UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 24, 2021

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _________ to _________

Commission file number: 001-35249

THE CHEFS' WAREHOUSE, INC.
(Exact name of registrant as specified in its charter)

Delaware	**20-3031526**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

100 East Ridge Road
Ridgefield, Connecticut 06877
(Address of principal executive offices)

Registrant's telephone number, including area code: (203) 894-1345

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01	CHEF	The NASDAQ Stock Market LLC
Preferred Stock Purchase Rights	CHEF	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Number of shares of common stock, par value $.01 per share, outstanding at October 25, 2021: 37,884,249

THE CHEFS' WAREHOUSE, INC.

FORM 10-Q

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Statements in this report regarding the business of The Chefs' Warehouse, Inc. (the "Company") 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. Words such as "anticipates", "expects", "intends", "plans", "believes", "seeks", "estimates" and variations of these words and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict and/or could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. The risks and uncertainties which could impact these statements include, but are not limited to the following: our sensitivity to general economic conditions, including disposable income levels and changes in consumer discretionary spending; our ability to expand our operations in our existing markets and to penetrate new markets through acquisitions; we may not achieve the benefits expected from our acquisitions, which could adversely impact our business and operating results; we may have difficulty managing and facilitating our future growth; conditions beyond our control could materially affect the cost and/or availability of our specialty food products or center-of-the-plate products and/or interrupt our distribution network; our increased distribution of center-of-the-plate products, like meat, poultry and seafood, involves increased exposure to price volatility experienced by those products; our business is a low-margin business and our profit margins may be sensitive to inflationary and deflationary pressures; because our foodservice distribution operations are concentrated in certain culinary markets, we are susceptible to economic and other developments, including adverse weather conditions, in these areas; fuel cost volatility may have a material adverse effect on our business, financial condition or results of operations; our ability to raise capital in the future may be limited; we may be unable to obtain debt or other financing, including financing necessary to execute on our acquisition strategy, on favorable terms or at all; interest charged on our outstanding debt may be adversely affected by changes in the method of determining London Interbank Offered Rate (LIBOR), or the replacement of LIBOR with an alternative rate; our business operations and future development could be significantly disrupted if we lose key members of our management team; and significant public health epidemics or pandemics, including the COVID-19 pandemic, may adversely affect our business, results of operations and financial condition. Any forward-looking statements are made pursuant to the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, 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 February 23, 2021 and other reports, including this Quarterly Report on Form 10-Q, 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.

PART I FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

THE CHEFS' WAREHOUSE, INC.
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share data)

	September 24, 2021 (unaudited)	December 25, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 134,217	$ 193,281
Accounts receivable, net of allowance of $20,322 in 2021 and $24,027 in 2020	151,720	96,383
Inventories, net	132,802	82,519
Prepaid expenses and other current assets	37,759	33,479
Total current assets	456,498	405,662
Equipment, leasehold improvements and software, net	118,143	115,448
Operating lease right-of-use assets	115,182	115,224
Goodwill	220,376	214,864
Intangible assets, net	105,696	111,717
Deferred taxes, net	12,390	7,535
Other assets	3,727	3,875
Total assets	$ 1,032,012	$ 974,325
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 108,972	$ 57,515
Accrued liabilities	33,746	27,924
Short-term operating lease liabilities	16,936	17,167
Accrued compensation	18,624	9,401
Current portion of long-term debt	5,624	6,095
Total current liabilities	183,902	118,102
Long-term debt, net of current portion	394,979	398,084
Operating lease liabilities	109,827	109,133
Other liabilities and deferred credits	4,238	4,416
Total liabilities	692,946	629,735
Commitments and contingencies		
Stockholders' equity:		
Preferred Stock - $0.01 par value, 5,000,000 shares authorized, no shares issued and outstanding at September 24, 2021 and December 25, 2020	—	—
Common Stock, - $0.01 par value, 100,000,000 shares authorized, 37,884,249 and 37,274,768 shares issued and outstanding at September 24, 2021 and December 25, 2020, respectively	380	373
Additional paid in capital	311,503	303,734
Accumulated other comprehensive loss	(1,984)	(2,051)
Retained earnings	29,167	42,534
Total stockholders' equity	339,066	344,590
Total liabilities and stockholders' equity	$ 1,032,012	$ 974,325

See accompanying notes to the consolidated financial statements.

THE CHEFS' WAREHOUSE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(Amounts in thousands, except share and per share amounts)

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 24, 2021	September 25, 2020	September 24, 2021	September 25, 2020
Net sales	$ 484,321	$ 254,030	$ 1,187,506	$ 829,957
Cost of sales	374,346	193,668	922,710	640,681
Gross profit	109,975	60,362	264,796	189,276
Selling, general and administrative expenses	99,431	76,433	270,034	253,480
Other operating (income) expenses, net	105	(4,146)	(208)	(9,812)
Operating income (loss)	10,439	(11,925)	(5,030)	(54,392)
Interest expense	4,191	4,706	13,362	15,602
Income (loss) before income taxes	6,248	(16,631)	(18,392)	(69,994)
Provision for income tax expense (benefit)	2,792	(5,204)	(5,025)	(24,148)
Net income (loss)	$ 3,456	$ (11,427)	$ (13,367)	$ (45,846)
Other comprehensive income (loss):				
Foreign currency translation adjustments	(90)	93	67	(168)
Comprehensive income (loss)	$ 3,366	$ (11,334)	$ (13,300)	$ (46,014)
Net income (loss) per share:				
Basic	$ 0.09	$ (0.31)	$ (0.36)	$ (1.39)
Diluted	$ 0.09	$ (0.31)	$ (0.36)	$ (1.39)
Weighted average common shares outstanding:				
Basic	36,875,784	36,283,883	36,701,927	32,868,162
Diluted	37,105,746	36,283,883	36,701,927	32,868,162

See accompanying notes to the consolidated financial statements.

THE CHEFS' WAREHOUSE, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)
(Amounts in thousands, except share amounts)

	Common Stock		Additional Paid in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amount				
Balance December 25, 2020	**37,274,768**	**$ 373**	**$ 303,734**	**$ (2,051)**	**$ 42,534**	**$ 344,590**
Net loss	—	—	—	—	(17,921)	(17,921)
Stock compensation	673,430	6	2,452	—	—	2,458
Cumulative translation adjustment	—	—	—	81	—	81
Shares surrendered to pay tax withholding	(38,503)	—	(1,192)	—	—	(1,192)
Balance March 26, 2021	**37,909,695**	**$ 379**	**$ 304,994**	**$ (1,970)**	**$ 24,613**	**$ 328,016**
Net income	—	—	—	—	1,098	1,098
Stock compensation	69,245	1	3,279	—	—	3,280
Warrants issued for acquisitions	—	—	1,120	—	—	1,120
Cumulative translation adjustment	—	—	—	76	—	76
Shares surrendered to pay tax withholding	(17,077)	—	(541)	—	—	(541)
Balance June 25, 2021	**37,961,863**	**$ 380**	**$ 308,852**	**$ (1,894)**	**$ 25,711**	**$ 333,049**
Net income	—	—	—	—	3,456	3,456
Stock compensation	(75,597)	—	2,710	—	—	2,710
Cumulative translation adjustment	—	—	—	(90)	—	(90)
Shares surrendered to pay tax withholding	(2,017)	—	(59)	—	—	(59)
Balance September 24, 2021	**37,884,249**	**$ 380**	**$ 311,503**	**$ (1,984)**	**$ 29,167**	**$ 339,066**
Balance December 27, 2019	**30,341,941**	**$ 304**	**$ 212,240**	**$ (2,048)**	**$ 125,437**	**$ 335,933**
Net loss	—	—	—	—	(14,085)	(14,085)
Stock compensation	807,433	8	843	—	—	851
Cumulative translation adjustment	—	—	—	(378)	—	(378)
Shares surrendered to pay tax withholding	(159,632)	(2)	(2,702)	—	—	(2,704)
Balance March 27, 2020	**30,989,742**	**$ 310**	**$ 210,381**	**$ (2,426)**	**$ 111,352**	**$ 319,617**
Net loss	—	—	—	—	(20,334)	(20,334)
Stock compensation	176,037	2	1,997	—	—	1,999
Public offering of common stock	6,634,615	66	85,875	—	—	85,941
Cumulative translation adjustment	—	—	—	117	—	117
Shares surrendered to pay tax withholding	(1,846)	—	(23)	—	—	(23)
Balance June 26, 2020	**37,798,548**	**$ 378**	**$ 298,230**	**$ (2,309)**	**$ 91,018**	**$ 387,317**
Net loss	—	—	—	—	(11,427)	(11,427)
Stock compensation	(22,477)	—	2,075	—	—	2,075
Cumulative translation adjustment	—	—	—	93	—	93
Shares surrendered to pay tax withholding	(3,431)	—	(50)	—	—	(50)
Balance September 25, 2020	**37,772,640**	**$ 378**	**$ 300,255**	**$ (2,216)**	**$ 79,591**	**$ 378,008**

See accompanying notes to the consolidated financial statements.

THE CHEFS' WAREHOUSE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Amounts in thousands)

	Thirty-Nine Weeks Ended	
	September 24, 2021	**September 25, 2020**
Cash flows from operating activities:		
Net loss	$ (13,367)	$ (45,846)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	16,270	14,714
Amortization of intangible assets	9,778	10,111
(Benefit) provision for allowance for doubtful accounts	(744)	20,447
Non-cash operating lease expense	505	604
Benefit for deferred income taxes	(4,855)	(6,527)
Amortization of deferred financing fees	1,832	2,152
Stock compensation	8,448	4,925
Change in fair value of contingent earn-out liabilities	(1,359)	(11,219)
Intangible asset impairment	597	—
Loss on asset disposal	257	52
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	(51,582)	74,236
Inventories	(49,148)	33,285
Prepaid expenses and other current assets	(3,304)	(16,227)
Accounts payable, accrued liabilities and accrued compensation	60,443	(29,455)
Other assets and liabilities	(101)	2,617
Net cash (used in) provided by operating activities	**(26,330)**	**53,869**
Cash flows from investing activities:		
Capital expenditures	(17,872)	(5,409)
Cash paid for acquisitions, net of cash received	(7,280)	(60,437)
Net cash used in investing activities	**(25,152)**	**(65,846)**
Cash flows from financing activities:		
Payment of debt, finance lease and other financing obligations	(35,918)	(38,924)
Proceeds from the issuance of common stock, net of issuance costs	—	85,941
Proceeds from debt issuance	51,750	—
Payment of deferred financing fees	(1,450)	(856)
Surrender of shares to pay withholding taxes	(1,792)	(2,777)
Cash paid for contingent earn-out liability	(83)	(2,927)
Borrowings under asset-based loan facility	—	100,000
Payments under asset-based loan facility	(20,000)	(60,000)
Net cash (used in) provided by financing activities	**(7,493)**	**80,457**
Effect of foreign currency on cash and cash equivalents	(89)	(168)
Net change in cash and cash equivalents	(59,064)	68,312
Cash and cash equivalents-beginning of period	193,281	140,233
Cash and cash equivalents-end of period	**$ 134,217**	**$ 208,545**

See accompanying notes to the consolidated financial statements.

Note 1 - Operations and Basis of Presentation

Description of Business and Basis of Presentation

The financial statements include the consolidated accounts of The Chefs' Warehouse, Inc. (the "Company"), and its wholly-owned subsidiaries. The Company's quarterly periods end on the thirteenth Friday of each quarter. Every six to seven years, the Company will add a fourteenth week to its fourth quarter to more closely align its year-end to the calendar year. The Company's business consists of three operating segments: East Coast, Midwest and West Coast that aggregate into one reportable segment, foodservice distribution, which is concentrated primarily in the United States. The Company's customer base consists primarily of menu-driven independent restaurants, fine dining establishments, country clubs, hotels, caterers, culinary schools, bakeries, patisseries, chocolateries, cruise lines, casinos, specialty food stores, grocers and warehouse clubs.

The COVID-19 Pandemic

Many of the Company's customers have been adversely impacted by the COVID-19 pandemic (the "Pandemic"), however there has been sequential improvement in the Company's business starting in the second quarter of fiscal 2021 and continuing throughout the third quarter of fiscal 2021 which has contributed to organic sales growth of $213,719 compared to the prior year quarter.

The future impact of the Pandemic on the Company's business, operations and liquidity is difficult to predict at this time and is highly dependent on future developments including new information that may emerge on the severity of the disease, the extent of outbreaks, federal, state and local government responses, trends in infection rates, development of effective medical treatments for the disease, the pace of vaccination programs and future consumer spending behavior, among others.

Consolidation

The consolidated financial statements include all the accounts of the Company and its direct and indirect wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Unaudited Interim Financial Statements

The accompanying unaudited consolidated financial statements and the related interim information contained within the notes to such unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and the applicable rules of the Securities and Exchange Commission ("SEC") for interim information and quarterly reports on Form 10-Q. Accordingly, they do not include all the information and disclosures required by GAAP for complete financial statements. These unaudited consolidated financial statements and related notes should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the fiscal year ended December 25, 2020 filed as part of the Company's Annual Report on Form 10-K, as filed with the SEC on February 23, 2021.

The unaudited consolidated financial statements appearing in this Form 10-Q have been prepared on the same basis as the audited consolidated financial statements included in the Company's Annual Report on Form 10-K, as filed with the SEC on February 23, 2021, and in the opinion of management, include all normal recurring adjustments that are necessary for the fair statement of the Company's interim period results. The year-end consolidated balance sheet data was derived from the audited financial statements but does not include all disclosures required by GAAP. Due to seasonal fluctuations, the Pandemic and other factors, the results of operations for the thirteen and thirty-nine weeks ended September 24, 2021 are not necessarily indicative of the results to be expected for the full year.

The preparation of financial statements in conformity with GAAP requires management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from management's estimates.

Guidance Adopted in Fiscal 2021

Simplifying the Accounting for Income Taxes: In December 2019, the Financial Accounting Standards Board (the "FASB") issued guidance that eliminates certain exceptions related to the approach for intraperiod tax allocations, the methodology for calculating income taxes in an interim period and other simplifications and clarifications. As a result of the new guidance, the Company may recognize additional income tax benefits during interim periods in which interim losses exceed full year projections due to provisions in the guidance that remove loss limitation rules. This guidance was adopted on December 26, 2020 and adoption had an immaterial impact on the Company's consolidated financial statements.

Accounting for Convertible Instruments and Contracts in an Entity's Own Equity: In August 2020, the FASB issued guidance that simplifies the accounting models for financial instruments with characteristics of debt and equity. The amendments in the guidance result in fewer instances in which an embedded conversion feature must be accounted for separately from its host contract. This guidance will be effective for fiscal years beginning after December 15, 2021. This guidance was adopted on December 26, 2020 and adoption did not impact the Company's consolidated financial statements.

Note 2 – Summary of Significant Accounting Policies

Revenue Recognition

Revenues from product sales are recognized at the point at which control of each product is transferred to the customer. The Company's contracts contain performance obligations which are satisfied when customers have physical possession of each product. The majority of customer orders are fulfilled within a day and customer payment terms are typically 20 to 60 days from delivery. Shipping and handling activities are costs to fulfill the Company's performance obligations. These costs are expensed as incurred and presented within *selling, general and administrative expenses* on the consolidated statements of operations. The Company offers certain sales incentives to customers in the form of rebates or discounts. These sales incentives are accounted as variable consideration. The Company estimates these amounts based on the expected amount to be provided to customers and records a corresponding reduction in revenue. The Company does not expect a significant reversal in the amount of cumulative revenue recognized. Sales tax billed to customers is not included in revenue but rather recorded as a liability owed to the respective taxing authorities at the time the sale is recognized.

The following table presents the Company's net sales disaggregated by principal product category:

	Thirteen Weeks Ended				Thirty-Nine Weeks Ended			
	September 24, 2021		September 25, 2020		September 24, 2021		September 25, 2020	
Center-of-the-Plate	$ 238,783	49.3 %	$ 115,570	45.5 %	$ 593,717	50.0 %	$ 395,224	47.6 %
Dry Goods	66,455	13.7 %	31,495	12.4 %	163,352	13.8 %	113,480	13.7 %
Pastry	48,842	10.1 %	27,618	10.9 %	118,952	10.0 %	92,427	11.1 %
Cheese and Charcuterie	40,403	8.3 %	33,329	13.1 %	97,805	8.2 %	83,996	10.1 %
Produce	35,900	7.4 %	24,172	9.5 %	87,049	7.3 %	60,240	7.3 %
Dairy and Eggs	21,922	4.5 %	6,301	2.5 %	53,405	4.5 %	35,942	4.3 %
Oils and Vinegars	21,855	4.5 %	9,487	3.7 %	48,210	4.1 %	31,082	3.7 %
Kitchen Supplies	10,161	2.2 %	6,058	2.4 %	25,016	2.1 %	17,566	2.2 %
Total	$ 484,321	100 %	$ 254,030	100 %	$ 1,187,506	100 %	$ 829,957	100 %

The Company determines its product category classification based on how the Company currently markets its products to its customers. The Company's definition of its principal product categories may differ from the way in which other companies present similar information.

Food Processing Costs

Food processing costs include but are not limited to direct labor and benefits, applicable overhead and depreciation of equipment and facilities used in food processing activities. Food processing costs included in cost of sales were $7,524 and $4,276 for the thirteen weeks ended September 24, 2021 and September 25, 2020, respectively, and $19,599 and $13,702 for the thirty-nine weeks ended September 24, 2021 and September 25, 2020, respectively.

Note 3 – Net Income (Loss) per Share

The following table sets forth the computation of basic and diluted net income (loss) per common share:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 24, 2021	September 25, 2020	September 24, 2021	September 25, 2020
Net income (loss) per share:				
Basic	$ 0.09	$ (0.31)	$ (0.36)	$ (1.39)
Diluted	$ 0.09	$ (0.31)	$ (0.36)	$ (1.39)
Weighted average common shares:				
Basic	36,875,784	36,283,883	36,701,927	32,868,162
Diluted	37,105,746	36,283,883	36,701,927	32,868,162

Reconciliation of net income (loss) per common share:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 24, 2021	September 25, 2020	September 24, 2021	September 25, 2020
Numerator:				
Net income (loss)	$ 3,456	$ (11,427)	$ (13,367)	$ (45,846)
Denominator:				
Weighted average basic common shares outstanding	36,875,784	36,283,883	36,701,927	32,868,162
Dilutive effect of stock options and unvested common shares	229,962	—	—	—
Weighted average diluted common shares outstanding	37,105,746	36,283,883	36,701,927	32,868,162

Potentially dilutive securities that have been excluded from the calculation of diluted net income (loss) per common share because the effect is anti-dilutive are as follows:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 24, 2021	September 25, 2020	September 24, 2021	September 25, 2020
Restricted share awards (“RSAs”)	50,412	742,692	297,978	689,907
Stock options	—	115,639	38,102	115,639
Warrants	126,359	—	84,854	—
Convertible notes	4,616,033	3,484,788	4,341,664	3,484,788

Note 4 – Fair Value Measurements

Assets and Liabilities Measured at Fair Value

The Company’s contingent earn-out liabilities are measured at fair value. These liabilities were estimated using Level 3 inputs. Long-term earn-out liabilities were $2,339 and $2,556 as of September 24, 2021 and December 25, 2020, respectively, and are reflected as *other liabilities and deferred credits* on the consolidated balance sheets. The remaining short-term earn-out liabilities are reflected as *accrued liabilities* on the consolidated balance sheets. The fair value of contingent consideration was determined based on a probability-based approach which includes projected results, percentage probability of occurrence and the application of a discount rate to present value the payments. A significant change in projected results, discount rate, or probabilities of occurrence could result in a significantly higher or lower fair value measurement. Changes in the fair value of contingent earn-out liabilities are reflected in *other operating (income)expenses, net* on the consolidated statements of operations.

The following table presents the changes in Level 3 contingent earn-out liabilities:

	Fells Point	Bassian	Sid Wainer	Other Acquisitions	Total
Balance December 27, 2019	$ 4,544	$ 7,957	$ —	$ 2,197	$ 14,698
Acquisition value	—	—	2,081	1,383	3,464
Cash payments	—	(2,250)	—	(1,677)	(3,927)
Changes in fair value	(4,544)	(4,631)	(1,570)	(734)	(11,479)
Balance December 25, 2020	$ —	$ 1,076	$ 511	$ 1,169	$ 2,756
Acquisition value	—	—	—	3,400	3,400
Cash payments	—	—	—	(83)	(83)
Changes in fair value	—	39	(511)	(887)	(1,359)
Balance September 24, 2021	$ —	$ 1,115	$ —	$ 3,599	$ 4,714

Fair Value of Financial Instruments

The following table presents the carrying value and fair value of the Company's convertible notes. In estimating the fair value of the convertible notes, the Company utilized Level 3 inputs including prevailing market interest rates to estimate the debt portion of the instrument and a Black Scholes valuation model to estimate the fair value of the conversion option. The Black Scholes model utilizes the market price of the Company's common stock, estimates of the stock's volatility and the prevailing risk-free interest rate in calculating the fair value estimate.

	September 24, 2021		December 25, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Convertible Senior Notes	$ 200,000	$ 199,592	$ 150,000	$ 163,204
Convertible Unsecured Note	$ 4,000	$ 3,901	$ 4,000	$ 4,290

Note 5 – Acquisitions

During the second quarter of fiscal 2021, the Company completed two acquisitions for an aggregate purchase price of approximately $8,400, consisting of $7,280 paid in cash, subject to customary working capital adjustments, and common stock warrants of $1,120. The Company will also pay additional contingent consideration, if earned, in the form of earn-out amounts which could total $4,230 in aggregate. The Company is in the process of finalizing a valuation of the earn-out liabilities, and tangible and intangible assets as of the acquisition date. When applicable, these valuations require the use of Level 3 inputs. Goodwill for these acquisitions will be amortized over 15 years for tax purposes.

The Company reflected net sales and loss before taxes in its consolidated statement of operations related to the fiscal 2021 acquisitions as follows:

	Thirteen Weeks Ended September 24, 2021	Thirty-Nine Weeks Ended September 24, 2021
Net sales	$ 16,052	$ 25,090
Loss before income taxes	$ (285)	$ (379)

Pro forma financial information for these acquisitions are not presented because the effect of these acquisition are not material to the Company's results of operations.

The table below sets forth the purchase price allocation of these acquisitions:

Current assets	$	4,240
Customer relationships		2,431
Trademarks		1,890
Goodwill		5,496
Fixed assets		707
Right-of-use assets		761
Lease liabilities		(761)
Current liabilities		(2,964)
Earn-out liability		(3,400)
Issuance of warrants		(1,120)
Total cash consideration	$	7,280

The Company recognized professional fees of $86 in operating expenses related to acquisitions in the second quarter of fiscal 2021.

Note 6 – Inventories

Inventories consist primarily of finished product and are reflected net of adjustments for shrinkage, excess and obsolescence totaling $8,070 and $9,013 at September 24, 2021 and December 25, 2020, respectively.

Note 7 – Equipment, Leasehold Improvements and Software

Equipment, leasehold improvements and software as of September 24, 2021 and December 25, 2020 consisted of the following:

	Useful Lives		September 24, 2021		December 25, 2020
Land	Indefinite	$	5,020	$	5,020
Buildings	20 years		15,778		15,685
Machinery and equipment	5 - 10 years		25,969		24,900
Computers, data processing and other equipment	3 - 7 years		14,856		14,207
Software	3 - 7 years		39,834		33,063
Leasehold improvements	1 - 40 years		68,754		68,747
Furniture and fixtures	7 years		3,497		3,412
Vehicles	5 - 7 years		22,619		21,873
Other	7 years		88		88
Construction-in-process			16,837		8,115
			213,252		195,110
Less: accumulated depreciation and amortization			(95,109)		(79,662)
Equipment, leasehold improvements and software, net		$	118,143	$	115,448

Construction-in-process at September 24, 2021 related primarily to the build-outs of the Company’s Los Angeles and Miami distribution facilities. Construction-in-process at December 25, 2020 related primarily to the implementation of the Company’s Enterprise Resource Planning system. The net book value of equipment financed under finance leases at September 24, 2021 and December 25, 2020 was $12,489 and $14,705, respectively.

The components of depreciation and amortization expense were as follows:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 24, 2021	September 25, 2020	September 24, 2021	September 25, 2020
Depreciation expense	$ 3,903	$ 3,792	$ 11,679	$ 11,023
Software amortization	$ 1,707	$ 1,247	$ 4,591	$ 3,691
	$ 5,610	$ 5,039	$ 16,270	$ 14,714

Note 8 – Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill are presented as follows:

Carrying amount as of December 25, 2020	$ 214,864
Acquisitions	5,496
Foreign currency translation	16
Carrying amount as of September 24, 2021	$ 220,376

Other intangible assets as of September 24, 2021 and December 25, 2020 consisted of the following:

September 24, 2021	Weighted-Average Remaining Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Amount
Customer relationships	122 months	$ 144,130	$ (62,570)	$ 81,560
Non-compete agreements	29 months	8,579	(7,952)	627
Trademarks	181 months	45,826	(22,317)	23,509
Total		$ 198,535	$ (92,839)	$ 105,696

December 25, 2020	Weighted-Average Remaining Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Amount
Customer relationships	128 months	$ 141,679	$ (55,135)	$ 86,544
Non-compete agreements	37 months	8,579	(7,752)	827
Trademarks	209 months	44,520	(20,174)	24,346
Total		$ 194,778	$ (83,061)	$ 111,717

The Company occasionally makes small, tuck-in acquisitions that are immaterial, both individually and in the aggregate. Therefore, increases in goodwill and gross intangible assets per the above tables may not agree to the increases of these assets as shown for specific acquisitions in Note 5 “Acquisitions.”

Amortization expense for other intangibles was $3,135 and $3,391 for the thirteen weeks ended September 24, 2021 and September 25, 2020, respectively, and $9,778 and $10,111 for the thirty-nine weeks ended September 24, 2021 and September 25, 2020, respectively.

During the second quarter of fiscal 2021, the Company committed to a plan to shift its brand strategy to leverage its Allen Brothers brand in its New England region and determined its Cambridge trademark did not fit the Company’s long-term strategic objectives. As a result, the Company recognized a $597 impairment charge to fully write-down the net book value of its Cambridge trademark.

Estimated amortization expense for other intangible assets for the remainder of the fiscal year ending December 24, 2021 and each of the next four fiscal years and thereafter is as follows:

2021	$ 3,136
2022	11,765
2023	10,736
2024	9,876
2025	9,459
Thereafter	60,724
Total	$ 105,696

Note 9 – Debt Obligations

Debt obligations as of September 24, 2021 and December 25, 2020 consisted of the following:

	September 24, 2021	December 25, 2020
Senior secured term loans	$ 169,103	$ 201,553
Convertible senior notes	200,000	150,000
Asset-based loan facility	20,000	40,000
Finance lease and other financing obligations	14,350	15,798
Convertible unsecured note	4,000	4,000
Deferred finance fees and original issue premium (discount)	(6,850)	(7,172)
Total debt obligations	400,603	404,179
Less: current installments	(5,624)	(6,095)
Total debt obligations excluding current installments	$ 394,979	$ 398,084

On March 1, 2021, the Company issued $50,000 aggregate principal amount of 1.875% Convertible Senior Notes at a premium which were offered as an additional issuance and under the same terms of the Company’s $150,000 Convertible Senior Notes due 2024 initially issued on November 22, 2019. Net proceeds were used to repay all outstanding borrowings under the Company's 2022 tranche of senior secured term loans of $31,166 and repay a portion of borrowings outstanding under the Company’s asset-based loan facility (“ABL Facility”). The Company incurred transaction costs of approximately $1,350 which were capitalized as deferred financing fees to be amortized over the term of the Convertible Senior Notes due 2024. At September 24, 2021, the effective interest rate charged on the Company’s Convertible Senior Notes was approximately 2.3%.

The net carry value of the Company’s Convertible Senior Notes as of September 24, 2021 and December 25, 2020 was:

	September 24, 2021	December 25, 2020
Principal amount outstanding	$ 200,000	$ 150,000
Unamortized deferred financing fees and premium	3,366	4,999
Net carry value	$ 203,366	$ 154,999

The components of interest expense on the Company’s Convertible Senior Notes were as follows:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 24, 2021	September 25, 2020	September 24, 2021	September 25, 2020
Coupon interest	$ 937	$ 703	$ 2,656	$ 2,109
Amortization of deferred financing fees and premium	$ 224	$ 250	$ 689	$ 750
Total interest	$ 1,161	$ 953	$ 3,345	$ 2,859

The Company’s senior secured term loan credit agreement requires the Company to maintain at least $35,000 of liquidity as of the last day of any fiscal quarter where EBITDA, as defined in the Credit Agreement, is less than $10,000. The Company had minimum liquidity, as defined in the Credit Agreement, of $250,638 as of September 24, 2021.

As of September 24, 2021, the Company was in compliance with all debt covenants and the Company had reserved $20,541 of the ABL Facility for the issuance of letters of credit. As of September 24, 2021, funds totaling $109,459 were available for borrowing under the ABL Facility. At September 24, 2021, the interest rate charged on the Company's senior secured term loan was approximately 5.6% and the interest rate charged on the Company's ABL Facility was approximately 1.3%.

Note 10 – Stockholders' Equity

Warrants

In connection with an acquisition during the second quarter of fiscal 2021, the Company issued warrants with a fair value of $1,120 to purchase up to 150,000 shares of the Company's common stock at an exercise price of $31.96 per share. These warrants expire on April 22, 2024.

Equity Awards

The following table reflects the activity of RSAs during the thirty-nine weeks ended September 24, 2021:

	Time-based		Performance-based		Market-based	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Unvested at December 25, 2020	901,318	$ 16.14	—	$ —	26,952	$ 30.16
Granted	356,956	31.72	199,231	32.00	199,241	31.44
Vested	(588,535)	12.09	—	—	—	—
Forfeited	(61,306)	27.41	(12,536)	32.00	(14,508)	31.24
Unvested at September 24, 2021	608,433	$ 28.04	186,695	$ 32.00	211,685	$ 31.29

The Company granted 755,428 RSAs to its employees and directors at a weighted average grant date fair value of $31.72 during the thirty-nine weeks ended September 24, 2021. These awards are a mix of time-, market- and performance-based grants that generally vest over a range of periods up to five years. The Company recognized expense totaling $2,710 and $2,075 on its RSAs during the thirteen weeks ended September 24, 2021 and September 25, 2020, respectively, and $8,448 and $4,925 during the thirty-nine weeks ended September 24, 2021 and September 25, 2020, respectively.

At September 24, 2021, the total unrecognized compensation cost for unvested RSAs was $20,830 and the weighted-average remaining period was approximately 2.2 years. Of this total, $12,531 related to RSAs with time-based vesting provisions and $8,299 related to RSAs with performance-based vesting provisions. At September 24, 2021, the weighted-average remaining period for time-based vesting and performance-based vesting RSAs were approximately 2.1 years and 2.4 years, respectively.

No share-based compensation expense related to the Company's RSAs or stock options has been capitalized. As of September 24, 2021, there were 895,646 shares available for grant under the 2019 Omnibus Equity Incentive Plan.

Note 11 – Related Parties

The Chefs' Warehouse Mid-Atlantic, LLC, a subsidiary of the Company, leases a distribution facility that is 100% owned by entities controlled by Christopher Pappas, the Company's chairman, president and chief executive officer, and John Pappas, the Company's vice chairman and one of its directors, and are deemed to be affiliates of these individuals. Expense related to this facility totaled $124 and $124 during the thirteen weeks ended September 24, 2021 and September 25, 2020, respectively, and $370 and $365 during the thirty-nine weeks ended September 24, 2021 and September 25, 2020, respectively.

Note 12 – Supplemental Disclosures of Cash Flow Information

	Thirty-Nine Weeks Ended	
	September 24, 2021	September 25, 2020
Supplemental cash flow disclosures:		
Cash paid for income taxes, net of cash received	$ (194)	$ 308
Cash paid for interest, net of cash received	$ 10,690	$ 12,741
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 18,965	$ 20,206
Operating cash flows from finance leases	$ 411	$ 411
ROU assets obtained in exchange for lease liabilities:		
Operating leases	$ 13,308	$ 5,800
Finance leases	$ 536	$ 14,017
Other non-cash investing and financing activities:		
Warrants issued for acquisitions	$ 1,120	$ —
Contingent earn-out liabilities for acquisitions	$ 3,400	$ 3,464

Note 13 – Coronavirus Aid, Relief, and Economic Security Act

In response to the Pandemic, the Coronavirus Aid, Relief, and Economic Security Act was signed into law on March 27, 2020. Among other provisions it allows for a refundable Employee Retention Tax Credit ("ETRC") to eligible employers equal to 50% of qualified wages paid to employees from March 12, 2020 to December 31, 2020, capped at $10 per employee. In December 2020, the Consolidated Appropriations Act of 2021 was passed, which expands the ETRC by increasing the credit to 70% of qualified wages paid from January 1, 2021 through June 30, 2021, capped at $10 per employee per quarter. During the second quarter of fiscal 2021, the Company recognized a receivable of $1,418 related to the ETRC which is presented within *prepaid expenses and other current assets* on the consolidated balance sheet and the related expense reduction is presented within *selling, general and administrative expenses* on the consolidated statements of operations

Note 14 – Subsequent Events

On October 5, 2021, the Company acquired substantially all of the assets of a specialty center-of-plate producer and distributor in Las Vegas, Nevada. The purchase price was approximately $3,025 paid in cash at closing and is subject to a customary working capital true-up. The Company is required to pay additional contingent consideration, if earned, of up to $5,000 over a four-year period upon successful attainment of certain performance targets.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) is provided as a supplement to the accompanying consolidated financial statements and footnotes to help provide an understanding of our financial condition, changes in our financial condition and results of operations. The following discussion should be read in conjunction with information included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (“SEC”) on February 23, 2021. Unless otherwise indicated, the terms “Company”, “Chefs’ Warehouse”, “we”, “us” and “our” refer to The Chefs’ Warehouse, Inc. and its subsidiaries.

Business Overview

We are a premier distributor of specialty foods in nine of the leading culinary markets in the United States. We offer more than 50,000 stock-keeping units (“SKUs”), ranging from high-quality specialty foods and ingredients to basic ingredients and staples and center-of-the-plate proteins. We serve more than 34,000 customer locations, primarily located in our sixteen geographic markets across the United States and Canada, and the majority of our customers are independent restaurants and fine dining establishments. As a result of our acquisition of Allen Brothers, Inc. (“Allen Brothers”) and our “Shop Like a Chef” online platform, we also sell certain of our products directly to consumers.

Effect of the COVID-19 Pandemic on our Business and Operations

Many of our customers have been adversely impacted by the COVID-19 pandemic (the “Pandemic”), however we have seen sequential improvement in our business throughout fiscal 2021 which has contributed to organic sales growth of $213.7 million during the third quarter of fiscal 2021 compared to the prior year quarter.

We closed the quarter with total cash and cash equivalents of $134.2 million, and approximately $109.5 million of remaining availability under our asset-based loan facility as of September 24, 2021.

The future impact of the Pandemic on our business, operations and liquidity is difficult to predict at this time and is highly dependent on future developments including new information that may emerge on the severity of the disease, the extent of outbreaks, federal, state and local government responses, trends in infection rates, development of effective medical treatments for the disease, the pace of vaccination programs and future consumer spending behavior, among others.

Recent Acquisitions

During the second quarter of fiscal 2021, we completed two acquisitions for an aggregate purchase price of approximately $8.4 million, consisting of $7.3 million paid in cash at closing, subject to customary working capital adjustments, and common stock warrants valued at approximately $1.1 million. We will also pay additional contingent consideration, if earned, in the form of earn-out amounts which could total $4.2 million in aggregate.

RESULTS OF OPERATIONS

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 24, 2021	September 25, 2020	September 24, 2021	September 25, 2020
Net sales	$ 484,321	$ 254,030	$ 1,187,506	$ 829,957
Cost of sales	374,346	193,668	922,710	640,681
Gross profit	109,975	60,362	264,796	189,276
Selling, general and administrative expenses	99,431	76,433	270,034	253,480
Other operating (income) expenses, net	105	(4,146)	(208)	(9,812)
Operating income (loss)	10,439	(11,925)	(5,030)	(54,392)
Interest expense	4,191	4,706	13,362	15,602
Income (loss) before income taxes	6,248	(16,631)	(18,392)	(69,994)
Provision for income tax expense (benefit)	2,792	(5,204)	(5,025)	(24,148)
Net income (loss)	$ 3,456	$ (11,427)	$ (13,367)	$ (45,846)

Management evaluates the results of operations and cash flows using a variety of key performance indicators, including net sales compared to prior periods and internal forecasts, costs of our products and results of our cost-control initiatives, and use of operating cash. These indicators are discussed throughout the “Results of Operations” and “Liquidity and Capital Resources” sections of this MD&A.

Thirteen Weeks Ended September 24, 2021 Compared to Thirteen Weeks Ended September 25, 2020

Net Sales

	2021	2020	$ Change	% Change
Net sales	$ 484,321	$ 254,030	$ 230,291	90.7 %

Organic growth contributed $213.7 million, or 84.2%, to sales growth and the remaining sales growth of $16.6 million, or 6.5%, resulted from acquisitions. Organic case count increased approximately 57.5% in our specialty category. In addition, specialty unique customers and placements increased 36.9% and 50.4%, respectively, compared to the prior year period. Organic pounds sold in our center-of-the-plate category increased 56.9% compared to the prior year. Estimated inflation was 10.9% in our specialty category and 28.0% in our center-of-the-plate category compared to the prior year period.

Gross Profit

	2021	2020	$ Change	% Change
Gross profit	109,975	60,362	49,613	82.2 %
Gross profit margin	22.7 %	23.8 %		

Gross profit increased primarily as a result of increased sales. Gross profit margin decreased approximately 105 basis points. Gross profit margins increased 301 basis points in the Company’s specialty category due to higher estimated inventory losses due to the impacts of COVID-19 in the prior year quarter, partially offset by inflation. Gross profit margins decreased 488 basis points in the Company’s center-of-the-plate category due to inflation and higher retail sales in the prior year quarter.

Selling, General and Administrative Expenses

	2021	2020	$ Change	% Change
Selling, general and administrative expenses	99,431	76,433	22,998	30.1 %
Percentage of net sales	20.5 %	30.1 %		

The increase in selling, general and administrative expenses was primarily due to higher costs associated with compensation and benefits to support sales growth. Our ratio of selling, general and administrative expenses to net sales decreased predominately due to sales growth.

Other Operating (Income) Expenses, Net

	2021	2020	$ Change	% Change
Other operating (income) expenses, net	105	(4,146)	4,251	(102.5)%

The increase in net other operating expenses was primarily due to non-cash charges of $0.1 million for changes in the fair value of our contingent earn-out liabilities compared to non-cash credits of $4.6 million in the prior year period.

Interest Expense

	2021	2020	$ Change	% Change
Interest expense	4,191	4,706	(515)	(10.9)%

Interest expense decreased primarily due to lower effective interest rates on our outstanding debt as a result of the $50.0 million aggregate principal amount of Convertible Senior Notes issued on March 1, 2021 which were used to repay higher interest rate debt.

Provision for Income Taxes

	2021	2020	$ Change	% Change
Provision for income tax expense (benefit)	2,792	(5,204)	7,996	(153.7)%
Effective tax rate	44.7 %	31.3 %		

The effective tax rate in the current period is driven by various discrete items. The Company's effective tax rate excluding these discrete items was approximately 29.2%. The higher effective tax rate in fiscal 2020 is primarily related to our net loss forecast for fiscal 2020 which allowed us to claim tax refunds against taxes paid in fiscal 2015 and 2017, both of which were at statutory tax rates of 35%.

Thirty-Nine Weeks Ended September 24, 2021 Compared to Thirty-Nine Weeks Ended September 25, 2020

Net Sales

	2021	2020	$ Change	% Change
Net sales	$ 1,187,506	$ 829,957	$ 357,549	43.1 %

Organic growth contributed $322.1 million, or 38.8%, to sales growth and the remaining sales growth of $35.5 million, or 4.3%, resulted from acquisitions. Organic case count increased approximately 22.9% in our specialty category. In addition, specialty unique customers and placements increased 23.0% and 23.8%, respectively, compared to the prior year period. Organic pounds sold in our center-of-the-plate category increased 21.2% compared to the prior year. Estimated inflation was 8.7% in our specialty category and 14.2% in our center-of-the-plate category compared to the prior year period.

Gross Profit

	2021	2020	$ Change	% Change
Gross profit	264,796	189,276	75,520	39.9 %
Gross profit margin	22.3 %	22.8 %		

Gross profit increased primarily as a result of sales growth. Gross profit margin decreased approximately 51 basis points. Gross profit margins increased 292 basis points in the Company's specialty category due to higher estimated inventory losses due to the impacts of COVID-19 in the prior year quarter, partially offset by inflation. Gross profit margins decreased 376 basis points in the Company's center-of-the-plate category due to inflation. Our prior year gross profit results include a charge of approximately $9.8 million related to estimated inventory losses from obsolescence at the onset of the Pandemic.

Selling, General and Administrative Expenses

	2021	2020	$ Change	% Change
Selling, general and administrative expenses	270,034	253,480	16,554	6.5 %
Percentage of net sales	22.7 %	30.5 %		

The increase in selling, general and administrative expense relates primarily to higher operating expenses in fiscal 2021 to support sales growth, partially offset by an estimated non-cash charge of approximately $15.8 million recorded in the prior year related to incremental bad debt expense. Our ratio of selling, general and administrative expenses to net sales was lower as a result of sales growth and of the Pandemic's adverse impacts to our sales growth and a 104 basis point decrease in non-cash charges related to bad debt expense.

Other Operating (Income) Expenses, Net

	2021	2020	$ Change	% Change
Other operating income, net	(208)	(9,812)	9,604	(97.9)%

The decrease in net other operating income relates primarily to non-cash credits of $1.4 million for changes in the fair value of our contingent earn-out liabilities in the fiscal 2021 period compared to non-cash credits of $11.2 million in the prior year period and a $0.6 million impairment of Cambridge trademarks as a result of a shift in brand strategy to leverage our Allen Brothers brand in our New England region during the second quarter of fiscal 2021.

Interest Expense

	2021	2020	$ Change	% Change
Interest expense	13,362	15,602	(2,240)	(14.4)%

Interest expense decreased primarily due to $1.2 million in one-time third-party costs incurred during the second quarter of 2020 in connection with the extension of a majority of our senior secured term loans and lower effective interest rates charged on our outstanding debt as a result of the $50.0 million aggregate principal amount of Convertible Senior Notes issued on March 1, 2021 which were used to repay higher interest rate debt.

Provision for Income Taxes

	2021	2020	$ Change	% Change
Provision for income tax benefit	(5,025)	(24,148)	19,123	(79.2)%
Effective tax rate	27.3 %	34.5 %		

The higher effective tax rate in the prior period is primarily related to the carryback of a portion of our fiscal 2020 net loss which allowed us to claim tax refunds against taxes paid in fiscal 2015 and 2017, both of which were at statutory tax rates of 35%.

LIQUIDITY AND CAPITAL RESOURCES

We finance our day-to-day operations and growth primarily with cash flows from operations, borrowings under our senior secured credit facilities and other indebtedness, operating leases, trade payables and equity financing.

Indebtedness

The following table presents selected financial information on our indebtedness (in thousands):

	September 24, 2021	December 25, 2020
Senior secured term loan	$ 169,103	$ 201,553
Total convertible debt	204,000	154,000
Borrowings outstanding on asset-based loan facility	20,000	40,000
Finance leases and other financing obligations	14,350	15,798
Total	$ 407,453	$ 411,351

As of September 24, 2021, we have various floating- and fixed-rate debt instruments with varying maturities for an aggregate principal amount of $393.1 million.

On March 1, 2021, the we issued $50.0 million aggregate principal amount of 1.875% Convertible Senior Notes at a premium which were offered as an additional issuance of our $150.0 million Convertible Senior Notes due 2024 issued on November 22, 2019. Net proceeds were used to repay all outstanding borrowings under the our 2022 tranche of senior secured term loans of $31.2 million and repay a portion of borrowings outstanding under our asset-based loan facility. We incurred transaction costs of approximately $1.4 million which were capitalized as deferred financing fees to be amortized over the term of the underlying debt.

Liquidity

The following table presents selected financial information on liquidity (in thousands):

	September 24, 2021	December 25, 2020
Cash and cash equivalents	$ 134,217	$ 193,281
Working capital, excluding cash and cash equivalents	138,379	94,279
Availability under asset-based loan facility	109,459	50,282
Total	$ 382,055	$ 337,842

We are not providing guidance on our capital expenditures for fiscal 2021 due to the continued uncertainty with regards to the pace of the economic recovery and the duration of the Pandemic related restrictions on our customers. We believe our existing balances of cash and cash equivalents, working capital and the availability under our asset-based loan facility, are sufficient to satisfy our working capital needs, capital expenditures, debt service and other liquidity requirements associated with our current operations over the next 12 months.

Cash Flows

The following table presents selected financial information on cash flows (in thousands):

	Thirty-Nine Weeks Ended	
	September 24, 2021	September 25, 2020
Net loss	$ (13,367)	$ (45,846)
Non-cash charges	$ 30,729	$ 35,259
Changes in working capital	$ (43,692)	$ 64,456
Cash (used in) provided by operating activities	$ (26,330)	$ 53,869
Cash used in investing activities	$ (25,152)	$ (65,846)
Cash (used in) provided by financing activities	$ (7,493)	$ 80,457

Net cash used in operations was $26.3 million for the thirty-nine weeks ended September 24, 2021 consisting of a net loss of $13.4 million offset by $30.7 million of non-cash charges and investments in working capital growth of $43.7 million. Non-cash charges decreased $4.5 million primarily due to a $15.8 million charge incurred in the prior year related to incremental bad debt expense due to the onset of the Pandemic, partially offset by changes in the fair value of earn-out liabilities. The cash used for working capital growth of $108.1 million is primarily driven by the Company's reinvestment in working capital to support sales growth.

Net cash used in investing activities was $25.2 million for the thirty-nine weeks ended September 24, 2021, driven by capital expenditures of $17.9 million which included the build-outs of our Los Angeles, New England and Miami distribution facilities and $7.3 million in cash paid for acquisitions.

Net cash used in financing activities was $7.5 million for the thirty-nine weeks ended September 24, 2021, driven by $35.9 million of payments made on senior term loans and finance lease obligations and a $20.0 million payment on our asset-based loan facility, partially offset by $51.8 million of proceeds from the issuance of additional convertible senior notes.

Seasonality

Excluding our direct-to-consumer business, we generally do not experience any material seasonality. However, our sales and operating results may vary from quarter to quarter due to factors such as changes in our operating expenses, management's ability to execute our operating and growth strategies, personnel changes, demand for our products, supply shortages, weather patterns and general economic conditions.

Our direct-to-consumer business is subject to seasonal fluctuations, with direct-to-consumer center-of-the-plate protein sales typically higher during the holiday season in our fourth quarter; accordingly, a disproportionate amount of operating cash flows from this portion of our business is generated by our direct-to-consumer business in the fourth quarter of our fiscal year. Despite a significant portion of these sales occurring in the fourth quarter, there are operating expenses, principally advertising and promotional expenses, throughout the year.

The Pandemic has had a material impact on our business and operations and those of our customers. Our net sales were most significantly impacted during the second quarter of fiscal 2020 when, in an effort to limit the spread of the virus, federal, state and local governments began implementing various restrictions that resulted in the closure of non-essential businesses in many of the markets we serve, which forced our customers in those markets to either transition their establishments to take-out service, delivery service or temporarily cease operations.

Inflation

Our profitability is dependent on, among other things, our ability to anticipate and react to changes in the costs of key operating resources, including food and other raw materials, labor, energy and other supplies and services. Substantial increases in costs and expenses could impact our operating results to the extent that such increases cannot be passed along to our customers. The impact of inflation and deflation on food, labor, energy and occupancy costs can significantly affect the profitability of our operations.

Off-Balance Sheet Arrangements

As of September 24, 2021, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K.

Critical Accounting Policies and Estimates

The preparation of the Company's consolidated financial statements requires it to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. The SEC has defined critical accounting policies as those that are both most important to the portrayal of the Company's financial condition and results and require its most difficult, complex or subjective judgments or estimates. Based on this definition, we believe our critical accounting policies include the following: (i) determining our allowance for doubtful accounts, (ii) inventory valuation, with regard to determining inventory balance adjustments for excess and obsolete inventory, (iii) business combinations, (iv) valuing goodwill and intangible assets, (v) self-insurance reserves, (vi) accounting for income taxes and (vii) contingent earn-out liabilities. Our critical accounting policies and estimates are described in the Form 10-K filed with the SEC on February 23, 2021.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

As of September 24, 2021, we had an aggregate $189.1 million of indebtedness outstanding under the Term Loan and ABL Facility that bore interest at variable rates. A 100 basis point increase in market interest rates would decrease our after tax earnings by approximately $2.4 million per annum, holding other variables constant.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company, under the supervision and with the participation of its management, including the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's "disclosure controls and procedures" (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of September 24, 2021.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended September 24, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are involved in legal proceedings, claims and litigation arising out of the ordinary conduct of our business. Although we cannot assure the outcome, management presently believes that the result of such legal proceedings, either individually or in the aggregate, will not have a material adverse effect on our consolidated financial statements, and no material amounts have been accrued in our consolidated financial statements with respect to these matters.

ITEM 1A. RISK FACTORS

Except as stated below, there have been no material changes to our risk factors as previously disclosed in Part I, Item 1A. included in our Annual Report on Form 10-K for the year ended December 25, 2020 filed with the SEC on February 23, 2021. In addition to the information contained herein, you should consider the risk factors disclosed in our Annual Report on Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

	Total Number of Shares Repurchased(1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plans or Programs
June 26, 2021 to July 23, 2021	—	$ —	—	—
July 24, 2021 to August 20, 2021	1,732	29.62	—	—
August 21, 2021 to September 24, 2021	285	27.42	—	—
Total	2,017	$ 29.31	—	—

(1) During the thirteen weeks ended September 24, 2021, we withheld 2,017 shares of our common stock to satisfy tax withholding requirements related to restricted shares of our common stock awarded to our officers and key employees resulting from either elections under 83(b) of the Internal Revenue Code of 1986, as amended, or upon vesting of such awards.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit No.	Description
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document – the instance document does not appear on the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document.

* Management Contract or Compensatory Plan or Arrangement

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized on October 27, 2021.

	THE CHEFS' WAREHOUSE, INC. **(Registrant)**
Date: October 27, 2021	/s/ James Leddy
	James Leddy Chief Financial Officer (Principal Financial Officer)
Date: October 27, 2021	/s/ Timothy McCauley
	Timothy McCauley Chief Accounting Officer (Principal Accounting Officer)

Exhibit 31.1

CERTIFICATIONS

I, Christopher Pappas, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Chefs' Warehouse, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and Rule 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 27, 2021

/s/ Christopher Pappas

By: Christopher Pappas
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, James Leddy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Chefs' Warehouse, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and Rule 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 27, 2021

/s/ James Leddy

By: James Leddy
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of The Chefs’ Warehouse, Inc. (the “Company”) on Form 10-Q for the quarter ended September 24, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Christopher Pappas, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 27, 2021	By:	/s/ Christopher Pappas
		Christopher Pappas
		Chairman, President and Chief Executive Officer
		(Principal Executive Officer)

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of The Chefs' Warehouse, Inc. (the "Company") on Form 10-Q for the quarter ended September 24, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James Leddy, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 27, 2021

By: /s/ James Leddy
James Leddy
Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.