chefs at leading independent and fine-dining restaurants as opposed to chain restaurants. In our view, the company has built a strong reputation within the specialty foodservice distribution industry through their association with well known independent restaurants, chefs and culinary schools. We think this strategy helps to differentiate the company from many distribution competitors and enables them to fill a rather unique position as a leading provider of specialty food products. We think the team of sales professionals at The Chefs' Warehouse is a key component of their chef-driven customer focus. The majority of sales professionals have received formal culinary training, have degrees in culinary arts and/or have had experience working in the culinary industry. The company's sales force is trained to cultivate relationships with the chefs, ensure their needs are met and educate/collaborate with chefs on broader culinary trends. The Chefs' Warehouse services over 7,000 customer locations, the majority of which are independent restaurant locations accounting for approximately 66% of the company's annual revenue. We note that their customer base represents just a small fraction (around 2%) of all U.S. independent restaurants. As of March 31, 2011, there were approximately 306,892 independent restaurants in the U.S. based on ReCount data from The NPD Group, Inc. which accounted for approximately 53.5% of total U.S. restaurants.



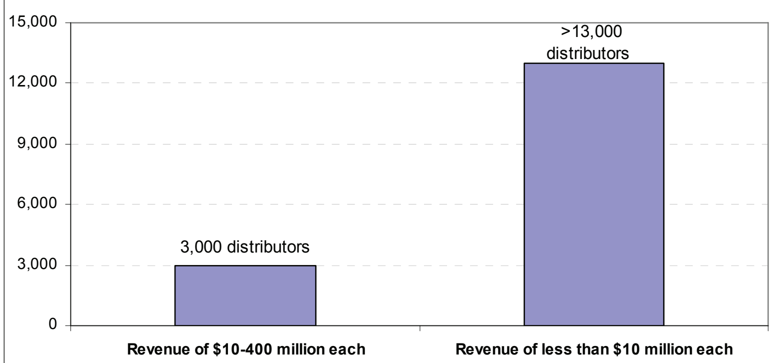
Low customer & supplier concentration. Since the CHEF business model targets independent restaurants we think the company may benefit from less customer concentration than traditional foodservice distributors, particularly those that service chain restaurants. During 2010, the company's top 10 customers collectively accounted for less than 10% of total net revenue. Likewise the company also appears to benefit from a low level of supplier concentration with no single supplier representing more than 5% of disbursements. The supplier base includes over 1,000 different suppliers across North America, Europe, Asia and South America. Their base of suppliers includes many small and family run businesses for which the company may be the largest customer.

Extensive portfolio of specialty food products. We think that The Chefs' Warehouse differentiates itself within the industry by serving as a premier distributor of specialty food products both in terms of breadth and depth. The company offers a wide range of food products in their portfolio which includes basic ingredients such as milk, eggs and flour to more specialty items sourced domestically and through international markets. Some of the specialty items they source include artisan charcuterie, specialty cheeses, unique oils and vinegars, hormone-free proteins, truffles, caviar and chocolate. We think that the company's ability to provide their customers with the more exclusive and hard to find specialty products is a key point of differentiation for The Chefs' Warehouse, which also helps their customers feature more distinctive menu offerings. The company carries over 11,500 SKUs in their distribution centers, of which 7,000 are generally in-stock every day. In comparison, the average specialty distributor carries approximately 1,609 SKUs in their warehouses based on data from the Mintel Group, Ltd. In addition to carrying more SKUs than the average specialty distributor the company also offers greater product selection for certain items relative to the large broadline distributors. The company often emphasizes this point using olive oil as an example. The Chefs' Warehouse carries more than 125 different varieties of olive oil versus the large broadliners which typically carry only 5-10 different types of olive oil. In our view the company's ability to offer an extensive selection of high quality specialty foods coupled with more traditional staple food products enables The Chefs' Warehouse to serve the varying needs and drop sizes of their customers. Additionally, management continually works with suppliers and importers to update their product portfolio in order to stay current with broader culinary trends.



Acquisition opportunities could enhance growth potential. We think that the fragmented and consolidating foodservice distribution industry presents The Chefs' Warehouse with acquisition opportunities which over time may enhance the company's growth potential. During the past several years management has pursued and completed tuck-in and new market acquisitions which have enabled their business to grow at a faster clip than they would have been able to on a stand-alone organic basis. Management believes they have enhanced the operations and profitability of the companies they have acquired in part by leveraging CHEF's sourcing capabilities to offer customers an expanded portfolio of products, implementing more effective sales force strategies, and installing enhanced technology systems. We note that the $200 billion foodservice distribution market (U.S. and Canada) is comprised of more than 16,500 distributors according to Sysco Corporation (per their December 2010 Investor presentation). The market includes 3,000 distributors with revenues of $10-400 million and another 13,000 distributors with sales of less than $10 million annually. While not all of these distributors may fit Chefs' acquisition profile, we think the number is still representative of the ample consolidation opportunities within the industry. In our view the management team of The Chefs' Warehouse has taken a prudent and selective approach to their acquisition strategy which we view favorably.

Universe of Potential Acquisition Targets
(based on the approx. $200B Foodservice Distribution Market in the U.S. & Canada)



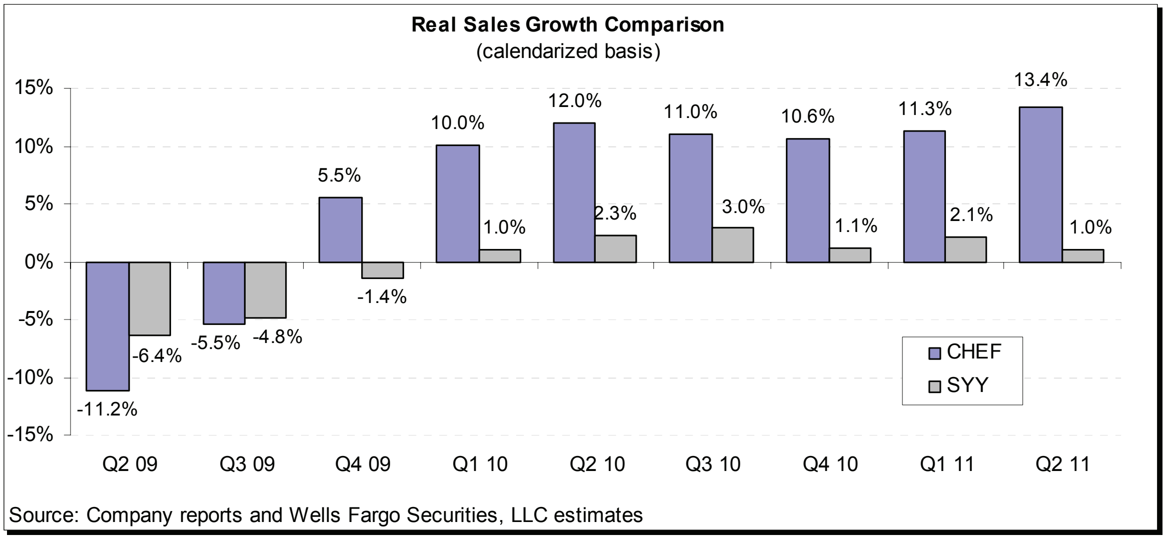
Source: Sysco Corporation Investor Presentation (December 2010)

Based on management's commentary, it appears that Chicago may be one potentially attractive new market to enter as part of their longer-term acquisition strategy. Management believes that the Chicago market offers the most similarity with the New York metro area in terms of customer concentration which we think allows for more efficient customer drops from a distribution and routing perspective.

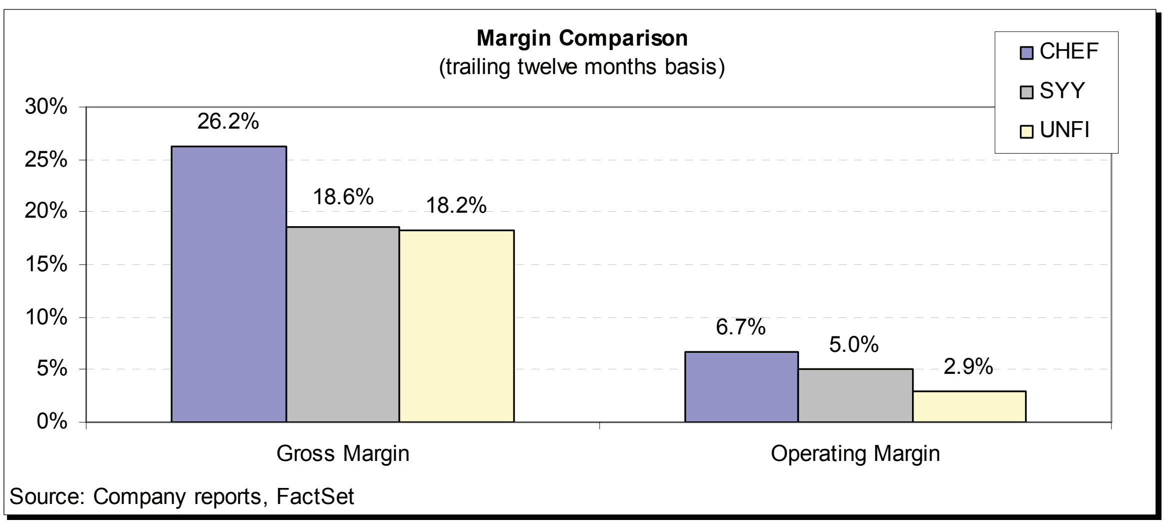
Recently completed Harry Wils acquisition. On June 24, 2011, the company completed the tuck-in acquisition of Harry Wils & Co. through the purchase of inventory and certain intangible assets including the company's customer list. The purchase price the company paid for Harry Wils & Co. was approximately $7.7 million (for the intangible assets) and $1.2 million for the inventory. Immediately following the close of the transaction, the company relocated the purchased inventory to their distribution facility in New York. The acquisition was financed with borrowings under the company's revolving credit agreement.

Technology initiatives should improve operating efficiencies. Over the past few years The Chefs' Warehouse has made significant investments in distribution, sales, information and warehouse management systems. The company's warehouse management system has been implemented in their main distribution facility in New York and the company expects to integrate the system into the rest of their distribution network by the end of 2011. The system provides real-time inventory tracking across the distribution center as well as metrics on inventory turns. The company has also begun to roll out pick-to-voice technology for their warehouse employees in the distribution facilities as well as truck builder which have the potential to enhance order fill rates and accuracy. Management believes that the investments they have made in their current systems are scalable and can support the company's future growth.

Strong real sales growth. One of the metrics used to better analyze topline performance is real sales growth which strips out revenue contributions from acquisitions and adjusts for inflation/deflation and other factors like mix resulting in a more clear picture of the core growth of the business. The following chart shows the real or organic sales growth for The Chefs' Warehouse over the past several quarters which has outpaced that of Sysco, the largest broadline foodservice distributor in the U.S. The Chefs' Warehouse has achieved real sales growth in the low double-digits while Sysco's real growth has been in the low single digits.



Attractive margin profile. While the distribution industry is generally characterized as being a low margin business, we think The Chefs' Warehouse is positioned to achieve more attractive margins given their competitive positioning. We attribute the company's distinct competitive position in large part to their customer focus on independent restaurants combined with their product focus on specialty food offerings. On a trailing twelve month basis gross margin for The Chefs' Warehouse was 26.2% versus 18.6% for Sysco and 18.2% for United Natural Foods. The operating margin was 6.7% for The Chefs' Warehouse versus 5.0% for Sysco and 2.9% for United Natural Foods on the same basis.



Recently reported quarterly results. On August 25, The Chefs' Warehouse reported Q2 modified pro forma net income of $4.2 million and modified pro forma EPS of $0.20. The results reflected revenue growth of 18.7% to $99.3 million versus $83.6 million last year. The revenue growth was driven by increased case volume and increased revenue per case. The sales increase also included $1.7 million of net sales (or a 2% benefit to sales growth) for the Florida operations the company acquired in June 2010. Adjusting for the acquisition contribution, internal sales growth was 16.7%. Inflation and mix contributed 3.3% to sales growth. Adjusting for inflation and mix, the company posted strong real or organic sales growth of 13.4% in the quarter. The gross profit margin increased 50 bps year over year to 26.5% of revenue. On a GAAP basis, the company reported EPS of $0.17 versus $0.13 in the prior year period.

Initial public offering (IPO) and use of proceeds. On August 2, 2011, The Chefs' Warehouse announced the completion of its IPO of 10,350,000 shares of common stock at $15.00 per share. The company offered 4.7 million shares and selling shareholders offered 5.7 million shares, including 1.4 million shares sold to underwriters to cover over-allotments. The company received approximately $63.1 million in net proceeds from the sale of primary shares in the offering (after underwriting fees and commissions and estimated offering expenses). Management planned to use the net proceeds to repay indebtedness. Following the IPO, The Chefs' Warehouse entered into a new senior credit facility which includes a $30 million term loan and a $50 million revolving credit facility, both maturing in 2015. At the end of Q1 2011, the company's total debt on an as adjusted basis for the offering, use of proceeds, new credit facilities and Harry Wils acquisition was $46.2 million.

Potential Risk Factors

Consumer spending trends. Since the company's target customers are restaurants and other foodservice establishments, their business is exposed to changes in general economic environment and levels of consumer spending. During periods of economic slowdown or weak consumer spending, restaurants may experience weaker sales trends and consumers may choose to spend fewer dollars on discretionary purchases such as food away from home. To the extent that sales for the restaurants the company's serves are impacted by reductions in customer frequency and spending, this can negatively impact the company's business as their fixed costs are then spread over a lower volume of sales. If the current challenging economic environment continues for an extended period of time then consumers may make longer term changes to their spending patterns which could impact the company's business.

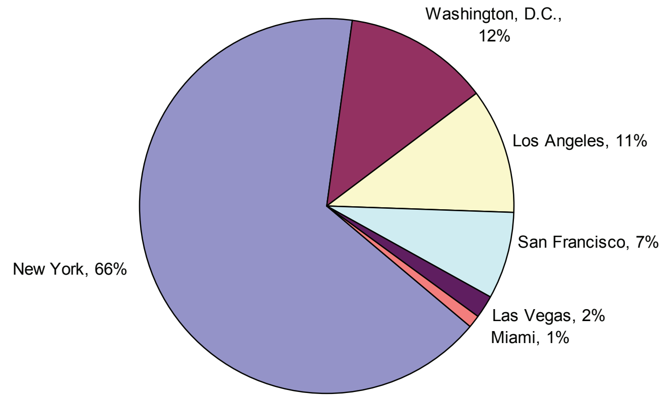
Commodity cost pressures, product sourcing and labor costs. The company is in part dependent on commodities and the ability to respond to changes in food costs, availability, and potential interruptions in their distribution network. The company sources a large portion of their specialty food products from local, regional, national and international third-party suppliers. Typically the company does not participate in long-term contracts with their suppliers nor does the company use financial instruments to hedge their risk exposure to fluctuations in the price of certain food products. Several factors can impact food costs and availability including weather, crop conditions, government regulation, changes in fuel costs, natural disasters, food-borne illnesses, seasonality of items, transportation costs and other challenges which may be beyond the company's control. If management is unable to react to food cost fluctuations through their sourcing and purchasing practices or identify alternative sources of supply or similar product to meet customers' needs then the company's business could be negatively impacted by cost increases and/or the loss of a customer. The results of operations could also be negatively impacted by potential changes in customer perception of the quality or selection of their products. In addition, labor cost fluctuations such as the increases seen with minimum wage rate hikes and potential changes in labor legislation could also impact the company's results.

Margins & margin sensitivity. While The Chefs' Warehouse generates profit margins that are generally higher than that of a traditional broadline foodservice distributor they may still be considered low relative to other industries. Most of the company's sales are at prices which are based on a product cost plus a percentage markup. Thus, food cost volatility can have a direct impact on the company's profitability. During extended periods of product cost inflation, profit margins for The Chefs' Warehouse may be negatively impacted to the extent the company is unable to pass along some or all of the cost increases to customers. Conversely, during deflationary cost periods, profit levels can be negatively impacted even if their gross profit (as a % of sales) remains constant and the company may need to reduce expenses to compensate for the lower gross margins. Therefore, management's inability to respond to cost pressures (both inflationary and deflationary) and respond accordingly could have a negative impact on their business or results of operation.

Potential growth of group purchasing organization. Management has noted they have felt some pricing pressure from group purchasing organizations which are targeting smaller, independent restaurants in an effort to offer them lower prices for products by aggregating their purchasing power. To the extent that these organizations are successful in attracting a significant number of the company's customers as members, then management may be forced to lower prices or risk losing business. Additionally, some of the company's customers, including the majority of their hotel customers, purchase their products from The Chefs' Warehouse through group purchasing organizations.

Geographic concentration. The company's foodservice distribution operations are concentrated in six key culinary markets making The Chefs' Warehouse susceptible to changes in economic conditions and other developments or events such as adverse weather conditions within these markets. Their highest concentration of sales is in the New York market which accounted for 66% of net revenues in 2010 making the company particularly exposed to potential changes in this regional economy. A change in the economic conditions or disruption in any of these key culinary markets, especially New York, could have a material adverse impact on CHEF's financial results. Additionally the company's operations and distribution centers in New York and Washington D.C. are at risk for adverse winter weather such as snow and ice, while Miami is susceptible to hurricanes, and Los Angeles and San Francisco are at risk for earthquakes and mudslides. While management has disaster recovery plans in the event of a temporary closure or destruction of the company's distribution facilities, there can be no guarantee that such an event would not significantly impact the results of operations.

Revenues by Market
2010 Net Revenues = $330.1 million



Source: Company reports

Consumer health concerns, eating habits and government regulation. As a distributor of food products, The Chefs' Warehouse is susceptible to negative publicity or news regarding food quality issues, public health concerns, illness, and safety. While management has taken steps to help mitigate such risks there can be no guarantee that these types of public driven health concerns can not be entirely eliminated and therefore a potential incident could damage the company's reputation and impact the results of operation. We also think that consumer preferences and eating habits can be affected by changes in health, diet and food regulations which could lead to additional costs for the company if they are required to alter or discontinue the sales of certain items in their portfolio. Consumer preferences can also be impacted by negative publicity regarding beef and chicken consumption, particularly as it relates to bovine spongiform encephalopathy (also known as BSE or mad cow disease) and avian influenza (also known as bird flu). Additionally, a widespread outbreak of a contagious disease or even the threat of a widespread outbreak could have a significant negative effect on the company's customers and the restaurant industry overall. In such a scenario, we think that restaurant traffic may not only suffer from the potentially large number of individuals who are sick but also by a potentially even greater number of otherwise healthy consumers who choose to stay home and avoid public places for fear of being infected themselves. The company's business is also highly regulated at the federal level by the Food & Drug Administration (FDA) and the U.S. Department of Agriculture (USDA) and also at the state and local level. Potential increases in regulation and compliance related costs could negatively impact the company's supplier base as well as the company.

Product liability claims. The Chefs' Warehouse is also at risk of exposure to product liability claims if any products they sell cause injury or illness. While the company has liability insurance it may not be adequate to cover potential claims whether actual or alleged nor may the insurance continue to be available at a reasonable cost or at all. Therefore, product liability claims, product recall costs and related matters could have a material negative impact of the company's business if it does not have enough insurance or contractual indemnification from the manufacturer.

Customer retention and payments. In general the company's restaurant customers are not required to continue to purchase their products from The Chefs' Warehouse since the company does not typically engage in long-term contracts with their customers. Thus, there can be no assurance that the volume or number of customer orders will not change. A significant decrease in the volume or number of purchase orders from existing customers as well as management's inability to attract new business could have a material negative impact on the business. Additionally the company may experience losses in the event their customers file for bankruptcy or are unable to make their payments in a timely manner which could impact the ability to collect their accounts receivable. This could require management to take larger provisions for bad debt expense. The challenging economic environment may also place greater financial strain on smaller companies like many of the company's restaurant and fine dining customers which could negatively affect CHEF's results. However, we point out that the company's business is not reliant on any one customer as their top ten customers collectively account for less than 10% of net revenue thus limiting their customer concentration.

Increases in fuel costs. As a distributor, The Chefs' Warehouse is exposed to increases in fuel costs which can have a negative impact of their business. As the price of diesel fuel rises it can increase the price the company not only pays for a product from their supplier but also the cost incurred to distribute that product to customers. Thus increases in fuel costs can have a negative impact on net sales, margins, operating expenses and results. During periods of increased fuel cost management has typically been able to pass along at least a portion of the higher cost to customers but there can be no guarantee the company will be able to continue to do so when necessary.

Competition. The foodservice distribution industry is highly fragmented. The company competes with smaller distributors on a local and regional level as well as against a few large national broadline distributors such as Sysco and U.S. Foodservice with much greater purchasing power. The company's success is somewhat dependent on their ability to meet their customers' needs for specialty products and ingredients, as well as their desire for high service levels, and timely delivery of products among other factors. There can be no assurance that competitors may not seek to provide specialty products and services which are similar to or better than the company. The Chefs' Warehouse may face increased competition which could lead to price reductions, lower gross margins and a loss of market share which could have a material negative impact on the business.

Managing future growth. The company's ability to manage their future growth, whether through acquisitions or organically, is another factor that could impact the business and results of operations. If The Chefs' Warehouse reaches near maximum capacity at a particular distribution facility the operations of that location may be constrained which could lead to inefficiencies unless the facility is expanded or if volume is shifted elsewhere. Likewise if management were to expand an existing facility or bring on additional facilities, the excess capacity could lead to inefficiencies. There can be no guarantee that the company will be able to implement the necessary systems (operational, financial and technology related) to manage and support their employees and the future growth of the business. Additionally, any damage to existing computer systems or the network infrastructure could cause an operational disruption which could have a negative impact on the business or results of operation.

Acquisition integration. A substantial portion of the company's growth has been achieved through acquisitions of other specialty food products distributors. Management's ability to successfully integrate acquired companies in the future is an important factor in determining the growth potential of the company. The Chefs' Warehouse expects to expand their presence in existing markets through fold-in acquisitions and also enter new markets through new-market acquisitions. However, there can be no assurance that management will be able to successfully identify suitable acquisition targets, consummate acquisitions and integrate the acquired entities into the company. The successful integration of an acquired company has many facets some of which include maintaining the existing customer base, optimizing delivery routes, managing the back office functions and integrating the technology and personnel systems. The integration process has the potential to distract management's attention and any challenges encountered with the transition process could have a negative impact on the company's business particularly in periods immediately following the closing of a transaction. Additionally the company's ability to complete acquisitions in the future may hinge upon management obtaining the necessary financing which can not be guaranteed.

Dependence on senior management. The company's success is somewhat dependent on the expertise of its senior management team, many of whom have extensive experience in the foodservice distribution industry and/or with the company. The loss of services of one or more members of this senior management team or key personnel could have a material negative effect on the company's business operations.

Potential sale of restricted shares. There are about 11.7 million shares of restricted CHEF stock held by founders and executive officers which accounts for about 56% of diluted shares outstanding. The potential sale of these shares, which are restricted from resale for 180 days following the IPO, could have a material impact on the company's stock price.

Financial leverage. The company has a substantial amount of indebtedness. On an as adjusted basis for the offering and use of proceeds and entry into their new credit facilities as of March 25, 2011, CHEF has approximately $37.2 million in total debt including $30 million outstanding under their new term loan facility and $7.2 million outstanding under their new revolving credit facility. Including the Harry Wils acquisition the company has total debt outstanding of $46.2 million, which incorporates an additional $8.9 million outstanding under the revolving credit facility bringing the total outstanding under the revolver to just over $16 million. A dramatic decline in sales or adverse developments in the credit markets could have a significant and detrimental impact on the company's ability meet the terms of its debt obligations which could have a material negative effect on the company's business and financial condition.

THE CHEFS' WAREHOUSE, INC.
Pro Forma Quarterly Earnings Model (Continuing Operations)
(figures in thousands except per share amounts and percentages - December fiscal year)

	2010				Pro Forma	2011				Pro Forma	2012				Estimate
	Q1-A	Q2-A	Q3-A	Q4-A	2010	Q1-A	Q2-A	Q3-E	Q4-E	2011	Q1-E	Q2-E	Q3-E	Q4-E	2012
Net Revenues	$70,000	$83,613	$84,928	$91,576	$330,118	$83,183	$99,255	$98,517	$108,976	$389,930	$93,997	$114,143	$112,309	$116,604	$437,053
Cost of Sales	52,017	61,670	62,865	67,788	244,340	61,148	73,000	72,902	80,533	287,583	69,558	84,466	82,997	86,287	323,307
Gross Profit	17,983	21,943	22,063	23,789	85,778	22,035	26,255	25,614	28,443	102,347	24,439	29,677	29,313	30,317	113,746
Operating Expenses	15,330	16,476	16,243	17,414	65,463	17,428	18,948	18,935	19,180	74,491	18,987	20,317	20,103	19,473	78,881
Operating Income	2,653	5,467	5,820	6,375	20,315	4,607	7,307	6,679	9,263	27,856	5,452	9,360	9,209	10,844	34,865
Pro Forma Interest Expense/(Income)	417	417	417	417	1,668	417	417	500	450	1,784	400	400	300	300	1,400
(Gain)/Loss on Interest Rate Swap	(183)	(248)	(240)	(240)	(910)	(81)	0	0	0	(81)	0	0	0	0	0
Other	0	0	0	0	0	3	0	0	0	3	0	0	0	0	0
Income before Taxes	2,419	5,298	5,643	6,197	19,557	4,268	6,890	6,179	8,813	26,150	5,052	8,960	8,909	10,544	33,465
Taxes, Pro Forma Adjusted	943	2,066	2,201	2,417	7,627	1,665	2,687	2,410	3,437	10,199	1,970	3,494	3,475	4,112	13,051
Net Income, Continuing Operations	1,476	3,232	3,442	3,780	11,930	2,603	4,203	3,769	5,376	15,952	3,082	5,465	5,435	6,432	20,414
Diluted Shares	20,835	20,835	20,835	20,835	20,835	20,835	20,835	20,873	20,923	20,866	20,973	21,023	21,073	21,123	21,048
EPS from Continuing Operations	$0.07	$0.16	$0.17	$0.18	$0.57	$0.12	$0.20	$0.18	$0.26	$0.76	$0.15	$0.26	$0.26	$0.30	$0.97
Depreciation & Amortization	375	375	375	375	1,500	375	375	450	450	1,650	425	400	375	350	1,550
EBITDA	3,028	5,842	6,195	6,750	21,815	4,982	7,682	7,129	9,713	29,506	5,877	9,760	9,584	11,194	36,415
EBITDA margin	4.3%	7.0%	7.3%	7.4%	6.6%	6.0%	7.7%	7.2%	8.9%	7.6%	6.3%	8.6%	8.5%	9.6%	8.3%
As a Percentage of Revenue (Except Tax Rate)															
Cost of Sales	74.3%	73.8%	74.0%	74.0%	74.0%	73.5%	73.5%	74.0%	73.9%	73.8%	74.0%	74.0%	73.9%	74.0%	74.0%
Gross Margin	25.7%	26.2%	26.0%	26.0%	26.0%	26.5%	26.5%	26.0%	26.1%	26.2%	26.0%	26.0%	26.1%	26.0%	26.0%
Operating Expenses	21.9%	19.7%	19.1%	19.0%	19.8%	21.0%	19.1%	19.2%	17.6%	19.1%	20.2%	17.8%	17.9%	16.7%	18.0%
Operating Income	3.8%	6.5%	6.9%	7.0%	6.2%	5.5%	7.4%	6.8%	8.5%	7.1%	5.8%	8.2%	8.2%	9.3%	8.0%
Tax Rate	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%
Net Income	2.1%	3.9%	4.1%	4.1%	3.6%	3.1%	4.2%	3.8%	4.9%	4.1%	3.3%	4.8%	4.8%	5.5%	4.7%
Growth Rates															
Net Revenues	17.7%	22.5%	23.7%	22.6%	21.8%	18.8%	18.7%	16.0%	19.0%	18.1%	13.0%	15.0%	14.0%	7.0%	12.1%
Operating Income	NA	NA	NA	NA	NA	73.6%	33.6%	14.8%	45.3%	37.1%	18.3%	28.1%	37.9%	17.1%	25.2%
Net Income, Continuing Operations	NA	NA	NA	NA	NA	76.4%	30.0%	9.5%	42.2%	33.7%	18.4%	30.0%	44.2%	19.6%	28.0%
EPS from Continuing Operations	NA	NA	NA	NA	NA	76.4%	30.0%	9.3%	41.6%	33.5%	17.6%	28.9%	42.8%	18.5%	26.9%

Note: Quarters may not add due to rounding.
Source: Company reports and Wells Fargo Securities, LLC estimates

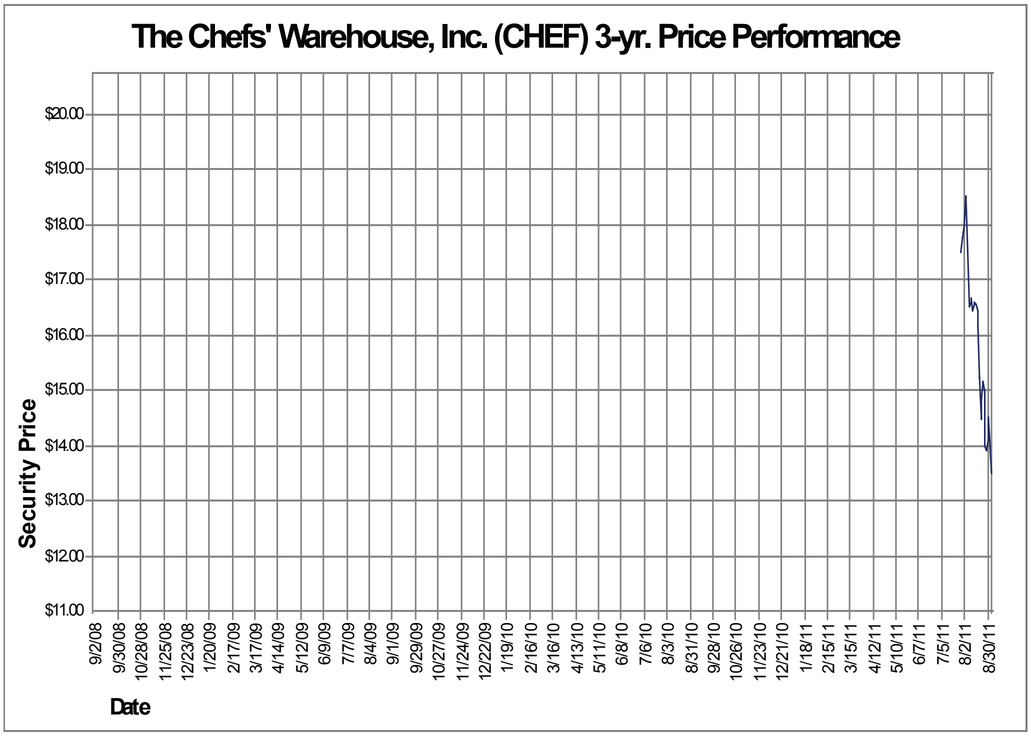
THE CHEFS' WAREHOUSE, INC.
Components of Revenue Growth
(Fiscal year end - December)

	2009A	2010A	2011E	2012E
First Quarter				
Nominal Revenue Growth	-5.5%	17.7%	18.8%	13.0%
Acquistions	4.9%	3.0%	3.0%	4.0%
Internal Growth	-10.4%	14.7%	15.8%	9.0%
Food Inflation (Deflation) and Mix	3.8%	4.6%	4.5%	3.0%
Real Revenue Growth	-14.2%	10.0%	11.3%	6.0%
Second Quarter				
Nominal Revenue Growth	-7.7%	22.5%	18.7%	15.0%
Acquistions	3.8%	3.0%	2.0%	4.0%
Internal Growth	-11.6%	19.5%	16.7%	11.0%
Food Inflation (Deflation) and Mix	-0.4%	7.5%	3.3%	3.0%
Real Revenue Growth	-11.2%	12.0%	13.4%	8.0%
Third Quarter				
Nominal Revenue Growth	-7.9%	23.7%	16.0%	14.0%
Acquistions	0.8%	3.7%	5.0%	0.0%
Internal Growth	-8.6%	20.0%	11.0%	14.0%
Food Inflation (Deflation) and Mix	-3.2%	9.0%	3.5%	3.0%
Real Revenue Growth	-5.5%	11.0%	7.5%	11.0%
Fourth Quarter				
Nominal Revenue Growth	6.3%	22.6%	19.0%	7.0%
Acquistions	2.7%	2.7%	5.0%	0.0%
Internal Growth	3.5%	20.0%	14.0%	7.0%
Food Inflation (Deflation) and Mix	-2.0%	9.4%	3.5%	3.0%
Real Revenue Growth	5.5%	10.6%	10.5%	4.0%
Fiscal Year				
Nominal Revenue Growth	-3.8%	21.8%	18.1%	12.1%
Acquistions	3.0%	3.1%	3.8%	2.0%
Internal Growth	-6.8%	18.7%	14.4%	10.1%
Food Inflation (Deflation) and Mix	-0.6%	7.8%	3.7%	3.0%
Real Revenue Growth	**-6.2%**	**10.9%**	10.7%	7.1%

Note: Q4 2011 contains an extra week

Source: Company reports and Wells Fargo Securities, LLC estimates

Required Disclosures



	Date	Publication Price ($)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price ($)

Source: Wells Fargo Securities, LLC estimates and Reuters data

Symbol Key
- ▼ Rating Downgrade
- ▲ Rating Upgrade
- ● Valuation Range Change
- ◆ Initiation, Resumption, Drop or Suspend
- ■ Analyst Change
- ❐ Split Adjustment

Rating Code Key

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

Additional Information Available Upon Request

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3=Underperform: The stock appears overvalued, and we believe the stock's total return will be below the market over the next 12 months. SELL

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As of: September 6, 2011

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BB&T Capital Markets

September 6, 2011

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.

FOR REQUIRED DISCLOSURES, INCLUDING ANALYST CERTIFICATION, PLEASE REFER TO THE IMPORTANT DISCLOSURES SECTION THAT ENDS ON THE NEXT TO LAST PAGE OF THIS REPORT

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

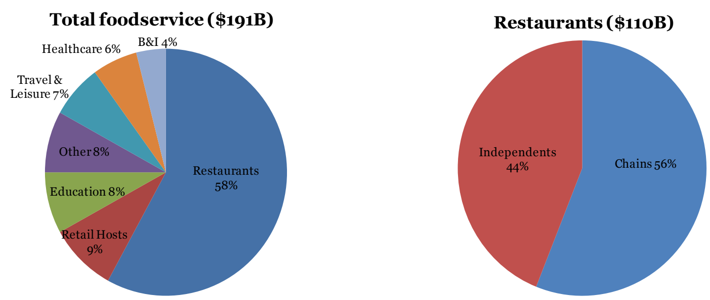
Chefs' Warehouse competes within the $191B domestic foodservice distribution market. But given its high-end specialty focus, its addressable market is far smaller, which we estimate at $22B. We view the specialty foodservice distribution market as faster growing at an estimated secular annual growth 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]
		Yr-Yr	Yr-Yr		Yr-Yr	Yr-Yr		Yr-Yr	Yr-Yr		Yr-Yr	Yr-Yr
	Sales:$	Chg:%	Chg:%	Sales:$	Chg:%	Chg:%	Sales:$	Chg:%	Chg:%	Sales:$	Chg:%	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.

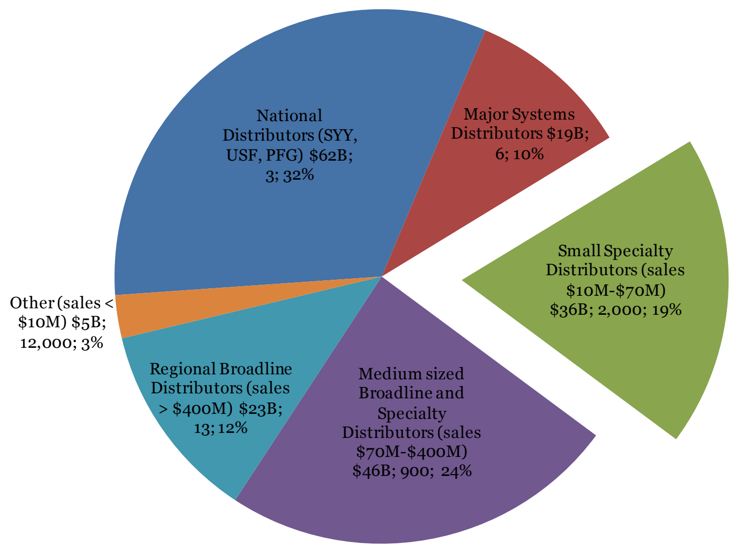
[2] Inflation adjusted or real growth rates derived using nominal growth less BB&T Supermarket, Foodservice and other price indexes.

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.

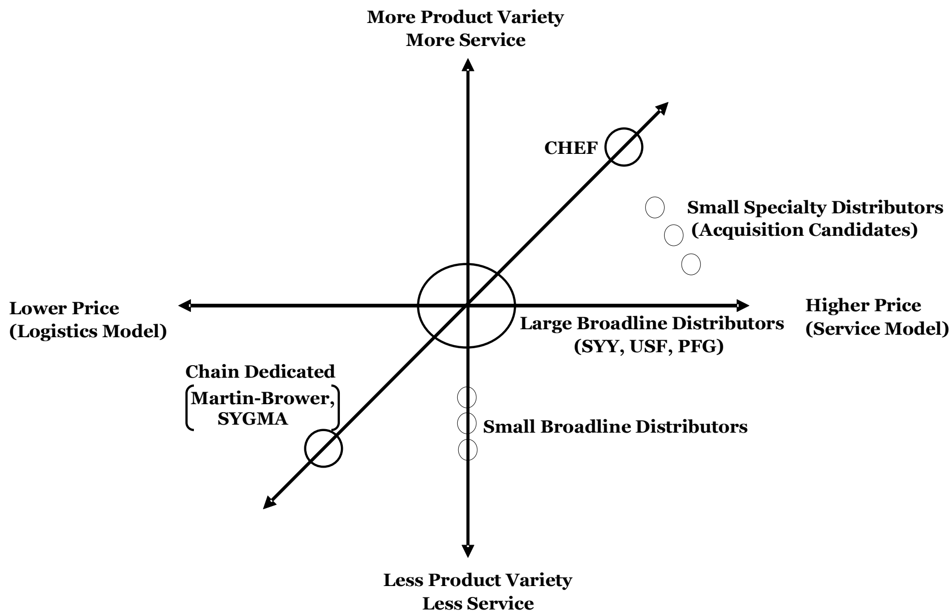
Large broadline distributors such as Sysco, US Foodservice, and Performance Food Group traditionally have focused on providing good customer service and product variety at a market price and therefore are depicted at the center of the two-dimensional competitive positioning map. Chain dedicated distributors 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

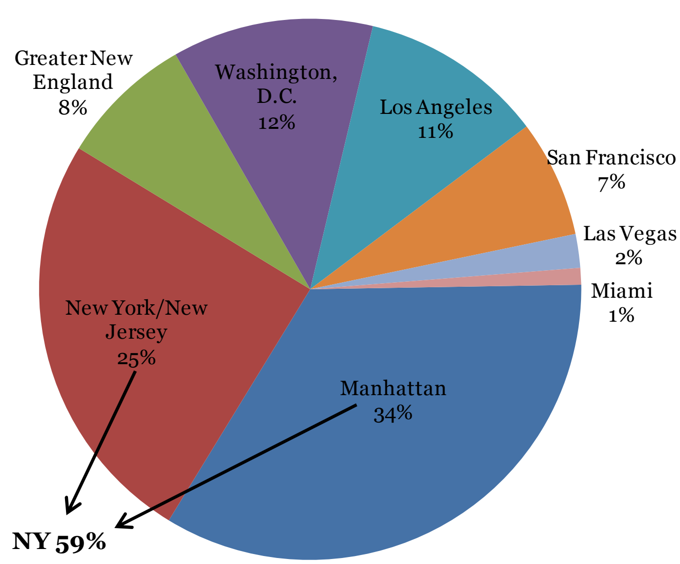
Based on its strong competitive position, Chefs' has two major avenues of growth—organic and via acquisition. Below, we first analyze the strong organic growth potential in optimizing capacity of its current infrastructure. Based on a sales productivity gap analysis, we project incremental earnings power 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

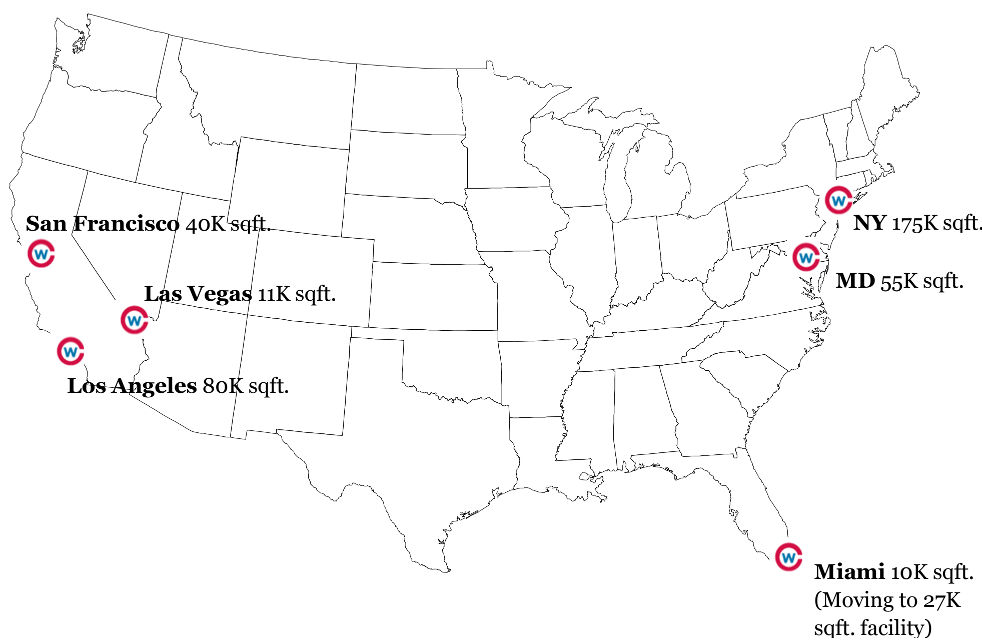
Headquartered in Ridgefield, CT, The Chefs' Warehouse, Inc., is the nation's premier importer and distributor of specialty food products. Chefs' client-base includes more than 7,000 independent restaurants, hotels, casinos, private clubs, caterers, food distributors, culinary schools, and specialty food 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.

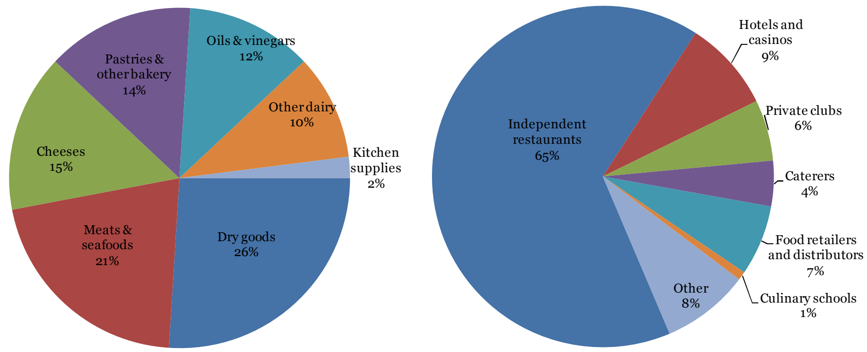
Source: Company reports; BB&TCM estimates

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

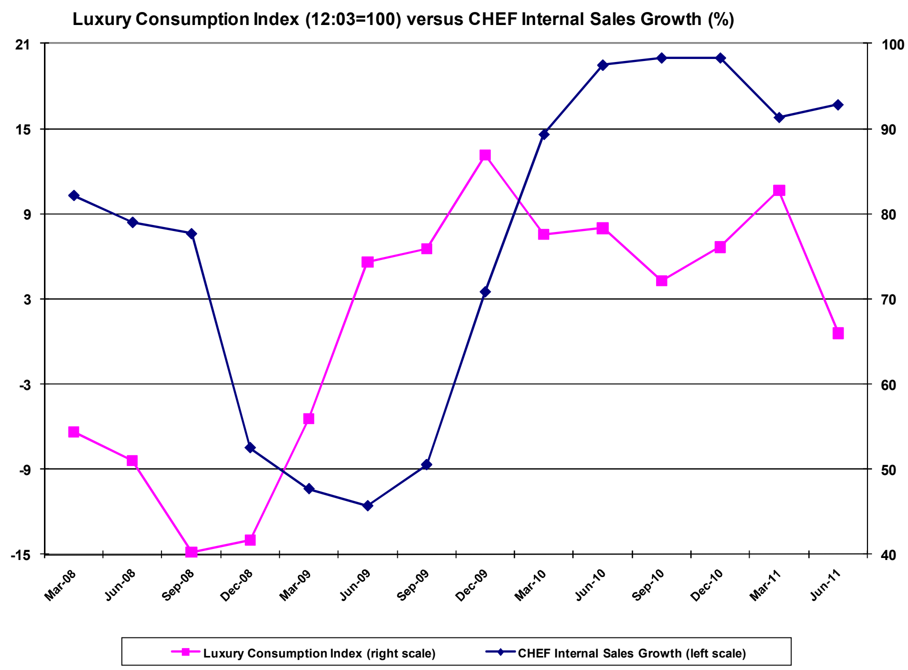
We view the following as important risk factors regarding an investment in CHEF and to achieving our price target.

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		2008A		2009A		2010A		2011E		2012E		2013E	
	Amount:$	Ratio:%	Amount:$	Ratio:%	Amount:$	Ratio:%	Amount:$	Ratio:%	Amount:$	Ratio:%	Amount:$	Ratio:%	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

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All companies under coverage:		All companies under coverage to which it has provided investment banking services in the previous 12 months:	
Buy (1)	54.8%	Buy (1)	15.0%
Hold (2)	44.9%	Hold (2)	6.9%
Underweight/Sell (3)	0.3%	Underweight/Sell (3)	0.0%
Not Rated (NR)	0.0%	Not Rated (NR)	0.0%
Suspended (SP)	0.0%	Suspended (SP)	0.0%

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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%
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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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September 6, 2011

WELLS FARGO SECURITIES

Equity Research

The Chefs' Warehouse, Inc.

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

Outperform / V

Sector: Restaurants & Foodservice
Market Weight

Initiation of Coverage

	2010A	2011E		2012E	
EPS		**Curr.**	**Prior**	**Curr.**	**Prior**
Q1 (Mar.)	$0.07	$0.12 A	NC	$0.15	NC
Q2 (June)	0.16	0.20 A	NC	0.26	NC
Q3 (Sep.)	0.17	0.18	NC	0.26	NC
Q4 (Dec.)	0.18	0.26	NC	0.30	NC
FY	$0.57	$0.76	NC	$0.97	NC
CY	$0.57	$0.76		$0.97	
FY P/E	23.8x	17.8x		14.0x	
Rev.(MM)	$330	$390		$437	

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters
NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful
V = Volatile, = Company is on the Priority Stock List

- **Summary:** We initiated coverage of CHEF with an Outperform rating on the shares, which reflects current valuation, as well as our favorable view of the company's distinct competitive positioning n the specialty foodservice distribution industry. We initiated with a 2011 pro forma EPS estimate of $0.76 and a 2012 EPS estimate of $0.97. Our valuation range of $19-20 is based on a multiple of 20-21x our 2012E EPS. Key risk factors that could affect share valuation include the inability to successfully integrate acquisitions, sales and commodity volatility, challenges sourcing products, and geographic concentration risks.

- **We Initiated Coverage With An Outperform Rating.** We believe CHEF is well positioned for growth given its presence in key culinary markets, combined with its customer focus on serving the needs of chefs at independent and fine dining restaurants, and its specialty product sourcing capabilities. We also think the company's distinct business model helps drive attractive margin and believe selective acquisitions could further enhance the growth outlook.

- **Leading Specialty Foodservice Distributor In Key Culinary Markets.** CHEF services over 7,000 customer locations in key culinary markets such as New York, Washington, D.C., San Francisco, Los Angeles, and Las Vegas. CHEF operates an efficient network of seven distribution centers carrying over 11,500 stock-keeping units (SKUs), including many exclusive specialty food items.

- **Impressive Real Sales Growth And Attractive Margin Profile, In Our View.** We have been impressed by the company's ability to achieve real sales growth in the low double digits over the past six quarters. We also think CHEF is poised to generate attractive margin within the distribution industry, which we attribute in part to both its customer and specialty product niche.

- **Acquisition Opportunities Could Further Enhance Growth.** We think the fragmented and consolidating foodservice distribution industry presents acquisition opportunities, which, over time, may enhance the company's growth potential. CHEF recently completed the acquisition of Harry Wils in New York and has completed numerous tuck-in and new market acquisitions that have strengthened and expanded CHEF's customer base and distribution network.

- **We Introduced 2011 and 2012 EPS Estimates.** We initiated with a 2011 pro forma EPS estimate of $0.76 and a 2012 EPS estimate of $0.97.

Ticker	CHEF
Price (09/02/2011)	$13.56
52-Week Range:	$12-19
Shares Outstanding: (MM)	20.8
Market Cap.: (MM)	$282.0
S&P 500:	1,188.68
Avg. Daily Vol.:	89,657
Dividend/Yield:	$0.00/0.0%
LT Debt: (MM)	$40.1
LT Debt/Total Cap.:	80.9%
ROE:	NM
3-5 Yr. Est. Growth Rate:	17.0%
CY 2011 Est. P/E-to-Growth:	1.0x
Last Reporting Date:	08/15/2011 After Close

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters

Valuation Range: $19.00 to $20.00
Over the next 12 months, we believe that CHEF shares may warrant a valuation range of $19-20 based on a multiple of 20-21x our 2012 EPS estimate. Key risk factors that could affect share valuation include inability to successfully integrate acquisitions, sales and commodity volatility, challenges related to sourcing products, and risks related to their geographic concentration.

Investment Thesis:
In our view The Chefs' Warehouse is well positioned for growth given its presence in key culinary markets, chef-driven customer focus, and specialty food sourcing capabilities. We also think the company's growth potential could be further enhanced through selective acquisition opportunities.

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Please see page 28 for rating definitions, important disclosures and required analyst certifications

Company Description:

The Chefs' Warehouse is a leading distributor of specialty food products in many key culinary markets in the United States. The company's core customers are chefs at leading independent restaurants and fine-dining establishments, as well as country clubs, hotels, caterers, culinary schools, and specialty food stores. The company distributes more than 11,500 food products, including an extensive selection of distinctive and hard-to-find specialty items, to over 7,000 customer locations in the United States.

Key Investment Points

We initiated coverage with an Outperform rating on the shares. We initiated coverage of The Chefs' Warehouse with an Outperform rating on the shares, which reflects current valuation, as well as our favorable view of the company's competitive positioning within the foodservice distribution industry. We believe that CHEF is poised for growth given the company's presence in key culinary markets, combined with its customer focus on serving the needs of chefs at independent restaurants and its product focus of sourcing specialty food offerings. We also think that the company's growth potential could be further enhanced through selective acquisition opportunities.

Share valuation. CHEF shares are trading at 14.0x our 2012 EPS estimate, versus a multiple of 15.8x for the peer group and our estimated 3-5 year growth rate of 17%. On a P/E-to-growth basis, CHEF shares are trading at a multiple of 0.8x versus a peer group PEG ratio of 1.5x. Over the next 12 months, we believe that CHEF shares warrant a valuation range of $19-20 based on a multiple of 20-21x our 2012 EPS estimate. In our view, key risk factors that could affect share valuation include the inability to successfully integrate acquisitions, sales and commodity volatility, challenges related to sourcing products, and risks related to the company's geographic concentration.

Figure 1. Valuation Table

THE CHEFS' WAREHOUSE, INC.
Valuation Table - calendarized basis

Distribution Company	Ticker	Price 09/02/2011	2010A EPS	2011E EPS	2012E EPS	2010A P/E	2011E P/E	2012E P/E	3-5 Yr. Est. EPS Growth	2012 PEG
Sysco (6)	SYY	$27.16	$1.96	$2.01	$2.13	13.9x	13.5x	12.8x	6%	2.0
United Natural Foods (12)	UNFI	$38.27	$1.61	$1.78	$2.04	23.7x	21.5x	18.7x	14%	1.3
Distributor Average						**18.8x**	**17.5x**	**15.8x**	**10%**	1.5
Chef's Warehouse (12)	**CHEF**	**$13.56**	**$0.57**	**$0.76**	**$0.97**	**23.7x**	**17.7x**	**14.0x**	**17%**	**0.8**

SYY and UNFI from First Call, CHEF from Wells Fargo Securities, LLC estimates
Source: Wells Fargo Securities, LLC estimates and First Call

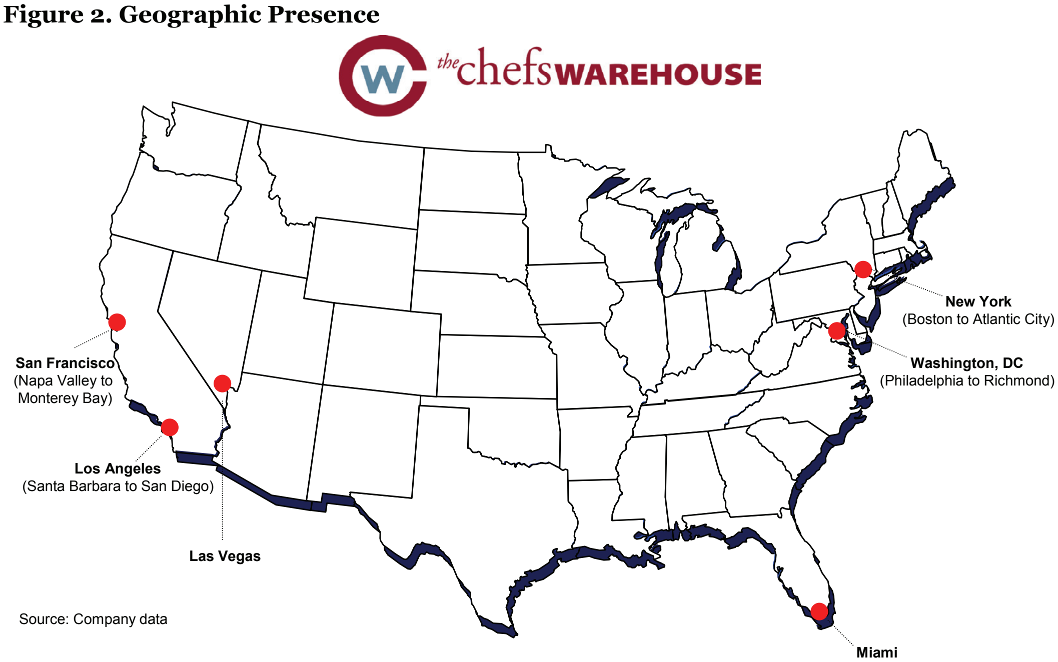
Earnings estimates and longer-term growth outlook. We initiated with a 2011 pro forma EPS estimate of $0.76 and a 2012 EPS estimate of $0.97. We think that The Chefs' Warehouse is well positioned to generate EPS growth of approximately 17% over the next 3-5 years annually. Our longer-term 3-5 year EPS growth rate is based in part on 7-10% real or organic sales growth, relatively consistent gross margin, and some leverage on the operating expense and interest expense lines. We also think that selective acquisitions could further enhance the company's long-term growth rate.

Company guidance. Management provided initial guidance for 2011 with its Q2 results on August 25. The company expects 2011 revenue to range from $384 million to $392 million. The recent acquisition of Harry Wils is expected to contribute approximately $10-12 million to revenue in H2 2011, which is incorporated into the company's revenue guidance for the year. We also note that Q4 2011 has one extra week in the accounting period. On its earnings conference call, management noted that it does not expect to see the rate of inflation, which is 4.1% year to date, changing in H2. The effective tax rate for the year is expected to be 39%. The company is targeting modified pro forma EPS in 2011 of $0.76-0.79 and GAAP EPS of $0.41-0.44. We were encouraged by management's commentary during its Q2 earnings conference call in late August that the business momentum had continued thus far into Q3 despite recent macro events.

Growth strategies. The company's growth strategies are comprised of three key elements: continue to pursue organic growth opportunities, further improve operating margin, and target selective acquisitions. We think The Chefs' Warehouse has the potential to increase business with existing customers through expanded product selection, particularly the number of unique offerings. Management believes that CHEF is the primary distributor of specialty items for the majority of its customers and management is focused on maintaining this position while working to become the primary specialty distributor for a larger portion of its customers. We also think the company has the opportunity to enhance its distribution network by adding new customers in existing markets. In our view, the company's combination of traditional and specialty product offerings, coupled with its ability to cultivate strong customer relationships, should enable The Chefs' Warehouse to continue to expand the base of customers within existing markets. The organic growth opportunities, if successful, should enhance the operating margin by leveraging economies of scale in purchasing, warehousing, distribution, and, when combined with fixed cost leverage, should result in improved profitability. We also think opportunities exist within the highly fragmented foodservice distribution industry for The Chefs' Warehouse to pursue selective acquisitions that have the potential to expand the breadth of the company's distribution network and further enhance operating efficiencies, as well as product offerings and other capabilities.

Leading specialty foodservice distributor in key culinary markets. We think The Chefs' Warehouse has cultivated strong relationships with its customers and suppliers, both of which have enabled the company to become a leading specialty foodservice distributor. CHEF's distribution network targets key culinary markets including New York, Washington, D.C., San Francisco, and Los Angeles, where the company believes that it is the largest specialty foodservice distributor (based on net sales). Management believes that these markets, along with other markets it serves, including Las Vegas, Miami, Philadelphia, Boston, and Napa Valley, often shapes the culinary trends for the United States overall. The company also believes that it currently services one or more products to more than 60% of its addressable market in the New York metro area and to 20-30% of its addressable markets in the other geographies it serves on a weekly basis. Management generally defines its addressable or target market as independent restaurants with an average entrée price exceeding $15. The company services these markets from an efficient network of seven distribution centers, the largest and most profitable of which is in New York. We also think that CHEF's reputation throughout the industry and established relationships with many leading chefs, culinary schools, and dining outlets has benefited the company as it enters new markets.

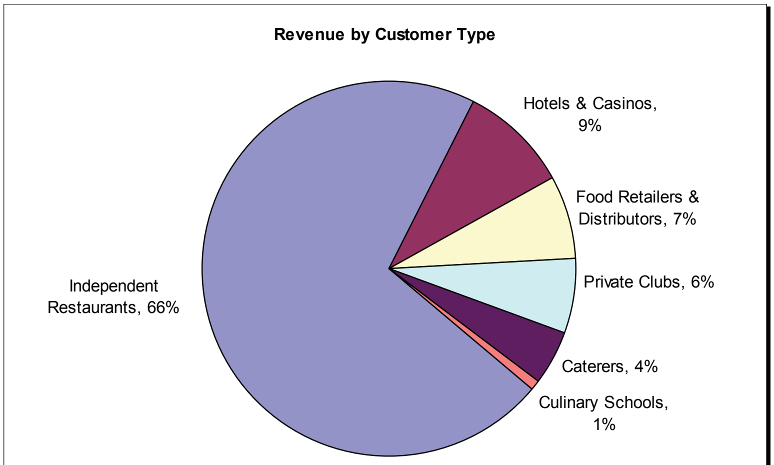
Figure 2. Geographic Presence



Source: Company data

Chef-driven customer focus. The Chefs' Warehouse focuses on serving the specific needs of chefs at leading independent and fine-dining restaurants, as opposed to chain restaurants. In our view, the company has built a strong reputation within the specialty foodservice distribution industry through its association with well-known independent restaurants, chefs, and culinary schools. We think this strategy helps to differentiate the company from many distribution competitors and enables them to fill a rather unique position as a leading provider of specialty food products. We think the team of sales professionals at The Chefs' Warehouse is a key component of the company's chef-driven customer focus. Most sales professionals have received formal culinary training, have degrees in culinary arts, and/or have had experience working in the culinary industry. The company's sales force is trained to cultivate relationships with the chefs, ensure that their needs are met, and educate and collaborate with chefs on broader culinary trends. The Chefs' Warehouse services more than 7,000 customer locations, the majority of which are independent restaurant locations, accounting for approximately 66% of the company's annual revenue. We note that the company's customer base represents just a small fraction (around 2%) of all U.S. independent restaurants. As of March 31, 2011, there were approximately 306,892 independent restaurants in the United States based on ReCount data from The NPD Group, Inc., which accounted for approximately 53.5% of total U.S. restaurants.

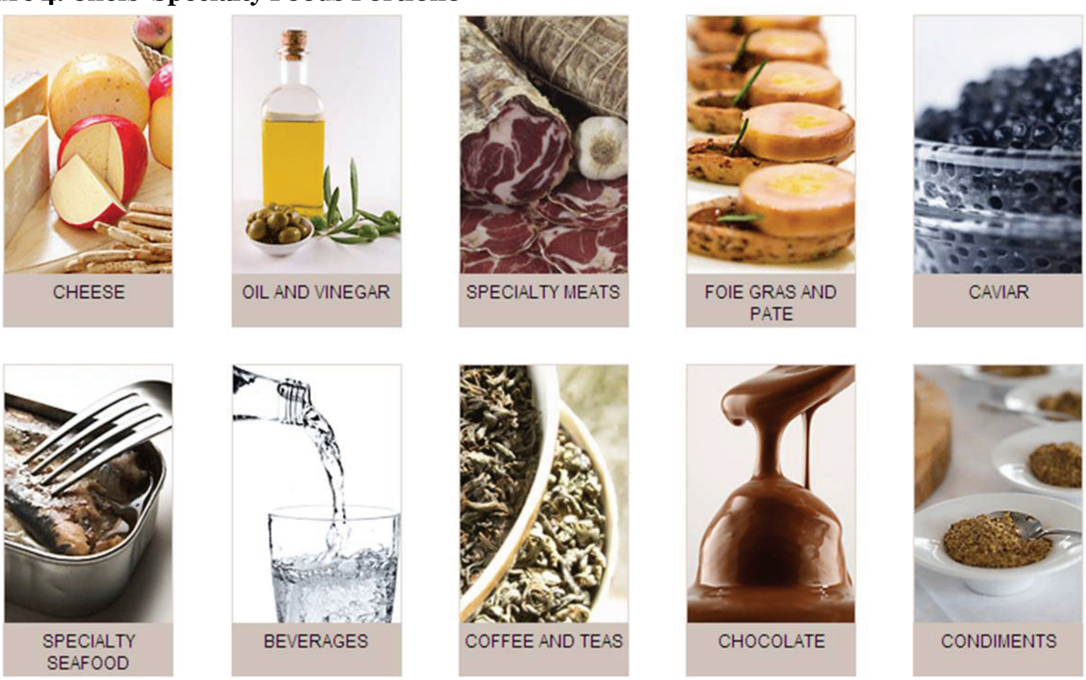
Figure 3. Revenue By Customer Type



Source: Company reports

Low customer and supplier concentration. Since CHEF's business model targets independent restaurants, we think the company may benefit from less customer concentration than traditional foodservice distributors, particularly those that service chain restaurants. During 2010, the company's top ten customers collectively accounted for less than 10% of total net revenue. Likewise, the company also appears to benefit from a low level of supplier concentration, with no single supplier representing more than 5% of disbursements. The company's supplier base includes more than 1,000 different suppliers across North America, Europe, Asia, and South America. CHEF's base of suppliers includes many small and family-run businesses for which the company may be the largest customer. Across product categories the company also stocks multiple products from multiple suppliers in order to further reduce its reliance on any single supplier.

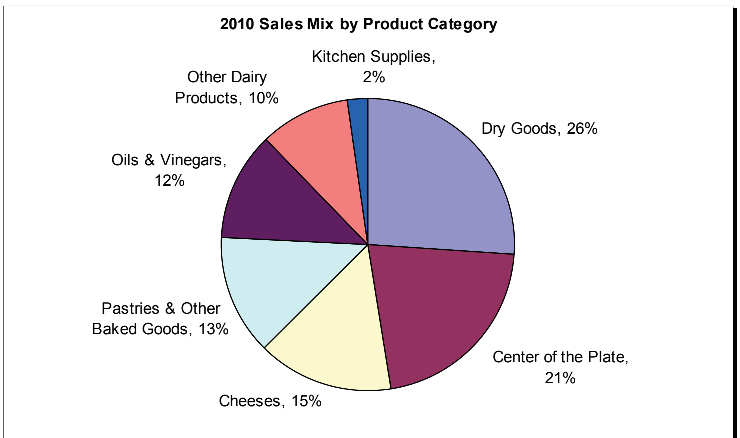
Figure 4. Chefs' Specialty Foods Portfolio



Source: Company reports

Extensive portfolio of specialty food products. We think that The Chefs' Warehouse differentiates itself within the industry by serving as a premier distributor of specialty food products both in terms of breadth and depth. The company offers a wide range of food products in its portfolio, which includes basic ingredients such as milk, eggs, and flour to more specialty items sourced domestically and through international markets. Some of the specialty items that it sources include artisan charcuterie, specialty cheeses, unique oils and vinegars, hormone-free proteins, truffles, caviar, and chocolate. Through its importing division, the company sources items from more than 40 countries including Italy, Spain, France, and other Mediterranean countries. We think that the company's ability to provide its customers with the more exclusive and hard-to-find specialty products is a key point of differentiation for The Chefs' Warehouse, which also helps its customers feature more distinctive menu offerings. The company carries more than 11,500 SKUs in its distribution centers, of which 7,000 are generally in stock every day. In comparison, the average specialty distributor carries approximately 1,609 SKUs in its warehouses based on data from the Mintel Group, Ltd. In addition to carrying more SKUs than the average specialty distributor, the company also offers greater product selection for certain items relative to the large broadline foodservice distributors. The company often emphasizes this point using olive oil as an example product. The Chefs' Warehouse carries more than 125 different varieties of olive oil versus the large broadliners, which typically carry only 5-10 different types of olive oil. In our view, the company's ability to offer an extensive selection of high-quality specialty foods, coupled with more traditional staple food products, enables The Chefs' Warehouse to serve the varying needs and drop sizes of its customers. In addition, management continually works with suppliers and importers to update its product portfolio in order to stay current with broader culinary trends.

Figure 5. Sales Mix By Product Category



Source: Company reports

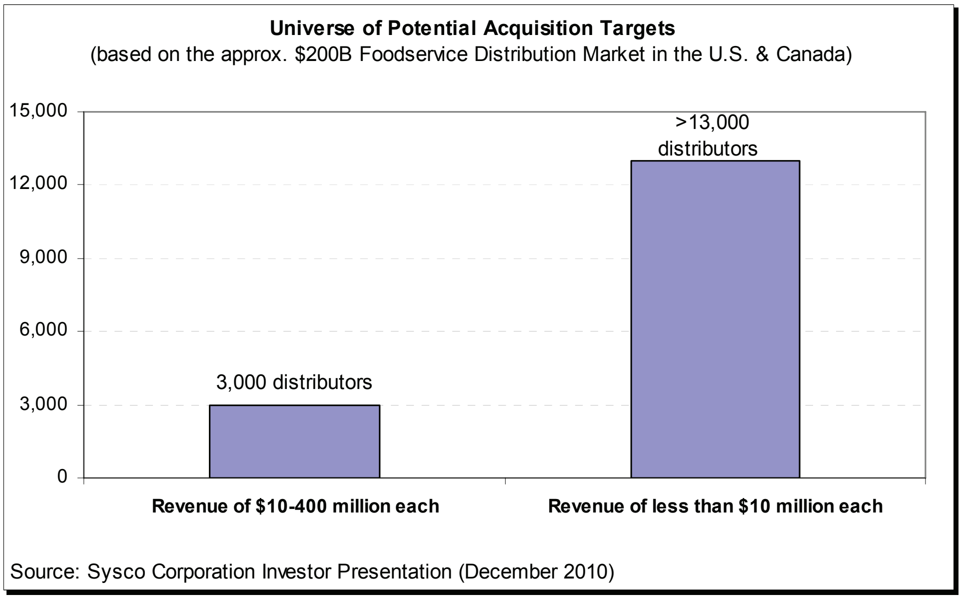
In addition to offering gourmet brands, The Chefs' Warehouse also features proprietary brands, which represent about 15% of sales and generate higher margin for the company. The private brands are available for certain staple products such as bulk olive oil, Italian grating cheeses, and butter.

Figure 6. Selected Proprietary Brands Of The Chefs' Warehouse

Source: Company data

Acquisition opportunities could enhance growth potential. We think that the fragmented and consolidating foodservice distribution industry presents The Chefs' Warehouse with acquisition opportunities, which, over time, may enhance the company's growth potential. During the past several years, management has pursued and completed tuck-in and new market acquisitions, which have enabled its business to grow at a faster clip than it would have been able to on a stand-alone, organic basis. Management believes that it has enhanced the operations and profitability of the companies it has acquired, in part by leveraging sourcing capabilities to offer customers an expanded portfolio of products, implementing more effective sales force strategies, and installing enhanced technology systems. We note that the $200 billion foodservice distribution market (the United States and Canada) is comprised of more than 16,500 distributors, according to Sysco Corporation (per its December 2010 Investor presentation). The market includes 3,000 distributors with revenue of $10-400 million, and another 13,000 distributors with sales of less than $10 million annually. While not all of these distributors may fit Chefs' acquisition profile, we think the number is still representative of the ample consolidation opportunities within the industry. In our view, the management team of The Chefs' Warehouse has taken a prudent and selective approach to its acquisition strategy, which we view favorably.

Figure 7. Universe Of Potential Acquisition Targets



Based on management's commentary, it appears that Chicago may be one potentially attractive new market to enter as part of its longer-term acquisition strategy. Management believes that the Chicago market offers the most similarity with the New York metro area in terms of customer concentration, which we think allows for more efficient customer drops from a distribution and routing perspective. Other potential new markets could include Atlanta, Texas, Denver, and Phoenix.

Recently completed Harry Wils acquisition. On June 24, 2011, the company completed the tuck-in acquisition of Harry Wils & Co. through the purchase of inventory and certain intangible assets, including the company's customer list. The purchase price the company paid for Harry Wils & Co. was approximately $7.7 million (for the intangible assets), and $1.2 million for the inventory. Immediately following the close of the transaction, the company relocated the purchased inventory to its distribution facility in New York. The acquisition was financed with borrowings under the company's revolving credit agreement. On the company's Q2 earnings call in late August, management commented that it has not seen much customer attrition following the acquisition, and that the business had been tracking very close to management's expectations.

Figure 8. Recently Completed Acquisitions

THE CHEFS' WAREHOUSE, INC.
Recent Acquisitions

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

Source: Company reports

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

Figure 9. Distribution Facility Location And Size

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

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

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

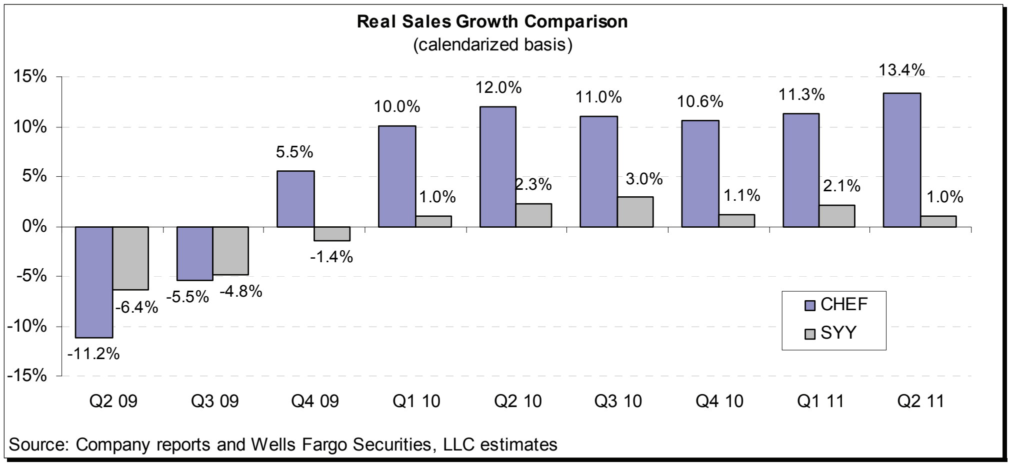
Figure 10. Chefs' Warehouse Truck

Source: Company reports

Technology initiatives should improve operating efficiencies. Over the past few years, The Chefs' Warehouse has made significant investments in distribution, sales, information, and warehouse management systems. The company's warehouse management system has been implemented in CHEF's main distribution facility in New York, and the company expects to integrate the system into the rest of its distribution network by the end of 2011. The system provides real-time inventory tracking across the distribution center, as well as metrics on inventory turns. The company has also begun to roll out pick-to-voice technology for its warehouse employees in the distribution facilities, as well as truck builder, which have the potential to enhance order fill rates and accuracy. Management believes that the investments it has made in its current systems are scalable and can support the company's future growth.

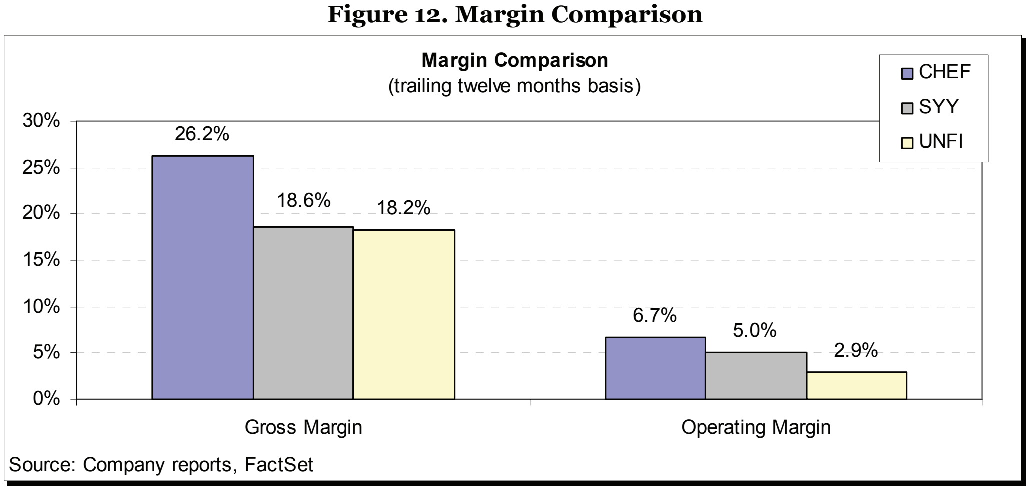
Strong real sales growth. One of the metrics used to better analyze top-line performance is real sales growth, which strips out revenue contributions from acquisitions and adjusts for inflation or deflation, and other factors, like mix, resulting in a more clear picture of the core growth of the business. The following chart shows the real or organic sales growth for The Chefs' Warehouse over the past several quarters, which has outpaced that of Sysco, the largest broadline foodservice distributor in the United States. The Chefs' Warehouse has achieved real sales growth in the low double digits, while Sysco's real growth has been in the low single digits.

Figure 11. Real Sales Growth Comparison



Attractive margin profile. While the distribution industry (foodservice and grocery wholesaling) is generally characterized as being a low-margin business, we think The Chefs' Warehouse is positioned to achieve more attractive margins given its competitive positioning. We attribute the company's distinct competitive position in large part to its customer focus on independent restaurants, combined with its product focus on specialty food offerings. On a trailing-12-month basis, gross margin for The Chefs' Warehouse was 26.2%, versus 18.6% for Sysco, and 18.2% for United Natural Foods. The operating margin was 6.7% for The Chefs' Warehouse, versus 5.0% for Sysco, and 2.9% for United Natural Foods on the same basis.

Figure 12. Margin Comparison



Recently reported quarterly results. On August 25, The Chefs' Warehouse reported Q2 modified pro forma net income of $4.2 million and modified pro forma EPS of $0.20. The results reflected revenue growth of 18.7%, to $99.3 million, versus $83.6 million last year. The revenue growth was driven by increased case volume and increased revenue per case. The sales increase also included $1.7 million of net sales (or a 2% benefit to sales growth) for the Florida operations the company acquired in June 2010. Adjusting for the acquisition contribution, internal sales growth was 16.7%. Inflation and mix contributed 3.3% to sales growth. The drivers of the food cost inflation were mainly dairy, oils, and seafood. Adjusting for inflation and mix, the company posted strong real or organic sales growth of 13.4% in the quarter. The gross profit margin increased 50 bps year over year, to 26.5% of revenue. Management attributed most of the basis-point expansion to higher margins on the sale of protein offerings, driven by customer and product mix shift. Operating expenses as a percentage of sales improved 60 bps year over year, reflecting leverage on higher sales. On a GAAP basis, the company reported EPS of $0.17, versus $0.13 in the prior-year period.

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

Figure 13. Cash Flow Table

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

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

Source: Company reports and Wells Fargo Securities, LLC estimates

Initial public offering (IPO) and use of proceeds. On August 2, 2011, The Chefs' Warehouse announced the completion of its IPO of 10,350,000 shares of common stock at $15.00 per share. The company offered 4.7 million shares and selling shareholders offered 5.7 million shares, including 1.4 million shares sold to underwriters to cover overallotments. The company received approximately $63.1 million in net proceeds from the sale of primary shares in the offering (after underwriting fees and commissions, and estimated offering expenses). Management planned to use the net proceeds to repay indebtedness. Following the IPO, The Chefs' Warehouse entered into a new senior credit facility, which includes a $30 million term loan and a $50 million revolving credit facility, both maturing in 2015. At the end of Q1 2011, the company's total debt on an as-adjusted basis for the offering, use of proceeds, new credit facilities, and Harry Wils acquisition was $46.2 million.

Company History

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

Figure 14. Market Presence

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

Source: Company reports

Management Team

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

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

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

Potential Risk Factors

Consumer spending trends. Since the company's target customers are restaurants and other foodservice establishments, its business is exposed to changes in general economic environment and levels of consumer spending. During periods of economic slowdown or weak consumer spending, restaurants may experience weaker sales trends and consumers may choose to spend fewer dollars on discretionary purchases such as food away from home. To the extent that sales for the restaurants the company's serves are affected by reductions in customer frequency and spending, this can hurt the company's business as its fixed costs are then spread over a lower volume of sales. If the current challenging economic environment continues for an extended period of time, then consumers may make longer-term changes to their spending patterns, which could affect the company's business.

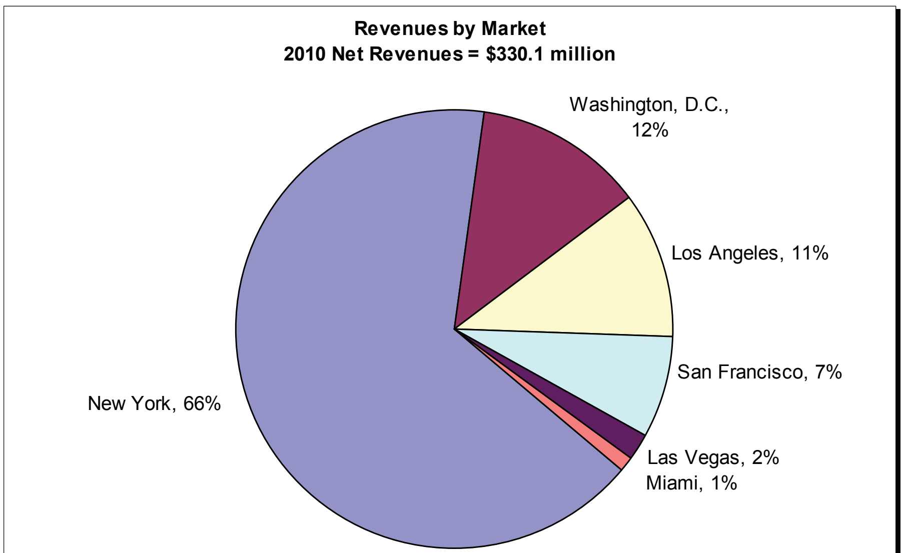
Commodity cost pressures, product sourcing, and labor costs. The company is, in part, dependent on commodities and the ability to respond to changes in food costs, availability, and potential interruptions in its distribution network. The company sources a large portion of its specialty food products from local, regional, national, and international third-party suppliers. Typically the company neither participates in long-term contracts with its suppliers, nor uses financial instruments to hedge its risk exposure to fluctuations in the price of certain food products. Several factors can affect food costs and availability including weather, crop conditions, government regulation, changes in fuel costs, natural disasters, food-borne illnesses, seasonality of items, transportation costs, and other challenges that may be beyond the company's control. If management is unable to react to food cost fluctuations through its sourcing and purchasing practices, or identify alternative sources of supply or similar product to meet customers' needs, then the company's business could be negatively affected by cost increases and/or the loss of a customer. The results of operations could also be negatively affected by potential changes in customer perception of the quality or selection of its products. In addition, labor cost fluctuations, such as the increases seen with minimum wage rate hikes and potential changes in labor legislation could also affect the company's results.

Margin and margin sensitivity. While The Chefs' Warehouse generates profit margins that are generally higher than that of a traditional broadline foodservice distributor, it may still be considered low relative to other industries. Most of the company's sales are at prices that are based on a product cost plus a percentage markup. Thus, food cost volatility can have a direct impact on the company's profitability. During extended periods of product cost inflation, profit margins for The Chefs' Warehouse may be negatively affected to the extent the company is unable to pass along some or all of the cost increases to customers. Conversely, during deflationary cost periods, profit levels can be negatively affected even if the company's gross profit (as a % of sales) remains constant and the company may need to reduce expenses to compensate for the lower gross margin. Therefore, management's inability to respond to cost pressures (both inflationary and deflationary) and respond accordingly could have a negative impact on its business or results of operation.

Potential growth of group purchasing organization. Management has noted that it has felt some pricing pressure from group purchasing organizations, which are targeting smaller, independent restaurants in an effort to offer them lower prices for products by aggregating their purchasing power. To the extent that these organizations are successful in attracting a significant number of the company's customers as members, then management may be forced to lower prices or risk losing business. In addition, some of the company's customers, including the majority of its hotel customers, purchase their products from The Chefs' Warehouse through group purchasing organizations.

Geographic concentration. The company's foodservice distribution operations are concentrated in six key culinary markets, making The Chefs' Warehouse susceptible to changes in economic conditions and other developments or events, such as adverse weather conditions within these markets. Their highest concentration of sales is in the New York market, which accounted for 66% of net revenue in 2010, making the company particularly exposed to potential changes in this regional economy. A change in the economic conditions or disruption in any of these key culinary markets, especially New York, could have a material adverse impact on CHEF's financial results. In addition, the company's operations and distribution centers in New York and Washington, D.C. are at risk for adverse winter weather such as snow and ice, while Miami is susceptible to hurricanes, and Los Angeles and San Francisco are at risk for earthquakes and mudslides. While management has disaster recovery plans in the event of a temporary closure or destruction of the company's distribution facilities, there can be no guarantee that such an event would not significantly affect the results of operations.

Figure 15. Revenue By Market



Source: Company reports

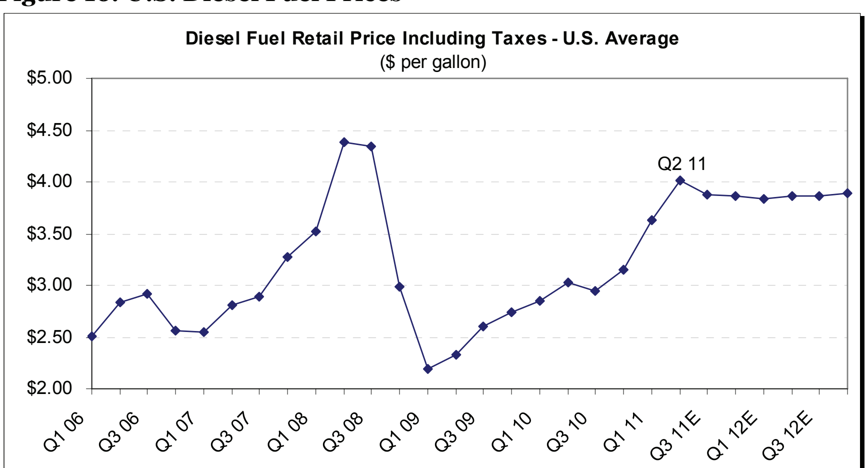
Consumer health concerns, eating habits, and government regulation. As a distributor of food products, The Chefs' Warehouse is susceptible to negative publicity or news regarding food-quality issues, public health concerns, illness, and safety. While management has taken steps to help mitigate such risks, there can be no guarantee that these types of public-driven health concerns can not be entirely eliminated, and therefore, a potential incident could damage the company's reputation and hurt the results of operation. We also think that consumer preferences and eating habits can be affected by changes in health, diet, and food regulations, which could lead to additional costs for the company if it is required to alter or discontinue the sales of certain items in its portfolio. Consumer preferences can also be affected by negative publicity regarding beef and chicken consumption, particularly as it relates to bovine spongiform encephalopathy (BSE), also known as mad cow disease, and avian influenza, also known as bird flu. In addition, a widespread outbreak of a contagious disease or even the threat of a widespread outbreak could have a significant negative effect on the company's customers and the restaurant industry overall. In such a scenario, we think that restaurant traffic may not only suffer from the potentially large number of individuals who are sick, but also by a potentially even greater number of otherwise healthy consumers who choose to stay home and avoid public places for fear of being infected themselves. The company's business is also highly regulated at the federal level by the Food & Drug Administration (FDA) and the U.S. Department of Agriculture (USDA), and also at the state and local level. Potential increases in regulation and compliance-related costs could negatively affect the company's supplier base, as well as the company.

Product liability claims. The Chefs' Warehouse is also at risk of exposure to product liability claims if any products it sells cause injury or illness. While the company has liability insurance, it may not be adequate to cover potential claims whether actual or alleged, or the insurance might not continue to be available at a reasonable cost, or at all. Therefore, product liability claims, product recall costs, and related matters could have a material negative impact on the company's business if it does not have enough insurance or contractual indemnification from the manufacturer.

Customer retention and payments. In general, the company's restaurant customers are not required to continue to purchase their products from The Chefs' Warehouse since the company does not typically engage in long-term contracts with its customers. Thus, there can be no assurance that the volume or number of customer orders will not change. A significant decrease in the volume or number of purchase orders from existing customers, as well as management's inability to attract new business, could have a material negative impact on the business. In addition, the company may experience losses in the event that its customers file for bankruptcy or are unable to make their payments in a timely manner, which could hamper the ability to collect their accounts receivable. This could require management to take larger provisions for bad debt expense. The challenging economic environment may also place greater financial strain on smaller companies, like many of the company's restaurant and fine dining customers, which could negatively affect CHEF's results. However, we point out that the company's business is not reliant on any one customer, as its top ten customers collectively account for less than 10% of net revenue, thus limiting CHEF's customer concentration.

Increases in fuel costs. As a distributor, The Chefs' Warehouse is exposed to increases in fuel costs, which can have a negative impact on its business. As the price of diesel fuel rises, it can not only increase the price the company pays for a product from its supplier, but also the cost incurred to distribute that product to customers. Thus, increases in fuel costs can have a negative impact on net sales, margins, operating expenses, and results. During periods of increased fuel cost, management has typically been able to pass along at least a portion of the higher cost to customers, but there can be no guarantee the company will be able to continue to implement fuel surcharges when necessary. Management has indicated that fuel expenses generally represent about 70 bps of operating costs.

Figure 16. U.S. Diesel Fuel Prices



Source: Energy Information Administration

Competition. The foodservice distribution industry is highly fragmented. The company competes with smaller distributors on a local and regional level, as well as against a few large national broadline distributors such as Sysco and U.S. Foodservice with much greater purchasing power. The company's success is somewhat dependent on its ability to meet its customers' needs for specialty products and ingredients, as well as its desire for high service levels and timely delivery of products, among other factors. There can be no assurance that competitors may not seek to provide specialty products and services that are similar to or better than the company's. The Chefs' Warehouse may face increased competition, which could lead to price reductions, lower gross margin, and a loss of market share, which could have a material negative impact on the business.

Managing future growth. The company's ability to manage its future growth, whether through acquisitions or organically, is another factor that could affect the business and results of operations. If The Chefs' Warehouse reaches near maximum capacity at a particular distribution facility, the operations of that location may be constrained, which could lead to inefficiencies unless the facility is expanded or volume is shifted elsewhere. Likewise, if management were to expand an existing facility or bring on additional facilities, the excess capacity could lead to inefficiencies. There can be no guarantee that the company will be able to implement the necessary systems (operational, financial, and technology related) to manage and support its employees and the future growth of the business. In addition, any damage to existing computer systems or the network infrastructure could cause an operational disruption, which could have a negative impact on the business or results of operation.

Acquisition integration. A substantial portion of the company's growth has been achieved through acquisitions of other specialty food products distributors. Management's ability to successfully integrate acquired companies in the future is an important factor in determining the growth potential of the company. The Chefs' Warehouse expects to expand its presence in existing markets through fold-in acquisitions and also enter new markets through new-market acquisitions. However, there can be no assurance that management will be able to successfully identify suitable acquisition targets, consummate acquisitions, and integrate the acquired entities into the company. The successful integration of an acquired company has many facets, some of which include maintaining the existing customer base, optimizing delivery routes, managing the back-office functions, and integrating the technology and personnel systems. The integration process has the potential to distract management's attention, and any challenges encountered with the transition process could have a negative impact on the company's business, particularly in periods immediately following the closing of a transaction. In addition, the company's ability to complete acquisitions in the future may hinge upon management obtaining the necessary financing, which can not be guaranteed.

Dependence on senior management. The company's success is somewhat dependent on the expertise of its senior management team, many of whom have extensive experience in the foodservice distribution industry and/or with the company. The loss of services of one or more members of this senior management team or key personnel could have a material negative effect on the company's business operations.

Potential sale of restricted shares. There are about 11.7 million shares of restricted CHEF stock held by founders and executive officers, which accounts for about 56% of diluted shares outstanding. The potential sale of these shares, which are restricted from resale for 180 days following the IPO, could have a material impact on the company's stock price.

Financial leverage. The company has a substantial amount of indebtedness. On an as adjusted basis for the offering and use of proceeds and entry into its new credit facilities as of March 25, 2011, CHEF has approximately $37.2 million in total debt, including $30 million outstanding under its new term loan facility and $7.2 million outstanding under its new revolving credit facility. Including the Harry Wils acquisition, the company has total debt outstanding of $46.2 million, which incorporates an additional $8.9 million outstanding under the revolving credit facility, bringing the total outstanding under the revolver to slightly more than $16 million. A dramatic decline in sales or adverse developments in the credit markets could have a significant and detrimental impact on the company's ability to meet the terms of its debt obligations, which could have a material negative effect on the company's business and financial condition. Based on the company's new credit facilities, management has noted that a 100-basis-point increase in market interest rates would lower after-tax earnings by approximately $300,000, assuming other variables remain constant.

Foodservice Distribution Industry Overview

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

Figure 17. Distributor Comparison Table

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

Source: ID Report (www.myidaccess.com)

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

Source: Company data

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

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

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

Figure 18. Street Accounts Versus Chain Accounts

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

Source: Wells Fargo Securities, LLC

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

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

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

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

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

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

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

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

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

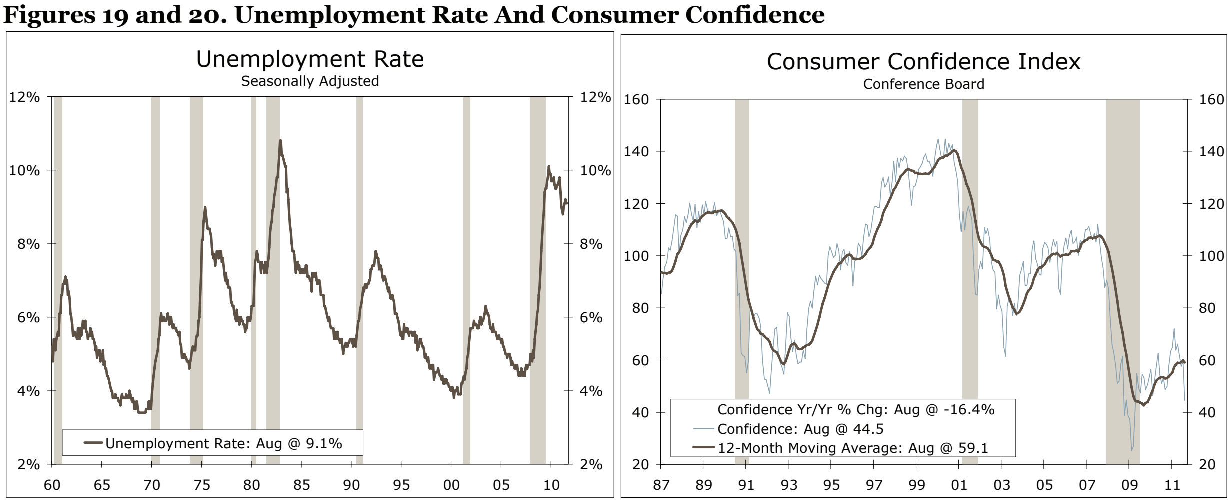
- **Information systems.** The sophistication of a distributor's management information system can also affect a company's margins. A more advanced system can lead to improved margins by enabling a company to operate more efficiently with lower internal costs.

Restaurant Industry Overview

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

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

Figures 19 and 20. Unemployment Rate And Consumer Confidence



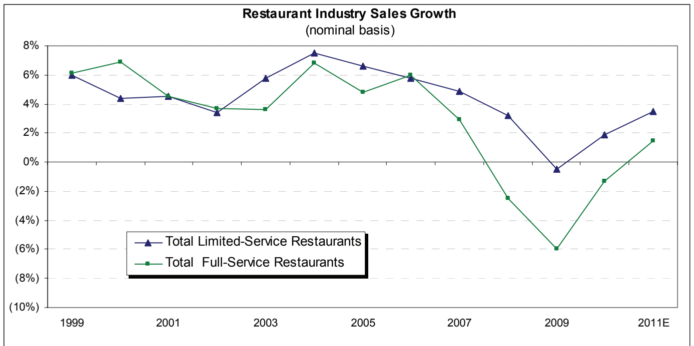
Source: U.S. Department of Labor and Wells Fargo Securities, LLC

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

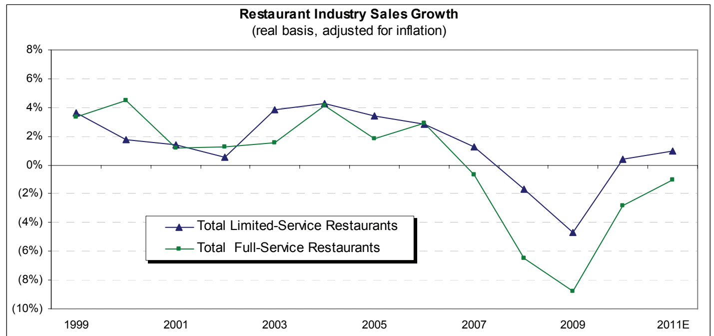
Restaurant Industry Sales Forecasts

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

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



Source: Technomic, Inc.

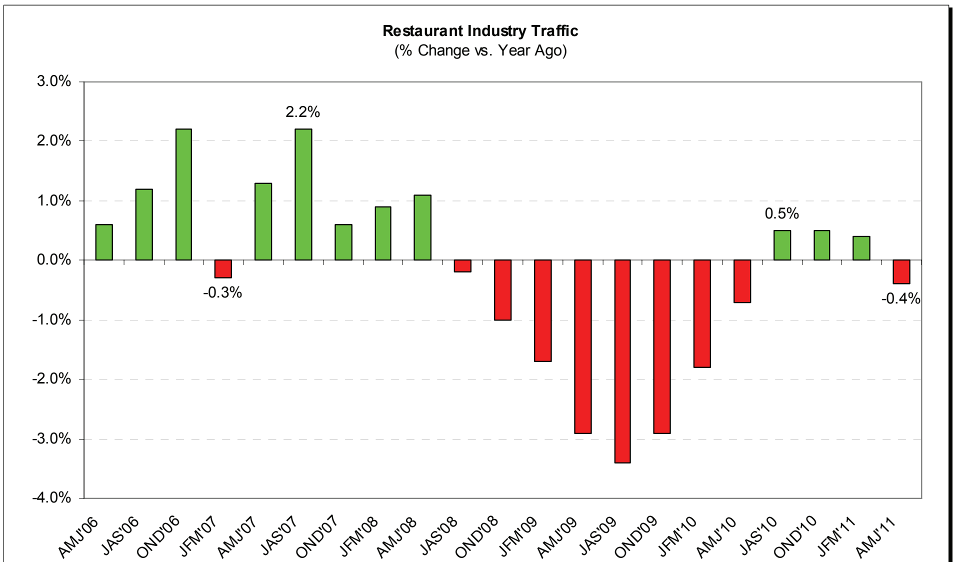


Note: 2011 adjusted for Technomic's assumed inflation rate of 2.5%.
Source: Technomic, Inc., Bureau of Labor Statistics

Restaurant Demand Trends

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

Figure 23. Restaurant Industry Traffic

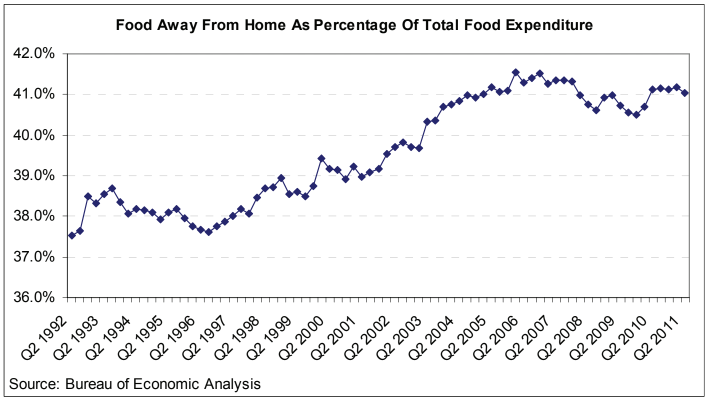


Source: The NPD Group/CREST

Restaurants Versus Grocery Stores

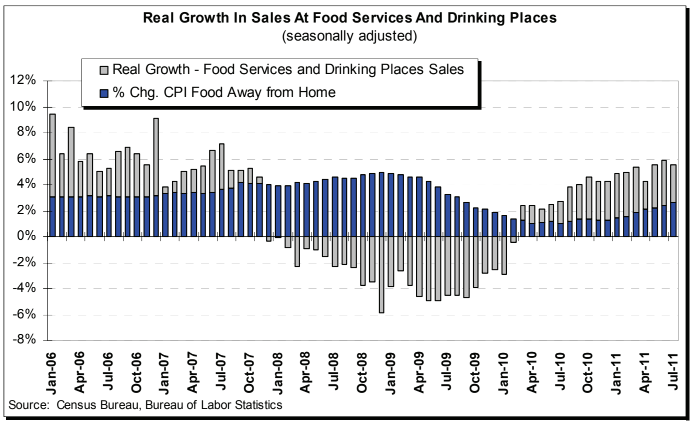
Household spending for food away from home (a proxy for restaurant spending) has been trending close to 41% in recent quarters as a percentage of total food expenditure.

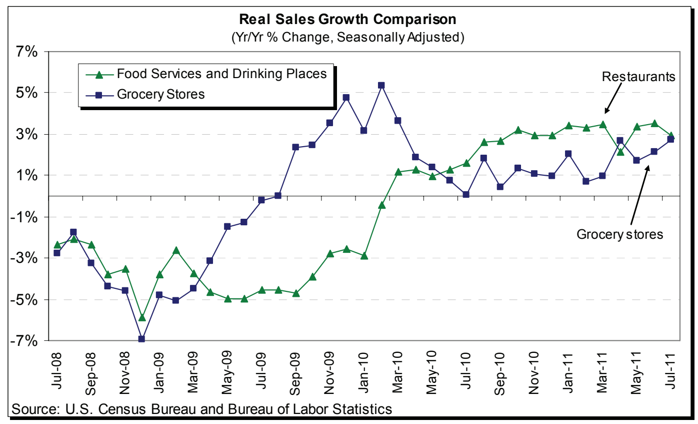
Figure 24. Restaurant Spending Trends



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

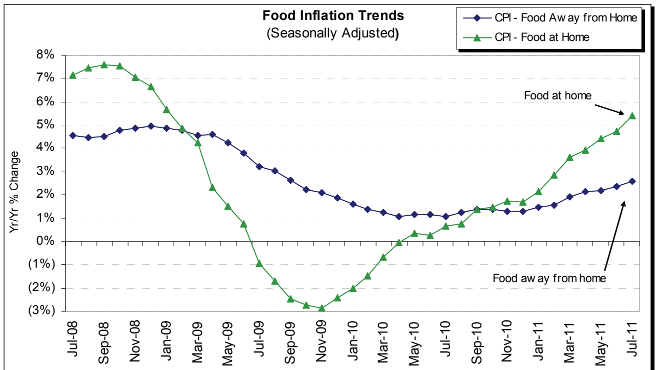
Figures 25 and 26. Real Growth At Restaurants And Real Growth Sales Comparison





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

Figures 27. Food Inflation Trends



Source: Bureau of Labor Statistics

Figure 28. Food Inflation Forecast

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

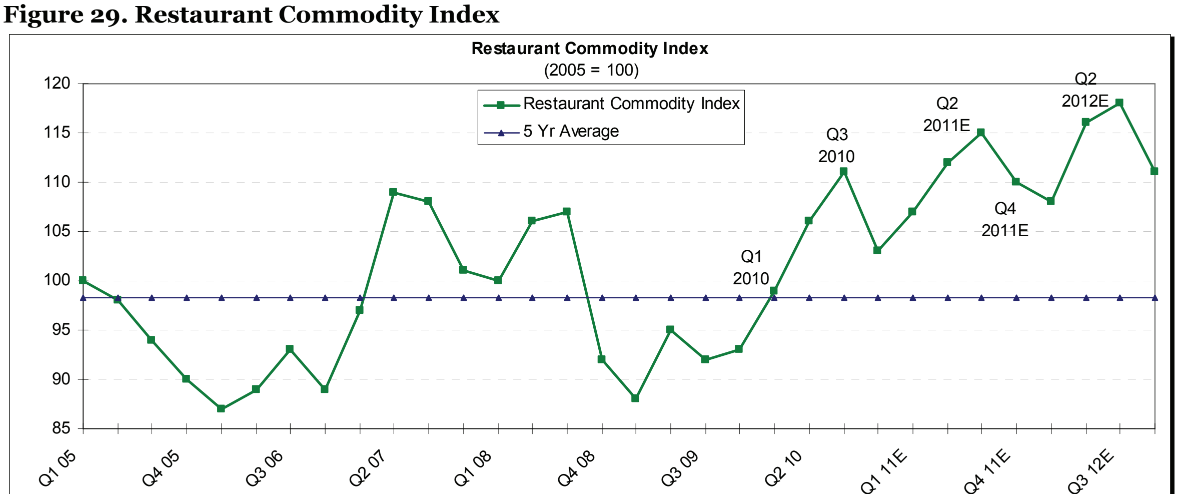
Source: USDA's Economic Research Service

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

Commodity Cost Environment

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

Figure 29. Restaurant Commodity Index



Source: American Restaurant Association

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

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

Figure 30. Key Commodity Categories

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

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

Source: American Restaurant Association

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

Figure 31. Restaurant Commodity Index By Segment

Restaurant Commodity Index
Year/Year % Change by Segment

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

Source: American Restaurant Association

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

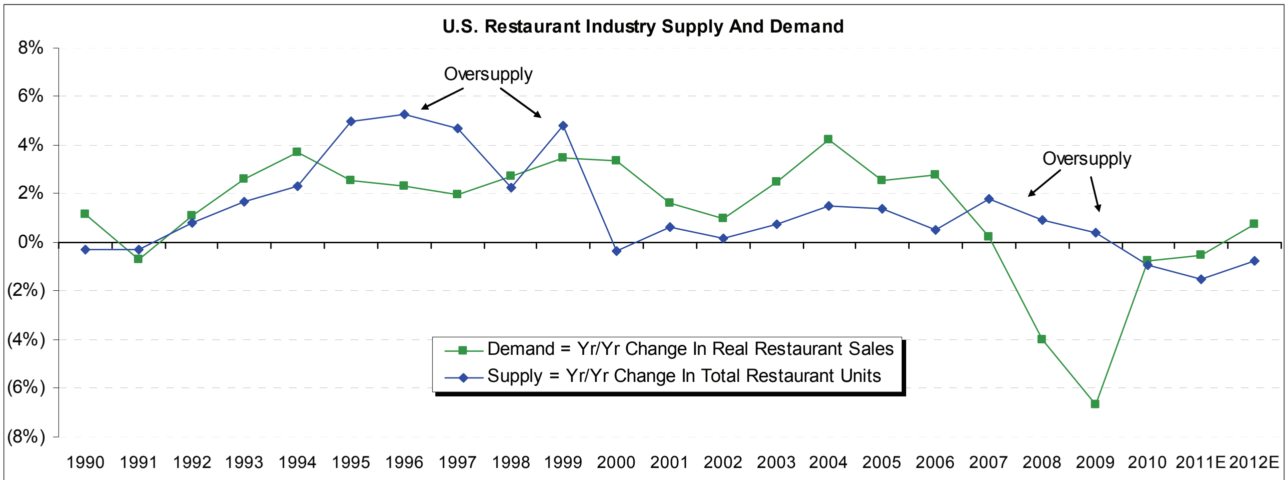
Restaurant Supply And Demand

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

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

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

Figure 32. Restaurant Supply And Demand



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

Supply Trends By Major Segment

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

Figure 33. Supply Trends By Segment

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

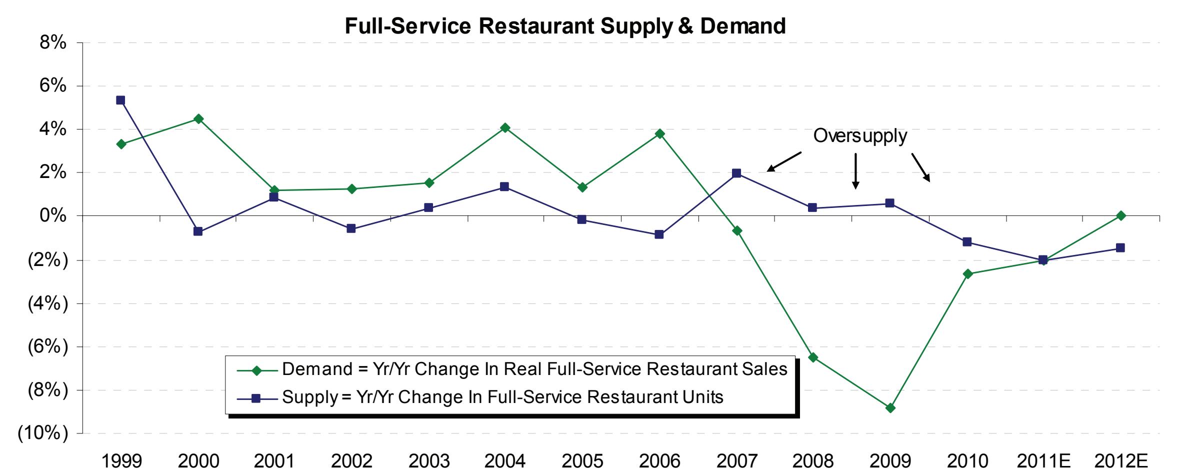
Based on a September fiscal year end.
Source: The NPD Group, Inc. ReCount Data

Supply And Demand By Segment

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

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

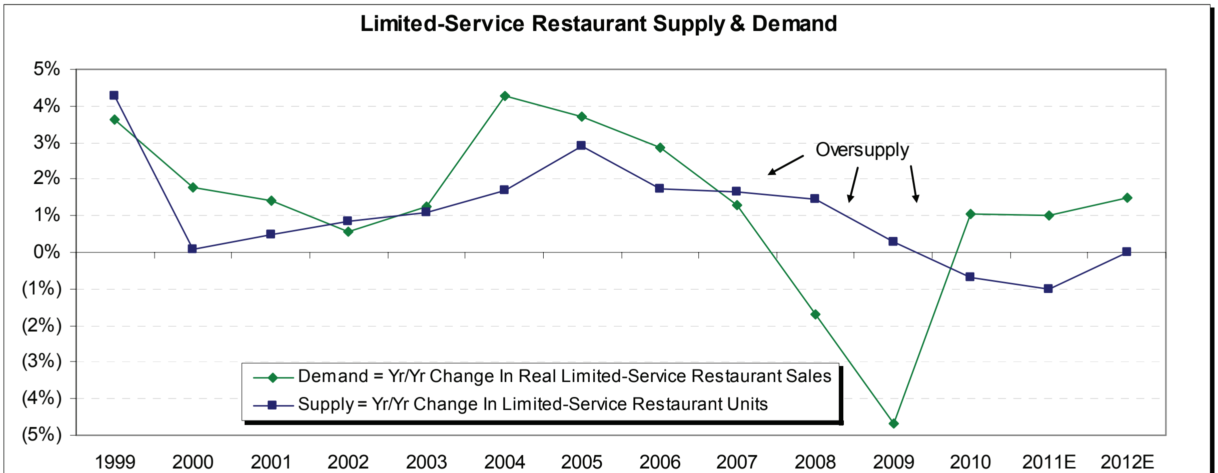
Figure 34. Full-Service Supply And Demand



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

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

Figure 35. Limited-Service Supply And Demand



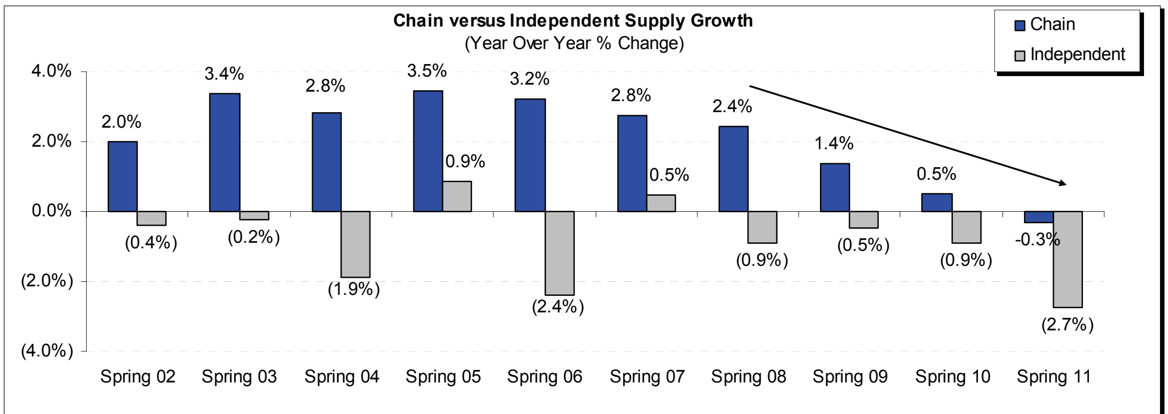
Note: ReCount supply data is based on September fiscal year-end.
Source: The NPD Group, Inc. ReCount data, Bureau of Labor Statistics, Technomic Information Services, Wells Fargo Securities, LLC estimates

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

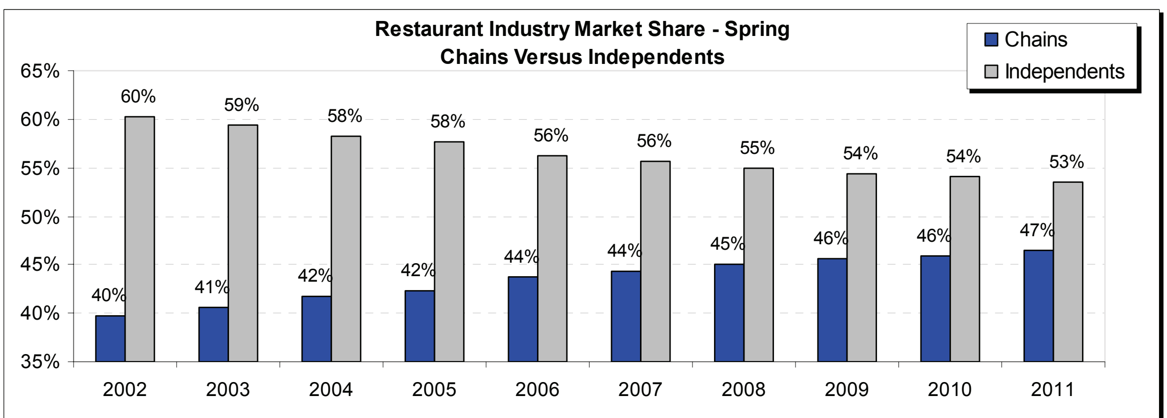
Supply Trends -- Chains Versus Independents

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

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



Source: The NPD Group, Inc. ReCount Data



Source: The NPD Group, Inc. ReCount data

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

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

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

Per our contract with NPD Group, we are required to issue the following notice in reports such as this wherein we cite NPD data: "Information contained in this report from The NPD Group, Inc. and its affiliates is the proprietary and confidential property of NPD and was made available for publication herein by way of limited license from NPD. Such NPD data may not be re-published in any manner, in whole or in part, without the express written consent of NPD."

THE CHEFS' WAREHOUSE, INC.
Pro Forma Quarterly Earnings Model (Continuing Operations)
(figures in thousands except per share amounts and percentages - December fiscal year)

	2010				Pro Forma	2011				Pro Forma	2012				Estimate
	Q1-A	Q2-A	Q3-A	Q4-A	2010	Q1-A	Q2-A	Q3-E	Q4-E	2011	Q1-E	Q2-E	Q3-E	Q4-E	2012
Net Revenues	$70,000	$83,613	$84,928	$91,576	$330,118	$83,183	$99,255	$98,517	$108,976	$389,930	$93,997	$114,143	$112,309	$116,604	$437,053
Cost of Sales	52,017	61,670	62,865	67,788	244,340	61,148	73,000	72,902	80,533	287,583	69,558	84,466	82,997	86,287	323,307
Gross Profit	17,983	21,943	22,063	23,789	85,778	22,035	26,255	25,614	28,443	102,347	24,439	29,677	29,313	30,317	113,746
Operating Expenses	15,330	16,476	16,243	17,414	65,463	17,428	18,948	18,935	19,180	74,491	18,987	20,317	20,103	19,473	78,881
Operating Income	2,653	5,467	5,820	6,375	20,315	4,607	7,307	6,679	9,263	27,856	5,452	9,360	9,209	10,844	34,865
Pro Forma Interest Expense/(Income)	417	417	417	417	1,668	417	417	500	450	1,784	400	400	300	300	1,400
(Gain)/Loss on Interest Rate Swap	(183)	(248)	(240)	(240)	(910)	(81)	0	0	0	(81)	0	0	0	0	0
Other	0	0	0	0	0	3	0	0	0	3	0	0	0	0	0
Income before Taxes	2,419	5,298	5,643	6,197	19,557	4,268	6,890	6,179	8,813	26,150	5,052	8,960	8,909	10,544	33,465
Taxes, Pro Forma Adjusted	943	2,066	2,201	2,417	7,627	1,665	2,687	2,410	3,437	10,199	1,970	3,494	3,475	4,112	13,051
Net Income, Continuing Operations	1,476	3,232	3,442	3,780	11,930	2,603	4,203	3,769	5,376	15,952	3,082	5,465	5,435	6,432	20,414
Diluted Shares	20,835	20,835	20,835	20,835	20,835	20,835	20,835	20,873	20,923	20,866	20,973	21,023	21,073	21,123	21,048
EPS from Continuing Operations	$0.07	$0.16	$0.17	$0.18	$0.57	$0.12	$0.20	$0.18	$0.26	$0.76	$0.15	$0.26	$0.26	$0.30	$0.97
Depreciation & Amortization	375	375	375	375	1,500	375	375	450	450	1,650	425	400	375	350	1,550
EBITDA	3,028	5,842	6,195	6,750	21,815	4,982	7,682	7,129	9,713	29,506	5,877	9,760	9,584	11,194	36,415
EBITDA margin	4.3%	7.0%	7.3%	7.4%	6.6%	6.0%	7.7%	7.2%	8.9%	7.6%	6.3%	8.6%	8.5%	9.6%	8.3%
As a Percentage of Revenue (Except Tax Rate)															
Cost of Sales	74.3%	73.8%	74.0%	74.0%	74.0%	73.5%	73.5%	74.0%	73.9%	73.8%	74.0%	74.0%	73.9%	74.0%	74.0%
Gross Margin	25.7%	26.2%	26.0%	26.0%	26.0%	26.5%	26.5%	26.0%	26.1%	26.2%	26.0%	26.0%	26.1%	26.0%	26.0%
Operating Expenses	21.9%	19.7%	19.1%	19.0%	19.8%	21.0%	19.1%	19.2%	17.6%	19.1%	20.2%	17.8%	17.9%	16.7%	18.0%
Operating Income	3.8%	6.5%	6.9%	7.0%	6.2%	5.5%	7.4%	6.8%	8.5%	7.1%	5.8%	8.2%	8.2%	9.3%	8.0%
Tax Rate	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%
Net Income	2.1%	3.9%	4.1%	4.1%	3.6%	3.1%	4.2%	3.8%	4.9%	4.1%	3.3%	4.8%	4.8%	5.5%	4.7%
Growth Rates															
Net Revenues	17.7%	22.5%	23.7%	22.6%	21.8%	18.8%	18.7%	16.0%	19.0%	18.1%	13.0%	15.0%	14.0%	7.0%	12.1%
Operating Income	NA	NA	NA	NA	NA	73.6%	33.6%	14.8%	45.3%	37.1%	18.3%	28.1%	37.9%	17.1%	25.2%
Net Income, Continuing Operations	NA	NA	NA	NA	NA	76.4%	30.0%	9.5%	42.2%	33.7%	18.4%	30.0%	44.2%	19.6%	28.0%
EPS from Continuing Operations	NA	NA	NA	NA	NA	76.4%	30.0%	9.3%	41.6%	33.5%	17.6%	28.9%	42.8%	18.5%	26.9%

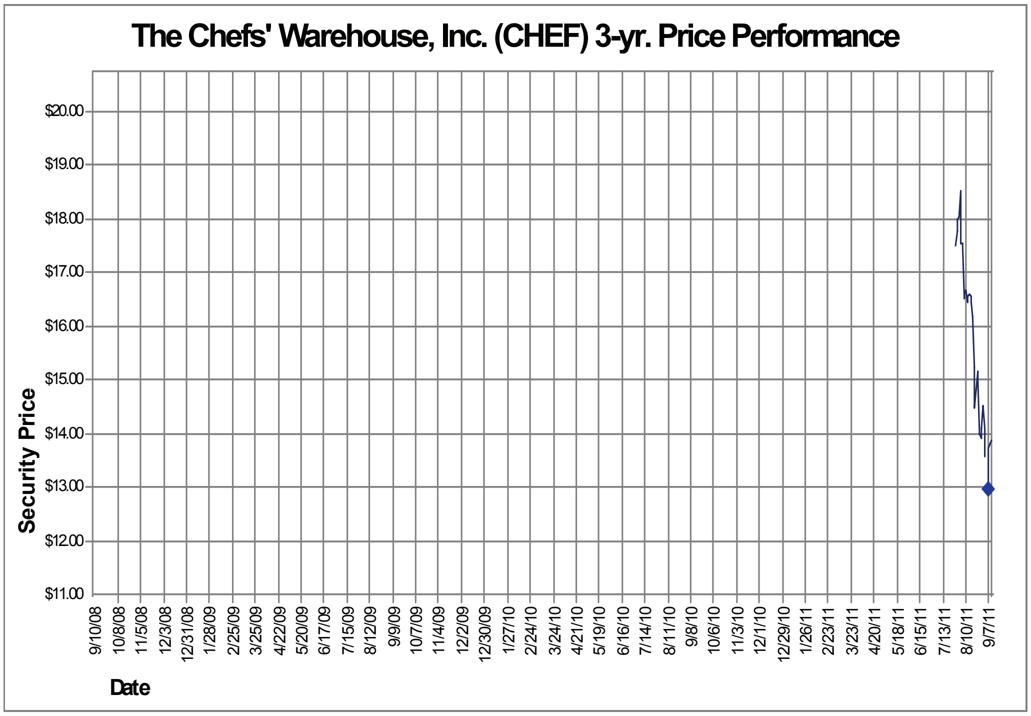
Note: Quarters may not add due to rounding.
Source: Company reports and Wells Fargo Securities, LLC estimates

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

	2009A	2010A	2011E	2012E
First Quarter				
Nominal Revenue Growth	-5.5%	17.7%	18.8%	13.0%
Acquistions	4.9%	3.0%	3.0%	4.0%
Internal Growth	-10.4%	14.7%	15.8%	9.0%
Food Inflation (Deflation) and Mix	3.8%	4.6%	4.5%	3.0%
Real Revenue Growth	-14.2%	10.0%	11.3%	6.0%
Second Quarter				
Nominal Revenue Growth	-7.7%	22.5%	18.7%	15.0%
Acquistions	3.8%	3.0%	2.0%	4.0%
Internal Growth	-11.6%	19.5%	16.7%	11.0%
Food Inflation (Deflation) and Mix	-0.4%	7.5%	3.3%	3.0%
Real Revenue Growth	-11.2%	12.0%	13.4%	8.0%
Third Quarter				
Nominal Revenue Growth	-7.9%	23.7%	16.0%	14.0%
Acquistions	0.8%	3.7%	5.0%	0.0%
Internal Growth	-8.6%	20.0%	11.0%	14.0%
Food Inflation (Deflation) and Mix	-3.2%	9.0%	3.5%	3.0%
Real Revenue Growth	-5.5%	11.0%	7.5%	11.0%
Fourth Quarter				
Nominal Revenue Growth	6.3%	22.6%	19.0%	7.0%
Acquistions	2.7%	2.7%	5.0%	0.0%
Internal Growth	3.5%	20.0%	14.0%	7.0%
Food Inflation (Deflation) and Mix	-2.0%	9.4%	3.5%	3.0%
Real Revenue Growth	5.5%	10.6%	10.5%	4.0%
Fiscal Year				
Nominal Revenue Growth	-3.8%	21.8%	18.1%	12.1%
Acquistions	3.0%	3.1%	3.8%	2.0%
Internal Growth	-6.8%	18.7%	14.4%	10.1%
Food Inflation (Deflation) and Mix	-0.6%	7.8%	3.7%	3.0%
Real Revenue Growth	**-6.2%**	**10.9%**	10.7%	7.1%

Note: Q4 2011 contains an extra week
Source: Company reports and Wells Fargo Securities, LLC estimates

Required Disclosures



	Date	Publication Price ($)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price ($)
	9/2/2011		Omohundro			
◆	9/6/2011	13.56	1	19.00	20.00	12.98

Source: Wells Fargo Securities, LLC estimates and Reuters data

Symbol Key

- ▼ Rating Downgrade
- ▲ Rating Upgrade
- ● Valuation Range Change
- ◆ Initiation, Resumption, Drop or Suspend
- ■ Analyst Change
- ❐ Split Adjustment

Rating Code Key

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

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September 6, 2011

Chefs' Warehouse

(CHEF-NASDAQ)

Stock Rating: Outperform
Industry Rating: Market Perform

Food Retail

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A Long Runway for Growth

Investment Thesis

We are initiating coverage on Chefs' Warehouse with an **OUTPERFORM** rating and a $16 price target. Our rating and price target are based on our belief that Chefs' Warehouse should trade at a premium to Sysco given the stronger top-line growth, but at a discount to United Natural Foods given the lack of visibility on the top line, as well as the lack of geographic diversification. We like the story for several reasons: 1) the industry is extremely fragmented and Chefs' Warehouse is well positioned to play a dominant role in industry consolidation; 2) Chefs' Warehouse has significant opportunity to expand in existing markets with very little capital investment required; 3) ROIC is high at 24.3% – and will likely increase as capacity utilization outside of the Bronx increases; 4) the stock has significantly underperformed the peers and the S&P since the IPO; and 5) free cash flow yield - at ~8% by FY13 (but lower in 2012 owing to the Bronx relocation) – will be allocated to acquisitions as well as debt reduction. CHEF is trading at a FY12 (ending December 2012) EV/EBITDA of 8.1x – an 11% premium to SYY and a 13% discount to UNFI – and FY12 P/E of 13.7x.

Forecasts

We initiate our 3Q11EPS at $0.19. For FY2011 and FY2012, we introduce our EPS estimates at $0.77 and $0.99, respectively.

Valuation

Our $16 price target values CHEF at FY2011 and FY2012 EV/EBITDA of 12.5x and 9.4x, respectively.

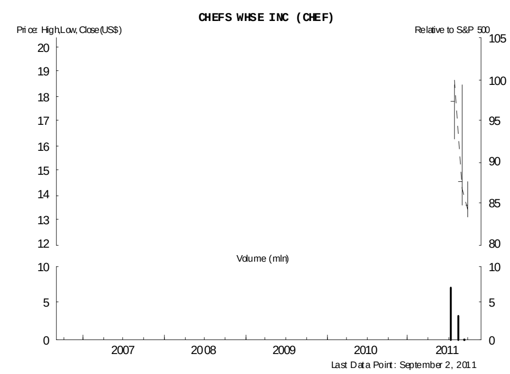
Recommendation

We are initiating coverage of CHEF with an **OUTPERFORM** rating.

Securities Info

Price (2-Sep)	**$13.56**	**Target Price**	**$16**
52-Wk High/Low	$19/$14	Dividend	--
Mkt Cap (mm)	$299	Yield	--
Shs O/S (mm, BASIC)	22.0	Float O/S (mm)	10.4
Options O/S (mm)	na	ADVol (30-day, 000s)	399

Price Performance



Valuation/Financial Data

(FY-Dec.)	2009A	2010A	2011E	2012E
EPS Pro Forma	$0.43	$0.76	$0.77	$0.99
P/E			17.6x	13.7x
First Call Cons.				
EPS GAAP	$0.43	$0.76	$0.77	$0.99
FCF	na	na	na	na
P/FCF			na	na
EBITDA ($mm)	$15	$24	$30	$38
EV/EBITDA			11.2x	8.9x
Rev. ($mm)	$271	$330	$391	$431
EV/Rev			0.9x	0.8x
Quarterly EPS	**1Q**	**2Q**	**3Q**	**4Q**
2010A	$0.07	$0.22	$0.21	$0.26
2011E	$0.13A	$0.20A	$0.19	$0.26
Quarterly EBITDA	**1Q**	**2Q**	**3Q**	**4Q**
2010A	$3.5	$6.3	$6.7	$7.2
2011E	$4.7A	$7.6A	$7.5	$9.8

Balance Sheet Data (na)

Net Debt ($mm)	$35	Total Debt/EBITDA	na
Total Debt ($mm)	na	EBITDA/IntExp	na
Net Debt/Cap.	na	Price/Book	#DIV/0!

Notes: All values in US$.

Source: BMO Capital Markets estimates, Bloomberg, FactSet, Global Insight, Reuters, and Thomson Financial.

Please refer to pages 21 to 25 for Important Disclosures, including the Analyst's Certification.

Company Description

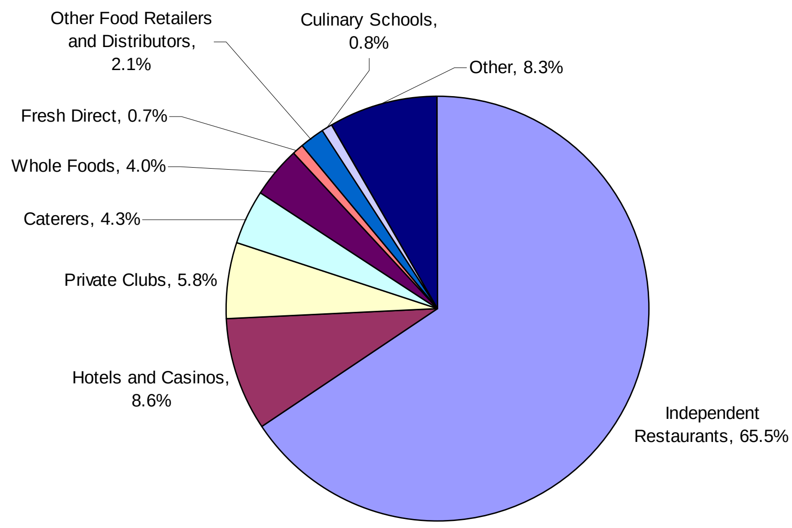
Company description. Ridgefield, Connecticut-based Chefs' Warehouse is a distributor of specialty food products to menu-driven independent restaurants, fine dining establishments, country clubs, hotels, caterers, culinary schools, and specialty food stores. Reported sales in FY2010 were $330.1 million. The company serves its 7,000 customer locations through six distribution centers in New York City (representing ~66% of sales, and ~80% of EBITDA in FY2010), Los Angeles, Washington D.C., San Francisco, Las Vegas, and Miami. Its distribution centers carry up to 11,500 specialty and broadline SKUs – 50% of which are imported.

- Specialty SKUs represent the majority of all SKUs offered to its customers. Examples include artisan charcuterie, specialty cheeses, unique oils and vinegars, hormone-free protein, truffles, caviar, and chocolate. Chefs' Warehouse competes on these SKUs with regional, specialty distributors.

- Broadline SKUs consist of more commoditized products such as cooking oils, butter, eggs, milk, and flour. Chefs' Warehouse competes on these products with other broadline foodservice distributors such as Sysco, U.S. Foodservice, and Performance Food Group.

Independent restaurants account for approximately 65.5% of sales, followed by hotels and casinos at 8.6% of sales.

Exhibit 1. Chefs' Warehouse Sales by Customer Type



Source: Company reports, BMO Capital Markets estimates.

In 2010, we estimate dairy accounted for approximately 24.5% of sales, followed by meat, seafood, and charcuterie at 18.1%. The company's penetration in cut protein and produce is currently very limited but represents an opportunity once the larger facility in the Bronx comes on line. Private label accounts for 15% of sales – although penetration in private label is much higher in dairy and butter.

Exhibit 2. Chefs' Warehouse Sales by Product Category

FY2010 % of Sales by Product Category	
Dairy (including cheese)	24.5%
Meat, Seafood, Charcuterie	18.1%
Oils, Shortening & Olive Oil	8.4%
Baking, Flour, Sugar	8.8%
Condiments	6.3%
Other	33.9%

Source: Company reports, BMO Capital Markets estimates.

Our Thesis

We are initiating coverage on Chefs' Warehouse with an **OUTPERFORM** rating and a $16 price target. Our rating and price target are based on our belief that Chefs' Warehouse should trade at a premium to Sysco given the stronger top-line growth, but at a discount to United Natural Foods given the lack of visibility on the top line, as well as the lack of geographic diversification. We like the story for several reasons: 1) the industry is extremely fragmented and Chefs' Warehouse is well positioned to play a dominant role in industry consolidation; 2) Chefs' Warehouse has significant opportunity to expand in existing markets with very little capital investment required; 3) ROIC is high at 24.3% – and will likely increase as capacity utilization outside of the Bronx increases; 4) the stock has significantly underperformed its peers and the S&P since the IPO; and 5) free cash flow yield - at ~8% by FY13 (but lower in 2012 owing to the Bronx relocation) – will be allocated to acquisitions as well as debt reduction. CHEF is trading at a FY12 (ending December 2012) EV/EBITDA of 8.1x – an 11% premium to SYY and a 13% discount to UNFI – and FY12 P/E of 13.7x.

Valuation

We limited our valuation comparisons to Sysco and United Natural Foods. As of closing prices on September 2, 2011, CHEF was trading at an 11% premium to SYY's EV/EBITDA valuation, and a 13% discount to UNFI's EV/EBITDA valuation. For all three companies, we are using calendar 2012 EBITDA and EPS estimates. At our $16 price target – we value CHEF at a FY12 EV/EBITDA of 9.4x and a P/E of 16.2x. SYY is currently trading at a calendar 2012 EV/EBITDA of 7.3x and a P/E of 12.8x. UNFI – at our $41 price target – is valued at a FY12 EV/EBITDA of 10.4x and P/E of 21.1x. In addition, since July 28, 2011 – CHEF's first day of trading – the stock has significantly underperformed SYY, UNFI and the S&P500 – giving further credence to our **OUTPERFORM** rating. Please refer to Exhibit 6 for relative performance measures.

Exhibit 3. CHEF, SYY, and UNFI Valuation

	CHEF Current Valuation	SYY Current Valuation	UNFI Current Valuation
CY12 EV/EBITDA	8.1x	7.3x	9.3x
CY12 P/E	13.7x	12.8x	18.8x

Source: Company reports, BMO Capital Markets estimates.

Exhibit 4. CHEF Price Target Valuation

Chefs' Warehouse Price Target Valuation					
	2011E	**2012E**	**2013E**	**2014E**	**2015E**
Net Income	$16.22	$20.79	[redacted]	[redacted]	[redacted]
EPS	$0.77	$0.99	[redacted]	[redacted]	[redacted]
EBITDA	$30	$38	[redacted]	[redacted]	[redacted]
EBITDAR	$38	$47	[redacted]	[redacted]	[redacted]
Net Forward Debt	$35	$20	[redacted]	[redacted]	[redacted]
Price Target	$16.00	$16.00	$16.00	$16.00	$16.00
Market Cap	$335	$336	$336	$336	$336
EV	$370	$356	$334	$309	$281
P/E	20.6x	16.2x	13.8x	11.7x	10.2x
EV/EBITDA	12.5x	9.4x	7.7x	6.2x	5.0x
EPS Growth	1.4%	27.8%	17.1%	17.8%	14.6%

Source: Company reports, BMO Capital Markets estimates.

Exhibit 5. CHEF Current Valuation and Free Cash Flow Yield

Chefs' Warehouse Current Valuation					
	2011E	**2012E**	**2013E**	**2014E**	**2015E**
Net Income	$16.22	$20.79	[redacted]	[redacted]	[redacted]
EPS	$0.77	$0.99	[redacted]	[redacted]	[redacted]
EBITDA	$30	$38	[redacted]	[redacted]	[redacted]
EBITDAR	$38	$47	[redacted]	[redacted]	[redacted]
Net Forward Debt	$35.00	$20	[redacted]	[redacted]	[redacted]
Current Stock Price	$13.56	$13.56	$13.56	$13.56	$13.56
Market Cap	$284	$285	$285	$285	$285
EV	$319	$305	$283	$258	$230
P/E	17.5x	13.7x	11.7x	9.9x	8.7x
EV/EBITDA	10.8x	8.1x	6.5x	5.1x	4.1x
EPS Growth	1.4%	27.8%	17.1%	17.8%	14.6%

Chefs' Warehouse Free Cash Flow					
	FY11	**FY12**	**FY13**	**FY14**	**FY15**
EBITDA	$30	$38	[redacted]	[redacted]	[redacted]
Interest	$1	$1	[redacted]	[redacted]	[redacted]
Taxes	$10	$14	[redacted]	[redacted]	[redacted]
Capex	$2	$8	$5	$6	$7
FCF	$16.5	$15.2	$21.7	$24.9	$27.8
FCF Per Share	$0.79	$0.73	$1.03	$1.18	$1.32
FCF Yield	5.8%	5.3%	7.6%	8.7%	9.8%

Source: Company reports, BMO Capital Markets estimates.

CHEF Stock Has Significantly Lagged SYY, UNFI, and S&P500 Since the IPO

Exhibit 6. Stock Performance vs. SYY, UNFI, and S&P500

	7/28/11	9/2/11	Return
CHEF	$17.50	$13.56	-23%
SYY	$30.87	$27.16	-12%
UNFI	$42.48	$38.27	-10%
S&P500	$1,300.67	$1,173.97	-10%

Source: Thomson ONE.

Premium to Sysco, Discount to United Natural Foods

Exhibit 8 highlights how Chefs' Warehouse compares to both Sysco and United Natural Foods on a range of metrics we view as relevant. The company's top line is clearly superior to Sysco's – but lack of visibility on the top line, as well as an overwhelming geographic exposure to the New York, New Jersey, and Connecticut markets pose some risk. In total, Chefs' Warehouse ranks favorably to Sysco on four metrics, similarly on six metrics, and worse on two metrics. Compared to United Natural Foods, Chefs' Warehouse ranks favorably on three metrics, similarly on six, and worse on four. Clearly some of these rankings are subjective – so our comments explain the thought process behind our rankings. In conclusion, we believe that our rating and price target accurately reflect these rankings.

Exhibit 7 below provides a more detailed analysis on some of the peer metrics discussed for our rankings.

Exhibit 7. Peer Comparison

Criteria	CHEF*	SYY*	UNFI*
CY12 EV/EBITDA	8.1x	7.3x	9.3x
CY12 P/E	13.7x	12.8x	18.8x
LTM Debt/EBITDAR	2.4x	1.1x	2.1x
LTM EBITDA Margins	7.3%	5.9%	3.7%
LTM Revenue Growth	20.7%	5.6%	20.4%
LTM EBITDA Growth	NA	-0.8%	11.5%
Salespeople	132	8,000	4,300
Cases Shipped (millions)	14	1,300	228
Revenue/Case	$26.1	$30.2	$19.1
Revenue/Salesperson ($ mill)	$2.72	$4.92	$1.01
ROIC	**24.3%**	**22.6%**	**13.2%**

* Valued using closing price as of Sept. 2, 2011

Source: Company reports, BMO Capital Markets estimates.

Exhibit 8. Key Metric Comparison: Chefs' Warehouse vs. Sysco and United Natural Foods

CHEF Key Metrics vs. Sysco and United Natural Foods			
Criteria	**vs. SYY**	**vs. UNFI**	**Comments**
Total Top Line Growth	👍	Similar	CHEF's LTM revenues increased 20.7%, in line with UNFI's while SYY's grew 5.6%. Going forward, both CHEF and UNFI can generate 10% top line growth, while SYY's top line is forecasted to increase a more modest 5%.
Visibility on Top Line	👎	👎	SYY customers consist of many, large, public chain restaurants. WFM accounts for 36% of UNFI's sales and is growing the top line at ~15%. CHEF's customers are largely privately owned so top line visibility is limited.
Industry Growth	Similar	👎	The natural and organic industry is growing in the mid-single digits. Independent restaurants are declining in numbers.
Geographic Diversification	👎	👎	NYC/NJ/CT will account for 80% of CHEF's EBITDA in 2011.
EBITDA Margins	👍	👍	CHEF's LTM EBITDA margins were 7.3% versus SYY at 5.9% and UNFI at 3.7%.
ROIC	👍	👍	CHEF's ROIC is significantly higher than UNFI and slightly higher than SYY. The high ROIC at CHEF is partially a function of the high productivity of the Bronx facility.
Pricing Power	👍	Similar	Given the fragmented nature of the restaurant industry and CHEF's unique, specialty offering, we believe pricing power is more prevalent at CHEF vs. SYY.
Acquisition Opportunities	Similar	Similar	We believe all three companies are equally well-positioned (with equally strong balance sheets) to make acquisitions in extremely fragmented industries.
Competing Bidders for Acquisitions	Similar	Similar	We believe the strength of all three distributors' balance sheets provides similar advantages in bidding for assets.
Margin Expansion Opportunities	NA*	Similar	We believe UNFI's margin expansion opportunity is similar to CHEF's with the roll-out of many, ongoing operational efficiency initiatives.
Capacity Constraints	Similar	Similar	Both UNFI and CHEF can significantly increase revenues with existing facilities. Sysco's industry growth rate is much lower, so capacity is less of a concern.
Customer Diversification	Similar	👍	Whole Foods accounts for ~36% of UNFI's sales - and while clearly well-positioned, does add some diversification risk to the UNFI story.
Customer Loyalty/Stickiness	Similar	👎	We believe independent restaurants use a wide range of suppliers and place limited loyalty with any one supplier. UNFI's customer base is stickier due to contract terms and transition risk.
Summary	**vs. SYY**	**vs. UNFI**	
Total Better 👍	4	3	
Total Similar	6	6	
Total Worse 👎	2	4	

* We do not cover Sysco so we are unable to comment on margin expansion opportunities

Source: Company reports, BMO Capital Markets estimates.

A Long Runway for Growth: Longer-Term Growth Potential Outweighs Risk of Near-Term Slow Down

Using the Bronx facility's capacity utilization as a proxy for potential sales at the rest of the distribution centers, we estimate Chefs' Warehouse could reach total sales of $839 million without incremental capital expenditures. Exhibit 9 below details current regional revenue and EBITDA contributions, as well as sales per square foot.

Exhibit 9. Regional Sales and EBITDA Contribution

Facility	Sq ft	Sales in 2011	Sales/sq ft	EBITDA Margins	EBITDA	% 0f EBITDA	% of Sales
The Bronx	***175,000***	***$259***	***$1,478***	***9%***	***$24.3***	***80%***	***66%***
Hanover, Maryland	55,200	$46	$824	5%	$2.3	8%	12%
Miami, Florida	10,000	$8	$800	4%	$0.3	1%	2%
Los Angeles, California	80,000	$42	$525	3%	$1.4	5%	11%
Hayward, California	40,000	$29	$713	6%	$1.6	5%	7%
Las Vegas, Nevada	11,440	$9	$743	3%	$0.2	1%	2%
Consolidated	371,640	$391	$1,052	8%	$30.2	100%	100%

Source: Company reports, BMO Capital Markets estimates.

Growing Share in Existing Markets

If we assume each facility can reach the same level of productivity as the Bronx facility – or sales per square foot in the $1,480 range – we believe revenues at the facilities excluding the Bronx could reach $321 million – more than double the current run rate. Exhibit 10 looks at current capacity utilization on sales per square foot, and potential sales assuming $1,480 in sales per square foot at the other facilities. In Miami – we use 30,000 square feet for our potential sales calculation because the facility's expansion will be completed shortly.

Exhibit 10. Potential Sales Based on New York Productivity Levels

CHEF Facility	Total Sq. Ft.	FY11 Sales ($ millions)	Current Sales per Square Foot	Potential Sales per Square Foot	Total Potential Sales ($ millions)
Hanover, Maryland	55,200	$46	$824	$1,480	**$82**
Miami, Florida	10,000	$8	$800	$1,480	**$44**
Los Angeles, California	80,000	$42	$525	$1,480	**$118**
Hayward, California	40,000	$29	$713	$1,480	**$59**
Las Vegas, Nevada	11,440	$9	$850	$1,480	**$17**
Total Sales Ex New York		$133			**$321**

Source: Company reports, BMO Capital Markets estimates.

The new Bronx facility will have the capacity to double revenues in the New York, New Jersey, and Connecticut market. With this expansion, Chefs' Warehouse could reach total revenues of $839 million without incremental capital expenditures. Exhibit 11 looks at total revenue potential with the expansion of the Bronx facility as well as the other five markets reaching their total sales potential.

Exhibit 11. Potential Sales With New Bronx Facility

CHEF Facility	Total Sq. Ft.	FY11 Sales ($ millions)	Potential Revenues ($ millions)
New York, NY	175,000	$259	$518
Hanover, Maryland	55,200	$46	$82
Miami, Florida	10,000	$8	$44
Los Angeles, California	80,000	$42	$118
Hayward, California	40,000	$29	$59
Las Vegas, Nevada	11,440	$9	$17
Total		$391	**$839**

Source: Company reports, BMO Capital Markets estimates.

Market Analysis Supports our Potential Revenue Estimates

Given our estimates for total sales potential in existing markets, we decided to analyze each market using population and income levels to see if, in fact, our estimates for Chefs' Warehouse revenue potential were realistic. We use the New York market as a benchmark for this analysis. By our estimate, the broader New York market has a population of 4.29 million people earning in excess of $150,000 in annual income. We assume this is the target market for the "fancy' and "family dining" crowd, although we acknowledge we are probably underestimating the size of the market. Our analysis tells us Chefs' Warehouse revenues in the New York market will reach $60.30 per person ($259 million total sales in the tri-state area) in 2011 for the >$150,000 population.

Exhibit 12. New York Market Sales per Person

New York Distribution Center	
"Boston to Atlantic City"	
Metropolitan Area	**Population**
NYC	18,943,700
Newburgh-Poughkeepsie	681,400
Bridgeport-Stamford	913,700
New Haven	858,300
Hartford	1,207,000
Boston	4,543,000
Atlantic City	275,900
Total Population	**27,423,000**
% Earns > $150,000	15.6%
Addressable Population	**4,291,043**
FY11E NY Sales	$259 mm
NY Sales per Person	**$60.27**

Source: U.S. Census, Metro Market Studies, BMO Capital Markets estimates.

Using this base revenue per person in the >$150,000 income demographic, we looked at Chefs' Warehouse five remaining markets to determine sales potential assuming similar levels of penetration. For population, we use both U.S. Census and Metro Market Studies data. Our findings are summarized in Exhibit 13. We estimate total dollar sales could reach $516 million (versus estimated capacity of $321 million). Our $516 million estimate is also very conservative because population estimates for vacation destinations (e.g., Las Vegas and Miami) consider only full-time residents, and so are significantly understated.

Exhibit 13. Potential Sales in Existing Markets

Washington D.C. Distribution Center	
"Philadelphia to Richmond"	
Metropolitan Area	**Population**
Philadelphia	5,912,000
Washington DC	5,572,600
Baltimore	2,702,000
Richmond	1,258,300
Total Population	**15,444,900**
% Earns > $150,000	21.9%
Addressable Population	**3,383,733**
NY Sales per Person	$60.27
Potential Sales	**$204 mm**

Miami Distribution Center	
"Miami"	
Metropolitan Area	**Population**
Miami	5,625,000
Total Population	**5,625,000**
% Earns > $150,000	9.1%
Addressable Population	**514,382**
NY Sales per Person	$60.27
Potential Sales	**$31 mm**

Los Angeles Distribution Center	
"Santa Barbara to San Diego"	
Metropolitan Area	**Population**
Los Angeles	13,312,000
Riverside-San Bernardino	4,366,400
San Diego	2,986,400
Oxbard-Ventura	821,900
Santa Barbara	409,800
Total Population	**21,896,500**
% Earns > $150,000	13.1%
Addressable Population	**2,869,780**
NY Sales per Person	$60.27
Potential Sales	**$173 mm**

San Francisco Distribution Center	
"Napa Valley to Monterey Bay"	
Metropolitan Area	**Population**
San Francisco	4,277,100
San Jose	1,858,100
Modesto	528,900
Vallejo-Fairfield	424,000
Salinas	419,600
Merced	260,400
Santa Cruz	254,400
Napa	132,600
Total Population	**8,155,100**
% Earns > $150,000	20.0%
Addressable Population	**1,627,994**
NY Sales per Person	$60.27
Potential Sales	**$98 mm**

Las Vegas Distribution Center	
"Las Vegas"	
Metropolitan Area	**Population**
Las Vegas	1,964,600
Total Population	**1,964,600**
% Earns > $150,000	8.2%
Addressable Population	**161,366**
NY Sales per Person	$60.27
Potential Sales	**$10 mm**

Source: U.S. Census, Metro Market Studies, BMO Capital Markets estimates.

As detailed in Exhibit 14 – if the remaining five facilities reached the productivity of the New York facility, sales could reach $321 million – reasonable in our view because we estimate the market is at least $516 million, and we know we are significantly understating the size of the Las Vegas and Miami markets.

Exhibit 14. Summary of Estimated Market Potential

CHEF Facility	FY11 Sales ($ millions)	Maximum Sales Based on Current Capacity ($millions)	Estimated Market Potential ($ millions)
Hanover, Maryland	$46	$82	$204
Miami, Florida*	$8	$44	$31
Los Angeles, California	$42	$118	$173
Hayward, California	$29	$59	$98
Las Vegas, Nevada*	$9	$17	$10
Total	$133	$321	$516

*The estimated market potential in Las Vegas and Miami are severely understated because of our use of U.S. Census population estimates which exclude tourists.

Source: Company Reports, BMO Capital Markets estimates.

New Market Revenue Potential Is at Least $270 Million

The methodology for our analysis of sales potential for new markets is similar to our analysis of existing markets. We identified Boston, Dallas, Chicago, Atlanta, and Houston as markets with sufficient concentration of the menu-driven restaurants that are needed to support a market-entry. We use the same $60.30 per person with incomes over $150,000 in each market. Based on this analysis, new markets could add an incremental $270 million in revenues.

Exhibit 15. Potential Sales in New Markets

Boston	
Metropolitan Area	**Population**
Boston	4,543,000
Providence, RI	1,611,500
Portland, ME	518,600
Manchester, NH	408,600
Total Population	**7,081,700**
% Earns > $150,000	15.9%
Addressable Population	**1,123,376**
NY Sales per Person	$60.27
Potential Sales	**$68 mm**

Dallas	
Metropolitan Area	**Population**
Dallas	6,493,000
Total Population	**6,493,000**
% Earns > $150,000	10.4%
Addressable Population	**674,491**
NY Sales per Person	$60.27
Potential Sales	**$41 mm**

Chicago	
Metropolitan Area	**Population**
Chicago	9,801,800
Total Population	**9,801,800**
% Earns > $150,000	11.5%
Addressable Population	**1,131,743**
NY Sales per Person	$60.27
Potential Sales	**$68 mm**

Atlanta	
Metropolitan Area	**Population**
Atlanta, GA	5,629,900
Birmingham, AL	1,158,200
Greenville, SC	634,800
Chatoonga, TN	519,000
Montgomery, AL	390,200
Savannah, GA	348,000
Total Population	**8,680,100**
% Earns > $150,000	10.9%
Addressable Population	**942,184**
NY Sales per Person	$60.27
Potential Sales	**$57 mm**

Houston	
Metropolitan Area	**Population**
Houston	6,045,500
Total Population	**6,045,500**
% Earns > $150,000	10.8%
Addressable Population	**654,309**
NY Sales per Person	$60.27
Potential Sales	**$39 mm**

Source: U.S. Census Data, Metro Market Studies, BMO Capital Markets estimates.

Assuming similar levels of productivity as at the New York facility, we estimate the company would need to expand distribution center square footage by 184,000 to meet the $270 million sales potential. Exhibit 16 on the next page summarizes our analysis.

Exhibit 16. Summary of New Market Sales Potential

Potential Market	Estimated Market Potential ($ millions)	Sales per Square Foot	Estimated DC Size
Boston, Massachusetts	$68	$1,480	45,743
Dallas, Texas	$41	$1,480	27,465
Chicago, Illinois	$68	$1,480	46,084
Atlanta, Georgia	$57	$1,480	38,365
Houston, Texas	$39	$1,480	26,643
Total	**$273**		**184,301**

Source: Company Reports, BMO Capital Markets estimates.

Historical Success With Acquisitions Gives Us Confidence Chefs' Warehouse Can Expand Successfully in New Markets

A key component of the company's growth strategy has been and likely will continue to be the pursuit of select acquisitions, and the company's integration track record gives us confidence the company can execute on additional acquisitions. The company entered the Washington D.C., San Francisco, and Miami markets through acquisitions, and in June 2011, Chefs' Warehouse completed a tuck-in acquisition of one of its smaller competitors in the New York market. The company's superior technology provides Chefs' Warehouse with a critical competitive advantage – facilitating seamless and immediate integration – usually within 24-48 hours of finalizing a transaction. Please see Exhibit 17 for a list of recent acquisitions and our estimates on acquisition multiples:

Exhibit 17. Historical Acquisitions

Closing Date	Company	Location	Sales	Purchase Price	Implied Sales Multiple
June 2011	Harry Wils & Co	New York	$23.0 million	$7.7 million	0.3x
June 2010	Monique & Me	Miami	$8.0 million	$3.7 million	0.5x
August 2009	European Imports	San Francisco	$8.0 million	$3.8 million	0.5x
May 2008	American Gourmet Foods	Washington D.C.	$14.9 million	$5.1 million	0.3x

Source: Company Reports, BMO Capital Markets estimates.

The foodservice distribution industry is fragmented and consolidating, which should provide Chefs' Warehouse with plenty of potential acquisition opportunities. Key markets that come to mind include Atlanta, Boston, Chicago, and Dallas. Criteria for new markets versus tuck-in acquisitions vary slightly and are detailed in Exhibit 18.

Exhibit 18. Acquisition Criteria

Acquisition Criteria	
New Market Opportunities	**Tuck-in Opportunities**
1. Located in an attractive geography,	1. Complementary customer base,
2. Established customer list,	2. Complementary product offering,
3. Strong competitive positioning,	3. Attractive purchase price,
4. Similar culture to Chefs' Warehouse,	4. Similar culture to Chefs' Warehouse,
5. Opportunities for growth and margin enhancement.	5. Opportunities for cross selling or margin enhancement.

Source: Company Reports, BMO Capital Markets estimates.

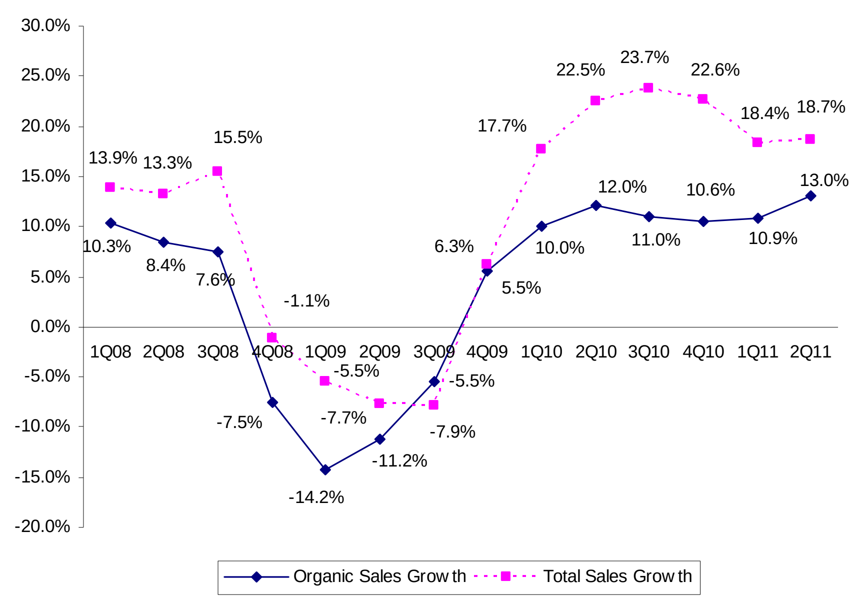
To some extent, the company's ability to make accretive acquisitions will be a function of acquisition multiples. Prior acquisitions have been extremely accretive – in part because acquisition multiples have been well below where CHEF is currently trading (1x) as a multiple of sales. We caution that CHEF's IPO provides sellers with some ammunition on where a specialty distributor should be valued – making future negotiations potentially a little more contentious.

Organic Growth Not Immune to Economic Slowdown

While we believe the current environment is unlikely to deteriorate by the same order of magnitude as the deterioration seen in 4Q08 through 3Q09, we do believe Chefs' Warehouse exposure to the tri-state area poses some risk. On the most recent conference call, the company indicated organic sales remained unchanged from the 13% run rate seen in 2Q11. However, 1) inflation/mix decelerated from 4.9% in 1Q11 to 3.3% in 2Q11 – while inflation remained unchanged – so the deceleration was entirely due to a decline in mix; and 2) the company experienced significant sales declines beginning in 4Q08 through 3Q09, coinciding with the deteriorating economic environment. Today, the high-end customer appears more or less unaffected, but if the current environment persists, it seems unlikely that Chefs' Warehouse will be unaffected.

Exhibit 19 below details the company's organic and total sales growth rates from 1Q08-2Q11. Beginning in 4Q08, organic sales deteriorated significantly and remained negative for four consecutive quarters. Today, we believe Chefs' Warehouse has significantly upgraded systems and technology to more rapidly identify changes in their customers' ordering patterns, so we believe a slowdown of the same 2008/2009 magnitude is unlikely, but caution that organic sales could still slow slightly given the current uncertainty in the environment.

Exhibit 19. Total and Organic Sales Growth



Source: Company reports, BMO Capital Markets estimates.

Chefs' Warehouse in More Detail

A long history of serving the New York market and a gradual, national expansion though select and accretive acquisitions culminated with the successful July 27, 2011 IPO. In 1985, Chefs' Warehouse (formerly known as Dairyland USA) was founded as a niche, specialty food provider to chefs in the New York metropolitan area. Since then, the company has grown to have a presence in six different markets. The company has completed multiple acquisitions in its history, with acquisitions in 1999 (Washington, D.C. market); 2005 (Los Angeles, San Francisco, and Las Vegas markets); 2007-2009 (San Francisco and Washington, D.C. markets); 2010 (Miami market); and 2011 (New York market). The company entered into a recapitalization transaction with BGCP – a private equity sponsor – in 2005, and having exited from private equity ownership in 2010, offered shares to the public in an IPO on July 27, 2011. Today, the company is well positioned to continue to gain share in an extremely fragmented market through its superior technology, strong balance sheet, broad geographic presence, and superior salesforce.

State of the art technology consists of:

1) A centralized ERP system (Oracle) for purchasing and financials.

2) A centralized, proprietary AS400 order-entry system for sales.

3) A new warehouse management system (BFC Dakota system), which was recently implemented at its New York facility. Highlights of the system include voice-pick technology, inbound scanning, and pallet and truck-building software. Chefs' Warehouse is currently implementing the system at its Washington D.C. facility, and management expects a company-wide rollout by 1Q12.

4) Roadnet logistics, a routing application used to dynamically route all trucks.

5) Geotab, an onboard GPS and truck diagnostic tool that assesses the vehicles' health and idle time, and the general performance of the drivers.

Geographic footprint provides competitive advantage. With a presence in New York, Los Angeles, Las Vegas, Miami, Washington, D.C., and San Francisco, Chefs' Warehouse is the only specialty foodservice distributor with a presence in multiple geographies and we believe this provides the company with a competitive advantage with better service levels, order accuracy, and more efficient routing, resulting in reduced inbound and outbound freight costs.

Chefs' Warehouse is uniquely positioned to serve the early adopters of culinary trends. As a distributor to cutting edge and fine-dining restaurants in the country's leading culinary markets, Chefs' Warehouse is focused on sourcing unique, specialty products before they become mainstream culinary ingredients. As a result, the company has an unparalleled breadth and depth of specialty product offerings (e.g., Chefs' Warehouse offers more than 125 varieties of olive oil vs. a typical broadline distributor carrying only 5-10 different types of olive oil). The company's portfolio includes ~11,500 SKUs available to order, and 7,000 SKUs that are in-stock every day – a significantly broader offering than many of the smaller, private specialty distributors. The SKU offering will likely expand once the company moves into its new facility in the Bronx. New opportunities for SKU expansion include cut proteins, produce, and an expanded frozen offering.

National presence and breadth of SKUs means Chefs' Warehouse is a critical route-to-market for specialty suppliers. Chefs' Warehouse sources product from more than 1,000 different suppliers, none of which accounts for more than 5% of Chefs' Warehouse's total purchases in a year. In some cases, Chefs' Warehouse provides a critical route-to-market for some of the smaller suppliers, and as a result, we believe Chefs' Warehouse is well positioned to obtain favorable terms with these suppliers. In some instances, Chefs' Warehouse is also able to lock-up exclusivity on some items from Italy, Spain, France and other Mediterranean countries – although Chefs' Warehouse generally remains committed to meeting the needs of the customer – so exclusivity arrangements would be arranged only if there were demand from the end-use customer.

The salesforce at Chefs' Warehouse (130-plus personnel) distinguishes itself from its competitors through its knowledge base and quality of service. The majority of sales professionals have some sort of a culinary background, either formal culinary training, degrees in culinary arts, or prior experience in the industry. In general, each salesperson is responsible for 50 customers, to maintain high levels of customer service, as evidenced in Exhibit 7 (page 5) comparing revenue per salesperson at Sysco, United Natural Foods, and Chefs' Warehouse. Salespeople are compensated on both commission and gross profit dollars.

Financial Forecasts

In 3Q11, we are looking for EPS of $0.19 and EBITDA of $7.5 million. Our estimate assumes total sales increase 13.5% to $96.4 million, with gross margins declining 75bp to 25.2%. We forecast operating expenses (excluding D&A) grow 9.1% to $16.8 million, a 70 bp year-over-year improvement in margin – leading to a 20 bp deterioration in operating margins to 7.2%, or $6.9 million. This gets us to EBITDA of $7.5 million, a 5 bp deterioration in margin to 7.8%. We assume interest expense of $0.2 million, a 39.5% tax rate, and 21.1 million shares outstanding, which gets us to EPS of $0.19.

In FY2011, our estimates for EPS and EBITDA are $0.77 and $29.7 million, respectively. Our estimate assumes total sales increase 18.3% to $390.7 million, with gross margins improving 2 bp to 26.0%. We forecast operating expenses (excluding D&A) grow 15.9% to $72.0 million, a 39 bp year-over-year improvement in margin – leading to a 49 bp improvement in operating margins to 7.0%, or $27.4 million. This gets us to EBITDA of $29.7 million, a 42 bp improvement in margin to 7.6%. We assume interest expense of $1.2 million, a 39.1% tax rate and 20.9 million shares outstanding, which gets us to EPS of $0.77.

In FY2012, we are looking for EPS of $0.99 and EBITDA of $37.7 million. Our estimate assumes total sales increase 12.5% to $431.2 million, with gross margins expanding 30 bp to 26.3%. We forecast operating expenses (excluding D&A) grow 5.3% to $75.8 million, an 85 bp year-over-year improvement in margin – leading to a 115 bp improvement in the operating margin, to 8.2%, or $35.2 million. This gets us to EBITDA of $37.7 million, a 115 bp improvement in margin, to 8.7%. We assume interest expense of $0.9 million, a 39.5% tax rate and 21.0 million shares outstanding, which gets us to EPS of $0.99.

Chefs' Warehouse reported a 2Q11 EPS of $0.17, or $0.20 when using pro forma interest expense and a normalized tax rate. Adjusted EBITDA came in at $7.6 million. Our EBITDA subtracts expenses associated with public company costs, and stock compensation, and excludes the benefit of the workers' compensation settlement and customs duty refund. Total sales increased 18.7% to $99.3 million. Acquisitions contributed 2.0% to the top line and inflation/mix contributed 3.3%, and the remaining growth was organic. Gross margins increased 21 bp to 26.5%. Operating expenses (excluding D&A) grew 19.3% to $18.7 million after excluding incremental public company costs ($0.3 million), one-time stock compensation costs ($0.12 million), one-time workers compensation trust settlement costs ($0.13 million), and a one-time benefit from a customs duty refund ($0.2 million). Operating margins increased 31 bp to 7.3%. Interest expense came in at $3.3 million, but does not reflect the post-IPO capital structure, so we used a pro forma interest expense of $0.4 million. We used a normalized tax rate of 39.6%, which gets us to EPS of $0.20.

Management

Christopher Pappas, CEO. Mr. Pappas is a founder of the company, and has served as CEO since 1985 and chairman since March 2011. Prior to founding Chefs' Warehouse, Mr. Pappas played professional basketball in Europe for several years following his graduation from Adelphia University in 1981 with a Bachelor of Arts degree in Business Administration. Mr. Pappas currently oversees all business activities, with a focus on product procurement, sales, marketing, and strategy development.

Kenneth Clark, CFO. Mr. Clark has served in his current role since March 2009. From July 2007 to March 2009, Mr. Clark served as controller of Chefs' Warehouse. Prior to joining the company, Mr. Clark was vice president – controller at Credit Suisse Energy, LLC from June 2005 to July 2007. He has also held positions at United Rentals, Inc., Sempra Energy Trading Corporation, and Arthur Andersen, LLC. Mr. Clark holds a Bachelor of Business Administration degree in Accounting from Western Connecticut State University and is a certified public accountant.

James Wagner, COO. Mr. Wagner has served in his current role since March 2011. Prior to his promotion to COO, Mr. Wagner has served as executive vice president of marketing, business development and sales (for non-New York markets), and also as general manager of the Los Angeles market. Before joining Chefs' Warehouse in 2005, Mr. Wagner was the principal and co-founder of TrueChocolate, Inc., a chocolate manufacturing and processing start-up, and held positions at Clear!Blue Marketing and Jump Communications. Mr. Wagner earned a Bachelor of Arts degree from the University of California, Berkley.

Frank O'Dowd, chief information officer. Mr. O'Dowd has served in his current role since January 2007. Prior to joining Chefs' Warehouse, he was the chief information officer at GAF Materials Corporation, a North American roofing manufacturer, from June 1997 to April 2006. Mr. O'Dowd's prior professional experience also includes experiences at Reed Elsevier, Newsweek Magazine, and Wyeth Pharmaceuticals. Mr. O'Dowd holds a Bachelor of Arts degree from The University of Dayton and a Master of Arts degree from Stony Brook University.

Patricia Lecouras, executive vice president of human resources. Ms. Lecouras has served in her current role since January 2007. Prior to joining Chefs' Warehouse, she worked at GE Capital Commercial Finance where she was vice president, human resources from 2001 to 2007. Ms. Lecouras' prior professional experience also includes positions at Nine West Shoes (formerly known as Fischer Camuto Corporation) and Xerox. Ms. Lecouras's professional experience is multidisciplinary and includes prior experience working in finance and tax-related functions. She also has earned a six sigma master black belt certification. Ms. Lecouras holds a Bachelor of Arts degree in Psychology and Social Work from Skidmore College.

Alexandros Aldous, legal services director. Mr. Aldous has served in his current role since March 2011. Prior to joining Chefs' Warehouse, he served as a legal consultant in London to Barclays Capital, the investment banking division of Barclays Bank PLC, from November 2009 to December 2010. Mr. Aldous also served as an attorney with Watson, Farley & Williams from August 2008 to September 2009, where he specialized in mergers and acquisitions and capital markets, and as an attorney with Shearman & Sterling LLP from October 2005 to August 2008, where he specialized in mergers and acquisitions. Mr. Aldous received a Bachelor of Arts degree in Classics and Government from Colby College, a Juris Doctor and M.A. from American University, and an LL.M. from the London School of Economics and Political Science. Mr. Aldous is licensed to practice law in the State of New York, Washington, D.C., and England and Wales.

Corporate Governance

Christopher Pappas, chairman of the board. Mr. Pappas, CEO of Chefs' Warehouse, has served in this role since March 2011.

John Pappas, vice chairman of the board. Mr. Pappas, a founder of Chefs' Warehouse, has served as vice chairman of the board since March 2011. Prior to his current appointment, he served as chief operating officer of the company. He has more than 25 years of experience in logistics, facility management, and global procurement and oversees the company's network of distribution centers. Mr. Pappas is also active in the development of corporate strategy.

Dean Facatselis. Mr. Facatselis, a founder of Chefs' Warehouse, was appointed to the board of directors in January 2007. Prior to his current appointment, Mr. Facatselis served as chief financial officer of Chefs' Warehouse from 1985 to 2006. Mr. Facatselis is a certified public accountant, and graduated from Baruch College of the City University of New York, where he earned a Bachelor of Business Administration degree.

John A. Couri. Mr. Couri was appointed to the board of directors in July 2005. From 1983 to 1997, Mr. Couri was president and CEO of Duty Free International, a NYSE-listed public company that he co-founded in 1983. Mr. Couri also served as a member of the Listed Company Advisory Board of the NYSE from January 1993 to December 1995, and served as chairman of the Board of Trustees of Syracuse University from May 2004 to May 2008. Additionally, Mr. Couri is the president of Couri Foundation, Inc., and president of the Ridgefield Senior Center Foundation, Inc. Mr. Couri graduated from Syracuse University with a Bachelor of Arts degree in Economics, with a minor in Business, and received an honorary doctorate degree from Syracuse University in 2008.

Kevin Cox. Mr. Cox was appointed to the board of directors prior to the IPO in July 2011. Since 2005, Mr. Cox has held the position of executive vice president of human resources at American Express Company, a global provider of payment solutions and travel-related services for consumers and businesses. Prior to joining American Express, Mr. Cox spent 16 years at PepsiCo and Pepsi Bottling Group, where he held positions leading strategy, business development, technology, and human resources. He is a current member of the board of directors of Corporate Executive Board Company, a registered public company, and Ability Beyond Disability, and he served as a member of the board of directors of Virgin Mobile USA, Inc., a registered public company, from 2007 to 2009. Mr. Cox holds a Master of Labor and Industrial Relations from Michigan State University and a Bachelor of Arts from Marshall University.

John Austin. Mr. Austin was appointed to the board of directors prior to the IPO in July 2011. Mr. Austin is a founder and the chief financial officer of The Hilb Group, LLC, a regional mid-market insurance brokerage firm formed in 2009 that focuses primarily on property and casualty insurance and employee benefits services. Prior to joining The Hilb Group in 2009, Mr. Austin was employed by Performance Food Group Company, or PFG, a publicly traded foodservice distributor, from 1995 to 2009. Mr. Austin served his last six years at PFG as chief financial officer. Prior to joining PFG, Mr. Austin spent four years as the assistant controller for General Medical Corporation, a distributor of medical supplies. He also spent the first six years of his career in public accounting at Deloitte & Touche.

Stephen Hanson. Mr. Hanson was appointed to the board of directors prior to the IPO in July 2011. Mr. Hanson is the founder and president of B.R. Guest Restaurants, a New York multi-concept operator that began with one restaurant in 1987 and has since expanded to more than 20 properties in New York City, Las Vegas, and Florida. Mr. Hanson is a member of the Department of Consumer Affairs’ Consumers Council for New York City, a position he has held since January 2011. He also sits on the boards of directors for the not-for-profit organizations Publicolor and City Harvest. Mr. Hanson earned a business degree from New York University’s Stern School of Business in 1976.

Other companies mentioned (priced as of the close on September 2, 2011):

United Natural Foods (UNFI, $38.27, **MARKET PERFORM**)
Sysco (SYY, $27.16, Not Rated)

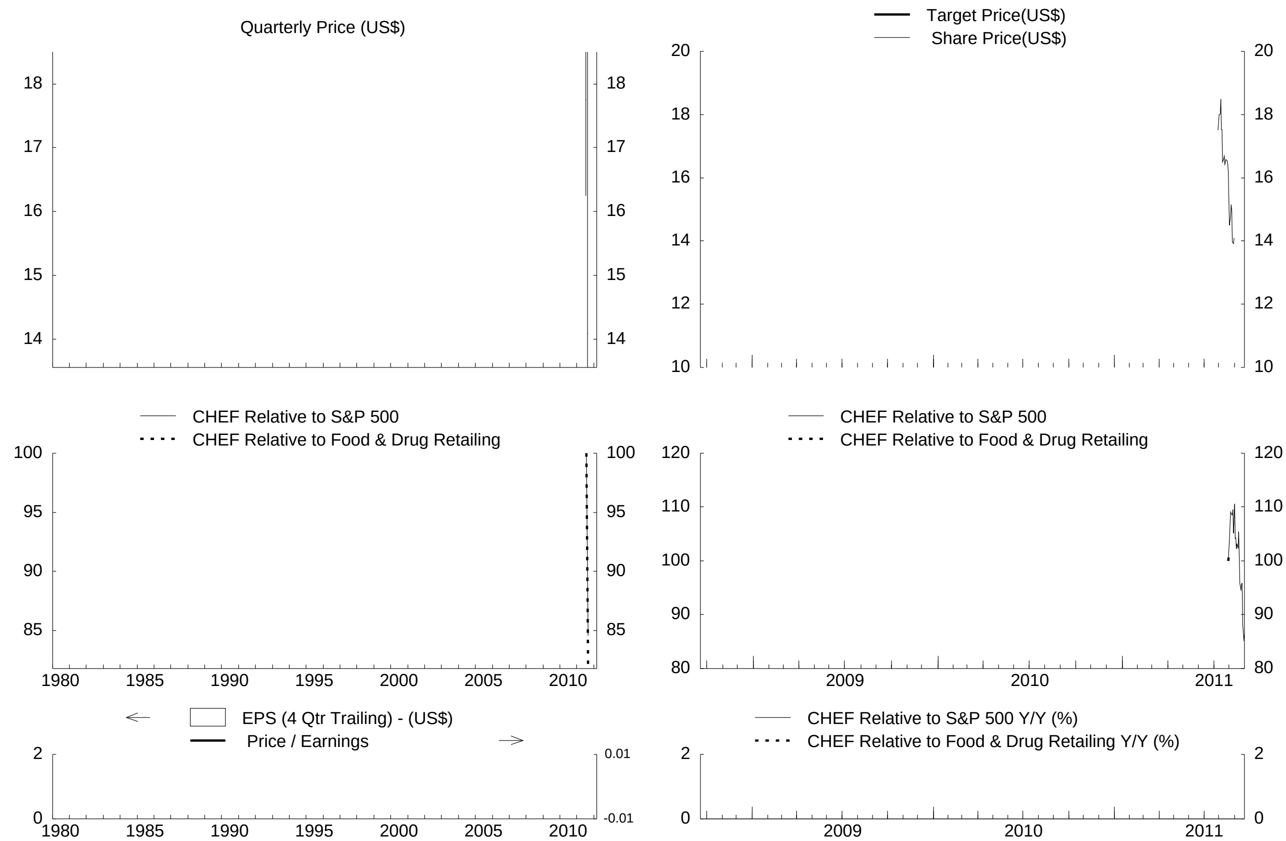
Chefs' Warehouse Income Statement														
	52 weeks	52 weeks	52 weeks					52 weeks					53 weeks	
	12/28/2007	12/26/2008	12/25/2009	3/26/2010	6/25/2010			12/24/2010	3/25/2011	6/24/2011			12/30/2011	
	2007	**2008**	**2009**	**1Q10**	**2Q10**	**3Q10**	**4Q10**	**2010**	**1Q11**	**2Q11**	**3Q11E**	**4Q11E**	**2011E**	**2012E**
Revenues	**$256.13**	**$281.70**	**$271.07**	**$70.00**	**$83.61**	**$84.93**	**$91.58**	**$330.12**	**$82.90**	**$99.26**	**$96.39**	**$112.10**	**$390.65**	**$431.19**
Cost of Goods	$190.79	$211.39	$199.76	$52.02	$61.67	$62.86	$67.79	$244.34	$61.50	$73.00	$72.07	$82.48	$289.05	$317.76
Gross Profit	**$65.35**	**$70.32**	**$71.31**	**$17.98**	**$21.94**	**$22.06**	**$23.79**	**$85.78**	**$21.40**	**$26.26**	**$24.32**	**$29.63**	**$101.60**	**$113.44**
D&A	$1.94	$1.99	$1.92	$0.46	$0.50	$0.41	$0.73	$2.10	$0.60	$0.39	$0.61	$0.61	$2.21	$2.44
Total Operating Expenses (Ex. D&A)	$57.45	$58.33	$56.06	$14.49	$15.64	$15.40	$16.57	$62.10	$16.70	$18.66	$16.81	$19.78	$71.95	$75.75
Total Operating Expenses (Incl. D&A)	**$59.39**	**$60.31**	**$57.98**	**$14.953**	**$16.14**	**$15.81**	**$17.31**	**$64.21**	**$17.30**	**$19.05**	**$17.42**	**$20.39**	**$74.16**	**$78.19**
Operating Income	**$5.96**	**$10.00**	**$13.33**	**$3.03**	**$5.80**	**$6.25**	**$6.48**	**$21.57**	**$4.10**	**$7.20**	**$6.90**	**$9.23**	**$27.43**	**$35.24**
EBITDA	**$7.90**	**$11.99**	**$15.25**	**$3.49**	**$6.31**	**$6.66**	**$7.21**	**$23.68**	**$4.70**	**$7.60**	**$7.51**	**$9.84**	**$29.65**	**$37.68**
Interest	$3.52	$3.24	$2.82	$0.63	$0.51	$0.47	$2.43	$4.04	$0.40	$0.42	$0.20	$0.20	$1.22	$0.88
Gain on Settlement	$1.10													
Gain/Loss on Interest Rate Swap	-$0.62	-$1.12	$0.66	$0.18	$0.25	$0.23	$0.25	$0.91	$0.40	$0.00	$0.00	$0.00	$0.40	$0.00
Other									$0.00					
Income Before Tax	**$2.92**	**$5.65**	**$11.17**	**$2.59**	**$5.54**	**$6.01**	**$4.31**	**$18.44**	**$4.10**	**$6.79**	**$6.70**	**$9.03**	**$26.62**	**$34.37**
Taxes	$0.79	$3.45	$2.21	$1.05	$1.05	$1.60	-$1.13	$2.57	$1.50	$2.69	$2.65	$3.57	$10.40	$13.57
Net Income	**$2.14**	**$2.20**	**$8.96**	**$1.54**	**$4.49**	**$4.41**	**$5.44**	**$15.87**	**$2.60**	**$4.10**	**$4.05**	**$5.46**	**$16.22**	**$20.79**
Tax Rate	26.9%	61.1%	19.8%	40.6%	19.0%	26.6%	-26.3%	13.9%	36.6%	39.6%	39.5%	39.5%	39.1%	39.5%
Basic EPS	**$0.11**	**$0.11**	**$0.44**	**$0.08**	**$0.22**	**$0.22**	**$0.26**	**$0.78**	**$0.13**	**$0.20**	**$0.20**	**$0.27**	**$0.80**	**$1.00**
Diluted EPS	**$0.10**	**$0.11**	**$0.43**	**$0.07**	**$0.22**	**$0.21**	**$0.26**	**$0.76**	**$0.13**	**$0.20**	**$0.19**	**$0.26**	**$0.77**	**$0.99**
Basic	20.32	20.32	20.32	20.12	20.16	20.45	20.54	20.32	20.12	20.12	20.45	20.54	20.31	20.80
Diluted	20.77	20.77	20.77	20.67	20.67	20.87	20.87	20.77	20.67	20.83	21.10	21.10	20.93	21.00
Growth														
Sales		10.0%	-3.8%	17.7%	22.5%	23.7%	22.6%	21.8%	18.4%	18.7%	13.5%	13.0%	18.3%	12.5%
Organic Sales growth		4.2%	-6.2%	10.0%	12.0%	11.0%	10.6%	10.9%	10.9%	13.0%	8%	7%		6%
Inflation - contribution to sales		n/a	-0.6%	4.6%	7.5%	9.0%	9.4%	7.8%	4.9%	3.3%	3%	3%		4%
Acquisitions - contribution to sales		5.8%	3.0%	3.0%	3.0%	3.7%	2.7%	3.1%	3.0%	2.0%	3%	3%		3%
Operating Expenses (Ex. D&A)		1.5%	-3.9%					10.8%	15.3%	19.3%	9.1%	19.4%	15.9%	5.3%
Operating Expenses (Incl. D&A)		1.6%	-3.9%					10.7%	15.7%	18.1%	10.2%	17.8%	15.5%	5.4%
Operating Income		67.9%	33.3%					61.8%	35.3%	24.1%	10.3%	42.4%	27.2%	28.5%
EBITDA		51.7%	27.2%					55.3%	34.5%	20.4%	12.8%	36.4%	25.2%	27.1%
Net Income		2.8%	308.1%					77.1%	69.0%	-8.7%	-8.1%	0.5%	2.2%	28.2%
EPS			308.1%					77.1%					1.4%	27.8%
Margins														
Gross	25.5%	25.0%	26.3%	25.7%	26.24%	25.98%	25.98%	26.0%	25.8%	26.45%	25.23%	26.43%	26.01%	26.31%
D&A	0.8%	0.7%	0.7%	0.7%	0.6%	0.5%	0.8%	0.6%	0.7%	0.4%	0.6%	0.5%	0.6%	0.6%
Operating Expenses (Ex. D&A)				20.7%	18.7%	18.1%	18.1%	18.8%	20.1%	18.8%	17.4%	17.6%	18.4%	17.6%
Operating Expenses (Incl. D&A)	23.2%	21.4%	21.4%	21.4%	19.3%	18.6%	18.9%	19.4%	20.9%	19.2%	18.1%	18.2%	19.0%	18.1%
Operating Income	2.3%	3.6%	4.9%	4.3%	6.9%	7.4%	7.1%	6.5%	4.9%	7.3%	7.2%	8.2%	7.0%	8.2%
EBITDA	3.1%	4.3%	5.6%	5.0%	7.5%	7.8%	7.9%	7.2%	5.7%	7.7%	7.8%	8.8%	7.6%	8.7%
Tax	26.9%	61.1%	19.8%	40.6%	19.0%	26.6%	-26.3%	13.9%	36.6%	39.6%	39.5%	39.5%	39.1%	39.5%
Net	0.8%	0.8%	3.3%	2.2%	5.4%	5.2%	5.9%	4.8%	3.1%	4.1%	4.2%	4.9%	4.2%	4.8%
Change in Margins														
Gross		-55bp	134bp					-32bp	12bp	21bp	-75bp	45bp	2bp	30bp
D&A		-5bp	0bp					-7bp	6bp	-20bp	15bp	-26bp	-7bp	0bp
Operating Expenses (Ex. D&A)									-55bp	10bp	-70bp	-45bp	-39bp	-85bp
Operating Expenses (Incl. D&A)		-178bp	-2bp					-194bp	-49bp	-11bp	-55bp	-71bp	-46bp	-85bp
Operating Income		122bp	137bp					162bp	62bp	31bp	-20bp	116bp	49bp	115bp
EBITDA		117bp	137bp					155bp	68bp	11bp	-5bp	90bp	42bp	115bp
Net		-5bp	253bp					150bp	94bp	-124bp	-99bp	-106bp	-66bp	67bp

Source: Company reports, BMO Capital Markets estimates.

Chefs' Warehouse Holdings Balance Sheet				
	12/28/07	12/26/08	12/25/09	12/24/10
	FY2007	**FY2008**	**FY2009**	**FY2010**
Cash & Equivalents	2.232	1.591	0.88	1.98
Accounts Receivable (net)	29.865	28.728	30.98	36.20
Inventory - Net of Reserve	17.819	16.449	15.29	16.44
Deferred Income Taxes	0.947	1.026	1.48	1.65
Other Current Assets & Prepaid Expenses	1.567	1.664	2.09	3.61
Total Current Assets	52.43	49.46	50.71	59.88
Net Property, Plant & Equipment	3.87	4.30	4.24	4.23
Deferred Income Taxes				
Capitalized Financing Fees				
Intangible Assets	2.33	6.80	9.47	12.11
Deferred Costs	0.35	0.89	0.06	2.36
Other LT Assets	3.94	3.06	1.45	4.09
Total Non-current Assets	10.49	15.04	15.23	22.79
TOTAL ASSETS	62.92	64.50	65.94	82.67
Current Debt	2.90	2.76	2.79	16.95
Original issue Discount				
Accounts Payable	24.41	18.79	19.29	23.56
Advances, Accrued Expenses	6.31	5.81	6.15	7.16
Taxes Payable other than Income				
Income Taxes Payable				
Total Current Liabilities	33.62	27.36	28.23	47.67
Long Term Debt, Net of Current Portion	33.082	37.323	29.928	82.58
Revolver				
Mezz Debt				
Term Note				
Original issue Discount				
Other (Deferred Rent)	1.63	3.04	2.45	1.23
Total Non-current Liabilities	34.71	40.36	32.37	83.81
TOTAL LIABILITIES	68.33	67.72	60.60	131.48
SHAREHOLDERS' EQUITY	(5.41)	(3.22)	5.33	(48.81)
TOTAL LIABILITIES & EQUITY	62.92	64.50	65.94	82.67

Source: Company reports, BMO Capital Markets estimates.

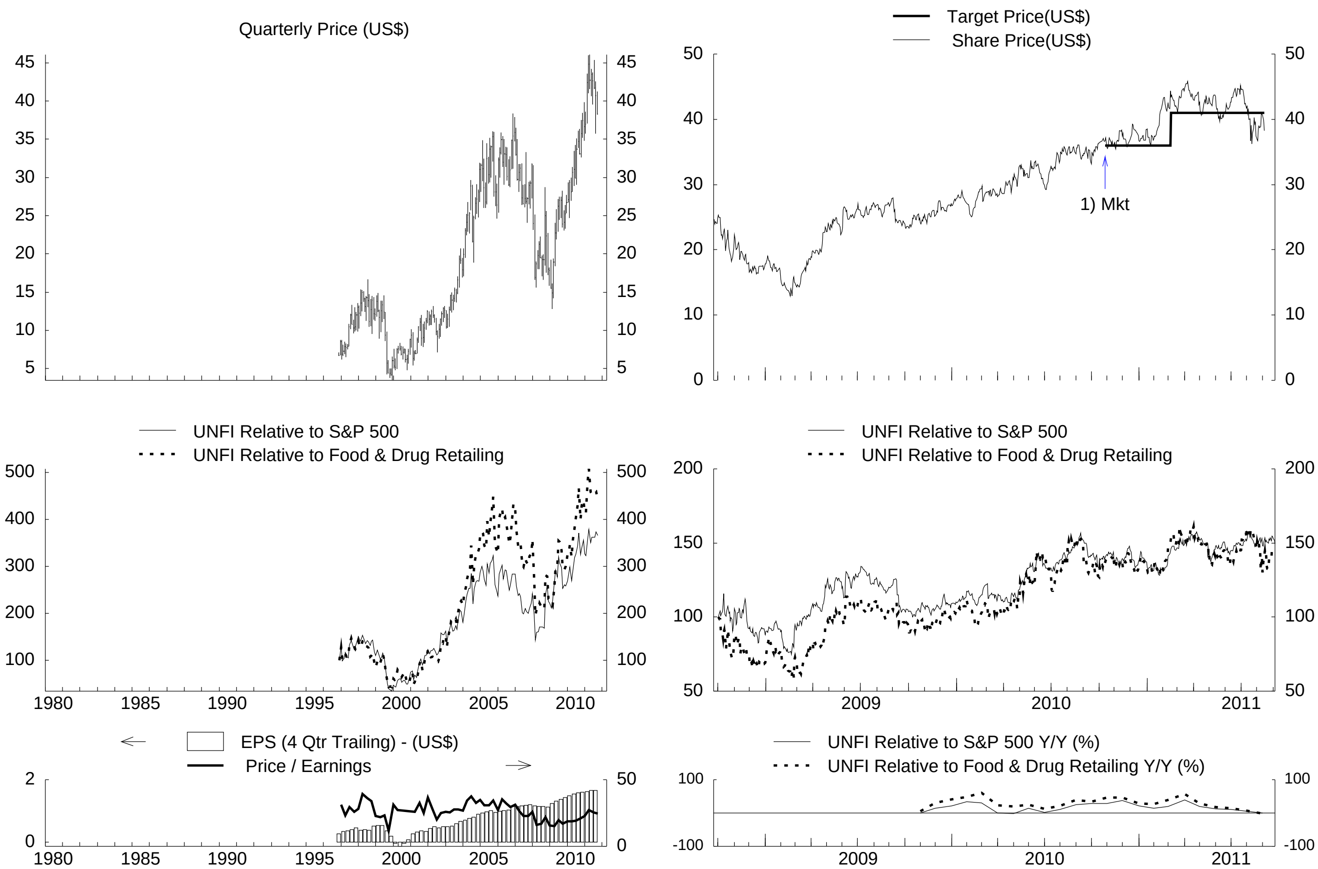
CHEFS WHSE INC (CHEF)



CHEF - Rating as of 31-Dec-10 = NR

Last Daily Data Point: August 30, 2011

UNITED NAT FOODS INC (UNFI)



UNFI - Rating as of 22-Sep-08 = NR

	Date	Rating Change	Share Price
1	27-Oct-10	NR to Mkt	$36.61

Last Daily Data Point: September 2, 2011

Important Disclosures

Analyst's Certification

I, Karen Short, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities or issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Analysts who prepared this report are compensated based upon (among other factors) the overall profitability of BMO Capital Markets and their affiliates, which includes the overall profitability of investment banking services. Compensation for research is based on effectiveness in generating new ideas and in communication of ideas to clients, performance of recommendations, accuracy of earnings estimates, and service to clients.

Company Specific Disclosures for CHEF

Disclosure 1: BMO Capital Markets has undertaken an underwriting liability with respect to this issuer within the past 12 months.
Disclosure 2: BMO Capital Markets has provided investment banking services with respect to this issuer within the past 12 months.
Disclosure 3: BMO Capital Markets has managed or co-managed a public offering of securities with respect to this issuer within the past 12 months.
Disclosure 4: BMO Capital Markets or an affiliate has received compensation for investment banking services from this issuer within the past 12 months.
Disclosure 6: This issuer is a client (or was a client) of BMO Nesbitt Burns Inc., BMO Capital Markets Corp., BMO CM Ltd. or an affiliate within the past 12 months: Investment Banking Services.
Disclosure 9: BMO Capital Markets makes a market in this security.

Methodology and Risks to Our Price Target/Valuation

Methodology: Our target price values CHEF at an FY12 EV/EBITDA of 9.4x and P/E of 16.2x.
Risks: Key risks to our CHEF price target include increased competition from traditional broadline operators or consolidation among other regional specialty distributors, deterioration in the national or New York economy as it relates to discretionary spending at restaurants, the success and completion of future acquisitions at fair prices, significant increases in raw material costs, and tainted product or product recall, which could tarnish the company's image.

Company Specific Disclosures for UNFI

5 - BMO Capital Markets or an affiliate received compensation for products or services other than investment banking services within the past 12 months.
6C - This issuer is a client (or was a client) of BMO Capital Markets or an affiliate within the past 12 months: Non-Securities Related Services
9 - BMO Capital Markets makes a market in this security.

Methodology and Risks to Our Price Target/Valuation

Methodology: Our target price values UNFI at a FY11 EV/EBITDA of 11.0x.
Risks: The risks to UNFI's target price include the loss of the Whole Foods Market business (35% of FY10 sales) as well as a weakening in Whole Foods sales trends, a significant economic downturn, a decline in consumer spending, grocery industry consolidation, integration risks associated with the implementation of a new IT platform, and high fuel prices.

Distribution of Ratings (June 30, 2011)

Rating Category	BMO Rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	Starmine Universe
Buy	Outperform	35.8%	11.9%	31.8%	40.7%	44.2%	55.9%
Hold	Market Perform	62.2%	14.7%	68.2%	56.2%	54.6%	39.3%
Sell	Underperform	2.0%	0.0%	0.0%	3.0%	1.3%	4.8%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.
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Ratings and Sector Key

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OP = Outperform - Forecast to outperform the market;
Mkt = Market Perform - Forecast to perform roughly in line with the market;
Und = Underperform - Forecast to underperform the market;
(S) = speculative investment;
NR = No rating at this time;
R = Restricted – Dissemination of research is currently restricted.

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COMPANY NOTE

Initiating Coverage

USA | Consumer | Retailing/Food & Drug Chains

September 6, 2011

Jefferies

EQUITY RESEARCH AMERICAS

The Chefs' Warehouse (CHEF)

Turning a Cottage Into an Estate

BUY
Price target $17.50
Price $13.56

Key Takeaway

Significant opportunity exists for Chefs' to drive higher sales/earnings as it flexes its technology platform, the benefits of which remain in very early innings, and combines this with its superior product offering, unique sales force, and limited buyer and supplier power. Further, we believe the company will work to consolidate this fragmented industry, potentially transforming a cottage industry into its own estate.

We are initiating coverage on The Chefs' Warehouse, Inc. (CHEF) with a Buy rating and a PT of $17.50. Our EPS est. are $0.18 for 3Q, $0.77 for FY11, and $0.96 for FY12. However, there is upside potential, particularly in FY11, if robust 1H:11 growth continues. Every 1% in additional sales adds just under ½ penny to EPS per Q. Jefferies & Company, Inc. acted as a Joint Bookrunner on the IPO, which priced on July 27, 2011.

The application of technology should drive growth and lower costs. Indeed, the deployment of CRM and price optimization systems should increase placements/customer and add new customers. This, combined with the completion of its warehouse management system rollout, should improve margins, especially in regions outside of NY. We estimate every 10 bps in better margin adds roughly $0.01 to EPS annually.

A better business model should propel excess rev. growth/profits, while exposure to the wealthy/educated class provides a macro tailwind. Chefs' scale, broad offering, and mostly culinary-educated sales force serve to differentiate it from its "mom & pop" competitors. Given the channel fragmentation, Chefs' also faces little buyer/supplier power. Finally, Chefs' benefits from the robust spending of the wealthy/educated class, which frequents the establishments it serves.

There is ample opportunity for accretive tuck-in acquisitions. Acquisitions serve to leverage its current asset base and provide a beachhead into new geographies. Most of these transactions are small, and are largely purchases of customer lists, lowering risk.

Valuation/Risks

Our price target of $17.50 is 18.3x our FY12 EPS estimate of $0.96. This is below United Natural Foods' multiple of 19.0x. Our DCF also places the value of the company at about $20. **Risks:** Near-term: economic downturn resulting in meaningful contraction in wealth, acquisition-related integration or technology/systems implementation and geographic concentration risk. Longer-term: Group purchasing organizations.

USD	*Prev.*	2009A	*Prev.*	2010A	*Prev.*	2011E	*Prev.*	2012E
Rev. (MM)	--	271.1	--	330.1	--	391.2	--	436.5
EV/Rev		1.2x		1.0x		0.8x		0.7x
EBITDA (MM)	--	15.2	--	20.2	--	29.3	--	36.2
EV/EBITDA		21.4x		16.1x		11.1x		9.0x
EPS								
Mar	--	--	--	--	--	0.12A	--	--
Jun	--	--	--	--	--	0.21A	--	--
Sep	--	--	--	--	--	0.18	--	--
Dec	--	--	--	--	--	0.25	--	--
FY Dec	--	NA	--	0.54	--	0.77	--	0.96
FY P/E				25.1x		17.6x		14.1x

EPS: 2010 and 2011 reflect pro forma adjustments.

Financial Summary	
Net Debt (MM):	$43.1
Market Data	
52 Week Range:	$18.50 - $13.13
Total Entprs. Value (MM):	$325.1
Market Cap. (MM):	$282.0
Shares Out. (MM):	20.8
Float (MM):	10.4
Avg. Daily Vol.:	NA

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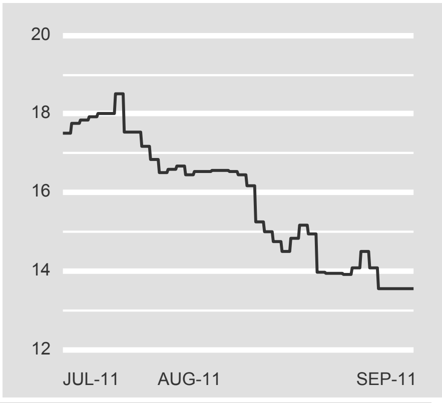
Price Performance



The Chefs' Warehouse

Buy: $17.50 Price Target

Scenarios

Target Investment Thesis

- Total sales growth of 18.5% and 11.6% in FY11 and '12, driven by strong organic growth, aided by acquisitions and a 53rd week in FY11.
- Some gross margin expansion on improved mix in FY11 and better gross margin management in FY12.
- Operating expense leverage on higher sales and improving cost efficiencies.
- FY12 EPS: $0.96; Target Multiple: 18.3x; Target Price: $17.50.

Upside Scenario

- Stronger-than-expected organic sales as the company benefits from its IT initiatives; coupled with favorable macros.
- Better-than-expected gross profit as Chefs' is better able to manage account profitability; improving mix.
- Better-than-expected expense leverage on stronger sales and larger benefits from the warehouse management system rollout.
- FY12 EPS: $1.05; Target Multiple: 20x; Target Price: $21.

Downside Scenario

- Deteriorating macros and contracting wealth lead to sales slowdown.
- Gross margin pressured by trade down and mix shift; competitor or industry pressure lowering pricing capabilities.
- Less operating expense leverage on lower sales; more limited benefits from warehouse and distribution initiatives.
- FY12 EPS: $0.80; Target Multiple: 14x; Target Price: $11.

Long Term Analysis and Overview

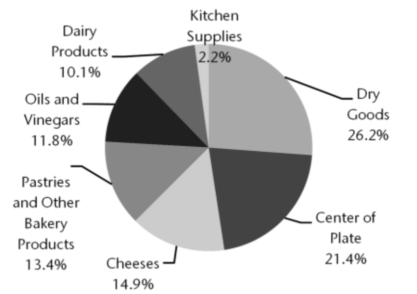
Chefs' Current Footprint

Source: Company Data

Long Term Financial Model Drivers

Organic Net Revenue Growth	9-10%
Gross Margin	26-26.5%
EBIT Margin	8-9%
Tax Rate	39%
3 Year EPS CAGR	18%

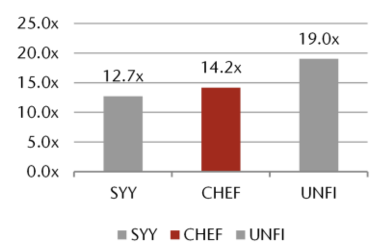
FY10 Net Revenue By Product Category



Source: Company Data

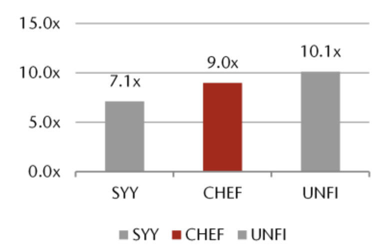
Peer Group

Forward P/E (CY12)



Source: Jefferies estimates, Thomson

EV/ EBITDA (CY12)



Source: Jefferies estimates, Thomson

Recommendation / Price Target

Ticker	Rec.	PT
CHEF	Buy	$17.50
UNFI	Hold	$40
SYY	NC	NC

Catalysts

- Better-than-expected organic sales driven by increased placements/customer and new customers.
- Better-than-expected benefits from the rollout of the company's warehouse management system to its other DCs.

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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Executive Summary

The Chefs' Warehouse, Inc. ("Chefs'") is one of the largest specialty food distributors in the U.S., largely serving upscale independent menu restaurants, fine hotels and clubs. The company offers over 11,500 unique items many of which are premium products. From hard to get olive oil from Italy to unique cheese from France, the company caters to and is counted on by the most discerning chefs. Founded in 1985, with its origins as a dairy distributor in the New York City metro market, Chefs' currently operates in six major markets, including New York, Los Angeles, San Francisco, Las Vegas, Washington D.C. and Miami, but also services Boston, Philadelphia and Napa Valley.

We are initiating coverage on The Chefs' Warehouse, Inc. (CHEF) with a Buy rating and a 12-month price target of $17.50. Significant opportunity exists for Chefs' to drive higher sale/earnings as it flexes its technology platform, the benefits of which remain in very early innings, and combines this with its superior product offering, unique sales force, and limited buyer and supplier power. Further, we believe the company will work to consolidate this fragmented industry, potentially transforming a cottage industry into its own estate.

The application of technology should drive growth and lower costs. Indeed, as Chefs' Warehouse applies best practices and leverages the benefits of its sales, warehouse and distribution technology systems, the company should be able to drive better organic growth and lower costs. The company's CRM and price optimization technology should help Chefs' increase placements/customer and new customers, while also allowing Chefs' to better manage gross profit/customer. This, combined with the completion of the full rollout of its warehouse management system by 1Q12, should help reduce costs and lead to improved margins and earnings, especially in regions outside of New York. Every 1% in sales growth adds just under ½ penny in EPS per quarter, while every 10 bps in better margin adds roughly $0.01 annually, according to our estimates.

There is ample opportunity for accretive, tuck-in, acquisitions. Given the fragmentation of Chefs' industry sub-sector, one that is largely dominated by a myriad of less sophisticated, regional or mom and pop operators, there exist significant prospects to expand Chefs' distribution reach through acquisition. Many of these transactions are largely purchases of customer lists, lowering integration risk, while providing increased share in its current markets as well as expansion in new geographies. We expect that most of these purchases will be relatively small, $10-$30 million in revenues, and be nicely accretive as they should be done at 2-4x EBITDA.

Limited industry buyer and supplier power, coupled with Chefs' superior product offering and uniquely positioned sales force should allow the company to capture excess profits. Unlike certain other segments of food distribution, Chefs' faces limited buyer or supplier power risk, as its top ten customers account for under 10% of net revenue and no supplier accounts for more than 5% of its products. In addition, Chefs' also carries over 11,500 SKUs, an amount roughly 7x its typical competitor and provides a much broader range of specialty products, while also offering many everyday staple items (flour, sugar, butter) as well. Finally, Chefs' 125 person sales force is uniquely positioned, as most are culinary educated or have spent significant time in the culinary industry.

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Chefs', we believe, also provides the opportunity to invest in the faster-growth, high-end consumer segment in the food-away-from-home channel that is driven by the wealthy and educated consumer. Indeed, as exhibited nicely by Whole Foods (WFM, $63.11, Hold), United Natural Foods (UNFI, $38.27, Hold) and The Fresh Market (TFM, $36.21, NC), among others, the high-end consumer segment has exhibited very strong growth coming out of the 2008 downturn and continues to show resilience. With a correlation of 0.80 between Chefs' organic growth and household wealth, similar to the correlation exhibited by Whole Foods according to our calculations, Chefs' customers clearly cater to the higher-end demographic and, as a result, recent stock market gyrations are a concern. However, our research has shown little slowdown in trends, although we have built much lower organic growth into our model in the back half of 2011. If this does not materialize, EPS could exceed our current estimate with every 1% in sales equal to just under ½ penny in earnings per quarter, according to our estimates.

Valuation

Our price target of $17.50 is 18.3x our FY12 EPS estimate of $0.96. This is below United Natural Foods' multiple of 19.0x and above Sysco's of 12.7x. Sysco, however, is a much slower growing company than both UNFI and Chefs'. We also believe Whole Foods and The Fresh Market are tangential comps, and Chefs' valuation is nicely under these companies as well. Our DCF places the value of the company at about $20.

Risks

Near-term: economic downturn resulting in meaningful contraction in wealth, acquisition-related integration or technology/systems implementation and geographic concentration risk. **Longer-term:** Group purchasing organizations.

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Company Snapshot

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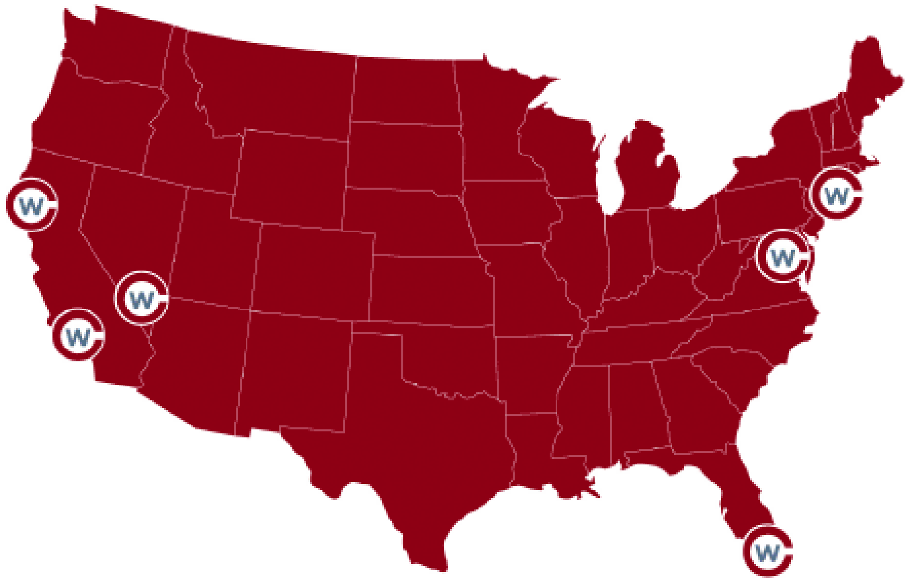
Chart 1: Chefs' Current Footprint



Source: Company Data

New York is the company's largest and most important market. Indeed, this market, which is heavily concentrated in the New York City metro area, but extends from Atlantic City to Boston is the largest for Chefs', generating approximately 65% of FY10 net revenue. In addition, we believe that the company's operating margins in this region are quite a bit higher, roughly double the operating margins in its other regions, with opportunity for even further improvement over time, we estimate. The higher margin profile doesn't come as much of a surprise to us given New York is the company's longest standing market, it drives the most revenue, it contains the company's largest and most efficient distribution center and New York metro provides for a very unique concentration of customers relative to other U.S. geographies. We believe over time that margins in the company's other regions will improve quite nicely as Chefs' looks to replicate its model in New York, with those markets that have the best densities and lower relative stem miles likely able to benefit the most, in our opinion.

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Opportunity in New York market centred on increasing placements per customer. According to filings, Chefs' believes the company distributes at least one product per week to roughly 60% of the addressable New York metro market, relative to the 20-30% in its other regions currently, with the addressable market constituting those independent restaurants with an average price for an entrée of above $15. We do note however, this is not market share, but rather suggestive of the number of unique customers to which Chefs' distributes at least one product, with restaurants buying a myriad of products across food and non-food categories weekly. That said, we believe growth in the New York metro market will come more from increased placements per customer than new customers (although plenty of opportunity remains here as well), while growth in Chefs' other geographies (as well as future markets) should see the scale weighed more towards new customers than higher placements in the beginning.

Chart 2: Markets Served by Chefs'

Chefs' Geographic Distribution Overview

Chefs' Markets	Distribution Footprint	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 Data

Chart 3: Chefs' Distribution Centers

Chefs' Distribution Center Overview

Name/Location	Approx. Size (Sq. Ft)	Owned / Leased
Bronx, NY #1	120,000	Leased
Bronx, NY #2	55,000	Leased
Hanover, MD	55,200	Leased
Miami, FL	10,000	Leased
Los Angeles, CA	80,000	Leased
Hayward, CA	40,000	Leased
Las Vegas, NV	11,440	Leased

Source: Company Data

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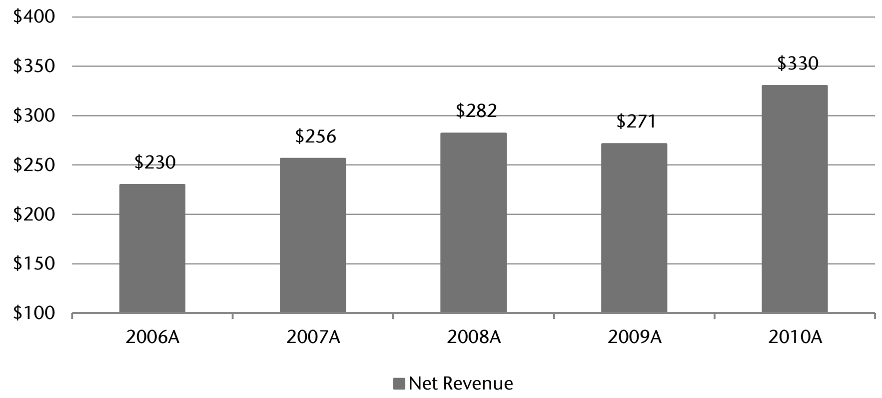
Since its founding in 1985, Chefs' has grown to become the largest operator in the specialty foodservice distribution sub-segment, catering specifically to upscale independent menu restaurants, hotels and clubs, among others. With over $330mm in net revenue in FY10, Chefs' has grown its business over time both organically, by increasing the number of new customers it serves as well as the number of unique products it distributes to those customers, and through acquisition. As it relates to acquisition, Chefs' has added to its organic growth with the addition of tuck-in acquisitions in order to both expand the company's footprint into new geographies, as well as increase its customer penetration in existing markets. In June 2010, Chefs' entered the Miami, FL market through the acquisition of Culinaire Specialty Foods, Inc. and increased its penetration of the company's largest market, New York, with its June 2011 purchase of Harry Wils & Co.

Chart 4: Chefs' Historical Annual Net Revenue ($mm)



Source: Company Data

With the aim of supplying and providing for the distinct culinary needs of chefs of upscale independent menu restaurants, and other similar establishments, The Chefs' Warehouse is literally just as it sounds. The company's largest customer type is the upscale independent menu restaurant, but Chefs' Warehouse also distributes to other fine dining establishments, hotels, casinos, country clubs, caterers, other distributors and retailers, as well as some of the best culinary schools in the country, including The Culinary Institute of America and The French Culinary Institute. While there are a myriad of types of independent or non-chain restaurants, we have attempted to provide a hypothetical example to help further illustrate a type of independent restaurant to which Chefs' might distribute. A more typical customer of Chefs' would be a *Pepe's Gourmet Italian Bistro* that serves wood-fired pizza, hand-made with the finest ingredients from Italy including one-of a kind olive oil and authentic flour. The type of independent restaurant not really serviced by Chefs' would be a *Tony's Pizza and Subs*, with pre-made dough and commoditized ingredients.

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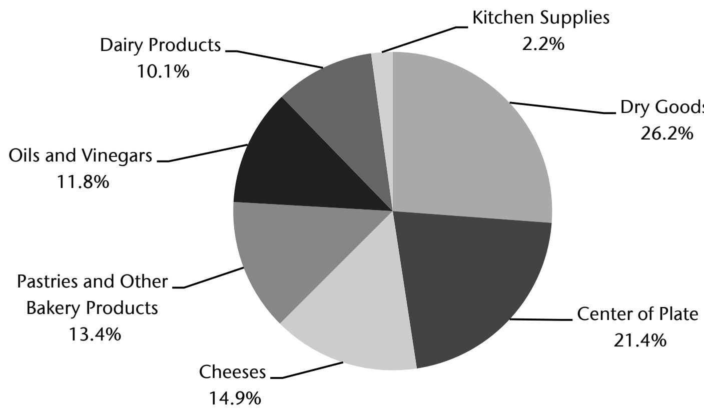
Chefs' product offering is vast and much broader than its typical specialty food distributor competition. Chefs' carries over 11,500 SKUs of specialty food items ranging from one of a kind olive oils, cheeses and charcuterie, as well as pastries and chocolates, among a number of other specialty food items from producers around the globe and domestically in the U.S. In addition to the many distinct and unique products Chefs' sells, leveraging the company's 125 person sales force, most of which are culinary educated or have spent significant time in the industry, the company also distributes a number of more common foodservice items in categories such as dairy, cooking oils and flour, allowing for a broader spectrum of available products and reducing the need for customers to utilize other distributors.

Chart 5: Chefs' FY10 Net Revenue By Product Category



Source: Company Data

Chart 6: Chefs' Historical Category Breakdown

	Net Revenue By Category (As % of Total)			Net Revenue Growth By Category		
	2008A	2009A	2010A	2008A	2009A	2010A
Dry Goods	25.5%	26.0%	26.2%	NA	-1.9%	22.6%
Center of Plate	20.4%	21.4%	21.4%	NA	1.0%	21.9%
Cheeses	15.2%	15.0%	14.9%	NA	-5.1%	20.9%
Pastries and Other Bakery Products	12.9%	13.7%	13.4%	NA	2.5%	19.1%
Oils and Vinegars	13.9%	12.6%	11.8%	NA	-12.9%	14.2%
Dairy Products	10.3%	9.3%	10.1%	NA	-12.9%	31.4%
Kitchen Supplies	1.7%	1.9%	2.2%	NA	5.1%	38.3%
Total	100.0%	100.0%	100.0%	NA	-3.8%	21.8%

Source: Company Data

Chefs' has made a dramatic push into the application of technology in an attempt to supercharge its business. Over the last few years the company has moved to leverage the benefits of technology and integrate them across its entire business starting from the point of sale all the way through the warehouse and distribution functions. Indeed, the company's sales-related IT platforms, which should help drive growth and better manage profitability, remain in very early innings, while the company's warehouse management system, which is already in place in its largest distribution center in the Bronx, is being rolled out to its other DCs with completion estimated in 1Q12.

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Near-Term Outlook

Overview

Overview of Pro Forma FY11 Adjustments. We have utilized pro forma FY11 estimates in an effort to better illustrate a normalized operating year for Chefs' given the confluence of moving parts related to its IPO in the third quarter and the associated deleveraging process. The pro forma items outlined below assume an IPO occurs on January 1, 2011. Above the line, revenue and gross profit are unchanged from our non-pro forma estimates. As it relates to operating expenses, we have assumed higher operating expenses associated with being a public company, as well as the removal of the stock compensation expense related to the 50% up front vest in 3Q, replaced with a more normalized stock compensation expense rate for the whole year. Below the line, the pro forma estimates reflect the post IPO capital structure and lower interest expense, as well as the removal of deferred financing fee amortization and original issue discount amortization under the old capital structure, but include an assumption for deferred financing fee amortization going forward. The pro forma estimates also incorporate a higher corporate tax rate and pro forma share count to reflect the company's initial public offering.

3Q11 Pro Forma Expectations – EPS of $0.18, EBITDA of $7.1mm (ex. one-time items)

Total Revenue Growth of 14.3%. We have assumed total organic growth of 7.5%, including higher placements/customer and new customers along with contribution from mix and higher inflation. Our organic revenue assumptions do incorporate some slowing of organic growth given more difficult compares and the potential for some macro pressures, although continued trends similar to those in 1Q and 2Q would present opportunity for upside. In addition, we have assumed 6.8% growth from acquisition given the contribution from Harry Wils which closed at the end of 2Q.

Gross Margin of 26.0% – flat from the prior year period. We have assumed flat gross margin improvement as mix and slower inflation pass through could hold back gross margin growth.

Operating Expenses (As % of Net revenues) of 19.1%. Given the lack of a comparable pro forma operating expense in the prior year period, the y/y change in operating expense as a % of sales is not comparable. On a GAAP basis, we assume 205 bps expense deleverage largely to account for the one-time stock compensation expense of approximately $1.6mm associated with the 50% upfront vesting in conjunction with the company's IPO, as well as some carry through of expenses related to Harry Wils. Our 3Q11 Pro forma operating expense margin of 19.1% reflects the removal of the upfront stock compensation expense and is replaced with a more normalized estimate for quarterly stock compensation.

Below the Line – Net interest expense of $0.4mm, tax rate of 39.0% and share count of 20.8mm shares.

Potential Hurricane Impact: *While it is unclear what the impact could be from Hurricane Irene on earnings, we do see the potential for $0.01-$0.03 negative drag on EPS in 3Q11. That said, we have left our 3Q forecast unchanged given the treatment of any potential hurricane-related costs as one-time.*

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Additional Information – Net interest expense in 3Q adjusts for one-time items related to the company's IPO and refinancing, including the removal of deferred financing fee amortization, original issue discount and call premium associated with the pre-IPO capital structure. On August 2, 2011, The Chefs' Warehouse completed its Initial Public Offering, offering 4,666,667 primary shares and 5,683,333 secondary shares, including an over-allotment of 1,350,000 shares, at an offering price of $15. The net proceeds to the company of approximately $63.1mm will be used to pay down existing debt. Jefferies & Company, Inc. acted as a Joint Bookrunner on the IPO.

FY11 Pro Forma Expectations – EPS of $0.77, EBITDA of $29.3mm (ex. one-time items)

Total Revenue Growth of 18.5%. We have assumed total organic growth of 11.2%. This is driven by strong growth in placements per customer and new customers, coupled with contribution from inflation and mix. We have also assumed acquisition growth of 4.8% for the year, which incorporates the contribution from Harry Wils in the back-half of the year and contribution from the company's Miami acquisition in 1H:11. The remaining difference is attributed to the benefit of the extra selling week in FY11, which we estimate improves FY11 revenue growth by 2.4%.

Gross Margin of 26.2% – up 22 bps from FY10 Pro Forma. We have assumed some gross margin expansion in FY11 as the company laps the 32 bps of contraction last year (non pro forma basis) on improved product mix y/y, offset by the elevated inflationary climate and potential for some slower inflation pass through during 2H:11.

Operating Expenses (As % of Net revenues) of 19.1% – down 119 bps from FY10 Pro Forma. On a pro forma basis we have assumed nice operating leverage as the company benefits from higher sales and continued cost control as well as improved leverage during 4Q given the extra week.

Below the Line – Net interest expense of $1.7mm, tax rate of 39.1% and share count of 20.8mm shares.

FY12 Expectations – EPS of $0.96, EBITDA of $36.2mm

Total Revenue Growth of 11.6%. We have assumed organic growth of 10.5%, plus 3.3% contribution from Harry Wils in the first half of the year. Our revenue forecast model does not assume any additional revenue contribution from acquisitions. FY12 is also a 52 week year, resulting in an estimated -2.1% impact y/y relative to last year's 53 week year.

Gross Margin of 26.3% – up 10 bps from FY11 Pro Forma. We have assumed minimal gross margin expansion in FY12 and beyond mostly due to some benefits from mix and improved customer account management.

Operating Expenses (As % of Net revenues) of 18.4% – down 70 bps from FY11 Pro Forma. We have assumed solid operating expense leverage as the company benefits from the full rollout of its warehouse management systems by the end of 1Q12, as well as continued expense control on higher revenues. FY12 will also include a full year of normalized stock compensation and public company expenses.

Below the Line – Net interest expense of $1.7mm, tax rate of 39.0% and share count of 20.9mm shares.

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Outlook Detail

Chart 7: Near-term Outlook

Earnings Table	**Q3:11PFE**	**2011PFE**	**2012E**
Net Revenues	$97,031	$391,156	$436,545
Gross Profit	$25,207	$102,510	$114,842
EBIT	$6,716	$27,820	$34,540
EBITDA	$7,116	$29,350	$36,199
EBT	$6,290	$26,213	$32,842
Taxes	$2,453	$10,240	$12,808
Net Income (Operating)	$3,837	$15,973	$20,033
Diluted EPS (Operating)	$0.18	$0.77	$0.96
Diluted Shares Outstanding	20,835	20,835	20,935
Sales Growth			
Total Organic	7.5%	11.2%	10.5%
Acquisitions	6.8%	4.8%	3.3%
Total	14.3%	16.1%	13.8%
Other	-	2.4%	-2.1%
Total	14.3%	18.5%	11.6%
Gross Margin	26.0%	26.2%	26.3%
Change in Gross Margin	NA	0.22%	0.10%
Operating Expenses (As % of Net Revenues)	19.1%	19.1%	18.4%
Change in Operating Expenses	NA	-1.19%	-0.70%
EBIT Margin	6.9%	7.1%	7.9%
Change in EBIT Margin	NA	1.41%	0.80%

Source: Jefferies

Note: Other sales growth related to the existence of an extra week in the company's 4Q and FY11 periods. For FY12, other sales growth represents the estimated y/y impact of the return to a 52 week period from the 53 week period in FY11.

Quantification: Potential Upside

We believe upside in FY11 is likely to be driven by better-than-expected organic sales, while better than expected EPS in FY12 and beyond would come from a mix of stronger growth and better expense control. In 2H:11, potential upside to our estimates could come from stronger-than-expected organic growth if strength in the high-end consumer remains and Chefs' business continues on similar trajectory to the solid results seen in 1Q and 2Q. In FY12, the company could see greater than expected sales and gross profit benefits from the application of its CRM and price optimization technologies as Chefs' looks to drive increased placements/customer, on-board new customers and better manage gross profit/ customer. Combine this with the growing efficiencies from the rollout of the warehouse management system to its other DCs by 1Q12 and improved ability to manage costs, suggests the potential for the better revenue to flow to the bottom line at a higher rate.

Chart 8: Quantification

Quantification	EPS Impact Per Period
Every 1% of Additional Sales:	Just under 1/2 penny in EPS per Quarter
Every 10 bps of Operating Margin:	Approximately one penny to EPS per Year

Source: Jefferies

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Turning a Cottage Into an Estate

Leveraging Technology to Drive Performance

The application of technology should drive growth and lower costs. Indeed, as Chefs' Warehouse applies best practices and leverages the benefits of its sales, warehouse and distribution technology systems, the company should be able to drive better organic growth rates and lower costs. This should allow the company to improve its operating margins not only in New York, where they are much higher, but also quite nicely in other regions as the company looks to replicate its New York model in its other geographies. The company's move to focus heavily on incorporating technology and best practices across its business we believe will continue to place further distance between Chefs' and its competitors, who are typically far less sophisticated given the highly fragmented, and still very cottage nature of this sub-sector of foodservice distribution. Indeed, our research suggests that while other regional or local competitors similar to Chefs' may capture higher gross margin in certain instances, Chefs' is nevertheless able to deliver higher operating margins given the lower cost to distribute. This is due in part to the company's technology driven efficiencies and practices (the other reason we believe is the lack of buyer and supplier power).

Starting early should be one key to success. Chefs' has made a concerted effort to integrate technology into its business before it speeds up its efforts to consolidate the industry, which we believe should mitigate potential issues down the road as Chefs' grows, while also better positioning the company to potentially deliver and capture improved results over time sooner than perhaps would have been achieved otherwise. UNFI, Chefs' closest public comparable in our opinion, but not a direct competitor, has struggled over time with its own technology implementation as the company worked to consolidate the industry first and largely implemented technology second. This, coupled with the significant growth in the natural and organic industry over the years, has limited UNFI's ability to implement certain technology into its DCs, however this is changing with CEO Steve Spinner. While UNFI was able to get the right systems into its new Lancaster, TX distribution center late last year, a win on many fronts, UNFI did run into some issues with the implementation, which resulted in higher costs and slowed the initial timeline of the full rollout to its other DCs. With Chefs' putting all its technology systems into its biggest and busiest facility in NY, we do not believe it will suffer the same fate as UNFI (don't feel too sorry for UNFI, the stock has done just fine!)

Higher organic revenue and improved gross margin are possible as the company applies technology and best practices to its sales efforts. The benefits of applying technology to supercharge Chefs' selling efforts remain in very early innings, we believe, and have the potential to drive higher organic sales as well as improve gross margin over the medium and long-term. Indeed, the application of the company's CRM and price optimization technology systems should help Chefs' increase both the number of placements it sells per customer and the number of new customers, while also aiding the sales force to better manage account profitability. Chefs' has also worked to better-align its sales force with its internal goals and we believe the company's constantly improving platforms should better provide the sales force the tools it needs. Interestingly, similar to the time when the company began to implement early variations of its sales IT platforms and systems in 2009, Chefs' began to see nice improvements in its organic growth rates, a welcome sign that the current application of much improved systems could boost results even further.

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The company is also focused on using technology and enhanced process standards to help lower costs and drive productivity improvements in its warehouse and distribution functions. To that end, Chefs' put in place a warehouse management system, Road Net and pick-to-voice technologies into its largest DC in the Bronx. While Chefs' plans to roll-out the warehouse management system to its other DCs by 1Q12, it has wisely already implemented and tested the systems in its largest and busiest distribution center in New York. Next year the company will be moving its current Bronx facility to a larger location in close proximity. This process could end up being relatively seamless, although there is the potential for some initial lag in productivity as the employees get used to the ins and outs of the new facility. On the distribution side, the company is also working on a number of tools to enhance route efficiency.

Successful execution and leverage of its technology systems and processes should drive higher operating margins, especially in areas outside NY as Chefs' looks to replicate its New York model. Margins in the company's New York market are quite a bit higher than its other regions, roughly double we estimate, largely due to efficiency the company has driven into its business in the tri-state area. In addition, the company's New York market is the longest standing for Chefs' and contains the largest and most efficient distribution facility, with the market contributing roughly 65% of FY10 consolidated net revenue. Despite the company's long-standing strength in New York, we believe there remains ample runway to improve margins, as higher placements per customer and new customers are supported by the efficiencies gained from the warehouse management system in its Bronx DC. Clearly, the densities in New York City metro and the shorter relative stem miles are also a big help to margins.

Replicating New York elsewhere should be quite fruitful. Beyond New York, the company has significant opportunity to improve the margin profile of its other regions, as Chefs' looks to replicate its New York model including the implementation of its warehouse management system across its other DCs by 1Q12 and the addition of its other CRM and price optimization technologies. Only a select grouping of MSAs in the U.S., we believe, have characteristics similar enough to New York, including necessary densities, to allow for the potential for similar margin structures to New York over the long-term in those markets. The company's San Francisco market and south Florida operations would likely fit that profile, as would Chicago, although this is a market in which Chefs' does not currently operate. That said, margins in the company's other existing markets, including Washington DC, Los Angeles and Las Vegas, also have the potential to move meaningfully higher over time, if the company executes well on its strategy, helping the company's overall margin profile. However, longer stem miles and lower densities, are likely to keep the margin structure somewhat below that of New York.

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Fruitful Acquisition Landscape

There is ample opportunity for accretive, tuck-in, acquisitions. Given the fragmentation of Chefs' industry sub-sector, one that is largely dominated by a myriad of less sophisticated, regional or mom and pop operators, there exist significant prospects to expand Chefs' distribution reach through acquisition. Many of these transactions are largely purchases of customer lists, lowering integration risk, while providing increased share in its current markets as well as expansion in new geographies. We expect that most of these purchases will be relatively small, $10-$30 million in revenues, and be nicely accretive as they should be done at 2-4x EBITDA.

The number of acquisitions done per year is likely to increase, although future acquisition activity is not in our numbers. Indeed, the company has acquired a number of smaller operators over the last few years, averaging approximately one transaction per year. We believe that the company is likely to step-up the number of acquisitions it does on a yearly basis to perhaps 2-3 transactions per year on average which we estimate could add a few hundred basis points of sales growth annually. In FY10, sales growth from acquisitions totalled approximately 3%, while we estimate that a half year contribution from the company's June 2010 Miami acquisition and the company's June 2011 acquisition of Harry Wils in New York metro should add a combined 4.8% to sales growth in FY11. In FY12 we have assumed 3.3% sales growth from acquisitions, representing the contribution in the first half of the year from Harry Wils. We estimate total revenue contribution for Harry Wils of approximately $25mm annualized, after-taking a discount to our estimated sales of approximately $30mm, in-line with the company's acquisition practices, although this could indeed prove conservative if customer retention remains high. Outside of recently acquired transactions, we do not model in any benefit from future transactions.

Chart 9: Chefs' Recent Acquisition History

Target	Date	Total Consideration ($mm)	Market Served	Multiple of Revenue	Multiple of EBITDA
Harry Wils & Co.	06/24/11	$8.9	New York Metro	NA	NA
Culinaire Specialty Foods, Inc.	06/18/10	$3.7	South Florida	NA	NA
San Francisco Division of European Imports	08/28/09	$3.8	San Francisco	NA	NA
American Gourmet Foods	May-08	$5.1	Washington, DC	NA	NA

Source: Company Data

While there is always execution and integration risk with any transaction, the typical transaction for Chefs' appears to carry less risk, in our opinion. The company's typical transaction involves the purchase of smaller, regional or local operators with an average cash outlay for Chefs' over its last four transactions of just over $5mm, which also tend to be accretive. In addition, many of the acquisitions involve the purchase of customer lists, working capital and inventory, which significantly lowers the integration risk and shortens the time to close. Lastly, the company remains quite conservative in its forecasts for contribution from acquisitions, and assumes a sizeable discount to actual revenues, which we estimate is upwards of 20-30%, depending on the transaction. This is to account for the potential for any customer transition or leakage, although we believe this assumption ends up being conservative in the end. The purchase price in a typical transaction is done between 2-4x EBITDA with cash on hand and/or debt, resulting in nice accretion.

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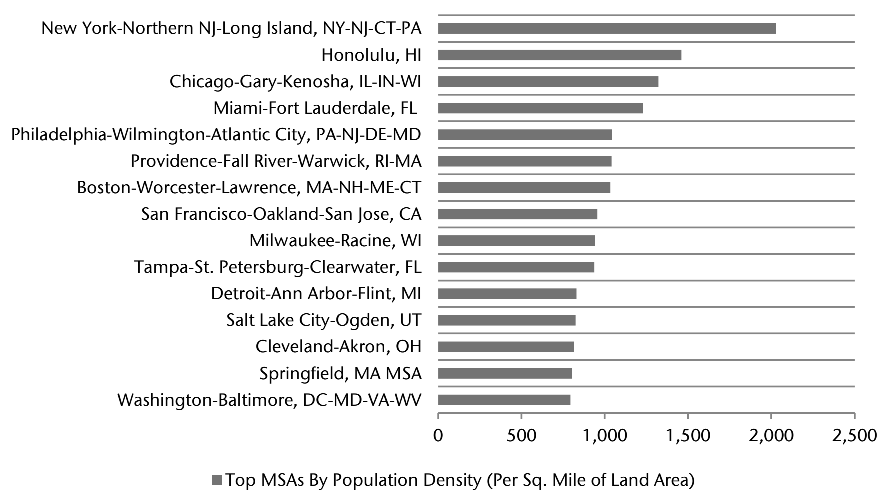
Establishing an initial presence in a new geography will likely come from acquisition. While three of the company's four most recent transactions helped to add customers to already existing markets, such as New York, San Francisco and Washington, DC, we expect Chefs' to move into additional new geographies across the U.S. over time, with the focus on the major MSAs with the best densities and culinary characteristics. An example of a transaction which allowed Chefs' to establish a new presence in a market was the company's June 2010 acquisition of Culinaire Specialty Foods, Inc., giving Chefs' the opportunity to go into South Florida for a mere $3.7mm. After entering the new market, the company can expand distribution through new customers and increased placements per existing customer, although on-boarding new customers will represent the bulk of growth for some time in new markets, we believe. In Miami, Chefs' will also be moving its current operations to a new facility in 3Q of FY11.

A Look at Population Densities in the U.S.

Density analysis suggests opportunity for margin improvement in other markets. While it is clear that the densities in the New York MSA, being the highest in the country, help Chefs' capture higher profitability in the region, there are also a number of markets which likely have sufficient density profiles to support higher margin structures. Miami, Philadelphia, Boston and San Francisco are all markets in which Chefs' has a presence, although some more than others at the current juncture. Chicago, which registers third on the list below, is a market in which Chefs' does not currently operate, but has attractive density profiles as well.

Chart 10: Population Density Per Square Mile of Land Area By MSA



Source: U.S. Census Bureau; Census 2000

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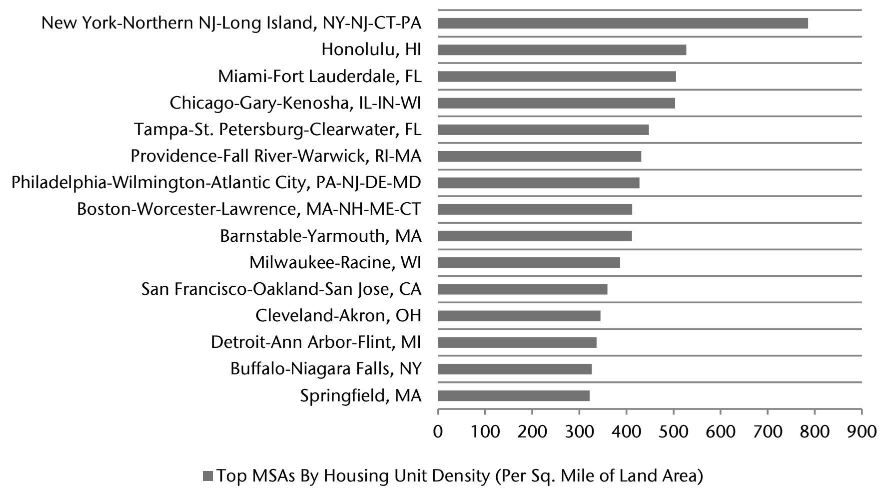
Chart 11: Housing Unit Density Per Square Mile of Land Area By MSA



Source: U.S. Census Bureau; Census 2000

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Chefs' Model Positions It to Capture Excess Profits

Limited industry buyer and supplier power, coupled with Chefs' superior product offering and uniquely positioned sales force should allow the company to capture excess profits. Unlike certain other segments of food distribution, Chefs' faces limited buyer or supplier power risk, as its top ten customers account for under 10% of net revenue and no supplier accounts for more than 5% of its products. In addition, Chefs' also carries over 11,500 SKUs, an amount roughly 7x its typical competitor and provides a much broader range of specialty products, while also offering many everyday staple items (flour, sugar, butter) as well. Finally, Chefs' 125 person sales force is uniquely positioned, as most are culinary educated or have spent significant time in the culinary industry.

Limited buyer and supplier power position Chefs' quite favorably as it looks to consolidate the fragmented landscape over the long-term. The highly fragmented landscape of distributors, which is largely composed of a myriad of regional and local specialty operators who service an also fragmented independent restaurant industry in the U.S., provides a favorable backdrop for Chefs', indeed. This is especially true as the top 10 customers for Chefs' account for under 10% of net revenue. Equally important, is that Chefs' is supplied by an also fragmented network of producers, over 1,000 according to the company, with many instances in which Chefs' is the largest distributor of a manufacturer's product(s). According to filings, no supplier accounts for more than 5% of Chefs' products distributed. Taken together, this advantage should pay dividends for Chefs' over the long-run, as limited buyer and supplier power suggest excess profitability in the industry should go to the consolidator, with the potential for further flow through to the bottom line given Chefs' technology driven efficiencies. We believe this is one of the reasons Chefs' garners higher profit margins than its public comparables, UNFI and Sysco (SYY, $27.16, NC). While UNFI has been a consolidator in the natural and organic space, they, unlike Chefs', do face some supplier power and even larger buyer power, with Hain Celestial (HAIN, $30.37, Buy) representing roughly 7% of total purchases and Whole Foods representing 35% of UNFI's net sales in FY10, something which has a tendency to depress excess profitability.

Superior product offering will continue to be a key differentiator for Chefs'. The company's vast product offering, including a wide variety of specialty items from across the globe, places Chefs' in a category all its own, in our opinion, relative to its typical competition. Indeed, the company distributes over 11,500 SKUs, an amount which represents approximately 7x the average SKU count of other competing specialty distributors. Over the long-term, Chefs' growing offering should allow the company to further meet the diverse and ever-changing needs and tastes of its chef customers. In addition, we believe the company's ability to provide a wide variety of food categories, as well as certain everyday staple items, in a cost efficient manner limits the opportunity for other distributors to take share and in fact further strengthens Chefs' positioning in the industry. While a typical independent restaurant is likely to have a number of different suppliers based on its needs, as Chefs' continues to expand its product offering, the potential opportunity exists for the company to perhaps displace competitors as restaurants and other accounts look to consolidate supplier partners, a trend which we have witnessed in other places across the food vertical chain.

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A differentiated sales force and Chefs' ability to extend credit to its customers provide a strong go-to-market advantage. Chefs' sales force looks to be uniquely positioned as most are culinary educated or have spent significant time in the culinary industry. We believe this is uniquely advantageous and allows the company to better understand and meet the needs of its chef customers as they look to differentiate their product offering. In addition, given the spot nature of the order volume based on the customers' needs, Chefs' ability to extend credit to its customers and manage that well is a necessity for its customers. It is also a limiting factor in the growth of group purchasing organizations into the independent restaurant industry, the biggest long-term risk for Chefs' we believe, as these organizations typically do not extend credit to customers. Chefs' write-off ratio over the last few years has averaged roughly 32 bps, as the company's dedicated Credit and Collections Department manages it well depending on the climate.

Much more complicated than meets the eye. Despite what may appear to be a relatively simple and straightforward distribution model, Chefs' specialty business is intensely more complicated than may outwardly appear, something we determined first hand one night as we witnessed how a product goes from the shelf in the warehouse to the truck and ultimately to the customer. Profit margins generally in the food distribution business are thin as companies rely on solid sales leverage and cost efficiencies to turn a good profit. While larger broadline foodservice operators and those bigger distributors in the food-at-home channel have the ability to drive efficiencies through larger drop sizes and item volumes, we were struck by the inherent complexity in not only building a pallet through the piece-pick process, but ultimately breaking down a pallet on the truck as it is distributed to the different customers on the route. We believe the company's ability to operate a complex specialty distribution business and generate industry leading profitability provides a distinct competitive advantage for Chefs' and a barrier to entry for others. Indeed, the company's order to fill rate is over 99%, pretty astounding, while miss-picks are now well under 1%.

Chefs' is led by a very strong management team with significant experience. The company was founded and built from the ground up by Christopher Pappas, Chairman and CEO, and John Pappas, Director and Vice Chairman. Over the last six years, the company has made a significant push to invest in its business, including both people and technology. This included the hiring of James Wagner in 2005, appointed to COO in March 2011, the hiring of Kenneth Clark in 2007, appointed to CFO in March 2009 and the hiring of Frank O'Dowd in 2007, the company's CIO. These additions have created, in our opinion, a formidable senior team. Indeed, the chemistry that has developed between Mr. Pappas the CEO and Mr. Wagner the COO, while somewhat intangible, is also quite important as this company sets a path toward accelerating growth.

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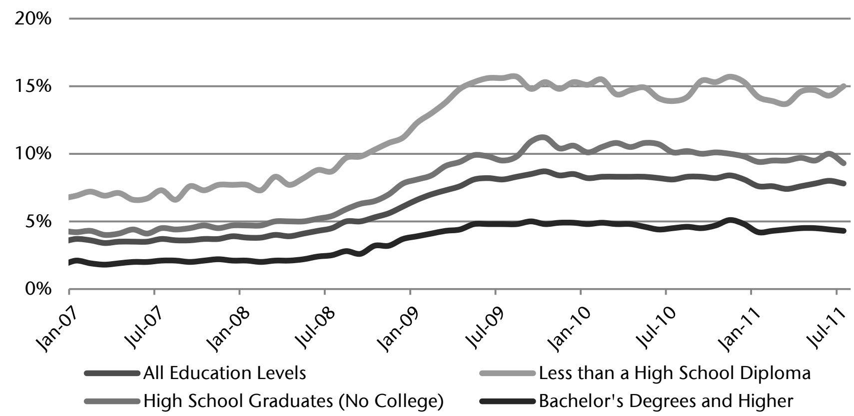
A Way to Invest in the High-End Consumer

Chefs', we believe, also provides the opportunity to invest in the faster-growth, high-end consumer segment in the food-away-from-home channel that is driven by the wealthy and educated consumer. Indeed, as exhibited nicely by Whole Foods, United Natural Foods, and The Fresh Market, among others, the high-end consumer segment has exhibited very strong growth coming out of the 2008 downturn and continues to show resilience. With a correlation of 0.80 between Chefs' organic growth and household wealth, similar to the correlation exhibited by Whole Foods according to our calculations, Chefs' customers clearly cater to the higher-end demographic and, as a result, recent stock market gyrations are a concern. However, our research has shown little slowdown in trends, although we have built much lower organic growth into our model in the back half of 2011. If this does not materialize, EPS could exceed our current estimate with every 1% in sales equal to just under ½ penny in earnings per quarter, according to our estimates.

Chart 12: Unemployment by Education Level



Source: BLS

Educated consumers are still employed and make more money. Coming out of the 2008 downturn the educated/wealthy individual fared quite well despite the difficult broader economy. Indeed, the unemployment rate of individuals with bachelor's degrees and higher is 4.3%, down from 5.1% in November 2010. The actions by the Federal Reserve to force people into risk assets have clearly buoyed equities, resulting in a sharp rebound in wealth, as is clearly seen by the Federal Reserve's Household Net Worth figures. (see below). Consumer Confidence, as reported by the University of Michigan, is also much higher for the higher income brackets when compared to U.S. consumers as a whole. In our opinion, these consumers also tend to shun chain restaurants, preferring the unique experience provided by the independent menu restaurants. In addition, the private clubs and upscale hotels are also frequented by the same demographic. These establishments are the bread and butter of Chefs' business.

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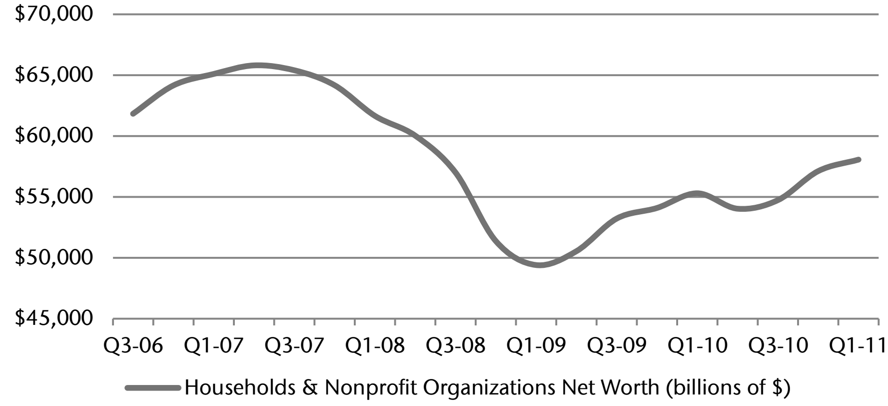
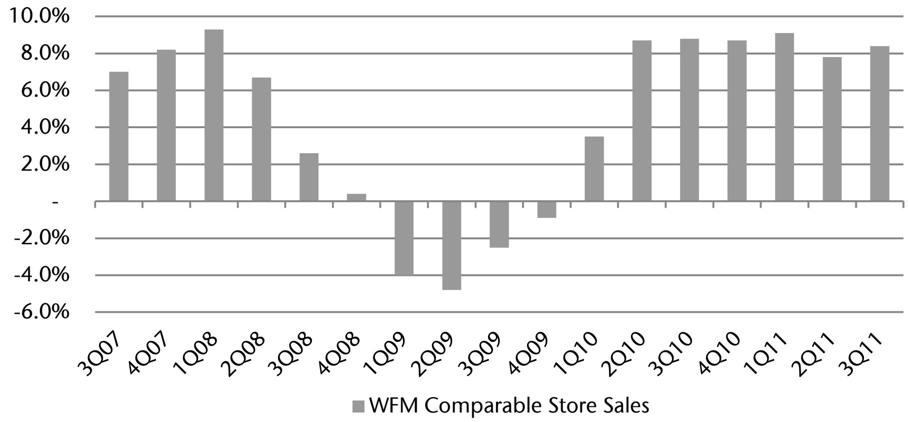
Chart 13: Household Net Worth



Source: The Federal Reserve Board.

Chart 14: WFM Comparable Store Sales



Source: Company Data

A slowdown in the macros could indeed crimp sales in the short-run, but Chefs' is simply stronger, more nimble and better positioned, we believe, to consolidate its industry over the long-term. While a deterioration in the U.S. macro picture, leading to wealth contraction in the higher-end demographic, would likely impact Chefs' to some degree, the company has made significant improvements on its operations and practices across its sales, warehouse and distribution functions since the last downturn a few years ago. Chefs' has and continues to build upon best practices and implemented large scale improvements to its technology infrastructure (the benefits of which remain in very early innings we believe) in an effort to truly supercharge its business. These actions have not only served to strengthen the company's operations, but have also provided the company increased up to the moment insight (and still improving) into the business and prepared Chefs' to drive results and gain share even when the backdrop remains less favorable.

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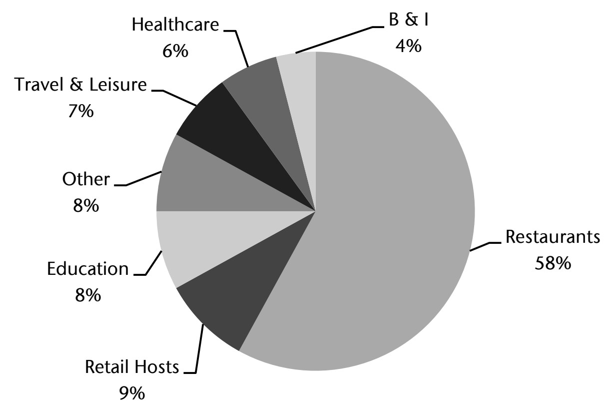
A Fragmented Food Distribution Landscape

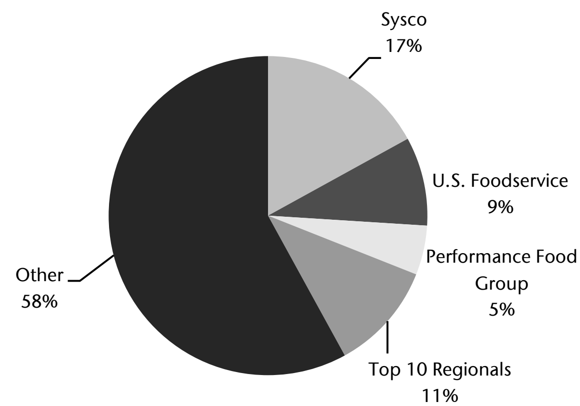
The U.S. food distribution landscape is vast and characterized by a wide range of operator-types who distribute across the food-away-from-home (chain restaurants, hospitals, hotels, etc.) and food-at-home (supermarkets, grocery retail, etc.) channels. The broader food-away-from-home channel in which Chefs' operates is dominated by major, national broadline distributors such as Sysco, U.S. Foodservice and Performance Food Group, as well as a number of regional and smaller operators. Operators such as Sysco and its two closest peers, distribute largely to chain restaurants, participants in the hospitality industry (hotels, etc.) and other large healthcare and educational institutions, among others. Chefs' operates in a much smaller niche of the food-away-from-home distribution channel, focusing specifically on specialty items sold largely to upscale independent menu restaurants, as well as hotels, other fine dining establishments, country clubs and culinary schools, among others, all driven by a focus on the chef and the cuisine served.

Chart 15: U.S. Foodservice Distribution Industry By Channel



Source: Sysco presentation CAGNY 2011

Chart 16: U.S. and Canada Foodservice Distribution Landscape



Source: Sysco presentation CAGNY 2011

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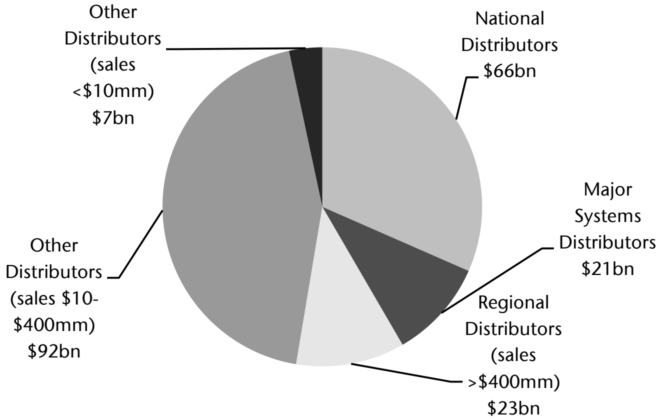
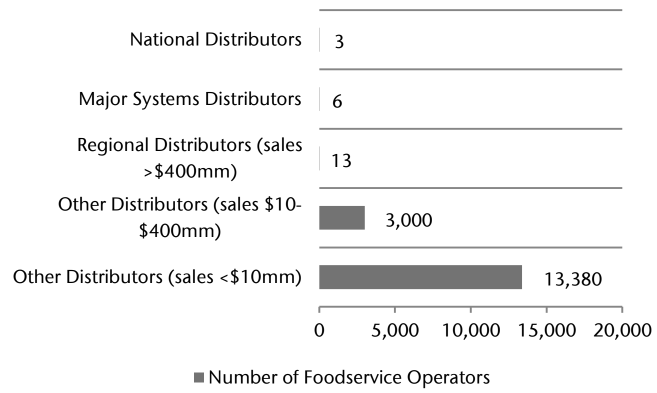
Chart 17: U.S. and Canada Foodservice Distribution Market By Size ($bn)



Source: Sysco presentation CAGNY 2011

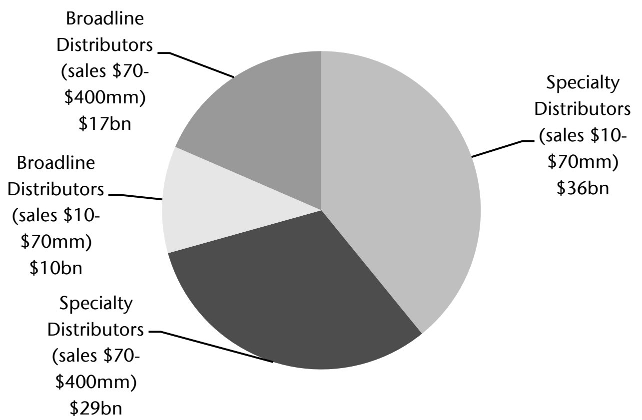
Chart 18: U.S. and Canada Foodservice Distribution Market By Number of Operators



Source: Sysco presentation CAGNY 2011

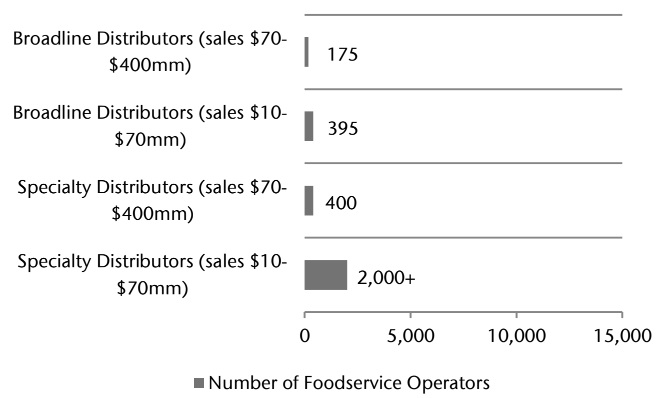
Chefs' main competitors are largely other regional or local specialty distributors, although they do compete with larger broadline players as well. While the customers to which Chefs' distributes do also utilize larger broadline distributors, Chefs' competition comes more from other regional or smaller specialty foodservice distributors in the markets in which it operates. Chefs' specific industry sub-segment remains highly fragmented, although there are a few operators of somewhat larger size, including European Imports, based in Chicago, which we believe is roughly half the size of Chefs' when measured by sales.

Chart 19: U.S. and Canada Foodservice Distribution Market ($10-$400mm in Sales) By Size ($bn)



Source: Sysco presentation CAGNY 2011

Chart 20: U.S. and Canada Foodservice Distribution Market ($10-$400mm in Sales) By Number of Operators



Source: Sysco presentation CAGNY 2011

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Valuation Overview

Our price target of $17.50 is 18.3x our FY12 EPS estimate of $0.96. This is below United Natural Foods' multiple of 19.0x and above Sysco's of 12.7x. Sysco, however, is a much slower growing company than both UNFI and Chefs'. We also believe Whole Foods and The Fresh Market are tangential comps, and Chefs' valuation is nicely under these companies as well. Our DCF places the value of the company at about $20.

Chart 21: Comparable Company Analysis ($mm, except per share data)

Company	09/02/11 Ticker	Current Price	Market Cap	Enterprise Value	EV / Revenue CY10	EV / Revenue CY11	EV / Revenue CY12	EV / EBITDA CY10	EV / EBITDA CY11	EV / EBITDA CY12	P/E CY10	P/E CY11	P/E CY12
United Natural Foods (Jefferies Est)	UNFI	$38.27	$1,855.4	$2,057.8	0.51x	0.44x	0.40x	13.2x	11.4x	10.1x	23.7x	21.5x	19.0x
Sysco (Consensus)	SYY	$27.16	$16,097.7	$18,126.4	0.47x	0.45x	0.43x	7.7x	7.5x	7.1x	13.9x	13.5x	12.7x
Mean					0.49x	0.44x	0.41x	10.4x	9.4x	8.6x	18.8x	17.5x	15.9x
Median					0.49x	0.44x	0.41x	10.4x	9.4x	8.6x	18.8x	17.5x	15.9x
Chefs' Warehouse (Jefferies Est)	CHEF	$13.56	$282.5	$325.7	0.99x	0.83x	0.75x	16.1x	11.1x	9.0x	25.3x	17.7x	14.2x

Source: Jefferies, Company Data, CapitalIQ, Thomson
Note: CHEF FY10 and FY11 reflect pro forma adjustments

Comparable Company Analysis

We believe the best and closest public company comparables to The Chefs' Warehouse are first United Natural Foods (UNFI, $38.27, Hold) and second Sysco (SYY, $27.16, NC). Interestingly, despite the myriad of operator types across the vast U.S. food distribution landscape, there exists a very limited cross-section of public companies generally speaking. In addition, there are no-pure play public comparables in the highly fragmented sub-sector of foodservice distribution in which Chefs' specifically operates as this portion of the industry is largely dominated by smaller, private, regional or local competitors. Despite the limited universe, and certain differentiating characteristics, which all factor into the multiple spreads among the three, UNFI and SYY remain the most appropriate comparable public companies, we believe.

CHEF currently trades at roughly 14x our CY12 EPS, while UNFI and SYY trade at approximately 19x and 13x CY12 EPS, respectively. We believe CHEF's P/E multiple premium to SYY is justified largely given the higher revenue and earnings growth rates exhibited by CHEF, coupled with the more favorable margin structure. On the flip side, despite Chefs' similar revenue growth trajectory, but slightly higher long-term EPS growth rate and better margin profile relative to UNFI, we believe a trading discount to UNFI is warranted given the more limited track record for CHEF. On an EV/EBITDA basis, CHEF currently trades at 9.0x our FY12 EBITDA, a roughly two multiple turn premium to SYY's 7.1x and just over one multiple turn discount to UNFI which trades at 10.1x.

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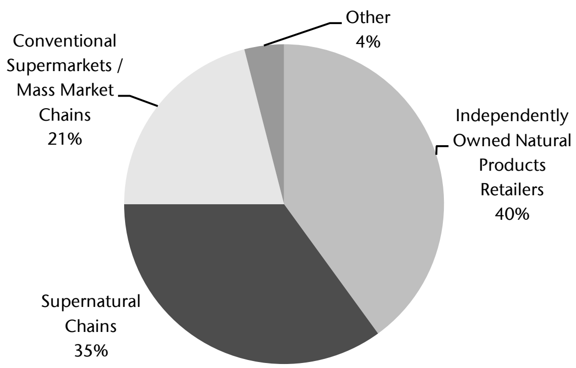
UNFI, the largest natural and organic product wholesale distributor in the U.S. and Canada, which also distributes a broad range of specialty food/non-food items, is the best public comp to CHEF, in our opinion. Much like the path of UNFI over its history, consolidating a highly fragmented natural and organic distribution landscape, The Chefs' Warehouse appears to be on a similar trajectory with the opportunity to consolidate its also-fragmented sub-sector of the industry, albeit one that caters to a different end-customer (namely the chef of the upscale independent menu restaurant). To that end, we find Chefs' at its current stage of lifecycle very analogous to where UNFI was in the 1990s and early 2000's, albeit with the advantage of having put technology into its busiest facility fairly early into its rapid growth cycle. UNFI, on the other hand, has struggled to get productivity enhancing tools deployed which we believe has hurt margins (although not the stock price all that much!).

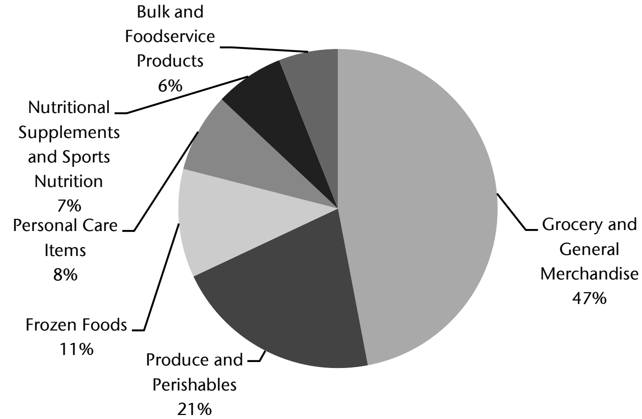
Buyer and supplier power are much more a factor for UNFI than they are for CHEF. Unlike CHEF, UNFI operates in the food-at-home channel, distributing largely to independent natural product retailers, supernatural chains (i.e. Whole Foods), as well as other conventional and mass retailers. Indeed, UNFI has a long-track record and a very dominant position in the natural and organic industry, however significant buyer and supplier concentration do exist, namely in Whole Foods and Hain Celestial. UNFI is the largest distributor to Whole Foods, representing 35% of UNFI's total net sales in FY10. In addition, roughly 7% of total purchases for UNFI come from Hain Celestial, the leading manufacturer of natural and organic food and related products.

Chart 22: UNFI FY10 Sales By Customer Type



Source: Company Data

Chart 23: UNFI FY10 Sales By Product Type



Source: Company Data

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UNFI has a somewhat similar revenue growth profile to CHEF, as strong organic growth rates are further supplemented by acquisitions, but CHEF's long-term EPS growth appears more favorable. Indeed, UNFI has grown net sales at a roughly 15% CAGR since fiscal year 2000 and we estimate approximately 10.3% revenue growth for UNFI next year (FY12: July). As it relates to Chefs' Warehouse, we estimate organic revenue growth of 10.5% in FY12 (Dec) and a growth rate of approximately 10% on average over the next five years (FY11-FY15). Indeed, aside from already announced acquisitions (Culinaire Specialty Foods and Harry Wils) we do not incorporate acquisition-related growth into our model, which we believe could add a few hundred basis points per year to sales. While both UNFI and CHEF have similar revenue growth profiles, CHEF's 3-year EPS CAGR of approximately 18% (based off our pro forma FY11 EPS of $0.77 for comparison purposes) is higher than what we estimate for UNFI at 12%, over a similar time frame. While UNFI is farther along the maturation growth curve than Chefs' and is directly benefitting from a natural and organic secular tailwind (which Chefs' is not), we believe an EPS CAGR of 12-15% for UNFI is reasonable.

Chefs' Warehouse also garners a more favorable margin structure than its peers. While UNFI's business in recent periods has grown more quickly with lower-margin conventional and mass customers, pressuring its gross margin before the lowered cost to service those specific customers is able to offset, we believe the roughly 300-400 bps higher operating margin (and growing) at CHEF is attributable to three main factors. First, we believe that Chefs' ability to drive higher margins through the utilization and leverage of its technology and infrastructure, such as its warehouse management system, among others has allowed the company to reduce operating costs and benefit from sales leverage, which should continue to improve over time. Second, the limited buyer and supplier power faced by Chefs' have allowed the company to capture better profits given the fragmentation of its industry backdrop. Indeed, our research suggests that while other regional or local competitors similar to Chefs' may capture higher gross margins in certain instances, Chefs' is nevertheless able to deliver higher operating margins given the lower cost to distribute and the benefits of its IT platform, a factor we believe should lead to further improvement in operating margins over time. Finally, the very specialty nature of Chefs' products leads to higher gross margin in certain instances.

Moving on to Sysco, which we also see as a logical compare to CHEF, there are perhaps greater relative differences to CHEF than exhibited by UNFI, suggesting the comparison, while appropriate, is not as strong. Sysco is the largest foodservice distributor in North America, according to the company, with over $39bn in sales in FY11 (July 2, 2011). Similar to Chefs', SYY also operates in the broader food-away-from-home channel, while UNFI operates in the food-at-home channel. SYY largely services chain restaurants, hospitals and nursing homes, hotels and motels, as well as schools and colleges, among others. Of the three large broadline foodservice distributors, also including U.S. Foodservice and Performance Food Group, SYY is the only public operator.

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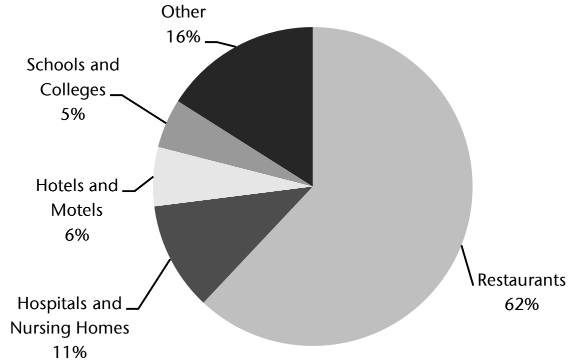
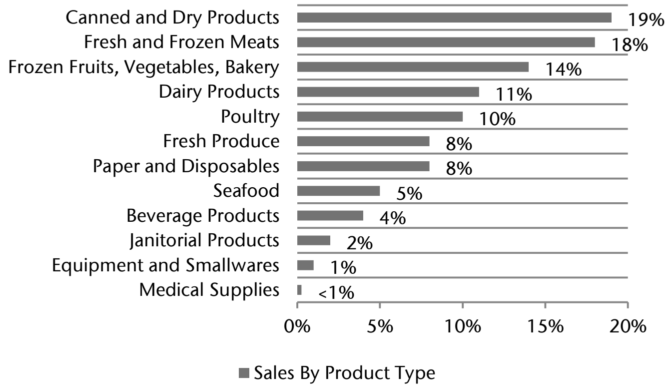
Please see important disclosure information on pages 32 - 36 of this report.

Chart 24: SYY FY11 Sales By Customer Type



Source: Company Data

Chart 25: SYY FY11 Sales By Product Type

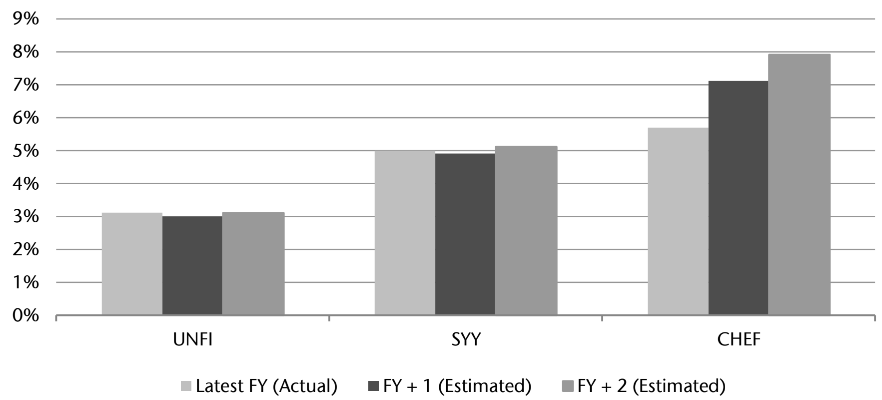


Source: Company Data

Despite its size, SYY has a much lower organic growth rate and a lower operating margin profile than Chefs', justifying an equity multiple discount to CHEF, we believe. Indeed, since FY01 SYY has grown sales at a roughly 6% CAGR, less than half the 10-year CAGR rate of UNFI. In its recently ended FY11, SYY grew top-line at a similar 6% rate. Long-term organic sales growth for SYY is likely in the mid-single digit range as the company captures market share on-top of more moderate industry growth.

Margins at SYY, while higher than UNFI, still trail CHEF. From a margin perspective, SYY commands higher operating margins than UNFI, averaging roughly 5% for SYY, but 3% for UNFI over the last few years. SYY's operating margin, however still trails that of CHEF by approximately 200 bps on average at the current juncture, a spread we believe which could widen over time as Chefs' consolidates the cottage industry in which it operates and further leverages the benefits of its technology platform.

Chart 26: Operating Margin Comparison (CHEF vs. Peers)



Source: Jefferies, Company Data, Thomson

Note: Actual data based on latest historical fiscal year (FY) available, including UNFI (FY10 July 31, 2010), SYY (FY11 July 2, 2011), and CHEF (FY10 Dec 24, 2010). UNFI and CHEF estimates for operating margins in FY+1 and FY+2 periods as per Jefferies' estimates. SYY estimates as per Thomson. CHEF's FY10 and FY+1 operating margin reflect pro forma adjustments.

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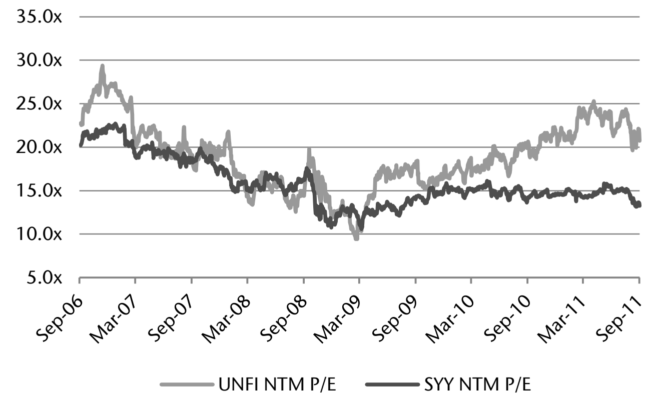
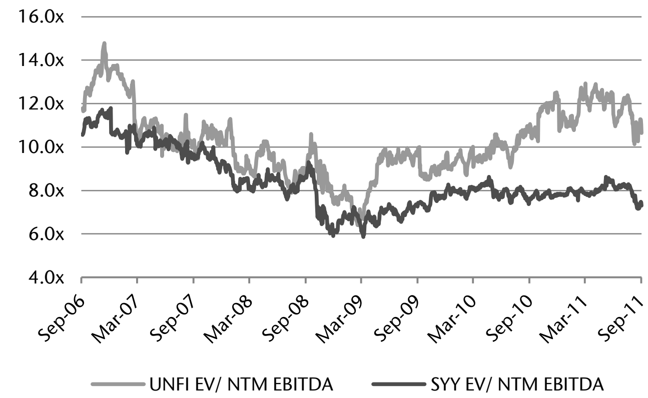
Comparable Company Trading History

Chart 27: Comparable Company NTM P/E



Source: Capital IQ

Chart 28: Comparable Company EV/ NTM EBITDA



Source: Capital IQ

Chart 29: Historical Multiple Trading Range

	Forward P/E (NTM)			EV/ Forward EBITDA (NTM)		
UNFI	**Min**	**Max**	**Avg**	**Min**	**Max**	**Avg**
1 Year	18.6x	25.3x	22.1x	10.1x	12.9x	11.7x
3 Years	9.4x	25.3x	18.3x	6.4x	12.9x	10.0x
5 Years	9.4x	29.4x	18.9x	6.4x	14.8x	10.2x
10 Years	9.4x	33.8x	21.2x	6.4x	16.8x	11.6x
SYY						
1 Year	13.2x	15.8x	14.6x	7.2x	8.6x	7.9x
3 Years	10.6x	17.6x	14.2x	5.9x	9.3x	7.6x
5 Years	10.6x	22.7x	15.9x	5.9x	11.8x	8.4x
10 Years	10.6x	28.3x	19.5x	5.9x	14.2x	10.1x

Source: Capital IQ

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Discounted Cash Flow

Our conservative DCF value of approximately $20 suggests equity upside as Chefs' grows and drives improved operating leverage. We assume organic growth of 11.2% and 10.5% in FY11 and FY12. Including the contribution from Chefs' Miami acquisition last year and its June 2011 acquisition of Harry Wils, we estimate 4.8% and 3.3% of contribution in FY11 and FY12, respectively. FY11 is also a 53 week period, which we estimate adds 2.4% to sales this year, while reducing sales in FY12 on a comparable y/y basis by 2.1%. All in, we estimate total sales growth of 18.5% and 11.6% in FY11 and FY12, respectively. For FY11 through FY15 we estimate organic sales of approximately 10% over the time period. We estimate total sales on average over the FY12-FY20 period of 8.8%, with 4% sales growth in the terminal value. If we were to add 1% in revenue growth throughout the life of our model (starting in FY12 and excluding the TV year) this would add approximately $1.50 to our DCF value.

We estimate improving EBIT margins over time. We estimate EBIT margin of 7.1% in FY11 on a pro forma basis and 7.9% in FY12, driven largely by improved revenue and operating expense leverage, with slight gross margin improvement. Our model assumes a 9% EBIT margin is achieved by FY17 and remains flat at 9% thereafter, through the terminal value. According to our estimates, 100bps of margin difference spread equally over FY12-FY17 adds or subtracts approximately $2.50 from our DCF value.

Depreciation and Amortization are estimated to grow in line with sales. We have assumed $1.5mm and $8.3mm in CapEx in FY11 and FY12. The step-up next year is due largely to the company's move from its current Bronx NY facility to another in close proximity. Over the long-term we slowly move CapEx (as a % of net revenue) higher as the company expands its business over time. In addition, we assume working capital usage each year and assume a 39% tax rate. We also assume a weighted average cost of capital for our DCF analysis of 9.7% with every ½ of one percent decrease boosting the value of the DCF by approximately $2.30.

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Risks

Group purchasing organizations could potentially depress margins over the long-term. The influx of group purchasing organizations over time into the independent restaurant channel could serve to depress profitability for Chefs' Warehouse. Group purchasing organizations largely seek to aggregate individual parties in an effort to improve the collective buying power of the group to a greater degree than could be done on an individual basis. While these organizations currently are not as prevalent in the industry sub-sector in which Chefs' participates as in other areas, if Chefs' customers were to join or form larger scale group purchasing organizations in an effort to reduce their costs of buying products from Chefs' and other similar distributors, this could reduce profitability for Chefs' Warehouse. While we believe this represents the biggest potential risk for the company over the long-term, there are mitigating factors, including the extension of credit to customers. Given the nature of the industry, Chefs' regularly extends credit to its customers, while group purchasing organizations largely do not. We also believe Chefs' model and the unique relationships it has with its customers and the chefs could help deter the formation of such groups in the company's industry segment. Finally, through its CRM and price optimization technologies Chefs makes sure it is not fleecing its customers, particularly its high volume clients.

Strong correlation to wealth and the high-end consumer present both opportunity and risk for Chefs' Warehouse. While Chefs' business does fall into the category of foodservice distribution, its customers largely cater to the higher-end demographic and as a result Chefs' business is strongly influenced by this segment of the population. Indeed, with a correlation of 0.80 between Chefs' organic growth and household wealth, as defined by the Federal Reserve, there remains opportunity on the upside given the strong growth exhibited by this segment despite high stagnant unemployment and rising prices for food and fuel in recent periods. However, if the macro economy were to deteriorate, leading to a contraction in wealth for this demographic in the U.S., Chefs' sales and earnings would likely be negatively impacted. Whole Foods, which by our calculation exhibits a similar correlation between its comp sales and wealth, saw a noticeable decline in its sales during the 2008-2009 down turn. To that end, we believe that Chefs' organic sales could exhibit greater movement on the upside and downside given the nature of the food-away-from-home segment, relative to those similar companies that participate in the food-at-home channel such as UNFI and Whole Foods for example. However, Chefs' has made significant improvements on its business since the last downturn which have provided greater strength, flexibility and insight into its operations, better positioning the company for the long-term, as well as helping to offset shorter-term macro weakness. Indeed, thus far our research has revealed little if any slowing in the high-end food channel.

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Chefs' operations are concentrated in New York. The company's New York market, which falls between Atlantic City and Boston, but is largely concentrated in greater New York City, is the largest and most important for Chefs'. Indeed, approximately 65% of FY10 net revenues came from this geography, and we estimate a significant portion of total company profitability. As such, any material adverse event as it relates to Chefs' business in this region could have a significant negative impact on the company's operations and results. In FY12, the company will be moving its DC to another facility in very close proximity. While we do not anticipate any significant issues, any operational slowdown related to this move could impact results.

Acquisition growth adds execution risk. As Chefs' Warehouse expands its presence into new geographies, the company will look to add customers through acquisition. Indeed, over time the company has added to organic growth with acquisitions and we expect this to continue. Over the last few years, the company has completed about one acquisition per year, however, we expect this rate to increase to perhaps 2-3 transactions per year on average as Chefs' looks to grow outside its current geographies as well as within current ones. While any acquisition presents the possibility of execution-related risk, there do tend to be some factors which help to mitigate risk for Chefs'. Transaction sizes have historically been small, with three of Chefs' last four at or below $5mm and the latest transaction under $10mm, although any future transactions could in fact be larger. In addition, many transactions involve the purchase of customer lists and related items, along with inventory and working capital, suggesting more limited integration risk.

Technology and systems implementation risk. The company is moving to bring its systems outside of New York. While we believe this process will be smooth, it does create some temporary execution risk as the systems are deployed.

Excessive inflation or deflation could present challenges for the company. Indeed, higher costs for food inputs could raise the cost to produce for suppliers and in turn reduce the company's gross margin or make it more difficult to pass along to its customers. One factor that helps to mitigate some risk in a period of rising food inputs is that Chefs' distributes a wide variety of products which on a relative basis are not as heavily tied to one specific commodity input. However, the company does remain exposed to rising fuel prices. While there is some pass through pricing ability, the company does not employ sophisticated hedging strategies and significant or sharp increases in fuel prices could have a negative impact on results. In addition, prolonged periods of deflation or falling prices would also likely present challenges for Chefs' as the company uses higher sales to help leverage fixed costs.

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Chart 30: CHEF Income Statement ($ thousands, except per share data)

	2008A	2009A	2010A	2010PF					2011E					2011PFE	2012E
				Pro Forma						*Pro Forma*	*Pro Forma*	*Pro Forma*	*Pro Forma*	*Pro Forma*	
	52 weeks	52 weeks	52 weeks	52 weeks	Q1:11A	Q2:11A	Q3:11E	Q4:11E	53 weeks	Q1:11PF	Q2:11PF	Q3:11PFE	Q4:11PFE	53 weeks	52 weeks
	Dec-08	Dec-09	Dec-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Dec-11	Mar-11	Jun-11	Sep-11	Dec-11	Dec-11	Dec-12
	364	364	364	364	91	91	91	98	371	91	91	91	98	371	364
Net Revenues	$281,703	$271,072	$330,118	$330,118	$83,183	$99,255	$97,031	$111,688	$391,156	$83,183	$99,255	$97,031	$111,688	$391,156	$436,545
Cost of Sales	$211,387	$199,764	$244,340	$244,340	$61,148	$73,000	$71,823	$82,675	$288,646	$61,148	$73,000	$71,823	$82,675	$288,646	$321,703
Gross Profit	$70,316	$71,308	$85,778	$85,778	$22,035	$26,255	$25,207	$29,013	$102,510	$22,035	$26,255	$25,207	$29,013	$102,510	$114,842
Operating Expenses	$59,955	$57,580	$63,491	$66,965	$16,976	$18,351	$19,977	$19,877	$75,180	$17,441	$18,766	$18,492	$19,992	$74,690	$80,302
EBIT (Operating)	$10,361	$13,728	$22,287	$18,813	$5,059	$7,904	$5,231	$9,136	$27,330	$4,594	$7,489	$6,716	$9,021	$27,820	$34,540
Non-Recurring Items	-	-	-	-	-	$200	-	-	$200	-	$200	-	-	$200	-
EBIT (Reported)	$10,361	$13,728	$22,287	$18,813	$5,059	$7,704	$5,231	$9,136	$27,130	$4,594	$7,289	$6,716	$9,021	$27,620	$34,540
EBIT (Operating)	$10,361	$13,728	$22,287	$18,813	$5,059	$7,904	$5,231	$9,136	$27,330	$4,594	$7,489	$6,716	$9,021	$27,820	$34,540
Plus: Depreciation & Amortization	$1,626	$1,520	$1,388	$1,388	$322	$393	$400	$415	$1,530	$322	$393	$400	$415	$1,530	$1,659
EBITDA	$11,987	$15,248	$23,675	$20,201	$5,381	$8,297	$5,631	$9,551	$28,860	$4,916	$7,882	$7,116	$9,436	$29,350	$36,199
Interest Expense, Net	$3,597	$3,212	$4,756	$1,397	$3,450	$3,343	$1,100	$450	$8,343	$433	$417	$426	$410	$1,685	$1,699
(Gain) / Loss on Fluctuation of Interest Rate Swap	$1,118	($658)	($910)	($910)	($81)	-	-	-	($81)	($81)	-	-	-	($81)	-
Other	-	-	-	-	$3	-	-	-	$3	$3	-	-	-	$3	-
EBT	$5,646	$11,174	$18,441	$18,326	$1,687	$4,561	$4,131	$8,686	$19,065	$4,239	$7,072	$6,290	$8,612	$26,213	$32,842
Income Taxes	$3,450	$2,213	$2,567	$7,147	$667	$1,786	$1,611	$3,388	$7,452	$1,663	$2,765	$2,453	$3,358	$10,240	$12,808
Net Income (Loss) (Operating)	$2,196	$8,961	$15,874	$11,179	$1,020	$2,775	$2,520	$5,299	$11,613	$2,576	$4,307	$3,837	$5,253	$15,973	$20,033
Non-Recurring Items (Net of Taxes)	-	-	-	$854	-	($122)	($3,271)	-	($3,393)	-	($122)	-	-	($122)	-
Net Income (Loss) Reported	$2,196	$8,961	$15,874	$12,033	$1,020	$2,653	($752)	$5,299	$8,220	$2,576	$4,185	$3,837	$5,253	$15,851	$20,033
Disc Operations, Net of Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income (Reported) After Disc. Ops	$2,196	$8,961	$15,874	$12,033	$1,020	$2,653	($752)	$5,299	$8,220	$2,576	$4,185	$3,837	$5,253	$15,851	$20,033
Deemed Dividend Accretion on Class A Units	($3,000)	($6,207)	($4,123)		-	-	-	-	-						
Deemed Dividend Paid to Class A Units	-	-	($22,429)		-	-	-	-	-						
Net Income (Loss) to Common Stockholders	($804)	$2,754	($10,678)		$1,020	$2,653	($752)	$5,299	$8,220						
Diluted EPS (Operating)	NA	NA	NA	$0.54	$0.06	$0.17	$0.12	$0.25	$0.63	$0.12	$0.21	$0.18	$0.25	$0.77	$0.96
Diluted EPS (Reported)	NA	NA	NA	$0.58	$0.06	$0.17	($0.04)	$0.25	$0.45	$0.12	$0.20	$0.18	$0.25	$0.76	$0.96
Weighted Avg. Diluted Shares Outstanding	NA	NA	NA	20,835	16,000	16,000	20,835	20,835	18,417	20,835	20,835	20,835	20,835	20,835	20,935
Growth Rates															
Net Revenues	10.0%	-3.8%	21.8%	NA	18.8%	18.7%	NA	NA	18.5%	18.8%	18.7%	NA	NA	18.5%	11.6%
Gross Profit	7.6%	1.4%	20.3%	NA	22.5%	19.7%	NA	NA	19.5%	22.5%	19.7%	NA	NA	19.5%	12.0%
Operating Expenses	1.0%	-4.0%	10.3%	NA	14.7%	13.3%	NA	NA	18.4%	15.7%	14.0%	NA	NA	11.5%	7.5%
EBIT (Operating)	73.9%	32.5%	62.3%	NA	59.2%	37.5%	NA	NA	22.6%	57.7%	36.5%	NA	NA	47.9%	24.2%
EBIT (Reported)	73.9%	32.5%	62.3%	NA	59.2%	34.1%	NA	NA	21.7%	57.7%	32.9%	NA	NA	46.8%	25.1%
Depreciation & Amortization	NM	-6.5%	-8.7%	NA	1.9%	9.8%	NA	NA	10.2%	1.9%	9.8%	NA	NA	10.2%	8.4%
EBITDA	NM	27.2%	55.3%	NA	54.1%	35.9%	NA	NA	21.9%	52.2%	34.9%	NA	NA	45.3%	23.3%
Net Income (Operating)	64.9%	308.1%	77.1%	NA	-33.6%	-35.3%	NA	NA	-26.8%	81.7%	39.1%	NA	NA	42.9%	25.4%
Net Income (Reported)	NM	NM	NM	NA	186.5%	-14.7%	NA	NA	NM	81.7%	35.1%	NA	NA	31.7%	26.4%
Diluted EPS (Operating)	NA	NA	NA	NA	319.0%	30.3%	NA	NA	NA	81.7%	39.1%	NA	NA	42.9%	24.8%
Diluted EPS (Reported)	NA	NA	NA	NA	319.0%	24.6%	NA	NA	NA	81.7%	35.1%	NA	NA	31.7%	25.8%
Margin															
Gross Profit	25.0%	26.3%	26.0%	26.0%	26.5%	26.5%	26.0%	26.0%	26.2%	26.5%	26.5%	26.0%	26.0%	26.2%	26.3%
Operating Expenses (As % of Net Revenues)	21.3%	21.2%	19.2%	20.3%	20.4%	18.5%	20.6%	17.8%	19.2%	21.0%	18.9%	19.1%	17.9%	19.1%	18.4%
EBIT (Operating)	3.7%	5.1%	6.8%	5.7%	6.1%	8.0%	5.4%	8.2%	7.0%	5.5%	7.5%	6.9%	8.1%	7.1%	7.9%
EBIT (Reported)	3.7%	5.1%	6.8%	5.7%	6.1%	7.8%	5.4%	8.2%	6.9%	5.5%	7.3%	6.9%	8.1%	7.1%	7.9%
EBITDA	4.3%	5.6%	7.2%	6.1%	6.5%	8.4%	5.8%	8.6%	7.4%	5.9%	7.9%	7.3%	8.4%	7.5%	8.3%
Net Income (Operating)	0.8%	3.3%	4.8%	3.4%	1.2%	2.8%	2.6%	4.7%	3.0%	3.1%	4.3%	4.0%	4.7%	4.1%	4.6%
Net Income (Reported)	-0.3%	1.0%	-3.2%	3.6%	1.2%	2.7%	-0.8%	4.7%	2.1%	3.1%	4.2%	4.0%	4.7%	4.1%	4.6%
Change in Margin															
Change in Gross Profit Margin	-0.55%	1.34%	-0.32%	NA	0.80%	0.21%	NA	NA	0.22%	0.80%	0.21%	NA	NA	0.22%	0.10%
Change in Operating Expenses (As % of Net Revenues)	-1.90%	-0.04%	-2.01%	NA	-0.74%	-0.88%	NA	NA	-0.01%	-0.56%	-0.78%	NA	NA	-1.19%	-0.70%
Change in EBIT (Operating) Margin	1.35%	1.39%	1.69%	NA	1.54%	1.09%	NA	NA	0.24%	1.36%	0.99%	NA	NA	1.41%	0.80%
Change in EBIT (Reported) Margin	1.35%	1.39%	1.69%	NA	1.54%	0.89%	NA	NA	0.18%	1.36%	0.78%	NA	NA	1.36%	0.85%
Change in EBITDA Margin	NA	1.37%	1.55%	NA	1.48%	1.06%	NA	NA	0.21%	1.30%	0.95%	NA	NA	1.38%	0.79%
Effective Tax Rate	61.1%	19.8%	13.9%	39.0%	39.5%	39.2%	39.0%	39.0%	39.1%	39.2%	39.1%	39.0%	39.0%	39.1%	39.0%

Source: Jefferies, company data

Note: Operating expenses exclude deferred financing fee amortization, which is included below the line in Interest Expense, Net.

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Company Description

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- The Chefs' Warehouse, Inc. (CHEF: $13.56, BUY)
- United Natural Foods (UNFI: $38.27, HOLD)
- Whole Foods Market (WFM: $63.11, HOLD)

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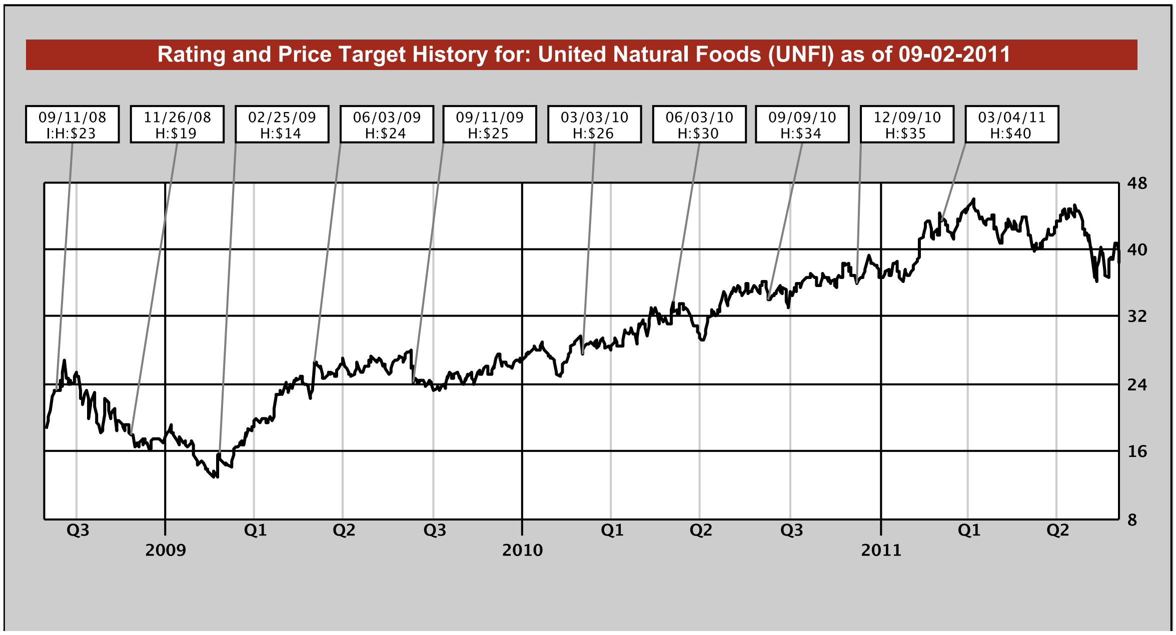

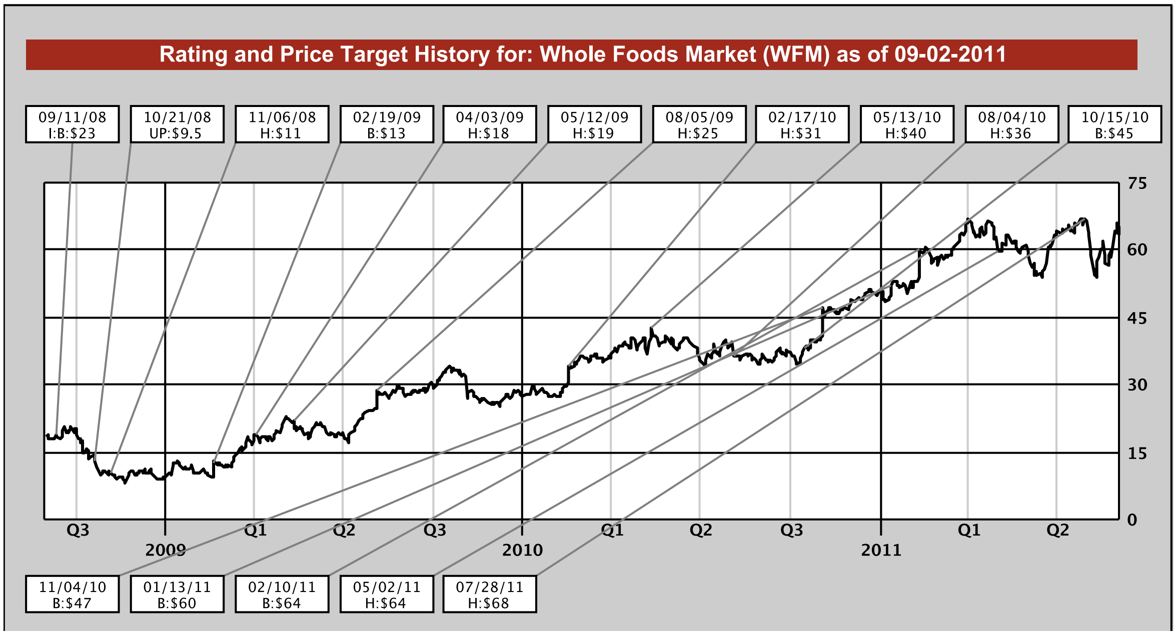

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