



November 2, 2016

## The Chefs' Warehouse Reports Third Quarter 2016 Financial Results

### Specialty Organic Revenue Growth of 5.1%

RIDGEFIELD, Conn., Nov. 02, 2016 (GLOBE NEWSWIRE) -- The Chefs' Warehouse, Inc. (NASDAQ:CHEF), a premier distributor of specialty food products in the United States and Canada, today reported financial results for its third quarter ended September 23, 2016.

#### Financial highlights for the third quarter of 2016 compared to the third quarter of 2015:

- | Net sales increased 7.8% to \$297.9 million for the third quarter of 2016 from \$276.3 million for the third quarter of 2015.
- | GAAP net income was \$1.3 million or \$0.05 per diluted share, for the third quarter of 2016 compared to \$5.2 million, or \$0.20 per diluted share, in the third quarter of 2015.
- | Modified pro forma earnings per diluted share<sup>[1]</sup> was \$0.07 for the third quarter of 2016 compared to \$0.21 for the third quarter of 2015.
- | Adjusted EBITDA<sup>1</sup> was \$14.6 million for the third quarter of 2016 compared to \$17.6 million for the third quarter of 2015.

"We are pleased with our third quarter results which came in slightly ahead of our expectations, despite the continued soft industry backdrop and deflationary trend in food costs. Our business model continues to demonstrate our ability to take share. Organic case growth in our specialty division remained strong at 7.5%, which was muted by sequentially higher deflation. We are also pleased with our progress at Del Monte during the third quarter, as gross margins improved sequentially from the second quarter," said Chris Pappas, chairman and chief executive officer of The Chefs' Warehouse, Inc. "The team made tremendous progress getting back on track after transitioning onto the new ERP platform. With much of the heavy lifting behind us, our team is getting back to playing offense and executing our strategy."

#### Third Quarter Fiscal 2016 Results

Net sales for the quarter ended September 23, 2016 increased 7.8% to \$297.9 million from \$276.3 million for the quarter ended September 25, 2015. Organic growth contributed \$6.0 million, or 2.2% to sales growth in the quarter. The remaining sales growth of \$15.6 million, or 5.7% resulted from the acquisition of M.T. Food Service, Inc. on June 27, 2016. Compared to the third quarter of 2015, the Company's case count grew approximately 7.5%, while the number of unique customers and placements grew 5.2% and 5.6%, respectively, in the core specialty business in the third quarter of 2016. Pounds sold in the Company's protein division decreased 1.8% for the third quarter of 2016 compared to the prior year quarter. Deflation was approximately 2.2% during the quarter, consisting of 1.6% deflation in the specialty division and deflation of 3.2% in the protein division.

Gross profit increased approximately 6.0% to \$74.4 million for the third quarter of 2016 from \$70.2 million for the third quarter of 2015. Gross profit margin decreased approximately 43 basis points to 25.0% from 25.4%. Gross profit margins increased approximately 11 basis points in the Company's specialty division. Gross profit margins decreased approximately 191 basis points in the protein division due to challenges in passing through beef prices as well as continued integration challenges at Del Monte.

Total operating expenses increased by approximately 15.3% to \$66.1 million for the third quarter of 2016 from \$57.3 million for the third quarter of 2015. As a percentage of net sales, operating expenses were 22.2% in the third quarter of 2016 compared to 20.7% in the third quarter of 2015. The increase in the Company's operating expense ratio is largely attributable to the acquisition of MT Food Service Inc., as well as increased warehouse and delivery labor costs, higher occupancy expense related to the Company's increased warehouse capacity, higher fleet related expenses and additional amortization expense.

Operating income for the third quarter of 2016 was \$8.3 million compared to \$12.9 million for the third quarter of 2015. As a percentage of net sales, operating income was 2.8% in the third quarter of 2016 compared to 4.7% in the third quarter of 2015. The decrease in operating income was driven primarily from the higher operating expenses discussed above partially offset by higher gross profit.

Interest expense increased to \$5.9 million for the third quarter of 2016 compared to \$3.9 million in the third quarter of 2015

due to higher levels of debt as a result of the Company's previously disclosed refinancing completed on June 22, 2016.

The net income for the third quarter of 2016 was \$1.3 million, or \$0.05 per diluted share, compared to net income of \$5.2 million, or \$0.20 per diluted share, for the third quarter of 2015.

On a non-GAAP basis, adjusted EBITDA<sup>1</sup> was \$14.6 million for the third quarter of 2016 compared to \$17.6 million for the third quarter of 2015. For the third quarter of 2016, modified pro forma net income<sup>1</sup> was \$1.7 million and modified pro forma EPS<sup>1</sup> was \$0.07 compared to modified pro forma net income of \$5.5 million and modified pro forma EPS of \$0.21 for the third quarter of 2015.

### **Full Year 2016 Guidance**

Based on third quarter results as well as current trends in the business, the Company is updating its financial guidance for fiscal year 2016, which includes a 53<sup>rd</sup> week. The Company now expects the following:

- | Net sales between \$1.185 billion and \$1.195 billion
- | Net loss between \$2.5 million and \$1.0 million
- | Net loss per diluted share between \$0.07 and \$0.02
- | Adjusted EBITDA between \$57.5 million and \$61.0 million
- | Modified pro forma net income per diluted share between \$0.41 and \$0.46

This guidance is based on an effective tax rate of approximately 41.5% and fully diluted shares of approximately 27.25 million shares. For purposes of calculating the modified pro forma diluted EPS the Company has assumed that the convertible debt will be dilutive for the full year and as such the Company added back \$537,000 of interest, after tax, to net loss and assumed conversion into 1,237,374 shares and included these in the diluted weighted average shares.

### **Third Quarter 2016 Earnings Conference Call**

The Company will host a conference call to discuss third quarter 2016 financial results today at 5:00 p.m. EST. Hosting the call will be Chris Pappas, chairman and chief executive officer, and John Austin, chief financial officer. The conference call will be webcast live from the Company's investor relations website at <http://investors.chefwarehouse.com/>. The call can also be accessed live over the phone by dialing (877) 407-4018, or for international callers (201) 689-8471. A replay will be available one hour after the call and can be accessed by dialing (877) 870-5176 or (858) 384-5517 for international callers; the conference ID is 13647718. The replay will be available until Wednesday, November 9, 2016, and an online archive of the webcast will be available on the Company's investor relations website for 30 days.

### **Forward-Looking Statements**

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995: Statements in this press release regarding the Company's business that are not historical facts are "forward-looking statements" that involve risks and uncertainties and are based on current expectations and management estimates; actual results may differ materially. The risks and uncertainties which could impact these statements include, but are not limited to, the Company's ability to successfully deploy its operational initiatives to achieve synergies from the acquisition of the Del Monte entities; the Company's sensitivity to general economic conditions, including the current economic environment, changes in disposable income levels and consumer discretionary spending on food-away-from-home purchases; the Company's vulnerability to economic and other developments in the geographic markets in which it operates; the risks of supply chain interruptions due to a lack of long-term contracts, severe weather or more prolonged climate change, work stoppages or otherwise; the risk of loss of customers due to the fact that the Company does not customarily have long-term contracts with its customers; the risks of loss of revenue or reductions in operating margins in the Company's protein business as a result of competitive pressures within this segment of the Company's business; changes in the availability or cost of the Company's specialty food products; the ability to effectively price the Company's specialty food products and reduce the Company's expenses; the relatively low margins of the foodservice distribution industry and the Company's and its customers' sensitivity to inflationary and deflationary pressures; the Company's ability to successfully identify, obtain financing for and complete acquisitions of other foodservice distributors and to integrate and realize expected synergies from those acquisitions; the Company's ability to service customers from its new Chicago, San Francisco and Las Vegas distribution centers and the expenses associated therewith; increased fuel cost volatility and expectations regarding the use of fuel surcharges; fluctuations in the wholesale prices of beef, poultry and seafood, including increases in these prices as a result of increases in the cost of feeding and caring for livestock; the loss of key members of the Company's management team and the Company's ability to replace such personnel; and the strain on the Company's infrastructure and resources caused by its growth. Any forward-looking statements are made pursuant to the Private Securities Litigation Reform Act of 1995 and, as such, speak only as of the date made. A more detailed description of these and other risk factors is contained in the Company's most recent annual report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on March 4, 2016 and other reports filed by the Company with the SEC since that date. The Company is not undertaking to update any information in the foregoing report until the effective date of its future reports required by applicable laws. Any projections of future results of operations are based on a number of assumptions, many of which are outside the Company's

control and should not be construed in any manner as a guarantee that such results will in fact occur. These projections are subject to change and could differ materially from final reported results. The Company may from time to time update these publicly announced projections, but it is not obligated to do so.

### About The Chefs' Warehouse

The Chefs' Warehouse, Inc. (<http://www.chefswarehouse.com>) is a premier distributor of specialty food products in the United States and Canada focused 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, bakeries, patisseries, chocolatiers, cruise lines, casinos and specialty food stores. The Chefs' Warehouse, Inc. carries and distributes more than 35,000 products to more than 26,500 customer locations throughout the United States and Canada.

<sup>1</sup>Please see the Consolidated Statements of Operations at the end of this earnings release for a reconciliation of EBITDA, Adjusted EBITDA, modified pro forma net income and modified pro forma EPS to these measures' most directly comparable GAAP measure.

**THE CHEFS' WAREHOUSE, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**THIRTEEN AND THIRTY-NINE WEEKS ENDED SEPTEMBER 23, 2016 AND SEPTEMBER 25, 2015**  
**(unaudited, in thousands except share amounts and per share data)**

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 23, 2016	September 25, 2015	September 23, 2016	September 25, 2015
Net Sales	\$ 297,917	\$ 276,306	\$ 849,962	\$ 753,789
Cost of Sales	223,525	206,134	637,809	562,146
Gross Profit	74,392	70,172	212,153	191,643
Operating Expenses	66,106	57,319	187,318	166,316
Operating Income	8,286	12,853	24,835	25,327
Interest Expense	5,947	3,902	35,271	9,312
Loss (Gain) on Disposal of Assets	40	8	43	(340)
Income (Loss) Before Income Taxes	2,299	8,943	(10,479)	16,355
Provision for Income Tax Expense	956	3,719	(4,360)	6,801
Net Income (Loss)	\$ 1,343	\$ 5,224	\$ (6,119)	\$ 9,554
Net Income (Loss) Per Share:				
Basic	\$ 0.05	\$ 0.20	\$ (0.24)	\$ 0.38
Diluted	\$ 0.05	\$ 0.20	\$ (0.24)	\$ 0.37
Weighted Average Common Shares Outstanding:				
Basic	25,936,832	25,864,638	25,911,278	25,419,349
Diluted	25,977,171	27,154,770	25,911,278	26,275,597

**THE CHEFS' WAREHOUSE, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**AS OF SEPTEMBER 23, 2016 AND DECEMBER 25, 2015**  
**(in thousands)**

**September 23, December 25,**

	<u>2016</u>	<u>2015</u>
	<u>(unaudited)</u>	
Cash	\$ 26,191	\$ 2,454
Accounts receivable, net	121,493	124,139
Inventories, net	88,979	92,758
Deferred taxes, net	5,502	5,256
Prepaid expenses and other current assets	23,090	9,164
Total current assets	<u>265,255</u>	<u>233,771</u>
Equipment and leasehold improvements, net	59,275	54,283
Software costs, net	6,337	4,511
Goodwill	163,806	155,816
Intangible assets, net	133,904	132,211
Other assets	3,703	3,089
Total assets	<u>\$ 632,280</u>	<u>\$ 583,681</u>
Accounts payable	\$ 59,163	\$ 64,888
Accrued liabilities	22,064	24,258
Accrued compensation	7,968	7,732
Current portion of long-term debt	13,615	6,030
Total current liabilities	<u>102,810</u>	<u>102,908</u>
Long-term debt, net of current portion	319,005	266,207
Deferred taxes, net	9,974	9,316
Other liabilities	16,254	17,286
Total liabilities	<u>448,043</u>	<u>395,717</u>
Preferred stock	-	-
Common stock	263	263
Additional paid in capital	126,528	125,170
Cumulative foreign currency translation adjustment	(1,915)	(2,949)
Retained earnings	59,361	65,480
Stockholders' equity	<u>184,237</u>	<u>187,964</u>
Total liabilities and stockholders' equity	<u>\$ 632,280</u>	<u>\$ 583,681</u>

**THE CHEFS' WAREHOUSE, INC.**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE THIRTY-NINE WEEKS ENDED SEPTEMBER 23, 2016 AND SEPTEMBER 25, 2015**  
**(unaudited; in thousands)**

	<u>September 23,</u>	<u>September 25,</u>
	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities:</b>		
Net Income (Loss)	\$ (6,119)	\$ 9,554
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	4,966	4,219
Amortization	8,704	6,754
Provision for allowance for doubtful accounts	2,674	2,018
Deferred credits	1,340	475
Deferred taxes	1,169	(1,760)
Amortization of deferred financing fees	1,209	908

Loss on debt extinguishment	22,310	-
Stock compensation	1,909	2,869
Change in fair value of earn-out liability	(1,601)	307
Loss (gain) on disposal of assets	43	(340)
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	4,627	(3,294)
Inventories	5,638	(6,182)
Prepaid expenses and other current assets	(15,612)	563
Accounts payable and accrued liabilities	(8,424)	1,124
Other liabilities	(1,186)	(85)
Other assets	(439)	(385)
<b>Net cash provided by operating activities</b>	<u>21,208</u>	<u>16,745</u>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(11,532)	(19,247)
Proceeds from asset disposals	-	16,187
Cash paid for acquisitions, net of cash received	(19,742)	(123,831)
<b>Net cash used in investing activities</b>	<u>(31,274)</u>	<u>(126,891)</u>
<b>Cash flows from financing activities:</b>		
Payment of debt	(156,655)	(7,351)
Proceeds from issuance of debt	315,810	25,000
Net change in revolving credit facility	(93,382)	94,000
Cash paid for deferred financing fees	(7,691)	(628)
Debt prepayment penalty and other fees	(21,219)	-
Cash paid for contingent earn-out liability	(2,660)	(1,420)
Surrender of shares to pay withholding taxes	(552)	(1,060)
<b>Net cash provided by financing activities</b>	<u>33,651</u>	<u>108,541</u>
Effect of foreign currency translation adjustment on cash and cash equivalents	152	(238)
<b>Net decrease in cash and cash equivalents</b>	23,737	(1,843)
Cash and cash equivalents at beginning of period	2,454	3,328
<b>Cash and cash equivalents at end of period</b>	<u>\$ 26,191</u>	<u>\$ 1,485</u>

**THE CHEFS' WAREHOUSE, INC.**  
**RECONCILIATION OF EBITDA AND ADJUSTED EBITDA TO NET INCOME**  
**THIRTEEN AND THIRTY-NINE WEEKS ENDED SEPTEMBER 23, 2016 AND SEPTEMBER 25, 2015**  
(unaudited; in thousands)

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 23, 2016	September 25, 2015	September 23, 2016	September 25, 2015
Net Income (Loss):	\$ 1,343	\$ 5,224	\$ (6,119)	\$ 9,554
Interest expense (2)	5,947	3,902	35,271	9,312
Depreciation	2,029	1,625	4,966	4,219
Amortization	3,137	2,165	8,704	6,754
Provision for income tax expense	956	3,719	(4,360)	6,801
<b>EBITDA (1)</b>	<u>13,412</u>	<u>16,635</u>	<u>38,462</u>	<u>36,640</u>
Adjustments:				
Stock compensation (3)	540	449	1,909	1,219
Duplicate rent (4)	196	131	628	846
Integration and deal costs/third party transaction costs (5)	152	163	424	4,476
Change in fair value of earn-out obligation (6)	215	60	(1,601)	307

Moving expenses (7)	99	122	511	395
Adjusted EBITDA (1)	<u>\$ 14,614</u>	<u>\$ 17,560</u>	<u>\$ 40,333</u>	<u>\$ 43,883</u>

1. We are presenting EBITDA and Adjusted EBITDA, which are not measurements determined in accordance with the U.S. generally accepted accounting principles, or GAAP, because we believe these measures provide additional metrics to evaluate our operations and which we believe, when considered with both our GAAP results and the reconciliation to net income, provide a more complete understanding of our business than could be obtained absent this disclosure. We use EBITDA and Adjusted EBITDA, together with financial measures prepared in accordance with GAAP, such as revenue and cash flows from operations, to assess our historical and prospective operating performance and to enhance our understanding of our core operating performance. The use of EBITDA and Adjusted EBITDA as performance measures permits a comparative assessment of our operating performance relative to our performance based upon GAAP results while isolating the effects of some items that vary from period to period without any correlation to core operating performance or that vary widely among similar companies.

2. Interest expense includes the write-off of deferred financing fees for the refinancing of our term loan and revolving credit facility and the prepayment penalties for the early extinguishment of our senior secured notes.

3. Represents non-cash stock compensation expense associated with awards of restricted shares of our common stock and stock options to our key employees and our independent directors.

4. Represents duplicate rent expense for our Bronx, NY, Chicago, IL and San Francisco, CA distribution facilities.

5. Represents transaction related costs incurred to complete and integrate acquisitions, including due diligence, legal, integration and cash and non-cash stock transaction bonuses.

6. Represents the non-cash change in fair value of contingent earn-out liabilities related to our acquisitions.

7. Represents moving expenses for the consolidation of our San Francisco, CA and Los Angeles, CA facilities.

**THE CHEFS' WAREHOUSE, INC.**  
**RECONCILIATION OF MODIFIED PRO FORMA NET INCOME TO NET INCOME**  
**THIRTEEN AND THIRTY-NINE WEEKS ENDED SEPTEMBER 23, 2016 AND SEPTEMBER 25, 2015**  
**(unaudited; in thousands except share amounts and per share data)**

	<u>Thirteen Weeks Ended</u>		<u>Thirty-Nine Weeks Ended</u>	
	<u>September 23, 2016</u>	<u>September 25, 2015</u>	<u>September 23, 2016</u>	<u>September 25, 2015</u>
Net Income (Loss)	\$ 1,343	\$ 5,224	\$ (6,119)	\$ 9,554
Adjustments to Reconcile Modified Pro Forma Net Income to Net Income (1):				
Duplicate rent (2)	196	131	628	846
Integration and deal costs/third party transaction costs (3)	152	163	424	4,476
Moving expenses (4)	99	122	511	395
Change in fair value of earnout obligation (5)	215	60	(1,601)	307
Debt refinance costs (6)	-	-	22,310	-
Tax effect of adjustments (7)	<u>(275)</u>	<u>(198)</u>	<u>(9,265)</u>	<u>(2,506)</u>
Total Adjustments	<u>387</u>	<u>278</u>	<u>13,007</u>	<u>3,518</u>
Modified Pro Forma Net Income	<u>\$ 1,730</u>	<u>\$ 5,502</u>	<u>\$ 6,888</u>	<u>\$ 13,072</u>
Diluted Earnings per Share - Modified Pro Forma	\$ 0.07	\$ 0.21	\$ 0.27	\$ 0.51
Diluted Shares Outstanding - Modified Pro Forma	25,977,171	27,154,770	25,911,278	26,275,597

1. We are presenting modified pro forma net income and modified pro forma EPS, which are not measurements determined in accordance with U.S. generally accepted accounting principles, or GAAP, because we believe these measures provide additional metrics to evaluate our

operations and which we believe, when considered with both our GAAP results and the reconciliation to net income available to common stockholders, provide a more complete understanding of our business than could be obtained absent this disclosure. We use modified pro forma net income available to common stockholders and modified pro forma EPS, together with financial measures prepared in accordance with GAAP, such as revenue and cash flows from operations, to assess our historical and prospective operating performance and to enhance our understanding of our core operating performance. The use of modified pro forma net income available to common stockholders and modified pro forma EPS as performance measures permits a comparative assessment of our operating performance relative to our performance based upon our GAAP results while isolating the effects of some items that vary from period to period without any correlation to core operating performance or that vary widely among similar companies.

2. Represents duplicate rent expense for our Bronx, NY, Chicago, IL and San Francisco, CA distribution facilities.
3. Represents transaction related costs incurred to complete and integrate acquisitions, including due diligence, legal, integration and cash and non-cash stock transaction bonuses.
4. Represents moving expenses for the consolidation of our San Francisco, CA and Los Angeles, CA facilities.
5. Represents the non-cash change in fair value of contingent earn-out liabilities related to our acquisitions.
6. Represents write-off of deferred financing fees for the refinancing of our term loan and revolving credit facility and the prepayment penalties for settlement of our senior secured notes.
7. Represents the tax effect of items 2 through 6 above.

**THE CHEFS' WAREHOUSE, INC.**  
**RECONCILIATION OF ADJUSTED EBITDA GUIDANCE FOR FISCAL 2016 (1)**  
**(unaudited; in thousands)**

	<b>Low-End Guidance</b>	<b>High-End Guidance</b>
Net Loss:	\$ (2,500)	\$ (1,000)
Provision for income tax expense	(1,800)	(700)
Depreciation & amortization	18,000	18,000
Interest expense (2)	41,500	42,000
EBITDA (1)	55,200	58,300
Adjustments:		
Stock compensation (3)	2,400	2,500
Duplicate occupancy and moving costs (4)	1,000	1,200
Integration and deal costs (5)	400	500
Change in fair value of earn-out obligations (6)	(1,500)	(1,500)
Adjusted EBITDA (1)	\$ 57,500	\$ 61,000

1. We are presenting estimated EBITDA and Adjusted EBITDA, which are not measurements determined in accordance with the U.S. generally accepted accounting principles, or GAAP, because we believe these measures provide additional metrics to evaluate our currently estimated results and which we believe, when considered with both our estimated GAAP results and the reconciliation to our estimated net income, provide a more complete understanding of our business than could be obtained absent this disclosure. We use EBITDA and Adjusted EBITDA, together with financial measures prepared in accordance with GAAP, such as revenue and cash flows from operations, to assess our historical and prospective operating performance and to enhance our understanding of our performance relative to our performance based upon GAAP results while isolating the effects of some items that vary from period to period without any correlation to core operating performance or that vary widely among similar companies.

2. Interest expense includes the write -off of deferred financing fees for the refinancing of our term loan and revolving credit facility and the prepayment penalties for the early extinguishment of our senior secured notes.

3. Represents non-cash stock compensation expense expected to be associated with awards of restricted shares of our common stock to our

key employees and our independent directors.

4. Represents occupancy costs, including rent, utilities and insurance, and moving costs expected to be incurred in connection with the Company's facility consolidations while we are unable to use those facilities.
5. Represents transaction related costs incurred to complete and integrate acquisitions, including due diligence, legal and integration costs.
6. Represents the non-cash change in fair value of earn-out liabilities related to the Company's acquisitions.

**THE CHEFS' WAREHOUSE, INC.**  
**2016 FULLY DILUTED EPS GUIDANCE RECONCILIATION TO 2016 MODIFIED**  
**PRO FORMA FULLY DILUTED EPS GUIDANCE (1)(2)**

	<u>Low-End Guidance</u>	<u>High-End Guidance</u>
Net loss per diluted share	\$ (0.07)	\$ (0.02)
Duplicate occupancy and moving costs (3)	0.02	0.02
Integration and deal costs (4)	0.01	0.01
Change in fair-value of earn-out obligation (5)	(0.03)	(0.03)
Loss on early extinguishment of debt (6)	0.48	0.48
Modified pro forma net income per diluted share	<u>\$ 0.41</u>	<u>\$ 0.46</u>

1. We are presenting estimated modified pro forma EPS, which is not a measurement determined in accordance with U.S. generally accepted accounting principles, or GAAP, because we believe this measure provides an additional metric to evaluate our currently estimated results and which we believe, when considered with both our estimated GAAP results and the reconciliation to estimated net income per diluted share, provides a more complete understanding of our expectations for our business than could be obtained absent this disclosure. We use modified pro forma EPS, together with financial measures prepared in accordance with GAAP, such as revenue and cash flows from operations, to assess our historical and prospective operating performance and to enhance our understanding of our core operating performance. The use of modified pro forma EPS as a performance measure permits a comparative assessment of our expectations regarding our estimated operating performance relative to our estimated operating performance based on our GAAP results while isolating the effects of some items that vary from period to period without any correlation to core operating performance or that vary widely among similar companies.

2. Guidance is based upon an estimated effective tax rate of approximately 41.5% and an estimated fully diluted share count of approximately 27.25 million shares. For purposes of calculating the modified pro forma diluted EPS, the Company has assumed that the convertible debt will be dilutive for the full year and as such the Company added back \$537,000 of interest, after tax, to net loss and assumed conversion of 1,237,374 shares and included these in the diluted weighted average shares.

3. Represents occupancy costs, including rent, utilities and insurance, and moving costs expected to be incurred in connection with the Company's facility consolidations while we are unable to use those facilities.

4. Represents transaction related costs incurred to complete and integrate acquisitions, including due diligence, legal and integration expenses.

5. Represents the non-cash change in fair value of contingent earn-out liabilities related to the Company's acquisitions

6. Represents the write-off of deferred financing fees for the refinancing of our term loan and revolving credit facility and the prepayment penalties for early extinguishment of our senior notes.

Contact:

Investor Relations

John Austin, (718) 684-8415

 [Primary Logo](#)

Source: The Chefs' Warehouse

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